

ANNUAL REPORT

YEAR ENDED March 31, 2017

2017



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, 2017 and 2016

For the years ended March 31	Millions of yen		Thousands of U.S. dollars (Note 1)
	2017	2016	2017
Total income	¥47,465	¥56,331	\$423,076
Total expenses	41,078	46,682	366,146
Income before income taxes	6,387	9,648	56,930
Net income attributable to owners of parent	4,741	6,578	42,258

	Yen	U.S. dollars (Note 1)
Net income per share	¥26.12	\$0.23

As of March 31	Millions of yen		Thousands of U.S. dollars (Note 1)
	2017	2016	2017
Total assets	¥2,980,211	¥2,992,961	\$26,563,962
Trading account securities and securities	975,876	1,039,748	8,698,422
Loans and bills discounted	1,636,780	1,599,630	14,589,357
Deposits	2,454,366	2,422,675	21,876,869
Total net assets	175,258	177,221	1,562,153

Notes: (1) U.S. dollar amounts are translated, for convenience only, at ¥112.19 = U.S.\$1.00, the exchange rate prevailing as of March 31, 2017.

(2) Capital adequacy ratio stood at 11.55% and 12.04% as of March 31, 2017 and 2016, 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				
	2017	2016	2015	2014	2013
Total income	¥47,465	¥56,331	¥48,063	¥47,822	¥51,668
Net income attributable to owners of parent	4,741	6,578	6,916	6,699	3,758
	Yen				
Net income per share	¥26.12	¥35.82	¥37.27	¥35.64	¥19.88
	Percent				
	2017	2016	2015	2014	2013
Income ratio					
Net income to total assets	0.15	0.21	0.23	0.24	0.14
Net income to owned capital	2.78	3.87	4.40	4.66	2.75
Capital adequacy ratio					
Domestic guidelines	11.55	12.04	11.96	12.08	12.39

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, 2017 and 2016

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2017	2016	2017
ASSETS			
Cash and due from banks (Note 37)	¥ 302,307	¥ 299,761	\$ 2,694,598
Call loans and bills bought	11,101	5,488	98,948
Monetary claims bought	11,082	6,868	98,778
Trading account securities (Note 5)	651	369	5,802
Money held in trust	—	987	—
Securities (Notes 6 and 12)	975,224	1,039,379	8,692,610
Loans and bills discounted (Note 7)	1,636,780	1,599,630	14,589,357
Foreign exchanges (Note 8)	5,147	1,803	45,877
Other assets (Notes 9 and 12)	19,242	23,584	171,512
Premises and equipment (Notes 10 and 30)	20,487	20,822	182,609
Intangible assets (Note 11)	1,399	1,530	12,469
Net defined benefit asset (Note 19)	2,261	2,484	20,153
Deferred tax assets (Note 14)	109	154	971
Customers' liabilities for acceptances and guarantees (Note 13)	7,839	7,241	69,872
Reserve for possible loan losses (Note 7)	(13,424)	(17,143)	(119,654)
Reserve for investment losses	(0)	(0)	(0)
Total assets	¥2,980,211	¥2,992,961	\$26,563,962

See notes to consolidated financial statements.

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2017	2016	2017
LIABILITIES			
Deposits (Notes 12 and 15)	¥2,454,366	¥2,422,675	\$21,876,869
Negotiable certificates of deposit	137,365	141,578	1,224,396
Call money and bills sold	30,085	14,873	268,161
Payables under securities lending transactions (Note 12)	102,680	142,430	915,233
Borrowed money (Notes 12 and 16)	45,291	48,461	403,699
Foreign exchanges (Note 17)	8	39	71
Other liabilities (Note 18)	9,093	15,962	81,050
Reserve for directors' bonuses	20	20	178
Net defined benefit liability (Note 19)	4,734	8,115	42,196
Reserve for directors' retirement benefits	19	22	169
Reserve for reimbursement of dormant deposits	641	573	5,713
Reserve for contingent losses	633	599	5,642
Deferred tax liabilities (Note 14)	10,528	11,485	93,840
Deferred tax liability for land revaluation (Note 20)	1,643	1,661	14,644
Acceptances and guarantees (Note 13)	7,839	7,241	69,872
Total liabilities	¥2,804,953	¥2,815,739	\$25,001,809
NET ASSETS			
Capital stock (Note 34)	14,100	14,100	125,679
Capital surplus	6,271	6,271	55,896
Retained earnings (Note 36)	115,214	112,797	1,026,954
Treasury stock (Note 34)	(515)	(454)	(4,590)
Total stockholders' equity	135,070	132,715	1,203,939
Valuation difference on available-for-sale securities (Note 21)	32,776	38,549	292,147
Deferred losses on hedges	(39)	(210)	(347)
Land revaluation excess (Note 20)	3,073	3,096	27,391
Remeasurements of defined benefit plans (Note 19)	(1,868)	(2,920)	(16,650)
Total accumulated other comprehensive income	33,941	38,515	302,531
Stock option rights (Note 35)	70	57	623
Non-controlling interests	6,176	5,934	55,049
Total net assets	175,258	177,221	1,562,153
Total liabilities and net assets	¥2,980,211	¥2,992,961	\$26,563,962

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, 2017 and 2016

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2017	2016	2017
Income			
Interest income			
Interest on loans and discounts	¥18,497	¥19,610	\$164,872
Interest and dividends on securities	12,534	11,685	111,721
Other interest income (Note 22)	204	195	1,818
Fees and commissions (Note 23)	6,549	6,789	58,374
Other operating income (Note 24)	6,915	16,345	61,636
Other income (Note 25)	2,763	1,705	24,627
Total income	47,465	56,331	423,076
Expenses			
Interest expenses			
Interest on deposits	972	1,514	8,663
Interest on borrowings, call money and bills sold	939	383	8,369
Other interest expenses (Note 26)	798	1,230	7,112
Fees and commissions (Note 27)	2,526	2,353	22,515
Other operating expenses (Note 28)	10,537	15,379	93,921
General and administrative expenses	24,471	24,123	218,121
Other expenses (Notes 29 and 30)	831	1,698	7,407
Total expenses	41,078	46,682	366,146
Income before income taxes	6,387	9,648	56,930
Income taxes (Note 14)			
Current	323	2,262	2,879
Deferred	1,097	656	9,778
Net income	4,966	6,729	44,264
Net income attributable to non-controlling interests	224	151	1,996
Net income attributable to owners of parent	¥ 4,741	¥ 6,578	\$ 42,258
Net income	¥ 4,966	¥ 6,729	\$ 44,264
Other comprehensive income (Note 31)			
Valuation difference on available-for-sale securities	(5,747)	(2,230)	(51,225)
Deferred gains on hedges	171	1,902	1,524
Land revaluation excess	—	87	—
Remeasurements of defined benefit plans	1,052	(1,858)	9,376
Total other comprehensive income	(4,523)	(2,098)	(40,315)
Comprehensive income	¥ 442	¥ 4,630	\$ 3,939
Comprehensive income attributable to:			
Owners of parent	¥ 191	¥ 4,457	\$ 1,702
Non-controlling interests	251	173	2,237
	Yen		U.S. dollars (Note 1)
Net income per share (Note 40)	¥26.12	¥35.82	\$0.23

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, 2017 and 2016

	Millions of yen				
	Stockholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total
Balance at March 31, 2015	¥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
Balance at March 31, 2016	¥14,100	¥6,271	¥112,797	¥(454)	¥132,715
Changes of items during the period					
Dividends from surplus	—	—	(1,277)	—	(1,277)
Net income attributable to owners of parent	—	—	4,741	—	4,741
Purchase of treasury stock	—	—	—	(1,135)	(1,135)
Disposal of treasury stock	—	—	(0)	3	3
Cancellation of treasury stock	—	—	(1,070)	1,070	—
Reversal of revaluation reserve for land	—	—	23	—	23
Net changes of Items other than stockholders' equity	—	—	—	—	—
Total changes of items during the period	—	—	2,416	(61)	2,355
Balance at March 31, 2017	¥14,100	¥6,271	¥115,214	¥(515)	¥135,070

	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
Balance at March 31, 2015	¥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
Balance at March 31, 2016	¥38,549	¥(210)	¥3,096	¥(2,920)	¥38,515	¥57	¥5,934	¥177,221
Changes of items during the period								
Dividends from surplus	—	—	—	—	—	—	—	(1,277)
Net income attributable to owners of parent	—	—	—	—	—	—	—	4,741
Purchase of treasury stock	—	—	—	—	—	—	—	(1,135)
Disposal of treasury stock	—	—	—	—	—	—	—	3
Cancellation of treasury stock	—	—	—	—	—	—	—	—
Reversal of revaluation reserve for land	—	—	—	—	—	—	—	23
Net changes of Items other than stockholders' equity	(5,773)	171	(23)	1,052	(4,573)	12	241	(4,318)
Total changes of items during the period	(5,773)	171	(23)	1,052	(4,573)	12	241	(1,963)
Balance at March 31, 2017	¥32,776	¥(39)	¥3,073	¥(1,868)	¥33,941	¥70	¥6,176	¥175,258

See notes to consolidated financial statements.

