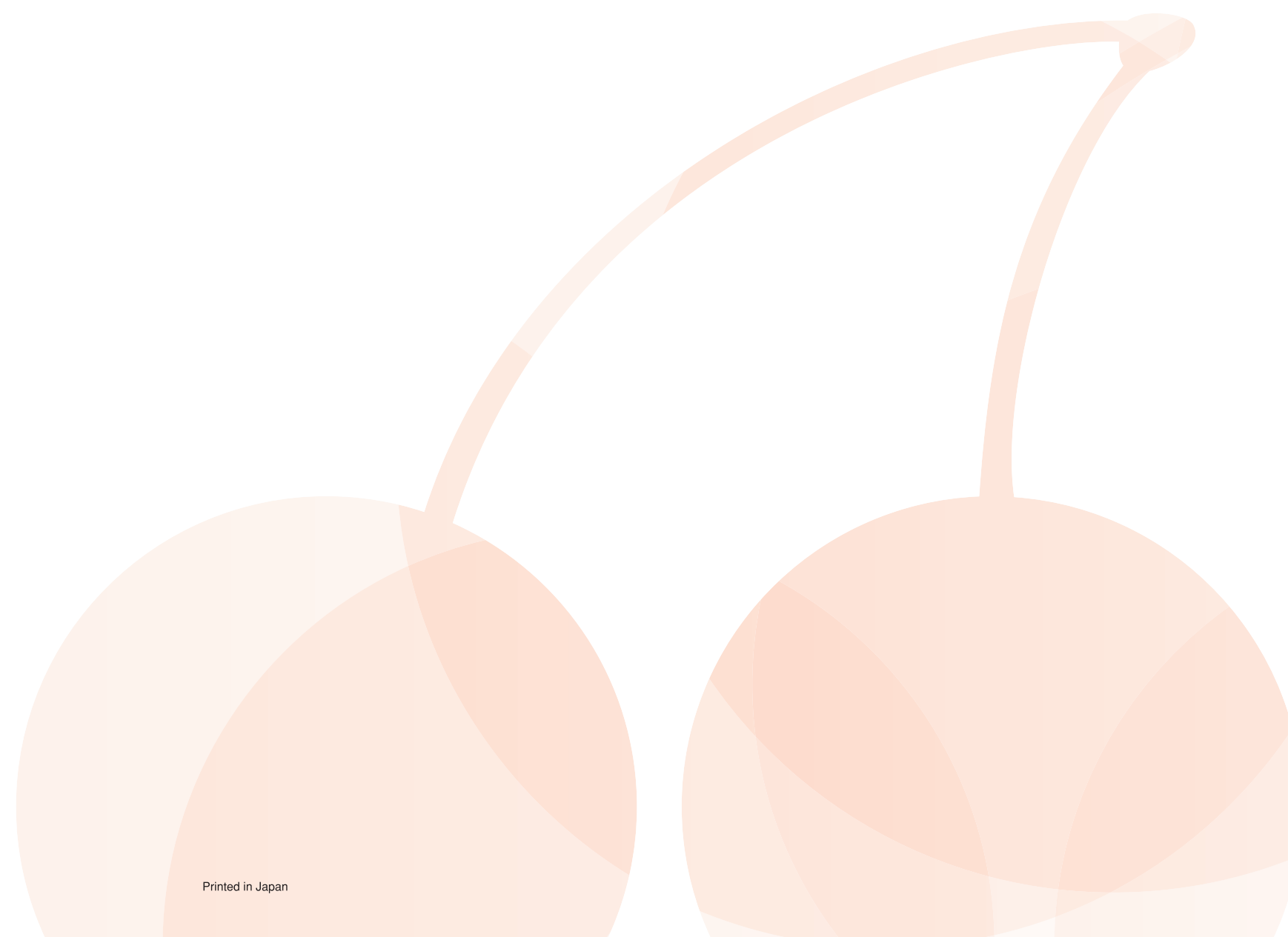


ANNUAL REPORT 2017

Year Ended March 31, 2017



Corporate Data

(as of March 31, 2017)

Head Office

1-2, Nanukamachi 3-chome, Yamagata
990-8642, Japan
Phone:+81 23 623 1221
URL:<http://www.yamagatabank.co.jp/>

Date of Establishment

April 14, 1896

Paid-in Capital

¥12,008million

Stock Exchange Listing

Tokyo Stock Exchange

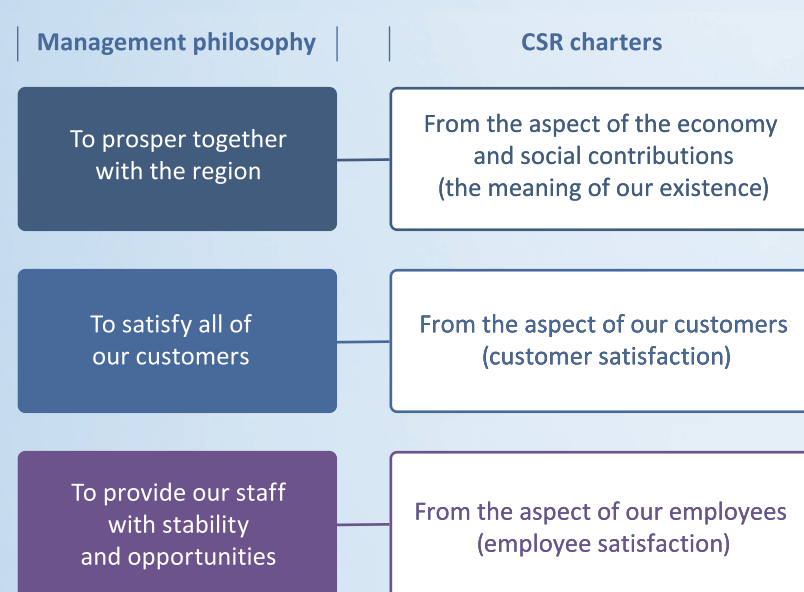
Credit Rating

A+ (JCR)

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Management philosophy and CSR charters



Message from Management

We thank you for your kind support to Yamagata Bank.

Yamagata Bank's main geographical focus is Yamagata Prefecture, located 300 kilometers north of Tokyo, a three-hour train ride on the Yamagata Shinkansen line. It has a population of about 1.11 million. The largest city, Yamagata City, is located near Sendai (in Miyagi Prefecture), the largest city in the northern Honshu region, and the two cities have had close, interconnected economic ties from ages past.

Yamagata Prefecture is well known for its rice production and fruit orchards but it has a vibrant manufacturing base as well, ranging from traditional crafts to electronics. Thanks to lots of diligent people, Yamagata has a reputation for excellence in quality in both agriculture and manufacturing.

The Pacific coast of northern Honshu was hit hard by the Great East Japan Earthquake of 2011 and recovery efforts from the natural disaster continue to this day. The Sea of Japan coastal area incurred only light damage and Yamagata Prefecture has rebuilt its transportation infrastructure through expressway construction and improvements in air transportation links with major cities throughout Japan.

Japan's economic recovery strengthened in fiscal year 2016 centering on the corporate sector. Exports gradually improved due to the global economic recovery and corporate profits were strong, helped by the weaker yen. Yamagata Prefecture's economy improved as well with increasing consumption and investment compared with the previous year.

On the other hand, the population is trending downward due to the declining birthrate and aging population. In order to realize sustainable prosperity in regional areas, efforts must be made to establish next-generation industries. (For example, transforming agriculture into an advanced, modernized industry, promoting tourism, and the practical application to industry of the latest, state-of-the-art research.) We are pursuing activities that encourage these developments.

Many regional financial institutions are facing a difficult business environment due to the long-term low-interest environment. One cause is the Bank of Japan's continuation of its qualitative and quantitative monetary easing policy along with both short and long-term interest rate operations. Given these conditions, it is likely that the future will bring even more strategic realignment and increased competition. Not only are major regional banks

with operations spanning across prefectural lines consolidating but even regional banks located wholly within a single prefecture are consolidating as well.

The current fiscal year is an important one for Yamagata Bank. It is the final year of our 18th long-term management plan (fiscal 2015-2017). We have a responsibility to show results in relation to the tasks set forth in the plan. We continue to expand efforts toward increasing our workforce productivity and to strengthen our profitability. In addition, we are making efforts to strengthen our business management framework and to provide high quality financial services. (This includes, for example, our CSR activities and our handling of matters involving the financial regulatory authorities.)

In April 2016, we marked the 120th anniversary of the founding of our bank, thanks to your kind support. Please allow us to express to you once again our appreciation for your support. Looking ahead toward the next ten years, we shall endeavor to further raise our corporate value. We believe that Yamagata Bank, located as we are in Yamagata Prefecture, will prove its true value by playing a leadership role in furthering regional revitalization and the prosperity of Yamagata Prefecture.

Thank you for your ongoing encouragement and support.



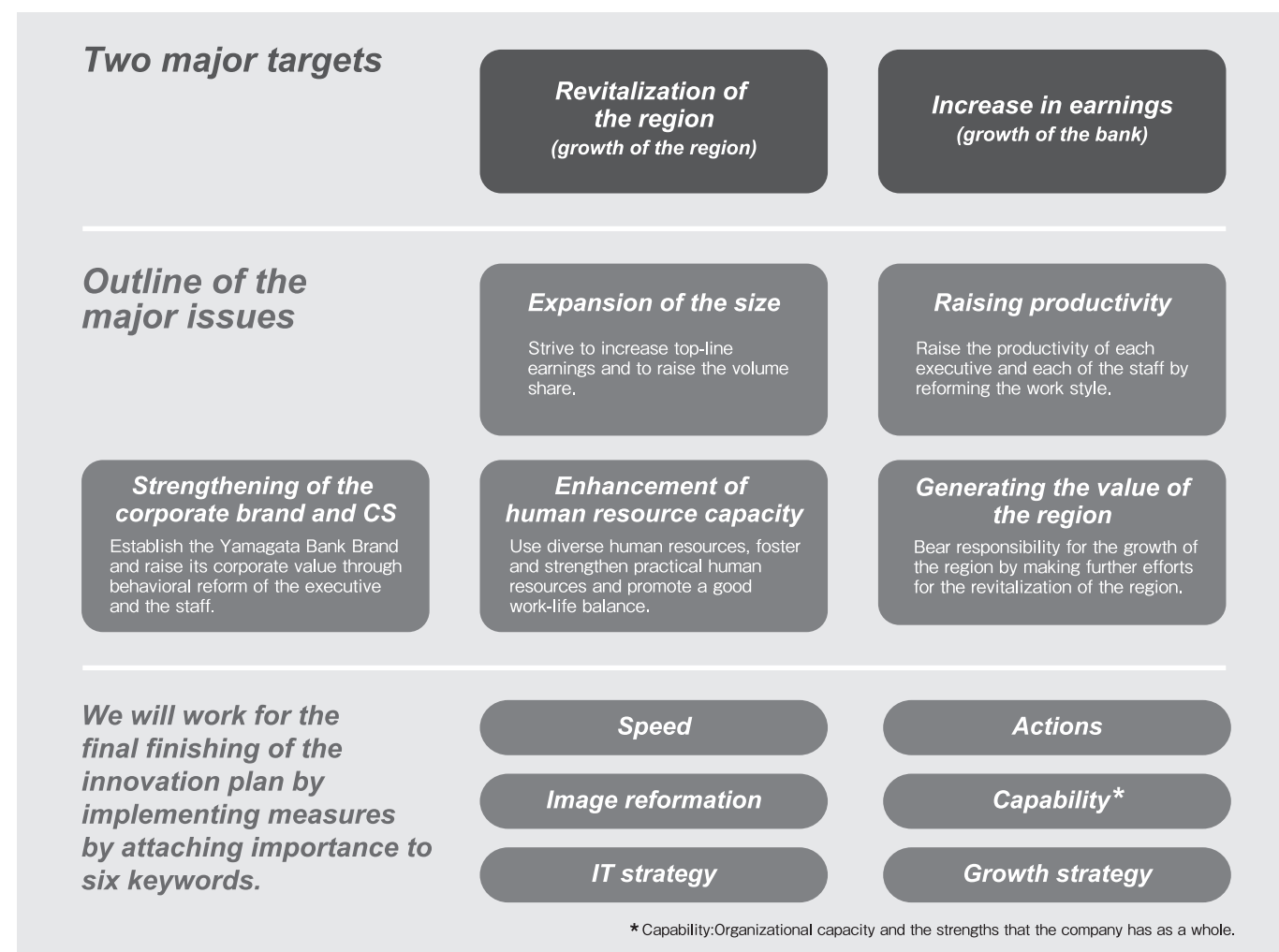
Kichishige Hasegawa
President

18th long-term management plan (fiscal 2015-2017) Yamagin Innovation Plan III

Aiming to be the overwhelmingly no. 1 bank by bearing responsibility for the development of Yamagata

The management philosophy of Yamagata Bank, which has been maintained throughout the long history of the Bank, is based on three aspects, namely the region, our customers and our employees, and has the common ideal as that of the corporate social responsibility of the modern management. Therefore, we have set the management philosophy

as our corporate social responsibility charter, and we consider that meeting our corporate social responsibility is the management of the Bank. Under the 18th long-term management plan, various business problems will be solved by regarding the management philosophy as CSR charters.



Using our Yamagin Innovation Plan III, the 18th long-term management plan, which started in April 2015, we will put our management philosophy into practice aiming for two major targets: **revitalization of the region (growth of the region) and increase in earnings (growth of the bank).**

Basic policies in three years (fiscal 2015-2017)

1. We will proactively lead the revitalization of the region by means such as fostering new industries and generating more employment.
2. We will raise our absolute corporate value by expanding the business foundations, as a bank rooted in the region.
3. We will resolve structural problems and change our business to materialize sustainable growth based on the "innovation" (everlasting aspiration) realized in the 16th and 17th long-term plans.

