

# ANNUAL REPORT

YEAR ENDED March 31, 2016

2016



The Akita Bank, Ltd.

## Profile

Since its establishment in 1879, The Akita Bank, Ltd., has worked diligently to extend comprehensive financial services geared to the funding requirements of clients in Akita Prefecture. These efforts are underpinned by a philosophy that seeks to contribute to regional prosperity and help the Bank achieve growth as a financial institution in tune with the economic development of the community. The Akita Bank Group, which comprises the Bank and five consolidated subsidiaries, maintains a full line of financial services and provides guarantee and leasing services hinging on the banking business. Several issues that characterize our operating environment are expanding in scope and taking on a greater urgency in terms of management responses. The key priority is well-balanced approach to expand the profitability of the Bank, and to secure common interest of regional clients. Based on the current medium-term management plan, Akigin Mirai Project, the Bank will execute its role as a regional bank, which its network covers the area in eastern Japan and expand our financial services including international operations emphasizing relations with regional clients.

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In this annual report, statements other than historical facts are forward-looking statements that reflect our plans and expectations. These forward-looking statements involve risks, uncertainties and other factors that may cause our actual results and achievements to differ materially from those anticipated in these statements.

## Consolidated Financial Highlight

The Akita Bank, Ltd. and subsidiaries  
As of and for the years ended March 31, 2016 and 2015

For the years ended March 31	Millions of yen		Thousands of U.S. dollars (Note 1)
	2016	2015	2016
Total income	¥56,331	¥48,063	\$499,920
Total expenses	46,682	36,779	414,288
Income before income taxes	9,648	11,283	85,623
Net income attributable to owners of parent	6,578	6,916	58,377

	Yen	U.S. dollars (Note 1)
Net income per share	¥35.82	\$0.31

As of March 31	Millions of yen		Thousands of U.S. dollars (Note 1)
	2016	2015	2016
Total assets	¥2,992,961	¥2,883,621	\$26,561,599
Trading account securities and securities	1,039,748	1,027,825	9,227,440
Loans and bills discounted	1,599,630	1,545,393	14,196,219
Deposits	2,422,675	2,436,793	21,500,488
Total net assets	177,221	174,444	1,572,781

Notes: (1) U.S. dollar amounts are translated, for convenience only, at ¥112.68 = U.S.\$1.00, the exchange rate prevailing as of March 31, 2016.

(2) Capital adequacy ratio stood at 12.04% and 11.96% as of March 31, 2016 and 2015, respectively, in accordance with guidelines established by the Ministry of Finance and the Financial Services Agency.

## Consolidated Five-Year Summary

The Akita Bank, Ltd. and subsidiaries  
For the years ended March 31

	Millions of yen				
	2016	2015	2014	2013	2012
Total income	¥56,331	¥48,063	¥47,822	¥51,668	¥50,909
Net income attributable to owners of parent	6,578	6,916	6,699	3,758	3,756

	Yen				
	2016	2015	2014	2013	2012
Net income per share	¥35.82	¥37.27	¥35.64	¥19.88	¥19.73

	Percent				
	2016	2015	2014	2013	2012
<b>Income ratio</b>					
Net income to total assets	0.21	0.23	0.24	0.14	0.14
Net income to owned capital	3.87	4.40	4.66	2.75	2.93
<b>Capital adequacy ratio</b>					
Domestic guidelines	12.04	11.96	12.08	12.39	11.96

Note The Bank's capital adequacy ratio and net income to owned capital ratio are calculated in accordance with guidelines established by the Ministry of Finance and the Financial Services Agency.

## Consolidated Balance Sheets

The Akita Bank, Ltd. and subsidiaries  
As of March 31, 2016 and 2015

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2016	2015	2016
<b>ASSETS</b>			
Cash and due from banks (Note 37)	¥ 299,761	¥ 233,046	\$ 2,660,285
Call loans and bills bought	5,488	30,406	48,704
Monetary claims bought	6,868	8,032	60,951
Trading account securities (Note 5)	369	5	3,274
Money held in trust	987	8	8,759
Securities (Notes 6 and 12)	1,039,379	1,027,820	9,224,165
Loans and bills discounted (Note 7)	1,599,630	1,545,393	14,196,219
Foreign exchanges (Note 8)	1,803	3,236	16,001
Other assets (Notes 9 and 12)	23,584	19,024	209,300
Premises and equipment (Notes 10 and 30)	20,822	21,137	184,788
Intangible assets (Note 11)	1,530	1,748	13,578
Net defined benefit asset (Note 19)	2,484	4,333	22,044
Deferred tax assets (Note 14)	154	161	1,366
Customers' liabilities for acceptances and guarantees (Note 13)	7,241	7,266	64,261
Reserve for possible loan losses (Note 7)	(17,143)	(17,998)	(152,138)
Reserve for investment losses	(0)	(0)	(0)
<b>Total assets</b>	<b>¥2,992,961</b>	<b>¥2,883,621</b>	<b>\$26,561,599</b>

See notes to consolidated financial statements.

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2016	2015	2016
<b>LIABILITIES</b>			
Deposits (Notes 12 and 15)	¥2,422,675	¥2,436,793	\$21,500,488
Negotiable certificates of deposit	141,578	117,324	1,256,460
Call money and bills sold	14,873	16,703	131,993
Payables under securities lending transactions (Note 12)	142,430	64,884	1,264,022
Borrowed money (Notes 12 and 16)	48,461	26,198	430,076
Foreign exchanges (Note 17)	39	34	346
Other liabilities (Note 18)	15,962	16,286	141,657
Reserve for directors' bonuses	20	20	177
Net defined benefit liability (Note 19)	8,115	7,995	72,018
Reserve for directors' retirement benefits	22	25	195
Reserve for reimbursement of dormant deposits	573	584	5,085
Reserve for contingent losses	599	563	5,315
Deferred tax liabilities (Note 14)	11,485	12,715	101,925
Deferred tax liability for land revaluation (Note 20)	1,661	1,783	14,740
Acceptances and guarantees (Note 13)	7,241	7,266	64,261
<b>Total liabilities</b>	<b>¥2,815,739</b>	<b>¥2,709,177</b>	<b>\$24,988,809</b>
<b>NET ASSETS</b>			
Capital stock (Note 34)	14,100	14,100	125,133
Capital surplus	6,271	6,271	55,653
Retained earnings (Note 36)	112,797	108,129	1,001,038
Treasury stock (Note 34)	(454)	(593)	(4,029)
Total stockholders' equity	132,715	127,909	1,177,804
Valuation difference on available-for-sale securities (Note 21)	38,549	40,802	342,110
Deferred losses on hedges	(210)	(2,113)	(1,863)
Land revaluation excess (Note 20)	3,096	3,075	27,476
Remeasurements of defined benefit plans (Note 19)	(2,920)	(1,061)	(25,914)
Total accumulated other comprehensive income	38,515	40,702	341,808
Stock option rights (Note 35)	57	62	505
Non-controlling interests	5,934	5,770	52,662
<b>Total net assets</b>	<b>177,221</b>	<b>174,444</b>	<b>1,572,781</b>
<b>Total liabilities and net assets</b>	<b>¥2,992,961</b>	<b>¥2,883,621</b>	<b>\$26,561,599</b>

See notes to consolidated financial statements.

## Consolidated Statements of Income and Comprehensive Income

The Akita Bank, Ltd. and subsidiaries  
For the years ended March 31, 2016 and 2015

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2016	2015	2016
<b>Income</b>			
Interest income			
Interest on loans and discounts	¥19,610	¥20,136	\$174,032
Interest and dividends on securities	11,685	10,827	103,700
Other interest income (Note 22)	195	169	1,730
Fees and commissions (Note 23)	6,789	6,820	60,250
Other operating income (Note 24)	16,345	6,023	145,056
Other income (Note 25)	1,705	4,084	15,131
<b>Total income</b>	<b>56,331</b>	<b>48,063</b>	<b>499,920</b>
<b>Expenses</b>			
Interest expenses			
Interest on deposits	1,514	1,410	13,436
Interest on borrowings, call money and bills sold	383	163	3,399
Other interest expenses (Note 26)	1,230	933	10,915
Fees and commissions (Note 27)	2,353	2,259	20,882
Other operating expenses (Note 28)	15,379	5,260	136,483
General and administrative expenses	24,123	25,536	214,084
Other expenses (Notes 29 and 30)	1,698	1,215	15,069
<b>Total expenses</b>	<b>46,682</b>	<b>36,779</b>	<b>414,288</b>
<b>Income before income taxes</b>	<b>9,648</b>	<b>11,283</b>	<b>85,623</b>
<b>Income taxes</b> (Note 14)			
Current	2,262	2,521	20,074
Deferred	656	1,683	5,821
<b>Net income</b>	<b>6,729</b>	<b>7,079</b>	<b>59,717</b>
<b>Net income attributable to non-controlling interests</b>	<b>151</b>	<b>162</b>	<b>1,340</b>
<b>Net income attributable to owners of parent</b>	<b>¥ 6,578</b>	<b>¥ 6,916</b>	<b>\$ 58,377</b>
<b>Net income</b>	<b>¥ 6,729</b>	<b>¥ 7,079</b>	<b>\$ 59,717</b>
<b>Other comprehensive income</b> (Note 31)			
Valuation difference on available-for-sale securities	(2,230)	17,960	(19,790)
Deferred losses on hedges	1,902	(1,501)	16,879
Land revaluation excess	87	183	772
Remeasurements of defined benefit plans	(1,858)	1,337	(16,489)
<b>Total other comprehensive income</b>	<b>(2,098)</b>	<b>17,980</b>	<b>(18,619)</b>
<b>Comprehensive income</b>	<b>¥ 4,630</b>	<b>¥25,059</b>	<b>\$ 41,089</b>
<b>Income attributable to:</b>			
Owners of parent	¥ 4,457	¥24,851	\$ 39,554
Non-controlling interests	173	207	1,535
	Yen		U.S. dollars (Note 1)
<b>Net income per share</b> (Note 40)	<b>¥35.82</b>	<b>¥37.27</b>	<b>\$0.31</b>

See notes to consolidated financial statements.

## Consolidated Statements of Changes in Net Assets

The Akita Bank, Ltd. and subsidiaries  
For the years ended March 31, 2016 and 2015

	Millions of yen				
	Stockholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total
<b>Balance at March 31, 2014</b>	¥14,100	¥6,291	¥103,895	¥(1,921)	¥122,367
Cumulative effects of changes in accounting policies	—	—	381	—	381
Restated balance	14,100	6,291	104,277	(1,921)	122,748
Changes of items during the period					
Dividends from surplus	—	—	(1,114)	—	(1,114)
Net income attributable to owners of parent	—	—	6,916	—	6,916
Purchase of treasury stock	—	—	—	(884)	(884)
Disposal of treasury stock	—	46	—	162	209
Cancellation of treasury stock	—	(66)	(1,982)	2,049	—
Reversal of revaluation reserve for land	—	—	34	—	34
Net changes of Items other than stockholders' equity	—	—	—	—	—
Total changes of items during the period	—	(20)	3,852	1,328	5,160
<b>Balance at March 31, 2015</b>	¥14,100	¥6,271	¥108,129	¥ (593)	¥127,909
Changes of items during the period					
Dividends from surplus	—	—	(1,102)	—	(1,102)
Net income attributable to owners of parent	—	—	6,578	—	6,578
Purchase of treasury stock	—	—	—	(950)	(950)
Disposal of treasury stock	—	73	—	140	214
Cancellation of treasury stock	—	(73)	(874)	947	—
Reversal of revaluation reserve for land	—	—	66	—	66
Net changes of Items other than stockholders' equity	—	—	—	—	—
Total changes of items during the period	—	—	4,667	138	4,806
<b>Balance at March 31, 2016</b>	¥14,100	¥6,271	¥112,797	¥ (454)	¥132,715

	Millions of yen							
	Accumulated other comprehensive income							
	Valuation difference on available-for-sale securities	Deferred losses on hedges	Land revaluation excess	Remeasurements of defined benefit plans	Total	Stock option rights	Non-controlling interests	Total net assets
<b>Balance at March 31, 2014</b>	¥22,886	¥ (612)	¥2,926	¥(2,399)	¥22,801	¥48	¥5,571	¥150,788
Cumulative effects of changes in accounting policies	—	—	—	—	—	—	—	381
Restated balance	22,886	(612)	2,926	(2,399)	22,801	48	5,571	151,169
Changes of items during the period								
Dividends from surplus	—	—	—	—	—	—	—	(1,114)
Net income attributable to owners of parent	—	—	—	—	—	—	—	6,916
Purchase of treasury stock	—	—	—	—	—	—	—	(884)
Disposal of treasury stock	—	—	—	—	—	—	—	209
Cancellation of treasury stock	—	—	—	—	—	—	—	—
Reversal of revaluation reserve for land	—	—	—	—	—	—	—	34
Net changes of Items other than stockholders' equity	17,915	(1,501)	149	1,337	17,901	13	198	18,114
Total changes of items during the period	17,915	(1,501)	149	1,337	17,901	13	198	23,274
<b>Balance at March 31, 2015</b>	¥40,802	¥(2,113)	¥3,075	¥(1,061)	¥40,702	¥62	¥5,770	¥174,444
Changes of items during the period								
Dividends from surplus	—	—	—	—	—	—	—	(1,102)
Net income attributable to owners of parent	—	—	—	—	—	—	—	6,578
Purchase of treasury stock	—	—	—	—	—	—	—	(950)
Disposal of treasury stock	—	—	—	—	—	—	—	214
Cancellation of treasury stock	—	—	—	—	—	—	—	—
Reversal of revaluation reserve for land	—	—	—	—	—	—	—	66
Net changes of Items other than stockholders' equity	(2,252)	1,902	20	(1,858)	(2,187)	(5)	164	(2,028)
Total changes of items during the period	(2,252)	1,902	20	(1,858)	(2,187)	(5)	164	2,777
<b>Balance at March 31, 2016</b>	¥38,549	¥ (210)	¥3,096	¥(2,920)	¥38,515	¥57	¥5,934	¥177,221

See notes to consolidated financial statements.



