ANNUAL REPORT

YEAR ENDED March 31, 2014

2014

The Akita Bank, Ltd.

Profile

Since its establishment in 1879, The Akita Bank, Ltd., has worked diligently to extend comprehensive financial services geared to the funding requirements of clients in Akita Prefecture. These efforts are underpinned by a philosophy that seeks to contribute to regional prosperity and help the Bank achieve growth as a financial institution in tune with the economic development of the community. The Akita Bank Group, which comprises the Bank and five consolidated subsidiaries, maintains a full line of financial services and provides guarantee and leasing services hinging on the banking business. Several issues that characterize our operating environment are expanding in scope and taking on a greater urgency in terms of management responses. The key priority is well-balanced approach to expand the profitability of the Bank, and to secure common interest of regional clients. Based on the current medium-term management plan, Akigin <Shinka^3> Project, the Bank will execute its role as a regional bank, which its network covers the area in eastern Honshu, Japan's largest island, and expand our financial services including international operations emphasizing relations with regional clients.

Contents

In this annual report, statements other than historical facts are forward-looking statements that reflect our plans and expectations. These forward-looking statements involve risks, uncertainties and other factors that may cause our actual results and achievements to differ materially from those anticipated in these statements.

Consolidated Financial Highlight

The Akita Bank, Ltd. and subsidiaries
Years ended March 31, 2014 and 2013

	Millions of yen		Thousands of U.S. dollars (Note 1)
For the years ended March 31	2014	2013	2014
Total income	¥47,822	¥51,668	$464,652
Total expenses	36,344	45,165	353,128
Income before income taxes and minority interests	11,478	6,502	111,523
Net income	6,699	3,758	65,089

	Yen		U.S. dollars (Note 1)
Net income per share	¥35.64	¥19.88	$0.34

	Millions of yen		Thousands of U.S. dollars (Note 1)
As of March 31	2014	2013	2014
Total assets	¥2,772,671	¥2,602,834	$26,940,060
Trading account securities and securities	1,001,019	873,347	9,726,185
Loans and bills discounted	1,492,728	1,434,031	14,503,769
Deposits	2,361,139	2,270,389	22,941,498
Total net assets	150,788	147,384	1,465,099

Notes: (1) U.S. dollar amounts are translated, for convenience only, at ¥102.92 = U.S.$1.00, the exchange rate prevailing as of March 31, 2014.
(2) Capital adequacy ratio stood at 12.08% and 12.39% as of March 31, 2014 and 2013, respectively, in accordance with guidelines established by the Ministry of Finance and the Financial Service Agency.

Consolidated Five-Year Summary

The Akita Bank, Ltd. and subsidiaries
For the years ended March 31

	Millions of yen				
	2014	2013	2012	2011	2010
Total income	¥47,822	¥51,668	¥50,909	¥52,641	¥53,645
Net income	6,699	3,758	3,756	2,652	3,513
	Yen				
Net income per share	¥35.64	¥19.88	¥19.73	¥13.72	¥18.17

	Percent				
	2014	2013	2012	2011	2010
Income ratio					
Net income to total assets	0.24	0.14	0.14	0.11	0.15
Net income to owned capital	4.66	2.75	2.93	2.07	2.92
Capital adequacy ratio					
Domestic guidelines	12.08	12.39	11.96	12.27	12.36

Note The Bank's capital adequacy ratio and net income to owned capital ratio are calculated in accordance with guidelines established by the Ministry of Finance and the Financial Service Agency.

Consolidated Balance Sheets

The Akita Bank, Ltd. and subsidiaries
As of March 31, 2014 and 2013

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2014	2013	2014
ASSETS			
Cash and due from banks (Note 37)	¥ 148,214	¥ 203,951	$ 1,440,089
Call loans and bills bought	85,408	28,897	829,848
Monetary claims bought	11,994	35,598	116,537
Trading account securities (Note 5)	14	37	136
Money held in trust	10	12	97
Securities (Notes 6 and 12)	1,001,004	873,309	9,726,039
Loans and bills discounted (Note 7)	1,492,728	1,434,031	14,503,769
Foreign exchanges (Note 8)	916	280	8,900
Other assets (Notes 9 and 12)	19,444	21,646	188,923
Premises and equipment (Notes 10 and 30)	21,649	21,946	210,347
Intangible assets (Note 11)	1,423	1,753	13,826
Net defined benefit asset	3,921	—	38,097
Deferred tax assets (Note 14)	184	243	1,787
Customers' liabilities for acceptances and guarantees (Note 13)	7,500	7,523	72,872
Reserve for possible loan losses (Note 7)	(21,744)	(26,389)	(211,270)
Reserve for investment losses	(2)	(11)	(19)
Total assets	¥2,772,671	¥2,602,834	$26,940,060

See notes to consolidated financial statements.

Consolidated Balance Sheets

The Akita Bank, Ltd. and subsidiaries
As of March 31, 2014 and 2013

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2014	2013	2014
LIABILITIES			
Deposits (Notes 12 and 15)	¥2,361,139	¥2,270,389	$22,941,498
Negotiable certificates of deposit	128,160	122,148	1,245,239
Call money and bills sold	11,803	2,821	114,681
Payables under securities lending transactions (Note 12)	68,053	—	661,222
Borrowed money (Notes 12 and 16)	18,325	21,575	178,050
Foreign exchanges (Note 17)	95	8	923
Other liabilities (Note 18)	11,787	19,209	114,525
Reserve for directors’ bonuses	20	20	194
Reserve for employees’ retirement benefits (Note 19)	—	6,293	—
Net defined benefit liability (Note 19)	7,825	—	76,029
Reserve for directors’ retirement benefits	28	29	272
Reserve for reimbursement of dormant deposits	582	556	5,654
Reserve for contingent losses	561	557	5,450
Deferred tax liabilities (Note 14)	3,998	2,125	38,845
Deferred tax liability for land revaluation (Note 20)	1,999	2,190	19,422
Acceptances and guarantees (Note 13)	7,500	7,523	72,872
Total liabilities	¥2,621,882	¥2,455,449	$25,474,951
NET ASSETS			
Capital stock (Note 34)	14,100	14,100	136,999
Capital surplus	6,291	6,271	61,125
Retained earnings (Note 36)	103,895	97,995	1,009,473
Treasury stock	(1,921)	(1,315)	(18,664)
Total stockholders’ equity	122,367	117,052	1,188,952
Valuation difference on available-for-sale securities (Note 21)	22,886	22,585	222,366
Deferred losses on hedges	(612)	(921)	(5,946)
Land revaluation excess (Note 20)	2,926	3,255	28,429
Re-measurements of defined benefit plans	(2,399)	—	(23,309)
Total accumulated other comprehensive income	22,801	24,919	221,541
Stock option rights (Note 35)	48	45	466
Minority interests	5,571	5,367	54,129
Total net assets	150,788	147,384	1,465,099
Total liabilities and net assets	¥2,772,671	¥2,602,834	$26,940,060

See notes to consolidated financial statements.

Consolidated Statements of Income and Comprehensive Income

The Akita Bank, Ltd. and subsidiaries
As of March 31, 2014 and 2013

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2014	2013	2014
Income			
Interest income			
Interest on loans and discounts	¥20,905	¥22,381	$203,118
Interest and dividends on securities	9,889	10,477	96,084
Other interest income (Note 22)	236	296	2,293
Fees and commissions (Note 23)	6,609	6,627	64,214
Other operating income (Note 24)	6,556	10,490	63,699
Gain on recognition of past service cost (Note 19)	2,638	—	25,631
Other income (Note 25)	987	1,395	9,589
Total income	47,822	51,668	464,652
Expenses			
Interest expenses			
Interest on deposits	1,325	1,613	12,874
Interest on borrowings, call money and bills sold	84	77	816
Other interest expenses (Note 26)	517	943	5,023
Fees and commissions (Note 27)	2,401	2,379	23,328
Other operating expenses (Note 28)	4,777	7,673	46,414
General and administrative expenses	25,289	26,014	245,715
Other expenses (Notes 29 and 30)	1,947	6,465	18,917
Total expenses	36,344	45,165	353,128
Income before income taxes and minority interests	11,478	6,502	111,523
Income taxes (Note 14)			
Current	1,507	3,220	14,642
Deferred	3,086	(687)	29,984
Income before minority interests	6,883	3,970	66,877
Minority interests in net income	184	212	1,787
Net income	¥ 6,699	¥ 3,758	$ 65,089
Income before minority interests	6,883	3,970	66,877
Other comprehensive income (Note 31)			
Valuation difference on available-for-sale securities	328	8,918	3,186
Deferred losses on hedges	309	(14)	3,002
Total other comprehensive income	638	8,903	6,198
Comprehensive income	7,522	12,874	73,085
Income attributable to:			
Owners of the parent company	¥ 7,309	¥12,633	$ 71,016
Minority interests	212	240	2,059

	Yen		U.S. dollars (Note 1)
Net income per share (Note 40)	¥35.64	¥19.88	$0.34

See notes to consolidated financial statements.

Consolidated Statements of Changes in Net Assets

The Akita Bank, Ltd. and subsidiaries
For the years ended March 31, 2014 and 2013

	Millions of yen				
	Stockholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total
Balance at March 31, 2012	¥14,100	¥6,271	¥ 95,341	¥(1,304)	¥114,409
Changes of items during the period					
Dividends from surplus	—	—	(1,134)	—	(1,134)
Net income	—	—	3,758	—	3,758
Purchase of treasury stock	—	—	—	(245)	(245)
Disposal of treasury stock	—	—	(8)	234	226
Reversal of land revaluation excess	—	—	38	—	38
Net changes of Items other than stockholders' equity	—	—	—	—	—
Total changes of items during the period	—	—	2,653	(10)	2,643
Balance at March 31, 2013	¥14,100	¥6,271	¥ 97,995	¥(1,315)	¥117,052
Changes of items during the period					
Dividends from surplus	**—**	**—**	**(1,128)**	**—**	**(1,128)**
Net income	**—**	**—**	**6,699**	**—**	**6,699**
Purchase of treasury stock	**—**	**—**	**—**	**(813)**	**(813)**
Disposal of treasury stock	**—**	**20**	**—**	**207**	**227**
Reversal of land revaluation excess	**—**	**—**	**329**	**—**	**329**
Net changes of Items other than stockholders' equity	**—**	**—**	**—**	**—**	**—**
Total changes of items during the period	**—**	**20**	**5,900**	**(606)**	**5,314**
Balance at March 31, 2014	**¥14,100**	**¥6,291**	**¥103,895**	**¥(1,921)**	**¥122,367**

	Millions of yen							
	Accumulated other comprehensive income							
	Valuation difference on available-for-sale securities	Deferred losses on hedges	Land revaluation excess	Remeasurements of defined benefit plans	Total	Stock option rights	Minority interests	Total net assets
Balance at March 31, 2012	¥13,695	¥(907)	¥3,294	¥ —	¥16,082	¥37	¥5,135	¥135,664
Changes of items during the period								
Dividends from surplus	—	—	—	—	—	—	—	(1,134)
Net income	—	—	—	—	—	—	—	3,758
Purchase of treasury stock	—	—	—	—	—	—	—	(245)
Disposal of treasury stock	—	—	—	—	—	—	—	226
Reversal of land revaluation excess	—	—	—	—	—	—	—	38
Net changes of Items other than stockholders' equity	8,890	(14)	(38)	—	8,836	7	231	9,076
Total changes of items during the period	8,890	(14)	(38)	—	8,836	7	231	11,719
Balance at March 31, 2013	¥22,585	¥(921)	¥3,255	¥ —	¥24,919	¥45	¥5,367	¥147,384
Changes of items during the period								
Dividends from surplus	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**(1,128)**
Net income	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**6,699**
Purchase of treasury stock	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**(813)**
Disposal of treasury stock	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**227**
Reversal of land revaluation excess	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**329**
Net changes of Items other than stockholders' equity	**300**	**309**	**(329)**	**(2,399)**	**(2,118)**	**3**	**204**	**(1,911)**
Total changes of items during the period	**300**	**309**	**(329)**	**(2,399)**	**(2,118)**	**3**	**204**	**3,403**
Balance at March 31, 2014	**¥22,886**	**¥(612)**	**¥2,926**	**¥(2,399)**	**¥22,801**	**¥48**	**¥5,571**	**¥150,788**

See notes to consolidated financial statements.

