The Awa Bank, Ltd.

Consolidated Financial Statements

The Awa Bank, Ltd. and its Consolidated Subsidiaries

Years ended March 31,2013 and 2014

Independent Auditor's Report

To the Board of Directors of The Awa Bank, Ltd.:

We have audited the accompanying consolidated financial statements of The Awa Bank, Ltd. and its consolidated subsidiaries, which comprise the consolidated balance sheets as at March 31, 2014 and 2013, and the consolidated income statements, statements of comprehensive income, statements of changes in net assets and statements of cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

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 such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatements, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in Japan. Those standards require that we comply with ethical requirements and 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 our judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control 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, while the objective of the financial statement audit is not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. 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 present fairly, in all material respects, the financial position of The Awa Bank, Ltd. and its consolidated subsidiaries as at March 31, 2014 and 2013, and their financial performance and cash flows for the years then ended in accordance with accounting principles generally accepted in Japan.

Convenience Translation

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2014 are presented solely for convenience. Our audit also included the translation of yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 1 to the consolidated financial statements.

January 15, 2015
Osaka, Japan

KPMG AZSA LLC

Consolidated Balance Sheets
The Awa Bank, Ltd. and its Consolidated Subsidiaries
For the years ended March 31, 2013 and 2014

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2013	2014	2014
Assets			
Cash and due from banks (Notes 3 and 4)	¥ 147,927	¥ 195,395	$ 1,898,513
Call loans and bills purchased (Note 4)	90,234	33,116	321,764
Commercial paper and other debt purchased (Note 4)	6,041	2,936	28,527
Trading account securities (Notes 4 and 5)	783	875	8,502
Securities (Notes 4, 5 and 9)	993,984	1,005,920	9,773,805
Loans and bills discounted (Notes 4, 6, 7 and 8)	1,568,137	1,646,325	15,996,162
Foreign exchange	5,806	4,415	42,898
Lease receivables and investment assets (Note 4)	22,355	23,742	230,684
Other assets (Note 9)	13,054	5,772	56,082
Tangible fixed assets (Notes 10 and 11)	33,064	32,193	312,796
Intangible fixed assets	3,197	3,181	30,908
Net defined benefit asset (Note 19)	–	7,936	77,108
Deferred tax assets (Note 15)	378	409	3,974
Customers' liabilities for acceptances and guarantees (Note 16)	6,325	6,647	64,584
Reserve for possible loan losses	(21,963)	(21,390)	(207,831)
Total assets	¥ 2,869,322	¥ 2,947,472	$ 28,638,476
Liabilities			
Deposits (Notes 4 and 9)	¥ 2,405,998	¥ 2,497,080	$ 24,262,340
Negotiable certificates of deposit (Note 4)	108,357	106,599	1,035,746
Call money and bills sold (Note 4)	48,663	20,069	194,996
Payables under securities lending transactions (Note 9)	9,591	21,592	209,794
Borrowed money (Notes 4 and 17)	11,893	11,126	108,103
Foreign exchange	76	18	175
Bonds (Notes 4 and 18)	22,000	22,000	213,758
Other liabilities	22,630	19,840	192,771
Accrued employees' bonuses	27	25	243
Accrued directors' bonuses	42	50	486
Employees' severance and retirement benefits (Note 19)	6,361	–	–
Net defined benefit liability (Note 19)	–	5,806	56,413
Accrued directors' retirement benefits	327	406	3,945
Reserve for reimbursement of deposits	635	610	5,927
Reserve for contingent liabilities	502	571	5,548
Deferred tax liabilities (Note 15)	9,224	9,517	92,470
Deferred tax liabilities for land revaluation account (Note 11)	3,516	3,516	34,162
Acceptances and guarantees (Note 16)	6,325	6,647	64,584
Total liabilities	2,656,167	2,725,472	26,481,461
Net Assets			
Common stock			
Authorized – 500,000,000 shares			
Issued – 231,100,000 shares	23,453	23,453	227,876
Capital surplus	16,233	16,239	157,783
Retained earnings	110,749	119,625	1,162,311
Treasury stock	(823)	(1,076)	(10,455)
— Issued 2,030,553 shares in 2014 and 1,593,180 shares in 2013.			
Total shareholders' equity	149,612	158,241	1,537,515
Net unrealized holding gains on securities (Note 5)	48,457	47,945	465,847
Net deferred gains (losses) on derivatives under hedge accounting	(821)	(646)	(6,277)
Land revaluation account (Note 11)	5,071	5,118	49,728
Remeasurements of defined benefit plans (Note 19)	–	322	3,129
Total accumulated other comprehensive income	52,707	52,739	512,427
Minority interests in consolidated subsidiaries	10,836	11,020	107,073
Total net assets	213,155	222,000	2,157,015
Total liabilities and net assets	¥ 2,869,322	¥ 2,947,472	$ 28,638,476

See Notes to Consolidated Financial Statements.

Consolidated Statements of Income
The Awa Bank, Ltd. and its Consolidated Subsidiaries
For the years ended March 31, 2013 and 2014

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2013	2014	2014
Income:			
Interest and dividend income:			
Interest on loans and discounts	¥ 30,025	¥ 29,017	$ 281,937
Interest and dividends on securities	13,098	14,469	140,585
Other interest income	433	354	3,440
Trust fees	0	0	0
Fees and commissions	7,268	7,728	75,087
Other operating income	12,383	12,188	118,422
Other income (Note 12)	2,127	2,236	21,726
Total income	65,334	65,992	641,197
Expenses:			
Interest expense:			
Interest on deposits and certificates of deposit	1,553	1,111	10,795
Interest on borrowings, rediscounts and bonds	518	413	4,013
Other interest expense	500	612	5,946
Fees and commissions	1,438	1,478	14,361
Other operating expenses	10,421	10,815	105,082
General and administrative expenses	28,590	28,208	274,077
Other expenses:			
Provision for loan losses	4,374	4,239	41,187
Other expenses (Note 13)	1,737	1,144	11,115
Total expenses	49,131	48,020	466,576
Income before income taxes	16,203	17,972	174,621
Income taxes (Note 15):			
Current	4,259	6,686	64,963
Deferred	2,445	351	3,410
Income before minority interests	9,499	10,935	106,248
Minority interests in income of consolidated subsidiaries	342	408	3,965
Net income	¥ 9,157	¥ 10,527	$ 102,283

Per share of common stock	Yen		U.S. dollars (Note 1)
	2013	2014	2014
Net income per share – basic	¥ 39.76	¥ 45.98	$ 0.447
Dividends	7.00	8.00	0.078

For the years ended March 31, 2013 and 2014, diluted net income per share of common stock was not disclosed because no dilutive securities were outstanding.

See Notes to Consolidated Financial Statements.

Consolidated Statements of Comprehensive Income
The Awa Bank, Ltd. and its Consolidated Subsidiaries
For the years ended March 31, 2013 and 2014

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2013	2014	2014
Income before minority interests	¥ 9,499	¥ 10,935	$ 106,248
Other comprehensive income:			
Net unrealized holding gains (losses) on securities	21,713	(671)	(6,520)
Net deferred gains (losses) on derivatives under hedge accounting	(679)	175	1,700
Total other comprehensive income (Note 14)	21,034	(496)	(4,820)
Comprehensive income	¥ 30,533	¥ 10,439	$ 101,428
Comprehensive income attributable to:			
Owners of the parent company	¥ 29,689	¥ 10,190	$ 99,009
Minority interests	844	249	2,419

See Notes to Consolidated Financial Statements.

Consolidated Statements of Changes in Net Assets
The Awa Bank, Ltd. and its Consolidated Subsidiaries
For the years ended March 31, 2013 and 2014

Millions of yen

	Number of shares of common stock issued	Stockholders' equity: Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity	Accumulated other comprehensive income: Net unrealized holding gains on securities	Net deferred gains (losses) on derivatives under hedge accounting	Land revaluation account	Remeasurements of defined benefit plans	Total accumulated other comprehensive income	Minority interests in consolidated subsidiaries	Total net assets
Balance at April 1, 2012	232,400,000	¥ 23,453	¥ 16,233	¥ 103,831	¥ (1,205)	¥ 142,312	¥ 27,246	¥ (142)	¥ 5,066	¥ –	¥ 32,170	¥ 10,220	¥ 184,702
Changes during the accounting period													
Dividends	–	–	–	(1,497)	–	(1,497)	–	–	–	–	–	–	(1,497)
Net income	–	–	–	9,157	–	9,157	–	–	–	–	–	–	9,157
Purchase of treasury stock	–	–	–	–	(726)	(726)	–	–	–	–	–	–	(726)
Disposal of treasury stock	–	–	–	(17)	388	371	–	–	–	–	–	–	371
Retirement of treasury stock	(1,300,000)	–	–	(720)	720	–	–	–	–	–	–	–	–
Reversal of land revaluation account	–	–	–	(5)	–	(5)	–	–	–	–	–	–	(5)
Changes other than changes in stockholders' equity (net)	–	–	–	–	–	–	21,211	(679)	5	–	20,537	616	21,153
Total changes during the accounting period	(1,300,000)	–	–	6,918	382	7,300	21,211	(679)	5	–	20,537	616	28,453
Balance at March 31, 2013	231,100,000	23,453	16,233	110,749	(823)	149,612	48,457	(821)	5,071	–	52,707	10,836	213,155
Changes during the accounting period													
Dividends	–	–	–	(1,604)	–	(1,604)	–	–	–	–	–	–	(1,604)
Net income	–	–	–	10,527	–	10,527	–	–	–	–	–	–	10,527
Purchase of treasury stock	–	–	–	–	(605)	(605)	–	–	–	–	–	–	(605)
Disposal of treasury stock	–	–	6	–	352	358	–	–	–	–	–	–	358
Reversal of land revaluation account	–	–	–	(47)	–	(47)	–	–	–	–	–	–	(47)
Changes other than changes in stockholders' equity (net)	–	–	–	–	–	–	(512)	175	47	322	32	184	216
Total changes during the accounting period	–	–	6	8,876	(253)	8,629	(512)	175	47	322	32	184	8,845
Balance at March 31, 2014	231,100,000	¥ 23,453	¥ 16,239	¥ 119,625	¥ (1,076)	¥ 158,241	¥ 47,945	¥ (646)	¥ 5,118	¥ 322	¥ 52,739	¥ 11,020	¥ 222,000

Thousands of U.S. dollars (Note 1)

	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity	Net unrealized holding gains on securities	Net deferred gains (losses) on derivatives under hedge accounting	Land revaluation account	Remeasurements of defined benefit plans	Total accumulated other comprehensive income	Minority interests in consolidated subsidiaries	Total net assets
Balance at April 1, 2013	$ 227,876	$ 157,724	$ 1,076,069	$ (7,996)	$ 1,453,673	$ 470,822	$ (7,978)	$ 49,272	$ –	$ 512,116	$ 105,285	$ 2,071,074
Changes during the accounting period												
Dividends	–	–	(15,585)	–	(15,585)	–	–	–	–	–	–	(15,585)
Net income	–	–	102,283	–	102,283	–	–	–	–	–	–	102,283
Purchase of treasury stock	–	–	–	(5,879)	(5,879)	–	–	–	–	–	–	(5,879)
Disposal of treasury stock	–	59	–	3,420	3,479	–	–	–	–	–	–	3,479
Reversal of land revaluation account	–	–	(456)	–	(456)	–	–	–	–	–	–	(456)
Changes other than changes in stockholders' equity (net)	–	–	–	–	–	(4,975)	1,701	456	3,129	311	1,788	2,099
Total changes during the accounting period	–	59	86,242	(2,459)	83,842	(4,975)	1,701	456	3,129	311	1,788	85,941
Balance at March 31, 2014	$ 227,876	$ 157,783	$ 1,162,311	$ (10,455)	$ 1,537,515	$ 465,847	$ (6,277)	$ 49,728	$ 3,129	$ 512,427	$ 107,073	$ 2,157,015

See Notes to Consolidated Financial Statements.

