2016 ANNUAL REPORT

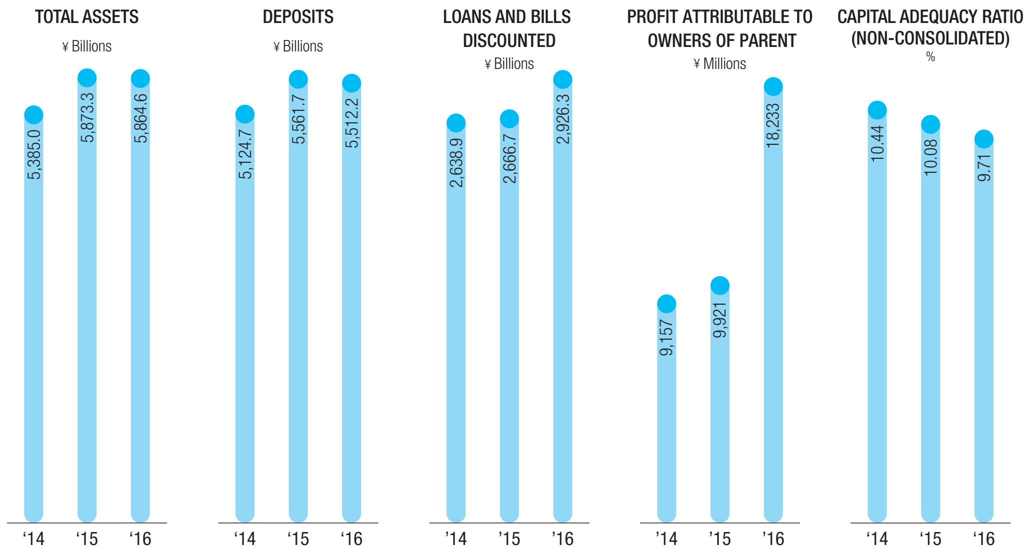
Year Ended March 31, 2016

THE TOHO BANK,LTD.

Profile

As the leading bank in Fukushima Prefecture, Toho Bank has contributed to the prosperity of its local communities since being established in November 1941. In response to the trust placed in us by our customers and the market region we serve, in April 2015 we initiated our new medium-term management plan, "Toho Summit Plan," as an action program. Our goal is embodied as the slogan "Be Large, Strong, and Powerful, serving the region with passion, and customers with sincerity and caring for people" (our long-term vision). We are aggressively addressing our customers' increasingly diversified and sophisticated needs, devoting our full efforts to strengthening previously executed risk management capabilities, and providing active disclosure of our financial position. Toho Bank has received a long-term credit rating of "A–" from Standard & Poor's, the international credit rating firm, which we have duly disclosed. Moreover, Japan Credit Rating Agency, Ltd. (JCR), one of Japan's representative rating agencies, assigned a senior long-term credit rating of "A."

As of March 31, 2016, Toho Bank had total net assets of ¥198.2 billion (US$1,759 million) and total assets of ¥5,864.6 billion (US$52,047 million) (both figures on a consolidated basis), 2,054 employees, and a business network composed of 114 branches.



Contents

Financial and Economic Environment

The Japanese economy during the fiscal year ended March 31, 2016, as a whole, remained on a moderate recovery trend backed by the effects of various monetary policies, despite a visible slowdown in the second half of the fiscal year caused by the strong yen, the decline in crude oil prices, and the sense of uncertainty over the future of emerging countries and resource-rich countries such as China.

With regard to economic conditions in Fukushima Prefecture, recovery and reconstruction in the aftermath of the Great East Japan Earthquake continued, and public works spending and housing investment remained high. Personal consumption also remained robust overall, on the back of improved employment and income conditions. Economic improvements within the prefecture thus continued on a gradual recovery track.

Turning to the financial environment, fiscal conditions remained stable as a whole, with ample funding from the Bank of Japan and continuously low market interest rates. Furthermore, in February 2016, the Bank of Japan applied the negative interest rate on some of its deposit accounts as an introduction of the country's first-ever "Quantitative and Qualitative Monetary Easing with a Negative Interest Rate," thus the 10-year government bond yield at the end of the year yielded at minus 0.07%.

Business Development and Results

Under these circumstances, Toho Bank stepped into its first year of implementing its "Toho Summit Plan - Expand Horizons and Raise Mountains," a medium-term management plan for the three-year period from fiscal 2015 to fiscal 2017, to realize the "Be Large, Strong, and Powerful" image the Bank is striving for. Toho Bank Group is united in its efforts to achieve the 3 basic strategies as set out by the new medium-term management plan: "Contributing to Fukushima from reconstruction to growth," "Becoming the bank that customers choose," and "Establishing a sustainable corporate culture."

[Contributing to Fukushima from reconstruction to growth]
Toho Bank has made efforts to provide smooth funding sources and to invest in the revitalization of the industry for reconstruction in the aftermath of the Great East Japan Earthquake, while proactively participating in reconstruction assistance business.

In its drive to provide smooth funding sources and to revitalize the industry, the "New Industrial Financial Promotion Team" has been set up under the Corporate Banking Department to reinforce funding for areas with growth potential such as the renewable energy and medical industries, and to cooperate with external organizations such as the SME Business Rehabilitation Support Co-operative and the Corporation for Revitalizing Earthquake-affected Businesses to proactively provide management and business revitalization support.

[Efforts for Regional Revitalization]
Toho Bank set up an internal "Regional Revitalization Project" which supports regional governments in comprehensive strategy planning, and also implemented the "Toho Home Town Dynamic Engagement Support Fund" and "Toho Home Town Dynamic Engagement Support Loan" in response to the government's call for promoting dynamic engagement to all citizens in society.

On the other hand, we organized events such as "Support Your Home Town – Meeting of Fukushima's Businessmen in Tokyo" to strengthen our network with businessmen from Fukushima Prefecture now based in Tokyo, held the Fukushima local sake fair "Umashi Sake Fukushima Sake Matsuri," and introduced a mail order catalog "One Prefecture, One Town, One Village – Gems of our Town." Through these projects, we were able to strengthen the relationship between customers and local authorities.

President
Seishi Kitamura

[Becoming the bank that customers choose]
In order to foster regional revitalization and development and address the needs of the local customers, we strive to strengthen products and services that correspond to the changing market.

In order to answer to a wider scale of customer needs in investment management, the Bank established the first regional securities company in the Tohoku and Hokkaido areas, "Toho Securities Co., Ltd." in August 2015. The said company began operating with five branches in the Prefecture in April 2016.

As for our credit card business, the "Toho Always Card," which started business in October 2007, has reached 300,000 users as of September 2015 owing to the continued support of our customers.

As an initiative for clients who manage businesses, the Bank has launched "Sales Based on Proposal of Management Issues," in which it proactively sought to help customers deliberate and solve the business challenges they face, some of which include business succession, mergers & acquisitions and support for overseas operations. In particular, Toho Bank received the "Deal of the Year Award (excellence in concluded projects award)" as well as the "Special Award" from Nihon M&A Center Inc. for its efforts in mergers & acquisitions.

Also, in order to increase the convenience of customers, starting June 2015, we expanded the service hours for in-store ATMs and also expanded the handling hours of bank transfer services at our branch stores.

Furthermore, to strengthen the implementation of "FinTech," which integrates financial services with IT, together with The Iyo Bank, Ltd. and North Pacific Bank, Ltd., Toho Bank joined the TSUBASA Alliance for Enhancing Financial System formed by The Chiba Bank, Ltd., The Daishi Bank, Ltd. and The Chugoku Bank, Ltd. The alliance reached an agreement on the discussion about establishing a joint venture company.

[Establishing a sustainable corporate culture]
Focusing on the continuous growth of the Bank, we have made efforts in strengthening our corporate culture, promoting diversity in working styles, improving job satisfaction and improving human resources training.

As an effort to strengthen corporate culture by enhancing Toho Bank Group's management structure and implementing integrated management in a prompt and flexible manner, in April 2015, the Group conducted a review on its capital policies on acquiring 5 subsidiaries (Toho Lease Co., Ltd., Toho Card Co., Ltd., Toho Credit Service Co., Ltd., Toho Credit Guarantee Co., Ltd., and Toho Information System Co., Ltd.).

On the other hand, in promoting work-life balance (the balance between jobs and families), the Bank built the second childcare facility within our premises, "Toho Minna-no Kids Land Koriyama," and established Japan's first "ikumago kyuka system" (a leave system that allows grandparents to take time off to look after their grandchildren). Furthermore, the Bank's support to a diverse range of working styles including partners and its activities in job satisfaction improvement have been evaluated by the Ministry of Health, Labour and Welfare and presented with the Award for "Companies Promoting Part-Time Workers to Play Active Roles at Work" (Director's Award for Excellence, Equal Employment, Children and Families Bureau)

Developments in CSR Activities

Toho Bank has promoted the following corporate social responsibility (CSR) activities for the growth and development of the regional society.

[Sports promotion activities]
Toho Bank sent the members of its track and field club to open athletic sports classes and held activities such as the "Fukushima Relays," a relay contest designed for elementary school, junior high school, and senior high school students at the "Toho Minna-no Stadium" (Prefectural Azuma Athletic Stadium).

[Education and culture support activities]
As an effort to provide financial education support , the Bank held the "TOHO Financial Class for Parents and Children," a class designed for elementary school students, and a Fukushima prefectural tournament for "Economics Koshien," a quiz tournament in financial economics for senior high school students nationwide.

Also, as Toho Bank is in agreement with the Fukushima Prefecture's intent of further promoting cultural activities within the Prefecture, the Bank acquired the naming rights of The Fukushima Prefectural Culture Center and nicknamed it "Toho Minna-no Bunka Centre".

[Environmental preservation activities]
Toho Bank participated in the "Forest Creation by Business Entities" plan promoted by Fukushima Prefecture and took part in "Toho Minna-no Morizukuri" tree planting activities in Iwaki City.

As a result of these efforts, the business results and business volumes for fiscal year ended March 31, 2016 are as described below.

Summary of Business Results

[Deposits, negotiable certificates of deposits, etc.]
Although both individual and institutional deposits have increased, a decrease in public deposits etc. caused deposits to decrease by ¥21.6 billion during the fiscal year to ¥5,135.9 billion. Total deposits, including negotiable certificates of deposits, decreased by ¥34.2 billion during the fiscal year and the balance at the end of the fiscal year was ¥5,527.4 billion.

Balance of total assets on deposit which is based on the sum of total deposits and assets on deposit was ¥5,981.0 billion due to the balance of assets on deposit including investment trusts, life insurance and public bonds of ¥453.5 billion.

[Loans and bills discounted]
Toho Bank has widely met demands for funds for reconstruction in the aftermath of the Great East Japan Earthquake, as well as assisted customers to start and establish businesses in renewable energy, medical industry and other growing fields. As a result, loans and bills discounted increased by ¥264.2 billion during the fiscal year to ¥2,930.9 billion.

Operating income increased by ¥11,052 million from the previous fiscal year to ¥75,568 million which came from an increase in other business related income etc. resulting from the acquisition of 5 affiliates accounted for by the equity method as consolidated subsidiaries, an increase in fees and commissions mainly resulting from fees related to assets on deposit, and an increase in gains related to securities, etc.

On the other hand, operating expenses increased by ¥10,914 million from the previous fiscal year to ¥58,428 million due to an increase in other ordinary expenses resulting from the acquisition of consolidated subsidiaries, amortization of goodwill, and expenses related to securities, etc.

As a result, ordinary income has increased by ¥139 million from the previous fiscal year to ¥17,140 million. Total comprehensive income attributable to shareholders of the parent increased by ¥8,312 million from the previous fiscal year to ¥18,233 million due to gain on bargain purchase and gain on step acquisitions.

Matters to Address

In Fukushima Prefecture, Toho Bank's principal operational base, movement toward reconstruction in the aftermath of the Great East Japan Earthquake has steadily progressed thanks to the support from everyone across Japan.

In keeping with Toho Bank's concept of "All Serves the Region," a corporate message, Toho Bank will make all possible efforts to accelerate the speed of Fukushima's transition from the reconstruction phase into the growth phase. The Bank will also implement the key strategies in the medium-term management plan "Toho Summit Plan" and expand its management base (expand horizons) and business operations, and accumulate strong business results (raise mountains). By doing so, Toho Bank Group will strengthen compliance to laws, etc. and the corporate governance system, increase corporate value, and make concerted groupwide efforts to meet the expectations of the Bank's customers, shareholders, and regional society.

The Bank will celebrate its 75th Anniversary in November 2016. We were only able to come this far thanks to your continued support. All of our directors and staff would like to express our sincere gratitude. As the current fiscal year marks our 75-year milestone, along with our gratitude towards our home town Fukushima Prefecture for nurturing us, we would like to express our commitment towards fulfilling our mission as a regional financial institution by striving to develop regional economy and society.

