MINATO BANK

ANNUAL REPORT 2016

For the year ended March 31, 2016

TO OUR STAKEHOLDERS

We sincerely thank you for your continued patronage of Minato Bank.

The 2016 Annual report has been prepared to help you gain a deeper understanding of Minato Bank.

In this 2016 Annual Report, we seek to present such topics as Minato Bank's management policy, business overview, earnings results for fiscal 2015 (the fiscal year ended March 31, 2016), and regional activities as clearly as possible. We hope that you will find it a useful reference.

Minato Bank will continue to address its clients' wide-ranging needs by expanding its products and services, and as a regional-based financial institution of Sumitomo Mitsui Financial Group, the Bank will seek to continue being a useful and helpful bank by providing financial and information services.

To that end, we look forward to your continued understanding and support.

July 2016

Hiroaki Hattori
President

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This annual report includes descriptions of future business performance. These forecasts do not guarantee future business performance and contain risks and uncertainties. Please note future business performance will differ from the forecasts in accordance with changes in the operational environment.

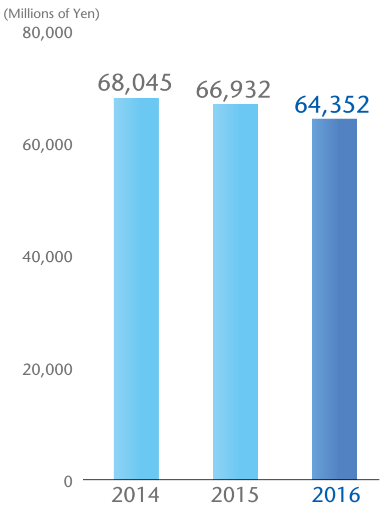
CONSOLIDATED FINANCIAL HIGHLIGHTS

The Minato Bank, Ltd. and Subsidiaries
Years Ended March 31, 2016, 2015 and 2014

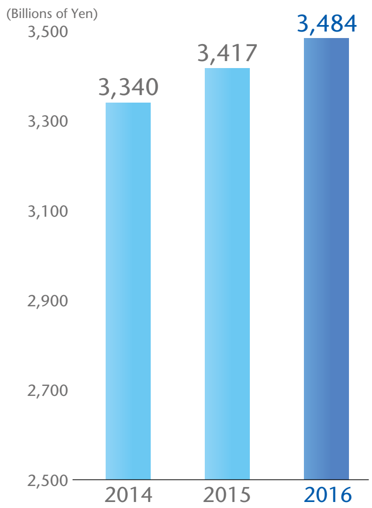
	Millions of Yen			Thousands of U.S. Dollars (Note)
	2016	2015	2014	2016
FOR THE YEAR:				
Total income	¥ 64,352	¥ 66,932	¥ 68,045	$ 571,057
Total expenses	52,975	52,891	54,573	470,092
Income before income taxes	11,377	14,041	13,472	100,965
Profit attributable to owners of parent	7,360	7,478	7,512	65,315
AT YEAR-END:				
Total assets	¥3,484,662	¥3,417,209	¥ 3,340,993	$30,922,553
Deposits	3,098,939	3,079,100	3,073,690	27,499,685
Loans and bills discounted	2,495,377	2,407,835	2,337,806	22,143,734
Securities	506,956	533,506	604,994	4,498,676
Non-controlling interests	1,068	1,014	908	9,479
Common stock	27,485	27,485	27,485	243,898
Total net assets	136,020	137,180	122,269	1,207,024
Capital ratio	8.17%	8.74%	8.91%	

Note: U.S. dollar amounts represent translation of Japanese Yen at the rate of ¥112.69 to US$1.00 on March 31, 2016, the final business day of term.

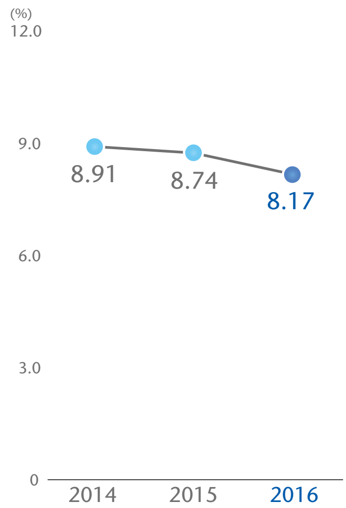
Total Income



Total Assets



Capital Ratio



In the above table, the capital ratio is calculated on a consolidated basis based on the domestic standard and formula prescribed in the Notification of the Financial Services Agency of Japan No. 19, 2006 in compliance with the provisions of Article 14-2 of the Banking Law.

MESSAGE FROM THE PRESIDENT

Hiroaki Hattori
President

Earnings for Fiscal 2015

In fiscal 2015, the Japanese economy continued to follow a gradual recovery trend, although business confidence as regards the near future remains at a standstill. Uncertainty has increased due to ongoing appreciation of the yen from early in the year, the economic slowdown in China and other emerging countries, Britain's exit from the European Union and other factors.

In the midst of these conditions, the Bank focused on its Mid-Term Management Plan, called "MINATO Innovation 3"—Challenge Toward Further Progress (for fiscal 2014–2016). In fiscal 2015, the second year of the plan, we devoted our efforts to customer and community-oriented policies, and to bringing a sense of emergency to our management. As a result, consolidated net income for fiscal 2015 reached ¥7.4 billion.

With consolidated net income of ¥14.8 billion over two years, we are making steady progress toward our three-year cumulative target of ¥20.0 billion or more in net income. This was achieved thanks to the help of our customers, shareholders, and the people in the regions where we operate. I'd like to stress once again how grateful we are for your support.

A Bank That Grows with its Community

Today, Japan's economy and society face major structural changes. These include not only a falling birthrate and aging population, but also a population decrease and rapid shifts in IT and globalization. The environment for financial institutions is seeing widespread new changes as well, as the Bank of Japan introduces negative interest rates and moves to develop new financial technology and services, typified by so-called FinTech, become more prominent.

Given these circumstances, the Bank is working hard to utilize its branch network, the largest in Hyogo Prefecture, as well as its extensive information network, in order to provide corporate customers with support in expanding sales channels, expanding overseas and addressing business continuity issues. For individual customers, we provide assistance with asset formation and inheritance issues, working as a Group to provide the financial and information services the regions we operate in require.

A number of next-generation industries, including aerospace, aviation, robotics and new materials, are expected to play a leading role in regional economic development. We believe that providing these industries with support through financial and information services, thereby helping to develop a new industrial base and creating a ripple effect through every area of the prefecture, is an important mission for us as a regional financial institution.

In Hyogo Prefecture, where the Bank is based, efforts are underway to develop a diverse industrial structure encompassing everything from manufacturing to farming, forestry and fisheries, and to revitalize regional communities by taking advantage of the distinct features of the five major regions that make up the prefecture (Settsu, Harima, Tajima, Tamba and Awaji). Looking ahead, the bank will continue under its management philosophy, "the bank exists and prospers together with the people in the region," working to ensure regulatory compliance, contribute as corporate citizens, and otherwise actively engage in building a relationship of trust within our communities.

We would sincerely appreciate your further support and cooperation in these efforts.

July 2016

Hiroaki Hattori

President

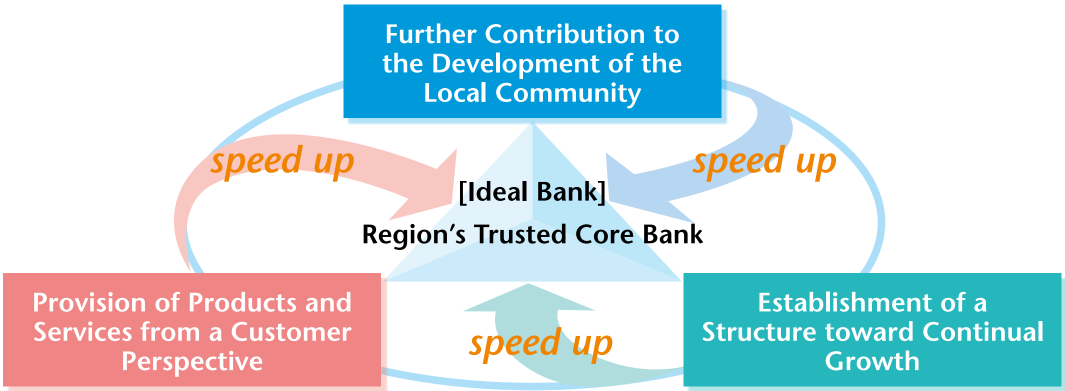
Mid-Term Management Plan

Slogan

"MINATO Innovation 3"

– Challenge toward Further Progress –

Basic Policy



Concept

The three years leading to further "progress" through the "contribution to development and growth of the local community" with the functions of a local financial institution as the declining birthrate, aging population and the internet/mobile society advance

Period

April 2014 through March 2017 (three years)

Key Indicators

Net income:	**¥20** billion or more	(three years accumulated, on a consolidated basis)
Core capital ratio(*):	**6** % or more	(as of March 31, 2017, exclusive of transitional measures, on a consolidated basis)
Aggregate loan balance:	**¥2,600** billion or more	(as of March 31, 2017)

(*) Minimum required level of capital adequacy ratio under the regulations for banks subject to domestic standards regarding BASEL III (new standards): 4%

Major Initiatives

Further Contribution to the Development of the Local Community	• Establishment of the Regional Strategy Division • Further strengthening of business matching services • Strengthening of support for regional growth areas • Active efforts for business succession operations • Permanent efforts toward finance facilitation
Provision of Products and Services from a Customer Perspective	• Establishment of the Direct Banking Department • Improvement of the functions of the group companies • Expansion of the inheritance consulting operations • Improvement of the customer support functions • Improvement of product/service lineup
Establishment of a Structure toward Continual Growth	• Development and vitalization of personnel • Ensuring thorough compliance • Maintaining and improving management of capital adequacy • Strengthening risk management • Improvement of the system base • Strengthening and enhancing ALM management

Corporate Governance

Basic Concept for Corporate Governance

Reinforcing and enhancing corporate governance is defined as a critical management issue at our Bank and each group company. We adhere to the "Management Philosophy" and "Principles of Conduct" described below, and strive to sustain sound operations and contribute to the sound development of regional communities.

Management Philosophy

The Bank Exists and Prospers Together with the People in the Region.

We contribute to our region through the provision of financial and information services.

Principles of Conduct (Corporate Ethics)

Awareness of the public nature and social responsibility of the Bank

A bank should be aware of its public role, execute sound operations according to principles of self-responsibility, and contribute to the steady development of the regional economy and society through the fulfillment of its social commitments.

Fully customer-focused

We are always conscious of our "customer-first" policy, and attend to our customers with an honest, faithful and kind spirit, listening to customer requests with a sincere attitude and providing precise, prompt and customer-satisfying financial services.

Sincere and fair conduct

We abide by laws, regulations and their spirit, and always behave in a fair and faithful manner so as to not deviate from social norms.

Contributing to and harmony with regional communities

To express the Bank's management philosophy, "We contribute to our region," we make it one of our primary policies to contribute to and progress together with our region and its communities. The Bank's principles of conduct serve not only to contribute to our region, but to call for removing anti-social and anti-ethical conduct from the course of our operations with the aim of becoming closer to being an ideal "bona fide corporate citizen." To realize this, we endeavor to hold close communications with society and ensure the Bank executes corporate activities in line with social common sense and expectations.

Respect for humanity

We are committed to developing a corporate culture which ensures respect for the open and rich spirit of our employees, brimming with vitality and feelings of value for their employment at the Bank.

Formulation of the Minato Bank's Corporate Governance Guidelines

In November 2015, we announced our standards of conduct as regards corporate governance by posting the Minato Bank's Corporate Governance Guidelines on our website.

Corporate Governance Structure

We have a basic policy for internal control systems and the following structure designed to strengthen and improve our corporate governance so that directors, employees and corporate auditors will be able to cope with their responsibilities in an appropriate and efficient manner.

Board of Directors

Board of Directors meeting is in principle held once a month to make important decisions for the Bank's management issues and oversee the execution of the Directors' responsibilities.

To supplement the functions of the Board of Directors, we have established a Personnel Committee and a Compensation Committee to act as advisory committees to the Board.

Board of Corporate Auditors

The Bank has adopted a corporate auditor system, and Board of Corporate Auditor meetings are in principle held once a month. Based on the audit policy and audit plan made by the Board of Corporate Auditors, the Corporate Auditors have performed their audit procedures appropriately by attending Board of Director and other important meetings, examining business operations and assets, etc.

The Office of Corporate Auditors was established to support the Corporate Auditors carry out their audit procedures.

Management Committee

The Management Committee in principle meets once a week and makes decisions on important issues related to execution of the Bank's business, based on Board of Director decisions and Management Committee policies.

Significant items related to risk management are determined by the Corporate Risk Management Committee, which is part of the Management Committee.

Committees

Compliance Committee

The Compliance Committee in principle meets once every three months to check and confirm the progress and implementation of the initiatives and compliance programs designed to build corporate ethics focused on legal compliance, and discuss and consider preventative measures for misconduct.

CS (Customer Satisfaction) Committee

To win solid support from the local community and continuously raise customer satisfaction standards, members of the CS Committee formulate improvement policies, set targets for the whole Bank, and discuss and review measures to improve customer satisfaction. The CS Committee meets once every three months as a rule.

Financial Facilitation Committee

The Financial Facilitation Committee was set up as a cross-sectional body to discuss how to facilitate financing for small and medium-sized companies. Committee members discuss measures, study actual issues faced by each department, and coordinate action across departments. The Committee meets once every three months as a rule.

Regional Strategy Committee

The Regional Strategy Committee was established on April 1, 2015 through a developmental merger of the previous Regional-Oriented Financial Promotion Committee and the CSR Committee. In addition to the functions of its predecessors—discussing policies and measures related to regional-oriented financing promotion and formulating action plans on CSR initiatives—the new committee will also aim to support and promote the formulation of comprehensive strategies at the regional level. It meets once every three months, in principle, starting in June 2015.

IT Systems Committee

The IT Systems Committee meets as a general rule once every three months with the objectives of reporting information about the status of the IT systems to the management and deliberating and determining the measures, etc. that must be taken.

Credit Risk Management Committee

The Credit Risk Management Committee in principle meets once every three months to identify, review and communicate credit risk status, consider and determine policies or countermeasures for credit risks, manage credit portfolios and big customer concentrated risks, and discuss and consider operating policies.

Asset and Liability Management (ALM) Committee

The ALM Committee in principle meets once a month to discuss and consider how to maintain a healthy balance sheet and improve profitability, strategies for proper fund operations, and unifies management of market risks (interest risk, foreign exchange risk, share price risk, etc.) and liquidity risks (cash flow risk, market liquidity risk, etc.) related to assets and liabilities.

Operational Risk Management Committee

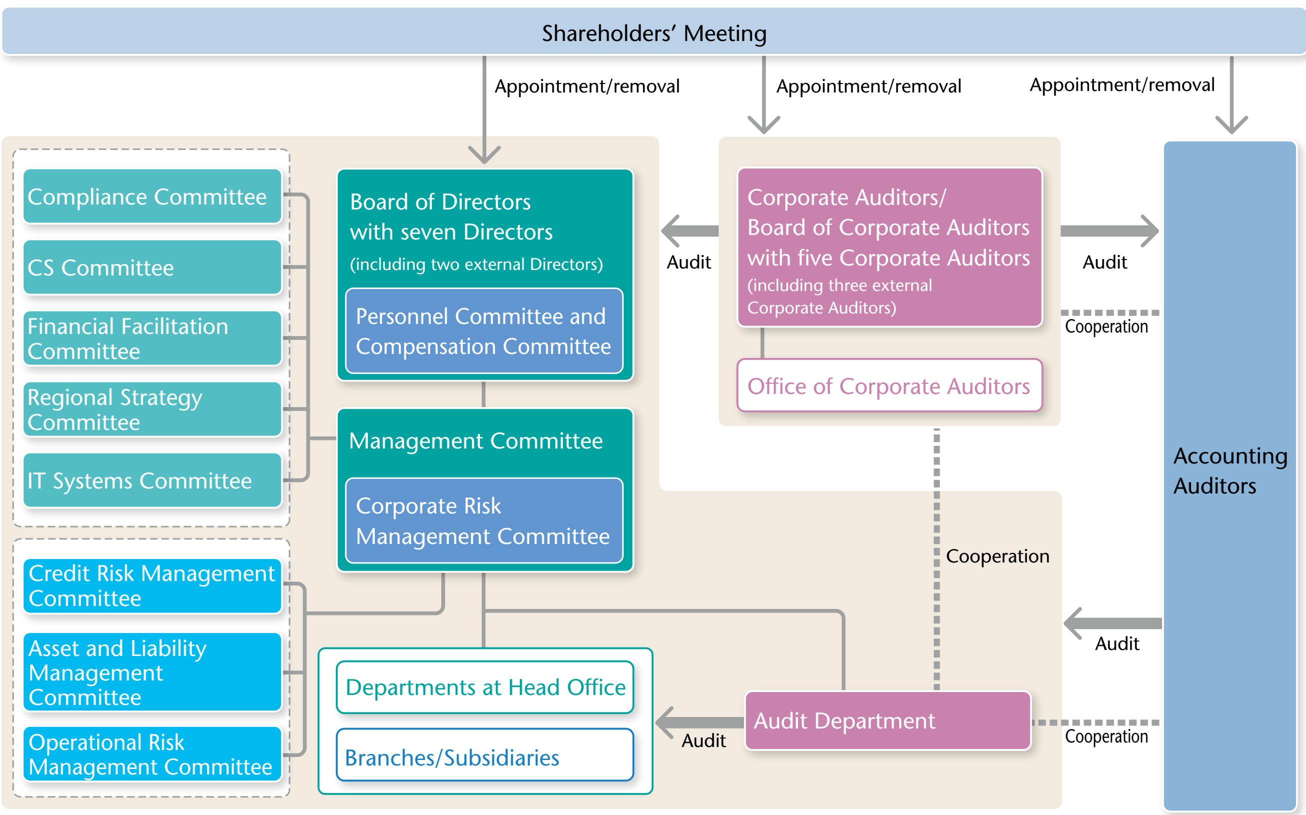
The Operational Risk Management Committee in principle meets once a month, and analyzes and communicates operational risk related information (improper or non-functioning internal processes, staff or systems, or risk of losses related to external occurrences), discusses and considers various measures required to reduce operational risks, analyzes the causes of operational risk exposure incidents, and discusses and considers measures to prevent the reoccurrence of such incidents and potential risk exposure.

