THE KAGOSHIMA BANK, LTD. and consolidated subsidiaries

Consolidated Financial Statements for the Year Ended March 31, 2015, and Independent Auditor's Report

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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. (the "Bank") and its subsidiaries as of March 31, 2015, 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, 2015, 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.

Emphasis of Matter

As discussed in "Note3 to consolidated financial statements, the Bank and The Higo Bank, Ltd. resolved, at their respective board of directors meetings held on March 27, 2015, to establish "Kyushu Financial Group, Inc.", a wholly-owning parent company of both banks (the "Joint Holding Company") by way of a share transfer on October 1, 2015, and established an outline of the joint holding company and the conditions, etc., of the share transfer, and on the same date entered into a "Business Integration Agreement".
In addition, the share transfer plan was approved at the general shareholders' meetings held on June 23, 2015.
Our opinion is not modified in respect of this matter.

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 LLC

June 23, 2015

THE KAGOSHIMA BANK, LTD. and Subsidiaries
Consolidated Balance Sheet
March 31, 2015

	Millions of Yen		Thousands of U.S. Dollars
	2015	2014	2015
Assets			
Cash and due from banks (Notes 4 and 18)	¥ 103,207	¥ 168,429	$ 858,846
Call loans and bills bought (Note 18)		21,613	
Monetary receivables bought	9,980	9,086	83,055
Trading securities (Notes 5 and 18)	179	178	1,492
Money held in trust (Note 6)	13,462	9,484	112,030
Investment securities (Notes 5, 11, and 18)	1,180,777	1,149,563	9,825,891
Loans and bills discounted (Notes 7, 17, and 18)	2,668,258	2,425,898	22,204,028
Foreign exchange assets (Note 8)	2,248	2,919	18,708
Lease receivables and investments in leases (Note 11)	22,435	22,627	186,694
Other assets (Note 11)	17,519	17,316	145,788
Tangible fixed assets (Notes 9 and 10)	54,735	55,454	455,481
Intangible fixed assets (Note 9)	5,017	6,645	41,750
Asset for retirement benefits (Note 14)	7,801	7,086	64,923
Deferred tax assets (Note 20)	467	517	3,889
Customers' liabilities for acceptances and guarantees (Note 15)	25,153	27,631	209,315
Allowance for doubtful accounts (Note 18)	(34,995)	(34,488)	(291,216)
Total assets	¥ 4,076,248	¥ 3,889,964	$ 33,920,681

See accompanying Notes to Consolidated Financial Statements.

	Millions of Yen		Thousands of U.S. Dollars
	2015	2014	2015
Liabilities and Equity			
Liabilities:			
Deposits (Notes 11, 12, and 18)	¥ 3,445,660	¥ 3,291,756	$ 28,673,219
Negotiable certificates of deposit (Note 18)	100,487	91,165	836,213
Call money and bills sold (Note 18)	24,514	53,466	204,000
Payables under securities lending transactions (Note 11)	16,628	20,800	138,374
Borrowed money (Notes 11, 13, and 18)	96,864	76,941	806,060
Foreign exchange liabilities (Note 8)	58	55	484
Other liabilities	24,585	23,591	204,590
Accrued bonuses to directors and audit & supervisory board members		50	
Liability for retirement benefits (Note 14)	1,866	1,498	15,528
Provision for directors' and audit & supervisory board members' retirement		649	
Provision for reimbursement of deposits	550	452	4,583
Provision for contingent losses	260	238	2,167
Deferred tax liabilities (Note 20)	12,559	4,544	104,515
Deferred tax liabilities for land revaluation (Notes 2(g) and 20)	7,387	8,255	61,478
Acceptances and guarantees (Note 15)	25,153	27,631	209,315
Total liabilities	3,756,578	3,601,100	31,260,531
Equity (Notes 16 and 22):			
Common stock, no par value; Authorized: 800,000,000 shares Issued: 210,403,655 shares in 2015 and 2014	18,130	18,130	150,875
Capital surplus	11,216	11,216	93,339
Retained earnings	216,952	205,571	1,805,382
Treasury stock, at cost, 582,000 shares in 2015 and 562,775 shares in 2014	(385)	(371)	(3,206)
Accumulated other comprehensive income			
Unrealized gains on available-for-sale securities (Note 5)	52,146	31,813	433,941
Deferred losses on derivatives under hedge accounting	(109)	(196)	(911)
Land revaluation surplus (Note 2(g))	14,827	14,259	123,387
Defined retirement benefit plans	(1,077)	(1,165)	(8,968)
Total	311,701	279,258	2,593,840
Minority interests	7,968	9,605	66,309
Total equity	319,670	288,864	2,660,150
Total liabilities and equity	¥ 4,076,248	¥ 3,889,964	$ 33,920,681

See accompanying Notes to Consolidated Financial Statements.

THE KAGOSHIMA BANK, LTD. and Subsidiaries
Consolidated Statement of Income
Year Ended March 31, 2015

	Millions of Yen		Thousands of U.S. Dollars
	2015	2014	2015
Income:			
Interest income and dividends:			
Interest on loans and discounts	¥ 37,012	¥ 37,147	$ 308,003
Interest and dividends on securities	9,595	9,663	79,846
Other interest income	124	130	1,034
Total interest income and dividends	46,732	46,941	388,884
Fees and commissions	11,471	11,669	95,463
Other operating income	14,859	16,412	123,655
Gain on negative goodwill (Note 3)	2,130	1,398	17,725
Other income	5,423	4,019	45,130
Total income	80,617	80,441	670,859
Expenses:			
Interest expenses:			
Interest on deposits	1,270	1,203	10,573
Interest on borrowings and rediscounts	248	258	2,066
Interest on payables under securities lending Transactions	28	29	233
Other interest expenses	660	687	5,498
Total interest expenses	2,207	2,178	18,372
Fees and commissions	3,219	2,901	26,789
Other operating expenses	11,171	12,388	92,963
General and administrative expenses	38,499	40,602	320,374
Provision of allowance for doubtful accounts	2,367	5,056	19,702
Other expenses	1,005	1,482	8,366
Total expenses	58,471	64,609	486,569
Income before income taxes and minority interests	22,146	15,831	184,289
Income taxes:			
Current	6,681	6,632	55,604
Deferred	1,367	(1,060)	11,377
Total income taxes (Note 20)	8,049	5,572	66,982
Net income before minority interests	14,096	10,258	117,307
Minority interests in net income	488	605	4,068
Net income	¥ 13,607	¥ 9,653	$ 113,238

	Yen		U.S. Dollars
Per share information:			
Net income-basic (Note 22)	¥ 64.85	¥ 46.00	$ 0.54
Cash dividends applicable to the year	10.00	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, 2015

	Millions of Yen		Thousands of U.S. Dollars
	2015	2014	2015
NET INCOME BEFORE MINORITY INTERESTS	¥ 14,096	¥ 10,258	$ 117,307
OTHER COMPREHENSIVE INCOME (Note 21):			
Unrealized gains (losses) on available-for-sale securities	20,354	(3,826)	169,380
Deferred gains on derivatives under hedge accounting	86	98	721
Excess of land revaluation	761		6,339
Defined retirement benefit plans	88		733
Total other comprehensive income	21,291	(3,727)	177,175
COMPREHENSIVE INCOME	¥ 35,387	¥ 6,531	$ 294,482
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:			
Owners of the parent	¥ 34,878	¥ 5,909	$ 290,240
Minority interests	509	622	4,241

See accompanying Notes to Consolidated Financial Statements.

