THE KAGOSHIMA BANK, LTD.
and consolidated subsidiaries

Consolidated Financial Statements for the
Year Ended March 31, 2014, and
Independent Auditor's Report

Deloitte.

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
THE KAGOSHIMA BANK, LTD.:

We have audited the accompanying consolidated balance sheet of THE KAGOSHIMA BANK, LTD. and its subsidiaries as of March 31, 2014, and the related consolidated statements of income, comprehensive income, changes in equity, and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information, all expressed in Japanese yen.

Management's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of THE KAGOSHIMA BANK, LTD. and its subsidiaries as of March 31, 2014, and the consolidated results of their operations and their cash flows for the year then ended in accordance with accounting principles generally accepted in Japan.

Convenience Translation

Our audit also comprehended the translation of Japanese yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made in accordance with the basis stated in Note 1 to the consolidated financial statements. Such U.S. dollar amounts are presented solely for the convenience of readers outside Japan.

Deloitte Touche Tohmatsu L.L.C.

June 26, 2014

Member of
Deloitte Touche Tohmatsu Limited

THE KAGOSHIMA BANK, LTD. and Subsidiaries
Consolidated Balance Sheet
March 31, 2014

	Millions of Yen		Thousands of U.S. Dollars
	2014	2013	2014
Assets			
Cash and due from banks (Notes 4 and 18)	¥ 168,429	¥ 88,936	$ 1,636,505
Call loans and bills bought (Note 18)	21,613	21,631	210,000
Monetary receivables bought	9,086	9,945	88,291
Trading securities (Notes 5 and 18)	178	181	1,739
Money held in trust (Note 6)	9,484	7,500	92,150
Investment securities (Notes 5, 11, and 18)	1,149,563	1,160,444	11,169,483
Loans and bills discounted (Notes 7, 17, and 18)	2,425,898	2,272,324	23,570,724
Foreign exchange assets (Note 8)	2,919	1,358	28,370
Lease receivables and investments in leases (Note 11)	22,627	19,846	219,853
Other assets (Note 11)	17,316	25,651	168,252
Tangible fixed assets (Notes 9 and 10)	55,454	54,847	538,811
Intangible fixed assets (Note 9)	6,645	8,590	64,567
Asset for retirement benefits (Note 14)	7,086		68,850
Deferred tax assets (Note 20)	517	611	5,029
Customers' liabilities for acceptances and guarantees (Note 15)	27,631	26,153	268,474
Allowance for doubtful accounts (Note 18)	(34,488)	(31,218)	(335,101)
Total assets	¥ 3,889,964	¥ 3,666,804	$ 37,796,002

See accompanying Notes to Consolidated Financial Statements.

	Millions of Yen		Thousands of U.S. Dollars
	2014	2013	2014
Liabilities and Equity			
Liabilities:			
Deposits (Notes 11, 12, and 18)	¥ 3,291,756	¥ 3,144,798	$ 31,983,646
Negotiable certificates of deposit (Note 18)	91,165	68,867	885,792
Call money and bills sold (Note 18)	53,466	20,785	519,500
Payables under securities lending transactions (Note 11)	20,800	32,745	202,107
Borrowed money (Notes 11, 13, and 18)	76,941	44,185	747,585
Foreign exchange liabilities (Note 8)	55	23	540
Other liabilities	23,591	22,940	229,221
Accrued bonuses to directors and audit & supervisory board members	50	56	493
Provision for retirement benefits (Note 14)		1,122	
Liability for retirement benefits (Note 14)	1,498		14,562
Provision for directors' and audit & supervisory board members' retirement	649	868	6,311
Provision for reimbursement of deposits	452	586	4,398
Provision for contingent losses	238	240	2,314
Deferred tax liabilities (Note 20)	4,544	8,309	44,152
Deferred tax liabilities for land revaluation (Notes 2(g) and 20)	8,255	8,312	80,215
Acceptances and guarantees (Note 15)	27,631	26,153	268,474
Total liabilities	3,601,100	3,379,993	34,989,315
Equity (Notes 16 and 22)**:**			
Common stock, no par value; Authorized: 800,000,000 shares I ssued: 210,403,655 shares in 2014 and 2013	18,130	18,130	176,163
Capital surplus	11,216	11,216	108,983
Retained earnings	205,571	197,702	1,997,389
Treasury stock, at cost, 562,775 shares in 2014 and 538,735 shares in 2013	(371)	(355)	(3,607)
Accumulated other comprehensive income			
Unrealized gains on available-for-sale securities (Note 5)	31,813	35,656	309,104
Deferred losses on derivatives under hedge accounting	(196)	(295)	(1,906)
Land revaluation surplus (Note 2(g))	14,259	14,363	138,554
Defined retirement benefit plans	(1,165)		(11,327)
Total	279,258	276,419	2,713,353
Minority interests	9,605	10,392	93,333
Total equity	288,864	286,811	2,806,686
Total liabilities and equity	¥ 3,889,964	¥ 3,666,804	$ 37,796,002

See accompanying Notes to Consolidated Financial Statements.

THE KAGOSHIMA BANK, LTD. and Subsidiaries
Consolidated Statement of Income
Year Ended March 31, 2014

	Millions of Yen		Thousands of U.S. Dollars
	2014	2013	2014
Income:			
Interest income and dividends:			
Interest on loans and discounts	¥ 37,147	¥ 37,959	$ 360,940
Interest and dividends on securities	9,663	10,050	93,890
Other interest income	130	85	1,266
Total interest income and dividends	46,941	48,095	456,096
Fees and commissions	11,669	11,442	113,385
Other operating income	16,412	16,110	159,469
Gain on negative goodwill (Note 3)	1,398		13,586
Other income	4,019	2,716	39,053
Total income	80,441	78,364	781,590
Expenses:			
Interest expenses:			
Interest on deposits	1,203	1,219	11,692
Interest on borrowings and rediscounts	258	158	2,514
Interest on payables under securities lending transactions	29	90	283
Other interest expenses	687	776	6,678
Total interest expenses	2,178	2,244	21,169
Fees and commissions	2,901	2,754	28,193
Other operating expenses	12,388	12,808	120,368
General and administrative expenses	40,602	41,083	394,505
Provision of allowance for doubtful accounts	5,056	3,874	49,129
Other expenses	1,482	2,068	14,400
Total expenses	64,609	64,834	627,766
Income before income taxes and minority interests	15,831	13,530	153,824
Income taxes:			
Current	6,632	6,193	64,445
Deferred	(1,060)	(1,089)	(10,300)
Total income taxes (Note 20)	5,572	5,104	54,144
Net income before minority interests	10,258	8,426	99,679
Minority interests in net income	605	639	5,880
Net income	¥ 9,653	¥ 7,786	$ 93,798

	Yen		U.S. Dollars
Per-share information:			
Net income - basic (Note 22)	¥ 46.00	¥ 37.10	$ 0.44
Cash dividends applicable to the year	9.00	9.00	0.08

See accompanying Notes to Consolidated Financial Statements.

THE KAGOSHIMA BANK, LTD. and Subsidiaries
Consolidated Statement of Comprehensive Income
Year Ended March 31, 2014

	Millions of Yen		Thousands of U.S. Dollars
	2014	2013	2014
NET INCOME BEFORE MINORITY INTERESTS	¥ 10,258	¥ 8,426	$ 99,679
OTHER COMPREHENSIVE INCOME (Note 21):			
Unrealized gains (losses) on available-for-sale securities	(3,826)	15,640	(37,175)
Deferred gains on derivatives under hedge accounting	98	65	960
Total other comprehensive income (loss)	(3,727)	15,705	(36,215)
COMPREHENSIVE INCOME	¥ 6,531	¥ 24,131	$ 63,463
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO :			
Owners of the parent	¥ 5,909	¥ 23,431	$ 57,418
Minority interests	622	700	6,044

See accompanying Notes to Consolidated Financial Statements.

THE KAGOSHIMA BANK, LTD. and Subsidiaries

Consolidated Statement of Changes in Equity

Year Ended March 31, 2014

	Millions of Yen											
						Accumulated Other Comprehensive Income						
	Outstanding Number of Shares of Common Stock	Common Stock	Capital Surplus	Retained Earnings	Treasury Stock	Unrealized Gains (Losses) on Available for-sale Securities	Deferred Gains (Losses) on Derivatives under Hedge Accounting	Land Revaluation Surplus	Defined Retirement Benefit Plans	Total	Minority Interests	Total Equity
BALANCE, APRIL 1, 2012	210,403,655	¥ 18,130	¥ 11,216	¥ 191,243	¥ (338)	¥ 20,076	¥ (360)	¥ 14,820		¥ 254,789	¥ 9,698	¥ 264,488
Net income				7,786						7,786		7,786
Cash dividends, ¥9.00 per share				(1,784)						(1,784)		(1,784)
Purchases of treasury stock (34,877 shares)					(17)					(17)		(17)
Disposals of treasury stock (707 shares)				(0)	0					0		0
Reversal of land revaluation surplus				456						456		456
Net change in the year						15,579	65	(456)		15,187	693	15,881
BALANCE, MARCH 31, 2013	210,403,655	18,130	11,216	197,702	(355)	35,656	(295)	14,363		276,419	10,392	286,811
Net income				9,653						9,653		9,653
Cash dividends, ¥9.00 per share				(1,888)						(1,888)		(1,888)
Purchases of treasury stock (24,525 shares)					(16)					(16)		(16)
Disposals of treasury stock (485 shares)				(0)	0					0		0
Reversal of land revaluation surplus				103						103		103
Net change in the year						(3,843)	98	(103)	(1,165)	(5,013)	(786)	(5,800)
BALANCE, MARCH 31, 2014	210,403,655	¥ 18,130	¥ 11,216	¥ 205,571	¥ (371)	¥ 31,813	¥ (196)	¥ 14,259	¥ (1,165)	¥ 279,258	¥ 9,605	¥ 288,864

	Thousands of U.S. Dollars										
					Accumulated Other Comprehensive Income						
	Common Stock	Capital Surplus	Retained Earnings	Treasury Stock	Unrealized Gains (Losses) on Available for-sale Securities	Deferred Gains (Losses) on Derivatives under Hedge Accounting	Land Revaluation Surplus	Defined Retirement Benefit Plans	Total	Minority Interests	Total Equity
BALANCE, MARCH 31, 2013	$ 176,163	$ 108,983	$ 1,920,937	$ (3,455)	$ 346,444	$ (2,866)	$ 139,559		$ 2,685,766	$ 100,975	$ 2,786,741
Net income			93,798						93,798		93,798
Cash dividends, $0.08 per share			(18,351)						(18,351)		(18,351)
Purchases of treasury stock (24,525 shares)				(155)					(155)		(155)
Disposals of treasury stock (485 shares)			(0)	3					3		3
Reversal of land revaluation surplus			1,005						1,005		1,005
Net change in the year					(37,339)	960	(1,005)	(11,327)	(48,713)	(7,641)	(56,354)
BALANCE, MARCH 31, 2014	$ 176,163	$ 108,983	$ 1,997,389	$ (3,607)	$ 309,104	$ (1,906)	$ 138,554	$ (11,327)	$ 2,713,353	$ 93,333	$ 2,806,686

See accompanying Notes to Consolidated Financial Statements.

