ANNUAL REPORT 2014

Year ended March 31, 2014

ANNUAL REPORT 2014

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PROFILE

The Nanto Bank, Ltd. (the "Bank" or "Nanto Bank") is based in Nara Prefecture, a region rich in tradition and culture dating back to its development as Japan's first capital in the early 8th century. Since its establishment in 1934, Nanto Bank has achieved steady growth in partnership with its region and continues to maintain a sound financial structure. As of March 31, 2014, Nanto Bank had deposits of ¥4,585.3 billion, loans of ¥2,972.1 billion, and total assets of ¥5,187.1 billion.

Nanto Bank's domestic network of 136 branches extends beyond Nara Prefecture to the neighboring prefectures of Osaka, Kyoto, Hyogo, Mie, Wakayama, and Tokyo. The Bank has become a trusted institution in communities throughout its region thanks to its commitment to regionally focused services designed to meet the needs of local customers.

Nanto Bank continues to make a positive contribution to regional economic development by providing a comprehensive range of financial services, including overseas services, and maintains representative offices in Hong Kong and Shanghai.

CORPORATE PHILOSOPHY

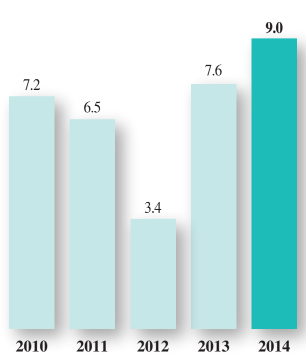
1. Pursue sound and efficient management
2. Provide superior comprehensive financial services
3. Contribute to regional prosperity
4. Strive to become a highly reliable, friendly and attractive bank

Consolidated Financial Highlights

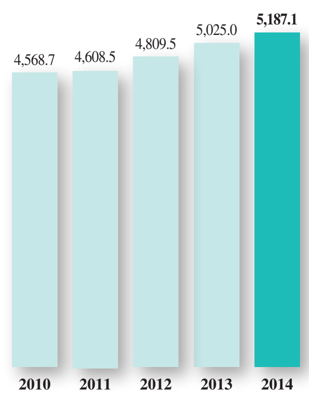
	Millions of yen					Thousands of U.S. dollars
	2014	2013	2012	2011	2010	2014
For the year:						
Total income	¥ 82,717	¥ 88,875	¥ 90,075	¥ 92,751	¥ 95,942	$ 803,701
Total expenses	62,923	77,661	78,843	78,711	83,145	611,377
Income before income taxes	19,794	11,214	11,231	14,039	12,796	192,324
Net income	9,079	7,621	3,467	6,584	7,293	88,214
At year-end:						
Total assets	5,187,191	5,025,037	4,809,575	4,608,561	4,568,768	50,400,223
Loans and bills discounted	2,972,159	2,898,844	2,785,671	2,709,612	2,730,540	28,878,342
Securities	1,907,331	1,840,741	1,755,495	1,668,948	1,560,110	18,532,170
Deposits and negotiable certificates of deposit	4,662,888	4,514,604	4,343,154	4,181,096	4,117,975	45,305,946
Total liabilities	4,966,542	4,809,291	4,597,334	4,401,386	4,361,672	48,256,335
Minority interests	7,336	6,658	25,971	25,125	24,621	71,278
Total net assets	220,648	215,745	212,241	207,175	207,095	2,143,878
Common stock	29,249	29,249	29,249	29,249	29,249	284,191
Per share data:	Yen					U.S. dollars
Net income	¥ 33.78	¥ 28.01	¥ 12.57	¥ 23.88	¥ 26.45	$0.32
Stockholders' equity	794.95	774.46	675.42	660.24	661.81	7.72
Capital adequacy ratio (%)	10.51	10.66	11.63	11.74	12.12	

Note: U.S. dollar amounts are included solely for the convenience of readers and are calculated at the exchange rate of ¥102.92 to US$1.00, the rate prevailing on March 31, 2014.

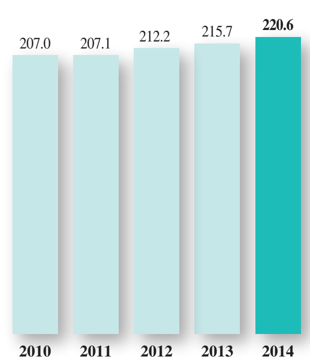
Net Income
(Billions of yen)



Total Assets
(Billions of yen)



Total Net Assets
(Billions of yen)



We would like to sincerely thank you for your support for the Nanto Bank.

We are pleased to announce that on June 1, 2014, the Bank celebrated the 80th anniversary of its bank's founding. We are deeply grateful for the support we have received from the community, our shareholders and our customers over the years.

The purpose of this Annual Report 2014 is to disclose our performance in fiscal 2013 (the year ended March 31, 2014), and our initiatives conducted during the fiscal year. We would appreciate it if you would read through the report.

The Japanese economy continued in gradual recovery trend overall during the fiscal year under review, with the effects of "Abenomics" and other factors driving the recovery in corporate performance as well as consumer spending. The end of the previous year saw a surge in demand ahead of the consumption-tax hike that took effect in April; although we saw some signs of a rebound from this demand as we entered the current fiscal year, the gradual recovery trend in the economy continues.

In the regional economy centered on Nara Prefecture, the business climate is improving and the recovery trend is observed in consumer spending.

Under these circumstances, we have created a 10-year management vision that will run until our 90th anniversary as "Vitality Creating Bank.". We have started a new medium-term management plan titled "Vitality Creation Plan" (April 2014 to March 2017), with the aim to become a bank which creates vitality for our region and our bank. We are committed to vitalizing our region, while creating revenue opportunities through expanding our scale by the strengthening of our deposits, loan portfolios, and other assets.

As we marked the 80th anniversary of our founding, our executives and employees are further united in our commitment and we will devote full efforts on continuing to meet the expectations of our stakeholders as "Vitality Creating Bank," by offering ever-better financial services.

We look forward to the continued understanding and support of all our stakeholders.

Aiming to Be a Bank Creating Vitality of the Region - Building a Bright Future with the Community -

On Our 80th Anniversary

We are pleased to announce that the Bank celebrated the 80th anniversary of its founding in this June. We owe this accomplishment to the steadfast support that the community, our shareholders, and our customers have given us over the years, and we are deeply grateful for that.

The Nanto Bank was founded in June 1, 1934 through the merger of four banks: the Rokuju-hachi Bank, the Yoshino Bank, the Yagi Bank, and the Gose Bank. Since our founding, we have worked closely with the local community in order to fulfill our role as a leading local bank for long years. We are profoundly grateful to the trust our customers have placed in us; this trust has enabled us to maintain a high local share of both in deposits and loans.

To commemorate our 80th anniversary, we have designated "Building a Bright Future with the Community" as our catch-phrase for the year. This catch-phrase represents our strong passion for the region over our long history, as well as our determination for the future.

Our executives and employees are all united in their full commitment to continuing our community-rooted activities, and developing and promoting the region where our bank operates.

Our Economic and Financial Environment

The Japanese economy continued in gradual recovery trend overall during the fiscal year under review, with the effects of "Abenomics" and other factors driving the recovery in corporate performance as well as consumer spending. The end of the previous year saw a surge in demand ahead of the consumption-tax hike that took effect in April; although we saw some signs of a rebound from this demand as we entered the current fiscal year, the gradual recovery trend in the economy continues.

In the regional economy centered on Nara Prefecture, the business climate is improving and the recovery trend is observed in consumer spending.

Meanwhile, the business environment surrounding financial institutions is undergoing massive change, including shrinking population, aging society and progress of globalization. At the same time, competition among financial institutions is heating up, including competition from other industries. Under these circumstances, one of our challenges is creating a fuller line of products and services that meet a broad range of customer needs.

New Medium-Term Management Plan: "Vitality Creation Plan"

Amid these conditions, we have defined a management vision for the decade leading to our 90th anniversary, as "Vitality Creating Bank." Under this vision, we aim to become a bank committed to creating vitality in both our bank and the region in which we operate.

The new medium-term management plan, "Vitality Creation Plan," which we started in April of this year, is based on the following core principles: increasing top-line earnings through customer-centric action and effective capital investment; efficient management through appropriate investment of corporate resources; and creating an organization that enables self-realization by developing and vitalizing human resources. Building on these principles, the plan lays out five key strategies and we will make strong efforts on these strategies: vitalizing the community; establishing a revenue base; strengthening human resources and organization; improving productivity; and strengthening internal management structure.

Vitalizing the Community

We believe that vitalizing the regional economy is essential for growing together with our customers, and maintaining sustainable growth as a regional financial institution.

Based on this belief, we are committed to ascertaining our customers' challenges and needs, and vitalizing the regional economy by offering accurate solutions and leveraging our consulting function to create and develop industries, improve management, revitalize businesses and so on.

Upon the start of our medium-term management plan, we reorganized our Public Institutions Division into the Public Institutions & Regional Vitality Creation Division. This new division maintains the Public Institutions Division's traditional mission of promoting business with local public institutions, and adds several new roles, such as creating and developing industries, and building partnerships between industry, the government, school, and finance to link up the challenges and needs of local public institutions with the technical capabilities and expertise of the private sector. By adding these new roles, the Public Institutions & Regional Vitality Creation Division is working to boost regional growth and development even further as a core organization for planning and promoting the vitalization of tourism and other local industries.

In addition to the traditional roles of a bank, we are committed to fulfilling our corporate social responsibility (CSR) through such activities as environment protection activities and social contribution activities. We will meet this responsibility by leveraging our corporate resources to work on developing the local community and regional economy.

Establishing a Revenue Base

Nara Prefecture has a fertile individual market. Amid these circumstances, we are committed to expanding our loan share by further strengthening customer relations by the trust we have cultivated and expanding personal banking with a focus on customer assets and individual loans, while also further strengthening the promotion of business loans.

Meanwhile, in Osaka Prefecture and others, identified as an important strategic area, in Wakayama Prefecture, in June of last year, we increased the number of branches in Wakayama City to two, namely the Wakayama Branch and the Wakayama-Kita Sub-branch. Additionally, in December of last year we opened the newly constructed Tezukayama Branch, and on the same month, we re-opened Daito Branch to include a street-facing entrance. We will continue to expand our core area by further filling our dense network of branches based on ensuring continuity with Nara Prefecture, and promote enhancement of our loans, deposits, and customer assets.

In order to meet the increasingly diverse needs of our business customers, we have established dedicated sections at our headquarters, including the Value Creation Division and the Corporate Finance Support Office in our Credit Analysis Division. These sections work hand-in-hand with our branches to offer a wide range of solutions (solution-oriented marketing) to our customers, including support for expanding overseas and business succession, as well as support for improving management.

Also, to support our individual customers, we have enhanced services including Internet banking and a broader product lineup. We have also created the NANTO L-Plaza, FA offices, and other services to give our individual customers more sophisticated, specialized asset-management and consulting services.

We will continue to be actively committed to meeting our customers' needs by expanding our lineup of products and services, and diversifying our channels.

Strengthening Human Resources and Organization

Of our corporate resources, human resources are the core element of corporate management and the driver of all our operations.

As the regional economic climate surrounding the Bank continues its change, we have been identifying the development of our human resources as one of our key challenges, and we have carried out various initiatives.

In April this year, we established a team in our Human Resources Division dedicated to developing human resources (Human Resource Vitality Creation Group). The group's mission is to expand on education and training to support the acquisition of expertise, enhance judgment capabilities, and others of employees.

We will continue to work to further develop the capabilities of our employees to enable our bank to provide our customers with more sophisticated financial services with higher added value.

Improving Productivity

While we strongly advance initiatives to enhance our business strategy, such as establishing a revenue base, we are also working on revising our branch roles and personnel assignments in accordance with market characteristics, in order to become more cost-competitive and strengthen our management structure. In fiscal 2013, we converted seven branches into sub-branches, and three branches into individual-specific branches.

We are promoting building of new branches and relocating existing ones to keep pace with changes in the market, as we expand existing area while improving both customer convenience and efficiency.

We are also working to consolidate and streamline our operations by such means as revising our operating processes, in order to enhance our operational capabilities by reducing administrative overhead.

Strengthening Internal Management Structure

As an important management issues, we are implementing a variety of measures to overcome "further enhancement of our compliance framework" and "incorporation of more advanced and enhanced risk management" as well.

Compliance is fundamental for banks to faithfully carry out their social responsibilities and public missions. In order to earn even greater trust from our stakeholders, we are committed to installing greater on compliance not only among executive management but among bank employees as well, as we enhance the efforts to build a more effective compliance framework.

In terms of risk management, we will continue to advance and enhance various risk management while appropriately controlling risks and returns.

In Partnership with the Local Community

We will continue to work closely with our local community, offering products and services that adequately meet our customers' needs, and offering a wide range of accurate and swift support.

Through these efforts, our executives and employees are united for an aim to become "Vitality Creating Bank" which can contribute to regional development.

We look forward to your continued support.

PRESIDENT Yasuo Ueno

Medium-Term Management Plan

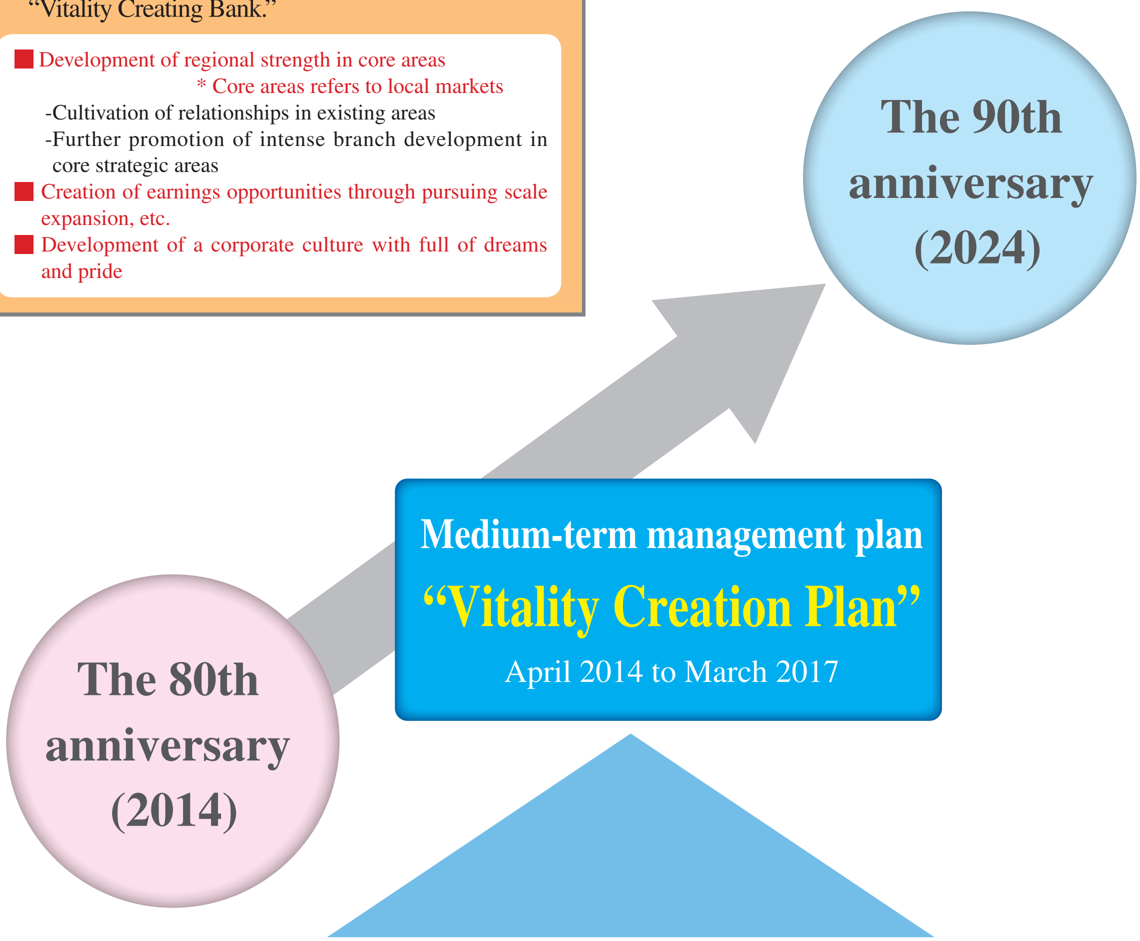
Medium-Term Management Plan “Vitality Creation Plan”

The Bank embraces a management vision for the period of 10 years up to 2024, its 90th anniversary, aiming to become a bank which creates vitality in community and itself as “Vitality Creating Bank.” In order to fulfill this vision, the Bank started its medium-term management plan called “Vitality Creation Plan” that covers the three-year period from fiscal 2014 to fiscal 2016. This plan contains five key strategies including “vitalizing the community,” firmly commit to realizing “enhancement of top-line margin,” “efficient operation,” and “creating strong organization enabling self-fulfillment.”

Management vision to create “Vitality Creating Bank”

■ The Bank embraces a management vision for 10 years up to its 90th anniversary, aiming to become a bank which creates vitality in community and itself as “Vitality Creating Bank.”

- ■ Development of regional strength in core areas
  * Core areas refers to local markets
  - -Cultivation of relationships in existing areas
  - -Further promotion of intense branch development in core strategic areas
- ■ Creation of earnings opportunities through pursuing scale expansion, etc.
- ■ Development of a corporate culture with full of dreams and pride



Economic/financial environment

- ■ Falling birth rate in an aging society and declining population
- ■ Decreasing business offices in Nara Prefecture
- ■ Declining interest rate
- ■ Intensifying intrusion of competitor banks, etc.

Earnings environment

- ■ Reduction of fund profit due to low interest rate
- ■ Fees and commission income flattening out, etc.

Corporate philosophy

(i) Pursue sound and efficient management
(ii) Provide superior comprehensive financial services
(iii) Contribute to regional prosperity
(iv) Strive to become a highly reliable, friendly and attractive bank

A positive cycle with stakeholders through improvement of NANTO brand

Vitality Creation Plan

1. Name and term

- Medium-term management plan "Vitality Creation Plan"
- April 2014 to March 2017 (three years)

2. Basic philosophy

- Aim to enhance top-line profit through practicing customer-centricity and effective investment of funds.
- Strive to realize management efficiency through optimum deployment of corporate resources.
- Building up an organization enabling self-fulfillment through human resource development and revitalization.

3. Numerical targets <fiscal 2016>

- Net income of ¥8.0 billion or above
- Balance of loans of ¥3,250.0 billion or above
- Balance of deposits of ¥5,000 billion or above

4. Key strategies

I. Vitalizing the community
II. Establishing a revenue base
III. Strengthening human resources and organization
IV. Improving productivity
V. Strengthening internal management system

<Key strategies>

I. Vitalizing the community

◇Aim to vitalize regional economy through implementations such as creation and development of industries as well as through cooperation with industries, governments, schools and finance.
◇Make effort in management improvement and business rehabilitation through utilizing consulting capabilities.

II. Establishing a revenue base

◇Develop solid revenue base through cultivating relationship with customers in the existing areas.
◇Expand core areas in the core strategic areas including Osaka Prefecture, through actively deploying corporate resources, based on the continuity of branch presence.
◇Provide products and services depending on individual life stage of customers, at the right timing.
◇Strengthen fund investment in the market.

III. Strengthening human resources and organization

◇Radically review human resources development framework to strengthen marketing capabilities.
◇Develop organization with full of vitality by placing the right people in the right job along with adequate personnel management.
◇Reinforcing Group's strength to enhance capabilities to provide comprehensive financial services.

IV. Improving productivity

◇Improve productivity through developing marketing framework geared to regional market characteristics.
◇Strive to streamline work processes and strengthen marketing capabilities through the review of work processes.

V. Strengthening internal management system

◇Reinforce compliance framework in order to gain further trust from stakeholders.
◇Enhance and develop various risk management in consideration of risks/returns.

