Notes to Consolidated Financial Statements

The Kiyo Bank, Ltd. and its consolidated subsidiaries
Years ended March 31, 2014 and 2013

1. Basis of presenting consolidated financial statements

On October 1, 2013, the Kiyo Bank, Ltd. (the "Bank") executed an absorption-type merger with Kiyo Holdings, Inc. (hereinafter referred to as "Kiyo Holdings"). Pursuant to the terms of the merger, the Bank was surviving company, and Kiyo Holdings, which was previously the parent company of the Bank, was absorbed. This merger was a combination of entities under common control, and the continuity of the consolidated financial statements from the year ended March 31, 2013 through the year ended March 31, 2014 has been interrupted.

The Bank and its consolidated subsidiaries (the "Group") maintain their official accounting records in Japanese yen, in accordance with the provisions set forth in the Japanese Corporate Law and the Japanese Banking Law, in general conformity with the Japanese regulatory authorities and in conformity with accounting principles and practices generally accepted in Japan, which are different in certain respects from the application and disclosure requirements of International Financial Reporting Standards. The accompanying consolidated financial statements have been restructured and translated into English, with some expanded descriptions, from the consolidated financial statements of the Bank prepared in accordance with Japanese GAAP and filed with the appropriate Local Finance Bureau of the Ministry of Finance as required by the Financial Instruments and Exchange Law. Some supplementary information included in the statutory Japanese language consolidated financial statements, but not required for fair presentation, is not presented in the accompanying consolidated financial statements. In preparing these consolidated financial statements, certain reclassifications and rearrangements have been made in order to present them in a form which is more familiar to readers outside Japan.

Amounts of less than one million yen have been rounded down. As a result, the totals shown in the financial statements (both in yen and U.S. dollars) do not necessarily agree with the sum of the individual amounts.

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

2. Significant accounting policies

(a) Consolidation — The consolidated financial statements include the accounts of the Bank and 6 subsidiaries for the year ended March 31, 2014 (5 in 2013). All significant intercompany transactions and unrealized profits have been eliminated. In the elimination of investments in subsidiaries, the assets and liabilities of the subsidiaries, including the portion attributable to minority shareholders, are evaluated using the fair value at the time the Bank acquired control of the respective subsidiary.

(Change in scope of consolidation)
Kiyo Joho System Co., Ltd. was consolidated in the year ended March 31, 2014 due to the merger with Kiyo Holdings. On October 1, 2013, the Bank, as the surviving company, merged with Kiyo Holdings, as the absorbed company, and in accordance with "Guidance on Accounting Standard for Business Combination and Accounting Standard for Business Divestiture" issued by the Accounting Standards Board of Japan ("ASBJ") (ASBJ Guidance No. 10), the Bank once reversed accounting entries concerning the merger recorded in the Bank's financial statements and succeeded the accounting treatments recorded in the consolidated financial statements of Kiyo Holdings before the merger. Accordingly, the Bank prepared the consolidated financial statements as if Kiyo Joho System Co., Ltd., which used to be a subsidiary of Kiyo Holdings, had already been a subsidiary of the Bank as of April 1, 2013.

(Unconsolidated company)
There is one unconsolidated company. The company is excluded from the scope of consolidation because the results of the company's operations has no material effect on the consolidated financial position and operating results of the Group in terms of total assets, net income (corresponding to the share), retained earnings (corresponding to the share) and accumulated other comprehensive income (corresponding to the share). The company is not accounted for by the equity method.

(Affiliate)
There is one affiliate. This company is excluded from the scope of application of the equity method because there is no material impact on the consolidated financial statements in terms of net income (corresponding to the share), retained earnings (corresponding to the share) and accumulated other comprehensive income (corresponding to the share).

The fiscal closing date of all the consolidated subsidiaries is March 31.

(b) Trading account securities — Trading account securities are stated at fair market value. Gains and losses realized on the sale of such securities and unrealized gains and losses from market value fluctuations are recognized as gains and losses in the period of the change. Realized gains and losses on the sale of such securities are computed using the moving average cost.

(c) Securities — The Bank and its consolidated subsidiaries classify securities as (1) debt securities intended to be held to maturity ("held-to-maturity debt securities"), (2) equity securities issued by subsidiaries and affiliated companies and (3) all other securities that are not classified in any of the above categories ("available-for-sale securities"). Held-to-maturity debt securities are stated at amortized cost. Held-to-maturity debt securities with no available fair value are stated at amortized cost, net of the amount considered not collectible. In principle, available-for-sale securities are stated at fair value, which is based on the market price as of the fiscal closing date. Available-for-sale securities for which it is extremely difficult to determine the fair value are stated at acquisition cost determined by the moving average method. Unrealized gains and unrealized losses on these securities are reported, net of applicable income taxes, as a separate component of shareholders' equity. Realized gains and losses on the sale of such securities are computed using the moving average cost.

(d) Derivatives and hedge accounting — Derivatives are stated at fair value, except when the derivatives are used for hedging purposes. If derivatives are used for hedging purposes and meet certain hedging criteria, recognition of gains and losses resulting from changes in fair value are deferred until the related losses and gains on the hedged items are recognized.

The following hedge accounting is applied to derivatives:

To hedge risk arising from the changes in interest rates the Bank applies the deferral method under which gains and losses arising from the changes in interest rates are deferred until the related losses and gains on the Japanese government bonds held by the Bank are recognized. Hedge effectiveness is assessed by specifying the Japanese government bonds as hedged items and interest rate swap contracts as hedging instruments to offset the market changes.

To hedge risk arising from the changes in currency exchange rates the Bank applies the basic provisions of JICPA Industry Audit Committee Report No. 25 to currency swap and foreign exchange swap transactions, which are made to convert funds raised in Japanese yen to funds invested in foreign currencies and for other purposes. The Bank assesses the effectiveness of currency swap and foreign exchange swap transactions executed to offset the risk of changes in currency exchange rates by verifying that there are foreign currency positions of the hedging instruments that correspond to the foreign currency monetary claims and debts to be hedged.

(e) Depreciation and amortization—

Tangible fixed assets (excluding lease assets)

Depreciation of tangible fixed assets held by the Bank is generally computed by the declining balance method. However, buildings (excluding attached facilities) acquired on or after April 1, 1998 are depreciated using the straight-line method. The useful life of tangible fixed assets ranges from 8 to 50 years for buildings and 5 to 20 years for equipment. Tangible fixed assets held by the consolidated subsidiaries are mainly depreciated using the declining balance method based on the estimated useful life of the asset.

Intangible fixed assets (excluding lease assets)

Intangible fixed assets are amortized by the straight-line method. Software developed or obtained for internal use is amortized by the straight-line method over an estimated useful life of 5 years. Goodwill is amortized over ten years by the straight-line method.

Lease assets

Depreciation and amortization of lease assets, including both "Tangible fixed assets" and "Intangible fixed assets," under leasing transactions that are not deemed to transfer ownership of the leased property to the lessee are computed by the straight-line method over the lease period with a residual value of zero.

(f) Reserve for possible loan losses — Based on its own self-assessment rules, the Bank makes provisions for possible loan losses. For loans to insolvent customers who are undergoing bankruptcy or other collection proceedings or who are in a similar financial condition, the reserve for possible loan losses is provided in the full amount of such loans, excluding the portion that is estimated to be recoverable due to any underlying collateral or guarantees. For the unsecured and unguaranteed portions of loans to customers not presently in the above circumstances but for whom there is a high probability of so becoming, the reserve for possible loan losses is provided for the estimated unrecoverable amounts determined after an evaluation of each customer's overall financial condition. For other loans, the reserve for possible loan losses is provided based on the actual rate of loan losses in the past.

All loans are subject to asset assessment by the business related divisions based on the self-assessment standards for assets. The assessment results are audited by the Asset Audit Department independent from the divisions concerned. Reserves for possible loan losses of the consolidated subsidiaries are provided for general claims in the amount deemed necessary based on the rate of losses in the past and for certain doubtful claims in the amount deemed uncollectible based on assessments of the respective claims. For claims against "bankrupt borrowers" and "effectively bankrupt borrowers," the amount exceeding the estimated value of collateral and guarantees deemed uncollectible is deducted directly from those claims. At March 31, 2014 and 2013, the deducted amounts were ¥34,702 million ($337,174 thousand) and ¥44,828 million, respectively.

(g) Accrued directors' retirement benefits — On June 29, 2004, the Bank abolished the system for the payment of retirement allowances to retiring directors and auditors. Instead, a provision has been made for accrued retirement benefits of directors and auditors in an amount deemed necessary based on a formula stipulated in the internal regulations when the previous system was abolished.

(h) Reserve for reimbursement of deposits — Provision is made for future losses from claims on dormant accounts based on historical refund records.

(i) Provision for contingent losses — Provision is made for payment on loan-loss burden-sharing to credit guarantee corporations in an amount estimated to be paid in the future.

(j) Accounting for employees' severance and retirement benefits—In determining retirement benefit obligations, the estimated amount of retirement benefits is attributed to periods on a straight-line basis.

Differences generated from changes in actuarial assumptions are charged or credited to income in an amount allocated by the straight-line method over 9 years, which is shorter than the average remaining service period of the employees, beginning with the term following that when the differences are generated.

In calculating the net defined benefit liability and retirement benefit expenses, some consolidated subsidiaries have adopted a simplified method in which the amount required to be paid if all the employees retired voluntarily at the fiscal year end is regarded as retirement benefit obligations.

(k) Foreign currency translation — Receivables and payables in foreign currencies are translated into Japanese yen at the year-end rates. Hedge accounting is outlined in the above Note 2(d).

(l) Income taxes — Income taxes comprise corporation, inhabitants and enterprise taxes. Deferred tax assets are recorded by the asset-liability approach based on loss carryforwards and the temporary differences between the financial statement bases and tax bases of assets and liabilities.

(m) Finance leases — As lessor, revenues and cost of finance leases are recognized when lease payments are made. As lessee, finance lease transactions in which ownership of the lease assets is not transferred to the lessee and for which leasing contracts commenced prior to April 1, 2008 are treated in the same manner as that applied to ordinary operating lease transactions. As lessor, and in accordance with stipulations in the ASBJ Practical Guidance on accounting procedures for leasing transactions, the theoretical value of assets (after deduction of accumulated depreciation expenses) as of the previous term-end is used to determine the balance-sheet amounts of lease investment assets as of April 1, 2008.

(n) Statements of cash flows — Cash and deposits with the Bank of Japan that are included in the consolidated balance sheets under cash and due from banks are considered to be cash and cash equivalents in the statements of cash flows.

(o) Net income per share — Net income per share is computed by deducting dividends for preferred stock from net income and dividing the balance by the weighted average number of shares of common stock, excluding treasury shares, outstanding during the reporting period. Diluted earnings per share reflect the potential dilution that could occur if preferred stock were converted into common stock.

(p) Accounting Changes
Effective March 31, 2014, the Bank applied Accounting Standard for Retirement Benefits (ASBJ Statement No. 26, revised on May 17, 2012) and Guidance on Accounting Standard for Retirement Benefits (ASBJ Guidance No. 25, revised on May 17, 2012) , except for the provisions stated in Paragraph 35 of ASBJ Statement No. 26 and Paragraph 67 of ASBJ Guidance No. 25, and recorded retirement benefit obligations net of plan assets as net defined benefit asset or net defined benefit liability. Pursuant to the transitional treatment prescribed in Paragraph 37 of ASBJ Statement No. 26, the Bank recorded unrecognized actuarial differences after adjusting for tax effects as accumulated adjustments for retirement benefits under accumulated other comprehensive income. As a result, the Bank recorded net defined benefit asset of ¥12,182 million ($118,363 thousand) and net defined benefit liability of ¥30 million ($291 thousand). Deferred tax assets decreased by ¥2,159 million ($20,977 thousand) and accumulated other comprehensive income increased by ¥3,958 million ($38,457 thousand). The effects on per share information are described in Note 20.