Internal Audit

The Audit Department, an internal audit organization which is independent from other departments, engages in monitoring the status of business operations and risk management at the head office, branches and subsidiaries and issues instructions and proposals for improvement. The department's monitoring results are reported to the Board of Directors and Board of Corporate Auditors.

There is a cooperative system among the Audit Department, Corporate Auditors and accounting auditors for exchanging information.

Corporate Governance Structure



Corporate Social Responsibility (CSR)

Basic Policy for CSR

The Bank's management philosophy is "we contribute to our region through the provision of financial and information services." We endeavor to provide financial and information services with the aim of contributing to the development of regional communities.

The Bank and its group companies define CSR as contributing to the sustainable development of regional communities through providing higher values to (i) our customers, (ii) our shareholders and markets, (iii) society and environment and (iv) our employees in the course of our business operations.

Principles of Conduct at the Bank consisting of five items, "awareness of the public nature and social responsibility of the Bank," "fully customer-focused," "fair and faithful conduct," "contributing to and harmony with regional communities" and "respect for humanity" are established as the common philosophy for the Bank and its group companies.

Focal Point for CSR Initiatives

We will reinforce the management system to a greater extent by enhancing the corporate governance structure, internal audit structure, compliance structure and risk management structure. We will also accurately identify each stakeholder's expectations and provide higher value to them.

- We will provide our customers with products and services of higher value and develop together with our customers.
- We will endeavor to sustain sound operations and increase shareholder value, through appropriate information disclosure and organized internal controls.
- We will be continuously and proactively involved in social contribution and environmental activities which contribute to regional communities and restore the global environment.
- We will pay respect to people and grow a corporate culture which allows our employees to fully utilize their own skills and talents.

Through these activities, we will support the sustained development of our regional communities.

Compliance System

Based on its management policy, the Bank's basic legal compliance related policy is for the Bank's officers and employees to recognize the significance of the Bank's social responsibilities and public commitments, and strictly comply with laws and rules with an emphasis on corporate ethics, thereby contributing to the region.

All officers and employees are required to recognize the importance of legal compliance and behave in the most appropriate manner with constant awareness in the execution of day-to-day operations.

1. Establishment of the Legal Compliance Department

The Legal Compliance Department was established to manage and control overall compliance related issues.

The Legal Compliance Department is responsible for educating and encouraging officers and employees to comply with laws, regulations and social norms, placing its highest priority on the prevention of illegal conduct.

2. Appointment of Administrative Compliance Officer

General managers of the head office and each branch are fully responsible to manage and execute assigned operations in conformity with compliance policies.

A compliance officer has been appointed for each of the above locations, and is required to prevent anti-compliance conduct and detect the occurrence of such conduct in its early stages. In addition, compliance officers in business branches, supervisory departments and elsewhere have been appointed Compliance and Supervisory Officers, and they are responsible for organizing the compliance activities at the constituent business branches.

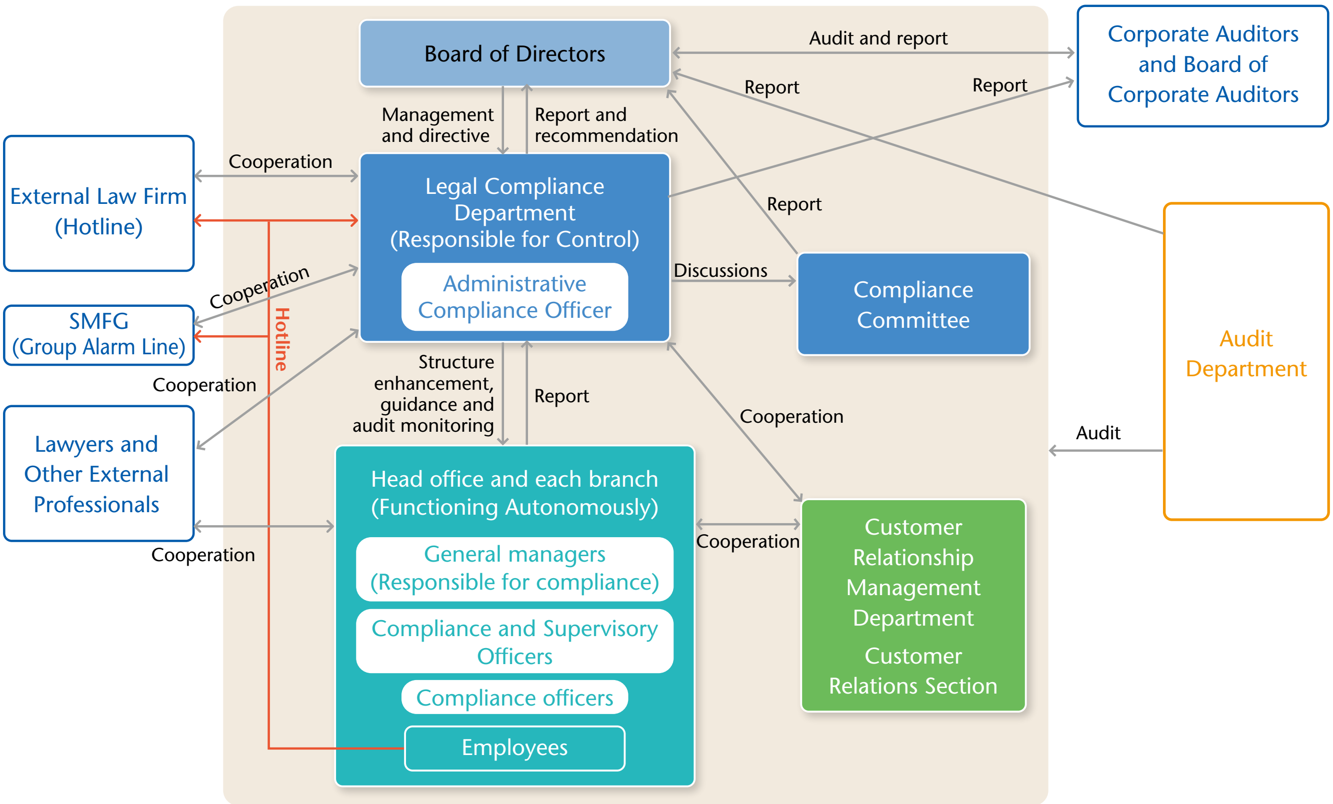
In addition, an administrative compliance officer is assigned to the Legal Compliance Department, to direct and supervise the compliance officers and responsible individuals of the above locations, investigate compliance conditions at each location, and provide education and guidance.

3. Establishment of the Compliance Committee

The Compliance Committee was established to strengthen the legal compliance system and incident-preventing measures.

This Committee deliberates upon various measures necessary to build corporate ethics focused on legal compliance and the implementation status of compliance programs.

The Bank's Compliance System



Implementing Compliance

The Bank requires all officers and employees to recognize the public mission and social responsibilities to be fulfilled by the Bank and to act in line with the highest moral standards.

Accordingly, we must comply with social norms as well as laws and regulations and behave fairly with a determined sense of ethics.

The Bank has created a Compliance Manual providing specific explanations about the laws and regulations that the officers and employees must observe to put the above matters into practice.

The Compliance Manual mainly consists of the following regulations to achieve complete compliance by each of the officers and employees: the Compliance Policy comprehensively describes overall compliance related matters (structure, system, roles, procedures, etc.) in a way that is easy to understand; the Code of Conduct providing principles and guidance for all officers and employees to comply with; and the Detailed Operating Policies for Conduct Management compiled in the form of a case study guidebook.

Principles of Conduct at the Bank

1. Awareness of the public nature and social responsibility of the Bank
2. Fully customer-focused
3. Sincere and fair conduct
4. Contributing to and harmony with regional communities
5. Respect for humanity

Guidance of Conduct for Officers and Employees

- Compliance with laws, regulations and rules
- Prohibition of unfair competition
- Duty of confidentiality
- Prohibition of illegal use of information
- Obligation to explain products and services
- Internal reporting requirements, etc.

Risk Management Structure

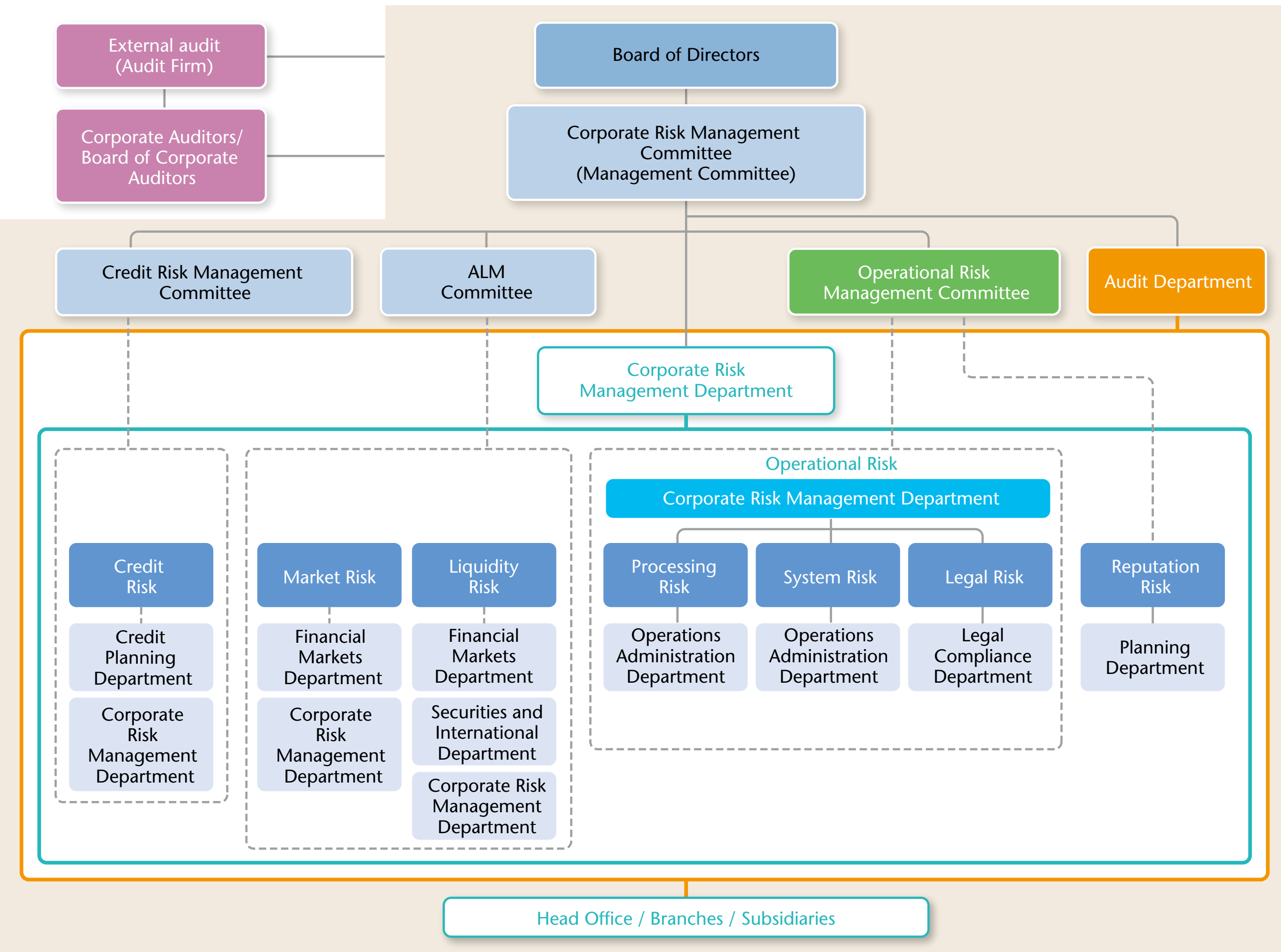
Banks are facing increasingly diversified and complicated risks due to their expanding scope of operations and financial technology innovations. It is therefore important to accurately monitor each individual risk, monitor the risks in an integrated manner, and control them within a scope that is tolerable for the overall bank, in order to maintain and improve sound banking management.

The establishment of a risk management structure is positioned as one of the most critical management issues at our Bank. We have established departments and sections in charge of risk management by risk type and monitor a range of risks in a precise manner. We also established the Corporate Risk Management Department which is responsible for overview and managing different risks in an integrated manner with the aim of reinforcing our structure to comprehensively manage and control various risks.

As organs to deliberate and determine matters related to risk management, we established the Corporate Risk Management Committee and its three committees: the Credit Risk Management Committee, the Asset and Liability Management (ALM) Committee and the Operational Risk Management Committee. The Corporate Risk Management Committee identifies and assesses the condition of bank-wide risks and deliberates and determines countermeasures and policies, while each committee identifies and assesses each risk on a cross-sectional and uniform basis and deliberates and determines countermeasures and policies.

As an internal audit organization operating independently from other departments, the Audit Department reviews and checks the status of business operations and risk management of the head office, branches and subsidiaries. We also have an external audit system led by an independent audit firm.

Risk Management System



1. Credit Risk Management

Credit risk is the possibility of loss arising from financial deterioration, changes in a customer's financial condition, which causes the asset value of loans receivables, etc. to become impaired or worthless.

The Bank strictly complies with the Credit Policy that explicitly prescribes our lending operation rules to achieve sound and proper business operations. We work to maintain and improve the soundness of assets and profitability through proper controls over credit risks and effective credit review operations according to degrees of credit risk based on the Credit Risk Management Policy which prescribes basic policies for credit risk management.

As a basis of such risk management, we have adopted a credit rating system. A credit rating is a borrower classification ranked according to the probability of loan performance, and is used as an objective indicator to measure the degree of risk pertaining to a borrower.
Classifying borrowers according to the degree of risk promotes effective credit review operations.

In concrete terms, we established a credit approval policy for lending contracts based on credit ratings as well as lending approval authorizing standards, etc. to perform focused (efficient) credit screenings according to degrees of risk. At the same time, we monitor credit status on a constant basis to detect early signs of credit issues, and adjust the depth and efficiency of management based on the extent of such issues.

In addition, we perform self-assessments of our assets to maintain soundness of assets, prepare financial statements properly reflecting asset condition, and account for appropriate levels of write-offs and reserves. Self-assessments are designed to classify assets held by the Bank according to degrees of risk pertaining to collectibility or value deterioration, and play a significant role as a means of managing credit risks. Based on the results of self-assessments, we provide accurate and timely estimation of future potential losses of loans, etc. in consideration of bad debt conditions, and account for write-offs and reserves based on estimates to maintain asset soundness.

We utilize credit ratings and self-assessments to quantitatively grasp and manage credit risks to maintain control over the degree of credit risk for our overall credit portfolio and any risk concentration on specific industries and large accounts, and report findings to management. As appropriate, we establish and implement remedial measures for our credit portfolio including proper risk controls, risk diversification and reduction of troubled credit, etc.

As for concrete measures to enforce our monitoring system, we have set up a section in the monitoring department, which deals with corporate rehabilitation support, and manages doubtful receivables, etc.

In our effort to maintain soundness of assets, the Audit Department, which operates independently from the credit related departments, checks the accuracy of the credit ratings and self-assessments as well as the condition of credit review operations.

For loan arrangements, the Bank may require collateral or guarantees to mitigate credit risks with comprehensive determination of matters related to the financial position of the borrower, intended purpose of financing, loan collectibility, etc. We properly handle collateral and guarantees in accordance with Internal Operational Policies of Collateral and Guarantees and Operational Procedures that prescribe classifications according to types of collateral or qualifications of guarantors as well as methods for their management, valuation, etc. Particularly, we have detailed rules for mortgage collateral, comprising the majority of collateral, to perform impartial collateral valuations in a timely and proper manner.

2. Operational Risk Management

Operational risk is the possibility of losses arising from inadequate or failed internal processes, personnel and systems or external events.

The fundamental policy of the Bank is to establish the Operational Risk Management Policy prescribing basic matters concerning operational risk management and maintenance of an effective framework for identification, valuation, control and monitoring procedures according to characteristics of operations and risks. We manage operational risks on an individual basis classified into processing risks, system risks and legal risks, and have established a department responsible for overall management of operational risks in an integrated and centralized manner. To increase the effectiveness of risk management, operational risk officers are appointed for each department and section and are required to cooperate with the section in charge of corporate operational risk management so individual operational risks can be managed in an integrated fashion within a common framework. Also, the Operational Risk Management Committee, a cross-sectional in-house organization, is in place as a highly effective system to oversee and examine various risk conditions from a companywide viewpoint and deliberate and determine policies and measures on a regular basis.

We compile a database of internal loss data incurred by each department and section and analyze this data on a regular basis for use in risk management. All departments and sections are required to provide all possible risk scenarios. A risk and control assessment (self-assessment of risk and effectiveness of controls) is performed for such risk scenarios to estimate the frequency and amount of losses attributable to each scenario.

Such risk scenarios, being important data to recognize risk conditions, are compiled as a database and constantly updated based on collected internal and external loss data and objective information such as operating environment and internal control factors. We strive to reflect various information to the database appropriately and ensure those scenarios are comprehensive and appropriate for conducting risk and control assessments on a regular basis.

In this way, we compile a database of the scenarios reflecting the Bank's risk profile. Each scenario is assessed for the degree of risk impact. For scenarios with a high degree of risk impact, each department and section considers and implements a risk reduction plan. Using this risk quantification system, we are able to manage operational risks efficiently and effectively.

Processing and Systems Risk Management

Processing risk is the possibility of losses arising from negligent processing by employees, accidents, or unauthorized activities.

