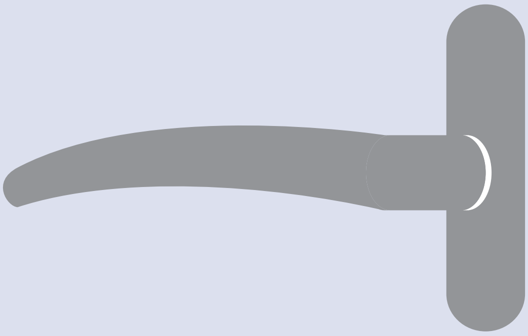


Annual Report 2017

The Hyakujushi Bank, Ltd.

I will continue to challenge the future
For our customers' / regional growth
And for the growth of our bank

Y Ayada

Yujiro Ayada, President

I would like to express my sincere gratitude to all our stakeholders for your warm support and patronage.

Based on a new management structure, the Bank launched the medium-term management plan "Challenge Value Plus" with a three years plan period from April 2017 to March 2020. Here, I will explain my aspirations embraced in "Challenge Value Plus" as a president.

August 2017

Foreword

I sincerely thank you for your continued patronage and support.

Having assumed office as President of the Hyakujushi Bank, Ltd. on April 1, 2017, I would like to offer some observations and comments on the Bank's activities.

Although there are some signs of recovery in the local Kagawa prefecture in certain sectors, the environment surrounding the local banks is becoming more severe in view of the long-term low interest rates symbolized by negative interest rates, in addition to regional issues such as declining population and birth rate and aging population. It is also necessary to respond to the new capital adequacy regulation and new technologies such as FinTech; as well as prepare for the exit strategy of the Bank of Japan's monetary easing policy in the near future. Although it is such an environment that is difficult to navigate, on the other hand I think that it is a great opportunity for the bank to transform itself.

The Bank launched a new medium-term management plan "Challenge Value Plus" in April 2017. In order to realize our vision, namely, to "grow together with the region by going beyond the financial sphere in providing whole-hearted support for the region's aspirations" through multifaceted innovation encompassing our business fields and the business foundation in order to co-create new value, we are resolved to do our utmost to contribute to growth of our customers and the region.

Results and issues of the previous medium-term management plan

Before discussing the new medium-term management plan, let me review the previous medium-term management plan, "Best Partners Plan," that covered the period from April 2014 to March 2017.

With the "Best Partners Plan," the Bank implemented two fundamental strategies, "rigorously promote retail business opportunities" and "strengthening market operations capabilities" supported by "strengthening of human resources force," so as to enhance added value of the Bank and the local economy. In response to the great change in the environment brought about by the introduction of a negative interest rate policy by the Bank of Japan in February 2016, the Bank transformed its policy to "shift from quantity to quality" and "emphasize ROA" aiming to secure profit by enhancing the efficiency of transactions. We also responded by allocating management resources strategically to local communities.

As a result, although net operating profit for fiscal 2016 fell short of the target because of an inevitable decrease in interest income resulting from the negative interest rate policy, we achieved the targets for ROE, the consolidated capital ratio, and the deposit balance. The loan balance fell short of the target, reflecting the Bank's policy to shift from quantity to quality by curtailing increases in loans in urban areas and public loans at ultra-long-term fixed interest rates.

We recognize in the future, it is necessary to further enhance efficiency so that stable profits can be secured even in low interest rate environments, and to positively take risks based on appropriate risk management to strengthen profitability for the Bank.

Previous medium-term management plan Management targets		FY 2016 Targets	FY 2016 Results
Profitability	①Net operating profit	¥18 billion or more	¥15.7 billion
Efficiency	②ROE (current-term-net-profit base)	3.5% (approx.)	3.43%
Soundness	③Capital ratio (consolidated)	9.0% (approx.)	9.53%
Scale	④Loan balance	¥3 trillion (approx.)	¥2,780.7 billion
	⑤Deposit balance	¥4 trillion or more	¥4,173.0 billion

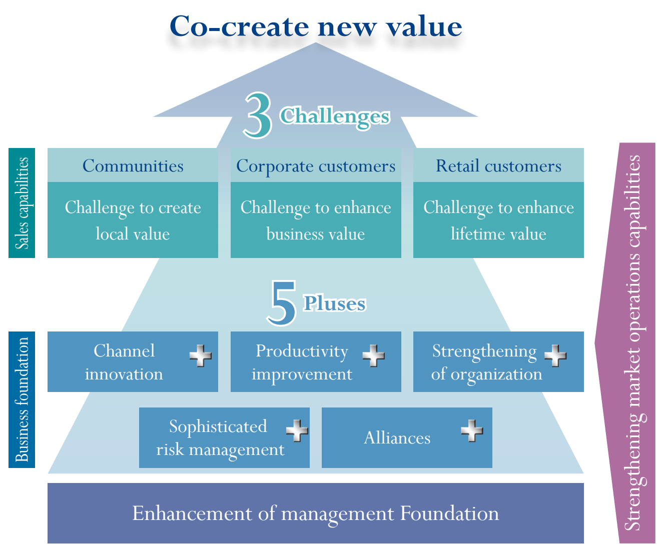
1) Net operating profit = Gross operating profits – Expenses
2) ROE (current-term-profit base) = Profit / ((Beginning capital + Ending capital)/2)
3) The consolidated capital ratio is the consolidated core capital ratio, after taking into account transitional arrangements based on Basel III (domestic standard).

New medium-term management plan

The Bank formulated the new medium-term management plan "Challenge Value Plus" covering the period from April 2017 to March 2020 with a view to fully realizing the Bank's Corporate Vision to "prosper together with customers and communities," while continuing to adhere to the strategy of emphasizing quality and the region. Under this plan, we aim to establish a business model enabling the Bank to improve its sustainability while at the same time contributing to growth of customers and the region by having diverse contact points with customers and the region and addressing their issues in business and other spheres of life in a whole-hearted manner.

The key strategies for this drive are the "five pluses" to strengthen the business foundation and the "three challenges" to strengthen sales capabilities. With the "five pluses," as well as fostering sales personnel through systematic implementation of measures for channel innovation and productivity improvement by the Head Office, the Bank will establish a framework for providing thorough support to customers at any time through strengthening of organization, sophisticated risk management, and alliances. Based on this framework, branches and the Head Office will unite to tackle the "three challenges": create local value, enhance business value of corporate customers, and enhance lifetime value of retail customers.

Furthermore, by strengthening market operations capabilities and the management foundation, we aim to reinforce the Bank's sustainability.



Through steady implementation of these strategies, our targets on a consolidated basis for the final year of the new medium-term management plan, fiscal 2019, are as follows: consolidated profit of 9.5 billion yen or more (profitability), consolidated ROE of 3.0% or higher (efficiency), and consolidated capital ratio of 9.5% or higher.

New medium-term management plan final year (FY 2019) management targets		
Indices		Targets
Profitability	Profit (consolidated)	¥9.5 billion or more
Efficiency	ROE (consolidated)	3.0% or more
Soundness	Capital ratio (consolidated)	9.5% or more

To revitalize the region

The destinies of regional banks are intertwined with those of the regions where they are based and the customers who live in those regions. Banks cannot prosper if the region or customers lack vigor. Growing together with customers and the region is the only way we can survive.

The Bank established the Regional Vitalization Division in April 2017 for "creation of local value" and put in place a framework for one-stop execution of planning and implementation of measures for invigorating the region. The Regional Vitalization Division will play a central role in strongly supporting the development of the region through collaboration between the Head Office and branches.

For example, Kagawa Prefecture, where the Bank is based, has a balanced industrial structure centering on small and medium-sized enterprises without being overly dependent on any particular sectors. In addition to construction machinery manufacturers, many food-related companies are based in Kagawa Prefecture and large factories in the shipbuilding sector are located on the coast. Therefore, while the regional economy of Kagawa Prefecture is resistant to change in the economic environment, the prefecture lacks a core industry or a group of companies that can serve as a powerful engine for the regional economy.

To address this issue, the Bank is striving to nurture core industries in collaboration with local public bodies. Rare sugars, which Kagawa Prefectural Government is promoting, have proven efficacy in preventing obesity and diabetes. In view of their potential to become a future core industry, the Bank has made proposals to companies in the food and pharmaceutical sectors regarding new product development and other initiatives. Moreover, the Bank, in cooperation with Kagawa Prefectural Government, set up "Setouchi Monitor Girls," in order to reveal the hidden charm of the region. This team, consisting of female employees of the Bank and Kagawa Prefectural Government, plans and makes proposals for destination-based tourism and products capitalizing on the hidden charm of the region from women's unique perspectives through monitoring workshops. These initiatives are yielding results, including commercialization of some new products.

In October 2016, the Bank set up the *Konkatsu* Desk within the Business Management Division (currently, Regional Vitalization Division). The *Konkatsu* Desk offers support to people who are seeking marriage partners and thus, in the course of offering this support, is actively involved in solving regional problems such as population decline, low birthrate, aging population and business succession.

Supporting growth of customers

In the corporate sector, the Bank will proactively become involved in all business flows of customers, including planning, procurement, and sales, and in all the stages from startup to turnaround, in order to "enhance business value" of customers.

For this purpose, the Bank started an initiative on a trial basis in July 2016. Under this initiative, the Bank discloses its evaluation of customers' business potential in "Hyakujushi Value-up Sheet" to customers and engages in future-oriented dialogues with them.

The objective of this initiative is to evaluate customers' business lines and growth potential from the Bank's perspective and to work with customers to find solutions and resolve their management issues identified in the course of our evaluation. As well as tapping demand for loans, stemming from resolution of issues, we would like to boost income from fees and commissions by providing solutions.

In the retail sector, we will offer various products and services according to life stages of customers through appropriate channels in order to enhance their lifetime value. Mindful that smartphones have become the principal communication tools for retail customers, we are planning to enrich services by introducing new technologies such as FinTech.

Alliances

For early realization of growth of customers and invigoration of the region, we will actively leverage alliances with local public bodies, other regional banks, and various expert institutions and organizations.

In November 2016, the Bank, The Awa Bank, Ltd. The Iyo Bank, Ltd. and The Shikoku Bank, Ltd. signed a comprehensive partnership agreement for revitalization of Shikoku (Shikoku Alliance). Under the agreement, the partners will demonstrate their presence in their respective regions and continuously contribute to revitalization of Shikoku. Through the Shikoku Alliance, the partners intend to address various issues throughout Shikoku in a cooperative effort while maintaining their independent management rooted in their respective regions, and are implementing various measures on five themes—develop, utilize, connect, nurture, and collaborate.

Since the announcement of the key measures in April 2017, the four partner banks have started business matching services and sales of structured bonds and foreign bonds handled by Iyogin Securities*, and have jointly developed investment trust and insurance products.

The four partner banks are resolved to collaborate closely in implementing various measures so that customers can personally experience the benefits of the alliance as soon as possible.

*A securities firm in the Iyo Bank Group

Strengthening of governance

To accelerate the above-mentioned initiatives, it is necessary to establish a corporate governance structure with high management transparency and objectivity.

四国アライアンス

In the logo of the Shikoku Alliance, the letter S of Shikoku and the letter A of Alliance form a ribbon and the four colors of the ribbon represent the four partner banks. This logo expresses the aspirations of the partners to unite and collaborate in pursuit of a single goal, namely, the revitalization of Shikoku, which will be a gift to all of Shikoku.

Following the resolution at the 148th Annual General Meeting of Shareholders held in June 2017, the Bank transitioned from a Company with Audit & Supervisory Board to a Company with Audit and Supervisory Committee. At the same time, the Bank introduced a performance-linked stock compensation system in which a portion of executive compensation varies in accordance with the performance or other factors in order to motivate the Bank's directors to improve the medium- to long-term business performance and corporate value.

The Bank is also strengthening Group management. In April 2017, the Bank acquired shares of its consolidated subsidiaries, including those held indirectly, in order to have 100% substantial interest in them.

Conclusion

In order to meet the expectations of the region and our shareholders amid a dramatically changing business environment, we must change ourselves to adapt to the environment.

We are resolved to become a trailblazer in this severe environment by continuing to tackle challenges and embrace change so as to be worthy successors to our predecessors who have overcome various difficulties in the 139 years since the foundation of the Bank and built up the present-day Bank, and to hand over a further enhanced Hyakujushi Bank to the next generation.

I sincerely thank you and humbly request your continued support and patronage of the Bank.

Consolidated Financial Highlights

For the years ended or as of March 31	Millions of yen 2017	2016	2015	2014	2013	Thousands of U.S. dollars (Note 1) 2017
FOR THE YEAR:						
Total income	**¥90,552**	¥81,416	¥77,671	¥80,592	¥74,961	**$807,130**
Total expenses	**71,655**	61,927	60,339	58,928	64,331	**638,693**
Profit before income taxes	**18,897**	19,489	17,332	21,663	10,630	**168,437**
Income taxes-current	**5,145**	3,878	3,562	5,769	4,939	**45,859**
Income taxes-deferred	**3,050**	2,879	3,841	3,700	(1,218)	**27,186**
Profit attributable to non-controlling interests	**1,054**	1,099	970	963	1,056	**9,394**
Profit attributable to owners of parent	**9,645**	11,632	8,957	11,230	5,851	**85,970**
AT YEAR-END:						
Loans and bills discounted	**2,776,554**	2,747,341	2,696,444	2,614,215	2,528,403	**24,748,676**
Securities and trading account securities	**1,444,834**	1,415,126	1,454,691	1,335,649	1,318,454	**12,878,456**
Foreign exchange assets	**3,684**	8,649	13,507	17,446	7,382	**32,837**
Other assets	**701,461**	548,540	450,461	525,899	280,089	**6,252,437**
Total assets	**4,926,538**	4,719,661	4,615,105	4,493,211	4,134,329	**43,912,452**
Deposits and negotiable certificates of deposit	**4,160,361**	4,113,555	3,971,363	3,953,427	3,652,466	**37,083,171**
Foreign exchange liabilities	**145**	206	354	140	579	**1,292**
Other liabilities	**472,896**	323,862	347,911	282,729	229,861	**4,215,135**
Total liabilities	**4,633,409**	4,437,631	4,319,629	4,236,360	3,882,906	**41,299,661**
Common stock	**37,322**	37,322	37,322	37,322	37,322	**332,667**
Capital surplus	**26,332**	24,920	24,920	24,920	24,920	**234,708**
Retained earnings	**160,985**	153,335	143,886	138,689	129,575	**1,434,931**
Treasury stock	**(6,220)**	(6,179)	(4,730)	(4,181)	(2,935)	**(55,441)**
Total stockholders' equity	**218,420**	209,398	201,398	196,751	188,882	**1,946,875**
Net unrealized gains on other securities, net of taxes	**49,012**	54,256	68,952	37,722	38,173	**436,866**
Net deferred losses on hedging instruments, net of taxes	**(1,231)**	(7,806)	(3,010)	(24)	(136)	**(10,972)**
Revaluation reserve for land	**8,557**	8,961	8,722	8,044	8,057	**76,272**
Remeasurements of defined benefit plans	**2,139**	(1,171)	1,631	(2,719)	—	**19,065**
Total accumulated other comprehensive income	**58,478**	54,239	76,297	43,022	46,095	**521,240**
Share subscription rights	**142**	201	196	156	120	**1,265**
Non-controlling interests	**16,087**	18,190	17,583	16,920	16,324	**143,390**
Total net assets	**293,129**	282,030	295,476	256,851	251,422	**2,612,790**
Total liabilities and net assets	**¥4,926,538**	¥4,719,661	¥4,615,105	¥4,493,211	¥4,134,329	**$43,912,452**

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 ¥112.19 to US$1.00 on March 31, 2017.

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.

<Non-consolidated>

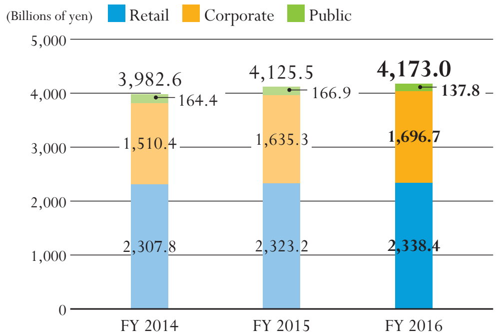
Major Accounts (Non-consolidated)

Total Deposits (Including negotiable certificates of deposit)

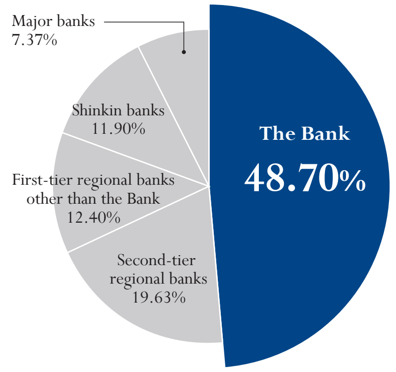
¥4,173.0 billion
(up ¥47.4 billion from FY 2015)

The deposit balance increased by ¥47.4 billion from the end of the previous fiscal year to ¥4,173.0 billion, owing to increases in retail and corporate deposits despite a decrease in public deposits.

The Bank's share of deposits in Kagawa Prefecture where the Bank is based was approximately 50%.



The Bank's share of deposits in Kagawa Prefecture

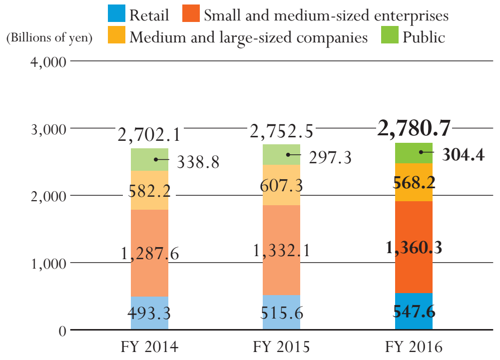


Loan balance

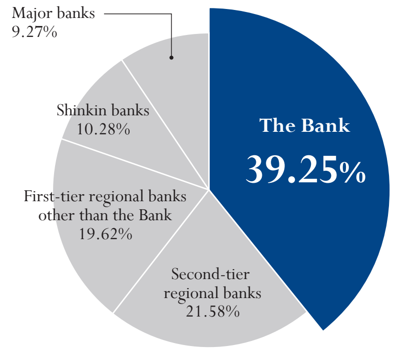
¥2,780.7 billion
(up ¥28.2 billion from FY 2015)

The loan balance increased by ¥28.2 billion from the end of the previous fiscal year to ¥2,780.7 billion, as a result of the promotion of loans to small and medium-sized enterprises and retail loans.

