

**The Aichi Bank, Ltd. and Subsidiaries**  
**Notes to Consolidated Financial Statements**  
For the Years Ended March 31, 2015 and 2014

**1. Basis of Presenting Consolidated Financial Statements**

The consolidated financial statements of The Aichi Bank, Ltd. (the “Bank”) and its subsidiaries (collectively the “Group”) have been prepared in accordance with the provisions set forth in the Japanese Financial Instruments and Exchange Act of Japan and its related accounting regulations and in conformity with accounting principles generally accepted in Japan (“Japanese GAAP”), which are different in certain respects as to the application and disclosure requirements from International Financial Reporting Standards. The accompanying consolidated financial statements have been reformatted 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 Act. Certain supplementary information included in the statutory Japanese language consolidated financial statements is not presented in the accompanying consolidated financial statements.

The translation of the Japanese yen amounts into U.S. dollar amounts is included solely for the convenience of readers outside Japan, using the prevailing exchange rate at March 31, 2015, which was ¥120.17 to U.S. \$1.00. This translation should not be construed as a representation 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.

The Japanese yen amounts in the accompanying consolidated financial statements are expressed in millions of Japanese yen and have been rounded down. U.S. dollar amounts in the accompanying consolidated financial statements are expressed in thousands of U.S. dollars and also have been rounded down. As a result, total amounts expressed in both Japanese yen and U.S. dollars appearing in the consolidated financial statements and the notes thereto may not be equal to the sum of the individual amounts.

Certain comparative figures in the prior year’s financial statements have been reclassified to conform to the current year’s presentation.

**2. Summary of Significant Accounting Policies**

**(a) Principles of consolidation**

The consolidated financial statements include the accounts of the Bank and all of its subsidiaries, which are engaged primarily in providing a wide range of financial services. At both March 31, 2015 and 2014, the Bank had four subsidiaries but no affiliates. All intercompany transactions and accounts have been eliminated.

**(b) Cash and cash equivalents**

For the purpose of the consolidated statements of cash flows, cash and cash equivalents consisted of cash and due from the Bank of Japan as follows:

|   | Millions of yen  |                  | Thousands of U.S. dollars |                     |
|---|------------------|------------------|---------------------------|---------------------|
|   | 2015             | 2014             | 2015                      | 2014                |
| Cash and due from banks                         | ¥ 139,407        | ¥ 138,290        | \$ 1,160,081              | \$ 1,150,786        |
| Less due from banks other than<br>Bank of Japan | (906)            | (915)            | (7,539)                   | (7,614)             |
| Cash and cash equivalents                       | <u>¥ 138,501</u> | <u>¥ 137,375</u> | <u>\$ 1,152,542</u>       | <u>\$ 1,143,172</u> |

**(c) Trading securities**

Trading securities are stated at fair value at the end of the fiscal year. Related gains and losses, both realized and unrealized, are included in the consolidated statements of income. Accrued interest on trading securities is included in “Other assets.”

**(d) Investment securities**

Debt securities for which the Group has both the intent and the ability to hold to maturity are classified as held-to-maturity debt securities and are stated at amortized cost determined by the moving average method. In principle, available-for-sale securities are carried at the fair value as of the balance sheet date. Net unrealized gain and loss on these securities, net of tax, are reported as a component of accumulated other comprehensive income in net assets. Available-for-sale securities for which the fair value is extremely difficult to determine are stated at moving average cost. The carrying value of individual investment securities is reduced, if necessary, through a write-down when a decline in value is deemed other than temporary. Gain and loss on the disposal of investment securities are computed principally using the moving average method. Accrued interest on securities is included in “Other assets.”

**(e) Derivative financial instruments**

Derivative financial instruments are recorded at fair value if hedge accounting is not applied, and gain and loss on the derivatives are recognized in the consolidated statements of income.

**(f) Reserve for possible losses on investments**

Pursuant to the internal rules of the Bank, a reserve for possible losses on investments is provided in an amount necessary to absorb future losses after considering the financial positions of the issuers of the securities. A provision of reserve for possible losses on investments is included in “Other expenses” and amounted to ¥1 million (\$8 thousand) and none for the years ended March 31, 2015 and 2014, respectively.

**(g) Loans and bills discounted and reserve for possible loan losses**

Loans and bills discounted are stated at the amount of unpaid principal. Unearned interest and discounts are recorded as liabilities and recognized as income over the term of the loan or bill.

A reserve for possible loan losses of the Bank is provided to cover future credit losses in accordance with internal rules for self-assessment of asset quality. Loans written off are charged either to a reserve for possible loan losses and/or current income. Recoveries on loans that have been written off are recorded as other income. The reserve for possible loan losses is made based on the Bank’s internal rules in accordance with Report No. 4 of the Ad Hoc Committee for Audits of Banks, “Practical Guideline for Audits of Write-off of Bad Loans and Allowance for Doubtful Loans of Banks and Similar Financial Institutions,” issued by the Japanese Institute of Certified Public Accountants (“JICPA”). For loans to borrowers that are legally or substantially bankrupt, a reserve is provided based on the amount of the claims, net of amounts expected to be collected through the disposal of collateral or the execution of guarantees. For loans to borrowers who are likely to become bankrupt, a reserve is provided based on an overall solvency assessment, net of amounts expected to be collected through the disposal of collateral or the execution of guarantees. For loans to borrowers not mentioned above, a reserve is provided based on the historical loss experience of the Bank for a certain past period. All claims are assessed by the Bank’s operating divisions based on the Bank’s internal rules for self-assessment of asset quality. The inspection division, which is independent from the operating divisions, conducts examinations of these assessments.

A reserve for possible loan losses of the subsidiaries is made for the aggregate amount of estimated credit loss based on an individual financial review of doubtful or troubled receivables and a general reserve based on historical loss experience for other receivables.

**(h) Tangible fixed assets and depreciation (except for leases)**

Tangible fixed assets of the Bank are stated at cost, less accumulated depreciation. Depreciation is computed using the declining balance method over the estimated useful life of the asset, except for buildings acquired on or after April 1, 1998. Such buildings, excluding facilities attached thereto, are depreciated using the straight-line method. The useful lives of tangible fixed assets range from 8 to 50 years for buildings and from 3 to 20 years for other fixed assets.

Tangible fixed assets of the subsidiaries are depreciated principally by the straight-line method over the estimated useful life of the asset.

**(i) Intangible fixed assets and amortization (except for leases)**

Intangible fixed assets are amortized using the straight-line method. Costs of computer software developed or obtained for internal use are deferred and amortized by the straight-line method principally over the estimated useful life of five years as determined by the Bank and its subsidiaries.

**(j) Leases**

All finance lease transactions are accounted for in a manner similar to that used for ordinary sale and purchase transactions.

**(Accounting for leases as lessee)**

The Group, as lessee, capitalizes lease assets used under finance leases, except for certain immaterial or short-term finance leases which are accounted for as operating leases as permitted under the accounting standard for leases. Depreciation of the leased assets capitalized in finance lease transactions are computed by the straight-line method over the lease term, which is used as the useful life, and with the assumption of no residual value.

**(Accounting for leases as lessor)**

A certain subsidiary engaged primarily in leasing operations as a lessor recognizes "investments in leased assets" for finance leases that do not transfer ownership of the leased assets to the lessee in a manner similar to the accounting treatment for ordinary sales transactions. The "investment in leased assets" account is presented as other assets in the accompanying consolidated balance sheets. The total amount equivalent to interest is allocated over the lease term using the effective interest method, and the subsidiary recognizes leasing income for lease payments received from customers and related costs, net of imputed interest, when it receives the lease payments, as permitted under the accounting standard for leases.

**(k) Impairment loss on fixed assets**

Fixed assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. If the carrying amount of an asset or a group of assets exceeds the sum of the undiscounted future cash flows expected to result from the continued use and eventual disposal of the asset or group of assets, impairment loss is recognized in the income statement by reducing the carrying amount of the impaired asset or group of assets to the recoverable amount, measured as the higher of net selling price or value in use. Fixed assets include intangible assets as well as land, buildings and other forms of property and are grouped at the lowest level for which there are cash flows identifiably different from those of other groups of assets. To recognize and measure an impairment loss, fixed assets are grouped into cash-generating units such as operating business branches, other than idle or unused property. Recoverable amounts of the assets are based on value in use, calculated using the discounted future cash flows at interest rates principally of 6.5% and 4.5% for the years ended March 31, 2015 and 2014, respectively, or net selling prices based primarily on appraisal valuations, net of estimated costs of disposal.

For the years ended March 31, 2015 and 2014, the Group recognized impairment loss including removal costs for the property of operating business branches and idle property, which is included in "Impairment loss on fixed assets," in the accompanying consolidated statements of income as follows:

| Millions of yen   |      |                          |                  |               |       |
|-------------------|------|--------------------------|------------------|---------------|-------|
| 2015              |      |                          |                  |               |       |
|                   | Land | Buildings and structures | Other properties | Removal costs | Total |
| Operating assets: |      |                          |                  |               |       |
| Aichi Prefecture  | ¥ -  | ¥ 11                     | ¥ -              | ¥ -           | ¥ 11  |
| Other             | -    | 12                       | 0                | -             | 12    |
| Idle assets:      |      |                          |                  |               |       |
| Aichi Prefecture  | 1    | 0                        | -                | -             | 2     |
| Other             | 53   | 5                        | -                | 12            | 71    |
| Total             | ¥ 54 | ¥ 30                     | ¥ 0              | ¥ 12          | ¥ 97  |

| Millions of yen   |      |                          |                  |               |       |
|-------------------|------|--------------------------|------------------|---------------|-------|
| 2014              |      |                          |                  |               |       |
|                   | Land | Buildings and structures | Other properties | Removal costs | Total |
| Operating assets: |      |                          |                  |               |       |
| Aichi Prefecture  | ¥ 0  | ¥ 23                     | ¥ -              | ¥ -           | ¥ 24  |
| Other             | 3    | 18                       | -                | -             | 22    |
| Idle assets:      |      |                          |                  |               |       |
| Aichi Prefecture  | 4    | 0                        | -                | -             | 4     |
| Other             | 1    | 8                        | -                | -             | 9     |
| Total             | ¥ 9  | ¥ 51                     | ¥ -              | ¥ -           | ¥ 61  |

| Thousands of U.S. dollars |        |                          |                  |               |        |
|---------------------------|--------|--------------------------|------------------|---------------|--------|
| 2015                      |        |                          |                  |               |        |
|                           | Land   | Buildings and structures | Other properties | Removal costs | Total  |
| Operating assets:         |        |                          |                  |               |        |
| Aichi Prefecture          | \$ -   | \$ 91                    | \$ -             | \$ -          | \$ 91  |
| Other                     | -      | 99                       | 0                | -             | 99     |
| Idle assets:              |        |                          |                  |               |        |
| Aichi Prefecture          | 8      | 0                        | -                | -             | 16     |
| Other                     | 441    | 41                       | -                | 99            | 590    |
| Total                     | \$ 449 | \$ 249                   | \$ 0             | \$ 99         | \$ 807 |

| Thousands of U.S. dollars |       |                          |                  |               |        |
|---------------------------|-------|--------------------------|------------------|---------------|--------|
| 2014                      |       |                          |                  |               |        |
|                           | Land  | Buildings and structures | Other properties | Removal costs | Total  |
| Operating assets:         |       |                          |                  |               |        |
| Aichi Prefecture          | \$ 0  | \$ 191                   | \$ -             | \$ -          | \$ 199 |
| Other                     | 24    | 149                      | -                | -             | 183    |
| Idle assets:              |       |                          |                  |               |        |
| Aichi Prefecture          | 33    | 0                        | -                | -             | 33     |
| Other                     | 8     | 66                       | -                | -             | 74     |
| Total                     | \$ 74 | \$ 424                   | \$ -             | \$ -          | \$ 507 |

**(l) Foreign currency translation**

Assets and liabilities denominated in foreign currencies are generally translated into Japanese yen at the exchange rate prevailing at the balance sheet date. Income and expenses are translated at the exchange rate in effect at the transaction date. Gain and loss resulting from foreign currency translation are included in the consolidated statements of income.

**(m) Reserve for employee bonuses**

A reserve for employee bonuses is provided based on the estimated amounts of future payments attributable to the respective fiscal year.

**(n) Reserve for bonuses to directors**

A reserve for bonuses to directors and audit and supervisory board members is provided for future bonus payments to directors and audit supervisory board members that reflect an amount estimated to have accrued as of the consolidated balance sheet date.