(q) New accounting standards not yet adopted
Accounting Standard for Retirement Benefits and Related Guidance
On May 17, 2012, the ASBJ issued "Accounting Standard for Retirement Benefits" (ASBJ Statement No. 26) and "Guidance on Accounting Standard for Retirement Benefits" (ASBJ Guidance No. 25).

(1) Overview
The new accounting standard not yet adopted takes into account the improvement of financial reporting and international trends and revises the accounting treatment for actuarial gains and losses and past service costs that are yet to be recognized in profit or loss, the calculation method for retirement benefit obligations and service costs and the provisions regarding the expansion of related disclosure requirements.

(2) Effective date
The Bank will apply the revisions related to the calculation method for retirement benefit obligations and service costs from April 1, 2014.

(3) Effect of application of the standard
The application of revised accounting standard and guidance is expected to decrease retained earnings by ¥555 million ($5,392 thousand) at April 1, 2014.

Accounting Standard for Business Combinations and Related Standards and Guidance
On September 13, 2013, the ASBJ issued revised ASBJ Statements No. 21, "Accounting Standard for Business Combinations," No. 22, "Accounting Standard for Consolidated Financial Statements," No. 7, "Accounting Standard for Business Divestitures," and No. 2, "Accounting Standard for Earnings per Share" and revised ASBJ Guidance No. 10, "Guidance on Accounting Standard for Business Combinations and Business Divestitures" and No. 4, "Guidance on Accounting Standard for Earnings per Share."

(1) Overview
These accounting standards were revised principally concerning "Treatment for changes in a parent's ownership interest in a subsidiary that do not result in a loss of control by the acquisitions of additional shares in the subsidiary," "Accounting for acquisition-related costs," "Presentation of net income and change from minority interests to non-controlling interests," and "Provisional accounting treatments."

(2) Effective date
The Bank expects to apply these standards and guidance from April 1, 2015.

(3) Effect of application of the revised standards and guidance
The effect of the application of these revised standards and guidance cannot be determined as yet.

3. Cash and cash equivalents

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

	Millions of yen		Thousands of U.S. dollars
	2014	2013	**2014**
Cash and due from banks	**¥ 237,227**	¥ 187,899	**$ 2,304,965**
Less: Time deposits included in due from banks	—	(70,000)	—
Cash and cash equivalents at the end of year	**¥ 237,227**	¥ 117,899	**$ 2,304,965**

4. Trading account securities and other securities

Net valuation gains and losses from trading account securities for the years ended March 31, 2014 and 2013 amounted to ¥(0) million ($(0) thousand) and ¥3 million, respectively.
Investments in an unconsolidated subsidiary and an affiliate in the amount of ¥104 million ($1,010 thousand) are included in "Securities" as of March 31, 2014.

Fair values and unrealized gains and losses on held-to-maturity debt securities and available-for-sale securities with available fair values as of March 31, 2014 and 2013 were as follows:

(a) Held-to-maturity debt securities

	Millions of yen		
	2014		
Type	Carrying amount	Fair value	Difference
Held-to-maturity securities whose fair value exceeds the carrying amount:			
Bonds			
Japanese government bonds	¥ **25,862**	¥ **25,975**	¥ **112**
Other			
Foreign bonds	**1,029**	**1,053**	**24**
Subtotal	¥ **26,891**	¥ **27,028**	¥ **136**
Held-to-maturity securities whose fair value does not exceed the carrying amount:			
Bonds			
Japanese government bonds	¥ **106,988**	¥ **106,620**	¥ **(368)**
Total	¥ **133,880**	¥ **133,648**	¥ **(231)**

	Millions of yen		
	2013		
Type	Carrying amount	Fair value	Difference
Held-to-maturity securities whose fair value exceeds the carrying amount:			
Bonds			
Japanese government bonds	¥ 11,082	¥ 11,149	¥ 67
Local government bonds	14,392	14,466	73
Corporate bonds	6,680	6,703	23
Other			
Foreign bonds	940	974	33
Subtotal	¥ 33,096	¥ 33,294	¥ 197
Held-to-maturity securities whose fair value does not exceed the carrying amount:			
Bonds			
Japanese government bonds	¥ 122,150	¥ 120,731	¥ (1,419)
Total	¥ 155,247	¥ 154,026	¥ (1,221)

	Thousands of U.S. dollars		
	2014		
Type	Carrying amount	Fair value	Difference
Held-to-maturity securities whose fair value exceeds the carrying amount:			
Bonds			
Japanese government bonds	$ **251,282**	$ **252,380**	$ **1,088**
Other			
Foreign bonds	**9,998**	**10,231**	**233**
Subtotal	$ **261,280**	$ **262,611**	$ **1,321**
Held-to-maturity securities whose fair value does not exceed the carrying amount:			
Bonds			
Japanese government bonds	$ **1,039,525**	$ **1,035,950**	$ **(3,575)**
Total	$ **1,300,816**	$ **1,298,561**	$ **(2,244)**

(b) Available-for-sale securities with available fair values, including trading account securities and beneficial interests in trusts included in "Monetary claims bought," were as follows:

	Millions of yen		
	2014		
Type	Carrying amount	Acquisition cost	Difference
Available-for-sale securities whose carrying amount exceeds acquisition cost:			
Stocks	¥ **34,707**	¥ **21,725**	¥ **12,981**
Bonds	**621,481**	**612,269**	**9,212**
Japanese government bonds	**291,421**	**288,376**	**3,045**
Local government bonds	**138,565**	**134,930**	**3,634**
Corporate bonds	**191,494**	**188,961**	**2,533**
Other	**188,495**	**180,874**	**7,620**
Foreign bonds	**161,023**	**156,894**	**4,129**
Other	**27,471**	**23,980**	**3,491**
Subtotal	¥ **844,683**	¥ **814,868**	¥ **29,814**
Available-for-sale securities whose carrying amount does not exceed acquisition cost:			
Stocks	¥ **11,724**	¥ **13,053**	¥ **(1,329)**
Bonds	**79,048**	**79,135**	**(87)**
Japanese government bonds	**39,190**	**39,214**	**(23)**
Local government bonds	**12,684**	**12,700**	**(15)**
Corporate bonds	**27,173**	**27,220**	**(47)**
Other	**55,604**	**56,357**	**(752)**
Foreign bonds	**48,822**	**49,337**	**(515)**
Other	**6,782**	**7,019**	**(237)**
Subtotal	¥ **146,377**	¥ **148,546**	¥ **(2,169)**
Total	¥ **991,061**	¥ **963,415**	¥ **27,645**

	Millions of yen		
	2013		
Type	Carrying amount	Acquisition cost	Difference
Available-for-sale securities whose carrying amount exceeds acquisition cost:			
Stocks	¥ 25,469	¥ 15,315	¥ 10,153
Bonds	553,081	540,336	12,744
Japanese government bonds	260,141	256,232	3,909
Local government bonds	133,902	128,097	5,805
Corporate bonds	159,036	156,006	3,029
Other	175,896	166,520	9,376
Foreign bonds	162,361	155,955	6,406
Other	13,534	10,564	2,970
Subtotal	¥ 754,447	¥ 722,171	¥ 32,275
Available-for-sale securities whose carrying amount does not exceed acquisition cost:			
Stocks	¥ 12,115	¥ 13,495	¥ (1,380)
Bonds	10,861	10,874	(13)
Local government bonds	4,816	4,817	(0)
Corporate bonds	6,044	6,057	(13)
Other	50,141	52,338	(2,197)
Foreign bonds	42,282	44,281	(1,998)
Other	7,858	8,057	(198)
Subtotal	¥ 73,117	¥ 76,708	¥ (3,591)
Total	¥ 827,564	¥ 798,880	¥ 28,684

Type	Thousands of U.S. dollars		
	2014		
	Carrying amount	Acquisition cost	Difference
Available-for-sale securities whose carrying amount exceeds acquisition cost:			
Stocks	$ **337,223**	$ **211,086**	$ **126,127**
Bonds	**6,038,486**	**5,948,979**	**89,506**
Japanese government bonds	**2,831,529**	**2,801,943**	**29,586**
Local government bonds	**1,346,336**	**1,311,018**	**35,308**
Corporate bonds	**1,860,610**	**1,835,998**	**24,611**
Other	**1,831,471**	**1,757,423**	**74,038**
Foreign bonds	**1,564,545**	**1,524,426**	**40,118**
Other	**266,916**	**232,996**	**33,919**
Subtotal	$ **8,207,180**	$ **7,917,489**	$ **289,681**
Available-for-sale securities whose carrying amount does not exceed acquisition cost:			
Stocks	$ **113,913**	$ **126,826**	$ **(12,912)**
Bonds	**768,052**	**768,898**	**(845)**
Japanese government bonds	**380,781**	**381,014**	**(223)**
Local government bonds	**123,241**	**123,396**	**(145)**
Corporate bonds	**264,020**	**264,477**	**(456)**
Other	**540,264**	**547,580**	**(7,306)**
Foreign bonds	**474,368**	**479,372**	**(5,003)**
Other	**65,895**	**68,198**	**(2,302)**
Subtotal	$ **1,422,240**	$ **1,443,315**	$ **(21,074)**
Total	$ **9,629,430**	$ **9,360,814**	$ **268,606**

Available-for-sale securities with fair value that has declined significantly from the acquisition cost and for which there is deemed to be no likelihood of the fair value recovering to the acquisition cost level are recorded on the balance sheet at the fair value. In addition, the difference between acquisition cost and fair value is posted as a loss in the consolidated accounts for the fiscal year (this process is known as "impairment accounting"). The impairment loss for the year ended March 31, 2014 was ¥44 million ($427 thousand) in stocks. The impairment loss for the year ended March 31, 2013 was ¥538 million, which was composed of ¥236 million in stocks and ¥302 million of other.

The fair value of a security is classified as having fallen "significantly" from the acquisition cost when it falls below 70% of the acquisition cost. Of securities that have fallen below their acquisition cost, impairment accounting is implemented with respect to those that have fallen below 50% of the acquisition cost. For securities whose fair value has fallen below 70% but not below 50%, impairment accounting is implemented with respect to those whose market price is deemed unlikely to recover to the acquisition cost level taking into account internal and external factors such as the business performance of the issuing company, the market price movements with respect to all securities and the credit ratings assigned to the issuing company by external rating agencies in the case of bonds.

(c) There were no bonds classified as held-to-maturity sold during the years ended March 31, 2014 and 2013.

(d) Total sales of available-for-sale securities in the years ended March 31, 2014 and 2013 amounted to ¥209,544 million ($2,035,989 thousand) and ¥367,108 million, respectively. The related gains and losses for the year ended March 31, 2014 amounted to ¥3,607 million ($35,046 thousand) and ¥1,614 million ($15,682 thousand), respectively. The related gains and losses for the year ended March 31, 2013 amounted to ¥11,516 million and ¥2,177 million, respectively.