Compliance

Compliance refers to strict observance of ethics and social norms as well as laws, regulations, government ordinances and the bank's regulations. This is essential for banks to faithfully carry out their social responsibilities and public missions.

The Bank takes the following approach in order to increase awareness of compliance and respond to legal risks.

Thorough Execution of Compliance

- In recognition of the public mission and social responsibilities that financial institutions need to perform, the Bank regards compliance with laws and regulations as the most important management issue and has established a Charter of Corporate Behavior which consists of Basic Policies and Code of Conduct for all officers and employees to follow to gain trust from all stakeholders, including local communities, our customers and shareholders.
- To establish a basic framework for the compliance system, we have established our compliance regulations and rules for disciplinary action and demonstrate fairness and transparency in the administration of disciplinary action as means of establishing a clear stance on compliance with laws and regulations.
- Deliberations and decisions in matters of compliance are the responsibility of the Compliance Committee, which is chaired by the President and operates horizontally across the bank's organization structure. Plans and supervision of compliance are carried out in the Compliance & Risk Management Division.
- A Compliance Program consisting of concrete plans to achieve compliance is drawn up each year and undergoes appropriate review.
- The Bank strives to properly operate a Compliance Hotline as part of its internal reporting system that was established to prevent legal violations and misconduct before they occur, to discover them promptly if they occur and to rectify them immediately.
- To instill a compliance mindset throughout the Bank, we have compiled a Compliance Handbook, which serves as a guide for achieving compliance and has been distributed to all officers and employees, and regularly conduct seminars and other group training at the workplaces of individual workgroups.
- The Bank has established a Regulations on Response to Antisocial Forces in order to take a resolute stand against anti-social forces that pose a threat to the order and security of civil society and takes strong measures to intervene and block any attempt by such forces to create any relationship with the Bank.

Risk Management

In recent years, the management environment surrounding financial institutions has changed drastically, and the risks they face have become more diversified and complex.

The Bank regards risk management as one of its most important management issues and aims to create an advanced risk management system so that the Bank can maintain appropriate and sound management and provide reliable services to its customers.

Risk Management Coordination

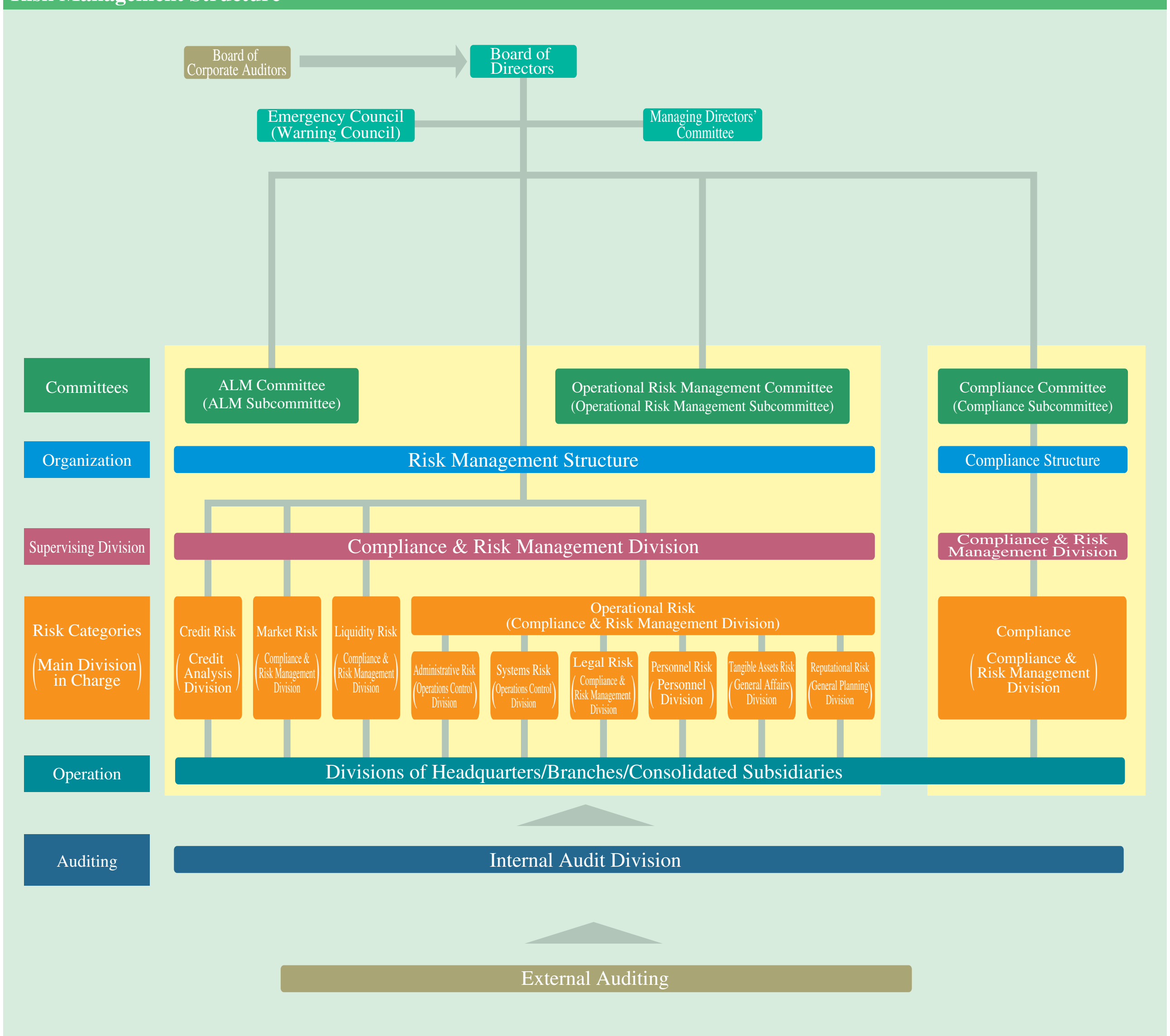
To cope with the various risks that the Bank faces in its banking business, the Bank has established specified units for each category of risk. The Bank also incorporates the Compliance & Risk Management Division responsible for risk management coordination in order to gain a precise understanding of the nature and extent of risks and take expeditious steps toward their management.

Furthermore, the Bank defines its basic risk management policies in risk management regulations and other requirements, including the Risk Management Coordination Regulations, in an effort to appropriately manage the risks.

Moreover the Bank has adopted a policy of Risk Management Coordination under which it quantifies various risks by using the integrated risk management method, intending to keep the amount of risks and its capital adequacy at appropriate levels in the light of its management vitality. Biannually, the Bank determines risk capital (risk based amounts) for each category of risk within the scope of its capital adequacy to limit the value of each risk (e.g. VaR) to the amount of risk capital.

The situation of each risk is evaluated at a monthly ALM Committee meeting which decides the appropriate level of risk control to implement, aiming at conducting more effective and efficient risk and return management from the viewpoint of maintaining sound management and higher profitability alongside effective utilization of capital.

Risk Management Structure



Risk Management

Managing Internal Capital

Managing Internal Capital refers to the implementation of measures to maintain a sufficient level of internal capital, capital adequacy assessment and computation of the capital adequacy ratio.

The Bank conducts a quarterly assessment of its internal capital adequacy by analyzing factors that cause the capital adequacy ratio and Tier I ratio to fluctuate.

We also use the integrated risk management method to quantify the various risks faced by the Bank, and we regularly compare the level of these risks with the Bank's internal capital so as to control each risk and carry out the assessments of our internal capital adequacy for each risk.

As for the capital adequacy assessment, the Bank positions itself to be able to review the allocation of its internal capital, discuss necessary internal capital strategies and other necessary actions through the monthly-held ALM Committee meeting. We intend to maintain a sound management with the help of appropriate risk control practices and increase profitability through the effective utilization of our internal capital by fully operating this internal capital management structure.

Managing Credit Risk

To ensure the continuing soundness of its assets, the Bank manages credit risk under a credit screening structure that operates independently of its marketing operations.

We have established the Credit Analysis Division as a risk management body that is responsible for examining the credit standing of customers, loan screening and the management of claims.

The Credit Analysis Division consists of the Credit Analysis Group, which handles general screening and industry-specific screening; the Management Group, which intensively supervises borrowers whose business performance has deteriorated; and the Corporate Finance Support Office, which was established to assist borrowers with business restructuring and recovery initiatives. Together these units form a structure that supports flexible risk management tailored to the specific circumstances of each customer.

Our credit analysis and risk management measures include rigorous self-assessment, credit rating which is consistent with the borrower classifications used in self-assessment and other methods with which the Bank subjectively recognizes and manages each customer's credit capability. In addition, we have a policy of setting an interest rate (Pricing) to be applied to individual customers according to their rating-based creditworthiness. Through this, we take measures to strengthen our credit risk management and increase profitability.

The Bank regularly and appropriately reviews transaction terms and establishes credit limits for borrowers with debt exceeding a certain amount, with a view to reducing credit risk by conducting strict credit control.

For the management of overall loan portfolios, the Bank has worked on a more efficient assessment support system by using several systems, including segment analysis, e.g. industry-based or rating group-based analysis, a real estate collateral evaluation system, designed to refine the quantified collateral evaluation of credit risk which calculates possible losses in future by using statistical methods, etc.

Managing Asset Appraisals

Asset Appraisals are for the review of determine assets held by financial institutions in order to the accurate status of the institution's assets. It is an important method of credit risk management and a preliminary procedure to appropriately determine the amount of depreciation and allowances. Asset assessment conducted by the financial institution itself is referred to as a self-assessment.

The Bank carries out an assessment of its assets in which actual assessments are conducted by its operating branches in conformity with the Regulations on Self-Assessment of Assets. Assessment results are then subjected to a rigorous verification process in which the results are examined by the Credit Analysis Division and further audited by the Internal Audit Division. According to the audit results, the Bank determines appropriate amounts of depreciation and allowances. In this way, the Bank strives to perform appropriate asset assessment practices and maintain and improve the soundness of its assets.

Managing Market Risk

The Bank controls its market operations under a system of reciprocal checks and balances based on a clear demarcation between front office units, which implement transactions, and back office units, which carry out administrative processing. The middle office unit responsible for risk management is the Compliance & Risk Management Division, which develops risk management systems, checks compliance with risk management regulations and other requirements and monitors the positions and profit performance of market units. The Compliance & Risk Management Division also carries out wide-ranging analyses to quantify the risk levels of assets and liabilities, including deposits, loans and securities. In its analyses, the division uses a variety of analytical techniques, including the value at risk (VaR) and basis point value (BPV) methods and interest rate fluctuation simulations. The results of this work are used to provide timely reports to management.

Allowable risk limits are measured based on VaR and determined by the Bank's ALM Committee biannually in consideration of its capital status, market conditions and other factors. Market operation staff members make efforts to gain profits while complying with these allowable risk limits. Every month, the ALM Committee obtains actual risk and revenue results from each market operation and discusses appropriate ways to control risks and generate earnings efficiently by taking account of the market prospects and other conditions. In addition, the Bank conducts stress tests by using scenarios that capture the characteristics of market environments and its portfolios in order to understand the impact of extreme market fluctuations exceeding VaR projections, bracing up for contingency events.

• Managing Liquidity Risk

Liquidity risk, also known as fund-raising risk, is defined as the risk of the Bank incurring a loss due to encountering an obstacle in raising the required funds either because of a mismatch between the use and procurement of funds or unexpected outflow of funds or being forced to borrow at higher interest rates than usual.

According to monthly fund management plans formulated by the ALM Committee, the Securities and International Division closely manages the Bank's cash flow position on a day-to-day basis, and the Compliance & Risk Management Division monitors the management conditions. The ALM Committee is also responsible for overall monitoring and management of cash flow risk, including the monitoring of assets available for liquidation and the amount of funds that the Bank can procure.

The cash flow situation is classified into one of three levels according to financial situations: "regular phase," "concern phase" and "crisis phase." The Bank has developed management systems that can be flexibly implemented in each of these situations.

• Managing Operational Risks

Operational risk is the risk of the Bank incurring a loss due to inadequate or failed processes of banking operations, activities of executives and employees (including part-time and temporary and other similarly classified workers) or systems, as well as external events.

At the Bank, departments in charge of operational risks apply the perspectives of specialists to the management of administrative risk, systems risk, legal risk, personnel risk, tangible assets risk and reputational risk.

In addition, information about loss from operational accidents and results of potential risk analysis, etc. are collectively reported to the Operational Risk Management Committee, which understands and manages each risk comprehensively. This enables the Bank to preferentially deal with major risks and minimize the effects of the risks.

• Managing Administrative Risk

Administrative risk refers to the risk of incurring loss as a result of neglecting accurate administrative processes alongside occurrences of accident or fraud.

The Bank reinforces the provisions of its administrative regulations and requires strict staff compliance with the regulations to achieve customer confidence in its accurate and strict administration. At the same time, the Bank aims to raise executives and employees administrative work standards by conducting regular training programs and temporary office work guidance. In addition, the Bank intends to establish more accurate and efficient administrative operations by facilitating the systemization and centralization of administrative processes.

• Managing System Risk

System risk refers to failures or malfunctions of the computer system and loss incurred associated with inadequate systems, etc. Furthermore, system risk includes the risk of loss from unauthorized use of computers.

The Bank incorporates a system which copes with unexpected system failures or network errors and swiftly resumes operations. It is prepared for these events with stand-by equipment for each of the existing equipment in the network system and dual communication lines. Also, the Bank has formulated a manual which directs necessary action as defined by its contingency plan in the event of a large scale disaster and has developed a decentralized data administration system and "back-up center".

With a view to conducting strict control of customer data and other confidential information, the Bank takes various measures to prevent unauthorized use of the computer system or leakage of information. It addresses the provision of safer and more assured services by establishing security measures such as the formulation of handling regulations for classified data, encryption of computer data and important information, e.g., security codes, and others.

Risk Management

Managing Legal Risk

The term "legal risk" refers to the risk of incurring loss or damage arising from violation of obligations resulting from negligence concerning customers and inappropriate business and/or market practices.

The Bank has attempted to avoid and mitigate legal risks via legal examination by external experts, such as corporate lawyers, and the Compliance & Risk Management Division.

Managing Personnel Risk

Personnel risk refers to the risk of loss and damages the Bank suffers due to unfairness/unjustness in terms of personnel management concerning compensation, benefits, dismissal and acts of discrimination such as sexual harassment, etc.

The Bank recognizes that economic loss, loss in confidence, etc. due to the materialization of personnel risk can have a major impact on the Bank's management and business operations and strives to minimize the risk through the appropriate management of such risk.

Managing Tangible Assets Risk

Tangible assets risk involves the risk of loss from impairment or damage to tangible assets due to disaster or other unforeseeable events.

The Bank recognizes that economic loss, loss in confidence, etc. due to the materialization of tangible asset risk can have a major impact on the Bank's management and business operations and strives to minimize the tangible assets risk through the appropriate management of such risk.

Managing Reputational Risk

Reputational risk refers to the risk of loss or damage incurred if an organization has fallen into discredit due to the deterioration of its reputation or through damaging rumors, etc.

The Bank recognizes that economic loss, loss in confidence, etc. due to the materialization of reputational risk can have a major impact on the Bank's management and business operations and strives to minimize that risk through appropriate management. In the event of the spread of damaging rumors about the Bank, the Bank will take appropriate and swift action to curtail them and revitalize its reputation.

Internal Audit Posture

For the enhancement and reinforcement of risk management, it is necessary to verify the effective function of internal control and improve problems as needed.

The Internal Audit Division, an internal auditing organization, promotes risk management and strives to ensure the soundness of management and the appropriateness of business by ascertaining the risk management situation at the division and branch level, evaluating and verifying that internal control is appropriately maintained and functioning effectively and providing advice as necessary.

Crisis Management Posture

Along with the above risk management, the Bank has formulated a Crisis Management Plan and a Crisis Management Plan Response Manual for each type of crisis to respond suitably to the occurrence and materialization of crises related to business operations, such as natural disasters including large-scale earthquakes, systems malfunctions, or novel influenza and other pandemics. In the event of a crisis, the Bank responds, depending on the level of emergency of the crisis, by having the Emergency Council, Response Headquarters, or other divisions gather information and engaging in centralized supervision and command, in an effort to minimize the impact of the crisis on its operations.

In the meantime, the Bank, as an organization responsible for social function maintenance, takes measures to continuously provide customer services, including improvement of facilities to continue its business operations in the event of disasters or other events, while striving to ensure the effectiveness of the crisis management posture and improve it continuously, through measures including risk management training provided every year.

Board of Directors and Corporate Auditors

(As of July 1, 2014)

Hiromune Nishiguchi
CHAIRMAN
(Representative Director)

Yasuo Ueno
PRESIDENT
(Representative Director)

Yasuo Shimakawa
DEPUTY PRESIDENT
(Representative Director)

Masaaki Hashimoto
SENIOR MANAGING DIRECTOR

Hiroki Matsuoka
SENIOR MANAGING DIRECTOR

Takashi Hashimoto
SENIOR MANAGING DIRECTOR

Kohsaku Yoshida
MANAGING DIRECTOR
(Osaka Regional Headquarter and Osaka Chuo Office)

Yoshihiko Kita
MANAGING DIRECTOR
(Internal Audit Division)

CHAIRMAN
Hiromune Nishiguchi

PRESIDENT
Yasuo Ueno

DEPUTY PRESIDENT
Yasuo Shimakawa

SENIOR MANAGING DIRECTOR
Masaaki Hashimoto
Hiroki Matsuoka
Takashi Hashimoto

MANAGING DIRECTOR
Kohsaku Yoshida
(Osaka Regional Headquarter and Osaka Chuo Office)

Yoshihiko Kita
(Internal Audit Division)

DIRECTORS AND GENERAL MANAGERS
Toru Hagihara
(Tokyo branch and Tokyo Liaison Office)

Shigeyori Kawai
(Value Creation Division)

Takao Handa
(Personnel Division)

Nobuo Shibata
(Operations Control Division)

Akira Kondo
(Head Office)

Keizo Nishikawa
(Credit Analysis Division)

Hiroyuki Sakai

CORPORATE AUDITORS
Taro Hayama
Naoki Minowa
Mitsuhiko Noguchi
Yasushi Marumori

Note: Hiroyuki Sakai is outside director pursuant to Item 15, Article 2 of the Company Law and Mitsuhiko Noguchi and Yasushi Marumori are outside corporate auditors pursuant to Item 16, Article 2 of the Company Law.