**(o) Employee retirement benefits**

Employees who terminate their service with the Group are entitled to retirement benefits generally determined with reference to the basic salary at the time of termination, years of service and conditions under which the termination occurs.

The Group recognizes retirement benefits, including pension costs and related liabilities, based principally on the actuarial present value of the retirement benefit obligation using an actuarial appraisal approach and the value of pension plan assets available for benefits at the fiscal year-end.

In determining retirement benefit obligation, the benefit formula method is used for attributing expected retirement benefits to the period up to the end of the respective fiscal year-end. Actuarial differences arising from changes in the projected benefit obligation or value of pension plan assets resulting from outcomes which are different from those assumed and from changes in the assumptions themselves are amortized on a straight-line basis principally over 13 to 14 years, a period within the average remaining years of service of employees at the time when the differences arise, from the fiscal year after the year the differences arise.

(Additional information)

During the fiscal year ended March 31, 2015, the Group contributed ¥4,000 million (\$33,286 thousand) to retirement benefit trusts for purposes of further soundness of pension financing. As a result, “Employee retirement benefit liability” decreased by ¥4,000 million (\$33,286 thousand).

(Application of the Accounting Standard for Retirement Benefits and related Guidance)

The Group has applied the provisions specified in the main clause of Section 35 of the “Accounting Standard for Retirement Benefits” (Accounting Standards Board of Japan (“ASBJ”) Statement No. 26, issued on May 17, 2012 (“Statement No. 26”)) and the main clause of Section 67 of the “Guidance on Accounting Standard for Retirement Benefits” (ASBJ Guidance No. 25, issued on March 26, 2015) from the fiscal year ended March 31, 2015, and accordingly, changed the method used to calculate retirement benefit obligations and service cost. The method used to attribute expected benefit to periods was changed from the straight-line method to the benefit formula method. The method used to determine the discount rate was also changed from that using the discount rate based on the periods approximating average remaining service periods of employees to that using the single weighted average discount rate reflecting the expected retirement payment periods and the expected amount of retirement payment in each period.

In accordance with the transitional treatment prescribed in Section 37 of Statement No. 26, the effects of the changes in the methods used to calculate retirement benefit obligations and service cost were added to or deducted from retained earnings as of April 1, 2014.

As a result of this change, “Employee retirement benefit asset,” “Employee retirement benefit liability” and “Retained earnings” increased by ¥2,491 million (\$20,728 thousand), ¥853 million (\$7,098 thousand) and ¥1,058 million (\$8,804 thousand), respectively, as of April 1, 2014. The effects on income before income taxes and minority interests, however, were immaterial for the fiscal year ended March 31, 2015. In addition, net assets per share as of April 1, 2014 increased by ¥97.57 (\$0.81) while there were no material effects on net income per share and diluted net income per share for the fiscal year ended March 31, 2015.

**(p) Reserve for executive retirement benefits**

A reserve for executive retirement benefits is provided for payment of retirement benefits to directors, audit and supervisory board members and other executive officers in the amount deemed to have accrued at the consolidated balance sheet date according to the internal rules of the Group.

**(q) Reserve for reimbursement of deposits**

A reserve for reimbursement of deposits is provided for possible losses on the future claims of withdrawal based on historical reimbursement experience. A provision of reserve for reimbursement of deposits was included in “Other expenses” and amounted to ¥27 million (\$224 thousand) and ¥57 million (\$474 thousand) for the years ended March 31, 2015 and 2014, respectively.

**(r) Reserve for contingencies**

A provision is made in an amount deemed necessary to cover possible losses resulting from the default of loans under a responsibility-sharing system with Credit Guarantee Corporation based primarily on historical default rates. A provision of reserve for contingencies is included in “Other expenses” and no additional provision was recorded for the years ended March 31, 2015 and 2014, respectively.

**(s) Stock options**

The Group has applied ASBJ Statement No. 8, “Accounting Standard for Stock Options,” and its related guidance. This standard and guidance are applicable to stock options granted on or after May 1, 2006. This standard requires companies to measure the cost of employee stock options based on the fair value at the date of such grant and recognize compensation expense over the vesting period as consideration for receiving goods or services from such employees. The standard also requires companies to account for stock options granted to non-employees based on the fair values of either the stock options or goods or services received from such non-employees. In the balance sheets, stock options are presented as stock acquisition rights, a separate component of net assets, until exercised. The standard covers equity-settled, share-based payment transactions, but does not cover cash-settled, share-based payment transactions. In addition, the standard allows unlisted companies to measure options at their intrinsic value if the fair value cannot be reliably estimated.

**(t) Income taxes**

Income taxes are accounted for using the asset-liability method. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the carrying amounts of existing assets and liabilities and their respective tax bases and operating loss carryforwards. Deferred tax assets and liabilities are measured using the enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to reverse. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in the period that includes the promulgation date.

**(u) Appropriation of retained earnings**

Cash dividends are recorded in the fiscal year when a proposed appropriation of retained earnings is approved by the shareholders.

#### **(v) Per share data**

Net income per share is computed by dividing income available to common shareholders by the weighted average number of shares of common stock outstanding during the respective year.

Diluted net income per share is computed to reflect the potential dilution that could occur if securities were exercised or converted into common stock, assuming the full exercise of the outstanding stock options.

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

### **3. Financial Instruments**

#### **(a) Qualitative information on financial instruments**

##### **i) Policies for financial instruments**

The Group procures funds by accepting deposits from clients and utilizes the funds for financial investments in the bond and stock markets and for making loans to corporate and individual clients.

The Group enters into derivative transactions in order to avoid the risk of foreign currency fluctuations on customers' funds as well as to conduct foreign financing transactions and to avoid the risk of rising interest rates for the Bank. From an overall risk management standpoint, the Bank uses derivative instruments as hedging instruments in order to avoid the market risk to which financial assets and liabilities are exposed.

##### **ii) Details of financial instruments and related risks**

Financial assets of the Group consist mainly of loans to corporate and individual clients and are exposed to interest rate risk and credit risk resulting from any deterioration in the financial condition of the counterparty.

Investment securities comprise mainly debt and equity securities. The Group holds debt securities classified as held-for-sale, available-for-sale or held-to-maturity and equity securities to pursue capital gain or to maintain relationships with corporate clients. These securities are exposed to the credit risk of the issuers, interest rate risk, market risk and foreign currency risk. Deposits consist of demand deposits and time deposits. The maturities of time deposits are within five years.

Asset-liability management techniques are employed to manage financial assets and liabilities sensitive to interest rate fluctuations.

##### **iii) Risk management for financial instruments**

###### **Credit risk management**

The Bank manages credit risk by conducting strict credit examinations on respective debtors. Additionally, the Bank analyzes the risk by credit rating and industry in chronological order and diversifies the risk of its portfolios in the entirety.

The Group manages credit risk under the Credit Supervision Section, examining and assessing financial circumstances, industry trends, purposes of loans and repayment plans of respective debtors. Assessments are conducted to evaluate the credit standing of prospective debtors before entering into a transaction, for credit management after execution, as a self-assessment on a regular basis and at any time when a relevant event occurs. By the self-assessment, assets are classified by the degree of risk based on the debtor's classification and the existence of any collateral or guarantees. The results

of the self-assessments are examined by the Self-Assessment Verification Section and are reported to the Asset Assessment Committee and management.

As to the credit portfolios in the entirety, the level of concentration in the industry and large transactions are monitored by the Credit Management Section on a regular basis in order to construct portfolios that exclude concentration risk. The Credit Management Section periodically reports the results to management.

Moreover, an internal credit rating system has been introduced that classifies debtors according to creditworthiness. The Bank uses the credit rating for screening and credit management of debtors as well as monitoring the credit portfolio.

Credit risk is quantified, which enables the Bank to manage the credit risk effectively.

#### Market risk management

The Risk Control Department of the Bank monitors market risk. The department quantifies the risk whenever possible and performs stress tests and simulation analyses to analyze the possible effects of changes in market variables such as interest rates, stock prices and exchange rates on the amount of market risk the Bank is exposed to and on the profit and loss of the Bank. The results of the analyses are regularly reported to the Board of Directors, the Risk Management Committee and other relevant parties. The Risk Management Committee and other relevant parties confirm that the level of risk is sufficiently limited considering the equity of the Bank and review the policies for controlling market risk.

Interest rate risk and stock price risk are significant risks for the Group. Major financial instruments which are exposed to interest rate risk are “Loans and bills discounted,” debt securities classified as available-for-sale securities under “Investment securities” and “Deposits.” Financial instruments which are exposed to stock price risk are equity securities classified as available-for-sale securities in “Investment securities.” The Group uses Value at Risk (“VaR”) calculated based on the financial assets and liabilities categorized into “loans and deposits,” “debt securities,” “equity securities held for investment” and “strategically held equity securities” to perform quantitative analysis and manage interest rate and stock price fluctuation risks. For the years ended March 31, 2015 and 2014, VaR was calculated using the historical simulation method (and assuming a holding period of 125 business days, a 99% confidence interval and an observation period of 5 years).

The total market risk exposure of the Group as estimated loss amounted to ¥14,048 million (\$116,901 thousand) and ¥30,786 million (\$256,187 thousand) as of March 31, 2015 and 2014, respectively. In calculating VaR, VaR amounts for interest rate risk associated with the banking account and price fluctuation risk associated with the equity securities held for investment were summed with that for price fluctuation risk associated with strategically held equity securities.

The Group ensures the reliability and accuracy of the measurement model by performing back-testing, that is, comparing VaR amounts measured using the model with actual amounts of profit and loss. However, VaR reflects market risk exposures statistically calculated under certain probabilities based on historical market volatility; therefore, it may not be able to accurately reflect the risks when the market environment changes extraordinarily.

#### iv) Supplemental information on fair value of financial instruments

Fair values of financial instruments are estimated based on quoted market prices or based on reasonably calculated prices if quoted market prices are not available. Certain assumptions are used to calculate such prices. Therefore, prices may be different under different assumptions.



**(b) Fair value of financial instruments**

The following is a summary of the carrying values and fair values of financial instruments at March 31, 2015 and 2014.

|   | Millions of yen |             |            |
|---|-----------------|-------------|------------|
|   | 2015            |             |            |
|   | Carrying value  | Fair value  | Difference |
| Financial assets:   |                 |             |            |
| Cash and due from banks   | ¥ 139,407       | ¥ 139,407   | ¥ -        |
| Call loans and bills purchased  | 2,171           | 2,171       | -          |
| Trading securities  | 77              | 77          | -          |
| Investment securities:  |                 |             |            |
| Available-for-sale securities (*1)                                    | 1,157,415       | 1,157,415   | -          |
| Loans and bills discounted:   |                 |             |            |
| Loans and bills discounted  | 1,655,157       |             |            |
| Reserve for possible loan losses (*2)                                 | (9,900)         |             |            |
| Loans and bills discounted, net                                       | 1,645,256       | 1,669,942   | 24,685     |
|   | ¥ 2,944,328     | ¥ 2,969,014 | ¥ 24,685   |
| Financial liabilities:  |                 |             |            |
| Deposits  | ¥ 2,638,408     | ¥ 2,638,976 | ¥ 568      |
| Security deposits received related to securities lending transactions | 75,085          | 75,085      | -          |
| Borrowings  | 17,655          | 17,678      | 23         |
|   | ¥ 2,731,148     | ¥ 2,731,740 | ¥ 591      |
|   |                 |             |            |
|   |                 | 2014        |            |
|   | Carrying value  | Fair value  | Difference |
| Financial assets:   |                 |             |            |
| Cash and due from banks   | ¥ 138,290       | ¥ 138,290   | ¥ -        |
| Call loans and bills purchased  | 3,781           | 3,781       | -          |
| Trading securities  | 110             | 110         | -          |
| Investment securities:  |                 |             |            |
| Available-for-sale securities (*1)                                    | 1,092,124       | 1,092,124   | -          |
| Loans and bills discounted:   |                 |             |            |
| Loans and bills discounted  | 1,636,669       |             |            |
| Reserve for possible loan losses (*2)                                 | (13,853)        |             |            |
| Loans and bills discounted, net                                       | 1,622,816       | 1,647,872   | 25,056     |
|   | ¥ 2,857,123     | ¥ 2,882,179 | ¥ 25,056   |
| Financial liabilities:  |                 |             |            |
| Deposits  | ¥ 2,592,549     | ¥ 2,593,540 | ¥ 990      |
| Security deposits received related to securities lending transactions | 61,834          | 61,834      | -          |
| Borrowings  | 12,845          | 12,870      | 25         |
|   | ¥ 2,667,228     | ¥ 2,668,245 | ¥ 1,016    |