Consolidated Statements of Changes in Net Assets

The Akita Bank, Ltd. and subsidiaries
For the years ended March 31, 2014 and 2013

	Thousands of U.S. dollars (Note 1)				
	Stockholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total
Balance at March 31, 2013	$136,999	$60,930	$ 952,147	$(12,776)	$1,137,310
Changes of items during the period					
Dividends from surplus	—	—	(10,959)	—	(10,959)
Net income	—	—	65,089	—	65,089
Purchase of treasury stock	—	—	—	(7,899)	(7,899)
Disposal of treasury stock	—	194	—	2,011	2,205
Reversal of land revaluation excess	—	—	3,196	—	3,196
Net changes of Items other than stockholders' equity	—	—	—	—	—
Total changes of items during the period	—	194	57,326	(5,888)	51,632
Balance at March 31, 2014	$136,999	$61,125	$1,009,473	$(18,664)	$1,188,952

	Thousands of U.S. dollars (Note 1)							
	Accumulated other comprehensive income							
	Valuation difference on available-for-sale securities	Deferred losses on hedges	Land revaluation excess	Remeasurements of defined benefit plans	Total	Stock option rights	Minority interests	Total net assets
Balance at March 31, 2013	$219,442	$(8,948)	$31,626	$ —	$242,120	$437	$52,147	$1,432,024
Changes of items during the period								
Dividends from surplus	—	—	—	—	—	—	—	(10,959)
Net income	—	—	—	—	—	—	—	65,089
Purchase of treasury stock	—	—	—	—	—	—	—	(7,899)
Disposal of treasury stock	—	—	—	—	—	—	—	2,205
Reversal of land revaluation excess	—	—	—	—	—	—	—	3,196
Net changes of Items other than stockholders' equity	2,914	3,002	(3,196)	(23,309)	(20,579)	29	1,982	(18,567)
Total changes of items during the period	2,914	3,002	(3,196)	(23,309)	(20,579)	29	1,982	33,064
Balance at March 31, 2014	$222,366	$(5,946)	$28,429	$(23,309)	$221,541	$466	$54,129	$1,465,099

See notes to consolidated financial statements.

Consolidated Statements of Cash Flows

The Akita Bank, Ltd. and subsidiaries
As of March 31, 2014 and 2013

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2014	2013	2014
Cash flows from operating activities			
Income before income taxes and minority interests	¥ 11,478	¥ 6,502	$ 111,523
Depreciation and amortization	1,786	1,898	17,353
Losses on impairment of fixed assets	756	225	7,345
Net change in reserve for possible loan losses	(4,644)	142	(45,122)
Net change in reserve for investment losses	(8)	(0)	(77)
Net change in reserve for employees' retirement benefits	—	214	—
Net change in net defined benefit liability	647	—	6,286
Net change in reserve for directors' retirement benefits	(1)	(19)	(9)
Net change in reserve for reimbursement of dormant deposits	26	90	252
Net change in reserve for contingent losses	3	(35)	29
Gain on fund management	(31,031)	(33,155)	(301,506)
Financing expenses	1,928	2,633	18,732
Net gain related to securities transactions	(1,108)	(836)	(10,765)
Net gain from money held in trust	—	(0)	—
Net foreign exchange gains	(411)	(308)	(3,993)
Net loss on disposal of premises and equipment	230	163	2,234
Net change in loans and bills discounted	(63,419)	7,412	(616,197)
Net change in deposits	90,749	(12,550)	881,743
Net change in negotiable certificates of deposit	6,012	23,124	58,414
Net change in borrowed money (excluding subordinated borrowing)	(3,249)	3,345	(31,568)
Net change in due from banks (excluding deposit paid to Bank of Japan)	30,321	(59,717)	294,607
Net change in call loans	(32,917)	(8,205)	(319,830)
Net change in call money	8,982	2,821	87,271
Net change in payable under securities lending transactions	68,053	(27,918)	661,222
Net change in foreign exchanges assets	(635)	(24)	(6,169)
Net change in foreign exchanges liabilities	87	(33)	845
Proceeds from fund management	32,997	34,343	320,608
Payments for finance	(2,209)	(3,592)	(21,463)
Net change in trading account securities	25	(20)	242
Other, net	(4,014)	4,563	(39,001)
Sub-total	110,435	(58,937)	1,073,017
Income taxes paid	(4,130)	(716)	(40,128)
Net cash provided by (used in) operating activities	106,305	(59,654)	1,032,889
Cash flows from investing activities			
Purchases of securities	(445,963)	(758,710)	(4,333,103)
Proceeds from sales of securities	171,670	437,614	1,667,994
Proceeds from redemption of securities	146,448	397,098	1,422,930
Decrease in money held in trust	2	244	19
Purchases of premises and equipment	(1,971)	(1,813)	(19,150)
Proceeds from sales of premises and equipment	230	99	2,234
Purchases of intangible fixed assets	(406)	(200)	(3,944)
Net cash provided by (used in) investing activities	(129,989)	74,332	(1,263,010)
Cash flows from financing activities			
Cash dividends paid	(1,128)	(1,134)	(10,959)
Cash dividends paid to minority shareholders	(8)	(8)	(77)
Purchases of treasury stock	(813)	(245)	(7,899)
Proceeds from sales of treasury stock	213	220	2,069
Net cash provided by (used in) financing activities	(1,736)	(1,167)	(16,867)
Effect of exchange rate change on cash and cash equivalents	5	5	48
Net increase (decrease) in cash and cash equivalents	(25,415)	13,516	(246,939)
Cash and cash equivalents at beginning of year	142,654	129,138	1,386,066
Cash and cash equivalents at end of year (Note 37)	¥117,238	¥142,654	$1,139,117

See notes to consolidated financial statements.

Notes to Consolidated Financial Statements

The Akita Bank, Ltd. and consolidated subsidiaries
March 31, 2014 and 2013

1. Basis of Presentation of financial statements

The accompanying consolidated financial statements of The Akita Bank, Ltd. (the "Bank") and its consolidated subsidiaries are prepared on the basis of accounting principles generally accepted in Japan, which are different in certain respects as to the application and disclosure requirements of International Financial Reporting Standards, and are compiled from the consolidated financial statements prepared by the Bank as required by the Financial Instruments and Exchange Act of Japan.

In preparing these consolidated financial statements, certain reclassifications and rearrangements have been made to the consolidated financial statements issued domestically in order to present them in a form which is more familiar to readers outside Japan.

The consolidated financial statements are stated in Japanese yen, the currency of the country in which the Bank is incorporated and operates. As permitted by the Financial Instruments and Exchange Act of Japan, amounts of less than one million yen have been rounded off. As a result, the totals shown in the accompanying consolidated financial statements (both in yen and U.S. dollars) do not necessarily agree with the sums of the individual amounts. The translation of Japanese yen amounts into U.S. dollar amounts is included solely for the convenience of readers outside Japan, as a matter of arithmetic computation only, at the rate of ¥102.92 to $1.00, the prevailing exchange rate at March 31, 2014. Such translations should not be construed as representations that the Japanese yen amounts could be converted into U.S. dollars at that or any other rate.

In addition, the notes to the consolidated financial statements include information which is not required under accounting principles generally accepted in Japan but is presented herein as additional information.

2. Principles of Consolidation

(a) Consolidated subsidiaries

The consolidated financial statements include the accounts of the Bank and five of its subsidiaries, including The Akigin Business Service Ltd., The Akita Guarantee Service Ltd. and others, whose fiscal year end is consistent to that of the Company. All significant intercompany transactions and accounts have been eliminated in consolidation. The consolidated financial statements do not include the accounts of two limited partnerships due to insignificance.

(b) Information on special purpose entities to be reported

The Bank has no special purpose entities or related transactions to be reported.

3. Summary of Significant Accounting Policies

(a) Trading account securities

Trading account securities are stated at fair value and the cost of securities sold is determined by the moving average method.

(b) Securities

Securities are classified, and accounted for, depending on management's intent, as follows: (1) held-to-maturity debt securities, which are expected to be held to maturity with the positive intent and ability to hold to maturity, are stated at amortized cost computed using the straight-line method and (2) available-for-sale securities are stated at fair value with unrealized holding gains and losses, net of applicable taxes, reported as valuation difference on available-for-sale securities in a separate component of equity. Securities whose fair values cannot be reliably estimated are stated at cost determined using the moving-average cost method.

Securities held in money trusts, of which funds are principally invested in securities and are separately managed from other beneficiaries, are carried at fair value with unrealized holding gains and losses included in earnings.

(c) Derivatives

Derivatives are carried at fair value which is based on market quotation.

(d) Premises and equipment

The Bank's depreciation policies are in line with the Corporation Tax Act of Japan. Depreciation is charged using the declining balance method over the estimated useful lives of respective assets. The straight-line method is applied to buildings acquired on or after April 1, 1998.

The estimated useful lives of major items are as follows:

Buildings:	3–50 years
Others:	3–20 years

Depreciation of premises and equipment owned by consolidated subsidiaries is predominantly charged using the declining balance method over the estimated useful lives of respective assets.

(e) Intangible assets

Intangible assets are amortized using the straight-line method. Cost of software held for internal-use is amortized over its estimated useful life (mainly 5 years).

(f) Leased assets

Leased assets under finance lease transactions that do not transfer ownership are depreciated using the straight-line method over the lease periods as the useful life of assets with zero residual value. The Bank leases mainly peripheral devices and automobiles, included in premises and equipment, and software, included in intangible fixed assets.

(g) Reserve for possible loan losses

Reserve for possible loan losses is provided as follows, in conformity with the internal policies regarding write-offs and reserves for possible loan losses.

The Bank has established a credit rating system in accordance with the provisions set forth in the Guidelines issued by the Japanese Institute of Certified Public Accountants under which customers are classified into five categories for self-assessment purposes: "Bankrupt Obligors," "Substantially Bankrupt Obligors," "Potential Bankrupt Obligors," "Cautious Obligors" and "Normal Obligors."

For loans to Bankrupt and Substantially Bankrupt Obligors, the Bank has provided a reserve for possible loan losses based on the amount claimed, net of the expected recovery amount from collateral and guarantee. For loans to Potential Bankrupt Obligators, the Bank has provided a reserve at an amount deemed necessary to cover possible losses which are estimated based on the expected recovery amount from collateral and guarantee as well as other factors of solvency, including the Obligors' future cash flows.

For loans to all other obligors, reserves are maintained at rate derived from default experiences for a certain period in the past.

Effective from the year ended March 31, 2014, the Bank applied the DCF method to estimate a reserve for possible loan losses for loans to Potential Bankrupt Obligors, if: (1) the loan balance, net of the amount secured by collateral, exceeds a certain amount and (2) future cash flows of principal and interest are reasonably estimated. Thus, the difference between the amount calculated by discounting future cash flows of principal and interest using the original interest rate of respective loans and its book value is accounted for as reserve for loan losses.

As a result of this change, the income before income taxes and minority interest decreased by ¥1,131 million (U.S.$ 10,989 thousand).

