

2017 HOKUETSU BANK

ANNUAL REPORT

April 1, 2016 - March 31, 2017

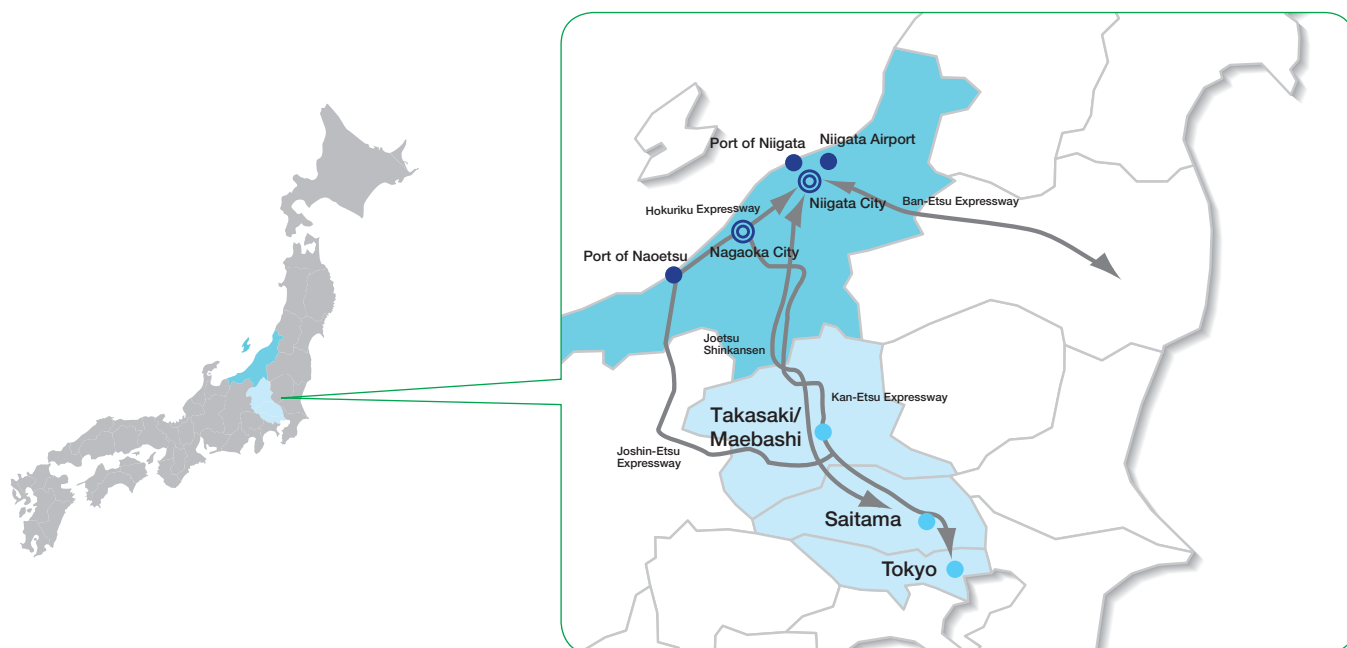
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About Hokuetsu Bank

Since starting operations in December 1878, The Hokuetsu Bank, Ltd. has been operating with the support of customers from the local communities, with Niigata Prefecture as its main operating base.



■ Characteristics of Niigata Prefecture

Niigata Prefecture is located at the center of the coast of the Sea of Japan and has the fifth largest land area among the prefectures in Japan spanning 12,584 km², which is home to a population of about 2.3 million.

In terms of industries, agriculture is thriving in Niigata Prefecture, boasting the largest output of rice in Japan, while a variety of commerce and industries including Western metal tableware, kerosene heaters and rice crackers have also been gathering in the prefecture.

With such domestic traffic networks as Shinkansen lines and expressway networks, as well as an international airport and an international trading port, Niigata Prefecture has geographical conditions which make it an excellent base in the Northeast Asian region.

■ Corporate Philosophy

Mission

The Hokuetsu Bank, Ltd. will extensively provide financial services, gain the trust of its customers and fulfill its role of contributing to the development of local communities.

■ Overview of the Bank

Name:	The Hokuetsu Bank, Ltd.
Location of the Head Office:	2-14, Otedori 2-chome, Nagaoka City, Niigata 940-8650
Date of Foundation:	December 20, 1878
Total Assets:	2,726,621 million yen
Paid-in Capital:	24,538 million yen
Number of Branches:	84 (79 in Niigata Prefecture; five outside the prefecture)
Number of Employees:	1,486 (including 59 seconded employees)

(as of March 31, 2017)



Disclaimer Concerning the Proper Use of These Materials

These materials contain statements on future business results.

Such statements do not guarantee the future business results, and involve risks and uncertainties. They may vary from the plans or forecasted figures due to changes in business conditions and other factors.

Financial Performance Highlights

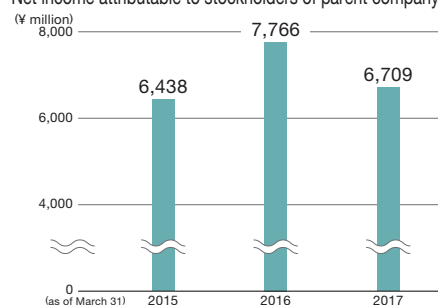
Consolidated Basis

(Unit: Million yen, %)

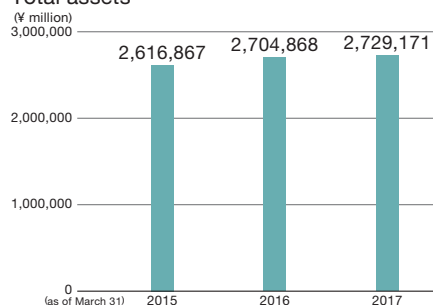
Year ended March 31	2013	2014	2015	2016	2017	Thousand U.S. dollars
Ordinary income	48,940	51,413	57,013	57,818	48,206	\$429,681
Ordinary profit	10,477	9,242	11,896	13,099	9,149	\$81,549
Net income attributable to stockholders of parent company	5,854	4,838	6,438	7,766	6,709	\$59,800
Comprehensive income	13,020	2,209	22,106	7,283	(645)	\$(5,749)
Total net assets	95,846	93,125	113,562	118,021	115,972	\$1,033,710
Total assets	2,363,447	2,495,717	2,616,867	2,704,868	2,729,171	\$24,326,330
Capital adequacy ratio (based on Japanese domestic standards, Basel III)	—	11.02%	9.09%	9.01%	8.99%	8.99%
Capital adequacy ratio (based on Japanese domestic standards, Basel II)	11.39%	—	—	—	—	—

(Note) With the application of standards such as the “Revised Accounting Standard for Business Combinations” (Accounting Standards Board of Japan (ASBJ) Statement No. 21, September 13, 2013), “Consolidated net income” has been changed to “Net income attributable to stockholders of parent company.”