August 2016

北村清士
S. Kitamura

Seishi Kitamura

President

Consolidated Balance Sheets

As of March 31, 2016 and 2015	Millions of Yen		Thousands of U.S. Dollars (Note 3)
	2016	2015	**2016**
Assets:			
Cash and due from banks (Notes 15 and 20)	**¥1,318,806**	¥1,423,783	**$11,703,999**
Call loans and bills bought (Note 20)	**—**	10,000	**—**
Monetary claims bought	**13,849**	10,459	**122,908**
Trading account securities (Notes 20 and 21)	**250**	309	**2,219**
Money held in trust (Note 22)	**11,852**	12,199	**105,184**
Securities (Notes 6, 10, 20 and 21)	**1,535,740**	1,706,866	**13,629,223**
Loans and bills discounted (Notes 4, 7 and 20)	**2,926,322**	2,666,736	**25,970,205**
Foreign exchanges	**995**	2,221	**8,835**
Lease receivables and investment assets (Note 19)	**7,836**	—	**69,543**
Other assets (Notes 6, 20 and 23)	**11,410**	8,772	**101,261**
Tangible fixed assets (Note 8)	**40,503**	36,395	**359,455**
Intangible fixed assets	**2,235**	2,128	**19,843**
Deferred tax assets (Note 16)	**747**	—	**6,630**
Customers' liabilities for acceptances and guarantees (Note 5)	**8,022**	8,981	**71,197**
Allowance for loan losses (Note 20)	**(13,873)**	(15,516)	**(123,124)**
Total assets	**¥5,864,699**	¥5,873,339	**$52,047,384**
Liabilities:			
Deposits (Notes 6 and 20)	**¥5,512,223**	¥5,561,753	**$48,919,267**
Call money and bills sold	**43,945**	44,462	**390,000**
Payables under securities lending transactions (Note 6)	**27,310**	—	**242,370**
Borrowed money (Notes 6, 9 and 29)	**34,996**	37,500	**310,587**
Foreign exchanges	**90**	151	**805**
Other liabilities (Notes 20, 23 and 29)	**28,198**	21,149	**250,255**
Net defined benefit liability (Note 17)	**7,238**	7,837	**64,241**
Provision for directors' retirement benefits	**56**	460	**505**
Provision for reimbursement of deposits	**630**	550	**5,598**
Provision for contingent loss	**410**	484	**3,642**
Provision for customer point program	**113**	90	**1,010**
Deferred tax liabilities (Note 16)	**114**	366	**1,014**
Deferred tax liabilities for land revaluation (Note 16)	**3,067**	3,259	**27,222**
Acceptances and guarantees (Note 5)	**8,022**	8,981	**71,197**
Total liabilities	**5,666,420**	5,687,048	**50,287,719**
Commitments and contingent liabilities (Note 7)			
Net Assets (Note 14)**:**			
Capital stock	**23,519**	23,519	**208,725**
Capital surplus	**13,653**	13,653	**121,170**
Retained earnings	**139,422**	123,276	**1,237,330**
Treasury stock	**(142)**	(174)	**(1,263)**
Shareholders' equity	**176,452**	160,275	**1,565,963**
Valuation difference on available-for-sale securities (Note 21)	**30,038**	28,593	**266,585**
Deferred gains or losses on hedges (Note 23)	**(4,649)**	(1,631)	**(41,265)**
Revaluation reserve for land (Note 2(f))	**934**	821	**8,290**
Remeasurements of defined benefit plans (Note 17)	**(4,496)**	(1,768)	**(39,908)**
Total accumulated other comprehensive income	**21,826**	26,015	**193,701**
Total net assets (Note 18)	**198,279**	186,290	**1,759,664**
Total liabilities and net assets	**¥5,864,699**	¥5,873,339	**$52,047,384**

See notes to consolidated financial statements.

Consolidated Statements of Income

For the years ended March 31, 2016 and 2015

	Millions of Yen		Thousands of U.S. Dollars (Note 3)
	2016	2015	**2016**
Income:			
Interest income:			
Interest on loans and discounts	**¥29,899**	¥30,593	**$265,349**
Interest and dividends on securities	**11,193**	11,596	**99,336**
Other interest income	**1,038**	619	**9,217**
Fees and commissions income	**15,262**	13,830	**135,445**
Other operating income	**13,043**	2,406	**115,757**
Other income (Note 12)	**12,811**	5,496	**113,696**
Total income	**83,248**	64,544	**738,803**
Expenses:			
Interest expenses:			
Interest on deposits	**1,766**	1,757	**15,678**
Interest on borrowings and rediscounts	**648**	345	**5,756**
Other interest expenses	**746**	416	**6,627**
Fees and commissions expenses	**5,075**	5,268	**45,040**
Other operating expenses	**9,059**	750	**80,400**
General and administrative expenses (Note 11)	**39,640**	38,041	**351,801**
Other expenses (Note 13)	**1,928**	1,172	**17,118**
Total expenses	**58,866**	47,752	**522,424**
Profit before income taxes	**24,381**	16,791	**216,378**
Income taxes (Note 16)**:**			
Current	**4,122**	5,377	**36,586**
Deferred	**2,025**	1,492	**17,976**
Total	**6,148**	6,869	**54,563**
Profit	**18,233**	9,921	**161,815**
Profit attributable to owners of parent (Note 18)	**¥18,233**	¥ 9,921	**$161,815**

See notes to consolidated financial statements.

Consolidated Statements of Comprehensive Income

For the years ended March 31, 2016 and 2015

	Millions of Yen		Thousands of U.S. Dollars (Note 3)
	2016	2015	**2016**
Profit	**¥18,233**	¥ 9,921	**$161,815**
Other comprehensive income (Note 24):			
Valuation difference on available-for-sale securities	**1,472**	12,134	**13,068**
Deferred gains or losses on hedges	**(3,018)**	(1,631)	**(26,785)**
Revaluation reserve for land	**166**	339	**1,474**
Remeasurements of defined benefit plans, net of tax (Note 17)	**(2,728)**	(345)	**(24,214)**
Share of other comprehensive income in affiliates accounted for by the equity method	**(27)**	10	**(240)**
Total other comprehensive income	**(4,135)**	10,507	**(36,697)**
Comprehensive income	**¥14,098**	¥20,428	**$125,117**
Total comprehensive income attributable to:			
Owners of parent	**¥14,098**	¥20,428	**$125,117**

See notes to consolidated financial statements.

Consolidated Statements of Changes in Net Assets

For the years ended March 31, 2016 and 2015

	Millions of Yen				
	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Shareholders' equity
BALANCE, April 1, 2014	¥23,519	¥13,653	¥115,067	¥(172)	¥152,068
Cumulative effects of changes in accounting policies			220		220
Restated balance	23,519	13,653	115,288	(172)	152,288
Changes of items during the year					
Dividends from retained earnings			(1,953)		(1,953)
Profit attributable to owners of parent			9,921		9,921
Acquisition of treasury stock				(3)	(3)
Disposal of treasury stock		0		0	1
Reversal of land revaluation excess, net of tax			20		20
Net changes of items other than stockholders' equity during year					
Total changes of items during the year	—	0	7,988	(2)	7,986
BALANCE, April 1, 2015	¥23,519	¥13,653	¥123,276	¥(174)	¥160,275
Changes of items during the year					
Dividends from retained earnings			(2,084)		(2,084)
Change in scope of consolidation				(517)	(517)
Profit attributable to owners of parent			18,233		18,233
Acquisition of treasury stock				(2)	(2)
Disposal of treasury stock		(0)	(56)	552	495
Reversal of land revaluation excess, net of tax			53		53
Net changes of items other than stockholders' equity during year					
Total changes of items during the year	—	(0)	16,145	32	16,177
BALANCE, March 31, 2016	¥23,519	¥13,653	¥139,422	¥(142)	¥176,452

	Millions of Yen						
	Accumulated other comprehensive income						
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Revaluation reserve for land	Remeasurements of defined benefit plans	Total accumulated other comprehensive income	Non-controlling interests	Total net assets
BALANCE, April 1, 2014	¥16,448	¥ 0	¥502	¥(1,422)	¥15,528	¥ 223	¥167,820
Cumulative effects of changes in accounting policies							220
Restated balance	16,448	0	502	(1,422)	15,528	223	168,041
Changes of items during the year							
Dividends from retained earnings							(1,953)
Profit attributable to owners of parent							9,921
Acquisition of treasury stock							(3)
Disposal of treasury stock							1
Reversal of land revaluation excess, net of tax							20
Net changes of items other than stockholders' equity during year	12,144	(1,631)	319	(345)	10,486	(223)	10,263
Total changes of items during the year	12,144	(1,631)	319	(345)	10,486	(223)	18,249
BALANCE, April 1, 2015	¥28,593	¥(1,631)	¥821	¥(1,768)	¥26,015	¥ —	¥186,290
Changes of items during the year							
Dividends from retained earnings							(2,084)
Change in scope of consolidation							(517)
Profit attributable to owners of parent							18,233
Acquisition of treasury stock							(2)
Disposal of treasury stock							495
Reversal of land revaluation excess, net of tax							53
Net changes of items other than stockholders' equity during year	1,445	(3,018)	112	(2,728)	(4,189)	—	(4,189)
Total changes of items during the year	1,445	(3,018)	112	(2,728)	(4,189)	—	11,988
BALANCE, March 31, 2016	¥30,038	¥(4,649)	¥934	¥(4,496)	¥21,826	¥ —	¥198,279

	Thousands of U.S. Dollars (Note 3)				
	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Shareholders' equity
BALANCE, April 1, 2015	$208,725	$121,171	$1,094,044	$(1,548)	$1,422,393
Changes of items during the year					
Dividends from retained earnings			(18,503)		(18,503)
Change in scope of consolidation				(4,594)	(4,594)
Profit attributable to owners of parent			161,815		161,815
Acquisition of treasury stock				(21)	(21)
Disposal of treasury stock		(1)	(504)	4,901	4,395
Reversal of land revaluation excess, net of tax			478		478
Net changes of items other than stockholders' equity during year					
Total changes of items during the year	—	(1)	143,285	285	143,569
BALANCE, March 31, 2016	$208,725	$121,170	$1,237,330	$(1,263)	$1,565,963

	Thousands of U.S. Dollars (Note 3)						
	Accumulated other comprehensive income						
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Revaluation reserve for land	Remeasurements of defined benefit plans	Total accumulated other comprehensive income	Non-controlling interests	Total net assets
BALANCE, April 1, 2015	$253,757	$(14,480)	$7,294	$(15,693)	$230,878	$—	$1,653,271
Changes of items during the year							
Dividends from retained earnings							(18,503)
Change in scope of consolidation							(4,594)
Profit attributable to owners of parent							161,815
Acquisition of treasury stock							(21)
Disposal of treasury stock							4,395
Reversal of land revaluation excess, net of tax							478
Net changes of items other than stockholders' equity during year	12,827	(26,785)	995	(24,214)	(37,176)	—	(37,176)
Total changes of items during the year	12,827	(26,785)	995	(24,214)	(37,176)	—	106,393
BALANCE, March 31, 2016	$266,585	$(41,265)	$8,290	$(39,908)	$193,701	$—	$1,759,664

Consolidated Statements of Cash Flows

For the years ended March 31, 2016 and 2015	Millions of Yen		Thousands of U.S. Dollars (Note 3)
	2016	2015	**2016**
Cash flows from operating activities			
Profit before income taxes	**¥ 24,381**	¥ 16,791	**$ 216,378**
Depreciation expense	**2,373**	2,632	**21,065**
Impairment loss	**67**	26	**595**
Equity in earnings of affiliates	**—**	(104)	**—**
Amortization of goodwill	**495**	—	**4,394**
Gain on negative goodwill	**(6,033)**	—	**(53,544)**
Gain on step acquisitions	**(1,630)**	—	**(14,474)**
Net decrease in allowance for loan losses	**(3,266)**	(1,842)	**(28,986)**
Decrease in net defined benefit liability	**(717)**	(4,967)	**(6,368)**
Increase (decrease) in provision for directors' retirement benefits	**(450)**	57	**(4,001)**
Increase in provision for reimbursement of deposits	**80**	220	**715**
Decrease in provision for contingent loss	**(74)**	(16)	**(658)**
Increase (decrease) in provision for customer point program	**23**	(2)	**207**
Interest income	**(42,131)**	(42,809)	**(373,903)**
Interest expenses	**3,162**	2,519	**28,063**
Net gain on securities	**(5,361)**	(3,286)	**(47,578)**
Net (gain) loss on money held in trust	**315**	(352)	**2,796**
Net (gain) loss on foreign exchange	**5**	(13)	**51**
Net loss on sale of fixed assets	**152**	79	**1,349**
Loss on change in equity	**—**	1	**—**
Decrease in trading account securities	**59**	69	**530**
Increase in loans and bills discounted	**(264,286)**	(27,806)	**(2,345,460)**
Increase (decrease) in deposits	**(25,265)**	433,135	**(224,227)**
Increase (decrease) in negotiable certificates of deposit	**(12,916)**	3,638	**(114,632)**
Increase (decrease) in borrowed money (excluding subordinated borrowings)	**(5,077)**	4,000	**(45,063)**
(Increase) decrease in due from banks other than BOJ	**(305)**	22	**(2,711)**
Decrease in call loans and bills bought	**9,760**	86,026	**86,617**
Increase (decrease) in call money and bills sold	**(517)**	29,024	**(4,594)**
Increase in payables under securities lending transactions	**27,310**	—	**242,370**
(Increase) decrease in foreign exchange assets	**1,225**	(477)	**10,878**
Increase (decrease) in foreign exchange liabilities	**(61)**	72	**(543)**
Decrease in lease receivables and investment assets	**547**	—	**4,859**
Interest received	**43,707**	43,080	**387,887**
Interest paid	**(3,240)**	(2,505)	**(28,762)**
All other operating activities	**(440)**	(10,558)	**(3,913)**
Sub-total	**(258,112)**	526,656	**(2,290,664)**
Income taxes paid, net	**(6,253)**	(4,480)	**(55,500)**
Net cash provided by (used in) operating activities	**(264,365)**	522,175	**(2,346,164)**
Cash flows from investing activities			
Purchase of equity and other securities	**(708,626)**	(1,023,609)	**(6,288,841)**
Proceeds from sales of equity and other securities	**626,962**	615,656	**5,564,094**
Proceeds from maturities of securities	**252,788**	222,576	**2,243,421**
Increase in money held in trust	**(1)**	(1,500)	**(8)**
Expenditures for tangible fixed assets	**(5,548)**	(2,243)	**(49,244)**
Proceeds from sales of tangible fixed assets	**85**	41	**759**
Expenditures for intangible fixed assets	**(809)**	(258)	**(7,187)**
Purchase of shares of subsidiaries resulting in change in scope of consolidation	**(4,581)**	—	**(40,662)**
Net cash provided by (used in) investing activities	**160,268**	(189,337)	**1,422,330**
Cash flows from financing activities			
Dividends paid	**(2,084)**	(1,953)	**(18,503)**
Repayments of lease obligations	**(5)**	(512)	**(50)**
Purchase of treasury stock	**(2)**	(3)	**(21)**
Proceeds from sales of treasury stock	**495**	1	**4,395**
Net cash used in financing activities	**(1,597)**	(2,468)	**(14,179)**
Effect of exchange rate changes in cash and cash equivalents	**(5)**	13	**(51)**
Net increase (decrease) in cash and cash equivalents	**(105,701)**	330,383	**(938,065)**
Cash and cash equivalents at beginning of fiscal year	**1,423,437**	1,093,054	**12,632,562**
Decrease in cash and cash equivalents resulting from exclusion of subsidiaries from consolidation	**—**	(0)	**—**
Cash and cash equivalents at end of fiscal year (Note 15)	**¥1,317,735**	¥1,423,437	**$11,694,497**

See notes to consolidated financial statements.