(e) Net unrealized gains on available-for-sale securities as of March 31, 2014 and 2013 were as follows:

	Millions of yen				Thousands of U.S. dollars	
		2014		2013		**2014**
Difference between acquisition cost and fair value:						
Available-for-sale securities	¥	**31,431**	¥	33,125	$	**305,392**
Deferred tax liabilities		**(10,065)**		(10,690)		**(97,794)**
Difference between acquisition cost and fair value (prior to adjustment for minority interests)		**21,365**		22,434		**207,588**
Amount corresponding to minority interests		**(82)**		(72)		**(796)**
Net unrealized gains on available-for-sale securities	¥	**21,283**	¥	22,361	$	**206,791**

5. Loans and bills discounted

Loans and bills discounted at March 31, 2014 and 2013 included the following:

	Millions of yen				Thousands of U.S. dollars	
		2014		2013		**2014**
Loans to borrowers legally bankrupt	¥	**2,360**	¥	1,981	$	**22,930**
Other delinquent loans		**74,584**		82,542		**724,679**
Loans past due over 3 months		**47**		34		**456**
Restructured loans		**14,928**		9,392		**145,044**
Total	¥	**91,920**	¥	93,950	$	**893,120**

Loans to borrowers legally bankrupt are loans to customers who meet specific credit risk criteria such as undergoing bankruptcy proceedings. Interest is not accrued on these loans. Other delinquent loans are loans other than those included in loans to borrowers legally bankrupt for which the recognition of accrued interest has been suspended after an assessment of the loan's quality. Loans past due over 3 months are loans for which principal and/or interest payments are past due for three months or more.

Restructured loans are loans for which the Bank has granted borrowers certain concessions such as reduced or exempted interest, suspended payments of interest, delayed repayment of principal and/or waivers of claims to allow borrowers to restructure or to provide support. This category of loans excludes loans to borrowers legally bankrupt, other delinquent loans and loans past due over 3 months.

The Bank applies "Accounting and Auditing Treatment of Accounting Standards for Financial Instruments in the Banking Industry" (JICPA Industry Audit Committee Report No. 24) and accounts for bills discounted as financial transactions. The face value of bank acceptances, bills of exchange and bills of lading which were permitted to be sold or pledged without restrictions and which were acquired at a discount amounted to ¥26,567 million ($258,132 thousand) and ¥31,466 million at March 31, 2014 and 2013, respectively.

6. Tangible fixed assets

Accumulated depreciation for tangible fixed assets at March 31, 2014 and 2013 was ¥45,696 million ($443,995 thousand) and ¥44,230 million, respectively. The amount of accumulated contributions deducted from the acquisition cost of tangible fixed assets was ¥4,334 million ($42,110 thousand) and ¥4,317 million at March 31, 2014 and 2013, respectively.

7. Assets pledged as collateral

Assets pledged as collateral at March 31, 2014 and 2013 were as follows:

	Millions of yen				Thousands of U.S. dollars	
		2014		2013		**2014**
Securities	¥	**197,618**	¥	186,444	$	**1,920,112**
Other assets		**292**		293		**2,837**
Total	¥	**197,911**	¥	186,737	$	**1,922,959**

The above pledged assets secured the following liabilities:

	Millions of yen		Thousands of U.S. dollars
	2014	2013	**2014**
Deposits	¥ **11,904**	¥ 14,500	$ **115,662**
Payables under securities lending transactions	**84,035**	73,918	**816,507**
Total	¥ **95,940**	¥ 88,419	$ **932,180**

In addition to the above pledged assets, securities pledged as collateral for transaction guarantees of foreign exchange and as substitutes for margins on futures transactions at March 31, 2014 and 2013 were ¥28,041 million ($272,454 thousand) and ¥29,343 million, respectively. Other assets included guarantee and leasehold deposits of ¥1,297 million ($12,602 thousand) and ¥1,225 million at March 31, 2014 and 2013, respectively.

8. Deposits

Deposits at March 31, 2014 and 2013 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2014	2013	**2014**
Liquid deposits	¥ **1,667,602**	¥ 1,615,079	$ **16,202,895**
Fixed-term deposits	**1,823,099**	1,829,762	**17,713,748**
Other deposits	**91,767**	91,580	**891,634**
Negotiable certificates of deposit	**100,559**	52,042	**977,059**
Total	¥ **3,683,027**	¥ 3,588,465	$ **35,785,338**

9. Borrowed money

The weighted average interest rate on the term-end balance of borrowed money was 2.22%. Borrowed money consisted of loans from other financial institutions. As of March 31, 2014 and 2013, subordinated loans in the amount of ¥26,000 million ($252,623 thousand) and ¥24,000 million were included in borrowed money, respectively. Annual maturities of borrowed money and lease obligations as of March 31, 2014 were as follows:

	Borrowed money		Lease obligations	
Years ending March 31	Millions of yen	Thousands of U.S. dollars	Millions of yen	Thousands of U.S. dollars
2015	¥ **283**	$ **2,749**	¥ **13**	$ **126**
2016	**1,124**	**10,921**	**10**	**97**
2017	**93**	**903**	**10**	**97**
2018	**55**	**534**	**10**	**97**
2019	**18**	**174**	**9**	**87**
2020 and thereafter	**25,000**	**242,907**	**7**	**68**
Total	¥ **26,576**	$ **258,219**	¥ **62**	$ **602**

10. Bonds

As of March 31, 2014, the Bank had issued unsecured subordinated bonds as follows:

Issued	Due	Rate	Millions of yen	Thousands of U.S. dollars
December 2010	December 2020	1.94%	¥ **7,000**	$ **68,013**
September 2011	September 2021	2.21%	**3,000**	**29,148**
December 2013	December 2023	0.74%	**10,000**	**97,162**
Total	-	-	¥ **20,000**	$ **194,325**

11. Employees' severance and retirement benefits

Year ended March 31, 2014

(a) Overview of the retirement benefit plans adopted by the Bank and its consolidated subsidiaries

The Bank has defined benefit pension plans consisting of a corporate pension plan and a lump-sum payment plan. In addition, the Bank has set up a retirement benefit trust.

A consolidated subsidiary has adopted a defined contribution pension plan and participated in general establishment type welfare pension funds and it is accounted for in the same manner as the defined contribution plan since the amount of plan assets corresponding to its contribution cannot be reasonably determined.

Other consolidated subsidiaries have adopted lump-sum payment plans, and net defined benefit liability and severance and retirement benefit expenses are calculated using a simplified method.

(b) Defined benefit plans, including the plans to which a simplified method is applied

1. The changes in projected benefit obligation for the year ended March 31, 2014 were as follows:

	Millions of yen	Thousands of U.S. dollars
Balance at beginning of year	¥ **26,747**	$ **259,881**
Service cost	**957**	**9,298**
Interest cost	**374**	**3,633**
Actuarial differences	**4**	**38**
Benefits paid	**(1,594)**	**(15,487)**
Balance at end of year	¥ **26,489**	$ **257,374**

2. The changes in plan assets for the year ended March 31, 2014 were as follows:

	Millions of yen	Thousands of U.S. dollars
Balance at beginning of year	¥ **35,401**	$ **343,966**
Expected return on plan assets	**426**	**4,139**
Actuarial differences	**3,691**	**35,862**
Benefits paid	**(877)**	**(8,521)**
Balance at end of year	¥ **38,641**	$ **375,446**

3. Reconciliation between the net defined benefit liability recorded in the consolidated balance sheet and the balances of defined benefit obligation and plan assets

	Millions of yen	Thousands of U.S. dollars
Funded benefit obligation	¥ **26,459**	$ **257,083**
Plan assets	**(38,641)**	**(375,446)**
	(12,182)	**(118,363)**
Unfunded benefit obligation	**30**	**291**
Net liability (asset)	¥ **(12,152)**	$ **(118,072)**

	Millions of yen	Thousands of U.S. dollars
Net defined benefit liability	¥ **30**	$ **291**
Net defined benefit asset	**(12,182)**	**(118,363)**
Net liability (asset)	¥ **(12,152)**	$ **(118,072)**

4. The components of severance and retirement benefit expenses for the year ended March 31, 2014 were as follows:

	Millions of yen	Thousands of U.S. dollars
Service cost	¥ **957**	$ **9,298**
Interest cost	**374**	**3,633**
Expected return on plan assets	**(426)**	**(4,139)**
Recognized actuarial differences	**(464)**	**(4,508)**
Other	**22**	**213**
Severance and retirement benefit expenses	¥ **463**	$ **4,498**

5. The components of accumulated adjustments for retirement benefits (before tax effect) as of March 31, 2014

	Millions of yen	Thousands of U.S. dollars
Unrecognized actuarial differences	¥ **6,117**	$ **59,434**
Total	¥ **6,117**	$ **59,434**

6. Plan assets

(1) Components of plan assets
Plan assets consisted of the followings:

Stocks	55%
Bonds	36%
Cash and deposits	2%
Other	7%
Total	100%

Note: Total plan assets include retirement benefit trust established for corporate pension plans and lump-sum severance payment plans by 75%.

(2) Method of determining the long-term expected rate of return on plan assets
The long-term expected rate of return on plan assets is determined considering the allocation of plan assets which are expected currently and in the future and the long-term rates of return which are expected currently and in the future from the various components of the plan assets.

7. Assumptions used for the year ended March 31, 2014 were set forth as follows:

Discount rate	1.4%
Long-term expected rate of return on plan assets	1.2%

(c) Defined contribution plans

The required contribution to the defined contribution plans of the consolidated subsidiaries was ¥52 million ($505 thousand).
The multi-employer plan under which the amount of the required contribution is treated as retirement benefit expense is as follows:
(1) Latest funding status of the entire plan (as of March 31, 2013)

	Millions of yen	Thousands of U.S. dollars
Amount of plan assets	¥ 553,988	$ 5,382,705
Amount of benefit obligations for pension financing calculation purposes	581,269	5,647,774
Net amount	¥ (27,280)	$ (265,060)

(2) Share of contribution of pension premiums of the Group against the whole plan for the period from March 1, 2013 through March 31, 2013 was 0.1%.

(3) Supplementary explanation
Major factors in the net amount above (1) are past service liabilities for the purpose of pension calculation ¥148 million ($1,438 thousand) and deficit brought forward of ¥27,132 million ($263,622 thousand).

<u>Year ended March 31, 2013</u>

The liability for employees' severance and retirement benefits included in the liability section of the consolidated balance sheet as of March 31, 2013 consisted of the following:

	Millions of yen	
Projected benefit obligation	¥	(26,747)
Fair value of pension assets		35,401
Unfunded benefit obligation		8,653
Unrecognized actuarial differences		(2,895)
Net amount recognized in the consolidated balance sheets		5,758
Prepaid contribution		5,789
Liability for employees' severance and retirement benefits	¥	(31)

Note: Some consolidated subsidiaries adopt a simplified method for determining projected benefit obligation.

Included in the consolidated statement of income for the year ended March 31, 2013 were severance and retirement benefit expenses comprising the following:

	Millions of yen	
Service costs — benefits earned during the year	¥	821
Interest cost on projected benefit obligation		497
Expected return on plan assets		(446)
Amortization of actuarial differences		(938)
Other		22
Severance and retirement benefit expenses	¥	(43)

Note: Severance and retirement benefits of the consolidated subsidiaries which adopt a simplified method and necessary amounts of contribution to the welfare pension fund jointly established by companies are included in "Service costs."

Assumptions used in determining the projected benefit obligation, etc. for the years ended March 31, 2013 were as follows:

Discount rate	1.4%
Expected return rate on plan assets	2.0%
Method of attributing benefits of service	Straight-line method
Amortization period of actuarial differences	9 years (allocated on a straight-line method, which is shorter than the average remaining service period of the employees, beginning with the term following the fiscal year when the differences are generated)

12. Guarantee obligations for bonds

Guarantee obligations for privately placed bonds (Article 2, Clause 3 of the Financial Instruments and Exchange Law) stood at ¥13,551 million ($131,665 thousand) and ¥14,192 million as of March 31, 2014 and 2013, respectively.

