

# BANK REPORT 2015



The Hyakujushi Bank, Ltd.

## Corporate Vision

*Prosper together with customers and communities*

*Create a vigorous corporate culture*

*Ensure sound business management and enhance corporate value*

The Hyakujushi Bank, Ltd., whose name indicates 114th in Japanese, was established in 1878 as Japan's 114th national bank in the city of Takamatsu, the capital of Kagawa Prefecture, centered on Shikoku, one of the major islands of Japan.

Based on our Corporate Vision, The Hyakujushi Bank, Ltd. continues to play a central role as a leading financial institution in its area and surrounding regions, and aims to be the region's best partner for each customer, so as to contribute to creating a prosperous future for the local economies.



## Profile (Non-consolidated)

(As of March 31, 2015)

Head Office:	5-1, Kamei-cho, Takamatsu, Kagawa
Established:	November 1, 1878
Total assets:	¥4,594.3 billion
Deposits and negotiable certificates of deposit:	¥3,982.6 billion
Loans and bills discounted:	¥2,702.1 billion
Paid-in capital:	¥37.3 billion
Total shares issued:	310,076 thousand shares
Capital ratio:	9.85%
Employees:	2,260
Offices:	124 (Head office, 102 branches, 21 sub-branches)
Non-branch ATMs and CDs:	223 machines in 177 locations

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# Consolidated Financial Highlights

For the years ended or as of March 31	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
<b>FOR THE YEAR:</b>			
Total income.....	¥ 77,671	¥ 80,592	\$ 646,349
Total expenses.....	60,339	58,928	502,118
Income before income taxes and minority interests .....	17,332	21,663	144,230
Income taxes - current.....	3,562	5,769	29,644
Income taxes - deferred .....	3,841	3,700	31,963
Minority interests .....	970	963	8,079
Net income .....	8,957	11,230	74,543
<b>AT YEAR-END:</b>			
Loans and bills discounted.....	2,696,444	2,614,215	22,438,586
Securities and trading account securities .....	1,454,691	1,335,649	12,105,278
Foreign exchange assets.....	13,507	17,446	112,403
Other assets.....	450,461	525,899	3,748,537
Total assets.....	4,615,105	4,493,211	38,404,806
Deposits and negotiable certificates of deposit .....	3,971,363	3,953,427	33,047,876
Foreign exchange liabilities.....	354	140	2,948
Other liabilities.....	347,911	282,729	2,895,163
Total liabilities.....	4,319,629	4,236,360	35,945,988
Common stock.....	37,322	37,322	310,582
Capital surplus.....	24,920	24,920	207,376
Retained earnings .....	143,886	138,689	1,197,354
Treasury stock .....	(4,730)	(4,181)	(39,363)
Total stockholders' equity .....	201,398	196,751	1,675,949
Net unrealized gains on securities net of taxes.....	68,952	37,722	573,795
Net deferred losses on hedging instruments, net of taxes.....	(3,010)	(24)	(25,049)
Revaluation reserve for land.....	8,722	8,044	72,587
Remeasurements of defined benefit plans.....	1,631	(2,719)	13,577
Total accumulated other comprehensive income .....	76,297	43,022	634,910
Share warrants .....	196	156	1,633
Minority interests .....	17,583	16,920	146,323
Total net assets.....	295,476	256,851	2,458,817
Total liabilities and net assets.....	¥4,615,105	¥4,493,211	\$38,404,806

Notes: 1. Yen figures have been rounded, omitting numbers below the million mark, in accordance with the Japanese Commercial Code and the generally accepted accounting practice in Japan.

2. U.S. dollar amounts represent translations of Japanese yen at the exchange rate of ¥120.17 to US\$1.00 on March 31, 2015.

## Attention regarding forward-looking statements

The reader is advised that this report contains forward-looking statements, which are not statements of historical fact but constitute estimates or projections based on facts known to the Bank's management as of the time of writing. Actual results may therefore differ substantially from such statements.

## Message from the President

I would like to extend our sincere appreciation for your continued support and patronage of the Hyakujushi Bank, Ltd.

Since our foundation in 1878, we have continued in step with the development of the local communities over more than 135 years.

As a leading regional bank, we will constantly strive to commit to fulfilling our mission to serve customers, as well as contributing to local society by proactively providing the best products and services for many years to come.

Under the most recent Medium-Term Management Plan for the three years from fiscal 2014 to 2016, which was announced in February 2014, we are on track to achieving all the financial targets of the plan.

Following the announcement in August 2015 that we have revised upwardly our consolidated net income fiscal 2015 forecast by 2.9 billion to 11.9 billion, we will increase annual dividends fiscal 2015 by ¥1.00 to ¥8.00 per share in recognition of our shareholders' support over the years.

All the officers and employees of our Bank group will make the utmost effort to practice the customer centric principle and to exceed expectations of all our stakeholders.

We ask for your continued understanding and support in our endeavors.



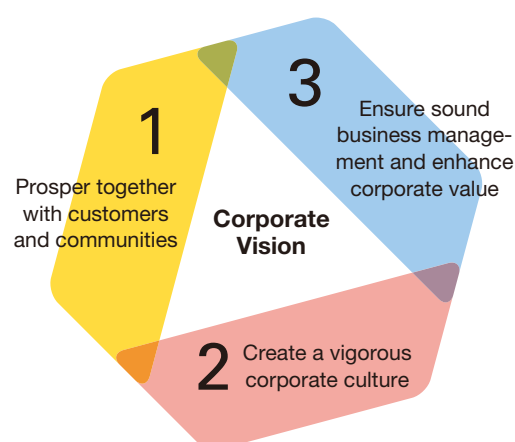
## Corporate Vision

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- Prosper together with customers and communities
- Create a vigorous corporate culture
- Ensure sound business management and enhance corporate value

These are the foundation for management decisions, which serves as the guidelines for business activities of all the officers and employees.

Under the corporate vision, the Bank is determined to continue to provide valuable services to its shareholders, customers, local communities, employees and other stakeholders.



## Our Medium-Term Management Plan: The “Best Partners Plan”

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We are working on several measures under the “**Best Partners Plan**,” currently in its second year. Based on an approach of becoming “a financial services group that contributes to the future of the region and its customers,” we will steadily take steps to contribute to the development of the local economies. All employees will work to provide high-quality service as the customer’s best partner so as to enhance added-value for our customers and maximize our profitability.

## Customer-Centric Principle

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In order to actively provide value that deeply satisfies customers, and continue to be a bank that the region’s customers can truly rely on for advice, we will put our customers in the center and take action in position of our customers. All employees will build stronger relationships of trust by working together to exceed the expectations of our customers and moving their hearts and minds.

## Initiatives for Revitalization of the Local Economies

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We believe that our mission is to actively work to revitalize the local economy by sufficiently demonstrating the basic roles of a financial institution, such as providing financial intermediary functions that facilitate the supply of funds and consulting capabilities that provide optimal financial services for customer needs.

We actively participate in regional revitalization and will work to create a dynamic, bustling region through the development of industry, the creation of new industries, and the promotion of tourism. And we contribute to the sustainable development of the local economies and the customer’s future.

## Strengthening Internal Controls

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To build and sustain trust with shareholders, customers, and the local community as a whole, we believe that it is essential for all the officers and employees, to maintain high ethical standards in the performance of their duties. In other words, we position the rigorous observance of legal and ethical compliance as a high-priority management issue. We conduct continuous training to ensure that all of our officers and employees increase their awareness of the importance of legal and ethical compliance, and the entire Bank is working to build an effective framework of mutual checks as part of our overall program of strengthening internal controls.



### Medium-Term Management Plan

# Best Partners Plan

Plan Period: April 1, 2014 – March 31, 2017 (3 years)

In our Medium-Term Management Plan “Best Partners Plan” (plan period: April 1, 2014 – March 31, 2017 (3 years)), we are working on the following two fundamental strategies – “rigorously promote retail business opportunities” and “enhance investment capabilities” with the aim of achieving our ideal of becoming a “financial group that can contribute to the future for our region and customers.”

Over the medium to long-term future, we will remain a locally based financial institution providing reliable support to our customers. To that end, we are actively contributing to the revitalization of the regional economies and providing value-added services.

## Basic Policy in Detail

### Our Vision:

**A financial group that can contribute to the future of our region and customers**

### I. Rigorously promote retail business opportunities

#### Partnering with each customer

#### Corporate banking strategy

- Enhancing consulting sales
- Defining a regional strategy

#### Personal banking strategy

- Expanding relations
- Enhancing life planning capabilities

Increasing contact points with customers/Improving quality of business services

### II. Enhance investment capabilities

#### Managing portfolio with diversified investments

Active asset allocation

Improving risk return ratios

More flexible market operations

Channel/process innovation

Risk monitoring

Development of human resources

### III. Strengthening of organization and personnel

Strengthening of human resources force

Innovation in administrative processes

IT strategy

Risk management

Compliance

**Behavioral guideline: Thorough practice of customer-centric principle**

## Numerical Targets for Fiscal 2016

Indices		Targets by the end of fiscal 2016
Profitability	Net operating profit	Over ¥18.0 billion
Efficiency	ROE	3.5% (approx.)
Soundness	Capital ratio (consolidated)	9.0% (approx.)
Scale	Loan balance	¥3.0 trillion (approx.)
	Deposit balance	Over ¥4.0 trillion

\* Net operating profit = gross operating profit – expenses

\* ROE based on net income = net income ÷ (capital at beginning of year + capital at end of year) ÷ 2

\* Capital ratio (consolidated) is core capital ratio based on Basel III taking into account transitional arrangements.

# Corporate Governance

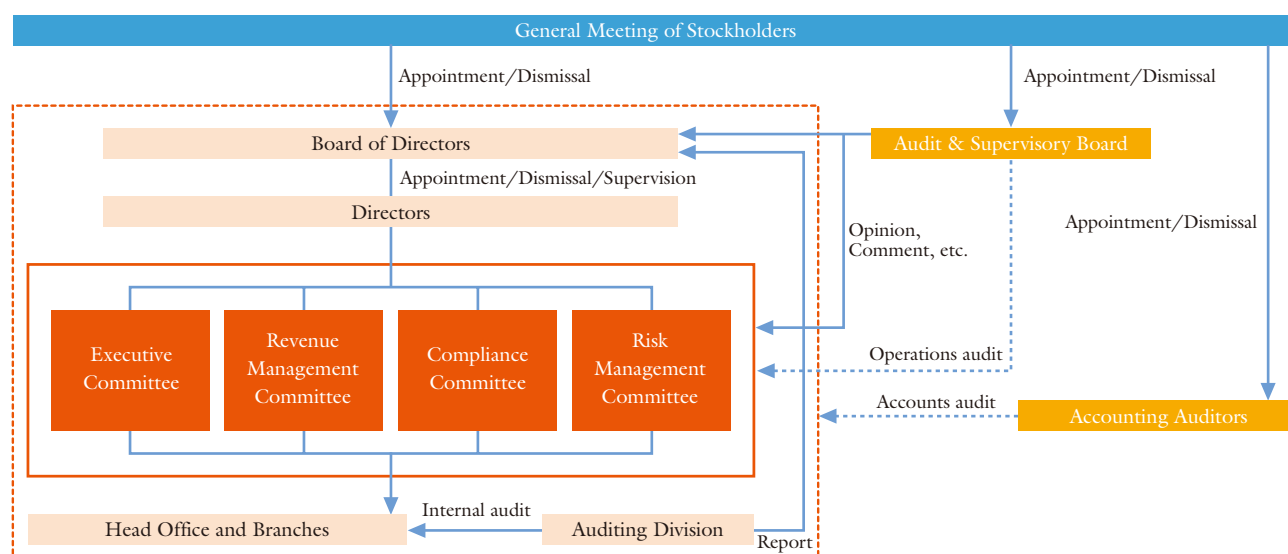
## Basic Approach to Corporate Governance

With the aim to realize its Corporate Vision, the Bank has enhanced its corporate governance framework, which is centered on the Board of Directors, so that it operates a fair, speedy and decisive decision-making process.

In addition, the Bank is a company with an Audit & Supervisory Board that ensures the effectiveness of management oversight by having the Board of Directors and Audit & Supervisory Board members supervise and audit the directors' execution of their duties.

The Bank will continue to strengthen corporate governance while improving sustainable growth and corporate value over the medium to long term by enhancing communication with shareholders, customers and the local community and through the appropriate disclosure of information.

[Corporate Governance Framework]



## Overview of Corporate Governance Structure

### Board of Directors

The Board of Directors consists of 11 directors including outside directors and meets once a month as a general rule and also as needed. In addition to specific matters stipulated by laws and regulations and in the Articles of Incorporation, the Board passes resolutions on important matters related to management and oversees the execution of directors' and executive officers' duties. In addition, the Bank has appointed two outside directors to ensure that external monitoring system of the company is working properly.

### Audit & Supervisory Board

The Audit & Supervisory Board consists of five members including three outside members who are fair and have a high degree of professionalism to ensure the independence and neutrality of the audit framework. Audit & Supervisory Board Members, based on auditing policies, appropriately audit and oversee management by attending important company meetings including Board of Director meetings and stating their opinions.

### Executive Committee

The Executive Committee consists of the chairman of the company, the President, senior managing executive officers and managing executive officers and, as a body that deliberates and decides important matters pertaining to the execution of management duties, it meets on a regular or as needed basis. In addition, the Bank has established the Revenue Management Committee, the Compliance Committee and the Risk Management Committee which provide a structure to discuss and decide more specialized matters.

### Executive Officer System

To speed up management decision-making and strengthen business execution functions, the Bank has introduced an executive officer framework. Executive officers (as of July 1, 2015 there were 24, of whom seven concurrently serve as directors) appointed by the Board of Directors strive for corporate management with flexible decision-making and speed of action.

### Auditing Division

From the perspective of maintaining and improving the soundness and appropriateness of operations, the Auditing Division (an independent division) also fulfills an internal audit role and conducts inspections of assets and risks and internal audits of the operations of the head office as well as branches and subsidiaries. The results of audits are reported to the management.

### Accounting Auditors

The Bank's accounting auditors are Ernst & Young ShinNihon. As accounting auditors, they conduct appropriate audits from an independent standpoint.

# Risk Management

While the growing globalization of economic and financial affairs, together with the increasing sophistication of financial technology, are creating new business opportunities for financial institutions, the risks faced by financial institutions are also becoming more varied and complex. We regard sophisticated risk management techniques as being of primary importance for maintaining the soundness of a bank's business, and we also recognize the importance of appropriate responses to changing customer needs. To achieve these goals, we make every effort to properly recognize, assess and manage risks.

## Efforts toward Comprehensive Risk Management

### Basic concepts of risk management

Banking operations are facing a variety of risks, including credit risk, market risk, liquidity risk, and operational risk. We apply proper management to each risk depending on the characteristics of the operation and the risk. By ascertaining risks in a comprehensive manner and comparing them to our level of capital adequacy, we strive to achieve soundness and stability in our overall management and also to improve the efficiency of our operations: in other words, to practice integrated risk management.

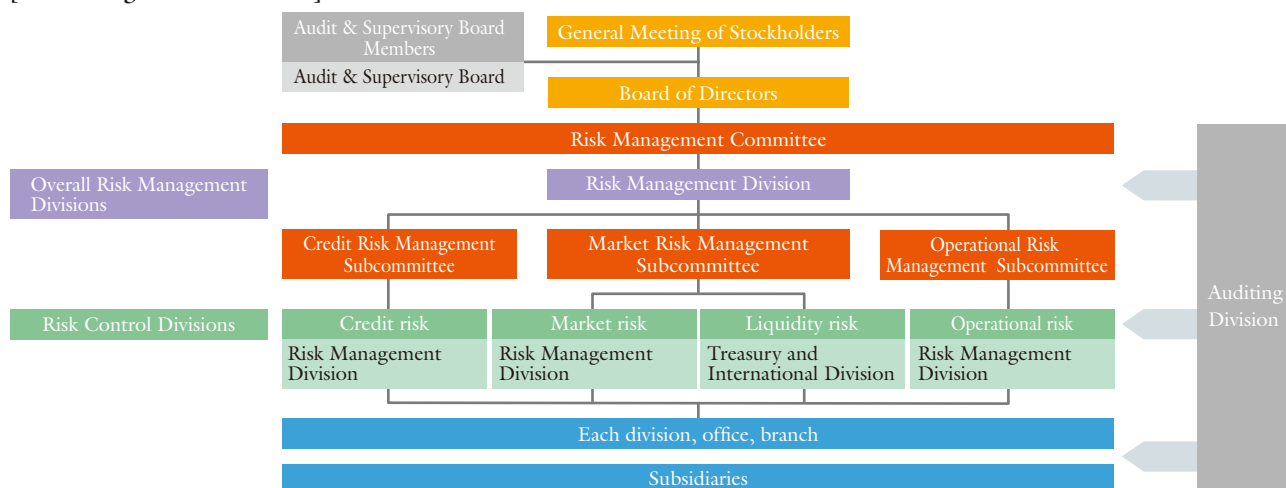
Moreover, our basic policies on overall and specific risk management are determined by the Board of Directors for each year, and through implementation of measures for each category of risk in accordance with these policies, we strive to achieve sophisticated risk management on an ongoing basis.

### Risk Management Framework

We have defined the types of risks in our risk management rules, drawn up by the Board of Directors. We then determine the category to which each risk belongs, and decide the divisions responsible for managing each category, along with management rules. We have also established an independent Risk Management Division to integrate risk management and carry out comprehensive management.

Additionally, through the establishment of the Risk Management Committee and sub-committees for each risk category as organizations under the Committee, and cross-sectional consultations on matters regarding risk management on a regular basis, we have put in place a highly sophisticated framework for the maintenance and management of risk.

#### [Risk Management Framework]



#### [Risks Subject to Management]

Risk Classification	Outline of Risks	Division in Charge
Credit Risk	Risk of reduction in the value of assets or their loss altogether due to deteriorating financial position at customers to which the Bank has granted credit	Risk Management Division
Market Risk	Risk of suffering loss due to volatility of financial assets and liabilities resulting from financial market fluctuation	Risk Management Division
Interest Rate Risk	Risk of reduced profits or total losses due to changes in interest rates arising because of discrepancies in interest rates on assets and liabilities, and in instrument maturities	
Foreign Exchange Risk	Risk of suffering loss due to a decrease in the yen-converted amount of foreign currency denominated assets and liabilities due to exchange market fluctuations	
Price Volatility Risk	Risk of a fall in asset values due to changes in the value of securities	
Liquidity Risk	Risk of suffering loss from difficulty in procuring necessary funds or abnormally high interest rate requirements in securing funds, due to causes such as unforeseen outflows of funding or turmoil in financial markets	Treasury and International Division
Operational Risk	Risk of suffering loss due to inappropriate or malfunctioning internal processes, personnel conduct or IT systems, or external factors	Risk Management Division
Process Risk	Risk of suffering loss due to or by executives' or employees' failure to perform duties, or to improper outside intervention	Operations Supervision Division
System Risk	Risk of suffering loss due to partial or complete system breakdown, malfunction, system deficiency, or improper use of the computer system	
Legal Risk	Risk of losses due to the violation of laws and ordinances and contracts and signing of inappropriate contractual commitments	Compliance and Legal Affairs Office
Human Resources Risk	Risk of losses caused by labor malpractice, workplace safety and environmental hygiene deficiencies and risk of employer liability in the event of illegal behavior by Bank employees	Personnel Division
Tangible Asset Risk	Risk of suffering loss due to damage to assets resulting from disaster or defective asset management	General Administration Division



### Practice of comprehensive risk management

We have introduced a framework for risk-adjusted capital allocation in which the credit and market risks inherent in banking operations are quantified; capital corresponding to risk amount (risk-adjusted capital) is allocated for each risk category, and risks are controlled within risk-adjusted capital, to earn revenues that correspond to the risks while keeping overall risks within our management capacity. Under this framework, based on the amount of equity capital (core capital) less the operational risk equivalent amount, risk-adjusted capital to cover credit and market risk is allocated each half-year and the changes in risk trends and the risk-return balance is monitored, enabling ascertainment and management of risk-adjusted profitability and efficiency.

In addition, stress tests are conducted on a regular basis and the

impact that major changes in the economic and market environments have on Bank profits and management stability is monitored, and the management soundness is also assessed.

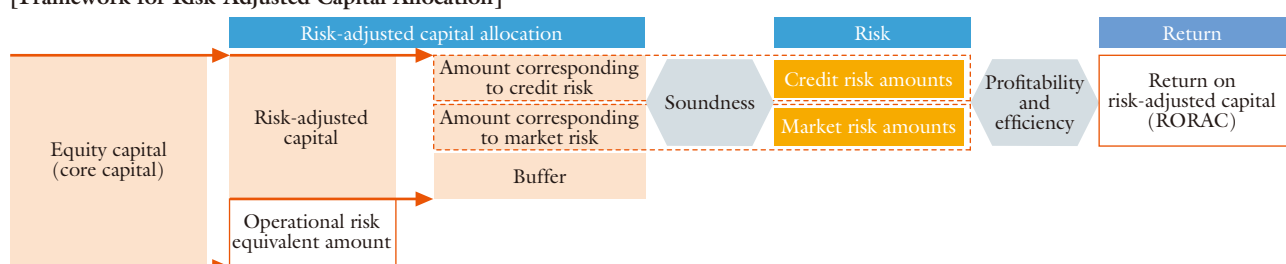
#### Definitions

**Core capital:** Equity capital established under Basel III (domestic standard)

**Operational risk equivalent amount:** Calculated using the Basic Indicator Approach

**Return on risk-adjusted capital (RORAC):** Profit and loss indicator, arrived at by deducting expenses, deemed allowance costs and capital costs from gross operating profits

[Framework for Risk-Adjusted Capital Allocation]



## Credit Risk Management Readiness

### Basic policy

Credit risk is a category of risk that has a significant impact on the soundness of a bank. In accordance with credit risk management rules approved by the Board of Directors, we identify, evaluate, measure and monitor and carry out stress-testing regarding credit risk on both an individual credit basis and a portfolio basis (total assets managed under the bank account), and control credit risk within the scope of allocated risk-adjusted capital.

