

The Aichi Bank, Ltd.
Consolidated Financial Statements
March 31, 2014 and 2013

KPMG AZSA LLC



Independent Auditor's Report

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

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

Management's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of The Aichi Bank, Ltd. and its subsidiaries as at March 31, 2014 and 2013, and their financial performance and cash flows for the years then ended in accordance with accounting principles generally accepted in Japan.

Convenience Translation

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the years ended March 31, 2014 and 2013 are presented solely for convenience. Our audit also included the translation of yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 1 of the Notes to Consolidated Financial Statements.

KPMG AZSA LLC

August 22, 2014
Nagoya, Japan

The Aichi Bank, Ltd. and Subsidiaries
Consolidated Balance Sheets
March 31, 2014 and 2013

	Millions of yen		Thousands of U.S. dollars	
	2014	2013	2014	2013
Assets:				
Cash and due from banks (Note 3)	¥ 138,290	¥ 91,001	\$ 1,343,664	\$ 884,191
Call loans and bills purchased (Note 3)	3,781	24,440	36,737	237,465
Trading securities (Notes 3 and 4)	110	215	1,068	2,089
Investment securities (Notes 3, 4 and 8)	1,094,231	981,425	10,631,859	9,535,804
Reserve for possible losses on investments	(12)	(56)	(116)	(544)
Loans and bills discounted (Notes 3, 5, 15 and 19)	1,636,669	1,661,355	15,902,341	16,142,197
Foreign exchange (Note 6)	1,659	2,095	16,119	20,355
Other assets	24,935	28,083	242,275	272,862
Tangible fixed assets (Note 7)	33,727	32,970	327,701	320,345
Intangible fixed assets	428	626	4,158	6,082
Employee retirement benefit asset (Note 11)	4,960	-	48,192	-
Deferred tax assets (Note 17)	408	588	3,964	5,713
Customers' liabilities for acceptances and guarantees (Note 12)	13,679	15,239	132,909	148,066
Reserve for possible loan losses	(14,634)	(16,879)	(142,188)	(164,001)
Total assets	<u>¥ 2,938,236</u>	<u>¥ 2,821,106</u>	<u>\$ 28,548,736</u>	<u>\$ 27,410,668</u>

The accompanying notes are an integral part of these consolidated financial statements.

The Aichi Bank, Ltd. and Subsidiaries
Consolidated Balance Sheets (continued)
March 31, 2014 and 2013

	Millions of yen		Thousands of U.S. dollars	
	2014	2013	2014	2013
Liabilities:				
Deposits (Notes 3 and 9)	¥ 2,592,549	¥ 2,507,613	\$ 25,189,943	\$ 24,364,681
Security deposits received related to securities lending transactions (Notes 3 and 8)	61,834	32,261	600,796	313,457
Borrowings (Notes 3 and 10)	12,845	30,530	124,805	296,638
Foreign exchange (Note 6)	573	752	5,567	7,306
Other liabilities (Note 10)	26,872	18,301	261,095	177,817
Reserve for employee bonuses	654	660	6,354	6,412
Reserve for bonuses to directors	49	43	476	417
Reserve for employee retirement benefits (Note 11)	-	3,176	-	30,858
Employee retirement benefit liability (Note 11)	3,816	-	37,077	-
Reserve for executive retirement benefits	11	12	106	116
Reserve for reimbursement of deposits	181	210	1,758	2,040
Reserve for contingencies	1,793	1,854	17,421	18,013
Deferred tax liabilities (Note 17)	15,752	12,358	153,050	120,073
Deferred tax liabilities for revaluation (Note 7)	5,579	5,599	54,207	54,401
Acceptances and guarantees (Note 12)	13,679	15,239	132,909	148,066
Total liabilities	2,736,193	2,628,614	26,585,629	25,540,361
Net assets (Note 13):				
Common stock	18,000	18,000	174,893	174,893
Capital surplus	13,883	13,883	134,891	134,891
Retained earnings	115,345	110,928	1,120,724	1,077,808
Less treasury stock, at cost	(712)	(702)	(6,917)	(6,820)
Total shareholders' equity	146,516	142,109	1,423,591	1,380,771
Accumulated other comprehensive income	51,863	46,942	503,915	456,101
Stock acquisition rights	102	47	991	456
Minority interests in subsidiaries	3,559	3,392	34,580	32,957
Total net assets	202,042	192,492	1,963,097	1,870,307
Total liabilities and net assets	¥ 2,938,236	¥ 2,821,106	\$ 28,548,736	\$ 27,410,668

The accompanying notes are an integral part of these consolidated financial statements.

The Aichi Bank, Ltd. and Subsidiaries
Consolidated Statements of Income
For the Years Ended March 31, 2014 and 2013

	Millions of yen		Thousands of U.S. dollars	
	2014	2013	2014	2013
Income:				
Interest and dividend income:				
Interest on loans and bills discounted and purchased	¥ 22,875	¥ 24,270	\$ 222,260	\$ 235,814
Interest on and dividends from securities	10,717	10,676	104,129	103,731
Other interest and dividend income	88	68	855	660
Total interest and dividend income	33,681	35,016	327,254	340,225
Fees and commissions	11,666	11,676	113,350	113,447
Other operating income	1,222	1,507	11,873	14,642
Other income (Note 4)	2,824	1,501	27,438	14,584
Total income (Note 18)	49,395	49,701	479,935	482,909
Expenses:				
Interest expense:				
Interest on deposits	1,765	1,884	17,149	18,305
Interest on borrowings	39	56	378	544
Other interest expense	7	15	68	145
Total interest expense	1,813	1,956	17,615	19,005
Fees and commissions	6,999	7,115	68,004	69,131
Other operating expenses	1,056	889	10,260	8,637
General and administrative expenses (Note 14)	28,736	28,568	279,207	277,574
Impairment loss on fixed assets (Note 2(k))	61	128	592	1,243
Other expenses (Notes 4 and 5)	2,226	5,865	21,628	56,986
Total expenses (Note 18)	40,894	44,524	397,337	432,607
Income before income taxes and minority interests	8,501	5,177	82,598	50,301
Income taxes (Note 17)	3,194	2,363	31,033	22,959
Income before minority interests	5,306	2,814	51,554	27,341
Minority interests in net income of subsidiaries	166	93	1,612	903
Net income	¥ 5,140	¥ 2,721	\$ 49,941	\$ 26,438
	Yen		U.S. dollars	
Per share:				
Net income:				
Basic	¥ 473.59	¥ 250.64	\$ 4.60	\$ 2.43
Diluted	472.72	250.59	4.59	2.43
Cash dividends	70.00	70.00	0.68	0.68

The accompanying notes are an integral part of these consolidated financial statements.

The Aichi Bank, Ltd. and Subsidiaries
Consolidated Statements of Comprehensive Income
For the Years Ended March 31, 2014 and 2013

	Millions of yen		Thousands of U.S. dollars	
	2014	2013	2014	2013
Income before minority interests	¥ 5,306	¥ 2,814	\$ 51,554	\$ 27,341
Other comprehensive income (Note 20):				
Unrealized gains on available-for-sale securities	6,073	18,593	59,006	180,654
Total other comprehensive income	6,073	18,593	59,006	180,654
Comprehensive income	¥ 11,380	¥ 21,407	\$ 110,571	\$ 207,996
Comprehensive income attributable to:				
Owners of the parent	¥ 11,211	¥ 21,290	\$ 108,929	\$ 206,859
Minority interests	168	117	1,632	1,136
Total comprehensive income	¥ 11,380	¥ 21,407	\$ 110,571	\$ 207,996

The accompanying notes are an integral part of these consolidated financial statements.

