ANNUAL REPORT 2015

Year ended March 31, 2015

ANNUAL REPORT 2015

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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, 2015, Nanto Bank had deposits of ¥4,691.0 billion, loans of ¥3,079.1 billion, and total assets of ¥5,328.6 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.

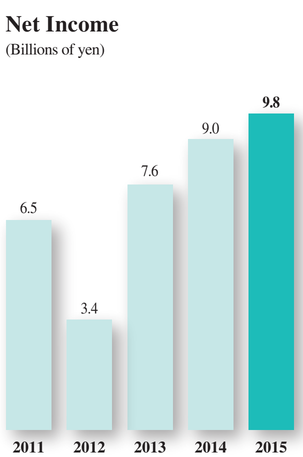
CORPORATE PHILOSOPHY

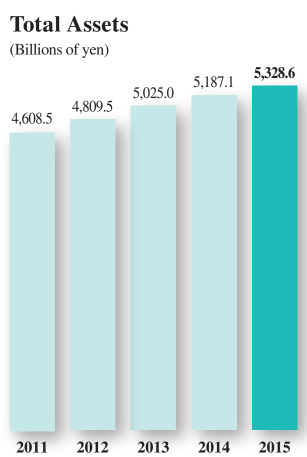
1. Pursue sound and efficient management
2. Provide superior comprehensive financial services
3. Contribute to regional prosperity
4. Strive to become a highly reliable, friendly and attractive bank

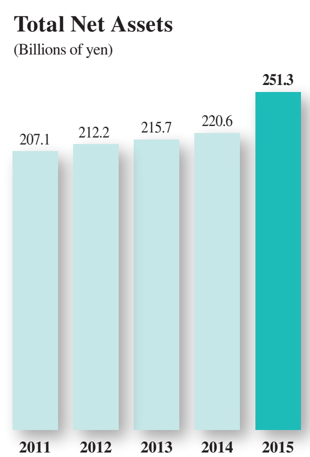
Consolidated Financial Highlights

	2015	2014	2013	2012	2011	Thousands of U.S. dollars 2015
For the year:						
Total income	¥ 81,869	¥ 82,717	¥ 88,875	¥ 90,075	¥ 92,751	$ 681,276
Total expenses	63,857	62,923	77,661	78,843	78,711	531,388
Income before income taxes	18,012	19,794	11,214	11,231	14,039	149,887
Net income	9,874	9,079	7,621	3,467	6,584	82,166
At year-end:						
Total assets	5,328,661	5,187,191	5,025,037	4,809,575	4,608,561	44,342,689
Loans and bills discounted	3,079,175	2,972,159	2,898,844	2,785,671	2,709,612	25,623,491
Securities	1,693,517	1,907,331	1,840,741	1,755,495	1,668,948	14,092,677
Deposits and negotiable certificates of deposit	4,754,414	4,662,888	4,514,604	4,343,154	4,181,096	39,564,067
Total liabilities	5,077,342	4,966,542	4,809,291	4,597,334	4,401,386	42,251,327
Minority interests	7,935	7,336	6,658	25,971	25,125	66,031
Total net assets	251,318	220,648	215,745	212,241	207,175	2,091,353
Common stock	29,249	29,249	29,249	29,249	29,249	243,396
Per share data:			Yen			U.S. dollars
Net income	¥ 36.81	¥ 33.78	¥ 28.01	¥ 12.57	¥ 23.88	$0.30
Stockholders' equity	906.92	794.95	774.46	675.42	660.24	7.54
Capital adequacy ratio (%)	9.72	10.51	10.66	11.63	11.74	

Note: U.S. dollar amounts are included solely for the convenience of readers and are calculated at the exchange rate of ¥120.17 to US$1.00, the rate prevailing on March 31, 2014.







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

The purpose of this Annual Report 2015 is to disclose our performance in fiscal 2014 (the year ended March 31, 2015), and our initiatives conducted during the fiscal year. We would appreciate it if you would read through the report.

The Japanese economy is continuing on a gradual recovery track backed by a trend toward improvement in corporate production activities and the employment situation, and the economy is expected to continue to pick up in the future amid factors including improvement in the income environment.

Meanwhile, in the regional economy centered on Nara Prefecture, although a slight improvement has been observed in consumer spending and other areas, the business climate overall continues to fluctuate, reflecting the impact of higher raw material prices due to the weak yen.

Under these circumstances, we have entered the second year of the Bank's medium-term management plan titled "Vitality Creation Plan" (April 2014 to March 2017). We are making efforts toward regional development by strengthening our efforts on key strategies including vitalizing the community, while promoting the stable and ongoing enhancement of our business base.

Under the new system, our executives and employees are committed to dedicating our utmost efforts to make a contribution to regional development by offering our customers ever-better financial services.

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

Aiming to Create Vitality of the Region as the "Vitality Creating Bank"

Our Economic and Financial Environment

The Japanese economy is continuing on a gradual recovery track backed by a recovery trend in corporate production activity and signs of a pickup in consumer spending, and the economy is expected to continue its recovery in the future amid factors including improvement in the income environment.

In the regional economy centered on Nara Prefecture, the business climate is fluctuating, with positive signs such as improvement in capital investment demand, which are offset by the adverse impact of factors such as soaring raw material prices due to the weak yen.

Under these circumstances, the Bank celebrated the 80th anniversary of its founding in June of last year, and have defined a management vision for the decade leading to our 90th anniversary (in June 2024) as "Vitality Creating Bank." Under this vision, we aim to become a bank committed to creating vitality in the region in which we operate.

In order to realize this management vision, we have been working on the three-year medium-term management plan, "Vitality Creation Plan," which we started in April of last year. We are making efforts toward regional development by strengthening our efforts on the key strategies of this plan, including vitalizing the community, while promoting the stable and ongoing enhancement of our business base.

Vitalizing the Community

In December of last year, the government made a cabinet decision on the Comprehensive Strategy for Creation of Towns, People, and Jobs, and regional financial institutions are expected to make proactive efforts toward regional creation.

The Bank has always supported the growth and development of the regional society and economy by offering a wide range of solutions (solution-oriented marketing), utilizing consulting capabilities, cooperating with industries, governments, schools and finance on efforts such as creation and development of industries, management improvement and business rehabilitation.

In March 2015, we established the "Regional Creation Project Team" within the Public Institutions & Regional Vitality Creation Division, as a core organization for planning and promoting regional revitalization.

General managers at 34 branches doing business with local public institutions joined the team as members in charge of promoting regional creation, working to contribute even further to regional vitalization by actively participating in the formulation and smooth implementation of a regional version of the comprehensive strategy.

We also concluded the Cooperative Agreement on Vitalization of Tourism in Nara Prefecture with three external institutions, and will support the promotion of tourism and regional vitalization after reviewing the formation and utilization of the Nara Prefecture Tourism Revitalization Fund.

In addition to the traditional roles of a bank, we are committed to practicing corporate social responsibility (CSR) through such activities as environment preservation and social contribution activities.

The Bank is cooperating with Nara Prefecture and other organizations to promote the use of wooden materials produced in Nara Prefecture. We are also making efforts to assist the region by supporting revitalization of the forestry industry through measures such as proactively using wooden materials produced in the prefecture mainly in the construction of new branches, etc.

We will continue to leverage the Bank's corporate resources to fulfill our CSR by engaging proactively in environment preservation and social contribution activities.

Establishing a Revenue Base

Nara Prefecture has a fertile individual market, and we are committed to further strengthening customer relations by the trust we have cultivated and expanding personal banking with a focus on deposits, customer assets, and individual loans.

With regard to business banking too, we are striving to cultivate transactions and increase the balance of loans through measures such as by utilizing our consulting capabilities to create new business opportunities.

Identifying Osaka Prefecture and others as an important strategic area, in April of this year we opened the Hatsushiba Branch, which will be our 17th branch in Osaka Prefecture. The branch was opened in our Sakai Branch building, and will move to a newly constructed branch around December of this year.

We will continue to expand our core area in Osaka Prefecture and others by further filling our dense network of branches while ensuring continuity among bases, with the aim of expanding personal as well as business banking.

In order to precisely meet the 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 to our customers, including support for overseas business and business succession, as well as support for improving management.

We also actively carry out support for business creation and new businesses by holding seminars, offering support for commercialization of business plans, and other measures.

We will continue to work on proactive management support by enhancing our support system for business customers even further.

In order to increase convenience and meet the diversifying needs of individual customers, we have enhanced our non-face-to-face channels by completely renewing our Internet banking for individuals and setting up new websites for smartphones.

In addition, at NANTO L-Plaza, we have put in place a system to facilitate consultations with customers regarding individual loans or asset-management by conducting business on Saturdays and Sundays in addition to weekdays.

We will continue to enhance our personal banking base by providing products and services to meet customer needs through optimal channels.

Strengthening Human Resources and Organization

While we promote the efficient utilization of 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 of last 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.

Furthermore, believing that the active participation of women is essential for the development of the Bank and the region, in September 2014 we established the "Project Team to Promote Active Roles for Women."

We are also proactively promoting women to managerial positions. In October 2014, we promoted our first female General Managers in three branches, and there are now a total of four as of the end of June 2015.

We will continue striving to strengthen our human resources development 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 local market characteristics, in order to become more cost-competitive and strengthen our management structure. In fiscal 2014, we converted three branches into individual-specific branches, and one branch into a sub-branch, and in April 2015, one sub-branch into an agency

We are promoting building of new branches and relocating existing ones to keep pace with changes in the local market, as we continue to 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.

On the sales front, we have introduced tablet terminals to be used as tools to provide information at branches and when visiting customers, with the aim of reducing expenses by making sales activities more efficient and shifting to paperless operations.

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

The Bank has built up more than 80 years of history together with the local community and people.

Looking forward, as a “Vitality Creating Bank,” our executives and employees are committed to striving to the best of our ability to meet the expectations of our customers by exerting our powers to their fullest in order to offer ever-better financial services.

We look forward to your continued support.

President Takashi Hashimoto

T. Hashimoto

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” in April, 2014, 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

The 90th anniversary (2024)

Medium-term management plan

“Vitality Creation Plan”

April 2014 to March 2017

The 80th anniversary (2014)

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.