THE KAGOSHIMA BANK, LTD. and Subsidiaries
Consolidated Statement of Cash Flows
Year Ended March 31, 2014

	Millions of Yen		Thousands of U.S. Dollars
	2014	2013	2014
Cash flows from operating activities:			
Income before income taxes and minority interests	¥ 15,831	¥ 13,530	$ 153,824
Adjustments for:			
Depreciation and amortization	5,160	5,494	50,140
Impairment losses	116	248	1,135
Gain on negative goodwill	(1,398)		(13,586)
Increase in allowance for doubtful accounts	3,269	2,905	31,769
Interest income and dividends recognized on statement of income	(46,941)	(48,095)	(456,096)
Interest expenses recognized on statement of income	2,178	2,244	21,169
Net gain on sales or maturities of investment securities	(3,207)	(1,276)	(31,163)
Increase in loans and bills discounted	(153,574)	(68,431)	(1,492,173)
Increase in deposits	146,958	46,382	1,427,890
Increase in negotiable certificates of deposit	22,298	15,887	216,658
Increase in borrowed money	32,756	24,465	318,270
Decrease (increase) in due from banks	113	(39)	1,101
Decrease (increase) in call loans and bills purchased	876	(9,707)	8,520
Increase in call money and bills sold	32,681	13,963	317,546
Decrease in payables under securities lending transactions	(11,944)	(23,218)	(116,055)
Interest and dividends received	48,720	49,548	473,377
Interest paid	(2,276)	(2,547)	(22,119)
Increase in lease receivables and investments in leases	(2,780)	(282)	(27,017)
Other, net	(6,945)	(6,402)	(67,487)
Subtotal	81,893	14,667	795,705
Income taxes paid	(6,952)	(5,884)	(67,548)
Net cash provided by operating activities	74,941	8,783	728,157
Cash flows from investing activities:			
Purchases of investment securities	(375,664)	(520,003)	(3,650,063)
Proceeds from sales or maturities of investment securities	388,230	493,750	3,772,159
Net change in money held in trust	(2,000)	2,464	(19,432)
Purchases of tangible fixed assets	(2,990)	(2,146)	(29,051)
Proceeds from sales of tangible fixed assets	209	511	2,038
Purchases of intangible fixed assets	(1,208)	(1,084)	(11,746)
Purchase of investments in subsidiaries	(3)		(29)
Net cash provided by (used in) inves ting activities	6,573	(26,507)	63,874
Cash flows from financing activities:			
Dividends paid	(1,888)	(1,786)	(18,353)
Other, net	(34)	(36)	(337)
Net cash used in financing activities	(1,923)	(1,822)	(18,690)
Effect of exchange rate changes on cash and cash equivalents	13	21	131
Net increase (decrease) in cash and cash equivalents	79,605	(19,526)	773,472
Cash and cash equivalents at beginning of year	87,940	107,466	854,450
Cash and cash equivalents at end of year (Note 4)	¥ 167,545	¥ 87,940	$ 1,627,923

See accompanying Notes to Consolidated Financial Statements.

THE KAGOSHIMA BANK, LTD. and Subsidiaries
Notes to Consolidated Financial Statements

1. Basis of Presenting Consolidated Financial Statements

The accompanying consolidated financial statements of THE KAGOSHIMA BANK, LTD. (the “Bank”) and subsidiaries (together, the “Group”) have been prepared in accordance with the provisions set forth in the Japanese Financial Instruments and Exchange Act and its related accounting regulations and the Enforcement Regulation for the Banking Law of Japan and in accordance with accounting principles generally accepted in Japan, which are different in certain respects as to the application and disclosure requirements of International Financial Reporting Standards.

In preparing these consolidated financial statements, certain reclassifications and rearrangements have been made to the consolidated financial statements issued domestically in order to present them in a form, which is more familiar to readers outside Japan. In addition, certain reclassifications have been made in the 2013 consolidated financial statements to conform to the classifications used in 2014. Japanese yen figures less than a million yen are rounded down to the nearest million yen, except for per share data.

The consolidated financial statements are stated in Japanese yen, the currency of the country in which the Bank is incorporated and operates. The translations of Japanese yen amounts into U.S. dollar amounts are included solely for the convenience of readers outside Japan and have been made at the rate of ¥102.92 to $1, the approximate rate of exchange at March 31, 2014. Such translations should not be construed as representations that the Japanese yen amounts could be converted into U.S. dollars at that or any other rate.

2. Summary of Significant Accounting Policies

(a) Principles of consolidation

The accompanying consolidated financial statements include the accounts of the Bank and its subsidiaries. The number of consolidated subsidiaries as of March 31, 2014 and 2013, is seven.

Under the control or influence concept, those companies in which the Bank, directly or indirectly, is able to exercise control over operations are to be fully consolidated.

One unconsolidated subsidiary was dissolved on February 24, 2014. As a result, there were no unconsolidated subsidiaries as of March 31 2014.

All significant intercompany balances and transactions have been eliminated in consolidation. All material unrealized profit included in assets resulting from transactions within the Group is also eliminated.

Fiscal year-ends of all subsidiaries are at the end of March.

(b) Business Combinations

In October 2003, the Business Accounting Council (the "BAC") issued a Statement of Opinion, "Accounting for Business Combinations," and in December 2005, the Accounting Standards Board of Japan (the "ASBJ") issued ASBJ Statement No. 7, "Accounting Standard for Business Divestitures" and ASBJ Guidance No. 10, "Guidance for Accounting Standard for Business Combinations and Business Divestitures." The accounting standard for business combinations allowed companies to apply the pooling-of-interests method of accounting only when certain specific criteria are met such that the business combination is essentially regarded as a uniting-of-interests. For business combinations that do not meet the uniting-of-interests criteria, the business combination is considered to be an acquisition and the purchase method of accounting is required. This standard also prescribes the accounting for combinations of entities under common control and for joint ventures.

In December 2008, the ASBJ issued a revised accounting standard for business combinations, ASBJ Statement No. 21, "Accounting Standard for Business Combinations." Major accounting changes under the revised accounting standard are as follows: (1) The revised standard requires accounting for business combinations only by the purchase method. As a result, the pooling-of-interests method of accounting is no longer allowed. (2) The previous accounting standard required research and development costs to be charged to income as incurred. Under the revised standard, in-process research and development costs (IPR&D) acquired in the business combination are capitalized as an intangible asset. (3) The previous accounting standard provided for a bargain purchase gain (negative goodwill) to be systematically amortized over a period not exceeding 20 years. Under the revised standard, the acquirer recognizes the bargain purchase gain in profit or loss immediately on the acquisition date after reassessing and confirming that all of the assets acquired and all of the liabilities assumed have been identified after a review of the procedures used in the purchase price allocation.

(c) Cash and cash equivalents

Cash and cash equivalents in the consolidated statement of cash flows are composed of cash on hand and due from the Bank of Japan.

(d) Trading securities

Trading securities are stated at fair value at the fiscal year-ends. Related gains or losses, both realized and unrealized, are included in current earnings. Accrued interest on trading securities is included in other assets. The cost of trading securities is mainly determined by the moving-average method.

(e) Investment securities

Debt securities for which the Group has the positive intent and ability to hold to maturity are stated at amortized cost. Marketable securities are carried at fair value as available-for-sale securities, with the net unrealized gains or losses reported in a separate component of equity, net of applicable income taxes. Available-for-sale securities whose fair values cannot be reliably determined are stated at the moving average cost. For other-than-temporary declines in fair value, securities are reduced to net realizable value by a charge to income. Accrued interest on securities is included in other assets. Funds entrusted to trust banks for securities (included in "Money held in trust") of the Bank are stated at fair value.

(f) Derivatives and hedge accounting

The Bank uses swaps, forward and option contracts, and other types of derivative contracts. These derivative instruments are used for trading purposes to generate revenues and fee income, and to hedge exposures arising from fluctuations in interest and foreign exchange rates.

Derivatives are carried at fair value, with the unrealized and realized gains and losses recorded in current earnings.

(1) Hedging against interest rate changes
The Bank applies deferred hedge accounting based on the rules of the Japanese Institute of Certified Public Accountants (the "JICPA") Industry Audit Committee Report No. 24, "Accounting and Auditing Treatments on the Application of Accounting Standards for Financial Instruments in the Banking Industry" for interest rate derivatives to manage interest rate risk from various financial assets and liabilities as a whole.

Under this rule, the effectiveness of cash flow hedges is assessed based on the correlation between a base interest rate index of the hedged cash flow and that of the hedging instrument.

(2) Hedging against currency fluctuations
The Bank applies deferred hedge accounting based on the rules of the JICPA Industry Audit Committee Report No. 25, "Treatment for Accounting and Auditing of Application of Accounting Standard for Foreign Currency Transaction in Banking Industry" for funding swap transactions and currency swap transactions related to lending or borrowing in different currencies.

Pursuant to the rules, the Bank assesses the effectiveness of funding swap transactions and currency swap transactions executed for the purpose of offsetting the risk of changes in currency exchange rates by verifying that there are foreign-currency monetary claims and debts corresponding to the foreign-currency positions.

(g) Tangible fixed assets

(1) Tangible fixed assets are stated at cost less accumulated depreciation.
Tangible fixed assets of the Bank are depreciated using the declining-balance method over the following estimated useful lives of the assets, except for buildings acquired on or after April 1, 1998, which have been depreciated using the straight-line method.

Buildings	19 to 50 years
Other	2 to 20 years

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

(2) Land revaluation
Under the "Law of Land Revaluation," the Bank elected a onetime revaluation of its own-use land to a value based on real estate appraisal information as of March 31, 1998.

The resulting land revaluation surplus is stated as a component of equity, and represents the total of unrealized appreciation of land, net of income taxes, as a component of equity. There was no effect on the consolidated statement of income. Continuous readjustment is not permitted unless the land value subsequently declines significantly such that the amount of the decline in value should be removed from the land revaluation surplus account and related deferred tax liabilities. At March 31, 2014 and 2013, the difference in the carrying values of land used for the banking business after reassessment of the current fair value of such land at the respective year-ends amounted to ¥15,376 million ($149,404 thousand) and ¥14,592 million.

(h) Intangible fixed assets

Intangible fixed assets mainly consisted of computer software developed or obtained for internal use and are amortized using the straight-line method over the estimated useful lives, mainly five years.