	Thousands of U.S. dollars (Note 1)				
	Stockholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total
<b>Balance at March 31, 2015</b>	\$125,133	\$55,653	\$ 959,611	\$(5,262)	\$1,135,152
Changes of items during the period					
Dividends from surplus	—	—	(9,779)	—	(9,779)
Net income attributable to owners of parent	—	—	58,377	—	58,377
Purchase of treasury stock	—	—	—	(8,430)	(8,430)
Disposal of treasury stock	—	647	—	1,242	1,899
Cancellation of treasury stock	—	(647)	(7,756)	8,404	—
Reversal of revaluation reserve for land	—	—	585	—	585
Net changes of Items other than stockholders' equity	—	—	—	—	—
Total changes of items during the period	—	—	41,418	1,224	42,651
<b>Balance at March 31, 2016</b>	\$125,133	\$55,653	\$1,001,038	\$(4,029)	\$1,177,804

	Thousands of U.S. dollars (Note 1)							
	Accumulated other comprehensive income							
	Valuation difference on available-for-sale securities	Deferred losses on hedges	Land revaluation excess	Remeasurements of defined benefit plans	Total	Stock option rights	Non-controlling interests	Total net assets
<b>Balance at March 31, 2015</b>	\$362,105	\$(18,752)	\$27,289	\$ (9,416)	\$361,217	\$550	\$51,206	\$1,548,136
Changes of items during the period								
Dividends from surplus	—	—	—	—	—	—	—	(9,779)
Net income attributable to owners of parent	—	—	—	—	—	—	—	58,377
Purchase of treasury stock	—	—	—	—	—	—	—	(8,430)
Disposal of treasury stock	—	—	—	—	—	—	—	1,899
Cancellation of treasury stock	—	—	—	—	—	—	—	—
Reversal of revaluation reserve for land	—	—	—	—	—	—	—	585
Net changes of Items other than stockholders' equity	(19,985)	16,879	177	(16,489)	(19,408)	(44)	1,455	(17,997)
Total changes of items during the period	(19,985)	16,879	177	(16,489)	(19,408)	(44)	1,455	24,645
<b>Balance at March 31, 2016</b>	\$342,110	\$ (1,863)	\$27,476	\$(25,914)	\$341,808	\$505	\$52,662	\$1,572,781

See notes to consolidated financial statements.

## Consolidated Statements of Cash Flows

The Akita Bank, Ltd. and subsidiaries  
For the years ended March 31, 2016 and 2015

Thousands of  
U.S. dollars (Note 1)

	Millions of yen		Thousands of
	2016	2015	U.S. dollars (Note 1)
<b>Cash flows from operating activities</b>			<b>2016</b>
Income before income taxes	¥ 9,648	¥ 11,283	\$ 85,623
Depreciation and amortization	1,583	1,952	14,048
Losses on impairment of fixed assets	101	118	896
Net change in reserve for possible loan losses	(854)	(3,745)	(7,578)
Net change in reserve for investment losses	(0)	(1)	(0)
Net change in net defined benefit liability	46	(56)	408
Net change in reserve for directors' retirement benefits	(2)	(3)	(17)
Net change in reserve for reimbursement of dormant deposits	(11)	2	(97)
Net change in reserve for contingent losses	35	2	310
Gain on fund management	(31,491)	(31,133)	(279,472)
Financing expenses	3,128	2,507	27,760
Net gain related to securities transactions	(332)	(2,570)	(2,946)
Loss (gain) on money held in trust	12	(166)	106
Net foreign exchange gains	(379)	(210)	(3,363)
Net loss on disposal of premises and equipment	87	243	772
Net change in loans and bills discounted	(54,949)	(55,631)	(487,655)
Net change in deposits	(14,117)	75,653	(125,283)
Net change in negotiable certificates of deposit	24,253	(10,835)	215,237
Net change in borrowed money (excluding subordinated borrowing)	22,262	7,872	197,568
Net change in due from banks (excluding deposit paid to Bank of Japan)	10,869	14,162	96,458
Net change in call loans	26,068	58,944	231,345
Net change in call money	(1,829)	4,899	(16,231)
Net change in payable under securities lending transactions	77,545	(3,169)	688,187
Net change in foreign exchanges assets	4,765	(2,320)	42,287
Net change in foreign exchanges liabilities	4	(61)	35
Proceeds from fund management	32,822	32,449	291,285
Payments for finance	(3,115)	(2,436)	(27,644)
Net change in trading account securities	(363)	10	(3,221)
Other, net	(1,030)	7,330	(9,140)
Sub-total	104,758	105,091	929,694
Income taxes paid	(2,961)	(1,226)	(26,277)
Net cash provided by (used in) operating activities	101,796	103,865	903,407
<b>Cash flows from investing activities</b>			
Purchases of securities	(417,118)	(408,071)	(3,701,792)
Proceeds from sales of securities	199,243	262,433	1,768,219
Proceeds from redemption of securities	197,773	144,685	1,755,173
Increase in money held in trust	(1,000)	—	(8,874)
Decrease in money held in trust	—	2	—
Purchases of premises and equipment	(1,098)	(885)	(9,744)
Proceeds from sales of premises and equipment	96	15	851
Purchases of intangible fixed assets	(269)	(1,257)	(2,387)
Proceeds from sales of intangible fixed assets	31	0	275
Net cash provided by (used in) investing activities	(22,341)	(3,077)	(198,269)
<b>Cash flows from financing activities</b>			
Purchases of treasury stock	(950)	(884)	(8,430)
Proceeds from sales of treasury stock	195	207	1,730
Cash dividends paid	(1,102)	(1,114)	(9,779)
Cash dividends paid to non-controlling interests	(9)	(8)	(79)
Net cash provided by (used in) financing activities	(1,866)	(1,800)	(16,560)
Effect of exchange rate change on cash and cash equivalents	(4)	7	(35)
Net increase (decrease) in cash and cash equivalents	77,584	98,994	688,533
Cash and cash equivalents at beginning of year	216,233	117,238	1,919,000
<b>Cash and cash equivalents at end of year</b> (Note 37)	<b>¥293,817</b>	<b>¥216,233</b>	<b>\$2,607,534</b>

See notes to consolidated financial statements.

# Notes to Consolidated Financial Statements

The Akita Bank, Ltd. and consolidated subsidiaries  
As of and for the years ended March 31, 2016 and 2015

## 1. Basis of Presentation of Financial Statements

The accompanying consolidated financial statements of The Akita Bank, Ltd. (the "Bank") and its consolidated subsidiaries are prepared on the basis of accounting principles generally accepted in Japan, which are different in certain respects as to the application and disclosure requirements of International Financial Reporting Standards, and are compiled from the consolidated financial statements prepared by the Bank as required by the Financial Instruments and Exchange Act of Japan.

In preparing these consolidated financial statements, certain reclassifications and rearrangements have been made to the consolidated financial statements issued domestically in order to present them in a form which is more familiar to readers outside Japan.

The consolidated financial statements are stated in Japanese yen, the currency of the country in which the Bank is incorporated and operates. As permitted by the Financial Instruments and Exchange Act of Japan, amounts of less than one million yen have been rounded down. As a result, the totals shown in the accompanying consolidated financial statements (both in yen and U.S. dollars) do not necessarily agree with the sums of the individual amounts. The translation of Japanese yen amounts into U.S. dollar amounts is included solely for the convenience of readers outside Japan, as a matter of arithmetic computation only, at the rate of ¥112.68 to U.S.\$1.00, the prevailing exchange rate at March 31, 2016. Such translations should not be construed as representations that the Japanese yen amounts could be converted into U.S. dollars at that or any other rate.

In addition, the notes to the consolidated financial statements include information which is not required under accounting principles generally accepted in Japan but is presented herein as additional information.

## 2. Principles of Consolidation

### (a) Consolidated subsidiaries

The consolidated financial statements include the accounts of the Bank and five of its subsidiaries, including The Akita Guarantee Service Ltd. and others, whose fiscal year end is consistent to that of the Bank. The Akigin Research & Consulting Ltd., a newly established subsidiary, has been included in the scope of consolidation from the year ended March 31, 2016. The Akigin Business Service Ltd., which was dissolved on March 31, 2015 and liquidated on July 28, 2015, has been excluded from the scope of consolidation. All significant intercompany transactions and accounts have been eliminated in consolidation. The consolidated financial statements do not include the accounts of limited partnerships due to insignificance.

### (b) Information on special purpose entities to be reported

The Bank has no special purpose entities or related transactions to be reported.

## 3. Summary of Significant Accounting Policies

### (a) Trading account securities

Trading account securities are stated at fair value and the cost of securities sold is determined by the moving average method.

### (b) Securities

Securities are classified, and accounted for, depending on management's intent, as follows: (1) held-to-maturity debt securities, which are expected to be held to maturity with the positive intent and ability to hold to maturity, are stated at amortized cost computed using the straight-line method and (2) available-for-sale securities are stated at fair value with unrealized

holding gains and losses, net of applicable taxes, reported as valuation difference on available-for-sale securities in a separate component of net assets. Securities whose fair values cannot be reliably estimated are stated at cost determined using the moving-average cost method.

Securities held in money trusts, of which funds are principally invested in securities and are separately managed from other beneficiaries, are carried at fair value with unrealized holding gains and losses included in earnings.

For available-for-sale securities, in cases where the fair value has fallen significantly from the acquisition price and it is considered there is little likelihood of recovery to the acquisition price level, the Bank considers recognizing a loss on impairment. The Bank considers the decline to be significant when the fair value of the available-for-sale securities declines more than 30% of the carrying amount. When the fair value of the available-for-sale securities declines 50% or more, the securities are stated at fair value on the consolidated balance sheets and the difference between the fair value and the acquisition price is recognized as a loss. When the fair value of the available-for-sale securities declines from 30% to less than 50% of the carrying amount, the Bank recognizes a loss based on the recoverability of the securities after examining the trends of market prices and the financial position of the issuers.

### (c) Derivatives

Derivatives are carried at fair value which is based on market quotation.

### (d) Premises and equipment

The Bank's depreciation policies are in line with the Corporation Tax Act of Japan. Depreciation is charged using the declining balance method over the estimated useful lives of respective assets. The straight-line method is applied to buildings acquired on or after April 1, 1998.

The estimated useful lives of major items are as follows:

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

Depreciation of premises and equipment owned by consolidated subsidiaries is predominantly charged using the declining balance method over the estimated useful lives of respective assets.

### (e) Intangible assets

Intangible assets are amortized using the straight-line method. Cost of software held for internal-use is amortized over its estimated useful life (mainly 5 years).

### (f) Leased assets

Leased assets under finance lease transactions that do not transfer ownership are depreciated using the straight-line method over the lease periods as the useful life of assets with zero residual value. The Bank leases mainly peripheral devices and automobiles, included in premises and equipment, and software, included in intangible assets.

### (g) Reserve for possible loan losses

Reserve for possible loan losses is provided as follows, in conformity with the internal policies regarding write-offs and reserves for possible loan losses.

The Bank has established a credit rating system in accordance with the provisions set forth in the Guidelines issued by the Japanese Institute of Certified Public Accountants under which customers are classified into five categories for self-assessment purposes: "Bankrupt Obligors," "Substantially Bankrupt Obligors," "Potential Bankrupt Obligors," "Cautious Obligors" and "Normal Obligors."

For loans to Bankrupt and Substantially Bankrupt Obligors, the Bank has provided a reserve for possible loan losses based on the amount claimed, net

of the expected recovery amount from collateral and guarantee. For loans to Potential Bankrupt Obligors, the Bank has provided a reserve at an amount deemed necessary to cover possible losses which are estimated based on the expected recovery amount from collateral and guarantee as well as other factors of solvency, including the Obligors' future cash flows.

For loans to all other obligors, reserves are maintained at rate derived from default experiences for a certain period in the past.

The Bank applied the DCF method to estimate a reserve for possible loan losses, if future cash flows of principal and interest are reasonably estimated, for (1) loans to Potential Bankrupt Obligors, where the loan balance, net of the amount secured by collateral, exceeds a certain amount and (2) loans to obligors with restructured loans and their loan balance exceeds a certain amount. Thus, the difference between the amount calculated by discounting future cash flows of principal and interest using the original interest rate of respective loans and its book value is accounted for as reserve for loan losses.