Notes to Consolidated Financial Statements

1. Basis of Presentation

The accompanying consolidated financial statements of The Toho Bank, Ltd. (the "Bank") and its consolidated subsidiaries (collectively the "Group") have been prepared from the accounts and records maintained by them in accordance with accounting principles generally accepted in Japan which are different in certain respects as to the application and disclosure requirements of International Financial Reporting Standards. The accompanying consolidated financial statements have been compiled from the consolidated financial statements filed with the Prime Minister as required by the Financial Instruments and Exchange Act of Japan and the Banking Act of Japan.

For the convenience of readers outside Japan, certain items presented in the Japanese original financial statements have been reclassified and rearranged.

The amounts indicated in millions of yen are rounded down by omitting amounts of less than one million. As a result, the totals shown in the accompanying financial statements do not necessarily agree with the sums of the individual amounts.

2. Summary of Significant Accounting Policies

(a) Principles of consolidation

Under the control or influence concept, those companies in which the Bank, directly or indirectly, is able to exercise control over operations are consolidated, and those companies (affiliates) over which the Group has the ability to exercise significant influence are accounted for by the equity method.

(1) Scope of consolidation

The number of consolidated subsidiaries and unconsolidated subsidiaries as of March 31, 2016 and 2015 is as follows:

	2016	2015
Number of consolidated subsidiaries:	7	1
Number of unconsolidated subsidiaries:	1	1

The unconsolidated subsidiary is excluded from the scope of consolidation since its exclusion does not preclude reasonable judgment on the Group's financial position and financial performance in terms of its assets, net income (amount corresponding to the equity), retained earnings (amount corresponding to the equity) and accumulated other comprehensive income (amount corresponding to the equity), etc.

(Significant changes in the scope of consolidation)

From the year ended March 31, 2016, Toho Lease Co., Ltd., Toho Card Co., Ltd., Toho Credit Service Co., Ltd., Toho Credit Guarantee Co., Ltd. and Toho Information System Co., Ltd., which were affiliates accounted for by the equity method in previous fiscal year, are included in the scope of consolidation resulting from the additional acquisition of shares and making these the Bank's subsidiaries.

In addition, Toho Securities Co., Ltd., which was newly established on August 28, 2015, is included in the scope of consolidation from the year ended March 31, 2016.

(2) Application of the equity method

The number of affiliates accounted for by the equity method and unconsolidated subsidiaries not accounted for by the equity method as of March 31, 2016 and 2015 is as follows:

	2016	2015
Number of affiliates accounted for by the equity method	—	5
Number of unconsolidated subsidiaries not accounted for by the equity method	1	1

(Significant change in the scope of the equity method)

As described in Changes in the scope of consolidation, Toho Lease Co., Ltd., Toho Card Co., Ltd., Toho Credit Service Co., Ltd., Toho Credit Guarantee Co., Ltd. and Toho Information System Co., Ltd. were excluded from the scope of the equity method from the year ended March 31, 2016. Consequently, there are no affiliates accounted for by the equity method.

The unconsolidated subsidiary not accounted for by the equity method is excluded from the scope of equity method since its exclusion does not have a material effect on the consolidated financial statements in terms of its net income (amount corresponding to the equity), retained earnings (amount corresponding to the equity) and accumulated other comprehensive income (amount corresponding to the equity), etc.

(3) Closing date of the consolidated subsidiaries

The closing date of the consolidated subsidiaries is the same as the consolidated closing date.

(b) Trading account securities

Trading account securities are stated at fair value at the end of the year.

The moving average cost method is used to determine the cost of securities sold.

(c) Securities

Held-to-maturity debt securities are stated at amortized cost using the moving average cost method.

Available-for-sale securities are in principle stated at fair value at the end of the year or, if the fair value is considered to be extremely difficult to obtain, at cost using the moving average cost method.

Valuation difference on available-for-sale securities is presented as a separate component of net assets, net of related tax effect.

Securities included in "Money held in trust" are also classified and accounted for in the same method as stated above.

(d) Derivatives

The Bank's derivatives are stated at fair value.

(e) Depreciation of fixed assets

(1) Depreciation of tangible fixed assets of the Bank (except leased assets) is computed under the straight-line method. The estimated useful lives of assets are as follows:

Buildings: 6–50 years
Others: 3–20 years

(2) Depreciation of intangible fixed assets (except leased assets) is computed under the straight-line method. Development costs for internally used software are capitalized and depreciated under the straight-line method over the estimated useful lives of primarily 5 years.

(3) Depreciation of leased assets pertaining to finance lease transactions other than those in which the lease is deemed to transfer ownership of leased property to the lessee, included in "Tangible fixed assets" and "Intangible fixed assets," is computed by the straight-line method based on the assumptions that the lease term is equal to the useful life and that there is no residual value except where residual value guarantees are stipulated in lease contracts.

(Changes in accounting policies that are difficult to distinguish from changes in accounting estimates)

Depreciation of tangible fixed assets (except leased assets) has been changed from the declining-balance method to the straight-line method from the year ended March 31, 2016.

Under "Toho Summit Plan", which is the medium-term management plan that started in the current fiscal year, the Bank has taken actions to strengthen business structure aiming to expand contact with customers.

Specifically, the Bank plans to open and renew branches with focus on improving convenience for customers and making replacement investments to office equipment. After reviewing the depreciation method triggered by the planning of these investments, the Bank has concluded that changing the depreciation method to the straight-line method corresponding with the actual status of usage would reflect the substance of the Bank's business more appropriately since the branches and office equipment have been used stably over a long period and their value in use remains largely unchanged throughout the useful lives.

As a result, depreciation expense decreased by ¥552 million and profit before income taxes increased by the same amount, compared to the previous method.

(Changes in accounting estimates)
Buildings had been depreciated primarily using the useful lives of 27-40 years. However, considering the fact that investments in buildings have increased in recent years, the actual status of usage was investigated in accordance with the change of the depreciation method for the year ended March 31, 2016. As a consequence, to implement the cost allocation more appropriately by adjusting the economic useful lives to the actual status, the useful lives are reviewed and changed primarily to 34-50 years for the future.

As a result, depreciation expense decreased by ¥223 million and profit before income taxes increased by the same amount, compared to the previous method.

(f) Revaluation of land

In accordance with the Act on Revaluation of Land enacted on March 31, 1998 (the "Act"), the land used for business owned by the Bank was revalued at March 31, 2000, and the unrealized gains, net of related tax effect, are reported as "Revaluation reserve for land" in the Net Assets section, and the deferred tax is included in the Liabilities section as "Deferred tax liabilities for land revaluation."

The amount of excess of the revalued carrying amount over the fair value of the lands revalued as of March 31, 2016 and 2015 pursuant to the Article 10 of the Act was ¥10,472 million and ¥10,890 million, respectively.

(g) Allowance for loan losses

The allowance for loan losses of the Bank is made in accordance with the Bank's internal rules for self-assessment of asset quality and for providing reserve for possible credit losses. Pursuant to the rules, the allowance for loan losses has been provided for as described below.

For loans to borrowers which are classified as substantially bankrupt or which are bankrupt in the formal legal sense, a reserve is provided based on the amount remaining after deduction of the collateral considered to be disposable and an estimate of amounts recoverable under guarantees.

For loans to borrowers which, although not actually bankrupt in the legal sense, have experienced serious financial difficulties and whose failure is highly possible, a reserve is provided for the estimated unrecoverable amount based on the amount remaining after deduction of the collateral considered to be disposable and an estimate of amounts recoverable under guarantees.

For other loans, a reserve is provided based on the Bank's historical loan loss experience.

The above procedures for providing reserves follow the Bank's internally established rules for self-assessment of the quality of all the Bank's loan assets, which have been audited by the Audit Department.

The allowance for loan losses of the consolidated subsidiaries is provided for necessary amount, which is based on historical loan loss experience and estimated collectability of specific claims.

(h) Provision for directors' retirement benefits

The provision for directors' retirement benefits is provided at the amount that would be required to be paid based on internally established standards if directors retired at the end of the year.

(Additional information)
On May, 15, 2015 the Board of Directors resolved to abolish the then existing director's retirement benefit plan at the close of the General Meeting of Shareholders to be held on June 24, 2015, and the shareholders approved the proposal to pay final lump-sum retirement benefits associated with the abolishment of the plan. Consequently, the provision for directors' retirement benefits is reversed in full and the unpaid final lump-sum retirement benefits of ¥335 million are included in "Other liabilities" since the payment will be made upon the retirement of each director.

Consolidated subsidiaries will continue to recognize the provision for directors' retirement benefits that would be required to be paid based on internally established rules if directors retired at the end of the year.

(i) Provision for reimbursement of deposits

The provision for reimbursement of deposits is provided for the future reimbursement of dormant deposits which were recognized as income to depositors, based on the estimated reimbursement loss in accordance with the past reimbursement records.

(j) Provision for contingent loss

The provision for contingent loss is provided for possible losses from contingencies, which are not covered by other specific provisions.

(k) Provision for customer point program

The provision for customer point program is provided based on a reasonable estimate for expected future purchases to be made by customers with reward point which are granted when they use co-branded credit cards issued by the Bank.

(l) Method for accounting for retirement benefits

The retirement benefit obligation is attributed to each period on a benefit formula basis. Amortization of prior service cost and actuarial gain or loss is computed as follows:

Prior service cost is amortized using the straight-line method over a period of 3 years within the average remaining service period of active employees when incurred.

Actuarial gain or loss is amortized from the succeeding year using the straight-line method over a period of 10 years within the average remaining service period of active employees in the year of the incurrence.

For the calculation of net defined benefit liability and net pension cost, consolidated subsidiaries apply the simplified method (the "simplified method") where the retirement benefit obligation is recognized at the amount that would be required to be paid for voluntary resignations at the end of the year.

(m) Translation of foreign currency assets and liabilities

Assets and liabilities are translated into Japanese yen mainly at the exchange rates prevailing at the consolidated balance sheet date.

(n) Leases

(Lessor)
Finance lease transactions that do not transfer ownership with commencement dates prior to the fiscal years beginning on April 1, 2008, are accounted for in accordance with "Accounting Standard for Lease Transactions" (ASBJ Statement No. 13, March 30, 2007) and Paragraph 81 of "Guidance on Accounting Standard for Lease Transactions" (ASBJ Guidance No. 16, March 25, 2011). Lease investment assets at the initial year of application of this accounting standard are valued at their appropriate book value of tangible fixed assets (net of accumulated depreciation) as of March 31, 2008.

In addition, the total amount equivalent to interest over the remaining term after the application of this accounting standard is allocated over the lease terms by the straight-line method.

(o) Income and expenses

Income and expenses associated with finance lease transactions are recognized as sales and cost of sales at the time of receiving the lease fee.

(p) Method of hedge accounting

(1) Interest rate risks

Deferred hedge accounting is adopted for hedges carried out to control interest rate risk arising from financial assets and liabilities, as stipulated in "Treatment of Accounting and Auditing Concerning Accounting for Financial Instruments in the Banking Industry" (Japanese Institute of Certified Public Accountants (hereinafter "JICPA") Industry Audit Committee Report No. 24, February 13, 2002). Regarding the hedge which is intended to offset the effects of market fluctuations, hedge effectiveness between hedged items (such as deposits and loans and bills discounted) and hedging instruments (such as interest rate swaps) are assessed individually. Hedge effectiveness is considered to be high as the major terms between designated hedged items and hedging instruments are almost the same, thus substituting for evaluation of hedge effectiveness. The effectiveness is also assessed by verifying the inverse correlation of the interest rates.

The Bank applies the special treatment of hedge accounting for interest rate swaps for interest rate risk arising from certain financial assets (the "special treatment") and liabilities whereby interest is recognized on an accrual basis.

(2) Currency risks

Deferred hedge accounting is adopted for hedges carried out to control the risk of currency fluctuations arising from foreign currency-denominated assets and liabilities, as stipulated in the "Treatment of Accounting and Auditing Concerning Accounting for Foreign Currency Transactions in Banking Industry" (JICPA Industry Audit Committee Report No. 25, July 29, 2002). Currency swap transactions are carried out for the purpose of offsetting the risk of currency fluctuations arising from foreign currency-denominated monetary claims. The effectiveness of the hedge is evaluated by confirming the availability of an amount equivalent to the foreign currency position used to hedge the foreign currency-denominated monetary claims.

(q) Statements of cash flows

In preparing the consolidated statements of cash flows, cash and due from the Bank of Japan are considered to be cash and cash equivalents.

(r) Consumption taxes

National and local consumption taxes of the Bank and its consolidated subsidiaries are accounted for using the tax-excluded method.

(s) Changes in accounting policies

The Bank has adopted the "Revised Accounting Standard for Business Combinations" (ASBJ Statement No. 21, September 13, 2013, hereinafter the "Accounting Standard for Business Combinations"), the "Revised Accounting Standard for Consolidated Financial Statements" (ASBJ Statement No. 22, September 13, 2013, hereinafter "Consolidated Accounting Standard"), and the "Revised Accounting Standard for Business Divestitures" (ASBJ Statement No. 7, September 13, 2013, hereinafter the "Accounting Standard for Business Divestitures") and other related standards from the year ended March 31, 2016. Accordingly, acquisition-related costs are recognized as expenses in the year in which they are incurred. Regarding business combinations taking place on or after April 1, 2015, an adjustment to the provisional amount arising from the finalization of the tentative accounting treatment relating to the purchase price allocation is recognized in the consolidated financial statements for the accounting period in which the business combination occurs. In addition, presentation of profit and other items has been revised, and the term "minority interests" has been renamed as "non-controlling interests." For consistency with these changes, the consolidated financial statements for the year ended March 31, 2015 have been reclassified.