The collectability of all loans is assessed by branches and the credit supervisory division, with an internal audit by the asset review and inspection division, in accordance with the Bank's policies and rules for the self-assessment of asset quality.

The consolidated subsidiaries calculate their reserve for possible loan losses as the amount deemed necessary to cover possible losses, which is estimated based on the actual historical loan loss experience in addition to amounts deemed necessary based on estimation of the collectability of specific loans.

(h) Reserve for investment losses

Reserve for investment losses is provided for possible losses at the estimated amounts based on the financial position of securities' issuers.

(i) Reserve for employees' retirement benefits

For the year ended March 31, 2013, reserve for employees' retirement benefits is provided based on the projected benefit obligation and the fair value of plan assets. Unrecognized net actuarial gains and losses are amortized using the straight-line method over the average remaining service period of employees (10 years), commencing from the next fiscal year after incurrence.

Effective from the fiscal year ended March 31, 2014, the Bank has applied the Accounting Standard for Retirement Benefits (ASJB Statement No. 26, May 17, 2012, hereinafter referred to as the "Accounting Standard") and the Guidance on Accounting Standard for Retirement Benefits (ASBJ Guidance No. 25, May 17, 2012, hereinafter referred to as the "Guidance"), except for the provisions set forth in Paragraph 35 of the Accounting Standard and Paragraph 67 of the Guidance. Under the new policy, the excess amount of plan assets over retirement benefit obligation is recognized as the net defined benefit asset for the pension plan. The amount of retirement benefit obligation for the lump-sum retirement plan is recognized as the net defined benefit liability.

The Bank applies the straight-line attribution to allocate the projected benefit obligation and service cost. Furthermore, past service cost is amortized using the straight-line method over the average remaining service period of employees (one year). Unrecognized net actuarial gains and losses are amortized using the straight-line method over the average remaining service period of employees (10 years), commencing from the next fiscal year after incurrence.

The consolidated subsidiaries apply a simplified method to calculate net defined benefit liability and retirement benefit cost.

The Bank transitionally applied this Accounting Standard as determined in its Paragraph 37 and recorded unrecognized actuarial gains and losses and unrecognized past service cost, net of tax, as the remeasurements of defined benefit plans under the accumulated other comprehensive income as of March 31, 2014.

As a result, the net defined benefit asset amounted to ¥3,921 million (U.S.$ 38,097 thousand) and the net defined benefit liability amounted to ¥7,825 million (U.S.$76,029 thousand) in the current year. Furthermore, deferred tax liabilities decreased by ¥1,315 million (U.S.$ 12,776 thousand) and accumulated other comprehensive income decreased by ¥2,399 million (U.S.$ 23,309 thousand).

(j) Reserve for directors' bonuses

Reserve for directors' bonuses is provided as the amount of the estimated bonuses which are attributable to each fiscal year.

(k) Reserve for retirement benefits to directors

Consolidated subsidiaries of the Bank accrue 100% of obligations for their retirement benefits according to the internal rules, which are based under the assumption that all directors terminate their services at the year end.

(l) Reserve for reimbursement of dormant deposits

Reserve for the reimbursement of dormant deposits which were de-recognized as liabilities under certain conditions is provided for possible losses on the future claims.

(m) Reserve for contingent losses

The Bank provides a reserve for future payments under the Responsibility-sharing System with Credit Guarantee Corporations, at an amount based on historical experience.

(n) Foreign currency transaction

Foreign currency denominated assets and liabilities are translated into Japanese yen at the exchange rate prevailing at the balance sheet date.

(o) Hedge accounting

(1) Hedge against interest rate risk

For interest rate derivatives to mitigate the interest rate risks arising from various financial assets and liabilities, the Bank applies the deferred hedge accounting based on the rules prescribed in the JICPA Industry Audit Committee Report No. 24, the "Accounting and Auditing Treatment of Accounting Standards for Financial Instruments in the Banking Industry." Under these rules, hedge effectiveness is assessed by specifying hedged items (such as securities and loans) and the corresponding hedging instruments (such as interest rate swaps).

(2) Hedge against foreign exchange risk

For foreign exchange risks arising from financial assets and liabilities denominated in foreign currencies, the Bank applies the deferred method of hedge accounting based on the rules prescribed in the JICPA Industry Audit Committee Report No. 25, the "Accounting and Auditing Treatment relating to Adoption of Accounting Standards for Foreign Currency Transactions for Banks." The Bank enters into currency-swaps and foreign exchange swaps to mitigate the foreign exchange risks arising from financial assets and liabilities denominated in foreign currencies, both at the hedge's inception and on an ongoing basis, when these derivatives are highly effective in offsetting changes in cash flows of hedged items (financial assets and liabilities). Hedge effectiveness is assessed for designating currency swaps and foreign exchange swaps, etc., which offset foreign exchange risks of claim and debt in foreign currency as hedging instruments, and testing the existence of foreign position in hedge instruments which are corresponded to claim and debt in foreign currency.

(p) Accounting for leases

(As lessor)

For finance lease transactions which do not transfer ownership of the leased property and commenced before April 1, 2008, the net book value of leased assets included in premises and equipment as of March 31, 2008 is recorded as the initial balance of lease receivables and lease investment assets in accordance with the stipulations of Article 81 of the "Guidance on Accounting Standard for Lease Transactions" (ASBJ Guidance No. 16, March 20, 2007).

(q) Consumption taxes

Transactions are recorded exclusive of consumption taxes.

(r) Cash and cash equivalents

For the purpose of the consolidated statements of cash flows, cash and cash equivalents consist of cash and deposit with the Bank of Japan.

(s) Income taxes

Deferred tax assets and liabilities are recorded based on the temporary differences between the tax basis of assets and liabilities and their reported amounts in the financial statements using the enacted tax rates in effect for the year in which the temporary differences are expected to be settled. Deferred tax assets are also recognized for the estimated future tax effects attributable to the operating loss carried forward. A valuation allowance is recorded to reduce deferred tax assets if it is more likely than not that some or all the deferred tax assets will not be realized.

4. Accounting Standards Not Yet Applied

(a) Revised accounting standard and implementation guidelines for retirement benefits (issued on May 17, 2012)

(i) Overview

The accounting standard and its implementation guidelines have been revised, from the viewpoint of improvements to financial reporting and international convergence, mainly focusing on (1) how actuarial gains and losses and past service cost should be accounted for, (2) how retirement benefit obligations and current service costs should be determined and (3) enhancement of disclosures.

(ii) Effective dates

The Bank will adopt the amendments relating to the calculation of projected benefit obligation and service costs effective from April 1, 2014.

(iii) Financial impact

Upon the adoption of amendments, retained earnings at April 1, 2014 will increase by ¥590 million (U.S. $5,732 thousand).

(b) Accounting standard for business combinations and related standards and implementation guidelines (issued on September 13, 2013)

(i) Overview

These accounting standards introduce the revisions to accounting for: (1) changes in the company's ownership interests while retaining their controlling financial interests in their subsidiaries, upon acquisition of additional shares (2) acquisition-related costs, (3) presentation of net income and change from minority interest to non-controlling interest and (4) provisional accounting treatment.

(ii) Effective dates

The Bank will adopt the amendments effective from April 1, 2015.

(iii) Financial impact

The financial impact has yet to be determined.

5. Trading Account Securities

Trading account securities as of March 31, 2014 and 2013 consisted of Japanese government bonds and local government bonds as follows:

	Millions of yen		Thousands of U.S. doallars (Note 1)
	2014	2013	2014
Amount in the balance sheet	¥14	¥37	$136
Valuation gain (loss) included in income for the year	(0)	0	(0)

6. Securities

Securities as of March 31, 2014 and 2013 consisted of the following:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2014	2013	2014
Japanese government bonds	¥ 403,857	¥330,888	$3,923,989
Local government bonds	77,114	113,885	749,261
Short term corporate bonds	2,999	1,999	29,139
Corporate bonds	357,863	305,632	3,477,098
Share stocks	47,571	43,132	462,213
Other securities	111,597	77,771	1,084,308
Total	¥1,001,004	¥873,309	$9,726,039

Fair value and valuation differences of securities as of March 31, 2014 and 2013 and other related information were stated below.

(a) Held-to-maturity debt securities

The Bank and its consolidated subsidiaries' investments in held-to-maturity debt securities as of March 31, 2014 and 2013 were summarized as follows:

	Millions of yen		
	2014		
	Carrying value	Fair value	Difference
Japanese government bonds	¥595	¥626	¥30

	Millions of yen		
	2013		
	Carrying value	Fair value	Difference
Japanese government bonds	¥595	¥629	¥34

	Thousands of U.S. dollars (Note 1)		
	2014		
	Carrying value	Fair value	Difference
Japanese government bonds	$5,781	$6,082	$291

(b) Available-for-sale securities

The Bank and its consolidated subsidiaries' investments in available-for-sale securities as of March 31, 2014 and 2013 were summarized in the following tables. For presentation purposes, the tables also include: (i) trading account securities, (ii) some negotiable certificates of deposits included in cash and deposits and (iii) a part of securities included in monetary claims bought on the consolidated balance sheets, but exclude the stocks of the Bank's subsidiaries and affiliates.

	Millions of yen		
	2014		
	Carrying value	Cost	Difference
Carrying value exceeding cost:			
Stocks	¥ 41,162	¥ 24,412	¥16,749
Bonds:			
Japanese government bonds	393,251	387,152	6,099
Local government bonds	77,114	74,808	2,305
Corporate bonds	331,275	326,480	4,795
Bonds total	801,641	788,441	13,200
Other	88,541	82,238	6,302
Subtotal	¥ 931,345	¥895,092	¥36,253
Carrying value not exceeding cost:			
Stocks	¥ 4,769	¥ 5,426	¥ (657)
Bonds:			
Japanese government bonds	10,010	10,013	(3)
Short-term corporate bonds	2,999	2,999	(0)
Corporate bonds	26,587	26,642	(54)
Bonds total	39,597	39,655	(58)
Other	28,300	29,162	(862)
Subtotal	72,666	74,245	(1,578)
Total	¥1,004,012	¥969,337	¥34,674

	Millions of yen		
	2013		
	Carrying value	Cost	Difference
Carrying value exceeding cost:			
Stocks	¥ 35,365	¥ 22,480	¥12,884
Bonds:			
Japanese government bonds	330,293	322,335	7,957
Local government bonds	113,885	110,355	3,529
Corporate bonds	290,319	284,637	5,682
Bonds total	734,497	717,327	17,169
Other	63,524	57,440	6,083
Subtotal	¥833,387	¥797,249	¥36,138
Carrying value not exceeding cost:			
Stocks	¥ 5,281	¥ 6,150	¥ (868)
Bonds:			
Short-term corporate bonds	1,999	1,999	(0)
Corporate bonds	15,313	15,425	(112)
Bonds total	17,313	17,425	(112)
Other	17,297	17,909	(611)
Subtotal	¥ 39,892	¥ 41,484	¥ (1,592)
Total	¥873,279	¥838,734	¥34,545

	Thousands of U.S. dollars (Note 1)		
	2014		
	Carrying value	Cost	Difference
Carrying value exceeding cost:			
Stocks	$ 399,941	$ 237,193	$162,738
Bonds:			
Japanese government bonds	3,820,938	3,761,678	59,259
Local government bonds	749,261	726,855	22,396
Corporate bonds	3,218,762	3,172,172	46,589
Bonds total	7,788,972	7,660,717	128,254
Other	860,289	799,047	61,232
Subtotal	$9,049,212	$8,696,968	$352,244
Carrying value not exceeding cost:			
Stocks	$ 46,336	$ 52,720	$ (6,383)
Bonds:			
Japanese government bonds	97,260	97,289	(29)
Short-term corporate bonds	29,139	29,139	0
Corporate bonds	258,326	258,861	(524)
Bonds total	384,735	385,299	(563)
Other	274,970	283,346	(8,375)
Subtotal	$ 706,043	$ 721,385	$ (15,332)
Total	$9,755,266	$9,418,354	$336,902

