2016
ANNUAL REPORT

HOKKOKU BANK
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2016

HOKKOKU BANK

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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 2016" which presents our business results for the fiscal year ended on March 31, 2016, as well as the Bank's recent undertakings.

It will be greatly appreciated if you would read through it.

During the year under review the Japanese economy showed improvement in the employment and income environments as a result of the promotion of economic fiscal policies, and also being supported by low resource prices, it continued to show forward progress. Nevertheless, the economies of emerging countries showed clear signs of slowing growth, and this effect was reflected in personal consumption and private-sector capital expenditure. Overall the Japanese economy performed at a weaker level.

On the other hand, the regional economy has benefited from the opening of the Shinkansen high-speed train, and it continued on a mild recovery track led by tourism-related enterprise.

At the Bank, in addition to offering new services such as business start-up assistance, services to introduce ICT, and efficiency solutions utilizing IT and financial technologies, we also helped the region prepare for the expanding cashless environments through offering credit card membership services and beginning to provide Visa debit cards in response to the increased need to perform cashless transactions.

In addition, in March this year, the Bank established a branch in Singapore, becoming the first Japanese regional bank to establish an overseas branch in the South East Asian region. This has enabled the Bank to provide a comprehensive support system for our customers who are expanding their businesses overseas.

Looking forward, the Bank is actively working to enhance a regional consulting function, both in Japan and overseas, in order to provide solutions for regional communities and our individual customers.

In our local region, it has now been one year since the opening of the Hokuriku Shinkansen high-speed train service. We expect to see the boosted business activity centered in Kanazawa to continually expand outward.

To ensure that this boost to the economy continues, all officers and employees of the Bank will think and act together with everyone in the region and strive toward the future 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 2016

Tateki Ataka
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 55 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, 2016, the Bank had 104 branches (including 1 sub-branch), 1,781 employees, and on a consolidated basis, total assets of ¥3,904,020 million (US$34,646 million) and total shareholders' equity of ¥188,353 million (US$1,671 million).
(*The number of branches is as of June 30, 2016)

Branches	
Ishikawa	88
Toyama	10
Fukui	2
Tokyo	1
Osaka	1
Nagoya	1
Singapore	1
Total	104

(As of June 30, 2016)

BOARD OF DIRECTORS AND AUDIT AND SUPERVISORY COMMITTEE (As of June 30, 2016)

President
Tateki Ataka
Senior Managing Director
Shuji Tsuemura
Junichi Maeda
Hideaki Hamasaki
Managing Director
Akira Nakanishi
Director
Hidehiro Yamamoto
Kazuya Nakamura
Koichi Nakada
Kenichi Sakai
Nobuhiro Torigoe

Director, Audit and Supervisory Committee Member
Tomohiro Ida
Muneto Yamada
Director (Outside), Audit and Supervisory Committee Member
Hideo Nakashima
Masahiro Kijima
Ichiro Sasaki
Masako Ohsuna
Executive Officer
Toshiyuki Konishi
Akira Nishita
Hiroshi Iwamuro
Yuji Kakuchi
Nobuhide Akazawa
Takayasu Tada

OFFICES AND SUBSIDIARIES (As of July 31, 2016)

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

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

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 Branch
138 Market Street, #08-02 CapitaGreen, Singapore 048946
Tel: +65-6538-4770
Fax: +65-6538-2726

Support for businesses in Asia
We provide support for clients who have, or are considering developing, businesses in Asia.

1. Local market research
2. Support on market cultivation, business matching with local corporates
3. Provision of solutions to issues of clients with existing businesses
4. Provision of various kinds of information (Local rules and regulations; tax and accounting; contracts and agreements; labor-related regulations; establishment, operation, and withdrawal of local companies, etc.)

Financial services
We provide the following financial services for client companies.

1. Deposits (current and savings)
2. Loans (loans on deeds, overdrafts, guarantees)
3. Domestic and overseas remittance
4. Trade financing (letter of credit transactions, purchase and collection of export bills, forward exchange contracts, etc.)

CORPORATE PHILOSOPHY AND MEDIUM-TERM BUSINESS PLAN

Trust — a bridge to a fruitful regional future

Enrich interaction and growth in the region

We shall:

- Thoroughly understand the regional society, economy, culture, and life.
- Provide comprehensive information and financial services.
- Lead regional activities in various aspects.
- Be a trusted partner in the growth of the region.

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

Medium-Term Business Plan NEXT QCS'S (pronounced "Qcees")

[Duration] April 2015 to March 2018

QCS'S

Q...Quality
Establish the Hokkoku brand based on strength of people, CS and high level of skills

C...Cost
Make continuous efforts to reduce cost

S...Speed
Pursue 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) A truly professional banking
(2) Capable and strong organisation to embrace changes
(3) Market share increase in the Hokuriku region
(4) Enhancement of profitability and productivity
(5) Creating a conducive environment for women to undertake active role
(6) Reduction in the NPL ratio

Management benchmarks and targets

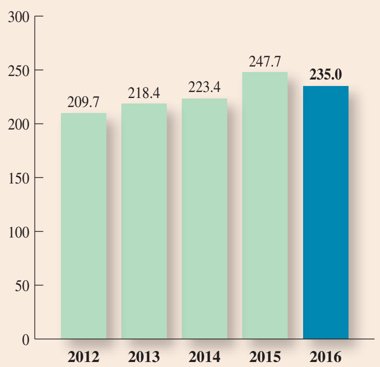
	March 2016 (Actual)	March 2018 (Target)
Net profits from core business	¥17.9 billion	¥17.5 billion or more
Ordinary profit	¥16.6 billion	¥16.0 billion or more
Capital adequacy ratio (International standard)	12.81%	14% — 15%
NPL ratio (Before partial direct write-off)	3.10%	2% — 3%

FINANCIAL HIGHLIGHTS

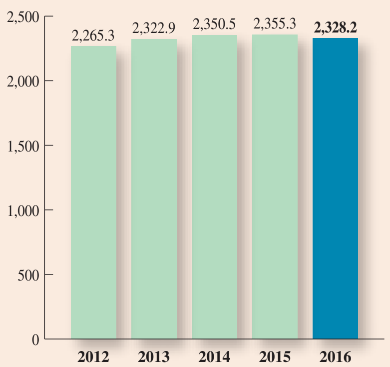
	Millions of yen					Thousands of U.S. dollars
	2016	2015	2014	2013	2012	2016
Total Income	¥ 74,686	¥ 74,114	¥ 66,576	¥ 69,315	¥ 70,165	$ 662,822
Profit before Income Taxes	16,830	16,177	15,486	11,458	14,524	149,366
Profit Attributable to Owners of Parent	9,569	7,989	7,855	6,994	6,314	84,922
Total Assets	3,904,020	4,179,790	3,513,777	3,487,404	3,405,627	34,646,968
Loans and Bills Discounted	2,328,285	2,355,374	2,350,504	2,322,999	2,265,382	20,662,813
Securities and Trading Securities	1,018,306	1,191,361	893,444	886,455	902,655	9,037,153
Deposits	3,176,117	3,142,315	3,161,969	3,151,712	3,096,758	28,187,052
Total Net Assets	235,020	247,730	223,438	218,492	209,777	2,085,731
<Consolidated> Capital adequacy ratio (%)	12.98	11.72	13.06	13.69	13.62	
<Non-consolidated> Capital adequacy ratio (%)	12.81	11.18	12.46	13.11	13.20	

U.S. dollar amounts are translated at the rate of ¥112.68 = $1.00

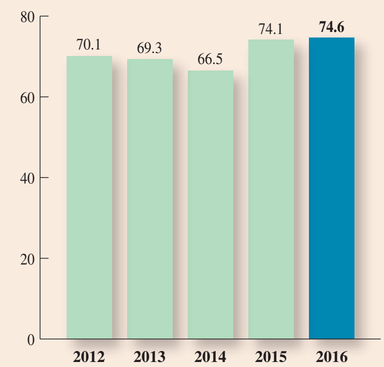
Total Net Assets
(Billions of yen)



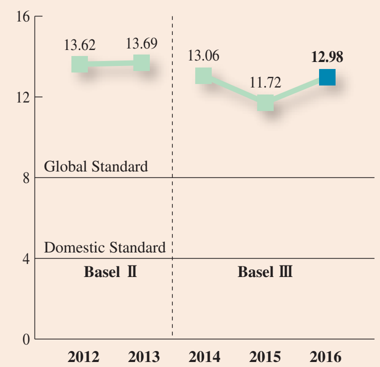
Loans and Bills Discounted
(Billions of yen)



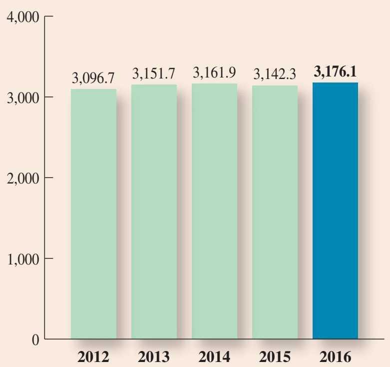
Total Income
(Billions of yen)



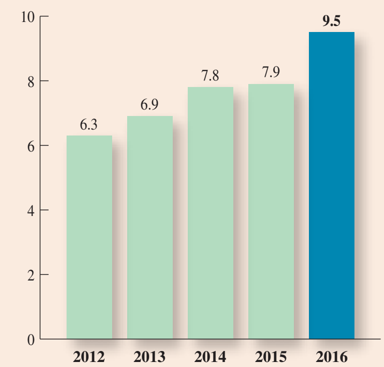
Capital adequacy ratio (Consolidated)
(%)



Deposits
(Billions of yen)



Profit Attributable to Owners of Parent
(Billions of yen)



