

ANNUAL REPORT 2015



HOKKOKU BANK  
ANNUAL REPORT  
2 0 1 5



## CONTENTS

Message from the President .....	2	Financial Highlights .....	6
About Ishikawa Prefecture .....	3	Corporate Governance Structure .....	7
Bank Profile .....	3	Basic Policy and Operating Structure for	
Board of Directors and Auditors .....	4	Risk Management .....	8
Offices and Subsidiaries .....	4	Consolidated Financial Statements .....	9
Corporate Philosophy and New Medium-term		Report of Independent Auditors .....	28
Business Plan .....	5		

## FORWARD-LOOKING STATEMENTS

This annual report contains certain forward-looking statements about Hokkoku Bank's future, including outlooks, plans, forecasts, results, etc. All such forward-looking statements are the result of judgments predicated upon information available to the Bank at the time of the Annual Report's publication. Unknown risks and uncertainties in the future may cause actual results to differ significantly from any projections presented in the Bank's Annual Report. Such risks and uncertainties include, but are not limited to, economic conditions in which the Bank must do business, pressures from competitive activities, changes in laws and/or regulations, development of new products and elimination of old ones, and fluctuation of exchange rates.

## MESSAGE FROM THE PRESIDENT

I would like to express my sincere gratitude for your valued patronage of Hokkoku Bank.

We have prepared this “Annual Report 2015” which presents our business results for the fiscal year ended on March 31, 2015, as well as the Bank’s recent undertakings. It will be greatly appreciated if you would read through it.

There is growing expectation of an economic recovery in the domestic economy amid growth in corporate results mainly for large companies and less impact from the consumption tax rate hike, thanks to the further monetary easing by the Bank of Japan and the cheaper oil price.

The regional economy is continuing on a mild recovery track as improvement is seen in personal consumption, production activities, export trends and the employment environment.

Under these circumstances, the Bank has started a new medium-term business plan “NEXT QCS’S,” which seeks to contribute to the improvement of productivity in the entire region, by accelerating and penetrating the previous medium-term business plan “QCS’S” we had been committed to with awareness on speed and quality.

We will be undertaking measures of the plan, transforming ourselves and actively facing challenges to solve the regional issues.

The Bank has completed its relocation of the head office after the completion of “Hokkoku Head Office Building”, on Kanazawa Port exit side of Kanazawa Station in November 2014, and large projects such as updates of its core IT system in January this year, which set up the framework for us to provide high quality services to our customers in the region. For the region, the expectation to the region has been growing due to the opening of the Hokuriku Shinkansen in Kanazawa. All officers and employees of the Bank will be even more strongly connected to our customers in the region and strive toward the further development of the regional communities while continuing to maintain sound business operations.

We would be grateful for your continuing support and guidance for the Bank.

August 2015



Tateki Ataka  
President

A handwritten signature in black ink, consisting of stylized initials and a surname, positioned below the printed name of the president.

## ABOUT ISHIKAWA PREFECTURE



### (Summary)

Located in the middle of the Japanese Islands, Ishikawa Prefecture is a narrow territory extending from south-west to north-east along the coast and protruding towards the Sea of Japan. Ishikawa Prefecture contains altogether 19 municipalities (11 cities and 8 towns) and her prefectural office locates at “Kanazawa City.”

Due to the high accessibility to the urban areas through the well-developed transportation networks such as railways, airports and expressways, Ishikawa Prefecture is located in almost the same distance from each of the three major metropolitan areas of Japan. On top of that, the opening of the railway “Hokuriku Shinkansen” in March 2015 has greatly improved the accessibility from Ishikawa Prefecture to the Tokyo metropolitan area.

### (Industrial advantage)

Ishikawa Prefecture embraces manufacturing industries such as machinery and textile industries as well as the tourist industry. Ishikawa Prefecture accumulates various internationally competitive machinery manufacturers such as construction machinery, textile machinery and machining tools manufacturers, etc. Also, there are a lot of co-operative enterprises which provide support to the abovementioned manufacturers from various fields ranging from machine processing, welding, casting to forging. As the manufacturers possess unique techniques, there is a considerable number of “niche top enterprises” which account for the greatest market shares throughout Japan in specific fields (niche markets).

With regard to the textile industry, Ishikawa Prefecture is renowned as one of the largest synthetic textile manufacturing centers in the world which performs yarn processing such as twisted yarn, dyeing processing, sewing and manufactures woven fabrics and knitted products, etc.

In addition, the well-known “Kanazawa castle town” attracts a substantial number of international and domestic visitors. Historical streets and buildings remain and the town is filled with elegant, traditional culture.

### (Logistics hub for export)

Ishikawa Prefecture allows transport of container freights to all over the world including Asia, North America and Europe. Further, the fluent logistics is ensured by the regular shipment of international freight to Europe and America. Having a consolidated logistics foundation which connects herself with various countries from Asia to worldwide, Ishikawa Prefecture continues to develop as the center of exchange of “People/ Things” in the Hokuriku Region.

## BANK PROFILE

Hokkoku Bank is a regional financial institution centered in Ishikawa prefecture, on the Sea of Japan coast in central Honshu, Japan's main island. The Bank's headquarters is in Kanazawa, the region's largest city. Its business is concentrated in the prefectures of Ishikawa, Toyama, and Fukui, known collectively as Hokuriku. Hokkoku Bank branches cover this entire region, complemented by offices in the major Japanese cities of Tokyo, Osaka, and Nagoya.

Hokkoku Bank was created by the merger of three Ishikawa prefecture banks in 1943, and has grown steadily ever since. Today it is widely regarded as one of the most financially sound of Japan's 64 regional banks, with the closest ties to local communities and residents.

Hokkoku Bank began handling foreign exchange business in 1961; in the ensuing 53 years, it has continued to expand its correspondent bank network and formed tie-ups with banks around the world. The Bank's overseas offices help our clients track international financial trends and support their overseas activities.

As of March 31, 2015, the Bank had 103 branches (including 1 sub-branch), 1,780 employees, and on a consolidated basis, total assets of ¥4,179,790 million (US\$34,782 million) and total shareholders' equity of ¥182,882 million (US\$1,521 million).

(\*The number of branches is as of July 31, 2015)

Branches	
Ishikawa	88
Toyama	10
Fukui	2
Tokyo	1
Osaka	1
Nagoya	1
Total	103

(As of July 31, 2015)

## BOARD OF DIRECTORS AND AUDITORS (As of June 30, 2015)

### President (Representative Director)

Tateki Ataka

### Senior Managing Director (Representative Director)

Shuji Tsuemura

Junichi Maeda

### Senior Managing Director and Executive Officer

Ryoichi Nakayama

### Managing Director and Executive Officer

Hideaki Hamasaki

Akira Nakanishi

### Director and Executive Officer

Hidehiro Yamamoto

Kazuya Nakamura

Koichi Nakada

Kenichi Sakai

### Director and Audit Committee Member

Tomohiro Ida

Muneto Yamada

### Director (Outside) and Audit Committee Member

Hideo Nakashima

Masahiro Kijima

Ichiro Sasaki

Masako Ohsuna

### Executive Officer

Toshiyuki Konishi

Akira Nishita

Hiroshi Iwamuro

Nobuhiro Torigoe

Yuji Kakuchi

Nobuhide Akazawa

Takayasu Tada

## OFFICES AND SUBSIDIARIES (As of July 31, 2015)

### Head Office

2-12-6 Hirooka,  
Kanazawa, Ishikawa  
920-8670 Japan  
Tel: +81(76) 263-1111

### International Department

Head Office  
2-12-6 Hirooka,  
Kanazawa, Ishikawa  
920-8670 Japan  
Tel: +81(76) 263-1111  
Swift: HKOKJPJT

### Overseas Offices

Shanghai Representative Office  
Suite 350, Shanghai Centre  
1376 Nanjing West Road,  
Jingan District, Shanghai, 200040,  
People's Republic of China  
Tel: +86(21)6279-8717  
Fax: +86(21)6279-8721  
Singapore Representative Office  
65 Chulia Street #49-08  
OCBC Centre, Singapore 049513  
Tel: +65-6538-4770  
Fax: +65-6538-2726

### Major Subsidiaries

The Hokkoku General Lease Co., Ltd.  
2-2-15, Katamachi, Kanazawa,  
Ishikawa 920-0981  
The Hokkoku Credit Service Co., Ltd.  
2-2-15, Katamachi, Kanazawa,  
Ishikawa 920-0981  
The Hokkoku Credit Guarantee Co., Ltd.  
1-16 Musashi-machi, Kanazawa,  
Ishikawa 920-0855  
The Hokkoku Management, Ltd.  
1-16 Musashi-machi, Kanazawa,  
Ishikawa 920-0855  
The Hokkoku Servicer, Ltd.  
2-2-15, Katamachi, Kanazawa,  
Ishikawa 920-0981

## Trust — a bridge to a fruitful regional future

Enrich interactions and build up growth in the region

We shall:

- Deeply understand the regional society, economy, culture, and life.
- Provide comprehensive information and financial services.
- Lead regional activities in various aspects.
- Achieve trust and become a guide towards a fruitful future for the region.

Hokkoku Bank's regional communities:

We offer services tailored to the unique characteristics and needs of all areas in which our business infrastructure is located. The three Hokuriku prefectures of Toyama, Fukui, and especially Ishikawa, where our headquarters is located, are our most important regional communities.

## New Medium-Term Business Plan

With the medium-term business plan “QCS’S,” which we had been working on since April 2012, various measures have been implemented with intensive awareness of speed and quality at the base.

Though the circumstances surrounding the Bank is vigorous due to the effect from the opening of the Hokuriku Shinkansen, it is assumed that difficult situations will still continue as falling and aging of populations are steadily escalating in the medium- to long-term along with increasing competition with the companies in the same industry as well as other industries.

At the same time of accelerating and penetrating various measures which have been carried out, the Bank considered “Challenging all the time for a reform” would help us to contribute to the regional revitalization which is directly linked to the main business of local banks, and prepared the new medium-term business plan.

### New Medium-Term Business Plan “NEXT QCS’S” [Duration] April 2015 to March 2018

#### QCS’S

##### Q...Quality

Establish the Hokkoku brand based on human power, CS and high level of skills

##### C...Cost

Make continuous efforts against cost reduction

##### S...Speed

Seek overwhelming speed

##### S...Smile

Bring shines to the region through smiles!

#### Basic policy

We will actively take on challenges to solve regional issues with a focus on real consulting function as we transform ourselves for new challenges toward the next decade.

#### Six Missions

- (1) Towards real professional banking
- (2) Improving organizational capability — an organization strong for change —
- (3) Boosting shares in Hokuriku region
- (4) Enhancing profitability and productivity
- (5) Setting up the environment where women could play an active role
- (6) Reducing NPL ratio

#### Target management benchmarks

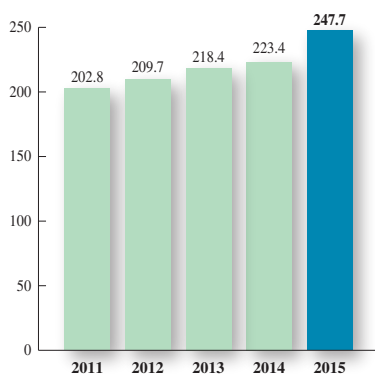
	March 2015 (Actual)	March 2018 (Target)
Net profits from core business	¥16.8 billion	¥17.5 billion or more
Ordinary profit	¥17.1 billion	¥16.0 billion or more
Capital adequacy ratio (National standard)	11.18%	12% — 13%
Capital adequacy ratio (International standard)	—	14% — 15%
NPL ratio (Before partial direct write-off)	3.68%	2% — 3%

# FINANCIAL HIGHLIGHTS

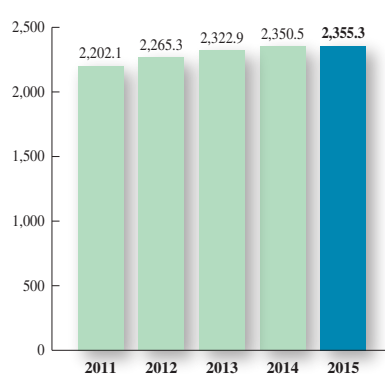
	Millions of yen					Thousands of U.S. dollars
	2015	2014	2013	2012	2011	2015
Total Income .....	¥ 74,114	¥ 66,576	¥ 69,315	¥ 70,165	¥ 71,505	\$ 616,744
Income before Income Taxes and Minority Interests .....	16,177	15,486	11,458	14,524	13,897	134,618
Net Income .....	7,989	7,855	6,994	6,314	7,435	66,484
Total Assets .....	4,179,790	3,513,777	3,487,404	3,405,627	3,294,745	34,782,315
Loans and Bills Discounted .....	2,355,374	2,350,504	2,322,999	2,265,382	2,202,152	19,600,353
Securities and Trading Securities .....	1,191,361	893,444	886,455	902,655	893,071	9,913,966
Deposits .....	3,142,315	3,161,969	3,151,712	3,096,758	2,953,792	26,148,918
Total Net Assets .....	247,730	223,438	218,492	209,777	202,878	2,061,496
<Consolidated>						
Capital adequacy ratio (%) .....	11.27	13.06	13.69	13.62	14.68	
<Non-consolidated>						
Capital adequacy ratio (%) .....	11.18	12.46	13.11	13.20	14.32	

U.S. dollar amounts are translated at the rate of ¥120.17 = \$1.00

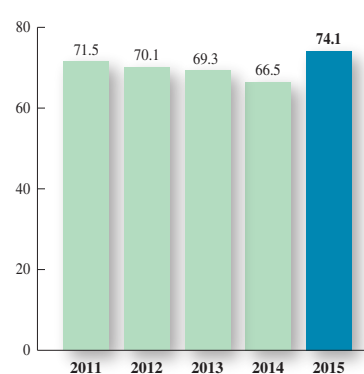
**Total Net Assets**  
(Billions of yen)



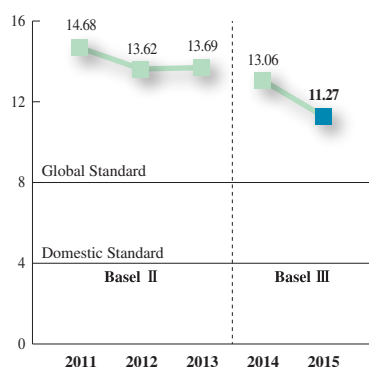
**Loans and Bills Discounted**  
(Billions of yen)



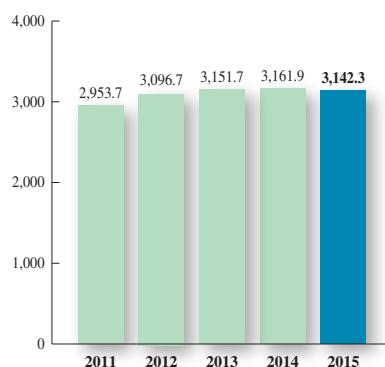
**Total Income**  
(Billions of yen)



