

Annual Report 2016

THE YAMANASHI CHUO BANK



Our Mission

Region-Based Operations and Sound Management

Maintaining a close relationship with the communities in the region where we operate, we will contribute to the prosperity of the region and the development of its economy, with a commitment to sound management that enjoys the trust of our customers, while bolstering our business operations.

Management Vision (Ideal and prospective image)

A Bank that grows and develops together with Yamanashi and its surroundings as a driving force for regional economic revitalization

Theme During the Medium-Term Management Plan

Live up to the trust accorded by customers and contribute to regional revitalization

Slogan (3Cs)

Concern, Change, Challenge

Basic Strategies of Medium-Term Management Plan S.T.E.P. up 2019

- Realization of a business model adapted to changes in the environment
— Selection and concentration, and differentiation from other financial institutions—
- Building and strengthening a robust management structure

Profile (as of March 31, 2016)

Corporate Name:

The Yamanashi Chuo Bank, Ltd.

Head Office:

20-8, Marunouchi 1-chome, Kofu, Yamanashi

Established:

December 1, 1941

President:

Nakaba Shindo

Common Stock:

¥15,400 million

Number of Shares Issued:

174,915,000 shares

Stock Listing:

First Section of the Tokyo Stock Exchange

Long-Term Credit Rating:

A
(Rating and Investment Information, Inc.)

Network:

Domestic: 91 locations
(Head Office and Branches: 89,
District Offices: 2)
Overseas: Hong Kong Representative Office

Businesses:

The Yamanashi Chuo Bank Group comprises the Yamanashi Chuo Bank and four consolidated subsidiaries. Centered on its core banking business, the Group provides an integrated financing service that includes a leasing and credit-card business. The Bank is the leading local bank in Yamanashi Prefecture, and its sphere of operations encompasses both the prefecture and the western part of the Tokyo metropolitan region.



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Forward-looking statements

Statements contained in this report regarding the Bank's future performance do not constitute statements of historical fact, and are thus subject to a number of risks and uncertainties. Readers are therefore cautioned not to place undue reliance on forward-looking statements, as factors beyond the Bank's control and outside its ability to predict, including general economic conditions and market fluctuations, could cause results to diverge materially from the Company's projections.

Consolidated Financial Highlights

The Yamanashi Chuo Bank, Ltd. and Consolidated Subsidiaries
Fiscal years ended March 31

Millions of yen

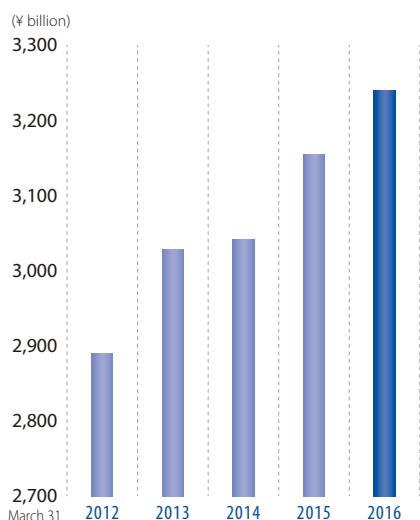
	2012	2013	2014	2015	2016
Ordinary Income	51,892	50,470	50,518	50,335	55,718
Ordinary Profit	9,606	10,912	12,826	13,464	13,829
Profit Attributable to Shareholders of the Parent	7,323	6,362	8,736	8,753	9,452
Comprehensive Income	14,708	23,393	8,617	40,346	106
Net Assets	172,343	193,620	199,258	237,440	235,158
Total Assets	2,890,741	3,028,916	3,041,323	3,155,903	3,239,117
Net Assets per Share (Yen)	959.53	1,093.22	1,136.72	1,367.58	1,370.62
Net Income per Share (Yen)	40.68	35.69	49.86	50.38	54.91
Capital Adequacy Ratio (Domestic Standard, %)	16.41	16.75	17.28	17.35	18.05
Return on Equity (%)	4.44	3.50	4.48	4.40	4.03
Price Earning Ratio (Times)	9.04	12.02	9.34	10.44	7.52
Cash Flows from Operating Activities	207,059	72,870	88,999	(3,806)	70,287
Cash Flows from Investing Activities	(181,424)	(70,360)	(50,148)	(61,232)	(17,638)
Cash Flows from Financing Activities	(1,821)	(2,467)	(1,625)	(2,018)	(2,397)
Cash and Cash Equivalents	88,844	88,889	126,115	59,058	109,309

Notes

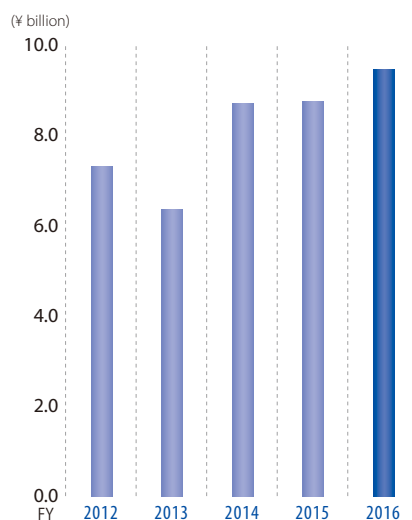
(1) Amounts do not include consumption and local taxes payable by the Bank and its consolidated subsidiaries.

(2) Capital ratio is calculated on a consolidated basis in accordance with the Bulletin Notification No. 19 issued by the Financial Services Agency in 2006 under Paragraph 2, Article 14 of the Banking Law. Because the amended capital adequacy rules have been applied to banks that focus on domestic operations since the fiscal year ended March 31, 2014, in the fiscal years ended March 31, 2014, 2015, and 2016, the Bank calculated the capital adequacy ratio based on the formula set forth in the notification after the amendment.

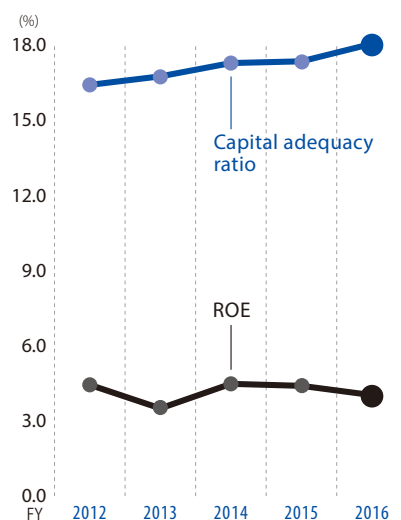
Total assets



Profit attributable to shareholders of the parent



ROE/ Capital adequacy ratio (Domestic standard)



Message from the President

I would like to take this opportunity to thank our shareholders and other stakeholders for their steadfast support for the Bank and its Group companies.

In April 2016, the Bank launched its medium-term management plan S.T.E.P. up 2019 for the period April 2016 to March 2019. Under this plan, our management vision (ideal and prospective image) is to become a bank that grows and develops together with Yamanashi and its surroundings as a driving force for regional economic revitalization. To realize this vision, we have embraced “Live up to the trust accorded by customers and contribute to regional revitalization” as our theme during the medium-term management plan. Guided by this theme, the Bank is implementing the plan’s individual strategies.

Moreover, to execute those strategies, we have embraced “Concern, Change, Challenge” as our slogan. This message embodies our desire to see all members of management and employees demonstrate concern, drive change, and tackle challenges in every aspect of their duties. By remaining true to this slogan, we will endeavor to enhance the satisfaction of our communities, customers, and shareholders.

Below, we present an overview of our business performance for fiscal 2015 (April 2015 to March 2016), together with a report on future management plans.

Nakaba Shindo,
President



Overview of fiscal 2015 performance

In the year ended March 31, 2016, the Japanese economy showed a gradual recovery in the first half, supported by strong corporate earnings and improving employment and income levels. However, in the second half, economic conditions generally treaded water as exports and production slowed in response to the deceleration of overseas economies, and businesses took a cautious approach to capital investment based on an uncertain economic outlook.

Looking at the financial situation during this period, the Nikkei Stock Average recovered temporarily to the ¥20,000 level against the backdrop of improving corporate earnings. However, from the summer onward, stock prices declined reflecting an uncertain economic outlook accompanying the deceleration of the Chinese economy. In the foreign exchange market, the yen generally weakened in the first half of the fiscal year, but has rapidly appreciated since the beginning of 2016.

Furthermore, in January 2016, the Bank of Japan introduced a negative interest rate policy as an additional monetary easing measure to realize its price stabilization target of 2%. Interest rates decreased significantly as a result of this policy.

Against this financial and economic backdrop, in the final year of “Best Bank Plan 2016,” the Bank’s three-year medium-term management plan running from April 2013 through March 2016, we proactively implemented the following measures towards establishing a highly trustworthy bank that fully satisfies customers, as described in our ideal and prospective image (management vision).

We supported the growth and development of our corporate and sole proprietorship customers by providing optimal solutions to resolve their business issues based on an appropriate assessment of their business models, growth potential and other aspects (business feasibility studies), thereby strengthening our measures to facilitate regional revitalization. In regard to regional revitalization, we helped Yamanashi Prefecture and municipalities formulate their comprehensive strategies, along with setting up the Yamanashi Chugin Revitalization

Fund, with the aim of nurturing businesses underscoring the future of local communities. Through these and other measures, we provided support for enhancing local industrial capabilities and maintaining and expanding employment. We held our Agri-Business School with the goal of supporting new agri-business and the sixth industrialization for agriculture- and food-related business operators. In addition, as measures to support the development and expansion of sales channels, we conducted the “Yamanashi Food Sector Business Matching Fair,” “Regional Banking Food Selection,” and other events. We implemented a number of measures for tourist-related businesses, including setting up a tourism support desk, supporting our clients through a tourism advisor, and providing tourism-related information via social media. Other measures included holding seminars on in-bound tourism and helping our business customers register as tax-free shops. In the areas of business succession and inheritance measures, the Bank reinforced its support readiness through partnerships with outside institutions and held individual consultations to accurately meet the needs of customers. In international operations, we formed a new alliance with the State Bank of India, in addition to our existing operation tie-ups with six other overseas banks, thus further enhancing our preparedness for overseas expansion support.

Turning to individual customers, we have responded to a wide range of asset management needs of individual customers through measures including enhancing our product lineup with investment trusts, whole life insurance products and annuities, all of which cater to medium- and long-term investment needs, as well as offering deposits for monetary gifts for marriage and parenting (product name: *Egao no Katachi*), which uses a tax-exempt system, and launching Junior NISA accounts. Additionally, we have also addressed the asset-building needs of customers through such means as proposing a “household budget review” that anticipates major events in customers’ lives. Meanwhile, the Bank also worked to fulfill the financial needs of customers through initiatives including conducting interest rate campaigns for housing, auto, education and credit card loans, thereby providing products and

The Economy of Yamanashi Prefecture—Our Business Base (fiscal 2014)

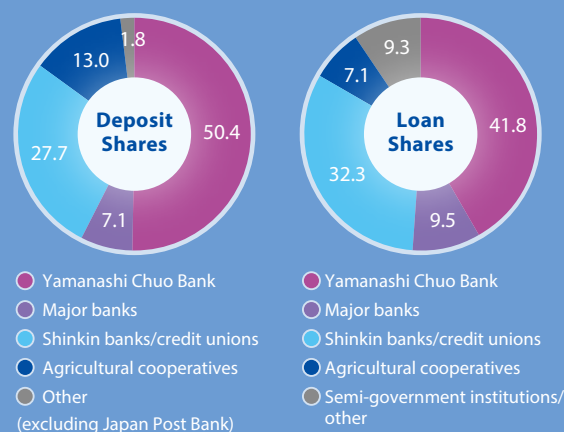
General Prefectural Production: **¥3,536 billion**
 Real Growth Rate: **-1.8%**
 Shipment Value of Production in Prefecture: **¥2,133 billion**

• Major Products and Their Share in Japanese Market

Products	Shipment Value (¥ billion)	Share (%)	Ranking
Mineral Water	41.2	29.3	No. 1
Precious Metal Products	25.9	25.5	No. 1
Numerical Control Robots	169.6	69.6	No. 1
Quartz crystal units (excluding for clock and watch use)	13.1	9.8	No. 3
Flat-Panel Display Manufacturing Equipment	18.8	6.6	No. 3
Medical Apparatus and Instruments	40.2	7.0	No. 5

Shares in Yamanashi Pref. (%)

(as of March 31, 2016)



services focused on the life plans of its customers.

As a result of the foregoing, in the fiscal year ended March 31, 2016, operating income increased ¥5,382 million year on year to ¥55,718 million on a consolidated basis. Ordinary profit increased ¥365 million to ¥13,829 million, and net income attributable to owners of parent rose ¥698 million to ¥9,452 million on a consolidated basis.

In the Bank's main accounts (consolidated basis), the Bank enhanced its deposit products and services to appropriately and swiftly meet the diversifying asset management needs of customers. As a result, the year-end balance of total deposits increased ¥18.3 billion to ¥2,719.8 billion mainly due to an increase in deposits held by both individual and corporate customers.

Total deposits including negotiable certificates of deposit (NCDs) increased ¥36.9 billion during the year to ¥2,842.2 billion.

The year-end balance of over-the-counter Japanese government bonds and investment trusts declined ¥18.2 billion during the year to ¥137.4 billion. Turning to loans, we proactively expanded lending to second-tier companies and SMEs through solution banking based on business feasibility studies and also increased loans to individuals. At the same time, we proactively met the funding demand primarily from local government bodies. As a result, the balance of loans increased by ¥25.8 billion to ¥1,514.5 billion.

Future management policies

In Yamanashi Prefecture, tourism-related industries offer growing prospects for development, underpinned by factors including a record-high number of overnight visitors to the prefecture, including foreign tourists. Moreover, steady progress is being made on several large-scale national projects in the prefecture, such as the Chubu-Odan Expressway and the Linear Chuo Shinkansen. These projects are expected to contribute significantly to cultural and economic development.

Meanwhile, with Yamanashi Prefecture's population recently dropping below 840,000, there are concerns about a possible economic

contraction in line with the prefecture's declining population.

In the financial sector, competition with other financial institutions has continued to intensify unabated. In this environment, innovation in IT is expected to profoundly transform conventional financial functions and services, as underscored by the emergence of Fintech, the integration of finance and digital technology.

Moreover, the Bank of Japan's negative interest rate policy will make it increasingly challenging for banks to generate earnings going forward.

To appropriately tackle the issues presented by these environmental changes, and to build a stable, highly profitable management structure in anticipation of conditions five to ten years from now, the Bank launched the S.T.E.P. up 2019 medium-term management plan in April 2016 for the period April 2016 to March 2019. Under this plan, the Bank has formulated its ideal and prospective image (management vision) as "A Bank that grows and develops together with Yamanashi and its surroundings as a driving force for regional economic revitalization." The Bank has also embraced "Live up to the trust accorded by customers and contribute to regional revitalization" as its theme during the medium-term management plan.

To realize this management vision and theme, the Bank will implement two basic strategies, namely "I. Realization of a business model adapted to changes in the environment—Selection and concentration, and differentiation from other financial institutions" and "II. Build and strengthen a robust management structure," in conjunction with advancing individual strategies in line with those basic strategies. The Bank is seeking to establish a financial and revenue base supporting sustainable growth.

The Group and all management and employees will work together to contribute to community prosperity and economic development.