13. Shareholders' equity

(a) Capital stock

The number of shares of the Bank's capital stock as of March 31, 2014 and 2013 was as follows:

	Thousands of shares	
	2014	2013
Authorized:		
Common	**120,000**	860,500
Preferred		8,000
Preferred (Type 2)		16,100
Total	**120,000**	884,600

(b) Retained earnings

Japanese banks are subject to the Corporate Law of Japan (the "Law") and the Banking Law. The Law requires that all shares of common stock be recorded with no par value and that at least 50% of the issue price of new shares be recorded as common stock and the remaining net proceeds as additional paid-in capital, which is included in capital surplus. The Law permits Japanese companies, upon approval of their Boards of Directors, to issue shares to existing shareholders without limitation. Such issuance of shares generally does not give rise to changes within the shareholders' accounts.

The Law requires that an amount equal to 10% of dividends be appropriated as a legal reserve (a component of retained earnings) or as additional paid-in capital (a component of capital surplus) depending on the equity account charged upon the payment of such dividends until the total of aggregate amount of legal reserve and additional paid-in capital equals 25% of the capital stock. Under the Law, the total amount of additional paid-in capital and legal reserve may be reserved without limitation. The Law also provides that capital stock, legal reserve, additional paid-in capital, other capital surplus and retained earnings can be transferred among the accounts under certain conditions upon resolution of the shareholders.

The Law allows Japanese companies to repurchase treasury stock and dispose of such treasury stock by resolution of the Board of Directors. The repurchased amount of treasury stock cannot exceed the amount available for future dividends plus the amount of stated capital, additional paid-in capital or legal reserve to be reduced in cases in which a reduction was resolved at the shareholders' meeting.

In addition to requiring an appropriation for a legal reserve in connection with cash payments, the Law imposes certain limitations on the amount of retained earnings available for dividends.

Dividends are approved by the shareholders at a meeting held subsequent to the fiscal year for which the dividends are applicable. Semiannual interim dividends may also be paid upon resolution of the Board of Directors, subject to certain limitations imposed by the Law.

14. Changes in Net Assets

(a) Type and number of shares issued and treasury stock

At March 31, 2014 and 2013, the number of shares was as follows:

	Thousands of shares			
	2013	Increase	Decrease	**2014**
Shares issued:				
Common (*1)	669,595	73,399	669,595	**73,399**
Preferred (Second series) (*2)	8,000	-	8,000	**-**
Preferred (Type 2) (*2)	16,100	-	16,100	**-**
Total	693,695	73,399	693,695	**73,399**
Treasury stock:				
Common (*3)	-	670,648	669,685	**962**
Preferred (Second series) (*4)	-	8,000	8,000	**-**
Preferred (Type 2) (*5)	-	16,100	16,100	**-**
Total	-	694,748	693,785	**962**

(*1) The increase in the number of common shares issued was due to the merger with Kiyo Holdings and the decrease was due to cancellation of the shares.

(*2) The decrease in the number of preferred shares (Second series and Type 2) issued was due to cancellation.

(*3) The increase in the number of common shares in treasury was due to the merger with Kiyo Holdings (669,844 thousand shares) and the acquisition based on the resolution at the Board of Directors' meeting (800 thousand shares) and purchase of shares less than one unit (3 thousand shares). The decrease in the number of common shares in treasury was due to cancellation of treasury stock (669,595 thousand shares), the requests for the additional purchase of shares less than one unit (0 thousand shares) and the sales by "Trust Exclusive for Employees Stock Ownership Group" of common shares (89 thousand shares).

(*4) The increase in the number of preferred treasury stock (Second series) was due to the merger with Kiyo Holdings and the decrease was due to cancellation of treasury stock.

(*5) The increase in the number of preferred shares (Type 2) was due to the acquisition executed within the purchase limit resolved at the general shareholders' meeting held on June 27, 2013 and the decrease was due to cancellation of treasury shares acquired.

	Thousands of shares			
	2012	Increase	Decrease	2013
Shares issued:				
Common	669,595	-	-	669,595
Preferred (Second series)	8,000	-	-	8,000
Preferred (Type 2) (*1)	31,500	-	15,400	16,100
Total	709,095	-	15,400	693,695
Treasury stock:				
Preferred (Type 2) (*2)	-	15,400	15,400	-
Total	-	15,400	15,400	-

(*1) The decrease in the number of preferred shares (Type 2) issued was due to cancellation.

(*2) The increase in the number of preferred shares (Type 2) in treasury was due to the acquisition executed within the purchase limit resolved at the general shareholders' meeting held on June 28, 2012 and the decrease was due to cancellation of treasury shares acquired.

(b) Information on dividends

Dividends paid during the year ended March 31, 2014 were as follows:

	Millions of yen	Yen	Thousands of U.S. dollars	U.S. dollars
	Amount of dividends	Cash dividends per share	Amount of dividends	Cash dividends per share
Common	**¥ 2,678**	**¥ 4.00**	**$ 26,020**	**$ 0.038**
Preferred (Second series)	**160**	**20.00**	**1,554**	**0.194**
Preferred (Type 2)	**257**	**16.00**	**2,497**	**0.155**

Notes: 1. Date of resolution of the ordinary general meeting of shareholders was June 27, 2013.
2. Record date for all types of shares was March 31, 2013.
3. Effective date for all types of shares was June 28, 2013.

The Bank executed an absorption-type merger with Kiyo Holdings on October 1, 2013. The dividends paid by Kiyo Holdings, which was an absorbed company, were as follows:

	Millions of yen	Yen
	Amount of dividends	Cash dividends per share
Common	**¥ 2,202**	**¥ 3.00**
Preferred (Fourth Series Type 1)	**253**	**11.00**

Notes: 1. Date of resolution of the ordinary general meeting of shareholders was June 27, 2013.
2. Record date for all types of shares was March 31, 2013.
3. Effective date for all types of shares was June 28, 2013.

Dividends applicable to the year ended March 31, 2014 and whose effective date (i.e. initial payment date) falls after March 31, 2014 were as follows:

	Millions of yen	Yen	Thousands of U.S. dollars	U.S. dollars
	Amount of dividends	Cash dividends per share	Amount of dividends	Cash dividends per share
Common	**¥ 2,177**	**¥ 30.00**	**$ 21,152**	**$ 0.291**

Notes: 1. Date of resolution of the ordinary general meeting of shareholders was June 27, 2014.
2. Record date for all types of shares was March 31, 2014.
3. Effective date for all types of shares was June 30, 2014.

Dividends paid during the year ended March 31, 2013 were as follows:

	Millions of yen	Yen
	Amount of dividends	Cash dividends per share
Common	¥ 2,678	¥ 4.00
Preferred (Second series)	160	20.00
Preferred (Type 2)	504	16.00

Notes: 1. Date of resolution of the ordinary general meeting of shareholders was June 28, 2012.
2. Record date for all type of shares was March 31, 2012.
3. Effective date for all type of shares was June 29, 2012.

Dividends applicable to the year ended March 31, 2013 and whose effective date (i.e. initial payment date) falls after March 31, 2013 were as follows:

	Millions of yen	Yen
	Amount of dividends	Cash dividends per share
Common	¥ 2,678	¥ 4.00
Preferred (Second series)	160	20.00
Preferred (Type 2)	257	16.00

Notes: 1. Date of resolution of the ordinary general meeting of shareholders was June 27, 2013.
2. Record date for all types of shares was March 31, 2013.
3. Effective date for all types of shares was June 28, 2013.

15. Other income

Other income included the recovery of written-off claims in the amount of ¥1,436 million ($13,952 thousand) and ¥1,629 million for the years ended March 31, 2014 and 2013, respectively and gain on reversal of reserve for possible loan losses in the amount of ¥199 million for the year ended March 31, 2013.

16. Other expenses

Other expenses for the years ended March 31, 2014 and 2013 included the following:

	Millions of yen		Thousands of U.S. dollars
	2014	2013	**2014**
Loss on the loans written-off	¥ **3,678**	¥ 3,003	$ **35,736**
Loss on the devaluation of stocks	**53**	236	**514**
Loss on the transfer/sale of loan obligations	**70**	238	**680**
Loss on debt forgiveness	**67**	-	**650**
Impairment loss on fixed assets	**335**	8	**3,254**

Impairment loss on fixed assets

The Bank reduced the book value to the amounts deemed recoverable and posted the reduced amount of ¥335 million ($3,254 thousand) and ¥8 million for the years ended March 31, 2014 and 2013, respectively. Details are as follows:

			Impairment loss on fixed assets		
			Millions of yen		Thousands of U.S. dollars
Location	Major use	Asset category	**2014**	2013	**2014**
Wakayama Prefecture	Idle assets	Land	¥ **4**	¥ 8	$ **38**
Wakayama Prefecture	Operating assets	Movables	**48**	-	**466**
Osaka Prefecture	Idle assets	Land, buildings and movables	**282**	-	**2,739**
Total	**-**	**-**	¥ **335**	¥ 8	$ **3,254**

With respect to the calculation of impairment loss on fixed assets, the minimum operational unit recognized for management accounting purposes by the Bank is the single bank branch. However, where a number of branches operate as a group at the managerial level, the accounting unit is the group rather than the individual branch. Each unit of idle assets (one "unit" is defined as one plot of land or one building) is treated as a separate and individual unit for accounting purposes. Because the head office, administration center and Bank provided housing and dormitories for the staff of the Bank do not independently generate any cash flows, they are treated as assets held in common by the Bank for accounting purposes. With respect to the consolidated subsidiaries, in principle, each company is treated as a separate and individual unit for impairment accounting purposes.

In calculating impairment loss on fixed assets for the reporting period, the amount deemed recoverable, i.e. the net proceeds from sale, was estimated by deducting the cost of disposal from the real estate appraisal value based on official appraisal standards. For immaterial assets, the recoverable value is determined by deducting the estimated cost of disposal from the appraisal value based on the roadside land prices, etc.

17. Income taxes

The Bank is subject to a number of taxes based on income, which, in the aggregate, indicate a statutory rate in Japan of approximately 37.7% for the years ended March 31, 2014 and 2013. The table below summarizes the significant differences between the statutory tax rate and the Bank's effective tax rate for financial statement purposes for the years ended March 31, 2014 and 2013.

	2014	2013
Statutory tax rate	**37.7%**	37.7%
Adjustments:		
Change in valuation allowance	**(16.1)**	(6.8)
Amortization of goodwill	**4.3**	-
Reduction of deferred tax assets due to tax rate changes	**2.7**	-
Dividend income that is not taxable for income tax purposes	**(1.5)**	(0.7)
Other	**0.0**	0.3
Effective income tax rate	**27.1%**	30.5%

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

	Millions of yen		Thousands of U.S. dollars
	2014	2013	**2014**
Deferred tax assets:			
Nondeductible reserve for possible loan losses	**¥ 18,956**	¥ 22,294	**$ 184,181**
Write-down of securities	**6,060**	6,843	**58,880**
Liability for employees' severance and retirement benefits	-	5,813	-
Net defined benefit liability	**3,266**	-	**31,733**
Operating loss carryforwards	**91**	167	**884**
Other	**5,332**	5,482	**51,807**
Subtotal	**33,707**	40,601	**327,506**
Valuation allowance	**(20,512)**	(22,516)	**(199,300)**
Deferred tax assets	**13,194**	18,085	**128,196**
Deferred tax liabilities:			
Net unrealized gains on available-for-sale securities	**(10,070)**	(10,695)	**(97,842)**
Gain on retirement benefit trust	**(670)**	(670)	**(6,509)**
Other	**(1,156)**	(1,061)	**(11,232)**
Deferred tax liabilities	**(11,897)**	(12,427)	**(115,594)**
Net deferred tax assets	**¥ 1,297**	¥ 5,657	**$ 12,602**

Adjustments of deferred tax assets and liabilities due to a change in the corporate income tax rate:

The "Partial Amendments to the Income Tax Act, etc." proclaimed on March 31, 2014 repealed the Special Income Tax for Reconstruction from the fiscal year beginning on or after April 1, 2014. As a result, the statutory tax rate to be used in computing deferred tax assets and liabilities has been reduced from 37.7% to 35.3% for the temporary differences estimated to be settled in the fiscal year beginning on and after April 1, 2014. As a result, deferred tax assets, net of deferred tax liabilities, decreased by ¥382 million ($3,711 thousand) and net unrealized gains on available-for-sale securities and income taxes – deferred increased by ¥16 million ($155 thousand) and ¥398 million ($3,867 thousand), respectively.

