Annual Securities Report

“Yukashoken Hokokusho”

(Excerpt)

For the fiscal years ended March 31, 2016 and 2015

FIDEA HOLDINGS CO. LTD.

FIDEA Holdings Co. Ltd.

and Subsidiaries

Message from the President and CEO

Dear Friends and Stakeholders

Thank you for your continued patronage of FIDEA Group, including The Shonai Bank, Ltd. and The Hokuto Bank, Ltd.

Based on the strengths offered by our broad regional network, which extends across multiple prefectures, and the diversity of our information and human resources, our goal has been to contribute to regional revitalization and to accelerating post-disaster recovery. The fiscal year ended March 31, 2016 marked the final year of our second medium-term management plan, under which we have been working to complete “Creation of a Platform for Regional Growth and a Foundation for Innovation.”

Management conditions surrounding financial institutions are undergoing a series of dramatic changes, making it extremely challenging to steer forward. Regional communities also face a time of transition, with the working age population shrinking as the whole population drops, and with an increasingly aging society. However, with the future difficult to predict as we enter these uncertain times, we believe it is more important than ever that, as a region-wide banking group whose central role is the development of our region, we adequately fulfill that role and the responsibilities that we have.

This is the eighth fiscal year since the establishment of the FIDEA Group through a management consolidation calling for an Open Platform strategy. As we work toward the next stage of greater progress and growth, we have renewed our directorship structure. By doing so, we hope to stay in a spirit of challenge and innovative thinking unfettered by precedent, and under this new structure, provide an even higher quality of financial information services with the goal of greater satisfaction for our customers, and greater growth for our region. We will continue putting our slogan of “Reaching out to the community and stepping into the next generation－Trust FIDEA” into practice, as we contribute to achieving sustainable regional growth. As always, we look forward to your support.

June 2016
Yuichi Tao
President and CEO
FIDEA Holdings Co. Ltd.

FIDEA Holdings Co. Ltd. and Subsidiaries

Consolidated Balance Sheets
March 31, 2016 and 2015

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2016	2015	2016
Assets:			
Cash and due from banks (Notes 10, 17 and 22)	¥ 64,954	¥ 64,373	$ 576,395
Monetary claims bought (Note 22)	3,656	3,545	32,442
Trading account securities (Notes 4 and 22)	654	113	5,803
Money held in trust (Notes 5 and 22)	7,747	5,065	68,746
Securities (Notes 4, 5, 10, 13 and 22)	1,005,496	996,880	8,922,672
Loans and bills discounted (Notes 6, 21 and 22)	1,748,980	1,719,508	15,520,276
Foreign exchange assets (Note 22)	2,885	2,330	25,601
Tangible fixed assets (Note 7):			
Buildings	10,874	10,452	96,494
Land	11,088	11,179	98,393
Lease assets	117	133	1,038
Construction in progress	1,298	245	11,518
Other tangible fixed assets	2,451	2,383	21,749
Intangible fixed assets:			
Software	2,923	3,542	25,938
Goodwill	15	40	133
Other intangible fixed assets	138	140	1,224
Defined benefit asset (Note 12)	811	1,428	7,196
Deferred tax assets (Note 19)	718	803	6,371
Customers' liabilities for acceptances and guarantees (Note 21)	16,854	15,073	149,560
Other assets (Note 10)	8,457	8,784	75,046
Allowance for loan losses (Notes 6 and 22)	(16,186)	(14,795)	(143,632)
Total assets	¥ 2,873,939	¥ 2,831,229	$ 25,503,052

(Continued)

FIDEA Holdings Co. Ltd. and Subsidiaries

Consolidated Balance Sheets
March 31, 2016 and 2015

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2016	2015	2016
Liabilities:			
Deposits (Note 22)	¥ 2,433,322	¥ 2,362,702	$ 21,593,060
Negotiable certificates of deposit (Note 22)	145,464	126,814	1,290,833
Call money and bills sold (Notes 10 and 22)	20,000	53,045	177,478
Payables under securities lending transactions (Notes 10 and 22)	78,830	48,523	699,529
Borrowed money (Notes 9, 10 and 22)	21,000	64,300	186,351
Foreign exchange liabilities (Note 22)	10	0	88
Bonds payable (Notes 11 and 22)	5,000	10,000	44,369
Bonds with subscription rights to shares (Notes 11 and 22)	-	5,100	-
Defined benefit liability (Note 12)	2,731	2,858	24,234
Provision for reimbursement of deposits	672	591	5,963
Provision for contingent loss	324	476	2,875
Other provisions	30	35	266
Deferred tax liabilities (Notes 5 and 19)	7,307	8,715	64,841
Deferred tax liabilities for land revaluation (Note 8)	540	571	4,791
Acceptances and guarantees	16,854	15,073	149,560
Other liabilities (Note 9)	21,814	23,391	193,575
Total liabilities	2,753,903	2,722,200	24,437,864
Net assets (Note 14):			
Common stock	18,000	15,450	159,730
Capital surplus	27,757	25,194	246,312
Retained earnings	42,652	34,652	378,489
Treasury stock	(4)	(3)	(35)
Total shareholders' equity	88,405	75,293	784,497
Accumulated other comprehensive income:			
Unrealized gain (loss) on available-for-sale securities (Note 5)	30,064	31,750	266,784
Deferred gain (loss) on derivatives under hedge accounting	-	(3)	-
Revaluation reserve for land (Note 8)	1,134	1,111	10,063
Remeasurements of defined benefit plans	(1,040)	(501)	(9,228)
Total accumulated other comprehensive income	30,158	32,357	267,619
Non-controlling interests	1,471	1,378	13,053
Total net assets	120,035	109,029	1,065,178
Total liabilities and net assets	¥ 2,873,939	¥ 2,831,229	$ 25,503,052

See notes to consolidated financial statements.

(Concluded)

FIDEA Holdings Co. Ltd. and Subsidiaries

Consolidated Statements of Income
Years Ended March 31, 2016 and 2015

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2016	2015	2016
Income:			
Interest income:			
Interest on loans and discounts	¥ 24,467	¥ 25,323	$ 217,117
Interest and dividends on securities	12,975	9,627	115,138
Other	52	38	461
Fees and commissions	9,600	9,582	85,189
Other operating income	4,345	2,753	38,557
Other income	4,561	3,617	40,473
Total income	56,003	50,945	496,965
Expenses:			
Interest expenses:			
Interest on deposits	3,110	2,623	27,597
Interest on payables under securities lending transactions	339	75	3,008
Interest on borrowings and rediscounts	121	116	1,073
Interest on bonds payable	176	277	1,561
Other	17	25	150
Fees and commissions	3,246	3,051	28,804
Other operating expenses	2,097	1,042	18,608
General and administrative expenses	29,427	29,667	261,132
Provision of allowance for loan losses	2,670	2,223	23,693
Other expenses (Note 15)	2,480	1,138	22,007
Total expenses	43,688	40,241	387,683
Income before income taxes	12,315	10,703	109,282
Income taxes (Note 19):			
Current	2,826	1,925	25,077
Deferred	489	1,012	4,339
Total income taxes	3,316	2,937	29,425
Net income	8,999	7,765	79,856
Net income attributable to non-controlling interests	133	108	1,180
Net income attributable to owners of parent	¥ 8,866	¥ 7,657	$ 78,676
	Yen		U.S. dollars
Per share of common stock (Note 24):			
Basic net income	¥ 52.38	¥ 52.45	$ 0.4648
Diluted net income	39.02	35.83	0.3462
Cash dividends applicable to the year	6.00	5.00	0.0532

See notes to consolidated financial statements.

FIDEA Holdings Co. Ltd. and Subsidiaries

Consolidated Statements of Comprehensive Income
Years Ended March 31, 2016 and 2015

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2016	2015	2016
Net income	¥ 8,999	¥ 7,765	$ 79,856
Other comprehensive income (Note 16):			
Unrealized gain (loss) on available-for-sale securities	(1,690)	17,242	(14,996)
Deferred gain (loss) on derivatives under hedge accounting	3	4	26
Revaluation reserve for land (Note 8)	28	58	248
Remeasurements of defined benefit plans	(538)	273	(4,774)
Total other comprehensive income (loss)	(2,197)	17,579	(19,495)
Comprehensive income	¥ 6,802	¥ 25,345	$ 60,360
Total comprehensive income attributable to:			
Owners of parent	¥ 6,672	¥ 25,234	$ 59,206
Non-controlling interests	129	110	1,144

See notes to consolidated financial statements.

FIDEA Holdings Co. Ltd. and Subsidiaries

Consolidated Statements of Changes in Net Assets
Years Ended March 31, 2016 and 2015

	Millions of yen											
	Shareholders' equity					Accumulated other comprehensive income						
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity	Unrealized gain (loss) on available-for-sale securities	Deferred gain (loss) on derivatives under hedge accounting	Revaluation reserve for land	Remeasure-ments of defined benefit plans	Total accumulated other comprehensive income	Non-controlling interests	Total net assets
Balance as of April 1, 2014	¥ 15,000	¥ 24,744	¥ 28,093	¥ (2)	¥ 67,835	¥ 14,510	¥ (8)	¥ 1,091	¥ (774)	¥ 14,819	¥ 1,274	¥ 83,928
Cumulative effects of changes in accounting policies			(284)		(284)							(284)
Restated balance as of April 1, 2014	15,000	24,744	27,808	(2)	67,551	14,510	(8)	1,091	(774)	14,819	1,274	83,644
Conversion of convertible bond-type bonds with subscription rights to shares	450	450			900							900
Cash dividends			(853)		(853)							(853)
Net income attributable to owners of parent			7,657		7,657							7,657
Acquisition of treasury stock				(0)	(0)							(0)
Sale of treasury stock		0		0	0							0
Reversal of revaluation reserve for land			38		38							38
Net changes of items other than shareholders' equity						17,240	4	20	273	17,538	104	17,643
Balance as of March 31, 2015	15,450	25,194	34,652	(3)	75,293	31,750	(3)	1,111	(501)	32,357	1,378	109,029
Conversion of convertible bond-type bonds with subscription rights to shares	2,550	2,550			5,100							5,100
Cash dividends			(871)		(871)							(871)
Net income attributable to owners of parent			8,866		8,866							8,866
Acquisition of treasury stock				(1)	(1)							(1)
Sale of treasury stock		0		0	0							0
Purchase of shares of consolidated subsidiaries		12			12							12
Reversal of revaluation reserve for land			5		5							5
Net changes of items other than shareholders' equity						(1,686)	3	22	(538)	(2,198)	92	(2,106)
Balance as of March 31, 2016	¥ 18,000	¥ 27,757	¥ 42,652	¥ (4)	¥ 88,405	¥ 30,064	¥ -	¥ 1,134	¥ (1,040)	¥ 30,158	¥ 1,471	¥ 120,035

	Thousands of U.S. dollars (Note 1)											
	Shareholders' equity					Accumulated other comprehensive income						
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity	Unrealized gain (loss) on available-for-sale securities	Deferred gain (loss) on derivatives under hedge accounting	Revaluation reserve for land	Remeasure-ments of defined benefit plans	Total accumulated other comprehensive income	Non-controlling interests	Total net assets
Balance as of March 31, 2015	$ 137,101	$ 223,569	$ 307,498	$ (26)	$ 668,142	$ 281,746	$ (26)	$ 9,858	$ (4,445)	$ 287,132	$ 12,228	$ 967,512
Conversion of convertible bond-type bonds with subscription rights to shares	22,628	22,628			45,256							45,256
Cash dividends			(7,729)		(7,729)							(7,729)
Net income attributable to owners of parent			78,676		78,676							78,676
Acquisition of treasury stock				(8)	(8)							(8)
Sale of treasury stock		0		0	0							0
Purchase of shares of consolidated subsidiaries		106			106							106
Reversal of revaluation reserve for land			44		44							44
Net changes of items other than shareholders' equity						(14,961)	26	195	(4,774)	(19,504)	816	(18,688)
Balance as of March 31, 2016	$ 159,730	$ 246,312	$ 378,489	$ (35)	$ 784,497	$ 266,784	$ -	$ 10,063	$ (9,228)	$ 267,619	$ 13,053	$1,065,178

See notes to consolidated financial statements.