(c) Available-for-sale securities sold

Available-for-sale securities sold and the gains and losses on sale of those securities for the years ended March 31, 2014 and 2013 were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2014	2013	2014
Proceeds from sales	¥170,176	¥445,984	$1,653,478
Gains	2,058	4,763	19,996
Losses	(564)	(1,669)	(5,479)

7. Loans and Bills Discounted

(a) Loans and bills discounted as of March 31, 2014 and 2013 consisted of the following:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2014	2013	2014
Bills discounted	¥ 6,497	¥ 7,540	$ 63,126
Loans on notes	55,993	57,451	544,043
Loans on deeds	1,289,858	1,232,631	12,532,627
Overdrafts	140,379	136,407	1,363,962
Total	¥1,492,728	¥1,434,031	$14,503,769

(b) Non-performing loans

In accordance with the disclosure requirements under the Rules for Bank Accounting in Japan, the following non-performing loans are included in the balance of loans and bills discounted at March 31, 2014 and 2013:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2014	2013	2014
Loans in bankruptcy and dishonored bills (*1)	¥ 2,517	¥ 4,943	$ 24,455
Delinquent loans (*2)	52,872	55,635	513,719
Loans past due for three months or more (*3)	—	—	—
Restructured loans (*4)	1,112	2,568	10,804
Total	¥56,502	¥63,147	$548,989

*1. "Loans in bankruptcy and dishonored bills" consist of non-accrual loans on which the payment of principal or interest is well past due or where there is no prospect of recovery of the principal or interest from the borrower (excluding the written-down portion of the loan). This category also includes the loans cited in Article 96-1-3 and 96-1-4 of the Order for enforcement of Corporation Tax Act (Cabinet Order No. 97 of 1965).

*2. "Delinquent loans" are non-accrual loans, which do not fall under the classifications of loans in bankruptcy and dishonored bills, or financial assistance loans where interest has been suspended for the purpose of business rehabilitation or debtor assistance.

*3. "Loans past due for three months or more" are classified in this category when three months or more have elapsed since the due date with no payment of principal or interest. Excluded from this balance are the balances of loans in bankruptcy and dishonored bills and the balance of delinquent loans.

*4. "Restructured loans" include loans which have been restructured to support the rehabilitation of certain borrowers who are encountering financial difficulties, with the intention of ensuring recovery of the loans by revising terms of repayment favorable to the borrowers (such as by reducing the rate of interest or by providing a grace period for the payment of principal/interest, etc.). Excluded from this balance are the balances of loans in bankruptcy and dishonored bills, the balances of delinquent loans and the balances of loans past due for three months or more.

(c) Bills discounted

Bills discounted are accounted for as financial transactions in accordance with the JICPA Industry Audit Committee Report No. 24, the "Treatment for Accounting and Auditing of Application of Accounting Standard for Financial Instruments in the Banking Industry." The Bank has the rights to sell or pledge commercial bills discounted and foreign exchange bills bought without restrictions. Their total face value as of March 31, 2014 and 2013 were ¥6,498 million (U.S. $63,136 thousand) and ¥7,543 million, respectively.

(d) Contracts of overdraft facilities and loan commitment limits

Contracts of overdraft facilities and loan commitment limits are the contracts detailing that the Bank lends to customers up to the prescribed limits in response to customers' application of loan as long as there is no violation of any condition in the contracts.

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2014	2013	2014
Unused balance within the limits	¥536,967	¥521,721	$5,217,324
Of which, the term of contracts is less than one year or revocable at any time	529,311	520,451	5,142,936

Since many of these commitments expire without being utilized, the unused amount does not necessarily represent a future cash requirement. Most of these contracts have conditions such that the Bank can refuse customers' applications for loans and can decrease the contract limits as they see fit/with proper reasons (e.g., changes in financial situations, deterioration of customers' creditworthiness). At the inception of a contract the Bank obtains real estate, securities, etc. as collateral, if considered necessary. Subsequently, the Bank performs periodic reviews of customers' business results based on initial rules, and takes necessary measures to reconsider conditions in contracts and/or the requirement for additional collateral and guarantees.

8. Foreign Exchange Assets

Foreign exchange assets as of March 31, 2014 and 2013 consisted of the following:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2014	2013	2014
Due from foreign banks	¥916	¥277	$8,900
Foreign exchange bills bought	0	2	0
Total	¥916	¥280	$8,900

9. Other Assets

Other assets as of March 31, 2014 and 2013 consisted of the following:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2014	2013	2014
Lease receivables and lease Investment assets	¥ 9,125	¥ 7,587	$ 88,661
Domestic exchange settlement	—	11	—
Prepaid expenses	17	15	165
Accrued income	5,609	5,950	54,498
Derivatives	345	433	3,352
Others	4,345	7,648	42,217
Total	¥19,444	¥21,646	$188,923

10. Premises and Equipment

Premises and equipment as of March 31, 2014 and 2013 consisted of the following:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2014	2013	2014
Buildings	¥ 8,337	¥ 7,167	$ 81,004
Land	11,257	12,086	109,376
Construction in Progress	217	869	2,108
Other	1,837	1,824	17,848
Total	¥21,649	¥21,946	$210,347

The accumulated depreciation of premises and equipment as of March 31, 2014 and 2013 amounted to ¥33,769 million (U.S.$ 328,109 thousand) and ¥34,816 million, respectively.

Deferred gain on real estate (Asshuku-kicho) deductible for tax purpose amounted to ¥2,044 million (U.S.$ 19,860 thousand) and ¥2,130 million as of March 31, 2014 and 2013, respectively.

11. Intangible Assets

Intangible assets as of March 31, 2014 and 2013 consisted of the following:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2014	2013	2014
Software	¥1,166	¥1,529	$11,329
Other	257	223	2,497
Total	¥1,423	¥1,753	$13,826

12. Assets Pledged

Assets pledged as collateral as of March 31, 2014 and 2013 were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2014	2013	2014
Securities	¥152,051	¥89,091	$1,477,370
Other assets	282	552	2,739
Total	¥152,334	¥89,643	$1,480,120

Liabilities related to above pledged assets as of March 31, 2014 and 2013 were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2014	2013	2014
Deposits	¥ 6,087	¥ 7,667	$ 59,143
Payables under securities lending transactions	68,053	—	661,222
Borrowed money	14,936	18,217	145,122

In addition, the following asset was pledged as collateral for settlements of exchange as of March 31, 2014 and 2013, respectively.

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2014	2013	2014
Securities	¥44,734	¥54,446	$434,648

13. Acceptances and Guarantees

The Bank provides guarantees for liabilities of its customers for payment of loans from other financial institutions. As a contra account, "Customers' Liabilities for Acceptances and Guarantees" are shown on the assets side, indicating the Bank's right of indemnity from the applicants.

14. Income Taxes

Income taxes applicable to the Bank and consolidated subsidiaries include corporate tax, inhabitants' tax and enterprise tax, which results in a statutory rate of approximately 37.8% for the years ended March 31, 2014 and 2013.

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

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2014	2013	2014
Deferred tax assets:			
Reserve for employees' retirement benefits	¥ —	¥ 3,663	$ —
Net defined benefit liability	2,576	—	25,029
Reserve for possible loan losses	6,866	8,554	66,712
Securities	1,421	1,456	13,806
Depreciation	474	603	4,605
Remeasurements of defined benefit plans	1,315	—	12,776
Others	1,984	2,392	19,277
Total deferred tax assets	14,636	16,670	142,207
Valuation allowance	(4,972)	(4,881)	(48,309)
Total deferred tax assets, net	9,664	11,789	93,898
Deferred tax liabilities:			
Gain on establishment of the trust for employees' retirement benefits	(1,642)	(1,628)	(15,954)
Valuation difference on available-for-sale securities	(11,708)	(11,907)	(113,758)
Reserve for advanced depreciation of real estate	(115)	(131)	(1,117)
Other	(12)	(4)	(116)
Total deferred tax liabilities	(13,478)	(13,671)	(130,956)
Net deferred tax assets (liabilities)	¥(3,813)	¥(1,882)	$(37,048)

The following summarizes the amounts shown on the consolidated balance sheets.

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2014	2013	2014
Deferred tax assets	¥ 184	¥ 243	$ 1,787
Deferred tax liabilities	(3,998)	(2,125)	(38,845)
Net deferred tax assets (liabilities)	¥(3,813)	¥(1,882)	$(37,048)

A reconciliation between the effective income tax rate applied to the consolidated financial statements and the statutory tax rate for the year ended March 31, 2014 was as follows:

	2014
Statutory tax rate	37.8 %
(Adjustment)	
Expenses not deductible for income tax purpose	0.3
Dividend income not included in taxable income	(2.0)
Inhabitant tax on per capital basis	1.0
Decrease in deferred tax assets due to income tax rate change	2.0
Change in valuation allowance	0.8
Others	0.1
Actual effective tax rate	40.0 %

Presentation of reconciliation for the year ended March 31, 2013 is omitted as the difference between the statutory tax rate and the actual effective tax rate was less than five percent of the statutory tax rate.

In line with the promulgation on March 31, 2014 of the "Act for Partial Revision of the Income Tax Act, etc." (Act No. 10, 2014), the additional tax as Special Corporate Tax for Reconstruction will not be imposed effective from the fiscal period beginning on or after April 1, 2014. In connection therewith, for temporary differences reversing on or after April 1, 2014, the statutory effective tax rate used to calculate deferred tax assets or liabilities will be changed from 37.8% to 35.4%.

As a result of this change, deferred tax assets decreased by ¥4 million (U.S.$38 thousand), deferred tax liabilities increased by ¥229 million (U.S.$2,225 thousand) and income taxes-deferred increased by ¥233 million (U.S.$2,263 thousand) as of and for the year ended March 31, 2014.

15. Deposits

An analysis of deposits as of March 31, 2014 and 2013 was as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2014	2013	2014
Current deposits	¥ 129,578	¥ 125,380	$ 1,259,016
Ordinary deposits	1,065,531	1,013,609	10,353,002
Saving deposits	40,689	42,271	395,345
Deposits at notice	10,063	10,102	97,774
Time deposits	1,078,712	1,052,245	10,481,072
Installment savings	32	42	310
Other deposits	36,530	26,737	354,935
Total	¥2,361,139	¥2,270,389	$22,941,498

16. Borrowed Money

Borrowed money as of March 31, 2014 and 2013 consisted of the following:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2014	2013	2014
Borrowings from other banks	¥18,325	¥21,575	$178,050

The average interest rates of the loans were 0.250% and 0.262% as of March 31, 2014 and 2013, respectively. The aggregate annual maturities of the loans from banks subsequent to March 31, 2014 were summarized as follows:

	Millions of yen	Thousands of U.S. dollars (Note 1)
2015	¥16,138	$156,801
2016	951	9,240
2017	644	6,257
2018	347	3,371
2019	199	1,933

17. Foreign Exchanges Liabilities

Foreign exchange liabilities as of March 31, 2014 and 2013 consisted of the following:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2014	2013	2014
Foreign exchange bills sold	¥32	¥8	$310
Foreign exchange bills payable	63	0	612
Total	¥95	¥8	$923

18. Other Liabilities

Other liabilities as of March 31, 2014 and 2013 consisted of the following:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2014	2013	2014
Domestic exchange settlement	¥ 57	¥ 13	$ 553
Income taxes payable	114	2,737	1,107
Accrued expenses	2,949	2,738	28,653
Unearned income	3,213	3,237	31,218
Derivatives	1,592	2,835	15,468
Lease obligations	586	594	5,693
Others	3,273	7,051	31,801
Total	¥11,787	¥19,209	$114,525

19. Reserve for Employees' Retirement Benefits

The Bank and consolidated subsidiaries have defined benefit plans, i.e., Employees' Pension Fund plans (funded plan), and lump-sum retirement plans (non-funded plan). Under these defined benefit plans, employees are generally entitled to lump-sum payments and/or pension payments, the amounts of which are determined by reference to their basic salary and length of service. Retirement benefit trust is established for the Employees' Pension Fund plans.