Consolidated Financial Statements

Consolidated Balance Sheets

The Nanto Bank, Ltd. and Consolidated Subsidiaries as of March 31, 2014 and 2013

	Millions of yen 2014	Millions of yen 2013	Thousands of U.S. dollars (Note 1) 2014
Assets:			
Cash and due from banks (Notes 13 and 15)	**¥ 202,724**	¥ 175,662	**$ 1,969,724**
Call loans and bills bought (Note 15)	**895**	430	**8,696**
Debt purchased (Note 15)	**4,515**	4,279	**43,869**
Trading account securities (Notes 15 and 16)	**213**	322	**2,069**
Money held in trust (Notes 15 and 16)	**22,000**	21,000	**213,758**
Securities (Notes 6, 9, 15 and 16)	**1,907,331**	1,840,741	**18,532,170**
Loans and bills discounted (Notes 5, 7 and 15)	**2,972,159**	2,898,844	**28,878,342**
Foreign exchanges (Note 5)	**2,064**	4,023	**20,054**
Lease receivables and lease investment assets	**14,905**	14,377	**144,821**
Other assets (Note 6)	**22,274**	20,746	**216,420**
Tangible fixed assets (Note 8)	**41,902**	40,291	**407,131**
Buildings	**11,939**	11,193	**116,002**
Land	**24,188**	24,204	**235,017**
Construction in progress	**187**	327	**1,816**
Other tangible fixed assets	**5,586**	4,564	**54,275**
Intangible fixed assets	**5,748**	6,066	**55,849**
Software	**5,174**	5,304	**50,272**
Other intangible fixed assets (Note 6)	**573**	762	**5,567**
Deferred tax assets (Note 20)	**5,294**	13,018	**51,438**
Customers' liabilities for acceptances and guarantees	**11,477**	13,591	**111,513**
Reserve for possible loan losses (Note 15)	**(26,314)**	(28,358)	**(255,674)**
Total assets	**¥5,187,191**	¥5,025,037	**$50,400,223**
Liabilities and net assets:			
Liabilities:			
Deposits (Notes 6 and 15)	**4,585,357**	4,418,137	**44,552,633**
Negotiable certificates of deposit (Note 15)	**77,531**	96,467	**753,313**
Payables under securities lending transactions (Notes 6 and 15)	**141,600**	138,235	**1,375,825**
Borrowed money (Notes 6, 15 and 25)	**85,388**	81,100	**829,654**
Foreign exchanges	**197**	140	**1,914**
Bonds payable (Notes 15 and 25)	**20,000**	20,000	**194,325**
Other liabilities (Note 25)	**24,602**	27,258	**239,040**
Reserve for employee retirement benefits (Note 18)	**—**	12,669	**—**
Liability for retirement benefits (Note 18)	**19,039**	—	**184,988**
Reserve for reimbursement of deposits	**150**	165	**1,457**
Reserve for contingent losses	**1,198**	1,526	**11,640**
Acceptances and guarantees	**11,477**	13,591	**111,513**
Total liabilities	**¥4,966,542**	¥4,809,291	**$48,256,335**
Net assets (Note 3):			
Common stock: Authorized 640,000 thousand shares Issued 272,756 thousand shares in 2014 and 275,756 thousand shares in 2013	**29,249**	29,249	**284,191**
Capital surplus	**18,813**	18,813	**182,792**
Retained earnings	**132,594**	126,387	**1,288,321**
Less treasury stock: Issued 4,581 thousand shares in 2014 and 5,909 thousand shares in 2013	**(1,918)**	(2,480)	**(18,635)**
Total stockholders' equity	**178,739**	171,970	**1,736,678**
Valuation difference on available-for-sale securities (Note 16)	**39,585**	37,947	**384,619**
Net deferred gains or losses on hedges	**(760)**	(931)	**(7,384)**
Accumulated adjustments for retirement benefits (Note 18)	**(4,376)**	—	**(42,518)**
Total accumulated other comprehensive income	**34,448**	37,016	**334,706**
Stock acquisition rights	**123**	100	**1,195**
Minority interests	**7,336**	6,658	**71,278**
Total net assets	**220,648**	215,745	**2,143,878**
Total liabilities and net assets	**¥5,187,191**	¥5,025,037	**$50,400,223**

See Notes to Consolidated Financial Statements.

Consolidated Statements of Income

The Nanto Bank, Ltd. and Consolidated Subsidiaries for the Years Ended March 31, 2014 and 2013

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2014	2013	2014
Income:			
Interest income:			
Interest on loans and bills discounted	**¥38,463**	¥41,086	**$373,717**
Interest and dividends on securities	**17,362**	17,538	**168,694**
Other interest income	**373**	369	**3,624**
Fees and commissions	**17,766**	18,447	**172,619**
Other operating income	**3,804**	6,995	**36,960**
Other income (Note 10)	**4,946**	4,438	**48,056**
Total income	**82,717**	88,875	**803,701**
Expenses:			
Interest expense:			
Interest on deposits	**3,165**	3,414	**30,752**
Interest on borrowings and rediscounts	**371**	434	**3,604**
Interest on subordinated bonds	**344**	344	**3,342**
Other interest expense	**388**	462	**3,769**
Fees and commissions	**8,835**	9,380	**85,843**
Other operating expenses	**820**	3,187	**7,967**
General and administrative expenses	**46,993**	50,408	**456,597**
Other expenses (Note 11)	**2,003**	10,030	**19,461**
Total expenses	**62,923**	77,661	**611,377**
Income before income taxes and minority interests	**19,794**	11,214	**192,324**
Income taxes (Note 20):			
Current	**1,024**	386	**9,949**
Deferred	**8,998**	2,150	**87,427**
Total income taxes	**10,023**	2,536	**97,386**
Net income before minority interests	**9,770**	8,677	**94,928**
Minority interests	**691**	1,056	**6,713**
Net income	**¥ 9,079**	¥ 7,621	**$ 88,214**

	Yen		U.S. dollars (Note 1)
Per share of common stock (Note 23):			
Net income - basic	**¥33.78**	¥28.01	**$0.32**
Net income - diluted	**33.74**	27.99	**0.32**
Dividends	**6.00**	6.00	**0.05**

See Notes to Consolidated Financial Statements.

Consolidated Statements of Comprehensive Income

The Nanto Bank, Ltd. and Consolidated Subsidiaries for the Years Ended March 31, 2014 and 2013

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2014	2013	2014
Net income before minority interests	**¥ 9,770**	¥ 8,677	**$ 94,928**
Other comprehensive income (Note 12):			
Valuation difference on available-for-sale securities	**1,626**	18,857	**15,798**
Net deferred gains or losses on hedges	**170**	(80)	**1,651**
Total other comprehensive income	**1,797**	18,777	**17,460**
Total comprehensive income for the year	**¥11,568**	¥27,455	**$112,397**
Total comprehensive income attributable to:			
Owners of the parent	**¥10,888**	¥26,431	**$105,790**
Minority interests	**680**	1,023	**6,607**

See Notes to Consolidated Financial Statements.

Consolidated Financial Statements

Consolidated Statements of Changes in Net Assets

The Nanto Bank, Ltd. and Consolidated Subsidiaries for the Years Ended March 31, 2014 and 2013

		Millions of yen									
	Number of shares of common stock (thousands)	Common stock	Capital surplus	Retained earnings	Less treasury stock	Valuation difference on available-for-sale securities	Net deferred gains or losses on hedges	Accumulated adjustments for retirement benefits	Stock acquisition rights	Minority interests	Total net assets
Balance at April 1, 2012	281,756	¥29,249	¥18,829	¥122,907	¥(2,987)	¥19,057	¥(850)	—	¥ 64	¥25,971	¥212,241
Cash dividends	—	—	—	(1,636)	—	—	—	—	—	—	(1,636)
Net income	—	—	—	7,621	—	—	—	—	—	—	7,621
Purchase of treasury stock	—	—	—	—	(2,019)	—	—	—	—	—	(2,019)
Disposition of treasury stock	—	—	(1)	—	7	—	—	—	—	—	6
Retirement of treasury stock	(6,000)	—	(2,519)	—	2,519	—	—	—	—	—	—
Transfer from retained earnings to capital surplus	—	—	2,504	(2,504)	—	—	—	—	—	—	—
Net changes in the items other than stockholders' equity	—	—	—	—	—	18,890	(80)	—	36	(19,313)	(466)
Balance at April 1, 2013	275,756	¥29,249	¥18,813	¥126,387	¥(2,480)	¥37,947	¥(931)	—	¥100	¥ 6,658	¥215,745
Cash dividends	—	—	—	(1,614)	—	—	—	—	—	—	(1,614)
Net income	—	—	—	9,079	—	—	—	—	—	—	9,079
Purchase of treasury stock	—	—	—	—	(717)	—	—	—	—	—	(717)
Disposition of treasury stock	—	—	(2)	—	24	—	—	—	—	—	21
Retirement of treasury stock	(3,000)	—	(1,256)	—	1,256	—	—	—	—	—	—
Transfer from retained earnings to capital surplus	—	—	1,258	(1,258)	—	—	—	—	—	—	—
Net changes in the items other than stockholders' equity	—	—	—	—	—	1,637	170	¥(4,376)	22	678	(1,866)
Balance at March 31, 2014 (Note 3)	**272,756**	**¥29,249**	**¥18,813**	**¥132,594**	**¥(1,918)**	**¥39,585**	**¥(760)**	**¥(4,376)**	**¥123**	**¥ 7,336**	**¥220,648**

	Thousands of U.S. dollars (Note 1)									
	Common stock	Capital surplus	Retained earnings	Less treasury stock	Valuation difference on available-for-sale securities	Net deferred gains or losses on hedges	Accumulated adjustments for retirement benefits	Stock acquisition rights	Minority interests	Total net assets
Balance at April 1, 2013	$284,191	$182,792	$1,228,012	$(24,096)	$368,703	$(9,045)	—	$ 971	$64,691	$2,096,239
Cash dividends	—	—	(15,682)	—	—	—	—	—	—	(15,682)
Net income	—	—	88,214	—	—	—	—	—	—	88,214
Purchase of treasury stock	—	—	—	(6,966)	—	—	—	—	—	(6,966)
Disposition of treasury stock	—	(19)	—	233	—	—	—	—	—	204
Retirement of treasury stock	—	(12,203)	—	12,203	—	—	—	—	—	—
Transfer from retained earnings to capital surplus	—	12,223	(12,223)	—	—	—	—	—	—	—
Net changes in the items other than stockholders' equity	—	—	—	—	15,905	1,651	(42,518)	213	6,587	(18,130)
Balance at March 31, 2014 (Note 3)	**$284,191**	**$182,792**	**$1,288,321**	**$(18,635)**	**$384,619**	**$(7,384)**	**$(42,518)**	**$1,195**	**$71,278**	**$2,143,878**

See Notes to Consolidated Financial Statements.

Consolidated Statements of Cash Flows

The Nanto Bank, Ltd. and Consolidated Subsidiaries for the Years Ended March 31, 2014 and 2013

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2014	2013	2014
Cash flows from operating activities			
Income before income taxes and minority interests	**¥ 19,794**	¥ 11,214	**$ 192,324**
Depreciation	**4,462**	5,859	**43,354**
Loss on impairment of fixed assets	**15**	648	**145**
Increase (decrease) in reserve for possible loan losses	**(2,043)**	(173)	**(19,850)**
Increase (decrease) in reserve for retirement benefits	**(12,669)**	461	**(123,095)**
Increase (decrease) in liability for retirement benefits	**12,264**	—	**119,160**
Increase (decrease) in reserve for reimbursement of deposits	**(14)**	33	**(136)**
Increase (decrease) in reserve for contingent losses	**(328)**	(106)	**(3,186)**
Interest income	**(56,199)**	(58,994)	**(546,045)**
Interest expense	**4,270**	4,654	**41,488**
Loss (gain) on investment securities	**(4,530)**	(2,692)	**(44,014)**
Loss (gain) on money held in trust	**(239)**	(550)	**(2,322)**
Foreign exchange losses (gains)	**(21,808)**	(23,686)	**(211,892)**
Losses (gains) on disposal of fixed assets	**63**	55	**612**
Net decrease (increase) in due from banks	**(1,580)**	21,364	**(15,351)**
Net decrease (increase) in loans and bills discounted	**(73,314)**	(113,173)	**(712,339)**
Net increase (decrease) in deposits	**167,220**	140,727	**1,624,757**
Net increase (decrease) in negotiable certificates of deposit	**(18,936)**	30,722	**(183,987)**
Net decrease (increase) in call loans and bills bought	**(700)**	11,445	**(6,801)**
Net increase (decrease) in borrowed money	**4,287**	17,317	**41,653**
Net decrease (increase) in foreign exchange assets	**1,958**	(2,712)	**19,024**
Net increase (decrease) in foreign exchange liabilities	**56**	(8)	**544**
Net increase (decrease) in payables under securities lending transactions	**3,365**	33,968	**32,695**
Net decrease (increase) in lease receivables and lease investment assets	**(748)**	330	**(7,267)**
Interest received	**65,061**	65,015	**632,151**
Interest paid	**(4,341)**	(5,749)	**(42,178)**
Other	**(3,493)**	3,124	**(33,938)**
Subtotal	**81,870**	139,097	**795,472**
Income taxes paid	**(868)**	(298)	**(8,433)**
Income taxes refund	**29**	268	**281**
Net cash provided by operating activities	**81,031**	139,067	**787,320**
Cash flows from investing activities			
Purchases of securities	**(604,320)**	(812,346)	**(5,871,745)**
Proceeds from sales of securities	**393,198**	677,208	**3,820,423**
Proceeds from maturities of securities	**164,360**	84,888	**1,596,968**
Increase in money held in trust	**(1,022)**	(2)	**(9,930)**
Decrease in money held in trust	**261**	4,552	**2,535**
Purchase of tangible fixed assets	**(3,934)**	(2,380)	**(38,223)**
Proceeds from sales of tangible fixed assets	**91**	28	**884**
Purchase of intangible fixed assets	**(1,788)**	(1,474)	**(17,372)**
Other	**(75)**	(2)	**(728)**
Net cash used in investing activities	**(53,228)**	(49,527)	**(517,178)**
Cash flows from financing activities			
Repayment to minority stockholders	**—**	(20,000)	**—**
Dividends paid	**(1,614)**	(1,637)	**(15,682)**
Dividends paid by subsidiaries to minority stockholders	**(1)**	(337)	**(9)**
Purchase of treasury stock	**(717)**	(2,019)	**(6,966)**
Other	**0**	0	**0**
Net cash used in financing activities	**(2,333)**	(23,993)	**(22,668)**
Effect of exchange rate changes on cash and cash equivalents	**11**	20	**106**
Net increase (decrease) in cash and cash equivalents	**25,481**	65,566	**247,580**
Cash and cash equivalents at beginning of year	**175,173**	109,606	**1,702,030**
Cash and cash equivalents at end of year (Note 13)	**¥200,655**	¥175,173	**$1,949,621**

See Notes to Consolidated Financial Statements.

Notes to Consolidated Financial Statements

The Nanto Bank, Ltd. and Consolidated Subsidiaries
Years ended March 31, 2014 and 2013

1. BASIS OF PRESENTATION

The accompanying consolidated financial statements of The Nanto Bank, Ltd. (the "Bank") and its consolidated subsidiaries (together, the "Group") have been prepared in accordance with the provisions set forth in the Japanese Financial Instruments and Exchange Act and its related accounting regulations and the Ordinance for Enforcement of the Banking Law and in conformity with accounting principles generally accepted in Japan, which are different in certain respects from the application and disclosure requirements of International Financial Reporting Standards.

The accompanying consolidated financial statements have been restructured and translated into English, with some expanded descriptions, from the consolidated financial statements of the Bank prepared in accordance with Japanese GAAP and filed with the appropriate Local Finance Bureau of the Ministry of Finance as required by the Financial Instruments and Exchange Act. Some supplemental information included in the statutory Japanese language consolidated financial statements, but not required for fair presentation, is not presented in the accompanying consolidated financial statements.

As permitted by the Financial Instruments and Exchange Act of Japan, amounts less than one million yen have been omitted. As a result, the totals shown in the financial statements do not necessarily agree with the sum of the individual amounts.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Principles of consolidation

The accompanying consolidated financial statements include the accounts of the Bank and all its eleven (eleven in 2013) subsidiaries at March 31, 2014. The Bank has no affiliates over which it has the ability to exercise significant influence over operating and financial policies.

All consolidated subsidiaries have fiscal years ending on March 31.

All significant intercompany accounts, transactions and unrealized profits on transactions are eliminated.

b. Cash and cash equivalents

In preparing the consolidated statements of cash flows, cash and cash equivalents represents cash and deposits with the Bank of Japan.

c. Finance leases

As lessor:

Finance leases are accounted for in a manner similar to that used for ordinary sale transactions. Revenue from finance lease transactions and related costs are recognized upon receipt of lease payments. Finance leases which transfer ownership of the lease assets to the lessee are recognized as lease receivables, and all finance leases which do not transfer ownership of the lease assets to the lessee are recognized as lease investment assets.

As for finance leases which commenced before April 1, 2008 and do not transfer ownership of the lease assets to the lessee, the appropriate book value (net of accumulated depreciation and amortization) of tangible and intangible fixed assets as of March 31, 2008 was recorded as the beginning balance of "Lease receivables and lease investment assets," and the total amount of interest equivalent for the remaining lease term after the adoption of "the Accounting Standard for Lease Transactions" (Accounting Standards Board of Japan ("ASBJ") Statement No. 13, issued on March 30, 2007) is allocated over the remaining lease term using the straight-line method.

Differences between income before income taxes and minority interests for the fiscal years ended March 31, 2014 and 2013 and income before income taxes and minority interests calculated as if the accounting treatment for the ordinary sale transactions had been applied to the finance leases which do not transfer ownership of the leased assets to the lessee are not material.

d. Securities

Trading securities are stated at fair value. Gains and losses realized on disposal and unrealized gains and losses from market value fluctuations are recognized as gains or losses in the period of the disposal or the change. Cost of sales for such securities is determined using the moving average method. Held-to-maturity debt securities are stated at amortized cost on a straight-line method, cost of which is determined using the moving average method. Available-for-sale securities with available fair values are stated at fair value in principle based on the market price as of the fiscal closing date. Unrealized gains and losses on available-for-sale securities are reported, net of applicable income taxes, as a separate component of accumulated other comprehensive income. Available-for-sale securities for which it is extremely difficult to identify the fair value are stated at moving average cost.

If the fair value of held-to-maturity debt securities or available-for-sale securities declines significantly, such securities are stated at fair value, and the difference between the fair value and the carrying amount is recognized as a loss in the period of the decline. In such a case, the fair value will be the carrying amount of the securities at the beginning of the next fiscal year.

Securities managed as trust assets in the individually managed money held in trust primarily for securities management purposes are measured at fair value.

e. Derivatives and hedge accounting

Derivatives are measured at fair value.

To account for hedging transactions in connection with interest rate risk arising from financial assets and liabilities, the Bank applies the deferred hedge accounting method stipulated in "Treatment for Accounting and Auditing of Application of Accounting Standard for Financial Instruments in the Banking Industry" (JICPA Industry Audit Committee Report No. 24). The Bank assesses the effectiveness of such hedges in offsetting movement in the fair value from changes in interest rates by classifying the hedged items, such as deposits and loans, and the hedging instruments, such as interest rate swaps, by their maturity. Regarding cash flow hedges, the Bank assesses the effectiveness by verifying the correlation of the hedged items with the hedging instruments.

A portion of the deferred hedge losses and gains that were previously accounted for under the "macro hedge method," which had been applied in order to manage interest rate risk arising from large volume transactions in loans, deposits and other interest earning assets and interest bearing liabilities as a whole using derivatives pursuant to "Temporary Treatment for Accounting and Auditing of Application of Accounting Standard for Financial Instruments in Banking Industry" (JICPA Industry Audit Committee Report No. 15) is no longer subject to hedge accounting. The deferred hedge losses and gains are being charged to "Interest income" or "Interest expense" over a 15-year period (maximum) from March 31, 2004 according to their maturity and notional principal amount. The total amount of deferred hedge loss under the "macro hedge method" was ¥3 million ($29 thousand) in 2014 and ¥4 million in 2013.

In order to hedge risk arising from the volatility of exchange rates for securities (excluding bonds) denominated in foreign currencies, the Bank applies fair value hedge accounting on the condition that the hedged securities are designated in advance and that sufficient on balance (actual) or off-balance (forward) liability exposure exists to cover the cost of the hedged securities denominated in the same foreign currency.

f. Tangible fixed assets (except for leased assets)

Depreciation of tangible fixed assets of the Bank is computed by the declining balance method, except for buildings (excluding building attachments which are depreciated by the declining balance method) which are depreciated by the straight-line method. The estimated useful lives of major items are as follows:

Buildings	6 to 50 years
Others	3 to 20 years

Depreciation of the assets of the consolidated subsidiaries is principally provided on the declining balance method over the estimated useful life of the asset.

Changes in accounting policies

<Changes in accounting policies based on justified reasons other than revisions of accounting standards or amendments of respective laws or regulations that are not distinguishable from changes in accounting estimates>

Depreciation of tangible fixed assets (except for leased assets) of the Bank had been previously computed by the declining balance method. Effective from the year ended March 31, 2013, however, the Bank changed the depreciation method for buildings, excluding building attachments, from the declining balance method to the straight-line method.