FIDEA Holdings Co. Ltd. and Subsidiaries

Consolidated Statements of Cash Flows
Years Ended March 31, 2016 and 2015

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2016	2015	2016
Operating activities:			
Income before income taxes	¥ 12,315	¥ 10,703	$ 109,282
Adjustments for:			
Income taxes—paid	(3,145)	(980)	(27,908)
Depreciation and amortization	2,168	1,977	19,238
Loss on impairment—fixed assets	8	113	70
Amortization of goodwill	24	95	212
Amortization of negative goodwill	-	(458)	-
Change in allowance for loan losses	1,390	(637)	12,334
Change in defined benefit asset	125	131	1,109
Change in defined benefit liability	(101)	3	(896)
Change in provision for reimbursement of deposits	80	(90)	709
Change in provision for contingent loss	(152)	57	(1,348)
Change in other provisions	(4)	(5)	(35)
Interest income	(37,496)	(34,991)	(332,735)
Interest expenses	3,765	3,118	33,410
Gain on securities—net	(4,485)	(2,772)	(39,799)
Loss (gain) on money held in trust—net	150	(151)	1,331
Foreign exchange (gains) loss—net	7	(14)	62
Loss on sale and disposal of fixed assets—net	591	48	5,244
Net change in loans and bills discounted	(29,471)	(55,368)	(261,522)
Net change in deposits	70,619	135,947	626,666
Net change in negotiable certificates of deposit	18,649	(3,387)	165,489
Net change in trading account securities	(540)	(13)	(4,791)
Net change in borrowed money, excluding subordinated borrowings	(43,300)	20,860	(384,239)
Net change in due from banks, excluding due from Bank of Japan	(1,483)	542	(13,159)
Net change in call loans and bills bought	(110)	479	(976)
Net change in call money and bills sold	(33,045)	5,428	(293,238)
Net change in payables under securities lending transactions	30,306	37,187	268,932
Net change in foreign exchange assets	(554)	415	(4,916)
Net change in foreign exchange liabilities	10	(0)	88
Interest received	38,476	35,957	341,432
Interest paid	(3,379)	(3,128)	(29,984)
Other—net	12,654	(6,498)	112,290
Total adjustments	21,758	133,864	193,078
Net cash provided by operating activities—(Forward)	¥ 34,073	¥ 144,567	$ 302,360

(Continued)

FIDEA Holdings Co. Ltd. and Subsidiaries

Consolidated Statements of Cash Flows
Years Ended March 31, 2016 and 2015

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2016	2015	2016
Net cash provided by operating activities—(Forward)	¥ 34,073	¥ 144,567	$ 302,360
Investing activities:			
Purchase of securities	(393,762)	(339,275)	(3,494,205)
Proceeds from sales of securities	200,269	109,720	1,777,167
Proceeds from maturity of securities	170,607	96,574	1,513,949
Increase in money held in trust	(3,800)	(2,022)	(33,720)
Decrease in money held in trust	1,003	82	8,900
Purchase of tangible fixed assets	(3,064)	(2,724)	(27,189)
Proceeds from sales of tangible fixed assets	106	93	940
Purchase of intangible fixed assets	(379)	(1,852)	(3,363)
Net cash used in investing activities	(29,019)	(139,403)	(257,511)
Financing activities:			
Redemption of subordinated bonds	(5,000)	-	(44,369)
Repayment of lease obligations	(49)	(67)	(434)
Dividends paid	(873)	(850)	(7,746)
Dividends paid to non-controlling shareholders	(2)	(3)	(17)
Payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	(22)	-	(195)
Purchase of treasury stock	(1)	(0)	(8)
Proceeds from sales of treasury stock	0	0	0
Net cash used in financing activities	(5,948)	(922)	(52,781)
Effect of exchange rate change on cash and cash equivalents	(7)	14	(62)
Net increase (decrease) in cash and cash equivalents	(902)	4,255	(8,004)
Cash and cash equivalents at the beginning of year	59,899	55,644	531,537
Cash and cash equivalents at the end of year (Note 17)	¥ 58,997	¥ 59,899	$ 523,533

See notes to consolidated financial statements.

(Concluded)

1. Basis of Presentation

FIDEA Holdings Co. Ltd. (the "Company") is a holding company and conducts its operations through its subsidiaries and affiliates. The Company was established as a joint holding company between The Shonai Bank, Ltd. ("Shonai") and The Hokuto Bank, Ltd. ("Hokuto") on October 1, 2009 by way of a transfer of shares.

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, the Ordinance for the Enforcement of the Banking Act of Japan (the "Banking Act") and the Companies Act of Japan (the "Companies Act"), and in conformity with accounting principles generally accepted in Japan, which are different in certain respects as to application and disclosure requirements of International Financial Reporting Standards.

In 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 preparing the accompanying consolidated financial statements, Japanese yen amounts are presented in millions of yen by rounding down figures to the nearest million. As a result, the totals in yen in the accompanying consolidated financial statements do not necessarily agree with the sums of the individual amounts.

The translation of yen amounts into U.S. dollar amounts is included solely for the convenience of readers outside Japan and has been made at ¥112.69 = U.S.$1.00, the exchange rate prevailing on March 31, 2016. This translation should not be construed as a representation that yen can be converted into U.S. dollars at the above or any other rate.

2. Principles of Consolidation

The consolidated financial statements include the accounts of the Company and its 6 subsidiaries (collectively the "Group") as of March 31, 2016 (8 subsidiaries as of March 31, 2015).

Under the control of influence concept, those companies in which the Company, directly or indirectly, is able to exercise control over operations are fully consolidated. The Company has one unconsolidated subsidiary as of March 31, 2016 (none as of March 31, 2015).

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

The excess of the acquisition cost over the underlying equity in the net assets of the consolidated subsidiaries measured at fair value at their respective dates of acquisition is presented as "goodwill" and is amortized by the straight-line method over a period of five years. Insignificant amounts of goodwill are fully charged to income in the fiscal year when it is incurred.

The balance sheet dates of all 6 subsidiaries are March 31.

Those companies over which the Company has the ability to exercise significant influence, but does not control are accounted for using the equity method. However, the Company has no affiliates to be accounted for using the equity method.

3. Significant Accounting Policies

(1) Trading account securities

Trading account securities are stated at fair value as of the balance sheet date, and cost of trading account securities sold is determined principally using the moving-average method.

(2) Securities

Non-trading securities are classified into two categories: held-to-maturity debt securities and available-for-sale securities. Held-to-maturity debt securities are carried at amortized cost being determined by the moving-average method. Available-for-sale securities are generally stated at fair value determined based on the quoted market price as of the balance sheet date, except for equity securities which are stated at fair value determined based on the average market price during one month before the balance sheet date. Cost of sales of theses available-for-sale securities is principally determined using the moving-average method. Available-for-sale securities, for which it is extremely difficult to determine the fair value, are stated at cost determined by the moving-average method.

Unrealized gain or loss on available-for-sale securities is recorded under net assets, net of income taxes.

(3) Securities held in money trusts

Securities that are part of trust assets in independently managed money trusts with the primary purpose to manage securities are stated at fair value as of the balance sheet date.

(4) Derivatives

Derivatives are stated at fair value.

(5) Tangible fixed assets

Depreciation of tangible fixed assets of the Company and consolidated banking subsidiaries, except for lease assets, is calculated by the straight-line method. The principal useful lives are as follows:

Buildings	7 to 50 years
Others	4 to 20 years

Depreciation of tangible fixed assets of other consolidated subsidiaries is calculated principally by the straight-line method based on the estimated useful lives.

Lease assets under finance lease arrangements which do not transfer ownership of the lease assets to the lessee are depreciated over the respective lease contract periods using the straight-line method with salvage values defined in the lease contracts, otherwise with no residual value.

(6) Intangible fixed assets

Intangible fixed assets, except for lease assets, are amortized by the straight-line method. Amortization of the cost of software intended for internal use is calculated by the straight-line method based on a useful life (principally five years) determined by the Group.

(7) Allowance for loan losses

Allowance for loan losses is provided by the consolidated banking subsidiaries and other major consolidated subsidiaries in accordance with the prescribed standards. For claims on borrowers who have declared bankruptcy or have commenced special liquidation proceedings or similar legal proceedings (the "bankrupt borrowers"), or borrowers who are not legally or formally insolvent but are regarded as substantially in the same situation (the "virtually bankrupt borrowers"), an allowance is generally provided based on the book value of the claims, after the write-off stated below, net of the expected amount recoverable from collateral and guarantees.

For claims on borrowers who are not currently bankrupt but are likely to become bankrupt (the "potentially bankrupt borrowers"), an allowance is provided at the amount deemed necessary based on the overall solvency assessment of the borrowers and the amount of the claims, net of the expected amount recoverable from collateral and guarantees.

For other claims, an allowance is provided based on the historical loan-loss ratio calculated from past experiences during a certain period after categorizing into definite types.

All claims are assessed for the quality by the Asset Assessment Department with the cooperation by operating offices in accordance with the Standards for Asset Self-Assessment, and then the assessment results are audited by the Asset Audit Department which is independent from the Asset Assessment Department.

For collateralized or guaranteed claims on the bankrupt borrowers and virtually bankrupt borrowers of Hokuto and certain consolidated subsidiaries, the amount of the claims exceeding the estimated value of collateral and guarantees is deemed to be uncollectible and is charged off against the total amount of the outstanding claims. These write-offs amounted to ¥10,486 million ($93,051 thousand) and ¥10,735 million for the years ended March 31, 2016 and 2015, respectively.

Allowances for loan losses of other consolidated subsidiaries are provided based on the historical loan loss ratio.

(8) Provision for reimbursement of deposits

Provision for reimbursement of deposits is provided at an estimated amount of the future payments to be made for reimbursement claims on deposits which were derecognized and credited from liability to income.

(9) Provision for contingent loss

Provision for contingent loss is provided at an estimated amount of the future payments to be made for a burden charge to the Credit Guarantee Corporations in connection with the responsibility-sharing system.

(10) Other provisions

Other provisions include provision for point service program, provision for losses on interest repayment claims and provision for losses on gift card claims of the consolidated subsidiaries.

Provision for point service program relating to credit business engaged by consolidated subsidiaries is provided for the future burdens when the service will be used at the necessary amount based on the reasonably estimated amount to be used in future. Provision for losses on interest repayment claims is provided at an amount reasonably estimated considering the historical repayment experiences to provide for repayment claims on interest on loans made by consolidated subsidiaries exceeding the maximum interest rate stipulated by the Interest Rate Restriction Act. Provision for losses on gift card claims is provided at a reasonably estimated amount for uncollected gift cards which were recognized as income after the elapse of a certain period of time to provide for future losses when they are collected in future.

(11) Retirement benefits

The benefit formula method is used as a method of attributing expected retirement benefits to each period in calculating retirement benefit obligation.

Past service costs are amortized by the straight-line method over a certain period (five years) within the average remaining years of service of the eligible employees when such past service costs occur at Shonai, a consolidated subsidiary of the Company.

Actuarial gains and losses are amortized from the year following the year in which the gains and losses occur by the straight-line method over a certain period of 10 to 15 years within the average remaining years of service of the eligible employees when such actuarial gains and losses occur.

Certain consolidated subsidiaries adopt the simplified method in calculating defined benefit liability and retirement benefit expenses. Under this method, the severance payment amount required at the year-end for voluntary termination is deemed as retirement benefit obligations.

(12) Foreign currency translation

The assets and liabilities denominated in foreign currencies of the consolidated subsidiaries are translated into Japanese yen at the exchange rates in effect at the balance sheet date.

(13) Leases

Certain consolidated subsidiaries' finance leases which commenced prior to April 1, 2008 and do not transfer ownership of the lease assets to the lessee are accounted for as operating leases.

(14) Hedge accounting

Interest rate risk hedging

With respect to the hedge accounting for the interest rate risk arising from financial assets and liabilities of the consolidated banking subsidiaries, the Group applies deferral hedge accounting, under which gains or losses on derivatives are deferred until maturity of the hedged transactions, as stipulated in the Japanese Institute of Certified Public Accountants ("JICPA") Industry Audit Committee Report No. 24 (February 13, 2002). With respect to hedging transactions to offset fluctuations of the market price, the effectiveness of hedging transactions is assessed by specifying the hedged items such as deposits and loans and bills discounted and hedging instruments such as interest rate swaps after grouping these items by definite remaining maturity. With respect to hedging transactions to fix cash flows, the effectiveness of hedging is assessed by verifying the correlation of interest floating factors of hedged items and hedging instruments.

Foreign exchange risk hedging

With respect to the hedge accounting for the foreign exchange risk arising from financial assets and liabilities denominated in foreign currencies of the consolidated banking subsidiaries, the Group applies deferral hedge accounting, under which gains or losses on derivatives are deferred until maturity of the hedged transactions, as stipulated in the JICPA Industry Audit Committee Report No. 25 (July 29, 2002). Hedge effectiveness is assessed by comparing the amount of monetary assets and liabilities denominated in foreign currencies as underlying hedged items with the corresponding foreign-currency amount of the respective hedging instruments such as currency swaps and foreign exchange swaps entered into in order to hedge foreign exchange risk associated with monetary assets and liabilities denominated in foreign currencies.

In addition, in order to hedge foreign exchange risk of available-for-sale securities denominated in foreign currencies except for debt securities, the fair value hedge is applied as portfolio hedging on the condition that liabilities of spot and forward foreign exchange contracts exceeding the acquisition costs of the foreign currency denominated securities on a basis of foreign currency exist, designating the issues of foreign currency denominated securities to be hedged in advance.

(15) Cash and cash equivalents

In preparing the consolidated statements of cash flows, of cash and due from banks in the consolidated balance sheets, cash and due from Bank of Japan ("BoJ") are considered to be cash and cash equivalents.

(16) Consumption taxes

Transactions are principally stated exclusive of national and local consumption taxes.

(17) Change in accounting policy

Effective from the year ended March 31, 2016, the Company adopted the "Revised Accounting Standard for Business Combinations" (ASBJ Statement No. 21, September 13, 2013), the "Revised Accounting Standard for Consolidated Financial Statements" (ASBJ Statement No. 22, September 13, 2013) and the "Revised Accounting Standard for Business Divestitures" (ASBJ Statement No. 7, September 13, 2013). As a result, the Company changed its accounting policies to recognize in capital surplus the differences arising from the changes in the Company's ownership interest of subsidiaries over which the Company continues to maintain control and to record acquisition related costs as expenses in the fiscal year in which the costs are incurred. In addition, the Company changed its accounting policy for the reallocation of acquisition costs due to the completion following provisional accounting to reflect such reallocation in the consolidated financial statements for the fiscal year in which the business combination took place. The Company also changed the presentation of net income and the term “minority interests” to “non-controlling interests.” Certain amounts in the prior year comparative information were reclassified to conform to such changes in the current year presentation.