(i) Long-lived assets

The Group reviews its long-lived assets for impairment whenever events or changes in circumstances indicate the carrying amount of an asset or asset group may not be recoverable. An impairment loss would be recognized if the carrying amount of an asset or asset group exceeds the sum of the undiscounted future cash flows expected to result from the continued use and eventual disposition of the asset or asset group. The impairment loss would be measured as the amount by which the carrying amount of the asset exceeds its recoverable amount, which is the higher of the discounted cash flows from the continued use and eventual disposition of the asset or the net selling price at disposition.

(j) Allowance for doubtful accounts

The allowance for doubtful accounts of the Bank is established to cover future credit losses in accordance with the internal rules for self-assessment of asset quality.

The allowance for doubtful accounts is calculated in accordance with the Bank's internal rules based on the "Practical Guidelines for Audits of the Self-Assessment of Assets of Financial Institutions Including Banks, Write-Down and Allowance for Doubtful Accounts" (Report No. 4 of the Ad Hoc Committee for the Audit of Banks, etc., of JICPA).

For claims to borrowers who are legally bankrupt and virtually bankrupt, an allowance has been provided based on the net of amounts exceeding the expected collectible amounts through the disposal of collateral or execution of guarantees. For claims to borrowers who are possibly bankrupt, an allowance has been provided for the loan losses at the amounts considered to be necessary based on an overall solvency assessment of the borrowers, after deducting the amount expected to be collected through the disposal of collateral or execution of guarantees. For claims to large-lot borrowers who are classified as "Need attention," whose loans are classified as restructured loans and whose future cash flows of principal and interest are reasonably estimated, an allowance is provided for as the difference between the present value of expected future cash flows discounted at the contracted interest rate and the carrying amount of the claims. In cases where it is difficult to reasonably estimate future cash flows, an allowance is provided based on the estimated credit losses within the remaining loan terms calculated by the Bank. For other claims, the allowance is provided based on historical loan-loss retio.

All claims are assessed by the Bank's operating divisions in accordance with the Bank's internal rules for the self-assessment of asset quality. The inspection division, which is independent from operating divisions, conducts audits of these assessments.

Regarding the subsidiaries, a general allowance for loan losses is provided in the amount deemed necessary based on the historical loan-loss ratio, and the allowance for specific claims is provided in the amount deemed uncollectible based on the respective assessments.

(k) Accrued bonuses to directors and audit & supervisory board members

Bonuses to directors and audit & supervisory board members are accrued at the end of the year to which such bonuses are attributable.

(l) Retirement and Pension Plans

The Bank has a defined benefit corporate pension fund plan and a retirement lump-sum grant plan of unfunded, and introduced a cash balance plan in the corporate pension fund plan. Some of subsidiaries have a retirement lump-sum grant system. The amount of liability for employees' retirement benefit is determined based on the projected benefit obligations and the pension assets at the balance sheet date. Prior service cost is amortized using the straight-line method over 10 years. Net actuarial gain or loss is amortized using the declining-balance method over 10 years commencing from the next fiscal year of occurrence.

In May 2012, the ASBJ issued ASBJ Statement No. 26, "Accounting Standard for Retirement Benefits" and ASBJ Guidance No. 25, "Guidance on Accounting Standard for Retirement Benefits," which replaced the accounting standard for retirement benefits that had been issued by the Business Accounting Council in 1998 with an effective date of April 1, 2000, and the other related practical guidance, and were followed by partial amendments from time to time through 2009.

(a)Under the revised accounting standard, actuarial gains and losses and past service costs that are yet to be recognized in profit or loss are recognized within equity (accumulated other comprehensive income), after adjusting for tax effects, and any resulting deficit or surplus is recognized as a liability (liability for retirement benefits) or asset (asset for retirement benefits).

(b)The revised accounting standard does not change how to recognize actuarial gains and losses and past service costs in profit or loss. Those amounts are recognized in profit or loss over a certain period no longer than the expected average remaining service period of the employees. However, actuarial gains and losses and past service costs that arose in the current period and have not yet been recognized in profit or loss are included in other comprehensive income, and actuarial gains and losses and past service costs that were recognized in other comprehensive income in prior periods and then recognized in profit or loss in the current period shall be treated as reclassification adjustments (see Note 14).

(c)The revised accounting standard also made certain amendments relating to the method of attributing expected benefit to periods and relating to the discount rate and expected future salary increases.

This accounting standard and the guidance for (a) and (b) above are effective for the end of annual periods beginning on or after April 1, 2013, and for (c) above are effective for the beginning of annual periods beginning on or after April 1, 2014, or for the beginning of annual periods beginning on or after April 1, 2015, subject to certain disclosure in March 2015, both with earlier application being permitted from the beginning of annual periods beginning on or after April 1, 2013. However, no retrospective application of this accounting standard to consolidated financial statements in prior periods is required.

The Bank applied the revised accounting standard and guidance for retirement benefits for (a) and (b) above effective March 31, 2014. As a result, asset for retirement benefits of ¥7,086 million ($68,850 thousand) and liability for retirement benefits of ¥1,498 million ($14,562 thousand) were recorded as of March 31, 2014. In addition, deferred tax assets increased by ¥87 million ($846 thousand), deferred tax liabilities decreased by ¥548 million ($5,333 thousand), and accumulated other comprehensive income decreased by ¥1,165 million ($11,327 thousand).

(m) Provision for directors' and audit & supervisory board members' retirement benefits

Provision for directors' and audit & supervisory board members' retirement benefits, which are provided for payments of retirement benefits to them, are recorded in the amount deemed accrued at the consolidated balance sheet date based on the estimated amount of benefits.

(n) Provision for reimbursement of deposits

Provision for reimbursement of deposits that were derecognized as liabilities under certain conditions is provided for possible losses on future claims of withdrawal based on the historical reimbursement experience.

(o) Provision for contingent losses

Provision for contingent losses is provided for possible losses from contingent events related to the enforcement of the “responsibility-sharing system,” and is calculated by estimation of future burden charges and other payments to the Credit Guarantee Corporations.

(p) Leases

Lease revenue and lease costs are recognized when lease payments are made.

(q) Foreign currency translation

Assets and liabilities denominated in foreign currencies are mainly translated into Japanese yen at the exchange rates at the balance sheet date. Revenues and expenses are translated at the exchange rates at transaction dates. Gains or losses resulting from foreign currency translation are included in the net income.

(r) Per-share information

Basic net income per share is computed by dividing net income available to common shareholders by the weighted-average number of common shares outstanding for the period.

Cash dividends per share presented in the accompanying consolidated statement of income are dividends applicable to the respective years, including dividends to be paid after the end of the year.

(s) Income taxes

The provision for income taxes is computed based on the pretax income included in the consolidated statement of income. The asset and liability approach is used to recognize deferred tax assets and liabilities for the expected future tax consequences of temporary differences between the carrying amounts and the tax bases of assets and liabilities. Deferred taxes are measured by applying currently enacted tax laws to the temporary differences.

A valuation allowance is provided for any portion of the deferred tax assets if it is considered more likely than not that they will not be realized.

(t) New accounting pronouncements

Accounting standard for retirement benefitsーOn May 17, 2012, the ASBJ issued ASBJ Statement No. 26, “Accounting Standard for Retirement Benefits,” and ASBJ Guidance No. 25, “Guidance on Accounting Standard for Retirement Benefits,” which replaced the Accounting Standard for Retirement Benefits that had been issued by the Business Accounting Council in 1998 with an effective date of April 1, 2000, and the other related practical guidance, and were followed by partial amendments from time to time through 2009.

Major changes are as follows:

(a) Treatment in the balance sheet
Under the current requirements, actuarial gains and losses and past service costs that are yet to be recognized in profit or loss are not recognized in the balance sheet, and the difference between retirement benefit obligations and plan assets (hereinafter, “deficit or surplus”), adjusted by such unrecognized amounts, is recognized as a liability or asset.

Under the revised accounting standard, actuarial gains and losses and past service costs that are yet to be recognized in profit or loss shall be recognized within equity (accumulated other comprehensive income), after adjusting for tax effects, and any resulting deficit or surplus shall be recognized as a liability (liability for retirement benefits) or asset (asset for retirement benefits).

(b) Treatment in the statement of income and the statement of comprehensive income
The revised accounting standard does not change how to recognize actuarial gains and losses and past service costs in profit or loss. Those amounts would be recognized in profit or loss over a certain period no longer than the expected average remaining service period of the employees. However, actuarial gains and losses and past service costs that arose in the current period and have not yet been recognized in profit or loss shall be included in other comprehensive income and actuarial gains and losses and past service costs that were recognized in other comprehensive income in prior periods and then recognized in profit or loss in the current period shall be treated as reclassification adjustments.

(c) Amendments relating to the method of attributing expected benefit to periods and relating to the discount rate and expected future salary increases
The revised accounting standard also made certain amendments relating to the method of attributing expected benefit to periods and relating to the discount rate and expected future salary increases.

This accounting standard and the guidance for (a) and (b) above are effective for the end of annual periods beginning on or after April 1, 2013, and for (c) above are effective for the beginning of annual periods beginning on or after April 1, 2014, or for the beginning of annual periods beginning on or after April 1, 2015, subject to certain disclosure in March 2015, both with earlier application being permitted from the beginning of annual periods beginning on or after April 1, 2013. However, no retrospective application of this accounting standard to consolidated financial statements in prior periods is required.

The Bank applied to the revised accounting standard for (a) and (b) above effective March 31, 2014, and expects to apply (c) above from on April 1, 2014, and is in the process of measuring the effects of applying the revised accounting standard for (c) above in the future applicable periods.

3. Business Combinations

On March 26, 2014, the Bank acquired additional shares of KAGOSHIMA HOSYO SERVICE Co., Ltd., which has been a consolidated subsidiary, owned by minority shareholders in exchange for cash in the amount of ¥3 million ($29 thousand) to strengthen the governance through changing the capital structure of this company.
The Bank accounted for this transaction as a transaction with minority shareholders pursuant to ASBJ Statement No. 21, “Accounting Standard for Business Combinations,” and ASBJ Guidance No. 10, “Guidance on Accounting Standard for Business Combinations and Business Divestitures” issued on September 13, 2013.
The Bank recognized a gain on negative goodwill of ¥1,398 million ($13,586 thousand) arising from the transaction, since the acquisition cost of the subsidiary shares from minority shareholders was lower than the decreased amount of minority interests (Note 2(b)).