The Bank's share of loans in Kagawa Prefecture where the Bank is based was approximately 40%.



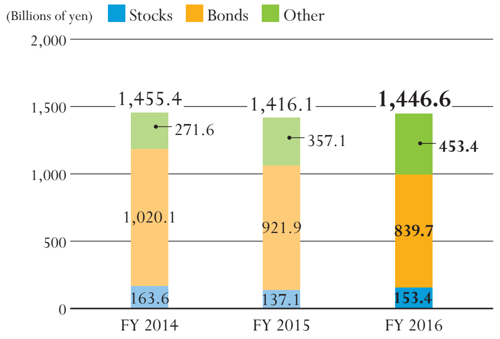
The Bank's share of loans in Kagawa Prefecture



Securities

¥1,446.6 billion
(up ¥30.4 billion from FY 2015)

Securities increased by ¥30.4 billion from the end of the previous fiscal year to ¥1,446.6 billion, due to increases in the balance of stocks and other securities (investment trusts, foreign securities, etc.) owing to higher stock prices, despite a decrease in the balance of bonds.



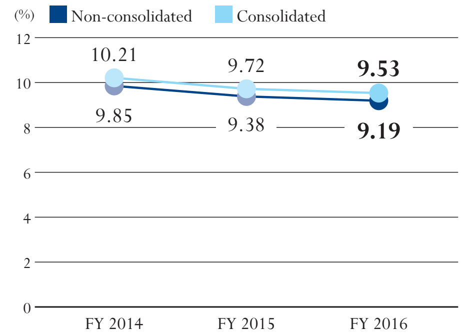
Financial Soundness

Capital ratio (Domestic Standard)

Non-consolidated 9.19%

Consolidated 9.53%

Although the capital ratio decreased as a result of partial prepayment of subordinated borrowings, it is well above 4%, the level of capital adequacy required for banks operating only in Japan (domestic standard). The soundness of the Bank's management is highly regarded by rating agencies.



Rating

Moody's	A3
Japan Credit Rating Agency (JCR)	A

History of the Hyakujushi Bank

Founded in 1878 as the Hyakujushi National Bank

The Hyakujushi Bank was founded as Japan's 114th national bank under the name of "the Hyakujushi National Bank" on November 1, 1878 with the mission of issuing banknotes. 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.

*Banks using the order in which they were approved at the time of foundation as bank names


Setouchi Brand Corporation established (2016)


Change of President (2017)


Shikoku Alliance announces key measures (2017)


Building used at the time of the establishment (around 1887) "View of prosperous Hyakujushi Bank" by Mitsui Atsuo


Former Head Office (currently Takamatsu Branch) (1926)


Former Head Office damaged by air raids in World War II (rightmost building) (1945)


Present Head Office (completed in 1966)

1878
• Founded as the Hyakujushi National Bank

1898
• Reorganized as The Takamatsu Hyakujushi Bank, Ltd.

1924
• The Takamatsu Hyakujushi Bank, Ltd. was established through the merger with the Takamatsu Bank

1945
• The Head Office was damaged by air raids on Takamatsu in World War II but survived the fire

1948
• The trade name was changed to The Hyakujushi Bank, Ltd.

1950
• Osaka Branch opened

1952
• Tokyo Branch opened

1960
• Started foreign exchange business

1966
• Constructed a new building and relocated the Head Office to the current location

1973
• Was listed on the First Section of Tokyo and Osaka Stock Exchanges

1978
• The 100th anniversary of the founding
• The balance of deposit reached ¥1 trillion

1980
• The Bank's first ATM was installed at the Head Office

1982
• Loan balance reached ¥1 trillion

1983
• Started securities business

1987
• The balance of deposit reached ¥2 trillion

1990
• Loan balance reached ¥2 trillion

1991
• Constructed a new building and relocated the Operations Center to Sanjo-cho, Takamatsu City

1994
• Started trust business

1995
• Deposit balance reached ¥3 trillion

1998
• Started over-the-counter sales of investment trusts

2001
• Started over-the-counter sales of non-life insurance products

2002
• Started over-the-counter sales of personal pension insurance products

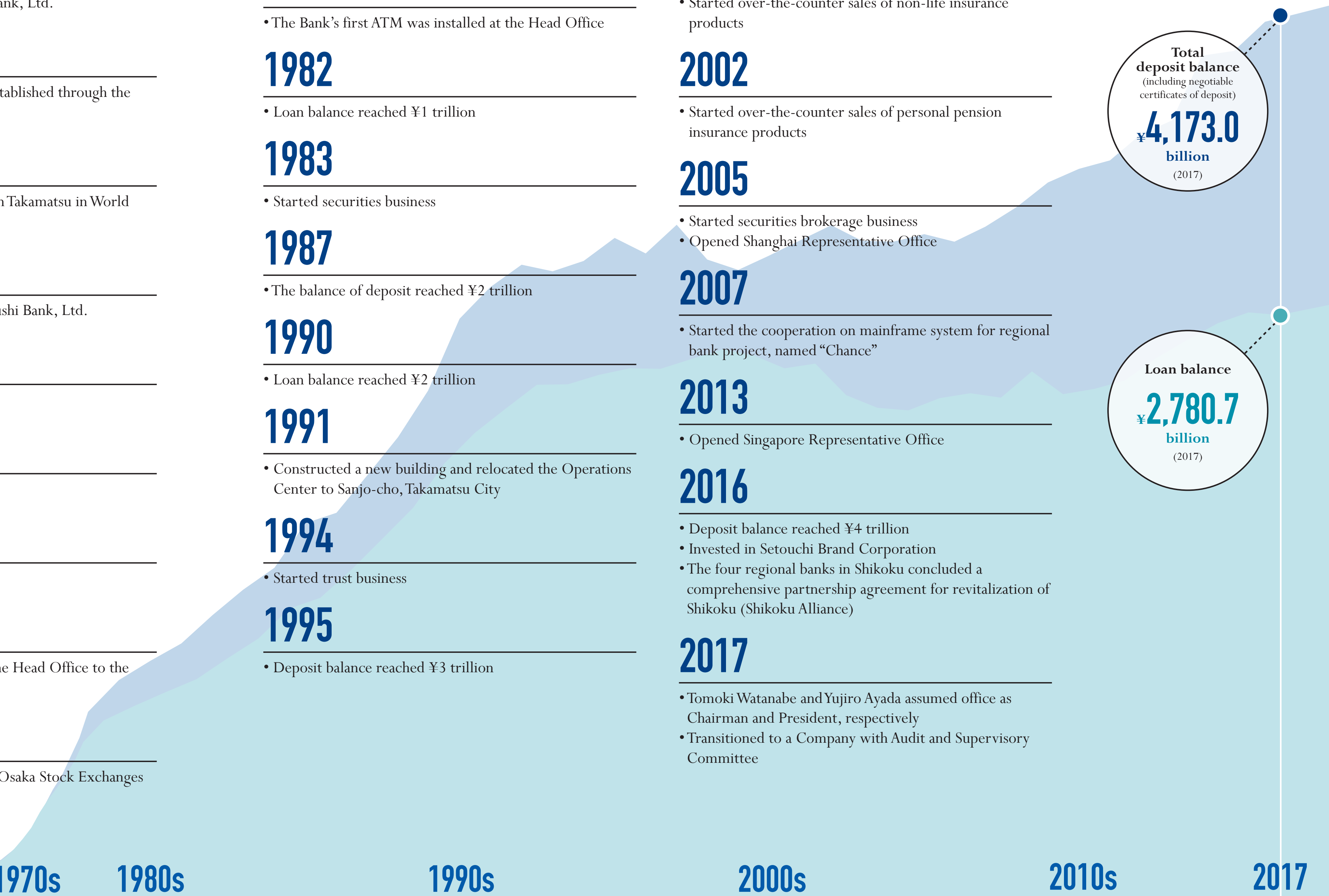
2005
• Started securities brokerage business
• Opened Shanghai Representative Office

2007
• Started the cooperation on mainframe system for regional bank project, named "Chance"

2013
• Opened Singapore Representative Office

2016
• Deposit balance reached ¥4 trillion
• Invested in Setouchi Brand Corporation
• The four regional banks in Shikoku concluded a comprehensive partnership agreement for revitalization of Shikoku (Shikoku Alliance)

2017
• Tomoki Watanabe and Yujiro Ayada assumed office as Chairman and President, respectively
• Transitioned to a Company with Audit and Supervisory Committee



Business Model Pursued by the Hyakujushi Bank

The Bank pursues a business model designed to achieve a "virtuous cycle of the regional economy." Against the backdrop of a business environment that remains challenging for regional financial institutions, the Bank will demonstrate financial intermediary functions by utilizing its organizations, human resources, and sales network to the maximum, do its utmost to enhance customers' earnings power and to accumulate the region's financial assets so as to contribute to growth of customers and the region, leading to stronger competitiveness and stable performance of the Bank.

Operating environment of banks

- Lackluster demand for funds
- Long-term low interest rate environment and reduced interest margin
- Declining and aging population with low birth rate
- The emergence of new competitors using FinTech
- Diversification of customer needs and change in lifestyles
- Financial deregulation

The Hyakujushi Bank's management resources

Management resources

Number of employees
2,327

Number of Group companies
10

Number of offices
124

Number of overseas offices
2

Strengths

- Growth potential of the Setouchi region and Shikoku
- Extensive, well-established network of offices
- Overwhelming share in Kagawa Prefecture where the Bank is based
- Extensive support from the Head Office
- Female advancement

Current state of the regional economy (Kagawa Prefecture)

- Deposit balance (per household): 3rd in Japan
- Jobs-to-applicants ratio: 9th in Japan
- Industrial structure
  A balanced industrial structure centering on small and medium-sized enterprises without being overly dependent on any particular sectors. Therefore, while the regional economy of Kagawa Prefecture is resistant to change in the economic environment, the prefecture lacks a core industry or a group of companies that can serve as a powerful engine for the regional economy.
- A region showing advanced population decline
  After peaking in 1999 at 1.03 million, the population of Kagawa Prefecture was just under 970,000 as of April 1, 2017. Considering the fact that Japan's population started to decrease six years ago (2011), Kagawa Prefecture is a region showing advanced population decline.

Overview of the economy of Kagawa Prefecture

The economy of Kagawa Prefecture is on a moderate recovery track. While capital investment has bottomed out, a moderate recovery in enterprises' production is continuing, and consumer spending and housing investment are also showing signs of recovery (August 2017).

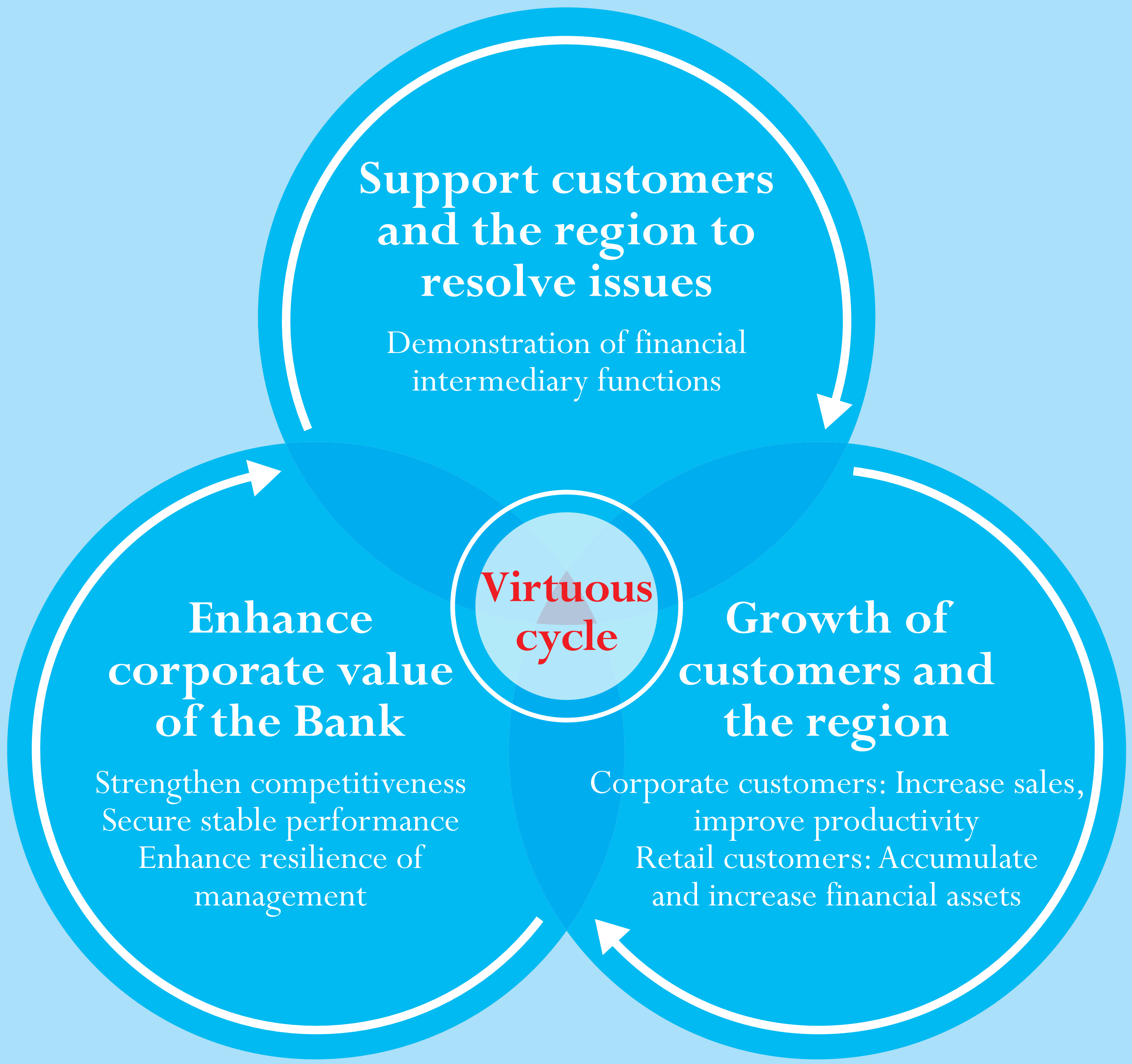
TOPICS

Two consecutive years of increase in the number of tourists visiting Kagawa Prefecture

The number of tourists visiting major sightseeing spots in Kagawa Prefecture increased for the second consecutive year in fiscal 2016, reaching 4,754,367, the highest number in the past five years. The total number of overnight guests from abroad increased 70.3% from fiscal 2015 to 358,360. The growth rate was higher than that of any other prefecture in Japan.

Medium-Term Management Plan

Challenge Value Plus



Business model pursued by the Bank

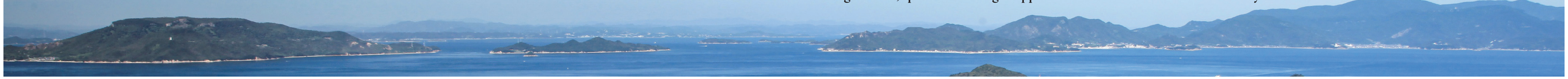
Medium-Term Management Plan (From April 2017 to March 2020)

Challenge Value Plus

– Co-create new value, going beyond the financial sphere –

As society in the region we serve is reshaped by ongoing issues such as low birth rates and longer life spans as well as a declining population, inspired by the Bank's Corporate Vision to "prosper together with customers and communities," "create a vigorous corporate culture" and "ensure sound business management and enhance corporate value," we have formulated a medium-term management plan "Challenge Value Plus" covering the three years from fiscal 2017.

We strive to create multifaceted innovation encompassing our business fields and the business foundation in order to realize a virtuous cycle of growth of customers and the region and our growth in accordance with the Bank's action guideline, "provide thorough support to customers and communities at any time."



Innovation in pursuit of growth together with customers and the region

Basic policy

Realizing a virtuous cycle of growth of customers and the region and the Bank's growth

Who : The Hyakujushi Bank and Group Companies
Where : Mainly in Kagawa Prefecture and the Setouchi economic region
How : By utilizing organizations, human resources, and alliances to the maximum
What : Contribute to growth of customers and the region and achieve the Bank's growth
Do : Strive for further development of customers and the region

Action guideline

Provide thorough support to customers and communities at any time

- Have diverse contact points with customers and the region
- Provide thorough support to customers and the region
- Grow together with customers and the region

3 Challenges (Strengthen sales capabilities)

Communities : Challenge to create local value
Corporate customers : Challenge to enhance business value
Retail customers : Challenge to enhance lifetime value

5 Pluses (Strengthen the business foundation)

Channel innovation **Productivity improvement**
Strengthening of organization
Sophisticated risk management **Alliances**

Strengthening market operations capabilities

Improve the investment system Enhance investment

Enhance the management foundation

ICT strategy Business continuity plan (master plan)
Governance Compliance Strategic CSR

Final year (FY 2019)

Profitability

Profit attributable to owners of parent **9.5** billion yen or more

Efficiency

Consolidated ROE **3.0**% or higher

Soundness

Consolidated capital ratio **9.5**% or higher

Vision

Grow together with the region by going beyond the financial sphere in providing whole-hearted support for the region's aspirations.

