1. Basis of Financial Statements

(a) Basis of presenting consolidated financial statements

The accompanying consolidated financial statements of The Hyakugo Bank, Ltd. (the "Bank") and its consolidated subsidiaries (together with the Bank, the "Hyakugo Bank Group") have been prepared on the basis of accounting principles generally accepted in Japan, which are different in certain respects as to application and disclosure requirements from the International Financial Reporting Standards. The consolidated financial statements have been compiled from the original Japanese consolidated financial statements, prepared by the Bank as required by the Financial Instruments and Exchange Act of Japan and submitted to the Director of Kanto Finance Bureau of Japan.

In preparing these consolidated financial statements, certain reclassifications and rearrangements were made to the original Japanese consolidated financial statements in order to present them in a form that would be more familiar to readers outside Japan. In addition, certain reclassifications have been made in the financial statements for the year ended March 31, 2016 to conform to the classifications used in the financial statements for the year ended March 31, 2017.

The amounts in Japanese yen are presented in millions of yen, rounded down to the nearest million in accordance with legal provisions. Accordingly, the total yen amounts may not be equal to the sum of the individual account balances.

(b) U.S. dollar amounts

The Hyakugo Bank Group maintains its accounting records in Japanese yen. The U.S. dollar amounts included in the accompanying consolidated financial statements and notes thereto represent the conversion of Japanese yen amounts to U.S. dollar amounts using the exchange rate at March 31, 2017, which was ¥112.19 to U.S. $1.00. The inclusion of the dollar amounts is solely for the convenience of the readers and is not intended to imply that the assets and liabilities originated in yen have been, could have been or could in the future be readily converted, realized or settled in dollars at such or any other rate of exchange.

2. Summary of Significant Accounting Policies

(a) Principles of consolidation

The accompanying consolidated financial statements include the accounts of the Bank and its 10 significant subsidiaries at March 31, 2017 and 2016. These consolidated subsidiaries primarily engage in providing a wide range of financial services to customers. Under the control concept, companies over which the Bank, directly or indirectly, exercises control in regards to operations are fully consolidated. The consolidated financial statements do not include the accounts of 3 subsidiaries at March 31, 2017 and 2016, because the total assets, total income, net income and retained earnings of such subsidiaries did not have any material impact on the consolidated financial statements. There were no affiliates over which the Bank had significant influence. All intercompany transactions and accounts have been eliminated.

(b) Cash and cash equivalents

For the purpose of the consolidated statements of cash flows, cash and cash equivalents consisted of cash and demand deposits from The Bank of Japan as follows.

	Millions of yen				Thousands of U.S. dollars	
	2017		2016		2017	
Cash and due from banks	¥	330,505	¥	319,444	$	2,945,941
Less due from banks other than The Bank of Japan		(2,421)		(2,375)		(21,580)
Cash and cash equivalents	¥	328,084	¥	317,068	$	2,924,361

(c) Trading account securities

Trading account securities are stated at fair value at the fiscal year-end. Related gains and losses, both realized and unrealized, are included in current earnings. Accrued interest on trading account securities is included in "other assets."

(d) Securities

Debt securities for which the Hyakugo Bank Group has both a positive intent and the ability to hold to maturity are classified as held-to-maturity securities and are stated at amortized cost. Marketable securities other than those classified as trading or held-to-maturity securities are carried at fair value as available-for-sale securities, and net unrealized gains or losses reported as valuation difference on available-for-sale securities, net of applicable income taxes, are reported as accumulated other comprehensive income. Available-for-sale securities that are nonmarketable are stated at moving average cost or amortized cost. The carrying values of individual investment securities are reduced, if necessary, through write-downs to reflect other-than-temporary impairments in value. Gains and losses on the disposal of investment securities are computed principally using the moving average method.

Accrued interest on securities is included in "other assets." Funds entrusted to trust banks as securities for the Bank (included in "money held in trust") are stated using the method applicable to marketable securities other than trading or held-to-maturity securities.

(e) Derivatives and hedge accounting

The Hyakugo Bank Group uses swaps, forwards, options and other types of derivative contracts. These derivative instruments are used for the following purposes: to meet the customers' needs for risk management; to manage the Hyakugo Bank Group's assets and liabilities; and to generate income. Derivatives are recorded at fair value if hedge accounting is not appropriate or when there is no hedge designation. Gains or losses on derivatives are recognized in current earnings.

In connection with interest rate risks arising from financial assets and liabilities, the Bank applies the deferral method of hedge accounting as prescribed in the Industry Audit Committee Report No. 24, entitled the "Accounting and Auditing Treatment of Accounting Standards for Financial Instruments in Banking Industry" issued by the Japanese Institute of Certified Public Accountants ("JICPA") on February 13, 2002. The effectiveness of a fair value hedge in offsetting movements in the fair value of hedged items due to changes in interest rates is assessed by classifying the hedged items, such as deposits, loans and similar instruments, and the corresponding hedging instruments, such as interest rate swaps and the like, and grouping those with similar risk characteristics in a maturity bucket. In addition, the effectiveness of a cash flow hedge is assessed by verifying the correlation between the base interest rate index of the hedged cash flow and that of the hedging instrument.

In addition, the Bank applies the portfolio hedge method or the exceptional treatment permitted for interest rate swaps to certain assets and liabilities. The Bank's subsidiaries also apply the portfolio hedge method or the exceptional treatment permitted for interest rate swaps.

The Bank also applies the deferral method to account for hedges of foreign exchange risks associated with various foreign currency denominated monetary assets and liabilities in accordance with the standard treatment under JICPA's Industry Audit Committee Report No. 25 of July 29, 2002, entitled the "Treatment of Accounting and Auditing Concerning Accounting for Foreign Currency Transactions in Banking Industry." The effectiveness of currency swap transactions, exchange swap transactions and similar transactions hedging the foreign exchange risks of monetary assets and liabilities denominated in foreign currencies is assessed based on a comparison of the foreign currency position of the hedged monetary assets and liabilities to that of the corresponding hedging instruments.

(f) Loans and bills discounted and allowance for loan losses

Loans and bills discounted are stated at the amount of the unpaid principal. Unearned interest and discounts are recorded as liabilities and recognized as income over the term of the loan or bill.

An allowance for loan losses of the Bank is established to cover future credit losses in accordance with internal rules on self-assessment of asset quality and provision of allowances for possible loan losses. Loans written off are charged to either allowance for loan losses or current income. The recovery of loans written off is recorded as other income.

The allowance is made based on the Bank's internal rules on establishing allowances for possible loan losses. For claims against borrowers in legal bankruptcy ("Bankrupt Borrowers") and virtual bankruptcy ("Virtually Bankrupt Borrowers"), an allowance is provided based on the amounts of the claims, net of the amounts expected to be collected through the disposal of collateral or execution of guarantees. For claims against borrowers having the possibility of bankruptcy ("Potentially Bankrupt Borrowers"), an allowance is provided based on an overall solvency assessment performed for the amounts of the claims, net of the amounts expected to be collected through the disposal of collateral or execution of guarantees. For claims against other borrowers, an allowance is provided based on the historical loan loss experience of the Bank for a certain past period. All claims are assessed by the Bank's operating divisions based on the Bank's internal rules on self-assessment of asset quality. The Bank's inspection division, which is independent from the Bank's operating divisions, conducts audits of such assessments, and an allowance is provided based on such audit results.

The Bank's subsidiaries provide allowances for loan losses on a similar basis.

(g) Tangible fixed assets and depreciation

Except for lease assets, tangible fixed assets are stated at cost, less accumulated depreciation, computed principally using the straight-line method over the following range of estimated useful lives of such assets.

Buildings	15 years to 50 years
Others	4 years to 15 years

(Changes in accounting policies which are difficult to distinguish from changes in accounting estimates)
The Bank and its consolidated subsidiaries have changed the depreciation method of tangible fixed assets except for lease assets from the declining-balance method to the straight-line method from the year ended March 31, 2016.

The Bank has positively implemented new store openings focusing on Aichi Prefecture as a management strategy aiming at expansion of operational bases and plans to continue investments to open new stores, rebuild existing stores for the purpose of strengthening sales activities and improving customers' convenience and to replace office equipment for the purpose of BPR. Taking this opportunity, the Bank reviewed the status of tangible fixed assets comprehensively and as a result, the management judged that changing the depreciation method to the straight-line method corresponding to the actual status of use would reflect the actual status of operations more accurately since their value is more or less used constantly over the useful life.

As a result of this change, income before income taxes increased by ¥673 million compared to the previous method.

(h) Intangible fixed assets

Intangible fixed assets, except for lease assets, are amortized using the straight-line method. Costs of computer software developed or obtained for internal use are principally deferred and amortized on a straight-line basis over the estimated useful life of five years.

(i) Leases

Prior to April 1, 2008, the Hyakugo Bank Group had accounted for finance leases that do not transfer ownership of the leased property to the lessee ("Non-transferrable Finance Leases") as operating lease transactions in accordance with the "Opinion Concerning Accounting Standards for Leases" issued by the Business Accounting Council of Japan ("BACJ") in June 1993, on the condition that certain "as if capitalized" information of lessees or "as if sold" information of lessors was disclosed in the notes to financial statements. On March 30, 2007, the Accounting Standards Board of Japan ("ASBJ") issued ASBJ Statement No. 13, entitled the "Accounting Standard for Lease Transactions," which revised the previous accounting standard for lease transactions issued in June 1993. Under the revised accounting standard, lessees are required to capitalize all finance leases and recognize lease assets and lease obligations in the balance sheets. In addition, the revised accounting standard requires lessors to recognize all finance leases that transfer ownership of the leased property to the lessee ("Transferable Finance Leases") as lease receivables and all Non-transferrable Finance Leases as lease investment assets.

The Hyakugo Bank Group has adopted the revised accounting standard for lease transactions effective from April 1, 2008. In accordance with the revised accounting standard, the Hyakugo Bank Group has accounted for Non-transferrable Finance Leases that commenced prior to April 1, 2008 in the following manner. For leases under which a Hyakugo Bank Group company is a lessor, the applicable leased property has been stated at initial book value, less accumulated depreciation, as of April 1, 2008, and accounted for as lease investment assets pursuant to Paragraph 81 of ASBJ Guidance No. 16, entitled the "Implementation Guidance on Accounting Standard for Lease Transactions," issued by ASBJ on March 30, 2007. The difference between income before income taxes when Paragraph 80 of ASBJ Guidance was applied and when Paragraph 81 of ASBJ Guidance was applied was immaterial.

As lessor, revenue from finance lease transactions and related costs are recognized when the lease payments are received. As lessee, lease assets under Non-transferrable Finance Leases recorded in "tangible fixed assets" or "intangible fixed assets" are depreciated using the straight-line method over the term of the lease, with a predetermined residual value of zero or as stated in the applicable lease contract.

(j) Foreign currency translation

Assets and liabilities denominated in foreign currencies are translated into Japanese yen at the exchange rates prevailing at the fiscal year-end. Revenues and expenses are translated at the exchange rates prevailing on the applicable transaction dates. Foreign exchange gains and losses resulting from such transactions are included in the determination of net income.

(k) Provision for bonuses

The subsidiaries provide provisions for bonuses based on the estimated amounts of future payments attributable to the current year.

(l) Provision for directors' retirement benefits

Provisions for directors' retirement benefits of the consolidated subsidiaries are provided for payment of retirement benefits to directors and corporate auditors in the amounts deemed accrued at the fiscal year-end based on internal regulations.

(m) Provision for reimbursement of deposits

A provision for reimbursement of deposits, which are not recognized as liabilities under certain conditions, is provided for possible losses on future claims of withdrawal based on the historical reimbursement experience.

(n) Provision for point card certificates

A provision for point card certificates is recorded for future use of point card certificates by the members in the amount rationally estimated and deemed necessary.

(o) Provision for contingent loss

A provision for contingent loss is provided for contingent liabilities not covered by other provisions in the amount deemed necessary based on future estimated losses.

(p) Reserves under special laws

Reserves under special laws are reserves for contingent liabilities and are provided for compensation for losses from securities-related transactions pursuant to Article 46-5-1 of the Financial Instruments and Exchange Act of Japan and Article 175 of the Cabinet Ordinance on Financial Instruments Business.

(q) Employee retirement benefits

Employees who terminate their services with the Hyakugo Bank Group are entitled to retirement benefits, of which the amount is generally determined based on the current basic rate of pay, length of service and conditions under which the termination has occurred.

In accordance with the accounting standard for employee retirement benefits, the Hyakugo Bank Group has principally recognized retirement benefits based on the actuarial present value of the retirement benefit obligations using the actuarial appraisal approach and the fair value of pension plan assets available for benefits at the respective fiscal year-end. In calculating retirement benefit obligations, the Hyakugo Bank Group adopts the method of attributing expected retirement benefits to periods on a benefit formula basis. Consolidated subsidiaries use the simplified method to calculate the amounts required to be paid as retirement benefits if such benefits for all the employees retired voluntarily at the fiscal year end are regarded as retirement benefit obligations.

Past service cost that is yet to be recognized is amortized on a straight-line basis over a fixed period of 3 years, which is within the average remaining service years of the employees, measured from the year in which such cost arises. Actuarial differences arising from changes in the retirement benefit obligations or pension plan assets not anticipated under previous assumptions or from changes in the assumptions themselves that are yet to be recognized are amortized on a straight-line basis over a fixed period of 10 years, which is within the average remaining service years of the employees, measured from the year following the year in which such differences arise. Actuarial differences and past service cost that are yet to be recognized in profit or loss have been recognized as retirement benefit adjustments under a component of accumulated other comprehensive income within the net assets section, after adjusting for tax effects, and the difference between retirement benefit obligations and plan assets has been recognized as asset or liability for employee retirement benefits, without any adjustments, in the accompanying consolidated balance sheets.