President

Nakaba Shindo

Medium-Term Management Plan

S.T.E.P. up 2019

Overview

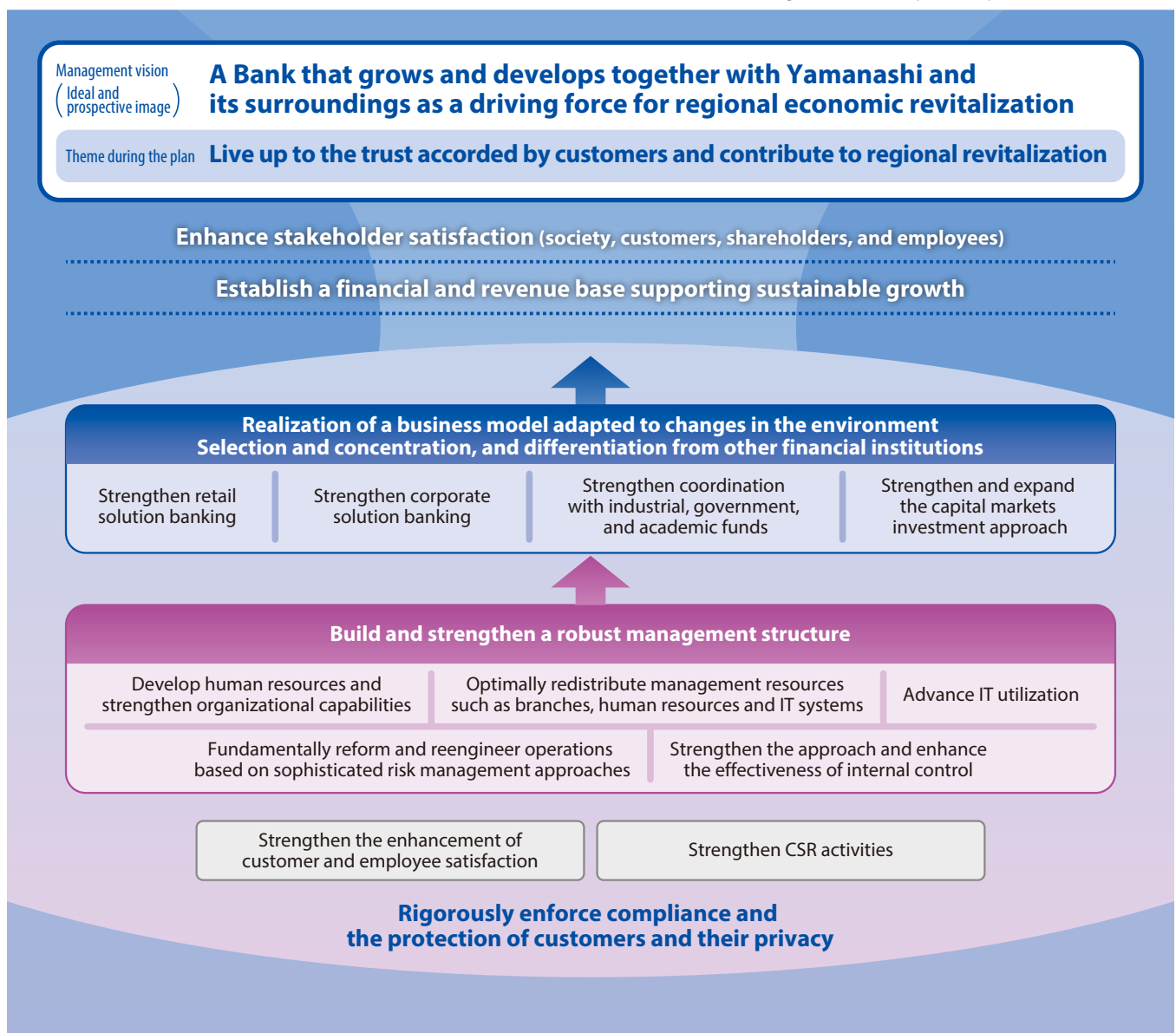
In April 2016, the Bank launched the new medium-term management plan S.T.E.P. up 2019 for the period April 1, 2016 to March 31, 2019.

Under this plan, we have formulated our management vision (ideal and prospective image) as “A Bank that grows and develops together with Yamanashi and its surroundings as a driving force for regional economic revitalization.” Moreover, to realize this vision, we have embraced “Live up to the trust accorded by customers and contribute to regional revitalization” as our theme during the medium-term management plan, and “Concern, Change, Challenge” as our slogan. With these principles in mind, the Bank will work to implement various strategies.

Moreover, to achieve our management vision, we will

steadily and promptly execute two basic strategies, namely “Realization of a business model adapted to changes in the environment—Selection and concentration, and differentiation from other financial institutions” and “Build and strengthen a robust management structure,” and advance individual strategies formulated based on those two strategies. In parallel, the Bank will seek to win the resounding trust of the people of Yamanashi by providing comprehensive financial services that are pertinent to changing customer needs and economic conditions in a timely and appropriate manner through rigorously enforcing compliance and the protection of customers and their privacy. The Bank will also seek to earn trust by contributing to the development of the regional economy, as well as local industries and businesses, with its financial intermediation capabilities.

(Diagram of S.T.E.P. up 2019: April 2016 to March 2019)



Medium-Term Management Plan S.T.E.P. up 2019

Quantitative targets

Item	Net business profit	Profit attributable to shareholders of the parent	Year-end deposit balance*	Year-end loan balance
Target (Year ending March 2019)	¥9.5 bn	¥6.0 bn	¥3,260.0 bn	¥1,590.0 bn

* Deposit balance: Deposits + Investment trusts + Public bonds

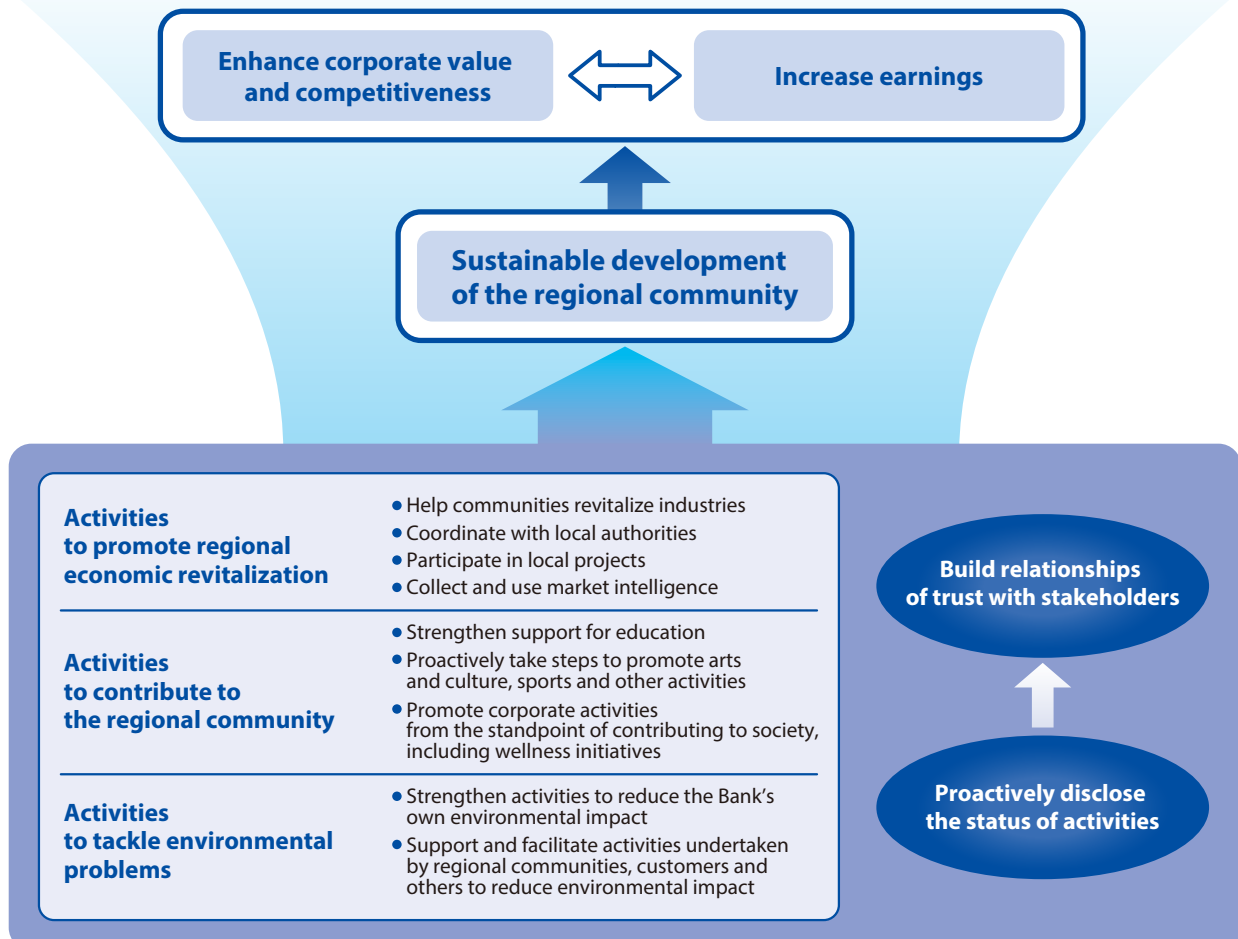
CSR within the medium-term management plan

At the Yamanashi Chuo Bank, we have been working to fulfill our corporate social responsibilities, as we recognize that this, along with sustained value creation and improved competitiveness, is essential in forging even stronger ties with all our stakeholders, including our customers and shareholders, other market investors, our employees, and the regional community.

Looking ahead, in addition to contributing to regional

economic revitalization through our core businesses, we will continue taking further measures to contribute to society and protect the environment to meet our obligations as a corporate citizen, thereby contributing to the sustainable development of the regional community. In parallel, the Bank will actively disclose information on the status of its CSR activities as part of efforts to build relationships of trust with stakeholders and enhance its corporate value and competitiveness, which will pave the way for earnings growth.

Strengthening CSR activities in the medium-term management plan S.T.E.P. up 2019



Region-Based Financial Services

Region-Based Financial Services

The provision of region-based financial services (relationship banking) is a long-term issue for the Bank. Accordingly, the Bank will vigorously push ahead with relationship banking in the course of executing various measures set forth in the medium-term management plan S.T.E.P. up 2019 for the period April 2016 to March

2019, to realize its management vision (ideal and prospective image) of becoming “A Bank that grows and develops together with Yamanashi and its surroundings as a driving force for regional economic revitalization.”

Looking ahead, we will continue to take measures to develop the regional economy and community, improve our services for customers in the region, and promote relationship banking.

- 1 Provide consulting services to corporate customers**
- 2 Proactively participate in broad-based regional revival**
- 3 Proactively provide information to the community and other stakeholders**

Activities to promote relationship banking in the medium-term management plan

- 1 Provide consulting services to corporate customers**
 - Provide appropriate life-stage solutions to companies
 - Enhance the depth of solution banking grounded in business feasibility studies
 - Develop human resources who can address diversifying and increasingly sophisticated needs

- 2 Proactively participate in broad-based regional revival**
 - Support the growth and revitalization of industries that support the region
 - Proactively engage in regional revitalization and other measures in coordination with local municipalities and other entities
 - Conduct social contribution activities such as the promotion of support for education, arts and culture, and sports

- 3 Proactively provide information to the community and other stakeholders**
 - Proactively provide clear information through various media, including the Bank’s website and disclosure reports

**Management vision
(Ideal and prospective image)**

A Bank that grows and develops together with Yamanashi and its surroundings as a driving force for regional economic revitalization

Region-Based Financial Services

Corporate growth assistance through collaboration with business advisors (April 2001 to March 2016)

Number of investment target and borrower enterprises, investment amount	188 ¥13.5 bn	In the field of corporate growth support, since employment of business advisors in April 2001, we have provided consulting services to 587 companies regarding expansion of marketing channels and evaluation of potential of business.
Number of business matching deals	88 lines	

Yamanashi Chugin Management Support Coordination Services, and corporate customer support through business matching services (April 2005 to March 2016)

Number of companies that have received support (problem-solving) from Yamanashi Chugin Management Support Services	1,142	The coordination services utilizes a network of contacts linking the Bank with external support institutions to offer corporate customers tailored proposals backed up by specialist know-how (Jan. 2006 to March 2016).
Number of business matching deals successfully concluded via the Bank's network or Bank-sponsored business meetings	2,214	Business matching has been achieved by using the Bank's network to provide data on customer companies, as well as business fairs such as the Yamanashi Food Sector Business Matching Fair, the Regional Banking Food Selection, etc. (FY2005–2016).

Achievements in support for management improvement (April 2015 to March 2016)

Debtors (excluding normal borrowers) as of the start of term: A	2,868
Of which, those receiving management improvement support: a	179
Of which, those upgraded their debtor categories as of the term-end: b	18
Of which, those drawing up reconstruction plans: c	136
Percentage receiving management improvement support: (a/A)	6.2%
Percentage upgraded: (b/a)	10.1%
Percentage drawing up reconstruction plans: (c/a)	76.0%

Operational Review

Corporate Banking

Support for companies through our solutions businesses

In collaboration with outside support organizations, the Group has created a support system for establishing businesses, starting up new businesses, and growing and revitalizing business, and is working to provide high-quality financial services.

In fiscal 2015, we continued our previous fiscal year's efforts to facilitate smooth financing to local companies, provide consulting services to corporate customers, and strengthen our solutions businesses. In response to the "SME Finance Facilitation Act," we meticulously consulted with customers about financing based on the "Basic Policy for Financial Facilitation" established by the Bank. At the same time, we strengthened our support system, formulated management improvement plans, and provided strong support for the implementation of those plans.

The Bank supported the growth and development of its customers by providing optimal solutions to resolve their business issues based on an appropriate assessment of their business models, growth potential and other aspects (business feasibility studies), thereby strengthening its measures to facilitate regional revitalization.

In regard to regional revitalization, we helped Yamanashi Prefecture and municipalities formulate their comprehensive strategies in coordination with municipalities, along with setting up the Yamanashi Chugin Revitalization Fund, with the aim of nurturing businesses underscoring the future of local communities. Through these and other measures, we provided support for enhancing local industrial capabilities and maintaining and expanding employment.

We held our Agri-Business School with the goal of supporting new agri-business and the sixth industrialization for agriculture- and food-related business operators. In addition, as measures to support the development and expansion of sales channels, we conducted the "Yamanashi Food Sector Business Matching Fair," "Regional Banking Food Selection," and other events.



Agri-Business School

We implemented a number of measures for tourist-related businesses, including setting up a tourism support desk, supporting our clients through a tourism advisor, and providing tourism-related information via social media. Other measures included holding seminars on in-bound tourism and helping our business customers register as tax-free shops.

In international operations, we formed a new alliance with the State Bank of India, in addition to our existing operation tie-ups with six other overseas banks, thus further enhancing our preparedness for overseas expansion support.

In the areas of business succession and inheritance services, the Bank reinforced its support readiness through partnerships with outside institutions and held complimentary individual consultations to accurately meet the needs of customers.

Moreover, the Bank worked to nurture highly specialized employees to strengthen support for the revitalization of local industries and generate new sources of funding demand.

