



Annual Report 2016

The Hyakujushi Bank, Ltd.

Who we are

114th
national bank

Hyakujushi has the meaning of 114 in Japanese.
The Hyakujushi Bank, Ltd., was established as
Japan's 114th national bank.

We were established in 1878 in the city of
Takamatsu, the capital of Kagawa Prefecture,
centered on Shikoku, one of the major islands
of Japan.

1878
established in

124 branch offices
in 11 prefectures

Due to the early establishment of offices in other
prefectures, the Bank now possesses one of the
most extensive networks of branch offices for a
regional bank. We will bring together customers
from both the local area and outside our prefecture
so that they can build a relationship.

Profile (Non-consolidated) (As of March 31, 2016)

Head Office:	5-1, Kamei-cho, Takamatsu, Kagawa
Established:	November 1, 1878
Total assets:	¥4,701.6 billion
Deposits and negotiable certificates of deposit:	¥4,125.5 billion
Loans and bills discounted:	¥2,752.5 billion
Paid-in capital:	¥37.3 billion
Total shares issued:	310,076 thousand shares
Capital ratio:	9.38%
Employees:	2,315
Offices:	124 (Head office, 103 branches, 21 sub-branches)
Non-branch ATMs:	221 machines in 175 locations

The Hyakujushi Bank,
in Numbers

Indicator (Financial)

Deposits and negotiable
certificates of deposit

¥4,125.5 billion

Indicator (Non-financial)

Percentage of managerial
positions held by females

20.1 %

Loans and bills discounted

¥2,752.5 billion

Number of shareholders

8,368

Capital ratio (consolidated)

9.59 %

Years of establishment

138

History of the Hyakujushi Bank

In 1872, Japan adopted a banking system, and the Regulation of National Bank was promulgated. 153 national banks from the First National Bank to the One Hundred Fifty-Third National Bank were founded pursuant to this regulation throughout Japan in between 1872 and 1879. The Hyakujushi Bank was founded as Japan's 114th national bank in Takamatsu City, Kagawa Prefecture. The Hyakujushi Bank is a bank with tradition that has remained steadfast for many years as a leader of Kagawa Prefecture's economy, and it is one of a few banks with numbers in their names.

Since 1878



- 1 Building used at the time of the establishment (around 1887)
"View of prosperous Hyakujushi Bank" by Mitsui Atsuo
- 2 Former Head Office (currently Takamatsu Branch)
- 3 Former Head Office damaged by air raids in World War II
(rightmost building)
- 4 Present Head Office

1973

- Entered into a correspondent banking relationships with five overseas banks
- Was listed on the First Section of Tokyo and Osaka Stock Exchanges

1978

- Increased paid-in capital by ¥2 billion to ¥10 billion
- The 100th anniversary of the founding
- The balance of deposit reached ¥1 trillion
- The English trade name was changed to The Hyakujushi Bank, Ltd. or The 114th Bank, Ltd. (in December)

1987

- Became the first regional bank to issue Swiss franc-denominated private convertible bonds
- The balance of deposit reached ¥2 trillion

1997

- The first female branch manager was appointed
- Installed a computer backup system against disasters



Opening of Singapore Representative Office

Signing of "Agreement on Mutual Support in the Event of Large-scale Disasters"

Establishment of "Setouchi Brand Corporation"

2003

- The 125th anniversary of the founding
- Established the 1st Hyakujushi Venture Fund Cooperation Limited
- Received the "Commendation to Companies Promoting Equal Employment," an award presented by Director of Kagawa Prefectural Labor Standards Bureau (Encouragement Award)

2005

- Opened Shanghai Representative Office

2007

- Started the cooperation on mainframe system for regional bank project, named "Chance" *

2008

- The 130th anniversary of the founding

2013

- Opened Singapore Representative Office

2014

- Started services of "114 Direct Insurance Center"
- "Association of Regional Bank Presidents to Accelerate Shining Women's Active Careers" was launched

2015

- Signed "Agreement on Mutual Support in the Event of Large-scale Disasters" with Chance member banks
- Established "Regional Infrastructure Promotion Conference" together with the Chance member banks
- Introduced a "shareholder special benefit program"

2016

- The 138th anniversary of the founding
- Was certified as an excellent company under the Act to Advance Women's Success in their Working Life
- Signed "Agreement on the Activation of the Tourism Industry in the Setouchi Region" with seven regional banks in Setouchi region and the Development Bank of Japan Inc., and established "Setouchi Brand Corporation"
- Balances of deposit and loans and bills discounted hit record high

2016

Deposits: ¥4.1 trillion
Loans: ¥2.7 trillion

* A joint IT system reflecting the common and individual needs of member banks (Joyo Bank, Hyakujushi Bank, Juroku Bank, Nanto Bank, and Yamaguchi Financial Group), built on the Bank of Tokyo-Mitsubishi UFJ's mainframe system as a base.

2000s

2010s

2001

- September 11 attacks occurred in the US

2005

- EXPO 2005 AICHI JAPAN was held

2009

- A new flu strain broke out in Mexico and spread around the world

2015

- November 2015 Paris attacks occurred
- The TPP was within reach

2016

- Negative interest rates were introduced

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.

Overview of Fiscal 2015

The Japanese economy during fiscal 2015 has shown signs of gradual recovery due to brisk consumer spending resulting from improved employment and income situation, even though corporate exports and productions diminished with the slowdown of emerging economies such as China.

Also, at home in Kagawa, the economy has continued to recover gradually due to the gentle improvement in consumer spending and stable capital investment as a result of sustained and steady improvement of supply and demand in labor, even though housing investment and corporate productions tended to level off.

Amid such a financial and economic environment, in our medium-term management plan “Best Partners Plan” (Plan term: fiscal 2014 to 2016) which started from April 2014, we set our goal of becoming “a financial service group that contributes to the future of the community and our customers” as a long-term vision. We strive to improve our corporate values by implementing various measures to achieve the above goal.

To begin with, the long-term vision embedded in this medium-term management plan strives to “prosper together with customers and communities,” which is our corporate vision, while “creating a vigorous corporate culture” and “ensuring sound business management and enhancing corporate value.”

In order to realize this corporate vision, we need to pursue our mission as a regional financial institution, contributing to the sustainable development of the local economies and the customer’s future. Through further cooperation with local governments and active utilization of information and connections we possess, we work to create a dynamic, bustling region through the revitalization of industry, the creation of new industries, and the promotion of tourism.

Also, we practice our “customer-centric principle” and take action in the position of our customers. We train our staff so as to provide financial intermediary functions that facilitate the supply of funds and consulting capabilities that provide optimal financial services for customer needs, while implementing the “Ikuboss Declaration” in April, 2016 and

improving the working environment to facilitate a better work-life balance.

As a result of all these efforts, for fiscal 2015, ordinary income increased by ¥0.9 billion year-on-year to ¥17.5 billion, and net income increased by ¥2.6 billion year-on-year to ¥11.2 billion.

Based on the above results, starting from fiscal 2015, we increased annual dividends by ¥1, from ¥7 to ¥8 per share in an effort to improve shareholders’ return. Due to the flexible acquisition of treasury stock responding to the profit environment, shareholder return rate (cumulatively for the period of the medium-term management plan) became 34.9%. Furthermore, while enhancing shareholders’ satisfaction by an active return to our shareholders, we will improve the capital ratio through accumulation of internal reserves.

Issues to be tackled

Due to the introduction of the negative interest rate policy by the Bank of Japan, we and the financial industry have stepped into an unknown area and the business environment surrounding regional financial institutions is becoming increasingly severe.

Under such conditions, in fiscal 2016, the final year of the medium-term management plan, we will “rigorously promote retail business opportunities,” “enhance investment capabilities,” and “strengthening of human resources force,” which are basic strategies of the “Best Partners Plan,” and do our best to achieve all our targets. In addition, along with the aim of expanding cooperation with local authorities, etc., we will further demonstrate our financial intermediary and consulting functions and actively participate in regional revitalization by boosting regional economic development.

In order to build up a loyal trust among customers, we will work with all our efforts to further enhance internal control systems related to compliance and customer protection as well as CSR activities including environmental protection and social contribution.

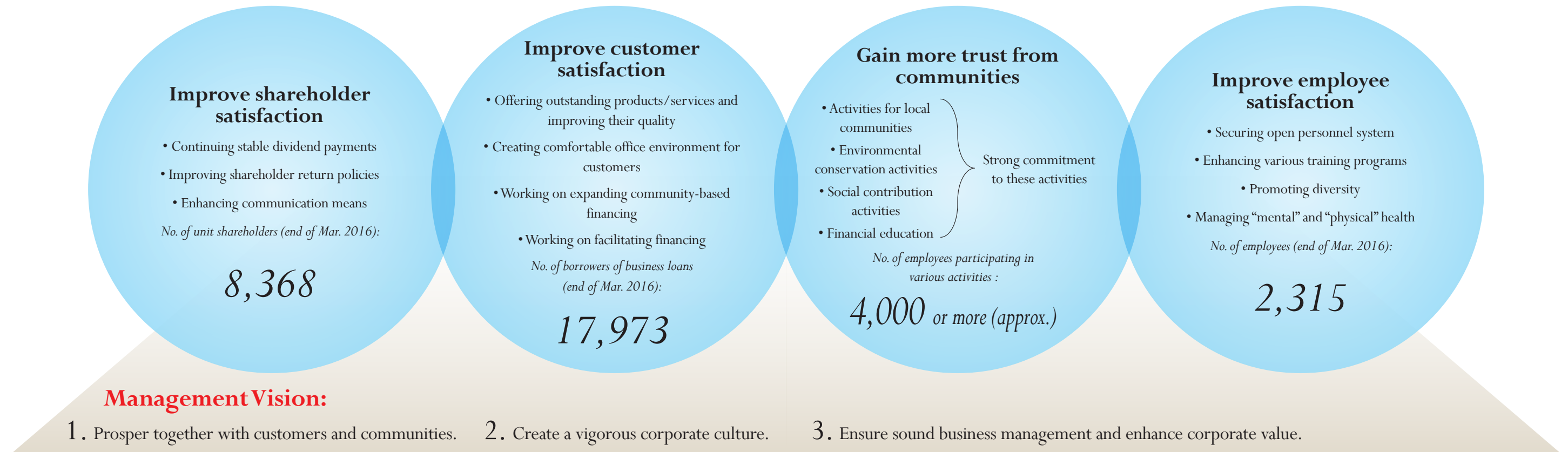
We ask for your continued understanding and support in our endeavors.



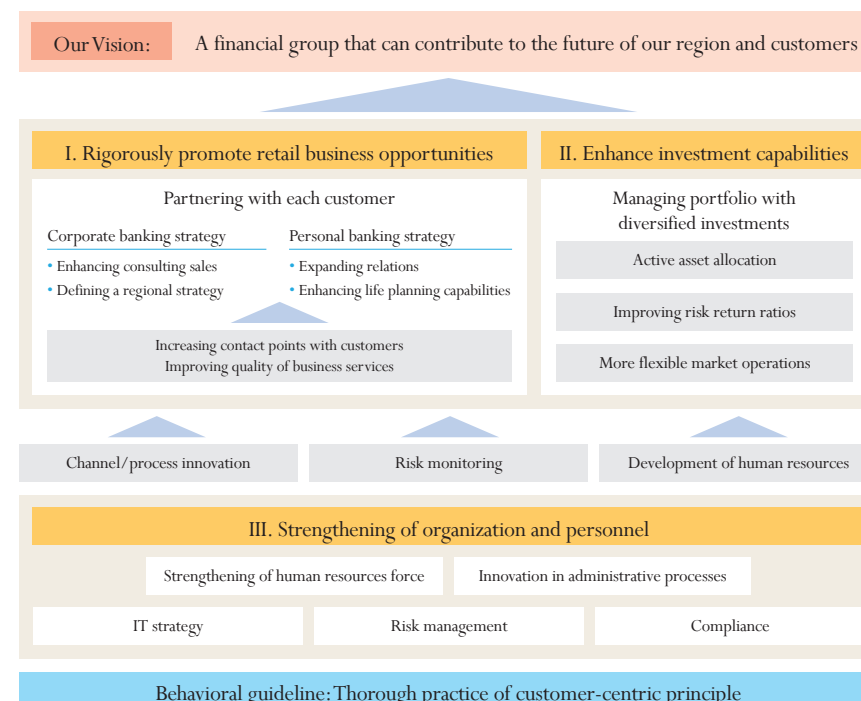
Our Business Model

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.”

We will continue to work on fulfilling our corporate social responsibilities through various efforts to achieve the sustainable prosperity of society in cooperation with “customers, communities, shareholders, and employees” under our management philosophy “Prosper together with customers and communities.”



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



Management Indices

(Final fiscal year (FY 2016) target)

Net operating profit
¥18 billion or more

ROE (current-term-net-profit base)
3.5% (approx.)

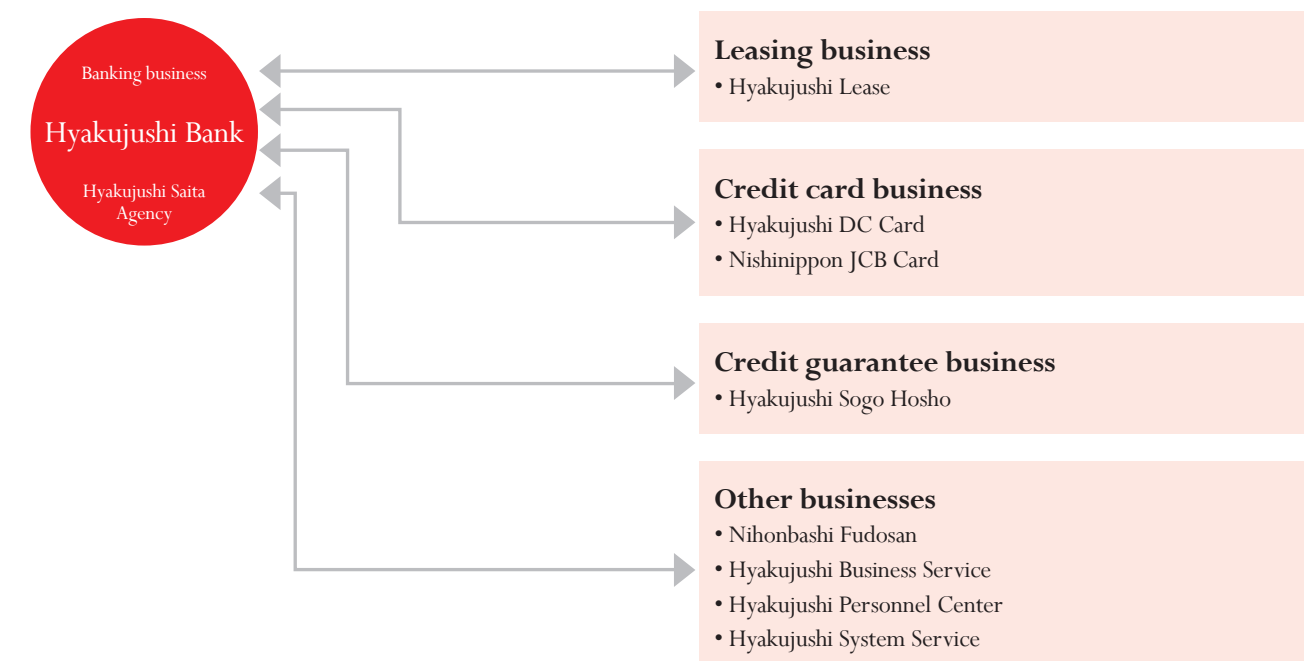
Capital ratio (consolidated)^(*)
9% (approx.)

Loan balance
¥3 trillion (approx.)