### Framework

We have structured our organization and systems for mutual checking among three divisions: the Risk Management Division, which carries out overall credit risk management, including internal credit ratings and self-assessment systems; the Credit Supervision Division, which examines loan assets on an individual basis and determines internal ratings and borrower categories by making self-assessments; and the Auditing Division, which audits and verifies the appropriateness of the overall administration of the credit risk management system. Additionally, the results of credit risk amount measurements are reported to the Credit Risk Management Subcommittee and

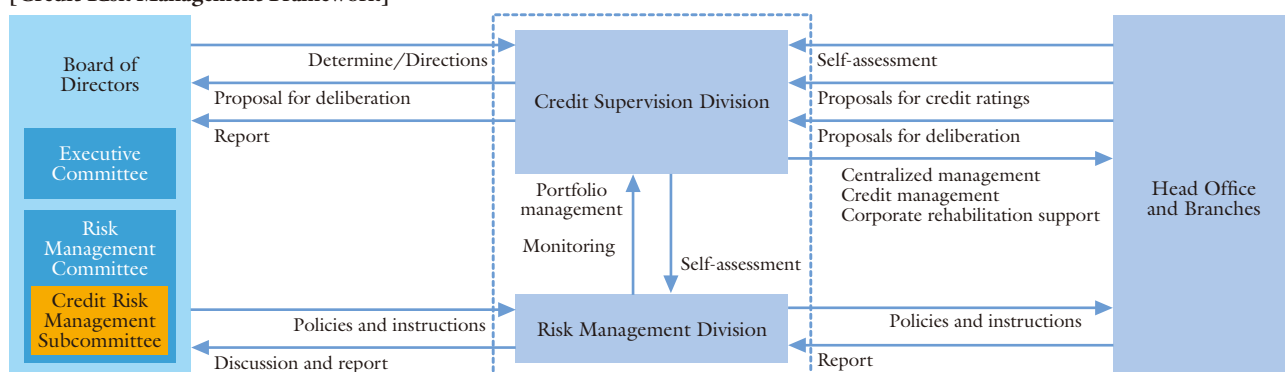
discussed therein regularly, with the results of discussions being reported to the management as necessary.

For individual credit management, we make efforts to ascertain the situation of parties to which credit is offered by assigning borrower ratings and through implementing self-assessment of loans. In particular, we carry out credit risk management by treating borrower ratings as important benchmarks for predicting the future probability of default.

Meanwhile, for credit management on a total asset basis, we measure the credit risk amount based on the internal rating on a regular basis, set the credit limit amount for each industry and borrower category, and control credit risk.

For the reserve for possible loan losses, we post it appropriately by methods based on loan-loss experience calculated using historical default rates over a certain period upon classification of receivables into certain types depending on the degree of risk, or by the method of reducing the projected amount for which collateral can be disposed and the amount judged to be collectible through guarantee from the amount of receivables.

[Credit Risk Management Framework]



Risk Management

## Credit risk reduction methods

Under our internal management, we regard collateral and guarantees that can be set up against a bona fide third person as eligible.

Collateral categories that we handle include our own bank deposit collateral, securities collateral, bill (including electronically recorded monetary claims) collateral, real estate collateral, and movables collateral. We carry out proper management of collateral by performing status surveys of real estate and movables collateral relating to business credit on a regular basis, and implementation of revaluation of listed stock collateral by daily market value. Moreover, for the appraisal of collateral for internal management purposes, we use market value amounts (for securities without market quotations, face value amounts) multiplied by certain ratio after taking into consideration price volatility and liquidity.

Regarding guarantors on the other hand, only for guarantors that satisfy a certain standard and about whose creditworthiness there is judged to be no concern is the effect of the guarantee taken into consideration.

## Risk management relating to derivative transactions

We engage in derivative transactions to hedge risks on transactions with customers and as a means of Asset-Liability Management (ALM). Additionally, to expand our profit opportunities, we engage in derivative transactions after setting transaction limits and loss-cut rules, centering on foreign exchange transactions.

We also have a system by which the credit equivalent amount relating to a derivative instrument is calculated on the basis of the current exposure method (market break cost with margin of possibility of price volatility in remaining period of agreement), and, after totaling this with on-balance transactions, we are positioned to manage limit amounts of credit corresponding to the creditworthiness

of each particular borrower. For derivative product transactions with financial institutions, we have established credit lines for management purposes.

With regard to collateral provided against risk with regard to bank transaction derivative product transactions, our preparations assume the possible need to furnish additional collateral should our creditworthiness deteriorate. Should it become necessary to take this step, the impact would be limited, since we own sufficient assets that can be provided. We do not engage in long-term settlement period transactions of securities.

## Risk management relating to securitization

When considering providing a loan that is classified as a securitization transaction or investing in securitization products from the investor viewpoint, the Bank determines whether or not to provide the loan after verifying the propriety of the reimbursement plan based on the future cash flows of the underlying assets, and other matters. For securitization products we analyze the risks and make careful investment judgments, while taking as the limit amount that amount determined for each six-month period, with reference to market trends and rating information assigned by eligible rating agencies. Note that as the originator we do not conduct securitization transactions with the assets of the Bank with the objective of credit risk reduction.

In addition to credit risk, securitization transactions also entail price volatility risk arising from declines in the value of the underlying assets and other factors, interest-rate risk, risks derived from the scheme, and other risks. Therefore, even after investing or lending, we establish structures for regularly monitoring the various kinds of risk information inherent in these risks, and continuously monitor the status of these risks in order to manage them appropriately.

## Market Risk Management Readiness

### Basic policy

Market risk management is extremely important for responding accurately to our customers' transaction needs, and at the same time for securing stable profits by controlling our assets and liabilities amid daily changes in interest rates, foreign exchange rates, stock prices, and other factors.

Under our market risk rules, approved by the Board of Directors, we hold market risk to refer to our exposure to fluctuations in the value of assets and liabilities due to fluctuations in interest rates, stock prices, foreign exchange rates and other factors, and the possibility of subsequent losses. We further categorize market risk as interest-rate risk, price volatility risk or foreign-exchange risk, depending on where

[Market Risk Management and ALM System]



the loss arose, and take appropriate management countermeasures.

We use an ALM System for cross-organizational discussions regarding measures for stabilization of medium- to long-term profits, based on our assessment of market risks.

#### System

We have a system in which the section in charge of market transaction execution (front office), clerical management (back office) and market risk management (middle office) are separated from each other in the Treasury and International Division so that market transactions will be implemented under the mutual check. Then, through comprehensive management of overall market risk by the Risk Management Division, independent from the division that implements market transactions, we are making efforts toward centralized management of market risk, including interest rate risk for the whole bank.

Moreover, for continuous and appropriate management of market risk inherent in overall bank assets and liabilities, we have established the Market Risk Management Subcommittee as an organization under the Risk Management Committee, and this performs monitoring of risk status or the effectiveness of risk management on a regular basis.

In the ALM System, the Corporate Planning Division works as a secretariat, with the Budget ALM Subcommittee, which is a sub-organization, under the Revenue Management Committee. Based on market risk appraisal by the Risk Management Division and the Treasury and International Division, consultation is undertaken regarding measures for stable generation of medium- to long-term profits, and the results are translated into actual measures.

#### Management method

For management of market risk, we measure risk amounts statistically by methods that correspond to type of transaction, such as bank account transactions and trading account transactions, and risk factors including interest rate, market price, and foreign exchange rate, and manage risk within the scope of the risk-adjusted capital allocated to market risk. For trading on markets, such as securities transactions, fund transactions, and derivatives transactions, we set limit amounts as to long or short positions and the loss-cut rules, and carry out monitoring of the status of observance of the limits on a regular basis.

The following shows our management of the principal risk factors.

#### • Bank account transactions

We apply the historical method to loans and bills discounted, securities, deposits, interest-rate swaps and other interest-rate risk exposures, for price volatility risk on equity shares held for policy purposes, as well as for interest-rate risk, price volatility risk, and foreign exchange risk on money held in trust. We quantify and manage price volatility risk on investment trusts by measuring Value at Risk under the Delta method. Furthermore, we conduct stress tests of scenarios such as a rapid rise in interest rates or a significant drop in stock prices, and sensitivity analyses of interest rates and stock prices (stock price indices).

#### • Trading account transactions

To measure and manage Value at Risk, we apply the historical method for interest-rate risk on trading account securities and interest-rate futures transactions, and for foreign-exchange rate risk for foreign-exchange trading.

#### Definitions

**Banking account transactions:** Deposit transactions, loan transactions, investment in securities, etc., and derivative transactions for the purposes of hedging the aforementioned.

**Trading account transactions:** Foreign-exchange, interest-rate dealing and other trading, underwriting and bidding for trading account securities (government bonds).

**Value at Risk (VaR) :** Based on historical data, a statistical estimate of exposure to risk of losses in current values.

**Historical method:** A method for measuring VaR that takes interest-rate, stock-price, foreign-exchange and other fluctuations over a fixed period of time and applies them to current positions.

**Delta method:** A method for measuring VaR assuming a normal distribution of fluctuation in interest rates, stock prices and foreign-exchange rates.

**Sensitivity:** This indicator shows the extent of the change in the value (present value) of a portfolio when interest rates and stock prices (stock price indices) fluctuate by a fixed percentage.

## Liquidity Risk Management Readiness

#### Basic policy

Liquidity risk is a very serious risk category that carries the potential to bring about the bankruptcy of a financial institution. Consequently, to minimize the likelihood of actualization of liquidity risk, the Board of Directors has drawn up a set of liquidity risk management rules to guide employees in the day-to-day conduct of business operations with adequate countermeasures for liquidity risk.

#### System

The Bank entrusts the Treasury and International Division with liquidity risk management. Appropriate controls are exercised over liquidity risk through regular monitoring of risk status and the effectiveness of management measures by the Market Risk Management Subcommittee under the Risk Management Committee.

#### Management method

In addition to taking account of daily and monthly cash flow forecasts, we ensure appropriate and stable day-to-day management of cash flow in line with operational and procurement procedures through maintenance of adequate liquidity reserves and other measures. In addition, we have created mechanisms to deal promptly and appropriately with actual contingencies that may develop, classified as “normal,” “caution,” and “liquidity crisis,” enabling us to respond immediately to unpredictable events that adversely affect cash flow.

## Operational Risk Management Readiness

### Basic policy

Operational risk refers to risk relating to losses arising from inadequacies or failures of internal processes, on the part of personnel or of systems, or from occurrence of external factors. Operational risk covers a wide scope, such as improper paperwork, human error, system failure, damage due to criminal acts (internal or external), and damage to assets due to disaster, or other causes.

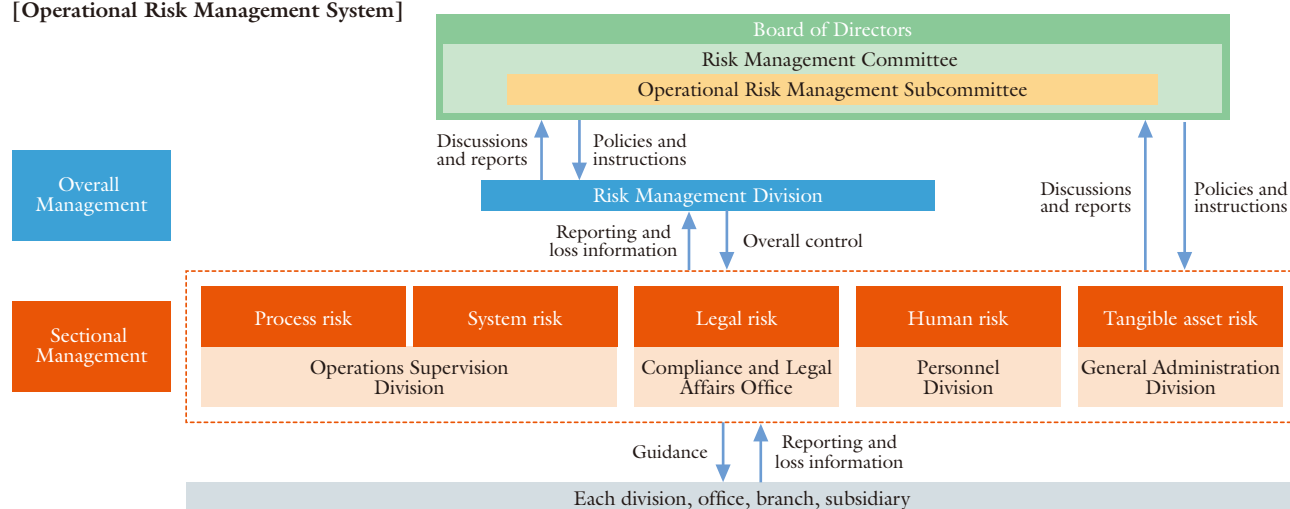
We conduct continuous management to prevent such operational risks from arising, to minimize the impact of the risk in case of its arising, and to prevent its recurrence, in accordance with our operational risk management rules, drawn up by the Board of Directors, in order to maintain and strengthen the trust of our customers.

### System

For process risk, system risk, legal risk, human risk, and tangible asset risk, we assign a certain division in charge of each risk, and stipulate management rules for each risk, and carry out necessary risk control measures based on an evaluation of risk control status. At the same time, through the establishment of an operational risk controlling division to identify and manage operational risk as a whole, various risks are managed comprehensively.

Additionally, for cross-sectional monitoring of various risks, we have established the Operational Risk Management Subcommittee as an organization under the Risk Management Committee. Through regular analysis of risk actualization events, monitoring the status of risk reduction measures, and ordering countermeasures as necessary, we improve the efficiency of our operational risk management.

[Operational Risk Management System]



### Management method

#### Potential operational risk

We have introduced Risk & Control Self-Assessment methods. These cover detection of all potential operational risk existing in various forms in the operations, transactions, systems and all asset categories of the Bank. We also undertake regular inspections to check whether advance detection mechanisms for risk and prevention policies are functioning effectively, and if not take remedial measures. This approach ensures consistent and ever-improving standards of operational risk management.

#### When operational risk is detected

When operational risk is detected, the department involved

immediately contacts the appropriate department supervising risk management and takes due measures in line with instructions received. In addition, by closely investigating all details of the event and analyzing causes and trends, we can establish processes for reviewing and implementing countermeasures and assessing their effectiveness.

### Explanation of Terms

**Risk & Control Self-Assessment:** A method for identifying, assessing, and monitoring risk with the goal of identifying potential risk, preventing exposure to risk, and reducing the amount of loss from risk.

## Risk Audit and Inspection Readiness

To strengthen our risk management system, it is necessary to conduct regular inspections of the effectiveness of system functioning. To this end, we have set up a dedicated section within the Auditing Division. The section (Risk Audit Group) is tasked with verifying that risk is being properly managed, both in the Bank's Head Office departments and branches, and in our subsidiaries. The Group carries out inspections of the status of risk management implementation, including

regular checks of the adequacy of risk-related operations at our branches. The Head Office departments, subsidiaries and individual branches are also required to conduct self-inspections to confirm that procedures are being followed as laid down. These inspections improve the level of risk management and minimize the probability of human or system error.

We are working to build up the trust of our customers through due measures for monitoring and minimizing risks of all kinds, and through creation of systems for early recognition and management of risk-related issues.

# Compliance System

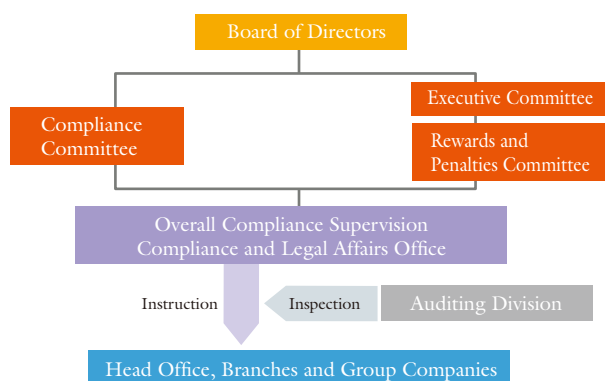
## Basic Policy

The function of banks is highly public in nature, and is intimately bound up with the welfare of society as a whole. Their primary role is to assist the sound development of the economy. At the Hyakujushi Bank, to honor the trust placed on us by our stockholders, customers and the local community, all our executives and employees assign a high priority to compliance with laws and regulations, as well as the observance of high ethical standards in the conduct of the Bank's business. Compliance is a key priority at the Hyakujushi Bank.

### Compliance System

The Compliance and Legal Affairs Office exercises overall supervision of compliance issues, and implements centralized management of matters related to compliance. Furthermore, Compliance officers with responsibility for compliance matters are designated in each division, office, and branch of the Bank to ensure that the rules of compliance are observed and that all staff are fully aware of issues concerned. Staff are also required to confirm the compliance status of each business unit by filling out a checklist, and compliance seminars are held to keep staff up-to-date and fully informed regarding compliance-related matters. To further improve the efficiency of compliance systems, the Compliance Committee has been established, as well as the Rewards and Penalties Committee.

[Compliance System]



### Compliance measures

We have published a Compliance Manual as a practical handbook covering specific compliance issues, and have initiated a Compliance Program to serve as an action plan for realizing compliance measures.

We have also drawn up the Hyakujushi Bank Code of Ethics to be followed by executives and employees, and put up compliance awareness posters ("Mamorimasu") in all sections and branches of the Bank. In internal educational activities, lectures on compliance are given in all training programs, including seminars designed for all the different levels of employees within the Bank's hierarchy. This initiative to improve understanding of compliance is being conducted across the whole Bank, with directors and corporate auditors required to attend Compliance Seminars held by the Regional Banks Association of Japan. We are instilling compliance awareness at all branches, with guidance at branches and training of compliance officers.

### Whistleblower hotline

We set up a whistleblower hotline, and are strengthening compliance systems by protecting users of the hotline, and taking measures to identify and remedy wrongful activities at the early stage.

### Abuse of power or position

To assure propriety in all of the Bank's transactions (prevention of the abuse of power or position), the Bank has established the "Manual on Compliance with the Antimonopoly Act" based on the scenarios in the Fair Trade Commission publication "Types of Activities that Can Cause Problems (Unfair Business Practices)" and we are making strenuous efforts to keep all staff informed about compliance through in-house training sessions and other methods, so that no unfair transactions occur.

## Uphold

### Compliance

#### Hyakujushi Bank's Corporate Ethics

1. Awareness of public mission
2. Provide high-quality financial services
3. Strict observance of laws and rules
4. Communicate with society
5. Respect employees' human rights
6. Tackle environmental problems
7. Undertake social contribution activities
8. Block relationships with anti-social forces

#### Code of Business Conduct

1. Obey rules
2. Keep promises
3. Keep public and private separate
4. Maintain no conflicts of interest
5. Do not compete unfairly
6. Do not abuse power or position
7. Do not leak or abuse inside information
8. Respect each other and create a comfortable working environment
9. Rigorously enforce "report, contact, consult"



### Personal information protection

With society becoming increasingly information-driven day-by-day, the Bank has laid down regulations, set out guidelines, and built an organizational system relating to the secure management of personal information. We have also taken steps to properly handle customers' personal information by providing rigorous training including in-house workshops to all officers and employees.

At Hyakujushi Bank, we take the view that the appropriate handling and protection of personal information entrusted to us is an absolute prerequisite for the long-term conduct of business activities. We have codified our policies regarding personal information protection in our Privacy Policy, which is available for perusal on our website, and has also been publicized via posters and pamphlets.

### Management of conflict of interest

In the transactions conducted by the Bank and its Group companies, we appropriately manage potential conflicts of interest to ensure that our customers' interests are not unjustly harmed.

Specifically, to appropriately manage potential conflicts of interest, we have established a unit to oversee the management of conflicts of interest, with a single executive appointed as officer with responsibility for the management of conflicts of interest. We have also set up a system whereby transactions that carry the possibility of conflict of interest are specified and all transactions with potential conflicts of interest are subject to unified management.

We have laid down a set of Policies on Management of Conflicts of Interest to specifically spell out the Bank's measures to prevent conflict of interest, and we are taking all necessary measures to appropriately manage potential conflicts of interest to ensure that our customers' interests are not unjustly harmed. These measures include the conduct of regular training courses to ensure that all directors and employees of the Bank and other companies in the Group are fully aware of the issues involved.

An outline of the Bank's Policies on Management of Conflicts of Interest is available for public viewing on our website, and we are also employing posters that convey the gist of these policies.

### Controls on insider trading

The financial authorities of Japan impose restrictions on insider trading, which is defined as buying or selling of stocks or other securities issued by a company before important information regarding the company is publicly released, by persons whose position gives them access to non-public information including management and financial information that may influence investment decisions.

At the Hyakujushi Bank, we have drawn up a set of Insider Trading Regulations to ensure that the Bank fulfills its social responsibilities as a corporate citizen and prevents insider trading. These regulations specify the basic items pertaining to the management of important non-public information known to executives and other employees of the Bank, as well as the duties of Bank employees. We have taken steps to prevent insider trading by providing rigorous training including in-house workshops to all executives and employees.

### Exclusion of anti-social forces

In order to prevent the harm caused by anti-social forces and maintain the public trust in the Bank and its Group companies, we are taking measures to exclude organized anti-social forces. For example, we resolutely reject all illegitimate demands made by anti-social forces, and we have no relationships with anti-social forces including business relationships.