|   | Thousands of U.S. dollars |                      |                   |
|---|---------------------------|----------------------|-------------------|
|   | 2015                      |                      |                   |
|   | Carrying value            | Fair value           | Difference        |
| <b>Financial assets:</b>  |                           |                      |                   |
| Cash and due from banks   | \$ 1,160,081              | \$ 1,160,081         | \$ -              |
| Call loans and bills purchased  | 18,066                    | 18,066               | -                 |
| Trading securities  | 640                       | 640                  | -                 |
| Investment securities:  |                           |                      |                   |
| Available-for-sale securities (*1)                                    | 9,631,480                 | 9,631,480            | -                 |
| Loans and bills discounted:   |                           |                      |                   |
| Loans and bills discounted  | 13,773,462                |                      |                   |
| Reserve for possible loan losses (*2)                                 | (82,383)                  |                      |                   |
| Loans and bills discounted, net                                       | <u>13,691,070</u>         | <u>13,896,496</u>    | <u>205,417</u>    |
|   | <u>\$ 24,501,356</u>      | <u>\$ 24,706,782</u> | <u>\$ 205,417</u> |
| <b>Financial liabilities:</b>   |                           |                      |                   |
| Deposits  | \$ 21,955,629             | \$ 21,960,356        | \$ 4,726          |
| Security deposits received related to securities lending transactions | 624,823                   | 624,823              | -                 |
| Borrowings  | 146,916                   | 147,108              | 191               |
|   | <u>\$ 22,727,369</u>      | <u>\$ 22,732,295</u> | <u>\$ 4,918</u>   |
|   |                           | 2014                 |                   |
|   | Carrying value            | Fair value           | Difference        |
| <b>Financial assets:</b>  |                           |                      |                   |
| Cash and due from banks   | \$ 1,150,786              | \$ 1,150,786         | \$ -              |
| Call loans and bills purchased  | 31,463                    | 31,463               | -                 |
| Trading securities  | 915                       | 915                  | -                 |
| Investment securities:  |                           |                      |                   |
| Available-for-sale securities (*1)                                    | 9,088,158                 | 9,088,158            | -                 |
| Loans and bills discounted:   |                           |                      |                   |
| Loans and bills discounted  | 13,619,613                |                      |                   |
| Reserve for possible loan losses (*2)                                 | (115,278)                 |                      |                   |
| Loans and bills discounted, net                                       | <u>13,504,335</u>         | <u>13,712,840</u>    | <u>208,504</u>    |
|   | <u>\$ 23,775,676</u>      | <u>\$ 23,984,180</u> | <u>\$ 208,504</u> |
| <b>Financial liabilities:</b>   |                           |                      |                   |
| Deposits  | \$ 21,574,011             | \$ 21,582,258        | \$ 8,238          |
| Security deposits received related to securities lending transactions | 514,554                   | 514,554              | -                 |
| Borrowings  | 106,890                   | 107,098              | 208               |
|   | <u>\$ 22,195,456</u>      | <u>\$ 22,203,919</u> | <u>\$ 8,454</u>   |

Notes:

(\*1) The following securities were excluded from the above tables because their fair values were extremely difficult to determine.

|                                | Millions of yen |                | Thousands of U.S. dollars |                  |
|--------------------------------|-----------------|----------------|---------------------------|------------------|
|                                | 2015            | 2014           | 2015                      | 2014             |
| Unlisted stocks*               | ¥ 1,757         | ¥ 1,777        | \$ 14,620                 | \$ 14,787        |
| Other nonmarketable securities | 321             | 329            | 2,671                     | 2,737            |
|                                | <u>¥ 2,078</u>  | <u>¥ 2,107</u> | <u>\$ 17,292</u>          | <u>\$ 17,533</u> |

\* For the year ended March 31, 2014, loss on the write-down of these securities was recognized in the amount of ¥7 million (\$58 thousand). For the year ended March 31, 2015, there was no write-down of these securities.

(\*2) Reserve for possible loan losses on ordinary and specific claims corresponding to loans and bills discounted is deducted.

Methods for calculating the fair value of financial instruments were as follows:

Financial assets:

- Cash and due from banks – The fair value of due from banks without maturities approximates the carrying value. As for those with maturities, the present value calculated by discounting the amount categorized based on the remaining term to maturity as of the consolidated balance sheet date at the risk free rate is used as the fair value. As for those with maturities up to one year as of the consolidated balance sheet date, the carrying value is used as the fair value after it is confirmed that the fair value approximates the carrying value.
- Call loans and bills purchased – The present value calculated by discounting the amount categorized based on the remaining term to maturity as of the consolidated balance sheet date at the risk free rate is used as the fair value of call loans and bills purchased. As for those with maturities up to one year as of the consolidated balance sheet date, the carrying value is used as the fair value after it is confirmed that the fair value approximates the carrying value.
- Trading securities – The fair value of trading securities such as debt securities held for dealing operations is based on the quoted market price or the price obtained from the counterparty financial institution.
- Investment securities – The fair value of equity securities is based on the quoted market price. The fair value of debt securities is based on the quoted market price or the price obtained from the counterparty financial institution. The fair value of investment trust funds is based on the constant value.

The fair value of private placement bonds guaranteed by the Bank is calculated by discounting the future cash flows at the risk free rate to which the consideration (risk premium) to cover uncertainty inherent in cash flows (credit risk and others), which is calculated based on the amount expected to be collected according to the internal credit rating and the existence of collateral or guarantees, is added. As for transactions with maturities up to one year as of the consolidated balance sheet date, the carrying value is used as the fair value after it is confirmed that the fair value approximates the carrying value. Additional information on securities classified by holding purpose is presented in Note 4, Trading Securities and Investment Securities.

- Loans and bills discounted – The fair value of loans and bills discounted to corporate clients is calculated by discounting the future cash flows at the risk free rate to which the consideration (risk premium) to cover uncertainty inherent in cash flows (credit risk and others), which is calculated based on the amount expected to be collected according to the internal credit rating and the existence of collateral or guarantees, is added. The fair value of those to individual clients is calculated as the total of principal and interest discounted by the rate assumed when a similar loan is executed.

As for transactions whose due date is within one year as of the consolidated balance sheet date, the carrying value is used as the fair value after it is confirmed that the fair value approximates the carrying value.

As for loans to borrowers that are legally or substantially bankrupt and those who are likely to become bankrupt, the estimated loan losses are calculated based on the present value of the estimated future cash flows or the amount expected to be collected due to collateral or guarantees. As a result, the fair value approximates the carrying value as of the consolidated balance sheet date minus the reserve for possible loan losses.

Financial liabilities:

- Deposits – The fair value of demand deposits is deemed as the amount that would be paid if demanded by the clients as of the consolidated balance sheet date (the carrying value). As for time deposits, the present value, the discounted future cash flows by the amount categorized based on a certain period, is used as the fair value. The discount rate is that used when a new deposit is accepted. As for those with maturities up to one year as of the consolidated balance sheet date, the carrying value is used as the fair value after it is confirmed that the fair value approximates the carrying value.
- Security deposits received related to securities lending transactions and borrowings – The present value calculated by discounting the amount categorized based on the remaining term to maturity as

of the consolidated balance sheet date at the risk free rate is used as the fair value. As for transactions with maturities up to one year as of the consolidated balance sheet date, the carrying value is used as the fair value after it is confirmed that the fair value approximates the carrying value.

**(c) Redemption schedule for financial instruments with maturities**

The redemption schedule for financial instruments with maturities at March 31, 2015 was as follows:

|   | Millions of yen          |   |  |  |   |                       |
|---|--------------------------|---|--|--|---|-----------------------|
|   | 2015                     |   |  |  |   |                       |
|   | Due in 1 year<br>or less | Due after<br>1 year<br>through<br>3 years | Due after<br>3 years<br>through<br>5 years | Due after<br>5 years<br>through<br>7 years | Due after<br>7 years<br>through<br>10 years | Due after<br>10 years |
| <b>Financial assets:</b>  |                          |   |  |  |   |                       |
| Due from banks  | ¥ 100,154                | ¥ -                                       | ¥ -  | ¥ -  | ¥ -   | ¥ -                   |
| Call loans and bills purchased  | 2,171                    | -   | -  | -  | -   | -                     |
| <b>Investment securities:</b>   |                          |   |  |  |   |                       |
| <b>Available-for-sale securities:</b>                                 |                          |   |  |  |   |                       |
| <b>Japanese government bonds</b>                                      |                          |   |  |  |   |                       |
| Local government bonds  | 16,000                   | 59,300                                    | 63,800                                     | 150,600                                    | 4,600                                       | 3,000                 |
| Corporate bonds   | 17,686                   | 32,674                                    | 24,363                                     | 29,978                                     | 5,218                                       | -                     |
| Foreign bonds   | 90,081                   | 153,241                                   | 70,519                                     | 65,911                                     | 24,986                                      | 8,035                 |
| Other   | 12,454                   | 37,739                                    | 13,870                                     | 1,400                                      | -   | -                     |
| <b>Total investment securities</b>                                    | <u>2,629</u>             | <u>10,976</u>                             | <u>20,676</u>                              | <u>3,155</u>                               | <u>51,394</u>                               | <u>-</u>              |
| Loans and bills discounted (*1)                                       | 138,851                  | 293,932                                   | 193,230                                    | 251,045                                    | 86,198                                      | 11,035                |
|   | 307,060                  | 343,979                                   | 220,871                                    | 109,424                                    | 114,424                                     | 300,589               |
|   | <u>¥ 548,238</u>         | <u>¥ 637,911</u>                          | <u>¥ 414,102</u>                           | <u>¥ 360,469</u>                           | <u>¥ 200,623</u>                            | <u>¥ 311,625</u>      |
| <b>Financial liabilities:</b>   |                          |   |  |  |   |                       |
| Deposits (*2)   | ¥ 2,393,002              | ¥ 218,538                                 | ¥ 26,866                                   | ¥ -  | ¥ -   | ¥ -                   |
| Security deposits received related to securities lending transactions | 75,085                   | -   | -  | -  | -   | -                     |
| Borrowings  | 14,170                   | 2,535                                     | 950  | -  | -   | -                     |
|   | <u>¥ 2,482,258</u>       | <u>¥ 221,073</u>                          | <u>¥ 27,816</u>                            | <u>¥ -</u>                                 | <u>¥ -</u>                                  | <u>¥ -</u>            |

|   | Thousands of U.S. dollars |   |  |  |   |                       |
|---|---------------------------|---|--|--|---|-----------------------|
|   | 2015                      |   |  |  |   |                       |
|   | Due in 1 year<br>or less  | Due after<br>1 year<br>through<br>3 years | Due after<br>3 years<br>through<br>5 years | Due after<br>5 years<br>through<br>7 years | Due after<br>7 years<br>through<br>10 years | Due after<br>10 years |
| <b>Financial assets:</b>  |                           |   |  |  |   |                       |
| Due from banks  | \$ 833,435                | \$ -                                      | \$ -                                       | \$ -                                       | \$ -  | \$ -                  |
| Call loans and bills purchased  | 18,066                    | -   | -  | -  | -   | -                     |
| <b>Investment securities:</b>   |                           |   |  |  |   |                       |
| <b>Available-for-sale securities:</b>                                 |                           |   |  |  |   |                       |
| <b>Japanese government bonds</b>                                      |                           |   |  |  |   |                       |
| Local government bonds  | 133,144                   | 493,467                                   | 530,914                                    | 1,253,224                                  | 38,279                                      | 24,964                |
| Corporate bonds   | 147,174                   | 271,898                                   | 202,737                                    | 249,463                                    | 43,421                                      | -                     |
| Foreign bonds   | 749,613                   | 1,275,201                                 | 586,826                                    | 548,481                                    | 207,922                                     | 66,863                |
| Other   | 103,636                   | 314,046                                   | 115,419                                    | 11,650                                     | -   | -                     |
| <b>Total investment securities</b>                                    | <u>21,877</u>             | <u>91,337</u>                             | <u>172,056</u>                             | <u>26,254</u>                              | <u>427,677</u>                              | <u>-</u>              |
| Loans and bills discounted (*1)                                       | 1,155,454                 | 2,445,968                                 | 1,607,972                                  | 2,089,082                                  | 717,300                                     | 91,828                |
|   | 2,555,213                 | 2,862,436                                 | 1,837,987                                  | 910,576                                    | 952,184                                     | 2,501,364             |
|   | <u>\$ 4,562,186</u>       | <u>\$ 5,308,404</u>                       | <u>\$ 3,445,968</u>                        | <u>\$ 2,999,658</u>                        | <u>\$ 1,669,493</u>                         | <u>\$ 2,593,201</u>   |
| <b>Financial liabilities:</b>   |                           |   |  |  |   |                       |
| Deposits (*2)   | \$ 19,913,472             | \$ 1,818,573                              | \$ 223,566                                 | \$ -                                       | \$ -  | \$ -                  |
| Security deposits received related to securities lending transactions | 624,823                   | -   | -  | -  | -   | -                     |
| Borrowings  | 117,916                   | 21,095                                    | 7,905                                      | -  | -   | -                     |
|   | <u>\$ 20,656,220</u>      | <u>\$ 1,839,668</u>                       | <u>\$ 231,472</u>                          | <u>\$ -</u>                                | <u>\$ -</u>                                 | <u>\$ -</u>           |

**Notes:**

(\*1) At March 31, 2015, the total amount of loans which were not expected to be recovered, including claims to borrowers that were legally or substantially bankrupt and to those who were likely to become bankrupt, amounted to ¥53,228 million (\$442,939 thousand). Loans without due dates in the amount of ¥205,579 million (\$1,710,734 thousand) were excluded.

