The Awa Bank, Ltd.

Consolidated Financial Statements

The Awa Bank, Ltd. and its Consolidated Subsidiaries

Years ended March 31, 2014 and 2015

KPMG

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, 2015 and 2014, 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, 2015 and 2014, 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, 2015 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.

December 21, 2015
Osaka, Japan

KPMG AZSA LLC

Consolidated Balance Sheets
The Awa Bank, Ltd. and its Consolidated Subsidiaries
For the years ended March 31, 2014 and 2015

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2014	2015	2015
Assets			
Cash and due from banks (Notes 3 and 4)	¥ 195,395	¥ 200,269	$ 1,666,547
Call loans and bills purchased (Note 4)	33,116	64,589	537,480
Commercial paper and other debt purchased (Notes 4 and 5)	2,936	1,861	15,486
Trading account securities (Notes 4 and 5)	875	846	7,040
Securities (Notes 4, 5 and 9)	1,005,920	1,093,735	9,101,564
Loans and bills discounted (Notes 4, 6, 7 and 8)	1,646,325	1,657,886	13,796,172
Foreign exchange	4,415	3,446	28,677
Lease receivables and investment assets (Note 4)	23,742	24,488	203,778
Other assets (Note 9)	5,772	6,641	55,264
Tangible fixed assets (Notes 10 and 11)	32,193	31,374	261,080
Intangible fixed assets	3,181	3,329	27,703
Net defined benefit asset (Note 20)	7,936	10,081	83,889
Deferred tax assets (Note 16)	409	178	1,481
Customers' liabilities for acceptances and guarantees (Note 17)	6,647	7,144	59,449
Reserve for possible loan losses	(21,390)	(18,404)	(153,149)
Total assets	¥ 2,947,472	¥ 3,087,463	$ 25,692,461
Liabilities			
Deposits (Notes 4 and 9)	¥ 2,497,080	¥ 2,550,599	$ 21,224,923
Negotiable certificates of deposit (Note 4)	106,599	88,885	739,660
Call money and bills sold (Note 4)	20,069	42,053	349,946
Payables under securities lending transactions (Notes 4 and 9)	21,592	33,807	281,326
Borrowed money (Notes 4, 9 and 18)	11,126	33,566	279,321
Foreign exchange	18	16	133
Bonds (Notes 4 and 19)	22,000	22,000	183,074
Other liabilities	19,840	20,915	174,046
Accrued employees' bonuses	25	28	233
Accrued directors' bonuses	50	66	549
Net defined benefit liability (Note 20)	5,806	5,521	45,943
Accrued directors' retirement benefits	406	416	3,462
Reserve for reimbursement of deposits	610	596	4,960
Reserve for contingent liabilities	571	764	6,358
Deferred tax liabilities (Note 16)	9,517	20,669	171,998
Deferred tax liabilities for land revaluation account (Note 11)	3,516	3,126	26,013
Acceptances and guarantees (Note 17)	6,647	7,144	59,449
Total liabilities	2,725,472	2,830,171	23,551,394
Net Assets			
Common stock			
Authorized − 500,000,000 shares			
Issued − 231,100,000 shares	23,453	23,453	195,165
Capital surplus	16,239	16,293	135,583
Retained earnings	119,625	130,278	1,084,115
Treasury stock	(1,076)	(789)	(6,566)
— Issued 1,467,723 shares in 2015 and 2,030,553 shares in 2014.			
Total shareholders' equity	158,241	169,235	1,408,297
Net unrealized holding gains on securities (Note 5)	47,945	71,623	596,014
Net deferred gains (losses) on derivatives under hedge accounting	(646)	(1,657)	(13,789)
Land revaluation account (Note 11)	5,118	5,338	44,420
Remeasurements of defined benefit plans (Note 20)	322	1,756	14,613
Total accumulated other comprehensive income	52,739	77,060	641,258
Minority interests in consolidated subsidiaries	11,020	10,997	91,512
Total net assets	222,000	257,292	2,141,067
Total liabilities and net assets	¥ 2,947,472	¥ 3,087,463	$ 25,692,461

See Notes to Consolidated Financial Statements.

Consolidated Statements of Income
The Awa Bank, Ltd. and its Consolidated Subsidiaries
For the years ended March 31, 2014 and 2015

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2014	2015	2015
Income:			
Interest and dividend income:			
Interest on loans and discounts	¥ 29,017	¥ 28,285	$ 235,375
Interest and dividends on securities	14,469	15,598	129,799
Other interest income	354	371	3,087
Trust fees	0	0	0
Fees and commissions	7,728	7,970	66,323
Other operating income	12,188	13,373	111,284
Other income (Note 13)	2,236	2,761	22,976
Total income	65,992	68,358	568,844
Expenses:			
Interest expense:			
Interest on deposits and certificates of deposit	1,111	957	7,964
Interest on borrowings, rediscounts and bonds	413	446	3,711
Other interest expense	612	724	6,025
Fees and commissions	1,478	1,489	12,391
Other operating expenses	10,815	10,662	88,724
General and administrative expenses (Note 12)	28,208	28,921	240,667
Other expenses:			
Provision for loan losses	4,239	2,933	24,407
Other expenses (Note 14)	1,144	1,154	9,603
Total expenses	48,020	47,286	393,492
Income before income taxes	17,972	21,072	175,352
Income taxes (Note 16):			
Current	6,686	5,222	43,455
Deferred	351	3,549	29,534
Income before minority interests	10,935	12,301	102,363
Minority interests in income of consolidated subsidiaries	408	86	715
Net income	¥ 10,527	¥ 12,215	$ 101,648

Per share of common stock

	Yen		U.S. dollars (Note 1)
	2014	2015	2015
Net income per share – basic	¥ 45.98	¥ 53.25	$ 0.443
Dividends	8.00	9.00	0.075

For the years ended March 31, 2014 and 2015, 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, 2014 and 2015

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2014	2015	2015
Income before minority interests	¥ 10,935	¥ 12,301	$ 102,363
Other comprehensive income:			
Net unrealized holding gains (losses) on securities	(671)	24,033	199,992
Net deferred gains (losses) on derivatives under hedge accounting	175	(1,011)	(8,413)
Land revaluation account	−	324	2,696
Remeasurements of defined benefit plans	−	1,422	11,833
Total other comprehensive income (Note 15)	(496)	24,768	206,108
Comprehensive income	¥ 10,439	¥ 37,069	$ 308,471
Comprehensive income attributable to:			
Owners of the parent company	¥ 10,190	¥ 36,639	$ 304,893
Minority interests	249	430	3,578

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, 2014 and 2015

		Millions of yen				
		Stockholders' equity				
	Number of shares of common stock issued	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at April 1, 2013	231,100,000	¥ 23,453	¥ 16,233	¥ 110,749	¥ (823)	¥ 149,612
Changes during the accounting period						
Dividends	−	−	−	(1,604)	−	(1,604)
Net income	−	−	−	10,527	−	10,527
Purchase of treasury stock	−	−	−	−	(605)	(605)
Disposal of treasury stock	−	−	6	−	352	358
Reversal of land revaluation account	−	−	−	(47)	−	(47)
Changes other than changes in stockholders' equity (net)	−	−	−	−	−	−
Total changes during the accounting period	−	−	6	8,876	(253)	8,629
Balance at March 31, 2014	231,100,000	¥ 23,453	¥ 16,239	¥ 119,625	¥ (1,076)	¥ 158,241
Cumulative effects of changes in accounting policies	−	−	−	397	−	397
Restated balance at April 1, 2014	231,100,000	23,453	16,239	120,022	(1,076)	158,638
Changes during the accounting period						
Dividends	−	−	−	(2,063)	−	(2,063)
Net income	−	−	−	12,215	−	12,215
Purchase of treasury stock	−	−	−	−	(14)	(14)
Disposal of treasury stock	−	−	54	−	301	355
Reversal of land revaluation account	−	−	−	104	−	104
Changes other than changes in stockholders' equity (net)	−	−	−	−	−	−
Total changes during the accounting period	−	−	54	10,256	287	10,597
Balance at March 31, 2015	231,100,000	¥ 23,453	¥ 16,293	¥ 130,278	¥ (789)	¥ 169,235

	Millions of yen						
	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, 2013	¥ 48,457	¥ (821)	¥ 5,071	¥ −	¥ 52,707	¥ 10,836	¥ 213,155
Changes during the accounting period							
Dividends	−	−	−	−	−	−	(1,604)
Net income	−	−	−	−	−	−	10,527
Purchase of treasury stock	−	−	−	−	−	−	(605)
Disposal of treasury stock	−	−	−	−	−	−	358
Reversal of land revaluation account	−	−	−	−	−	−	(47)
Changes other than changes in stockholders' equity (net)	(512)	175	47	322	32	184	216
Total changes during the accounting period	(512)	175	47	322	32	184	8,845
Balance at March 31, 2014	¥ 47,945	¥ (646)	¥ 5,118	¥ 322	¥ 52,739	¥ 11,020	¥ 222,000
Cumulative effects of changes in accounting policies	−	−	−	−	−	13	410
Restated balance at April 1, 2014	47,945	(646)	5,118	322	52,739	11,033	222,410
Changes during the accounting period							
Dividends	−	−	−	−	−	−	(2,063)
Net income	−	−	−	−	−	−	12,215
Purchase of treasury stock	−	−	−	−	−	−	(14)
Disposal of treasury stock	−	−	−	−	−	−	355
Reversal of land revaluation account	−	−	−	−	−	−	104
Changes other than changes in stockholders' equity (net)	23,678	(1,011)	220	1,434	24,321	(36)	24,285
Total changes during the accounting period	23,678	(1,011)	220	1,434	24,321	(36)	34,882
Balance at March 31, 2015	¥ 71,623	¥ (1,657)	¥ 5,338	¥ 1,756	¥ 77,060	¥ 10,997	¥ 257,292

See Notes to Consolidated Financial Statements.