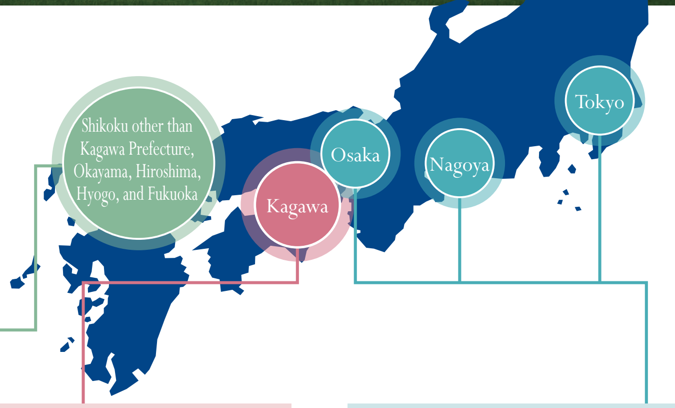
3 Challenges		
Communities Create local value	● By contributing to the development of the regional economy and the stable life of people in the region whose destiny we share as a regional financial institution, realize a virtuous cycle to secure sustainability and stability of the Bank.
	● Strive to enhance power of the local brand through creation of new industry, attraction of companies to the region, development of tourism, promotion of relocation of people from elsewhere in Japan, support for people seeking marriage partners, and other initiatives while collaborating with local public bodies centering on Kagawa Prefecture where the Bank is based.
	● Actively leverage Shikoku Alliance, external expert institutions, etc.
Corporate customers Enhance business value	● Respond to any management issues with the Bank's one-stop solutions through involvement in all the business flows of corporate customers based on in-depth evaluation of business potential.
	● Provide powerful support for growth of corporate customers by offering appropriate funding and proposing solutions through involvement in various stages of corporate customers' business evolution.
Retail customers Enhance lifetime value	● Offer services according to life cycles of retail customers via the optimal channels (branch, ATM, call center, the Internet, etc.) and provide one-stop financial services to become customers' lifetime partner.
	● Respond to customers' trust by thorough implementation of customer-centric sales approaches. Enhance quality of retail sales by vigorously utilizing information tools.

5 Pluses	
Channel innovation	● Improve efficiency and quality of sales.
	● Enhance non-face-to-face channels (call center, Internet banking, mobile banking, etc.).
Productivity improvement	● Promote innovation in administrative processes of branches to achieve both low-cost operation (reduced administrative burden) and customer satisfaction (reduction of administrative errors and waiting time).
	● Promote innovation in Head Office business processes to realize a lean Head Office, freeing up human resources for sales and reducing costs.
	● Achieve unprecedented cost reduction to secure profit given an increase in revenues cannot be expected in the low-interest-rate environment.
Strengthening of organization	● Proactively tackle workstyle innovation ("personnel system innovation," "strengthening of organization and personnel," and "personnel management") to create value for the Bank.
	● Reform the commendation system for branches so that bank staff at branches can take action on their own initiative by aligning their activities with the targets of the medium-term management plan.
	● Strengthen the earning power of the Hyakujushi Bank Group as a whole by offering comprehensive services based on a collaborative effort involving the Bank and the Group companies.
Sophisticated risk management	● Implement integrated management of risk and profit to maintain soundness while maximizing corporate value.
Alliances	● Actively leverage various alliances with other regional financial institutions, local public bodies, external expert institutions, etc.

Strengthening market operations capabilities	
Improve the investment system	● Foster specialists through in-house training and by dispatching trainees.
	● Integrate management systems etc. to achieve sophisticated management of securities and enhance efficiency.
Enhance investment	● Thoroughly implement "distribution" and "turnover" to achieve earnings targets.
	● Construct and manage a sound and optimal portfolio.

3 Challenges

Create local value
– Initiatives for communities –



The Bank has classified its sales territory into three zones consisting of Kagawa Prefecture, the greater Setouchi region, and metropolitan areas, and further clarified the strategy for each area. We will support invigoration of the areas through implementation of respective strategies.

Greater Setouchi region
Secure profitability of individual branches

In the greater Setouchi region covering Shikoku excluding Kagawa Prefecture, and the territory from Hyogo to Fukuoka, we will pursue efficiency and profitability of transactions by strengthening the earnings base through resolution of issues of customers whose main bank is the Bank.

Kagawa Prefecture
Protect and develop local communities

In Kagawa Prefecture, we will emphasize protection and development of communities and seek to resolve issues in the region through initiatives for regional revitalization. We will also implement a strategy emphasizing market share through efforts to become the main bank of customers for every transaction and proactively invest management resources.

Metropolitan areas
Pursue return on assets

In the metropolitan areas, namely, Tokyo, Nagoya, and Osaka as strategic operation base, we will put the highest priority on efficiency of transactions. We will also work on business matching between customers in the metropolitan areas and those in other regions.

Centering on the Regional Vitalization Division established in April 2017, we will provide support that goes beyond the financial sphere through collaboration with branches and the Head Office, the Shikoku Alliance and external expert institutions etc., in addition to support for core businesses of corporate customers and asset accumulation in the region.

1 Support for core businesses of corporate customers and asset accumulation in the region

Co-create value with the region and corporate customers through resolution of issues and by becoming their main bank

← **Strengthening of consulting capabilities**

Invest in human resources for regional revitalization and to strengthen issue-resolution capabilities

← **Prioritized allocation of personnel in Kagawa Prefecture**

Achieve both low-cost operation and customer satisfaction

← **Create dialogue time and salesperson**

2 Initiatives going beyond the financial sphere

Examples
- Establishment of the *Konkatsu* Desk for supporting people seeking marriage partners (October 2016)
- Making proposals for the development of products and services capitalizing on local resources

The Hyakujushi Bank

Branches
+
Head Office

Regional Vitalization Division
Regional Vitalization Promotion Group
- Regional revitalization
- Startup support
- Agricultural promotion
- Tourism promotion
- *Konkatsu* support for people seeking marriage partners

Consulting Group
- Business succession
- Business matching
- Healthcare and long-term care
- M&A

Credit Supervision Division
- Management Support Group

Treasury and International Division
- Overseas Support Desk
- Overseas Representative Offices

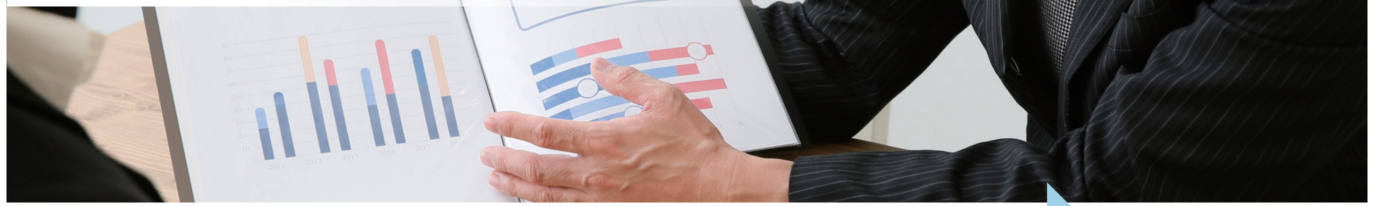
Business Management Division
Retail Banking Division
Retail Business Promotion Division etc.

↔ Tie-up ↔ Various organizations and external expert institutions ↔ Tie-up ↔ Shikoku Alliance

↔ Collaboration ↔

3 Challenges

Enhance business value
– Initiatives for corporate customers –



Based on in-depth evaluation of business potential through active involvement in all the business flows and various stages of corporate customers' business evolution, we will provide powerful support for growth of customers through the appropriate supply of funds and proposal of solutions.

Startup stage → Growth stage → Stable stage → Stagnation stage → Regeneration stage

Provide powerful support for growth of customers

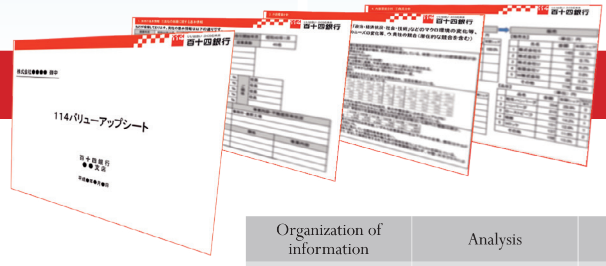
Startup stage
- Financing for supporting startups
- Support for subsidy applications
- Support for business planning

Growth stage / Stable stage
- Provision of new means for procuring funds
- Support for overseas business development
- Support for M&A (buy side)
- Business matching
- Support for subsidy applications
- Financing of funds for growth

Stagnation stage / Regeneration stage
- Support for business rehabilitation
- Support for business improvement
- Support for business succession
- Support for M&A (sell side)

Evaluation of business potential (Hyakujushi Value-up Sheet)

- As an initiative launched in July 2016, the Bank discloses its evaluation of a customer's business potential to the customer and engages in future-oriented dialogues with the customer.
- We are supporting growth of customers through evaluation of their business potential from a wide, in-depth, long-term perspective.



Organization of information	Analysis	Proposal
• Basic information • Products and services • Financial information	• Financial analysis • Analysis of the external environment • Analysis of the internal environment	• Explanation of the evaluation results • Proposal of solutions for issues etc.

Facilitated supply of funds attuned to funding needs

Support for startups	FY 2016 (result)	FY 2019 (plan)
Number of cases for support for startups	253	336
Healthcare and long-term care field	As of March 31, 2017 (result)	As of March 31, 2020 (plan)
Number of borrowers (cumulative)	1,325	1,475
Agricultural field	As of March 31, 2017 (result)	As of March 31, 2020 (plan)
Number of borrowers (cumulative)	206	260

Fees and commissions gained by offering solutions

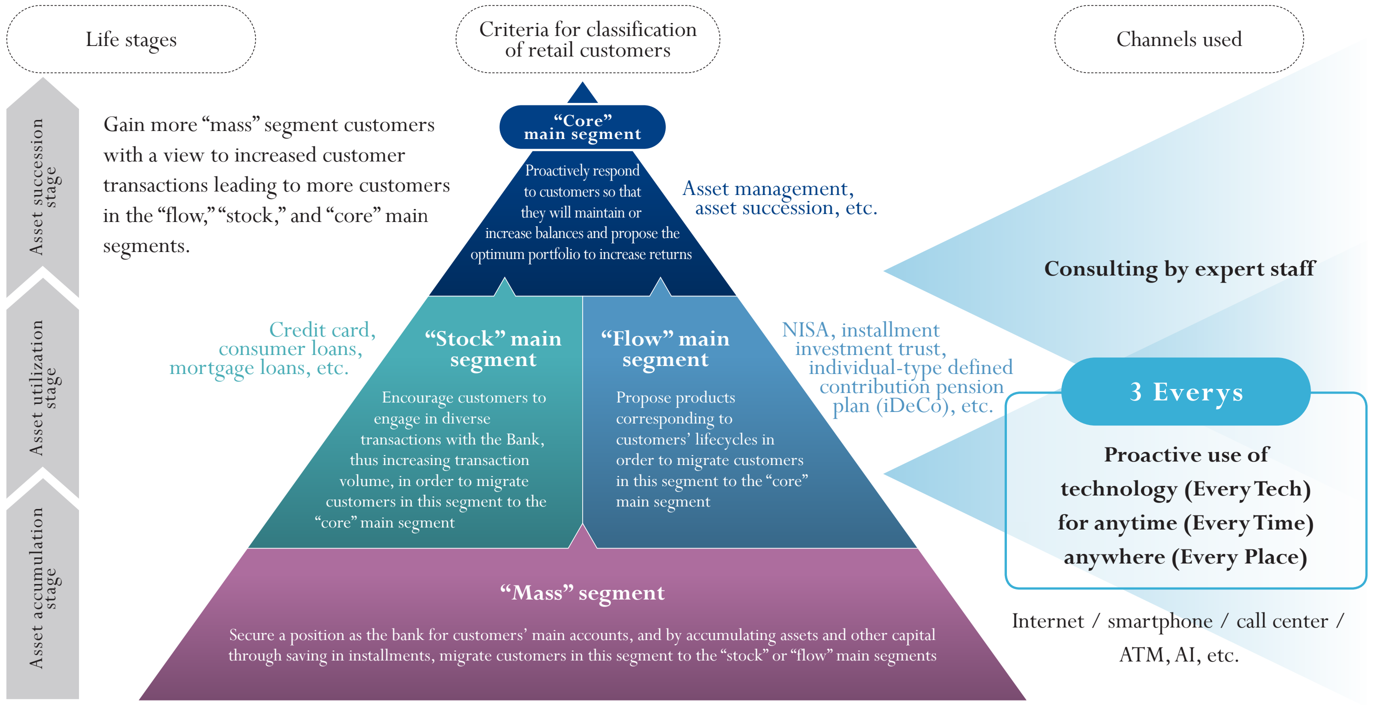
Business matching	FY 2016 (result)	FY 2019 (plan)
Fees received	¥107 million	¥275 million
Number of cases for support of market cultivation	303	700
Business succession / M&A	FY 2016 (result)	FY 2019 (plan)
M&A commissions received	¥63 million	¥275 million
Number of cases of M&A consulting	504	820

3 Challenges

Enhance lifetime value
– Initiatives for retail customers –

Offering channels and products and services according to retail customers' life stages and lifestyles, we will be the one-stop provider of all the financial services customers need throughout their lives.

Transformation into a service provider creating lifetime value for customers

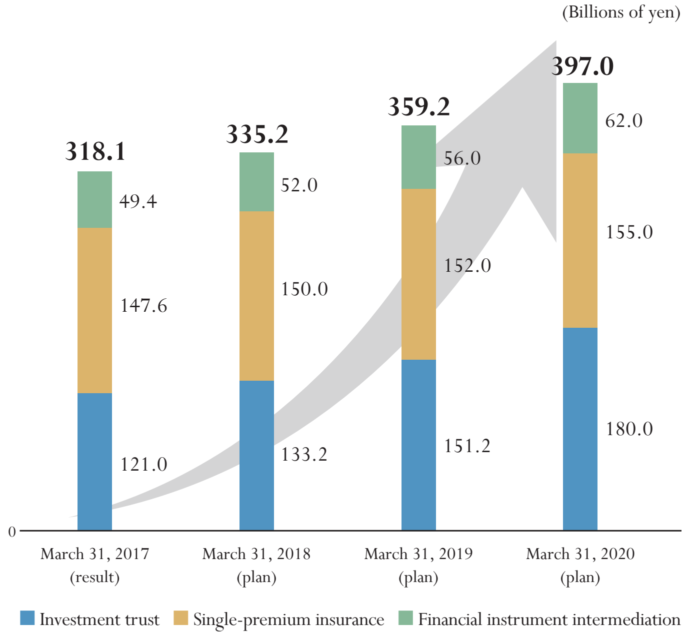


Retail sales innovation

Provide meticulous comprehensive support for customers' asset accumulation by offering customer-centric proposals emphasizing long-term, installment, and distributed investment

Basic policy for operations that support customers' asset management and accumulation

- Provide honest, impartial support for asset management and accumulation
- Deploy customer-centric sales systems
- Enhance quality of services
- Thoroughly implement a customer-centric approach and foster experts

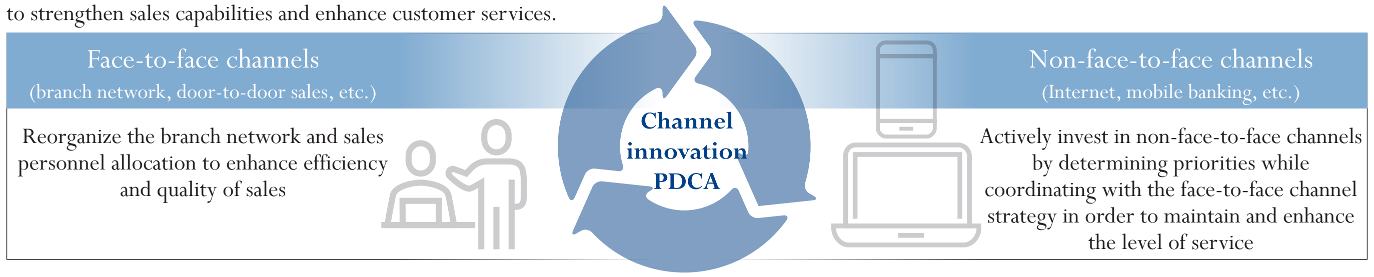


5 Pluses

Strengthen the business foundation

Channel innovation

We will pursue channel innovation by comprehensively promoting reorganization of face-to-face channels and enhancement of non-face-to-face channels to strengthen sales capabilities and enhance customer services.



Strengthen sales capabilities and enhance customer services

Productivity improvement

Free up human resources for sales through innovation in various administrative processes to enhance customer services

Innovation in administrative processes of branches

Administrative staff at branches
Reduction of 120 staff

1) Transform the branch format
2) Minimize back-office operations by using support offices
3) Concentrate customer-contact-type administrative processes at the center
4) Enhance efficiency of loan administrative processes
5) Enhance efficiency of administrative processes for assets under custody

Strengthening of organization

I. Workstyle innovation	● Advancement of female staff ● Curtailment of long working hours
II. Innovation in the commendation system for branches	● Longer evaluation period ● Introduction of benchmarking and process evaluation
III. Strengthening of Group capabilities	● Offer comprehensive services ● Strengthen the earning power of the Hyakujushi Bank Group as a whole

Sophisticated risk management

- Cultivate a proactive risk culture to secure stable profit based on appropriate risk management
- Improve the portfolio to maintain soundness while maximizing corporate value

Alliances

We will actively leverage alliances with other regional financial institutions, local public bodies, external expert institutions, etc.

Regarding Shikoku Alliance, a comprehensive tie-up agreement concluded in November 2016 by the four first-tier regional banks in Shikoku, the four partner banks will combine their strengths and expertise to achieve sustainable growth and development of the respective regions, customers, and the banks themselves while maintaining sound competitive relationships.