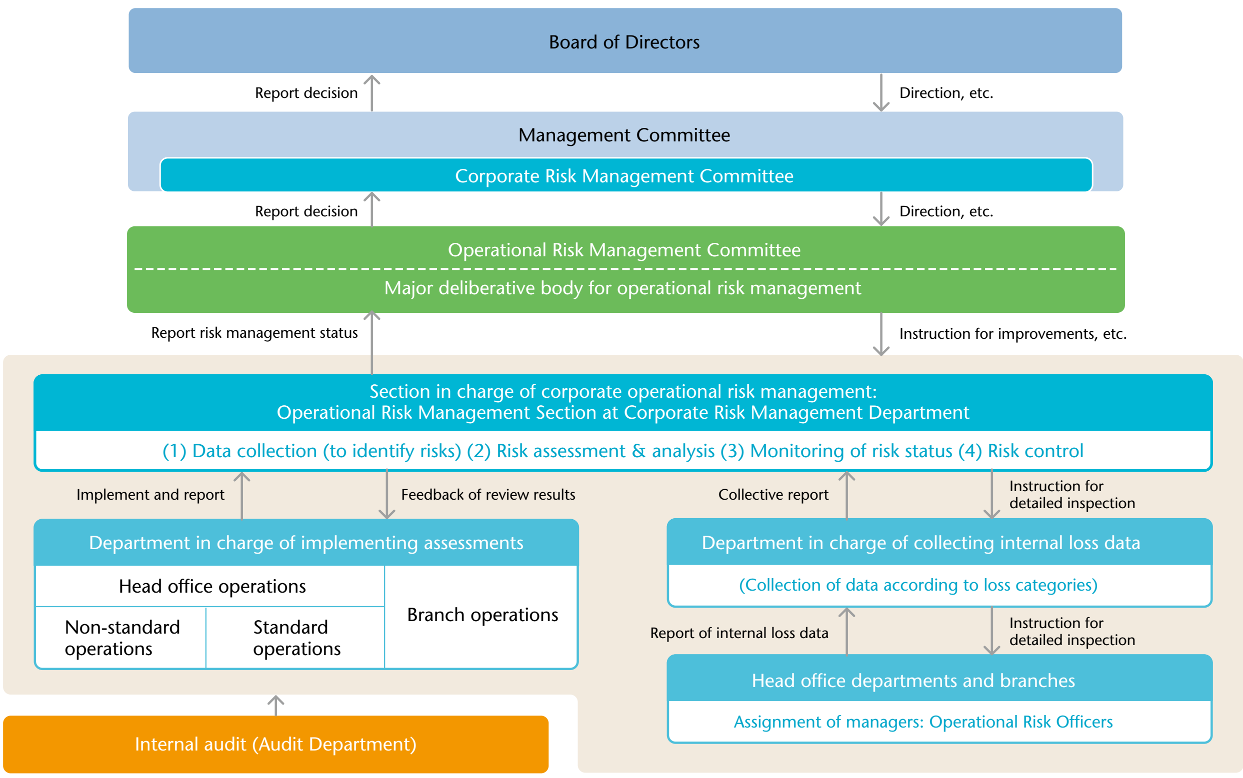
We promote streamlining and head-office centralized processing operations, and provide group training and on-site guidance offered by the Operations Administration Department to reduce processing risks and improve the level of processing ability. Moreover, the Audit Department periodically conducts branch field audits while head office and branches perform self-inspections to prevent accidents and fraud from occurring.

Systems risk is the possibility of losses arising from the failure, malfunction, unauthorized use of or data leakage from computer systems.

Due to the significance of potential impact, we recognize our social responsibility to maintain stable computer system operations and proper management for customer information. We established systems risk management policies and practical management standards, including the Security Policy, and strictly adhere to these policies in operating and managing our systems. To prepare for unforeseeable circumstances, we developed contingency plans and provide simulation training on a regular basis.

We provide internal and external audits for periodic system evaluation and upgrades, and strive for the more secure computer system operations and strict data controls.

Operational Risk Management Structure



3. Market and Liquidity Risk Management

Market risk is the possibility that fluctuations in interest rates, foreign exchange rates, or stock prices will change the value of financial assets and liabilities, leading to losses.

Liquidity risk is the possibility of encountering cash-flow problems due to differing fund source and usage periods or unexpected fund outflows, or losses caused by being forced to raise funds at interest rates markedly higher than ordinary interest rates.

We segregated front, middle and back office operations systematically to secure mutual check and balance functions, and established a system for the audit department to examine the appropriateness of risk management processes, etc.

With respect to market risk, we review market forecasts, operational policies for ALM and marketable securities as well as financial strength on a biannual basis to determine allowable ranges of market risk exposure and set individual risk limits for risk capital limits (*1), loss limits, VaR limits (*2) and position limits. Based on these procedures, we work to maintain management and operations within predetermined ranges of risk exposure (risk limits). Each department handling transactions (the front office sections) works to improve profitability within these limits. The middle office monitors and manages the results on a daily basis.

With respect to liquidity risk, we place the highest priority on cash-flow security, and periodically set and manage funding gap limits (*3). We developed the Contingency Plan for Liquidity Emergency prescribing an emergency action plan, and take all possible measures for maintaining a system that ensures our operating transactions are not hindered in the event of market confusion, by holding sufficient assets easily convertible to cash, such as government bonds.

We hold ALM Committee meetings every month to prepare forecasted economic, interest rate, stock price, and foreign exchange rate trends and report profit conditions. The Committee also prepares reports and analyses of the status of compliance with market and liquidity risk limits, and discusses and considers market risk controls, fund sourcing and fund operations to develop an asset and liability structure that ensures stable profitability.

(*1) Risk capital limit
A portion of the Bank's capital allocated to provide for the Bank's ability to cover within the scope of its resources, probable future maximum loss estimates, valuation losses that increased in the period, and losses realized in the period.

(*2) Value at Risk (VaR)
The probable future maximum loss statistically calculated using existing assets and liabilities and historical market fluctuation data.

(*3) Funding gap
The estimated amount of future financing requirements arising from the mismatch of periods between fund sourcing and fund operations.

4. Reputation Risk Management

Reputation risk is the possibility of tangible and intangible losses due to damage to the Bank's reputation attributable to rumors about various risk incidents related to our operating activities or the dissemination of false rumors or slander.

We endeavor to disclose information to our stakeholders such as customers, regional communities, shareholders, investors and employees in a timely and appropriate manner through constant and active promotion of public and investor relations activities and increased management transparency to minimize reputation risk exposure.

We also monitor and assess rumors on a regular basis, and have prepared a system to take countermeasures promptly when reputation risk exposure becomes apparent.

The Status of Initiatives for the Management Improvement of SME Clients and Regional Revitalization

1. Policies for Initiatives Related to Regional-oriented Financing

The Bank considers "initiatives for management support to SME clients" to be one of the most important items in "promoting regional-oriented financing." It has therefore stipulated a Basic Policy of "further contributing to the development of the local community" in the new Mid-Term Management Plan, "MINATO Innovation 3"—Challenge toward Further Progress, which began in fiscal 2014, and is making active efforts to achieve that policy.

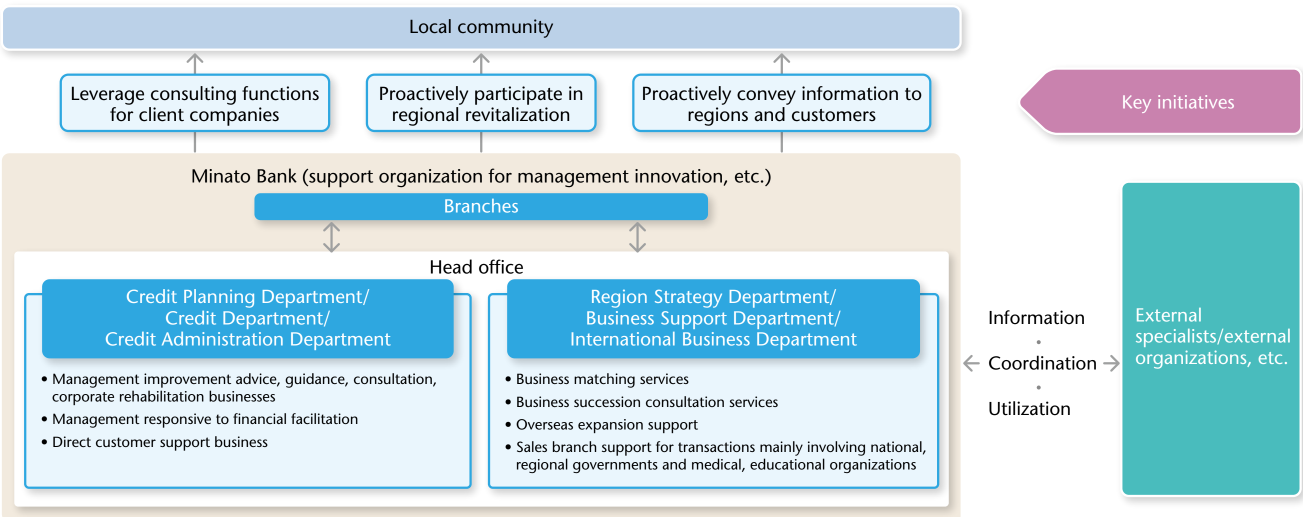
2. Status of the Development of Structures for Regional-oriented Financing

In April 2015, we made the Regional Strategy Department established in April 2014 independent from the Business Planning Department, and prepared our structures for supporting regional revitalization such as formulating and supporting the Regional General Strategy to be undertaken by local government organizations.

In April 2016, we also established the Corporate Revival Section within the Credit Department, and undertook a review of the organizational structures and functions for assisting corporate clients with management improvements and business rehabilitation.

At the same time, in April 2014, the marketing branches established a system of seven supervisory departments intended to further enhance relationships with both corporate and individual customers and provide more advanced, specialized proposals. In April 2016, this system was expanded to nine supervisory departments as part of our efforts to implement the necessary structures.

Structure for Promoting Regional-Oriented Financing



Consolidated Balance Sheets

The Minato Bank, Ltd. and Subsidiaries
As of 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 3, 10 and 30)	¥ 392,684	¥ 396,808	$ 3,484,641
Call loans and bills bought (Note 30)	1,380	460	12,247
Monetary claims bought	1,922	2,189	17,057
Trading account securities (Notes 26 and 30)	528	530	4,682
Securities (Notes 4, 10, 26 and 30)	506,956	533,506	4,498,676
Loans and bills discounted (Notes 5, 11 and 30)	2,495,377	2,407,835	22,143,734
Foreign exchanges (Note 6)	11,504	8,690	102,085
Lease receivables and investment assets	8,827	9,596	78,333
Other assets (Notes 7 and 10)	29,527	24,026	262,018
Tangible fixed assets (Note 8)	32,933	34,789	292,243
Intangible fixed assets	5,118	5,167	45,417
Asset for retirement benefits (Note 23)	2,714	1,904	24,089
Deferred tax assets (Note 25)	3,999	2,093	35,484
Customers' liabilities for acceptances and guarantees (Note 16)	11,316	12,016	100,420
Allowance for loan losses (Note 30)	(20,123)	(22,400)	(178,573)
Total assets	¥3,484,662	¥3,417,209	$30,922,553
LIABILITIES:			
Deposits (Notes 10, 12 and 30)	¥3,093,368	¥3,065,337	$27,450,246
Negotiable certificates of deposit (Notes 12 and 30)	5,571	13,762	49,440
Payables under securities lending transactions (Notes 10 and 30)	87,825	39,479	779,346
Borrowed money (Notes 10, 13 and 30)	106,261	92,647	942,954
Foreign exchanges (Note 6)	40	88	359
Bonds payable (Notes 14 and 30)	18,300	28,000	162,392
Other liabilities (Notes 10 and 15)	21,299	25,572	189,006
Provision for bonuses	1,084	1,034	9,619
Liability for retirement benefits (Note 23)	2,628	1,118	23,323
Provision for directors' retirement benefits	66	65	583
Provision for reimbursement of deposits	656	672	5,821
Deferred tax liabilities (Note 25)	228	238	2,020
Acceptances and guarantees (Note 16)	11,316	12,016	100,420
Total liabilities	3,348,642	3,280,029	29,715,529
EQUITY (Note 17)**:**			
Capital stock, authorized, 900,000,000 shares; issued, 410,951,977 shares as March of 31, 2016 and 2015	27,485	27,485	243,898
Capital surplus	49,648	49,581	440,569
Retained earnings	47,973	42,648	425,704
Treasury stock-at cost, 2,993,159 shares and 3,665,450 shares as of March 31, 2016 and 2015, respectively	(429)	(523)	(3,803)
Total shareholders' equity	124,677	119,191	1,106,368
Valuation difference on available-for-sale securities	10,476	16,213	92,957
Accumulated other comprehensive income on defined retirement benefit plans	(402)	619	(3,564)
Total accumulated other comprehensive income	10,074	16,832	89,393
Equity warrant	201	143	1,784
Non-controlling interests	1,068	1,014	9,479
Total net assets	136,020	137,180	1,207,024
Total liabilities and net assets	¥3,484,662	¥3,417,209	$30,922,553

See Notes to Consolidated Financial Statements.

Consolidated Statements of Income

The Minato Bank, Ltd. and Subsidiaries
Years Ended March 31, 2016 and 2015

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2016	2015	2016
ORDINARY INCOME:			
Interest income:			
Interest on loans and discounts	¥31,825	¥33,166	$282,412
Interest and dividends on securities	4,725	4,300	41,933
Other interest income	984	997	8,735
Fees and commissions	13,835	14,304	122,768
Other ordinary income (Note 18)	8,813	8,307	78,201
Other income (Note 19)	4,170	5,858	37,008
Total income	64,352	66,932	571,057
ORDINARY EXPENSES:			
Financing expenses:			
Interest on deposits	1,583	1,690	14,047
Interest on borrowings and rediscounts	238	202	2,113
Other financing expenses	756	699	6,713
Fees and commissions payments	3,779	3,159	33,536
Other ordinary expenses (Note 20)	5,448	5,882	48,342
General and administrative expenses	35,466	35,780	314,718
Other expenses (Notes 9 and 21)	5,705	5,479	50,623
Total expenses	52,975	52,891	470,092
INCOME BEFORE INCOME TAXES	11,377	14,041	100,965
INCOME TAXES (Note 25):			
Current	2,370	2,966	21,034
Deferred	1,557	3,494	13,818
PROFIT	7,450	7,581	66,113
Profit attributable to non-controlling interests	90	103	798
Profit attributable to owners of parent	¥ 7,360	¥ 7,478	$ 65,315

	Yen		U.S. Dollars
	2016	2015	2016
PER SHARE INFORMATION (Note 29):			
Basic net income	¥18.05	¥18.37	$0.16
Diluted net income	18.00	18.33	0.16
Cash dividends applicable to the year	5.00	5.00	0.04

See Notes to Consolidated Financial Statements.

Consolidated Statements of Comprehensive Income

The Minato Bank, Ltd. and Subsidiaries
Years Ended March 31, 2016 and 2015

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2016	2015	2016
PROFIT:	¥ 7,450	¥ 7,581	$ 66,113
Unrealized (losses) gains on available-for-sale securities	(5,738)	9,271	(50,916)
Other comprehensive income on defined retirement benefit plans	(1,020)	1,054	(9,052)
COMPREHENSIVE INCOME	692	17,906	6,145
(Attributable to)			
Shareholders of parent	602	17,771	5,345
Non-controlling interests	90	135	800

See Notes to Consolidated Financial Statements.

Consolidated Statements of Changes in Net Assets

The Minato Bank, Ltd. and Subsidiaries
Years Ended March 31, 2016 and 2015

	Thousands	Millions of Yen										
	Outstanding Number of Shares of Capital stock	Capital Stock	Capital Surplus	Retained Earnings	Treasury Stock	Total Shareholders' Equity	Valuation Difference on Available-for-Sale Securities	Accumulated Other Comprehensive Income on Defined Retirement Benefit Plans	Total Accumulated Other Comprehensive Income	Equity Warrant	Non-controlling Interests	Total Net Assets
Balance as of March 31, 2014	406,449	¥27,485	¥49,530	¥38,361	¥(641)	¥114,735	¥ 6,974	¥ (435)	¥ 6,539	¥ 87	¥ 908	¥122,269
Cumulative effect of accounting change	—	—	—	(752)	—	(752)	—	—	—	—	—	(752)
Balance as of March 31, 2014 (as restated)	—	27,485	49,530	37,609	(641)	113,983	6,974	(435)	6,539	87	908	121,517
Profit attributable to owners of parent	—	—	—	7,478	—	7,478	—	—	—	—	—	7,478
Dividends from surplus	—	—	—	(2,439)	—	(2,439)	—	—	—	—	—	(2,439)
Purchase of treasury stock	(17)	—	—	—	(4)	(4)	—	—	—	—	—	(4)
Disposal of treasury stock	855	—	51	—	122	173	—	—	—	—	—	173
Total changes of items during the period	—	—	—	—	—	—	3,502	33	3,535	114	160	3,809
Balance as of March 31, 2015	407,286	27,485	49,581	42,648	(523)	119,191	16,213	619	16,832	143	1,014	137,180
Profit attributable to owners of parent	—	—	—	7,360	—	7,360	—	—	—	—	—	7,360
Dividends from surplus	—	—	—	(2,035)	—	(2,035)	—	—	—	—	—	(2,035)
Purchase of treasury stock	(5)	—	—	—	(1)	(1)	—	—	—	—	—	(1)
Disposal of treasury stock	677	—	67	—	95	162	—	—	—	—	—	162
Total changes of items during the period	—	—	—	—	—	—	(5,737)	(1,021)	(6,758)	58	54	(6,646)
Balance as of March 31, 2016	407,959	¥27,485	¥49,648	¥47,973	¥(429)	¥124,677	¥10,476	¥ (402)	¥10,074	¥201	¥1,068	¥136,020

	Thousands of U.S. Dollars (Note 1)										
	Capital Stock	Capital Surplus	Retained Earnings	Treasury Stock	Total Shareholders' Equity	Valuation Difference on Available-for-Sale Securities	Accumulated Other Comprehensive Income on Defined Retirement Benefit Plans	Total Accumulated Other Comprehensive Income	Equity Warrant	Non-controlling Interests	Total Net Assets
Balance as of March 31, 2015	$243,898	$439,979	$378,460	$(4,644)	$1,057,693	$143,875	$ 5,488	$149,363	$1,273	$8,995	$1,217,324
Profit attributable to owners of parent	—	—	65,315	—	65,315	—	—	—	—	—	65,315
Dividends from surplus	—	—	(18,071)	—	(18,071)	—	—	—	—	—	(18,071)
Purchase of treasury stock	—	—	—	(11)	(11)	—	—	—	—	—	(11)
Disposal of treasury stock	—	590	—	852	1,442	—	—	—	—	—	1,442
Total changes of items during the period	—	—	—	—	—	(50,918)	(9,052)	(59,970)	511	484	(58,975)
Balance as of March 31, 2016	$243,898	$440,569	$425,704	$(3,803)	$1,106,368	$ 92,957	$(3,564)	$ 89,393	$1,784	$9,479	$1,207,024

See Notes to Consolidated Financial Statements.