Consolidated Statements of Changes in Net Assets (cont'd)
The Awa Bank, Ltd. and its Consolidated Subsidiaries
For the years ended March 31, 2014 and 2015

		Thousands of U.S. dollars (Note 1)				
		Stockholders' equity				
	Number of shares of common stock issued	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at April 1, 2014	231,100,000	$ 195,165	$ 135,134	$ 995,465	$ (8,954)	$ 1,316,810
Cumulative effects of changes in accounting policies	–	–	–	3,303	–	3,303
Restated balance at April 1, 2014	231,100,000	195,165	135,134	998,768	(8,954)	1,320,113
Changes during the accounting period						
Dividends	–	–	–	(17,167)	–	(17,167)
Net income	–	–	–	101,648	–	101,648
Purchase of treasury stock	–	–	–	–	(117)	(117)
Disposal of treasury stock	–	–	449	–	2,505	2,954
Reversal of land revaluation account	–	–	–	866	–	866
Changes other than changes in stockholders' equity (net)	–	–	–	–	–	–
Total changes during the accounting period	–	–	449	85,347	2,388	88,184
Balance at March 31, 2015	231,100,000	$ 195,165	$ 135,583	$ 1,084,115	$ (6,566)	$ 1,408,297

	Thousands of U.S. dollars (Note 1)						
	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, 2014	$ 398,976	$ (5,376)	$ 42,590	$ 2,680	$ 438,870	$ 91,703	$ 1,847,383
Cumulative effects of changes in accounting policies	–	–	–	–	–	109	3,412
Restated balance at April 1, 2014	398,976	(5,376)	42,590	2,680	438,870	91,812	1,850,795
Changes during the accounting period							
Dividends	–	–	–	–	–	–	(17,167)
Net income	–	–	–	–	–	–	101,648
Purchase of treasury stock	–	–	–	–	–	–	(117)
Disposal of treasury stock	–	–	–	–	–	–	2,954
Reversal of land revaluation account	–	–	–	–	–	–	866
Changes other than changes in stockholders' equity (net)	197,038	(8,413)	1,830	11,933	202,388	(300)	202,088
Total changes during the accounting period	197,038	(8,413)	1,830	11,933	202,388	(300)	290,272
Balance at March 31, 2015	$ 596,014	$ (13,789)	$ 44,420	$ 14,613	$ 641,258	$ 91,512	$ 2,141,067

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, 2014 and 2015

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2014	2015	2015
Cash flows from operating activities:			
Income before income taxes	¥ 17,972	¥ 21,072	$ 175,352
Depreciation	2,392	2,367	19,697
Impairment losses	96	356	2,962
Gains on negative goodwill	–	(401)	(3,337)
Increase (decrease) in reserve for possible loan losses	(572)	(2,986)	(24,848)
Net change in provision for contingent liabilities	69	193	1,606
Increase (decrease) in accrued employees' bonuses	(1)	3	25
Increase (decrease) in accrued directors' bonuses	8	15	125
Decrease (increase) in net defined benefit asset	(2,183)	473	3,936
Increase (decrease) in net defined benefit liability	(205)	(225)	(1,872)
Net change in reserve for retirement payments to directors	78	11	92
Net change in reserve for claims on dormant accounts	(25)	(14)	(117)
Interest and dividend income	(43,840)	(44,254)	(368,262)
Interest expense	2,136	2,127	17,700
Securities losses (gains), net	(505)	(1,938)	(16,127)
Moneys held in trust losses (gains), net	(0)	–	–
Foreign exchange losses (gains), net	(12,927)	(23,043)	(191,753)
Losses on disposal of tangible fixed assets, net	35	117	974
Net decrease (increase) in trading account securities	(91)	28	233
Net decrease (increase) in loans and bills discounted	(78,188)	(11,561)	(96,205)
Net increase (decrease) in deposits	91,082	53,519	445,361
Net increase (decrease) in certificates of deposit	(1,758)	(17,714)	(147,408)
Net increase (decrease) in borrowed money (except for subordinated borrowed money)	(766)	22,440	186,735
Net decrease (increase) in due from banks (except for deposits with the Bank of Japan)	(273)	(96)	(799)
Net decrease (increase) in call loans, bills purchased, commercial paper and other debt purchased	60,258	(30,394)	(252,925)
Net increase (decrease) in call money	(28,594)	21,983	182,933
Net increase (decrease) in payables under securities lending transactions	12,000	12,216	101,656
Net decrease (increase) in foreign exchange (assets)	1,331	1,169	9,728
Net increase (decrease) in foreign exchange (liabilities)	(58)	(2)	(17)
Interest and dividends received	46,723	44,838	373,121
Interest paid	(4,093)	(2,165)	(18,016)
Other	(3,957)	95	790
Subtotal	56,144	48,229	401,340
Income taxes paid	(4,230)	(8,203)	(68,262)
Net cash provided by operating activities	51,914	40,026	333,078
Cash flows from investing activities:			
Payments for purchases of securities	(199,140)	(235,563)	(1,960,248)
Proceeds from sales of securities	104,657	106,614	887,193
Proceeds from maturities of securities	93,141	97,546	811,733
Increase in moneys held in trust	(700)	–	–
Decrease in moneys held in trust	700	–	–
Payments for purchases of tangible fixed assets	(549)	(704)	(5,858)
Payments for disposal of tangible fixed assets	(12)	(92)	(766)
Proceeds from sales of tangible fixed assets	3	0	0
Purchases of intangible fixed assets	(955)	(1,267)	(10,543)
Purchase of additional investments in subsidiaries	–	(45)	(374)
Net cash used in investing activities	(2,855)	(33,511)	(278,863)
Cash flows from financing activities:			
Dividends paid	(1,604)	(2,063)	(17,167)
Dividends paid to minority interests stockholders	(16)	(19)	(158)
Payments for purchases of treasury stock	(605)	(14)	(117)
Proceeds from sales of treasury stock	358	355	2,954
Net cash used in financing activities	(1,867)	(1,741)	(14,488)
Foreign currency translation adjustments	3	4	33
Net increase in cash and cash equivalents	47,195	4,778	39,760
Cash and cash equivalents at beginning of year	147,236	194,431	1,617,967
Cash and cash equivalents at end of year (Note 3)	¥ 194,431	¥ 199,209	$ 1,657,727

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, 2014 and 2015

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, 2015, which was ¥120.17 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, 2014 and 2015 include the accounts of the Bank and all five (four in 2014) of its subsidiaries:

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

The Awagin Consulting Company Limited is included in the scope of consolidation from the year ended March 31, 2015 due to its incorporation. One of the Bank's subsidiaries, the Awagin AFFrinnovation Investment Limited Partnership, is excluded from the scope of consolidation for the years ended March 31, 2014 and 2015 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 years ended March 31, 2014 and 2015 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. Significant Accounting Policies (cont'd)

(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.

(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, 2014 and 2015, 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.

2. Significant Accounting Policies (cont'd)

(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, 2014 and 2015, 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, 2014 and 2015, the write-off of the estimated unrecoverable amounts was ¥25,893 million and ¥23,529 million ($195,798 thousand), respectively.

(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, 2014 and 2015.

(8) Accounting for retirement benefits

The benefit formula basis 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.

2. Significant Accounting Policies (cont'd)

(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)
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, in accordance with "Guidance on Accounting Standard for Lease Transactions" (Accounting Standards Board of Japan ("ASBJ") Guidance No. 16, March 30, 2007 (hereafter "Guidance No. 16")), are recorded in lease investment assets on April 1, 2008, with an assumption that the leasing contracts were entered into with amounts after deducting accumulated depreciations as of March 31, 2008. As a result, income before income taxes for the years ended March 31, 2014 and 2015 increased by ¥83 million and ¥39 million ($325 thousand), respectively, compared with the case of applying Article 80 of Guidance No. 16.