The Aichi Bank, Ltd. and Subsidiaries
Consolidated Statements of Changes in Net Assets
For the Years Ended March 31, 2014 and 2013

	Millions of yen													
	Number of shares of common stock issued	Shareholders' equity					Accumulated other comprehensive income							Total net assets
		Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity	Net unrealized gains on available-for-sale securities (Note 4)	Land revaluation increment (Note 7)	Retirement benefit adjustment (Note 11)	Total accumulated other comprehensive income	Stock acquisition rights	Minority interests in subsidiaries		
Balance at April 1, 2012	10,943,240	¥ 18,000	¥ 13,883	¥ 108,965	¥ (691)	¥ 140,157	¥ 20,540	¥ 7,835	¥ -	¥ 28,376	¥ -	¥ 3,277	¥ 171,811	
Net income	-	-	-	2,721	-	2,721	-	-	-	-	-	-	2,721	
Cash dividends	-	-	-	(760)	-	(760)	-	-	-	-	-	-	(760)	
Reversal of land revaluation increment	-	-	-	3	-	3	-	-	-	-	-	-	3	
Treasury stock acquired, net	-	-	(0)	-	(11)	(12)	-	-	-	-	-	-	(12)	
Transfer to capital surplus from retained earnings	-	-	0	(0)	-	-	-	-	-	-	-	-	-	
Net changes in items other than shareholders' equity	-	-	-	-	-	-	18,569	(3)	-	18,565	47	115	18,728	
Balance at March 31, 2013	10,943,240	18,000	13,883	110,928	(702)	142,109	39,109	7,832	-	46,942	47	3,392	192,492	
Net income	-	-	-	5,140	-	5,140	-	-	-	-	-	-	5,140	
Cash dividends	-	-	-	(759)	-	(759)	-	-	-	-	-	-	(759)	
Reversal of land revaluation increment	-	-	-	35	-	35	-	-	-	-	-	-	35	
Treasury stock acquired, net	-	-	(0)	-	(10)	(10)	-	-	-	-	-	-	(10)	
Transfer to capital surplus from retained earnings	-	-	0	(0)	-	-	-	-	-	-	-	-	-	
Net changes in items other than shareholders' equity	-	-	-	-	-	-	6,071	(35)	(1,114)	4,921	55	166	5,143	
Balance at March 31, 2014	10,943,240	¥ 18,000	¥ 13,883	¥ 115,345	¥ (712)	¥ 146,516	¥ 45,180	¥ 7,796	¥ (1,114)	¥ 51,863	¥ 102	¥ 3,559	¥ 202,042	
		Thousands of U.S. dollars												
Balance at April 1, 2012		\$ 174,893	\$ 134,891	\$ 1,058,734	\$ (6,713)	\$ 1,361,805	\$ 199,572	\$ 76,127	\$ -	\$ 275,709	\$ -	\$ 31,840	\$ 1,669,364	
Net income		-	-	26,438	-	26,438	-	-	-	-	-	-	26,438	
Cash dividends		-	-	(7,384)	-	(7,384)	-	-	-	-	-	-	(7,384)	
Reversal of land revaluation increment		-	-	29	-	29	-	-	-	-	-	-	29	
Treasury stock acquired, net		-	(0)	-	(106)	(116)	-	-	-	-	-	-	(116)	
Transfer to capital surplus from retained earnings		-	0	(0)	-	-	-	-	-	-	-	-	-	
Net changes in items other than shareholders' equity		-	-	-	-	-	180,421	(29)	-	180,382	456	1,117	181,966	
Balance at March 31, 2013		174,893	134,891	1,077,808	(6,820)	1,380,771	379,994	76,097	-	456,101	456	32,957	1,870,307	
Net income		-	-	49,941	-	49,941	-	-	-	-	-	-	49,941	
Cash dividends		-	-	(7,374)	-	(7,374)	-	-	-	-	-	-	(7,374)	
Reversal of land revaluation increment		-	-	340	-	340	-	-	-	-	-	-	340	
Treasury stock acquired, net		-	(0)	-	(97)	(97)	-	-	-	-	-	-	(97)	
Transfer to capital surplus from retained earnings		-	0	(0)	-	-	-	-	-	-	-	-	-	
Net changes in items other than shareholders' equity		-	-	-	-	-	58,987	(340)	(10,823)	47,813	534	1,612	49,970	
Balance at March 31, 2014		\$ 174,893	\$ 134,891	\$ 1,120,724	\$ (6,917)	\$ 1,423,591	\$ 438,981	\$ 75,748	\$ (10,823)	\$ 503,915	\$ 991	\$ 34,580	\$ 1,963,097	

The accompanying notes are an integral part of these consolidated financial statements.

The Aichi Bank, Ltd. and Subsidiaries
Consolidated Statements of Cash Flows
For the Years Ended March 31, 2014 and 2013

	Millions of yen		Thousands of U.S. dollars	
	2014	2013	2014	2013
Cash flows from operating activities:				
Income before income taxes and minority interests	¥ 8,501	¥ 5,177	\$ 82,598	\$ 50,301
Adjustments for:				
Depreciation	1,407	1,471	13,670	14,292
Impairment loss on fixed assets	61	128	592	1,243
(Decrease) increase in reserve for possible loan losses	(2,245)	948	(21,813)	9,211
Interest and dividend income	(33,681)	(35,016)	(327,254)	(340,225)
Interest expense	1,813	1,956	17,615	19,005
Decrease in trading securities	104	74	1,010	719
Decrease (increase) in loans and bills discounted	24,685	(20,368)	239,846	(197,901)
Decrease (increase) in call loans and bills purchased	20,659	(698)	200,728	(6,781)
Increase in deposits	84,935	48,045	825,252	466,818
Increase (decrease) in security deposits received related to securities lending transactions	29,572	(29,126)	287,329	(282,996)
(Decrease) increase in borrowings (excluding subordinated borrowings)	(17,685)	24,225	(171,832)	235,376
(Gain) loss on securities transactions	(1,134)	336	(11,018)	3,264
Gain on foreign currency transactions	(3,625)	(5,345)	(35,221)	(51,933)
(Decrease) increase in reserve for contingencies	(60)	9	(582)	87
Interest and dividend income received	35,375	36,120	343,713	350,952
Interest expense paid	(2,299)	(3,169)	(22,337)	(30,790)
Other, net	7,948	943	77,225	9,162
Subtotal	154,333	25,712	1,499,543	249,825
Income taxes paid	(2,625)	(3,803)	(25,505)	(36,951)
Net cash provided by operating activities	151,708	21,908	1,474,038	212,864
Cash flows from investing activities:				
Purchases of securities	(455,174)	(321,613)	(4,422,600)	(3,124,883)
Proceeds from sales and maturities of securities	353,628	290,143	3,435,950	2,819,111
Purchases of tangible fixed assets	(1,995)	(2,073)	(19,383)	(20,141)
Proceeds from sales of tangible fixed assets	233	128	2,263	1,243
Purchases of intangible fixed assets	(32)	(7)	(310)	(68)
Net cash used in investing activities	(103,340)	(33,422)	(1,004,080)	(324,737)
Cash flows from financing activities:				
Dividends paid	(759)	(760)	(7,374)	(7,384)
Other, net	(42)	(43)	(408)	(417)
Net cash used in financing activities	(802)	(803)	(7,792)	(7,802)
Net increase (decrease) in cash and cash equivalents	47,565	(12,317)	462,155	(119,675)
Cash and cash equivalents at beginning of year	89,810	102,128	872,619	992,304
Cash and cash equivalents at end of year (Note 2(b))	¥ 137,375	¥ 89,810	\$ 1,334,774	\$ 872,619

The accompanying notes are an integral part of these consolidated financial statements.