For the year ended March 31, 2014

(a) Changes in projected benefit obligation for the year ended March 31, 2014 were as follows:

	Millions of yen	Thousands of U.S. dollars (Note 1)
	2014	2014
Projected benefit obligation – Beginning balance	¥26,465	$257,141
Service cost	933	9,065
Interest cost	264	2,565
Changes in actuarial gains and losses	110	1,068
Retirement benefits paid	(1,105)	(10,736)
Changes in past service cost (*1)	(2,638)	(25,631)
Other	—	—
Projected benefit obligation – Ending balance	¥24,029	$233,472

Note 1: For the year ended March 31, 2014, the Bank revised the terms of its Employees' Pension Fund plans and recalculated the past service cost. The aggregate sum of the changes in past service cost was recorded at lump sum as gain on recognition of past service cost for the year ended March 31, 2014.

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

	Millions of yen	Thousands of U.S. dollars (Note 1)
	2014	2014
Plan assets – Beginning balance	¥17,189	$167,013
Expected return on plan assets	383	3,721
Changes in actuarial gains and losses	2,048	19,898
Employers' contributions	1,136	11,037
Retirement benefits paid	(677)	(6,577)
Other	46	446
Plan assets – Ending balance	¥20,125	$195,540

(c) Ending balances of projected benefit obligation and plan assets and amounts included in the consolidated balance sheet as of March 31, 2014 were as follows:

	Millions of yen	Thousands of U.S. dollars (Note 1)
	2014	2014
Projected benefit obligation under funded plan	¥ 16,203	$ 157,432
Plan assets	(20,125)	(195,540)
	(3,921)	(38,097)
Projected benefit obligation under non-funded plan	7,825	76,029
Net balance in the consolidated balance sheet	¥ 3,904	$ 37,932

	Millions of yen	Thousands of U.S. dollars (Note 1)
	2014	2014
Net defined benefit liability	¥ 7,825	$ 76,029
Net defined benefit asset	(3,921)	(38,097)
Net balance in the consolidated balance sheet	¥ 3,904	$ 37,932

(d) Components of retirement benefit cost as of March 31, 2014 were as follows:

	Millions of yen	Thousands of U.S. dollars (Note 1)
	2014	2014
Service cost	¥ 887	$ 8,618
Interest cost	264	2,565
Expected return on plan assets	(383)	(3,721)
Amortization of actuarial gains and losses	326	3,167
Amortization of past service cost	(2,638)	(25,631)
Other	—	—
Retirement benefit cost	¥(1,543)	$(14,992)

(e) Remeasurements of defined benefit plans as of March 31, 2014 were as follows:

	Millions of yen	Thousands of U.S. dollars (Note 1)
	2014	2014
Unrecognized past service cost	¥ —	$ —
Unrecognized actuarial gains and losses	3,714	36,086
Other	—	—
Total	¥3,714	$36,086

(f) Plan assets consist of the following investments as of March 31, 2014.

	2014
Debt securities	29%
Equity securities	62
Others	9
Total	100%

40% of the total plan assets present the retirement benefit trust established for Employees' Pension Fund plan.

Long-term expected rate of return on plan assets is determined based on the assumption of: (i) allocation of plan assets and (ii) long-term returns on such assets.

The assumption used for the calculation of actuarial gains and losses as of March 31, 2014 was: discount rate of 1.0% and long-term expected rate of return of 1.8 to 2.5%.

For the year ended March 31, 2013

(a) Retirement benefits obligation

The following table sets forth the funded status of the defined benefit plans, and the amounts recognized in the consolidated balance sheets at March 31, 2013 for the Bank and consolidated subsidiaries:

	Millions of yen
	2013
Projected benefit obligation	¥(26,465)
Plan assets	17,189
Unfunded retirement benefit obligation	(9,276)
Unrecognized actuarial gains and losses	5,979
Net retirement benefit	(3,297)
Prepaid pension cost	2,996
Reserve for employees' retirement benefits	¥ (6,293)

(b) Retirement benefit cost

The components of employees' retirement benefit cost for the year ended March 31, 2013 were as follows:

	Millions of yen
	2013
Service cost	¥ 727
Interest cost	455
Expected return on plan assets	(341)
Amortization of actuarial gains and losses	794
Net periodic retirement benefit cost	¥1,636

(c) Actuarial Assumptions used to determine retirement benefit cost and obligation for the years ended March 31, 2013 were as follows:

	2013
a. Discount rate	1.0%
b. Expected rate of return on plan assets	2.5%
Expected rate of return on retirement provision trust	2.2%
c. Term allocation method of expected retirement benefits	Straight line method over the period
d. Amortization period of actuarial gains and losses	10 years

20. Land Revaluation Excess

Pursuant to the Law Concerning Land Revaluation (Law No.34, promulgated on March 31, 1998), the Bank recorded the land owned by the Bank at the fair value and related unrealized gain, net of the applicable income tax effect. This was reported as "Land revaluation excess" in net assets.

Revaluation date: March 31, 2000

Revaluation method stated in Article 3, Section 3 of the Law Concerning Land Revaluation:

The value of land is based on the official notice prices determined by the public notification of the Commissioner of the National Tax Administration and as provided for in the Law Concerning Public Notification of Land Prices, as stipulated in Article 2, Section 4 of the Ordinance Implementing the Law Concerning Land Revaluation (Government Ordinance No. 119, promulgated on March 31, 1998), after making reasonable adjustments, such as for location and quality of sites.

Difference between the fair value and the carrying value were: ¥5,540 million (U.S.$ 53,828 thousand) and ¥5,987million as of March 31, 2014 and 2013, respectively.

21. Valuation Difference on Available-for-sale Securities

The components of valuation difference on available-for-sale securities as of March 31, 2014 and 2013 were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2014	2013	2014
Valuation differences:			
Available-for-sale securities	¥ 34,674	¥ 34,545	$ 336,902
Deferred tax liabilities	(11,708)	(11,907)	(113,758)
Minority interests	(79)	(51)	(767)
Valuation differences on available-for-sale securities	¥ 22,886	¥ 22,585	$ 222,366

22. Other Interest Income

Other interest income for the years ended March 31, 2014 and 2013 consisted of the following:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2014	2013	2014
Interest on receivable under resale agreement	¥ 1	¥ 17	$ 9
Interest on deposits	124	79	1,204
Interest on interest swap	17	14	165
Others	93	183	903
Total	¥236	¥296	$2,293

23. Fees and Commissions-Income

Fees and commission income for the years ended March 31, 2014 and 2013 consisted of the following:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2014	2013	2014
Domestic and foreign exchange	¥1,840	¥1,865	$17,877
Others	4,768	4,761	46,327
Total	¥6,609	¥6,627	$64,214

24. Other Operating Income

Other operating income for the years ended March 31, 2014 and 2013 consisted of the following:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2014	2013	2014
Gains on trading account securities transactions	¥ 2	¥ 1	$ 19
Gains of sales and redemption of bonds	1,730	4,748	16,809
Gains on foreign exchange transactions	406	302	3,944
Others	4,416	5,437	42,907
Total	¥6,556	¥10,490	$63,699

25. Other Income

Other income for the years ended March 31, 2014 and 2013 consisted of the following:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2014	2013	2014
Reversal of reserve for possible loan losses	¥ 12	¥ —	$ 116
Gains on sales of available-for-sale securities	327	753	3,177
Gains on disposal of fixed assets	56	14	544
Others	591	627	5,742
Total	¥987	¥1,395	$9,589

26. Other Interest Expenses

Other interest expenses for the years ended March 31, 2014 and 2013 consisted of the following:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2014	2013	2014
Interest on interest rate swaps	¥432	¥893	$4,197
Others	85	50	825
Total	¥517	¥943	$5,023

27. Fees and Commissions—Expenses

Fees and commissions expenses for the years ended March 31, 2014 and 2013 consisted of the following:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2014	2013	2014
Domestic and foreign exchanges	¥ 299	¥ 309	$ 2,905
Others	2,102	2,069	20,423
Total	¥2,401	¥2,379	$23,328

28. Other Operating Expenses

Other operating expenses for the years ended March 31, 2014 and 2013 consisted of the following:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2014	2013	2014
Losses on redemption of bonds	¥ 385	¥ 580	$ 3,740
Losses on sales of bonds	458	950	4,450
Losses on valuation of bonds	—	1,453	—
Others	3,932	4,688	38,204
Total	¥4,777	¥7,673	$46,414

29. Other Expenses

Other expenses for the years ended March 31, 2014 and 2013 consisted of the following:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2014	2013	2014
Provision of reserve for possible loan losses	¥ —	¥3,335	$ —
Written off of loans	130	194	1,263
Losses on sales of available-for-sale securities	105	1,112	1,020
Losses on devaluation of available-for-sale securities	0	568	0
Losses on disposals of fixed assets	287	178	2,788
Impairment losses	756	225	7,345
Others	668	851	6,490
Total	¥1,947	¥6,465	$18,917

30. Losses on Impairment of Fixed Assets

The Bank recognized losses on impairment of the following fixed assets, included in "other expenses", for the years ended March 31, 2014 and 2013.

For the year ended March 31, 2014

Area	Main purpose	Variety	Millions of yen	Thousands of U.S. dollars (Note 1)
Akita Prefecture	Idle Assets	Land and Buildings; five places	¥638	$6,198
Out of Akita Prefecture	Branch Buildings	Land and Buildings; one place	117	1,136
Total			¥756	$7,345
Components of impairment losses:				
Building			¥ 58	$ 563
Land			697	6,772

For the year ended March 31, 2013

Area	Main purpose	Variety	Millions of yen
Akita Prefecture	Idle Assets	Land and Buildings; four places	¥221
Out of Akita Prefecture	Branch Buildings	Land and Buildings; one place	3
Total			¥225
Components of impairment losses:			
Building			¥ 57
Land			167

For the purpose of identifying impaired assets, the assets of each individual branch are grouped as a unit.

The recoverable values of such assets are measured as their net realizable values, determined by the appraisal value based on Japanese Real Estate Appraisal Standards (issued by the Ministry of Lands, Infrastructure and Transport) less estimated costs of disposal.

31. Supplementary Information to Consolidated Statements of Comprehensive Income

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2014	2013	2014
Valuation difference on available-for-sale securities:			
Amount arising in the year	¥ 1,259	¥14,352	$ 12,232
Recycling	(1,130)	(672)	(10,979)
Before tax effect adjustment	129	13,680	1,253
Tax effect	199	(4,761)	1,933
Valuation difference on available-for-sale securities	¥ 328	¥ 8,918	$ 3,186
			0
Deferred losses on hedges:			0
Amount arising in the year	¥ 44	¥ (848)	$ 427
Recycling	433	828	4,207
Before tax effect adjustment	477	(20)	4,634
Tax effect	(168)	6	(1,632)
Deferred losses on hedges	¥ 309	(¥14)	$ 3,002
Total other comprehensive income	¥ 638	¥ 8,903	$ 6,198

32. Financial Instruments

(a) Status

(1) Policy on Financial Instruments

The Bank and its consolidated subsidiaries (the "Group") engage in banking as mainstay business, as well as other financial services such as leasing and guarantee. To execute these services, the Bank utilizes funds acquired primarily from deposits and applies funds mainly to extend loans and purchase securities. To ensure sound and appropriate banking operations without succumbing to the pursuit of excessive profit or risk aversion, the Bank conducts suitable risk management and seeks to maintain the right balance between profit and risk in fund-raising and application activities. The Bank also utilizes derivative transactions to hedge potential risks.