(r) Income taxes

Income taxes are accounted for using the asset and liability method. Deferred tax assets and liabilities are recognized as future tax consequences attributable to the differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and operating loss carry-forwards. Deferred tax assets and liabilities are measured using the enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in the period that includes the enactment date.

(s) Appropriation of retained earnings

Cash dividends are recorded in the fiscal year when a proposed appropriation of retained earnings is approved by the board of directors and/or shareholders.

(t) Per share data

Net income per share is computed by dividing income available to common shareholders by the weighted average number of shares of common stock outstanding during the respective years. Diluted net income per share is calculated to reflect the potential dilution assuming that all stock options are exercised at the time of issue, unless such options are anti-dilutive.

Cash dividends per share shown in the accompanying consolidated statements of income represent dividends declared by the Bank as applicable to the respective years shown.

(u) Adoption of new accounting standards

Effective from the year ended March 31, 2016, the Hyakugo Bank Group has applied the "Revised Accounting Standard for Business Combinations" (ASBJ Statement No. 21, September 13, 2013 (hereinafter, "Statement No. 21")), "Revised Accounting Standard for Consolidated Financial Statements" (ASBJ Statement No. 22, September 13, 2013 (hereinafter, "Statement No. 22")) and "Revised Accounting Standard for Business Divestitures" (ASBJ Statement No. 7, September 13, 2013 (hereinafter, "Statement No. 7")) (collectively, the "Business Combination Accounting Standards"). As a result, the Bank changed its accounting policies to recognize in capital surplus the differences arising from the changes in the Bank's ownership interest of subsidiaries over which the Bank continues to maintain control and to record acquisition related costs as expenses in the fiscal year in which the costs are incurred. In addition, the Bank changed its accounting policy for the reallocation of acquisition costs due to the finalization of transitional accounting to reflect such reallocation in the consolidated financial statements for the fiscal year in which the business combination took place. The Bank also changed the presentation of net income and the term "minority interests" was changed to "non-controlling interests."

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

With regard to the application of the Business Combination Accounting Standards, the Bank followed the transitional treatment in Article 58-2 (4) of Statement No. 21, Article 44-5 (4) of Statement No. 22 and Article 57-4 (4) of Statement No. 7 with application from the beginning of the year ended March 31, 2016 prospectively. There was no effect from these changes on the consolidated financial statements for the year ended March 31, 2016.

The Hyakugo Bank Group and its domestic subsidiaries adopted “Revised Implementation Guidance on Recoverability of Deferred Tax Assets” (ASBJ Guidance No. 26, March 28, 2016 (hereinafter, “Guidance No. 26”)) from the year ended March 31, 2017 and revised certain accounting for recoverability of deferred tax assets accordingly.

The Hyakugo Bank Group and its domestic subsidiaries followed the transitional treatments in Article 49 (4) of Guidance No. 26. The differences between deferred tax assets and liabilities as of April 1, 2016 that were computed in accordance with Article 49 (3) and those as of March 31, 2016 were adjusted to retained earnings and non-controlling interests as of April 1, 2016.

As a result, deferred tax assets increased by ¥23 million ($213 thousand), deferred tax liabilities decreased by ¥91 million ($814 thousand), retained earnings increased by ¥105 million ($945 thousand) and non-controlling interests increased by ¥9 million ($82 thousand) at April 1, 2016.

Due to reflection of such effects to net assets as of April 1, 2016, retained earnings as of April 1, 2016 in the consolidated statement of changes in net assets increased by ¥105 million ($945 thousand) and non-controlling interests as of April 1, 2016 increased by ¥9 million ($82 thousand).

3. Financial Instruments and Related Disclosures

Outline of financial instruments

(1) Policy for financial instruments

The Hyakugo Bank Group is engaged in financial service operations centered on banking operations. In addition to investing funds in loans, securities and monetary claims bought for the main purpose of earning interest income, the Bank also operates, within defined limits, securities and money held in trust for the purpose of earning income from price fluctuations. Furthermore, in order to enhance liquidity of assets, the Bank also maintains cash deposits and invests funds in call loans and others in short-term markets. These investments are funded almost exclusively through deposits and negotiable certificates of deposit, while from an asset and liability management (ALM) perspective, other sources of funding are used as necessary, including call money, borrowings and bonds.

Moreover, the Bank uses derivative transactions in order to meet the customers’ risk hedging needs and to make use of the Bank’s own ALM. Within defined limits, the Bank also engages in derivative transactions for the purpose of earning income from trading derivatives.

The consolidated subsidiaries of the Bank include companies that engage in securities operations, credit card operations and leasing operations. Each of these companies holds various financial assets, such as lease receivables and investment assets, installment receivables, member accounts receivable and cash deposits. Certain consolidated subsidiaries use borrowed money to raise funds.

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

The financial assets held by the Hyakugo Bank Group mainly comprise loans to corporations and individuals located in the Bank's business area, as well as securities, including domestic and foreign bonds and domestic stocks. With regard to bonds, the Bank holds Japanese government bonds, local government bonds and bonds issued by highly creditworthy issuers, such as financial institutions, business entities and foreign governments, as well as securitized products comprising receivable-or real-estate-backed assets. In terms of monetary claims bought, the Bank maintains lease receivables and investment assets related to the business of holding trust beneficiary rights and monetary claims purchased from customers in relation to the integrated factoring system. Monetary claims bought are exposed to credit risk of the borrowers and the issuers. Of such monetary claims bought, fixed interest rate items are exposed to the risk of fluctuation in actual value due to interest rate fluctuations while marketable securities are exposed to the risk of fluctuation in market value.

The majority of financial liabilities comprises deposits and negotiable certificates of deposit, the majority of which in turn are received from customers located in the Bank's business area. A high proportion of financial liabilities consists of short-term deposits, such as liquid deposits with no defined maturity and fixed deposits maturing within one year. Call money and other short-term fund raising sources are primarily used for adjusting yen- and foreign currency-denominated capital positions. Corporate bonds consist of subordinated term debt used as hybrid debt capital instrument.

When comprehensively considering financial assets and liabilities, there is risk of losses due to changes in the actual value or capital margins from fluctuations in interest rates or foreign currency exchange rates as a result of differences in interest rate renewal dates, fund settlement dates or transaction currencies between assets and liabilities. Furthermore, should circumstances significantly impair the short-term liquidity of assets, there is risk that the Bank would be forced to raise additional funds that are costly or dispose of assets at lower than expected prices or the like in order to cover the shortfall.

With regard to derivative transactions, interest-related derivatives primarily comprise interest rate swaps, and currency-related derivative transactions primarily involve currency swaps and foreign exchange forwards. The majority of these derivatives are used primarily to hedge the Bank's own market risk or that of customers. Stock futures, bond futures, over-the-counter bond options and credit derivatives are used to earn income from trading activities or to hedge risks. In terms of risks arising from transactions, both market and credit risks are limited because the great majority of the transactions are for the purpose of hedging or are covered transactions and all counterparties are highly creditworthy financial institutions or corporations. The Bank does not enter into any high-risk transactions in which the rate of change in fair value corresponding to the price fluctuation of the object is very high.

During the years ended March 31, 2017 and 2016, the hedged items accounted for using hedge accounting consisted of debt securities, loans and bills discounted, call loans and borrowed money and hedging instruments consisted of interest rate swaps, foreign currency swaps and foreign exchange swaps. The Bank determines whether to revise its hedging policy every month, in addition to determining the hedged items, hedging instruments and hedging ratios semi-annually. Consolidated subsidiaries also set the above policies on occasion. Hedge effectiveness is assessed using the methods provided in JICPA's Accounting System Committee Report No. 14, entitled the "Practical Guidance concerning Accounting for Financial Instruments."

(3) Risk management for financial instruments

a. Credit risk management

In order to avoid large-scale losses resulting from materialization of credit risk, the Hyakugo Bank Group adheres to the basic policy of maintaining the soundness of overall assets by controlling credit risk to within an acceptable scope compared to shareholders' equity. To this end, the Hyakugo Bank Group has prepared various rules and organizational structures on which it bases its credit risk management. The Bank has established a system in which the Risk Management Committee of each Hyakugo Bank Group company chaired by the President comprehensively gauges, evaluates and monitors the status of various risks, including credit risks, and considers policies and response measures related to risk management on a monthly basis. In addition, the Bank uses Value at Risk (VaR) to measure credit risk in a manner that includes credit concentration risk, which is not included in the calculation of the capital adequacy ratio, based on the framework for integrated risk management. By managing risk within specified limits, the Bank aims to take on appropriate risks and secure stable earnings.

In managing credit risk, the loan screening divisions independent of the sales promotion divisions review and manage loans, and the market risk management department (middle office) manages the same on a day-to-day basis. The Bank has also established a credit risk management department and a risk control management department within the risk management division, which is independent from other divisions, thus ensuring a system of mutual checks and balances.

In addition, the Bank has prepared a credit rating system to evaluate credit risk for each borrower and implement comprehensive measures. Credit ratings are used to formulate finance loan policies and to set loan interest rates. The Hyakugo Bank Credit Policy stipulates a basic policy regarding finance loans in managing credit portfolios. Under such policy, the Bank ensures that investments are not concentrated to only certain companies or corporate groups while also striving to ascertain and monitor the status of credits by such categories as based on the industry, region, credit rating and level of borrowing and to distribute credits appropriately across such categories.

With regard to loan recipients who are facing difficulties due to worsening business conditions or other reasons, the Bank gauges and monitors the management status appropriately, and implements guidance on formulating restructuring plans and collecting receivables as needed.

The Bank prepares various rules and manages market risk of each of its consolidated subsidiaries and manages credit risk of the entire Hyakugo Bank Group through its credit risk management department. Furthermore, the Hyakugo Bank Group comprehensively gauges, evaluates and monitors the status of various risk types, including credit risk, through the Risk Management Committee established at each subsidiary.

b. Market risk management

The Hyakugo Bank Group works to accurately gauge and evaluate the impact of market fluctuation on its business and to conduct appropriate portfolio management by continuously limiting risk to appropriate levels in light of the strength of management and preparing various rules and organizational systems to manage market risk under the basic policy of securing stable revenues.

The Bank has established a system in which the Risk Management Committee of each Hyakugo Bank Group company chaired by the President comprehensively gauges, evaluates and monitors the status of various risks, including market risks, and considers policies and response measures related to risk management on a monthly basis. In addition, the Bank uses VaR to measure market risk in a manner that includes interest rate risk, which is not included in the calculation of the capital adequacy ratio, based on a framework for integrated risk management. By managing risk within specified limits set for each risk type, the Bank aims to take on appropriate risks and secure stable earnings.

The Bank seeks to reduce risk of losses due to insufficient funds by managing market risk on a day-to-day basis, drawing clear distinctions between the trade execution department (front office) and the administrative processing department (back office), and by establishing a market risk management department (middle office) for such management. All of the above-mentioned departments are overseen by the risk control management department, thus ensuring a system of mutual checks and balances. The transaction status, fair value and risk exposure are calculated and managed on appropriate dates, and management systems are strengthened at appropriate times in response to situations that arise. In addition, for transactions entered into to secure a profit through purchase and sale, etc., the Bank limits its risk of losses by preparing a management framework tailored to the special circumstances of each investment object, including by establishing position limits, loss cutting rules and cumulative loss limits, and conducting rigorous management on such framework.

The Bank manages market risk for its overall financial assets and listed liabilities, including deposits and other forms of funds from an ALM perspective, based on a system of checks and balances between the various divisions and departments. Specifically, based on various analyses of asset and liability composition and interest rate forecasts, risk hedging policies are formulated semi-annually, and the ALM Committee, the Risk Management Committee and the Management Committee, which is the decision-making body, determine whether such policies should be revised on a monthly basis. In addition, the Bank and the above-mentioned committees consider and implement various other risk management policies as the need arises. With regard to hedging, interest rate swaps are used as hedging instrument mainly for fixed interest rate debt securities and loans in order to curb the risk of declines in prices due to rising interest rates. The Bank seeks to reduce foreign exchange rate fluctuation risk associated with foreign currency denominated products used for procurement of funds through operation of foreign currency denominated foreign bonds and foreign currency funds by using call money and other forms of procurement as well as by using currency exchange-related derivatives to maintain roughly equivalent operating and procurement amounts in each currency.

The Bank prepares various rules and manages market risk of each of its consolidated subsidiaries and manages market risk of the entire Hyakugo Bank Group through its market risk management department. Furthermore, the Hyakugo Bank Group comprehensively gauges, evaluates and monitors the status of various risk types, including market risk, through the Risk Management Committees established at each subsidiary company.

Quantitative information concerning market risk:

Interest rate risk

The main financial instruments used by the Hyakugo Bank Group that are exposed to impacts of interest rate risk are bonds included in securities, loans and bills discounted, deposits, negotiable certificates of deposit, borrowed money and interest rate swap contracts included in derivative transactions. Interest rate risks attached to these financial assets and liabilities are managed by monitoring VaR calculated using the historical simulation method (which applies a holding period of three months, confidence interval of 99% and observation period of five years).

As of March 31, 2017, the amount of interest rate risk (a predicted amount of loss) the Bank was exposed to was estimated to be ¥21,927 million ($195,434 thousand) (¥16,434 million in 2016) overall. The Bank conducts back testing which compares the results calculated under the VaR model with changes in present value and believes that the simulation model employed captures market risk to a sufficiently accurate degree. It is noted, however, that the VaR model calculates the amount of market risk according to certain probability statistically calculated on the basis of historical market fluctuations. Therefore, the VaR model may fail to capture risks which arise under exceptional market conditions affected by drastic change.