Deposit balance
¥4 trillion or more

(*) After taking into account transitional arrangements based on Basel III (domestic standard)

Total financial services that Hyakujushi Bank Group can offer



The Hyakujushi Bank, Ltd. and Consolidated Subsidiaries

Consolidated Financial Highlights

For the years ended or as of March 31	Millions of yen					Thousands of U.S. dollars (Note 1)
	2016	2015	2014	2013	2012	2016
FOR THE YEAR:						
Total income	¥81,416	¥77,671	¥80,592	¥74,961	¥77,064	\$722,541
Total expenses	61,927	60,339	58,928	64,331	63,574	549,582
Profit before income taxes	19,489	17,332	21,663	10,630	13,489	172,958
Income taxes-current	3,878	3,562	5,769	4,939	3,202	34,416
Income taxes-deferred	2,879	3,841	3,700	(1,218)	3,610	25,550
Profit attributable to non-controlling interests	1,099	970	963	1,056	863	9,753
Profit attributable to owners of parent	11,632	8,957	11,230	5,851	5,813	103,230
AT YEAR-END:						
Loans and bills discounted	2,747,341	2,696,444	2,614,215	2,528,403	2,424,741	24,381,798
Securities and trading account securities	1,415,126	1,454,691	1,335,649	1,318,454	1,215,523	12,558,803
Foreign exchange assets	8,649	13,507	17,446	7,382	5,470	76,757
Other assets	548,540	450,461	525,899	280,089	373,161	4,868,122
Total assets	4,719,661	4,615,105	4,493,211	4,134,329	4,018,896	41,885,525
Deposits and negotiable certificates of deposit	4,113,555	3,971,363	3,953,427	3,652,466	3,583,949	36,506,522
Foreign exchange liabilities	206	354	140	579	841	1,828
Other liabilities	323,862	347,911	282,729	229,861	206,250	2,874,174
Total liabilities	4,437,631	4,319,629	4,236,360	3,882,906	3,791,041	39,382,596
Common stock	37,322	37,322	37,322	37,322	37,322	331,221
Capital surplus	24,920	24,920	24,920	24,920	24,920	221,157
Retained earnings	153,335	143,886	138,689	129,575	125,848	1,360,800
Treasury stock	(6,179)	(4,730)	(4,181)	(2,935)	(3,266)	(54,836)
Total stockholders' equity	209,398	201,398	196,751	188,882	184,824	1,858,342
Net unrealized gains on other securities, net of taxes	54,256	68,952	37,722	38,173	19,245	481,505
Net deferred losses on hedging instruments, net of taxes	(7,806)	(3,010)	(24)	(136)	(69)	(69,275)
Revaluation reserve for land	8,961	8,722	8,044	8,057	8,083	79,526
Remeasurements of defined benefit plans	(1,171)	1,631	(2,719)	—	—	(10,392)
Total accumulated other comprehensive income	54,239	76,297	43,022	46,095	27,259	481,354
Share subscription rights	201	196	156	120	117	1,783
Non-controlling interests	18,190	17,583	16,920	16,324	15,652	161,430
Total net assets	282,030	295,476	256,851	251,422	227,854	2,502,928
Total liabilities and net assets	¥4,719,661	¥4,615,105	¥4,493,211	¥4,134,329	¥4,018,896	\$41,885,525

Notes: 1. Yen figures have been rounded, omitting numbers below the million mark, in accordance with the Japanese Commercial Code and the common accounting practice in Japan.
2. U.S. dollar amounts represent translations of Japanese yen at the exchange rate of ¥112.68 to US\$1.00 on March 31, 2016.

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.

Review of Operations

The Japanese economy during fiscal 2015 has shown signs of gradual recovery due to brisk consumer spending resulting from improved employment and income situation, even though corporate exports and productions diminished with the slowdown of emerging economies starting with China.

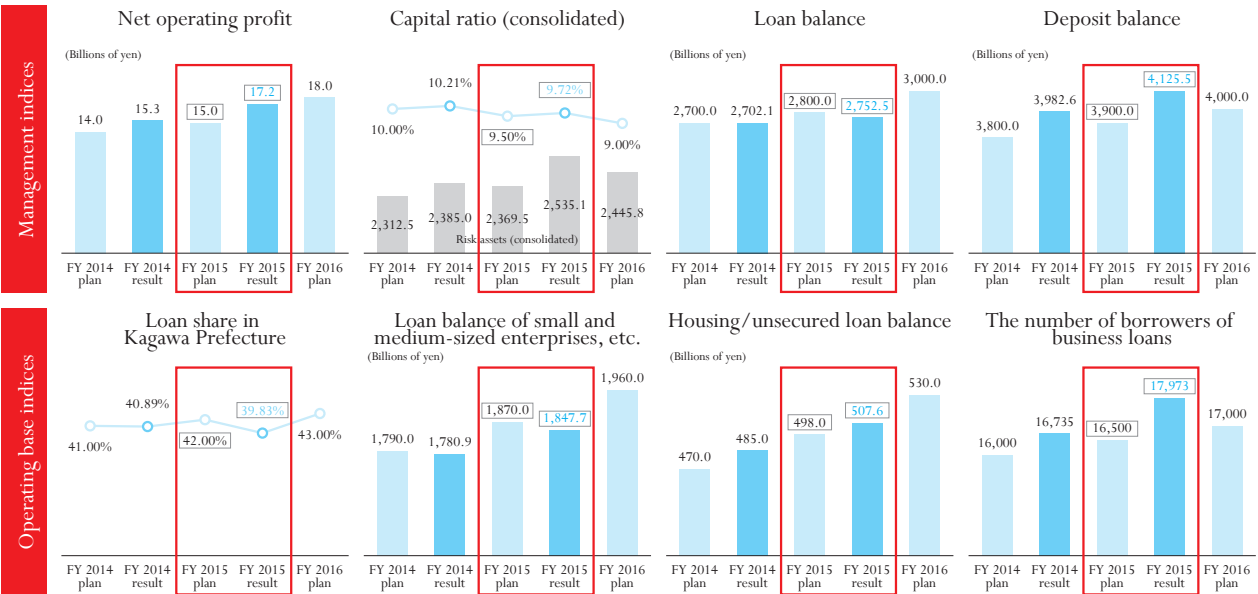
Also, at home in Kagawa, the economy has continued to recover gradually due to the gentle improvement in consumer spending and stable capital investment as a result of sustained and steady improvement of supply and demand in labor, even though housing investment and corporate productions tended to level off.

Under such circumstances, the Bank steadily implemented the fundamental strategies for its medium-term management plan “Best Partners Plan”: “rigorously promote retail business opportunities,” “enhance investment capabilities,” and “strengthen organization and personnel,” and endeavored to achieve various targets. As a result, the Bank’s results for the fiscal year ended March 31, 2016 were as follows:

Net operating profit increased by ¥1,901 million to ¥17,243 million from the previous fiscal year, reflecting an increased interest income, etc. Deposit balance increased by ¥142,879 million to ¥4,125,576 million from the end of the previous fiscal year, reflecting an increase in all of personal, corporate and public deposits. Loan balance increased by ¥50,437 million to ¥2,752,562 million from the end of the previous fiscal year, reflecting increased corporate and personal loans despite a decrease in public loans. The Bank proactively worked on housing loans, and as a result, housing loan balance at the end of the fiscal year ended March 31, 2016 increased by ¥21,853 million to ¥482,942 million from the end of the previous fiscal year.

Management indices	Items	Final fiscal year (FY 2016) target
	Net operating profit	¥18 billion or more
	ROE (current-term-net-profit base)	3.5% (approx.)
	Capital ratio (consolidated)	9% (approx.)
	Loan balance	¥3 trillion (approx.)
	Deposit balance	¥4 trillion or more
Operating base indices	Items	Final fiscal year (FY 2016) target
	Loan share in Kagawa Prefecture (4 business categories)*	43%
	Loan balance of small and medium-sized enterprises	¥1,960.0 billion
	Housing/unsecured loan balance	¥530.0 billion
	The number of borrowers of business loans	17,000
	Amount of assets under custody (yearly)	¥160.0 billion

* Share among major banks, first-tier regional banks, second-tier regional banks and shinkin banks (including local public entities)



Our Operating Area

Economic environment in Kagawa Prefecture

The local economy of Kagawa Prefecture for the fiscal year 2015 continued to recover moderately, despite the very weak recovery in housing investment and enterprises’ production, reflecting a moderate recovery of consumer spending as well as continuous brisk capital investment with the steady, continuous improvement of labor market conditions.

The characteristics of the industrial structure of Kagawa Prefecture are as follows:

- 1. Major actors are not big companies but small- and medium-sized manufacturers with high productivity
- 2. The industrial structure is well-balanced and does not rely on specific types of sector
- 3. A decline in production is likely to be small even at the face of a large economic downturn, such as the Lehman collapse (slightly influenced by such events)

In addition, in Kagawa Prefecture, there are many companies called “niche top company,” which boast a high market share in their respective market, though the size of the market may be small.

* “Niche top company”: A top-share company in its niche area in the world or Japan

Indices for Kagawa Prefecture

Deposit/saving balance (per household): **3rd** place

Total fertility rate: **10th** place

Jobs-to-applicants ratio: **8th** place

Industrial products

National ranking	Items	Value of manufactured goods shipped	Share in national total
1st	Leather gloves for sport, including synthetic leather ones	3,816 million yen	95.4%
	Knitted gloves for apparel	5,908 million yen	92.6%
	Japanese-style fans, including frames	2,772 million yen	53.9%
	Iron wire gauze, including welded wire gauze and wire-cylinders	35,599 million yen	21.5%
	Precooked frozen foods	96,402 million yen	9.8%
2nd	Japanese noodles	20,397 million yen	6.9%
3rd	Cut-stones and stone products	6,945 million yen	9.9%
	Steel cargo shipbuilding, power vessel 20 gross tonnage or more	140,967 million yen	10.7%
4th	Leather handbags	731 million yen	4.5%
	Balances and scales	4,934 million yen	4.3%

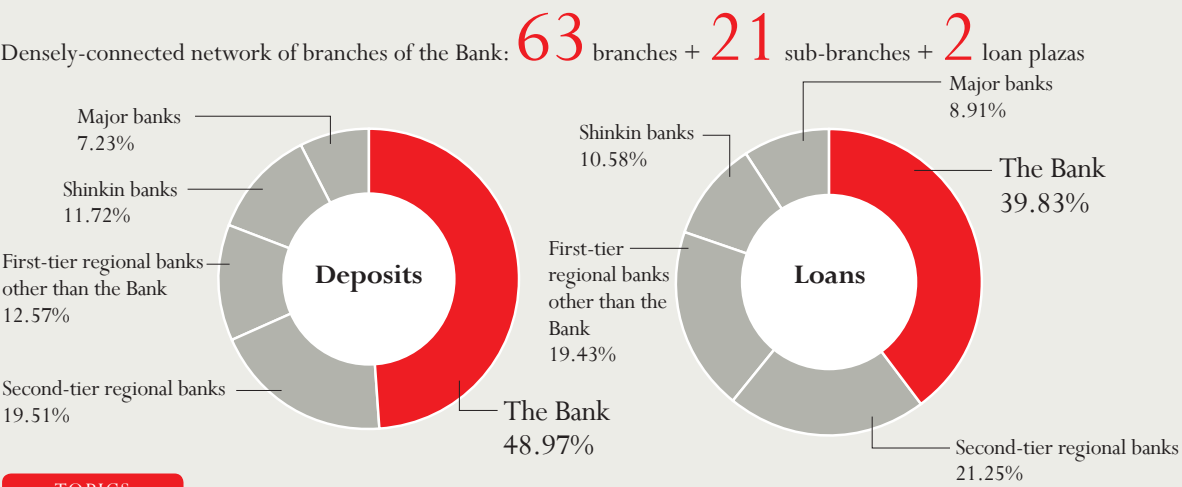
Source: Kagawa Prefecture “Kagawa in the light of 100 Indices” (2016), and METI “Statistics Table (Manufactured goods) in Census of Manufacture 2014”

Agricultural, forestry and fishery products

National ranking	Items	Production	Share in national total
1st	Olives	252 tons	97%
	Marguerite	3,050,000 pieces	69%
2nd	Garlic	720 tons	4%
	Miniature potted plant	79,000 pots	3%
3rd	Naked barley	2,520 tons	17%
	Sunflowers	2,251,000 pieces	9%
4th	Broccoli	9,380 tons	6%
5th	Winter lettuce	16,700 tons	9%
7th	Yellowtail	7,332 tons	5%
9th	Peach	1,490 tons	1%

Source: Kagawa Prefecture “Kagawa in the light of 100 Indices” (2016) and Survey by Agricultural Administration and Fisheries Department, Kagawa Prefecture

In Kagawa Prefecture



TOPICS

We set up “Setouchi Monitor Girls” in cooperation with Kagawa Prefecture Government, and have been disseminating information on attractive features of the region from women’s point of views through monitoring workshops.

Commercialization of optional tour plan

A destination-based tourism plan found out at the “Higashikagawa City Monitoring Workshop” held by the “Setouchi Monitor Girls” was sold as a travel product planned by Shikoku Railway Company.



Joining product development project

We collaborated with Takamatsu Mitsukoshi Ltd. (department store) to propose package designs and prices of products made from vegetables (pickles) produced by devoted farmers and traditional “Niosu” (fine old vinegar).

Outside Kagawa Prefecture

Wide-area network of branches of the Bank **38** branches in **10** prefectures

Features of Setouchi Region

Setouchi Region, including Kagawa Prefecture here with a variety of tourist attractions around the Inland Sea, has a high growth potential for more visitors and accumulation of globally competitive industries, .

The Bank, together with other financial institutions in Setouchi Region as well as companies outside the region, provides management support and financing to tourism-related companies to aim at maximizing the value of the region.

The Bank established “Setouchi Brand Corporation” in April 2016.



Topics

Active Participation in Regional Surface Regeneration

Launch of Japanese version of DMO

The Bank has entered into the “Agreement on the Activation of the Tourism Industry in the Setouchi Region” with seven regional banks in the Setouchi region and the Development Bank of Japan Inc. As a result of this agreement, the Bank, financial institutions in the Setouchi region and companies within and outside of the region have together contributed capital for the establishment of Setouchi Brand Corporation in April 2016. In an effort to make the Setouchi region a destination of choice for people both inside and outside Japan, the company will provide management and funding support for tourism-related industries in a bid to maximize value in the Setouchi region.

Destination-based Tourism* Support by “Tourism Promotion Desk”

The “Tourism Promotion Desk, which is the point of contact between local governments and tourism-related associations, takes advantage of our network and expertise as a local bank and works to implement and cooperate with each measure pertaining to regional activation.

The female employees of the Bank and Kagawa Prefecture have formed the “Setouchi Monitor Girls” who shine a spotlight on industrial tourism in Kagawa Prefecture and regularly hold training sessions to discover new tourism resources. Since its launch in 2014, eight training sessions have been held. In November 2015, a tourism plan that was created in Higashikagawa City, Kagawa Prefecture was released as a tourism product planned by Shikoku Railway Company.



* Destination-based Tourism: The region taking in tourists (destination) plans high value-added experience-based and cultural exchange-based tourism products taking advantage of the tourism resources of the region, including its history, culture and nature, and uses these to appeal to tourists.

Efforts to Promote Migration to and Cultural Exchange with Kagawa Prefecture

Introduction of “Kagawa Migrant Support Housing Loans”

After being commissioned by the “Kagawa Living Support Team,” which Kagawa Prefecture formed with the aim of encouraging migration to the prefecture by promoting the attraction of Kagawa to migrants from outside the prefecture, in November 2014, the Bank introduced “Kagawa Migrant Support Housing Loans,” providing preferential interest rates to people hoping to move to Kagawa Prefecture.

Introduction of “Vacant House Measures and 114 Unsecured Housing Loans”

The Bank has introduced “Vacant House Measures and 114 Unsecured Housing Loans” to deal with the vacant house issue, which is becoming a social problem. The measures apply not only to the demolition costs of a vacant house but also the refurbishments costs associated with the purchase of properties registered with the Vacant House Bank. In cases where customers take advantage of the subsidy system for “vacant house demolition” and “vacant house refurbishment” implemented by local governments throughout Kagawa Prefecture, the Bank provides preferential interest rates.

Efforts Toward Diversity

Supporting the Active Promotion of Women

The Bank has long had a corporate culture in which women work. For this reason, the percentage of women in managerial positions at the Bank stood at 20.1% as at March 2016, which is higher than the national ratio of 11.3%. The Bank will continue to maintain this level and will strive to create a working environment in which employees can work with peace of mind in spite of various life experiences such as marriage, childbirth, childrearing and nursing care, in a bid to maintain and improve the ratio of women in managerial positions.



Employment of Overseas Students

In response to the increasing sophistication of overseas businesses, the Bank is actively recruiting overseas students and employed one student each in 2015 and 2016. For 2017, we are proactively working on recruitment activities such as employment seminars for foreign students, and taking initiatives to train more highly specialized personnel.

Promotion of Work-Life Balance

In April 2016, the Bank implemented the “Ikuboss Declaration,” pledging to engage in working-style reform, including the reduction of overtime and encouraging employees to take paid leave, and to support their private lives and the careers of all of our staff members and customers. In addition, we have become the first company in Shikoku to join the “Ikuboss Corporate Alliance.”

Details of the “Ikuboss Declaration”

- The Bank will support both the work and family lives of all of our staff members by improving the efficiency of operations, which will lead to improved productivity, working to reduce overtime and encourage staff members to take paid leave.
- We will advance working-style reform by becoming an “Ikuboss” who will support the private lives and careers of all our staff and customers in the region so that they will fully enjoy a work-life balance, which will lead to the achievement of the goals of our organization.
- The Hyakujushi Bank, Ltd. will work to foster a vibrant corporate culture through working-style reform and work unitedly so that we contribute to the regional revitalization by achieving the coexistence and co-prosperity of our customers and the regional society.

Efforts Toward Environmental Protection

The Bank provides a variety of products to support the individuals and companies who are working on environmental protection.

- Environment-friendly private placement bonds (known as: Hyakujushi Olive Bonds)
It provides preferential interest rates to companies that are able to acquire third-party certification and demonstrate environment-friendly management.
- Hyakujushi Environment Support Loan (known as: Hyakujushi Olive Fund)
It evaluates the customer’s environmental initiatives in three stages and reflects the evaluation in the interest rate on the loan.
- Hyakujushi Renewable Energy Business Support Loan (known as: Hyakujushi Energy Support)
It responds to demand for capital expenditure from businesses participating in the solar power generation business, etc. by taking advantage of the feed-in tariff system for renewable energy.