(2) Financial Instruments and Associated Risks

Financial assets held by the Bank and its subsidiaries are primarily loans and investment securities.

Loans are exposed to credit risk, which could lead to losses if the financial status of certain borrowers deteriorates, causing the asset value of collateral to decrease or disappear altogether.

Securities held by the Bank are mainly bonds, stocks, investment trusts, and investments in partnerships through capital contributions. The Bank holds these securities to secure profit, primarily from interest and dividends, for strategic purposes, such as business alliances, or as held-to-maturity bonds in consolidated subsidiaries. These securities are exposed to the credit risk of the respective issuers as well as market risk that could lead to losses caused by fluctuations, particularly in interest rates, exchange rates and market prices, that erode the value of held assets.

Financial liabilities held by the Bank and its consolidated subsidiaries are mainly deposits. Deposits are exposed to liquidity risk, which could lead to losses if an unexpected outflow of cash, for example, forces the Bank to acquire funds at significantly higher interest rates than usual, or changes in the market environment force the Bank into transactions at prices that are more disadvantageous than usual.

The Bank engages in derivative transactions, including interest rate swaps, forward exchange contracts and currency options. Interest rate swaps serve to hedge against interest rate fluctuations affecting on-balance-sheet transactions. Forward exchange contracts and currency options serve to hedge foreign exchange fluctuations. (Please refer to "3. Summary of Significant Accounting Policies, (o) Hedge accounting", regarding hedging instruments, hedged items, the Bank's accounting standards and qualifying method.)

Some transactions that do not meet hedge accounting criteria are exposed to interest rate risk and foreign exchange risk.

(3) Risk Management for Financial Instruments

To ensure the quality and appropriateness of its banking operations, the Bank undertakes integrated risk management, a self-administered process whereby inherent risks are evaluated according to category, such as credit risk and market risk, and are viewed in total and compared against operating capacity, that is, net worth. Risk management for financial instruments also falls within the scope of this process.

Integrated risk management entails risk capital allocation by division and risk category within net worth on a yearly basis, monitoring risk volume, which is quantified using methods such as Value at Risk (VaR) and the status of allocated risk capital, and sufficient verification of business soundness and capital adequacy. In addition, corporate structures, such as the Board of Directors, are provided with regular updates on risk status and risk volume is capped when conditions require such action.

In setting caps on risk volume, the Bank considers profitability and efficiency, including a suitable assessment of risk and return, to underpin efforts that will enhance operations and results.

(i) Credit Risk Management

Through the application of a credit policy that outlines the Bank's basic lending policy and screening criteria, and a credit risk management standard outlining/detailing specific lending rules, the Bank has established an administration policy for consolidated subsidiaries and strategic investments, in order to prevent excessive loan volume to a specific industry or group, with the aim of making risk management as accurate as possible.

In addition, the Bank maintains a credit rating system for corporate clients to quantify credit risks and is improving loan pricing. Furthermore, for loans and bills discounted, which account for the majority of credit risk, the Bank has separated the screening and administration division from the sales promotion division and set up a screening and administration system that is not influenced by the sales promotion division. Through a specialized screening and loan management and recovery structure, the Bank is able to ensure asset quality and improve asset value.

(ii) Market Risk Management

The Bank's risk volume control structure is supported by regular reports to the ALM Committee on interest rate risk volume associated with the Bank's assets and liabilities, and interest rate, exchange rate and stock price risk volume associated with market transactions.

In its market transactions, the Bank strives for the efficient application of funds and optimum risk and return, within the limits of allocated risk capital determined through integrated risk management and the predetermined annual capital budget. The Bank also maintains a structure with middle offices specializing in risk management that are independent of both front offices, which engage in market transactions, and back offices, which handle administrative tasks. This structure reinforces the system of mutual checks and balances and helps to prevent potential processing mistakes and unauthorized transactions, although these are very unlikely.

(iii) Liquidity Risk Management

The Bank maintains an appropriate financial position with regard to liquidity risk by continually improving the accuracy of the methods used to estimate and verify fund utilization and acquisition balances. In addition, the Bank strives to prevent liquidity risk through the assessment and analysis of conditions in financial markets and society at large that could affect cash flow. To respond quickly to fund-impacting situations that arise, the Bank has established classifications for cash flow conditions, ranging from "normal" to "cause for concern" and "critical," and procedures are in place for dealing with situations that fall into the "cause for concern" and "critical" categories.

(iv) Risk Management Relating to Derivative Transactions

To manage risks relating to interest rate swaps, the necessity of hedging transactions and the status of derivative transactions are continuously monitored at managing directors' meetings. Regarding forward exchange contracts and currency options, it is vital to manage total balances including on-balance-sheet and off-balance-sheet transactions, in addition to the assessment of individual transactions.

(v) Quantitative Information on Market Risk

For the Akita Bank Group ("the Group"), the key financial instruments influenced by interest rate risk, a major risk variable, are: loans, bonds classified as other investment securities u nder investment securities, deposits, negotiable certificates of deposit, and interest rate swaps under derivative transactions. The Group uses the measure VaR to calculate changes in the economic value of these financial assets and financial liabilities, which facilitates quantitative analysis for controlling the risk of interest rate fluctuations.

To calculate the associated value impact of interest rate risk on revenues using VaR, the Group divides risk-prone financial assets and financial liabilities into fixed interest rate and floating interest rate groups, breaks down the balances into appropriate periods corresponding to respective interest due dates, and applies the variance-covariance method reflecting the correlation effect among risk factors (holding period: 40 days; confidence interval: 99%; observation period: 5 years) based on interest rate margins, the spread between lending and borrowing rates, for each period. As of March 31, 2014 and 2013, the Group's interest rate risk volume (estimated decrease in economic value) was ¥1,498 million (U.S.$ 14,554 thousand) and ¥2,177 million, respectively.

Interest due dates on demand deposits subject to VaR measurement are sorted according to set periods, based on effective due dates estimated using internal models.

The Group also tests financial instruments with market value to compare actual losses at the end of the horizon period with model-derived VaR estimates, in an effort to verify that the measurement models used to identify interest rate risk are suitably accurate. However, VaR measures interest rate risk at a certain degree of probability statistically based on past market movements, so the technique may be unable to identify risk when market conditions are uncharacteristically volatile.

(4) Supplemental Information Relating to Fair Market Values

Fair market values include prices at market as well as values reasonably estimated in cases where there is no available quoted market price. Certain assumptions are used for the calculation of such amounts. Accordingly, the result of such calculations may vary if different assumptions are used.

(b) Fair Value of Financial Instruments

The amounts on the consolidated balance sheets, fair values and their differences as of March 31, 2014 and 2013 are shown below. The securities for which fair value is not reliably determined are excluded from the table.

As of March 31, 2014

	Millions of yen			Thousands of U.S. dollars (Note 1)		
	Book value	Fair value	Difference	Book value	Fair value	Difference
(1) Cash and due from banks	¥ 148,214	¥ 148,214	¥ —	$ 1,440,089	$ 1,440,089	$ —
(2) Call loans and bills bought	85,408	85,408	—	829,848	829,848	—
(3) Monetary claims bought	11,994	11,994	—	116,537	116,537	—
(4) Securities *1						
Held-to-maturity debt securities	595	626	30	5,781	6,082	291
Available-for-sale securities	998,732	998,732	—	9,703,964	9,703,964	—
(5) Loans and bills discounted	1,492,728			14,503,769		
Reserve for possible loan losses *1	(20,158)			(195,860)		
	1,472,570	1,498,660	26,090	14,307,909	14,561,406	253,497
Total assets	¥2,717,516	¥2,743,637	¥26,121	$26,404,158	$26,657,957	$253,799
(1) Deposits	¥2,361,139	¥2,361,481	¥ 341	$22,941,498	$22,944,821	$ 3,313
(2) Negotiable certificates of deposits	128,160	128,179	19	1,245,239	1,245,423	184
(3) Call moneys and bills sold	11,803	11,803	—	114,681	114,681	—
(4) Payables under securities lending transactions	68,053	68,053	—	661,222	661,222	—
(5) Borrowed money	18,325	18,325	—	178,050	178,050	—
Total liabilities	¥2,587,482	¥2,587,844	¥ 361	$25,140,711	$25,144,228	$ 3,507
Derivative transactions *2						
For which:						
Hedge accounting is not applied	¥ (32)	¥ (32)	¥ —	$ (310)	$ (310)	$ —
Hedge accounting is applied	(1,180)	(1,180)	—	(11,465)	(11,465)	—
Total derivative transactions	¥ (1,212)	¥ (1,212)	¥ —	$ (11,776)	$ (11,776)	$ —

1 General reserve for possible loan losses, and allowances provided for the individual receivables are deducted. Reserve for investment losses relating to securities is deducted directly from balance amount because its amount is not significant.

2 Amounts include all derivative transactions that are included in Other assets and Other liabilities on the consolidated balance sheets. Figures are net amounts and figures in parenthesis indicate negative amounts.

As of March 31, 2013

	Millions of yen		
	Book value	Fair value	Difference
(1) Cash and due from banks	¥ 203,951	¥ 203,951	¥ —
(2) Call loans and bills bought	28,897	28,897	—
(3) Monetary claims bought	35,598	35,598	—
(4) Securities *1			
Held-to-maturity debt securities	595	629	34
Available-for-sale securities	870,187	870,187	—
(5) Loans and bills discounted	1,434,031		
Reserve for possible loan losses *1	(24,455)		
	1,409,575	1,441,286	31,711
Total assets	¥2,548,805	¥2,580,551	¥31,745
(1) Deposits	¥2,270,389	¥2,270,686	¥ 297
(2) Negotiable certificates of deposits	122,148	122,163	15
(3) Call moneys and bills sold	2,821	2,821	—
(4) Payables under securities lending transactions	—	—	—
(5) Borrowed money	21,575	21,575	—
Total liabilities	¥2,416,934	¥2,417,247	¥ 312
Derivative transactions *2			
For which:			
Hedge accounting is not applied	¥ (215)	¥ (215)	¥ —
Hedge accounting is applied	(2,145)	(2,145)	—
Total derivative transactions	¥ (2,361)	¥ (2,361)	¥ —

1 General reserve for possible loan losses, and allowances provided for the individual receivables are deducted. Reserve for investment losses relating to securities is deducted directly from balance amount because its amount is not significant.

2 Amounts include all derivative transactions that are included in Other assets and Other liabilities on the consolidated balance sheets. Figures are net amounts and figures in parenthesis indicate negative amounts.figures in parenthesis indicate negative amounts.

Fair value measurement

Assets

(1) Cash and due from banks
The book values are deemed fair market value as the fair value approximates to such carrying amounts.

(2) Call loans and bills bought
Book values of call loans and bills bought are deemed fair values as the majority of transactions have short contract terms (within three months) and the fair value approximates such carrying amounts.

(3) Monetary claims bought
The fair value of trust beneficiary interest with the entrusted mortgage loan portfolio is determined based on the price quoted by the financial institutions.Regarding monetary claims bought other than the trust beneficiary interest, book values are deemed fair values as the majority of such monetary claim are due within three months and the fair value approximates such carrying amount.