The collectability of all loans is assessed by branches and the credit supervisory division, with an internal audit by the asset review and inspection division, in accordance with the Bank's policies and rules for the self-assessment of asset quality.

The consolidated subsidiaries calculate their reserve for possible loan losses as the amount deemed necessary to cover possible losses, which is estimated based on the actual historical loan loss experience in addition to amounts deemed necessary based on estimation of the collectability of specific loans.

#### **(h) Reserve for investment losses**

Reserve for investment losses is provided for possible losses at the estimated amounts based on the financial position of securities' issuers.

#### **(i) Reserve for employees' retirement benefits**

For the calculation of retirement benefit obligation, the Bank applies the benefit formula basis as the method of attributing expected benefit to period. Unrecognized net actuarial gains and losses are amortized using the straight-line method over the average remaining service period of employees (10 years), commencing from the next fiscal year after incurrence.

The consolidated subsidiaries apply a simplified method to calculate net defined benefit liability and retirement benefit cost.

#### **(j) Reserve for directors' bonuses**

Reserve for directors' bonuses is provided as the amount of the estimated bonuses which are attributable to each fiscal year.

#### **(k) Reserve for retirement benefits to directors**

Consolidated subsidiaries of the Bank accrue 100% of obligations for their retirement benefits according to the internal rules, which are based under the assumption that all directors terminate their services at the year end.

#### **(l) Reserve for reimbursement of dormant deposits**

Reserve for the reimbursement of dormant deposits which were de-recognized as liabilities under certain conditions is provided for possible losses on the future claims.

#### **(m) Reserve for contingent losses**

The Bank provides a reserve for future payments under the Responsibility-sharing System with Credit Guarantee Corporations, at an amount estimated based on historical experience.

#### **(n) Foreign currency transaction**

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

#### **(o) Hedge accounting**

##### **(1) Hedge against interest rate risk**

For interest rate derivatives to mitigate the interest rate risks arising from various financial assets and liabilities, the Bank applies the deferred hedge accounting based on the rules prescribed in the JICPA Industry Audit Committee Report No. 24, the "Accounting and Auditing Treatment of Accounting Standards for Financial Instruments in the Banking Industry" (February 13, 2002). Under these rules, hedge effectiveness is assessed by specifying hedged items (such as securities and loans) and the corresponding hedging instruments (such as interest rate swaps).

##### **(2) Hedge against foreign exchange risk**

For foreign exchange risks arising from financial assets and liabilities denominated in foreign currencies, the Bank applies the deferred method of hedge accounting based on the rules prescribed in the JICPA Industry Audit Committee Report No. 25, the "Accounting and Auditing Treatment of Accounting Standards for Foreign Currency Transactions in the Banking Industry" (July 29, 2002). Hedge effectiveness is assessed for designating currency swaps and foreign exchange swaps, etc., which offset foreign exchange risks of claim and debt denominated in foreign currency as hedging instruments, by verifying the correlation between the hedged items and the foreign exchange positions of hedging instruments.

#### **(p) Accounting for leases**

(As lessor)

For finance lease transactions which do not transfer ownership of the leased property and commenced before April 1, 2008, the net book value of leased assets included in premises and equipment as of March 31, 2008 is recorded as the initial balance of lease investment assets in accordance with the stipulations of Article 81 of the "Guidance on Accounting Standard for Lease Transactions" (ASBJ Guidance No. 16, March 25, 2011).

#### **(q) Consumption taxes**

Transactions are recorded exclusive of consumption taxes.

#### **(r) Cash and cash equivalents**

For the purpose of the consolidated statements of cash flows, cash and cash equivalents consist of cash and deposit with the Bank of Japan.

#### **(s) Income taxes**

Deferred tax assets and liabilities are recorded based on the temporary differences between the tax basis of assets and liabilities and their reported amounts in the financial statements using the enacted tax rates in effect for the year in which the temporary differences are expected to be settled. Deferred tax assets are also recognized for the estimated future tax effects attributable to the operating loss carried forward. A valuation allowance is recorded to reduce deferred tax assets if it is more likely than not that some or all the deferred tax assets will not be realized.

#### **(t) New accounting standard applied**

##### **Accounting standard for business combinations and related standards and implementation guidelines (issued on September 13, 2013)**

Effective from the year ended March 31, 2016, the Bank applied "Revised Accounting Standard for Business Combinations" (ASBJ Statement No.21, September 13, 2013 (hereinafter, "Statement No.21")), "Revised Accounting Standard for Consolidated Financial Statements" (ASBJ Statement No.22, September 13, 2013 (hereinafter, "Statement No.22")) and "Revised Accounting Standard for Business Divestitures" (ASBJ Statement No.7, September 13, 2013 (hereinafter, "Statement No.7")) (together, the "Business Combination Accounting Standards"). As a result, the Bank changed its accounting policies to recognize in capital surplus the differences arising from the changes in the Bank's ownership interest of subsidiaries over which the Bank continues to maintain control and to

record acquisition related costs as expenses in the fiscal year in which the costs are incurred. In addition, the Bank changed its accounting policy for the reallocation of acquisition costs due to the completion following provisional accounting to reflect such reallocation in the consolidated financial statements for the fiscal year in which the business combination took place. The Bank also changed the presentation of net income and the term "non-controlling interests" is used instead of "minority interests." Certain amounts in the prior year comparative information were reclassified to conform to such changes in the current year presentation.

In the consolidated statement of cash flows, cash flows from acquisition or disposal of shares of subsidiaries with no changes in the scope of consolidation are included in "Cash flows from financing activities" and cash flows from acquisition related costs for shares of subsidiaries with changes in the scope of consolidation or costs related to acquisition or disposal of shares of subsidiaries with no changes in the scope of consolidation are included in "Cash flows from operating activities."

With regard to the application of the Business Combination Accounting Standards, the Company followed the provisional treatments in article 58-2 (4) of Statement No.21, article 44-5 (4) of Statement No.22 and article 57-4 (4) of Statement No.7 with application from the beginning of the fiscal year ended March 31, 2016 prospectively.

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

#### 4. Accounting Standards Not Yet Applied

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

##### (i) Overview

Following the framework in Auditing Committee Report No. 66 "Audit Treatment regarding the Judgment of Recoverability of Deferred Tax Assets," which prescribes the recoverability of deferred tax assets, the treatments were partly changed as necessary.

##### (ii) Effective date

The Bank will adopt the amendment effective from April 1, 2016.

##### (iii) Effects of application of the Guidance

The effects of application are under evaluation.

#### 5. Trading Account Securities

Trading account securities as of March 31, 2016 and 2015 consisted of Japanese government bonds and local government bonds as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2016	2015	2016
Amount in the balance sheet	¥369	¥5	\$3,274
Valuation gain (loss) included in income for the year	0	0	0

#### 6. Securities

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

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2016	2015	2016
Japanese government bonds	¥ 357,248	¥ 388,751	\$3,170,465
Local government bonds	47,942	56,685	425,470
Corporate bonds	337,971	338,199	2,999,387
Share stocks	53,291	62,533	472,941
Other securities	242,926	181,649	2,155,892
Total	¥1,039,379	¥1,027,820	\$9,224,165

Fair value and valuation differences of securities as of March 31, 2016 and 2015 and other related information are stated below.

##### (a) Held-to-maturity debt securities

The Bank and its consolidated subsidiaries' investments in held-to-maturity debt securities as of March 31, 2016 and 2015 were summarized as follows:

	Millions of yen		
	2016		
	Carrying value	Fair value	Difference
Japanese government bonds	¥597	¥632	¥35
	Millions of yen		
	2015		
	Carrying value	Fair value	Difference
Japanese government bonds	¥596	¥628	¥31
	Thousands of U.S. dollars (Note 1)		
	2016		
	Carrying value	Fair value	Difference
Japanese government bonds	\$5,298	\$5,608	\$310

## (b) Available-for-sale securities

The Bank and its consolidated subsidiaries' investments in available-for-sale securities as of March 31, 2016 and 2015 were summarized in the following tables. For presentation purposes, the tables also include: (i) trading account securities, (ii) some negotiable certificates of deposits included in cash and deposits and (iii) a part of securities included in monetary claims bought on the consolidated balance sheets, but exclude the stocks of the Bank's subsidiaries and affiliates.

	Millions of yen		
	2016		
	Carrying value	Cost	Difference
Carrying value exceeding cost:			
Stocks	¥ 47,595	¥ 24,913	¥22,681
Bonds:			
Japanese government bonds	356,651	341,385	15,265
Local government bonds	47,942	46,844	1,098
Corporate bonds	330,407	324,161	6,246
Bonds total	735,001	712,391	22,610
Others	205,751	194,562	11,189
Subtotal	988,348	931,866	56,481
Carrying value not exceeding cost:			
Stocks	3,955	4,267	(312)
Bonds:			
Japanese government bonds	—	—	—
Corporate bonds	7,563	7,585	(22)
Bonds total	7,563	7,585	(22)
Others	39,344	40,460	(1,115)
Subtotal	50,863	52,313	(1,450)
Total	¥1,039,212	¥984,180	¥55,031

	Millions of yen		
	2015		
	Carrying value	Cost	Difference
Carrying value exceeding cost:			
Stocks	¥ 60,162	¥ 29,536	¥30,626
Bonds:			
Japanese government bonds	375,193	365,489	9,704
Local government bonds	56,685	55,088	1,597
Corporate bonds	319,457	314,093	5,363
Bonds total	751,336	734,671	16,655
Others	163,126	150,826	12,299
Subtotal	974,626	915,033	59,592
Carrying value not exceeding cost:			
Stocks	655	673	(17)
Bonds:			
Japanese government bonds	12,961	12,999	(38)
Corporate bonds	18,742	18,789	(47)
Bonds total	31,703	31,789	(85)
Others	21,693	21,880	(187)
Subtotal	54,052	54,342	(290)
Total	¥1,028,678	¥969,376	¥59,301

Thousands of U.S. dollars (Note 1)

	2016		
	Carrying value	Cost	Difference
Carrying value exceeding cost:			
Stocks	\$ 422,390	\$ 221,095	\$201,286
Bonds:			
Japanese government bonds	3,165,166	3,029,685	135,472
Local government bonds	425,470	415,725	9,744
Corporate bonds	2,932,259	2,876,828	55,431
Bonds total	6,522,905	6,322,248	200,656
Others	1,825,976	1,726,677	99,298
Subtotal	8,771,281	8,270,021	501,251
Carrying value not exceeding cost:			
Stocks	35,099	37,868	(2,768)
Bonds:			
Japanese government bonds	—	—	—
Corporate bonds	67,119	67,314	(195)
Bonds total	67,119	67,314	(195)
Others	349,165	359,069	(9,895)
Subtotal	451,393	464,261	(12,868)
Total	\$9,222,683	\$8,734,291	\$488,383

## (c) Available-for-sale securities sold

Available-for-sale securities sold and the gains and losses on sale of those securities for the years ended March 31, 2016 and 2015 were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2016	2015	2016
Proceeds from sales	¥198,197	¥239,341	\$1,758,936
Gains	11,992	3,707	106,425
Losses	(981)	(172)	(8,706)

The Bank recognized an impairment loss of ¥69 million (U.S.\$612 thousand) on investment trusts for the year ended March 31, 2016 and ¥117 million on equity securities for the year ended March 31, 2015.

## 7. Loans and Bills Discounted

### (a) Loans and bills discounted as of March 31, 2016 and 2015 consisted of the following:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2016	2015	2016
Bills discounted	¥ 5,547	¥ 6,368	\$ 49,227
Loans on notes	51,459	50,921	456,682
Loans on deeds	1,384,029	1,338,245	12,282,827
Overdrafts	158,594	149,858	1,407,472
<b>Total</b>	<b>¥1,599,630</b>	<b>¥1,545,393</b>	<b>\$14,196,219</b>

### (b) Non-performing loans

In accordance with the disclosure requirements under the Rules for Bank Accounting in Japan, the following non-performing loans are included in the balance of loans and bills discounted at March 31, 2016 and 2015:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2016	2015	2016
Loans in bankruptcy and dishonored bills (*1)	¥ 1,897	¥ 1,418	\$ 16,835
Delinquent loans (*2)	39,637	45,923	351,766
Loans past due for three months or more (*3)	—	—	—
Restructured loans (*4)	448	844	3,975
<b>Total</b>	<b>¥41,984</b>	<b>¥48,186</b>	<b>\$372,594</b>

\*1. "Loans in bankruptcy and dishonored bills" consist of non-accrual loans on which the payment of principal or interest is well past due or where there is no prospect of recovery of the principal or interest from the borrower (excluding the written-down portion of the loan). This category also includes the loans cited in Article 96-1-3 and 96-1-4 of the Order for Enforcement of Corporation Tax Act (Cabinet Order No. 97 of 1965).

\*2. "Delinquent loans" are non-accrual loans, which do not fall under the classifications of loans in bankruptcy and dishonored bills, or financial assistance loans where interest has been suspended for the purpose of business rehabilitation or debtor assistance.