Consolidated Statements of Cash Flows
The Awa Bank, Ltd. and its Consolidated Subsidiaries
For the years ended March 31, 2013 and 2014

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2013	2014	2014
Cash flows from operating activities:			
Income before income taxes	¥ 16,203	¥ 17,972	$ 174,621
Depreciation	2,461	2,392	23,241
Impairment losses	34	96	933
Gains on negative goodwill	(212)	–	–
Increase (decrease) in reserve for possible loan losses	(688)	(572)	(5,558)
Net change in provision for contingent liabilities	64	69	670
Increase (decrease) in accrued employees' bonuses	1	(1)	(10)
Increase (decrease) in accrued directors' bonuses	17	8	78
Increase (decrease) in employees' severance and retirement benefits	(28)	–	–
Decrease (increase) in net defined benefit asset	–	(2,183)	(21,211)
Increase (decrease) in net defined benefit liability	–	(205)	(1,992)
Net change in reserve for retirement payments to directors	(302)	78	758
Net change in reserve for claims on dormant accounts	(35)	(25)	(243)
Interest and dividend income	(43,556)	(43,840)	(425,962)
Interest expense	2,571	2,136	20,754
Securities losses (gains), net	130	(505)	(4,907)
Moneys held in trust losses (gains), net	(0)	(0)	(0)
Foreign exchange losses (gains), net	(16,301)	(12,927)	(125,602)
Losses on disposal of tangible fixed assets, net	64	35	340
Net decrease (increase) in trading account securities	(18)	(91)	(884)
Net decrease (increase) in loans and bills discounted	3,487	(78,188)	(759,697)
Net increase (decrease) in deposits	31,951	91,082	884,979
Net increase (decrease) in certificates of deposit	(24,588)	(1,758)	(17,081)
Net increase (decrease) in borrowed money (except for subordinated borrowed money)	(23,523)	(766)	(7,443)
Net decrease (increase) in due from banks (except for deposits with the Bank of Japan)	(157)	(273)	(2,653)
Net decrease (increase) in call loans, bills purchased, commercial paper and other debt purchased	(54,164)	60,258	585,484
Net increase (decrease) in call money	21,897	(28,594)	(277,827)
Net increase (decrease) in payables under securities lending transactions	7,466	12,000	116,595
Net decrease (increase) in foreign exchange (assets)	(676)	1,331	12,932
Net increase (decrease) in foreign exchange (liabilities)	76	(58)	(564)
Increase (decrease) in straight bond-issuance and redemption	10,000	–	–
Interest and dividends received	45,568	46,723	453,974
Interest paid	(2,701)	(4,093)	(39,768)
Other	5,213	(3,957)	(38,446)
Subtotal	(19,746)	56,144	545,511
Income taxes paid	(3,753)	(4,230)	(41,100)
Net cash provided by (used in) operating activities	(23,499)	51,914	504,411
Cash flows from investing activities:			
Payments for purchases of securities	(253,930)	(199,140)	(1,934,900)
Proceeds from sales of securities	91,948	104,657	1,016,877
Proceeds from maturities of securities	79,925	93,141	904,984
Increase in moneys held in trust	(800)	(700)	(6,801)
Decrease in moneys held in trust	800	700	6,801
Payments for purchases of tangible fixed assets	(1,536)	(549)	(5,334)
Payments for disposal of tangible fixed assets	(17)	(12)	(117)
Proceeds from sales of tangible fixed assets	0	3	29
Purchases of intangible fixed assets	(913)	(955)	(9,279)
Net cash used in investing activities	(84,523)	(2,855)	(27,740)
Cash flows from financing activities:			
Payments for redemption of subordinated bonds	(5,000)	–	–
Dividends paid	(1,497)	(1,604)	(15,585)
Dividends paid to minority interests stockholders	(17)	(16)	(155)
Payments for purchases of treasury stock	(726)	(605)	(5,879)
Proceeds from sales of treasury stock	371	358	3,479
Net cash used in financing activities	(6,869)	(1,867)	(18,140)
Foreign currency translation adjustments	12	3	29
Net increase (decrease) in cash and cash equivalents	(114,879)	47,195	458,560
Cash and cash equivalents at beginning of year	262,115	147,236	1,430,587
Cash and cash equivalents at end of year (Note 3)	¥ 147,236	¥ 194,431	$ 1,889,147

See Notes to Consolidated Financial Statements.

Notes to Consolidated Financial Statements
The Awa Bank, Ltd. and its Consolidated Subsidiaries
For the years ended March 31, 2013 and 2014

1. Basis of Presentation of Consolidated Financial Statements

The accompanying consolidated financial statements of The Awa Bank, Ltd. (the “Bank”) and its consolidated subsidiaries have been prepared in accordance with the provisions set forth in the Japanese Financial Instruments and Exchange Law and the Japanese Banking Law, generally conform with the Japanese Uniform Rules for Bank Accounting and the guidelines of Japanese regulatory authorities and are in conformity with accounting principles generally accepted in Japan (“Japanese GAAP”), which are different in certain respects from the application and disclosure requirements of International Financial Reporting Standards.

The accompanying consolidated financial statements have been restructured and translated into English, with some expanded descriptions, from the consolidated financial statements of the Bank prepared in accordance with Japanese GAAP and filed with the appropriate Local Finance Bureau of the Ministry of Finance as required by the Financial Instruments and Exchange Law. Some supplementary information included in the statutory Japanese language consolidated financial statements, but not required for fair presentation, is not presented in the accompanying consolidated financial statements.

The translations of the Japanese yen amounts into U.S. dollar amounts are included solely for the convenience of the readers outside Japan, using the prevailing exchange rate at March 31, 2014, which was ¥102.92 to U.S.$1.00. The translations should not be construed as representations that the Japanese yen amounts have been, could have been or could in the future be converted into U.S. dollars at this or any other rate of exchange.

2. Significant Accounting Policies

(1) Principles of consolidation

The consolidated financial statements for the years ended March 31, 2013 and 2014 include the accounts of the Bank and all four of its subsidiaries:

The Awagin Business Service Company Limited
The Awagin Lease Company Limited
The Awagin Guaranty Company Limited
The Awagin Card Company Limited

All significant intercompany balances, transactions and unrealized profits and losses included in assets and liabilities have been eliminated. In the elimination of investments in subsidiaries, the assets and liabilities of the subsidiaries, including the portion attributable to minority shareholders, are evaluated using the fair value at the time the Bank acquired control of the respective subsidiary.

One of the Bank’s subsidiaries, the Awagin AFFrinnovation Investment Limited Partnership, is excluded from the scope of consolidation for the year ended March 31, 2014 since the exclusion does not affect the reasonable interpretation of the financial condition and operating results of the enterprise group in terms of assets and the Bank’s ownership percentage of net income, retained earnings and accumulated other comprehensive income.

The Awagin AFFrinnovation Investment Limited Partnership is also not accounted for using the equity method for the year ended March 31, 2014 since the exclusion does not have a material impact on the consolidated financial statements in terms of the Bank’s ownership percentage of net income, retained earnings and accumulated other comprehensive income.

(2) Trading account securities

Listed trading account securities of the Bank are stated at fair market value. Gains and losses realized on disposal and unrealized gains and losses from market value fluctuations of the securities are recognized as gains and losses in the period of the change. Cost is calculated by the moving average method.

2. Significant Accounting Policies (cont'd)

(3) Securities

Held-to-maturity debt securities are stated at amortized cost. Available-for-sale securities with available fair market values are stated at fair market value, which is the average for the last month of the fiscal year. Unrealized gains and unrealized losses on these securities are reported, net of applicable income taxes, as a separate component of shareholders' equity or net assets. Realized gains and losses on the sale of such securities are computed using moving average cost. Available-for-sale securities whose fair values are extremely difficult to determine are stated at moving average cost. Debt securities with no available fair market values are stated at amortized cost, net of the amount considered not collectible.

(4) Tangible fixed assets

Buildings and equipment are generally stated at cost, less accumulated depreciation and deferred gains on the sale of real estate. Depreciation of buildings and equipment owned by the Bank and its consolidated subsidiaries is recorded using the declining balance method, except for buildings acquired after April 1, 1998 – which are depreciated using the straight-line method. At March 31, 2013 and 2014, estimated useful lives were as follows:

Buildings	19～50 years
Equipment	4～8 years

(5) Intangible fixed assets

Depreciation for intangible fixed assets of the Bank and its consolidated subsidiaries is recorded using the straight-line method. Internal use software costs of the Bank and its consolidated subsidiaries are depreciated using the straight-line method over the estimated useful life of five years. Goodwill is expensed when incurred.

(6) Reserve for possible loan losses

The Bank writes off loans and makes provisions for possible loan losses based on the financial circumstances of the borrower and the status of the loan. For loans to insolvent customers who are undergoing bankruptcy or other collection proceedings or who are in a similar financial condition, the reserve for possible loan losses for the portions of the loans that are neither secured nor guaranteed is provided in the full amount, excluding write-off amounts and the portion that is estimated to be recoverable due to the existence of security interests or guarantees. For loans to customers not presently in the above circumstances but who have a high probability of becoming so, the reserve for possible loan losses for the portions of the loans that are neither secured nor guaranteed is provided for in the amounts estimated to be unrecoverable after an evaluation of the customer's overall financial condition. For other loans such as normal loans and loans requiring special attention, the reserve for possible loan losses is provided based on the Bank's actual rate of loan losses in the past.

Assessments and classifications regarding possible loan losses are made by each business department and credit supervision department and are audited by the independent Credit Administration Department. The reserve for possible loan losses is provided based on such auditing results. The consolidated subsidiaries write off loans and make provisions for possible loan losses based on their actual rate of loan losses in the past. However, unrecoverable amounts of loans to customers who have a high probability of becoming bankrupt are estimated and a reserve for possible loan losses is provided based on the estimation.

For the fiscal years ended March 31, 2013 and 2014, the Bank wrote off portions of loans that were estimated to be unrecoverable from insolvent customers who were undergoing bankruptcy or other collection proceedings. The estimated unrecoverable amounts were determined after excluding estimated recoverable amounts due to the existence of security interests or guarantees. As of March 31, 2013 and 2014, the write-off of the estimated unrecoverable amounts was ¥26,139 million and ¥25,893 million ($251,584 thousand), respectively.

2. Significant Accounting Policies (cont'd)

(7) Accrued employees' bonuses

Accrued employees' bonuses were recorded to pay bonuses to employees of the consolidated subsidiaries for the fiscal years ended March 31, 2013 and 2014.

(8) Accounting for retirement benefits

The straight-line method is used as a method of attributing expected benefits to the period through the end of the fiscal year in calculating projected benefit obligation. Prior service costs are recognized in the statements of income using the straight-line method within the average of the estimated remaining service years of employees (10 years). Actuarial differences are recognized in the statements of income using the straight-line method within the average of the estimated remaining service years (10 years) commencing with the following period.

Consolidated subsidiaries apply the simplified method for their unfunded lump-sum payment plans, which assumes the Bank's projected benefit obligation to be equal to the benefits payable assuming the voluntary retirement of all employees at the fiscal year-end in calculating net defined benefit liability and retirement benefit expenses.

(9) Bonuses to directors

Bonuses to directors are recorded as expense in the current period, and the related liability is recorded in other liabilities.

(10) Accrued directors' retirement benefits

A provision is made for accrued retirement benefits of directors and corporate auditors in the amount deemed accrued at the end of the reporting period.

(11) Reserve for reimbursement of deposits

A provision is made for losses on future reimbursement of deposits in an amount deemed necessary, taking into account the Bank's estimated refund amount.

(12) Reserve for contingent liabilities

A provision is made for future payment on loan-loss burden-sharing to credit guarantee associations in an estimated payment amount.

(13) Translation of foreign currencies

Foreign currency denominated assets and liabilities held by the Bank at the year end are translated into Japanese yen at exchange rates prevailing at the end of the fiscal year.

(14) Accounting for leases

Sales and cost of sales as lessor are recognized at the time of receiving lease payments.

(As lessor)

On finance lease transactions in which ownership of the lease assets is not transferred to the lessee and for which the leasing contracts commenced prior to April 1, 2008, the new accounting standard, Accounting Standards Board of Japan ("ASBJ") Guidance No. 16, "Guidance on Accounting Standard for Lease Transactions," issued on March 30, 2007, was adopted, and for accumulated depreciation lease investment assets beginning with the year ended March 31, 2009, book value is regarded as the depreciable amount, in accordance with Article 81 of Guidance No. 16. As a result, income before income taxes for the years ended March 31, 2013 and 2014 were ¥195 million and ¥83 million ($806 thousand) more, respectively, than the amounts that would have been reported without the change.

