Notes to Consolidated Financial Statements

The Kiyo Bank, Ltd. and its consolidated subsidiaries
Years ended March 31, 2015 and 2014

1. Basis of presenting consolidated financial statements

The Kiyo Bank, Ltd. (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, 2015, which was ¥120.17 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 years ended March 31, 2015 and 2014. 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.

(Unconsolidated company)
There is one unconsolidated company. The company is excluded from the scope of consolidation because the results of the company’s operations have 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 the results of the company’s operations have 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 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 on Japanese government bonds held by the Bank, 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 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.

(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 rules for self-assessment, 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, 2015 and 2014, the deducted amounts were ¥30,214 million ($251,427 thousand) and ¥34,702 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 benefit formula basis (straight-line basis in 2014).

Past service cost is fully charged to income when incurred.

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.

(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. For 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, the theoretical value of the 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 in accordance with stipulations stated in the "Guidance on Accounting Standard for Lease Transactions" (ASBJ Guidance No.16, issued on March 30, 2007).

(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

(Adoption of "Accounting Standard for Retirement Benefits," etc.)
Effective from the year ended March 31, 2015, the Bank applied the provisions stated in Paragraph 35 of "Accounting Standard for Retirement Benefits," issued by the Accounting Standards Board of Japan ("ASBJ") (ASBJ Statement No. 26, revised on May 17, 2012) and Paragraph 67 of "Implementation Guidance on Accounting Standard for Retirement Benefits" (ASBJ Guidance No. 25, revised on March 26, 2015). In accordance with this adoption, the Bank reviewed the calculation method for retirement benefit obligations and service costs, changed the method of attributing expected retirement benefits to periods from a straight-line basis to a benefit formula basis and also changed the determination method of discount rates from the method based on number of years approximate to the employees' average remaining service years in regard to the period of bonds which is a base for determining the discount rate to the method using multiple discount rates established by the estimated period of payment of retirement benefits.

In accordance with Paragraph 37 of ASBJ Statement No. 26, the Bank reflected the effects from the changes in the calculation method for retirement benefit obligations and service costs in retained earnings at the beginning of the year ended March 31, 2015.

As a result, deferred tax assets increased by ¥303 million ($2,521 thousand) and net defined benefit asset and retained earnings decreased by ¥858 million ($7,139 thousand) and ¥555 million ($4,618 thousand), respectively, at the beginning of the year ended March 31, 2015. In addition, income before income taxes and minority interests increased by ¥193 million ($1,606 thousand).

The effect on per share information is described in Note 20.

(Adoption of "Practical Solution on Transactions of Delivering the Company's Own Stock to Employees etc. through Trusts")
Effective from the year ended March 31, 2015, the Bank has applied "Practical Solution on Transactions of Delivering the Company's Own Stock to Employees etc. through Trusts" (Practical Issue Task Force ("PITF") No. 30, issued by the ASBJ on March 26, 2015).

The Bank applies the conventional accounting treatment in accordance with the transitional treatment stated in Paragraph 20 of the PITF No. 30 and, therefore, the adoption of PITF No. 30 has had no effect on the consolidated financial statements.

(q) Changes in Presentation Method

In connection with the revision of "Implementation Guidance on Accounting Standard for Retirement Benefits" (ASBJ Guidance No. 25, revised on March 26, 2015), the Bank changed the presentation method for the notes to retirement benefits under a multi-employer system and reclassified the consolidated financial statements for the year ended March 31, 2014 accordingly.

The details of the reclassification of the consolidated financial statements and the amounts corresponding to the main items during the previous year are described in the related notes.

(r) Additional Information

The Bank has introduced an incentive plan called "Trust-Type Employee Stock Incentive Plan" to improve business performances by granting incentives to the Group employees for enhancement of medium and long-term corporate value and to enhance the employees' awareness of participation in management.

(1) Overview of transactions

This incentive plan is applied to all employees participating in Kiyo Financial Group Employee Stock Ownership Association (the "Association").

The Bank has established "Kiyo Financial Group Employee Stock Ownership Association Trust" (hereinafter referred to as the "Trust"). The Trust has acquired in advance the Bank's shares approximate to the number of shares the Association may acquire over the next five years. Subsequently, the Bank's shares will be regularly transferred from the Trust to the Association at market value. When the amounts corresponding to gains on sales of shares are accumulated within the Trust at the termination of the Trust, amounts corresponding to gains on sales of shares will be distributed to the qualified employees who satisfy the requirements as a beneficiary.

In addition, the Bank will assume the obligation to pay the remaining loan balances pursuant to the guarantee agreement since the Bank guarantees the loans for the Trust in purchasing the Bank's shares. As such, when the amounts corresponding to losses on sales of shares due to a decline in the Bank's share value are accumulated in the Trust and such loan balances corresponding to losses on sales of shares are remaining within the Trust upon termination of the Trust, the Bank will repay the remaining balance.

The loans of the Trust have been paid off in the year ended March 31, 2015 and performance of the Bank's guarantee obligation has not arisen.

(2) The Bank applied "Practical Solution on Transactions of Delivering the Company's Own Stock to Employees etc. through Trusts" (PITF No. 30, issued by the ASBJ on March 26, 2015). However, the Bank has applied the conventional accounting treatment in regard to this case.

(3) Matters concerning the Bank's shares owned by the Trust
   a. Carrying amount at the Trust
      Nil at March 31, 2015
      ¥181 million at March 31, 2014
   b. The Bank's shares owned by the Trust are recorded as "Treasury stock" under "Shareholders' equity."
   c. Number of shares at the fiscal year end and average number of shares during the fiscal year
      Number of shares at March 31, 2015: Nil
      Average number of shares during the year ended March 31, 2015: 51 thousand shares
   d. The number of shares at the year end and average number of shares during the year are included in treasury stock to be deducted in computing per share information.

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, 2015 and 2014 was as follows:

	Millions of yen		Thousands of U.S. dollars
	2015	2014	**2015**
Cash and due from banks	**¥ 253,855**	¥ 237,227	**$ 2,112,465**
Less: Time deposits included in due from banks	—	—	—
Cash and cash equivalents at the end of year	**¥ 253,855**	¥ 237,227	**$ 2,112,465**

4. Trading account securities and other securities

Net valuation gains and losses from trading account securities for the years ended March 31, 2015 and 2014 amounted to ¥(0) million ($(0) thousand) and ¥(0) million, respectively.

Investments in an unconsolidated subsidiary and an affiliate in the amounts of ¥73 million ($607 thousand) and ¥104 million are included in "Securities" as of March 31, 2015 and 2014, respectively.

