Financial Section

Consolidated Five-Year Summary

THE 77 BANK, LTD. AND CONSOLIDATED SUBSIDIARIES
As of March 31

	Millions of Yen				
	2017	2016	2015	2014	2013
For the fiscal year					
Net interest income	**¥ 67,678**	¥ 70,908	¥ 70,280	¥ 70,148	¥ 68,688
Net fees and commissions	**10,973**	11,519	11,843	11,705	11,344
Net other operating (loss) income	**(5,213)**	(2,988)	2,407	469	1,508
Net income attributable to owners of the parent	**16,114**	15,857	17,049	15,059	12,446
At the fiscal year-end					
Total assets	**¥8,649,396**	¥8,598,583	¥8,588,463	¥8,507,205	¥8,261,103
Deposits	**7,805,860**	7,963,738	7,849,299	7,871,879	7,745,804
Loans and bills discounted	**4,443,883**	4,350,795	4,219,621	3,998,209	3,762,620
Trading account securities and investment securities	**3,262,638**	3,519,568	3,708,968	3,746,477	3,439,268
Equity	**468,195**	452,310	472,029	397,011	367,533
Common stock	**24,658**	24,658	24,658	24,658	24,658

	Yen				
	2017	2016	2015	2014	2013
Per share of common stock					
Basic net income	**¥ 43.14**	¥ 42.37	¥ 45.56	¥ 40.26	¥ 33.29
Diluted net income	**42.94**	42.18	45.38	40.10	33.18
Equity	**1,261.34**	1,165.83	1,223.49	1,027.15	953.77
Cash dividends	**9.00**	9.00	8.50	7.50	7.00
Capital adequacy ratio (%)					
Domestic standard	**10.73**	11.21	12.51	12.68	12.54

Notes: 1. The national consumption tax and the local consumption tax are excluded from transaction amounts.
2. The Bank's capital adequacy ratio on the domestic standard is accompanied by the revision of Article 14, Paragraph 2, of the Banking Law of Japan, in line with enforcement of the related law for financial system reform.

Consolidated Performance for Fiscal 2017

THE 77 BANK, LTD. AND CONSOLIDATED SUBSIDIARIES
Year Ended March 31

Financial and Economic Conditions

Based in Miyagi Prefecture, The 77 Bank has a network of branches extending across Fukushima Prefecture, Iwate Prefecture, Yamagata Prefecture, Akita Prefecture, Tokyo, Aichi Prefecture, Osaka and Hokkaido. In accordance with the principle of sound management, the Bank's basic policy is to aspire to be the "Value-creating bank that grows together with and is the most trusted by the region." Within 10 years, the Bank aims to be the "Leading bank in the Tohoku region with scale and earnings power ranked within the top 10 regional banks based on the established earnings base capable of coping with any change in the business environment through creation of new value in the region."

In fiscal 2017, the year ended March 31, 2017, the moderate recovery of the Japanese economy continued with an upward trend in production and exports reflecting a moderate turnaround in the overseas economy and a strong demand for electronic components. Meanwhile, in Miyagi Prefecture, the heartland of The 77 Bank, economic activity was generally upbeat despite some weakening of production and personal consumption as the economic recovery of Miyagi Prefecture continued at a moderate pace.

In these circumstances, long-term interest rates, which had been negative against the backdrop of monetary easing initiated by the Bank of Japan and other measures, turned positive in the second half of the fiscal year, but generally remained at a low level of less than 0.1%. Meanwhile, short-term interest rates were at around zero. Regarding share prices, the Nikkei Stock Average temporarily declined to the ¥14,000 level in June, 2016 in response to the result of referendum on the U.K.'s withdrawal from the European Union (Brexit), but recovered in the second half of the fiscal year against the backdrop of expectations for the U.S. economic policies and remained around ¥19,000 toward the end of the fiscal year. In foreign exchange markets, the yen appreciated temporarily to ¥99 to the U.S. dollar at the beginning of the fiscal year, but afterward reversed its movement and stood at ¥111 at the end of the fiscal year.

In view of the massive damage caused by the Great East Japan Earthquake, the Bank strove to maintain the stable provision of financial services and to continue to fulfill its financial intermediary functions, in order to contribute to the recovery and reconstruction of communities and the regional economy as a financial institution working hand in hand with the region.

In terms of support for enterprises that were affected by the Great East Japan Earthquake, we vigorously responded to their funding needs for the resumption of business and restoration of facilities by using the Restoration and Maintenance Subsidy Project for Facilities of Small and Medium-sized Enterprise Groups and Compensation for Interest Rates on Special Zones for Reconstruction of central and local government. Through business matching and other core business support, we continued making efforts to resolve customers' management issues, including the development and expansion of sales routes.

To support customers facing difficulties in continuing business or making loan repayments because of the impact of the earthquake, the Bank continued to be flexible, such as accepting change of loan terms and conditions, in light of the situation faced by each customer. In response to the "double loan" problem, the Bank utilized external institutions, such as the Corporation for Revitalizing Earthquake-affected Business and the Miyagi Industry Revitalization Corporation, as necessary, to support corporate customers burdened by double loans, and offered consultation to help them improve management and revitalize their businesses through collaboration with external experts present at the Bank's headquarters. For individual customers, the Bank strove to communicate the advantages and implications of the Individual Debtor Guidelines for Out-of-Court Workouts. Moreover, for customers subject to group relocation projects for disaster mitigation, the Bank vigorously offered the 77 Earthquake Recovery Support Home Loan (Group Relocation Type and Leased Land Type), a dedicated mortgage product to support the building of new homes.

In these circumstances, all officers and employees at the Bank and its consolidated subsidiaries made a concerted effort to promote business while helping the region in its drive to recover from the Great East Japan Earthquake with the support of shareholders and customers. Consolidated business results were as stated below.

Consolidated Business Results

Deposits, including negotiable deposits, amounted to ¥7,805.8 billion at the end of the year under review, having decreased by ¥157.8 billion.

Loans and bills discounted increased by ¥93.0 billion to ¥4,443.8 billion at the end of the year. Investment securities decreased by ¥249.6 billion to ¥3,241.8 billion at the end of year.

Total assets stood at ¥8,649.3 billion at the end of the year under review, having increased by ¥50.8 billion.

With regard to profit and loss, total income decreased by ¥9,385 million from the previous year to ¥106,692 million as a result of a decrease in interest income mainly owing to a decrease in interest on loans and bills discounted resulting from lower market interest rates, and a decrease in other income as a result of a decrease in gains on reversal of reserve for possible loan losses. Total expenses decreased by ¥5,651 million to ¥82,895 million, owing to a decrease in general and administrative expenses resulting from a decrease in systems-related expenses recorded in the previous fiscal year in line with the migration to MEJAR in January 2016.

As a result, ordinary profit decreased by ¥3,735 million from the previous year to ¥23,796 million. Net income attributable to owners of the parent increased by 257 million to ¥16,114 million, mainly due to a decrease in income taxes. Net income per share was ¥43.14.

Cash Flows

Net cash provided in operating activities totaled ¥71,377 million, an increase of ¥224,377 million from the previous year, mainly due to a decrease in call loans, etc.

Net cash provided by investing activities totaled ¥157,017 million, an increase of 9,953 million from the previous year, mainly due to sale and redemption of securities.

Net cash used in financing activities amounted to ¥9,308 million, an increase of ¥14,080 million from the previous year, mainly due to expenditure on acquisition of treasury stocks and purchase of shares of subsidiaries resulting in no change in scope of consolidation.

Consequently, cash and cash equivalents at March 31, 2017 amounted to ¥701,814 million, having increased by ¥219,081 million from the previous year.

Consolidated Balance Sheet
THE 77 BANK, LTD. AND CONSOLIDATED SUBSIDIARIES
March 31, 2017

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2017	2016	2017
Assets:			
Cash and due from banks (Notes 4 and 27)	¥ 708,975	¥ 485,921	$ 6,319,413
Call loans and bills bought (Note 27)	557	115,560	4,964
Debt purchased	5,042	4,740	44,941
Trading account securities (Note 5)	20,793	28,056	185,337
Money held in trust (Notes 6 and 27)	168,053	76,278	1,497,932
Investment securities (Notes 5, 11, 12, 27 and 28)	3,241,844	3,491,511	28,896,015
Loans and bills discounted (Notes 7, 13, 27, 28 and 29)	4,443,883	4,350,795	39,610,330
Foreign exchange assets (Note 8)	4,748	4,313	42,321
Lease receivables and investments in leases (Notes 26 and 29)	15,217	15,556	135,635
Tangible fixed assets (Notes 9, 10 and 17):			
Buildings	8,607	8,834	76,718
Land	20,127	20,222	179,401
Lease assets	79	105	704
Construction in progress	1,128	257	10,054
Other tangible fixed assets	5,514	6,549	49,148
Intangible fixed assets:			
Software	11	12	98
Other intangible fixed assets	289	295	2,575
Deferred tax assets (Note 24)	1,144	1,687	10,196
Customers' liabilities for acceptances and guarantees (Notes 11 and 29)	30,448	35,302	271,396
Other assets (Notes 12, 28 and 29)	43,312	27,532	386,059
Reserve for possible loan losses	(70,384)	(74,950)	(627,364)
Total	¥8,649,396	¥8,598,583	$77,095,962
Liabilities:			
Deposits (Notes 12, 14 and 27)	¥7,805,860	¥7,963,738	$69,577,145
Call money and bills sold	79,991		712,995
Payables under securities lending transactions (Note 12)	30,998	20,908	276,299
Borrowed money (Notes 12, 15 and 27)	110,740	4,466	987,075
Foreign exchange liabilities (Note 8)	72	82	641
Liability for employees' retirement benefits (Note 16)	35,228	36,278	314,003
Reserve for reimbursement of deposits	443	403	3,948
Reserve for contingent losses	744	799	6,631
Reserve for disaster losses		7	
Deferred tax liabilities (Note 24)	22,377	17,371	199,456
Acceptances and guarantees (Notes 11 and 29)	30,448	35,302	271,396
Other liabilities (Notes 17 and 28)	64,296	66,914	573,099
Total liabilities	8,181,201	8,146,272	72,922,729
Equity (Notes 18 and 32):			
Common stock—authorized, 1,344,000,000 shares; issued, 383,278,734 shares in 2017 and 2016	24,658	24,658	219,787
Capital surplus	20,267	7,835	180,648
Stock acquisition rights (Note 19)	728	721	6,488
Retained earnings	317,655	304,910	2,831,402
Less: treasury stock—at cost, 12,669,437 shares and 9,050,186 shares in 2017 and 2016, respectively	(6,578)	(4,396)	(58,632)
Accumulated other comprehensive income:			
Unrealized gains on available-for-sale securities (Note 5)	120,817	115,223	1,076,896
Deferred losses on derivatives under hedge accounting (Note 28)	(1,848)	(3,446)	(16,472)
Defined retirement benefit plans (Note 16)	(7,504)	(8,495)	(66,886)
Total	468,195	437,009	4,173,232
Noncontrolling interests		15,301	
Total equity	468,195	452,310	4,173,232
Total	¥8,649,396	¥8,598,583	$77,095,962

See notes to consolidated financial statements.

Consolidated Statement of Income

THE 77 BANK, LTD. AND CONSOLIDATED SUBSIDIARIES
Year Ended March 31, 2017

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2017	2016	2017
Income:			
Interest income:			
Interest on loans and discounts	¥ 41,318	¥ 44,060	$368,285
Interest and dividends on trading account and investment securities	29,066	30,610	259,078
Other	171	217	1,524
Fees and commissions (Note 29)	17,069	17,208	152,143
Other operating income (Note 20)	10,055	10,514	89,624
Reversal of reserve for possible loan losses	2,141	7,193	19,083
Gains on sales of money held in trust	2,967	2,057	26,446
Other income (Note 21)	3,901	4,215	34,771
Total income	106,692	116,077	950,993
Expenses:			
Interest expense:			
Interest on deposits	1,454	2,768	12,960
Interest on borrowings and rediscounts	303	413	2,700
Other	1,119	798	9,974
Fees and commissions	6,096	5,689	54,336
Other operating expenses (Note 22)	15,268	13,502	136,090
General and administrative expenses (Note 19)	57,288	63,646	510,633
Other expenses (Notes 10 and 23)	1,870	2,166	16,668
Total expenses	83,400	88,984	743,381
Income before income taxes	23,291	27,092	207,603
Income taxes (Note 24):			
Current	4,246	9,119	37,846
Deferred	2,167	383	19,315
Total income taxes	6,414	9,502	57,170
Net income	16,877	17,589	150,432
Net income attributable to noncontrolling interests	763	1,731	6,800
Net income attributable to owners of the parent	¥ 16,114	¥ 15,857	$143,631

	Yen		U.S. Dollars
Per share of common stock (Note 31):			
Basic net income	¥43.14	¥42.37	$0.384
Diluted net income	42.94	42.18	0.382
Cash dividends applicable to the year	9.00	9.00	0.080

See notes to consolidated financial statements.