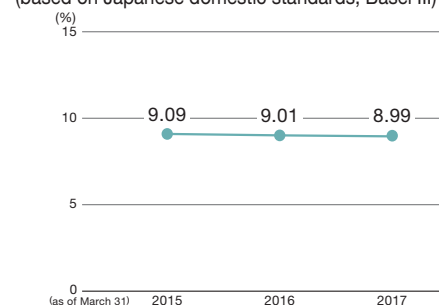
Net income attributable to stockholders of parent company



Total assets



Capital adequacy ratio (based on Japanese domestic standards, Basel III)



Non-consolidated Basis

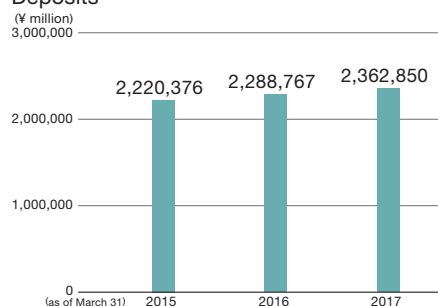
(Unit: Million yen, Thousand shares, %, persons)

Year ended March 31	2013	2014	2015	2016	2017	Thousand U.S. dollars
Ordinary income	43,602	46,281	51,640	52,315	42,562	\$379,374
Ordinary profit	9,085	8,214	10,571	12,109	8,326	\$74,213
Net income	5,312	4,467	5,901	7,332	6,707	\$59,782
Common stock	24,538	24,538	24,538	24,538	24,538	\$218,718
Total number of outstanding shares	247,142	245,142	245,142	245,142	24,514	24,514
Total net assets	90,638	90,151	107,387	114,168	111,631	\$995,017
Total assets	2,355,899	2,489,268	2,610,936	2,701,914	2,726,621	\$24,303,601
Deposits	2,146,143	2,164,734	2,220,376	2,288,767	2,362,850	\$21,061,146
Loans and bills discounted	1,386,722	1,423,505	1,472,673	1,515,019	1,545,998	\$13,780,176
Securities	831,468	854,354	942,841	936,303	994,923	\$8,868,196
Capital adequacy ratio (based on Japanese domestic standards, Basel III)	—	10.53%	8.55%	8.48%	8.45%	8.45%
Capital adequacy ratio (based on Japanese domestic standards, Basel II)	10.94%	—	—	—	—	—
Dividend payout ratio	28.12	32.94	24.76	19.74	21.41	21.41
Number of employees	1,262	1,429	1,444	1,431	1,427	1,427

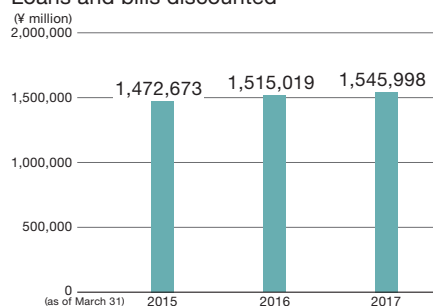
Notes: 1. The number of employees does not include seconded employees, employees on a short-term contract, and temporary employees.

2. The Bank's common shares were consolidated at the ratio of 1 share for 10 common shares on October 1, 2016.

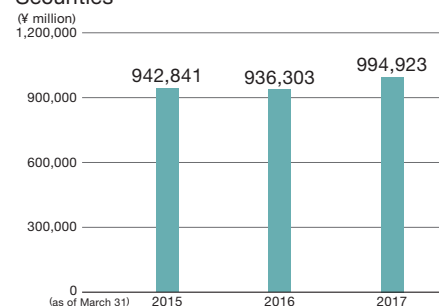
Deposits



Loans and bills discounted



Securities



Notes: 1. Yen amounts of less than one million yen are omitted.

2. Amount in U.S. dollar is translated from Japanese yen, solely for convenience, at ¥112.19 = U.S. \$1.00, the exchange rate prevailing on March 31, 2017.

Management System

Corporate Governance

The basic policy of the Bank is to win the trust of customers and regional residents through provision of financial services and make contributions to the development of local communities. In addition, the Bank intends to fulfill its responsibilities for its shareholders and employees by ensuring stable earnings and improving management transparency.

To that end, the Bank will continue to aim at well-balanced management based on proper risk management, while further enhancing management functions for corporate governance in light of the purpose of Japan's "Corporate Governance Code."

As companies are highly expected to act in accordance with corporate ethics, the Bank has positioned the reinforcement of compliance as a top-priority management issue and is actively and organizationally applying measures based on the Bank's compliance plan.

Status of Business Management Organizations Pertaining to Management Decision-Making, Execution and Supervision and Other Corporate Governance Structures

Details on the Corporate Organs

The Bank has adopted a corporate auditor system and established the Board of Directors, which decides on important management matters and other matters, and the Board of Corporate Auditors, which audits management.

The Board of Directors comprises 13 Directors, including two Outside Directors, (as of June 2017), and holds meetings once a month, in principle, to decide on matters stipulated by laws and regulations, and the Bank's Articles of Incorporation and on important business execution.

Meanwhile, the Board of Corporate Auditors is composed of four Corporate Auditors, including two Outside Corporate Auditors, (as of June 2017). Each Corporate Auditor attends the Board of Directors' meetings among other important meetings and conducts audit on the status of business execution and property, performance of duties by Directors and other matters, pursuant to the audit policy and plan decided by the Board of Corporate Auditors.

Reinforcement of Compliance

The Bank has positioned the reinforcement of compliance as a top-priority management issue and all officers and employees are carrying out corporate activities fairly and sincerely in accordance with various regulations, including the Hokuetsu Bank Ethics Charter.

Regarding business operations, important issues are decided by the Board of Directors, while the Legal Affairs Office of the Risk Control Division, which oversees compliance matters, the operations divisions and legal compliance coordinators in the respective divisions and branches are making thorough efforts for compliance. In addition, the functions to check conformity in the performance of duties by officers and employees are maintained through verifications by the audit division, the establishment of systems including a whistle-blowing system and other measures.

Establishment of Risk Management

With regard to the establishment of risk management, basic ideas are clarified in the General Policy on Risk Management, and management subjects and management systems are specified systematically in the General Rules on Risk Management.

Regarding business operations, the Board of Directors receives reports on the status of material risk management and decides on basic policies and other necessary matters. Furthermore, the Risk Control Division is designated as the department in control of risk management and the organizations respectively responsible for the management of each type of risk are specified, while various committees and organs have been established to cope with individual themes. These activities are verified by the Audit Division.

Proper Business Operation at Each Group Company

Appropriateness of business at each Group company is ensured through the Rules on Affiliated Company Operation as well as application and mutatis mutandis application of various regulations of the Bank. In addition, audits are performed on each Group company to verify whether its business is properly operated in line with Group management.

Performance of Duties by Directors

The Bank is striving to speed up decision-making of management by establishing the Council of Managing Directors, which comprises officers with titles who hold posts of Managing Director or higher, as an organ to discuss and decide on matters entrusted by the Board of Directors.

Information and documents pertaining to the performance of duties by Directors are properly stored and managed (including disposal) in accordance with the Bank's internal regulations and rules, while the status of their management and operation is verified and the regulations and rules are reviewed, as necessary.

Maintaining the Functions of Corporate Auditors

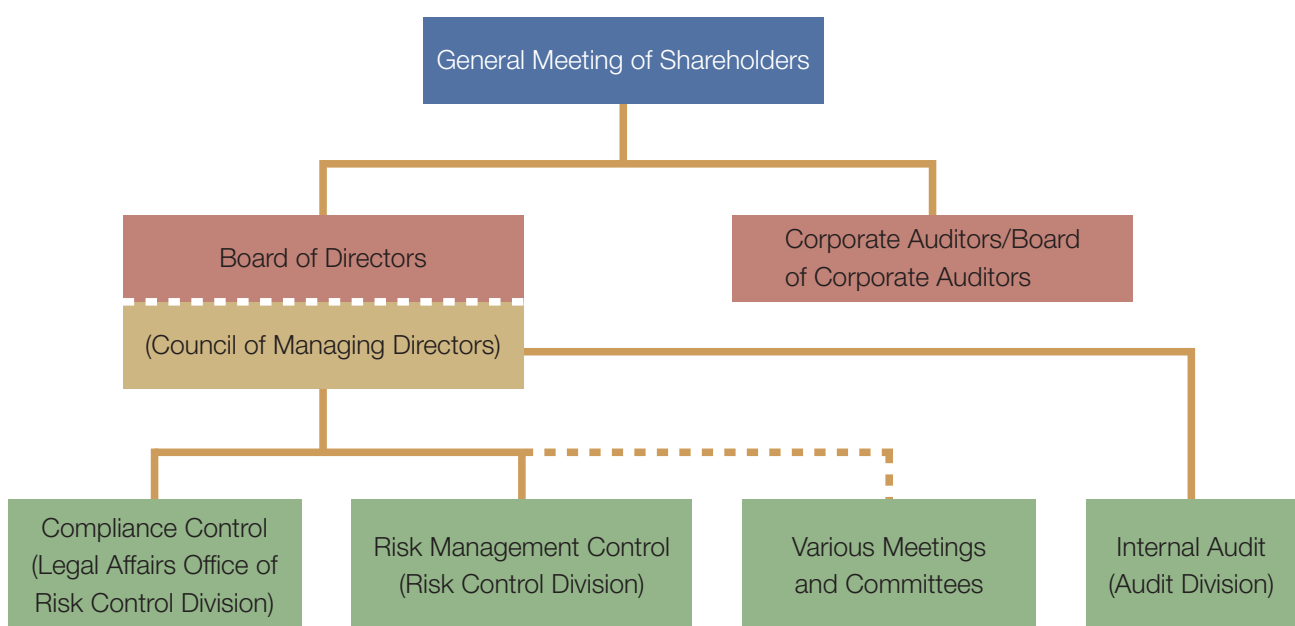
Corporate Auditors attend important meetings which include the Board of Directors' meetings, the Council of Managing Directors, various meetings and committees, and read principal internal approval documents and other important documents concerning business execution. They can also seek explanations concerning such documents from Directors or employees.