2. Significant Accounting Policies (cont’d)

(15) Derivatives and hedge accounting

Derivative financial instruments are carried at market value.

① Hedge of interest rate risk

In order to hedge the interest rate risk associated with various financial assets and liabilities, the Bank applies the deferred hedge method stipulated in “Accounting and Auditing Treatment of Accounting Standards for Financial Instruments in Banking Industry” (JICPA Industry Audit Committee Report No. 24).

The effectiveness of hedging is assessed for each identified group of hedged deposits, loans and similar instruments and the corresponding group of hedging instruments, such as interest rate swaps, in the same maturity bucket. In assessing the effectiveness of cash flow hedges, the correlation between the interest rate sensitivities of the hedged instruments and the hedging instruments is examined.

② Hedge of foreign currency risk

The Bank applies the deferred method of hedge accounting to hedge foreign exchange risks associated with various foreign currency denominated monetary assets and liabilities as stipulated in “Accounting and Auditing Concerning Accounting for Foreign Currency Transactions in the Banking Industry” (JICPA Industry Audit Committee Report No. 25). Assessment of the effectiveness of these hedge transactions is conducted by confirming whether notional amounts of hedging foreign exchange swaps, etc. correspond to the hedged foreign currency denominated receivables or payables.

(16) Cash flow statements

In preparing consolidated statements of cash flows, cash on hand and deposits with the Bank of Japan are considered to be cash and cash equivalents.

(17) Income taxes

The tax effects of loss carryforwards and the temporary differences between the carrying amounts of assets and liabilities for tax and financial reporting are recognized. The asset-liability approach is used to recognize deferred tax assets and liabilities for the expected future tax consequences of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes.

(18) Per share data

Net income per share is based on the weighted average number of shares of common stock outstanding during the year, excluding treasury stock.

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

2. Significant Accounting Policies (cont’d)

(19) Changes in accounting policies

Effective from the fiscal year ended March 31, 2014, the Bank and its consolidated domestic subsidiaries adopted “Accounting Standard for Retirement Benefits” (ASBJ Statement No. 26, May 17, 2012 (hereafter the “Standard”)) and “Guidance on Accounting Standard for Retirement Benefits” (ASBJ Guidance No. 25, May 17, 2012 (hereafter the “Guidance”)) (excluding the provisions indicated in the body text of paragraph 35 of the Standard and paragraph 67 of the Guidance). Consequently, the difference between projected benefit obligation and plan assets is recorded as net defined benefit asset or net defined benefit liability from the fiscal year ended March 31, 2014.

With regard to the adoption of the Standard and the Guidance, unrecognized actuarial differences and unrecognized prior service costs after income tax effects are recorded as remeasurements of defined benefit plans in accumulated other comprehensive income as of March 31, 2014 in accordance with the transitional treatments indicated in paragraph 37 of the Standard.

As a result, net defined benefit asset of ¥7,936 million ($77,108 thousand) and net defined benefit liability of ¥5,806 million ($56,413 thousand) were recorded. In addition, deferred tax assets and deferred tax liabilities increased by ¥4 million ($39 thousand) and ¥182 million ($1,768 thousand), respectively, minority interests decreased by ¥49 million ($476 thousand) and accumulated other comprehensive income increased by ¥322 million ($3,129 thousand) as of March 31, 2014.

(20) Unapplied accounting standards

① Accounting Standards for Retirement Benefits (May 17, 2012)

(i) Summary
This accounting standard and related guidance were revised with a focus mainly on the treatment of unrecognized actuarial differences and unrecognized prior service costs, the calculation method for projected benefit obligation and prior service costs and the enhancement of disclosures from the point of view of improving financial reporting and consideration of international trends.
(ii) Effective date
The Bank and its consolidated subsidiaries have scheduled to apply the revision of the calculation method for projected benefit obligation and prior service costs effective from the beginning of the fiscal year starting on April 1, 2014.
(iii) Effects of application of the standards
As a result of this change, retained earnings are expected to increase by ¥410 million ($3,984 thousand) at the beginning of the fiscal year starting on April 1, 2014.

② Accounting Standards for Business Combinations (September 13, 2013)

(i) Summary
This accounting standard and related guidance were revised with a focus mainly on 1) the treatment of change in the parent’s ownership interest in its subsidiary as a result of additional acquisition of shares of the subsidiary while the parent retains its controlling interest; 2) the treatment of acquisition related costs; 3) the treatment of provisional accounting procedures; and 4) the presentation of net income and the change from minority interests to non-controlling interests.
(ii) Effective date
The Bank and its consolidated subsidiaries have scheduled to adopt the standards effective from the beginning of the fiscal year starting on April 1, 2015.
(iii) Effects of application of the standards
Effects of application of the revised accounting standards are not yet determined.

2. Significant Accounting Policies (cont’d)

③ Practical Solution on Transactions of Delivering the Company’s Own Stock to its Employees, etc, through Trusts (December 25, 2013)

(i) Summary
This practical solution clarifies the practical treatment of transactions of delivering the company’s own stock to its employees or employee shareholding association through trusts.
(ii) Effective date
The Bank and its consolidated subsidiaries have scheduled to apply the practical solution effective from the beginning of the fiscal year starting on April 1, 2014.
(iii) Effects of application of the practical solution
The application of the practical solution has had no effect on the consolidated financial statements since the previous accounting treatment continues to be applied to the trust agreements executed before the beginning of the first year of adoption of this practical solution.

3. Cash and Cash Equivalents

The reconciliation between "Cash and due from banks" in the consolidated balance sheets and "Cash and cash equivalents at end of year" in the consolidated statements of cash flows at March 31, 2013 and 2014 was as follows:

	Millions of yen		Thousands of U.S. dollars
	2013	2014	2014
Cash and due from banks	¥ 147,927	¥ 195,395	$ 1,898,513
Other	(691)	(964)	(9,366)
Cash and cash equivalents	¥ 147,236	¥ 194,431	$ 1,889,147

4. Financial Instruments

(1) Overview of financial instruments

① Policy on financial instruments
The Group provides mainly banking services and other financial services, including leasing. The Group holds financial assets such as loans and securities raised by deposits.
In order to effectively manage its assets and liabilities, the Bank works on asset and liability management (ALM) and conducts derivative transactions as part of this ALM.

② Descriptions and risks of financial instruments
The financial assets of the Bank consist mainly of loans to domestic customers, which, although subject to credit risk, have brought about changes in the domestic economy and the financial status of the borrowers. The Group credits are hedged in small lots as to not focus on certain customers.

Also the Bank holds securities that consist mainly of stocks, bonds and mutual funds for investment, management and trading purposes. They are subject to credit risk, interest rate risk and market price risk. The Group's portfolio consists mainly of government bonds and municipal bonds which are very safe.

The financial liabilities of the Bank consist mainly of deposits from domestic customers, which are subject to liquidity risk due to the difficulty of raising necessary funds due to unexpected capital outflows. The Group tries to maintain and improve the soundness and reliability of its assets and to ensure stable cash management.

Derivative transactions include interest rate swaps, currency swaps, forward foreign exchange contracts and bond futures contracts. The Bank engages in derivative transactions principally to stabilize its earnings by hedging the risk of future fluctuations in interest rates, market price and exchange rates related to assets and liabilities. These transactions also provide various services to customers to fulfill their needs.

For interest rate risk, the Bank applies hedge accounting based on "Accounting Standards and Auditing Treatment for Financial Instruments in the Banking Industry" (JICPA Industry Audit Committee Report No. 24). The Bank assesses the effectiveness of hedges in offsetting movement in the fair value from changes in interest rates by classifying the hedged items such as deposits and loans and the hedging instruments such as interest rate swaps by incidence and remaining period. For cash flow hedges, the Bank assesses the effectiveness by verifying the correlation of the interest-rate fluctuation between the hedged items and the hedging instruments.

For exchange rate risk, the Bank applies hedge accounting based on JICPA Industry Audit Committee Report No. 25, "Treatment of Accounting and Auditing Concerning Accounting for Foreign Currency Transactions in the Banking Industry." The Bank uses currency swaps and other methods to hedge exchange rate risk and evaluates the effectiveness of the hedges by confirming that a foreign currency hedge position exists in an amount equivalent to the foreign-currency denominated monetary assets or liabilities being hedged.

4. Financial Instruments (cont'd)

Derivative transactions are subject to market risk or credit risk, but the Bank does not engage in complicated or speculative transactions.

③ Risk management system for financial products
The Bank and its consolidated subsidiaries manage risk as follows:

(i) Credit risk management
The Bank prescribes "Credit Risk Management Standards" and carries out its credit risk management by division, maintains an appropriate portfolio and seeks to improve on the soundness of its assets. In addition, the Bank reviews the system for credit risk management periodically and tries to improve it.

The Credit Division is independent from the Business Promotion Division to maintain and improve the soundness of assets. The Risk Managing Division verifies credit ratings, conducts self-assessments and administers the credit portfolio and exerts influence on the internal check system to branches and the Credit Division, while trying to further enhance the credit rating and self-assessment.

(ii) Market risk management
(Management for interest rate risks, market price risks and foreign exchange risks)
The Bank has set the policy, "Taking adequate market risk within the Bank's management vitality, and the Bank assesses management risk accurately and executes policy and controls that corresponds to the Bank's management vitality, the scale and characteristic of the business to earn a profit." Then, the Bank enhances the system of management and optimizes market risk.

The Bank maintains the Trade Execution Section (front office), Administrative Processing Section to confirm and check the transactions of the Trade Execution Section (back office) and Market Risk Management Section (middle office). They set the tolerance levels for risk and measure profits and losses on market risks and report risks to the Board of Directors regularly.

The Risk Management Division, which is independent from the divisions above, monitors risk and profit and loss and reports the information to the Risk Management Committee regularly. The Group tries to improve risk management, in part, by discussing future measures. The Bank uses the VaR (Value at Risk) method for calculations of interest rate risks, foreign exchange risks and market price risks. For Japanese yen interest rate risks, the Bank analyzes the gap of risk including the deposits and loans of the entire Bank and uses the BPV (Basis Point Value) method and present value method for detailed management.

(Quantitative information on market risk)
The Bank measures market risk based on the VaR method. The variance co-variance model (holding period: 60 business days (cross-share holdings: 120 business days), confidence interval: 99%, and historical observation period: 250 business days) is applied in the measurement. The amount of market risk (estimated amount of loss) of the Group as of March 31, 2013 and 2014 was ¥27,159 million and ¥37,557 million ($364,914 thousand).

The Bank identifies the interest rate risk sorted by an internal model for the liquid deposits which have had no incoming or outgoing movement to or from the Bank for a considerable period of time as core deposits and by categorizing these using maturity periods of up to 10 years.

The Bank periodically performs back-testing to compare VaR measured by the model with hypothetical profit and loss, which are assumed to have been incurred when the portfolio was fixed as it was at the point of the risk amount measurement. The bank believes that the model estimates market risk with sufficient accuracy. VaR represents the market risk arising with a certain probability using a statistical methodology based on historical market volatilities. Risks arising from drastic market movements beyond normal estimation may not be captured by this method.

4. Financial Instruments (cont'd)

(iii) Liquidity risk management related to fund procurement
The Bank maintains the soundness and reliability of its assets and makes daily analysis of fund procurement and asset management for the stable supply of funds. The Bank maintains a sound level of highly negotiable debt securities such as government bonds. In addition, the Bank sets risk management policies and organizes liquidity risk management to maximize its assurance.

④ Supplementary explanation of the fair value of financial instruments
The fair value of financial instruments includes, in addition to the value based on the market price, value reasonably calculated if no market price is available. Since certain assumptions are used in the calculation of such values, the results of such calculations may vary if different assumptions are used.