THE KAGOSHIMA BANK, LTD. and Subsidiaries
Consolidated Statement of Changes in Equity
Year Ended March 31, 2015

						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 (Losses) Gains on Derivatives under Hedge Accounting	Land Revaluation Surplus	Defined Retirement Benefit Plans	Total	Minority Interests	Total Equity
BALANCE, APRIL 1, 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 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 (APRIL 1, 2014 as previously reported)	210,403,655	18,130	11,216	205,571	(371)	31,813	(196)	14,259	(1,165)	279,258	9,605	288,864
Cumulative effect of accounting change				(532)						(532)		(532)
BALANCE, APRIL 1, 2014 (as restated)		18,130	11,216	205,039	(371)	31,813	(196)	14,259	(1,165)	278,725	9,605	288,331
Net income				13,607						13,607		13,607
Cash dividends, ¥10 per share				(1,888)						(1,888)		(1,888)
Purchases of treasury stock (21,407 shares)					(15)					(15)		(15)
Disposals of treasury stock (1,701 shares)			0		1					1		1
Reversal of land revaluation surplus				194						194		194
Net change in the year						20,333	86	567	88	21,075	(1,637)	19,438
BALANCE, MARCH 31, 2015	210,403,655	¥ 18,130	¥ 11,216	¥ 216,952	¥ (385)	¥ 52,146	¥ (109)	¥ 14,827	¥ (1,077)	¥ 311,701	¥ 7,968	¥ 319,670

					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 (Losses) Gains on Derivatives under Hedge Accounting	Land Revaluation Surplus	Defined Retirement Benefit Plans	Total	Minority Interests	Total Equity
BALANCE, MARCH 31, 2014 (APRIL 1, 2014 as previously reported)	$ 150,875	$ 93,338	$ 1,710,671	$ (3,089)	$ 264,733	$ (1,632)	$ 118,665	$ (9,701)	$ 2,323,860	$ 79,935	$ 2,403,796
Cumulative effect of accounting change			(4,430)						(4,430)		(4,430)
BALANCE, APRIL 1, 2014 (as restated)	150,875	93,338	1,706,241	(3,089)	264,733	(1,632)	118,665	(9,701)	2,319,430	79,935	2,399,396
Net income			113,238						113,238		113,238
Cash dividends, $0.08 per share			(15,715)						(15,715)		(15,715)
Purchases of treasury stock (21,407 shares)				(126)					(126)		(126)
Disposals of treasury stock (1,701 shares)		0		9					10		10
Reversal of land revaluation surplus			1,617						1,617		1,617
Net change in the year					169,207	721	4,722	733	175,384	(13,625)	161,758
BALANCE, MARCH 31, 2015	$ 150,875	$ 93,339	$ 1,805,382	$ (3,206)	$ 433,941	$ (911)	$ 123,387	$ (8,968)	$ 2,593,840	$ 66,309	$ 2,660,150

See accompanying Notes to Consolidated Financial Statements.

THE KAGOSHIMA BANK, LTD. and Subsidiaries
Consolidated Statement of Cash Flows
Year Ended March 31, 2015

	Millions of Yen		Thousands of U.S. Dollars
	2015	2014	2015
Cash flows from operating activities:			
Income before income taxes and minority interests	¥ 22,146	¥ 15,831	$ 184,289
Adjustments for:			
Depreciation and amortization	4,626	5,160	38,495
Impairment losses		116	
Gain on negative goodwill	(2,130)	(1,398)	(17,725)
Increase in allowance for doubtful accounts	506	3,269	4,218
Interest income and dividends recognized in statement of income	(46,732)	(46,941)	(388,884)
Interest expenses recognized in consolidated statement of income	2,207	2,178	18,372
Net gain on sales or maturities of investment securities	(4,161)	(3,207)	(34,633)
Increase in loans and bills discounted	(242,359)	(153,574)	(2,016,802)
Increase in deposits	153,903	146,958	1,280,717
Increase in negotiable certificates of deposit	9,322	22,298	77,574
Increase in borrowed money	19,922	32,756	165,788
(Decrease) increase in due from banks	(9,886)	113	(82,271)
Decrease in call loans and bills purchased	20,719	876	172,417
(Decrease) increase in call money and bills sold	(28,952)	32,681	(240,927)
Decrease in payables under securities lending transactions	(4,172)	(11,944)	(34,721)
Interest and dividends received	47,394	48,720	394,396
Interest paid	(2,337)	(2,276)	(19,451)
Decrease (increase) in lease receivables and investments in leases	192	(2,780)	1,600
Other, net	(6,286)	(6,945)	(52,310)
Subtotal	(66,076)	81,893	(549,859)
Income taxes paid	(7,036)	(6,952)	(58,553)
Net cash (used in) provided by operating activities	(73,112)	74,941	(608,412)
Cash flows from investing activities:			
Purchases of investment securities	(271,796)	(375,664)	(2,261,770)
Proceeds from sales or maturities of investment securities	277,809	388,230	2,311,800
Net change in money held in trust	(4,015)	(2,000)	(33,418)
Purchases of tangible fixed assets	(1,598)	(2,990)	(13,299)
Proceeds from sales of tangible fixed assets	644	209	5,361
Purchases of intangible fixed assets	(1,123)	(1,208)	(9,348)
Purchase of investments in subsidiaries	(9)	(3)	(76)
Net cash (used in) provided by investing activities	(90)	6,573	(751)
Cash flows from financing activities:			
Dividends paid	(1,889)	(1,888)	(15,720)
Other, net	(33)	(34)	(282)
Net cash used in financing activities	(1,923)	(1,923)	(16,003)
Effect of exchange rate changes on cash and cash equivalents	18	13	152
Net (decrease) increase in cash and cash equivalents	(75,108)	79,605	(625,015)
Cash and cash equivalents at beginning of year	167,545	87,940	1,394,240
Cash and cash equivalents at end of year (Note 4)	¥ 92,437	¥ 167,545	$ 769,224

See accompanying 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 (collectively, 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 that is more familiar to readers outside Japan. In addition, certain reclassifications have been made in the 2014 consolidated financial statements to conform to the classifications used in 2015. 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 ¥ 120.17 to $1, the approximate rate of exchange at March 31, 2015. 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 Group. The number of consolidated subsidiaries as of March 31, 2015 and 2014, 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.

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 (BAC) issued a Statement of Opinion, "Accounting for Business Combinations," and in December 2005, the Accounting Standards Board of Japan (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 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. Cost of sales of such securities is determined by the moving average method. 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 (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 foreign exchange swap transactions and currency swap transactions related to lending or borrowing in different currencies.

Pursuant to the rules, the Bank assesses the effectiveness of foreign exchange 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, 2015 and 2014, 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 ¥ 15,475 million ($128,780 thousand) and ¥ 15,376 million, respectively.

(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 ratio.

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) Retirement and Pension Plans

The Bank has a defined benefit corporate pension fund plan and a retirement lump-sum grant plan, 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 consolidated 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 BAC in 1998 with an effective date of April 1, 2000, and 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 the method 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 are treated as reclassification adjustments (see Note 21).

(c)The revised accounting standard also made certain amendments relating to the method of attributing expected benefit to periods, 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, all 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, and for (c) above effective April 1, 2014.

With respect to (c) above, the Bank changed the method of attributing the expected benefit to periods from a straight-line basis to a benefit formula basis, the method of determining the discount rate from using the period which approximates the expected average remaining service period to using different discount rates according to the estimated timing of benefit payment, and recorded the effect of (c) above as of April 1, 2014, in retained earnings. As a result, asset for retirement benefits and liability for retirement benefits as of April 1, 2014, decreased by ¥526 million ($4,382 thousand) and increased by ¥296 million ($2,464 thousand), respectively, and retained earnings as of April 1, 2014, decreased by ¥532 million ($4,430 thousand) and operating income and income before income taxes and minority interests for the year ended March 31, 2015, increased by ¥44 million ($370 thousand).