	Thousands of U.S. dollars (Note 1)				
	Stockholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total
Balance at March 31, 2016	\$125,679	\$55,896	\$1,005,410	\$(4,046)	\$1,182,948
Changes of items during the period					
Dividends from surplus	—	—	(11,382)	—	(11,382)
Net income attributable to owners of parent	—	—	42,258	—	42,258
Purchase of treasury stock	—	—	—	(10,116)	(10,116)
Disposal of treasury stock	—	—	(0)	26	26
Cancellation of treasury stock	—	—	(9,537)	9,537	—
Reversal of revaluation reserve for land	—	—	205	—	205
Net changes of Items other than stockholders' equity	—	—	—	—	—
Total changes of items during the period	—	—	21,534	(543)	20,991
Balance at March 31, 2017	\$125,679	\$55,896	\$1,026,954	\$(4,590)	\$1,203,939

	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
Balance at March 31, 2016	\$343,604	\$(1,871)	\$27,596	\$(26,027)	\$343,301	\$508	\$52,892	\$1,579,650
Changes of items during the period								
Dividends from surplus	—	—	—	—	—	—	—	(11,382)
Net income attributable to owners of parent	—	—	—	—	—	—	—	42,258
Purchase of treasury stock	—	—	—	—	—	—	—	(10,116)
Disposal of treasury stock	—	—	—	—	—	—	—	26
Cancellation of treasury stock	—	—	—	—	—	—	—	—
Reversal of revaluation reserve for land	—	—	—	—	—	—	—	205
Net changes of Items other than stockholders' equity	(51,457)	1,524	(205)	9,376	(40,761)	106	2,148	(38,488)
Total changes of items during the period	(51,457)	1,524	(205)	9,376	(40,761)	106	2,148	(17,497)
Balance at March 31, 2017	\$292,147	\$ (347)	\$27,391	\$(16,650)	\$302,531	\$623	\$55,049	\$1,562,153

See notes to consolidated financial statements.

Consolidated Statements of Cash Flows

The Akita Bank, Ltd. and subsidiaries
For the years ended March 31, 2017 and 2016

Thousands of
U.S. dollars (Note 1)

	Millions of yen		2017
	2017	2016	
Cash flows from operating activities			
Income before income taxes	¥ 6,387	¥ 9,648	\$ 56,930
Depreciation and amortization	1,557	1,583	13,878
Losses on impairment of fixed assets	59	101	525
Net change in reserve for possible loan losses	(3,718)	(854)	(33,140)
Net change in reserve for investment losses	(0)	(0)	(0)
Net change in net defined benefit liability	(3,045)	46	(27,141)
Net change in reserve for directors' retirement benefits	(3)	(2)	(26)
Net change in reserve for reimbursement of dormant deposits	68	(11)	606
Net change in reserve for contingent losses	34	35	303
Gain on fund management	(31,237)	(31,491)	(278,429)
Financing expenses	2,710	3,128	24,155
Net (gain) loss related to securities transactions	2,152	(332)	19,181
Net (gain) loss on money held in trust	(9)	12	(80)
Net foreign exchange gains	(266)	(379)	(2,370)
Net loss on disposal of premises and equipment	50	87	445
Net change in loans and bills discounted	(40,768)	(54,949)	(363,383)
Net change in deposits	31,690	(14,117)	282,467
Net change in negotiable certificates of deposit	(4,212)	24,253	(37,543)
Net change in borrowed money (excluding subordinated borrowing)	(3,169)	22,262	(28,246)
Net change in due from banks (excluding deposit paid to Bank of Japan)	(610)	10,869	(5,437)
Net change in call loans	(9,847)	26,068	(87,770)
Net change in call money	15,211	(1,829)	135,582
Net change in payable under securities lending transactions	(39,749)	77,545	(354,300)
Net change in foreign exchanges assets	(3,343)	4,765	(29,797)
Net change in foreign exchanges liabilities	(30)	4	(267)
Proceeds from fund management	32,598	32,822	290,560
Payments for finance	(3,207)	(3,115)	(28,585)
Net change in trading account securities	(283)	(363)	(2,522)
Other, net	2,986	(1,030)	26,615
Sub-total	(47,995)	104,758	(427,801)
Income taxes paid	(958)	(2,961)	(8,539)
Net cash provided by (used in) operating activities	(48,953)	101,796	(436,340)
Cash flows from investing activities			
Purchases of securities	(417,021)	(417,118)	(3,717,095)
Proceeds from sales of securities	130,583	199,243	1,163,945
Proceeds from redemption of securities	339,964	197,773	3,030,252
Increase in money held in trust	—	(1,000)	—
Decrease in money held in trust	987	—	8,797
Purchases of premises and equipment	(995)	(1,098)	(8,868)
Proceeds from sales of premises and equipment	115	96	1,025
Payments for retirement of premises and equipment	(30)	—	(267)
Purchases of intangible fixed assets	(292)	(269)	(2,602)
Proceeds from sales of intangible fixed assets	—	31	—
Net cash provided by (used in) investing activities	53,312	(22,341)	475,193
Cash flows from financing activities			
Purchases of treasury stock	(1,135)	(950)	(10,116)
Proceeds from sales of treasury stock	0	195	0
Cash dividends paid	(1,277)	(1,102)	(11,382)
Cash dividends paid to non-controlling interests	(9)	(9)	(80)
Net cash provided by (used in) financing activities	(2,422)	(1,866)	(21,588)
Effect of exchange rate change on cash and cash equivalents	(0)	(4)	(0)
Net increase (decrease) in cash and cash equivalents	1,936	77,584	17,256
Cash and cash equivalents at beginning of year	293,817	216,233	2,618,923
Cash and cash equivalents at end of year (Note 37)	¥295,753	¥293,817	\$2,636,179

See notes to consolidated financial statements.

Notes to Consolidated Financial Statements

The Akita Bank, Ltd. and subsidiaries
As of and for the years ended March 31, 2017 and 2016

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 ¥112.19 to U.S.\$1.00, the prevailing exchange rate at March 31, 2017. 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

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. All significant intercompany transactions and accounts have been eliminated in consolidation. The consolidated financial statements do not include the accounts of a limited partnership due to insignificance.

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 and fixtures and structures acquired on or after April 1, 2016.

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) Consumption taxes

Transactions are recorded exclusive of consumption taxes.

(q) 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.

(r) 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.

4. Changes in Accounting Policies

With the promulgation of the Japan Tax Reform, the Bank has applied the "Practical Guideline for Depreciation Method in connection with Tax Reform 2016" (Practical Guideline No. 32, June 17, 2016) effective from the year ended March 31, 2017 and has changed the method of depreciation of fixtures and structures acquired on or after April 1, 2016 from the declining balance method to the straight-line method. The effect on profit or loss is immaterial.

Besides, effective from the year ended March 31, 2017, the Bank applied the "Revised Implementation Guidance on Recoverability of Deferred Tax Assets" (ASBJ Guidance No. 26, March 28, 2016).