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, 2015 and 2014 were as follows:

(a) Held-to-maturity debt securities

	Millions of yen		
	2015		
Type	Carrying amount	Fair value	Difference
Held-to-maturity securities whose fair value exceeds the carrying amount:			
Bonds			
Japanese government bonds	¥ **42,630**	¥ **42,850**	¥ **219**
Other			
Foreign bonds	**1,201**	**1,215**	**13**
Subtotal	¥ **43,832**	¥ **44,065**	¥ **233**
Held-to-maturity securities whose fair value does not exceed the carrying amount:			
Bonds			
Japanese government bonds	¥ **89,837**	¥ **89,478**	¥ **(358)**
Total	¥ **133,669**	¥ **133,544**	¥ **(125)**

	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)

	Thousands of U.S. dollars		
	2015		
Type	Carrying amount	Fair value	Difference
Held-to-maturity securities whose fair value exceeds the carrying amount:			
Bonds			
Japanese government bonds	**$ 354,747**	**$ 356,578**	**$ 1,822**
Other			
Foreign bonds	**9,994**	**10,110**	**108**
Subtotal	**$ 364,749**	**$ 366,688**	**$ 1,938**
Held-to-maturity securities whose fair value does not exceed the carrying amount:			
Bonds			
Japanese government bonds	**$ 747,582**	**$ 744,595**	**$ (2,979)**
Total	**$ 1,112,332**	**$ 1,111,292**	**$ (1,040)**

(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		
	2015		
Type	Carrying amount	Acquisition cost	Difference
Available-for-sale securities whose carrying amount exceeds acquisition cost:			
Stocks	¥ **58,947**	¥ **34,564**	¥ **24,382**
Bonds	**664,183**	**652,217**	**11,965**
Japanese government bonds	**328,924**	**323,191**	**5,732**
Local government bonds	**134,734**	**131,571**	**3,162**
Corporate bonds	**200,525**	**197,454**	**3,070**
Other	**314,182**	**294,719**	**19,462**
Foreign bonds	**246,554**	**239,307**	**7,247**
Other	**67,627**	**55,411**	**12,215**
Subtotal	¥ **1,037,312**	¥ **981,501**	¥ **55,811**
Available-for-sale securities whose carrying amount does not exceed acquisition cost:			
Stocks	¥ **2.800**	¥ **3,360**	¥ **(559)**
Bonds	**86,913**	**87,536**	**(623)**
Japanese government bonds	**58,905**	**59,456**	**(550)**
Local government bonds	**13,013**	**13,025**	**(11)**
Corporate bonds	**14,994**	**15,055**	**(60)**
Other	**21,014**	**21,545**	**(531)**
Foreign bonds	**14,695**	**14,760**	**(65)**
Other	**6,318**	**6,784**	**(465)**
Subtotal	¥ **110,728**	¥ **112,442**	¥ **(1,713)**
Total	¥ **1,148,041**	¥ **1,093,943**	¥ **54,097**

	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

Type	Thousands of U.S. dollars					
	2015					
	Carrying amount		Acquisition cost		Difference	
Available-for-sale securities whose carrying amount exceeds acquisition cost:						
Stocks	$	**490,530**	$	**287,625**	$	**202,895**
Bonds		**5,527,028**		**5,427,452**		**99,567**
Japanese government bonds		**2,737,155**		**2,689,448**		**47,699**
Local government bonds		**1,121,194**		**1,094,873**		**26,312**
Corporate bonds		**1,668,677**		**1,643,122**		**25,547**
Other		**2,614,479**		**2,452,517**		**161,953**
Foreign bonds		**2,051,710**		**1,991,403**		**60,306**
Other		**562,761**		**461,105**		**101,647**
Subtotal	$	**8,632,037**	$	**8,167,604**	$	**464,433**
Available-for-sale securities whose carrying amount does not exceed acquisition cost:						
Stocks	$	**23,300**	$	**27,960**	$	**(4,651)**
Bonds		**723,250**		**728,434**		**(5,184)**
Japanese government bonds		**490,180**		**494,765**		**(4,576)**
Local government bonds		**108,288**		**108,388**		**(91)**
Corporate bonds		**124,773**		**125,280**		**(499)**
Other		**174,868**		**179,287**		**(4,418)**
Foreign bonds		**122,285**		**122,825**		**(540)**
Other		**52,575**		**56,453**		**(3,869)**
Subtotal	$	**921,427**	$	**935,691**	$	**(14,254)**
Total	$	**9,553,474**	$	**9,103,295**	$	**450,170**

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, 2015 was nil. The impairment loss for the year ended March 31, 2014 was ¥44 million in stocks.

The fair value of securities 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 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 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, 2015 and 2014.

(d) Total sales of available-for-sale securities in the years ended March 31, 2015 and 2014 amounted to ¥154,837 million ($1,288,482 thousand) and ¥209,544 million, respectively. The related gains and losses for the year ended March 31, 2015 amounted to ¥1,596 million ($13,281 thousand) and ¥748 million ($6,224 thousand), respectively. The related gains and losses for the year ended March 31, 2014 amounted to ¥3,607 million and ¥1,614 million, respectively.

(e) Net unrealized gains on available-for-sale securities as of March 31, 2015 and 2014 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2015	2014	**2015**
Difference between acquisition cost and fair value:			
Available-for-sale securities	¥ **57,194**	¥ 31,431	$ **475,942**
Deferred tax liabilities	**(16,337)**	(10,065)	**(135,949)**
Difference between acquisition cost and fair value (prior to adjustment for minority interests)	**40,857**	21,365	**339,993**
Amount corresponding to minority interests	**(166)**	(82)	**(1,381)**
Net unrealized gains on available-for-sale securities	¥ **40,691**	¥ 21,283	$ **338,611**

5. Loans and bills discounted

Loans and bills discounted at March 31, 2015 and 2014 included the following:

	Millions of yen		Thousands of U.S. dollars
	2015	2014	**2015**
Loans to borrowers legally bankrupt	¥ **1,852**	¥ 2,360	$ **15,411**
Other delinquent loans	**74,622**	74,584	**620,970**
Loans past due over 3 months	**-**	47	**-**
Restructured loans	**12,248**	14,928	**101,922**
Total	¥ **88,723**	¥ 91,920	$ **738,312**

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 ¥25,308 million ($210,601 thousand) and ¥26,567 million at March 31, 2015 and 2014, respectively.

6. Tangible fixed assets

Accumulated depreciation for tangible fixed assets at March 31, 2015 and 2014 was ¥45,559 million ($379,121 thousand) and ¥45,696 million, respectively. The amount of accumulated contributions deducted from the acquisition cost of tangible fixed assets was ¥4,313 million ($35,890 thousand) and ¥4,334 million at March 31, 2015 and 2014, respectively.