(\*2) Demand deposits were included in "Due in 1 year or less."

#### 4. Trading Securities and Investment Securities

At March 31, 2015 and 2014, trading securities consisted of Japanese government bonds only.

At March 31, 2015 and 2014, investment securities consisted of the following:

|                           | Millions of yen    |                    | Thousands of U.S. dollars |                     |
|---------------------------|--------------------|--------------------|---------------------------|---------------------|
|                           | 2015               | 2014               | 2015                      | 2014                |
| Japanese government bonds | ¥ 308,125          | ¥ 330,687          | \$ 2,564,075              | \$ 2,751,826        |
| Local government bonds    | 113,504            | 106,500            | 944,528                   | 886,244             |
| Bonds and debentures      | 421,022            | 447,240            | 3,503,553                 | 3,721,727           |
| Equity securities         | 129,090            | 101,025            | 1,074,228                 | 840,684             |
| Other                     | 187,750            | 108,777            | 1,562,369                 | 905,192             |
|                           | <u>¥ 1,159,493</u> | <u>¥ 1,094,231</u> | <u>\$ 9,648,772</u>       | <u>\$ 9,105,691</u> |

At March 31, 2015 and 2014, investment securities included Japanese government bonds of ¥6,366 million (\$52,974 thousand) and ¥16,863 million (\$140,326 thousand), respectively, as loans without collateral (securities lending transactions).

At March 31, 2015 and 2014, liabilities for guarantees on corporate bonds included in “Investment securities,” which were issued by private placement (Article 2, Paragraph 3 of the Financial Instruments and Exchange Act), amounted to ¥14,027 million (\$116,726 thousand) and ¥13,594 million (\$113,123 thousand), respectively.

Securities are classified as trading, held-to-maturity or available-for-sale. The classification determines the respective accounting method that should be used to account for these securities, as stipulated by the accounting standard for financial instruments. At March 31, 2015 and 2014, the carrying values of trading securities and the related valuation differences included in the consolidated statements of income were as follows:

|                    | Millions of yen |                      |                |                      | Thousands of U.S. dollars |                      |                |                      |
|--------------------|-----------------|----------------------|----------------|----------------------|---------------------------|----------------------|----------------|----------------------|
|                    | 2015            |                      | 2014           |                      | 2015                      |                      | 2014           |                      |
|                    | Carrying value  | Valuation difference | Carrying value | Valuation difference | Carrying value            | Valuation difference | Carrying value | Valuation difference |
| Trading securities | ¥ 77            | ¥ (0)                | ¥ 110          | ¥ (0)                | \$ 640                    | \$ (0)               | \$ 915         | \$ (0)               |

The Group did not have any held-to-maturity debt securities as of March 31, 2015 and 2014.

At March 31, 2015 and 2014, gross unrealized gains and losses for available-for-sale securities with fair value were as follows:

| Millions of yen                                |                              |                               |                               |             |
|--|------------------------------|-------------------------------|-------------------------------|-------------|
| 2015   |                              |                               |                               |             |
| Cost   | Gross<br>unrealized<br>gains | Gross<br>unrealized<br>losses | Fair and<br>carrying<br>value |             |
| Available-for-sale securities with fair value: |                              |                               |                               |             |
| Japanese government bonds                      | ¥ 300,202                    | ¥ 7,962                       | ¥ (38)                        | ¥ 308,125   |
| Local government bonds                         | 110,602                      | 2,919                         | (17)                          | 113,504     |
| Bonds and debentures                           | 414,137                      | 6,972                         | (87)                          | 421,022     |
| Equity securities                              | 54,294                       | 73,168                        | (129)                         | 127,333     |
| Other  | 176,605                      | 10,993                        | (170)                         | 187,428     |
| ¥ 1,055,842                                    | ¥ 102,015                    | ¥ (442)                       |                               | ¥ 1,157,415 |

| Millions of yen                                |                              |                               |                               |             |
|--|------------------------------|-------------------------------|-------------------------------|-------------|
| 2014   |                              |                               |                               |             |
| Cost   | Gross<br>unrealized<br>gains | Gross<br>unrealized<br>losses | Fair and<br>carrying<br>value |             |
| Available-for-sale securities with fair value: |                              |                               |                               |             |
| Japanese government bonds                      | ¥ 322,462                    | ¥ 8,226                       | ¥ (1)                         | ¥ 330,687   |
| Local government bonds                         | 103,488                      | 3,018                         | (7)                           | 106,500     |
| Bonds and debentures                           | 440,430                      | 6,898                         | (89)                          | 447,239     |
| Equity securities                              | 52,601                       | 46,956                        | (310)                         | 99,247      |
| Other  | 104,194                      | 4,473                         | (222)                         | 108,446     |
| ¥ 1,023,182                                    | ¥ 69,575                     | ¥ (633)                       |                               | ¥ 1,092,124 |

| Thousands of U.S. dollars                      |                              |                               |                               |              |
|--|------------------------------|-------------------------------|-------------------------------|--------------|
| 2015   |                              |                               |                               |              |
| Cost   | Gross<br>unrealized<br>gains | Gross<br>unrealized<br>losses | Fair and<br>carrying<br>value |              |
| Available-for-sale securities with fair value: |                              |                               |                               |              |
| Japanese government bonds                      | \$ 2,498,144                 | \$ 66,256                     | \$ (316)                      | \$ 2,564,075 |
| Local government bonds                         | 920,379                      | 24,290                        | (141)                         | 944,528      |
| Bonds and debentures                           | 3,446,259                    | 58,017                        | (723)                         | 3,503,553    |
| Equity securities                              | 451,809                      | 608,870                       | (1,073)                       | 1,059,607    |
| Other  | 1,469,626                    | 91,478                        | (1,414)                       | 1,559,690    |
| \$ 8,786,236                                   | \$ 848,922                   | \$ (3,678)                    |                               | \$ 9,631,480 |

| Thousands of U.S. dollars                      |                              |                               |                               |              |
|--|------------------------------|-------------------------------|-------------------------------|--------------|
| 2014   |                              |                               |                               |              |
| Cost   | Gross<br>unrealized<br>gains | Gross<br>unrealized<br>losses | Fair and<br>carrying<br>value |              |
| Available-for-sale securities with fair value: |                              |                               |                               |              |
| Japanese government bonds                      | \$ 2,683,381                 | \$ 68,453                     | \$ (8)                        | \$ 2,751,826 |
| Local government bonds                         | 861,179                      | 25,114                        | (58)                          | 886,244      |
| Bonds and debentures                           | 3,665,057                    | 57,402                        | (740)                         | 3,721,719    |
| Equity securities                              | 437,721                      | 390,746                       | (2,579)                       | 825,888      |
| Other  | 867,055                      | 37,222                        | (1,847)                       | 902,438      |
| \$ 8,514,454                                   | \$ 578,971                   | \$ (5,267)                    |                               | \$ 9,088,158 |

During the years ended March 31, 2015 and 2014, the Group recorded losses on the write-down of available-for-sale securities with fair value due to other than temporary decline in value as follows:

|                 | Millions of yen |      | Thousands of U.S. dollars |      |
|-----------------|-----------------|------|---------------------------|------|
|                 | 2015            | 2014 | 2015                      | 2014 |
| Corporate bonds | ¥ 1             | ¥ -  | \$ 8                      | \$ - |

The Group recognizes the write-down of available-for-sale securities with fair value in the case of a decline in value by 50% or more below cost or an other than temporary decline ranging from 30% to 50% below cost.

At March 31, 2015 and 2014, net unrealized gains on available-for-sale securities, net of applicable income taxes and minority interests, recorded as a component of accumulated other comprehensive income in net assets on the consolidated balance sheets were as follows:

|                                 | Millions of yen |          | Thousands of U.S. dollars |            |
|---------------------------------|-----------------|----------|---------------------------|------------|
|                                 | 2015            | 2014     | 2015                      | 2014       |
| Unrealized gains                | ¥ 101,572       | ¥ 68,941 | \$ 845,235                | \$ 573,695 |
| Less applicable income taxes    | (31,684)        | (23,718) | (263,659)                 | (197,370)  |
| Less minority interests portion | (82)            | (42)     | (682)                     | (349)      |
| Net unrealized gains            | ¥ 69,806        | ¥ 45,180 | \$ 580,893                | \$ 375,967 |

During the years ended March 31, 2015 and 2014, the Group sold available-for-sale securities and recorded gains and losses on sales of these securities on the consolidated statements of income as follows:

|                     | Millions of yen |         | Thousands of U.S. dollars |           |
|---------------------|-----------------|---------|---------------------------|-----------|
|                     | 2015            | 2014    | 2015                      | 2014      |
| Gains on sales of:  |                 |         |                           |           |
| Equity securities   | ¥ 1,570         | ¥ 1,675 | \$ 13,064                 | \$ 13,938 |
| Bonds and others    | 1,195           | 946     | 9,944                     | 7,872     |
|                     | ¥ 2,765         | ¥ 2,621 | \$ 23,009                 | \$ 21,810 |
| Losses on sales of: |                 |         |                           |           |
| Equity securities   | ¥ 232           | ¥ 396   | \$ 1,930                  | \$ 3,295  |
| Bonds and others    | 380             | 1,054   | 3,162                     | 8,770     |
|                     | ¥ 612           | ¥ 1,450 | \$ 5,092                  | \$ 12,066 |

## 5. Loans and Bills Discounted

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

|                  | Millions of yen |             | Thousands of U.S. dollars |               |
|------------------|-----------------|-------------|---------------------------|---------------|
|                  | 2015            | 2014        | 2015                      | 2014          |
| Bills discounted | ¥ 26,934        | ¥ 28,581    | \$ 224,132                | \$ 237,838    |
| Loans on bills   | 60,626          | 68,711      | 504,501                   | 571,781       |
| Loans on deeds   | 1,359,374       | 1,350,144   | 11,312,091                | 11,235,283    |
| Overdrafts       | 208,221         | 189,232     | 1,732,720                 | 1,574,702     |
|                  | ¥ 1,655,157     | ¥ 1,636,669 | \$ 13,773,462             | \$ 13,619,613 |

Bills discounted are accounted for as financial transactions in accordance with the JICPA Industry Audit Committee Report No. 24, "Treatment of Accounting and Auditing Concerning Application of Accounting Standard for Financial Instruments in Banking Industry." The Group has the right to sell or



pledge (repledge) bankers' acceptances, commercial bills, documentary bills and foreign bills of exchange purchased without restrictions. The total face value of these bills amounted to ¥27,110 million (\$225,597 thousand) and ¥28,806 million (\$239,710 thousand) at March 31, 2015 and 2014, respectively.

Claims to borrowers in bankruptcy and past due loans amounted to ¥53,228 million (\$442,939 thousand) and ¥58,083 million (\$483,340 thousand) at March 31, 2015 and 2014, respectively, and are included in "Loans and bills discounted." Loans are generally placed on non-accrual status when there is substantial doubt about the ultimate collectability of either principal or interest because the principal or interest is past due for a considerable period or for other reasons. Claims to borrowers in bankruptcy represent non-accrual loans after charge-off to legally bankrupt borrowers as defined in Article 96, Paragraph 1, Subparagraph 3 and 4 of the Order for Enforcement of the Corporation Tax Act of Japan. Past due loans are non-accrual loans other than claims to borrowers in bankruptcy and loans for which interest payments are deferred in order to assist the financial recovery of borrowers in financial difficulties.