5. Trading Account Securities

Trading account securities as of March 31, 2017 and 2016 consisted of Japanese government bonds and local government bonds as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2017	2016	2017
Amount in the balance sheet	¥651	¥369	\$5,802
Valuation gain (loss) included in income for the year	(0)	0	(0)

6. Securities

Securities as of March 31, 2017 and 2016 consisted of the following:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2017	2016	2017
Japanese government bonds	¥316,363	¥ 357,248	\$2,819,885
Local government bonds	46,796	47,942	417,113
Corporate bonds	331,114	337,971	2,951,368
Share stocks	59,000	53,291	525,893
Other securities	221,949	242,926	1,978,331
Total	¥975,224	¥1,039,379	\$8,692,610

Fair value and valuation differences of securities as of March 31, 2017 and 2016 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, 2017 and 2016 were summarized as follows:

	Millions of yen		
	2017		
	Carrying value	Fair value	Difference
Japanese government bonds	¥597	¥624	¥26

	Millions of yen		
	2016		
	Carrying value	Fair value	Difference
Japanese government bonds	¥597	¥632	¥35

	Thousands of U.S. dollars (Note 1)		
	2017		
	Carrying value	Fair value	Difference
Japanese government bonds	\$5,321	\$5,561	\$231

(b) Available-for-sale securities

The Bank and its consolidated subsidiaries' investments in available-for-sale securities as of March 31, 2017 and 2016 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		
	2017		
	Carrying value	Cost	Difference
Carrying value exceeding cost:			
Stocks	¥ 55,098	¥ 27,786	¥27,311
Bonds:			
Japanese government bonds	288,854	278,283	10,571
Local government bonds	32,430	31,985	444
Corporate bonds	291,965	287,389	4,576
Bonds total	613,250	597,657	15,592
Others	130,026	121,722	8,303
Subtotal	798,375	747,167	51,208
Carrying value not exceeding cost:			
Stocks	2,147	2,228	(80)
Bonds:			
Japanese government bonds	26,911	27,874	(963)
Local government bonds	14,365	14,500	(134)
Corporate bonds	39,148	39,388	(240)
Bonds total	80,425	81,763	(1,337)
Others	92,053	95,126	(3,072)
Subtotal	174,627	179,117	(4,490)
Total	¥973,003	¥926,285	¥46,717

	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

	Thousands of U.S. dollars (Note 1)		
	2017		
	Carrying value	Cost	Difference
Carrying value exceeding cost:			
Stocks	\$ 491,113	\$ 247,669	\$243,435
Bonds:			
Japanese government bonds	2,574,685	2,480,461	94,224
Local government bonds	289,063	285,096	3,957
Corporate bonds	2,602,415	2,561,627	40,787
Bonds total	5,466,173	5,327,186	138,978
Others	1,158,980	1,084,963	74,008
Subtotal	7,116,275	6,659,835	456,439
Carrying value not exceeding cost:			
Stocks	19,137	19,859	(713)
Bonds:			
Japanese government bonds	239,869	248,453	(8,583)
Local government bonds	128,041	129,245	(1,194)
Corporate bonds	348,943	351,082	(2,139)
Bonds total	716,864	728,790	(11,917)
Others	820,509	847,900	(27,382)
Subtotal	1,556,529	1,596,550	(40,021)
Total	\$8,672,813	\$8,256,395	\$416,409

(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, 2017 and 2016 were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2017	2016	2017
Proceeds from sales	¥124,449	¥198,197	\$1,109,269
Gains	3,170	11,992	28,255
Losses	(1,602)	(981)	(14,279)

There were no investment securities which were impaired for the year ended March 31, 2017. An impairment loss of ¥69 million on investment trusts was recognized for the year ended March 31, 2016.

7. Loans and Bills Discounted

(a) Loans and bills discounted as of March 31, 2017 and 2016 consisted of the following:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2017	2016	2017
Bills discounted	¥ 6,082	¥ 5,547	\$ 54,211
Loans on notes	44,409	51,459	395,837
Loans on deeds	1,427,287	1,384,029	12,722,051
Overdrafts	159,001	158,594	1,417,247
Total	¥1,636,780	¥1,599,630	\$14,589,357

(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, 2017 and 2016.

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2017	2016	2017
Loans in bankruptcy and dishonored bills (*1)	¥ 1,962	¥ 1,897	\$ 17,488
Delinquent loans (*2)	34,027	39,637	303,297
Loans past due for three months or more (*3)	—	—	—
Restructured loans (*4)	416	448	3,707
Total	¥36,406	¥41,984	\$324,503

*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, 2017 and 2016 were ¥6,109 million (U.S.\$54,452 thousand) and ¥5,547 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)
	2017	2016	2017
Unused balance within the limits	¥565,299	¥557,048	\$5,038,764
Of which, the term of contracts is less than one year or revocable at any time	545,834	536,718	4,865,264

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, 2017 and 2016 consisted of the following:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2017	2016	2017
Due from foreign banks	¥5,119	¥1,803	\$45,627
Foreign exchange bills bought	27	0	240
Total	¥5,147	¥1,803	\$45,877

9. Other Assets

Other assets as of March 31, 2017 and 2016 consisted of the following:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2017	2016	2017
Lease receivables and lease investment assets	¥ 8,565	¥ 8,718	\$ 76,343
Domestic exchange settlement	125	—	1,114
Prepaid expenses	15	12	133
Accrued income	5,381	5,702	47,963
Futures margins	132	294	1,176
Derivatives	283	509	2,522
Cash collateral paid for financial instruments	110	—	980
Others	4,629	8,345	41,260
Total	¥19,242	¥23,584	\$171,512

10. Premises and Equipment

Premises and equipment as of March 31, 2017 and 2016 consisted of the following:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2017	2016	2017
Buildings	¥ 7,781	¥ 7,945	\$ 69,355
Land	10,868	10,867	96,871
Construction in Progress	5	14	44
Others	1,832	1,994	16,329
Total	¥20,487	¥20,822	\$182,609

The accumulated depreciation of premises and equipment as of March 31, 2017 and 2016 amounted to ¥33,563 million (U.S.\$299,162 thousand) and ¥33,567 million, respectively.

Deferred gain on real estate (Asshuku-kicho) deductible for tax purpose amounted to ¥2,044 million (U.S.\$18,219 thousand) and ¥2,044 million as of March 31, 2017 and 2016, respectively.

11. Intangible Assets

Intangible assets as of March 31, 2017 and 2016 consisted of the following:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2017	2016	2017
Software	¥1,196	¥1,321	\$10,660
Others	203	209	1,809
Total	¥1,399	¥1,530	\$12,469

12. Assets Pledged

Assets pledged as collateral as of March 31, 2017 and 2016 were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2017	2016	2017
Securities	¥180,961	¥224,422	\$1,612,986
Other assets	51	51	454
Total	¥181,012	¥224,473	\$1,613,441

Liabilities related to above pledged assets as of March 31, 2017 and 2016 were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2017	2016	2017
Deposits	¥13,482	¥12,148	\$120,171
Payables under securities lending transactions	102,680	142,430	915,233
Borrowed money	42,500	45,200	378,821

In addition, the following asset was pledged as collateral for settlements of exchange as of March 31, 2017 and 2016, respectively.

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2017	2016	2017
Securities	¥47,121	¥48,098	\$420,010

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 30.7% and 32.8% for the years ended March 31, 2017 and 2016, respectively.