In the consolidated statement of cash flows for the year ended March 31, 2016, cash flows concerning any costs associated with the purchase of shares of subsidiaries that result in change in scope of consolidation are recognized under "Cash flows from operating activities."

The Bank has adopted the Accounting Standard for Business Combinations and other standards prospectively from the beginning of the year ended March 31, 2016, in accordance with the transitional accounting treatments set forth in Paragraph 58-2 (4) of the Accounting Standard for Business Combinations, Paragraph 44-5 (4) of the Consolidated Accounting Standard and Paragraph 57-4 (4) of the Accounting Standard for Business Divestitures.

The effect of these changes on profit before income taxes for the year ended March 31, 2016 is immaterial.

The effect on per share information is described in "18. Per Share Information."

(t) Accounting standard issued but not yet adopted

The "Revised Implementation Guidance on Recoverability of Deferred Tax Assets" (ASBJ Guidance No. 26, March 28, 2016, hereinafter, the "Implementation Guidance")

(1) Overview

The Implementation Guidance basically follows the guidance on recoverability of deferred tax assets prescribed in "Auditing Treatment on Determining the Recoverability of Deferred Tax Assets" (JICPA Audit Committee Report No. 66) with partial amendments.

(2) Scheduled date of adoption

This Implementation Guidance is scheduled to be applied from the beginning of the year ending March 31, 2017.

(3) Effect of adopting this accounting standard

The Bank is in the process of determining the effect of applying the Implementation Guidance.

3. U.S. Dollar Amounts

The translation of yen amounts into U.S. dollar amounts is included solely for convenience, as a matter of arithmetic computation only, at the rate of ¥112.68 = U.S. $1.00, the exchange rate prevailing on March 31, 2016. This translation should not be construed as a representation that yen amounts have been, could have been, or could in the future be, converted into U.S. dollars at the above or any other rate.

4. Loans and Bills Discounted

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

	Millions of Yen	
March 31	**2016**	2015
Loans to borrowers in bankruptcy	**¥ 2,984**	¥ 1,857
Delinquent loans	**29,853**	34,720
Loans past due 3 months or more	**263**	409
Restructured loans	**547**	675
Total	**¥33,648**	¥37,662

Loans to borrowers in bankruptcy represent non-accrual loans, after the write-offs of loans deemed uncollectable to borrowers who are legally bankrupt, as defined in Article 96, Paragraph 1, Subparagraphs 3 and 4 of Order for Enforcement of the Corporation Tax Act.

Delinquent loans are non-accrual loans other than loans to borrowers in bankruptcy or loans on which interest payments have been deferred in order to assist the restructuring of the borrowers.

Loans past due 3 months or more are loans on which interest or principal payments are 3 months or more past due, but which are not included in loans to borrowers in bankruptcy or delinquent loans.

Restructured loans are loans, other than loans to borrowers in bankruptcy, delinquent loans or loans past due 3 months or more, on which the Bank has granted certain concessions such as a reduction of the contractual interest rates or principal or a deferral of payments of interest/principal, in order to assist the restructuring of the borrowers.

Bills discounted are accounted for as finance transactions in accordance with JICPA Industry Audit Committee Report No. 24. The Bank has rights to sell or pledge commercial bills discounted and foreign exchange bought without restrictions, and their total face amount was ¥6,567 million and ¥7,990 million as of March 31, 2016 and 2015, respectively.

5. Acceptances and Guarantees

All contingent liabilities arising from acceptances and guarantees are included in the account “Customers’ liabilities for acceptances and guarantees,” which represents the Bank’s right of indemnity from the applicants, and is presented as a contra-account on the assets side of the consolidated balance sheets.

6. Pledged Assets

Assets pledged as collateral as of March 31, 2016 and 2015 were as follows:

	Millions of Yen	
March 31	**2016**	2015
Pledged assets:		
Securities	**¥142,773**	¥140,429
Total pledged assets	**¥142,773**	¥140,429
Liabilities covered by pledged assets:		
Deposits	**¥ 45,102**	¥ 40,118
Payables under securities lending transactions	**27,310**	—
Borrowed money	**6,100**	10,900
Total liabilities covered by pledged assets	**¥ 78,512**	¥ 51,018

In addition to the above, Securities in the amount of ¥108,102 million and ¥99,738 million, and Other assets in the amount of ¥283 million and ¥284 million were pledged as collateral in connection with exchange settlements as of March 31, 2016 and 2015, respectively.

As of March 31, 2016, security deposit in the amount of ¥818 million was included in Other assets. As of March 31, 2015, security deposit in the amount of ¥838 million and Cash collateral paid for financial instruments in the amount of ¥331 were included in Other assets.

7. Commitments and Contingent Liabilities

Overdraft facilities and line-of-credit contracts are agreements under which, unless there is no breach of contract by the counterparty, the Bank or its consolidated subsidiary is required to provide clients with funds up to a fixed limit upon submission of a loan application to the Bank or its consolidated subsidiary. The unused amount related to such facilities/contracts stood at ¥817,621 million and ¥718,486 million as of March 31, 2016 and 2015, respectively. Of this amount, facilities/contracts which expire within one year at inception or which are unconditionally cancelable at any time, totaled ¥750,016 million and ¥678,192 million as of March 31, 2016 and 2015, respectively.

Most of these agreements expire without the clients’ having utilized the financial resources available under the facilities/contracts, and the unused amount does not necessarily impact the Bank or its consolidated subsidiary’s future cash flows. Most of these facilities/contracts contain a clause which allows the Bank or its subsidiary to reject a loan application or to reduce the upper limit requested in view of changing financial conditions, credit maintenance and other reasonable concerns.

When necessary, the Bank or its consolidated subsidiary demands collateral such as real estate or marketable securities at the date on which the aforementioned agreement is entered into. In addition, after facilities/contracts are set forth, the Bank or its consolidated subsidiary regularly assesses the business status of the clients, based on predetermined internal procedures and, when prudent, revises the agreements or reformulates policies to maintain creditworthiness.

8. Accumulated Depreciation of Tangible Fixed Assets

Accumulated depreciation of Tangible fixed assets was ¥50,929 million and ¥48,535 million, and advanced depreciation on Tangible fixed assets was ¥1,022 million and ¥1,022 million as of March 31, 2016 and 2015, respectively.

9. Borrowed Money

Borrowed money includes borrowings made under special conditions under which repayment is subordinate to other classes of debt. The amount of the subordinate borrowings totaled ¥26,600 million and ¥26,600 million as of March 31, 2016 and 2015, respectively.

10. Guarantees for Corporate Bonds

The amount of the guarantees for privately placed bonds in corporate bonds in accordance with Article 2, Paragraph 3 of the Financial Instruments and Exchange Act totaled ¥31,106 million and ¥29,988 million as of March 31, 2016 and 2015, respectively.

11. General and Administrative Expenses

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

	Millions of Yen	
March 31	**2016**	2015
Salaries and allowances	**¥16,686**	¥15,258
Net pension cost	**608**	780

12. Other Income

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

	Millions of Yen	
March 31	**2016**	2015
Gain on sales of stocks and other securities	**¥1,898**	¥2,019
Reversal of allowance for loans losses	**757**	1,093
Gain on bad debts recovered	**1**	—
Gain on disposal of fixed assets	**6**	2
Compensation income	**8**	25
Gain on step acquisitions	**1,630**	—
Gain on negative goodwill	**6,033**	—

Compensation income was the compensation for damage from Tokyo Electric Power Co., Inc. since the value of depreciable assets and residential land reduced due to the accident at Fukushima Daiichi Nuclear Power Station and Fukushima Daini Nuclear Power Station.

13. Other Expenses

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

	Millions of Yen	
March 31	**2016**	2015
Loss on disposal of fixed assets	**¥371**	¥210
Loss on sales of stocks and other securities	**120**	136
Loss on impairment of fixed assets	**67**	26
Loss on devaluation of stocks and other securities	**44**	18
Write-off of loans	**18**	1
Loss on change in equity	**—**	1

The differences between the recoverable amount and the book value of the following assets were recognized as loss on impairment of fixed assets during the years ended March 31, 2016 and 2015:

(Millions of Yen)

Area	Purpose of use	Type	Losses 2016	Losses 2015
Fukushima Area	Branch premises	Land	¥16	¥11
		Building	17	8
	Company housing	Land	—	3
		Building	—	2
	Idle assets	Land	16	—
		Building	0	—
Outside of Fukushima Area	Branch premises	Land	17	—
Total			¥67	¥26

The Bank uses for recognition of loss on impairment the estimated unrecoverable amount in its branch premises, company housings and idle assets, grouped based on individual branch unit (however, group of branches where the connection between income and expenditure is mutually complementary are identified as a group unit), which is the smallest unit of grouping used in revenue management.

In addition, each idle asset is treated as independent unit.

The recoverable amount of an asset group is calculated based on net realizable value. The net realizable value is principally based on real estate appraisals where net realizable value of immaterial real estate is determined by deducting the estimated costs of disposal from the amount calculated based on the index appropriately reflecting the market price such as land tax assessment.

14. Notes to Consolidated Statements of Changes in Net Assets

Changes in outstanding shares and treasury stock during the years ended March 31, 2016 and 2015 were summarized as follows:

(Thousand Shares)

	Number of Shares as of April 1, 2015	Number of Shares Increased	Number of Shares Decreased	Number of Shares as of March 31, 2016
Outstanding Shares				
Common Stock	252,500	—	—	252,500
Treasury Stock				
Common Stock (*)	516	1,035	1,118	433

(*) Increase in the number of Treasury stock by 1,035 thousand shares consisted of 5 thousand shares of acquisition of odd-lot shares and 1,029 thousand shares as a result of consolidating five affiliates accounted for by the equity method.

Decrease in the number of Treasury stock by 1,118 thousand shares consisted of 1,118 thousand shares of disposition of the Bank's shares held by the consolidated subsidiaries.

(Thousand Shares)

	Number of Shares as of April 1, 2014	Number of Shares Increased	Number of Shares Decreased	Number of Shares as of March 31, 2015
Outstanding Shares				
Common Stock	252,500	—	—	252,500
Treasury Stock				
Common Stock (*)	510	8	2	516

(*) Increase in the number of Treasury stock by 8 thousand shares consisted of 8 thousand shares of acquisition of odd-lot shares and 0 thousand shares of change in equity in affiliates accounted for by the equity method.

Decrease in the number of Treasury stock by 2 thousand shares consisted of 2 thousand shares of disposition of odd-lot shares.

Detailed information about cash dividends paid during the year ended March 31, 2016 was as follows:

Date of Approval	Type of Shares	Total Dividends (¥ million)	Dividend Per Share	Dividend Record Date	Effective Date
General Meeting of Shareholders on June 24, 2015	Common Stock	1,071	¥4.25	March 31, 2015	June 25, 2015
Board of Directors on November 13, 2015	Common Stock	1,008	¥4.00	September 30, 2015	December 4, 2015

Detailed information about cash dividends paid during the year ended March 31, 2015 was as follows:

Date of Approval	Type of Shares	Total Dividends (¥ million)	Dividend Per Share	Dividend Record Date	Effective Date
General Meeting of Shareholders on June 23, 2014	Common Stock	1,008	¥4.00	March 31, 2014	June 24, 2014
Board of Directors on November 14, 2014	Common Stock	945	¥3.75	September 30, 2014	December 5, 2014

Dividends with record dates on or before March 31, 2016 and effective dates after April 1, 2016 were as follows:

Date of Approval	Type of Shares	Total Dividends (¥ million)	Source of Dividends	Dividend Per Share(*)	Dividend Record Date	Effective Date
General Meeting of Shareholders on June 24, 2016	Common Stock	1,134	Retained Earnings	¥4.50	March 31, 2016	June 27, 2016

(*) Dividend per share includes ¥0.50 yen of commemorative dividend for the Bank's 75th anniversary since establishment.

Dividends with record dates on or before March 31, 2015 and effective dates after April 1, 2015 were as follows:

Date of Approval	Type of Shares	Total Dividends (¥ million)	Source of Dividends	Dividend Per Share	Dividend Record Date	Effective Date
General Meeting of Shareholders on June 24, 2015	Common Stock	1,071	Retained Earnings	¥4.25	March 31, 2015	June 25, 2015

15. Notes to Consolidated Statements of Cash Flows

(a) Cash and cash Equivalents

A reconciliation between Cash and due from banks in the consolidated balance sheets as of March 31, 2016 and 2015, and Cash and cash equivalents in the consolidated statements of cash flows for the years then ended was as follows:

	Millions of Yen	
March 31	**2016**	2015
Cash and due from banks	**¥1,318,806**	¥1,423,783
Ordinary due from banks	**(904)**	(97)
Other	**(166)**	(249)
Cash and cash equivalents	**¥1,317,735**	¥1,423,437

(b) Major breakdown of assets and liabilities of subsidiaries that were newly consolidated by acquisition of shares

For the year ended March 31, 2016

Major breakdown of assets and liabilities of five companies (Toho Lease Co., Ltd., Toho Card Co., Ltd., Toho Credit Service Co., Ltd., Toho Credit Guarantee Co., Ltd. and Toho Information System Co., Ltd.) that were newly consolidated through the acquisition of shares at the time of consolidation as well as the relationship between the acquisition cost of five companies' shares and expenditures for acquisition (net) are as follows:

	Millions of Yen
Assets	¥ 33,296
Liabilities	(20,418)
Goodwill	495
Gain on negative goodwill	(6,033)
Acquisition cost of shares	7,338
Value by the equity method before acquisition	(1,122)
Gain on step acquisition	(1,630)
Cash and cash equivalents	(2)
Deduction: expenditures for acquisition	¥ 4,581

For the year ended March 31, 2015
None

16. Deferred Income Taxes

The major components of deferred tax assets and liabilities as of March 31, 2016 and 2015 were summarized as follows:

	Millions of Yen	
March 31	2016	2015
Deferred tax assets:		
Allowance for loan losses	¥ 3,539	¥ 4,493
Net defined benefit liability	4,896	4,081
Valuation difference on available-for-sale securities	3	—
Depreciation	1,050	1,184
Revaluation reserve for land	1,862	1,964
Deferred gains or losses on hedges	2,002	758
Others	3,541	3,649
Valuation allowance	(3,320)	(3,432)
Total deferred tax assets	13,576	12,698
Deferred tax liabilities:		
Valuation difference on available-for-sale securities	(12,943)	(13,065)
Revaluation reserve for land	(3,067)	(3,259)
Others	—	—
Total deferred tax liabilities	(16,010)	(16,324)
Net deferred tax assets (liabilities)	¥ (2,434)	¥ (3,625)

Note: Net deferred tax assets (liabilities) are included in the following items in the consolidated balance sheet as of March 31, 2016 and 2015.