(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.

2. Significant Accounting Policies (cont'd)

(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.

(19) Changes in accounting policies

① Adoption of Accounting Standard for Retirement Benefits

The Bank and its consolidated domestic subsidiaries adopted article 35 of the "Accounting Standard for Retirement Benefits" (ASBJ Statement No. 26, May 17, 2012 (hereinafter, "Statement No. 26")) and article 67 of the "Guidance on Accounting Standard for Retirement Benefits" (ASBJ Guidance No. 25, March 26, 2015 (hereinafter "Guidance No.25")) from the fiscal year ended March 31, 2015, and have changed the determination of retirement benefit obligations and current service costs. In addition, the Bank and its consolidated domestic subsidiaries have changed the method of attributing expected benefits to periods from a straight-line basis to a benefit formula basis, and the method for determining the discount rate from the method determined based on single bond yield considering years proximate to the average remaining service period of the employees to the method determined based on multiple bond yields reflecting the estimated period of retirement benefit payment from the fiscal year ended March 31, 2015.

In accordance with article 37 of Statement No. 26, the effect of changing the determination of retirement benefit obligations and current service costs has been recognized in retained earnings as of April 1, 2014.

As a result of the adoption, net defined benefit asset increased by ¥634 million ($5,276 thousand), deferred tax assets decreased by ¥1 million ($8 thousand), deferred tax liabilities, minority interests in consolidated subsidiaries and retained earnings increased by ¥223 million ($1,856 thousand), ¥13 million ($109 thousand) and ¥397 million ($3,303 thousand), respectively, as of April 1, 2014.

Also, as a result of the adoption, net assets per share increased by ¥1.73 ($0.01) as of April 1, 2014. The effect of this change on net income per share for the year ended March 31, 2015 was immaterial.

② Adoption of Practical Solution on Transactions of Delivering the Company's Own Stock to Employees etc. through Trusts

The Bank adopted "Practical Solution on Transactions of Delivering the Company's Own Stock to Employees etc. through Trusts" (Practical Issue Task Force No. 30, March 26, 2015 (hereinafter, "PITF No. 30")) from the fiscal year ended March 31, 2015. The adoption of the PITF No. 30 has had no effect on the consolidated financial statements since the previous accounting treatment continues to be applied to the trust agreements that were entered into prior to the beginning of the fiscal year ended March 31, 2015.

2. Significant Accounting Policies (cont'd)

(20) Unapplied accounting standards

Accounting Standard 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 domestic 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)

(21) Additional Information

Accounting Treatment for Transactions of Delivering the Company's Own Stock to its Employees, etc, through Trusts

The Bank has been engaged in transactions that the Bank transfers the Bank's own stocks to its employees' shareholding association through trust with the aim of providing the incentives to the Bank's employees towards enhancing mid-to-long-term corporate value.

(i) Overview of the transaction
On April 23, 2010, a resolution was passed at the Board of Directors meeting to introduce "Trust-type Employee Stock Ownership Incentive Plan" (hereinafter, the "Plan") with the aim of providing the incentives to the Bank's employees towards enhancing mid-to-long-term corporate value.

The Plan is an incentive plan that covers all employees who participate in the Awa Bank Employee Shareholding Association (the "Association"). Under the Plan, the Bank establishes the Awa Bank Employee Stock Ownership Trust (the "ESOP Trust") which is managed by a trust bank, and the ESOP Trust acquires the expected number of the Bank's common stocks that the Association would acquire until April 2018 at one time.

Subsequently, the ESOP Trust periodically sells those stocks to the Association. Accumulated profit on sales of those stocks within the ESOP Trust, if any, will be distributed to beneficiaries as residual assets from the trust at the end of the term of the trust.

As the Bank guarantees the loan for the ESOP Trust to acquire the Bank's common stocks, any remaining balance of loans equivalent to accumulated loss on sales of these stocks within the ESOP Trust at the end of the term of the trust will be repaid by the Bank in accordance with the guarantee clause.

The acquisition and disposition of the Bank's common stocks is accounted for as if the Band and the ESOP Trust is a single unit considering the fact that the Bank provide guarantee to debt of the ESOP Trust and from a conservative viewpoint of emphasizing economic reality. Accordingly, the Bank's common stocks held by the ESOP Trust as well as assets and liabilities, and revenue and expenses are included in the accompanying consolidated balance sheets, consolidated statements of income and consolidated statements of changes in net assets.

(ii) Although the Bank adopted the PITF No. 30 from the fiscal year ended March 31, 2015, the previous accounting treatment continues to be applied since the trust agreements were entered into prior to the beginning of the fiscal year ended March 31, 2015.

(iii) Matters relating to the Bank's common stocks held by the ESOP Trust

① As of March 31, 2014 and 2015, the book value of the Bank's common stocks held by the ESOP Trust was ¥428 million and ¥127 million ($1,057 thousand), respectively, and presented as treasury stock in shareholder's equity.

② As of March 31, 2014 and 2015, total number of the Bank's common stocks outstanding held by the ESOP Trust was 832 thousand and 247 thousand, and weighted average number of common stocks outstanding held by the ESOP Trust was 1,237 thousand and 518 thousand, respectively. Total number of common stocks outstanding and weighted average number of common stocks outstanding have been included in treasury stock in calculating the per share information.

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, 2014 and 2015 was as follows:

	Millions of yen		Thousands of U.S. dollars
	2014	2015	2015
Cash and due from banks	¥ 195,395	¥ 200,269	$ 1,666,547
Due from banks (excluding deposits with the Bank of Japan)	(964)	(1,060)	(8,820)
Cash and cash equivalents	¥ 194,431	¥ 199,209	$ 1,657,727

4. Financial Instruments

(1) Overview of financial instruments

① Policy on financial instruments

The Bank and its consolidated subsidiaries (the "Group") provide 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. They are subject to credit risk, which 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 concentrate on certain customers.

Also the Bank holds securities that consist mainly of stocks, bonds and mutual funds for investment 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 are executed in order to provide various services to customers to fulfill their needs as well.

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 market 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 (back office) to confirm and check the transactions of the Trade Execution Section 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, 2014 and 2015 was ¥37,557 million and ¥31,259 million ($260,123 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, 2014 and 2015. 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		
	2014		
	Book value	Fair value	Difference
(1) Cash and due from banks	¥ 195,395	¥ 195,395	¥ –
(2) Call loans and bills purchased	33,116	33,116	–
(3) Commercial paper and other debt purchased	2,936	2,936	–
(4) Trading account securities			
Trading securities	875	875	–
(5) Securities			
Held-to-maturity debt securities	–	–	–
Available-for-sale securities	997,000	997,000	–
(6) Loans and bills discounted	1,646,325		
Reserve for possible loan losses (*1)	(20,547)		
	1,625,778	1,634,947	9,169
(7) Lease receivables and investment assets	23,742		
Reserve for lease losses (*1)	(258)		
(*2)	23,484	24,813	1,329
Total assets:	¥ 2,878,584	¥2,889,082	¥ 10,498
(1) Deposits	¥ 2,497,080	¥2,497,298	¥ 218
(2) Negotiable certificates of deposit	106,599	106,610	11
(3) Call money and bills sold	20,069	20,069	–
Total liabilities:	¥ 2,623,748	¥2,623,977	¥ 229
Derivative transactions (*3)			
Hedge accounting not applied	¥ (80)	¥ (80)	¥ –
Hedge accounting applied	(2,718)	(2,718)	–
Total derivative transactions:	¥ (2,798)	¥ (2,798)	¥ –

(*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 book value after deduction for uncollectible receivables of lease receivables and investment assets, for which the fair value was calculated, was ¥21,406 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		
	2015			2015		
	Book value	Fair value	Difference	Book value	Fair value	Difference
(1) Cash and due from banks	¥ 200,269	¥ 200,269	¥ –	$ 1,666,547	$ 1,666,547	$ –
(2) Call loans and bills purchased	64,589	64,589	–	537,480	537,480	–
(3) Commercial paper and other debt purchased	1,861	1,861	–	15,486	15,486	–
(4) Trading account securities						
Trading securities	846	846	–	7,040	7,040	–
(5) Securities						
Held-to-maturity debt securities	–	–	–	–	–	–
Available-for-sale securities	1,084,847	1,084,847	–	9,027,603	9,027,603	–
(6) Loans and bills discounted	1,657,886			13,796,172		
Reserve for possible loan losses (*1)	(17,619)			(146,617)		
	1,640,267	1,650,958	10,691	13,649,555	13,738,521	88,966
(7) Lease receivables and investment assets	24,488			203,778		
Reserve for lease losses (*1)	(200)			(1,664)		
(*2)	24,288	25,922	1,634	202,114	215,711	13,597
Total assets:	¥3,016,967	¥3,029,292	¥ 12,325	$25,105,825	$25,208,388	$ 102,563
(1) Deposits	¥2,550,599	¥2,550,765	¥ 166	$21,224,923	$21,226,304	$ 1,381
(2) Negotiable certificates of deposit	88,885	88,899	14	739,660	739,777	117
(3) Call money and bills sold	42,053	42,053	–	349,946	349,946	–
(4) Payables under securities lending transactions	33,807	33,807	–	281,326	281,326	–
(5) Borrowed money	33,566	33,554	(12)	279,321	279,221	(100)
Total liabilities:	¥2,748,910	¥2,749,078	¥ 168	$22,875,176	$22,876,574	$ 1,398
Derivative transactions (*3)						
Hedge accounting not applied	¥ (283)	¥ (283)	¥ –	$ (2,355)	$ (2,355)	$ –
Hedge accounting applied	(7,158)	(7,158)	–	(59,566)	(59,566)	–
Total derivative transactions:	¥ (7,441)	¥ (7,441)	¥ –	$ (61,921)	$ (61,921)	$ –

(*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 book value after deduction for uncollectible receivables of lease receivables and investment assets, for which the fair value was calculated, was ¥22,004 million ($183,107 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.