Provision for directors' and audit & supervisory board members' retirement is provided at the amount that would be required if all directors and audit & supervisory board members retired at the consolidated balance sheet date.
Effective June 26, 2014, the Bank terminated its lump-sum severance payment plans for directors and audit & supervisory board members. The outstanding balance of provision for directors' and audit & supervisory board members' retirement of ¥547 million ($4,559 thousand) as of March 31, 2015, was reclassified to other liabilities.

(l) 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.

(m) 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.

(n) Leases

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

(o) 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.

(p) 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.

(q) 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.

(r) New accounting pronouncements

Accounting Standards for Business Combinations and Consolidated Financial Statements—In September 2013, the ASBJ issued revised ASBJ Statement No. 21, "Accounting Standard for Business Combinations," revised ASBJ Guidance No. 10, "Guidance on Accounting Standards for Business Combinations and Business Divestitures," and revised ASBJ Statement No. 22, "Accounting Standard for Consolidated Financial Statements." Major accounting changes are as follows:

(a)Transactions with noncontrolling interest—A parent's ownership interest in a subsidiary might change if the parent purchases or sells ownership interests in its subsidiary. The carrying amount of minority interest is adjusted to reflect the change in the parent's ownership interest in its subsidiary while the parent retains its controlling interest in its subsidiary. Under the current accounting standard, any difference between the fair value of the consideration received or paid and the amount by which the minority interest is adjusted is accounted for as an adjustment of goodwill or as profit or loss in the consolidated statement of income. Under the revised accounting standard, such difference shall be accounted for as capital surplus as long as the parent retains control over its subsidiary.

(b)Presentation of the consolidated balance sheet—In the consolidated balance sheet, "minority interest" under the current accounting standard will be changed to "noncontrolling interest" under the revised accounting standard.

(c)Presentation of the consolidated statement of income—In the consolidated statement of income, "income before minority interest" under the current accounting standard will be changed to "net income" under the revised accounting standard, and "net income" under the current accounting standard will be changed to "net income attributable to owners of the parent" under the revised accounting standard.

(d)Provisional accounting treatments for a business combination—If the initial accounting for a business combination is incomplete by the end of the reporting period in which the business combination occurs, an acquirer shall report in its financial statements provisional amounts for the items for which the accounting is incomplete. Under the current accounting standard guidance, the impact of adjustments to provisional amounts recorded in a business combination on profit or loss is recognized as profit or loss in the year in which the measurement is completed. Under the revised accounting standard guidance, during the measurement period, which shall not exceed one year from the acquisition, the acquirer shall retrospectively adjust the provisional amounts recognized at the acquisition date to reflect new information obtained about facts and circumstances that existed as of the acquisition date and that would have affected the measurement of the amounts recognized as of that date. Such adjustments shall be recognized as if the accounting for the business combination had been completed at the acquisition date.

(e)Acquisition-related costs—Acquisition-related costs are costs, such as advisory fees or professional fees, which an acquirer incurs to effect a business combination. Under the current accounting standard, the acquirer accounts for acquisition-related costs by including them in the acquisition costs of the investment. Under the revised accounting standard, acquisition-related costs shall be accounted for as expenses in the periods in which the costs are incurred.

The above accounting standards and guidance for (a) transactions with noncontrolling interest, (b)presentation of the consolidated balance sheet, (c) presentation of the consolidated statement of income, and (e) acquisition-related costs are effective for the beginning of annual periods beginning on or after April 1, 2015. Earlier application is permitted from the beginning of annual periods beginning on or after April 1, 2014, except for (b) presentation of the consolidated balance sheet and (c) presentation of the consolidated statement of income. In the case of earlier application, all accounting standards and guidance above, except for (b) presentation of the consolidated balance sheet and (c) presentation of the consolidated statement of income, should be applied simultaneously.

Either retrospective or prospective application of the revised accounting standards and guidance for (a) transactions with noncontrolling interest and (e) acquisition-related costs is permitted. In retrospective application of the revised standards and guidance, the accumulated effects of retrospective adjustments for all (a) transactions with noncontrolling interest and (e) acquisition-related costs which occurred in the past shall be reflected as adjustments to the beginning balance of capital surplus and retained earnings for the year of the first-time application. In prospective application, the new standards and guidance shall be applied prospectively from the beginning of the year of the first-time application.

The revised accounting standards and guidance for (b) presentation of the consolidated balance sheet and (c) presentation of the consolidated statement of income shall be applied to all periods presented in financial statements containing the first-time application of the revised standards and guidance.

The revised standards and guidance for (d) provisional accounting treatments for a business combination are effective for a business combination which occurs on or after the beginning of annual periods beginning on or after April 1, 2015. Earlier application is permitted for a business combination which occurs on or after the beginning of annual periods beginning on or after April 1, 2014.

The Bank expects to apply the revised accounting standards and guidance for (a), (b), (c), and (e) above from April 1, 2015, and for (d) above for a business combination which will occur on or after April 1, 2015, and is in the process of measuring the effects of applying the revised accounting standards and guidance in future applicable periods.

3. Business Combinations

On March 30, 2015, the Bank acquired additional shares of The Kagoshima Guarantee Service Co., Ltd.: The Kagoshima Lease Co., Ltd.: and The Kagoshima Card Co., Ltd., which have been consolidated subsidiaries, owned by minority shareholders in exchange for cash in the amount of ¥9 million ($76 thousand) to strengthen the governance through changing the capital structure of these companies.
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 ¥2,130 million ($17,725 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 (see Note 2(b)).

Additional Information

Business integration between the Bank and Higo Bank

The Bank and The Higo Bank, Ltd. (Representative: Takahiro Kai, president; hereinafter referred to as "Higo Bank"; the Bank and Higo Bank shall be collectively referred to as the "Banks") have resolved at their respective board of directors' meetings held on March 27, 2015 (i) to establish " Kyushu Financial Group, Inc." a wholly owning parent company of the Banks (the "Joint Holding Company") by way of share transfer (the "Share Transfer") on October 1, 2015 (the "Effective Date") and (ii) to establish an outline of the Joint Holding Company and the conditions, etc., of the Share Transfer, on the condition that the approval of the general shareholders of the Banks will be obtained and that the necessary licenses and permits will be obtained from the competent authorities, and thus, as of the same day, have entered into a "Business Integration Agreement" and jointly prepared a "Share Transfer Plan" as set forth below.
In addition, the Share Transfer Plan was approved at the general shareholders' meetings held on June 23, 2015.

1. Purpose of Business Integration Through Share Transfer

(1) Background and Purpose of Business Integration

The Banks, in serving their corporate missions as regional banks based in the Kyushu region, have been dedicating themselves to establish stable revenue bases thanks to the strong patronage provided by the people living in each of the respective areas. However, in terms of future bank management, the Banks have recognized that they will be further required to respond to changes in the surrounding environment, including the coming population decrease and the transformation in the competitive landscape.