7. Assets pledged as collateral

Assets pledged as collateral at March 31, 2015 and 2014 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2015	2014	**2015**
Securities	¥ **236,368**	¥ 197,618	$ **1,966,946**
Other assets	**286**	292	**2,379**
Total	¥ **236,654**	¥ 197,911	$ **1,969,326**

The above pledged assets secured the following liabilities:

	Millions of yen		Thousands of U.S. dollars
	2015	2014	**2015**
Deposits	¥ **27,212**	¥ 11,904	$ **226,445**
Payables under securities lending transactions	**116,614**	84,035	**970,408**
Borrowed money	**24,864**	-	**206,906**
Total	¥ **168,691**	¥ 95,940	$ **1,403,769**

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, 2015 and 2014 were ¥27,821 million ($231,513 thousand) and ¥28,041 million, respectively. Other assets included guarantee and leasehold deposits of ¥1,310 million ($10,901 thousand) and ¥1,297 million at March 31, 2015 and 2014, respectively.

8. Deposits

Deposits at March 31, 2015and 2014 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2015	2014	**2015**
Liquid deposits	¥ **1,727,736**	¥ 1,667,602	$ **14,377,431**
Fixed-term deposits	**1,897,368**	1,823,099	**15,789,032**
Other deposits	**101,816**	91,767	**847,266**
Negotiable certificates of deposit	**98,307**	100,559	**818,066**
Total	¥ **3,825,228**	¥ 3,683,027	$ **31,831,804**

9. Borrowed money

The weighted average interest rate on the term-end balance of borrowed money was 0.52%. Borrowed money consisted of loans from other financial institutions. As of March 31, 2015 and 2014, subordinated loans in the amount of ¥14,000 million ($116,501 thousand) and ¥26,000 million were included in borrowed money, respectively. Annual maturities of borrowed money and lease obligations as of March 31, 2015 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
2016	¥ **26,029**	$ **216,601**	¥ **12**	$ **99**
2017	**133**	**1,106**	**12**	**99**
2018	**95**	**790**	**12**	**99**
2019	**58**	**482**	**10**	**83**
2020	**20**	**166**	**5**	**41**
2021 and thereafter	**13,000**	**108,180**	**2**	**16**
Total	¥ **39,337**	$ **327,344**	¥ **55**	$ **457**

10. Bonds

As of March 31, 2015, 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**	$ **58,250**
September 2011	September 2021	2.21%	**3,000**	**24,964**
December 2013	December 2023	0.74%	**10,000**	**83,215**
Total	-	-	¥ **20,000**	$ **166,430**

11. Employees' severance and retirement benefits

(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 years ended March 31, 2015 and 2014 were as follows:

	Millions of yen				Thousands of U.S. dollars	
		2015		2014		**2015**
Balance at beginning of year	**¥**	**26,489**	¥	26,747	**$**	**220,429**
Cumulative effects of accounting changes		**858**		-		**7,139**
Restated balance		**27,347**		26,747		**227,569**
Service cost		**820**		957		**6,823**
Interest cost		**311**		374		**2,588**
Actuarial differences		**832**		4		**6,923**
Benefits paid		**(1,279)**		(1,594)		**(10,643)**
Past service cost		**271**		-		**2,255**
Balance at end of year	**¥**	**28,303**	¥	26,489	**$**	**235,524**

2. The changes in plan assets for the years ended March 31, 2015 and 2014 were as follows:

	Millions of yen				Thousands of U.S. dollars	
		2015		2014		**2015**
Balance at beginning of year	**¥**	**38,641**	¥	35,401	**$**	**321,552**
Expected return on plan assets		**389**		426		**3,237**
Actuarial differences		**9,551**		3,691		**79,479**
Benefits paid		**(1,175)**		(877)		**(9,777)**
Balance at end of year	**¥**	**47,406**	¥	38,641	**$**	**394,491**

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
	2015	2014	**2015**
Funded benefit obligation	**¥ 28,275**	¥ 26,459	**$ 235,291**
Plan assets	**(47,406)**	(38,641)	**(394,491)**
	(19,130)	(12,182)	**(159,191)**
Unfunded benefit obligation	**27**	30	**224**
Net liability (asset)	**¥ (19,103)**	¥ (12,152)	**$ (158,966)**

	Millions of yen		Thousands of U.S. dollars
	2015	2014	**2015**
Net defined benefit liability	**¥ 27**	¥ 30	**$ 224**
Net defined benefit asset	**(19,130)**	(12,182)	**(159,191)**
Net liability (asset)	**¥ (19,103)**	¥ (12,152)	**$ (158,966)**

4. The components of severance and retirement benefit expenses for the years ended March 31, 2015 and 2014 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2015	2014	**2015**
Service cost	**¥ 820**	¥ 957	**$ 6,823**
Interest cost	**311**	374	**2,588**
Expected return on plan assets	**(389)**	(426)	**(3,237)**
Recognized actuarial differences	**(1,193)**	(464)	**(9,927)**
Recognized past service cost	**271**	-	**2,255**
Other	**37**	22	**307**
Severance and retirement benefit expenses	**¥ (141)**	¥ 463	**$(1,173)**

5. The components of adjustments for retirement benefits (before tax effect) for the years ended March 31, 2015 and 2014

	Millions of yen		Thousands of U.S. dollars
	2015	2014	**2015**
Actuarial differences	**¥ 7,525**	**¥ -**	**$ 62,619**
Total	**¥ 7,525**	**¥ -**	**$ 62,619**

6. The components of accumulated adjustments for retirement benefits (before tax effect) as of March 31, 2015 and 2014

	Millions of yen		Thousands of U.S. dollars
	2015	2014	**2015**
Unrecognized actuarial differences	**¥ 13,643**	¥ 6,117	**$ 113,530**
Total	**¥ 13,643**	¥ 6,117	**$ 113,530**

7. Plan assets

(1) Components of plan assets as of March 31, 2015 and 2014
Plan assets consisted of the followings:

	2015	2014
Stocks	**58%**	55%
Bonds	**19%**	36%
Call loan	**7%**	1%
Cash and deposits	**6%**	2%
General account	**6%**	4%
Other	**4%**	2%
Total	**100%**	100%

Note: Total plan assets include the assets of the retirement benefit trust established for corporate pension plans and lump-sum severance payment plans representing 68% and 75% of total assets as of March 31, 2015 and 2014, respectively.

(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 with consideration for the allocation of plan assets 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.