Specifically, we have established the "Regulations for Preventing Harm by Anti-social Forces" and other guidelines, and are keeping all of our staff well-informed about our policies for dealing with anti-social forces. We are also collaborating with specialized external organizations such as the police, the National Center for the Elimination of Boryokudan, lawyers, and others to block relationships with anti-social forces.

## Prevention of Money Laundering

Money laundering is “the act of trying to hide the source and attribution of criminal profits” and funding terrorism is “the act of providing funds for terrorist activities to terrorists.”

The operating methods of money laundering and criminal circumstances are constantly changing and in recent years have

become elaborately complex. Because of strong calls for international cooperation to prevent money laundering, the Bank has instituted a money laundering prevention policy that has been made public on its website as an expression of its resolve to prevent money laundering so that the Bank is never used as a channel for criminal funds.

## Prevention of Money Laundering Policy

February 2014  
The Hyakujushi Bank, Ltd.

The Hyakujushi Bank, Ltd. (hereinafter, “the Bank”) strongly recognizes the importance of measures to prevent money laundering and terrorist financing (hereinafter, “money laundering”). In response to stern demands from the international community, the Bank will build an internal control system like the one described below for the prevention of money laundering, and thereby conduct its business.

Money laundering is “the act of trying to hide the source and attribution of criminal profits” and funding terrorism is “the act of providing funds to terrorists for terrorist activities.”

The operating methods and criminal circumstances of money laundering are constantly changing and in recent years have become elaborately complex. Because of strong calls for international cooperation to prevent money laundering, the Bank stipulates this policy to reiterate its resolve to prevent money laundering so that the Bank is never used as a channel for criminal funds.

### Operational policy

- The Bank will clarify its role internally concerning the prevention of money laundering and will create a system capable of taking appropriate measures in a timely manner.

### Customer due diligence

- With respect to customer due diligence, the Bank will establish an internal system capable of taking appropriate measures in a timely manner.
- With respect to customer due diligence, the Bank will instruct and train officers and employees and instill countermeasure about the prevention of money laundering.

### Confirmation of measures to freeze assets

- With respect to the confirmation of measures to freeze the assets of terrorists, the Bank will establish an internal system capable of taking appropriate measures in a timely manner.
- With respect to the confirmation of measures to freeze the assets of terrorists, the Bank will instruct and train officers and employees and instill countermeasures for the prevention of money laundering.

### Notification of suspicious transactions

- With respect to suspicious transactions, the Bank will establish an internal system capable of taking appropriate measures in a timely manner.
- The Bank will, under law, promptly notify authorities of suspicious transactions.
- The Bank will promptly take appropriate measures concerning suspicious transactions.
- With respect to suspicious transactions, the Bank will instruct and train officers and employees and instill information about the prevention of money laundering.

### Verification of compliance

- The Bank will review compliance concerning the prevention of money laundering and work to continuously improve its system based on the results of the review.

## Board of Directors and Audit & Supervisory Board Members



Katsuhiko Takesaki  
*Chairman*



Tomoki Watanabe  
*President*



Yukio Hirao  
*Director & Senior Managing  
Executive Officer*



Noriaki Iida  
*Director & Senior Managing  
Executive Officer*

### *Chairman*

Katsuhiko Takesaki

### *President*

Tomoki Watanabe

### *Directors & Senior Managing Executive Officers*

Yukio Hirao

Noriaki Iida

### *Directors & Managing Executive Officers*

Kiyoshi Irie

Ryuji Nishikawa

Teruo Kiuchi

Ryohei Kagawa

Yujiro Ayada

### *Outside Directors*

Etsuya Kanamori

Michiyo Ihara

### *Managing Executive Officers*

Osamu Itami

Shinji Matsumoto

Kazushi Kozuchi

Takashi Mori

### *Executive Officers*

Akihiro Matsubara

Tadahiko Tamura

Masahiko Miyake

Yasuo Miyake

Kazuo Shirotori

Toshiya Yoritomi

Yoshitaka Nishikawa

Takayuki Miyataki

Kiichiro Oyama

Koichi Zensho

Nobuyoshi Amano

Akihiko Fujimura

Masakazu Toyoshima

### *Full-time Audit & Supervisory Board Members*

Tsutomu Inamo

Masanobu Satomi

### *Outside Audit & Supervisory Board Members*

Ichiro Terato

Hideki Kuwashiro

Kazuo Kobayashi

(as of July 1, 2015)

## Consolidated Balance Sheets

As of March 31	Millions of yen		Thousands of U.S. dollars (Note 1)
	2015	2014	2015
<b>Assets:</b>			
Cash and due from banks .....	¥ 305,246	¥ 390,388	\$ 2,540,124
Call loans and bills bought .....	3,605	—	30,000
Monetary claims bought.....	31,059	32,387	258,465
Trading account securities (Note 7).....	2	8	21
Money held in trust (Note 8).....	4,901	4,901	40,790
Securities (Notes 7 and 11) .....	1,454,688	1,335,641	12,105,256
Loans and bills discounted (Note 10) .....	2,696,444	2,614,215	22,438,586
Foreign exchange assets.....	13,507	17,446	112,403
Lease receivables and lease investment assets (Note 19) .....	16,865	17,951	140,350
Other assets .....	31,709	32,609	263,872
Tangible fixed assets (Notes 13, 16 and 17) .....	43,716	45,041	363,789
Intangible fixed assets .....	4,625	4,732	38,488
Net defined benefit asset.....	4,691	857	39,036
Deferred tax assets (Note 12).....	1,286	1,501	10,709
Customers' liabilities for acceptances and guarantees.....	21,140	17,249	175,924
Reserve for possible loan losses .....	(18,387)	(21,720)	(153,014)
Total assets.....	¥4,615,105	¥4,493,211	\$38,404,806

## Consolidated Balance Sheets

As of March 31	Millions of yen		Thousands of U.S. dollars (Note 1)
	2015	2014	2015
<b>Liabilities and net assets</b>			
<b>Liabilities:</b>			
Deposits (Note 11).....	¥3,801,437	¥3,769,308	\$31,633,827
Negotiable certificates of deposit.....	169,926	184,119	1,414,048
Call money and bills sold (Note 11).....	48,068	38,595	400,000
Payables under securities lending transactions .....	40,520	9,901	337,190
Borrowed money (Notes 11 and 14) .....	128,635	121,083	1,070,445
Foreign exchange liabilities .....	354	140	2,948
Corporate bond (Note 15) .....	10,000	10,000	83,215
Other liabilities .....	71,955	73,575	598,781
Reserve for directors' bonuses .....	23	26	197
Net defined benefit liability.....	155	947	1,292
Accrued directors' retirement benefits .....	51	49	425
Provision for claims on dormant accounts.....	539	559	4,493
Provision for contingent liabilities .....	107	114	892
Reserve for litigation loss .....	1,173	—	9,765
Deferred tax liabilities (Note 12).....	19,364	3,870	161,141
Deferred tax liability for land revaluation (Note 16) .....	6,176	6,819	51,398
Acceptances and guarantees .....	21,140	17,249	175,924
Total liabilities .....	4,319,629	4,236,360	35,945,988
<b>Net assets:</b>			
Stockholders' equity:			
Common stock .....	37,322	37,322	310,582
Capital surplus.....	24,920	24,920	207,376
Retained earnings .....	143,886	138,689	1,197,354
Treasury stock.....	(4,730)	(4,181)	(39,363)
Total stockholders' equity .....	201,398	196,751	1,675,949
Accumulated other comprehensive income:			
Net unrealized gains on securities, net of taxes .....	68,952	37,722	573,795
Net deferred losses on hedging instruments, net of taxes.....	(3,010)	(24)	(25,049)
Revaluation reserve for land (Note 16).....	8,722	8,044	72,587
Remeasurements of defined benefit plans.....	1,631	(2,719)	13,577
Total accumulated other comprehensive income .....	76,297	43,022	634,910
Share warrants .....	196	156	1,633
Minority interests .....	17,583	16,920	146,323
Total net assets .....	295,476	256,851	2,458,817
Total liabilities and net assets .....	¥4,615,105	¥4,493,211	\$38,404,806

As of March 31	Yen		U.S. dollars (Note 1)
	2015	2014	2015
<b>Per share</b>			
Net assets.....	¥928.83	¥798.27	\$7.729

See accompanying notes to consolidated financial statements.



## Consolidated Statements of Income

	Millions of yen		Thousands of U.S. dollars (Note 1)
For the years ended March 31	2015	2014	2015
<b>Income:</b>			
Interest on loans and bills discounted .....	¥33,607	¥34,298	\$279,665
Interest and dividends on securities .....	14,439	12,833	120,162
Other interest income .....	463	414	3,854
Fees and commissions .....	10,844	10,725	90,240
Other operating income .....	5,692	6,429	47,368
Other income .....	12,624	15,890	105,058
Total income .....	77,671	80,592	646,349
<b>Expenses:</b>			
Interest on deposits and negotiable certificates of deposit .....	2,208	2,138	18,378
Interest on call money and bills sold .....	236	148	1,969
Interest on borrowed money .....	401	516	3,340
Other interest expenses .....	990	530	8,240
Fees and commissions .....	2,823	2,607	23,497
Other operating expenses .....	2,661	3,096	22,146
General and administrative expenses .....	40,108	40,253	333,763
Other expenses (Note 17) .....	10,909	9,636	90,782
Total expenses .....	60,339	58,928	502,118
<b>Income before income taxes and minority interests .....</b>	<b>17,332</b>	<b>21,663</b>	<b>144,230</b>
<b>Income taxes (Note 12):</b>			
Current .....	3,562	5,769	29,644
Deferred .....	3,841	3,700	31,963
Subtotal .....	7,403	9,470	61,607
<b>Income before minority interests .....</b>	<b>9,928</b>	<b>12,193</b>	<b>82,622</b>
<b>Minority interests .....</b>	<b>970</b>	<b>963</b>	<b>8,079</b>
<b>Net income .....</b>	<b>¥ 8,957</b>	<b>¥11,230</b>	<b>\$ 74,543</b>

	Yen		U.S. dollars (Note 1)
For the years ended March 31	2015	2014	2015
<b>Per share</b>			
Net income .....	¥29.84	¥37.16	\$0.248

See accompanying notes to consolidated financial statements.

## Consolidated Statements of Comprehensive Income

	Millions of yen		Thousands of U.S. dollars (Note 1)
For the years ended March 31	2015	2014	2015
Income before minority interests .....	¥ 9,928	¥12,193	\$ 82,622
Other Comprehensive income .....	33,304	(318)	277,143
Net unrealized income (loss) on other securities, net of taxes .....	31,302	(430)	260,481
Net deferred income (loss) on hedging instruments, net of taxes .....	(2,985)	111	(24,845)
Revaluation reserve for land .....	636	—	5,300
Remeasurements of defined benefit plans .....	4,350	—	36,206
Total comprehensive income .....	43,233	11,875	359,766
Total comprehensive income attributable to:			
Equity holders of the parent .....	42,190	10,890	351,094
Minority interests .....	¥ 1,042	¥ 984	\$ 8,671

See accompanying notes to consolidated financial statements.

## Consolidated Statements of Changes in Net Assets

	Millions of yen				
	Stockholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total stockholders' equity
For the years ended March 31					
<b>Balance as of March 31, 2013</b> .....	¥37,322	¥24,920	¥129,575	¥(2,935)	¥188,882
Change of items during the period					
Dividends from surplus.....	—	—	(2,118)	—	(2,118)
Net income .....	—	—	11,230	—	11,230
Purchase of treasury stock.....	—	—	—	(1,516)	(1,516)
Disposal of treasury stock.....	—	—	(10)	270	259
Transfer from revaluation reserve for land ...	—	—	16	—	16
Provision for revaluation reserve for land .....	—	—	(2)	—	(2)
Net changes of items other than stockholders' equity .....	—	—	—	—	—
Total changes of items during the period .....	—	—	9,114	(1,245)	7,868
<b>Balance as of March 31, 2014</b> .....	37,322	24,920	138,689	(4,181)	196,751
Cumulative effects of changes in accounting policies .....	—	—	(1,611)	—	(1,611)
Restated balance reflecting changes in accounting policies .....	37,322	24,920	137,077	(4,181)	195,139
Change of items during the period					
Dividends from surplus.....	—	—	(2,103)	—	(2,103)
Net income .....	—	—	8,957	—	8,957
Purchase of treasury stock.....	—	—	—	(780)	(780)
Disposal of treasury stock.....	—	—	(4)	231	226
Transfer from revaluation reserve for land ...	—	—	11	—	11
Provision for revaluation reserve for land .....	—	—	(52)	—	(52)
Net changes of items other than stockholders' equity .....	—	—	—	—	—
Total changes of items during the period .....	—	—	6,808	(549)	6,259
<b>Balance as of March 31, 2015</b> .....	¥37,322	¥24,920	¥143,886	¥(4,730)	¥201,398

	Millions of yen							
	Accumulated other comprehensive income					Share warrants	Minority interests	Total net assets
	Net unrealized gains on securities, net of taxes	Net deferred losses on hedging instruments, net of taxes	Revaluation reserve for land	Remeasurements of defined benefit plans	Total accumulated other comprehensive income			
For the years ended March 31								
<b>Balance as of March 31, 2013</b> .....	¥38,173	¥ (136)	¥8,057	¥ —	¥46,095	¥120	¥16,324	¥251,422
Change of items during the period								
Dividends from surplus.....	—	—	—	—	—	—	—	(2,118)
Net income .....	—	—	—	—	—	—	—	11,230
Purchase of treasury stock.....	—	—	—	—	—	—	—	(1,516)
Disposal of treasury stock.....	—	—	—	—	—	—	—	259
Transfer from revaluation reserve for land ...	—	—	—	—	—	—	—	16
Provision for revaluation reserve for land .....	—	—	—	—	—	—	—	(2)
Net changes of items other than stockholders' equity .....	(451)	111	(13)	(2,719)	(3,072)	36	596	(2,439)
Total changes of items during the period .....	(451)	111	(13)	(2,719)	(3,072)	36	596	5,428
<b>Balance as of March 31, 2014</b> .....	37,722	(24)	8,044	(2,719)	43,022	156	16,920	256,851
Cumulative effects of changes in accounting policies .....	—	—	—	—	—	—	—	(1,611)
Restated balance reflecting changes in accounting policies .....	37,722	(24)	8,044	(2,719)	43,022	156	16,920	255,239
Change of items during the period								
Dividends from surplus.....	—	—	—	—	—	—	—	(2,103)
Net income .....	—	—	—	—	—	—	—	8,957
Purchase of treasury stock.....	—	—	—	—	—	—	—	(780)
Disposal of treasury stock.....	—	—	—	—	—	—	—	226
Transfer from revaluation reserve for land ...	—	—	—	—	—	—	—	11
Provision for revaluation reserve for land .....	—	—	—	—	—	—	—	(52)
Net changes of items other than stockholders' equity .....	31,230	(2,985)	678	4,350	33,274	39	663	33,977
Total changes of items during the period .....	31,230	(2,985)	678	4,350	33,274	39	663	40,236
<b>Balance as of March 31, 2015</b> .....	¥68,952	¥(3,010)	¥8,722	¥1,631	¥76,297	¥196	¥17,583	¥295,476

## Consolidated Statements of Changes in Net Assets

	Thousands of U.S. dollars (Note 1)				
	Stockholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total stockholders' equity
For the years ended March 31					
<b>Balance as of March 31, 2014</b> .....	\$310,582	\$207,376	\$1,154,110	\$(34,794)	\$1,637,274
Cumulative effects of changes in accounting policies .....	—	—	(13,412)	—	(13,412)
Restated balance reflecting changes in accounting policies .....	310,582	207,376	1,140,698	(34,794)	1,623,862
Change of items during the period					
Dividends from surplus.....	—	—	(17,506)	—	(17,506)
Net income .....	—	—	74,543	—	74,543
Purchase of treasury stock.....	—	—	—	(6,491)	(6,491)
Disposal of treasury stock.....	—	—	(37)	1,922	1,885
Transfer from revaluation reserve for land ...	—	—	92	—	92
Provision for revaluation reserve for land.....	—	—	(435)	—	(435)
Net changes of items other than stockholders' equity .....	—	—	—	—	—
Total changes of items during the period .....	—	—	56,656	(4,568)	52,087
<b>Balance as of March 31, 2015</b> .....	\$310,582	\$207,376	\$1,197,354	\$(39,363)	\$1,675,949

	Thousands of U.S. dollars (Note 1)							
	Accumulated other comprehensive income					Share warrants	Minority interests	Total net assets
	Net unrealized gains on securities, net of taxes	Net deferred losses on hedging instruments, net of taxes	Revaluation reserve for land	Remeasurements of defined benefit plans	Total accumulated other comprehensive income			
For the years ended March 31								
<b>Balance as of March 31, 2014</b> .....	\$313,906	\$ (204)	\$66,943	\$(22,629)	\$358,016	\$1,302	\$140,805	\$2,137,399
Cumulative effects of changes in accounting policies .....	—	—	—	—	—	—	—	(13,412)
Restated balance reflecting changes in accounting policies .....	313,906	(204)	66,943	(22,629)	358,016	1,302	140,805	2,123,986
Change of items during the period								
Dividends from surplus.....	—	—	—	—	—	—	—	(17,506)
Net income .....	—	—	—	—	—	—	—	74,543
Purchase of treasury stock.....	—	—	—	—	—	—	—	(6,491)
Disposal of treasury stock.....	—	—	—	—	—	—	—	1,885
Transfer from revaluation reserve for land ...	—	—	—	—	—	—	—	92
Provision for revaluation reserve for land.....	—	—	—	—	—	—	—	(435)
Net changes of items other than stockholders' equity .....	259,888	(24,845)	5,643	36,206	276,893	331	5,517	282,743
Total changes of items during the period .....	259,888	(24,845)	5,643	36,206	276,893	331	5,517	334,830
<b>Balance as of March 31, 2015</b> .....	\$573,795	\$(25,049)	\$72,587	\$ 13,577	\$634,910	\$1,633	\$146,323	\$2,458,817

See accompanying notes to consolidated financial statements.

## Consolidated Statements of Cash Flows

	Millions of yen		Thousands of U.S. dollars (Note 1)
For the years ended March 31	2015	2014	2015
<b>Cash flows from operating activities</b>			
Income before income taxes and minority interests .....	¥ 17,332	¥ 21,663	\$ 144,230
Depreciation .....	3,361	3,371	27,972
Impairment losses .....	91	24	764
Amortization of goodwill .....	6	26	55
Net change in reserve for possible loan losses .....	(3,332)	(4,614)	(27,734)
Net change in reserve for bonuses for directors and corporate auditors .....	(2)	6	(21)
Net change in accrued retirement benefits .....	—	(504)	—
Net change in net defined benefit asset .....	(521)	(4,261)	(4,339)
Net change in net defined benefit liability .....	7	148	61
Net change in reserve for retirement payments to directors and corporate auditors .....	1	(5)	12
Net change in reserve for claims on dormant accounts .....	(19)	78	(166)
Net change in reserve for contingent liabilities .....	(6)	(20)	(57)
Net change in reserve for litigation loss .....	1,173	—	9,765
Interest income .....	(48,510)	(47,546)	(403,681)
Interest expenses .....	3,836	3,333	31,928
Net loss (gain) related to securities transactions .....	(1,818)	(3,437)	(15,131)
Net gain related to foreign exchange .....	(21,713)	(5,721)	(180,692)
Net loss on disposal of fixed assets .....	74	169	618
Net change in trading account securities .....	6	40	50
Net change in loans and bills discounted .....	(82,229)	(85,812)	(684,273)
Net change in deposits .....	32,128	348,549	267,360
Net change in negotiable certificates of deposit .....	(14,192)	(47,587)	(118,107)
Net change in borrowed money excluding subordinated borrowings .....	20,552	47,429	171,027
Net change in due from banks other than The Bank of Japan .....	9,443	(40,764)	78,583
Net change in call loans and others .....	(2,277)	7,780	(18,950)
Net change in call money and others .....	9,473	(13,320)	78,829
Net change in payables under securities lending transactions .....	30,618	9,901	254,792
Net change in foreign exchange assets .....	3,938	(10,064)	32,777
Net change in foreign exchange liabilities .....	213	(438)	1,776
Net change in lease assets and lease investment assets .....	1,085	(940)	9,031
Revenues from fund operations .....	48,585	48,793	404,308
Expenditure on fund procurement .....	(3,835)	(3,514)	(31,913)
Other .....	(1,105)	8,010	(9,196)
Subtotal .....	2,365	230,772	19,684
Payment of income taxes .....	(5,687)	(6,071)	(47,325)
Net cash provided by (used in) operating activities .....	(3,321)	224,701	(27,640)
<b>Cash flows from investing activities</b>			
Purchase of securities .....	(645,628)	(524,285)	(5,372,628)
Proceeds from sales of securities .....	349,082	410,620	2,904,901
Redemption of securities .....	242,327	109,565	2,016,538
Purchases of tangible fixed assets .....	(1,248)	(2,618)	(10,386)
Purchases of intangible fixed assets .....	(1,289)	(1,294)	(10,733)
Proceeds from sales of tangible fixed assets .....	406	257	3,386
Proceeds from sales of intangible fixed assets .....	3	—	26
Net cash used in investing activities .....	(56,347)	(7,755)	(468,895)
<b>Cash flows from financing activities</b>			
Repayment of subordinated borrowings .....	(13,000)	—	(108,180)
Purchase of treasury stock .....	(780)	(1,516)	(6,491)
Proceeds from sales of treasury stock .....	226	259	1,885
Dividends paid .....	(2,103)	(2,118)	(17,506)
Dividends paid to minority interests .....	(382)	(382)	(3,185)
Net cash used in financing activities .....	(16,040)	(3,758)	(133,477)
Effect of exchange rate changes on cash and cash equivalents .....	10	8	89
Net change in cash and cash equivalents .....	(75,698)	213,196	(629,924)
Cash and cash equivalents at beginning of year .....	316,529	103,333	2,634,012
Cash and cash equivalents at end of year .....	¥ 240,831	¥ 316,529	\$ 2,004,088

See accompanying notes to consolidated financial statements.