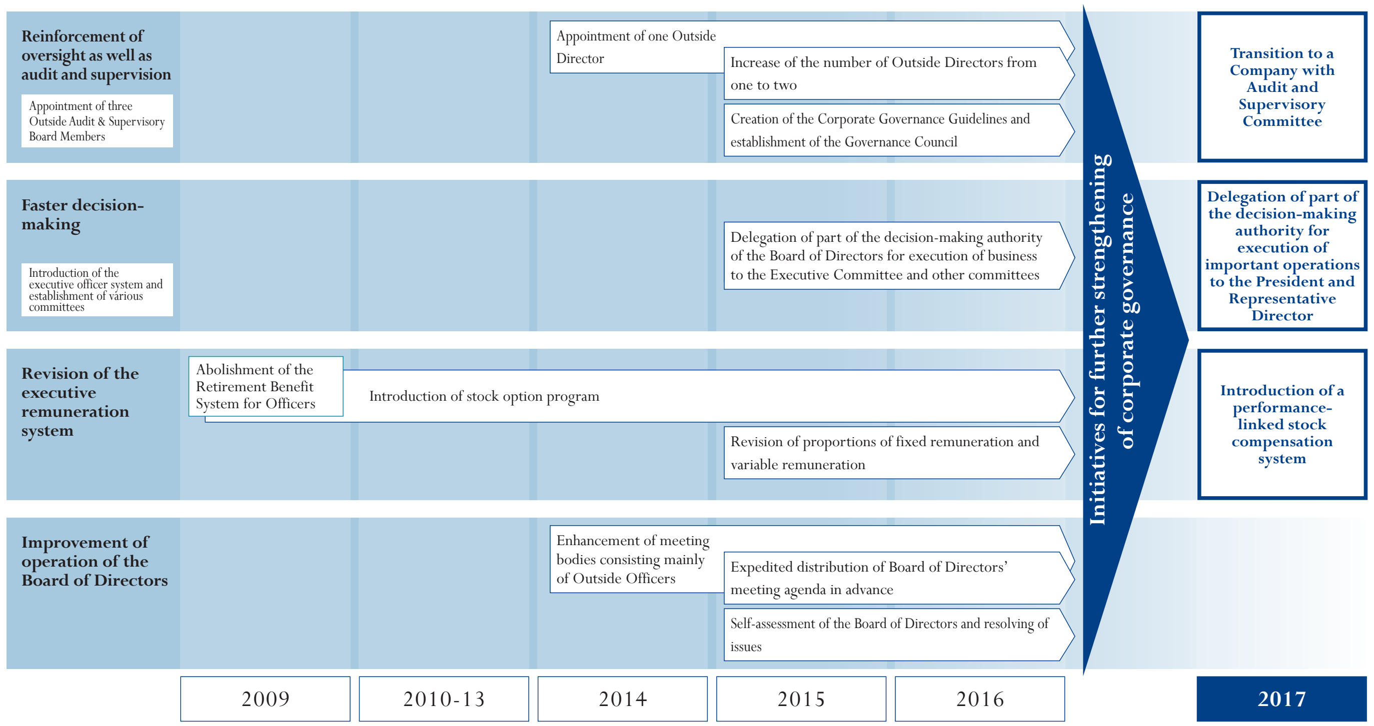
<Shikoku Alliance>

Corporate Governance

Basic Approach to Corporate Governance

With the aim of realizing its Corporate Vision, the Bank has established a corporate governance framework centered on the Board of Directors, in order to ensure effective operation of 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 result of the transition to a Company with Audit and Supervisory Committee which is comprised of a majority of Outside Directors, Directors serving as Audit and Supervisory Committee Members have voting rights at the Board of Directors meetings, thereby enhancing audit and supervision of the Board of Directors and persons who execute business.

The Bank's initiatives to strengthen corporate governance



Board of Directors and Audit and Supervisory Committee Members (as of July 1, 2017)

Tomoki Watanabe
Chairman
(Representative Director)

Yujiro Ayada
President
(Representative Director)

Ryohei Kagawa
Director and Senior Managing Executive Officer
(Representative Director)

Teruo Kiuchi
Director and Senior Managing Executive Officer

Ryuji Nishikawa
Director and Managing Executive Officer

Kazushi Kozuchi
Director and Managing Executive Officer

Takashi Mori
Director and Managing Executive Officer

Kiichiro Oyama
Director and Managing Executive Officer

Masakazu Toyoshima
Director and Managing Executive Officer

Yukio Hirao
Director
(Audit and Supervisory Committee Member)

Masanobu Satomi
Director
(Audit and Supervisory Committee Member)

Hideki Kuwashiro
Director
(Audit and Supervisory Committee Member) (outside)

Michiyo Ihara
Director
(Audit and Supervisory Committee Member) (outside)

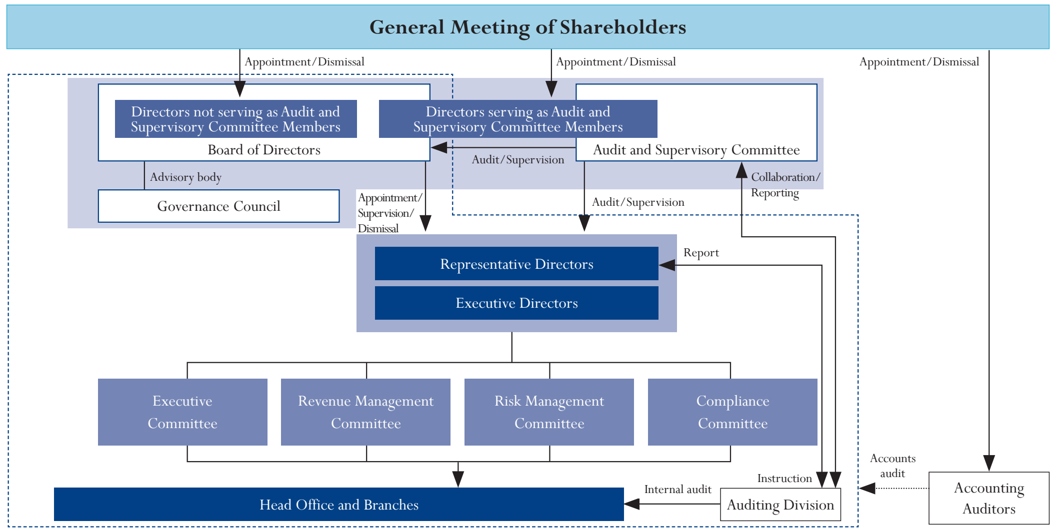
Kazuo Kobayashi
Director
(Audit and Supervisory Committee Member) (outside)

Junichi Itoh
Director
(Audit and Supervisory Committee Member) (outside)

Corporate Governance Framework (as of July 1, 2017)

System

Institutional Design
Company with Audit and Supervisory Committee
Number of Directors
15 (including 6 Audit and Supervisory Committee Members)
Number of Independent Directors
4
Term of Office of Directors
1 year (2 years for Audit and Supervisory Committee Members)
Adoption of an Executive Officer System
Yes
Accounting Auditors
Ernst & Young ShinNihon LLC



Overview

Board of Directors	The Board of Directors consists of 15 directors (including 4 outside directors), in principle, meets once a month, and also meet as necessary. In addition to matters stipulated by laws and regulations or the articles of incorporation, the Board passes resolutions on important matters concerning management and oversees the execution of duties by directors and executive officers.
Audit and Supervisory Committee	The Audit and Supervisory Committee consists of 6 Directors (including 4 outside directors) serving as Audit and Supervisory Committee Members. In principle, the committee meets once a month, and occasionally as necessary to audit and supervise the execution of duties by directors.
Executive Committee	The Executive Committee consists of persons whose positions are Managing Executive Officer or higher, and holds periodic or occasional meetings as a decision-making body for important matters related to business execution. In addition, the Bank has established a "Revenue Management Committee", "Compliance Committee" and "Risk Management Committee", and set up a system to make consultation and decisions on more specialized matters.
Governance Council (Voluntary committee)	The Governance Council is chaired by the Chairman of the Board of Directors. It is comprised of Outside Directors, the Chairman of the Board of Directors, and the Chairman of the Audit and Supervisory Committee. The Governance Council meets once every six-month term as a general rule, discusses matters relating to nomination of Directors, remuneration and other compensation for Directors other than Audit and Supervisory Committee Members, matters concerning evaluation of the Board of Directors, as well as other important management matters, and provides advice to the Board of Directors as needed.
Executive Officer System	In order to speed up management decision-making and strengthen business execution functions, the Bank has introduced an Executive Officer System, and 25 executive officers (of whom seven serve concurrently as Directors) appointed by the Board of Directors, are executing their business with flexible decision-making and speedy corporate management.
Auditing Division	From the perspective of maintaining and improving the soundness and appropriateness of operations, the Auditing Division, which is an independent organization, also fulfills an internal audit role and conducts inspections of assets and risks and internal audits of the Head Office and branches as well as subsidiaries etc. to determine whether their operations are conducted appropriately in accordance with laws and regulations and administrative procedures. The results of audits are reported to The Board of Directors.
Accounting Auditors	The Bank's Accounting Auditors are Ernst & Young ShinNihon. As Accounting Auditors, they conduct appropriate audits from an independent standpoint.

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.

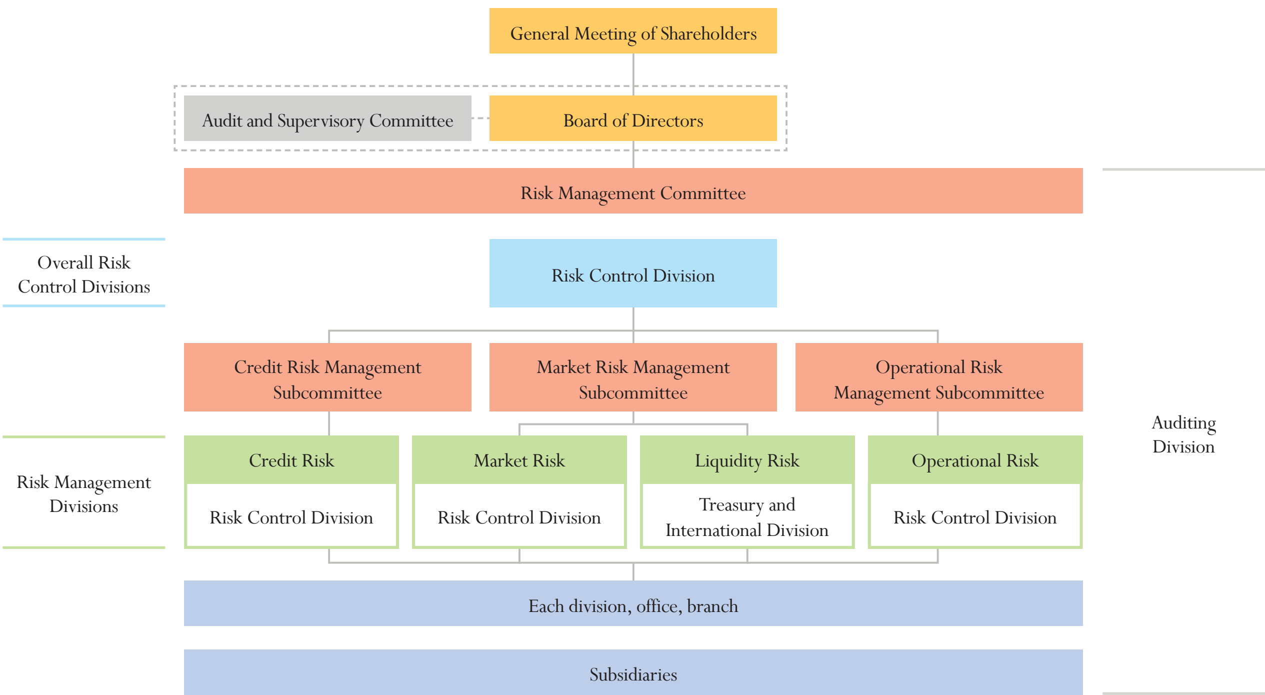
Moreover, our basic policies on overall and specific risk management are determined by the Board of Directors for each financial year, and through implementation of measures for each category of risk in accordance with these policies, we strive to achieve sophisticated risk management on an ongoing basis.

Risk Management Framework

We have defined the types of risks to manage 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 Control 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 Control Division
Market Risk	Risk of suffering loss due to volatility of financial assets and liabilities resulting from financial market fluctuation	Risk Control 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 Control Division
Process Risk	Risk of suffering loss due to or by executives' or employees' failure to perform duties, or to improper outside intervention	Operations Supervision Division
System Risk	Risk of suffering loss due to partial or complete system breakdown, malfunction, system deficiency, or improper use of the computer system	
Legal Risk	Risk of losses due to the violation of laws and ordinances and contracts and signing of inappropriate contractual commitments	Compliance and Legal Affairs Office
Human Resources Risk	Risk of losses caused by labor malpractice, workplace safety and environmental hygiene deficiencies and risk of employer liability in the event of illegal behavior by Bank employees	Personnel Division
Tangible Asset Risk	Risk of suffering loss due to damage to assets resulting from disaster or defective asset management	General Administration Division

Practice of comprehensive risk management

We have introduced a framework for risk-adjusted capital allocation in which the credit and market risks inherent in banking operations are quantified; capital corresponding to risk amount (risk-adjusted capital) is allocated for each risk category, and risks are controlled within risk-adjusted capital, to earn revenues that correspond to the risks while keeping overall risks within our management capacity. Under this framework, based on the amount of equity capital (core capital) less the operational risk equivalent amount, risk-adjusted capital to cover credit and market risk is allocated each half-year and the changes in risk trends and the risk-return balance are 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 the risk management system, it is necessary to conduct regular inspections of the effectiveness of system functioning. At the Bank, the Auditing Division carries out periodic inspections of operations of the Bank's Head Office departments, subsidiaries and individual branches to verify appropriateness of the risk management system. 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.

Compliance System

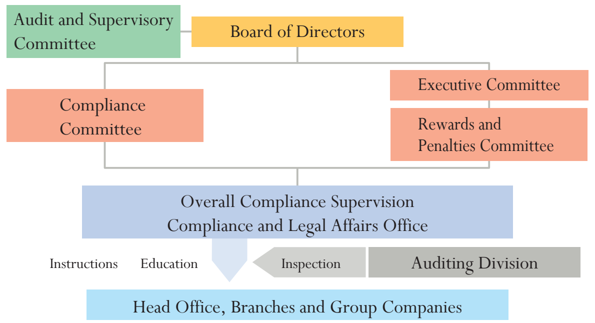
Basic Policy

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 shareholders, 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 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, 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 seminars are held to keep staff up-to-date and fully informed regarding compliance-related matters.

Compliance System



Anti-Money Laundering Policy

The operating methods of money laundering and criminal circumstances are constantly changing and in recent years have become elaborately complex. Because of strong calls for international cooperation to prevent money laundering, the Bank has instituted a money laundering prevention policy that has been made public on its website as an expression of its resolve to prevent money laundering so that the Bank is never used as a channel for criminal funds.

The Hyakujushi Bank, Ltd. (hereinafter, "the Bank") strongly recognizes the importance of measures to prevent money laundering and terrorism financing (hereinafter, "money laundering"). In response to stern demands from the international community, the Bank will build an internal control system as described below for the Anti- Money Laundering, and conduct the Bank's business on that basis.

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

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

Operational policy

- The Bank will clarify its role internally concerning the Anti- Money Laundering and will create a system capable of taking appropriate measures in a timely manner.

Customer due diligence

- With respect to customer due diligence, the Bank will establish an internal system capable of taking appropriate measures in a timely manner.
- With respect to customer due diligence, the Bank will instruct and train officers and employees and disseminate information on Anti- Money Laundering.

Confirmation of measures to freeze assets

- With respect to the confirmation of measures to freeze the assets of terrorists, the Bank will establish an internal system capable of taking appropriate measures in a timely manner.
- With respect to the confirmation of measures to freeze the assets of terrorists, the Bank will instruct and train officers and employees and disseminate information on Anti- Money Laundering.

Notification of suspicious transactions

- With respect to suspicious transactions, the Bank will establish an internal system capable of taking appropriate measures in a timely manner.
- The Bank will, under law, promptly notify authorities of suspicious transactions.
- The Bank will promptly take appropriate measures concerning suspicious transactions.
- With respect to suspicious transactions, the Bank will instruct and train officers and employees and disseminate information on Anti- Money Laundering.

Verification of compliance

- The Bank will review compliance concerning the Anti- Money Laundering and work to continuously improve its system based on the results of the review.

Consolidated Balance Sheets

As of March 31	Millions of yen 2017	Millions of yen 2016	Thousands of U.S. dollars (Note 1) 2017
Assets:			
Cash and due from banks	¥ 551,313	¥ 405,424	$ 4,914,101
Call loans and bills bought	6,731	1,690	59,996
Monetary claims bought	22,748	30,445	202,763
Trading account securities	41	11	365
Money held in trust	4,795	4,895	42,739
Securities (Notes 7, 11 and 12)	1,444,793	1,415,115	12,878,090
Loans and bills discounted (Notes 10 and 13)	2,776,554	2,747,341	24,748,676
Foreign exchange assets (Note 10)	3,684	8,649	32,837
Lease receivables and lease investment assets	17,041	16,998	151,894
Other assets (Notes 12)	39,694	34,158	353,810
Tangible fixed assets (Notes 15 and 18)	41,404	42,810	369,052
Intangible fixed assets	4,990	4,021	44,478
Net defined benefit asset	7,105	3,041	63,330
Deferred tax assets	927	1,206	8,262
Customers' liabilities for acceptances and guarantees	21,203	21,794	188,991
Reserve for possible loan losses	(16,490)	(17,942)	(146,982)
Total assets	¥4,926,538	¥4,719,661	$43,912,452

As of March 31	Millions of yen 2017	Millions of yen 2016	Thousands of U.S. dollars (Note 1) 2017
Liabilities and net assets			
Liabilities:			
Deposits (Notes 12)	¥4,013,132	¥3,935,432	$35,770,853
Negotiable certificates of deposit	147,229	178,123	1,312,318
Call money and bills sold	51,682	26,254	460,664
Payables under securities lending transactions (Notes 12)	118,779	88,867	1,058,730
Borrowed money (Notes 12 and 16)	206,111	83,727	1,837,160
Foreign exchange liabilities	145	206	1,292
Corporate bond (Notes 17)	—	10,000	—
Other liabilities	53,776	75,409	479,329
Reserve for bonuses for directors and corporate auditors	33	40	294
Net defined benefit liability	171	1,159	1,524
Reserve for retirement benefits for directors and corporate auditors	46	48	410
Reserve for claims on dormant accounts	416	504	3,707
Reserve for contingent liabilities	116	108	1,033
Deferred tax liabilities	14,903	10,116	132,837
Deferred tax liability for land revaluation (Note 18)	5,660	5,836	50,450
Acceptance and guarantees	21,203	21,794	188,991
Total liabilities	4,633,409	4,437,631	41,299,661
Net assets :			
Stockholders' equity:			
Common stock	37,322	37,322	332,667
Capital surplus	26,332	24,920	234,708
Retained earnings	160,985	153,335	1,434,931
Treasury stock	(6,220)	(6,179)	(55,441)
Total stockholders' equity	218,420	209,398	1,946,875
Accumulated other comprehensive income:			
Net unrealized gains on securities, net of taxes	49,012	54,256	436,866
Net deferred losses on hedging instruments, net of taxes	(1,231)	(7,806)	(10,972)
Revaluation reserve for land (Note 18)	8,557	8,961	76,272
Remeasurements of defined benefit plans	2,139	(1,171)	19,065
Total accumulated other comprehensive income	58,478	54,239	521,240
Share subscription rights	142	201	1,265
Non-controlling interests	16,087	18,190	143,390
Total net assets	293,129	282,030	2,612,790
Total liabilities and net assets	¥4,926,538	¥4,719,661	$43,912,452

As of March 31	Yen 2017	Yen 2016	U.S. dollars (Note 1) 2017
Per share			
Net assets	¥937.15	¥891.90	$8.353

See accompanying notes to consolidated financial statements.