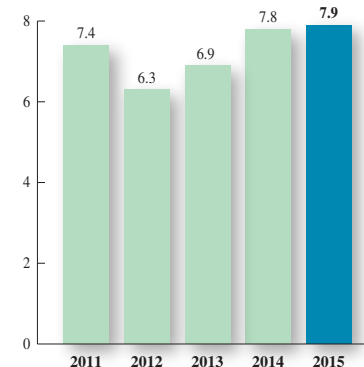
**Capital adequacy ratio (Consolidated)**  
(%)



**Deposits**  
(Billions of yen)



**Net Income**  
(Billions of yen)



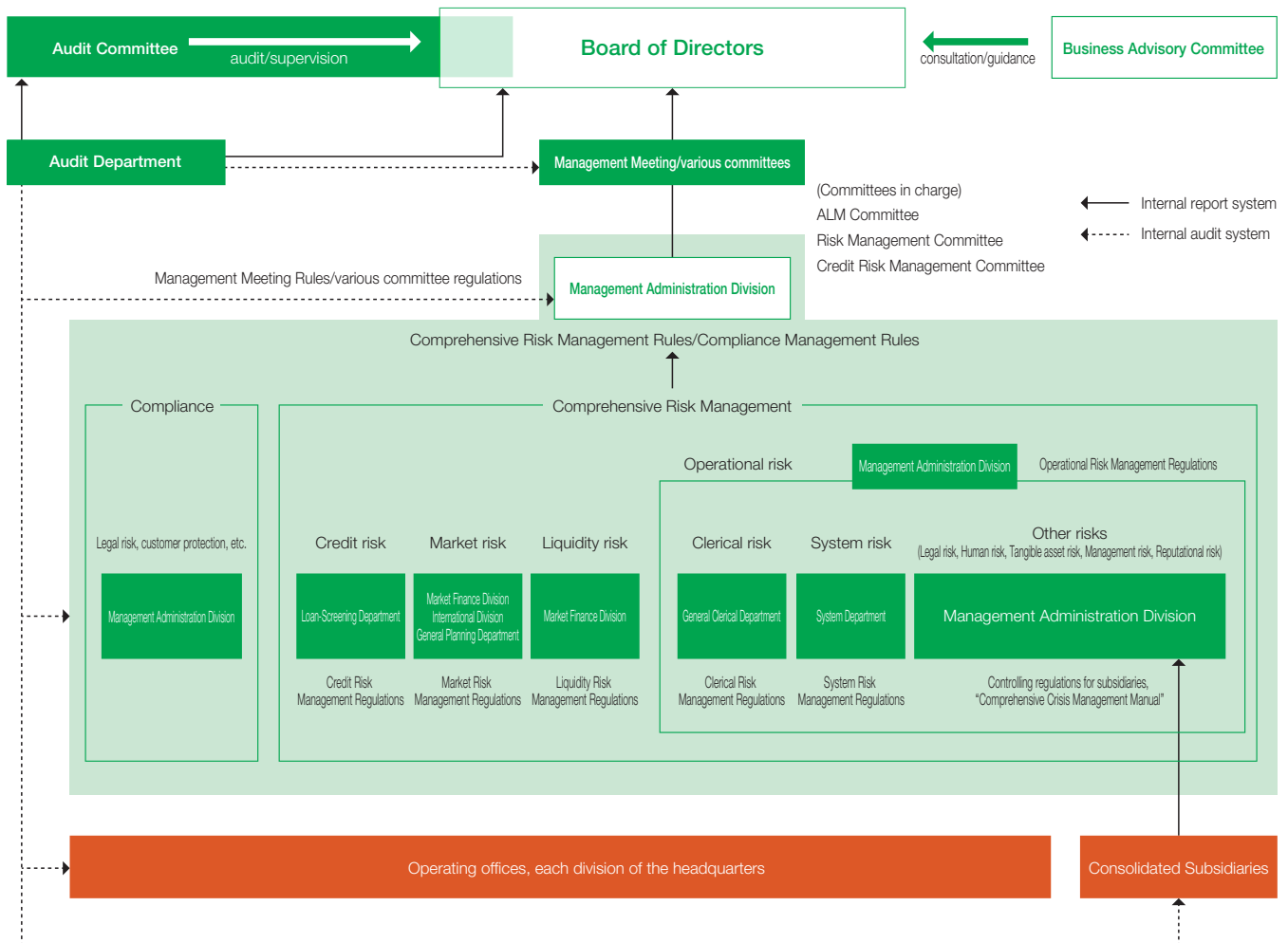
# CORPORATE GOVERNANCE STRUCTURE

## Basic Approach to the Corporate Governance Structure

In order to realize our corporate philosophy and to achieve the ideas and action goals in the medium-term management plan, the Bank is working to build a corporate governance structure in the belief that it is important to maintain a harmonious relationship with stakeholders, including shareholders, further improve management transparency and reinforce management that strictly observes compliance.

## Outline of the Corporate Governance Structure

- The model of the corporate governance system is as follows.



- The Board of Directors, which is the supervisory body responsible for the execution of management decision-making and the duties of directors, is comprised of 10 directors who are not audit committee members, and 6 directors who are audit committee members (of whom 4 are outside directors) for a total of 16 members, as of the filing date for the Bank's securities report (June 30, 2015). The Board of Directors holds a regular Board of Directors Meeting once a month and, in addition, holds extraordinary meetings as required for the purpose of making decisions on important matters relating to the Bank's management policy and other general management issues.
- The Bank transitioned to a board with audit committee structure upon the approval of partial changes to the Articles of Incorporation at the 107th Ordinary General Meeting of Shareholders held on June 26, 2015. This transition to an audit committee structure will enable the Bank to reinforce the audit and oversight functions of the Board of Directors and executive officers, as well as to improve the transparency and efficacy of the business execution process as a result of the participation in management by outside directors, with the aim of further enhancing corporate governance and improving our corporate value to meet the expectations of our stakeholders. Furthermore, we are strengthening our business auditing system by establishing a Business Advisory Committee consisting of third-party committee members from outside the bank and accepting their proposals and advice. Additionally, the system also enables us to seek individual advice and guidance from individual committee members.



- The Bank has introduced an executive officer system, and in principle holds management meetings, attended by representative directors, officers in charge and audit committee members, once a week to implement the sharing of overall management information, improve management efficiency, and expedite decision-making. In addition, we are verifying the effectiveness of our policies and confirming the progress of business execution through the establishment of weekly morning meetings (attendees: managing directors and above, and Divisional General Manager) and Loan Liaison Committee (attendees: managing directors and above, and officers in charge) to reinforce communication among departments. Furthermore, we have established a committee organization consisting of ALM, Management Efficiency Improvement, Risk Management, Compliance, Credit Risk Management, CS, CSR, and Business Planning Promotion committees and are implementing cross-functional discussions while increasing the involvement of management.
- We believe that this structure will enable the Bank to establish an objective and neutral oversight position.

## BASIC POLICY AND OPERATING STRUCTURE FOR RISK MANAGEMENT

As business opportunities for financial institutions grow as a result of advances with financial deregulation, internationalization and the relaxation of regulations, the risks associated with the banking business become more diverse and complex. For banking management henceforth, it is important to accurately manage risk based on the principle of self-responsibility, while securing adequate income commensurate with that risk.

The Bank has laid out the basic matters relating to risk management under its comprehensive risk management rules, whereby each management department undertakes adequate risk management based on detailed risk management rules, while the Management Administration Division comprehensively manages overall risk in its role as the supervisory body. Comprehensive risk management matters are periodically reported to the Board of Directors subsequent to the discussion of quantitative risk by the ALM Committee, non-quantitative risk by the Risk Management Committee, and credit risk by the Credit Risk Management Committee.

### Transition to a board with audit committee structure

The Bank transitioned to a board with audit committee structure upon the approval of partial changes to the Articles of Incorporation at the 107th Ordinary General Meeting of Shareholders held on June 26, 2015. This transition to an audit committee structure will enable the Bank to reinforce the audit and oversight functions of directors and executive officers, as well as improve the transparency and efficacy of the business execution process as a result of the participation in management by outside directors, with the aim of further enhancing corporate governance and improving our corporate value to meet the expectations of our stakeholders. Furthermore, we are strengthening our business auditing system by establishing a Business Advisory Committee consisting of third-party committee members from outside the bank and accepting their proposals and advice.

# CONSOLIDATED BALANCE SHEETS

The Hokkoku Bank, Ltd. and Consolidated Subsidiaries

As of March 31

	2015	2014	2015
	(Millions of Yen)		(Thousands of U.S. Dollars) (Note 2)
<b>Assets:</b>			
Cash and due from banks (Notes 7 and 11)	¥ 544,907	¥ 160,303	\$ 4,534,473
Call loans and bills bought (Note 7)	—	15,308	—
Monetary receivables bought	3,708	4,682	30,856
Trading securities (Note 8)	833	437	6,935
Money held in trusts (Note 9)	15,025	15,077	125,039
Securities (Notes 7, 8 and 13)	1,190,527	893,006	9,907,031
Loans and bills discounted (Notes 6 and 7)	2,355,374	2,350,504	19,600,353
Foreign exchanges	3,553	2,743	29,573
Lease receivables and investment in leased assets (Note 17)	21,672	22,812	180,348
Other assets (Note 13)	14,438	12,033	120,154
Tangible fixed assets (Notes 10 and 12)	38,301	37,368	318,727
Intangible fixed assets	8,970	7,589	74,647
Deferred tax assets (Note 20)	—	3,198	—
Customers' liabilities for acceptances and guarantees	17,071	17,544	142,058
Reserve for possible loan losses	(34,594)	(28,835)	(287,882)
<b>Total assets</b>	<b>¥ 4,179,790</b>	<b>¥ 3,513,777</b>	<b>\$ 34,782,315</b>
<b>Liabilities:</b>			
Deposits (Notes 7 and 13)	3,079,447	3,049,886	25,625,762
Negotiable certificates of deposit (Note 7)	62,867	112,083	523,156
Call money and bills sold (Note 7)	324,605	12,659	2,701,215
Guarantee deposit received under securities lending transactions (Notes 7 and 13)	374,027	49,517	3,112,486
Borrowed money (Notes 13 and 14)	7,585	7,665	63,118
Foreign exchanges	118	82	989
Other liabilities	39,950	24,277	332,450
Reserve for bonuses	801	787	6,670
Net defined benefit liability (Note 21)	13,480	12,830	112,177
Reserve for directors' retirement benefits	50	53	421
Deferred tax liabilities (Note 20)	9,816	—	81,689
Deferred tax liabilities arising from revaluation of land (Note 10)	2,237	2,952	18,623
Acceptances and guarantees	17,071	17,544	142,058
<b>Total liabilities</b>	<b>¥ 3,932,060</b>	<b>¥ 3,290,339</b>	<b>\$ 32,720,819</b>
<b>Net assets:</b>			
Common stock	26,673	26,673	221,968
Capital surplus	11,289	11,289	93,945
Retained earnings	148,850	142,871	1,238,667
Treasury stock	(3,931)	(215)	(32,714)
Total shareholders' equity (Note 15)	182,882	180,620	1,521,867
Net unrealized gains on available-for-sale securities (Note 8)	55,742	34,030	463,863
Net deferred losses on hedging instruments	(388)	(277)	(3,236)
Land revaluation surplus (Note 10)	2,879	3,514	23,958
Remeasurements of defined benefit plans (Note 21)	(2,915)	(3,197)	(24,259)
Total accumulated other comprehensive income	55,317	34,068	460,325
Subscription rights to shares (Note 16)	232	215	1,934
Minority interests	9,297	8,534	77,369
<b>Total net assets</b>	<b>247,730</b>	<b>223,438</b>	<b>2,061,496</b>
<b>Total liabilities and net assets</b>	<b>¥ 4,179,790</b>	<b>¥ 3,513,777</b>	<b>\$ 34,782,315</b>

See accompanying notes to consolidated financial statements.

## CONSOLIDATED STATEMENTS OF INCOME

The Hokkoku Bank, Ltd. and Consolidated Subsidiaries

Year ended March 31

	2015	2014	2015
	(Millions of Yen)		(Thousands of U.S. Dollars) (Note 2)
<b>Income</b>			
Interest income on:	¥ 42,555	¥ 41,522	\$ 354,128
Interest on loans and discounts	30,564	31,710	254,340
Interest and dividends on securities	11,851	9,781	98,620
Other interest income	140	30	1,167
Fees and commissions	10,262	10,520	85,396
Other operating income	16,035	9,878	133,438
Other income	5,261	4,655	43,780
Total income	74,114	66,576	616,744
<b>Expenses</b>			
Interest expense on:	1,535	1,368	12,781
Deposits	824	986	6,861
Borrowings and rediscounts	254	65	2,121
Other	456	315	3,798
Fees and commissions	2,805	2,683	23,348
Other operating expenses	9,476	9,034	78,861
General and administrative expenses	32,281	31,782	268,633
Other expenses (Note 18)	11,836	6,220	98,501
Total expenses	57,937	51,089	482,125
<b>Income before income taxes and minority interests</b>	16,177	15,486	134,618
Income taxes (Note 20):			
Current	2,749	4,154	22,882
Deferred	4,780	2,831	39,781
	7,530	6,986	62,664
Net income before minority interests	8,646	8,499	71,954
Minority interests in earnings of consolidated subsidiaries	657	644	5,469
<b>Net income</b>	¥ 7,989	¥ 7,855	\$ 66,484
	2015	2014	2015
	(Yen)		(U.S. Dollars) (Note 2)
<b>Amounts per share (Note 23)</b>			
Net assets	¥ 782.94	¥ 683.54	\$ 6.51
Net income-basic	25.54	24.98	0.21
Net income-diluted	25.48	24.92	0.21

See accompanying notes to consolidated financial statements.

## CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

The Hokkoku Bank, Ltd. and Consolidated Subsidiaries

Year ended March 31

	2015	2014	2015
	(Millions of Yen)		(Thousands of U.S. Dollars) (Note 2)
Net income before minority interests	¥ 8,646	¥ 8,499	\$ 71,954
Other comprehensive income (Note 19)			
Net unrealized gains on available-for-sale securities	21,832	2,744	181,676
Net deferred gains on hedging instruments	(110)	121	(923)
Land revaluation surplus	231	—	1,922
Remeasurements of defined benefit plans (Note 21)	282	—	2,350
Total other comprehensive income	22,234	2,866	185,026
Comprehensive income	¥ 30,881	¥ 11,366	\$ 256,980
Total comprehensive income attributable to:			
Owners of the parent	¥ 30,104	¥ 10,224	\$ 250,514
Minority interests	777	1,141	6,465

See accompanying notes to consolidated financial statements.

# CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS

The Hokkoku Bank, Ltd. and Consolidated Subsidiaries

	Millions of Yen				
	Shareholder's equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
<b>Balance at April 1, 2013</b>	¥ 26,673	¥ 11,289	¥ 137,510	¥ (197)	¥ 175,276
Cash dividends	—	—	(2,049)	—	(2,049)
Net income	—	—	7,855	—	7,855
Transfer from retained earnings to capital surplus	—	1,175	(1,175)	—	—
Purchase of treasury stock	—	—	—	(1,224)	(1,224)
Disposal of treasury stock	—	(13)	—	45	32
Cancellation of treasury stock	—	(1,161)	—	1,161	—
Reversal of land revaluation surplus	—	—	729	—	729
Net changes in items other than shareholders' equity	—	—	—	—	—
Total changes during the year	—	—	5,360	(17)	5,343
<b>Balance at March 31, 2014</b>	26,673	11,289	142,871	(215)	180,620
Cumulative effect of accounting changes	—	—	(813)	—	(813)
<b>Balance at April 1, 2014, as restated</b>	<b>26,673</b>	<b>11,289</b>	<b>142,058</b>	<b>(215)</b>	<b>179,806</b>
Cash dividends	—	—	(2,042)	—	(2,042)
Net income	—	—	7,989	—	7,989
Transfer from retained earnings to capital surplus	—	20	(20)	—	—
Purchase of treasury stock	—	—	—	(3,786)	(3,786)
Disposal of treasury stock	—	(20)	—	70	49
Reversal of land revaluation surplus	—	—	866	—	866
Net changes in items other than shareholders' equity	—	—	—	—	—
Total changes during the year	—	—	6,792	(3,716)	3,076
<b>Balance at March 31, 2015</b>	<b>¥ 26,673</b>	<b>¥ 11,289</b>	<b>¥ 148,850</b>	<b>¥ (3,931)</b>	<b>¥ 182,882</b>

	Millions of Yen							
	Accumulated other comprehensive income							
	Net unrealized gains on available-for-sale securities	Net deferred losses on hedging instruments	Land revaluation surplus	Remeasurements of defined benefit plans	Total accumulated other comprehensive income	Subscription rights to shares	Minority interests	Total net assets
<b>Balance at April 1, 2013</b>	¥ 31,783	¥ (399)	¥ 4,243	¥ —	¥ 35,627	¥ 185	¥ 7,403	¥ 218,492
Cash dividends	—	—	—	—	—	—	—	(2,049)
Net income	—	—	—	—	—	—	—	7,855
Transfer from retained earnings to capital surplus	—	—	—	—	—	—	—	—
Purchase of treasury stock	—	—	—	—	—	—	—	(1,224)
Disposal of treasury stock	—	—	—	—	—	—	—	32
Cancellation of treasury stock	—	—	—	—	—	—	—	—
Reversal of land revaluation surplus	—	—	—	—	—	—	—	729
Net changes in items other than shareholders' equity	2,246	121	(729)	(3,197)	(1,559)	29	1,130	(398)
Total changes during the year	2,246	121	(729)	(3,197)	(1,559)	29	1,130	4,945
<b>Balance at March 31, 2014</b>	34,030	(277)	3,514	(3,197)	34,068	215	8,534	223,438
Cumulative effect of accounting changes	—	—	—	—	—	—	—	(813)
<b>Balance at April 1, 2014, as restated</b>	<b>34,030</b>	<b>(277)</b>	<b>3,514</b>	<b>(3,197)</b>	<b>34,068</b>	<b>215</b>	<b>8,534</b>	<b>222,624</b>
Cash dividends	—	—	—	—	—	—	—	(2,042)
Net income	—	—	—	—	—	—	—	7,989
Transfer from retained earnings to capital surplus	—	—	—	—	—	—	—	—
Purchase of treasury stock	—	—	—	—	—	—	—	(3,786)
Disposal of treasury stock	—	—	—	—	—	—	—	49
Reversal of land revaluation surplus	—	—	—	—	—	—	—	866
Net changes in items other than shareholders' equity	21,712	(110)	(635)	282	21,248	17	763	22,029
Total changes during the year	21,712	(110)	(635)	282	21,248	17	763	25,105
<b>Balance at March 31, 2015</b>	<b>¥ 55,742</b>	<b>¥ (388)</b>	<b>¥ 2,879</b>	<b>¥ (2,915)</b>	<b>¥ 55,317</b>	<b>¥ 232</b>	<b>¥ 9,297</b>	<b>¥ 247,730</b>

See accompanying notes to consolidated financial statements.

Thousands of U.S. Dollars (Note 2)					
Shareholder's equity					
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
<b>Balance at March 31, 2014</b>	\$ 221,968	\$ 93,945	\$ 1,188,914	\$ (1,790)	\$ 1,503,038
Cumulative effect of accounting changes			(6,771)		(6,771)
<b>Balance at April 1, 2014, as restated</b>	<b>221,968</b>	<b>93,945</b>	<b>1,182,142</b>	<b>(1,790)</b>	<b>1,496,266</b>
Cash dividends	—	—	(16,992)	—	(16,992)
Net income	—	—	66,484	—	66,484
Transfer from retained earnings to capital surplus	—	173	(173)	—	—
Purchase of treasury stock	—	—	—	(31,512)	(31,512)
Disposal of treasury stock	—	(173)	—	588	414
Reversal of land revaluation surplus	—	—	7,207	—	7,207
Net changes in items other than shareholders' equity	—	—	—	—	—
Total changes during the year	—	—	56,524	(30,924)	25,600
<b>Balance at March 31, 2015</b>	<b>\$ 221,968</b>	<b>\$ 93,945</b>	<b>\$ 1,238,667</b>	<b>\$ (32,714)</b>	<b>\$ 1,521,867</b>

Thousands of U.S. Dollars (Note 2)								
Accumulated other comprehensive income								
	Net unrealized gains on available-for-sale securities	Net deferred losses on hedging instruments	Land revaluation surplus	Remeasurements of defined benefit plans	Total accumulated other comprehensive income	Subscription rights to shares	Minority interests	Total net assets
<b>Balance at March 31, 2014</b>	\$ 283,182	\$ (2,313)	\$ 29,242	\$ (26,610)	\$ 283,501	\$ 1,791	\$ 71,018	\$ 1,859,349
Cumulative effect of accounting changes								(6,771)
<b>Balance at April 1, 2014, as restated</b>	<b>283,182</b>	<b>(2,313)</b>	<b>29,242</b>	<b>(26,610)</b>	<b>283,501</b>	<b>1,791</b>	<b>71,018</b>	<b>1,852,578</b>
Cash dividends	—	—	—	—	—	—	—	(16,992)
Net income	—	—	—	—	—	—	—	66,484
Transfer from retained earnings to capital surplus	—	—	—	—	—	—	—	—
Purchase of treasury stock	—	—	—	—	—	—	—	(31,512)
Disposal of treasury stock	—	—	—	—	—	—	—	414
Reversal of land revaluation surplus	—	—	—	—	—	—	—	7,207
Net changes in items other than shareholders' equity	180,681	(923)	(5,284)	2,350	176,823	143	6,351	183,317
Total changes during the year	180,681	(923)	(5,284)	2,350	176,823	143	6,351	208,918
<b>Balance at March 31, 2015</b>	<b>\$ 463,863</b>	<b>\$ (3,236)</b>	<b>\$ 23,958</b>	<b>\$ (24,259)</b>	<b>\$ 460,325</b>	<b>\$ 1,934</b>	<b>\$ 77,369</b>	<b>\$ 2,061,496</b>

See accompanying notes to consolidated financial statements.

# CONSOLIDATED STATEMENTS OF CASH FLOWS

The Hokkoku Bank, Ltd. and Consolidated Subsidiaries

Year ended March 31

	2015		2014		2015	
	(Millions of Yen)				(Thousands of U.S. Dollars) (Note 2)	
	¥		¥		\$	
<b>Cash flows from operating activities</b>						
Income before income taxes and minority interests				15,486		134,618
Adjustments to reconcile income before income taxes and minority interests to net cash provided by operating activities:						
Depreciation and amortization		2,666		2,321		22,187
Losses on impairment		1,881		1,261		15,654
Increase (decrease) in reserve for possible loan losses		5,759		(630)		47,927
Increase (decrease) in reserve for bonuses		13		(19)		115
Increase (decrease) in net defined benefit liability		(608)		5,336		(5,066)
Increase (decrease) in directors' retirement benefits		(2)		(2)		(21)
Increase (decrease) in reserve for reimbursement of deposits		18		19		149
Increase (decrease) in reserve for losses on refund of interest		(15)		(14)		(129)
Increase (decrease) in reserve for customer service points		19		8		163
Accrued interest and dividend income		(42,555)		(41,522)		(354,128)
Accrued interest expenses		1,535		1,368		12,781
Losses (gains) on investment securities, net		(8,093)		(339)		(67,351)
Losses (gains) on money trusts		(171)		(127)		(1,426)
Foreign exchange losses (gains), net		(8,244)		(4,939)		(68,608)
Losses (gains) on disposal of fixed assets		839		(171)		6,982
Decrease (increase) in loans and bills discounted		(4,879)		(27,514)		(40,604)
Increase (decrease) in deposits		(19,654)		10,256		(163,551)
Decrease (increase) in due from banks (exclusive of the Bank of Japan)		216		(408)		1,802
Decrease (increase) in call loans and others		16,283		86,456		135,504
Increase (decrease) in call money and others		311,865		(7,426)		2,595,206
Increase (decrease) in guarantee deposit received under securities lending transactions		324,510		14,101		2,700,424
Decrease (increase) in trading account assets		(395)		(254)		(3,294)
Decrease (increase) in foreign exchange assets		(810)		(274)		(6,743)
Increase (decrease) in foreign exchange liabilities		35		29		299
Decrease (increase) in lease receivables and investment in leased assets		786		(1,757)		6,547
Interest and dividends received		31,070		32,612		258,557
Interest paid		(1,655)		(2,441)		(13,777)
Other, net		15,255		(3,342)		126,950
Subtotal		641,848		78,073		5,341,169
Income taxes paid, net of refund		(4,146)		(4,816)		(34,509)
Net cash provided by (used in) operating activities		637,701		73,257		5,306,660
<b>Cash flows from investing activities</b>						
Purchases of securities		(1,229,524)		(305,399)		(10,231,541)
Proceeds from sales of securities		825,796		95,016		6,871,900
Proceeds from redemption of investment securities		150,373		210,779		1,251,340
Decrease in money held in trusts		52		9,949		433
Interests and dividends received on investments		13,785		12,240		114,713
Purchases of tangible fixed assets		(4,929)		(6,496)		(41,022)
Purchases of intangible fixed assets		(3,053)		(4,067)		(25,406)
Proceeds from sales of tangible fixed assets		419		449		3,490
Payment on discharge of asset retirement obligation		(37)		(51)		(312)
Net cash provided by (used in) investing activities		(247,118)		12,420		(2,056,405)
<b>Cash flows from financing activities</b>						
Cash dividends paid		(2,040)		(2,046)		(16,978)
Dividends paid to minority interests		(13)		(10)		(114)
Purchases of treasury stock		(3,786)		(1,224)		(31,512)
Proceeds from sales of treasury stock		49		32		414
Net cash provided by (used in) financing activities		(5,791)		(3,249)		(48,191)
Effect of exchange rate changes on cash and cash equivalents		28		22		241
Net increase (decrease) in cash and cash equivalents		384,820		82,449		3,202,304
Cash and cash equivalents at beginning of year		159,409		76,959		1,326,535
Cash and cash equivalents at end of year (Note 11)	¥	544,230	¥	159,409	\$	4,528,839

See accompanying notes to consolidated financial statements.

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

## The Hokkoku Bank, Ltd. and Consolidated Subsidiaries For the years ended March 31, 2015 and 2014

### 1. Basis of Presentation

The accompanying consolidated financial statements of The Hokkoku Bank, Ltd. (the "Bank") and consolidated subsidiaries are prepared on the basis of accounting principles generally accepted in Japan, which are different in certain respects as to the application and disclosure requirements of International Financial Reporting Standards, and are compiled from the consolidated financial statements prepared by the Bank as required by the Financial Instruments and Exchange Law of Japan.

In addition, the notes to the consolidated financial statements include information which is not required under accounting principles generally accepted in Japan, but is presented herein as additional information.

As permitted by the Financial Instruments and Exchange Law, amounts of less than one million yen have been rounded down. As a result, the totals shown in the accompanying consolidated financial statements (both in yen and U.S. dollars) do not necessarily agree with the sums of the individual amounts.

### 2. U.S. Dollar Amounts

The Bank maintains its records and prepares its financial statements in yen. Amounts in U.S. dollars are presented solely for the convenience of readers outside Japan. The rate of ¥120.17 = U.S. \$1.00, the rate of exchange in effect on March 31, 2015 has been used in conversion. The conversion should not be construed as a meaning that yen could be converted into U.S. dollars at the above or any other rate.

### 3. Summary of Significant Accounting Policies

#### a. Principles of consolidation

The accompanying consolidated financial statements include the accounts of the Bank and its 5 subsidiaries at March 31, 2015 and 2014. All significant inter-company accounts and transactions have been eliminated in consolidation.

Ishikawa Small Business Revitalization Fund Investment Limited Liability Partnership is not consolidated, nor accounted for under the equity method, since the materiality in terms of assets, ordinary profit, share of its income and its retained earnings is less important and its non-consolidation will not prevent reasonable judgments regarding the Group's financial position and operating results.

#### b. Trading account securities

Trading account securities are stated at fair value at the end of the year, and the related cost of sales is determined by the moving average method.

#### c. Securities

Held-to-maturity securities are stated at amortized cost (straight-line method) using the moving average method. Stocks in unconsolidated subsidiaries which are not accounted for by the equity method are stated at cost using the moving average method. Available-for-sale securities are stated in principle at fair value based on the market value as of year-end (cost of securities sold is calculated using the moving average method). However, those securities whose fair value is extremely difficult to be determined are stated at cost using the moving average method.

The net unrealized gains or losses on available-for-sale securities are included directly in net assets.

Securities invested as assets in trust in separately managed money trusts for the principal purpose of securities investment are stated at fair value.

#### d. Derivative financial instruments

Derivatives are stated at fair value.

#### e. Tangible fixed assets

Tangible fixed assets are carried at cost less accumulated depreciation.

Depreciation of tangible fixed assets of the Bank is computed by the declining-balance method. The useful lives of buildings and equipment are summarized as follows.

Buildings	10 to 50 years
Others	3 to 20 years

Depreciation of tangible fixed assets of the consolidated subsidiaries is computed primarily by the declining-balance method over the estimated useful lives of the respective assets.

Depreciation of assets held under finance leases which do not transfer ownership of the leased assets to the lessee is computed by the straight-line method over the lease terms of the respective assets. The salvage value for depreciation purpose is determined based on the lease contracts.

#### f. Intangible fixed assets

Amortization of intangible fixed assets of the Bank is computed by the straight-line method. Acquisition costs of software to be used internally are capitalized and amortized by the straight-line method primarily over a useful life of five years.

#### g. Reserve for possible loan losses

The reserve for possible loan losses of the Bank is provided as detailed below in accordance with the internal rules for providing reserves for possible loan losses:

For claims to debtors who are legally bankrupt (as a result of bankruptcy special liquidation, etc.) or who are substantially bankrupt, a reserve is provided based on the amount of the claims, on the net amount expected to be collected by the disposal of collateral, or as a result of the execution of a guarantee.

For claims to debtors who are not currently bankrupt, but are likely to become bankrupt, a reserve is provided according to the amount considered necessary based on an overall solvency assessment of the amount of the claim, on the net amount expected to be collected by the disposal of collateral, or as a result of the execution of guarantee. In addition, for claims to such significant debtors and debtors who have restructured loans exceeding a certain credit amount that are possible to estimate reasonably cash flows from collection of principals and receipt of interest, a reserve is provided according to the difference between the amount of related cash flows discounted by the original contract interest rate before restructuring the loans and its carrying book value.