The Yamagata Bank, Ltd., and Consolidated Subsidiaries

Consolidated Five-Year Financial Highlights

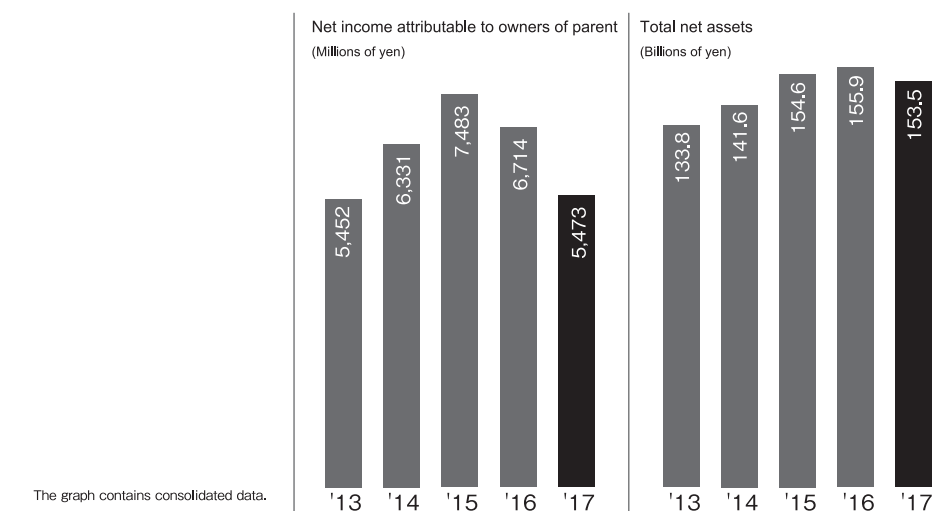
Yen: In millions except per stock data and percentages

U.S. dollars: In thousands except per stock data and percentages

Years ended March 31

For the fiscal year:	2017	2016	2015	2014	2013	2017
	(Millions of yen)					(Thousands of U.S. dollars)
Ordinary income	¥ 45,886	¥ 45,252	¥ 45,970	¥ 45,738	¥ 47,927	\$ 409,005
Ordinary expenses	37,802	34,504	33,250	34,534	38,145	336,949
Income before income taxes	8,034	10,623	12,448	11,067	9,710	71,617
Net income attributable to owners of parent	5,473	6,714	7,483	6,331	5,452	48,786
At the fiscal year-end						
Total assets	¥ 2,612,784	¥ 2,503,672	¥ 2,466,878	¥ 2,379,310	¥ 2,312,413	\$ 23,288,921
Loans and bills discounted	1,674,250	1,584,509	1,470,267	1,409,351	1,326,192	14,923,351
Securities	717,552	741,165	821,614	854,183	771,994	6,395,870
Total liabilities	2,459,270	2,347,728	2,312,184	2,237,627	2,178,564	21,920,581
Deposits	2,180,460	2,075,390	2,036,421	2,019,521	1,977,246	19,435,430
Total net assets	153,514	155,944	154,694	141,682	133,849	1,368,339
Amounts per stock						
	(Yen)					(U.S. dollars)
Cash dividends	¥ 7.00	¥ 7.00	¥ 6.00	¥ 6.00	¥ 6.00	\$ 0.06
Net income attributable to owners of parent	33.55	41.08	45.62	37.14	31.98	0.30
Diluted net income	29.94	36.67	41.00	—	—	0.27
Net assets	941.02	904.81	900.00	789.89	747.20	8.39
Ratios:						
Capital adequacy ratio (Domestic standard)	12.11%	12.77%	13.24%	13.92%	13.92%	

Note: U.S. dollars represent transactions, for the convenience of readers, at ¥ 112.19=U.S.\$1.00 the rate prevailing on March 31, 2017



The graph contains consolidated data.

Independent Auditor's Report

The Board of Directors
The Yamagata Bank, Ltd.

We have audited the accompanying consolidated financial statements of The Yamagata Bank, Ltd. and its consolidated subsidiaries, which comprise the consolidated balance sheet as at March 31, 2017, and the consolidated statements of income, comprehensive income, changes in net assets, and cash flows for the year then ended and a summary of significant accounting policies and other explanatory information, all expressed in Japanese yen.

Management's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of The Yamagata Bank, Ltd. and its consolidated subsidiaries as at March 31, 2017, and their consolidated financial performance and cash flows for the year then ended in conformity with accounting principles generally accepted in Japan.

Convenience Translation

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

June 23, 2017
Yamagata, Japan

Ernst & Young Shinohara LLC

Review of Operations

The Conditions of Consolidated Accounts

The general situation of this term (from April 1, 2016 to March 31, 2017)

Deposits and negotiable certificates of deposit

As a result of our efforts to offer products that respond to the diverse requirements to our customers, the year-end consolidated balance of deposits and negotiable certificates of deposit rose by ¥100.9 billion during the fiscal year to ¥2,296.1 billion. Both of deposits by personal customers and cooperate customers increased.

Deposited financial assets

The year-end consolidated balance of deposited financial assets rose by ¥10.4 billion during the year to ¥366.6 billion, due to reasons such as a satisfactory increase in personal insurance.

Loans

The year-end consolidated balance of loans rose by ¥89.7 billion to ¥1,674.2 billion. This was realized because the Bank proactively responded to the demand for funds by local companies and local public entities, and made constant efforts increase loans to personal customers, mainly focusing on housing loans.

Securities

As a result that we invested assets by attaching importance to safety and liquidity and paying close attention to investment conditions and make

trends, the year-end consolidated balance of securities declined by ¥23.6 billion to ¥717.5 billion.

Profit and loss

The consolidated ordinary income increased by ¥633 million on the previous year to ¥45,886 million, mainly because of a increase in gains on sales of bonds although fund investment earnings and gains on sales of stocks and other securities are decreased. The consolidated ordinary expenses increased by ¥3,297 million on the previous year to ¥37,802 million, mainly because of a increase in loss on sales of bonds and provision of reserve for possible loan losses although decrease in interest expenses. As a results, the consolidated ordinary income (net) decreased by ¥2,663 million during the year to ¥8,083 million, and the consolidated net income attributable to owners of parent decreased by ¥1,240 million during the year to ¥5,473 million.

Results by business sector

In banking business, the ordinary income for the consolidated fiscal year was ¥39,667 million, which was ¥570 million more than that for the previous fiscal year; the segment profit the consolidated fiscal year was ¥7,254 million, which was ¥2,679 million less than that for the previous fiscal year.

In the leasing business, the ordinary income for the consolidated fiscal year was ¥4,930 million, which was ¥40 million more than that for the previous year; the segment profit for consolidated fiscal year was ¥111 million, which was ¥79 million less than that for the previous fiscal year.

In other business sectors, the ordinary income for the consolidated fiscal year

was ¥2,442 million, which was ¥26 million more than that for the previous fiscal year; the segment profit for the consolidated fiscal year was ¥650 million, which was ¥16 million more than that for the previous fiscal year.

Cash flow

Cash flow from operating activities was positive at ¥35.8 billion, due to increases in deposits and decreases in call loans, etc.

Cash flow from investing activities was positive at ¥14.9 billion, because the inflow generated by the sales of securities, etc., exceeded the outflow generated by acquisition of securities etc.

Cash flow from financing activities was negative at ¥4.2 billion, because of outflow generated by acquisition of stocks of subsidiaries and payments of dividends, etc.

As a result of the above, the year-end consolidated balance of cash and cash equivalents increased by ¥46.6 billion during the year to ¥149.4 billion.

Consolidated Statements of Changes in Net Assets

For the year ended March 31, 2017	Shareholders' equity				(Millions of yen)
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance as April 1, 2016	¥ 12,008	¥ 4,934	¥ 112,612	¥ (2,976)	¥ 126,578
Changes in the consolidated fiscal year					
Cash Dividends			(1,225)		(1,225)
Net income attributable to owners of parent			5,473		5,473
Acquisition of treasury stocks				(194)	(194)
Acquisition of stocks of subsidiaries		5,281			5,281
Reversal of land revaluation			(6)		(6)
Changes in items other than shareholders' equity items in the consolidated fiscal year (net amounts)					
Total	—	5,281	4,241	(194)	9,328
Balance as of March 31, 2017	¥ 12,008	¥ 10,215	¥ 116,853	¥ (3,171)	¥ 135,906

For the year ended March 31, 2017	Shareholders' equity				(Thousands of U.S. dollars) (Note 2)
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance as April 1, 2016	\$ 107,037	\$ 43,980	\$ 1,003,765	\$ (26,531)	\$ 1,128,252
Changes in the consolidated fiscal year					
Cash Dividends			(10,925)		(10,925)
Net income attributable to owners of parent			48,786		48,786
Acquisition of treasury stocks				(1,735)	(1,735)
Acquisition of stocks of subsidiaries		47,077			47,077
Reversal of land revaluation			(57)		(57)
Changes in items other than shareholders' equity items in the consolidated fiscal year (net amounts)					
Total	—	47,077	37,803	(1,735)	83,145
Balance as of March 31, 2017	\$ 107,037	\$ 91,058	\$ 1,041,568	\$ (28,266)	\$ 1,211,397

For the year ended March 31, 2016	Shareholders' equity				(Millions of yen)
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance as April 1, 2015	¥ 12,008	¥ 4,934	¥ 106,816	¥ (2,972)	¥ 120,787
Changes in the consolidated fiscal year					
Cash Dividends			(980)		(980)
Net income attributable to owners of parent			6,714		6,714
Acquisition of treasury stocks				(4)	(4)
Disposition of treasury stocks					—
Reversal of land revaluation			62		62
Changes in items other than shareholders' equity items in the consolidated fiscal year (net amounts)					—
Total			5,796	(4)	5,791
Balance as of March 31, 2016	¥ 12,008	¥ 4,934	¥ 112,612	¥ (2,976)	¥ 126,578

For the year ended March 31, 2017	Accumulated other comprehensive income					Non-controlling interests	Total net assets	(Millions of yen)
	Net unrealized holding gain on securities available for sale	Deferred gain (loss) on hedging instruments	Revaluation of land	Retirement benefits liability adjustments	Total accumulated other comprehensive income			
Balance as April 1, 2016	¥ 24,111	¥ (3,431)	¥ 1,182	¥ (562)	¥ 21,300	¥ 8,066	¥ 155,944	
Changes in the consolidated fiscal year								
Cash Dividends							(1,225)	
Net income attributable to owners of parent							5,473	
Acquisition of treasury stocks							(194)	
Acquisition of stocks of subsidiaries							5,281	
Reversal of land revaluation							(6)	
Changes in items other than shareholders' equity items in the consolidated fiscal year (net amounts)	(5,287)	852	6	586	(3,842)	(7,916)	(11,759)	
Total	(5,287)	852	6	586	(3,842)	(7,916)	(2,430)	
Balance as of March 31, 2017	¥ 18,824	¥ (2,578)	¥ 1,188	¥ 24	¥ 17,457	¥ 149	¥ 153,514	

For the year ended March 31, 2017	Accumulated other comprehensive income					Non-controlling interests	Total net assets	(Thousands of U.S. dollars) (Note 2)
	Net unrealized holding gain on securities available for sale	Deferred gain (loss) on hedging instruments	Revaluation of land	Retirement benefits liability adjustments	Total accumulated other comprehensive income			
Balance as April 1, 2016	\$ 214,918	\$ (30,584)	\$ 10,536	\$ (5,010)	\$ 189,859	\$ 71,896	\$ 1,390,007	
Changes in the consolidated fiscal year								
Cash Dividends							(10,925)	
Net income attributable to owners of parent							48,786	
Acquisition of treasury stocks							(1,735)	
Acquisition of stocks of subsidiaries							47,077	
Reversal of land revaluation							(57)	
Changes in items other than shareholders' equity items in the consolidated fiscal year (net amounts)	(47,129)	7,597	57	5,224	(34,249)	(70,564)	(21,667)	
Total	(47,129)	7,597	57	5,224	(34,249)	(70,564)	(21,667)	
Balance as of March 31, 2017	\$ 167,789	\$ (22,987)	\$ 10,594	\$ 214	\$ 155,610	\$ 1,331	\$ 1,368,339	

For the year ended March 31, 2016	Accumulated other comprehensive income					Non-controlling interests	Total net assets	(Millions of yen)
	Net unrealized holding gain on securities available for sale	Deferred gain (loss) on hedging instruments	Revaluation of land	Retirement benefits liability adjustments	Total accumulated other comprehensive income			
Balance as April 1, 2015	¥ 26,863	¥ (2,845)	¥ 1,179	¥ 1,116	¥ 26,314	¥ 7,593	¥ 154,694	
Changes in the consolidated fiscal year								
Cash Dividends							(980)	
Net income attributable to owners of parent							6,714	
Acquisition of treasury stocks							(4)	
Disposition of treasury stocks							—	
Reversal of land revaluation							62	
Changes in items other than shareholders' equity items in the consolidated fiscal year (net amounts)	(2,752)	(585)	2	(1,678)	(5,014)	473	(4,541)	
Total	(2,752)	(585)	2	(1,678)	(5,014)	473	1,250	
Balance as of March 31, 2016	¥ 24,111	¥ (3,431)	¥ 1,182	¥ (562)	¥ 21,300	¥ 8,066	¥ 155,944	

Consolidated Statements of Cash Flows

For the years ended March 31, 2017 and 2016

	2017 (Millions of yen)	2016 (Millions of yen)	2017 (Thousands of U.S. dollars)(Note 2)
Cash flows from operating activities			
Income before income taxes	¥ 8,034	¥ 10,623	\$ 71,617
Depreciation	970	1,253	8,646
Loss on impairment of fixed assets	—	27	—
Reserve for possible loan losses	604	138	5,392
Reserve for directors' bonus	(2)	3	(22)
Assets for retirement benefits	14	(657)	133
Liabilities for retirement benefits	0	4	0
Reserve for directors' retirement benefits	(273)	(39)	(2,434)
Reserve for stock payments of board incentive plan	24	—	214
Reserve for loss due to returning interests	(9)	(7)	(80)
Reserve for losses on dormant deposits repayments	(8)	(23)	(71)
Reserve for losses on contingencies	5	6	48
Reserve for point service program	35	—	317
Interest income	(25,457)	(26,208)	(226,918)
Interest expense	2,480	2,730	22,111
Loss (gain) on investment securities	(2,572)	(3,621)	(22,931)
Foreign exchange gain, net	176	74	1,569
Loss on disposal of fixed assets	49	96	438
Net decrease (increase) in loans and bills discounted	(89,786)	(114,309)	(800,308)
Net increase (decrease) in deposits	105,106	39,043	936,864
Net increase (decrease) in negotiable certificate of deposits	(4,143)	16,733	(36,937)
Net increase (decrease) in borrowed money (excluding subordinated borrowings)	5,182	1,199	46,191
Net decrease (increase) in due from banks (excluding due from Bank of Japan)	(252)	(306)	(2,255)
Net decrease (increase) in call loans and bills purchased	8,693	21,499	77,492
Net increase (decrease) in call money and bills sold	(3,955)	(24,641)	(35,259)
Net increase (decrease) in payables under securities lending transactions	10,044	10,031	89,527
Net decrease (increase) in trading securities	5	11	49
Net decrease (increase) in foreign exchange-assets	79	(279)	712
Net increase (decrease) in foreign exchange-liabilities	15	(19)	138
Proceeds from fund management	25,658	26,282	228,706
Payments for finance	(2,719)	(2,711)	(24,237)
Other	988	815	8,812
Subtotal	38,989	(42,249)	347,529
Income taxes paid	(3,091)	(3,858)	(27,556)
Income taxes refunded	0	6	4
Net cash provided by (used in) operating activities	35,898	(46,101)	319,977
Cash flows from investing activities			
Purchases of investment securities	(354,502)	(207,039)	(3,159,843)
Proceeds from sales of investment securities	308,247	244,592	2,747,546
Proceeds from redemption of investment securities	63,228	37,526	563,584
Expenditure for acquisition of tangible fixed assets	(1,349)	(1,145)	(12,028)
Income from sale of tangible fixed assets	15	141	135
Expenditure for acquisition of intangible fixed assets	(662)	(914)	(5,906)
Income from sale of intangible fixed assets	14	8	131
Net cash provided by (used in) investing activities	14,990	73,169	133,620
Cash flows from financing activities			
Dividends paid	(1,225)	(980)	(10,925)
Dividends paid to non-controlling interests	(5)	(5)	(45)
Purchases of treasury stock	(194)	(4)	(1,735)
Acquisition of stocks of subsidiaries	(2,819)	—	(25,131)
Net cash provided by (used in) financing activities	(4,245)	(990)	(37,837)
Effect of exchange rate changes on cash and cash equivalents	0	0	2
Net increase (decrease) in cash and cash equivalents	46,644	26,078	415,762
Cash and cash equivalents at beginning of year	¥ 102,776	¥ 76,698	\$ 916,092
Cash and cash equivalents at end of year (No.9)	149,420	102,776	1,331,854

Notes to Consolidated Financial Statements

March 31, 2017

1. Basis of Presentation

The accompanying consolidated financial statements of The Yamagata Bank, Ltd. (the "Bank") have been prepared in accordance with the provisions set forth in the Financial Instruments and Exchange Act of Japan and its related accounting regulations and the Enforcement Regulation for the Banking Law of Japan (the "Banking Law"), and in conformity with accounting principles generally accepted in Japan ("Japanese GAAP"), which are different in certain respects as to application and disclosure requirements of International Financial Reporting Standards.