At March 31, 2015 and 2014, delinquent loans for which the payment of principal or interest was contractually past due three months or more, excluding non-accrual loans, amounted to ¥509 million (\$4,235 thousand) and ¥750 million (\$6,241 thousand), respectively.

At March 31, 2015 and 2014, restructured loans for which the Bank had restructured the terms and conditions in favor of borrowers in financial difficulties, such as a reduction or exemption of the original interest rate, extension of interest payments and/or principal repayments and debt forgiveness in order to support the borrowers in their financial recovery or restructuring, excluding "claims to borrowers in bankruptcy," "past due loans" and "delinquent loans contractually past due three months or more" disclosed above, amounted to ¥8,067 million (\$67,129 thousand) and ¥12,307 million (\$102,413 thousand), respectively.

Total non-performing assets before charge-offs of claims deemed uncollectible, consisting of "claims to borrowers in bankruptcy," "past due loans," "delinquent loans contractually past due three months or more" and "restructured loans," aggregated ¥61,804 million (\$514,304 thousand) and ¥71,141 million (\$592,002 thousand) at March 31, 2015 and 2014, respectively.

## 6. Foreign Exchange

At March 31, 2015 and 2014, foreign exchange consisted of the following:

|                                      | Millions of yen |                | Thousands of U.S. dollars |                  |
|--------------------------------------|-----------------|----------------|---------------------------|------------------|
|                                      | 2015            | 2014           | 2015                      | 2014             |
| Assets:                              |                 |                |                           |                  |
| Due from banks                       | ¥ 2,896         | ¥ 896          | \$ 24,099                 | \$ 7,456         |
| Foreign bills of exchange purchased  | 176             | 225            | 1,464                     | 1,872            |
| Foreign bills of exchange receivable | 563             | 537            | 4,685                     | 4,468            |
|                                      | <u>¥ 3,636</u>  | <u>¥ 1,659</u> | <u>\$ 30,257</u>          | <u>\$ 13,805</u> |
|                                      |                 |                |                           |                  |
|                                      | Millions of yen |                | Thousands of U.S. dollars |                  |
|                                      | 2015            | 2014           | 2015                      | 2014             |
| Liabilities:                         |                 |                |                           |                  |
| Foreign bills of exchange sold       | ¥ 458           | ¥ 486          | \$ 3,811                  | \$ 4,044         |
| Foreign bills of exchange payable    | 521             | 87             | 4,335                     | 723              |
|                                      | <u>¥ 980</u>    | <u>¥ 573</u>   | <u>\$ 8,155</u>           | <u>\$ 4,768</u>  |

## 7. Tangible Fixed Assets

At March 31, 2015 and 2014, tangible fixed assets consisted of the following:

|                             | Millions of yen |                 | Thousands of U.S. dollars |                   |
|-----------------------------|-----------------|-----------------|---------------------------|-------------------|
|                             | 2015            | 2014            | 2015                      | 2014              |
| Land                        | ¥ 23,559        | ¥ 23,668        | \$ 196,047                | \$ 196,954        |
| Buildings and structures    | 7,942           | 5,316           | 66,089                    | 44,237            |
| Property held for lease     | -               | 1               | -                         | 8                 |
| Construction in progress    | 32              | 1,355           | 266                       | 11,275            |
| Other tangible fixed assets | 3,307           | 3,387           | 27,519                    | 28,185            |
| Tangible fixed assets       | <u>¥ 34,841</u> | <u>¥ 33,727</u> | <u>\$ 289,930</u>         | <u>\$ 280,660</u> |

Accumulated depreciation of tangible fixed assets at March 31, 2015 and 2014 was ¥22,865 million (\$190,272 thousand) and ¥23,714 million (\$197,337 thousand), respectively.

As permitted by the accounting principles and practices generally accepted in Japan, deferred capital gains on sales of real property are deducted from the original acquisition cost of property newly acquired for replacement purposes in the same line of business as the property sold. At March 31, 2015 and 2014, the amount of ¥2,286 million (\$19,023 thousand) and ¥2,289 million (\$19,048 thousand), respectively, were directly reduced from the acquisition cost of land.

The Bank elected the one-time revaluation of land used for the banking business effective on March 31, 1998, reflecting appropriate adjustments for land shape and other factors based on the appraisal values issued by the Japanese National Tax Agency under the Act on Revaluation of Land. According to the Act, the amount equivalent to the tax effect on the excess of sound reassessed values over the original book value is stated as "Deferred tax liabilities for revaluation," and the rest of the excess, net of the tax effect, is disclosed as "Land revaluation increment" and included in a component of accumulated other comprehensive income in net assets on the consolidated balance sheets. At March 31, 2015 and 2014, the differences in the carrying values of land used for the banking business after reassessment over the market values amounted to ¥3,792 million (\$31,555 thousand) and ¥4,613 million (\$38,387 thousand), respectively.

## 8. Pledged Assets

At March 31, 2015 and 2014, investment securities totaling ¥74,816 million (\$622,584 thousand) and ¥61,675 million (\$513,231 thousand), respectively, were pledged as collateral for “Security deposits received related to securities lending transactions” of ¥75,085 million (\$624,823 thousand) and ¥61,834 million (\$514,554 thousand), respectively.

At March 31, 2015 and 2014, investment securities totaling ¥24,953 million (\$207,647 thousand) and ¥36,815 million (\$306,357 thousand), respectively, were pledged as collateral for the settlement of exchange and other transactions.

## 9. Deposits

At March 31, 2015 and 2014, deposits consisted of the following:

|                 | Millions of yen    |                    | Thousands of U.S. dollars |                      |
|-----------------|--------------------|--------------------|---------------------------|----------------------|
|                 | 2015               | 2014               | 2015                      | 2014                 |
| Demand deposits | ¥ 1,358,867        | ¥ 1,292,205        | \$ 11,307,872             | \$ 10,753,141        |
| Time deposits   | 1,251,027          | 1,266,667          | 10,410,476                | 10,540,625           |
| Other           | 28,512             | 33,676             | 237,263                   | 280,236              |
|                 | <u>¥ 2,638,408</u> | <u>¥ 2,592,549</u> | <u>\$ 21,955,629</u>      | <u>\$ 21,574,011</u> |

## 10. Borrowings and Lease Obligations

At March 31, 2015 and 2014, borrowings, which consisted of the borrowings from other financial institutions, amounted to ¥17,655 million (\$146,916 thousand) and ¥12,845 million (\$106,890 thousand), respectively. At March 31, 2015, the annual maturities of borrowings due through February 2020 at an average interest rate of 0.17% per annum were as follows:

| Year ending March 31, | Millions of yen | Thousands of U.S. dollars |
|-----------------------|-----------------|---------------------------|
| 2016                  | ¥ 14,170        | \$ 117,916                |
| 2017                  | 1,480           | 12,315                    |
| 2018                  | 1,055           | 8,779                     |
| 2019                  | 640             | 5,325                     |
| 2020                  | 310             | 2,579                     |
|                       | <u>¥ 17,655</u> | <u>\$ 146,916</u>         |

At March 31, 2015 and 2014, other liabilities included lease obligations of zero and ¥12 million (\$99 thousand), respectively.

## 11. Employee Retirement Benefits

The Group has corporate pension fund plans and lump-sum retirement benefit plans as defined benefit plans that cover substantially all employees. Furthermore, retirement benefit trusts are set up to cover lump-sum retirement benefit plans. At March 31, 2015 and 2014, employee retirement benefits consisted of the following:

(Defined benefit plans)

(a) Movement in retirement benefit obligations:

|  | Millions of yen |          | Thousands of U.S. dollars |            |
|--|-----------------|----------|---------------------------|------------|
|  | 2015            | 2014     | 2015                      | 2014       |
| Retirement benefit obligations at beginning of year  | ¥ 21,941        | ¥ 22,069 | \$ 182,583                | \$ 183,648 |
| Cumulative effects of changes in accounting policies | (1,637)         | -        | (13,622)                  | -          |
| Restated balance                                     | 20,304          | 22,069   | 168,960                   | 183,648    |
| Service cost   | 690             | 728      | 5,741                     | 6,058      |
| Interest cost  | 249             | 220      | 2,072                     | 1,830      |
| Actuarial differences                                | 127             | 187      | 1,056                     | 1,556      |
| Retirement benefits paid                             | (1,083)         | (1,264)  | (9,012)                   | (10,518)   |
| Retirement benefit obligations at end of year        | ¥ 20,289        | ¥ 21,941 | \$ 168,835                | \$ 182,583 |

(b) Movement in plan assets:

|   | Millions of yen |          | Thousands of U.S. dollars |            |
|---|-----------------|----------|---------------------------|------------|
|   | 2015            | 2014     | 2015                      | 2014       |
| Plan assets at beginning of year          | ¥ 23,085        | ¥ 19,994 | \$ 192,102                | \$ 166,380 |
| Expected return on plan assets            | 292             | 268      | 2,429                     | 2,230      |
| Actuarial differences                     | 3,688           | 2,838    | 30,689                    | 23,616     |
| Contribution paid by the employer         | 960             | 963      | 7,988                     | 8,013      |
| Contribution to retirement benefit trusts | 4,000           | -        | 33,286                    | -          |
| Retirement benefits paid                  | (885)           | (979)    | (7,364)                   | (8,146)    |
| Plan assets at end of year                | ¥ 31,141        | ¥ 23,085 | \$ 259,141                | \$ 192,102 |

(c) Reconciliation from retirement benefit obligations and plan assets to employee retirement benefit asset or liability recorded on the consolidated balance sheet:

|  | Millions of yen |           | Thousands of U.S. dollars |            |
|--|-----------------|-----------|---------------------------|------------|
|  | 2015            | 2014      | 2015                      | 2014       |
| Funded retirement benefit obligations  | ¥ 20,289        | ¥ 18,125  | \$ 168,835                | \$ 150,827 |
| Plan assets  | (31,141)        | (23,085)  | (259,141)                 | (192,102)  |
|  | (10,852)        | (4,960)   | (90,305)                  | (41,274)   |
| Unfunded retirement benefit obligations  | -               | 3,816     | -                         | 31,755     |
| Net balance of (asset)/liability for retirement benefits recorded on the consolidated balance sheet at end of year | (10,852)        | (1,143)   | (90,305)                  | (9,511)    |
| Employee retirement benefit liability  | 766             | 3,816     | 6,374                     | 31,755     |
| Employee retirement benefit asset  | (11,619)        | (4,960)   | (96,688)                  | (41,274)   |
| Net balance of (asset)/liability for retirement benefits recorded on the consolidated balance sheet at end of year | ¥ (10,852)      | ¥ (1,143) | \$ (90,305)               | \$ (9,511) |

(d) Net periodic retirement benefit expenses and their breakdown:

|  | Millions of yen |         | Thousands of U.S. dollars |           |
|--|-----------------|---------|---------------------------|-----------|
|  | 2015            | 2014    | 2015                      | 2014      |
| Service cost   | ¥ 690           | ¥ 728   | \$ 5,741                  | \$ 6,058  |
| Interest cost  | 249             | 220     | 2,072                     | 1,830     |
| Expected return on plan assets                                       | (292)           | (268)   | (2,429)                   | (2,230)   |
| Amortization of actuarial differences                                | 746             | 950     | 6,207                     | 7,905     |
| Other  | 38              | 26      | 316                       | 216       |
| Net periodic retirement benefit expenses under defined benefit plans | ¥ 1,432         | ¥ 1,656 | \$ 11,916                 | \$ 13,780 |

(e) Retirement benefit adjustment in other comprehensive income, before tax effects:

|                       | Millions of yen |      | Thousands of U.S. dollars |      |
|-----------------------|-----------------|------|---------------------------|------|
|                       | 2015            | 2014 | 2015                      | 2014 |
| Actuarial differences | ¥ 4,307         | ¥ -  | \$ 35,840                 | \$ - |
| Total                 | ¥ 4,307         | ¥ -  | \$ 35,840                 | \$ - |

(f) Retirement benefit adjustment in accumulated other comprehensive income, before tax effects:

|   | Millions of yen |           | Thousands of U.S. dollars |             |
|---|-----------------|-----------|---------------------------|-------------|
|   | 2015            | 2014      | 2015                      | 2014        |
| Actuarial differences that are yet to be recognized | ¥ 2,585         | ¥ (1,722) | \$ 21,511                 | \$ (14,329) |
| Total   | ¥ 2,585         | ¥ (1,722) | \$ 21,511                 | \$ (14,329) |

(g) Plan assets

i) Plan assets comprise:

|                   | 2015   | 2014   |
|-------------------|--------|--------|
| Debt securities   | 25.1%  | 27.0%  |
| Equity securities | 48.1   | 54.3   |
| General account   | 10.4   | 14.3   |
| Other             | 16.4   | 4.4    |
| Total             | 100.0% | 100.0% |

*Note: At March 31, 2014, 36.6% of plan assets consisted of retirement benefit trusts that are set up for corporate pension plans. At March 31, 2015, 47.1% of plan assets consisted of retirement benefit trusts that are set up for corporate pension plans and lump-sum retirement benefit plans.*

ii) Determination of expected long-term rate of plan assets

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

(h) Actuarial assumptions at end of year:

|   | 2015 | 2014 |
|---|------|------|
| Discount rate for corporate pension plans           | 1.2% | 1.0% |
| Discount rate for lump-sum retirement benefit plans | 1.1% | 1.0% |
| Expected long-term rate of return on plan assets    | 2.0% | 2.0% |

## 12. Acceptances and Guarantees

The Bank provides guarantees for liabilities of its customers for payments on loans from other financial institutions. A contra account, "Customers' liabilities for acceptances and guarantees," is classified as an asset in the consolidated balance sheets, indicating the Bank's right of indemnity from customers.