(4) Securities
The fair value of equity securities is determined based on the price quoted by the relevant stock exchange and the fair value of bonds is determined based on the price quoted by the relevant stock exchange or the financial institutions from which they are purchased. The fair value of investment trusts is determined based on the publicly available price.

Privately placed bonds are categorized using an internal credit rating and maturity, and their fair value is calculated based on the future cash flows discounted by the market interest rate, after the deduction of credit risk equivalents. For privately placed bonds from potentially bankrupt borrowers, the fair value is deemed to be its carrying amount, net of a specific reserve.

Regarding variable-rate Japanese government bonds, the market quotes are used as fair value. However, for the year ended March 31, 2013, the volume of trading was extremely limited for variable-rate Japanese government bonds. It is deemed that the market quotes cannot be used as its fair value where there is significant price gap between sell and buy side. Thus, the Bank has calculated the fair value at the discretion of the management as of March 31, 2013, based on reasonable assumption of future interest trends primarily relying on effective interest rate of Japanese government bonds and swaption volatility. Compared to the calculation by which market values are deemed fair values, each of Japanese government bonds under "Securities," "Deferred tax liabilities" and "Valuation difference on available-for-sale securities" increased by ¥314 million, ¥111million, and ¥202 million, respectively, as of March 31, 2013. There are no effects of the accounting on net income.

Please refer to Note 5 "Securities" as to notes regarding securities by objects held.

(5) Loans and bills discounted
For loans and bills discounted with floating interest rates, the book values are deemed fair values as the fair values approximate such carrying amounts because the market interest rate is reflected in the interest rate set within a short time period for such floating-rate loans and bills discounted.

Loans and bills discounted with fixed interest rates are categorized by nature, internal credit rating and maturity, and the present value by each category is calculated based on the future cash flows, net of reserves for possible loan loss, discounted by the market interest rate.

Regarding loans to Bankrupt Obligors, Substantially Bankrupt Obligors and Potential Bankrupt Obligors, possible loan losses are estimated based on the collectible amounts from collateral and guarantees. Thus the book value is deemed as fair value since the fair value approximates the carrying value of loans.

Loans and bills discounted which are fully secured by collateral have no predetermined maturity. Their book values are deemed fair values as the fair values approximate such carrying amounts based on the repayment period and interest rate terms, unless there are no changes on their credit condition.

Liabilities

(1) Deposits and (2) negotiable certificates of deposits
For demand deposits, the amount payable on demand as of the consolidated balance sheet date (i.e., the book value) is used as the fair value. For time deposits and negotiable certificates of deposits, the fair value is calculated based on the future cash flows discounted by the interest rate applied on new deposits, after each deposit are categorized by product and maturity.

(3) Call money and bills sold and (4) Payables under securities lending transactions
Book values are deemed fair market values as the majority of transactions have short contract terms (within three months) and their fair values approximate such carrying amounts.

(5) Borrowed money
For floating-rate borrowings, the book values are deemed fair values as the fair values approximate such carrying amounts because the market interest rate is reflected in the interest rate set within a short time period for such floating-rate borrowings and because there has been no significant change in creditworthiness of the Bank or its consolidated subsidiaries after execution of such borrowings.

The book values of fixed rate borrowings are used as their fair values as there are no significant differences between consolidated balance sheet amounts and the fair values.

Derivative transactions

The Bank uses derivative transactions including interest-related derivatives such as interest rate swaps and currency-related derivatives such as forward exchange contracts and currency options. The fair values are determined based on the market quotes at the relevant exchanges or the present values calculated by discounting cash flows or option price model.

The following securities for which market value is not calculable are excluded from "(b) Fair Value of Financial Instruments, (4) Available-for-sale securities."

Their book values as of March 31, 2014 and 2013 were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2014	2013	**2014**
Non-listed stocks (*1, *2)	**¥1,639**	¥2,485	**$15,924**
Other (*3)	**33**	31	**320**
Total	**¥1,673**	¥2,516	**$16,255**

*1. Non-listed stocks are not included in the fair value information in the above table ((b) Fair Value of Financial Instruments), because their fair value is not reliably determined.

*2. The Bank recognizes no impairment losses for the years ended March 31, 2014 and 2013.

*3. Other includes non-listed foreign stocks, and is not disclosed in the above table ((b) Fair Value of Financial Instruments), because their fair value is not reliably determined.

Redemption schedules for monetary claims and securities with maturity dates as of March 31, 2014 were as follows:

	Millions of yen					
	Due in 1 year or less	Due from 1 year to 3 years	Due from 3 years to 5 years	Due from 5 years to 7 years	Due from 7 years to 10 years	Due after 10 years
Due from banks	¥112,303	¥ —	¥ —	¥ —	¥ —	¥ —
Call loans and bills bought	85,408	—	—	—	—	—
Monetary claims bought	6,405	—	—	2,790	—	2,798
Securities						
Securities held-to maturity	—	—	—	—	595	—
Japanese government bonds	—	—	—	—	595	—
Available-for-sale securities with maturity	95,068	264,359	236,577	168,008	154,627	5,387
Japanese government bonds	39,182	139,793	61,590	75,629	87,064	—
Local government bonds	16,751	34,264	23,228	—	—	2,870
Short-term corporate bonds	2,999	—	—	—	—	—
Corporate bonds	28,732	61,777	124,132	83,631	59,086	503
Loans and bills discounted (*)	163,094	195,951	187,727	119,485	243,001	390,502
Total	¥462,280	¥460,311	¥424,304	¥209,283	¥398,223	¥398,688

(*) Loans and bills discounted in the above table excluded loans to Bankrupt Obligors, Substantially Bankrupt Obligors and Potential Bankrupt Obligors in the total amount of ¥49,813 million (U.S. $483,997 thousand) since those principals may not be fully collectible. The table also excluded loans without maturity in the total amount of ¥143,153 million (U.S. $1,390,915 thousand).

	Thousands of U.S. dollars (Note 1)					
	Due in 1 year or less	Due from 1 year to 3 years	Due from 3 years to 5 years	Due from 5 years to 7 years	Due from 7 years to 10 years	Due after 10 years
Due from banks	$1,091,167	$ —	$ —	$ —	$ —	$ —
Call loans and bills bought	829,848	—	—	—	—	—
Monetary claims bought	62,232	—	—	27,108	—	27,186
Securities						
Securities held-to maturity	—	—	—	—	5,781	—
Japanese government bonds	—	—	—	—	5,781	—
Available-for-sale securities with maturity	923,707	2,568,587	2,298,649	1,632,413	1,502,399	52,341
Japanese government bonds	380,703	1,358,268	598,425	734,832	845,938	—
Local government bonds	162,757	332,918	225,689	—	—	27,885
Short-term corporate bonds	29,139	—	—	—	—	—
Corporate bonds	279,168	600,242	1,206,101	812,582	574,096	4,887
Loans and bills discounted	1,584,667	1,903,915	1,824,008	1,160,950	2,361,066	3,794,228
Total	$4,491,643	$4,472,512	$4,122,658	$2,033,453	$3,869,247	$3,873,766

Redemption schedules for borrowed money and interest-bearing debts as of March 31, 2014 were as follows:

	Millions of yen					
	Due in 1 year or less	Due from 1 year to 3 years	Due from 3 years to 5 years	Due from 5 years to 7 years	Due from 7 years to 10 years	Due after 10 years
Deposits (*)	¥2,186,280	¥50,917	¥15,238	¥ —	¥ —	¥ —
Negotiable certificates of deposits	128,160	—	—	—	—	—
Call moneys and bills sold	11,803	—	—	—	—	—
Payables under securities lending transactions	68,053	—	—	—	—	—
Borrowed money	16,138	1,596	546	44	—	—
Total	¥2,410,436	¥52,513	¥15,785	¥ 44	¥ —	¥ —

(*) Demand deposits were included in the "Due in 1 year or less." Cumulative time deposits of ¥108,702 (U.S.$ 1,056,179 thousand) were not included in the above table.

	Thousands of U.S. dollars (Note 1)					
	Due in 1 year or less	Due from 1 year to 3 years	Due from 3 years to 5 years	Due from 5 years to 7 years	Due from 7 years to 10 years	Due after 10 years
Deposits (*)	$21,242,518	$494,724	$148,056	$ —	$ —	$ —
Negotiable certificates of deposits	1,245,239	—	—	—	—	—
Call moneys and bills sold	114,681	—	—	—	—	—
Payables under securities lending transactions	661,222	—	—	—	—	—
Borrowed money	156,801	15,507	5,305	427	—	—
Total	$23,420,481	$510,231	$153,371	$427	$ —	$ —

33. Derivative Financial Instruments Transaction

Derivative Transactions For Which Hedge Accounting Is Not Applied

Contract amounts, fair value and valuation gains/losses of derivatives outstanding as of March 31, 2014 and 2013 were as follows:

(1) Interest Rate Related Transactions (over the counter)

	Millions of yen			
	2014			
As of March 31	Contact amounts	Due after one year	Fair value	Gain/losses
Interest rate swaps				
Receive floating/ pay fixed	¥5,000	¥ —	¥(7)	¥(7)
Total			¥(7)	¥(7)

	Millions of yen			
	2013			
As of March 31	Contact amounts	Due after one year	Fair value	Gain/losses
Interest rate swaps				
Receive floating/ pay fixed	¥10,000	¥5,000	¥(70)	¥(70)
Total			¥(70)	¥(70)

	Thousands of U.S. dollars (Note 1)			
	2014			
As of March 31	Contact amounts	Due after one year	Fair value	Gain/losses
Interest rate swaps				
Receive floating/ pay fixed	$48,581	$ —	$(68)	$(68)
Total			$(68)	$(68)

Changes in fair value of the above derivatives are recognized as income or loss. Fair value of over the counter derivative is calculated at discounted present value.

(2) Foreign Exchange Related Transactions (over the counter)

	Millions of yen			
	2014			
As of March 31	Contact amounts	Due after one year	Fair value	Gain/losses
Forward exchange contracts:				
Sold	¥563	¥ —	¥ (3)	¥ (3)
Bought	425	—	3	3
Currency options:		—		
Sold	209	—	(17)	(17)
Bought	175	—	(7)	(7)
Total			¥(25)	¥(25)

As of March 31	Millions of yen 2013 Contact amounts	Due after one year	Fair value	Gain/losses
Forward exchange contracts:				
Sold	¥344	¥ —	¥ (56)	¥ (56)
Bought	211	—	32	32
Currency options:		—		
Sold	251	—	(168)	(168)
Bought	210	—	47	47
Total			¥(144)	¥(144)

As of March 31	Thousands of U.S. dollars (Note 1) 2014 Contact amounts	Due after one year	Fair value	Gain/losses
Forward exchange contracts:				
Sold	$5,470	$ —	$ (29)	$ (29)
Bought	4,129	—	29	29
Currency options:				
Sold	2,030	—	(165)	(165)
Bought	1,700	—	(68)	(68)
Total			$(242)	$(242)

Changes in fair value of the above derivatives are recognized as income or loss. Fair value is calculated at discounted present value or by option price model.

Derivative Transactions For Which Hedge Accounting Is Applied

(1) Interest Rate Related Transactions

Contract amounts, and fair value of derivatives outstanding as of March 31, 2014 and 2013 were as follow:

As of March 31	Millions of yen 2014 Hedged item	Contact amounts	Due after one year	Fair value
Interest rate swaps Receive floating/ pay fixed	Loans and bills discounted	¥21,000	¥21,000	¥(978)
Total				¥(978)

Deferred hedge accounting is applied for the interest rate swaps. Fair value is calculated at the discounted present value.