The interest rate risk the consolidated subsidiaries are exposed to is not included in the calculation, as the outstanding balances of their financial instruments that are potentially exposed to interest rate risk are fairly small and, hence, their importance minimal.

Stock price risk

The main financial instruments used by the Hyakugo Bank Group exposed to stock price risk are stocks included in securities. Of these financial assets, stock price risks attached to those held for pure investment purpose are managed by monitoring its VaR, which is calculated using the historical simulation method (which applies a holding period of three months, confidence interval of 99% and observation period of five years), and stock price risks attached to those held for purposes other than pure investments are managed by monitoring valuation losses, which may arise to a degree as assumed under the VaR model, the VaR of which is calculated using the historical simulation method (which applies a holding period of six months, confidence interval of 99% and observation period of five years).

As of March 31, 2017, the amount of stock price risk (a predicted amount of loss) the Bank was exposed to was estimated to be ¥3,535 million ($31,502 thousand) (¥3,590 million in 2016) overall. The Bank conducts back testing which compares the results calculated under the VaR model with changes in present value. As a result of the back testing in the year ended March 31, 2017 (245 business days) from January through December 2016, the number of times that changes in the present value of stocks held for pure investment purposes exceeded VaR was 7 out of 245 times. Since there was a concern that the accuracy of capturing stock price risk may decline, the amount adjusted by multipliers is deemed as the amount of stock price risk so that the capturing accuracy would be secured at a confidence interval of 99% for VaR calculated using the simulation model.

The stock price risk the consolidated subsidiaries are exposed to is not included in the calculation, as the outstanding balances of their financial instruments that are potentially exposed to stock price risk are fairly small and, hence, its importance minimal.

Other price fluctuation risk

The main financial instruments used by the Hyakugo Bank Group exposed to price fluctuation risk are investment trusts included in securities. Price fluctuation risks attached to these financial assets are managed by monitoring its VaR, which is calculated using the historical simulation method (which applies a holding period of three months, confidence interval of 99% and observation period of five years).

As of March 31, 2017, the amount of stock price risk (a predicted amount of loss) the Bank was exposed to was estimated to be ¥17,164 million ($152,973 thousand) (¥11,846 million in 2016) overall. The Bank conducts back testing which compares the results calculated under the VaR model with changes in present value. As a result of the back testing implemented in the year ended March 31, 2017 (245 business days) from January through December 2016, the number of times that changes in the present value of stock ETF exceeded VaR was 5 out of 245 times. Since there was a concern that the accuracy of capturing price fluctuation risk of stock ETF may decline, the amount adjusted by multipliers is deemed as the amount of stock price fluctuation risk of stock ETF so that the capturing accuracy would be secured at a confidence interval of 99% for VaR calculated using the simulation model. The management believes that the simulation model employed for investment trusts other than stock ETF captures price fluctuation risk to a sufficiently accurate degree.

c. Liquidity risk management

The Hyakugo Bank Group manages liquidity risks through establishment of relevant internal rules and organizational structures, adherence to the basic policy of maintaining structures that can appropriately respond to a liquidity crisis and by accurately grasping situations of investment and funding and market trends on stable funding.

The Bank has established a system in which the Risk Management Committee of each Hyakugo Bank Group company chaired by the President comprehensively gauges, evaluates and monitors the status of liquidity risk and its management and considers risk management policies and response measures on a monthly basis.

In funding operations, the Bank appropriately controls and manages daily and future funding requirements in Japanese yen and foreign currencies. The Bank also constantly monitors funding availability in the markets and establishes countermeasures, such as establishment and timely review of a maximum funding amount based on the funding availability, against unexpected adverse events beforehand to prepare against liquidity risks.

(4) Supplementary explanation concerning fair values of financial instruments

The fair values of financial instruments comprise values determined based on market prices and values determined reasonably when there is no available market prices. Since variable factors are incorporated in computing the relevant fair values, such fair values may vary depending on the application of different assumptions.

Fair values of financial instruments

The carrying amounts and fair values of, and unrealized gains/losses on, the financial instruments as of March 31, 2017 and 2016 were as follows.

It is noted that unlisted stocks and other items for which the fair values were deemed extremely difficult to estimate were not included in the following table *(see Note 2 below)*.

In addition, lease receivables and lease investment assets, contracts for overdraft facilities, loan commitments, bonds and agreements on guarantee of liabilities (customers' liabilities for acceptances and guarantees) were omitted from the below table due to immateriality.

March 31, 2017	Carrying value	Fair value	Differences
		Millions of yen	
(1) Cash and due from banks	¥ 330,505	¥ 330,505	¥ -
(2) Call loans and bills bought	84,215	84,215	-
(3) Monetary claims bought *(*1)*	11,519	11,519	-
(4) Trading account securities	392	392	-
(5) Money held in trust	2,018	2,018	-
(6) Securities			
Available-for-sale securities	2,038,661	2,038,661	-
(7) Loans and bills discounted	2,935,867		
Allowance for loan losses *(*1)*	(18,043)		
	2,917,824	2,929,665	11,841
(8) Foreign exchanges *(*1)*	1,757	1,757	-
Total assets	¥ 5,386,896	¥ 5,398,737	¥ 11,841
(1) Deposits	¥ 4,545,769	¥ 4,545,733	¥ (35)
(2) Negotiable certificates of deposit	173,335	173,335	(0)
(3) Call money and bills sold	-	-	-
(4) Payables under securities lending transactions	274,712	274,712	-
(5) Borrowed money	82,704	82,679	(24)
(6) Foreign exchanges	41	41	-
(7) Bonds payable	-	-	-
Total liabilities	¥ 5,076,562	¥ 5,076,501	¥ (60)
Derivative transactions *(*2)*			
To which hedge accounting is not applied	¥ 3,044	¥ 3,044	¥ -
To which hedge accounting is applied	(6,062)	(6,062)	-
Total derivative transactions	¥ (3,017)	¥ (3,017)	¥ -

March 31, 2016	Carrying value	Fair value	Differences
		Millions of yen	
(1) Cash and due from banks	¥ 319,444	¥ 319,444	¥ -
(2) Call loans and bills bought	2,109	2,109	-
(3) Monetary claims bought *(*1)*	13,450	13,450	-
(4) Trading account securities	233	233	-
(5) Money held in trust	3,000	3,000	-
(6) Securities			
Available-for-sale securities	1,993,649	1,993,649	-
(7) Loans and bills discounted	2,882,336		
Allowance for loan losses *(*1)*	(17,448)		
	2,864,887	2,890,681	25,793
(8) Foreign exchanges *(*1)*	2,832	2,832	-
Total assets	¥ 5,199,607	¥ 5,225,401	¥ 25,793
(1) Deposits	¥ 4,447,508	¥ 4,447,712	¥ 204
(2) Negotiable certificates of deposit	196,081	196,081	(0)
(3) Call money and bills sold	1,126	1,126	-
(4) Payables under securities lending transactions	139,902	139,902	-
(5) Borrowed money	69,137	69,213	76
(6) Foreign exchanges	55	55	-
(7) Bonds payable	15,000	15,026	26
Total liabilities	¥ 4,868,811	¥ 4,869,119	¥ 307
Derivative transactions *(*2)*			
To which hedge accounting is not applied	¥ 3,873	¥ 3,873	¥ -
To which hedge accounting is applied	(11,008)	(11,008)	-
Total derivative transactions	¥ (7,135)	¥ (7,135)	¥ -

March 31, 2017	Carrying value	Fair value	Differences
	Thousands of U.S. dollars		
(1) Cash and due from banks	$ 2,945,941	$ 2,945,941	$ -
(2) Call loans and bills bought	750,652	750,652	-
(3) Monetary claims bought *(*1)*	102,680	102,680	-
(4) Trading account securities	3,501	3,501	-
(5) Money held in trust	17,996	17,996	-
(6) Securities			
Available-for-sale securities	18,171,508	18,171,508	-
(7) Loans and bills discounted	26,168,710		
Allowance for loan losses *(*1)*	(160,827)		
	26,007,883	26,113,429	105,546
(8) Foreign exchanges *(*1)*	15,669	15,669	-
Total assets	$ 48,015,830	$ 48,121,376	$ 105,546
(1) Deposits	$ 40,518,491	$ 40,518,171	$ (320)
(2) Negotiable certificates of deposit	1,545,014	1,545,014	(0)
(3) Call money and bills sold	-	-	-
(4) Payables under securities lending transactions	2,448,636	2,448,636	-
(5) Borrowed money	737,178	736,959	(219)
(6) Foreign exchanges	367	367	-
(7) Bonds payable	-	-	-
Total liabilities	$ 45,249,686	$ 45,249,147	$ (539)
Derivative transactions *(*2)*			
To which hedge accounting is not applied	$ 27,133	$ 27,133	$ -
To which hedge accounting is applied	(54,034)	(54,034)	-
Total derivative transactions	$ (26,901)	$ (26,901)	$ -

*(*1) A general allowance for loan losses and specific allowance for loan losses corresponding to loans and bills discounted have been deducted. Allowances for doubtful receivables for monetary claims bought and foreign exchanges were not significant in amount. Therefore, such allowances were written-down directly from the amounts listed in the consolidated balance sheets.*

*(*2) Derivative transactions recorded under other assets and liabilities have been listed together. Receivables and payables arising from derivative transactions have been presented in net amounts. Net payables have been presented in parentheses.*

For derivative transactions to which exceptional treatment for interest-rate swaps was applied, the fair values thereof have been included in the fair values of the loans and bills discounted, which are the hedged items.

(Note 1) Calculation method of fair values of financial instruments

Assets:

(1) Cash and due from banks

With respect to due from banks without maturities, the carrying amount is presented at fair value because such carrying amount approximates the fair value. With respect to due from banks with maturity or due from banks held by a consolidated subsidiary, the carrying amount is presented at fair value because of the minimal amount of such due and out of necessity.

(2) Call loans and bills bought

The carrying amount of a call loan or bill bought is presented at fair value since the residual maturity of such call loan or bill is less than one year and such carrying amount approximates the fair value.

(3) Monetary claims bought

Of the monetary claims bought, trust beneficiary rights are valued at the price presented by partner financial institutions. Monetary claims purchased from customers in relation to the integrated factoring system are settled over a specified short-term period. The carrying amounts for such claims are, therefore, presented at fair value as such carrying amounts approximate the fair values.

(4) Trading account securities

Trading account securities held for the purpose of dealing operations are valued at the price at the exchange or presented by partner financial institutions.

(5) Money held in trust

Of the non-consolidated money held in trust as security, the fair value of a financial project operated as trust asset is valued at the price at the exchange or presented by partner financial institutions, etc. With respect to call loans and other similar loans, their carrying amounts are each presented at fair value.
For details regarding money held in trust for holding purpose, see Note 4, entitled the "Trading Account Securities, Money Held in Trust and Securities."

(6) Securities

The fair values of securities are each determined using the quoted price at the stock exchange. (The above does not apply to unlisted stocsk as their fair values are deemed extremely difficult to determine.)

Fair values of debt securities are each valued at the price at the exchange or presented by partner financial institutions, etc. Of such debt securities, the fair values of privately-placed bonds guaranteed by the Bank are calculated by discounting the sum of future interest income, the principal and guarantee receivables, using the assumed rate applicable to a similar type of loans newly advanced and procedures applicable to business loans. In addition, the fair values of debt securities of Bankrupt Issuers, Virtually Bankrupt Issuers or Potentially Bankrupt Issuers are stated at actual value, which is calculated by assessing the amount of write-offs based on estimated loan losses for similar business loans.

The fair value of an investment trust is determined using the published standard quotation.

For details regarding securities for holding purpose, see Note 4, entitled "Trading Account Securities, Money Held in Trust and Securities."

(7) Loans and bills discounted

The carrying amount of a loan or bill discounted (except for loans containing credit derivatives) with variable interest rate and short maturity is presented at fair value as such carrying amount approximates the fair value, unless the credit situation of the borrower changes significantly after executing the loan or bill discounted. In such a case, the market interest rate will quickly react to such change.

Of the fixed-rate loans and bills discounted, the fair value of a consumer loan or loaned product to local governments is computed, with respect to each category of products and lending terms, by discounting the sum of future principal and interest income, using the assumed rate applicable to a same type of new loan. The fair values of loans to businesses and similar instruments are computed, with respect to each category of internal ratings and lending terms, by discounting the sum of future principal and interest income, using the assumed rate applicable to a same type of new loan. The carrying amount of a loan or bill discounted with a short-term contract period or maturity (less than one year) is presented at fair value as such carrying amount approximates the fair value.

The fair values of loans containing credit derivatives are determined using the price presented by partner financial institutions.

Losses on claims against Bankrupt Borrowers, Virtually Bankrupt Borrowers and Potentially Bankrupt Borrowers are estimated based on the forecasted recoverable amount of collaterals and guarantees for such claims. The market values of such claims approximated the carrying amounts of such claims as of the consolidated closing date after deduction of present relevant estimated loan losses. Therefore, the Bank uses market values as fair values of such claims.

Meanwhile, with respect to loans and bills discounted of consolidated subsidiaries, their carrying amounts are presented as fair value as a minimum requirement.

(8) Foreign exchanges

Foreign exchanges include foreign currency deposits with other banks (due from foreign banks - own accounts), foreign exchange-related short-term loans receivable (due from foreign banks – their accounts), export bills, traveler's checks (foreign bills bought) and loans on import bills (foreign bills receivable). The carrying amounts of these instruments are presented at fair value, as they are dues from banks without maturities or instruments with a short-term contract period (within one year) and their carrying amounts approximate the fair values.