The Aichi Bank, Ltd. and Subsidiaries
Notes to Consolidated Financial Statements
For the Years Ended March 31, 2014 and 2013

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, 2014, which was ¥102.92 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 have been also 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, 2014 and 2013, the Bank had four subsidiaries, but no affiliates. All intercompany transactions and accounts have been eliminated. The difference between the cost of investments in subsidiaries and the underlying equity in their net assets, adjusted based on the fair value at the time of acquisition, is deferred as goodwill and amortized over five years using the straight-line method.

(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	
	2014	2013	2014	2013
Cash and due from banks	¥ 138,290	¥ 91,001	\$ 1,343,664	\$ 884,191
Less due from banks other than Bank of Japan	(915)	(1,191)	(8,890)	(11,572)
Cash and cash equivalents	<u>¥ 137,375</u>	<u>¥ 89,810</u>	<u>\$ 1,334,774</u>	<u>\$ 872,619</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 none and ¥32 million (\$310 thousand) for the years ended March 31, 2014 and 2013, 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.

(Changes in accounting policy with the amendment of respective law or regulation that is not distinguishable from changes in accounting estimates)

Effective from the year ended March 31, 2013, in accordance with the amendment of the Corporation Tax Act of Japan, the Group has changed its depreciation method to the method based on the amended Corporation Tax Act for tangible fixed assets acquired on or after April 1, 2012. As a result of this change, income before income taxes and minority interests for the year ended March 31, 2013 was ¥38 million (\$369 thousand) more than the amount that would have been recorded without such change.

(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 4.5% and 3.0% for the years ended March 31, 2014 and 2013, respectively, or net selling prices, based primarily on appraisal valuations, net of estimated costs of disposal.

For the years ended March 31, 2014 and 2013, the Group recognized impairment loss 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				
2014				
	Land	Buildings and structures	Other properties	Total
Operating assets:				
Aichi Prefecture	¥ 0	¥ 23	¥ -	¥ 24
Other	3	18	-	22
Idle assets:				
Aichi Prefecture	4	0	-	4
Other	1	8	-	9
Total	<u>¥ 9</u>	<u>¥ 51</u>	<u>¥ -</u>	<u>¥ 61</u>

Millions of yen				
2013				
	Land	Buildings and structures	Other properties	Total
Operating assets:				
Aichi Prefecture	¥ 0	¥ 9	¥ 40	¥ 50
Other	3	32	26	62
Idle assets:				
Aichi Prefecture	3	-	0	3
Other	0	12	-	12
Total	<u>¥ 7</u>	<u>¥ 54</u>	<u>¥ 66</u>	<u>¥ 128</u>

Thousands of U.S. dollars				
2014				
	Land	Buildings and structures	Other properties	Total
Operating assets:				
Aichi Prefecture	\$ 0	\$ 223	\$ -	\$ 233
Other	29	174	-	213
Idle assets:				
Aichi Prefecture	38	0	-	38
Other	9	77	-	87
Total	<u>\$ 87</u>	<u>\$ 495</u>	<u>\$ -</u>	<u>\$ 592</u>

Thousands of U.S. dollars				
2013				
	Land	Buildings and structures	Other properties	Total
Operating assets:				
Aichi Prefecture	\$ 0	\$ 87	\$ 388	\$ 485
Other	29	310	252	602
Idle assets:				
Aichi Prefecture	29	-	0	29
Other	0	116	-	116
Total	<u>\$ 68</u>	<u>\$ 524</u>	<u>\$ 641</u>	<u>\$ 1,243</u>

(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 principally recognizes retirement benefits, including pension costs and related liabilities, based 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 straight-line 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.

Effective from March 31, 2014, the Group has adopted the “Accounting Standard for Retirement Benefits” (Accounting Standards Board of Japan (“ASBJ”) Statement No. 26, revised on May 17, 2012 (“Statement No. 26”)) and the “Guidance on the Accounting Standard for Retirement Benefits” (ASBJ Guidance No. 25, revised on May 17, 2012 (“Guidance No. 25”)), except for the provisions specified in the main clause of Section 35 of Statement No. 26 and the main clause of Section 67 of Guidance No. 25. In accordance with Statement No. 26 and Guidance No. 25, actuarial differences and past service costs that had been yet to be recognized in profit or loss have been recognized as retirement benefit adjustment of accumulated other comprehensive income within the net assets section, after adjusting for tax effects, and the difference between retirement benefit obligation and plan assets has been recognized as employee retirement benefit asset or liability in the balance sheet. In accordance with the transitional treatment prescribed in Section 37 of Statement No. 26, this accounting change has not been retrospectively applied to the financial statements in prior years, and the effect of the change in accounting policies arising from initial application has been recognized in retirement benefit adjustment under accumulated other comprehensive income.

As a result of this change, at March 31, 2014, employee retirement benefit asset of ¥4,960 million (\$48,192 thousand) and employee retirement benefit liability of ¥3,816 million (\$37,077 thousand) were recorded, and deferred tax liabilities and accumulated other comprehensive income were ¥608 million (\$5,907 thousand) and ¥1,114 million (\$10,823 thousand) less, respectively, at March 31, 2014 than the amounts that would have been reported without the change.

Until the year ended March 31, 2013, actuarial differences that had been yet to be recognized in profit or loss were not recognized in the balance sheet under the previous standard, and the difference between retirement benefit obligation and plan assets, adjusted by such unrecognized amounts, was recorded as “reserve for employee retirement benefits” in the balance sheet.

(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 ¥57 million (\$553 thousand) and none for the years ended March 31, 2014 and 2013, 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 amounted to none and ¥13 million (\$126 thousand) for the years ended March 31, 2014 and 2013, 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.

(w) New accounting standards not yet adopted by the Group

ASBJ Statement No. 26 and ASBJ Guidance No. 25 have been issued but not yet adopted in the accompanying consolidated financial statements.

i) Overview:

The purpose of the revised standard and guidance changing the requirements related to the methods used to calculate retirement benefit obligations and current service costs is to improve financial reporting, promote the international convergence of accounting standards and enhance disclosure.

ii) Date of application:

The Bank will adopt the new accounting standards from the beginning of the fiscal year ending March 31, 2015.

iii) Effect of application:

As a result of this change, retained earnings are expected to increase by ¥1,058 million (\$10,279 thousand) at the beginning of the fiscal year ending March, 31, 2015.

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 of respective debtors 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 the credit risk of respective debtors under the Credit Supervision Section, examining and assessing financial circumstances, industry trends, purposes of loans and repayment plans. 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 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 the 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 being 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, 2014 and 2013, the 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 ¥30,786 million (\$299,125 thousand) and ¥28,223 million (\$274,222 thousand) as of March 31, 2014 and 2013, respectively. In calculating the 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 together with that for price fluctuation risk associated with the strategically held equity securities.

The Group ensures the reliability and accuracy of the measurement model by performing back-testing, that is, comparing the VaR amounts measured using the model with the actual amounts of profit and loss. However, the 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.

