Annual Securities Report

"Yukashoken Hokokusho"

(Excerpt)

For the fiscal years ended March 31, 2014 and 2013

FIDEA HOLDINGS CO. LTD.

FIDEA Holdings Co. Ltd.

and Subsidiaries

FIDEA Holdings Co. Ltd. and Subsidiaries

Consolidated Balance Sheets
March 31, 2014 and 2013

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2014	2013	2014
Assets:			
Cash and due from banks (Notes 10, 17 and 22)	¥ 60,660	¥ 59,222	$ 589,389
Monetary claims bought (Note 22)	4,025	4,531	39,108
Trading account securities (Notes 4 and 22)	99	59	961
Money held in trust (Notes 5 and 22)	2,977	1,966	28,925
Securities (Notes 4, 5, 10, 13 and 22)	824,684	781,166	8,012,864
Loans and bills discounted (Notes 6, 21 and 22)	1,664,140	1,602,277	16,169,257
Foreign exchange assets (Note 22)	2,745	2,020	26,671
Tangible fixed assets (Note 7):			
Buildings	9,613	9,054	93,402
Land	11,209	10,955	108,909
Lease assets	153	218	1,486
Construction in progress	55	117	534
Other tangible fixed assets	1,897	1,345	18,431
Intangible fixed assets:			
Software	2,615	1,550	25,408
Goodwill	135	292	1,311
Other intangible fixed assets	142	139	1,379
Defined benefit asset (Note 12)	1,143	-	11,105
Deferred tax assets (Note 19)	3,012	4,388	29,265
Customers' liabilities for acceptances and guarantees (Note 21)	14,761	14,265	143,422
Other assets (Note 10)	8,553	9,184	83,103
Allowance for loan losses (Notes 6 and 22)	(15,433)	(14,694)	(149,951)
Total assets	¥ 2,597,193	¥ 2,488,060	$ 25,235,066

(Continued)

FIDEA Holdings Co. Ltd. and Subsidiaries

Consolidated Balance Sheets
March 31, 2014 and 2013

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2014	2013	2014
Liabilities:			
Deposits (Note 22)	¥ 2,226,755	¥ 2,182,791	$ 21,635,785
Negotiable certificates of deposit (Note 22)	130,202	106,607	1,265,079
Call money and bills sold (Notes 10 and 22)	47,616	17,302	462,650
Payables under securities lending transactions (Notes 10 and 22)	11,336	-	110,143
Borrowed money (Notes 9, 10 and 22)	43,440	58,170	422,075
Foreign exchange liabilities (Note 22)	0	14	0
Bonds payable (Notes 11 and 22)	10,000	10,000	97,162
Bonds with subscription rights to shares (Notes 11 and 22)	6,000	-	58,297
Provision for retirement benefits (Note 12)	-	1,587	-
Defined benefit liability (Note 12)	2,372	-	23,047
Provision for reimbursement of deposits	681	539	6,616
Provision for contingent loss	419	365	4,071
Other provisions	40	56	388
Deferred tax liabilities (Notes 5 and 19)	2,557	816	24,844
Deferred tax liabilities for land revaluation (Note 8)	651	666	6,325
Acceptances and guarantees	14,761	14,265	143,422
Other liabilities (Note 9)	16,428	16,183	159,619
Total liabilities	2,513,264	2,409,368	24,419,588
Net assets (Note 14):			
Common stock	15,000	15,000	145,744
Capital surplus	24,744	24,744	240,419
Retained earnings	28,093	22,708	272,959
Treasury stock	(2)	(1)	(19)
Total shareholders’ equity	67,835	62,451	659,104
Accumulated other comprehensive income:			
Unrealized gain on available-for-sale securities (Note 5)	14,510	13,929	140,983
Deferred loss on derivatives under hedge accounting	(8)	(13)	(77)
Revaluation reserve for land (Note 8)	1,091	1,119	10,600
Remeasurements of defined benefit plans	(774)	-	(7,520)
Total accumulated other comprehensive income	14,819	15,034	143,985
Minority interests	1,274	1,205	12,378
Total net assets	83,928	78,692	815,468
Total liabilities and net assets	¥ 2,597,193	¥ 2,488,060	$ 25,235,066

See notes to consolidated financial statements.