(2) Fair value of financial instruments

The following table summarizes book values, fair values and any differences between them as of March 31, 2013 and 2014. Unlisted stocks and others for which the fair value was deemed to be extremely difficult to determine were excluded from the table (see Note 2):

	Millions of yen		
	2013		
	Book value	Fair value	Difference
(1) Cash and due from banks	¥147,927	¥147,927	¥-
(2) Call loans and bills purchased	90,234	90,234	-
(3) Commercial paper and other debt Purchased	6,041	6,041	-
(4) Trading account securities			
Available-for-sale securities	783	783	-
(5) Securities			
Held-to-maturity debt securities	-	-	-
Available-for-sale securities	984,232	984,232	-
(6) Loans and bills discounted	1,568,137		
Reserve for possible loan losses (*1)	(21,144)		
	1,546,993	1,559,210	12,217
(7) Lease receivables and investment assets	22,355		
Reserve for lease losses (*1)	(282)		
(*2)	22,073	23,503	1,430
Total assets:	¥2,798,283	¥2,811,930	¥13,647
(1) Deposits	2,405,998	2,406,388	390
(2) Negotiable certificates of deposit	108,357	108,368	11
(3) Call money and bills sold	48,663	48,663	-
Total liabilities:	¥2,563,018	¥2,563,419	¥401
Derivative transactions (*3)			
Hedge accounting not applied	(140)	(140)	-
Hedge accounting applied	(5,987)	(5,987)	-
Total derivative transactions:	¥(6,127)	¥(6,127)	¥-

(*1) "General and specific reserves for loan losses related to loans and bills discounted" and "General and specific reserves for loan losses related to lease receivables and investment assets" are excluded.
(*2) The fair value amount after deduction for uncollectible receivables of lease receivables and investment assets was ¥20,174 million.
(*3) Derivative transactions recorded in other assets and liabilities are presented as a lump sum.
Net claims and debts that arise from derivative transactions are presented on a net basis.

4. Financial Instruments (cont'd)

	Millions of yen			Thousands of U.S. dollars		
	2014			2014		
	Book value	Fair value	Difference	Book value	Fair value	Difference
(1) Cash and due from banks	¥195,395	¥195,395	¥–	$1,898,513	$1,898,513	$–
(2) Call loans and bills purchased	33,116	33,116	–	321,764	321,764	–
(3) Commercial paper and other debt Purchased	2,936	2,936	–	28,527	28,527	–
(4) Trading account securities						
Available-for-sale securities	875	875	–	8,502	8,502	–
(5) Securities						
Held-to-maturity debt securities	–	–	–	–	–	–
Available-for-sale securities	997,000	997,000	–	9,687,136	9,687,136	–
(6) Loans and bills discounted	1,646,325			15,996,162		
Reserve for possible loan losses (*1)	(20,547)			(199,640)		
	1,625,778	1,634,947	9,169	15,796,522	15,885,611	89,089
(7) Lease receivables and investment assets	23,742			230,684		
Reserve for lease losses (*1)	(258)			(2,507)		
(*2)	23,484	24,813	1,329	228,177	241,090	12,913
Total assets:	¥2,878,584	¥2,889,082	¥10,498	$27,969,141	$28,071,143	$102,002
(1) Deposits	2,497,080	2,497,298	218	24,262,340	24,264,458	2,118
(2) Negotiable certificates of deposit	106,599	106,610	11	1,035,746	1,035,853	107
(3) Call money and bills sold	20,069	20,069	–	194,996	194,996	–
Total liabilities:	¥2,623,748	¥2,623,977	¥229	$25,493,082	$25,495,307	$2,225
Derivative transactions (*3)						
Hedge accounting not applied	(80)	(80)	–	(777)	(777)	–
Hedge accounting applied	(2,718)	(2,718)	–	(26,409)	(26,409)	–
Total derivative transactions:	¥(2,798)	¥(2,798)	¥–	$(27,186)	$(27,186)	$–

(*1) "General and specific reserves for loan losses related to loans and bills discounted" and "General and specific reserves for loan losses related to lease receivables and investment assets" are excluded.
(*2) The fair value amount after deduction for uncollectible receivables of lease receivables and investment assets was ¥21,406 million ($207,987 thousand).
(*3) Derivative transactions recorded in other assets and liabilities are presented as a lump sum.
Net claims and debts that arise from derivative transactions are presented on a net basis.

(Note 1) Calculation method for the fair value of financial instruments

Assets

(1) Cash and due from banks
The fair value of due from banks with no maturity is considered to be equal to the book value because the fair value of these items approximates the book value.

(2) Call loans and bills purchased
Call loans and bills purchased have short contractual terms (within 1 year), and the fair value is considered to be equal to the book value because the fair value of these items approximates the book value.

(3) Commercial paper and other debt purchased
The fair value of trustee beneficial rights in other debt purchased is based on the price quoted by corresponding securities. For factoring, these have short contractual terms (within 1 year), and the fair value is considered to be equal to the book value because the fair value of these items approximates the book value.

4. Financial Instruments (cont’d)

(4) Trading account securities
The fair value of securities such as bonds held for trading is based on the published market price or the price quoted by corresponding financial institutions.

(5) Securities
The fair value of stocks is based on the market price. The fair value of bonds is determined by the over-the-counter market value or amounts quoted by corresponding financial institutions. The fair value of investment trusts is based on the publicly disclosed base value. The fair value of private placement bonds is calculated based on loans and bills discounted. Investments in partnerships are evaluated if the partnership assets can be quoted at fair value and the posted equivalent value of net assets as the fair value of the investment in the partnership.

Information on securities classified by the purpose for which they are held is disclosed in Note 2 (3), “Significant Accounting Policies - Securities.”

(6) Loans and bills discounted
The fair value of loans and bills discounted with a floating rate is considered to be equal to the book value since the rate reflects the market rate in a short period, and the fair value of these items approximate the book value, unless the creditworthiness of the borrower changes significantly from the inception date. The fair value of loans and bills discounted with a fixed rate is calculated as the present value, discounting future cash flow at a rate that reflects the proper market rate corresponding to the remaining period and credit risk based on the internal rating. The fair value of loans and bills discounted with short contractual terms (within 1 year) is considered to be equal to the book value because the fair value of these items approximates the book value.

In addition, the fair value of claims against bankrupt obligors, substantially bankrupt obligors and intensive control obligors, because the bad debt is calculated based on the present value of the expected future cash flow or the estimated collectable amount from collateral and/or guarantees, approximates the consolidated balance sheet amount as of the consolidated balance sheet date less the allowance for bad debts.

The fair value of the loans and bills discounted with no maturity due to conditions such as limiting the loans to the value of pledged assets is deemed to be the book value since the fair value is expected to approximate the book value considering the estimated loan period, interest rate and other conditions.

(7) Lease receivables and investment assets
The fair value of lease receivables and investment assets takes into consideration the loan loss ratio of each borrower’s category and the discounted market interest rate on the consolidated balance sheet date. In addition, the fair value of claims against bankrupt obligors, substantially bankrupt obligors and intensive control obligors, because the bad debt is calculated based on the present value of the expected future cash flow or the estimated collectable amount from collateral and/or guarantees, approximates the consolidated balance sheet amount as of the consolidated balance sheet date less the allowance for bad debts.

Liabilities

(1) Deposits and (2) Negotiable certificates of deposit
The fair value of demand deposits is considered to be the payable amount as of the consolidated balance sheet date (the book value). In addition, the fair value of fixed-term deposits and negotiable certificates of deposit is calculated as the present value, discounting the future cash flow at a rate that reflects when the Bank received the new deposit. The fair value of floating interest-rate deposits, time deposits (matured), nonresident Japanese yen deposits and foreign currency time deposits is considered less important and is expected to approximate the book value.

4. Financial Instruments (cont’d)

(3) Call money and bills sold
The fair value of call money and bills sold is equal to the book value because the contractual term is within 1 year and the fair value of these items approximates the book value.

Derivative Transactions
Derivative transactions consist of interest rate related contracts (interest rate options, interest rate swaps, etc.), currency related contracts (currency options, currency swaps, etc.) and bond related contracts (bond futures, bond futures options). The fair value of these items is calculated from market price, discounted cash flow and option price calculation models, etc.

(Note 2) Financial instruments whose fair value was deemed to be extremely difficult to determine were not included in financial instruments fair value “Assets (5) Available-for-sale securities.” These instruments were as follows:

	Book value		
	Millions of yen	Millions of yen	Thousands of U.S. dollars
	2013	2014	2014
Unlisted stocks (*1)(*2)	¥ 9,738	¥ 8,911	$ 86,582
Others (*3)	¥ 15	¥ 9	$ 87
Total ----------------	¥ 9,753	¥ 8,920	$ 86,669

(*1) Unlisted stocks are not included in the disclosure of fair value because the fair value is deemed extremely difficult to determine.
(*2) The amount of unlisted stocks impaired during the year ended March 31, 2013 was not applicable and the amount for the year ended March 31, 2014 was ¥1 million ($10 thousand).
(*3) Investments in partnerships in which the partnership assets comprise unlisted stocks are not included in the disclosure of fair value because the fair value is deemed extremely difficult to determine.

4. Financial Instruments (cont'd)

(Note 3) Expected collection of monetary claims and securities with maturities:

	Millions of yen					
	2013					
	Within 1 year	1-3 years	3-5 years	5-7 years	7-10 years	Over 10 years
Cash and due from banks	¥125,177	¥ −	¥ −	¥ −	¥ −	¥ −
Call loans and bills purchased	90,234	−	−	−	−	−
Commercial paper and other debt purchased	4,539	113	−	−	1,422	−
Securities	90,078	212,409	203,482	138,974	152,268	39,686
Held-to-maturity debt securities	−	−	−	−	−	−
Japanese government bonds	−	−	−	−	−	−
Municipal bonds	−	−	−	−	−	−
Short-term corporate bonds	−	−	−	−	−	−
Corporate bonds	−	−	−	−	−	−
Others	−	−	−	−	−	−
Securities with maturities	90,078	212,409	203,482	138,974	152,268	39,686
Japanese government bonds	22,200	56,668	63,200	75,500	120,600	16,000
Municipal bonds	22,310	59,100	43,848	31,610	12,702	4,809
Short-term corporate bonds	−	−	−	−	−	−
Corporate bonds	17,763	48,037	49,804	13,247	16,367	17,947
Others	27,805	48,604	46,630	18,617	2,599	930
Loans and bills discounted (*1)	407,834	310,694	216,586	150,680	164,791	243,448
Lease receivables and investment assets (*2)	7,173	9,765	4,635	564	31	14
Total	¥725,035	¥532,981	¥424,703	¥290,218	¥318,512	¥283,148

(*1) Loans and bills discounted on which full repayment is not expected from debtors such as bankrupt obligors, substantially bankrupt obligors and intensively controlled obligors in the amount of ¥43,562 million and those without terms in the amount of ¥30,541 million are not included.
(*2) Leasing receivables and investment assets on which full repayment is not expected from debtors such as bankrupt obligors, substantially bankrupt obligors and intensively controlled obligors in the amount of ¥174 million are not included.