18. Other comprehensive income

Amounts reclassified to net income 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 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2014	2013	**2014**
Net unrealized gains (losses) on available-for-sale securities:			
Increase during the year	¥ **855**	¥ 24,352	$ **8,307**
Reclassification adjustments	**(2,763)**	(10,153)	**(26,846)**
Subtotal before tax	**(1,907)**	14,199	**(18,528)**
Tax (expense) or benefit	**700**	(4,437)	**6,801**
Net unrealized gains on available-for-sale securities	**(1,207)**	9,761	**(11,727)**
Net deferred gains (losses) on hedging instruments			
Decrease during the year	**(38)**	(1,134)	**(369)**
Reclassification adjustments	**137**	724	**1,331**
Subtotal before tax	**99**	(410)	**961**
Tax (expense) or benefit	**(35)**	149	**(340)**
Net deferred gains (losses) on hedging instruments	**64**	(260)	**621**
Total other comprehensive income	¥ **(1,143)**	¥ 9,501	$ **(11,105)**

19. Significant non-cash transactions

Year ended March 31, 2014

(1) The Bank being a surviving company executed an absorption-type merger with Kiyo Holdings being an absorbed company and accounted for the merger as a combination of entities under common control. The major components of assets and liabilities which were succeeded in the consolidation process are as follows:

	Millions of yen	Thousands of U.S. dollars
Assets	¥ **121,834**	$ **1,183,773**
(of which securities)	**(115,728)**	**(1,124,446)**
Liabilities	**464**	**4,508**

(2) Assets and liabilities of Kiyo Joho System Co., Ltd., which newly became a consolidated subsidiary after the merger between the Bank and Kiyo Holdings, at the inception of consolidation were as follows:

	Millions of yen	Thousands of U.S. dollars
Assets	¥ **3,930**	$ **38,184**
Liabilities	**1,027**	**9,978**

20. Per share information

	Yen		U.S. dollars
	2014	2013	**2014**
Net assets per share	**¥ 2,486.14**	¥ 2,264.96	**$ 24.156**
Net income per share (basic)	**150.23**	291.06	**1.459**
Net income per share (diluted)	**-**	-	**-**

The calculation of basic net income per share for the years ended March 31, 2014 and 2013 was as follows:

	Millions of yen		Thousands of U.S. dollars
	2014	2013	**2014**
Earnings per share:			
Net income	**¥ 10,487**	¥ 19,906	**$ 101,894**
Amount not available to common shareholders	**-**	417	**-**
Net income available to common shareholders	**10,487**	19,489	**101,894**
Average number of shares of common stock during the term (thousands)	**69,812**	66,959	-

Net income per share (diluted) is omitted since there were no potential shares for the years ended March 31, 2014 and 2013.

Effective October 1, 2013, the Bank executed an absorption-type merger with Kiyo Holdings as the absorbed company and allotted one common stock of the Bank to holders of every ten common stock of Kiyo Holdings. Net assets per share and net income per share, which were calculated assuming that above allotments were made at the beginning of the year ended March 31, 2013, are shown retrospectively. Net income per share for the year ended March 31, 2014 was calculated assuming the above allotments were made at the beginning of the year ended March 31, 2014.

(Accounting change)
As noted in Note 2 (p), effective March 31, 2014, the Bank applied Accounting Standard for Retirement Benefits (ASBJ Statement No. 26, revised on May 17, 2012) and Guidance on Accounting Standard for Retirement Benefits (ASBJ Guidance No. 25, revised on May 17, 2012), except for the provisions stated in Paragraph 35 of ASBJ Statement No. 26 and Paragraph 67 of ASBJ Guidance No. 25, and followed the transitional treatment prescribed in Paragraph 37 of ASBJ Statement No. 26. As a result, net assets per share as of March 31, 2014 increased by ¥54.64 ($0.53).

21. Lease transactions

Operating leases

Future non-cancelable lease payments receivable, excluding interest, as of March 31, 2014 and 2013 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2014	2013	**2014**
Due within one year	**¥ 4**	¥ 6	**$ 38**
Due after one year	—	4	—
Total	**¥ 4**	¥ 10	**$ 38**

22. Commitment lines

Loan agreements and commitment line agreements are agreements which oblige the Bank to lend funds up to a certain limit agreed to in advance. The Bank makes the loans upon a borrower's request to draw down funds under such agreements as long as there is no breach of the various terms and conditions stipulated in the agreements. The unused commitment balances related to these agreements at March 31, 2014 and 2013 amounted to ¥344,593 million ($3,348,163 thousand) and ¥325,692 million, respectively. Of this amount, the unused commitment balances related to agreements with terms of one year or less or that were unconditionally cancelable at any time totaled ¥336,106 million ($3,265,701 thousand) and ¥314,240 million, respectively.

In many cases, the term of the agreement runs its course without the loan ever being drawn down. Therefore, unused loan commitment balances will not necessarily affect future cash flows. Conditions are included in certain loan agreements which allow the Bank to decline a request to draw down funds or to reduce the agreed limit amount when there is a cause to do so, such as when there is a change in the financial condition of the borrower or when it is necessary to protect the Bank's credit. The Bank makes various measures to protect its credit, including having the obligor pledge collateral in the form of real estate, securities etc, on signing the loan agreement or confirming the obligor's financial condition in accordance with the Bank's established internal procedures.

23. Financial instruments and related disclosures

1. Disclosure about Financial Instruments

(1) Policy on financial instruments

The Group provides comprehensive financial services such as deposit-taking and lending services, leasing operations, credit card business and others. Since the Group is exposed to the market risk of fluctuations in interest rates arising from deposit-taking, lending services and securities investment operations, the Group conducts comprehensive asset and liability management (ALM) and, as part, engages in derivative transactions.

(2) Nature and risk of financial instruments

Financial assets held by the Group consist mainly of loans to domestic customers that are exposed to credit risk arising from customers' nonperformance of contractual obligations and the risk of interest rates fluctuations. Securities held by the Group consist mainly of debt securities, equity securities and investment trusts, which are held for the purpose of holding to maturity, net investment, strategic investment and trading purposes. These securities are exposed to the credit risk of the issuers, interest rate fluctuation risk and price fluctuation risk.

Financial liabilities consist mainly of deposits, which are exposed to liquidity risk and interest rate fluctuation risk and other financial assets.

Major risks inherent in derivative transactions include the market risk of fluctuation in interest rates, foreign exchange, stock prices and other market instruments and the credit risk arising from customers' nonperformance of contractual obligations. The Group employs derivative transactions mainly to hedge these risks, and the market risk of the hedged items is almost offset by the derivatives. Hedging instruments to which hedge accounting is applied are mainly interest rate swaps, currency swaps, etc. The corresponding hedged items are securities.

(3) Risk management system for financial instruments

Credit risk management

The Group has established a credit risk management system that includes the "Credit Risk Control Rule" and other various rules and defines the basic credit risk control policy and management system. Specifically, the Review Department conducts reviews according to the risk characteristics of the credit items by identifying the financial position, use of funds, repayment resources and other factors related to credit customers. The Credit Control Department sets up and controls limits to avoid the concentration of credit risk and identifies the quantitative level of credit risk. The Department is also responsible for the maintenance of the credit rating system and reports the measured volume of credit risk to the Board of Directors and risk management committee so that credit risk management may be discussed within the framework of integrated risk control.

Market risk management

The Group has established a market risk management system that includes the "Market Risk Control Rule" and other various rules and defines the basic market risk control policy and management system.

(i) Interest rate risk management

With respect to interest rate management, the Group regularly measures the volume of interest rate risk arising from assets and liabilities such as securities, loans and deposits and conducts interest rate gap analysis and interest rate sensitivity analysis and reports the outcome to the ALM Strategy Committee and the Risk Control Committee. The Group also has established specific limits on the level of interest rate risk.

(ii) Price fluctuation risk management

With respect to price fluctuation risk, the Group controls the level of risk on a daily basis by measuring the risk volume and setting up limits on the level of risk. Securities held for net investment purposes are controlled by setting up additional limits on transactions and losses above those set up by the executive committee in addition to the risk volume control. With respect to the shares held for strategic investment purposes, the Group tries to reduce the risk level by limiting the balance, etc.

(iii) Foreign exchange risk management

The Group reduces the risk by identifying the fluctuation risk of foreign exchange rates associated with the foreign currency denominated assets and liabilities, controlling the risk within the limit determined by the executive committee and employing currency swaps, etc.

(iv) Derivative transactions
Derivatives transactions are employed principally and limitedly for hedging purposes. An internal control system has been established by segregating the functions of executing derivative transactions, evaluating hedge effectiveness and operations control.

(v) Quantitative information on market risk
Major financial instruments that are affected by interest rate risk that is regarded as a major risk factor are due from banks, call loans, other debt purchased, bonds and investment trusts included in securities, loans and bills discounted, deposits, payables under securities lending transactions, borrowed money and bonds. Financial instruments that are affected by price fluctuation risk consist of stocks and investment trusts included in securities.

The Bank calculates Value at Risk (VaR) to capture the effects of income and economic value from interest rate fluctuation and price fluctuation. VaR is made available to inner management. To calculate VaR, the Bank applies the variance and covariance method, using 3 to 6 months as the holding period based on risk characteristics, 99% as the confidence interval and 1 to 5 years as the observation period based on risk characteristics. The amount of risk at March 31, 2014 and 2013 was ¥1,670 million ($16,226 thousand) and ¥271 million respectively for interest rate risk and ¥24,303 million ($236,134 thousand) and ¥16,302 million respectively for price fluctuation risk. In addition, the Bank verifies the effectiveness of risk measurement under the variance and covariance method by a back testing protocol that compares VaR to the actual incomes.

In calculating VaR on interest rate risk, the core deposits of liquid deposits are adjusted. Core deposits do not have specified interest rates and are demand deposits that are expected to be held for the long term without demand for withdrawal. VaR is a statistical measure of market risk volume under a certain probability of occurrence based on the past market fluctuations. Accordingly, it may be impossible to capture the risk if the market fluctuates rapidly under extraordinary circumstances.

Liquidity risk management
The Group has established a liquidity risk management system that includes the “Liquidity Risk Control Rule” and other various rules and defines the basic liquidity risk control policy and management system. The Group tries to control liquidity risk by maintaining stable cash management, securing highly liquid reserves and strengthening preliminary controls.

(4) Supplementary explanation about fair value of financial instruments
In addition to the value based on the market price, the fair value of financial instruments includes a valuation calculated on a reasonable basis if no market price is available. Since certain assumptions are used in calculating the value, the outcome of such calculations may vary if different assumptions are used.

2. Fair value of financial instruments

The carrying amount, the fair value and any difference as at March 31, 2014 and 2013 are set forth in the table below. Note that unlisted equity securities for which the fair value was extremely difficult to determine were not included in the following table (See Note 2). Also, insignificant items were omitted.