Liabilities:

(1) Deposits and (2) negotiable certificates of deposit

With respect to an on-demand deposit, the payment obligation demanded at the balance sheet date, which is the carrying amount, is deemed to be the fair value. The fair value of a time deposit is computed using the present value by discounting future cash flows for each category of a certain period. The interest rate to be applied when a new deposit is made is used as the discount rate. For a deposit whose residual maturity is less than one year, the carrying amount is presented at fair value since such carrying amount approximates the fair value.

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

The carrying amounts of items (3) and (4) are presented at fair value as such carrying amounts approximate the fair values due to short-term maturities (less than one year).

(5) Borrowed money

The present value of borrowed money is computed by discounting the sum of principal and interest income to be received, classified by a fixed period, using the assumed rate applicable to the same type of borrowings. The carrying amount of such instrument is presented at fair value as such carrying amount approximates the fair value due to the short-term maturity (less than one year). With respect to borrowed money of consolidated subsidiaries, the carrying amount is presented at fair value as a minimum requirement.

(6) Foreign exchanges

Foreign exchanges include foreign currency deposits from other banks and non-resident yen deposits (due to foreign branches – their accounts), foreign exchange-related short-term loans payable (due to foreign banks – own accounts), foreign exchange-related accrued liabilities sold to customers (foreign bills sold) and foreign exchange-related accrued liabilities sent to customers (foreign bills payable). The carrying amounts of these instruments are presented at fair value as such carrying amounts approximate the fair values due to such instruments being dues from banks without maturities or having short maturities (within one year).

(7) Bonds payable

The fair values of bonds issued by the Bank are based on market value.

Derivative transactions:

Please see Note 16, entitled the "Derivative Instruments."

(Note 2) The following table summarizes financial instruments whose fair values were extremely difficult to estimate. It is noted that these instruments were not included in the aforementioned table regarding the fair values of financial instruments.

	Millions of yen		Thousands of U.S. dollars
Category	2017	2016	2017
Unlisted stocks *(*1)(*2)*	¥ 2,205	¥ 2,619	$ 19,659
Investments in capital of partnerships *(*3)*	2,701	1,447	24,077
Total	¥ 4,906	¥ 4,067	$ 43,736

*(*1) The fair values of unlisted stocks were not disclosed since there were no available market prices and such fair values were extremely difficult to estimate.*

*(*2) The Bank recognized impairment loss in the amount of ¥3 million ($27 thousand) on unlisted stocks for the year ended March 31, 2017. No impairment loss was recognized on unlisted stocks for the year ended March 31, 2016.*

*(*3) The fair values of investments in capital of partnerships comprise assets whose fair values are deemed to be extremely difficult to estimate such as unlisted stocks and the like. Thus, the fair values of investments in capital of partnerships were not disclosed.*

(Note 3) Maturity of financial assets and securities with contractual maturities at March 31, 2017:

	Millions of yen					
	Within one year	One to three years	Three to five years	Five to seven years	Seven to 10 years	Over 10 years
Due from banks	¥ 267,378	¥ -	¥ -	¥ -	¥ -	¥ -
Call loans and bills bought	84,215	-	-	-	-	-
Monetary claims bought	7,410	373	1,495	1,901	-	339
Available-for-sale securities with maturity:						
Japanese government bonds	25,500	131,400	339,500	65,500	16,000	50,000
Local government bonds	42,098	96,647	61,397	41,374	112,979	-
Corporate bonds	75,653	218,496	75,282	28,527	20,761	11,688
Others	11,820	38,506	49,794	33,092	198,403	17,616
Subtotal	155,072	485,050	525,973	168,495	348,143	79,304
Loans and bills discounted (*)	728,759	617,193	395,916	242,075	226,058	667,221
Total	¥ 1,242,836	¥ 1,102,617	¥ 923,385	¥ 412,472	¥ 574,202	¥ 746,865

(*) These loans and bills discounted do not include loans of ¥58,642 million, which do not have specific maturity dates.

	Thousands of U.S. dollars					
	Within one year	One to three years	Three to five years	Five to seven years	Seven to 10 years	Over 10 years
Due from banks	$ 2,383,269	$ -	$ -	$ -	$ -	$ -
Call loans and bills bought	750,652	-	-	-	-	-
Monetary claims bought	66,050	3,331	13,333	16,949	-	3,023
Available-for-sale securities with maturity:						
Japanese government bonds	227,293	1,171,227	3,026,116	583,831	142,615	445,673
Local government bonds	375,239	861,461	547,261	368,794	1,007,033	-
Corporate bonds	674,335	1,947,559	671,022	254,281	185,052	104,183
Others	105,363	343,225	443,838	294,972	1,768,464	157,022
Subtotal	1,382,230	4,323,472	4,688,237	1,501,878	3,103,164	706,878
Loans and bills discounted (*)	6,495,758	5,501,325	3,528,981	2,157,729	2,014,960	5,947,249
Total	$ 11,077,959	$ 9,828,128	$ 8,230,551	$ 3,676,556	$ 5,118,124	$ 6,657,150

(*) These loans and bills discounted do not include loans of $522,707 thousand, which do not have specific maturity dates.

(Note 4) Maturity of bonds and interest bearing liabilities at March 31, 2017:

	Millions of yen					
	Within one year	One to three years	Three to five years	Five to seven years	Seven to 10 years	Over 10 years
Deposits (*)	¥ 4,110,980	¥ 377,250	¥ 57,538	¥ -	¥ -	¥ -
Negotiable certificates of deposit	173,185	150	-	-	-	-
Call money and bills sold	-	-	-	-	-	-
Borrowed money	47,849	32,042	2,754	57	-	-
Bonds payable	-	-	-	-	-	-
Total	¥ 4,332,015	¥ 409,442	¥ 60,293	¥ 57	¥ -	¥ -

(*) On-demand deposits fall under the "within one year" column.

	Thousands of U.S. dollars					
	Within one year	One to three years	Three to five years	Five to seven years	Seven to 10 years	Over 10 years
Deposits (*)	$ 36,643,023	$ 3,362,600	$ 512,868	$ -	$ -	$ -
Negotiable certificates of deposit	1,543,677	1,337	-	-	-	-
Call money and bills sold	-	-	-	-	-	-
Borrowed money	426,504	285,612	24,551	511	-	-
Bonds payable	-	-	-	-	-	-
Total	$ 38,613,204	$ 3,649,549	$ 537,419	$ 511	$ -	$ -

(*) On-demand deposits fall under the "within one year" column.

4. Trading Account Securities, Money Held in Trust and Securities

At March 31, 2017 and 2016, securities consisted of the following.

	Millions of yen		Thousands of U.S. dollars
	2017	2016	2017
Government bonds	¥ 656,172	¥ 665,264	$ 5,848,763
Local government bonds	359,669	341,957	3,205,894
Corporate bonds	437,098	473,813	3,896,058
Stocks	169,295	158,655	1,509,008
Other securities	421,332	358,024	3,755,522
Total	¥ 2,043,568	¥ 1,997,716	$ 18,215,245

In the accompanying consolidated balance sheets, trading account securities, money held in trust and securities were included in marketable securities traded on stock exchanges. Included in government bonds and other securities were investment securities lent to third parties under securities loan agreements in the amounts of ¥28,511 million ($254,131 thousand) and ¥9,334 million at March 31, 2017 and 2016, respectively.

For securities received under derivative transaction agreements where the Bank is permitted to sell or re-pledge the securities without restriction, zero and ¥861 million were held without being sold or re-pledged as of March 31, 2017 and 2016, respectively.

Guarantees provided for certain privately placed bonds were included in securities in accordance with Article 2, Paragraph 3 of the Financial Instruments and Exchange Act of Japan. The guarantees amounted to ¥7,937 million ($70,751 thousand) and ¥9,414 million at March 31, 2017 and 2016, respectively.

Investments in securities are classified as trading, held-to-maturity or available-for-sale securities. Such classifications determine the respective accounting method to be applied as stipulated under the accounting standard for financial instruments. At March 31, 2017 and 2016, the carrying values of trading account securities, money held in trust for trading purposes and related net unrealized gains/losses included in current earnings were as follows.

	Carrying value	Unrealized gains (losses)	Carrying value	Unrealized gains (losses)	Carrying value	Unrealized gains (losses)
	Millions of yen				Thousands of U.S. dollars	
	2017		2016		2017	
Trading account securities	¥ 392	¥ 2	¥ 233	¥ 5	$ 3,501	$ 24
Money held in trust	2,018	18	3,000	-	17,996	169

At March 31, 2017 and 2016, gross unrealized gains and losses on marketable available-for-sale securities were summarized as follows.

	Acquisition cost	Gross unrealized gains	Gross unrealized losses	Carrying value
	Millions of yen			
As of March 31, 2017				
Securities of which carrying value exceeds acquisition cost:				
Stocks	¥ 58,374	¥ 101,723	¥ -	¥ 160,097
Bonds:				
Government bonds	605,506	21,279	-	626,785
Local government bonds	289,591	5,583	-	295,174
Corporate bonds	394,116	4,108	-	398,225
Others	208,510	9,432	-	217,942
Securities of which carrying value does not exceed acquisition cost:				
Stocks	7,480	-	(488)	6,992
Bonds:				
Government bonds	30,408	-	(1,021)	29,387
Local government bonds	65,088	-	(594)	64,494
Corporate bonds	39,006	-	(133)	38,873
Others	209,512	-	(4,536)	204,975
Total	¥ 1,907,597	¥ 142,127	¥ (6,775)	¥ 2,042,949
As of March 31, 2016				
Securities of which carrying value exceeds acquisition cost:				
Stocks	¥ 59,423	¥ 88,869	¥ -	¥ 148,292
Bonds:				
Government bonds	630,423	30,077	-	660,501
Local government bonds	333,402	8,555	-	341,957
Corporate bonds	461,715	5,853	-	467,569
Others	270,604	11,132	-	281,736
Securities of which carrying value does not exceed acquisition cost:				
Stocks	8,692	-	(949)	7,743
Bonds:				
Government bonds	4,773	-	(9)	4,763
Local government bonds	-	-	-	-
Corporate bonds	6,260	-	(15)	6,244
Others	84,850	-	(3,003)	81,846
Total	¥ 1,860,146	¥ 144,488	¥ (3,979)	¥ 2,000,655

	Acquisition cost	Gross unrealized gains	Gross unrealized losses	Carrying value
	Thousands of U.S. dollars			
As of March 31, 2017				
Securities of which carrying value exceeds acquisition cost:				
Stocks	$ 520,316	$ 906,709	$ -	$ 1,427,025
Bonds:				
Government bonds	5,397,150	189,670	-	5,586,820
Local government bonds	2,581,261	49,766	-	2,631,027
Corporate bonds	3,512,940	36,624	-	3,549,564
Others	1,858,549	84,075	-	1,942,624
Securities of which carrying value does not exceed acquisition cost:				
Stocks	66,680	-	(4,357)	62,323
Bonds:				
Government bonds	271,048	-	(9,105)	261,943
Local government bonds	580,165	-	(5,298)	574,867
Corporate bonds	347,685	-	(1,190)	346,495
Others	1,867,482	-	(40,440)	1,827,042
Total	$ 17,003,276	$ 1,266,844	$ (60,390)	$ 18,209,730

Because of a decline in value that the Hyakugo Bank Group determined to be permanent, impairment loss on marketable investment securities was recorded in the amount of zero and ¥163 million for the years ended March 31, 2017 and 2016, respectively.

The method for finding an impairment loss with respect to a marketable investment security is as follows.

If the fair value of a marketable investment security declines to between 30% and 50% of the acquisition cost, recoverability of such security will be determined based on the trend of changes in related fair values over a given period and the financial condition of the issuing company. If, based on the application of such method, the amount of decline in the fair value is deemed unrecoverable, impairment loss will be recognized.

At March 31, 2017 and 2016, net unrealized gains on available-for-sale securities, net of applicable income taxes and non-controlling interests, recorded in valuation difference on available-for-sale securities in the accompanying consolidated balance sheets were as follows.

	Millions of yen		Thousands of U.S. dollars
	2017	2016	2017
Unrealized gains	¥ 135,545	¥ 140,581	$ 1,208,176
Less applicable income taxes	(40,216)	(41,926)	(358,464)
Less non-controlling interests portion	(80)	(75)	(718)
Net unrealized gains in net assets	¥ 95,248	¥ 98,579	$ 848,994

Available-for-sale securities sold during the years ended March 31, 2017 and 2016 were as follows.

	Proceeds from sales	Gain on sales	Loss on sales
	Millions of yen		
For the year 2017:			
Stocks	¥ 11,677	¥ 3,937	¥ 373
Bonds:			
Government bonds	25,599	421	-
Local government bonds	23,281	-	18
Corporate bonds	1,573	7	6
Others	150,843	2,334	538
	¥ 212,976	¥ 6,701	¥ 935
For the year 2016:			
Stocks	¥ 16,949	¥ 2,932	¥ 1,015
Bonds:			
Government bonds	223,453	1,553	5
Local government bonds	18,520	10	-
Corporate bonds	1,912	15	-
Others	69,726	1,336	242
	¥ 330,563	¥ 5,849	¥ 1,263

	Proceeds from sales	Gain on sales	Loss on sales
	Thousands of U.S. dollars		
For the year 2017:			
Stocks	$ 104,091	$ 35,098	$ 3,326
Bonds:			
Government bonds	228,184	3,757	-
Local government bonds	207,519	-	164
Corporate bonds	14,026	67	54
Others	1,344,538	20,811	4,796
	$ 1,898,358	$ 59,733	$ 8,340

5. Loans and Bills Discounted

At March 31, 2017 and 2016, loans and bills discounted consisted of the following.