Efforts Toward Financial Education Activities

As part of the Bank’s financial education activities, we provide workplace tours and practical experience for elementary, middle and high school students. We also hold events during summer vacations to educate parents and children about finance in collaboration with the Kagawa Prefecture Finance Public Relations Committee. We also participate as a lecturer in special lectures held by high schools and universities in Kagawa Prefecture to deepen the understanding of finance and banks as part of our efforts to further spread financial education.



Board of Directors and Audit & Supervisory Board Members

Board of Directors



Tomoki Watanabe
President
(Representative Director)

Apr. 1974 Joined the Bank
Jan. 2003 General Manager, Osaka Branch, the Bank
Jun. 2004 Director and General Manager, Tokyo Branch, the Bank
Mar. 2006 Director and General Manager, Tokyo Branch and General Manager, Tokyo Public Affairs Division, the Bank
Jun. 2006 Managing Director and General Manager, Corporate Planning Division, the Bank
Jun. 2007 Managing Director, the Bank
Jun. 2008 Director and Senior Managing Executive Officer, the Bank
Jun. 2009 President (to present)



Ryohei Kagawa
Director Senior Managing Executive Officer
(Representative Director)

Apr. 1982 Joined the Bank
Feb. 2004 Deputy General Manager, Kobe Branch, the Bank
Mar. 2006 Acting General Manager, Corporate Planning Division, the Bank
Jan. 2010 Deputy General Manager, Corporate Planning Division, the Bank
Apr. 2010 General Manager, Corporate Planning Division, the Bank
Apr. 2012 Executive Officer and General Manager, Kobe Branch, the Bank
Apr. 2014 Managing Executive Officer, the Bank
Jun. 2014 Director and Managing Executive Officer, the Bank
Apr. 2016 Director and Senior Managing Executive Officer, the Bank (to present)



Yujiro Ayada
Director Senior Managing Executive Officer
(Representative Director)

Apr. 1982 Joined the Bank
Mar. 2006 General Manager, Ritsurin Branch, the Bank
Apr. 2008 General Manager, Nagoya Branch, the Bank
Apr. 2010 General Manager, Business Management Division, the Bank
Apr. 2012 Executive Officer and General Manager, Tokyo Branch and General Manager in charge of Tokyo Public Affairs, the Bank
Oct. 2012 Executive Officer and General Manager, Tokyo Branch and General Manager in charge of Tokyo Public Affairs and General Manager, Tokyo Liaison Officer, the Bank
Apr. 2014 Managing Executive Officer, the Bank
Jun. 2015 Director and Managing Executive Officer, the Bank
Apr. 2016 Director and Senior Managing Executive Officer, the Bank (to present)

Kiyoshi Irie

Director Managing Executive Officer

Apr. 1977 Joined the Bank
Mar. 2005 General Manager, Hiroshima Branch, the Bank
Jun. 2007 General Manager, Corporate Planning Division, the Bank
Jun. 2009 Executive Officer and General Manager, Corporate Planning Division, the Bank
Apr. 2010 Managing Executive Officer, the Bank
Jun. 2010 Director and Managing Executive Officer, the Bank (to present)

Kazushi Kozuchi

Director Managing Executive Officer

Apr. 1981 Joined the Bank
Jun. 2005 Deputy General Manager, Central Business Division, the Bank
Jul. 2008 General Manager, Kurashiki Branch, the Bank
Apr. 2010 Executive Officer and General Manager, Imabari Branch, the Bank
Apr. 2013 Managing Executive Officer, the Bank
Apr. 2014 Managing Executive Officer and General Manager, Central Business Division, the Bank
Apr. 2016 Managing Executive Officer, the Bank
Jun. 2016 Director and Managing Executive Officer, the Bank (to present)

Etsuya Kanamori

Director (outside)

Apr. 1976 Joined the Ministry of Education
Apr. 1997 Superintendent, Kagawa Prefecture Board of Education
Jul. 2004 General Manager, Private Education Institution Department, Higher Education Bureau, Ministry of Education, Culture, Sports, Science and Technology
Jul. 2007 Director, Elementary and Secondary Education Bureau, Ministry of Education, Culture, Sports, Science and Technology
Jul. 2010 Deputy Minister, Ministry of Education, Culture, Sports, Science and Technology
Jun. 2013 Managing Director, The Foundation for Welfare of Educators (to present)
Jun. 2014 Director, the Bank (to present)

Mr. Etsuya Kanamori has held important positions in the Ministry of Education, Culture, Sports, Science and Technology for many years and has a wealth of experience and extensive insight in administrative areas. The Bank expects that he will provide accurate advice on the overall management of the Bank based on that experience and insight, as well as checking functions for the Board of Directors from an objective and neutral standpoints, and therefore requests his election as an Outside Director.

Ryuji Nishikawa

Director Managing Executive Officer

Apr. 1978 Joined the Bank
Feb. 2002 Deputy General Manager, Executive Secretariat Office, the Bank
Nov. 2002 Acting General Manager, Corporate Planning Division, the Bank
Jan. 2008 General Manager, Executive Secretariat Office, the Bank
Apr. 2010 Executive Officer and General Manager, Marugame Branch, the Bank
Apr. 2012 Managing Executive Officer, the Bank
Jun. 2012 Director and Managing Executive Officer, the Bank (to present)

Takashi Mori

Director Managing Executive Officer

Apr. 1981 Joined the Bank
Jan. 2003 Deputy General Manager, Central Business Division, the Bank
Mar. 2006 Deputy General Manager, Tokyo Branch, the Bank
Jun. 2007 General Manager, Hiroshima Branch, the Bank
Apr. 2011 Executive Officer and General Manager, Central Business Division, the Bank
Apr. 2014 Managing Executive Officer, General Manager, Tokyo Branch, General Manager in charge of Tokyo Public Affairs, General Manager, Tokyo Liaison Officer, the Bank
Apr. 2016 Managing Executive Officer, the Bank
Jun. 2016 Director and Managing Executive Officer, the Bank (to present)

Michiyo Ihara

Director (outside)

Nov. 1985 Professor, Faculty of Economics, Kagawa University
Apr. 2002 Dean, Faculty of Economics, Kagawa University
Apr. 2004 Professor and Dean, Graduate School of Management
Dec. 2007 Management Committee, NHK
Apr. 2008 Management Committee and Auditing Committee, NHK
Apr. 2009 Professor Emeritus, Kagawa University (to present)
Apr. 2014 Professor, Faculty of Business Administration, Takamatsu University (to present)
Jun. 2014 Outside Director, Shikoku Electric Power Co., Inc. (to present)
Jun. 2015 Director, the Bank (to present)

Mr. Michiyo Ihara has a wealth of experience and expert knowledge as a university professor. The Bank expects that he will provide accurate advice on the overall management of the Bank based on that experience and knowledge, as well as checking functions for the Board of Directors from an objective and neutral standpoint, and therefore requests his election as an Outside Director.

Changes in the Composition of the Board of Directors

	unit	2013	2014	2015
Number of Directors	persons	11	11	11
Number of Outside Directors	persons	—	1	2
Number of female Directors	persons	—	—	1*
(Reference) Average attendance at Board of Director meetings	%	—	100	100

* Outside Director

Audit & Supervisory Board Members

Yukio Hirao

Full-time Audit & Supervisor Board Member

Apr. 1974 Joined the Bank
Jul. 1997 General Manager, Matsushima Branch, the Bank
Jun. 2006 General Manager in charge of IT Systems, Operations Supervision Division, the Bank
Jun. 2007 Director in charge of Treasury and International Division, the Bank
Jun. 2008 Director and Executive Officer in charge of Treasury and International Division, the Bank
Jun. 2009 Director and Managing Executive Officer, the Bank
Apr. 2011 Director and Senior Managing Executive Officer, the Bank
Apr. 2016 Director, the Bank
Jun. 2016 Audit & Supervisory Board Member, the Bank (to present)

Hideki Kuwashiro

Audit & Supervisor Board Member (outside)

Apr. 1981 Registered as a lawyer (to present)
May 1984 Established Kuwashiro Law Firm (to present)
Jun. 2003 Legal System Reform Promotion Headquarters Committee, Japan Federation of Bar Associations
Apr. 2004 Chairman, Kagawa Bar Association
Apr. 2006 Takamatsu Summary Court Mediation Committee
Oct. 2009 Dispute Coordinating Committee, Kagawa Labor Bureau (to present)
Oct. 2009 Chairman, Kagawa Prefecture Human Resources Committee
Jun. 2013 Audit & Supervisory Board Member, the Bank (to present)
Jun. 2014 Justice System Reform and Regional Judicial Reform Promotion Headquarters Committee, Japan Federation of Bar Associations (to present)

Mr. Hideki Kuwashiro has specialized legal knowledge and a wealth of experience as a lawyer. He also has excellent personality and insights. The Bank has determined that he will contribute to appropriate audit on the business operations of the Bank from an independent standpoint, and therefore nominates him as a candidate for Outside Director.

Masanobu Satomi

Full-time Audit & Supervisor Board Member

Apr. 1977 Joined the Bank
Feb. 2002 General Manager, Nagao Branch, the Bank
Mar. 2005 General Manager Executive Secretariat Office, the Bank
Jun. 2008 General Manager, Personnel Division, the Bank
Jun. 2009 Executive Officer and General Manager, Personnel Division, the Bank
Apr. 2012 Executive Officer and General Manager, Auditing Division, the Bank
Apr. 2014 Executive Officer and Advisor to Auditing Division, the Bank
Jun. 2014 Audit & Supervisory Board Member, the Bank (to present)

Kazuo Kobayashi

Audit & Supervisor Board Member (outside)

Apr. 1980 Joined Nippon Life Insurance Company
Mar. 2007 Executive Officer, Nippon Life Insurance Company
Mar. 2010 Managing Executive Officer, Nippon Life Insurance Company
Jul. 2010 Director and Managing Executive Officer, Nippon Life Insurance Company
Mar. 2012 Director and Senior Managing Executive Officer, Nippon Life Insurance Company
Jun. 2015 Audit & Supervisory Board Member, the Bank (to present)
Mar. 2016 Director and Executive Vice President, Nippon Life Insurance Company (to present)

Mr. Kazuo Kobayashi has wide-ranging knowledge and experience that covers overall finance field, and also has excellent personality and insights. The Bank has determined that he will contribute to appropriate audit on the business operations of the Bank from an independent standpoint, and therefore nominates him as a candidate for Outside Director.

Junichi Itoh

Audit & Supervisor Board Member (outside)

Apr. 1975 Joined The Mitsubishi Bank, Ltd.
Jun. 2002 Executive Officer, The Bank of Tokyo-Mitsubishi, Ltd.
Jun. 2005 Managing Director, The Bank of Tokyo-Mitsubishi Ltd.
Jan. 2006 Managing Director, The Bank of Tokyo-Mitsubishi UFJ, Ltd.
May 2009 Senior Managing Executive Officer, The Bank of Tokyo-Mitsubishi UFJ, Ltd.
Jun. 2011 Director, Senior Executive Vice President, CFO, NIKON CORPORATION
Jun. 2016 Advisor, NIKON CORPORATION (to present)
Jun. 2016 Audit & Supervisory Board Member, the Bank (to present)

Mr. Junichi Itoh has wide-ranging knowledge and experience that covers overall finance field, and also has excellent personality and insights. The Bank has determined that his experience as CFO (Chief Financial Officer) at NIKON CORPORATION will contribute to appropriate audit on the business operations of the Bank from an independent standpoint, and therefore nominates him as a candidate for Outside Director.

Details of Remuneration, etc. for Directors

Remuneration, etc. for Directors is appropriate, fair and balanced, in accordance with the roles, responsibilities and performance of each director.

Part of the remuneration, etc. for Directors (excluding Outside Directors) is linked to the medium and long-term shareholder return equivalent and the Bank's financial performance in order to increase the incentive of Directors to enhance the corporate value of the Bank.

Remuneration, etc. for Outside Directors shall reflect the performance of their duties.

Remuneration, etc. for Directors shall be determined by the Board of Directors in consultation with the Governance Committee (Note) within the upper limit of annual remuneration approved by the Annual General Meeting of Shareholders.

Remuneration, etc. for Audit & Supervisory Board Members shall be based on a different system from that of remuneration, etc. for Directors, and shall be determined in consultation with Audit & Supervisory Board Members within the upper limit of annual remuneration approved by the Annual General Meeting of Shareholders.

The annual remuneration limit for Directors was approved at the 137th Annual General Meeting of Shareholders held on June 29, 2006

Current fiscal year (April 1, 2015 – March 31, 2016)

Type of Officers	Number	Total remuneration, etc. (million yen)	Basic remuneration	Bonus	Share remuneration-type stock options remuneration
Directors	11	295	213	40	40
Audit & Supervisory Board Members	2	41	41	—	—
Outside Officers	6	35	35	—	—

(Notes): 1. "Number" and "Total remuneration, etc." include two Directors and one Audit & Supervisory Board Member who resigned as of the conclusion of the 146th Annual General Meeting of Shareholders held on June 26, 2015 due to the expiration of their terms of office.
2. Outside Officers shall consist of two Outside Directors and four Outside Audit & Supervisory Board Members.
3. There are no officers who are also employees of the Bank.

Corporate Governance

Basic Approach to Corporate Governance

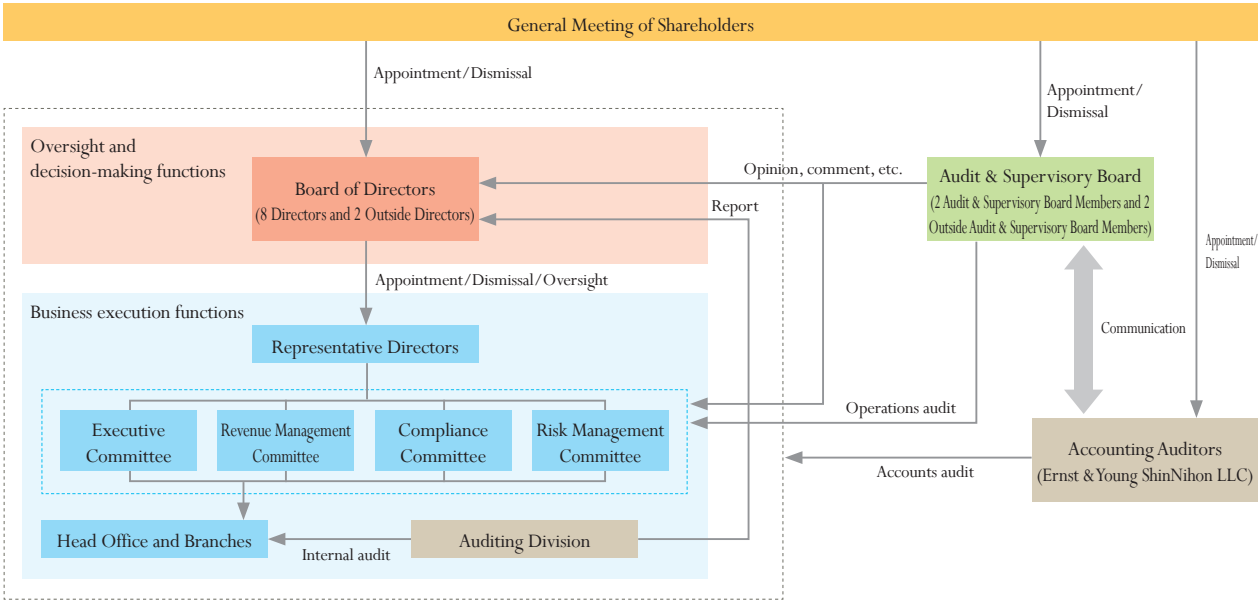
With the aim to realize its Corporate Vision, the Bank has enhanced its corporate governance framework, which is centered on the Board of Directors, so that it operates a fair, speedy and decisive decision-making process.

The appointment of a number of Outside Directors provides the Board of Directors with oversight functions from an external perspective. As a company with an Audit & Supervisory Board, in addition to this management oversight, the Audit & Supervisory Board Members and the Audit &

Supervisory Board ensure the effectiveness of management oversight by overseeing management independently from the Board of Directors and from an objective and neutral standpoint.

The Bank will continue to develop the necessary systems to ensure sound management decisions, and undertake communication with shareholders and other stakeholders and the disclosure of information.

Corporate Governance Framework



Overview of Corporate Governance Structure

Board of Directors

The Board of Directors consists of 10 directors including 2 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.

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 President, senior management 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, 2016 there were 23, of whom seven concurrently serve as directors) appointed by the Board of Directors strive for

Efforts Toward Improved Effectiveness of Corporate Governance

Based on the recognition that strengthened governance is essential for the continued growth and the medium to long-term enhancement of our corporate value, we have executed the following initiatives from the fiscal year ended March 2016.