In view of such changes in the future environment and in order to realize "regional revitalization" by working together with the region as regional banks, the Banks determined it necessary to establish a solid management foundation with which the Banks would be able to further exert their presence in the Kyushu region with a strong focus on their respective local areas and to create a new expanded community-based business model. As the Banks have already announced in the November 10, 2014 press release regarding the "Basic Agreement Regarding Business Integration between The Kagoshima Bank, Ltd. and The Higo Bank, Ltd.," the Banks entered into a basic agreement on November 10, 2014, to engage in consultations and discussions targeting a business integration through the establishment of a holding company and since such time have engaged in consultations and discussions targeting the establishment of the Joint Holding Company through the Share Transfer scheduled to take place on October 1, 2015. As a result thereof, on March 27, 2015, the Banks have reached a final agreement regarding conducting the business integration "on an equal footing" between the Banks.

(2) Method of Share Transfer, Contents of the Allotment in the Share Transfer

(i) Method of Share Transfer

Based on the Share Transfer Plan, the Joint Holding Company plans to acquire all of the Banks' issued and outstanding shares on or around October 1, 2015, and, in exchange for such shares, to allot new shares in the Joint Holding Company to shareholders of the Banks.

Please note that the above schedule or form of the business integration may change in the future, in the course of engaging in consultations and discussions toward the business integration.

(ii) Contents of the Allotment in the Share Transfer (Share Transfer Ratio)

Company	Higo Bank	Kagoshima Bank
Share Transfer Ratio	1	1.11

(Note 1) Share allotment ratio

Higo Bank shareholders will receive one share of the Joint Holding Company's common stock for each share of Higo Bank's common stock, and the Bank's shareholders will receive 1.11 shares of the Joint Holding Company's common stock for each share of the Bank's common stock. The total number of shares in the Joint Holding Company to be delivered to the shareholders of Higo Bank and the total number of shares in the Joint Holding Company to be delivered to the shareholders of the Bank under the Share Transfer Plan will be approximately the same ("1:1"). The number of shares constituting one share unit of the Joint Holding Company will be 100 shares.

If there are any fractional shares less than one share in the common stock of the Joint Holding Company that must be delivered to the shareholders of the Banks as a result of the Share Transfer, the amount in proportion to such fractional portion less than one share shall be paid to the relevant shareholders in accordance with the provisions of Article 234 of the Companies Act (Law No. 86 of July 26, 2005 (as amended); hereinafter the same shall apply) and the provisions of other related laws and regulations.

Please note that the above-mentioned Share Transfer ratio is subject to change through mutual consultation between the Banks if any material change occurs to, or if it is found that there is any event that will have a significant impact on, the property condition or financial condition of Higo Bank or the Bank during the period from the preparation date of the Share Transfer Plan to the formation date of the Joint Holding Company.

(Note 2) Number of new shares to be delivered by the Joint Holding Company (planned)

463,407,669 shares of common stock

The above number is based on the total number of issued and outstanding shares of Higo Bank's common stock as of December 31, 2014, i.e., 230,755,291 shares, and the total number of issued and outstanding shares of the Bank's common stock as of December 31, 2014, i.e., 210,403,655 shares. Each bank plans to cancel its treasury stock that it owns, to the extent practically possible, immediately before the Joint Holding Company acquires all of the Banks' issued and outstanding shares (the "Record Time"). Accordingly, the amount of Higo Bank's treasury stock as of December 31, 2014, i.e. 256,172 shares, and the amount of the Bank's treasury stock as of December 31, 2014, i.e., 576,132 shares, are excluded from the calculation of the above-mentioned numbers of new shares of common stock to be delivered by the Joint Holding Company.

If the amount of the Banks' treasury stock as of December 31, 2014, changes on or before the Record Time, such as where a shareholder of Higo Bank or the Bank exercises its right to demand such bank to repurchase such shareholder's shares, the number of new shares to be delivered by the Joint Holding Company may change.

(Note 3) Treatment of shares less than one share unit

The shareholders of the Banks who receive a fractional unit (a unit equals 100 shares) of the Joint Holding Company's common stock as a result of the Share Transfer will not be able to sell their fractional units on the Tokyo Stock Exchange, Inc. (TSE) or any other financial instruments exchange. The shareholders who hold such fractional units may compel the Joint Holding Company to repurchase their fractional units in accordance with the provisions of Article 192(1) of the Companies Act. In accordance with Article 194(1) of the Companies Act, the shareholders holding fractional units may compel the Joint Holding Company to offer for sale the number of shares necessary to achieve a whole unit with respect to shares for which they only have a fractional unit.

2. Schedule

March 27, 2015 (Friday)	Resolution at the board of directors meeting regarding the Business Integration Agreement and Share Transfer Plan entering into the Business Integration Agreement and preparing the Share Transfer Plan
March 31, 2015 (Tuesday)	Reference date for annual general meeting of shareholders of the Banks
June 23, 2015 (Tuesday)	Annual general meeting of shareholders of the Banks for approval of the Share Transfer Plan
September 28, 2015 (Monday) (planned)	Delisting the shares of the Banks from the TSE and Fukuoka Stock Exchange
October 1, 2015 (Thursday) (planned)	Registration of the incorporation of the Joint Holding Company (Effective Date) and listing of shares of the Joint Holding Company

Please note that the above schedule may change in the future upon discussion between the Banks due to reasons such as unforeseeable requirements arising in the course of implementing the Share Transfer.

3. Company overview (as of end of December 2014)

Trade name		The Higo Bank, Ltd.	The Kagoshima Bank, Ltd.
Content of business		Ordinary banking business	Ordinary banking business
Date of establishment		July 25, 1925	October 6, 1879
Location of head office		13-5, Koyamachi 1-chome, Chuo-ku, Kumamoto-shi, Kumamoto prefecture	6-6, Kinsei-cho, Kagoshima-shi, Kagoshima prefecture
Representative		Takahiro Kai, president	Motohiro Kamimura, president
Capital		18,128 million yen	18,130 million yen
Number of issued shares		230,755 thousand shares	210,403 thousand shares
Total assets (consolidated)		4,520,643 million yen	4,077,604 million yen
Total equity (consolidated)		295,502 million yen	311,814 million yen
Deposit balance (nonconsolidated)		4,009,093 million yen	3,595,059 million yen
Loan balance (nonconsolidated)		2,656,231 million yen	2,636,657 million yen
Fiscal year end		March 31	March 31
Number of employees (nonconsolidated)		2,283	2,359
Number of branches (including subbranches)		122	152
Results of operations	Fiscal year	FY ended March 2014	FY ended March 2014
	Ordinary income (consolidated)	86,004 million yen	79,030 million yen
	Ordinary income (consolidated)	19,904 million yen	14,646 million yen
	Net income (consolidated)	11,826 million yen	9,653 million yen

4. Status of the Newly Established Company in the Share Transfer

Trade name	Kyushu Financial Group, Inc.
Location of head office	6-6, Kinsei-cho, Kagoshima-shi, Kagoshima prefecture
Location of headquarters	1, Renpeicho, Chuo-ku, Kumamoto-shi, Kumamoto prefecture
Representatives and officers (planned)	Chairman and Representative Director: Takahiro Kai (currently, president of Higo Bank) President and Representative Director: Motohiro Kamimura (currently, president of Kagoshima Bank) Director: Shiichiro Shimoyama (currently, senior executive managing officer and director of Higo Bank) Director: Akihisa Koriyama (currently, senior managing director of Kagoshima Bank) Director: Tsuyoshi Mogami (currently, executive managing officer and director of Higo Bank) Director: Hiroyuki Matsunaga (currently, executive officer, manager of Corporate Planning Division, and manager of Business Integration Preparation Office, Corporate Planning Division, Kagoshima Bank) Director: Koji Tsumagari (currently, corporate auditor of Kagoshima Bank) Director: Tooru Hayashida (currently, director, executive officer, manager of Business Integration Preparation Office, Higo Bank) Director: Katsuaki Watanabe (currently, senior advisor of Toyota Motor Corporation) Director: Takejiro Sueyoshi (currently, special advisor to UNEP Financial Initiative) Corporate Auditor: Toyonori Ueno (currently, corporate auditor of Higo Bank) Corporate Auditor: Satoru Motomura (currently, corporate auditor of Kagoshima Bank) Corporate Auditor: Kenichi Sekiguchi (currently, special advisor of Meiji Yasuda Life Insurance Company) Corporate Auditor: Katsuro Tanaka (currently, senior managing partner of TMI Associates) Corporate Auditor: Yuko Tashima (currently, attorney) (Note 1) Directors Katsuaki Watanabe and Takejiro Sueyoshi are outside directors as defined under Article 2(15) of the Companies Act. (Note 2) Corporate Auditors Kenichi Sekiguchi, Katsuro Tanaka and Yuko Tashima are outside corporate auditors as defined under Article 2(16) of the Companies Act.
Capital	36,000 million yen
Capital reserve	9,000 million yen
Fiscal year end	March 31