\*3. "Loans past due for three months or more" are classified in this category when three months or more have elapsed since the due date with no payment of principal or interest. Excluded from this balance are the balances of loans in bankruptcy and dishonored bills and the balances of delinquent loans.

\*4. "Restructured loans" include loans which have been restructured to support the rehabilitation of certain borrowers who are encountering financial difficulties, with the intention of ensuring recovery of the loans by revising terms of repayment favorable to the borrowers (such as by reducing the rate of interest or by providing a grace period for the payment of principal/interest, debt waiver, etc.). Excluded from this balance are the balances of loans in bankruptcy and dishonored bills, the balances of delinquent loans and the balances of loans past due for three months or more.

### (c) Bills discounted

Bills discounted are accounted for as financial transactions in accordance with the JICPA Industry Audit Committee Report No. 24, the "Accounting and Auditing Treatment of Accounting Standards for Financial Instruments in the Banking Industry" (February 13, 2002). The Bank has the rights to sell or pledge commercial bills discounted and foreign exchange bills bought without restrictions. Their total face value as of March 31, 2016 and 2015 were ¥5,547 million (U.S.\$49,227 thousand) and ¥6,369 million, respectively.

### (d) Contracts of overdraft facilities and loan commitment limits

Contracts of overdraft facilities and loan commitment limits are the contracts detailing that the Bank lends to customers up to the prescribed limits in response to customers' application of loan as long as there is no violation of any condition in the contracts.

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2016	2015	2016
Unused balance within the limits	¥557,048	¥549,303	\$4,943,627
Of which, the term of contracts is less than one year or revocable at any time	536,718	529,702	4,763,205

Since many of these commitments expire without being utilized, the unused amount does not necessarily represent a future cash requirement. Most of these contracts have conditions such that the Bank can refuse customers' applications for loans and can decrease the contract limits as they see with proper reasons (e.g., changes in financial situations, deterioration of customers' creditworthiness). At the inception of a contract the Bank obtains real estate, securities, etc. as collateral, if considered necessary. Subsequently, the Bank performs periodic reviews of customers' business results based on internal rules, and takes necessary measures to reconsider conditions in contracts and/or the requirement for additional collateral and guarantees.

## 8. Foreign Exchange Assets

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

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2016	2015	2016
Due from foreign banks	¥1,803	¥3,235	\$16,001
Foreign exchange bills bought	0	1	0
<b>Total</b>	<b>¥1,803</b>	<b>¥3,236</b>	<b>\$16,001</b>

## 9. Other Assets

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

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2016	2015	2016
Lease receivables and lease Investment assets	¥ 8,718	¥ 8,894	\$ 77,369
Domestic exchange settlement	—	6	—
Prepaid expenses	12	13	106
Accrued income	5,702	5,810	50,603
Futures margins	294	71	2,609
Derivatives	509	251	4,517
Others	8,345	3,977	74,059
<b>Total</b>	<b>¥23,584</b>	<b>¥19,024</b>	<b>\$209,300</b>

## 10. Premises and Equipment

Premises and equipment as of March 31, 2016 and 2015 consisted of the following:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2016	2015	2016
Buildings	¥ 7,945	¥ 8,244	\$ 70,509
Land	10,867	10,947	96,441
Construction in Progress	14	1	124
Others	1,994	1,944	17,696
<b>Total</b>	<b>¥20,822</b>	<b>¥21,137</b>	<b>\$184,788</b>

The accumulated depreciation of premises and equipment as of March 31, 2016 and 2015 amounted to ¥33,567 million (U.S.\$297,896 thousand) and ¥33,325 million, respectively.

Deferred gain on real estate (Asshuku-kicho) deductible for tax purpose amounted to ¥2,044 million (U.S.\$18,139 thousand) and ¥2,044 million as of March 31, 2016 and 2015, respectively.

## 11. Intangible Assets

Intangible assets as of March 31, 2016 and 2015 consisted of the following:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2016	2015	2016
Software	¥1,321	¥1,507	\$11,723
Others	209	240	1,854
<b>Total</b>	<b>¥1,530</b>	<b>¥1,748</b>	<b>\$13,578</b>

## 12. Assets Pledged

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

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2016	2015	2016
Securities	¥224,422	¥148,500	\$1,991,675
Other assets	51	110	452
<b>Total</b>	<b>¥224,473</b>	<b>¥148,611</b>	<b>\$1,992,128</b>

Liabilities related to above pledged assets as of March 31, 2016 and 2015 were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2016	2015	2016
Deposits	¥12,148	¥12,380	\$107,809
Payables under securities lending transactions	142,430	64,884	1,264,022
Borrowed money	45,200	22,640	401,135

In addition, the following asset was pledged as collateral for settlements of exchange as of March 31, 2016 and 2015, respectively.

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2016	2015	2016
Securities	¥48,098	¥88,788	\$426,854

## 13. Acceptances and Guarantees

The Bank provides guarantees for liabilities of its customers for payment of loans from other financial institutions. As a contra account, "Customers' Liabilities for Acceptances and Guarantees" are shown on the assets side, indicating the Bank's right of indemnity from the applicants.



## 14. Income Taxes

Income taxes applicable to the Bank and consolidated subsidiaries include corporate tax, inhabitants' tax and enterprise tax, which results in a statutory rate of approximately 32.8% and 35.4% for the years ended March 31, 2016 and 2015, respectively.

Significant components of deferred tax assets and liabilities at March 31, 2016 and 2015 were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2016	2015	2016
Deferred tax assets:			
Net defined benefit liability	¥ 2,144	¥ 2,360	\$ 19,027
Reserve for possible loan losses	4,744	5,256	42,101
Securities	721	1,217	6,398
Depreciation	300	357	2,662
Remeasurements of defined benefit plans	1,281	501	11,368
Others	1,606	2,627	14,252
Total deferred tax assets	10,799	12,321	95,837
Valuation allowance	(3,860)	(4,508)	(34,256)
Total deferred tax assets, net	6,938	7,812	61,572
Deferred tax liabilities:			
Gain on establishment of the trust for employees' retirement benefits	(1,813)	(1,890)	(16,089)
Valuation difference on available-for-sale securities	(16,332)	(18,372)	(144,941)
Reserve for advanced depreciation of real estate	(93)	(102)	(825)
Others	(29)	(1)	(257)
Total deferred tax liabilities	(18,269)	(20,366)	(162,131)
Net deferred tax assets (liabilities)	¥(11,330)	¥(12,553)	\$(100,550)

The following summarizes the amounts shown on the consolidated balance sheets.

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2016	2015	2016
Deferred tax assets	¥ 154	¥ 161	\$ 1,366
Deferred tax liabilities	(11,485)	(12,715)	(101,925)
Net deferred tax assets (liabilities)	¥(11,330)	¥(12,553)	\$(100,550)

A reconciliation between the effective income tax rate applied to the consolidated financial statements and the statutory tax rate for the year ended March 31, 2016 and 2015 was as follows:

	2016	2015
Statutory tax rate	32.8 %	35.4 %
(Adjustments)		
Expenses not deductible for income tax purpose	0.3	0.3
Dividend income not included in taxable income	(1.4)	(2.1)
Inhabitant tax on per capital basis	0.4	1.0
Decrease in deferred tax assets due to income tax rate change	1.9	3.3
Change in valuation allowance	(4.4)	(0.3)
Others	0.6	(0.4)
Actual effective tax rate	30.2 %	37.2 %

On March 29, 2016, the "Act for Partial Revision of the Income Tax Act, etc., (Act No. 15, 2016)" and the "Act for Partial Revision of the Local Tax Act, etc., (Act No. 13, 2016)," have been enacted in the Diet session. Accordingly, the Bank has changed the effective statutory tax rate to calculate deferred tax assets and liabilities for the year ended March 31, 2016, from 32.1% to 30.7% for the temporary differences expected to be reversed in the fiscal years beginning on April 1, 2016 and 2017, and to 30.5% for those expected to be reversed in and after the fiscal year beginning on April 1, 2018.

As a result of this change, deferred tax assets decreased by ¥22 million (U.S.\$195 thousand), deferred tax liabilities decreased by ¥694 million (U.S.\$6,159 thousand) and deferred losses on hedges decreased by ¥4 million (U.S.\$35 thousand), whereas valuation difference on available-for-sale securities increased by ¥863 million (U.S.\$7,658 thousand) and income taxes-deferred increased by ¥187 million (U.S.\$1,659 thousand), respectively. Deferred tax liabilities for land revaluation decreased by ¥87 million (U.S.\$772 thousand) and land revaluation excess increased by the same amount.

## 15. Deposits

An analysis of deposits as of March 31, 2016 and 2015 was as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2016	2015	2016
Current deposits	¥ 115,326	¥ 116,825	\$ 1,023,482
Ordinary deposits	1,135,313	1,101,564	10,075,550
Saving deposits	39,330	40,109	349,041
Deposits at notice	10,502	9,585	93,201
Time deposits	1,083,702	1,129,935	9,617,518
Installment savings	14	22	124
Other deposits	38,484	38,749	341,533
Total	¥2,422,675	¥2,436,793	\$21,500,488

## 16. Borrowed Money

Borrowed money as of March 31, 2016 and 2015 consisted of the following:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2016	2015	2016
Borrowings from other banks	¥48,461	¥26,198	\$430,076

The average interest rates of the loans were 0.127% and 0.313% as of March 31, 2016 and 2015, respectively. The aggregate annual maturities of the loans from banks subsequent to March 31, 2016 were summarized as follows:

	Millions of yen	Thousands of U.S. dollars (Note 1)
2017	¥46,324	\$411,111
2018	827	7,339
2019	679	6,025
2020	402	3,567
2021	132	1,171

## 17. Foreign Exchanges Liabilities

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

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2016	2015	2016
Foreign exchange bills sold	¥26	¥33	\$230
Foreign exchange bills payable	12	0	106
Total	¥39	¥34	\$346

## 18. Other Liabilities

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

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2016	2015	2016
Domestic exchange settlement	¥ 114	¥ 68	\$ 1,011
Income taxes payable	711	1,410	6,309
Accrued expenses	2,493	2,585	22,124
Unearned income	2,847	3,029	25,266
Futures margins	43	29	381
Derivatives	463	4,992	4,108
Lease obligations	544	539	4,827
Others	8,744	3,631	77,600
Total	¥15,962	¥16,286	\$141,657

## 19. Reserve for Employees' Retirement Benefits

The Bank and its consolidated subsidiaries have defined benefit plans, i.e., Employees' Pension Fund plan (funded plan), and lump-sum retirement plan (non-funded plan). Under these defined benefit plans, employees are generally entitled to lump-sum payments and/or pension payments, the amounts of which are determined by reference to their basic salary and length of service. Retirement benefit trust is established for the Employees' Pension Fund plans.

The Bank has a defined contribution pension plan as well. The amount of contribution required to the defined contribution pension plan was ¥176 million (U.S.\$1,561 thousand) and ¥76 million for the year ended March 31, 2016 and 2015.

### (a) Changes in projected benefit obligation for the years ended March 31, 2016 and 2015 were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2016	2015	2016
Projected benefit obligation – Beginning balance	¥24,168	¥24,029	\$214,483
Cumulative effect of changes in accounting policies	—	(590)	—
Restated balances	24,168	23,439	214,483
Service cost	637	625	5,653
Interest cost	229	293	2,032
Actuarial gains and losses arising in the year	2,123	1,153	18,840
Retirement benefits paid	(1,249)	(1,344)	(11,084)
Projected benefit obligation – Ending balance	¥25,908	¥24,168	\$229,925

### (b) Changes in plan assets for the years ended March 31, 2016 and 2015 were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2016	2015	2016
Plan assets – Beginning balance	¥20,506	¥20,125	\$181,984
Expected return on plan assets	492	422	4,366
Actuarial gains and losses arising in the year	(925)	2,634	(8,209)
Employer's contributions	880	597	7,809
Retirement benefits paid	(721)	(709)	(6,398)
Partial cancellation of retirement benefit trust	—	(2,610)	—
Others	45	45	399
Plan assets – Ending balance	¥20,278	¥20,506	\$179,960

**(c) Ending balances of projected benefit obligation and plan assets and amounts on the consolidated balance sheets as of March 31, 2016 and 2015 were as follows:**

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2016	2015	2016
Projected benefit obligation under funded plan	¥17,793	¥16,173	\$157,907
Plan assets	(20,278)	(20,506)	(179,960)
	(2,484)	(4,333)	(22,044)
Projected benefit obligation under non-funded plan	8,115	7,995	72,018
Net balance on the consolidated balance sheets	¥ 5,630	¥ 3,661	\$49,964

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2016	2015	2016
Net defined benefit liability	¥8,115	¥7,995	\$72,018
Net defined benefit asset	(2,484)	(4,333)	(22,044)
Net balance on the consolidated balance sheets	¥5,630	¥3,661	\$49,964

**(d) Components of retirement benefit cost as of March 31, 2016 and 2015 were as follows:**

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2016	2015	2016
Service cost	¥ 591	¥ 579	\$5,244
Interest cost	229	293	2,032
Expected return on plan assets	(492)	(422)	(4,366)
Amortization of actuarial gains and losses	410	670	3,638
Retirement benefit cost	¥ 738	¥1,120	\$6,549

**(e) Items accounted for as remeasurements of defined benefit plans, before tax effect, for the years ended March 31, 2016 and 2015 were as follows:**

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2016	2015	2016
Actuarial gains and losses	¥2,638	¥(2,150)	\$23,411
Total	¥2,638	¥(2,150)	\$23,411

**(f) Remeasurements of defined benefit plans, before tax effect, as of March 31, 2016 and 2015 were as follows:**

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2016	2015	2016
Unrecognized actuarial gains and losses	¥4,202	¥1,563	\$37,291
Total	¥4,202	¥1,563	\$37,291

**(g) Plan assets consisted of the following investments as of March 31, 2016 and 2015.**

	2016	2015
Debt securities	31%	28%
Equity securities	55	58
Others	14	14
Total	100%	100%

The total plan assets included the retirement benefit trust established for Employees' Pension Fund plan. The portion to the total plan assets was 31% and 32% as of March 31, 2016 and 2015, respectively.