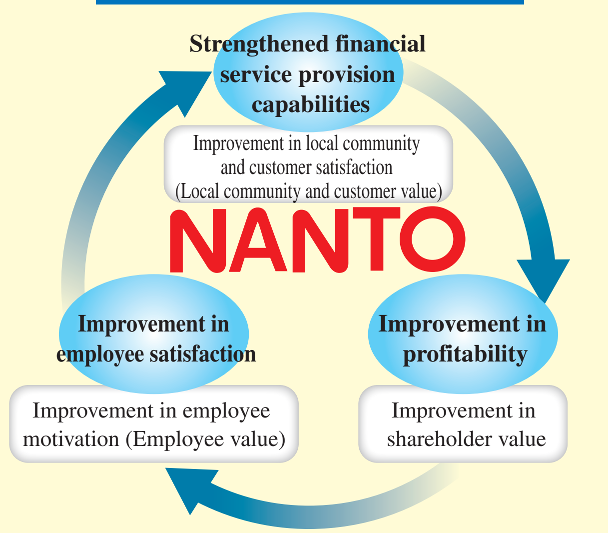
Earnings environment

- 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

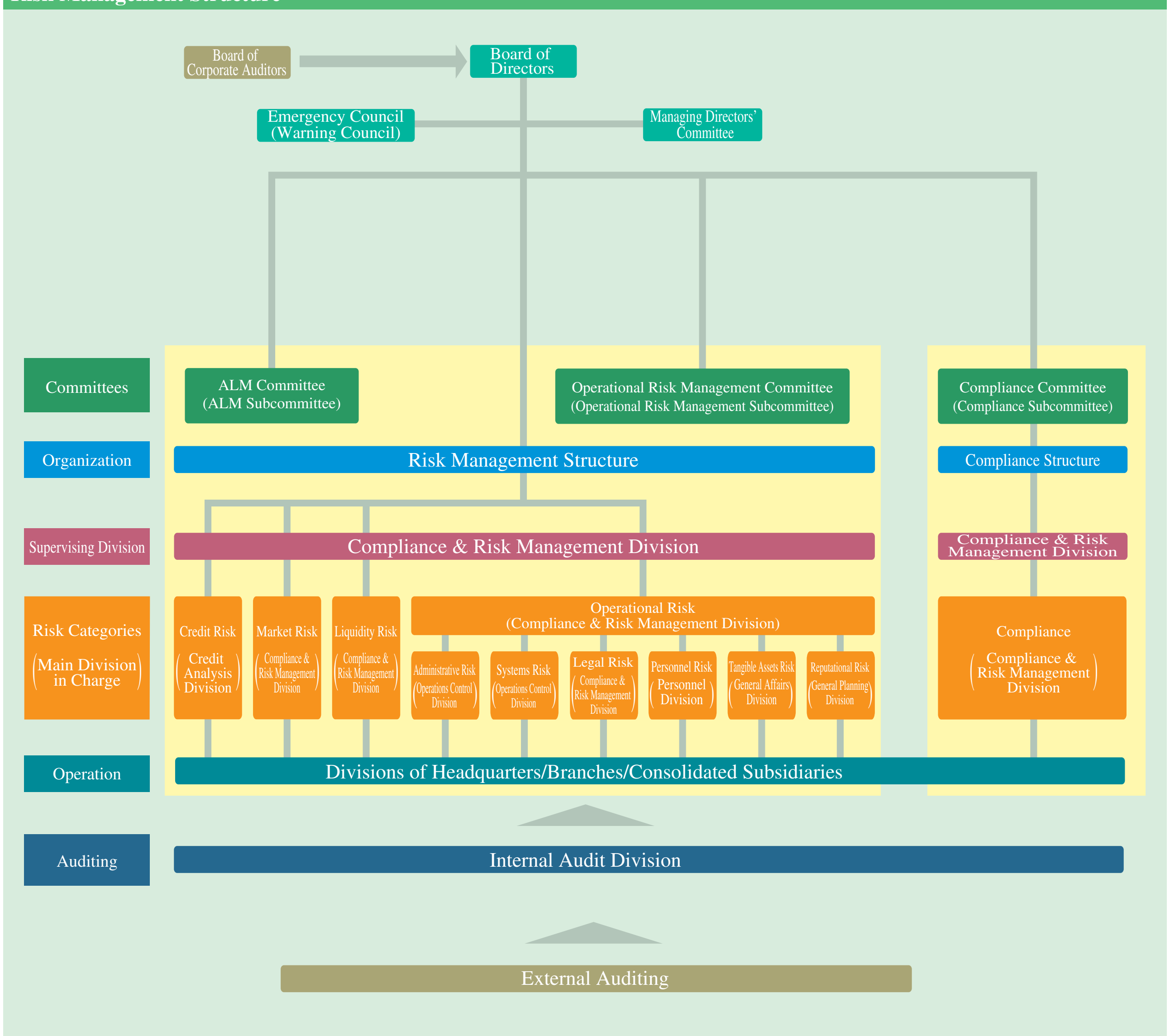
To cope with the various risks that the Bank faces in its banking business, the Bank has established specified units for each category of risk. The Bank also incorporates the Compliance & Risk Management Division responsible for risk management coordination in order to gain a precise understanding of 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 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, 2015)

Yasuo Ueno
Chairman

Takashi Hashimoto
President
(Representative Director)

Kohsaku Yoshida
Managing Director
(Representative Director)

Yoshihiko Kita
Managing Director
(Representative Director)

Naoki Minowa
Managing Director

Toru Hagihara
Managing Director
(Osaka Regional Headquarter)

Hiromune Nishiguchi
Director and Executive Advisor

Chairman
Yasuo Ueno

President
Takashi Hashimoto

Managing Director
Kohsaku Yoshida
Yoshihiko Kita
Naoki Minowa
Toru Hagihara
(Osaka Regional Headquarter)

Director and Executive Advisor
Hiromune Nishiguchi

Directors and General Managers
Shigeyori Kawai
(General Business Division)
Takao Handa
(Personnel Division)
Nobuo Shibata
(Osaka Chuo Office)
Akira Kondo
(Head Office)
Keizo Nishikawa
(Tokyo branch and Tokyo Liaison Office)
Kazuomi Nakamuro
(Internal Audit Division)
Hiroyuki Sakai

Corporate Auditors
Taro Hayama
Masaaki Hashimoto
Katsuhisa Yoshikawa
Tetsuya Wada

Note: Hiroyuki Sakai is outside director pursuant to Item 15, Article 2 of the Company Law and Katsuhisa Yoshikawa and Tetsuya Wada 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, 2015 and 2014

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2015	2014	2015
Assets:			
Cash and due from banks (Notes 14 and 16)	**¥ 452,967**	¥ 202,724	**$ 3,769,385**
Call loans and bills bought (Note 16)	**—**	895	**—**
Debt purchased (Note 16)	**5,096**	4,515	**42,406**
Trading account securities (Notes 16 and 17)	**230**	213	**1,913**
Money held in trust (Notes 16 and 17)	**22,000**	22,000	**183,073**
Securities (Notes 7, 10, 16 and 17)	**1,693,517**	1,907,331	**14,092,677**
Loans and bills discounted (Notes 6, 8 and 16)	**3,079,175**	2,972,159	**25,623,491**
Foreign exchanges (Note 6)	**5,918**	2,064	**49,246**
Lease receivables and lease investment assets	**13,857**	14,905	**115,311**
Other assets (Note 7)	**23,651**	22,274	**196,812**
Tangible fixed assets (Note 9)	**41,230**	41,902	**343,097**
Buildings	**11,726**	11,939	**97,578**
Land	**25,236**	24,188	**210,002**
Construction in progress	**—**	187	**—**
Other tangible fixed assets	**4,267**	5,586	**35,508**
Intangible fixed assets	**5,157**	5,748	**42,914**
Software	**4,583**	5,174	**38,137**
Other intangible fixed assets (Note 7)	**573**	573	**4,768**
Deferred tax assets (Note 21)	**1,386**	5,294	**11,533**
Customers' liabilities for acceptances and guarantees	**10,963**	11,477	**91,229**
Reserve for possible loan losses (Note 16)	**(26,494)**	(26,314)	**(220,470)**
Total assets	**¥5,328,661**	¥5,187,191	**$44,342,689**
Liabilities and net assets:			
Liabilities:			
Deposits (Notes 7 and 16)	**4,691,065**	4,585,357	**39,036,906**
Negotiable certificates of deposit (Note 16)	**63,349**	77,531	**527,161**
Payables under securities lending transactions (Notes 7 and 16)	**134,855**	141,600	**1,122,201**
Borrowed money (Notes 7, 16 and 26)	**116,122**	85,388	**966,314**
Foreign exchanges	**399**	197	**3,320**
Bonds payable (Notes 16 and 26)	**—**	20,000	**—**
Other liabilities (Note 26)	**34,877**	24,602	**290,230**
Liability for retirement benefits (Note 19)	**14,753**	19,039	**122,767**
Reserve for reimbursement of deposits	**131**	150	**1,090**
Reserve for contingent losses	**946**	1,198	**7,872**
Deferred tax liabilities (Note 21)	**9,878**	—	**82,200**
Acceptances and guarantees	**10,963**	11,477	**91,229**
Total liabilities	**¥5,077,342**	¥4,966,542	**$42,251,327**
Net assets (Note 3):			
Common stock: Authorized 640,000 thousand shares Issued 272,756 thousand shares in 2015 and 2014	**29,249**	29,249	**243,396**
Capital surplus	**18,813**	18,813	**156,553**
Retained earnings	**140,209**	132,594	**1,166,755**
Less treasury stock: Issued 4,556 thousand shares in 2015 and 4,581 thousand shares in 2014	**(1,907)**	(1,918)	**(15,869)**
Total stockholders' equity	**186,365**	178,739	**1,550,844**
Valuation difference on available-for-sale securities (Note 17)	**58,818**	39,585	**489,456**
Net deferred gains or losses on hedges	**(668)**	(760)	**(5,558)**
Accumulated adjustments for retirement benefits (Note 19)	**(1,279)**	(4,376)	**(10,643)**
Total accumulated other comprehensive income	**56,870**	34,448	**473,246**
Stock acquisition rights	**146**	123	**1,214**
Minority interests	**7,935**	7,336	**66,031**
Total net assets	**251,318**	220,648	**2,091,353**
Total liabilities and net assets	**¥5,328,661**	¥5,187,191	**$44,342,689**

See Notes to Consolidated Financial Statements.