	Millions of yen				Thousands of U.S. dollars	
	2017		2016		2017	
Bills discounted	¥	6,398	¥	8,658	$	57,028
Loans on notes		97,155		98,021		865,989
Loans on deeds		2,497,372		2,435,616		22,260,205
Overdrafts		334,941		340,038		2,985,488
	¥	2,935,867	¥	2,882,336	$	26,168,710

Bills discounted are accounted for as financial transactions in accordance with JICPA's Industry Audit Committee Report No. 24 of February 13, 2002, entitled the "Accounting and Auditing Treatment of Accounting Standards for Financial Instruments in the Banking Industry." The Hyakugo Bank Group has the right to sell or pledge bills discounted and foreign exchanges bought without restrictions. The total face values of these bills amounted to ¥6,409 million ($57,127 thousand) and ¥8,660 million at March 31, 2017 and 2016, respectively.

Claims against borrowers in bankruptcy and past due loans were included in loans and bills discounted and amounted to ¥52,894 million ($471,468 thousand) and ¥51,807 million at March 31, 2017 and 2016, respectively. Loans are generally placed on non-accrual status when substantial doubt is determined to exist as to the ultimate collectability of either principal or interest because they are past due for a certain period or for other reasons. Interest revenue accruals are suspended when loans are classified as claims against borrowers in bankruptcy or past due loans. Claims against borrowers in bankruptcy represent non-accrual loans, less partial charge-off of claims deemed uncollectible against borrowers who are legally bankrupt as defined in Article 96, Paragraph 1, Subparagraphs 3 and 4 of the Enforcement Ordinance of the Corporation Tax Act of Japan. Past due loans, other than claims against borrowers in bankruptcy and loans for which interest payments are deferred in order to assist the financial recovery of borrowers in financial difficulties, are considered non-accrual loans.

At March 31, 2017 and 2016, accruing loans (which exclude non-accrual loans) for which the payment of the principal and/or interest was contractually past due by three months or more amounted to ¥12 million ($115 thousand) and ¥172 million, respectively.

At March 31, 2017 and 2016, restructured loans (which excludes non-accrual loans and accruing loans contractually past due by three months or more as mentioned above) for which the Bank has relaxed its lending conditions for borrowers in financial difficulties through measures such as reduction of the original interest rate, forbearance of interest and/or principal payments and extension of the maturity date, in order to support such borrowers in their financial recovery or restructuring, amounted to ¥8,424 million ($75,094 thousand) and ¥10,660 million, respectively.

Total non-performing assets, net of charge-offs, consisted of non-accrual loans, accruing loans contractually past due by three months or more and restructured loans in the amounts of ¥61,331 million ($546,677 thousand) and ¥62,640 million at March 31, 2017 and 2016, respectively.

6. Tangible Fixed Assets

At March 31, 2017 and 2016, tangible fixed assets, net of accumulated depreciation, were as follows.

	Millions of yen		Thousands of U.S. dollars
	2017	2016	2017
Buildings	¥ 22,558	¥ 23,153	$ 201,074
Land	19,880	19,856	177,201
Lease assets	3	7	31
Construction in progress	117	7	1,044
Other tangible fixed assets	4,081	3,904	36,376
Tangible fixed assets	¥ 46,640	¥ 46,930	$ 415,726

Accumulated depreciation of tangible fixed assets amounted to ¥33,055 million ($294,640 thousand) and ¥31,585 million as of March 31, 2017 and 2016, respectively.

Pursuant to the Act Concerning Revaluation of Land (the "Revaluation Act"), the Bank elected a one-time revaluation to restate the cost of land used for the banking business at values reassessed to reflect adjustments for land shape and other factors based on appraisal values issued by the Japanese National Tax Agency effective from March 31, 1998. According to the Revaluation Act, the amount equivalent to the tax effect on the excess of the reassessed value over the original book value is recorded as deferred tax liabilities for land revaluation. The rest of such excess, net of the tax effect, is recorded as revaluation reserve for land in accumulated other comprehensive income of net assets in the balance sheets. At March 31, 2017 and 2016, the differences in the carrying values of land used for the banking business after revaluation over current market values at the fiscal year-end amounted to ¥5,852 million ($52,166 thousand) and ¥6,197 million, respectively.

As permitted by the accounting principles and practices generally accepted in Japan, the Bank deducts deferred capital gains on sales of real property from the original acquisition costs of property which is newly acquired for replacement purpose in the same line of business as the property sold. At March 31, 2017 and 2016, deferred capital gains in the amounts of ¥4,022 million ($35,851 thousand) and ¥4,026 million, respectively, were directly deducted from the acquisition costs of land and buildings.

7. Pledged Assets

At March 31, 2017 and 2016, the following assets were pledged as collateral for liabilities.

	Millions of yen		Thousands of U.S. dollars
	2017	2016	2017
Securities	¥ 453,403	¥ 318,380	$ 4,041,386

The above pledged assets secure the following liabilities.

	Millions of yen		Thousands of U.S. dollars
	2017	2016	2017
Deposits	¥ 38,514	¥ 39,083	$ 343,295
Payables under securities lending transactions	274,712	139,902	2,448,636
Borrowed money	60,785	60,000	541,807

In addition, securities amounting to ¥24,564 million ($218,957 thousand) and ¥41,198 million at March

31, 2017 and 2016, respectively, and cash and due from banks amounting to ¥200 million ($1,783 thousand) at March 31, 2017 and 2016, respectively, were pledged as collateral for settlements of exchange, derivatives and other transactions.

Other assets include guarantee money of ¥1,029 million ($9,177 thousand) and ¥1,078 million as of March 31, 2017 and 2016, respectively, margin money deposited with central clearing organization of ¥5,900 million ($52,589 thousand) as of March 31, 2017 and margin money deposited for financial instruments of ¥7,011 million ($62,498 thousand) and ¥9 million as of March 31, 2017 and 2016, respectively.

8. Deposits and Negotiable Certificates of Deposit

At March 31, 2017 and 2016, deposits consisted of the following.

	Millions of yen		Thousands of U.S. dollars
	2017	2016	2017
Demand deposits	¥ 2,431,527	¥ 2,294,537	$ 21,673,301
Time deposits	2,061,176	2,100,614	18,372,199
Other deposits	53,064	52,356	472,991
Deposits	4,545,769	4,447,508	40,518,491
Negotiable certificates of deposit	173,335	196,081	1,545,014
	¥ 4,719,104	¥ 4,643,589	$ 42,063,505

9. Borrowed Money, Bonds Payable and Lease Obligations

Borrowed money consisted of borrowings from financial institutions with an average interest rate of 0.31% per annum at March 31, 2017 due through February 2023.

Borrowed money due annually through 2023 at March 31, 2017 was as follows.

Year ending March 31	Millions of yen	Thousands of U.S. dollars
2018	¥ 47,849	$ 426,504
2019	18,751	167,142
2020	13,291	118,470
2021	1,588	14,156
2022	1,166	10,396
2023	57	510
	¥ 82,704	$ 737,178

At March 31, 2017 and 2016, bonds payable consisted of the following.

	Millions of yen		Thousands of U.S. dollars
	2017	2016	2017
Unsecured 1.33% subordinated bonds, due June 2021	¥ -	¥ 15,000	$ -

Pursuant to the resolution made at the Board of Directors' meeting held on April 26, 2016, the Bank made early redemption of all the unsecured 1.33% subordinated bonds due June 2021 with the provision of early redemption on June 7, 2016.

Lease obligations included in “other liabilities” due annually through July 2023 at March 31, 2017 were as follows.

Year ending March 31	Millions of yen		Thousands of U.S. dollars	
2018	¥	59	$	533
2019		8		76
2020		7		69
2021		7		69
2022		7		69
2023 and after		10		93
	¥	102	$	909

10. Employee Retirement Benefits

(1) Outline of the retirement benefit plans adopted

The Bank has corporate pension fund plans and lump-sum retirement benefit plans as its defined benefit pension plans and defined contribution pension plans, which together substantially cover all employees. Consolidated subsidiaries have lump-sum retirement benefit plans as their defined benefit plans. In addition, the Bank has set up a retirement benefit trust.

Under the lump-sum retirement benefit plans of consolidated subsidiaries, liability for retirement benefits and retirement benefit expenses are computed using the simplified method.

(2) Defined benefit plans

i. The changes in retirement benefit obligations for the years ended March 31, 2017 and 2016 were as follows.

	Millions of yen				Thousands of U.S. dollars	
	2017		2016		2017	
Beginning balance of retirement benefit obligations	¥	45,528	¥	41,200	$	405,812
Service cost		1,650		1,433		14,713
Interest cost		141		475		1,265
Actuarial differences arising		294		4,774		2,621
Retirement benefits paid		(2,583)		(2,356)		(23,031)
Past service cost arising		-		-		-
Other		0		0		0
Ending balance of retirement benefit obligations	¥	45,030	¥	45,528	$	401,380

ii. The changes in pension plan assets for the years ended March 31, 2017 and 2016 were as follows.

	Millions of yen				Thousands of U.S. dollars	
	2017		2016		2017	
Beginning balance of pension plan assets	¥	52,088	¥	76,427	$	464,286
Expected return on pension plan assets		1,667		1,673		14,863
Actuarial differences arising		1,888		(7,423)		16,830
Contribution from the employer		476		1,054		4,243
Retirement benefits paid		(1,655)		(1,609)		(14,756)
Return of retirement benefit trust		-		(18,035)		-
Other		0		0		0
Ending balance of pension plan assets	¥	54,464	¥	52,088	$	485,466

iii. Reconciliations between the ending balances of retirement benefit obligations and pension plan assets and the liability or asset for employee retirement benefits recorded in the consolidated balance sheet were as follows.

	Millions of yen		Thousands of U.S. dollars
	2017	2016	2017
Funded retirement benefit obligations	¥ 44,667	¥ 45,185	$ 398,146
Pension plan assets	(54,464)	(52,088)	(485,466)
	(9,796)	(6,902)	(87,320)
Unfunded retirement benefit obligations	362	342	3,233
Net liability (asset) recorded in the consolidated balance sheet	¥ (9,433)	¥ (6,560)	$ (84,087)

	Millions of yen		Thousands of U.S. dollars
	2017	2016	2017
Liability for employee retirement benefits	¥ 3,661	¥ 4,990	$ 32,640
Asset for employee retirement benefits	(13,095)	(11,550)	(116,727)
Net liability (asset) recorded in the consolidated balance sheet	¥ (9,433)	¥ (6,560)	$ (84,087)

iv. The components of retirement benefit expenses for the years ended March 31, 2017 and 2016 were as follows.

	Millions of yen		Thousands of U.S. dollars
	2017	2016	2017
Service cost	¥ 1,650	¥ 1,433	$ 14,713
Interest cost	141	475	1,265
Expected return on pension plan assets	(1,667)	(1,673)	(14,863)
Amortization of actuarial differences	1,052	(1,287)	9,380
Amortization of past service cost	-	-	-
Gain on return of retirement benefit trust	-	(3,603)	-
Other	-	-	-
Retirement benefit expenses on defined benefit plans	¥ 1,177	¥ (4,655)	$ 10,495

(Note) Retirement benefit expenses of consolidated subsidiaries applying the simplified method calculation were all included in "service cost."

v. The components of retirement benefit adjustments (before tax effect) on other comprehensive income were as follows.

	Millions of yen		Thousands of U.S. dollars
	2017	2016	2017
Past service cost	¥ -	¥ -	$ -
Actuarial differences	(2,646)	19,280	(23,589)
Other	-	-	-
Total	¥ (2,646)	¥ 19,280	$ (23,589)

vi. The components of retirement benefit adjustments (before tax effect) on accumulated other comprehensive income were as follows.

	Millions of yen		Thousands of U.S. dollars
	2017	2016	2017
Unrecognized past service cost	¥ -	¥ -	$ -
Unrecognized actuarial differences	686	3,332	6,116
Other	-	-	-
Total	¥ 686	¥ 3,332	$ 6,116

vii. Pension plan assets

i. Components of pension plan assets

Pension plan assets consisted of the following:

	2017	2016
Bonds	8%	10%
Stocks	50%	50%
Cash and deposits	0%	0%
General account	20%	21%
Other	22%	19%
Total	100%	100%

(Note) At March 31, 2017, the retirement benefit trust established for lump-sum retirement benefit plans and corporate pension fund plans accounted for 32% (30% in 2016) of the total pension plan assets.

ii. Method for determining the long-term expected rate of return on pension plan assets

The long-term expected rate of return on pension plan assets is determined by considering the allocation of pension plan assets and long-term rates of return that are expected currently and in the future for various components of the pension plan assets.

viii. Assumptions used for the years ended March 31, 2017 and 2016 were as follows.

		2017	2016
Discount rate	Corporate pension fund plans	0.4%	0.4%
	Lump-sum retirement benefit plans	0.0%	0.0%
Long-term expected rate of return		Mainly 3.5%	Mainly 3.5%

(Note) In computing retirement benefit obligations, points to be granted in the future on the benefit formula basis are not incorporated and the expected rate of salary is not applied.

(3) Defined contribution plans

The required contribution to the defined contribution plan of the Bank amounted to ¥105 million ($944 thousand) for the years ended March 31, 2017 and 2016, respectively.

(Additional information)

The Bank has established a retirement benefit trust to ensure the soundness of financing the pension plans. However, during the year ended March 31, 2016, the Bank has received a partial return from the retirement benefit trust because the pension assets were funded in excess of the retirement benefit obligations and situation was expected to continue.

Accordingly, the Bank recorded gain on return of retirement benefit trust in an amount of ¥3,603 million under "Income – Others" in the accompanying consolidated statements of income for the year ended March 31, 2016.

11. Acceptances and Guarantees

The Bank provides guarantees with respect to liabilities of its customers for payment of loans or other liabilities from other financial institutions. As a contra account, "customers' liabilities for acceptances and guarantees" has been shown in assets on the accompanying consolidated balance sheets, indicating the Bank's right of indemnity from customers.