This change was made because management determined that the straight-line method by which the depreciation charge is allocated equally over the useful life reflects the actual use profit or loss more appropriately than the declining balance method since the buildings are being used for a long-term period. Management studied the depreciation method for buildings considered to increase in materiality after the fiscal year ended March 31, 2013, following the preparation of capital investment plans that include the establishment of new branches, expansion and improvement and the Bank's endeavoring to enhance customer satisfaction and strengthen profitability through the development of community-based operations pursuant to the mid-term management plan "Best Value NANTO", which started from April 2011, and working to establish operational bases centering on business loan transactions by expanding the branch network as a part of the plan.

The effect of this change on the consolidated financial statements has been immaterial.

<Changes in accounting policies with amendments of respective laws or regulations that are not distinguishable from changes in accounting estimates>

From the year ended March 31, 2013, in accordance with the amendment in the Corporate Tax Law, the Bank and its domestic subsidiaries have changed the depreciation method for tangible fixed assets, except for buildings (excluding building attachments) and leased assets. Assets acquired on or after April 1, 2012 are depreciated using the method prescribed in the amended Corporate Tax Law.

The effect of this change on the consolidated financial statements has been immaterial.

g. Intangible fixed assets

Amortization of intangible fixed assets is computed by the straight-line method. Acquisition costs of software to be used internally are capitalized and amortized by the straight-line method primarily over a useful life of five years.

h. Lease assets

Lease assets with respect to finance leases that do not transfer ownership of tangible fixed assets and intangible fixed assets are depreciated or amortized using the straight-line method with the assumption that the term of the lease is the useful life. Residual values of leased assets are the guaranteed values determined in the lease contracts or zero for assets without such guaranteed value.

i. Reserve for possible loan losses

The reserve for possible loan losses is provided according to predetermined standards. For loans to insolvent customers who are undergoing bankruptcy or other special liquidation ("bankrupt borrowers") or who are in a similar financial condition ("effectively bankrupt borrowers"), the reserve for possible loan losses is provided based on the amount of the claims net of the amount expected to be recovered from collateral and guarantees and net of the deducted amount mentioned below. For the unsecured and unguaranteed portions of loans to customers not presently in the above circumstances, but for whom there is a high probability of so becoming ("likely to become bankrupt borrowers"), the reserve for possible loan losses is provided for the estimated unrecoverable amounts determined after an evaluation of the customer's overall financial condition. For other loans, the reserve for possible loan losses is provided for based on the Bank's actual rate of loan losses in the past.

All the claims are assessed by the operating divisions based on the self-assessment criteria on asset quality, and the assessment results are audited by the Asset Audit Division, which is independent from the operating divisions.

For claims against "bankrupt borrowers" and "effectively bankrupt borrowers," the amount exceeding the estimated value of collateral and guarantees is deemed uncollectible and deducted directly from those claims. At March 31, 2014 and 2013, the deducted amounts were ¥10,508 million ($102,098 thousand) and ¥17,082 million, respectively. The reserve for possible loan losses of the consolidated subsidiaries is provided for general claims by the amount deemed necessary based on the historical loan-loss ratio and for certain doubtful claims by the amount deemed uncollectible based on an assessment of each claim.

j. Employee retirement benefits

The projected benefit obligations are attributed to each period by the straight-line method.

Prior service costs are recognized as profit or loss at the time of occurrence.

Actuarial gains and losses are amortized from the fiscal year following the year in which the gains and losses are recognized by the straight-line method over a fixed period (ten years), which is within the average remaining service years of the current employees.

Consolidated subsidiaries applied simplified method where the amount to be required for voluntary termination at the fiscal year-end is recorded as projected benefit obligations in the calculation of their liability for retirement benefits and retirement benefit expenses.

k. Reserve for reimbursement of deposits

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

l. Reserve for contingent losses

Providing for payment of the contribution to the Credit Guarantee Corporation, the Bank provides a reserve for contingent liabilities not covered by other reserves in an amount deemed necessary based on estimated losses in the future.

m. Foreign currency translations

Foreign currency assets and liabilities are translated at fiscal year-end exchange rates.

n. Income taxes

Deferred income taxes are recorded to reflect the tax effects of temporary differences between the carrying amounts of assets and liabilities for tax and financial reporting purposes.

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 of assets and liabilities for financial reporting purposes and the amounts for income tax purposes.

o. Recognition criteria for lease income and costs for finance leases

Lease income and costs are recognized at the time of receiving lease fees.

p. Consumption taxes

Transactions subject to national and local consumption taxes are recorded at amounts exclusive of consumption taxes.

q. Changes in accounting policies

Effective from the year ended March 31, 2014, the Group has applied the "Accounting Standard for Retirement Benefits" (ASBJ Statement No. 26, May 17, 2012, hereinafter, "Retirement Benefits Standard") and "Guidance on Accounting Standard for Retirement Benefits" (ASBJ Guidance No. 25, May 17, 2012, hereinafter, "Retirement Benefits Guidance") except the article 35 of Retirement Benefits Standard and the article 67 of Retirement Benefits Guidance. Due to this application, actuarial gains and losses and past service costs that are yet to be recognized have been recognized and the difference between retirement benefit obligations and plan assets has been recognized as a liability for retirement benefits.

In accordance with the article 37 of Retirement Benefits Standard, actuarial gains and losses and past service costs that are yet to be recognized, after adjusting for tax effects, have been recognized in accumulated adjustments for retirement benefits under accumulated other comprehensive income.

As a result of the application, a liability for retirement benefits in the amount of ¥19,039 million ($184,988 thousand) has been recognized, and accumulated other comprehensive income has decreased by ¥4,376 million ($42,518 thousand) at the end of the current fiscal year.

The effects of this change on net assets per share are described in Note 23, "PER SHARE INFORMATION."

r. Unapplied accounting standards

"Accounting Standard for Retirement Benefits" (ASBJ Statement No. 26, May 17, 2012)

"Guidance on Accounting Standard for Retirement Benefits" (ASBJ Guidance No. 25, May 17, 2012)

(1) Summary

The standards provide guidance for the accounting for actuarial gains and losses and prior service costs that are yet to be recognized, the calculation methods for retirement benefit obligations and service costs, and the enhancement of disclosures thereof, in consideration of the improvements to financial reporting and international trends.

(2) Effective dates

The Group is scheduled to apply the revised calculation methods for retirement benefit obligations and service costs from the beginning of the fiscal year starting on April 1, 2014.

(3) Effect of application of the standard

As a result of this application, the beginning balance of retained earnings for the fiscal year starting on April 1, 2014 will decrease by ¥377 million ($3,663 thousand).

3. CHANGES IN NET ASSETS

(1) Type and numbers of shares issued and treasury stock for the fiscal years ended March 31, 2014 and 2013 were as follows:

(Thousands of shares)

	2014				Remarks
	April 1, 2013	Increase	Decrease	March 31, 2014	
Shares issued					
Common stock	**275,756**	**—**	**3,000**	**272,756**	**Note 1**
Total	**275,756**	**—**	**3,000**	**272,756**	
Treasury stock					
Common stock	**5,909**	**1,729**	**3,057**	**4,581**	**Notes 2 & 3**
Total	**5,909**	**1,729**	**3,057**	**4,581**	

Notes: 1. The decrease in common stock of 3,000 thousand shares issued is due to the retirement of treasury stock.
2. The increase in common stock of treasury stock of 1,729 thousand shares comprises an increase of 1,698 thousand shares due to the purchase of treasury stock based on a resolution of the Board of Directors' meeting and an increase of 31 thousand shares due to the purchase of shares of less than one unit.
3. The decrease in common stock of treasury stock of 3,057 thousand shares comprises a decrease of 3,000 shares due to the retirement of treasury stock, a decrease of 56 thousand shares due to the execution of stock options and a decrease of 0 thousand shares due to sales of shares of less than one unit.

(Thousands of shares)

	2013				Remarks
	April 1, 2012	Increase	Decrease	March 31, 2013	
Shares issued					
Common stock	281,756	—	6,000	275,756	Note 1
Total	281,756	—	6,000	275,756	
Treasury stock					
Common stock	6,072	5,852	6,015	5,909	Notes 2 & 3
Total	6,072	5,852	6,015	5,909	

Notes: 1. The decrease in common stock of 6,000 thousand shares issued is due to the retirement of treasury stock.
2. The increase in common stock of treasury stock of 5,852 thousand shares comprises an increase of 5,837 thousand shares due to the purchase of treasury stock based on a resolution of the Board of Directors' meeting and an increase of 15 thousand shares due to the purchase of shares of less than one unit.
3. The decrease in common stock of treasury stock of 6,015 thousand shares comprises a decrease of 6,000 shares due to the retirement of treasury stock, a decrease of 13 thousand shares due to the execution of stock options and a decrease of 2 thousand shares due to sales of shares of less than one unit.

(2) Matters concerning Stock Acquisition Rights

For the year ended March 31, 2014

Classification	Breakdown		Shares expected to be acquired upon exercise of stock acquisition rights — Number of shares: April 1, 2013	Increase	Decrease	March 31, 2014	Balance at end of current fiscal year (Millions of yen)	(Thousands of U.S. dollars)
The Bank	Stock acquisition rights granted as stock options		—	—	—	—	¥123	$1,195
		Total	—	—	—	—	¥123	$1,195

For the year ended March 31, 2013

Classification	Breakdown		Shares expected to be acquired upon exercise of stock acquisition rights — Number of shares: April 1, 2012	Increase	Decrease	March 31, 2013	Balance at end of current fiscal year (Millions of yen)
The Bank	Stock acquisition rights granted as stock options		—	—	—	—	¥100
		Total	—	—	—	—	¥100

(3) Information on dividends is as follows:

(a) Dividends paid in the fiscal year ended March 31, 2014

		Millions of yen (thousands of U.S. dollars), except per share amount			
Resolution	Type of shares	Aggregate amount of dividends	Cash dividends per share	Record date	Effective date
Annual shareholders' meeting held on June 27, 2013	Common stock	¥809 ($7,860)	¥3.00 ($0.02)	March 31, 2013	June 28, 2013
Board of Directors' meeting held on November 11, 2013	Common stock	¥804 ($7,811)	¥3.00 ($0.02)	September 30, 2013	December 9, 2013

Dividends paid in the fiscal year ended March 31, 2013

		Millions of yen, except per share amount			
Resolution	Type of shares	Aggregate amount of dividends	Cash dividends per share	Record date	Effective date
Annual shareholders' meeting held on June 28, 2012	Common stock	¥827	¥3.00	March 31, 2012	June 29, 2012
Board of Directors' meeting held on November 12, 2012	Common stock	¥809	¥3.00	September 30, 2012	December 7, 2012

(b) Dividends to be paid in the fiscal year ending March 31, 2015

		Millions of yen, except per share amount				
Resolution	Type of shares	Aggregate amount of dividends	Source of dividends	Cash dividends per share	Record date	Effective date
Annual shareholders' meeting held on June 27, 2014	Common stock	¥804 ($7,811)	Retained earnings	¥3.00 ($0.02)	March 31, 2014	June 30, 2014

4. STOCKHOLDERS' EQUITY

Under the Banking Law of Japan and the Company law, the entire amount of the issue price of shares is required to be accounted for as capital, although the Bank may, by resolution of its Board of Directors, account for an amount not exceeding one half of the issue price of the new shares as additional paid-in capital, which is included in capital surplus.

The Banking Law provides that an amount equal to at least 20% of cash dividends and other cash appropriations be appropriated and set aside as legal earnings reserve until the total amount of legal earnings reserve and additional paid-in capital equals 100% of common stock. The total amount of legal earnings reserve and additional paid-in capital of the Bank has reached 100% of common stock. Therefore, the Bank is not required to provide additional legal earnings reserve.

The legal earnings reserve and additional paid-in capital may be used to eliminate or reduce a deficit by resolution of the stockholders' meeting or may be capitalized by resolution of the Board of Directors. On condition that the total amount of legal earnings reserve and additional paid-in capital remains equal to or more than 100% of common stock, they are available for distribution by resolution of the stockholders' meeting. Legal earnings reserve is included in retained earnings in the accompanying financial statements.

The maximum amount that the Bank can distribute as dividends is calculated based on the nonconsolidated financial statements of the Bank in accordance with the Company Law.

5. NONPERFORMING LOANS

Nonperforming loans at March 31, 2014 and 2013 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2014	2013	2014
Loans to bankrupt borrowers	**¥ 1,078**	¥ 1,442	**$ 10,474**
Past due loans	**67,766**	72,555	**658,433**
Past due loans (three months or more)	**304**	712	**2,953**
Restructured loans	**14,242**	14,750	**138,379**
Total	**¥83,391**	¥89,461	**$810,250**

Bills discounted are accounted for as financing transactions in accordance with "Treatment for Accounting and Auditing of Application of Accounting Standard for Financial Instruments in the Banking Industry" (JICPA Industry Audit Committee Report No. 24). This accounting treatment allows the Bank the right to sell or pledge them without restrictions. The total face value of commercial bills and purchased foreign exchange bills obtained as a result of discounting was ¥19,132 million ($185,891 thousand) and ¥21,839 million at March 31, 2014 and 2013, respectively.

6. PLEDGED ASSETS

At March 31, 2014 and 2013, securities of ¥452,101 million ($4,392,741 thousand) and ¥450,658 million, respectively, were pledged as collateral for deposits, and deposits of ¥68,192 million ($662,572 thousand) and ¥64,240 million, respectively, payables under securities lending transactions of ¥141,600 million ($1,375,825 thousand) and ¥138,235 million, respectively, and borrowed money of ¥77,731 million ($755,256 thousand) and ¥74,083 million, respectively.

Securities of ¥74,371 million ($722,609 thousand) and ¥74,532 million were pledged for transaction guarantees at March 31, 2014 and 2013, respectively.

Unexpired lease contract claims of ¥5,610 million ($54,508 thousand) and ¥5,238 million were pledged as collateral for borrowed money of ¥4,350 million ($42,265 thousand) and ¥4,266 million at March 31, 2014 and 2013, respectively.

At March 31, 2014 and 2013, other assets included security deposits of ¥1,308 million ($12,708 thousand) and ¥1,465 million, respectively, and other intangible fixed assets included key money of ¥573 million ($5,567 thousand) and ¥574 million, respectively.

7. LOAN COMMITMENTS

Commitment line contracts on overdrafts and loans are agreements to lend to customers when they apply for borrowing up to a prescribed amount as long as there is no violation of any condition established in the contract. The amounts of unused commitments at March 31, 2014 and 2013 were ¥868,462 million ($8,438,223 thousand) and ¥888,911 million, respectively, and the amount of unused commitments whose original contract terms were within one year or unconditionally cancelable at any time at March 31, 2014 and 2013 were ¥850,512 million ($8,263,816 thousand) and ¥871,842 million, respectively.

Since many of these commitment line contracts are expected to expire without being drawn upon, the total amount of unused commitments does not necessarily affect actual future cash flow.

Many of these commitments line contracts have clauses that allow the Group to reject the application from customers or reduce the contract amounts if economic conditions change. In addition, the Group may request that customers pledge collateral such as premises and securities or take other necessary measures such as scrutinizing customers' financial positions and revising contracts when the need arises to secure claims.

8. TANGIBLE FIXED ASSETS

Accumulated depreciation of tangible fixed assets was ¥46,323 million ($450,087 thousand) and ¥45,476 million at March 31, 2014 and 2013, respectively. Accumulated capital gains directly offset against the acquisition cost of tangible fixed assets to obtain tax benefits were ¥718 million ($6,976 thousand) at March 31, 2014 and 2013.

9. GUARANTEES

The amount guaranteed by the Bank for privately placed bonds (stipulated by Article 2-3 of the Financial Instruments Exchange Act) included in "Bonds" of "Securities," was ¥2,876 million ($27,944 thousand) and ¥3,831 million at March 31, 2014 and 2013, respectively.

10. OTHER INCOME

For the fiscal years ended March 31, 2014 and 2013, other income consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2014	2013	2014
Gains on sales of stocks and other securities	**¥1,831**	¥1,588	**$17,790**
Reversal of reserve for possible loan losses	**294**	—	**2,856**
Recovery of written off claims	**1,611**	1,081	**15,652**
Other	**1,208**	1,767	**11,737**
Total	**¥4,946**	¥4,438	**$48,056**

11. OTHER EXPENSES

(1) For the fiscal years ended March 31, 2014 and 2013, other expenses consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2014	2013	2014
Loss on devaluation of stocks and other securities	**¥ 170**	¥ 1,309	**$ 1,651**
Write-offs of loans	**1,214**	1,956	**11,795**
Loss on sales of stocks and other securities	**53**	1,657	**514**
Provision for possible loan losses	**—**	3,539	**—**
Impairment loss on fixed assets	**15**	648	**145**
Other	**548**	919	**5,324**
Total	**¥2,003**	¥10,030	**$19,461**

(2) (Impairment loss on fixed assets)

The Group reviews its long-lived assets for impairment by grouping its assets based on the unit of a branch, which individually and continuously identifies profit and loss, and based on individual assets unit for idle assets. Headquarters, administration centers, training centers, etc. are treated as common assets since they contribute to the generation of future cash flows from multiple assets or asset groups. Primarily, each consolidated subsidiary is treated as one asset group. The recoverable amount is measured principally at its net realizable value, which is determined by appraisal values based on real estate appraisal standards, less the expected disposal cost.

For the year ended March 31, 2014, the Group recognized impairment loss on the following asset groups:

Area	Purpose of use	Type	Millions of yen	Thousands of U.S. dollars
In Nara Pref.	1 branch	Buildings	**¥ 1**	**$ 9**
Out of Nara Pref.	1 idle asset	Land and buildings	**14**	**136**
Total			**¥15**	**$145**

For the above fixed assets, the carrying amounts were reduced to the recoverable amount due to the continuous decrease in real estate values and changes in use. As a result, the Group recognized impairment loss of ¥15 million ($145 thousand) under “Other expenses.”

For the year ended March 31, 2013, the Group recognized impairment loss on the following asset groups:

Area	Purpose of use	Type	Millions of yen
In Nara Pref.	2 idle assets	Land, etc.	¥452
Out of Nara Pref.	1 idle asset	Land and buildings	27
In Nara Pref.	1 dormitory	Buildings	167
Total			¥648

For the above fixed assets, the carrying amounts were reduced to the recoverable amount due to the continuous decrease in real estate values and changes in use. As a result, the Group recognized impairment loss of ¥648 million under “Other expenses.”

12. OTHER COMPREHENSIVE INCOME

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

	Millions of yen		Thousands of U.S. dollars
	2014	2013	2014
Valuation difference on available-for-sale securities:			
Gains incurred during the year	**¥7,122**	¥30,519	**$69,199**
Reclassification adjustments to net income	**(4,530)**	(2,692)	**(44,014)**
Amount before tax effect	**2,591**	27,826	**25,174**
Tax effect	**(965)**	(8,968)	**(9,376)**
Valuation difference on available-for-sale securities	**1,626**	18,857	**15,798**
Net deferred gains or losses on hedges			
Losses incurred during the year	**(55)**	(579)	**(534)**
Reclassification adjustments to net income	**385**	449	**3,740**
Amount before tax effect	**329**	(129)	**3,196**
Tax effect	**(158)**	49	**(1,535)**
Net deferred gains or losses on hedges	**170**	(80)	**1,651**
Total other comprehensive income	**¥1,797**	¥18,777	**$17,460**

13. STATEMENTS OF CASH FLOWS

The reconciliation between cash and due from banks in the consolidated balance sheets at March 31, 2014 and 2013 and cash and cash equivalents in the consolidated statements of cash flows for the years then ended were as follows:

	Millions of yen		Thousands of U.S. dollars
	2014	2013	2014
Cash and due from banks on the consolidated balance sheets	**¥202,724**	¥175,662	**$1,969,724**
Time deposits due from banks	**(315)**	(315)	**(3,060)**
Other due from banks	**(1,754)**	(173)	**(17,042)**
Cash and cash equivalents on the consolidated statements of cash flows	**¥200,655**	¥175,173	**$1,949,621**

14. LEASE TRANSACTIONS

Operating leases

As lessee:

Future minimum lease payments under operating leases which were not cancelable at March 31, 2014 and 2013 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2014	2013	2014
Due within one year	**¥ 116**	¥ 113	**$ 1,127**
Due after one year	**1,110**	1,143	**10,785**
Total	**¥1,227**	¥1,257	**$11,921**

As lessor:

Future minimum lease payments under operating leases which were not cancelable at March 31, 2014 and 2013 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2014	2013	2014
Due within one year	**¥3**	¥3	**$29**
Due after one year	**1**	5	**9**
Total	**¥5**	¥9	**$48**

15. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

a. Matters relating to the status of financial instruments

(1) Policy on financial instruments

The Group is composed of the Bank and eleven consolidated subsidiaries and provides financial services such as banking, securities, leasing and credit guarantee businesses.