Significant components of deferred tax assets and liabilities at March 31, 2017 and 2016 were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2017	2016	2017
Deferred tax assets:			
Net defined benefit liability	¥ 2,259	¥ 2,144	\$ 20,135
Reserve for possible loan losses	3,596	4,744	32,052
Securities	531	721	4,733
Depreciation	265	300	2,362
Remeasurements of defined benefit plans	819	1,281	7,300
Others	1,399	1,606	12,469
Total deferred tax assets	8,873	10,799	79,089
Valuation allowance	(3,445)	(3,860)	(30,706)
Total deferred tax assets, net	5,427	6,938	48,373
Deferred tax liabilities:			
Gain on establishment of the trust for employees' retirement benefits	(1,937)	(1,813)	(17,265)
Valuation difference on available-for-sale securities	(13,767)	(16,332)	(122,711)
Reserve for advanced depreciation of real estate	(91)	(93)	(811)
Others	(50)	(29)	(445)
Total deferred tax liabilities	(15,847)	(18,269)	(141,251)
Net deferred tax assets (liabilities)	¥(10,419)	¥(11,330)	\$(92,869)

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

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2017	2016	2017
Deferred tax assets	¥ 109	¥ 154	\$ 971
Deferred tax liabilities	(10,528)	(11,485)	(93,840)
Net deferred tax assets (liabilities)	¥(10,419)	¥(11,330)	\$(92,869)

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, 2017 and 2016 was as follows:

	2017	2016
Statutory tax rate	30.7 %	32.8 %
(Adjustments)		
Expenses not deductible for income tax purpose	0.4	0.3
Dividend income not included in taxable income	(1.8)	(1.4)
Inhabitant tax on per capital basis	0.6	0.4
Decrease in deferred tax assets due to income tax rate change	—	1.9
Change in valuation allowance	(6.5)	(4.4)
Others	(1.2)	0.6
Actual effective tax rate	22.2 %	30.2 %

15. Deposits

An analysis of deposits as of March 31, 2017 and 2016 was as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2017	2016	2017
Current deposits	¥ 111,667	¥ 115,326	\$ 995,338
Ordinary deposits	1,214,828	1,135,313	10,828,309
Saving deposits	40,232	39,330	358,605
Deposits at notice	8,970	10,502	79,953
Time deposits	1,040,141	1,083,702	9,271,245
Installment savings	13	14	115
Other deposits	38,513	38,484	343,283
Total	¥2,454,366	¥2,422,675	\$21,876,869

16. Borrowed Money

Borrowed money as of March 31, 2017 and 2016 consisted of the following:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2017	2016	2017
Borrowings from other banks	¥45,291	¥48,461	\$403,699

The average interest rates of the loans were 0.034% and 0.127% as of March 31, 2017 and 2016, respectively. The aggregate annual maturities of the loans from banks subsequent to March 31, 2017 were summarized as follows:

	Millions of yen	Thousands of U.S. dollars (Note 1)
2018	¥43,447	\$387,262
2019	799	7,121
2020	522	4,652
2021	252	2,246
2022	100	891

17. Foreign Exchanges Liabilities

Foreign exchange liabilities as of March 31, 2017 and 2016 consisted of the following:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2017	2016	2017
Foreign exchange bills sold	¥8	¥26	\$71
Foreign exchange bills payable	0	12	0
Total	¥8	¥39	\$71

18. Other Liabilities

Other liabilities as of March 31, 2017 and 2016 consisted of the following:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2017	2016	2017
Domestic exchange settlement	¥ 35	¥ 114	\$ 311
Income taxes payable	76	711	677
Accrued expenses	1,943	2,493	17,318
Unearned income	2,640	2,847	23,531
Futures margins	6	43	53
Derivatives	291	463	2,593
Cash collateral received for financial instruments	70	—	623
Lease obligations	536	544	4,777
Others	3,492	8,744	31,125
Total	¥9,093	¥15,962	\$81,050

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 plan and the lump-sum retirement plan. Some lump-sum retirement plan is substantially the same as funded plan due to the retirement benefit trust.

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.\$1,568 thousand) and ¥176 million for the year ended March 31, 2017 and 2016.

(a) Changes in projected benefit obligation for the years ended March 31, 2017 and 2016 were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2017	2016	2017
Projected benefit obligation			
– Beginning balance	¥25,908	¥24,168	\$230,929
Service cost	704	637	6,275
Interest cost	92	229	820
Actuarial gains and losses arising in the year	(239)	2,123	(2,130)
Retirement benefits paid	(1,324)	(1,249)	(11,801)
Projected benefit obligation			
– Ending balance	¥25,142	¥25,908	\$224,101

(b) Changes in plan assets for the years ended March 31, 2017 and 2016 were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2017	2016	2017
Plan assets – Beginning balance	¥20,278	¥20,506	\$180,746
Expected return on plan assets	519	492	4,626
Actuarial gains and losses arising in the year	501	(925)	4,465
Employer's contributions	195	880	1,738
Retirement benefits paid	(729)	(721)	(6,497)
Partial cancellation of retirement benefit trust	(1,141)	—	(10,170)
Establishment of retirement benefit trust	3,000	—	26,740
Others	45	45	401
Plan assets – Ending balance	¥22,669	¥20,278	\$202,059

(c) Ending balances of projected benefit obligation and plan assets and amounts on the consolidated balance sheets as of March 31, 2017 and 2016 were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2017	2016	2017
Projected benefit obligation under funded plan	¥25,103	¥17,793	\$223,754
Plan assets	(22,669)	(20,278)	(202,059)
	2,434	(2,484)	21,695
Projected benefit obligation under non-funded plan	38	8,115	338
Net balance on the consolidated balance sheets	¥ 2,473	¥ 5,630	\$ 22,042

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2017	2016	2017
Net defined benefit liability	¥4,734	¥8,115	\$42,196
Net defined benefit asset	(2,261)	(2,484)	(20,153)
Net balance on the consolidated balance sheets	¥2,473	¥5,630	\$22,042

(d) Components of retirement benefit cost as of March 31, 2017 and 2016 were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2017	2016	2017
Service cost	¥ 659	¥591	\$5,873
Interest cost	92	229	820
Expected return on plan assets	(519)	(492)	(4,626)
Amortization of actuarial gains and losses	773	410	6,890
Retirement benefit cost	¥1,006	¥738	\$8,966

(e) Items accounted for as remeasurements of defined benefit plans, before tax effect, for the years ended March 31, 2017 and 2016 were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2017	2016	2017
Actuarial gains and losses	¥(1,513)	¥2,638	\$(13,486)
Total	¥(1,513)	¥2,638	\$(13,486)

(f) Remeasurements of defined benefit plans, before tax effect, as of March 31, 2017 and 2016 were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2017	2016	2017
Unrecognized actuarial gains and losses	¥2,688	¥4,202	\$23,959
Total	¥2,688	¥4,202	\$23,959

(g) Plan assets consisted of the following investments as of March 31, 2017 and 2016.

	2017	2016
Debt securities	35%	31%
Equity securities	53	55
Others	12	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 33% and 31% as of March 31, 2017 and 2016, 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:

	2017	2016
Discount rate	0.371 to 0.622%	0.245 to 0.410%
Long-term expected rate of return	2.5 to 2.7	2.2 to 2.5
Expected salary raise	3.2	3.2

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: ¥5,493 million (U.S.\$48,961 thousand) and ¥5,565 million as of March 31, 2017 and 2016, respectively.

21. Valuation Difference on Available-for-sale Securities

The components of valuation difference on available-for-sale securities as of March 31, 2017 and 2016 were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2017	2016	2017
Valuation differences:			
Available-for-sale securities	¥46,717	¥55,029	\$416,409
Deferred tax liabilities	(13,767)	(16,332)	(122,711)
Non-controlling interests	(173)	(147)	(1,542)
Valuation differences on available-for-sale securities	¥32,776	¥38,549	\$292,147

22. Other Interest Income

Other interest income for the years ended March 31, 2017 and 2016 consisted of the following:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2017	2016	2017
Interest on deposits	¥126	¥136	\$1,123
Interest on interest swap	—	11	—
Others	78	47	695
Total	¥204	¥195	\$1,818

23. Fees and Commissions—Income

Fees and commission income for the years ended March 31, 2017 and 2016 consisted of the following:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2017	2016	2017
Domestic and foreign exchange	¥1,741	¥1,768	\$15,518
Others	4,808	5,020	42,855
Total	¥6,549	¥6,789	\$58,374

24. Other Operating Income

Other operating income for the years ended March 31, 2017 and 2016 consisted of the following:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2017	2016	2017
Gains on trading account securities transactions	¥ 0	¥ 0	\$ 0
Gains of sales and redemption of bonds	2,375	11,493	21,169
Gains on foreign exchange transactions	124	383	1,105
Others	4,414	4,467	39,343
Total	¥6,915	¥16,345	\$61,636