## 13. Net Assets

At March 31, 2015 and 2014, the authorized number of shares of common stock without par value was 30 million, and the number of shares of common stock issued was 10,943,240 shares. At March 31, 2015 and 2014, the number of shares of treasury stock held by the Group was 100,763 and 89,972 shares, respectively.

At March 31, 2015 and 2014, capital surplus consisted principally of additional paid-in capital. Included in retained earnings was the legal earnings reserve of the Bank in the amount of ¥5,392 million (\$44,869 thousand) at both March 31, 2015 and 2014. The Japanese Banking Act provides that an amount equivalent to at least 20% of the cash payments as appropriations of retained earnings shall be appropriated as the legal earnings reserve until the total amount of additional paid-in capital and such reserve equals the common stock. The legal earnings reserve is not available for distributions as dividends, but may be used to reduce a deficit or may be transferred to common stock by proper action of the Board of Directors and/or the shareholders.

In November 2014, the Board of Directors of the Bank resolved to pay interim dividends of ¥379 million (\$3,153 thousand) at ¥35 per share (\$0.29 per share). The shareholders of the Bank approved the following appropriation of retained earnings at the annual shareholders meeting on June 26, 2015.

|  | <u>Millions of yen</u> | <u>Thousands of<br/>U.S. dollars</u> |
|--|------------------------|--------------------------------------|
| Cash dividends, ¥45 per share (\$0.37 per share) | ¥ 487                  | \$ 4,052                             |

## 14. Stock Options

### (a) Stock option expenses

The Bank recorded stock option expenses of ¥45 million (\$374 thousand) and ¥55 million (\$457 thousand) in "General and administrative expenses" for the years ended March 31, 2015 and 2014, respectively.

### (b) Outline of stock options and size of and changes in stock options

#### i) Outline of stock options:

|                                 | <u>2012 stock options</u>                                 | <u>2013 stock options</u>                                 | <u>2014 stock options</u>                                 |
|---------------------------------|---|---|---|
| Position and number of grantees | 13 directors of the Bank<br>(excluding outside directors) | 13 directors of the Bank<br>(excluding outside directors) | 13 directors of the Bank<br>(excluding outside directors) |
| Number of options granted*      | 13,000 common shares<br>of the Bank                       | 12,200 common shares<br>of the Bank                       | 9,100 common shares<br>of the Bank                        |
| Grant date                      | July 20, 2012   | July 19, 2013   | July 25, 2014   |
| Conditions for vesting          | Not defined   | Not defined   | Not defined   |
| Requisite service period        | Not defined   | Not defined   | Not defined   |
| Exercise period                 | From July 21, 2012<br>to July 20, 2042                    | From July 20, 2013<br>to July 19, 2043                    | From July 26, 2014<br>to July 25, 2044                    |

Note: \* Calculated in terms of the number of shares.

ii) Size of and changes in stock options:

The following describes the size of and changes in stock options that existed during the years ended March 31, 2015 and 2014. The number of stock options is calculated in terms of the number of shares.

a) Number of stock options

|                               | <u>2012 stock options</u> | <u>2013 stock options</u> | <u>2014 stock options</u> |
|-------------------------------|---------------------------|---------------------------|---------------------------|
| Non-vested:                   |                           |                           |                           |
| Outstanding at April 1, 2013  | -                         | -                         | -                         |
| Granted                       | -                         | 12,200 shares             | -                         |
| Forfeited                     | -                         | -                         | -                         |
| Vested                        | -                         | (12,200 shares)           | -                         |
| Outstanding at March 31, 2014 | -                         | -                         | -                         |
| Granted                       | -                         | -                         | 9,100 shares              |
| Forfeited                     | -                         | -                         | -                         |
| Vested                        | -                         | -                         | (9,100 shares)            |
| Outstanding at March 31, 2015 | -                         | -                         | -                         |
| Vested:                       |                           |                           |                           |
| Outstanding at April 1, 2013  | 13,000 shares             | -                         | -                         |
| Vested                        | -                         | 12,200 shares             | -                         |
| Exercised                     | -                         | -                         | -                         |
| Forfeited                     | -                         | -                         | -                         |
| Outstanding at March 31, 2014 | 13,000 shares             | 12,200 shares             | -                         |
| Vested                        | -                         | -                         | 9,100 shares              |
| Exercised                     | -                         | -                         | -                         |
| Forfeited                     | -                         | -                         | -                         |
| Outstanding at March 31, 2015 | 13,000 shares             | 12,200 shares             | 9,100 shares              |

b) Price information

|                                 | <u>2012 stock options</u> | <u>2013 stock options</u> | <u>2014 stock options</u> |
|---------------------------------|---------------------------|---------------------------|---------------------------|
| (per share)                     |                           |                           |                           |
| Exercise price                  | ¥1 (\$0.00)               | ¥1 (\$0.00)               | ¥1 (\$0.00)               |
| Average stock price at exercise | -                         | -                         | -                         |
| Fair value at grant date        | ¥3,645 (\$30.33)          | ¥4,556 (\$37.91)          | ¥4,959 (\$41.26)          |

iii) Valuation technique to estimate fair value of stock options granted for the years ended March 31, 2015 and 2014:

(1) 2013 stock options:

a) Valuation technique used: Black-Scholes model

b) Major assumptions and estimation method

|                              | <u>2013 stock options</u> |
|------------------------------|---------------------------|
| Expected volatility (*1)     | 32.127%                   |
| Expected life (*2)           | 2.3 years                 |
| Expected dividends (*3)      | ¥70 (\$0.58) per share    |
| Risk free interest rate (*4) | 0.127%                    |

Notes: (\*1) Expected volatility is calculated based on the actual stock prices during the period from March 2011 to July 2013, which corresponds to the expected life of the options.

(\*2) Expected life is estimated based on the difference between the average term of office of directors who retired during the past 10 years and the average term of office of existing directors in office.

(\*3) Expected dividends are the actual dividends for the year ended March 31, 2013.

(\*4) Risk free interest rate is a Japanese government bond yield which corresponds to the expected life.

(2) 2014 stock options:

- a) Valuation technique used: Black-Scholes model  
 b) Major assumptions and estimation method

|                              | <u>2014 stock options</u> |
|------------------------------|---------------------------|
| Expected volatility (*1)     | 34.441%                   |
| Expected life (*2)           | 1.3 years                 |
| Expected dividends (*3)      | ¥70 (\$0.58) per share    |
| Risk free interest rate (*4) | 0.050%                    |

*Notes: (\*1) Expected volatility is calculated based on the actual stock prices during the period from March 2013 to July 2014, which corresponds to the expected life of the options.*

*(\*2) Expected life is estimated based on the difference between the average term of office of directors who retired during the past 10 years and the average term of office of existing directors in office.*

*(\*3) Expected dividends are the actual dividends for the year ended March 31, 2014.*

*(\*4) Risk free interest rate is a Japanese government bond yield which corresponds to the expected life.*

iv) Method of estimating number of stock options vested

Basically, only the actual number of forfeited stock options is reflected because it is difficult to rationally estimate the number of stock options to be forfeited in the future.

## 15. Commitments

### (a) Loan commitments

Contracts related to overdraft facilities and loan commitment lines are agreements that allow customers to extend overdrafts or loans up to prescribed limits unless there is violation of any condition in the contract. At March 31, 2015 and 2014, the unused amounts within the limits of these contracts, which originally expire within one year or are revocable by the Bank at any time without any conditions, aggregated ¥574,824 million (\$4,783,423 thousand) and ¥583,077 million (\$4,852,101 thousand), respectively.

Since many of these commitments expire without being drawn down, the unused amount does not necessarily represent a future cash flow. In addition, most of these contracts have conditions that the Group can refuse customer applications or decrease the contract limits for appropriate reasons such as changes in the financial situation or deterioration in creditworthiness of the customer. At the execution of the contract, the Bank obtains real estate, securities, etc., as collateral if considered necessary. Subsequently, the Bank performs periodic reviews of the customer's business performance in accordance with the Bank's internal rules and takes necessary measures such as reconsidering conditions of the contracts and/or requiring additional collateral and/or guarantees if necessary.

### (b) Lease commitments

The Group has entered into various lease agreements as a lessee principally for land for office space. These leases are generally cancelable with a few months advance notice and are accounted for as operating leases. The Group has also entered into non-cancelable operating lease agreements. The future minimum lease payments under these non-cancellable operating leases as of March 31, 2015 and 2014 were as follows:

|                     | <u>Millions of yen</u> |                | <u>Thousands of U.S. dollars</u> |                 |
|---------------------|------------------------|----------------|----------------------------------|-----------------|
|                     | <u>2015</u>            | <u>2014</u>    | <u>2015</u>                      | <u>2014</u>     |
| Due within one year | ¥ 98                   | ¥ 97           | \$ 815                           | \$ 807          |
| Due after one year  | 958                    | 1,011          | 7,972                            | 8,413           |
|                     | <u>¥ 1,056</u>         | <u>¥ 1,108</u> | <u>\$ 8,787</u>                  | <u>\$ 9,220</u> |

In addition, a subsidiary engaged in the leasing business as a lessor has entered into various long-term,



non-cancelable lease agreements with third parties that were categorized as finance leases. Information concerning future minimum lease payments to be received as of March 31, 2015 and 2014 for finance leases which do not transfer ownership of the leased assets to the lessee was as follows:

|  | Millions of yen |          | Thousands of U.S. dollars |           |
|--|-----------------|----------|---------------------------|-----------|
|  | 2015            | 2014     | 2015                      | 2014      |
| Total future minimum lease payments to be received | ¥ 11,465        | ¥ 10,962 | \$ 95,406                 | \$ 91,220 |
| Estimated residual value of leased assets          | 683             | 723      | 5,683                     | 6,016     |
| Imputed interest                                   | (665)           | (737)    | (5,533)                   | (6,132)   |

The aggregate annual maturities of future minimum lease payments to be received as of March 31, 2015 were as follows:

| Year ending March 31, | Millions of yen | Thousands of U.S. dollars |
|-----------------------|-----------------|---------------------------|
| 2016                  | ¥ 3,265         | \$ 27,169                 |
| 2017                  | 2,750           | 22,884                    |
| 2018                  | 2,130           | 17,724                    |
| 2019                  | 1,518           | 12,632                    |
| 2020                  | 896             | 7,456                     |
| 2021 and thereafter   | 903             | 7,514                     |
|                       | ¥ 11,465        | \$ 95,406                 |

As permitted by the accounting standard for lease transactions with respect to finance leases entered into before April 1, 2008, the appropriate carrying value, net of accumulated depreciation, of the underlying assets at March 31, 2008 is recognized as the value of the investment in the leased assets, and the total amount equivalent to interest income on these transactions is allocated over the lease term using the straight-line method, instead of the effective interest method, as the principal method of the accounting standard. As a result, income before income taxes and minority interests for the years ended March 31, 2015 and 2014 were ¥10 million (\$83 thousand) and ¥40 million (\$332 thousand) more, respectively, than the amounts that would have been recorded under the effective interest method based on lease payments receivable.