	Thousands of U.S. dollars		
	2014		
	Carrying value	Fair value	Difference
Financial assets:			
Cash and due from banks	\$ 1,343,664	\$ 1,343,664	\$ -
Call loans and bills purchased	36,737	36,737	-
Trading securities	1,068	1,068	-
Investment securities:			
Available-for-sale securities (*1)	10,611,387	10,611,387	-
Loans and bills discounted:			
Loans and bills discounted	15,902,341		
Reserve for possible loan losses (*2)	(134,599)		
Loans and bills discounted, net	<u>15,767,741</u>	<u>16,011,193</u>	<u>243,451</u>
	<u>\$ 27,760,619</u>	<u>\$ 28,004,071</u>	<u>\$ 243,451</u>
Financial liabilities:			
Deposits	\$ 25,189,943	\$ 25,199,572	\$ 9,619
Security deposits received related to securities lending transactions	600,796	600,796	-
Borrowings	124,805	125,048	242
	<u>\$ 25,915,546</u>	<u>\$ 25,925,427</u>	<u>\$ 9,871</u>
		2013	
	Carrying value	Fair value	Difference
Financial assets:			
Cash and due from banks	\$ 884,191	\$ 884,191	\$ -
Call loans and bills purchased	237,465	237,465	-
Trading securities	2,089	2,089	-
Investment securities:			
Available-for-sale securities (*1)	9,515,380	9,515,380	-
Loans and bills discounted:			
Loans and bills discounted	16,142,197		
Reserve for possible loan losses (*2)	(154,090)		
Loans and bills discounted, net	<u>15,988,097</u>	<u>16,236,261</u>	<u>248,163</u>
	<u>\$ 26,627,254</u>	<u>\$ 26,875,417</u>	<u>\$ 248,163</u>
Financial liabilities:			
Deposits	\$ 24,364,681	\$ 24,382,578	\$ 17,887
Security deposits received related to securities lending transactions	313,457	313,457	-
Borrowings	296,638	296,929	291
	<u>\$ 24,974,786</u>	<u>\$ 24,992,975</u>	<u>\$ 18,188</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	
	2014	2013	2014	2013
Unlisted stocks*	¥ 1,777	¥ 1,816	\$ 17,265	\$ 17,644
Other nonmarketable securities	329	285	3,196	2,769
	<u>¥ 2,107</u>	<u>¥ 2,101</u>	<u>\$ 20,472</u>	<u>\$ 20,413</u>

* For the years ended March 31, 2014 and 2013, loss on the write-down of these securities was recognized in the amount of ¥7 million (\$68 thousand) and ¥24 million (\$233 thousand), respectively.

(*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, 2014 was as follows:

	Millions of yen					
	2014					
	Due in 1 year or less	Due after 1 year through 3 years	Due after 3 years through 5 years	Due after 5 years through 7 years	Due after 7 years through 10 years	Due after 10 years
Financial assets:						
Due from banks	¥ 101,241	¥ -	¥ -	¥ -	¥ -	¥ -
Call loans and bills purchased	3,781	-	-	-	-	-
Investment securities:						
Available-for-sale securities:						
Japanese government bonds						
Japanese government bonds	15,118	29,500	64,100	148,500	62,900	-
Local government bonds	8,641	26,711	14,735	38,170	14,401	-
Corporate bonds	90,278	122,382	79,569	87,521	51,660	7,252
Foreign bonds	7,171	40,049	10,751	5,458	-	-
Other	1,058	4,230	8,347	2,877	5,300	999
Total investment securities	<u>122,266</u>	<u>222,872</u>	<u>177,502</u>	<u>282,526</u>	<u>134,261</u>	<u>8,251</u>
Loans and bills discounted (*1)	320,235	350,334	212,152	112,287	100,355	296,778
	<u>¥ 547,524</u>	<u>¥ 573,206</u>	<u>¥ 389,655</u>	<u>¥ 394,813</u>	<u>¥ 234,616</u>	<u>¥ 305,029</u>
Financial liabilities:						
Deposits (*2)	¥ 2,279,662	¥ 281,161	¥ 28,373	¥ -	¥ -	¥ -
Security deposits received related to securities lending transactions	61,834	-	-	-	-	-
Borrowings	9,340	2,530	975	-	-	-
	<u>¥ 2,350,836</u>	<u>¥ 283,691</u>	<u>¥ 29,348</u>	<u>¥ -</u>	<u>¥ -</u>	<u>¥ -</u>

	Thousands of U.S. dollars					
	2014					
	Due in 1 year or less	Due after 1 year through 3 years	Due after 3 years through 5 years	Due after 5 years through 7 years	Due after 7 years through 10 years	Due after 10 years
Financial assets:						
Due from banks	\$ 983,686	\$ -	\$ -	\$ -	\$ -	\$ -
Call loans and bills purchased	36,737	-	-	-	-	-
Investment securities:						
Available-for-sale securities:						
Japanese government bonds						
Japanese government bonds	146,890	286,630	622,813	1,442,868	611,154	-
Local government bonds	83,958	259,531	143,169	370,870	139,924	-
Corporate bonds	877,166	1,189,098	773,115	850,378	501,943	70,462
Foreign bonds	69,675	389,127	104,459	53,031	-	-
Other	10,279	41,099	81,101	27,953	51,496	9,706
Total investment securities	<u>1,187,971</u>	<u>2,165,487</u>	<u>1,724,659</u>	<u>2,745,102</u>	<u>1,304,518</u>	<u>80,169</u>
Loans and bills discounted (*1)	3,111,494	3,403,944	2,061,329	1,091,012	975,077	2,883,579
	<u>\$ 5,319,898</u>	<u>\$ 5,569,432</u>	<u>\$ 3,785,998</u>	<u>\$ 3,836,115</u>	<u>\$ 2,279,595</u>	<u>\$ 2,963,748</u>
Financial liabilities:						
Deposits (*2)	\$ 22,149,844	\$ 2,731,840	\$ 275,680	\$ -	\$ -	\$ -
Security deposits received related to securities lending transactions	600,796	-	-	-	-	-
Borrowings	90,750	24,582	9,473	-	-	-
	<u>\$ 22,841,391</u>	<u>\$ 2,756,422</u>	<u>\$ 285,153</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Notes:

(*1) At March 31, 2014, 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 ¥58,083 million (\$564,350 thousand). Loans without due dates in the amount of ¥186,441 million (\$1,811,513 thousand) were excluded.

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

4. Trading Securities and Investment Securities

At March 31, 2014 and 2013, trading securities consisted of Japanese government bonds only.

At March 31, 2014 and 2013, investment securities consisted of the following:

	Millions of yen		Thousands of U.S. dollars	
	2014	2013	2014	2013
Japanese government bonds	¥ 330,687	¥ 292,639	\$ 3,213,048	\$ 2,843,363
Local government bonds	106,500	102,745	1,034,784	998,299
Bonds and debentures	447,240	411,379	4,345,511	3,997,075
Equity securities	101,025	83,629	981,587	812,563
Other	108,777	91,032	1,056,908	884,492
	<u>¥ 1,094,231</u>	<u>¥ 981,425</u>	<u>\$ 10,631,859</u>	<u>\$ 9,535,804</u>

At March 31, 2014 and 2013, investment securities included Japanese government bonds of ¥16,863 million (\$163,845 thousand) and ¥41,361 million (\$401,875 thousand), respectively, as loans without collateral (securities lending transactions).

At March 31, 2014 and 2013, 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 ¥13,594 million (\$132,083 thousand) and ¥13,439 million (\$130,577 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, 2014 and 2013, 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			
	2014		2013		2014		2013	
	Carrying value	Valuation difference	Carrying value	Valuation difference	Carrying value	Valuation difference	Carrying value	Valuation difference
Trading securities	¥ 110	¥ (0)	¥ 215	¥ 0	\$ 1,068	\$ (0)	\$ 2,089	\$ 0

The Group did not have any held-to-maturity debt securities as of March 31, 2014 and 2013.