Consolidated Statement of Comprehensive Income

THE 77 BANK, LTD. AND CONSOLIDATED SUBSIDIARIES
Year Ended March 31, 2017

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2017	2016	2017
Net Income	¥16,877	¥ 17,589	$150,432
Other comprehensive income (loss) (note 25):			
Unrealized gains (losses) on available-for-sale securities	5,582	(24,166)	49,754
Deferred gains (losses) on derivatives under hedge accounting	1,597	(3,030)	14,234
Defined retirement benefit plans	991	(6,858)	8,833
Total other comprehensive income (loss)	8,171	(34,055)	72,831
Comprehensive income (loss)	¥25,048	¥(16,466)	$223,264
Total comprehensive income (loss) attributable to:			
Owners of the parent	¥24,297	¥(18,204)	$216,570
Noncontrolling interests	750	1,738	6,685

See notes to consolidated financial statements.

Consolidated Statement of Changes in Equity

THE 77 BANK, LTD. AND CONSOLIDATED SUBSIDIARIES
Year Ended March 31, 2017

	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	Unrealized Gains on Available-for-Sale Securities	Deferred Losses on Derivatives under Hedge Accounting	Defined Retirement Benefit Plans	Total	Non controlling Interests	Total Equity
BALANCE, APRIL 1, 2015	374,226	¥24,658	¥7,835	¥593	¥292,420	¥(4,393)	¥139,396	¥(415)	¥(1,637)	¥458,458	¥13,571	¥472,029
Net income attributable to owners of the parent					15,857					15,857		15,857
Cash dividends, ¥9.00 per share					(3,368)					(3,368)		(3,368)
Purchase of treasury stock	(21)					(14)				(14)		(14)
Sales of treasury stock	23					11				11		11
Net change in the year				127			(24,172)	(3,030)	(6,858)	(33,935)	1,729	(32,205)
BALANCE, MARCH 31, 2016	374,228	24,658	7,835	721	304,910	(4,396)	115,223	(3,446)	(8,495)	437,009	15,301	452,310
Net income attributable to owners of the parent					16,114					16,114		16,114
Cash dividends, ¥9.00 per share					(3,369)					(3,369)		(3,369)
Acquisition of additional shares of subsidiaries (Note 3)			10,444							10,444		10,444
Increase due to share exchange (Note 3)	1,442		2,034			704				2,739		2,739
Purchase of treasury stock	(5,364)					(3,008)				(3,008)		(3,008)
Sales of treasury stock	302		(46)			122				76		76
Net change in the year				6			5,594	1,597	991	8,190	(15,301)	(7,111)
BALANCE, MARCH 31, 2017	370,609	¥24,658	¥20,267	¥728	¥317,655	¥(6,578)	¥120,817	¥(1,848)	¥(7,504)	¥468,195		¥468,195

	Thousands of U.S. Dollars (Note 1)										
						Accumulated Other Comprehensive Income					
	Common Stock	Capital Surplus	Stock Acquisition Rights	Retained Earnings	Treasury Stock	Unrealized Gains on Available-for-Sale Securities	Deferred Losses on Derivatives under Hedge Accounting	Defined Retirement Benefit Plans	Total	Non controlling Interests	Total Equity
BALANCE, MARCH 31, 2016	$219,787	$69,836	$6,426	$2,717,800	$(39,183)	$1,027,034	$(30,715)	$(75,719)	$3,895,258	$136,384	$4,031,642
Net income attributable to owners of the parent				143,631					143,631		143,631
Cash dividends, $0.080 per share				(30,029)					(30,029)		(30,029)
Acquisition of additional shares of subsidiaries (Note 3)		93,092							93,092		93,092
Increase due to share exchange (Note 3)		18,129			6,275				24,413		24,413
Purchase of treasury stock					(26,811)				(26,811)		(26,811)
Sales of treasury stock		(410)			1,087				677		677
Net change in the year			53			49,861	14,234	8,833	73,001	(136,384)	(63,383)
BALANCE, MARCH 31, 2017	$219,787	$180,648	$6,488	$2,831,402	$(58,632)	$1,076,896	$(16,472)	$(66,886)	$4,173,232		$4,173,232

See notes to consolidated financial statements.

Consolidated Statement of Cash Flows

THE 77 BANK, LTD. AND CONSOLIDATED SUBSIDIARIES
Year Ended March 31, 2017

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2017	2016	2017
Operating activities:			
Income before income taxes	¥ 23,291	¥ 27,092	$ 207,603
Adjustments for:			
Income taxes—paid	(10,768)	(4,693)	(95,980)
Depreciation and amortization	3,856	4,336	34,370
Losses on impairment of fixed assets	505	438	4,501
Net change in reserve for possible loan losses	(4,565)	(9,004)	(40,689)
Net change in reserve for reimbursement of deposits	40	64	356
Net change in reserve for contingent losses	(55)	(134)	(490)
Net change in liability for employees' retirement benefits	374	(1,224)	3,333
Interest income	(70,556)	(74,888)	(628,897)
Interest expense	2,877	3,980	25,643
Losses on investment securities—net	2,548	2,932	22,711
Gains on money held in trust—net	(2,550)	(1,821)	(22,729)
Foreign exchange losses —net	543	15,769	4,840
Losses (gains) on sales and disposals of fixed assets—net	220	(72)	1,960
Net change in loans and bills discounted	(93,087)	(131,174)	(829,726)
Net change in deposits	(157,877)	114,438	(1,407,228)
Net change in borrowed money (except for subordinated loans)	106,273	(404)	947,259
Net change in due from banks (except for the Bank of Japan)	(3,972)	(653)	(35,404)
Net change in call loans and bills bought	114,700	(95,102)	1,022,372
Net change in call money and bills sold	79,991	(67,054)	712,995
Net change in payables under securities lending transactions	10,090	(18,355)	89,936
Net change in trading account securities	7,263	(16,659)	64,738
Net change in foreign exchange assets	(434)	(985)	(3,868)
Net change in foreign exchange liabilities	(9)	(213)	(80)
Net change in lease receivables and investments in leases	339	323	3,021
Interest received	76,449	81,246	681,424
Interest paid	(2,936)	(4,284)	(26,169)
Other—net	(11,175)	23,105	(99,607)
Total adjustments	48,085	(180,092)	428,603
Net cash provided by (used in) operating activities	¥ 71,377	¥(153,000)	$ 636,215
Investing activities:			
Purchases of investment securities	(314,823)	(676,027)	(2,806,159)
Proceeds from sales of investment securities	53,211	87,751	474,293
Proceeds from maturity of investment securities	508,055	736,471	4,528,523
Investment in money held in trust	(100,000)		(891,345)
Proceeds from dispositions of money held in trust	14,473	2,085	129,004
Purchases of tangible fixed assets	(3,925)	(3,360)	(34,985)
Proceeds from sales of tangible fixed assets	46	157	410
Purchases of intangible fixed assets	(6)	(1)	(53)
Payment for execution of asset retirement obligations	(14)	(11)	(124)
Net cash provided by investing activities	157,017	147,064	1,399,563
Financing activities:			
Repayment of subordinated loans		(20,000)	
Purchases of treasury stock	(3,008)	(14)	(26,811)
Proceeds from sales of treasury stock	1		8
Dividends paid	(3,374)	(3,365)	(30,073)
Dividends paid for noncontrolling interests	(8)	(8)	(71)
Purchases of investments in subsidiaries not resulting in change in scope of consolidation	(2,916)		(25,991)
Net cash used in financing activities	(9,308)	(23,388)	(82,966)
Foreign currency translation adjustments on cash and cash equivalents	(5)	(24)	(44)
Net increase (decrease) in cash and cash equivalents	219,081	(29,348)	1,952,767
Cash and cash equivalents, beginning of year	482,733	512,082	4,302,816
Cash and cash equivalents, end of year (Note 4)	¥ 701,814	¥ 482,733	$ 6,255,584

See notes to consolidated financial statements.

Notes to Consolidated Financial Statements

THE 77 BANK, LTD. AND CONSOLIDATED SUBSIDIARIES
Year Ended March 31, 2017

1. Basis Of Presenting Consolidated Financial Statements

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

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 which is more familiar to readers outside Japan. In addition, certain reclassifications have been made to the 2016 consolidated financial statements to conform to the classifications used in 2017.

In accordance with the Japanese Financial Instruments and Exchange Act and other relevant regulations, all Japanese yen figures in the consolidated financial statements have been rounded down to the nearest million yen, except for per share data. Accordingly, the total of each account may not be equal to the combined total of individual items. Also, U.S. dollar amounts have been rounded down to the nearest thousand dollars.

The consolidated financial statements are stated in Japanese yen, the currency of the country in which The 77 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 ¥112.19 to U.S.$1, the approximate rate of exchange as of March 31, 2017. 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 include the accounts of the Bank and its significant subsidiaries (collectively, the "Companies"). There were seven (six in 2016) consolidated subsidiaries as of March 31, 2017.

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

All significant intercompany balances and transactions have been eliminated in consolidation. All material unrealized profits included in assets resulting from transactions within the Companies are eliminated in consolidation.

(1) Scope of consolidation
Changes in the scope of consolidation in the fiscal year ended March 31, 2017, were as follows:

77 Securities Co., Ltd. was newly included in the scope of consolidation due to new incorporation.

Unconsolidated Subsidiaries

77 Capital Co., Ltd.
77 New Business Investment Limited Partnership

Unconsolidated subsidiaries are excluded from the scope of consolidation because such exclusion has no material impact on the consolidated financial statements in terms of total assets, income, net income (corresponding to the Bank's share), retained earnings (corresponding to the Bank's share) and accumulated other comprehensive income (corresponding to the Bank's share). 77 Capital Co., Ltd. and 77 New Business Investment Limited Partnership have been included in unconsolidated subsidiaries from the year ended March 31, 2017, due to new incorporation.

(2) Equity method

Unconsolidated Subsidiaries Not Accounted for by the Equity Method

77 Capital Co., Ltd.
77 New Business Investment Limited Partnership

These companies are excluded from the scope of equity method accounting because such exclusion has no material impact on the consolidated financial statements in terms of net income (corresponding to the Bank's share), retained earnings (corresponding to the Bank's share) and accumulated other comprehensive income (corresponding to the Bank's share).

These companies have been included in the unconsolidated subsidiaries not accounted for by the equity method from the year ended March 31, 2017, due to new incorporation.

b. Business Combinations—Business combinations are accounted for using the purchase method. Acquisition-related costs, such as advisory fees or professional fees, are accounted for as expenses in the periods in which the costs are incurred. 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. 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. 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. 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 capital surplus as long as the parent retains control over its subsidiary.

c. Cash and Cash Equivalents—For the purpose of the consolidated statement of cash flows, cash and cash equivalents represent cash and amounts due from the Bank of Japan.

d. Trading Account Securities, Investment Securities and Money Held in Trust—Securities other than investments in affiliates are classified into three categories, based principally on the Companies' intent, as follows: (1) trading account securities, which are held for the purpose of earning capital gains in the near term, are reported at fair value and the related unrealized gains and losses are included in earnings; (2) held-to-maturity debt securities, which are expected to be held to maturity with the positive intent and ability to hold to maturity, are reported at amortized cost; and (3) available-for-sale securities, which are not classified as either of the aforementioned securities, are reported at fair value with unrealized gains and losses, net of applicable taxes, reported in a separate component of equity.

The cost of trading account securities and available-for-sale securities sold is determined based on the moving-average method.

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

Available-for-sale securities for which fair value is extremely difficult to determine are reported at cost determined by the moving-average method.

For other-than-temporary declines in fair value, investment securities are reduced to net realizable value by a charge to income.

Securities included in money held in trust are also classified and accounted for using the same method as above.

The components of trust assets are accounted for based on the standard appropriate for each asset type. Instruments held in trust for trading purposes are recorded at fair value and unrealized gains and losses are recorded in other income/expenses. Instruments held in trust classified as available-for-sale are recorded at fair value with the corresponding unrealized gains/losses recorded directly in a separate component of equity. Instruments held in trust classified as held to maturity are carried at amortized cost.

e. Tangible Fixed Assets—Tangible fixed assets are stated at cost less accumulated depreciation and gains deferred on the sale and replacement of certain assets. Depreciation of tangible fixed assets, except for lease assets, is mainly computed using the declining-balance method at rates based on the estimated useful lives of the assets. The range of useful lives is principally from 5 to 31 years for buildings and from 4 to 20 years for equipment. Lease assets under finance lease transactions, in which substantial ownership is not deemed to have been transferred, are depreciated using the straight-line method over the lease term. The salvage value is zero or the guaranteed amounts if specified in the lease contracts (see Note 2.o).

f. Intangible Fixed Assets—The amortization of intangible fixed assets is calculated using the straight-line method. Capitalized costs of computer software developed/obtained for internal use are amortized using the straight-line method over the estimated useful lives of five years.

g. Long-Lived Assets—The Companies review their 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 ("DCFs") from the continued use and eventual disposition of the asset or the net selling price at disposition.

h. Foreign Currency Items—Assets and liabilities denominated in foreign currencies held by the Bank at year-end are translated into Japanese yen at the current exchange rates in effect at each consolidated balance sheet date. Exchange gains and losses are recognized in the fiscal periods in which they occur.

i. Reserve for Possible Loan Losses—The Bank determines the amount of the reserve for possible loan losses by means of management's judgment and assessment of future losses based on a self-assessment system. This system reflects past experience of credit losses, possible future credit losses, business and economic conditions, the character, quality and performance of the portfolio, and other pertinent indicators.

As part of the Bank's self-assessment system, the quality of all loans is assessed by branches and the credit supervisory division with a subsequent audit by the Bank's asset review and inspection division in accordance with the Bank's policy and rules for self-assessment of asset quality.