4. Financial Instruments (cont'd)

(3) Commercial paper and other debt purchased
The fair value of trust 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) 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 net asset 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.

4. Financial Instruments (cont'd)

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.

(3) Call money and bills sold and (4) Payables under securities lending transactions
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.

(5) Borrowed money
The fair value of borrowed money 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 Bank and its consolidated subsidiaries changes significantly from the inception date. The fair value of borrowed money with a fixed rate is calculated as the present value by discounting the total amount of principal and interest at an assumed interest rate for similar loans. The fair value of borrowed money 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.

Derivative Transactions

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

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

	Book value		
	Millions of yen	Millions of yen	Thousands of U.S. dollars
	2014	2015	2015
Unlisted stocks (*1)(*2)	¥ 8,911	¥ 8,855	$ 73,687
Others (*3)	¥ 9	¥ 33	$ 274
Total	¥ 8,920	¥ 8,888	$ 73,961

(*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 years ended March 31, 2014 and 2015 were ¥1 million and ¥0 million ($0 thousand), respectively.
(*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					
	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

(*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 and those without terms in the amount of ¥34,054 million are not included.
(*2) Lease 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 are not included.

4. Financial Instruments (cont'd)

	Millions of yen					
	2015					
	Within 1 year	1-3 years	3-5 years	5-7 years	7-10 years	Over 10 years
Cash and due from banks	¥176,480	¥ –	¥ –	¥ –	¥ –	¥ –
Call loans and bills purchased	64,589	–	–	–	–	–
Commercial paper and other debt purchased	722		–	1,134		–
Securities	106,723	234,601	205,692	157,344	132,566	57,262
Held-to-maturity debt securities	–	–	–	–	–	–
Japanese government bonds	–	–	–	–	–	–
Municipal bonds	–	–	–	–	–	–
Short-term corporate bonds	–	–	–	–	–	–
Corporate bonds	–	–	–	–	–	–
Others	–	–	–	–	–	–
Securities with maturities	106,723	234,601	205,692	157,344	132,566	57,262
Japanese government bonds	25,900	59,800	80,200	118,500	84,200	21,300
Municipal bonds	31,927	49,473	37,605	14,726	22,026	12,888
Short-term corporate bonds	–	–	–	–	–	–
Corporate bonds	23,870	55,911	33,476	11,032	21,290	16,474
Others	25,026	69,417	54,411	13,086	5,050	6,600
Loans and bills discounted (*1)	385,981	320,797	233,829	173,726	170,607	304,170
Lease receivables and investment assets (*2)	7,301	10,747	5,141	728	255	168
Total	¥741,796	¥566,145	¥444,662	¥332,932	¥303,428	¥361,600

4. Financial Instruments (cont'd)

	Thousands of U.S. dollars					
	2015					
	Within 1 year	1–3 years	3–5 years	5–7 years	7–10 years	Over 10 years
Cash and due from banks	$1,468,586	$ –	$ –	$ –	$ –	$ –
Call loans and bills purchased	537,480	–	–	–	–	–
Commercial paper and other debt purchased	6,008		–	9,437		–
Securities	888,100	1,952,243	1,711,676	1,309,345	1,103,154	476,508
Held-to-maturity debt securities	–	–	–	–	–	–
Japanese government bonds	–	–	–	–	–	–
Municipal bonds	–	–	–	–	–	–
Short-term corporate bonds	–	–	–	–	–	–
Corporate bonds	–	–	–	–	–	–
Others	–	–	–	–	–	–
Securities with maturities	888,100	1,952,243	1,711,676	1,309,345	1,103,154	476,508
Japanese government bonds	215,528	497,628	667,388	986,103	700,674	177,249
Municipal bonds	265,682	411,692	312,932	122,543	183,290	107,248
Short-term corporate bonds	–	–	–	–	–	–
Corporate bonds	198,635	465,266	278,572	91,803	177,166	137,089
Others	208,255	577,657	452,784	108,896	42,024	54,922
Loans and bills discounted (*1)	3,211,958	2,669,527	1,945,818	1,445,668	1,419,714	2,531,164
Lease receivables and investment assets (*2)	60,756	89,431	42,781	6,058	2,122	1,398
Total	$6,172,888	$4,711,201	$3,700,275	$2,770,508	$2,524,990	$3,009,070

(*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 ¥41,453 million ($344,953 thousand) and those without terms in the amount of ¥27,323 million ($227,370 thousand) are not included.
(*2) Lease 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 ¥148 million ($1,232 thousand) are not included.

4. Financial Instruments (cont'd)

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

	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	-	-	-
Bonds	-	-	10,000	12,000	-	-
Total	¥ 2,424,952	¥ 172,098	¥ 44,131	¥ 13,441	¥ 2,252	¥ -

	Millions of yen					
	2015					
	Within 1 year	1-3 years	3-5 years	5-7 years	7-10 years	Over 10 years
Deposits (*)	¥ 2,344,618	¥ 173,202	¥ 29,113	¥ 1,351	¥ 2,315	¥ -
Negotiable certificates of deposit	88,385	500	-	-	-	-
Call money and bills sold	42,053	-	-	-	-	-
Borrowed money	4,454	6,240	22,872	-	-	-
Bonds	-	10,000	-	12,000	-	-
Total	¥ 2,479,510	¥ 189,942	¥ 51,985	¥ 13,351	¥ 2,315	¥ -

	Thousands of U.S. dollars					
	2015					
	Within 1 year	1-3 years	3-5 years	5-7 years	7-10 years	Over 10 years
Deposits (*)	$ 19,510,843	$1,441,309	$ 242,265	$ 11,242	$ 19,264	$ -
Negotiable certificates of deposit	735,500	4,160	-	-	-	-
Call money and bills sold	349,946	-	-	-	-	-
Borrowed money	37,064	51,927	190,330	-	-	-
Bonds	-	83,215	-	99,859	-	-
Total	$20,633,353	$1,580,611	$ 432,595	$ 111,101	$ 19,264	$ -

(*) 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 ¥101,609 million and ¥111,874 million ($930,964 thousand) as of March 31, 2014 and 2015, 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, 2014 and 2015. The amounts in the following tables include trading account securities and trust beneficiary interests in commercial paper and other debt purchased as well as securities

① Trading securities:

	Millions of yen		Thousands of U.S. dollars
	2014	2015	2015
Amount of net unrealized gains (losses) included in statements of income	¥ 4	¥ 3	$ 25

② Held-to-maturity debt securities for the years ended March 31, 2014 and 2015:

Not applicable.

③ Available-for-sale securities:
※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.

	Millions of yen		
	2015		
	Book (fair) Value	Acquisition cost	Difference
Equity securities	¥ 114,824	¥ 43,270	¥ 71,554
Bonds:			
Japanese government bonds	394,089	382,069	12,020
Municipal bonds	163,558	158,690	4,868
Corporate bonds	154,894	150,559	4,335
Other	203,348	189,196	14,152
Total	¥ 1,030,713	¥ 923,784	¥ 106,929
※ Book value did not exceed acquisition cost.			
Equity securities	¥ 2,162	¥ 2,288	¥ (126)
Bonds:			
Japanese government bonds	12,890	12,905	(15)
Municipal bonds	11,108	11,128	(20)
Corporate bonds	11,637	11,727	(90)
Other	17,476	17,578	(102)
Total	¥ 55,273	¥ 55,626	¥ (353)
Grand total	¥ 1,085,986	¥ 979,410	¥ 106,576

5. Securities (cont'd)

※ Book value exceeded acquisition cost.