At March 31, 2014 and 2013, gross unrealized gains and losses for available-for-sale securities with fair value were as follows:

Millions of yen				
2014				
	Cost	Gross unrealized gains	Gross unrealized losses	Fair and carrying 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
	<u>¥ 1,023,182</u>	<u>¥ 69,575</u>	<u>¥ (633)</u>	<u>¥ 1,092,124</u>

Millions of yen				
2013				
	Cost	Gross unrealized gains	Gross unrealized losses	Fair and carrying value
Available-for-sale securities with fair value:				
Japanese government bonds	¥ 284,208	¥ 8,433	¥ (3)	¥ 292,639
Local government bonds	99,079	3,670	(4)	102,745
Bonds and debentures	403,144	8,305	(70)	411,379
Equity securities	48,176	34,108	(472)	81,812
Other	85,021	5,977	(252)	90,746
	<u>¥ 919,629</u>	<u>¥ 60,496</u>	<u>¥ (802)</u>	<u>¥ 979,323</u>

Thousands of U.S. dollars				
2014				
	Cost	Gross unrealized gains	Gross unrealized losses	Fair and carrying value
Available-for-sale securities with fair value:				
Japanese government bonds	\$ 3,133,132	\$ 79,926	\$ (9)	\$ 3,213,048
Local government bonds	1,005,518	29,323	(68)	1,034,784
Bonds and debentures	4,279,343	67,022	(864)	4,345,501
Equity securities	511,086	456,237	(3,012)	964,312
Other	1,012,378	43,460	(2,157)	1,053,692
	<u>\$ 9,941,527</u>	<u>\$ 676,010</u>	<u>\$ (6,150)</u>	<u>\$ 10,611,387</u>

Thousands of U.S. dollars				
2013				
	Cost	Gross unrealized gains	Gross unrealized losses	Fair and carrying value
Available-for-sale securities with fair value:				
Japanese government bonds	\$ 2,761,445	\$ 81,937	\$ (29)	\$ 2,843,363
Local government bonds	962,679	35,658	(38)	998,299
Bonds and debentures	3,917,061	80,693	(680)	3,997,075
Equity securities	468,091	331,403	(4,586)	794,908
Other	826,088	58,074	(2,448)	881,713
	<u>\$ 8,935,376</u>	<u>\$ 587,796</u>	<u>\$ (7,792)</u>	<u>\$ 9,515,380</u>

During the years ended March 31, 2014 and 2013, 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	
	2014	2013	2014	2013
Equity securities	¥ -	¥ 1,356	\$ -	\$ 13,175

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, 2014 and 2013, 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	
	2014	2013	2014	2013
Unrealized gains	¥ 68,941	¥ 59,693	\$ 669,850	\$ 579,994
Less applicable income taxes	(23,718)	(20,544)	(230,450)	(199,611)
Less minority interests portion	(42)	(39)	(408)	(378)
Net unrealized gains	¥ 45,180	¥ 39,109	\$ 438,981	\$ 379,994

During the years ended March 31, 2014 and 2013, 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	
	2014	2013	2014	2013
Gains on sales of:				
Equity securities	¥ 1,675	¥ 1,068	\$ 16,274	\$ 10,376
Bonds and others	946	1,114	9,191	10,823
	¥ 2,621	¥ 2,182	\$ 25,466	\$ 21,200
Losses on sales of:				
Equity securities	¥ 396	¥ 415	\$ 3,847	\$ 4,032
Bonds and others	1,054	889	10,240	8,637
	¥ 1,450	¥ 1,304	\$ 14,088	\$ 12,670

5. Loans and Bills Discounted

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

	Millions of yen		Thousands of U.S. dollars	
	2014	2013	2014	2013
Bills discounted	¥ 28,581	¥ 33,275	\$ 277,701	\$ 323,309
Loans on bills	68,711	78,561	667,615	763,321
Loans on deeds	1,350,144	1,338,858	13,118,383	13,008,725
Overdrafts	189,232	210,659	1,838,631	2,046,822
	¥ 1,636,669	¥ 1,661,355	\$ 15,902,341	\$ 16,142,197

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 ¥28,806 million (\$279,887 thousand) and ¥33,496 million (\$325,456 thousand) at March 31, 2014 and 2013, respectively.

Claims to borrowers in bankruptcy and past due loans amounted to ¥58,083 million (\$564,350 thousand) and ¥61,998 million (\$602,390 thousand) at March 31, 2014 and 2013, 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, 2014 and 2013, delinquent loans for which the payment of principal or interest was contractually past due three months or more, excluding non-accrual loans, amounted to ¥750 million (\$7,287 thousand) and ¥1,216 million (\$11,815 thousand), respectively.

At March 31, 2014 and 2013, 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 ¥12,307 million (\$119,578 thousand) and ¥10,417 million (\$101,214 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 ¥71,141 million (\$691,226 thousand) and ¥73,631 million (\$715,419 thousand) at March 31, 2014 and 2013, respectively.

A provision of reserve for possible loan losses amounted to none and ¥2,779 million (\$27,001 thousand) for the years ended March 31, 2014 and 2013, respectively, and is included in “Other expenses” in the accompanying consolidated statements of income.

6. Foreign Exchange

At March 31, 2014 and 2013, foreign exchange consisted of the following:

	Millions of yen		Thousands of U.S. dollars	
	2014	2013	2014	2013
Assets:				
Due from banks	¥ 896	¥ 1,094	\$ 8,705	\$ 10,629
Foreign bills of exchange purchased	225	220	2,186	2,137
Foreign bills of exchange receivable	537	780	5,217	7,578
	<u>¥ 1,659</u>	<u>¥ 2,095</u>	<u>\$ 16,119</u>	<u>\$ 20,355</u>
Liabilities:				
Foreign bills of exchange sold	¥ 486	¥ 444	\$ 4,722	\$ 4,314
Foreign bills of exchange payable	87	307	845	2,982
	<u>¥ 573</u>	<u>¥ 752</u>	<u>\$ 5,567</u>	<u>\$ 7,306</u>

7. Tangible Fixed Assets

At March 31, 2014 and 2013, tangible fixed assets consisted of the following:

	Millions of yen		Thousands of U.S. dollars	
	2014	2013	2014	2013
Land	¥ 23,668	¥ 23,828	\$ 229,965	\$ 231,519
Buildings and structures	5,316	5,246	51,651	50,971
Property held for lease	1	3	9	29
Construction in progress	1,355	631	13,165	6,130
Other tangible fixed assets	3,387	3,261	32,909	31,684
Tangible fixed assets	¥ 33,727	¥ 32,970	\$ 327,701	\$ 320,345

Accumulated depreciation of tangible fixed assets at March 31, 2014 and 2013 was ¥23,714 million (\$230,411 thousand) and ¥23,563 million (\$228,944 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, 2014 and 2013, the amount of ¥2,289 million (\$22,240 thousand) and ¥2,333 million (\$22,668 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, 2014 and 2013, the differences in the carrying values of land used for the banking business after reassessment over the market values amounted to ¥4,613 million (\$44,821 thousand) and ¥4,716 million (\$45,821 thousand), respectively.

8. Pledged Assets

At March 31, 2014 and 2013, investment securities totaling ¥61,675 million (\$599,251 thousand) and ¥32,107 million (\$311,960 thousand), respectively, were pledged as collateral for “Security deposits received related to securities lending transactions” of ¥61,834 million (\$600,796 thousand) and ¥32,261 million (\$313,457 thousand), respectively.

At March 31, 2014 and 2013, investment securities totaling ¥36,815 million (\$357,705 thousand) and ¥26,272 million (\$255,266 thousand), respectively, were pledged as collateral for the settlement of exchange and other transactions.