Election of Multiple Outside Directors

The Annual General Meeting of Shareholders held in June 2015 elected the Bank's first female Independent Outside Director to create a system of two Outside Directors in the expectation that multiple directors will further strengthen the oversight functions of the Bank's management from an external perspective and provide accurate advice for the overall management of the Bank based on their wealth of experience and knowledge.

Enactment of Corporate Governance Guidelines

The Bank has enacted the Corporate Governance Guidelines, which establish the Bank's basic policy and operations policy for corporate governance.

The guidelines set out the Bank's basic policy pertaining to stock policy holding, the election of multiple Independent Outside Directors and standards regarding the nomination and remuneration of directors.

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.

Establishment of the Governance Council

The Bank has established the Governance Council, which is an advisory body to the Board of Directors. The majority of its members are Outside Directors and Outside Audit & Supervisory Board Members.

The Council will hold discussions with regard to "matters relating to the nomination and remuneration of directors, etc." and "other important management matters." The Council will strive to strengthen the oversight functions of the Board of Directors by advising the Board of Directors as necessary.

Members

Members are Outside Directors (two Outside Directors and three Outside Audit & Supervisory Board Members), the Chairman of the Board of Directors (President), and full-time Audit & Supervisory Board Members.

Internal officers (including Audit & Supervisory Board Members) who have been nominated by the Chairman of the Board of Directors are able to attend Council meetings and offer their opinions.

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.

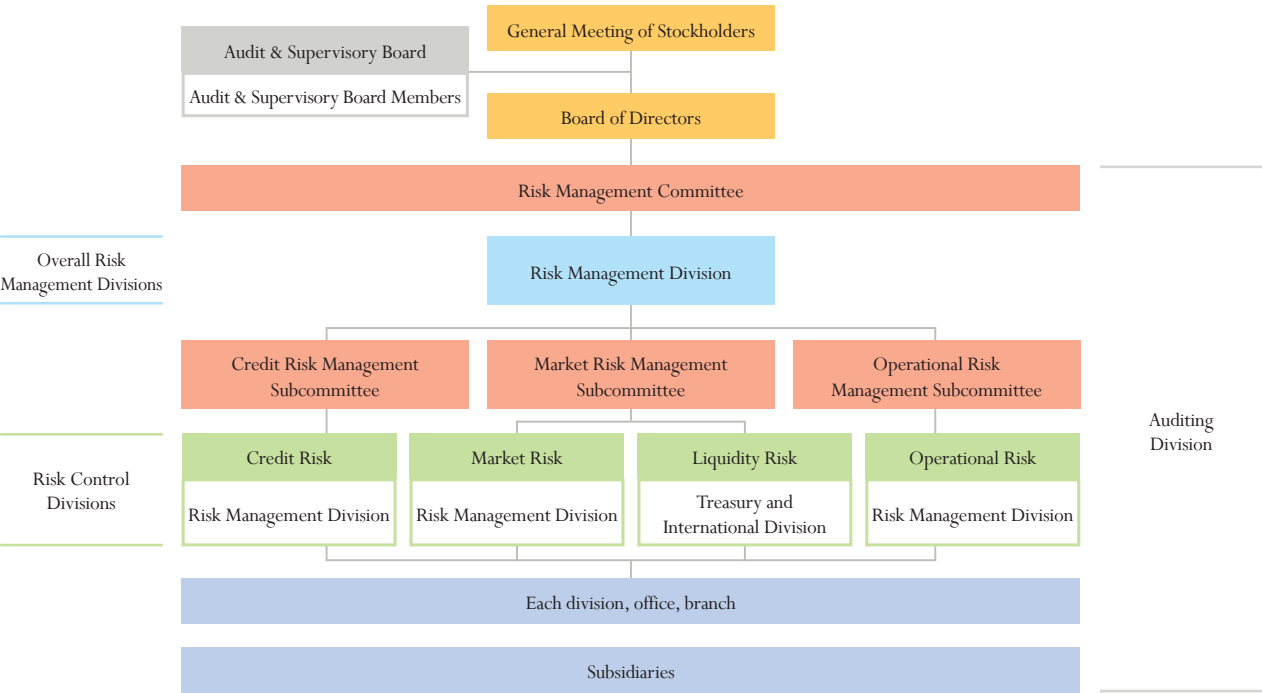
Moreover, our basic policies on overall and specific risk management are determined by the Board of Directors for each year, and through implementation of measures for each category of risk in accordance with these policies, we strive to achieve sophisticated risk management on an ongoing basis.

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 subcommittees 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	Compliance and Legal Affairs Office
Legal Risk	Risk of losses due to the violation of laws and ordinances and contracts and signing of inappropriate contractual commitments	Personnel Division
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	General Administration Division
Tangible Asset Risk	Risk of suffering loss due to damage to assets resulting from disaster or defective asset management	

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

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

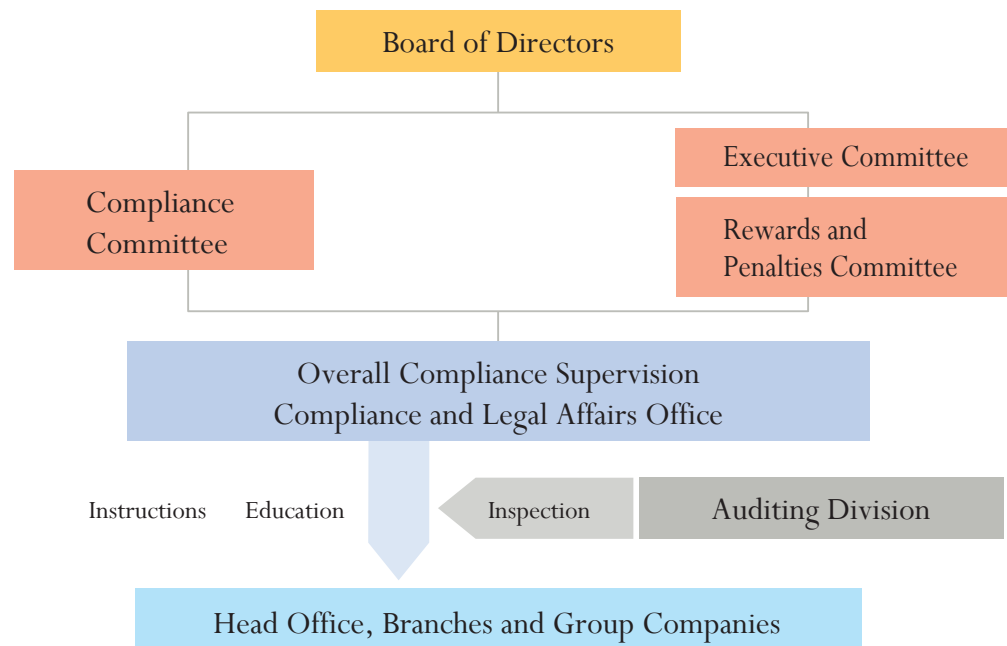
The function of banks is highly public in nature, and is intimately bound up with the welfare of society as a whole. Their primary role is to assist the sound development of the economy. At the Hyakujushi Bank, to honor the trust placed on us by our stockholders, customers and the local community, all 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



The Hyakujushi Bank, Ltd. and Consolidated Subsidiaries

Consolidated Balance Sheets

As of March 31	Millions of yen		Thousands of U.S. dollars (Note 1)
	2016	2015	2016
Assets:			
Cash and due from banks (Notes 3 and 23)	¥ 405,424	¥ 305,246	\$ 3,598,012
Call loans and bills bought (Note 23)	1,690	3,605	14,998
Monetary claims bought	30,445	31,059	270,189
Trading account securities (Notes 7 and 23)	11	2	97
Money held in trust (Notes 8 and 23)	4,895	4,901	43,441
Securities (Notes 7, 11, 12 and 23)	1,415,115	1,454,688	12,558,706
Loans and bills discounted (Notes 10, 13 and 23)	2,747,341	2,696,444	24,381,798
Foreign exchange assets (Note 10)	8,649	13,507	76,757
Lease receivables and lease investment assets (Note 22)	16,998	16,865	150,851
Other assets (Notes 12, 23 and 26)	34,158	31,709	303,141
Tangible fixed assets (Notes 15, 18, 19 and 22)	42,810	43,716	379,925
Intangible fixed assets	4,021	4,625	35,685
Net defined benefit asset (Note 24)	3,041	4,691	26,987
Deferred tax assets (Note 14)	1,206	1,286	10,702
Customers' liabilities for acceptances and guarantees	21,794	21,140	193,414
Reserve for possible loan losses (Note 23)	(17,942)	(18,387)	(159,229)
Total assets	¥4,719,661	¥4,615,105	\$41,885,525

As of March 31	Millions of yen		Thousands of U.S. dollars (Note 1)
	2016	2015	2016
Liabilities and net assets			
Liabilities:			
Deposits (Notes 12 and 23)	¥3,935,432	¥3,801,437	\$34,925,736
Negotiable certificates of deposit (Note 23)	178,123	169,926	1,580,786
Call money and bills sold (Note 23)	26,254	48,068	232,996
Payables under securities lending transactions (Note 12)	88,867	40,520	788,667
Borrowed money (Notes 12, 16 and 23)	83,727	128,635	743,051
Foreign exchange liabilities	206	354	1,828
Corporate bond (Notes 17 and 23)	10,000	10,000	88,746
Other liabilities (Notes 23 and 26)	75,409	71,955	669,231
Reserve for bonuses for directors and corporate auditors	40	23	354
Net defined benefit liability (Note 24)	1,159	155	10,285
Reserve for retirement benefits for directors and corporate auditors	48	51	425
Reserve for claims on dormant accounts	504	539	4,472
Reserve for contingent liabilities	108	107	958
Reserve for litigation loss	—	1,173	—
Deferred tax liabilities (Note 14)	10,116	19,364	89,776
Deferred tax liability for land revaluation (Note 18)	5,836	6,176	51,792
Acceptance and guarantees	21,794	21,140	193,414
Total liabilities	4,437,631	4,319,629	39,382,596

Net assets (Note 6):			
Stockholders' equity:			
Common stock	37,322	37,322	331,221
Capital surplus	24,920	24,920	221,157
Retained earnings	153,335	143,886	1,360,800
Treasury stock	(6,179)	(4,730)	(54,836)
Total stockholders' equity	209,398	201,398	1,858,342
Accumulated other comprehensive income:			
Net unrealized gains on securities, net of taxes (Note 9)	54,256	68,952	481,505
Net deferred losses on hedging instruments, net of taxes (Note 26)	(7,806)	(3,010)	(69,275)
Revaluation reserve for land (Note 18)	8,961	8,722	79,526
Remeasurements of defined benefit plans (Note 24)	(1,171)	1,631	(10,392)
Total accumulated other comprehensive income	54,239	76,297	481,354
Share subscription rights (Note 25)	201	196	1,783
Non-controlling interests	18,190	17,583	161,430
Total net assets	282,030	295,476	2,502,928
Total liabilities and net assets	¥4,719,661	¥4,615,105	\$41,885,525

As of March 31	Yen		U.S. dollars (Note 1)
	2016	2015	2016
Per share (Note 29)			
Net assets	¥891.90	¥928.83	\$7.915

See accompanying notes to consolidated financial statements.

The Hyakujushi Bank, Ltd. and Consolidated Subsidiaries

Consolidated Statements of Income

For the years ended March 31	Millions of yen		Thousands of U.S. dollars (Note 1)
	2016	2015	2016
Income:			
Interest on loans and bills discounted	¥33,239	¥33,607	\$294,985
Interest and dividends on securities	16,846	14,439	149,503
Other interest income	693	463	6,150
Fees and commissions	10,720	10,844	95,136
Other operating income	9,268	5,692	82,250
Other income	10,647	12,624	94,488
Total income	81,416	77,671	722,541
Expenses:			
Interest on deposits and negotiable certificates of deposit	2,359	2,208	20,935
Interest on call money and bills sold	219	236	1,943
Interest on borrowed money	249	401	2,209
Other interest expenses	1,882	990	16,702
Fees and commissions	2,935	2,823	26,047
Other operating expenses	6,000	2,661	53,248
General and administrative expenses	38,922	40,108	345,420
Other expenses (Note 20)	9,355	10,909	83,022
Total expenses	61,927	60,339	549,582
Profit before income taxes	19,489	17,332	172,958
Income taxes (Note 14):			
Current	3,878	3,562	34,416
Deferred	2,879	3,841	25,550
Subtotal	6,757	7,403	59,966
Profit	12,732	9,928	112,992
Profit attributable to non-controlling interests	1,099	970	9,753
Profit attributable to owners of parent	¥11,632	¥ 8,957	\$103,230

For the years ended March 31	Yen		U.S. dollars (Note 1)
	2016	2015	2016
Per share (Note 29)			
Basic earnings	¥39.05	¥29.84	\$0.346

See accompanying notes to consolidated financial statements.

The Hyakujushi Bank, Ltd. and Consolidated Subsidiaries

Consolidated Statements of Comprehensive Income

For the years ended March 31	Millions of yen		Thousands of U.S. dollars (Note 1)
	2016	2015	2016
Profit	¥ 12,732	¥ 9,928	\$112,992
Other comprehensive income (loss) (Note 21)	(22,099)	33,304	(196,121)
Net unrealized gains (losses) on other securities, net of taxes	(14,807)	31,302	(131,407)
Net deferred losses on hedging instruments, net of taxes	(4,796)	(2,985)	(42,563)
Revaluation reserve for land	307	636	2,724
Remeasurements of defined benefit plans (Note 24)	(2,803)	4,350	(24,875)
Total comprehensive income (loss)	(9,367)	43,233	(83,129)
Total comprehensive income (loss) attributable to:			
Owners of parent	¥(10,356)	¥42,190	\$(91,906)
Non-controlling interests	988	1,042	8,768

See accompanying notes to consolidated financial statements.

The Hyakujushi Bank, Ltd. and Consolidated Subsidiaries

Consolidated Statements of Changes in Net Assets

For the years ended March 31	Millions of yen				
	Stockholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance as of March 31, 2014	¥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
Changes in items during the period					
Dividends from surplus	—	—	(2,103)	—	(2,103)
Profit attributable to owners of parent	—	—	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 in items other than stockholders' equity	—	—	—	—	—
Total changes in items during the period	—	—	6,808	(549)	6,259
Balance as of March 31, 2015	37,322	24,920	143,886	(4,730)	201,398
Changes in items during the period					
Dividends from surplus	—	—	(2,239)	—	(2,239)
Profit attributable to owners of parent	—	—	11,632	—	11,632
Purchase of treasury stock	—	—	0	(1,687)	(1,687)
Disposal of treasury stock	—	—	(13)	239	225
Transfer from revaluation reserve for land	—	—	69	—	69
Net changes in items other than stockholders' equity	—	—	—	—	—
Total changes in items during the period	—	—	9,448	(1,448)	8,000
Balance as of March 31, 2016	¥37,322	¥24,920	¥153,335	¥(6,179)	¥209,398

For the years ended March 31	Millions of yen							
	Accumulated other comprehensive income							
	Net unrealized gains on other 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	Share subscription rights	Non-controlling interests	Total net assets
Balance as of March 31, 2014	¥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
Changes in items during the period								
Dividends from surplus	—	—	—	—	—	—	—	(2,103)
Profit attributable to owners of parent	—	—	—	—	—	—	—	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 in items other than stockholders' equity	31,230	(2,985)	678	4,350	33,274	39	663	33,977
Total changes in items during the period	31,230	(2,985)	678	4,350	33,274	39	663	40,236
Balance as of March 31, 2015	68,952	(3,010)	8,722	1,631	76,297	196	17,583	295,476
Changes in items during the period								
Dividends from surplus	—	—	—	—	—	—	—	(2,239)
Profit attributable to owners of parent	—	—	—	—	—	—	—	11,632
Purchase of treasury stock	—	—	—	—	—	—	—	(1,687)
Disposal of treasury stock	—	—	—	—	—	—	—	225
Transfer from revaluation reserve for land	—	—	—	—	—	—	—	69
Net changes in items other than stockholders' equity	(14,696)	(4,796)	238	(2,803)	(22,057)	5	607	(21,445)
Total changes in items during the period	(14,696)	(4,796)	238	(2,803)	(22,057)	5	607	(13,445)
Balance as of March 31, 2016	¥54,256	¥(7,806)	¥8,961	¥(1,171)	¥54,239	¥201	¥18,190	¥282,030

The Hyakujushi Bank, Ltd. and Consolidated Subsidiaries

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 shareholders' equity
For the years ended March 31					
Balance as of March 31, 2015	\$331,221	\$221,157	\$1,276,943	\$(41,977)	\$1,787,344
Changes in items during the period					
Dividends from surplus	—	—	(19,870)	—	(19,870)
Profit attributable to owners of parent	—	—	103,230	—	103,230
Purchase of treasury stock	—	—	0	(14,971)	(14,971)
Disposal of treasury stock	—	—	(115)	2,121	1,996
Transfer from revaluation reserve for land	—	—	612	—	612
Net changes in items other than Stockholders' equity	—	—	—	—	—
Total changes in items during the period	—	—	83,848	(12,850)	70,997
Balance as of March 31, 2016	\$331,221	\$221,157	\$1,360,800	\$(54,836)	\$1,858,342

	Thousands of U.S. dollars (Note 1)							
	Accumulated other comprehensive income							
	Net unrealized gains on other 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	Share subscription rights	Non-controlling interests	Total net assets
For the years ended March 31								
Balance as of March 31, 2015	\$ 611,927	\$(26,712)	\$77,405	\$ 14,474	\$ 677,112	\$1,739	\$156,043	\$2,622,257
Changes in items during the period								
Dividends from surplus	—	—	—	—	—	—	—	(19,870)
Profit attributable to owners of parent	—	—	—	—	—	—	—	103,230
Purchase of treasury stock	—	—	—	—	—	—	—	(14,971)
Disposal of treasury stock	—	—	—	—	—	—	—	1,996
Transfer from revaluation reserve for land	—	—	—	—	—	—	—	612
Net changes in items other than Stockholders' equity	(130,422)	(42,563)	2,112	(24,875)	(195,749)	44	5,386	(190,317)
Total changes in items during the period	(130,422)	(42,563)	2,112	(24,875)	(195,749)	44	5,386	(119,320)
Balance as of March 31, 2016	\$ 481,505	\$(69,275)	\$79,526	\$(10,392)	\$ 481,354	\$1,783	\$161,430	\$2,502,928

See accompanying notes to consolidated financial statements.