4. Financial Instruments (cont'd)

	Millions of yen					
	2014					
	Within 1 year	1-3 years	3-5 years	5-7 years	7-10 years	Over 10 years
Cash and due from banks	¥170,645	¥ –	¥ –	¥ –	¥ –	¥ –
Call loans and bills purchased	33,116	–	–	–	–	–
Commercial paper and other debt purchased	1,653	5	–	–	1,278	–
Securities	93,755	228,775	202,541	152,229	120,649	47,407
Held-to-maturity debt securities	–	–	–	–	–	–
Japanese government bonds	–	–	–	–	–	–
Municipal bonds	–	–	–	–	–	–
Short-term corporate bonds	–	–	–	–	–	–
Corporate bonds	–	–	–	–	–	–
Others	–	–	–	–	–	–
Securities with maturities	93,755	228,775	202,541	152,229	120,649	47,407
Japanese government bonds	13,000	72,170	70,800	106,000	87,000	18,700
Municipal bonds	30,548	52,639	40,955	20,630	13,980	10,321
Short-term corporate bonds	–	–	–	–	–	–
Corporate bonds	19,635	46,462	46,823	12,196	17,434	17,405
Others	30,572	57,504	43,963	13,403	2,235	981
Loans and bills discounted (*1)	403,371	313,941	233,105	163,722	177,619	278,712
Lease receivables and investment assets (*2)	7,233	10,328	5,150	695	170	10
Total	¥709,773	¥553,049	¥440,796	¥316,646	¥299,716	¥326,129

4. Financial Instruments (cont'd)

	Thousands of U.S. dollars					
	2014					
	Within 1 year	1–3 years	3–5 years	5–7 years	7–10 years	Over 10 years
Cash and due from banks	$1,658,035	$ –	$ –	$ –	$ –	$ –
Call loans and bills purchased	321,764	–	–	–	–	–
Commercial paper and other debt purchased	16,061	49	–	–	12,417	–
Securities	910,950	2,222,842	1,967,946	1,479,100	1,172,260	460,620
Held-to-maturity debt securities	–	–	–	–	–	–
Japanese government bonds	–	–	–	–	–	–
Municipal bonds	–	–	–	–	–	–
Short-term corporate bonds	–	–	–	–	–	–
Corporate bonds	–	–	–	–	–	–
Others	–	–	–	–	–	–
Securities with maturities	910,950	2,222,842	1,967,946	1,479,100	1,172,260	460,620
Japanese government bonds	126,312	701,224	687,913	1,029,926	845,317	181,694
Municipal bonds	296,813	511,455	397,930	200,447	135,833	100,282
Short-term corporate bonds	–	–	–	–	–	–
Corporate bonds	190,779	451,438	454,946	118,500	169,394	169,112
Others	297,046	558,725	427,157	130,227	21,716	9,532
Loans and bills discounted (*1)	3,919,268	3,050,340	2,264,914	1,590,770	1,725,797	2,708,045
Lease receivables and investment assets (*2)	70,278	100,350	50,039	6,753	1,652	97
Total	$6,896,356	$5,373,581	$4,282,899	$3,076,623	$2,912,126	$3,168,762

(*1) Loans and bills discounted on which full repayment is not expected from debtors such as bankrupt obligors, substantially bankrupt obligors and intensively controlled obligors in the amount of ¥41,801 million ($406,150 thousand) and those without terms in the amount of ¥34,054 million ($330,878 thousand) are not included.
(*2) Leasing receivables and investment assets on which full repayment is not expected from debtors such as bankrupt obligors, substantially bankrupt obligors and intensively controlled obligors in the amount of ¥156 million ($1,515 thousand) are not included.

4. Financial Instruments (cont'd)

(Note 4) Amount payable for borrowed money and other interest bearing liabilities:

	Millions of yen					
	2013					
	Within 1 year	1-3 years	3-5 years	5-7 years	7-10 years	Over 10 years
Deposits (*)	¥ 2,193,865	¥ 175,688	¥ 33,209	¥ 1,102	¥ 2,135	¥ −
Negotiable certificates of Deposit	108,357	−	−	−	−	−
Call money and bills sold	48,663	−	−	−	−	−
Borrowed money	4,546	5,603	1,740	3	−	−
Corporate bonds	−	−	10,000	−	12,000	−
Total	¥ 2,355,431	¥ 181,291	¥ 44,949	¥ 1,105	¥ 14,135	¥ −

	Millions of yen					
	2014					
	Within 1 year	1-3 years	3-5 years	5-7 years	7-10 years	Over 10 years
Deposits (*)	¥ 2,293,917	¥ 167,009	¥ 32,461	¥ 1,441	¥ 2,252	¥ −
Negotiable certificates of Deposit	106,599	−	−	−	−	−
Call money and bills sold	20,069	−	−	−	−	−
Borrowed money	4,367	5,089	1,670	−	−	−
Corporate bonds	−	−	10,000	12,000	−	−
Total	¥ 2,424,952	¥ 172,098	¥ 44,131	¥ 13,441	¥ 2,252	¥ −

	Thousands of U.S. dollars					
	2014					
	Within 1 year	1-3 years	3-5 years	5-7 years	7-10 years	Over 10 years
Deposits (*)	$ 22,288,351	$1,622,707	$ 315,400	$ 14,001	$ 21,881	$ −
Negotiable certificates of Deposit	1,035,746	−	−	−	−	−
Call money and bills sold	194,996	−	−	−	−	−
Borrowed money	42,431	49,446	16,226	−	−	−
Corporate bonds	−	−	97,163	116,595	−	−
Total	$ 23,561,524	$1,672,153	$ 428,789	$ 130,596	$ 21,881	$ −

(*) Demand deposits are included in "Within 1 year."

5. Securities

Unsecured securities that have been loaned and that allow the borrowers to sell the borrowed securities amounted to ¥52,952 million and ¥101,609 million ($987,262 thousand) as of March 31, 2013 and 2014, respectively, and are included in Japanese government bonds in Securities.

(1) The following tables summarize acquisition costs, book values and fair values of securities with available fair values as of March 31, 2013 and 2014.

① Trading securities:

	Millions of yen		Thousands of U.S. dollars
	2013	2014	2014
Amount of net unrealized gains (losses) included in statements of income	¥ 6	¥ 4	$ 39

② Held-to-maturity debt securities for the years ended March 31, 2013 and 2014:

Not applicable.

③ Available-for-sale securities:
※Book value exceeded acquisition cost.

	Millions of yen		
	2013		
	Book (fair) value	Acquisition cost	Difference
Equity securities	¥ 80,336	¥ 37,044	¥ 43,292
Bonds:			
Japanese government bonds	369,716	357,755	11,961
Municipal bonds	176,626	169,754	6,872
Corporate bonds	161,517	157,044	4,473
Other	169,706	159,010	10,696
Total	¥ 957,901	¥ 880,607	¥ 77,294
※ Book value did not exceed acquisition cost.			
Equity securities	¥ 5,602	¥ 6,489	¥ (887)
Bonds:			
Japanese government bonds	–	–	–
Municipal bonds	5,764	5,769	(5)
Corporate bonds	6,108	6,142	(34)
Other	13,922	14,061	(139)
Total	¥ 31,396	¥ 32,461	¥ (1,065)
Grand total	¥ 989,297	¥ 913,068	¥ 76,229

5. Securities (cont'd)

※Book value exceeded acquisition cost.

	Millions of yen		
	2014		
	Book (fair) value	Acquisition cost	Difference
Equity securities	¥ 89,150	¥ 42,645	¥ 46,505
Bonds:			
Japanese government bonds	380,722	368,968	11,754
Municipal bonds	167,776	162,515	5,261
Corporate bonds	155,886	152,199	3,687
Other	150,423	141,792	8,631
Total	¥ 943,957	¥ 868,119	¥ 75,838
※ Book value did not exceed acquisition cost.			
Equity securities	¥ 2,426	¥ 2,685	¥ (259)
Bonds:			
Japanese government bonds	3,023	3,029	(6)
Municipal bonds	7,592	7,616	(24)
Corporate bonds	7,708	7,758	(50)
Other	34,314	34,620	(306)
Total	¥ 55,063	¥ 55,708	¥ (645)
Grand total	¥ 999,020	¥ 923,827	¥ 75,193

5. Securities (cont'd)

※ Book value exceeded acquisition cost.

	Thousands of U.S. dollars		
	2014		
	Book (fair) value	Acquisition cost	Difference
Equity securities	$ 866,207	$ 414,351	$ 451,856
Bonds:			
Japanese government bonds	3,699,203	3,584,998	114,205
Municipal bonds	1,630,159	1,579,042	51,117
Corporate bonds	1,514,633	1,478,809	35,824
Other	1,461,553	1,377,691	83,862
Total	$ 9,171,755	$ 8,434,891	$ 736,864
※ Book value did not exceed acquisition cost.			
Equity securities	$ 23,572	$ 26,088	$ (2,516)
Bonds:			
Japanese government bonds	29,372	29,431	(59)
Municipal bonds	73,766	73,999	(233)
Corporate bonds	74,893	75,379	(486)
Other	333,405	336,378	(2,973)
Total	$ 535,008	$ 541,275	$ (6,267)
Grand total	$ 9,706,763	$ 8,976,166	$ 730,597

④ Held-to-maturity debt securities sold for the years ended March 31, 2013 and 2014:

Not applicable.

⑤ Available-for-sale securities sold in the years ended March 31, 2013 and 2014:

	Millions of yen		
	2013		
	Amount sold	Gains	Losses
Equity securities	¥ 3,961	¥ 558	¥ 1,118
Bonds:			
Japanese government bonds	58,865	386	84
Municipal bonds	3,205	7	–
Corporate bonds	15,085	225	21
Other	9,841	34	121
Total	¥ 90,957	¥ 1,210	¥ 1,344

5. Securities (cont'd)

	Millions of yen		
	2014		
	Amount sold	Gains	Losses
Equity securities	¥ 3,317	¥ 753	¥ 51
Bonds:			
Japanese government bonds	64,373	457	186
Municipal bonds	4,978	3	26
Corporate bonds	13,568	84	14
Other	18,380	153	473
Total	¥ 104,616	¥ 1,450	¥ 750

	Thousands of U.S. dollars		
	2014		
	Amount sold	Gains	Losses
Equity securities	$ 32,229	$ 7,316	$ 495
Bonds:			
Japanese government bonds	625,466	4,441	1,807
Municipal bonds	48,368	29	253
Corporate bonds	131,831	816	136
Other	178,585	1,487	4,596
Total	$ 1,016,479	$ 14,089	$ 7,287

⑥ Securities reclassified for the years ended March 31, 2013 and 2014:

Not applicable.

⑦ Available-for-sale securities with market values are considered impaired if the market value decreases materially below the acquisition cost and the decline is not considered recoverable. The market value is used for the balance sheet amount, and the amount of write-down is accounted for as an impairment loss for the fiscal year. Impairment loss for the fiscal year ended March 31, 2013 was ¥0 million, including ¥0 million of others. Impairment loss for the fiscal year ended March 31, 2014 was ¥194 million ($1,885 thousand), including ¥194 million ($1,885 thousand) of equity securities.

The market value is deemed to have decreased materially when it has fallen by 50% or more from the acquisition cost. In such cases, impairment accounting is applied uniformly. In cases where the market value has fallen by 30% or more but less than 50%, historical price trends over a specific period and the recent business performance of the issuing company are taken into account to determine whether or not the acquisition cost can be recovered. Securities whose acquisition costs are deemed not to be recoverable are written down to the current market value.

5. Securities (cont'd)

(2) Net unrealized holding gains on securities stated at market value at March 31, 2013 and 2014 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2013	2014	2014
Available-for-sale securities	¥ 76,228	¥ 75,193	$ 730,597
Deferred tax assets	–	–	–
Deferred tax liabilities	26,709	26,345	255,976
Net unrealized holding gains on securities (before adjustment for minority interests)	49,519	48,848	474,621
Minority interests	1,063	903	8,774
Net unrealized holding gains on securities	¥ 48,456	¥ 47,945	$ 465,847

(3) At March 31, 2013 and 2014, the amount of guarantee obligations for privately placed bonds (Securities and Exchange Law, Article 2, Item 3) included in corporate bonds amounted to ¥3,675 million and ¥4,055 million ($39,400 thousand), respectively.

6. Loans and Bills Discounted

At March 31, 2013 and 2014, loans and bills discounted included the following:

	Millions of yen		Thousands of U.S. dollars
	2013	2014	2014
Loans to bankrupt customers	¥ 3,939	¥ 3,248	$ 31,558
Non-accrual loans	39,797	38,709	376,108
Loans past due three months or more	125	425	4,129
Restructured loans	7,424	7,251	70,453
Total	¥ 51,285	¥ 49,633	$ 482,248

Loans to bankrupt customers are loans to customers undergoing bankruptcy or similar proceedings or who are in similar financial condition. Interest is not being accrued on these loans as there is a strong likelihood that the principal and interest are uncollectible.

Non-accrual loans are loans on which accrued interest income is not recognized, excluding "Bankrupt loans" and loans on which interest payments are deferred in order to support the borrowers' recovery from financial difficulties.

Loans past due three months or more are loans not included in the above categories or in restructured loans for which payments are past due three months or more but less than six months.

Restructured loans are loans not included in the above categories for which the Bank has granted concessions such as reduced interest rates or the deferral or waiver of interest or principal payments to support customers in financial difficulties.