For other claims, a reserve is provided based on the Bank's past loan-loss experience. All claims are assessed by the Business Section (at the branches and the related head office divisions) based on the Bank's internal rules for the self-assessment of asset quality. The Corporate Audit Department, which is independent of the Business Section, subsequently conducts audits of such assessments.

The reserves of the consolidated subsidiaries are provided for general claims at an amount based on the actual historical rate of loan losses and for specific claims (from potentially bankrupt customers, etc.) at an estimate of the amounts deemed uncollectible based on the respective assessments.

For collateralized or guaranteed claims from debtors who are legally or substantially bankrupt, the amounts of the claims deemed uncollectible in excess of the estimated value of the collateral or guarantees have been written off in aggregate amounts at ¥44,179 million (\$367,645 thousand) and ¥50,929 million as of March 31, 2015 and 2014, respectively.

#### h. Bonuses to employees

The reserve for bonuses to employees is provided at the estimated amount to be attributed to the current fiscal year.

i. Directors' retirement benefits

The reserve for directors' retirement benefits is recorded at an estimated amount to be required to be paid if all directors retired at the balance sheet date.

j. Reserve for reimbursement of deposits

The reserve for reimbursement of deposits is recorded at an estimated amount to be required to reimburse the customers' claims on the derecognized sleeping deposit accounts.

k. Reserve for loss on refund of interest

The reserve for loss on refund of interest is recorded by a certain consolidated subsidiary to provide for the customers' claims to refund the interest exceeding the maximum limit of interest rate stipulated by the Maximum Interest Rate Law based on the past experience of refund.

l. Reserve for customer service points

The reserve for customer service points is recorded at an estimated amount based on the future expected payment resulting from the customers' use of points granted to contractors of "Hokkoku Point Service" and credit card members based on the point system incorporated to promote the use of such services and credit cards.

m. Retirement benefit plans

In calculating retirement benefit obligations, the benefit formula basis (straight-line basis in 2014) is used as a method of attributing expected retirement benefits to the period up to the end of this fiscal year. Treatments of prior service cost and actuarial gains or losses are as follows:

Prior service cost is amortized by the straight-line method over a certain period (10 years) which falls within the average remaining years of service of the employees when incurred.

Actuarial gains or losses are amortized in the following years after incurred by the straight-line method over a certain period (10 years) that falls within the average remaining years of service of the employees.

n. Foreign currency translations

Foreign currency assets and liabilities are translated into Japanese yen equivalents primarily using the applicable rate of exchange effective at the balance sheet date.

o. Leases

As lessor, all finance leases which transfer ownership of the leased assets to the lessee are recognized as lease receivables, and all finance leases which do not transfer ownership of the leased assets to the lessee are recognized as investment in leased assets.

Investment in leased assets recorded at April 1, 2008, when the revised accounting standard for lease transactions was adopted, was stated at the reasonable cost less accumulated depreciation at March 31, 2008 pursuant to the paragraph 81 of Implementation Guidance No.16, "Implementation Guidance on Accounting Standard for Lease Transactions" issued on March 30, 2007. If these lease transactions had been retroactively accounted for as ordinary sale transactions pursuant to paragraph 80 of the Guidance, income before income taxes and minority interests would have increased by ¥29 million (\$247 thousand) and ¥76 million for the years ended March 31, 2015 and 2014, respectively.

Finance lease revenue and related cost of revenue are recorded when the lease payment is received.

p. Hedge accounting

Hedging interest rate risk

The Bank applied the deferral method to account for financial instruments that hedge the interest rate risk on financial assets and liabilities of the Bank, as provided in the "Accounting and Auditing with Regard to Foreign Currency Transactions in the Banking Industry" (The Japanese Institute of Certified Public Accounts Industry Audit Committee Report No. 24, hereinafter "JICPA Industry Audit Committee Report No. 24"). The hedge effectiveness is assessed by grouping and specifying hedged items including deposits and loans and hedging instruments including interest rate swaps by certain period. The interest rate swaps of certain consolidated subsidiaries which qualify for hedge accounting and

meet specific matching criteria are not remeasured at market value but the differential paid or received under the swap agreements are recognized and included in interest expenses or income.

Hedging foreign exchange risk

The Bank applies the deferral method to account for derivative instruments that hedge the foreign exchange risk on various foreign-currency financial assets and liabilities, as provided in the "Accounting and Auditing with Regard to Foreign Currency Transactions in the Banking Industry" (The Japanese Institute of Certified Public Accounts Industry Audit Committee Report No. 25, hereinafter "JICPA Industry Audit Committee Report No. 25"). The hedge effectiveness of these currency-swap transactions, exchange-swap transactions and similar instruments to hedge the foreign exchange risks of foreign-currency financial assets or liabilities is assessed by comparing the foreign currency position of the hedged assets or liabilities with that of the hedging instruments.

q. Consumption taxes

Transactions subject to national and local consumption taxes are recorded at amounts exclusive of consumption taxes. Nondeductible consumption taxes levied on the purchase of premises and equipment are charged to income when incurred.

r. Cash and cash equivalents

For the purpose of reporting cash flows, cash and cash equivalents consist of cash and due from the Bank of Japan.

#### 4. Changes in Accounting Policies

Accounting Standard for Retirement Benefits and related guidance  
The Bank has adopted Paragraph 35 of "Accounting Standard for Retirement Benefits" (ASBJ Statement No. 26 issued on May 17, 2012, "Accounting Standard") and Paragraph 67 of "Guidance on Accounting Standard for Retirement Benefits" (ASBJ Guidance No. 25 issued on May 17, 2012, "Guidance") from the beginning of the year ended March 31, 2015. Accordingly, the Bank has reviewed its calculation methods for the projected benefit obligation and service cost, and changed the method for attributing the expected benefit to periods from a straight-line basis to a benefit formula basis.

The Accounting Standard and Guidance are applied in accordance with the transitional treatment stipulated in Paragraph 37 of the Accounting Standard. The effect, arising from the change in calculation method for the projected benefit obligation and service cost, is reflected in retained earnings as of the beginning of the year ended March 31, 2015.

As a result, net defined benefit liability decreased by ¥1,259 million (\$10,477 thousand) and retained earnings decreased by ¥813 million (\$6,771 thousand) as of the beginning of the year ended March 31, 2015. In addition, income before income taxes and minority interests increased by ¥236 million (\$1,968 thousand). The effect of these changes on profit and loss for the year ended March 31, 2015 is considered to be immaterial. The effect of this change on net assets per share is disclosed in Note 23.

#### 5. New Accounting Standards Not Yet Adopted

The revision of Accounting Standard for Business Combinations (issued on September 13, 2013) and related guidance

(a) Outline

The accounting standard has been revised mainly on (i) the treatment of a change in the parent company's ownership interest in a subsidiary in the case where the parent company continues to control the subsidiary upon additionally acquiring the shares of the subsidiary or other cases, (ii) the treatment of acquisition cost, (iii) the treatment of the transitional accounting, and (iv) the presentation of net income and the change in presentation from minority interests to non-controlling interests.

(b) Scheduled Date of Application

The Bank is scheduled to apply this accounting standard after revision from the beginning of the fiscal year starting on April 1, 2015.

(c) Effect of Application of this accounting standard

The effect of the application of this accounting standard is under consideration.



## 6. Loans and Bills Discounted

Loans to borrowers under bankruptcy procedures and delinquent loans totaled ¥5,180 million (\$43,107 thousand) and ¥73,259 million (\$609,634 thousand), respectively, at March 31, 2015, and ¥5,829 million and ¥70,968 million, respectively, at March 31, 2014. A loan is placed on non-accrual status when substantial doubt as to the collectability of its principal and interest is judged to exist, if payment is past due for a certain period of time, or for other reasons.

Loans to borrowers in bankruptcy represent non-accrual loans, after the charge-offs of loans deemed uncollectible, to borrowers who are legally bankrupt as defined in Article 96, Paragraph 1, Subparagraph 3 and 4 of Enforcement Ordinance of the Corporation Income Tax Law.

Delinquent loans are non-accrual loans other than loans to borrowers in bankruptcy or loans on which interest payments have been deferred in order to assist the restructuring of the borrowers.

Loans past due for 3 months or more totaled ¥98 million (\$820 thousand) and ¥348 million at March 31, 2015 and 2014, respectively. Loans past due for 3 months or more are those whose principal or interest payments are 3 months or more past due but are not included in loans to borrower under bankruptcy procedures or delinquent loans. Restructured loans totaled ¥1,036 million (\$8,624 thousand) and ¥1,054 million at March 31, 2015 and 2014, respectively.

Restructured loans are those who on which the Bank has granted certain concessions, such as a reduction at the contractual interest rate or principal amount or a deferral of interest/principal payments, in order to assist the restructuring of the borrowers. Excluded from restructured loans are loans to borrowers under bankruptcy procedures, other non-accrual loans, and loans past due for 3 months or more.

The total of loans to borrowers under bankruptcy procedures, other non-accrual loans, loans past due for 3 months or more and restructured loans amounted to ¥79,574 million (\$662,186 thousand) and ¥78,200 million at March 31, 2015 and 2014, respectively.

Bills discounted are accounted for as financial transactions in accordance with "Treatment of Accounting and Auditing in Applying Accounting Standards for Financial Instruments in the Banking Industry" issued by the JICPA. The Bank has the right to sell or re-pledge the banker's acceptance bills, commercial bills discounted, documentary bills and foreign exchange bought without restrictions.

The face value of banker's acceptance bills, commercial bills, documentary bills and foreign exchange bought at a discount was ¥14,817 million (\$123,308 thousand) and ¥16,222 million as of March 31, 2015 and 2014, respectively.

Overdraft agreements and loan commitments are agreements under which the Bank and its consolidated subsidiaries are obliged to extend loans up to a prearranged limit unless the customer is in breach of contract. The loan commitments not yet drawn down at March 31, 2015 and 2014 totaled ¥460,028 million (\$3,828,145 thousand) and ¥472,397 million, respectively; ¥449,690 million (\$3,742,122 thousand) of which, at March 31, 2015 (2014: ¥461,483 million), was related to agreements whose contractual terms were for one year or less or which were unconditionally cancelable at any time.

As the majority of these agreements expire without the right to extend the loans being exercised, the undrawn commitment balance does not affect the future cash flows of the Bank or of its consolidated subsidiaries. These agreements usually include provisions which stipulate that the Bank and its consolidated subsidiaries have the right either to refuse the execution of the loans or to reduce the contractual commitments when there is a change in the borrower's financial condition, or when additional assurance of the financial soundness and creditworthiness of a borrower is necessary, or when other unforeseen circumstances arise.

The Bank and its consolidated subsidiaries take various measures to protect their credit. Such measures include obtaining real estate or securities as collateral at the time of entering into the agreements, monitoring a customer's business on a regular basis in accordance with established internal procedures, and amending the loan commitment agreements when necessary.

## 7. Financial Instruments and Related Disclosures

### 1. Policy on financial instruments

The Group provides financial services such as banking business and leasing business. Major banking business includes lending services, bills discounting and fund management through dealing and underwriting Japanese government bonds, municipal bonds and available-for-sale securities. On the other hand, the fund is raised mainly by taking deposits and negotiable certificates of deposit and also by issuance of bonds, call money and others according to necessities.

The Group conducts asset and liability management (ALM) and manages the risks identifying various types of risk exposures associated with the banking business, since the Group holds financial assets and liabilities exposed to the market risk of fluctuation of interest rates. As part of the risk management, the Group utilizes derivative transactions.

### 2. Contents and risk of financial instruments

Financial assets held by the Group mainly consist of loans to corporate and individual customers which are exposed to credit risk arising from nonperformance of the customers. In addition, the loan balances are concentrated to Ishikawa prefecture where the head office of the Bank is located and accordingly, the changes in the economic circumstances of the region may have a great impact on the credit risk. Securities mainly consist of Japanese government bonds, municipal bonds, corporate bonds and equity securities that are classified as available-for-sale securities. These securities are exposed to credit risk of issuers and market risks of fluctuation in interest rates, market prices and foreign exchange rates for bonds denominated in foreign currencies.

On the other hand, financial liabilities consist of mainly deposits and negotiable certificates of deposit, bonds, call money and others.

With respect to bonds and call money, the Bank may be forced to raise fund under unfavorable conditions and accordingly, significantly increase funding costs in case that fund raising capacity of the Bank significantly declined under certain circumstances such as significant deterioration of financial positions of the Bank.

Derivative transactions consist of hedging activities performed as part of ALM against market risks (interest rate risk and foreign exchange risk) associated with assets and liabilities held by the Group and transactions to respond to customers' diversified needs for hedging against the risks of customers. The Bank applies hedge accounting for interest rate swaps and currency swaps employed by the Bank for hedging purposes and periodically verifies the effectiveness of hedging activities assessing if the correlation between hedging instruments and hedged items of assets and liabilities is appropriate, and also if the market risks of interest rates and foreign exchange rates are offset by hedging instruments.

### 3. Risk management system for financial instruments

#### *Credit risk management:*

The Group has established and operates a credit control system consisting of credit review by individual transaction, internal credit rating, self-assessment, major account credit control, measurement of risk volume and measures on problem loans in accordance with credit risk control policies, credit policies, lending operation rules and control policies and procedures on credit risks. These credit controls are performed by the Loan-Screening Department, the Loan Control Department and the credit investigation sections of the consolidated subsidiaries as well as the operating offices and periodically subject to authorization by and reported to the Board of Directors, where appropriate. In addition, the Audit Department audits the status of credit risk controls. Credit risk associated with the issuers of securities and counterparty risk associated with cash transactions and derivative transactions are controlled by periodically identifying credit information and fair values by the Market Finance Division and the International Division.

**Market risk management:**

(1) Interest rate risk

The Bank funds loans and securities mainly with deposits taken, but holds long-term and short-term interest rate gaps arising from the timing difference in the maturities repricing deposits and loans. Accordingly, the Management Administration Division monitors the risk exposures by establishing risk limits based on the integrated risk control policy and integrated risk control rule and reports to the ALM Committee and the Board of Directors. In addition, the general planning department and Management Administration Division monitor the interest rate risk based on the interest rate sensitivity analysis, gap analysis, ladder analysis and outlier approach and report to the ALM Committee on a regular basis. The Bank also enters into interest rate swap contracts to hedge the interest rate fluctuation risk.

(2) Foreign exchange risk

The Bank holds, in part, foreign currency denominated assets and liabilities. These foreign currency denominated assets and liabilities are appropriately hedged using currency swaps and other, whereby their exposures to the foreign exchange risk are controlled.

(3) Price fluctuation risk

The Group controls the price fluctuation risk associated with equity securities and investment trusts in accordance with the integrated risk management policies and procedures to control the exposures within the Bank's risk tolerance while securing appropriate earnings. Among these, the Bank established limits for transactions which require risk controls. Moreover, the middle office of the Market Finance Division, in cooperation with the Management Administration Division, is monitoring the volume of risk exposures and verifying compliance with the operating limit. In addition, the Management Administration Division specifies risks and implements measurement and analysis of those risks and stress tests. Such information is reported to the ALM Committee and Board of Directors on a regular basis and where appropriate.