The Hyakujushi Bank, Ltd. and Consolidated Subsidiaries

Consolidated Statements of Cash Flows

For the years ended March 31	Millions of yen		Thousands of U.S. dollars (Note 1)
	2016	2015	2016
Cash flows from operating activities			
Profit before income taxes	¥ 19,489	¥ 17,332	\$ 172,958
Depreciation	3,320	3,361	29,463
Impairment losses	111	91	985
Amortization of goodwill	—	6	—
Net change in reserve for possible loan losses	(445)	(3,332)	(3,949)
Net change in reserve for bonuses for directors and corporate auditors	17	(2)	150
Net change in net defined benefit asset	(1,434)	(521)	(12,726)
Net change in net defined benefit liability	5	7	44
Net change in reserve for retirement benefits for directors and corporate auditors	(2)	1	(17)
Net change in reserve for claims on dormant accounts	(35)	(19)	(310)
Net change in reserve for contingent liabilities	0	(6)	0
Net change in reserve for litigation loss	(1,173)	1,173	(10,410)
Interest income	(50,780)	(48,510)	(450,656)
Interest expenses	4,712	3,836	41,817
Net gain related to securities transactions	(3,624)	(1,818)	(32,161)
Net loss on money held in trust	6	—	53
Net loss (gain) related to foreign exchange	3,092	(21,713)	27,440
Net loss on disposal of fixed assets	20	74	177
Net change in trading account securities	(9)	6	(79)
Net change in loans and bills discounted	(50,896)	(82,229)	(451,686)
Net change in deposits	133,994	32,128	1,189,155
Net change in negotiable certificates of deposit	8,197	(14,192)	72,745
Net change in borrowed money excluding subordinated borrowings	(41,907)	20,552	(371,911)
Net change in due from banks other than Bank of Japan	30,125	9,443	267,350
Net change in call loans and others	2,529	(2,277)	22,444
Net change in call money and others	(21,813)	9,473	(193,583)
Net change in payables under securities lending transactions	48,347	30,618	429,064
Net change in foreign exchange assets	4,858	3,938	43,113
Net change in foreign exchange liabilities	(147)	213	(1,304)
Net change in lease assets and lease investment assets	(132)	1,085	(1,171)
Proceeds from fund operations	50,873	48,585	451,482
Payments on fund procurement	(4,808)	(3,835)	(42,669)
Other	(7,300)	(1,105)	(64,785)
Subtotal	125,191	2,365	1,111,031
Payment of income taxes	(4,073)	(5,687)	(36,146)
Net cash provided by (used in) operating activities	121,118	(3,321)	1,074,884
Cash flows from investing activities			
Purchase of securities	(746,554)	(645,628)	(6,625,434)
Proceeds from sales of securities	520,540	349,082	4,619,630
Proceeds from redemption of securities	244,415	242,327	2,169,107
Purchases of tangible fixed assets	(1,313)	(1,248)	(11,652)
Purchases of intangible fixed assets	(973)	(1,289)	(8,635)
Proceeds from sales of tangible fixed assets	157	406	1,393
Proceeds from sales of intangible fixed assets	2	3	17
Net cash provided by (used in) investing activities	16,274	(56,347)	144,426
Cash flows from financing activities			
Repayment of subordinated borrowings	(3,000)	(13,000)	(26,624)
Purchase of treasury stock	(1,687)	(780)	(14,971)
Proceeds from sales of treasury stock	225	226	1,996
Dividends paid	(2,239)	(2,103)	(19,870)
Dividends paid to non-controlling interests	(382)	(382)	(3,390)
Net cash used in financing activities	(7,084)	(16,040)	(62,868)
Effect of exchange rate changes on cash and cash equivalents	(5)	10	(44)
Net change in cash and cash equivalents	130,303	(75,698)	1,156,398
Cash and cash equivalents at beginning of year	240,831	316,529	2,137,300
Cash and cash equivalents at end of year (Note 3)	¥371,134	¥240,831	\$3,293,698

See accompanying notes to consolidated financial statements.

The Hyakujushi Bank, Ltd. and Consolidated Subsidiaries

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 Act 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, 2016, which was ¥112.68 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. Fiscal year ends

Account closing dates of consolidated subsidiaries are as follows:

March 31: 9 companies

January 31: 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: 1

3rd Hyakujushi Venture Fund Cooperation Limited

Non-consolidated subsidiaries were excluded from the scope of consolidation because their 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.

Non-consolidated subsidiaries not accounted for by the equity method: 1

3rd Hyakujushi Venture Fund Cooperation Limited

The non-consolidated subsidiary that is not accounted for by the equity method was excluded from the scope of equity method because its profit or loss (corresponding to equity), retained earnings (corresponding to equity) and accumulated other comprehensive income (corresponding to equity) have no material impact on the consolidated financial statements.

2nd Hyakujushi Venture Fund Cooperation Limited completed liquidation proceedings during the fiscal year ended March 31, 2016.

(2) Trading account securities

Under the Accounting Standard for Financial Instruments, trading account securities are stated at fair market value (cost of sales is calculated by the moving-average cost method).

(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 (cost of sales is calculated by the moving-average cost method), 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 (excluding lease 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 (excluding lease 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*

Lease assets held by the consolidated subsidiaries are depreciated over the leasing contract periods by the straight-line method with residual value at zero.

(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 ¥14,524 million (\$128,895 thousand) and ¥21,479 million for the years ended March 31, 2016 and 2015, 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 bonuses for directors and corporate auditors

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

(8) Reserve for retirement benefits for directors and corporate auditors

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

(9) Reserve for 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, 2016. 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 primarily 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 issued on February 13, 2002).

The hedging instruments are considered to highly effectively offset the change in fair value or 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 issued on July 29, 2002 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

Goodwill is amortized by the straight-line method over a period of 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:

March 31	Millions of yen		Thousands of U.S. dollars
	2016	2015	2016
Cash and due from banks.....	¥405,424	¥305,246	\$3,598,012
Time deposits with banks other than Bank of Japan.....	(32,810)	(62,542)	(291,178)
Deposits with banks other than Bank of Japan.....	(359)	(503)	(3,186)
Other	(1,119)	(1,369)	(9,930)
Cash and cash equivalents	¥371,134	¥240,831	\$3,293,698

(18) Consumption taxes

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

4. Change in accounting policies

(Application of Accounting Standard for Business Combinations, etc.)

From the fiscal year ended March 31, 2016, the Bank applies Revised Accounting Standard for Business Combinations (Accounting Standards Board of Japan (ASBJ) Statement No. 21 issued on September 13, 2013), Revised Accounting Standard for Consolidated Financial Statements (ASBJ Statement No. 22 issued on September 13, 2013), Revised Accounting Standard for Business Divestitures (ASBJ Statement No. 7 issued on September 13, 2013), etc. Accordingly, differences arising from changes in the Bank’s ownership interests in subsidiaries in cases where control is retained are recognized in capital surplus, and the acquisition costs in connection with business combinations are recognized as expenses in the fiscal year in which they arise. Regarding business combinations that take place on or after the beginning of the fiscal year ended March 31, 2016, an adjustment to the provisional amount arising from the finalization of the tentative accounting treatment relating to the purchase price allocation is recognized in the consolidated financial statements for the accounting period in which the combination occurs. In addition, the presentation of profit and other items has been revised, and the line item “minority interests” has been renamed as “non-controlling interests.” In order to reflect these changes in presentation, the consolidated financial statements for the fiscal year ended March 31, 2015 have been reclassified.

In applying the Revised Accounting Standard for Business Combinations, etc., the Bank follows the transitional accounting treatments set forth in Paragraph 58-2 (4) of the Revised Accounting Standard for Business Combinations, Paragraph 44-5 (4) of the Revised Accounting Standard for Consolidated Financial Statements and Paragraph 57-4 (4) of the Revised Accounting Standard for Business Divestitures prospectively from the beginning of the fiscal year ended March 31, 2016.

These changes had no effect on profit or loss in the consolidated financial statements for the fiscal year ended March 31, 2016.

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. In the event that 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

The Hyakujushi Bank, Ltd. and Consolidated Subsidiaries

Notes to Consolidated Financial Statements

beneficiaries in proportion to their contribution. In the event that 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 ¥430 million as of March 31, 2015 and ¥240 million (\$2,129 thousand) as of March 31, 2016.

(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 1,177 thousand as of March 31, 2015 and 657 thousand as of March 31, 2016. The average number of shares during the year was 1,487 thousand for the fiscal year ended March 31, 2015 and 942 thousand for the fiscal year ended March 31, 2016.

(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 the corresponding liabilities based on the gross price method was ¥466 million as March 31, 2015 and ¥233 million (\$2,067 thousand) as of March 31, 2016.

6. Changes in net assets

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

2016	Thousands of shares			
	March 31, 2015	Increase	Decrease	March 31, 2016
Shares issued				
Common stock	310,076	—	—	310,076
Total	310,076	—	—	310,076
Treasury stock				
Common stock(Notes 1, 2 and 3)	11,104	4,015	632	14,487
Total	11,104	4,015	632	14,487

Notes: 1. The number of shares of common stock at the beginning and end of the fiscal year ended March 31, 2016 includes 1,177 thousand shares and 657 thousand shares of the Bank’s shares held by the Employee Stock Ownership Plan (ESOP) Trust.

2. The 4,015 thousand share increase in the number of common shares of treasury stock consists of a 4,000 thousand share increase due to a share purchase based on a resolution of the board of directors and a 15 thousand share increase due to a purchase demand for fractional shares from shareholders.

3. The 632 thousand share decrease in the number of common shares of treasury stock consists of a 520 thousand share decrease due to the sale of shares from the ESOP Trust to the employee shareholding association, a 112 thousand share decrease due to the exercise of share subscription rights and a 0 thousand share decrease due to a purchase demand for fractional shares from shareholders.

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 stock				
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 due to a share purchase based on a resolution of the board of directors and a 17 thousand share increase due to a purchase demand for fractional shares from shareholders.

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 the ESOP Trust to the employee shareholding association, and a 29 thousand share decrease due to the exercise of share subscription rights.

(2) Matters concerning share subscription rights and own share options

The balance of share subscription rights (for stock options) at the end of March 31, 2016 and 2015 stood at ¥201 million (\$1,783 thousand) and ¥196 million, respectively. At end of the previous and current fiscal year, no shares had been earmarked for share subscription rights.

(3) Information on dividends

(a) Dividends paid

2016	Resolution	Type of share	Total dividend amount (Millions of yen)	Dividend per share (Yen)	Record date	Effective date
	June 26, 2015 (Regular Annual General Meeting of Shareholders)	Common stock	¥1,046	¥3.5	March 31, 2015	June 29, 2015
	November 9, 2015 (Meeting of the Board of Directors)	Common stock	1,193	4.0	September 30, 2015	December 10, 2015

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

2016	Resolution	Type of share	Total dividend amount (Thousands of U.S. dollars)	Dividend per share (U.S. dollars)	Record date	Effective date
	June 26, 2015 (Regular Annual General Meeting of Shareholders)	Common stock	\$9,282	\$0.031	March 31, 2015	June 29, 2015
	November 9, 2015 (Meeting of the Board of Directors)	Common stock	10,587	0.035	September 30, 2015	December 10, 2015

Note: In accordance with a resolution approved at the Bank’s Regular Annual General Meeting of Shareholders held on June 26, 2015 and June 27, 2014, the total amount of dividends paid excludes the ¥4 million (\$35 thousand) and ¥6 million dividend payment to the Employee Stock Ownership Plan (ESOP) Trust. Moreover, the total amount of dividends paid excludes the ¥3 million (\$26 thousand) and ¥5 million dividend payment to the ESOP Trust pursuant to the resolutions approved by the Board of Directors at meetings held on November 9, 2015 and November 10, 2014, respectively. These exclusions reflect the Bank’s classification of the shares held by the Trust as treasury stock.

(b) Dividends paid after the balance-sheet date

2016	Resolution	Type of share	Total dividend amount (Millions of yen)	Source of dividends	Dividend per share (Yen)	Record date	Effective date
	June 29, 2016 (Regular Annual General Meeting of Shareholders)	Common stock	¥1,182	Retained earnings	¥4.0	March 31, 2016	June 30, 2016

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

2016	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 29, 2016 (Regular Annual General Meeting of Shareholders)	Common stock	\$10,489	Retained earnings	\$0.035	March 31, 2016	June 30, 2016

Note: The total dividend on March 31, 2016 and 2015 excludes the ¥2 million (\$17 thousand) and ¥4 million dividends for the ESOP Trust. This is because the shares held by this trust are treated as treasury stock.

7. Securities and trading account securities

(1) Total amount of investments in non-consolidated subsidiaries

The total amount of investments in non-consolidated subsidiaries as of March 31, 2016 and 2015 was ¥61 million (\$541 thousand) and ¥150 million, respectively.

(2) Trading account securities

There was no valuation gain or loss recognized for the year ended March 31, 2016. A valuation gain of ¥0 million was recognized for the year ended March 31, 2015.

(3) Held-to-maturity debt securities

Not applicable.

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Notes to Consolidated Financial Statements

(4) Other securities

(a) Consolidated balance sheet amount and acquisition cost of other securities and their difference as of March 31, 2016 and 2015 were as follows:

	Millions of yen		
	Consolidated balance sheet amount	Acquisition cost	Difference
2016			
Consolidated balance sheet amount exceeding acquisition cost			
Equity stock	¥ 115,555	¥ 61,704	¥53,851
Bonds:			
National	494,048	473,681	20,367
Local.....	152,091	147,792	4,299
Corporate.....	263,342	260,282	3,059
	909,481	881,755	27,726
Other	241,317	232,131	9,185
Subtotal	1,266,355	1,175,591	90,763
Consolidated balance sheet amount not exceeding acquisition cost			
Equity stock	17,767	19,896	(2,128)
Bonds:			
National	7,939	8,006	(67)
Local.....	3,493	3,498	(4)
Corporate.....	1,012	1,013	(1)
	12,445	12,518	(73)
Other	115,433	125,853	(10,419)
Subtotal	145,646	158,268	(12,621)
Total	¥1,412,001	¥1,333,859	¥78,142

	Millions of yen		
	Consolidated balance sheet amount	Acquisition cost	Difference
2015			
Consolidated balance sheet amount exceeding acquisition cost			
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
Consolidated balance sheet amount not exceeding acquisition cost			
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

	Thousands of U.S. dollars		
	Consolidated balance sheet amount	Acquisition cost	Difference
2016			
Consolidated balance sheet amount exceeding acquisition cost			
Equity stock	\$ 1,025,514	\$ 547,603	\$477,910
Bonds:			
National	4,384,522	4,203,771	180,750
Local.....	1,349,760	1,311,608	38,152
Corporate.....	2,337,078	2,309,921	27,147
	8,071,361	7,825,301	246,059
Other	2,141,613	2,060,090	81,514
Subtotal	11,238,507	10,433,004	805,493
Consolidated balance sheet amount not exceeding acquisition cost			
Equity stock	157,676	176,570	(18,885)
Bonds:			
National	70,456	71,050	(594)
Local.....	30,999	31,043	(35)
Corporate.....	8,981	8,990	(8)
	110,445	111,093	(647)
Other	1,024,432	1,116,906	(92,465)
Subtotal	1,292,563	1,404,579	(112,007)
Total	\$12,531,070	\$11,837,584	\$693,485

(b) Gains and losses on sale of securities available for sale for the years ended March 31, 2016 and 2015 are as follows:

	Millions of yen		
	Proceeds from sale	Gains on sale	Losses on sale
2016			
Equity stock	¥ 4,339	¥1,662	¥ 0
Bonds:			
National	295,725	4,917	369
Local.....	74,005	1,100	32
Corporate.....	15,453	613	—
	385,184	6,630	401
Other	95,258	1,214	5,470
Total	¥484,781	¥9,507	¥5,871

	Millions of yen		
	Proceeds from sale	Gains on sale	Losses on sale
2015			
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

	Thousands of U.S. dollars		
	Proceeds from sale	Gains on sale	Losses on sale
2016			
Equity stock	\$ 38,507	\$14,749	\$ 0
Bonds:			
National	2,624,467	43,636	3,274
Local.....	656,771	9,762	283
Corporate.....	137,140	5,440	—
	3,418,388	58,839	3,558
Other	845,385	10,773	48,544
Total	\$4,302,280	\$84,371	\$52,103

(5) 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 expensed on the consolidated statements of income (“impairment loss”).