7. Commercial Bills

The total face value of commercial bills obtained as a result of discounting was ¥22,128 million and ¥18,993 million ($184,541 thousand) at March 31, 2013 and 2014, respectively.

8. Commitment Lines

Loan agreements and commitment line agreements related to loans are agreements which oblige the Bank and its consolidated subsidiaries to lend funds up to a certain limit agreed to in advance. The Bank and its consolidated subsidiaries lend the funds upon the request of the borrower to draw down funds under the agreement as long as there is no breach of the various terms and conditions stipulated in the agreement. The unused commitment balances related to these agreements at March 31, 2013 and 2014 amounted to ¥406,852 million and ¥403,913 million ($3,924,534 thousand), respectively. Of these amounts, ¥405,552 million and ¥398,661 million ($3,873,504 thousand), respectively, related to loans in which the term of the agreement was one year or less or in which unconditional cancellation of the agreement was allowed at any time.

In many cases, the term of the agreement expires without the loan ever being drawn down. In these cases, the unused loan commitment does not necessarily affect future cash flows. Conditions are also included in certain loan agreements which allow the Bank and its consolidated subsidiaries either to decline the request for a loan drawdown or to reduce the agreed to limit when there is cause to do so, such as when there is a change in financial condition or when it is necessary to protect the Bank or its consolidated subsidiaries' credit.

The Bank and its consolidated subsidiaries take various measures to protect their credit. Such measures include having the obligor pledge collateral such as real estate or securities on signing the loan agreement or confirming the obligor's financial condition at regular intervals in accordance with the Bank and its consolidated subsidiaries' established internal procedures.

9. Assets Pledged

At March 31, 2013 and 2014, assets and future receipts pledged as collateral were as follows:

	Millions of yen		Thousands of U.S. dollars
	2013	2014	2014
Securities	¥ 44,944	¥ 56,481	$ 548,785

The above pledged amounts secure the following liabilities:

	Millions of yen		Thousands of U.S. dollars
	2013	2014	2014
Deposits	¥ 5,016	¥ 5,422	$ 52,682
Payables under securities lending transactions	9,591	21,592	209,794

At March 31, 2013 and 2014, certain investment securities amounting to ¥40,228 million and ¥39,713 million ($385,863 thousand), respectively, and other assets of ¥27 million and ¥25 million ($243 thousand), respectively, were pledged as collateral for settlement of exchange at the Bank of Japan and for other purposes.

At March 31, 2013 and 2014, other assets included guarantees of ¥317 million and ¥286 million ($2,779 thousand), respectively.

10. Tangible Fixed Assets

Accumulated depreciation of tangible fixed assets at March 31, 2013 and 2014 amounted to ¥34,239 million and ¥34,329 million ($333,550 thousand), respectively. Accumulated capital gains that directly offset acquisition costs of tangible fixed assets to obtain tax benefits at March 31, 2013 and 2014 amounted to ¥831 million and ¥831 million ($8,074 thousand), respectively.

11. Land Revaluation Account

In accordance with the Land Revaluation Law, the Bank revalued land used in the ordinary course of business as of March 31, 1999. The revaluation excess, net of deferred taxes, is shown as land revaluation account, a separate component of shareholders' equity. At March 31, 2013 and 2014, the current market values of the revalued land decreased from the revalued amount by ¥9,847 million and ¥10,019 million ($97,347 thousand), respectively.

12. Other Income

For the year ended March 31, 2013, other income included gain on sale of securities of ¥600 million. For the year ended March 31, 2014, other income included gain on sale of securities of ¥860 million ($8,356 thousand).

13. Other Expenses

(1) For the year ended March 31, 2013, other expenses included loans written off of ¥65 million and loss on sale of securities of ¥1,152 million. For the year ended March 31, 2014, other expenses included loans written off of ¥87 million ($845 thousand), loss on sale of securities of ¥76 million ($738 thousand) and securities written off of ¥195 million ($1,895 thousand).

13. Other Expenses (cont'd)

(2) For the years ended March 31, 2013 and 2014, the Bank reduced the book value of the following asset groups to the recoverable amount and recognized impairment losses of ¥34 million and ¥96 million ($933 thousand), respectively, due to a continuing decrease in real estate values and decrease in operating cash flows.

For the year ended March 31, 2013:
A description is omitted because the amount was immaterial.

	Area	Purpose of use		Type	Impairment losses: Millions of yen		Impairment losses: Thousands of U.S. dollars	
					2014			
Operating assets	Tokushima area	Branches	7 branches and others	Buildings	¥	5	$	49
Idle assets	Tokushima area	Idle assets	4 items	Land and buildings		91		884
Total					¥	96	$	933
				(Land)	¥	81	$	787
				(Buildings)		15		146

The Bank allocates its assets to each branch (or a group of branches if the management is in a group) which is the smallest unit of an asset group, and consolidated subsidiaries regard each entity as a unit in group. The recoverable amount is the net realizable value, which is determined by the appraisal value based on the Real Estate Appraisal Standard less the expected disposal cost.

14. Other Comprehensive Income

Amounts reclassified to net income (loss) in the current period that were recognized in other comprehensive income in the current or previous periods and the tax effects for each component of other comprehensive income for the years ended March 31, 2013 and 2014 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2013	2014	2014
Net unrealized holding gains (losses) on securities			
Increase (decrease) during the year	¥ 33,089	¥ (529)	$ (5,140)
Reclassification adjustments	130	(506)	(4,916)
Subtotal, before tax	33,219	(1,035)	(10,056)
Tax (expense) or benefit	(11,506)	364	3,536
Subtotal, net of tax	21,713	(671)	(6,520)
Net deferred gains (losses) on derivatives under hedge accounting			
Increase (decrease) during the year	(1,548)	(340)	(3,304)
Reclassification adjustments	498	612	5,946
Subtotal, before tax	(1,050)	272	2,642
Tax (expense) or benefit	371	(97)	(942)
Subtotal, net of tax	(679)	175	1,700
Total other comprehensive income	¥ 21,034	¥ (496)	$ (4,820)

15. Income Taxes

The Bank and its consolidated subsidiaries are subject to a number of taxes based on income, such as corporation tax, inhabitants tax and enterprise tax, which, in the aggregate, indicate a statutory rate of approximately 37.7% for the years ended March 31, 2013 and 2014.

The reconciliation of the statutory tax rate and effective tax rate for the year ended March 31, 2013 was as follows:

	2013
Statutory tax rate	37.7
(Adjustments)	
Items permanently excluded from expenses such as entertainment expenses	0.3
Items permanently excluded from income such as dividend income	(2.4)
Inhabitants tax on per capita basis	0.2
Increase (decrease) in valuation allowance	4.7
Others	(0.8)
Actual tax rate after application of deferred income tax accounting	41.3

A reconciliation of the statutory tax rate and effective tax rate for the year ended March 31, 2014 was not disclosed because the difference between the statutory tax rate and the effective tax rate was less than 5% of the statutory tax rate.

15. Income Taxes (cont'd)

Significant components of deferred tax assets and liabilities as of March 31, 2013 and 2014 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2013	2014	2014
Deferred tax assets:			
Excess reserve for possible loan losses	¥ 14,625	¥ 15,116	$ 146,872
Excess depreciation	917	813	7,899
Excess employees' severance and retirement benefits	1,668	–	–
Net defined benefit liability	–	679	6,597
Tax loss carryforwards	16	35	340
Net deferred gains (losses) on derivatives under hedge accounting	451	354	3,440
Other	2,204	2,431	23,620
Valuation allowance	(1,714)	(1,888)	(18,344)
Total deferred tax assets	18,167	17,540	170,424
Deferred tax liabilities:			
Deferred gains on real property	(285)	(284)	(2,759)
Unrealized gains on securities	(26,709)	(26,345)	(255,976)
Other	(19)	(19)	(185)
Total deferred tax liabilities	(27,013)	(26,648)	(258,920)
Net deferred tax assets	¥ (8,846)	¥ (9,108)	$ (88,496)

Amendments to deferred tax assets and deferred tax liabilities as a result of the revision of the rates of income taxes
The "Act on Partial Revision of the Income Tax Act" (Act No. 10 of 2014) was promulgated on March 31, 2014. Pursuant to the revision, the special reconstruction surtax will no longer be imposed from the fiscal year beginning on or after April 1, 2014, and the statutory tax rate used to calculate deferred tax assets and deferred tax liabilities was reduced from 37.75% to 35.38% for temporary differences which are expected to reverse in the fiscal year beginning on April 1, 2014.

As a result of this change, deferred tax assets decreased by ¥18 million ($175 thousand), deferred tax liabilities increased by ¥333 million ($3,236 thousand) and net deferred gains (losses) on derivatives under hedge accounting decreased by ¥1 million ($10 thousand) as of March 31, 2014. Income taxes - deferred increased by ¥350 million ($3,401 thousand) for the year ended March 31, 2014.

16. Acceptances and Guarantees

All commitments and contingent liabilities arising in connection with customers' needs in foreign trade and other transactions are included in "Acceptances and guarantees." A contra account, "Customers' liabilities for acceptances and guarantees," is shown on the asset side, representing the Bank's right of indemnity from customers.

17. Borrowed Money

Borrowed money at March 31, 2013 and 2014 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2013	2014	2014
Borrowings from banks	¥ 11,893	¥ 11,126	$ 108,103
Lease obligations	¥ 160	¥ 155	$ 1,506

The following is a summary of aggregate annual maturities of borrowings from banks and lease obligations at March 31, 2014:

・Borrowings from banks:

Year ending March 31:	Millions of yen	Thousands of U.S. dollars
2015	¥ 4,367	$ 42,431
2016	3,070	29,829
2017	2,019	19,617
2018	1,247	12,116
2019	423	4,110
2020 and thereafter	–	–
Total	¥ 11,126	$ 108,103

・Lease obligations:

Year ending March 31:	Millions of yen	Thousands of U.S. dollars
2015	¥ 71	$ 690
2016	41	398
2017	23	224
2018	13	126
2019	5	49
2020 and thereafter	2	19
Total	¥ 155	$ 1,506

18. Bonds

Bonds at March 31, 2013 and 2014 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2013	2014	2014
1.01% bonds, due September 10, 2020[*1, 2]	¥ 12,000	¥ 12,000	$ 116,595
0.52% bonds, due December 21, 2017 [*1, 3]	10,000	10,000	97,163
Total	¥ 22,000	¥ 22,000	$ 213,758

[*1] At March 31, 2013 and 2014, bonds included subordinated debt of ¥22,000 million ($213,758 thousand).

[*2] There is a fixed interest rate of 1.01% through September 10, 2015 and floating rate of Euro LIBOR + 1.92% from September 11, 2015 to September 10, 2020.

[*3] There is a fixed interest rate of 0.52% through December 21, 2017.

19. Employees' Severance and Retirement Benefits

For the year ended March 31, 2013

The following table sets forth the changes in benefit obligation, plan assets and funded status of the Bank's and its consolidated subsidiaries' retirement benefit plans at March 31, 2013:

	Millions of yen
	2013
Benefit obligation at end of year	¥ (28,926)
Fair value of plan assets at end of year (including employees' retirement benefit trust)	25,340
Funded status:	
Benefit obligation in excess of plan assets	(3,586)
Unrecognized actuarial differences	4,495
Unrecognized prior service costs	(1,619)
Prepaid pension cost	5,651
Accrued retirement benefits in consolidated balance sheets	¥ (6,361)

Note: The consolidated subsidiaries have adopted the alternative treatment allowed by the accounting standards for retirement benefits under an unfunded lump-sum payment plan.

19. Employees' Severance and Retirement Benefits (cont'd)

Expenses for retirement benefits of the Bank and its consolidated subsidiaries included the following components for the year ended March 31, 2013:

	Millions of yen	
	2013	
Service cost	¥	670
Interest cost		403
Expected return on plan assets		(400)
Amortization of prior service costs		(732)
Amortization of actuarial differences		1,231
Other		131
Net benefit cost	¥	1,303

Notes:
1. Employee contributions to the funded contributory pension plan were not included in service cost.
2. Retirement benefit expenses of the consolidated subsidiaries adopted the alternative treatment allowed by the accounting standards were included in "service cost."
3. "Others" in the above table included prepaid pension premium and prepaid retirement allowance to defined contribution pension plan.