	Thousands of U.S. dollars		
	2015		
	Book (fair) value	Acquisition cost	Difference
Equity securities	$ 955,513	$ 360,073	$ 595,440
Bonds:			
Japanese government bonds	3,279,429	3,179,404	100,025
Municipal bonds	1,361,055	1,320,546	40,509
Corporate bonds	1,288,958	1,252,884	36,074
Other	1,692,169	1,574,403	117,766
Total	$ 8,577,124	$ 7,687,310	$ 889,814

※ Book value did not exceed acquisition cost.

Equity securities	$ 17,991	$ 19,040	$ (1,049)
Bonds:			
Japanese government bonds	107,264	107,389	(125)
Municipal bonds	92,436	92,602	(166)
Corporate bonds	96,838	97,587	(749)
Other	145,428	146,276	(848)
Total	$ 459,957	$ 462,894	$ (2,937)
Grand total	$ 9,037,081	$ 8,150,204	$ 886,877

④ Held-to-maturity debt securities sold for the years ended March 31, 2014 and 2015:

Not applicable.

⑤ Available-for-sale securities sold in the years ended March 31, 2014 and 2015:

	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

5. Securities (cont'd)

	Millions of yen		
	2015		
	Amount sold	Gains	Losses
Equity securities	¥ 2,531	¥ 810	¥ 62
Bonds:			
Japanese government bonds	79,044	1,532	279
Municipal bonds	5,280	10	2
Corporate bonds	3,503	1	2
Other	16,755	30	99
Total	¥ 107,113	¥ 2,383	¥ 444

	Thousands of U.S. dollars		
	2015		
	Amount sold	Gains	Losses
Equity securities	$ 21,062	$ 6,740	$ 516
Bonds:			
Japanese government bonds	657,768	12,749	2,321
Municipal bonds	43,938	83	17
Corporate bonds	29,150	8	17
Other	139,427	250	824
Total	$ 891,345	$ 19,830	$ 3,695

⑥ Securities reclassified for the years ended March 31, 2014 and 2015:

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, 2014 was ¥194 million, including ¥194 million of equity securities. No impairment loss was recorded for the fiscal year ended March 31, 2015.

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, 2014 and 2015 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2014	2015	2015
Available-for-sale securities	¥ 75,193	¥ 106,576	$ 886,877
Deferred tax assets	-	-	-
Deferred tax liabilities	26,345	33,694	280,386
Net unrealized holding gains on securities (before adjustment for minority interests)	48,848	72,882	606,491
Minority interests	903	1,259	10,477
Net unrealized holding gains on securities	¥ 47,945	¥ 71,623	$ 596,014

(3) At March 31, 2014 and 2015, the amount of guarantee obligations for privately placed bonds (Securities and Exchange Law, Article 2, Item 3) included in corporate bonds amounted to ¥4,055 million and ¥4,670 million ($38,862 thousand), respectively.

6. Loans and Bills Discounted

At March 31, 2014 and 2015, loans and bills discounted included the following:

	Millions of yen		Thousands of U.S. dollars
	2014	2015	2015
Loans to bankrupt customers	¥ 3,248	¥ 2,337	$ 19,447
Non-accrual loans	38,709	39,263	326,729
Loans past due three months or more	425	158	1,315
Restructured loans	7,251	6,542	54,440
Total	¥ 49,633	¥ 48,300	$ 401,931

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 ¥18,993 million and ¥17,354 million ($144,412 thousand) at March 31, 2014 and 2015, 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, 2014 and 2015 amounted to ¥403,913 million and ¥374,160 million ($3,113,589 thousand), respectively. Of these amounts, ¥398,661 million and ¥371,479 million ($3,091,279 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, 2014 and 2015, assets and future receipts pledged as collateral were as follows:

	Millions of yen		Thousands of U.S. dollars
	2014	2015	2015
Securities	¥ 56,481	¥ 68,730	$ 571,940

The above pledged amounts secure the following liabilities:

	Millions of yen		Thousands of U.S. dollars
	2014	2015	2015
Deposits	¥ 5,422	¥ 11,788	$ 98,094
Payables under securities lending transactions	21,592	33,807	281,326
Borrowed money	–	20,000	166,431

At March 31, 2014 and 2015, certain investment securities amounting to ¥39,713 million and ¥42,440 million ($353,166 thousand), respectively, and other assets of ¥25 million and ¥25 million ($208 thousand), respectively, were pledged as collateral for settlement of exchange at the Bank of Japan and for other purposes.

At March 31, 2014 and 2015, other assets included guarantee deposits of ¥286 million and ¥312 million ($2,596 thousand), respectively.

10. Tangible Fixed Assets

Accumulated depreciation of tangible fixed assets at March 31, 2014 and 2015 amounted to ¥34,329 million and ¥34,467 million ($286,819 thousand), respectively. Accumulated capital gains that directly offset acquisition costs of tangible fixed assets to obtain tax benefits at March 31, 2014 and 2015 amounted to ¥831 million and ¥827 million ($6,882 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, 2014 and 2015, the current market values of the revalued land decreased from the revalued amount by ¥10,019 million and ¥9,739 million ($81,044 thousand), respectively.

12. General and Administrative Expenses

For the years ended March 31, 2014 and 2015, general and administrative expenses included salaries and allowances of ¥10,546 million and ¥10,557 million ($87,851 thousand), and outsourcing expenses of ¥3,225 million and ¥3,247 million ($27,020 thousand), respectively.

13. Other Income

For the years ended March 31, 2014 and 2015, other income included gain on sale of securities of ¥860 million and ¥816 million ($6,790 thousand) and gains on negative goodwill of nil and ¥401 million ($3,337 thousand), respectively.

14. Other Expenses

(1) For the years ended March 31, 2014 and 2015, other expenses included loans written off of ¥87 million and ¥28 million ($233 thousand) and loss on sale of securities of ¥76 million and ¥62 million ($516 thousand) and securities written off of ¥195 million and ¥0 million ($0 thousand), respectively.

14. Other Expenses (cont'd)

(2) For the years ended March 31, 2014 and 2015, the Bank reduced the book value of the following asset groups to the recoverable amount and recognized impairment losses of ¥96 million and ¥356 million ($2,962 thousand), respectively, due to a continuing decrease in real estate values and decrease in operating cash flows.

For the year ended March 31, 2014

	Area	Purpose of use		Type	Impairment losses	
					Millions of yen	
					2014	
Operating assets	Tokushima area	Branches	7 branches and others	Buildings	¥	5
Idle assets	Tokushima area	Idle assets	4 items	Land and buildings		91
Total					¥	96
				(Land)	¥	81
				(Buildings)		15

For the year ended March 31, 2015

	Area	Purpose of use		Type	Impairment losses			
					Millions of yen		Thousands of U.S. dollars	
					2015			
Operating assets	Tokushima area	Branches	13 branches and others	Land and buildings	¥	299	$	2,488
	Other area	Branches	1 branch	Buildings		35		291
Idle assets	Tokushima area	Idle assets	2 items	Land		0		0
	Other area	Idle assets	1 item	Land and buildings		22		183
Total					¥	356	$	2,962
				(Land)	¥	265	$	2,205
				(Buildings)		91		757

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.

15. 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, 2014 and 2015 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2014	2015	2015
Net unrealized holding gains (losses) on securities			
Increase (decrease) during the year	¥ (529)	¥ 33,319	$ 277,266
Reclassification adjustments	(506)	(1,937)	(16,119)
Subtotal, before tax	(1,035)	31,382	261,147
Tax (expense) or benefit	364	(7,349)	(61,155)
Subtotal, net of tax	(671)	24,033	199,992
Net deferred gains (losses) on derivatives under hedge accounting			
Increase (decrease) during the year	(340)	(2,163)	(18,000)
Reclassification adjustments	612	724	6,025
Subtotal, before tax	272	(1,439)	(11,975)
Tax (expense) or benefit	(97)	428	3,562
Subtotal, net of tax	175	(1,011)	(8,413)
Land revaluation account			
Increase (decrease) during the year	–	–	–
Reclassification adjustments	–	–	–
Subtotal, before tax	–	–	–
Tax (expense) or benefit	–	324	2,696
Subtotal, net of tax	–	324	2,696
Remeasurements of defined benefit plans			
Increase (decrease) during the year	–	1,760	14,646
Reclassification adjustments	–	284	2,363
Subtotal, before tax	–	2,044	17,009
Tax (expense) or benefit	–	(622)	(5,176)
Subtotal, net of tax	–	1,422	11,833
Total other comprehensive income	¥ (496)	¥ 24,768	$ 206,108

16. 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 35.3% for the year ended March 31, 2015.

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.