	Millions of Yen	
March 31	2016	2015
Deferred tax assets	¥ 747	¥ —
Deferred tax liabilities	114	366
Deferred tax liabilities for land revaluation	3,067	3,259

The following summarizes the significant differences between the statutory tax rate and the Bank's effective tax rate for the years ended March 31, 2016 and 2015:

Year ended March 31	2016	2015
Statutory tax rate	32.5%	35.0%
Non-deductible expenses	0.5	0.6
Non-taxable income	(0.3)	(1.2)
Per capita inhabitant taxes	0.2	0.2
Valuation allowance	(0.1)	(0.1)
Gain on negative goodwill	(8.0)	—
Gain on step acquisition	(2.2)	—
Amortization of goodwill	0.7	—
Reduction of year-end deferred tax assets due to tax rate changes	1.9	6.2
Others	0.0	0.2
Effective tax rate	25.2%	40.9%

(Revisions to amounts of deferred tax assets and deferred tax liabilities due to change in rate of income taxes)
On March 29, 2016, the "Act for Partial Amendment to the Income Tax Act" and the "Act for Partial Amendment to the Local Tax Act" were enacted, and the income tax rate was lowered from the years beginning on and after April 1, 2016. Accordingly, the statutory tax rates which the Bank used for calculation of deferred tax assets and liabilities were lowered from 31.7% for the year ended March 31, 2015 to 30.3% for temporary differences expected to be reversed in the years beginning on April 1, 2016 and 2017, and to 30.1% for those expected to be reversed on and after April 1, 2018.

As a result of this change, deferred tax assets, deferred tax liabilities, deferred gains or losses on hedges and remeasurements of defined benefit plans decreased by ¥681 million, ¥694 million, ¥108 million and ¥104 million, respectively, while valuation difference on available-for-sale securities and income taxes-deferred increased by ¥694 million and ¥468 million, respectively. In addition, deferred tax liabilities for land revaluation decreased by ¥166 million and revaluation reserve for land increased by the same amount.

17. Retirement Benefits

The Bank and its consolidated subsidiaries have a corporate pension fund plan and a lump-sum retirement payment plan (transferred from the welfare pension fund system on October 1, 2004) as defined benefit plans. For the calculation of net defined benefit liability and net pension cost, the Bank's consolidated subsidiaries have adopted the simplified method where the retirement benefit obligation is recognized at the amount that would be required to be paid for voluntary resignations at the end of the year.

Retirement benefits in the corporate pension fund plan and the lump-sum retirement payment plan are calculated based on points.

On April 1, 2014 (the Date of Enforcement), the Bank has revised its retirement benefit plans whereby a part of the future payments of defined benefit plans transferred to defined contribution plans, and accounted for the transfer in accordance with the "Guidance on Accounting for Transfer between Retirement Benefit Plans" (ASBJ Guidance No. 1).

The Bank has set up retirement benefit trusts in lump-sum retirement payment plan from the end of year ended March 31, 2015.

A. Defined benefit plans (including those of the consolidated subsidiaries applying the simplified method)

(i) Change in retirement benefit obligation

	Millions of Yen	
March 31	2016	2015
Balance at beginning of the year	¥35,482	¥34,272
Cumulative effects of changes in accounting policies	—	(339)
Restated balance	—	33,933
Service cost	804	759
Interest cost	385	461
Actuarial loss	2,912	1,808
Benefit paid	(1,345)	(1,365)
Prior service cost	—	—
Increase in change in scope of consolidation	308	—
Decrease in change in scope of consolidation	—	(113)
Others	—	—
Balance at end of the year	¥38,547	¥35,482

(ii) Change in plan assets

	Millions of Yen	
March 31	2016	2015
Balance at beginning of the year	¥27,645	¥21,080
Expected return on plan assets	552	420
Actuarial gain (loss)	(997)	1,343
Employer contributions	4,569	5,571
Benefit paid	(763)	(789)
Increase in changes in scope of consolidation	219	—
Decrease in changes in the scope of consolidation	—	(65)
Others	83	84
Balance at end of the year	¥31,308	¥27,645

Contributions to retirement benefit trusts were included in employer contributions.

(iii) Retirement benefit obligation and plan assets at end of the year and reconciliation of net defined benefit liability and net defined benefit asset recognized in the consolidated balance sheet

	Millions of Yen	
March 31	**2016**	2015
Funded retirement benefit obligation	**¥ 38,458**	¥ 35,482
Plan assets	**(31,308)**	(27,645)
	7,149	7,837
Unfunded retirement benefit obligation	**89**	—
Amount of liability, net of asset, recognized in consolidated balance sheet	**7,238**	7,837
Net defined benefit liability	**7,238**	7,837
Net defined benefit asset	**—**	—
Amount of liability, net of asset, recognized in consolidated balance sheet	**¥ 7,238**	¥ 7,837

(iv) Net pension cost and its breakdown

	Millions of Yen	
March 31	**2016**	2015
Service cost	**¥ 804**	¥ 759
Interest cost	**385**	461
Expected return on plan assets	**(552)**	(420)
Amortization of actuarial loss	**402**	399
Amortization of prior service cost	**(335)**	(335)
Others	**—**	—
Net pension cost	**¥ 703**	¥ 864

(v) Remeasurements of defined benefit plan in other comprehensive income
The items recognized under remeasurements of defined benefit plans (before tax effect) were as follows:

	Millions of Yen	
March 31	**2016**	2015
Prior service cost	**¥ (335)**	¥(335)
Actuarial gain (loss)	**(2,372)**	11
Others	**—**	—
Total	**¥(2,707)**	¥(323)

(vi) Remeasurements of defined benefit plans in accumulated other comprehensive income
The items recognized under remeasurements of defined benefit plans (before tax effect) were as follows:

	Millions of Yen	
March 31	**2016**	2015
Unrecognized prior service cost	**¥ (307)**	¥ (642)
Unrecognized actuarial gain	**6,740**	3,232
Others	**—**	—
Total	**¥6,433**	¥2,590

(vii) Plan assets
(a) Percentage by major category of plans assets was as follows:

	2016	2015
General account of life insurance companies	**31%**	34%
Equities	**18%**	23%
Bonds	**22%**	21%
Cash and due from banks	**24%**	18%
Call loans	**1%**	—
Others	**4%**	4%
Total	**100%**	100%

Retirement benefit trusts contributed to lump-sum retirement payment plan accounts for 29% and 18% of total plan assets for the years ended March 31, 2016 and 2015, respectively.

(b) Basis of long-term expected rate of return on plan assets
In determining long-term expected rate of return on plan assets, the Group considers the current and projected plan asset allocations, as well as current and future long-term rate of returns expected from various categories of the plan assets.

(viii) Actuarial assumptions
Actuarial assumptions as of March 31, 2016 and 2015 were as follows:

	2016	2015
Discount rate	**0.0%–0.9%**	0.1%–1.6%
Long-term expected rate of return on plan assets	**2.0%**	2.0%

B. Defined contribution pension plans

On April 1, 2014 (the Date of Enforcement), the Bank transferred a part of the future payments of defined benefit pension plans to defined contribution pension plans. Contributions to be paid to defined contribution pension plans were ¥141 million and ¥133 million for the years ended March 31, 2016 and 2015, respectively.

18. Per Share Information

Net assets per share as of March 31, 2016 and 2015 and basic earnings per share for the years ended March 31, 2016 and 2015 were as follows:

	Yen	
As of March 31	**2016**	2015
Net assets per share	**¥786.61**	¥739.29
Basic earnings per share	**72.48**	39.37

Note 1: The bases for the computation of net assets per share are set out below.

	Millions of Yen / Thousands of Shares	
As of or year ended March 31	**2016**	2015
Total net assets	**¥198,279**	¥186,290
Net assets related to common stock	**198,279**	186,290
Number of common stock used to calculate net assets per share	**252,066**	251,983

Note 2: The bases for the computation of basic earnings per share are set out below.

	Millions of Yen / Thousands of Shares	
Year ended March 31	**2016**	2015
Profit attributable to owners of parent	**¥ 18,233**	¥ 9,921
Profit attributable to common shareholders of parent	**18,233**	9,921
Weighted average number of common stock during the year	**251,555**	251,985

As described in “Changes in accounting policies,” the Bank has adopted the Accounting Standard for Business Combinations and other standards in accordance with the transitional accounting treatments set forth in Paragraph 58-2 (4) of the Accounting Standard for Business Combinations, Paragraph 44-5 (4) of the Consolidated Accounting Standard and Paragraph 57-4 (4) of the Accounting Standard for Business Divestitures.

There is no effect on net assets per share as of March 31, 2016 and basic earnings per share for the year ended March 31, 2016 as a result of this change.

19. Leases Transactions

(Lessor)

(a) Breakdown of lease investment assets

	Millions of Yen	
As of March 31	**2016**	2015
Lease receivables	**¥8,696**	¥—
Residual value	**105**	—
Equivalent amount of maintenance cost	**(376)**	—
Unearned interest income	**(589)**	—
Lease investment assets	**¥7,836**	¥—

The scheduled collection of lease receivables related to lease investment assets subsequent to March 31, 2016 and 2015

	Millions of Yen	
As of March 31	**2016**	2015
Due within 1 year or less	**¥2,896**	¥—
Due in 1 year to 2 years	**2,261**	—
Due in 2 years to 3 years	**1,656**	—
Due in 3 years to 4 years	**1,078**	—
Due in 4 years to 5 years	**534**	—
Due after 5 years	**268**	—
Total	**¥8,696**	¥—

20. Financial Instruments and Related Disclosure

(a) Overall situation concerning financial instruments

(1) Policy for financial instruments

The Group provides banking and other financial operations including lease business. Funds raised from these operations are used primarily to offer commercial and mortgage loans and to invest in marketable securities. The Group's primary funding sources are deposits, but it may also borrow funds in the financial markets to meet day-to-day, short-term funding needs. As a result, it holds financial assets and liabilities whose economic values fluctuate with interest rate changes. To minimize adverse effects of interest rate fluctuations, an asset-liability management (ALM) system is in place to ensure comprehensive management of assets and liabilities with various durations under different market conditions. In addition, the Group engages in interest rate-, currency-, and bond- related transactions as derivative transactions which include transactions for the purpose of hedging and transactions for the purpose other than hedging.

(2) Nature and extent of risks arising from financial instruments

Financial assets held by the Group consist mainly of loans extended to business entities and individuals in Japan, which entail credit risk, where difficulty occurs in recovering the principal amounts of loans and interests thereon due to borrowers' bankruptcy or deteriorating business. General economic conditions in Fukushima Prefecture, the Group's primary geographical area of operations, may also exert adverse impact on borrowers' businesses and values of collaterals pledged. Marketable securities in which the Group invests are primarily bonds and equity shares, which subject the Group to credit risk (deterioration of financial conditions of issuers) and market risk (fluctuations in interest rates and prices).

The Group also faces liquidity risk in connection with borrowed funds and call money, that is, the Group might find it difficult to honor promises of payment on due dates if it cannot tap into financial markets to raise needed funds under certain environments. Moreover, the Group's borrowings are based on variable rates, which expose the Group to risks associated with interest rate fluctuations.

Aside from derivative instruments (i.e., interest rate and currency swaps) distributed directly to customers, the Group may enter into interest rate swaps as a part of its ALM operations to hedge its borrowings. Derivative transactions qualified for hedge accounting are accounted for separately using the hedge accounting standards. To secure foreign-currency denominated funds for currency-related services, the Group may utilize foreign exchange forward contracts and bond options trading at over-the-counter to increase interest income, which come with inherent market risk (risk of losses by the Group if interest rates and foreign exchange make adverse movements) and credit risk (risk of losses by the Group in the event of default by the counterparty). The Group is not engaged in leveraged derivative transactions with large volatility of the contract's fair value out of proportion to the price fluctuation of the underlying asset.

(3) Risk management system for financial instruments

(i) To manage credit risk, the Group has established credit risk management rules and a framework governing credit review required for each loan, credit limits, internal credit ratings, guarantees and collaterals in addition to procedures to deal with problem loans. The state of such risk and risk management is periodically reported to the Board of Directors upon examination by the ALM Committee.

Credit risk associated with issuers of marketable securities and counterparty risk relating to derivative transactions are managed by periodic monitoring of credit ratings and fair value.

(ii) The Group manages market risk (interest rate risk, price fluctuation risk and foreign exchange risk) as part of its ALM operations, which, among others, calls for quantification of various risks, risk limits to be set within a manageable scope in line with the Group's financial strength, and proper risk distribution to secure optimized profits. Risk management techniques and procedures used by the Group for the market risks are stipulated in the Group's market risk management rules. They include Value at Risk (VaR), asset-liability analyses by maturity, interest rate sensitivity analyses, and simulated risk analyses to assess potential impact of interest rate fluctuations from various angles. To reduce price fluctuation risk, the rules require a limit on the amount of securities to be held and a stop-loss level to be set up for each type of securities. In addition, ALM guidelines are prepared every six months, and the ALM Committee conducts reviews and examinations. The status of exposure to risks and the results of risk management activities are reported periodically to the Board of Directors upon examination by the ALM Committee.