Assumptions used in accounting for retirement plans for the year ended March 31, 2013 were as follows:

	2013
Discount rate	1.4%
Long-term rates of return on fund assets	
A funded contributory pension plan	2.3%
Employees' retirement benefit trust	0.0%
Method of attributing benefits to periods of service	Straight-line basis
Amortization period for prior service benefits	10 years
Amortization period for actuarial differences	10 years

For the year ended March 31, 2014

(1) Overview of retirement benefit plan

The Bank and its consolidated subsidiaries provide a funded contributory pension plan under the Defined Benefit Corporate Pension Law and a lump-sum payment plan as defined benefit plans. The funded contributory pension plans, which were transferred from the welfare pension fund with an approval from Minister of Health, Labour and Welfare, are provided effective from September 1, 2004. Retirement benefit plans were revised on September 1, 2004 and a "Point system" was introduced in the calculation of retirement benefits. In addition, a portion of the lump-sum payment plans were transferred to defined contribution plans on December 1, 2004. The Bank also establishes a retirement benefit trust.

Consolidated subsidiaries apply the simplified method for their lump-sum payment plans in the calculation of net defined benefit liability and retirement benefit expenses.

19. Employees' Severance and Retirement Benefits (cont'd)

(2) Defined benefit plans

① Movement in projected benefit obligation (excluding plans to which the simplified method is applied):

	Millions of yen	Thousands of U.S. dollars
	2014	2014
Projected benefit obligation at beginning of year	¥ 28,740	$ 279,246
Service cost	686	6,665
Interest cost	402	3,906
Actuarial differences	(87)	(845)
Retirement benefits paid	(1,445)	(14,040)
Projected benefit obligation at end of year	¥ 28,296	$ 274,932

② Movement in plan assets:

	Millions of yen	Thousands of U.S. dollars
	2014	2014
Plan assets at beginning of year	¥ 25,340	$ 246,211
Expected return on plan assets	384	3,731
Actuarial differences	3,254	31,617
Employer's contribution	2,591	25,175
Employees' contribution	34	330
Retirement benefits paid	(977)	(9,493)
Plan assets at end of year	¥ 30,626	$ 297,571

Note: Plan assets include retirement benefits trust.

③ Reconciliation of net defined benefit liability applying the simplified method:

	Millions of yen	Thousands of U.S. dollars
	2014	2014
Net defined benefit liability at beginning of year	¥ 186	$ 1,807
Net retirement benefit expenses	22	214
Retirement benefits paid	(8)	(78)
Net defined benefit liability at end of year	¥ 200	$ 1,943

19. Employees' Severance and Retirement Benefits (cont'd)

④ Reconciliation from the ending balances of projected benefit obligation and plan assets to net defined benefit liability and net defined benefit asset recorded on the consolidated balance sheet:

	Millions of yen	Thousands of U.S. dollars
	2014	2014
Funded projected benefit obligation	¥ 22,690	$ 220,463
Plan assets	30,626	297,571
	(7,936)	(77,108)
Unfunded projected benefit obligation	5,806	56,413
Net liability and asset recorded on the consolidated balance sheet	¥ (2,130)	$ (20,695)
Net defined benefit liability	¥ 5,806	$ 56,413
Net defined benefit asset	(7,936)	(77,108)
Net liability and asset recorded on the consolidated balance sheet	¥ (2,130)	$ (20,695)

Note: Plan assets include retirement benefits trust.

⑤ Net retirement benefit expenses and their breakdown:

	Millions of yen	Thousands of U.S. dollars
	2014	2014
Service cost	¥ 673	$ 6,539
Interest cost	402	3,906
Expected return on plan assets	(384)	(3,731)
Amortization of actuarial differences	718	6,976
Amortization of prior service costs	(731)	(7,102)
Net retirement benefit expenses	¥ 678	$ 6,588

Note:
1. Retirement benefit expenses of the consolidated subsidiaries applying simplified method were included in "service cost".
2. Employees' contributions to the funded contributory pension plan were not included in service cost.

19. Employees' Severance and Retirement Benefits (cont'd)

⑥ The components of remeasurements of defined benefit plans (before income tax effect):

	Millions of yen	Thousands of U.S. dollars
	2014	2014
Unrecognized prior service costs	¥ (888)	$ (8,628)
Unrecognized actuarial differences	437	4,246
Total	¥ (451)	$ (4,382)

⑦ Plan assets
(i) Plan assets comprise:

	2014
Debt securities	47.1%
Equity securities	42.5
Cash and due from banks	3.4
Other	7.0
Total	100.0%

Note: 18.1% of plan assets consisted of retirement benefit trusts that are established for a funded contributory pension plan.

(ii) Determination of expected long-term rate of plan assets
The expected long-term rate of return on plan assets is determined considering the current and future portfolio of plan assets and current and expected long-term rate of return generated from various components of the plan assets.

⑧ Actuarial assumptions at end of year:

	2014
Discount rate	1.4%
Expected long-term rate of return on plan assets	
A funded contributory pension plan	1.8%
Employees' retirement benefit trust	0.0%

(3) Defined contribution plans
The required contribution amount to the defined contribution plans was ¥140 million ($1,360 thousand) as of March 31, 2014.

20. Derivative Transactions

The Bank enters into various contracts, including swaps, options, forwards and futures, that cover interest rates, foreign currencies, stocks and bonds in order to meet customers' needs and manage the risks of market fluctuations related to the assets, liabilities and interest rates of the Bank and its consolidated subsidiaries. The Bank has established procedures and controls to minimize market and credit risk, including limits on transaction levels, hedging exposed positions, daily reporting to management and outside review of trading department activities. At March 31, 2013 and 2014, outstanding derivatives were as follows:

(1) Currency and foreign exchange transactions:

	Millions of yen			
	2013			
	Contract amount	Portion maturing over one year	Market value	Recognized gain (loss)
Over-the-counter transactions:				
Forward exchange contracts				
Sell	¥ 9,656	¥ 294	¥ (162)	¥ (162)
Buy	1,095	−	20	20

	Millions of yen				Thousands of U.S. dollars
	2014				2014
	Contract amount	Portion maturing over one year	Market value	Recognized gain (loss)	Recognized gain (loss)
Over-the-counter transactions:					
Forward exchange contracts					
Sell	¥ 13,599	¥ 481	¥ (97)	¥ (97)	$ (942)
Buy	938	−	15	15	146

The above transactions were recorded at market values, and recognized gains (losses) were included in the consolidated statements of income. Market values for over-the-counter transactions are calculated at discounted present values. The currency swaps for which hedge accounting was applied were excluded from the above transactions in accordance with the treatment stipulated in the JICPA Industry Audit Committee Report No. 25.

20. Derivative Transactions (cont'd)

(2) Bond related transactions:

	Millions of yen			
	2013			
	Contract Amount	Portion maturing over one year	Market value	Recognized gain (loss)
Transactions listed on exchanges:				
Bond futures				
Sell	¥ 2,000	¥ －	¥ 11	¥ 11
Buy	2,000	－	(10)	(10)

	Millions of yen				Thousands of US dollars
	2014				2014
	Contract amount	Portion maturing over one year	Market value	Recognized gain (loss)	Recognized gain (loss)
Transactions listed on exchanges:					
Bond futures					
Sell	¥ 3,500	¥ －	¥ 3	¥ 3	$ 29
Buy	3,000	－	(1)	(1)	(10)

The above transactions were recorded at market values, and recognized gains (losses) were included in the consolidated statements of income. The derivative transactions for which hedge accounting was applied were excluded from the above tables.

21. Segment Information

(1) General information about reportable segments

The Group's reportable segments are components of the Group for which separate financial information is provided to and used by the Board of Directors periodically to determine the allocation of resources and assessment of performance.

The Group is engaged mainly in commercial banking and leasing services. Therefore, the Bank and its consolidated subsidiaries recognize reportable segments by the financial services provided: 'Commercial banking' and 'Leasing'.

'Commercial banking' includes deposit services, lending services, securities investment services and exchange services. 'Commercial banking' represents the Bank's banking services as well as the consolidated subsidiaries' business support services, credit guarantee services, credit card services, securities trading services and fund management service.

'Leasing' includes leasing services by Awagin Leasing Company Limited, one of the consolidated subsidiaries.

21. Segment Information (cont'd)

(2) Basis of measurement for reporting segment ordinary income, profit or loss, segment assets, segment liabilities and other material items.

The accounting policies of the reportable segments are the same as the Group's accounting policies described in Note 2, "Significant Accounting Policies." Reportable segment profit is based on operating profit, and intersegment ordinary income is based on arm's length pricing.

(3) Information about reported segment ordinary income, profit or loss and amounts of assets, liabilities and other material items.

Segment information as of and for the years ended March 31, 2013 and 2014 was as follows:

	Millions of yen				
	2013				
	Reportable segment				
	Commercial Banking	Leasing	Total	Adjustments	Consolidated total
Ordinary income					
Customers	¥ 53,269	¥ 11,853	¥ 65,122	¥ –	¥ 65,122
Intersegment	125	222	347	(347)	0
Total	¥ 53,394	¥ 12,075	¥ 65,469	¥ (347)	¥ 65,122
Segment profit	¥ 15,063	¥ 1,048	¥ 16,111	¥ (22)	¥ 16,089
Segment assets	¥ 2,845,256	¥ 32,855	¥ 2,878,111	¥ (8,789)	¥ 2,869,322
Segment liabilities	¥ 2,644,223	¥ 20,717	¥ 2,664,940	¥ (8,773)	¥ 2,656,167
Other items					
Depreciation	¥ 2,243	¥ 165	¥ 2,408	¥ 53	¥ 2,461
Interest income received	43,493	148	43,641	(85)	43,556
Interest expense paid	2,457	185	2,642	(71)	2,571
Extraordinary income	–	–	–	212	212
Gains on disposal of fixed assets	(–)	(–)	(–)	(–)	(–)
Gains on negative goodwill	(–)	(–)	(–)	(212)	(212)
Extraordinary losses	98	0	98	–	98
Losses on disposal of fixed assets	(64)	(0)	(64)	(0)	(64)
Impairment losses	(34)	(–)	(34)	(–)	(34)
Tax expenses	6,306	399	6,705	(2)	6,703
Increase in tangible fixed assets and intangible fixed assets	2,342	73	2,415	34	2,449

Notes:
1. Ordinary income is presented as the counterpart of sales of companies in other industries.
2. Adjustments are as below.
   (1) Adjustment of segment profit of negative ¥22 million is for the elimination of intersegment transactions.
   (2) Adjustment of segment assets of negative ¥8,789 million is for the elimination of intersegment transactions.
   (3) Adjustment of segment liabilities of negative ¥8,773 million is for the elimination of intersegment transactions.
   (4) Adjustment of depreciation of ¥53 million is for the elimination of intersegment transactions.
   (5) Adjustment of interest income received of negative ¥85 million is for the elimination of intersegment transactions.
   (6) Adjustment of interest expense paid of negative ¥71 million is for the elimination of intersegment transactions.
   (7) Adjustment of gain on negative goodwill of ¥212 million is for the additional acquisition of a consolidated subsidiary's share.
   (8) Adjustment of losses on disposal fixed assets of ¥0 million is for the elimination of intersegment transactions.
   (9) Adjustment of tax expenses of negative ¥2 million is for the elimination of intersegment transactions.
   (10) Adjustment of increase in tangible fixed assets and intangible fixed assets of ¥34 million is for the elimination of intersegment transactions.
3. Segment profit is reconciled to net income in the consolidated statements of income.