Specifically, to nurture highly specialized employees, the Bank assigned employees to seminars held by the Regional Banks Association of Japan, as well as to the Japan External Trade Organization (JETRO) and other organizations. The Bank also assigned employees to external companies primarily in local industries, such as the jewelry, wine and hotel sectors, with the goal of enhancing employees' discernment by having them obtain knowledge of the characteristics of each industry and develop industry expertise.

The total of loans outstanding to SMEs as of March 31, 2016 was up by ¥28.6 billion year on year to ¥501.9 billion, accounting for 32.9% of all loans outstanding.

Looking ahead, the Bank will work hard to provide comprehensive financial services and strengthen its consulting capabilities to better respond to the needs of our corporate customers who form the bedrock of the regional economy.



Yamanashi Food Business Liaison Conference

Consumer Banking

Meeting customers' diverse needs

The Bank has responded to a wide range of asset management needs of individual customers through measures including enhancing its product lineup with investment trusts, whole life insurance and annuities, all of which cater to medium- and long-term investment needs, as well as offering deposits for monetary gifts for marriage and parenting (product name: *Egao no Katachi*), which uses a tax-exempt system, and launching Junior NISA accounts. Additionally, we have also addressed the asset-building needs of customers through such means as proposing a "household budget review" that anticipates major events in customers' lives.

Meanwhile, the Bank also worked to fulfill the financial needs of customers through initiatives including conducting interest rate campaigns for housing, auto, education and credit card loans, thereby providing products and services focused on the life plans of its customers.

The balance of loans to individuals as of March 31, 2016, decreased by ¥3.7 billion from the previous year-end to ¥372.1 billion, accounting for 24.4% of all loans. The balance of housing loans outstanding at the year-end stood at ¥365.2 billion, down ¥2.7 billion from March 31, 2015.



Various asset management seminars held

Western Tokyo Bloc

Seeking greater potential beyond Yamanashi Prefecture

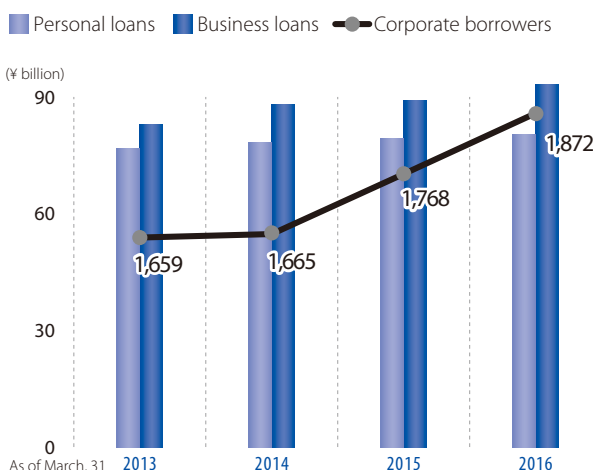
Bordering Yamanashi Prefecture to the east, the western part of Tokyo in which we operate, is a large market that is home to around 5.51 million people, and 170,000 business sites. We call it the Western Tokyo Bloc and it has tremendous growth potential. As of March 31, 2016, we had 15 branches within this Bloc. Most have been in operation for 30 to 40 years and are well-established as a local financial institution in their local communities. In addition, the Bank currently operates four Loan Square offices devoted to housing loans in the Western Tokyo Bloc.

This region has achieved greater profitability and efficiency exceeding that within Yamanashi Prefecture and we view this as one of the pillars for "increasing operating income" in the new medium-term management plan. In this plan, we will expand the marketing base multi-dimensionally through the active investment of human resources and the aggressive expansion of new business bases with the aim of even greater profitability and efficiency.

In the fiscal year ended March 31, 2016, personal loans increased by ¥1.2 billion year on year to ¥80.4 billion, while business loans increased by ¥4.3 billion to ¥93.3 billion. The total of corporate borrowers now on our books increased by 104 to 1,872 (in terms of transactions). Loan RAROA (earnings

after deduction of credit cost/loans), a prime indicator of profitability, was better than in Yamanashi Prefecture, reflecting high profitability of our operations in the Western Tokyo Bloc.

Loans and corporate borrowers in Western Tokyo Bloc



* Local public bodies are excluded in corporate borrowers

Financial Review

(on a consolidated basis)

Operating Environment

In the year ended March 31, 2016, the Japanese economy showed a gradual recovery in the first half, supported by strong corporate earnings and improving employment and income levels. However, in the second half, economic conditions generally treaded water as exports and production slowed in response to the deceleration of overseas economies, and businesses took a cautious approach to capital investment based on an uncertain economic outlook.

Looking at the financial situation during this period, the Nikkei Stock Average recovered temporarily to the ¥20,000 level against the backdrop of improving corporate earnings. However, from the summer onward, stock prices declined reflecting an uncertain economic outlook accompanying the deceleration of the Chinese economy. In the foreign exchange market, the yen generally weakened in the first half of the fiscal year, but has rapidly appreciated since the beginning of 2016.

Furthermore, in January 2016, the Bank of Japan introduced a negative interest rate policy as an additional monetary easing measure to realize its price stabilization target of 2%. Interest rates decreased significantly as a result of this policy.

The economy of Yamanashi Prefecture, specifically the non-manufacturing sector, saw signs of strong business sentiment in the tourism-related industries owing to an increase in domestic and international tourists. However, in the manufacturing sector, production turned soft across a wide range of industries, including the jewelry industry, which had maintained strong sales to Asia, and the automotive parts and electronic component-related industries. Overall, economic activity in Yamanashi Prefecture generally lacked vigor.

Overview of Earnings

On the earnings front, the Bank worked to strengthen its earning capacity, efficiently manage assets, and rationalize and streamline all aspects of management. Although interest on loans and bills discounted decreased due to lower interest rates on loans, increases in interest and dividends on securities and in gains on the sale of stocks, along with higher fees and commissions, resulted in an increase in ordinary income.

Meanwhile, credit costs rose significantly in line with additional provisions to loan loss reserves in readiness for future changes in the business environment and other factors.

As a result, consolidated ordinary income rose ¥5,382 million to ¥55,718 million. Consolidated ordinary profit increased ¥365 million to ¥13,829 million. Profit attributable to shareholders of the parent increased ¥698 million to ¥9,452 million.

Overview of Principal Accounts

In the Bank's main accounts, the Bank enhanced its deposit products and services to appropriately and swiftly meet the diversifying asset management needs of customers. As a result, the year-end balance of total deposits on a consolidated basis increased ¥18.3 billion to ¥2,719.8 billion mainly due to an increase in deposits held by both individual and corporate customers.

Total deposits including negotiable certificates of deposit (NCDs) increased ¥36.9 billion during the year to ¥2,842.2 billion. The year-end balance of over-the-counter Japanese government bonds and investment trusts declined ¥18.2 billion during the year to ¥137.4 billion.

Turning to loans, we proactively expanded lending to second-tier companies and SMEs through solution banking based on business feasibility studies and increased loans to individuals. At the same time, we proactively met funding demand primarily from local government bodies. As a result, the balance of loans increased by ¥25.8 billion to ¥1,514.5 billion.

In investment securities, we took measures to ensure smooth management, while keeping a close eye on the investment environment and market trends. We also underwrote public debt beginning with municipal, government-guaranteed and other public bonds. As a result, the balance of investment securities increased ¥2.7 billion to ¥1,518.0 billion.

The consolidated capital adequacy ratio (domestic standard) increased 0.7 percentage points to 18.05%.

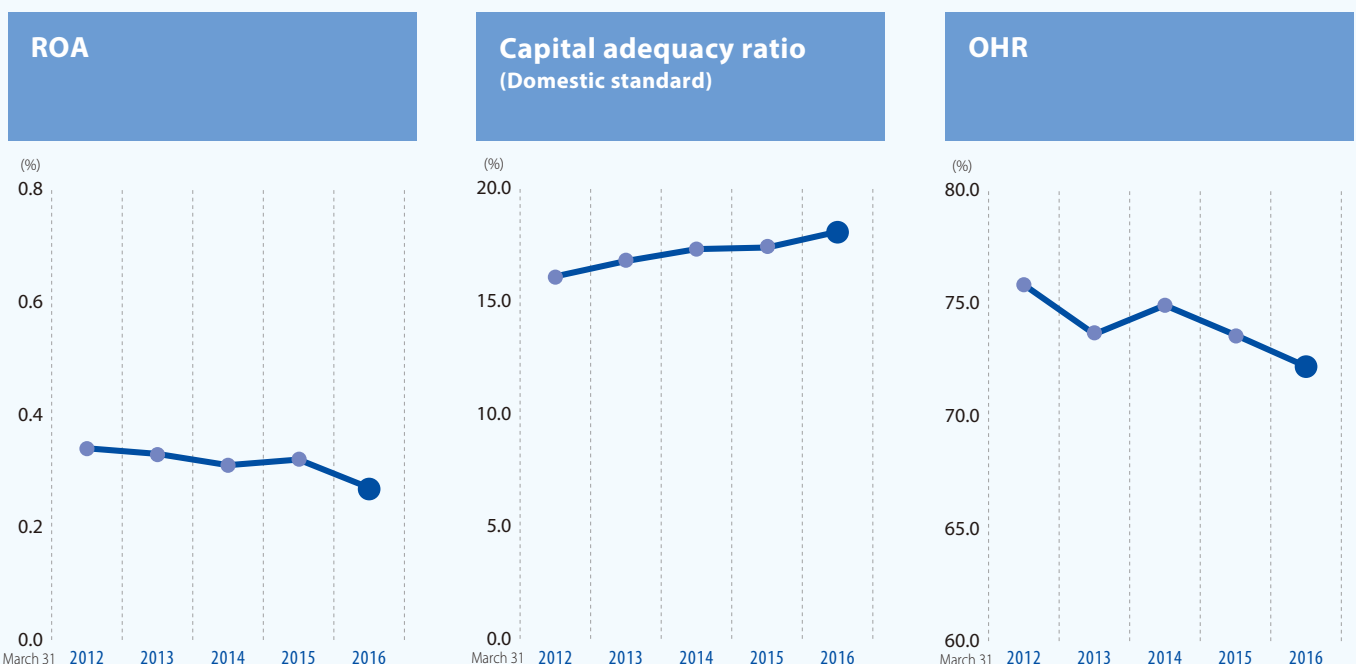
Cash Flows

Net cash provided by operating activities amounted to ¥70.2 billion (compared with a net outflow of ¥3.8 billion in the previous year), with deposits increasing ¥36.9 billion and payables under securities lending transactions increasing ¥57.3 billion, despite loans and bills discounted increasing ¥25.8 billion.

Net cash used in investing activities totaled ¥17.6 billion (compared with a net outflow of ¥61.2 billion in the previous year), with acquisition of investment securities totaling ¥432.0 billion and sales and redemption of investment securities totaling ¥417.2 billion.

Net cash used in financing activities came to ¥2.3 billion (compared with a net outflow of ¥2.0 billion in the previous year), with expenses on acquisition of treasury stock totaling ¥0.9 billion and dividend payments of ¥1.5 billion.

As a result, cash and cash equivalents at the end of the fiscal year came to ¥109.3 billion (up ¥50.2 billion from the previous year).



ROA = Core net business profit / (Average Balance of Total Assets - Average Balance of Customers' Liabilities for Acceptances & Guarantees)
 Capital Ratio = On a consolidated basis, domestic standard OHR = Operating expenses / Core Gross Business Profit

Note: All except for the capital ratio are on a non-consolidated basis.

【Consolidated Financial Statements】

①【Consolidated Balance Sheets】

	Millions of Yen		Thousands of U.S. Dollars
	End of FY2015 (March 31, 2016)	End of FY2014 (March 31, 2015)	End of FY2015 (March 31, 2016)
Assets:			
Cash and due from banks	¥ 109,493	¥ 69,226	¥ 971,724
Call loans and bills bought	41,229	34,287	365,903
Monetary claims bought	10,804	11,716	95,887
Securities ※1, ※8, ※13	1,518,043	1,515,314	13,472,163
Loans and bills discounted ※2, ※3, ※4, ※5, ※6, ※7, ※10	1,514,537	1,488,648	13,441,053
Foreign exchanges ※6	1,381	1,067	12,259
Other assets ※8, ※9	22,822	12,998	202,542
Tangible fixed assets ※11, ※12	26,052	25,546	231,206
Buildings	9,392	8,851	83,354
Land	13,559	13,521	120,339
Construction in progress	15	622	138
Other tangible fixed assets	3,084	2,550	27,375
Intangible fixed assets	3,239	4,091	28,753
Software	2,499	2,748	22,184
Software in progress	408	1,009	3,622
Other intangible fixed assets	332	332	2,947
Net defined benefit asset	0	2,585	—
Deferred tax assets	2,506	395	22,240
Customers' liabilities for acceptances and guarantees	4,561	4,968	40,485
Allowance for possible loan losses	(15,555)	(14,944)	(138,054)
Total assets	¥3,239,117	¥3,155,903	¥28,746,162

	Millions of Yen		Thousands of U.S. Dollars
	End of FY2015 (March 31, 2016)	End of FY2014 (March 31, 2015)	End of FY2015 (March 31, 2016)
Liabilities:			
Deposits ※8	¥2,719,829	¥2,701,437	\$24,137,641
Negotiable certificates of deposit	122,418	103,832	1,086,428
Call money and bills sold	0	5,287	—
Payables under securities lending transactions ※8	83,469	26,095	740,766
Borrowed money ※8, ※9	20,367	22,710	180,756
Foreign exchanges	74	183	663
Other liabilities	26,552	26,331	235,646
Accrued bonuses to directors and corporate auditors	46	44	408
Net defined benefit liability	4,152	971	36,852
Reserve for directors' and corporate auditors' retirement benefits	9	7	88
Reserve for reimbursement of deposits	261	237	2,321
Reserve for contingent losses	135	107	1,200
Deferred tax liabilities	22,079	26,247	195,950
Acceptances and guarantees	4,561	4,968	40,485
Total liabilities	3,003,959	2,918,462	26,659,204
Net assets:			
Common stock	15,400	15,400	136,670
Capital surplus	8,287	8,287	73,548
Retained earnings	153,207	145,268	1,359,671
Treasury stock	(2,009)	(1,126)	(17,830)
Total shareholders' equity	174,886	167,829	1,552,059
Unrealized gains on available-for-sale securities	63,152	68,042	560,458
Remeasurements of defined benefit plans	(4,866)	(259)	(43,190)
Total accumulated other comprehensive income	58,285	67,782	517,268
Subscription rights to shares	133	124	1,186
Non-controlling interests	1,853	1,703	16,445
Total net assets	235,158	237,440	2,086,958
Total liabilities and net assets	¥3,239,117	¥3,155,903	\$28,746,162

②【Consolidated Statements of Income and Consolidated Statements of Comprehensive Income】