To calculate VaR for the market risk, the variance-covariance method (holding period varies from one month to one year, depending on risk categories such as interest rates and shares, confidence level of 99%, observation period of combination of both 1 and 5 years) has been adopted. As of March 31, 2016, the Group's market risk quantity (estimated loss) in total is ¥28,799 million. This measure is for the Bank alone, since outstanding balance and sensitivity of the consolidated subsidiaries' financial assets and liabilities are considered insignificant.

The Group conducts back test to compare the actual income to VaR calculated by the model in order to verify the model. As a result of back test conducted, the Group concludes the model captures the market risk with sufficient accuracy. However, VaR is a statistic measure of market risk quantity based on the past fluctuations of market and certain probability of occurrence. It may not be possible to capture the risk if the market fluctuates rapidly, under extraordinary circumstances.

For derivative transactions, an internal control framework is in place by separating the execution team, the team responsible for assessing effectiveness of transactions as hedging instruments and the back office from one another. The quantified risks, aggregate size of derivative transactions and the results of profit/loss revaluation are reported to the ALM Committee on a monthly basis. The state of risk and risk management is reported periodically to the Board of Directors upon examination by the ALM Committee.

(iii) To control liquidity risk, the Group, having formulated its liquidity risk management rules, conducts daily analyses of the status of funding and the results of fund management activities, in addition to periodic funding tolerance checks under diverse scenarios. The status of exposure to risks and the results of risk management activities are reported periodically to the Board of Directors upon examination by the ALM Committee.

(4) Supplemental explanation for fair value of financial instruments

Financial instruments are stated at amounts based on market prices or reasonably computed amounts in the case of the absence of observable market prices. The computation of the amounts thereof is based on certain assumptions. Therefore, the amounts derived may differ if other assumptions are used.

(b) Fair value of financial instruments

The amount shown on the consolidated balance sheets, the corresponding fair value and their difference as of March 31, 2016 and 2015 for each financial instrument category were provided below. It should be noted that non-listed shares for which fair value is extremely difficult to obtain are not included in the following tables (see Note 2). Also items whose account balance on the consolidated balance sheets are immaterial are not included in the following disclosure.

	Millions of Yen		
March 31, 2016	Book value	Fair value	Difference
(1) Cash and due from banks	**¥1,318,806**	**¥1,318,806**	**¥ —**
(3) Trading account securities	**250**	**250**	**—**
(4) Securities:			
Available-for-sale securities	**1,530,849**	**1,530,849**	**—**
(5) Loans and bills discounted	**2,926,322**		
Allowance for loan losses (*1)	**(13,783)**		
	2,912,539	**2,960,935**	**48,396**
Total assets	**¥5,762,445**	**¥5,810,841**	**¥48,396**
(1) Deposits	**¥5,128,674**	**¥5,128,919**	**¥ 244**
(2) Negotiable certificates of deposits	**383,548**	**383,548**	**—**
Total liabilities	**¥5,512,223**	**¥5,512,467**	**¥ 244**
Derivative transactions (*2):			
Hedge accounting is not applied	**¥ 467**	**¥ 467**	**¥ —**
Hedge accounting is applied	**(6,652)**	**(6,652)**	**—**
Total derivative transactions	**¥ (6,184)**	**¥ (6,184)**	**¥ —**

	Millions of Yen		
March 31, 2015	Book value	Fair value	Difference
(1) Cash and due from banks	¥1,423,783	¥1,423,783	¥ —
(2) Call loans and bills bought	10,000	10,000	—
(3) Trading account securities	309	309	—
(4) Securities:			
Available-for-sale securities	1,702,488	1,702,488	—
(5) Loans and bills discounted	2,666,736		
Allowance for loan losses (*1)	(15,414)		
	2,651,322	2,684,201	32,879
Total assets	¥5,787,904	¥5,820,783	¥32,879
(1) Deposits	¥5,157,587	¥5,157,761	¥ 173
(2) Negotiable certificates of deposits	404,165	404,165	0
Total liabilities	¥5,561,753	¥5,561,926	¥ 173
Derivative transactions (*2):			
Hedge accounting is not applied	¥ (192)	¥ (192)	¥ —
Hedge accounting is applied	(2,389)	(2,389)	—
Total derivative transactions	¥ (2,582)	¥ (2,582)	¥ —

(*1) Allowance for loan losses (general reserve) and allowance for loan losses (case-specific reserve) provided for loans are deducted to compare with the corresponding fair value.

(*2) The derivative transactions reported under "Other assets" and "Other liabilities" in the consolidated balance sheets are stated on a net basis in the above table.
Net credit/debt arising from derivative transactions is stated on a net basis, and amounts in parentheses indicate net credit balance.

(Note 1) Valuation method of financial instruments

Assets

(1) Cash and due from banks

Cash and due from banks with no maturities is stated at the book value, since the book value approximates fair value. Cash and due from banks with set maturities is carried at the present value of future cash flows estimated by maturity category that are discounted at the assumed interest rate applicable to new deposits at the balance sheet date.

(2) Call loans and bills bought

They are due within one year and are stated at the book value, which approximates fair value.

(3) Trading account securities

The bonds and other securities, including government and municipal/public bonds held as sales agents thereof, are stated at the value announced by Japan Securities Dealers Association or quoted by financial institutions with which the Bank transacts business.

(4) Securities

Equity shares are stated at prices quoted in applicable stock exchanges, and bonds are stated at the value announced by Japan Securities Dealers Association. Investment trusts are stated at the publicized base prices or the base prices quoted by financial institutions with which the Bank transacts business. Investments in associations, if the fair value of assets held by such associations is obtainable, are stated at fair value on a pro rata basis in proportion of the Group's interests held in such associations' net assets. The fair value of privately placed bonds guaranteed by the Bank is computed in a manner similar to the loans described below.

(5) Loans and bills discounted

Loans are grouped by type and internal credit rating, and the fair value of a group of loans is computed by discounting the aggregate principal/interest amount by the theoretical value of an interest rate that reflects the expected loss rate of each borrower's category. For loans due within one year, the book value is stated as the fair value, since the book value is presumed to approximate the fair value.

The fair value of the loans to which the special accounting treatment of hedge accounting for interest rate swaps is applied is evaluated together with their hedging instruments. For loans extended to bankrupt, effectively bankrupt and potentially bankrupt borrowers, estimated loss given default are computed based on expected recoverable amounts through the disposal of the collaterals and execution of guarantees. Therefore, their fair values are stated at the amounts derived by subtracting the estimated loss given default from the carrying amounts of loans as of the consolidated balance sheet date, since the book value is presumed to approximate the fair value.

Loans with no stated maturities, such as loan facilities where loans are provided within a certain limit determined by pledged collateral value, are stated at their book values, as the book value is presumed to approximate fair value, based on the expected repayment periods, interest rate conditions and other terms and conditions.

Liabilities

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

Demand deposits are stated at amounts payable (i.e., book value if demanded on the consolidated balance sheet date). To arrive at the fair value of time deposits and others, deposits are grouped by deposit type, and the present value of expected future cash flows for each such group is computed by discounting the total of principals and interests. Discount rates applied are those applicable to new deposits accepted by the Bank at the balance sheet date. For deposits and certificates of deposits due within one year, they are stated at their book values, which are presumed to approximate the fair values.

Derivative transactions

Derivative transactions include interest rate swaps, currency swaps and foreign exchange forward contracts. They are stated at the prices at exchanges or at prices computed from their discounted present values, among others.

(Note 2) The fair values of the following financial products are extremely difficult to determine and, therefore, are not included in "Assets (4) Available-for-sale securities."

	Millions of Yen	
March 31	**2016**	2015
(i) Non-listed shares(*1) (*2)	**¥2,135**	¥2,841
(ii))Investments in associations(*3)	**2,756**	1,537
Total	**¥4,891**	¥4,378

(*1) The fair values of non-listed shares, which have no readily available market prices, are extremely difficult to determine. Therefore, they are excluded from fair-value disclosure.

(*2) Impairment loss on non-listed shares in the amount of ¥44 million and ¥18 million was posted for the years ended March 31, 2016 and 2015, respectively.

(*3) For investments in associations, assets included in the asset portfolios of such associations are excluded from fair-value disclosure, if the fair values of such assets, including real estate, are extremely difficult to determine.

(Note 3) Maturity analysis for claims and securities with contractual maturities subsequent to March 31, 2016 and 2015

March 31, 2016	Millions of Yen					
	Due within 1 Year or Less	Due in 1 to 3 Years	Due in 3 to 5 Years	Due in 5 to 7 Years	Due in 7 to 10 Years	Due after 10 Years
Due from banks	**¥1,272,179**	**¥ —**	**¥ —**	**¥ —**	**¥ —**	**¥ —**
Securities:	**220,836**	**543,187**	**237,911**	**213,063**	**169,524**	**62,841**
Available-for-sale securities with maturity	**220,836**	**543,187**	**237,911**	**213,063**	**169,524**	**62,841**
National government bonds thereof	**89,423**	**171,532**	**38,460**	**162,030**	**133,668**	**62,793**
Local government bonds thereof	**22,979**	**139,195**	**56,543**	**8,092**	**6,540**	**—**
Corporate bonds thereof	**68,716**	**179,566**	**99,939**	**7,814**	**15,314**	**—**
Loans(*)	**676,900**	**539,113**	**435,062**	**308,544**	**344,612**	**534,907**
Total	**¥2,169,916**	**¥1,082,300**	**¥672,973**	**¥521,607**	**¥514,137**	**¥597,749**

(*) Loans that are unlikely to be redeemed, such as to bankrupt, effectively bankrupt, and potentially bankrupt of ¥32,838 million, loans with no stated maturities of ¥54,344 million were not included.

March 31, 2015	Millions of Yen					
	Due within 1 Year or Less	Due in 1 to 3 Years	Due in 3 to 5 Years	Due in 5 to 7 Years	Due in 7 to 10 Years	Due after 10 Years
Due from banks	¥1,373,806	¥ —	¥ —	¥ —	¥ —	¥ —
Call loans	10,000	—	—	—	—	—
Securities:	249,239	501,935	439,270	108,322	275,442	58,375
Available-for-sale securities with maturity	249,239	501,935	439,270	108,322	275,442	58,375
National government bonds thereof	96,280	182,556	116,987	60,311	246,213	58,159
Local government bonds thereof	34,727	88,678	115,583	17,362	8,506	—
Corporate bonds thereof	50,992	170,188	147,366	6,233	15,964	203
Loans(*)	561,611	532,819	432,678	289,016	315,113	440,278
Total	¥2,194,657	¥1,034,755	¥871,949	¥397,339	¥590,556	¥498,653

(*) Loans that are unlikely to be redeemed, such as to bankrupt, effectively bankrupt, and potentially bankrupt of ¥36,577 million, loans with no stated maturities of ¥58,640 million were not included.

(Note 4) Maturity analysis for interest bearing liabilities subsequent to March 31, 2016 and 2015

March 31, 2016	Millions of Yen					
	Due within 1 Year or Less	Due in 1 to 3 Years	Due in 3 to 5 Years	Due in 5 to 7 Years	Due in 7 to 10 Years	Due after 10 Years
Deposits(*)	**¥4,910,736**	**¥187,628**	**¥30,280**	**¥12**	**¥15**	**¥—**
Negotiable certificates of deposit	**383,548**	**—**	**—**	**—**	**—**	**—**
Total	**¥5,294,285**	**¥187,628**	**¥30,280**	**¥12**	**¥15**	**¥—**

(*) Demand deposits are disclosed under “Due within 1 year or Less.”

March 31, 2015	Millions of Yen					
	Due within 1 Year or Less	Due in 1 to 3 Years	Due in 3 to 5 Years	Due in 5 to 7 Years	Due in 7 to 10 Years	Due after 10 Years
Deposits(*)	¥4,939,738	¥184,891	¥32,923	¥20	¥13	¥—
Negotiable certificates of deposit	404,165	—	—	—	—	—
Total	¥5,343,904	¥184,891	¥32,923	¥20	¥13	¥—

(*) Demand deposits are disclosed under “Due within 1 year or Less.”