5. Overview of Accounting in Connection with the Share Transfer
The purchase method of accounting is expected to be used since the Share Transfer is regarded as an acquisition under the Accounting Standards for Business Combinations. The amount of goodwill (or negative goodwill) arising as a result of the Share Transfer has not been determined at the present stage.

4. Cash and Cash Equivalents

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

	Millions of Yen		Thousands of U.S. Dollars
	2015	2014	2015
Cash and due from banks	¥ 103,207	¥ 168,429	$ 858,846
Less: due from banks other than the Bank of Japan	(10,769)	(883)	(89,621)
Cash and cash equivalents	¥ 92,437	¥ 167,545	$ 769,224

5. Trading Securities and Investment Securities

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

	Millions of Yen		Thousands of U.S. Dollars
	2015	2014	2015
National government bonds	¥ 1	¥ 11	$ 13
Local government bonds	177	167	1,479
Total	¥ 179	¥ 178	$ 1,492

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

	Millions of Yen		Thousands of U.S. Dollars
	2015	2014	2015
National government bonds	¥ 317,783	¥ 316,057	$ 2,644,448
Local government bonds	65,508	71,854	545,132
Corporate bonds	580,361	574,794	4,829,501
Equity securities	101,168	74,754	841,880
Other	115,955	112,103	964,926
Total	¥ 1,180,777	¥ 1,149,563	$ 9,825,891

At March 31, 2015 and 2014, 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	
	2015		2014		2015	
	Carrying amounts	Unrealized gains	Carrying amounts	Unrealized gains	Carrying amounts	Unrealized gains
Trading securities	¥ 179	¥ 0	¥ 178	¥ 0	$ 1,492	$ 3

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

	Millions of Yen			
	Cost	Gross unrealized gains	Gross unrealized losses	Fair value
At March 31, 2015:				
Bonds:				
National government bonds	¥ 311,104	¥ 6,678	¥	¥ 317,783
Local government bonds	64,556	957	(5)	65,508
Corporate bonds	573,461	6,934	(34)	580,361
Equity securities	44,949	53,655	(65)	98,538
Other	105,875	7,656	(90)	113,440
Total	¥ 1,099,946	¥ 75,881	¥ (195)	¥ 1,175,632

	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

	Thousands of U.S. Dollars			
	Cost	Gross unrealized gains	Gross unrealized losses	Fair value
At March 31, 2015:				
Bonds:				
National government bonds	$ 2,588,873	$ 55,575	$	$ 2,644,448
Local government bonds	537,210	7,965	(43)	545,132
Corporate bonds	4,772,081	57,707	(287)	4,829,501
Equity securities	374,045	446,493	(547)	819,990
Other	881,044	63,712	(752)	944,004
Total	$ 9,153,256	$ 631,453	$ (1,630)	$ 9,783,078

At March 31, 2015 and 2014, net unrealized gains on available-for-sale securities, net of applicable income taxes and minority interests, recorded in a separate component of equity in the accompanying consolidated balance sheet were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2015	2014	2015
Unrealized gains	¥ 75,685	¥ 48,632	$ 629,822
Less: applicable income taxes	(23,405)	(16,707)	(194,771)
Less: minority interests portion	(133)	(112)	(1,109)
Net unrealized gains in equity	¥ 52,146	¥ 31,813	$ 433,941

During the years ended March 31, 2015 and 2014, the Group sold available-for-sale securities and recorded gains of ¥4,400 million ($36,620 thousand) and ¥5,504 million, respectively, and losses of ¥238 million ($1,985 thousand) and ¥1,861 million, respectively, in the accompanying consolidated statement of income.

6. Money Held in Trust

At March 31, 2015 and 2014, 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
	2015	2014	2015
Carrying amounts	¥ 13,462	¥ 9,484	$ 112,030
Unrealized gains recognized in income	248	105	2,067

(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, 2015 and 2014, loans and bills discounted consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2015	2014	2015
Bills discounted	¥ 11,958	¥ 12,904	$ 99,511
Loans on notes	149,839	148,493	1,246,892
Loans on deeds	2,165,636	1,968,129	18,021,441
Overdrafts	340,824	296,370	2,836,183
Total	¥ 2,668,258	¥ 2,425,898	$ 22,204,028

Securities lending based on non collateralized special contracts are stated as Japanese Government Bonds in "Securities." The amount was ¥22,093 million ($183,854 thousand) as of March 31, 2015 and there was no securities lending based on non collateralized special contracts as of March 31, 2014.

The loans and bills discounted include "loans to borrowers in bankruptcy" totaling ¥3,989 million ($33,197 thousand) and ¥4,623 million as of March 31, 2015 and 2014, respectively, as well as "past due loans" totaling ¥23,975 million ($199,509 thousand) and ¥24,278 million as of March 31, 2015 and 2014, 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 borrowers' 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 are/is three months or more past due but exclude "loans to borrowers in bankruptcy" or "past due loans." The balances of "accruing loans contractually past due for three months or more" as of March 31, 2015 were ¥3 million ($32 thousand) and there was no "accruing loans contractually past due for three months or more" as of March 31, 2014.

"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, 2015 and 2014, were ¥47,244 million ($393,151 thousand) and ¥42,188 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, 2015 and 2014, were ¥75,213 million ($625,890 thousand) and ¥71,090 million, respectively. The allowance for doubtful accounts is not deducted from the amounts of loans shown above.

Bills discounted are treated as secured lending transactions. As of March 31, 2015 and 2014, 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 ¥11,958 million ($99,512 thousand) and ¥12,906 million, respectively.