In preparing the accompanying consolidated financial statements, certain reclassifications have been made in the consolidated financial statements issued for domestic purposes in order to present them in a form which is more familiar to readers outside 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 omitted. 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 112.19=U.S.\$1.00, the rate of exchange in effect on March 31, 2017, has been used in translation. The translation should not be construed as a representation 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 7 subsidiaries, except for 2 subsidiaries which are not consolidated due to its immateriality.

All significant intercompany accounts and transactions have been eliminated in consolidation.

Goodwill represents the difference between the cost of an acquisition and the fair value of the net assets of the acquired subsidiary at the date of acquisition. Immaterial goodwill is charged to income when incurred.

b. Securities

Securities are classified into three categories: trading, held-to-maturity bonds, or other securities (securities available for sale). Trading account securities, which are purchased for trading purpose, are carried at market value and held-to-maturity bonds are carried at amortized cost. Marketable securities classified as securities available for sale are carried at market value with changes in unrealized holding gain or loss, net of the applicable income taxes, included directly in net assets. Available-for-sale securities which do not have readily determinable fair value are carried at cost. Cost of securities sold is determined by the moving average method.

c. Derivative financial instruments

Derivatives are stated at fair market value.

d. Tangible fixed assets

The Bank recognizes depreciation by the straight-line method applicable to each specific category of assets. The useful lives of buildings and equipment are summarized as follows:

Buildings : 2 to 50 years Equipment : 2 to 15 years

Depreciation of tangible fixed assets of the consolidated subsidiaries is mainly computed using the straight-line method over the estimated useful lives of respective assets.

e. Intangible fixed assets

Intangible fixed assets are depreciated by the straight-line method. The Bank's software, which is used in-house, is depreciated based on the estimated period of use (mainly five years) at the Bank and at consolidated subsidiaries.

f. Leased assets

Leased assets on finance lease transactions that do not transfer ownership are depreciated over the useful life of assets, equal to the lease term, by the straight-line method with zero residual value or, where lease agreements stipulate guarantee of residual value, the guaranteed residual value. The Bank leases certain vehicle, computer equipment and other assets.

g. Foreign currency translation

Foreign-currency-denominated assets and liabilities are translated into yen equivalents at the exchange rates prevailing at the balance sheet date.

h. Reserve for possible loan loss

The reserve for possible loan losses of the Bank is provided in accordance with internally established standards for write-offs and reserve provisions. The reserve for possible loan losses on loans to borrowers who are classified as substantially bankrupt or who are legally bankrupt is provided based on the amount remaining after deduction of the amounts expected to be recoverable from the disposal of collateral and amounts recoverable under guarantees. In addition, an allowance is provided for loans to borrowers who, although not legally bankrupt, are experiencing serious difficulties and whose failure is imminent. In such cases, a portion of this allowance is provided based on the amount remaining after deduction of the amounts expected to be recoverable from the disposal of collateral and the amounts recoverable under guarantees, and the balance of the allowance is provided after giving full consideration to the amount which the borrower is deemed capable of repaying. In the case of all other loans, the amount provided as an allowance is based on the Bank's historical percentage of actual defaults over a specific fixed period in the past.

The relevant departments assess the assets for all of the credit, based on self-assessment standards for assets, and an independent asset audit department audits the results of the assessments. We provide a reserve described above based on the assessment results.

The reserve for possible loan losses is calculated based on the quality of the Bank's total loan assets, applying the Bank's internally established rules for the self-assessment of its assets.

i. Reserve for directors' bonus

A reserve for bonuses to directors and corporate auditors is provided in the amount accrued during the year, which is calculated based on the estimated amount of future bonus payment to directors.

j. Employees' retirement benefits

For the calculation of employees' retirement benefit obligation, the estimated amount of employees' retirement benefits is attributed to each period by the straight-line method.

Prior service cost is amortized as incurred, by the straight-line method over a period (5years) which falls within the average remaining years of service of the active participants in the plans.

Actuarial gain and loss are amortized in the year following the year in which the gain or loss is recognized, by the straight-line method over a period (5years) which falls within the average remaining years of service of the active participants in the plans.

Also, certain consolidated subsidiaries calculate the net defined benefit liability and retirement benefit cost using the simplified method which assumes the retirement benefit obligation to be equal to the necessary payments of the voluntary retirement for all employees at the fiscal year-end.

k. Reserve for directors' retirement benefits

A reserve for directors' retirement benefits is provided in the amount accrued during the year, which is calculated based on the estimated amount of future retirement payments to directors.

l. Reserve for stock payments of board incentive plan

A reserve for stock payments of board incentive plan is provided for the expected stock payments due to points assigned to directors based on the stock incentive plan, in order to prepare for the delivery of the Bank's stock through the board incentive BIP trust.

m. Reserve for losses on dormant deposit repayments

A reserve for losses on dormant deposit repayments which are derecognized as liabilities is provided for the possible losses on the future claims of repayments based on the historical repayments experience.

n. Reserve for losses on contingencies

A reserve for losses on contingencies is provided for future estimated payments to the Credit Guarantee Corporations.

o. Reserve for point service program

A reserve for point service program relating to the points awarded by the use of credit cards issued by consolidated subsidiaries is provided in the amount deemed necessary based on the reasonable estimate of expected future use of the points in order to prepare for the costs in the event of future use.

p. Reserve for loss due to returning interests

A reserve for loss due to returning interests is provided for the possible losses on the future claims of returning interests.

q. Leases

As lessor

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

Investments in leased assets for finance lease transactions which do not transfer ownership of the leased property to the lessee and were entered into before April 1, 2008 was stated at the carrying value of the relevant fixed assets at March 31, 2008, pursuant to the paragraph 81 of Implementation Guidance No.16, "Implementation Guidance on Accounting Standard for Lease. If these lease transactions had been retroactively accounted for as ordinary sale transactions pursuant to paragraph 80 of the Guidance, income before income taxes and minority interests would have increased by ¥0 million (\$0 thousand) and ¥3 million for the year ended March 31, 2017 and 2016.

r. Hedge accounting

1. Interest rate risk hedges

The Bank uses deferral hedges described in "Accounting and auditing for the application of financial instrument accounting standards in banking" (Japanese Institute of Certified Public Accountants, Industry Audit Committee Report No. 24 February 13, 2002, referred to as Report No. 24 of the Industry Audit Committee) to hedge interest rate risks generated by the Bank's financial assets and liabilities. The effectiveness of hedges to offset market fluctuations is assessed for each hedged item (for example, deposits and loans) and its hedging instrument (such as interest rate swaps). Concerning hedges to fix the cash flow, the Bank identifies hedged items by grouping them based on interest rate indexes and on interest rate revision periods in accordance with Report No. 24 of the Industry Audit Committee, and specifies interest rate swaps as hedging instruments. The Bank specifies hedges in such a way that the major conditions of hedged items and hedging instruments are almost the same, so we believe that our hedges are highly effective.

The Bank applies the exceptional method for interest rate swaps to certain assets and liabilities.

2. Exchange rate fluctuation risk hedges

The hedge we use against exchange rate fluctuation risks, which are generated by our financial assets and liabilities in foreign currencies, is the deferral hedge described in "Accounting and auditing for

transactions in foreign currencies, etc., in banking" (Japanese Institute of Certified Public Accountants, Industry Audit Committee Report No. 25 July 29, 2002, referred to as Report No. 25 of the Industry Audit Committee). We assess the effectiveness of the hedge by regarding currency swaps and foreign exchange swaps, which are conducted to reduce or eliminate exchange rate fluctuation risks generated by monetary claims and liabilities in foreign currencies, etc., as hedging instruments and by checking whether or not we have appropriate foreign currency positions for the hedging instruments to meet the hedged items (monetary claims and liabilities in foreign currencies, etc.).

s. 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.

t. Consumption tax and regional consumption tax

With respect to the Bank and the domestic consolidated subsidiaries, all amounts in the accompanying consolidated balance sheet are recorded exclusive of consumption tax and regional consumption tax.

u. Additional Information

1. Termination of directors' retirement benefits plan

As of the close of the 204th ordinary shareholders' meeting, (the "shareholders' meeting"), held on June 23, 2016, the Bank passed an abolishment of the directors' retirement benefits plan. Further, a resolution was passed that for a director continuing on as a director after the close of the shareholders meeting, all retirement benefits accrued as of the close of the shareholders meeting shall be truncated and paid out. The timing of the payout of truncated directors' retirement benefit plan benefits shall be when the director leaves the company. Accordingly, as of this consolidated fiscal year, the outstanding balance of the "reserve for directors' retirement benefits plan" was eliminated and the liability for the truncated payout amount was recorded under "Other liabilities."

2. Regarding transactions relating to the stock payment of board incentive plan-type "BIP trust"

The Bank has established a "Board incentive BIP trust" as of this consolidated fiscal year. The Board incentive BIP trust is a board incentive plan based on performance share and restricted stock plans as seen in the United States. It is a form of a stock payment type of board incentive plan delivered and paid out upon their retirement, based on progress made toward performance targets and the director's individual contribution, comprised of the delivery of the Bank's stock and a payout in an amount equal to the cash conversion price of the Bank's stock.

The Bank established a trust to hold treasury stock on behalf of directors, the beneficiaries, who meet certain criteria. The trust makes purchases from the stock market of such number of the Bank's stocks as is expected will be delivered to a director in accordance with the stock incentive plan.

Thereafter, in accordance with the stock incentive plan, points are awarded to each director each fiscal year based upon progress toward performance targets and the director's individual contribution. Upon their retirement, the Bank's stock equivalent to 70% of the cumulative total of points shall be delivered from the trust and as for the remainder of the Bank's stock, the cash amount equal to the cash conversion price of such the Bank's stock when converted into cash by the trust shall be paid out from the trust.

As for the accounting treatment, the Bank has applied the "Practical solution on handling of transactions on delivering the Bank's own stock to employees, etc. through trusts" (PITF No. 30; dated March 26, 2015). The Bank's stock owned by the board incentive BIP trust as of the end of this consolidated fiscal year has been recorded as treasury stock in the net asset category of the consolidated balance sheet marked at the trust's book value (not including incidental costs). The recorded amount is 190 million yen, and the number of stocks is 450,000.

Regarding the estimated costs for this consolidated fiscal year of the above described board incentive plan, it has been applied as a reserve for stock payments of board incentive plan.

3. Application of "Implementation guidance on recoverability of deferred tax assets"

The "Implementation Guidance on Recoverability of Deferred Tax Assets" (ASBJ Guidance No 26, March 28, 2016) is being applied beginning with the current consolidated fiscal year.

4. Reserve for point service program

In the past, costs relating to the use of points granted to credit card holders of consolidated subsidiaries were recognized when actual payouts occurred. However, with the increasing significance of the outstanding balance of point granted, starting from the end of the current consolidated fiscal year, a reserve for point service program relating to the points awarded to the credit card holders is provided in the amount deemed necessary based on the reasonable estimate of expected future use of the points in order to prepare for the costs in the event of future use. As a result, ordinary income and current net income before income taxes decreased by 35 million yen.

4. Loans and Bills Discounted

Loans to borrowers under bankruptcy procedures and delinquent loans totaled ¥582 million (\$5,187 thousand) and ¥14,040 million (\$125,144 thousand), respectively, at March 31, 2017, and ¥1,051 million and ¥14,877 million, respectively, at March 31, 2016. A loan is placed on non-accrual status when substantial doubt as to the collectibility of its principal and interest is judged to exist, if payment is past due for a certain period of time, or for other reasons.

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

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

Loans past due for 3 months or more totaled ¥23 million (\$205 thousand) and ¥28 million at March 31, 2017 and 2016, 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 ¥3,697 million (\$32,953 thousand) and ¥2,857 million at March 31, 2017 and 2016, respectively. Restructured loans are those on which the Bank has granted certain concessions, such as a reduction of the contractual interest rate or principal amount or a deferral of interest/principal payments, in order to assist the restructuring of the borrowers. Excluded from restructured loans are

loans to borrowers under bankruptcy procedures, other non-accrual loans, and loans past due for 3 months or more.

The total of loans to borrowers under bankruptcy procedures, other non-accrual loans, loans past due for 3 months or more and restructured loans amounted to ¥18,343 million (\$163,499 thousand) and ¥18,814 million at March 31, 2017 and 2016, respectively.