No impairment losses were recorded in the fiscal years ended March 31, 2016 and 2015.

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 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

The amount on the consolidated balance sheet as of March 31, 2016 and 2015 were ¥4,895 million (\$43,441 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
	2016	2015	2016
Valuation difference	¥78,142	¥101,754	\$693,485
Other securities.....	78,142	101,754	693,485
Money held in trust	—	—	—
Deferred tax liabilities.....	(23,744)	(32,549)	(210,720)
Net unrealized gains on securities available for sale (before equity equivalent).....	54,397	69,205	482,756
Net unrealized gains attributable to non-controlling interests	(141)	(252)	(1,251)
Parent’s ownership interest of affiliates unrealized gains on securities available for sale	—	—	—
Net unrealized gains on securities available for sale	¥54,256	¥ 68,952	\$481,505

10. Loans and bills discounted

Loans and bills discounted as of March 31, 2016 and 2015 included the following non-performing amounts:

	Millions of yen		Thousands of U.S. dollars
	2016	2015	2016
Loans under bankruptcy.....	¥ 1,136	¥ 1,438	\$ 10,081
Non-accrual loans	33,060	33,218	293,397
Loans past due over 3 months	413	354	3,665
Restructured loans	23,998	30,641	212,974
Total	¥58,608	¥65,652	\$520,127

Bills discounted are treated as financial transactions in accordance with “JICPA Industry Audit Committee Report No. 24.” Commercial bills and foreign bills bought are permitted to be sold or pledged and their total face value was as follows:

	Millions of yen		Thousands of U.S. dollars
	2016	2015	2016
Bills discounted	¥23,354	¥24,265	\$207,259

11. Guarantee obligations

Guarantee obligations for bonds in private placement (defined in Article 2, Paragraph 3 of the Financial Instruments and Exchange Act of Japan) included in corporate bonds under “Securities” in the consolidated balance sheets were ¥11,825 million (\$104,943 thousand) and ¥14,434 million as of March 31, 2016 and 2015, respectively.

12. Assets pledged as collateral

Assets pledged as collateral as of March 31, 2016 and 2015 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2016	2015	2016
Assets pledged as collateral:			
Securities.....	¥297,688	¥278,547	\$2,641,888
Liabilities corresponding to assets pledged as collateral:			
Deposits.....	19,926	20,023	176,837
Payables under securities lending transactions	88,867	40,520	788,667
Borrowed money	55,383	95,405	491,506

In addition to the assets presented above, the following assets were pledged as collateral for exchange clearance transactions and futures contracts at March 31, 2016 and 2015:

	Millions of yen		Thousands of U.S. dollars
	2016	2015	2016
Securities.....	¥45,877	¥42,686	\$407,144

As of March 31, 2016 and 2015, other assets included guarantee money and household deposits of ¥1,240 million (\$11,004 thousand) and ¥1,250 million, respectively.

13. Commitment line agreements on overdrafts and loans

Commitment line agreements on overdrafts and loans are agreements to lend funds to customers upon application up to a prescribed amount as long as there is no violation of any condition established in the contract. The balance of unused loans under these agreements as of March 31, 2016 and 2015 was as follows:

	Millions of yen		Thousands of U.S. dollars
	2016	2015	2016
Unused commitments	¥1,011,663	¥974,311	\$8,978,194
Contracts with less than a year of contract period or contacts that are cancellable unconditionally any time ...	923,775	918,846	8,198,216

Since many of these commitments are expected to expire without being drawn upon, the total amount of unused commitments does not necessarily have effect on the future cash flow of the Bank and its consolidated subsidiaries. Many of these commitments have clauses that allow the Bank and its consolidated subsidiaries to refuse an application from customers or reduce the limit amount with proper reasons (e.g. changes in financial situation, to secure claims, etc.). In addition, the Bank and its consolidated subsidiaries may request the customers to pledge collateral such as real estate and securities at the time of the contracts if necessary and take necessary measures periodically based on a prescribed internal procedure after conclusion of contracts such as monitoring customers’ business status, revising contracts and securing claims.

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Notes to Consolidated Financial Statements

14. Income taxes

(1) Deferred tax assets

Major components of deferred tax assets as of March 31, 2016 and 2015 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2016	2015	2016
Excess reserve for possible loan losses.....	¥ 7,962	¥ 10,113	\$ 70,660
Valuation loss on securities available for sale	3,836	1,915	34,043
Net deferred losses on hedging instruments, net of taxes.....	3,437	1,420	30,502
Net defined benefit liability.....	2,981	2,149	26,455
Excess depreciation	1,132	1,329	10,046
Reserve for bonuses.....	472	504	4,188
Other	2,644	3,134	23,464
Subtotal	22,466	20,568	199,378
Valuation reserve	(3,625)	(4,026)	(32,170)
Deferred tax assets	18,841	16,542	167,208
Deferred tax liabilities:			
Net unrealized gains on securities, net of taxes	(27,581)	(34,465)	(244,772)
Reserve for advanced depreciation of non-current assets.....	(142)	(150)	(1,260)
Other	(27)	(3)	(239)
Net deferred tax assets (liabilities)	¥(8,910)	¥(18,077)	\$(79,073)

(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 for the fiscal years ended March 31, 2016 and 2015.

	2016	2015
Statutory income tax rate	32.8%	35.3%
Reconciliation:		
Non-deductible expenses, including entertainment expenses	0.4	0.4
Non-taxable income, including dividend income	(1.1)	(3.1)
Other permanent differences, including write-offs of securities with a long-term holding period	(0.4)	0.1
Per-capita resident tax.....	0.3	0.4
Increase (decrease) of valuation reserve	0.8	(0.3)
Decrease in term-end balance of deferred tax assets due to income tax changes	2.6	7.3
Other	(0.8)	2.6
Effective income tax rate under tax-effect accounting	34.6%	42.7%

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

Following the enactment by the Japanese Diet on March 29, 2016 of the “Act for Partial Revision of the Income Tax Act, etc.” and the “Act for Partial Revision of the Local Tax Act, etc.,” the corporate tax rate was reduced from fiscal years beginning on or after April 1, 2016. The statutory tax rate used to calculate deferred tax assets and deferred tax liabilities was lowered from 32.0% to 30.6% for the temporary differences expected to be eliminated in the fiscal years starting April 1, 2016 and April 1, 2017, and will be further lowered to 30.4% for the temporary differences expected to be eliminated in the fiscal year starting April 1, 2018 and thereafter. As a result of this tax rate change, deferred tax liabilities, net of deferred tax assets, deferred losses on hedging instruments and remeasurements of defined benefit plans decreased by ¥537 million (\$4,765 thousand), ¥179 million (\$1,588 thousand), and ¥26 million (\$230 thousand), respectively, whereas net unrealized gains on securities and income

taxes-deferred increased by ¥1,246 million (\$11,057 thousand) and ¥505 million (\$4,481 thousand), respectively. In addition, deferred tax liability for land revaluation decreased by ¥307 million (\$2,724 thousand) and revaluation reserve for land increased by the same amount as of and for the fiscal year ended March 31, 2016.

15. Accumulated depreciation and reduction entry

Accumulated depreciation of tangible fixed assets as of March 31, 2016 and 2015 amounted to ¥36,623 million (\$325,017 thousand) and ¥35,675 million, respectively.

Reduction entry, which is deferred gain on tangible fixed assets deductible for tax purposes, amounted to ¥2,481 million (\$22,018 thousand) and ¥2,481 million as of March 31, 2016 and 2015, respectively.

16. Borrowed money

Borrowed money consists of loans from other financial institutions. As of March 31, 2016 and 2015, subordinated borrowings in the amount of ¥1,000 million (\$8,874 thousand) and ¥4,000 million, respectively, were included in borrowed money.

17. Corporate bond

Corporate bond consists solely of subordinated bonds in the amount of ¥10,000 million (\$88,746 thousand) and ¥10,000 million as of March 31, 2016 and 2015.

18. 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 liability 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, 2016 and 2015, the difference between the carrying amount and the fair value of the land revalued was ¥16,081 million (\$142,713 thousand) and ¥16,129 million, respectively

19. Asset retirement obligations

Notes on asset retirement obligations have been omitted due to immateriality.

20. Other expenses

(1) Loan write-offs were included in other expenses, which amounted to ¥2,472 million (\$21,938 thousand) and ¥3,930 million for the years ended March 31, 2016 and 2015, respectively.

(2) Impairment losses

During the years ended March 31, 2016 and 2015, the Bank recorded impairment losses on fixed assets as described below:

	Millions of yen	
	Impairment losses	
	2016	2015
Kagawa Pref... Idle assets and/or assets for disposal (2016: 9 items 2015: 13 items)	¥ 89 land: 83 buildings: 4 movables: 0	¥26 land: 20 buildings: 5 movables: 0
Other	¥ 22 land: 21 buildings: 0 movables: 0	¥65 land: 62 buildings: 3 movables: -
Total	¥111 land: 105 buildings: 5 movables: 0	¥91 land: 83 buildings: 8 movables: 0

		Thousands of U.S. dollars
		Impairment losses
		2016
Kagawa Pref... Idle assets (2016: 9 items)	Land, buildings and movables	\$789 land: 736 buildings: 35 movables: 0
Other	Idle assets, assets for business use (2016: 3 items)	\$195 land: 186 buildings: 0 movables: 0
Total		\$985 land: 931 buildings: 44 movables: 0

The Bank posted impairment losses of ¥111 million (\$985 thousand) and ¥91 million, respectively, during the years ended March 31, 2016 and 2015 on land, buildings and/or movables, etc. due to continuous declines in land prices. The Bank reduced the carrying amounts of the corresponding assets to the recoverable amounts, and recorded the difference between the carrying amount and recoverable amount of each asset as impairment losses 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; however, jointly managed branches are treated as a single cash generating 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.

The recoverable amounts are measured using the higher of either the net selling prices or value in use. Net selling prices are calculated on the basis of appraisal values of land or the amounts computed using the method laid down by the National Tax Agency of Japan for calculation of land prices (used as the basis for computing taxable amounts as set forth in Article 16 of the Land Tax Law) after deducting estimated costs of disposal, and value in use is calculated by discounting the future cash flow at a discount rate of 0.5%.

21. Matters relating to consolidated statements of comprehensive income

The amount of recycling and amount of income tax effects associated with other comprehensive income (loss):

	Millions of yen		Thousands of U.S. dollars
	2016	2015	2016
Net unrealized gains (losses) on other securities, net of taxes:			
Amount recognized during the year	¥ (17,128)	¥46,679	\$(152,005)
Amount of recycling	(6,481)	(3,472)	(57,516)
Prior to income tax effect.....	(23,609)	43,206	(209,522)
Income tax effect	8,802	(11,904)	78,115
Net unrealized gains (losses) on securities available for sale	(14,807)	31,302	(131,407)
Net deferred losses on hedging instruments, net of taxes:			
Amount recognized during the year	(8,071)	(5,151)	(71,627)
Amount of recycling	1,281	762	11,368
Prior to income tax effect.....	(6,789)	(4,389)	(60,250)
Income tax effect	1,993	1,403	17,687
Deferred losses on hedging instruments.....	(4,796)	(2,985)	(42,563)
Revaluation reserve for land:			
Amount recognized during the year	—	—	—
Amount of recycling	—	—	—
Prior to income tax effect.....	—	—	—
Income tax effect	307	636	2,724
Revaluation reserve for land..	307	636	2,724
Remeasurements of defined benefit plans:			
Amount recognized during the year	(3,946)	6,094	(35,019)
Amount of recycling	(136)	507	(1,206)
Prior to income tax effect.....	(4,082)	6,602	(36,226)
Income tax effect	1,279	(2,251)	11,350
Remeasurements of defined benefit plans	(2,803)	4,350	(24,875)
Total other comprehensive income (loss)	¥ (22,099)	¥33,304	\$(196,121)

22. Finance leases

Information on finance leases for the years ended March 31, 2016 and 2015 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.

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Notes to Consolidated Financial Statements

2. As lessor

(1) Breakdown of lease investment assets

	Millions of yen		Thousands of U.S. dollars
	2016	2015	2016
Lease receivables	¥16,791	¥16,716	\$149,014
Estimated residual value.....	1,801	1,703	15,983
Interest received	(1,832)	(1,781)	(16,258)
Lease investment assets.....	¥16,760	¥16,637	\$148,739

(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
2016		
Up to 1 year	¥67	¥5,404
Over 1 year, up to 2 years	62	4,193
Over 2 years, up to 3 years	50	3,211
Over 3 years, up to 4 years	38	2,123
Over 4 years, up to 5 years	6	1,174
Over 5 years.....	0	682

	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

	Thousands of U.S. dollars	
	Lease receivables	Receivables on lease investment assets
2016		
Up to 1 year	\$594	\$47,958
Over 1 year, up to 2 years	550	37,211
Over 2 years, up to 3 years	443	28,496
Over 3 years, up to 4 years	337	18,840
Over 4 years, up to 5 years	53	10,418
Over 5 years.....	0	6,052

(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 beginning balance 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, profit before income taxes would have decreased by ¥3 million (\$26 thousand) (¥14 million in the previous fiscal year) compared with the amount posted in the Consolidated Statements of Income.

23. Financial instruments

1. Disclosures related to financial instruments

(1) Financial instrument policies

The Bank and its subsidiaries (the “Group”) provide banking services, including leasing and other financial services. The Group limits 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. It categorizes 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. The Group continues to improve efficiency in risk management, ensuring greater stability and soundness for the 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 used 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 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 terms and conditions of the hedging instruments were closely matched with those of underlying hedged financial assets. 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 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) 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/or 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 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 Group applies the historical simulation method with a holding period of 10 days, a confidence interval of 99% and an observation period of 1,200 business days. As of March 31, 2016 (the consolidated balance sheet date), the volume of the aforementioned risks (estimated amount of loss) amounted to ¥12 million (\$106 thousand) (compared with ¥7 million at the end of the previous 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 Group applies the historical simulation method with a holding period of 120 days, a confidence interval of 99% and an observation period of 1,200 business days. As of March 31, 2016, the volume of the aforementioned risks (taking into consideration the correlation or reciprocal risks) amounted to ¥31,291 million (\$277,697 thousand) (compared with ¥28,210 million at the end 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 Group applies the variance covariance method with a holding period of 20 days, a confidence interval of 99% and an 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, a confidence interval of 99% and an observation period of 1,200 business days. As of March 31, 2016, the volume of the aforementioned risks amounted to ¥14,338 million (\$127,245 thousand) (compared with ¥5,776 million at the end of the previous fiscal year).

c. VaR

The 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. To supplement the limitations of VaR, the Group conducts stress testing periodically in addition to the management using VaR.

(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 classify them into the categories of “caution” and “crisis”, 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, 2016 and 2015 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
2016			
(1) Cash and due from banks	¥ 405,424	¥ 405,424	¥—
(2) Call loans and bills bought.....	1,690	1,690	—
(3) Trading account securities.....	11	11	—
(4) Money held in trust.....	4,895	4,895	—
(5) Securities			
Other securities	1,412,001	1,412,001	—
(6) Loans and bills discounted.....	2,747,341		
Reserve for possible loan losses	(15,845)		
	2,731,495	2,777,180	45,684
Total assets	4,555,519	4,601,203	45,684
(1) Deposits	3,935,432	3,935,766	334
(2) Negotiable certificates of deposit	178,123	178,162	38
(3) Call money and bills sold	26,254	26,254	—
(4) Borrowed money	83,727	83,729	1
(5) Corporate bonds	10,000	10,010	10
Total liabilities	4,233,537	4,233,922	384
Derivative Transactions*2			
Not subject to hedge accounting	15,661	15,661	—
Subject to hedge accounting	(6,314)	(6,314)	—
Total Derivative Transactions	¥ 9,347	¥ 9,347	¥—

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2015	Millions of yen		
	Consolidated balance sheet amount	Fair value	Difference
(1) Cash and due from banks	¥ 305,246	¥ 305,246	¥ —
(2) Call loans and bills bought.....	3,605	3,605	—
(3) Trading account securities.....	2	2	—
(4) Money held in trust.....	4,901	4,901	—
(5) 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*2			
Not subject to hedge accounting	12,194	12,194	—
Subject to hedge accounting	(10,097)	(10,097)	—
Total Derivative Transactions	¥ 2,096	¥ 2,096	¥ —

2016	Thousands of U.S. dollars		
	Consolidated balance sheet amount	Fair value	Difference
(1) Cash and due from banks	\$ 3,598,012	\$ 3,598,012	\$ —
(2) Call loans and bills bought.....	14,998	14,998	—
(3) Trading account securities.....	97	97	—
(4) Money held in trust.....	43,441	43,441	—
(5) Securities			
Other securities	12,531,070	12,531,070	—
(6) Loans and bills discounted.....	24,381,798		
Reserve for possible loan losses	(140,619)		
	24,241,169	24,646,609	405,431
Total assets	40,428,816	40,834,247	405,431
(1) Deposits	34,925,736	34,928,700	2,964
(2) Negotiable certificates of deposit	1,580,786	1,581,132	337
(3) Call money and bills sold	232,996	232,996	—
(4) Borrowed money	743,051	743,068	8
(5) Corporate bonds	88,746	88,835	88
Total liabilities	37,571,325	37,574,742	3,407
Derivative Transactions*2			
Not subject to hedge accounting	138,986	138,986	—
Subject to hedge accounting	(56,034)	(56,034)	—
Total Derivative Transactions	\$ 82,951	\$ 82,951	\$ —

*1 General reserve for possible loans losses and specific reserve for possible loan losses for loans and bills discounted are deducted from above.