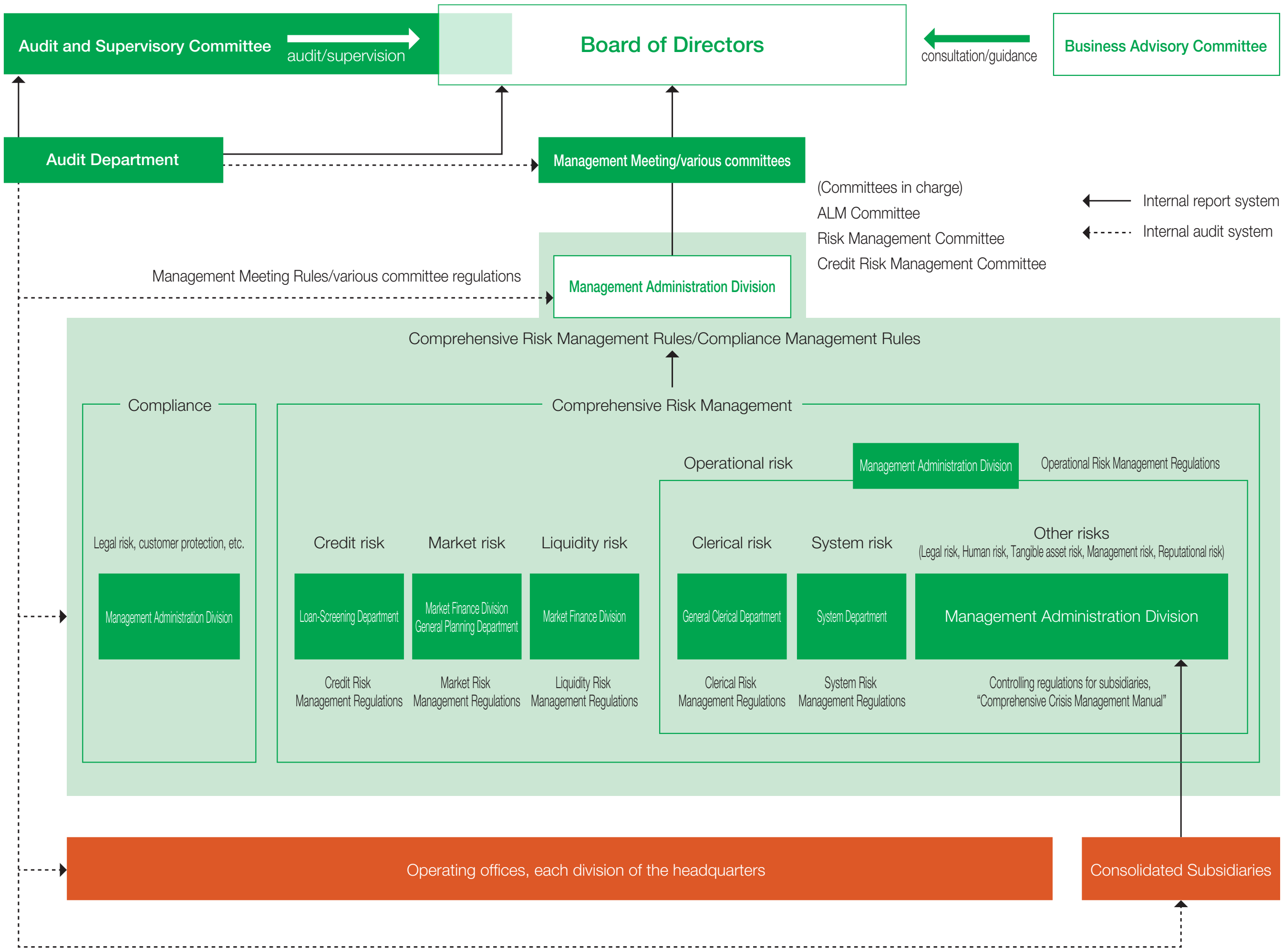
CORPORATE GOVERNANCE STRUCTURE

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.

Overview of the Corporate Governance Structure

- The model of the corporate governance structure 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 and supervisory committee members, and 6 directors who are audit and supervisory 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, 2016). 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 and Supervisory 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 and Supervisory Committee structure will enable the Bank to reinforce the audit and supervisory 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 standing directors (including directors who are audit and supervisory committee members) and executive officers at the headquarters, 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: executive directors, executive officers at the headquarters and divisional general manager) and Loan Liaison Committee (attendees: executive directors and executive officers at the headquarters) to reinforce communication among departments. Furthermore, we have established a committee organization consisting of ALM, 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.
- The Bank has set up a voluntary Nomination and Compensation Committee as a body that deliberates nomination of candidates for directors to be proposed to General Meetings of Shareholders and compensations for directors who are not audit and supervisory committee members. The committee is chaired by president and the majority of the members are outside directors. The Bank is working to strengthen corporate governance over nomination of candidates for directors and compensations for directors by improving transparency of the decision-making process and also by ensuring active involvement of outside directors.
- We believe that this structure will enable the Bank to establish an objective and neutral position for audit and supervision, etc.

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 Regulations,” 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, nonquantitative risk by the Risk Management Committee, and credit risk by the Credit Risk Management Committee.

Transition to a Board with Audit and Supervisory Committee structure

The Bank transitioned to a Board with Audit and Supervisory 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 and Supervisory Committee structure will enable the Bank to reinforce the audit and supervisory 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.

The Bank has set up a voluntary Nomination and Compensation Committee as a body that deliberates candidates for directors to be proposed to General Meetings of Shareholders and compensations for directors who are not audit and supervisory committee members. The Committee is chaired by president and the majority of the members are outside directors.

As a regional bank, we aim to grow together with regional society. To this end, the Bank reviewed the director’s compensation system as part of the management reform and in June 2009, introduced performance-linked compensation and stock compensation-type stock option systems.

After the shift to a Board with Audit and Supervisory Committee structure in June 2015, compensations for directors who are not audit and supervisory committee members continue to consist of fixed-amount compensation, performance-linked compensation and stock compensation-type stock option.

The stock compensation-type stock option is issued to directors who are not audit and supervisory committee members and executive officers with the aim of giving them greater motivation to contribute to executive directors, etc. to improve business performance and to increase corporate value, and facilitating their sense of shareholder-oriented management.

CONSOLIDATED BALANCE SHEETS

The Hokkoku Bank, Ltd. and Consolidated Subsidiaries

	As of March 31		
	2016	2015	**2016**
	(Millions of yen)		(Thousands of U.S. dollars) (Note 2)
Assets:			
Cash and due from banks (Notes 7 and 11)	**¥ 467,351**	¥ 544,907	**$ 4,147,598**
Monetary receivables bought	**3,783**	3,708	**33,576**
Trading securities (Note 8)	**157**	833	**1,397**
Money held in trusts (Note 9)	**15,024**	15,025	**133,340**
Securities (Notes 7, 8 and 13)	**1,018,148**	1,190,527	**9,035,755**
Loans and bills discounted (Notes 6 and 7)	**2,328,285**	2,355,374	**20,662,813**
Foreign exchanges	**11,044**	3,553	**98,016**
Lease receivables and investment in leased assets (Note 17)	**21,741**	21,672	**192,946**
Other assets (Note 13)	**16,084**	14,438	**142,742**
Tangible fixed assets (Notes 10 and 12)	**36,923**	38,301	**327,683**
Intangible fixed assets	**8,866**	8,970	**78,689**
Deferred tax assets (Note 20)	**212**	—	**1,882**
Customers' liabilities for acceptances and guarantees	**16,661**	17,071	**147,869**
Reserve for possible loan losses	**(40,265)**	(34,594)	**(357,343)**
Total assets	**¥ 3,904,020**	¥ 4,179,790	**$ 34,646,968**
Liabilities:			
Deposits (Notes 7 and 13)	**3,086,299**	3,079,447	**27,389,953**
Negotiable certificates of deposit (Note 7)	**89,817**	62,867	**797,099**
Call money and bills sold (Note 7)	**67,916**	324,605	**602,734**
Guarantee deposit received under securities lending transactions (Notes 7 and 13)	**337,572**	374,027	**2,995,846**
Borrowed money (Note 14)	**6,865**	7,585	**60,932**
Foreign exchanges	**22**	118	**196**
Other liabilities	**42,427**	39,950	**376,531**
Reserve for bonuses	**805**	801	**7,144**
Net defined benefit liability (Note 21)	**17,058**	13,480	**151,391**
Reserve for directors' retirement benefits	**56**	50	**501**
Deferred tax liabilities (Note 20)	**1,383**	9,816	**12,275**
Deferred tax liability arising from revaluation of land (Note 10)	**2,113**	2,237	**18,760**
Acceptances and guarantees	**16,661**	17,071	**147,869**
Total liabilities	**¥ 3,669,000**	¥ 3,932,060	**$ 32,561,237**
Net assets:			
Common stock	**26,673**	26,673	**236,723**
Capital surplus	**11,366**	11,289	**100,869**
Retained earnings	**150,502**	148,850	**1,335,661**
Treasury stock	**(188)**	(3,931)	**(1,674)**
Total shareholders' equity (Note 15)	**188,353**	182,882	**1,671,579**
Net unrealized gains on available-for-sale securities (Note 8)	**39,436**	55,742	**349,983**
Net deferred losses on hedging instruments	**(181)**	(388)	**(1,608)**
Land revaluation surplus (Note 10)	**3,260**	2,879	**28,935**
Remeasurements of defined benefit plans (Note 21)	**(5,623)**	(2,915)	**(49,908)**
Total accumulated other comprehensive income	**36,891**	55,317	**327,402**
Subscription rights to shares (Note 16)	**262**	232	**2,326**
Non-controlling interests	**9,512**	9,297	**84,423**
Total net assets	**235,020**	247,730	**2,085,731**
Total liabilities and net assets	**¥ 3,904,020**	¥ 4,179,790	**$ 34,646,968**