# Notes to Consolidated Financial Statements

## 1. Basis of presenting consolidated financial statements

The accompanying consolidated financial statements of The Hyakujushi 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 Law of Japan.

The Japanese yen figures in the consolidated financial statements are in millions, with fractions omitted.

The translation of the Japanese yen amounts into U.S. dollars is included solely for the convenience of the reader, using the prevailing exchange rate at March 31, 2015, which was ¥120.17 to U.S.\$1.00. The convenience translations should not be construed as representations that the Japanese yen amounts have been, could have been, or could in the future be, converted into U.S. dollars at this or any other rate of exchange.

## 2. Financial terms

Account closing dates of consolidated subsidiaries are as follows:

March 31st: 9 companies

January 31st: 1 company

Hyakujushi Preferred Capital Cayman Limited., whose account closing date is January 31, has been included in the scope of consolidation on the balance sheet based on the provisional closing of accounts, as of March, 31.

## 3. Significant accounting policies

### (1) Consolidation

The consolidated financial statements include the accounts of the Bank and its 10 subsidiaries.

Non-consolidated subsidiaries: 2

2nd Hyakujushi Venture Fund Cooperation Limited

3rd Hyakujushi Venture Fund Cooperation Limited

Non-consolidated subsidiaries were excluded from the scope of consolidation because its assets, ordinary income, net income (corresponding to equity), retained earnings (corresponding to equity) and accumulated other comprehensive income (corresponding to equity) have no material impact on the Bank's financial position and results of operations.

1st Hyakujushi Venture Fund Cooperation Limited completed liquidation during the fiscal year ended March 31, 2015.

### (2) Trading account securities

Under the Accounting Standard for Financial Instruments, trading account securities are stated at fair market value.

### (3) Securities

Marketable debt securities held to maturity are stated at amortized cost using the moving-average cost method. Investments in non-consolidated subsidiaries that are not accounted for by the equity method are stated at cost by the moving-average cost method. Available-for-sale securities of which market prices are available are stated at fair value based principally on their market prices at the balance-sheet date, whereas those for which the market value is not readily determinable are stated at cost or amortized cost using the moving-average cost method.

Unrealized gain or loss on available-for-sale securities (net of the related tax effect) has been reported as a component of net assets.

### (4) Derivatives

Under the Accounting Standard for Financial Instruments, derivatives are stated at fair value.

### (5) Depreciation

#### (a) *Tangible fixed assets*

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

Buildings: 10 to 50 years

Equipment: 5 to 15 years

Tangible fixed assets held by the consolidated subsidiaries are depreciated, in principle, by the declining-balance method, based on the respective estimated useful lives of the assets.

#### (b) *Intangible fixed assets*

Intangible fixed assets are amortized on a straight-line basis.

Depreciation of software for internal use is calculated using the straight-line method over the useful lives (principally 5 years).

#### (c) *Lease assets*

Assets held by our consolidated subsidiaries are depreciated over the leasing contract periods by the straight-line method.

### (6) Reserve for possible loan losses

Reserve for possible loan losses is provided as follows, based on the defined rules for write-offs and provisioning.

Reserve for possible loan losses for bankrupt or substantially bankrupt borrowers is provided based on the amount after deducting the collectible portion, based on the fair value of any underlying collateral or guarantees, except for a portion written-off, as explained below.

Reserve for possible loan losses for borrowers not currently bankrupt but likely to go bankrupt is provided considering the overall solvency assessment after deducting the collectible portion, based on the fair value of any underlying collateral or guarantees.

Reserve for possible loan losses on loans other than the above is provided based on loan loss experience as calculated using historical default rates.

In accordance with the Bank's asset self-assessment standards, loans are assessed by branch staff and head office staff in charge of inspection, the results of which are audited by independent staff in charge of audits. Provision is made to reflect these assessment procedures.

In the case of loans to borrowers who are bankrupt or substantially bankrupt, the amount remaining after deduction of the amount of collateral considered to be disposable and the amount recoverable under guarantees is set off from the original outstanding loan balance. The amount of such write-offs totaled ¥21,479 million (\$178,742 thousand) and ¥23,626 million for the years ended March 31, 2015 and 2014, respectively.

A reserve for possible losses on ordinary loans held by the Bank's consolidated subsidiaries is provided based on loan loss experience as calculated using the historical default rates. A reserve for possible losses on specific loans held by the Bank's consolidated subsidiaries is provided based on the amount deemed irrecoverable after careful examination of the recoverability of the loans in question on an individual basis.

### (7) Reserve for directors' bonuses

A provision is made for the payments of bonuses to directors and corporate auditors of the Bank based on an estimated amount deemed necessary.



## Notes to Consolidated Financial Statements

### (8) Accrued directors' retirement benefits

In order to provide for the payment of retirement benefits to directors of consolidated subsidiaries, a provision has been recorded as accrued directors' retirement benefits at the end of the consolidated reporting period.

### (9) Reserve for losses on claims on dormant accounts

A provision is made for losses on claims on dormant accounts in the future in an amount deemed necessary, taking into account the Bank's historical refund record.

### (10) Reserve for contingent liabilities

A provision is made for an estimated amount considered necessary for losses which may occur in the future due to contingencies other than those covered for in other reserves.

### (11) Reserve for litigation loss

A provision is made for litigation losses for an estimated amount considered necessary for losses which may occur in the future.

### (12) Accounting method for retirement benefits

To calculate retirement benefit obligations, the Bank used the benefit formula as a method for attributing estimated retirement benefits over the period until March 31, 2015. The amortization method for prior service costs and actuarial differences is as follows:

#### Prior Service Costs:

Prior service costs are charged fully to income at the time of occurrence.

#### Actuarial Differences:

Actuarial differences of the plans are to be amortized by the straight-line method from each succeeding fiscal year over a period of 10 years within the average remaining service period of the employees at the time of occurrence in each fiscal year.

In calculating retirement benefit liabilities and retirement benefit costs, some consolidated subsidiaries apply a simplified method that provides their retirement benefit obligation at an amount to be paid for voluntary termination at the balance sheet date.

### (13) Foreign currency translation

Receivables and payables in foreign currencies are translated into Japanese yen at the year-end rates.

### (14) Accounting standards for posting of earnings and expenses

Consolidated subsidiaries engaged in the leasing business post income and expenses relating to lease transactions as "Other income" and "Other expenses," respectively, at the time of receipt of lease charges.

### (15) Hedge accounting

#### (a) Hedges against interest rate fluctuations

The Bank applies the deferred hedge accounting method to hedge transactions to manage interest rate risk associated with various financial assets, as defined under "Accounting and Auditing Treatment relating to the Adoption of 'Accounting for Financial Instruments' for Banks" (JICPA Industry Audit Committee Report No. 24).

The hedging instruments are considered to highly effectively offset the change in fair value and cash flows arising from the hedged items both at inception and onward because the terms of hedged items and the corresponding hedging instruments are substantially identical.

#### (b) Hedging against currency fluctuations

The Bank applies the deferred hedge accounting stipulated in the basic provisions of JICPA Industry Audit Committee Report No. 25 to currency swap and foreign exchange swap transactions executed for the purpose of lending or borrowing funds in different currencies.

Pursuant to JICPA Industry Audit Committee Report No. 25, the Bank assesses the effectiveness of currency swap and foreign exchange swap transactions executed for the purpose of offsetting the risk of changes in currency exchange rates by verifying that there are foreign currency monetary claims and debts corresponding to the foreign-currency positions.

### (16) Goodwill

The straight-line method is employed for the amortization of goodwill over 5 years.

### (17) Statements of cash flows

The reconciliations between cash and due from banks in the consolidated balance sheets and cash and cash equivalents in the consolidated statements of cash flows are as follows:

	Millions of yen		Thousands of U.S. dollars
March 31	2015	2014	2015
Cash and due from banks.....	¥305,246	¥390,388	\$2,540,124
Time deposits with banks other than The Bank of Japan ...	(62,542)	(72,042)	(520,450)
Deposits with banks other than The Bank of Japan ...	(503)	(503)	(4,188)
Other.....	(1,369)	(1,312)	(11,397)
Cash and cash equivalents .....	¥240,831	¥316,529	\$2,004,088

### (18) Consumption taxes

In the accounting treatment of the Bank and its subsidiaries, the National Consumption Tax and the Local Consumption Tax are excluded from the transaction amounts.

## 4. Change in accounting policy

### (Adoption of Accounting Standard for Retirement Benefits)

From the fiscal year ended March 31, 2015, the Bank began applying Accounting Standard for Retirement Benefits (ASBJ Statement No. 26, issued on May 17, 2012) and Guidance on Accounting Standard for Retirement Benefits (ASBJ Guidance No. 25, issued on March 26, 2015) with respect to provisions set forth in the text of paragraph 35 of Accounting Standard for Retirement Benefits and the text of paragraph 67 of Guidance on Accounting Standard for Retirement Benefits. The Bank has reviewed its method of calculating retirement benefit obligations and service costs and has changed its method for attributing estimated retirement benefits from the straight-line attribution method to the benefit formula. At the same time, the method for determining the discount rate with respect to the duration of the bond upon with the discount rate decision is based, was changed from a method that used the number of years approximating the average remaining service period of the employees to one that uses a simple weighted average discount rate that reflects the estimated payment period of retirement benefits and the amount of each estimated payment period.

In applying the Accounting Standard for Retirement Benefits, the Bank follows transitional treatment set forth in paragraph 37 of Accounting Standard for Retirement Benefits. The financial impact resulting from the change in the method of calculating retirement benefit obligations and service costs has been adjusted in retained earnings at the beginning of the fiscal year ended March 31, 2015.

As a result, at the end of the fiscal year ended March 31, 2014, the Bank recorded net defined benefit assets of ¥1,279 million (\$10,648 thousand) net defined benefit liabilities of ¥3,770 million (\$31,378 thousand). Moreover, deferred tax assets increased by ¥879 million (\$7,317 thousand) and retained earnings decreased by ¥1,611 million (\$13,412 thousand). Further, this had no material impact on ordinary

## Notes to Consolidated Financial Statements

income and income before income taxes and minority interest.

The impact of this change on per share information is described in the per share information section.

*(Adoption of "Practical Solution on Transactions of Delivering the Company's Own Stock to Employees, etc. through Trusts")*

The Bank started applying the "Practical Solution on Transactions of Delivering the Company's Own Stock to Employees, etc. through Trusts" (ASBJ, PITF No. 30; March 26, 2015) from the fiscal year ended March 31, 2015. However, this has been accounted for with a previously adopted method and had no impact on the consolidated financial statement.

The impact of this change on per share information is described in the per share information section.

### 5. Additional information

*(Employee Stock Ownership Plan (ESOP) Trust)*

As a benefit package for employees, the Bank conducts transactions that deliver the Bank's own stock to the employee shareholding association through a trust.

#### 1. Transaction Overview

The Bank sets up trusts that have as their beneficiaries employees that are members of the Hyakujushi Bank Employee Shareholding Association (hereinafter "the Bank's shareholding association") who meet specific requirements. Said trusts purchase in advance during the acquisition period the number of Bank shares expected to be purchased by the Bank's shareholding association over a five-year period. The trusts then sell the Bank shares to the Bank's shareholding

association on a fixed day every month. When the share price rises and earnings have accumulated in the trust, upon its termination a cash distribution of the funds will be made to the employee beneficiaries in proportion to their contribution. When the share price declines and a transfer loss occurs, the Bank will bear the loss so there is no additional burden on the employee members.

2. The Bank applies the "Practical Solution on Transactions of Delivering the Company's Own Stock to Employees, etc. through Trusts" (ASBJ, PITF No. 30; March 26, 2015). However, this has been accounted for with a previously adopted method and transactions between the Bank and the trust, such as dividends distributed by the Bank to the trust, are offsetting.

3. Matters relating to the Bank's shares held by the trusts

(1) The book value of the trusts was ¥648 million as of March 31, 2014 and ¥430 million (\$3,584 thousand) as of March 31, 2015.

(2) The Bank's shares held by the trusts have been recorded as treasury stock in stockholders' equity.

(3) The number of shares at year-end was 1,773 thousand as of March 31, 2014 and 1,177 thousand as of March 31, 2015. The average number of shares during the year was 2,119 thousand for the fiscal year ended March 31, 2014 and 1,487 thousand for the fiscal year ended March 31, 2015.

(4) The number of shares at year-end and the average number of shares during the year in (3) above are included in the treasury shares to be deducted in the calculation of per share information.

4. The book value of borrowed money recorded due to the application of the gross price method was ¥699 million as March 31, 2014 and ¥466 million (\$3,881 thousand) as of March 31, 2015.

### 6. Changes in net assets

(1) Type and number of shares issued and treasury shares are as follows:

2015	Thousands of shares			
	March 31, 2014	Increase	Decrease	March 31, 2015
Shares issued:				
Common stock .....	310,076	—	—	310,076
Total .....	310,076	—	—	310,076
Treasury shares:				
Common stock (Notes 1, 2 and 3) .....	9,711	2,017	625	11,104
Total .....	9,711	2,017	625	11,104

Notes: 1. The number of shares of common stock at the beginning and end of the fiscal year ended March 31, 2015 includes 1,773 thousand shares and 1,177 thousand shares of the Bank's shares held by the Employee Stock Ownership Plan (ESOP) Trust.

2. The 2,017 thousand share increase in the number of common shares of treasury stock consists of a 2,000 thousand share increase by purchase based on a resolution of the board of directors and a 17 thousand share increase due to a purchase demand for fractional shares.

3. The 625 thousand share decrease in the number of common shares of treasury stock consists of a 596 thousand share decrease due to sale of shares from ESOP Trust to employee shareholding association, and a 29 thousand share decrease due to exercise of share warrants.

2014	Thousands of shares			
	March 31, 2013	Increase	Decrease	March 31, 2014
Shares issued:				
Common stock .....	310,076	—	—	310,076
Total .....	310,076	—	—	310,076
Treasury shares:				
Common stock (Notes 1 and 2) .....	6,412	4,016	717	9,711
Total .....	6,412	4,016	717	9,711

Notes: 1. A breakdown of the increase in the number of common shares in treasury is given below.

Increase by purchase based on resolution of the board of directors: 4,000 thousand shares

Increase due to purchase demand for fractional shares: 16 thousand shares

2. A breakdown of the decrease in the number of common shares in treasury is given below.

Decrease due to sale of shares from ESOP Trust to employee shareholding association: 665 thousand shares

Decrease due to exercise of share warrants: 51 thousand shares

Decrease by additional purchase demand for fractional shares: 1 thousand shares

## Notes to Consolidated Financial Statements

### (2) Matters concerning share warrants and own share options

The balance of share warrants (for stock options) at the end of March 31, 2015 and 2014 stood at ¥196 million (\$1,633 thousand) and ¥156 million, respectively. At end of the previous and current fiscal year, no shares had been earmarked for share warrants.

### (3) Information on dividends

#### (a) Dividends paid

#### 2015

Resolution	Type of share	Total dividend amount (Millions of yen)	Dividend per share (Yen)	Record date	Effective date
June 27, 2014 (Regular Annual General Meeting of Shareholders) ...	Common stock	¥1,051	¥3.5	March 31, 2014	June 30, 2014
November 10, 2014 (meeting of the Board of Directors) ...	Common stock	1,052	3.5	September 30, 2014	December 10, 2014

#### 2014

Resolution	Type of share	Total dividend amount (Millions of yen)	Dividend per share (Yen)	Record date	Effective date
June 27, 2013 (Regular Annual General Meeting of Shareholders) ...	Common stock	¥1,062	¥3.5	March 31, 2013	June 28, 2013
November 11, 2013 (meeting of the Board of Directors) ...	Common stock	1,055	3.5	September 30, 2013	December 10, 2013

#### 2015

Resolution	Type of share	Total dividend amount (Thousands of U.S. dollars)	Dividend per share (U.S. dollars)	Record date	Effective date
June 27, 2014 (Regular Annual General Meeting of Shareholders) ...	Common stock	\$8,748	\$0.029	March 31, 2014	June 30, 2014
November 10, 2014 (meeting of the Board of Directors) ...	Common stock	8,757	0.029	September 30, 2014	December 10, 2014

Note: In accordance with a resolution approved at the Bank's Regular Annual General Meeting of Shareholders held on June 27, 2014 and June 27, 2013, the total amount of dividends paid excludes the ¥6 million (\$51 thousand) and ¥8 million dividend payment to the Employee Stock Ownership Plan (ESOP) Trust. Moreover, the total amount of dividends paid excludes the ¥5 million (\$42 thousand) and ¥7 million dividend payment to the ESOP Trust pursuant to the resolution approved by the Board of Directors at a meeting held on November 10, 2014 and November 11, 2013.

These exclusions reflect the Bank's classification of the shares owned by the Trust as treasury stock.

#### (b) Dividends paid after the balance-sheet date

#### 2015

Resolution	Type of share	Total dividend amount (Millions of yen)	Source of dividends	Dividend per share (Yen)	Record date	Effective date
June 26, 2015 (Regular Annual General Meeting of Shareholders).....	Common stock	¥1,046	Retained earnings	¥3.5	March 31, 2015	June 29, 2015

#### 2014

Resolution	Type of share	Total dividend amount (Millions of yen)	Source of dividends	Dividend per share (Yen)	Record date	Effective date
June 27, 2014 (Regular Annual General Meeting of Shareholders).....	Common stock	¥1,051	Retained earnings	¥3.5	March 31, 2014	June 30, 2014

#### 2015

Resolution	Type of share	Total dividend amount (Thousands of U.S. dollars)	Source of dividends	Dividend per share (U.S. dollars)	Record date	Effective date
June 26, 2015 (Regular Annual General Meeting of Shareholders).....	Common stock	\$8,707	Retained earnings	\$0.029	March 31, 2015	June 29, 2015

Note: The total dividend on March 31, 2015 and 2014 excludes the ¥4 million (\$34 thousand) and ¥6 million dividends for the ESOP Trust.

This is because the shares owned by this trust are treated as treasury shares.

## 7. Securities and trading account securities

### (1) Trading account securities

A valuation gain of ¥0 million (\$0 thousand) was recognized for the year ended March 31, 2015, and a valuation gain of ¥0 million was recognized for the year ended March 31, 2014.

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

N/A

## Notes to Consolidated Financial Statements

## (3) Other securities

(a) Consolidated balance sheet amount and acquisition cost of other securities and their difference as of March 31, 2015 and 2014 were as follows:

2015	Millions of yen		
	Consolidated balance sheet amount	Acquisition cost	Difference
<b>Consolidated balance sheet amount exceeding acquisition cost</b>			
Equity stock .....	¥ 143,945	¥ 66,145	¥ 77,799
Bonds:			
National.....	588,526	576,529	11,996
Local.....	146,088	142,350	3,738
Corporate.....	223,461	221,059	2,402
	958,076	939,939	18,137
Other.....	238,897	227,092	11,804
Subtotal.....	1,340,919	1,233,177	107,741
<b>Consolidated balance sheet amount not exceeding acquisition cost</b>			
Equity stock .....	16,218	18,093	(1,874)
Bonds:			
National.....	4,964	4,974	(9)
Local.....	17,540	17,547	(6)
Corporate.....	39,554	39,582	(27)
	62,059	62,104	(44)
Other.....	32,573	36,641	(4,067)
Subtotal.....	110,851	116,838	(5,986)
Total .....	¥1,451,771	¥1,350,016	¥101,754

2014	Millions of yen		
	Consolidated balance sheet amount	Acquisition cost	Difference
<b>Consolidated balance sheet amount exceeding acquisition cost</b>			
Equity stock .....	¥ 108,232	¥ 61,155	¥47,076
Bonds:			
National.....	634,433	625,008	9,425
Local.....	167,474	163,028	4,445
Corporate.....	191,384	189,187	2,197
	993,292	977,223	16,068
Other.....	84,314	81,720	2,593
Subtotal.....	1,185,839	1,120,100	65,738
<b>Consolidated balance sheet amount not exceeding acquisition cost</b>			
Equity stock .....	20,090	23,520	(3,429)
Bonds:			
National.....	32,583	32,610	(26)
Local.....	4,484	4,497	(12)
Corporate.....	24,734	24,779	(45)
	61,802	61,887	(84)
Other.....	64,789	68,457	(3,668)
Subtotal.....	146,682	153,864	(7,182)
Total .....	¥1,332,521	¥1,273,965	¥58,556

2015	Thousands of U.S. dollars		
	Consolidated balance sheet amount	Acquisition cost	Difference
<b>Consolidated balance sheet amount exceeding acquisition cost</b>			
Equity stock .....	\$ 1,197,848	\$ 550,435	\$647,412
Bonds:			
National.....	4,897,447	4,797,616	99,831
Local.....	1,215,684	1,184,573	31,111
Corporate.....	1,859,545	1,839,555	19,989
	7,972,677	7,821,745	150,932
Other.....	1,987,993	1,889,763	98,230
Subtotal.....	11,158,520	10,261,944	896,575
<b>Consolidated balance sheet amount not exceeding acquisition cost</b>			
Equity stock .....	134,960	150,562	(15,601)
Bonds:			
National.....	41,312	41,392	(80)
Local.....	145,967	146,025	(58)
Corporate.....	329,153	329,384	(230)
	516,433	516,802	(369)
Other.....	271,064	304,910	(33,846)
Subtotal.....	922,459	972,275	(49,816)
Total .....	\$12,080,979	\$11,234,220	\$846,758

(b) Gains and losses on sale of securities available for sale for the years ended March 31, 2015 and 2014 are as follows:

2015	Millions of yen		
	Sale amount	Gains on sale	Losses on sale
Equity stock .....	¥ 8,543	¥ 609	¥ 8
Bonds:			
National.....	285,312	3,118	1,403
Local.....	12,366	366	—
Corporate.....	1,262	1	—
	298,941	3,486	1,403
Other.....	15,178	201	887
Total .....	¥322,664	¥4,298	¥2,300

2014	Millions of yen		
	Sale amount	Gains on sale	Losses on sale
Equity stock .....	¥ 17,366	¥2,111	¥ 353
Bonds:			
National.....	166,845	871	635
Local.....	88,624	1,382	138
Corporate.....	119,749	2,390	164
	375,219	4,645	938
Other.....	21,902	121	2,097
Total .....	¥414,489	¥6,877	¥3,389

## Notes to Consolidated Financial Statements

2015	Thousands of U.S. dollars		
	Sale amount	Gains on sale	Losses on sale
Equity stock .....	\$ 71,096	\$ 5,073	\$ 73
Bonds:			
National .....	2,374,237	25,953	11,683
Local .....	102,912	3,053	—
Corporate .....	10,507	8	—
	2,487,656	29,015	11,683
Other .....	126,310	1,677	7,383
Total .....	\$2,685,064	\$35,766	\$19,140

### (4) Impairment losses on securities

Securities with fair values that have fallen significantly below their acquisition cost and whose fair values are not expected to recover are recorded at fair value on the consolidated balance sheet with the valuation differences are expensed on the consolidated income statement ("impairment loss").