21. Segment Information (cont'd)

	Millions of yen				
	2014				
	Reportable segment				
	Commercial Banking	Leasing	Total	Adjustments	Consolidated total
Ordinary income					
Customers	¥ 54,248	¥ 11,744	¥ 65,992	¥ –	¥ 65,992
Intersegment	134	202	336	(336)	–
Total	¥ 54,382	¥ 11,946	¥ 66,328	¥ (336)	¥ 65,992
Segment profit	¥ 17,409	¥ 708	¥ 18,117	¥ (14)	¥ 18,103
Segment assets	¥ 2,921,569	¥ 34,183	¥ 2,955,752	¥ (8,280)	¥ 2,947,472
Segment liabilities	¥ 2,712,278	¥ 21,730	¥ 2,734,008	¥ (8,536)	¥ 2,725,472
Other items					
Depreciation	¥ 2,170	¥ 189	¥ 2,359	¥ 33	¥ 2,392
Interest income received	43,665	249	43,914	(74)	43,840
Interest expense paid	2,046	150	2,196	(60)	2,136
Extraordinary losses	128	3	131	0	131
Losses on disposal of fixed assets	(32)	(3)	(35)	(0)	(35)
Impairment losses	(96)	(–)	(96)	(–)	(96)
Tax expenses	6,797	241	7,038	(1)	7,037
Increase in tangible fixed assets and intangible fixed assets	1,232	250	1,482	22	1,504

21. Segment Information (cont'd)

	Thousands of U.S. dollars				
	2014				
	Reportable segment				
	Commercial Banking	Leasing	Total	Adjustments	Consolidated total
Ordinary income					
Customers	$ 527,089	$ 114,108	$ 641,197	$ –	$ 641,197
Intersegment	1,302	1,963	3,265	(3,265)	–
Total	$ 528,391	$ 116,071	$ 644,462	$ (3,265)	$ 641,197
Segment profit	$ 169,151	$ 6,879	$ 176,030	$ (136)	$ 175,894
Segment assets	$ 28,386,795	$ 332,132	$ 28,718,927	$ (80,451)	$ 28,638,476
Segment liabilities	$ 26,353,265	$ 211,135	$ 26,564,400	$ (82,939)	$ 26,481,461
Other items					
Depreciation	$ 21,084	$ 1,836	$ 22,920	$ 321	$ 23,241
Interest income received	424,262	2,419	426,681	(719)	425,962
Interest expense paid	19,880	1,457	21,337	(583)	20,754
Extraordinary losses	1,244	29	1,273	0	1,273
Losses on disposal fixed assets	(311)	(29)	(340)	(0)	(340)
Impairment losses	(933)	(–)	(933)	(–)	(933)
Tax expenses	66,041	2,342	68,383	(10)	68,373
Increase in tangible fixed assets and intangible fixed assets	11,970	2,429	14,399	214	14,613

Notes:
1. Ordinary income is presented as the counterpart of sales of companies in other industries.
2. Adjustments are as below.
   (1) Adjustment of segment profit of negative ¥14 million ($136 thousand) is for the elimination of intersegment transactions.
   (2) Adjustment of segment assets of negative ¥8,280 million ($80,451 thousand) is for the elimination of intersegment transactions.
   (3) Adjustment of segment liabilities of negative ¥8,536 million ($82,939 thousand) is for the elimination of intersegment transactions.
   (4) Adjustment of depreciation of ¥33 million ($321 thousand) is for the elimination of intersegment transactions.
   (5) Adjustment of interest income received of negative ¥74 million ($719 thousand) is for the elimination of intersegment transactions.
   (6) Adjustment of interest expense paid of negative ¥60 million ($583 thousand) is for the elimination of intersegment transactions.
   (7) Adjustment of losses on disposal fixed assets of ¥0 million ($0 thousand) is for the elimination of intersegment transactions.
   (8) Adjustment of tax expenses of negative ¥1 million ($10 thousand) is for the elimination of intersegment transactions.
   (9) Adjustment of increase in tangible fixed assets and intangible fixed assets of ¥22 million ($214 thousand) is for the elimination of intersegment transactions.
3. Segment profit is reconciled to net income in the consolidated statements of income.

21. Segment Information (cont'd)

(4) Related information
For the years ended March 31, 2013 and 2014:
Information by service:

	Millions of yen				
	2013				
	Loan	Security investment	Lease	Other businesses	Total
Ordinary income					
Customers	¥ 30,761	¥ 14,423	¥ 11,853	¥ 8,085	¥ 65,122

	Millions of yen				
	2014				
	Loan	Security investment	Lease	Other businesses	Total
Ordinary income					
Customers	¥ 29,672	¥ 15,952	¥ 11,745	¥ 8,623	¥ 65,992

	Thousand of U.S. dollars				
	2014				
	Loan	Security investment	Lease	Other businesses	Total
Ordinary income					
Customers	$ 288,302	$ 154,994	$ 114,118	$ 83,783	$ 641,197

(5) Impairment loss on tangible fixed assets by reportable segment
For the years ended March 31, 2013 and 2014:

	Millions of yen		
	2013		
	Reportable segments		
	Commercial banking	Leasing	Total
Impairment losses	¥ 34	¥ −	¥ 34

	Millions of yen		
	2014		
	Reportable segments		
	Commercial banking	Leasing	Total
Impairment losses	¥ 96	¥ −	¥ 96

	Thousands of U.S. dollars		
	2014		
	Reportable segments		
	Commercial banking	Leasing	Total
Impairment losses	$ 933	$ −	$ 933

21. Segment Information (cont'd)

(6) Information on gain on negative goodwill
Gain on negative goodwill related to the additional acquisition of a consolidated subsidiary's shares for the year ended March 31, 2013 amounted to ¥212 million. There was no gain on negative goodwill for the year ended March 31, 2014.

22. Transactions with Related Parties

The Bank and related party transactions for the years ended March 31, 2013 and 2014 were as follows:

For the year ended March 31, 2013:

Related party	Transactions	Transaction amount	Account	Balance at end of year
		Millions of yen		Millions of yen
Nishino Kinryo Co., Ltd. *1	Lending	¥(168)	Loans	¥3,236
	Interest received	¥52	Unearned income	¥5
	Guarantees of liabilities	−	Liabilities for acceptances and guarantees	¥16
	Guarantee deposits received	¥0	Unearned income	¥0
Kinryo Co., Ltd. *1	Lending	¥(9)	Loans	¥50
	Interest received	¥0	Unearned income	¥0
Kagawa Syurui Hanbai Co., Ltd. *2	Lending	−	Loans	¥770
	Interest received	¥13	Unearned income	¥0
Hasui Saketen Co., Ltd. *2	Lending	¥50	Loans	¥50
	Interest received	¥0	Unearned income	¥0

*1 A corporate auditor of the Bank, Takeaki Nishino, serves as chairman of Nishino Kinryo Co., Ltd. and Kinryo Co., Ltd.
*2 Companies whose voting rights are owned entirely by Nishino Kinryo Co., Ltd.

For the year ended March 31, 2014:

Related party	Transactions	Transaction amount		Account	Balance at end of year	
		Millions of yen	Thousands of U.S. dollars		Millions of yen	Thousands of U.S. dollars
Nishino Kinryo Co., ltd. *1	Lending	¥299	$2,905	Loans	¥3,535	$34,347
	Interest received	¥53	$515	Unearned income	¥3	$29
	Guarantees of liabilities	−	−	Liabilities for acceptances and guarantees	¥16	$155
	Guarantee deposits received	¥0	$0	Unearned income	¥0	$0
Kinryo Co., Ltd. *1	Lending	¥(10)	$(97)	Loans	¥40	$389
	Interest received	¥1	$10	Unearned income	¥0	$0
Kagawa Shurui Hanbai Co., Ltd. *2	Lending	−	−	Loans	¥770	$7,482
	Interest received	¥12	$117	Unearned income	¥0	$0
Hasui Saketen Co., Ltd. *2	Lending	−	−	Loans	¥50	$486
	Interest received	¥1	$10	Unearned income	¥0	$0

*1 A corporate auditor of the Bank, Takeaki Nishino, serves as chairman of Nishino Kinryo Co., Ltd. and Kinryo Co., Ltd.
*2 Companies whose voting rights are owned entirely by Nishino Kinryo Co., Ltd.

22. Transactions with Related Parties (cont'd)

Related party transactions involving consolidated subsidiaries of the Bank for the years ended March 31, 2013 and 2014 were as follows:

Related party	Transactions	Transaction amount		
		Millions of yen		Thousands of U.S. dollars
		2013	2014	2014
Nishino Kinryo Co., Ltd.	Receiving lease payments	¥16	¥9	$87
	Lease commitments	¥17	¥22	$214

A corporate auditor of the Bank, Takeaki Nishino, serves as chairman of Nishino Kinryo Co., Ltd.

23. Changes in Net Assets

(1) The type and number of shares issued and treasury stock for the years ended March 31, 2013 and 2014 were as follows:

For the year ended March 31, 2013:

	Number of shares as of the previous fiscal year end (thousands)	Increase in number of shares during the accounting period (thousands)	Decrease in number of shares during the accounting period (thousands)	Number of shares as of the fiscal year end (thousands)
Shares issued				
Common stock	232,400	–	1,300	(*1) 231,100
Total	232,400	–	1,300	231,100
Treasury stock				
Common stock	2,342	1,305	2,053	(*2) 1,593
Total	2,342	1,305	2,053	1,593

(*1) The 1,300 thousand decrease in the number of shares of common stock was due to the retirement of treasury stock.
(*2) The 1,305 thousand increase in the number of shares of treasury stock was due to the purchase of fractional shares (11 thousand shares) and the purchase of market shares (1,294 thousand shares). The 2,054 thousand decrease in the number of shares of treasury stock was due to the amortization of fractional shares (0 thousand shares), retirement of treasury stock (1,300 thousand shares) and stock transfer from the Trust to the Partnership (753 thousand shares).

23. Changes in Net Assets (cont'd)

For the year ended March 31, 2014:

	Number of shares as of the previous fiscal year end (thousands)	Increase in number of shares during the accounting period (thousands)	Decrease in number of shares during the accounting period (thousands)	Number of shares as of the fiscal year end (thousands)
Shares issued				
Common stock	231,100	−	−	231,100
Total	231,100	−	−	231,100
Treasury stock				
Common stock	1,593	1,122	684	(*1) 2,030
Total	1,593	1,122	684	2,030

(*1) The 1,122 thousand increase in the number of shares of treasury stock was due to the purchase of fractional shares (22 thousand shares) and the purchase of market shares (1,100 thousand shares). The 684 thousand decrease in the number of shares of treasury stock was due to the amortization of fractional shares (0 thousand shares) and stock transfer from the Trust to the Partnership (684 thousand shares).

(2) Dividends

The following dividends were paid in the years ended March 31, 2013 and 2014:

Year ended March 31, 2013:

Date of resolution	Type of shares	Amounts of dividends	Cash dividends per share	Record date	Effective date
		Millions of yen	Yen		
Annual meeting of stockholders held on June 28, 2012	Common stock	¥ 690	¥ 3.00	March 31, 2012	June 29, 2012
Directors' meeting held on November 9, 2012	Common stock	¥ 806	¥ 3.50	September 30, 2012	December 5, 2012

23. Changes in Net Assets (cont'd)

Year ended March 31, 2014:

Date of resolution	Type of shares	Amounts of dividends		Cash dividends per share		Record date	Effective date
		Millions of yen	Thousands of U.S.	Yen	U.S. dollars		
Annual meeting of stockholders held on June 27, 2013	Common stock	¥ 803	$ 7,802	¥ 3.50	$ 0.03	March 31, 2013	June 28, 2013
Directors' meeting held on November 8, 2013	Common stock	¥ 801	$ 7,783	¥ 3.50	$ 0.03	September 30, 2013	December 5, 2013

The following dividends were recorded during the fiscal years ended March 31, 2013 and 2014 and became effective after March 31, 2013 and 2014:

For the fiscal year ended March 2013, the dividends became effective after March 31, 2013:

Date of resolution	Type of shares	Amounts of dividends	Source of dividends	Cash dividends per share	Record date	Effective date
		Millions of yen		Yen		
Annual meeting of stockholders held on June 27, 2013	Common stock	¥ 803	Retained earnings	¥ 3.50	March 31, 2013	June 28, 2013

For the fiscal year ended March 2014, the dividends became effective after March 31, 2014:

Date of resolution	Type of shares	Amounts of dividends		Source of dividends	Cash dividends per share		Record date	Effective date
		Millions of yen	Thousands of U.S. dollars		Yen	U.S. dollars		
Annual meeting of stockholders held on June 27, 2014	Common stock	¥ 1,031	$ 10,017	Retained earnings	¥ 4.50	$ 0.04	March 31, 2014	June 30, 2014

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