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF INCOME

The Hokkoku Bank, Ltd. and Consolidated Subsidiaries

	Year ended March 31		
	2016	2015	**2016**
	(Millions of yen)		(Thousands of U.S. dollars) (Note 2)
Income			
Interest income on:	**¥ 42,855**	¥ 42,555	**$ 380,325**
Interest on loans and discounts	**29,825**	30,564	**264,688**
Interest and dividends on securities	**12,538**	11,851	**111,279**
Other interest income	**491**	140	**4,357**
Fees and commissions	**9,429**	10,262	**83,681**
Other operating income	**16,866**	16,035	**149,684**
Other income	**5,536**	5,261	**49,130**
Total income	**74,686**	74,114	**662,822**
Expenses			
Interest expenses on:	**1,841**	1,535	**16,345**
Deposits	**760**	824	**6,748**
Borrowings and rediscounts	**248**	254	**2,204**
Other	**832**	456	**7,392**
Fees and commissions	**2,840**	2,805	**25,207**
Other operating expenses	**13,982**	9,476	**124,093**
General and administrative expenses	**30,284**	32,281	**268,765**
Other expenses (Note 18)	**8,906**	11,836	**79,044**
Total expenses	**57,856**	57,937	**513,456**
Profit before income taxes	**16,830**	16,177	**149,366**
Income taxes (Note 20):			
Current	**5,647**	2,749	**50,121**
Deferred	**1,010**	4,780	**8,966**
	6,658	7,530	**59,088**
Profit	**10,172**	8,646	**90,277**
Profit attributable to non-controlling interests	**603**	657	**5,355**
Profit attributable to owners of parent	**¥ 9,569**	¥ 7,989	**$ 84,922**

	2016	2015	**2016**
	(Yen)		(U.S. dollars) (Note 2)
Amounts per share (Note 23)			
Net assets	**¥ 752.40**	¥ 782.94	**$ 6.67**
Profit-basic	**31.45**	25.54	**0.27**
Profit-diluted	**31.36**	25.48	**0.27**

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

The Hokkoku Bank, Ltd. and Consolidated Subsidiaries

	Year ended March 31		
	2016	2015	**2016**
	(Millions of yen)		(Thousands of U.S. dollars) (Note 2)
Profit	**¥ 10,172**	¥ 8,646	**$ 90,277**
Other comprehensive income (Note 19)			
Net unrealized gains on available-for-sale securities	**(16,571)**	21,832	**(147,062)**
Net deferred gains (losses) on hedging instruments	**207**	(110)	**1,843**
Land revaluation surplus	**111**	231	**991**
Remeasurements of defined benefit plans (Note 21)	**(2,708)**	282	**(24,036)**
Total other comprehensive income	**(18,959)**	22,234	**(168,263)**
Comprehensive income	**¥ (8,787)**	¥ 30,881	**$ (77,985)**
Total comprehensive income attributable to:			
Owners of the parent	**¥ (9,126)**	¥ 30,104	**$ (80,992)**
Non-controlling interests	**338**	777	**3,006**

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS

The Hokkoku Bank, Ltd. and Consolidated Subsidiaries

	Millions of yen				
	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total
Balance at March 31, 2014	¥ 26,673	¥ 11,289	¥ 142,871	¥ (215)	¥ 180,620
Cumulative effect of accounting changes	–	–	(813)	–	(813)
Balance at March 31, 2014, as restated	26,673	11,289	142,058	(215)	179,806
Cash dividends	–	–	(2,042)	–	(2,042)
Profit attributable to owners of parent	–	–	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
Balance at March 31, 2015	26,673	11,289	148,850	(3,931)	182,882
Cash dividends	–	–	(2,434)	–	(2,434)
Profit attributable to owners of parent	–	–	9,569	–	9,569
Transfer from retained earnings to capital surplus	–	5,213	(5,213)	–	–
Purchase of treasury stock	–	–	–	(1,516)	(1,516)
Disposal of treasury stock	–	(11)	–	56	45
Cancellation of treasury stock	–	(5,202)	–	5,202	–
Reversal of land revaluation surplus	–	–	(269)	–	(269)
Purchase of shares of consolidated subsidiaries	–	76	–	–	76
Net changes in items other than shareholders' equity	–	–	–	–	–
Total changes during the year	–	76	1,651	3,742	5,470
Balance at March 31, 2016	¥ 26,673	¥ 11,366	¥ 150,502	¥ (188)	¥ 188,353

	Millions of yen							
	Accumulated other comprehensive income							
	Net unrealized gains on available-for-sale securities	Net deferred gains (losses) on hedging instruments	Land revaluation surplus	Remeasure-ments of defined benefit plans	Total Accumulated other comprehen-sive income	Subscription rights to shares	Non-controlling interests	Total net assets
Balance at March 31, 2014	¥ 34,030	¥ (277)	¥ 3,514	¥ (3,197)	¥ 34,068	¥ 215	¥ 8,534	¥ 223,438
Cumulative effect of accounting changes	–	–	–	–	–	–	–	(813)
Balance at March 31, 2014, as restated	¥ 34,030	¥ (277)	¥ 3,514	¥ (3,197)	¥ 34,068	¥ 215	¥ 8,534	¥ 222,624
Cash dividends	–	–	–	–	–	–	–	(2,042)
Profit attributable to owners of parent	–	–	–	–	–	–	–	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
Balance at March 31, 2015	55,742	(388)	2,879	(2,915)	55,317	232	9,297	247,730
Cash dividends	–	–	–	–	–	–	–	(2,434)
Profit attributable to owners of parent	–	–	–	–	–	–	–	9,569
Transfer from retained earnings to capital surplus	–	–	–	–	–	–	–	–
Purchase of treasury stock	–	–	–	–	–	–	–	(1,516)
Disposal of treasury stock	–	–	–	–	–	–	–	45
Cancellation of treasury stock	–	–	–	–	–	–	–	–
Reversal of land revaluation surplus	–	–	–	–	–	–	–	(269)
Purchase of shares of consolidated subsidiaries	–	–	–	–	–	–	–	76
Net changes in items other than shareholders' equity	(16,306)	207	381	(2,708)	(18,425)	29	215	(18,180)
Total changes during the year	(16,306)	207	381	(2,708)	(18,425)	29	215	(12,709)
Balance at March 31, 2016	¥ 39,436	¥ (181)	¥ 3,260	¥ (5,623)	¥ 36,891	¥ 262	¥ 9,512	¥ 235,020

See accompanying notes to consolidated financial statements.

	Thousands of U.S. dollars (Note 2)				
	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total
Balance at March 31, 2015	$ 236,723	$ 100,190	$ 1,321,003	$ 34,889	$ 1,623,027
Cash dividends	–	–	**(21,601)**	–	**(21,601)**
Profit attributable to owners of parent	–	–	**84,922**	–	**84,922**
Transfer from retained earnings to capital surplus	–	**46,269**	**(46,269)**	–	–
Purchase of treasury stock	–	–	–	**(13,458)**	**(13,458)**
Disposal of treasury stock	–	**(97)**	–	**501**	**403**
Cancellation of treasury stock	–	**(46,171)**	–	**46,171**	–
Reversal of land revaluation surplus	–	–	**(2,393)**	–	**(2,393)**
Purchase of shares of consolidated subsidiaries	–	**679**	–	–	**679**
Net changes in items other than shareholders' equity	–	–	–	–	–
Total changes during the year	–	**679**	**14,657**	**33,214**	**48,551**
Balance at March 31, 2016	**$ 236,723**	**$ 100,869**	**$ 1,335,661**	**$ (1,674)**	**$ 1,671,579**

	Thousands of U.S. dollars (Note 2)							
	Accumulated other comprehensive income							
	Net unrealized gains on available-for-sale securities	Net deferred gains (losses) on hedging instruments	Land revaluation surplus	Remeasure-ments of defined benefit plans	Total Accumulated other comprehen-sive income	Subscription rights to shares	Non-controlling interests	Total net assets
Balance at March 31, 2015	$ 494,697	$ 3,452	$ 25,550	$ (25,871)	$ 490,923	$ 2,063	$ 82,512	$ 2,198,527
Cash dividends	–	–	–	–	–	–	–	**(21,601)**
Profit attributable to owners of parent	–	–	–	–	–	–	–	**84,922**
Transfer from retained earnings to capital surplus	–	–	–	–	–	–	–	–
Purchase of treasury stock	–	–	–	–	–	–	–	**(13,458)**
Disposal of treasury stock	–	–	–	–	–	–	–	**403**
Cancellation of treasury stock	–	–	–	–	–	–	–	–
Reversal of land revaluation surplus	–	–	–	–	–	–	–	**(2,393)**
Purchase of shares of consolidated subsidiaries	–	–	–	–	–	–	–	**679**
Net changes in items other than shareholders' equity	**(144,713)**	**1,843**	**3,385**	**(24,036)**	**(163,521)**	**262**	**1,911**	**(161,347)**
Total changes during the year	**(144,713)**	**1,843**	**3,385**	**(24,036)**	**(163,521)**	**262**	**1,911**	**(112,795)**
Balance at March 31, 2016	**$ 349,983**	**$ 1,608**	**$ 28,935**	**$ 49,908**	**$ 327,402**	**$ 2,326**	**$ 84,423**	**$ 2,085,731**