The Bank has established a credit rating system under which its debtors are classified into five categories. The credit rating system is used in the self-assessment of asset quality. All loans are classified into one of the following five categories for self-assessment purposes: "normal," "caution," "possible bankruptcy," "virtual bankruptcy," and "legal bankruptcy."

For loans to borrowers classified as legal bankruptcy or virtual bankruptcy, the Bank fully provides the net amount of loans and estimated collectible amounts by collateral or guarantees. Regarding loans to borrowers classified as possible bankruptcy, a specific reserve is provided to the necessary extent for the net amount of loans and estimated collectible amounts by collateral or guarantees.

For large debtors who are likely to become bankrupt and debtors with restructured loans, if the cash flows from collection of the principal and interest can be reasonably estimated, the reserve is provided based on the difference between the relevant cash flows discounted by the initial contractual interest rates and the carrying amounts of the loans (the "DCF method").

The reserve for other possible loan losses is calculated based on the specific actual past loss ratio for normal and caution categories and the fair value of the collateral for collateral-dependent loans and other solvency factors including the value of future cash flows for the other self-assessment categories.

The Bank's subsidiaries determine the reserve for possible loan losses by a similar self-assessment system as that of the Bank.

j. Reserve for Reimbursement of Deposits—Reserve for reimbursement of deposits which were derecognized as liabilities is provided for the future estimated payments for reimbursement claims on dormant deposit accounts based on the historical reimbursement experience.

k. Reserve for Contingent Losses—Reserve for contingent losses is provided for the future estimated payments of burden money to the Credit Guarantee Corporations based on the historical experience of subrogation.

l. Employees' Retirement and Pension Plans—In calculation of projected benefit obligations, expected benefits are attributed to periods on a benefit formula basis. Treatment of prior service cost and actuarial gains and losses is as follows:

Prior service cost is charged to expenses when incurred.

Unrecognized actuarial gains and losses are amortized by the straight-line method from the following fiscal year after the fiscal year when they were incurred over a definite period (10 years) with the employees' average remaining service period when incurred.

Consolidated subsidiaries apply a shortcut method whereby the amount of the retirement benefits required to be paid if all the employees voluntarily retired at the end of the fiscal year is regarded as projected benefit obligations in determining the liability for employees' retirement benefits and net periodic retirement benefit costs.

m. Asset Retirement Obligations—The asset retirement obligation is recognized as the sum of the DCFs required for the future asset retirement and is recorded in the period in which the obligation is incurred if a reasonable estimate can be made. If a reasonable estimate of the asset retirement obligation cannot be made in the period the asset retirement obligation is incurred, the liability should be recognized when a reasonable estimate of the asset retirement obligation can be made. Upon initial recognition of a liability for an asset retirement obligation, an asset retirement cost is capitalized by increasing the carrying amount of the related fixed asset by the amount of the liability. The asset retirement cost is subsequently allocated to expense through depreciation over the remaining useful life of the asset. Over time, the liability is accreted to its present value each period. Any subsequent revisions to the timing or the amount of the original estimate of undiscounted cash flows are reflected as an increase or a decrease in the carrying amount of the liability and the capitalized amount of the related asset retirement cost.

n. Stock Options—The Bank recognizes 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 Bank also accounts 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.

o. Leases

As a lessee

Finance lease transactions are capitalized to recognize lease assets and lease obligations in the consolidated balance sheet.

As a lessor

All finance leases that are deemed to transfer ownership of the leased property to the lessee are recognized as lease receivables, and all finance leases that are deemed not to transfer ownership of the leased property to the lessee are recognized as investments in leases.

p. 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 tax laws to the temporary differences.

The Companies applied Accounting Standards Board of Japan ("ASBJ") Guidance No. 26, "Guidance on Recoverability of Deferred Tax Assets" (issued on March 28, 2016) effective on April 1, 2016. There was no impact from this for the year ended March 31, 2017.

q. Derivatives and Hedging Activities—It is the Bank's policy to use derivative financial instruments ("derivatives") primarily for the purpose of reducing market risks associated with its assets and liabilities. The Bank also utilizes derivatives to meet the needs of its clients while entering into derivatives as a part of its trading activities. The Bank enters into interest rate swaps and interest rate swaptions as a means of hedging its interest rate risk on certain loans and investment securities and to meet the needs of its clients. The Bank also enters into currency swaps, foreign exchange forward contracts, and currency options to hedge foreign currency exchange risk associated with its assets and liabilities denominated in foreign currencies and to meet the needs of its clients.

Derivatives are recognized as either assets or liabilities and measured at fair value. Gains or losses on derivative transactions are recognized in the consolidated statement of income. If derivatives qualify for hedge accounting because of high correlation and effectiveness between the hedging instruments and the hedged items, the gains or losses on derivatives are deferred until maturity of the hedged transactions.

The interest rate swaps which 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.

r. Per Share Information—Basic net income per share is computed by dividing net income attributable to common stockholders by the weighted-average number of common shares outstanding for the period, retroactively adjusted for stock splits.

Diluted net income per share reflects the potential dilution that could occur if securities were exercised or converted into common stock. Diluted net income per share 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 consolidated statement of income are dividends applicable to the respective years including dividends to be paid after the end of the year.

3. Business Combination

Year Ended March 31, 2017

(1) Acquisition of Additional Shares in Consolidated Subsidiaries

a. Outline of the business combination

1. Name of Acquired Company and Its Business Outline

Name of the Acquired Company	Business Outline
77 Lease Co., Ltd.	Leasing business
77 Shin-Yo Hosyo Co., Ltd.	Guaranty and credit investigation services
77 Computer Services Co., Ltd.	Computer-based contract services such as calculation services for other companies
The 77 Card Co., Ltd.	Credit card business

2. Date of Business Combination
   November 1, 2016

3. Legal Form of Business Combination
   Share acquisition from noncontrolling stockholders

4. Name of the Company after the Combination
   No change

5. Other Matters
   This transaction aims to enhance the effectiveness and efficiency of management and strengthening of governance of the Companies and the Bank strives to provide comprehensive financial services as a group through strengthening cooperation within the Companies and enhance the value of the region.

b. Overview of accounting treatments performed

The Bank accounted for the transaction as a transaction with noncontrolling stockholders (a transaction under common control and other) in accordance with ASBJ Statement No. 21, "Accounting Standard for Business Combinations" (issued on September 13, 2013) and ASBJ Guidance No. 10, "Revised Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures" (issued on September 13, 2013).

c. Matters to be noted concerning acquisition of additional shares in subsidiaries

	Millions of Yen	Thousands of U.S. Dollars
Acquisition cost	¥2,916	$25,991
Consideration for acquisition— Cash and due from banks	¥2,916	$25,991

d. Changes in the Bank's ownership related to transactions with noncontrolling stockholders

1. Main reasons for the change in capital surplus
   Acquisition. of additional shares in subsidiaries
2. Amount of capital surplus increased due to the transaction with noncontrolling stockholders
   ¥10,444 million ($93,092 thousand)

(2) Share Exchange between the Bank and a Consolidated Subsidiary

a. Overview of the transaction

1. Name of Acquired Company and Its Business Outline

Name of the Acquired Company	Business Outline
The 77 Card Co., Ltd.	Credit card business

2. Date of Business Combination
   November 11, 2016

3. Legal Form of Business Combination
   Share exchange whereby The 77 Card Co., Ltd. becomes a wholly owned subsidiary by the Bank

4. Name of the Company after the Combination
   No change

5. Other Matters
   This transaction aims to enhance the effectiveness and efficiency of management and strengthening of governance of the Companies and the Bank strives to provide comprehensive financial services as a group through strengthening cooperation within the Companies and enhance the value of the region.

b. Overview of accounting treatments performed

The Bank accounted for the transaction as a transaction with noncontrolling stockholders (a transaction under common control and other) in accordance with ASBJ Statement No. 21, "Accounting Standard for Business Combinations" (issued on September 13, 2013) and ASBJ Guidance No. 10, "Revised Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures" (issued on September 13, 2013).

c. Matters to be noted concerning acquisition of additional shares in a subsidiary

Details of acquisition cost and type of consideration:

	Millions of Yen	Thousands of U.S. Dollars
Acquisition cost	¥2,465	$21,971
Consideration for acquisition—Treasury stocks	¥2,465	$21,971

Share exchange ratio by type of stock and its calculation method and number of shares to be issued:

Share exchange ratio by type of stock

The Bank allotted 3,206 shares of its common stock for 1 share of common stock of The 77 Card Co., Ltd.

Calculation method

The Bank appointed Minamiaoyama FAS Corporation as an independent advisor concerning calculation or the share exchange ratio and requested the calculation in order to secure the fairness and reasonableness in deciding the share exchange ratio. After the Bank and The 77 Card Co., Ltd. negotiated and discussed about the share exchange ratio with reference to the outcome of the independent calculation, the Bank judged the above noted share exchange ratio was reasonable and both parties agreed and decided.

Number of shares to be issued

3,270 thousand shares (including 1,827 thousand shares allotted for consolidated subsidiaries)

d. Changes in the Bank's ownership related to transactions with noncontrolling stockholders

1. Main Reasons for the Change in Capital Surplus
   Additional acquisition of shares in a subsidiary

2. Amount of Capital Surplus Increased due to the Transaction with Noncontrolling Stockholders
   ¥2,034 million ($18,129 thousand)

4. Cash And Cash Equivalents

The reconciliation of cash and cash equivalents at the end of the year and cash and due from banks in the consolidated balance sheet as of March 31, 2017 and 2016, was as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2017	2016	2017
Cash and due from banks	¥708,975	¥485,921	$6,319,413
Due from banks, excluding due from the Bank of Japan	(7,160)	(3,187)	(63,820)
Cash and cash equivalents at the end of year	¥701,814	¥482,733	$6,255,584

5. Trading Account Securities And Investment Securities

Trading account securities as of March 31, 2017 and 2016, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2017	2016	2017
National government bonds	¥ 594	¥ 590	$ 5,294
Local government bonds	6,199	5,464	55,254
Other securities	13,999	22,001	124,779
Total	¥20,793	¥28,056	$185,337

Investment securities as of March 31, 2017 and 2016, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2017	2016	2017
National government bonds	¥1,233,137	¥1,569,246	$10,991,505
Local government bonds	249,904	232,856	2,227,506
Corporate bonds	983,202	997,218	8,763,722
Equity securities	139,598	125,613	1,244,299
Other securities	636,002	566,575	5,668,972
Total	¥3,241,844	¥3,491,511	$28,896,015

Securities loaned under securities lending agreements are included in the above national government bonds in the amount of ¥25,160 million ($224,262 thousand) and ¥20,242 million as of March 31, 2017 and 2016, respectively.

Investment in an unconsolidated subsidiary in the amount of ¥25 million ($222 thousand) and investment in interest in partnership in the amount of ¥971 million ($8,654 thousand) are included in the above equity securities and other securities as of March 31, 2017.

The carrying amounts and aggregate fair values of securities as of March 31, 2017 and 2016, were as follows:

Securities below include trading account securities and investment securities:

	Millions of Yen			
	2017			
	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Securities classified as:				
Trading				¥ 20,793
Available-for-sale:				
Equity securities*	¥ 58,497	¥79,591	¥ 473	137,615
Debt securities	2,420,185	35,975	516	2,455,644
Other securities*	590,223	51,224	9,085	632,362
Held to maturity	10,600	48		10,648

	Millions of Yen			
	2016			
	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Securities classified as:				
Trading				¥ 28,056
Available-for-sale:				
Equity securities*	¥ 59,413	¥65,160	¥ 893	123,680
Debt securities	2,737,666	49,477	22	2,787,121
Other securities*	525,404	46,355	7,495	564,263
Held to maturity	12,201	81		12,282

	Thousands of U.S. Dollars			
	2017			
	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Securities classified as:				
Trading				$ 185,337
Available-for-sale:				
Equity securities*	$ 521,410	$709,430	$ 4,216	1,226,624
Debt securities	21,572,198	320,661	4,599	21,888,260
Other securities*	5,260,923	456,582	80,978	5,636,527
Held to maturity	94,482	427		94,910

* Unlisted equity securities for which the fair value is extremely difficult to determine are not included.

Securities, other than trading account securities, with readily determinable fair value, whose fair value significantly declined compared with the acquisition cost and whose fair value is not considered likely to recover to their acquisition cost, are written down to the respective fair value. The related losses on revaluation are charged to income for the fiscal year.

No impairment loss was recognized for securities for the year ended March 31, 2017.

Impairment losses were recognized for available-for-sale securities in the amount of ¥4,756 million, consisting of ¥764 million of equity securities and ¥3,991 million of other securities for the year ended March 31, 2016.

The criteria for determining whether the fair value has "significantly declined" are defined based on the asset classification of the issuer in the internal standards for asset quality self-assessment as follows:

(a) Normal issuer: Fair value declined by 50% or more of the acquisition cost or fair value declined between 30% and 50% and average fair value during the past one month declined by 50% or more (30% or more for issuers who have credit risk more than a certain level).

(b) Caution issuers: Fair value declined by 30% or more of the acquisition cost.

(c) Legally bankrupt, virtually bankrupt, and possibly bankrupt issuers: Fair value is lower than the acquisition cost.