Consolidated Statements of Cash Flows

The Minato Bank, Ltd. and Subsidiaries
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	¥ 11,377	¥ 14,041	$ 100,965
Depreciation and amortization	3,441	3,624	30,530
Impairment loss	379	1,274	3,360
Increase (decrease) in allowance for loan losses	4,149	2,981	36,816
Increase (decrease) in provision for bonuses	50	49	447
Increase (decrease) in liability for retirement benefits	(230)	(210)	(2,038)
Decrease (increase) in asset for retirement benefits	(562)	(506)	(4,985)
Increase (decrease) in provision for directors' retirement benefits	1	(4)	7
Increase (decrease) in provision for reimbursement of deposits	(16)	19	(142)
Interest income	(37,535)	(38,463)	(333,080)
Interest expense	2,578	2,592	22,874
Loss (gain) related to securities	(3,837)	(2,758)	(34,048)
Foreign exchange (gain) losses	3,553	(2,781)	31,531
Loss (gain) on disposal of noncurrent assets	98	129	870
Gain on securities contributed to employee retirement benefit trust	—	(1,889)	—
Net decrease (increase) in trading account securities	5	(11)	45
Net decrease (increase) in loans and bills discounted	(93,305)	(77,164)	(827,976)
Net increase (decrease) in deposit	28,441	28,137	252,381
Net increase (decrease) in negotiable certificates of deposit	(8,191)	(22,272)	(72,683)
Net increase (decrease) in borrowed money (excluding subordinated borrowings)	13,615	43,113	120,814
Net decrease (increase) in interest-bearing due from banks	507	(525)	4,498
Net decrease (increase) in call loans	(653)	5,972	(5,799)
Net increase (decrease) in payables under securities lending transactions	48,345	14,045	429,012
Net decrease (increase) in foreign exchanges-assets	(2,814)	(2,876)	(24,973)
Net increase (decrease) in foreign exchanges-liabilities	(48)	31	(424)
Net decrease (increase) in lease receivables and investment assets	769	430	6,826
Interest received	38,892	40,173	345,126
Interest paid	(2,689)	(2,663)	(23,866)
Other, net	(2,763)	(1,363)	(24,523)
Subtotal	3,557	3,124	31,565
Income taxes paid	(2,026)	(4,895)	(17,977)
Income taxes refund	2	6	13
Net cash provided by (used in) operating activities	1,533	(1,765)	13,601
INVESTING ACTIVITIES:			
Purchases of securities	(342,430)	(228,554)	(3,038,691)
Proceeds from sales of securities	244,668	200,263	2,171,158
Proceeds from redemptions of securities	106,338	120,509	943,638
Purchases of tangible fixed assets	(1,790)	(2,358)	(15,880)
Proceeds from sales of tangible fixed assets	1,400	159	12,426
Purchase of intangible fixed assets	(1,530)	(1,448)	(13,578)
Other	(5)	(3)	(47)
Net cash provided by (used in) investing activities	6,651	88,568	59,026
FINANCING ACTIVITIES:			
Repayment of subordinated bonds	(9,700)	—	(86,077)
Proceeds from contributions paid by non-controlling interests	2	25	20
Repayments to non-controlling interests	(38)	(54)	(335)
Cash dividends paid	(2,033)	(2,436)	(18,044)
Repayment of lease obligations	(193)	(234)	(1,709)
Purchase of treasury stock	(1)	(4)	(11)
Proceeds from sales of treasury stock	163	173	1,442
Net cash used in financing activities	(11,800)	(2,530)	(104,714)
EFFECT OF EXCHANGE RATE CHANGE ON CASH AND CASH EQUIVALENTS	(1)	(4)	(12)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(3,617)	84,269	(32,099)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	395,081	310,812	3,505,912
CASH AND CASH EQUIVALENTS AT END OF PERIOD (Note 3)	¥ 391,464	¥ 395,081	$ 3,473,813

See Notes to Consolidated Financial Statements.

Notes to Consolidated Financial Statements

The Minato Bank, Ltd. and Subsidiaries
Years Ended March 31, 2016 and 2015

1. BASIS OF PRESENTING CONSOLIDATED FINANCIAL STATEMENTS

The accompanying consolidated financial statements of The Minato Bank, Ltd. (the "Bank") and its subsidiaries have been prepared in accordance with the provisions set forth in the Japanese Financial Instruments and Exchange Act and its related accounting regulations and the Enforcement Regulation for the Banking 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.

The accompanying consolidated financial statements are stated in Japanese yen, the currency of the country in which the Bank is incorporated and operates. The translations of Japanese yen amounts into U.S. dollar amounts are included solely for the convenience of readers outside Japan and have been made at the rate of ¥112.69 to $1, the approximate rate of exchange at March 31, 2016, the final business day of the term. Such translations should not be construed as representations that the Japanese yen amounts could be converted into U.S. dollars at that or any other rate.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Consolidation

The consolidated financial statements include the accounts of the Bank and all (14 and 15 subsidiaries in 2016 and 2015) of its subsidiaries (together, the "Group"). Under the control concept, those companies in which the Bank, directly or indirectly, is able to exercise control over operations are fully consolidated. All significant intercompany balances and transactions have been eliminated in consolidation. All material unrealized profit included in assets resulting from transactions within the Group is eliminated.

Assets and liabilities of consolidated subsidiaries including the portion attributable to the minority shareholders are valuated for consolidation at fair value when the Bank acquired control.

b. Consolidated subsidiaries' fiscal year-end

Fiscal years of 8 consolidated subsidiaries ended on March 31, 2016 and 2015, while 6 and 7 others ended on December 31, 2016 and 2015. Significant transactions between December 31 and March 31 are adjusted in consolidation.

c. Cash equivalents

For purposes of the consolidated statements of cash flows, the Group considers noninterest-bearing deposits included in "Cash and due from banks" in the consolidated balance sheets to be cash equivalents.

d. Trading account securities

Trading account securities, which are held for the purpose of earning capital gains in the near term are reported at fair value, and the related unrealized gains and losses are included in the consolidated statements of income.

e. Securities

Securities with readily obtainable fair values are reported at fair value, with unrealized gains and losses, net of applicable taxes, reported in a separate component of equity. The cost of securities sold is determined based on the moving-average method.

Available-for-sale securities, the fair values of which are extremely difficult to calculate are stated at cost determined by the moving-average method.

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

f. Derivative transactions

In accordance with the Industry Audit Committee Report No.24, February 13, 2002, "Treatment for Accounting and Auditing of Application of Accounting Standard for Financial Instruments in Banking Industry." Issued by the Japanese Institute of Certified Public Accountants ("JICPA"), the Bank applies hedge accounting to manage its exposures to fluctuations in interest rates associated with certain assets and liabilities. The Bank enters into derivative financial instruments, such as interest rate swaps, currency options and foreign exchange contracts. Subsidiaries do not perform any derivative transactions.

The Bank enters into derivatives principally as a means of managing its interest rate and foreign exchange rate exposures on certain assets. In addition, the Bank uses derivatives actively to meet its customers' needs for new financial instruments.

Derivative financial instruments are classified and accounted for as follows: a) all derivatives are recognized as either assets or liabilities and measured at fair value, and gains or losses on derivative transactions are recognized in the consolidated statements of income and b) for derivatives used for hedging purposes, if derivatives qualify for hedge accounting because of high correlation and effectiveness between the hedging instruments and the hedged items, gains or losses on derivatives are deferred until maturity of the hedged transactions. Net unrealized losses related to hedging are classified as deferred unrealized losses on hedges in equity.

g. Bills discounted

Bills discounted are accounted for as financial transactions in accordance with JICPA Industry Audit Committee Report No.24, February 13, 2002, "Treatment for Accounting and Auditing of Application of Accounting Standard for Financial Instruments in Banking Industry." The Bank has rights to sell or pledge bank acceptance bought, commercial bills discounted, documentary bills and foreign exchanges bought without restrictions. The total face values at March 31, 2016 and 2015 were ¥22,363 million ($198,444 thousand) and ¥23,472 million, respectively.

h. Tangible fixed assets

Tangible fixed assets are stated at cost less accumulated depreciation. Depreciation of tangible fixed assets and equipment of the Bank is computed using the declining-balance method while the straight-line method is applied to buildings at rates based on the estimated useful lives of the assets. The range of useful lives is principally from 8 to 50 years for buildings and from 2 to 20 years for equipment. Depreciation of tangible fixed assets owned by subsidiaries is computed principally using the straight-line method over the estimated useful lives of the assets. Under certain conditions such as exchanges of fixed assets of similar kinds and sales and purchases resulting from expropriation, Japanese tax laws permit companies to defer the profit arising from such transactions by reducing the cost of the assets acquired or by providing special reserve in the equity section. The Bank adopted the former treatment and reduced the cost of the assets acquired by ¥81 million ($723 thousand) as of March 31, 2016 and 2015.

i. Long-lived assets

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

j. Software

Software costs for internal use are capitalized (included in other assets) and amortized by the straight-line method over the estimated useful life of 5 years.

k. Allowance for loan losses

The amount of the allowance for loan losses is determined based on management's judgment and assessment of future losses based on the self-assessment system. This system reflects past experience of credit losses, possible credit losses, business and economic conditions, the character, quality and performance of the portfolio and other pertinent indicators. The Bank implemented the self-assessment system for asset quality. The quality of all loans is assessed by branches and the Credit Administration Division with a subsequent audit by the Credit Review and Audit Division in accordance with the Bank's policy and rules for self-assessment of asset quality. The Bank has established a credit rating system under which its customers are classified into five categories. The credit rating system is used for self-assessment of asset quality. All loans are classified into five categories for self-assessment purposes such as "normal," "caution," "possible bankruptcy," "virtual bankruptcy" and "legal bankruptcy." For claims to debtors classified as legal bankruptcy or virtual bankruptcy, an allowance is provided for the remaining amount of claims after deduction of the amounts collectible through the disposal of collateral or execution of guarantees. For claims to debtors classified as possible bankruptcy, who are currently neither legally nor virtually bankrupt but are likely to become bankrupt, an allowance is provided at the amounts deemed necessary based on an overall solvency assessment performed for remaining claims after deduction of the amounts collectible through the disposal of collateral or execution of guarantees. For other claims, an allowance is provided based on historical loan loss experience. Subsidiaries provide an allowance for general claims based on historical loan loss experience and for specific claims at the amounts individually estimated to be uncollectible.

l. Provision for bonuses

The provision for bonuses is provided for the payment of employees' bonuses based on estimated amounts of the future payments attributed to the current fiscal year.

m. Provision for retirement benefits

In calculating the projected benefit obligation, a benefit formula basis is used to attribute the expected benefit attributable to the respective fiscal year.

Prior service cost is deferred and amortized using the straight-line method over certain years (9 years) within the average remaining service period of the eligible employees.

Unrealized actuarial losses are deferred and amortized using the straight-line method over certain years (9 years) commencing with the following year, which is shorter than the average remaining service period of the eligible employees.

Subsidiaries provide for the liability for employees' severance payments based on amounts which would be required to be paid if all eligible employees voluntarily terminated their employment at the balance sheet date.

In July 2008, the Accounting Standards Board of Japan ("ASBJ") issued ASBJ Statement No.19, "Partial Amendments to Accounting Standard for Retirement Benefits (Part 3)." The Group applied the revised accounting standard effective April 1, 2009. This accounting change had no material impact on consolidated financial statements.

n. Provision for reimbursement of deposits

Provision for reimbursement of deposits which were derecognized as liabilities under certain conditions is provided for the possible losses on the future claims of withdrawal based on the historical reimbursement experience.

o. Foreign currency transactions

Foreign currency denominated assets and liabilities are translated into Japanese yen at the exchange rates prevailing at the balance sheet date. The foreign exchange gains and losses from translation are recognized in the consolidated statements of income.

p. Leases

In March 2007, the ASBJ issued ASBJ Statement No.13, "Accounting Standard for Lease Transactions," which revised the previous accounting standard for lease transactions issued in June 1993. The revised accounting standard for lease transactions was effective for fiscal years beginning on or after April 1, 2008 with early adoption permitted for fiscal years beginning on or after April 1, 2007. Under the previous accounting standard, finance leases that were deemed to transfer ownership of the leased property to the lessee were treated as sales. However, other finance leases were permitted to be accounted for as operating lease transactions if certain "as if sold" information was disclosed in the note to the lessor's financial statements. The revised accounting standard requires that all finance leases that deem to transfer ownership of the leased property to the lessee recognized as lease receivables, and all finance leases that deem not to transfer ownership of the leased property to the lessee should be recognized as lease investment assets. Income for finance leases is recognized by allocating interest equivalents to applicable fiscal years instead of recording sale of lease assets. And income for finance leases is measured at total of interest equivalents, instead of the amount of lease transactions. Leased properties on finance lease transactions that do not transfer ownership are depreciated over the useful life of assets, equal to the lease term, by the straight-line method to a residual value of zero or residual value on the lease contract.

q. Income taxes

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

r. Appropriations of retained earnings

Appropriations of retained earnings are reflected in the consolidated financial statements for the following year upon shareholders' approval.

s. Per share information

Basic net income per share is computed by dividing net income available to Capital shareholders by the weighted-average number of common shares outstanding for the period, retroactively adjusted for stock splits. Cash dividends per share presented in the accompanying consolidated statements of income are dividends applicable to the respective years including dividends to be paid after the end of the year.

t. Issued but not yet Adopted Accounting Standard

Issued but not yet Adopted Accounting Standard and Others
Implementation Guidance on Recoverability of Deferred Tax Assets (ASBJ Guidance No.26, March 28, 2016)

(1) Outline

This accounting standard comes from guidance on recoverability of deferred tax assets provided in "Audit Guideline for Considering Recoverability of Deferred Tax Assets" (JICPA Audit Committee Report No.66) and the content of the guidance has been basically taken over and partially revised.

(2) Scheduled date of application
The Bank is scheduled to apply this accounting standard from the beginning of the fiscal year starting on April 1, 2016.
(3) Effect of application of this accounting standard
The effect of the application of this accounting standard is under consideration.

u. Additional information

The Bank conducts transactions whereby it issues shares of treasury stock through a trust to the employee shareholding association, to secure the welfare of employees.
(1) Outline of the transaction
Under this system, a trust (the "Trust") that holds and disposes of the Banks shares is established, and the trustee of the Trust, SMBC Trust Bank Ltd. (the "Trustee") takes steps to assist the continuous and stable acquisition of the Bank's shares by the Bank's employee shareholding association, the Minato Bank Employee Shareholding Association (the "Bank's Shareholding Association") as follows: (i) using funds procured through borrowings, the Trustee acquires the Bank's shares that are treasury stocks to be disposed of by the Bank, and sells the Bank's shares that are trust assets of the Trust; (ii) the Trustee exercises voting rights of the Banks shares that are trust assets of the Trust in a manner that reflects the will of the members of the Bank's Shareholding Association (the "Members"); and (iii) in the case where a surplus arises after repaying the borrowings by selling the Bank's shares that are trust assets of the Trust, the Trustee disburses the money to the Members.

The Bank guarantees the borrowings of the Trustee, so if a shortfall were to occur in the repayment of borrowings by sale of the Bank's shares by the termination of the Trust, the Bank would be obliged to perform the guarantee. In other words, if the Bank's share price were to fall so that at the time of termination of the Trust, there were an outstanding borrowing liability in the trust corresponding to the loss on sale of the Bank's shares with the trust assets, the Bank would make full repayment of the liability as the guarantor under the guarantee agreement (performance of guarantee), however there would be no additional burden whatsoever on the employees (Members).

(2) The company has adopted Practical Solution on Transactions of Delivering the Company's Own Stock to Employees etc. through Trusts (ASBJ PITF No.30, March 26, 2015); however trust agreements have been accounted for using the same method as before.
(3) Matters relating to treasury stocks held in the trust
1) Carrying amount within the Trust
Fiscal year ended March 31, 2015: ¥446 million
Fiscal year ended March 31, 2016: ¥346 million ($3,071 thousand)
2) Recording of the Bank's own issued shares as treasury stock within shareholders' equity
The banks shares held by the Trust are recorded as treasury stock within shareholders' equity.
3) Number of shares at fiscal year-end and average number of shares during the fiscal year
Number of shares at fiscal year-end
Fiscal year ended March 31, 2015 3,031 thousand
Fiscal year ended March 31, 2016 2,354 thousand
Average number of shares during the fiscal year
Fiscal year ended March 31, 2015 3,415 thousand
Fiscal year ended March 31, 2016 2,726 thousand
4) Inclusion of deducted treasury shares in calculation of the per-share data using the number of shares in 3)
The number of shares at the end of the fiscal year and the average number of shares during the fiscal year include deducted treasury stocks when calculating per-share data.