【Consolidated Statements of Income】

	Millions of Yen		Thousands of U.S. Dollars
	Consolidated FY2015 (From April 1, 2015 to March 31, 2016)	Consolidated FY2014 (From April 1, 2014 to March 31, 2015)	Consolidated FY2015 (From April 1, 2015 to March 31, 2016)
Ordinary income:	¥55,718	¥50,335	\$494,484
Interest and dividends income	36,121	35,000	320,570
Interest on loans and bills discounted	18,101	19,290	160,647
Interest and dividends on securities	17,758	15,450	157,602
Interest on call loans and bills bought	88	46	782
Interest on due from banks	95	91	844
Other	78	120	695
Fees and commissions	7,915	7,716	70,251
Other operating income	5,346	4,190	47,444
Other ordinary income	6,334	3,427	56,220
Reversal of allowance for possible loan losses	0	1,686	—
Other ※1	6,334	1,741	56,220
Ordinary expenses	41,888	36,871	371,750
Interest expenses	1,798	1,690	15,961
Deposits	1,445	1,506	12,826
Negotiable certificates deposits	93	95	832
Call money and bills sold	1	19	9
Payables under securities lending transactions	216	32	1,924
Borrowed money	41	36	369
Other	0	0	1
Fees and commissions	2,062	1,931	18,302
Other operating expenses	4,971	3,606	44,119
General and administrative expenses ※2	28,944	29,217	256,872
Other expenses	4,112	424	36,496
Provision of allowance for possible loan losses	1,549	0	13,755
Other expenses	2,562	424	22,741
Ordinary profit	13,829	13,464	122,734

	Millions of Yen		Thousands of U.S. Dollars
	Consolidated FY2015 (From April 1, 2015 to March 31, 2016)	Consolidated FY2014 (From April 1, 2014 to March 31, 2015)	Consolidated FY2015 (From April 1, 2015 to March 31, 2016)
Extraordinary income:	292	—	2,598
Gain on disposal of fixed assets	292	—	2,598
Extraordinary losses	409	417	3,634
Impairment losses ※3	353	63	3,140
Losses on disposal of fixed assets	55	353	494
Income before income taxes and non-controlling interests	13,712	13,047	121,698
Income taxes – current	4,152	3,001	36,853
Income taxes – deferred	(50)	1,105	(445)
Total income taxes	4,102	4,107	36,408
Profit	9,610	8,939	85,290
Profit attributable to non-controlling interests	158	186	1,404
Profit attributable to shareholders of the parent	¥9,452	¥8,753	\$83,886

【Consolidated Statements of Comprehensive Income】

	Millions of Yen		Thousands of U.S. Dollars
	Consolidated FY2015 (From April 1, 2015 to March 31, 2016)	Consolidated FY2014 (From April 1, 2014 to March 31, 2015)	Consolidated FY2015 (From April 1, 2015 to March 31, 2016)
Profit	¥9,610	¥8,939	85,290
Other comprehensive income ※1	(9,503)	31,406	(84,342)
Net unrealized gains on available-for-sale securities	(4,896)	30,594	(43,456)
Remeasurements of defined benefit plans	(4,606)	811	(40,885)
Total comprehensive income	106	40,346	949
Total comprehensive income attributable to shareholders of the parent	(44)	40,157	(397)
Total comprehensive income attributable to non-controlling interests	151	189	1,346

③【Consolidated Statements of Changes in Net Assets】

	Millions of Yen				
	Shareholders' equity				
Consolidated FY2015 (From April 1, 2015 to March 31, 2016)	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at beginning of current year	¥15,400	¥8,287	¥145,268	¥(1,126)	¥167,829
Cumulative effect of changes in accounting policies			0		0
Balance at beginning of year reflecting changes in accounting policies	15,400	8,287	145,268	(1,126)	167,829
Changes during year:					
Cash dividends			(1,507)		(1,507)
Profit attributable to shareholders of the parent			9,452		9,452
Purchases of treasury stock				(915)	(915)
Cancellation of treasury stock				0	
Disposals of treasury stock		(5)		32	27
Transfer from retained earnings to capital surplus		5	(5)		
Net changes in items other than shareholders' equity					
Total changes during year	—	—	7,938	(882)	7,056
Balance at end of current year	¥15,400	¥8,287	¥153,207	¥(2,009)	¥174,886

	Millions of Yen					
	Accumulated other comprehensive income			Subscription rights to shares	Non-controlling interests	Total net assets
Consolidated FY2015 (From April 1, 2015 to March 31, 2016)	Unrealized gains on available-for-sale securities	Remeasurements of defined benefit plans	Total accumulated other comprehensive income			
Balance at beginning of current year	¥68,042	¥(259)	¥67,782	¥124	¥1,703	¥237,440
Cumulative effect of changes in accounting policies						0
Balance at beginning of year reflecting changes in accounting policies	68,042	(259)	67,782	124	1,703	237,440
Changes during year:						
Cash dividends						(1,507)
Profit attributable to shareholders of the parent						9,452
Purchases of treasury stock						(915)
Cancellation of treasury stock						
Disposals of treasury stock						27
Transfer from retained earnings to capital surplus						
Net changes in items other than shareholders' equity	(4,890)	(4,606)	(9,497)	8	149	(9,338)
Total changes during year	(4,890)	(4,606)	(9,497)	8	149	(2,281)
Balance at end of current year	¥63,152	¥(4,866)	¥58,285	¥133	¥1,853	¥235,158

	Millions of Yen				
	Shareholders' equity				
Consolidated FY2014 (From April 1, 2014 to March 31, 2015)	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at beginning of current year	¥15,400	¥8,287	¥140,009	¥(2,423)	¥161,272
Cumulative effect of changes in accounting policies			(179)		(179)
Balance at beginning of year reflecting changes in accounting policies	15,400	8,287	139,829	(2,423)	161,092
Changes during year:					
Cash dividends			(1,173)		(1,173)
Profit attributable to shareholders of the parent			8,753		8,753
Purchases of treasury stock				(844)	(844)
Cancellation of treasury stock		(2,140)		2,140	
Disposals of treasury stock		(0)		1	1
Transfer from retained earnings to capital surplus		2,140	(2,140)		
Net changes in items other than shareholders' equity					
Total changes during year	—	—	5,439	1,297	6,737
Balance at end of current year	¥15,400	¥8,287	¥145,268	¥(1,126)	¥167,829

	Millions of Yen					
	Accumulated other comprehensive income			Subscription rights to shares	Non-controlling interests	Total net assets
Consolidated FY2014 (From April 1, 2014 to March 31, 2015)	Unrealized gains on available-for-sale securities	Remeasurements of defined benefit plans	Total accumulated other comprehensive income			
Balance at beginning of current year	¥ 37,450	¥(1,071)	¥36,379	¥90	¥1,515	¥199,258
Cumulative effect of changes in accounting policies						(179)
Balance at beginning of year reflecting changes in accounting policies	37,450	(1,071)	36,379	90	1,515	199,078
Changes during year:						
Cash dividends						(1,173)
Profit attributable to shareholders of the parent						8,753
Purchases of treasury stock						(844)
Cancellation of treasury stock						
Disposals of treasury stock						1
Transfer from retained earnings to capital surplus						
Net changes in items other than shareholders' equity	30,591	811	31,403	34	187	31,625
Total changes during year	30,591	811	31,403	34	187	38,362
Balance at end of current year	¥68,042	¥(259)	¥67,782	¥124	¥1,703	¥237,440

	Thousands of U.S. Dollars				
	Shareholders' equity				
Consolidated FY2015 (From April 1, 2015 to March 31, 2016)	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at beginning of current year	\$136,670	\$73,548	\$1,289,216	\$ (9,997)	\$1,489,438
Cumulative effect of changes in accounting policies					
Balance at beginning of year reflecting changes in accounting policies	136,670	73,548	1,289,216	(9,997)	1,489,438
Changes during year:					
Cash dividends			(13,381)		(13,381)
Profit attributable to shareholders of the parent			83,886		83,886
Purchases of treasury stock				(8,124)	(8,124)
Cancellation of treasury stock					
Disposals of treasury stock		(50)		290	241
Transfer from retained earnings to capital surplus		50	(50)		
Net changes in items other than shareholders' equity					
Total changes during year	—	—	70,455	7,834	62,621
Balance at end of current year	\$136,670	\$73,548	\$1,359,671	\$ (17,830)	\$1,552,059

	Thousands of U.S. Dollars					
	Accumulated other comprehensive income			Subscription rights to shares	Non-controlling interests	Total net assets
Consolidated FY2014 (From April 1, 2014 to March 31, 2015)	Unrealized gains on available-for-sale securities	Remeasurements of defined benefit plans	Total accumulated other comprehensive income			
Balance at beginning of current year	\$603,856	\$ (2,305)	\$601,551	\$1,107	\$15,114	\$2,107,209
Cumulative effect of changes in accounting policies	—	—	—	—	—	—
Balance at beginning of year reflecting changes in accounting policies	603,856	(2,305)	601,551	1,107	15,114	2,107,209
Changes during year:						
Cash dividends						(13,381)
Profit attributable to shareholders of the parent						83,886
Purchases of treasury stock						(8,124)
Cancellation of treasury stock						
Disposals of treasury stock						241
Transfer from retained earnings to capital surplus						
Net changes in items other than shareholders' equity	(43,398)	(40,885)	(84,283)	79	1,331	(82,873)
Total changes during year	(43,398)	(40,885)	(84,283)	79	1,331	(20,252)
Balance at end of current year	\$560,458	\$(43,190)	\$517,268	\$1,186	\$16,445	\$2,086,958

④【Consolidated Statements of Cash Flows】

	Millions of Yen		Thousands of U.S. Dollars
	Consolidated FY2015 (From April 1, 2015 to March 31, 2016)	Consolidated FY2014 (From April 1, 2014 to March 31, 2015)	Consolidated FY2015 (From April 1, 2015 to March 31, 2016)
Operating activities:			
Income before income taxes and non-controlling interests	¥13,712	¥13,047	\$121,698
Adjustment for:			
Depreciation and amortization	3,057	3,295	27,138
Impairment losses	55	353	494
Increase (decrease) in allowance for possible loan losses	611	(2,733)	5,428
Increase (decrease) in accrued bonuses to directors and corporate auditors	1	(1)	11
Decrease (increase) in net defined benefit asset	2,585	(1,253)	22,948
Increase (decrease) in net defined benefit liability	3,181	(491)	28,233
Increase (decrease) in reserve for directors' and corporate auditors' retirement benefits	2	1	19
Increase (decrease) in reserve for reimbursement of deposits	24	47	216
Increase (decrease) in reserve for contingent losses	27	(128)	242
Interest income recognized on consolidated statements of income	(36,121)	(35,000)	(320,570)
Interest expenses recognized on consolidated statements of income	1,798	1,690	15,961
Losses (gains) on investment securities	(5,719)	(1,042)	(50,757)
Foreign exchange losses – net	4,930	(3,320)	43,760
Losses on disposal of premises and equipment	61	63	542
Net increase (decrease) in loans and bills discounted	(25,888)	(48,247)	(229,756)
Net increase in deposits	18,391	65,561	163,220
Net increase in negotiable certificates of deposit	18,586	(21,945)	164,951
Net increase (decrease) in borrowed money	(2,342)	1,073	(20,792)
Net decrease in due from banks (excluding cash equivalents)	9,984	10	88,613
Net decrease (increase) in call loans	(6,030)	(30,335)	(53,515)
Net increase (decrease) in call money	(5,287)	(1,196)	(46,925)
Net increase (decrease) in payables under securities lending transactions	57,374	18,557	509,177
Net decrease (increase) in foreign exchanges (assets)	(313)	374	(2,787)

	Millions of Yen		Thousands of U.S. Dollars
	Consolidated FY2015 (From April 1, 2015 to March 31, 2016)	Consolidated FY2014 (From April 1, 2014 to March 31, 2015)	Consolidated FY2015 (From April 1, 2015 to March 31, 2016)
Net increase (decrease) in foreign exchanges (liabilities)	(108)	69	(967)
Interest income (cash basis)	39,621	39,016	351,632
Interest expenses (cash basis)	(1,554)	(1,283)	(13,795)
Other – net	(16,671)	2,742	(147,956)
Total adjustments	73,970	(1,073)	656,464
Income taxes paid	(3,682)	(2,733)	(32,684)
Net cash provided by (used in) operating activities	70,287	(3,806)	623,781
Investing activities:			
Purchases of investment securities	(432,021)	(280,148)	(3,834,058)
Proceeds from sales of investment securities	190,483	105,249	1,690,484
Proceeds from redemption of investment securities	226,744	117,424	2,012,290
Purchases of premises and equipment	(2,216)	(2,669)	(19,668)
Proceeds from sales of premises and equipment	150	–	1,333
Purchases of intangible fixed assets	(781)	(1,089)	(6,932)
Proceeds from sales of intangible fixed assets	1	1	17
Net cash used in investing activities	(17,638)	(61,232)	(156,535)
Financing activities:			
Dividends paid	(1,507)	(1,173)	(13,381)
Payment of dividends to non-controlling interests	(1)	(1)	(15)
Repurchases of treasury stock	(915)	(844)	(8,124)
Proceeds from sales of treasury stock	27	1	241
Net cash used in financing activities	(2,397)	(2,018)	(21,280)
Foreign currency transaction adjustments on cash and cash equivalents	0	0	4
Net increase (decrease) in cash and cash equivalents	50,251	(67,057)	445,970
Cash and cash equivalents, beginning of year	59,058	126,115	524,122
Cash and cash equivalents, end of year ※1	¥109,309	¥59,058	\$970,092

【Notes to Consolidated Financial Statements】

Important items used as basis for preparing consolidated financial statements

1. Items relating to scope of consolidation

- (1) Consolidated subsidiaries 4 companies

The names of consolidated subsidiaries are Yamanashi Chuo Guarantee Co., Ltd., Yamanashi Chugin Lease Co., Ltd., Yamanashi Chugin DC Card Co., Ltd. and Yamanashi Chugin Management Consulting Co., Ltd.

- (2) Number of non-consolidated subsidiaries 2 companies

Yamanashi New Business Support Investment Limited Partnership

Yamanashi Sixth Industrialization Support Investment Limited Partnership

Yamanashi Chugin Regional Revitalization Investment Limited Business Partnership

Non-consolidated subsidiaries are excluded from the scope of consolidation since their assets, ordinary income, and our ownership percentage of their net income and retained earnings does not have a material impact on our results of operations and financial condition.

Yamanashi Chugin Regional Revitalization Investment Limited Business Partnership was newly established in the consolidated fiscal year under review.

2. Items relating to application of equity method

- (1) Non-consolidated subsidiaries that are applied to equity method

Not applicable

- (2) Affiliates that are applied to equity method

Not applicable

- (3) Number of non-consolidated subsidiaries not accounted for by the equity method 3 companies

Yamanashi New Business Support Investment Limited Partnership

Yamanashi Sixth Industrialization Support Investment Limited Partnership

Yamanashi Chugin Regional Revitalization Investment Limited Business Partnership

Non-consolidated subsidiaries not accounted for by the equity method are excluded from the scope of the equity method since our ownership percentage of their net income and retained earnings do not have a material impact on our consolidated financial statements.

Yamanashi Chugin Regional Revitalization Investment Limited Business Partnership was newly established in the consolidated fiscal year under review.

- (4) Affiliates that are not applied to equity method

Not applicable

3. Items relating to business years of consolidated subsidiaries

All of the consolidated subsidiaries have their settlement day on March 31.

4. Items relating to accounting standards

- (1) Valuation standards and methods for trading account securities

Trading securities, which are held for the purpose of earning capital gains, are reported at fair value and the related unrealized gains and losses are included in earnings.

- (2) Valuation standards and methods for securities

Held-to-maturity debt securities, which management has the positive intent and ability to hold to maturity are reported at amortized cost, and available-for-sale securities, which are not classified as either of the aforementioned securities, are reported at fair value with unrealized gains and losses, net of applicable taxes, reported in a separate component of equity.