9. Deposits

At March 31, 2014 and 2013, deposits consisted of the following:

	Millions of yen		Thousands of U.S. dollars	
	2014	2013	2014	2013
Demand deposits	¥ 1,292,205	¥ 1,245,825	\$ 12,555,431	\$ 12,104,790
Time deposits	1,266,667	1,221,855	12,307,296	11,871,890
Other	33,676	39,932	327,205	387,990
	<u>¥ 2,592,549</u>	<u>¥ 2,507,613</u>	<u>\$ 25,189,943</u>	<u>\$ 24,364,681</u>

10. Borrowings and Lease Obligations

At March 31, 2014 and 2013, borrowings, which consisted of the borrowings from other financial institutions, amounted to ¥12,845 million (\$124,805 thousand) and ¥30,530 million (\$296,638 thousand), respectively. At March 31, 2014, the annual maturities of borrowings due through February 2019 at an average interest rate of 0.29% per annum were as follows:

Year ending March 31,	Millions of yen	Thousands of U.S. dollars
2015	¥ 9,340	\$ 90,750
2016	1,410	13,699
2017	1,120	10,882
2018	695	6,752
2019	280	2,720
	<u>¥ 12,845</u>	<u>\$ 124,805</u>

At March 31, 2014 and 2013, other liabilities included lease obligations of ¥12 million (\$116 thousand) and ¥43 million (\$417 thousand), respectively. At March 31, 2014, lease obligations at an average interest rate of 3.36% per annum were due within one year.

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.

Year ended March 31, 2014

(Defined benefit plans)

(a) Movement in retirement benefit obligations:

	Millions of yen	Thousands of U.S. dollars
	2014	2014
Retirement benefit obligation at beginning of year	¥ 22,069	\$ 214,428
Service costs	728	7,073
Interest cost	220	2,137
Actuarial differences	187	1,816
Retirement benefits paid	(1,264)	(12,281)
Retirement benefit obligation at end of year	<u>¥ 21,941</u>	<u>\$ 213,184</u>

(b) Movement in plan assets:

	<u>Millions of yen</u> <u>2014</u>	<u>Thousands of</u> <u>U.S. dollars</u> <u>2014</u>
Plan assets at beginning of year	¥ 19,994	\$ 194,267
Expected return on plan assets	268	2,603
Actuarial differences	2,838	27,574
Contribution paid by the employer	963	9,356
Retirement benefits paid	(979)	(9,512)
Plan assets at end of year	<u>¥ 23,085</u>	<u>\$ 224,300</u>

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

	<u>Millions of yen</u> <u>2014</u>	<u>Thousands of</u> <u>U.S. dollars</u> <u>2014</u>
Funded retirement benefit obligation	¥ 18,125	\$ 176,107
Plan assets	(23,085)	(224,300)
	<u>(4,960)</u>	<u>(48,192)</u>
Unfunded retirement benefit obligation	3,816	37,077
Net balance of (asset)/liability for retirement benefits recorded on the consolidated balance sheet at end of year	<u>¥ (1,143)</u>	<u>\$ (11,105)</u>
Employee retirement benefit liability	¥ 3,816	\$ 37,077
Employee retirement benefit asset	(4,960)	(48,192)
Net balance of (asset)/liability for retirement benefits recorded on the consolidated balance sheet at end of year	<u>¥ (1,143)</u>	<u>\$ (11,105)</u>

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

	<u>Millions of yen</u> <u>2014</u>	<u>Thousands of</u> <u>U.S. dollars</u> <u>2014</u>
Service cost	¥ 728	\$ 7,073
Interest cost	220	2,137
Expected return on plan assets	(268)	(2,603)
Amortization of actuarial differences	950	9,230
Other	26	252
Net periodic retirement benefit expenses under defined benefit plans	<u>¥ 1,656</u>	<u>\$ 16,090</u>

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

	<u>Millions of yen</u> <u>2014</u>	<u>Thousands of</u> <u>U.S. dollars</u> <u>2014</u>
Actuarial differences that are yet to be recognized	¥ (1,722)	\$ (16,731)
Total	<u>¥ (1,722)</u>	<u>\$ (16,731)</u>

(f) Plan assets

i) Plan assets comprise:

	<u>2014</u>
Debt securities	27.0%
Equity securities	54.3
General account	14.3
Other	4.4
Total	<u><u>100.0%</u></u>

Note: 36.6% of plan assets consisted of retirement benefit trusts of that are set up for corporate pension 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.

(g) Actuarial assumptions at end of year:

	<u>2014</u>
Discount rate	1.0%
Expected long-term rate of return on plan assets	2.0%

Year ended March 31, 2013

The following table sets forth the funded status of the plans and the amounts recognized in the consolidated balance sheet as of March 31, 2013 for the Group's defined benefit plans.

	<u>Millions of yen</u>	<u>Thousands of U.S. dollars</u>
	<u>2013</u>	<u>2013</u>
Retirement benefit obligation	¥ 22,069	\$ 214,428
Less fair value of pension plan assets at end of year	<u>(19,994)</u>	<u>(194,267)</u>
Retirement benefit obligation in excess of pension plan assets	2,074	20,151
Less unrecognized actuarial differences	<u>(5,324)</u>	<u>(51,729)</u>
Net amount recorded on the consolidated balance sheet	(3,249)	(31,568)
Prepaid pension cost included in other assets	<u>6,425</u>	<u>62,427</u>
Balance of reserve for employee retirement benefits recognized on the consolidated balance sheet	<u><u>¥ 3,176</u></u>	<u><u>\$ 30,858</u></u>

The components of net periodic retirement benefit expenses for the year ended March 31, 2013 were as follows:

	<u>Millions of yen</u> 2013	<u>Thousands of</u> <u>U.S. dollars</u> 2013
Service cost	¥ 605	\$ 5,878
Interest cost	391	3,799
Expected return on pension plan assets	(243)	(2,361)
Amortization of actuarial differences	905	8,793
Other	35	340
	<u>¥ 1,693</u>	<u>\$ 16,449</u>
Net periodic retirement benefit expenses		

Major assumptions used in the calculation of the above information for the year ended March 31, 2013 were as follows:

	<u>2013</u>
Method attributing the projected benefits to periods of services	Straight-line method
Discount rate	1.0%
Expected rate of return on pension plan assets	2.0%
Amortization period of actuarial differences	13 to 14 years
Amortization period of prior service cost	1 year

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, 2014 and 2013, 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, 2014 and 2013, the number of shares of treasury stock held by the Group was 89,972 and 87,848 shares, respectively.

At March 31, 2014 and 2013, 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 (\$52,390 thousand) at both March 31, 2014 and 2013. 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 2013, the Board of Directors of the Bank resolved to pay interim dividends of ¥379 million (\$3,682 thousand) at ¥35 per share (\$0.34 per share). The shareholders of the Bank approved the following appropriation of retained earnings at the annual shareholders meeting on June 27, 2014.