3. CASH AND CASH EQUIVALENTS

The reconciliation of "Cash and cash equivalents" and "Cash and due from banks" in the consolidated balance sheets at March 31, 2016 and 2015 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2016	2015	2016
Cash and due from banks	¥392,684	¥396,808	$3,484,641
Interest-bearing due from banks included in due from banks	(1,220)	(1,727)	(10,828)
Cash and cash equivalents	¥391,464	¥395,081	$3,473,813

4. SECURITIES

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

	Millions of Yen		Thousands of U.S. Dollars
	2016	2015	2016
Japanese government bonds	¥171,507	¥184,511	$1,521,938
Japanese local government bonds	42,360	85,566	375,894
Japanese corporate bonds	124,344	125,581	1,103,413
Corporate stocks	26,368	31,208	233,990
Other securities	142,377	106,640	1,263,441
Total	¥506,956	¥533,506	$4,498,676

5. LOANS AND BILLS DISCOUNTED

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
Bills discounted	¥ 21,112	¥ 22,448	$ 187,350
Loans on bills	50,830	64,446	451,060
Loans on deeds	2,225,694	2,144,121	19,750,592
Overdrafts	197,741	176,820	1,754,732
Total	¥2,495,377	¥2,407,835	$22,143,734

Loans in legal bankruptcy totaled ¥1,885 million ($16,723 thousand) and ¥1,749 million as of March 31, 2016 and 2015, respectively. Nonaccrual loans totaled ¥48,036 million ($426,266 thousand) and ¥53,762 million as of March 31, 2016 and 2015, respectively. Loans in legal bankruptcy are loans for which the interest accrual has been discontinued (excluding the portion recognized as bad debts), based on management's judgment as to the collectability of principal or interest resulting from the delay in payments of interest or principal for a considerable period of time and other factors. Nonaccrual loans are loans in which the interest accrual is discontinued, other than loans in legal bankruptcy and loans granting deferral of interest payment to the debtors in financial difficulties to assist them in their recovery. Accruing loans contractually past due three months or more as to principal or interest payments totaled ¥5 million ($40 thousand) and ¥490 million as of March 31, 2016 and 2015, respectively. Loans classified as loans in legal bankruptcy and past due loans are excluded. Restructured loans totaled ¥5,120 million ($45,436 thousand) and ¥5,286 million as of March 31, 2016 and 2015, respectively. Such restructured loans are loans on which creditors grant concessions (e.g., reduction of the stated interest rate, deferral of interest payment, extension of maturity date, waiver of the face amount, or other concessive measures) to the debtors to assist them to recover from their financial difficulties and eventually be able to pay creditors. Loans classified as loans in legal bankruptcy, nonaccrual loans and accruing contractually past due three months or more are excluded from these restructured loans.

6. FOREIGN EXCHANGES

Foreign exchange assets and liabilities at March 31, 2016 and 2015 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2016	2015	2016
Assets:			
Due from foreign correspondents	¥ 7,843	¥4,712	$ 69,601
Foreign bills of exchange receivable	2,411	2,954	21,389
Foreign bills of exchange purchased	1,250	1,024	11,095
Total	¥11,504	¥8,690	$102,085
Liabilities:			
Due to foreign correspondents	¥ 1	¥ 3	$ 11
Foreign bills of exchange sold	11	75	101
Accrued foreign bills of exchange	28	10	247
Total	¥ 40	¥ 88	$ 359

7. OTHER ASSETS

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

	Millions of Yen		Thousands of U.S. Dollars
	2016	2015	2016
Prepaid expenses	¥ 45	¥ 52	$ 396
Accrued income	2,497	2,508	22,160
Derivatives	4,648	4,392	41,246
Other	22,337	17,074	198,216
Total	¥29,527	¥24,026	$262,018

8. TANGIBLE FIXED ASSETS

Accumulated depreciation on tangible fixed assets at March 31, 2016 and 2015 amounted to ¥23,135 million ($205,301 thousand) and ¥23,131 million, respectively.

9. LONG-LIVED ASSETS

The Group recognized impairment losses for the years ended March 31, 2016 and 2015 as follows:

			Millions of Yen	Thousands of U.S. Dollars
			2016	2016
Location	Description	Classification	Impairment Losses	Impairment Losses
Hyogo prefecture	Idle assets	Land and buildings	¥256	$2,275
Hyogo prefecture	Idle assets	Buildings	98	864
Hyogo prefecture	Idle assets	Buildings	25	221
Total			¥379	$3,360

			Millions of Yen
			2015
Location	Description	Classification	Impairment Losses
Hyogo prefecture	Idle assets	Buildings	¥ 3
Hyogo prefecture	Idle assets	Land and buildings	1,270
Osaka prefecture	Idle assets	Buildings	1
Total			¥1,274

The Bank groups operating retail premises by operating block (a group of operation branches in close relationship). Each of the subsidiaries is grouped as a single unit.

The Bank treats the head office, the computer center, the business concentration center, company condominiums and dormitories, and other, which do not generate independent cash flows, as assets in common use. Idle assets of the Group are treated as an independent unit. The Group wrote down the carrying amounts to the recoverable amounts and recognized impairment losses of ¥379 million ($3,360 thousand) and ¥1,274 million for the years ended March 31, 2016 and 2015, respectively as other expenses, since the carrying amounts of the assets held by the above branches and other exceeded the sum of the undiscounted future cash flows. The recoverable amounts of such assets were measured at their net realizable selling prices determined by quotations from real estate appraisal information less estimated costs to dispose.

10. ASSETS PLEDGED

Assets pledged as collateral and related liabilities at March 31, 2016 and 2015 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2016	2015	2016
Securities	¥213,370	¥155,217	$1,893,422
Due from banks	0	0	0
Other assets	91	91	805

Related liabilities:

	Millions of Yen		Thousands of U.S. Dollars
	2016	2015	2016
Deposits	¥ 3,698	¥ 3,800	$ 32,812
Borrowed money	97,199	83,411	862,531
Payables under securities lending transactions	87,825	39,479	779,346

In addition, Securities totaling ¥38,836 million ($344,625 thousand) and ¥38,676 million at March 31, 2016 and 2015, respectively, and other assets totaling ¥57 million ($506 thousand) and ¥57 million at March 31, 2016 and 2015, respectively, were pledged as collateral for settlement of exchange, fund settlement for joint systems of the industry and derivative transactions. Other assets include guarantee deposits of ¥2,969 million ($26,344 thousand) and ¥2,941 million at March 31, 2016 and 2015, respectively.

11. COMMITMENT LINE

Commitment line contracts on overdrafts and loans are agreements to lend to customers when they apply for borrowing, to the prescribed amount as long as there is no violation of any condition established in the contracts. At March 31, 2016 and 2015, the amount of unused commitments amounts to ¥471,765 million ($4,186,399 thousand) and ¥473,324 million, respectively, of which commitments aggregating ¥464,257 million ($4,119,771 thousand) and ¥463,504 million, respectively, have original contract terms that expire within one year or are unconditionally cancelable at any time. Since many of these commitments are expected to expire without being drawn upon, the total amount of unused commitments does not necessarily represent actual future cash flow requirements. Many of these commitments have clauses that allow the Bank to reject the application from customers or reduce the contract amounts in some cases, such as change in economic conditions, the Bank need to secure their credit, or other events occur. In addition, the Bank requests customers to pledge collateral such as premises and securities at execution of the contracts, and takes necessary measures such as understanding customers' financial positions, revising contracts when the need arises and securing claims after execution of the contracts.

12. DEPOSITS

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

	Millions of Yen		Thousands of U.S. Dollars
	2016	2015	2016
Current deposits	¥ 157,935	¥ 150,729	$ 1,401,496
Ordinary deposits	1,722,831	1,671,115	15,288,246
Savings deposits	19,660	20,235	174,457
Deposits at notice	9,065	9,166	80,439
Time deposits	1,139,918	1,175,805	10,115,517
Other deposits	43,959	38,288	390,091
Sub-total	3,093,368	3,065,338	27,450,246
Negotiable certificates of deposit	5,571	13,762	49,439
Total	¥3,098,939	¥3,079,100	$27,499,685

13. BORROWED MONEY

At March 31, 2016 and 2015, the weighted average interest rates applicable to the borrowed money were 0.19% and 0.25%, respectively and at March 31, 2016 and 2015, the weighted average interest rate applicable to the lease obligation was 4.29% and 4.91% respectively. Borrowed money at March 31, 2016 and 2015 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2016	2015	2016
Borrowed money:	¥106,261	¥92,647	$942,954
Subordinated borrowings	8,200	8,200	72,766
Borrowings from banks and other	98,061	84,447	870,188
Short-term lease obligation	94	188	838
Lease obligation (other than short-term)	103	117	911

Annual maturities of borrowed money and lease obligation at March 31, 2016, were as follows:

	Millions of Yen		Thousands of U.S. Dollars	
	2016		2016	
Year Ending March 31	Borrowed Money	Lease Obligation	Borrowed Money	Lease Obligation
2017	¥ 38,439	¥ 94	$341,105	$ 838
2018	399	27	3,541	235
2019	41,122	25	364,915	223
2020	18,067	25	160,328	219
2021	5,234	16	46,443	143
2022 and thereafter	3,000	10	26,622	90
Total	¥106,261	¥197	$942,954	$1,748

14. BONDS PAYABLE

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

	Millions of Yen		Thousands of U.S. Dollars		
Description	2016	2015	2016	Interest Rate	Due
Subordinated bonds	¥18,300	¥18,300	$162,392	2.19%	Sep. 2011 – Sep. 2021

15. OTHER LIABILITIES

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

	Millions of Yen		Thousands of U.S. Dollars
	2016	2015	2016
Domestic exchange settlement	¥ 329	¥ 301	$ 2,919
Accrued income taxes	615	306	5,459
Accrued expenses	1,818	1,909	16,133
Unearned income	6,902	6,994	61,245
Derivatives	3,110	3,499	27,599
Other	8,525	12,563	75,651
Total	¥21,299	¥25,572	$189,006

16. ACCEPTANCES AND GUARANTEES

All contingent liabilities arising from acceptances and guarantees are reflected in “Acceptances and guarantees.” As a contra account, “Customers’ liabilities for acceptances and guarantees,” is shown as an asset representing the Bank’s right of indemnity from the applicants. At March 31, 2016 and 2015, the amounts of “Acceptances and guarantees” and “Customers’ liabilities for acceptances and guarantees,” which were set off were ¥29,892 million ($265,260 thousand) and ¥26,444 million, which were relevant to corporate bonds, and the guaranteed bonds were held by the Bank itself.

17. EQUITY

Since May 1, 2006, Japanese companies have been subject to the Companies Act of Japan (the "Companies Act"). The significant changes in the Companies Act that affect financial and accounting matters are summarized below:

a. Dividends

Under the Companies Act companies can pay dividends at any time during the fiscal year in addition to the year-end dividend upon resolution at the shareholders meeting. For companies that meet certain criteria such as; (1) having the Board of Directors, (2) having accounting auditors, (3) having the Board of Corporate Auditors, and (4) the term of service of the directors is prescribed as one year rather than two years of normal term by its articles of incorporation, the Board of Directors may declare dividends (except for dividends in kind) at any time during the fiscal year if the company has prescribed so in its articles of incorporation. However, the Bank cannot do so because it does not meet all the above criteria. The Companies Act permits companies to distribute dividends-in-kind (non-cash assets) to shareholders subject to a certain limitation and additional requirements. Semiannual interim dividends may also be paid once a year upon resolution by the Board of Directors if the articles of incorporation of the company so stipulate. The Companies Act provides certain limitations on the amounts available for dividends or the purchase of treasury stock. The limitation is defined as the amount available for distribution to the shareholders, but the amount of net assets after dividends must be maintained at no less than ¥3 million.

b. Increases/decreases and transfer of Capital stock, reserve and surplus

The Companies Act requires that an amount equal to 10% (20% for banks pursuant to the Banking Law) of dividends must be appropriated as a legal reserve (a component of retained earnings) or as additional paid-in capital (a component of capital surplus) depending on the equity account charged upon the payment of such dividends until the total of aggregate amount of legal reserve and additional paid-in capital equals 25% (100% for banks pursuant to the Banking Law) of the capital stock. Under the Companies Act, the total amount of additional paid-in capital and legal reserve may be reversed without limitation. The Companies Act also provides that capital stock, legal reserve, additional paid-in capital, other capital surplus and retained earnings can be transferred among the accounts under certain conditions upon resolution of the shareholders.

c. Treasury stock and treasury stock acquisition rights

The Companies Act also provides for companies to purchase treasury stock and dispose of such treasury stock by resolution of the Board of Directors. The amount of treasury stock purchased cannot exceed the amount available for distribution to the shareholders which is determined by specific formula. Under the Companies Act, stock acquisition rights are presented as a separate component of equity. The Companies Act also provides that companies can purchase both treasury stock acquisition rights and treasury stock. Such treasury stock acquisition rights are presented as a separate component of equity or deducted directly from stock acquisition rights. At the Shareholders' Extraordinary Meeting held on December 22, 1998, the Bank's shareholders approved amendment of the Bank's Articles of Incorporation to authorize the Bank to issue preferred stock of 100,000,000 shares. No preferred stocks have been issued.

18. OTHER ORDINARY INCOME

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

	Millions of Yen		Thousands of U.S. Dollars
	2016	2015	2016
Gains on foreign exchange transactions—net	¥ 272	¥ 334	$ 2,411
Gains on sales of bonds	2,305	1,245	20,457
Other	6,235	6,728	55,333
Total	¥8,813	¥8,307	$78,201

19. OTHER INCOME

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

	Millions of Yen		Thousands of U.S. Dollars
	2016	2015	2016
Gains on sales of stocks and other securities	¥1,892	¥1,628	$16,787
Recovery of claims previously charged-off	5	12	45
Other	2,273	4,218	20,176
Total	¥4,170	¥5,858	$37,008

20. OTHER ORDINARY EXPENSES

Other ordinary 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
Losses on sales of bonds	¥ 324	¥ 100	$ 2,876
Other	5,124	5,782	45,466
Total	¥5,448	¥5,882	$48,342

21. OTHER EXPENSES

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

	Millions of Yen		Thousands of U.S. Dollars
	2016	2015	2016
Provision for possible loan losses	¥4,149	¥2,981	$36,816
Losses on sales of stocks and other securities	24	15	213
Losses on devaluation of stocks and other securities	12	1	107
Loss on disposal of noncurrent assets	98	129	870
Impairment loss	379	1,274	3,360
Other	1,043	1,079	9,257
Total	¥5,705	¥5,479	$50,623

22. OTHER COMPREHENSIVE INCOME

Reclassification adjustments and the related tax effects concerning other comprehensive income for the years ended March 31, 2016 and 2015 was as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2016	2015	2016
Valuation difference on available-for-sale securities			
The amount arising during the period	¥(3,912)	¥18,477	$(34,719)
Reclassification adjustments	(4,828)	(5,219)	(42,845)
Before adjustments to tax effect	(8,740)	13,258	(77,564)
The amount of tax effect	3,003	(3,986)	26,648
Valuation difference on available-for-sale securities	(5,738)	9,272	(50,916)
Other comprehensive income on defined retirement benefit plans			
The amount arising during the period	(1,858)	1,192	(16,483)
Reclassification adjustments	367	396	3,253
Before adjustments to tax effect	(1,491)	1,588	(13,230)
The amount of tax effect	471	(534)	4,178
Other comprehensive income on defined retirement benefit plans	(1,020)	1,054	(9,052)
Total other comprehensive income	¥(6,758)	¥10,326	$(59,968)

23. RETIREMENT BENEFITS

The Bank has a contributory funded pension plan and an unfunded lump-sum severance payment plan. Subsidiaries have unfunded lump-sum severance payment plans and calculate liability for retirement benefits and retirement benefit cost using simplified method. The Bank transferred part of the defined benefit plan to the defined contribution plan on October 1, 2013.

For the year ended March 31, 2016 and 2015

Reconciliation of the projected benefit obligation for the years ended March 31, 2016 and 2015 are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2016	2015	2016
Balance at beginning of year	¥19,250	¥18,559	$170,822
Cumulative effect of accounting change	—	1,168	—
Balance at beginning of year (as restated)	19,250	19,727	170,822
Service cost	491	501	4,354
Interest cost	144	147	1,273
Actuarial net loss incurred	158	(110)	1,405
Payment of retirement benefit	(1,057)	(1,015)	(9,377)
Recognized prior service cost	—	—	—
Balance at end of year	¥18,986	¥19,250	$168,477

Reconciliation of the plan assets for the years ended March 31, 2016 and 2015 are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2016	2015	2016
Balance at beginning of year	¥20,036	¥15,637	$177,796
Expected return on plan assets	167	156	1,483
Actuarial net loss incurred	(1,699)	1,082	(15,078)
Contribution by the employer	1,088	1,082	9,654
Payment of retirement benefit	(520)	(492)	(4,612)
Increase due to additional retirement benefit trust	—	2,571	—
Balance at end of year	¥19,072	¥20,036	$169,243

Reconciliation of the projected benefit obligation and plan assets between net defined benefit liability and net defined benefit asset is as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2016	2015	2016
Retirement benefit obligation of the funded pension plan	¥ 18,986	¥ 19,250	$ 168,477
Plan assets	(19,072)	(20,036)	(169,243)
	(86)	(786)	(766)
Retirement benefit obligation of the unfunded pension plan	—	—	—
Net defined benefit liability and asset on the consolidated balance sheet	¥ (86)	¥ (786)	$ (766)

	Millions of Yen		Thousands of U.S. Dollars
	2016	2015	2016
Liability for retirement benefits	¥ 2,628	¥ 1,118	$ 23,323
Asset for retirement benefits	(2,714)	(1,904)	(24,089)
Net liability and asset for defined benefits on the consolidated balance sheet	¥ (86)	¥ (786)	$ (766)

Components of retirement benefit expenses are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2016	2015	2016
Service cost	¥ 491	¥ 501	$ 4,354
Interest cost	143	147	1,272
Expected return on plan assets	(167)	(156)	(1,483)
Amortization of prior service cost	375	361	3,327
Recognized actuarial net loss	(8)	36	(74)
Other	81	56	720
Retirement benefit expenses in defined benefit pension plan	¥ 915	¥ 945	$ 8,118

Components of other comprehensive income of defined benefit plans are as follows (Before deferred tax assets deduction):

	Millions of Yen		Thousands of U.S. Dollars
	2016	2015	2016
Unrecognized prior service cost	¥ 8	¥ (36)	$ 74
Unrecognized actuarial net loss	1,483	(1,552)	13,156
Total	¥1,491	¥(1,588)	$13,230

Components of accumulated other comprehensive income of defined benefit plans are as follows (Before deferred tax assets deduction):

	Millions of Yen		Thousands of U.S. Dollars
	2016	2015	2016
Unrecognized prior service cost	¥ (54)	¥ (62)	$ (480)
Unrecognized actuarial net loss	633	(850)	5,615
Total	¥579	¥(912)	$5,135

Proportions of major components of plan assets are as follows:

	2016	2015
Bonds	2.8%	2.4%
Equities	34.9%	42.5%
General account	59.5%	53.0%
Others	2.6%	1.9%
Total	100.0%	100.0%

Note: Total plan assets include 44.4% of retirement benefit trust for the year ended March 31, 2015 and 37.5% for the year ended March 31, 2016.