(4) Derivative transactions

With respect to derivative transactions, the Bank established internal rules defining the authority and hedge policies and credit lines by counterparty. Front offices that enter into the contacts, back offices that conduct reconciliation procedures and controls the credit lines and the divisions that assess the effectiveness of hedges are separated so that the internal control functions effectively.

(5) Quantitative information related to market risk

Main financial instruments which are exposed to interest rate risk or stock price fluctuation risk are "Loans and bills discounted," "Securities," "Deposits," "Bonds," "Derivatives" and etc.

The Bank adopts the variance-covariance method (holding period: half a year, confidence interval: 99.9%, observation period: 720 business days in computing the VaR with respect to interest rate, stock price and investment trust related instruments. Interest rate related VaR, stock price related VaR and investment trust price related VaR of the Group amounted to ¥23,575 million (\$196,182 thousand), ¥50,531 million (\$420,495 thousand) and ¥12,056 million (\$100,324 thousand) as of March 31, 2015, and interest rate related VaR and stock price related VaR of the Group as of March 31, 2014 amounted to ¥15,918 million and ¥33,913 million, respectively. With respect to the measurement of interest rate risk exposure of liquid deposits, the Bank adopts deposit internal models.

The Bank implements back-testing to compare the VaR computed by the model with actual profit and loss in the securities and confirms that the measurement model in use captures the market risk with sufficient precision, since the frequency that actual losses exceeded VaR was nil in the interest rate risk, stock price fluctuation risk and investment trust price fluctuation risk during 250 business days as a result of back-testing implemented at the end of March 2015 and it was one time in the interest rate risk and three times in the stock price fluctuation risk during 250 business days as a result of back-testing implemented at the end of March 2014.

However, the risk under certain abnormal market fluctuations may not be captured, since the VaR is measured under a definite probability of incidence statistically computed based on historical market fluctuations. In addition, VaR is a statistical value computed

based on the assumptions and it is not intended to estimate maximum amount of losses.

**4. Supplementary explanation on the fair value of financial instruments**

The fair value of financial instruments comprises the value determined based on the quoted market price and the valuation calculated on a reasonable basis where no market price is available.

**Fair value of financial instruments**

The following table summarizes the carrying amount, fair value and difference of financial instruments as of March 31, 2015 and 2014; Note that equity securities whose fair value is difficult to determine are not included in the table (see Note 2 below).

	<b>March 31, 2015</b>		
	<i>Millions of yen</i>		
	Carrying amount	Fair value	Difference
Cash and due from banks	¥ 544,907	¥ 544,907	¥ —
Call loans and bills bought	—	—	—
Securities:			
Held-to-maturity securities	—	—	—
Available-for-sale securities	1,186,213	1,186,213	—
Loans	2,355,374		
Reserve for possible loan losses (*1)	(25,073)		
	2,330,301	2,349,715	19,414
<b>Total assets</b>	<b>4,061,422</b>	<b>4,080,836</b>	<b>19,414</b>
Deposits	3,079,447	3,079,472	24
Negotiable certificates of deposit	62,867	62,867	0
Call money and bills sold	324,605	324,605	—
Guarantee deposit received under securities lending transactions	374,027	374,027	—
<b>Total liabilities</b>	<b>3,840,948</b>	<b>3,840,973</b>	<b>24</b>
Derivative transactions (*2)			
To which hedge accounting is not applied	(3)	(3)	—
To which hedge accounting is applied	518	518	—
<b>Total derivative transactions</b>	<b>515</b>	<b>515</b>	<b>—</b>

	<b>March 31, 2015</b>		
	<i>Thousands of U.S. dollars</i>		
	Carrying amount	Fair value	Difference
Cash and due from banks	\$4,534,473	\$4,534,473	\$ —
Call loans and bills bought	—	—	—
Securities:			
Held-to-maturity securities	—	—	—
Available-for-sale securities	9,871,127	9,871,127	—
Loans	19,600,353		
Reserve for possible loan losses (*1)	(208,648)		
	19,391,704	19,553,262	161,557
<b>Total assets</b>	<b>33,797,305</b>	<b>33,958,863</b>	<b>161,557</b>
Deposits	25,625,762	25,625,969	207
Negotiable certificates of deposit	523,156	523,156	0
Call money and bills sold	2,701,215	2,701,215	—
Guarantee deposit received under securities lending transactions	3,112,486	3,112,486	—
<b>Total liabilities</b>	<b>31,962,620</b>	<b>31,962,828</b>	<b>207</b>
Derivative transactions (*2)			
To which hedge accounting is not applied	(26)	(26)	—
To which hedge accounting is applied	4,315	4,315	—
<b>Total derivative transactions</b>	<b>4,289</b>	<b>4,289</b>	<b>—</b>

	March 31, 2014		
	Millions of yen		
	Carrying amount	Fair value	Difference
Cash and due from banks	¥ 160,303	¥ 160,303	—
Call loans and bills bought	15,308	15,308	—
Securities:			
Held-to-maturity securities	380	382	1
Available-for-sale securities	888,527	888,527	—
Loans	2,350,504		
Reserve for possible loan losses (*1)	(27,306)		
	2,323,197	2,345,686	22,488
<b>Total assets</b>	<b>3,387,717</b>	<b>3,410,208</b>	<b>22,490</b>
Deposits	3,049,886	3,049,933	47
Negotiable certificates of deposit	112,083	112,085	1
Guarantee deposit received under securities lending transactions	49,517	49,517	—
<b>Total liabilities</b>	<b>3,211,487</b>	<b>3,211,535</b>	<b>48</b>
Derivative transactions (*2)			
To which hedge accounting is not applied	3	3	—
To which hedge accounting is applied	(799)	(799)	—
<b>Total derivative transactions</b>	<b>(796)</b>	<b>(796)</b>	<b>—</b>

(\*1) A general reserve for possible loan losses and a specific reserve for possible loan losses corresponding to loans are deducted.

(\*2) Derivative transactions recorded under other assets and other liabilities are presented on a net basis.

(Note 1) Computation method for fair value of financial instruments

#### Assets

##### Cash and due from banks:

With respect to due from banks without maturities, the carrying amount is presented as the fair value approximates the carrying amount. With respect to due from banks with maturities, the carrying amount is presented as the fair value as the fair value approximates the carrying amount.

##### Call loans and bills bought:

The carrying amount is presented as the fair value as the residual maturity is less than one year and the fair value approximates the carrying amount, since the remaining maturity is short (less than one year).

#### Securities:

The fair value of equity securities is determined using the market price at the exchanges and the fair value of debt securities is determined using the price presented by Japan Securities Dealers Association ("JSDA") or the price obtained from the financial institutions. The fair value of investment trusts is determined using the published standard quotation. The fair value of private bonds guaranteed by the Bank is calculated adding the credit risk to the market interest rate corresponding to the residual maturities.

#### Loans:

The fair value of loans with variable interest rates is presented using the carrying amount as the fair value approximates the carrying amount, as long as the credit situation of the borrowers does not vary significantly after executing the loans, since they reflect the market interest rates due to their short-term nature. The fair value of loans with fixed rates is computed, by discounting the aggregate value of principal and interest at the interest rate assumed if the same loans were newly executed, for each category of type of loans, internal ratings and maturities. As for the loans whose maturity is less than one year, the carrying amount is presented as the fair value as the fair value approximates the carrying amount.

With respect to receivables from "legally bankrupt" borrowers, "substantially bankrupt" borrowers and "likely to become bankrupt" borrowers, the fair value approximates the carrying amount, net of a reserve for possible loan losses and such amount is presented as the fair value.

With respect to loans whose repayment term is not determined because of the characteristics that the loans are limited within the amount of pledged assets, the carrying amount is presented as the fair value as the fair value is expected to approximate the carrying amount considering the expected repayment term and pricing conditions.

#### Liabilities

##### Deposits and negotiable certificates of deposits:

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

##### Call money and bills sold and guarantee deposit received under securities lending transactions:

The carrying amount is presented as the fair value as the residual maturity is less than one year and the fair value approximates the carrying amount, since the remaining maturity is short (less than one year).

#### Derivative transactions

Derivative transactions comprise interest rate related transactions (interest rate swaps, etc.) and currency related transactions (currency options, currency swaps, etc.) and the fair value of derivatives is determined using the value computed using the discounted present value or option pricing models.

(Note 2) The following table summarizes financial instruments whose fair value is extremely difficult to estimate: Note that these instruments are not included in the table above regarding the fair value of financial instruments.

	Carrying amount		
	2015	2014	2015
	(Millions of yen)		(Thousands of U.S. dollars)
Unlisted equity securities (*1) (*2)	¥ 3,861	¥ 3,866	\$ 32,129
Investment in partnership	453	232	3,774
<b>Total</b>	<b>¥ 4,314</b>	<b>¥ 4,099</b>	<b>\$ 35,904</b>

(\*1) The fair value of unlisted equity securities is not disclosed, since there is no market price and it is extremely difficult to estimate the fair value.

(\*2) The Bank recognized loss on impairment of ¥15 million on unlisted equity securities for the years ended March 31, 2014.

(Note 3) Maturity of financial assets and securities with contractual maturities at March 31, 2015

	Millions of yen						
	March 31, 2015	Due in one year or less	Due after one year through three years	Due after three years through five years	Due after five years through seven years	Due after seven years through ten years	Due after ten years
Due from banks	¥ 507,007	—	—	—	—	—	—
Call loans and bills bought	—	—	—	—	—	—	—
Securities:							
Held-to-maturity debt securities	—	—	—	—	—	—	—
Bonds	—	—	—	—	—	—	—
Available-for-sale securities with contractual maturities:							
Japanese government bonds	48,500	113,000	160,500	28,500	31,000	—	—
Municipal bonds	24,162	39,643	54,076	41,542	32,753	—	—
Corporate bonds	33,562	77,461	23,693	29,224	17,620	—	—
Other	4,806	20,581	52,914	37,635	87,081	—	—
Loans (*1)	639,258	485,008	368,719	216,991	227,359	387,853	—
<b>Total</b>	<b>¥1,257,297</b>	<b>¥735,694</b>	<b>¥659,904</b>	<b>¥353,893</b>	<b>¥395,814</b>	<b>¥387,853</b>	<b>—</b>

March 31, 2015	Thousands of U.S. dollars					
	Due in one year or less	Due after one year through three years	Due after three years through five years	Due after five years through seven years	Due after seven years through ten years	Due after ten years
Due from banks	\$ 4,219,088	\$ —	\$ —	\$ —	\$ —	\$ —
Call loans and bills bought	—	—	—	—	—	—
Securities:						
Held-to-maturity debt securities	—	—	—	—	—	—
Bonds	—	—	—	—	—	—
Available-for-sale securities with contractual maturities:						
Japanese government bonds	923,955	2,086,093	2,423,104	1,139,237	1,401,805	—
Municipal bonds	201,065	329,896	450,003	345,697	272,559	—
Corporate bonds	279,294	644,595	197,166	243,190	146,625	—
Other	40,000	171,266	440,327	313,185	724,652	—
Loans (*)	5,319,615	4,036,023	3,068,319	1,805,702	1,891,982	3,227,543
Total	\$ 10,462,659	\$ 6,122,116	\$ 5,491,423	\$ 2,944,939	\$ 3,293,787	\$ 3,227,543

(\*) Loans from "legally bankrupt," "substantially bankrupt" and "likely to become bankrupt" borrowers which are not expected to be repaid amounting to ¥12,380 million (\$103,026 thousand) are not included. Loans whose payment term is not determined amounting to ¥17,802 million (\$148,141 thousand) are not included.

(Note 4) Maturity of bonds and interest bearing liabilities at March 31, 2015

March 31, 2015	Millions of yen					
	Due in one year or less	Due after one year through three years	Due after three years through five years	Due after five years through seven years	Due after seven years through ten years	Due after ten years
Deposits (*)	¥ 2,386,102	¥ 243,027	¥ 32,635	¥ —	¥ —	¥ —
Negotiable certificates of deposits	62,663	204	—	—	—	—
Call money and bills sold	324,605	—	—	—	—	—
Guarantee deposit received under securities lending transactions	374,027	—	—	—	—	—
Total	¥ 3,147,398	¥ 243,231	¥ 32,635	¥ —	¥ —	¥ —

March 31, 2015	Thousands of U.S. dollars					
	Due in one year or less	Due after one year through three years	Due after three years through five years	Due after five years through seven years	Due after seven years through ten years	Due after ten years
Deposits (*)	\$ 19,856,061	\$ 2,022,361	\$ 271,575	\$ —	\$ —	\$ —
Negotiable certificates of deposits	521,453	1,702	—	—	—	—
Call money and bills sold	2,701,215	—	—	—	—	—
Guarantee deposit received under securities lending transactions	3,112,486	—	—	—	—	—
Total	\$ 26,191,216	\$ 2,024,064	\$ 271,575	\$ —	\$ —	\$ —

(\*) On-demand deposits are included under "Due in one year or less."

## 8. Securities

### (1) Trading securities

Net holding gain or loss resulting from revaluation of trading securities to fair value included in earnings for the years ended March 31, 2015 and 2014 were ¥0 million (\$7 thousand) and ¥0 million, respectively.

### (2) Held-to-maturity securities which have a readily determinable fair value

There were no held-to-maturity securities to be reported at March 31, 2015.

The carrying value and fair value of held-to-maturity securities which have a readily determinable fair value and the related unrealized gain or loss at March 31, 2014 are summarized as follows:

	March 31, 2014				
	Carrying value	Fair value	Difference	Gain	Loss
Corporate bonds	¥ 380	¥ 382	¥ 1	¥ 1	¥ —
Total	¥ 380	¥ 382	¥ 1	¥ 1	¥ —

### (3) Available-for-sale securities which have a readily determinable fair value

The acquisition cost and carrying value of available-for-sale securities which have a readily determinable fair value and the related unrealized gain or loss at March 31, 2015 and 2014 are summarized as follows:

	March 31, 2015				
	Carrying value	Acquisition cost	Difference	Gain	Loss
	(Millions of yen)				
Stock	¥ 133,530	¥ 74,255	¥ 59,275	¥ 59,623	¥ 347
Debt securities	775,491	762,153	13,338	13,453	114
Others	277,190	268,336	8,854	9,364	510
Total	¥ 1,186,213	¥ 1,104,744	¥ 81,469	¥ 82,441	¥ 972

	March 31, 2015				
	Carrying value	Acquisition cost	Difference	Gain	Loss
	(Thousands of U.S. dollars)				
Stock	\$ 1,111,183	\$ 617,918	\$ 493,265	\$ 496,160	\$ 2,894
Debt securities	6,453,289	6,342,291	110,998	111,952	954
Others	2,306,653	2,232,970	73,683	77,929	4,245
Total	\$ 9,871,127	\$ 9,193,179	\$ 677,947	\$ 686,042	\$ 8,094

	March 31, 2014				
	Carrying value	Acquisition cost	Difference	Gain	Loss
	(Millions of yen)				
Stock	¥ 77,588	¥ 41,142	¥ 36,446	¥ 36,830	¥ 384
Debt securities	709,792	695,355	14,437	14,572	134
Others	102,025	101,133	892	1,388	496
Total	¥ 889,407	¥ 837,631	¥ 51,775	¥ 52,791	¥ 1,015

Japanese government bonds, equities and others loaned under the securities lending agreement in the amount of ¥85,766 million (\$713,712 thousand) are included in above securities as of March 31, 2015.