Directors and employees of the Bank and its Group companies provide necessary information pursuant to provisions stipulated by the laws and regulations and by the Board of Corporate Auditors, and report the status of performance of their duties and other matters.

Furthermore, to raise the effectiveness of audits, Corporate Auditors exchange opinions and information with Representative Directors as well as endeavor to cooperate with the Audit Division and the accounting auditor.

The corporate governance structure mentioned above is based on the "Basic Policy on Establishment of Internal Control System," established by the Bank.

Corporate Governance Structure of the Bank



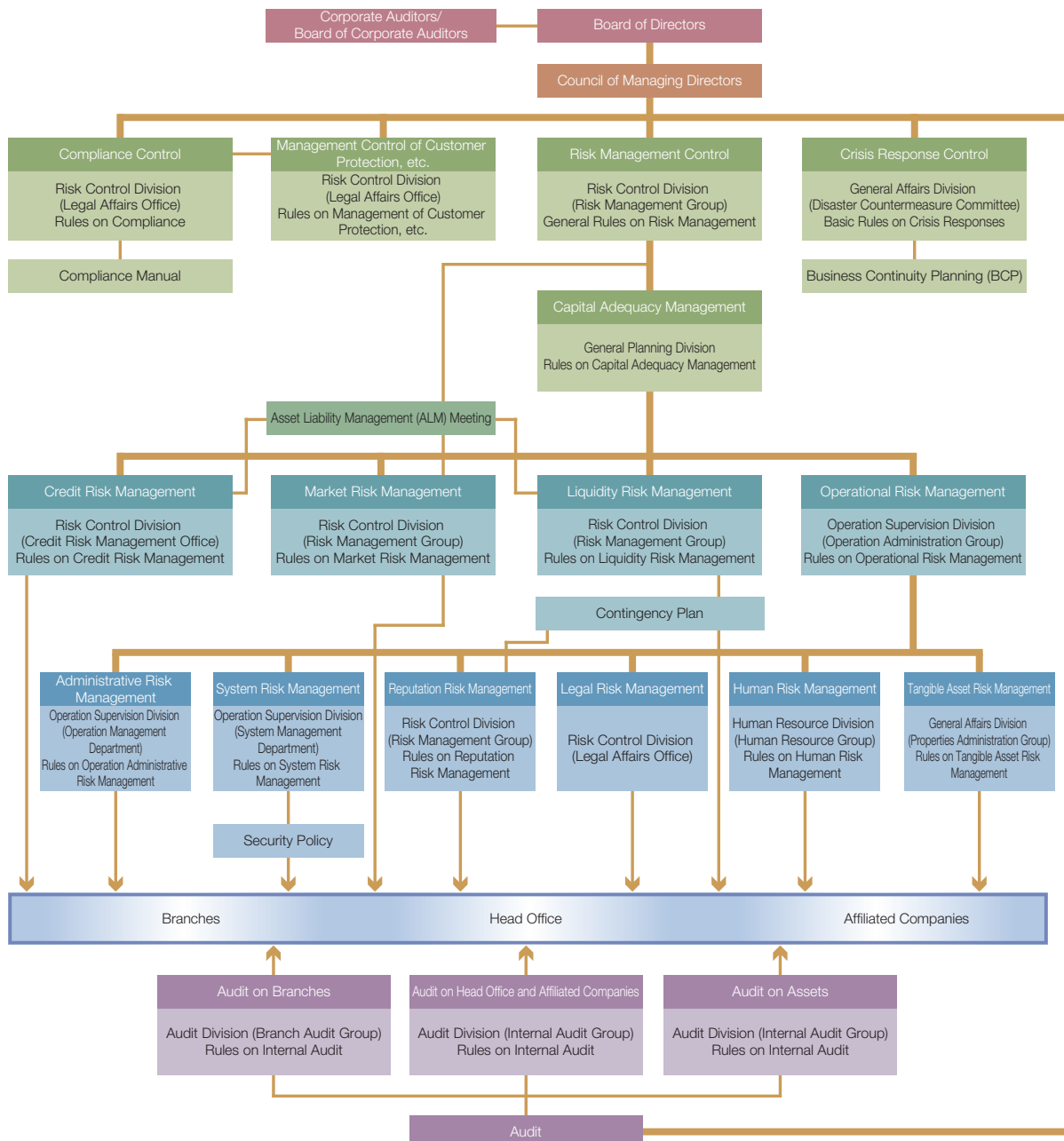
Risk Management Structure

While banking operations are becoming more diverse and earnings opportunities are expanding, there have been more risks than ever before at the same time. In keeping with changes in the financial environment and the rapid progress of financial techniques, increasingly complex and advanced risks have greater impact on bank management.

The Bank fully recognizes the crucially important role of risk management, which is positioned as one of the primary tasks in its management. In accordance with the General Rules on Risk Management, the Bank has implemented a risk management structure whereby the organizations responsible for the management of individual types of risks are specified and the Risk Control Division oversees the management of these diverse risks to ensure overall risk control.

The Audit Division, which is independent of sales operations and credit-assessment operations, conducts stringent internal audits of branches and divisions at the head office regarding their overall risk management.

Chart of Risk Management Structure



Management Condition of Each Risk

[1] Capital Adequacy Management

Capital adequacy management involves the use of measures aimed at improving capital adequacy, the evaluation of the sufficiency of capital adequacy, and the calculation of an accurate capital adequacy ratio.

The Bank's basic policy includes: [1] maintain an appropriate capital adequacy level to ensure sound management while allocating management resources efficiently to improve earning power and build a strong management constitution; and [2] ensure a proper response to increasingly diverse customer needs by monitoring changes in the environment of economics and finance while controlling total risks at levels according to the amount of capital.

To calculate an accurate capital adequacy ratio, the Bank also employs a system to ensure that the numbers calculated by related divisions are checked by other divisions. The Internal Audit Group of the Audit Division verifies the appropriateness and accuracy of this calculation process.

[2] Credit Risk Management

Credit risk is a condition in which the value of loans and other assets of a financial institution decrease or are lost due to the bankruptcies and deteriorating financial conditions of customers, leading to a loss on the part of the financial institution.

The Bank always conducts a loan assessment based on the strict assessment standards before approving any loan, and it operates on the basic policy of managing its funds on a widely diversified basis without providing excessive loans to certain customers, in order to enhance the soundness of its assets.

For appropriate risk management corresponding to the degree of credit risk, in addition to the "credit rating" system based on objective criteria, we also put in place assessment and management structures based on the authorization system according to credit ratings.

[3] Market Risk Management

Market risk is a two-fold risk. It consists of the risk that the value of assets and liabilities held by a bank fluctuates and results in a loss due to market fluctuations of interest rates, exchange rates, share prices, etc., and also of a risk that the profits generated by the assets and liabilities held by the bank will fluctuate and result in a loss.