Consolidated Statements of Income

The Nanto Bank, Ltd. and Consolidated Subsidiaries for the Years Ended March 31, 2015 and 2014

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2015	**2014**	**2015**
Income:			
Interest income:			
Interest on loans and bills discounted	**¥36,452**	¥38,463	**$303,336**
Interest and dividends on securities	**17,873**	17,362	**148,730**
Other interest income	**508**	373	**4,227**
Fees and commissions	**18,375**	17,766	**152,908**
Other operating income	**4,729**	3,804	**39,352**
Other income (Note 11)	**3,930**	4,946	**32,703**
Total income	**81,869**	82,717	**681,276**
Expenses:			
Interest expense:			
Interest on deposits	**2,611**	3,165	**21,727**
Interest on borrowings and rediscounts	**478**	371	**3,977**
Interest on subordinated bonds	**318**	344	**2,646**
Other interest expense	**358**	388	**2,979**
Fees and commissions	**9,063**	8,835	**75,418**
Other operating expenses	**883**	820	**7,347**
General and administrative expenses	**47,723**	46,993	**397,129**
Other expenses (Note 12)	**2,420**	2,003	**20,138**
Total expenses	**63,857**	62,923	**531,388**
Income before income taxes and minority interests	**18,012**	19,794	**149,887**
Income taxes (Note 21):			
Current	**1,130**	1,024	**9,403**
Deferred	**6,421**	8,998	**53,432**
Total income taxes	**7,552**	10,023	**62,844**
Net income before minority interests	**10,459**	9,770	**87,035**
Minority interests	**585**	691	**4,868**
Net income	**¥ 9,874**	¥ 9,079	**$ 82,166**

	Yen		U.S. dollars (Note 1)
Per share of common stock (Note 24):			
Net income - basic	**¥36.81**	¥33.78	**$0.30**
Net income - diluted	**36.76**	33.74	**0.30**
Dividends	**7.00**	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, 2015 and 2014

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2015	**2014**	**2015**
Net income before minority interests	**¥10,459**	¥ 9,770	**$ 87,035**
Other comprehensive income (Note 13):			
Valuation difference on available-for-sale securities	**19,247**	1,626	**160,164**
Net deferred gains or losses on hedges	**91**	170	**757**
Adjustments for retirement benefits (Note 19)	**3,097**	—	**25,771**
Total other comprehensive income	**22,436**	1,797	**186,702**
Total comprehensive income for the year	**¥32,895**	¥11,568	**$273,737**
Total comprehensive income attributable to:			
Owners of the parent	**¥32,295**	¥10,888	**$268,744**
Minority interests	**600**	680	**4,992**

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, 2015 and 2014

		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, 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 April 1, 2014	272,756	¥29,249	¥18,813	¥132,594	¥(1,918)	¥39,585	¥(760)	¥(4,376)	¥123	¥7,336	¥220,648
Cumulative effects of changes in accounting policies	—	—	—	(377)	—	—	—	—	—	—	(377)
Restated balance at April 1, 2014	—	29,249	18,813	132,216	(1,918)	39,585	(760)	(4,376)	123	7,336	220,271
Cash dividends	—	—	—	(1,877)	—	—	—	—	—	—	(1,877)
Net income	—	—	—	9,874	—	—	—	—	—	—	9,874
Purchase of treasury stock	—	—	—	—	(11)	—	—	—	—	—	(11)
Disposition of treasury stock	—	—	(3)	—	21	—	—	—	—	—	18
Transfer from retained earnings to capital surplus	—	—	3	(3)	—	—	—	—	—	—	—
Net changes in the items other than stockholders' equity	—	—	—	—	—	19,232	91	3,097	22	598	23,043
Balance at March 31, 2015 (Note 3)	**272,756**	**¥29,249**	**¥18,813**	**¥140,209**	**¥(1,907)**	**¥58,818**	**¥(668)**	**¥(1,279)**	**¥146**	**¥7,935**	**¥251,318**

	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, 2014	$243,396	$156,553	$1,103,386	$(15,960)	$329,408	$(6,324)	$(36,415)	$1,023	$61,046	$1,836,132
Cumulative effects of changes in accounting policies	—	—	(3,137)	—	—	—	—	—	—	(3,137)
Restated balance at April 1, 2014	243,396	156,553	1,100,241	(15,960)	329,408	(6,324)	(36,415)	1,023	61,046	1,832,994
Cash dividends	—	—	(15,619)	—	—	—	—	—	—	(15,619)
Net income	—	—	82,166	—	—	—	—	—	—	82,166
Purchase of treasury stock	—	—	—	(91)	—	—	—	—	—	(91)
Disposition of treasury stock	—	(24)	—	174	—	—	—	—	—	149
Transfer from retained earnings to capital surplus	—	24	(24)	—	—	—	—	—	—	—
Net changes in the items other than stockholders' equity	—	—	—	—	160,039	757	25,771	183	4,976	191,753
Balance at March 31, 2015 (Note 3)	**$243,396**	**$156,553**	**$1,166,755**	**$(15,869)**	**$489,456**	**$(5,558)**	**$(10,643)**	**$1,214**	**$66,031**	**$2,091,353**

See Notes to Consolidated Financial Statements.

Consolidated Statements of Cash Flows

The Nanto Bank, Ltd. and Consolidated Subsidiaries for the Years Ended March 31, 2015 and 2014

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2015	2014	**2015**
Cash flows from operating activities			
Income before income taxes and minority interests	**¥ 18,012**	¥ 19,794	**$ 149,887**
Depreciation	**4,526**	4,462	**37,663**
Loss on impairment of fixed assets	**11**	15	**91**
Increase (decrease) in reserve for possible loan losses	**179**	(2,043)	**1,489**
Increase (decrease) in reserve for retirement benefits	**—**	(12,669)	**—**
Increase (decrease) in liability for retirement benefits	**10**	12,264	**83**
Increase (decrease) in reserve for reimbursement of deposits	**(19)**	(14)	**(158)**
Increase (decrease) in reserve for contingent losses	**(251)**	(328)	**(2,088)**
Interest income	**(54,835)**	(56,199)	**(456,311)**
Interest expense	**3,766**	4,270	**31,338**
Loss (gain) on investment securities	**(5,789)**	(4,530)	**(48,173)**
Loss (gain) on money held in trust	**(304)**	(239)	**(2,529)**
Foreign exchange losses (gains)	**(40,491)**	(21,808)	**(336,947)**
Losses (gains) on disposal of fixed assets	**(162)**	63	**(1,348)**
Net decrease (increase) in loans and bills discounted	**(107,016)**	(73,314)	**(890,538)**
Net increase (decrease) in deposits	**105,708**	167,220	**879,653**
Net increase (decrease) in negotiable certificates of deposit	**(14,182)**	(18,936)	**(118,016)**
Net increase (decrease) in borrowed money	**30,733**	4,287	**255,746**
Net decrease (increase) in due from banks (excluding due from the Bank of Japan)	**(257)**	(1,580)	**(2,138)**
Net decrease (increase) in call loans and bills bought	**313**	(700)	**2,604**
Net increase (decrease) in payables under securities lending transactions	**(6,745)**	3,365	**(56,128)**
Net decrease (increase) in foreign exchange assets	**(3,853)**	1,958	**(32,062)**
Net increase (decrease) in foreign exchange liabilities	**202**	56	**1,680**
Net decrease (increase) in lease receivables and lease investment assets	**892**	(748)	**7,422**
Interest received	**60,990**	65,061	**507,530**
Interest paid	**(5,061)**	(4,341)	**(42,115)**
Other	**9,216**	(3,493)	**76,691**
Subtotal	**(4,406)**	81,870	**(36,664)**
Income taxes paid	**(1,426)**	(868)	**(11,866)**
Income taxes refund	**9**	29	**74**
Net cash provided by (used in) operating activities	**(5,822)**	81,031	**(48,448)**
Cash flows from investing activities			
Purchases of securities	**(625,395)**	(604,320)	**(5,204,252)**
Proceeds from sales of securities	**671,475**	393,198	**5,587,709**
Proceeds from maturities of securities	**234,290**	164,360	**1,949,654**
Increase in money held in trust	**(5)**	(1,022)	**(41)**
Decrease in money held in trust	**310**	261	**2,579**
Purchase of tangible fixed assets	**(1,930)**	(3,934)	**(16,060)**
Proceeds from sales of tangible fixed assets	**493**	91	**4,102**
Purchase of intangible fixed assets	**(1,534)**	(1,788)	**(12,765)**
Other	**(21)**	(75)	**(174)**
Net cash provided by (used in) investing activities	**277,682**	(53,228)	**2,310,743**
Cash flows from financing activities			
Redemption of subordinated bonds	**(20,000)**	—	**(166,430)**
Dividends paid	**(1,878)**	(1,614)	**(15,627)**
Dividends paid by subsidiaries to minority stockholders	**(1)**	(1)	**(8)**
Purchase of treasury stock	**(11)**	(717)	**(91)**
Other	**0**	0	**0**
Net cash used in financing activities	**(21,890)**	(2,333)	**(182,158)**
Effect of exchange rate changes on cash and cash equivalents	**17**	11	**141**
Net increase (decrease) in cash and cash equivalents	**249,986**	25,481	**2,080,269**
Cash and cash equivalents at beginning of year	**200,655**	175,173	**1,669,759**
Cash and cash equivalents at end of year (Note 14)	**¥450,641**	¥200,655	**$3,750,029**

See Notes to Consolidated Financial Statements.

Notes to Consolidated Financial Statements

The Nanto Bank, Ltd. and Consolidated Subsidiaries
Years ended March 31, 2015 and 2014

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, 2015, which was ¥120.17 to US$1.00. The translations should not be construed as representations that the Japanese yen amounts have been, could have been or could in the future be converted into U.S. dollars at this or any other rate of exchange.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Principles of consolidation

The accompanying consolidated financial statements include the accounts of the Bank and its ten (eleven in 2014) subsidiaries at March 31, 2015. Nanto Asset Research Co., Ltd. resolved its dissolution at the extraordinary shareholders' meeting held on September 30, 2014 and its liquidation was completed on January 29, 2015.