8. Assumptions used for the years ended March 31, 2015 and 2014 were set forth as follows:

	2015	2014
Discount rate	**1.1%**	1.4%
Long-term expected rate of return on plan assets	**1.0%**	1.2%
Expected rate of salary increase	**4.2%**	4.5%

(c) Defined contribution plans

The required contribution to the defined contribution plans of the consolidated subsidiaries was ¥53 million ($441 thousand) and ¥52 million for the years ended March 31, 2015 and 2014, respectively.

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

	Millions of yen		Thousands of U.S. dollars
	2015*	2014**	**2015***
Amount of plan assets	**¥ 636,261**	¥ 553,988	**$ 5,294,674**
Total amount of actuarial obligations for pension financing calculation purposes and the minimum actuarial reserve	**648,005**	581,269	**5,392,402**
Net amount	**¥ (11,744)**	¥ (27,280)	**$ (97,728)**

Notes: 1. The above "Total amount of actuarial obligations for pension financing calculation purposes and the minimum actuarial reserve" was presented as "Amount of benefit obligations for pension financing calculation purposes" as of March 31, 2014.
2. Latest funding status as of March 31, 2015 is based on the information available as of March 31, 2014.
3. Latest funding status as of March 31, 2014 is based on the information available as of March 31, 2013.

(2) Share of contribution of pension premiums of the Group against the whole plan for the years ended March 31, 2015 and 2014 (based on the information for the periods from March 1, 2014 through March 31, 2014 and 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 in the amount of ¥113 million ($940 thousand) and ¥148 million and deficit brought forward of ¥11,630

million ($96,779 thousand) and ¥27,132 million as of March 31, 2015 (based on information as of March 31, 2014) and 2014 (based on information as of March 31, 2013), respectively.

12. Guarantee obligations for bonds

Guarantee obligations for privately placed bonds (Article 2, Clause 3 of the Financial Instruments and Exchange Law) stood at ¥11,740 million ($97,694 thousand) and ¥13,551 million as of March 31, 2015 and 2014, respectively.

13. Shareholders’ equity

(a) Capital stock

The number of shares of the Bank’s capital stock as of March 31, 2015 and 2014 was as follows:

	Thousands of shares	
	2015	2014
Authorized:		
Common	**120,000**	120,000
Total	**120,000**	120,000

(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, 2015 and 2014, the number of shares was as follows:

	Thousands of shares			
	2014	Increase	Decrease	**2015**
Shares issued:				
Common	73,399	-	-	**73,399**
Total	73,399	-	-	**73,399**
Treasury stock:				
Common (*1 and *2)	962	734	157	**1,539**
Total	962	734	157	**1,539**

(*1) The number of shares of treasury stock at April 1, 2014 includes 157 thousand shares of the Bank held by the Trust.

(*2) The increase in the number of common shares in treasury was due to the acquisition based on the resolution at the Board of Directors' meeting (731 thousand shares) and the purchase of shares of less than one unit (3 thousand shares). The decrease in the number of common shares in treasury was due to requests for additional purchases of shares of less than one unit (0 thousand shares) and the sales by "Trust Exclusive for Employees Stock Ownership Group" of common shares (157 thousand shares).

	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), the acquisition based on the resolution at the Board of Directors' meeting (800 thousand shares) and purchases of shares of less than one unit (3 thousand shares). The decrease in the number of common shares in treasury was due to a cancellation of treasury stock (669,595 thousand shares), requests for the additional purchases of shares of 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 shares of preferred treasury stock (Second series) was due to the merger with Kiyo Holdings, and the decrease was due to a 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 a cancellation of the treasury shares acquired.

(b) Information on dividends

Dividends paid during the year ended March 31, 2015 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**	**$18,116**	**$0.24**

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.
4. The amount of dividends resolved by the ordinary general meeting of shareholders held on June 27, 2014 included dividends in an amount of ¥4 million ($33 thousand) related to the Bank's shares held by the Trust.

Dividends applicable to the year ended March 31, 2015 and whose effective date (i.e. initial payment date) falls after March 31, 2015 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	**¥ 2,515**	**¥ 35.00**	**$20,928**	**$0.29**

Notes: 1. Date of resolution of the ordinary general meeting of shareholders was June 26, 2015.
2. Record date for all types of shares was March 31, 2015.
3. Effective date for all types of shares was June 29, 2015.

Dividends paid during the year ended March 31, 2014 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.

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
	Amount of dividends	Cash dividends per share
Common	¥ 2,177	¥ 30.00

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.

15. Other income

Other income included the recovery of written-off claims in the amount of ¥1,704 million ($14,179 thousand) and ¥1,436 million for the years ended March 31, 2015 and 2014, respectively.

16. Other expenses

Other expenses for the years ended March 31, 2015 and 2014 included the following:

	Millions of yen		Thousands of U.S. dollars
	2015	2014	**2015**
Loss on the loans written-off	¥ **2,869**	¥ 3,678	**$23,874**
Loss on the devaluation of stocks	**47**	53	**391**
Loss on the transfer/sale of loan obligations	**160**	70	**1,331**
Loss on debt forgiveness	**-**	67	**-**
Impairment loss on fixed assets	**90**	335	**748**

Impairment loss on fixed assets

The Bank reduced the book value to the amounts deemed recoverable and posted the reduced amount of ¥90 million ($748 thousand) and ¥335 million for the years ended March 31, 2015 and 2014, respectively. Details are as follows:

			Impairment loss on fixed assets	
			Millions of yen	Thousands of U.S. dollars
Location	Major use	Asset category	**2015**	**2015**
Wakayama Prefecture	Operating offices	Land and buildings	¥ **50**	$ **416**
Wakayama Prefecture	Idle assets	Land and buildings	**28**	**233**
Osaka Prefecture	Idle assets	Land	**12**	**99**
Total	-	-	¥ **90**	**$748**

			Impairment loss on fixed assets
			Millions of yen
Location	Major use	Asset category	2014
Wakayama Prefecture	Idle assets	Land	¥ 4
Wakayama Prefecture	Operating assets	Movables	48
Osaka Prefecture	Idle assets	Land, buildings and movables	282
Total	-	-	¥ 335

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 35.3% and 37.7% for the years ended March 31, 2015 and 2014, respectively. 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, 2015 and 2014.