Bills discounted are accounted for as financial transactions in accordance with "Treatment of Accounting and Auditing in Applying Accounting Standard for Financial Instruments in the Banking Industry" issued by the JICPA Industry Audit Committee Report No.24 issued on February 13, 2002. The Bank has rights to sell or pledge accepted 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 acquired at discount and foreign exchange bought at a discount was ¥7,432 million (\$66,244 thousand) and ¥8,079 million as of March 31, 2017 and 2016, respectively.

Overdraft protection on current accounts and contracts for loan commitments are agreements under which the Bank and the consolidated subsidiaries are bound to extend loans up to a prearranged amount, at the request of the customer, unless the customer is in breach of contract. The unutilized balance of such contracts amounted to ¥567,645 million (\$5,059,675 thousand) and ¥545,153 million as of March 31, 2017 and 2016, respectively, in which the balance of contracts that have a term of one year or less or are unconditionally cancelable at any time were ¥548,801 million (\$4,891,710 thousand) and ¥532,470 million as of March 31, 2017 and 2016, respectively. Since many of these contracts are scheduled to expire without the rights having been exercised, any unutilized balance in itself does not necessarily affect the future cash flows of the Bank or its consolidated subsidiaries. A provision is included in many of these contracts which entitles the Bank and the consolidated subsidiaries to refuse the execution of such loans, or to reduce the maximum amount loaned under such contracts when there is a change in the borrowers' financial situation, or when there is the necessity to secure a claim, or when other similar factors arise. In addition, the Bank and its consolidated subsidiaries obtain, if needed, real estate or securities as collateral at the time the contracts are entered into and they subsequently monitor the borrowers' financial condition periodically based on, and in accordance with, the procedures established. If deemed necessary, specific measures such as amendments to the contracts are undertaken in order to control the credit risk.

5. Securities

Trading securities, marketable securities classified as held-to-maturity debt securities and other securities at March 31, 2017 and 2016 are summarized as follows:

1. Trading securities (as of March 31, 2017)	Unrealized holding gain charged to current operations		Unrealized holding gain charged to current operations		Trading securities (as of March 31, 2016)		Unrealized holding gain charged to current operations	
	(Millions of yen)		(Thousands of U.S.dollars)		(Millions of yen)		(Thousands of U.S.dollars)	
	¥	0	\$	0	¥	0	\$	0

2. Held-to-maturity bonds (as of March 31, 2017)

	Type	(Millions of yen)			(Thousands of U.S. dollars)		
		Carrying value	Fair value	Difference	Carrying Value	Fair value	Difference
Fair value exceeding carrying value	Japanese government bonds	¥ —	¥ —	¥ —	\$ —	\$ —	\$ —
	Municipal bonds	—	—	—	—	—	—
	Short-term bonds	—	—	—	—	—	—
	Corporate bonds	8,539	8,709	170	76,111	77,627	1,515
	Other	—	—	—	—	—	—
	Subtotal	8,539	8,709	170	76,111	77,627	1,515
Fair value not exceeding carrying value	Japanese government bonds	—	—	—	—	—	—
	Municipal bonds	—	—	—	—	—	—
	Short-term bonds	—	—	—	—	—	—
	Corporate bonds	587	579	(7)	5,232	5,160	(62)
	Other	—	—	—	—	—	—
	Subtotal	587	579	(7)	5,232	5,160	(62)
	Total	¥ 9,127	¥ 9,289	¥ 162	\$ 81,353	\$ 82,797	\$ 1,443

Held-to-maturity bonds (as of March 31, 2016)

(Millions of yen)

	Type	Carrying value	Fair value	Difference
Fair value exceeding carrying value	Japanese government bonds	¥ —	¥ —	¥ —
	Municipal bonds	—	—	—
	Short-term bonds	—	—	—
	Corporate bonds	7,815	8,017	202
	Other	—	—	—
	Subtotal	7,815	8,017	202
Fair value not exceeding carrying value	Japanese government bonds	—	—	—
	Municipal bonds	—	—	—
	Short-term bonds	—	—	—
	Corporate bonds	652	608	(43)
	Other	—	—	—
	Subtotal	652	608	(43)
	Total	¥ 8,467	¥ 8,626	¥ 158

3. Other securities (as of March 31, 2017)

(Millions of yen)

(Thousands of U.S. dollars)

	Type	Carrying value	Cost	Difference	Carrying value	Cost	Difference
Carrying value exceeding cost	Stocks	¥ 33,568	¥ 17,252	¥ 16,316	\$ 299,206	\$ 153,774	\$ 145,431
	Bonds	431,068	420,364	10,704	3,842,303	3,746,893	95,409
	Japanese government bonds	256,302	250,206	6,095	2,284,535	2,230,198	54,327
	Municipal bonds	93,041	89,590	3,450	829,316	798,556	30,751
	Short-term bonds	—	—	—	—	—	—
	Corporate bonds	81,724	80,567	1,157	728,442	718,129	10,312
	Other	76,017	73,478	2,539	677,573	654,942	22,631
	Foreign bonds	44,571	43,604	966	397,281	388,662	8,610
	Other	31,446	29,873	1,573	280,292	266,271	14,020
		Subtotal	540,655	511,095	29,560	4,819,101	4,555,619
Carrying value not exceeding cost	Stocks	2,389	2,557	(167)	21,294	22,791	(1,488)
	Bonds	81,240	82,291	(1,050)	724,128	733,496	(9,359)
	Japanese government bonds	37,048	37,868	(820)	330,225	337,534	(7,309)
	Municipal bonds	5,371	5,409	(37)	47,874	48,212	(329)
	Short-term bonds	—	—	—	—	—	—
	Corporate bonds	38,820	39,012	(192)	346,020	347,731	(1,711)
	Other	76,602	78,013	(1,410)	682,788	695,365	(12,567)
	Foreign bonds	36,418	36,914	(496)	324,610	329,031	(4,421)
	Other	40,184	41,098	(914)	358,178	366,324	(8,146)
		Subtotal	160,233	162,862	(2,628)	1,428,228	1,451,662
	Total	¥ 700,888	¥673,967	¥ 26,931	\$ 6,247,330	\$6,007,371	\$ 240,048

Other securities (as of March 31, 2016)

(Millions of yen)

	Type	Carrying value	Cost	Difference
Carrying value exceeding cost	Stocks	¥ 26,843	¥ 11,773	¥ 15,069
	Bonds	519,991	503,056	16,934
	Japanese government bonds	317,749	307,247	10,502
	Municipal bonds	100,155	95,418	4,737
	Short-term bonds	—	—	—
	Corporate bonds	102,085	100,390	1,695
	Other	109,813	105,363	4,450
	Foreign bonds	79,575	76,964	2,610
	Other	30,238	28,398	1,840
		Subtotal	656,648	620,193
Carrying value not exceeding cost	Stocks	6,185	6,789	(604)
	Bonds	13,331	13,344	(12)
	Japanese government bonds	13,032	13,044	(11)
	Municipal bonds	—	—	—
	Short-term bonds	—	—	—
	Corporate bonds	299	300	(0)
	Other	52,543	53,708	(1,165)
	Foreign bonds	27,205	27,445	(240)
	Other	25,337	26,262	(925)
	Subtotal	72,060	73,842	(1,782)
	Total	¥ 728,709	¥694,036	¥ 34,673

4. Held-to-maturity bonds sold during the year ended March 31, 2017

(Millions of yen)

(Thousands of U.S. dollars)

	Cost	Proceeds from sales	Gain(loss) on sales	Cost	Proceeds from sales	Gain(loss) on sales
Corporate bonds	¥ 332	¥ 335	¥ 3	\$ 2,959	\$ 2,986	\$ 26
Total	¥ 332	¥ 335	¥ 3	\$ 2,959	\$ 2,986	\$ 26

The sales are due to redemption of securities.

Held-to-maturity bonds sold during the year ended March 31, 2016

(Millions of yen)

	Cost	Proceeds from sales	Gain(loss) on sales
Corporate bonds	¥ 199	¥ 200	¥ 1
Total	¥ 199	¥ 200	¥ 1

The sales are due to redemption of securities.

5. Other securities sold during the year ended March 31, 2017

(Millions of yen)

(Thousands of U.S. dollars)

	Proceeds from Sales	Gains on sales	Losses on sales	Proceeds from sales	Gains on sales	Losses on sales
Stocks	¥ 8,729	¥ 2,755	¥ 226	\$ 77,805	\$ 24,556	\$ 2,014
Bonds	232,710	3,474	2,477	2,074,249	30,965	22,078
Japanese government bonds	221,330	3,433	2,476	1,972,813	30,599	22,069
Municipal bonds	10,880	40	—	96,978	356	—
Short-term bonds	—	—	—	—	—	—
Corporate bonds	499	—	0	4,447	—	0
Other	66,317	1,293	1,412	591,113	11,525	12,585
Total	¥ 307,757	¥ 7,523	¥ 4,116	\$ 2,743,176	\$ 67,055	\$ 36,687

Other securities sold during the year ended March 31, 2016

(Millions of yen)

	Proceeds from Sales	Gains on sales	Losses on sales
Stocks	¥ 7,684	¥ 3,205	¥ 349
Bonds	175,353	1,704	732
Japanese government bonds	122,586	1,562	681
Municipal bonds	38,817	135	—
Short-term bonds	—	—	—
Corporate bonds	13,949	6	51
Other	61,374	724	928
Total	¥ 244,412	¥ 5,634	¥ 2,010

6. Securities which have readily determinable fair value are devaluated to fair value, and the difference between cost and fair value is treated as loss for the fiscal year if fair value has significantly deteriorated compared with cost and fair value is unlikely to recover up to the acquisition cost.

The amount of the impairment loss for the year ended March 31, 2016 was zero.

The amount of the impairment loss for the year ended March 31, 2017 was zero.

The criteria for determining whether a security's fair value has "significantly deteriorated" are: where a security whose fair value is 50% or less and where a security whose fair value exceeds 50% but is 70% or less of the acquisition cost, considering the quoted market price transition during a certain period in the past, business performance and other factors.

6. Revaluation of Land

Pursuant to the "Law Concerning the Revaluation of Land" (the "Law"), land used for the Bank's business operations was revalued on March 31, 2002. The excess of the revalued aggregate market value over the total book value (carrying amount) before revaluation was included in net assets at an amount net of the related tax effect at March 31, 2002. The corresponding income taxes were included in liabilities at March 31, 2002 as deferred taxes liability on revalued land.

The revaluation of the land was determined based on two method, 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, and the appraisal by Real estate appraiser.

The difference between the total fair value of land for business operation purposes, which was revalued in accordance with Article 10 of the above-mentioned law, and the total book value of the land after the revaluation was ¥3,860 million (\$34,405 thousand) and ¥3,963 million at March 31, 2017 and 2016.

7. Stocks Issued

The number of stocks issued and changes during the year ended March 31, 2017 and 2016 are summarized as follows:

	Thousands of stocks		Thousands of stocks	
	2017		2016	
	Treasury stock	Common stock issued	Treasury stock	Common stock issued
Beginning of the year	6,563	170,000	6,554	170,000
Increase during the year	458 ^{*1}	—	9 ^{*2}	—
Decrease during the year	—	—	—	—
End of the year	7,022	170,000	6,563	170,000

^{*1} The number of treasury stock as of the end of the consolidated fiscal year includes 450 thousand of the Bank's stock held by the board incentive BIP trust. The number of increase in treasury stock of 458 thousand, which are common stocks, was increased by 450 thousand due to the purchase of own stocks by the board incentive BIP trust and increased by 8 thousand due to the purchase of fractional numbers of less than one unit.

^{*2} The number of treasury stocks, which are common stocks, was increased by 9 thousand of such stocks that were purchased because they were in fractional numbers of less than one unit.

8. Dividends

Dividends for the year ended March 31, 2017 and 2016 are summarized as follows:

	2017	
	November 11, 2016	June 23, 2016
	Resolution by the board of directors	Resolution by the general shareholders' meeting
Total dividends	¥ 572 million	¥ 653 million
Dividend per stock	¥ 3.5	¥ 4.0
Base date	September 30, 2016	March 31, 2016
Effective date	December 9, 2016	June 24, 2016

	2017	
	November 11, 2016	June 23, 2016
	Resolution by the board of directors	Resolution by the general shareholders' meeting
Total dividends	\$ 5,098 thousand	\$ 5,820 thousand
Dividend per stock	\$ 0.03	\$ 0.03
Base date	September 30, 2016	March 31, 2016
Effective date	December 9, 2016	June 24, 2016

	2016	
	November 13, 2015	June 24, 2015
	Resolution by the board of directors	Resolution by the general shareholders' meeting
Total dividends	¥ 490 million	¥ 490 million
Dividend per stock	¥ 3.0	¥ 3.0
Base date	September 30, 2015	March 31, 2015
Effective date	December 10, 2015	June 25, 2015

Dividend of which base date belonged to the year ended March 31, 2017 and 2016 but to be effective in the following year is summarized as follows:

	2017	
	May 12, 2017	
	Resolution by the board of directors	
Total dividends	¥ 571 million	\$ 5,089 thousand
Dividend per stock	¥ 3.5	\$ 0.03
Base date	March 31, 2017	March 31, 2017
Effective date	June 5, 2017	June 5, 2017

Total dividends above mentioned include 1 million yen for the stocks held by the board incentive BIP trust.

	2016	
	June 23, 2016	
	Resolution by the general shareholders' meeting	
Total dividends	¥ 653 million	
Dividend per stock	¥ 4.0	
Base date	March 31, 2016	
Effective date	June 24, 2016	

9. Cash Flows

Cash and cash equivalents stated in the consolidated statement of cash flows consisted of the following:

	2017	2016	2017
	(Millions of yen)	(Millions of yen)	(Thousands of U.S.dollars)
Cash and due from banks	¥ 153,056	¥ 106,159	\$ 1,364,257
Current deposits	(134)	(246)	(1,194)
Ordinary deposits	(393)	(492)	(3,502)
Time deposits	(3,000)	(2,500)	(26,740)
Deposits with Japan Post Bank	(99)	(143)	(882)
Others	(7)	-	(62)
Cash and cash equivalents	¥ 149,420	¥ 102,776	\$ 1,331,847

10. Accumulated Depreciation

Accumulated depreciation totaled ¥25,812 million (\$230,073 thousand) and ¥25,973 million at March 31, 2017 and 2016, respectively.

11. Assets Pledged

Pledged assets and liabilities related to pledged assets as of March 31, 2017 and 2016 were summarized as follows:

	2017	2016	2017
	(Millions of yen)	(Millions of yen)	(Thousands of U.S.dollars)
Pledged assets:			
Securities	¥ 178,096	¥ 180,991	\$ 1,587,449

Liabilities related to the above pledged assets:

Deposits	¥ 14,187	¥ 16,534	\$ 126,455
Payables under securities lending transactions	¥ 45,126	¥ 35,130	\$ 402,228
Borrowed money	¥ 50,116	¥ 45,155	\$ 446,706

In addition, securities totaling ¥31,837 million (\$283,777 thousand) and ¥32,568 million were pledged as collateral for settlement of exchange and futures transactions at March 31, 2017 and 2016, respectively.