The Bank has one (0 in 2014) unconsolidated subsidiary, namely, Nanto Sixth Industry Support Investment Limited Partnership. The unconsolidated subsidiary is excluded from the scope of consolidation because the portion of its assets, net income (loss), retained earnings, accumulated other comprehensive income and others that correspond to the Bank's equity are immaterial to the extent that its exclusion from the scope of consolidation does not preclude reasonable judgment of the Group's financial position and results of operations.

The Bank has no affiliates over which it has the ability to exercise significant influence over operating and financial policies.

The Bank has one (0 in 2014) unconsolidated subsidiary not accounted for by the equity method, namely, Nanto Sixth Industry Support Investment Limited Partnership. The unconsolidated subsidiary not accounted for by the equity method is excluded from the scope of the equity method because its effect on the accompanying consolidated financial statements is not significant in terms of the portion of its net income (loss), retained earnings, accumulated other comprehensive income, and others which correspond to the Bank's equity.

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 due from 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, 2015 and 2014 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 loans and deposits, 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 ¥2 million ($16 thousand) in 2015 and ¥3 million in 2014.

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.

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, 2015 and 2014, the deducted amounts were ¥7,434 million ($61,862 thousand) and ¥10,508 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

In calculating projected benefit obligations, expected benefits are attributed to each period by the benefit formula basis.

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 the 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 costs.

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

For the year 2014

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 Paragraph 35 of Retirement Benefits Standard and Paragraph 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 projected benefit obligations and plan assets has been recognized as a liability for retirement benefits.

In accordance with Paragraph 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 has been recognized, and accumulated other comprehensive income has decreased by ¥4,376 million at the end of the current fiscal year.

The effects of this change on net assets per share are described in Note 24, "PER SHARE INFORMATION."

For the year 2015

The Company and its consolidated domestic subsidiaries adopted Paragraph 35 of Retirement Benefits Standard and Paragraph 67 of the "Guidance on Accounting Standard for Retirement Benefits" (ASBJ Guidance No. 25, March 26, 2015, hereinafter, "Retirement Benefits Guidance") from the current fiscal year, and have changed the determination of projected benefit obligations and current service costs. In addition, the Company and its consolidated domestic subsidiaries have changed the method of attributing expected benefit to periods from a straight-line method to a benefit formula basis and determining the discount rates from the method using a discount rate which refers to the yields of bonds whose remaining maturities approximate the estimated average remaining service years of employees to the method using a single-weighted average discount rate which reflects the estimated payment periods of retirement benefits and the amounts by the respective estimated payment periods.

In accordance with Paragraph 37 of Retirement Benefits Standard, the effect of changing the determination of projected benefit obligations and current service costs has been recognized in retained earnings at the beginning of the current fiscal year.

As a result of the application, liability for retirement benefits increased by ¥584 million ($4,859 thousand) and retained earnings decreased by ¥377 million ($3,137 thousand) at the beginning of the current fiscal year. In addition, income before income taxes and minority interests increased by ¥69 million ($574 thousand) in the current fiscal year.

The effects on segment information and per share information are explained in Note 22, "SEGMENT AND RELATED INFORMATION" and Note 24, "PER SHARE INFORMATION," respectively.

r. Unapplied accounting standards

For the year 2014

"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 projected benefit obligations and service costs, and the enhancement of disclosures thereof, in consideration of the improvements to financial reporting and international trends.

(2) Effective date

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

(3) Effect of application of the standards

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.

For the year 2015

"Revised Accounting Standard for Business Combinations," etc. (September 13, 2013)

(1) Summary

The standards provide guidance for (1) the accounting for any changes in a parent's ownership interest in a subsidiary when the parent retains control over the subsidiary upon additional acquisition of shares in a subsidiary or other cases, (2) the corresponding accounting for acquisition-related costs, (3) the provisional accounting treatments, and (4) the presentation method for net income and the change from minority interests to non-controlling interests.

(2) Effective date

The Group is scheduled to apply the revised accounting standards, etc. from the beginning of the fiscal year starting on April 1, 2015.

(3) Effects of application of the standard

The effects of this application have yet to be determined.

3. CHANGES IN NET ASSETS

(1) Type and numbers of shares issued and treasury stock for the fiscal years ended March 31, 2015 and 2014 were as follows:

	(Thousands of shares)				Remarks
	2015				
	April 1, 2014	Increase	Decrease	March 31, 2015	
Shares issued					
Common stock	**272,756**	**—**	**—**	**272,756**	
Total	**272,756**	**—**	**—**	**272,756**	
Treasury stock					
Common stock	**4,581**	**26**	**52**	**4,556**	**Notes 1 & 2**
Total	**4,581**	**26**	**52**	**4,556**	

Notes: 1. The increase in common stock of treasury stock of 26 thousand shares is due to the purchase of shares of less than one unit.
2. The decrease in common stock of treasury stock of 52 thousand shares is due to the execution of stock options.

	(Thousands of shares)				Remarks
	2014				
	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 thousand 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.

(2) Matters concerning Stock Acquisition Rights

For the fiscal year ended March 31, 2015

Classification	Breakdown	Shares expected to be acquired upon exercise of stock acquisition rights Number of shares April 1, 2014	Increase	Decrease	March 31, 2015	Balance at end of current fiscal year (Millions of yen)	(Thousands of U.S. dollars)
The Bank	Stock acquisition rights granted as stock options	—	—	—	—	¥146	$1,214
	Total	—	—	—	—	¥146	$1,214

For the fiscal 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)
The Bank	Stock acquisition rights granted as stock options	—	—	—	—	¥123
	Total	—	—	—	—	¥123

(3) Information on dividends is as follows:

(a) Dividends paid in the fiscal year ended March 31, 2015

		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, 2014	Common stock	¥804 ($6,690)	¥3.00 ($0.02)	March 31, 2014	June 30, 2014
Board of Directors' meeting held on November 14, 2014	Common stock	¥1,072 ($8,920)	¥4.00 ($0.03)	September 30, 2014	December 5, 2014

Dividends paid in the fiscal year ended March 31, 2014

		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 27, 2013	Common stock	¥809	¥3.00	March 31, 2013	June 28, 2013
Board of Directors' meeting held on November 11, 2013	Common stock	¥804	¥3.00	September 30, 2013	December 9, 2013

(b) Dividends to be paid in the fiscal year ending March 31, 2016

		Millions of yen (thousands of U.S. dollars), 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 26, 2015	Common stock	¥804 ($6,690)	Retained earnings	¥3.00 ($0.02)	March 31, 2015	June 29, 2015

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. INVESTMENTS IN CAPITAL OF UNCONSOLIDATED SUBSIDIARIES

Investments in capital of unconsolidated subsidiaries at March 31, 2015 and 2014 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Investments in capital	**¥0**	¥—	**$0**

6. NONPERFORMING LOANS

Nonperforming loans at March 31, 2015 and 2014 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Loans to bankrupt borrowers	**¥ 894**	¥ 1,078	**$ 7,439**
Past due loans	**63,465**	67,766	**528,126**
Past due loans (three months or more)	**762**	304	**6,341**
Restructured loans	**14,805**	14,242	**123,200**
Total	**¥79,928**	¥83,391	**$665,124**

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 ¥19,970 million ($166,181 thousand) and ¥19,132 million at March 31, 2015 and 2014, respectively.

7. PLEDGED ASSETS

At March 31, 2015 and 2014, securities of ¥445,629 million ($3,708,321 thousand) and ¥452,101 million, respectively, were pledged as collateral for deposits, and deposits of ¥57,489 million ($478,397 thousand) and ¥68,912 million, respectively, payables under securities lending transactions of ¥134,855 million ($1,122,201 thousand) and ¥141,600 million, respectively, and borrowed money of ¥107,911 million ($897,986 thousand) and ¥77,731 million, respectively.

Securities of ¥79,326 million ($660,114 thousand) and ¥74,371 million were pledged for transaction guarantees at March 31, 2015 and 2014, respectively.

Unexpired lease contract claims of ¥4,980 million ($41,441 thousand) and ¥5,610 million were pledged as collateral for borrowed money of ¥4,019 million ($33,444 thousand) and ¥4,350 million at March 31, 2015 and 2014, respectively.

At March 31, 2015 and 2014, other assets included security deposits of ¥1,248 million ($10,385 thousand) and ¥1,308 million, respectively, and other intangible fixed assets included key money of ¥573 million ($4,768 thousand) and ¥573 million, respectively.

8. 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, 2015 and 2014 were ¥895,274 million ($7,450,062 thousand) and ¥868,462 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, 2015 and 2014 were ¥878,294 million ($7,308,762 thousand) and ¥850,512 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.

9. TANGIBLE FIXED ASSETS

Accumulated depreciation of tangible fixed assets was ¥45,612 million ($379,562 thousand) and ¥46,323 million at March 31, 2015 and 2014, respectively. Accumulated capital gains directly offset against the acquisition cost of tangible fixed assets to obtain tax benefits were ¥718 million ($5,974 thousand) at March 31, 2015 and 2014.

10. GUARANTEES

The amount guaranteed by the Bank for privately placed bonds (stipulated by Article 2, Paragraph 3 of the Financial Instruments Exchange Act) included in "Bonds" of "Securities," was ¥2,933 million ($24,407 thousand) and ¥2,876 million at March 31, 2015 and 2014, respectively.