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

The Hokkoku Bank, Ltd. and Consolidated Subsidiaries

	Year ended March 31		
	2016	2015	**2016**
	(Millions of yen)		(Thousands of U.S. dollars) (Note 2)
Cash flows from operating activities			
Profit before income taxes	**¥ 16,830**	¥ 16,177	**$ 149,366**
Adjustments to reconcile profit before income taxes to net cash provided by operating activities:			
Depreciation and amortization	**3,812**	2,666	**33,837**
Losses on impairment	**401**	1,881	**3,559**
Increase (decrease) in reserve for possible loan losses	**5,670**	5,759	**50,324**
Increase (decrease) in reserve for bonuses	**3**	13	**30**
Increase (decrease) in net defined benefit liability	**3,578**	(608)	**31,757**
Increase (decrease) in directors' retirement benefits	**5**	(2)	**52**
Increase (decrease) in reserve for reimbursement of deposits	**7**	18	**62**
Increase (decrease) in reserve for losses on refund of interest	**(30)**	(15)	**(269)**
Increase (decrease) in reserve for customer service points	**11**	19	**104**
Accrued interest and dividend income	**(42,855)**	(42,555)	**(380,325)**
Accrued interest expenses	**1,841**	1,535	**16,345**
Losses (gains) on investment securities, net	**(4,496)**	(8,093)	**(39,905)**
Losses (gains) on money trusts	**0**	(171)	**4**
Foreign exchange losses (gains), net	**3,590**	(8,244)	**31,864**
Losses (gains) on disposal of fixed assets	**276**	839	**2,452**
Decrease (increase) in loans and bills discounted	**27,071**	(4,879)	**240,253**
Increase (decrease) in deposits	**33,801**	(19,654)	**299,978**
Decrease (increase) in due from banks (exclusive of the Bank of Japan)	**(1,177)**	216	**(10,452)**
Decrease (increase) in call loans and others	**(75)**	16,283	**(668)**
Increase (decrease) in call money and others	**(257,408)**	311,865	**(2,284,417)**
Increase (decrease) in guarantee deposit received under securities lending transactions	**(36,455)**	324,510	**(323,530)**
Decrease (increase) in trading account assets	**675**	(395)	**5,998**
Decrease (increase) in foreign exchange assets	**(7,490)**	(810)	**(66,476)**
Increase (decrease) in foreign exchange liabilities	**(96)**	35	**(858)**
Decrease (increase) in lease receivables and investment in leased assets	**(443)**	786	**(3,935)**
Interest and dividends received	**30,469**	31,070	**270,410**
Interest paid	**(1,925)**	(1,655)	**(17,089)**
Other, net	**8,023**	15,255	**71,208**
Subtotal	**(216,381)**	641,848	**(1,920,317)**
Income taxes paid, net of refund	**(2,198)**	(4,146)	**(19,509)**
Net cash provided by (used in) operating activities	**(218,579)**	637,701	**(1,939,826)**
Cash flows from investing activities			
Purchases of securities	**(1,116,029)**	(1,229,524)	**(9,904,416)**
Proceeds from sales of securities	**1,104,447**	825,796	**9,801,630**
Proceeds from redemption of investment securities	**142,450**	150,373	**1,264,202**
Decrease in money held in trusts	**—**	52	**—**
Interests and dividends received on investments	**15,304**	13,785	**135,821**
Purchases of tangible fixed assets	**(1,040)**	(4,929)	**(9,234)**
Purchases of intangible fixed assets	**(1,602)**	(3,053)	**(14,224)**
Proceeds from sales of tangible fixed assets	**280**	419	**2,489**
Payment on discharge of asset retirement obligation	**(5)**	(37)	**(47)**
Net cash provided by (used in) investing activities	**143,804**	(247,118)	**1,276,221**
Cash flows from financing activities			
Cash dividends paid	**(2,428)**	(2,040)	**(21,548)**
Cash dividends paid to non-controlling interests	**(10)**	(13)	**(96)**
Payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	**(36)**	—	**(319)**
Purchases of treasury stock	**(1,516)**	(3,786)	**(13,458)**
Proceeds from sales of treasury stock	**45**	49	**403**
Net cash provided by (used in) financing activities	**(3,945)**	(5,791)	**(35,019)**
Effect of exchange rate changes on cash and cash equivalents	**(13)**	28	**(116)**
Net increase (decrease) in cash and cash equivalents	**(78,734)**	384,820	**(698,740)**
Cash and cash equivalents at beginning of year	**544,230**	159,409	**4,829,878**
Cash and cash equivalents at end of year (Note 11)	**¥ 465,496**	¥ 544,230	**$ 4,131,137**

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, 2016 and 2015

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 Act 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 Act, 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 ¥112.68 = U.S. $1.00, the rate of exchange in effect on March 31, 2016 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, 2016 and 2015. 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, 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 to ten 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 ("debtors at a risk of bankruptcy"), 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 at a risk of bankruptcy who have restructured loans exceeding a certain credit amount that are possible to reasonably estimate 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 ¥36,526 million ($324,160 thousand) and ¥44,179 million as of March 31, 2016 and 2015, 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 Interest Rate Restriction Act 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 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, profit before income taxes would have increased by ¥8 million ($73 thousand) and ¥29 million for the years ended March 31, 2016 and 2015, 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 "Treatment for Accounting and Auditing of Application of Accounting Standard for Financial Instruments in Banking Industry" (The Japanese Institute of Certified Public Accounts Industry Audit Committee Report No. 24, February 13, 2002, 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 re-measured 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 "Treatment for Accounting and Auditing with Regard to Accounting for Foreign Currency Transactions in Banking Industry" (The Japanese Institute of Certified Public Accounts Industry Audit Committee Report No. 25, July 29, 2002, 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 Business Combinations and related guidance
The Bank has adopted the "Accounting Standard for Business Combinations" (ASBJ Statement No. 21, September 13, 2013, hereinafter "Statement No. 21")", the "Accounting Standard for Consolidated Financial Statements" (ASBJ Statement No. 22, September 13, 2013 (hereinafter "Statement No. 22")) and the "Accounting Standard for Business Divestitures" (ASBJ Statement No.7, September 13, 2013 (hereinafter "Statement No. 7")) from the beginning of the year ended March 31, 2016. Under these revised accounting standards, changes in the Company's ownership interest while retaining its controlling financial interest in subsidiaries are accounted for as capital surplus and acquisition-related costs are charged to expenses as incurred. With respect to business combinations on or after the beginning of the current consolidated fiscal year, in case acquisition costs are once provisionally allocated but revised afterwards in the following fiscal year, the final result of allocation is included in the consolidated financial statements for the consolidated fiscal year when the relevant business combination occurs. In addition, the account name presentation is changed from minority interests to non-controlling interests. Further, net income before income taxes and minority interests, net income before minority interests, minority interests in earnings of consolidated subsidiaries are changed to profit before income taxes, profit, profit attributable to non-controlling interests and profit attributable to owners of parent, respectively. Certain reclassifications have been made in the 2015 financial statements to conform to the classifications used in 2016.
Cash flows pertaining to the changes in ownership interests in subsidiaries that do not result in change in scope of consolidation are shown under Cash flows from financing activities.
With regard to the application of these accounting standards, the Company made retroactive adjustments to the beginning balances for the year ended March 31, 2016 in accordance with transitional treatments as prescribed in Article 58-2 (4) of Statement No. 21, Article 44-5 (4) of Statement No. 22 and Article 57-4 (4) of Statement No. 7.
As a result, capital surplus increased by ¥76 million ($679 thousand) as of the end of the year ended March 31, 2016.
Per share information is stated in Note 23.

5. New Accounting Standards Not Yet Adopted

The revised Implementation Guidance on Recoverability of Deferred Tax Assets" (ASBJ Guidance No. 26, issued on March 28, 2016)
(a) Outline
The implementation Guidance has been partly revised while the guidance provided in the "Audit Treatment for Judgement of Recoverability of Deferred Assets" (Auditing Committee Report No. 66) basically continues to be applied.
(b) Scheduled Date of Application
The Bank is scheduled to apply this accounting standard from the beginning of the fiscal year ending March 31, 2017.
(c) Effect of Application of this accounting standard
The effect of the application of this accounting standard is under evaluation.

6. Loans and Bills Discounted

Loans to borrowers under bankruptcy procedures and delinquent loans totaled ¥4,002 million ($35,522 thousand) and ¥67,122 million ($595,692 thousand), respectively, at March 31, 2016, and ¥5,180 million and ¥73,259 million, respectively, at March 31, 2015. 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 post 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 Order of Enforcement of the Corporation Tax Act.

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 ¥192 million ($1,710 thousand) and ¥98 million at March 31, 2016 and 2015, 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 ¥1,014 million ($9,004 thousand) and ¥1,036 million at March 31, 2016 and 2015, 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 in bankruptcy procedures, other non-accrual loans, and loans past due for 3 months or more.

The total of loans to borrowers in bankruptcy procedures, other non-accrual loans, loans past due for 3 months or more and restructured loans amounted to ¥72,332 million ($641,929 thousand) and ¥79,574 million at March 31, 2016 and 2015, respectively.

Bills discounted are accounted for as financial transactions in accordance with JICPA Industry Audit committee Report No.24. 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 ¥13,723 million ($121,792 thousand) and ¥14,817 million as of March 31, 2016 and 2015, 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, 2016 and 2015 totaled ¥439,662 million ($3,901,870 thousand) ¥460,028 million, respectively; ¥433,494 million ($3,847,126 thousand) of which, at March 31, 2016 (2015: ¥449,690 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 necessarily 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, call money and others. With respect to 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, monitors the volume of risk exposures and verifies 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, stock price fluctuation risk or investment trust price fluctuation risk are "Loans and bills discounted," "Securities," "Deposits," "Derivatives" and etc. The Bank uses the VaR model to measure market risks of interest rate, stock price and investment trust related instruments. Adopting the variance-covariance method (holding period: half a year, confidence interval: 99.9%, observation period: 720 business days) in computing the VaR, the Bank examines the correlation between interest rate risk and price fluctuation risk. Total VaR of the Group was ¥83,941 million ($744,953 thousand) and ¥86,162 million as of March 31, 2016 and 2015, 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. 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, 2016 and 2015. Note that unlisted equity securities whose fair value is difficult to determine are not included in the table (see Note 2 below).