The Bank's Market and Capital Division is engaged in the market-capital-related activities. In addition to the segregation of duties between front-office operations and back-office operations, the Risk Management Group of the Risk Control Division is engaged in the management and control of market-related risks to ensure cross-checking.

Furthermore, the BPV (Basis Point Value) and VAR (Value at Risk) approaches are applied to measure market risks, and the results are reported monthly to the Board of Directors.

[4] Liquidity Risk Management

Liquidity risk refers to the risk that a financial institution becomes unable to secure necessary funds and faces a cash flow crunch or is forced to procure funds at significantly higher interest rates than normal due to the deterioration of its financial condition, etc., and eventually generates a loss.

The Market and Capital Division is engaged in daily cash-flow management and administration, while the Risk Management Group of the Risk Control Division monitors liquidity risk management indicators in order to continually clarify the cash-flow position.

[5] Operational Risk Management

Operational risk is the condition that emerges due to the inappropriateness or non-functioning of any of the Bank's operation processes or systems, due to the inappropriate action of any officer or employee of the Bank, or from the occurrence of any external event.

The Bank defines the six operational risks to be managed. They are:

[1] administrative risk [2] system risk [3] reputation risk [4] legal risk [5] human risk [6] tangible asset risk

In managing operational risks, the Operation Administration Group of the Operation Supervision Division centrally identifies and manages all operational risks, while each division subject to operational risks manages the applicable risks from a more detailed standpoint.

[6] Administrative Risk Management

Administrative risk is the condition in which an administrative error or inadvertent action by an officer or employee results in a loss to the financial institution.

The Bank's basic policy is to establish a reliable administrative structure centered on the Operation Supervision Division, with emphasis on the management of administrative risks in order to prevent administrative errors and inadvertent actions related to administration.

Accordingly, the Bank promotes the streamlining and enhancement of efficiency in administrative operations, the strengthening of training and provision of on-site guidance to staff at branches, and the review of procedures and establishment of internal regulations and rules.

The Bank, in addition to complying with the Act on the Protection of Personal Information, is vigorously enacting measures to prevent any damage due to criminal acts, such as fraudulent withdrawals using stolen bankbooks and fraudulent bank transfers, which have emerged as significant problems in society.

[7] System Risk Management

System risk is a condition that occurs due to an earthquake, flood or other force majeure; a hardware failure, program error, fire or other accident; or due to computer crime, a detonation or other willful conduct. In addition to the aforementioned system risks, the risks of unauthorized or illicit disclosure of personal information and trade secrets must be fully addressed.

The Bank has relocated its mission-critical systems to the Regional Bank Shared Banking Center operated by NTT Data Corp. in May 2009.

The Center, which employs the cutting-edge, next-generation system "BeSTA," is one of the country's largest integrated service centers for regional banks. The Bank is one of 14 institutions that participate in.

The Center also has backup facilities to ensure smooth recovery in the event a natural disaster occurs.

Additionally, the Bank is strengthening its risk management structures based on the review of computer systems planning and development processes and administrative processes. Moreover, the Bank is implementing measures to prevent fraudulent withdrawals using fake cards and phishing scams, in order to prevent these emerging societal problems from affecting its customers and operations.

[8] Reputation Risk Management

Reputation risk is the risk involving the potential occurrence of a false reputation contrary to reality, such as the dissemination of rumor or innuendo, that could negatively affect a company's business status.

The Bank is strengthening the management of reputation risks under the basic management policy of acting in a timely and appropriate manner to maintain calm and minimize damage should any reputation risk be generated.

We are stepping up the management of reputation risks through appropriate disclosure, the establishment of systems for gathering and reporting information on the Bank's reputation, and the implementation of contingency plans.

[9] Legal Risk Management

Legal risk is the condition in which failure to strictly comply with any law, ordinance, the Bank's internal regulation or other social norm could result in a loss.

The Bank's Legal Affairs Office of the Risk Control Division oversees all compliance matters. It implements proper measures to prevent these risks and thereby reinforce the management of legal risks.

[10] Human Risk Management

Human risk is the condition in which any discriminatory action of the Bank's officer or employee, such as fraud, crime or sexual harassment, results in a loss.

The Bank's Human Resource Group, which is part of the Human Resource Division, implements proper measures to prevent these risks to step up the management of human risks.

[11] Tangible Asset Risk Management

Tangible asset risk is the condition in which any external events, such as natural disasters, stop of social infrastructure and terrorism or destruction of tangible assets could result in a loss.

The Bank is striving to avoid or reduce these risks by conducting regular inspections and practices for prevention of accidents and disasters.

Efforts Regarding Legal Compliance

Financial institutions, in view of their responsibilities and roles with respect to the society, are required to maintain corporate cultures incorporating transparency of management and thorough legal compliance.

Based on this understanding, the Bank, in accordance with the Hokuetsu Bank Ethics Charter and its principles established for the purpose of establishing corporate ethics, endeavors to ensure thorough compliance with the laws, regulations and rules. Additionally, the Bank has positioned the reinforcement of compliance as a top-priority management issue and is actively and organizationally applying measures based on the Bank's compliance plan.

In the area of organizations and systems, important issues relating to compliance are decided by the Board of Directors, while the Legal Affairs Office of the Risk Control Division, which oversees compliance matters, the operations divisions and legal compliance coordinators in the respective divisions and branches are making thorough efforts for compliance. The efficiency of these processes is ensured through the audits performed by corporate auditors as well as verifications by the Audit Division, which is responsible for internal controls.

The Legal Affairs Office of the Risk Control Division, in order to enhance the cross-checking function for legal risks, conducts legal checks of the various documents and contracts used internally. Meanwhile, the twice-monthly Legal Consultation Meeting is one in which preliminary consultation and advice is sought on legal matters from our corporate counsel and various measures are examined according to the principles of compliance. If any legal matter requires further examination, a Compliance Conference Meeting is held, with attendance by the head of each relevant division and corporate counsel, to discuss a proper course of action in compliance with the law.

The Bank is implementing other measures to ensure compliance within the organization, such as the inclusion of compliance lectures as part of various seminars, the issuance of "Legal News," and self-compliance checks conducted by all Bank personnel. Additionally, the Bank hands out its compliance manual to all personnel to make sure each person understands the key points and items to note regarding regulations related to banking operations. These are only a few examples of how the Bank is working to enhance its compliance system.

Hokuetsu Bank Ethics Charter

[1] Sound Management and Establishment of Unwavering Confidence

The Hokuetsu Bank, Ltd. recognizes its social responsibilities and duties as a bank, and will establish unwavering confidence through sound and efficient business operation.

[2] Provision of High Quality Financial Services

The Hokuetsu Bank, Ltd. will provide high quality services, which fully give considerations to appropriate protection of interests of customers through the improvement of the security level, ensuring of business continuity at the time of disaster and other measures, while satisfying needs of customers by making the most of originality and ingenuity, to say nothing of its function as infrastructure that supports economic activities.

[3] Strict Compliance with Laws, Regulations and Rules

The Hokuetsu Bank, Ltd. will strictly observe all laws, regulations and rules, performing fair and sincere corporate activities that are not against social norms.

[4] Fair Disclosure of Information on Management and Other Matters

The Hokuetsu Bank, Ltd. will extensively communicate with society and fairly and properly disclose information on management and other matters to realize transparent management.

[5] Respect to Human Rights of Employees

The Hokuetsu Bank, Ltd. will respect human rights and individuality of employees, and ensure a safe and pleasant workplace environment.

[6] Efforts for Environmental Issues

The Hokuetsu Bank, Ltd. will vigorously work on environmental issues by providing financial services that contribute to environmental conservation and through other measures, while efficiently using resources and reducing wastes.

[7] Efforts for Social Contribution Activities

The Hokuetsu Bank, Ltd. realizes that society is the very place where banks can continue to exist and develop, and will proactively focus on social contribution activities as a "good corporate citizen" that grows together with society.