In the consolidated statement of cash flows, cash flows from acquisition or disposal of shares of subsidiaries without change in the scope of consolidation are included in “Cash flows from financing activities” and cash flows from acquisition-related costs for shares of subsidiaries with change in the scope of consolidation or costs related to acquisition or disposal of shares of subsidiaries without change in the scope of consolidation are included in “Cash flows from operating activities.”

With regard to the application of the Business Combination Accounting Standards, the Company followed the provisional treatments in article 58-2 (4) of Statement No. 21, article 44-5 (4) of Statement No. 22 and article 57-4 (4) of Statement No. 7 with application from the beginning of the current fiscal year prospectively.

The changes of the accounting policies described above have no material impact on the consolidated financial statements.

The impact on per share information is stated in Note 24. “Amounts per Share.”

(18) Accounting standards not yet adopted

The revised Implementation Guidance on Recoverability of Deferred Tax Assets” (ASBJ Guidance No. 26, issued on March 28, 2016)

(a) Overview

The Implementation Guidance has been partly revised while the guidance provided in the “Audit Treatment for Judgement of Recoverability of Deferred Assets” (Auditing Committee Report No. 66) basically continues to be applied.

(b) Date of Application

The Company is scheduled to apply this accounting standard from the beginning of the fiscal year ending March 31, 2017.

(c) Effect of Application

The effect of the application of this accounting standard is under evaluation.

4. Securities

Gain and loss from revaluation of trading account securities included in the consolidated statements of income was immaterial in amount for the years ended March 31, 2016 and 2015.

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

	Millions of yen		
March 31, 2016	Carrying amount	Acquisition cost	Unrealized gain (loss)
Securities whose carrying amount exceeds their acquisition cost:			
Held-to-maturity debt securities	¥ -	¥ -	¥ -
Available-for-sale securities:			
Equity securities	¥ 16,733	¥ 10,630	¥ 6,103
Debt securities:	647,369	625,091	22,277
Japanese government bonds	282,464	273,682	8,781
Municipal bonds	237,710	228,135	9,574
Corporate bonds	127,195	123,272	3,922
Other	258,374	240,760	17,613
Subtotal	¥ 922,477	¥ 876,482	¥ 45,995
Securities whose carrying amount does not exceed their acquisition cost:			
Held-to-maturity debt securities	¥ -	¥ -	¥ -
Available-for-sale securities:			
Equity securities	¥ 3,359	¥ 3,862	¥ (502)
Debt securities:	17,137	17,193	(55)
Japanese government bonds	4,012	4,032	(20)
Municipal bonds	9,331	9,348	(16)
Corporate bonds	3,794	3,813	(18)
Other	59,584	61,800	(2,215)
Subtotal	¥ 80,082	¥ 82,856	¥ (2,773)
Total	¥ 1,002,560	¥ 959,338	¥ 43,221

As of March 31, 2016, ¥99 million ($878 thousand) of capital investment in unconsolidated subsidiary was included in the balance of securities.

March 31, 2015	Millions of yen Carrying amount	Acquisition cost	Unrealized gain (loss)
Securities whose carrying amount exceeds their acquisition cost:			
Held-to-maturity debt securities	¥ -	¥ -	¥ -
Available-for-sale securities:			
Equity securities	¥ 29,520	¥ 18,676	¥ 10,843
Debt securities:	652,776	639,431	13,345
Japanese government bonds	315,042	309,438	5,603
Municipal bonds	190,819	185,847	4,972
Corporate bonds	146,915	144,145	2,769
Other	241,355	218,309	23,046
Subtotal	¥ 923,652	¥ 876,418	¥ 47,234
Securities whose carrying amount does not exceed their acquisition cost:			
Held-to-maturity debt securities	¥ -	¥ -	¥ -
Available-for-sale securities:			
Equity securities	¥ 1,156	¥ 1,234	¥ (78)
Debt securities:	54,043	54,251	(207)
Japanese government bonds	19,056	19,102	(46)
Municipal bonds	29,563	29,696	(133)
Corporate bonds	5,424	5,452	(28)
Other	15,523	15,735	(212)
Subtotal	¥ 70,723	¥ 71,221	¥ (498)
Total	¥ 994,376	¥ 947,640	¥ 46,736

March 31, 2016	Thousands of U.S. dollars Carrying amount	Acquisition cost	Unrealized gain (loss)
Securities whose carrying amount exceeds their acquisition cost:			
Held-to-maturity debt securities	$ -	$ -	$ -
Available-for-sale securities:			
Equity securities	$ 148,486	$ 94,329	$ 54,157
Debt securities:	5,744,688	5,546,996	197,683
Japanese government bonds	2,506,557	2,428,627	77,921
Municipal bonds	2,109,415	2,024,447	84,958
Corporate bonds	1,128,715	1,093,903	34,803
Other	2,292,785	2,136,480	156,296
Subtotal	$ 8,185,970	$ 7,777,815	$ 408,155
Securities whose carrying amount does not exceed their acquisition cost:			
Held-to-maturity debt securities	$ -	$ -	$ -
Available-for-sale securities:			
Equity securities	$ 29,807	$ 34,271	$ (4,454)
Debt securities:	152,072	152,568	(488)
Japanese government bonds	35,602	35,779	(177)
Municipal bonds	82,802	82,953	(141)
Corporate bonds	33,667	33,836	(159)
Other	528,742	548,407	(19,655)
Subtotal	$ 710,639	$ 735,256	$ (24,607)
Total	$ 8,896,619	$ 8,513,071	$ 383,538

Available-for-sale securities sold for the years ended March 31, 2016 and 2015 were as follows:

	Millions of yen		
March 31, 2016	Sales proceeds	Realized gain	Realized loss
Equity securities	¥ 14,224	¥ 2,816	¥ 726
Debt securities:	51,047	670	48
Japanese government bonds	44,569	665	48
Municipal bonds	6,478	4	0
Corporate bonds	-	-	-
Other	135,404	2,477	678
Total	¥ 200,676	¥ 5,964	¥ 1,454

	Millions of yen		
March 31, 2015	Sales proceeds	Realized gain	Realized loss
Equity securities	¥ 4,904	¥ 982	¥ 76
Debt securities:	67,080	205	39
Japanese government bonds	42,531	165	36
Municipal bonds	2,911	6	-
Corporate bonds	21,637	33	2
Other	36,126	1,922	227
Total	¥ 108,110	¥ 3,110	¥ 343

	Thousands of U.S. dollars		
March 31, 2016	Sales proceeds	Realized gain	Realized loss
Equity securities	$ 126,222	$ 24,988	$ 6,442
Debt securities:	452,986	5,945	425
Japanese government bonds	395,500	5,901	425
Municipal bonds	57,485	35	0
Corporate bonds	-	-	-
Other	1,201,561	21,980	6,016
Total	$1,780,779	$ 52,923	$ 12,902

Write-down of securities

Non-trading securities, with the exception of those whose fair value is extremely difficult to determine, whose fair value significantly declined compared with their acquisition cost and is not considered to be able to recover their acquisition cost, are written down to their respective fair value which is recorded as the carrying amount on the consolidation balance sheet. The related loss on revaluation is charged to income for the year.

There was no write-down of the above available-for-sale securities for the years ended March 31, 2016 and 2015.

The criteria for determining whether the fair value is "significantly declined" are as follows:
(1) If the fair value as of the balance sheet date declines 50% or more compared to the acquisition cost, the difference is recognized as write-down of securities.
(2) If the fair value as of the balance sheet date declines by 30% or more but less than 50% compared to the acquisition cost, write-down of securities is recognized for the securities which meets criteria of the Group after considering the financial condition of the issuer and past trend of the market value for a certain period.

5. Unrealized gain and loss on available-for-sale securities

Unrealized gain (loss) on available-for-sale securities at March 31, 2016 and 2015 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2016	2015	2016
Unrealized gain:	¥ 43,221	¥ 46,736	$ 383,538
Available-for-sale securities	43,221	46,736	383,538
Money held in trust	-	-	-
Deferred tax liabilities	(13,154)	(14,978)	(116,727)
Unrealized gain on available-for-sale securities before adjustments by equity interest:	30,067	31,758	266,811
Non-controlling interests	(3)	(7)	(26)
Unrealized gain on available-for-sale securities	¥ 30,064	¥ 31,750	$ 266,784

6. Loans and Bills Discounted and Risk Monitored Loans

Loans and bills discounted

Bills discounted are accounted for as financial transactions rather than as purchased bills in accordance with JICPA Industry Audit Committee Report No. 24 "Treatment of Accounting and Auditing concerning Application of Accounting Standard for Financial Instruments in Banking Industry" (February 13, 2002). The Group has the right to sell or pledge (repledge) such bills without any restrictions. These include commercial bills discounted and foreign exchange bills purchased, etc. The total face value of such financial transactions at March 31, 2016 and 2015 amounted to ¥5,862 million ($52,018 thousand) and ¥6,072 million, respectively.

Contracts for overdraft facilities and loan commitments are contracts under which the Group lends money to customers up to their prescribed limits at the customers' request as long as there are no violations of any of the conditions in the contracts. The aggregate unutilized balances within the limits of these contracts totaled ¥287,915 million ($2,554,929 thousand) and ¥460,589 million at March 31, 2016 and 2015, respectively, including the contracts whose contractual periods were either less than one year or revocable at any time, in the amount of ¥282,767 million ($2,509,246 thousand) and ¥457,706 million, respectively.

Since many of these commitments expire without being fully utilized, the unutilized amounts do not necessarily represent future cash commitments of the consolidated subsidiaries. Most of these contracts include provisions which stipulate that the consolidated subsidiaries can reject customers' requests or decrease the contract limits for an appropriate reason, such as a change in financial situation and preservation of claims. At the inception of the contracts, they obtain collateral in the form of real estate, securities, and so forth, if deemed necessary. Subsequently, they, based on its internal rules, perform periodic reviews of the customers' business results and may take necessary measures such as reconsidering the terms and conditions of the contracts and/or requiring additional collateral or guarantees.

Risk monitored loans

Risk monitored loans which were included in loans and bills discounted at March 31, 2016 and 2015 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2016	2015	2016
Loans to bankrupt borrowers	¥ 2,251	¥ 1,089	$ 19,975
Delinquent loans	28,705	30,388	254,725
Loans past due for 3 months or more	-	-	-
Restructured loans	8,660	10,259	76,847
Total	¥ 39,617	¥ 41,737	$ 351,557

Loans to bankrupt borrowers represent non-accrual loans to borrowers who are legally bankrupt as defined in Articles 96-1-3 and 96-1-4 of the Order for Enforcement of the Corporation Tax Act (Cabinet Order No. 97 of 1965).

Delinquent loans represent non-accrual loans other than (i) loans to bankrupt borrowers and (ii) loans on which interest payments have been suspended in order to facilitate or support the reconstruction of borrowers who are experiencing financial difficulties.

Loans past due for 3 months or more represent loans on which the payment of principal and/or interest has not been received for three months or more from the day after the due date, and which are not classified as "loans to bankrupt borrowers" or "delinquent loans."

Restructured loans are loans which have been restructured to facilitate or support the reconstruction of borrowers who are experiencing financial difficulties, with the intention of ensuring the recovery of the loans by providing more flexible repayment terms for the borrowers (such as reducing the rate of interest, suspending the payment of principal/interest, forgiving debt, etc.) and loans which are not classified in any of the above categories.

The amounts presented in the table above are stated before deducting the amount of allowance for loan losses.

7. Tangible Fixed Assets

At March 31, 2016 and 2015, accumulated depreciation of tangible fixed assets was ¥31,775 million ($281,968 thousand) and ¥32,406 million, respectively.

8. Revaluation of Land

In accordance with the "Act on Revaluation of Land" (Act No. 34 of March 31, 1998), land used for business operations of Shonai was revalued as of the date indicated below. The excess of revaluation to carrying value at the time of revaluation, net of income taxes corresponding to the excess which are recognized as "Deferred tax liabilities for land revaluation," is stated as "Revaluation reserve for land" under net assets.

Date of revaluation: September 30, 1999

The method of revaluation of asset set forth in Article 3, Paragraph 3 of the "Act on Revaluation of Land":

Fair values are determined based on the land price registered in the book of taxation on land stipulated in Article 2-3 of the "Order for Enforcement of Act on Revaluation of Land" (the "Ordinance") (Cabinet Order No. 119 of March 31, 1998), with price adjustments by shape and time and the appraisal value by an independent real estate appraiser as provided by Article 2-5 of the Ordinance.

The difference between the total fair values of land used for business operations revalued pursuant to Article 10 of the "Act on Revaluation of Land" and book value after revaluation of the relevant land at March 31, 2016 and 2015 was ¥1,602 million ($14,215 thousand) and ¥1,532 million, respectively.