	March 31, 2016		
	Millions of yen		
	Carrying value	Fair value	Difference
Cash and due from banks	¥ 467,351	¥ 467,351	¥ —
Securities:			
Available-for-sale securities	1,014,283	1,014,283	—
Loans	2,328,285		
Reserve for possible loan losses (*1)	(36,790)		
	2,291,495	2,317,937	26,441
Total assets	3,773,130	3,799,572	26,441
Deposits	3,086,299	3,086,311	11
Negotiable certificates of deposit	89,817	89,817	0
Call money and bills sold	67,916	67,916	—
Guarantee deposit received under securities lending transactions	337,572	337,572	—
Total liabilities	3,581,605	3,581,617	12
Derivative transactions (*2)			
To which hedge accounting is not applied	243	243	—
To which hedge accounting is applied	4,725	4,725	—
Total derivative transactions	4,969	4,969	—

	March 31, 2016		
	Thousands of U.S. dollars		
	Carrying value	Fair value	Difference
Cash and due from banks	$ 4,147,598	$ 4,147,598	$ —
Securities:			
Available-for-sale securities	9,001,453	9,001,453	—
Loans	20,662,813		
Reserve for possible loan losses (*1)	(326,500)		
	20,336,312	20,570,975	234,663
Total assets	33,485,363	33,720,027	234,663
Deposits	27,389,953	27,390,059	105
Negotiable certificates of deposit	797,099	797,102	3
Call money and bills sold	602,734	602,734	—
Guarantee deposit received under securities lending transactions	2,995,846	2,995,846	—
Total liabilities	31,785,633	31,785,742	109
Derivative transactions (*2)			
To which hedge accounting is not applied	2,162	2,162	—
To which hedge accounting is applied	41,938	41,938	—
Total derivative transactions	44,101	44,101	—

	March 31, 2015		
	Millions of yen		
	Carrying value	Fair value	Difference
Cash and due from banks	¥ 544,907	¥ 544,907	¥ —
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
Total assets	4,061,422	4,080,836	19,414
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	—
Total liabilities	3,840,948	3,840,973	24
Derivative transactions (*2)			
To which hedge accounting is not applied	(3)	(3)	—
To which hedge accounting is applied	518	518	—
Total derivative transactions	515	515	—

(*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.

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 value		
	2016	2015	**2016**
	(Millions of yen)		*(Thousands of U.S. dollars)*
Unlisted equity securities (*1) (*2)	¥ 3,195	¥ 3,861	$ 28,355
Investment in partnership	670	453	5,946
Total	¥ 3,865	¥ 4,314	$ 34,301

(*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 ¥4 million ($43 thousand) on unlisted equity securities for the years ended March 31, 2016.

(Note 3) Maturity of financial assets and securities with contractual maturities at March 31, 2016

March 31, 2016 *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
Due from banks	¥ 429,399	¥ —	¥ —	¥ —	¥ —	¥ —
Securities:						
Available-for-sale securities with contractual maturities:	121,742	209,490	273,020	115,452	76,456	11,493
Japanese government bonds	71,000	86,500	166,000	10,000	37,000	—
Municipal bonds	15,166	33,403	27,450	49,292	4,305	—
Corporate bonds	35,576	61,830	58,422	23,370	1,122	—
Other	—	27,756	21,146	32,789	34,029	11,493
Loans (*)	606,022	466,960	373,581	190,155	217,787	448,208
Total	¥ 1,157,165	¥ 676,450	¥ 646,601	¥ 305,608	¥ 294,244	¥ 459,701

March 31, 2016 *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	$ 3,810,787	$ —	$ —	$ —	$ —	$ —
Securities:						
Available-for-sale securities with contractual maturities:	1,080,429	1,859,159	2,422,967	1,024,604	678,525	101,996
Japanese government bonds	630,102	767,660	1,473,198	88,746	328,363	—
Municipal bonds	134,598	296,442	243,618	437,458	38,207	—
Corporate bonds	315,728	548,729	518,485	207,401	9,957	—
Other	—	246,327	187,665	290,997	301,996	101,996
Loans (*)	5,378,263	4,144,126	3,315,423	1,687,573	1,932,799	3,977,707
Total	$10,269,481	$ 6,003,285	$ 5,738,390	$ 2,712,178	$ 2,611,324	$ 4,079,704

(*) Loans from "legally bankrupt," "substantially bankrupt" and "likely to become bankrupt" borrowers which are not expected to be repaid amounting to ¥11,538 million ($102,404 thousand) are not included.

Loans whose payment term is not determined amounting to ¥14,030 million ($124,514 thousand) are not included.

(Note 4) Maturity of bonds and interest bearing liabilities at March 31, 2016

March 31, 2016 *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 (*)	¥ 2,401,519	¥ 280,406	¥ 18,902	¥ —	¥ —	¥ —
Negotiable certificates of deposits	88,981	835	—	—	—	—
Call money and bills sold	67,916	—	—	—	—	—
Guarantee deposit received under securities lending transactions	337,572	—	—	—	—	—
Total	¥2,895,988	¥ 281,241	¥ 18,902	¥ —	¥ —	¥ —

	March 31, 2016					
	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 (*)	$21,312,736	$ 2,488,516	$ 167,755	$ —	$ —	$ —
Negotiable certificates of deposits	789,683	7,415	—	—	—	—
Call money and bills sold	602,734	—	—	—	—	—
Guarantee deposit received under securities lending transactions	2,995,846	—	—	—	—	—
Total	$25,701,001	$ 2,495,931	$ 167,755	$ —	$ —	$ —

(*) 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, 2016 and 2015 were ¥0 million ($6 thousand) ¥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, 2016 and 2015.

(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, 2016 and 2015 are summarized as follows:

	March 31, 2016				
	Millions of yen				
	Carrying value	Acquisition cost	Difference	Gain	Loss
Stock	**¥ 120,790**	**¥ 77,788**	**¥ 43,001**	**¥ 46,820**	**¥ 3,818**
Debt securities	**701,841**	**689,353**	**12,487**	**13,181**	**693**
Others	**191,651**	**190,927**	**724**	**3,929**	**3,205**
Total	**¥1,014,283**	**¥ 958,069**	**¥ 56,213**	**¥ 63,930**	**¥ 7,716**

	March 31, 2016				
	Thousands of U.S. dollars				
	Carrying value	Acquisition cost	Difference	Gain	Loss
Stock	**$1,071,977**	**$ 690,348**	**$ 381,628**	**$ 415,513**	**$ 33,885**
Debt securities	**6,228,625**	**6,117,799**	**110,825**	**116,979**	**6,153**
Others	**1,700,850**	**1,694,422**	**6,427**	**34,871**	**28,444**
Total	**$9,001,453**	**$8,502,571**	**$ 498,881**	**$ 567,364**	**$ 68,483**

	March 31, 2015				
	Millions of yen				
	Carrying value	Acquisition cost	Difference	Gain	Loss
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

Japanese government bonds, equities and others loaned under the securities lending agreement in the amount of ¥75,494 million ($669,991 thousand) and ¥85,766 million are included in above securities as of March 31, 2016 and 2015, respectively.

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 of stocks amounted to ¥574 million ($5,098 thousand) and ¥44 million for the year ended March 31, 2016 and 2015, respectively. 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, 2016 and 2015 are as follows:

	2016	2015	**2016**
	(Millions of yen)		*(Thousands of U.S. dollars)*
Unrealized gain on available-for-sale securities	**¥ 56,213**	¥ 81,469	**$ 498,881**
Deferred tax liabilities	**(16,082)**	(24,766)	**(142,729)**
	¥ 40,131	¥ 56,702	**$ 356,152**
Attributable to non-controlling interest	**(695)**	(959)	**(6,168)**
Unrealized gain on available-for-sale securities, net of tax	**¥ 39,436**	¥ 55,742	**$ 349,983**

Available-for-sale securities sold during the years ended March 31, 2016 and 2015 are summarized as follows:

	2016	2015	**2016**
	(Millions of yen)		*(Thousands of U.S. dollars)*
Proceeds from sales	**¥1,119,647**	¥ 825,781	**$9,936,523**
Gain on sales	**11,068**	9,497	**98,229**
Loss on sales	**4,900**	1,242	**43,487**

9. Money Held in Trusts

Money held in trusts for investment purposes

	2016	2015	**2016**
	(Millions of yen)		*(Thousands of U.S. dollars)*
Amount recorded in the consolidated balance sheets	**¥ 15,024**	¥ 15,025	**$ 133,340**
Unrealized gain (loss) included in profit and loss for the fiscal year	**24**	25	**220**

10. Revaluation of Land

Pursuant to the "Act on Revaluation of Land " (the "Act"), 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 net assets as land revaluation surplus 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 tax liability 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 Act, and the total book value of the land after the revaluation was ¥11,244 million ($99,791 thousand) and ¥11,302 million at March 31, 2016 and 2015, respectively.

11. Cash Flows

A reconciliation between cash and due from banks in the consolidated balance sheets at March 31, 2016 and 2015 and cash and cash equivalents in the consolidated statements of cash flows for the years then ended is as follows:

	2016	2015	**2016**
	(Millions of yen)		*(Thousands of U.S. dollars)*
Cash and due from banks	**¥ 467,351**	¥ 544,907	**$4,147,598**
Due from banks other than the Bank of Japan	**(1,854)**	(677)	**(16,460)**
Cash and cash equivalents	**¥ 465,496**	¥ 544,230	**$4,131,137**

12. Accumulated Depreciation and Deferred Gains on Tangible Fixed Assets

Accumulated depreciation totaled ¥31,736 million ($281,654 thousand) and ¥33,710 million at March 31, 2016 and 2015, respectively.
Deferred gains on tangible fixed assets deducted for tax purposes at March 31, 2016 and 2015 were ¥3,074 million ($27,282 thousand) and ¥3,074 million, respectively.