Available-for-sale securities whose fair values are extremely difficult to be determined are stated at cost determined by the moving-average method. The cost of securities sold is determined based on the moving-average method.

(3) Valuation standards and methods for derivative transactions

Derivative transactions are measured at fair value.

(4) Methods of depreciation of fixed assets

① Tangible fixed assets (excluding lease assets)

Depreciation of tangible fixed assets is calculated principally using the declining-balance method. Useful lives of tangible fixed assets are primarily as follows:

Buildings 3 to 50 years

Other 2 to 20 years

② Intangible fixed assets (excluding lease assets)

Amortization of intangible fixed assets is calculated principally using the straight-line method.

Software for internal use by the Bank and its subsidiaries is calculated over the useful life of the software (principally five years).

③ Lease assets

Lease assets employed in leasing transactions that do not transfer ownership of the lease assets to the lessee – both premises and equipment and intangible fixed assets – are depreciated by the straight-line method over the lease period.

Residual value of those lease assets is zero unless any guaranteed amount is prescribed in the lease agreement.

(5) Allowance for possible loan losses

The allowance for possible loan losses is stated in amounts considered to be appropriate based on management's judgment and an assessment of future losses estimated through the Bank's self assessment of the quality of all loans.

The Bank has a credit rating system and a self assessment system. These systems are used to assess the Bank's asset quality based on past experience of credit losses, possible credit losses, analysis of customers' conditions, such as business conditions, character and quality and the overall performance of the portfolio. For claims of debtors who have restructured loans for which cash flows related to the recovery of loan principal or receipt of interest could be reasonably estimated, an allowance for possible loan losses (based on the cash flow estimate method) is provided for the difference between the present value of expected future cash flows discounted at the contracted interest rate and the carrying value of the claim. All loans are classified into one of five categories for self assessment purposes, "normal," "caution," "possible bankruptcy," "virtual bankruptcy" or "legal bankruptcy."

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

The policy for the allowance for possible loan losses of consolidated subsidiaries is similar to the Bank's.

(6) Accrued bonuses to directors and corporate auditors

Accrued bonuses to directors and corporate auditors are provided in the amount of the estimated bonuses which are attributable to each fiscal year.

(7) Reserve for directors' and corporate auditors' retirement benefits

A reserve for directors' and corporate auditors' retirement benefits is provided at the amount which would be required if all directors and corporate auditors retired at the balance sheet date.

(8) Reserve for reimbursement of deposits

Provision is made for possible losses on future claims of withdrawal of deposits which were derecognized as liabilities under certain conditions in an amount deemed necessary based on historical reimbursement experience.

(9) Reserve for contingent losses

Reserve for contingent losses, which is provided for possible losses from contingent events, is calculated by estimation of the impact of those contingent events.

(10) Accounting procedures for retirement benefits

In calculating retirement benefit obligations, the Bank used the benefit formula as the method of attributing the estimated retirement benefits to periods of service to the end of the consolidated fiscal year under review.

In addition, the method of recording expenses for past service costs and actuarial gains and losses are as follows.

Past service costs: Recognized in profit and loss using the straight-line method over a fixed period (10 years) within the average remaining service period of employees at the time they occur.

Actuarial gains and losses: Recognized the amount equally divided by using the straight-line method over a fixed period (10 years) based on the average remaining service period in each consolidated fiscal year in which they occur and recorded in profit and loss from each of the following year of the occurrence.

(11) Foreign currency items

Foreign currency assets and liabilities are translated into yen at the exchange rates prevailing at the balance sheet date.

(12) Lease transactions

(Lessor)

Revenues and cost of revenues of finance lease transactions are recognized when lease payments are made.

(13) Cash and cash equivalents

For the purpose of reporting cash flows, cash and cash equivalents are defined as cash and due from the Bank of Japan.

(14) Consumption taxes

The accounting treatment of national consumption tax and local consumption tax is based on the tax exclusion method.

[Changes in accounting policies]

[Application of Accounting Standard for Business Combinations and Related Standards and Implementation Guidance]

Accounting Standard for Business Combinations (ASBJ Statement No. 21, September 13, 2013), Accounting Standard for Consolidated Financial Statements (ASBJ Statement No. 22, September 13, 2013), Accounting Standard for Business Divestitures (ASBJ Statement No. 7, September 13, 2013) and related standards and implementation guidance have been applied since the consolidated fiscal year under review. In line with this, the method of presentation has changed so that differences due to fluctuations in the Bank's equity in subsidiaries where it retains control is now recorded as capital surplus, and expenses related to acquisitions are recorded as expenses in the fiscal year in which they occur. Furthermore, for business combinations executed on or after the start of the consolidated fiscal year under review, the method of presentation has changed from revising the allocation amount of the acquisition cost based on the provisional accounting treatment to reflecting the acquisition cost in the financial statements for the fiscal year of the business combination date. Moreover, the presentation of net income has been changed, and the presentation of minority interests has been changed to non-controlling interests. To reflect these changes, the Bank has restated the consolidated financial statements for the previous fiscal year.

As a result, in the consolidated statements of cash flows for the fiscal year under review, cash flows pertaining to the acquisition or sale of shares in subsidiaries unaccompanied by change in the scope of consolidation were recorded under cash flows from financing activities. Cash flows pertaining to expenses incurred in the acquisition of shares in subsidiaries accompanied by change in the scope of consolidation, as well as cash flows pertaining to expenses incurred in the acquisition or sales of shares in subsidiaries unaccompanied by change in the scope of consolidation, were recorded under cash flows from operating activities.

With regard to the adoption of the Accounting Standard for Business Combinations and related standards and implementation guidance, the Bank has adopted the Accounting Standard for Business Combinations from April 1, 2015, the beginning of the consolidated fiscal year under review and onwards in accordance with the transitional treatment set forth in Article 58-2 (4) of the Accounting Standard for Business Combinations, Article 44-5 (4) of the Accounting Standard for Consolidated Financial Statements, and Article 57-4 (4) of the Accounting Standard for Business Divestitures.

There was no impact from the application of these standards on the consolidated financial statements in the fiscal year under review.

[New accounting standards not yet applied]

○ Revised Implementation Guidance on Recovery of Deferred Tax Assets (ASBJ Implementation Guidance No. 26, March 28, 2016)

(1) Overview

The Revised Implementation Guidance on Recovery of Deferred Tax Assets basically retains the guidance on the recoverability of deferred tax assets set forth in JICPA Audit Committee Report No. 66, "The Auditing Treatment on Determining the Recoverability of Deferred Tax Assets," with the exception of certain revisions.

(2) Scheduled adoption date

The Revised Implementation Guidance on Recovery of Deferred Tax Assets will be adopted effective April 1, 2016, from the start of the fiscal year ending March 31, 2017.

(3) Impact of adopting revised accounting standards and implementation guidance

The effect of the Revised Implementation Guidance on Recovery of Deferred Tax Assets is currently being evaluated.

(Relating to Consolidated Balance Sheets)

*1 Shares held or investments in non-consolidated subsidiaries and affiliates

As of March 31, 2016	(Millions of yen)
Investments	¥651

*2 The amounts of loans to customers in bankruptcy and past due loans included in loans and bills discounted were as follows:

As of March 31, 2016	(Millions of yen)
Loans to customers in bankruptcy	¥2,622
Past due loans	¥32,386

Loans to customers in bankruptcy represent nonaccrual loans to debtors who are legally bankrupt, as defined in Article 96, Paragraph 1, Subparagraphs 3 and 4 of Enforcement Ordinance for the Corporation Tax Law. Past due loans are defined as nonaccrual loans except for loans to customers in bankruptcy and loans of which the interest payments are deferred in order to assist in the financial recovery of a debtor in financial difficulties.

*3 The amount of accruing loans contractually past due three months or more included in loans and bills discounted was as follows:

As of March 31, 2016	(Millions of yen)
Past due loans of three months or more	¥20

Accruing loans contractually past due three months or more are loans on which the principal or interest is three months or more past due.

*4 The amount of restructured loans for which the Bank has relaxed lending conditions included in loans and bills discounted was as follows:

As of March 31, 2016	(Millions of yen)
Restructured loans for which the Bank has relaxed lending conditions	¥4,036

Restructured loans are loans for which the Bank has relaxed lending conditions, such as: reduction of the original interest rate, deferral of interest payment, extension of maturity date, or reduction of the amount of the debt or accrued interest.

*5 The total amount of loans to customers in bankruptcy, past due loans, accruing loans contractually past due three months or more and restructured loans for which the Bank has relaxed lending conditions was as follows:

As of March 31, 2016	(Millions of yen)
Total amount	¥39,065

The loan amounts identified in the preceding items (2) to (5) are before deducting any allowance for possible loan losses.

*6 Bills discounted are accounted for as financial transactions in accordance with JICPA Industry Audit Committee Report No. 24, February 13, 2002, "Treatment for Accounting and Auditing of Application of Accounting Standard for Financial Instruments in Banking Industry." The Bank has the right to sell or pledge commercial bills discounted and foreign exchanges bought without restrictions. The face amount was as follows:

As of March 31, 2016	(Millions of yen)
	¥ 4,579

*7 The amount of loan participation recorded in the consolidated balance sheet and included in participated principals that were accounted for as loans to original debtors in accordance with JICPA Accounting System Committee Report No. 3, November 28, 2014, "Accounting Treatment and Representation of Loan Participation" was as follows:

As of March 31, 2016	(Millions of yen)
	¥ —

*8 Assets pledged as collateral were as follows:

As of March 31, 2016	(Millions of yen)
Assets pledged as collateral	
Investment securities	¥316,401
Liabilities related to pledged assets	
Deposits	¥5,778
Payables under securities lending transactions	¥83,469
Borrowed money	¥20,024

In addition to the aforementioned, the following items were pledged as collateral for the settlement of foreign currency exchange and other transactions:

As of March 31, 2016	(Millions of yen)
Investment securities	¥71,769

Moreover, guarantee deposits included in other assets were as follows:

As of March 31, 2016	(Millions of yen)
Guarantee deposits	¥262

*9 Lease contract assets (the total sum of lease investment assets included in Other assets and interest receivables on lease investment assets) for the remaining lease periods, which were pledged as collateral for a portion of borrowed money, were as follows:

As of March 31, 2016	(Millions of yen)
Lease contract assets	¥611
Corresponding borrowed money	¥343

*10 Commitment line contracts on overdrafts and loans are agreements to lend to customers when they apply for borrowing, up to a prescribed amount, as long as there is no violation of any condition established in the contract. The amounts of unused commitments as of March 31, 2016 were as follows:

As of March 31, 2016	(Millions of yen)
Total amount of unused commitments as of the end of the period:	¥377,362
Amount of unused commitments whose original contract terms were within one year or unconditionally cancelable at any time	¥367,412

Since many of these commitments are expected to expire without being drawn upon, the total amount of unused commitments does not necessarily represent actual future cash flow requirements. Many of these commitments have clauses that allow the Bank to withdraw the commitment line offer or reduce the contract amounts in situations where economic conditions are changed, the Bank needs to secure claims, or other conditions are triggered.

In addition, the Bank requires the customers to pledge collateral such as premises and securities and takes necessary measures such as seizing the customers' financial positions, revising contracts when the need arises and securing claims after conclusion of the contracts.

*11 Accumulated depreciation of tangible fixed assets

As of March 31, 2016	(Millions of yen)
Total amount of accumulated depreciation	¥33,327

*12 Deferred gains on tangible fixed assets deductible for tax purposes:

As of March 31, 2016	(Millions of yen)
Deferred gains	¥1,037

*13 The amount of guarantee liabilities for private placement bonds in “Securities” (provided in accordance with the Financial Instruments and Exchange Act, Article 2, Paragraph 3) was as follows:

As of March 31, 2016	(Millions of yen)
	¥963

(Relating to Consolidated Statements of Income)

*1 “Other ordinary income” includes the following item:

From April 1, 2015 to March 31, 2016	(Millions of yen)
Gain on sales stock	¥5,565

*2 “General and administrative expenses” include the following.:

From April 1, 2015 to March 31, 2016	(Millions of yen)
Salary allowance	¥12,413
Depreciation and amortization	3,058

*3 In the case of the following asset groups, book values were written down to the recoverable levels due to falling land prices and lower net cash from operating activities, and differences have been recorded as impairment losses.

From April 1, 2015 to March 31, 2016			(Millions of yen)
Location	Use	Category	Total impairment loss
Yamanashi Prefecture	Idle assets	Land	¥2
Tokyo	Operating assets	Other tangible fixed assets	53
Total	—	—	¥55

In this method of asset grouping, operating assets as a rule are treated as business premises units (however business premises groups that handle combined businesses are treated as Group units), and idle assets are treated as individual asset units. Head Office, computing centers, company residences and dormitories, etc. are regarded as shared assets.

Recoverable amounts are whichever is the higher of net selling prices and value in use. In the case of net selling prices, the calculation involves deduction of expected disposal expenses from the sum reasonably calculated by real estate asset valuation, etc. In the case of value in use, the calculation uses a 1.6% discount rate for future cash flow.

The calculation of recoverable amounts for the fiscal year ended March 31, 2015 employs a 1.6% discount rate in the case of value in use.

All of the recoverable amounts for the fiscal year ended March 31, 2016 represent net selling prices.

(Relating to Consolidated Statements of Comprehensive Income)

*1 Reclassification adjustment and tax effect related to comprehensive income

From April 1, 2015 to March 31, 2016	(Millions of yen)
Valuation difference on available-for-sale securities:	
Difference arising during the fiscal year	¥ (3,922)
Reclassification adjustment to profit and loss	(5,192)
Amount before income tax effect	(9,115)
Income tax effect	4,219
Valuation difference on available-for-sale securities:	(4,896)
Remeasurements of defined benefit plans	
Gains (losses) arising during the fiscal year	(6,689)
Reclassification adjustment to profit and loss	73
Amount before income tax effect	(6,616)
Income tax effect	2,009
Remeasurements of defined benefit plans	(4,606)
Total other comprehensive income	¥ (9,503)

(Relating to Consolidated Statements of Changes in Net Assets)

1 Items to kind and total number of shares outstanding and treasury stocks

	(Thousands of shares)				
	Number of shares at the beginning of FY2015	Number of shares increased during FY2015	Number of shares decreased during FY2015	Number of shares at the end of FY2015	Remarks
Shares outstanding					
Common stock	179,915	—	—	174,915	
Treasury stock					
Common stock	2,631	2,239	76	4,794	Note 1,2

Notes 1 Breakdown of increases in the number of shares during the consolidated fiscal year under review is as follows:

Increase by acquisition of treasury stock upon resolution of the board of directors	2,209 thousand
Increase by purchase claims of less than one unit	30 thousand

2 Breakdown of decrease in the number of shares during the consolidated fiscal year under review is as follows:

Decrease by exercise of stock option rights	76 thousand
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2 Matters concerning share subscription rights and own share options

Classification	Breakdown of share subscription rights	Class of shares to be issued or transferred upon the exercise of share subscription rights	Number of shares to be issued or transferred upon the exercise of share subscription rights (shares)				Balance as of the end of the FY2015 (Millions of yen)
			Beginning of FY2015	FY2015		End of the FY2015	
				Increase	Decrease		
The Bank	Stock options as share subscription rights			—		¥133	
Total				—		¥133	

3 Items relating to dividends

(1) Dividend paid during FY2015

(Resolution)	Type of stock	Total dividend (Millions of yen)	Dividends per share (Yen)	Reference date	Effective date
Annual General Meeting of Shareholders on June 24, 2015	Common stock	¥ 646	¥3.75	March 31, 2015	June 25, 2015
Board of Directors' Meeting on November 11, 2015	Common stock	861	5.00	September 30, 2015	December 3, 2015

(2) Dividends whose reference date falls in the current fiscal year, but where the effective date of dividend occurs after the end of FY2015.