9. Borrowed Money and Lease Obligations

Borrowed money and lease obligations at March 31, 2016 and 2015 were as follows:

	Millions of yen		Thousands of U.S. dollars	Average interest rate	
	2016	2015	2016	(%)	Maturity
Borrowed money	¥ 21,000	¥ 64,300	$ 186,351	0.40	Apr. 2016 through Apr. 2024
Current portion of lease obligations	43	48	381	3.14	
Lease obligations, less current portion	81	91	718	2.40	Apr. 2016 through Aug. 2022

Note: Average interest rate is calculated based on the interests and the balances as of the balance sheet date by the weighted average method.

Annual maturities of borrowed money and lease obligations within five years at March 31, 2016 are as follows:

	Millions of yen				
	Due in one year or less	Due after one year through two years	Due after two years through three years	Due after three years through four years	Due after four years through five years
Borrowed money	¥ 7,800	¥ -	¥ 2,800	¥ 5,400	¥ -
Lease obligations	43	37	20	10	5

	Thousands of U.S. dollars				
	Due in one year or less	Due after one year through two years	Due after two years through three years	Due after three years through four years	Due after four years through five years
Borrowed money	$ 69,216	$ -	$ 24,846	$ 47,919	$ -
Lease obligations	381	328	177	88	44

Note: Lease obligations are included in "Other liabilities" in the accompanying consolidated balance sheet.

Subordinated borrowings of ¥5,000 million ($44,369 thousand) and ¥5,000 million were included in borrowed money at March 31, 2016 and 2015, respectively.

10. Assets Pledged

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

	Millions of yen		Thousands of U.S. dollars
	2016	2015	2016
Securities	¥ 96,611	¥ 165,356	$ 857,316

The liabilities secured by the above pledged assets at March 31, 2016 and 2015 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2016	2015	2016
Call money	¥ -	¥ 53,045	$ -
Payables under securities lending transactions	78,830	48,523	699,529
Borrowed money	16,000	59,300	141,982

In addition to the pledged assets listed above, securities in the amount of ¥203,598 million ($1,806,708 thousand) and ¥161,579 million and cash and due from banks in the amount of ¥8 million ($70 thousand) and ¥8 million are pledged as collateral for domestic exchange transactions or as margins on futures contracts at March 31, 2016 and 2015, respectively. Other assets include guarantee deposits in the amount of ¥568 million ($5,040 thousand) and ¥601 million at March 31, 2016 and 2015, respectively.

11. Bonds Payable

Bonds payable at March 31, 2016 and 2015 consisted of the following:

Issuer/description	Issued date	Millions of yen 2016	Millions of yen 2015	Thousands of U.S. dollars 2016	Coupon rate (%)	Secured/ unsecured	Due
The Company							
FIDEA Holdings Co. Ltd. 1st unsecured convertible bond-type bonds with subscription rights to shares with 120% soft call provision	Dec. 5, 2013	¥ -	¥ 5,100	$ -	0.00	Unsecured	Mar. 7, 2016
Shonai							
4th subordinated bonds	Jul. 13, 2010	-	5,000	-	2.84	Unsecured	Jul. 13, 2020
5th subordinated bonds	Jul. 27, 2012	5,000	5,000	44,369	2.70	Unsecured	Jul. 27, 2022
Total		¥ 5,000	¥ 15,100	$ 44,369			

12. Retirement Benefit Plans

Shonai, a consolidated banking subsidiary of the Company, has funded and unfunded defined benefit pension plans and a defined contribution pension plan to provide for employees' retirement benefits. Under the defined benefit corporate pension plan (funded), a lump-sum payment or pension is provided based on the base salary used for retirement benefits calculation and service years. In addition, this plan is a type of quasi cash balance plan. Under the lump-sum payment plan (unfunded), a lump-sum payment is provided as a retirement benefit based on the base salary used for retirement benefits calculation and service years. During the year ended March 31, 2014, the retirement benefit plan was revised and a part of future payment of the defined benefit corporate pension plan was transferred to the defined contribution pension plan on January 1, 2014.

Hokuto, a consolidated banking subsidiary of the Company, has funded defined benefit pension plans and a defined contribution pension plan to provide for employees' retirement benefits. Under the defined benefit corporate pension plan, pension or a lump-sum payment is provided based on service years. Hokuto maintains a cash balance plan for defined benefit corporate pension plan and a virtual individual account balance which is corresponding to each participant's funded amount and the source of pension amount is established under this plan. In this virtual individual account balance, mainly interest credits based on the trend of market interest rate and contributed credits based on the interest granted each month are accumulated. The defined benefit corporate pension plan is funded. Under the lump-sum payment plan, points are accumulated during the service based on the service years and the functional classes. Employees who terminate their employment are entitled to lump-sum payments based on the accumulated points at the time of the termination multiplied by unit price by point and additional benefits based on the functional class at the time of the termination. A retirement benefit trust is established for the lump-sum payment plan which is funded. With the agreement between labor and management during the year ended March 31, 2012, Hokuto revised its retirement benefit plan and has established a defined contribution pension plan since February 1, 2012.

Certain consolidated subsidiaries other than consolidated banking subsidiaries have unfunded defined benefit pension plans (lump-sum payment plans only). These consolidated subsidiaries adopt the simplified method under lump-sum payment plans in calculating defined benefit liability and retirement benefit expenses.

Defined benefit pension plans

(1) Reconciliation between retirement benefit obligations at beginning of year and end of year

	Millions of yen		Thousands of U.S. dollars
	2016	2015	2016
Retirement benefit obligations at beginning of year	¥ 14,127	¥ 13,772	$ 125,361
Cumulative effects of changes in accounting policies	-	436	-
Restated balance at beginning of year	14,127	14,208	125,361
Service costs	476	468	4,223
Interest costs	66	99	585
Actuarial gains and losses arising during year	505	623	4,481
Retirement benefits paid	(1,136)	(1,272)	(10,080)
Retirement benefit obligations at end of year	¥ 14,039	¥ 14,127	$ 124,580

(2) Reconciliation between plan assets at beginning of year and end of year

	Millions of yen		Thousands of U.S. dollars
	2016	2015	2016
Plan assets at beginning of year	¥ 12,697	¥ 12,543	$ 112,671
Expected return on plan assets	165	164	1,464
Actuarial gains and losses	(233)	569	(2,067)
Contribution from employer	540	534	4,791
Retirement benefits paid	(1,050)	(1,113)	(9,317)
Plan assets at end of year	¥ 12,119	¥ 12,697	$ 107,542

Note: Retirement benefit trust is included in plan assets.

(3) Reconciliation between retirement benefit obligations and plan assets at end of year and defined benefit liability and defined benefit asset on the consolidated balance sheets

	Millions of yen		Thousands of U.S. dollars
	2016	2015	2016
Funded retirement benefit obligation	¥ 12,203	¥ 12,491	$ 108,288
Plan assets	(12,119)	(12,697)	(107,542)
	84	(206)	745
Unfunded retirement benefit obligation	1,836	1,635	16,292
Net balance of liability and asset recorded on the consolidated balance sheets	¥ 1,920	¥ 1,429	$ 17,037

	Millions of yen		Thousands of U.S. dollars
Defined benefit liability	¥ 2,731	¥ 2,858	$ 24,234
Defined benefit asset	(811)	(1,428)	(7,196)
Net balance of liability and asset recorded on the consolidated balance sheets	¥ 1,920	¥ 1,429	$ 17,037

Note: Retirement benefit trust is included in plan assets.

(4) Retirement benefit expenses and components thereof

	Millions of yen		Thousands of U.S. dollars
	2016	2015	2016
Service costs	¥ 476	¥ 468	$ 4,223
Interest costs	66	99	585
Expected return on plan assets	(165)	(164)	(1,464)
Amortization of actuarial gains and losses	249	254	2,209
Amortization of past service costs	(42)	(42)	(372)
Amortization of net retirement benefit obligation at transition	-	180	-
Retirement benefit expenses on defined benefit plans	¥ 584	¥ 796	$ 5,182

Note: Retirement benefit expenses of the consolidated subsidiaries adopting the simplified method are collectively included in "Service costs."

(5) Components of items recorded in remeasurements of defined benefit plans in other comprehensive income, before tax, are as follows:

	Millions of yen		Thousands of U.S. dollars
	2016	2015	2016
Past service costs	¥ (42)	¥ (42)	$ (372)
Actuarial gains and losses	(490)	200	(4,348)
Net retirement benefit obligation at transition	-	180	-
Total	¥ (532)	¥ 339	$ (4,720)

(6) Components of items recorded in remeasurements of defined benefit plans in accumulated other comprehensive income, before tax, are as follows:

	Millions of yen		Thousands of U.S. dollars
	2016	2015	2016
Unrecognized past service costs	¥ (116)	¥ (158)	$ (1,029)
Unrecognized actuarial gains and losses	1,508	1,018	13,381
Total	¥ 1,392	¥ 859	$ 12,352

(7) Components of plan assets

(a) Percentages to total plan by major category are as follows:

	2016	2015
Debt securities	48.9%	52.6%
Equity securities	28.0	26.4
Cash and deposits	8.5	0.4
Call loans	5.1	13.1
General account	5.9	5.6
Other	3.6	1.9
Total	100.0%	100.0%

Note: 30.4% and 32.6% of the total plan assets consisted of the retirement benefit trust established for the lump-sum payment plan as of March 31, 2016 and 2015, respectively.

(b) Determination of expected long-term rate of plan assets

The expected long-term rate of return on plan assets is determined considering current and expected distribution of plan assets and current and expected long-term rate of return derived from various components of plan assets.

(8) Actuarial assumptions at end of year

	2016	2015
Discount rate	0.00% - 0.27%	0.25% - 0.75%
Expected long-term rate of return on plan assets	1.00% - 1.50%	1.00% - 1.50%
Expected rate of salary increase (Note)	3.61%	3.61%

Note: Hokuto maintains a cash balance plan for the defined benefit corporate pension plan, and a point system is adopted for the lump-sum payment plan. Accordingly, the expected rate of salary increase is not included in the basis for calculation of retirement benefit obligations and others for the years ended March 31, 2016 and 2015.

Defined contribution pension plans

The amounts to be contributed to the defined contribution pension plans of the Company and its consolidated subsidiaries were ¥153 million ($1,357thousand) and ¥153 million as of March 31, 2016 and 2015, respectively.

13. Contingent Liabilities

Guarantee liabilities for corporate bonds acquired through private offering (as defined in Article 2-3 of the Financial Instruments and Exchange Act) among those classified as corporate bonds in "Securities" amounted to ¥7,463 million ($66,225 thousand) and ¥7,244 million at March 31, 2016 and 2015, respectively.

14. Shareholders' Equity

Japanese banks are required to comply with the Banking Act and the Companies Act. The Companies Act stipulates that neither additional paid-in capital nor the legal reserve is available for dividends, but that both may be used to reduce or eliminate a deficit. Under the Banking Act, an amount which is at least equal to 20% of the aggregate amount of cash dividends and certain appropriations of retained earnings associated with cash outlays applicable to each fiscal period is to be appropriated to the legal reserve until the aggregate amount of the legal reserve and the capital surplus account equals 100% of the amount of share capital. The Companies Act also provides that if the aggregate amount of additional paid-in capital and the legal reserve exceeds 100% of the amount of share capital, the excess may be distributed to the shareholders either as a return of capital or as dividends subject to the approval of the shareholders.

The maximum amount which the bank can distribute as dividends is calculated based on the non-consolidated financial statements of the bank and in accordance with the Companies Act.

Movements in common stock, preferred stock and treasury stock during the years ended March 31, 2016 and 2015 are summarized as follows:

	Number of shares (in thousands)				
	April 1, 2015	Increase	Decrease	March 31, 2016	Ref.
Issued shares:					
Common stock	147,876	24,999	-	172,876	Note 1
Preferred stock class B	25,000	-	-	25,000	
Total	172,876	24,999	-	197,876	
Treasury stock:					
Common stock	16	4	0	20	Note 2
Total	16	4	0	20	

	Number of shares (in thousands)				
	April 1, 2014	Increase	Decrease	March 31, 2015	Ref.
Issued shares:					
Common stock	143,464	4,411	-	147,876	Note 1
Preferred stock class B	25,000	-	-	25,000	
Total	168,464	4,411	-	172,876	
Treasury stock:					
Common stock	12	4	0	16	Note 2
Total	12	4	0	16	

Note 1: Increase in number of shares is due to issuance of new shares on conversion of convertible bond-type bonds with subscription rights to shares.

Note 2: Increase in number of shares is due to request for purchase of less than one unit, and decrease in number of shares is due to request for sale of less than one unit.