4. Cash and Cash Equivalents

A reconciliation of the cash and cash equivalents balances on the consolidated statement of cash flows and the cash and due from banks balances on the consolidated balance sheet was as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2014	2013	2014
Cash and due from banks	¥ 168,429	¥ 88,936	$ 1,636,505
Less: due from banks other than the Bank of Japan	(883)	(996)	(8,582)
Cash and cash equivalents	¥ 167,545	¥ 87,940	$ 1,627,923

5. Trading Securities and Investment Securities

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

	Millions of Yen		Thousands of U.S. Dollars
	2014	2013	2014
National government bonds	¥ 11	¥ 17	$ 111
Local government bonds	167	164	1,627
Total	¥ 178	¥ 181	$ 1,739

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

	Millions of Yen		Thousands of U.S. Dollars
	2014	2013	2014
National government bonds	¥ 316,057	¥ 468,816	$ 3,070,901
Local government bonds	71,854	89,623	698,158
Corporate bonds	574,794	450,453	5,584,866
Equity securities	74,754	68,612	726,331
Other	112,103	82,938	1,089,224
Total	¥ 1,149,563	¥ 1,160,444	$ 11,169,483

At March 31, 2014 and 2013, carrying amounts of trading securities and the related net unrealized gains or losses included in current earnings were as follows:

	Millions of Yen				Thousands of U.S. Dollars	
	2014		2013		2014	
	Carrying amounts	Unrealized gains	Carrying amounts	Unrealized gains	Carrying amounts	Unrealized gains
Trading securities	¥ 178	¥ 0	¥ 181	¥ 0	$ 1,739	$ 3

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

	Millions of Yen			
	Cost	Gross unrealized gains	Gross unrealized losses	Fair value
At March 31, 2014:				
Bonds:				
National government bonds	¥ 309,380	¥ 6,676	¥	¥ 316,057
Local government bonds	70,465	1,388		71,854
Corporate bonds	568,631	6,196	(32)	574,794
Equity securities	39,464	33,219	(311)	72,372
Other	108,085	1,970	(474)	109,581
Total	¥ 1,096,027	¥ 49,451	¥ (818)	¥ 1,144,660

	Millions of Yen			
	Cost	Gross unrealized gains	Gross unrealized losses	Fair value
At March 31, 2013:				
Bonds:				
National government bonds	¥ 456,007	¥ 12,809	¥	¥ 468,816
Local government bonds	87,366	2,257		89,623
Corporate bonds	442,537	7,990	(74)	450,453
Equity securities	37,276	29,832	(829)	66,280
Other	79,047	2,653	(93)	81,606
Total	¥ 1,102,235	¥ 55,542	¥ (997)	¥ 1,156,780

	Thousands of U.S. Dollars			
	Cost	Gross unrealized gains	Gross unrealized losses	Fair value
At March 31, 2014:				
Bonds:				
National government bonds	$ 3,006,026	$ 64,874	$	$ 3,070,901
Local government bonds	684,662	13,495		698,158
Corporate bonds	5,524,982	60,204	(319)	5,584,866
Equity securities	383,447	322,771	(3,023)	703,195
Other	1,050,193	19,141	(4,613)	1,064,721
Total	$ 10,649,313	$ 480,485	$ (7,955)	$ 11,121,841

At March 31, 2014 and 2013, net unrealized gains on available-for-sale securities, net of applicable income taxes and minority interests, recorded in a separate component of equity on the accompanying consolidated balance sheet were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2014	2013	2014
Unrealized gains	¥ 48,632	¥ 54,545	$ 472,530
Less: applicable income taxes	(16,707)	(18,793)	(162,332)
Less: minority interests portion	(112)	(95)	(1,093)
Net unrealized gains in equity	¥ 31,813	¥ 35,656	$ 309,104

During the years ended March 31, 2014 and 2013, the Group sold available-for-sale securities and recorded gains of ¥5,504 million ($53,486 thousand) and ¥4,191 million, respectively, and losses of ¥1,861 million ($18,082 thousand) and ¥2,861 million, respectively, on the accompanying consolidated statement of income.

6. Money Held in Trust

At March 31, 2014 and 2013, the carrying amounts and unrealized gains of money held in trust were as follows:

(a) Money held in trust for trading

	Millions of Yen		Thousands of U.S. Dollars
	2014	2013	2014
Carrying amounts	¥ 9,484	¥ 7,500	$ 92,150
Unrealized gains recognized in income	105	0	1,020

(b) Money held in trust held to maturity
None.

(c) Other money held in trust (money held in trust other than held for trading or held to maturity)
None.

7. Loans and Bills Discounted

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

	Millions of Yen		Thousands of U.S. Dollars
	2014	2013	2014
Bills discounted	¥ 12,904	¥ 15,624	$ 125,386
Loans on notes	148,493	152,770	1,442,809
Loans on deeds	1,968,129	1,813,217	19,122,907
Overdrafts	296,370	290,712	2,879,620
Total	¥ 2,425,898	¥ 2,272,324	$ 23,570,724

The loans and bills discounted include “loans to borrowers in bankruptcy” totaling ¥4,623 million ($44,920 thousand) and ¥5,000 million as of March 31, 2014 and 2013, respectively, as well as “past due loans” totaling ¥24,278 million ($235,895 thousand) and ¥26,990 million as of March 31, 2014 and 2013, respectively. “Loans to borrowers in bankruptcy” are loans to borrowers who are legally bankrupt and are placed on nonaccrued status. “Past due loans” include loans classified as “possible bankruptcy” and “virtual bankruptcy” under the Bank’s self-assessment guidelines and are loans on which accrued interest income is not recognized, excluding loans to bankrupt borrowers and loans on which interest payments are deferred in order to support the borrower’s recovery from financial difficulties.

In addition to “past due loans”, certain other loans classified as “Need attention” under the Bank’s self-assessment guidelines include “accruing loans contractually past due for three months or more,” which are loans on which the principal and/or interest is three months or more past due but exclude “loans to borrowers in bankruptcy” or “past due loans.” There was no “accruing loans contractually past due for three months or more” as of march 31, 2014 and 2013.

“Restructured loans” are loans where the Bank has restructured lending conditions, such as by a reduction of the original interest rate, forbearance of interest payments, principal repayments, or renunciation of claims to support the borrowers' reorganization, but exclude "loans to borrowers in bankruptcy," "past due loans," and "accruing loans contractually past due for three months or more." The outstanding balances of "restructured loans" as of March 31, 2014 and 2013, were ¥42,188 million ($409,915 thousand) and ¥25,683 million, respectively.

Total amount of assets, which consisted of "loans to borrowers in bankruptcy," "past due loans," "accruing loans contractually past due for three months or more" and "restructured loans" as of March 31, 2014 and 2013, were ¥71,090 million ($690,732 thousand) and ¥57,675 million, respectively. The allowance for doubtful accounts is not deducted from the amounts of loans shown in the above.

Bills discounted are treated as secured lending transactions. As of March 31, 2014 and 2013, the Bank had the right by contract or custom to sell or repledge bills discounted and foreign exchange bills bought, and their total face value was ¥12,906 million ($125,399 thousand) and ¥15,626 million, respectively.

8. Foreign Exchange

At March 31, 2014 and 2013, foreign exchanges assets and liabilities consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2014	2013	2014
Assets:			
Due from banks	¥ 2,720	¥ 1,159	$ 26,436
Foreign bills of exchange purchased	1	2	12
Foreign bills of exchange receivable	197	196	1,921
Total	¥ 2,919	¥ 1,358	$ 28,370
Liabilities:			
Foreign bills of exchange sold	¥ 29	¥ 7	$ 287
Foreign bills of exchange payable	26	15	253
Total	¥ 55	¥ 23	$ 540

9. Tangible Fixed Assets and Intangible Fixed Assets

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

	Millions of Yen		Thousands of U.S. Dollars
Tangible fixed assets	2014	2013	2014
Buildings	¥ 36,536	¥ 35,939	$ 354,999
Land	36,774	36,966	357,313
Construction in progress	71	17	691
Other	16,622	15,313	161,504
	90,004	88,237	874,508
Less: accumulated depreciation	(34,550)	(33,390)	(335,697)
Total	¥ 55,454	¥ 54,847	$ 538,811
Intangible fixed assets			
Software	¥ 6,492	¥ 8,437	$ 63,085
Other	152	153	1,481
Total	¥ 6,645	¥ 8,590	$ 64,567

10. Fixed Asset Impairment Losses

The bank wrote down the carrying amounts to the recoverable amounts and recognized impairment losses for the years ended March 31, 2014 and 2013, as follows:

Purpose of use	Area	Type	Millions of Yen		Thousands of U.S. Dollars
			2014	2013	2014
In use	Kagoshima	Land and buildings	¥ 59	¥ 160	$ 575
Not in use	Kagoshima	Land and buildings	52	69	508
Not in use	Outside of Kagoshima	Land and buildings	5	17	51
Total			¥ 116	¥ 248	$ 1,135

The Bank groups assets by branch, which is a minimum unit for managerial accounting. The Bank treats each consolidated subsidiary as a unit for asset grouping.

The recoverable value is calculated based on the real estate appraisal value less the estimated cost of disposal.

11. Assets Pledged

At March 31, 2014 and 2013, assets pledged as collateral were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2014	2013	2014
Investment securities	¥ 298,134	¥ 336,862	$ 2,896,761
Investment in leases	1,417	1,977	13,769
Other	2, 267	3,037	22,032

At March 31, 2014 and 2013, the liabilities related to the above pledged assets were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2014	2013	2014
Deposits	¥ 27,106	¥ 10,853	$ 263,371
Borrowed money	73,439	41,596	713,554
Payables under securities lending transaction	20,800	32,745	202,107

In addition to the above, investment securities totaling ¥19,604 million ($190,479 thousand) and ¥19,656 million at March 31, 2014 and 2013, respectively, were pledged as collateral for the settlement of exchange, derivatives, and other transactions.

12. Deposits

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

	Millions of Yen		Thousands of U.S. Dollars
	2014	2013	2014
Demand deposits	¥ 1,973,399	¥ 1,885,867	$ 19,174,106
Time deposits	1,276,172	1,234,559	12,399,650
Other	42,184	24,371	409,879
Total	¥ 3,291,756	¥ 3,144,798	$ 31,983,646

13. Borrowed Money

At March 31, 2014, the annual maturities of borrowed money, which were due through March 2019 with an weighted-average annual interest rate of 0.16%, were as follows:

Years ending March 31,	Millions of Yen	Thousands of U.S. Dollars
2015	¥ 12,462	$ 121,086
2016	1,912	18,585
2017	61,307	595,682
2018	856	8,317
2019	392	3,808
Total	¥ 76,930	$ 747,479

Apart from borrowed money, lease obligations are included in other liabilities.

At March 31, 2014, the annual maturities of lease obligations, which were due through March 2019 with an weighted-average annual interest rate of 2.07%, were as follows:

Years ending March 31,	Millions of Yen	Thousands of U.S. Dollars
2015	¥ 12	$ 117
2016	11	109
2017		
2018		
2019		
Total	¥ 23	$ 226

14. Retirement and Pension Plans

The retirement benefits systems of the Bank consist of a defined benefit corporate pension fund plan and a retirement lump-sum grant system of unfunded.

The Bank introduced a cash balance plan in the corporate pension fund plan, and pays a pension or lump sum that has been funded on the basis of length of service and professional qualifications and age. In addition, the Bank pays a lump sum based on length of service or factors such as the professional qualifications of the constant.