13. Assets Pledged

Assets pledged as collateral at March 31, 2016 and 2015 were as follows:

	2016	2015	2016
	(Millions of yen)		(Thousands of U.S. dollars)
Pledged assets:			
Securities	¥ **391,066**	¥ 470,707	**$ 3,470,597**
Other assets	**743**	743	**6,594**
Liabilities secured by the above assets:			
Deposits	¥ **49,333**	¥ 51,517	**$ 437,823**
Guarantee deposit received under securities lending transactions	**337,572**	374,027	**2,995,846**

In addition, securities of ¥26,802 million ($237,863 thousand) and ¥27,439 million at March 31, 2016 and 2015 were pledged as collateral for settlement of exchange transactions. Included in other assets were guarantee deposits of ¥45 million ($407 thousand) and ¥170 million at March 31, 2016 and 2015, respectively.

14. Borrowed Money

The details of borrowed money at March 31, 2016 and 2015 were as follows:

	2016	2015	2016
	(Millions of yen)		(Thousands of U.S. dollars)
Borrowed money Due from April 2016 through November 2022 Average interest rate: 0.54% p.a.	¥ **6,865**	¥ 7,585	**$ 60,932**

Annual maturities of borrowed money are as follows:

Year ending March 31	*(Millions of yen)*	*(Thousands of U.S. dollars)*
2017	**¥ 2,001**	**$ 17,763**
2018	**1,721**	**15,278**
2019	**1,441**	**12,793**
2020	**1,186**	**10,530**
2021 and thereafter	**514**	**4,566**
Total	**¥ 6,865**	**$ 60,932**

15. Shareholders' Equity

Japanese banks are subject to the Banking Act and the Companies Act. The Companies Act 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 Companies Act 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 Act 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 Companies Act. In addition, the Companies Act 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 Companies Act 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 Companies Act. The movements of outstanding shares and cash dividends during the years ended March 31, 2016 and 2015 are as follows:

(a) Number of outstanding shares and treasury stock

For the year ended March 31, 2016

	share			
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	—	14,700,000	299,901,974
Treasury stock:				
Common stock	10,366,645	5,015,492	14,849,032	533,105

For the year ended March 31, 2015

	share			
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

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

For the year ended March 31, 2016

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 ($10,799 thousand)	¥4.0 ($0.3)	Mar. 31, 2015	Jun. 29, 2015
Nov. 6, 2015	Board of Directors	Common stock	¥1,217 million ($10,801 thousand)	¥4.0 ($0.3)	Sep. 30, 2015	Dec. 4, 2015

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	¥3.5	Mar. 31, 2014	Jun. 30, 2014
Nov. 5, 2014	Board of Directors	Common stock	¥942 million	¥3.0	Sep. 30, 2014	Dec. 5, 2014

Dividends applicable to the year ended March 31, 2016, 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. 29, 2016	General meeting of shareholders	Common stock	¥1,197 million ($10,627 thousand)	¥4.0 ($0.3)	Mar. 31, 2016	Jun. 30, 2016

(Above cash dividends are distributed from retained earnings.)

16. Stock Options

On August 3, 2015, the Bank granted stock options to its directors and executive officers.

1. The related cost of ¥74 million ($658 thousand) and ¥66 million was charged to income for the years ended March 31, 2016 and 2015, respectively.
2. The stock options outstanding as of March 31, 2016 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
2015 Stock Option	10 directors and 7 officers	176,600	Aug. 3, 2015	¥ 1	From Aug.4, 2015 to Aug. 3, 2040

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	2015 Stock Option Shares
Non-vested:							
April 1, 2015-Outstanding	—	—	—	—	—	51,200	—
Granted	—	—	—	—	—	—	176,600
Forfeited	—	—	—	—	—	—	8,100
Vested	—	—	—	—	—	51,200	114,300
March 31, 2016-Outstanding	—	—	—	—	—	—	54,200
Vested:							
April 1, 2015-Outstanding	81,800	98,800	133,600	140,500	175,400	155,400	—
Vested	—	—	—	—	—	51,200	114,300
Exercised	19,100	22,500	22,600	24,700	24,700	27,500	5,900
Forfeited	—	—	—	—	—	—	—
March 31, 2016-Outstanding	62,700	76,300	111,000	115,800	150,700	179,100	108,400

Price information of 2009, 2010, 2011, 2012, 2013, 2014 and 2015 Stock Option is as follows:

	2009 Stock Option	2010 Stock Option	2011 Stock Option	2012 Stock Option	2013 Stock Option	2014 Stock Option	2015 Stock Option
	(Yen)						
Exercise price	¥ 1	¥ 1	¥ 1	¥ 1	¥ 1	¥ 1	¥ 1
Average share price at the time of exercise	414	414	414	414	414	414	391
Fair appraisal price at the date of grant	321	311	252	268	306	326	449

	2009 Stock Option	2010 Stock Option	2011 Stock Option	2012 Stock Option	2013 Stock Option	2014 Stock Option	2015 Stock Option
	(U.S. dollar)						
Exercise price	$ 0.00	$ 0.00	$ 0.00	$ 0.00	$ 0.00	$ 0.00	$ 0.00
Average share price at the time of exercise	3.67	3.67	3.67	3.67	3.67	3.67	3.47
Fair appraisal price at the date of grant	2.84	2.76	2.23	2.37	2.71	2.89	3.98

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 2015 Stock Option are as follows:

	2015 Stock Option
Volatility of stock price (Note 1)	29.332%
Estimated remaining outstanding period (Note 2)	2.4 years
Estimated dividend (Note 3)	¥7 per share
Interest rate with risk free (Note 4)	0.005%

Notes:

1. Volatility of stock price is computed based on the actual stock prices during the period corresponding to estimated remaining outstanding period of 2.4 years.
2. 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.
3. Actual dividend for the year ended March 31, 2015
4. 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, 2016 and 2015:

	2016	2015	**2016**
	(Millions of yen)		(Thousands of U.S. dollars)
Due within one year	**¥ 81**	¥ 83	**$ 721**
Due after one year	**115**	116	**1,028**
Total	**¥ 197**	¥ 200	**$ 1,750**

As lessor:

a. Finance leases

Investment in leased assets consists of the following:

	2016	2015	2016
	(Millions of yen)		(Thousands of U.S. dollars)
Lease receivables	**¥ 19,969**	¥ 19,701	**$177,227**
Residual value	**2,458**	2,422	**21,816**
Unearned interest income	**(2,103)**	(2,091)	**(18,670)**
Total	**¥ 20,324**	¥ 20,031	**$180,373**

Maturities of lease receivables and investment in leased assets at March 31, 2016 are as follows:

	(Millions of yen)		(Thousands of U.S. dollars)	
Year ending March 31	*Lease receivables*	*Investment in leased assets*	*Lease receivables*	*Investment in leased assets*
2017	**¥ 485**	**¥ 6,736**	**$ 4,308**	**$ 59,785**
2018	**432**	**5,083**	**3,838**	**45,113**
2019	**297**	**3,626**	**2,643**	**32,183**
2020	**124**	**2,376**	**1,103**	**21,092**
2021	**52**	**1,271**	**463**	**11,281**
2022 and thereafter	**31**	**875**	**277**	**7,770**
Total	**¥ 1,423**	**¥ 19,969**	**$ 12,635**	**$177,227**

b. Operating leases

The following table presents the schedule of future minimum lease payments under non-cancellable operating leases at March 31, 2016:

	(Millions of yen)	(Thousands of U.S. dollars)
Due within one year	**¥ 113**	**$ 1,009**
Due after one year	**353**	**3,139**
Total	**¥ 467**	**$ 4,149**

18. Loss on Impairment

The Bank recognized loss on impairment of ¥401 million ($3,559 thousand) and ¥1,881 million on the following asset group for the years ended March 31, 2016 and 2015, 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, 2016

Location	Main use	Asset type	(Millions of yen)	(Thousands of U.S. dollars)
Ishikawa Pref.	7 operating branches	Land	¥ 242	$ 2,151
	4 operating branches	Buildings	72	645
	5 idle assets	Land	36	325
	4 idle assets	Buildings	46	416
Outside Ishikawa Pref.	1 idle asset	Buildings	2	20
Total			¥ 401	$ 3,559

Year ended March 31, 2015

Location	Main use	Asset type	(Millions of yen)
Ishikawa Pref.	3 operating branches	Land	¥ 232
	3 operating branches	Buildings	100
	9 idle assets	Land	1,338
	4 idle assets	Buildings	184
Outside Ishikawa Pref.	1 idle asset	Land	24
Total			¥ 1,881

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, 2016 and 2015 were as follows:

	2016	2015	2016
	(Millions of yen)		(Thousands of U.S. dollars)
Reclassification adjustments			
Net unrealized gains on available-for-sale securities:			
Gain incurred during the year	**¥ (19,424)**	¥ 37,786	**$(172,390)**
Reclassification adjustment	**(5,830)**	(8,093)	**(51,739)**
Amount before tax effect	**(25,255)**	29,693	**(224,130)**
Net unrealized gains (losses) on hedging instruments:			
Gain (loss) incurred during the year	**308**	(137)	**2,741**
Reclassification adjustment	**3**	(4)	**27**
Amount before tax effect	**311**	(142)	**2,768**
Land revaluation surplus			
Gain (loss) incurred during the year	**—**	—	**—**
Reclassification adjustment	**—**	—	**—**
Amount before tax effect	**—**	—	**—**
Remeasurements of defined benefit plans			
Gain (loss) incurred during the year	**(4,546)**	(230)	**(40,348)**
Reclassification adjustment	**749**	878	**6,653**
Amount before tax effect	**(3,796)**	648	**(33,694)**
Total amount before tax effect	**(28,739)**	30,199	**(255,056)**
Tax effect	**9,779**	(7,964)	**86,793**
Total other comprehensive income	**¥ (18,959)**	¥ 22,234	**$(168,263)**