15. Other Expenses

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

	Millions of yen		Thousands of U.S. dollars
	2016	2015	2016
Loss on sales of equity securities, etc.	¥ 918	¥ 78	$ 8,146
Loss on disposal of fixed assets	592	50	5,253
Impairment loss	8	113	70
Other	962	897	8,536
Total	¥ 2,480	¥ 1,138	$ 22,007

16. Other Comprehensive Income

Reclassification adjustments and income tax effect for each component of other comprehensive income for the years ended March 31, 2016 and 2015 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2016	2015	2016
Unrealized gain (loss) on available-for-sale securities:			
Gain arising during the year	¥ 989	¥ 27,476	$ 8,776
Reclassification adjustments	(4,504)	(2,814)	(39,968)
Before income tax effect	(3,515)	24,662	(31,191)
Income tax effect	1,824	(7,420)	16,185
Unrealized gain (loss) on available-for-sale securities	(1,690)	17,242	(14,996)
Deferred gain (loss) on derivatives under hedge accounting:			
Gain arising during the year	5	7	44
Reclassification adjustments	-	-	-
Before income tax effect	5	7	44
Income tax effect	(1)	(2)	(8)
Deferred gain (loss) on derivatives under hedge accounting	3	4	26
Revaluation reserve for land:			
Adjustments arising during the year	-	-	-
Reclassification adjustments	-	-	-
Before income tax effect	-	-	-
Income tax effect	28	58	248
Revaluation reserve for land	28	58	248
Remeasurements of defined benefit plans:			
Adjustments arising during the year	(739)	(53)	(6,557)
Reclassification adjustments	206	392	1,828
Before income tax effect	(532)	339	(4,720)
Income tax effect	(6)	(65)	(53)
Remeasurements of defined benefit plans	(538)	273	(4,774)
Total other comprehensive income	¥ (2,197)	¥ 17,579	$ (19,495)

17. Cash and Cash Equivalents

(1) A reconciliation of cash and due from banks in the accompanying consolidated balance sheets to cash and cash equivalents in the accompanying consolidated statements of cash flows at March 31, 2016 and 2015 is summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2016	2015	2016
Cash and due from banks	¥ 64,954	¥ 64,373	$ 576,395
Due from banks (excluding due from BoJ)	(5,957)	(4,473)	(52,861)
Cash and cash equivalents	¥ 58,997	¥ 59,899	$ 523,533

(2) Material non-cash transaction

Exercise of subscription rights to shares of convertible bond-type bonds with subscription rights to shares:

	Millions of yen		Thousands of U.S. dollars
	2016	2015	2016
Increase in common stock by exercise of subscription rights to shares	¥ 2,550	¥ 450	$ 22,628
Increase in legal capital surplus by exercise of subscription rights to shares	2,550	450	22,628
Decrease in convertible bond-type bonds with subscription right to shares by exercise of subscription rights to shares	¥ 5,100	¥ 900	$ 45,256

18. Leases

The Group leases automated teller machines, etc. under finance lease arrangements.

The Group accounts for finance leases which commenced prior to April 1, 2008 and do not transfer ownership of the lease assets to the lessee as operating lease transactions as permitted by the accounting standard. The following pro forma amounts represent the acquisition costs, accumulated depreciation and net book value of the leased fixed assets as of March 31, 2016 and 2015, which would have been reflected in the accompanying consolidated balance sheets if finance lease accounting had been applied to the finance leases under which the Group are lessees and which are currently accounted for as operating leases:

	Millions of yen		
March 31, 2016	Tangible fixed assets	Intangible fixed assets	Total
Acquisition costs	¥ 128	¥ -	¥ 128
Accumulated depreciation	99	-	99
Net book value	¥ 29	¥ -	¥ 29

	Millions of yen		
March 31, 2015	Tangible fixed assets	Intangible fixed assets	Total
Acquisition costs	¥ 185	¥ -	¥ 185
Accumulated depreciation	140	-	140
Net book value	¥ 44	¥ -	¥ 44

	Thousands of U.S. dollars		
March 31, 2016	Tangible fixed assets	Intangible fixed assets	Total
Acquisition costs	$ 1,135	$ -	$ 1,135
Accumulated depreciation	878	-	878
Net book value	$ 257	$ -	$ 257

Future minimum lease payments subsequent to March 31, 2016 for finance leases accounted for as operating leases are summarized as follows:

	Millions of yen	Thousands of U.S. dollars
Due within one year	¥ 11	$ 97
Due after one year	21	186
Total	¥ 33	$ 292

Total lease payments related to finance leases accounted for as operating leases, depreciation expense and interest expenses, which have not been reflected in the accompanying consolidated statements of income for the years ended March 31, 2016 and 2015, are summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2016	2015	2016
Total lease payments	¥ 18	¥ 25	$ 159
Depreciation expense	15	21	133
Interest expenses	1	2	8

Depreciation expense has been calculated by the straight-line method assuming the lease periods to be the useful lives of the respective assets and a nil residual value.
The difference between the total lease payments and the amounts corresponding to acquisition costs of the lease assets, which is the amount corresponding to interest expenses, is allocated over the period using the interest method.

19. Income Taxes
The tax effect of temporary differences which gave rise to significant portions of the deferred tax assets and liabilities at March 31, 2016 and 2015 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2016	2015	2016
Deferred tax assets:			
Allowance for loan losses	¥ 7,319	¥ 7,211	$ 64,948
Tax loss carryforwards	2,412	4,069	21,403
Defined benefit liability	1,666	1,909	14,783
Depreciation	840	1,020	7,454
Write-down of securities	113	118	1,002
Other	1,141	1,183	10,125
Gross deferred tax assets	13,493	15,513	119,735
Valuation allowance	(6,360)	(7,808)	(56,438)
Total deferred tax assets	¥ 7,132	¥ 7,705	$ 63,288
Deferred tax liabilities:			
Unrealized gain on available-for-sale securities	¥ (13,154)	¥ (14,978)	$ (116,727)
Other	(567)	(639)	(5,031)
Total deferred tax liabilities	(13,721)	(15,617)	(121,758)
Net deferred tax assets (liabilities)	¥ (6,588)	¥ (7,912)	$ (58,461)

Reconciliations of the statutory tax rate to the effective tax rate for the years ended March 31, 2016 and 2015 are as follows:

	2016	2015
Normal effective statutory tax rate	33.01%	35.59%
Non-deductible expenses such as entertainment expenses	0.36	0.39
Non-taxable income such as dividend income	(4.39)	(4.84)
Per capita inhabitant tax	0.50	0.56
Valuation allowance	(9.20)	(10.86)
Amortization of negative goodwill	-	(1.52)
Consolidation adjustments	3.40	2.60
Reduction of deferred tax assets due to change in income tax rates	2.43	5.74
Other	0.81	(0.22)
Actual effective tax rate	26.92%	27.44%

The “Act for Partial Revision of the Income Tax Act, etc., (Act No. 15, 2016)” and the “Act for Partial Revision of the Local Tax Act, etc., (Act No. 13, 2016),” has been enacted on March 29, 2016 in the Diet session. Accordingly, the effective statutory tax rate used in calculating deferred tax assets and liabilities is reduced from 32.21% to 30.81% for the temporary differences expected to be reversed in the years beginning on April 1, 2016 and 2017 and 30.58% for those expected to be reversed in the years beginning on and after April 1, 2018. As a result of this change, deferred tax assets and liabilities decreased by ¥32 million ($283 thousand) and ¥410 million ($3,638 thousand), respectively. In addition, unrealized gain (loss) on available-for-sale securities increased by ¥ 695 million ($6,167 thousand), remeasurements of defined benefit plans by ¥17 million ($150 thousand), and income taxes—deferred by ¥299 million ($2,653 thousand), respectively. Deferred tax liabilities for land revaluation decreased by ¥28 million ($248 thousand) and revaluation reserve for land increased by the same amount.

In addition, the tax loss carry forward rules have been revised. The deductible amount is limited to 60% of the taxable income before deducting losses carried forward from the fiscal years beginning on or after April 1, 2016, to 55% from the fiscal years beginning on or after April 1, 2017, and to 50% from the fiscal years beginning on or after April 1, 2018. As a result of this change, deferred tax liabilities increased by ¥6 million ($53 thousand) and income taxes—deferred increased by the same amount.

20. Segment Information

(1) Segment information

The Group has a single segment of banking business. Accordingly, segment information by reportable segment is omitted.

(2) Related information

Information by service

	Millions of yen			
March 31, 2016	Lending	Securities investment	Other	Total
Ordinary income from external customers	¥ 24,849	¥ 18,943	¥ 12,210	¥ 56,002

	Millions of yen			
March 31, 2015	Lending	Securities investment	Other	Total
Ordinary income from external customers	¥ 25,578	¥ 12,781	¥ 12,584	¥ 50,944

	Thousands of U.S. dollars			
March 31, 2016	Lending	Securities investment	Other	Total
Ordinary income from external customers	$ 220,507	$ 168,098	$ 108,350	$ 496,956

"Ordinary income" is defined as income less certain special income included in the accompanying consolidated statements of income.

Geographic information

a. Ordinary income

Information about ordinary income by geographic area for the years ended March 31, 2016 and 2015 is omitted as ordinary income from external customers in Japan was more than 90% of ordinary income in the consolidated statements of income.

b. Tangible fixed assets

Information about tangible fixed assets by geographic area as of March 31, 2016 and 2015 is omitted as tangible fixed assets in Japan was more than 90% of "Tangible fixed assets" in the consolidated balance sheets.

Information by major customer

Information by major customer for the years ended March 31, 2016 and 2015 is omitted since there was no single external customer accounting for 10% or more of the consolidated ordinary income.

21. Related Party Transactions

Transactions between the Company's consolidated subsidiaries and their directors and major shareholders as of March 31, 2016 and 2015 and for the years then ended are as follows:

2016

Type	Name	Address	Capital (Millions of yen)	Business	Ownerships of voting rights (%)	Transaction type	Transaction amount	Account	Balance at March 31, 2016
Companies, etc. whose voting rights are owned by the director of the consolidated subsidiary or his/her relatives	Akita Kubota Co., Ltd. Note (1)	Akita city, Akita Pref.	¥60	Agricultural machines distributor	0.0% directly held	Lending	¥217 million ($1,925 thousand)	Loans and bills discounted	¥149 million ($1,322 thousand)
	Netz Toyota Akita Co., Ltd. Note (2)	Akita city, Akita Pref.	¥40	Car distributor	0.0% directly held	Lending	¥703 million ($6,238 thousand)	Loans and bills discounted	¥700 million ($6,211 thousand)
	Toyota Renta Lease Akita Co., Ltd. Note (2)	Akita city, Akita Pref.	¥36	Rental and lease of vehicles	0.0% directly held	Lending	¥300 million ($2,662 thousand)	Loans and bills discounted	¥300 million ($2,662 thousand)
	Ugo Setsubi Co., Ltd. Note (3)	Akita city, Akita Pref.	¥20	Pipe works	0.0% directly held	Lending	¥99 million ($878 thousand)	Loans and bills discounted	¥126 million ($1,118 thousand)
						Guarantee for liabilities	¥13 million ($115 thousand)	Customers' liabilities for acceptances and guarantees	¥4 million ($35 thousand)
	Ugo Densetsu Kogyo Co., Ltd. Note (4)	Akita city, Akita Pref.	¥30	Electric works	0.0% directly held	Lending	¥32 million ($283 thousand)	Loans and bills discounted	¥80 million ($709 thousand)
						Guarantee for liabilities	¥89 million ($789 thousand)	Customers' liabilities for acceptances and guarantees	¥34 million ($301 thousand)
	Ugo Hatsuhenden Koji Co., Ltd. Note (4)	Akita city, Akita Pref.	¥20	Electric works	-	Lending	¥46 million ($408 thousand)	Loans and bills discounted	¥29 million ($257 thousand)
						Guarantee for liabilities	¥0 million ($0 thousand)	-	-

2015									
Type	Name	Address	Capital (Millions of yen)	Business	Ownerships of voting rights (%)	Transaction type	Transaction amount	Account	Balance at March 31, 2015
Companies, etc. whose voting rights are owned by the director of the consolidated subsidiary or his/her relatives	Ishii Shoji Co., Ltd. Note (1)	Akita city, Akita Pref.	¥10	Real estate rental	0.0% directly held	Lending	¥3 million	-	-
	Akita Kubota Co., Ltd. Note (1)	Akita city, Akita Pref.	¥60	Agricultural machines distributor	0.0% directly held	Lending	¥223 million	Loans and bills discounted	¥239 million
	Netz Toyota Akita Co., Ltd. Note (2)	Akita city, Akita Pref.	¥40	Car distributor	0.0% directly held	Lending	¥494 million	Loans and bills discounted	¥700 million
	Toyota Renta Lease Akita Co., Ltd. Note (2)	Akita city, Akita Pref.	¥36	Rental and lease of vehicles	0.0% directly held	Lending	¥300 million	Loans and bills discounted	¥300 million
	Ugo Setsubi Co., Ltd. Note (3)	Akita city, Akita Pref.	¥20	Pipe works	0.0% directly held	Lending	¥185 million	Loans and bills discounted	¥24 million
						Guarantee for liabilities	¥8 million	Customers' liabilities for acceptances and guarantees	¥7 million
	Ugo Densetsu Kogyo Co., Ltd. Note (4)	Akita city, Akita Pref.	¥30	Electric works	0.0% directly held	Lending	¥32 million	Loans and bills discounted	¥150 million
						Guarantee for liabilities	¥98 million	Customers' liabilities for acceptances and guarantees	¥98 million
	Ugo Hatsuhenden Koji Co., Ltd. Note (4)	Akita city, Akita Pref.	¥20	Electric works	-	Lending	¥61 million	Loans and bills discounted	¥35 million
						Guarantee for liabilities	¥1 million	-	-

Notes: (1) Akita Kubota Co., Ltd. is a subsidiary of Ishii Shoji Co., Ltd. Tadanari Ishii, who is a director of Hokuto which is a significant consolidated subsidiary of the Company, and his relatives own the majority of voting rights of Ishii Shoji Co., Ltd.