Deposits included in other assets as of March 31, 2017 and 2016 were ¥300 million (\$2,798 thousand) and ¥314 million, respectively.

12. Loss on Impairment

The Bank reviewed its long-lived assets by grouping into the units consisting of operating branches, idle assets, jointly used assets including head office, administrative centers, company housing and dormitories and each consolidated subsidiary for impairment and recognized loss on impairment of land in the amount of zero (\$0) and ¥27 million for the year ended March 31, 2017 and 2016, respectively. The recoverable amount used for measurement of loss on impairment was net selling price and computed mainly based on the real estate appraisal value.

13. Other Comprehensive Income

Reclassification adjustments and tax effects allocated to other comprehensive income for the year ended March 31, 2017 and 2016 are summarized as follows:

	2017	2016	2017
	(Millions of yen)	(Millions of yen)	(Thousands of U.S.dollars)
Net unrealized holding gain on securities available for sale:			
Amount arising during the year	¥ (5,061)	¥ (1,042)	\$ (44,790)
Reclassification adjustments	(2,680)	(3,615)	(24,208)
Amount before tax effect	(7,741)	(4,657)	(68,999)
Tax effect	2,443	1,906	21,775
Net unrealized holding gain on securities available for sale:	(5,297)	(2,751)	(47,214)

Deferred gain (loss) on hedging instruments:

Amount arising during the year	187	(1,817)	1,666
Reclassification adjustments	1,038	1,064	9,252
Amount before tax effect	1,226	(752)	10,927
Tax effect	(374)	166	(3,333)
Deferred gain (loss) on hedging instruments	852	(585)	7,594

Revaluation of land:

Amount arising during the year	-	-	-
Reclassification adjustments	-	-	-
Amount before tax effect	-	-	-
Tax effect	-	65	-
Revaluation of land	-	65	-

Retirement benefits liability adjustments:

Amount arising during the year	676	(2,249)	6,025
Reclassification adjustments	167	(201)	1,488
Amount before tax effect	843	(2,450)	7,514
Tax effect	(257)	771	(2,290)
Retirement benefits liability adjustments	586	(1,678)	5,223
Total other comprehensive income	¥ (3,859)	¥ (4,950)	\$ (34,397)

14. Leases

Investments in leased assets at March 31, 2017 and 2016 are summarized as follows:

	2017	2016	2017
	(Millions of yen)	(Millions of yen)	(Thousands of U.S.dollars)
Gross lease receivables	¥ 12,093	¥ 10,951	\$ 107,790
Estimated residual values	735	593	6,551
Unearned interest income	(1,678)	(1,465)	(14,956)
Investments in leased assets	¥ 11,149	¥ 10,080	\$ 99,376

Maturities of lease receivables at March 31, 2017 are as follows:

Years ending March 31	(Millions of yen)	(Thousands of U.S.dollars)
2018	¥ 3,755	\$ 33,470
2019	3,026	26,972
2020	2,345	20,902
2021	1,558	13,887
2022	790	7,041
2023 and thereafter	616	5,490

Maturities of lease receivables at March 31, 2016 are as follows:

Years ending March 31	(Millions of yen)	(Thousands of U.S.dollars)
2017	¥ 3,445	\$ 31,445
2018	2,836	26,972
2019	2,114	19,622
2020	1,451	13,487
2021	707	6,551
2022 and thereafter	396	3,622

16. Fair Value Information on Derivatives

(1) Derivative transactions to which hedge accounting is not applied

Derivative transaction to which hedge accounting was not applied are set force in the table below. These items do not reflect the market risks of the derivative transactions.

Currency-related transactions	(Millions of yen)				(Millions of yen)			
	Contract amounts	Contract beyond 1 year	Fair value	Unrealized gain or (loss)	Contract amounts	Contract beyond 1 year	Fair value	Unrealized gain or (loss)
<March 31, 2017>					<March 31, 2016>			
Over-the-counter transactions:					Over-the-counter transactions:			
Forward exchange contracts					Forward exchange contracts			
Sold	¥ 12,188	¥ -	¥ (31)	¥ (31)	Sold	¥ 18,287	¥ -	¥ 865
Bought	1,039	-	(7)	(7)	Bought	349	-	(4)

<March 31, 2017>

(Thousands of U.S. dollars)			
Over-the-counter transactions:			
Forward exchange contracts			
Sold	\$ 108,637	\$ -	\$ (276)
Bought	9,261	-	(62)

(2) Derivative transactions to which hedge accounting is applied

Derivative transactions to which hedge accounting is applied are set force in the table below. These items below do not represent the market risks of the derivative transactions.

Interest rate-related transactions (as of March 31, 2017)				(Millions of yen)				(Thousands of U.S. dollars)			
Hedge accounting method	Type	Major hedged item	Contract amounts	Contract amounts beyond one year	Fair value	Contract amounts	Contract amounts beyond one year	Fair value	Contract amounts	Contract amounts beyond one year	Fair value
Normal method	Interest rate swaps receive-floating/pay-fixed	Loans, deposits	¥ 67,929	¥ 65,929	¥ (3,708)	\$ 605,481	\$ 587,654	\$ (33,051)			
Exceptional method	Interest rate swaps receive-floating/pay-fixed	Loans	10,000	10,000		89,134	89,134				
Total			-	-	¥ (3,708)	-	-	\$ (33,051)			

15. Income Taxes

The major components of deferred tax assets and liabilities at March 31, 2017 and 2016 are summarized as follows:

	2017	2016	2017
	(Millions of yen)	(Millions of yen)	(Thousands of U.S.dollars)
Deferred tax assets:			
Reserve for possible loan losses	¥ 1,758	¥ 839	\$ 15,669
Devaluation on securities	246	242	2,192
Depreciation	753	781	6,711
Tax loss carryforwards	459	455	4,091
Deferred gain (loss) on hedging instruments	1,131	1,505	10,081
Other	1,174	1,519	10,464
Subtotal: deferred tax assets	5,522	5,345	49,220
Valuation allowance	(1,355)	(1,518)	(12,077)
Total deferred tax assets	4,167	3,826	37,142
Deferred tax liabilities:			
Net unrealized holding gains on securities available for sale	(8,107)	(10,550)	(72,261)
Net defined benefits assets	(271)	(18)	(2,415)
Other	(4)	(5)	(35)
Total deferred tax liabilities	(8,383)	(10,574)	(74,721)
Net deferred tax assets (liabilities)	¥ (4,216)	¥ (6,748)	\$ (37,579)

Note: Net deferred tax assets (liabilities) as of March 31, 2017 and 2016 were included in the following accounts in the consolidated balance sheets.

	2017	2016	2017
	(Millions of yen)	(Millions of yen)	(Thousands of U.S.dollars)
Deferred tax assets	¥ 291	¥ 264	\$ 2,593
Deferred tax liabilities	(4,507)	(7,012)	(40,172)

For the fiscal year ended March 31, 2017 and 2016, the reconciliation of the statutory tax rate of the Bank to the effective income tax rate is not stated as the difference between them is less than 5% of the statutory tax rate.

Interest rate-related transactions (as of March 31, 2016) (Millions of yen)

Hedge accounting method	Type	Major hedged item	Contract amounts	Contract amounts beyond one year	Fair value
Normal method	Interest rate swaps receive-floating/pay-fixed	Loans, deposits	¥ 62,328	¥ 55,128	¥ (4,934)
Exceptional method	Interest rate swaps receive-floating/pay-fixed	Loans	10,000	10,000	
Total		—	—	—	¥ (4,934)

- The above transactions apply deferral hedge accounting stipulated in JICPA Industry Audit Committee Report No. 24 February 2, 2002. "Treatment for Accounting and Auditing of Application of Accounting Standard for Financial Instruments in Banking industry."
- The fair value of over-the-counter transactions is calculated based on the discounted present value and option pricing models.
- Since derivative transactions qualifying for the exceptional method are treated as a unit of loans, those fair values are included in fair values of such loans.

Currency-related transactions (as of March 31, 2017) (Millions of yen) (Thousands of U.S. dollars)

Hedge accounting method	Type	Major hedged item	Contract amounts	Contract amounts beyond one year	Fair value	Contract amounts	Contract amounts beyond one year	Fair value
Normal method	Currency swaps	Call loans in foreign currency/ Call money in foreign currencies	¥ 23,366	¥ 4,936	¥ 169	\$ 208,271	\$ 43,996	\$ 1,506
Total		—	—	—	¥ 169	—	—	\$ 1,506

Currency-related transactions (as of March 31, 2016) (Millions of yen)

Hedge accounting method	Type	Major hedged item	Contract amounts	Contract amounts beyond one year	Fair value
Normal method	Currency swaps	Call loans in foreign currency/ Call money in foreign currencies	¥ 32,602	¥ 3,831	¥ (0)
Total		—	—	—	¥ (0)

- The above transactions apply deferral hedge accounting stipulated in JICPA Industry Audit Committee Report No. 25 July 29, 2002. "Treatment for Accounting and Auditing for Transactions in foreign currencies, in Banking industry."
- The fair value is calculated based on the discounted present value.

17. Retirement Benefit Plans

The Bank and the consolidated subsidiaries have defined-benefit corporation pension funds and lump-sum retirement benefits. Certain consolidated subsidiaries use a simplified method for calculating retirement benefit expenses and liabilities. The following table sets forth the funded and accrued status of the plans and the amounts recognized in the consolidated balance sheet for the Bank's and the consolidated subsidiaries' defined retirement benefit plans:

- The changes on the retirement benefit obligation during the year ended March 31, 2017 and 2016 are as follows:

	2017	2016	2017
	(Millions of yen)	(Millions of yen)	(Thousands of U.S.dollars)
Retirement benefit obligation at the beginning of the year	¥ 17,071	¥ 15,202	\$ 152,161
Service cost	547	453	4,875
Interest cost	68	166	606
Actuarial gain/loss	(546)	1,973	(4,866)
Retirement benefits paid	(766)	(724)	(6,827)
Prior service cost	—	—	—
Other	—	—	—
Retirement benefit obligation at the end of the year	¥ 16,374	¥ 17,071	\$ 145,948

- The changes in plan assets during the year ended March 31, 2017 and 2016 are as follows:

	2017	2016	2017
	(Millions of yen)	(Millions of yen)	(Thousands of U.S.dollars)
Plan assets at the beginning of the year	¥ 17,136	¥ 17,064	\$ 152,740
Expected return on plan assets	394	187	3,511
Actuarial gain/loss	129	(275)	1,149
Contributions by employers	307	825	2,736
Contributions by employees	60	60	534
Retirement benefits paid	(760)	(724)	(6,774)
Other	—	—	—
Plan assets at the end of the year	¥ 17,268	¥ 17,136	\$ 153,917

- The following table sets forth the funded status of the plans and the amounts recognized in the consolidated balance sheet as of March 31, 2017 and 2016 for the bank's and the consolidated subsidiaries' defined benefit plans:

	2017	2016	2017
	(Millions of yen)	(Millions of yen)	(Thousands of U.S.dollars)
Funded retirement benefit obligation	¥ 16,327	¥ 17,024	\$ 145,529
Plan assets at fair value	(17,268)	(17,136)	(153,917)
Unfunded retirement benefit obligation	940	(112)	(8,378)
Net liability for retirement benefits in the consolidated balance sheet	47	47	418
Liability for retirement benefits	(893)	(65)	(7,959)
Net defined benefit-assets	47	47	418
Net liability for retirement benefits in consolidated balance sheet	940	112	8,378
	¥ (893)	¥ (65)	\$ (7,959)

- The components of retirement benefit expense for the year ended March 31, 2017 and 2016 are as follows:

	2017	2016	2017
	(Millions of yen)	(Millions of yen)	(Thousands of U.S.dollars)
Service cost	¥ 486	¥ 393	\$ 4,331
Interest cost	68	166	606
Expected return on plan assets	(394)	(187)	(3,511)
Amortization of actuarial gain/loss cost	167	(201)	1,488
Amortization of prior service cost	—	—	—
Other	—	—	—
Retirement benefit expense	¥ 327	¥ 171	\$ 2,914

Notes

- Concerning the consolidated subsidiaries that use a simplified method, all of the retirement benefit cost is included in the service cost.
- Service cost does not include the amounts contributed by employees with respect to corporate pension fund plans.

- The components of retirement benefits liability adjustments included in other comprehensive income (before tax effect) for the years ended March 31, 2017 and 2016 are as follows:

	2017	2016	2017
	(Millions of yen)	(Millions of yen)	(Thousands of U.S.dollars)
Prior service cost	¥ —	¥ —	\$ —
Actuarial gain and loss	843	(2,450)	7,514
Other	—	—	—
Total	¥ 843	¥ (2,450)	\$ 7,514

- Unrecognized prior service cost and unrecognized actuarial loss included in accumulated other comprehensive income (before tax effect) as of March 31, 2017 and 2016 are as follows:

	2017	2016	2017
	(Millions of yen)	(Millions of yen)	(Thousands of U.S.dollars)
Unrecognized prior service cost	¥ —	¥ —	\$ —
Unrecognized actuarial gain/loss	34	(808)	303
Other	—	—	—
Total	¥ 34	¥ (808)	\$ 303

- The fair value of plan assets, by major category, as a percentage of total plan assets as of March 31, 2017 and 2016 are as follows:

	2017	2016
Bonds	35%	33%
Stocks	32%	33%
General account	28%	28%
Other	5%	6%
Total	100%	100%

Notes

- The expected long-term return on assets has been estimated based on the anticipated allocation to each asset class and the expected long-term return on assets held in each category.

- The assumptions used in accounting for the above plans are as follows:

	2017	2016
1) Discount rate	0.6%	0.4%
2) Expected rate of long-term return on assets	2.3%	1.1%

18. Segment Information

- Outline of reportable segments

Reportable segments are components for which separate financial information is available and that are subject to periodic examination by the board of directors to determine the allocation of management resources and assess performances.

The Bank and its consolidated subsidiaries comprise of the Bank and 7 consolidated subsidiaries that are engaged in the financial services business that includes mainly banking services as well as leasing services.

Therefore, the reportable segments of the Bank and its consolidated subsidiaries comprise 'Banking' and 'Leasing' that are distinguished by the type of the business.

'Banking' includes deposit taking, lending, investment in securities and exchange services.