Long-term expected rate of return on plan assets is determined based on the assumption of: (i) allocation of plan assets and (ii) long-term returns on such assets.

**(h) Assumption used for the calculation of actuarial gains and losses**

The assumption used for the calculation of actuarial gains and losses, on a basis of weighted average, is as follows.

	2016	2015
Discount rate	0.245 to 0.410%	0.737 to 1.058%
Long-term expected rate of return	2.2 to 2.5	1.5 to 2.5
Expected salary raise	3.2	3.3

**20. Land Revaluation Excess**

Pursuant to the Law Concerning Land Revaluation (Law No.34, promulgated on March 31, 1998), the Bank recorded the land owned by the Bank at the fair value and related unrealized gain, net of the applicable income tax effect, was reported as "Land revaluation excess" in net assets. The corresponding deferred tax liability amount was recorded as "Deferred tax liability for land revaluation."

Revaluation date: March 31, 2000

Revaluation method stated in Article 3, Section 3 of the Law Concerning Land Revaluation:

The value of land is based on the official notice prices determined by the public notification of the Commissioner of the National Tax Administration and as provided for in the Law Concerning Public Notification of Land Prices, as stipulated in Article 2, Section 4 of the Ordinance Implementing the Law Concerning Land Revaluation (Government Ordinance No. 119, promulgated on March 31, 1998), after making reasonable adjustments, such as for location and quality of sites.

Differences between the fair value and the carrying value were: ¥5,565 million (U.S.\$49,387 thousand) and ¥5,530 million as of March 31, 2016 and 2015, respectively.

## 21. Valuation Difference on Available-for-sale Securities

The components of valuation difference on available-for-sale securities as of March 31, 2016 and 2015 were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2016	2015	2016
Valuation differences:			
Available-for-sale securities	¥55,029	¥59,300	\$488,365
Deferred tax liabilities	(16,332)	(18,372)	(144,941)
Non-controlling interests	(147)	(124)	(1,304)
Valuation differences on available-for-sale securities	¥38,549	¥40,802	\$342,110

## 22. Other Interest Income

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

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2016	2015	2016
Interest on deposits	¥136	¥ 98	\$1,206
Interest on interest swap	11	10	97
Others	47	60	417
Total	¥195	¥169	\$1,730

## 23. Fees and Commissions—Income

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

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2016	2015	2016
Domestic and foreign exchange	¥1,768	¥1,794	\$15,690
Others	5,020	5,026	44,550
Total	¥6,789	¥6,820	\$60,250

## 24. Other Operating Income

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

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2016	2015	2016
Gains on trading account securities transactions	¥ 0	¥ 0	\$ 0
Gains of sales and redemption of bonds	11,493	1,352	101,996
Gains on foreign exchange transactions	383	203	3,399
Others	4,467	4,467	39,643
Total	¥16,345	¥6,023	\$145,056

## 25. Other Income

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

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2016	2015	2016
Reversal of reserve for possible loan losses	¥ 149	¥ 843	\$ 1,322
Recoveries of written off claims	0	1	0
Gains on sales of available-for-sale securities	979	2,536	8,688
Gains on money held in trust	0	166	0
Gains on disposal of fixed assets	7	2	62
Others	567	534	5,031
Total	¥1,705	¥4,084	\$15,131

## 26. Other Interest Expenses

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

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2016	2015	2016
Interest on interest rate swaps	¥ 877	¥764	\$ 7,783
Others	353	169	3,132
Total	¥1,230	¥933	\$10,915

## 27. Fees and Commissions—Expenses

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

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2016	2015	2016
Domestic and foreign exchanges	¥ 284	¥ 288	\$ 2,520
Others	2,068	1,970	18,352
Total	¥2,353	¥2,259	\$20,882

## 28. Other Operating Expenses

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

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2016	2015	2016
Losses on redemption of bonds	¥ 644	¥ 744	\$ 5,715
Losses on sales of bonds	10,534	393	93,485
Losses on devaluation of bonds	69	—	612
Others	4,130	4,121	36,652
Total	¥15,379	¥5,260	\$136,483

## 29. Other Expenses

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

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2016	2015	2016
Written off of loans	¥ 93	¥ 72	\$ 825
Losses on sales of available-for-sale securities	892	63	7,916
Losses on devaluation of available-for-sale securities	—	117	—
Losses on money held in trust	12	—	106
Losses on disposals of fixed assets	95	245	843
Impairment losses	101	118	896
Others	503	598	4,463
<b>Total</b>	<b>¥1,698</b>	<b>¥1,215</b>	<b>\$15,069</b>

## 30. Losses on Impairment of Fixed Assets

The Bank recognized losses on impairment of the following fixed assets, included in "other expenses," for the years ended March 31, 2016 and 2015.

### For the year ended March 31, 2016

Area	Main purpose	Variety	Millions of yen	Thousands of U.S. dollars (Note 1)
Akita Prefecture	Idle Assets	Buildings; two places	¥ 24	\$212
Out of Akita Prefecture	Branch Buildings	Land and Buildings; three places	76	674
<b>Total</b>			<b>¥101</b>	<b>\$896</b>
Components of impairment losses:				
Building			¥ 58	\$514
Land			42	372

### For the year ended March 31, 2015

Area	Main purpose	Variety	Millions of yen
Akita Prefecture	Idle Assets	Land and Buildings; four places	¥ 99
	Branch Buildings	Land and Buildings; one place	18
<b>Total</b>			<b>¥118</b>
Components of impairment losses:			
Building			¥ 27
Land			91

For the purpose of identifying impaired assets, the assets of each individual branch are grouped as a unit.

The recoverable values of such assets are measured as their net realizable values, determined by the appraisal value based on Japanese Real Estate Appraisal Standards (issued by the Ministry of Lands, Infrastructure and Transport) less estimated costs of disposal.

## 31. Supplementary Information to Consolidated Statements of Comprehensive Income

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2016	2015	2016
Valuation difference on available-for-sale securities:			
Amount arising in the year	¥(3,957)	¥27,196	\$(35,117)
Recycling	(312)	(2,570)	(2,768)
Before tax effect adjustment	(4,270)	24,625	(37,894)
Tax effect	2,040	(6,664)	18,104
Valuation difference on available-for-sale securities	¥(2,230)	¥17,960	\$(19,790)
Deferred losses on hedges:			
Amount arising in the year	¥ 1,590	¥ (3,078)	\$ 14,110
Recycling	1,218	913	10,809
Before tax effect adjustment	2,809	(2,164)	24,929
Tax effect	(906)	663	(8,040)
Deferred losses on hedges	¥ 1,902	¥ (1,501)	\$ 16,879
Land revaluation excess			
Amount arising in the year	¥ —	¥ —	\$ —
Recycling	—	—	—
Before tax effect adjustment	—	—	—
Tax effect	87	183	772
Land revaluation excess	¥ 87	¥ 183	\$ 772
Remeasurements of defined benefit plans			
Amount arising in the year	¥(3,048)	¥ 1,480	\$(27,050)
Recycling	410	670	3,638
Before tax effect adjustment	(2,638)	2,150	(23,411)
Tax effect	779	(813)	6,913
Remeasurements of defined benefit plans	¥(1,858)	¥ 1,337	\$(16,489)
<b>Total other comprehensive income</b>	<b>¥(2,098)</b>	<b>¥17,980</b>	<b>\$(18,619)</b>

## 32. Financial Instruments

### (a) Status

#### (1) Policy on financial instruments

The Bank and its consolidated subsidiaries (the "Group") engage in banking as the mainstay of business, as well as other financial services such as leasing and guarantee. To execute these services, the Bank utilizes funds acquired primarily from deposits and applies funds mainly to extend loans and purchase securities. To ensure sound and appropriate banking operations without succumbing to the pursuit of excessive profit or risk aversion, the Bank conducts suitable risk management and seeks to maintain the right balance between profit and risk in fund-raising and application activities. The Bank also utilizes derivative transactions to hedge potential risks.

#### (2) Financial instruments and associated risks

Financial assets held by the Bank and its subsidiaries are primarily loans and investment securities.

Loans are exposed to credit risk, which could lead to losses if the financial status of certain borrowers deteriorates, causing the asset value of collateral to decrease or disappear altogether.

Securities held by the Bank are mainly bonds, stocks, investment trusts, and investments in partnerships through capital contributions. The Bank holds these securities to secure profit, primarily from interest and dividends, for

strategic purposes, such as business alliances, or as held-to-maturity bonds in consolidated subsidiaries. These securities are exposed to the credit risk of the respective issuers as well as market risk that could lead to losses caused by fluctuations, particularly in interest rates, exchange rates and market prices, that erode the value of held assets.

Financial liabilities held by the Bank and its consolidated subsidiaries are mainly deposits. Deposits are exposed to liquidity risk, which could lead to losses if an unexpected outflow of cash, for example, forces the Bank to acquire funds at significantly higher interest rates than usual (funding liquidity risk), or changes in the market environment force the Bank into transactions at prices that are more disadvantageous than usual (market liquidity risk).

The Bank engages in derivative transactions, including interest rate swaps, bond futures, forward exchange contracts and currency options. Interest rate swaps and bond futures serve to hedge against interest rate fluctuations affecting on-balance-sheet transactions. Forward exchange contracts and currency options serve to hedge foreign exchange fluctuations. (Please refer to Note 3. "Summary of Significant Accounting Policies, (o) Hedge accounting," regarding hedging instruments, hedged items, the Bank's accounting standards and qualifying method.)

Some transactions that do not meet hedge accounting criteria are exposed to interest rate risk and foreign exchange risk.

### (3) Risk management for financial instruments

To ensure the quality and appropriateness of its banking operations, the Bank undertakes integrated risk management, a self-administered process whereby inherent risks are evaluated according to category, such as credit risk and market risk, and are viewed in total and compared against operating capacity, that is, net worth. Risk management for financial instruments also falls within the scope of this process.

Integrated risk management entails risk capital allocation by division and risk category within net worth on a yearly basis, monitoring risk volume, which is quantified using methods such as Value at Risk (VaR) and the status of allocated risk capital, and sufficient verification of business soundness and capital adequacy. In addition, corporate structures, such as the Board of Directors, are provided with regular updates on risk status and risk volume is capped when conditions require such action.

In setting caps on risk volume, the Bank considers profitability and efficiency, including a suitable assessment of risk and return, to underpin efforts that will enhance operations and results.

#### (i) Credit risk management

Through the application of a credit policy that outlines the Bank's basic lending policy and screening criteria, and a credit risk management standard outlining/detailing specific lending rules, the Bank has established an administration policy for consolidated subsidiaries and strategic investments, in order to prevent excessive loan volume to a specific industry or group, with the aim of making risk management as accurate as possible.

In addition, the Bank maintains a credit rating system for corporate clients to quantify credit risks and is improving loan pricing. Furthermore, for loans and bills discounted, which account for the majority of credit risk, the Bank has separated the screening and administration division from the sales promotion division and set up a screening and administration system that is not influenced by the sales promotion division. Through a specialized screening and loan management and recovery structure, the Bank is able to ensure asset quality and improve asset value.

#### (ii) Market risk management

The Bank's risk volume control structure is supported by regular reports to the ALM Committee on interest rate risk volume associated with the Bank's assets and liabilities, and interest rate, exchange rate and stock price risk volume associated with market transactions.

In its market transactions, the Bank strives for the efficient application of funds and optimum risk and return, within the limits of allocated risk capital determined through integrated risk management and the predetermined annual capital budget. The Bank also maintains a structure with middle offices specializing in risk management that are independent of both front

offices, which engage in market transactions, and back offices, which handle administrative tasks. This structure reinforces the system of mutual checks and balances and helps to prevent potential processing mistakes and unauthorized transactions, although these are very unlikely.

#### (iii) Liquidity risk management

The Bank maintains an appropriate financial position with regard to liquidity risk by continually improving the accuracy of the methods used to estimate and verify fund utilization and acquisition balances. In addition, the Bank strives to prevent liquidity risk through the assessment and analysis of conditions in financial markets and society at large that could affect cash flow. To respond quickly to fund-impacting situations that arise, the Bank has established classifications for cash flow conditions, ranging from "normal" to "cause for concern" and "critical," and procedures are in place for dealing with situations that fall into the "cause for concern" and "critical" categories.