## 16. Derivative Financial Instruments

Derivative financial instruments, other than those to which hedge accounting was applied, which were traded on the over-the-counter market and stated at fair value and whose valuation gains and losses are recognized in the consolidated statements of income, as of March 31, 2015 and 2014 are summarized as follows:

|                                     | Millions of yen                        |               |             |                          |
|-------------------------------------|--|---------------|-------------|--------------------------|
|                                     | Notional principal or contract amounts |               | Fair value* | Valuation gains (losses) |
|                                     | Total                                  | Over one year |             |                          |
| Foreign exchange forward contracts: |  |               |             |                          |
| At March 31, 2015                   | ¥ 36,602                               | ¥ -           | ¥ (202)     | ¥ (202)                  |
| At March 31, 2014                   | 32,572                                 | -             | (34)        | (34)                     |

|                                     | Thousands of U.S. dollars                 |                  |             |                             |
|-------------------------------------|---|------------------|-------------|-----------------------------|
|                                     | Notional principal or<br>contract amounts |                  | Fair value* | Valuation<br>gains (losses) |
|                                     | Total                                     | Over one<br>year |             |                             |
| Foreign exchange forward contracts: |   |                  |             |                             |
| At March 31, 2015                   | \$ 304,585                                | \$ -             | \$ (1,680)  | \$ (1,680)                  |
| At March 31, 2014                   | 271,049                                   | -                | (282)       | (282)                       |

Note: \* Fair value was based on the discounted cash flow method.

There were no outstanding derivative financial instruments to which hedge accounting was applied as of March 31, 2015 and 2014.

## 17. Income Taxes

Income taxes for the years ended March 31, 2015 and 2014 consisted of the following:

|               | Millions of yen |                | Thousands of U.S. dollars |                  |
|---------------|-----------------|----------------|---------------------------|------------------|
|               | 2015            | 2014           | 2015                      | 2014             |
| Income taxes: |                 |                |                           |                  |
| Current       | ¥ 1,489         | ¥ 2,206        | \$ 12,390                 | \$ 18,357        |
| Deferred      | 1,992           | 987            | 16,576                    | 8,213            |
|               | <u>¥ 3,481</u>  | <u>¥ 3,194</u> | <u>\$ 28,967</u>          | <u>\$ 26,579</u> |

The tax effects of temporary differences that gave rise to a significant portion of deferred tax assets and liabilities at March 31, 2015 and 2014 were as follows:

|   | Millions of yen   |                   | Thousands of U.S. dollars |                     |
|---|-------------------|-------------------|---------------------------|---------------------|
|   | 2015              | 2014              | 2015                      | 2014                |
| Deferred tax assets:  |                   |                   |                           |                     |
| Reserve for possible loan losses  | ¥ 3,050           | ¥ 4,506           | \$ 25,380                 | \$ 37,496           |
| Employee retirement benefits  | 1,918             | 4,130             | 15,960                    | 34,367              |
| Investment securities   | 1,664             | 1,948             | 13,847                    | 16,210              |
| Other   | 3,427             | 4,083             | 28,517                    | 33,976              |
|   | <u>10,061</u>     | <u>14,669</u>     | <u>83,723</u>             | <u>122,068</u>      |
| Less valuation allowance  | <u>(2,312)</u>    | <u>(2,537)</u>    | <u>(19,239)</u>           | <u>(21,111)</u>     |
|   | 7,749             | 12,131            | 64,483                    | 100,948             |
| Deferred tax liabilities:   |                   |                   |                           |                     |
| Unrealized gains on available-for-sale securities                                 | (31,684)          | (23,718)          | (263,659)                 | (197,370)           |
| Gains on transfer of investment securities to trusts for retirement benefit plans | (3,194)           | (3,520)           | (26,579)                  | (29,291)            |
| Deferred gains on sale of property and other                                      | (222)             | (236)             | (1,847)                   | (1,963)             |
|   | <u>(35,101)</u>   | <u>(27,475)</u>   | <u>(292,094)</u>          | <u>(228,634)</u>    |
| Net deferred tax liabilities  | <u>¥ (27,352)</u> | <u>¥ (15,343)</u> | <u>\$ (227,610)</u>       | <u>\$ (127,677)</u> |

At March 31, 2015 and 2014, deferred tax assets and liabilities reported on the accompanying consolidated balance sheets were as follows:

|                          | Millions of yen |        | Thousands of U.S. dollars |          |
|--------------------------|-----------------|--------|---------------------------|----------|
|                          | 2015            | 2014   | 2015                      | 2014     |
| Deferred tax assets      | ¥ 249           | ¥ 408  | \$ 2,072                  | \$ 3,395 |
| Deferred tax liabilities | 27,601          | 15,752 | 229,682                   | 131,080  |

In assessing the realizability of deferred tax assets, management of the Group considers whether some portion or all of the deferred tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible. At March 31, 2015 and 2014, a valuation allowance was provided to reduce deferred tax assets to the extent that the management believed that the deferred tax assets were not realizable.

A reconciliation between the Japanese statutory tax rate and the effective income tax rate on pre-tax income reflected in the accompanying consolidated statements of income for the years ended March 31, 2015 and 2014 was not disclosed because the difference between the Japanese statutory tax rate and the effective income tax rate was less than 5% of the Japanese statutory tax rate.

The “Act for Partial Revision of the Income Tax Act, etc.” (Act No. 9 of 2015) was promulgated on March 31, 2015, and the corporate tax rate will be reduced from the year beginning on or after April 1, 2015. Consequently, the statutory tax rate used to calculate deferred tax assets and deferred tax liabilities was changed from 35.33% to 32.82% for temporary differences expected to be settled or realized in the year beginning on April 1, 2015 and to 32.06% for temporary differences expected to be settled or realized in the year beginning on or after April 1, 2016.

As a result of this change, as of March 31, 2015, “Deferred tax assets” and “Deferred tax liabilities” decreased by ¥17 million (\$141 thousand) and ¥2,885 million (\$24,007 thousand), respectively, while “Unrecognized gains on available-for-sale securities” and “Retirement benefit adjustment” in accumulated other comprehensive income increased by ¥3,219 million (\$26,787 thousand) and ¥84 million (\$699 thousand), respectively. “Income taxes – deferred” increased by ¥437 million (\$3,636 thousand) for the year ended March 31, 2015. “Deferred tax liabilities for revaluation” decreased by ¥512 million (\$4,260 thousand) and “Land revaluation increment” increased by the same amount as of March 31, 2015.

## 18. General and administrative expenses

General and administrative expenses for the years ended March 31, 2015 and 2014 included following items:

|   | Millions of yen |          | Thousands of U.S. dollars |            |
|---|-----------------|----------|---------------------------|------------|
|   | 2015            | 2014     | 2015                      | 2014       |
| General and administrative expenses:              |                 |          |                           |            |
| Salaries and allowances                           | ¥ 12,786        | ¥ 13,031 | \$ 106,399                | \$ 108,438 |
| Net periodic retirement benefit expenses          | 1,432           | 1,656    | 11,916                    | 13,780     |
| Rental expenses for land, buildings and machinery | 2,878           | 2,924    | 23,949                    | 24,332     |

## **19. Segment Information**

### **(a) General information about reportable segments**

The Group defines a reportable segment as a component of the Group for which discrete financial information is available and whose operating results are regularly reviewed by the Board of Directors to make decisions about resources to be allocated to the segment and assess its performance.

The Group engages in a wide range of financial services to customers primarily in the areas of banking and leasing. The reportable segments of the Group are based on operating segments as follows:

#### “Banking”

- Deposits and loans
- Foreign exchange transactions
- Over-the-counter sales of investment trusts and life insurance products
- Securities business

#### “Leasing”

- Leasing business

### **(b) Bases used to measure reported segment profit, segment assets, segment liabilities and other material items**

Bases used to measure operating segment information follow the accounting principles used in the consolidated financial statements as described in Note 2, “Summary of Significant Accounting Policies.” The segment profit is based on ordinary income, which is defined as “Total income” less certain special income included in “Other income” in the accompanying consolidated statements of income, and intersegment income is accounted for based on prices in ordinary transactions with independent third parties.

**(c) Information about reported segment profit, segment assets, segment liabilities and other material items**

Segment information as of and for the year ended March 31, 2015 was as follows:

|   | Millions of yen           |           |            |          |            |                        |              |
|---|---------------------------|-----------|------------|----------|------------|------------------------|--------------|
|   | 2015                      |           |            |          |            |                        |              |
|   | Reported segment          |           |            |          | Total      | Reconciliation<br>(*3) | Consolidated |
| Banking   | Leasing                   | Total     | Other (*2) |          |            |                        |              |
| Ordinary income (*1):   |                           |           |            |          |            |                        |              |
| External customers  | ¥ 43,509                  | ¥ 4,794   | ¥ 48,304   | ¥ 994    | ¥ 49,298   | ¥ -                    | ¥ 49,298     |
| Intersegment  | 120                       | 345       | 466        | 585      | 1,051      | (1,051)                | -            |
| Total ordinary income   | 43,629                    | 5,140     | 48,770     | 1,579    | 50,350     | (1,051)                | 49,298       |
| Segment profit (*4)   | 9,293                     | 266       | 9,559      | 179      | 9,738      | (3)                    | 9,735        |
| Segment assets  | 3,020,244                 | 15,196    | 3,035,440  | 5,808    | 3,041,248  | (7,105)                | 3,034,142    |
| Segment liabilities   | 2,793,660                 | 10,250    | 2,803,910  | 1,037    | 2,804,948  | (7,106)                | 2,797,842    |
| Other material items:   |                           |           |            |          |            |                        |              |
| Depreciation  | ¥ 1,223                   | ¥ 152     | ¥ 1,376    | ¥ 41     | ¥ 1,417    | ¥ -                    | ¥ 1,417      |
| Interest and dividend income                                  | 32,558                    | 9         | 32,568     | 62       | 32,630     | (30)                   | 32,599       |
| Interest expense  | 1,654                     | 56        | 1,710      | 4        | 1,714      | (81)                   | 1,633        |
| Provision of reserve for possible loan losses                 | (1,510)                   | (5)       | (1,515)    | 23       | (1,491)    | (0)                    | (1,491)      |
| Loss on write-down of securities                              | 1                         | -         | 1          | -        | 1          | -                      | 1            |
| Increase in tangible fixed assets and intangible fixed assets | 2,619                     | 6         | 2,626      | 37       | 2,663      | -                      | 2,663        |
|   |                           |           |            |          |            |                        |              |
|   | Thousands of U.S. dollars |           |            |          |            |                        |              |
|   | 2015                      |           |            |          |            |                        |              |
|   | Reported segment          |           |            |          | Total      | Reconciliation<br>(*3) | Consolidated |
| Banking   | Leasing                   | Total     | Other (*2) |          |            |                        |              |
| Ordinary income (*1):   |                           |           |            |          |            |                        |              |
| External customers  | \$ 362,062                | \$ 39,893 | \$ 401,963 | \$ 8,271 | \$ 410,235 | \$ -                   | \$ 410,235   |
| Intersegment  | 998                       | 2,870     | 3,877      | 4,868    | 8,745      | (8,745)                | -            |
| Total ordinary income   | 363,060                   | 42,772    | 405,841    | 13,139   | 418,989    | (8,745)                | 410,235      |
| Segment profit (*4)   | 77,332                    | 2,213     | 79,545     | 1,489    | 81,035     | (24)                   | 81,010       |
| Segment assets  | 25,133,094                | 126,454   | 25,259,548 | 48,331   | 25,307,880 | (59,124)               | 25,248,747   |
| Segment liabilities   | 23,247,565                | 85,295    | 23,332,861 | 8,629    | 23,341,499 | (59,132)               | 23,282,366   |
| Other material items:   |                           |           |            |          |            |                        |              |
| Depreciation  | \$ 10,177                 | \$ 1,264  | \$ 11,450  | \$ 341   | \$ 11,791  | \$ -                   | \$ 11,791    |
| Interest and dividend income                                  | 270,932                   | 74        | 271,016    | 515      | 271,531    | (249)                  | 271,274      |
| Interest expense  | 13,763                    | 466       | 14,229     | 33       | 14,263     | (674)                  | 13,589       |
| Provision of reserve for possible loan losses                 | (12,565)                  | (41)      | (12,607)   | 191      | (12,407)   | 0                      | (12,407)     |
| Loss on write-down of securities                              | 8                         | -         | 8          | -        | 8          | -                      | 8            |
| Increase in tangible fixed assets and intangible fixed assets | 21,794                    | 49        | 21,852     | 307      | 22,160     | -                      | 22,160       |

**Notes:**

(\*1) Ordinary income represents "Total income" less certain special income included in "Other income" in the accompanying consolidated statements of income. "Total income" of ¥49,308 million (\$410,318 thousand) in the accompanying consolidated statement of income is derived from ordinary income of ¥49,298 million (\$410,235 thousand) through the addition of certain special income of ¥9 million (\$74 thousand).