Consolidated Statements of Income

For the years ended March 31	Millions of yen 2017	Millions of yen 2016	Thousands of U.S. dollars (Note 1) 2017
Income:			
Interest on loans and bills discounted	**¥31,978**	¥33,239	**$285,034**
Interest and dividends on securities	**15,848**	16,846	**141,260**
Other interest income	**497**	693	**4,429**
Fees and commissions	**11,184**	10,720	**99,688**
Other operating income	**18,636**	9,268	**166,111**
Other income	**12,406**	10,647	**110,580**
Total income	**90,552**	81,416	**807,130**
Expenses:			
Interest on deposits and negotiable certificates of deposit	**2,105**	2,359	**18,762**
Interest on call money and bills sold	**569**	219	**5,071**
Interest on borrowed money	**145**	249	**1,292**
Other interest expenses	**2,523**	1,882	**22,488**
Fees and commissions	**3,220**	2,935	**28,701**
Other operating expenses	**14,041**	6,000	**125,153**
General and administrative expenses (Note 20)	**39,744**	38,922	**354,256**
Other expenses (Note 21)	**9,304**	9,355	**82,930**
Total expenses	**71,655**	61,927	**638,693**
Profit before income taxes	**18,897**	19,489	**168,437**
Income taxes :			
Current	**5,145**	3,878	**45,859**
Deferred	**3,050**	2,879	**27,186**
Subtotal	**8,196**	6,757	**73,054**
Profit	**10,700**	12,732	**95,373**
Profit attributable to non-controlling interests	**1,054**	1,099	**9,394**
Profit attributable to owners of parent	**¥ 9,645**	¥11,632	**$ 85,970**

For the years ended March 31	Yen 2017	Yen 2016	U.S. dollars (Note 1) 2017
Per share			
Basic earnings	**¥32.61**	¥39.05	**$0.290**

See accompanying notes to consolidated financial statements.

Consolidated Statements of Comprehensive Income

For the years ended March 31	Millions of yen 2017	Millions of yen 2016	Thousands of U.S. dollars (Note 1) 2017
Profit	**¥10,700**	¥ 12,732	**$ 95,373**
Other comprehensive income (loss) (Note 22)	**4,685**	(22,099)	**41,759**
Net unrealized losses on other securities, net of taxes	**(5,201)**	(14,807)	**(46,358)**
Net deferred gains (losses) on hedging instruments, net of taxes	**6,575**	(4,796)	**58,605**
Revaluation reserve for land	**—**	307	**—**
Remeasurements of defined benefit plans	**3,311**	(2,803)	**29,512**
Total comprehensive income (loss)	**15,385**	(9,367)	**137,133**
Total comprehensive income (loss) attributable to:			
Owners of parent	**¥14,289**	¥(10,356)	**$127,364**
Non-controlling interests	**1,096**	988	**9,769**

See accompanying notes to consolidated financial statements.

Consolidated Statements of Changes in Net Assets

	Millions of yen				
	Stockholders' equity				
For the years ended March 31	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
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
Changes in items during the period					
Dividends from surplus	**—**	**—**	**(2,367)**	**—**	**(2,367)**
Profit attributable to owners of parent	**—**	**—**	**9,645**	**—**	**9,645**
Purchase of treasury stock	**—**	**—**	**—**	**(387)**	**(387)**
Disposal of treasury stock	**—**	**—**	**(32)**	**346**	**314**
Change in ownership interest of parent due to transactions with non-controlling interests	**—**	**1,412**	**—**	**—**	**1,412**
Transfer from revaluation reserve for land	**—**	**—**	**404**	**—**	**404**
Net changes in items other than stockholders' equity	**—**	**—**	**—**	**—**	**—**
Total changes in items during the period	**—**	**1,412**	**7,650**	**(40)**	**9,021**
Balance as of March 31, 2017	**¥37,322**	**¥26,332**	**¥160,985**	**¥(6,220)**	**¥218,420**

	Millions of yen							
	Accumulated other comprehensive income							
For the years ended March 31	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, 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
Changes in items during the period								
Dividends from surplus	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**(2,367)**
Profit attributable to owners of parent	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**9,645**
Purchase of treasury stock	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**(387)**
Disposal of treasury stock	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**314**
Change in ownership interest of parent due to transactions with non-controlling interests	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**1,412**
Transfer from revaluation reserve for land	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**404**
Net changes in items other than stockholders' equity	**(5,243)**	**6,575**	**(404)**	**3,311**	**4,239**	**(58)**	**(2,103)**	**2,077**
Total changes in items during the period	**(5,243)**	**6,575**	**(404)**	**3,311**	**4,239**	**(58)**	**(2,103)**	**11,098**
Balance as of March 31, 2017	**¥ 49,012**	**¥(1,231)**	**¥8,557**	**¥ 2,139**	**¥ 58,478**	**¥142**	**¥16,087**	**¥293,129**

Consolidated Statements of Changes in Net Assets

	Thousands of U.S. dollars (Note 1)				
	Stockholders' equity				
For the years ended March 31	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance as of March 31, 2016	$332,667	$222,123	$1,366,743	$(55,076)	$1,866,458
Changes in items during the period					
Dividends from surplus	—	—	**(21,098)**	—	**(21,098)**
Profit attributable to owners of parent	—	—	**85,970**	—	**85,970**
Purchase of treasury stock	—	—	—	**(3,449)**	**(3,449)**
Disposal of treasury stock	—	—	**(285)**	**3,084**	**2,798**
Change in ownership interest of parent due to transactions with non-controlling interests	—	**12,585**	—	—	**12,585**
Transfer from revaluation reserve for land	—	—	**3,601**	—	**3,601**
Net changes in items other than Stockholders' equity	—	—	—	—	—
Total changes in items during the period	—	**12,585**	**68,187**	**(356)**	**80,408**
Balance as of March 31, 2017	**$332,667**	**$234,708**	**$1,434,931**	**$(55,441)**	**$1,946,875**

	Thousands of U.S. dollars (Note 1)							
	Accumulated other comprehensive income							
For the years ended March 31	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, 2016	$483,608	$(69,578)	$79,873	$(10,437)	$483,456	$1,791	$162,135	$2,513,860
Changes in items during the period								
Dividends from surplus	—	—	—	—	—	—	—	**(21,098)**
Profit attributable to owners of parent	—	—	—	—	—	—	—	**85,970**
Purchase of treasury stock	—	—	—	—	—	—	—	**(3,449)**
Disposal of treasury stock	—	—	—	—	—	—	—	**2,798**
Change in ownership interest of parent due to transactions with non-controlling interests	—	—	—	—	—	—	—	**12,585**
Transfer from revaluation reserve for land	—	—	—	—	—	—	—	**3,601**
Net changes in items other than Stockholders' equity	**(46,733)**	**58,605**	**(3,601)**	**29,512**	**37,784**	**(516)**	**(18,744)**	**18,513**
Total changes in items during the period	**(46,733)**	**58,605**	**(3,601)**	**29,512**	**37,784**	**(516)**	**(18,744)**	**98,921**
Balance as of March 31, 2017	**$436,866**	**$(10,972)**	**$76,272**	**$ 19,065**	**$521,240**	**$1,265**	**$143,390**	**$2,612,790**

See accompanying notes to consolidated financial statements.

Consolidated Statements of Cash Flows

	Millions of yen		Thousands of U.S. dollars (Note 1)
For the years ended March 31	**2017**	2016	**2017**
Cash flows from operating activities			
Profit before income taxes	**¥ 18,897**	¥ 19,489	**$ 168,437**
Depreciation	**2,678**	3,320	**23,870**
Impairment losses	**248**	111	**2,210**
Net change in reserve for possible loan losses	**(1,451)**	(445)	**(12,933)**
Net change in reserve for bonuses for directors and corporate auditors	**(7)**	17	**(62)**
Net change in net defined benefit asset	**(305)**	(1,434)	**(2,718)**
Net change in net defined benefit liability	**10**	5	**89**
Net change in reserve for retirement benefits for directors and corporate auditors	**(2)**	(2)	**(17)**
Net change in reserve for claims on dormant accounts	**(88)**	(35)	**(784)**
Net change in reserve for contingent liabilities	**8**	0	**71**
Net change in reserve for litigation loss	—	(1,173)	—
Interest income	**(48,324)**	(50,780)	**(430,733)**
Interest expenses	**5,345**	4,712	**47,642**
Net gain related to securities transactions	**(5,249)**	(3,624)	**(46,786)**
Net loss on money held in trust	**100**	6	**891**
Net loss related to foreign exchange	**2,394**	3,092	**21,338**
Net loss on disposal of fixed assets	**226**	20	**2,014**
Net change in trading account securities	**(29)**	(9)	**(258)**
Net change in loans and bills discounted	**(29,213)**	(50,896)	**(260,388)**
Net change in deposits	**77,700**	133,994	**692,575**
Net change in negotiable certificates of deposit	**(30,893)**	8,197	**(275,363)**
Net change in borrowed money excluding subordinated borrowings	**123,384**	(41,907)	**1,099,777**
Net change in due from banks other than Bank of Japan	**(11,221)**	30,125	**(100,017)**
Net change in call loans and others	**2,655**	2,529	**23,665**
Net change in call money and others	**25,428**	(21,813)	**226,651**
Net change in payables under securities lending transactions	**29,911**	48,347	**266,610**
Net change in foreign exchange assets	**4,965**	4,858	**44,255**
Net change in foreign exchange liabilities	**(60)**	(147)	**(534)**
Net change in lease assets and lease investment assets	**(43)**	(132)	**(383)**
Proceeds from fund operations	**48,616**	50,873	**433,336**
Payments on fund procurement	**(5,469)**	(4,808)	**(48,747)**
Other	**(9,155)**	(7,300)	**(81,602)**
Subtotal	**201,056**	125,191	**1,792,102**
Payment of income taxes	**(3,517)**	(4,073)	**(31,348)**
Net cash provided by operating activities	**197,539**	121,118	**1,760,754**
Cash flows from investing activities			
Purchase of securities	**(1,130,677)**	(746,554)	**(10,078,233)**
Proceeds from sales of securities	**853,192**	520,540	**7,604,884**
Proceeds from redemption of securities	**232,780**	244,415	**2,074,872**
Purchases of tangible fixed assets	**(1,335)**	(1,313)	**(11,899)**
Purchases of intangible fixed assets	**(1,997)**	(973)	**(17,800)**
Proceeds from sales of tangible fixed assets	**505**	157	**4,501**
Proceeds from sales of intangible fixed assets	**1**	2	**8**
Net cash provided by (used in) investing activities	**(47,530)**	16,274	**(423,656)**
Cash flows from financing activities			
Repayment of subordinated borrowings	**(1,000)**	(3,000)	**(8,913)**
Redemption of subordinated bonds	**(10,000)**	—	**(89,134)**
Purchase of treasury stock	**(430)**	(1,687)	**(3,832)**
Proceeds from sales of treasury stock	**203**	225	**1,809**
Dividends paid	**(2,367)**	(2,239)	**(21,098)**
Dividends paid to non-controlling interests	**(382)**	(382)	**(3,404)**
Payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	**(1,362)**	—	**(12,140)**
Net cash used in financing activities	**(15,339)**	(7,084)	**(136,723)**
Effect of exchange rate changes on cash and cash equivalents	**(1)**	(5)	**(8)**
Net change in cash and cash equivalents	**134,668**	130,303	**1,200,356**
Cash and cash equivalents at beginning of year	**371,134**	240,831	**3,308,084**
Cash and cash equivalents at end of year (Note 3)	**¥ 505,802**	¥ 371,134	**$ 4,508,441**

See accompanying notes to consolidated financial statements.

Notes to Consolidated Financial Statements

1. Basis of presenting consolidated financial statements

The accompanying consolidated financial statements of The Hyakujushi Bank, Ltd. (the "Bank") and its consolidated subsidiaries (collectively,the "Group") 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, 2017, which was ¥112.19 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. There are no non-consolidated subsidiaries or affiliates accounted for by the equity method as of March 31, 2017.

3rd Hyakujushi Venture Fund Cooperation Limited completed liquidation proceedings in February 2017.

(2) Trading account securities

Under the Accounting Standard for Financial Instruments, trading account securities are stated at fair 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 by 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 (However, the straight-line method is used for facilities attached to buildings and structures acquired on or after April 1, 2016). 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 by the straight-line method. 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 Bank 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 ¥12,685 million ($113,067 thousand) and ¥14,524 million for the years ended March 31, 2017 and 2016, 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 and corporate auditors of consolidated subsidiaries, a provision is made for the payments of retirement benefits to directors and corporate auditors based on the estimated amount incurred 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) 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, 2017. 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 from the fiscal year following their occurrence by the straight-line method over a fixed period of 10 years, which is within the average remaining service period of the employees at the time of occurrence in each fiscal year.

In calculating net defined benefit liability 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.

(12) Foreign currency translation

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

(13) 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.

(14) 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.

(15) Statements of cash flows

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

	Millions of yen		Thousands of U.S. dollars
March 31	**2017**	2016	**2017**
Cash and due from banks	**¥551,313**	¥405,424	**$4,914,101**
Time deposits with banks other than Bank of Japan	**(44,542)**	(32,810)	**(397,022)**
Deposits with banks other than Bank of Japan	**(284)**	(359)	**(2,531)**
Other	**(683)**	(1,119)	**(6,087)**
Cash and cash equivalents	**¥505,802**	¥371,134	**$4,508,441**

(16) 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 Practical Solution on a change in depreciation method due to Tax Reform 2016)

From the fiscal year ended March 31, 2017, in accordance with the revision to the Corporate Tax Act of Japan, the Bank applied the "Practical Solution on a change in depreciation method due to Tax Reform 2016" (Accounting Standards Board of Japan (ASBJ) Practical Issues Task Force (PITF) No. 32 issued on June 17, 2016) and the depreciation method for facilities attached to buildings and structures acquired on or after April 1, 2016 has been changed from the declining-balance method to the straight-line method.

The effect of this change on profit before income taxes for the year ended March 31, 2017 was immaterial.

5. Additional information

(Application of Revised Implementation Guidance on Recoverability of Deferred Tax Assets)

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

(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. In addition, the trust period reached maturity on March 20, 2017 and liquidation procedures are underway.

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 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 ¥23 million ($205 thousand) and ¥240 million as of March 31, 2017 and 2016, respectively.
(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 65 thousand and 657 thousand as of March 31, 2017 and 2016, respectively. The average number of shares during the year was 348 thousand and 942 thousand for the years ended March 31, 2017 and 2016, respectively.
(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 nil and ¥233 million as March 31, 2017 and 2016, respectively.

6. Changes in net assets

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

	Thousands of shares			
2017	March 31, 2016	**Increase**	**Decrease**	**March 31, 2017**
Shares issued				
Common stock	310,076	—	—	**310,076**
Total	310,076	—	—	**310,076**
Treasury stock				
Common stock(Notes 1, 2 and 3)	14,487	**1,015**	**894**	**14,608**
Total	14,487	**1,015**	**894**	**14,608**

Notes: 1. The number of shares of common stock at the beginning and end of the fiscal year ended March 31, 2017 includes 657 thousand shares and 65 thousand shares of the Bank's shares held by the Employee Stock Ownership Plan (ESOP) Trust.
2. The 1,015 thousand share increase in the number of common shares of treasury stock consists of a 1,000 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 894 thousand share decrease in the number of common shares of treasury stock consists of a 592 thousand share decrease due to the sale of shares from the ESOP Trust to the employee shareholding association, a 302 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.

	Thousands of shares			
2016	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.

(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, 2017 and 2016 stood at ¥142 million ($1,265 thousand) and ¥201 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

2017

Resolution	Type of share	Total dividend amount (Millions of yen)	Dividend per share (Yen)	Record date	Effective date
June 29, 2016 (Regular Annual General Meeting of Shareholders)	**Common stock**	**¥1,182**	**¥4.0**	**March 31, 2016**	**June 30, 2016**
November 11, 2016 (Meeting of the Board of Directors)	**Common stock**	**1,184**	**4.0**	**September 30, 2016**	**December 9, 2016**

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

2017

Resolution	Type of share	Total dividend amount (Thousands of U.S. dollars)	Dividend per share (U.S. dollars)	Record date	Effective date
June 29, 2016 (Regular Annual General Meeting of Shareholders)	**Common stock**	**$10,535**	**$0.035**	**March 31, 2016**	**June 30, 2016**
November 11, 2016 (Meeting of the Board of Directors)	**Common stock**	**10,553**	**0.035**	**September 30, 2016**	**December 9, 2016**

Note: In accordance with a resolution approved at the Bank's Regular Annual General Meeting of Shareholders held on June 29, 2016 and June 26, 2015, the total amount of dividends paid excludes the ¥2 million ($17 thousand) and ¥4 million dividend payment to the Employee Stock Ownership Plan (ESOP) Trust. Moreover, the total amount of dividends paid excludes the ¥1 million ($8 thousand) and ¥3 million dividend payment to the ESOP Trust pursuant to the resolutions approved by the Board of Directors at meetings held on November 11, 2016 and November 9, 2015, 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

2017

Resolution	Type of share	Total dividend amount (Millions of yen)	Source of dividends	Dividend per share (Yen)	Record date	Effective date
June 29, 2017 (Regular Annual General Meeting of Shareholders)	**Common stock**	**¥1,181**	**Retained earnings**	**¥4.0**	**March 31, 2017**	**June 30, 2017**

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

2017

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, 2017 (Regular Annual General Meeting of Shareholders)	**Common stock**	**$10,526**	**Retained earnings**	**$0.035**	**March 31, 2017**	**June 30, 2017**

Note: The total dividend amount excludes the ¥0 million ($0 thousand) and ¥2 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

There were no investments in non-consolidated subsidiaries as of March 31, 2017. The total amount of investments in non-consolidated subsidiaries as of March 31, 2016 was ¥61 million.