25. Other Income

Other income for the years ended March 31, 2017 and 2016 consisted of the following:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2017	2016	2017
Reversal of reserve for possible loan losses	¥ 85	¥ 149	\$ 757
Recoveries of written off claims	3	0	26
Gains on sales of available-for-sale securities	2,025	979	18,049
Gains on money held in trust	9	0	80
Gains on disposal of fixed assets	15	7	133
Others	623	567	5,553
Total	¥2,763	¥1,705	\$24,627

26. Other Interest Expenses

Other interest expenses for the years ended March 31, 2017 and 2016 consisted of the following:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2017	2016	2017
Interest on interest rate swaps	¥245	¥ 877	\$2,183
Others	553	353	4,929
Total	¥798	¥1,230	\$7,112

27. Fees and Commissions—Expenses

Fees and commissions expenses for the years ended March 31, 2017 and 2016 consisted of the following:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2017	2016	2017
Domestic and foreign exchanges	¥ 278	¥ 284	\$ 2,477
Others	2,248	2,068	20,037
Total	¥2,526	¥2,353	\$22,515

28. Other Operating Expenses

Other operating expenses for the years ended March 31, 2017 and 2016 consisted of the following:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2017	2016	2017
Losses on redemption of bonds	¥ 3,757	¥ 644	\$33,487
Losses on sales of bonds	2,728	10,534	24,315
Losses on devaluation of bonds	—	69	—
Others	4,051	4,130	36,108
Total	¥10,537	¥15,379	\$93,921

29. Other Expenses

Other expenses for the years ended March 31, 2017 and 2016 consisted of the following:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2017	2016	2017
Written off of loans	¥112	¥ 93	\$ 998
Losses on sales of available-for-sale securities	32	892	285
Losses on devaluation of available-for-sale securities	34	—	303
Losses on money held in trust	—	12	—
Losses on disposals of fixed assets	66	95	588
Impairment losses	59	101	525
Others	526	503	4,688
Total	¥831	¥1,698	\$7,407

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, 2017 and 2016.

For the year ended March 31, 2017

Area	Main purpose	Variety	Millions of yen	Thousands of U.S. dollars (Note 1)
Akita Prefecture	Branch Buildings	Land; three places	¥ 2	\$ 17
	Idle Assets	Land and Buildings; 12 places	56	499
Total			¥59	\$525
Components of impairment losses:				
Building			¥13	\$115
Land			46	410

For the year ended March 31, 2016

Area	Main purpose	Variety	Millions of yen
Akita Prefecture	Idle Assets	Buildings; two places	¥ 24
Out of Akita Prefecture	Branch Buildings	Land and Buildings; three places	76
Total			¥101
Components of impairment losses:			
Building			¥ 58
Land			42

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)
	2017	2016	2017
Valuation difference on available-for-sale securities:			
Amount arising in the year	¥(10,429)	¥(3,957)	\$(92,958)
Recycling	2,117	(312)	18,869
Before tax effect adjustment	(8,311)	(4,270)	(74,079)
Tax effect	2,564	2,040	22,854
Valuation difference on available-for-sale securities	¥ (5,747)	¥(2,230)	\$(51,225)
Deferred gains on hedges:			
Amount arising in the year	¥ (512)	¥ 1,590	\$ (4,563)
Recycling	759	1,218	6,765
Before tax effect adjustment	247	2,809	2,201
Tax effect	(75)	(906)	(668)
Deferred gains on hedges	¥ 171	¥ 1,902	\$ 1,524
Land revaluation excess			
Amount arising in the year	¥ —	¥ —	\$ —
Recycling	—	—	—
Before tax effect adjustment	—	—	—
Tax effect	—	87	—
Land revaluation excess	¥ —	¥ 87	\$ —
Remeasurements of defined benefit plans			
Amount arising in the year	¥ 740	¥(3,048)	\$ 6,595
Recycling	773	410	6,890
Before tax effect adjustment	1,513	(2,638)	13,486
Tax effect	(461)	779	(4,109)
Remeasurements of defined benefit plans	¥ 1,052	¥(1,858)	\$9,376
Total other comprehensive income	¥ (4,523)	¥(2,098)	\$(40,315)

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 kept 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, 2017 and 2016, the Group's interest rate risk volume (estimated decrease in economic value) was ¥492 million (U.S.\$4,385 thousand) and

¥1,662 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, 2017 and 2016 are shown below. The securities for which fair value is not reliably determined are excluded from the table.

As of March 31, 2017

	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	¥ 302,307	¥ 302,307	¥ —	\$ 2,694,598	\$ 2,694,598	\$ —
(2) Call loans and bills bought	11,101	11,101	—	98,948	98,948	—
(3) Monetary claims bought	11,082	11,082	—	98,778	98,778	—
(4) Securities (*1)						
Held-to-maturity debt securities	597	624	26	5,321	5,561	231
Available-for-sale securities	970,283	970,283	—	8,648,569	8,648,569	—
(5) Loans and bills discounted	1,636,780			14,589,357		
Reserve for possible loan losses (*1)	(12,048)			(107,389)		
	1,624,732	1,651,572	26,840	14,481,968	14,721,205	239,237
Total assets	¥2,920,105	¥2,946,972	¥26,867	\$26,028,211	\$26,267,688	\$239,477
(1) Deposits	¥2,454,366	¥2,454,587	¥ 220	\$21,876,869	\$21,878,839	\$ 1,960
(2) Negotiable certificates of deposits	137,365	137,373	7	1,224,396	1,224,467	62
(3) Call moneys and bills sold	30,085	30,085	—	268,161	268,161	—
(4) Payables under securities lending transactions	102,680	102,680	—	915,233	915,233	—
(5) Borrowed money	45,291	45,291	—	403,699	403,699	—
Total liabilities	¥2,769,789	¥2,770,018	¥ 228	\$24,688,376	\$24,690,418	\$ 2,032
Derivative transactions (*2)						
For which:						
Hedge accounting is not applied	¥ (64)	¥ (64)	¥ —	\$ (570)	\$ (570)	\$ —
Hedge accounting is applied	56	56	—	499	499	—
Total derivative transactions	¥ (7)	¥ (7)	¥ —	\$ (62)	\$ (62)	\$ —

*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, 2016

	Millions of yen		
	Book value	Fair value	Difference
(1) Cash and due from banks	¥ 299,761	¥ 299,761	¥ —
(2) Call loans and bills bought	5,488	5,488	—
(3) Monetary claims bought	6,868	6,868	—
(4) Securities (*1)			
Held-to-maturity debt securities	597	632	35
Available-for-sale securities	1,035,537	1,035,537	—
(5) Loans and bills discounted	1,599,630		
Reserve for possible loan losses (*1)	(15,623)		
	1,584,006	1,628,241	44,235
Total assets	¥2,932,259	¥2,976,529	¥44,270
(1) Deposits	¥2,422,675	¥2,423,119	¥ 444
(2) Negotiable certificates of deposits	141,578	141,592	13
(3) Call moneys and bills sold	14,873	14,873	—
(4) Payables under securities lending transactions	142,430	142,430	—
(5) Borrowed money	48,461	48,461	—
Total liabilities	¥2,770,018	¥2,770,476	¥ 458
Derivative transactions (*2)			
For which:			
Hedge accounting is not applied	¥ 98	¥ 98	¥ —
Hedge accounting is applied	(19)	(19)	—
Total derivative transactions	¥ 79	¥ 79	¥ —

*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 six 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, 2017 and 2016 were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2017	2016	2017
Non-listed stocks (*1, *2)	¥1,754	¥1,740	\$15,634
Investment in partnerships (*3)	2,300	1,226	20,500
Others (*4)	26	11	231
Total	¥4,081	¥2,978	\$36,375

*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 of ¥34 million (\$303 thousand) for the year ended March 31, 2017. 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, 2017 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	¥267,993	¥ —	¥ —	¥ —	¥ —	¥ —
Call loans and bills bought	11,101	—	—	—	—	—
Monetary claims bought	8,363	1,501	—	—	—	1,217
Securities						
Securities held-to maturity	—	—	597	—	—	—
Japanese government bonds	—	—	597	—	—	—
Available-for-sale securities with maturity	110,598	177,296	217,266	124,249	120,109	132,174
Japanese government bonds	36,232	34,016	110,346	31,981	7,034	96,154
Local government bonds	12,561	7,272	—	—	1,497	25,464
Corporate bonds	50,111	90,605	86,172	67,679	33,923	2,621
Loans and bills discounted (*)	111,500	191,151	251,119	198,729	227,774	460,103
Total	¥509,557	¥369,949	¥468,983	¥322,979	¥347,883	¥593,495