[8] Cut-off of Relationships with Anti-Social Forces

The Hokuetsu Bank, Ltd. will firmly confront anti-social forces that pose a threat to the order and safety of civil society, and thoroughly cut off relationships with them.

[9] Contributions to Local Communities

The Hokuetsu Bank, Ltd. will deeply have roots in the region and contribute to the development of local communities.

Overview of Consolidated Settlement

Consolidated Financial Statements

Consolidated Balance Sheet

(Unit: Million yen)

Item	Period	End of previous consolidated accounting year March 31, 2016	End of current consolidated accounting year March 31, 2017	End of current consolidated accounting year March 31, 2017 Thousand USD
ASSETS				
Cash and due from banks		¥ 192,122	¥ 127,596	\$ 1,137,320
Trading account securities		1,392	1,413	12,594
Securities		936,105	992,777	8,849,068
Loans and bills discounted		1,506,699	1,537,161	13,701,408
Foreign exchange		6,443	8,203	73,117
Lease claims and lease investment assets		10,517	11,594	103,342
Other assets		21,930	18,705	166,726
Tangible fixed assets		29,444	29,465	262,634
Buildings		8,642	8,729	77,805
Land		19,182	19,121	170,434
Lease assets		41	21	187
Construction in progress		249	111	989
Other tangible fixed assets		1,328	1,482	13,209
Intangible fixed assets		869	930	8,289
Software		633	515	4,590
Lease assets		20	11	98
Other intangible fixed assets		214	403	3,592
Net defined benefit assets		1,459	2,320	20,679
Deferred tax assets		298	127	1,132
Customers' liabilities for acceptances and guarantees		7,272	5,907	52,651
Reserve for possible loan losses		(9,685)	(7,034)	(62,697)
Total assets		¥ 2,704,868	¥ 2,729,171	\$ 24,326,330
LIABILITIES				
Deposits		2,282,090	2,359,644	21,032,569
Certificates of deposits		107,120	106,530	949,549
Payables under repurchase agreements		124,304	102,548	914,056
Borrowed money		13,050	80	713
Foreign exchange		229	332	2,959
Other liabilities		42,372	31,153	277,680
Accrued bonuses		836	834	7,433
Allowance for bonuses to directors and corporate auditors		25	25	222
Net defined benefit liabilities		838	563	5,018
Allowance for retirement benefits to directors and corporate auditors		7	12	106
Reserve for reimbursement of deposits		551	643	5,731
Reserve for contingencies		327	463	4,126
Reserve for losses on return of interest		39	35	311
Deferred income taxes		4,896	1,549	13,806
Deferred income taxes for revaluation		2,884	2,876	25,635
Acceptances and guarantees		7,272	5,907	52,651
Total liabilities		¥ 2,586,847	¥ 2,613,198	\$ 23,292,610
NET ASSETS				
Common stock		24,538	24,538	218,718
Capital surplus		19,002	19,002	169,373
Retained earnings		48,196	53,488	476,762
Treasury stock		(1,381)	(1,387)	(12,362)
Total stockholders' equity		90,355	95,641	852,491
Unrealized holding gains (losses) on securities		35,577	21,296	189,820
Deferred gains (losses) on hedges		(7,894)	(1,422)	(12,674)
Unrealized gains from revaluation of land held for use		2,636	2,616	23,317
Remeasurements of defined benefit plans		(2,844)	(2,394)	(21,338)
Accumulated total of other comprehensive income		27,474	20,095	179,115
Stock subscription rights		116	156	1,390
Non-controlling interests		76	78	695
Total net assets		118,021	115,972	1,033,710
Total liabilities and net assets		¥ 2,704,868	¥ 2,729,171	\$ 24,326,330

Consolidated Statement of Income

(Unit: Million yen)

Item	Period	Previous consolidated accounting year (April 1, 2015 through March 31, 2016)	Current consolidated accounting year (April 1, 2016 through March 31, 2017)	Current consolidated accounting year (April 1, 2016 through March 31, 2017) Thousand USD
Ordinary income		¥ 57,818	¥ 48,206	\$ 429,681
Interest and dividends income		30,309	29,341	261,529
Loans and bills discounted		19,285	18,132	161,618
Interest and dividends on securities		10,900	11,140	99,295
Call loans and bills purchased		31	(2)	(17)
Receivables under resale agreements		—	(4)	(35)
Deposits		47	34	303
Other		44	41	365
Fees and commission		7,498	7,423	66,164
Other operating income		17,152	9,219	82,173
Other ordinary income		2,858	2,222	19,805
Gains from reversal of reserve for possible loan losses		—	132	1,176
Gains from recovery of written-off debts		229	545	4,857
Other income		2,628	1,544	13,762
Ordinary expenses		44,718	39,056	348,123
Interest expenses		2,853	1,965	17,514
Deposits		938	603	5,374
Certificates of deposits		40	23	205
Call money and bills sold		0	(3)	(26)
Securities lending		54	270	2,406
Borrowed money		79	30	267
Other		1,741	1,040	9,269
Fees and commissions		3,530	3,764	33,550
Other operating expenses		13,519	8,967	79,926
General and administrative expenses		22,034	22,647	201,862
Other expenses		2,782	1,711	15,250
Provision of allowance for doubtful accounts		974	—	—
Other expenses		1,807	1,711	15,250
Ordinary profit		13,099	9,149	81,549
Extraordinary gains		11	0	0
Gains from disposal of fixed assets		11	0	0
Extraordinary losses		133	66	588
Losses on disposal of fixed assets		109	47	418
Losses on impairment of fixed assets		23	18	160
Income before income taxes		12,978	9,083	80,960
Corporate tax, corporate inhabitant tax and business tax		4,091	2,279	20,313
Adjustment of corporate taxes, etc.		922	91	811
Total corporate taxes, etc.		5,013	2,370	21,124
Net income		7,964	6,712	59,827
Net income attributable to non-controlling interests		198	2	17
Net income attributable to stockholders of parent company		¥ 7,766	¥ 6,709	\$ 59,800

Consolidated Statement of Comprehensive Income

(Unit: Million yen)

Period	Previous consolidated accounting year (April 1, 2015 through March 31, 2016)	Current consolidated accounting year (April 1, 2016 through March 31, 2017)	Current consolidated accounting year (April 1, 2016 through March 31, 2017) Thousand USD
Item			
Net income	¥ 7,964	¥ 6,712	\$ 59,827
Other comprehensive income	(680)	(7,358)	(65,585)
Unrealized holding gains (losses) on securities	6,311	(14,280)	(127,284)
Deferred gains (losses) on hedges	(4,783)	6,471	57,678
Remeasurements of defined benefit plans	(2,361)	449	4,002
Unrealized gains from revaluation of land held for use	151	—	—
Comprehensive income	¥ 7,283	¥ (645)	\$ (5,749)
Comprehensive income related to stockholders of parent company	7,067	(648)	(5,775)
Comprehensive income related to non-controlling interests	215	2	17

Consolidated Statement of Changes in Stockholders' Equity

Previous consolidated accounting year (April 1, 2015 through March 31, 2016)

(Unit: Million yen)

	Stockholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total stockholders' equity
Balance at beginning of current period	¥ 24,538	¥ 16,965	¥ 41,858	¥ (720)	¥ 82,641
Changes during current period					
Dividends from surplus			(1,452)		(1,452)
Net income attributable to stockholders of parent company			7,766		7,766
Acquisition of treasury stock				(714)	(714)
Disposal of treasury stock		(0)	(13)	53	39
Reversal of unrealized gains from revaluation of land held for use			37		37
Change in parent's equity interests arising from transactions with non-controlling stockholders		2,036			2,036
Net changes of items other than stockholders' equity during current period (net amount)					
Total changes during current period	—	2,036	6,337	(661)	7,713
Balance at end of current period	¥ 24,538	¥ 19,002	¥ 48,196	¥ (1,381)	¥ 90,355