8. Foreign Exchange

At March 31, 2015 and 2014, foreign exchanges assets and liabilities consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2015	2014	2015
Assets:			
Due from banks	¥ 2,140	¥ 2,720	$ 17,813
Foreign bills of exchange purchased	0	1	1
Foreign bills of exchange receivable	107	197	893
Total	¥ 2,248	¥ 2,919	$ 18,708
Liabilities:			
Foreign bills of exchange sold	¥ 8	¥ 29	$ 67
Foreign bills of exchange payable	50	26	417
Total	¥ 58	¥ 55	$ 484

9. Tangible Fixed Assets and Intangible Fixed Assets

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

	Millions of Yen		Thousands of U.S. Dollars
	2015	2014	2015
Tangible fixed assets			
Buildings	¥ 36,522	¥ 36,536	$ 303,923
Land	36,731	36,774	305,663
Construction in progress	137	71	1,146
Other	15,036	16,622	125,125
	88,428	90,004	735,858
Less: accumulated depreciation	(33,692)	(34,550)	(280,377)
Total	¥ 54,735	¥ 55,454	$ 455,481
Intangible fixed assets			
Software	¥ 4,865	¥ 6,492	$ 40,487
Other	151	152	1,263
Total	¥ 5,017	¥ 6,645	$ 41,750

10. Fixed Asset Impairment Losses

The Bank did not recognize any impairment losses as of March 31,2015

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

Purpose of use	Area	Type	Millions of Yen
			2014
In use	Kagoshima	Land and buildings	¥ 59
Not in use	Kagoshima	Land and buildings	52
Not in use	Outside of Kagoshima	Land and buildings	5
Total			¥ 116

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, 2015 and 2014, assets pledged as collateral were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2015	2014	2015
Investment securities	¥ 443,847	¥ 298,134	$ 3,693,500
Investment in leases	956	1,417	7,955
Other	779	2,267	6,487

At March 31, 2015 and 2014, the liabilities related to the above pledged assets were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2015	2014	2015
Deposits	¥ 31,569	¥ 27,106	$ 262,709
Borrowed money	91,476	73,439	761,221
Payables under securities lending transaction	16,628	20,800	138,374

In addition to the above, investment securities totaling ¥19,593 million ($163,044 thousand) and ¥19,604 million at March 31, 2015 and 2014, respectively, were pledged as collateral for the settlement of exchange, derivatives, and other transactions.

12. Deposits

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

	Millions of Yen		Thousands of U.S. Dollars
	2015	2014	2015
Demand deposits	¥ 2,025,103	¥ 1,973,399	$ 16,851,988
Time deposits	1,375,985	1,276,172	11,450,322
Other	44,572	42,184	370,908
Total	¥ 3,445,660	¥ 3,291,756	$ 28,673,219

13. Borrowed Money

At March 31, 2015, the annual maturities of borrowed money, which were due through March 2020 with a weighted-average annual interest rate of 0.14%, were as follows:

Years ending March 31,	Millions of Yen		Thousands of U.S. Dollars	
2016	¥	32,401	$	269,631
2017		61,796		514,241
2018		1,344		11,190
2019		880		7,329
2020		343		2,855
Total	¥	96,766	$	805,249

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

At March 31, 2015, the annual maturities of lease obligations, which were due through March 2020 with a weighted-average annual interest rate of 2.07%, were as follows:

Years ending March 31,	Millions of Yen		Thousands of U.S. Dollars	
2016	¥	11	$	93
2017				
2018				
2019				
2020				
Total	¥	11	$	93

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.

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 upon the retirement of employees of the Group.

(1) The changes in defined benefit obligation for the years ended March 31, 2015 and 2014 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2015	2014	2015
Balance at beginning of year (as previously reported)	¥ 23,050	¥ 23,711	$ 191,816
Cumulative effect of accounting change	822		6,847
Balance at beginning of year (as restated)	23,873	23,711	198,663
Current service cost	803	855	6,690
Interest cost	300	331	2,496
Actuarial losses (gains)	864	(575)	7,190
Benefits paid	(1,177)	(1,272)	(9,796)
Balance at end of year	¥ 24,664	¥ 23,050	$ 205,244

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

(2) Changes in plan assets for the years ended March 31, 2015 and 2014, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2015	2014	2015
Balance at beginning of year	¥ 28,637	¥ 25,568	$ 238,312
Expected return on plan assets	1,018	127	8,478
Actuarial gains	623	2,183	5,191
Contributions from the employer	1,403	1,929	11,682
Benefits paid	(1,084)	(1,171)	(9,025)
Balance at end of year	¥ 30,600	¥ 28,637	$ 254,639

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

	Millions of Yen		Thousands of U.S. Dollars
	2015	2014	2015
Funded defined benefit obligation	¥ (22,798)	¥ (21,551)	$ (189,715)
Plan assets	30,600	28,637	254,639
	7,801	7,086	64,923
Unfunded defined benefit obligation	(1,866)	(1,498)	(15,528)
Net asset arising from defined benefit obligation	¥ 5,935	¥ 5,587	$ 49,395

	Millions of Yen		Thousands of U.S. Dollars
	2015	2014	2015
Liability for retirement benefits	¥ (1,866)	¥ (1,498)	$ (15,528)
Asset for retirement benefits	7,801	7,086	64,923
Net asset arising from defined benefit obligation	¥ 5,935	¥ 5,587	$ 49,395

(4) The components of net periodic benefit costs for the years ended March 31, 2015 and 2014, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2015	2014	2015
Service cost	¥ 803	¥ 855	$ 6,690
Interest cost	300	331	2,496
Expected return on plan assets	(1,018)	(127)	(8,478)
Amortization of prior service cost	225	7	1,873
Recognized actuarial losses	232	1,008	1,931
Net periodic benefit costs	¥ 542	¥ 2,074	$ 4,513

(5) Amounts recognized in other comprehensive income (before income tax effect) in respect of defined retirement benefit plans for the years ended March 31, 2015 and 2014, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2015	2014	2015
Prior service cost	¥ 225	¥	$ 1,873
Actuarial (gains) losses	(8)		(67)
Total	¥ 217	¥	$ 1,805

(6) Amounts recognized in accumulated other comprehensive income (before income tax effect) in respect of defined retirement benefit plans as of March 31, 2015 and 2014, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2015	2014	2015
Unrecognized prior service cost	¥ 450	¥ 675	$ 3,746
Unrecognized actuarial losses	1,134	1,126	9,442
Total	¥ 1,584	¥ 1,801	$ 13,189

(7) Plan assets

a. Components of plan assets

Plan assets as of March 31, 2015 and 2014, consisted of the following:

	2015	2014
Debt investments	28%	29%
Equity investments	27	29
General account assets of life insurance companies	30	28
Others	15	14
Total	100%	100%

(Note)
Total pension assets include the retirement benefit trust of 15%.

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

The expected 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.

(8) Assumptions used for the years ended March 31, 2015 and 2014, are set forth as follows:

	2015	2014
Discount rate	1.2%	1.5%
Expected rate of return on plan assets		
Defined benefit pension plan	4.0	0.5
The retirement benefit trust	1.5	0.5
Expected rate of salary increase	3.8	3.9

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 in 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 being 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 within equity 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, 2015 and 2014, was ¥653,987 million ($5,442,184 thousand) and ¥634,160 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, 2015 and 2014, was ¥642,767 million ($5,348,819 thousand) and ¥625,400 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, 2015 and 2014, the limit of trading securities was ¥30,000 million ($249,646 thousand) and ¥10,000 million, respectively, and the limit of fund trusts was ¥20,000 million ($166,430 thousand) and ¥12,000 million, respectively. For trading securities at March 31, 2015, the Bank has set ¥100 million ($832 thousand) as an allowable potential loss amount to trade securities with customers and earn profit by taking advantage of short-term fluctuations in the market or discrepancies in interest rates, or other market indices in different markets. At March 31, 2014, the Bank had not set an allowable potential loss amount. 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 ¥400 million ($3,328 thousand) and ¥360 million as of March 31, 2015 and 2014, 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 ¥7,900 million ($65,740 thousand) and ¥5,400 million as of March 31, 2015 and 2014, 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 investment 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 ¥28,800 million ($239,660 thousand) and ¥26,100 million as of March 31, 2015 and 2014, 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 securities-bond-related derivative transactions.