(Resolution)	Type of stock	Total dividend (Millions of yen)	Fund for dividend	Dividends per share (Yen)	Reference date	Effective date
Annual General Meeting of Shareholders on June 24, 2016	Common stock	¥850	Retained earnings	¥5.00	March 31, 2016	June 27, 2016

(Relating to Consolidated Statements of Cash Flows)

*1 The reconciliation of the cash and due from banks in the consolidated balance sheets and the cash and cash equivalents at March 31, 2016, is as follows:

Cash and due from banks	¥ 109,493 million
Due from banks, excluding due from Bank of Japan	(183) million
Cash and cash equivalents	¥ 109,309 million

(Relating to Lease Transactions)

Finance leases

(Lessor)

1. Details of net investment in leases for the year ended March 31, 2016 are as follows:

	(Millions of yen)
Gross lease receivables	¥ 7,606
Estimated residual value	34
Unearned interest income	(646)
Net investment in leases	¥ 6,995

2. Expected amounts from the collection of gross lease receivables for the year ended March 31, 2016 are as follows:

	(Millions of yen)
1 year or less	¥ 2,429
1 to 2 years	1,942
2 to 3 years	1,428
3 to 4 years	960
4 to 5 years	487
Over 5 years	357
Total	¥ 7,606

(Financial Instruments and Related Disclosure)

1. Qualitative Information of Financial Instruments

(1) Policy for financial instruments

The Group is involved in financial services including the leasing and the credit card business, etc. around the banking business. Within banking, we are involved in the business of taking deposits, making loans and securities trading, as well as domestic and foreign exchange operations, corporate bond underwriting, the over-the-counter sale of public bonds such as Japanese government bonds, investment trusts and insurance. In addition, for the purpose of short-term fund raising, we enter into call loans and call money in the interbank market. In hedging foreign exchange risk and finance and using different currencies, we enter into arrangements such as forward exchange contracts and currency swap transactions. However, we do not conduct transactions whose structures are complicated and speculative transactions. Because we hold financial assets and liabilities with interest rate risk, we conduct Asset Liability Management (ALM) to limit the disadvantageous influence from fluctuations in interest.

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

The financial assets that the Group holds are loans for domestic customers and domestic and foreign securities. Loans have credit risk, brought about by the borrower's nonperformance of contractual obligations. The contents of securities are mainly bonds, stocks and investment trusts. The Group holds these securities for the purpose of holding to maturity, investment available for sale and policy investment (business promotion). Securities have issuer's credit risk, interest rate risk and market price risk.

The Group regards the deposits from customers as its main supply of financial funds. The Group secures stable financing by maintaining the soundness of financial affairs, but has liquidity risk that it may not be possible to obtain necessary funds due to the outflow of unexpected funds.

As with other transactions, derivative transactions are subject to risks such as market, credit, and liquidity risks. Hedge accounting is applied for derivative transactions that meet the requirements of hedge accounting based on internal standards in accordance with JICPA Industry Audit Committee Report No. 25, July 29, 2002, "Treatment of Accounting and Auditing concerning Accounting for Foreign Currency Transactions in the Banking Industry."

(3) Risk management systems for financial instruments

① *Credit risk management*

The Group performs maintenance of the credit screening system, fosters talented human resources and positively advances credit risk management. The credit screening system keeps the credit screening section independent and performs strict screening in advance, performs interim screening and assesses credit enhancements and credit risk management after lending. Regarding administration, the marketing section and credit screening section or the headquarters and business offices perform mutual check functions. The Group tries for the observance of the financing rule and appropriate use and thereby acts in enhancement of system support such as the practical use of the financing support system. Furthermore, for coping with risk fluctuating continually, the Group monitors the actual condition of customers through credit rating and self

assessment to be performed regularly or at any time. The Group introduced “Credit risk information integration service” that is a joint undertaking of the banks that joined the Regional Bank Association to attempt the upgrade of the credit risk management and are aiming at refining measurement of value at risk (VaR).

We monitor credit information, current-prices and VaR and manage the credit risk of issuers of securities and counterparty risk of derivative transactions in the risk management section.

The situation of these risk management activities is reported to management regularly in the ALM Committee and the board of directors.

② *Market risk management*

(A) Interest-rate risk management

The Group supports the needs of customers properly and, for the earning capacity improvement of the bank, conducts interest rate risk management as a basic policy. We devised “the basic policy for the interest rate risk hedge” as a general rule every half term to control interest rate risk properly in the ALM Committee in which management is involved as the main members and involved in examining interest rate changes and reviews it regularly. In addition, in the ALM committee meeting held monthly, the Group examines an interest rate predictive report that the interest rate prediction committee produces and monitors the change in the interest rate risk amount of the whole bank account closely. In the risk management section, the Group calculates VaR and basis point value (BPV) and manages the interest rate risk amount of the banking account. In addition, the Group performs stress tests based on a stress scenario extending to each risk category. These results are reported to management regularly in the ALM Committee and the board of directors.

(B) Foreign exchange risk management

The Group manages foreign exchange risk by monitoring exposure to foreign exchange and VaR in the risk management section. Moreover, it reports regularly to management in the ALM committee and board of directors, etc. The majority of foreign exchange risk is hedged by forward exchange contracts.

(C) Market price risk management

Regarding investment in financial instruments including securities, the Group conducts risk management in conformity with a basic administration policy. The basic administration policy is as follows. The Group executes the market business while attempting to secure fairness and prompt correspondence. The Group takes the opportunity for earnings by actively taking risks that can be measured and managed. The proof of maximizing management vitality, like earnings and equity capital, are assumed to be a precondition. The operative plans are decided by the board of managing directors after discussion with the ALM Committee.

In making the plans, the Group examines the expected rate of return based on the prospect of interest rate and stock prices, market price risk and return in consideration of the correlation between the financial instruments invested in. The Group measures market price risks such as stock price risk using the VaR method. The ALM Committee monitors VaR based on risk limits and the results of stress tests and tries for coexistence of securing of financial soundness and earning profit.

(D) Derivative transactions

For derivative transactions, the aim is for maintenance of strong management so as not to exert a negative influence on profit and loss, and the Group tries to set position limits and operate loss-cut rules strictly based on the risk management standard. Moreover, the Group reports regularly to management in the ALM committee and the board of directors, etc.

(E) Quantitative information regarding market risk

In principle, the Group undertakes a quantitative analysis of the market risks applicable to all of its financial instruments. The volume of market risk is mainly managed utilizing the VaR method. In specific terms, market risks are managed in a manner that ensures that VaR (the amount of risk after writing down investment in shares undertaken for strategic business purposes for a portion of VaR) does not exceed the maximum amount of risk (amount of capital allocation) determined by a resolution of the Board of Directors or other appropriate bodies. The variance-covariance method

(excluding trading securities) while taking into consideration the correlation among interest rates for shares and investment trusts. In addition, with respect to the yen-denominated interest risk applicable to demand deposits, internal models are used to estimate core deposits and VaR used as the means for measurement. Trading securities VaR is measured using the separate holding period of 10 days. Financial instruments including shares of non-listed companies, where fair values are deemed as being extremely difficult to ascertain, are managed on a credit risk basis. Taking into consideration the nominal amount of market risk applicable to the financial instruments held by consolidated subsidiaries, these financial instruments are excluded from the scope of VaR measurement.

The Group's VaR (excluding trading securities) amounted to ¥62,133 million as of March 31, 2016 compared with ¥54,162 million as of the end of the previous fiscal year. There was no VaR of trading securities. (There was no VaR of trading securities in the previous fiscal year). The Group undertakes backtesting to compare VaR, calculated using VaR measurement models, with actual income and loss. The results of this comparison are reported to the ALM Committee on a monthly basis. As a result of this backtesting, the Group is confident that the VaR measurement models used are more than adequate in accurately identifying market risks. However, VaR represents the amount of market risks arising with a certain probability using a statistical methodology based on historical market volatilities. Accordingly, situations may arise where it is not possible to identify risks appropriately due to market environment volatility that exceeds normally recognized parameters.

③ *Liquidity risk management*

The Group controls liquidity risk by managing the mismatch between the terms of investing and procuring funds as well as holding highly liquid assets. Financing risk is limited by holding assets with high liquidity as payment reserves for unexpected capital outflows, and a smooth financing resource is secured. Moreover, the Group reports regularly to management in the risk management committee and the board of directors, etc.

(4) Supplementary explanation of the fair value financial instruments

The fair value of financial instruments includes, in addition to the value based on the market price, the value reasonably calculated if no market prices are available. Certain assumptions are used in the calculation of such amounts. Accordingly, the results of such calculations may vary if different assumptions are used.

2. Fair Values of Financial Instruments

Fair value and carrying amounts of financial instruments are shown below. Some instruments, such as unlisted stocks, whose fair values are extremely difficult to determine, are not included in the table below (see Note 2).

(Millions of yen)

	Carrying amount	Fair value	Difference
(1) Cash and due from banks	¥109,493	¥109,493	¥—
(2) Call loans and bills bought	41,229	41,229	—
(3) Securities			
Held-to-maturity	963	969	5
Available-for-sale securities	1,515,879	1,515,879	—
(4) Loans and bills discounted	1,514,537		
Accrued income (Interest on loans)	664		
Deferred income (Interest on loans and guarantee charge) (*1)	(829)		
Reserve for possible loan losses (*2)	(15,184)		
	1,499,188	1,513,430	14,241
Total	¥3,166,755	¥3,181,002	¥14,246
(1) Deposits	¥2,719,829		
Accrued expenses (Interest on deposits)	2,288		
	2,722,117	2,722,408	290
(2) Negotiable certificates of deposits	122,418		
Accrued expenses (Interest on NCDs)	13		
	122,432	122,438	5
(3) Payables under securities lending transactions	83,469	83,469	—
Total	¥2,928,019	¥2,928,315	¥295
Derivatives (*3)			
Hedge accounting is not applied	9,661	9,661	—
Hedge accounting is applied	—	—	—
Total	¥9,661	¥9,661	¥—

*1. Represents deferred interest received on loans and deferred guarantee fees received from a consolidated subsidiary performing guarantees on the Bank's loans to customers.

*2. General reserve for possible loan losses and specific reserve for possible loan losses provided to "Loans and bills discounted" are separately presented in the above table.

*3. Derivative transactions recorded in "Other assets" and "Other liabilities" are aggregated and shown herein. Assets and liabilities attributable to the derivative transactions are totally offset and the net liability position as a consequence of offsetting would be represented with brackets.

(Note 1) Method Used for Determining the Fair Value of Financial Instruments

Assets

(1) Cash and due from banks

For due from banks without maturity, fair value is the value closest to acquisition cost or amortized cost method value. For due from banks with maturity, the contract period is short (less than one year) and fair value is the value closest to acquisition cost or amortized cost method value.

(2) Call loans and bills bought

The fair values of fixed-rate loans and bills discounted whose terms are short (within one year) approximate their acquisition cost or depreciable cost, and the fair values are therefore deemed equal to these values.

(3) Securities

The fair values of stocks are determined by reference to quoted market prices on stock exchanges. The fair values of bonds are determined by reference to quoted market prices or prices offered by correspondent financial institutions. The prices of the Bank's guaranteed private placement bonds are calculated by discounting the estimated future cash flows for each classification based on the issuers' internal rating and terms by using the risk-free interest rates plus credit cost rates and expense rates. Investment trusts are determined by reference to their publicly available net asset value.

Information outlining notes for investment securities according to the purpose for which they are held is contained under "Relating to securities."

(4) Loans and bills discounted

As floating-rate loans and bills discounted reflect market interest rates over short periods, unless the credit standing of the borrower is significantly different after the loan was made or the bill was drawn, the fair value approximates the carrying value. The fair value is therefore deemed equal to the carrying value.

The fair values of fixed-rate loans and bills discounted are their present values that are estimated for each classification based on their type, internal rating, status of collateral and guarantee, and terms, and by discounting the future cash flows of the principal and interest using the rates at which similar new loans would be made or market interest rates plus credit cost rates in accordance with internal ratings and expense rates. The fair values of fixed-rate loans and bills discounted whose terms are short (within one year) approximating their carrying values and are therefore deemed equal to the carrying values.

Losses from loans to borrowers in legal bankruptcy, in virtual bankruptcy and in possible bankruptcy are computed based on estimated recoverable amounts. Thus, the fair values of those loans approximate the consolidated balance sheet amounts at the closing date minus the currently estimated losses and are therefore deemed equal to the amounts.

The fair values of loans and bills discounted for which repayment terms are not set because of their attributes (e.g. loans are limited to the amounts of pledged assets) are assumed to approximate their carrying values, considering the expected repayment periods and interest rate conditions, and are deemed equal to the carrying values.

Liabilities

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

The fair values of demand deposits are deemed equal to the amounts that would be paid (carrying values) if the payments were demanded at the balance sheet date. The fair values of time deposits and negotiable certificates of deposit, which are classified in accordance with their periods, are their present values that are estimated by discounting the future cash flows using the rates that would be offered for new deposits to be received.

The fair values of deposits and negotiable certificates of deposit with short deposit terms (within one year) or with variable interest rates approximate their carrying values and are deemed equal to their carrying values.

Derivatives

Derivative transactions are listed under "Relating to derivative transactions."

(Note 2) Financial instruments, whose fair values are extremely difficult to be determined, are recorded on the consolidated balance sheet are as follows: The following instruments are not included in 'Assets (3) Securities' in the above table showing the fair values of financial instruments as of March 31, 2016.

(Millions of yen)

	Carrying amount
Unlisted equity securities (*1) (*2)	¥548
Contributions to unions (*1) (*3)	651
Total	¥1,200

*1. They are excluded from disclosure because they do not have a market price and their fair values are extremely difficult to determine.

*2. Classified as available-for-sale securities; in the previous consolidated fiscal year, no impairment loss was recognized.

Classified as available-for-sale securities; in the consolidated fiscal year under review, an impairment loss of ¥3 million was recognized.

*3. Investment in non-consolidated subsidiaries.

(Note 3) Maturity analysis for monetary claims and securities with contractual maturities

(Millions of yen)

	1 year or less	Over 1 year less 3 years	Over 3 years less 5 years	Over 5 years less 7 years	Over 7 years less 10 years	Over 10 years
Due from banks	¥81,783	¥—	¥—	¥—	¥—	¥—
Call loans and bills bought	41,229	—	—	—	—	—
Securities	255,180	176,653	93,422	286,831	165,925	123,894
Held-to-maturity	248	689	26	—	—	—
Corporate bonds	248	689	26	—	—	—
Available-for-sale securities that have maturities	254,931	175,963	93,396	286,831	165,925	123,894
Japanese government bonds	177,300	64,200	13,000	133,800	66,000	116,400
Municipal bonds	37,511	81,922	34,034	37,640	28,664	7,494
Corporate bonds	38,429	20,826	8,275	7,331	13,231	—
Others	1,690	9,014	38,085	108,060	58,030	—
Loans and bills discounted (*)	355,493	287,898	250,630	127,000	144,451	204,797
Total	¥733,687	¥464,551	¥344,053	¥413,831	¥310,377	¥328,692

* Of loans and bills discounted, the portion whose timing of collection is unforeseeable, such as loans to borrowers in legal bankruptcy, in virtual bankruptcy and in possible bankruptcy, amounting to ¥35,008 million, is not included in the above table. Loans that do not have contractual maturities, amounting to ¥109,072 million are not included either.