Its major banking business includes (i) the acceptance of deposits, lending services, bills discounting and remittance, and (ii) the guarantee of debt, acceptance of bills and other services related to the banking business. The securities business includes underwriting and dealing in securities, over-the-counter derivative transactions and other related services including security index future transactions in accordance with the Financial Instruments and Exchange Act.

The Bank, in addition to being a money lender and borrower in the interbank market to adjust surplus and deficit of funds, raises funds by loans and bonds with consideration for the financial market conditions and the balance of length.

The Bank conducts asset and liability management (ALM) and manages, identifying various types of risk exposures associated with the banking business, since the Bank holds financial assets and liabilities exposed to the market risk associated with the fluctuation of interest rates. As part of its risk management, the Bank utilizes derivative transactions such as interest rate swaps. The Bank also enters into derivative transactions for trading purposes with certain position limits.

(2) Contents and risk of financial instruments

Financial assets held by the Group are composed mainly of loans to corporate and individual customers which are exposed to credit risk arising from the nonperformance of its customers. In addition, loan balances are significantly concentrated to Nara prefecture, where the head office of the Bank is located. Accordingly, changes in the economic circumstances of the region could have a great impact on the credit risk.

Securities consist principally of Japanese government bonds, Japanese local government bonds, equity securities, foreign securities, investment trusts that are classified as other securities (available-for-sale), private bonds guaranteed by the Bank that are classified as held-to-maturity debt securities and Japanese government bonds classified as trading purpose securities. These securities are exposed to the credit risk of issuers and the market risk of fluctuation in interest rates and market prices. Since financial assets denominated in foreign currencies are exposed to exchange rate risk, currency related derivative transactions are used to balance the amount of each currency to reduce the risk.

In the banking business, financial liabilities consist principally of deposits from retail clients in Japan and are exposed to interest rate risk. In addition, foreign currency deposits are exposed to exchange rate risk. With respect to borrowed money and bonds payable, the Group may be forced to raise funds under unfavorable conditions and, accordingly, become significantly exposed to liquidity risk if the fund raising capacity of the Group significantly declined and led to the inability to repay under circumstances such as the significant deterioration of the financial position of the Group. Furthermore, borrowed money with floating interest rates is exposed to interest rate risk.

Derivative transactions include interest rate swaps for interest rate related transactions, currency swaps, and forward foreign exchange transactions for currency related transactions and bond future transactions for bond related transactions. In addition, certain credit derivatives are embedded in the financial instruments. The Bank utilizes those derivative transactions in order to hedge the position of the customers as well as to capture various risks associated with transactions with customers and control those risks properly. The Bank also uses derivatives for trading purposes with certain position limits.

The Bank applies the deferred hedge accounting method for derivative transactions when used as hedging instruments. Interest rate swaps are used as hedging instruments to avoid interest rate risks of hedged items such as loans with fixed interest rates and deposits with fixed interest rates. Deferred hedge accounting has been applied to derivatives used as hedging instruments.

The Bank assesses the effectiveness of hedges in offsetting movement in the fair value from changes in interest rates by classifying the hedged items such as deposits and loans and the hedging instruments such as interest rate swaps by their maturity. For cash flow hedges, the Bank assesses the effectiveness by verifying the correlation between the hedged items and the hedging instruments. Transactions which do not meet the requirements of hedge accounting and derivative transactions for trading purposes are exposed to interest rate risk, foreign currency risk, price fluctuation risk and credit risk.

(3) Risk management system for financial instruments

Credit risk management

The Group has established a framework for credit control which includes credit review by individual transaction, credit limit, credit information management, internal credit rating, guarantees and collateral and self-assessment in accordance with the Group's "Rules on credit risk management" and "Rules on self-assessment of assets." These credit controls are performed by each branch and the Credit Analysis Division, and the independent Audit Department audits the status of credit risk controls and its results. The status of credit risk controls is periodically evaluated and reported to the Managing Directors' Committee and board meeting.

Credit risks associated with the issuers of securities are managed by Securities & International Division and Compliance & Risk Management Division. With respect to the credit risks associated with the issuer of the securities and counterparty risk associated with derivative transactions, related credit information and fair values of the securities are periodically checked to monitor those risks.

Market risk management

(a) Interest rate risk

From the perspective of ALM, the Group manages market risk such as interest rate risk associated with assets and liabilities, including loans, deposits and securities comprehensively. The Group's "Rules on Market Risk Management" articulates that the Bank makes efforts to manage the market sector effectively, taking risk and reward into account as well as avoiding excessive risk taking by setting appropriate risk limits based on the Group's ability to take risk and identifying market risk properly.

The ALM Committee, the decision making entity for the management of market risks, sets certain semiannual risk limits determined by VaR based upon the Bank's capital adequacy and market conditions. The Bank pursues profit opportunities within the risk limits. The Compliance & Risk Management Division assesses interest rate risk by VaR, reports to the ALM Committee on a monthly basis and properly monitors its operations. Other methodologies such as BPV and the simulation of the interest rate fluctuation are also used so that the Bank can capture and analyze risk from a broader point of view.

(b) Foreign currency risk

With regard to foreign currency risk associated with operations and procurement of financial instruments denominated in foreign currency, the Group manages risk by balancing the amount of funding and amount of operations for each currency. In addition, as for foreign currency exchange transactions for investment purposes, the Compliance & Risk Management Division assesses the foreign currency risk by VaR, reports to the ALM committee on a monthly basis and properly monitors its operations.

(c) Price fluctuation risk

With regard to investments in securities, the Group prepares its asset management plan semiannually and makes investment decisions at the ALM Committee based upon expected returns and correlations between investment items and related market fluctuation risk. The Securities & International Division plays a part in investments for investment purposes, and the General Business Division plays a part in investments for the purpose of business alliances and capital affiliation. Continuous monitoring of market conditions and restrictions on investments in riskier assets such as securitized instruments help to avoid unnecessary price fluctuation risk.

The Compliance & Risk Management Division assesses the price fluctuation risk of equity securities, etc. by VaR, reports monthly to the ALM Committee about compliance with risk limits and properly manages the risk.

(d) Derivative transactions

With respect to derivative transactions for hedging purposes, the Group establishes internal rules defining the authority and hedge policies which are governed by the Compliance & Risk Management Division. With respect to derivative transactions for trading purposes, certain trading limits and loss limit rules are set semiannually by the ALM Committee. The Compliance & Risk Management Division, which serves as the middle office, monitors compliance and calculates the total amount of risk. The Securities & International Division, which serves as the back office, checks each derivative transaction, marked-to-market position, and evaluates the profit and loss from the transactions on a daily basis. Combined with those functions, the related divisions check each other so as not to exceed limits on loss.

The directors of the Bank are reported to from both the middle office and the back office and monitor the risks associated with the Bank's portfolio as a whole, including loans, deposits and securities at the ALM Committee.

(e) Quantitative information relating to market risk

The Group manages the quantity of market risk for financial instruments such as loans, deposits, securities and derivatives by VaR. To calculate VaR, the historical method (confidence level of 99%, observation period of 1,250 business days, holding period of 120 business days [holding period for shares other than purely for investment purposes are 240 business days] and the correlation of risk categories are not considered.) is adopted.

At March 31, 2014, the Group's total market risk (decrease in estimated economic value) was ¥43,999 million ($427,506 thousand) (¥55,850 million in 2013). In addition, the Group conducted back tests to compare actual income with the VaR calculated by the model. According to the back tests conducted in 2013, the measurement model captured the quantity of market risk with sufficient accuracy. However, VaR is a statistical measure of market risk based on past fluctuations in the market and certain probability of occurrence. It may not be possible to capture the risk if the market fluctuates rapidly under extraordinary circumstances.

Management of liquidity risk associated with financing activities

The Securities & International Division manages the Bank's cash position based upon the monthly funding plan designed by the ALM Committee, while the Compliance & Risk Management Division monitors the situation. The ALM Committee manages financing risk comprehensively by understanding the amount of cash for which the Bank can liquidate and also can raise from the market on a regular basis.

In addition the Group categorizes its financing situation into "Regular Phase" "Concern Phase" and "Crisis Phase," and prepares appropriate management structures for each phase so that the Group can take proper action accordingly.

(4) Supplementary explanation on the fair value of financial instruments

The fair values of financial instruments comprise the values determined based on quoted market prices and values calculated on a reasonable basis when no market price is available. Certain assumptions are used for the calculation of such amounts, and, accordingly, the result of such calculations may vary if different assumptions are used.

Consolidated Financial Statements

b. Fair value of financial instruments

The table below summarizes the carrying amounts, fair values and differences of financial instruments as of March 31, 2014 and 2013.

Note that unlisted equity securities for which it is extremely difficult to identify the fair value and immaterial accounts are not included in the table (see Note 2 below).

	Millions of yen		
	2014		
	Carrying amount	Fair value	Difference
Cash and due from banks	¥ 202,724	¥ 202,724	¥ —
Call loans and bills bought	895	895	—
Debt purchased	4,515	4,515	—
Trading account securities:			
Trading securities	213	213	—
Money held in trust	22,000	22,000	—
Securities			
Held-to-maturity debt securities	2,876	2,901	24
Available-for-sale securities	1,902,635	1,902,635	—
Loans and bills discounted	2,972,159		
Reserve for possible loan losses (*1)	(25,782)		
	2,946,376	2,964,305	17,928
Total assets	¥5,082,238	¥5,100,191	¥17,953
Deposits	¥4,585,357	¥4,586,277	¥ 919
Negotiable certificates of deposit	77,531	77,531	—
Payables under securities lending transactions	141,600	141,600	—
Borrowed money	85,388	85,362	(25)
Bonds payable	20,000	20,240	240
Total liabilities	¥4,909,877	¥4,911,012	¥ 1,134
Derivative transactions (*2)			
Hedge accounting not applied	(2,161)	(2,161)	—
Hedge accounting applied	(1,270)	(1,270)	—
Total derivative transactions	¥ (3,432)	¥ (3,432)	¥ —

	Millions of yen		
	2013		
	Carrying amount	Fair value	Difference
Cash and due from banks	¥ 175,662	¥ 175,662	¥ —
Call loans and bills bought	430	430	—
Debt purchased	4,279	4,279	—
Trading account securities:			
Trading securities	322	322	—
Money held in trust	21,000	21,000	—
Securities			
Held-to-maturity debt securities	4,031	4,056	24
Available-for-sale securities	1,833,939	1,833,939	—
Loans and bills discounted	2,898,844		
Reserve for possible loan losses (*1)	(27,896)		
	2,870,948	2,888,782	17,834
Total assets	¥4,910,614	¥4,928,472	¥17,858
Deposits	¥4,418,137	¥4,419,757	¥ 1,620
Negotiable certificates of deposit	96,467	96,467	—
Payables under securities lending transactions	138,235	138,235	—
Borrowed money	81,100	81,099	(1)
Bonds payable	20,000	20,436	436
Total liabilities	¥4,753,940	¥4,755,995	¥ 2,055
Derivative transactions (*2)			
Hedge accounting not applied	(3,900)	(3,900)	—
Hedge accounting applied	(1,609)	(1,609)	—
Total derivative transactions	¥ (5,510)	¥ (5,510)	¥ —

Thousands of U.S. dollars

	2014		
	Carrying amount	Fair value	Difference
Cash and due from banks	$ 1,969,724	$ 1,969,724	$ —
Call loans and bills bought	8,696	8,696	—
Debt purchased	43,869	43,869	—
Trading account securities:			
Trading securities	2,069	2,069	—
Money held in trust	213,758	213,758	—
Securities			
Held-to-maturity debt securities	27,944	28,186	233
Available-for-sale securities	18,486,542	18,486,542	—
Loans and bills discounted	28,878,342		
Reserve for possible loan losses (*1)	(250,505)		
	28,627,827	28,802,030	174,193
Total assets	$49,380,470	$49,554,906	$174,436
Deposits	$44,552,633	$44,561,572	$ 8,929
Negotiable certificates of deposit	753,313	753,313	—
Payables under securities lending transactions	1,375,825	1,375,825	—
Borrowed money	829,654	829,401	(242)
Bonds payable	194,325	196,657	2,331
Total liabilities	$47,705,761	$47,716,789	$ 11,018
Derivative transactions (*2)			
Hedge accounting not applied	(20,996)	(20,996)	—
Hedge accounting applied	(12,339)	(12,339)	—
Total derivative transactions	$ (33,346)	$ (33,346)	$ —

(*1) General reserve for possible loan losses and specific reserve for possible loan losses corresponding to loans are deducted.
(*2) Assets and liabilities arising from derivative transactions are presented on a net basis, and net liabilities are presented in parentheses.

(Note 1) Computation method for fair value of financial instruments

Assets

Cash and due from banks:

With respect to due from banks without maturities, the carrying amount is presented as the fair value as the fair value approximates the carrying amount. With respect to due from banks with maturities, the fair value is calculated for each category of maturity by discounting the cash flow at the interest rate assumed if the same due from banks were newly executed.

Call loans and bills bought:

The carrying amount is presented as the fair value as the residual maturity is less than one year and the fair value approximates the carrying amount.

Debt purchased:

The carrying amount is presented as the fair value as the residual maturity is less than one year and the fair value approximates the carrying amount.

Trading account securities:

The fair value of securities held for trading purposes is determined based on quoted market prices or values calculated on a reasonable basis if no market price is available.

Money held in trust:

The fair value of securities managed as trust assets in individually managed money held in trust primarily for securities management purposes is determined based on the values presented by the trust bank. For additional information on money held in trust categorized by holding purposes, see Note 16, "SECURITIES AND MONEY HELD IN TRUST."

Securities:

The fair value of equity securities is determined using the market price at the exchanges. The fair value of debt securities is determined based on market prices or values calculated on a reasonable basis if no market price is available. The fair value of listed investment trusts is determined using the market price at the exchanges and the fair value of other investment trusts is determined using standard prices published by the Investment Trust Association, Japan or presented from the financial institutions with which they are transacted. The fair value of the private bonds guaranteed by the Bank is calculated by discounting the aggregate value of principle and interest at the interest rate assumed if the same bond were newly issued for each category based on term, redemption method and guarantees. With respect to the private bonds guaranteed by the Bank issued by "bankrupt borrowers," "effectively bankrupt borrowers" and "likely to become bankrupt borrowers," the possible amounts of loan loss are computed based on the present value of estimated future cash flow or the recoverable amounts from collateral and guarantees. Therefore, the fair value approximates the carrying amount, net of reserve for possible loan losses, and such amount is presented as the fair value.

For the previous fiscal year, with regard to floating rate Japanese government bonds held as "securities," the market value is unlikely to indicate the fair value due to the extraordinary limited trading of such bonds. Such bonds have been carried at their reasonably estimated amounts at the previous fiscal year end. As a result, "Japanese Government Bonds" included in "Securities" and "Valuation difference on available-for-sale securities" increased by ¥1,398 million and ¥903 million and "Deferred tax assets" decreased by ¥494 million at March 31, 2013, compared with the result that would have been reported using the market price.

Reasonably estimated amounts of floating-rate Japanese government bonds consist of the net value of discounted cash flow adjusting convexity from the floating-rate Japanese government bonds and the net value of discounted cash flow of zero-floor options calculated by the Black-Sholes option pricing model. The main variables of pricing decision for the above calculations are the Japanese government bond spot rate as the market-yield and the yen swaption volatility as the forward rate volatility. The theoretical prices of parties of each series of floating-rate Japanese government bonds are determined from the quotes of venders and verified for their adequacy by the Bank.

For this fiscal year, the market price of floating-rate Japanese government bonds is presented as the carrying amount as it is appropriate to consider that the market prices of all of them as being equal to their fair values.

For additional information on securities categorized by holding purposes, see Note 16, "SECURITIES AND MONEY HELD IN TRUST."

Loans and bills discounted:
The fair value of loans with floating interest rates is presented using the carrying amount as the fair value approximates the carrying amount, as long as the credit situation of the borrowers does not vary significantly after they execute the loans, since they reflect market interest rates due to their short-term nature. The fair value of loans with fixed rates is computed, by discounting the aggregate value of principal and interest at the interest rate assumed if the same loans were newly executed, for each category of type of loans, internal ratings and maturities. As for the loans whose maturity is less than one year, the carrying amount is presented as the fair value as the fair value approximates the carrying amount.

With respect to receivables from "bankrupt borrowers," "effectively bankrupt borrowers" and "likely to become bankrupt borrowers," the possible amounts of loan losses are computed based on the present value of the estimated future cash flow or the recoverable amounts from collateral and guarantees. Therefore, the fair value approximates the carrying amount, net of reserve for possible loan losses, and such amount is presented as the fair value.

The fair value of loans without a predetermined repayment date due to their lending amounts being limited within the values of the applicable collateral is presented using the carrying amount, as the fair value is deemed to approximate the carrying amounts considering the estimated repayment term and interest rates. The fair value of embedded derivative loans is presented using market prices at financial institutions.

Liabilities

Deposits and negotiable certificates of deposits:
With respect to on-demand deposits, the payment obligation due when demanded at the balance sheet date, which is the carrying amount, is deemed to be the fair value. The fair value of time deposits is computed using the present value by discounting future cash flows for each category of a certain period. The interest rate to be applied when a new deposit is taken is used as the discount rate. For deposits whose residual maturity is less than one year, the carrying amount is presented as the fair value as the fair value approximates the carrying amount.

Payables under securities lending transactions:
The carrying amount is presented as the fair value as the residual maturity is less than one year and the fair value approximates the carrying amount.

Borrowed money:
The fair value of borrowed money with floating interest rates is presented using the carrying amount as the fair value approximates the carrying amount since the interest rate reflects the market interest rate due to the short-term nature and the credit situation of the Group does not vary significantly after executing the borrowing. The fair value of borrowed money with fixed interest rate is computed, by discounting the aggregate value of principal and interest (with respect to borrowed money accounted for by the special treatment of interest rate swaps, the aggregate value of principal and interest using the interest rate swap rate) at the interest rate assumed if the same borrowing were newly executed, for each category of type of maturities. As for the borrowed money whose maturity is less than one year, the carrying amount is presented as the fair value as the fair value approximates the carrying amount.

Bonds payable:
Bonds issued by the Bank are all unsecured and subordinated bonds. The fair value of such bonds is determined using the market price.

Derivative transactions

For derivative transactions, see Note 17, "DERIVATIVE TRANSACTIONS."

(Note 2) The table below summarizes financial instruments whose fair value is extremely difficult to estimate: Note that these instruments are not included in the above table regarding the fair value of financial instruments.

	Carrying amount		
	Millions of yen		Thousands of U.S. dollars
	2014	2013	2014
Unlisted equity securities (*1) (*2)	**¥1,493**	¥2,356	**$14,506**
Investment in partnerships (*3)	**325**	413	**3,157**
Total	**¥1,818**	¥2,770	**$17,664**

(*1) The fair value of unlisted equity securities is not disclosed, since there is no market price and it is extremely difficult to estimate the fair value.
(*2) No impairment loss was recognized for the year ended March 31, 2014. The Bank recognized loss on impairment of ¥0 million on unlisted equity securities for the year ended March 31, 2013.
(*3) The fair value of unlisted equity securities among the investment in partnerships is not disclosed since there is no market price and it is extremely difficult to estimate the fair value.