A retirement benefit trust was set up on the corporate pension fund plan.
Some of subsidiaries have a retirement lump-sum grant system.
Extra retirement benefits may be paid up on the retirement of employees of the Bank and subsidiaries.

Year Ended March 31, 2014

(1) The changes in defined benefit obligation for the year ended March 31, 2014, were as follows:

	Millions of Yen	Thousands of U.S. Dollars
Balance at beginning of year	¥ 23,711	$ 230,386
Service cost	855	8,312
Interest cost	331	3,217
Actuarial losses	(575)	(5,588)
Benefits paid	(1,272)	(12,360)
Balance at end of year	¥ 23,050	$ 223,966

(Note)
All subsidiaries use the simplified method. The retirement benefit costs are recognized as "service cost."

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

	Millions of Yen	Thousands of U.S. Dollars
Balance at beginning of year	¥ 25,568	$ 248,428
Expected return on plan assets	127	1,241
Actuarial gains	2,183	21,218
Contributions from the employer	1,929	18,748
Benefits paid	(1,171)	(11,382)
Balance at end of year	¥ 28,637	$ 278,254

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

	Millions of Yen	Thousands of U.S. Dollars
Funded defined benefit obligation	¥ (21,551)	$ (209,403)
Plan assets	28,637	278,254
	7,086	68,650
Unfunded defined benefit obligation	(1,498)	(14,562)
Net asset arising from defined benefit obligation	¥ 5,587	$ 54,288

	Millions of Yen	Thousands of U.S. Dollars
Liability for retirement benefits	¥ (1,498)	$ (14,562)
Asset for retirement benefits	7,086	68,650
Net asset arising from defined benefit obligation	¥ 5,587	$ 54,288

(4) The components of net periodic benefit costs for the year ended March 31, 2014, were as follows:

	Millions of Yen	Thousands of U.S. Dollars
Service cost	¥ 855	$ 8,312
Interest cost	331	3,217
Expected return on plan assets	(127)	(1,241)
Recognized actuarial losses	1,008	9,795
Amortization of prior service cost	7	76
Net periodic benefit costs	¥ 2,074	$ 20,159

(5) Accumulated other comprehensive income on defined retirement benefit plans as of March 31, 2014

	Millions of Yen	Thousands of U.S. Dollars
Unrecognized prior service cost	¥ 675	$ 6,561
Unrecognized actuarial losses	1,126	10,946
Total	¥ 1,801	$ 17,508

(6) Plan assets

a. Components of plan assets

Plan assets consisted of the following:

Debt investments	29%
Equity investments	29
General account assets of life insurance companies	28
Others	14
Total	100%

(Note)
Total pension assets include the retirement benefit trust of 17%.

b. Method of determining the expected rate of return on plan assets

The e xpected rate of return on plan assets is determined based on the investment yield average of the past five years, in consideration of the long-term rates of return and the allocation of expected pension assets at present and in the future.

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

Discount rate	1.5%
Expected rate of return on plan assets	
Defined benefit pension plan	0.5
The retirement benefit trust	0.5

Year Ended March 31, 2013

The provision for retirement benefits at March 31, 2013, consisted of the following:

		Millions of Yen
Projected benefit obligation	¥	(23,711)
Fair value of plan assets		25,568
Unrecognized prior service cost		683
Unrecognized actuarial loss		4,893
Net liability		7,433
Prepaid pension expense		8,555
Provision for retirement benefits	¥	(1,122)

The components of net periodic benefit costs for the year ended March 31, 2013, are as follows:

		Millions of Yen
Service cost	¥	819
Interest cost		403
Expected return on plan assets		(213)
Amortization of prior service cost		(209)
Recognized actuarial loss		1,200
Net periodic benefit costs	¥	2,000

Assumptions used for the year ended March 31, 2013, are set forth as follows:

Discount rate	1.4%
Expected rate of return on plan assets	
Defined benefit pension plan	0.5%
The retirement benefit trust	2.5%
Amortization period of prior service cost	10 years
Recognition period of actuarial gain/loss	10 years

15. Acceptances and Guarantees

The Bank provides guarantees for the liabilities of its customers for payments of loans or other liabilities to other financial institutions. As a contra account, "Customers' liabilities for acceptances and guarantees" are shown as assets on the accompanying consolidated balance sheet indicating the Bank's right of indemnity from the customers.

16. Equity

Japanese banks are subject to the Banking Law and the Companies Act of Japan (the "Companies Act"). The significant provisions in the Banking Law and the Companies Act that affect financial and accounting matters are summarized below:

(a) Dividends

Under the Companies Act, companies can pay dividends at any time during the fiscal year in addition to the year-end dividend upon resolution at the shareholders' meeting. For companies that meet certain criteria such as (1) having a Board of Directors, (2) having independent auditors, (3) having an Audit & Supervisory Board , and (4) the term of service of the directors is prescribed as one year rather than two years of normal term by its articles of incorporation, the Board of Directors may declare dividends (except for dividends-in-kind) at any time during the fiscal year if the company has prescribed so in its articles of incorporation. The Bank meets all the above criteria.

The Companies Act permits companies to distribute dividends-in-kind (noncash assets) to shareholders subject to certain limitations and additional requirements.

Semiannual interim dividends may also be paid once a year upon resolution by the Board of Directors if the articles of incorporation of the company so stipulate. The Companies Act and the Banking Law provide certain limitations on the amounts available for dividends or the purchase of treasury stock.

(b) Increases/decreases and transfer of common stock, reserve, and surplus

The Banking Law requires that an amount equal to 20% of dividends must 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 aggregate amount of the legal reserve and additional paid-in capital equals 100% of capital stock. Under the Companies Act, the total amount of additional paid-in capital and legal reserve may be reversed without limitation. The Companies Act 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.

(c) Treasury stock and treasury stock acquisition rights

The Companies Act also provides for companies to purchase treasury stock and dispose of such treasury stock by resolution of the Board of Directors. The amount of treasury stock purchased cannot exceed the amount available for distribution to the shareholders, which is determined by specific formula. Under the Companies Act, stock acquisition rights are presented as a separate component of equity. The Companies Act also provides that companies can purchase both treasury stock acquisition rights and treasury stock. Such treasury stock acquisition rights are presented as a separate component of equity or deducted directly from stock acquisition rights.

17. Loan Commitments

Contracts for overdraft facilities and loan commitment limits are contracts that the Bank makes with customers up to prescribed limits in response to customers' loan applications as long as there is no violation of any condition in the contracts. The amount of unused commitments at March 31, 2014 and 2013, was ¥634,160 million ($6,161,680 thousand) and ¥602,182 million, respectively, and the amount of unused commitments whose original contract terms are within one year or unconditionally cancelable at any time at March 31, 2014 and 2013, was ¥625,400 million ($6,076,567 thousand) and ¥597,142 million, respectively.

Since many of these commitments expire without being drawn upon, the unused amount does not necessarily represent a future cash requirement. Most of these contracts have conditions that allow the Bank to refuse customers' loan applications or decrease the contract limits for legitimate reasons (e.g., changes in financial situation, deterioration in customers' creditworthiness). At the inception of the contracts, the Bank obtains real estate, securities, etc., as collateral if considered to be necessary. Subsequently, the Bank performs a periodic review of customers' business results based on internal rules and takes necessary measures to reconsider conditions in the contracts and/or require additional collateral and guarantees.

18. Financial Instruments and Related Disclosures

(a) Policy on financial instruments

The main business of the Group is banking operations, which consist of deposit-taking and lending services, securities investment, etc. Additionally, the Group provides other financial services, such as leasing services.

Accordingly, the Bank holds financial assets and liabilities that are subject to interest rate fluctuations and conducts Asset-Liability Management ("ALM") in order to minimize any unfavorable impacts from interest rate fluctuations. The Bank also conducts derivative transactions as part of ALM.

(b) Nature and extent of risks arising from financial instruments

The main financial instruments that the Group has are as follows:

The Group provides loans mainly to domestic corporations and individual customers. Loans are exposed to credit risk, which represents losses on defaults caused by a deterioration in a borrower's financial condition. Moreover, fixed interest rate loans are exposed to interest rate risks.

The Group holds securities, such as national government bonds, local government bonds, corporate bonds and equity securities. These securities are exposed to interest rate risks, market price risks, foreign exchange risks and credit risks.

The Bank handles deposits and negotiable certificates of deposit from customers. These deposits are exposed to interest rate risks.

Call money is exposed to liquidity risk, which may lead the Bank to face difficulties in raising necessary funds under certain circumstances.

The Group conducts derivative transactions mainly to manage market risks of loans and securities, etc., and partly applies hedge accounting to them.

(c) Risk management for financial instruments

(1) Credit risk management

As a basis of credit risk management, the Bank periodically monitors the debtors' financial status. This checking system is called the "Monitoring System of Customers."

The Bank has established a "Lending Policy" to advance the credit risk control systems for individual accounts and to enhance the effectiveness of these credit portfolio management measures. In addition, the Bank assists debtors, which have problems in their financial conditions and guides their management in financial aspects.

To enhance its risk management system, the Bank has established a system of checks and balances in its credit risk management operations by separating the Corporate Risk Management Department from the Credit & Investment Planning Department. In addition, regarding business loans, the Corporate Risk Management Department is responsible for measuring credit risks and planning a credit rating system.

Corporate credit rates are decided by the Monitoring System of Customers with a financial support system "Key Man." The Monitoring System of Customers gives corporate credit rates with internal standards based on actual financial or nonfinancial conditions and decides the credit rating classification, lending policies, and lending rates according to the corporate credit rates.

The Credit Risk Management Department reports the management situation of the credit portfolio to the Risk Management Committee and the ALM Committee regularly or as needed, and the agenda is reported to the Board of Directors.

Regarding credit examinations and lending judgment on individual transactions, the Bank establishes a "Lending Policy," which determines the basic lending policies, individual lending criterion and, to prevent the concentration of lending, conducts credit examinations in accordance with the policy.

(2) Market risk management

The Bank recognizes the importance of appropriate market risk management to attain its purpose. Therefore, its basic policy is to understand the market risk situation precisely and to take and manage appropriate business risks by establishing an appropriate market risk management system that enables it to manage and take certain market risks.

The Bank has separated its departments into the market division (front office), the office management division (back office), and the risk management division (middle office) and has established an effective mutual monitoring system.

Moreover, the Bank conducts strict operational management with retention limits, Value at Risk ("VaR") limits, and loss limits, which are decided by the Executive Board on a semiannual basis. The middle office reports to directors on a daily basis and to the Risk Management Committee on a monthly basis on the status of risks of market transactions, such as retention limits, unrealized gains or losses, Basis Point Value of the securities portfolio, and VaR. The study results of the Risk Management Committee are reported to the Board of Directors.

The ALM Committee monitors market risks, including interest risk of bank accounting in terms of comprehensive management of assets and liabilities and studies hedging strategies based on the financial environment and market forecasts.