(Note 4) Maturity analysis for interest-bearing debt

(Millions of yen)

	1 year or less	Over 1 year less 3 years	Over 3 years less 5 years	Over 5 years less 7 years	Over 7 years less 10 years	Over 10 years
Deposits (*)	¥2,414,470	¥192,127	¥29,679	¥—	¥—	¥—
Negotiable certificates of deposits	122,418	—	—	—	—	—
Payables under securities lending transactions	83,469	—	—	—	—	—
Total	¥2,620,359	¥192,127	¥29,679	¥—	¥—	¥—

* Non-interest-bearing deposits such as checking accounts are excluded. Demand deposits are included in "1 year or less."

(Relating to securities)**1. Trading securities**

(Millions of yen)

	Unrealized gains/losses recognized as income
Trading securities	—

2. Held-to-maturity debt securities

(Millions of yen)

		Carrying amount	Fair value	Differences
Fair value exceeded carrying amount:	Corporate bonds	¥ 963	¥969	¥5
Fair value not exceeded carrying amount:	Corporate bonds	—	—	—
Total		¥963	¥969	¥5

3. Available-for-sale securities

(Millions of yen)

		Fair value	Cost	Valuation differences
Fair value exceeded cost:	Japanese stocks	¥64,301	¥30,883	33,417
	Bonds total	936,343	898,388	37,954
	Japanese Government bonds	621,879	592,400	29,479
	Japanese municipal bonds	224,415	217,988	6,427
	Japanese corporate bonds	90,048	88,000	2,047
	Other securities	423,967	403,177	20,790
	Sub-total	1,424,612	1,332,449	92,162
Fair value not exceeded cost:	Japanese stocks	4,450	4,979	(529)
	Bonds total	9,558	9,641	(82)
	Japanese Government bonds	—	—	—
	Japanese municipal bonds	9,289	9,372	(82)
	Japanese corporate bonds	268	269	(0)
	Other securities	77,257	78,212	(955)
	Sub-total	91,266	92,834	(1,567)
Total		¥1,515,879	¥1,425,284	¥90,594

Note: Unlisted stocks that have a fair value and cost of ¥548 million, respectively, are excluded from the table above since there are no market prices and their fair values are extremely difficult to be determined.

4. Held-to-maturity debt securities sold

(Millions of yen)

Type	Sales costs	Sales proceeds	Gains on sales
Japanese corporate bonds	¥3	¥5	¥1

The above securities were sold due to redemption by the issuer.

5. Available-for-sale securities sold

(Millions of yen)

Type	Sales costs	Gross realized gains	Gross realized losses
Japanese stocks	¥10,529	¥2,072	¥321
Bonds total	60,698	861	332
Japanese Government bonds	46,794	807	332
Japanese municipal bonds	13,904	53	—
Japanese corporate bonds	—	—	—
Other securities	21,765	4,076	597
Total	¥92,993	¥7,011	¥1,252

6. Securities recognized for revaluation loss

Among securities other than securities for trading purposes (except securities for which the fair value is extremely difficult to ascertain), for securities that are not recognized as having prospects of recovery after their fair value fell sharply compared with the acquisition costs, fair value is recognized in the consolidated balance sheets, and valuation difference is treated as an impairment loss (“revaluation loss”) in the consolidated year under review.

A revaluation loss of ¥76 million (all of which was from stocks) was recognized in the previous consolidated fiscal year.

No revaluation loss was recognized during the consolidated fiscal year under review.

The impairment accounting standards applied in cases where fair value is judged to have fallen significantly are as follows:

- (1) Across-the-board impairment losses shall be booked for securities whose fair values as of the consolidated balance decline by 50% or more compared with their acquisition costs.
- (2) Impairment losses shall be booked for securities whose fair values decline by 30% or more, but less than 50% where it is deemed that there is little likelihood of a recovery in value after taking into consideration fair value levels over the past year.
- (3) Impairment losses shall be booked for securities whose fair values decline by less than 30% as and when deemed necessary after taking into consideration the financial standing and related factors of the issuer.

(Relating to Net Unrealized Gains/Losses on Available-for-Sale Securities)

Available-for-sale securities were valued at market and net unrealized gains/losses on valuation were as follows:

(Millions of yen)

	Amounts
Valuation difference	¥90,594
Other securities	90,594
Deferred tax liabilities	27,435
Net unrealized gains (before non-controlling interests)	63,159
Non-controlling interests	7
Net unrealized gains on available-for-sale securities	¥63,152

(Relating to Derivative Transactions)

1 Derivative Instruments not accounted for as hedges

Regarding the derivative instruments which are not accounted for as hedge transactions, Contract Amount or Notional Amount, Fair Value and Unrealized Gain or Loss for each type of derivative transactions, respectively, at the end of the consolidated balance sheet date, and Determination of fair value are as follows. Contract or Notional Amounts do not show market risk of derivative instruments.

(1) Interest-related derivative instruments

Not applicable

(2) Currency-related derivative instruments

(Millions of yen)

		Contract Amount or Notional Amount	Over 1 Year	Fair Value	Unrealized Gain/Loss
OTC	Currency swaps	¥11,252	11,252	¥(8)	¥(8)
	Forward Rate Agreements				
	Sold	171,905	—	9,722	9,722
	Buy	1,239	—	(53)	(53)
	Total	—	—	¥9,661	¥9,661

(Notes) 1 Derivative instruments are revalued to fair value. Changes in fair value are included in the consolidated statement of operations.

2 Determination of fair value:

Fair value is determined based on the discounted net present value model.

(3) Stock-related derivative instruments

Not applicable

(4) Bond-related derivative instruments

Not applicable

(5) Commodity-related derivative instruments

Not applicable

(6) Credit derivative transactions

Not applicable

2 Derivative Instruments accounted for as hedges

Not applicable

(Relating to Employees' Retirement Benefits)

1. Outline of employees' retirement benefits

To provide for employees' retirement benefits, the Bank has a funded defined benefit pension plan. The defined-benefit corporate pension plan (funded plan) pays a lump sum or a pension based on employee compensation and length of service.

The defined benefit corporate pension plan has within it a retirement benefit trust.

The lump-sum retirement plan (an unfunded plan, but as a result of the establishment of the retirement benefit trust, it has become a funded plan) pays a lump sum based on employee compensation and length of service.

2. Funded defined benefit pension plan

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

(Millions of yen)

Retirement benefit obligations at beginning of year	26,590
Cumulative effect of changes in accounting policies	—
Balance at beginning of year reflecting changes in accounting policies	26,590
Service cost	877
Interest cost	354
Actuarial gains and losses	4,313
Retirement benefits payment	(1,158)
Past service cost	—
Other	—
Retirement benefits obligations at end of year	30,976

(2) Reconciliation of pension assets at beginning of year and end of year

(Millions of yen)

Pension assets at beginning of year	28,204
Expected return on plan assets	880
Actuarial gains and losses	(2,375)
Employer's contribution	811
Retirement benefits payment	(697)
Other	—
Pension assets at end of year	26,824

(3) Reconciliation of retirement benefits obligations and pension assets at end of year and liabilities and assets of retirement benefits recorded in the consolidated balance sheets

Retirement benefits obligations of funded plan	30,976
Pension assets	(26,824)
	4,152
Retirement benefits obligations of unfunded plans	—
Assets and liabilities recorded in consolidated balance sheets, net	4,152

Liability of retirement benefits	4,152
Assets of retirement benefits	—
Liabilities and assets recorded in the consolidated balance sheets, net	4,152

(4) Breakdown of retirement benefit costs

Service cost	877
Interest cost	354
Expected return on plan assets	(880)
Actuarial gains and losses recorded in expenses	118
Past service costs recorded in expenses	(45)
Other	—
Retirement benefit costs of defined benefit plan	424

(5) Remeasurements of defined benefit plans

Breakdown of items (before tax-related effects) recorded in remeasurements of defined benefit plans are as follows:

Past service costs	45
Actuarial gains and losses	6,570
Other	—
Retirement benefit costs of defined benefit plan	6,616

(6) Accumulated adjustment for retirement benefits

The breakdown of items (before the deduction of tax effects) recorded in accumulated adjustment for retirement benefits is as follows:

(Millions of yen)	
Unrecognized past service costs	(64)
Unrecognized actuarial gains and losses	7,062
Other	—
Retirement benefit costs of defined benefit plan	6,998

(7) Pension assets

1. The percentage of each main category for total pension assets is as follows:

Stocks	35%
Bonds	49%
Life insurance general account	10%
Other	6%
Total	100%

Note: Included in total pension assets is 11% (compared with 14% in the previous fiscal year) for retirement benefit trusts established in the corporate pension plan, and 30% (compared with 31% in the previous fiscal year) for retirement benefit trusts established in the lump-sum retirement plan.

2. Method for calculating the long-term expected rate of return on plan assets

To determine the long-term expected rate of return on plan assets, the Bank considers the current and projected pension assets allocations, as well as the current and expected long-term rate of return for the various assets that make up the pension assets.

(8) Basis for calculating actuarial calculations

Basis for calculating main actuarial calculations (weighted average)

Discount rate	0.4%
Long-term expected rate of return on plan assets	3.2%
Rate of salary increase	
Defined-benefit corporate pension plan	3.6%
Lump-sum retirement plan	3.5%

(Stock options and other related information)

1. Accounting line item and the amount of stock options charged as expenses

(Millions of yen)

	Consolidated FY2015 (From April 1, 2015 to March 31, 2016)
General and administrative expenses	¥35

2. Description of stock options / Changes in the size of stock options

(1) Description of stock options

	2015 Stock Options
Category and number of people to whom stock options are granted	The Bank's directors (excluding outside directors): 12
Type and number of shares granted as stock options	Common stock: 67,200 shares
Date on which stock options were granted	July 29, 2015
Vesting terms and conditions	Vesting terms and conditions have not been prescribed
Vesting period	Vesting period has not been prescribed
Exercise period	July 30, 2015 to July 29, 2045

Note: The number of stock options is presented after converting to the number of shares.

(2) Changes in the size of stock options

The following describes changes in the size of stock options that existed during the fiscal year ended March 31, 2016. The number of stock options is converted into the number of shares.

① Number of stock options

	2015 Stock Options
Stock options which are not yet vested (shares):	
As of March 31, 2015	—
Granted	67,200
Forfeited	—
Vested	67,200
Balance of stock options not vested	—
Stock options which have already been vested (shares):	
As of March 31, 2014	—
Vested	67,200
Exercised	—
Forfeited	—
Balance of stock options not exercised	67,200

② Per share price information

	2015 Stock Options
Exercise price (Yen)	1
Average price per share upon exercise (Yen)	—
Fair value per share at the grant date (Yen)	535

3. Method for estimating the per share fair value of stock options

During the fiscal year ended March 31, 2016, the fair value per share with respect to 2015 stock options was estimated as follows:

(1) Evaluation technique used to estimate the fair value per share: Black-Scholes method

(2) Main numerical and estimation methods

	2015 Stock Options
Stock price volatility (Note 1)	30.4%
Projected residual period (Note 2)	34 months
Projected cash dividends (Note 3)	¥7.00/share
Risk-free interest rate (Note 4)	0.01%

Notes:

1. Stock price volatility is calculated based on the stock price performance for the period (weekly from the week of August 27, 2013 to the week of July 20, 2015) that corresponds to the projected residual period.
2. The projected residual period is estimated based on the average period in office of directors (excluding outside directors) who have retired in the past.
3. Projected cash dividends are based on cash dividend results for the fiscal year ended March 31, 2015.
4. The risk-free interest rate is the yield on government bonds for the period that corresponds to the projected residual period.

4. Estimation method for the number of stock options vested

Because it is difficult to reasonably estimate the number of stock options that will be forfeited in the future, the number of stock options that has actually been forfeited is solely reflected for the stock options that have already been vested.

(Relating to tax effect accounts)

1. The tax effects of significant temporary differences and tax loss carry-forwards which resulted in deferred tax assets and liabilities are as follows:

	(Millions of yen)
	Consolidated FY2015 (From April 1, 2015 to March 31, 2016)
Deferred tax assets:	
Net defined benefit liability	¥4,737
Allowance for possible loan losses	4,391
Losses on investment securities	1,527
Depreciation	727
Other	2,456
Sub-total	13,840
Valuation allowance	(5,146)
Total deferred tax assets	8,693
Deferred tax liabilities:	
Unrealized gains on available-for-sale securities	(27,435)
Other	(832)
Total deferred tax liabilities	(28,267)
Net deferred tax assets (figures in parentheses represent liabilities)	(19,573)

2. A reconciliation between the normal effective statutory tax rate and the actual effective tax rate reflected in the accompanying consolidated statements of income is as follows:

	Consolidated FY2015 (From April 1, 2015 to March 31, 2016)
Normal effective statutory tax rate	32.8%
Valuation allowance	(4.6)%
Income not taxable for income tax purposes	(1.1)%
Expenses not deductible for income tax purposes	0.3%
Reduction in fiscal year-end deferred tax assets due to tax rate changes	2.0%
Other—net	0.5%
Actual effective tax rate	29.9%

3. Revision of amount of deferred tax assets and deferred tax liabilities due to change in corporate income tax rate

The “Act for Partial Revision of the Income Tax Act, etc.” (2016, Law No. 15) and the “Act for Partial Revision of the Local Tax Act, etc.” (2016, Law No. 13) were established by the National Diet of Japan on March 29, 2016 and the corporate income tax rate was lowered from consolidated fiscal years starting on or after April 1, 2016. Accordingly, the statutory effective tax rate used in calculating deferred tax assets and deferred tax liabilities will be lowered from the previous 32.1% to 30.7% for temporary differences which are expected to be dissolved in the consolidated fiscal years starting April 1, 2016 and April 1, 2017, and will be lowered further to 30.5% for temporary differences which are expected to be dissolved in the consolidated fiscal years starting on or after April 1, 2018. Due to the change in the tax rate, deferred tax assets decreased ¥425 million, deferred tax liabilities decreased ¥1,484 million, unrealized gains on available-for-sale securities increased ¥1,440 million, remeasurements of defined benefit plans decreased ¥112 million and income taxes deferred increased ¥270 million.

(Segment information by type of business)

【Segment information】

Segment Information is not shown in these statements, since the banking business is the only reportable segment.

【Related information】

1 Information for service segment

	Loans	Securities investment	Other	Total
Ordinary income from customers	¥18,961	¥24,837	¥11,920	¥55,718

(Millions of yen)

(Note) Instead of the net sales of a non-financial company, ordinary income in gross is indicated.

2 Information for geographic areas

Not disclosed.

3 Information about major customers

Not disclosed.

【Information about impairment loss of fixed assets in segment】

Not disclosed.