(2) Tadanari Ishii, who is a director of Hokuto which is a significant consolidated subsidiary of the Company, his relatives and Ishii Shoji Co., Ltd. own the majority of voting rights of Netz Toyota Akita Co., Ltd. Toyota Renta Lease Akita Co., Ltd. is a subsidiary of Netz Toyota Akita Co., Ltd.

(3) Hiroyuki Sato, who is a director of Hokuto which is a significant consolidated subsidiary of the Company, his relatives and Shin-ichi Nanayama, a director and audit & supervisory board member of Hokuto, own the majority of voting rights of Ugo Setsubi Co., Ltd.

(4) Shin-ichi Nanayama, a director and audit & supervisory board member of Hokuto which is a significant consolidated subsidiary of the Company, and his relatives own the majority of voting rights of Ugo Densetsu Kogyo Co., Ltd. Ugo Hatsuhenden Koji Co., Ltd. is a subsidiary of Ugo Densetsu Kogyo Co., Ltd.

(5) The transactions are with Hokuto, which is a significant consolidated subsidiary of the Company, and the trading conditions and policies are the same as those of the transactions with general parties.

(6) The transaction amount is shown by the average balance.

There is no other related party transaction to be disclosed for the years ended March 31, 2016 and 2015.

22. Financial Instruments and Related Disclosures

1. Status of Financial Instruments

(1) Policy on financial instruments

The Group is engaged in financial information services centering on banking business such as deposit-taking and lending services for domestic corporate and individual customers and management of securities such as debt and equity securities and investment trusts. The Group accepts risk as long as it remains financially healthy and intends to improve its earning power in order to continue to conduct these services.
The Group holds financial assets and liabilities exposed to the fluctuation risk of interest rates. Accordingly, the Group conducts asset and liability management (ALM) and enters into derivative transactions if necessary in order to avoid adverse effect by the interest-rate fluctuation.

(2) Contents of financial instruments and their risks

Financial assets held by the Group mainly consist of loans and bills discounted to domestic corporate and individual customers, which are exposed to credit risk arising from customers' nonperformance of contractual obligations. In addition, securities, principally consisting of equity securities, debt securities, investment trusts and investment in partnerships, are held for the purposes of net investment and strategic investment. These financial assets are exposed to credit risk of issuers and fluctuation risk of interest rates and market prices.
Major financial liabilities, consisting of deposits and negotiable certificates of deposit, are principally deposits accepted from domestic corporate and individual customers. They require attentions to liquidity risk arising from concentrated cancellation of deposits, but most of those deposits are from individual customers and accordingly, the risk is dispersed to small accounts. The liquidity risk is also controlled by limiting the ratio of large deposit accounts to a certain level.
Derivative contracts which the Group enters into consist of interest rate swaps employed as part of ALM and futures of debt securities held as available-for-sale securities, options, etc. These derivatives are not entered into for speculative purpose but mainly for hedging purposes.

(3) Risk management system for financial instruments

The Group has established the "Basic Policy on Risk Management" and various risk control rules and a system to conduct the risk management as follows:

a. Credit risk management:
In accordance with the "Credit Policy" and "Credit Risk Management Rule," for loans and bills discounted, a credit control system has been established and maintained, including credit review by individual contract, credit limit control, credit information control, internal ratings, retrospective control including self-assessment, establishment of guaranty and security, countermeasures for problem accounts, credit concentration risk management, etc. These credit controls are performed by the loan departments in addition to each operating office, being reported to and discussed at the management meetings on a regular basis. Furthermore, the status of credit control is examined by the internal audit department.

b. Market risk management:
For market transactions, front office, middle office and back office, each of which is independent of others, are mutually controlled.

Interest rate risk management:
The Group manages the fluctuation risk of interest rates by ALM. In accordance with the "Market Risk Management Rule," the Group measures the exposure of interest rate risk, monitoring by gap analysis and sensitivity analysis on a regular basis, and the monitoring results are reported to the management meetings on a regular basis. In addition, the future countermeasures based on the analysis of current status are discussed.

Foreign exchange risk management:
The Group manages foreign exchange risk, in accordance with the "Market Risk Management Rule," by establishing total positions and loss limits or entering into hedging activities.

Price fluctuation risk management:
The Group manages price fluctuation risk in accordance with "Market Risk Management Rule." Risk exposures to securities are monitored for usage against the pre-set limit by the Risk Control Department on a daily basis based on Value at Risk (VaR) and other risk indexes such as 10BVP and reported to the management meetings.

Derivative transactions:
With respect to derivative transactions, the Group segregates the duties of the departments responsible for execution of transactions, verification of hedge effectiveness, and operation administration and conducts transactions under the management and control based on the handling rules.

Quantitative information about market risk:
Financial instruments not for trading purposes
The Group identifies and manages the market risk volume using VaR on a daily basis (monthly basis with regard to interest rate risk volume of deposits, loans and bills discounted, etc.), since the Group holds many financial instruments whose fair values fluctuate on a daily basis and such fluctuation amount is greater than other risk categories. The market risk volume of the Group is controlled as the total amounts of market risk volume of Shonai and Hokuto which are the subsidiaries.
Market risk volume of the banking business of the Group at March 31, 2016 and 2015 and for the years then ended was as follows:

	Billions of yen			
	2016			
	Average	Maximum	Minimum	As of the fiscal year-end
Due from banks, loans and bills discounted and others	¥ 0.0	¥ 0.0	¥ 0.0	¥ 0.0
Securities:	41.1	50.0	29.0	49.7
Debt securities	12.9	16.2	10.6	16.1
Equity securities	9.5	13.1	1.3	13.0
Other	25.8	30.0	18.1	29.2

	Billions of yen			
	2015			
	Average	Maximum	Minimum	As of the fiscal year-end
Due from banks, loans and bills discounted and others	¥ 0.0	¥ 0.0	¥ 0.0	¥ 0.0
Securities:	22.0	28.1	17.8	28.0
Debt securities	6.2	10.5	4.3	10.5
Equity securities	6.1	6.7	1.1	6.3
Other	15.2	18.6	12.8	18.2

	Millions of U.S. dollars			
	2016			
	Average	Maximum	Minimum	As of the fiscal year-end
Due from banks, loans and bills discounted and others	$ 0.0	$ 0.0	$ 0.0	$ 0.0
Securities:	364.7	443.6	257.3	441.0
Debt securities	114.4	143.7	94.0	142.8
Equity securities	84.3	116.2	11.5	115.3
Other	228.9	266.2	160.6	259.1

(*1) VaR is measured in principle using the variance/co-variance method, but certain financial instruments such as structured bonds are measured using other methods including the Monte Carlo Simulation method.

(*2) Holding period is assumed to be 60 business days for higher market liquidity financial instruments such as Japanese government bonds, municipal bonds, listed equity securities (excluding strategic investments), etc., 250 business days for cross-holding shares of listed equity securities, and 125 or 250 business days for less market liquidity financial instruments, due from banks, loans and bills discounted, etc.

(*3) 99 % is used for confidence interval, and 250 business days are used as extraction period of market data to measure volatility.

(*4) The total amount does not agree with the sum of the individual amounts since correlation between the risks of debt securities and equity securities is taken into account.

(*5) The current interest rate risk volume of deposits, loans and bills discounted, etc., represents decreasing interest rate risk, not increasing interest rate risk. The increasing interest rate risk is managed as internal control. Therefore, the interest rate risk volume of due from banks, loans and bills discounted and others is considered to be zero.

Within the Group, each banking subsidiary implements backtests comparing the VaR of one day holding period measured by the model and actual change in gains and losses, in order to verify the accuracy of the measurement model of the market risk volume concerning the VaR of securities.

As a result of the backtest implemented as of March 31, 2016, actual losses of certain assets exceeded the VaR, but it was not deemed necessary to review the measurement model considering the frequency of losses in excess of VaR. The measurement models currently in use are considered to be capturing the market risk of the Group with proper accuracy.

In implementing the risk management using the VaR, the following particular points are paid attention to:

(i) Quantitative information such as VaR of market risk is determined based on the statistical assumptions and may result in a different value depending on the different assumptions and calculation methods.

(ii) Quantitative information such as VaR of market risk is a statistical value calculated based on the assumptions and not intended to estimate the amount of maximum losses. Profit or loss is assumed to exceed VaR on the frequency corresponding to the confidence interval.

(iii) Future market conditions may differ significantly from the past.

Financial instruments for trading purposes are excluded from the scope of disclosure, since the outstanding balance at any banking subsidiary is very insignificant and the materiality of effect on the management is quite limited.

c. Liquidity risk management:
The Group sets limits on liquidity risk management and reports to the management meetings, monitoring the results on a daily basis in accordance with the "Liquidity Risk Management Rule."

(4) Supplementary explanation about fair value of financial instruments
The fair value of financial instruments includes, in addition to the value determined based on the market price, a valuation calculated on a reasonable basis, such as theoretical price if no market price is available. Since certain assumptions are used in calculating the value, the result of such calculation may vary if different assumptions are used.

2. Fair value of financial instruments
The carrying amount, the fair value and their difference as of March 31, 2016 and 2015 were as follows. 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).

	Millions of yen		
March 31, 2016	Carrying amount	Fair value	Difference
Cash and due from banks	¥ 64,954	¥ 64,954	¥ -
Monetary claims bought (*1)	3,639	3,639	-
Trading account securities:			
Trading securities	654	654	-
Money held in trust	7,747	7,747	-
Securities:			
Available-for-sale securities	1,002,560	1,002,560	-
Loans and bills discounted:	1,748,980		
Allowance for loan losses (*1)	(16,071)		
	1,732,909	1,779,445	46,536
Foreign exchange assets (*1)	2,883	2,883	-
Total assets	¥ 2,815,349	¥ 2,861,885	¥ 46,536
Deposits	¥ 2,433,322	¥ 2,434,025	¥ 702
Negotiable certificates of deposit	145,464	145,465	0
Call money and bills sold	20,000	20,000	-
Payables under securities lending transactions	78,830	78,830	-
Borrowed money	21,000	21,171	171
Foreign exchange liabilities	10	10	-
Bonds payable	5,000	5,175	175
Bonds with subscription rights to shares	-	-	-
Total liabilities	¥ 2,703,628	¥ 2,704,679	¥ 1,050
Derivative transactions (*2):			
To which hedge accounting is not applied	¥ (44)	¥ (44)	¥ -
To which hedge accounting is applied	-	-	-
Total derivative transactions	¥ (44)	¥ (44)	¥ -

March 31, 2015	Millions of yen Carrying amount	Fair value	Difference
Cash and due from banks	¥ 64,373	¥ 64,373	¥ -
Monetary claims bought (*1)	3,527	3,527	-
Trading account securities:			
Trading securities	113	113	-
Money held in trust	5,065	5,065	-
Securities:			
Available-for-sale securities	994,376	994,376	-
Loans and bills discounted:	1,719,508		
Allowance for loan losses (*1)	(14,674)		
	1,704,834	1,740,979	36,144
Foreign exchange assets (*1)	2,329	2,329	-
Total assets	¥ 2,774,620	¥ 2,810,764	¥ 36,144
Deposits	¥ 2,362,702	¥ 2,363,664	¥ 961
Negotiable certificates of deposit	126,814	126,825	11
Call money and bills sold	53,045	53,045	-
Payables under securities lending transactions	48,523	48,523	-
Borrowed money	64,300	64,467	167
Foreign exchange liabilities	0	0	-
Bonds payable	10,000	10,331	331
Bonds with subscription rights to shares	5,100	5,070	(29)
Total liabilities	¥ 2,670,486	¥ 2,671,929	¥ 1,442
Derivative transactions (*2):			
To which hedge accounting is not applied	¥ 241	¥ 241	¥ -
To which hedge accounting is applied	(5)	(5)	-
Total derivative transactions	¥ 235	¥ 235	¥ -

	Thousands of U.S. dollars		
March 31, 2016	Carrying amount	Fair value	Difference
Cash and due from banks	$ 576,395	$ 576,395	$ -
Monetary claims bought (*1)	32,292	32,292	-
Trading account securities:			
Trading securities	5,803	5,803	-
Money held in trust	68,746	68,746	-
Securities:			
Available-for-sale securities	8,896,619	8,896,619	-
Loans and bills discounted:	15,520,276		
Allowance for loan losses (*1)	(142,612)		
	15,377,664	15,790,620	412,955
Foreign exchange assets (*1)	25,583	25,583	-
Total assets	$ 24,983,130	$ 25,396,086	$ 412,955
Deposits	$ 21,593,060	$ 21,599,298	$ 6,229
Negotiable certificates of deposit	1,290,833	1,290,842	0
Call money and bills sold	177,478	177,478	-
Payables under securities lending transactions	699,529	699,529	-
Borrowed money	186,351	187,869	1,517
Foreign exchange liabilities	88	88	-
Bonds payable	44,369	45,922	1,552
Bonds with subscription rights to shares	-	-	-
Total liabilities	$ 23,991,729	$ 24,001,055	$ 9,317
Derivative transactions (*2):			
To which hedge accounting is not applied	$ (390)	$ (390)	$ -
To which hedge accounting is applied	-	-	-
Total derivative transactions	$ (390)	$ (390)	$ -

(*1) General and specific allowances for loan losses corresponding to loans and bills discounted are deducted. With respect to allowance for loan losses related to monetary claims bought and foreign exchange assets, carrying amount is shown, net of allowance, since the amount is insignificant.