Proceeds from sales of available-for-sale securities for the years ended March 31, 2017 and 2016, were ¥50,680 million ($451,733 thousand) and ¥90,397 million, respectively. Gross realized gains and losses on these sales, computed on a moving average cost basis, were ¥2,057 million ($18,334 thousand) and ¥155 million ($1,381 thousand), respectively, for the year ended March 31, 2017, and ¥2,784 million and ¥280 million, respectively, for the year ended March 31, 2016.

Unrealized gains on available-for-sale securities as of March 31, 2017 and 2016, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2017	2016	**2017**
Valuation differences:			
Available-for-sale securities	**¥156,457**	¥152,581	**$1,394,571**
Available-for-sale money held in trust	**15,020**	11,320	**133,880**
Deferred tax liabilities	**(50,660)**	(48,410)	**(451,555)**
Noncontrolling interests		(269)	
Unrealized gains on available-for-sale securities	**¥120,817**	¥115,223	**$1,076,896**

6. Money Held In Trust

The carrying amounts and aggregate fair values of money held in trust as of March 31, 2017 and 2016, were as follows:

	Millions of Yen			
	2017			
	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Money held in trust classified as:				
Trading				**¥131,451**
Available-for-sale	**¥21,581**	**¥15,020**		**36,601**
Total	**¥21,581**	**¥15,020**		**¥168,053**

	Millions of Yen			
	2016			
	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Money held in trust classified as:				
Trading				¥43,375
Available-for-sale	¥21,581	¥11,320		32,902
Total	¥21,581	¥11,320		¥76,278

	Thousands of U.S. Dollars			
	2017			
	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Money held in trust classified as:				
Trading				**$1,171,681**
Available-for-sale	**$192,361**	**$133,880**		**326,241**
Total	**$192,361**	**$133,880**		**$1,497,932**

Available-for-sale securities held in trust, whose fair value significantly declined compared with the acquisition cost and whose fair value is not considered likely to recover to their acquisition cost, are written down to the respective fair value.

No impairment loss was recognized for money held in trust for the years ended March 31, 2017 and 2016.

7. Loans And Bills Discounted

Loans and bills discounted as of March 31, 2017 and 2016, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2017	2016	**2017**
Bills discounted	**¥ 9,144**	¥ 10,331	**$ 81,504**
Loans on bills	**156,710**	160,996	**1,396,826**
Loans on deeds	**3,768,063**	3,629,488	**33,586,442**
Overdrafts	**509,965**	549,979	**4,545,547**
Total	**¥4,443,883**	¥4,350,795	**$39,610,330**

Bills discounted are accounted for as financial transactions in accordance with "Treatment of Accounting and Auditing of Application of Accounting Standard for Financial Instruments in the Banking Industry" (the Japanese Institute of Certified Public Accountants (the "JICPA") Industry Audit Committee Report No. 24). The Bank has rights to sell or pledge these bills discounted. The total of the face value of bills discounted was ¥9,144 million ($81,504 thousand) and ¥10,501 million as of March 31, 2017 and 2016, respectively.

Loans and bills discounted as of March 31, 2017 and 2016, included the following loans:

	Millions of Yen		Thousands of U.S. Dollars
	2017	2016	**2017**
Loans to borrowers in bankruptcy	**¥ 834**	¥ 1,476	**$ 7,433**
Past due loans	**77,394**	80,965	**689,847**
Past due loans (three months or more)	**772**	612	**6,881**
Restructured loans	**26,892**	32,709	**239,700**
Total	**¥105,893**	¥115,764	**$943,872**

Loans to borrowers in bankruptcy represent nonaccrual loans to debtors who are legally bankrupt, as defined in the Enforcement Ordinance for the Corporation Tax Law.

Past due loans are nonaccrual loans which include loans classified as "possible bankruptcy" and "virtual bankruptcy."

Nonaccrual loans are defined as loans for which the Bank has discontinued accruing interest income due to substantial doubt existing about the ultimate collection of principal and/or interest. Such loans are classified either as "possible bankruptcy" or "virtual bankruptcy" under the Bank's self-assessment guidelines.

In addition to past due loans, certain other loans classified as "caution" under the Bank's self-assessment guidelines include past due loans (three months or more) which consist of loans for which the principal and/or interest is three months or more past due, but exclude loans to borrowers in bankruptcy and past due loans.

Restructured loans are loans where the Bank and its subsidiaries relax lending conditions by reducing the original interest rate or by forbearing interest payments or principal repayments to support the borrower's reorganization. Restructured loans exclude loans to borrowers in bankruptcy, past due loans or past due loans (three months or more).

8. Foreign Exchanges

Foreign exchange assets and liabilities as of March 31, 2017 and 2016, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2017	2016	**2017**
Assets			
Foreign exchange bills bought		¥ 170	
Foreign exchange bills receivable	**¥ 14**	3	**$ 124**
Due from foreign correspondent accounts	**4,733**	4,139	**42,187**
Total	**¥4,748**	¥4,313	**$42,321**
Liabilities			
Foreign exchange bills sold	**¥42**	¥25	**$374**
Foreign exchange bills payable	**29**	56	**258**
Total	**¥72**	¥82	**$641**

9. Tangible Fixed Assets

The accumulated depreciation of tangible fixed assets as of March 31, 2017 and 2016, amounted to ¥78,088 million ($696,033 thousand) and ¥79,051 million, respectively.

As of March 31, 2017 and 2016, deferred gains for tax purposes of ¥7,695 million ($68,589 thousand) and ¥7,713 million, respectively, on tangible fixed assets sold and replaced with similar assets have been deducted from the cost of newly acquired tangible fixed assets.

10. Long-Lived Assets

The Bank recognized impairment losses of ¥505 million ($4,501 thousand) and ¥438 million on certain operating branches, business premises, branches to be closed, and unused facilities for the years ended March 31, 2017 and 2016, respectively.

The impairment losses were composed of ¥167 million ($1,488 thousand) on buildings, ¥266 million ($2,370 thousand) on land and ¥70 million ($623 thousand) on other fixed assets for the year ended March 31, 2017, and ¥78 million on buildings, ¥341 million on land and ¥18 million on other fixed assets for the year ended March 31, 2016.

For the purpose of testing for impairment, the Bank recognizes each individual branch office as a cash-generating unit for which it continues to manage and monitor identifiable cash flows. Branch offices to be closed and facilities not in operation are individually assessed for impairment. Subsidiaries recognize each company as a cash-generating unit. 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 DCFs from the continued use and eventual disposition of the asset or the net selling price at disposition. The DCFs were calculated using discount rates of 2.9% and 4.2% for the years ended March 31, 2017 and 2016, respectively, and the net selling price was determined by quotation from a third-party vendor.

11. Customers' Liabilities For Acceptances And Guarantees

All contingent liabilities arising from acceptances and guarantees are reflected in "Acceptances and guarantees." "Customers' liabilities for acceptances and guarantees" are shown as assets, representing the Bank's right to receive indemnity from the applicants.

The amount of guarantee obligations for privately placed corporate bonds included in securities as of March 31, 2017 and 2016, was ¥1,995 million ($17,782 thousand) and ¥2,902 million, respectively.

12. Assets Pledged

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

	Millions of Yen		Thousands of U.S. Dollars
	2017	2016	**2017**
Assets pledged as collateral:			
Investment securities	**¥251,523**	¥239,037	**$2,241,937**
Other assets	**144**	141	**1,283**
Relevant liabilities to above assets:			
Deposits	**67,214**	53,470	**599,108**
Payables under securities lending transactions	**30,998**	20,908	**276,299**
Borrowed money	**106,800**		**951,956**

Additionally, investment securities amounting to ¥46,757 million ($416,766 thousand) and ¥135,567 million as of March 31, 2017 and 2016, respectively, and other assets amounting to ¥14,393 million ($128,291 thousand) as of March 31, 2017, are pledged as collateral for transactions, such as exchange settlement transactions or as substitute securities for future transaction initial margin and others.

Other assets include security deposits for financial instruments amounting to ¥3,564 million ($31,767 thousand) as of March 31, 2017, and guarantee deposits for leased tangible fixed assets (lessee side) amounting to ¥93 million ($828 thousand) and ¥95 million as of March 31, 2017 and 2016, respectively.

13. Loan Commitments

Contracts of overdraft facilities and loan commitments are contracts with customers to lend up to the prescribed limits in response to customers' applications for a loan, as long as there is no violation of any condition within the contracts. As of March 31, 2017, the unused amount of such contracts totaled ¥1,720,890 million ($15,339,067 thousand), of which amounts with original agreement terms of less than one year were ¥1,646,058 million ($14,672,056 thousand). As of March 31, 2016, the unused amount of such contracts totaled ¥1,652,504 million, of which amounts with original agreement terms of less than one year were ¥1,600,103 million.

Since many of the commitments expire without being drawn upon, the unused amount does not necessarily represent a future cash requirement. Most of these contracts have conditions allowing the Companies to refuse customers' applications for a loan or decrease the contract limits based on proper reasons (e.g., changes in financial situation, deterioration in customers' creditworthiness). At the inception of the contracts, the Companies obtain collateral real estate, securities, etc., if considered to be necessary. Subsequently, the Companies perform a periodic review of the customers' business results based on internal rules and take necessary measures to reconsider conditions in contracts and require additional collateral and guarantees.

14. Deposits

Deposits as of March 31, 2017 and 2016, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2017	2016	2017
Current deposits	¥ 244,096	¥ 179,778	$ 2,175,737
Ordinary deposits	4,461,129	4,425,651	39,764,052
Deposits at notice	17,029	11,126	151,787
Time deposits	2,378,135	2,476,197	21,197,388
Negotiable certificates of deposit	451,440	643,630	4,023,888
Other deposits	254,029	227,355	2,264,274
Total	¥7,805,860	¥7,963,738	$69,577,145

15. Borrowed Money

As of March 31, 2017 and 2016, the weighted-average annual interest rates applicable to borrowed money were 0.020% and 0.717%, respectively.

Borrowed money consisted of borrowings from the Bank of Japan and other financial institutions. Annual maturities of borrowed money as of March 31, 2017, were as follows:

Year Ending March 31	Millions of Yen	Thousands of U.S. Dollars
2018	¥109,495	$975,978
2019	528	4,706
2020	377	3,360
2021	100	891
2022	45	401
2023 and thereafter	192	1,711
Total	¥110,740	$987,075

16. Liability For Employees' Retirement Benefits

The Companies have severance payment plans consisting of contributory pension fund plans and noncontributory lump-sum payment plans for employees.

Under most circumstances, employees terminating their employment are entitled to retirement benefits based on the rate of pay at the time of termination, years of service, and certain other factors. Such retirement benefits are made in the form of a lump-sum severance payment from the Companies and annuity payments from trustees. Employees are entitled to larger payments if the termination is involuntary, by retirement at the mandatory retirement age, by death or by voluntary retirement at certain specific ages prior to the mandatory retirement age.

(1) The changes in projected benefit obligations for the years ended March 31, 2017 and 2016, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2017	2016	2017
Balance at beginning of year	¥72,211	¥64,799	$643,649
Service cost	1,707	1,532	15,215
Interest cost	457	943	4,073
Actuarial losses	294	8,145	2,620
Benefits paid	(3,533)	(3,394)	(31,491)
Prior service cost			
Others	184	185	1,640
Balance at end of year	¥71,320	¥72,211	$635,707

(2) The changes in plan assets for the years ended March 31, 2017 and 2016, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2017	2016	2017
Balance at beginning of year	¥35,933	¥37,095	$320,287
Expected return on plan assets	1,257	1,298	11,204
Actuarial losses	(80)	(2,478)	(713)
Contributions from the employer	776	1,738	6,916
Benefits paid	(1,980)	(1,905)	(17,648)
Others	184	185	1,640
Balance at end of year	¥36,091	¥35,933	$321,695

(Note) Plan assets related to the multiemployer welfare pension fund plans adopted by certain consolidated subsidiaries are not included in the above plan assets.

(3) Reconciliation between the liability recorded in the consolidated balance sheet and the balances of projected benefit obligations and plan assets as of March 31, 2017 and 2016, was as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2017	2016	2017
Funded projected benefit obligations	¥48,635	¥49,121	$433,505
Plan assets	(36,091)	(35,933)	(321,695)
Total	12,543	13,187	111,801
Unfunded projected benefit obligations	22,685	23,090	202,201
Net liability arising from projected benefit obligations	¥35,228	¥36,278	$314,003

	Millions of Yen		Thousands of U.S. Dollars
	2017	2016	2017
Liability for employees' retirement benefits	¥35,228	¥36,278	$314,003
Asset for employees' retirement benefits			
Net liability arising from projected benefit obligations	¥35,228	¥36,278	$314,003

(4) The components of net periodic retirement benefit costs for the years ended March 31, 2017 and 2016, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2017	2016	**2017**
Service cost	**¥ 1,713**	¥ 1,538	**$ 15,268**
Interest cost	**457**	943	**4,073**
Expected return on plan assets	**(1,257)**	(1,298)	**(11,204)**
Recognized actuarial losses	**1,798**	825	**16,026**
Amortization of prior service cost			
Others			
Net periodic retirement benefit costs	**¥ 2,711**	¥ 2,009	**$ 24,164**

(Notes) 1. Employees' contribution to corporate pension funds is deducted.
2. Net periodic retirement benefit costs of the consolidated subsidiaries which adopt a shortcut method are included in "Service cost."