(*) 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 ¥34,598 million (U.S.\$308,387 thousand) since those principals may not be fully collectible. The table also excluded loans without maturity in the total amount of ¥161,801 million (U.S.\$1,442,205 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	\$2,388,742	\$ —	\$ —	\$ —	\$ —	\$ —
Call loans and bills bought	98,948	—	—	—	—	—
Monetary claims bought	74,543	13,379	—	—	—	10,847
Securities						
Securities held-to maturity	—	—	5,321	—	—	—
Japanese government bonds	—	—	5,321	—	—	—
Available-for-sale securities with maturity	985,809	1,580,319	1,936,589	1,107,487	1,070,585	1,178,126
Japanese government bonds	322,952	303,199	983,563	285,061	62,697	857,063
Local government bonds	111,961	64,818	—	—	13,343	226,972
Corporate bonds	446,661	807,603	768,089	603,253	302,370	23,362
Loans and bills discounted	993,849	1,703,814	2,238,336	1,771,361	2,030,252	4,101,105
Total	\$4,541,911	\$3,297,522	\$4,180,256	\$2,878,857	\$3,100,837	\$5,290,088

Redemption schedules for borrowed money and interest-bearing debts as of March 31, 2017 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 (*)	¥2,300,177	¥34,849	¥6,860	¥ —	¥ —	¥ —
Negotiable certificates of deposits	137,365	—	—	—	—	—
Call moneys and bills sold	30,085	—	—	—	—	—
Payables under securities lending transactions	102,680	—	—	—	—	—
Borrowed money	43,447	1,321	352	170	—	—
Total	¥2,613,756	¥36,170	¥7,213	¥170	¥ —	¥ —

(*) Demand deposits were included in the "Due in 1 year or less." Cumulative time deposits of ¥112,478 million (U.S.\$1,002,567 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	\$20,502,513	\$310,624	\$61,146	\$ —	\$ —	\$ —
Negotiable certificates of deposits	1,224,396	—	—	—	—	—
Call moneys and bills sold	268,161	—	—	—	—	—
Payables under securities lending transactions	915,233	—	—	—	—	—
Borrowed money	387,262	11,774	3,137	1,515	—	—
Total	\$23,297,584	\$322,399	\$64,292	\$1,515	\$ —	\$ —

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, 2017 and 2016 were summarized below.

(1) Interest rate related transactions

There is no interest rate related transaction as of March 31, 2017.

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)
Total			¥(0)	¥(0)

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.

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

As of March 31	Millions of yen			
	2017			
	Contact amounts	Due after one year	Fair value	Gain/losses
Currency swaps:	¥15,392	¥3,590	¥ 7	¥ 7
Forward exchange contracts:				
Sold	183	—	(9)	(9)
Bought	107	—	(0)	(0)
Currency options:				
Sold	3,193	—	(44)	(44)
Bought	3,193	—	44	44
Total			¥(2)	¥(2)

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			
	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
Total			¥101	¥101

As of March 31	Thousands of U.S. dollars (Note 1)			
	2017			
	Contact amounts	Due after one year	Fair value	Gain/losses
Currency swaps:	\$137,195	\$31,999	\$ 62	\$ 62
Forward exchange contracts:				
Sold	1,631	—	(80)	(80)
Bought	953	—	(0)	(0)
Currency options:				
Sold	28,460	—	(392)	(392)
Bought	28,460	—	392	392
Total			\$(17)	\$(17)

(3) Bond futures related transactions (listed)

As of March 31	Millions of yen			
	2017			
	Contact amounts	Due after one year	Fair value	Gain/losses
Bond futures:				
Sold	¥70,000	¥ —	¥(62)	¥(62)
Bought	—	—	—	—
Total			¥(62)	¥(62)

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			
	2016			
	Contact amounts	Due after one year	Fair value	Gain/losses
Bond futures:				
Sold	¥52,000	¥ —	¥(17)	¥(17)
Bought	5,000	—	15	15
Total			¥ (2)	¥ (2)

As of March 31	Thousands of U.S. dollars (Note 1)			
	2017			
	Contact amounts	Due after one year	Fair value	Gain/losses
Bond futures:				
Sold	\$623,941	\$ —	\$(552)	\$(552)
Bought	—	—	—	—
Total			\$(552)	\$(552)

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, 2017 and 2016 were as follows:

As of March 31	Millions of yen			
	2017			
	Hedged item	Contact amounts	Due after one year	Fair value
Interest rate swaps				
Receive floating/ pay fixed	Loans and bills discounted	¥5,000	¥3,000	¥(96)
Total				¥(96)

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

Millions of yen				
2016				
As of March 31	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)
Total				¥(321)

Thousands of U.S. dollars (Note 1)				
2017				
As of March 31	Hedged item	Contact amounts	Due after one year	Fair value
Interest rate swaps				
Receive floating/ pay fixed	Loans and bills discounted	\$44,567	\$26,740	\$(855)
Total				\$(855)

(2) Foreign exchange related transactions

Millions of yen				
2017				
As of March 31	Hedged item	Contact amounts	Due after one year	Fair value
Currency swap	—	¥ —	¥ —	¥ —
Forward exchange contract	Call loans	3,537	—	153
Total				¥153

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

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
Total				¥302

Thousands of U.S. dollars (Note 1)				
2017				
As of March 31	Hedged item	Contact amounts	Due after one year	Fair value
Currency swap	—	\$ —	\$ —	\$ —
Forward exchange contract	Call loans	31,526	—	1,363
Total				\$1,363

34. Capital Stock

The number of the Bank's authorized shares was 687,455,000 as of March 31, 2017 and 2016.

The number of shares in issue was 180,936,439 and 183,936,439 as of March 31, 2017 and 2016, respectively.

The number of treasury stocks held by the Bank, not including shares held by the trust of Employee Stock Ownership Plan was 1,444,645 and 1,438,765 as of March 31, 2017 and 2016, respectively.

35. Stock Option Rights

(a) Expenses on stock option plan

Expenses on stock option plan included in general and administrative expenses amounted to ¥16 million (U.S.\$142 thousand) and ¥13 million for the years ended March 31, 2017 and 2016, respectively.

(b) Details of stock option

The details of stock option plan adopted are as follows:

	2009	2010	2011	2012	2013	2014	2015	2016
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	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	49,600 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	August 1, 2016
Conditions of exercise	None	None	None	None	None	None	None	None
Required service period	None	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	August 2, 2016 to August 1, 2046
Remaining stock options (*1)	12,700 shares	16,500 shares	26,000 shares	26,800 shares	43,600 shares	38,800 shares	34,600 shares	49,600 shares
Exercise price	¥1 per share	¥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	¥324 per share

*1. It shows the number of outstanding stock option which is not yet vested as of March 31, 2017.