#### (iv) Risk management relating to derivative transactions

To manage risks relating to interest rate swaps, the necessity of hedging transactions and the status of derivative transactions are continuously monitored at the ALM Committee. Bond futures are operated based on commitment lines and loss-cut rules as prescribed in the annual operation policy for securities, and the status of its operations is periodically monitored by the market risk management department. Regarding forward exchange contracts and currency options, it is vital to manage total balances including on-balance-sheet and off-balance-sheet transactions, in addition to the assessment of individual transactions.

#### (v) Quantitative information on market risk

For the Group, the key financial instruments influenced by interest rate risk, a major risk variable, are: loans, bonds classified as available-for-sales securities under investment securities, deposits, negotiable certificates of deposit, and interest rate swaps under derivative transactions. The Group uses the measure VaR to calculate changes in the economic value of these financial assets and financial liabilities, which facilitates quantitative analysis for controlling the risk of interest rate fluctuations.

To calculate the associated value impact of interest rate risk on revenues using VaR, the Group divides risk-prone financial assets and financial liabilities into fixed interest rate and floating interest rate groups, breaks down the balances into appropriate periods corresponding to respective interest due dates, and applies the variance-covariance method reflecting the correlation effect among risk factors (holding period: 40 days; confidence interval: 99%; observation period: 5 years) based on interest rate margins, the spread between lending and borrowing rates, for each period. As of March 31, 2016 and 2015, the Group's interest rate risk volume (estimated decrease in economic value) was ¥1,662 million (U.S.\$14,749 thousand) and ¥2,384 million, respectively.

Interest due dates on demand deposits subject to VaR measurement are sorted according to set periods, based on effective due dates estimated using internal models.

The Group also tests financial instruments with market value to compare actual losses at the end of the horizon period with model-derived VaR estimates, in an effort to verify that the measurement models used to identify interest rate risk are suitably accurate. However, VaR measures interest rate risk at a certain degree of probability statistically based on past market movements, so the technique may be unable to identify risk when market conditions are uncharacteristically volatile.

#### (4) Supplemental information relating to fair market values

Fair market values include prices at market as well as values reasonably estimated in cases where there is no available quoted market price. Certain assumptions are used for the calculation of such amounts. Accordingly, the result of such calculations may vary if different assumptions are used.

## (b) Fair value of financial instruments

The amounts on the consolidated balance sheets, fair values and their differences as of March 31, 2016 and 2015 are shown below. The securities for which fair value is not reliably determined are excluded from the table.

### As of March 31, 2016

	Millions of yen			Thousands of U.S. dollars (Note 1)		
	Book value	Fair value	Difference	Book value	Fair value	Difference
(1) Cash and due from banks	¥ 299,761	¥ 299,761	¥ —	\$ 2,660,285	\$ 2,660,285	\$ —
(2) Call loans and bills bought	5,488	5,488	—	48,704	48,704	—
(3) Monetary claims bought	6,868	6,868	—	60,951	60,951	—
(4) Securities (*1)						
Held-to-maturity debt securities	597	632	35	5,298	5,608	310
Available-for-sale securities	1,035,537	1,035,537	—	9,190,069	9,190,069	—
(5) Loans and bills discounted	1,599,630			14,196,219		
Reserve for possible loan losses (*1)	(15,623)			(138,649)		
	1,584,006	1,628,241	44,235	14,057,561	14,450,133	392,571
<b>Total assets</b>	<b>¥2,932,259</b>	<b>¥2,976,529</b>	<b>¥44,270</b>	<b>\$26,022,887</b>	<b>\$26,415,770</b>	<b>\$392,882</b>
(1) Deposits	¥2,422,675	¥2,423,119	¥ 444	\$21,500,488	\$21,504,428	\$ 3,940
(2) Negotiable certificates of deposits	141,578	141,592	13	1,256,460	1,256,585	115
(3) Call moneys and bills sold	14,873	14,873	—	131,993	131,993	—
(4) Payables under securities lending transactions	142,430	142,430	—	1,264,022	1,264,022	—
(5) Borrowed money	48,461	48,461	—	430,076	430,076	—
<b>Total liabilities</b>	<b>¥2,770,018</b>	<b>¥2,770,476</b>	<b>¥ 458</b>	<b>\$24,583,049</b>	<b>\$24,587,113</b>	<b>\$ 4,064</b>
Derivative transactions (*2)						
For which:						
Hedge accounting is not applied	¥ 98	¥ 98	¥ —	\$ 869	\$ 869	\$ —
Hedge accounting is applied	(19)	(19)	—	(168)	(168)	—
<b>Total derivative transactions</b>	<b>¥ 79</b>	<b>¥ 79</b>	<b>¥ —</b>	<b>\$ 701</b>	<b>\$ 701</b>	<b>\$ —</b>

\*1. General reserve for possible loan losses and allowances provided for the individual receivables are deducted. Reserve for investment losses relating to securities is deducted directly from the balance amount because its amount is not significant.

\*2. Amounts include all derivative transactions that are included in other assets and other liabilities on the consolidated balance sheets. Figures are net amounts and figures in parenthesis indicate negative amounts.

### As of March 31, 2015

	Millions of yen		
	Book value	Fair value	Difference
(1) Cash and due from banks	¥ 233,046	¥ 233,046	¥ —
(2) Call loans and bills bought	30,406	30,406	—
(3) Monetary claims bought	8,032	8,032	—
(4) Securities (*1)			
Held-to-maturity debt securities	596	628	31
Available-for-sale securities	1,024,069	1,024,069	—
(5) Loans and bills discounted	1,545,393		
Reserve for possible loan losses (*1)	(16,459)		
	1,528,934	1,556,414	27,480
<b>Total assets</b>	<b>¥2,825,085</b>	<b>¥2,852,597</b>	<b>¥27,512</b>
(1) Deposits	¥2,436,793	¥2,437,156	¥ 363
(2) Negotiable certificates of deposits	117,324	117,339	15
(3) Call moneys and bills sold	16,703	16,703	—
(4) Payables under securities lending transactions	64,884	64,884	—
(5) Borrowed money	26,198	26,198	—
<b>Total liabilities</b>	<b>¥2,661,903</b>	<b>¥2,662,282</b>	<b>¥ 378</b>
Derivative transactions (*2)			
For which:			
Hedge accounting is not applied	¥ (42)	¥ (42)	¥ —
Hedge accounting is applied	(4,649)	(4,649)	—
<b>Total derivative transactions</b>	<b>¥ (4,692)</b>	<b>¥ (4,692)</b>	<b>¥ —</b>

\*1. General reserve for possible loan losses and allowances provided for the individual receivables are deducted. Reserve for investment losses relating to securities is deducted directly from the balance amount because its amount is not significant.

\*2. Amounts include all derivative transactions that are included in other assets and other liabilities on the consolidated balance sheets. Figures are net amounts and figures in parenthesis indicate negative amounts.

## Fair value measurement

### Assets

#### (1) Cash and due from banks

The book values are deemed fair market value as the fair value approximates such carrying amounts.

#### (2) Call loans and bills bought

Book values of call loans and bills bought are deemed fair values as the majority of transactions have short contract terms (within three months) and the fair value approximates such carrying amounts.

#### (3) Monetary claims bought

The fair value of long-term trust beneficiary interest is determined based on the price quoted by the financial institutions. Regarding monetary claims bought other than the long-term trust beneficiary interest, book values are deemed fair values as the majority of such monetary claim are due within six months and the fair value approximates such carrying amounts.

#### (4) Securities

The fair value of equity securities is determined based on the price quoted by the relevant stock exchange and the fair value of bonds is determined based on the price quoted by the relevant stock exchange or the financial institutions from which they are purchased. The fair value of investment trusts is determined based on the publicly available price.

Privately placed bonds are categorized using an internal credit rating and maturity, and their fair value is calculated based on the future cash flows discounted by the market interest rate, after the deduction of credit risk equivalents. For privately placed bonds from potentially bankrupt borrowers, the fair value is deemed to be its carrying amount, net of a specific reserve.

Regarding variable-rate Japanese government bonds, the market quotes are used as fair value. Where market quotes of variable-rate Japanese government bonds cannot be regarded as the fair value because actual transactions are very few and significant price gaps between sell and buy sides exist, the Bank calculates the fair value at discretion of the management.

Please refer to Note 6. "Securities" as to notes regarding securities by holding purpose.

#### (5) Loans and bills discounted

For loans and bills discounted with floating interest rates, the book values are deemed fair values as the fair values approximate such carrying amounts because the market interest rate is reflected in the interest rate set within a short time period for such floating-rate loans and bills discounted.

Loans and bills discounted with fixed interest rates are categorized by nature, internal credit rating and maturity, and the present value is calculated based on the future cash flows, net of reserves for possible loan loss, discounted by the market interest rate.

Regarding loans to Bankrupt Obligors, Substantially Bankrupt Obligors and Potential Bankrupt Obligors, possible loan losses are estimated based on the collectible amounts from collateral and guarantees. Thus the book value is deemed as fair value since the fair value approximates the carrying value of loans.

Regarding loans and bills discounted which have no predetermined maturity since they are fully secured by collateral, their book values are deemed fair values as the fair values approximate such carrying amounts based on the repayment period and interest rate terms.

### Liabilities

#### (1) Deposits and (2) negotiable certificates of deposits

For demand deposits, the amount payable on demand as of the consolidated balance sheet date (i.e., the book value) is used as the fair value. For time deposits and negotiable certificates of deposits, the fair value is calculated based on the future cash flows discounted by the interest rate applied on new deposits, after each deposit is categorized by product and maturity.

#### (3) Call money and bills sold and (4) Payables under securities lending transactions

Book values are deemed fair market values as the majority of transactions have short contract terms (within three months) and their fair values approximate such carrying amounts.

#### (5) Borrowed money

For floating-rate borrowings, the book values are deemed fair values as the fair values approximate such carrying amounts because the market interest rate is reflected in the interest rate set within a short time period and there has been no significant change in creditworthiness of the Bank or its consolidated subsidiaries after execution of such borrowings.

The book values of fixed rate borrowings are used as their fair values as both the amounts on the consolidated balance sheets and the fair values are insignificant.

### Derivative transactions

The Bank uses derivative transactions including (i) interest-related derivatives such as interest rate swaps, (ii) currency-related derivatives such as forward exchange contracts and currency options, and (iii) bond-related derivatives such as bond futures. The fair values are determined based on the market quotes at the relevant exchanges or the present values calculated by discounting cash flows or option price models.

The following securities of which market value is not calculable are excluded from "(b) Fair Value of Financial Instruments, (4) Available-for-sale securities" shown above.

Their book values as of March 31, 2016 and 2015 were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2016	2015	2016
Non-listed stocks (*1, *2)	¥1,740	¥1,715	\$15,441
Investment in partnerships (*3)	1,226	1,125	10,880
Others (*4)	11	38	97
Total	¥2,978	¥2,880	\$26,428

\*1. Non-listed stocks are not included in the fair value information in the above table ((b) Fair Value of Financial Instruments), because their fair value is not reliably determined.

\*2. The Bank recognizes impairment losses less than ¥1 million for the year ended March 31, 2015. There were no non-listed stocks subject to impairment losses for the year ended March 31, 2016.

\*3. When assets held by partnerships consist of non-listed stocks whose fair value is not reliably determined, such investment in partnership is not included in the fair value information in the above table ((b) Fair Value of Financial Instruments).

\*4. Other includes non-listed foreign stocks, and is not disclosed in the above table ((b) Fair Value of Financial Instruments), because their fair value is not reliably determined.



**Redemption schedules for monetary claims and securities with maturity dates as of March 31, 2016 were as follows:**

	Millions of yen					
	Due in 1 year or less	Due from 1 year to 3 years	Due from 3 years to 5 years	Due from 5 years to 7 years	Due from 7 years to 10 years	Due after 10 years
Due from banks	¥268,477	¥ —	¥ —	¥ —	¥ —	¥ —
Call loans and bills bought	5,488	—	—	—	—	—
Monetary claims bought	3,195	—	1,931	—	—	1,741
Securities						
Securities held-to maturity	—	—	597	—	—	—
Japanese government bonds	—	—	597	—	—	—
Available-for-sale securities with maturity	129,927	207,504	253,461	164,347	107,221	95,797
Japanese government bonds	60,356	56,725	78,729	79,545	0	81,294
Local government bonds	23,673	21,052	0	0	500	2,716
Corporate bonds	33,974	99,474	92,806	68,095	43,101	518
Loans and bills discounted (*)	144,117	165,412	236,612	167,882	250,602	434,673
<b>Total</b>	<b>¥551,205</b>	<b>¥372,916</b>	<b>¥492,602</b>	<b>¥332,230</b>	<b>¥357,823</b>	<b>¥532,213</b>

(\*) Loans and bills discounted in the above table excluded loans to Bankrupt Obligors, Substantially Bankrupt Obligors and Potential Bankrupt Obligors in the total amount of ¥39,234 million (U.S.\$348,189 thousand) since those principals may not be fully collectible. The table also excluded loans without maturity in the total amount of ¥161,094 million (U.S.\$1,429,659 thousand).