	<u>Millions of yen</u>	<u>Thousands of U.S. dollars</u>
Cash dividends, ¥35 per share (\$0.34 per share)	¥ 379	\$ 3,682

14. Stock Options

(a) Stock option expenses

The Bank recorded stock option expenses of ¥55 million (\$534 thousand) and ¥47 million (\$456 thousand) in “General and administrative expenses” for the years ended March 31, 2014 and 2013, 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>
Position and number of grantees	13 directors of the Bank (excluding outside directors)	13 directors of the Bank (excluding outside directors)
Number of options granted*	13,000 common shares of the Bank	12,200 common shares of the Bank
Grant date	July 20, 2012	July 19, 2013
Conditions for vesting	Not defined	Not defined
Requisite service period	Not defined	Not defined
Exercise period	From July 21, 2012 to July 20, 2042	From July 20, 2013 to July 19, 2043

*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, 2014 and 2013. The number of stock options is calculated in terms of the number of shares.

a) Number of stock options

	2012 stock options	2013 stock options
Non-vested:		
Outstanding at April 1, 2012	-	-
Granted	13,000 shares	-
Forfeited	-	-
Vested	(13,000 shares)	-
Outstanding at March 31, 2013	-	-
Granted	-	12,200 shares
Forfeited	-	-
Vested	-	(12,200 shares)
Outstanding at March 31, 2014	-	-
Vested:		
Outstanding at April 1, 2012	-	-
Vested	13,000 shares	-
Exercised	-	-
Forfeited	-	-
Outstanding at March 31, 2013	13,000 shares	-
Vested	-	12,200 shares
Exercised	-	-
Forfeited	-	-
Outstanding at March 31, 2014	13,000 shares	12,200 shares

b) Price information

	2012 stock options	2013 stock options
Exercise price	¥1 (\$0.00) per share	¥1 (\$0.00) per share
Average exercise price	-	-
Fair value at grant date	¥3,645 (\$35.41) per share	¥4,556 (\$44.26) per share

iii) Valuation technique to estimate fair value of stock options granted for the years ended March 31, 2014 and 2103:

(1) 2012 stock options:

a) Valuation technique used: Black-Scholes model

b) Major assumptions and estimation method

	2012 stock options
Expected volatility (*1)	30.536%
Expected life (*2)	1.5 years
Expected dividends (*3)	¥70 (\$0.68) per share
Risk free interest rate (*4)	0.100%

Notes: (*1) Expected volatility is calculated based on the actual stock prices during the period from January 2011 to July 2012, 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, 2012.

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

(2) 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 (\$0.68) 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.*

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, 2014 and 2013, 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 ¥583,077 million (\$5,665,342 thousand) and ¥540,557 million (\$5,252,205 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, 2014 and 2013 were as follows:

	<u>Millions of yen</u>		<u>Thousands of U.S. dollars</u>	
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
Due within one year	¥ 97	¥ 109	\$ 942	\$ 1,059
Due after one year	1,011	1,034	9,823	10,046
	<u>¥ 1,108</u>	<u>¥ 1,144</u>	<u>\$ 10,765</u>	<u>\$ 11,115</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, 2014 and 2013 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	
	2014	2013	2014	2013
Total future minimum lease payments to be received	¥ 10,962	¥ 10,555	\$ 106,509	\$ 102,555
Estimated residual value of leased assets	723	798	7,024	7,753
Imputed interest	(737)	(845)	(7,160)	(8,210)

The aggregate annual maturities of future minimum lease payments to be received as of March 31, 2014 were as follows:

Year ending March 31,	Millions of yen	Thousands of U.S. dollars
2015	¥ 3,262	\$ 31,694
2016	2,576	25,029
2017	2,059	20,005
2018	1,452	14,108
2019	867	8,424
2020 and thereafter	744	7,228
	¥ 10,962	\$ 106,509

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 using 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, 2014 and 2013 were ¥40 million (\$388 thousand) and ¥16 million (\$155 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, 2014 and 2013 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, 2014	¥ 32,572	¥ -	¥ (34)	¥ (34)
At March 31, 2013	18,736	171	(502)	(502)

	Thousands of U.S. dollars			
	Notional principal or contract amounts		Fair value*	Valuation gains (losses)
	Total	Over one year		
Foreign exchange forward contracts:				
At March 31, 2014	\$ 316,478	\$ -	\$ (330)	\$ (330)
At March 31, 2013	182,044	1,661	(4,877)	(4,877)

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, 2014 and 2013.

17. Income Taxes

Income taxes for the years ended March 31, 2014 and 2013 consisted of the following:

	Millions of yen		Thousands of U.S. dollars	
	2014	2013	2014	2013
Income taxes:				
Current	¥ 2,206	¥ 2,416	\$ 21,434	\$ 23,474
Deferred	987	(53)	9,589	(514)
	¥ 3,194	¥ 2,363	\$ 31,033	\$ 22,959

The tax effects of temporary differences that gave rise to a significant portion of deferred tax assets and liabilities at March 31, 2014 and 2013 were as follows:

	Millions of yen		Thousands of U.S. dollars	
	2014	2013	2014	2013
Deferred tax assets:				
Reserve for possible loan losses	¥ 4,506	¥ 5,381	\$ 43,781	\$ 52,283
Employee retirement benefits	4,130	3,366	40,128	32,705
Investment securities	1,948	2,024	18,927	19,665
Other	4,083	4,317	39,671	41,945
	14,669	15,089	142,528	146,609
Less valuation allowance	(2,537)	(2,574)	(24,650)	(25,009)
	12,131	12,514	117,868	121,589
Deferred tax liabilities:				
Unrealized gains on available-for-sale securities	(23,718)	(20,544)	(230,450)	(199,611)
Gains on transfer of investment securities to trusts for retirement benefit plans	(3,520)	(3,520)	(34,201)	(34,201)
Deferred gains on sale of property and other	(236)	(220)	(2,293)	(2,137)
	(27,475)	(24,285)	(266,954)	(235,959)
Net deferred tax liabilities	¥ (15,343)	¥ (11,770)	\$ (149,076)	\$ (114,360)

At March 31, 2014 and 2013, deferred tax assets and liabilities reported on the accompanying consolidated balance sheets were as follows:

	Millions of yen		Thousands of U.S. dollars	
	2014	2013	2014	2013
Deferred tax assets	¥ 408	¥ 588	\$ 3,964	\$ 5,713
Deferred tax liabilities	15,752	12,358	153,050	120,073

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, 2014 and 2013, 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 year ended March 31, 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.

A reconciliation of 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 year ended March 31, 2013 was as follows:

	Percentage of pre-tax income 2013
Japanese statutory income tax rate	37.70%
Increase (decrease) due to:	
Permanently non-deductible expenses	1.55
Tax exempt income	(6.07)
Change in valuation allowance	10.75
Other	1.70
Effective income tax rate	45.64%

“Act on Partial Revision of the Income Tax Act, etc.” (Act No. 10 of 2014) was promulgated on March 31, 2014 and the special reconstruction surtax will no longer be imposed from the fiscal year beginning on or after April 1, 2014. Accordingly, the statutory income tax rate used to calculate deferred tax assets and deferred tax liabilities was reduced from 37.70% to 35.33% for temporary differences which are expected to reverse in the fiscal year beginning on April 1, 2014. As a result of this change, deferred tax assets decreased by ¥13 million (\$126 thousand), and deferred tax liabilities and unrealized gains on available-for-sale securities increased by ¥259 million (\$2,516 thousand) and ¥7 million (\$68 thousand), respectively, at March 31, 2014. Deferred income taxes increased by ¥280 million (\$2,720 thousand) for the year ended March 31, 2014.