Securities excluding trade account securities, whose fair value is available, are written down to the fair value if the fair value has significantly declined compared with the acquisition cost and such decline is not considered to be recoverable. The difference between the acquisition cost and the fair value is recognized as a loss on impairment. The related loss on impairment amounted to ¥44 million (\$372 thousand), consisting of ¥44 million (\$372 thousand) of stock for the year ended March 31, 2015. No loss on impairment was recognized for the year ended March 31, 2014.

The criteria for determining if such decline is significant are as follows:

Securities whose fair value is 50% or less than the acquisition cost are necessarily written down and securities whose fair value is between 50% and 70% of the acquisition cost are written down when the market price is considered to be non-recoverable within one year, taking into consideration the trend of the market price and operating performances of the issuing entities.

The components of unrealized gain on available-for-sale securities recorded under net assets at March 31, 2015 and 2014 are as follows:

	2015		2014		2015	
	(Millions of yen)		(Millions of yen)		(Thousands of U.S. dollars)	
Unrealized gain on available-for-sale securities	¥ 81,469	¥ 51,775	¥ 51,775	¥ 51,775	\$ 677,947	\$ 677,947
Deferred tax liabilities	(24,766)	(16,905)	(16,905)	(16,905)	(206,097)	(206,097)
Attributable to minority interests	(959)	(840)	(840)	(840)	(7,986)	(7,986)
Unrealized gain on available-for-sale securities, net of tax	¥ 55,742	¥ 34,030	¥ 34,030	¥ 34,030	\$ 463,863	\$ 463,863

Available-for-sale securities sold during the years ended March 31, 2015 and 2014 are summarized as follows:

	2015		2014		2015	
	(Millions of yen)		(Millions of yen)		(Thousands of U.S. dollars)	
Proceeds from sales	¥ 825,781	¥ 94,823	¥ 94,823	¥ 94,823	\$ 6,871,774	\$ 6,871,774
Gain on sales	9,497	1,628	1,628	1,628	79,037	79,037
Loss on sales	1,242	690	690	690	10,337	10,337

## 9. Money Held in Trusts

Money held in trusts for investment purposes

	2015 <i>(Millions of yen)</i>	2014	2015 <i>(Thousands of U.S. dollars)</i>
Amount recorded in the consolidated balance sheets	¥15,025	¥ 15,077	\$125,039
Unrealized gain (loss) included in profit and loss for the fiscal year	(25)	(22)	(216)

## 10. Revaluation of Land

Pursuant to the "Law Concerning the Revaluation of Land" (the "Law"), land used for the Bank's business operations was revalued on March 31, 1999. The excess of the revalued aggregate market value over the total book value (carrying amount) before revaluation was included in shareholders' equity at the net amount of the related tax effect at March 31, 1999. The corresponding income taxes were included in liabilities at March 31, 1999 as deferred taxes arising from revaluation of land. The revaluation of the land was determined based on the official prices published by the Commissioner of the National Tax Authority in accordance with Article 2, Paragraph 4 of the "Enforcement Ordinance Concerning Land Revaluation," with certain necessary adjustments.

The difference between the total fair value of land for business operation purposes, which was revalued in accordance with Article 10 of the Law, and the total book value of the land after the revaluation was ¥11,302 million (\$94,050 thousand) and ¥8,301 million at March 31, 2015 and 2014, respectively.

## 11. Cash Flows

A reconciliation between cash and due from banks in the consolidated balance sheets at March 31, 2015 and 2014 and cash and cash equivalents in the consolidated statements of cash flows for the years then ended is as follows:

	2015 <i>(Millions of yen)</i>	2014	2015 <i>(Thousands of U.S. dollars)</i>
Cash and due from banks	¥544,907	¥ 160,303	\$4,534,473
Due from banks other than the Bank of Japan	(677)	(893)	(5,633)
Cash and cash equivalents	¥544,230	¥ 159,409	\$4,528,839

## 12. Accumulated Depreciation and Deferred Gains on Tangible Fixed Assets

Accumulated depreciation totaled ¥33,710 million (\$280,521 thousand) and ¥34,276 million at March 31, 2015 and 2014, respectively.

Deferred gains on tangible fixed assets deducted for tax purposes at March 31, 2015 and 2014 were ¥3,074 million (\$25,581 thousand) and ¥3,118 million, respectively.

## 13. Assets Pledged

Assets pledged as collateral at March 31, 2015 and 2014 were as follows:

	2015 <i>(Millions of yen)</i>	2014	2015 <i>(Thousands of U.S. dollars)</i>
Pledged assets:			
Securities	¥ 470,707	¥153,773	\$3,917,009
Other assets	743	743	6,183
Liabilities secured by the above assets:			
Deposits	¥ 51,517	¥ 66,235	\$ 428,707
Guarantee deposit received under securities lending transactions	374,027	49,517	3,112,486
Borrowed money	—	—	—

In addition, securities of ¥27,439 million (\$228,339 thousand) and ¥32,014 million at March 31, 2015 and 2014 were pledged as collateral for settlement of exchange and Futures transactions. Included in other assets were guarantee deposits of ¥170 million (\$1,419 thousand) and ¥153 million at March 31, 2015 and 2014, respectively.

## 14. Borrowed Money

The details of borrowed money at March 31, 2015 and 2014 were as follows:

	2015 <i>(Millions of yen)</i>	2014	2015 <i>(Thousands of U.S. dollars)</i>
Borrowed money	¥ 7,585	¥ 7,665	\$ 63,118
Due from April 2015 through February 2020			
Average interest rate:			
0.58% p.a.			

Annual maturities of borrowed money are as follows:

Year ending March 31	<i>(Millions of yen)</i>	<i>(Thousands of U.S. dollars)</i>
2016	¥ 4,500	\$ 37,446
2017	1,185	9,861
2018	905	7,530
2019	625	5,200
2020	370	3,078
Total	¥ 7,585	\$ 63,118

## 15. Shareholders' Equity

Japanese banks are subject to the Banking Law and the Corporate Law. The Corporate Law requires that all shares of common stock be issued with no par value and at least 50% of the amount paid of new shares is required to be recorded as common stock and the remaining net proceeds as additional paid-in capital, which is included in capital surplus. The Corporate Law permits Japanese companies, upon approval of the Board of Directors, to issue shares to existing stockholders without consideration by way of a stock split. Such issuance generally does not give rise to changes within the stockholders' accounts.

The Banking Law provides that an amount at least 20% of the aggregate amount of cash dividends and certain other appropriations of retained earnings associated with cash outlays applicable to each period shall be appropriated as a legal reserve (a component of retained earnings) until such reserve and additional paid-in capital equals 100% of common stock. The amount of total additional paid-in capital and legal reserve that exceeds 100% of common stock may be available for dividends by resolution of the stockholders after transferring such excess in accordance with the Corporate Law. In addition, the Corporate Law permits the transfer of a portion of additional paid-in capital and legal reserve to the common stock by resolution of the Board of Directors.

The Corporate Law allows Japanese companies to purchase treasury stock and dispose of such treasury stock upon resolution of the Board of Directors. The aggregate purchased amount of treasury stock cannot exceed the amount available for future dividends plus the amount of common stock, additional paid-in capital or legal reserve that could be transferred to retained earnings or other capital surplus other than additional paid-in capital upon approval of such transfer at the annual general meeting of shareholders.

Dividends are approved by the stockholders at a meeting held subsequent to the fiscal year to which the dividends are applicable. Interim dividends may also be paid upon resolution of the Board of Directors, subject to certain limitations imposed by the Corporate Law. The movements of outstanding shares and cash dividends during the years ended March 31, 2015 and 2014 are as follows:

(a) Number of outstanding shares and treasury stock				
For the year ended March 31, 2015				
Type of shares	Balance at beginning of year	Increase during the year	Decrease during the year	Balance at end of year
Issued stock:				
Common stock	314,601,974	—	—	314,601,974
Treasury stock:				
Common stock	518,694	10,018,419	170,468	10,366,645
For the year ended March 31, 2014				
Type of shares	Balance at beginning of year	Increase during the year	Decrease during the year	Balance at end of year
Issued stock:				
Common stock	317,401,974	—	2,800,000	314,601,974
Treasury stock:				
Common stock	610,467	2,818,525	2,910,298	518,694

(b) Dividends paid to the shareholders during the year:

For the year ended March 31, 2015

Date of resolution	Resolution by	Type of shares	Total dividends	Dividends per share	Date of record	Effective date
Jun. 27, 2014	General meeting of shareholders	Common stock	¥1,099 million (\$9,147 thousand)	¥3.50 (\$0.02)	Mar. 31, 2014	Jun. 30, 2014
Nov. 5, 2014	Board of Directors	Common stock	¥942 million (\$7,845 thousand)	¥3.00 (\$0.02)	Sep. 30, 2014	Dec. 5, 2014

For the year ended March 31, 2014

Date of resolution	Resolution by	Type of shares	Total dividends	Dividends per share	Date of record	Effective date
Jun. 27, 2013	General meeting of shareholders	Common stock	¥950 million	¥3.00	Mar. 31, 2013	Jun. 27, 2013
Nov. 8, 2013	Board of Directors	Common stock	¥1,099 million	¥3.50	Sep. 30, 2013	Dec. 5, 2013

Dividends applicable to the year ended March 31, 2015, but not recorded in the accompanying consolidated financial statements, since the effective date is subsequent to the current fiscal year:

Date of resolution	Resolution by	Type of shares	Total dividends	Dividends per share	Date of record	Effective date
Jun. 26, 2015	General meeting of shareholders	Common stock	¥1,216 million (\$10,126 thousand)	¥4.00 (\$0.03)	Mar. 31, 2015	Jun. 29, 2015

(Above cash dividends are distributed from retained earnings.)

## 16. Stock Options

On July 22, 2014, the Bank granted stock options to its directors and executive officers.

- The related cost of ¥66 million (\$554 thousand) and ¥61 million was charged to income for the years ended March 31, 2015 and 2014, respectively.
- The stock options outstanding as of March 31, 2015 are as follows:

Stock Option	Persons granted	Number of options (common shares) granted	Date of grant	Exercise price	Exercise period
2009 Stock Option	9 directors and 6 officers	183,800	Aug. 24, 2009	¥ 1	From Aug. 25, 2009 to Aug. 24, 2034
2010 Stock Option	9 directors and 6 officers	190,300	Jul. 26, 2010	¥ 1	From Jul. 27, 2010 to Jul. 26, 2035
2011 Stock Option	9 directors and 8 officers	207,700	Aug. 1, 2011	¥ 1	From Aug. 2, 2011 to Aug. 1, 2036
2012 Stock Option	9 directors and 7 officers	200,800	Jul. 23, 2012	¥ 1	From Jul. 24, 2012 to Jul. 23, 2037
2013 Stock Option	11 directors and 6 officers	210,500	Jul. 29, 2013	¥ 1	From Jul. 30, 2013 to Jul. 29, 2038
2014 Stock Option	11 directors and 6 officers	206,600	Jul. 22, 2014	¥ 1	From Jul. 23, 2014 to Jul. 22, 2039

Vesting conditions and eligible service period have not been determined.

The stock option activity is as follows:

	2009 Stock Option Shares	2010 Stock Option Shares	2011 Stock Option Shares	2012 Stock Option Shares	2013 Stock Option Shares	2014 Stock Option Shares
Non-vested:						
April 1, 2014-Outstanding	—	—	—	—	210,500	—
Granted	—	—	—	—	—	206,600
Forfeited	—	—	—	—	—	—
Vested	—	—	—	—	210,500	155,400
March 31, 2015-Outstanding	—	—	—	—	—	51,200
Vested:						
April 1, 2014-Outstanding	113,400	132,900	167,900	175,200	—	—
Vested	—	—	—	—	210,500	155,400
Exercised	31,600	34,100	34,300	34,700	35,100	—
Forfeited	—	—	—	—	—	—
March 31, 2015-Outstanding	81,800	98,800	133,600	140,500	175,400	155,400

Price information of 2009, 2010, 2011, 2012, 2013 and 2014 Stock Option is as follows:

	2009 Stock Option	2010 Stock Option	2011 Stock Option	2012 Stock Option	2013 Stock Option	2014 Stock Option
	(Yen)					
Exercise price	¥ 1	¥ 1	¥ 1	¥ 1	¥ 1	¥ 1
Average share price at the time of exercise	346	346	346	346	346	—
Fair appraisal price at the date of grant	321	311	252	268	306	326

	2009 Stock Option	2010 Stock Option	2011 Stock Option	2012 Stock Option	2013 Stock Option	2014 Stock Option
	(U.S. dollar)					
Exercise price	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Average share price at the time of exercise	2.87	2.87	2.87	2.87	2.87	—
Fair appraisal price at the date of grant	2.67	2.58	2.09	2.23	2.54	2.71

3. Estimation method of fair appraisal value of stock options  
Black-Scholes option pricing model is used to measure fair value.  
The assumptions and estimation methods used to measure fair value of 2014 Stock Option are as follows:

	2014 Stock Option
Volatility of stock price (Note 1)	26.848%
Estimated remaining outstanding period (Note 2)	3.2 years
Estimated dividend (Note 3)	¥6 per share
Interest rate with risk free (Note 4)	0.0854%

Notes:

- Volatility of stock price is computed based on the actual stock prices during the period corresponding to estimated remaining outstanding period of 3.2 years.
- Remaining outstanding period is estimated by assuming the difference between the average retirement age of the retired directors and executive officers who retired in the past and current average age of the present directors and executive officers.
- Actual dividend for the year ended March 31, 2014
- Yield of Japanese government bonds corresponding to the estimated remaining outstanding period.

4. Estimation method of vested number of stock options  
The Bank adopted the method to reflect only actual forfeited number, since it is difficult to estimate the number to be forfeited in future on a reasonable basis.

## 17. Leases

### As lessee:

#### a. Finance leases

The Bank and consolidated subsidiaries have tangible fixed assets, mainly consisting of vehicles, under finance lease arrangements which do not transfer ownership of the leased assets to the lessee. The leased assets are depreciated on a straight-line method over respective lease periods with the salvage value determined in the agreements or otherwise nil.