(Note 3) Redemption schedule of monetary claims and securities with maturities

	Millions of yen					
	2014					
	Due within one year or less	Due after one year through three years	Due after three years through five years	Due after five years through seven years	Due after seven years through ten years	Due after ten years
Due from banks	**¥ 156,777**	**¥ —**	**¥ —**	**¥ —**	**¥ —**	**¥ —**
Call loans and bills bought	**895**	**—**	**—**	**—**	**—**	**—**
Debt purchased	**4,515**	**—**	**—**	**—**	**—**	**—**
Securities	**229,838**	**476,931**	**229,342**	**527,943**	**273,642**	**27,000**
Held-to-maturity debt securities	**370**	**1,161**	**1,048**	**297**	**—**	**—**
Bonds	**370**	**1,161**	**1,048**	**297**	**—**	**—**
Available-for-sale securities with contractual maturities:	**229,468**	**475,770**	**228,293**	**527,646**	**273,642**	**27,000**
Japanese government bonds	**135,300**	**267,500**	**126,000**	**406,700**	**177,000**	**7,000**
Japanese local government bonds	**11,506**	**63,636**	**36,639**	**31,989**	**47,194**	**—**
Corporate bonds	**21,827**	**44,625**	**11,908**	**2,107**	**46,389**	**—**
Other	**60,835**	**100,008**	**53,746**	**86,849**	**3,058**	**20,000**
Loans and bills discounted (*)	**837,608**	**384,621**	**310,636**	**182,811**	**267,101**	**581,525**
Total	**¥1,229,634**	**¥861,552**	**¥539,978**	**¥710,755**	**¥540,744**	**¥608,525**

	Millions of yen					
	2013					
	Due within one year or less	Due after one year through three years	Due after three years through five years	Due after five years through seven years	Due after seven years through ten years	Due after ten years
Due from banks	¥ 133,036	¥ —	¥ —	¥ —	¥ —	¥ —
Call loans and bills bought	430	—	—	—	—	—
Debt purchased	4,279	—	—	—	—	—
Securities:	155,503	425,806	292,186	339,202	428,101	60,000
Held-to-maturity debt securities:	987	1,275	1,489	279	—	—
Bonds	987	1,275	1,489	279	—	—
Available-for-sale securities with contractual maturities:	154,516	424,530	290,697	338,922	428,101	60,000
Japanese government bonds	90,000	153,600	184,000	279,600	282,000	30,000
Japanese local government bonds	8,729	66,627	29,542	43,744	41,348	—
Corporate bonds	11,400	60,393	65,322	7,504	50,753	—
Other	44,386	143,909	11,832	8,073	54,000	30,000
Loans and bills discounted (*)	895,960	371,881	256,541	189,654	239,961	553,014
Total	¥1,189,210	¥797,687	¥548,728	¥528,856	¥668,063	¥613,014

	Thousands of U.S. dollars					
	2014					
	Due within one year or less	Due after one year through three years	Due after three years through five years	Due after five years through seven years	Due after seven years through ten years	Due after ten years
Due from banks	**$ 1,523,289**	**$ —**	**$ —**	**$ —**	**$ —**	**$ —**
Call loans and bills bought	**8,696**	**—**	**—**	**—**	**—**	**—**
Debt purchased	**43,869**	**—**	**—**	**—**	**—**	**—**
Securities:	**2,233,171**	**4,633,997**	**2,228,352**	**5,129,644**	**2,658,783**	**262,339**
Held-to-maturity debt securities:	**3,595**	**11,280**	**10,182**	**2,885**	**—**	**—**
Bonds	**3,595**	**11,280**	**10,182**	**2,885**	**—**	**—**
Available-for-sale securities with contractual maturities:	**2,229,576**	**4,622,716**	**2,218,159**	**5,126,758**	**2,658,783**	**262,339**
Japanese government bonds	**1,314,613**	**2,599,106**	**1,224,251**	**3,951,612**	**1,719,782**	**68,013**
Japanese local government bonds	**111,795**	**618,305**	**355,994**	**310,814**	**458,550**	**—**
Corporate bonds	**212,077**	**433,589**	**115,701**	**20,472**	**450,728**	**—**
Other	**591,090**	**971,706**	**522,211**	**843,849**	**29,712**	**194,325**
Loans and bills discounted (*)	**8,138,437**	**3,737,087**	**3,018,227**	**1,776,243**	**2,595,229**	**5,650,262**
Total	**$11,947,473**	**$8,371,084**	**$5,246,579**	**$6,905,897**	**$5,254,022**	**$5,912,602**

(*) Loans from "bankrupt," "effectively bankrupt" and "likely to become bankrupt" borrowers, which are not expected to be repaid and amounting to ¥78,122 million ($759,055 thousand) and ¥89,660 million at March 31, 2014 and 2013, respectively, are not included.
Loans whose payment term is not determined amounting to ¥339,359 million ($3,297,308 thousand) and ¥318,320 million at March 31, 2014 and 2013, respectively, are not included.

(Note 4) Redemption schedule of bonds payable, borrowed money and interest bearing liabilities

	Millions of yen					
	2014					
	Due within one year or less	Due after one year through three years	Due after three years through five years	Due after five years through seven years	Due after seven years through ten years	Due after ten years
Deposits (*)	**¥3,976,761**	**¥559,751**	**¥48,844**	**¥ —**	**¥—**	**¥—**
Negotiable certificates of deposits	**77,531**	**—**	**—**	**—**	**—**	**—**
Payables under securities lending transactions	**141,600**	**—**	**—**	**—**	**—**	**—**
Borrowed money	**38,056**	**42,311**	**5,020**	**—**	**—**	**—**
Bonds payable	**—**	**—**	**—**	**20,000**	**—**	**—**
Total	**¥4,233,949**	**¥602,063**	**¥53,864**	**¥20,000**	**¥—**	**¥—**

	Millions of yen					
	2013					
	Due within one year or less	Due after one year through three years	Due after three years through five years	Due after five years through seven years	Due after seven years through ten years	Due after ten years
Deposits (*)	¥3,726,752	¥597,142	¥94,241	¥ —	¥—	¥—
Negotiable certificates of deposits	96,467	—	—	—	—	—
Payables under securities lending transactions	138,235	—	—	—	—	—
Borrowed money	76,809	3,316	975	—	—	—
Bonds payable	—	—	—	20,000	—	—
Total	¥4,038,264	¥600,459	¥95,216	¥20,000	¥—	¥—

	Thousands of U.S. dollars					
	2014					
	Due within one year or less	Due after one year through three years	Due after three years through five years	Due after five years through seven years	Due after seven years through ten years	Due after ten years
Deposits (*)	**$38,639,341**	**$5,438,699**	**$474,582**	**$ —**	**$—**	**$—**
Negotiable certificates of deposits	**753,313**	**—**	**—**	**—**	**—**	**—**
Payables under securities lending transactions	**1,375,825**	**—**	**—**	**—**	**—**	**—**
Borrowed money	**369,762**	**411,105**	**48,775**	**—**	**—**	**—**
Bonds payable	**—**	**—**	**—**	**194,325**	**—**	**—**
Total	**$41,138,253**	**$5,849,815**	**$523,357**	**$ 194,325**	**$—**	**$—**

(*) Demand deposits are included in "Due within one year or less."

16. SECURITIES AND MONEY HELD IN TRUST

The securities in this note include "Trading account securities" and beneficial trust interests under "Debt purchased," in addition to "Securities" classified on the consolidated balance sheets.

(1) Information on trading account securities and securities with available fair values at March 31, 2014 and 2013 was as follows:

(a) Trading securities

	Millions of yen		Thousands of U.S. dollars
	2014	2013	2014
Amount of net unrealized gains (losses) included in the statements of income	**¥0**	¥0	**$0**

(b) Held-to-maturity debt securities

	Millions of yen		
	2014		
	Carrying amount	Fair value	Unrealized gains (losses)
Fair value exceeding carrying amount:			
Corporate bonds	**¥2,826**	**¥2,854**	**¥28**
Subtotal	**¥2,826**	**¥2,854**	**¥28**
Fair value not exceeding carrying amount:			
Corporate bonds	**¥ 50**	**¥ 46**	**¥ (3)**
Subtotal	**¥ 50**	**¥ 46**	**¥ (3)**
Total	**¥2,876**	**¥2,901**	**¥24**

	Millions of yen		
	2013		
	Carrying amount	Fair value	Unrealized gains (losses)
Fair value exceeding carrying amount:			
Corporate bonds	¥3,713	¥3,739	¥26
Subtotal	¥3,713	¥3,739	¥26
Fair value not exceeding carrying amount:			
Corporate bonds	¥ 318	¥ 316	¥ (1)
Subtotal	¥ 318	¥ 316	¥ (1)
Total	¥4,031	¥4,056	¥24

	Thousands of U.S. dollars		
	2014		
	Carrying amount	Fair value	Unrealized gains (losses)
Fair value exceeding carrying amount:			
Corporate bonds	**$27,458**	**$27,730**	**$272**
Subtotal	**$27,458**	**$27,730**	**$272**
Fair value not exceeding carrying amount:			
Corporate bonds	**$ 485**	**$ 446**	**$ (29)**
Subtotal	**$ 485**	**$ 446**	**$ (29)**
Total	**$27,944**	**$28,186**	**$233**

(c) Available-for-sale securities

	Millions of yen		
	2014		
	Carrying amount	Acquisition cost	Unrealized gains (losses)
Carrying amount exceeding acquisition cost:			
Stocks	**¥ 73,248**	**¥ 44,972**	**¥28,276**
Bonds	**1,319,769**	**1,292,695**	**27,074**
Japanese government bonds	**1,020,833**	**1,000,563**	**20,270**
Japanese local government bonds	**190,130**	**184,395**	**5,735**
Japanese corporate bonds	**108,805**	**107,736**	**1,069**
Others	**233,194**	**227,587**	**5,606**
Foreign securities included	**214,866**	**211,399**	**3,467**
Subtotal	**¥1,626,212**	**¥1,565,255**	**¥60,957**
Carrying amount not exceeding acquisition cost:			
Stocks	**¥ 8,108**	**¥ 8,545**	**¥ (437)**
Bonds	**156,131**	**156,486**	**(354)**
Japanese government bonds	**129,665**	**129,997**	**(331)**
Japanese local government bonds	**7,077**	**7,090**	**(12)**
Japanese corporate bonds	**19,387**	**19,397**	**(9)**
Others	**113,182**	**116,807**	**(3,624)**
Foreign securities included	**112,099**	**115,718**	**(3,619)**
Subtotal	**¥ 277,422**	**¥ 281,839**	**¥ (4,417)**
Total	**¥1,903,635**	**¥1,847,094**	**¥56,540**

	Millions of yen		
	2013		
	Carrying amount	Acquisition cost	Unrealized gains (losses)
Carrying amount exceeding acquisition cost:			
Stocks	¥ 69,591	¥ 45,610	¥23,980
Bonds	1,379,136	1,347,173	31,962
Japanese government bonds	1,018,770	995,912	22,857
Japanese local government bonds	193,292	185,855	7,436
Japanese corporate bonds	167,073	165,404	1,668
Others	193,584	186,790	6,794
Foreign securities included	180,820	178,086	2,733
Subtotal	¥1,642,312	¥1,579,574	¥62,737
Carrying amount not exceeding acquisition cost:			
Stocks	¥ 9,533	¥ 10,570	¥ (1,037)
Bonds	70,518	70,796	(278)
Japanese government bonds	34,711	34,918	(206)
Japanese local government bonds	5,113	5,118	(5)
Japanese corporate bonds	30,694	30,759	(65)
Others	111,574	119,048	(7,473)
Foreign securities included	111,392	118,854	(7,462)
Subtotal	¥ 191,627	¥ 200,416	¥ (8,789)
Total	¥1,833,939	¥1,779,991	¥53,948

	Thousands of U.S. dollars		
	2014		
	Carrying amount	Acquisition cost	Unrealized gains (losses)
Carrying amount exceeding acquisition cost:			
Stocks	**$ 711,698**	**$ 436,960**	**$274,737**
Bonds	**12,823,251**	**12,560,192**	**263,058**
Japanese government bonds	**9,918,703**	**9,721,754**	**196,949**
Japanese local government bonds	**1,847,357**	**1,791,634**	**55,722**
Japanese corporate bonds	**1,057,180**	**1,046,793**	**10,386**
Others	**2,265,779**	**2,211,300**	**54,469**
Foreign securities included	**2,087,699**	**2,054,012**	**33,686**
Subtotal	**$15,800,738**	**$15,208,462**	**$592,275**
Carrying amount not exceeding acquisition cost:			
Stocks	**$ 78,779**	**$ 83,025**	**$ (4,246)**
Bonds	**1,517,013**	**1,520,462**	**(3,439)**
Japanese government bonds	**1,259,862**	**1,263,087**	**(3,216)**
Japanese local government bonds	**68,762**	**68,888**	**(116)**
Japanese corporate bonds	**188,369**	**188,466**	**(87)**
Others	**1,099,708**	**1,134,930**	**(35,211)**
Foreign securities included	**1,089,185**	**1,124,349**	**(35,163)**
Subtotal	**$ 2,695,511**	**$ 2,738,427**	**$ (42,916)**
Total	**$18,496,259**	**$17,946,890**	**$549,358**

(2) Held-to-maturity debt securities sold for the years ended March 31, 2014 and 2013

Not applicable.

(3) Available-for-sale securities sold for the years ended March 31, 2014 and 2013

	Millions of yen		
	2014		
	Sales amount	Gains on sales	Losses on sales
Stocks	**¥ 6,033**	**¥1,628**	**¥ 53**
Bonds	**327,436**	**3,172**	**338**
Japanese government bonds	**228,859**	**2,691**	**251**
Japanese local government bonds	**15,010**	**244**	**0**
Japanese corporate bonds	**83,567**	**236**	**86**
Others	**50,521**	**667**	**374**
Foreign securities included	**49,884**	**465**	**374**
Total	**¥383,992**	**¥5,468**	**¥766**

	Millions of yen		
	2013		
	Sales amount	Gains on sales	Losses on sales
Stocks	¥ 9,496	¥1,379	¥1,657
Bonds	607,746	6,033	2,785
Japanese government bonds	569,005	5,206	2,784
Japanese local government bonds	28,373	681	0
Japanese corporate bonds	10,367	145	0
Others	49,103	1,137	105
Foreign securities included	47,123	1,012	105
Total	¥666,347	¥8,550	¥4,548

	Thousands of U.S. dollars		
	2014		
	Sales amount	Gains on sales	Losses on sales
Stocks	**$ 58,618**	**$15,818**	**$ 514**
Bonds	**3,181,461**	**30,820**	**3,284**
Japanese government bonds	**2,223,659**	**26,146**	**2,438**
Japanese local government bonds	**145,841**	**2,370**	**0**
Japanese corporate bonds	**811,960**	**2,293**	**835**
Others	**490,876**	**6,480**	**3,633**
Foreign securities included	**484,687**	**4,518**	**3,633**
Total	**$3,730,975**	**$53,128**	**$7,442**

(4) Information on money held in trust at March 31, 2014 and 2013 was as follows:

Money held in trust

	Millions of yen		Thousands of U.S. dollars
	2014	2013	2014
Carrying amount (fair value)	**¥22,000**	¥21,000	**$213,758**
Amount of net unrealized gains (losses) included in the statements of income	**66**	320	**641**

(5) The components of the valuation difference on available-for-sale securities recorded under net assets at March 31, 2014 and 2013 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2014	2013	2014
Valuation difference	**¥ 56,540**	¥ 53,948	**$ 549,358**
Deferred tax liabilities	**(16,905)**	(15,940)	**(164,253)**
Amounts equivalent to difference on available-for-sale securities	**¥ 39,634**	¥ 38,007	**$ 385,095**
Minority interests adjustment	**(49)**	(60)	**(476)**
Valuation difference on available-for-sale securities	**¥ 39,585**	¥ 37,947	**$ 384,619**

(6) Securities reclassified for the years ended March 31, 2014 and 2013

Not applicable.

(7) Impairment loss on securities

In the event that the fair value of securities, except trading securities, with available fair values declines significantly compared with the acquisition cost and the fair value is not expected to recover, such securities are stated at fair value and the difference between the fair value and the acquisition cost is recognized as loss in the period of the decline ("impairment loss"). The fair value is regarded as "significantly declined" when (i) the fair value as of the fiscal year end declines by more than 50% of the acquisition cost or (ii) the fair value as of the end of the fiscal year declines by more than 30% but less than 50% of the acquisition cost, and is not expected to recover within one year. Impairment loss recognized on equity securities was ¥170 million ($1,651 thousand) and ¥1,309 million for the fiscal years ended March 31, 2014 and 2013, respectively.

17. DERIVATIVE TRANSACTIONS

(1) Derivative contracts to which hedge accounting is not applied

With respect to derivatives to which hedge accounting is not applied, the contract amount or notional principal amount defined in the contract, fair value, unrealized gains (losses) and calculation method of fair value by transaction type as of March 31, 2014 and 2013 were as follows:

Note that the contract amount does not represent the market risk exposure of the derivative transactions themselves.

(a) Interest rate related transactions

		Millions of yen			
		2014			
Category	Transaction type	Contract amount	Contract amount due after one year	Fair value	Unrealized gains (losses)
Over-the-counter transactions	Interest rate swaps				
	Receive fixed rate/pay floating rate	**¥454**	**¥454**	**¥ 23**	**¥ 23**
	Receive floating rate/pay fixed rate	**454**	**454**	**(21)**	**(21)**
Total		**¥ —**	**¥ —**	**¥ 2**	**¥ 2**

		Millions of yen			
		2013			
Category	Transaction type	Contract amount	Contract amount due after one year	Fair value	Unrealized gains (losses)
Over-the-counter transactions	Interest rate swaps				
	Receive fixed rate/pay floating rate	¥520	¥520	¥ 32	¥ 32
	Receive floating rate/pay fixed rate	520	520	(29)	(29)
Total		¥ —	¥ —	¥ 3	¥ 3

		Thousands of U.S. dollars			
		2014			
Category	Transaction type	Contract amount	Contract amount due after one year	Fair value	Unrealized gains (losses)
Over-the-counter transactions	Interest rate swaps				
	Receive fixed rate/pay floating rate	**$4,411**	**$4,411**	**$ 223**	**$ 223**
	Receive floating rate/pay fixed rate	**4,411**	**4,411**	**(204)**	**(204)**
Total		**$ —**	**$ —**	**$ 19**	**$ 19**

Notes: 1. The above transactions are measured at fair value, and unrealized gains (losses) are recognized in the consolidated statements of income.
2. The fair values of exchange transactions are based on the closing price at the Tokyo Financial Exchange Inc., etc.
The fair values of over-the-counter transactions are based on the discounted cash flow method, option pricing model, etc.

(b) Currency related transactions

		Millions of yen			
		2014			
Category	Transaction type	Contract amount	Contract amount due after one year	Fair value	Unrealized gains (losses)
Over-the-counter transactions	Currency swaps	**¥301,312**	**¥178,699**	**¥(2,085)**	**¥(2,085)**
	Forward foreign exchange contracts				
	Sold	**3,352**	**—**	**(79)**	**(79)**
	Bought	**1,158**	**—**	**0**	**0**
Total		**¥ —**	**¥ —**	**¥(2,164)**	**¥(2,164)**

		Millions of yen			
		2013			
Category	Transaction type	Contract amount	Contract amount due after one year	Fair value	Unrealized gains (losses)
Over-the-counter transactions	Currency swaps	¥205,974	¥127,544	¥(3,777)	¥(3,777)
	Forward foreign exchange contracts				
	Sold	2,877	—	(132)	(132)
	Bought	2,613	—	5	5
Total		¥ —	¥ —	¥(3,903)	¥(3,903)

		Thousands of U.S. dollars			
		2014			
Category	Transaction type	Contract amount	Contract amount due after one year	Fair value	Unrealized gains (losses)
Over-the-counter transactions	Currency swaps	**$2,927,633**	**$1,736,290**	**$(20,258)**	**$(20,258)**
	Forward foreign exchange contracts				
	Sold	**32,568**	**—**	**(767)**	**(767)**
	Bought	**11,251**	**—**	**0**	**0**
Total		**$ —**	**$ —**	**$(21,026)**	**$(21,026)**

Notes: 1. The above transactions are measured at fair value, and unrealized gains (losses) are recognized in the consolidated statements of income.
2. The fair values are based on the discounted present value, etc.