No impairment losses were recorded in the fiscal years ended March 31, 2015 and 2014.

The Bank has standards for determining whether fair value has decreased significantly, based on "Practical Guidelines on Accounting Standards for Financial Instruments (JICPA Accounting Practice Committee Report No. 14). The following are the details of this policy.

If, as of the end of the consolidated fiscal year, fair value has decreased by 50 percent or greater than acquisition cost, the entire holding is deemed to have decreased materially. If the decrease is between 30 percent and 50 percent, the determination shall be made in light of the issuing entity's credit risk and other factors (classification of creditor according to self-assessment; and external credit rating).

## 8. Matters relating to money held in trust

### Money held in trust classified as held for trading purposes

Amount on the consolidated balance sheet as of March 31, 2015 and 2014 was ¥4,901 million (\$40,790 thousand) and ¥4,901 million, respectively.

## 9. Net Unrealized Gains on Securities Available for Sale

The following is a breakdown of net unrealized gains on securities available for sale recorded in the consolidated balance sheet:

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Valuation difference .....	¥101,754	¥58,556	\$846,758
Other securities .....	101,754	58,556	846,758
Money held in trust .....	—	—	—
Deferred tax liabilities .....	(32,549)	(20,653)	(270,863)
Net unrealized gains on securities available for sale (before equity equivalent) .....	69,205	37,903	575,894
Net unrealized gains attributable to minority interests .....	(252)	(181)	(2,099)
Parent's ownership of affiliates unrealized gains on securities available for sale (gain) .....	—	—	—
Net unrealized gains on securities available for sale .....	¥ 68,952	¥37,722	\$573,795

## 10. Loans and bills discounted

Loans and bills discounted as of March 31, 2015 and 2014 included the following non-performing amounts:

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Loans under bankruptcy .....	¥ 1,438	¥ 1,461	\$ 11,973
Non-accrual loans .....	33,218	44,636	276,425
Loans past due over 3 months .....	354	416	2,947
Restructured loans .....	30,641	30,947	254,986
Total .....	¥65,652	¥77,462	\$546,333

## 11. Assets pledged as collateral

Assets pledged as collateral as of March 31, 2015 and 2014 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Assets pledged as collateral:			
Securities .....	¥278,547	¥203,296	\$2,317,946
Liabilities corresponding to assets pledged as collateral:			
Deposits .....	20,023	27,076	166,629
Payables under securities lending transactions .....	40,520	9,901	337,189
Borrowed money .....	95,405	76,415	793,924

In addition to the assets presented above, the following assets were pledged as collateral for exchange clearance transactions and futures contracts at March 31, 2015 and 2014:

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Securities .....	¥42,686	¥37,875	\$355,215

As of March 31, 2015 and 2014, Other assets included guarantee money and household deposits of ¥1,250 million (\$10,402 thousand) and ¥1,273 million, respectively.

## 12. Income taxes

### (1) Deferred tax assets

Major components of deferred tax assets as of March 31, 2015 and 2014 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Excess reserve for possible loan losses .....	¥ 10,113	¥ 13,317	\$ 84,164
Valuation gain on securities available for sale .....	1,915	2,535	15,941
Net defined benefit liability .....	2,149	2,357	17,886
Excess depreciation .....	1,329	1,632	11,064
Other .....	5,059	5,216	42,104
Subtotal .....	20,568	25,059	171,161
Valuation reserve .....	(4,026)	(4,036)	(33,505)
Deferred tax assets .....	16,542	21,023	137,655
Deferred tax liabilities .....	(34,619)	(23,392)	(288,088)
Net deferred tax assets (liabilities) .....	¥(18,077)	¥ (2,369)	\$(150,432)



## Notes to Consolidated Financial Statements

### (2) Income taxes

The following table shows the major items responsible for the difference between the statutory tax rate and the effective tax rate after application of tax-effect accounting at March 31, 2015 and 2014.

	2015	2014
Statutory income tax rate.....	35.3%	37.7%
Reconciliation:		
Non-deductible expenses, including entertainment expenses.....	0.4	0.4
Non-taxable income, including dividend income .....	(3.1)	(2.5)
Other permanent differences, including write-offs of securities with a long-term holding period .....	0.1	(0.3)
Per-capita resident tax .....	0.4	0.3
Increase (decrease) of valuation reserve.....	(0.3)	6.1
Decrease in term-end balance of deferred tax assets due to income tax changes .....	7.3	1.8
Other.....	2.6	0.2
Effective income tax rate under tax-effect accounting .....	42.7%	43.7%

### (3) Adjustment of deferred tax assets and deferred tax liabilities due to change in income tax rate

The "Law for Partial Revision of the Income Tax Law" (Law No. 9, 2015) was publicly announced on March 31, 2015 and the corporate tax was reduced from the fiscal year beginning on or after April 1, 2015. The statutory tax rate used to calculate deferred tax assets and deferred tax liabilities was lowered from 35.3% to 32.8% for the temporary differences expected to be eliminated in the fiscal year starting April 1, 2015 and will be further lowered to 32.0% for the temporary differences expected to be eliminated in the fiscal year starting April 1, 2016. As a result of this tax rate change, deferred tax liabilities decreased ¥1,953 million (\$16,255 thousand), valuation gain on securities available for sale increased ¥3,347 million (\$27,853 thousands), and income taxes – deferred increased ¥1,258 million (\$10,474 thousand). Deferred tax liability for land revaluation decreased ¥636 million (\$5,300 thousand) and revaluation reserve for land increased by the same amount.

### 13. Accumulated depreciation

Accumulated depreciation of tangible fixed assets as of March 31, 2015 and 2014 amounted to ¥35,675 million (\$296,874 thousand) and ¥35,910 million, respectively.

### 14. Borrowed money

Borrowed money consists of loans from other financial institutions. As of March 31, 2015 and 2014, subordinated borrowings in the amount of ¥4,000 million (\$33,286 thousand) and ¥17,000 million, respectively, were included in borrowed money.

### 15. Corporate bond

Corporate bond consists solely of subordinated bonds in the amount of ¥10,000 million (\$83,215 thousand) and ¥10,000 million, as of March 31, 2015 and 2014.

### 16. Revaluation reserve for land

Based on the Law on the Revaluation of Land, the Bank's land was revalued on March 31, 1999.

The amounts equivalent to deferred tax on the land revaluation were recorded as deferred tax liabilities for land revaluation in liabilities, and net unrealized gains on the land revaluation were recorded as

revaluation reserve for land in stockholders' equity.

As of March 31, 2015 and 2014, the difference between the carrying amount and the fair value of the land revalued was ¥16,129 million (\$134,221 thousand) and ¥15,983 million, respectively.

### 17. Impairment losses

During the years ended March 31, 2015 and 2014, the Bank recorded losses on impairment of fixed assets as described below:

Location	Usage	Type	Millions of yen	
			Loss amount	
			2015	2014
Kagawa Pref. ...	Idle assets and assets for disposal (2015: 13 items, 2014: 15 items)	Land, buildings and movables	¥26 land: 20 buildings: 5 movables: 0	¥18 land: 8 buildings: 9 movables: 0
Other .....	Idle assets and assets for disposal (2015: 3 items, 2014: 4 items)	Land, buildings and movables	¥65 land: 62 buildings: 3 movables: —	¥ 5 land: 5 buildings: — movables: —
Total .....			¥91 land: 83 buildings: 8 movables: 0	¥24 land: 14 buildings: 9 movables: 0

Location	Usage	Type	Thousands of U.S. dollars	
			Loss amount	
			2015	
Kagawa Pref. ...	Idle assets and assets for disposal (2015: 13 items)	Land, buildings and movables	\$220 land: 173 buildings: 45 movables: 0	
Other .....	Idle assets and assets for disposal (2015: 3 items)	Land, buildings and movables	\$544 land: 519 buildings: 25 movables: —	
Total .....			\$764 land: 692 buildings: 71 movables: 0	

The Bank posted impairment losses of ¥91 million (\$764 thousand) and ¥24 million, respectively, during the years ended March 31, 2015 and 2014 on land and buildings, to deal with continuous declines in land prices. The Bank reduced the book value of the assets in question to the recoverable amounts, and recorded the difference between the carrying amount and the amount deemed recoverable of each asset as a loss on impairment of fixed assets under Other expenses.

In general, the Bank treats each of its branches as a single asset group unit for recognition and measurement of impairment loss: jointly managed branches, however, are treated as a single unit. Values of idle assets and assets for disposal are measured on an individual basis.

Regarding head office buildings, operation and training centers, dormitories, and housing and welfare facilities, these facilities are classified as the Bank's common property, as it is deemed difficult to specify each asset as a source of identifiable cash flows in the future. At the Bank's consolidated subsidiaries, each business base of subsidiaries is usually considered as the smallest grouping unit. Idle assets and assets for disposal, however, are valued on an individual basis.

Recoverable amounts are measured using net selling prices; that is, the net present value of the future cash flows. Net selling prices are calculated on the basis of appraisal values of land after deduction of estimated cost of disposal, which is based on amounts computed using

## Notes to Consolidated Financial Statements

the method laid down by the National Tax Agency for calculation of land prices (used as the basis for computing taxable amounts as set forth in Article 16 of the Land Tax Law).

### 18. Matters relating to consolidated statements of comprehensive income

The amount of recycling and amount of income tax effects associated with other comprehensive income

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Net unrealized gains on securities, net of taxes:			
Amount recognized during the year.....	¥ 46,679	¥ 3,661	\$388,443
Amount of recycling.....	(3,472)	(4,326)	(28,894)
Prior to income tax effect.....	43,206	(664)	359,548
Income tax effect.....	(11,904)	234	(99,067)
Net unrealized gains on securities available for sale.....	31,302	(430)	260,481
Net deferred losses on hedges instruments, net of taxes:			
Amount recognized during the year.....	(5,151)	(175)	(42,870)
Amount of recycling.....	762	348	6,343
Prior to income tax effect.....	(4,389)	172	(36,526)
Income tax effect.....	1,403	(61)	11,681
Deferred gains (losses) on hedges.....	(2,985)	111	(24,845)
Revaluation reserve for land:			
Amount recognized during the year.....	—	—	—
Amount of recycling.....	—	—	—
Prior to income tax effect.....	—	—	—
Income tax effect.....	636	—	5,300
Revaluation reserve for land...	636	—	5,300
Remeasurements of defined benefit plans:			
Amount recognized during the year.....	6,094	—	50,719
Amount of recycling.....	507	—	4,223
Prior to income tax effect.....	6,602	—	54,942
Income tax effect.....	(2,251)	—	(18,735)
Remeasurements of defined benefit plans.....	4,350	—	36,206
Total other comprehensive income...	¥ 33,304	¥ (318)	\$277,143

### 19. Finance leases

Information on finance leases for the years ended March 31, 2015 and 2014 are as follows:

#### 1. As lessee

Finance lease transactions that do not transfer ownership

##### (1) Components of lease assets

###### (a) Tangible fixed assets

Primarily consisting of ATMs

###### (b) Intangible fixed assets

None

##### (2) Depreciation and amortization methods for lease assets

Depreciation and amortization methods for lease assets are described in Note 3. Significant accounting policies (5) Depreciation and amortization methods for lease assets.

#### 2. As lessor

##### (1) Breakdown of lease investment assets

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Lease receivables.....	¥16,716	¥17,907	\$139,102
Estimated residual value.....	1,703	1,778	14,177
Interest received.....	(1,781)	(1,933)	(14,827)
Lease investment assets.....	¥16,637	¥17,752	\$138,452

##### (2) Schedule for collection of lease receivables and receivables on lease investment assets by leasing contract maturity

	Millions of yen	
	Lease receivables	Receivables on lease investment assets
2015		
Up to 1 year.....	¥56	¥5,311
Over 1 year, up to 2 years.....	50	4,344
Over 2 years, up to 3 years.....	46	3,142
Over 3 years, up to 4 years.....	41	2,161
Over 4 years, up to 5 years.....	33	1,093
Over 5 years.....	2	662

	Millions of yen	
	Lease receivables	Receivables on lease investment assets
2014		
Up to 1 year.....	¥43	¥5,479
Over 1 year, up to 2 years.....	41	4,459
Over 2 years, up to 3 years.....	35	3,505
Over 3 years, up to 4 years.....	31	2,308
Over 4 years, up to 5 years.....	26	1,353
Over 5 years.....	23	800

	Thousands of U.S. dollars	
	Lease receivables	Receivables on lease investment assets
2015		
Up to 1 year.....	\$470	\$44,202
Over 1 year, up to 2 years.....	423	36,153
Over 2 years, up to 3 years.....	386	26,148
Over 3 years, up to 4 years.....	343	17,987
Over 4 years, up to 5 years.....	281	9,098
Over 5 years.....	20	5,511

(3) Regarding finance lease transactions that do not transfer ownership of the leased assets to the lessee and whose date of commencement of leasing was prior to the start of application of the new accounting standards, the book value (after deduction of accumulated depreciation expenses) of the tangible fixed assets and intangible fixed assets at the end of the last business term prior to the start of application of the new accounting standards is taken as the start-of-term value of the lease assets.

Regarding the lease investment assets in question, amounts equivalent to interest receivable under the new accounting standards will be allocated on a straight-line basis to the remaining interest period.

On the assumption of application of the new accounting standards for leasing transactions at the beginning of the leasing transactions in question, net loss before income taxes and minority interests would have decreased by ¥14 million (\$116 thousand) (¥44 million in the previous consolidated fiscal year) compared with the amount posted in the Consolidated Statements of Operations.

## Notes to Consolidated Financial Statements

### 20. Financial instruments

#### 1. Disclosures related to financial instruments

##### (1) Financial instrument policies

The Bank and its subsidiaries (the "Group") provides banking services, including leasing and other financial services. We limit risk within the scope of its business capacity, while realizing profits commensurate with the risk of the financial instruments held. To accomplish this goal, the Group quantifies, to the greatest extent possible, various risks related to financial instruments using statistical methods. We categorize capital (risk capital) according to the size of the risk, engaging in "integrated risk management," incorporating a capital allocation system that monitors risk versus return. We continue to improve our efficiency in risk management, ensuring greater stability and soundness for our business as a whole.

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

The major types of financial assets held by the Group are loans and bills discounted and securities. Loans and bills discounted are mainly for domestic corporations and individuals, and are exposed to credit risk, interest rate risk, and foreign exchange risk. If loans and bills discounted are concentrated excessively on a particular corporate group or industry type, the Group's stockholders' equity may suffer significant adverse effects. Therefore, the Group has set maximum loan balances for each corporate group or industry type, and has in place a system for monitoring compliance with these thresholds to prevent such an excessive concentration of risk.

Securities mainly consist of stocks, bonds, investment trusts and direct investments. These investments are as a pure investment vehicle or as part of a Group investment policy. Certain bonds are held for resale. These investments are exposed to the credit risk of the issuing body, interest rate risk, price volatility risk and/or foreign exchange risk. Securities include financial instruments with limited market liquidity, including private placement bonds underwritten by the Group, private equity shares, and direct investments.

Financial liabilities mainly consist of deposits received from domestic corporations and individuals. These financial liabilities are exposed to interest rate risk, exchange rate risk, and liquidity risk.

Derivative transactions entered into by the Group include interest rate and currency swaps, options, futures/forward contracts, and cap transactions. These transactions are generally entered into with a client to cover the underlying financial instrument. Such transactions are variously exposed to interest rate risk, foreign exchange risk, price volatility risk, and the credit risk of the counter party.

Some derivatives transactions entered into by the Group involve interest rate swaps that were concluded in line with the amount and timing of the interest income cash flow of the underlying financial assets for the purpose of hedging their exposure to interest rate risks. Evaluation of the effectiveness of the hedges was omitted in accordance with "JICPA Industry Audit Committee Report No. 24" because the conditions of the hedge techniques were matched with the hedged assets for the most part. Some derivative transactions entered into by the Group involve currency swaps and foreign exchange swaps for the purpose of hedging exchange rate fluctuation risk associated with financial assets denominated in foreign currencies. Such transactions are treated as deferred hedges as defined under "JICPA Industry Audit Committee Report No. 25." The Group assesses hedge effectiveness for hedging transactions to confirm whether a position is commensurate with the value of the foreign currency-denominated financial asset subject to the hedge.

##### (3) Risk Management for financial instruments

###### (a) Credit risk management

The Group has compiled Credit Risk Management Rules and related documents, and, under the Risk Management Committee (Credit Risk Management Subcommittee), monitors and manages credit risk exposures.

In addition, the Risk Management Division acts as the credit risk managing department for granting and verifying internal credit ratings, measures the amount of credit risk and sets and manages credit limits.

###### (b) Market risk management

The Group has established "Market Risk Management Rules" along with relevant documentation, and the "Risk Management Committee" (Market Risk Management Subcommittee), which monitors market risk and maintains management systems. "The Revenue Management Committee" (Budget ALM Subcommittee) deliberates on the stability of medium- and long-term profit in light of risk circumstances.

Departments involved in the execution of market transactions (Treasury and International Division) have been divided into front office (transaction execution), back office (clerical), and middle office (market risk management) roles. This creates a system of internal checks and balances, with the Risk Management Division in charge of managing overall market risk.

###### (i) Interest rate risk management

The Group manages interest rate risk using statistical methods to quantify the size of the interest rate risk. When deemed necessary, the Group establishes and manages limits on positions and profits and losses for securities, derivatives, and other market transactions. The Group also enters into derivative transactions for interest rate swaps to hedge interest rate risk as part of the ALM.

###### (ii) Foreign exchange risk management

The Group uses statistical methods to quantify and manage foreign exchange risk. The Group also establishes and manages limits on positions and profits and losses.

###### (iii) Price volatility risk management

The Group uses statistical methods to quantify and manage price volatility risk. The Group establishes and manages limits on positions and profits and losses.

###### (iv) Quantitative information regarding market risks

###### a. Financial instruments held for trading purposes

In measuring the VaR of interest-rate risks associated with trading securities, interest-rate futures and related transactions as well as the VaR of foreign currency exchange risks associated with foreign exchange trading and related transactions, the Hyakujushi Bank Group applies the historical simulation method with a holding period of 10 days, level of confidence of 99% and observation period of 1,200 business days. As of March 31, 2015 (the consolidated balance sheet date), the volume of the aforementioned risks (estimated amount of loss) amounted to ¥7 million (\$58 thousand) (compared with ¥5 million at the end of the previous consolidated fiscal year).

###### b. Financial instruments not held for trading purposes

In measuring the VaR of interest-rate risks associated with loans and bills discounted, investment securities, deposits, and interbank, interest-rate swap and related transactions, as well as the VaR for volatility risks associated with the prices of publicly listed company shares, the Hyakujushi Bank Group applies the historical simulation method with a holding period of 120 days, confidence of 99% and observation period of 1,200 business days. As of March 31, 2015, the volume of the aforementioned risks (taking into consideration the correlation or reciprocal risks) amounted to ¥28,210 million (\$234,750 thousand) (compared with ¥22,126 million in the end

## Notes to Consolidated Financial Statements

of the previous fiscal year). Results of statistical analysis are used for liquid deposits, which are recognized as being in part long-term fixed procurement and as such subject to interest-rate risk.

In addition, in measuring the VaR of price volatility risks of investment trusts, the Hyakujushi Bank Group applies the variance-covariance method with a holding period of 20 days, confidence interval of 99% and observation period of 240 business days, while in measuring the VaR of risks involving interest rates of money held in trust, price volatility or exchange rates, the Group applies the historical simulation method with a holding period of 20 days, confidence interval of 99% and observation period of 1,200 business days. As of March 31, 2015, the volume of the aforementioned risks amounted to ¥5,776 million (\$48,065 thousand) (compared to ¥3,993 million in the end of the previous fiscal year).

### c. VaR

The Hyakujushi Bank Group uses back testing to compare the VaR computed by the models and the hypothesized gain/loss (gain or loss assumed generated when the portfolio is fixed at the time of measuring the VaR) to verify the reliability of these measured models.