（Quantitative information of market risk）

1) Financial instruments held for trading purposes

Concerning trading securities and fund trusts, the Bank has set upper holding limits. As of March 31, 2014 and 2013, the limit of trading securities was ¥10,000 million ($97,162 thousand) and ¥10,000 million, respectively, and the limit of fund trusts was ¥12,000 million ($116,595 thousand) and ¥14,000 million, respectively. For trading securities, the Bank has not set an allowable potential loss amount to trade securities with customers. The Bank holds fund trusts to earn profit by taking advantage of short-term fluctuations in the market or discrepancies in interest rates, currency exchange rates, or other market indices in different markets. In order to manage risks, the Bank has set an allowable potential loss amount for fund trusts, which was ¥360 million ($3,497 thousand) and ¥300 million as of March 31, 2014 and 2013, respectively.

2) Financial instruments held for other than trading purposes

(a) Management of interest rate risks

The main financial instruments that are affected by interest rate risks in the Bank are “Loans and bills discounted,” bonds within “Securities,” “Deposits,” and interest rate swaps of “Derivative transactions.”

The Bank has computed the VaR of these financial assets and liabilities with the variance-covariance method and uses that method for quantitative analysis of interest rate risk management. The assumptions for computing VaR are based on a 60-day holding period, 99% confidence level, and a five-year observation period. The aggregate amount of interest rate risks (value of estimated record of losses) was ¥5,400 million ($52,467 thousand) and ¥10,100 million as of March 31, 2014 and 2013, respectively. The Bank conducts back-testing to verify the reliability of VaR by monthly monitoring and analysis. The results support the reliability of the Bank’s model, which has captured interest rate risks with sufficient accuracy.

The Bank has computed interest rate risks with core deposits estimated by the core deposits measurement model. In this model, the Bank estimates the amount of core deposits from a shift of the lower 99th percentile of deposit decrease in the future distribution of demand deposits. The distribution is computed by a linear regression model and a future interest rate scenario, and the linear regression model uses the one-month Tokyo Interbank Offered Rate as an explanatory variable.

The Bank conducts back-testing to verify the reliability of the core deposits measurement model by comparing core deposits expectations and core deposits actual values, which are measured with the core deposits measurement model. The results support the reliability of the Bank’s model, which has captured core deposits movements with sufficient accuracy.

The VaR and the core deposits measurement model represent the amount of interest rate risks and core deposits arising with a certain probability using a statistical methodology based on historical interest rate fluctuations and the relationship between interest rate fluctuations and deposit fluctuations. It may not be able to capture the interest rate risks and movements of core deposits arising under drastic market movements beyond normal estimates.

(b) Management of market price risks

The Bank uses VaR for quantitative analysis of market price risk of trading securities in “Securities.” The assumptions for computing VaR include a 60-day holding period (regarding a part of asset, for example, cross-shareholdings is 125 days), a 99% confidence level, and a one-year observation period. The VaR was ¥26,100 million ($253,595 thousand) and ¥26,000 million as of March 31, 2014 and 2013, respectively.

The Bank conducts research to compare the VaR calculated using the model with gains or losses, which are assumed to have been incurred when the portfolio was fixed. According to the results of the research, it is believed that the measurement model used is adequate to capture market risk. It should be noted that VaR measures the amount of market risk at certain probability levels statistically calculated based on historical market fluctuations, and therefore, there may be cases where market risk cannot be captured in such situations when market conditions change dramatically beyond what was experienced historically.

(3) Liquidity risk management

The financing condition of the Bank is stable because the Bank raises most of its operational funds by deposits.

The Financing Management Department, which is in the Market Financing Department, monitors the Bank's financing conditions on a daily, weekly, and monthly basis and conducts adequate market funding as needed.

The Risk Management Department, which is independent from the Financing Management Department, monitors the Bank's financing conditions on a daily basis, and endeavors to secure available funding methods, such as preparation of market funding with holding securities to prepare for contingencies.

The monitoring results of the Bank's financing conditions and market liquidity risks are reported to the Risk Management Committee, and the study results of the Risk Management Committee are reported to the Board of Directors.

(4) Derivative transactions risk management

As for derivative transactions, the basic policy of the Bank is to reduce market risks of loans and securities.

Market risks and credit risks are inherent in derivative transactions used by the Bank.

Market risks include interest rate risks in interest-related derivative transactions, exchange rate risks in currency-related derivative transactions, and market price risks in security/bond-related derivative transactions.

As for credit risks, the Bank handles trades with stock exchanges and only creditable banks and securities companies, and reduces default risks appropriately by operational limits.

The Bank manages its risks mainly by checking whether the effective derivative transactions are used to reduce asset and liability risks, such as fluctuations in interest rates and foreign exchange rates. The basic policy is studied by the ALM Committee, and the transactions and management are conducted by the Market Financing Department.

(d) Supplementary explanation of matters relating to fair values of financial instruments

Fair values of financial instruments include values based on market prices, and values deemed to be market prices obtained by a reasonable estimate when financial instruments do not have market prices. Because certain assumptions are adopted for calculating such values, values may differ when adopting different assumptions.

(e) Fair values of financial instruments

The following table summarizes the carrying amounts and the fair values of financial instruments as of March 31, 2014 and 2013, together with their differences. Note that the following table does not include unlisted equity securities and certain other securities for which fair value is extremely difficult to determine.

Fair value of financial instruments

At March 31, 2014	Millions of Yen					
	Carrying amount		Fair value		Unrealized gains/losses	
Assets						
Cash and due from banks	¥	168,429	¥	168,429	¥	
Call loans and bills bought		21,613		21,613		
Trading securities		178		178		
Investment securities						
Available-for-sale securities		1,144,660		1,144,660		
Loans and bills discounted		2,425,898				
Allowance for doubtful accounts (*1)		(32,645)				
		2,393,253		2,430,161		36,907
Total	¥	3,728,135	¥	3,765,042	¥	36,907
Liabilities						
Deposits		3,291,756		3,292,230		473
Negotiable certificates of deposit		91,165		91,193		27
Call money and bills sold		53,466		53,466		
Borrowed money		76,941		76,944		2
Total	¥	3,513,331	¥	3,513,835	¥	504
Derivative transactions (*2)						
Hedge accounting is not applied		(128)		(128)		
Hedge accounting is applied		(303)		(303)		
Total	¥	(431)	¥	(431)	¥	

At March 31, 2013	Millions of Yen					
	Carrying amount		Fair value		Unrealized gains/losses	
Assets						
Cash and due from banks	¥	88,936	¥	88,936	¥	
Call loans and bills bought		21,631		21,631		
Trading securities		181		181		
Investment securities						
Available-for-sale securities		1,156,780		1,156,780		
Loans and bills discounted		2,272,324				
Allowance for doubtful accounts (*1)		(29,370)				
		2, 242,953		2,277,140		34,186
Total	¥	3,510,484	¥	3,544,670	¥	34,186
Liabilities						
Deposits		3,144,798		3,145,443		644
Negotiable certificates of deposit		68,867		68,882		15
Call money and bills sold		20,785		20,785		
Borrowed money		44,185		44,198		13
Total	¥	3,278,635	¥	3,279,309	¥	673
Derivative transactions (*2)						
Hedge accounting is not applied		140		140		
Hedge accounting is applied		(455)		(455)		
Total	¥	(314)	¥	(314)	¥	

At March 31, 2014	Thousands of U.S. Dollars Carrying amount	Fair value	Unrealized gains/losses
Assets			
Cash and due from banks	$ 1,636,505	$ 1,636,505	$
Call loans and bills bought	210,000	210,000	
Trading securities	1,739	1,739	
Investment securities			
Available-for-sale securities	11,121,844	11,121,844	
Loans and bills discounted	23,570,724		
Allowance for doubtful accounts (*1)	(317,190)		
	23,253,534	23,612,139	358,605
Total	$ 36,223,623	$ 36,582,228	$ 358,605
Liabilities			
Deposits	31,983,646	31,988,249	4,602
Negotiable certificates of deposit	885,792	886,062	270
Call money and bills sold	519,500	519,500	
Borrowed money	747,585	747,610	24
Total	$ 34,136,523	$ 34,141,422	$ 4,898
Derivative transactions (*2)			
Hedge accounting is not applied	(1,247)	(1,247)	
Hedge accounting is applied	(2,948)	(2,948)	
Total	$ (4,196)	$ (4,196)	$

(*1) Allowance for doubtful accounts relevant to loans and bills discounted have been deducted.

(*2) Derivatives recorded in “Other assets” and “Other liabilities” are aggregated and shown herein in total. Derivative instruments are presented as net of assets and liabilities associated with derivative transactions.

(f) Method used for determining the fair value of financial instruments

Assets

(1)Cash and due from banks

Fair values of cash and due from banks that have no maturity dates are approximately equivalent to carrying amounts.

Regarding cash and due from banks with maturity dates, the fair values are approximately equivalent to the carrying amounts because of their short maturities (less than one year).

(2)Call loans and bills purchased

Fair values of call loans and bills purchased are approximately equivalent to carrying amounts because of their short maturities.

(3)Trading securities

For securities, such as bonds that are held for trading, the fair values are measured at the quoted market prices in bond markets or the quoted prices obtained from financial institutions.

(4)Investment securities

Fair values of stocks are measured at the quoted market prices in stock markets. Fair values of bonds are mainly measured at the quoted market prices in bond markets or the quoted prices obtained from financial institutions.

Fair values of investment trusts are measured at the standard prices disclosed publicly.

See Note 5 for information related to securities by holding purpose.

(5)Loans and bills discounted

Because floating-rate loans are immediately affected by the movement of market rates, the fair values of these loans are equivalent to carrying amounts in cases where the credit risk of debtors has not significantly changed from the execution of the loans.

Fixed-rate loans are segmented by loan type, internal rating, and period, and their fair value is determined by discounting the total amount of principal and interest by the assumed interest rate on new lending of a similar type.

For loans to debtors who are legally bankrupt, virtually bankrupt, and possible bankrupt, an allowance for doubtful accounts calculated from the current value of expected future cash flows or from the amount expected to be collected through disposal of collateral or execution of guarantees is provided. Therefore, the carrying amounts at the consolidated balance sheet date, net of reserve amounts, are regarded as the fair values.

The carrying amounts of loans and bills discounted that do not have fixed maturities due to loan characteristics, such as limited loan amounts within the value of pledged assets, approximate fair value due to their expected repayment periods and interest rate conditions.

Liabilities

(1)Deposits

Fair value of demand deposits is recognized as the payment amount required at the balance sheet date (i.e., carrying amounts). The fair values of time deposits are calculated by classifying them on the basis of their terms and by discounting future cash flows. The discount rates used in such calculations are interest rates used when accepting new deposits.