(Concluded)

FIDEA Holdings Co. Ltd. and Subsidiaries

Consolidated Statements of Income
Years Ended March 31, 2014 and 2013

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2014	2013	2014
Income:			
Interest income:			
Interest on loans and discounts	¥ 26,163	¥ 27,802	$ 254,207
Interest and dividends on securities	7,676	6,467	74,582
Other	71	50	689
Fees and commissions	9,469	8,777	92,003
Other operating income	3,212	3,334	31,208
Other income	4,154	2,955	40,361
Total income	50,749	49,388	493,091
Expenses:			
Interest expenses:			
Interest on deposits	2,593	2,604	25,194
Interest on borrowings and rediscounts	82	134	796
Interest on bonds payable	277	232	2,691
Other	38	43	369
Fees and commissions	3,029	2,904	29,430
Other operating expenses	1,904	3,852	18,499
General and administrative expenses	29,241	28,649	284,113
Provision of allowance for loan losses	2,054	418	19,957
Other expenses (Note 15)	1,437	3,732	13,962
Total expenses	40,658	42,575	395,044
Income before income taxes and minority interests	10,090	6,813	98,037
Income taxes (Note 19):			
Current	788	603	7,656
Deferred	2,956	2,111	28,721
Total income taxes	3,744	2,715	36,377
Net income before minority interests	6,346	4,098	61,659
Minority interests in net income (loss)	125	(130)	1,214
Net income	¥ 6,220	¥ 4,228	$ 60,435

	Yen		U.S. dollars
Per share of common stock (Note 24):			
Basic net income	¥ 42.41	¥ 28.46	$ 0.4120
Diluted net income	30.11	22.55	0.2925
Cash dividends applicable to the year	5.00	5.00	0.0485

See notes to consolidated financial statements.

FIDEA Holdings Co. Ltd. and Subsidiaries

Consolidated Statements of Comprehensive Income
Years Ended March 31, 2014 and 2013

	Millions of yen				Thousands of U.S. dollars (Note 1)	
	2014		2013		2014	
Net income before minority interests	¥	6,346	¥	4,098	$	61,659
Other comprehensive income (Note 16):						
Unrealized gain on available-for-sale securities		583		12,929		5,664
Deferred gain on derivatives under hedge accounting		4		3		38
Total other comprehensive income		587		12,933		5,703
Comprehensive income	¥	6,933	¥	17,031	$	67,363
Total comprehensive income attributable to:						
Owners of the parent	¥	6,806	¥	17,161	$	66,129
Minority interests		127		(130)		1,233

See notes to consolidated financial statements.

FIDEA Holdings Co. Ltd. and Subsidiaries

Consolidated Statements of Changes in Net Assets
Years Ended March 31, 2014 and 2013

	Millions of yen											
	Shareholders' equity					Accumulated other comprehensive income						
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity	Unrealized gain on available-for-sale securities	Deferred loss on derivatives under hedge accounting	Revaluation reserve for land	Remeasure-ments of defined benefit plans	Total accumulated other comprehensive income	Minority interests	Total net assets
Balance as of April 1, 2012	¥ 15,000	¥ 24,744	¥ 19,344	¥ (1)	¥ 59,087	¥ 998	¥ (16)	¥ 1,119	¥ -	¥ 2,101	¥ 1,331	¥ 62,520
Cash dividends			(864)		(864)							(864)
Net income			4,228		4,228							4,228
Acquisition of treasury stock				(0)	(0)							(0)
Sale of treasury stock		(0)		0	0							0
Reversal of revaluation reserve for land												
Net changes of items other than shareholders' equity						12,930	3	-	-	12,933	(125)	12,808
Balance as of March 31, 2013	15,000	24,744	22,708	(1)	62,451	13,929	(13)	1,119	-	15,034	1,205	78,692
Cash dividends			(863)		(863)							(863)
Net income			6,220		6,220							6,220
Acquisition of treasury stock				(0)	(0)							(0)
Sale of treasury stock		(0)		0	0							0
Reversal of revaluation reserve for land			27		27							27
Net changes of items other than shareholders' equity						581	4	(27)	(774)	(215)	68	(147)
Balance as of March 31, 2014	¥ 15,000	¥ 24,744	¥ 28,093	¥ (2)	¥ 67,835	¥ 14,510	¥ (8)	¥ 1,091	¥ (774)	¥ 14,819	¥ 1,274	¥ 83,928

	Thousands of U.S. dollars (Note 1)											
	Shareholders' equity					Accumulated other comprehensive income						
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity	Unrealized gain on available-for-sale securities	Deferred loss on derivatives under hedge accounting	Revaluation reserve for land	Remeasure-ments of defined benefit plans	Total accumulated other comprehensive income	Minority interests	Total net assets
Balance as of March 31, 2013	$ 145,744	$ 240,419	$ 220,637	$ (9)	$ 606,791	$ 135,338	$ (126)	$ 10,872	$ -	$ 146,074	$ 11,708	$ 764,593
Cash dividends			(8,385)		(8,385)							(8,385)
Net income			60,435		60,435							60,435
Acquisition of treasury stock				(0)	(0)							(0)
Sale of treasury stock		(0)		0	0							0
Reversal of revaluation reserve for land			262		262							262
Net changes of items other than shareholders' equity						5,645	38	(262)	(7,520)	(2,089)	660	(1,428)
Balance as of March 31, 2014	$ 145,744	$ 240,419	$ 272,959	$ (19)	$ 659,104	$ 140,983	$ (77)	$ 10,600	$ (7,520)	$ 143,985	$ 12,378	$ 815,468

See notes to consolidated financial statements.