	2015	2014
Statutory tax rate	**35.3%**	37.7%
Adjustments:		
Change in valuation allowance	**(20.1)**	(16.1)
Amortization of goodwill	**3.9**	4.3
Reduction of deferred tax assets due to tax rate changes	**6.3**	2.7
Dividend income that is not taxable for income tax purposes	**(2.0)**	(1.5)
Other	**0.7**	0.0
Effective income tax rate	**24.1%**	27.1%

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

	Millions of yen		Thousands of U.S. dollars
	2015	2014	**2015**
Deferred tax assets:			
Nondeductible reserve for possible loan losses	**¥ 15,849**	¥ 18,956	**$131,888**
Write-down of securities	**3,787**	6,060	**31,513**
Net defined benefit liability	**-**	3,266	**-**
Operating loss carryforwards	**48**	91	**399**
Other	**4,912**	5,332	**40,875**
Subtotal	**24,598**	33,707	**204,693**
Valuation allowance	**(15,853)**	(20,512)	**(131,921)**
Deferred tax assets	**8,745**	13,194	**72,771**
Deferred tax liabilities:			
Net unrealized gains on available-for-sale securities	**(16,342)**	(10,070)	**(135,990)**
Net defined benefit asset	**(761)**	-	**(6,332)**
Gain on retirement benefit trust	**(607)**	(670)	**(5,051)**
Other	**(989)**	(1,156)	**(8,230)**
Deferred tax liabilities	**(18,700)**	(11,897)	**(155,612)**
Net deferred tax assets	**¥ (9,954)**	¥ 1,297	**$(82,832)**

Net amounts recorded in the consolidated balance sheets after offsetting by each taxable entity at March 31, 2015 and 2014 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2015	2014	**2015**
Deferred tax assets	**¥ 1,026**	¥ 1,297	**$8,537**
Deferred tax liabilities	**10,981**	-	**91,378**

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

On March 31, 2015, "Partial Amendments to Income Tax Act, etc." (Act No. 9 of 2015) and "Partial Amendments to Local Tax Act, etc." (Act No. 2 of 2015) were proclaimed and the corporate income tax rates have been reduced accordingly. In accordance with this change, the statutory tax rates to be used in computing deferred tax assets and liabilities have been reduced from 35.3% to 32.8% for the temporary differences estimated to be settled in the fiscal year beginning on April 1, 2015 and to 32.0% for the temporary differences estimated to be settled in the fiscal years beginning on and after April 1, 2016. As a result, deferred tax assets, deferred tax liabilities and net deferred gains (losses) on hedging instruments decreased by ¥85 million ($707 thousand), ¥1,233 million ($10,260 thousand) and ¥19 million ($158 thousand), respectively, and net unrealized gains on available-for-sale securities, accumulated adjustments for retirement benefits and income taxes – deferred increased by ¥1,675 million ($13,938 thousand), ¥442 million ($3,678 thousand) and ¥955 million ($7,947 thousand), respectively.

18. Other comprehensive income (loss)

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

	Millions of yen		Thousands of U.S. dollars
	2015	2014	**2015**
Net unrealized gains (losses) on available-for-sale securities:			
Increase during the year	¥ **27,308**	¥ 855	$ **227,244**
Reclassification adjustments	**(1,545)**	(2,763)	**(12,856)**
Subtotal before tax	**25,763**	(1,907)	**214,387**
Tax benefit (expense)	**(6,272)**	700	**(52,192)**
Net unrealized gains (losses) on available-for-sale securities	**19,491**	(1,207)	**162,195**
Net deferred gains (losses) on hedging instruments:			
Decrease during the year	**(649)**	(38)	**(5,400)**
Reclassification adjustments	**154**	137	**1,281**
Subtotal before tax	**(494)**	99	**(4,110)**
Tax benefit (expense)	**154**	(35)	**1,281**
Net deferred gains (losses) on hedging instruments	**(339)**	64	**(2,821)**
Adjustments for retirement benefits:			
Increase during the year	**8,719**	-	**72,555**
Reclassification adjustments	**(1,193)**	-	**(9,927)**
Subtotal before tax	**7,525**	-	**62,619**
Tax benefit (expense)	**(2,213)**	-	**(18,415)**
Adjustments for retirement benefits	**5,312**	-	**44,204**
Total other comprehensive income (loss)	¥ **24,463**	¥ (1,143)	$ **203,569**

19. Significant non-cash transactions

Year ended March 31, 2015

There was no significant non-cash transaction to report.

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 were as follows:

	Millions of yen
Assets	¥ 121,834
(of which securities)	(115,728)
Liabilities	464

(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
Assets	¥ 3,930
Liabilities	1,027

20. Per share information

	Yen		U.S. dollars
	2015	2014	**2015**
Net assets per share	**¥ 2,953.31**	¥ 2,486.14	**$ 24.576**
Net income per share (basic)	**156.55**	150.23	**1.302**
Net income per share (diluted)	**-**	-	**-**

The calculation of basic net income per share for the years ended March 31, 2015 and 2014 was as follows:

	Millions of yen		Thousands of U.S. dollars
	2015	2014	**2015**
Earnings per share:			
Net income	**¥ 11,270**	¥ 10,487	**$ 93,783**
Amount not available to common shareholders	**-**	-	**-**
Net income available to common shareholders	**11,270**	10,487	**93,783**
Average number of shares of common stock during the term (thousands)	**71,997**	69,812	-

Net income per share (diluted) is omitted since there were no potentially dilutive shares for the years ended March 31, 2015 and 2014.

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 shares of common stock of Kiyo Holdings. 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 from the year ended March 31, 2015, the Bank applied the provisions stated in Paragraph 35 of “Accounting Standard for Retirement Benefits” (ASBJ Statement No. 26, revised on May 17, 2012) and Paragraph 67 of “Guidance on Accounting Standard for Retirement Benefits” (ASBJ Guidance No. 25, revised on March 26, 2015) and followed the transitional treatments prescribed in Paragraph 37 of ASBJ Statement No. 26. As a result, net assets per share as of April 1, 2014 decreased by ¥7.67 ($0.05) and net income per share for the year ended March 31, 2015 increased by ¥1.74 ($0.01).

21. 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 the 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, 2015 and 2014 amounted to ¥373,569 million ($3,108,671 thousand) and ¥344,593 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 ¥359,319 million ($2,990,089 thousand) and ¥336,106 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.

22. 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 fluctuation in interest rates arising from deposit-taking, lending services and securities investment operations, the Group conducts comprehensive asset and liability management (ALM) and 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 the customers' nonperformance of contractual obligations and the risk of interest rate 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 entirely offset by the derivatives. Hedging instruments to which hedge accounting is applied are mainly interest rate 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 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 of fluctuation in foreign exchange rates by identifying the fluctuation risk 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, 2015 and 2014 was ¥4,087 million ($34,010 thousand) and ¥1,670 million, respectively, for interest rate risk and ¥26,026 million ($216,576 thousand) and ¥24,303 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 actual income.