(c) Stock related transactions
None

(d) Bond related transactions
None

(e) Commodity related transactions
None

(f) Credit derivative transactions
None

(2) Derivative contracts to which hedge accounting is applied
With respect to derivatives to which hedge accounting is applied, the contract amount or notional principal amount defined in the contract, fair value and calculation method of fair value by transaction type and by hedge accounting method as of March 31, 2014 and 2013 were as follows:

Note that the contract amount does not represent the market risk exposure of the derivative transactions themselves.

(a) Interest rate related transactions

			Millions of yen		
			2014		
Hedge accounting method	Transaction type	Major hedged items	Contract amount	Contract amount due after one year	Fair value
Fundamental method	Interest rate swaps:	Interest bearing assets and liabilities such as loans and deposits			
	Receive fixed rate/pay floating rate		**—**	**—**	**—**
	Receive floating rate/pay fixed rate		**¥28,545**	**¥28,230**	**¥(1,270)**
	Interest rate futures		**—**	**—**	**—**
	Interest rate options		**—**	**—**	**—**
	Other		**—**	**—**	**—**
Exceptional accounting method for interest rate swaps	Interest rate swaps	Borrowed money			
	Receive fixed rate/pay floating rate		**—**	**—**	**—**
	Receive floating rate/pay fixed rate		**¥ 265**	**¥ 180**	**Note 3**
Total			**¥ —**	**¥ —**	**¥(1,270)**

			Millions of yen		
			2013		
Hedge accounting method	Transaction type	Major hedged items	Contract amount	Contract amount due after one year	Fair value
Fundamental method	Interest rate swaps:	Interest bearing assets and liabilities such as loans and deposits			
	Receive fixed rate/pay floating rate		—	—	—
	Receive floating rate/pay fixed rate		¥41,457	¥31,212	¥(1,609)
	Interest rate futures		—	—	—
	Interest rate options		—	—	—
	Other		—	—	—
Exceptional accounting method for interest rate swaps	Interest rate swaps	Borrowed money			
	Receive fixed rate/pay floating rate		—	—	—
	Receive floating rate/pay fixed rate		¥ 645	¥ 525	Note 3
Total			¥ —	¥ —	¥(1,609)

Hedge accounting method	Transaction type	Major hedged items	Thousands of U.S. dollars 2014 Contract amount	Contract amount due after one year	Fair value
Fundamental method	Interest rate swaps:	Interest bearing assets and liabilities such as loans and deposits			
	Receive fixed rate/pay floating rate		—	—	—
	Receive floating rate/pay fixed rate		$277,351	$274,290	$(12,339)
	Interest rate futures		—	—	—
	Interest rate options		—	—	—
	Other		—	—	—
Exceptional accounting method for interest rate swaps	Interest rate swaps	Borrowed money			
	Receive fixed rate/pay floating rate		—	—	—
	Receive floating rate/pay fixed rate		$ 2,574	$ 1,748	Note 3
Total			$ —	$ —	$(12,339)

Notes: 1. Gain/loss on the above contacts is deferred until maturity of the hedged items under the fundamental method in accordance with the "Treatment for Accounting and Auditing of Application of Accounting Standard for Financial Instruments in the Banking Industry" (JICPA Industry Audit Committee Report No. 24).
2. The fair values of exchange transactions are based on the closing price at the Tokyo Financial Exchange Inc., etc.
The fair values of over-the-counter transactions are based on the discounted cash flow method, option pricing model, etc.
3. Interest rate swaps accounted for by the exceptional accounting method are accounted for together with the borrowed money as a hedged item, and the fair values are described in the fair values of "Borrowed money" under Liabilities of Note 15, "FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES."

(b) Currency related transactions

None

(c) Stock related transactions

None

(d) Bond related transactions

None

18. RETIREMENT BENEFIT OBLIGATIONS

For the year ended March 31, 2014

(1) Outline of employees' retirement allowance

The Bank has a contributory defined benefit pension plan and a non-contributory unfunded lump-sum retirement allowance plan. The Bank has employer retirement benefit trusts.

Eleven consolidated subsidiaries have non-contributory unfunded lump-sum retirement allowance plans as defined benefit plans, and apply the simplified method in the calculation of their liability for retirement benefits and retirement benefit costs.

(2) Defined benefit plans

(a) Movement in retirement benefit obligations

	Millions of yen 2014	Thousands of U.S. dollars 2014
Balance at April 1, 2013	¥49,656	$482,471
Service cost	1,671	16,235
Interest cost	987	9,589
Actuarial loss (gain)	5,352	52,001
Benefits paid	(2,520)	(24,485)
Balance at March 31, 2014	¥55,146	$535,814

Note: Plans based on the simplified method have been included in the above.

(b) Movements in plan assets

	Millions of yen	Thousands of U.S. dollars
	2014	2014
Balance at April 1, 2013	¥32,901	$319,675
Expected return on plan assets	560	5,441
Actuarial gain (loss)	1,822	17,703
Contributions paid by the employer	2,406	23,377
Benefits paid	(1,583)	(15,380)
Balance at March 31, 2014	¥36,107	$350,825

Note: Plans based on the simplified method have been included in the above.

(c) Reconciliation from retirement benefit obligations and plan assets to liability (asset) for retirement benefits

	Millions of yen	Thousands of U.S. dollars
	2014	2014
Funded retirement benefit obligations	¥ 44,153	$ 429,003
Plan assets	(36,107)	(350,825)
	8,045	78,167
Unfunded retirement benefit obligations	10,993	106,811
Net liability (asset) for retirement benefits at March 31, 2014	¥ 19,039	$ 184,988
Liability for retirement benefits	¥ 19,039	$ 184,988
Asset for retirement benefits	—	—
Net liability (asset) for retirement benefits at March 31, 2014	¥ 19,039	$ 184,988

Note: Plans based on the simplified method have been included in the above.

(d) Retirement benefit costs

	Millions of yen	Thousands of U.S. dollars
	2014	2014
Service cost	¥1,671	$16,235
Interest cost	987	9,589
Expected return on plan assets	(560)	(5,441)
Net actuarial loss amortization	840	8,161
Total retirement benefit costs for the fiscal year ended March 31, 2014	¥2,938	$28,546

Note: Retirement benefit costs of consolidated subsidiaries which have applied the simplified method are included in "Service cost."

(e) Accumulated adjustments for retirement benefits

The components of accumulated adjustments for retirement benefits (before tax effect) were as follows:

	Millions of yen	Thousands of U.S. dollars
	2014	2014
Unrecognized actuarial gain (loss)	¥(6,775)	$(65,827)
Total balance at March 31, 2014	¥(6,775)	$(65,827)

(f) Plan assets

1) Plan assets comprise:

	2014
Bonds	17.5%
Stocks	30.5%
Cash and deposits	1.5%
Life insurance general accounts	27.7%
Other	22.8%
Total	100%

Note: Total plan assets include retirement benefit trusts which were set up for a corporate pension fund plan (18.5% of total plan assets).

2) Long-term expected rate of return

Current and target asset allocations, historical and expected returns on various categories of plan assets have been considered in determining the long-term expected rate of return.

(g) Actuarial assumptions

The principal actuarial assumptions at March 31, 2014 were as follows:

	2014
Discount rate	**1.27%**
Long-term expected rate of return	**2.00%**

For the year ended March 31, 2013

(1) Outline of employees' retirement allowance

The Bank has a contributory defined benefit pension plan and a non-contributory unfunded lump-sum retirement allowance plan. The Bank has employer retirement benefits trusts.

Eleven consolidated subsidiaries have non-contributory unfunded lump-sum retirement allowance plans.

(2) Information about retirement benefit obligations

	Millions of yen
	2013
Retirement benefit obligations	¥(49,656)
Plan assets	32,901
Unfunded retirement benefit obligations	(16,754)
Unrecognized actuarial differences	4,085
	(12,669)
Prepaid pension costs	—
Reserve for employee retirement benefits	¥(12,669)

Note: Consolidated subsidiaries have adopted the simplified method in calculating retirement benefit obligations.

(3) Information relating to retirement benefit costs

	Millions of yen
	2013
Service cost	¥1,684
Interest cost on projected benefit obligations	980
Expected return on plan assets	(477)
Amortization of actuarial differences	1,867
Other	—
Total	¥4,054

Note: Retirement benefit costs of consolidated subsidiaries which have adopted the simplified method are included in "Service cost."

(4) Principal assumptions used in determining retirement benefit obligations and pension costs

(a) Discount rate: 2.0%

(b) Expected rate of return on plan assets: 2.0%

(c) Inter-period allocation method for estimated retirement benefits: straight-line method over the period

(d) Amortization of past service costs: Full amounts are charged to income when incurred.

(e) Amortization of actuarial differences: 10 years (Actuarial differences are charged to income from the following year in the amount allocated by the straight-line method over a definite period within the employees' average number of service years when incurred.)

19. STOCK OPTIONS

(a) Items and amounts expensed related to stock options were as follows:

	Millions of yen		Thousands of U.S. dollars
	2014	2013	2014
General and administrative expenses	**¥43**	¥41	**$417**

(b) Stock options outstanding at March 31, 2014 were as follows:

a. Outline of stock options

Beneficiaries qualifying for stock option rights are entitled to acquire common stock upon the exercise of their rights. The following table summarizes the number of shares upon exercise of the stock option rights granted by the Bank outstanding at March 31, 2014:

Stock options	Persons granted	Number of options granted	Date of grant	Exercise price	Exercise period	Vesting conditions	Target of service period
2010 Stock Options	15 directors of the Bank	Common stock 94,400 shares	July 29, 2010	¥1 ($0.01)	From July 30, 2010 to July 29, 2040	Not defined	Not defined
2011 Stock Options	14 directors of the Bank	Common stock 109,400 shares	July 29, 2011	¥1 ($0.01)	From July 30, 2011 to July 29, 2041	Not defined	Not defined
2012 Stock Options	15 directors of the Bank	Common stock 136,200 shares	July 27, 2012	¥1 ($0.01)	From July 28, 2012 to July 27, 2042	Not defined	Not defined
2013 Stock Options	15 directors of the Bank	Common stock 119,500 shares	July 26, 2013	¥1 ($0.01)	From July 27, 2013 to July 26, 2043	Not defined	Not defined

b. Stock option activity:

1) Number of stock options

	Number of shares			
	2010 Stock Options	2011 Stock Options	2012 Stock Options	2013 Stock Options
Non-vested				
March 31, 2013 – Outstanding	—	—	34,050	—
Granted	—	—	—	119,500
Forfeited	—	—	—	—
Vested	—	—	34,050	89,625
March 31, 2014 – Outstanding	—	—	—	29,875
Vested				
March 31, 2013 – Outstanding	69,000	102,000	102,150	—
Vested	—	—	34,050	89,625
Exercised	14,900	18,900	22,500	—
Forfeited	—	—	—	—
March 31, 2014 – Outstanding	54,100	83,100	113,700	89,625

2) Price information

	Yen				U.S. dollars			
	2010 Stock Options	2011 Stock Options	2012 Stock Options	2013 Stock Options	2010 Stock Options	2011 Stock Options	2012 Stock Options	2012 Stock Options
Exercise price	¥ 1	¥ 1	¥ 1	¥ 1	$0.00	$0.00	$0.00	$0.00
Average stock price at exercise date	405	405	405	—	3.93	3.93	3.93	—
Fair value price at grant date	441	386	303	372	4.28	3.75	2.94	3.61

(c) Assumptions used to measure the fair value of stock options

The assumptions used to measure the fair value of the stock options granted in the year ended March 31, 2014 were as follows:

1) The Black-Scholes option pricing model was used as a measurement method.

2) Assumptions used for the Black-Scholes option pricing model:

1. Volatility of stock price: 28.02%, calculated using the market price of the Bank's stock from October 2010 to July 2013.
2. Estimated remaining outstanding period: 2.8 years, which was the average remaining tenure of the Board of Directors at the date of issue, determined by the average time from appointment to retirement and time from appointment to the date of issue.
3. Estimated dividend: ¥6 per share, which was calculated based on the actual amount of dividends for the fiscal year ended March 31, 2013.
4. Risk-free interest rate: 0.14%, determined using the yield of national bonds equivalent to the estimated remaining outstanding period.

(d) Estimation method for the total number of vested stock option rights

The total number of stock option rights issued is deemed to reflect the actual number of stock option rights expired due to difficulties in estimating reasonably the number of stock option rights that will expire in the future.

20. INCOME TAXES

The Group is subject to a number of taxes based on the income such as corporation tax, inhabitant tax and enterprise tax, which, in the aggregate, indicate a statutory tax rate in Japan of approximately 38.2 % for the years ended March 31, 2014 and 2013.

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

	Millions of yen		Thousands of U.S. dollars
	2014	2013	2014
Deferred tax assets:			
Excess bad debt expense	**¥ 9,813**	¥ 13,344	**$ 95,345**
Retirement benefits	**—**	7,031	**—**
Liability for retirement benefits	**9,087**	—	**88,291**
Depreciation	**916**	954	**8,900**
Write-down of land	**4,107**	4,107	**39,904**
Loss on impairment of fixed assets	**1,772**	1,832	**17,217**
Valuation loss on securities	**4,689**	4,914	**45,559**
Tax loss carryforwards	**2,636**	5,016	**25,612**
Net deferred loss on hedging instruments	**416**	575	**4,041**
Other	**2,513**	2,952	**24,417**
Subtotal deferred tax assets:	**35,953**	40,728	**349,329**
Valuation allowance	**(13,706)**	(11,716)	**(133,171)**
Total deferred tax assets	**22,246**	29,011	**216,148**
Deferred tax liabilities:			
Valuation difference on available-for-sale securities	**(16,905)**	(15,940)	**(164,253)**
Other	**(46)**	(52)	**(446)**
Total deferred tax liabilities	**(16,952)**	(15,993)	**(164,710)**
Net deferred tax assets	**¥ 5,294**	¥ 13,018	**$ 51,438**

The following table summarizes the significant differences between the statutory tax rate and the effective tax rate for financial statement purposes for the years ended March 31, 2014 and 2013:

	2014	2013
Statutory tax rate	**38.2%**	38.2%
Valuation allowance	**10.8%**	(17.5)%
Expense not qualifying for deduction	**0.3%**	0.6%
Non-taxable dividend income	**(2.0)%**	(2.6)%
Tax rate difference for Special Purpose Company	**—**	(0.7)%
Adjustment of deferred tax assets for enacted changes in tax laws and rates	**2.6%**	—
Difference between current tax rate and future tax rate to be applied for elimination of temporary differences	**—**	3.4%
Other	**0.7%**	1.2%
Effective tax rate	**50.6%**	22.6%

The "Act for Partial Amendment of the Income Tax Act, etc." (Act No. 10 of 2014) was promulgated on March 31, 2014 and, as a result, the Group is no longer subject to the Special Reconstruction Corporation Tax effective for years beginning on or after April 1, 2014. As a result, the effective statutory tax rate used to measure the Group's deferred tax assets and liabilities was changed from 38.2% to 35.4% for the temporary differences expected to be realized or settled for the year beginning April 1, 2014. The effect of the change in the effective statutory tax rate as of and for the year ended March 31, 2014 was to decrease deferred tax assets by ¥556 million ($5,402 thousand) and increase net deferred gains or losses on hedges and income taxes–deferred by ¥32 million ($310 thousand) and ¥524 million ($5,091 thousand), respectively, from the amounts that would have been reported without the change.

21. SEGMENT AND RELATED INFORMATION

(1) Overview of the Reportable Segments

The Bank's reportable segments are determined on the basis that separate financial information for such segments is available and examined periodically by the Board of Directors to make decisions regarding the allocation of management resources and assess the business performances of such segments within the Group. The Group's main operations are banking services. The Bank also provides securities services and operates credit guarantee business and leasing and credit card businesses. The Group has divided its business operations into the two reportable segments of "Banking and Securities" and "Leasing." Banking and Securities includes banking and the securities business, and Leasing includes leasing.

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

The accounting method used for reportable business segments is presented in accordance with "SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES." The reportable segment profit figures are based on operating profit. Income arising from intersegment transactions is based on arm's length prices.

(3) Information about reported segment profit (loss), segment assets, segment liabilities and other material items

Segment information for the years ended March 31, 2014 and 2013 is summarized as follows:

	Millions of yen						
	2014						
	Reportable segments						
	Banking and Securities	Leasing	Total	Other	Total	Adjustment	Consolidated
Ordinary income:							
Outside customers	¥ 74,242	¥ 6,129	¥ 80,372	¥ 1,893	¥ 82,265	¥ 451	¥ 82,716
Intersegment income	376	1,028	1,405	2,443	3,848	(3,848)	—
Total	74,619	7,158	81,777	4,336	86,113	(3,397)	82,716
Segment profit	18,223	163	18,386	1,500	19,887	(13)	19,873
Segment assets	5,174,955	24,095	5,199,050	17,124	5,216,175	(28,983)	5,187,191
Segment liabilities	4,960,225	21,243	4,981,469	9,001	4,990,470	(23,928)	4,966,542
Other item							
Depreciation	3,989	293	4,282	74	4,357	104	4,462
Interest income	56,264	1	56,266	62	56,328	(129)	56,199
Interest expense	4,264	191	4,455	13	4,469	(199)	4,270
Extraordinary gain	0	—	0	—	0	—	0
Extraordinary loss	79	0	79	—	79	—	79
Tax expense	9,316	60	9,377	646	10,024	(0)	10,023
Increase in tangible and intangible fixed assets	5,451	290	5,742	203	5,945	(221)	5,723

Notes: 1. Ordinary income ("Total income" less extraordinary gain) is presented in place of net sales of operating companies of other industry groups.
2. "Other" includes business segments which are not included in the reportable segments and comprises credit guarantees, real estate leasing and management, software development and credit cards.
3. Adjustments are as below:
(1) Adjustment of ordinary income for outside customers of ¥451 million is mainly the recovery of written off claims included in "other."
(2) Adjustment of segment profit of negative ¥13 million is the elimination of intersegment transactions.
(3) Adjustment of segment assets of negative ¥28,983 million is the elimination of intersegment transactions.
(4) Adjustment of segment liabilities of negative ¥23,928 million is the elimination of intersegment transactions and the adjustment of liability for retirement benefits.
(5) Adjustment of depreciation of ¥104 million is the elimination of intersegment transactions.
(6) Adjustment of interest income of negative ¥129 million is the elimination of intersegment transactions.
(7) Adjustment of interest expense of negative ¥199 million is the elimination of intersegment transactions.
(8) Adjustment of tax expense of negative ¥0 million is the elimination of intersegment transactions.
(9) Adjustment of increase in tangible and intangible fixed assets of negative ¥221 million is the elimination of intersegment transactions.
4. Segment profit is reconciled to income before income taxes and minority interests in the consolidated statements of income.