FIDEA Holdings Co. Ltd. and Subsidiaries

Consolidated Statements of Cash Flows
Years Ended March 31, 2014 and 2013

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2014	2013	2014
Operating activities:			
Income before income taxes and minority interests	¥ 10,090	¥ 6,813	$ 98,037
Adjustments for:			
Income taxes—paid	(969)	(200)	(9,415)
Depreciation and amortization	1,390	1,561	13,505
Loss on impairment—fixed assets	58	30	563
Amortization of goodwill	156	158	1,515
Amortization of negative goodwill	(917)	(917)	(8,909)
Gain on bargain purchase	(6)	(4)	(58)
Change in allowance for loan losses	738	(2,448)	7,170
Change in provision for bonuses	-	(368)	-
Change in provision for retirement benefits	-	(89)	-
Change in defined benefit asset	230	-	2,234
Change in defined benefit liability	(74)	-	(719)
Change in provision for reimbursement of deposits	142	158	1,379
Change in provision for contingent loss	53	31	514
Change in other provisions	(16)	(3)	(155)
Interest income	(33,912)	(34,321)	(329,498)
Interest expenses	2,992	3,017	29,071
(Gain) loss on securities—net	(2,767)	2,195	(26,884)
Loss on money held in trust—net	5	22	48
Foreign exchange (gains) losses—net	(9)	13	(87)
Loss on sale and disposal of fixed assets—net	23	113	223
Net change in loans and bills discounted	(61,863)	(82,856)	(601,078)
Net change in deposits	43,963	127,931	427,157
Net change in negotiable certificates of deposit	23,595	(6,961)	229,255
Net change in trading account securities	(40)	131	(388)
Net change in borrowed money, excluding subordinated borrowings	(13,930)	17,740	(135,347)
Net change in due from banks, excluding due from Bank of Japan	2,403	(2,102)	23,348
Net change in call loans and bills bought	505	21,917	4,906
Net change in call money and bills sold	30,313	(22,916)	294,529
Net change in payables under securities lending transactions	11,336	-	110,143
Net change in foreign exchange assets	(725)	(86)	(7,044)
Net change in foreign exchange liabilities	(14)	(27)	(136)
Interest received	35,543	35,149	345,345
Interest paid	(3,255)	(2,962)	(31,626)
Other—net	2,745	(771)	26,671
Total adjustments	37,695	53,131	366,255
Net cash provided by operating activities—(Forward)	¥ 47,785	¥ 59,944	$ 464,292

(Continued)

FIDEA Holdings Co. Ltd. and Subsidiaries

Consolidated Statements of Cash Flows
Years Ended March 31, 2014 and 2013

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2014	2013	2014
Net cash provided by operating activities—(Forward)	¥ 47,785	¥ 59,944	$ 464,292
Investing activities:			
Purchase of securities	(308,965)	(350,096)	(3,001,991)
Proceeds from sales of securities	182,451	231,524	1,772,745
Proceeds from maturity of securities	83,086	57,184	807,287
Increase in money held in trust	(1,033)	(43)	(10,036)
Decrease in money held in trust	14	-	136
Purchase of tangible fixed assets	(2,379)	(1,138)	(23,115)
Proceeds from sales of tangible fixed assets	88	51	855
Purchase of intangible fixed assets	(1,388)	(1,079)	(13,486)
Net cash used in investing activities	(48,127)	(63,596)	(467,615)
Financing activities:			
Increase in subordinated borrowings	5,000	-	48,581
Decrease in subordinated borrowings	(5,800)	-	(56,354)
Proceeds from issuance of subordinated bonds and bonds with subscription rights to shares	5,978	4,957	58,083
Repayment of lease obligations	(90)	(119)	(874)
Dividends paid	(861)	(861)	(8,365)
Dividends paid to minority shareholders	(5)	(2)	(48)
Payment for purchase of shares in subsidiaries from minority shareholders	(46)	-	(446)
Purchase of treasury stock	(0)	(0)	(0)
Proceeds from sales of treasury stock	0	0	0
Net cash provided by financing activities	4,173	3,973	40,546
Effect of exchange rate change on cash and cash equivalents	9	(13)	87
Net increase in cash and cash equivalents	3,841	308	37,320
Cash and cash equivalents at the beginning of year	51,802	51,494	503,322
Cash and cash equivalents at the end of year (Note 17)	¥ 55,644	¥ 51,802	$ 540,652

See notes to consolidated financial statements.