	2016	2015	2016
	(Millions of yen)		(Thousands of U.S. dollars)
Tax effect on other comprehensive income:			
Net unrealized gains on available-for-sale securities:			
Amount before tax effect	**¥ (25,255)**	¥ 29,693	**$ (224,130)**
Tax effect	**8,683**	(7,861)	**77,067**
Amount after tax effect	**(16,571)**	21,832	**(147,062)**
Net deferred gains (losses) on hedging instruments:			
Amount before tax effect	**311**	(142)	**2,768**
Tax effect	**(104)**	31	**(924)**
Amount after tax effect	**207**	(110)	**1,843**
Land revaluation surplus			
Amount before tax effect	**—**	—	**—**
Tax effect	**111**	231	**991**
Amount after tax effect	**111**	231	**991**
Remeasurements of defined benefit plans			
Amount before tax effect	**(3,796)**	648	**(33,694)**
Tax effect	**1,088**	(365)	**9,658**
Amount after tax effect	**(2,708)**	282	**(24,036)**

20. Income Taxes

The major components of deferred tax assets and liabilities at March 31, 2016 and 2015 are summarized as follows:

	2016	2015	2016
	(Millions of yen)		(Thousands of U.S. dollars)
Deferred tax assets:			
Reserve for possible loan losses	**¥ 13,259**	¥ 13,985	**$ 117,673**
Net defined benefit liability	**5,230**	4,360	**46,420**
Depreciation of real estate	**719**	900	**6,385**
Unrealized loss on write-down of equity securities	**1,879**	1,960	**16,682**
Other	**3,677**	3,718	**32,638**
Subtotal	**24,767**	24,924	**219,801**
Valuation allowance	**(9,643)**	(9,756)	**(85,579)**
Total deferred tax assets	**15,124**	15,168	**134,221**
Deferred tax liabilities:			
Unrealized gain on available-for-sale securities	**(16,082)**	(24,766)	(142,729)
Other	**(212)**	(218)	**(1,885)**
Total deferred tax liabilities	**(16,295)**	(24,985)	**(144,614)**
Net deferred tax assets (liabilities)	**¥ (1,171)**	¥ (9,816)	**$ (10,393)**

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, 2016 and 2015 is presented as follows:

	2016	2015
Statutory tax rate	**32.8%**	35.4%
Reconciliation:		
Nondeductible permanent differences, such as entertainment expenses	**0.5**	0.5
Nontaxable permanent differences, such as dividend income	**(1.1)**	(2.7)
Per capita residents' taxes	**0.2**	0.2
Valuation allowance	**2.2**	5.2
Reduction of deferred tax assets due to tax rates change	**3.4**	7.6
Other	**1.5**	0.4
Effective tax rate	**39.5%**	46.6%

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

The "Act for Partial Revision of the Income Tax Act, etc., (Act No. 15, 2016)" and the "Act for Partial Revision of the Local Tax Act, etc., (Act No. 13, 2016)," has been enacted on March 29, 2016 in the Diet session. As a result, the effective statutory tax rate used in computing deferred tax assets and liabilities has been reduced from 32.06% to 30.69% for the temporary differences expected to be reversed in the years beginning on April 1, 2016 and 2017 and 30.45% for those expected to be reversed in the years beginning on and after April 1, 2018. As a result, deferred tax liabilities decreased by ¥247 million ($2,197 thousand), and net unrealized gains on available-for-sale securities and income taxes–deferred increased by ¥830 million ($7,371 thousand) and ¥579 million ($5,139 thousand), respectively. Net deferred gains (losses) on hedging instruments decreased by ¥3 million ($33 thousand). Deferred tax liability arising from revaluation of land decreased by ¥111 million ($991 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, 2016 and 2015 are as follows:

	2016	2015	2016
	(Millions of yen)		(Thousands of U.S. dollars)
Balance at beginning of year	**¥ 31,057**	¥ 29,420	**$ 275,629**
Cumulative effect of accounting changes	**—**	1,259	**—**
Restated balance	**—**	30,679	**—**
Service cost	**460**	457	**4,089**
Interest cost	**249**	241	**2,209**
Actuarial gains or losses	**3,947**	1,277	**35,036**
Benefits paid	**(1,772)**	(1,597)	**(15,728)**
Balance at end of year	**¥ 33,943**	¥ 31,057	**$ 301,237**

2. The changes in plan assets for the years ended March 31, 2016 and 2015 are as follows:

	2016	2015	2016
	(Millions of yen)		(Thousands of U.S. dollars)
Balance at beginning of year	**¥ 17,577**	¥ 16,589	**$ 155,995**
Expected return on plan assets	**351**	331	**3,119**
Actuarial gains or losses	**(598)**	1,047	**(5,311)**
Contributions from the employer	**553**	557	**4,913**
Benefits paid	**(999)**	(948)	**(8,872)**
Balance at end of year	**¥ 16,884**	¥ 17,577	**$ 149,845**

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

	2016	2015	2016
	(Millions of yen)		(Thousands of U.S. dollars)
Funded defined benefit obligation	¥ 23,892	¥ 21,305	$ 212,038
Plan assets	(16,884)	(17,577)	(149,845)
	7,007	3,728	62,193
Unfunded defined benefit obligation	10,050	9,752	89,198
Net liability recorded in the consolidated balance sheet	¥ 17,058	¥ 13,480	$ 151,391

	2016	2015	2016
	(Millions of yen)		(Thousands of U.S. dollars)
Net defined benefit liability	¥ 17,058	¥ 13,480	$ 151,391
Net liability recorded in the consolidated balance sheet	¥ 17,058	¥ 13,480	$ 151,391

4. The components of retirement benefit expenses for the years ended March 31, 2016 and 2015 are as follows:

	2016	2015	2016
	(Millions of yen)		(Thousands of U.S. dollars)
Service cost	¥ 460	¥ 457	$ 4,089
Interest cost	249	241	2,209
Expected return on plan assets	(351)	(331)	(3,119)
Amortization of actuarial gains or losses	958	970	8,509
Amortization of prior service cost	(209)	(91)	(1,855)
Retirement benefit expenses	¥ 1,107	¥ 1,245	$ 9,832

5. The components of remeasurements of defined benefit plans (before deducting tax effect) on other comprehensive income as of March 31, 2016 and 2015 are as follows:

	2016	2015	2016
	(Millions of yen)		(Thousands of U.S. dollars)
Prior service cost	¥ (209)	¥ (91)	$ (1,855)
Net actuarial gain or loss	(3,587)	739	(31,839)
Total	¥ (3,796)	¥ 648	$ (33,694)

6. The components of remeasurements of defined benefit plans (before deducting tax effect) on accumulated other comprehensive income as of March 31, 2016 and 2015 are as follows:

	2016	2015	2016
	(Millions of yen)		(Thousands of U.S. dollars)
Unrecognized prior service cost	¥ 1,221	¥ 1,430	$ 10,837
Unrecognized net actuarial gain or loss	(9,317)	(5,729)	(82,687)
Total	¥ (8,096)	¥ (4,299)	$ (71,850)

7. Plan assets

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

	2016	2015
General account	57%	51%
Stock	25%	28%
Debt securities	12%	16%
Other	6%	5%
Total	100%	100%

Note:
Total plan assets include 4% and 3% of retirement benefit trust established on corporate pension plans as of March 31, 2016 and 2015, 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, 2016 and 2015, were set forth as follows:

	2016	2015
Discount rate	0.0% to 0.6%	0.0% to 1.9%
Long-term expected rate of return on plan assets	2.0%	2.0%
Expected salary increase rate	4.9%	4.9%

Note:
The amount of the required contribution to the defined contribution plan of the Bank was ¥282 million ($2,504 thousand) and ¥286 million for the years ended March 31, 2016 and 2015.

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, 2016 and 2015 are as follows:

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

(1) Interest rate derivatives

	March 31, 2016			
	Millions of yen			
	Contract amount			
	Total	Over one year	Fair value	Valuation gain (loss)
OTC transactions:				
Interest rate swaps Receivable floating rate/ Payable fixed rate	¥ 110	¥ —	¥ (0)	¥ (0)
Total			¥ (0)	¥ (0)

	March 31, 2016			
	Thousands of U.S. dollars			
	Contract amount			
	Total	Over one year	Fair value	Valuation gain (loss)
OTC transactions:				
Interest rate swaps Receivable floating rate/ Payable fixed rate	$ 979	$ —	$ (8)	$ (8)
Total			$ (8)	$ (8)

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

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

(2) Currency derivatives

		March 31, 2016			
		Millions of yen			
		Contract amount			
		Total	Over one year	Fair value	Valuation gain (loss)
OTC transactions:					
Currency swaps		**¥ 230**	**¥ 230**	**¥ (38)**	**¥ (38)**
Forward contracts on foreign exchange	Sold	**26,431**	**—**	**247**	**247**
	Bought	**4,181**	**—**	**(2)**	**(2)**
Currency options	Sold	**20,100**	**19,375**	**(699)**	**142**
	Bought	**20,100**	**19,375**	**737**	**(11)**
Total				**¥ 244**	**¥ 337**

		March 31, 2016			
		Thousands of U.S. dollars			
		Contract amount			
		Total	Over one year	Fair value	Valuation gain (loss)
OTC transactions:					
Currency swaps		**$ 2,049**	**$ 2,049**	**$ (337)**	**$ (337)**
Forward contracts on foreign exchange	Sold	**234,569**	**—**	**2,192**	**2,192**
	Bought	**37,107**	**—**	**(21)**	**(21)**
Currency options	Sold	**178,382**	**171,947**	**(6,211)**	**1,262**
	Bought	**178,382**	**171,947**	**6,548**	**(98)**
Total				**$ 2,171**	**$ 2,998**

		March 31, 2015			
		Millions of yen			
		Contract amount			
		Total	Over one year	Fair value	Valuation gain (loss)
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