(*2) Assets and liabilities arising from derivative transactions are presented in net amounts, and net liabilities are shown in parenthesis.

(Note 1) Calculation method for the fair value of financial instruments

Assets:

Cash and due from banks

For due from banks without maturity, the carrying amount is presented as the fair value since the fair value approximates the carrying amount. For due from banks with maturity, the carrying amount is presented as the fair value since the fair value approximates the carrying amount because the remaining maturity is mostly short (within one year).

Monetary claims bought

The carrying amount is presented as the fair value since the fair value approximates the carrying amount because the remaining term is short (within one year).

Trading account securities

For securities such as debt securities held for dealing purpose, the fair value is determined using the price at the exchange or the price presented by the financial institutions with which they are transacted.

Money held in trust

For securities that are invested as part of trust assets in an independently managed money trust with the primary purpose of managing securities, the fair value of equity securities is determined using the price at the exchange and the fair value of debt securities is determined using the price at the exchange or the price presented by the financial institutions with which they are transacted.

Securities

The fair value of equity securities is determined using the price at the exchange (average market price during one month before the fiscal year-end) and the fair value of debt securities is determined using the price at the exchange or the price presented by the financial institutions with which they are transacted. The fair value of investment trust is determined based on the published standard quotation price.

For privately placed bonds, the fair value is determined by discounting the future cash flows of bonds categorized based on the internal ratings and terms using credit risk spread by credit rating and market interest rate.

Loans and bills discounted

For the loans and bills discounted with short remaining terms (within one year), the carrying amount is presented as the fair value since the fair value approximates the carrying amount. For the loans and bills discounted without predetermined maturity because of characteristics such as the loans and bills discounted being limited within the amount of the pledged assets, the carrying amount is presented as the fair value since the fair value is considered to approximate the carrying amount considering the expected repayment term and interest rate conditions.

The fair value of the loans and bills discounted with fixed interest rates categorized by type of loans and bills discounted, internal rating and term is calculated by discounting the total of principal and interest using credit risk spread by credit rating and market interest rate. The fair value of the loans and bills discounted with floating interest rates, categorized by internal rating and term, is calculated by discounting the total of principal and interest, basically until the interest maturity date, using credit risk spread by credit rating and market interest rate. Credit risk spread is calculated by remaining term based on accumulated default rate by credit rating and loss rate by debtor classification.

For loans and bills discounted due from bankrupt, virtually bankrupt or potentially bankrupt borrowers, loan losses are estimated based on factors such as the present value of estimated future cash flows or the expected amount to be collected from collaterals and guarantees. Since the fair value of these items approximates the carrying amount net of the recoded amount of allowance for loan losses, such carrying amount is presented as the fair value.

Foreign exchange assets

Foreign exchange assets consist of foreign currency deposits with other banks (due from other foreign banks) and export bills and traveler's checks, etc. (foreign bills bought). For these items, the carrying amount is presented as the fair value, since the fair value approximates the carrying amount because they are deposit without maturity or have short-term remaining terms (within one year).

Liabilities:

Deposits and Negotiable certificates of deposit

For demand deposits, the amount payable on demand as of the balance sheet date (i.e., the carrying amount) is considered to be the fair value. The fair value of time deposit is determined using the discounted present value of future cash flows, grouping by certain maturity length. The discount rate used is the interest rate that would be applied to newly accepted deposits. For deposits whose remaining term is short (within one year), the carrying amount is presented as the fair value since the fair value approximates the carrying amount.

Call money and bills sold and Payables under securities lending transactions

The carrying amount is presented as the fair value since the fair value approximates the carrying amount because the remaining term is short (within one year).

Borrowed money

For borrowed money whose remaining term is short (within one year), the carrying amount is presented as the fair value since the fair value approximates the carrying amount.

For subordinated borrowed money whose remaining term is more than one year and which is subject to call option giving a right to redeem before maturity and step-up clause, the fair value is calculated by discounting the estimated cash flows after taking into consideration the possibility of redemption before maturity by the interest rate corresponding to the estimated period after taking into consideration credit risk of the consolidated subsidiaries.

Foreign exchange liabilities

The carrying amount is presented as the fair value, since the fair value of these liabilities approximates the carrying amount because they are settled within a short period of time.

Bonds payable

For subordinated bonds payable issued by the principal consolidated subsidiary of the Company and subject to call option giving a right to redeem before maturity and step-up clause, the fair value is calculated by discounting the estimated cash flows after taking into consideration the possibility of redemption before maturity by the interest rate corresponding to the estimated period after taking into consideration credit risk of the related subsidiary.

Bonds with subscription rights to shares

The fair value is calculated by discounting the cash flows at the time of redemption at maturity by the interest rate corresponding to the period after taking into consideration the credit risk of the Company.

Derivative transactions:

Please see Note 23.

(Note 2) Financial instruments whose fair value is extremely difficult to determine are as follows. These financial instruments are not included in “Securities” under “Assets” of the fair value information of financial instruments.

	Millions of yen		Thousands of U.S. dollars
	2016	2015	2016
Unlisted equity securities (*1) (*2)	¥ 1,605	¥ 1,544	$ 14,242
Investment in partnerships (*3)	1,330	958	11,802
Total	¥ 2,936	¥ 2,503	$ 26,053

(*1) The fair value of unlisted equity securities is not disclosed since no market price is available and it is extremely difficult to determine the fair value.

(*2) The Company recognized write-down of unlisted equity securities in an amount of ¥23 million ($204 thousand) and ¥36 million for the years ended March 31, 2016 and 2015, respectively.

(*3) The fair value of investment in partnerships whose assets consist of securities such as unlisted equity securities whose fair value is extremely difficult to determine is not disclosed.

(Note 3) Repayment schedule of monetary receivables and securities with contractual maturities subsequent to March 31, 2016

	Millions of yen					
March 31, 2016	Due in one year or less	Due after one year through three years	Due after three years through five years	Due after five years through seven years	Due after seven years through ten years	Due after ten years
Due from banks (*1)	¥ 30,704	¥ -	¥ -	¥ -	¥ -	¥ -
Monetary claims bought	3,656	-	-	-	-	-
Securities:						
Available-for-sale securities with maturity:	88,591	176,112	260,469	101,116	136,453	130,886
Japanese government bonds	33,000	51,000	120,900	30,500	16,000	23,000
Municipal bonds	19,112	42,507	43,947	24,712	51,774	54,001
Corporate bonds	26,918	35,035	10,387	5,425	6,201	42,866
Other	9,560	47,569	85,233	40,478	62,478	11,019
Loans and bills discounted (* 2)	238,218	208,236	233,127	191,286	233,410	547,674
Total	¥ 361,170	¥ 384,349	¥ 493,596	¥ 292,403	¥ 369,863	¥ 678,561

	Thousands of U.S. dollars					
March 31, 2016	Due in one year or less	Due after one year through three years	Due after three years through five years	Due after five years through seven years	Due after seven years through ten years	Due after ten years
Due from banks (*1)	$ 272,464	$ -	$ -	$ -	$ -	$ -
Monetary claims bought	32,442	-	-	-	-	-
Securities:						
Available-for-sale securities with maturity:	786,147	1,562,800	2,311,376	897,293	1,210,870	1,161,469
Japanese government bonds	292,838	452,568	1,072,854	270,654	141,982	204,099
Municipal bonds	169,598	377,202	389,981	219,291	459,437	479,199
Corporate bonds	238,867	310,897	92,173	48,140	55,027	380,388
Other	84,834	422,122	756,349	359,197	554,423	97,781
Loans and bills discounted (* 2)	2,113,923	1,847,865	2,068,746	1,697,453	2,071,257	4,860,005
Total	$ 3,204,987	$ 3,410,675	$ 4,380,122	$ 2,594,755	$ 3,282,127	$ 6,021,483

(*1) Due from banks without maturity is shown under “Due in one year or less.”

(*2) Loans and bills discounted as of March 31, 2016 do not include ¥30,939 million ($274,549 thousand) of receivables such as those due from bankrupt, virtually bankrupt or potentially bankrupt borrowers since these are not certain when they can be collected or redeemed, and ¥66,086 million ($586,440 thousand) of receivables without maturity.

(Note 4) Repayment schedule of bonds payable, borrowed money and other interest bearing liabilities subsequent to March 31, 2016

	Millions of yen					
March 31, 2016	Due in one year or less	Due after one year through three years	Due after three years through five years	Due after five years through seven years	Due after seven years through ten years	Due after ten years
Deposits (*)	¥2,117,357	¥ 157,467	¥ 23,428	¥ -	¥ -	¥ -
Negotiable certificates of deposit	145,251	213	-	-	-	-
Call money and bills sold	20,000	-	-	-	-	-
Payables under securities lending transactions	78,830	-	-	-	-	-
Borrowed money	7,800	2,800	5,400	-	5,000	-
Bonds payable	-	-	-	5,000	-	-
Bonds with subscription rights to shares	-	-	-	-	-	-
Total	¥2,369,239	¥ 160,480	¥ 28,828	¥ 5,000	¥ 5,000	¥ -

	Thousands of U.S. dollars					
March 31, 2016	Due in one year or less	Due after one year through three years	Due after three years through five years	Due after five years through seven years	Due after seven years through ten years	Due after ten years
Deposits (*)	$18,789,218	$ 1,397,346	$ 207,897	$ -	$ -	$ -
Negotiable certificates of deposit	1,288,943	1,890	-	-	-	-
Call money and bills sold	177,478	-	-	-	-	-
Payables under securities lending transactions	699,529	-	-	-	-	-
Borrowed money	69,216	24,846	47,919	-	44,369	-
Bonds payable	-	-	-	44,369	-	-
Bonds with subscription rights to shares	-	-	-	-	-	-
Total	$21,024,394	$ 1,424,083	$ 255,816	$ 44,369	$ 44,369	$ -

(*) Demand deposits are shown under "Due in one year or less" of deposits.

23. Derivatives

Derivative transactions to which hedge accounting is not applied

With respect to derivatives to which hedge accounting is not applied, contract amount or notional principal, fair value and related valuation gain or loss by transaction type at the balance sheet date and calculation method of the fair value were as follows. Note that contract amounts do not represent the market risk exposure associated with the derivative transactions.

Currency related derivatives at March 31, 2016 and 2015 were as follows:

March 31, 2016	Millions of yen			
	Contract amount			
	Total	Over one year	Fair value	Valuation gain (loss)
OTC transactions:				
Forward foreign exchange contracts:				
Sold	¥120,946	¥ 243	¥ (36)	¥ (36)
Bought	896	241	(8)	(8)
Total			¥ (44)	¥ (44)

March 31, 2015	Millions of yen			
	Contract amount			
	Total	Over one year	Fair value	Valuation gain (loss)
OTC transactions:				
Forward foreign exchange contracts:				
Sold	¥ 80,586	¥ 364	¥ 149	¥ 149
Bought	1,329	360	91	91
Total			¥ 241	¥ 241

March 31, 2016	Thousands of U.S. dollars			
	Contract amount			
	Total	Over one year	Fair value	Valuation gain (loss)
OTC transactions:				
Forward foreign exchange contracts:				
Sold	$1,073,262	$ 2,156	$ (319)	$ (319)
Bought	7,951	2,138	(70)	(70)
Total			$ (390)	$ (390)

Notes: (1) Above transactions are stated at the fair value, and the related valuation gain (loss) are reported in the consolidated statements of income.

(2) The fair value is calculated using the discounted present value.

Derivative transactions to which hedge accounting is applied

With respect to derivatives to which hedge accounting is applied, contract amount or notional principal and fair value at the balance sheet date by transaction type and hedge accounting method and calculation method of the fair value were as follows. Note that contract amounts do not represent the market risk exposure associated with the derivative transactions.

There was no interest related derivatives at March 31, 2016. Interest related derivatives at March 31, 2015 were as follows:

March 31, 2015			Millions of yen		
Hedge accounting method	Transaction type	Major hedged item	Contract amount	Contract amount due after one year	Fair value
Deferral hedge accounting	Interest rate swaps Receivable floating rate/ Payable fixed rate	Loans and bills discounted	¥ 405	¥ -	¥ (5)
	Total				¥ (5)

Notes: (1) These derivatives are mainly accounted for by deferral hedge accounting in accordance with JICPA Industry Audit Committee Report No. 24 (February, 13, 2002) "Treatment of Accounting and Auditing concerning Application of Accounting Standard for Financial Instruments in Banking Industry."

(2) The fair value is determined using the discounted present value.