As for credit risks, the Bank handles trades with stock exchanges and only credit-worthy 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, 2015 and 2014, 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, 2015	Millions of Yen		
	Carrying amount	Fair value	Unrealized gains/losses
Assets			
Cash and due from banks	¥ 103,207	¥ 103,207	¥
Call loans and bills bought			
Trading securities	179	179	
Investment securities			
Available-for-sale securities	1,175,632	1,175,632	
Loans and bills discounted	2,668,258		
Allowance for doubtful accounts (*1)	(33,080)		
	2,635,177	2,670,430	35,252
Total	¥ 3,914,197	¥ 3,949,449	¥ 35,252
Liabilities			
Deposits	¥ 3,445,660	¥ 3,446,051	¥ 391
Negotiable certificates of deposit	100,487	100,528	41
Call money and bills sold	21,514	21,514	
Borrowed money	96,864	96,858	(6)
Total	¥ 3,667,527	¥ 3,667,953	¥ 426
Derivative transactions (*2)			
Hedge accounting is not applied	¥ (21)	¥ (21)	¥
Hedge accounting is applied	(161)	(161)	
Total	¥ (182)	¥ (182)	¥

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, 2015	Thousands of U.S. Dollars Carrying amount	Fair value	Unrealized gains/losses
Assets			
Cash and due from banks	$ 858,846	$ 858,846	$
Call loans and bills bought			
Trading securities	1,492	1,492	
Investment securities			
Available-for-sale securities	9,783,078	9,783,078	
Loans and bills discounted	22,204,028		
Allowance for doubtful accounts (*1)	(275,280)		
	21,928,748	22,222,105	293,356
Total	$ 32,572,166	$ 32,865,523	$ 293,356
Liabilities			
Deposits	$ 28,673,219	$ 28,676,473	$ 3,254
Negotiable certificates of deposit	836,213	836,556	342
Call money and bills sold	179,035	179,035	
Borrowed money	806,060	806,009	(51)
Total	$ 30,519,493	$ 30,523,039	$ 3,545
Derivative transactions (*2)			
Hedge accounting is not applied	$ (180)	$ (180)	$
Hedge accounting is applied	(1,340)	(1,340)	
Total	$ (1,520)	$ (1,520)	$

(*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 due from banks that have no maturity dates are approximately equivalent to carrying amounts.

Regarding 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	
	2015		2014		2015	
Unlisted stocks (*1) (*2)	¥	2,630	¥	2,381	$	21,891
Investments in partnerships (*3)		2,514		2,521		20,921
Total	¥	5,144	¥	4,902	$	42,812

(*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, 2015, impairment losses on equity securities without a readily available market price of ¥0 million were recognized. During the year ended March 31, 2014, impairment losses on equity securities were not 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

	Millions of Yen					
At March 31, 2015	Due in 1 year or less		Due from 1 to 3 years		Due from 3 to 5 years	
Due from banks	¥	58,777	¥		¥	
Call loans and bills purchased						
Available-for-sale securities		171,419		336,784		301,008
National government bonds		33,136		64,363		151,228
Local government bonds		23,382		20,292		13,506
Corporate bonds		106,428		227,909		129,262
Other		8,472		24,219		7,010
Loans and bills discounted (*)		778,647		542,074		392,531
Total	¥	1,008,844	¥	878,859	¥	693,539

	Millions of Yen					
At March 31, 2015	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		136,912		65,147		34,126
National government bonds		49,443		19,611		
Local government bonds		8,327				
Corporate bonds		59,807		22,833		34,119
Other		19,333		22,702		6
Loans and bills discounted (*)		224,909		223,253		479,364
Total	¥	361,822	¥	288,400	¥	513,491

(*) Loans and bills discounted to borrowers who are legally bankrupt, virtually bankrupt, and possibly bankrupt amounting to ¥27,477 million are excluded from the table above as of March 31, 2015.

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	
Due from banks	¥	121,829	¥		¥	
Call loans and bills purchased		21,613				
Available-for-sale securities		132,052		351,439		344,961
National 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

At March 31, 2014	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		113,227		78,979		36,906
National 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, 2015	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	$	489,118	$		$	
Call loans and bills purchased						
Available-for-sale securities		1,426,472		2,802,571		2,504,853
National government bonds		275,746		535,603		1,258,453
Local government bonds		194,575		168,863		112,394
Corporate bonds		885,645		1,896,562		1,075,665
Other		70,505		201,541		58,339
Loans and bills discounted (*)		6,479,551		4,510,893		3,266,468
Total	$	8,395,141	$	7,313,464	$	5,771,322

At March 31, 2015	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		1,139,326		542,123		283,983
National government bonds		411,449		163,195		
Local government bonds		69,300				
Corporate bonds		497,693		190,008		283,925
Other		160,883		188,919		58
Loans and bills discounted (*)		1,871,592		1,857,813		3,989,055
Total	$	3,010,919	$	2,399,936	$	4,273,039

(*)Loans and bills discounted to borrowers who are legally bankrupt, virtually bankrupt, and possibly bankrupt amounting to $228,653 thousand are excluded from the table above as of March 31, 2015.

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

	Millions of Yen		
At March 31, 2015	Due in 1 year or less	Due from 1 to 3 years	Due from 3 to 5 years
Deposits (*)	¥ 3,334,933	¥ 96,863	¥ 13,863
Negotiable certificates of deposit	100,387	100	
Call money and bills sold	24,514		
Borrowed money (*)	32,401	63,141	1,224
Total	¥ 3,492,237	¥ 160,104	¥ 15,087

	Millions of Yen		
At March 31, 2015	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 (*)	97		
Total	¥ 97	¥	¥

	Millions of Yen		
At March 31, 2014	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

	Millions of Yen		
At March 31, 2014	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	¥

	Thousands of U.S. Dollars		
At March 31, 2015	Due in 1 year or less	Due from 1 to 3 years	Due from 3 to 5 years
Deposits (*)	$ 27,751,800	$ 806,051	$ 115,366
Negotiable certificates of deposit	835,381	832	
Call money and bills sold	204,000		
Borrowed money (*)	269,631	525,432	10,185
Total	$ 29,060,813	$ 1,332,316	$ 125,551

At March 31, 2015	Thousands of U.S. Dollars 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 (*)	811		
Total	$ 812	$	$

(*) 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 information of the derivative transactions risk management is included in Note 18.

(a) Derivative transactions to which hedge accounting is not applied at March 31, 2015 and 2014

	Millions of Yen			
	Notional principal or contract amounts	Contract amount due after one year	Fair value	Valuation gains (losses)
At March 31, 2015				
Over-the-counter				
Foreign exchange contracts:				
Currency swaps	¥ 11,759	¥ 11,759	¥ 6	¥ 6
Foreign exchange forward contracts				
Forward exchange contracts sold	24,439		(73)	(73)
Forward exchange contracts bought	8,845		45	45

	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)

	Thousands of U.S. Dollars			
	Notional principal or contract amounts	Contract amount due after one year	Fair value	Valuation gains (losses)
At March 31, 2015				
Over-the-counter				
Foreign exchange contracts:				
Currency swaps	$ 97,860	$ 97,860	$ 52	$ 52
Foreign exchange forward contracts				
Forward exchange contracts sold	203,373		(608)	(608)
Forward exchange contracts bought	73,609		376	376

(b) Derivative transactions to which hedge accounting is applied at March 31, 2015 and 2014

	Millions of Yen			
	Hedged item	Contract amount	Contract amount due after one year	Fair value
At March 31, 2015				
Interest rate contracts:				
Interest rate swaps - receive floating and pay fixed	Loans and bills discounted	¥ 10,000	¥ 270	¥ (146)
	Bonds(available-for-sale securities)	4,566	4,566	(15)

	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)

	Hedged item	Contract amount	Contract amount due after one year	Fair value
	Thousands of U.S. Dollars			
At March 31, 2015				
Interest rate contracts:				
Interest rate swaps - receive floating and pay fixed	Loans and bills discounted	$ 83,217	$ 2,246	$ (1,215)
	Bonds(available-for-sale securities)	38,002	38,002	(125)

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).