(2)Negotiable certificates of deposit

Fair values of fixed negotiable certificates of deposit are calculated by classifying them on the basis of their terms and by discounting future cash flows. The discount rates used in such calculations are interest rates used when accepting new negotiable certificates of deposit.

(3)Call money and bills sold

Fair values of call money and bills sold are equivalent to carrying amounts because of their short maturities.

(4)Borrowed money

The carrying amount of borrowed money with floating interest rates approximates fair value because the market rates are promptly reflected in the floating interest rate, and the credit risks of the Bank and its subsidiaries have not changed significantly after borrowing. The fair value of borrowed money with fixed interest rates is determined by discounting future cash flows at the rate that would be applied for similar new contracts. Fair values of borrowed money with maturities of less than one year are approximately equivalent to carrying amounts because of their short maturities.

Derivatives

Please see Note 19 for the fair value of derivatives.

(g) Financial instruments whose fair value cannot be reliably determined

	Carrying amount		
	Millions of Yen		Thousands of U.S. Dollars
	2014	2013	2014
Unlisted stocks (*1) (*2)	¥ 2,381	¥ 2,332	$ 23,137
Investments in partnerships (*3)	2,521	1,331	24,501
Total	¥ 4,902	¥ 3,664	$ 47,638

(*1) Equity securities without a readily available market price are outside the scope of the fair value disclosure because their fair values cannot be reliably determined.

(*2) During the year ended March 31, 2014, impairment losses on unlisted stocks were not recognized. During the year ended March 31, 2013, impairment losses of ¥0 million on unlisted stocks were recognized.

(*3) Investments in partnerships, the assets of which comprise equity securities without a readily available market price, are outside the scope of the fair value disclosure because the fair value of those investments cannot be reliably determined.

(h) Maturity analysis for financial assets and securities with contractual maturities

	Milli ons of Yen		
At March 31, 2014	Due in 1 year or Less	Due from 1 to 3 years	Due from 3 to 5 years
Due from banks	¥ 121,829	¥	¥
Call loans and bills purchased	21,613		
Available-for-sale securities	132,052	351,439	344,961
Nati onal government bonds	58,783	54,749	102,734
Local government bonds	8,681	35,766	19,093
Corporate bonds	58,948	230,507	165,944
Other	5, 638	30,415	57,187
Loans and bills discounted (*)	718,315	500,336	380,517
Total	¥ 993,811	¥ 851,776	¥ 725,478

	Milli ons of Yen		
At March 31, 2014	Due from 5 to 7 years	Due from 7 to 10 years	Due after 10 years
Due from banks	¥	¥	¥
Call loans and bills purchased			
Available-for-sale securities	113,227	78,979	36,906
Nati onal government bonds	81,271	18,518	
Local government bonds	8,312		
Corporate bonds	22,130	60,355	36,906
Other	1, 513	105	
Loans and bills discounted (*)	201,090	211,940	385,383
Total	¥ 314,318	¥ 290,920	¥ 422,290

(*) Loans and bills discounted to borrowers who are legally bankrupt, virtually bankrupt, and possibly bankrupt amounting to ¥28,313 million are excluded from the table above as of March 31, 2014.

At March 31, 2013	Millions of Yen Due in 1 year or Less	Due from 1 to 3 years	Due from 3 to 5 years
Due from banks	¥ 47,893	¥	¥
Call loans and bills purchased	21,631		
Available-for-sale securities	84,723	300,108	269,218
National government bonds	36,190	98,253	70,062
Local government bonds	17,684	32,909	20,756
Corporate bonds	26,336	155,566	137,676
Other	4, 511	13,378	40,724
Loans and bills discounted (*)	695,222	449,648	383,407
Total	¥ 849,470	¥ 749,757	¥ 652,626

At March 31, 2013	Millions of Yen Due from 5 to 7 years	Due from 7 to 10 years	Due after 10 years
Due from banks	¥	¥	¥
Call loans and bills purchased			
Available-for-sale securities	116,325	197,707	115,447
National government bonds	77,319	115,240	71,750
Local government bonds	7,828	10,445	
Corporate bonds	16,378	70,798	43,697
Other	14,799	1,224	
Loans and bills discounted (*)	208,043	178,890	325,808
Total	¥ 324,369	¥ 376,598	¥ 441,255

(*)Loans and bills discounted to borrowers who are legally bankrupt, virtually bankrupt, and possibly bankrupt amounting to ¥31,303 million are excluded from the table above as of March 31, 2013.

At March 31, 2014	Thousands of U.S. Dollars Due in 1 year or less	Due from 1 to 3 years	Due from 3 to 5 years
Due from banks	$ 1,183,732	$	$
Call loans and bills purchased	210,000		
Available-for-sale securities	1,283,060	3,414,684	3,351,739
National government bonds	571,159	531,958	998,198
Local government bonds	84,350	347,519	185,521
Corporate bonds	572,761	2,239,678	1,612,365
Other	54,789	295,527	555,653
Loans and bills discounted (*)	6,979,361	4,861,415	3,697,215
Total	$ 9,656,154	$ 8,276,100	$ 7,048,954

At March 31, 2014	Thousands of U.S. Dollars Due from 5 to 7 years	Due from 7 to 10 years	Due after 10 years
Due from banks	$	$	$
Call loans and bills purchased			
Available-for-sale securities	1,100,153	767,391	358,596
National government bonds	789,652	179,932	
Local government bonds	80,766		
Corporate bonds	215,029	586,435	358,596
Other	14,705	1,023	
Loans and bills discounted (*)	1,953,854	2,059,273	3,744,500
Total	$ 3,054,008	$ 2,826,664	$ 4,103,096

(*)Loans and bills discounted to borrowers who are legally bankrupt, virtually bankrupt, and possibly bankrupt amounting to $275,104 thousand are excluded from the table above as of March 31, 2014.

(i) Scheduled repayment amount after the balance sheet date for borrowed money and other interest-bearing liabilities

At March 31, 2014	Millions of Yen Due in 1 year or less	Due from 1 to 3 years	Due from 3 to 5 years
Deposits (*)	¥ 3,182,129	¥ 96,999	¥ 12,627
Negotiable certificates of deposit	90,815	350	
Call money and bills sold	53,466		
Borrowed money (*)	12,462	63,220	1,248
Total	¥ 3,338,874	¥ 160,570	¥ 13,875

At March 31, 2014	Millions of Yen Due from 5 to 7 years	Due from 7 to 10 years	Due after 10 years
Deposits (*)	¥ 0	¥	¥
Negotiable certificates of deposit			
Call money and bills sold			
Borrowed money (*)	6	4	
Total	¥ 6	¥ 4	¥

At March 31, 2013	Millions of Yen Due in 1 year or less	Due from 1 to 3 years	Due from 3 to 5 years
Deposits (*)	¥ 3,022,632	¥ 110,454	¥ 11,710
Negotiable certificates of deposit	68,837	30	
Call money and bills sold	20,785		
Borrowed money (*)	39,513	3,546	1,110
Total	¥ 3,151,768	¥ 114,031	¥ 12,821

At March 31, 2013	Millions of Yen Due from 5 to 7 years	Due from 7 to 10 years	Due after 10 years
Deposits (*)	¥ 0	¥	¥
Negotiable certificates of deposit			
Call money and bills sold			
Borrowed money (*)	6	7	
Total	¥ 6	¥ 7	¥

At March 31, 2014	Thousands of U.S. Dollars Due in 1 year or less	Due from 1 to 3 years	Due from 3 to 5 years
Deposits (*)	$ 30,918,476	$ 942,475	$ 122,692
Negotiable certificates of deposit	882,391	3,400	
Call money and bills sold	519,500		
Borrowed money (*)	121,086	614,267	12,125
Total	$ 32,441,454	$ 1,560,144	$ 134,818

At March 31, 2014	Thousands of U.S. Dollars Due from 5 to 7 years	Due from 7 to 10 years	Due after 10 years
Deposits (*)	$ 1	$	$
Negotiable certificates of deposit			
Call money and bills sold			
Borrowed money (*)	66	39	
Total	$ 67	$ 39	$

(*) Regarding deposits, demand deposits are included in deposits with maturity dates of one year or less. Please see Note 13 for annual maturities of borrowed money.

19. Derivative Instruments

The Bank has entered into various transactions involving derivative instruments in the normal course of business to meet the financing needs of its customers for risk management, the Bank's ALM and as a source of income. These derivative instruments involve, elements of credit and market risk. The Bank is exposed to credit losses in the event of nonperformance by counterparties. However, the Bank does not expect nonperformance by its counterparties because the counterparties to these derivatives are limited to major international financial institutions.

(a) Derivative transactions to which hedge accounting is not applied at March 31, 2014 and 2013

	Millions of Yen Notional principal or contract amounts	Contract amount due after one year	Fair value	Valuation gains (losses)
At March 31, 2014				
Over-the-counter				
Foreign exchange contracts:				
Currency swaps	¥ 10,904	¥ 10,904	¥ 9	¥ 9
Foreign exchange forward contracts				
Forward exchange contracts sold	230		0	0
Forward exchange contracts bought	157		(1)	(1)

	Millions of Yen			
	Notional principal or contract amounts	Contract amount due after one year	Fair value	Valuation gains (losses)
At March 31, 2013				
Over-the-counter				
Foreign exchange contracts:				
Currency swaps	¥ 27,935	¥ 27,935	¥ 29	¥ 29
Foreign exchange forward contracts				
Forward exchange contracts sold	174		(3)	(3)
Forward exchange contracts bought	157		4	4

	Thousands of U.S. Dollars			
	Notional principal or contract amounts	Contract amount due after one year	Fair value	Valuation gains (losses)
At March 31, 2014				
Over-the-counter				
Foreign exchange contracts:				
Currency swaps	$ 105,948	$ 105,948	$ 89	$ 89
Foreign exchange forward contracts				
Forward exchange contracts sold	2,238		8	8
Forward exchange contracts bought	1,530		(10)	(10)

(b) Derivative transactions to which hedge accounting is applied at March 31, 2014 and 2013

	Millions of Yen						
	Hedged item		Contract amount		Contract amount due after one year		Fair value
At March 31, 2014							
Interest rate contracts:							
Interest rate swaps - receive floating and pay Fixed	Loans and bills discounted	¥	10,954	¥	10,954	¥	(303)

	Millions of Yen						
	Hedged item		Contract amount		Contract amount due after one year		Fair value
At March 31, 2014							
Foreign exchange:							
Forward contracts sold	Foreign currency call loans	¥	21,633	¥		¥	(3)

	Millions of Yen						
	Hedged item		Contract amount		Contract amount due after one year		Fair value
At March 31, 2013							
Interest rate contracts:							
Interest rate swaps - receive floating and pay Fixed	Loans and bills discounted	¥	11,907	¥	11,907	¥	(455)

	Millions of Yen						
	Hedged item		Contract amount		Contract amount due after one year		Fair value
At March 31, 2013							
Foreign exchange:							
Forward contracts sold	Foreign currency call loans	¥	24,007	¥		¥	(3)

	Thousands of U.S. Dollars						
	Hedged item		Contract amount		Contract amount due after one year		Fair value
At March 31, 2014							
Interest rate contracts:							
Interest rate swaps - receive floating and pay Fixed	Loans and bills discounted	$	106,432	$	106,432	$	(2,948)

	Thousands of U.S. Dollars			
	Hedged item	Contract amount	Contract amount due after one year	Fair value
At March 31, 2014				
Foreign exchange:				
Forward contracts sold	Foreign currency call loans	$ 210,201	$	$ (32)

The below interest rate swaps that qualify for hedge accounting and meet specific matching criteria are not remeasured at market value but the differential paid or received under the swap agreements is recognized and included in interest expense or income. In addition, the fair value of such interest rate swaps is included in that of the hedged items in Note 18 (i.e., loans and bills discounted).