11. OTHER INCOME

For the fiscal years ended March 31, 2015 and 2014, other income consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Gains on sales of stocks and other securities	**¥1,515**	¥1,831	**$12,607**
Reversal of reserve for possible loan losses	**—**	294	**—**
Recovery of written off claims	**678**	1,611	**5,642**
Other	**1,735**	1,208	**14,437**
Total	**¥3,930**	¥4,946	**$32,703**

12. OTHER EXPENSES

(1) Other expenses consisted of the following:

For the fiscal year ended March 31, 2015

	Millions of yen	Thousands of U.S. dollars
	2015	2015
Write-offs of loans	**¥1,176**	**$ 9,786**
Provision for possible loan losses	**563**	**4,685**
Loss on impairment of fixed assets	**11**	**91**
Other	**669**	**5,567**
Total	**¥2,420**	**$20,138**

For the fiscal year ended March 31, 2014

	Millions of yen
	2014
Write-offs of loans	¥1,214
Loss on sales of stocks and other securities	53
Loss on devaluation of stocks and other securities	170
Loss on impairment of fixed assets	15
Other	548
Total	¥2,003

13. OTHER COMPREHENSIVE INCOME

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

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Valuation difference on available-for-sale securities:			
Gains incurred during the year	**¥30,733**	¥7,122	**$255,746**
Reclassification adjustments to net income	**(5,790)**	(4,530)	**(48,181)**
Amount before tax effect	**24,943**	2,591	**207,564**
Tax effect	**(5,696)**	(965)	**(47,399)**
Valuation difference on available-for-sale securities	**19,247**	1,626	**160,164**
Net deferred gains or losses on hedges			
Losses incurred during the year	**(179)**	(55)	**(1,489)**
Reclassification adjustments to net income	**360**	385	**2,995**
Amount before tax effect	**181**	329	**1,506**
Tax effect	**(90)**	(158)	**(748)**
Net deferred gains or losses on hedges	**91**	170	**757**
Adjustments for retirement benefits:			
Gains incurred during the year	**3,507**	—	**29,183**
Reclassification adjustments to net income	**1,374**	—	**11,433**
Amount before tax effect	**4,881**	—	**40,617**
Tax effect	**(1,784)**	—	**(14,845)**
Adjustments for retirement benefits	**3,097**	—	**25,771**
Total other comprehensive income	**¥22,436**	¥1,797	**$186,702**

14. STATEMENTS OF CASH FLOWS

The reconciliation between cash and due from banks in the consolidated balance sheets at March 31, 2015 and 2014 and cash and cash equivalents in the consolidated statements of cash flows for the fiscal years then ended were as follows:

For the fiscal year ended March 31, 2015

	Millions of yen	Thousands of U.S. dollars
	2015	2015
Cash and due from banks on the consolidated balance sheets	¥452,967	$3,769,385
Current deposits due from banks	(1,648)	(13,713)
Time deposits due from banks	(615)	(5,117)
Other due from banks	(63)	(524)
Cash and cash equivalents on the consolidated statements of cash flows	¥450,641	$3,750,029

For the fiscal year ended March 31, 2014

	Millions of yen
	2014
Cash and due from banks on the consolidated balance sheets	¥202,724
Time deposits due from banks	(315)
Other due from banks	(1,754)
Cash and cash equivalents on the consolidated statements of cash flows	¥200,655

15. LEASE TRANSACTIONS

Operating leases

As lessee:

Future minimum lease payments under operating leases which were not cancelable at March 31, 2015 and 2014 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Due within one year	¥ 126	¥ 116	$ 1,048
Due after one year	1,125	1,110	9,361
Total	¥1,251	¥1,227	$10,410

As lessor:

Future minimum lease payments under operating leases which were not cancelable at March 31, 2015 and 2014 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Due within one year	¥1	¥3	$8
Due after one year	—	1	—
Total	¥1	¥5	$8

16. 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 ten 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 funding and amount of operations for 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 and bond option 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 equity securities other than purely for investment purposes are 240 business days] and the correlation of risk categories are not considered.) is adopted.

At March 31, 2015, the Group's total market risk (decrease in estimated economic value) was ¥27,083 million ($225,372 thousand) (¥43,999 million in 2014). 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 2015, 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.

b. Fair value of financial instruments

The table below summarizes the carrying amounts, fair values and differences of financial instruments as of March 31, 2015 and 2014.

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		
	2015		
	Carrying amount	Fair value	Difference
Cash and due from banks	**¥ 452,967**	**¥ 452,967**	**¥ —**
Call loans and bills bought	**—**	**—**	**—**
Debt purchased	**5,096**	**5,096**	**—**
Trading account securities			
Trading securities	**230**	**230**	**—**
Money held in trust	**22,000**	**22,000**	**—**
Securities			
Held-to-maturity debt securities	**2,933**	**2,950**	**16**
Available-for-sale securities	**1,688,677**	**1,688,677**	**—**
Loans and bills discounted	**3,079,175**		
Reserve for possible loan losses (*1)	**(26,006)**		
	3,053,168	**3,071,533**	**18,365**
Total assets	**¥5,225,075**	**¥5,243,457**	**¥18,381**
Deposits	**¥4,691,065**	**¥4,691,579**	**¥ 514**
Negotiable certificates of deposit	**63,349**	**63,349**	**—**
Payables under securities lending transactions	**134,855**	**134,855**	**—**
Borrowed money	**116,122**	**116,080**	**(41)**
Bonds payable	**—**	**—**	**—**
Total liabilities	**¥5,005,392**	**¥5,005,864**	**¥ 472**
Derivative transactions (*2)			
Hedge accounting not applied	**(11,978)**	**(11,978)**	**—**
Hedge accounting applied	**(1,084)**	**(1,084)**	**—**
Total derivative transactions	**¥ (13,063)**	**¥ (13,063)**	**¥ —**

	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)	¥ —

	Thousands of U.S. dollars		
	2015		
	Carrying amount	Fair value	Difference
Cash and due from banks	$ 3,769,385	$ 3,769,385	$ —
Call loans and bills bought	—	—	—
Debt purchased	42,406	42,406	—
Trading account securities			
Trading securities	1,913	1,913	—
Money held in trust	183,073	183,073	—
Securities			
Held-to-maturity debt securities	24,407	24,548	133
Available-for-sale securities	14,052,400	14,052,400	—
Loans and bills discounted	25,623,491		
Reserve for possible loan losses (*1)	(216,410)		
	25,407,073	25,559,898	152,825
Total assets	$43,480,694	$43,633,660	$152,958
Deposits	$39,036,906	$39,041,183	$ 4,277
Negotiable certificates of deposit	527,161	527,161	—
Payables under securities lending transactions	1,122,201	1,122,201	—
Borrowed money	966,314	965,964	(341)
Bonds payable	—	—	—
Total liabilities	$41,652,592	$41,656,519	$ 3,927
Derivative transactions (*2)			
Hedge accounting not applied	(99,675)	(99,675)	—
Hedge accounting applied	(9,020)	(9,020)	—
Total derivative transactions	$ (108,704)	$ (108,704)	$ —

(*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 17, “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 losses 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 additional information on securities categorized by holding purposes, see Note 17, “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 exceptional accounting method for 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 18, “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
	2015	2014	2015
Unlisted equity securities (*1) (*2)	**¥1,596**	¥1,493	**$13,281**
Investment in partnerships (*3)	**309**	325	**2,571**
Total	**¥1,906**	¥1,818	**$15,860**

(*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) The Bank recognized impairment loss of ¥0 million ($0 thousand) on unlisted equity securities for the fiscal year ended March 31, 2015. No impairment loss was recognized for the fiscal year ended March 31, 2014.
(*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					
	2015					
	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	**¥ 407,444**	**¥ —**	**¥ —**	**¥ —**	**¥ —**	**¥ —**
Call loans and bills bought	**—**	**—**	**—**	**—**	**—**	**—**
Debt purchased	**5,096**	**—**	**—**	**—**	**—**	**—**
Securities	**240,438**	**356,190**	**341,955**	**355,821**	**219,300**	**15,000**
Held-to-maturity debt securities	**789**	**1,679**	**422**	**43**	**—**	**—**
Bonds	**789**	**1,679**	**422**	**43**	**—**	**—**
Available-for-sale securities with contractual maturities	**239,648**	**354,511**	**341,533**	**355,778**	**219,300**	**15,000**
Japanese government bonds	**96,000**	**184,500**	**251,500**	**230,000**	**101,500**	**—**
Japanese local government bonds	**51,243**	**20,907**	**30,985**	**31,970**	**34,372**	**—**
Corporate bonds	**20,493**	**26,735**	**3,204**	**4,029**	**44,974**	**—**
Other	**71,911**	**122,368**	**55,844**	**89,778**	**38,454**	**15,000**
Loans and bills discounted (*)	**876,822**	**411,536**	**311,973**	**204,255**	**285,866**	**590,847**
Total	**¥1,529,802**	**¥767,727**	**¥653,929**	**¥560,076**	**¥505,166**	**¥605,848**

	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

	Thousands of U.S. dollars					
	2015					
	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	**$ 3,390,563**	**$ —**	**$ —**	**$ —**	**$ —**	**$ —**
Call loans and bills bought	**—**	**—**	**—**	**—**	**—**	**—**
Debt purchased	**42,406**	**—**	**—**	**—**	**—**	**—**
Securities:	**2,000,815**	**2,964,050**	**2,845,593**	**2,960,980**	**1,824,914**	**124,823**
Held-to-maturity debt securities	**6,565**	**13,971**	**3,511**	**357**	**—**	**—**
Bonds	**6,565**	**13,971**	**3,511**	**357**	**—**	**—**
Available-for-sale securities with contractual maturities:	**1,994,241**	**2,950,079**	**2,842,082**	**2,960,622**	**1,824,914**	**124,823**
Japanese government bonds	**798,868**	**1,535,324**	**2,092,868**	**1,913,955**	**844,636**	**—**
Japanese local government bonds	**426,420**	**173,978**	**257,843**	**266,039**	**286,028**	**—**
Corporate bonds	**170,533**	**222,476**	**26,662**	**33,527**	**374,253**	**—**
Other	**598,410**	**1,018,290**	**464,708**	**747,091**	**319,996**	**124,823**
Loans and bills discounted (*)	**7,296,513**	**3,424,615**	**2,596,097**	**1,699,717**	**2,378,846**	**4,916,759**
Total	**$12,730,315**	**$6,388,674**	**$5,441,699**	**$4,660,697**	**$4,203,761**	**$5,041,591**

(*) Loans from "bankrupt," "effectively bankrupt" and "likely to become bankrupt" borrowers, which are not expected to be repaid and amounting to ¥62,915 million ($523,549 thousand) and ¥78,122 million at March 31, 2015 and 2014, respectively, are not included.
Loans whose payment term is not determined amounting to ¥334,958 million ($2,787,367 thousand) and ¥339,359 million at March 31, 2015 and 2014, respectively, are not included.