(\*2) The "Other" business segment in the table above represents operating segments not included in the reported segments and includes credit card business, administrative outsourcing business and information technology management operations.

(\*3) Reconciliation represents the eliminations of intersegment transactions.

(\*4) Segment profit is reconciled to ordinary profit, which represents ordinary income less ordinary expenses. Ordinary expenses represent "Total expenses" of ¥39,897 million (\$332,004 thousand) less certain special expenses of ¥333 million (\$2,771 thousand) included in "Other expenses" in the accompanying consolidated statements of income. Therefore, consolidated segment profit, which shows ordinary profit of ¥9,735 million (\$81,010 thousand), is reconciled to "Income before income taxes and minority interests" of ¥9,411 million (\$78,314 thousand) through the addition/deduction of certain special income/(expenses), net.

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

|   |    | Millions of yen           |           |            |            |                |          |              |
|---|----|---------------------------|-----------|------------|------------|----------------|----------|--------------|
|   |    | 2014                      |           |            |            |                |          |              |
|   |    | Reported segment          |           |            |            | Reconciliation |          | Consolidated |
|   |    | Banking                   | Leasing   | Total      | Other (*2) | Total          | (*3)     |              |
| Ordinary income (*1):   |    |                           |           |            |            |                |          |              |
| External customers  | ¥  | 43,541                    | ¥ 4,829   | ¥ 48,370   | ¥ 984      | ¥ 49,354       | ¥ -      | ¥ 49,354     |
| Intersegment  |    | 92                        | 343       | 435        | 595        | 1,031          | (1,031)  | -            |
| Total ordinary income   |    | 43,633                    | 5,172     | 48,806     | 1,580      | 50,386         | (1,031)  | 49,354       |
| Segment profit (*4)   |    | 8,049                     | 404       | 8,454      | 191        | 8,645          | (3)      | 8,641        |
| Segment assets  |    | 2,925,186                 | 14,721    | 2,939,907  | 5,702      | 2,945,609      | (7,373)  | 2,938,236    |
| Segment liabilities   |    | 2,732,498                 | 9,931     | 2,742,429  | 1,141      | 2,743,570      | (7,377)  | 2,736,193    |
| Other material items:   |    |                           |           |            |            |                |          |              |
| Depreciation  | ¥  | 1,204                     | ¥ 166     | ¥ 1,371    | ¥ 36       | ¥ 1,407        | ¥ -      | ¥ 1,407      |
| Interest and dividend income                                  |    | 33,629                    | 10        | 33,639     | 74         | 33,714         | (33)     | 33,681       |
| Interest expense  |    | 1,836                     | 63        | 1,900      | 4          | 1,904          | (91)     | 1,813        |
| Provision of reserve for possible loan losses                 |    | (501)                     | (104)     | (605)      | 8          | (596)          | 0        | (596)        |
| Loss on write-down of securities                              |    | 1                         | 5         | 7          | -          | 7              | -        | 7            |
| Increase in tangible fixed assets and intangible fixed assets |    | 1,981                     | -         | 1,981      | 46         | 2,027          | -        | 2,027        |
|   |    | Thousands of U.S. dollars |           |            |            |                |          |              |
|   |    | 2014                      |           |            |            |                |          |              |
|   |    | Reported segment          |           |            |            | Reconciliation |          | Consolidated |
|   |    | Banking                   | Leasing   | Total      | Other (*2) | Total          | (*3)     |              |
| Ordinary income (*1):   |    |                           |           |            |            |                |          |              |
| External customers  | \$ | 362,328                   | \$ 40,184 | \$ 402,513 | \$ 8,188   | \$ 410,701     | \$ -     | \$ 410,701   |
| Intersegment  |    | 765                       | 2,854     | 3,619      | 4,951      | 8,579          | (8,579)  | -            |
| Total ordinary income   |    | 363,093                   | 43,039    | 406,141    | 13,148     | 419,289        | (8,579)  | 410,701      |
| Segment profit (*4)   |    | 66,980                    | 3,361     | 70,350     | 1,589      | 71,939         | (24)     | 71,906       |
| Segment assets  |    | 24,342,065                | 122,501   | 24,464,566 | 47,449     | 24,512,016     | (61,354) | 24,450,661   |
| Segment liabilities   |    | 22,738,603                | 82,641    | 22,821,244 | 9,494      | 22,830,739     | (61,388) | 22,769,351   |
| Other material items:   |    |                           |           |            |            |                |          |              |
| Depreciation  | \$ | 10,019                    | \$ 1,381  | \$ 11,408  | \$ 299     | \$ 11,708      | \$ -     | \$ 11,708    |
| Interest and dividend income                                  |    | 279,845                   | 83        | 279,928    | 615        | 280,552        | (274)    | 280,277      |
| Interest expense  |    | 15,278                    | 524       | 15,810     | 33         | 15,844         | (757)    | 15,086       |
| Provision of reserve for possible loan losses                 |    | (4,169)                   | (865)     | (5,034)    | 66         | (4,959)        | 0        | (4,959)      |
| Loss on write-down of securities                              |    | 8                         | 41        | 58         | -          | 58             | -        | 58           |
| Increase in tangible fixed assets and intangible fixed assets |    | 16,484                    | -         | 16,484     | 382        | 16,867         | -        | 16,867       |

Notes:

(\*1) Ordinary income represents "Total income" less certain special income included in "Other income" in the accompanying consolidated statements of income. "Total income" of ¥49,395 million (\$411,042 thousand) in the accompanying consolidated statement of income is derived from ordinary income of ¥49,354 million (\$410,701 thousand) through the addition of certain special income of ¥41 million (\$341 thousand).

(\*2) The "Other" business segment in the table above represents operating segments not included in the reported segments and includes credit card business, administrative outsourcing business and information technology management operations.

(\*3) Reconciliation represents the eliminations of intersegment transactions.

(\*4) Segment profit is reconciled to ordinary profit, which represents ordinary income less ordinary expenses. Ordinary expenses represent "Total expenses" of ¥40,894 million (\$340,301 thousand) less certain special expenses of ¥182 million (\$1,514 thousand) included in "Other expenses" in the accompanying consolidated statements of income. Therefore, consolidated segment profit, which shows ordinary profit of ¥8,641 million (\$71,906 thousand), is reconciled to "Income before income taxes and minority interests" of ¥8,501 million (\$70,741 thousand) through the addition/deduction of certain special income/ (expenses), net.

**(d) Other information**

i) Information by service

|  | Millions of yen |                      |         |         |          |
|--|-----------------|----------------------|---------|---------|----------|
|  | Service         |                      |         |         |          |
|  | Loans           | Security investments | Leasing | Other   | Total    |
| Ordinary income from external customers: |                 |                      |         |         |          |
| For the year ended March 31, 2015        | ¥ 21,374        | ¥ 13,943             | ¥ 4,794 | ¥ 9,186 | ¥ 49,298 |
| For the year ended March 31, 2014        | 22,830          | 13,402               | 4,829   | 8,292   | 49,354   |

  

|  | Thousands of U.S. dollars |                      |           |           |            |
|--|---------------------------|----------------------|-----------|-----------|------------|
|  | Service                   |                      |           |           |            |
|  | Loans                     | Security investments | Leasing   | Other     | Total      |
| Ordinary income from external customers: |                           |                      |           |           |            |
| For the year ended March 31, 2015        | \$ 177,864                | \$ 116,027           | \$ 39,893 | \$ 76,441 | \$ 410,235 |
| For the year ended March 31, 2014        | 189,980                   | 111,525              | 40,184    | 69,002    | 410,701    |

ii) Information by geographical area for the years ended March 31, 2015 and 2014 is omitted since income in Japan accounted for more than 90% of the consolidated ordinary income and all tangible fixed assets were located in Japan.

iii) Information by major customer for the years ended March 31, 2015 and 2014 is omitted since there was no single external customer accounting for 10% or more of the consolidated ordinary income.

**(e) Information about impairment loss on fixed assets by reportable segment**

|                                   | Millions of yen    |         |       |       |       |
|-----------------------------------|--------------------|---------|-------|-------|-------|
|                                   | Reportable segment |         |       | Other | Total |
|                                   | Banking            | Leasing | Total |       |       |
| Impairment loss:                  |                    |         |       |       |       |
| For the year ended March 31, 2015 | ¥ 97               | ¥ -     | ¥ 97  | ¥ -   | ¥ 97  |
| For the year ended March 31, 2014 | 61                 | -       | 61    | -     | 61    |

  

|                                   | Thousands of U.S. dollars |         |        |       |        |
|-----------------------------------|---------------------------|---------|--------|-------|--------|
|                                   | Reportable segment        |         |        | Other | Total  |
|                                   | Banking                   | Leasing | Total  |       |        |
| Impairment loss:                  |                           |         |        |       |        |
| For the year ended March 31, 2015 | \$ 807                    | \$ -    | \$ 807 | \$ -  | \$ 807 |
| For the year ended March 31, 2014 | 507                       | -       | 507    | -     | 507    |

**20. Transactions with Related Parties**

Significant transactions with parties related to the Group for the years ended March 31, 2015 and 2014 were as follows:

Transactions with relatives of the Bank's directors:

| Name                                      | Business                     | Description of the Bank's transaction | Transaction amounts             |                           | Account                    | Balances        |                           |
|---|------------------------------|---------------------------------------|---------------------------------|---------------------------|----------------------------|-----------------|---------------------------|
|   |                              |                                       | Millions of yen                 | Thousands of U.S. dollars |                            | Millions of yen | Thousands of U.S. dollars |
| <u>For the year ended March 31, 2015:</u> |                              |                                       |                                 |                           |                            |                 |                           |
| Chieko Hayashi                            | Real estate leasing business | Loan                                  | (Average balance during period) |                           | Loans and bills discounted | ¥ 20            | \$ 166                    |
|   |                              |                                       | ¥ 20                            | \$ 166                    |                            |                 |                           |
|   |                              |                                       | (Interest income)               |                           |                            |                 |                           |
|   |                              |                                       | ¥ 0                             | \$ 0                      |                            |                 |                           |

For the year ended March 31, 2014:

|                  |                              |      |                                 |       |          |                            |       |          |
|------------------|------------------------------|------|---------------------------------|-------|----------|----------------------------|-------|----------|
| Toshiyuki Miyaji | Real estate leasing business | Loan | (Average balance during period) | ¥ 150 | \$ 1,248 | Loans and bills discounted | ¥ 144 | \$ 1,198 |
|                  |                              |      | (Interest income)               | ¥ 4   | \$ 33    |                            |       |          |

*Note: Terms and conditions of the loans are determined in the same manner as loans under general lending transactions with third parties.*

## 21. 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, 2015 and 2014 were as follows:

|   | Millions of yen |          | Thousands of U.S. dollars |           |
|---|-----------------|----------|---------------------------|-----------|
|   | 2015            | 2014     | 2015                      | 2014      |
| Net unrealized gains on available-for-sale securities:            |                 |          |                           |           |
| Increase during the year  | ¥ 35,416        | ¥ 10,836 | \$ 294,715                | \$ 90,172 |
| Reclassification adjustments                                      | (2,785)         | (1,588)  | (23,175)                  | (13,214)  |
| Pre-tax amount  | 32,630          | 9,247    | 271,531                   | 76,949    |
| Tax effect amount   | (7,965)         | (3,174)  | (66,281)                  | (26,412)  |
| Net unrealized gains on available-for-sale securities, net of tax | 24,665          | 6,073    | 205,250                   | 50,536    |
| Land revaluation increment:                                       |                 |          |                           |           |
| Increase during the year  | -               | -        | -                         | -         |
| Reclassification adjustments                                      | -               | -        | -                         | -         |
| Pre-tax amount  | -               | -        | -                         | -         |
| Tax effect amount   | 512             | -        | 4,260                     | -         |
| Land revaluation increment, net of tax                            | 512             | -        | 4,260                     | -         |
| Retirement benefit adjustment:                                    |                 |          |                           |           |
| Increase during the year  | 3,561           | -        | 29,633                    | -         |
| Reclassification adjustments                                      | 746             | -        | 6,207                     | -         |
| Pre-tax amount  | 4,307           | -        | 35,840                    | -         |
| Tax effect amount   | (1,437)         | -        | (11,958)                  | -         |
| Retirement benefit adjustment, net of tax                         | 2,870           | -        | 23,882                    | -         |
| Total other comprehensive income                                  | ¥ 28,048        | ¥ 6,073  | \$ 233,402                | \$ 50,536 |