'Leasing' represents lease business by Yamagin Lease Co., Ltd., one of the consolidated subsidiaries.

- Calculation method of ordinary income, profit or loss, assets, liabilities and other items by reportable segment

The accounting policies in Note 3, "Summary of Significant Accounting Policies", are adopted for the reportable segments.

Reportable segment profit corresponds to ordinary income (net).

Ordinary income arising from intersegment transactions is based on arm's length prices.

- Information of ordinary income, profit or loss, assets, liabilities and other items by reportable segment

Year ended March 31, 2017 (Millions of yen)

	Reportable segment			Other	Total	Adjustments	Consolidated financial statements
	Banking	Leasing	Total				
Ordinary income							
External customers	¥ 39,467	¥ 4,815	¥ 44,282	¥ 1,575	¥ 45,857	¥ 28	¥ 45,886
Intersegment	200	115	316	867	1,183	(1,183)	—
Total	39,667	4,930	44,598	2,442	47,041	(1,155)	45,886
Segment profit	7,254	111	7,365	650	8,016	67	8,083
Segment assets	2,602,273	14,944	2,617,217	12,288	2,629,505	(16,721)	2,612,784
Segment liabilities	2,454,342	11,540	2,465,882	8,372	2,474,255	(14,985)	2,459,270
Other items							
Depreciation	952	13	966	3	970	—	970
Interest income	25,354	3	25,357	194	25,551	(93)	25,457
Interest expense	2,459	62	2,521	47	2,569	(88)	2,480
Increase in tangible fixed assets and intangible fixed assets	1,963	45	2,008	3	2,012	—	2,012

Year ended March 31, 2017

(Thousands of U.S.dollars)

	Reportable segment			Other	Total	Adjustments	Consolidated financial statements
	Banking	Leasing	Total				
Ordinary income							
External customers	\$ 351,787	\$ 42,918	\$ 394,705	\$ 14,038	\$ 408,744	\$ 249	\$ 409,005
Intersegment	1,782	1,025	2,816	7,727	10,544	(10,544)	—
Total	353,569	43,943	397,522	21,766	419,297	(10,295)	409,005
Segment profit	64,658	989	65,647	5,793	71,450	597	72,056
Segment assets	23,195,231	133,202	23,328,433	109,528	23,437,962	(149,041)	23,288,921
Segment liabilities	21,876,655	102,861	21,979,516	74,623	22,054,149	(133,568)	21,920,581
Other items							
Depreciation	8,485	115	8,610	26	8,646	—	8,646
Interest income	225,991	26	226,018	1,729	227,747	(828)	226,918
Interest expense	21,918	552	22,470	418	22,898	(784)	22,111
Increase in tangible fixed assets and intangible fixed assets	17,497	401	17,898	26	17,933	—	17,935

Notes

- Ordinary income is substituted for sales of companies in other industries. "Adjustments" are elimination of intersegment transactions.
- "Other" represents business segments that are not the reportable segments and comprises business support service, credit guarantee service, data processing, credit card business, venture capital business, etc.
- "Adjustments" are as follows:
 - "Ordinary income for External customers" is elimination related to provision of reserve for loan losses.
 - "Adjustments for segment profit" are eliminations of intersegment transactions.
- "Segment profit" corresponds to ordinary income(net) of Consolidated Statements of Income.

Year ended March 31, 2016

(Millions of yen)

	Reportable segment			Other	Total	Adjustments	Consolidated financial statements
	Banking	Leasing	Total				
Ordinary income							
External customers	¥ 38,861	¥ 4,772	¥ 43,633	¥ 1,711	¥ 45,344	¥ (92)	¥ 45,252
Intersegment	236	118	354	704	1,059	(1,059)	—
Total	39,097	4,890	43,987	2,416	46,403	(1,151)	45,252
Segment profit	9,934	190	10,124	633	10,757	(10)	10,747
Segment assets	2,492,740	13,152	2,505,893	16,362	2,522,255	(18,582)	2,503,672
Segment liabilities	2,344,078	9,171	2,353,249	11,261	2,364,510	(16,782)	2,347,728
Other items							
Depreciation	1,235	14	1,249	4	1,253	—	1,253
Interest income	26,237	3	26,240	121	26,362	(153)	26,208
Interest expense	2,708	66	2,775	54	2,829	(98)	2,730
Increase in tangible fixed assets and intangible fixed assets	1,999	59	2,059	0	2,060	—	2,060

4. Related information

Information by service
Year ended March 31, 2017

(Millions of yen)

	Loan	Security investment	Lease	Other	Total
Ordinary income from external customers	¥ 18,318	¥ 14,222	¥ 4,813	¥ 8,532	¥ 45,886

Year ended March 31, 2017

(Thousands of U.S.dollars)

	Loan	Security investment	Lease	Other	Total
Ordinary income from external customers	\$ 163,276	\$ 126,767	\$ 42,900	\$ 76,049	\$ 409,002

Information about geographical areas is omitted because the Bank and its consolidated subsidiaries conduct banking and other related activities in Japan without having foreign subsidiaries or foreign branches.

Information about major customers is not presented because there are no customers having over a 10% share of ordinary income.

Year ended March 31, 2016

(Millions of yen)

	Loan	Security investment	Lease	Other	Total
Ordinary income from external customers	¥ 18,782	¥ 13,269	¥ 4,710	¥ 8,489	¥ 45,252

5. Information concerning the impairment loss of fixed assets by reportable segment

The amount of the impairment loss for the year ended March 31, 2017 was zero.

Year ended March 31, 2016

(Millions of yen)

	Reportable segment			Other	Total
	Banking	Leasing	Total		
Impairment loss	¥ 27	¥ —	¥ 27	¥ —	¥ 27

19. Amounts Per Stock

Amounts per stock of net assets, net income and diluted net income, as presented below, are based on the number of stocks outstanding at each balance sheet date and the weighted average number of stocks of common stock outstanding during each year respectively.

	2017	2016	2017
	(Yen)	(Yen)	(U.S. dollars)
Net assets	¥ 941.02	¥ 904.81	\$ 8.38
Net income	¥ 33.55	¥ 41.08	\$ 0.29
Diluted net income	¥ 29.94	¥ 36.67	\$ 0.26

The basis for the calculation of net income per stock for the year ended March 31, 2017 and 2016 are summarized as follows:

	2017	2016	2017
	(Millions of yen)	(Millions of yen)	(Thousands of U.S. dollars)
Net income attributable to owners to parent	¥ 5,473	¥ 6,714	\$ 48,783
Amount not attributable to common stock:	—	—	—
Net income attributable to owners of parent related to common stock	5,473	6,714	48,783
Weighted average number of stocks of common stock outstanding	163,153 thousand	163,442 thousand	163,153 thousand
Effect of dilutive securities bonds with stock acquisition rights	19,685 thousand	19,646 thousand	19,685 thousand

The number of the Bank's common stocks held by board incentive BIP trust is included in the treasury stocks which was deducted from the number of common stocks outstanding at each balance sheet date, respectively.

The weighted average number of the Bank's common stocks held by board incentive BIP trust is included in the treasury stocks which was deducted from the weighted average number of stocks of common stock outstanding, respectively.

20. Financial Instruments

1. Matters relating to the state of financial instruments

(1) Policy for financial instruments

The Yamagata Bank group (referred to as the "Bank" below) provides financial services mainly connected with the banking business including deposits, loans, buying and selling trading securities and security investments. In the banking business, which is the main business of the Bank, funds are raised by means such as accepting deposits and borrowing money from the call money market, and are invested by providing loans and buying securities. Financial assets and liabilities are susceptible to interest rate fluctuations, so the Bank bears market risk, which is the risk of loss caused by changes in financial market conditions (for example, interest rate risk and price fluctuation risk), and the risk of failing to raise sufficient funds.

The Bank performs comprehensive asset and liability management (ALM) to appropriately control the balance of profit and risk in a way that suits fund raising and investment policy as well as taking into consideration the state of assets and liabilities and the trends of the financial and capital markets. The Bank uses derivatives as part of such management.

(2) Nature and risk of financial instruments

The Bank's financial assets consist mainly of loans to domestic companies and individuals, and the Bank is exposed to the credit risks arising from customers' default on their loans. Securities mainly consist of stocks, bonds and investment trusts, some of which are held until the maturity date, others are held for purposes such as investment and business promotion. Those securities are exposed to credit risk of the relevant issuer, the risks of fluctuations in interest rates and market prices.

Deposits, call money, etc., that are financial liabilities have interest rate fluctuation risks caused by differences in interest rates and the periods between financial liabilities and financial assets. Financial liabilities also have the funding risk of loss due to inability to raise funds, because of reasons such as unexpected outflow of funds, and by raising funds at interest rates much higher than the normal rate because of unavoidable reasons; and the market liquidity risk of loss caused by the inability to raise the required funds because of disruption such as a credit crunch in the entire market and by trading at prices greatly disadvantageous compared with the normal price.

(3) Risk management for financial instruments

i. Credit risk management

The Bank measures the risk amount through credit judgments, credit ratings and self-assessments, attaching importance to the public good, safety, growth potential and profitability, and controls the risk on the principle of elimination of concentration with specific customers, in accordance with credit policy (lending standards), which states the basic ideas about lending, the code of conduct and other matters, and with the credit risk management rules, which specify credit risk management methods.

The Bank's credit review division and sales promotion division are separated to ensure independence of each other and stringent credit risk management.

The Bank conducts rigorous self-assessment, which includes audits by the audit division, from the aspect of securing the soundness of the assets. Based on the results, the Bank appropriately writes off bad debts and sets aside reserves.

The Bank has a credit rating system for business loans to understand the true state of companies from both quantitative and qualitative aspects.

To reduce and offset credit risk, the Bank receives collateral and guarantees for lending transactions and offsets loans against deposits. The basic ideas about security are stated in the credit policy, and security assessments, management policies and procedures are set out in the operation manual.

Measurement method and procedures for credit risk amount are stipulated in the operation manual and the risk is measured monthly based on the borrowers' credit rating and other factors. The results are reported to the ALM Council (the board of managing directors).

ii. Market risk management

a. Interest rate risk management

The Bank's interest rate fluctuation risk is managed by ALM. Risk management methodology and procedures are stated in detail in the rules and manuals related to ALM. Present conditions are checked, state of execution is checked and future actions are discussed by the ALM Council, based on the outcome of the deliberations of the ALM Committee.

Risks are monitored using methodology such as basis point value (BPV) and value at risk (VaR), and mainly with gap analyses and interest rate sensitivity analyses, and the results are reported monthly to the ALM Council. As part of ALM, derivatives such as interest rate swap transactions are conducted to hedge interest rate risks.

b. Price fluctuation risk management

Trading and management of investment instruments such as securities are performed in accordance with the investment policy and risk management policy as determined by the board of directors half-yearly. The middle section of the Financial Market Division and the Risk Control Section of the General Planning & Coordinations Division measure market risk for securities investments quantitatively and comprehensively using VaR, etc. The results are reported to the relevant directors, the ALM Council, etc., with the frequency set for each financial instrument to check the state of compliance with the rule.

c. Quantitative information concerning market risk

The principal financial instruments that are subject to interest rate risk and price fluctuation risk, which are the main risk variables affecting the Bank, are loans and bills discounted, securities, deposits and derivatives transactions.

The variance-covariance method (holding period: 90 days*, confidence interval: 99%, observation period: 250 business days) was used for the calculation of VaR, the market risk volume. The volume of overall market risk (estimated loss) as of March 31, 2017 (consolidated accounts settlement date) and 2016 were ¥26,173 million (\$233,291 thousand) and ¥31,581 million.

The Bank believes that the measurement model estimates market risk with sufficient accuracy because the Bank examines the model by means such as performing backtesting to compare the VaR calculated using the model with the actual profit and loss.

However, VaR measures market risk volume with a certain probability that is calculated statistically based on historical market movements, and therefore VaR may fail to represent risk in the case of exceptionally drastic change in market conditions.

* Holding period for shares purchased for the business relationship, which are included in the securities: 125 days.

iii. Liquidity risk management

Sections managing liquidity risks at the Bank are clearly stated in the liquidity risk management rule that stipulate the liquidity risk management procedures, system and so on. The Bank has a management system to secure sufficient liquidity in case of unexpected events by setting liquidity standards for various cases including times of normality, times of concern, and times of emergency.

(4) Supplementary explanation of fair values, of financial instruments

Fair value of financial instruments includes market price as well as reasonably determined value where market price is unavailable. The reasonably determined value could differ depending on different conditions and assumptions because calculation of such value is conducted based on certain conditions and assumptions.

2. Fair value of financial instruments

Carrying amount and fair value, as of March 31, 2017 and 2016, and the difference between the values are shown in the table below. Unlisted stocks and others whose fair value is deemed to be extremely difficult to determine are not listed in the table (see Note 2). Accounts considered to be immaterial are omitted.

<March 31, 2017> (Millions of yen)

	Carrying amount	Fair Value	Difference
(1) Cash and due from banks	¥ 153,056	¥153,056	¥ -
(2) Securities			
Held-to-maturity bonds	9,127	9,289	162
Other securities	699,830	699,830	-
(3) Loans and bills discounted	1,674,250		
Reserve for possible loan losses (*1)	(6,563)		
	1,667,687	1,689,417	21,730
Total assets	2,529,701	2,551,594	21,892
(1) Deposits	2,180,460	2,180,615	154
(2) Negotiable certificates of deposit	115,701	115,701	0
(3) Payables under securities leading transactions	45,126	45,126	-
(4) Borrowed money	53,245	53,211	(34)
(5) Bonds with stock acquisition rights	11,219	11,417	198
Total liabilities	2,405,754	2,406,073	318
Derivatives transactions (*2)			
To which hedge accounting is not applied	(38)	(38)	-
To which hedge accounting is applied	(3,538)	(3,538)	-
Total derivatives	¥ (3,577)	¥ (3,577)	¥ -

<March 31, 2017> (Thousands of U.S. dollars)

	Carrying amount	Fair Value	Difference
(1) Cash and due from banks	\$ 1,364,257	\$1,364,257	\$ -
(2) Securities			
Held-to-maturity bonds	81,353	82,797	1,443
Other securities	6,237,899	6,237,899	-
(3) Loans and bills discounted	14,923,344		
Reserve for possible loan losses (*1)	(58,498)		
	14,864,845	15,058,534	193,689
Total assets	22,548,364	22,743,506	195,133
(1) Deposits	19,435,422	19,436,803	1,372
(2) Negotiable certificates of deposit	1,031,295	1,031,295	0
(3) Payables under securities leading transactions	402,228	402,228	-
(4) Borrowed money	474,596	474,293	(303)
(5) Bonds with stock acquisition rights	100,000	101,764	1,764
Total liabilities	21,443,568	21,446,412	2,834
Derivatives transactions (*2)			
To which hedge accounting is not applied	(338)	(338)	-
To which hedge accounting is applied	(31,535)	(31,535)	-
Total derivatives	\$ (31,883)	\$ (31,883)	\$ -

(*1) General reserve and specific reserve for possible loan losses corresponding to loans and bills discounted are deducted.