	Millions of yen		
	2014		
	Carrying amount	Fair value	Unrealized gains (losses)
Cash and due from banks	**¥ 237,227**	**¥ 237,227**	**¥ -**
Securities:			
Held-to-maturity securities	**133,880**	**133,648**	**(231)**
Available-for-sale securities	**990,256**	**990,256**	**-**
Loans and bills discounted	**2,600,169**		
Reserve for possible loan losses (*1)	**(27,409)**		
	2,572,759	**2,584,989**	**12,229**
Total assets	**¥ 3,934,123**	**¥ 3,946,122**	**¥ 11,998**
Deposits	**¥ 3,683,027**	**¥ 3,683,109**	**¥ 81**
Payables under securities lending transactions	**84,035**	**84,035**	**-**
Borrowed money	**26,576**	**26,610**	**34**
Bonds	**20,000**	**20,308**	**308**
Total liabilities	**¥ 3,813,640**	**¥ 3,814,065**	**¥ 425**
Derivative transactions (*2)			
Hedge accounting not applied	**¥ (367)**	**¥ (367)**	**¥ -**
Hedge accounting applied	**(149)**	**(149)**	**-**
Total derivative transactions	**¥ (517)**	**¥ (517)**	**¥ -**

	Millions of yen		
	2013		
	Carrying amount	Fair value	Unrealized gains (losses)
Cash and due from banks	¥ 187,899	¥ 187,899	¥ -
Call loans and bills bought	110,000	110,000	-
Securities:			
Held-to-maturity securities	155,247	154,026	(1,221)
Available-for-sale securities	826,623	826,623	-
Loans and bills discounted	2,575,933		
Reserve for possible loan losses (*1)	(27,087)		
	2,548,845	2,562,999	14,153
Total assets	¥ 3,828,615	¥ 3,841,547	¥ 12,931
Deposits	¥ 3,588,465	¥ 3,589,038	¥ 572
Payables under securities lending transactions	73,918	73,918	-
Borrowed money	24,505	24,910	405
Bonds	10,000	10,368	368
Total liabilities	¥ 3,696,889	¥ 3,698,236	¥ 1,346
Derivative transactions (*2)			
Hedge accounting not applied	¥ 250	¥ 250	¥ -
Hedge accounting applied	(418)	(418)	-
Total derivative transactions	¥ (167)	¥ (167)	¥

	Thousands of U.S. dollars		
	2014		
	Carrying amount	Fair value	Unrealized gains (losses)
Cash and due from banks	**$ 2,304,965**	**$ 2,304,965**	**$ -**
Securities:			
Held-to-maturity securities	**1,300,816**	**1,298,561**	**(2,244)**
Available-for-sale securities	**9,621,609**	**9,621,609**	**-**
Loans and bills discounted	**25,263,981**		
Reserve for possible loan losses (*1)	**(266,313)**		
	24,997,658	**25,116,488**	**118,820**
Total assets	**$ 38,225,058**	**$ 38,341,643**	**$ 116,575**
Deposits	**$ 35,785,338**	**$ 35,786,134**	**$ 787**
Payables under securities lending transactions	**816,507**	**816,507**	**-**
Borrowed money	**258,219**	**258,550**	**330**
Bonds	**194,325**	**197,318**	**2,992**
Total liabilities	**$ 37,054,411**	**$ 37,058,540**	**$ 4,129**
Derivative transactions (*2)			
Hedge accounting not applied	**$ (3,565)**	**$ (3,565)**	**$ -**
Hedge accounting applied	**(1,447)**	**(1,447)**	**-**
Total derivative transactions	**$ (5,023)**	**$ (5,023)**	**$ -**

(*1) General and specific reserves for possible loan losses corresponding to loans and bills discounted are deducted.
(*2) Net receivables and payables incurred from derivative transactions are presented in net amounts, and net payables are presented in parentheses.

(Note 1) Method of calculation for fair value of financial instruments

Assets:

Cash and due from banks

For deposits without maturity, the carrying amount is presented as the fair value since the fair value approximates the carrying amount. For deposits with maturity, the carrying amount is presented as the fair value since the fair value approximates the carrying amount because the maturity is short (less than one year).

Call loans and bills bought

For call loans and bills bought, the carrying amount is presented as the fair value since the fair value approximates the carrying amount because the remaining maturity is short (less than one year).

Securities

The fair value of equity securities is determined using the quoted price on exchanges, and the fair value of debt securities is determined using the price published by the industry group or offered by the financial institutions with which they are transacted. The fair value of investment trusts is determined using the quoted price on exchanges or the price offered by the financial institutions with which they are transacted. The fair value of non-publicly traded private placement bonds guaranteed by the Bank is determined using the same calculation method as that of loans.

At March 31, 2013, with respect to the fair value of a part of variable-interest Japanese Government Bonds (JGBs), it was judged that current market prices could not be regarded as the fair value, and the value calculated on a reasonable basis was treated as the fair value.

The fair value of variable-interest JGBs was determined using the discounted present value of future cash flows generated from the variable interest JGBs, taking into consideration the value of zero-floor options as predicted by the convexity method and/or the Black-Scholes option model. The principal variables used in determining the JGB price were the JGB spot rate and the implied volatility of yen swaptions. The Bank obtained this price from reliable bid-price providers and applied it after careful examination of its applicability to the Bank’s situation.

Loans and bills discounted

For loans with variable interest rates which reflect short-term interest rates, the carrying amount is presented as the fair value since the fair value approximates the carrying amount as long as the creditworthiness of the borrower has not changed significantly from the time of the loan origination. For the loans with fixed interest rates, the fair value is determined based on the aggregate value of principal and interest by categories of types of loans, internal ratings and maturities discounted using the interest rate assumed if the same loans were newly originated. For the loans with short contractual terms (less than one year), the carrying amount is presented as the fair value since the fair value approximates the carrying amount.

For receivables from bankrupt, effectively bankrupt and likely to become bankrupt borrowers, loan losses are estimated based on factors such as the present value of expected future cash flows or the expected amount to be collected from collateral and guarantees. Since the fair value of these items approximates the carrying amount, net of the expected loan losses, the carrying amount is presented as the fair value.

For loans which have non-defined repayment due dates because of restricting the amount of the loans to the amount of the pledged assets, the carrying amount is presented as the fair value since the fair value approximates the carrying amount considering the expected repayment schedule and interest rate.

Liabilities:

Deposits

For demand deposits, the amount payable on demand as of the balance sheet date (i.e., the carrying amount) is considered to be the fair value. The fair value of time deposits is determined using the discounted present value of future cash flows grouped by certain maturity lengths. The discount rate used is the interest rate that would be applied to newly accepted deposits. For deposits whose maturity is short (less than one year), the carrying amount is presented as the fair value since the fair value approximates the carrying amount.

Payables under securities lending transactions

For payables under securities lending transactions in which the trade term is short (less than one year), the carrying amount is presented as the fair value since the fair value approximates the carrying amount.

Borrowed money and bonds

For borrowed money and bonds, the fair value is calculated as the present value of expected future cash flows discounted using the interest rate that would be applied to newly borrowed money. For borrowed money with variable interest rates linked to the short-term market interest rates, the carrying amount is presented as the fair value since the fair value approximates the carrying amount because the creditworthiness of the Bank and its consolidated subsidiaries has not changed significantly after it was executed.

Derivative transactions:

Derivative transactions consist mainly of interest rate related derivatives such as interest rate swaps and currency related derivatives such as currency futures, currency options, currency swaps, etc. The fair value is determined using the value calculated by the quoted price on exchange, discounted present value, option pricing models, etc.

(Note 2) Financial instruments which fair value is extremely difficult to determine are set forth in the table below. These securities are not included in “Available-for-sale securities” under “Assets” in the table “Fair value of financial instruments.”

	Carrying amount		
	Millions of yen		Thousands of U.S. dollars
	2014	2013	**2014**
Unlisted equity securities (*1) (*2)	**¥ 2,335**	¥ 2,276	**$ 22,687**
Investment in partnerships (*3)	**480**	475	**4,663**
Total	**¥ 2,815**	¥ 2,751	**$ 27,351**

(*1) No market price is available for unlisted equity securities, and the fair value is not disclosed since it was extremely difficult to determine.

(*2) The Bank recognized impairment loss in an amount of ¥9 million on unlisted equity securities for the year ended March 31, 2013.

(*3) The fair value of investment in partnerships whose assets consisted of securities such as unlisted equity securities whose fair value is extremely difficult to identify is not disclosed.

(Note 3) Repayment schedule of monetary receivables and securities with contract maturities subsequent to the balance sheet date

	Millions of yen					
	2014					
	Due within 1 year	Due within 3 years	Due within 5 years	Due within 7 years	Due within 10 years	Due over 10 years
Cash and due from banks	¥ **237,227**	¥ **-**	¥ **-**	¥ **-**	¥ **-**	¥ **-**
Securities						
Held-to-maturity debt securities	**-**	**28,043**	**33,759**	**46,214**	**25,862**	**-**
Japanese government bonds	**-**	**27,014**	**33,759**	**46,214**	**25,862**	**-**
Other	**-**	**1,029**	**-**	**-**	**-**	**-**
Foreign bonds	**-**	**1,029**	**-**	**-**	**-**	**-**
Available-for-sale securities with contract Maturities	**55,605**	**265,949**	**296,734**	**69,656**	**151,525**	**70,904**
Japanese government bonds	**1,326**	**85,658**	**105,784**	**-**	**127,850**	**9,992**
Local government bonds	**6,323**	**31,233**	**67,039**	**35,277**	**1,791**	**9,583**
Corporate bonds	**28,826**	**69,686**	**64,039**	**2,885**	**5,050**	**48,178**
Other	**19,128**	**79,370**	**59,870**	**31,493**	**16,833**	**3,150**
Foreign bonds	**19,128**	**79,370**	**59,870**	**31,493**	**16,833**	**3,150**
Loans and bills discounted (*)	**652,278**	**503,672**	**313,132**	**222,434**	**243,825**	**563,031**
Total	¥ **945,110**	¥ **797,665**	¥ **643,626**	¥ **338,305**	¥ **421,213**	¥ **633,935**

(*) Loans and bills discounted at March 31, 2014 do not include ¥76,218 million ($740,555 thousand) of those due from bankrupt, effectively bankrupt or likely to become bankrupt borrowers whose repayment schedules cannot be estimated and ¥25,576 million ($248,503 thousand) of those which have non-defined maturities.

	Millions of yen					
	2013					
	Due within 1 year	Due within 3 years	Due within 5 years	Due within 7 years	Due within 10 years	Due over 10 years
Cash and due from banks	¥ 187,899	¥ -	¥ -	¥ -	¥ -	¥ -
Call loans and bills bought	110,000	-	-	-	-	-
Securities						
Held-to-maturity debt securities	21,073	1,446	60,427	504	71,794	-
Japanese government bonds	-	506	60,427	504	71,794	-
Local government bonds	14,392	-	-	-	-	-
Corporate bonds	6,680	-	-	-	-	-
Other	-	940	-	-	-	-
Foreign bonds	-	940	-	-	-	-
Available-for-sale securities with contract Maturities	113,929	111,953	222,436	78,170	177,366	64,730
Japanese government bonds	77,915	8,409	48,471	-	125,344	-
Local government bonds	3,858	20,365	42,891	54,793	6,555	10,255
Corporate bonds	5,828	50,700	55,108	796	5,165	47,481
Other	26,326	32,477	75,965	22,581	40,301	6,992
Foreign bonds	26,326	32,477	75,965	22,581	40,301	6,992
Loans and bills discounted (*)	673,443	467,356	330,934	201,848	234,475	549,974
Total	¥ 1,106,345	¥ 580,756	¥ 613,798	¥ 280,524	¥ 483,636	¥ 614,704

(*) Loans and bills discounted at March 31, 2013 do not include ¥84,568 million of those due from bankrupt, effectively bankrupt or likely to become bankrupt borrowers whose repayment schedules cannot be estimated and ¥33,332 million of those which have non-defined maturities.