#### b. Operating leases

The following table presents the schedule of future minimum lease payments under non-cancellable operating leases at March 31, 2015 and 2014:

	2015		2014		2015	
	(Millions of yen)				(Thousands of U.S. dollars)	
Due within one year	¥	83	¥	77	\$	695
Due after one year		116		114		971
Total	¥	200	¥	191	\$	1,666

### As lessor:

#### a. Finance leases

Investment in leased assets consists of the following:

	2015		2014		2015	
	(Millions of yen)				(Thousands of U.S. dollars)	
Lease receivables	¥	19,701	¥	21,222	\$	163,943
Residual value		2,422		2,246		20,157
Unearned interest income		(2,091)		(2,356)		(17,407)
Total	¥	20,031	¥	21,112	\$	166,693

Maturities of lease receivables and investment in leased assets at March 31, 2015 are as follows:

Year ending March 31	(Millions of yen)		(Thousands of U.S. dollars)	
	Lease receivables	Investment in leased assets	Lease receivables	Investment in leased assets
2015	¥ 450	¥ 6,755	\$ 3,747	\$ 56,214
2016	458	5,238	3,817	43,594
2017	388	3,721	3,235	30,969
2018	255	2,297	2,122	19,120
2019	80	1,067	673	8,880
2020 and thereafter	29	620	249	5,164
Total	¥ 1,663	¥ 19,701	\$ 13,845	\$ 163,943

#### b. Operating leases

The following table presents the schedule of future minimum lease payments under non-cancellable operating leases at March 31, 2015:

	(Millions of yen)		(Thousands of U.S. dollars)	
Due within one year	¥	116	\$	965
Due after one year		387		3,220
Total	¥	503	\$	4,186

## 18. Loss on Impairment

The Bank recognized loss on impairment of ¥1,881 million (\$15,654 thousand) and ¥1,261 million on the following asset group for the years ended March 31, 2015 and 2014, respectively: The loss on impairment of the Bank is recognized by grouping the areas under control of the area management (or branches if not under control of the area management) for operating branches and by grouping assets for idle assets. Headquarters, office centers, dormitories, welfare facilities, etc. are treated as common use assets because they do not generate independent cash flows. The consolidated subsidiaries are treated as a group for one company in principle.

For the following operating branches and idle assets among above tangible fixed assets, their carrying amounts are reduced to the respective recoverable amounts and the reduced amounts are recorded under "Other expenses" in the consolidated statements of income.

### Year ended March 31, 2015

Location	Main use	Asset type	(Millions of yen)	(Thousands of U.S. dollars)
Ishikawa Pref.	3 operating branches	Land	¥ 232	\$ 1,937
	3 operating branches	Buildings	100	833
	9 idle assets	Land	1,338	11,140
	4 idle assets	Buildings	184	1,535
Outside				
Ishikawa Pref.	1 idle asset	Land	24	205
Total			¥ 1,881	\$ 15,654

In the assessment of loss on impairment, the recoverable amount is computed using the net selling value or the value in use. The net selling value is determined mainly based on the real estate appraisal value and in case of using the value in use, any discount rate is not considered as the estimated use period is short.

### Year ended March 31, 2014

Location	Main use	Asset type	(Millions of yen)
Ishikawa Pref.	3 operating branches	Land	¥ 1,078
	3 operating branches	Buildings	48
	9 idle assets	Land	24
	3 idle assets	Buildings	53
Outside			
Ishikawa Pref.	1 idle asset	Land	35
	1 idle asset	Buildings	19
Total			¥ 1,261

In the assessment of loss on impairment, the recoverable amount is computed using the net selling value or the value in use. The net selling value is determined mainly based on the real estate appraisal value. In case of using the value in use, the discount rate is not taken into account in the computation as the estimated use period is short.

## 19. Other Comprehensive Income

The components of other comprehensive income for the years ended March 31, 2015 and 2014 were as follows:

	2015		2014		2015	
	(Millions of yen)				(Thousands of U.S. dollars)	
<b>Reclassification adjustments to net income:</b>						
Net unrealized gains on available-for-sale securities:						
Gain incurred during the year	¥37,786	¥	4,150		\$314,442	
Reclassification adjustment to net income	(8,093)		(375)		(67,349)	
Amount before tax effect	29,693		3,775		247,093	
Net deferred gains (losses) on hedging instruments:						
Gain (loss) incurred during the year	(137)		189		(1,142)	
Reclassification adjustment to net income	(4)		0		(41)	
Amount before tax effect	(142)		190		(1,183)	
Land revaluation surplus						
Gain (loss) incurred during the year	—		—		—	
Reclassification adjustment to net income	—		—		—	
Amount before tax effect	—		—		—	
Remeasurements of defined benefit plans						
Gain (loss) incurred during the year	(230)		—		(1,917)	
Reclassification adjustment to net income	878		—		7,313	
Amount before tax effect	648		—		5,395	
Total amount before tax effect	30,199		3,965		251,305	
Tax effect	(7,964)		(1,098)		(66,279)	
Total other comprehensive income	¥22,234	¥	2,866		\$185,026	

	2015	2014	2015
	(Millions of yen)		(Thousands of U.S. dollars)
<b>Tax effect on other comprehensive income:</b>			
Net unrealized gains on available-for-sale securities:			
Amount before tax effect	¥29,693	¥ 3,775	\$247,093
Tax effect	(7,861)	(1,030)	(65,416)
Amount after tax effect	21,832	2,744	181,676
Net deferred gains (losses) on hedging instruments:			
Amount before tax effect	(142)	190	(1,183)
Tax effect	31	(68)	259
Amount after tax effect	(110)	121	(923)
Land revaluation surplus			
Amount before tax effect	—	—	—
Tax effect	231	—	1,922
Amount after tax effect	231	—	1,922
Remeasurements of defined benefit plans			
Amount before tax effect	648	—	5,395
Tax effect	(365)	—	(3,045)
Amount after tax effect	282	—	2,350

## 20. Income Taxes

The major components of deferred tax assets and liabilities at March 31, 2015 and 2014 are summarized as follows:

	2015	2014	2015
	(Millions of yen)		(Thousands of U.S. dollars)
Deferred tax assets:			
Reserve for possible loan losses	¥13,985	¥ 18,647	\$116,377
Net defined benefit liability	4,360	4,564	36,289
Depreciation of real estate	900	976	7,492
Unrealized loss on write-down of equity securities	1,960	2,378	16,312
Other	3,718	3,689	30,941
Subtotal	24,924	30,257	207,414
Valuation allowance	(9,756)	(9,903)	(81,186)
Total deferred tax assets	15,168	20,354	126,227
Deferred tax liabilities:			
Unrealized gain on available-for-sale securities	(24,766)	(16,905)	(206,097)
Other	(218)	(250)	(1,818)
Total deferred tax liabilities	(24,985)	(17,156)	(207,916)
Net deferred tax assets (liabilities)	¥ (9,816)	¥ 3,198	\$ (81,689)

A reconciliation of the statutory tax rate applicable to the Bank and its consolidated subsidiaries to the effective tax rate for the years ended March 31, 2015 and 2014 is presented as follows:

	2015	2014
Statutory tax rate	35.4%	37.8%
Reconciliation:		
Non deductible permanent differences, such as entertainment expenses	0.5	0.5
Non taxable permanent differences, such as dividend income	(2.7)	(2.5)
Per capita residents' taxes	0.2	0.2
Valuation allowance	5.2	4.3
Reduction of deferred tax assets due to tax rates change	7.6	4.0
Other	0.4	0.8
Effective tax rate	46.6%	45.1%

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

"Act for Partial Revision of Income Tax Act, etc." (Act No. 9, 2015) proclaimed on March 31, 2015 has reduced the income tax rates from the year beginning on or after April 1, 2015. As a result, the effective statutory tax rate used in computing deferred tax assets and liabilities has been reduced from 35.37% to 32.82% for the temporary differences expected to be eliminated in the year beginning on April 1, 2015 and 32.06% for those expected to be eliminated in the years beginning on and after April 1, 2016. As a result, deferred tax liabilities and remeasurements of defined benefit plans decreased by ¥1,256 million (\$10,459 thousand) and ¥136 million (\$1,136 thousand), respectively, and net unrealized gains on available-for-sale securities and income taxes – deferred increased by ¥2,499 million (\$20,796 thousand) and ¥1,232 million (\$10,253 thousand), respectively. Deferred tax liabilities arising from revaluation of land decreased by ¥231 million (\$1,922 thousand) and land revaluation surplus increased by the same amount.

## 21. Retirement Benefit Plans

The Bank has defined retirement benefit plans, i.e., welfare pension fund plans, defined contribution pension plans and lump-sum payment plans, covering substantially all employees who are entitled to lump-sum or annuity payments, the amounts of which are determined by reference to their basic rates of pay, length of service, and the conditions under which termination occurs. The consolidated subsidiaries have lump-sum payment plans.

The Bank transferred a portion related to future services to defined contribution pension plans in February 2013.

1. The changes in defined benefit obligation for the years ended March 31, 2015 and 2014 are as follows:

	2015	2014	2015
	(Millions of yen)		(Thousands of U.S. dollars)
Balance at beginning of year	¥ 29,420	¥ 29,786	\$244,819
Cumulative effect of accounting changes	1,259	—	10,477
Restated balance	30,679	29,786	255,296
Service cost	457	473	3,806
Interest cost	241	492	2,007
Actuarial gains or losses	1,277	314	10,629
Benefits paid	(1,597)	(1,647)	(13,290)
Balance at end of year	¥ 31,057	¥ 29,420	\$258,449

2. The changes in plan assets for the years ended March 31, 2015 and 2014 are as follows:

	2015	2014	2015
	(Millions of yen)		(Thousands of U.S. dollars)
Balance at beginning of year	¥ 16,589	¥ 15,994	\$138,052
Expected return on plan assets	331	319	2,761
Actuarial gains or losses	1,047	660	8,712
Contributions from the employer	557	555	4,638
Benefits paid	(948)	(940)	(7,892)
Balance at end of year	¥ 17,577	¥ 16,589	\$146,272

3. Reconciliation between the net defined benefit liability recorded in the consolidated balance sheet and the balances at end of year of defined benefit obligation and plan assets

	2015	2014	2015
	(Millions of yen)		(Thousands of U.S. dollars)
Funded defined benefit obligation	¥21,305	¥20,473	\$177,297
Plan assets	(17,577)	(16,589)	(146,272)
	3,728	3,883	31,025
Unfunded defined benefit obligation	9,752	8,946	81,152
Net liability recorded in the consolidated balance sheet	13,480	12,830	112,177
	2015	2014	2015
	(Millions of yen)		(Thousands of U.S. dollars)
Net defined benefit liability	¥ 13,480	¥ 12,830	\$112,177
Net liability recorded in the consolidated balance sheet	¥ 13,480	¥ 12,830	\$112,177



4. The components of retirement benefit expenses for the years ended March 31, 2015 and 2014 are as follows:

	2015 <i>(Millions of yen)</i>	2014	2015 <i>(Thousands of U.S. dollars)</i>
Service cost	¥ 457	¥ 473	\$ 3,806
Interest cost	241	492	2,007
Expected return on plan assets	(331)	(319)	(2,761)
Amortization of actuarial gains or losses	970	1,096	8,072
Amortization of prior service cost	(91)	(91)	(759)
Retirement benefit expenses	¥ 1,245	¥ 1,651	\$ 10,365

5. The components of remeasurements of defined benefit plans (before deducting tax effect) on other comprehensive income as of March 31, 2015 and 2014 are as follows:

	2015 <i>(Millions of yen)</i>	2014	2015 <i>(Thousands of U.S. dollars)</i>
Prior service cost	¥ (91)	—	\$ (759)
Net actuarial gain or loss	739	—	6,155
Total	¥ 648	—	\$ 5,395

6. The components of remeasurements of defined benefit plans (before deducting tax effect) on accumulated other comprehensive income as of March 31, 2015 and 2014 are as follows:

	2015 <i>(Millions of yen)</i>	2014	2015 <i>(Thousands of U.S. dollars)</i>
Unrecognized prior service cost	¥ 1,430	¥ 1,521	\$ 11,901
Unrecognized net actuarial gain or loss	(5,729)	(6,469)	(47,678)
Total	¥ (4,299)	¥ (4,947)	\$ (35,776)

7. Plan assets

- (1) The components of plan assets are as follows:

	2015	2014
General account	51%	50%
Stock	28%	22%
Debt securities	16%	17%
Other	5%	11%
Total	100%	100%

Note:

Total plan assets include 3% and 9% of retirement benefit trust established on corporate pension plans as of March 31, 2015 and 2014, respectively.

- (2) Method of determining the long-term expected rate of return on plan assets

The long-term expected rate of return on plan assets is determined considering the long-term rates of return which are expected currently and in the future from the various components of the plan assets.

8. Assumptions used for the years ended March 31, 2015 and 2014, were set forth as follows:

	2015	2014
Discount rate	Multiple rates (Note)	1.7%
Long-term expected rate of return on plan assets	2.0%	2.0%
Expected salary increase rate	4.9%	5.2%

Note:

Effective from the year ended March 31, 2015, the Bank changed the determination method of the discount rate from the method of using the discount rate based on the bond yields of a single number of years corresponding to the employees' average remaining service years to the method of using multiple bond yields established for each estimated period of benefit payments.

9. Defined contribution plans

The amount of the required contribution to the defined contribution plan of the Bank was ¥286 million (\$2,380 thousand) and ¥293 million for the years ended March 31, 2015 and 2014.

## 22. Derivatives

The Bank enters into interest rate swaps to hedge interest rate risk associated with deposits, loans and holding debt securities and currency swaps and foreign exchange forward contracts to hedge foreign exchange risk associated with certain assets and liabilities denominated in foreign currencies. In addition, to respond to the customers' hedging needs related with their interest rate risk and foreign exchange risk, the Bank enters into derivative contracts including interest rate swaps, currency swaps, foreign exchange forward contracts and currency options. These transactions are covered by the reversing trades to avoid market risk. The effectiveness of these hedging activities is assessed and verified on a regular basis.

### Derivative contracts to which hedge accounting is not applied:

With respect to derivatives to which hedge accounting is not applied, contract amount or notional principal amount defined in the contract, fair value, revaluation gain or loss and calculation method of fair value by transaction type as of March 31, 2015 and 2014 are as follows:

Note that contract amount does not represent the market risk exposure of the derivative transactions.

- (1) Interest rate derivatives

	<i>Millions of Yen</i>			
	2015			
March 31	Contract amount		Fair value	Valuation gain (loss)
	Total	Over one year		
OTC transactions:				
Interest rate swaps				
Receivable floating rate/ Payable fixed rate	¥ 221	¥ 110	¥ (3)	¥ (3)
Total			¥ (3)	¥ (3)

	<i>Thousands of U.S. dollars</i>			
	2015			
March 31	Contract amount		Fair value	Valuation gain (loss)
	Total	Over one year		
OTC transactions:				
Interest rate swaps				
Receivable floating rate/ Payable fixed rate	\$ 1,844	\$ 918	\$ (26)	\$ (26)
Total			\$ (26)	\$ (26)

	<i>Millions of Yen</i>			
	2014			
March 31	Contract amount		Fair value	Valuation gain (loss)
	Total	Over one year		
OTC transactions:				
Interest rate swaps				
Receivable fixed rate/ Payable floating rate	¥ 38	—	¥ 0	¥ 0
Receivable floating rate/ Payable fixed rate	370	221	(6)	(6)
Total			¥ (6)	¥ (6)

Notes:

- Above transactions are stated at fair value and unrealized gain/(loss) is recorded in the consolidated statements of income.
- Fair value is determined using the discounted present value.