However, VaR determined using the historical simulation and variance covariance methods is a measure of the volume of market risk at a certain event probability statistically computed utilizing changes in historical market data. In this context, there are cases in which VaR cannot capture risk under sudden and dramatic changes in the market beyond normal circumstances.

### (c) Liquidity risk management

The Group has established "Liquidity Risk Management Rules" and other related guidelines as a basis for managing liquidity risk. The Group has also established "Liquidity Crisis Response Rules" to ensure a prompt response to unexpected situations that may affect cash management. These rules assume that unexpected situations will arise and classifies them into the categories of "caution" and "crisis" categories, thereby enabling the Group to respond in a timely and appropriate manner.

The Liquidity Risk Management Department (Treasury and International Division) performs daily and monthly cash projections to ensure proper and stable cash management based on the Group's investment/acquisition structure, ensuring sufficient liquidity reserves. The Liquidity Risk Management Department is also responsible for identifying, analyzing, assessing and monitoring liquidity risk in consideration of internal and external factors that may have an impact on said risk.

### (4) Supplementary information regarding fair value of financial instruments

The fair value of financial instruments includes their respective market prices, and rationally calculated values if the fair value of the financial instrument is not available. Certain assumptions are used to calculate said values, and said values may vary when differing assumptions are used.

### 2. Fair value of financial instruments

The consolidated balance sheet amount, fair values and the differences as of March 31, 2015 and 2014 are as follows. Private equity shares or other shares whose fair values are not readily determinable are not included in the following table.

	Millions of yen		
	Consolidated balance sheet amount	Fair value	Difference
<b>2015</b>			
(1) Cash and due from banks .....	¥ 305,246	¥ 305,246	¥ —
(2) Call loans and bills bought .....	3,605	3,605	—
(3) Trading account securities and securities available for sale .....	2	2	—
(4) Money held in trust .....	4,901	4,901	—
(5) Securities			
Held-to-maturity debt securities .....	—	—	—
Other securities .....	1,451,771	1,451,771	—
(6) Loans and bills discounted .....	2,696,444		
Reserve for possible loan losses .....	(15,341)		
	2,681,103	2,703,404	22,301
Total Assets .....	4,446,631	4,468,932	22,301
(1) Deposits .....	3,801,437	3,801,853	416
(2) Negotiable certificates of deposit .....	169,926	169,953	27
(3) Call money and bills sold .....	48,068	48,068	—
(4) Borrowed money .....	128,635	128,650	15
(5) Corporate bonds .....	10,000	10,034	34
Total Liabilities .....	4,158,066	4,158,560	493
Derivative Transactions *1			
Not subject to hedge accounting .....	12,194	12,194	—
Subject to hedge accounting .....	(10,097)	(10,097)	—
Total Derivative Transactions .....	¥ 2,096	¥ 2,096	¥ —

	Millions of yen		
	Consolidated balance sheet amount	Fair value	Difference
<b>2014</b>			
(1) Cash and due from banks .....	¥ 390,388	¥ 390,388	¥ —
(2) Call loans and bills bought .....	—	—	—
(3) Trading account securities and securities available for sale .....	8	8	—
(4) Money held in trust .....	4,901	4,901	—
(5) Securities			
Held-to-maturity debt securities .....	—	—	—
Other securities .....	1,332,521	1,332,521	—
(6) Loans and bills discounted .....	2,614,215		
Reserve for possible loan losses .....	(18,785)		
	2,595,430	2,611,121	15,691
Total Assets .....	4,323,251	4,338,942	15,691
(1) Deposits .....	3,769,308	3,769,814	506
(2) Negotiable certificates of deposit .....	184,119	184,156	37
(3) Call money and bills sold .....	38,595	38,595	—
(4) Borrowed money .....	121,083	121,086	3
(5) Corporate bonds .....	10,000	10,078	78
Total Liabilities .....	4,123,105	4,123,731	626
Derivative Transactions *1			
Not subject to hedge accounting .....	10,190	10,190	—
Subject to hedge accounting .....	(1,362)	(1,362)	—
Total Derivative Transactions .....	¥ 8,827	¥ 8,827	¥ —

## Notes to Consolidated Financial Statements

	Thousands of U.S. dollars		
	Consolidated balance sheet amount	Fair value	Difference
<b>2015</b>			
(1) Cash and due from banks .....	\$ 2,540,124	\$ 2,540,124	\$ —
(2) Call loans and bills bought .....	30,000	30,000	—
(3) Trading account securities and securities available for sale .....	21	21	—
(4) Money held in trust .....	40,790	40,790	—
(5) Securities			
Held-to-maturity debt securities .....	—	—	—
Other securities .....	12,080,979	12,080,979	—
(6) Loans and bills discounted .....	22,438,586		
Reserve for possible loan losses .....	(127,663)		
	22,310,923	22,496,504	185,581
Total Assets .....	37,002,838	37,188,419	185,581
(1) Deposits .....	31,633,827	31,637,290	3,462
(2) Negotiable certificates of deposit .....	1,414,048	1,414,278	230
(3) Call money and bills sold .....	400,000	400,000	—
(4) Borrowed money .....	1,070,445	1,070,574	128
(5) Corporate bonds .....	83,215	83,503	288
Total Liabilities .....	34,601,537	34,605,647	4,109
Derivative Transactions *1			
Not subject to hedge accounting .....	101,475	101,475	—
Subject to hedge accounting .....	(84,029)	(84,029)	—
Total Derivative Transactions .....	\$ 17,446	\$ 17,446	\$ —

\*1 All derivative transactions recorded in Other assets and Other liabilities are presented in one line item on a net basis. Net payables and receivables resulting from derivative transactions are presented at net of tax. Items that come to net payables in the aggregate are presented in parentheses.

\*2 Items with no material impact have not been listed.

### Calculation method for fair value of financial instruments

#### Assets

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

The fair value of due from banks with no maturity date is valued at book value, since the book value approximates the fair value. Due from banks with a maturity date is valued at present value in each category by deposit term, discounting by an assumed applicable interest rate when new deposit are accepted.

Items with a short contract period are valued at book value, since book value approximates their fair value.

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

Items with a short contract period are valued at book value, since the book value approximates their fair value.

##### (3) Trading account securities

Corporate bonds and other available-for-sale securities are valued at market prices and internal model.

##### (4) Money held in trust

With respect to securities that are managed as trust assets in individually managed money held in trust accounts whose main purpose is securities investment, stocks are valued at the stock market price, while debt-securities are valued at the stock market price or the price stated by the correspondent financial institution.

Notes concerning money held in trust by purpose held are contained in "8. Matters relating to money held in trust."

##### (5) Securities

Stocks and corporate bonds are valued at market prices. Investment trusts are valued at their published base price.

Private placement bonds guaranteed by the Group are categorized according to internal credit rating and maturity, and valued at fair value, discounting by a projected interest rate applicable when a bond in the same total amount of principal and interest is issued.

See the section under "Securities and trading account securities" for further information about the securities by intent of holding.

##### (6) Loans and bills discounted

Loans and bills discounted are valued at present value in each category by internal rating and maturity, discounting the total amount of principal and interest by an assumed applicable interest rate when similar loans are made.

Loans to borrowers who are bankrupt, substantially bankrupt, or likely to go bankrupt are valued net of the estimated uncollectible amount based on the current value of estimated future cash flows, or the estimated collectible portion based on the collateral or guarantee underlying the loan. As such, the balance of the loan on the consolidated balance sheet as of the last day of the fiscal period less the current estimated uncollectible amount approximates the fair value.

For loans and bills discounted with no repayment deadline, due to their nature, such as the limited range of pledged assets for said loans, their fair values are valued at book value, because they are assumed to approximate the fair values due to expected repayment deadlines and interest rate conditions.

#### Liabilities

##### (1) Deposits and (2) Negotiable certificates of deposit

The Group considers the fair value of demand deposits to be the payment (book value) of the instrument as if demanded on the last day of the consolidated fiscal year. The fair value of time deposits is valued at present value in each category by specific deposit term, discounting future cash flow by the interest rate used when accepting new deposits. Since book value approximates fair value for items with a short deposit term, the book value shall be the fair value for these instruments.

##### (3) Call money and bills sold

Due to the short contract period of these instruments, the Group considers their book value to approximate the fair value.

##### (4) Borrowed money

Borrowed money subject to variable interest rates reflects market interest rates over a short-term. As the credit status of the Bank and its consolidated subsidiaries has not significantly changed since these transactions were executed the Group believes that the book value approximates the fair value of these instruments. The fair value for borrowed money subject to fixed interest rates is valued at present value, discounting the total amount of principal and interest categorized by specific term by an assumed applicable interest rate when similar borrowings are entered into.

##### (5) Corporate bonds

The fair value of corporate bonds is valued at present value by discounting the total amount of principal and interest by an assumed applicable interest rate when similar corporate bonds are issued.

#### Derivative Transactions

See the section under "(Derivative Transactions)" for further information about derivatives.

The following are financial instruments whose fair values are not



## Notes to Consolidated Financial Statements

readily determinable as of March 31, 2015. These are not included in the "Assets (5) Securities" section under fair value information for financial instruments.

Category	Millions of yen		Thousands of U.S. dollars
	Consolidated balance sheet amount		Consolidated balance sheet amount
	2015	2014	2015
1. Private equity shares *1*2.....	¥2,767	¥2,787	\$23,027
2. Investment in partnership *3 ...	150	331	1,250
Total .....	¥2,917	¥3,119	\$24,277

\*1 As private equity shares have no market price, and their fair values are not readily determinable, their fair values are not stated.

\*2 The Group recorded a ¥0 million (\$0 thousand) and ¥1 million impairment loss for unlisted equity stock for the consolidated fiscal years ended March 31, 2015 and 2014.

\*3 For investments in partnership for which the fair value is not readily determinable, the fair value has not been disclosed because the underlying partnership assets are comprised of unlisted equity stock.

Estimated redemption amounts of monetary claims and securities with maturities after the consolidated fiscal years as of March 31, 2015 and 2014

2015	Millions of yen					
	Up to 1 year	Over 1 year, up to 3 years	Over 3 years, up to 5 years	Over 5 years, up to 7 years	Over 7 years, up to 10 years	Over 10 years
Deposits.....	¥ 268,053	¥ —	¥ —	¥ —	¥ —	¥ —
Call loans and bills bought .....	3,605	—	—	—	—	—
Monetary claims bought .....	29,982	—	—	—	—	1,077
Securities:						
Other securities with maturities.....	167,934	311,439	413,180	155,847	126,361	66,067
National government bonds.....	59,773	126,168	186,074	127,588	50,349	43,536
Local government bonds .....	47,678	45,952	28,230	2,949	38,819	—
Corporate bonds.....	28,969	90,769	97,343	13,933	21,495	10,505
Other .....	31,513	48,548	101,532	11,376	15,697	12,026
Loans and bills discounted* .....	1,066,934	517,360	329,825	178,914	175,084	355,187
Total .....	¥1,536,510	¥828,800	¥743,006	¥334,761	¥301,445	¥422,333

2014	Millions of yen					
	Up to 1 year	Over 1 year, up to 3 years	Over 3 years, up to 5 years	Over 5 years, up to 7 years	Over 7 years, up to 10 years	Over 10 years
Deposits.....	¥ 353,488	¥ —	¥ —	¥ —	¥ —	¥ —
Monetary claims bought .....	31,038	—	—	—	—	1,349
Securities:						
Other securities with maturities.....	208,503	336,252	254,199	209,913	152,490	15,482
National government bonds.....	131,609	137,818	105,801	155,122	121,184	15,482
Local government bonds .....	34,792	75,256	26,362	19,410	16,136	—
Corporate bonds.....	29,305	72,439	73,620	26,604	14,148	—
Other .....	12,796	50,737	48,415	8,776	1,020	—
Loans and bills discounted* .....	1,071,030	468,808	331,817	170,630	161,547	327,237
Total .....	¥1,664,061	¥805,061	¥586,016	¥380,543	¥314,037	¥344,068

2015	Thousands of U.S. dollars					
	Up to 1 year	Over 1 year, up to 3 years	Over 3 years, up to 5 years	Over 5 years, up to 7 years	Over 7 years, up to 10 years	Over 10 years
Deposits.....	\$ 2,230,617	\$ —	\$ —	\$ —	\$ —	\$ —
Call loans and bills bought .....	30,000	—	—	—	—	—
Monetary claims bought .....	249,497	—	—	—	—	8,968
Securities:						
Other securities with maturities.....	1,397,476	2,591,661	3,438,302	1,296,890	1,051,520	549,787
National government bonds.....	497,404	1,049,919	1,548,431	1,061,735	418,982	362,286
Local government bonds .....	396,759	382,395	234,917	24,541	323,038	—
Corporate bonds.....	241,071	755,343	810,049	115,944	178,872	87,418
Other .....	262,241	404,001	844,904	94,669	130,627	100,081
Loans and bills discounted* .....	8,878,544	4,305,235	2,744,656	1,488,845	1,456,973	2,955,707
Total .....	\$12,786,136	\$6,896,897	\$6,182,959	\$2,785,735	\$2,508,494	\$3,514,463

\*Among loans and bills discounted, ¥34,672 million (\$288,528 thousand) and ¥46,112 million in loans for bankrupt, substantially bankrupt and likely to go bankrupt borrowers or other loans of which repayment is not expected, and ¥38,465 million (\$320,093 thousand) and ¥37,031 million in loans with no established maturity have not been included.



## Notes to Consolidated Financial Statements

Corporate bonds, borrowed money and other interest-bearing debt scheduled to be repaid after the end of the consolidated fiscal years as of March 31, 2015 and 2014

	Millions of yen					
	Up to 1 year	Over 1 year, up to 3 years	Over 3 years, up to 5 years	Over 5 years, up to 7 years	Over 7 years, up to 10 years	Over 10 years
<b>2015</b>						
Deposits*	¥3,556,295	¥235,953	¥ 8,217	¥ 522	¥ 448	¥ —
Negotiable certificates of deposit	169,926	—	—	—	—	—
Call money and bills sold	48,068	—	—	—	—	—
Borrowed money	20,480	62,047	39,538	5,164	745	659
Corporate bonds	—	—	—	10,000	—	—
<b>Total</b>	<b>¥3,794,769</b>	<b>¥298,000</b>	<b>¥47,755</b>	<b>¥15,687</b>	<b>¥1,194</b>	<b>¥659</b>

	Millions of yen					
	Up to 1 year	Over 1 year, up to 3 years	Over 3 years, up to 5 years	Over 5 years, up to 7 years	Over 7 years, up to 10 years	Over 10 years
<b>2014</b>						
Deposits*	¥3,474,218	¥285,220	¥ 8,871	¥ 462	¥ 534	¥ —
Negotiable certificates of deposit	183,819	300	—	—	—	—
Call money and bills sold	38,595	—	—	—	—	—
Borrowed money	44,943	52,206	4,821	14,077	4,827	207
Corporate bonds	—	—	—	—	10,000	—
<b>Total</b>	<b>¥3,741,576</b>	<b>¥337,727</b>	<b>¥13,693</b>	<b>¥14,539</b>	<b>¥15,362</b>	<b>¥207</b>

	Thousands of U.S. dollars					
	Up to 1 year	Over 1 year, up to 3 years	Over 3 years, up to 5 years	Over 5 years, up to 7 years	Over 7 years, up to 10 years	Over 10 years
<b>2015</b>						
Deposits*	\$29,593,867	\$1,963,493	\$ 68,383	\$ 4,350	\$3,733	\$ —
Negotiable certificates of deposit	1,414,048	—	—	—	—	—
Call money and bills sold	400,000	—	—	—	—	—
Borrowed money	170,428	516,328	329,018	42,978	6,207	5,484
Corporate bonds	—	—	—	83,215	—	—
<b>Total</b>	<b>\$31,578,344</b>	<b>\$2,479,822</b>	<b>\$397,401</b>	<b>\$130,544</b>	<b>\$9,940</b>	<b>\$5,484</b>

\*Among deposits, demand deposits are included in "Up to 1 year."

## 21. Accrued retirement benefits

### (1) Overview of retirement benefit scheme adopted by the Bank

As defined-benefit type plans, the Bank has established a contract-type defined benefit corporate pension plan and a retirement lump-sum payment plan. In some cases, an extra severance package is provided to employees on their retirement and so on. In addition, the Bank has set up a retirement benefit trust.

The Bank's domestic consolidated subsidiaries have established a retirement lump-sum payment plan as defined-benefit type plans, and a defined contribution pension plan as defined-contribution type plan. Further, for the retirement lump-sum payment plan of domestic consolidated subsidiaries, the Bank calculates retirement benefit liabilities and retirement benefit costs by the simplified method.

### (2) Defined benefit plan

(a) Reconciliation of retirement benefit obligations at beginning and end of period

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Retirement benefit obligations at beginning of period	¥48,617	¥47,154	\$404,571
Cumulative effects of changes in accounting policies	2,491	—	20,730
Restated balance	51,108	47,154	425,301
Service costs	1,491	1,439	12,412
Interest costs	468	432	3,901
Actuarial differences	277	1,545	2,313
Retirement benefits paid	(1,690)	(2,272)	(14,065)
Prior service costs	—	318	—
Retirement benefit obligations at end of period	¥51,656	¥48,617	\$429,863

## Notes to Consolidated Financial Statements

## (b) Reconciliation of pension assets at beginning and end of period

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Pension assets at beginning of period.....	¥48,527	¥44,266	\$403,825
Expected return on pension assets.....	556	502	4,627
Actuarial differences .....	6,372	3,114	53,032
Contribution from employer .....	2,105	1,971	17,519
Retirement benefits paid .....	(1,369)	(1,327)	(11,396)
Pension assets at end of period ...	¥56,192	¥48,527	\$467,607

## (c) Reconciliation of retirement benefit obligations and pension assets at end of period and retirement benefit liabilities and assets recorded in the consolidated balance sheet

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Retirement benefit obligations of funded plan .....	¥ 51,656	¥ 48,617	\$ 429,863
Pension assets.....	(56,192)	(48,527)	(467,607)
	(4,535)	89	(37,744)
Retirement benefit obligations of unfunded plan .....	—	—	—
Net amount of liabilities and assets recorded in consolidated balance sheet.....	¥ (4,535)	¥ 89	\$ (37,744)

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Retirement benefit liabilities .....	¥ 155	¥ 947	\$ 1,292
Retirement benefit assets .....	(4,691)	(857)	(39,036)
Net amount of liabilities and assets recorded in consolidated balance sheet.....	¥(4,535)	¥ 89	\$(37,744)

## (d) Breakdown of retirement benefit costs

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Service costs* .....	¥1,491	¥1,439	\$12,412
Interest costs.....	468	432	3,901
Expected return on pension assets.....	(556)	(502)	(4,627)
Amortization of actuarial differences.....	507	783	4,223
Amortization of past service costs .....	—	318	—
Retirement benefit costs for defined benefit plans .....	¥1,911	¥2,470	\$15,910

\*Retirement benefit costs of domestic consolidated subsidiaries that use the simplified method are recorded in lump-sum in "Service costs."

## (e) Remeasurements of defined benefit plans

The breakdown of items (before adjusting for tax effects) recorded in adjustment of defined benefit plan.

	Millions of yen		Thousands of U.S. dollars
	2015 (April 1, 2014 to March 31, 2015)	2014 (April 1, 2013 to March 31, 2014)	2015 (April 1, 2014 to March 31, 2015)
Fiscal year ended March 31			
Actuarial differences .....	¥6,602	¥—	\$54,942
Total .....	¥6,602	¥—	\$54,942

## (f) Remeasurements of retirement benefit plans

The following is a breakdown of items (before deducting tax effects) recorded in remeasurements of retirement benefit plans:

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Unrecognized actuarial differences.....	¥2,399	¥(4,203)	\$19,966
Total .....	¥2,399	¥(4,203)	\$19,966

## (g) Items related to pension assets

(i) The following is the percentage of total pension assets by main category:

	2015	2014
Bonds .....	13%	13%
Stocks.....	56	53
Life insurers' general account.....	25	28
Other.....	6	6
Total .....	100%	100%

Note: Total pension assets include retirement benefit trusts established for the corporate pension plan (23.28% in fiscal year ended March 31, 2015 and 22.93% in fiscal year ended March 31, 2014) and retirement benefit trusts established for the retirement lump-sum payment plan (20.61% in fiscal year ended March 31, 2015 and 19.77% in fiscal year ended March 31, 2014).

(ii) Method for determining expected long-term rate of return on pension assets

To determine expected long-term rate of return on pension assets, the Bank considers the current and projected pension asset allocations, as well as long-term rate of current returns and expected returns from each category consisting pension assets.

## (h) Assumptions for making actuarial calculation

Major assumptions for actuarial calculation at the end of the fiscal year under review

	2015	2014
1) Discount rate	0.92%	0.92%
2) Expected long-term rate of return	2.00%	2.00%
3) Assumed salary increase rate	3.20%	3.20%

## (3) Defined contribution pension plan

The required contribution to the defined contribution plans of consolidated subsidiaries was ¥6 million (\$57 thousand) in fiscal year ended March 31, 2015 and ¥7 million in fiscal year ended March 31, 2014.