The reconciliation of the statutory tax rate and effective tax rate for the year ended March 31, 2015 was as follows:

	2015
Statutory tax rate	35.3%
(Adjustments)	
Items permanently excluded from expenses such as entertainment expenses	0.2
Items permanently excluded from income such as dividend income	(3.0)
Inhabitants tax on per capita basis	0.2
Increase (decrease) in valuation allowance	2.2
Reduction of deferred tax assets due to a change in tax rate	5.9
Others	0.8
Actual tax rate after application of deferred income tax accounting	41.6%

Significant components of deferred tax assets and liabilities as of March 31, 2014 and 2015 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2014	2015	2015
Deferred tax assets:			
Excess reserve for possible loan losses	¥ 15,116	¥ 12,371	$ 102,946
Excess depreciation	813	647	5,384
Net defined benefit liability	679	–	–
Tax loss carryforwards	35	43	358
Net deferred gains (losses) on derivatives under hedge accounting	354	783	6,515
Others	2,431	2,108	17,542
Valuation allowance	(1,888)	(2,124)	(17,675)
Total deferred tax assets	17,540	13,828	115,070
Deferred tax liabilities:			
Net defined benefit asset	–	(350)	(2,912)
Deferred gains on real property	(284)	(257)	(2,139)
Unrealized gains on securities	(26,345)	(33,694)	(280,386)
Others	(19)	(18)	(150)
Total deferred tax liabilities	(26,648)	(34,319)	(285,587)
Net deferred tax liabilities	¥ (9,108)	¥ (20,491)	$ (170,517)

16. Income Taxes (cont'd)

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. 9 of 2015) was promulgated on March 31, 2015. Pursuant to the revision, corporate tax rates will be reduced from the fiscal year beginning on or after April 1, 2015, and the statutory tax rate used to calculate deferred tax assets and deferred tax liabilities was reduced from 35.38% to 32.83% for temporary differences which are expected to reverse in the fiscal year beginning on April 1, 2015, and to 32.06% for temporary differences expected to be reversed in the fiscal year beginning on April 1, 2016 and thereafter.

As a result of this change, deferred tax assets, deferred tax liabilities, net deferred gains (losses) on derivatives under hedge accounting and minority interests in consolidated subsidiaries decreased by ¥22 million ($183 thousand), ¥2,273 million ($18,915 thousand), ¥81 million ($674 thousand) and ¥3 million ($25 thousand), respectively, and net unrealized holding gains (losses) on securities and remeasurements of defined benefit plans increased by ¥3,489 million ($29,034 thousand) and ¥86 million ($716 thousand), respectively, as of March 31, 2015. Income taxes - deferred increased by ¥1,240 million ($10,319 thousand) for the year ended March 31, 2015. Deferred tax liabilities for land revaluation account decreased by¥324 million ($2,696 thousand), and land revaluation account increased by the same amount as of March 31, 2015.

17. 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.

18. Borrowed Money

Borrowed money at March 31, 2014 and 2015 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2014	2015	2015
Borrowings from banks	¥ 11,126	¥ 33,566	$ 279,321
Lease obligations (included in other liabilities)	¥ 155	¥ 151	$ 1,257

The following is a summary of aggregate annual maturities of borrowings from banks and lease obligations at March 31, 2015:

・Borrowings from banks:

Year ending March 31:	Millions of yen	Thousands of U.S. dollars
2016	¥ 4,454	$ 37,064
2017	3,497	29,100
2018	2,743	22,826
2019	21,934	182,525
2020	938	7,806
2021 and thereafter	–	–
Total	¥ 33,566	$ 279,321

・Lease obligations:

Year ending March 31:	Millions of yen	Thousands of U.S. dollars
2016	¥ 67	$ 557
2017	37	308
2018	24	200
2019	15	125
2020	6	50
2021 and thereafter	2	17
Total	¥ 151	$ 1,257

19. Bonds

Bonds at March 31, 2014 and 2015 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2014	2015	2015
1.01% bonds, due September 10, 2020*1, 2	¥ 12,000	¥ 12,000	$ 99,859
0.52% bonds, due December 21, 2017 *3, 4	10,000	10,000	83,215
Total	¥ 22,000	¥ 22,000	$ 183,074

*1 Terms and conditions of the bond contain subordinated clause.
*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 Terms and conditions of the bond contain inter-bond pari passu clause.
*4 There is a fixed interest rate of 0.52% through December 21, 2017.

20. Employees' Severance and Retirement Benefits

(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.

(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	2015	2015
Projected benefit obligation at beginning of year	¥ 28,740	¥ 28,296	$ 235,466
Cumulative effect of change in accounting policy	-	(634)	(5,275)
Restated balance at beginning of year	28,740	27,662	230,191
Service cost	686	673	5,600
Interest cost	402	364	3,029
Actuarial differences	(87)	1,249	10,394
Retirement benefits paid	(1,445)	(1,511)	(12,574)
Projected benefit obligation at end of year	¥ 28,296	¥ 28,437	$ 236,640

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

② Movement in plan assets:

	Millions of yen		Thousands of U.S. dollars
	2014	2015	2015
Plan assets at beginning of year	¥ 25,340	¥ 30,626	$ 254,855
Expected return on plan assets	384	376	3,129
Actuarial differences	3,254	3,009	25,039
Employer's contribution	2,591	182	1,515
Employees' contribution	34	34	283
Retirement benefits paid	(977)	(1,014)	(8,438)
Plan assets at end of year	¥ 30,626	¥ 33,213	$ 276,383

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	2015	2015
Net defined benefit liability at beginning of year	¥ 186	¥ 200	$ 1,664
Net retirement benefit expenses	22	21	175
Retirement benefits paid	(8)	(5)	(42)
Net defined benefit liability at end of year	¥ 200	¥ 216	$ 1,797

20. 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	2015	2015
Funded projected benefit obligation	¥ 22,690	¥ 23,132	$ 192,494
Plan assets	30,626	33,213	276,383
	(7,936)	(10,081)	(83,889)
Unfunded projected benefit obligation	5,806	5,521	45,943
Net liability and asset recorded on the consolidated balance sheet	¥ (2,130)	¥ (4,560)	$ (37,946)
Net defined benefit liability	¥ 5,806	¥ 5,521	$ 45,943
Net defined benefit asset	(7,936)	(10,081)	(83,889)
Net liability and asset recorded on the consolidated balance sheet	¥ (2,130)	¥ (4,560)	$ (37,946)

Notes:
1. Plan assets include retirement benefits trust.
2. The above table includes plans applying the simplified method.

⑤ Net retirement benefit expenses and their breakdown:

	Millions of yen		Thousands of U.S. dollars
	2014	2015	2015
Service cost	¥ 673	¥ 661	$ 5,501
Interest cost	402	364	3,029
Expected return on plan assets	(384)	(376)	(3,129)
Amortization of actuarial differences	718	651	5,417
Amortization of prior service costs	(731)	(367)	(3,054)
Net retirement benefit expenses	¥ 678	¥ 933	$ 7,764

Notes:
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.

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

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

	Millions of yen		Thousands of U.S. dollars
	2014	2015	2015
Prior service costs	¥ –	¥ (366)	$ (3,046)
Actuarial differences	–	2,410	20,055
Total	¥ –	¥ 2,044	$ 17,009

⑦ The components of remeasurements of defined benefit plans in accumulated other comprehensive income (before income tax effect):

	Millions of yen		Thousands of U.S. dollars
	2014	2015	2015
Unrecognized prior service costs	¥ (888)	¥ (521)	$ (4,335)
Unrecognized actuarial differences	437	(1,974)	(16,427)
Total	¥ (451)	¥ (2,495)	$ (20,762)

⑧ Plan assets
(i) Plan assets comprise:

	2014	2015
Debt securities	47.1%	55.5%
Equity securities	42.5	31.2
Life insurance general account	6.3	10.4
Cash and due from banks	4.1	2.9
Total	100.0%	100.0%

Note: 18.1% and 10.3% of plan assets consisted of retirement benefit trusts that are established for a funded contributory pension plan as of March 31, 2014 and 2015, respectively.

(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.

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

⑨ Actuarial assumptions at end of year:

	2014	2015
Discount rate	1.4%	1.0%
Expected long-term rate of return on plan assets		
A funded contributory pension plan	1.8%	1.5%
Employees' retirement benefit trust	0.0%	0.0%
Expected salary increase rate		
A funded contributory pension plan	2.0%	2.0%
Lump-sum payment plans	2.3%	2.3%

Notes:
1. Discount rate for the year ended March 31, 2015 was presented using weighted average rate.
2. Expected salary increase rate is based on expected increase rate of points calculated for each plan, as the point system is used to determine retirement benefits.

(3) Defined contribution plans
The required contribution amount to the defined contribution plans was ¥140 million and ¥146 million ($1,215 thousand) as of March 31, 2014 and 2015.

21. 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, 2014 and 2015, outstanding derivatives were as follows:

(1) Interest related transactions:
There was no outstanding balance as of March 31, 2014.

	Millions of yen				Thousands of U.S. dollars
	2015				2015
	Contract amount	Portion maturing over one year	Market value	Recognized gain (loss)	Recognized gain (loss)
Over-the-counter transactions:					
Interest rate swap contracts					
Receive floating rate, pay fixed rate	¥ 5,000	¥ 5,000	¥ 3	¥ 3	$ 25

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 or based on option price calculation models. The derivative transactions for which hedge accounting was applied were excluded from the above table.