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

<March 31, 2016> (Millions of yen)

	Carrying amount	Fair Value	Difference
(1) Cash and due from banks	¥ 106,159	¥106,159	¥ -
(2) Securities			
Held-to-maturity bonds	8,467	8,626	158
Other securities	726,749	726,749	-
(3) Loans and bills discounted	1,584,509		
Reserve for possible loan losses (*1)	(5,993)		
	1,578,516	1,609,083	30,567
Total assets	2,419,892	2,450,619	30,726
(1) Deposits	2,075,390	2,075,885	494
(2) Negotiable certificates of deposit	119,845	119,849	3
(3) Payables under securities leading transactions	35,130	35,130	-
(4) Borrowed money	48,088	48,306	217
(5) Bonds with stock acquisition rights	11,268	10,776	(491)
Total liabilities	2,289,723	2,289,949	225
Derivatives transactions (*2)			
To which hedge accounting is not applied	860	860	-
To which hedge accounting is applied	(4,935)	(4,935)	-
Total derivatives	¥ (4,074)	¥ (4,074)	¥ -

Note 1 Method to calculate fair values of financial instruments

Assets

(1) Cash and due from banks

Concerning due from banks without maturity, the carrying amount is reported as fair value because the fair value is approximately the same as the carrying amount. Concerning due from banks with maturity, the carrying amount is reported as fair value because the remaining periods are as short as less than one year, and the fair value is approximately the same as the carrying amount.

(2) Securities

Fair value of stocks is determined based on the exchange price, and that of bonds based on the exchange price or price quoted by the counter party financial institutions. Fair value of investment trusts is determined based on the price publicly available. Fair value of privately placed guaranteed bonds is calculated by discounting the total amount of principal and interest at an interest rate deemed to be applicable to similar bonds by categories based on internal ratings and terms of the bonds.

(3) Loans and bills discounted

Fair value of loans and bills discounted is calculated by categorizing the loans based on the type, internal rating, term (the remaining period or the period between interest rate renewals), and then discounting the total of the principals and interest with a rate expected of a new similar loan. For loans with short remaining periods (less than one year), the carrying amount is reported as the fair value because the fair value is approximately the same as the carrying amount.

For receivables from "legally bankrupt", "virtually bankrupt" and "possibly bankrupt" borrowers, possible loan losses are estimated based on factors such as present value of expected future cash flow and expected amounts to be collected from collateral and guarantees. Since the fair value of these items approximates the carrying amount net of the currently expected loan losses at the end of the year, such carrying amount is presented as fair value.

Concerning loans whose maturity dates were not set because they were limited to within the values of the collateral offered as security, the carrying amount is reported as fair value because the fair value is expected to be approximately the same as the carrying amount considering expected periods of repayments and the terms of interest rate.

Liabilities

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

Concerning demand deposits, the amounts to be paid if such deposits were withdrawn on the end of the year (book values) are regarded as fair value. Time deposits are separated by period, and the present value is calculated by discounting the future cash flow. The discount rate is the rate used for new deposit-taking. For those with short remaining periods (less than one year), their carrying amount is reported as the fair value because the fair value is approximately the same as the carrying amount.

(3) Payables under securities lending transactions.

Call loans and bills purchased the carrying amount is reported as fair value for call money and bills sold, and payables under securities lending transactions because they have short maturity (less than one year), and the fair value is approximately the same as the carrying amount.

(4) Borrowed money

Fair value of borrowed money is calculated by discounting the total amount of the principal and interest of such borrowed money classified by the type, internal rating and the remaining period at the interest rates considered to be applicable to new similar borrowed money. The fair value of short-term borrowed money with remaining period as of the end of the fiscal year not exceeding one year is based on the carrying amount because the fair value is approximately the same as the carrying amount.

(5) Bonds with stock acquisition rights

Call loans and bills purchased the carrying amount is reported as fair value for bonds with stock acquisition rights because they have short maturity (less than one year), and the fair value is approximately the same as the carrying amount.

Derivative transactions

Matters related to derivatives transactions are as stated in the Note 16 "Fair Value Information on Derivatives".

Note 2 Financial instruments whose fair value is deemed to be extremely difficult to determine were as follows. These were not included in the Asset, "(2) Securities" in "Fair value of financial instruments".

<March 31, 2017>

Category	Carrying amount	
	Millions of yen	Thousands of U.S. dollars
Unlisted stocks (*1)(*2)	¥ 1,590	\$ 14,172
Investment in partnerships (*3) and others	7,004	62,429
Total	¥ 8,595	\$ 76,611

<March 31, 2016>

Category	Carrying amount	
	Millions of yen	
Unlisted stocks (*1) (*2)	¥ 1,608	
Investment in partnerships (*3) and others	4,339	
Total	¥ 5,948	

(*1) Unlisted stocks are not subject to fair value disclosure because of the extreme difficulty in determining their fair values as they are not sold in the market.

(*2) Impairment accounting was applied to unlisted stocks of ¥2 million in the previous consolidated fiscal year. Impairment accounting was applied to unlisted stocks of ¥14 million (\$124 thousand) in this consolidated fiscal year.

(*3) In the case that partnership assets consist of unlisted stocks whose fair value is deemed to be extremely difficult to determine, investment in partnerships is not subject to fair value disclosure.

Note 3 Scheduled redemption amounts of financial assets and securities with maturities
<March 31, 2017>

(Millions of yen)

	Due in 1 year or less	Due after 1 year through 3 years	Due after 3 years through 5 years	Due after 5 years through 7 years	Due after 7 years through 10 years	Due after 10 years
Due from banks	¥ 153,056	¥ --	¥ --	¥ --	¥ --	¥ --
Securities	72,915	239,009	95,789	89,180	87,986	66,035
Held-to-maturity bonds	1,786	3,562	2,838	939	--	--
Corporate bonds	1,786	3,562	2,838	939	--	--
Other securities with a maturity date	71,128	235,446	92,951	88,240	87,986	66,035
Japanese government bonds	34,244	110,091	43,364	50,301	23,234	32,114
Municipal bonds	6,811	47,381	7,931	4,415	10,157	21,715
Corporate bonds	18,473	44,163	28,478	14,675	14,753	--
Other	11,598	33,810	13,176	18,847	39,841	12,206
Loans and bills discounted (*)	391,552	326,267	255,110	156,391	162,614	365,378
Total	¥ 617,525	¥ 565,277	¥ 350,899	¥ 245,571	¥ 250,601	¥ 431,414

* Of loans and bills discounted, the portion whose timing of collection is unforeseeable, such as loan to "Legally bankrupt" borrowers, loan to "Virtually bankrupt" borrowers, loan to "Possibly bankrupt" borrowers, amounting to ¥16,934 million (\$150,940 thousand) is not included in the above table.

<March 31, 2017 >

(Thousands of U.S.dollars)

	Due in 1 year or less	Due after 1 year through 3 years	Due after 3 years through 5 years	Due after 5 years through 7 years	Due after 7 years through 10 years	Due after 10 years
Due from banks	\$ 1,364,257	\$ --	\$ --	\$ --	\$ --	\$ --
Securities	649,924	2,130,394	853,810	794,901	784,258	588,599
Held-to-maturity bonds	15,919	31,749	25,296	8,369	--	--
Corporate bonds	15,919	31,749	25,296	8,369	--	--
Other securities with a maturity date	633,995	2,098,636	828,514	786,522	784,258	588,599
Japanese government bonds	305,232	981,290	386,522	448,355	207,095	286,246
Municipal bonds	--	--	--	--	--	--
Corporate bonds	164,658	393,644	253,837	130,804	131,500	--
Other	103,378	301,363	117,443	167,991	355,120	108,797
Loans and bills discounted	3,490,079	2,908,164	2,273,910	1,393,983	1,449,451	3,256,778
Total	\$ 5,504,278	\$ 5,038,568	\$ 3,127,720	\$ 2,188,884	\$ 2,233,719	\$ --

<March 31, 2016>

(Millions of yen)

	Due in 1 year or less	Due after 1 year through 3 years	Due after 3 years through 5 years	Due after 5 years through 7 years	Due after 7 years through 10 years	Due after 10 years
Due from banks	¥ 106,159	¥ --	¥ --	¥ --	¥ --	¥ --
Securities	100,520	176,184	169,429	73,598	106,063	57,823
Held-to-maturity bonds	1,895	3,039	2,898	634	--	--
Corporate bonds	1,895	3,039	2,898	634	--	--
Other securities with a maturity date	98,625	173,144	166,531	72,964	106,063	57,823
Japanese government bonds	45,160	66,281	93,413	43,253	46,711	35,960
Municipal bonds	12,767	43,058	11,025	4,355	7,986	20,962
Corporate bonds	19,599	35,799	27,423	9,255	10,306	--
Other	21,097	28,005	34,667	16,099	41,058	900
Loans and bills discounted (*)	390,363	301,529	244,335	149,646	166,337	314,003
Total	¥ 597,043	¥ 477,713	¥ 413,765	¥ 223,244	¥ 272,400	¥ 371,827

* Of loans and bills discounted, the portion whose timing of collection is unforeseeable, such as loan to "Legally bankrupt" borrowers, loan to "Virtually bankrupt" borrowers, loan to "Possibly bankrupt" borrowers, amounting to ¥18,294 million is not included in the above table.

Note 4 Scheduled repayment amounts of bonds, borrowed money and other interest bearing liabilities

<March 31, 2017>

(Millions of yen)

	Due in 1 year or less	Due after 1 year through 3 years	Due after 3 years through 5 years	Due after 5 years through 7 years	Due after 7 years through 10 years	Due after 10 years
Deposits (*)	¥ 2,031,664	¥ 139,783	¥ 9,013	¥ --	¥ --	¥ --
Negotiable certificates of deposit	115,671	30	--	--	--	--
Payable under securities lending transactions	45,126	--	--	--	--	--
Borrowed money	51,241	1,467	521	15	--	--
Bonds with stock acquisition right	--	11,219	--	--	--	--
Total	¥ 2,243,704	¥ 152,499	¥ 9,535	¥ 15	¥ --	¥ --

*Demand deposits are included in "Due in 1 year or less".

<March 31, 2017>

(Thousands of U.S.dollars)

	Due in 1 year or less	Due after 1 year through 3 years	Due after 3 years through 5 years	Due after 5 years through 7 years	Due after 7 years through 10 years	Due after 10 years
Deposits	\$ 18,109,136	\$ 1,245,948	\$ 80,336	\$ --	\$ --	\$ --
Negotiable certificates of deposit	1,031,027	267	--	--	--	--
Payable under securities lending transactions	402,228	--	--	--	--	--
Borrowed money	456,734	13,076	4,643	133	--	--
Bonds with stock acquisition right	--	100,000	--	--	--	--
Total	\$ 19,999,144	\$ 1,359,292	\$ 84,989	\$ 133	\$ --	\$ --

<March 31, 2016>

(Millions of yen)

	Due in 1 year or less	Due after 1 year through 3 years	Due after 3 years through 5 years	Due after 5 years through 7 years	Due after 7 years through 10 years	Due after 10 years
Deposits (*)	¥ 1,875,892	¥ 188,562	¥ 10,936	¥ --	¥ --	¥ --
Negotiable certificates of deposit	118,889	956	--	--	--	--
Payable under securities lending transactions	35,130	--	--	--	--	--
Borrowed money	46,248	1,406	432	--	--	--
Bonds with stock acquisition right	--	--	11,268	--	--	--
Total	¥ 2,076,161	¥ 190,925	¥ 22,637	¥ --	¥ --	¥ --

*Demand deposits are included in "Due in 1 year or less".

21.Business Combinations, etc.

Transaction under common control

Additional acquisitions of stock of subsidiaries

1.Summary of transactions

(1) Name of combined business and the nature of its business

Name of combined business	Nature of business
Yamagin Guarantee Service Co., Ltd.	Credit guarantee business
Yamagin Lease Co., Ltd.	Financial leasing business
Yamagin Card Service Co., Ltd.	Credit, Loans, Credit guarantee
Yamagin System Service Co., Ltd.	Information service business

(2) Combination date

December 9, 2016

(3) Legal form of business combination

Stock purchased from non-controlling shareholders

(4) Name of companies after business combination

No change

(5) Other matters regarding summary of transaction

In order to increase the corporate value by strengthening group wide management, a portion of the common stock of the above consolidated subsidiaries was purchased from non-controlling shareholders.

2.Summary of accounting procedures implemented

Pursuant to "Accounting standard for business combinations" (ASBJ Statement No. 21, September 13, 2013) and "Guidance on accounting standards for business combinations and business divestitures accounting standards" (ASBJ Guidance No. 10, September 13, 2013), as for transactions under common control, they were processed as transactions with non-controlling shareholders.

3.Matters concerning additional purchases of subsidiaries

Purchase cost of acquired company and breakdown of types of consideration.
Types of consideration Cash and due from Banks 2.819 Million Yen
25,127 Thousands of U.S. dollars

Purchase cost

25,127 Thousands of U.S. dollars

4.Matters concerning change in stock ownership of the Bank relating to transactions with non-controlling shareholders

(1) Main reasons for change in capital surplus

Purchase of additional stock of subsidiary shareholders

(2) Amount of increase of capital surplus due to transactions with non-controlling shareholders

5.281 Million Yen

22.Significant Subsequent Events

At the May 12, 2017 board of directors' meeting, the Bank resolved to present the agenda of consolidation of stock to the 205th annual general meeting of shareholders held on June 23, 2017, and the agenda resolved at the shareholders' meeting. The content of the consolidation of stock is as follows:

1.Purpose

In order to improve investor convenience, in accordance with the "Action plan for consolidating trading units," all stock exchanges in Japan aim to consolidate the number of stock constituting one unit of stock, which is the trading unit of common stock of domestically listed companies, to 100 by October 1, 2018.

In light of the foregoing, the Bank is changing the number of its stock constituting one unit of stock from 1,000 to 100 and is implementing a consolidation of stock (consolidation of stock from five to one) for the purpose of making the investment unit of the Bank's stock to one that is considered preferable by all stock exchanges in Japan (50,000 yen or more and less than 500,000 yen).