As of March 31	Millions of yen 2013 Hedged item	Contact amounts	Due after one year	Fair value
Interest rate swaps Receive floating/ pay fixed	Loans and bills discounted and securities	¥31,000	¥31,000	¥(1,469)
Total				¥(1,469)

As of March 31	Thousands of U.S. dollars (Note 1) 2014 Hedged item	Contact amounts	Due after one year	Fair value
Interest rate swaps Receive floating/ pay fixed	Loans and bills discounted	$204,041	$204,041	$(9,502)
Total				$(9,502)

(2) Foreign Exchange Related Transactions

	Millions of yen			
	2014			
As of March 31	Hedged item	Contact amounts	Due after one year	Fair value
Currency swap	Foreign exchange Call loans	¥22,518	¥20,048	¥ 31
Forward exchange contract		42,620	—	(233)
Total				¥(202)

Deferred hedge accounting is applied. Fair value is calculated at the discounted present value.

	Millions of yen			
	2013			
As of March 31	Hedged item	Contact amounts	Due after one year	Fair value
Currency swap	Foreign exchange Call loans	¥33,368	¥19,825	¥ 48
Forward exchange contract		21,489	—	(724)
Total				¥(675)

	Thousands of U.S. dollars (Note 1)			
	2014			
As of March 31	Hedged item	Contact amounts	Due after one year	Fair value
Currency swap	Foreign exchange Call loans	$218,791	$194,792	$ 301
Forward exchange contract		414,108	—	(2,263)
Total				$(1,962)

34. Capital Stock

The number of the Bank's authorized shares was 687,455,000 as of March 31, 2014 and 2013.
The number of shares in issue was 193,936,439 as of March 31, 2014 and 2013.
The number of treasury stocks held by the Bank, not including shares held by the trust of Employee Stock Ownership Plan was 5,602,413 and 2,657,405 as of March 31, 2014 and 2013, respectively.

35. Stock Option Rights

(a) Expenses on stock option plan

Expenses on stock option plan amounted to ¥17 million (U.S.$ 165 thousand) and ¥13 million, included in general and administrative expenses for the years ended March 31, 2014 and 2013, respectively.

(b) Details of stock option

The details of stock option plan adopted are as follows:

	2009	2010	2011	2012	2013
Title and number of recipients	Full-time nine directors	Full-time ten directors	Full-time nine directors	Full-time eight directors	Full-time nine directors
Number of stock options	42,200 shares of common stock	52,300 shares of common stock	68,500 shares of common stock	65,600 shares of common stock	71,600 shares of common stock
Grant date	July 31, 2009	July 30, 2010	July 29, 2011	July 31, 2012	July 31, 2013
Conditions of exercise	None	None	None	None	None
Required service period	None	None	None	None	None
Exercise period	August 1, 2009 to July 31, 2039	July 31, 2010 to July 30, 2040	July 30, 2011 to July 29, 2041	August 1, 2012 to July 31, 2042	August 1, 2013 to July 31, 2043
Remaining stock option	17,300 shares	24,900 shares	40,800 shares	46,600 shares	71,600 shares
Exercise price	¥1 per share	¥1 per share	¥1 per share	¥1 per share	¥1 per share
Fair value at grant date*	¥334 per share	¥268 per share	¥222 per share	¥209 per share	¥244 per share

* Fair value at grant date was measured based on dividend adjusted Black-Scholes Option Pricing Model.

36. Retained Earnings

Japanese banks, including the Bank, are required to comply with The Banking Law. In accordance with the Companies Act, the Bank has provided a legal reserve which is included in retained earnings. The Act stipulates that neither additional paid-in capital nor the legal reserve is available for dividends, but that both may be used to reduce or eliminate a deficit. Under the Banking Law, an amount which is at least equal to 20% of the aggregate amount of cash dividends and certain appropriations of retained earnings associated with cash outlays applicable to each fiscal period is to be appropriated as a legal reserve until the aggregate amount of the legal reserve and the capital surplus account equals 100% of the common stock account. The Act also provides that if the total amount of additional paid-in capital and the legal reserve exceeds 100% of the amount of common stock, the excess may be distributed to the shareholders either as a return of capital or as dividends subject to the approval of the stockholders.

The maximum amount which the Bank can distribute as dividends is calculated based on the non-consolidated financial statements of the Bank in accordance with the Act.

37. Cash and Cash Equivalents

Reconciliation between cash and due from banks in the consolidated balance sheets, and cash and cash equivalents in the statements of cash flows at March 31, 2014 and 2013 were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2014	2013	2014
Cash and due from banks	¥148,214	¥203,951	$1,440,089
Due from banks without interest	(149)	(99)	(1,447)
Ordinary due from banks	(534)	(309)	(5,188)
Time deposits with banks	(30,000)	(60,000)	(291,488)
Other	(291)	(888)	(2,827)
Cash and cash equivalents	¥117,238	¥142,654	$1,139,117

38. Segment Information

(a) Outline of reportable segment

A reportable segment is a component of the Group for which discrete financial information is available and whose operating results are regularly reviewed by the Board of Directors to make decisions about resources to be allocated to the segment and assess its performance.

The Group offers total financial services mainly through operating branches with a philosophy that seeks to contribute to regional prosperity. Reportable segments are composed of banking business, leasing business and other businesses including guarantee and credit card.

(b) Basis of measurement for the amount of ordinary income (or loss), assets and other items by reporting segment

Accounting procedures applied to operating segments are consistent to those applied to the preparation of consolidated financial statements. Ordinary income from inter-segment transactions is measured on the assumption of arm's length transaction.

Ordinary inco.me and ordinary profit of reportable segments do not include extraordinary income (or losses), that are included in other income or expenses on the consolidated statement of income.

(c) Ordinary income, segment profit, assets and other items by reportable segment for the years ended March 31, 2014 and 2013

	Millions of yen					
	Reportable segment					
Year ended March 31, 2014	Banking	Leasing	Other	Total	Adjustment	Consolidated
Ordinary income						
External customers	¥ 39,714	¥ 4,353	¥1,391	¥ 45,458	¥ (331)	¥ 45,127
Inter-segment	71	166	568	806	(806)	—
Total	¥ 39,785	¥ 4,519	¥1,959	¥ 46,264	¥ (1,137)	¥ 45,127
Segment profit	¥ 8,865	¥ 232	¥ 735	¥ 9,833	¥ (6)	¥ 9,826
Segment assets	2,764,743	13,826	9,225	2,787,795	(15,124)	2,772,671
Segment liabilities	2,619,584	10,168	3,922	2,633,676	(11,793)	2,621,882
Other items:						
Depreciation and amortization	¥ 1,759	¥ 21	¥ 6	¥ 1,786	¥ —	¥ 1,786
Interest income	30,895	11	174	31,082	(51)	31,031
Interest expenses	1,898	73	1	1,973	(45)	1,928
Extraordinary income	2,694	—	—	2,694	—	2,694
(Of which, Gain on disposal of premises and equipment)	2,638	—	—	2,638	—	2,638
Extraordinary losses	1,042	0	0	1,043	—	1,043
(Of which, Impairment losses)	756	—	—	756	—	756
Income taxes	4,331	94	169	4,594	(0)	4,594
Increase in premises & equipment and intangibles	2,293	52	6	2,353	(1)	2,352

	Millions of yen					
	Reportable segment					
Year ended March 31, 2013	Banking	Leasing	Other	Total	Adjustment	Consolidated
Ordinary income						
External customers	¥ 45,444	¥ 5,096	¥1,112	¥ 51,653	¥ —	¥ 51,653
Inter-segment	118	187	890	1,196	(1,196)	—
Total	¥ 45,563	¥ 5,284	¥2,002	¥ 52,850	¥ (1,196)	¥ 51,653
Segment profit	¥ 6,118	¥ 202	¥ 618	¥ 6,939	¥ (48)	¥ 6,891
Segment assets	2,594,331	12,844	8,645	2,615,821	(12,986)	2,602,834
Segment liabilities	2,454,205	9,368	3,931	2,467,505	(12,055)	2,455,449
Other items:						
Depreciation and amortization	¥ 1,869	¥ 20	¥ 8	¥ 1,898	¥ —	¥ 1,898
Interest income	33,034	6	206	33,247	(92)	33,155
Interest expenses	2,593	80	3	2,677	(44)	2,633
Extraordinary income	14	0	—	14	—	14
(Of which, Gain on disposal of premises and equipment)	14	0	—	14	—	14
Extraordinary losses	402	0	0	403	—	403
(Of which, Impairment losses)	225	—	—	225	—	225
Income taxes	2,300	80	151	2,532	—	2,532
Increase in premises & equipment and intangibles	1,994	8	12	2,015	(1)	2,014

	Thousands of U.S. dollars (Note 1)					
	Reportable segment					
Year ended March 31, 2014	Banking	Leasing	Other	Total	Adjustment	Consolidated
Ordinary income						
External customers	$ 385,872	$ 42,294	$13,515	$ 441,682	$ (3,216)	$ 438,466
Inter-segment	689	1,612	5,518	7,831	(7,831)	—
Total	$ 386,562	$ 43,907	$19,034	$ 449,514	$ (11,047)	$ 438,466
Segment profit	$ 86,134	$ 2,254	$ 7,141	$ 95,540	$ (58)	$ 95,472
Segment assets	26,863,029	134,337	89,632	27,087,009	(146,949)	26,940,060
Segment liabilities	25,452,623	98,795	38,107	25,589,545	(114,584)	25,474,951
Other items:						
Depreciation and amortization	$ 17,090	$ 204	$ 58	$ 17,353	$ —	$ 17,353
Interest income	300,184	106	1,690	302,001	(495)	301,506
Interest expenses	18,441	709	9	19,170	(437)	18,732
Extraordinary income	26,175	—	—	26,175	—	26,175
(Of which, Gain on disposal of premises and equipment)	25,631	—	—	25,631	—	25,631
Extraordinary losses	10,124	0	0	10,134	—	10,134
(Of which, Impairment losses)	7,345	—	—	7,345	—	7,345
Income taxes	42,081	913	1,642	44,636	(0)	44,636
Increase in premises & equipment and intangibles	22,279	505	58	22,862	(9)	22,852

39. Related Party Transactions

Related party transactions for the years ended March 31, 2014 and 2013 and related information were as follows:

			Amounts of transaction			Balance at end of year		
			Millions of yen		Thousands of U.S. dollars (Note 1)	Millions of yen		Thousands of U.S. dollars (Note 1)
Related party	Category	Account	2014	2013	2014	2014	2013	2014
Yasuhiko Watanabe	Director of the Bank	Loan	¥ —	¥ —	$ —	¥21	¥25	$204
Kiichiro Nishimura	Statutory Auditor of the Bank	Loan	8	5	77	29	33	281
Yukihiko Nishimura	Executive Director of YAMANI Co., Ltd.	Loan	—	53	—	50	52	485

The conditions of the above transactions were the same as arm's length transactions.

40. Per Share Information

Consolidated net assets and income per share and related information for the years ended March 31, 2014 and 2013 were as follows:

	Yen		U.S. dollars (Note 1)
	2014	2013	2014
Net assets per share	¥775.73	¥750.12	$7.53
Net income per share	35.64	19.88	0.34
Diluted net income per share	35.60	19.86	0.34

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2014	2013	2014
Net income	¥ 6,699	¥ 3,758	$ 65,089
Net income not attributable to common stock holders	—	—	—
Net income attributable to common stockholders	6,699	3,758	65,089
Average number of common stock (thousand shares)	187,960	189,005	1,826,272

41. Subsequent Event

None to report.

ANNUAL REPORT

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