12. Net Assets

The authorized number of shares of common stock without par value is 396,000,000 shares. At both March 31, 2017 and 2016, the numbers of shares of common stock issued were 254,119,000 shares. At March 31, 2017 and 2016, the numbers of shares of treasury stock held by the Hyakugo Bank Group were 402,000 shares and 391,000 shares, respectively.

At both March 31, 2017 and 2016, capital surplus consisted principally of additional paid-in capital. Retained earnings included legal reserve of the Bank amounting to ¥17,377 million ($154,895 thousand) at both March 31, 2017 and 2016. The Banking Act of Japan provides that an amount equivalent to at least 20% of the cash payments as an appropriation of retained earnings be appropriated as legal reserve until the total amount of additional paid-in capital and such reserve equals 100% of common stock. The reduction of the legal reserve amount is restricted under the current circumstances to proper action of the shareholders of the Bank.

13. Stock Options

On July 27, 2016 and July 30, 2015, stock options were granted to the directors of the Bank. The related costs in the amounts of ¥26 million ($240 thousand) and ¥27 million were recorded under general and administrative expenses for the years ended March 31, 2017 and 2016, respectively.

The stock options outstanding at March 31, 2017 were as follows.

	2011 Stock Option	2012 Stock Option	2013 Stock Option	2014 Stock Option	2015 Stock Option	2016 Stock Option
Persons granted	13 directors of the Bank	13 directors of the Bank	13 directors of the Bank (excluding independent directors)	13 directors of the Bank (excluding independent directors)	12 directors of the Bank (excluding independent directors)	12 directors of the Bank (excluding independent directors)
Number of options granted*	91,600 shares of common stock of the Bank	94,000 shares of common stock of the Bank	71,700 shares of common stock of the Bank	71,200 shares of common stock of the Bank	48,100 shares of common stock of the Bank	71,400 shares of common stock of the Bank
Date of grant	July 25, 2011	July 26, 2012	July 24, 2013	July 31, 2014	July 30, 2015	July 27, 2016
Vesting conditions	Not defined	Not defined	Not defined	Not defined	Not defined	Not defined
Eligible service period	Not defined	Not defined	Not defined	Not defined	Not defined	Not defined
Exercise period	July 26, 2011 through July 25, 2041	July 27, 2012 through July 26, 2042	July 25, 2013 through July 24, 2043	August 1, 2014 through July 31, 2044	July 31, 2015 through July 30, 2045	July 28, 2016 through July 27, 2046

*The number of options is shown as the number of shares.

The stock option activities were as follows.

Number of stock options (in shares)	2011 Stock Option	2012 Stock Option	2013 Stock Option	2014 Stock Option	2015 Stock Option	2016 Stock Option
Non-vested:						
Outstanding at April 1, 2015	-	-	-	-	-	-
Granted	-	-	-	-	48,100	-
Forfeited	-	-	-	-	-	-
Vested	-	-	-	-	(48,100)	-
Outstanding at March 31, 2016	-	-	-	-	-	-
Granted	-	-	-	-	-	71,400
Forfeited	-	-	-	-	-	-
Vested	-	-	-	-	-	(71,400)
Outstanding at March 31, 2017	-	-	-	-	-	-
Vested:						
Outstanding at April 1, 2015	65,300	67,500	66,100	71,200	-	-
Vested	-	-	-	-	48,100	-
Exercised	(11,700)	(11,700)	(11,200)	(11,200)	-	-
Forfeited	-	-	-	-	-	-
Outstanding at March 31, 2016	53,600	55,800	54,900	60,000	48,100	-
Vested	-	-	-	-	-	71,400
Exercised	-	-	-	-	-	-
Forfeited	-	-	-	-	-	-
Outstanding at March 31, 2017	53,600	55,800	54,900	60,000	48,100	71,400

Unit price information:

	2011 Stock Option	2012 Stock Option	2013 Stock Option	2014 Stock Option	2015 Stock Option	2016 Stock Option
Exercise price	¥1	¥1	¥1	¥1	¥1	¥1 ($0.01)
Average stock price at exercise	-	-	-	-	-	-
Fair value at grant date	¥302	¥300	¥404	¥396	¥578	¥377 ($3.36)

The method and assumptions used to measure the fair value of stock option granted for the years ended March 31, 2017 and 2016 were as follows.

1) 2016 stock option:

Estimation method:	Black-Scholes option pricing model
Volatility of stock price (Note 1):	36.68%
Estimated remaining outstanding period (Note 2):	1.04 years
Estimated dividend (Note 3):	¥8.0 ($0.07) per share
Risk free interest rate (Note 4):	(0.37)%

Notes:

1. Volatility was computed based on the actual stock prices during the period corresponding to the estimated remaining outstanding period (from July 2015 through July 2016);
2. The estimated remaining outstanding period was determined using the difference between the average retirement age of the retired directors during the past 10 years and the average age of the present directors;
3. The estimated dividend was determined using the actual dividend payments for the year ended March 31, 2016; and
4. The risk free interest rate is the yield of Japanese government bonds corresponding to the estimated remaining outstanding period.

2) 2015 stock option:

Estimation method:	Black-Scholes option pricing model
Volatility of stock price (Note 1):	24.74%
Estimated remaining outstanding period (Note 2):	1.51 years
Estimated dividend (Note 3):	¥8.0 per share
Risk free interest rate (Note 4):	0.00%

Notes:

1. Volatility was computed based on the actual stock prices during the period corresponding to the estimated remaining outstanding period (from January 2014 through July 2015);
2. The estimated remaining outstanding period was determined using the difference between the average retirement age of the retired directors during the past 10 years and the average age of the present directors;
3. The estimated dividend was determined using the actual dividend payments for the year ended March 31, 2015; and
4. The risk free interest rate is the yield of Japanese government bonds corresponding to the estimated remaining outstanding period.

14. Loan Commitments

Contracts for overdraft facilities and loan commitment limits represent the maximum amounts the Bank will lend to customers in response to the customers' applications for loans, provided that there is no violation of any conditions in the applicable contracts. At March 31, 2017 and 2016, the total unused amounts within the limits of these contracts were ¥1,213,601 million ($10,817,381 thousand) and ¥1,235,372 million, respectively. These unused amounts included amounts relating to contracts which will expire within one year or are revocable by the Bank at any time without any conditions in the amounts of ¥1,164,070 million ($10,375,888 thousand) and ¥1,183,521 million at March 31, 2017 and 2016, respectively.

Since many of these commitments expire without being drawn down, an unused amount does not necessarily represent a future cash requirement. Most of these contracts have conditions that permit the Bank to refuse the customers' applications for loans or decrease the contract limit for proper reasons (e.g., changes in the financial situation, deterioration in the customer's creditworthiness or the like). As a condition to entering a contract, the Bank may obtain collateral such as real estate, securities, etc. if considered necessary. During the term of the contract, the Bank performs periodic reviews of the customers' business results based on internal rules and may take necessary measures that include reconsidering the conditions under such contract and/or requiring additional collateral and/or guarantees.

15. Leases

(1) Finance leases

As a lessee:

The Hyakugo Bank Group leases tangible fixed assets, which are principally vehicles, under Non-transferrable Finance Leases.

As a lessor:

Lease investment assets at March 31, 2017 and 2016 were summarized as follows.

	Millions of yen		Thousands of U.S. dollars
	2017	2016	2017
Gross lease receivables	¥ 13,135	¥ 12,505	$ 117,081
Estimated residual values	282	229	2,519
Unearned interest income	(966)	(923)	(8,615)
Lease investment assets	¥ 12,451	¥ 11,811	$ 110,985

Lease receivables which arose under Transferable Finance Leases that mature subsequent to March 31, 2017 and 2016 were as follows.

	Millions of yen		Thousands of U.S. dollars
	2017	2016	2017
Due within one year	¥ 871	¥ 701	$ 7,767
More than one year, less than two years	864	642	7,707
More than two years, less than three years	572	581	5,106
More than three years, less than four years	864	349	7,705
More than four years, less than five years	185	644	1,657
More than five years	555	587	4,952
Lease receivables	¥ 3,914	¥ 3,508	$ 34,894

Gross lease receivables under Non-transferrable Finance Leases that mature subsequent to March 31, 2017 and 2016 were as follows.

	Millions of yen		Thousands of U.S. dollars
	2017	2016	2017
Due within one year	¥ 3,971	¥ 3,849	$ 35,398
More than one year, less than two years	3,261	3,078	29,076
More than two years, less than three years	2,472	2,364	22,035
More than three years, less than four years	1,731	1,630	15,437
More than four years, less than five years	881	919	7,858
More than five years	816	661	7,277
Gross lease receivables of lease investment assets	¥ 13,135	¥ 12,505	$ 117,081

(2) Operating leases

Future minimum lease payments under non-cancellable operating lease transactions were as follows.

	Millions of yen		Thousands of U.S. dollars
	2017	2016	2017
As a lessee:			
Due within one year	¥ 458	¥ 469	$ 4,088
Due after one year	1,141	1,223	10,171
	¥ 1,599	¥ 1,693	$ 14,259
As a lessor:			
Due within one year	¥ 401	¥ 269	$ 3,574
Due after one year	514	272	4,586
	¥ 915	¥ 542	$ 8,160

(3) Subleases

Sublease-related amounts before deducting interest equivalent amounts recorded in the consolidated balance sheets were as follows:

	Millions of yen		Thousands of U.S. dollars
	2017	2016	2017
Lease investment assets	¥ 98	¥ 119	$ 877
Lease obligations	98	119	877

16. Derivative Instruments

Derivative instruments involve, in varying degrees, elements of credit and market risk. The Hyakugo Bank Group is exposed to credit loss in the event of non-performance by the counterparties. However, the Hyakugo Bank Group has not faced and does not expect such non-performance.

Derivative contracts to which hedge accounting was not applied:

With respect to derivatives to which hedge accounting was not applied, the contract amounts or notional principal amounts as defined in the applicable contracts, the fair values and valuation gains (losses) as of March 31, 2017 and 2016 were as follows.
It is noted that the contract amounts do not represent market risk exposure of the derivative transactions.

	Contract amounts	Fair value	Valuation gains (losses)
	Millions of yen		
At March 31, 2017			
Interest rate contracts:			
Swaps	¥ 17,909	¥ 118	¥ 118
Foreign exchange contracts:			
Currency swaps	155,231	2,119	2,119
Forwards	120,761	902	902
Currency options	889	-	2
Credit derivative contracts:			
Credit default swaps	1,000	(96)	(96)
At March 31, 2016			
Interest rate contracts:			
Swaps	¥ 17,367	¥ 126	¥ 126
Foreign exchange contracts:			
Currency swaps	146,076	1,920	1,920
Forwards	140,275	1,826	1,826
Currency options	422	-	1
	Thousands of U.S. dollars		
At March 31, 2017			
Interest rate contracts:			
Swaps	$ 159,640	$ 1,061	$ 1,061
Foreign exchange contracts:			
Currency swaps	1,383,649	18,891	18,891
Forwards	1,076,405	8,043	8,043
Currency options	7,930	-	23
Credit derivative contracts:			
Credit default swaps	8,913	(861)	(861)

Notes:
1. The above transactions have been stated at fair value and valuation gains (losses) have been recorded in the consolidated statements of income; and
2. The fair value has been determined using the discounted present value.

Derivative contracts to which hedge accounting was applied:

With respect to derivatives to which hedge accounting was applied, the contract amounts or notional principal amounts as defined in the applicable contracts and the fair values by transaction type and accounting method as of March 31, 2017 and 2016 were as follows.
It is noted that the contract amounts do not represent market risk exposure of the derivative transactions.

Hedge accounting method	Transaction type	Major hedged item	Contract amount	Contract amount due after one year	Fair value
			Millions of yen		
At March 31, 2017					
Deferral method	Interest rate swaps: Receivable floating rate/ Payable fixed rate	Securities, Loans and bills discounted	¥ 165,603	¥ 141,927	¥ (6,918)
Interest rate swaps meeting certain conditions	Interest rate swaps: Receivable floating rate/ Payable fixed rate	Loans and bills discounted	15,718	11,915	*See Note 3*
Deferral method	Foreign currency swaps:	Call loans, Loans and bills discounted, Borrowed money	16,828	16,828	(47)
	Foreign currency forward contracts:		63,670	-	904
At March 31, 2016					
Deferral method	Interest rate swaps: Receivable floating rate/ Payable fixed rate	Loans and bills discounted	¥ 183,875	¥ 179,515	¥ (11,008)
Interest rate swaps meeting certain conditions	Interest rate swaps: Receivable floating rate/ Payable fixed rate	Loans and bills discounted	21,365	19,712	*See Note 3*

Hedge accounting method	Transaction type	Major hedged item	Thousands of U.S. dollars		
At March 31, 2017					
Deferral method	Interest rate swaps: Receivable floating rate/ Payable fixed rate	Securities, Loans and bills discounted	$ 1,476,099	$ 1,265,066	$ (61,668)
Interest rate swaps meeting certain conditions	Interest rate swaps: Receivable floating rate/ Payable fixed rate	Loans and bills discounted	140,110	106,209	*See Note 3*
Deferral method	Foreign currency swaps:	Call loans, Loans and bills discounted, Borrowed money	150,000	150,000	(425)
	Forward contracts:		567,527	-	8,059

Notes:

1. *Gains/losses on the above-mentioned contracts are deferred until maturity of the hedged items, which is the deferral method used under the "Accounting and Auditing Treatment of Accounting Standard for Financial Instruments in the Banking Industry" (JICPA's Industry Audit Committee Report No. 24 of February 13, 2002);*
2. *The fair value has been determined using the discounted present value; and*
3. *With respect to interest rate swap contracts which meet certain conditions, the fair values of the interest rate swap contracts are considered part of the fair values of the relevant loans and bills discounted described in Note 3, entitled the "Financial Instruments and Related Disclosures," since such interest rate swap contracts are used for recording loans and bills discounted as hedged items.*
4. *With respect to foreign currency related contracts, the deferral method of hedge accounting is principally applied in accordance with the "Accounting and Auditing Treatment of Accounting for Foreign Currency Transactions in the Banking Industry" (JICPA's Industry Audit Committee Report No. 25 of July 29, 2002).*

17. Income Taxes

At March 31, 2017 and 2016, income taxes (including local taxes) payable in the amounts of ¥1,567 million ($13,971 thousand) and ¥1,583 million, respectively, were included in "other liabilities" in the accompanying consolidated balance sheets.