(2) Trading account securities

A valuation gain of ¥0 million ($0 thousand) was recognized for the year ended March 31, 2017. There was no valuation gain or loss recognized for the year ended March 31, 2016.

(3) Held-to-maturity debt securities

Not applicable.

(4) Other securities

(a) Consolidated balance sheet amount and acquisition cost of other securities and their difference as of March 31, 2017 and 2016 were as follows:

	Millions of yen		
2017	Consolidated balance sheet amount	Acquisition cost	Difference
Consolidated balance sheet amount exceeding acquisition cost			
Equity stock	¥ 136,871	¥ 62,448	¥ 74,422
Bonds:			
National	345,273	338,529	6,744
Local	105,573	103,559	2,013
Corporate	218,731	217,275	1,455
	669,578	659,364	10,214
Other	166,268	162,853	3,414
Subtotal	972,717	884,665	88,051
Consolidated balance sheet amount not exceeding acquisition cost			
Equity stock	12,005	16,065	(4,059)
Bonds:			
National	60,769	62,199	(1,430)
Local	52,143	52,596	(453)
Corporate	57,250	57,722	(471)
	170,163	172,518	(2,354)
Other	286,811	297,987	(11,175)
Subtotal	468,980	486,571	(17,590)
Total	¥1,441,698	¥1,371,237	¥ 70,461

	Millions of yen		
2016	Consolidated balance sheet amount	Acquisition cost	Difference
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

	Thousands of U.S. dollars		
2017	Consolidated balance sheet amount	Acquisition cost	Difference
Consolidated balance sheet amount exceeding acquisition cost			
Equity stock	**$ 1,219,992**	**$ 556,627**	**$663,356**
Bonds:			
National	**3,077,573**	**3,017,461**	**60,112**
Local	**941,019**	**923,068**	**17,942**
Corporate	**1,949,647**	**1,936,669**	**12,969**
	5,968,250	**5,877,208**	**91,041**
Other	**1,482,021**	**1,451,582**	**30,430**
Subtotal	**8,670,264**	**7,885,417**	**784,838**
Consolidated balance sheet amount not exceeding acquisition cost			
Equity stock	**107,005**	**143,194**	**(36,179)**
Bonds:			
National	**541,661**	**554,407**	**(12,746)**
Local	**464,774**	**468,811**	**(4,037)**
Corporate	**510,295**	**514,502**	**(4,198)**
	1,516,739	**1,537,730**	**(20,982)**
Other	**2,556,475**	**2,656,092**	**(99,607)**
Subtotal	**4,180,229**	**4,337,026**	**(156,787)**
Total	**$12,850,503**	**$12,222,452**	**$628,050**

(b) Gains and losses on sale of securities available for sale for the years ended March 31, 2017 and 2016 are as follows:

	Millions of yen		
2017	Proceeds from sale	Gains on sale	Losses on sale
Equity stock	**¥ 6,666**	**¥ 2,644**	**¥ 63**
Bonds:			
National	**668,595**	**12,402**	**11,212**
Local	**77,592**	**1,558**	**—**
Corporate	**23,035**	**673**	**—**
	769,223	**14,633**	**11,212**
Other	**83,856**	**2,109**	**2,821**
Total	**¥859,746**	**¥19,387**	**¥14,097**

	Millions of yen		
2016	Proceeds from sale	Gains on sale	Losses on sale
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

	Thousands of U.S. dollars		
2017	Proceeds from sale	Gains on sale	Losses on sale
Equity stock	**$ 59,417**	**$ 23,567**	**$ 561**
Bonds:			
National	**5,959,488**	**110,544**	**99,937**
Local	**691,612**	**13,887**	**—**
Corporate	**205,321**	**5,998**	**—**
	6,856,431	**130,430**	**99,937**
Other	**747,446**	**18,798**	**25,144**
Total	**$7,663,303**	**$172,805**	**$125,652**

(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 years ended March 31, 2017 and 2016.

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, 2017 and 2016 were ¥4,795 million ($42,739 thousand) and ¥4,895 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
	2017	2016	**2017**
Valuation difference	**¥ 70,461**	¥ 78,142	**$ 628,050**
Other securities	**70,461**	78,142	**628,050**
Money held in trust	**—**	—	**—**
Deferred tax liabilities	**(21,264)**	(23,744)	**(189,535)**
Net unrealized gains on securities available for sale (before equity equivalent)	**49,196**	54,397	**438,506**
Net unrealized gains attributable to non-controlling interests	**(183)**	(141)	**(1,631)**
Parent's ownership interest of affiliates unrealized gains on securities available for sale	**—**	—	**—**
Net unrealized gains on securities available for sale	**¥ 49,012**	¥ 54,256	**$ 436,866**

10. Loans and bills discounted

Loans and bills discounted as of March 31, 2017 and 2016 included the following non-performing amounts:

	Millions of yen		Thousands of U.S. dollars
	2017	2016	**2017**
Loans under bankruptcy	**¥ 986**	¥ 1,136	**$ 8,788**
Non-accrual loans	**26,123**	33,060	**232,846**
Loans past due over 3 months	**283**	413	**2,522**
Restructured loans	**23,894**	23,998	**212,977**
Total	**¥51,288**	¥58,608	**$457,153**

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
	2017	2016	**2017**
Bills discounted	**¥20,791**	¥23,354	**$185,319**

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 ¥13,775 million ($122,782 thousand) and ¥11,825 million as of March 31, 2017 and 2016, respectively.

12. Assets pledged as collateral

Assets pledged as collateral as of March 31, 2017 and 2016 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2017	2016	**2017**
Assets pledged as collateral:			
Securities	**¥357,281**	¥297,688	**$3,184,606**
Liabilities corresponding to assets pledged as collateral:			
Deposits	**21,319**	19,926	**190,025**
Payables under securities lending transactions	**118,779**	88,867	**1,058,730**
Borrowed money	**179,024**	55,383	**1,595,721**

In addition to the assets presented above, the following assets were pledged as collateral for exchange clearance transactions and futures contracts at March 31, 2017 and 2016:

	Millions of yen		Thousands of U.S. dollars
	2017	2016	**2017**
Securities	**¥30,802**	¥45,877	**$274,552**

As of March 31, 2017 and 2016, other assets included cash collateral paid for financial instruments of ¥10,091 million ($89,945 thousand) and nil, and guarantees and household deposits of ¥1,195 million ($10,651 thousand) and ¥1,240 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, 2017 and 2016 was as follows:

	Millions of yen		Thousands of U.S. dollars
	2017	2016	**2017**
Unused commitments	**¥993,008**	¥1,011,663	**$8,851,127**
Contracts with less than a year of contract period or contacts that are cancellable unconditionally any time	**934,278**	923,775	**8,327,640**

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 Group. Many of these commitments have clauses that allow the Group 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 Group 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.

14. Income taxes

(1) Deferred tax assets

Major components of deferred tax assets as of March 31, 2017 and 2016 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2017	2016	**2017**
Excess reserve for possible loan losses	**¥ 7,410**	¥ 7,962	**$ 66,048**
Valuation loss on securities available for sale	**5,347**	3,836	**47,660**
Net defined benefit liability	**1,570**	2,981	**13,994**
Excess depreciation	**1,033**	1,132	**9,207**
Net deferred losses on hedging instruments, net of taxes	**678**	3,437	**6,043**
Reserve for bonuses	**481**	472	**4,287**
Other	**2,438**	2,644	**21,730**
Subtotal	**18,961**	22,466	**169,007**
Valuation reserve	**(6,042)**	(3,625)	**(53,855)**
Deferred tax assets	**12,919**	18,841	**115,152**
Deferred tax liabilities:			
Net unrealized gains on securities, net of taxes	**(26,612)**	(27,581)	**(237,204)**
Reserve for advanced depreciation of non-current assets	**(141)**	(142)	**(1,256)**
Net deferred gains on hedging instruments, net of taxes	**(140)**	(27)	**(1,247)**
Net deferred tax assets (liabilities)	**¥(13,975)**	¥ (8,910)	**$(124,565)**

(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, 2017 and 2016.

	2017	2016
Statutory income tax rate	**30.6%**	32.8%
Reconciliation:		
Non-deductible expenses, including entertainment expenses	**0.5**	0.4
Non-taxable income, including dividend income	**(1.1)**	(1.1)
Per-capita resident tax	**0.3**	0.3
Increase of valuation reserve	**13.1**	0.5
Decrease in term-end balance of deferred tax assets due to income tax changes	**—**	2.6
Other	**(0.1)**	(0.9)
Effective income tax rate under tax-effect accounting	**43.3%**	34.6%

15. Accumulated depreciation and reduction entry

Accumulated depreciation of tangible fixed assets as of March 31, 2017 and 2016 amounted to ¥37,019 million ($329,967 thousand) and ¥36,623 million, respectively.

Reduction entry, which is deferred gain on tangible fixed assets deductible for tax purposes, amounted to ¥2,436 million ($21,713 thousand) and ¥2,481 million as of March 31, 2017 and 2016, respectively.

16. Borrowed money

Borrowed money consists of loans from other financial institutions. As of March 31, 2017 and 2016, subordinated borrowings in the amount of nil and ¥1,000 million, respectively, were included in borrowed money.

17. Corporate bond

Corporate bond consists solely of subordinated bonds in the amount of nil and ¥10,000 million as of March 31, 2017 and 2016, respectively.

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, 2017 and 2016, the difference between the carrying amount and the fair value of the revalued land was ¥15,579 million ($138,862 thousand) and ¥16,081 million, respectively

19. Asset retirement obligations

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

20. General and administrative expenses

Salaries and allowances were included in general and administrative expenses, which amounted to ¥15,749 million ($140,377 thousand) and ¥15,775 million for the years ended March 31, 2017 and 2016, respectively.

21. Other expenses

(1) Loan write-offs were included in other expenses, which amounted to ¥2,819 million ($25,127 thousand) and ¥2,472 million for the years ended March 31, 2017 and 2016, respectively.

(2) Impairment losses

During the years ended March 31, 2017 and 2016, the Bank recorded impairment losses on fixed assets as described below:

			Millions of yen	
			Impairment losses	
			2017	2016
Kagawa Pref	Idle assets (2017: 13 items 2016: 9 items)	Land, buildings and movables	**¥178**	¥ 89
			land: 166	land: 83
			buildings: 10	buildings: 4
			movables: 0	movables: 0
Other	Idle assets and/or assets for business use (2017: 4 items 2016: 3 items)	Land, buildings and/or movables, etc.	**¥ 70**	¥ 22
			land: 53	land: 21
			buildings: 13	buildings: 0
			movables: 3	movables: 0
Total			**¥248**	¥111
			land: 220	land: 105
			buildings: 24	buildings: 5
			movables: 3	movables: 0

			Thousands of U.S. dollars
			Impairment losses
			2017
Kagawa Pref	Idle assets (2017: 13 items)	Land, buildings and movables	**$1,586**
			land: 1,479
			buildings: 89
			movables: 0
Other	Idle assets and/or assets for business use (2017: 4 items)	Land, buildings and/or movables, etc.	**$ 623**
			land: 472
			buildings: 115
			movables: 26
Total			**$2,210**
			land: 1,960
			buildings: 213
			movables: 26

The Bank posted impairment losses of ¥248 million ($2,210 thousand) and ¥111 million, respectively, during the years ended March 31, 2017 and 2016 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 discount rates of 0.6% and 0.5% for the years ended March 31, 2017 and 2016, respectively.

22. 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
	2017	2016	**2017**
Net unrealized losses on other securities, net of taxes:			
Amount recognized during the year	**¥ 440**	¥(17,128)	**$ 3,921**
Amount of recycling	**(7,913)**	(6,481)	**(70,532)**
Prior to income tax effect	**(7,472)**	(23,609)	**(66,601)**
Income tax effect	**2,271**	8,802	**20,242**
Net unrealized losses on securities available for sale	**(5,201)**	(14,807)	**(46,358)**
Net deferred gains (losses) on hedging instruments, net of taxes:			
Amount recognized during the year	**7,594**	(8,071)	**67,688**
Amount of recycling	**1,852**	1,281	**16,507**
Prior to income tax effect	**9,447**	(6,789)	**84,205**
Income tax effect	**(2,871)**	1,993	**(25,590)**
Deferred gains (losses) on hedging instruments	**6,575**	(4,796)	**58,605**
Revaluation reserve for land:			
Amount recognized during the year	**—**	—	**—**
Amount of recycling	**—**	—	**—**
Prior to income tax effect	**—**	—	**—**
Income tax effect	**—**	307	**—**
Revaluation reserve for land	**—**	307	**—**
Remeasurements of defined benefit plans:			
Amount recognized during the year	**3,885**	(3,946)	**34,628**
Amount of recycling	**872**	(136)	**7,772**
Prior to income tax effect	**4,757**	(4,082)	**42,401**
Income tax effect	**(1,446)**	1,279	**(12,888)**
Remeasurements of defined benefit plans	**3,311**	(2,803)	**29,512**
Total other comprehensive income (loss)	**¥ 4,685**	¥(22,099)	**$ 41,759**

23. Finance leases

Information on finance leases for the years ended March 31, 2017 and 2016 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 "3. Significant accounting policies (5) Depreciation".

2. As lessor

(1) Breakdown of lease investment assets

	Millions of yen		Thousands of U.S. dollars
	2017	2016	**2017**
Lease receivables	**¥16,860**	¥16,791	**$150,280**
Estimated residual value	**1,908**	1,801	**17,006**
Interest received	**(1,957)**	(1,832)	**(17,443)**
Lease investment assets	**¥16,812**	¥16,760	**$149,852**

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

	Millions of yen	
2017	Lease receivables	Receivables on lease investment assets
Up to 1 year	**¥75**	**¥5,266**
Over 1 year, up to 2 years	**62**	**4,257**
Over 2 years, up to 3 years	**49**	**3,172**
Over 3 years, up to 4 years	**12**	**2,208**
Over 4 years, up to 5 years	**4**	**1,174**
Over 5 years	**—**	**780**

	Millions of yen	
2016	Lease receivables	Receivables on lease investment assets
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

	Thousands of U.S. dollars	
2017	Lease receivables	Receivables on lease investment assets
Up to 1 year	**$668**	**$46,938**
Over 1 year, up to 2 years	**552**	**37,944**
Over 2 years, up to 3 years	**436**	**28,273**
Over 3 years, up to 4 years	**106**	**19,680**
Over 4 years, up to 5 years	**35**	**10,464**
Over 5 years	**—**	**6,952**

(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 by the straight-line method 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 ¥1 million ($8 thousand) (¥3 million in the previous fiscal year) compared with the amount posted in the Consolidated Statements of Income.

24. Financial instruments

1. Disclosures related to financial instruments

(1) Financial instrument policies

The Group provides 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, 2017 (the consolidated balance sheet date), the volume of the aforementioned risks of financial instruments held for trading purposes (estimated amount of loss) amounted to ¥12 million ($106 thousand) (compared with ¥12 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 and investment trusts, etc. 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.

In addition, 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. The VaR of financial instruments not held for trading purposes amounted to ¥52,487 million ($467,840 thousand) and ¥45,629 million as of March 31, 2017 and 2016, respectively.

In measuring the VaR of price volatility risks of investment trusts in the year ended March 31, 2016, the Group applied the variance covariance method with a holding period of 20 days, a confidence interval of 99% and an observation period of 240 business days.

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, 2017 and 2016 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		
2017	Consolidated balance sheet amount	Fair value	Difference
(1) Cash and due from banks	**¥ 551,313**	**¥ 551,313**	**¥ —**
(2) Call loans and bills bought	**6,731**	**6,731**	**—**
(3) Trading account securities	**41**	**41**	**—**
(4) Money held in trust	**4,795**	**4,795**	**—**
(5) Securities			
Other securities	**1,441,698**	**1,441,698**	**—**
(6) Loans and bills discounted	**2,776,554**		
Reserve for possible loan losses*1	**(14,650)**		
	2,761,904	**2,784,287**	**22,382**
Total assets	**4,766,484**	**4,788,867**	**22,382**
(1) Deposits	**4,013,132**	**4,013,491**	**359**
(2) Negotiable certificates of deposit	**147,229**	**147,233**	**3**
(3) Call money and bills sold	**51,682**	**51,682**	**—**
(4) Payables under securities lending transactions	**118,779**	**118,779**	**—**
(5) Borrowed money	**206,111**	**206,229**	**118**
(6) Corporate bonds	**—**	**—**	**—**
Total liabilities	**4,536,935**	**4,537,416**	**480**
Derivative Transactions*2			
Not subject to hedge accounting	**1,039**	**1,039**	**—**
Subject to hedge accounting	**(2,446)**	**(2,446)**	**—**
Total Derivative Transactions	**¥ (1,406)**	**¥ (1,406)**	**¥ —**

	Millions of yen		
2016	Consolidated balance sheet amount	Fair value	Difference
(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*1	(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) Payables under securities lending transactions	88,867	88,867	—
(5) Borrowed money	83,727	83,729	1
(6) Corporate bonds	10,000	10,010	10
Total liabilities	4,322,405	4,322,790	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	¥ —

	Thousands of U.S. dollars		
2017	Consolidated balance sheet amount	Fair value	Difference
(1) Cash and due from banks	**$ 4,914,101**	**$ 4,914,101**	**$ —**
(2) Call loans and bills bought	**59,996**	**59,996**	**—**
(3) Trading account securities	**365**	**365**	**—**
(4) Money held in trust	**42,739**	**42,739**	**—**
(5) Securities			
Other securities	**12,850,503**	**12,850,503**	**—**
(6) Loans and bills discounted	**24,748,676**		
Reserve for possible loan losses*1	**(130,582)**		
	24,618,094	**24,817,604**	**199,500**
Total assets	**42,485,818**	**42,685,328**	**199,500**
(1) Deposits	**35,770,853**	**35,774,052**	**3,199**
(2) Negotiable certificates of deposit	**1,312,318**	**1,312,354**	**26**
(3) Call money and bills sold	**460,664**	**460,664**	**—**
(4) Payables under securities lending transactions	**1,058,730**	**1,058,730**	**—**
(5) Borrowed money	**1,837,160**	**1,838,211**	**1,051**
(6) Corporate bonds	**—**	**—**	**—**
Total liabilities	**40,439,745**	**40,444,032**	**4,278**
Derivative Transactions*2			
Not subject to hedge accounting	**9,261**	**9,261**	**—**
Subject to hedge accounting	**(21,802)**	**(21,802)**	**—**
Total Derivative Transactions	**$ (12,532)**	**$ (12,532)**	**$ —**

*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) Payables under securities lending transactions
Due to the short contract period, the Group considers their book value to approximate the fair value.