	Thousands of U.S. dollars (Note 1)					
	Due in 1 year or less	Due from 1 year to 3 years	Due from 3 years to 5 years	Due from 5 years to 7 years	Due from 7 years to 10 years	Due after 10 years
Due from banks	\$2,382,649	\$ —	\$ —	\$ —	\$ —	\$ —
Call loans and bills bought	48,704	—	—	—	—	—
Monetary claims bought	28,354	—	17,137	—	—	15,450
Securities						
Securities held-to maturity	—	—	5,298	—	—	—
Japanese government bonds	—	—	5,298	—	—	—
Available-for-sale securities with maturity	1,153,061	1,841,533	2,249,387	1,458,528	951,553	850,168
Japanese government bonds	535,640	503,416	698,695	705,937	0	721,458
Local government bonds	210,090	186,829	0	0	4,437	24,103
Corporate bonds	301,508	882,800	823,624	604,321	382,507	4,597
Loans and bills discounted	1,278,993	1,467,980	2,099,858	1,489,900	2,224,014	3,857,587
<b>Total</b>	<b>\$4,891,773</b>	<b>\$3,309,513</b>	<b>\$4,371,689</b>	<b>\$2,948,438</b>	<b>\$3,175,567</b>	<b>\$4,723,225</b>

**Redemption schedules for borrowed money and interest-bearing debts as of March 31, 2016 were as follows:**

	Millions of yen					
	Due in 1 year or less	Due from 1 year to 3 years	Due from 3 years to 5 years	Due from 5 years to 7 years	Due from 7 years to 10 years	Due after 10 years
Deposits (*)	¥2,263,440	¥42,610	¥7,258	¥ —	¥ —	¥ —
Negotiable certificates of deposits	141,578	—	—	—	—	—
Call moneys and bills sold	14,873	—	—	—	—	—
Payables under securities lending transactions	142,430	—	—	—	—	—
Borrowed money	46,324	1,506	534	40	55	—
<b>Total</b>	<b>¥2,608,647</b>	<b>¥44,117</b>	<b>¥7,793</b>	<b>¥ 40</b>	<b>¥ 55</b>	<b>¥ —</b>

(\*) Demand deposits were included in the "Due in 1 year or less." Cumulative time deposits of ¥109,365 million (U.S.\$970,580 thousand) were not included in the above table.

	Thousands of U.S. dollars (Note 1)					
	Due in 1 year or less	Due from 1 year to 3 years	Due from 3 years to 5 years	Due from 5 years to 7 years	Due from 7 years to 10 years	Due after 10 years
Deposits	\$20,087,326	\$378,150	\$64,412	\$ —	\$ —	\$ —
Negotiable certificates of deposits	1,256,460	—	—	—	—	—
Call moneys and bills sold	131,993	—	—	—	—	—
Payables under securities lending transactions	1,264,022	—	—	—	—	—
Borrowed money	411,111	13,365	4,739	354	488	—
<b>Total</b>	<b>\$23,150,931</b>	<b>\$391,524</b>	<b>\$69,160</b>	<b>\$354</b>	<b>\$488</b>	<b>\$ —</b>

### 33. Derivative Financial Instruments Transaction

#### Derivative transactions to which hedge accounting is not applied

Contract amounts, fair value and valuation gains/losses of derivatives outstanding as of March 31, 2016 were summarized below.

##### (1) Interest rate related transactions

As of March 31	Millions of yen			
	2016			
	Contact amounts	Due after one year	Fair value	Gain/losses
Interest rate swaps (over the counter)				
Receive floating/ pay fixed	¥3,000	¥ —	¥(0)	¥(0)
<b>Total</b>			<b>¥(0)</b>	<b>¥(0)</b>

Changes in fair value of the above derivatives are recognized as income or loss. Fair value of over the counter derivative is determined based on the discounted present value of future cash flows.

As of March 31	Thousands of U.S. dollars (Note 1)			
	2016			
	Contact amounts	Due after one year	Fair value	Gain/losses
Interest rate swaps (over the counter)				
Receive floating/ pay fixed	\$26,624	\$ —	\$(0)	\$(0)
<b>Total</b>			<b>\$(0)</b>	<b>\$(0)</b>

No interest rate related transaction to report as of March 31, 2015.

##### (2) Foreign exchange related transactions (over the counter)

As of March 31	Millions of yen			
	2016			
	Contact amounts	Due after one year	Fair value	Gain/losses
Forward exchange contracts:				
Sold	¥1,008	¥ —	¥ 25	¥ 25
Bought	329	—	(2)	(2)
Currency options:				
Sold	147	—	69	69
Bought	114	—	9	9
<b>Total</b>			<b>¥101</b>	<b>¥101</b>

Changes in fair value of the above derivatives are recognized as income or loss. Fair value of over the counter derivative is determined by discounted present value or option price model.

As of March 31	Millions of yen			
	2015			
	Contact amounts	Due after one year	Fair value	Gain/losses
Forward exchange contracts:				
Sold	¥439	¥ —	¥(13)	¥(13)
Bought	319	—	3	3
Currency options:				
Sold	253	—	(1)	(1)
Bought	204	—	(24)	(24)
<b>Total</b>			<b>¥(36)</b>	<b>¥(36)</b>

As of March 31	Thousands of U.S. dollars (Note 1)			
	2016			
	Contact amounts	Due after one year	Fair value	Gain/losses
Forward exchange contracts:				
Sold	\$8,945	\$ —	\$221	\$221
Bought	2,919	—	(17)	(17)
Currency options:				
Sold	1,304	—	612	612
Bought	1,011	—	79	79
<b>Total</b>			<b>\$896</b>	<b>\$896</b>

(3) Bond futures related transactions (listed)

As of March 31	Millions of yen			
	2016			
	Contact amounts	Due after one year	Fair value	Gain/losses
Bond futures:				
Sold	¥52,000	¥ —	¥(17)	¥(17)
Bought	5,000	—	15	15
<b>Total</b>			<b>¥ (2)</b>	<b>¥ (2)</b>

The above derivatives are valued at the closing market price and changes in fair values are recognized as income or loss.

As of March 31	Millions of yen			
	2015			
	Contact amounts	Due after one year	Fair value	Gain/losses
Bond futures:				
Sold	¥13,000	¥ —	¥(5)	¥(5)
Bought	—	—	—	—
<b>Total</b>			<b>¥(5)</b>	<b>¥(5)</b>

As of March 31	Thousands of U.S. dollars (Note 1)			
	2016			
	Contact amounts	Due after one year	Fair value	Gain/losses
Bond futures:				
Sold	\$461,483	\$ —	\$(150)	\$(150)
Bought	44,373	—	133	133
<b>Total</b>			<b>\$ (17)</b>	<b>\$ (17)</b>

**Derivative transactions to which hedge accounting is applied**

(1) Interest rate related transactions

Contract amounts, and fair value of derivatives outstanding as of March 31, 2016 and 2015 were as follow:

As of March 31	Millions of yen			
	2016			
	Hedged item	Contact amounts	Due after one year	Fair value
Interest rate swaps				
Receive floating/ pay fixed	Loans and bills discounted	¥18,000	¥5,000	¥(321)
<b>Total</b>				<b>¥(321)</b>

Deferred hedge accounting is applied for the interest rate swaps. Fair value is determined based on the discounted present value.

Millions of yen				
2015				
As of March 31	Hedged item	Contact amounts	Due after one year	Fair value
Interest rate swaps	Loans and bills discounted/ Securities			
Receive floating/ pay fixed		¥61,000	¥61,000	¥(3,141)
<b>Total</b>				<b>¥(3,141)</b>

Thousands of U.S. dollars (Note 1)				
2016				
As of March 31	Hedged item	Contact amounts	Due after one year	Fair value
Interest rate swaps	Loans and bills discounted			
Receive floating/ pay fixed		\$159,744	\$44,373	\$(2,848)
<b>Total</b>				<b>\$(2,848)</b>

(2) Foreign exchange related transactions

Millions of yen				
2016				
As of March 31	Hedged item	Contact amounts	Due after one year	Fair value
Currency swap	Foreign exchange	¥28,755	¥12,935	¥ 17
Forward exchange contract	Call loans	4,356	—	285
<b>Total</b>				<b>¥302</b>

Deferred hedge accounting is applied. Fair value is determined based on the discounted present value.

Millions of yen				
2015				
As of March 31	Hedged item	Contact amounts	Due after one year	Fair value
Currency swap	Foreign exchange	¥25,860	¥24,130	¥ 24
Forward exchange contract	Call loans/ Call money	27,484	—	(1,532)
<b>Total</b>				<b>¥(1,508)</b>

Thousands of U.S. dollars (Note 1)				
2016				
As of March 31	Hedged item	Contact amounts	Due after one year	Fair value
Currency swap	Foreign exchange	\$255,191	\$114,794	\$ 150
Forward exchange contract	Call loans	38,658	—	2,529
<b>Total</b>				<b>\$2,680</b>

### 34. Capital Stock

The number of the Bank's authorized shares was 687,455,000 as of March 31, 2016 and 2015.

The number of shares in issue was 183,936,439 and 186,936,439 as of March 31, 2016 and 2015, respectively.

The number of treasury stocks held by the Bank, not including shares held by the trust of Employee Stock Ownership Plan was 1,438,765 and 1,618,665 as of March 31, 2016 and 2015, respectively.

#### *Employee Stock Ownership Plan (hereinafter "ESOP")*

The Bank had an employee incentive plan called "ESOP Trust Utilizing Employee Shareholding Association" (hereinafter "the Plan") for the purpose of enhancing employee welfare since it was resolved at the Board of Directors' meeting held on March 22, 2011; however, the Bank sold all the shares held by the Plan and closed the Plan in October 2015.

The Plan was an incentive program applicable to all employees who belong to the Akita Bank Employees Shareholding Association (hereinafter "the Association").

Under the Plan, the Bank established trusts (hereinafter "ESOP Trust") whose beneficiaries were employees who belonged to the Association and fulfilled certain requirements. ESOP Trust acquired in advance capital stocks of the Bank that the Association was expected to acquire for the four years until June 2015.

Afterwards, ESOP Trust sold off the Bank's stock to the Association. In the case where any funds were accumulated through sales of the Bank's share to the Association, the remaining funds would be distributed to employees who qualify as beneficiaries.

The Bank guaranteed the borrowings made by ESOP Trust for the acquisition of the Bank's stock. Therefore, in the case where ESOP Trust failed to repay the borrowed money, the Bank was obliged to pay to lender banks. As of March 31, 2015, the balance of borrowings made by ESOP Trust was ¥62 million. The amounts were included in borrowed money on the consolidated financial statements.

As of March 31, 2015, the book value of the Bank's stock held by ESOP Trust was ¥118 million. The Bank included the amounts in treasury stock on the consolidated financial statements.

The following summarizes the number of shares held by ESOP Trust as of March 31, 2016 and 2015.

	Thousands of share	
	2016	2015
Number of shares	—	511
Weighted average number of shares	111	824

### 35. Stock Option Rights

#### (a) Expenses on stock option plan

Expenses on stock option plan included in general and administrative expenses amounted to ¥13 million (U.S.\$115 thousand) and ¥15 million for the years ended March 31, 2016 and 2015, respectively.

#### (b) Details of stock option

The details of stock option plan adopted are as follows:

	2009	2010	2011	2012	2013	2014	2015
Title and number of recipients	Full-time nine directors	Full-time ten directors	Full-time nine directors	Full-time eight directors	Full-time nine directors	Full-time nine directors	Full-time eight directors
Number of stock options	42,200 shares of common stock	52,300 shares of common stock	68,500 shares of common stock	65,600 shares of common stock	71,600 shares of common stock	57,100 shares of common stock	37,200 shares of common stock
Grant date	July 31, 2009	July 30, 2010	July 29, 2011	July 31, 2012	July 31, 2013	July 31, 2014	July 31, 2015
Conditions of exercise	None	None	None	None	None	None	None
Required service period	None	None	None	None	None	None	None
Exercise period	August 1, 2009 to July 31, 2039	July 31, 2010 to July 30, 2040	July 30, 2011 to July 29, 2041	August 1, 2012 to July 31, 2042	August 1, 2013 to July 31, 2043	August 1, 2014 to July 31, 2044	August 1, 2015 to July 31, 2045
Remaining stock options (*1)	12,700 shares	16,500 shares	26,000 shares	26,800 shares	48,300 shares	42,500 shares	37,200 shares
Exercise price	¥1 per share	¥1 per share	¥1 per share	¥1 per share	¥1 per share	¥1 per share	¥1 per share
Fair value at grant date (*2)	¥334 per share	¥268 per share	¥222 per share	¥209 per share	¥244 per share	¥277 per share	¥364 per share

\*1. It shows the number of outstanding stock option which is not yet vested as of March 31, 2016.

\*2. Fair value at grant date was measured based on dividend adjusted Black-Scholes Option Pricing Model.