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 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 of March 31, 2015 and 2014 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					
	2015					
		Carrying amount		Fair value		Unrealized gains (losses)
Cash and due from banks	¥	**253,855**	¥	**253,855**	¥	**-**
Securities:						
Held-to-maturity securities		**133,669**		**133,544**		**(125)**
Available-for-sale securities		**1,147,242**		**1,147,242**		**-**
Loans and bills discounted		**2,660,393**				
Reserve for possible loan losses (*1)		**(25,090)**				
		2,635,303		**2,647,539**		**12,236**
Total assets	¥	**4,170,070**	¥	**4,182,181**	¥	**12,111**
Deposits	¥	**3,825,228**	¥	**3,825,228**	¥	**(0)**
Payables under securities lending transactions		**116,614**		**116,614**		**-**
Bonds		**20,000**		**20,264**		**264**
Total liabilities	¥	**3,961,842**	¥	**3,962,107**	¥	**264**
Derivative transactions (*2)						
Hedge accounting not applied	¥	**(604)**	¥	**(604)**	¥	**-**
Hedge accounting applied		**(648)**		**(648)**		**-**
Total derivative transactions	¥	**(1,252)**	¥	**(1,252)**	¥	**-**

	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)	¥	-

	Thousands of U.S. dollars		
	2015		
	Carrying amount	Fair value	Unrealized gains (losses)
Cash and due from banks	**$ 2,112,465**	**$ 2,112,465**	**$ -**
Securities:			
Held-to-maturity securities	**1,112,332**	**1,111,292**	**(1,040)**
Available-for-sale securities	**9,546,825**	**9,546,825**	**-**
Loans and bills discounted	**22,138,578**		
Reserve for possible loan losses (*1)	**(208,787)**		
	21,929,791	**22,031,613**	**101,822**
Total assets	**$ 34,701,422**	**$ 34,802,205**	**$ 100,782**
Deposits	**$ 31,831,804**	**$ 31,831,804**	**$ (0)**
Payables under securities lending transactions	**970,408**	**970,408**	**-**
Bonds	**166,430**	**168,627**	**2,196**
Total liabilities	**$ 32,968,644**	**$ 32,970,849**	**$ 2,196**
Derivative transactions (*2)			
Hedge accounting not applied	**$ (5,026)**	**$ (5,026)**	**$ -**
Hedge accounting applied	**(5,392)**	**(5,392)**	**-**
Total derivative transactions	**$ (10,418)**	**$ (10,418)**	**$ -**

(*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).

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 institution 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.

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 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 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 (in 2014) 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 apply to newly borrowed money. For borrowed money with variable interest rates linked to 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 did not change 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 for 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	
	2015		2014		**2015**	
Unlisted equity securities (*1) (*2)	**¥**	**1,464**	¥	2,335	**$**	**12,182**
Investment in partnerships (*3)		**416**		480		**3,461**
Total	**¥**	**1,881**	¥	2,815	**$**	**15,652**

(*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 ¥47 million ($391 thousand) on unlisted equity securities for the year ended March 31, 2015.
(*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					
	2015					
	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	**¥ 253,855**	**¥ -**	**¥ -**	**¥ -**	**¥ -**	**¥ -**
Securities						
Held-to-maturity debt securities	**1,703**	**60,112**	**503**	**71,350**	**-**	**-**
Japanese government bonds	**502**	**60,112**	**503**	**71,350**	**-**	**-**
Other	**1,201**	**-**	**-**	**-**	**-**	**-**
Foreign bonds	**1,201**	**-**	**-**	**-**	**-**	**-**
Available-for-sale securities with contract Maturities	**93,294**	**349,428**	**211,891**	**82,242**	**163,345**	**112,144**
Japanese government bonds	**13,136**	**134,736**	**54,295**	**34,792**	**109,511**	**41,357**
Local government bonds	**16,450**	**43,238**	**66,187**	**5,788**	**6,909**	**9,172**
Corporate bonds	**33,576**	**74,524**	**37,785**	**6,151**	**4,691**	**58,790**
Other	**30,130**	**96,928**	**53,623**	**35,509**	**42,233**	**2,824**
Foreign bonds	**30,130**	**96,928**	**53,623**	**35,509**	**42,233**	**2,824**
Loans and bills discounted (*)	**630,272**	**482,941**	**364,626**	**230,041**	**299,943**	**550,884**
Total	**¥ 979,126**	**¥ 892,482**	**¥ 577,021**	**¥ 383,634**	**¥ 463,289**	**¥ 663,029**

(*) Loans and bills discounted at March 31, 2015 do not include ¥76,088 million ($633,169 thousand) of those due from bankrupt, effectively bankrupt or likely to become bankrupt borrowers whose repayment schedules cannot be estimated and ¥25,594 million ($212,981 thousand) of those which have non-defined maturities.

	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 of those due from bankrupt, effectively bankrupt or likely to become bankrupt borrowers whose repayment schedules cannot be estimated and ¥25,576 million of those which have non-defined maturities.

	Thousands of U.S. dollars					
	2015					
	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	**$ 2,112,465**	**$ -**	**$ -**	$ -	**$ -**	**$ -**
Securities						
Held-to-maturity debt securities	**14,171**	**500,224**	**4,185**	**593,742**	**-**	**-**
Japanese government bonds	**4,177**	**500,224**	**4,185**	**593,742**	**-**	**-**
Other	**9,994**	**-**	**-**	**-**	**-**	**-**
Foreign bonds	**9,994**	**-**	**-**	**-**	**-**	**-**
Available-for-sale securities with contract Maturities	**776,350**	**2,907,780**	**1,763,260**	**684,380**	**1,359,282**	**933,211**
Japanese government bonds	**109,311**	**1,121,211**	**451,818**	**289,523**	**911,300**	**344,154**
Local government bonds	**136,889**	**359,806**	**550,778**	**48,165**	**57,493**	**76,325**
Corporate bonds	**279,404**	**620,154**	**314,429**	**51,185**	**39,036**	**489,223**
Other	**250,728**	**806,590**	**446,226**	**295,489**	**351,443**	**23,500**
Foreign bonds	**250,728**	**806,590**	**446,226**	**295,489**	**351,443**	**23,500**
Loans and bills discounted (*)	**5,244,836**	**4,018,815**	**3,034,251**	**1,914,296**	**2,495,989**	**4,584,205**
Total	**$ 8,147,840**	**$ 7,426,828**	**$ 4,801,705**	**$ 3,192,427**	**$ 3,855,280**	**$ 5,517,425**