【Information about the amortization of goodwill and unamortized balance by reportable segment】

Not applicable.

【Information about the gain recognized on negative goodwill by reportable segment】

Not applicable.

【Related-Party Transactions】

1. Related-party transactions involving directors, corporate auditors and major stockholders (individuals only) of the Bank.

(Millions of yen)

Relationship	Name	Address	Paid-in capital	Position	Voting rights [%]	Details of business relationship	Transactions	Transaction amount	Accounting name	Year-end balance
Statutory auditor	Toshihito Furuya	—	—	Corporate auditor of the Bank, simultaneously serving as legal advisor	0.01	Lending Compensation for legal advisory services	Lending	—	Loans	114
							Interest income	3	—	—
Director's consort	Mayumi Nagasaka	—	—	Director's consort of the Bank	—	Lending	Lending	—	Loans	32
							Interest income	0	—	—
Company, etc. controlled by an officer or his/her relatives through majority ownership of voting rights	Yotsubakai LLC	Fuefuki City, Yamanashi Prefecture	3	Real estate business	—	Lending	Lending	—	Loans	162
							Interest income	4	—	—

Note: The conditions as applied to general parties with which the Bank enters into transactions are applied.

(Per Share Information)

(Yen)

	Consolidated FY2015 (From April 1, 2015 to March 31, 2016)
Net assets per share	¥1,370.62
Net income per share	54.91
Diluted net income per share	54.81

Note1: The basis for calculating net income per share and diluted net income per share is presented as follows.

(Millions of yen)

	Consolidated FY2015 (From April 1, 2015 to March 31, 2016)
Net income per share	
Net income	¥9,452
Net income attribute to common stock	¥9,452
Average balance of common stock (thousands)	172,119
Diluted net income per share	
Increase in the number of common stock (thousands)	333
New share subscription rights (thousands)	333

(Important subsequent events)

Not applicable.

Corporate Data

(as of March 31, 2016)

Common Stock : ¥15,400 million

Number of Shares :

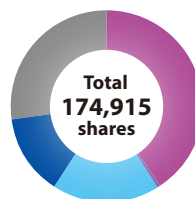
Authorized 398,000,000 shares
Issued 174,915,000 shares

Number of Stockholders : 5,588

Stock Listing : First Section of the Tokyo Stock Exchange

Transfer Agent : Mitsubishi UFJ Trust & Banking Corporation

Breakdown of Stockholders



Financial institutions	70,787	40.74%
Securities companies	907	0.52%
Other corporations	31,198	17.95%
Foreigners	23,769	13.68%
Individuals and others	47,113	27.11%

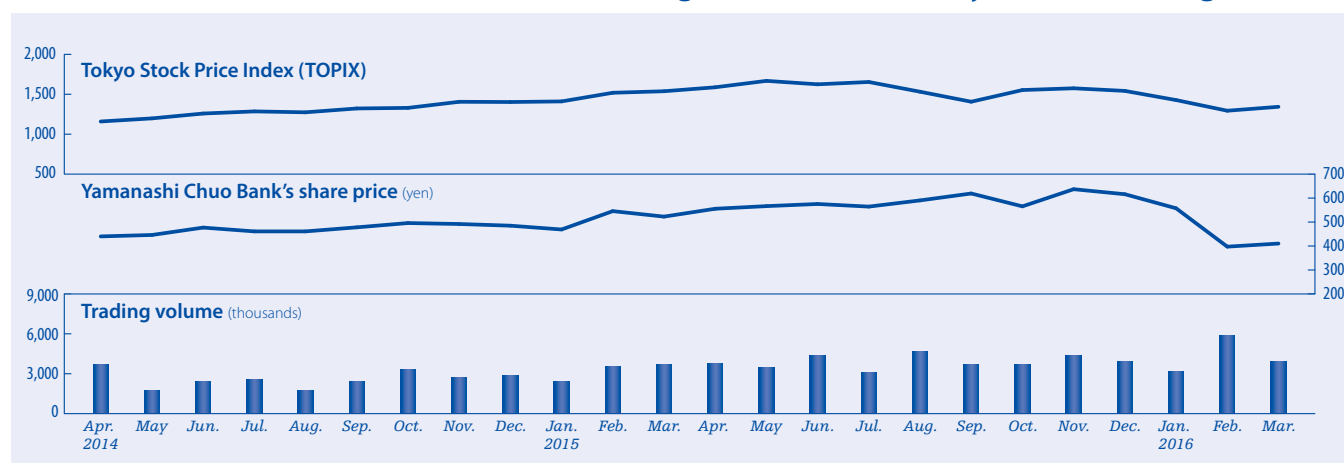
*Shares (1 trading unit: 1,000 shares)

Note: The category "Individuals and others" contains treasury stock of 2,631 trading units of shares.

Major Stockholders

Name	Number of shares held (thousands)	Percentage of all shares issued (%)
Japan Trustee Services Bank, Ltd. (Trustee Account)	10,680	6.10
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	6,169	3.52
Meiji Yasuda Life Insurance Company	6,047	3.45
The Yamanashi Chuo Bank, Ltd. Employees' Stockholdings	5,680	3.24
CBNY DFA INTL SMALL CAP VALUE PORTFOLIO	3,421	1.95
Tokio Marine & Nichido Fire Insurance Co., Ltd.	3,000	1.71
Fukoku Mutual Life Insurance Company	3,000	1.71
Teikyo University	2,977	1.70
FUJI KYUKO CO., LTD.	2,657	1.51
The Master Trust Bank of Japan, Ltd. (Trustee Account)	2,502	1.43
Total	46,134	26.37

Yamanashi Chuo Bank's Share Price and Trading Volume on the Tokyo Stock Exchange



Consolidated Subsidiaries

Name	Capital (Millions of yen)	Yamanashi Chuo Bank's share (%)	Lines of business
Yamanashi Chuo Guarantee Co., Ltd.	20	99.8	Loan guarantees
Yamanashi Chugin Lease Co., Ltd.	20	61.0	Leasing
Yamanashi Chugin DC Card Co., Ltd.	20	67.5	Credit cards
Yamanashi Chugin Management Consulting Co., Ltd.	200	87.5	Consulting, economic research

Board of Directors and Corporate Auditors

(as of July 1, 2016)

Chairman

Toshihisa Ashizawa

President

Nakaba Shindo

Senior Managing Director

Mitsuyoshi Seki

Managing Directors

Tadashi Kato

Kimihisa Tanabe

Tatsuyuki Miyake

Directors

Fumiaki Asakawa

Takeshi Nakajima

Kazuhiko Kitta

Hisanobu Yoshizawa

Hirohiko Yanada

Kimihiko Asai

Yukio Osada

Michio Masukawa

Riyo Kano

Standing Corporate Auditors

Masaki Saito

Akira Omata

Corporate Auditors

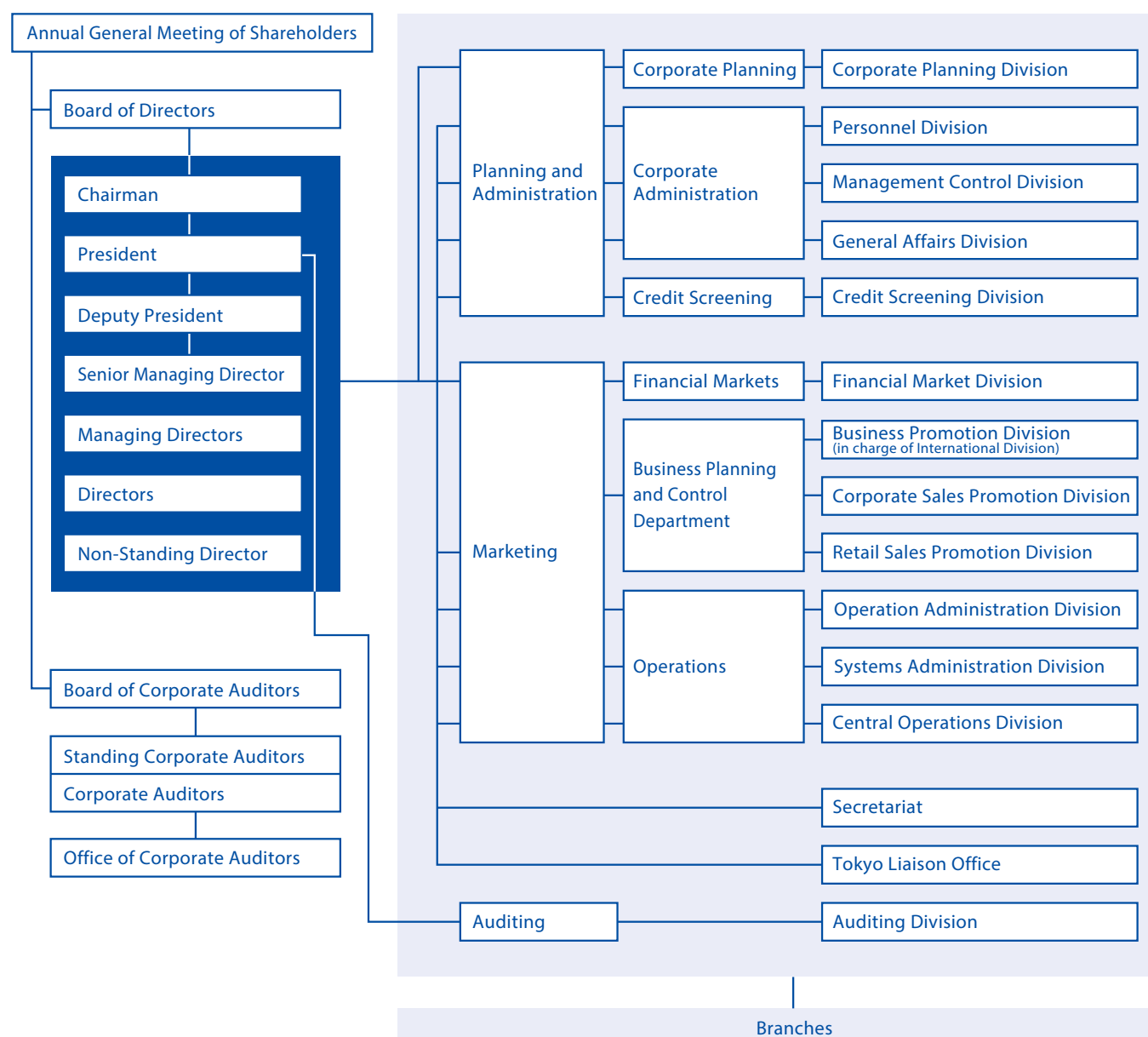
Magozaemon Takano

Toshihito Furuya

Koichiro Horiuchi

Organization

(as of July 1, 2016)



Internal Control and Risk Management

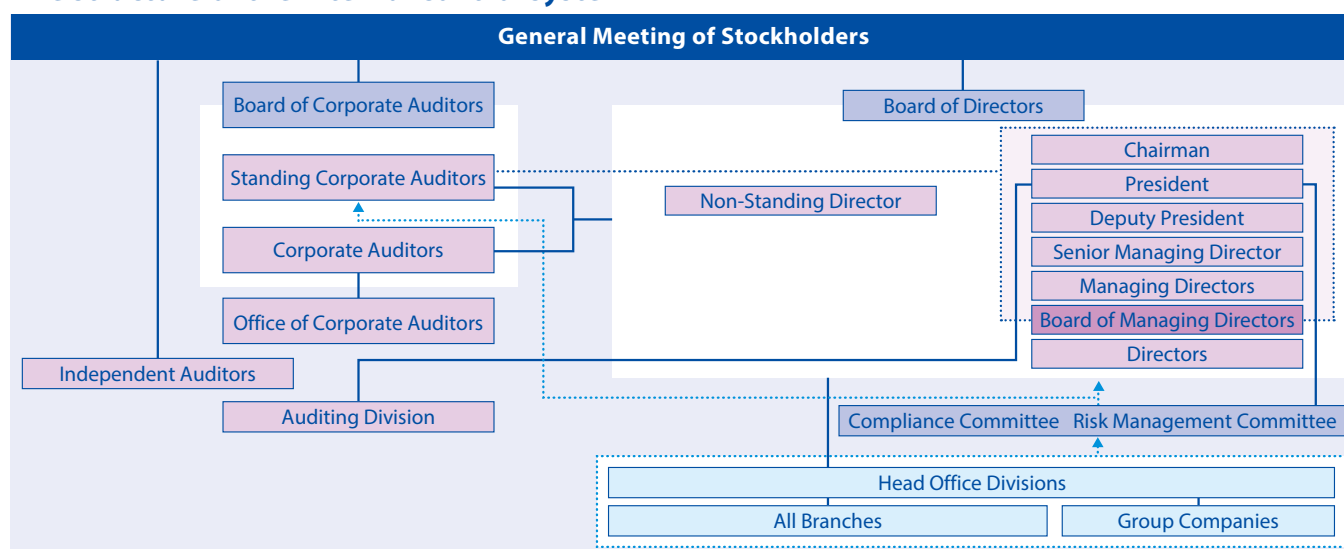
Enhancing corporate governance

Guided by its social responsibility as a banking institution and its public-service mission in that role, Yamanashi Chuo Bank aims to secure the trust of various stakeholders, including customers, shareholders, employees and the community it serves, by such means as maintaining the Group's sound management and assuring transparency of management, in conjunction with contributing

to the prosperity of the regional community and the development of its economy.

To this end, the Bank has built a stronger internal control system and organizational structure, along with working to enhance corporate governance, notably by maintaining high ethical standards among all executives and employees, and ensuring the active disclosure of corporate activities.

The structure of the internal control system



Risk management

The operating environment for financial institutions is changing constantly, and banks consequently face a diversifying array of increasingly complex risks. To secure a steady earnings stream into the future, it is therefore essential for the Bank to accurately ascertain the monetary value of the various risks involved in the conduct of its banking operations, and then to continuously monitor and manage those risks.

The risks to which the Bank is exposed are broadly categorized for management purposes as credit risk, market risk, liquidity risk and operational risk. To ensure integrated risk appraisal and analysis, the Bank's ALM committee and the Risk Management Committee assess the possible impact of risk materialization on the Bank's operations and work out countermeasures. The Bank uses a system of risk-adjusted capital allocation to ensure the soundness of banking operations and effective use of capital.

Compliance

With regard to compliance, we believe that our duty is not solely to abide by the law, but also to ensure the strict observance of a wide

range of social rules, including social norms (ethics) and business ethics, to meet the demands and expectations of the broader community as a corporate citizen. In other words, compliance entails adapting adroitly to changes in society as we strive to ensure the protection of customer rights and the enhancement of convenience.

At the Yamanashi Chuo Bank, we assign a high management priority to compliance. To maintain and reinforce the relationship of trust we enjoy with our customers, we have set up a compliance management system headed by the Compliance Committee, and we work constantly to further strengthen our compliance stance. To supervise and monitor compliance-related matters at all the Bank's offices, compliance officers have been appointed in each department at the Bank's Head Office and at each branch. We conduct the Compliance Program every fiscal year to establish an effective compliance framework.

The program lays out concrete steps to realize compliance with the provisions of particular laws and regulations, as well as compliance training courses. The staff at the Bank's Head Office departments and its branch offices are working together to ensure adequate compliance throughout the Bank. We intend to further reinforce our compliance stance in the coming years.

THE YAMANASHI CHUO BANK,LTD.

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