Expected rate of return on pension plan assets is determined considering current and future portfolio of pension assets and current and future long term expected rate of return on various assets.
Assumptions used for the years ended March 31, 2016 and 2015:

	2016	2015
Discount rate	0.75%	0.75%
Expected rate of return on plan assets	0–1.5%	0–1.5%
Expected increase rate in salary	7.78%	7.78%

Defined contribution pension plan
The amount required to be contributed by the Bank is ¥227 million ($2,012 thousand) and ¥229 million for the years ended March 31, 2016 and 2015.

24. STOCK OPTIONS

Information on stock acquisition rights for the years ended March 31, 2016 and 2015 were as follows:
1. Share-based compensation expenses which were accounted for as general and administrative expenses

	Millions of Yen		Thousands of U.S. Dollars
	2016	2015	2016
Share-based compensation expenses	¥58	¥56	$511

2. Outline of stock options and changes
(1) Outline of stock options

	4th Stock Option	3rd Stock Option	2nd Stock Option	1st Stock Option
Title and number of grantees	7 directors of the Bank and 17 executive officers of the Bank	7 directors of the Bank and 16 executive officers of the Bank	7 directors of the Bank and 12 executive officers of the Bank	7 directors of the Bank and 12 executive officers of the Bank
Number of stock options	Common shares: 200,000	Common shares: 320,000	Common shares: 334,000	Common shares: 368,000
Grant date	July 17, 2015	July 18, 2014	July 19, 2013	July 20, 2012
Condition for vesting	Loss of director or executive officer position	Loss of director or executive officer position	Loss of director or executive officer position	N.A.
Requisite service period	June 26, 2015 to June 29, 2016	June 27, 2014 to June 26, 2015	June 27, 2013 to June 27, 2014	N.A.
Exercise period	July 18, 2015 to July 17 2045	July 19, 2014 to July 18 2044	July 20, 2013 to July 19 2043	July 21, 2012 to July 20 2042

(2) Stock options granted and changes
Number of stock options

	4th Stock Option	3rd Stock Option	2nd Stock Option	1st Stock Option
Before vested:				
Previous fiscal year end	—	262,000	223,000	202,000
Granted	200,000	—	—	—
Forfeited	5,000	6,000	—	—
Vested	19,000	70,000	81,000	71,000
Outstanding	176,000	186,000	142,000	131,000
After vested:				
Previous fiscal year end	—	46,000	105,000	143,000
Vested	19,000	70,000	81,000	71,000
Exercised	—	—	—	—
Forfeited	—	—	—	—
Exercisable	19,000	116,000	186,000	214,000

Price information

	Yen	U.S. Dollars
	1st Stock Option	1st Stock Option
Exercise price	¥ 1	$ 0
Average exercise price	—	—
Fair value at the grant date	132	1

	Yen	U.S. Dollars
	2nd Stock Option	2nd Stock Option
Exercise price	¥ 1	$ 0
Average exercise price	—	—
Fair value at the grant date	166	1

	Yen	U.S. Dollars
	3rd Stock Option	3rd Stock Option
Exercise price	¥ 1	$ 0
Average exercise price	—	—
Fair value at the grant date	181	2

	Yen	U.S. Dollars
	4th Stock Option	4th Stock Option
Exercise price	¥ 1	$ 0
Average exercise price	—	—
Fair value at the grant date	309	3

(3) Valuation technique used for valuating fair value of stock options
Stock options granted in the fiscal year ended March 31, 2016 were valued using the Black-Scholes option pricing model and the principal parameters were as follows:

	4th Stock Option
Expected volatility (Note 1)	24.38%
Average expected life (Note 2)	2 years
Expected dividends (Note 3)	¥5 per share
Risk-free interest rate (Note 4)	0.01%

Notes: 1. Calculated based on actual stock priced from July 19, 2013 to July 18, 2015.
2. The average tenure of the directors and executive officers who retired in the past.
3. The actual dividends on common stock for the year ended March 31, 2015.
4. Japanese government bond yield corresponding to the average expected life.

(4) Method of estimating number of stock options vested
Only the actual number of forfeited stock options is reflected because it is difficult to rationally estimate the actual number of stock options that will be forfeited in the future.

25. INCOME TAXES

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

	Millions of Yen		Thousands of U.S. Dollars
	2016	2015	2016
Deferred tax assets:			
Allowance for loan losses	¥ 7,269	¥ 8,669	$ 64,500
Liability for retirement benefits	2,719	2,939	24,127
Provision for bonuses	336	342	2,985
Accrued enterprise tax	131	91	1,160
Depreciation	139	499	1,235
Devaluation of stocks and other securities	677	710	6,007
Tax loss carryforwards	45	16	397
Other	1,417	1,177	12,577
Less valuation allowance	(2,252)	(2,646)	(19,983)
Total	10,481	11,797	93,005
Deferred tax liabilities:			
Net unrealized gains on available-for-sale securities	(4,649)	(7,652)	(41,254)
Gains on securities contributed to employee retirement benefit trust	(922)	(791)	(8,178)
Asset for retirement benefits	(1,093)	(1,152)	(9,704)
Other	(46)	(348)	(406)
Total	(6,710)	(9,943)	(59,542)
Net deferred tax assets	¥ 3,771	¥ 1,854	$ 33,463

A reconciliation between the normal effective statutory tax rates and the actual effective tax rates reflected in the accompanying consolidated statements of income of the years ended March 31, 2015 are as follows. The corresponding reconciliation for the year ended March 31, 2016 has been omitted since the difference between normal effective statutory tax rate and actual effective tax rate is less than 5% of the normal effective statutory tax rate.

	2015
Normal effective statutory tax rate	35.5%
Permanent differences—expenses	0.3
Permanent differences—income	(1.4)
Corporate inhabitant tax per capita	0.5
Valuation allowance	4.7
Changes in effective statutory tax rate	6.4
Other	0.0
Actual effective tax rate	46.0%

"Act on Partial Amendment to the Income Tax Act, etc." (Act No.15, 2016) and "Act on Amendment to the Local Tax Act, etc." (Act No.13, 2016) were promulgated on March 29, 2016, and the corporate tax rate and other rates have been lowered from the fiscal year beginning on or after April 1, 2016. Due to this change, the effective statutory tax rate used for the calculation of deferred tax assets and deferred tax liabilities has been revised from the previous rate of 32.2%. The rate of 30.8% has been applied to the temporary differences, expected to be either deductible, taxable or expired in the fiscal year beginning on April 1, 2016, while the rate of 30.5% has been applied to the temporary differences, expected to be either deductible, taxable, or expired in or after the fiscal year beginning on April 1, 2018.
As a result of this change, deferred tax assets decreased by ¥163 million ($1,448 thousand) and deferred tax liabilities decreased by ¥12 million ($107 thousand) and valuation difference on available-for-sale securities increased by ¥246 million ($2,179 thousand), accumulated other comprehensive income on defined retirement benefit plans decreased by ¥9 million ($83 thousand) and deferred income taxes increased by ¥387 million ($3,437 thousand).

26. FAIR VALUE AND OTHER INFORMATION ON SECURITIES

Fair value and other information on securities as of March 31, 2016 and 2015 were as follows:

Securities

(1) Bonds classified as trading

	Millions of Yen		Thousands of U.S. Dollars
	2016	2015	2016
	Gains (Losses) Included in Profit/Loss during the Fiscal Year	Gains (Losses) Included in Profit/Loss during the Fiscal Year	Gains (Losses) Included in Profit/Loss during the Fiscal Year
Bonds classified as trading	¥7	¥4	$61

(2) Bonds classified as held-to-maturity securities that have fair value as of March 31, 2016 and 2015

		Millions of Yen			Thousands of U.S. Dollars		
		2016			2016		
		Consolidated Balance Sheet Amount	Fair Value	Difference	Consolidated Balance Sheet Amount	Fair Value	Difference
Unrealized Gains	Japanese local government bonds	¥16,460	¥16,486	¥26	$146,065	$146,293	$228
	Japanese corporate bonds	5,202	5,230	28	46,163	46,411	248
	Sub-total	21,662	21,716	54	192,228	192,704	476
Unrealized Losses	Japanese local government bonds	4,390	4,386	(4)	38,952	38,921	(31)
	Japanese corporate bonds	—	—	—	—	—	—
	Sub-total	4,390	4,386	(4)	38,952	38,921	(31)
Total		¥26,052	¥26,102	¥50	$231,180	$231,625	$445

		Millions of Yen		
		2015		
		Consolidated Balance Sheet Amount	Fair Value	Difference
Unrealized Gains	Japanese local government bonds	¥37,872	¥37,984	¥112
	Japanese corporate bonds	6,687	6,702	15
	Sub-total	44,559	44,686	127
Unrealized Losses	Japanese local government bonds	—	—	—
	Japanese corporate bonds	—	—	—
	Sub-total	—	—	—
Total		¥44,559	¥44,686	¥127

(3) Available-for-sale securities that have fair value

		Millions of Yen			Thousands of U.S. Dollars		
		2016			2016		
		Consolidated Balance Sheet Amount	Cost	Difference	Consolidated Balance Sheet Amount	Cost	Difference
Unrealized Gains	Stocks	¥ 21,063	¥ 10,340	¥10,723	$ 186,912	$ 91,757	$ 95,155
	Bonds:	305,446	302,057	3,389	2,710,496	2,680,428	30,068
	Japanese government bonds	171,507	169,388	2,119	1,521,938	1,503,136	18,802
	Japanese local government bonds	20,279	20,211	68	179,953	179,349	604
	Short-term Japanese corporate bonds	—	—	—	—	—	—
	Japanese corporate bonds	113,660	112,458	1,202	1,008,605	997,943	10,662
	Other	105,154	100,955	4,199	933,129	895,863	37,266
	Sub-total	431,663	413,352	18,311	3,830,537	3,668,048	162,489
Unrealized Losses	Stocks	2,399	2,831	(432)	21,293	25,122	(3,829)
	Bonds:	6,713	6,758	(45)	59,569	59,966	(397)
	Japanese government bonds	—	—	—	—	—	—
	Japanese local government bonds	1,231	1,233	(2)	10,924	10,943	(19)
	Short-term Japanese corporate bonds	—	—	—	—	—	—
	Japanese corporate bonds	5,482	5,525	(43)	48,645	49,023	(378)
	Other	34,459	37,058	(2,599)	305,785	328,853	(23,068)
	Sub-total	43,571	46,647	(3,076)	386,647	413,941	(27,294)
Total		¥475,234	¥459,999	¥15,235	$4,217,184	$4,081,989	$135,195

		Millions of Yen		
		2015		
		Consolidated Balance Sheet Amount	Cost	Difference
Unrealized Gains	Stocks	¥ 27,644	¥ 11,971	¥15,673
	Bonds:	335,017	332,709	2,308
	Japanese government bonds	184,511	183,223	1,288
	Japanese local government bonds	44,947	44,748	199
	Short-term Japanese corporate bonds	—	—	—
	Japanese corporate bonds	105,559	104,738	821
	Other	96,256	89,841	6,414
	Sub-total	458,917	434,521	24,396
Unrealized Losses	Stocks	1,032	1,236	(204)
	Bonds:	16,082	16,165	(83)
	Japanese government bonds	—	—	—
	Japanese local government bonds	2,747	2,759	(12)
	Short-term Japanese corporate bonds	—	—	—
	Japanese corporate bonds	13,335	13,406	(71)
	Other	8,542	8,675	(133)
	Sub-total	25,656	26,076	(420)
Total		¥484,573	¥460,597	¥23,976

(4) Bonds classified as held-to-maturity have not been sold.

(5) Available-for-sale securities sold

	Millions of Yen			Thousands of U.S. Dollars		
	2016			2016		
	Sales Amount	Gains on Sales	Losses on Sales	Sales Amount	Gains on Sales	Losses on Sales
Stocks	¥ 157	¥ 68	¥ 5	$ 1,398	$ 607	$ 46
Bonds:	31,569	144	—	280,141	1,275	—
Japanese government bonds	29,964	139	—	265,899	1,231	—
Japanese local government bonds	—	—	—	—	—	—
Short-term Japanese corporate bonds	—	—	—	—	—	—
Japanese corporate bonds	1,605	5	—	14,242	44	—
Other	217,993	3,985	343	1,934,444	35,362	3,043
Total	¥249,719	¥4,197	¥348	$2,215,983	$37,244	$3,089

	Millions of Yen		
	2015		
	Sales Amount	Gains on Sales	Losses on Sales
Stocks	¥ 68	¥ 20	¥ 15
Bonds:	33,693	138	—
Japanese government bonds	31,677	122	—
Japanese local government bonds	—	—	—
Short-term Japanese corporate bonds	—	—	—
Japanese corporate bonds	2,016	16	—
Other	166,502	2,716	100
Total	¥200,263	¥2,874	¥115

(6) The classification of securities has not been changed.
Net unrealized gains on available-for-sale securities
Available-for-sale Securities were valued at market and net unrealized gains on valuation were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2016	2015	2016
	Consolidated Balance Sheet Amount	Consolidated Balance Sheet Amount	Consolidated Balance Sheet Amount
Net unrealized gains on securities	¥15,235	¥23,976	$135,195
Deferred tax liabilities (assets)	4,649	7,652	41,254
Net unrealized gains on valuation (before adjustment)	10,586	16,324	93,941
(Non-controlling interests)	111	111	983
Net unrealized gains on valuation	10,475	16,213	92,957

Securities subject to impairment charges
Fair values of securities other than trading securities for the years ended March 31, 2016 and 2015 that have fair value have decreased significantly from the original acquisition cost.

Securities deemed to have no chance of recovering their value up to their original acquisition cost are listed on the balance sheet (consolidated basis) at their market price, and the valuation difference is booked as a loss ("impairment loss") for the consolidated fiscal year under review.

The total amount of such impairment charges for the consolidated fiscal years ended March 31, 2016 and 2015 under review were ¥10 million ($91 thousand) and ¥24 million.

Standards used to determine when a security has "decreased significantly" in value under the Bank's self-assessment system for asset quality are as follows, classified by creditworthiness category.

Issuer is in "legal bankruptcy," "virtual bankruptcy" or "possible bankruptcy:"	Fair value is below acquisition cost
Issuer requires "caution:"	Fair value is 30% or more below acquisition cost
Issuer has "normal" status:	Fair value is 50% or more below acquisition cost

Among issuers with "normal" status under the above-mentioned self-assessment asset screening, for those whose securities' fair value is between 30% and 50% below the original acquisition cost, a decision on the likelihood of recoverability up to acquisition cost is made on a case-by-case basis. Impairment charges are booked in all cases if acquisition cost is not deemed fully recoverable.

Legally bankrupt issuing companies include those that are bankrupt, and those whose businesses have legally failed and that have effectively gone in to special liquidation proceedings, under law. Virtually bankrupt companies are those facing the same circumstances as legally bankrupt companies. Companies in possible bankruptcy are companies that, though currently going concerns, are recognized as having a high probability of failure in the future. Companies requiring caution are those whose management will need monitoring.

Companies performing normally are those which fall into none of the above categories.

27. FAIR VALUE INFORMATION ON DERIVATIVE TRANSACTIONS

Derivatives are subject to market risk, which is the possibility that a loss may result from fluctuations in market conditions, and credit risk, which is the possibility that a loss may result from a counterparty's failure to perform according to the terms and conditions of the contract. Since most of the Bank's derivative transactions are conducted to hedge underlying business exposures, market gain or risk in the derivative instruments is expected to be offset by an opposite movement in the value of hedged assets or liabilities. These figures are the measures used in the calculation of risk-based capital ratios under the Japanese capital ratio guidelines. The Bank adopts the current exposure method stipulated by the guidelines in calculating the amount. As a risk control system for derivatives, the Bank has established a risk management division that operates independently from divisions executing derivative transactions. Derivative transactions entered into by the Bank have been made in accordance with internal policies which regulate the authorization and credit limit amounts. In addition, positions and related gains or losses from derivatives are reported to management on a daily basis for monitoring and evaluation purposes. The contract amounts of forward exchange contracts and option agreements do not necessarily measure the Bank's exposure to credit or market risk.