*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, 2017 and 2016 was as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2017	2016	2017
Cash and due from banks	¥302,307	¥299,761	\$2,694,598
Due from banks without interest	(216)	(294)	(1,925)
Ordinary due from banks	(1,203)	(505)	(10,722)
Time deposits with banks	(5,000)	(5,000)	(44,567)
Others	(134)	(144)	(1,194)
Cash and cash equivalents	¥295,753	¥293,817	\$2,636,179

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, 2017 and 2016

Year ended March 31, 2017	Millions of yen					
	Reportable segment				Adjustment	Consolidated
	Banking	Leasing	Other	Total		
Ordinary income						
External customers	¥ 42,018	¥ 4,464	¥1,031	¥ 47,513	¥ (63)	¥ 47,450
Inter-segment	146	162	567	876	(876)	—
Total	¥ 42,164	¥ 4,626	¥1,598	¥ 48,390	¥ (940)	¥ 47,450
Segment profit	¥ 5,800	¥ 246	¥ 539	¥ 6,586	¥ (88)	¥ 6,498
Segment assets	2,971,984	12,768	9,667	2,994,420	(14,209)	2,980,211
Segment liabilities	2,804,174	8,747	3,395	2,816,318	(11,365)	2,804,953
Other items:						
Depreciation and amortization	¥ 1,537	¥ 13	¥ 6	¥ 1,557	¥ —	¥ 1,557
Interest income	31,240	13	111	31,365	(128)	31,237
Interest expenses	2,693	57	0	2,751	(41)	2,710
Extraordinary income	15	0	—	15	—	15
Extraordinary losses	124	1	—	125	—	125
(Of which, Impairment losses)	59	—	—	59	—	59
Income taxes	1,189	78	153	1,421	(0)	1,421
Increase in premises & equipment and intangibles	1,277	16	4	1,298	(3)	1,294

Year ended March 31, 2016	Millions of yen					
	Reportable segment				Adjustment	Consolidated
	Banking	Leasing	Other	Total		
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, 2017	Thousands of U.S. dollars (Note 1)					
	Reportable segment				Adjustment	Consolidated
	Banking	Leasing	Other	Total		
Ordinary income						
External customers	\$ 374,525	\$ 39,789	\$ 9,189	\$ 423,504	\$ (561)	\$ 422,943
Inter-segment	1,301	1,443	5,053	7,808	(7,808)	—
Total	\$ 375,826	\$ 41,233	\$14,243	\$ 431,321	\$ (8,378)	\$ 422,943
Segment profit	\$ 51,698	\$ 2,192	\$ 4,804	\$ 58,703	\$ (784)	\$ 57,919
Segment assets	26,490,631	113,806	86,166	26,690,614	(126,651)	26,563,962
Segment liabilities	24,994,865	77,965	30,261	25,103,110	(101,301)	25,001,809
Other items:						
Depreciation and amortization	\$ 13,699	\$ 115	\$ 53	\$ 13,878	\$ —	\$ 13,878
Interest income	278,456	115	989	279,570	(1,140)	278,429
Interest expenses	24,003	508	0	24,520	(365)	24,155
Extraordinary income	133	0	—	133	—	133
Extraordinary losses	1,105	8	—	1,114	—	1,114
(Of which, Impairment losses)	525	—	—	525	—	525
Income taxes	10,598	695	1,363	12,666	(0)	12,666
Increase in premises & equipment and intangibles	11,382	142	35	11,569	(26)	11,534

39. Related Party Transactions

Related party transactions for the years ended March 31, 2017 and 2016 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)
			2017	2016	2017	2017	2016	2017
Yasuhiko Watanabe (*1)	Director of the Bank	Loan	¥ —	¥ —	\$ —	¥ 13	¥ 14	\$ 115
Kiichiro Nishimura	Statutory Auditor of the Bank	Loan	4	4	35	18	24	160
Yukihiko Nishimura	Executive Director of YAMANI Co., Ltd.	Loan	—	—	—	46	48	410
Masashi Kitajima	Statutory Auditor of the Bank	Guarantees (*2) (*3)	—	—	—	—	—	—
IYATAKA GROUP (*4)	Wedding halls	Loan	250	—	2,228	521	358	4,643
		Customers' liabilities for acceptances and guarantees	—	—	—	—	250	—
Produce Pro Inc. (*5)	Advertising	Loan	—	—	—	4	9	35

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

- *1. Yasuhiko Watanabe passed away on August 20, 2016 and resigned as Director of the Bank. The balance as of March 31, 2017 shown above is the balance as of August 20, 2016.
- *2. As of March 31, 2017, Mr. Masashi Kitajima guarantees a loan for IYATAKA GROUP, a third party of the Bank, in the amount of ¥35 million (U.S.\$311 thousand) (¥71 million in 2016) out of ¥521 million (U.S.\$4,643 thousand) (¥358 million in 2016). Mr. Kitajima also guaranteed the Bank's guarantee given to IYATAKA GROUP in the amount of ¥250 million as of March 31, 2016.
- *3. Mr. Masashi Kitajima guarantees a loan for Produce Pro Inc., a third party of the Bank, in the amount of ¥4 million (U.S.\$35 thousand) and ¥9 million as of March 31, 2017 and 2016, respectively.
- *4. Mr. Masashi Kitajima and his family own 55.1% and 56.9% of voting rights of IYATAKA GROUP as of March 31, 2017 and 2016, respectively.
- *5. Mr. Masashi Kitajima and his family own 79.7% of voting rights of Produce Pro Inc. as of March 31, 2017 and 2016.

40. Per Share Information

Consolidated net assets and income per share and related information for the years ended March 31, 2017 and 2016 were as follows:

	Yen		U.S. dollars (Note 1)
	2017	2016	2017
Net assets per share	¥941.61	¥938.25	\$8.39
Net income per share	26.12	35.82	0.23
Diluted net income per share	26.09	35.78	0.23

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2017	2016	2017
Net income attributable to owners of parent	¥4,741	¥6,578	\$42,258
Net income not attributable to common stockholders	—	—	—
Net income attributable to common stock owners of parent	4,741	6,578	42,258
Average number of common stock (thousand shares)	181,494	183,600	

The Bank had an employee incentive plan called "ESOP Trust Utilizing Employee Shareholding Association"; however, the Bank sold all the shares held by the trust and closed the plan in October 2015. For the year ended March 31, 2016, the number of shares held by ESOP Trust (111 thousand shares) was treated as part of treasury stock upon calculation of the average number of common stock. There is no such share for the year ended March 31, 2017.

41. Subsequent Events

At the board of directors' meeting held on May 22, 2017, the Bank resolved to propose the consolidation of shares, change in the number of shares constituting one share unit, and partial amendments to the Articles of Incorporation to the 114th ordinary general shareholders' meeting held on June 28, 2017. The proposals were approved on the shareholders' meeting and their details are as follows:

(a) Consolidation of shares

(1) Purpose

Japanese Stock Exchanges including Tokyo Stock Exchange have announced the "Action Plan for the Consolidation of Trading Units," aiming to standardize the trading units (number of shares constituting one share unit) for common stock of all listed domestic corporation at 100 shares by October 1, 2018.

As a corporation listed on the Tokyo Stock Exchange, the Bank respects the objective of the Plan and changes the Bank's share unit from 1,000 shares to 100 shares. Further, the Bank will conduct consolidation of shares (consolidation of ten (10) shares into one (1) share), aiming to set the investment unit of the Bank's share to the standard for an investment unit (¥50,000 or more but less than ¥500,000) deemed desirable by stock exchanges nationwide.

(2) Description of the consolidation

(i) Class of shares to be consolidated

Common stock

(ii) Process and ratio of the consolidation

With effective date of October 1, 2017, the Bank will consolidate ten (10) shares into one (1) share based on the number of holding shares of shareholders stated or recorded on the register of shareholders as of closing on September 30, 2017 (virtually, September 29, 2017).

(iii) Number of shares to be decreased due to the consolidation

Number of shares issued and outstanding before the consolidation (as of March 31, 2017)	180,936,439 shares
Decrease in the number of shares due to the consolidation	162,842,796 shares
Number of shares issued and outstanding after the consolidation	18,093,643 shares

(Note) "Decrease in number of shares due to the consolidation" and "Number of shares issued and outstanding after the consolidation" are theoretical figures calculated by multiplying the number of shares issued and outstanding before the consolidation by the consolidation ratio.

(iv) Effects from the consolidation

Upon the consolidation, the number of common stocks held by the shareholders will decrease to one-tenth of the original number, but the net asset before the consolidation will not change. Therefore, the net asset per one (1) share of common stock will increase by ten (10) times. The asset value of the Bank's share will not be changed, unless other factors such as stock market fluctuate.

(3) Treatment for fraction less than one unit

Any fraction less than one unit arising as a result of the consolidation will be disposed at lump-sum based on the Companies Act. The Bank will allocate the sales proceeds to the corresponding shareholders according to the fraction ratio.

(4) Decreases in the number of shareholders due to consolidation of shares

The following summarizes the Bank's shareholder composition as of March 31, 2017.