*2 Derivative transactions in the above table are recorded on a net basis with liabilities presented in parentheses.

*3 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 using an 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 presented 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 “7. 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 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 “26. Derivative transactions” for further information about derivatives.

The following are financial instruments whose fair values are not readily determinable as of March 31, 2016 and 2015. These are not included in the “Assets (5) Securities” section under fair value information for financial instruments.

The redemption schedule and the corresponding estimated amounts of monetary claims and securities with maturities subsequent to March 31, 2016 and 2015 are as follows:

2016	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	¥ 367,994	¥ —	¥ —	¥ —	¥ —	¥ —
Call loans and bills bought	1,690	—	—	—	—	—
Monetary claims bought.....	29,615	—	—	—	—	830
Securities:						
Other securities with maturities	138,633	309,649	347,207	78,669	195,906	126,701
National government bonds	49,383	108,695	168,249	58,506	12,428	104,724
Local government bonds	26,317	30,774	19,178	—	79,314	—
Corporate bonds.....	43,475	118,470	55,452	1,362	31,653	13,939
Other	19,457	51,708	104,326	18,800	72,509	8,037
Loans and bills discounted*.....	1,083,774	547,898	316,775	164,032	194,611	375,951
Total	¥1,621,708	¥857,548	¥663,983	¥242,701	¥390,517	¥503,483

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

2016	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.....	\$ 3,265,832	\$ —	\$ —	\$ —	\$ —	\$ —
Call loans and bills bought	14,998	—	—	—	—	—
Monetary claims bought.....	262,823	—	—	—	—	7,365
Securities:						
Other securities with maturities	1,230,324	2,748,038	3,081,354	698,162	1,738,604	1,124,432
National government bonds	438,258	964,634	1,493,157	519,222	110,294	929,392
Local government bonds	233,555	273,109	170,198	—	703,887	—
Corporate bonds.....	385,827	1,051,384	492,119	12,087	280,910	123,704
Other	172,674	458,892	925,860	166,844	643,494	71,325
Loans and bills discounted*.....	9,618,157	4,862,424	2,811,279	1,455,733	1,727,112	3,336,448
Total	\$14,392,154	\$7,610,472	\$5,892,642	\$2,153,895	\$3,465,717	\$4,468,255

*Loans and bills discounted do not include ¥34,224 million (\$303,727 thousand) and ¥34,672 million in loans to bankrupt, substantially bankrupt and likely to go bankrupt borrowers or other loans of which repayment is not expected, or ¥30,071 million (\$266,870 thousand) and ¥38,465 million in loans with no established maturity.

Category	Thousands of U.S. dollars	
	Millions of yen	Consolidated balance sheet amount
	Consolidated balance sheet amount	Consolidated balance sheet amount
	2016	2015
1. Private equity shares*1*2	¥2,760	¥2,767
2. Investment in partnership*3	353	150
Total	¥3,113	¥2,917

*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 ¥2 million (\$17 thousand) and ¥0 million impairment loss for unlisted equity stock for the fiscal years ended March 31, 2016 and 2015, respectively.

*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.

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The redemption schedule of corporate bonds, borrowed money and other interest-bearing debt scheduled to be repaid subsequent to March 31 2016 and 2015 is as follows:

	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
2016						
Deposits*	¥3,687,555	¥238,929	¥ 8,095	¥ 486	¥365	¥ —
Negotiable certificates of deposit	176,320	1,803	—	—	—	—
Call money and bills sold	26,254	—	—	—	—	—
Borrowed money	54,918	21,109	4,708	1,941	559	489
Corporate bonds	—	—	—	10,000	—	—
Total	¥3,945,047	¥261,842	¥12,804	¥12,428	¥925	¥489

	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
2015						
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	—	—
Total	¥3,794,769	¥298,000	¥47,755	¥15,687	¥1,194	¥659

	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
2016						
Deposits*	\$32,725,905	\$2,120,420	\$ 71,840	\$ 4,313	\$3,239	\$ —
Negotiable certificates of deposit	1,564,785	16,001	—	—	—	—
Call money and bills sold	232,996	—	—	—	—	—
Borrowed money	487,380	187,335	41,782	17,225	4,960	4,339
Corporate bonds	—	—	—	88,746	—	—
Total	\$35,011,066	\$2,323,766	\$113,631	\$110,294	\$8,209	\$4,339

*Among deposits, demand deposits are included in “Up to 1 year.”

24. 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, retirement benefit liabilities and retirement benefit costs are calculated 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
	2016	2015	2016
For the years ended March 31,			
Retirement benefit obligations at beginning of period	¥51,656	¥48,617	\$458,430
Cumulative effects of changes in accounting policies	—	2,491	—
Restated balance	51,656	51,108	458,430
Service costs	1,503	1,491	13,338
Interest costs	473	468	4,197
Actuarial differences	835	277	7,410
Retirement benefits paid	(1,882)	(1,690)	(16,702)
Prior service costs	—	—	—
Retirement benefit obligations at end of period	¥52,587	¥51,656	\$466,693

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

	Millions of yen		Thousands of U.S. dollars
	2016	2015	2016
For the years ended March 31,			
Pension assets at beginning of period	¥56,192	¥48,527	\$498,686
Expected return on pension assets	630	556	5,591
Actuarial differences	(3,110)	6,372	(27,600)
Contribution from employer	2,131	2,105	18,911
Retirement benefits paid	(1,375)	(1,369)	(12,202)
Pension assets at end of period	¥54,468	¥56,192	\$483,386

(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
	2016	2015	2016
As of March 31,			
Retirement benefit obligations of funded plan	¥52,587	¥51,656	\$466,693
Pension assets	(54,468)	(56,192)	(483,386)
	(1,881)	(4,535)	(16,693)
Retirement benefit obligations of unfunded plan	—	—	—
Net amount of liabilities and assets recorded in consolidated balance sheet	¥(1,881)	¥(4,535)	\$ (16,693)

	Millions of yen		Thousands of U.S. dollars
	2016	2015	2016
As of March 31,			
Retirement benefit liabilities	¥ 1,159	¥ 155	\$ 10,285
Retirement benefit assets	(3,041)	(4,691)	(26,987)
Net amount of liabilities and assets recorded in consolidated balance sheet	¥(1,881)	¥(4,535)	\$ (16,693)

(d) Breakdown of retirement benefit costs

	Millions of yen		Thousands of U.S. dollars
	2016	2015	2016
For the years ended March 31,			
Service costs*	¥1,503	¥1,491	\$13,338
Interest costs	473	468	4,197
Expected return on pension assets	(630)	(556)	(5,591)
Amortization of actuarial differences	(136)	507	(1,206)
Amortization of past service costs	—	—	—
Retirement benefit costs for defined benefit plans	¥1,210	¥1,911	\$10,738

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

(e) Remeasurements of defined benefit plans in other comprehensive income

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

	Millions of yen		Thousands of U.S. dollars
	2016	2015	2016
For the years ended March 31,			
Actuarial differences	¥(4,082)	¥6,602	\$ (36,226)
Total	¥(4,082)	¥6,602	\$ (36,226)

(f) Remeasurements of retirement benefit plans in accumulated other comprehensive income

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

	Millions of yen		Thousands of U.S. dollars
	2016	2015	2016
As of March 31,			
Unrecognized actuarial differences	¥(1,683)	¥2,399	\$ (14,936)
Total	¥(1,683)	¥2,399	\$ (14,936)

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

(g) Items related to pension assets

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

As of March 31,	2016	2015
Bonds	13%	13%
Stocks	53	56
Life insurers' general account	27	25
Other	7	6
Total	100%	100%

Note: Total pension assets include retirement benefit trusts established for the corporate pension plan (21.88% as of March 31, 2016 and 23.28% as of March 31, 2015) and retirement benefit trusts established for the retirement lump-sum payment plan (20.24% as of March 31, 2016 and 20.61% as of March 31, 2015).

(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 calculations at the end of the fiscal year

	2016	2015
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 were ¥6 million (\$53 thousand) in the fiscal year ended March 31, 2016 and ¥6 million in the fiscal year ended March 31, 2015.

25. Stock options

1. Stock option expenses and accounts for the fiscal years ended March 31, 2016 and 2015

	Millions of yen		Thousands of U.S. dollars
	2016	2015	2016
Operating expense	¥40	¥48	\$354

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2015 stock options	
Category and number of grant recipients	The bank's nine directors (excluding outside directors)
Type and number of stock options granted (Note)	Common stock: 94,300 shares
Grant date	July 24, 2015
Vesting terms.....	No vesting terms
Service period.....	No service period specified
Exercise period	July 25, 2015 to July 24, 2045

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	131,200	158,100	136,600
Granted	—	—	—	—	—	—
Expired	—	—	—	—	—	—
Vested shares.....	8,100	13,100	15,500	18,100	32,200	25,500
Unvested shares	42,600	73,200	89,500	113,100	125,900	111,100
After vesting (shares):						
Prior fiscal year end	—	—	—	—	—	—
Vested shares.....	8,100	13,100	15,500	18,100	32,200	25,500
Exercised	8,100	13,100	15,500	18,100	32,200	25,500
Expired	—	—	—	—	—	—
Unexercised.....	—	—	—	—	—	—

2015 stock options	
Prior to vesting (shares):	
Prior fiscal year end	—
Granted.....	94,300
Expired	—
Vested shares.....	—
Unvested shares	94,300
After vesting (shares):	
Prior fiscal year end	—
Vested shares.....	—
Exercised	—
Expired	—
Unexercised	—

(b) Unit price information (in yen)

	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: ¥444	Per share: ¥444	Per share: ¥444	Per share: ¥444	Per share: ¥444	Per share: ¥444
Fair value on grant date	Per share: ¥418	Per share: ¥315	Per share: ¥279	Per share: ¥256	Per share: ¥321	Per share: ¥335

2015 stock options	
Exercise price	Per share: ¥ 1
Average price at exercise.....	Per share: ¥ —
Fair value on grant date	Per share: ¥409

3. Method for estimating fair value of stock options

The following method was used to estimate the fair value of 2015 stock options granted during the consolidated fiscal year ended March 31, 2016.

(1) Valuation technique: Black-Scholes formula

(2) Important assumptions and estimation methods

2015 stock options	
Stock volatility*1	31.3%
Projected remaining years*2.....	2.3 years
Projected annual dividend*3.....	Per share: ¥7
Risk-free interest rate*4.	0.01%

*1 Calculated weekly for the period beginning the week of April 1, 2013 through the week of July 20, 2015 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 2015.

*4 Yield of Japanese government bonds during the period of the projected 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.

26. Derivative transactions

(1) Type of transactions

The Bank and its consolidated subsidiaries undertake the following derivative transactions: interest-rate swaps and others for interest-rate related transactions; currency swaps, forward exchange contracts and currency options for currency-related transactions; and bond futures for bond-related transactions.

(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.

Market prices of interest-rate related transactions as of March 31, 2016 and 2015 were as follows:

Millions of yen				
2016	Contracted value		Fair value	Appraised profit/(loss)
	Total	Over 1 year		
Over the Counter				
Interest-rate swaps:				
Fixed rate receivable/variable rate payable	¥31,546	¥26,927	¥ 839	¥ 839
Variable rate receivable/fixed rate payable.....	31,546	26,927	(557)	(557)
Others:				
Sell	753	576	0	54
Buy.....	753	576	0	(15)
Total			¥ 281	¥ 320

Millions of yen				
2015	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

Thousands of U.S. dollars				
2016	Contracted value		Fair value	Appraised profit/(loss)
	Total	Over 1 year		
Over the Counter				
Interest-rate swaps:				
Fixed rate receivable/variable rate payable	\$279,960	\$238,968	\$ 7,445	\$ 7,445
Variable rate receivable/fixed rate payable.....	279,960	238,968	(4,943)	(4,943)
Others:				
Sell	6,682	5,111	0	479
Buy.....	6,682	5,111	0	(133)
Total			\$ 2,493	\$ 2,839

Market prices of currency-related transactions as of March 31, 2016 and 2015 were as follows:

Millions of yen				
2016	Contracted value		Fair value	Appraised profit/(loss)
	Total	Over 1 year		
Over the Counter				
Currency swaps.....	¥386,881	¥312,040	¥ 116	¥ 116
Forward exchange contracts:				
Sell	64,425	1,413	1,392	1,392
Buy.....	68,320	1,352	(929)	(929)
Currency options:				
Sell	189,611	128,286	7,400	1,277
Buy.....	189,611	128,286	7,400	367
Total			¥15,380	¥2,223

Millions of yen				
2015	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

Thousands of U.S. dollars				
2016	Contracted value		Fair value	Appraised profit/(loss)
	Total	Over 1 year		
Over the Counter				
Currency swaps.....	\$3,433,448	\$2,769,258	\$ 1,029	\$ 1,029
Forward exchange contracts:				
Sell	571,751	12,539	12,353	12,353
Buy.....	606,318	11,998	(8,244)	(8,244)
Currency options:				
Sell	1,682,738	1,138,498	65,672	11,332
Buy.....	1,682,738	1,138,498	65,672	3,257
Total			\$136,492	\$19,728

The Hyakujushi Bank, Ltd. and Consolidated Subsidiaries

Notes to Consolidated Financial Statements

There were no bond-related transactions as of March 31, 2016.
Market prices of bond-related transactions as of March 31, 2015 were 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

Notes: 1. The above transactions were listed at market values and recognized profit (loss) 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 financial instruments exchange transactions refer to final prices at the Osaka Stock Exchange and others. Fair values for over the counter transactions were calculated at discounted present values and formulas for option pricing.

(3) Derivative transactions subject to hedge accounting

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

(a) Interest rate related transactions

As of March 31, 2016

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 Variable rate receivable/fixed rate payable	Available-for-sale securities (bonds)	¥60,000	¥60,000	¥(9,887)
		Total			¥(9,887)

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 Variable rate receivable/fixed rate payable	Available-for-sale securities (bonds)	¥40,000	¥40,000	¥(3,169)
		Total			¥(3,169)

As of March 31, 2016

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 Variable rate receivable/fixed rate payable	Available-for-sale securities (bonds)	\$532,481	\$532,481	\$(87,744)
		Total			\$(87,744)

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 using formulas for option pricing.

(b) Currency related transactions

As of March 31, 2016

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	¥109,395	¥44,040	¥4,028
	Monetary swaps		61,341	—	(455)
		Total			¥3,573

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, 2016

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	\$970,846	\$390,841	\$35,747
	Monetary swaps		544,382	—	(4,037)
		Total			\$31,709

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.

27.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 securities 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.