(5) Borrowed money
Borrowed money subject to variable interest rates reflects market interest rates over a short-term. As the credit status of the Group 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.

(6) 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, 2017 and 2016. These are not included in the "Assets (5) Securities" section under fair value information for financial instruments.

	Millions of yen		Thousands of U.S. dollars
	Consolidated balance sheet amount		Consolidated balance sheet amount
Category	**2017**	2016	**2017**
1. Private equity shares*1*2	**¥2,721**	¥2,760	**$24,253**
2. Investment in partnership*3	**373**	353	**3,324**
Total	**¥3,094**	¥3,113	**$27,578**

*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 ¥38 million ($338 thousand) and ¥2 million impairment loss for unlisted equity stock for the fiscal years ended March 31, 2017 and 2016, 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.

The redemption schedule and the corresponding estimated amounts of monetary claims and securities with maturities subsequent to March 31, 2017 and 2016 are as follows:

	Millions of yen					
2017	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	**¥ 512,499**	**¥ —**	**¥ —**	**¥ —**	**¥ —**	**¥ —**
Call loans and bills bought	**6,731**	—	—	—	—	—
Monetary claims bought	**22,748**	—	—	—	—	—
Securities:						
Other securities with maturities	**155,525**	**377,577**	**150,859**	**73,665**	**399,065**	**67,131**
National government bonds	**64,400**	**162,600**	**45,300**	**43,000**	**32,000**	**52,000**
Local government bonds	**19,072**	**27,939**	**3,806**	**4,000**	**96,330**	**5,000**
Corporate bonds	**46,402**	**111,334**	**22,096**	**3,378**	**90,485**	—
Other	**25,650**	**75,703**	**79,656**	**23,287**	**180,250**	**10,131**
Loans and bills discounted*	**1,084,433**	**528,379**	**320,818**	**169,486**	**196,109**	**411,892**
Total	**¥1,781,938**	**¥905,956**	**¥471,677**	**¥243,152**	**¥595,175**	**¥479,023**

	Millions of yen					
2016	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

	Thousands of U.S. dollars					
2017	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	**$ 4,568,134**	**$ —**	**$ —**	**$ —**	**$ —**	**$ —**
Call loans and bills bought	**59,996**	—	—	—	—	—
Monetary claims bought	**202,763**	—	—	—	—	—
Securities:						
Other securities with maturities	**1,386,264**	**3,365,513**	**1,344,674**	**656,609**	**3,557,046**	**598,368**
National government bonds	**574,026**	**1,449,327**	**403,779**	**383,278**	**285,230**	**463,499**
Local government bonds	**169,997**	**249,032**	**33,924**	**35,653**	**858,632**	**44,567**
Corporate bonds	**413,601**	**992,370**	**196,951**	**30,109**	**806,533**	—
Other	**228,630**	**674,774**	**710,009**	**207,567**	**1,606,649**	**90,302**
Loans and bills discounted*	**9,666,039**	**4,709,680**	**2,859,595**	**1,510,705**	**1,748,007**	**3,671,378**
Total	**$15,883,215**	**$8,075,193**	**$4,204,269**	**$2,167,323**	**$5,305,062**	**$4,269,747**

*Loans and bills discounted do not include ¥27,147 million ($241,973 thousand) and ¥34,224 million in loans to bankrupt, substantially bankrupt and likely to go bankrupt borrowers or other loans of which repayment is not expected, or ¥38,287 million ($341,269 thousand) and ¥30,071 million in loans with no established maturity as of March 31, 2017 and 2016, respectively.

The redemption schedule of corporate bonds, borrowed money and other interest-bearing debt scheduled to be repaid subsequent to March 31, 2017 and 2016 is as follows:

	Millions of yen					
2017	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*	¥3,763,518	¥241,434	¥ 7,571	¥ 257	¥ 349	¥ —
Negotiable certificates of deposit	146,526	521	90	92	—	—
Call money and bills sold	51,682	—	—	—	—	—
Payables under securities lending transactions	118,779	—	—	—	—	—
Borrowed money	48,068	10,623	145,388	783	847	400
Corporate bonds	—	—	—	—	—	—
Total	¥4,128,576	¥252,579	¥153,049	¥1,132	¥1,196	¥400

	Millions of yen					
2016	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*	¥3,687,555	¥238,929	¥ 8,095	¥ 486	¥365	¥ —
Negotiable certificates of deposit	176,320	1,803	—	—	—	—
Call money and bills sold	26,254	—	—	—	—	—
Payables under securities lending transactions	88,867	—	—	—	—	—
Borrowed money	54,918	21,109	4,708	1,941	559	489
Corporate bonds	—	—	—	10,000	—	—
Total	¥4,033,915	¥261,842	¥12,804	¥12,428	¥925	¥489

	Thousands of U.S. dollars					
2017	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*	$33,545,931	$2,152,009	$ 67,483	$ 2,290	$ 3,110	$ —
Negotiable certificates of deposit	1,306,052	4,643	802	820	—	—
Call money and bills sold	460,664	—	—	—	—	—
Payables under securities lending transactions	1,058,730	—	—	—	—	—
Borrowed money	428,451	94,687	1,295,908	6,979	7,549	3,565
Corporate bonds	—	—	—	—	—	—
Total	$36,799,857	$2,251,350	$1,364,194	$10,090	$10,660	$3,565

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

25. 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, net defined benefit liability 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
For the years ended March 31,	2017	2016	2017
Retirement benefit obligations at beginning of period	¥52,587	¥51,656	$468,731
Service costs	1,514	1,503	13,494
Interest costs	482	473	4,296
Actuarial differences	(138)	835	(1,230)
Retirement benefits paid	(1,831)	(1,882)	(16,320)
Prior service costs	—	—	—
Retirement benefit obligations at end of period	¥52,614	¥52,587	$468,972

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

	Millions of yen		Thousands of U.S. dollars
For the years ended March 31,	2017	2016	2017
Pension assets at beginning of period	¥54,468	¥56,192	$485,497
Expected return on pension assets	630	630	5,615
Actuarial differences	3,747	(3,110)	33,398
Contribution from employer	2,096	2,131	18,682
Retirement benefits paid	(1,394)	(1,375)	(12,425)
Pension assets at end of period	¥59,547	¥54,468	$530,769

(c) Reconciliation of retirement benefit obligations and pension assets at end of period and net defined benefit liability and net defined benefit asset recorded in the consolidated balance sheet

	Millions of yen		Thousands of U.S. dollars
As of March 31,	2017	2016	2017
Retirement benefit obligations of funded plan	¥ 52,614	¥ 52,587	$ 468,972
Pension assets	(59,547)	(54,468)	(530,769)
	(6,933)	(1,881)	(61,796)
Retirement benefit obligations of unfunded plan	—	—	—
Net amount of liabilities and assets recorded in consolidated balance sheet	¥ (6,933)	¥ (1,881)	$ (61,796)

	Millions of yen		Thousands of U.S. dollars
As of March 31,	2017	2016	2017
Net defined benefit liability	¥ 171	¥ 1,159	$ 1,524
Net defined benefit asset	(7,105)	(3,041)	(63,330)
Net amount of liabilities and assets recorded in consolidated balance sheet	¥(6,933)	¥(1,881)	$(61,796)

(d) Breakdown of retirement benefit costs

	Millions of yen		Thousands of U.S. dollars
For the years ended March 31,	2017	2016	2017
Service costs*	¥1,514	¥1,503	$13,494
Interest costs	482	473	4,296
Expected return on pension assets	(630)	(630)	(5,615)
Amortization of actuarial differences	872	(136)	7,772
Amortization of past service costs	—	—	—
Retirement benefit costs for defined benefit plans	¥2,238	¥1,210	$19,948

*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
For the years ended March 31,	2017	2016	2017
Actuarial differences	¥4,757	¥(4,082)	$42,401
Total	¥4,757	¥(4,082)	$42,401

(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
As of March 31,	2017	2016	2017
Unrecognized actuarial differences	¥3,074	¥(1,683)	$27,399
Total	¥3,074	¥(1,683)	$27,399

(g) Items related to pension assets

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

As of March 31,	2017	2016
Bonds	13%	13%
Stocks	54	53
Life insurers' general account	25	27
Other	8	7
Total	100%	100%

Note: Total pension assets include retirement benefit trusts established for the corporate pension plan (22.30% and 21.88 % as of March 31, 2017 and 2016, respectively) and retirement benefit trusts established for the retirement lump-sum payment plan (21.18% and 20.24% as of March 31, 2017 and 2016, respectively).

(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

	2017	2016
1) Discount rate	0.92%	0.92%
2) Expected long-term rate of return	2.00%	2.00%
3) Assumed salary increase rate	3.10%	3.20%

(3) Defined contribution pension plan

The required contribution to the defined contribution plans of consolidated subsidiaries was ¥7 million ($62 thousand) and ¥6 million for the years ended March 31, 2017 and 2016, respectively.

26. Stock options

1. Stock option expenses and accounts for the fiscal years ended March 31, 2017 and 2016

	Millions of yen		Thousands of U.S. dollars
	2017	2016	2017
Operating expense	¥39	¥40	$347

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

	2015 stock options	2016 stock options
Category and number of grant recipients	The bank's nine directors (excluding outside directors)	The bank's eight directors (excluding outside directors)
Type and number of stock options granted (Note)	Common stock: 94,300 shares	Common stock: 137,700 shares
Grant date	July 24, 2015	July 26, 2016
Vesting terms	No vesting terms	No vesting terms
Service period	No service period specified	No service period specified
Exercise period	July 25, 2015 to July 24, 2045	July 27, 2016 to July 26, 2046

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	42,600	73,200	89,500	113,100	125,900	111,100
Granted	—	—	—	—	—	—
Expired	—	—	—	—	—	—
Vested shares	25,900	36,200	45,700	57,400	56,600	44,800
Unvested shares	16,700	37,000	43,800	55,700	69,300	66,300
After vesting (shares):						
Prior fiscal year end	—	—	—	—	—	—
Vested shares	25,900	36,200	45,700	57,400	56,600	44,800
Exercised	25,900	36,200	45,700	57,400	56,600	44,800
Expired	—	—	—	—	—	—
Unexercised	—	—	—	—	—	—

	2015 stock options	2016 stock options
Prior to vesting (shares):		
Prior fiscal year end	94,300	—
Granted	—	137,700
Expired	—	—
Vested shares	35,700	—
Unvested shares	58,600	137,700
After vesting (shares):		
Prior fiscal year end	—	—
Vested shares	35,700	—
Exercised	35,700	—
Expired	—	—
Unexercised	—	—

(b) Unit price information (in year)

	2009 stock options	2010 stock options	2011 stock options	2012 stock options	2013 stock options	2014 stock options
Exercise price	Per share: ¥ 1	Per share: ¥ 1	Per share: ¥ 1	Per share: ¥ 1	Per share: ¥ 1	Per share: ¥ 1
Average price at exercise	Per share: ¥303	Per share: ¥303	Per share: ¥303	Per share: ¥303	Per share: ¥303	Per share: ¥303
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	2016 stock options
Exercise price	Per share: ¥ 1	Per share: ¥ 1
Average price at exercise	Per share: ¥303	Per share: ¥ —
Fair value on grant date	Per share: ¥409	Per share: ¥285

3. Method for estimating fair value of stock options

The following method was used to estimate the fair value of 2016 stock options granted during the consolidated fiscal year ended March 31, 2017.

(1) Valuation technique: Black-Scholes formula

(2) Significant assumptions and estimation methods

	2016 stock options
Stock volatility*1	31.3%
Projected remaining years*2	4.4 years
Projected annual dividend*3	Per share: ¥8
Risk-free interest rate*4	(0.35) %

*1 Calculated weekly for the period beginning the week of February 27, 2012 through the week of July 18, 2016 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 year ended March 2016.
*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.

27. Derivative transactions

(1) Type of transactions

The Group undertakes 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, 2017 and 2016 were as follows:

	Millions of yen			
	Contracted value			Appraised
2017	Total	Over 1 year	Fair value	profit/(loss)
Over the Counter				
Interest-rate swaps:				
Fixed rate receivable/variable rate payable	**¥20,634**	**¥15,506**	**¥ 487**	**¥ 487**
Variable rate receivable/fixed rate payable	**20,634**	**15,506**	**(324)**	**(324)**
Others:				
Sell	**386**	**349**	**(0)**	**39**
Buy	**386**	**349**	**0**	**(10)**
Total			**¥ 162**	**¥ 192**

	Millions of yen			
	Contracted value			Appraised
2016	Total	Over 1 year	Fair value	profit/(loss)
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

	Thousands of U.S. dollars			
	Contracted value			Appraised
2017	Total	Over 1 year	Fair value	profit/(loss)
Over the Counter				
Interest-rate swaps:				
Fixed rate receivable/variable rate payable	**$183,920**	**$138,211**	**$ 4,340**	**$ 4,340**
Variable rate receivable/fixed rate payable	**183,920**	**138,211**	**(2,887)**	**(2,887)**
Others:				
Sell	**3,440**	**3,110**	**(0)**	**347**
Buy	**3,440**	**3,110**	**0**	**(89)**
Total			**$ 1,443**	**$ 1,711**

Market prices of currency-related transactions as of March 31, 2017 and 2016 were as follows:

	Millions of yen			
	Contracted value			Appraised
2017	Total	Over 1 year	Fair value	profit/(loss)
Over the Counter				
Currency swaps	**¥389,677**	**¥264,888**	**¥ 82**	**¥ 82**
Forward exchange contracts:				
Sell	**107,852**	**1,080**	**637**	**637**
Buy	**122,563**	**1,032**	**155**	**155**
Currency options:				
Sell	**219,407**	**147,726**	**(7,512)**	**2,496**
Buy	**219,407**	**147,726**	**7,512**	**(600)**
Total			**¥ 876**	**¥2,772**

	Millions of yen			
	Contracted value			Appraised
2016	Total	Over 1 year	Fair value	profit/(loss)
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			¥ 579	¥2,223

	Thousands of U.S. dollars			
	Contracted value			Appraised
2017	Total	Over 1 year	Fair value	profit/(loss)
Over the Counter				
Currency swaps	**$3,473,366**	**$2,361,066**	**$ 730**	**$ 730**
Forward exchange contracts:				
Sell	**961,333**	**9,626**	**5,677**	**5,677**
Buy	**1,092,459**	**9,198**	**1,381**	**1,381**
Currency options:				
Sell	**1,955,673**	**1,316,748**	**(66,957)**	**22,247**
Buy	**1,955,673**	**1,316,748**	**66,957**	**(5,348)**
Total			**$ 7,808**	**$24,708**

(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, 2017

			Millions of yen		
Hedge accounting method	Type	Main hedged item	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)	**¥90,000**	**¥90,000**	**¥(1,142)**
Total					**¥(1,142)**

As of March 31, 2016

			Millions of yen		
Hedge accounting method	Type	Main hedged item	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, 2017

			Thousands of U.S. dollars		
Hedge accounting method	Type	Main hedged item	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)	**$802,210**	**$802,210**	**$(10,179)**
Total					**$(10,179)**

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
Fair value is calculated based on the discounted cash flow method and option pricing model, etc.

(b) Currency related transactions

As of March 31, 2017

			Millions of yen		
Hedge accounting method	Type	Main hedged item	Contracted value	Contracted value over 1 year	Fair value
General accounting rules	Currency swaps	Foreign currency receivables	**¥112,263**	**¥47,193**	**¥(1,687)**
	Monetary swaps		**36,537**	**—**	**383**
Total					**¥(1,303)**

As of March 31, 2016

			Millions of yen		
Hedge accounting method	Type	Main hedged item	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, 2017

			Thousands of U.S. dollars		
Hedge accounting method	Type	Main hedged item	Contracted value	Contracted value over 1 year	Fair value
General accounting rules	Currency swaps	Foreign currency receivables	**$1,000,650**	**$420,652**	**$(15,036)**
	Monetary swaps		**325,670**	**—**	**3,413**
Total					**$(11,614)**

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
Fair value is calculated based on discounted cash flow method, etc.

28. Business Combinations

(Transactions under common control, etc.)

Additional acquisition of shares in subsidiaries

1. Outline of transaction

(1) Names of the companies whose shares were acquired and business descriptions

Name	Business description
The Hyakujushi System Service Co., Ltd.	Data processing services
The Hyakujushi DC Card Co., Ltd.	Credit card business
Nishinippon JCB Card Co., Ltd.	Credit card business
The Hyakujushi Sogo Hosho Co., Ltd.	Credit guarantee services

(2) Dates of business combinations

Name	Date
The Hyakujushi System Service Co., Ltd.	April 1, 2016
The Hyakujushi DC Card Co., Ltd.	April 1, May 31, and November 1, 2016
Nishinippon JCB Card Co., Ltd.	April 1 and November 1, 2016
The Hyakujushi Sogo Hosho Co., Ltd.	March 31, 2017

(3) Legal form of business combinations
Acquisition of shares from non-controlling interests

(4) Names of companies after business combinations
No change has been made.

(5) Other matters concerning the outline of transaction
The Bank has acquired part of the shares held by non-controlling interests to strengthen corporate governance and group management.

2. Outline of accounting treatment

In accordance with the Revised Accounting Standard for Business Combinations (ASBJ Statement No. 21 issued on September 13, 2013) and the Revised Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures (ASBJ Guidance No.10, September 13, 2013), the transaction was accounted for as a transaction with non-controlling interests among the transactions under common control.