(5) Amounts recognized in other comprehensive income (before income tax effect) in respect of defined retirement benefit plans for the years ended March 31, 2017 and 2016, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2017	2016	**2017**
Prior service cost			
Actuarial gains (losses)	**¥1,424**	¥(9,799)	**$12,692**
Others			
Total	**¥1,424**	¥(9,799)	**$12,692**

(6) Amounts recognized in accumulated other comprehensive income (before income tax effect) in respect of defined retirement benefit plans as of March 31, 2017 and 2016, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2017	2016	**2017**
Unrecognized prior service cost			
Unrecognized actuarial gains	**¥10,782**	¥12,206	**$96,104**
Others			
Total	**¥10,782**	¥12,206	**$96,104**

(7) Plan assets as of March 31, 2017 and 2016

a. Components of plan assets

Plan assets consisted of the following:

	2017	2016
Debt investments	**31%**	26%
Equity investments	**32**	42
Cash and cash equivalents		
Life insurance company accounts (general accounts)	**28**	28
Call loans, etc.	**9**	4
Others		
Total	**100%**	100%

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

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

(8) Assumptions used for the years ended March 31, 2017 and 2016, were set forth as follows:

	2017	2016
Discount rate	**0.6%**	0.6%
Long-term expected rate of return on plan assets	**3.5**	3.5
Expected rate of salary increase	**4.5**	4.5

17. Asset Retirement Obligations

Asset retirement obligations which were recognized on the consolidated balance sheet for the years ended March 31, 2017 and 2016, were as follows:

a. Overview of asset retirement obligations

Asset retirement obligations are recognized for obligations of restoring leased buildings, such as branch premises, to their original state, based on the real estate lease contracts and asbestos removal costs.

b. Calculation of asset retirement obligations

Asset retirement obligations are calculated based on the estimated available periods of 16 to 31 years depending on the expected useful lives of buildings using discount rates from 0.139% to 2.324%.

c. The changes in asset retirement obligations for the years ended March 31, 2017 and 2016, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2017	2016	**2017**
Balance at beginning of year	**¥641**	¥626	**$5,713**
Increase due to acquisition of tangible assets	**35**	11	**311**
Reconciliation associated with passage of time	**6**	8	**53**
Decrease due to execution of asset retirement obligations	**(8)**	(5)	**(71)**
Other			
Balance at end of year	**¥675**	¥641	**$6,016**

18. Equity

Japanese banks are subject to the Banking Law and to the Companies Act of Japan (the "Companies Act"). The significant provisions in the Companies Act and the Banking Law 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 general meeting of stockholders. For companies that meet certain criteria such as (1) having a Board of Directors, (2) having independent auditors, (3) having an Audit & Supervisory Board, and (4) the term of service of the directors being prescribed as one year rather than two years of normal term by its articles of incorporation, the Board of Directors may declare dividends (except for dividends-in-kind) at any time during the fiscal year if the company has prescribed so in its articles of incorporation. The Bank meets all the above criteria. The Companies Act permits companies to distribute dividends-in-kind (noncash assets) to stockholders subject to certain limitations and additional requirements. Semiannual interim dividends may also be paid once a year upon resolution by the Board of Directors if the articles of incorporation of the company so stipulate. The Bank can do so because it stipulates this in its articles of incorporation. 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 stockholders, 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 Banking Law requires that an amount equal to 20% 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 total of the aggregate amount of the legal reserve and additional paid-in capital equals 100% of stated capital.

Under the Companies Act and the Banking Law, the aggregate amount of additional paid-in capital and the legal reserve that exceeds 100% of the stated capital may be made available for dividends by resolution of the stockholders after transferring such excess to retained earnings in accordance with the Companies Act. Under the Companies Act, the total amount of additional paid-in capital and the legal reserve may be reversed without limitation. The Companies Act also provides that stated capital, legal reserve, additional paid-in capital, other capital surplus, and retained earnings can be transferred among the accounts under certain conditions upon resolution of the stockholders.

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 stockholders 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.

19. Stock Options

Expenses related to stock options in the amount of ¥139 million ($1,238 thousand) and ¥138 million are recorded under general and administrative expenses for the years ended March 31, 2017 and 2016, respectively.

The stock options outstanding as of March 31, 2017, are as follows:

Nature and extent of stock options:

	2009 Stock Option	2010 Stock Option	2011 Stock Option	2012 Stock Option	2013 Stock Option	2014 Stock Option	2015 Stock Option	2016 Stock Option
Persons granted	16 directors of the Bank	16 directors of the Bank	16 directors of the Bank	16 directors of the Bank	15 directors of the Bank (excluding outside directors)	13 directors (excluding outside directors) and 4 executive officers (excluding executive directors) of the Bank	13 directors (excluding outside directors) and 6 executive officers (excluding executive directors) of the Bank	13 directors (excluding outside directors) and 4 executive officers (excluding executive directors) of the Bank
Number of stock options by type of share*	281,800 shares of common stock of the Bank	357,500 shares of common stock of the Bank	498,900 shares of common stock of the Bank	498,900 shares of common stock of the Bank	296,800 shares of common stock of the Bank	245,800 shares of common stock of the Bank	183,100 shares of common stock of the Bank	369,400 shares of common stock of the Bank
Date of grant	August 3, 2009	August 2, 2010	August 1, 2011	July 27, 2012	July 29, 2013	August 1, 2014	July 31, 2015	August 1, 2016
Vesting conditions	Not defined	Not defined	Not defined	Not defined	Not defined	Not defined	Not defined	Not defined
Eligible service period	Not defined	Not defined	Not defined	Not defined	Not defined	Not defined	Not defined	Not defined
Exercise period	From August 4, 2009 to August 3, 2034	From August 3, 2010 to August 2, 2035	From August 2, 2011 to August 1, 2036	From July 28, 2012 to July 27, 2037	From July 30, 2013 to July 29, 2038	From August 2, 2014 to August 1, 2039	From August 1, 2015 to July 31, 2040	From August 2, 2016 to August 1, 2041

**Number of stock options is converted into number of shares.*

Stock option activity is as follows:

	2009 Stock Option	2010 Stock Option	2011 Stock Option	2012 Stock Option	2013 Stock Option	2014 Stock Option	2015 Stock Option	2016 Stock Option
					(Shares)			
Non-vested								
March 31, 2016—Outstanding	153,600	216,800	345,800	367,400	247,200	235,500	183,100	
Granted								369,400
Forfeited								3,100
Vested	31,100	41,800	58,400	58,400	36,000	40,800	34,200	
March 31, 2017—Outstanding	122,500	175,000	287,400	309,000	211,200	194,700	148,900	366,300
Vested								
March 31, 2016—Outstanding								
Vested	31,100	41,800	58,400	58,400	36,000	40,800	34,200	
Exercised	31,100	41,800	58,400	58,400	36,000	40,800	34,200	
Forfeited								
March 31, 2017—Outstanding								

Unit price information is as follows:

	2009 Stock Option	2010 Stock Option	2011 Stock Option	2012 Stock Option	2013 Stock Option	2014 Stock Option	2015 Stock Option	2016 Stock Option
Exercise price	¥1 ($0.00)	¥1 ($0.00)	¥1 ($0.00)	¥1 ($0.00)	¥1 ($0.00)	¥1 ($0.00)	¥1 ($0.00)	¥1 ($0.00)
Average stock price at the time of exercise	¥354 ($3.15)	¥354 ($3.15)	¥354 ($3.15)	¥354 ($3.15)	¥354 ($3.15)	¥354 ($3.15)	¥354 ($3.15)	
Fair value at the date of grant	¥523 ($4.66)	¥415 ($3.69)	¥317 ($2.82)	¥275 ($2.45)	¥444 ($3.95)	¥527 ($4.69)	¥775 ($6.90)	¥374 ($3.33)

The estimation method for the fair value of the 2016 Stock Option granted in the year ended March 31, 2017, is as follows:
(1) The valuation technique used is the Black-Scholes option-pricing model.
(2) Major assumptions are as follows:

Stock price volatility (see Note 1 below)	35.258%
Expected remaining service period (see Note 2 below)	3 years and 10 months
Expected cash dividend (see Note 3 below)	¥9 per share
Risk-free interest rate (see Note 4 below)	(0.253)%

Notes: 1. Stock price volatility is computed based on past stock prices during the period from September 2012 to August 2016 corresponding to the expected remaining period of 3 years and 10 months.
2. The expected remaining service period is estimated by deducting the current service period and age from the presumed remaining service period calculated from average terms of office and retirement ages of the directors who retired within the past 10 years.
3. Actual cash dividends for the year ended March 31, 2016
4. Risk-free interest rate refers to yields of Japanese government bonds corresponding to the expected remaining period.

The estimation method of the number of stock options to be vested is as follows:
The Bank uses the method to reflect the actual forfeited options, since it is difficult to estimate the number of stock options to be forfeited in the future on a reasonable basis.

20. Other Operating Income

Other operating income for the years ended March 31, 2017 and 2016, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2017	2016	**2017**
Gain on sales and redemption of bonds and other securities	**¥ 92**	¥ 562	**$ 820**
Lease receipts	**6,880**	7,158	**61,324**
Other	**3,082**	2,792	**27,471**
Total	**¥10,055**	¥10,514	**$89,624**

21. Other Income

Other income for the years ended March 31, 2017 and 2016, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2017	2016	**2017**
Gains on sales of stocks and other securities	**¥1,965**	¥2,312	**$17,514**
Gains on sales of tangible fixed assets	**30**	134	**267**
Other	**1,905**	1,768	**16,980**
Total	**¥3,901**	¥4,215	**$34,771**

22. Other Operating Expenses

Other operating expenses for the years ended March 31, 2017 and 2016, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2017	2016	**2017**
Losses on sales, redemption and devaluation of bonds and other securities	**¥ 4,587**	¥ 4,983	**$ 40,885**
Lease costs	**6,250**	6,498	**55,709**
Other	**4,430**	2,020	**39,486**
Total	**¥15,268**	¥13,502	**$136,090**

23. Other Expenses

Other expenses for the years ended March 31, 2017 and 2016, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2017	2016	**2017**
Bad debt losses	**¥ 10**	¥ 11	**$ 89**
Losses on dispositions of money held in trust	**416**	235	**3,707**
Losses on sales of loans	**151**	182	**1,345**
Losses on impairments and disposals of fixed assets	**756**	500	**6,738**
Provision for reserve for reimbursement of deposits	**229**	236	**2,041**
Other	**305**	999	**2,718**
Total	**¥1,870**	¥2,166	**$16,668**

24. Income Taxes

The Companies are subject to Japanese national and local income taxes which, in the aggregate, resulted in normal effective statutory tax rates of approximately 30.8% and 33.0% for the years ended March 31, 2017 and 2016, respectively.

The tax effects of significant temporary differences which resulted in deferred tax assets and liabilities as of March 31, 2017 and 2016, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2017	2016	**2017**
Deferred tax assets:			
Reserve for possible loan losses	**¥ 18,489**	¥ 20,640	**$ 164,800**
Liability for employees' retirement benefits	**10,731**	11,058	**95,650**
Fixed assets (depreciation)	**6,431**	7,404	**57,322**
Losses on devaluation of stocks and other securities	**3,286**	3,390	**29,289**
Other	**6,600**	7,358	**58,828**
Less valuation allowance	**(14,833)**	(16,773)	**(132,213)**
Total	**30,705**	33,079	**273,687**
Deferred tax liabilities:			
Unrealized gains on available-for-sale securities	**50,660**	48,410	**451,555**
Deferred gain on sales of shares of consolidated subsidiaries	**805**		**7,175**
Fixed assets (deferred gain on sales and replacements)	**332**	343	**2,959**
Other	**139**	10	**1,238**
Total	**51,938**	48,763	**462,946**
Net deferred tax liabilities	**¥(21,233)**	¥(15,684)	**$(189,259)**

A reconciliation between the normal effective statutory tax rate and the actual effective tax rate reflected in the accompanying consolidated statement of income for the years ended March 31, 2017 and 2016, was as follows:

	2017	2016
Normal effective statutory tax rate	**30.8%**	33.0%
Expenses not deductible for income tax purposes	**0.4**	0.3
Nontaxable dividend income	**(1.2)**	(1.0)
Inhabitants taxes	**0.3**	0.2
Valuation allowance	**(8.5)**	(3.4)
Reduction of deferred tax assets due to tax rate changes		4.9
Consolidation adjustment on gain on sales of shares of consolidated subsidiaries	**4.5**	
Other—net	**1.2**	1.1
Actual effective tax rate	**27.5%**	35.1%

25. Other Comprehensive Income (Loss)

The components of other comprehensive income (loss) for the years ended March 31, 2017 and 2016, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2017	2016	**2017**
Unrealized gains (losses) on available-for-sale securities:			
Gain (loss) arising during the year	**¥ 6,227**	¥(41,037)	**$ 55,504**
Reclassification adjustment to profit or loss	**1,605**	2,001	**14,306**
Amount before income tax effect	**7,832**	(39,035)	**69,810**
Income tax effect	**(2,250)**	14,869	**(20,005)**
Total	**¥ 5,582**	¥(24,166)	**$ 49,754**
Deferred gains (losses) on derivatives under hedge accounting:			
Gain (loss) arising during the year	**¥1,428**	¥ (4,955)	**$12,728**
Reclassification adjustment to profit or loss	**866**	614	**7,719**
Amount before income tax effect	**2,294**	(4,340)	**20,447**
Income tax effect	**(697)**	1,309	**(6,212)**
Total	**¥1,597**	¥ (3,030)	**$14,234**
Defined retirement benefit plans:			
Loss arising during the year	**¥ (374)**	¥(10,624)	**$ (3,333)**
Reclassification adjustment to profit or loss	**1,798**	825	**16,026**
Amount before income tax effect	**1,424**	(9,799)	**12,692**
Income tax effect	**(432)**	2,940	**(3,850)**
Total	**¥ 991**	¥ (6,858)	**$ 8,833**
Total other comprehensive income (loss)	**¥8,171**	¥(34,055)	**$72,831**

26. Leases

Finance Leases

Lessor

A subsidiary leases certain equipment and other assets to various customers.