Derivative transactions to which the deferred hedge accounting method is not applied

Contractual value, fair value, unrealized gains or losses, and computation method for fair value by types of transactions as of March 2016 and 2015 were as follows. The contract amounts do not necessarily measure the Bank's exposure to market risk:

(1) Interest-rate-related transactions

	Millions of Yen				Thousands of U.S. Dollars			
	2016				2016			
	Contractual Value	Contractual Value Due after One Year	Fair Value	Net Unrealized Gains (Losses)	Contractual Value	Contractual Value Due after One Year	Fair Value	Net Unrealized Gains (Losses)
Over-the-counter:								
Interest rate swaps:								
Receive fixed and pay floating	¥62,664	¥59,419	¥ 2,714	¥ 2,714	$556,071	$527,274	$ 24,081	$ 24,081
Receive floating and pay fixed	58,156	56,038	(1,595)	(1,595)	516,071	497,274	(14,152)	(14,152)
Others:								
Sold	3,664	3,556	35	50	32,514	31,555	314	446
Bought	3,664	3,556	(20)	(30)	32,514	31,555	(181)	(265)
Total	¥ —	¥ —	¥ 1,134	¥ 1,139	$ —	$ —	$ 10,062	$ 10,110

	Millions of Yen			
	2015			
	Contractual Value	Contractual Value Due after One Year	Fair Value	Net Unrealized Gains (Losses)
Over-the-counter:				
Interest rate swaps:				
Receive fixed and pay floating	¥52,875	¥47,483	¥1,872	¥1,872
Receive floating and pay fixed	52,875	47,483	(955)	(956)
Others:				
Sold	5,803	4,768	30	53
Bought	5,803	4,768	(7)	(21)
Total	¥ —	¥ —	¥ 940	¥ 948

Notes: 1. The above transactions were revalued at the end of the year and the related gain and loss were reflected in the accompanying consolidated statements of income.
2. The fair values were mainly calculated using the discounted present values.

(2) Currency-related transactions

	Millions of Yen				Thousands of U.S. Dollars			
	2016				2016			
	Contractual Value	Contractual Value Due after One Year	Fair Value	Net Unrealized Gains (Losses)	Contractual Value	Contractual Value Due after One Year	Fair Value	Net Unrealized Gains (Losses)
Over-the-counter:								
Currency swaps:	¥140,204	¥130,286	¥ 153	¥ 153	$1,244,158	$1,156,144	$ 1,361	$ 1,361
Forward exchange contracts:								
Sold	27,204	4,511	488	488	241,402	40,030	4,329	4,329
Bought	13,722	—	(258)	(258)	121,763	—	(2,285)	(2,285)
Currency options:								
Sold	1,781	1,448	(128)	3	15,800	12,850	(1,137)	24
Bought	1,781	1,448	148	17	15,800	12,850	1,312	151
Total	¥ —	¥ —	¥ 403	¥ 403	$ —	$ —	$ 3,580	$ 3,580

	Millions of Yen			
	2015			
	Contractual Value	Contractual Value Due after One Year	Fair Value	Net Unrealized Gains (Losses)
Over-the-counter:				
Currency swaps:	¥126,008	¥109,715	¥ 142	¥ 142
Forward exchange contracts:				
Sold	32,312	3,949	(838)	(838)
Bought	15,667	2,224	643	643
Currency options:				
Sold	722	475	(86)	(46)
Bought	722	475	92	52
Total	¥ —	¥ —	¥ (47)	¥ (47)

Notes: 1. The above transactions were revalued at the end of the year and the related gain and loss were reflected in the accompanying consolidated statements of income.
2. The fair values were mainly calculated using the discounted present values.

(3) Stock-related transactions are not performed.

(4) Bond-related transactions are not performed.

(5) Financial product-related transactions are not performed.

(6) Credit derivative transactions are not performed.

Derivative transactions to which the deferred hedge accounting method is applied
There were no derivative transactions to which the deferred hedge accounting method is applied for the years ended March 31, 2016 and 2015.

28. RELATED PARTY TRANSACTIONS

At March 31, 2016 and 2015, Sumitomo Mitsui Financial Group and Sumitomo Mitsui Banking Corporation are the parent companies of the Bank.

There were no material transactions between related parties for the year ended March 31, 2016 and 2015.

29. PROFIT PER SHARE

Reconciliation of profit per share ("EPS") for the years ended March 31, 2016 and 2015 were as follows:

	Millions of Yen	Thousands of Shares	Yen	U.S. Dollars
	Profit Attributable to Owners of Parent	Average Shares	EPS	EPS
For the year ended March 31, 2016				
Basic EPS				
Profit available to capital shareholders	¥7,360	407,588	¥18.05	$0.16
For the year ended March 31, 2015				
Basic EPS				
Profit available to capital shareholders	¥7,478	406,911	¥18.37	

	Thousands of Shares	Yen	U.S. Dollars
	Increased Shares	Diluted EPS	Diluted EPS
For the year ended March 31, 2016			
Diluted EPS			
Profit available to capital shareholders	1,096	¥18.00	$0.16
For the year ended March 31, 2015			
Diluted EPS			
Profit available to capital shareholders	922	¥18.33	

30. FINANCIAL INSTRUMENTS

1. Financial instruments

(1) Financial instrument management plan

The Group operates primarily banking and other financial service businesses related to credit cards, credit guarantees, and leasing. To operate these businesses, the Group raises funds by accepting customer deposits while regulating the balance between market conditions and the long and short terms, by indirect financing through borrowings, and by issuing treasury bonds. Because the Group mainly holds financial assets and liabilities with fluctuating interest rates, the Bank operates its business using Asset Liability Management (ALM) to prevent an unfavorable impact caused by interest rate changes. As part of ALM, the Bank conducts derivative transactions.

Some of the consolidated subsidiaries of the Bank hold marketable securities.

(2) Financial instrument attributes and risks

The financial assets held by the Group are primarily commercial loans made to businesses and individuals in Japan. These assets are subject to credit risk arising from client default on loan contracts. There is the possibility that these debts may not be fulfilled in accordance with the contract terms and conditions due to changes in the borrowers' financial conditions and particular conditions in various industries; economic and financial environmental changes in interest rates, share prices, and real estate values. Furthermore, marketable securities and trading account securities held by the Bank are mainly comprised of stocks and bonds, held-to-maturity for net investment and business promotion purposes. These securities are subject to the issuer's credit risk, interest rate fluctuation risk, and market value change risk.

The Group is subject to liquidity risk in its borrowings and bonds, and should it be unable to access the markets under certain conditions, this may prevent the Bank from making payments by contractual due dates. Further, the Group makes loans with variable interest rates and is therefore subject to the risk of fluctuating interest rates.

The Bank engages in interest rate swap transactions as part of ALM. The Bank applies hedge accounting to interest rate swaps as a hedging instrument against the risk of fluctuating interest rates arising from hedged financial assets and liabilities. To evaluate hedge effectiveness, deposits and loans (hedged items) and interest rate swap derivatives (hedging instruments) are grouped for each specified period of time, and hedges for offsetting market price fluctuations are identified from the group and assessed.

Further, the Bank also trades bond futures to offset market price fluctuations of bonds held as available-for-sale securities.

Some consolidated subsidiaries hold marketable securities, and these financial instruments are exposed to interest rate risk, market price fluctuation risk, and credit risk.

(3) Financial instrument risk management system

1. Credit risk management

The Group has established and operates a credit management system for commercial loans. The system performs credit reviews, manages credit limits and credit data, establishes internal ratings, guarantees and collateral, and deals with problem debt in accordance with the Bank's financing rules and other credit risk management rules and regulations. These credit management procedures are conducted by the relevant credit review and sales departments. In addition, the credit management status is reported at regularly-held management meetings and board of directors' meetings for deliberation, and is also subject to corporate auditor reviews.

The Corporate Risk Management Department oversees the credit risk of issuers of the marketable securities and counterparty risk of derivative transactions by periodically collecting credit information and market values.

2. Market risk management

(i) Interest risk management

The Bank conducts Asset Liability Management (ALM) to manage interest rate risk. The risk management methods and procedures are described in detail in ALM regulations and the status of their implementation is checked and verified and future actions are discussed in general risk meetings (management meetings), based on ALM policies reviewed in the ALM Committee. In practice, the Corporate Risk Management Department primarily oversees overall interest rates and terms of financial assets and liabilities and monitors them using gap and interest rate sensitivity analysis, reporting to the ALM Committee monthly. The Bank trades interest rate swaps and other derivative transactions to hedge interest rate risk.

(ii) Exchange risk management

The Group manages exchange risk on individual transactions and oversees exchange positions.

(iii) Price fluctuation risk management

The decision to hold investment instruments including marketable securities is made at general risk meetings based on the policies of the ALM Committee, and carried out following rules and regulations on market risk management. The Financial Markets Department purchases investment instruments from outside sources and mitigates price fluctuation risk by conducting preliminary reviews and setting investment limits, and through consistent monitoring. Shares managed by the Operations Planning Department are held for the purposes of promoting business, including business and capital tie-ups, thereby allowing it to monitor the market environments and financial conditions of its business partners. This information is reported periodically to the ALM Committee and the Management Committee.

Some consolidated subsidiaries hold marketable securities, and these are managed in accordance with the subsidiaries' market and liquidity risk management rules and monitored by the Bank.

(iv) Derivative transactions

For derivative transactions, the Group has created separate divisions for derivative trading, evaluation of hedge effectiveness and business administration, thereby establishing a system of checks and balances. These divisions operate based on market risk management rules and regulations.

(v) Quantitative information related to market risk

In the Bank, financial instruments influenced by interest risk which is a main risk variable number are loans and bills discounted, bonds classified in securities and deposits and financial instruments influenced by stocks price fluctuation risk are stocks and investment trust in securities. The Bank uses the variance-covariance method for the measurement of VaR (a holding period of one day, an observation period of one day and a confidence interval of 99%).

As of March 31, 2016, the market risk amount (estimated value of latent loss) of the main financial instruments in banking account was ¥3,726 million ($33,064 thousand).

The Bank considers that the measurement model used captures market risks with sufficient accuracy. However, VaR measures the amount of market risk by certain occurrence probabilities which are statistically calculated based on past market movements. Therefore, there are cases in which VaR cannot capture risk under sudden and dramatic changes in market beyond normal circumstances.

3. Fund procurement liquidity risk management

The Group manages liquidity risk through timely fund management, diversified fund procurement sources and regulating the balance between long and short term funding in light of market conditions.

(4) Additional information on the fair value of financial instruments, etc.

The fair values of financial instruments include values based on fair values and reasonably calculated values when the fair value is not available. As said values are calculated using certain assumptions, these values may vary when different assumptions are used.

2. Financial instruments' fair values

Consolidated balance sheet amount, fair value, and unrealized gains or losses as of March 31, 2016 and 2015 were as follows. Unlisted securities, the fair values of which were extremely difficult to calculate were excluded from the table below:

	Millions of Yen			Thousands of U.S. Dollars		
	2016			2016		
	Consolidated Balance Sheet Amount	Fair Value	Difference	Consolidated Balance Sheet Amount	Fair Value	Difference
Cash and due from banks	¥ 392,684	¥ 392,684	¥ —	$ 3,484,641	$ 3,484,641	$ —
Call loans and bills bought	1,380	1,380	—	12,247	12,247	—
Trading account securities:						
Trading securities	528	528	—	4,682	4,682	—
Securities:						
Held-to-maturity securities	26,052	26,102	50	231,180	231,625	445
Available-for-sale securities	475,234	475,234	—	4,217,184	4,217,184	—
Loans and bills discounted:	2,495,377			22,143,734		
Allowance for possible loan losses	(19,113)			(169,611)		
	2,476,264	2,489,307	13,043	21,974,123	22,089,865	115,742
Assets total	¥3,372,142	¥3,385,235	¥13,093	$29,924,057	$30,040,244	$116,187
Deposits	¥3,093,368	¥3,093,791	¥ (423)	$27,450,246	$27,453,999	$ (3,753)
Negotiable certificate of deposits	5,571	5,571	(0)	49,440	49,440	(0)
Payables under securities lending transactions	87,825	87,825	—	779,346	779,346	—
Borrowed money	106,262	103,086	3,176	942,954	914,772	28,182
Bonds payable	18,300	18,327	(27)	162,392	162,637	(245)
Liabilities total	¥3,311,326	¥3,308,600	¥ 2,726	$29,384,378	$29,360,194	$ 24,184
Derivative transactions:						
Deferred hedge accounting is applied	¥ 1,538	¥ 1,538	¥ —	$ 13,646	$ 13,646	$ —
Deferred hedge accounting is not applied	—	—	—	—	—	—
Derivative transactions total	¥ 1,538	¥ 1,538	¥ —	$ 13,646	$ 13,646	$ —

	Millions of Yen		
	2015		
	Consolidated Balance Sheet Amount	Fair Value	Difference
Cash and due from banks	¥ 396,808	¥ 396,808	¥ —
Call loans and bills bought	460	460	—
Trading account securities:			
Trading securities	530	530	—
Securities:			
Held-to-maturity securities	44,560	44,686	126
Available-for-sale securities	484,573	484,573	—
Loans and bills discounted:	2,407,835		
Allowance for possible loan losses	(21,376)		
	2,386,459	2,390,414	3,955
Assets total	¥3,313,390	¥3,317,471	¥4,081
Deposits	¥3,065,338	¥3,065,783	¥ (445)
Negotiable certificate of deposits	13,762	13,764	(2)
Payables under securities lending transactions	39,479	39,479	—
Borrowed money	92,647	88,709	3,938
Bonds payable	28,000	28,112	(112)
Liabilities total	¥3,239,226	¥3,235,847	¥3,379
Derivative transactions:			
Deferred hedge accounting is applied	¥ 893	¥ 893	¥ —
Deferred hedge accounting is not applied	—	—	—
Derivative transactions total	¥ 893	¥ 893	¥ —

Notes: 1. Allowance for possible loan losses to loans and bills discounted are excluded.
2. Derivative transactions recorded in Other assets and Other liabilities are presented as a lump sum. Net claims and debts that arose from derivative transactions are presented on a net basis.

(Note 1) Calculation method for the fair values of financial instruments was as follows:

Assets

(1) Cash and due from banks

The fair values of non-term deposits approximate the book values, therefore said book values shall be the fair values. For term deposits, present values are calculated for each category based on the deposit term, discounting by the applicable interest rate assumed for any new deposit transaction.

(2) Call loans and bills bought

These transactions have short remaining contract terms (six months or less), and as their fair values approximate the book values, said book values shall be the fair values.

(3) Trading account securities

Values of marketable securities such as bonds held for dealing are based on their securities exchange prices.

(4) Securities

Stock prices are based on their stock exchange prices, while bond prices are based either on their stock exchange prices or on the prices provided by the correspondent financial institutions. Investment trust prices are based on the standard prices publicly released. The fair values of each privately placed bond group, categorized by internal rating and term period, are calculated by discounting the total principal and interest at an interest rate that reflects the risk free rate, estimated default probability based on the internal ratings of the bond issuer, and the estimated uncollectibility rate at default based on guarantees.

Comments regarding available-for-sale securities for each holding category are noted in the "Securities" section.

(5) Loans and bills discounted

Fair values of loans categorized by internal rating and term are calculated by discounting the total principal and interest at an interest rate that reflects the risk free rate, estimated default probability based on the internal ratings of the borrower, and the estimated uncollectibility rate at default based on collateral and guarantees.

Further, loans to borrowers in legal bankruptcy, virtual bankruptcy and possible bankruptcy are calculated based upon the estimated loan losses using the probable recoverable amount based upon collateral and guarantee amounts. Thus, the fair value is approximately the amount on the consolidated balance sheet as of the consolidated settlement date, minus the current loan loss estimate. This figure is used as the market price.

Note that where the repayment period has not been stipulated, like some overdraft facilities, the market price is assumed to approximate the book value from the probable repayment period or the interest rate terms. Therefore, the book value shall be the market price.

Liabilities

(1) Deposits, and (2) Negotiable certificates of deposits

The fair value of demand deposits is considered to be the payment amount (book value) sought on the consolidated settlement date. Time deposits and negotiable certificates of deposit are categorized by given term periods, and their present values are calculated discounting their future cash flow. This discount rate is based upon the rate used when new deposits are accepted.

(3) Payables under securities lending transactions

Book values are used for fair values because these products have short remaining contract terms (six months or less) and the market prices approximate the book values.

(4) Borrowed money

The present value is calculated by discounting the total principal and interest of said borrowings, which have been categorized by specific term periods, at an assumed interest rate for similar borrowings.

(5) Bonds payable

The present value is calculated by discounting the total principal and interest of said bonds payable, which have been categorized by specific time periods, at an assumed interest rate when similar bonds payable are issued.

(Note 2) Financial Instruments, the fair values of which were extremely difficult to calculate were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2016	2015	2016
	Consolidated Balance Sheet Amount	Consolidated Balance Sheet Amount	Consolidated Balance Sheet Amount
Unlisted stocks	¥2,906	¥2,532	$25,784
Limited partnership for investment	2,764	1,842	24,528
Total	¥5,670	¥4,374	$50,312

Notes: 1. Unlisted stocks are excluded as there are no market prices and it is extremely difficult to calculate fair values.
2. For the year ended March 31, 2016 and 2015, impairment losses for unlisted stocks amounted to ¥2 million ($17 thousand) and ¥1 million.
3. Limited partnership for investment made up of unlisted securities, the fair values of which are extremely difficult to calculate are excluded from the table.