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

	Millions of yen					
	2015					
	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 (*)	**¥ 3,467,383**	**¥ 287,991**	**¥ 69,853**	**¥ -**	**¥ -**	**¥ -**
Deposits received for securities lending transactions	**116,614**	**-**	**-**	**-**	**-**	**-**
Borrowed money	**26,029**	**229**	**78**	**8,000**	**5,000**	**-**
Bonds	**-**	**-**	**-**	**10,000**	**10,000**	**-**
Total	**¥ 3,610,027**	**¥ 288,220**	**¥ 69,932**	**¥ 18,000**	**¥ 15,000**	**¥ -**

	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

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

	Thousands of U.S. dollars					
	2015					
	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 (*)	**$ 28,853,981**	**$ 2,396,529**	**$ 581,284**	**$ -**	**$ -**	**$ -**
Deposits received for securities lending transactions	**970,408**	**-**	**-**	**-**	**-**	**-**
Borrowed money	**216,601**	**1,905**	**649**	**66,572**	**41,607**	**-**
Bonds	**-**	**-**	**-**	**83,215**	**83,215**	**-**
Total	**$ 30,041,000**	**$ 2,398,435**	**$ 581,942**	**$ 149,787**	**$ 124,823**	**$ -**

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

23. 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 22, "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, 2015 and 2014 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 the derivatives themselves.

	Millions of yen							
	2015				2014			
	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	**¥ 261,599**	**¥ 247,572**	**¥ 223**	**¥ 223**	¥ 205,819	¥ 177,448	¥ 207	¥ 207
Forward foreign exchanges:								
Sell	**107,633**	**-**	**(834)**	**(834)**	70,531	-	(576)	(576)
Buy	**2,382**	**-**	**6**	**6**	351	-	1	1
Total	**-**	**-**	**¥ (604)**	**¥ (604)**	-	-	¥ (367)	¥ (367)

	Thousands of U.S. dollars			
	2015			
	Contract amount			
	Total	Over one year	Fair value	Recognized gain (loss)
Currency related:				
Currency swaps	**$ 2,176,907**	**$ 2,060,181**	**$ 1,855**	**$ 1,855**
Forward foreign exchanges:				
Sell	**895,672**	**-**	**(6,940)**	**(6,940)**
Buy	**19,821**	**-**	**49**	**49**
Total	**-**	**-**	**$ (5,026)**	**$ (5,026)**

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 the derivatives themselves.

Interest rate related:

Hedge accounting method	Type	Major hedged item	Millions of yen		
			2015		
			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**	**¥ (648)**

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	Thousands of U.S. dollars		
			2015		
			Contract amount		
			Total	Over one year	Fair value
Fundamental method	Interest rate swaps: Receivable floating rate/ Payable fixed rate	Available-for-sale securities (bonds)	**$ 249,646**	**$ 249,646**	**$ (5,392)**

Currency related:
There were no currency related derivatives at March 31, 2015 and 2014.

Stock or bond related:

There were no stock or bond related derivatives at March 31, 2015 and 2014.

24. 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 the allocation of resources 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 used for the reportable segments are the same as those used for the preparation of 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.

As noted in Note 2(p) "Accounting Changes," the Bank changed the method of computing retirement benefit obligations and service costs from the year ended March 31, 2015 and changed the method of the same concerning the reportable segments, accordingly. As a result, segment profit of the "Banking" segment was ¥193 million ($1,606 thousand) more than the amount that would have seen reported under the previous method.

(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, 2015 was as follows:

	Millions of yen				
	2015				
	Banking business	Other business	Total	Reconciliation	Consolidated
Ordinary income:					
Outside customers	¥ 65,773	¥ 8,501	¥ 74,275	¥ -	¥ 74,275
Intersegment	370	2,572	2,943	(2,943)	-
Total	66,144	11,074	77,219	(2,943)	74,275
Segment profit	13,940	1,244	15,184	70	15,255
Segment assets	4,275,547	28,337	4,303,884	(26,054)	4,277,830
Segment liabilities	4,067,976	18,053	4,086,030	(23,469)	4,062,560
Others					
Depreciation	¥ 4,557	¥ 361	¥ 4,919	¥ -	¥ 4,919
Interest income	52,563	139	52,702	(118)	52,583
Interest expense	4,044	116	4,160	(117)	4,043
Gain on disposal of fixed assets	10	-	10	-	10
Loss on disposal of fixed assets	124	1	125	-	125
Impairment loss on fixed assets	90	-	90	-	90
Income taxes	3,056	545	3,601	27	3,629
Increase in tangible and intangible fixed assets	4,475	219	4,695	-	4,695

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 ¥(2,943) million represents intersegment elimination.
(2) “Reconciliation” of “Segment profit” in the amount of ¥70 million represents intersegment elimination.
(3) “Reconciliation” of “Segment assets” in the amount of ¥(26,054) million represents intersegment elimination.
(4) “Reconciliation” of “Segment liabilities” in the amount of ¥(23,469) million represents intersegment elimination.
(5) “Reconciliation” of “Interest income” in the amount of ¥(118) million represents intersegment elimination.
(6) “Reconciliation” of “Interest expenses” in the amount of ¥(117) 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, 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.

	Thousands of U.S. dollars				
	2015				
	Banking Business	Other business	Total	Reconciliation	Consolidated
Ordinary income:					
Outside customers	$ **547,332**	$ **70,741**	$ **618,082**	$ **-**	$ **618,082**
Intersegment	**3,078**	**21,403**	**24,490**	**(24,490)**	**-**
Total	**550,420**	**92,152**	**642,581**	**(24,490)**	**618,082**
Segment profit	**116,002**	**10,352**	**126,354**	**582**	**126,945**
Segment assets	**35,579,154**	**235,807**	**35,814,962**	**(216,809)**	**35,598,152**
Segment liabilities	**33,851,843**	**150,228**	**34,002,080**	**(195,298)**	**33,806,773**
Others					
Depreciation	$ **37,921**	$ **3,004**	$ **40,933**	$ **-**	$ **40,933**
Interest income	**437,405**	**1,156**	**438,562**	**(981)**	**437,571**
Interest expense	**33,652**	**965**	**34,617**	**(973)**	**33,644**
Gain on disposal of fixed assets	**83**	**-**	**83**	**-**	**83**
Loss on disposal of fixed assets	**1,031**	**8**	**1,040**	**-**	**1,040**
Impairment loss on fixed assets	**748**	**-**	**748**	**-**	**748**
Income taxes	**25,430**	**4,535**	**29,965**	**224**	**30,198**
Increase in tangible and intangible fixed assets	**37,238**	**1,822**	**39,069**	**-**	**39,069**

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 $(24,490) thousands represents intersegment elimination.
(2) "Reconciliation" of "Segment profit" in the amount of $582 thousand represents intersegment elimination.
(3) "Reconciliation" of "Segment assets" in the amount of $(216,809) thousand represents intersegment elimination.
(4) "Reconciliation" of "Segment liabilities" in the amount of $(195,298) thousand represents intersegment elimination.
(5) "Reconciliation" of "Interest income" in the amount of $(981) thousand represents intersegment elimination.
(6) "Reconciliation" of "Interest expenses" in the amount of $(973) thousand represents intersegment elimination.
(7) "Reconciliation" of "Income taxes" in the amount of $224 thousand represents intersegment elimination.
4. Segment profit is reconciled to net income in the consolidated statement of income.