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

	Millions of yen					
	2015					
	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 (*)	**¥4,102,219**	**¥527,443**	**¥61,402**	**¥—**	**¥—**	**¥—**
Negotiable certificates of deposits	**63,349**	**—**	**—**	**—**	**—**	**—**
Payables under securities lending transactions	**134,855**	**—**	**—**	**—**	**—**	**—**
Borrowed money	**48,557**	**41,785**	**25,780**	**—**	**—**	**—**
Bonds payable	**—**	**—**	**—**	**—**	**—**	**—**
Total	**¥4,348,981**	**¥569,228**	**¥87,182**	**¥—**	**¥—**	**¥—**

	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	¥—	¥—

	Thousands of U.S. dollars					
	2015					
	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 (*)	**$34,136,797**	**$4,389,140**	**$510,959**	**$—**	**$—**	**$—**
Negotiable certificates of deposits	**527,161**	**—**	**—**	**—**	**—**	**—**
Payables under securities lending transactions	**1,122,201**	**—**	**—**	**—**	**—**	**—**
Borrowed money	**404,069**	**347,715**	**214,529**	**—**	**—**	**—**
Bonds payable	**—**	**—**	**—**	**—**	**—**	**—**
Total	**$36,190,238**	**$4,736,856**	**$725,488**	**$—**	**$—**	**$—**

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

17. 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, 2015 and 2014 was as follows:

(a) Trading securities

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Amount of net unrealized gains (losses) included in the statements of income	**¥0**	¥0	**$0**

(b) Held-to-maturity debt securities

	Millions of yen		
	2015		
	Carrying amount	Fair value	Unrealized gains (losses)
Fair value exceeding carrying amount:			
Corporate bonds	**¥2,903**	**¥2,921**	**¥18**
Subtotal	**¥2,903**	**¥2,921**	**¥18**
Fair value not exceeding carrying amount:			
Corporate bonds	**¥ 30**	**¥ 28**	**¥ (1)**
Subtotal	**¥ 30**	**¥ 28**	**¥ (1)**
Total	**¥2,933**	**¥2,950**	**¥16**

	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

	Thousands of U.S. dollars		
	2015		
	Carrying amount	Fair value	Unrealized gains (losses)
Fair value exceeding carrying amount:			
Corporate bonds	**$24,157**	**$24,307**	**$149**
Subtotal	**$24,157**	**$24,307**	**$149**
Fair value not exceeding carrying amount:			
Corporate bonds	**$ 249**	**$ 233**	**$ (8)**
Subtotal	**$ 249**	**$ 233**	**$ (8)**
Total	**$24,407**	**$24,548**	**$133**

(c) Available-for-sale securities

	Millions of yen		
	2015		
	Carrying amount	Acquisition cost	Unrealized gains (losses)
Carrying amount exceeding acquisition cost:			
Stocks	**¥ 95,556**	**¥ 50,565**	**¥44,990**
Bonds	**1,125,369**	**1,098,662**	**26,707**
Japanese government bonds	**850,070**	**830,744**	**19,326**
Japanese local government bonds	**174,865**	**169,540**	**5,324**
Japanese corporate bonds	**100,434**	**98,377**	**2,056**
Others	**400,753**	**390,159**	**10,593**
Foreign securities included	**384,803**	**377,492**	**7,311**
Subtotal	**¥1,621,679**	**¥1,539,388**	**¥82,291**
Carrying amount not exceeding acquisition cost:			
Stocks	**¥ 2,636**	**¥ 2,779**	**¥ (143)**
Bonds	**38,783**	**38,878**	**(94)**
Japanese government bonds	**37,583**	**37,677**	**(94)**
Japanese local government bonds	**—**	**—**	**—**
Japanese corporate bonds	**1,199**	**1,200**	**(0)**
Others	**26,577**	**27,147**	**(569)**
Foreign securities included	**19,464**	**20,000**	**(535)**
Subtotal	**¥ 67,997**	**¥ 68,805**	**¥ (807)**
Total	**¥1,689,677**	**¥1,608,193**	**¥81,483**

	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

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	Thousands of U.S. dollars		
	2015		
	Carrying amount	Acquisition cost	Unrealized gains (losses)
Carrying amount exceeding acquisition cost:			
Stocks	$ 795,173	$ 420,778	$374,386
Bonds	9,364,808	9,142,564	222,243
Japanese government bonds	7,073,895	6,913,073	160,822
Japanese local government bonds	1,455,146	1,410,834	44,303
Japanese corporate bonds	835,765	818,648	17,109
Others	3,334,883	3,246,725	88,150
Foreign securities included	3,202,155	3,141,316	60,838
Subtotal	$13,494,873	$12,810,085	$684,788
Carrying amount not exceeding acquisition cost:			
Stocks	$ 21,935	$ 23,125	$ (1,189)
Bonds	322,734	323,525	(782)
Japanese government bonds	312,748	313,530	(782)
Japanese local government bonds	—	—	—
Japanese corporate bonds	9,977	9,985	(0)
Others	221,161	225,904	(4,734)
Foreign securities included	161,970	166,430	(4,452)
Subtotal	$ 565,840	$ 572,563	$ (6,715)
Total	$14,060,722	$13,382,649	$678,064

(2) Held-to-maturity debt securities sold for the fiscal years ended March 31, 2015 and 2014

Not applicable.

(3) Available-for-sale securities sold for the fiscal years ended March 31, 2015 and 2014

	Millions of yen		
	2015		
	Sales amount	Gains on sales	Losses on sales
Stocks	¥ 2,618	¥1,401	¥ —
Bonds	309,823	2,096	0
Japanese government bonds	286,518	2,012	—
Japanese local government bonds	8,892	38	0
Japanese corporate bonds	14,413	45	0
Others	324,882	2,438	145
Foreign securities included	324,882	2,438	145
Total	¥637,324	¥5,936	¥146

	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

	Thousands of U.S. dollars		
	2015		
	Sales amount	Gains on sales	Losses on sales
Stocks	$ 21,785	$11,658	$ —
Bonds	2,578,205	17,441	0
Japanese government bonds	2,384,272	16,742	—
Japanese local government bonds	73,995	316	0
Japanese corporate bonds	119,938	374	0
Others	2,703,520	20,287	1,206
Foreign securities included	2,703,520	20,287	1,206
Total	$5,303,520	$49,396	$1,214

(4) Information on money held in trust at March 31, 2015 and 2014 was as follows:

Money held in trust

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Carrying amount (fair value)	**¥22,000**	¥22,000	**$183,073**
Amount of net unrealized gains (losses) included in the statements of income	**18**	66	**149**

(5) The components of the valuation difference on available-for-sale securities recorded under net assets at March 31, 2015 and 2014 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Valuation difference	**¥ 81,483**	¥ 56,540	**$ 678,064**
Deferred tax liabilities	**(22,602)**	(16,905)	**(188,083)**
Amounts equivalent to difference on available-for-sale securities	**¥ 58,881**	¥ 39,634	**$ 489,980**
Minority interests adjustment	**(63)**	(49)	**(524)**
Valuation difference on available-for-sale securities	**¥ 58,818**	¥ 39,585	**$ 489,456**

(6) Securities reclassified for the fiscal years ended March 31, 2015 and 2014

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 end of the fiscal year 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. No impairment loss was recognized for the fiscal year ended March 31, 2015. Impairment loss recognized on equity securities was ¥170 million for the fiscal year ended March 31, 2014.

18. 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, 2015 and 2014 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			
		2015			
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	**¥389**	**¥389**	**¥ 15**	**¥ 15**
	Receive floating rate/pay fixed rate	**389**	**389**	**(14)**	**(14)**
Total		**¥ —**	**¥ —**	**¥ 1**	**¥ 1**

		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

		Thousands of U.S. dollars			
		2015			
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	**$3,237**	**$3,237**	**$ 124**	**$ 124**
	Receive floating rate/pay fixed rate	**3,237**	**3,237**	**(116)**	**(116)**
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			
		2015			
Category	Transaction type	Contract amount	Contract amount due after one year	Fair value	Unrealized gains (losses)
Over-the-counter transactions	Currency swaps	**¥490,472**	**¥254,191**	**¥(11,679)**	**¥(11,679)**
	Forward foreign exchange contracts				
	Sold	**4,401**	**—**	**(302)**	**(302)**
	Bought	**196**	**—**	**1**	**1**
Total		**¥ —**	**¥ —**	**¥(11,980)**	**¥(11,980)**

		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)

		Thousands of U.S. dollars			
		2015			
Category	Transaction type	Contract amount	Contract amount due after one year	Fair value	Unrealized gains (losses)
Over-the-counter transactions	Currency swaps	**$4,081,484**	**$2,115,261**	**$(97,187)**	**$(97,187)**
	Forward foreign exchange contracts				
	Sold	**36,623**	**—**	**(2,513)**	**(2,513)**
	Bought	**1,631**	**—**	**8**	**8**
Total		**$ —**	**$ —**	**$(99,692)**	**$(99,692)**

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, 2015 and 2014 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		
			2015		
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		**¥26,027**	**¥22,864**	**¥(1,084)**
	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		**¥ 60**	**¥ 180**	**Note 3**
Total			**¥ —**	**¥ —**	**¥(1,084)**

			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)

			Thousands of U.S. dollars		
			2015		
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		**$216,584**	**$190,263**	**$(9,020)**
	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		**$ 499**	**$ —**	**Note 3**
Total			**$ —**	**$ —**	**$(9,020)**

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 16, "FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES."

(b) Currency related transactions

None

(c) Stock related transactions

None

(d) Bond related transactions

None

19. PROJECTED BENEFIT OBLIGATIONS

(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.