	Thousands of U.S. dollars					
	2014					
	Due within 1 year	Due within 3 years	Due within 5 years	Due within 7 years	Due within 10 years	Due over 10 years
Cash and due from banks	**$ 2,304,965**	**$ -**	**$ -**	$ **-**	**$ -**	**$ -**
Securities						
Held-to-maturity debt securities	-	**272,473**	**328,012**	**449,028**	**251,282**	**-**
Japanese government bonds	**-**	**262,475**	**328,012**	**449,028**	**251,282**	**-**
Other	-	**9,998**	-	**-**	**-**	**-**
Foreign bonds	-	**9,998**	-	**-**	**-**	**-**
Available-for-sale securities with contract Maturities	**540,273**	**2,584,036**	**2,883,151**	**676,797**	**1,472,260**	**688,923**
Japanese government bonds	**12,883**	**832,277**	**1,027,827**	-	**1,242,226**	**97,085**
Local government bonds	**61,436**	**303,468**	**651,369**	**342,761**	**17,401**	**93,111**
Corporate bonds	**280,081**	**677,089**	**622,221**	**28,031**	**49,067**	**468,111**
Other	**185,853**	**771,181**	**581,713**	**305,994**	**163,554**	**30,606**
Foreign bonds	**185,853**	**771,181**	**581,713**	**305,994**	**163,554**	**30,606**
Loans and bills discounted (*)	**6,337,718**	**4,893,820**	**3,042,479**	**2,161,232**	**2,369,073**	**5,470,569**
Total	**$ 9,182,957**	**$ 7,750,340**	**$ 6,253,653**	**$ 3,287,067**	**$ 4,092,625**	**$ 6,159,492**

(Note 4) Repayment schedule of bonds, borrowed money and other interest bearing liabilities subsequent to the balance sheet date

	Millions of yen					
	2014					
	Due within 1 year	Due within 3 years	Due within 5 years	Due within 7 years	Due within 10 years	Due over 10 years
Deposits (*)	**¥ 3,316,120**	**¥ 291,921**	**¥ 74,985**	**¥ -**	**¥ -**	**¥ -**
Deposits received for securities lending transactions	**84,035**	-	-	-	-	**-**
Borrowed money	**283**	**1,218**	**73**	**17,000**	**3,000**	**5,000**
Bonds	**-**	**-**	**-**	**7,000**	**13,000**	**-**
Total	**¥ 3,400,440**	**¥ 293,140**	**¥ 75,059**	**¥ 24,000**	**¥ 16,000**	**¥ 5,000**

	Millions of yen					
	2013					
	Due within 1 year	Due within 3 years	Due within 5 years	Due within 7 years	Due within 10 years	Due over 10 years
Deposits (*)	¥ 3,158,637	¥ 346,170	¥ 83,658	¥ -	¥ -	¥ -
Deposits received for securities lending transactions	73,918	-	-	-	-	-
Borrowed money	184	1,242	78	15,000	8,000	-
Bonds	-	-	-	-	10,000	-
Total	¥ 3,232,740	¥ 347,412	¥ 83,736	¥ 15,000	¥ 18,000	¥ -

(*) Demand deposits are shown under "Due within one year."

	Thousands of U.S. dollars					
	2014					
	Due within 1 year	Due within 3 years	Due within 5 years	Due within 7 years	Due within 10 years	Due over 10 years
Deposits (*)	**$ 32,220,365**	**$ 2,836,387**	**$ 728,575**	**$ -**	**$ -**	**$ -**
Deposits received for securities lending transactions	**816,507**	-	-	-	-	**-**
Borrowed money	**2,749**	**11,834**	**709**	**165,176**	**29,148**	**48,581**
Bonds	-	**-**	**-**	**68,013**	**126,311**	**-**
Total	**$ 33,039,642**	**$ 2,848,231**	**$ 729,294**	**$ 233,190**	**$ 155,460**	**$ 48,581**

(*) Demand deposits are shown under "Due within one year."

24. Derivative transactions

Information regarding derivative transactions, such as the types of derivatives, the policies and purpose for using derivatives and the risks and risk control systems for derivatives are described in Note 23, "Financial instruments and related disclosures."

Outstanding derivative contracts which were revalued at fair value and the gains and losses recognized in the consolidated statements of income as of March 31, 2014 and 2013 are set forth in the tables below.

Derivatives to which hedge accounting is not applied:

With respect to derivatives to which hedge accounting is not applied, the contract amount, fair value and recognized gain (loss) at the balance sheet date designated by transaction type and method of calculating fair value are set forth in the table below. Note that the contract amounts do not reflect the market risk exposure associated with derivatives themselves.

	Millions of yen							
	2014				2013			
	Contract amount				Contract amount			
	Total	Over one year	Fair value	Recognized gain (loss)	Total	Over one year	Fair value	Recognized gain (loss)
Currency related:								
Currency swaps	**¥ 205,819**	**¥ 177,448**	**¥ 207**	**¥ 207**	¥ 185,557	¥ 143,278	¥ 197	¥ 197
Forward foreign exchanges:								
Sell	**70,531**	**-**	**(576)**	**(576)**	42,364	-	52	52
Buy	**351**	**-**	**1**	**1**	690	-	(0)	(0)
Total	**-**	**-**	**¥ (367)**	**¥ (367)**	-	-	¥ 250	¥ 250

	Thousands of U.S. dollars			
	2014			
	Contract amount			
	Total	Over one year	Fair value	Recognized gain (loss)
Currency related:				
Currency swaps	**$ 1,999,795**	**$ 1,724,135**	**$ 2,011**	**$ 2,011**
Forward foreign exchanges:				
Sell	**685,299**	**-**	**(5,596)**	**(5,596)**
Buy	**3,410**	**-**	**9**	**9**
Total	**-**	**-**	**$ (3,565)**	**$ (3,565)**

The transactions were valued at market value, and valuation gains and losses were credited or charged to income. Fair value was determined using the value calculated by the discounted present value.

Derivatives to which hedge accounting is applied:

With respect to derivatives to which hedge accounting is applied, the contract amount and fair value at the balance sheet date by transaction type and by hedge accounting method and method of calculating fair value are set forth in the table below. Note that the contract amounts do not reflect the market risk exposure associated with derivatives themselves.

Interest rate related:

Hedge accounting method	Type	Major hedged item	Millions of yen 2014 Contract amount Total	Over one year	Fair value
Fundamental method	Interest rate swaps: Receivable floating rate/ Payable fixed rate	Available-for-sale securities (bonds)	**¥ 30,000**	**¥ 30,000**	**¥ (149)**

Hedge accounting method	Type	Major hedged item	Millions of yen 2013 Contract amount Total	Over one year	Fair value
Fundamental method	Interest rate swaps: Receivable floating rate/ Payable fixed rate	Available-for-sale securities (bonds)	¥ 30,000	¥ 30,000	¥ (241)

Hedge accounting method	Type	Major hedged item	Thousands of U.S. dollars 2014 Contract amount Total	Over one year	Fair value
Fundamental method	Interest rate swaps: Receivable floating rate/ Payable fixed rate	Available-for-sale securities (bonds)	**$ 291,488**	**$ 291,488**	**$ (1,447)**

Currency related:
There were no currency related derivatives at March 31, 2014.

Hedge accounting method	Type	Major hedged item	Millions of yen 2013 Contract amount Total	Over one year	Fair value
Fundamental method	Currency swaps	Foreign currency denominated securities	¥ 1,207	¥ -	¥ (176)

Currency related derivatives are accounted for by the deferred hedge accounting method in accordance with JICPA Industry Committee Report No. 25, "Treatment of Accounting and Auditing concerning Accounting for Foreign Currency Transactions in the Banking Industry." Fair value was determined using the value calculated by the discounted present value.

Stock or bond related:

There were no stock or bond related derivatives at March 31, 2014 and 2013.

25. Business Combination

Business combination under common control

The Bank and Kiyo Holdings, Inc. executed a merger on October 1, 2013 in accordance with the merger agreement approved by the shareholders' meeting held on June 27, 2013.
The merger is a combination of entities under common control and the outline is as follows:

Combining company and its business:	The Kiyo Bank, Ltd. Banking
Combined company and its business:	Kiyo Holdings, Inc. Bank holding company
Date of business combination:	October 1, 2013
Legal form of business combination:	Absorption-type merger with the Bank as the surviving company and Kiyo Holdings, Inc. as the absorbed company

Name of the company after the merger: The Kiyo Bank, Ltd.

Purpose of the merger:
Kiyo Holdings, Inc. was established to facilitate the management integration between the Kiyo Bank, Ltd. and the former Wakayama Bank, Ltd. as the holding company of the two banks in February 2006. Since then, as a result of initiatives to promote management integration, which includes the merger of the two banks in October 2006, and to realize synergies from the integration at an early stage, it is believed that the purpose Kiyo Holdings, Inc. set at the time of establishment was mostly fulfilled.

On the other hand, the business environment around the Bank has changed considerably during the preceding years. Management will be required to further speed up management decision-making and to further strengthen corporate governance in the future.

In consideration of these circumstances, the Bank decided to abolish the pure holding company system and change to a simpler group structure centered on the Bank to expedite decision-making, promote efficiency in operations, establish a healthier and sounder financial position and make continued contributions to revitalizing the regional economy through its stable financial functions.

Outline of accounting treatment:
The merger falls under the category of a transaction under common control stipulated by “Accounting Standard for Business Combinations” (ASBJ Statement No. 21, December 26, 2008) and “Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures” (ASBJ Guidance No. 10, December 26, 2008).

26. Segment information

(a) General information about reportable segments

The Group’s reportable segment is defined as an operating segment for which discrete financial information is available and examined by the Board of Directors and executive committee which is the supreme consultative organization for the director and president regularly in order to make decisions about resources to be allocated and assess performance. The Group engages mainly in the banking business, and financial information is controlled based on figures provided by the Bank, which operates the banking business. So, the Group defines banking business as a reportable segment.

(b) Basis of measurement for reportable segment profit and loss, segment assets, segment liabilities and other material items

The accounting methods for the reportable segments are the same as those used for the preparation for the consolidated financial statements. Profits for reportable segments are ordinary profit. Ordinary profit is profit derived from regular business activities, including wages, dividends and interest. Profits and transfer sums of intersegment transactions within the Group are based on market prices.

(c) Information about reportable segment profit or loss, segment assets, segment liabilities and other items

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

	Millions of yen				
	2014				
	Banking business	Other business	Total	Reconciliation	Consolidated
Ordinary income:					
Outside customers	¥ **68,150**	¥ **8,195**	¥ **76,346**	¥ **-**	¥ **76,346**
Intersegment	**374**	**3,136**	**3,511**	**(3,511)**	**-**
Total	**68,525**	**11,332**	**79,858**	**(3,511)**	**76,346**
Segment profit	**14,094**	**1,005**	**15,100**	**(202)**	**14,897**
Segment assets	**4,056,384**	**28,734**	**4,085,119**	**(26,519)**	**4,058,599**
Segment liabilities	**3,880,278**	**19,317**	**3,899,596**	**(23,901)**	**3,875,694**
Others					
Depreciation	¥ **3,896**	¥ **340**	¥ **4,237**	¥ **-**	¥ **4,237**
Interest income	**53,238**	**177**	**53,416**	**(103)**	**53,312**
Interest expense	**4,244**	**100**	**4,344**	**(101)**	**4,242**
Gain on disposal of fixed assets	**15**	**-**	**15**	**-**	**15**
Loss on disposal of fixed assets	**22**	**1**	**24**	**-**	**24**
Impairment loss on fixed assets	**335**	**-**	**335**	**-**	**335**
Income taxes	**3,341**	**579**	**3,920**	**27**	**3,948**
Increase in tangible and intangible fixed assets	**7,477**	**577**	**8,054**	**-**	**8,054**

Notes: 1. Ordinary income represents total income less certain specific income.
2. The “Other” category incorporates operations not included in any of the reportable segments reported, including the credit assurance business, computing business, clerical work agency industry, leasing business, venture capital services, credit card services and electronic data processing related services.
3. (1) “Reconciliation” of “Intersegment” under “Ordinary income” in the amount of ¥(3,511) million represents intersegment elimination.
(2) “Reconciliation” of “Segment profit” in the amount of ¥(202) million represents intersegment elimination.
(3) “Reconciliation” of “Segment assets” in the amount of ¥(26,519) million represents intersegment elimination.
(4) “Reconciliation” of “Segment liabilities” in the amount of ¥(23,901) million represents intersegment elimination.
(5) “Reconciliation” of “Interest income” in the amount of ¥(103) million represents intersegment elimination.
(6) “Reconciliation” of “Interest expenses” in the amount of ¥(101) million represents intersegment elimination.
(7) “Reconciliation” of “Income taxes” in the amount of ¥27 million represents intersegment elimination.
4. Segment profit is reconciled to net income in the consolidated statement of income.