At March 31, 2017 and 2016, the tax effects of temporary differences that gave rise to a significant portion of deferred tax assets and liabilities were as follows.

	Millions of yen		Thousands of U.S. dollars
	2017	2016	2017
Deferred tax assets:			
Allowance for loan losses	¥ 5,269	¥ 5,082	$ 46,973
Deferred losses on hedges	2,098	3,323	18,702
Valuation loss on securities	1,151	1,242	10,260
Others	3,258	3,471	29,045
Subtotal	11,777	13,120	104,980
Less valuation allowance	(1,509)	(1,712)	(13,452)
Total deferred tax assets	10,268	11,407	91,528
Net of deferred tax liabilities:			
Unrealized gains on available-for-sale securities	(40,216)	(41,926)	(358,464)
Retirement benefits	(5,948)	(5,168)	(53,020)
Deferred gains on hedges	(6)	-	(57)
Others	(172)	(187)	(1,535)
Total deferred tax liabilities	(46,342)	(47,282)	(413,076)
Net deferred tax assets (liabilities)	¥ (36,074)	¥ (35,875)	$ (321,548)

At March 31, 2017 and 2016, deferred tax assets and liabilities reported in the accompanying consolidated balance sheets were as follows.

	Millions of yen		Thousands of U.S. dollars
	2017	2016	2017
Deferred tax assets	¥ 730	¥ 719	$ 6,510
Deferred tax liabilities	(36,804)	(36,594)	(328,058)

A reconciliation between the Japanese statutory effective tax rate and the actual effective income tax rate reflected in the accompanying consolidated statement of income for the year ended March 31, 2017 was as follows:

	Percentage of pre-tax income
Japanese statutory effective tax rate	30.42%
Increase (decrease) due to:	
Permanently non-deductible expenses	0.74%
Tax exempt income	(2.18)%
Local minimum taxes per capita levy	0.44%
Changes in valuation allowance	(0.66)%
Other	0.10%
Actual effective income tax rate	28.86%

A reconciliation between the Japanese statutory effective tax rate and the actual effective income tax rate on pre-tax income reflected in the accompanying consolidated statement of income for the year ended March 31, 2016 was not presented because such differences were less than 5% of the Japanese statutory effective tax rate.

Adjustments of deferred tax assets and liabilities due to a change in the corporate income tax rate:

The "Partial Amendments to Income Tax Act, etc." (Act No. 15 of 2016) and "Partial Amendments to Local Tax Act, etc." (Act No. 13 of 2016) were enacted at the Diet on March 29, 2016 and income tax rates were reduced from the fiscal year beginning on or after April 1, 2016.

As a result, the statutory tax rate to be used in computing deferred tax assets and liabilities has been reduced from 31.78% to 30.42% for temporary differences estimated to expire in the years beginning on April 1, 2016 and 2017 and 30.19% for those estimated to expire in the years beginning on or after April 1, 2018.

Consequently, At March 31, 2016, deferred tax assets and deferred tax liabilities decreased by ¥13 million and by ¥1,953 million, respectively, valuation difference on available-for-sale securities increased by ¥2,205 million, deferred gains/losses on hedges decreased by ¥175 million and retirement benefit adjustments decreased by ¥52 million. Deferred income taxes for the year ended March 31, 2016 increased by ¥36 million. At March 31, 2016, deferred tax liabilities for land revaluation decreased by ¥134 million and revaluation reserve for land increased by the same amount.

18. Business Combination

On December 28, 2016, the Bank acquired additional stocks of two of the Bank's consolidated subsidiaries, Hyakugo DC Card Co., Ltd. which is engaged in credit card operation business and Hyakugo Research Institute Company Limited which is engaged in regional industrial surveys and consulting-related services, from non-controlling shareholders for the aggregate amount of consideration of ¥1,723 million ($15,359 thousand) in cash in order to increase the Hyakugo Bank Group's ownership ratio to 100% aiming to strengthen Group management and provide comprehensive financial services as a whole group. These transactions were accounted for as the transactions with non-controlling shareholders not resulting in a change of scope of consolidation in a business combination under common control in accordance with ASBJ Statement No. 21 and "Revised Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures" (ASBJ Guidance No. 10, September 13, 2013 (hereinafter "ASBJ Guidance No. 10")). As a result, these transactions resulted in an increase in capital surplus of ¥2,662 million ($23,734 thousand) as of March 31, 2017.

19. Subsequent Events

(1) The shareholders of the Bank approved the following appropriation of retained earnings at the annual general shareholders' meeting on June 23, 2017.

	Millions of yen	Thousands of U.S. dollars
Cash dividends (¥4.00 ($0.04) per share)	¥ 1,014	$ 9,046

(2) On April 1, 2017, the Bank acquired additional stocks of Hyakugo Leasing Company Limited ("Hyakugo Leasing"), which is the Bank's consolidated subsidiary and engaged in leasing business, from non-controlling shareholders for the amount of consideration of ¥4,303 million ($38,355 thousand) in cash in order to increase the Hyakugo Bank Group's ownership ratio to 100% aiming to strengthen Group management and provide comprehensive financial services as a whole group. This transaction was accounted for as the transactions with non-controlling shareholders not resulting in a change of scope of consolidation in a business combination under common control in accordance with ASBJ Statement No. 21 and ASBJ Guidance No. 10. As a result, this transaction resulted in an increase in capital surplus of ¥161 million ($1,437 thousand) as of April 1, 2017.

20. Segment Information

(a) Description of reportable segment

The reportable segments of the Hyakugo Bank Group are business units for which separate financial information is available and whose results are regularly reviewed by the Board of Directors to make decisions about resources to be allocated to such segments.

The Hyakugo Bank Group's business centers on banking operations, but the Hyakugo Bank Group also engages in financial service operations, such as leasing operations and the like.

The Hyakugo Bank Group's segments are classified based on its business activities related to financial services, and its reportable segments comprise the "banking" and "leasing" segments.

The "banking" segment includes deposit taking and lending operations and the "leasing" segment includes leasing operations.

(b) Methods of measurement for the amounts of ordinary income, profit (loss), assets and other items for each reportable segment

The accounting treatment of the business segments reported in this section is the same as that stated in Note 2, entitled the "Summary of Significant Accounting Policies." Segment profit stated herein is based on ordinary profit which represents ordinary income less ordinary expenses. Ordinary income represents total income less special gains included in other income. Ordinary expenses represent total expenses less special losses included in other expenses.

Intersegment ordinary income is valued at market prices.

As noted in Note 2 (g) "Tangible fixed assets and depreciation," the Bank and its consolidated subsidiaries have changed the depreciation method of tangible fixed assets except for lease assets from the declining-balance method to the straight-line method from the year ended March 31, 2016.

As a result, segment profit for the reportable segments of "Banking" and "Leasing," and "Others," which is not included in the reportable segments, for the year ended March 31, 2016 increased by ¥660 million, ¥6 million and ¥6 million, respectively, compared to the amount according to the previous method.

(c) Information with regard to ordinary income, profit (loss), assets and other items are as follows.

For the year ended March 31, 2017

	Reportable segment						
	Banking	Leasing	Total	Others	Total	Reconciliations	Consolidated
				Millions of yen			
Ordinary income:							
External customers	¥ 70,070	¥ 9,533	¥ 79,603	¥ 3,786	¥ 83,390	¥ -	¥ 83,390
Intersegment	300	436	737	1,188	1,925	(1,925)	-
Total	70,370	9,970	80,341	4,974	85,315	(1,925)	83,390
Segment profit	¥ 11,870	¥ 425	¥ 12,296	¥ 1,063	¥ 13,359	¥ (71)	13,288
Special gains (losses), net							(131)
Income before income taxes							¥ 13,156
Segment assets	¥ 5,515,399	¥ 25,828	¥ 5,541,227	¥ 19,794	¥ 5,561,022	¥ (23,729)	¥ 5,537,292
Others:							
Depreciation	2,701	232	2,933	39	2,973	-	2,973
Interest income	50,886	21	50,907	65	50,973	(106)	50,867
Interest expense	4,577	71	4,648	0	4,648	(36)	4,612
Special gain	4	-	4	-	4	-	4
Gain on disposal of fixed assets	4	-	4	-	4	-	4
Special loss	135	-	135	0	136	-	136
Loss on disposal of fixed assets	69	-	69	0	70	-	70
Impairment loss	65	-	65	-	65	-	65
Provision of reserves under special laws	-	-	-	0	0	-	0
Income tax expense	3,298	137	3,436	361	3,797	-	3,797
Amount of increase in tangible and intangible fixed assets (capital expenditure)	3,283	429	3,713	41	3,754	-	3,754

Notes:
(1) The "others" business segment includes credit card operations and financial instruments business operations and so forth; and
(2) Reconciliations consist of the following.
a. Reconciliation of segment profit of ¥(71) million consists of elimination of intersegment profits.
b. Reconciliation of segment assets of ¥(23,729) million consists of elimination of intersegment assets.
c. Reconciliation of interest income of ¥(106) million consists of elimination of intersegment interest income.
d. Reconciliation of interest expense of ¥(36) million consists of elimination of intersegment interest expense.

For the year ended March 31, 2016

	Reportable segment			Others	Total	Reconciliations	Consolidated
	Banking	Leasing	Total				
	Millions of yen						
Ordinary income:							
External customers	¥ 71,236	¥ 8,428	¥ 79,665	¥ 3,546	¥ 83,211	¥ -	¥ 83,211
Intersegment	267	435	702	1,211	1,913	(1,913)	-
Total	71,504	8,863	80,367	4,757	85,125	(1,913)	83,211
Segment profit	¥ 17,152	¥ 659	¥ 17,812	¥ 865	¥ 18,677	¥ (71)	18,606
Special gains (losses), net							2,308
Income before income taxes							¥ 20,914
Segment assets	¥ 5,313,697	¥ 23,875	¥ 5,337,573	¥ 18,493	¥ 5,356,066	¥ (21,362)	¥ 5,334,703
Others:							
Depreciation	2,248	184	2,432	48	2,481	-	2,481
Interest income	52,188	23	52,211	75	52,286	(109)	52,177
Interest expense	4,992	78	5,070	-	5,070	(40)	5,029
Special gain	3,610	-	3,610	-	3,610	-	3,610
Gain on disposal of fixed assets	7	-	7	-	7	-	7
Gain on return of retirement benefit trust	3,603	-	3,603	-	3,603	-	3,603
Special loss	1,265	27	1,293	8	1,302	-	1,302
Loss on disposal of fixed assets	1,039	27	1,067	8	1,075	-	1,075
Impairment loss	226	-	226	-	226	-	226
Provision of reserves under special laws	-	-	-	0	0	-	0
Income tax expense	6,276	217	6,493	297	6,791	-	6,791
Amount of increase in tangible and intangible fixed assets (capital expenditure)	7,646	652	8,298	62	8,361	-	8,361

Notes:
(1) The "other" business segment includes credit card operations and financial instruments business operations and so forth; and,
(2) Reconciliations consist of following.
a. Reconciliation of segment profit of ¥(71) million consists of elimination of intersegment profits.
b. Reconciliation of segment assets of ¥(21,362) million consists of elimination of intersegment assets.
c. Reconciliation of interest income of ¥(109) million consists of elimination of intersegment interest income.
*d. Reconciliation of interest expense of ¥(40) million consists of elimination of intersegment interest exp*ense.

For the year ended March 31, 2017

	Reportable segment: Banking	Reportable segment: Leasing	Reportable segment: Total	Others	Total	Reconciliations	Consolidated
	Thousands of U.S. dollars						
Ordinary income:							
External customers	$ 624,569	$ 84,977	$ 709,546	$ 33,752	$ 743,298	$ -	$ 743,298
Intersegment	2,675	3,895	6,570	10,590	17,160	(17,160)	-
Total	627,244	88,872	716,116	44,342	760,458	(17,160)	743,298
Segment profit	$ 105,805	$ 3,797	$ 109,602	$ 9,476	$ 119,078	$ (635)	118,443
Special gains (losses), net							(1,174)
Income before income taxes							$ 117,269
Segment assets	$ 49,161,239	$ 230,219	$ 49,391,458	$ 176,437	$ 49,567,895	$ (211,513)	$ 49,356,382
Others:							
Depreciation	24,077	2,069	26,146	356	26,502	-	26,502
Interest income	453,572	192	453,764	588	454,352	(948)	453,404
Interest expense	40,799	634	41,433	4	41,437	(322)	41,115
Special gain	40	-	40	-	40	-	40
Gain on disposal of fixed assets	40	-	40	-	40	-	40
Special loss	1,209	-	1,209	4	1,213	-	1,213
Loss on disposal of fixed assets	621	-	621	3	624	-	624
Impairment loss	588	-	588	-	588	-	588
Provision of reserves under special laws	-	-	-	1	1	-	1
Income tax expense	29,405	1,228	30,633	3,218	33,851	-	33,851
Amount of increase in tangible and intangible fixed assets (capital expenditure)	29,268	3,831	33,099	367	33,466	-	33,466

Notes:
(1) The "others" business segment includes credit card operations and financial instruments business operations and so forth; and
(2) Reconciliations consist of the following.
a. Reconciliation of segment profit of $(635) thousand consists of elimination of intersegment profits.
b. Reconciliation of segment assets of $(211,513) thousand consists of elimination of intersegment assets.
c. Reconciliation of interest income of $(948) thousand consists of elimination of intersegment interest income.
d. Reconciliation of interest expense of $(322) thousand consists of elimination of intersegment interest expense.