Notes:
1. Above transactions are stated at fair value and unrealized gain/(loss) is recorded in the consolidated statements of income.
2. 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, 2016 and 2015 are as follows:

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

(1) Interest rate related derivatives

		March 31, 2016			
		Millions of yen			
Hedge accounting method	Transaction type	Major hedged item	Contract amount	Contract amount due after one year	Fair value
Normal method	Interest rate swaps:				
	Receivable fixed rate/ Payable floating rate	Loans and deposits	**¥ —**	**¥ —**	**¥ —**
	Receivable floating rate/ Payable fixed rate		**7,943**	**7,281**	**(205)**
	Other		**15,000**	**—**	**17**
	Total		**—**	**—**	**¥ (187)**

		March 31, 2016			
		Thousands of U.S. dollars			
Hedge accounting method	Transaction type	Major hedged item	Contract amount	Contract amount due after one year	Fair value
Normal method	Interest rate swaps:				
	Receivable fixed rate/ Payable floating rate	Loans and deposits	**$ —**	**$ —**	**$ —**
	Receivable floating rate/ Payable fixed rate		**70,496**	**64,619**	**(1,825)**
	Other		**133,120**	**—**	**157**
	Total		**—**	**—**	**$(1,667)**

		March 31, 2015			
		Millions of yen			
Hedge accounting method	Transaction type	Major hedged item	Contract amount	Contract amount due after one year	Fair value
Normal method	Interest rate swaps:				
	Receivable fixed rate/ Payable floating rate	Loans and deposits	¥ —	¥ —	¥ —
	Receivable floating rate/ Payable fixed rate		8,757	7,943	(333)
	Total		—	—	¥ (333)

Notes:
1. Gain/loss on above contacts is deferred until maturity of the hedged items as the normal method in accordance with JICPA Industry Audit Committee Report No.24.
2. Fair value is determined using the discounted present value.

(2) Currency related derivatives

		March 31, 2016			
		Millions of yen			
Hedge accounting method	Transaction type	Major hedged item	Contract amount	Contract amount due after one year	Fair value
Normal method	Currency swaps:	Foreign currency denominated securities	**¥ 60,095**	**¥ 6,385**	**¥ 4,913**
	Total		**—**	**—**	**4,913**

		March 31, 2016			
		Thousands of U.S. dollars			
Hedge accounting method	Transaction type	Major hedged item	Contract amount	Contract amount due after one year	Fair value
Normal method	Currency swaps:	Foreign currency denominated securities	**$ 533,324**	**$ 56,664**	**$ 43,606**
	Total		**—**	**—**	**$ 43,606**

Hedge accounting method	Transaction type	March 31, 2015 Millions of yen Major hedged item	Contract amount	Contract amount due after one year	Fair value
Normal method	Currency swaps:	Foreign currency denominated securities	¥ 68,692	¥ 44,597	¥ 852
	Total		–	–	¥ 852

Notes:
1. Gain/loss on above contacts is deferred until maturity of the hedged items as the normal method in accordance with JICPA Industry Audit Committee Report No.25.
2. Fair value is determined using the discounted present value.

23. Per Share Information

Net assets per share at March 31, 2016 and 2015 and profit per share for the years then ended is as follows:

	2016 (Yen)	2015 (Yen)	**2016** (U.S. dollars)
Net assets per share	**¥ 752.40**	¥ 782.94	**$ 6.67**
Profit per share-basic	**31.45**	25.54	**0.27**
Profit per share-diluted	**31.36**	25.48	**0.27**

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

	2016 (Millions of yen)	2015 (Millions of yen)	**2016** (Thousands of U.S. dollars)
(Net assets per share)			
Net assets per balance sheets	**¥235,020**	¥ 247,730	**$2,085,731**
Amounts to be attributed to subscription rights to shares	**262**	232	**2,326**
Amounts to be attributed to non-controlling interests	**9,512**	9,297	**84,423**
Net assets attributed to common stock shareholders	**225,245**	238,200	**1,998,981**
Outstanding number of common stocks at end of year (unit: thousand shares)	**299,368**	304,235	
(Profit per share)			
Profit attributable to owners of parent	**¥ 9,569**	¥ 7,989	**$ 84,922**
Profit attributable to common stock shareholders	**9,569**	7,989	**84,922**
Average outstanding number of shares during the year (unit: thousands shares)	**304,237**	312,698	
(Profit per share-diluted)			
Increase in common stock (unit: thousand shares)	**854**	781	
Of which, subscription rights to shares (unit: thousand shares)	**854**	781	

(Changes in accounting policies)
As noted in Note 4 "Changes in Accounting Policies," effective from the year ended March 31, 2016, the Bank applied the Accounting Standard for Business Combinations and complied with transitional treatments as prescribed in Article 58-2 (4) of Statement No. 21, Article 44-5 (4) of Statement No. 22 and Article 57-4 (4) of Statement No. 7. As a result, net assets per share increased by ¥0.25 ($0.00) for the year ended March 31, 2016.

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 servicer business 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 income from ordinary operations 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, 2016 Millions of yen				
	Reportable segments				
	Banking	Leasing	Total	Adjustments	Consolidated
Total income:					
External customers	¥ 65,486	¥ 9,199	¥ 74,686	¥ —	¥ 74,686
Intersegments	146	25	171	(171)	—
Total	65,633	9,224	74,858	(171)	74,686
Segment profit	¥ 17,120	¥ 478	¥ 17,599	¥ 2	¥ 17,601
Segment assets	¥ 3,889,791	¥ 34,107	¥ 3,923,899	¥ (19,878)	¥ 3,904,020
Other information					
Depreciation	¥ 3,598	¥ 214	¥ 3,812	¥ —	¥ 3,812
Interest income	42,791	206	42,998	(143)	42,855
Interest expenses	1,795	177	1,973	(132)	1,841
Increase in tangible and intangible fixed assets	2,630	2	2,633	—	2,633

	Year ended March 31, 2016 Thousands of U. S. dollars				
	Reportable segments				
	Banking	Leasing	Total	Adjustments	Consolidated
Total income:					
External customers	$ 581,176	$ 81,644	$ 662,820	$ —	$ 662,820
Intersegments	1,301	223	1,525	(1,525)	—
Total	582,478	81,867	664,346	(1,525)	662,820
Segment profit	$ 151,943	$ 4,244	$ 156,187	$ 20	$ 156,208
Segment assets	$ 34,520,690	$ 302,697	$ 34,823,387	$ (176,419)	$ 34,646,968
Other information					
Depreciation	$ 31,938	$ 1,899	$ 33,837	$ —	$ 33,837
Interest income	379,763	1,835	381,598	(1,273)	380,325
Interest expenses	15,937	1,579	17,516	(1,171)	16,345
Increase in tangible and intangible fixed assets	23,345	23	23,369	—	23,369

Notes:
1. "Total income" corresponds to "Net Sales" of non-banking industries.
2. Adjustments refer to the elimination of intersegment transactions

	Year ended March 31, 2015				
	Millions of yen				
	Reportable segments				
	Banking	Leasing	Total	Adjustments	Consolidated
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

Other information:
Information by service line:

	Year ended March 31, 2016				
	Millions of yen				
	Loan	Securities investment	Lease	Other	Total
Income from external customers	**¥ 29,799**	**¥ 23,604**	**¥ 9,199**	**¥ 12,082**	**¥ 74,686**

	Year ended March 31, 2016				
	Thousands of U.S. dollars				
	Loan	Securities investment	Lease	Other	Total
Income from external customers	**$ 264,462**	**$ 209,485**	**$ 81,644**	**$ 107,228**	**$ 662,820**

	Year ended March 31, 2015				
	Millions of yen				
	Loan	Securities investment	Lease	Other	Total
Income from external customers	¥ 30,476	¥ 21,347	¥ 9,390	¥ 12,895	¥ 74,109

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

	Year ended March 31, 2016		
	Millions of yen		
	Reportable segments		
	Banking	Leasing	Total
Loss on impairment	**¥ 401**	**¥ —**	**¥ 401**

	Year ended March 31, 2016		
	Thousands of U.S. dollars		
	Reportable segments		
	Banking	Leasing	Total
Loss on impairment	**$ 3,559**	**$ —**	**$ 3,559**

	Year ended March 31, 2015		
	Millions of yen		
	Reportable segments		
	Banking	Leasing	Total
Loss on impairment	¥ 1,881	¥ —	¥ 1,881

25. Related Party Transactions

The related party transactions for the years ended March 31, 2016 and 2015 and related account balances outstanding at March 31, 2016 and 2015 were as follows:
Transactions between the Bank and related parties
Year ended March 31, 2016

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	Director	0.32	Loan Guarantee	¥(11)/$(98) ¥474/$4,208	Loan –	¥198/$1,759 –
Companies whose majority is owned by directors and /or its relatives						
Nakashima Co. Ltd.	Wholesale of paper products	0.38	Loan	¥13/$121	Loan	¥471/$4,184

Year ended March 31, 2015

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	¥(10) ¥855	Loan –	¥209 –
Kazuyo Nakashima	Wife of Hideo Nakashima	–	Guarantee	¥129	–	–
Kumiko Sakai	Wife of Kenichi Sakai	–	Guarantee	¥64	–	–
Daisuke Sakai	Son of Kenichi Sakai	–	Guarantee	¥64	–	–
Companies whose majority is owned by directors and /or its relatives						
Nakashima Co. Ltd.	Wholesale of paper products	0.36	Loan	¥(18)	Loan	¥457
Pato Planning, Inc.	House renting	–	Loan	¥(7)	Loan	¥64

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:
There was no applicable transaction to be reported for the year ended March 31, 2016 and 2015.

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

Management's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

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

Convenience Translation

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

June 28, 2016
Kanazawa, Japan

Ernst & Young ShinNihon LLC

HOKKOKU BANK

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