The net investments in leases as of March 31, 2017 and 2016, are summarized as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2017	2016	**2017**
Gross lease receivables	**¥15,845**	¥16,216	**$141,233**
Estimated residual values	**988**	1,022	**8,806**
Unearned interest income	**(1,728)**	(1,768)	**(15,402)**
Investments in leases	**¥15,105**	¥15,470	**$134,637**

Maturities of lease receivables for finance leases as of March 31, 2017, are as follows:

Year Ending March 31	Millions of Yen	Thousands of U.S. Dollars
2018	**¥ 70**	**$ 623**
2019	**39**	**347**
2020	**5**	**44**
Total	**¥115**	**$1,025**

Maturities of investment in leases for finance leases as of March 31, 2017, are as follows:

Year Ending March 31	Millions of Yen	Thousands of U.S. Dollars
2018	**¥ 5,329**	**$ 47,499**
2019	**4,161**	**37,088**
2020	**2,967**	**26,446**
2021	**1,899**	**16,926**
2022	**903**	**8,048**
2023 and thereafter	**584**	**5,205**
Total	**¥15,845**	**$141,233**

27. Financial Instruments And Related Disclosures

(1) Group Policy for Financial Instruments
The Companies provide financial services such as credit card business and leasing operations in addition to banking operations. In the course of these operations, the Companies raise funds principally through deposit taking and invest funds in loans, securities, and others. As such, the Bank holds financial assets and liabilities which are subject to fluctuation in interest rates and conducts comprehensive Asset and Liability Management ("ALM") to avoid unfavorable effects from interest rate fluctuations. Derivatives are also employed by the Bank as part of ALM.
(2) Nature and Extent of Risks Arising from Financial Instruments
Financial assets held by the Companies mainly consist of loans to domestic corporations, local government agencies, and individual customers which are exposed to credit risk that the Companies may suffer from losses resulting from nonperformance of borrowers and interest rate risk that the Companies may suffer from losses resulting from fluctuations in interest rates.

Securities, mainly debt securities, equity securities, and investment trusts are held to maturity and for other purposes and also certain debt securities are held for the purpose of selling to customers. These securities are exposed to credit risk of issuers and market risks of fluctuations in interest rates and market prices. In addition, they are exposed to market liquidity risk that the Companies may suffer from losses resulting from difficulties in executing financial transactions in certain environments such as market turmoil.

Financial liabilities, mainly consisting of liquid deposits or time deposits taken from corporate and individual customers, are exposed to cash flow risk that the Bank may experience a situation where unexpected cash flows are incurred in certain environments where the credit rating of the Bank may be lowered and, accordingly, necessary funding may become difficult.

Foreign currency denominated assets and liabilities are exposed to foreign exchange risk that the Bank may suffer from losses resulting from fluctuations in foreign exchange rates.

Derivatives mainly include interest rate swaps and bond futures, which are used to manage exposure to market risks from changes in interest rates of loans and investment securities, and foreign exchange forward contracts, which are used to hedge foreign exchange risk associated with foreign currency-denominated assets and liabilities. Hedge accounting is applied to certain hedging activities related to loans and investment securities as hedged items.
(3) Risk Management for Financial Instruments
Credit risk management
The Bank has established the "Credit Risk Control Policy" as a basic policy for credit risk management and various rules concerning credit risk management. Based on these policies and rules, the Companies clarify fundamental approaches to secure the soundness of assets and control procedures for identifying, monitoring, and controlling credit risk. Additionally, the Bank utilizes the "Credit Rating System" applied to counterparties granted with credit from the viewpoint of identifying credit risk objectively and enhancing credit risk control.

In addition, as an organization responsible for credit risk management, credit risk control functions and review functions have been established to secure the effectiveness of credit risk management.

The Risk Management Division, as a credit risk control function, is engaged in identifying the level of future possible credit risk and the status of credit concentration in major borrowers through measurement of the level of credit risk and analysis of credit portfolios.

The Credit Supervision Division, as a review control function, is engaged in reviewing lending operations based on strict examination standards, system development for strengthening the daily control of loan receivables, and appropriate maintenance of operational procedures.
Market risk management
a. Market Risk Management System
The Bank has established the "Market Risk Control Policy" as a basic policy for market risk management and various rules concerning market risk management. Based on these policies and rules, the Bank clarifies fundamental approaches for appropriate market risk control operations and control procedures for identifying, monitoring and controlling market risk.

As an organization responsible for market risk management, a market risk control function (middle office) has been established and furthermore, the operating function (front office) and the administration function (back office) have been separated. Additionally, market risk control function staffs are assigned to the operating function to secure the effectiveness of market risk management.

The Risk Management Division, as a market risk control function, measures the level of market risk of the Bank as a whole using Value-at-Risk ("VaR") approach models and other models and regularly monitors the status of compliance with position limits and loss limits established according to the type and characteristics of transactions to control the level of market risk within a certain range.

In addition, an ALM and Income Control Committee was established for the purpose of analyzing flexible investment strategies in order to prevent risks resulting from fluctuations in interest rates and market prices, while forecasting future interest rates, market prices, and trends of fund and business conditions. The committee is also responsible for securing the soundness of management and also improving profitability at the same time based on appropriate asset and liability management through the unification of risk management and earnings control.
b. Quantitative Information about Market Risk
The Bank adopts the variance-covariance method (holding period: 125 business days for strategic equity securities and 60 business days for others; confidence interval: 99.0%; observation period: 250 business days) in computing the VaR with respect to securities, Japanese yen deposits and loans, and Japanese yen money market funds. The volume of market risk (estimated losses) that the Bank is exposed to as of March 31, 2017, amounts to ¥98,039 million ($873,865 thousand) (¥130,849 million in 2016) as a whole. However, the risk under certain abnormal market fluctuations may not be captured since, under the VaR method, the volume of market risk under a definite probability of statistically computed incidence is measured based on historical market fluctuations.

The Bank implements back testing to compare the VaR computed by the model with actual profit and loss in the securities and confirms that the measurement model in use captures the market risk with sufficient precision.
Liquidity risk management
The Bank has established the "Liquidity Risk Control Policy" as a basic policy for liquidity risk management and various rules concerning liquidity risk management. Based on these policies and rules, the Bank clarifies fundamental approaches for stable funding of operations and control procedures for identifying, monitoring and controlling liquidity risk. In addition, the Bank has established the "Contingency Plan for Liquidity" to enable it to make quick and correct responses to unexpected events.

Furthermore, as an organization responsible for liquidity risk management, a liquidity risk control function has been established and a cash management function and a settlement control function have been established to control daily cash management and settlement related to cash and securities.

The Risk Management Division, as a liquidity risk control function, manages the liquidity risk of the Bank as a whole by identifying, monitoring and controlling liquidity risk.

The Treasury Administration and International Division, as a cash management control function and settlement control function, prepares daily or monthly cash flow projections and conducts cash management by identifying possible funds and liquidity of assets and verifying the concentration of settlement of major account funds to a certain date. The Division also controls settlement by identifying the status of settlement through systems such as the BOJ-NET and among financial institutions.
Risk management system of subsidiaries
The subsidiaries have a risk management system similar to that of the Bank.
(4) Supplementary Explanation about Fair Values of Financial Instruments
The fair values of financial instruments include, in addition to the value determined based on market prices, valuations calculated on a reasonable basis if no market prices are available. Since certain assumptions are used in calculating the value, the outcome of such calculation may vary if different assumptions are used.

(5) Fair Values of Financial Instruments

The carrying amount, the fair value, and the differences thereof as of March 31, 2017 and 2016, are disclosed below. Note that unlisted equity securities for which fair value is extremely difficult to determine are not included in the following table (see Note 2 below) and insignificant accounts in terms of the carrying amount are omitted:

	Millions of Yen		
March 31, 2017	Carrying Amount	Fair Value	Difference
(1) Cash and due from banks	¥ 708,975	¥ 708,975	
(2) Money held in trust	168,053	168,053	
(3) Investment securities	3,236,221	3,236,270	¥ 48
Held-to-maturity securities	10,600	10,648	48
Available-for-sale securities	3,225,621	3,225,621	
(4) Loans and bills discounted	4,443,883		
Reserve for possible loan losses*	(68,203)		
	4,375,679	4,393,614	17,934
Total assets	¥8,488,930	¥8,506,912	¥17,982
(1) Deposits	¥7,805,860	¥7,806,342	¥ 481
(2) Borrowed money	110,740	110,735	(4)
Total liabilities	¥7,916,600	¥7,917,078	¥ 477

	Millions of Yen		
March 31, 2016	Carrying Amount	Fair Value	Difference
(1) Cash and due from banks	¥ 485,921	¥ 485,921	
(2) Call loans and bills bought	115,560	115,560	
(3) Investment securities	3,487,266	3,487,347	¥ 81
Held-to-maturity securities	12,201	12,282	81
Available-for-sale securities	3,475,065	3,475,065	
(4) Loans and bills discounted	4,350,795		
Reserve for possible loan losses*	(72,343)		
	4,278,451	4,311,700	33,248
Total assets	¥8,367,200	¥8,400,530	¥33,329
(1) Deposits	¥7,963,738	¥7,964,289	¥ 550
Total liabilities	¥7,963,738	¥7,964,289	¥ 550

	Thousands of U.S. Dollars		
March 31, 2017	Carrying Amount	Fair Value	Difference
(1) Cash and due from banks	$ 6,319,413	$ 6,319,413	
(2) Money held in trust	1,497,932	1,497,932	
(3) Investment securities	28,845,895	28,846,332	$ 427
Held-to-maturity securities	94,482	94,910	427
Available-for-sale securities	28,751,412	28,751,412	
(4) Loans and bills discounted	39,610,330		
Reserve for possible loan losses*	(607,924)		
	39,002,397	39,162,260	159,853
Total assets	$75,665,656	$75,825,938	$160,281
(1) Deposits	$69,577,145	$69,581,442	$ 4,287
(2) Borrowed money	987,075	987,030	(35)
Total liabilities	$70,564,221	$70,568,482	$ 4,251

*General and specific reserves for possible loan losses corresponding to loans and bills discounted are deducted.

Notes:

1. Calculation method for the fair value of financial instruments

Assets

(1) Cash and due from banks

For due from banks, the carrying amount is presented as the fair value since the fair value approximates the carrying amount.

(2) Money held in trust

For securities that are part of trust property in an independently managed monetary trust with the primary purpose to manage securities, the fair values of equity securities and debt securities are determined using the quoted price of the stock exchange, Japan Securities Dealers Association, or the price calculated by financial institutions. The fair value of investment trust is determined using the published standard quotation or the standard quotation offered by the securities investment advisors.

See Note 6, "Money Held in Trust" for notes on "Money held in trust" by categories based on different holding purposes.

(3) Investment securities

The fair values of equity securities and debt securities are determined using the quoted price of the stock exchange, Japan Securities Dealers Association, or the price calculated by financial institutions. The fair value of investment trust is determined using the published standard quotation or the standard quotation offered by the securities investment advisors. With respect to privately placed guaranteed bonds, the fair value is determined using the future cash flows (coupons, redemption of principal, guarantee fees) discounted at an interest rate considering the market interest rates and issuers' credit risk.

(4) Loans and bills discounted

With respect to loans with floating interest rates, the carrying amount is presented as the fair value since the fair value approximates the carrying amount as they reflect the market interest rates over a short period, unless the creditworthiness of the borrower has changed significantly since the loan origination. With respect to loans with fixed interest rates, for each category of loan based on the type of loan, internal ratings, and maturity length, the fair value is determined based on the present value of expected cash flows of aggregated amounts of principal and interest discounted at a rate which is the rate assumed if a new loan was made, or market interest rate, which is adjusted by the standard spread (including overhead ratio) by credit rating. The carrying amount is presented as the fair value if the maturity is within a short time period (less than one year) and the fair value approximates the carrying amount.

For receivables from "legally bankrupt," "virtually bankrupt," and "possibly bankrupt" borrowers, possible loan losses are estimated based on the DCF method or factors such as the expected amounts to be collected from collateral and guarantees. Since the fair value of these items approximates the carrying amount, net of the currently expected loan losses, such carrying amount is presented as the fair value.

For loans for which the repayment due date is not defined because of the characteristics that the loan amount is limited within the pledged assets, the carrying amount is presented as the fair value since the fair value is assumed to approximate the carrying amount considering the expected repayment schedule and terms of the interest rates.