21. Derivative Transactions (cont'd)

(2) Currency and foreign exchange transactions:

	Millions of yen			
	2014			
	Contract amount	Portion maturing over one year	Market value	Recognized gain (loss)
Over-the-counter transactions:				
Forward exchange contracts				
Sell	¥ 13,599	¥ 481	¥ (97)	¥ (97)
Buy	938	–	15	15

	Millions of yen				Thousands of U.S. dollars
	2015				2015
	Contract amount	Portion maturing over one year	Market value	Recognized gain (loss)	Recognized gain (loss)
Over-the-counter transactions:					
Forward exchange contracts					
Sell	¥ 27,429	¥ 432	¥ (264)	¥ (264)	$ (2,197)
Buy	10,432	463	(18)	(18)	(150)

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 derivative transactions for which hedge accounting was applied were excluded from the above table.

21. Derivative Transactions (cont'd)

(3) Bond related transactions:

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

	Millions of yen				Thousands of U.S. dollars
	2015				2015
	Contract amount	Portion maturing over one year	Market value	Recognized gain (loss)	Recognized gain (loss)
Transactions listed on exchanges:					
Bond futures					
Buy	¥ 1,000	¥ -	¥ (4)	¥ (4)	$ (33)

The above transactions were recorded at market values, and recognized gains (losses) were included in the consolidated statements of income. Market values for transactions listed on exchanges are based on closing prices on Osaka Securities Exchange, etc. The derivative transactions for which hedge accounting was applied were excluded from the above tables.

22. Business Combination

(Transaction under common control)
Additional acquisition of subsidiary shares by the Bank

1. Outline of the transaction

(1) Name and business of the company under the business combination
Name: The Awagin Card Company Limited
Business: Credit card business

(2) Date of the business combination
March 20, 2015

(3) Legal form of the business combination
Purchase of shares from minority shareholders

22. Business Combination (cont'd)

(4) Company name after the business combination
Unchanged

(5) Other matters related to the outline of the transaction
The Bank has acquired the common stocks of The Awagin Card Company Limited from certain minority shareholders in order to strengthen uniformed management of the Group.

2. Outline of accounting policy applied

The transaction is accounted for as a transaction with minority shareholders within a transaction under common control based on "Accounting Standard for Business Combinations" (ASBJ Statement No. 21, December 26, 2008) and "Revised Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures" (ASBJ Guidance No. 10, December 26, 2008).

3. Information on acquisition of additional shares of the subsidiary

(1) Acquisition cost and its breakdown

		Millions of yen	Thousands of U.S. dollars
Consideration for acquisition	Cash and due from banks	¥ 45	$ 374
Total acquisition cost		¥ 45	$ 374

(2) Amount of gains on negative goodwill recognized and reason for recognition

a) Amount of gains on negative goodwill
¥69 million ($574 thousand)

b) Reason for recognition
Gains on negative goodwill were recognized because the total acquisition cost was less than decrease in the amount of minority interests in consolidated subsidiaries. Gains on negative goodwill of ¥401 million ($3,337 thousand) recorded in the consolidated statements of income contain ¥332 million ($2,763 thousand) arising due to increase in ownership ratio of the Bank as a result of sale/purchase of shares within the Group.

23. 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, management consulting 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.

As described in 2. Significant Accounting Policies, the Group has changed the determination of retirement benefit obligation and current service costs from the fiscal year ended March 31, 2015, and the determination of retirement benefit obligation and current service costs for reportable segments has been changed accordingly. As a result of this change, segment profit of 'Commercial Banking' increased by ¥40 million ($333 thousand) for the year ended March 31, 2015. The effect of this change to 'Leasing' was immaterial.

(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.

23. Segment Information (cont'd)

(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, 2014 and 2015 was as follows:

	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

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 is for the elimination of intersegment transactions.
   (2) Adjustment of segment assets of negative ¥8,280 million is for the elimination of intersegment transactions.
   (3) Adjustment of segment liabilities of negative ¥8,536 million is for the elimination of intersegment transactions.
   (4) Adjustment of depreciation of ¥33 million is for the elimination of intersegment transactions.
   (5) Adjustment of interest income received of negative ¥74 million is for the elimination of intersegment transactions.
   (6) Adjustment of interest expense paid of negative ¥60 million is for the elimination of intersegment transactions.
   (7) Adjustment of losses on disposal of fixed assets of ¥0 million is for the elimination of intersegment transactions.
   (8) Adjustment of tax expenses of negative ¥1 million is for the elimination of intersegment transactions.
   (9) Adjustment of increase in tangible fixed assets and intangible fixed assets of ¥22 million is for the elimination of intersegment transactions.
3. Segment profit is reconciled to net income in the consolidated statements of income.

23. Segment Information (cont'd)

	Millions of yen				
	2015				
	Reportable segment				
	Commercial Banking	Leasing	Total	Adjustments	Consolidated total
Ordinary income					
Customers	¥ 56,001	¥ 11,956	¥ 67,957	¥ −	¥ 67,957
Intersegment	141	181	322	(322)	−
Total	¥ 56,142	¥ 12,137	¥ 68,279	¥ (322)	¥ 67,957
Segment profit	¥ 20,220	¥ 934	¥ 21,154	¥ (10)	¥ 21,144
Segment assets	¥ 3,056,996	¥ 36,885	¥ 3,093,881	¥ (6,418)	¥ 3,087,463
Segment liabilities	¥ 2,814,802	¥ 23,469	¥ 2,838,271	¥ (8,100)	¥ 2,830,171
Other items					
Depreciation	¥ 2,118	¥ 219	¥ 2,337	¥ 30	¥ 2,367
Interest income received	44,051	274	44,325	(71)	44,254
Interest expense paid	2,047	136	2,183	(56)	2,127
Extraordinary income	0	−	0	401	401
Gains on disposal fixed assets	(0)	(−)	(0)	(−)	(0)
Gains on negative goodwill	(−)	(−)	(−)	(401)	(401)
Extraordinary losses	433	40	473	0	473
Losses on disposal of fixed assets	(99)	(18)	(117)	(0)	(117)
Impairment losses	(334)	(22)	(356)	(−)	(356)
Tax expenses	8,491	280	8,771	0	8,771
Increase in tangible fixed assets and intangible fixed assets	1,934	7	1,941	30	1,971

23. Segment Information (cont'd)

	Thousands of U.S. dollars				
	2015				
	Reportable segment				
	Commercial Banking	Leasing	Total	Adjustments	Consolidated total
Ordinary income					
Customers	$ 466,015	$ 99,492	$ 565,507	$ –	$ 565,507
Intersegment	1,173	1,507	2,680	(2,680)	–
Total	$ 467,188	$ 100,999	$ 568,187	$ (2,680)	$ 565,507
Segment profit	$ 168,262	$ 7,772	$ 176,034	$ (83)	$ 175,951
Segment assets	$ 25,438,928	$ 306,940	$ 25,745,868	$ (53,407)	$ 25,692,461
Segment liabilities	$ 23,423,500	$ 195,298	$ 23,618,798	$ (67,405)	$ 23,551,393
Other items					
Depreciation	$ 17,625	$ 1,822	$ 19,447	$ 250	$ 19,697
Interest income received	366,572	2,280	368,852	(591)	368,261
Interest expense paid	17,034	1,132	18,166	(466)	17,700
Extraordinary income	0	–	0	3,337	3,337
Gains on disposal fixed assets	(0)	(–)	(0)	(–)	(0)
Gains on negative goodwill	(–)	(–)	(–)	(3,337)	(3,337)
Extraordinary losses	3,603	333	3,936	0	3,936
Losses on disposal fixed assets	(824)	(150)	(974)	(0)	(972)
Impairment losses	(2,779)	(183)	(2,962)	(–)	(2,962)
Tax expenses	70,659	2,330	72,989	0	72,989
Increase in tangible fixed assets and intangible fixed assets	16,094	58	16,152	249	16,401

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 ¥10 million ($83 thousand) is for the elimination of intersegment transactions.
   (2) Adjustment of segment assets of negative ¥6,418 million ($53,407 thousand) is for the elimination of intersegment transactions.
   (3) Adjustment of segment liabilities of negative ¥8,100 million ($67,405 thousand) is for the elimination of intersegment transactions.
   (4) Adjustment of depreciation of ¥30 million ($250 thousand) is for the elimination of intersegment transactions.
   (5) Adjustment of interest income received of negative ¥71 million ($591 thousand) is for the elimination of intersegment transactions.
   (6) Adjustment of interest expense paid of negative ¥56 million ($466 thousand) is for the elimination of intersegment transactions.
   (7) Gains on negative goodwill of ¥401 million ($3,337 thousand) is for increase in ownership ratio of the Bank as a result of acquisition of subsidiary shares.
   (8) Adjustment of losses on disposal of fixed assets of ¥0 million ($0 thousand) is for the elimination of intersegment transactions.
   (9) Adjustment of tax expenses of ¥0 million ($0 thousand) is for the elimination of intersegment transactions.
   (10) Adjustment of increase in tangible fixed assets and intangible fixed assets of ¥30 million ($249 thousand) is for the elimination of intersegment transactions.
3. Segment profit is reconciled to net income in the consolidated statements of income.