## 22. Stock options

1. Stock option expenses and accounts for the consolidated fiscal years ended March 31, 2015 and 2014

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Operating expense.....	¥48	¥51	\$400

## Notes to Consolidated Financial Statements

### 2. Stock option details, size, and changes

#### (1) Stock option details

	2009 stock options	2010 stock options	2011 stock options	2012 stock options	2013 stock options	2014 stock options
Category and number of grant recipients.....	The bank's twelve directors	The bank's ten directors	The bank's ten directors	The bank's ten directors	The bank's ten directors	The bank's ten directors (excluding outside directors)
Type and number of stock options granted (Note).....	Common stock: 128,500 shares	Common stock: 159,000 shares	Common stock: 187,300 shares	Common stock: 175,000 shares	Common stock: 172,500 shares	Common stock: 136,600 shares
Grant date.....	July 24, 2009	July 26, 2010	July 26, 2011	July 24, 2012	July 23, 2013	July 25, 2014
Vesting terms.....	No vesting terms	No vesting terms	No vesting terms	No vesting terms	No vesting terms	No vesting terms
Service period.....	No service period specified	No service period specified	No service period specified	No service period specified	No service period specified	No service period specified
Exercise period.....	July 25, 2009 to July 24, 2039	July 27, 2010 to July 26, 2040	July 27, 2011 to July 26, 2041	July 25, 2012 to July 24, 2042	July 24, 2013 to July 23, 2043	July 26, 2014 to July 25, 2044

Note: Converted to equivalent number of shares.

#### (2) Stock option size and changes

##### (a) Number of stock options

	2009 stock options	2010 stock options	2011 stock options	2012 stock options	2013 stock options	2014 stock options
Prior to vesting (shares):						
Prior fiscal year end.....	50,700	86,300	105,000	145,800	172,500	—
Granted.....	—	—	—	—	—	136,600
Expired.....	—	—	—	—	—	—
Vested shares.....	—	—	—	14,600	14,400	—
Unvested shares.....	50,700	86,300	105,000	131,200	158,100	136,600
After vesting (shares):						
Prior fiscal year end.....	—	—	—	—	—	—
Vested shares.....	—	—	—	14,600	14,400	—
Exercised.....	—	—	—	14,600	14,400	—
Expired.....	—	—	—	—	—	—
Unexercised.....	—	—	—	—	—	—

##### (b) Unit price information (in year)

	2009 stock options	2010 stock options	2011 stock options	2012 stock options	2013 stock options	2014 stock options
Exercise price.....	Per share: ¥1	Per share: ¥1	Per share: ¥1	Per share: ¥1	Per share: ¥1	Per share: ¥1
Average price at exercise.....	Per share: ¥—	Per share: ¥—	Per share: ¥—	Per share: ¥368	Per share: ¥368	Per share: ¥—
Fair value on grant date.....	Per share: ¥418	Per share: ¥315	Per share: ¥279	Per share: ¥256	Per share: ¥321	Per share: ¥335

### 3. Method for estimating fair value of stock options

The following method was used to estimate the fair value of 2014 stock options granted during the consolidated fiscal year ended March 31, 2015.

#### (1) Valuation technique: Black-Scholes formula

#### (2) Important assumptions and estimation methods

	2014 stock options
Stock volatility*1.....	29.8%
Projected remaining years*2.....	2.8 years
Projected dividend (in year)*3.....	Per share: ¥7
Risk-free interest rate*4.....	0.07%

\*1 Calculated weekly for the period beginning the week of October 3, 2011 through the week of July 21, 2014 based on actual market prices.

\*2 Estimated according to the average remaining tenures of directors as of the date of issuance based on the average service period from the date of assumption of office to the date of resignation, or the period from the date of assumption of office to the issuance date.

\*3 Actual dividends for the fiscal year ended March 2014.

\*4 Yield of government bonds during the period of estimated remaining years.

### 4. Method for estimating number of vested stock options

In general, as it is difficult to rationally estimate the future number of expired stock options only the actual number of expired stock options is reflected.

## 23. Derivative transactions

### (1) Type of transactions

The Bank and its consolidated subsidiaries undertake the following derivatives transactions: in interest-rate related transactions, we handle interest-rate futures, interest-rate options, and interest-rate swaps; in currency-related transactions, we handle forward exchange contracts, currency options, and currency swaps; and in securities-related transactions, we handle bond futures, and bond options.

### (2) Aims and policy

The Bank offers derivative products to meet customer needs, and to minimize risk from exchange rate and interest rate fluctuations regarding the Bank's assets and liabilities.

## Notes to Consolidated Financial Statements

Market prices of interest-rate swap transactions as of March 31, 2015 and 2014 were as follows:

2015	Millions of yen			
	Contracted value		Fair value	Appraised profit/(loss)
	Total	Over 1 year		
Over the counter				
Interest-rate swaps:				
Fixed rate receivable/ variable rate payable...	¥49,276	¥41,587	¥ 917	¥ 917
Variable rate receivable/ fixed rate payable.....	49,276	41,587	(430)	(430)
Others:				
Sell .....	1,240	1,101	1	69
Buy .....	1,240	1,101	1	(18)
Total .....			¥ 490	¥ 538

2014	Millions of yen			
	Contracted value		Fair value	Appraised profit/(loss)
	Total	Over 1 year		
Over the counter				
Interest-rate swaps:				
Fixed rate receivable/ variable rate payable...	¥65,044	¥54,355	¥1,165	¥1,165
Variable rate receivable/ fixed rate payable.....	65,044	54,355	(510)	(510)
Others:				
Sell.....	1,813	1,615	4	79
Buy.....	1,813	1,615	4	(18)
Total.....			¥ 663	¥ 715

	Thousands of U.S. dollars			
	Contracted value		Fair value	Appraised profit/(loss)
2015	Total	Over 1 year		
Over the counter				
Interest-rate swaps:				
Fixed rate receivable/ variable rate payable....	\$410,060	\$346,071	\$ 7,633	\$ 7,633
Variable rate receivable/ fixed rate payable.....	410,060	346,071	(3,580)	(3,580)
Others:				
Sell.....	10,325	9,168	14	582
Buy .....	10,325	9,168	14	(153)
Total.....			\$ 4,082	\$ 4,482

Market price of currency-related swap transactions as of March 31, 2015 and 2014 were as follows:

2015	Millions of yen			
	Contracted value		Fair value	Appraised profit/(loss)
	Total	Over 1 year		
Over the counter				
Currency swaps .....	¥311,216	¥225,509	¥ 99	¥ 99
Forward exchange contracts:				
Sell .....	68,420	600	(1,320)	(1,320)
Buy .....	61,076	1,081	1,965	1,965
Currency options:				
Sell .....	168,184	110,460	5,468	2,579
Buy .....	168,184	110,460	5,468	(1,128)
Total .....			¥11,681	¥ 2,195

2014	Millions of yen			
	Contracted value		Fair value	Appraised profit/(loss)
	Total	Over 1 year		
Over the counter				
Currency swaps.....	¥245,670	¥195,950	¥ 104	¥ 104
Forward exchange contracts:				
Sell.....	60,163	4,836	(2,863)	(2,863)
Buy.....	54,292	4,271	3,406	3,406
Currency options:				
Sell.....	132,872	84,772	4,435	4,109
Buy.....	132,872	84,772	4,435	(2,687)
Total.....			¥9,518	¥2,069

2015	Thousands of U.S. dollars			
	Contracted value		Fair value	Appraised profit/(loss)
	Total	Over 1 year		
Over the counter				
Currency swaps .....	\$2,589,804	\$1,876,586	\$ 831	\$ 831
Forward exchange contracts:				
Sell .....	569,364	5,000	(10,992)	(10,992)
Buy .....	508,250	9,000	16,356	16,356
Currency options:				
Sell .....	1,399,553	919,203	45,508	21,462
Buy .....	1,399,553	919,203	45,508	(9,391)
Total .....			\$ 97,211	\$18,266

Market price of bond-related derivative transactions as of March 31, 2015 was as follows:

2015	Millions of yen			
	Contracted value		Fair value	Appraised profit/(loss)
	Total	Over 1 year		
Financial instruments exchange				
Bond futures:				
Sell .....	¥4,438	¥—	¥21	¥21
Buy .....	—	—	—	—
Total .....			¥21	¥21

There were no bond-related derivative transactions as of March 31, 2014.

2015	Thousands of U.S. dollars			
	Contracted value		Fair value	Appraised profit/(loss)
	Total	Over 1 year		
Financial instruments exchange				
Bond futures:				
Sell .....	\$36,935	\$—	\$182	\$182
Buy .....	—	—	—	—
Total .....			\$182	\$182

- Notes: 1. The above transactions were listed at market values and recognized gains (losses) were included in the consolidated statements of income.  
2. The derivatives transactions for which hedge accounting has been applied were excluded from the above tables.  
3. Fair values for over the counter transactions were calculated at discounted present values and formulas for option pricing.

## Notes to Consolidated Financial Statements

## (3) Derivative transactions subject to hedge accounting

The following are the contracted value, or the equivalent principal, and the fair value for each type of derivative transaction subject to hedge accounting as of the end of the consolidated fiscal year, as well as the market price calculation method. The contracted value or other price or value below does not indicate by itself the market risk of the derivative transaction.

## (a) Interest rate transactions

As of March 31, 2015

Hedge accounting method	Type	Main hedged item	Millions of yen		
			Contracted value	Contracted value over 1 year	Fair value
General accounting rules	Interest-rate swaps	Available-for-sale securities (bonds)			
	Variable rate receivable/ fixed rate payable		¥40,000	¥40,000	¥(3,169)
	Total	—	¥ —	¥ —	¥(3,169)

As of March 31, 2014

Hedge accounting method	Type	Main hedged item	Millions of yen		
			Contracted value	Contracted value over 1 year	Fair value
General accounting rules	Interest-rate swaps	Available-for-sale securities (bonds)			
	Variable rate receivable/ fixed rate payable		¥25,000	¥25,000	¥(33)
	Total	—	¥ —	¥ —	¥(33)

As of March 31, 2015

Hedge accounting method	Type	Main hedged item	Thousands of U.S. dollars		
			Contracted value	Contracted value over 1 year	Fair value
General accounting rules	Interest-rate swaps	Available-for-sale securities (bonds)			
	Variable rate receivable/ fixed rate payable		\$332,861	\$332,861	\$(26,376)
	Total	—	\$ —	\$ —	\$(26,376)

Notes: 1. In general deferred hedge accounting is applied according to "Accounting and Auditing Treatment relating to the Adoption of 'Accounting for Financial Instruments' for Banks" (JICPA Audit Committee Report No. 24).

2. Calculation of fair value

Calculated at discounted present values and formulas for option pricing.

## (b) Currency transactions

As of March 31, 2015

Hedge accounting method	Type	Main hedged item	Millions of yen		
			Contracted value	Contracted value over 1 year	Fair value
General accounting rules	Currency swaps	Foreign currency receivables	¥76,908	¥34,849	¥(6,105)
	Monetary swaps		62,299	—	(822)
	Total	—	¥ —	¥ —	¥(6,928)

As of March 31, 2014

Hedge accounting method	Type	Main hedged item	Millions of yen		
			Contracted value	Contracted value over 1 year	Fair value
General accounting rules	Currency swaps	Foreign currency receivables	¥33,963	¥ —	¥(1,339)
	Monetary swaps		70,503	—	10
	Total	—	¥ —	¥ —	¥(1,328)

As of March 31, 2015

Hedge accounting method	Type	Main hedged item	Thousands of U.S. dollars		
			Contracted value	Contracted value over 1 year	Fair value
General accounting rules	Currency swaps	Foreign currency receivables	\$640,000	\$290,000	\$(50,806)
	Monetary swaps		518,425	—	(6,845)
	Total	—	\$ —	\$ —	\$(57,652)

Notes: 1. In general, deferred hedge accounting is applied according to "Accounting and Auditing for Foreign Currency Transactions in the Banking Industry" (JICPA Industry Audit Committee Report No. 25).

2. Calculation of fair value

Calculated at discounted present value.

## Notes to Consolidated Financial Statements

### 24. Segment information

#### (1) Overview of reportable segments

Reportable segments are the Group's constituent business units for which separate financial data can be obtained and that are examined periodically by the Board of Directors for the purposes of determining the allocation of management resources and evaluating operating results.

The Group is engaged mainly in banking activities. Consolidated subsidiaries provide financial services primarily engaging in leasing activities. The Bank and its individual consolidated subsidiaries, which comprise a corporate group, each prepare business and other plans while developing business activities.

As a result, the Group has identified the two reportable segments of banking and leasing, which comprise the basic segments of the Bank and its individual consolidated subsidiaries by operation. Operations under the banking segment include the provision of services relating deposits, loans, marketable security and related investment as well as foreign currency exchange. Operations under the leasing segment include leasing and other operations conducted by 114 Lease Co., Ltd.

#### (2) Calculation methods for ordinary income, profit and loss, assets and liabilities and other items by reportable segment

The method of accounting treatment applied to reportable segments is the same as that described in "Notes to Consolidated Financial Statements."

Moreover, reportable segment profit is based on ordinary profit.

Intersegment ordinary income is based on transaction prices between third parties.

#### (3) Information regarding ordinary income, profit and loss, assets and liabilities and other items by reportable segment

Information about industry segments of the Bank and its consolidated subsidiaries for the years ended March 31, 2015 and 2014 is as follows:

2015	Millions of yen						
	Banking	Leasing	Total	Other businesses	Total	Adjustment	Consolidated total
Ordinary income:							
Outside customers .....	¥ 69,346	¥ 6,523	¥ 75,870	¥ 1,765	¥ 77,636	¥ —	¥ 77,636
Inter-segment transactions.....	275	621	896	3,687	4,584	(4,584)	—
Total .....	¥ 69,621	¥ 7,145	¥ 76,767	¥ 5,453	¥ 82,220	¥ (4,584)	¥ 77,636
Segment profit.....	¥ 16,600	¥ 476	¥ 17,076	¥ 1,596	¥ 18,672	¥ (0)	¥ 18,671
Segment assets .....	¥4,596,706	¥24,893	¥4,621,600	¥30,717	¥4,652,318	¥(37,212)	¥4,615,105
Segment liabilities.....	¥4,323,506	¥20,656	¥4,344,162	¥10,788	¥4,354,951	¥(35,321)	¥4,319,629
Other items:							
Depreciation .....	¥ 2,866	¥ 93	¥ 2,959	¥ 335	¥ 3,295	¥ 66	¥ 3,361
Interest income.....	48,475	118	48,593	483	49,077	(566)	48,510
Interest expenses .....	4,181	125	4,306	84	4,390	(554)	3,836
Increases in property, plant and equipment and intangible assets.....	1,787	3	1,790	231	2,022	87	2,109

2014	Millions of yen						
	Banking	Leasing	Total	Other businesses	Total	Adjustment	Consolidated total
Ordinary income:							
Outside customers .....	¥ 72,062	¥ 6,616	¥ 78,678	¥ 1,901	¥ 80,580	¥ —	¥ 80,580
Inter-segment transactions.....	616	670	1,286	3,632	4,918	(4,918)	—
Total .....	¥ 72,678	¥ 7,286	¥ 79,965	¥ 5,533	¥ 85,499	¥ (4,918)	¥ 80,580
Segment profit.....	¥ 20,177	¥ 326	¥ 20,503	¥ 1,683	¥ 22,187	¥ (329)	¥ 21,857
Segment assets .....	¥4,476,338	¥26,357	¥4,502,695	¥30,633	¥4,533,328	¥(40,117)	¥4,493,211
Segment liabilities.....	¥4,240,710	¥22,482	¥4,263,193	¥11,350	¥4,274,544	¥(38,183)	¥4,236,360
Other items:							
Depreciation .....	¥ 2,857	¥ 97	¥ 2,955	¥ 345	¥ 3,300	¥ 71	¥ 3,371
Interest income.....	47,545	127	47,672	509	48,182	(635)	47,546
Interest expenses .....	3,690	145	3,835	90	3,925	(591)	3,333
Increases in property, plant and equipment and intangible assets.....	3,051	6	3,058	441	3,500	65	3,565



## Notes to Consolidated Financial Statements

2015	Thousands of U.S. dollars						Consolidated total
	Banking	Leasing	Total	Other businesses	Total	Adjustment	
Ordinary income:							
Outside customers .....	\$ 577,071	\$ 54,288	\$ 631,360	\$ 14,692	\$ 646,052	\$ —	\$ 646,052
Inter-segment transactions .....	2,289	5,172	7,462	30,689	38,151	(38,151)	—
Total .....	\$ 579,361	\$ 59,461	\$ 638,822	\$ 45,381	\$ 684,204	\$ (38,151)	\$ 646,052
Segment profit .....	\$ 138,138	\$ 3,961	\$ 142,100	\$ 13,284	\$ 155,385	\$ (5)	\$ 155,379
Segment assets .....	\$38,251,699	\$207,155	\$38,458,855	\$255,620	\$38,714,475	\$(309,669)	\$38,404,806
Segment liabilities .....	\$35,978,250	\$171,893	\$36,150,143	\$ 89,778	\$36,239,922	\$(293,933)	\$35,945,988
Other items:							
Depreciation .....	\$ 23,856	\$ 774	\$ 24,630	\$ 2,791	\$ 27,422	\$ 550	\$ 27,972
Interest income .....	403,389	982	404,372	4,026	408,398	(4,716)	403,681
Interest expenses .....	34,793	1,040	35,834	705	36,539	(4,610)	31,928
Increases in property, plant and equipment and intangible assets .....	14,873	30	14,903	1,923	16,827	727	17,554

Notes: 1. In place of sales which are usually posted by companies other than banks, the Bank and its consolidated subsidiaries report ordinary income. In addition, adjusted differences are recorded as the difference between ordinary income and ordinary income recorded on consolidated statements of income.

2. The Other businesses segment is comprised of business segments not included in reportable segments and mainly consists of credit card and credit guarantee operations.

3. The adjusted amounts of segment profit, segment assets, segment liabilities, depreciation, interest income, interest expenses and the amount of increase in tangible fixed assets and intangible fixed assets are recorded as eliminations.

4. Segment profit is adjusted with ordinary profit recorded on consolidated statements of income.

## (Associated information)

## Information on Each Service

2015	Millions of yen				
	Lending services	Securities investment services	Leasing services	Other	Total
Income from external customers .....	¥33,843	¥20,770	¥6,523	¥16,498	¥77,636

2014	Millions of yen				
	Lending services	Securities investment services	Leasing services	Other	Total
Income from external customers .....	¥34,511	¥21,647	¥6,616	¥17,804	¥80,580

2015	Thousands of U.S. dollars				
	Lending services	Securities investment services	Leasing services	Other	Total
Income from external customers .....	\$281,627	\$172,846	\$54,288	\$137,289	\$646,052

## 25. Related-party transactions

Not applicable to the years ended March 31, 2015 and 2014.

## Notes to Consolidated Financial Statements

### 26. Per share data

	Yen		U.S. dollars
	2015	2014	2015
Net assets per share .....	<b>¥928.83</b>	¥798.27	<b>\$7.729</b>
Net income per share .....	<b>29.84</b>	37.16	<b>0.248</b>
Net diluted earnings per share .....	<b>29.78</b>	37.10	<b>0.247</b>

Notes: 1. The net assets per share figure is calculated on the basis of the following.

	Millions of yen, except number of shares		Thousands of U.S. dollars
	2015	2014	2015
Net assets .....	<b>¥295,476</b>	¥256,851	<b>\$2,458,817</b>
Amount excluded from net assets .....	<b>17,780</b>	17,077	<b>147,957</b>
New share subscription right .....	<b>196</b>	156	<b>1,633</b>
(of which, held by minority interests) .....	<b>17,583</b>	16,920	<b>146,323</b>
Net assets attributable to common stock at the fiscal year-end .....	<b>277,696</b>	239,774	<b>2,310,860</b>
Number of common stock shares at fiscal year-end used for calculation of net assets per share (in thousands) .....	<b>298,971</b>	300,364	

2. Net income per share is calculated on the basis of the following.

	Millions of yen, except number of shares		Thousands of U.S. dollars
	2015	2014	2015
Net income per share			
Net income .....	<b>¥ 8,957</b>	¥ 11,230	<b>\$74,543</b>
Amount not attributable to common stockholders .....	—	—	—
Net income attributable to common stock .....	<b>8,957</b>	11,230	<b>74,543</b>
Average number of shares of common stock during the year (in thousands) .....	<b>300,138</b>	302,174	
Diluted earnings per share			
Increase in number of common stock shares (in thousands) .....	<b>600</b>	479	
New subscription rights .....	<b>600</b>	479	

3. The Bank's own stock remaining in the ESOP Trust and recorded as treasury stock in stockholders' equity are included in treasury stock to be deducted in the calculation of net assets per share, net income per share, and diluted net income per share.

The number of shares of said treasury stock to be deducted at year-end in the calculation of net assets per share was 1,773 thousand as of March 31, 2014 and 1,177 thousand as of March 31, 2015. Moreover, the average number of shares of said treasury stock to be deducted in the calculation of net income per share and diluted net income per share during the year was 2,119 thousand for the fiscal year ended March 31, 2014 and 1,487 thousand for the fiscal year ended March 31, 2015.

4. As stated in "Changes in accounting policies," from the fiscal year ended March 31, 2015, the Bank began applying Accounting Standard for Retirement Benefits (ASBJ Statement No. 26, issued on May 17, 2012) and Guidance on Accounting Standard for Retirement Benefits (ASBJ Guidance No. 25, issued on March 26, 2015) with respect to provisions set forth in the text of paragraph 35 of Accounting Standard for Retirement Benefits and the text of paragraph 67 of Guidance on Accounting Standard for Retirement Benefits and the Bank follows transitional treatment set forth in paragraph 37 of Accounting Standard for Retirement Benefits. As a result, net assets per share at the beginning of the fiscal year ended March 31, 2015 decreased ¥5.36 (\$0.044). Further, this had no material impact on net income per share and diluted net income per share.

5. As stated in "Changes in accounting policies," the Bank started applying the "Practical Solution on Transactions of Delivering the Company's Own Stock to Employees, etc. through Trusts" (ASBJ, PITF No. 30; March 26, 2015) from the fiscal year ended March 31, 2015. However, this has been accounted for with a previously adopted method and had no impact on net assets per share, net income per share, and diluted net income per share.