Liabilities

(1) Deposits

Regarding demand deposits, the amount payable as of the balance sheet date (i.e., the carrying amount) is considered to be the fair value. Time deposits and negotiable certificates of deposit are grouped by maturity length, and the fair value is determined using the present value of the aggregate amounts of principal and interest discounted at an interest rate that would be applied to newly accepted deposits. For deposits with maturities within a short time period (less than one year) and whose fair value approximates the carrying amount, the carrying amount is presented as the fair value.

(2) Borrowed money

For each type of borrowed money financed, the fair value is determined based on the present value of the aggregated amounts of principal and interest discounted at a rate which is the rate assumed if a new financing was made. The carrying amount is presented as the fair value if the maturity is within a short time period (less than one year) and the fair value approximates the carrying amount.

2. The financial instruments whose fair value is extremely difficult to determine are as follows. These items are not included in (3) "Available-for-sale securities" under "Assets" in the above table of fair value information of financial instruments.

	Carrying Amount		
	Millions of Yen		Thousands of U.S. Dollars
Category	2017	2016	2017
Unlisted equity securities*1,*2	¥1,983	¥1,932	$17,675
Capital subscription in investment business partnerships*3	3,639	2,311	32,436
Total	¥5,622	¥4,244	$50,111

*1 *Unlisted equity securities are not treated as instruments whose fair value is required to be disclosed since there is no market price and it is extremely difficult to determine the fair value.*
*2 *Impairment losses in the amount of ¥5 million ($44 thousand) and ¥0 million were recognized for unlisted equity securities for the years ended March 31, 2017 and 2016, respectively.*
*3 *Capital subscription in investment business partnerships, whose assets (i.e., unlisted equity securities) consist of those whose fair values are extremely difficult to determine, is not treated as instruments whose fair value is required to be disclosed.*

3. Maturity analysis for financial assets and securities with contractual maturities as of March 31, 2017

	Millions of Yen					
	Due in 1 Year or Less	Due after 1 Year through 3 Years	Due after 3 Years through 5 Years	Due after 5 Years through 7 Years	Due after 7 Years through 10 Years	Due after 10 Years
Due from banks	¥ 657,432					
Investment securities	390,920	¥ 982,408	¥ 737,221	¥448,747	¥371,336	¥ 2,780
Held-to-maturity securities	3,500	6,100	1,000			
National government bonds	3,200	4,400				
Local government bonds	300	1,700	1,000			
Available-for-sale securities with contractual maturities	387,420	976,308	736,221	448,747	371,336	2,780
National government bonds	227,500	532,100	331,050	96,000	12,000	
Local government bonds	1,000		16,500	72,400	149,900	
Corporate bonds	102,222	292,898	289,838	233,713	43,852	
Other	56,698	151,310	98,833	46,634	165,584	2,780
Loans and bills discounted*	1,057,678	808,045	688,405	397,607	440,116	930,908
Total	¥2,106,031	¥1,790,454	¥1,425,627	¥846,354	¥811,452	¥933,688

	Thousands of U.S. Dollars					
	Due in 1 Year or Less	Due after 1 Year through 3 Years	Due after 3 Years through 5 Years	Due after 5 Years through 7 Years	Due after 7 Years through 10 Years	Due after 10 Years
Due from banks	$ 5,859,987					
Investment securities	3,484,446	$ 8,756,644	$ 6,571,182	$3,999,884	$3,309,885	$ 24,779
Held-to-maturity securities	31,197	54,372	8,913			
National government bonds	28,523	39,219				
Local government bonds	2,674	15,152	8,913			
Available-for-sale securities with contractual maturities	3,453,248	8,702,272	6,562,269	3,999,884	3,309,885	24,779
National government bonds	2,027,809	4,742,846	2,950,797	855,691	106,961	
Local government bonds	8,913		147,071	645,333	1,336,126	
Corporate bonds	911,150	2,610,731	2,583,456	2,083,189	390,872	
Other	505,374	1,348,694	880,943	415,669	1,475,924	24,779
Loans and bills discounted*	9,427,560	7,202,469	6,136,063	3,544,050	3,922,952	8,297,602
Total	$18,772,002	$15,959,122	$12,707,255	$7,543,934	$7,232,837	$8,322,381

* *Of loans and bills discounted, the portion whose timing of collection is unforeseeable, such as loans to "legally bankrupt" borrowers, loans to "virtually bankrupt" borrowers, and loans to "possibly bankrupt" borrowers, amounting to ¥78,228 million ($697,281 thousand) are not included in the above table. Loans that do not have a contractual maturity, amounting to ¥42,892 million ($382,315 thousand), are not included either.*

4. Repayment schedule of bonds, borrowed money, and other interest-bearing liabilities subsequent to March 31, 2017

	Millions of Yen					
	Due in 1 Year or Less	Due after 1 Year through 3 Years	Due after 3 Years through 5 Years	Due after 5 Years through 7 Years	Due after 7 Years through 10 Years	Due after 10 Years
Deposits*	¥7,387,293	¥357,747	¥60,819			
Borrowed money	109,495	906	145	¥72	¥76	¥44
Total	¥7,496,789	¥358,653	¥60,965	¥72	¥76	¥44

	Thousands of U.S. Dollars					
	Due in 1 Year or Less	Due after 1 Year through 3 Years	Due after 3 Years through 5 Years	Due after 5 Years through 7 Years	Due after 7 Years through 10 Years	Due after 10 Years
Deposits*	$65,846,269	$3,188,760	$542,107			
Borrowed money	975,978	8,075	1,292	$641	$677	$392
Total	$66,822,256	$3,196,835	$543,408	$641	$677	$392

** Demand deposits included in deposits are presented under "Due in 1 year or less."*

28. Derivatives

It is the Bank's policy to use derivatives primarily for the purpose of reducing market risks associated with its assets and liabilities. The Bank also utilizes derivatives to meet the needs of its clients while entering into derivatives as a part of its trading activities.

The Bank enters into interest rate swaps and interest rate swaptions as a means of hedging its interest rate risk on certain loans and investment securities while entering into interest rate swaps and interest rate swaptions to meet the needs of its clients.

The Bank also enters into currency swaps, foreign exchange forward contracts, and currency options to hedge foreign exchange risk associated with its assets and liabilities denominated in foreign currencies and to meet the needs of its clients.

Derivatives are subject to market risk and credit risk. Market risk is the exposure created by potential fluctuations of market conditions, including interest or foreign exchange rates. Credit risk is the possibility that a loss may result from a counterparty's failure to perform its obligations under a contract.

The Bank sets limits on credit risk for those derivatives by limiting the counterparties to major financial institutions and securities companies and establishing maximum risk exposures to the counterparties.

The Bank has established a standard of risk management including management approaches for each type of risk. Derivative transactions entered into by the Bank have been made in accordance with internal policies which regulate trading activities and credit risk management including maximum risk exposures and loss-cutting rules. Concerning risk management associated with derivative transactions, the front and back offices of the trading divisions are clearly separated and risk managers are assigned to the trading divisions, while the Risk Management Division synthetically manages the Bank's market risks. In this manner, an internal control system is effectively secured.

The Bank's positions, gain and loss, risk amount, and other conditions are periodically reported to the executive committee.

The Bank has the following derivatives contracts outstanding as of March 31, 2017 and 2016:

Derivative Transactions to Which Hedge Accounting Is Not Applied
With respect to derivatives to which hedge accounting is not applied, contract or notional amount, fair value, and unrealized gains/losses, and the calculation method of fair value are as shown below. Note that the contract or notional amounts of the derivatives which are shown in the table do not represent the amounts of the Bank's exposure to credit or market risk.

	Millions of Yen								Thousands of U.S. Dollars			
	2017				2016				**2017**			
	Contract or Notional Amount				Contract or Notional Amount				Contract or Notional Amount			
	Total	Due after One Year	Fair Value	Unrealized Gains/ Losses	Total	Due after One Year	Fair Value	Unrealized Gains/ Losses	Total	Due after One Year	Fair Value	Unrealized Gains/ Losses
Interest rate-related over-the-counter ("OTC") transactions:												
Interest rate swaps:												
Fixed rate receipt/ floating rate payment	**¥3,050**	**¥500**	**¥2**	**¥2**	¥5,650	¥3,050	¥9	¥9	**$27,186**	**$4,456**	**$17**	**$17**
Floating rate receipt/ fixed rate payment	**3,425**	**875**	**(10)**	**(10)**	6,063	3,463	(23)	(23)	**30,528**	**7,799**	**(89)**	**(89)**
Interest rate swaption:												
Selling					1,200		9	9				
Buying					1,200		(9)	(9)				
Currency-related OTC transactions:												
Currency swaps	**23,201**	**16,076**	**(533)**	**(533)**	37,332	15,253	19	19	**206,800**	**143,292**	**(4,750)**	**(4,750)**
Foreign exchange forward contracts:												
Selling	**151,288**		**911**	**911**	270,688		3,990	3,990	**1,348,498**		**8,120**	**8,120**
Buying	**4,831**		**19**	**19**	1,686		(10)	(10)	**43,060**		**169**	**169**
Currency option:												
Selling	**4,443**	**2,864**	**(158)**	**74**	6,093	4,434	(241)	65	**39,602**	**25,528**	**(1,408)**	**659**
Buying	**4,443**	**2,864**	**158**	**(14)**	6,093	4,434	241	16	**39,602**	**25,528**	**1,408**	**(124)**

Notes:
1. The above transactions are stated at fair value and unrealized gains (losses) for the years ended March 31, 2017 and 2016, are recognized in the consolidated statement of income.
2. The fair value of interest rate-related OTC transactions is determined using the discounted present value or option-pricing models, and the fair value of currency-related OTC transactions is determined using the discounted present value.

Derivative Transactions to Which Hedge Accounting Is Applied
With respect to derivatives to which hedge accounting is applied, contract or notional amount, fair value, and the calculation method of fair value are as shown below. Note that the contract or notional amounts of the derivatives which are shown in the table do not represent the amounts of the Bank's exposure to market risk.

At March 31, 2017			Millions of Yen		
			Contract or Notional Amount		
Hedge Accounting Method	Type of Derivatives	Major Hedged Item	Total	Due after One Year	Fair Value
Normal method	Interest rate swaps— Floating rate receipt/ fixed rate payment	Loans and investment securities	**¥227,817**	**¥227,004**	**¥(2,799)**
Special matching criteria	Interest rate swaps— Floating rate receipt/ fixed rate payment	Loans	**87,878**	**81,678**	**(1,232)**
	Other– Buying	Loans	**916**	**916**	**(4)**
Total					**¥(4,036)**

At March 31, 2016			Millions of Yen		
			Contract or Notional Amount		
Hedge Accounting Method	Type of Derivatives	Major Hedged Item	Total	Due after One Year	Fair Value
Normal method	Interest rate swaps— Floating rate receipt/ fixed rate payment	Loans and investment securities	¥230,551	¥229,769	¥(5,053)
Special matching criteria	Interest rate swaps— Floating rate receipt/ fixed rate payment	Loans	100,054	95,024	(2,260)
	Other– Buying	Loans	1,000	1,000	(11)
Total					¥(7,325)

At March 31, 2017			Thousands of U.S. Dollars		
			Contract or Notional Amount		
Hedge Accounting Method	Type of Derivatives	Major Hedged Item	Total	Due after One Year	Fair Value
Normal method	Interest rate swaps— Floating rate receipt/ fixed rate payment	Loans and investment securities	**$2,030,635**	**$2,023,388**	**$(24,948)**
Special matching criteria	Interest rate swaps— Floating rate receipt/ fixed rate payment	Loans	**783,296**	**728,032**	**(10,981)**
	Other– Buying	Loans	**8,164**	**8,164**	**(35)**
Total					**$(35,974)**

Notes:
1. These are principally accounted for under the deferral hedge method in accordance with the JICPA Industry Audit Committee Report No. 24, "Treatment of Accounting and Auditing of Application of Accounting Standard for Financial Instruments in the Banking Industry."
2. Fair value is determined using the discounted present value.

29. Related-Party Transactions

Related-party transactions for the years ended March 31, 2017 and 2016, were as follows:

a. Transactions between the Bank and Its Related Parties

		Transactions for the Year*4			Balance at End of Year		
		Millions of Yen		Thousands of U.S. Dollars	Millions of Yen		Thousands of U.S. Dollars
Related Party	Account Classification *3	**2017**	2016	**2017**	**2017**	2016	**2017**
Department Store Fujisaki Co., Ltd.*1	Loans and bills discounted	**¥4,769**	¥4,603	**$42,508**	**¥5,276**	¥5,256	**$47,027**
	Customers' liabilities for acceptances and guarantees	**328**	200	**2,923**	**360**	200	**3,208**
Fuji Styling Co., Ltd.*1	Loans and bills discounted	**255**	236	**2,272**	**292**	235	**2,602**
Fujisaki Agency Co., Ltd.*1	Customers' liabilities for acceptances and guarantees	**758**	700	**6,756**	**860**	700	**7,665**
Mr. Minokichi Akaizawa*2	Loans and bills discounted	**45**	51	**401**	**42**	48	**374**

*Notes: *1 Company whose voting rights are majority owned by a director or his close relatives (including subsidiaries of such company)*
**2 Mr. Minokichi Akaizawa is a close relative of a director.*
**3 Terms are substantially the same as for similar transactions with third parties.*
**4 Amounts of transactions were reported at the average balance for the period.*

b. Transactions between a Consolidated Subsidiary and Its Related Part

		Transactions for the Year			Balance at End of Year		
		Millions of Yen		Thousands of U.S. Dollars	Millions of Yen		Thousands of U.S. Dollars
Related Party	Account Classification *2	**2017**	2016	**2017**	**2017**	2016	**2017**
Department Store Fujisaki Co., Ltd.*1	Fees and commissions	**¥22**	¥20	**$196**			
Fuji Styling Co., Ltd.*1	Other assets	**16**	8	**142**	**¥59**	¥48	**$525**

*Notes: *1 Company whose voting rights are majority owned by a director or his close relatives (including subsidiaries of such company)*
**2 Terms are substantially the same as for similar transactions with third parties.*

30. Segment Information

Description of Reportable Segments
The Companies are principally engaged in the banking business and also leasing business and other financial services. The reportable segments of the Bank are the segments for which separate financial information is available, and are subject to periodic review by the chief operating decision maker to determine the allocation of management resources and assess performance.