	Millions of yen						
	2013						
	Reportable segments						
	Banking and Securities	Leasing	Total	Other	Total	Adjustment	Consolidated
Ordinary income:							
Outside customers	¥ 79,685	¥ 6,754	¥ 86,440	¥ 2,101	¥ 88,541	¥ 334	¥ 88,875
Intersegment income	457	1,166	1,623	2,858	4,482	(4,482)	—
Total	80,143	7,920	88,063	4,959	93,023	(4,147)	88,875
Segment profit	9,899	250	10,150	1,629	11,779	141	11,921
Segment assets	5,015,857	22,102	5,037,960	16,075	5,054,035	(28,997)	5,025,037
Segment liabilities	4,809,469	19,348	4,828,817	8,802	4,837,620	(28,328)	4,809,291
Other item							
Depreciation	5,241	313	5,555	76	5,631	228	5,859
Interest income	59,058	1	59,059	303	59,363	(369)	58,994
Interest expense	4,852	214	5,067	17	5,084	(429)	4,654
Extraordinary gain	—	—	—	—	—	—	—
Extraordinary loss	493	0	494	212	706	—	706
Tax expense	1,858	105	1,964	500	2,464	71	2,536
Increase in tangible and intangible fixed assets	3,750	422	4,173	60	4,233	(378)	3,854

Notes: 1. Ordinary income ("Total income" less extraordinary gain) is presented in place of net sales of operating companies of other industry groups.
2. "Other" includes business segments which are not included in the reportable segments and comprises credit guarantees, real estate leasing and management, software development and credit cards.
3. Adjustments are as below:
(1) Adjustment of ordinary income for outside customers of ¥334 million is mainly the recovery of written off claims included in "other."
(2) Adjustment of segment profit of ¥141 million is the elimination of intersegment transactions.
(3) Adjustment of segment assets of negative ¥28,997 million is the elimination of intersegment transactions.
(4) Adjustment of segment liabilities of negative ¥28,328 million is the elimination of intersegment transactions.
(5) Adjustment of depreciation of ¥228 million is the elimination of intersegment transactions.
(6) Adjustment of interest income of negative ¥369 million is the elimination of intersegment transactions.
(7) Adjustment of interest expense of negative ¥429 million is the elimination of intersegment transactions.
(8) Adjustment of tax expense of ¥71 million is the elimination of intersegment transactions.
(9) Adjustment of increase in tangible and intangible fixed assets of negative ¥378 million is the elimination of intersegment transactions.
4. Segment profit is reconciled to income before income taxes and minority interests in the consolidated statements of income.

	Thousands of U.S. dollars						
	2014						
	Reportable segments						
	Banking and Securities	Leasing	Total	Other	Total	Adjustment	Consolidated
Ordinary income:							
Outside customers	$ 721,356	$ 59,551	$ 780,917	$ 18,392	$ 799,310	$ 4,382	$ 803,692
Intersegment income	3,653	9,988	13,651	23,736	37,388	(37,388)	—
Total	725,019	69,549	794,568	42,129	836,698	(33,006)	803,692
Segment profit	177,059	1,583	178,643	14,574	193,227	(126)	193,091
Segment assets	50,281,335	234,113	50,515,448	166,381	50,681,840	(281,607)	50,400,223
Segment liabilities	48,194,957	206,403	48,401,369	87,456	48,488,826	(232,491)	48,256,335
Other item							
Depreciation	38,758	2,846	41,605	719	42,333	1,010	43,354
Interest income	546,677	9	546,696	602	547,298	(1,253)	546,045
Interest expense	41,430	1,855	43,286	126	43,422	(1,933)	41,488
Extraordinary gain	0	—	0	—	0	—	0
Extraordinary loss	767	0	767	—	767	—	767
Tax expense	90,516	582	91,109	6,276	97,396	(0)	97,386
Increase in tangible and intangible fixed assets	52,963	2,817	55,790	1,972	57,763	(2,147)	55,606

Notes: 1. Ordinary income (“Total income” less extraordinary gain) is presented in place of net sales of operating companies of other industry groups.
2. “Other” includes business segments which are not included in the reportable segments and comprises credit guarantees, real estate leasing and management, software development and credit cards.
3. Adjustments are as below:
(1) Adjustment of ordinary income for outside customers of $4,382 thousand is mainly the recovery of written off claims included in “other.”
(2) Adjustment of segment profit of negative $126 thousand is the elimination of intersegment transactions.
(3) Adjustment of segment assets of negative $281,607 thousand is the elimination of intersegment transactions.
(4) Adjustment of segment liabilities of negative $232,491 thousand is the elimination of intersegment transactions and the adjustment of liability for retirement benefits.
(5) Adjustment of depreciation of $1,010 thousand is the elimination of intersegment transactions.
(6) Adjustment of interest income of negative $1,253 thousand is the elimination of intersegment transactions.
(7) Adjustment of interest expense of negative $1,933 thousand is the elimination of intersegment transactions.
(8) Adjustment of tax expense of negative $0 thousand is the elimination of intersegment transactions.
(9) Adjustment of increase in tangible and intangible fixed assets of negative $2,147 thousand is the elimination of intersegment transactions.
4. Segment profit is reconciled to income before income taxes and minority interests in the consolidated statements of income.

(4) Information about services

	Millions of yen				
	2014				
	Banking	Securities and investments	Leasing	Others	Total
Ordinary income from outside customers	¥38,506	¥22,873	¥6,129	¥15,206	¥82,716

	Millions of yen				
	2013				
	Banking	Securities and investments	Leasing	Others	Total
Ordinary income from outside customers	¥41,116	¥26,423	¥6,754	¥14,582	¥88,875

	Thousands of U.S. dollars				
	2014				
	Banking	Securities and investments	Leasing	Others	Total
Ordinary income from outside customers	$374,135	$222,240	$59,551	$147,745	$803,692

Note: Ordinary income (“Total income” less extraordinary gain) is presented in place of net sales of operating companies of other industry groups.

(5) Information about geographic areas

a. Ordinary income

The ratio of ordinary income from outside customers within Japan to the total ordinary income in the consolidated statements of income exceeded 90% for both fiscal years ended March 31, 2014 and 2013; therefore, no information about geographic areas is required to be disclosed.

b. Tangible fixed assets

The ratio of tangible fixed assets located in Japan to the total tangible fixed assets in the consolidated balance sheets exceeded 90% for both fiscal years ended March 31, 2014 and 2013; therefore, no information about geographic areas is required to be disclosed.

(6) Information about major customers

Ordinary income from a specific customer exceeding 10% of the total consolidated ordinary income did not exist for either fiscal year ended March 31, 2014 or 2013. Therefore, information about major customers is not required to be disclosed.

(7) Information on impairment of fixed assets for each reportable segment

	Millions of yen				
	2014				
	Reportable segments				
	Banking and Securities	Leasing	Total	Others	Total
Impairment	**¥15**	**—**	**¥15**	**—**	**¥15**

	Millions of yen				
	2013				
	Reportable segments				
	Banking and Securities	Leasing	Total	Others (Note)	Total
Impairment	¥480	—	¥480	¥167	¥648

	Thousands of U.S. dollars				
	2014				
	Reportable segments				
	Banking and Securities	Leasing	Total	Others	Total
Impairment	**$145**	**—**	**$145**	**—**	**$145**

Note: "Others" represents the amounts related to the real estate leasing and management business.

(8) Information on amortization of goodwill and its remaining balance for each reportable segment

There is no information to be reported on amortization of goodwill and its remaining balance.

(9) Information on gain on negative goodwill for each reportable segment

There is no information to be reported on gain on negative goodwill.

22. RELATED PARTY TRANSACTIONS

For the year ended March 31, 2014, related party transactions were as follows:

Relationship with the Bank	Name	Location	Paid-in capital (millions of yen)	Business line	Voting rights ownership (%)	Relationship of related parties	Details of transactions	Transaction amount (millions of yen)	Transaction amount (thousands of U.S. dollars)	Accounting title	Year-end balance (millions of yen)	Year-end balance (thousands of U.S. dollars)
Relatives of a director of the Bank	Tetsuya Matsubara	—	—	Public officer	—	Son-in-law of Hiroki Matsuoka (Executive Director) Loans	Lending of money*2 Interest receivable	— 0	— 0	Loans —	29 —	281 —
	Shigeichi Kawai	—	—	Forestry	—	Father of Shigeyori Kawai (Director) Loans	Lending of money *2 Interest receivable	— 3	— 29	Loans*3 —	244 —	2,370 —
A company in which majority voting rights are held by relatives of a director of the Bank	Nikken Blast Kogyo Co., Ltd. *4	Daito City Osaka	10	Metal processing	—	Loans	Lending of money Interest receivable	80 1	777 9	Loans —	112 —	1,088 —

Policies regarding and terms and conditions of the transactions

Notes: 1. Terms and conditions of loans are determined on an arm's length basis.
2. Real estate is accepted as collateral for loan transactions.
3. The Bank provided reserve for possible loan losses amounting to ¥86 million ($835 thousand).
4. Relatives of Naoki Minowa (Director of the Bank) have 62.5% of voting rights of this company directly.
5. Yasuo Horiuchi retired from the position of Corporate Auditor of the Bank on June 27, 2013. The Bank has loans to his second son, Takashi Horiuchi, in the amount of ¥17 million ($165 thousand) as of that day.

For the year ended March 31, 2013, related party transactions were as follows:

Relationship with the Bank	Name	Location	Paid-in capital (millions of yen)	Business line	Voting rights ownership (%)	Relationship of related parties	Details of transactions	Transaction amount (millions of yen)	Accounting title	Year-end balance (millions of yen)
Relatives of a director of the Bank	Tetsuya Matsubara	—	—	Public officer	—	Son-in-law of Hiroki Matsuoka (Executive Director) Loans	Lending of money*2 Interest receivable	30 0	Loans —	29 —
	Takashi Horiuchi	—	—	Office worker	—	Second son of Yasuo Horiuchi (Corporate Auditor) Loans	Lending of money *2 Interest receivable	— 0	Loans*3 —	17 —
A company in which majority voting rights are held by relatives of a director of the Bank	Nikken Blast Kogyo Co., Ltd. *3	Daito City Osaka	10	Metal processing	—	Loans	Lending of money Interest receivable	50 1	Loans —	109 —

Policies regarding and terms and conditions of the transactions

Notes: 1. Terms and conditions of loans are determined on an arm's length basis.
2. Real estate is accepted as collateral for loan transactions.
3. Relatives of Naoki Minowa (Director of the Bank) have 50.6% of voting rights of this company directly.

23. PER SHARE INFORMATION

Net assets per share at March 31, 2014 and 2013 and net income per share for the years then ended were as follows:

	Yen		U.S. dollars
	2014	2013	2014
Net assets per share	¥794.95	¥774.46	$7.72
Net income per share - basic	33.78	28.01	0.32
Diluted net income per share	33.74	27.99	0.32

Basic information in computing the above per share data was as follows:

	Millions of yen		Thousands of U.S. dollars
	2014	2013	2014
(Net assets per share)			
Net assets	¥220,648	¥215,745	$2,143,878
Amounts to be deducted from net assets:	7,460	6,758	72,483
Stock acquisition rights	(123)	(100)	(1,195)
Minority interests	(7,336)	(6,658)	(71,278)
Net assets attributed to common stock	213,188	208,987	2,071,395
Outstanding number of shares of common stock at end of year (unit: thousand shares)	268,175	269,847	—
(Net income per share and diluted net income per share)			
Net income	¥ 9,079	¥ 7,621	$ 88,214
Net income attributed to common stock	9,079	7,621	88,214
Average outstanding number of shares during the year (unit: thousands of shares)	268,779	271,994	—
Adjustment to net income	—	—	—
Increase in number of shares of common stock	325	248	—
Stock acquisition rights	(325)	(248)	—
Convertible securities not diluting net income per share	—	—	—

As described in Note 2 (q), "SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Changes in accounting policies," effective from the year ended March 31, 2014, the Group has applied Retirement Benefits Standard and Retirement Benefits Guidance except the article 35 of Retirement Benefits Standard and the article 67 of Retirement Benefits Guidance, in accordance with the article 37 of Retirement Benefits Standard.

As a result, net assets per share have decreased by ¥16.32 ($0.15) at March 31, 2014.

24. SUBSEQUENT EVENTS

Not applicable.

25. BORROWED MONEY, BONDS PAYABLE AND LEASE OBLIGATIONS

a. The details of borrowed money as of March 31, 2014 and 2013 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2014	2013	2014
Borrowed money Due from April 2014 through October 2018 Average interest rate: 0.17% p.a.	**¥85,388**	¥81,100	**$829,654**

Annual maturities of borrowed money as of March 31, 2014 were as follows:

	Millions of yen	Thousands of U.S. dollars
2015	**¥38,056**	**$369,762**
2016	**1,591**	**15,458**
2017	**40,720**	**395,647**
2018	**1,865**	**18,120**
2019	**3,155**	**30,654**
Total	**¥85,388**	**$829,654**

b. The details of bonds payable as of March 31, 2014 and 2013 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2014	2013	2014
Issuer: The Bank Name of issue: The Nanto Bank, Ltd. 2nd unsecured callable bonds (subordinated) Issued on: March 4, 2010 Due on: March 4, 2020 Interest rate: 1.72% from March 5, 2010 through March 4, 2015 6 m/s Euro Yen Libor+2.45% p.a. after March 4, 2015	**¥20,000**	¥20,000	**$194,325**

No repayment is scheduled within 5 years after March 31, 2014.

c. Lease obligations

Lease obligations are included in “Other liabilities” in the accompanying consolidated balance sheets.

Annual maturities of lease obligation as of March 31, 2014 were as follows:

	Millions of yen	Thousands of U.S. dollars
2015	**¥0**	**$0**
2016	**0**	**0**
Total	**¥1**	**$9**

Average interest rates are omitted since the interest equivalent amount included in total lease charges is allocated over the related period using the straight-line method.

d. Other

The Group has not issued commercial paper by way of promissory notes for funding for operating activities.

Independent Auditors' Report

KPMG

Independent Auditor's Report

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

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

Management's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

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

Convenience Translation

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

KPMG AZSA LLC

September 19, 2014
Osaka, Japan

Capital Management

Consolidated Capital Adequacy Ratio

As of March 31, 2014

Millions of yen

	2014
(1) Capital adequacy ratio ((2)/(3))	10.51%
(2) Capital	¥ 216,468
(3) Risk-weighted assets	2,059,263
(4) Requisite capital	82,370

Note: The capital adequacy ratio was calculated on the basis of the formula provided by the Ministry of Finance under Provision 14, Clause 2 of the Banking Law.

Nonconsolidated Capital Adequacy Ratio

As of March 31, 2014

Millions of yen

	2014
(1) Capital adequacy ratio ((2)/(3))	10.03%
(2) Capital	¥ 204,782
(3) Risk-weighted assets	2,039,819
(4) Requisite capital	81,592

Note: The capital adequacy ratio was calculated on the basis of the formula provided by the Ministry of Finance under Provision 14, Clause 2 of the Banking Law.

Organization, Group Network

(As of July 1, 2014)

ORGANIZATION

- STOCKHOLDERS' MEETING
- BOARD OF DIRECTORS
  - MANAGING DIRECTORS' COMMITTEE
    - Chairman
    - President
    - Deputy President
      - Senior Managing Directors
      - Managing Directors
      - Directors
- BOARD OF CORPORATE AUDITORS
  - Standing Corporate Auditor
  - Corporate Auditors
  - Corporate Auditors' Office

HEADQUARTERS
- General Secretariat
- General Planning Division
- Compliance & Risk Management Division
- General Business Division
- Individual Sales Division
- Public Institutions & Regional Vitality Creation Division
- Value Creation Division
- Credit Analysis Division
- Securities & International Division
- Operations Control Division
- Operations Division
- Internal Audit Division
- Personnel Division
- General Affairs Division
- Regional Headquarters
- Tokyo Liaison Office

• DOMESTIC OFFICES

NANTO BANK GROUP

(As of July 1, 2014)

The Nanto Group, which consists of the Nanto Bank and its 11 consolidated subsidiaries, offers financial services related to securities, credit guarantees and leasing as well as its primary business, banking services.

THE NANTO BANK, LTD.

- Banking
  - Head Office and 108 Branches
  - 25 Sub-branches
  - 2 Agencies (Nanto Bank Agency Co., Ltd.'s business offices)
  - 2 Representative Offices (Hong Kong and Shanghai)
- Securities
  - Securities & International Division
- Credit Guarantees
  - Nanto Credit Guarantee Co., Ltd.
- Leasing
  - Nanto Lease Co., Ltd.
- Computer Software Development and Services
  - Nanto Computer Service Co., Ltd.
- Credit Card Business
  - Nanto DC Card Co., Ltd.
  - Nanto Card Services Co., Ltd.
- Other Operations
  - Nanto Estate Co., Ltd.
  - Nanto Business Service Co., Ltd.
  - Nanto Staff Service Co., Ltd.
  - Nanto Asset Research Co., Ltd.
  - Nangin Agency Co., Ltd.
  - Nanto Investment Management Co., Ltd.

Companies indicated with a pink square are consolidated subsidiaries.

Affiliates and Subsidiaries, Bank Data

(As of July 1, 2014)

Outline of Consolidated Subsidiaries

Subsidiaries	Address	Established	Capital (millions of yen)	Direct holdings of the Bank (%)	Indirect holdings through subsidiaries (%)	Business line
Nanto Credit Guarantee Co., Ltd.	2-1, Saidaiji-Kunimi-cho 1-chome Nara City, Nara, Japan	October 9, 1984	¥10	3%	69%	Credit guarantee
Nanto Lease Co., Ltd.	52-1, Omori-cho Nara City, Nara, Japan	December 22, 1984	50	5	65	Leasing
Nanto Computer Service Co., Ltd.	93-2, Minami-Kyobate-cho 1-chome, Nara City, Nara, Japan	July 1, 1986	10	5	69	Computer software development and services
Nanto DC Card Co., Ltd.	61-7, Higashi-Ikoma 1-chome, Ikoma City, Nara, Japan	October 12, 1990	50	5	71	Credit card business
Nanto Card Services Co., Ltd.	61-7, Higashi-Ikoma 1-chome, Ikoma City, Nara, Japan	December 10, 1990	50	5	71	Credit card business
Nanto Estate Co., Ltd.	16, Hashimoto-cho Nara City, Nara, Japan	November 8, 1969	30	100	—	Leasing and management of real estate
Nanto Business Service Co., Ltd.	93-2, Minami-Kyobate-cho 1-chome, Nara City, Nara, Japan	June 1, 1984	10	100	—	Centralized processing of clerical operations for the Bank
Nanto Staff Service Co., Ltd.	2-1, Omiya-cho 6-chome Nara City, Nara, Japan	March 18, 1991	20	100	—	Dispatch of temporary staff
Nanto Asset Research Co., Ltd. (*1)	211-9, Minami Koriyama-cho, Yamato Koriyama City, Nara, Japan	July 4, 2005	20	100	—	Research and appraisal of real estate
Nangin Agency Co., Ltd.	2-1, Omiya-cho 6-chome Nara City, Nara, Japan	October 6, 2009	50	100	—	Bank agency services
Nanto Investment Management Co., Ltd.	2-1, Omiya-cho 6-chome Nara City, Nara, Japan	November 21, 1986	120	5	68	Investment advisory services

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CORPORATE DATA

Authorized shares:	640,000,000
Outstanding shares:	275,756 thousand
Stated capital:	29,249 million
Number of stockholders:	10,789
Date of incorporation:	June 1934
Domestic network:	134 offices
Overseas network:	2 representative offices
Number of employees:	2,733
Ordinary stockholders' meeting:	June 27, 2014
Stock listings:	Tokyo Stock Exchange

MAJOR STOCKHOLDERS (As of March 31, 2014)

	Number of shares (thousands)	Percentage (%)
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	10,283	3.77
Japan Trustee Services Bank, Ltd.	9,609	3.52
Nippon Life Insurance Co.	8,531	3.12
Meiji Yasuda Life Insurance Co. (standing proxy: Trust & Custody Services Bank, Ltd.)	8,430	3.09
The Nanto Bank Employees' Shareholders Association	8,065	2.95
Sumitomo Life Insurance Co. (standing proxy: Japan Trustee Services Bank, Ltd.)	5,420	1.98
Mori Seiki Co., Ltd.	4,766	1.74
Kitamura Forestry Co., Ltd.	4,063	1.48
The Shiga Bank, Ltd. (standing proxy: Trust & Custody Services Bank, Ltd.)	3,336	1.22
The Master Trust Bank of Japan, Ltd.	3,271	1.19
Total	65,776	24.11

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