2.Consolidation of stock ratio and timing

Effective October 1, 2017, the consolidated stock will be consolidated at a 5 to 1 ratio based on the number of stock owned by shareholders as specified or recorded in the final shareholders registry as of September 30, 2017.

3.Number of stock to be reduced by the consolidation

Total number of issued and outstanding stock before the consolidation of stock (as of March 31, 2017):	170,000,000 shares
Number of stock reduced by the consolidation of stock	136,000,000 shares
Total number of issued and outstanding stock after the consolidation of stock	34,000,000 shares

Note:"Number of stock reduced by the consolidation stock" and "Total number of issued and outstanding stock after the consolidation of stock" are theoretical values obtained by multiplying the total number of issued stock before the consolidation to stock by the consolidation ratio.

4.Impact on information per stock

The per stock information, assuming that the consolidation of stock had taken effect at the beginning of the preceding consolidated fiscal year, is as follows:

	Preceding consolidated fiscal year (April 1, 2015-March 31, 2016)	Current consolidated fiscal year (April 1, 2016-March 31, 2017)
Net assets per stock	¥ 4,524.05 \$ 40.32	¥ 4,705.09 \$ 41.93
Net income per stock	¥ 205.39 \$ 1.83	¥ 167.74 \$ 1.49
Diluted net income per stock	¥ 183.35 \$ 1.63	¥ 149.68 \$ 1.33

Non-Consolidated Balance Sheet

As of March 31, 2017 and 2016

	2017 (Millions of yen)	2016 (Millions of yen)	2017 (Thousands of U.S.dollars)
Assets			
Cash and due from banks	¥ 153,050	¥ 106,153	\$ 1,364,204
Call loans	8,377	15,149	74,672
Monetary claims bought	5,648	5,093	50,345
Trading securities	22	28	204
Securities	718,370	741,114	6,403,158
Loans and bills discounted	1,682,480	1,593,372	14,996,707
Foreign exchange	979	1,236	8,726
Other assets	4,504	5,051	40,147
Tangible fixed assets	14,313	13,645	127,583
Buildings	3,608	3,563	32,167
Land	9,175	8,789	81,782
Leased assets	52	54	464
Construction in process	30	111	271
Other tangible fixed assets	1,446	1,126	12,896
Intangible fixed assets	1,898	1,603	16,921
Software	1,690	1,389	15,072
Other intangible fixed assets	207	213	1,849
Prepaid pension cost	906	921	8,078
Customers' liabilities for acceptances and guarantees	17,129	14,157	152,685
Reserve for possible loan and losses	¥ (6,124)	¥ (5,503)	\$ (54,590)
Total assets	<u>2,601,556</u>	<u>2,492,023</u>	<u>23,188,846</u>
Liabilities and Net Assets			
Liabilities			
Deposits	¥ 2,183,249	¥ 2,076,500	\$ 19,460,282
Negotiable certificate of deposits	119,131	125,885	1,061,874
Call money	11,219	15,211	100,000
Payables under securities lending transactions	45,126	35,130	402,235
Borrowed money	50,155	45,171	447,062
Foreign exchange	53	38	479
Bonds with stock acquisition rights	11,219	11,268	100,000
Other liabilities	11,205	11,820	99,883
Reserve for bonuses to directors	22	25	200
Reserve for stock payments of board incentive plan	24	264	214
Reserve for losses on dormant deposits repayments	47	55	418
Reserve for losses on contingencies	226	220	2,017
Deferred tax liabilities	4,206	7,002	37,498
Deferred tax liabilities arising from revaluation of land.....	1,324	1,325	11,808
Acceptance and guarantees	¥ 17,129	¥ 14,157	\$ 152,685
Total liabilities	<u>2,454,342</u>	<u>2,344,078</u>	<u>21,876,661</u>
Net Assets			
Common stock	¥ 12,008	¥ 12,008	\$ 107,037
Capital surplus	4,932	4,932	43,965
Retained earnings	116,024	112,119	1,034,178
Treasury stock	(3,171)	(2,976)	(28,266)
Total shareholder's equity	<u>129,794</u>	<u>126,084</u>	<u>1,156,915</u>
Net unrealized holding gain on securities available for sale	18,810	24,110	167,662
Deferred gain (loss) on hedging instruments	(2,578)	(3,431)	(22,987)
Revaluation of land	1,188	1,182	10,594
Total	<u>17,419</u>	<u>21,861</u>	<u>155,269</u>
Total net assets	<u>147,214</u>	<u>147,945</u>	<u>1,312,184</u>
Total liabilities and net assets	<u>¥ 2,601,556</u>	<u>¥ 2,492,023</u>	<u>\$ 23,188,846</u>

Non-Consolidated Statements of Income

For the years ended March 31, 2017 and 2016

	2017 (Millions of yen)	2016 (Millions of yen)	2017 (Thousands of U.S.dollars)
Ordinary Income	¥ 39,667	¥ 39,097	\$ 353,575
Interest Income	25,354	26,237	225,994
Interest on loans and discounts	17,947	18,409	159,971
Interest and dividends on securities	7,184	7,666	64,039
Interest on call loans	130	51	1,160
Interest on deposits with banks	9	11	87
Other interest	82	98	735
Fees and commissions	6,687	6,449	59,610
Fees and commissions on domestic and foreign exchange	1,558	1,580	13,894
Other fees and commissions	5,128	4,868	45,716
Other operating income	4,590	2,138	40,919
Gains on sales of trading securities	0	4	6
Gains on sales of bonds	4,172	2,133	37,193
Income from derivatives other than for trading or hedging	417	—	3,719
Other	—	0	—
Other Income	3,034	4,271	27,050
Recoveries of written off claims	3	4	29
Gains on sales of stocks and other securities	2,662	3,500	23,735
Other	368	766	3,285
Ordinary Expenses	<u>32,413</u>	<u>29,163</u>	<u>288,912</u>
Interest Expense	2,459	2,708	21,923
Interest on deposits	1,081	1,297	9,638
Interest on negotiable certificate of deposits	101	153	902
Interest on call money	17	25	154
Interest on payables under securities lending transaction	139	76	1,245
Interest on borrowings and rediscounts	62	58	554
Interest on interest swaps	965	1,034	8,601
Other interest	92	62	826
Fees and commissions payments	2,828	2,469	25,212
Fees and commissions on domestic and foreign exchange	350	350	3,120
Other fees and commissions	2,478	2,118	22,092
Other operating expense	3,851	1,728	34,328
Loss on foreign exchange transactions	176	74	1,569
Loss on sales of bonds	3,675	1,582	32,758
Expenses on derivatives other than for trading or hedging	—	72	—
General and administrative expenses	20,963	20,906	186,859
Other expenses	2,309	1,349	20,588
Provision of reserve for possible loan losses	1,677	722	14,953
Losses on sales of stocks and other securities	436	428	3,889
Losses on devaluation of stocks and other securities	0	2	0
Other	195	195	1,744
Ordinary Income(Net)	<u>7,254</u>	<u>9,934</u>	<u>64,662</u>
Extraordinary losses	49	124	438
Loss on disposal of non-current assets	49	96	438
Impairment loss	—	27	—
Income before income taxes	<u>7,205</u>	<u>9,809</u>	<u>64,223</u>
Income taxes -current	2,794	3,308	24,907
Income taxes -deferred	(725)	(184)	(6,470)
Total income taxes	<u>2,068</u>	<u>3,123</u>	<u>18,437</u>
Net income	<u>¥ 5,136</u>	<u>¥ 6,685</u>	<u>\$ 45,786</u>
Amounts per share:			
Net income	<u>31.48</u>	<u>40.91</u>	<u>0.28</u>
Net assets	<u>903.28</u>	<u>905.22</u>	<u>8.05</u>

Corporate Data

Management

(As of June 23, 2017)

President

Kichishige Hasegawa

Senior Managing Directors

Shinichiro Miura

Yoshihiro Ishikawa

Managing Directors

Satoshi Nagai

Kiyohiro Naganuma

Shinya Katsuki

Directors

Yoshihiro Domon

Hiroshi Koya

Yoshitaka Misawa

Eiji Sato

Yumiko Inoue

Haruhiko Tanno (Audit & Supervisory Committee Member)

Masaki Kakizaki (Audit & Supervisory Committee Member)

Shinichi Nakayama (Audit & Supervisory Committee Member)

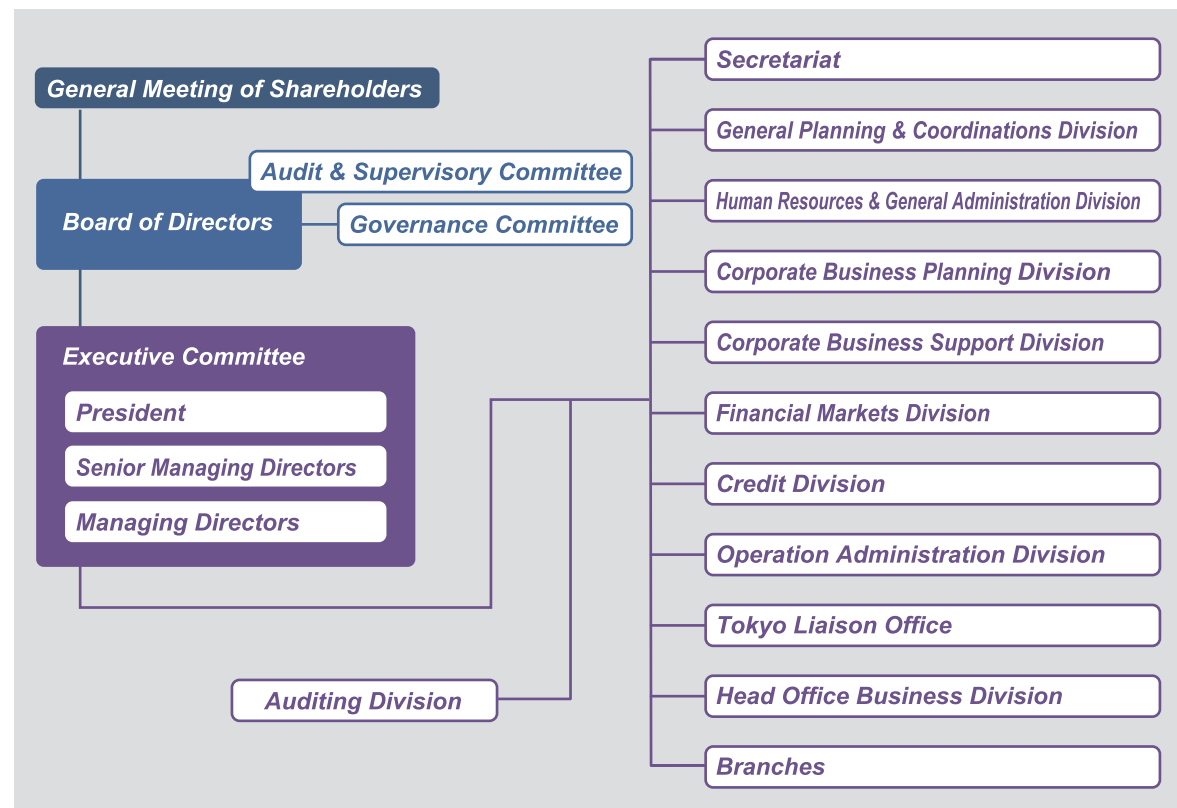
Bin Hamada (Audit & Supervisory Committee Member)

Yasumasa Gomi (Audit & Supervisory Committee Member)

Gisuke Ohara (Audit & Supervisory Committee Member)

Organization

(As of June 23, 2017)



Directory

Headquarters:

1-2, Nanukamachi 3-chome, Yamagata 990-8642,Japan
Phone: +81 23 623 1221

Financial Markets Division:

1-2, Nanukamachi 3-chome, Yamagata 990-8642,Japan
Phone: +81 23 634 7547
Fax: +81 23 625 7185
S.W.I.F.T.: YAMBJPJT

Foreign Exchange Offices: Head Office

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Phone: +81 23 623 1221

Yonezawa Branch

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Nagai Branch

11-14, Sakae-machi, Nagai 993-0084,Japan
Phone: +81 238 88 2105

Sagaechuo Branch

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Phone: +81 237 86 1141

Tendo Branch

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Phone: +81 23 653 3355

Shinjo Branch

2-16, Hon-cho, Shinjo 996-0027,Japan
Phone: +81 233 22 2461

Tsuruoka Branch

1-13, Hon-cho 2-chome, Tsuruoka 997-0034,Japan
Phone: +81 235 22 5530

Sakata Branch

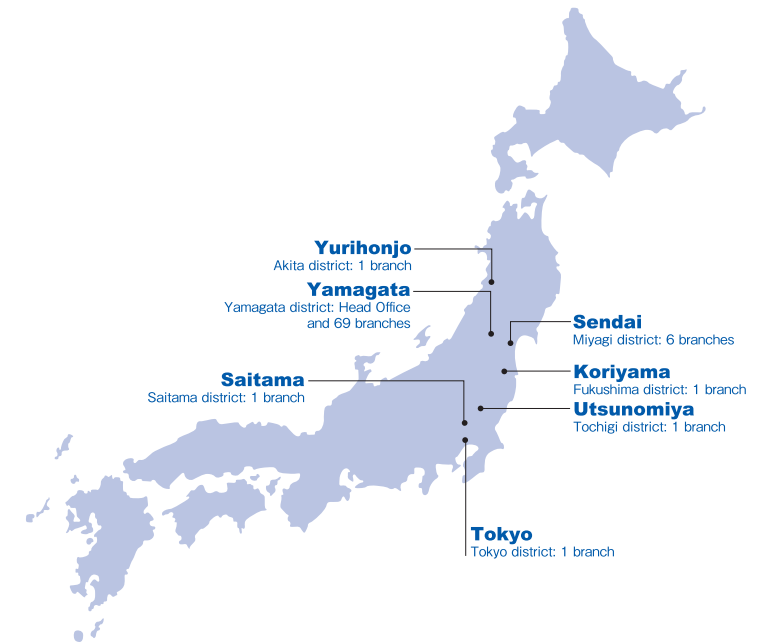
10-1, Hon-cho 3-chome, Sakata 998-0043,Japan
Phone: +81 234 22 7222

Tokyo Branch

5-16, Kyobashi 2-chome, Chuo-ku, Tokyo 104-0031,Japan
Phone: +81 3 3567 1861

Bank Data: (As of October 1, 2017)

Date of Incorporation: 1896
Authorized Stocks: 59,670,000
Issued Stocks: 34,000,000



(Total: Head Office and 80 branches)
(As of March 31, 2017)



Cherries
Cherries are a special product of Yamagata Prefecture. Stylized cherries are used as the symbol of The Yamagata Bank, Ltd.