Since the reportable segments of the Companies consist only of the "Banking" segment and since the "Other" segment is immaterial, segment information is omitted.

Effective from the year ended March 31, 2017, financial instruments business of 77 Securities Co., Ltd., which was newly established, is included in "Other."

Related Information for the Years Ended March 31, 2017 and 2016
Information by Service Line

	Millions of Yen				
	2017				
	Loan	Securities Investment	Lease	Other	Total
External customers	**¥41,308**	**¥34,091**	**¥8,214**	**¥23,077**	**¥106,692**

	Millions of Yen				
	2016				
	Loan	Securities Investment	Lease	Other	Total
External customers	**¥43,997**	**¥35,483**	**¥8,173**	**¥28,423**	**¥116,077**

	Thousands of U.S. Dollars				
	2017				
	Loan	Securities Investment	Lease	Other	Total
External customers	**$368,196**	**$303,868**	**$73,215**	**$205,695**	**$950,993**

Information about Geographical Area
Information about geographical areas is omitted because the Companies conduct banking and other related activities only in Japan and do not have foreign subsidiaries or foreign branches.
Information about Major Customers
Information about major customers is not presented because there are no customers who account for over 10% of ordinary income.
Information about Asset Impairment Losses
Information about asset impairment losses for the years ended March 31, 2017 and 2016, is omitted because the only reportable segment is "Banking" and "Other" is immaterial.

31. Net Income Per Share

Basic and diluted net income per share ("EPS") for the years ended March 31, 2017 and 2016, is as follows:

	Millions of Yen	Thousands of Shares	Yen	U.S. Dollars
Year Ended March 31, 2017	Net Income Attributable to Owners of the Parent	Weighted-Average Shares	EPS	
Basic EPS—Net income attributable to common stockholders	**¥16,114**	**373,473**	**¥43.14**	**$0.38**
Effect of dilutive securities—Stock acquisition rights		1,719		
Diluted EPS—Net income for computation	**¥16,114**	**375,193**	**¥42.94**	**$0.38**
Year Ended March 31, 2016				
Basic EPS—Net income attributable to common stockholders	¥15,857	374,234	¥42.37	
Effect of dilutive securities—Stock acquisition rights		1,652		
Diluted EPS—Net income for computation	¥15,857	375,886	¥42.18	

32. Subsequent Events

a. Cash Dividends

At the Bank's general meeting of stockholders held on June 29, 2017, the Bank's stockholders approved the following appropriations of retained earnings:

	Millions of Yen	Thousands of U.S. Dollars
Year-end cash dividends, ¥4.50 ($0.040) per share	**¥1,667**	**$14,858**

b. Consolidation of Shares

At the Board of Directors' meeting held on May 12, 2017, the Bank resolved to propose an agenda concerning consolidation of shares to the ordinary stockholders' meeting to be held on June 29, 2017, and the agenda was approved by the stockholders' meeting. The outline of the consolidation of shares is as follows:

(1) Purpose

All stock exchanges in Japan announced "Action Plan for Consolidating Trading Units" to ultimately consolidate all common stocks of the domestic listed companies to 100 share trading units by October 1, 2018, as a deadline.

The Bank, taking into consideration the intention, resolved to change the number of the share unit of the Bank from 1,000 shares to 100 shares at the Board of Directors' meeting held on May 12, 2017. In changing the number of the share unit from 1,000 shares to 100 shares, the Bank decided to consolidate 5 shares of the Company's stock to 1 share to keep the investment unit level (between ¥50 thousand ($0.44 thousand) and ¥500 thousand ($4.45 thousand)) which all stock exchanges in Japan consider to be desirable and to develop an environment which makes investment in the Bank's shares to be easier.

(2) Consolidation ratio and timing of consolidation of shares

One share for five shares owned by the stockholders registered with the final register of stockholders as of September 30, 2017 (substantially September 29, 2017), effective October 1, 2017

(3) Number of shares to be decreased due to the consolidation

Total number of outstanding shares before consolidation (as of March 31, 2017)	383,278,734 shares
Number of shares to be decreased due to consolidation	306,622,988 shares
Total number of outstanding shares after consolidation	76,655,746 shares

(Note) "Number of shares to be decreased due to consolidation" and "Total number of outstanding shares after consolidation" are theoretical numbers computed using "Total number of outstanding shares before consolidation" and consolidation ratio.

(4) Effects of these changes on per share information

Per share information as of March 31, 2017 and 2016, and for the years then ended, if the share consolidation had been implemented at the beginning of the year ended March 31, 2016, is as follows:

	Yen	U.S. Dollars
Year Ended March 31, 2017		
Basic EPS	**¥215.73**	**$1.92**
Diluted EPS	**¥214.74**	**$1.91**
Year Ended March 31, 2016		
Basic EPS	¥211.87	
Diluted EPS	¥210.94	

Independent Auditors' Report

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of The 77 Bank, Ltd.:

We have audited the accompanying consolidated balance sheet of The 77 Bank, Ltd. and its consolidated subsidiaries as of March 31, 2017, 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 77 Bank, Ltd. and its consolidated subsidiaries as of March 31, 2017, 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 29, 2017

Member of
Deloitte Touche Tohmatsu Limited

Capital Adequacy Ratios

THE 77 BANK, LTD. AND CONSOLIDATED SUBSIDIARIES
March 31, 2017

	Millions of Yen		Thousands of U.S. Dollars
Consolidated (Domestic standard)	**2017**	2016	**2017**
Capital adequacy ratio (Domestic standard) = (A)/(B) x 100 (%)	**10.73**	11.21	
Capital: (A)	**¥ 385,086**	¥ 379,253	**$ 3,432,444**
Risk-adjusted assets: (B)	**3,587,937**	3,380,732	**31,980,898**

	Millions of Yen		Thousands of U.S. Dollars
Non-Consolidated (Domestic standard)	**2017**	2016	**2017**
Capital adequacy ratio (Domestic standard) = (A)/(B) x 100 (%)	**10.48**	10.90	
Capital: (A)	**¥ 373,434**	¥ 364,233	**$ 3,328,585**
Risk-adjusted assets: (B)	**3,561,587**	3,340,435	**31,746,029**

Non-Consolidated Balance Sheet (Parent Company)

THE 77 BANK, LTD.
March 31, 2017

	Millions of Yen		Thousands of U.S. Dollars
	2017	2016	**2017**
Assets:			
Cash and due from banks	**¥ 708,964**	¥ 485,911	**$ 6,319,315**
Call loans and bills bought	**557**	115,560	**4,964**
Debt purchased	**5,042**	4,740	**44,941**
Trading account securities	**20,793**	28,056	**185,337**
Money held in trust	**168,053**	76,278	**1,497,932**
Investment securities	**3,242,629**	3,478,904	**28,903,012**
Loans and bills discounted	**4,450,327**	4,357,890	**39,667,768**
Foreign exchange assets	**4,748**	4,313	**42,321**
Tangible fixed assets:			
Buildings	**8,597**	8,823	**76,628**
Land	**20,127**	20,222	**179,401**
Lease assets	**89**	191	**793**
Construction in progress	**1,128**	257	**10,054**
Other tangible fixed assets	**5,074**	6,076	**45,226**
Intangible fixed assets	**284**	290	**2,531**
Customers' liabilities for acceptances and guarantees	**30,448**	35,302	**271,396**
Other assets	**30,818**	15,348	**274,694**
Reserve for possible loan losses	**(64,045)**	(68,116)	**(570,861)**
Total	**¥8,633,641**	¥8,570,052	**$76,955,530**
Liabilities:			
Deposits	**¥7,821,397**	¥7,971,242	**$69,715,634**
Call money	**79,991**		**712,995**
Payables under securities lending transaction	**30,998**	20,908	**276,299**
Borrowed money	**107,140**	500	**954,987**
Foreign exchange liabilities	**72**	82	**641**
Liability for retirement benefits	**23,996**	23,641	**213,887**
Reserve for reimbursement of deposits	**443**	403	**3,948**
Reserve for contingent losses	**744**	799	**6,631**
Acceptances and guarantees	**30,448**	35,302	**271,396**
Reserve for disaster losses		7	
Deferred tax liabilities	**25,471**	21,108	**227,034**
Other liabilities	**49,916**	52,971	**444,923**
Total liabilities	**8,170,620**	8,126,968	**72,828,416**
Equity:			
Common stock	**24,658**	24,658	**219,787**
Capital surplus	**8,688**	7,835	**77,440**
Retained earnings	**315,800**	302,543	**2,814,867**
Treasury stock	**(5,738)**	(4,422)	**(51,145)**
Total stockholders' equity	**343,409**	330,614	**3,060,959**
Unrealized gains on available-for-sale securities	**120,732**	115,195	**1,076,138**
Deferred losses on derivatives under hedge accounting	**(1,848)**	(3,446)	**(16,472)**
Total valuation adjustments	**118,883**	111,748	**1,059,657**
Stock acquisition rights	**728**	721	**6,488**
Total equity	**463,020**	443,084	**4,127,105**
Total	**¥8,633,641**	¥8,570,052	**$76,955,530**

Non-Consolidated Statement of Income (Parent Company)

THE 77 BANK, LTD.
Year Ended March 31, 2017

	Millions of Yen		Thousands of U.S. Dollars
	2017	2016	**2017**
Income:			
Interest income:			
Interest on loans and discounts	**¥41,222**	¥ 43,957	**$367,430**
Interest on dividends on trading account and investment securities	**29,040**	30,575	**258,846**
Other	**171**	217	**1,524**
Fees and commissions	**16,076**	16,182	**143,292**
Other operating income	**92**	562	**820**
Other income	**8,974**	12,821	**79,989**
Total income	**95,578**	104,318	**851,929**
Expenses:			
Interest expense:			
Interest on deposits	**1,455**	2,769	**12,969**
Interest on call money	**273**	366	**2,433**
Other	**1,127**	821	**10,045**
Fees and commissions	**6,667**	6,217	**59,425**
Other operating expenses	**7,953**	6,242	**70,888**
General and administrative expenses	**55,156**	61,863	**491,630**
Other expenses	**1,820**	2,132	**16,222**
Total expenses	**74,454**	80,414	**663,642**
Income before income taxes	**21,123**	23,903	**188,278**
Income taxes:			
Current	**3,058**	8,460	**27,257**
Deferred	**1,438**	(218)	**12,817**
Total income taxes	**4,496**	8,241	**40,074**
Net income	**¥16,627**	¥ 15,662	**$148,203**

Loan Portfolio

Loan Portfolio by Industry

	Billions of yen	Millions of U.S. Dollars
	2017	2017
Domestic offices *(Excluding Japan offshore banking accounts)*	¥4,450	$39,667
Manufacturing	471	4,198
Agriculture and forestry	6	58
Fisheries	4	44
Mining and quarrying of stone and gravel	3	27
Construction	151	1,350
Electricity, gas, heat supply and water	139	1,241
Information and communications	28	251
Transport and postal activities	125	1,121
Wholesale and retail trade	405	3,612
Finance and insurance	286	2,556
Real estate and goods rental and leasing	851	7,592
Services, N.E.C.	325	2,902
Government, except elsewhere classified	637	5,685
Other	1,012	9,024
Japan's offshore banking accounts		
Financial institutions	—	—
Total	¥4,450	$39,667

Loan Portfolio by Industry

	Billions of yen
	2016
Domestic offices *(Excluding Japan offshore banking accounts)*	¥4,357
Manufacturing	499
Agriculture and forestry	5
Fisheries	4
Mining and quarrying of stone and gravel	3
Construction	147
Electricity, gas, heat supply and water	119
Information and communications	29
Transport and postal activities	117
Wholesale and retail trade	409
Finance and insurance	289
Real estate and goods rental and leasing	777
Services, N.E.C.	292
Government, except elsewhere classified	730
Other	931
Japan's offshore banking accounts	
Financial institutions	—
Total	¥4,357

Loans by Collateral

	Billions of yen		Millions of U.S. Dollars
	2017	2016	2017
Securities	¥ 6	¥ 5	$ 59
Commercial claims	26	27	239
Real estate	674	603	6,011
Subtotal	707	636	6,310
Guaranteed	1,238	1,074	11,042
Unsecured	2,503	2,646	22,314
Total	¥4,450	¥4,357	$35,180

Reserve for Loan Losses

	Billions of yen		Millions of U.S. Dollars
	2017	2016	2017
General reserve for loan losses	¥30	¥33	$270
Specific reserve for estimated loan losses on certain doubtful loans	33	34	300
Total	¥64	¥68	$570