(Note 3) Maturities of monetary claims and securities that have maturities were as follows:

	Millions of Yen					
	2016					
	1 Year or Less	1 to 3 Years	3 to 5 Years	5 to 7 Years	7 to 10 Years	Over 10 Years
Due from banks	¥ 1,000	¥ —	¥ —	¥ —	¥ —	¥ —
Call loans and bills bought	1,380	—	—	—	—	—
Securities:	75,746	212,369	52,199	14,504	80,997	8,937
Held-to-maturity securities:	13,341	8,227	4,410	—	—	—
Japanese government bonds	—	—	—	—	—	—
Japanese local government bonds	13,341	3,016	4,410	—	—	—
Japanese corporate bonds	—	5,211	—	—	—	—
Available-for-sale securities:	62,405	204,142	47,789	14,504	80,997	8,937
Japanese government bonds	22,000	115,000	20,000	10,000	—	—
Japanese local government bonds	12,699	5,584	2,247	760	—	—
Japanese corporate bonds	20,846	73,886	14,479	2,218	6,520	—
Others	6,860	9,672	11,063	1,526	74,477	8,937
Loans and bills discounted	587,787	490,133	336,276	208,006	229,434	578,911
Total	¥665,913	¥702,502	¥388,475	¥222,510	¥310,431	¥587,848

	Thousands of U.S. Dollars					
	2016					
	1 Year or Less	1 to 3 Years	3 to 5 Years	5 to 7 Years	7 to 10 Years	Over 10 Years
Due from banks	$ 8,874	$ —	$ —	$ —	$ —	$ —
Call loans and bills bought	12,247	—	—	—	—	—
Securities:	672,162	1,884,542	463,211	128,706	718,762	79,305
Held-to-maturity securities:	118,384	73,006	39,134	—	—	—
Japanese government bonds	—	—	—	—	—	—
Japanese local government bonds	118,384	26,767	39,134	—	—	—
Japanese corporate bonds	—	46,239	—	—	—	—
Available-for-sale securities:	553,778	1,811,536	424,078	128,706	718,762	79,305
Japanese government bonds	195,226	1,020,499	177,478	88,739	—	—
Japanese local government bonds	112,687	49,555	19,941	6,740	—	—
Japanese corporate bonds	184,985	655,653	128,485	19,685	57,858	—
Others	60,880	85,829	98,174	13,542	660,904	79,305
Loans and bills discounted	5,215,965	4,349,390	2,984,082	1,845,828	2,035,976	5,137,203
Total	$5,909,248	$6,233,932	$3,447,293	$1,974,534	$2,754,738	$5,216,509

	Millions of Yen					
	2015					
	1 Year or Less	1 to 3 Years	3 to 5 Years	5 to 7 Years	7 to 10 Years	Over 10 Years
Due from banks	¥ 1,500	¥ —	¥ —	¥ —	¥ —	¥ —
Call loans and bills bought	460	—	—	—	—	—
Securities:	92,307	192,094	104,222	33,210	38,237	7,815
Held-to-maturity securities:	22,862	15,642	5,926	—	—	—
Japanese government bonds	—	—	—	—	—	—
Japanese local government bonds	21,375	15,141	1,216	—	—	—
Japanese corporate bonds	1,487	501	4,710	—	—	—
Available-for-sale securities:	69,445	176,452	98,296	33,210	38,237	7,815
Japanese government bonds	13,000	72,000	65,000	30,000	—	—
Japanese local government bonds	26,238	17,282	2,754	797	—	—
Japanese corporate bonds	13,109	71,030	26,574	2,360	5,030	—
Others	17,098	16,140	3,968	53	33,207	7,815
Loans and bills discounted	543,209	499,999	330,224	190,178	218,280	555,400
Total	¥637,476	¥692,093	¥434,446	¥223,388	¥256,517	¥563,215

Note: Loans in legal bankruptcy, virtual bankruptcy and potential bankruptcy amounting to ¥50,461 million ($447,788 thousand) and ¥56,273 million and loans and bills discounted without maturities amounting to ¥14,368 million ($127,501 thousand) and ¥14,271 million were excluded from the table above as of March 31, 2016 and 2015.

(Note 4) Maturities of borrowed money and others were as follows:

	Millions of Yen					
	2016					
	1 Year or Less	1 to 3 Years	3 to 5 Years	5 to 7 Years	7 to 10 Years	Over 10 Years
Deposits	¥2,999,953	¥ 82,499	¥10,917	¥ —	¥—	¥—
Negotiable certificate of deposits	5,371	200	—	—	—	—
Payables under securities lending transactions	87,825	—	—	—	—	—
Borrowed money	38,439	41,521	23,301	3,000	—	—
Corporate bonds	—	—	—	18,300	—	—
Total	¥3,131,588	¥124,220	¥34,218	¥21,300	¥—	¥—

	Thousands of U.S. Dollars					
	2016					
	1 Year or Less	1 to 3 Years	3 to 5 Years	5 to 7 Years	7 to 10 Years	Over 10 Years
Deposits	$26,621,289	$ 732,083	$ 96,873	$ —	$—	$—
Negotiable certificate of deposits	47,666	1,774	—	—	—	—
Payables under securities lending transactions	779,346	—	—	—	—	—
Borrowed money	341,105	368,456	206,771	26,622	—	—
Corporate bonds	—	—	—	162,392	—	—
Total	$27,789,406	$1,102,313	$303,644	$189,014	$—	$—

	Millions of Yen					
	2015					
	1 Year or Less	1 to 3 Years	3 to 5 Years	5 to 7 Years	7 to 10 Years	Over 10 Years
Deposits	¥2,968,544	¥ 82,128	¥14,666	¥ —	¥—	¥—
Negotiable certificate of deposits	13,762	—	—	—	—	—
Payables under securities lending transactions	39,479	—	—	—	—	—
Borrowed money	8,050	34,287	42,110	8,200	—	—
Corporate bonds	—	—	—	28,000	—	—
Total	¥3,029,835	¥116,415	¥56,776	¥36,200	¥—	¥—

Note: Demand deposits were included in "1 Year or Less."

31. SEGMENT INFORMATION

Segment information

(1) Outline of the reported segments

The reported segments of the Company are those units for which separate financial statements can be obtained and which are regularly examined by the management meeting for decisions on the allocation of management resources and for assessing business performance.

The Group engages in financial services such as credit card operations, credit guarantee operations, lease operations, agent for office functions, management consulting business centering on banking operations.

As the banking operations accounts for the large portion of the Group, the reported segment of the Group is only "Banking Operations Segment" conducted by the Bank and other operations conducted by the consolidated subsidiaries are included in "Other."

(2) Calculation method of the amount of ordinary income, segment profit or loss, assets and other items by the reported segment

Accounting method of the reported segment is almost the same to the mention in "Significant Accounting Policies." Business conditions of the transactions between the reported segment and "Other" and transactions in "Other" are same as general trade.

Differences between total of the segment profit and other and the profit on the consolidated statement of income and the segment asset and "Other" asset and asset on the consolidated balance sheet are described in (3).

(3) Information related to operating income, segment profit or loss, assets and other items by the reported segment

For the year ended March 31, 2016

	Millions of Yen				
	2016				
	Reported Segment				
	Banking	Other	Total	Adjustments	Consolidated
Operating income:					
Outside customers	¥ 56,273	¥ 8,079	¥ 64,352	¥ —	¥ 64,352
Intersegment income	568	2,989	3,557	(3,557)	—
Total	56,841	11,068	67,909	(3,557)	64,352
Segment profit	10,953	1,188	12,141	(287)	11,854
Segment assets	3,478,585	679,854	4,158,439	(673,777)	3,484,662
Other items:					
Depreciation	3,322	88	3,410	11	3,421
Interest income	37,400	638	38,038	(503)	37,535
Financing expenses	2,615	120	2,735	(157)	2,578
Increase in tangible and intangible fixed assets	3,146	278	3,423	—	3,423

	Thousands of U.S. dollars				
	2016				
	Reported Segment				
	Banking	Other	Total	Adjustments	Consolidated
Operating income:					
Outside customers	$ 499,364	$ 71,693	$ 571,057	$ —	$ 571,057
Intersegment income	5,041	26,526	31,567	(31,567)	—
Total	504,405	98,219	602,624	(31,567)	571,057
Segment profit	97,196	10,541	107,737	(2,542)	105,195
Segment assets	30,868,625	6,032,957	36,901,582	(5,979,029)	30,922,553
Other items:					
Depreciation	29,480	781	30,261	99	30,360
Interest income	331,882	5,661	337,543	(4,463)	333,080
Financing expenses	23,203	1,065	24,268	(1,394)	22,874
Increase in tangible and intangible fixed assets	27,914	2,464	30,378	—	30,378

Notes: 1. Operating income means total income less certain special income included in other income in the accompanying consolidated statements of income.
2. "Other" consists of other banking related activities such as credit card operations, credit guarantee, leasing operations, entrusted account and venture capital.
3. Adjustments include items below.
a. Segment profit adjustments –¥287 million (–$2,542 thousand) are adjustment in consolidation accounting.
b. Segment assets adjustments –¥673,777 million (–$5,979,029 thousand) are adjustment in consolidation accounting.
c. Depreciation adjustments ¥11 million ($99 thousand), interest income adjustments –¥503 million (–$4,463 thousand), financing expenses –¥157 million (–$1,394 thousand) are adjustment in consolidation accounting.
4. Segment profit is adjusted to ordinary income on the consolidated statements of income.

For the year ended March 31, 2015

	Millions of Yen				
	2015				
	Reported Segment				
	Banking	Other	Total	Adjustments	Consolidated
Operating income:					
Outside customers	¥ 56,216	¥ 8,827	¥ 65,043	¥ —	¥ 65,043
Intersegment income	801	2,901	3,702	(3,702)	—
Total	57,017	11,728	68,745	(3,702)	65,043
Segment profit	12,383	1,651	14,034	(479)	13,555
Segment assets	3,412,082	677,091	4,089,173	(671,964)	3,417,209
Other items:					
Depreciation	3,534	77	3,611	4	3,615
Interest income	38,458	723	39,181	(718)	38,463
Financing expenses	2,638	143	2,781	(189)	2,592
Increase in tangible and intangible fixed assets	3,733	169	3,902	—	3,902

Notes: 1. Operating income means total income less certain special income included in other income in the accompanying consolidated statements of income.
2. "Other" consists of other banking related activities such as credit card operations, credit guarantee, leasing operations, entrusted account and venture capital.
3. Adjustments include items below.
a. Segment profit adjustments –¥479 million are adjustment in consolidation accounting.
b. Segment assets adjustments –¥671,964 million are adjustment in consolidation accounting.
c. Depreciation adjustments ¥4 million, interest income adjustments –¥718 million, financing expenses –¥189 million are adjustment in consolidation accounting.
4. Segment profit is adjusted to ordinary income on the consolidated statements of income.

32. SUBSEQUENT EVENTS

The Bank resolved at the Board of Directors meeting held on May 12, 2016 a revision of the share unit number and resolved to submit a proposal for a share consolidation and a revision of articles of incorporation, and the proposal was approved by resolution at the 17th annual shareholders' meeting held on June 29, 2016.

1. Revision of the share unit number

(1) Reason of the revision of the share unit number

The Japanese Stock Exchange Conference announced an "Action Plan for the consolidation of Trading Units" calling for the consolidation of share trading units (share unit number) of common stock of listed domestic companies into 100 share units.

(2) Details of the revision of the share unit number

The share unit number of common stock is to be revised from 1,000 to 100.

(3) Scheduled date of the revision of the share unit number

October 1, 2016

2. Share consolidation

(1) Reason of the revision of the share consolidation

As described in 1. Revision of the share unit number, the Bank's share unit number of common stock is to be revised to 100. In addition, the Bank will implement a share consolidation (consolidation on the basis of one for every ten shares) for the purpose of adjusting the investment units to an appropriate level the Conference deems desirable (¥50,000 or more, less than ¥500,000).

(2) Details of the revision of the share consolidation

(i) Types of share to be consolidated

Common stock

(ii) Ratio of the share consolidation

Shares are to be consolidated at a share consolidation ratio of 10 to 1 based on the number of shares held by shareholders recorded at the final shareholder register on September 30, 2016.

(iii) Change in the total number of shares authorized to be issued by the Bank

100,000,000 shares (before the share consolidation 1,000,000,000 shares)

(iv) Decrease in number of shares

Total number of outstanding shares before the share consolidation (as of March 31, 2016)	410,951,977 shares
Decrease in number of shares due to the share consolidation	369,856,780 shares
Total number of outstanding shares after the share consolidation	41,095,197 shares

(3) Treatment of any fractional units less than one share

If any fractional units less than one share are generated as a result of the share consolidation, such shares will be collectively sold and the proceeds from such sales will be delivered to the shareholders in proportion to the fractions attributed to them, in accordance with the provisions of the Companies Act.

3. Revision of the article of incorporation

As described in 1. Revision of the share unit number, the Bank's share unit number of common stock defined in second clause of the articles of incorporation is to be revised to 100 and as described in 2. Share consolidation, total number of shares authorized defined in 6th clause of the articles of incorporation to be issued by the Bank is to be revised.

4. Time schedule

Date of resolution at the board of directors meeting	May 12, 2016
Date of resolution at the annual shareholders' meeting	June 29, 2016
Effective date of the share consolidation	October 1, 2016 (planned)
Effective date of the revision of the share unit number	October 1, 2016 (planned)
Effective date of the revision of the article of incorporation	October 1, 2016 (planned)

5. Per share information

Per share information for the fiscal years ended March 31, 2016 and 2015 presuming that the share consolidation had been implemented on April 1, 2014 was as follows:

	Yen		U.S. Dollars
	2016	2015	2016
Net assets per share	¥3,303.03	¥3,339.74	$29.31
Basic net income	180.58	183.77	1.60
Diluted net income	180.09	183.36	1.60

CORPORATE INFORMATION

Corporate Organization (As of April 1, 2016)

[Section, etc. under Department]

- Shareholders' Meeting
  - Board of Corporate Auditors / Corporate Auditors
    - Office of Corporate Auditors
  - Board of Directors
  - Management Committee
    - Audit Department
    - Legal Compliance Department
      - Money Laundering Management Section
    - Corporate Risk Management Department
      - Market Risk Management Section
      - Operational Risk Management Section
    - Planning Department
      - Tokyo Office
      - Public Relations Section
      - Subsidiaries and Affiliates Section
    - Financial Department
    - Personnel Department
      - Secretariat
      - Training Section
      - Diversity Promotion Section
    - General Affairs Department
      - Property Administration Section
    - Customers Relationship Management Department
      - Customer Relations Section
    - Business Planning Department
      - Financial Instruments Transaction Management Section
    - Channel Strategy Department
      - Branch Planning Section
      - IT Planning Section
    - Branch Support Department
      - Branch Support Divisions I–IV
      - Securities Marketing Division
    - Region Strategy Department
    - Business Support Department
    - International Business Department
      - Asia Business Promotion Section
      - Shanghai Representative Office
    - Loan Promotion Department
    - Direct Banking Department
      - Inheritance Consulting Center
    - Credit Planning Department
    - Credit Department
      - Corporate Revival Section
    - Credit Administration Department
    - Loan Credit Section
    - Financial Markets Department
    - Securities and International Department
      - International Operations Center
    - Operations Administration Department
    - Operations Department

Corporate Officers (As of June 29, 2016)

Directors, Corporate Auditors and Executive Officers

Chairman *(Representative Director)*
Shunji Ono

President *(Representative Director)*
Hiroaki Hattori*

Senior Managing Director *(Representative Director)*
Shinya Kimura*

Managing Directors
Hisashi Yasukuni*
Tomohiko Kondo*

Directors
Tadaharu Ohashi *(external)*
Wataru Takahashi *(external)*

Corporate Auditors
Takatsugu Nishimura *(full-time)*
Takeshi Morimoto *(full-time)*
Nobuya Amabe *(external)*
Mitsutoshi Kimura *(external)*
Junichi Yoshitake *(external)*

* Executive Officers

Managing Executive Officers
Toru Nakajima
Kenjiro Oda
Tomoyuki Kawai

Executive Officers
Katsushi Yamashita
Katsuaki Maruyama
Takao Ogasawara
Ikuya Fujii
Koichi Kato
Koji Yamazaki
Yoshiki iba
Ichiro Sakamoto
Shinji Okabe
Masanao Nishioka
Tsuyoshi Fujimoto
Katsuhide Yasugi
Masahiko Nishikawa
Koji Nakajima

Corporate Data (As of March 31, 2016)

Company Name:	The Minato Bank, Ltd.
Head Office:	1-1, Sannomiya-cho 2-chome, Chuo-ku, Kobe, Hyogo, 651-0193, Japan Phone: 078-331-8141 URL: http://www.minatobk.co.jp
Authorized Shares:	1,000 million shares
Outstanding Shares:	410,951 thousand shares
Stated Capital:	27.4 billion yen
Number of Shareholders:	8,303
Date of Incorporation:	September 1949 (Company name was changed to The Minato Bank, Ltd. in April 1999.)
Domestic Network:	107 locations (Hyogo: 102, Osaka: 4, Tokyo: 1)
Number of Employees:	2,170
Stock Listings:	The 1st Section of the Tokyo Stock Exchange
Credit Rating:	Long-term senior debt rating: A (Japan Credit Rating Agency, Ltd.) Moody's long-term deposit rating: A2 (Moody's (JAPAN) K.K)

Group Structure (As of March 31, 2016)

- Sumitomo Mitsui Financial Group, Inc.
  - Sumitomo Mitsui Banking Corporation
- The Minato Bank, Ltd.
  - Banking business
    - Head Office, 103 branches and 3 sub-branches
  - Other business
    - Minato Business Service Co., Ltd. (Centralized processing of administrative operations for the Bank, etc.)
    - Minato Asset Research Co., Ltd. (Real estate/movables research business)
    - Minato Guarantee Co., Ltd. (Credit guarantee business)
    - Minato Lease Co., Ltd. (Leasing business, Factoring business, etc.)
    - Minato Card Co., Ltd. (Credit card business, etc.)
    - Minato System Co., Ltd. (Computer related business, etc.)
    - Minato Capital Co., Ltd. (Investment business, Management consulting business, etc.)
    - Minato Consulting Co., Ltd. (Operation of seminar/training sessions, Management consulting business, etc.)
    - Six investment limited partnerships

Major Shareholders (As of March 31, 2016)

Name	Number of Shares (Thousands)	Percentage (%)
Sumitomo Mitsui Banking Corporation	184,834	45.04
Minato Bank Kyoueikai	32,226	7.85
Nippon Life Insurance Company	11,301	2.75
Japan Trustee Services Bank, Ltd. (Trust Account)	9,883	2.40
Minato Bank Employees' Shareholding Association	9,037	2.20
Aioi Nissay Dowa Insurance Co., Ltd.	5,661	1.37
Mitsui Sumitomo Insurance Co., Ltd.	5,220	1.27
Sumitomo Life Insurance Company	5,203	1.26
Japan Trustee Services Bank, Ltd. (Trust Account 9)	3,973	0.96
The Master Trust Bank of Japan, Ltd. (Trust Account)	3,805	0.92

MINATO BANK

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