Ten 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 projected benefit obligations

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Balance at April 1, 2014	¥55,146	¥49,656	$458,899
Cumulative effects of changes in accounting policies	584	—	4,859
Restated balance at April 1, 2014	55,731	49,656	463,767
Service cost	1,654	1,671	13,763
Interest cost	869	987	7,231
Actuarial loss (gain)	48	5,352	399
Benefits paid	(2,427)	(2,520)	(20,196)
Balance at March 31, 2015	¥55,877	¥55,146	$464,982

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
	2015	2014	2015
Balance at April 1, 2014	¥36,107	¥32,901	$300,466
Expected return on plan assets	626	560	5,209
Actuarial gain (loss)	3,556	1,822	29,591
Contributions paid by the employer	2,380	2,406	19,805
Benefits paid	(1,546)	(1,583)	(12,865)
Balance at March 31, 2015	¥41,124	¥36,107	$342,215

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

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

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Funded projected benefit obligations	¥ 45,669	¥ 44,153	$ 380,036
Plan assets	(41,124)	(36,107)	(342,215)
	4,544	8,045	37,813
Unfunded projected benefit obligations	10,208	10,993	84,946
Net liability (asset) for retirement benefits at March 31, 2015	¥ 14,753	¥ 19,039	$ 122,767
Liability for retirement benefits	¥ 14,753	¥ 19,039	$ 122,767
Asset for retirement benefits	—	—	—
Net liability (asset) for retirement benefits at March 31, 2015	¥ 14,753	¥ 19,039	$ 122,767

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
	2015	2014	2015
Service cost	¥1,654	¥1,671	$13,763
Interest cost	869	987	7,231
Expected return on plan assets	(626)	(560)	(5,209)
Net actuarial loss amortization	1,374	840	11,433
Total retirement benefit costs for the fiscal year ended March 31, 2015	¥3,272	¥2,938	$27,228

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

(e) Adjustments for retirement benefits

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

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Actuarial gain (loss)	¥4,881	—	$40,617
Total adjustments for retirement benefits for the fiscal year ended March 31, 2015	¥4,881	—	$40,617

(f) 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
	2015	2014	2015
Unrecognized actuarial gain (loss)	¥(1,893)	¥(6,775)	$(15,752)
Total balance at March 31, 2015	¥(1,893)	¥(6,775)	$(15,752)

(g) Plan assets

1) Plan assets comprise:

	2015	2014
Bonds	19.5%	17.5%
Stocks	36.1%	30.5%
Cash and deposits	3.7%	1.5%
Life insurance general accounts	30.9%	27.7%
Other	9.8%	22.8%
Total	100%	100%

Note: Total plan assets include retirement benefit trusts which were set up for a corporate pension fund plan (5.9% and 18.5% of total plan assets at March 31, 2015 and 2014, respectively).

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.

(h) Actuarial assumptions

The principal actuarial assumptions for the fiscal years ended March 31, 2015 and 2014 were as follows:

	2015	2014
Discount rate	1.57%	1.27%
Long-term expected rate of return	2.00%	2.00%
Estimated rate of increase in salary	3.90%	3.90%

20. STOCK OPTIONS

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

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
General and administrative expenses	¥41	¥43	$341

(b) Stock options outstanding at March 31, 2015 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, 2015:

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 ($0.00)	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 ($0.00)	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 ($0.00)	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 ($0.00)	From July 27, 2013 to July 26, 2043	Not defined	Not defined
2014 Stock Options	14 directors (excluding outside directors) of the Bank	Common stock 99,700 shares	July 25, 2014	¥1 ($0.00)	From July 26, 2014 to July 25, 2044	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	2014 Stock Options
Non-vested					
March 31, 2014 – Outstanding	—	—	—	29,875	—
Granted	—	—	—	—	99,700
Forfeited	—	—	—	—	—
Vested	—	—	—	29,875	74,775
March 31, 2015 – Outstanding	—	—	—	—	24,925
Vested					
March 31, 2014 – Outstanding	54,100	83,100	113,700	89,625	—
Vested	—	—	—	29,875	74,775
Exercised	—	12,000	21,300	18,900	—
Forfeited	—	—	—	—	—
March 31, 2015 – Outstanding	54,100	71,100	92,400	100,600	74,775

2) Price information

	Yen					U.S. dollars				
	2010 Stock Options	2011 Stock Options	2012 Stock Options	2013 Stock Options	2014 Stock Options	2010 Stock Options	2011 Stock Options	2012 Stock Options	2013 Stock Options	2014 Stock Options
Exercise price	¥ 1	¥ 1	¥ 1	¥ 1	¥ 1	$0.00	$0.00	$0.00	$0.00	$0.00
Average stock price at exercise date	—	420	420	420	—	—	3.49	3.49	3.49	—
Fair value price at grant date	441	386	303	372	401	3.66	3.21	2.52	3.09	3.33

(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 fiscal year ended March 31, 2015 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: 26.70%, calculated using the market price of the Bank's stock from May 2010 to July 2014.
2. Estimated remaining outstanding period: 4.2 years, which was the average remaining tenure 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, 2014.
4. Risk-free interest rate: 0.12%, 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.

21. 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 35.4 % and 38.2% for the fiscal years ended March 31, 2015 and 2014, respectively.

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

	Millions of yen		Thousands of U.S. dollars
	2015	2014	**2015**
Deferred tax assets:			
Excess bad debt expense	**¥ 8,461**	¥ 9,813	**$ 70,408**
Liability for retirement benefits	**5,540**	9,087	**46,101**
Depreciation	**814**	916	**6,773**
Write-down of land	**3,713**	4,107	**30,897**
Loss on impairment of fixed assets	**1,605**	1,772	**13,356**
Valuation loss on securities	**4,140**	4,689	**34,451**
Tax loss carryforwards	**97**	2,636	**807**
Net deferred loss on hedging instruments	**326**	416	**2,712**
Other	**2,088**	2,513	**17,375**
Subtotal deferred tax assets:	**26,787**	35,953	**222,909**
Valuation allowance	**(12,631)**	(13,706)	**(105,109)**
Total deferred tax assets	**14,156**	22,246	**117,799**
Deferred tax liabilities:			
Valuation difference on available-for-sale securities	**(22,602)**	(16,905)	**(188,083)**
Other	**(45)**	(46)	**(374)**
Total deferred tax liabilities	**(22,647)**	(16,952)	**(188,458)**
Net deferred tax assets (liabilities)	**¥ (8,491)**	¥ 5,294	**$ (70,658)**

Note: Net deferred tax assets (liabilities) as of March 31, 2015 and 2014 are included in the following accounts in the consolidated balance sheets:

	Millions of yen		Thousands of U.S. dollars
	2015	2014	**2015**
Deferred tax assets	**¥1,386**	¥5,294	**$11,533**
Deferred tax liabilities	**9,878**	—	**82,200**

The following table summarizes the significant differences between the statutory tax rate and the effective tax rate for financial statement purposes for the fiscal years ended March 31, 2015 and 2014:

	2015	2014
Statutory tax rate	**35.4%**	38.2%
Valuation allowance	**1.3%**	10.8%
Non-deductible expenses	**0.3%**	0.3%
Non-taxable income	**(2.6)%**	(2.0)%
Adjustment of deferred tax assets for enacted changes in tax laws and rates	**6.4%**	2.6%
Other	**1.0%**	0.7%
Effective tax rate	**41.9%**	50.6%

For the year 2014

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 and increase net deferred gains or losses on hedges and income taxes–deferred by ¥32 million and ¥524 million, respectively, from the amounts that would have been reported without the change.

For the year 2015

The “Act for Partial Amendment of the Income Tax Act, etc.” (Act No. 9 of 2015) was promulgated on March 31, 2015, and as a result, income tax rate, etc. was reduced effective for fiscal years beginning on or after April 1, 2015. As a result, the effective statutory tax rate used to measure the Group’s deferred tax assets and liabilities was changed from 35.4% to 32.8% for the temporary differences expected to be realized or settled for the fiscal year beginning April 1, 2015, and to 32.0% for fiscal years beginning on or after April 1, 2016. The effect of the change in the effective statutory tax rate as of and for the fiscal year ended March 31, 2015 was to decrease deferred tax assets, deferred tax liabilities, net deferred gains or losses on hedges, and accumulated adjustments for retirement benefits by ¥42 million ($349 thousand), ¥1,187 million ($9,877 thousand), ¥25 million ($208 thousand) and ¥56 million ($466 thousand), respectively, and increase valuation difference on available-for-sale securities and deferred income taxes by ¥2,392 million ($19,905 thousand) and ¥1,166 million ($9,702 thousand), respectively, from the amounts that would have been reported without the change.

22. 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 Note 2, "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.

As described in Note 2 (q), "SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Changes in accounting policies," effective from the fiscal year ended March 31, 2015, with respect to the application of Retirement Benefits Standard and Retirement Benefits Guidance, the Group has applied the Paragraph 35 of Retirement Benefits Standard and Paragraph 67 of Retirement Benefits Guidance. Accordingly, the Group has revised the methods used to calculate projected benefit obligations and service cost, and also revised those of the business segments in the same manner.

As a result, segment profit in the "Banking and Securities" for the fiscal year ended March 31, 2015 increased by ¥69 million ($574 thousand) and segment liabilities in the "Banking and Securities" at the beginning of the fiscal year ended March 31, 2015 increased by ¥584 million ($4,859 thousand), from the amounts that would have been reported without the change.

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

Segment information for the fiscal years ended March 31, 2015 and 2014 is summarized as follows:

	Millions of yen						
	2015						
	Reportable segments						
	Banking and Securities	Leasing	Total	Other	Total	Adjustment	Consolidated
Ordinary income:							
Outside customers	¥ 73,453	¥ 6,238	¥ 79,692	¥ 1,881	¥ 81,574	¥ 98	¥ 81,672
Intersegment income	338	849	1,187	2,247	3,435	(3,435)	—
Total	73,792	7,087	80,880	4,128	85,009	(3,337)	81,672
Segment profit	16,379	332	16,711	1,201	17,912	(52)	17,860
Segment assets	5,317,675	21,856	5,339,531	17,314	5,356,845	(28,184)	5,328,661
Segment liabilities	5,076,096	18,883	5,094,979	8,631	5,103,611	(26,268)	5,077,342
Other item							
Depreciation	4,158	212	4,370	86	4,457	69	4,526
Interest income	54,892	1	54,893	53	54,947	(111)	54,835
Interest expense	3,764	171	3,935	11	3,947	(180)	3,766
Extraordinary gain	279	—	279	—	279	(82)	197
Extraordinary loss	45	0	45	0	46	—	46
Tax expense	6,861	219	7,080	486	7,566	(14)	7,552
Increase in tangible and intangible fixed assets	3,371	7	3,379	48	3,427	37	3,464

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 ¥98 million is mainly the recovery of written off claims included in "other."
(2) Adjustment of segment profit of negative ¥52 million is the elimination of intersegment transactions.
(3) Adjustment of segment assets of negative ¥28,184 million is the elimination of intersegment transactions.
(4) Adjustment of segment liabilities of negative ¥26,268 million is the elimination of intersegment transactions and the adjustment of liability for retirement benefits.
(5) Adjustment of depreciation of ¥69 million is the elimination of intersegment transactions.
(6) Adjustment of interest income of negative ¥111 million is the elimination of intersegment transactions.
(7) Adjustment of interest expense of negative ¥180 million is the elimination of intersegment transactions.
(8) Adjustment of extraordinary gain of negative ¥82 million is the elimination of intersegment transactions.
(9) Adjustment of tax expense of negative ¥14 million is the elimination of intersegment transactions.
(10) Adjustment of increase in tangible and intangible fixed assets of ¥37 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

	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.