	Hedged item	Contract amount	Contract amount due after one year	Fair value
	Millions of Yen			
At March 31, 2015				
Interest rate contracts:				
Interest rate swaps - receive floating and pay fixed	Loans and bills discounted	¥ 31,748	¥ 31,699	¥

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

	Hedged item	Contract amount	Contract amount due after one year	Fair value
	Thousands of U.S. Dollars			
At March 31, 2015				
Interest rate contracts:				
Interest rate swaps - receive floating and pay fixed	Loans and bills discounted	$ 264,195	$ 263,786	$

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

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

	Millions of Yen		Thousands of U.S. Dollars
	2015	2014	2015
Deferred tax assets:			
Allowance for doubtful accounts	¥ 10,462	¥ 11,302	$ 87,067
Liability for retirement benefits	598	529	4,982
Provision for directors' and audit and supervisory board members' retirement benefits		229	
Provision for reimbursement of deposits	177	159	1,480
Depreciation	760	947	6,329
Write-downs of investment securities	973	1,155	8,101
Unrealized losses on available-for-sale securities	62	289	521
Losses on impairment of fixed assets	1,871	2,216	15,576
Other	1,533	1,353	12,759
Less valuation allowance	(3,318)	(3,699)	(27,617)
Subtotal	13,122	14,482	109,202
Deferred tax liabilities:			
Unrealized gains on available-for-sale securities	(23,468)	(16,996)	(195,293)
Asset for retirement benefits	(1,379)	(1,268)	(11,475)
Other	(367)	(244)	(3,059)
Subtotal	(25,215)	(18,509)	(209,828)
Net deferred tax assets (liabilities)	¥ (12,092)	¥ (4,026)	$ (100,625)

A reconciliation between the normal effective statutory tax rate for the year ended March 31, 2015, 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.

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:

	Percentage 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	%

New tax reform laws enacted in 2015 in Japan changed the normal effective statutory tax rate for the fiscal year beginning on or after April 1, 2015, to approximately 32.8% and for the fiscal year beginning on or after April 1, 2016, to approximately 32%. The effect of these changes was to decrease deferred tax assets, deferred tax liabilities, deferred losses on derivatives under hedge accounting and defined retirement benefit plans by ¥24 million ($200 thousand), by ¥1,358 million ($11,307 thousand), by ¥5 million ($44 thousand), and by ¥52 million ($435 thousand), respectively, and increase unrealized gains on available-for-sale securities, income taxes-deferred by ¥2,408 million ($20,045 thousand), by ¥1,016 million ($8,457 thousand), respectively.
In addition, land revaluation surplus decrease by ¥761 million ($6,339 thousand), with a increase of ¥761 million ($6,339 thousand) in related deferred tax liability, in the consolidated balance sheet as of March 31, 2015.

21. Other Comprehensive Income

The components of other comprehensive income for the years ended March 31, 2015and 2014, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2015	2014	2015
Unrealized gains (losses) on available-for-sale securities			
Gains (losses) arising during the year	¥ 31,183	¥ (2,705)	$ 259,497
Reclassification adjustments to profit or loss	(4,130)	(3,206)	(34,375)
Amount before income tax effect	27,052	(5,912)	225,121
Income tax effect	(6,698)	2,086	(55,740)
Total	¥ 20,354	¥ (3,826)	$ 169,380
Deferred gains (losses) on derivatives under hedge accounting			
Losses arising during the year	¥ (13)	¥ (10)	$ (108)
Reclassification adjustments to profit or loss	155	162	1,292
Amount before income tax effect	142	152	1,183
Income tax effect	(55)	(53)	(461)
Total	¥ 86	¥ 98	$ 721
Land revaluation surplus			
Reclassification adjustments to profit or loss	¥	¥	$
Amount before income tax effect			
Income tax effect	761		6,339
Total	¥ 761	¥	$ 6,339
Defined retirement benefit plan(s)			
Adjustments arising during the year	¥ (240)	¥	$ (1,998)
Reclassification adjustments to profit or loss	457		3,804
Amount before income tax effect	217		1,805
Income tax effect	(128)		(1,072)
Total	¥ 88	¥	$ 733
Total other comprehensive income	¥ 21,291	¥ (3,727)	$ 177,175

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, 2015 and 2014, was 209,831 thousand and 209,853 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 23, 2015:

	Millions of Yen	Thousands of U.S. Dollars
Cash dividends	¥ 1,154	$ 9,603

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.

Year Ended March 31, 2015

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, foreign (domestic) 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						
	2015						
	Reportable segment						
	Banking	Leasing	Total	Other	Total	Reconciliations	Consolidated
Ordinary income:							
Outside customers	¥ 64,407	¥ 12,203	¥ 76,611	¥ 1,531	¥ 78,143	¥	¥ 78,143
Intersegment	239	876	1,116	547	1,663	(1,663)	
Total	64,647	13,080	77,727	2,078	79,806	(1,663)	78,143
Segment profit	18,411	810	19,221	680	19,901	(53)	19,848
Segment assets	4,054,992	33,943	4,088,935	14,248	4,103,184	(26,936)	4,076,248
Other:							
Depreciation	¥ 4,540	¥ 61	¥ 4,601	¥ 24	¥ 4,626	¥	¥ 4,626
Interest income and dividends	46,734	40	46,774	118	46,892	(160)	46,732
Interest expenses	2,268	152	2,420	7	2,427	(220)	2,207

	Millions of Yen						
	2014						
	Reportable segment						
	Banking	Leasing	Total	Other	Total	Reconciliations	Consolidated
Ordinary income:							
Outside 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

	Thousands of U.S. Dollars						
	2015						
	Reportable segment						
	Banking	Leasing	Total	Other	Total	Reconciliations	Consolidated
Ordinary income:							
Outside customers	$ 535,969	$ 101,555	$ 637,525	$ 12,746	$ 650,272	$	$ 650,272
Intersegment	1,994	7,297	9,291	4,553	13,845	(13,845)	
Total	537,964	108,852	646,816	17,300	664,117	(13,845)	650,272
Segment profit	153,211	6,742	159,954	5,660	165,614	(441)	165,173
Segment assets	33,743,797	282,464	34,026,261	118,571	34,144,833	(224,151)	33,920,681
Other:							
Depreciation	$ 37,787	$ 507	$ 38,295	$ 200	$ 38,495	$	$ 38,495
Interest income and dividends	388,899	332	389,231	981	390,213	(1,331)	388,882
Interest expenses	18,873	1,264	20,138	58	20,196	(1,830)	18,365

Note: 1. The “Other” segment contains business that is not included in these reportable segments, such as the guarantee 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 year ended March 31, 2015

Segment information by services

	Millions of Yen				
	2015				
	Loan business	Securities investment business	Leasing business	Other	Total
Ordinary income from external customers	¥ 36,866	¥ 14,443	¥ 12,123	¥ 14,708	¥ 78,143

	Millions of Yen				
	2014				
	Loan business	Securities investment business	Leasing business	Other	Total
Ordinary income from external customers	¥ 36,919	¥ 15,396	¥ 11,629	¥ 15,084	¥ 79,030

	Thousands of U.S. Dollars				
	2015				
	Loan business	Securities investment business	Leasing business	Other	Total
Ordinary income from external customers	$ 306,787	$ 120,196	$ 100,889	$ 122,398	$ 650,272