3. Matters concerning additional acquisition of shares in subsidiaries

Acquisition cost of shares and breakdown by types of consideration

Consideration for acquisition	Millions of yen	Thousands of U.S. dollars	Date of business combination
Cash and due from banks	**¥1,145**	**$10,205**	April 1 and May 31, 2016
Cash and due from banks	**217**	**1,934**	November 1, 2016
Cash and due from banks	**42**	**374**	March 31, 2017
Acquisition cost	**¥1,405**	**$12,523**	

4. Matters concerning changes in the Bank's ownership interests in relation to transactions with non-controlling interests

(1) Main factor for changes in capital surplus
Additional acquisition of shares in subsidiaries

(2) Increase in capital surplus due to transaction with non-controlling interests

	Millions of yen	Thousands of U.S. dollars	Date of business combination
	¥1,111	**$ 9,902**	April 1 and May 31, 2016
	280	**2,495**	November 1, 2016
	19	**169**	March 31, 2017
Total	**¥1,412**	**$12,585**	

29. 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 Hyakujushi 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.

In addition, as mentioned in "4. Change in accounting policies", in accordance with the revision to the Corporate Tax Act of Japan, "Practical Solution on a change in depreciation method due to Tax Reform 2016" (ASBJ PITF No. 32 issued on June 17, 2016) has been applied from the year ended March 31, 2017; the depreciation method for facilities attached to buildings and structures acquired on or after April 1, 2016 is changed from the declining-balance method to the straight-line method.

The impact of this change on segment income of "Banking" and "Other businesses" was immaterial and there was no effect on that of "Leasing".

(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, 2017 and 2016 is as follows:

	Millions of yen						
2017	Banking	Leasing	Total	Other businesses	Total	Adjustment	Consolidated total
Ordinary income:							
Outside customers	**¥ 81,807**	**¥ 6,571**	**¥ 88,379**	**¥ 2,129**	**¥ 90,508**	**¥ —**	**¥ 90,508**
Inter-segment transactions	**347**	**394**	**742**	**3,783**	**4,525**	**(4,525)**	**—**
Total	**¥ 82,155**	**¥ 6,965**	**¥ 89,121**	**¥ 5,913**	**¥ 95,034**	**¥ (4,525)**	**¥ 90,508**
Segment profit	**¥ 17,013**	**¥ 333**	**¥ 17,347**	**¥ 2,124**	**¥ 19,471**	**¥ (99)**	**¥ 19,372**
Segment assets	**¥4,907,967**	**¥25,417**	**¥4,933,385**	**¥31,461**	**¥4,964,847**	**¥(38,308)**	**¥4,926,538**
Segment liabilities	**¥4,637,953**	**¥20,803**	**¥4,658,756**	**¥10,108**	**¥4,668,865**	**¥(35,455)**	**¥4,633,409**
Other items:							
Depreciation	**¥ 2,165**	**¥ 91**	**¥ 2,256**	**¥ 338**	**¥ 2,595**	**¥ 83**	**¥ 2,678**
Interest income	**48,279**	**144**	**48,423**	**448**	**48,872**	**(548)**	**48,324**
Interest expenses	**5,686**	**84**	**5,770**	**69**	**5,840**	**(495)**	**5,345**
Increases in property, plant and equipment and intangible assets	**2,671**	**1**	**2,673**	**231**	**2,904**	**104**	**3,009**

	Millions of yen						
2016	Banking	Leasing	Total	Other businesses	Total	Adjustment	Consolidated total
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

	Thousands of U.S. dollars						
2017	Banking	Leasing	Total	Other businesses	Total	Adjustment	Consolidated total
Ordinary income:							
Outside customers	**$ 729,182**	**$ 58,570**	**$ 787,761**	**$ 18,976**	**$ 806,738**	**$ —**	**$ 806,738**
Inter-segment transactions	**3,092**	**3,511**	**6,613**	**33,719**	**40,333**	**(40,333)**	**—**
Total	**$ 732,284**	**$ 62,082**	**$ 794,375**	**$ 52,705**	**$ 847,080**	**$ (40,333)**	**$ 806,738**
Segment profit	**$ 151,644**	**$ 2,968**	**$ 154,621**	**$ 18,932**	**$ 173,553**	**$(882)**	**$ 172,671**
Segment assets	**$43,746,920**	**$226,553**	**$43,973,482**	**$280,426**	**$44,253,917**	**$(341,456)**	**$43,912,452**
Segment liabilities	**$41,340,164**	**$185,426**	**$41,525,590**	**$ 90,097**	**$41,615,696**	**$(316,026)**	**$41,299,661**
Other items:							
Depreciation	**$ 19,297**	**$ 811**	**$ 20,108**	**$ 3,012**	**$ 23,130**	**$ 739**	**$ 23,870**
Interest income	**430,332**	**1,283**	**431,616**	**3,993**	**435,618**	**(4,884)**	**430,733**
Interest expenses	**50,681**	**748**	**51,430**	**615**	**52,054**	**(4,412)**	**47,642**
Increases in property, plant and equipment and intangible assets	**23,807**	**8**	**23,825**	**2,059**	**25,884**	**926**	**26,820**

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)

1. Information on Each Service

	Millions of yen				
2017	Lending services	Securities investment services	Leasing services	Other	Total
Income from external customers	**¥32,541**	**¥36,952**	**¥6,571**	**¥14,443**	**¥90,508**

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

	Thousands of U.S. dollars				
2017	Lending services	Securities investment services	Leasing services	Other	Total
Income from external customers	**$290,052**	**$329,369**	**$58,570**	**$128,736**	**$806,738**

2. Information on each area

(1) Ordinary income

Information is omitted since the amount attributed to income from external customers in Japan accounts for more than 90% of the ordinary income in the consolidated statements of income.

(2) Tangible fixed assets

Information is omitted since the amount attributed to tangible fixed assets located in Japan accounts for more than 90% of the tangible fixed assets in the consolidated balance sheets.

3. Information on each major customer

Information is omitted since there are no specific customers from whom ordinary income accounts for 10% or more of ordinary income in the consolidated statements of income.

(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, 2017 and 2016 was as follows:

	Millions of yen				
2017	Lending services	Securities investment services	Total	Other	Total
Impairment losses on fixed assets	**¥248**	**¥—**	**¥248**	**¥—**	**¥248**

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

	Thousands of U.S. dollars				
2017	Lending services	Securities investment services	Total	Other	Total
Impairment losses on fixed assets	**$2,210**	**$—**	**$2,210**	**$—**	**$2,210**

30. Related-party transactions

Not applicable to the years ended March 31, 2017 and 2016.

31. Per share data

Amounts per share as of March 31, 2017 and 2016 and for the fiscal years then ended were summarized as follows:

	Yen		U.S. dollars
	2017	2016	**2017**
Net assets per share	**¥937.15**	¥891.90	**$8.353**
Basic earnings per share	**32.61**	39.05	**0.290**
Diluted earnings per share	**32.55**	38.97	**0.290**

Notes: 1. The net assets per share figures are calculated on the basis of the following.

	Millions of yen, except number of shares		Thousands of U.S. dollars
	2017	2016	**2017**
Net assets	**¥293,129**	¥282,030	**$2,612,790**
Amount excluded from net assets	**16,230**	18,392	**144,665**
(of which share subscription rights)	**142**	201	**1,265**
(of which, non-controlling interests)	**16,087**	18,190	**143,390**
Net assets attributable to common stock at the fiscal year-end	**276,899**	263,638	**2,468,125**
Number of common stock shares at fiscal-year end for calculation of net assets per share (in thousands)	**295,467**	295,588	

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

	Millions of yen, except number of shares		Thousands of U.S. dollars
	2017	2016	**2017**
Basic earnings per share			
Profit attributable to owners of parent	**¥ 9,645**	¥ 11,632	**$85,970**
Amount not attributable to common equity holders of parent	—	—	—
Profit attributable to common equity holders of parent	**9,645**	11,632	**85,970**
Average number of shares of common stock during the year (in thousands)	**295,791**	297,871	
Diluted earnings per share			
Increase in number of common stock shares (in thousands)	**488**	623	
(of which, share subscription rights)	**488**	623	

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 65 thousand shares and 657 thousand shares as of March 31, 2017 and 2016, respectively. 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 348 thousand shares and 942 thousand shares for the fiscal years ended March 31, 2017 and 2016, respectively.

32. Significant subsequent events

(Retirement of treasury stock)

At the Meeting of the Board of Directors held on May 12, 2017, the Bank resolved to retire treasury stock in accordance with the provisions in Article 178 of the Companies Act of Japan, and implemented it on June 1, 2017.

(1) Reason for retirement
To address concerns regarding the future release of the Bank's treasury stock into the market

(2) Method used for retirement
Deducted from retained earnings

(3) Type of shares
Common stock

(4) Total number of shares retired
10,076,069 shares

(5) Retirement date
June 1, 2017

EY
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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, 2017, 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, 2017, and their consolidated financial performance and cash flows for the year then ended in conformity with accounting principles generally accepted in Japan.

Convenience Translation

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

Ernst & Young ShinNihon LLC

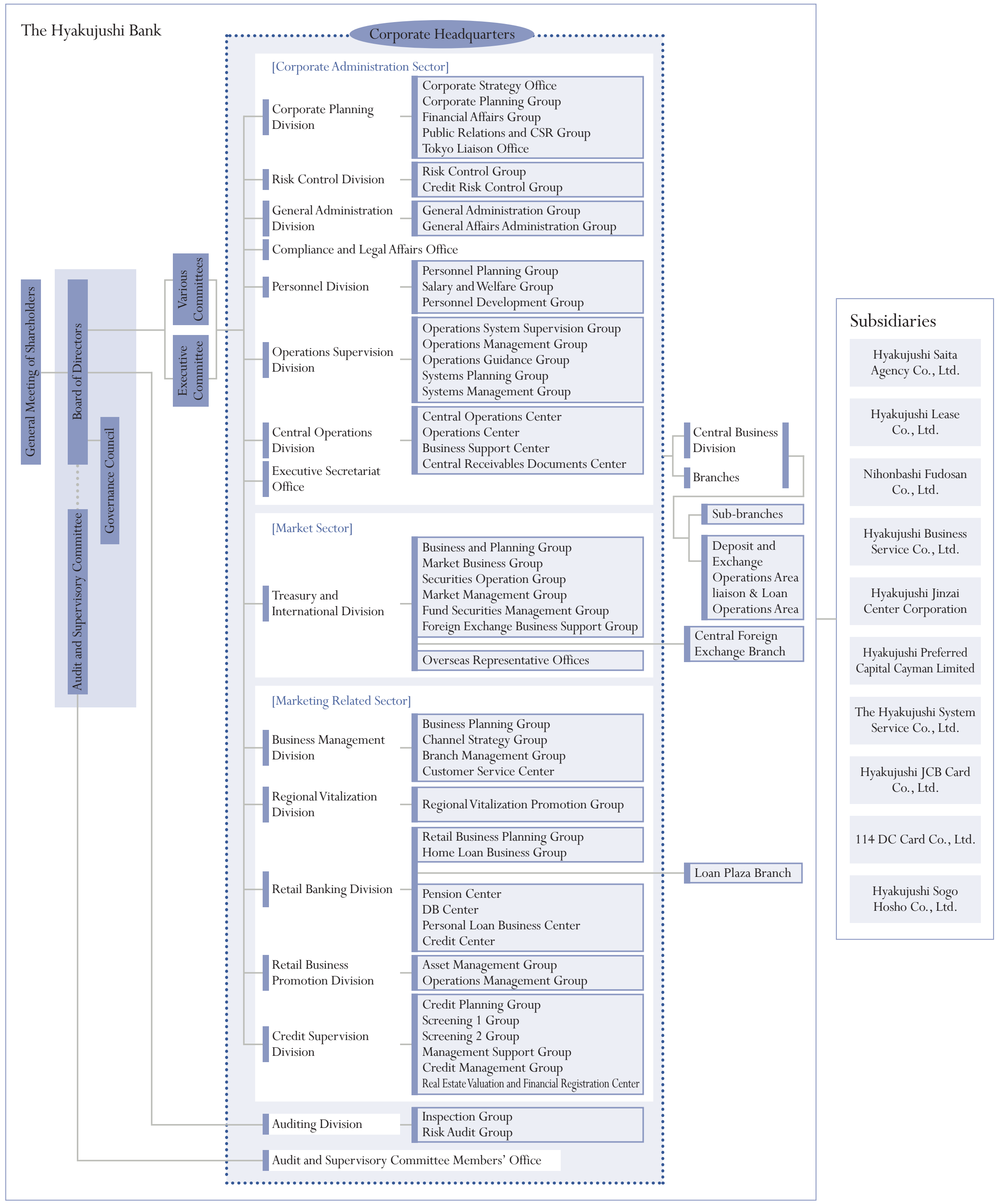
June 29, 2017
Tokyo, Japan

Corporate Information

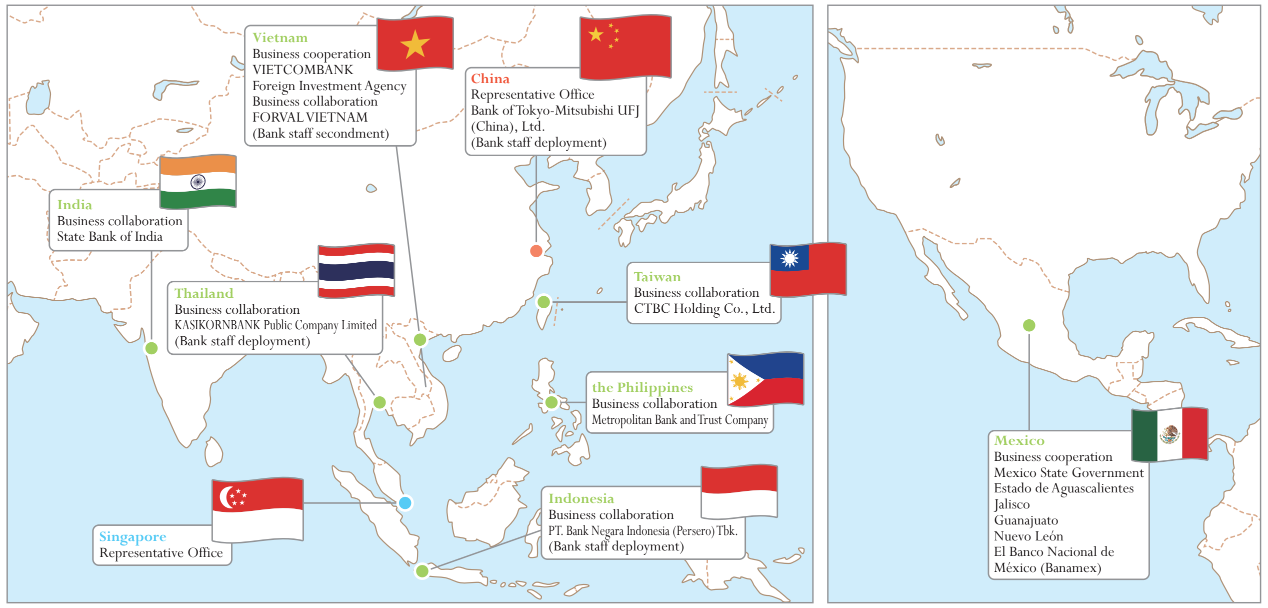
Profile (as of March 31, 2017)

Head Office	5-1 Kamei-cho, Takamatsu, Kagawa
Established	November 1, 1878
Total assets	¥4,904.9 billion
Deposits and negotiable certificates of deposit	¥4,173.0 billion
Loans and bills discounted	¥2,780.7 billion
Paid-in capital	¥37.3 billion
Total shares issued	310,076 thousand shares
Employees	2,327
Offices	124 (Head Office, 103 branches, 21 sub-branches)
	Overseas Representative Offices: 2 (Shanghai, Singapore)
Non-branch ATMs and CDs	169 locations

Organization (as of July 1, 2017)



Overseas Support Organizations



List of Major Shareholders (as of March 31, 2017)

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	16,858	5.43
Nippon Life Insurance Company	6-6, Marunouchi 1-Chome, Chiyoda-ku, Tokyo	9,000	2.90
The Master Trust Bank of Japan, Ltd. (Trust Account)	11-3, Hamamatsu-cho 2-Chome, Minato-ku, Tokyo	6,569	2.11
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
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
Japan Trustee Services Bank, Ltd. (Trust Account 9)	8-11, Harumi 1-Chome, Chuo-ku, Tokyo	5,642	1.81
Hyakujushi Bank Employee Shareholding Association	5-1 Kamei-cho, Takamatsu-shi, Kagawa Prefecture	5,576	1.79
Total	–	73,540	23.71

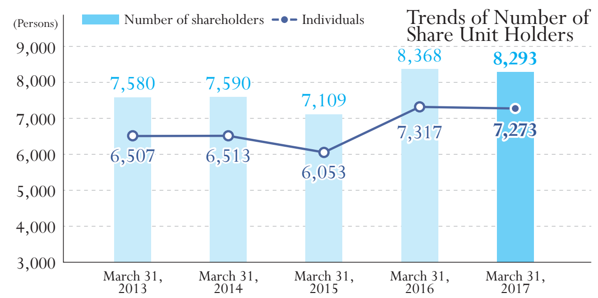
(Notes)
1. The number of shares held by NH Foods Ltd. includes 5,000 thousand shares that have been contributed to the retirement benefit trust; however, the right to provide instructions for the voting rights to those shares has been retained by NH Foods Ltd.
2. The number of shares held by TAIHEIYO 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 14,608 thousand treasury shares (of which 14,543 thousand shares are held by the Bank and 65 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 4.71%.

Active Shareholder Return

In order to realize the Bank's Corporate Vision of "ensuring sound business management and enhancing corporate value," while endeavoring to improve our equity capital by increasing retained earnings, the Bank is also working to improve the satisfaction of our shareholders by continuing to pay stable dividends.

	Dividend per share		
	At the end of interim period	At year-end	For the year
Fiscal year ended March 31, 2015	¥3.50	¥3.50	¥7.00
Fiscal year ended March 31, 2016	¥4.00	¥4.00	¥8.00
Fiscal year ended March 31, 2017	¥4.00	¥4.00	¥8.00
Fiscal year ending March 31, 2018 (forecast)	¥4.00	¥4.00	¥8.00

Trends of Number of Share Unit Holders



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