	Other accumulated comprehensive income					Stock subscription rights	Non-controlling interests	Total net assets
	Unrealized holding gains (losses) on securities	Deferred gains (losses) on hedges	Unrealized gains from revaluation of land held for use	Remeasurements of defined benefit plans	Total of other accumulated comprehensive income			
Balance at beginning of current period	¥ 29,283	¥ (3,110)	¥ 2,521	¥ (483)	¥ 28,210	¥ 119	¥ 2,591	¥ 113,562
Changes during current period								
Dividends from surplus								(1,452)
Net income attributable to stockholders of parent company								7,766
Acquisition of treasury stock								(714)
Disposal of treasury stock								39
Reversal of unrealized gains from revaluation of land held for use								37
Change in parent's equity interests arising from transactions with non-controlling stockholders								2,036
Net changes of items other than stockholders' equity during current period (net amount)	6,293	(4,783)	114	(2,361)	(736)	(2)	(2,515)	(3,254)
Total changes during current period	6,293	(4,783)	114	(2,361)	(736)	(2)	(2,515)	4,459
Balance at end of current period	¥ 35,577	¥ (7,894)	¥ 2,636	¥ (2,844)	¥ 27,474	¥ 116	¥ 76	¥ 118,021

Current consolidated accounting year (April 1, 2016 through March 31, 2017)

(Unit: Million yen)

	Stockholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total stockholders' equity
Balance at beginning of current period	¥ 24,538	¥ 19,002	¥ 48,196	¥ (1,381)	¥ 90,355
Changes during current period					
Dividends from surplus			(1,436)		(1,436)
Net income attributable to stockholders of parent company			6,709		6,709
Acquisition of treasury stock				(6)	(6)
Disposal of treasury stock			(0)	0	0
Reversal of unrealized gains from revaluation of land held for use			20		20
Net changes of items other than stockholders' equity during current period (net amount)					
Total changes during current period	—	—	5,292	(6)	5,286
Balance at end of current period	¥ 24,538	¥ 19,002	¥ 53,488	¥ (1,387)	¥ 95,641

	Other accumulated comprehensive income					Stock subscription rights	Non-controlling interests	Total net assets
	Unrealized holding gains (losses) on securities	Deferred gains (losses) on hedges	Unrealized gains from revaluation of land held for use	Remeasurements of defined benefit plans	Total of other accumulated comprehensive income			
Balance at beginning of current period	¥ 35,577	¥ (7,894)	¥ 2,636	¥ (2,844)	¥ 27,474	¥ 116	¥ 76	¥ 118,021
Changes during current period								
Dividends from surplus								(1,436)
Net income attributable to stockholders of parent company								6,709
Acquisition of treasury stock								(6)
Disposal of treasury stock								0
Reversal of unrealized gains from revaluation of land held for use								20
Net changes of items other than stockholders' equity during current period (net amount)	(14,280)	6,471	(20)	449	(7,378)	40	2	(7,335)
Total changes during current period	(14,280)	6,471	(20)	449	(7,378)	40	2	(2,049)
Balance at end of current period	¥ 21,296	¥ (1,422)	¥ 2,616	¥ (2,394)	¥ 20,095	¥ 156	¥ 78	¥ 115,972

Current consolidated accounting year (April 1, 2016 through March 31, 2017)

(Unit: Thousand USD)

	Stockholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total stockholders' equity
Balance at beginning of current period	\$ 218,718	\$ 169,373	\$ 429,592	\$ (12,309)	\$ 805,374
Changes during current period					
Dividends from surplus			(12,799)		(12,799)
Net income attributable to stockholders of parent company			59,800		59,800
Acquisition of treasury stock				(53)	(53)
Disposal of treasury stock			(0)	0	0
Reversal of unrealized gains from revaluation of land held for use			178		178
Net changes of items other than stockholders' equity during current period (net amount)					
Total changes during current period	—	—	47,169	(53)	47,116
Balance at end of current period	\$ 218,718	\$ 169,373	\$ 476,762	\$ (12,362)	\$ 852,491

	Other accumulated comprehensive income					Stock subscription rights	Non-controlling interests	Total net assets
	Unrealized holding gains (losses) on securities	Deferred gains (losses) on hedges	Unrealized gains from revaluation of land held for use	Remeasurements of defined benefit plans	Total of other accumulated comprehensive income			
Balance at beginning of current period	\$ 317,113	\$ (70,362)	\$ 23,495	\$ (25,349)	\$ 244,888	\$ 1,033	\$ 677	\$ 1,051,974
Changes during current period								
Dividends from surplus								(12,799)
Net income attributable to stockholders of parent company								59,800
Acquisition of treasury stock								(53)
Disposal of treasury stock								0
Reversal of unrealized gains from revaluation of land held for use								178
Net changes of items other than stockholders' equity during current period (net amount)	(127,284)	57,678	(178)	4,002	(65,763)	356	17	(65,380)
Total changes during current period	(127,284)	57,678	(178)	4,002	(65,763)	356	17	(18,263)
Balance at end of current period	\$ 189,820	\$ (12,674)	\$ 23,317	\$ (21,338)	\$ 179,115	\$ 1,390	\$ 695	\$ 1,033,710

Consolidated Statement of Cash Flows

(Unit: Million yen)

Period	Previous consolidated accounting year (April 1, 2015 through March 31, 2016)	Current consolidated accounting year (April 1, 2016 through March 31, 2017)	Current consolidated accounting year (April 1, 2016 through March 31, 2017) Thousand USD
Item			
Cash flows from operating activities:			
Income before income taxes	¥ 12,978	¥ 9,083	\$ 80,960
Depreciation	1,364	1,403	12,505
Impairment losses on fixed assets	23	18	160
Net increase (decrease) in reserve for possible loan losses	1,019	(128)	(1,140)
Net increase (decrease) in accrued bonuses	2	(2)	(17)
Net increase (decrease) in defined benefit assets	2,500	(861)	(7,674)
Net increase (decrease) in defined benefit liabilities	837	(275)	(2,451)
Net increase (decrease) in allowance for retirement benefits to directors and corporate auditors	(1)	4	35
Net increase (decrease) in reserve for reimbursement of deposits	104	92	820
Net increase (decrease) in reserve for contingencies	(73)	135	1,203
Net increase (decrease) in reserve for losses on return of interest	(0)	(3)	(26)
Interest and dividends income	(30,309)	(29,341)	(261,529)
Interest expenses	2,853	1,965	17,514
Net (gains) losses on securities transactions	5,029	149	1,328
Net (gains) losses on money held in trust	9	5	44
Net foreign exchange (gains) losses	13	(11)	(98)
Net (gains) losses on disposal of fixed assets	98	47	418
Net (increase) decrease in loans and bills purchased	(42,305)	(32,985)	(294,010)
Net increase (decrease) in deposits	67,989	77,554	691,273
Net increase (decrease) in certificates of deposits	1,340	(590)	(5,258)
Net increase (decrease) in borrowings (other than subordinated borrowings)	(54,402)	(10,970)	(97,780)
Net (increase) decrease in due from banks (other than The Bank of Japan)	1,071	9	80
Net increase (decrease) in payable under repurchase agreement	55,365	(21,755)	(193,912)
Net (increase) decrease in foreign exchange (assets)	346	(1,760)	(15,687)
Net increase (decrease) in foreign exchange (liabilities)	82	102	909
Net (increase) decrease in lease claims and lease investment assets	(199)	(1,077)	(9,599)
Interest and dividends received	31,140	29,890	266,423
Interest paid	(2,846)	(2,123)	(18,923)
Other	(1,390)	12,072	107,603
Subtotal	52,642	30,648	273,179
Income taxes paid	(4,122)	(3,604)	(32,124)
Net cash provided by operating activities	48,519	27,044	241,055
Cash flows from investing activities:			
Purchase of securities	(1,284,693)	(552,465)	(4,924,369)
Proceeds from sales of securities	1,190,258	398,733	3,554,086
Proceeds from redemption of securities	100,037	67,224	599,197
Increase in money held in trust	(2,000)	(2,000)	(17,826)
Decrease in money held in trust	1,990	1,994	17,773
Purchase of tangible fixed assets	(1,105)	(1,401)	(12,487)
Proceeds from sales of tangible fixed assets	322	66	588
Purchase of intangible fixed assets	(564)	(277)	(2,469)
Other	29	(3)	(26)
Net cash provided by (used in) investing activities	4,274	(88,129)	(785,533)
Cash flows from financing activities:			
Repayment of subordinated borrowed money	—	(2,000)	(17,826)
Dividends paid	(1,453)	(1,435)	(12,790)
Dividends paid to non-controlling stockholders	(0)	(0)	(0)
Purchase of treasury stock	(714)	(6)	(53)
Proceeds from sale of treasury stock	0	0	0
Payments from changes in equity interests in subsidiaries that do not result in change in scope of consolidation	(700)	—	—
Proceeds from changes in equity interests in subsidiaries that do not result in change in scope of consolidation	5	—	—
Net cash used in financing activities	(2,862)	(3,442)	(30,680)
Translation adjustments of cash and cash equivalents	(13)	11	98
Increase (decrease) in cash and cash equivalents	49,917	(64,517)	(575,069)
Cash and cash equivalents at beginning of year	141,890	191,808	1,709,671
Cash and cash equivalents at end of year	¥ 191,808	¥ 127,290	\$ 1,134,593