### 27. Important subsequent events

#### 1. Purchase of treasury stock

At a meeting of the board of directors held on May 13, 2015, the Bank resolved and carried out the following with respect to the purchase of treasury stock based on the provisions of Article 156 of the Companies Act applied by replacing the terms and phrases pursuant to Article 165, paragraph 3 of said Act.

(a) *Details of the board of directors' resolution concerning the purchase of treasury stock*

- (i) Type of stock to be purchased  
The Bank's common stock
- (ii) Total number of shares to be purchased  
1,000,000 shares (maximum)
- (iii) Period of purchase  
May 14, 2015 to June 12, 2015
- (ix) Total purchase price  
¥500 million (\$4,160 thousand) (maximum)

(b) *Purchase date*

May 14, 2015 to June 3, 2015

(c) *Purchase results*

1,000,000 shares (purchase price: ¥442 million [\$3,683 thousand]) of the Bank's common stock were purchased.

#### 2. Conclusion of lawsuit

The Bank was subject to a lawsuit from "Bankrupt party: Sanuki Zosen Tekkosho Co., Ltd.; Attorney: Sotaro Yamazaki, the trustee in bankruptcy" claiming to exercise a right of avoidance. On May 23, 2014 a judgment was rendered in this case, and although a final appeal and a petition for the acceptance of a final appeal were filed, the Supreme Court handed down its decision (on May 13, 2015) to dismiss this request for an appeal hearing. This lawsuit has thus been concluded.

With respect to the appeal court's judgment of ¥870 million (\$7,239 thousand) and the payment of (total of ¥1,180 million [\$9,824 thousand]) 6% per annum on said ¥870 million judgment, as nearly the total of that amount (¥1,173 million [\$9,765 thousand]) has been recorded in the reserve for litigation loss in the fiscal year ended March 31, 2015, this will have no material impact on business performance in the fiscal year ending March 31, 2016.

## Independent Auditor's Report

The Board of Directors  
The Hyakujushi Bank, Ltd.

We have audited the accompanying consolidated financial statements of The Hyakujushi Bank, Ltd. and its consolidated subsidiaries, which comprise the consolidated balance sheet as at March 31, 2015, and the consolidated statements of income, comprehensive income, changes in net assets, and cash flows for the year then ended and a summary of significant accounting policies and other explanatory information, all expressed in Japanese yen.

### *Management's Responsibility for the Consolidated Financial Statements*

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

### *Auditor's Responsibility*

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

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

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

### *Opinion*

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of The Hyakujushi Bank, Ltd. and its consolidated subsidiaries as at March 31, 2015, and their consolidated financial performance and cash flows for the year then ended in conformity with accounting principles generally accepted in Japan.

### *Convenience Translation*

We have reviewed the translation of these consolidated financial statements into U.S. dollars, presented for the convenience of readers, and, in our opinion, the accompanying consolidated financial statements have been properly translated on the basis described in Note 1.

*Ernst & Young ShinNihon LLC*

June 26, 2015  
Tokyo, Japan

## Non-Consolidated Balance Sheets (Unaudited)

As of March 31	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
<b>Assets:</b>			
Cash and due from banks .....	¥ 305,103	¥ 390,227	\$ 2,538,929
Call loans .....	3,605	—	30,000
Monetary claims bought.....	31,059	32,387	258,465
Trading account securities .....	2	8	21
Money held in trust .....	4,901	4,901	40,790
Securities.....	1,455,410	1,336,514	12,111,262
Loans and bills discounted.....	2,702,125	2,621,395	22,485,855
Foreign exchange assets .....	13,507	17,446	112,403
Other assets .....	28,436	28,937	236,631
Tangible fixed assets.....	38,988	40,174	324,444
Intangible fixed assets .....	3,436	3,519	28,598
Prepaid pension cost .....	2,291	4,261	19,070
Customers' liabilities for acceptances and guarantees.....	21,140	17,249	175,924
Reserve for possible loan losses .....	(15,702)	(18,996)	(130,665)
Total assets.....	¥4,594,307	¥4,478,026	\$38,231,733

## Non-Consolidated Balance Sheets (Unaudited)

As of March 31	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
<b>Liabilities and net assets</b>			
<b>Liabilities:</b>			
Deposits .....	¥3,808,271	¥3,775,669	\$31,690,697
Negotiable certificates of deposit .....	174,426	188,619	1,451,495
Call money .....	48,068	38,595	400,000
Payables under securities lending transactions .....	40,520	9,901	337,190
Borrowed money .....	128,214	121,695	1,066,943
Foreign exchange liabilities .....	354	140	2,948
Corporate bond .....	10,000	10,000	83,215
Other liabilities .....	65,180	64,974	542,399
Reserve for bonuses for directors .....	23	26	197
Provision for claims on dormant accounts .....	539	559	4,493
Provision for contingent liabilities .....	107	114	892
Reserve for litigation loss .....	1,173	—	9,765
Deferred tax liability .....	18,554	5,325	154,401
Deferred tax liability for land revaluation .....	6,176	6,819	51,398
Acceptances and guarantees .....	21,140	17,249	175,924
Total liabilities .....	4,322,750	4,239,691	35,971,961
<b>Net assets:</b>			
Stockholders' equity:			
Common stock .....	37,322	37,322	310,582
Capital surplus .....	24,920	24,920	207,376
Capital surplus reserve .....	24,920	24,920	207,376
Retained earnings .....	139,307	134,461	1,159,253
Earned surplus reserve .....	12,402	12,402	103,205
Other retained earnings .....	126,905	122,059	1,056,047
Reserve for advanced depreciation of fixed assets .....	267	254	2,224
Special reserve .....	119,161	110,161	991,603
Earned surplus bought forward .....	7,476	11,644	62,219
Treasury stock .....	(4,730)	(4,181)	(39,363)
Total stockholders' equity .....	196,820	192,523	1,637,848
Valuation and translation adjustments:			
Net unrealized gains on securities available for sale .....	68,827	37,634	572,751
Net deferred losses on hedging instruments .....	(3,010)	(24)	(25,049)
Revaluation reserve for land .....	8,722	8,044	72,587
Total valuation and translation adjustments .....	74,540	45,654	620,289
Share warrants .....	196	156	1,633
Total net assets .....	271,556	238,335	2,259,771
Total liabilities and net assets .....	¥4,594,307	¥4,478,026	\$38,231,733

As of March 31	Yen		U.S. dollars
	2015	2014	2015
<b>Per share</b>			
Net assets .....	¥907.64	¥792.96	\$7.552

Note: U.S. dollar amounts represent translations of Japanese yen at the exchange rate of ¥120.17 to US\$1.00 on March 31, 2015.



## Non-Consolidated Statements of Income (Unaudited)

For the years ended March 31	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
<b>Income:</b>			
Interest on loans and bills discounted .....	¥33,545	¥34,241	\$279,152
Interest and dividends on securities .....	14,467	12,892	120,390
Other interest income .....	462	412	3,846
Fees and commissions .....	9,301	9,230	77,403
Other operating income .....	5,692	6,429	47,368
Other income .....	6,158	9,475	51,245
Total income .....	69,627	72,681	579,407
<b>Expenses:</b>			
Interest on deposits and negotiable certificates of deposit .....	2,213	2,141	18,419
Interest on call money .....	236	148	1,969
Interest on borrowed money .....	706	819	5,876
Other interest expenses .....	1,024	580	8,528
Fees and commissions .....	3,444	3,161	28,664
Other operating expenses .....	2,662	3,096	22,155
General and administrative expenses .....	38,373	38,484	319,324
Other expenses .....	5,669	4,269	47,179
Total expenses .....	54,330	52,702	452,117
<b>Income before income taxes .....</b>	<b>15,296</b>	<b>19,978</b>	<b>127,290</b>
<b>Income taxes:</b>			
Current .....	3,039	5,201	25,296
Deferred .....	3,649	3,679	30,371
Subtotal .....	6,689	8,881	55,668
<b>Net income .....</b>	<b>¥ 8,606</b>	<b>¥11,097</b>	<b>\$ 71,622</b>

For the years ended March 31	Yen		U.S. dollars
	2015	2014	2015
<b>Per share</b>			
Net income .....	¥28.67	¥36.72	\$0.238

Note: U.S. dollar amounts represent translations of Japanese yen at the exchange rate of ¥120.17 to US\$1.00 on March 31, 2015.



## Non-Consolidated Statements of Changes in Net Assets (Unaudited)

	Millions of yen									
	Stockholders' equity									
	Capital surplus			Retained earnings						
	Common stock	Capital surplus reserve	Total capital surplus	Earned surplus reserve	Other retained earnings			Total retained earnings	Treasury stock	Total stockholders' equity
For the years ended March 31					Reserve for advanced depreciation of fixed assets	Special reserve	Earned surplus bought forward			
<b>Balance as of March 31, 2013</b> .....	¥37,322	¥24,920	¥24,920	¥12,402	¥254	¥106,661	¥ 6,163	¥125,480	¥(2,935)	¥184,788
Change of items during the period										
Dividends from surplus .....	—	—	—	—	—	—	(2,118)	(2,118)	—	(2,118)
Provision to general reserve .....	—	—	—	—	—	3,500	(3,500)	—	—	—
Net income .....	—	—	—	—	—	—	11,097	11,097	—	11,097
Purchase of treasury stock .....	—	—	—	—	—	—	—	—	(1,516)	(1,516)
Disposal of treasury stock .....	—	—	—	—	—	—	(10)	(10)	270	259
Transfer from revaluation reserve for land .....	—	—	—	—	—	—	16	16	—	16
Provision for revaluation reserve for land .....	—	—	—	—	—	—	(2)	(2)	—	(2)
Net changes of items other than stockholders' equity .....	—	—	—	—	—	—	—	—	—	—
Total changes of items during the period .....	—	—	—	—	—	3,500	5,480	8,980	(1,245)	7,735
<b>Balance as of March 31, 2014</b> .....	37,322	24,920	24,920	12,402	254	110,161	11,644	134,461	(4,181)	192,523
Cumulative effects of changes in accounting policies .....	—	—	—	—	—	—	(1,611)	(1,611)	—	(1,611)
Restated balance .....	37,322	24,920	24,920	12,402	254	110,161	10,032	132,850	(4,181)	190,911
Change of items during the period										
Dividends from surplus .....	—	—	—	—	—	—	(2,103)	(2,103)	—	(2,103)
Increase in reserve due to change in effective tax rate .....	—	—	—	—	12	—	(12)	—	—	—
Provision to general reserve .....	—	—	—	—	—	9,000	(9,000)	—	—	—
Net income .....	—	—	—	—	—	—	8,606	8,606	—	8,606
Purchase of treasury stock .....	—	—	—	—	—	—	—	—	(780)	(780)
Disposal of treasury stock .....	—	—	—	—	—	—	(4)	(4)	231	226
Transfer from revaluation reserve for land .....	—	—	—	—	—	—	11	11	—	11
Provision for revaluation reserve for land .....	—	—	—	—	—	—	(52)	(52)	—	(52)
Net changes of items other than stockholders' equity .....	—	—	—	—	—	—	—	—	—	—
Total changes of items during the period .....	—	—	—	—	12	9,000	(2,555)	6,457	(549)	5,908
<b>Balance as of March 31, 2015</b> .....	¥37,322	¥24,920	¥24,920	¥12,402	¥267	¥119,161	¥ 7,476	¥139,307	¥(4,730)	¥196,820

## Non-Consolidated Statements of Changes in Net Assets (Unaudited)

	Millions of yen					
	Valuation and translation adjustments					
	Net unrealized gains on securities available for sale	Net deferred losses on hedging instruments	Revaluation reserve for land	Total valuation and translation adjustments	Share warrants	Total net assets
For the years ended March 31						
Balance as of March 31, 2013 .....	¥38,094	¥ (136)	¥8,057	¥46,016	¥120	¥230,925
Change of items during the period						
Dividends from surplus .....	—	—	—	—	—	(2,118)
Provision to general reserve .....	—	—	—	—	—	—
Net income .....	—	—	—	—	—	11,097
Purchase of treasury stock .....	—	—	—	—	—	(1,516)
Disposal of treasury stock .....	—	—	—	—	—	259
Transfer from revaluation reserve for land .....	—	—	—	—	—	16
Provision for revaluation reserve for land .....	—	—	—	—	—	(2)
Net changes of items other than stockholders' equity .....	(460)	111	(13)	(361)	36	(325)
Total changes of items during the period .....	(460)	111	(13)	(361)	36	7,409
Balance as of March 31, 2014 .....	¥37,634	¥ (24)	¥8,044	¥45,654	¥156	¥238,335
Cumulative effects of changes in accounting policies .....	—	—	—	—	—	(1,611)
Restated balance .....	37,634	(24)	8,044	45,654	156	236,723
Change of items during the period						
Dividends from surplus .....	—	—	—	—	—	(2,103)
Increase in reserve due to change in effective tax rate .....	—	—	—	—	—	—
Provision to general reserve .....	—	—	—	—	—	—
Net income .....	—	—	—	—	—	8,606
Purchase of treasury stock .....	—	—	—	—	—	(780)
Disposal of treasury stock .....	—	—	—	—	—	226
Transfer from revaluation reserve for land .....	—	—	—	—	—	11
Provision for revaluation reserve for land .....	—	—	—	—	—	(52)
Net changes of items other than stockholders' equity .....	31,192	(2,985)	678	28,885	39	28,925
Total changes of items during the period .....	31,192	(2,985)	678	28,885	39	34,833
Balance as of March 31, 2015 .....	¥68,827	¥(3,010)	¥8,722	¥74,540	¥196	¥271,556

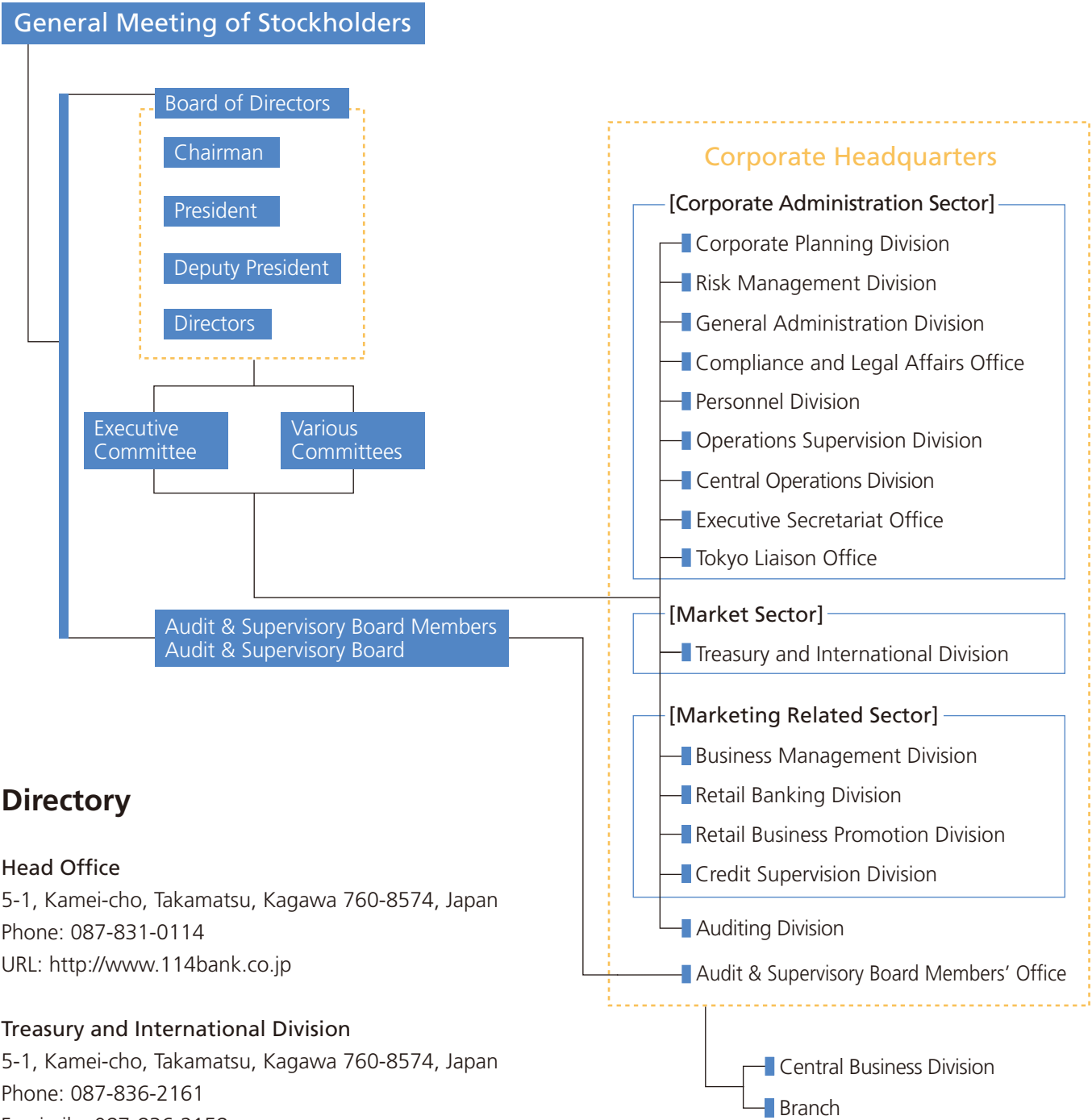
## Non-Consolidated Statements of Changes in Net Assets (Unaudited)

	Thousands of U.S. dollars									
	Stockholders' equity									
	Capital surplus			Retained earnings						
	Common stock	Capital surplus reserve	Total capital surplus	Earned surplus reserve	Other retained earnings			Total retained earnings	Treasury stock	Total stockholders' equity
For the year ended March 31					Reserve for advanced depreciation of fixed assets	Special reserve	Earned surplus bought forward			
<b>Balance as of March 31, 2014</b> .....	\$310,582	\$207,376	\$207,376	\$103,205	\$2,116	\$916,709	\$ 96,898	\$1,118,930	\$(34,794)	\$1,602,094
Cumulative effects of changes in accounting policies .....	—	—	—	—	—	—	(13,412)	(13,412)	—	(13,412)
Restated balance .....	310,582	207,376	207,376	103,205	2,116	916,709	83,486	1,105,518	(34,794)	1,588,681
Change of items during the period										
Dividends from surplus .....	—	—	—	—	—	—	(17,506)	(17,506)	—	(17,506)
Increase in reserve due to change in effective tax rate .....	—	—	—	—	107	—	(107)	—	—	—
Provision to general reserve .....	—	—	—	—	—	74,893	(74,893)	—	—	—
Net income .....	—	—	—	—	—	—	71,622	71,622	—	71,622
Purchase of treasury stock .....	—	—	—	—	—	—	—	—	(6,491)	(6,491)
Disposal of treasury stock .....	—	—	—	—	—	—	(37)	(37)	1,922	1,885
Transfer from revaluation reserve for land .....	—	—	—	—	—	—	92	92	—	92
Provision for revaluation reserve for land .....	—	—	—	—	—	—	(435)	(435)	—	(435)
Net changes of items other than stockholders' equity .....	—	—	—	—	—	—	—	—	—	—
Total changes of items during the period .....	—	—	—	—	107	74,893	(21,266)	53,735	(4,568)	49,166
<b>Balance as of March 31, 2015</b> .....	\$310,582	\$207,376	\$207,376	\$103,205	\$2,224	\$991,603	\$ 62,219	\$1,159,253	\$(39,363)	\$1,637,848

	Thousands of U.S. dollars					
	Valuation and translation adjustments				Share warrants	Total net assets
	Net unrealized gains on securities available for sale	Net deferred losses on hedging instruments	Revaluation reserve for land	Total valuation and translation adjustments		
For the year ended March 31						
<b>Balance as of March 31, 2014</b> .....	\$313,180	\$ (204)	\$66,943	\$379,919	\$1,302	\$1,983,316
Cumulative effects of changes in accounting policies .....	—	—	—	—	—	(13,412)
Restated balance .....	313,180	(204)	66,943	379,919	1,302	1,969,904
Change of items during the period						
Dividends from surplus .....	—	—	—	—	—	(17,506)
Increase in reserve due to change in effective tax rate .....	—	—	—	—	—	—
Provision to general reserve .....	—	—	—	—	—	—
Net income .....	—	—	—	—	—	71,622
Purchase of treasury stock .....	—	—	—	—	—	(6,491)
Disposal of treasury stock .....	—	—	—	—	—	1,885
Transfer from revaluation reserve for land .....	—	—	—	—	—	92
Provision for revaluation reserve for land .....	—	—	—	—	—	(435)
Net changes of items other than stockholders' equity .....	259,571	(24,845)	5,643	240,369	331	240,700
Total changes of items during the period .....	259,571	(24,845)	5,643	240,369	331	289,867
<b>Balance as of March 31, 2015</b> .....	\$572,751	\$(25,049)	\$72,587	\$620,289	\$1,633	\$2,259,771

Note: U.S. dollar amounts represent translations of Japanese yen at the exchange rate of ¥120.17 to US\$1.00 on March 31, 2015.

# Organization (as of July 1, 2015)



## Directory

### Head Office

5-1, Kamei-cho, Takamatsu, Kagawa 760-8574, Japan  
Phone: 087-831-0114  
URL: <http://www.114bank.co.jp>

### Treasury and International Division

5-1, Kamei-cho, Takamatsu, Kagawa 760-8574, Japan  
Phone: 087-836-2161  
Facsimile: 087-836-2158  
SWIFT: HYAKJPT

**THE HYAKUJUSHI BANK, LTD.**

5-1, Kamei-cho, Takamatsu, Kagawa 760-8574, Japan

Phone: (087) 831-0114

<http://www.114bank.co.jp>