	Number of shareholders (Ratio)		Number of shares held (Ratio)	
Total shareholders	9,842	(100.0%)	180,936,439	(100.0%)
Shareholders holding less than 10 shares	235	(2.4%)	336	(0.0%)
Shareholders holding 10 or more shares	9,607	(97.6%)	180,936,103	(100.0%)

(5) Total number of shares authorized to be issued as of the effective date

In connection with the decrease in the number of shares issued and outstanding, on October 1, 2017, the Bank will decrease the total number of shares authorized to be issued based on the ratio of the consolidation in order to make it more appropriate.

Total number of shares authorized to be issued before change	687,455,000 shares
Total number of shares authorized to be issued after change (as of October 1, 2017)	68,745,500 shares

(b) Change in the number of shares constituting one share unit

(1) Purpose

As stated in (a) (1) above, the Bank follows the "Action Plan for the Consolidation of Trading Units" announced by Japanese Stock Exchanges.

(2) Details of the change in the number of shares constituting one share unit

The Bank will change the number of shares constituting one share unit from 1,000 shares to 100 shares.

(3) Effective date

October 1, 2017

(c) Partial amendments to the Articles of Incorporation

(1) Purpose

The Bank will conduct the consolidation of shares as stated above. The Bank will amend Article 6 of the current Articles of Incorporation (Total Number of Shares Authorized to be Issued) in order to decrease the total number of shares authorized to be issued based on the ratio of the consolidation, and amend Article 8 of the current Articles of Incorporation (Number of Shares Constituting One Share Unit) in order to change the number of shares constituting one share unit from 1,000 shares to 100 shares.

The Bank will set Article 1 of the supplementary provision which prescribes that the amendments shall be effective on October 1, 2017, the effective date of consolidation of shares, and that the said supplementary provision shall be deleted on the effective date.

(2) Details of amendments to the Articles of Incorporation

The amendments are as follows:

(Amendment underlined)

Current Articles of Incorporation		Proposed Amendments	
(Total Number of Shares Authorized to be Issued)		(Total Number of Shares Authorized to be Issued)	
Article 6	The total number of shares authorized to be issued by the Bank shall be <u>six hundred eighty-seven million four hundred fifty-five thousand (687,455,000)</u> shares.	Article 6	The total number of shares authorized to be issued by the Bank shall be <u>sixty-eight million seven hundred forty-five thousand five hundred (68,745,500)</u> shares.
(Number of Shares Constituting One Share Unit)		(Number of Shares Constituting One Share Unit)	
Article 8	The number of shares constituting one (1) share unit of the Bank shall be <u>one thousand (1,000)</u> .	Article 8	The number of shares constituting one (1) share unit of the Bank shall be <u>one hundred (100)</u> .
		<u>Supplementary Provision</u>	
(Newly established)		Article 1	<u>The amendments in Article 6 (Total Number of Shares Authorized to be Issued) and Article 8 (Number of Shares Constituting One Share Unit) shall become effective on October 1, 2017. This supplementary provision shall be deleted on the effective date.</u>

(d) Schedule for consolidation of shares, change in the number of shares constituting one share unit, and partial amendments to the Articles of Incorporation

Date of resolution at the board of directors' meeting	May 22, 2017
Date of resolution at the ordinary general shareholders' meeting	June 28, 2017
Effective date of consolidation of shares	October 1, 2017 (Planned)
Effective date of change in the number of shares constituting one share unit	October 1, 2017 (Planned)
Effective date of partial amendments to the Articles of Incorporation (Article 6 Total Number of Shares Authorized to be Issued and Article 8 Number of Shares Constituting One Share Unit)	October 1, 2017 (Planned)

(e) Effect on per share information

The following summarizes per share information for the years ended March 31, 2017 and 2016 as if the consolidation of shares had been conducted on April 1, 2015.

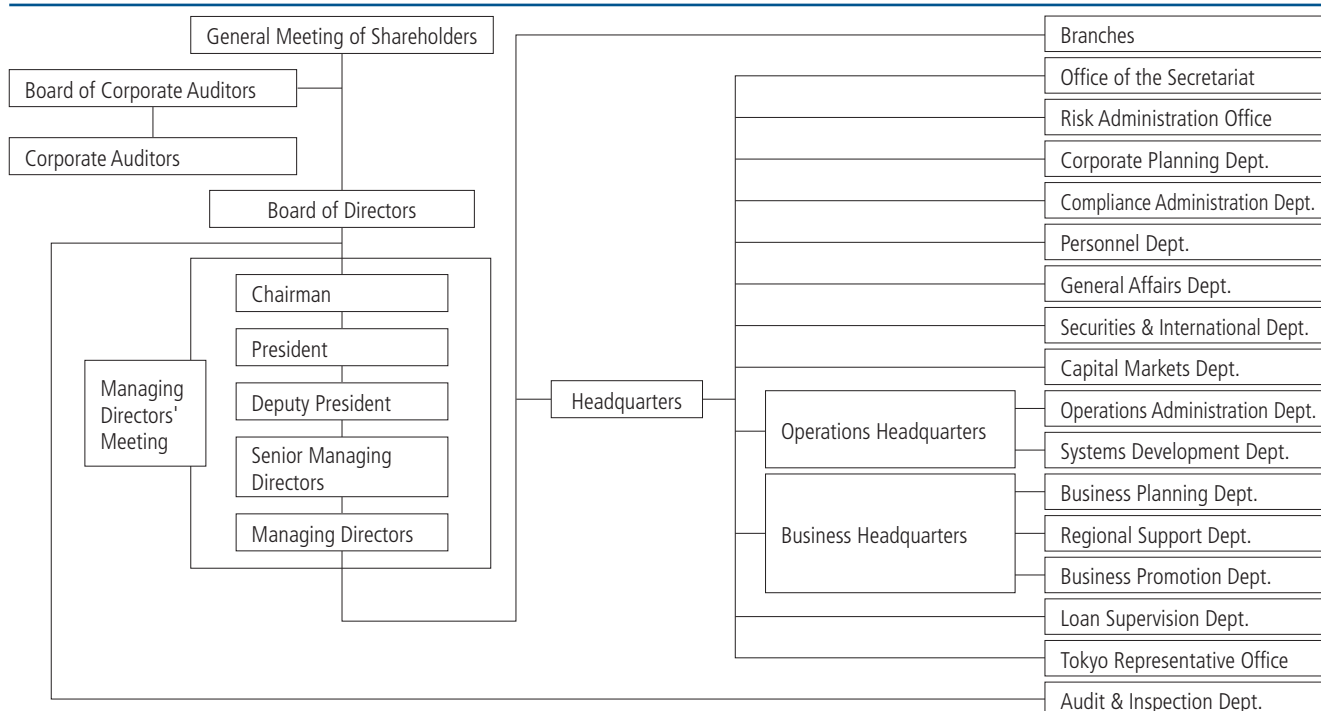
	Yen		U.S. dollars (Note 1)
	2017	2016	2017
Net assets per share	¥9,416.13	¥9,382.59	\$83.93
Net income per share	261.26	358.28	2.32
Diluted net income per share	260.92	357.86	2.32

Corporate Information

Corporate Data (As of March 31, 2017)

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	180,936 thousand shares
Number of Employees (excluding Executive Officers)	1,391
Number of Branches	97
Paid-in Capital	¥14.1 billion

Organization (As of June 30, 2017)



Directors, Corporate Auditors & Executive Officers (As of June 30, 2017)

Chairman Takao Minatoya *	Standing Corporate Auditors Hiromi Obuchi Hideto Ono
President Akihiro Araya *	Outside Corporate Auditors Kiichiro Nishimura Masashi Kitajima
Senior Managing Directors Toshiyuki Sasaki Masayuki Takada	Executive Officers Hironobu Yamada Masahiko Sato Manabu Aihara Tadami Iwaya Hisatoshi Harimaya Shinji Abe Noriyuki Takahashi Reisei Shindo Satoru Nakayama Tsuyoshi Minakawa
Managing Directors Takanori Kudo Naoki Handa	
Directors and Executive Officers Takashi Kato Masato Tsuchiya	
Outside Directors Yuichi Toyoguchi Masahiro Morohashi Yoshiyuki Tsuji	

* Representative Director

ANNUAL REPORT

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2017



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