(d) Related information

a. Information of each service

		Loan business		Securities investment		Leasing		Others		Total
	Millions of yen									
Ordinary income from external customers:										
For the year ended March 31, 2017	¥	33,534	¥	25,363	¥	9,533	¥	14,959	¥	83,390
For the year ended March 31, 2016	¥	34,781	¥	24,820	¥	8,428	¥	15,181	¥	83,211
	Thousands of U.S. dollars									
For the year ended March 31, 2017	$	298,905	$	226,074	$	84,977	$	133,342	$	743,298

b. Geographical information
(1) Ordinary income
Geographical information of ordinary income for the years ended March 31, 2017 and 2016 was not disclosed because such income from external customers located in Japan was more than 90% of total ordinary income.

(2) Tangible fixed assets
Geographical information of tangible fixed assets for the years ended March 31, 2017 and 2016 was not disclosed because such assets located in Japan were more than 90% of total tangible fixed assets.

c. Information of each main customer
Information of each main customer for the years ended March 31, 2017 and 2016 was not disclosed because the Hyakugo Bank Group had no customer which accounted for more than 10% of total ordinary income.

(e) Information with regard to impairment loss on fixed assets for each reportable segment

	Reportable segment									
		Banking		Leasing		Total		Others		Total
	Millions of yen									
Impairment loss:										
For the year ended March 31, 2017	¥	65	¥	-	¥	65	¥	-	¥	65
For the year ended March 31, 2016	¥	226	¥	-	¥	226	¥	-	¥	226
	Thousands of U.S. dollars									
For the year ended March 31, 2017	$	588	$	-	$	588	$	-	$	588

21. Other Comprehensive Income

The components of other comprehensive income (loss) for the years ended March 31, 2017 and 2016 were as follows.

	Millions of yen		Thousands of U.S. dollars
	2017	2016	2017
Valuation difference on available-for-sale securities:			
Gain (loss) incurred during the year	¥ 25	¥ (20,705)	$ 231
Reclassification adjustment to net income	(5,062)	(6,544)	(45,121)
Amount before tax effect	(5,036)	(27,250)	(44,890)
Tax effect	1,710	10,658	15,247
Valuation difference on available-for-sale-securities	(3,325)	(16,591)	(29,643)
Deferred gains/losses on hedges			
Gain (loss) incurred during the year	668	(8,809)	5,960
Reclassification adjustment to net income	3,411	3,432	30,406
Amount before tax effect	4,079	(5,377)	36,366
Tax effect	(1,231)	1,533	(10,979)
Deferred gains/losses on hedges	2,848	(3,843)	25,387
Revaluation reserve for land			
Gain (loss) incurred during the year	-	-	-
Reclassification adjustment to net income	-	-	-
Amount before tax effect	-	-	-
Tax effect	-	134	-
Revaluation reserve for land	-	134	-
Retirement benefit adjustments			
Gain (loss) incurred during the year	1,594	(12,198)	14,209
Reclassification adjustment to net income	1,052	(7,082)	9,380
Amount before tax effect	2,646	(19,280)	23,589
Tax effect	(798)	6,074	(7,121)
Retirement benefit adjustments	1,847	(13,206)	16,468
Total other comprehensive income	¥ 1,370	¥ (33,506)	$ 12,212

22. Per Share Information

Net assets per share at March 31, 2017 and 2016 and net income per share for the years then ended were as follows:

	Yen		U.S. dollars
	2017	2016	2017
Net assets per share	¥ 1,332.82	¥ 1,288.87	$ 11.88
Net income per share – basic	35.63	53.73	0.32
Net income per share – diluted	35.58	53.67	0.32

Basic information in computing the above per share data is as follows:

	Millions of yen		Thousands of U.S. dollars
	2017	2016	2017
(Net assets per share)			
Net assets per balance sheet	¥ 342,761	¥ 335,653	$ 3,055,186
Amounts to be attributed to subscription rights to shares	(133)	(106)	(1,191)
Amounts to be attributed to non-controlling interests	(4,466)	(8,524)	(39,811)
Net assets attributed to common stock	338,161	327,021	3,014,184
Outstanding number of common stocks at end of year (unit: thousand shares)	253,716	253,727	
(Net income per share - basic)			
Net income attributable to owners of the parent per income statement	9,040	13,634	80,582
Net income attributable to owners of the parent regarding common stock	9,040	13,634	80,582
Average outstanding number of shares during the year (unit: thousands shares)	253,723	253,727	
(Net income per share - diluted)			
Increase in common stock (unit: thousand shares)	325	271	
Of which, subscription rights to shares (unit: thousand shares)	325	271	

23. Financial Information of the Hyakugo Bank, Ltd. (Parent)

Presented below are the nonconsolidated balance sheets, nonconsolidated statements of income and changes in net assets of the Bank, the parent company.

Nonconsolidated Balance Sheets
The Hyakugo Bank, Ltd. (Parent)
As of March 31, 2017 and 2016

	Millions of yen		Thousands of U.S. dollars
	2017	2016	2017
Assets:			
Cash and due from banks	¥ 328,265	¥ 317,271	$ 2,925,975
Call loans	84,215	2,109	750,652
Monetary claims bought	11,520	13,451	102,689
Trading account securities	392	233	3,501
Money held in trust	2,018	3,000	17,996
Securities	2,049,345	2,001,362	18,266,743
Loans and bills discounted	2,940,712	2,887,184	26,211,893
Foreign exchanges	1,758	2,833	15,675
Other assets	34,805	19,622	310,235
Tangible fixed assets	44,837	45,457	399,654
Intangible fixed assets	3,973	2,959	35,422
Prepaid pension cost	14,856	14,733	132,418
Customers' liabilities for acceptances and guarantees	18,807	24,621	167,644
Allowance for loan losses	(17,670)	(17,155)	(157,503)
Total assets	¥ 5,517,840	¥ 5,317,683	$ 49,182,994
Liabilities:			
Deposits	¥ 4,551,980	¥ 4,452,949	$ 40,573,852
Negotiable certificates of deposit	179,465	202,311	1,599,654
Call money	-	1,126	-
Payables under securities lending transactions	274,712	139,902	2,448,636
Borrowed money	72,781	60,812	648,731
Foreign exchanges	41	55	367
Bonds payable	-	15,000	-
Other liabilities	44,192	50,521	393,909
Provision for employee retirement benefits	4,409	4,543	39,305
Provision for reimbursement of deposits	1,206	1,089	10,752
Provision for point card certificates	255	217	2,276
Provision for contingent losses	402	380	3,591
Deferred tax liabilities	36,914	37,517	329,034
Deferred tax liabilities for land revaluation	2,555	2,557	22,779
Acceptances and guarantees	18,807	24,621	167,644
Total liabilities	5,187,725	4,993,605	46,240,530
Net assets:			
Capital stock	20,000	20,000	178,269
Capital surplus	7,557	7,557	67,364
Retained earnings	208,018	201,496	1,854,160
Treasury stock	(151)	(146)	(1,351)
Total shareholders' equity	235,424	228,907	2,098,442
Valuation difference on available-for-sale securities	95,180	98,530	848,384
Deferred gains/losses on hedges	(4,836)	(7,685)	(43,113)
Revaluation reserve for land	4,213	4,217	37,560
Total valuation and translation adjustments	94,557	95,063	842,831
Stock acquisition rights	133	106	1,191
Total net assets	330,115	324,077	2,942,464

Total liabilities and net assets	¥ 5,517,840	¥ 5,317,683	$ 49,182,994

Nonconsolidated Statements of Income
The Hyakugo Bank, Ltd. (Parent)
For the Years Ended March 31, 2017 and 2016

	Millions of yen		Thousands of U.S. dollars
	2017	2016	2017
Income:			
Interest income:			
Interest on loans and discounts	¥ 31,648	¥ 32,951	$ 282,101
Interest and dividends on securities	18,823	19,061	167,780
Interest on call loans	364	60	3,247
Others	303	334	2,703
Total interest income	51,139	52,407	455,831
Fees and commissions	12,153	12,167	108,328
Other ordinary income	1,368	2,481	12,195
Others	6,011	8,311	53,584
Total income	70,672	75,367	629,938
Expenses:			
Interest expenses:			
Interest on deposits	1,648	2,519	14,692
Interest on negotiable certificates of deposit	42	181	379
Interest on call money	16	231	147
Interest on borrowings and rediscounts	76	61	685
Others	2,793	1,998	24,897
Total interest expenses	4,577	4,992	40,800
Fees and commissions payments	4,762	4,645	42,449
Other ordinary expenses	2,763	969	24,637
General and administrative expenses	42,949	41,288	382,827
Provision of allowance for loan losses	2,724	1,123	24,281
Others	1,254	3,049	11,182
Total expenses	59,031	56,067	526,176
Income before income taxes	11,641	19,299	103,762
Income taxes:			
Current	3,207	3,271	28,585
Deferred	(28)	2,855	(251)
Total income taxes	3,178	6,126	28,334
Net income	¥ 8,462	¥ 13,172	$ 75,428

Nonconsolidated Statements of Changes in Net Assets
The Hyakugo Bank, Ltd. (Parent)
For the Years Ended March 31, 2017 and 2016

	Number of shares of common stock issued	Shareholders' equity: Capital stock	Shareholders' equity: Capital surplus	Shareholders' equity: Retained earnings	Shareholders' equity: Treasury stock	Shareholders' equity: Total Shareholders' equity	Valuation and translation adjustments: Valuation difference on available-for-sale securities	Valuation and translation adjustments: Deferred gains/losses on hedges	Valuation and translation adjustments: Revaluation reserve for land	Valuation and translation adjustments: Total valuation and translation adjustments	Stock acquisition rights	Total net assets
		Millions of yen										
Balance at April 1, 2015	254,119,000	¥ 20,000	¥ 7,557	¥ 190,175	¥ (153)	¥ 217,579	¥ 115,116	¥ (3,841)	¥ 4,262	¥ 115,536	¥ 94	¥ 333,210
Net income	-	-	-	13,172	-	13,172	-	-	-	-	-	13,172
Dividends from surplus	-	-	-	(2,029)	-	(2,029)	-	-	-	-	-	(2,029)
Reversal of revaluation reserve for land	-	-	-	179	-	179	-	-	-	-	-	179
Purchase of treasury stock	-	-	-	-	(10)	(10)	-	-	-	-	-	(10)
Disposal of treasury stock	-	-	-	(0)	16	16	-	-	-	-	-	16
Net changes in items other than shareholders' equity	-	-	-	-	-	-	(16,585)	(3,843)	(44)	(20,473)	11	(20,461)
Balance at March 31, 2016	254,119,000	¥ 20,000	¥ 7,557	¥ 201,496	¥ (146)	¥ 228,907	¥ 98,530	¥ (7,685)	¥ 4,217	¥ 95,063	¥ 106	¥ 324,077
Cumulative effects of changes in accounting policies		-	-	85		85	-	-	-	-	-	85
Adjusted balance at April 1, 2016		20,000	7,557	201,581	(146)	228,992	98,530	(7,685)	4,217	95,063	106	324,162
Net income	-	-	-	8,462	-	8,462	-	-	-	-	-	8,462
Dividends from surplus	-	-	-	(2,029)	-	(2,029)	-	-	-	-	-	(2,029)
Reversal of revaluation reserve for land	-	-	-	3	-	3	-	-	-	-	-	3
Purchase of treasury stock	-	-	-	-	(5)	(5)	-	-	-	-	-	(5)
Disposal of treasury stock	-	-	-	(0)	0	0	-	-	-	-	-	0
Net changes in items other than shareholders' equity	-	-	-	-	-	-	(3,350)	2,848	(3)	(506)	26	(479)
Balance at March 31, 2017	254,119,000	¥ 20,000	¥ 7,557	¥ 208,018	¥ (151)	¥ 235,424	¥ 95,180	¥ (4,836)	¥ 4,213	¥ 94,557	¥ 133	¥ 330,115
		Thousands of U.S. dollars										
Balance at March 31, 2016		$ 178,269	$ 67,364	$ 1,796,030	$ (1,308)	$ 2,040,355	$ 878,249	$ (68,500)	$ 37,595	$ 847,344	$ 951	$ 2,888,650
Cumulative effects of changes in accounting policies		-	-	759	-	759	-	-	-	-	-	759
Adjusted balance at April 1, 2016		178,269	67,364	1,796,789	(1,308)	2,041,114	878,249	(68,500)	37,595	847,344	951	2,889,409
Net income		-	-	75,428	-	75,428	-	-	-	-	-	75,428
Dividends from surplus		-	-	(18,092)	-	(18,092)	-	-	-	-	-	(18,092)
Reversal of revaluation reserve for land		-	-	35	-	35	-	-	-	-	-	35
Purchase of treasury stock		-	-	-	(48)	(48)	-	-	-	-	-	(48)
Disposal of treasury stock		-	-	(0)	5	5	-	-	-	-	-	5
Net changes in items other than shareholders' equity		-	-	-	-	-	(29,865)	25,387	(35)	(4,513)	240	(4,273)
Balance at March 31, 2017		$ 178,269	$ 67,364	$ 1,854,160	$ (1,351)	$ 2,098,442	$ 848,384	$ (43,113)	$ 37,560	$ 842,831	$ 1,191	$ 2,942,464