The Hyakujushi Bank, Ltd. and Consolidated Subsidiaries
Notes to Consolidated Financial Statements

(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, 2016 and 2015 is as follows:

2016	Millions of yen						Consolidated total
	Banking	Leasing	Total	Other businesses	Total	Adjustment	
Ordinary income:							
Outside customers	¥ 72,866	¥ 6,394	¥ 79,261	¥ 2,120	¥ 81,381	¥ —	¥ 81,381
Inter-segment transactions.....	305	604	909	3,781	4,691	(4,691)	—
Total	¥ 73,171	¥ 6,999	¥ 80,171	¥ 5,902	¥ 86,073	¥ (4,691)	¥ 81,381
Segment profit	¥ 17,516	¥ 309	¥ 17,825	¥ 1,921	¥ 19,747	¥ (126)	¥ 19,620
Segment assets	¥4,701,890	¥25,232	¥4,727,122	¥31,205	¥4,758,328	¥ (38,666)	¥4,719,661
Segment liabilities	¥4,443,052	¥20,950	¥4,464,002	¥10,353	¥4,474,355	¥ (36,724)	¥4,437,631
Other items:							
Depreciation	¥ 2,819	¥ 92	¥ 2,911	¥ 334	¥ 3,246	¥ 74	¥ 3,320
Interest income	50,720	131	50,851	466	51,318	(538)	50,780
Interest expenses	5,050	104	5,155	77	5,232	(520)	4,712
Increases in property, plant and equipment and intangible assets	1,681	4	1,685	211	1,897	133	2,031

2015	Millions of yen						Consolidated total
	Banking	Leasing	Total	Other businesses	Total	Adjustment	
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

2016	Thousands of U.S. dollars						Consolidated total
	Banking	Leasing	Total	Other businesses	Total	Adjustment	
Ordinary income:							
Outside customers	\$ 646,663	\$ 56,744	\$ 703,416	\$ 18,814	\$ 722,231	\$ —	\$ 722,231
Inter-segment transactions.....	2,706	5,360	8,067	33,555	41,631	(41,631)	—
Total	\$ 649,369	\$ 62,113	\$ 711,492	\$ 52,378	\$ 763,871	\$ (41,631)	\$ 722,231
Segment profit	\$ 155,449	\$ 2,742	\$ 158,191	\$ 17,048	\$ 175,248	\$ (1,118)	\$ 174,121
Segment assets	\$41,727,813	\$223,926	\$41,951,739	\$276,934	\$42,228,682	\$ (343,148)	\$41,885,525
Segment liabilities	\$39,430,706	\$185,924	\$39,616,631	\$ 91,879	\$39,708,510	\$ (325,914)	\$39,382,596
Other items:							
Depreciation	\$ 25,017	\$ 816	\$ 25,834	\$ 2,964	\$ 28,807	\$ 656	\$ 29,463
Interest income	450,124	1,162	451,286	4,135	455,431	(4,774)	450,656
Interest expenses	44,817	922	45,749	683	46,432	(4,614)	41,817
Increases in property, plant and equipment and intangible assets	14,918	35	14,953	1,872	16,835	1,180	18,024

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 increases in property, plant and equipment and intangible 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

2016	Millions of yen				
	Lending services	Securities investment services	Leasing services	Other	Total
Income from external customers	¥33,540	¥28,134	¥6,394	¥13,312	¥81,381

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

2016	Thousands of U.S. dollars				
	Lending services	Securities investment services	Leasing services	Other	Total
Income from external customers	\$297,657	\$249,680	\$56,744	\$118,139	\$722,231

(Information on impairment losses of fixed assets by reportable segment)

Information regarding impairment losses on fixed assets by reportable segment for the years ended March 31, 2016 and 2015 was as follows:

2016	Millions of yen				
	Lending services	Securities investment services	Total	Other	Total
Impairment losses on fixed assets.....	¥111	¥—	¥111	¥—	¥111

2015	Millions of yen				
	Lending services	Securities investment services	Total	Other	Total
Impairment losses on fixed assets.....	¥91	¥—	¥91	¥—	¥91

2016	Thousands of U.S. dollars				
	Lending services	Securities investment services	Total	Other	Total
Impairment losses on fixed assets.....	\$985	¥—	\$985	¥—	\$985

The Hyakujushi Bank, Ltd. and Consolidated Subsidiaries

Notes to Consolidated Financial Statements

28. Related-party transactions

Not applicable to the years ended March 31, 2016 and 2015.

29. Per share data

Amounts per share as of March 31, 2016 and 2015 and for the fiscal years then ended were summarized as follows:

	Yen		U.S. dollars
	2016	2015	2016
Net assets per share	¥891.90	¥928.83	\$7.915
Basic earnings per share	39.05	29.84	\$0.346
Diluted earnings per share	38.97	29.78	\$0.345

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
	2016	2015	2016
Net assets	¥282,030	¥295,476	\$2,502,928
Amount excluded from net assets .	18,392	17,780	163,223
(of which share subscription rights)	201	196	1,783
(of which, non-controlling interests).....	18,190	17,583	161,430
Net assets attributable to common stock at the fiscal year-end	263,638	277,696	2,339,705
Number of common stock shares at fiscal-year end for calculation of net assets per share (in thousands).....	295,588	298,971	

2. Basic earnings per share is calculated on the basis of the following.

	Millions of yen, except number of shares		Thousands of U.S. dollars
	2016	2015	2016
Basic earnings per share			
Profit attributable to owners of parent.....	¥ 11,632	¥ 8,957	\$103,230
Amount not attributable to common equity holders of parent.....	—	—	—
Profit attributable to common equity holders of parent	11,632	8,957	103,230
Average number of shares of common stock during the year (in thousands)	297,871	300,138	
Diluted earnings per share			
Increase in number of common stock shares (in thousands) ..	623	600	
(of which, share subscription rights)	623	600	

3. The Bank's own stock remaining in the ESOP Trust and recorded as treasury stock in stockholders' equity is included in treasury stock to be deducted in the calculation of net assets per share, basic earnings per share, and diluted earnings 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 1,177 thousand shares as of March 31, 2015 and 657 thousand shares as of March 31, 2016. Moreover, the average number of shares of said treasury stock to be deducted in the calculation of basic earnings per share and diluted earnings per share during the year was 1,487 thousand shares for the fiscal year ended March 31, 2015 and 942 thousand shares for the fiscal year ended March 31, 2016.

4. As stated in "Change in accounting policies," the Bank applies the Revised Accounting Standard for Business Combinations etc., and follows the transitional accounting treatments set forth in Paragraph 58-2 (4) of the Revised Accounting Standard for Business Combinations, Paragraph 44-5 (4) of the Revised Accounting Standard for Consolidated Financial Statements and Paragraph 57-4 (4) of the Revised Accounting Standard for Business Divestitures.

These changes had no effect on profit or loss in the consolidated financial statements for the fiscal year ended March 31, 2016.

30. Important subsequent events

Not applicable.



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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, 2016, and the consolidated statements of income, comprehensive income, changes in net assets, and cash flows for the year then ended and a summary of significant accounting policies and other explanatory information, all expressed in Japanese yen.

Management's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

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

Convenience Translation

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

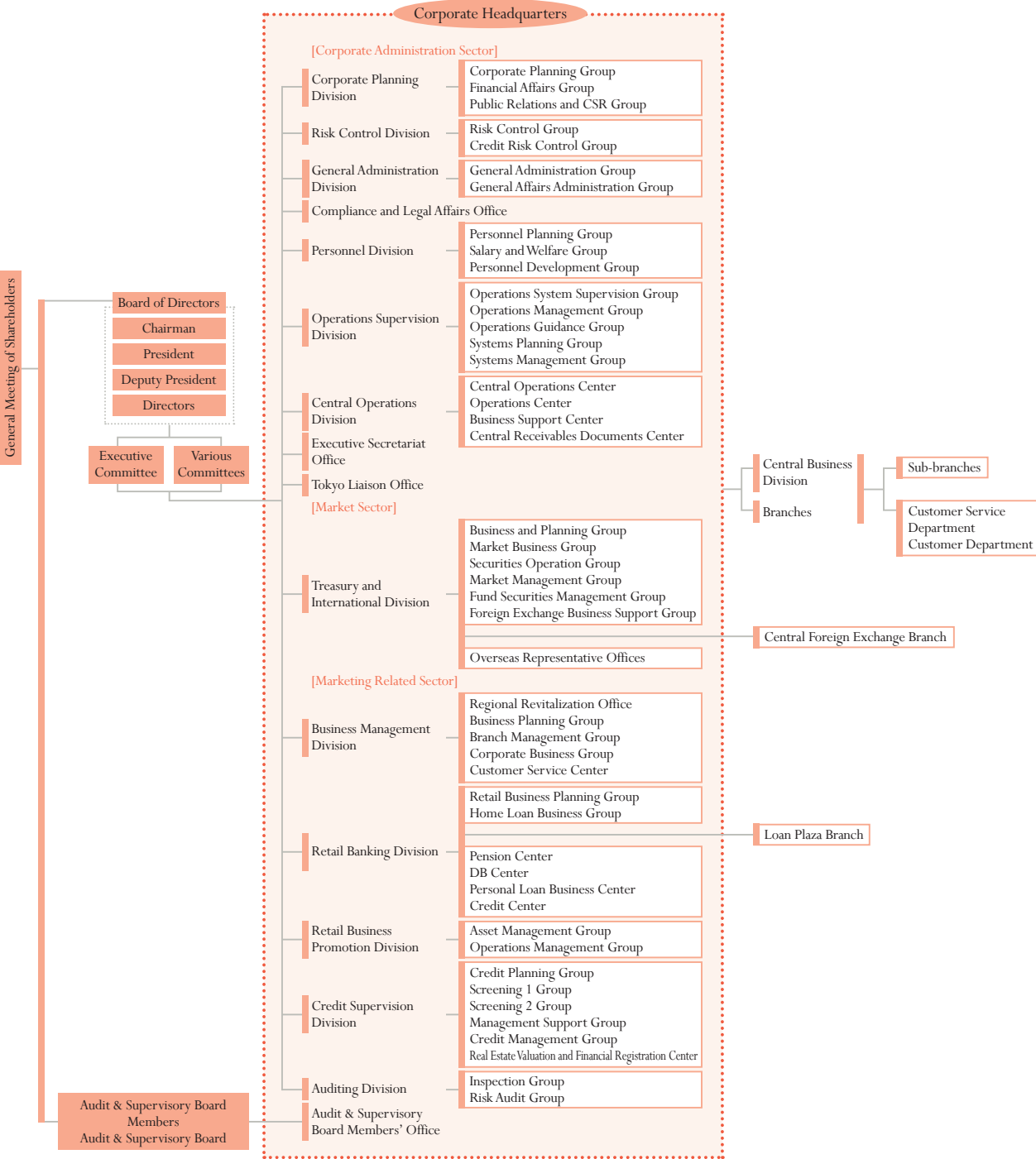
June 29, 2016
Tokyo, Japan

Corporate Information

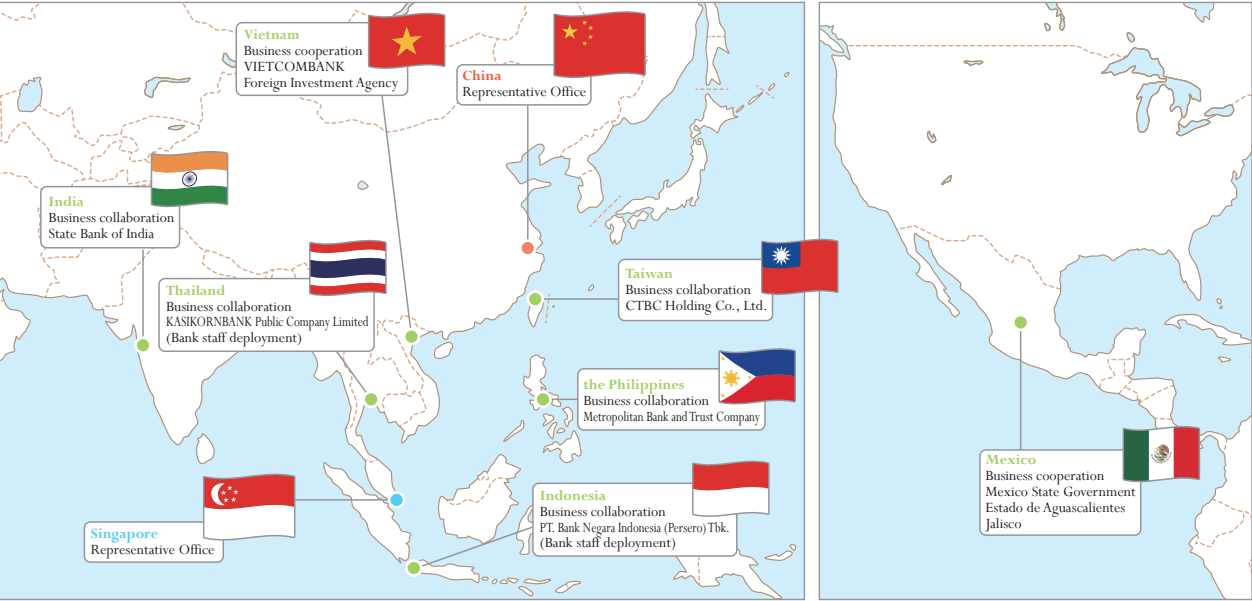
Profile (as of March 31, 2016)

Head Office	5-1 Kamei-cho, Takamatsu, Kagawa
Established	November 1, 1878
Total assets	¥4,701.6 billion
Deposits and negotiable certificates of deposit	¥4,125.5 billion
Loans and bills discounted	¥2,752.5 billion
Paid-in capital	¥37.3 billion
Total shares issued	310,076 thousand shares
Employees	2,315
Offices	124 (Head Office, 102 branches, 21 sub-branches)
	Overseas Representative Offices: 2 (Shanghai, Singapore)
Non-branch ATMs and CDs	221 machines in 175 locations

Organization (as of July 1, 2016)



Overseas Support Organizations



List of Major Shareholders (as of March 31, 2016)

Name	Address	No. of shares held (thousand shares)	Ratio of shares held to the total number of shares outstanding (%)
Japan Trustee Services Bank, Ltd. (trust account)	8-11, Harumi 1-Chome, Chuo-ku, Tokyo	16,654	5.37
Nippon Life Insurance Company	6-6, Marunouchi 1-Chome, Chiyoda-ku, Tokyo	9,000	2.90
The Bank of Tokyo-Mitsubishi UfJ, Ltd.	7-1, Marunouchi 2-Chome, Chiyoda-ku, Tokyo	6,645	2.14
NH Foods Ltd. (Note) 1	4-9, Umeda 2-Chome, Kita-ku, Osaka	6,326	2.04
Sompo Japan Nipponkoa Insurance Inc.	26-1, Nishi-Shinjuku 1-Chome, Shinjuku-ku, Tokyo	6,071	1.95
TAIHEIYO CEMENT CORPORATION (Note) 2	3-5, Daiba 2-Chome, Minato-ku, Tokyo	5,952	1.91
TADANO LTD.	Ko-34 Shinden-cho, Takamatsu-shi, Kagawa	5,885	1.89
Mitsui Engineering & Shipbuilding Co., Ltd. (Note) 3	6-4, Tsukiji 5-Chome, Chuo-ku, Tokyo	5,845	1.88
Meiji Yasuda Life Insurance Company	1-1, Marunouchi 2-Chome, Chiyoda-ku, Tokyo	5,699	1.83
Hyakujushi Bank Employee Shareholding Association	5-1 Kamei-cho, Takamatsu-shi, Kagawa Prefecture	5,392	1.73
Total	—	73,473	23.69

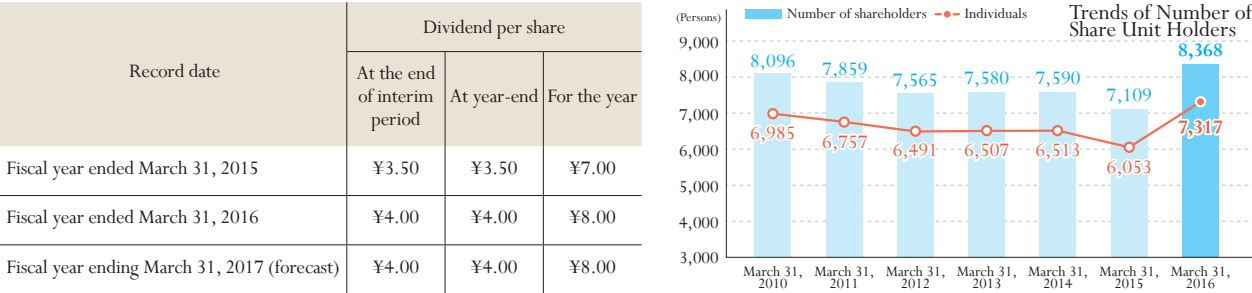
(Notes)
1. The number of shares held by NH Foods Ltd. includes 5,000 thousand shares that have been contributed to the retirement benefit trust; however, the right to provide instructions for the voting rights to those shares has been retained by NH Foods Ltd.
2. The number of shares held by TAIHEIYO CEMENT CORPORATION includes 5,952 thousand shares that have been contributed to the retirement benefit trust; however, the right to provide instructions for the voting rights to those shares has been retained by TAIHEIYO CEMENT CORPORATION.
3. The number of shares held by Mitsui Engineering & Shipbuilding Co., Ltd. includes 2,000 thousand shares that have been contributed to the retirement benefit trust; however, the right to provide instructions for the voting rights to those shares has been retained by Mitsui Engineering & Shipbuilding Co., Ltd.
4. In addition to the above, there are 14,487 thousand treasury shares (of which 13,830 thousand shares are held by the Bank and 657 thousand shares are held by the Employee Stock Ownership Plan (ESOP) Trust), and the ratio of these to the total number of shares outstanding is 4.67%.

Active Shareholder Return

The Bank works to make an active return to shareholders by continuously paying stable dividends as well as through the flexible acquisition of treasury stock in response to the profit environment.

With the aim of making further returns, the Bank increased the ordinary dividend from an annual ¥7 to ¥8 from the interim dividend for the fiscal year ended March 31, 2016. The number of shareholders holding whole units of shares increased by 1,259 shareholders, mainly individual shareholders, during the year.

The Bank will continue to work to improve the satisfaction of our shareholders through positive shareholder return, and improve our equity capital by increasing retained earnings.



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