### 36. Retained Earnings

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

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

### 37. Cash and Cash Equivalents

Reconciliation between cash and due from banks in the consolidated balance sheets, and cash and cash equivalents in the consolidated statements of cash flows at March 31, 2016 and 2015 was as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2016	2015	2016
Cash and due from banks	¥299,761	¥233,046	\$2,660,285
Due from banks without interest	(294)	(480)	(2,609)
Ordinary due from banks	(505)	(767)	(4,481)
Time deposits with banks	(5,000)	(10,000)	(44,373)
Others	(144)	(5,564)	(1,277)
Cash and cash equivalents	¥293,817	¥216,233	\$2,607,534

### 38. Segment Information

#### (a) Outline of reportable segment

A reportable segment is a component of the Group for which discrete financial information is available and whose operating results are regularly reviewed by the Board of Directors to make decisions about resources to be allocated to the segment and assess its performance.

The Group offers total financial services mainly through operating branches with a philosophy that seeks to contribute to regional prosperity. Reportable segments are composed of banking business, leasing business and other businesses including consulting business, guarantee business and credit card business.

#### (b) Basis of measurement for the amount of ordinary income (or loss), assets and other items by reporting segment

Accounting procedures applied to operating segments are consistent to those applied to the preparation of consolidated financial statements. Ordinary income from inter-segment transactions is measured on the assumption of arm's length transaction.

#### (c) Ordinary income, segment profit, assets and other items by reportable segment for the years ended March 31, 2016 and 2015

Year ended March 31, 2016	Millions of yen Reportable segment			Total	Adjustment	Consolidated
	Banking	Leasing	Other			
Ordinary income						
External customers	¥ 50,869	¥ 4,475	¥1,006	¥ 56,352	¥ (28)	¥ 56,323
Inter-segment	209	158	494	863	(863)	—
Total	¥ 51,079	¥ 4,634	¥1,501	¥ 57,215	¥ (891)	¥ 56,323
Segment profit	¥ 9,280	¥ 148	¥ 552	¥ 9,981	¥ (143)	¥ 9,837
Segment assets	2,985,895	13,429	9,446	3,008,770	(15,809)	2,992,961
Segment liabilities	2,814,564	9,584	3,504	2,827,653	(11,913)	2,815,739
Other items:						
Depreciation and amortization	¥ 1,561	¥ 14	¥ 7	¥ 1,583	¥ —	¥ 1,583
Interest income	31,538	19	129	31,686	(195)	31,491
Interest expenses	3,106	71	0	3,178	(49)	3,128
Extraordinary income	7	0	—	7	—	7
Extraordinary losses	196	0	0	196	—	196
(Of which, Impairment losses)	101	—	—	101	—	101
Income taxes	2,674	66	178	2,919	(0)	2,919
Increase in premises & equipment and intangibles	1,359	5	11	1,376	2	1,378

Year ended March 31, 2015	Millions of yen				Adjustment	Consolidated
	Reportable segment					
	Banking	Leasing	Other	Total		
Ordinary income						
External customers	¥ 42,674	¥ 4,465	¥1,017	¥ 48,156	¥ (95)	¥ 48,061
Inter-segment	77	169	620	867	(867)	—
Total	¥ 42,751	¥ 4,634	¥1,637	¥ 49,023	¥ (962)	¥ 48,061
Segment profit	¥ 11,013	¥ 160	¥ 478	¥ 11,653	¥ (7)	¥ 11,645
Segment assets	2,874,012	14,047	9,279	2,897,339	(13,717)	2,883,621
Segment liabilities	2,706,968	10,288	3,644	2,720,901	(11,723)	2,709,177
Other items:						
Depreciation and amortization	¥ 1,928	¥ 16	¥ 7	¥ 1,952	¥ —	¥ 1,952
Interest income	31,030	16	144	31,192	(58)	31,133
Interest expenses	2,481	77	0	2,559	(52)	2,507
Extraordinary income	2	—	—	2	—	2
Extraordinary losses	363	0	0	363	—	363
(Of which, Impairment losses)	118	—	—	118	—	118
Income taxes	3,945	63	195	4,205	(0)	4,204
Increase in premises & equipment and intangibles	2,136	3	3	2,143	(1)	2,142

Year ended March 31, 2016	Thousands of U.S. dollars (Note 1)				Adjustment	Consolidated
	Reportable segment					
	Banking	Leasing	Other	Total		
Ordinary income						
External customers	\$ 451,446	\$ 39,714	\$ 8,927	\$ 500,106	\$ (248)	\$ 499,849
Inter-segment	1,854	1,402	4,384	7,658	(7,658)	—
Total	\$ 453,310	\$ 41,125	\$13,320	\$ 507,765	\$ (7,907)	\$ 499,849
Segment profit	\$ 82,357	\$ 1,313	\$ 4,898	\$ 88,578	\$ (1,269)	\$ 87,300
Segment assets	26,498,890	119,178	83,830	26,701,899	(140,299)	26,561,599
Segment liabilities	24,978,381	85,055	31,096	25,094,542	(105,724)	24,988,809
Other items:						
Depreciation and amortization	\$ 13,853	\$ 124	\$ 62	\$ 14,048	\$ —	\$ 14,048
Interest income	279,889	168	1,144	281,203	(1,730)	279,472
Interest expenses	27,564	630	0	28,203	(434)	27,760
Extraordinary income	62	0	—	62	—	62
Extraordinary losses	1,739	0	0	1,739	—	1,739
(Of which, Impairment losses)	896	—	—	896	—	896
Income taxes	23,730	585	1,579	25,905	(0)	25,905
Increase in premises & equipment and intangibles	12,060	44	97	12,211	17	12,229

### 39. Related Party Transactions

Related party transactions for the years ended March 31, 2016 and 2015 and related information were as follows:

Related party	Category/Business	Account	Amounts of transaction			Balance at end of year		
			Millions of yen		Thousands of U.S. dollars (Note 1)	Millions of yen		Thousands of U.S. dollars (Note 1)
			2016	2015	2016	2016	2015	2016
Yasuhiko Watanabe	Director of the Bank	Loan	¥ —	¥ —	\$ —	¥ 14	¥ 18	\$124
Kiichiro Nishimura	Statutory Auditor of the Bank	Loan	4	4	35	24	26	212
Yukihiko Nishimura	Executive Director of YAMANI Co., Ltd.	Loan	—	—	—	48	49	425
Masashi Kitajima	Statutory Auditor of the Bank	(*) (*2)	—	—	—	—	—	—
IYATAKA GROUP (*3)	Wedding halls	Loan	—	240	—	358	475	3,177
		Customers' liabilities for acceptances and guarantees	—	—	—	250	250	2,218
Produce Pro Inc. (*4)	Advertising	Loan	—	—	—	9	49	79

The conditions of the above transactions were the same as arm's length transactions.

\*1. As of March 31, 2016, Mr. Masashi Kitajima guarantees a loan for IYATAKA GROUP, a third party of the Bank, in the amount of ¥71 million (U.S.\$630 thousand) (¥178 million in 2015) out of ¥358 million (U.S.\$3,177 thousand) (¥475 million in 2015). Mr. Kitajima also guarantees the Bank's guarantee given to IYATAKA GROUP in the amount of ¥250 million (U.S.\$2,218 thousand) as of March 31, 2016 and 2015.

\*2. Mr. Masashi Kitajima guarantees a loan for Produce Pro Inc., a third party of the Bank, in the amount of ¥9 million (U.S.\$79 thousand) and ¥49 million as of March 31, 2016 and 2015, respectively.

\*3. Mr. Masashi Kitajima and his family own 56.9% of voting rights of IYATAKA GROUP as of March 31, 2016 and 2015.

\*4. Mr. Masashi Kitajima and his family own 79.7% and 66.5% of voting rights of Produce Pro Inc. as of March 31, 2016 and 2015, respectively.

### 40. Per Share Information

Consolidated net assets and income per share and related information for the years ended March 31, 2016 and 2015 were as follows:

	Yen		U.S. dollars (Note 1)
	2016	2015	2016
Net assets per share	¥938.25	¥912.36	\$8.32
Net income per share	35.82	37.27	0.31
Diluted net income per share	35.78	37.22	0.31

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2016	2015	2016
Net income attributable to owners of parent	¥6,578	¥6,916	\$58,377
Net income not attributable to common stockholders	—	—	—
Net income attributable to common stock owners of parent	6,578	6,916	58,377
Average number of common stock (thousand shares)	183,600	185,547	

The number of shares held by ESOP Trust is treated as part of treasury stock upon calculation of the average number of common stock.

As stated in Note 3. "Summary of Significant Accounting Policies, (t) New accounting standard applied," the Bank has applied the Business Combination Accounting Standards, and has followed the provisional treatments in article 58-2 (4) of Statement No.21, article 44-5 (4) of Statement No.22 and article 57-4 (4) of Statement No.7.

The changes of the accounting policies described above have no impact on net assets per share, net income per share and diluted net income per share for the year ended March 31, 2016.

### 41. Subsequent Event

None to report.

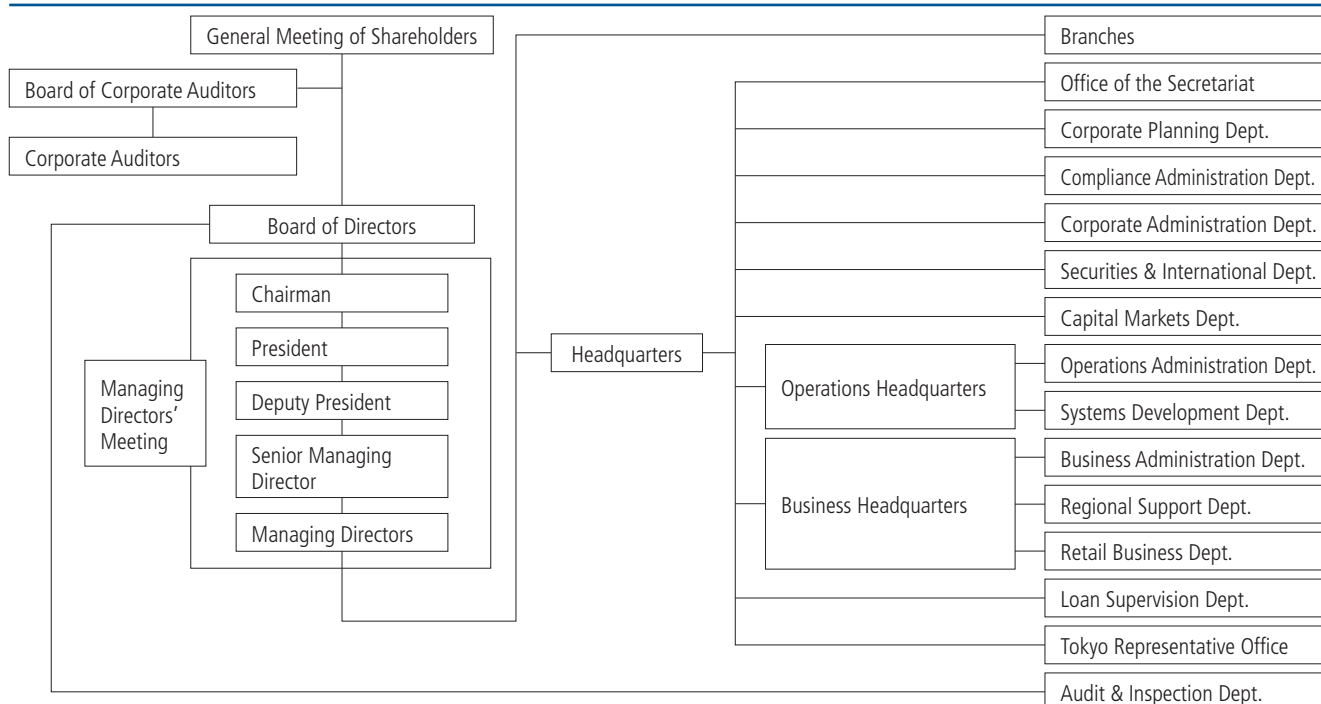


# Corporate Information

## Corporate Data (As of March 31, 2016)

Corporate Name	The Akita Bank, Ltd.
Head Office	2-1, Sanno 3-Chome, Akita-shi, Akita 010-8655, Japan
Date of Establishment	January, 1879
Number of Shares Issued and Outstanding	183,936 thousand shares
Number of Employees (excluding Executive Officers)	1,398
Number of Branches	97
Paid-in Capital	¥14.1 billion

## Organization (As of June 30, 2016)



## Directors, Corporate Auditors & Executive Officers (As of June 30, 2016)

President Takao Minatoya *	Standing Corporate Auditors Hiromi Obuchi Hideto Ono
Deputy President Akihiro Araya *	Outside Corporate Auditors Kiichiro Nishimura Masashi Kitajima
Senior Managing Director Toshio Shoji	Executive Officers Hironobu Yamada Takashi Kato Masahiko Sato Masato Tsuchiya Manabu Aihara Tadami Iwaya Hisatoshi Harimaya Shinji Abe Noriyuki Takahashi
Managing Directors Toshiyuki Sasaki Masayuki Takada	
Directors and Executive Officers Takanori Kudo Hitoshi Kimura Naoki Handa	
Outside Directors Yasuhiko Watanabe Yuichi Toyoguchi Masahiro Morohashi	

\* Representative Director

(Note) Outside Director Yasuhiko Watanabe's term of office ended upon his death on August 20, 2016.

# ANNUAL REPORT

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