Segment information as of and for the fiscal year ended March 31, 2013 is as follows

	Millions of yen				
	2013				
	Banking Business	Other business	Total	Reconciliation	Consolidated
Ordinary income:					
Outside customers	¥ 79,365	¥ 5,597	¥ 84,963	¥ -	¥ 84,963
Intersegment	262	2,063	2,325	(2,325)	-
Total	79,627	7,661	87,289	(2,325)	84,963
Segment profit	27,754	1,209	28,963	(83)	28,880
Segment assets	3,919,790	22,683	3,942,474	(21,123)	3,921,351
Segment liabilities	3,746,622	16,476	3,763,098	(19,513)	3,743,585
Others					
Depreciation	¥ 3,916	¥ 198	¥ 4,114	¥ -	¥ 4,114
Interest income	56,201	178	56,380	(113)	56,266
Interest expense	5,508	113	5,621	(113)	5,508
Gain on disposal of fixed assets	2	0	2	-	2
Loss on disposal of fixed assets	57	1	59	-	59
Impairment loss on fixed assets	8	-	8	-	8
Income taxes	8,353	430	8,784	-	8,784
Increase in tangible and intangible fixed assets	2,469	320	2,790	-	2,790

Notes: 1. Ordinary income represents total income less certain specific income.
2. The "Other" category incorporates operations not included in any of the reportable segments reported, including the credit assurance business, computing business, clerical work agency industry, leasing business, venture capital services and credit card services.
3. (1) "Reconciliation" of "Intersegment" under "Ordinary income" in the amount of ¥(2,325) million represents intersegment elimination.
(2) "Reconciliation" of "Segment profit" in the amount of ¥(83) million represents intersegment elimination.
(3) "Reconciliation" of "Segment assets" in the amount of ¥(21,123) million represents intersegment elimination.
(4) "Reconciliation" of "Segment liabilities" in the amount of ¥(19,513) million represents intersegment elimination.
(5) "Reconciliation" of "Interest income" in the amount of ¥(113) million represents intersegment elimination.
(6) "Reconciliation" of "Interest expenses" in the amount of ¥(113) million represents intersegment elimination.
4. Segment profit is reconciled to net income in the consolidated statement of income.

	Thousands of U.S. dollars				
	2014				
	Banking Business	Other business	Total	Reconciliation	Consolidated
Ordinary income:					
Outside customers	$ 662,164	$ 79,624	$ 741,799	$ -	$ 741,799
Intersegment	3,633	30,470	34,113	(34,113)	-
Total	665,808	110,104	775,923	(34,113)	741,799
Segment profit	136,941	9,764	146,715	(1,962)	144,743
Segment assets	39,412,980	279,187	39,692,178	(257,666)	39,434,502
Segment liabilities	37,701,884	187,689	37,889,584	(232,228)	37,657,345
Others					
Depreciation	$ 37,854	$ 3,303	$ 41,167	$ -	$ 41,167
Interest income	517,275	1,719	519,005	(1,000)	517,994
Interest expense	41,235	971	42,207	(981)	41,216
Gain on disposal of fixed assets	145	-	145	-	145
Loss on disposal of fixed assets	213	9	233	-	233
Impairment loss on fixed assets	3,254	-	3,254	-	3,254
Income taxes	32,462	5,625	38,087	262	38,359
Increase in tangible and intangible fixed assets	72,648	5,606	78,254	-	78,254

Notes:
1. Ordinary income represents total income less certain specific income.
2. The “Other” category incorporates operations not included in any of the reportable segments reported, including the credit assurance business, computing business, clerical work agency industry, leasing business, venture capital services, credit card services and electronic data processing related services.
3. (1) “Reconciliation” of “Intersegment” under “Ordinary income” in the amount of $(34,113) million represents intersegment elimination.
(2) “Reconciliation” of “Segment profit” in the amount of $(1,962) million represents intersegment elimination.
(3) “Reconciliation” of “Segment assets” in the amount of $(257,666) million represents intersegment elimination.
(4) “Reconciliation” of “Segment liabilities” in the amount of $(232,228) million represents intersegment elimination.
(5) “Reconciliation” of “Interest income” in the amount of $(1,000) million represents intersegment elimination.
(6) “Reconciliation” of “Interest expenses” in the amount of $(981) million represents intersegment elimination.
(7) “Reconciliation” of “Income taxes” in the amount of $262 million represents intersegment elimination.
4. Segment profit is reconciled to net income in the consolidated statement of income.

(d) Information about services

	Millions of yen							
	2014							
		Loan services		Securities investment		Other		Total
Ordinary income:								
Outside customers	**¥**	**42,469**	**¥**	**15,230**	**¥**	**18,646**	**¥**	**76,346**

	Millions of yen							
	2013							
		Loan services		Securities investment		Other		Total
Ordinary income:								
Outside customers	¥	45,146	¥	23,913	¥	15,903	¥	84,963

	Thousands of U.S. dollars							
	2014							
		Loan services		Securities investment		Other		Total
Ordinary income:								
Outside customers	**$**	**412,640**	**$**	**147,979**	**$**	**181,169**	**$**	**741,799**

Note: Ordinary income represents total income less certain specific income.

(e) Information about geographic areas
The information is not required to be disclosed because the amounts of ordinary income and tangible fixed assets in Japan exceeded 90% of the respective total amount for all segments.

(f) Information about major customers
The information is not required to be disclosed because ordinary income from any particular outside customer represented less than 10% of consolidated ordinary income.

(g) Segment information for impairment loss on fixed assets by reportable segment

	Millions of yen		
	2014		
	Banking business	Other business	Total
Impairment loss on fixed assets	¥ 335	¥ -	¥ 335

	Millions of yen		
	2013		
	Banking business	Other business	Total
Impairment loss on fixed assets	¥ 8	¥ -	¥ 8

	Thousands of U.S. dollars		
	2014		
	Banking business	Other business	Total
Impairment loss on fixed assets	$ 3,254	$ -	$ 3,254

(h) Segment information on amortization and unamortized portion of goodwill by reportable segment

	Millions of yen		
	2014		
	Banking business	Other business	Total
Amortization for the year	¥ 1,679	¥ -	¥ 1,679
Unamortized portion	3,079	-	3,079

There was no applicable information for the year ended March 31, 2013.

	Thousands of U.S. dollars		
	2014		
	Banking business	Other business	Total
Amortization for the year	$ 16,313	$ -	$ 16,313
Unamortized portion	29,916	-	29,916

27. Related party transactions

Significant transactions with the directors of the Bank or major shareholders for the years ended March 31, 2014 and 2013 were as follows:

Year ended March 31, 2014

Type	Name:	Occupation	Ownership	Relationship	Transactions	Transaction amount (millions of yen)	Account	Outstanding balance (millions of yen)
*1	Hiroshi Nishi (Note 2)	Real estate leasing	0.01%, directly	Loans	Loan (Note 1)	**¥ -**	Loans and bills discounted	**¥ 37**
*2	Akira Danbooru Kogyo Co., Ltd. (Notes 3, 4)	Production of cardboard boxes	0.05% directly	Loans	Loan (Note 1) Repayment of loan Redemption of private bonds	**80** **60** **50**	Loans and bills discounted Securities	**75** **-**

*1 A director of the Bank or his or her relative
*2 A company in which a director or his or her relative owns a majority interest.

Notes:
1. The terms and conditions of the transactions were the same as those applied to general parties with which the Bank enters into ordinary transactions.
2. Mr. Hiroshi Nishi is a relative of Mr. Minoru Masuo, external statutory auditor of the Bank.
3. A relative of Mr. Yasuhiko Akira, executive officer of the Bank, owns a majority of voting rights of this company.
4. The Bank took out a revolving mortgage on its real estate to secure the loans.

Year ended March 31, 2013

Type	Name:	Occupation	Ownership	Relationship	Transactions	Transaction amount (millions of yen)	Account	Outstanding balance (millions of yen)
*1	Masahiro Ueno (Notes 2, 5, 7)	Office worker	-	Loans	Loan (Note 1)	¥ -	Loans and bills discounted	¥ 17
*1	Hiroshi Nishi (Note 3)	Real estate leasing	-	Loans	Loan (Note 1)	-	Loans and bills discounted	33
*2	Akira Danbooru Kogyo Co., Ltd. (Notes 4, 6, 8)	Production of cardboard boxes	-	Loans	Loan (Note 1) Repayment of loan Subscription to private bonds (Note 1)	15 43 -	Loans and bills discounted Securities	56 50

*1 A director of the Bank or his or her relative
*2 A company in which a director or his or her relative owns a majority interest.

Notes:
1. The terms and conditions of the transactions were the same as those applied to general parties with which the Bank enters into ordinary transactions.
2. Mr. Masahiro Ueno is a relative of Mr. Takashi Ueno, former director of the Bank.
3. Mr. Hiroshi Nishi is a relative of Mr. Minoru Masuo, external statutory auditor of the Bank.
4. A relative of Mr. Yasuhiko Akira, executive officer of the Bank, owns a majority of voting rights of this company.
5. The Bank's consolidated subsidiary took out a revolving mortgage on its real estate to secure the loans.
6. The Bank took out a revolving mortgage on its real estate to secure the loans.
7. The outstanding balance as of June 28, 2012, when Mr. Takashi Ueno retired from a director of the Bank on that day, is shown.
8. Mr. Yasuhiko Akira, executive officer of the Bank, assumed office as an executive officer of the Bank on June 28, 2012 and fell under the definition of "Related party." Accordingly, the transactions with Akira Danbooru Kogyo Co., Ltd. are regarded as that of transactions with a related party.

Year ended March 31, 2014

Type	Name:	Occupation	Ownership	Relationship	Transactions	Transaction amount (thousands of U.S. dollars)	Account	Outstanding balance (thousands of U.S. dollars)
*1	Hiroshi Nishi (Note 2)	Real estate leasing	0.01%, directly	Loans	Loan (Note 1)	**$ -**	Loans and bills discounted	**$ 359**
*2	Akira Danbooru Kogyo Co., Ltd. (Notes 3, 4)	Production of cardboard boxes	0.05% directly	Loans	Loan (Note 1) Repayment of loan Redemption of private bonds	**777** **582** **485**	Loans and bills discounted Securities	**728** —

Information about parent company or significant affiliates

(1) Parent company

Year ended March 31, 2014

The Bank, as the surviving company, executed an absorption-type merger with Kiyo Holdings as the absorbed company. Accordingly, Kiyo Holdings has ceased to be a parent of the Bank. There is no other information about the parent.

Year ended March 31, 2013

Kiyo Holdings (listed on the Tokyo Stock Exchange)

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28. Subsequent events

There are no significant subsequent events to be noted.