Thousands of U.S. dollars

	2015						
	Reportable segments						
	Banking and Securities	Leasing	Total	Other	Total	Adjustment	Consolidated
Ordinary income:							
Outside customers	**$ 611,242**	**$ 51,909**	**$ 663,160**	**$ 15,652**	**$ 678,821**	**$ 815**	**$ 679,637**
Intersegment income	**2,812**	**7,064**	**9,877**	**18,698**	**28,584**	**(28,584)**	**—**
Total	**614,063**	**58,974**	**673,046**	**34,351**	**707,406**	**(27,768)**	**679,637**
Segment profit	**136,298**	**2,762**	**139,061**	**9,994**	**149,055**	**(432)**	**148,622**
Segment assets	**44,251,269**	**181,875**	**44,433,144**	**144,079**	**44,577,223**	**(234,534)**	**44,342,689**
Segment liabilities	**42,240,958**	**157,135**	**42,398,094**	**71,823**	**42,469,925**	**(218,590)**	**42,251,327**
Other item							
Depreciation	**34,600**	**1,764**	**36,365**	**715**	**37,089**	**574**	**37,663**
Interest income	**456,786**	**8**	**456,794**	**441**	**457,243**	**(923)**	**456,311**
Interest expense	**31,322**	**1,422**	**32,745**	**91**	**32,845**	**(1,497)**	**31,338**
Extraordinary gain	**2,321**	**—**	**2,321**	**—**	**2,321**	**(682)**	**1,639**
Extraordinary loss	**374**	**0**	**374**	**0**	**382**	**—**	**382**
Tax expense	**57,094**	**1,822**	**58,916**	**4,044**	**62,960**	**(116)**	**62,844**
Increase in tangible and intangible fixed assets	**28,051**	**58**	**28,118**	**399**	**28,517**	**307**	**28,825**

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 $815 thousand is mainly the recovery of written off claims included in “other.”
(2) Adjustment of segment profit of negative $432 thousand is the elimination of intersegment transactions.
(3) Adjustment of segment assets of negative $234,534 thousand is the elimination of intersegment transactions.
(4) Adjustment of segment liabilities of negative $218,590 thousand is the elimination of intersegment transactions and the adjustment of liability for retirement benefits.
(5) Adjustment of depreciation of $574 thousand is the elimination of intersegment transactions.
(6) Adjustment of interest income of negative $923 thousand is the elimination of intersegment transactions.
(7) Adjustment of interest expense of negative $1,497 thousand is the elimination of intersegment transactions.
(8) Adjustment of extraordinary gain of negative $682 thousand is the elimination of intersegment transactions.
(9) Adjustment of tax expense of negative $116 thousand is the elimination of intersegment transactions.
(10) Adjustment of increase in tangible and intangible fixed assets of $307 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 2015				
	Banking	Securities and investments	Leasing	Others	Total
Ordinary income from outside customers	**¥36,486**	**¥24,114**	**¥6,238**	**¥14,832**	**¥81,672**

	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

	Thousands of U.S. dollars 2015				
	Banking	Securities and investments	Leasing	Others	Total
Ordinary income from outside customers	**$303,619**	**$200,665**	**$51,909**	**$123,425**	**$679,637**

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, 2015 and 2014; 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, 2015 and 2014; 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, 2015 or 2014. Therefore, information about major customers is not required to be disclosed.

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

	Millions of yen 2015				
	Reportable segments				
	Banking and Securities	Leasing	Total	Others	Total
Loss on impairment	**¥11**	**—**	**¥11**	**—**	**¥11**

	Millions of yen 2014				
	Reportable segments				
	Banking and Securities	Leasing	Total	Others	Total
Loss on impairment	¥15	—	¥15	—	¥15

	Thousands of U.S. dollars 2015				
	Reportable segments				
	Banking and Securities	Leasing	Total	Others	Total
Loss on impairment	**$91**	**—**	**$91**	**—**	**$91**

(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.

23. RELATED PARTY TRANSACTIONS

For the fiscal year ended March 31, 2015, 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 (Senior Managing Director) Loans	Lending of money*2 Interest receivable	— 0	— 0	Loans —	28 —	233 —
	Shigeichi Kawai	—	—	Forestry	—	Father of Shigeyori Kawai (Director) Loans	Repayments of loans *3 Interest receivable	244 1	2,030 8	— —	— —	— —
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	— 0	— 0	Loans —	89 —	740 —

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. Lump-sum repayments were made on December 17, 2014.
4. Relatives of Naoki Minowa (Corporate Auditor of the Bank) have 62.5% of voting rights of this company directly.

For the fiscal 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)	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 (Managing Director) Loans	Lending of money*2 Interest receivable	— 0	Loans —	29 —
	Shigeichi Kawai	—	—	Forestry	—	Father of Shigeyori Kawai (Director) Loans	Lending of money *2 Interest receivable	— 3	Loans*3 —	244 —
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	Loans —	112 —

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.
4. Relatives of Naoki Minowa (Corporate Auditor 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 as of that day.

24. PER SHARE INFORMATION

Net assets per share at March 31, 2015 and 2014 and net income per share for the fiscal years then ended were as follows:

	Yen		U.S. dollars
	2015	**2014**	**2015**
Net assets per share	**¥906.92**	¥794.95	**$7.54**
Net income per share - basic	**36.81**	33.78	**0.30**
Diluted net income per share	**36.76**	33.74	**0.30**

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

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
(Net assets per share)			
Net assets	¥251,318	¥220,648	$2,091,353
Amounts to be deducted from net assets:	8,082	7,460	67,254
Stock acquisition rights	(146)	(123)	(1,214)
Minority interests	(7,935)	(7,336)	(66,031)
Net assets attributed to common stock	243,236	213,188	2,024,099
Outstanding number of shares of common stock at end of year (unit: thousand shares)	268,200	268,175	—
(Basic and diluted net income per share)			
Net income	¥ 9,874	¥ 9,079	$ 82,166
Net income attributed to common stock	9,874	9,079	82,166
Average outstanding number of shares during the year (unit: thousands of shares)	268,201	268,779	—
Adjustment to net income	—	—	—
Increase in number of shares of common stock	382	325	—
Stock acquisition rights	(382)	(325)	—
Convertible securities not diluting net income per share	—	—	—

For the year 2014
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 Paragraph 35 of Retirement Benefits Standard and Paragraph 67 of Retirement Benefits Guidance, in accordance with Paragraph 37 of Retirement Benefits Standard.

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

For the year 2015
As described in Note 2 (q), "SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Changes in accounting policies," effective from the fiscal year ended March 31, 2015, with respect to the application of Retirement Benefits Standard and Retirement Benefits Guidance, the Group has applied Paragraph 35 of Retirement Benefits Standard and Paragraph 67 of Retirement Benefits Guidance in accordance with Paragraph 37 of Retirement Benefits Standard.

As a result, net assets per share decreased by ¥1.40 ($0.01) at the beginning of the fiscal year ended March 31, 2015 while basic and diluted net income per share increased by ¥0.17 ($0.00) for the fiscal year ended March 31, 2015.

25. SUBSEQUENT EVENTS

Not applicable.

26. BORROWED MONEY, BONDS PAYABLE AND LEASE OBLIGATIONS

a. The details of borrowed money as of March 31, 2015 and 2014 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Borrowed money			
Due from April 2015 through October 2019			
Average interest rate: 0.22% p.a.	¥116,122	¥85,388	$966,314

Annual maturities of borrowed money as of March 31, 2015 were as follows:

	Millions of yen	Thousands of U.S. dollars
2016	¥ 48,557	$404,069
2017	440	3,661
2018	41,345	344,054
2019	22,455	186,860
2020	3,325	27,669
Total	¥116,122	$966,314

b. The details of bonds payable as of March 31, 2015 and 2014 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2015	**2014**	**2015**
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	**$ —**

The Bank redeemed the entire amount of the Nanto Bank, Ltd. 2nd unsecured callable bonds (subordinated) prior to maturity on March 4, 2015 based on the resolution of the Board of Directors' meeting held on February 4, 2015.

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, 2015 were as follows:

	Millions of yen	Thousands of U.S. dollars
2016	**¥0**	**$0**
2017	**0**	**0**
Total	**¥0**	**$0**

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, 2015 and 2014,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, 2015 and 2014, 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, 2015 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 17, 2015
Osaka, Japan

Capital Management

Consolidated Capital Adequacy Ratio

As of March 31, 2015

Millions of yen

	2015	2014
(1) Capital adequacy ratio ((2)/(3))	9.72%	10.51%
(2) Capital	¥ 204,318	¥ 216,468
(3) Risk-weighted assets	2,101,774	2,059,263
(4) Requisite capital	84,070	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, 2015

Millions of yen

	2015	2014
(1) Capital adequacy ratio ((2)/(3))	9.29%	10.03%
(2) Capital	¥ 193,405	¥ 204,782
(3) Risk-weighted assets	2,080,814	2,039,819
(4) Requisite capital	83,232	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, 2015)

ORGANIZATION

- STOCKHOLDERS' MEETING
- BOARD OF DIRECTORS
  - MANAGING DIRECTORS' COMMITTEE
    - Chairman
    - President
      - Managing Directors
      - Director And Executive Advisor
      - 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, 2015)

The Nanto Group, which consists of the Nanto Bank and its 10 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
  - 3 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.
  - 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, 2015)

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
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 (As of March 31, 2015)

Authorized shares:	640,000,000
Outstanding shares:	272,756 thousand
Stated capital:	29,249 million
Number of stockholders:	10,192
Date of incorporation:	June 1934
Domestic network:	136 offices
Overseas network:	2 representative offices
Number of employees:	2,697
Ordinary stockholders' meeting:	June 26, 2015
Stock listings:	Tokyo Stock Exchange

MAJOR STOCKHOLDERS (As of March 31, 2015)

	Number of shares (thousands)	Percentage (%)
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	10,283	3.77
Japan Trustee Services Bank, Ltd.	8,991	3.29
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	7,940	2.91
Sumitomo Life Insurance Co. (standing proxy: Japan Trustee Services Bank, Ltd.)	5,420	1.98
DMG MORI 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.)	3,204	1.17
The Master Trust Bank of Japan, Ltd.	3,094	1.13
Total	64,724	23.72

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