18. 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, 2014 was as follows:

	Millions of yen							
	2014							
	Reported segment				Other (*2)	Total	Reconciliation (*3)	Consolidated
Banking	Leasing	Total						
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				Other (*2)	Total	Reconciliation (*3)	Consolidated
	Banking	Leasing	Total					
Ordinary income (*1):								
External customers	\$ 423,056	\$ 46,919	\$ 469,976	\$ 9,560	\$ 479,537	\$ -	\$ 479,537	
Intersegment	893	3,332	4,226	5,781	10,017	(10,017)	-	
Total ordinary income	423,950	50,252	474,212	15,351	489,564	(10,017)	479,537	
Segment profit (*4)	78,206	3,925	82,141	1,855	83,997	(29)	83,958	
Segment assets	28,421,939	143,033	28,564,972	55,402	28,620,375	(71,638)	28,548,736	
Segment liabilities	26,549,727	96,492	26,646,220	11,086	26,657,306	(71,677)	26,585,629	
Other material items:								
Depreciation	\$ 11,698	\$ 1,612	\$ 13,321	\$ 349	\$ 13,670	\$ -	\$ 13,670	
Interest and dividend income	326,748	97	326,846	719	327,574	(320)	327,254	
Interest expense	17,839	612	18,460	38	18,499	(884)	17,615	
Provision of reserve for possible loan losses	(4,867)	(1,010)	(5,878)	77	(5,790)	0	(5,790)	
Loss on write-down of securities	9	48	68	-	68	-	68	
Increase in tangible fixed assets and intangible fixed assets	19,247	-	19,247	446	19,694	-	19,694	

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 (\$479,935 thousand) in the accompanying consolidated statement of income is derived from ordinary income of ¥49,354 million (\$479,537 thousand) through the addition of certain special income of ¥41 million (\$398 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 (\$397,337 thousand) less certain special expenses of ¥182 million (\$1,768 thousand) included in "Other expenses" in the accompanying consolidated statements of income. Therefore, consolidated segment profit, which shows ordinary profit of ¥8,641 million (\$83,958 thousand), is reconciled to "Income before income taxes and minority interests" of ¥8,501 million (\$82,598 thousand) through the addition/deduction of certain special income/(expenses), net.

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

Millions of yen							
2013							
Reported segment							
	Banking	Leasing	Total	Other (*2)	Total	Reconciliation (*3)	Consolidated
Ordinary income (*1):							
External customers	¥ 43,890	¥ 4,815	¥ 48,706	¥ 994	¥ 49,701	¥ -	¥ 49,701
Intersegment	100	359	459	609	1,069	(1,069)	-
Total ordinary income	43,991	5,174	49,166	1,603	50,770	(1,069)	49,701
Segment profit (*4)	4,807	175	4,983	346	5,329	(4)	5,325
Segment assets	2,809,127	14,017	2,823,145	5,447	2,828,592	(7,486)	2,821,106
Segment liabilities	2,625,604	9,506	2,635,110	993	2,636,104	(7,489)	2,628,614
Other material items:							
Depreciation	¥ 1,253	¥ 173	¥ 1,427	¥ 44	¥ 1,471	¥ -	¥ 1,471
Interest and dividend income	34,956	9	34,966	90	35,056	(39)	35,016
Interest expense	1,980	78	2,059	4	2,063	(107)	1,956
Provision of reserve for possible loan losses	2,807	68	2,875	(96)	2,778	0	2,779
Loss on write-down of securities	1,381	-	1,381	-	1,381	-	1,381
Increase in tangible fixed assets and intangible fixed assets	2,068	-	2,068	13	2,081	-	2,081
Thousands of U.S. dollars							
2013							
Reported segment							
	Banking	Leasing	Total	Other (*2)	Total	Reconciliation (*3)	Consolidated
Ordinary income (*1):							
External customers	\$ 426,447	\$ 46,783	\$ 473,241	\$ 9,657	\$ 482,909	\$ -	\$ 482,909
Intersegment	971	3,488	4,459	5,917	10,386	(10,386)	-
Total ordinary income	427,429	50,272	477,710	15,575	493,295	(10,386)	482,909
Segment profit (*4)	46,706	1,700	48,416	3,361	51,778	(38)	51,739
Segment assets	27,294,277	136,193	27,430,479	52,924	27,483,404	(72,736)	27,410,668
Segment liabilities	25,511,115	92,363	25,603,478	9,648	25,613,136	(72,765)	25,540,361
Other material items:							
Depreciation	\$ 12,174	\$ 1,680	\$ 13,865	\$ 427	\$ 14,292	\$ -	\$ 14,292
Interest and dividend income	339,642	87	339,739	874	340,614	(378)	340,225
Interest expense	19,238	757	20,005	38	20,044	(1,039)	19,005
Provision of reserve for possible loan losses	27,273	660	27,934	(932)	26,991	0	27,001
Loss on write-down of securities	13,418	-	13,418	-	13,418	-	13,418
Increase in tangible fixed assets and intangible fixed assets	20,093	-	20,093	126	20,219	-	20,219

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 ¥49,701 million (\$482,909 thousand) in the accompanying consolidated statement of income is derived from ordinary income of ¥49,701 million (\$482,909 thousand) through the addition of certain special income of ¥0 million (\$0 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 ¥44,524 million (\$432,607 thousand) less certain special expenses of ¥148 million (\$1,438 thousand) included in "Other expenses" in the accompanying consolidated statements of income. Therefore, consolidated segment profit, which shows ordinary profit of ¥5,325 million (\$51,739 thousand), is reconciled to "Income before income taxes and minority interests" of ¥5,177 million (\$50,301 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, 2014	¥ 22,830	¥ 13,402	¥ 4,829	¥ 8,292	¥ 49,354
For the year ended March 31, 2013	24,199	13,101	4,815	7,584	49,701

	Thousands of U.S. dollars				
	Service				
	Loans	Security investments	Leasing	Other	Total
Ordinary income from external customers:					
For the year ended March 31, 2014	\$ 221,822	\$ 130,217	\$ 46,919	\$ 80,567	\$ 479,537
For the year ended March 31, 2013	235,124	127,293	46,783	73,688	482,909

ii) Information by geographical area for the years ended March 31, 2014 and 2013 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, 2014 and 2013 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, 2014	¥ 61	¥ -	¥ 61	¥ -	¥ 61
For the year ended March 31, 2013	128	-	128	-	128

	Thousands of U.S. dollars				
	Reportable segment			Other	Total
	Banking	Leasing	Total		
Impairment loss:					
For the year ended March 31, 2014	\$ 592	\$ -	\$ 592	\$ -	\$ 592
For the year ended March 31, 2013	1,243	-	1,243	-	1,243

(f) Information about goodwill by reportable segment

None.

19. Transactions with Related Parties

Significant transactions with parties related to the Group for the years ended March 31, 2014 and 2013 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, 2014:</u>							
Toshiyuki Miyaji	Real estate leasing business	Loan	(Average balance during period)		Loans and bills discounted	¥ 144	\$ 1,399
			¥ 150	\$ 1,457			
			(Interest income)				
			¥ 4	\$ 38			
<u>For the year ended March 31, 2013:</u>							
Toshiyuki Miyaji	Real estate leasing business	Loan	(Average balance during period)		Loans and bills discounted	¥ 156	\$ 1,515
			¥ 162	\$ 1,574			
			(Interest income)				
			¥ 4	\$ 38			

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

20. Comprehensive Income

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

	Millions of yen		Thousands of U.S. dollars	
	2014	2013	2014	2013
Net unrealized gains on available-for-sale securities:				
Increase during the year	¥ 10,836	¥ 28,083	\$ 105,285	\$ 272,862
Reclassification adjustments	(1,588)	355	(15,429)	3,449
Pre-tax amount	9,247	28,438	89,846	276,311
Tax effect amount	(3,174)	(9,845)	(30,839)	(95,656)
Net unrealized gains on available-for-sale securities, net of tax	6,073	18,593	59,006	180,654
Total other comprehensive income	¥ 6,073	¥ 18,593	\$ 59,006	\$ 180,654