24. Amounts per Share

Amounts per share at March 31, 2016 and 2015 and for the years then ended are summarized as follows:

	Yen		U.S. dollars
	2016	2015	2016
Net assets	¥ 627.31	¥ 659.53	$ 5.5666
Net income:			
Basic	52.38	52.45	0.4648
Diluted	39.02	35.83	0.3462

Net income per share—basic and net income per share—diluted for the years ended March 31, 2016 and 2015 were calculated based on the following information:

	Millions of yen		Thousands of U.S. dollars
	2016	2015	2016
Net income attributable to owners of parent —basic:	¥ 8,866	¥ 7,657	$ 78,676
Amounts not attributed to common stock shareholders	128	132	1,135
O/W, dividends for preferred stock based on the resolution at the Board of Directors' meeting	128	132	1,135
Net income attributable to common stock owners of parent	¥ 8,737	¥ 7,525	$ 77,531
Average outstanding number of shares of common stock (Unit: thousand shares)	166,806	143,462	
Net income attributable to owners of parent —diluted:			
Adjustments to net income attributable to owners of parent	¥ 128	¥ 132	$ 1,135
O/W, dividends for preferred stock class B	128	132	1,135
Increase in number of shares of common stock (Unit: thousand shares)	60,398	70,202	
O/W, preferred stock class B	54,347	42,016	
O/W, bonds with subscription rights to shares	6,051	28,185	

Net assets per share at March 31, 2016 and 2015 were calculated based on the following information:

	Millions of yen		Thousands of U.S. dollars
	2016	2015	2016
Total net assets	¥ 120,035	¥ 109,029	$1,065,178
Amounts deducted from total net assets:	(11,599)	(11,510)	(102,928)
O/W, payment for preferred stock	(10,000)	(10,000)	(88,739)
O/W, dividends for preferred stock	(128)	(132)	(1,135)
O/W, non-controlling interests	(1,471)	(1,378)	(13,053)
Net assets attributable to common stock as of March 31, 2016 and 2015	¥ 108,435	¥ 97,518	$ 962,241
Number of shares of common stock as of March 31, 2016 and 2015 used to calculate net assets per share (Unit: thousand shares)	172,855	147,859	

All of the FIDEA Holdings Co. Ltd.'s 1st unsecured convertible bond-type bonds with subscription rights to shares with 120% soft call provision were converted by August 24, 2015. Accordingly, dilutive shares under convertible bonds with subscription rights to shares do not exist as of March 31, 2016.

As described in Note 3. (17) Change in accounting policy, the Company has adopted the Business Combination Accounting Standards, and followed the provisional treatments in article 58-2 (4) of "Revised Accounting Standard for Business Combinations", article 44-5 (4) of "Revised Accounting Standard for Consolidated Financial Statements" and article 57-4 (4) of "Revised Accounting Standard for Business Divestitures."

The effects on net income per share—basic and net income per share—diluted were immaterial.

25. Subsequent Events

At the Board of Directors' meeting held on May 11, 2016, the Company resolved to acquire 100% shares of the following consolidated subsidiaries: Fidea Card Co., Ltd. (hereinafter "Fidea Card") and FIDEA Information Systems INC (hereinafter "FIDEA Information"), and concluded a share exchange agreement with each company.

The Company will execute the share exchange (hereinafter "Share Exchange") as short-form share exchange procedures which do not require approval at a shareholders' meeting, based on the Paragraph 2, Article 796 of the Companies Act.

The effective date is planned to be June 30, 2016, after approval is obtained at the meeting of Fidea Card's shareholders on June 13, 2016 and at the meeting of FIDEA Information's shareholders on June 16, 2016.

1. Overview of the business combinations

(1) Names of the companies and descriptions of businesses

Wholly-owning parent company resulting from Share Exchange:

The Company	Management and administration of commercial banks and companies which are owned by the Company as its subsidiaries under the Banking Act

Wholly-owned subsidiaries resulting from Share Exchange:

Fidea Card Co., Ltd.	Credit card business, installment sales, guarantee on bank loans, etc.
FIDEA Information Systems INC	Consulting regarding computers, software development, etc.

(2) Date of business combination: June 30, 2016

(3) Legal form of business combination:

Share exchange, with the Company as a wholly-owning parent company and Fidea Card and FIDEA Information as wholly-owned subsidiaries

(4) Purpose of the Share Exchange

The Group aims to satisfy its customers and contribute to regional revitalization by leveraging our broad operating base across prefectures. Since the Group's creation in 2009, the Group has endeavored to enhance its comprehensive strength under its "Open Platform Strategy." The Share Exchange will enable the entire Group to construct a stronger corporate governance system and a more efficient management structure.

2. Overview of the accounting treatment

The Share Exchange is treated as a transaction under common control in accordance with "Revised Accounting Standard for Business Combinations" (ASBJ Statement No. 21, September 13, 2013) and "Revised Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures" (ASBJ Guidance No. 10, September 13, 2013).

3. Matters concerning additional acquisition of subsidiaries' shares

(1) Class of shares, share exchange rate, and number of shares to be allotted

	The Company (wholly-owning parent company)	Fidea Card (wholly-owned subsidiary)
Share exchange rate	1	297.50
Number of shares to be allotted	Common stock of the Company: 3,501,575 shares (planned)	

	The Company (wholly-owning parent company)	FIDEA Information (wholly-owned subsidiary)
Share exchange rate	1	100.86
Number of shares to be allotted	Common stock of the Company: 5,043,000 shares (planned)	

(2) Calculation method of share exchange ratio

In order to ensure fairness and appropriateness, the share exchange ratio was determined upon negotiations and discussions between the Company, Fidea Card, and FIDEA Information based on an evaluation by a third party who has no vested interest in any of the parties. The ratio was approved at a meeting of the Board of Directors of each company.

26. Non-Consolidated Financial Statements of Shonai and Hokuto as of March 31, 2016 and 2015 and for the Years Then Ended

The Shonai Bank, Ltd.

Non-Consolidated Balance Sheets
March 31, 2016 and 2015

	Millions of yen		Thousands of U.S. dollars
	2016	2015	2016
Assets:			
Cash and due from banks	¥ 38,553	¥ 42,669	$ 342,115
Monetary claims bought	1,667	1,652	14,792
Trading account securities	40	92	354
Money held in trust	6,747	4,065	59,872
Securities	515,045	501,573	4,570,458
Loans and bills discounted	957,802	934,905	8,499,440
Foreign exchange assets	1,131	1,786	10,036
Tangible fixed assets:			
Buildings	5,467	5,236	48,513
Land	6,740	6,704	59,810
Lease assets	38	61	337
Construction in progress	1,210	143	10,737
Other tangible fixed assets	1,436	1,232	12,742
Intangible fixed assets:			
Software	536	537	4,756
Other intangible fixed assets	69	70	612
Customers' liabilities for acceptances and guarantees	6,714	5,054	59,579
Prepaid pension cost	67	-	594
Other assets	4,067	3,551	36,090
Allowance for loan losses	(6,334)	(5,535)	(56,207)
Total assets	¥ 1,541,004	¥ 1,503,803	$ 13,674,718

(Continued)

The Shonai Bank, Ltd.

Non-Consolidated Balance Sheets
March 31, 2016 and 2015

	Millions of yen		Thousands of U.S. dollars
	2016	2015	2016
Liabilities:			
Deposits	¥ 1,252,815	¥ 1,217,395	$ 11,117,357
Negotiable certificates of deposit	113,096	94,270	1,003,602
Call money	20,000	12,745	177,478
Payables under securities lending transactions	37,983	25,734	337,057
Borrowed money	19,200	57,000	170,378
Foreign exchange liabilities	1	0	8
Bonds payable	5,000	10,000	44,369
Provision for retirement benefits	1,173	1,218	10,409
Provision for reimbursement of deposits	119	115	1,055
Provision for contingent loss	174	242	1,544
Deferred tax liabilities	6,478	6,829	57,485
Deferred tax liabilities for land revaluation	540	571	4,791
Acceptances and guarantees	6,714	5,054	59,579
Other liabilities	8,559	8,901	75,951
Total liabilities	¥ 1,471,855	¥ 1,440,078	$ 13,061,096
Net assets:			
Common stock	8,500	7,000	75,428
Capital surplus	20,308	18,808	180,211
Retained earnings	21,036	18,755	186,671
Total shareholders' equity	49,844	44,564	442,310
Unrealized gain on available-for-sale securities	18,169	18,052	161,229
Deferred loss on derivatives under hedge accounting	-	(3)	-
Revaluation reserve for land	1,134	1,111	10,063
Total valuation and translation adjustments	19,303	19,160	171,292
Total net assets	69,148	63,724	613,612
Total liabilities and net assets	¥ 1,541,004	¥ 1,503,803	$ 13,674,718

(Concluded)

The Shonai Bank, Ltd.

Non-Consolidated Statements of Income
Years Ended March 31, 2016 and 2015

	Millions of yen		Thousands of U.S. dollars
	2016	2015	2016
Income:			
Interest income:			
Interest on loans and discounts	¥ 13,168	¥ 13,554	$ 116,851
Interest and dividends on securities	7,022	5,076	62,312
Other	25	23	221
Fees and commissions	4,260	4,382	37,802
Other operating income	358	91	3,176
Other income	1,767	1,585	15,680
Total income	26,603	24,713	236,072
Expenses:			
Interest expenses:			
Interest on deposits	1,969	1,595	17,472
Interest on negotiable certificates of deposit	139	136	1,233
Interest on payables under securities lending transactions	165	47	1,464
Interest on borrowings and rediscounts	118	108	1,047
Interest on bonds payable	176	277	1,561
Other	13	18	115
Fees and commissions	2,223	2,043	19,726
Other operating expenses	640	31	5,679
General and administrative expenses	14,269	14,052	126,621
Other expenses	1,735	1,481	15,396
Total expenses	21,452	19,792	190,362
Income before income taxes	5,150	4,921	45,700
Income taxes:			
Current	1,759	1,689	15,609
Deferred	207	217	1,836
Total income taxes	1,966	1,907	17,446
Net income	¥ 3,183	¥ 3,013	$ 28,245

The Hokuto Bank, Ltd.

Non-Consolidated Balance Sheets
March 31, 2016 and 2015

	Millions of yen		Thousands of U.S. dollars
	2016	2015	2016
Assets:			
Cash and due from banks	¥ 26,441	¥ 21,728	$ 234,634
Monetary claims bought	795	684	7,054
Trading account securities	614	21	5,448
Money held in trust	999	1,000	8,865
Securities	490,390	495,402	4,351,672
Loans and bills discounted	807,904	801,026	7,169,260
Foreign exchange assets	1,753	544	15,555
Tangible fixed assets:			
Buildings	5,035	4,884	44,680
Land	8,360	8,380	74,185
Lease assets	9	14	79
Construction in progress	88	102	780
Other tangible fixed assets	851	947	7,551
Intangible fixed assets:			
Software	2,047	2,621	18,164
Other intangible fixed assets	63	64	559
Prepaid pension cost	1,051	1,176	9,326
Customers' liabilities for acceptances and guarantees	10,158	10,038	90,141
Other assets	3,233	4,225	28,689
Allowance for loan losses	(7,320)	(6,424)	(64,956)
Total assets	¥ 1,352,481	¥ 1,346,436	$ 12,001,783

(Continued)

The Hokuto Bank, Ltd.

Non-Consolidated Balance Sheets
March 31, 2016 and 2015

	Millions of yen		Thousands of U.S. dollars
	2016	2015	2016
Liabilities:			
Deposits	¥ 1,184,388	¥ 1,149,072	$10,510,142
Negotiable certificates of deposit	37,467	43,144	332,478
Call money	-	40,300	-
Payables under securities lending transactions	40,847	22,789	362,472
Borrowed money	6,800	12,300	60,342
Foreign exchange liabilities	9	-	79
Provision for reimbursement of deposits	553	476	4,907
Provision for contingent loss	150	234	1,331
Deferred tax liabilities	894	1,842	7,933
Deferred tax liabilities for land revaluation	1,227	1,296	10,888
Acceptances and guarantees	10,158	10,038	90,141
Other liabilities	8,428	9,239	74,789
Total liabilities	1,290,923	1,290,732	11,455,524
Net assets:			
Common stock	12,500	11,000	110,923
Capital surplus	19,999	18,499	177,469
Retained earnings	14,722	10,307	130,641
Total shareholders' equity	47,222	39,807	419,043
Unrealized gain on available-for-sale securities	11,784	13,402	104,570
Revaluation reserve for land	2,550	2,493	22,628
Total valuation and translation adjustments	14,334	15,895	127,198
Total net assets	61,557	55,703	546,250
Total liabilities and net assets	¥ 1,352,481	¥ 1,346,436	$ 12,001,783

(Concluded)

The Hokuto Bank, Ltd.

Non-Consolidated Statements of Income
Years Ended March 31, 2016 and 2015

	Millions of yen		Thousands of U.S. dollars
	2016	2015	2016
Income:			
Interest income:			
Interest on loans and discounts	¥ 11,566	¥ 12,018	$ 102,635
Interest and dividends on securities	5,711	4,580	50,678
Other	23	10	204
Fees and commissions	4,596	4,407	40,784
Other operating income	2,327	1,338	20,649
Other income	2,726	1,636	24,190
Total income	26,953	23,993	239,178
Expenses:			
Interest expenses:			
Interest on deposits	943	838	8,368
Interest on negotiable certificates of deposit	60	54	532
Interest on payables under securities lending transactions	173	28	1,535
Interest on borrowings and rediscounts	107	111	949
Other	1	4	8
Fees and commissions	1,387	1,341	12,308
Other operating expenses	562	400	4,987
General and administrative expenses	14,485	14,898	128,538
Other expenses	3,067	1,409	27,216
Total expenses	20,788	19,087	184,470
Income before income taxes	6,164	4,905	54,698
Income taxes:			
Current	936	58	8,305
Deferred	212	820	1,881
Total income taxes	1,148	878	10,187
Net income	¥ 5,016	¥ 4,027	$ 44,511