	Millions of Yen			
	Hedged item	Contract amount	Contract amount due after one year	Fair value
At March 31, 2014				
Interest rate contracts:				
Interest rate swaps - receive floating and pay Fixed	Loans and bills discounted	¥ 36,246	¥ 34,360	¥

	Millions of Yen			
	Hedged item	Contract amount	Contract amount due after one year	Fair value
At March 31, 2013				
Interest rate contracts:				
Interest rate swaps - receive floating and pay Fixed	Loans and bills discounted	¥ 40,585	¥ 40,564	¥

	Thousands of U.S. Dollars			
	Hedged item	Contract amount	Contract amount due after one year	Fair value
At March 31, 2014				
Interest rate contracts:				
Interest rate swaps - receive floating and pay Fixed	Loans and bills discounted	$ 352,184	$ 333,860	$

Fair values are calculated based on the discounted cash flow method or other valuation method.

20. Income Taxes

The Bank and its subsidiaries are subject to Japanese national and local income taxes that, in the aggregate, resulted in normal effective statutory tax rates of approximately 37.7% for the years ended March 31, 2014 and 2013.

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

	Millions of Yen		Thousands of U.S. Dollars
	2014	2013	2014
Deferred tax assets:			
Allowance for doubtful accounts	¥ 11,302	¥ 10,194	$ 109,820
Provision for retirement benefits		396	
Liability for retirement benefits	529		5,140
Provision for directors' and audit & supervisory board members' retirement benefits	229	307	2,227
Provision for reimbursement of deposits	159	217	1,552
Depreciation	279	321	2,712
Write-downs of investment securities	1,155	1,114	11,223
Unrealized losses on available-for-sale securities	289	352	2,808
Losses on impairment of fixed assets	2,216	2,399	21,531
Other	2,021	2,200	19,645
Less, valuation allowance	(3,699)	(3,897)	(35,943)
Subtotal	14,482	13,606	140,719
Deferred tax liabilities:			
Unrealized gains on available-for-sale securities	(16,996)	(19,145)	(165,141)
Asset for retirement benefits	(1,268)		(12,328)
Other	(244)	(2,159)	(2,372)
Subtotal	(18,509)	(21,305)	(179,842)
Net deferred tax assets (liabilities)	¥ (4,026)	¥ (7,698)	$ (39,122)

A reconciliation of the differences between the Japanese statutory effective tax rate and the actual effective tax rate on pretax income reflected in the accompanying consolidated statement of income for the year ended March 31, 2014, is as follows:

	Per centage of pretax income
	2014
Japanese statutory effective tax rate	37.7 %
Increase (decrease) due to:	
Nondeductible expenses	0.7
Nontaxable income	(2.4)
Effect of tax rate reduction	1.1
Resident tax per capital levy	0.3
Increase in valuation allowance	0.1
Gain on negative goodwill	(3.3)
Other	1.0
Actual effective income tax rate	35.2 %

A reconciliation between the normal effective statutory tax rate for the year ended March 31, 2013, and the actual effective tax rate reflected in the accompanying consolidated statement of income was not required under Japanese accounting standards due to immaterial differences.

New tax reform laws enacted in 2014 in Japan changed the normal effective statutory tax rate for the fiscal year beginning on or after April 1, 2014, from approximately 37.7% to 35.3%. The effect of this change was to decrease deferred tax assets in the consolidated balance sheet as of March 31, 2014, by ¥180 million ($1,750 thousand), to increase income taxes deferred in the consolidated statement of income for the year then ended by the same amount.

21. Other Comprehensive Income

The components of other comprehensive income for the years ended March 31, 2014 and 2013, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2014	2013	2014
Unrealized gains (losses) on available-for-sale securities			
Gains (losses) arising during the year	¥ (2,705)	¥ 25,161	$ (26,291)
Reclassification adjustments to profit or loss	(3,206)	(1,276)	(31,156)
Amount before income tax effect	(5,912)	23,884	(57,447)
Income tax effect	2,086	(8,244)	20,271
Total	¥ (3,826)	¥ 15,640	$ (37,175)
Deferred gains (losses) on derivatives under hedge accounting			
Losses arising during the year	¥ (10)	¥ (74)	$ (99)
Reclassification adjustments to profit or loss	162	174	1,583
Amount before income tax effect	152	100	1,483
Income tax effect	(53)	(35)	(523)
Total	¥ 98	¥ 65	$ 960
Total other comprehensive income	¥ (3,727)	¥ 15,705	$ 36,215

22. Per-Share Information

Net income per share, as presented in the consolidated statement of income, is based on the weighted-average number of common shares outstanding during each year. The weighted-average number of common shares outstanding for the years ended March 31, 2014 and 2013, was 209,853 thousand and 209,882 thousand, respectively.

23. Subsequent Event

Appropriation of retained earnings
The shareholders of the Bank approved the following appropriations of retained earnings at the annual general shareholders' meeting held on June 26, 2014:

	Millions of Yen	Thousands of U.S. Dollars
Cash dividends	¥ 944	$ 9,185

24. SEGMENT INFORMATION

Under ASBJ Statement No. 17, "Accounting Standard for Segment Information Disclosures" and ASBJ Guidance No. 20, "Guidance on Accounting Standard for Segment Information Disclosures," an entity is required to report financial and descriptive information about its reportable segments. Reportable segments are operating segments or aggregations of operating segments that meet specified criteria. Operating segments are components of an entity about which separate financial information is available and such information is evaluated regularly by the chief operating decision maker in deciding how to allocate resources and in assessing performance. Generally, segment information is required to be reported on the same basis as is used internally for evaluating operating segment performance and deciding how to allocate resources to operating segments.

1. Description of reportable segments

The Group's reportable segments are those for which separate financial information is available and regular evaluation by the Board of Directors is being performed in order to decide how resources are allocated among the Group.
The Bank concentrates on the banking business, and also conducts other financial services business including leasing. Therefore, the Group's reportable segments consist of Banking and Leasing.
Banking consists of deposit business, loan business, exchange business, and securities business.
Leasing consists of a leasing business.

2. Methods of measurement for the amounts of ordinary income, profit (loss), assets, and other items for each reportable segment

The accounting policies of each reportable segment are consistent with those disclosed in Note 2, "Summary of Significant Accounting Policies."

3. Information about ordinary income, profit (loss), assets, and other items is as follows.

	Millions of Yen						
	2014						
	Reportable segment						
	Banking	Leasing	Total	Other	Total	Reconciliations	Consolidated
Ordinary income:							
External customers	¥ 65,642	¥ 11,817	¥ 77,459	¥ 1,570	¥ 79,030	¥	¥ 79,030
Intersegment	228	1,022	1,250	546	1,796	(1,796)	
Total	65,870	12,839	78,710	2,116	80,827	(1,796)	79,030
Segment profit	13,043	830	13,874	809	14,683	(37)	14,646
Segment assets	3,868,173	33,801	3,901,974	14,644	3,916,619	(26,654)	3,889,964
Other:							
Depreciation	¥ 5,063	¥ 74	¥ 5,137	¥ 22	¥ 5,160	¥	¥ 5,160
Interest income and dividends	46,915	36	46,952	135	47,087	(146)	46,941
Interest expenses	2,242	163	2,405	5	2,410	(232)	2,178

	Millions of Yen						
	2013						
	Reportable segment						
	Banking	Leasing	Total	Other	Total	Reconciliations	Consolidated
Ordinary income:							
External customers	¥ 65,000	¥ 11,754	¥ 76,754	¥ 1,608	¥ 78,362	¥	¥ 78,362
Intersegment	233	1,185	1,418	535	1,954	(1,954)	
Total	65,233	12,940	78,173	2,143	80,317	(1,954)	78,362
Segment profit	12,461	890	13,352	813	14,166	(39)	14,126
Segment assets	3,647,465	29,969	3,677,435	14,137	3,691,573	(24,768)	3,666,804
Other:							
Depreciation	¥ 5,264	¥ 212	¥ 5,477	¥ 17	¥ 5,494	¥	¥ 5,494
Interest income and dividends	48,054	36	48,091	158	48,250	(154)	48,095
Interest expenses	2,295	187	2,482	3	2,486	(242)	2,244

	Thousands of U.S. Dollars						
	2014						
	Reportable segment						
	Banking	Leasing	Total	Other	Total	Reconciliations	Consolidated
Ordinary income:							
External customers	$ 637,802	$ 114,820	$ 752,623	$ 15,259	$ 767,882	$	$ 767,882
Intersegment	2,218	9,930	12,149	5,305	17,455	(17,455)	
Total	640,021	124,751	764,772	20,565	785,338	(17,455)	767,882
Segment profit	126,737	8,070	134,808	7,862	142,670	(361)	142,309
Segment assets	37,584,275	328,420	37,912,696	142,292	38,054,988	(258,986)	37,796,002
Other:							
Depreciation	$ 49,193	$ 726	$ 49,920	$ 220	$ 50,140	$	$ 50,140
Interest income and dividends	455,848	356	456,204	1,314	457,518	(1,422)	456,096
Interest expenses	21,787	1,585	23,373	51	23,425	(2,256)	21,169

Note: 1. The “Other” segment contains business that is not included in these reportable segments, such as guarantee business and credit card business.

2 . Reconciliations were eliminations of intersegment transactions.

3 . Segment profit represents profit which is deducted for certain special income and loss from income before income taxes and minority interests in the accompanying consolidated statement of income.

Related Information for the years ended March 31, 2014 and 2013

Segment information by services

	Loan business	Securities investment business	Leasing business	Other	Total
Millions of Yen — 2014					
Ordinary income from external customers	¥ 36,919	¥ 15,396	¥ 11,629	¥ 15,084	¥ 79,030
Millions of Yen — 2013					
Ordinary income from external customers	¥ 37,854	¥ 14,510	¥ 11,639	¥ 14,358	¥ 78,362
Thousands of U.S. Dollars — 2014					
Ordinary income from external customers	$ 358,721	$ 149,597	$ 112,999	$ 146,564	$ 767,882