(d) Information about services

	Millions of yen			
	2015			
	Loan services	Securities investment	Other	Total
Ordinary income:				
Outside customers	**¥ 40,389**	**¥ 14,683**	**¥ 19,202**	**¥ 74,275**

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

	Thousands of U.S. dollars			
	2015			
	Loan services	Securities investment	Other	Total
Ordinary income:				
Outside customers	**$ 336,098**	**$ 122,185**	**$ 159,790**	**$ 618,082**

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		
	2015		
	Banking business	Other business	Total
Impairment loss on fixed assets	**¥ 90**	**¥ -**	**¥ 90**

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

	Thousands of U.S. dollars		
	2015		
	Banking business	Other business	Total
Impairment loss on fixed assets	**$ 748**	**$ -**	**$ 748**

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

	Millions of yen		
	2015		
	Banking business	Other business	Total
Amortization for the year	**¥ 1,679**	**¥ -**	**¥ 1,679**
Unamortized portion	**1,399**	**-**	**1,399**

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

	Thousands of U.S. dollars		
	2015		
	Banking business	Other business	Total
Amortization for the year	**$ 13,971**	**$ -**	**$ 13,971**
Unamortized portion	**11,641**	**-**	**11,641**

25. Related party transactions

Significant transactions with the directors of the Bank or major shareholders for the years ended March 31, 2015 and 2014 were as follows:

Year ended March 31, 2015

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	¥ **34**
*2	Akira Danbooru Kogyo Co., Ltd. (Notes 3, 4)	Production of cardboard boxes	0.05% directly	Loans	Loan (Note 1) Repayment of loan	**-** **25**	Loans and bills discounted	**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. Hiroshi Nishi is a relative of Mr. Minoru Masuo, an external statutory auditor of the Bank.
3. A relative of Mr. Yasuhiko Akira, an executive officer of the Bank, owns a majority of the 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, 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, an external statutory auditor of the Bank.
3. A relative of Mr. Yasuhiko Akira, an executive officer of the Bank, owns a majority of the 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, 2015

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	**$ 282**
*2	Akira Danbooru Kogyo Co., Ltd. (Notes 3, 4)	Production of cardboard boxes	0.05% directly	Loans	Loan (Note 1) Repayment of loan	**-** **208**	Loans and bills discounted	**416**

Information about parent company or significant affiliates

(1) Parent company

Year ended March 31, 2015

Not applicable

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.

26. Subsequent events

Introduction of share-based compensation type stock option plans

At the general shareholders' meeting held on June 26, 2015, the Bank resolved to introduce stock option plans as share-based compensation for the directors and executive officers of the Bank, and, based on the resolution, the Bank allocated stock subscription rights as stock options to the directors and executive officers of the Bank on July 27, 2015.

(1) Total number of stock subscription rights:
173

(2) Type and number of shares subject to stock subscription rights:
Common stock of the Bank 17,300 shares

(3) Persons to whom stock subscription rights will be allocated:
9 directors and 5 executive officers of the Bank; a total of 14 persons

(4) Exercise period of stock subscription rights:
From July 28, 2015 through July 27, 2045

(5) Amount to be paid upon exercise of stock subscription rights
The amount of assets to be contributed when the stock subscription rights are exercised shall be the amount calculated by multiplying ¥1 per one share that will be issued by the exercise of stock subscription rights by the number of shares to be granted.

Establishment of a trust pursuant to "Trust-Type Employee Stock Incentive Plan"

At the Board of Directors' meeting held on May 15, 2015, the Bank resolved to establish a trust pursuant to "Trust-Type Employee Stock Incentive Plan" to improve business performances by granting incentives to the Group employees toward enhancement of medium and long-term corporate value.

(1) Overview of the employee stock incentive plan

a. Objective of the introduction
Due to the expiration of the First Kiyo Financial Group Employee Stock Ownership Association Trust based on the resolution at the Board of Directors' meeting held on February 1, 2010, the Bank introduced the "Trust-Type Employee Stock Incentive Plan" (the "Plan") to improve business performances by enhancing the Group employees' welfare program and granting incentives to the Group employees, thereby enhancing employees' awareness of participation in management as well as medium and long-term corporate value.

b. Overview of the Plan
The Plan is an incentive plan for all the employees that participate in either "Kiyo Financial Group Employee Stock Ownership Association" or "Kiyo Information System Employee Stock Ownership Association" (collectively "both Associations").

The Bank will establish "Kiyo Financial Group Employee Stock Ownership Association Trust" (hereinafter referred to as the "Trust"). The Trust will acquire in advance the Bank's shares approximate to the number of shares both Associations may acquire over the next three and a half years. Subsequently, the Bank's shares will be regularly transferred from the Trust to both Associations at market value. When the amounts corresponding to gains on sales of shares are accumulated within the Trust at the termination of the Trust, such amounts will be distributed to the qualified employees who satisfy the requirements as a beneficiary.

In addition, the Bank will assume the obligation to pay for the remaining loan balances pursuant to the guarantee agreement since the Bank guarantees the loans for the Trust in purchasing the Bank's shares. As such, when the amounts corresponding to losses on sales of shares due to decline in the Bank's share value are accumulated in the Trust and such loan balances are remaining within the Trust upon termination of the Trust, the Bank will repay such remaining balance.

c. Overview of the Trust

Trustor:	The Bank
Trustee:	The Nomura Trust and Banking Co., Ltd.
The date of conclusion of the trust contract:	May 18, 2015
Period of the trust:	From May 18, 2015 through December 28, 2018

(2) Total amount of shares expected to be transferred to the Association:
One billion yen ($8,321 thousand)

(3) Scope of eligible persons who may receive beneficial interest or other rights under the said employee stock incentive plan
The eligible persons are in principle those who are participating in both Associations at the termination of the Trust. In addition, those employees who resigned due to mandatory retirement or reasons attributable to the company are also deemed as "beneficiary candidates."

The "beneficiary candidates" will become beneficiaries by following the designated procedures. The deceased cannot be a beneficiary.