## (2) Currency derivatives

		Millions of Yen			
		2015			
		Contract amount		Fair value	Valuation gain (loss)
		Total	Over one year		
March 31					
OTC transactions:					
Currency swaps		¥ 461	¥ 461	¥ (111)	¥ (111)
Forward contracts on					
foreign exchange	Sold	52,409	—	23	23
	Bought	2,225	—	(23)	(23)
Currency options					
	Sold	23,737	23,367	(1,124)	(76)
	Bought	23,737	23,367	1,236	285
Total				¥ (0)	¥ 97

		Thousands of U.S. dollars			
		2015			
		Contract amount		Fair value	Valuation gain (loss)
		Total	Over one year		
March 31					
OTC transactions:					
Currency swaps		\$ 3,843	\$ 3,843	\$ (929)	\$ (929)
Forward contracts on					
foreign exchange	Sold	436,126	—	196	196
	Bought	18,520	—	(196)	(196)
Currency options					
	Sold	197,529	194,456	(9,358)	(636)
	Bought	197,529	194,456	10,288	2,378
Total				\$ (0)	\$ 812

		Millions of Yen			
		2014			
		Contract amount		Fair value	Valuation gain (loss)
		Total	Over one year		
March 31					
OTC transactions:					
Currency swaps		¥ 692	¥ 692	¥ (43)	¥ (43)
Forward contracts on					
foreign exchange	Sold	2,862	—	(14)	(14)
	Bought	1,850	—	25	25
Currency options					
	Sold	14,535	13,853	(823)	(20)
	Bought	14,535	13,853	866	132
Total				¥ 9	¥ 79

## Notes:

- Above transactions are stated at fair value and unrealized gain/(loss) is recorded in the consolidated statements of income.
- Fair value is determined using the discounted present value.

**Derivative contracts to which hedge accounting is applied:**

With respect to derivatives to which hedge accounting is applied, contract amount or notional principal amount defined in the contract, fair value and calculation method of fair value by transaction type and by hedge accounting method as of March 31, 2015 and 2014 are as follows:

Note that contract amount does not represent the market risk exposure of the derivative transactions.

## (1) Interest rate related derivatives

		Millions of Yen			
		2015			
		Major hedged item	Contract amount	Contract amount due after one year	Fair value
Hedge accounting method	Transaction type				
Normal method	Interest rate swaps:				
	Receivable fixed rate/	Loans and deposits.	¥ —	¥ —	¥ —
	Payable floating rate/				
	Receivable floating rate/				
	Payable fixed rate				
	Total		8,757	7,943	(333)

		Thousands of U.S. dollars			
		2015			
		Major hedged item	Contract amount	Contract amount due after one year	Fair value
Hedge accounting method	Transaction type				
Normal method	Interest rate swaps:				
	Receivable fixed rate/	Loans and deposits.	\$ —	\$ —	\$ —
	Payable floating rate/				
	Receivable floating rate/				
	Payable fixed rate				
	Total		72,872	66,102	(2,776)

		Millions of Yen			
		2014			
		Major hedged item	Contract amount	Contract amount due after one year	Fair value
Hedge accounting method	Transaction type				
Normal method	Interest rate swaps:				
	Receivable fixed rate/	Loans and deposits.	¥ 700	¥ 700	¥ 0
	Payable floating rate/				
	Receivable floating rate/				
	Payable fixed rate				
	Total		10,796	8,757	(481)

## Notes:

- Gain/loss on above contacts is deferred until maturity of the hedged items as the normal method in accordance with the "Accounting and Auditing with Regard to Adoption of Accounting Standard for Financial Instruments in the Banking Industry" (JICPA Industry Audit Committee Report No.24)
- Fair value is determined using the discounted present value.

## (2) Currency related derivatives

		Millions of Yen			
		2015			
		Major hedged item	Contract amount		Fair value
Hedge accounting method	Transaction type		Total	Over one year	
Normal method	Currency swaps:				
		Foreign currency denominated securities.	¥ 68,692	¥ 44,597	¥ 852
	Total		—	—	¥ 852

		Thousands of U.S. dollars			
		2015			
		Major hedged item	Contract amount		Fair value
Hedge accounting method	Transaction type		Total	Over one year	
Normal method	Currency swaps:				
		Foreign currency denominated securities.	\$ 571,628	\$ 371,115	\$ 7,092
	Total		—	—	\$ 7,092

		Millions of Yen			
		2014			
		Major hedged item	Contract amount		Fair value
Hedge accounting method	Transaction type		Total	Over one year	
Normal method	Currency swaps:				
		Foreign currency denominated securities.	¥ 4,450	¥ 105	¥ (319)
	Total		—	—	¥ (319)

## Notes:

- Gain/loss on above contacts is deferred until maturity of the hedged items as the normal method in accordance with the "Accounting and Auditing with Regard to Foreign Currency Transactions in the Banking Industry" (JICPA Industry Audit Committee Report No.25)
- Fair value is determined using the discounted present value.

### 23. Per Share Information

Net assets per share at March 31, 2015 and 2014 and net income per share for the years then ended is as follows:

	2015	2014	2015
	(Yen)		(U.S. dollars)
Net assets per share	¥ 782.94	¥ 683.54	\$ 6.51
Net income per share-basic	25.54	24.98	0.21
Net income per share-diluted	25.48	24.92	0.21

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

	2015	2014	2015
	(Millions of yen)		(Thousands of U.S. dollars)
(Net assets per share)			
Net assets per balance sheets	¥247,730	¥223,438	\$2,061,496
Amounts to be attributed to subscription rights to shares	(232)	(215)	(1,934)
Amounts to be attributed to minority interests	(9,297)	(8,534)	(77,369)
Net assets attributed to common stock	238,200	214,688	1,982,192
Outstanding number of common stocks at end of year (unit: thousand shares)	304,235	314,083	
(Net income per share)			
Net income per income statements	¥ 7,989	¥ 7,855	\$ 66,484
Net income to be attributed to common stock	7,989	7,855	66,484
Average outstanding number of shares during the year (unit: thousands shares)	312,698	314,409	
(Net income per share-diluted)			
Increase in common stock (unit: thousand shares)	781	726	
Of which, subscription rights to shares (unit: thousand shares)	781	726	

(Changes in accounting policies)

As noted in Note 4 "Changes in Accounting Policies," effective from the year ended March 31, 2015, the Bank applied the main clause stipulated in Paragraph 35 of "Accounting Standard for Retirement Benefits" (ASBJ Statement No. 26, revised on May 17, 2012) and Paragraph 67 of "Guidance on Accounting Standard for Retirement Benefits" (ASBJ Guidance No. 25, revised on March 26, 2015) and followed the transitional treatment stipulated in Paragraph 37 of ASBJ Statement No. 26.

As a result, net assets per share at April 1, 2014 decreased by ¥2.59 (\$0.02) and basic net income and diluted net income per share for the year ended March 31, 2015 increased by ¥0.51 (\$0.00), respectively.

### 24. Segment Information

#### 1. Reportable segments

The reportable segments of the Bank are subject to the periodical review by the Board of Directors which is the chief operating decision maker to determine the allocation of management resources and assess performances.

The Group consists of the Bank and its 5 consolidated subsidiaries. The Group designs comprehensive strategies concerning financial services including banking and leasing businesses and is engaged in operating activities. Accordingly, the Bank is composed of operating segments by financial services based on the group companies and "Banking" and "Leasing" segments are identified as the reportable segments.

"Banking" segment provides customers with banking operations, credit card business, credit guarantee business, business revitalization fund management business and etc.

"Leasing" segment provides customers with leasing business.

2. Calculation method of gross operating income and net operating income

Accounting policies adopted by the reportable segments are the same as those described in Note 3 "Summary of Significant Accounting Policies," except for the scope of consolidation. Segment profit of the reportable segments is measured based on the figures of ordinary profit and intersegment income is based on the market transaction price in the same manner as income from external customers.

3. Reportable segment information concerning income, profit or loss, assets, liabilities and other items

#### Year ended March 31, 2015

Reportable segments				
Banking	Leasing	Total	Adjustments	Consolidated

(Millions of yen)

Total income:					
External customers	¥ 64,719	¥ 9,390	¥ 74,109	—	¥ 74,109
Intersegments	162	30	193	(193)	—
Total	64,881	9,420	74,302	(193)	74,109
Segment profit	¥ 18,176	¥ 777	¥ 18,953	¥ (12)	¥ 18,941
Segment assets	¥ 4,165,670	¥ 34,768	¥ 4,200,438	¥ (20,647)	¥ 4,179,790
Other information					
Depreciation	¥ 2,449	¥ 216	¥ 2,666	—	¥ 2,666
Interest income	42,502	212	42,715	(159)	42,555
Interest expenses	1,485	194	1,679	(144)	1,535
Increase in tangible and intangible fixed assets	7,468	4	7,472	—	7,472

#### Year ended March 31, 2015

Reportable segments				
Banking	Leasing	Total	Adjustments	Consolidated

(Thousands of U.S. dollars)

Total income:					
External customers	\$ 538,562	\$ 78,141	\$ 616,703	—	\$ 616,703
Intersegments	1,355	251	1,606	(1,606)	—
Total	539,917	78,392	618,310	(1,606)	616,703
Segment profit	\$ 151,259	\$ 6,466	\$ 157,725	\$ (103)	\$ 157,622
Segment assets	\$34,664,810	\$ 289,324	\$34,954,135	\$ (171,820)	\$34,782,315
Other information					
Depreciation	\$ 20,381	\$ 1,805	\$ 22,187	—	\$ 22,187
Interest income	353,689	1,768	355,458	(1,329)	354,128
Interest expenses	12,362	1,617	13,980	(1,198)	12,781
Increase in tangible and intangible fixed assets	62,150	35	62,186	—	62,186

Notes:

1. "Total income" corresponds to "Net Sales" of non-banking industries.
2. Adjustments refer to the elimination of intersegment transactions
3. Segment profit is reconciled with ordinary profit.

#### Year ended March 31, 2014

Reportable segments				
Banking	Leasing	Total	Adjustments	Consolidated

(Millions of yen)

Total income:					
External customers	¥ 57,143	¥ 9,430	¥ 66,573	—	¥ 66,573
Intersegments	169	32	201	(201)	—
Total	57,312	9,463	66,775	(201)	66,573
Segment profit	¥ 16,160	¥ 646	¥ 16,807	¥ (8)	¥ 16,798
Segment assets	¥ 3,498,577	¥ 34,294	¥ 3,532,872	¥ (19,094)	¥ 3,513,777
Other information					
Depreciation	¥ 2,071	¥ 250	¥ 2,321	—	¥ 2,321
Interest income	41,475	208	41,684	(161)	41,522
Interest expenses	1,315	203	1,518	(150)	1,368
Increase in tangible and intangible fixed assets	11,141	4	11,146	(75)	11,070

Other information:  
Information by service line:

<b>Year ended March 31, 2015</b>				
Loan	Securities investment	Lease	Other	Total
<i>(Millions of yen)</i>				

Income from external customers **¥ 30,476 ¥ 21,347 ¥ 9,390 ¥ 12,895 ¥ 74,109**

<b>Year ended March 31, 2015</b>				
Loan	Securities investment	Lease	Other	Total
<i>(Thousands of U.S. dollars)</i>				

Income from external customers **\$253,608 \$177,641 \$ 78,141 \$107,313 \$616,703**

<b>Year ended March 31, 2014</b>				
Loan	Securities investment	Lease	Other	Total
<i>(Millions of yen)</i>				

Income from external customers **¥ 31,656 ¥ 11,407 ¥ 9,430 ¥ 14,079 ¥ 66,573**

Information about loss on impairment of long-lived assets by reportable segment:

<b>Year ended March 31, 2015</b>		
<i>Reportable segments</i>		
Banking	Leasing	Total
<i>(Millions of yen)</i>		

Loss on impairment **¥ 1,881 ¥ — ¥ 1,881**

<b>Year ended March 31, 2015</b>		
<i>Reportable segments</i>		
Banking	Leasing	Total
<i>(Thousands of U.S. dollars)</i>		

Loss on impairment **\$15,654 \$ — \$15,654**

<b>Year ended March 31, 2014</b>		
<i>Reportable segments</i>		
Banking	Leasing	Total
<i>(Millions of yen)</i>		

Loss on impairment **¥ 1,261 ¥ — ¥ 1,261**

## 25. Related Party Transactions

The related party transactions for the years ended March 31, 2015 and 2014 and related account balances outstanding at March 31, 2015 and 2014 were as follows:

Transactions between the Bank and related parties  
Year ended March 31, 2015

Name	Business summary / Title	Ownership (%)	Transaction	Transaction amount (Millions of yen) / (Thousands of U.S. dollars)	Account	Balance at end of year (Millions of yen) / (Thousands of U.S. dollars)
Directors and its relatives						
Hideo Nakashima	Corporate auditor	0.30	Loan Guarantee	¥(10)/\$(89) ¥855/\$7,117	Loan —	¥209/\$1,742 —
Kazuyo Nakashima	Wife of Hideo Nakashima	—	Guarantee	¥129/\$1,080	—	—
Kumiko Sakai	Wife of Kenichi Sakai	—	Guarantee	¥64/\$540	—	—
Daisuke Sakai	Son of Kenichi Sakai	—	Guarantee	¥64/\$540	—	—
Companies whose majority is owned by directors and /or its relatives						
Nakashima Co. Ltd.	Wholesale of paper products	0.36	Loan	¥(18)/\$(151)	Loan	¥457/\$4,625
Pato Planning, Inc.	House renting	—	Loan	¥(7)/\$(63)	Loan	¥64/\$540

Year ended March 31, 2014

Name	Business summary / Title	Ownership (%)	Transaction	Transaction amount (Millions of yen)	Account	Balance at end of year (Millions of yen)
Directors and its relatives						
Hideo Nakashima	Corporate auditor	0.30	Loan Guarantee	¥(11) ¥919	Loan —	¥220 —
Kazuyo Nakashima	Wife of Hideo Nakashima	—	Guarantee	¥137	—	—
Companies whose majority is owned by directors and /or its relatives						
Nakashima Co. Ltd.	Wholesale of paper products	0.36	Loan	¥2	Loan	¥476

Transaction terms and policies:

Related party transactions are executed under the same transaction terms as third parties.

Transactions between the subsidiary of the Bank and related parties

Year ended March 31, 2015

There was no applicable transaction to be reported for the year ended March 31, 2015.

Year ended March 31, 2014

Name	Business summary / Title	Ownership (%)	Transaction	Transaction amount (Millions of yen)	Account	Balance at end of year (Millions of yen)
Companies whose majority is owned by directors and /or its relatives						
Nakashima Co. Ltd.	Wholesale of paper products	0.36	Lease	¥3	Lease receivables and investment in leased assets	¥10

Transaction terms and policies:

Related party transactions are executed under the same transaction terms as third parties.

## Independent Auditor's Report

The Board of Directors  
The Hokkoku Bank, Ltd.

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

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

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

### *Auditor's Responsibility*

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

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

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

### *Opinion*

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

### *Convenience Translation*

We have reviewed the translation of these consolidated financial statements into U.S. dollars, presented for the convenience of readers, and, in our opinion, the accompanying consolidated financial statements have been properly translated on the basis described in Note 2.

June 18, 2015  
Kanazawa, Japan

*EY* ShinNihon LLC



THE HOKKOKU BANK, LTD.

THE HOKKOKU BANK, LTD.

2-12-6 Hirooka, Kanazawa, Ishikawa 920-8670 Japan

Tel: +81(76) 263-1111

<http://www.hokkokubank.co.jp>

Printed in Japan