Overview of Non-consolidated Settlement

Financial Statements

Balance Sheet

(Unit: Million yen)

Period	End of 111th period March 31, 2016	End of 112th period March 31, 2017	End of 112th period March 31, 2017 Thousand USD
Item			
(Assets)			
Cash and due from banks	¥ 192,068	¥ 127,543	\$ 1,136,848
Cash	23,585	23,353	208,155
Deposits	168,482	104,190	928,692
Trading account securities	1,392	1,413	12,594
National government bonds	317	157	1,399
Municipal bonds	1,074	1,255	11,186
Securities	936,303	994,923	8,868,196
National government bonds	465,752	525,799	4,686,683
Municipal bonds	56,366	41,007	365,513
Corporate bonds	113,380	112,065	998,885
Stocks	27,387	35,771	318,843
Other securities	273,415	280,280	2,498,261
Loans and bills discounted	1,515,019	1,545,998	13,780,176
Bills discounted	12,662	10,721	95,561
Loans on bill	41,878	32,918	293,412
Loans on deed	1,308,142	1,328,560	11,842,053
Overdrafts	152,336	173,797	1,549,130
Foreign exchange	6,443	8,203	73,117
Deposits with other foreign branches	4,353	6,023	53,685
Foreign exchange purchased	2,086	2,168	19,324
Foreign exchange receivable	2	11	98
Other assets	17,991	13,964	124,467
Accrued income	3,685	2,822	25,153
Financial derivatives	4,444	3,073	27,391
Cash collateral paid for financial instruments	8,396	4,544	40,502
Other assets	1,465	3,523	31,402
Tangible fixed assets	28,548	28,573	254,684
Buildings	8,528	8,600	76,655
Land	18,493	18,432	164,292
Construction in progress	249	111	989
Other tangible fixed assets	1,277	1,429	12,737
Intangible fixed assets	832	909	8,102
Software	619	507	4,519
Other intangible fixed assets	212	401	3,574
Prepaid pension cost	4,708	5,199	46,341
Customers' liabilities for acceptances and guarantees	7,271	5,907	52,651
Reserve for possible loan losses	(8,665)	(6,015)	(53,614)
Total assets	¥ 2,701,914	¥ 2,726,621	\$ 24,303,601

(Unit: Million yen)

Item	Period		
	End of 111th period March 31, 2016	End of 112th period March 31, 2017	End of 112th period March 31, 2017 Thousand USD
(Liabilities)			
Deposits	¥ 2,288,767	¥ 2,362,850	\$ 21,061,146
Current deposits	105,441	110,979	989,205
Ordinary deposits	1,146,123	1,231,327	10,975,372
Savings deposits	29,369	29,863	266,182
Demand deposits	9,570	9,898	88,225
Time deposits	939,240	922,344	8,221,267
Time savings deposits	76	60	534
Other deposits	58,945	58,376	520,331
Certificates of deposits	107,120	111,530	994,117
Payables under repurchase agreements	124,304	102,548	914,056
Borrowed money	12,900	—	—
Borrowings	12,900	—	—
Foreign exchange	229	332	2,959
Foreign exchange sold	102	24	213
Foreign exchange payable	127	307	2,736
Other liabilities	36,637	25,033	223,130
Corporate taxes, etc. payable	1,846	328	2,923
Unpaid expenses	1,302	1,142	10,179
Unearned income	743	760	6,774
Benefit compensation reserve	0	0	0
Financial derivatives	15,334	4,844	43,176
Payables under financial instruments, etc.	1,293	3,809	33,951
Asset retirement obligations	53	82	730
Other liabilities	16,062	14,065	125,367
Accrued bonuses	815	813	7,246
Allowance for bonuses to directors and corporate auditors	25	25	222
Reserve for reimbursement of deposits	551	643	5,731
Reserve for contingencies	327	463	4,126
Deferred income taxes	5,911	1,964	17,506
Deferred income taxes for revaluation	2,884	2,876	25,635
Acceptances and guarantees	7,271	5,907	52,651
Total liabilities	¥ 2,587,746	¥ 2,614,989	\$ 23,308,574
(Net assets)			
Common stock	24,538	24,538	218,718
Capital surplus	16,964	16,964	151,207
Capital reserve	16,964	16,964	151,207
Retained earnings	43,956	49,247	438,960
Legal reserve	1,936	2,223	19,814
Other retained earnings	42,020	47,024	419,146
Net retained earnings forwarded	42,020	47,024	419,146
Treasury stock	(1,381)	(1,387)	(12,362)
Total stockholders' equity	84,077	89,362	796,523
Unrealized holding gains (losses) on securities	35,232	20,918	186,451
Deferred gains (losses) on hedges	(7,894)	(1,422)	(12,674)
Unrealized gains from revaluation of land held for use	2,636	2,616	23,317
Total valuation and translation adjustments	29,974	22,112	197,094
Stock subscription rights	116	156	1,390
Total net assets	114,168	111,631	995,017
Total liabilities and net assets	¥ 2,701,914	¥ 2,726,621	\$ 24,303,601

Statement of Income

(Unit: Million yen)

Period	111th period (April 1, 2015 through March 31, 2016)	112th period (April 1, 2016 through March 31, 2017)	112th period (April 1, 2016 through March 31, 2017) Thousand USD
Item			
Ordinary income:	¥ 52,315	¥ 42,562	\$ 379,374
Interest and dividends income	30,264	29,306	261,217
Loans and bills discounted	19,255	18,115	161,467
Interest and dividends on securities	10,887	11,124	99,153
Call loans and bills purchased	31	(2)	(17)
Receivables under resale agreements	—	(4)	(35)
Deposits	45	32	285
Other	44	41	365
Fees and commissions	6,837	6,737	60,049
Foreign exchange commissions receivable	2,292	2,292	20,429
Income from other services	4,545	4,444	39,611
Other operating income	12,725	4,413	39,335
Gain on foreign exchange trading	305	—	—
Gain on securities trading	10	—	—
Income from national government and other bonds	3,547	3,621	32,275
Income from financial derivatives	8,860	791	7,050
Other operating income	0	0	0
Other ordinary income	2,488	2,105	18,762
Gains from reversal of allowance for loan losses	—	208	1,853
Gains from recovery of written-off debts	229	544	4,848
Gain on sale of stocks, etc.	1,468	636	5,668
Other ordinary income	791	715	6,373
Ordinary expenses:	40,206	34,235	305,151
Interest expenses	2,847	1,960	17,470
Deposits	939	603	5,374
Certificates of deposits	40	23	205
Call money and bills sold	0	(3)	(26)
Securities lending	54	270	2,406
Borrowed money	72	25	222
Interest swaps	1,740	1,041	9,278
Other	0	(0)	(0)
Fees and commissions	4,092	4,312	38,434
Foreign exchange commissions payable	370	367	3,271
Other fees and commissions	3,721	3,945	35,163
Other operating expenses	9,523	4,576	40,787
Loss on foreign exchanges	—	171	1,524
Loss on trading securities transactions	—	8	71
Loss on sale of national government and other bonds	8,934	3,591	32,008
Loss on redemption of national government and other bonds	588	804	7,166
General and administrative expenses	21,074	21,719	193,591
Other expenses	2,669	1,666	14,849
Provision of reserve for possible loan losses	957	—	—
Loans amortized	376	1,185	10,562
Losses on sale of stocks, etc.	708	10	89
Loss on money held in trust	9	5	44
Other expenses	617	464	4,135
Ordinary profit	12,109	8,326	74,213
Extraordinary gains	11	0	0
Gains from sales of fixed assets	11	0	0
Extraordinary losses	133	66	588
Losses on disposal of fixed assets	109	47	418
Losses on impairment of fixed assets	23	18	160
Income before income taxes	11,987	8,259	73,616
Corporate tax, corporate inhabitant tax and business tax	3,729	2,016	17,969
Adjustment of corporate taxes, etc.	925	(464)	(4,135)
Total corporate taxes, etc.	4,655	1,551	13,824
Net income	¥ 7,332	¥ 6,707	\$ 59,782