21. Fair Value Information

The tables below represent the securities and trading account securities:

(a) Trading account securities

March 31	Millions of Yen	
	2016	2015
Realized gain included in earnings	**¥1**	¥1

(b) Held-to-maturity securities

None

(c) Available-for-sale securities

March 31, 2016	Millions of Yen		
	Carrying Amount	Acquisition Cost	Net Unrealized Gain/(Loss)
Securities with their carrying amount over their acquisition cost:			
Corporate stock	**¥ 31,181**	**¥ 20,401**	**¥10,779**
Bonds:	**1,250,134**	**1,218,113**	**32,021**
National government	**654,745**	**628,283**	**26,462**
Local government	**231,869**	**229,527**	**2,342**
Corporate	**363,519**	**360,302**	**3,216**
Other	**163,865**	**160,127**	**3,738**
Sub-total	**1,445,181**	**1,398,642**	**46,539**
Securities with their carrying amount below their acquisition cost:			
Corporate stock	**7,363**	**8,818**	**(1,455)**
Bonds:	**12,477**	**12,588**	**(110)**
National government	**3,164**	**3,242**	**(78)**
Local government	**1,481**	**1,481**	**(0)**
Corporate	**7,832**	**7,863**	**(31)**
Other	**65,826**	**67,965**	**(2,139)**
Sub-total	**85,667**	**89,372**	**(3,704)**
Total	**¥1,530,849**	**¥1,488,014**	**¥42,834**

March 31, 2015	Millions of Yen		
	Carrying Amount	Acquisition Cost	Net Unrealized Gain/(Loss)
Securities with their carrying amount over their acquisition cost:			
Corporate stock	¥ 45,286	¥ 26,433	¥18,853
Bonds:	1,302,704	1,284,170	18,534
National government	724,037	710,098	13,938
Local government	242,982	241,051	1,931
Corporate	335,684	333,020	2,664
Other	196,974	192,101	4,873
Sub-total	1,544,966	1,502,705	42,261
Securities with their carrying amount below their acquisition cost:			
Corporate stock	1,825	1,997	(172)
Bonds:	113,610	113,886	(275)
National government	36,472	36,557	(84)
Local government	21,875	21,899	(24)
Corporate	55,263	55,429	(166)
Other	42,086	42,268	(181)
Sub-total	157,521	158,152	(630)
Total	¥1,702,488	¥1,660,857	¥41,631

(d) Available-for-sale securities sold

March 31, 2016	Proceeds from Sales (Millions of Yen)	Realized Gain (Millions of Yen)	Realized Loss (Millions of Yen)
Corporate stock	**¥ 3,975**	**¥1,286**	**¥ 111**
Bonds:	**562,214**	**6,494**	**4,004**
National government	**562,054**	**6,493**	**4,004**
Corporate	**160**	**0**	**—**
Other	**60,691**	**1,886**	**144**
Total	**¥626,881**	**¥9,666**	**¥4,259**

March 31, 2015	Proceeds from Sales (Millions of Yen)	Realized Gain (Millions of Yen)	Realized Loss (Millions of Yen)
Corporate stock	¥ 4,342	¥1,323	¥136
Bonds:	575,287	1,184	731
National government	568,937	1,183	731
Local government	6,199	0	—
Corporate	150	—	—
Other	36,006	1,740	1
Total	¥615,637	¥4,247	¥869

(e) Loss on impairment

Certain "Available-for-sale securities" with fair value are stated at fair value on the consolidated balance sheets, and the difference between the acquisition cost and the fair value is recognized as a loss ("impairment loss") for the consolidated year, if the fair value has significantly deteriorated compared with the acquisition cost and if it is further concluded that there would be little possibility of the recovery in fair value to the acquisition cost.

There was no loss on impairment for the years ended March 31, 2016 and 2015.

The criteria for determining whether the decline in the fair value is "significantly deteriorated" are as follows: Individual securities whose fair values are 50% or less of the acquisition cost at the end of the consolidated year, or securities whose fair values exceed 50% but are 70% or less of the acquisition prices and whose past share price movements for certain set periods, and the issuers' business conditions indicate little prospect of recovery in their fair values.

(f) Valuation difference on available-for-sale securities

March 31, 2016	Millions of Yen
Unrealized gain before income tax effect	**¥42,834**
Available-for-sale securities	**42,834**
Less: deferred tax liabilities	**12,795**
Unrealized gain before adjustment	**30,038**
Equity of unrealized gain on available-for-sale securities:	
Owned by affiliates that are accounted for by the equity method	**—**
Valuation difference on available-for-sale securities	**¥30,038**

March 31, 2015	Millions of Yen
Unrealized gain before income tax effect	¥41,631
Available-for-sale securities	41,631
Less: deferred tax liabilities	13,065
Unrealized gain before adjustment	28,566
Equity of unrealized gain on available-for-sale securities:	
Owned by affiliates that are accounted for by the equity method	27
Valuation difference on available-for-sale securities	¥28,593

(g) Investments in unconsolidated subsidiaries and affiliates

Securities in the Assets section included investments in unconsolidated subsidiaries and affiliates of ¥591 million and ¥1,441 million as of March 31, 2016 and 2015, respectively.

(h) Unsecured loaned securities

Unsecured loaned securities, which borrowers have the right to sell or pledge in the amount of ¥50,541 million and ¥45,203 million as of March 31, 2016 and 2015, respectively, were included in National government bonds.

22. Money held in trust

Money held in trust as of March 31, 2016 and 2015 consisted of the following:

(a) Money held in trust for trading purpose

March 31	2016 (Millions of Yen)	2015 (Millions of Yen)
Carrying amount	**¥6,476**	¥6,825
Realized gain included in earnings	**—**	—

(b) Money held in trust for held-to-maturity

None

(c) Other money held in trust

March 31	2016 (Millions of Yen)	2015 (Millions of Yen)
Carrying amount	**¥5,375**	¥5,374
Acquisition cost	**5,375**	5,374
Net unrealized gain/(loss)	**—**	—
Gross unrealized gain	**—**	—
Gross unrealized loss	**—**	—

23. Derivatives

(a) Derivatives transactions to which hedge accounting is not applied

The contract amount at the consolidated balance sheet date or the notional amount as stipulated in contracts for each transaction type as well as fair value and methods used for deriving the fair value are indicated below. It should be noted that the size of the contract amount or any other monetary amount does not, by and in itself, serve as an indicator of market risks associated with derivative transactions.

Currency derivatives

March 31	Millions of Yen					
	2016			2015		
	Contract Amounts		Fair Value	Contract Amounts		Fair Value
	Total	Over 1 Year		Total	Over 1 Year	
Over-the-counter transactions:						
Currency swap	**¥ 9,694**	**¥ 9,694**	**¥ 2**	¥10,054	¥10,054	¥ 3
Forward exchange contracts:						
Sold	**55,042**	**—**	**657**	42,455	—	(201)
Bought	**9,666**	**—**	**(192)**	1,271	—	5
			¥ 467			¥(192)

(b) Derivatives transactions to which hedge accounting is applied

The contract amount or the contractual notional amount by transaction type and method of hedge accounting, fair value at the balance sheet date as well as the methods used for deriving the fair value are summarized below. It should be noted that the size of the contract amount or any other monetary amount does not, by and in itself, serve as an indicator of market risks associated with derivative transactions.

Interest-rate derivatives

		Millions of Yen		
		Contract Amounts		Fair Value
March 31, 2016	Hedged items	Total	Over 1 Year	
Principle method:				
Interest-rate swaps:				
Receivable floating/payable fixed ……..	Available-for-sale securities (Debt securities)	**¥50,000**	**¥50,000**	**¥(6,652)**
Special treatment for interest rate swaps:				
Interest-rate swaps:				
Receivable floating/payable fixed ……..	Loans to borrowers	**¥33,869**	**¥25,328**	**(Note 2)**

		Millions of Yen		
		Contract Amounts		Fair Value
March 31, 2015	Hedged items	Total	Over 1 Year	
Principle method:				
Interest-rate swaps:				
Receivable floating/payable fixed ……..	Available-for-sale securities (Debt securities)	¥55,000	¥55,000	¥(2,389)
Special treatment for interest rate swaps:				
Interest-rate swaps:				
Receivable floating/payable fixed ……..	Loans to borrowers	¥36,359	¥33,869	(Note 2)

Notes: 1. Hedge accounting is carried out by specifically associating hedged items with hedging instruments or through deferred hedging in accordance with “Treatment of Accounting and Auditing Concerning Accounting for Financial Instruments in the Banking Industry” (JICPA Industry Audit Committee Report No. 24).

2. As interest swaps subject to the special treatment are accounted for in combination with the hedged loans to borrowers, their fair values are included in fair values of such hedged loans in “20. Financial Instruments and Related Disclosure.”

24. Other Comprehensive Income

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

	Millions of Yen	
March 31	**2016**	2015
Valuation difference on available-for-sale securities:		
Gains recognized during the year	**¥10,539**	¥20,845
Reclassification adjustment to net income	**(9,336)**	(4,319)
Amount before tax effect	**1,203**	16,526
Tax effect	**269**	(4,391)
Valuation difference on available-for-securities	**1,472**	12,134
Deferred gains or losses on hedges		
Losses recognized during the year	**(7,938)**	(2,390)
Reclassification adjustment to net income	**3,676**	(0)
Amount before tax effect	**(4,262)**	(2,390)
Tax effect	**1,243**	758
Deferred gains or losses on hedges	**(3,018)**	(1,631)
Revaluation reserve for land:		
Gains (losses) recognized during the year	**—**	—
Reclassification adjustment to net income	**—**	—
Amount before tax effect	**—**	—
Tax effect	**166**	339
Revaluation reserve for land	**166**	339
Remeasurements of defined benefit plans:		
Losses recognized during the year	**(2,774)**	(387)
Reclassification adjustment to net income	**67**	64
Amount before tax effect	**(2,707)**	(323)
Tax effect	**(21)**	(22)
Remeasurements of defined benefit plans	**(2,728)**	(345)
Share of other comprehensive income in affiliates accounted for by the equity method:		
Gains (losses) recognized during the year	**(27)**	10
Reclassification adjustment to net income	**—**	—
Share of other comprehensive income in affiliates accounted for by the equity method	**(27)**	10
Total other comprehensive income	**¥ (4,135)**	¥10,507

25. Business Combination

Business combination of additional acquisition of shares of affiliates

The Bank additionally acquired shares of five affiliates accounted for by the equity method on April 1, 2015 and June 1, 2015. As a result of such acquisition of shares, these five affiliates became consolidated subsidiaries of the Group, where voting rights are fully owned by the Group.

Outline of the acquisition of shares was as follows:

(1) Outline of the business combination through acquisition

(a) Name and business description of acquired companies

Name of acquired companies	Business description
Toho Credit Guarantee Co., Ltd.	Credit guaranteeing
Toho Information System Co., Ltd.	Computer operations and software development for electronic computers
Toho Lease Co., Ltd.	Leasing
Toho Card Co., Ltd.	Credit card and credit guaranteeing
Toho Credit Service Co., Ltd.	Credit card and credit guaranteeing

(b) Major reason for business combination

Toho Credit Guarantee Co., Ltd., Toho Information System Co., Ltd., Toho Lease Co., Ltd., Toho Card Co., Ltd. and Toho Credit Service Co., Ltd., all of which were affiliates accounted for by the equity method, have been operating in cooperation with the Bank and adhering closely to the needs of local communities ever since establishment.

The Bank determined that making the above five affiliates accounted for by the equity method into the Group's consolidated subsidiaries, where voting rights are fully owned by the Group, would be essential for the further enhancement of cooperation in order to fully meet diversified and sophisticated needs of customers.

Through implementation of an integrated management in a prompt and flexible manner, the Bank will provide comprehensive financial services and thus intends to improve the corporate value of the Group.

(c) Date of the business combination
April 1, 2015

(d) Legal form of the business combination
Acquisition of shares by cash

(e) Name of the company after the business combination
No change in the name of the company after the business combination

(f) Percentage of voting rights acquired
Percentage of voting rights after additional acquisition of shares of five affiliates accounted for by the equity method reached 100% including both direct and indirect holding by the Bank.

Changes in percentage of voting rights directly owned by the Bank were as follows:

Name of acquired companies	Percentage of voting rights immediately before the acquisition	Percentage of voting rights acquired additionally on the date of the business combination	Percentage of voting rights after the acquisition
Toho Credit Guarantee Co., Ltd.	5.0%	45.0%	50.0%
Toho Information System Co., Ltd.	7.8%	34.6%	39.6%
Toho Lease Co., Ltd.	5.0%	45.0%	50.0%
Toho Card Co., Ltd.	5.0%	45.0%	50.0%
Toho Credit Service Co., Ltd.	5.0%	45.0%	50.0%

(g) Major reason for determining the acquiring companies
It is because the Group owned the majority of voting rights for each of the acquired companies as a result of acquisition of shares by cash.

(2) Period of business results of the acquired companies included in the consolidated statements of income for the year ended March 31, 2016
As the deemed acquisition date is set to March 31, 2015, business results from April 1, 2015 to March 31, 2016, are included.

(3) Outline of calculation, etc. and others of acquisition cost
(a) Acquisition cost of the acquired companies by type of consideration

	Millions of Yen
Fair value of common stock owned immediately before the business combination, on the date of the business combination	**¥2,753**
Consideration for additional acquisition of common stock	**4,584**
Acquisition cost	**¥7,338**

(b) Difference between acquisition cost of the acquired company and total acquisition cost of individual transactions leading to acquisition

	Millions of Yen
Gain on step acquisitions	**¥1,630**

(c) Major expenses related to the acquisition

	Millions of Yen
Consulting fee and others	**¥13**

(4) Outline of allocation of acquisition cost
(a) Amounts of assets and liabilities acquired on the date of the business combination

	Millions of Yen
Current assets	**¥29,488**
Fixed assets	**3,807**
Total assets	**¥33,296**

	Millions of Yen
Current liabilities	**¥13,861**
Long-term liabilities	**6,557**
Total liabilities	**¥20,418**

(b) Amount of goodwill, reason for recognizing goodwill and its amortization method
(i) Amount of goodwill
¥ 495 million
(ii) Reason for recognizing goodwill
As the acquisition cost exceeded the amount of assets and liabilities of acquired companies calculated by fair value as of the business combination date, the excess amount was regarded as goodwill.
(iii) Amortization method
The goodwill was recognized in expense as incurred since the amount was immaterial.

(c) Amount of gain on negative goodwill and reason for recognition
(i) Amount of gain on negative goodwill
¥ 6,033 million
(ii) Reason for recognizing gain on negative goodwill
As the amount of assets and liabilities of acquired companies measured at fair value as of the business combination date exceeded the acquisition cost, the excess amount was regarded as gain on negative goodwill.

26. Segment Information

(a) Segment information

1. Outline of reportable segments
The reportable segments of the Group are those units for which discrete financial information can be obtained and which are regularly examined by the Board of Directors in order to decide how to allocate management resources and to evaluate the operating results.

The Group, comprised of the Bank and its seven subsidiaries, provides financing services with a focus on banking, leasing, credit card and credit guaranteeing. The Bank is categorized under the reportable segment "Banking," which consists of money transfer business, lending business, foreign exchange business and associated businesses.

Reportable segment information was omitted for the year ended March 31, 2015, because "Other" in the Group's operating results, which consisted of printing and binding businesses, was immaterial. However, as a result of consolidating five affiliates, that were accounted for by the equity method, and Toho Securities Co., Ltd., that was newly established on August 28, 2015, for the year ended March 31, 2016, "Other" in the Group's operating results is disclosed due to increased importance.