23. Segment Information (cont'd)

(4) Related information
For the years ended March 31, 2014 and 2015:
Information by service:

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

	Millions of yen									
	2015									
		Loan		Security investment		Lease		Other businesses		Total
Ordinary income										
Customers	¥	29,439	¥	18,002	¥	11,956	¥	8,560	¥	67,957

	Thousand of U.S. dollars									
	2015									
		Loan		Security investment		Lease		Other businesses		Total
Ordinary income										
Customers	$	244,978	$	149,804	$	99,492	$	71,233	$	565,507

(5) Impairment loss on tangible fixed assets by reportable segment
For the years ended March 31, 2014 and 2015:

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

	Millions of yen					
	2015					
	Reportable segments					
		Commercial banking		Leasing		Total
Impairment losses	¥	334	¥	22	¥	356

	Thousands of U.S. dollars					
	2015					
	Reportable segments					
		Commercial banking		Leasing		Total
Impairment losses	$	2,779	$	183	$	2,962

23. Segment Information (cont'd)

(6) Information on gain on negative goodwill
There was no gain on negative goodwill for the year ended March 31, 2014.
Gains on negative goodwill of ¥401 million ($3,337 thousand) is for increase in ownership ratio of the Bank as a result of acquisition of subsidiary shares for the fiscal year ended March 31, 2015.

24. Transactions with Related Parties

The Bank and related party transactions for the years ended March 31, 2014 and 2015 were as follows:

For the year ended March 31, 2014:

<table>
<tr><th rowspan="2">Related party</th><th rowspan="2">Transactions</th><th>Transaction amount</th><th rowspan="2">Account</th><th>Balance at end of year</th></tr>
<tr><th>Millions of yen</th><th>Millions of yen</th></tr>
<tr><td rowspan="4">Nishino Kinryo Co., Ltd. *1</td><td>Lending</td><td>¥299</td><td>Loans</td><td>¥3,535</td></tr>
<tr><td>Interest received</td><td>¥53</td><td>Unearned income</td><td>¥3</td></tr>
<tr><td>Guarantees of liabilities</td><td>－</td><td>Liabilities for acceptances and guarantees</td><td>¥16</td></tr>
<tr><td>Guarantee deposits received</td><td>¥0</td><td>Unearned income</td><td>¥0</td></tr>
<tr><td rowspan="2">Kinryo Co., Ltd. *1</td><td>Lending</td><td>¥(10)</td><td>Loans</td><td>¥40</td></tr>
<tr><td>Interest received</td><td>¥1</td><td>Unearned income</td><td>¥0</td></tr>
<tr><td rowspan="2">Kagawa Syurui Hanbai Co., Ltd. *2</td><td>Lending</td><td>－</td><td>Loans</td><td>¥770</td></tr>
<tr><td>Interest received</td><td>¥12</td><td>Unearned income</td><td>¥0</td></tr>
<tr><td rowspan="2">Hasui Saketen Co., Ltd. *2</td><td>Lending</td><td>－</td><td>Loans</td><td>¥50</td></tr>
<tr><td>Interest received</td><td>¥1</td><td>Unearned income</td><td>¥0</td></tr>
</table>

*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, 2015:

<table>
<tr><th rowspan="2">Related party</th><th rowspan="2">Transactions</th><th colspan="2">Transaction amount</th><th rowspan="2">Account</th><th colspan="2">Balance at end of year</th></tr>
<tr><th>Millions of yen</th><th>Thousands of U.S. dollars</th><th>Millions of yen</th><th>Thousands of U.S. dollars</th></tr>
<tr><td rowspan="4">Nishino Kinryo Co., ltd. *1</td><td>Lending</td><td>¥208</td><td>$1,731</td><td>Loans</td><td>¥3,743</td><td>$31,148</td></tr>
<tr><td>Interest received</td><td>¥54</td><td>$449</td><td>Unearned income</td><td>¥2</td><td>$17</td></tr>
<tr><td>Guarantees of liabilities</td><td>¥(1)</td><td>$(8)</td><td>Liabilities for acceptances and guarantees</td><td>¥15</td><td>$125</td></tr>
<tr><td>Guarantee deposits received</td><td>¥0</td><td>$0</td><td>Unearned income</td><td>¥0</td><td>$0</td></tr>
<tr><td rowspan="2">Kinryo Co., Ltd. *1</td><td>Lending</td><td>¥(10)</td><td>$(83)</td><td>Loans</td><td>¥30</td><td>$250</td></tr>
<tr><td>Interest received</td><td>¥1</td><td>$8</td><td>Unearned income</td><td>¥0</td><td>$0</td></tr>
<tr><td rowspan="2">Kagawa Shurui Hanbai Co., Ltd. *2</td><td>Lending</td><td>－</td><td>－</td><td>Loans</td><td>¥770</td><td>$6,408</td></tr>
<tr><td>Interest received</td><td>¥11</td><td>$92</td><td>Unearned income</td><td>¥0</td><td>$0</td></tr>
<tr><td rowspan="2">Hasui Saketen Co., Ltd. *2</td><td>Lending</td><td>－</td><td>－</td><td>Loans</td><td>¥50</td><td>$416</td></tr>
<tr><td>Interest received</td><td>¥1</td><td>$8</td><td>Unearned income</td><td>¥0</td><td>$0</td></tr>
</table>

*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.

24. Transactions with Related Parties (cont'd)

Related party transactions involving consolidated subsidiaries of the Bank for the years ended March 31, 2014 and 2015 were as follows:

Related party	Transactions	Transaction amount		
		Millions of yen		Thousands of U.S. dollars
		2014	2015	2015
Nishino Kinryo Co., Ltd.	Receiving lease payments	¥9	¥16	$133
	Lease commitments	¥22	¥20	$166

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

25. Changes in Net Assets

(1) The type and number of shares issued and treasury stock for the years ended March 31, 2014 and 2015 were as follows:

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 sales of fractional shares (0 thousand shares) and stock transfer from the ESOP Trust to the Association (684 thousand shares).

25. Changes in Net Assets (cont'd)

For the year ended March 31, 2015:

	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	2,030	22	585	(*1) 1,467
Total	2,030	22	585	1,467

(*1) The 22 thousand increase in the number of shares of treasury stock was due to the purchase of fractional shares (22 thousand shares). The 585 thousand decrease in the number of shares of treasury stock was due to the sales of fractional shares (0 thousand shares) and stock transfer from the ESOP Trust to the Association (585 thousand shares).

(2) Dividends
The following dividends were paid in the years ended March 31, 2014 and 2015:

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	Yen		
Annual meeting of stockholders held on June 27, 2013	Common stock	¥ 803	¥ 3.50	March 31, 2013	June 28, 2013
Directors' meeting held on November 8, 2013	Common stock	¥ 801	¥ 3.50	September 30, 2013	December 5, 2013

25. Changes in Net Assets (cont'd)

Year ended March 31, 2015:

Date of resolution	Type of shares	Amounts 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	$ 8,580	¥ 4.50	$ 0.04	March 31, 2014	June 30, 2014
Directors' meeting held on November 14, 2014	Common stock	¥ 1,032	$ 8,588	¥ 4.50	$ 0.04	September 30, 2014	December 5, 2014

The following dividends were recorded during the fiscal years ended March 31, 2014 and 2015 and became effective after March 31, 2014 and 2015:

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		Yen		
Annual meeting of stockholders held on June 27, 2014	Common stock	¥ 1,031	Retained earnings	¥ 4.50	March 31, 2014	June 30, 2014

For the fiscal year ended March 2015, the dividends became effective after March 31, 2015:

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 26, 2015	Common stock	¥ 1,033	$ 8,596	Retained earnings	¥ 4.50	$ 0.04	March 31, 2015	June 29, 2015

26. Subsequent Events

Conducting flexible financial management policy and returning profits to shareholders in response to changes in the business environment, the Bank resolved the acquisition of its own shares at the Directors' meeting on November 13, 2015 and then completed the acquisition on November 16, 2015 as follows:

Class of shares acquired: Common stock of the Bank
Total numbers of shares acquired: 3,778,000 shares
Acquisition price: ¥680 yen ($5.659) per share
Aggregate acquisition cost: ¥2,569 million ($21,378 thousand)
Acquisition date: November 16, 2015
Acquisition method: Acquisition on the Tokyo Stock Exchange through the off-hours trading system (ToSTNeT-3 trading system)

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