Amount in U.S. dollar is translated from Japanese yen, solely for convenience, at ¥112.19 = U.S. \$1.00, the exchange rate prevailing on March 31, 2017.

Corporate Data

BOARD OF DIRECTORS AND CORPORATE AUDITORS

Chairman and CEO

Satoru Araki

President and CEO

Katsuya Sato

Senior Managing Director

Kazuyoshi Hirokawa

Managing Director

Ichiro Muromoto

Hiroyuki Kaizu

Satoru Kumakura

Terasu Sato

Directors

Masami Watanabe

Ryuji Takahashi

Makoto Takahashi

Hiroki Hoshi

Hiroshi Fukuhara

Kiroku Takeuchi

Standing Corporate Auditors

Mikiya Toyooka

Shuichi Nomizu

Corporate Auditors

Toshio Kitamura

Shiro Watanabe

(as of June 23, 2017)

BASIC DATA

Date of Foundation

December 20, 1878

Date of Incorporation

December 7, 1942

Authorized Shares

(in thousands)

600,000

Outstanding Shares

(in thousands)

24,514

Paid-in Capital

24,538 million yen

Number of Shareholders

7,741

Employees

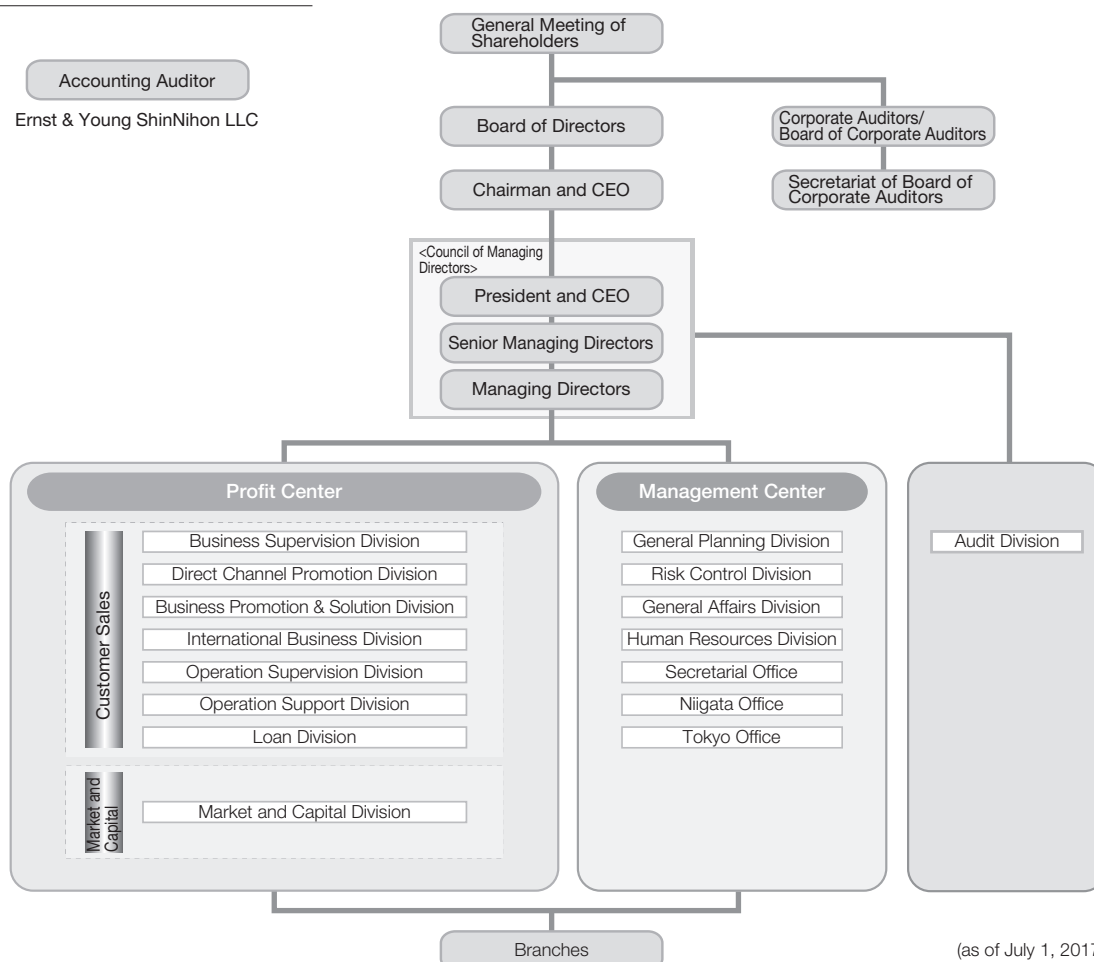
1,427

Stock Listing

First Section of the Tokyo Stock Exchange

(as of March 31, 2017)

ORGANIZATIONAL STRUCTURE OF THE HEADQUARTERS



(as of July 1, 2017)

Subsidiaries

Consolidated Subsidiaries of The Hokuetsu Bank, Ltd.			
Name of Companies	Type of Business	Capital (Million yen)	Voting Share (%)
The Hokuetsu Leasing Co., Ltd.	Leasing	100	100
The Hokuetsu Card, Ltd.	Credit Guarantee Business Credit Card Business	20	100
The Hokuetsu Credit Guarantee Co., Ltd.	Credit Guarantee Business	210	100
The Hokugin Economic Research Institute, Ltd.	Research and investigation as well as provision of information on socioeconomic issues	30	50

SERVICE NETWORK

Head Office

2-14, Otedori 2-chome, Nagaoka City,
Niigata 940-8650
Phone: (0258) 35-3111

International Business Division

Address: same as Head Office
SWIFT: HETSJPJT
Phone: (0258) 39-7371

Foreign Exchange Offices

The following are the major branches providing a full range of foreign exchange banking services:

Head Office

Ken-oh Tsubame Branch

1-2 Butsuryu Center, Tsubame City,
Niigata 959-1277

Niigata Branch

1300, Hachibancho, Kamiookawamaedori, Chuo-ku,
Niigata City, Niigata 951-8602

Sanjo Branch

2-4-31, Asahicho, Sanjo City,
Niigata 955-0065

Tokyo Branch

16-1, Nihonbashi Koamicho Chuo-ku,
Tokyo 104-0016

Tsubame Branch

2-10, Kokucho, Tsubame City,
Niigata 959-1200

Number of Branches by Area

Niigata Prefecture	79
Gunma Prefecture	2
Saitama Prefecture	2
Tokyo	1
Total	84

(as of March 31, 2017)