2. Calculation method for the amount of ordinary income, segment profit or loss, assets, liabilities and other items by the reportable segment
Accounting treatment for reportable segments is consistent with those described in "2. Summary of Significant Accounting Policies."

Segment profit is based on ordinary profit.

Ordinary income from internal transactions is based on transaction prices between third parties.

In addition, the method for calculating business segment profit or loss has been changed from the year ended March 31, 2016, as follows.

As described in "(s) Changes in accounting policies," due to the application of Accounting Standard for Business Combinations and other related standards, acquisition-related costs are recognized as expenses in the year in which they are incurred.

These standards are applied prospectively in accordance with the transitional accounting treatments from the beginning of the year ended March 31, 2016.

The effect of the change is immaterial on each segment income for the year ended March 31, 2016.

As described in "Changes in accounting policies that are difficult to distinguish from changes in accounting estimates," stated on (e) Depreciation of fixed assets, depreciation of tangible fixed assets (except leased assets) has been changed from the declining-balance method to the straight-line method from the year ended March 31, 2016.

Under "Toho Summit Plan," which is the medium-term management plan that started in the year ended March 31, 2016, the Bank has taken actions to strengthen business structure aiming to expand contact with customers.

Specifically, the Bank plans to open and renew branches with focus on improving convenience for customers and making replacement investments to office equipment. After reviewing the depreciation method triggered by the planning of these investments, the Bank has concluded that changing the depreciation method to the straight-line method corresponding with the actual status of usage would reflect the substance of the Bank's business more appropriately since the branches and office supplies have been used stably over a long period and their value in use remains largely unchanged throughout the useful lives.

As a result, depreciation, segment profit in "Banking" and "Other" increased by ¥542 million and ¥9 million, respectively, compared to the previous method.

As described in "Changes in accounting estimates," stated on (e) Depreciation of fixed assets, buildings had been depreciated primarily using the useful lives of 27-40 years. However, considering the fact that investments in buildings have increased in recent years, the actual status of usage was investigated in accordance with the change of the depreciation method for the year ended March 31, 2016. As a consequence, to implement the cost allocation more appropriately by adjusting the economic useful lives to the actual status, the useful lives are reviewed and changed primarily to 34-50 years for the future.

As a result, segment profit in "Banking" increased by ¥223 million compared to the previous method.

Information on ordinary income, segment profit or loss, assets, liabilities and other items is as follows:

Year ended March 31, 2016	Millions of Yen				
	Reportable segment				
	Banking	Other	Total	Adjustments	Consolidated
Ordinary income:					
From external customers	¥ 68,998	¥ 6,570	¥ 75,568	¥ 0	¥ 75,568
From internal transactions	114	2,498	2,613	(2,613)	—
Total	¥ 69,113	¥ 9,068	¥ 78,182	¥ (2,613)	¥ 75,568
Segment profit	¥ 15,969	¥ 1,972	¥ 17,941	¥ (800)	¥ 17,140
Segment assets	¥5,858,554	¥36,450	¥5,895,005	¥(30,305)	¥5,864,699
Segment liabilities	¥5,664,888	¥19,367	¥5,684,256	¥(17,836)	¥5,666,420
Other:					
Depreciation expense	¥ 2,151	¥ 156	¥ 2,308	¥ 65	¥ 2,373
Amortization of goodwill	—	—	—	495	495
Interest income	41,993	207	42,201	(69)	42,131
Interest expense	3,151	57	3,209	(46)	3,162
Gain on negative goodwill	—	—	—	6,033	6,033
Increase in tangible and intangible fixed assets	5,920	172	6,093	265	6,358

Notes: 1. Ordinary income is stated in lieu of sales of general enterprises.

2. "Other" is a business segment that is not included in the reportable segment, which consists of leasing, credit card and credit guaranteeing.

3. Adjustments are as follows:

(a) Adjustments in Ordinary income from external customers of ¥0 million are provision for allowance for loan losses.

(b) Adjustments in Segment profit of ¥(800) million include elimination of intersegment transactions of ¥(292) million and lump-sum amortization of goodwill of ¥(495) million.

(c) Adjustments in Segment assets of ¥(30,305) million are elimination of intersegment transactions.

(d) Adjustments in Segment liabilities of ¥(17,836) million are elimination of intersegment transactions.

(e) Adjustments in Depreciation expense of ¥65 million are adjustments made for the depreciation of the leased assets acquired under the contract with the leasing segment in segments other than leasing.

(f) As described in "1. Outline of reportable segments," amortization of goodwill of ¥ 495 million, which has arisen as a result of the Bank acquiring additional shares of five companies that had been the affiliates accounted for by the equity method and making these its consolidated subsidiaries, is recognized as expense in a lump sum when incurred since it is immaterial. In addition, there is no unamortized goodwill as of March 31, 2016. The amortization of goodwill is not attributable to any reportable segments; therefore, it is recognized as adjustments of corporate amortization.

(g) Adjustments in Interest income of ¥(69) million are elimination of intersegment transactions.

(h) Adjustments in Interest expense of ¥(46) million are elimination of intersegment transactions.

(i) As described in "1. Outline of reportable segments," gain on negative goodwill of ¥6,033 million has arisen as a result of the Bank acquiring additional shares of five companies that had been the affiliates accounted for by the equity method and making these its consolidated subsidiaries. In addition, gain on negative goodwill is not attributable to any reportable segments; therefore, it is recognized as adjustments of corporate amortization.

(j) Adjustments in Increase in tangible and intangible fixed assets of ¥265 million are the acquisition cost of the leased assets acquired in leasing segment ("Other") under the contract with other segments.

4. Segment profit is calculated by adjusting the ordinary profit in the consolidated statements of income.

For the year ended March 31, 2015, information on ordinary income, segment profit or loss, assets, liabilities and other items is omitted because the Group is engaged only in banking service and as "Other" in the Group's operating results was immaterial. In addition, "Other" for the year ended March 31, 2015 consisted of printing and binding business.

(b) Related information

1. Information by services

Income regarding major services for the years ended March 31, 2016 and 2015 was as follows:

	Millions of Yen				
Year ended March 31, 2016	Lending	Securities and Investment	Fees and Commissions	Other	Total
Ordinary income from external customers	¥29,810	¥20,857	¥15,262	¥9,638	¥75,568

	Millions of Yen			
Year ended March 31, 2015	Lending	Securities and Investment	Other	Total
Ordinary income from external customers	¥30,485	¥15,841	¥18,188	¥64,516

Note: Ordinary income is stated in lieu of sales of general enterprises.

2. Geographical information

(i) Ordinary income

Ordinary income from external domestic customers exceeded 90% of total income on the consolidated statements of income for the years ended March 31, 2016 and 2015, therefore geographical income information are not disclosed.

(ii) Tangible fixed assets

The balance of domestic tangible fixed assets exceeded 90% of total balance of tangible fixed assets on the consolidated balance sheets as of March 31, 2016 and 2015, therefore geographical tangible fixed assets information are not disclosed.

3. Major customer information

It is difficult to reasonably determine the ratio of ordinary income for each major customer; therefore, major customer information is not disclosed.

(c) Information on impairment of fixed assets for each reportable segment:

	Millions of Yen		
	Reportable segment		
Year ended March 31, 2016	Banking	Other	Total
Impairment loss	¥67	¥—	¥67

For the years ended March 31, 2015, this information is omitted because the Group is engaged only in banking service and as “Other” in the Group’s operating results was immaterial.

(d) Information on amortization of goodwill and its remaining balance for each reportable segment:

For the year ended March 31, 2016, this information is omitted since the same information is disclosed in (a) Segment information. For the year ended March 31, 2015, there is no information to be reported on amortization of goodwill and its remaining balance.

(e) Information related to gain on negative goodwill for each reportable segment:

For the year ended March 31, 2016, this information is omitted since the same information is disclosed in (a) Segment information. For the year ended March 31, 2015, there is no information to be reported for gain on negative goodwill.

27. Related Party Transactions

None

28. Subsequent Events

None

29. Supplementary schedule

(a) Schedule of bonds

None

(b) Schedule of borrowing and similar instruments

Category	Balance as of April 1, 2015 (Millions of Yen)	Balance as of March 31, 2016 (Millions of Yen)	Average interest rate (%)	Due date
Borrowed money:	¥40,074	¥34,996	0.72	—
Loans payable	40,074	34,996	0.72	From June 2016 to March 2024
Lease obligation:				
Due within 1 year or less	5	—	—	
Due after 1 year	—	—	—	

Notes: 1. Average interest rate is stated at weighted average interest rate on the interest rate and balance as of March 31, 2016.

2. The repayment schedule of loans payable for five years subsequent to March 31, 2016, is summarized as follows:

	Millions of Yen				
	Due within 1 year or less	Due after 1 year through 2 years	Due after 2 years through 3 years	Due after 3 years through 4 years	Due after 4 years through 5 years
Loans payable	¥ 1,634	¥682	¥5,827	¥201	¥51

Since banking business includes such operations as deposit taking, and raising/use of funds from the call money and bills market, the schedule of borrowing and similar instruments includes only “Borrowed money” in “Liabilities” of the consolidated balance sheets.

(c) Schedule of asset retirement obligations

Schedule of asset retirement obligations is omitted because the amount of asset retirement obligations at the beginning and the end of the year ended March 31, 2016 are equal to or less than one percent of the total of liabilities and net assets as of then.

Report of Independent Auditors

Building a better working world

Independent Auditor's Report

The Board of Directors
The Toho Bank, Ltd.

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

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in Japan, and for designing and operating such internal control as management determines is necessary to enable the preparation and fair presentation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. The purpose of an audit of the consolidated financial statements is not to express an opinion on the effectiveness of the entity's internal control, but in making these risk assessments the auditor considers internal controls relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of The Toho Bank, Ltd. and its consolidated subsidiaries as of March 31, 2016, and their consolidated financial performance and cash flows for the year then ended in conformity with accounting principles generally accepted in Japan.

Convenience Translation

We have reviewed the translation of these consolidated financial statements into U.S. dollars, presented for the convenience of readers, and, in our opinion, the accompanying consolidated financial statements have been properly translated on the basis described in Note 3.

Ernst & Young ShinNihon LLC

June 20, 2016
Fukushima, Japan

Board of Directors and Auditors

President:
Seishi Kitamura

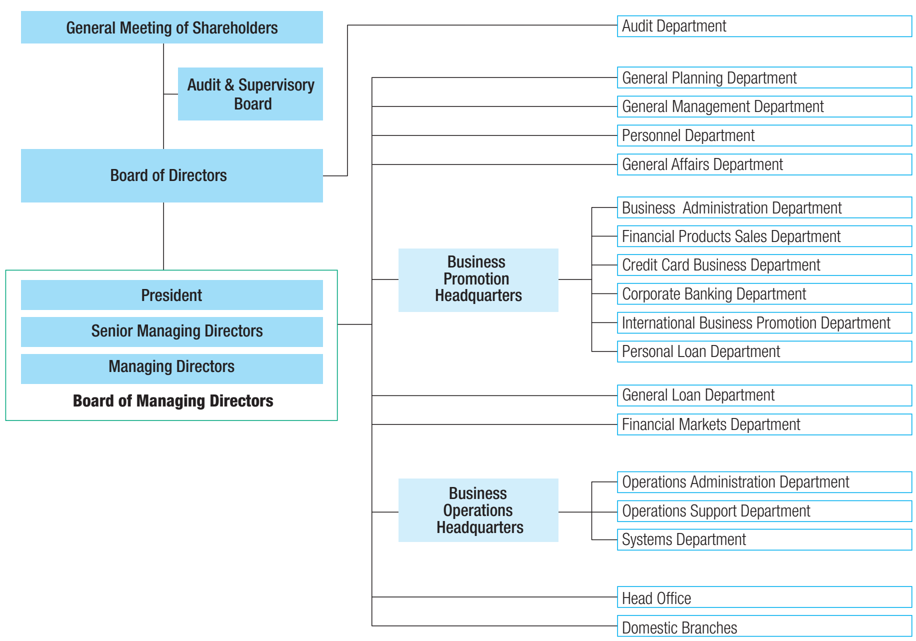
Senior Managing Directors:
Masayuki Sakaji
Seiji Takeuchi
Minoru Sato

Managing Directors:
Katsuo Kato
Michio Sakai
Hideho Suto
Takayuki Ishii

Directors:
Kiichi Yokoyama
Fumitoshi Kuge
Tomohiro Komiya
Shintaro Taguchi
Asao Aono
Hayao Watanabe

Audit & Supervisory Board Member:
Takao Endo
Shinsuke Tanno
Keiichi Akagi
Toru Hara
Takashi Fujiwara

Organization



Network

SUBSIDIARIES AND AFFILIATES

Name	*Line of Business*	*Established in*	*Capital (Millions of yen)*	*Bank's Share in Capital (%)*
Toho Securities Co., Ltd.	Securities	2015	3,000	100
The Toho Lease Co., Ltd.	Leasing	1985	60	50.0
The Toho Card Co., Ltd.	Credit card	1985	30	50.0
The Toho Credit Service Co., Ltd.	Credit card	1990	30	50.0
The Toho Credit Guarantee Co., Ltd.	Credit guaranteeing	1985	30	50.0
The Toho Information System Co., Ltd.	Calculation operations and Developing software	1983	60	39.6
Toho Smile, Co., Ltd.	Printing and binding of business forms, etc.	2012	30	100

(As of June 30, 2016)

HEADQUARTERS

3-25, Ohmachi, Fukushima 960-8633, Japan
Phone: (024) 523-3131
Facsimile: (024) 524-1583
SWIFT: TOHOJPJT

THE TOHO BANK, LTD.

HEAD OFFICE

3-25, Ohmachi, Fukushima 960-8633, Japan Phone: (024) 523-3131

URL: http://www.tohobank.co.jp/