(Concluded)

1. Basis of Presentation

FIDEA Holdings Co. Ltd. (the "Company") is a holding company and conducts its operations through its subsidiaries and affiliates. The Company was established as a joint holding company between The Shonai Bank, Ltd. ("Shonai") and The Hokuto Bank, Ltd. ("Hokuto") on October 1, 2009 by way of a transfer of shares.

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

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

In preparing the accompanying consolidated financial statements, Japanese yen amounts are presented in millions of yen by rounding down figures to the nearest million. As a result, the totals in yen in the accompanying consolidated financial statements do not necessarily agree with the sums of the individual amounts.

The translation of yen amounts into U.S. dollar amounts is included solely for the convenience of readers outside Japan and has been made at ¥102.92 = U.S.$1.00, the exchange rate prevailing on March 31, 2014. This translation should not be construed as a representation that yen can be converted into U.S. dollars at the above or any other rate.

2. Principles of Consolidation

The consolidated financial statements include the accounts of the Company and its 11 subsidiaries (collectively the "Group") as of March 31, 2014 (11 subsidiaries as of March 31, 2013).

Under the control of influence concept, those companies in which the Company, directly or indirectly, is able to exercise control over operations are fully consolidated, and there is no unconsolidated subsidiary.

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

The excess of the acquisition cost over the underlying equity in the net assets of the consolidated subsidiaries measured at fair value at their respective dates of acquisition is presented as "goodwill" and is amortized by the straight-line method over a period of five years. Insignificant amounts of goodwill are fully charged to income in the fiscal year when it is incurred. Negative goodwill incurred on or before March 31, 2010 is amortized using the straight-line method over a period of five years. Negative goodwill incurred after April 1, 2010 is recognized as a gain when incurred.

The balance sheet dates of 9 subsidiaries and 2 subsidiaries are March 31 and December 31, respectively. The accounts of subsidiaries with balance sheet date as of December 31 are consolidated on the basis of their fiscal year-end, and necessary adjustments are made in the consolidated financial statements to reflect the significant transactions occurred during the period between December 31 and March 31.

Those companies over which the Company has the ability to exercise significant influence, but does not control are accounted for using the equity method. However, the Company has no affiliates to be accounted for using the equity method.

3. Significant Accounting Policies

(1) Trading account securities

Trading account securities are stated at fair value as of the balance sheet date, and cost of trading account securities sold is determined principally using the moving-average method.

(2) Securities

Non-trading securities are classified into two categories: held-to-maturity debt securities and available-for-sale securities. Held-to-maturity debt securities are carried at amortized cost being determined by the moving-average method. Available-for-sale securities are generally stated at fair value determined based on the quoted market price as of the balance sheet date, except for equity securities which are stated at fair value determined based on the average market price during one month before the balance sheet date. Cost of sales of theses available-for-sale securities is principally determined using the moving-average method. Available-for-sale securities, for which it is extremely difficult to determine the fair value, are stated at cost determined by the moving-average method.

Unrealized gain or loss on available-for-sale securities is recorded under net assets, net of income taxes.

(3) Securities held in money trusts

Securities that are part of trust assets in independently managed money trusts with the primary purpose to manage securities are stated at fair value as of the balance sheet date.

(4) Derivatives

Derivatives are stated at fair value.

(5) Tangible fixed assets

Depreciation of tangible fixed assets of the Company and consolidated banking subsidiaries, except for lease assets, is calculated by the straight-line method. The principal useful lives are as follows:

Buildings	7 to 50 years
Others	4 to 20 years

Depreciation of tangible fixed assets of other consolidated subsidiaries is calculated principally by the straight-line method based on the estimated useful lives.

(Change in accounting policy that is difficult to distinguish from change in accounting estimate)

Previously, depreciation of buildings and other tangible fixed assets of the Company and its certain consolidated subsidiaries, except for lease assets, was calculated principally by the declining-balance method. Effective from the year ended March 31, 2014, the depreciation method has been changed to the straight-line method. The Company and its certain consolidated subsidiaries reviewed their investment projects, including a way of investment structures comprehensively because a planning of store management and a large scale renewal of business equipment, mainly enterprise system, are expected under FIDEA Group's Second Medium Term Management Plan, which commenced from April 2013 (from the year ended March 31, 2013 to the year ending March 31, 2015).

Depreciation method for tangible fixed assets was, therefore, re-examined during the course of this review and it was determined that the straight-line method reflects the actual utilization of tangible fixed assets more appropriately because investment effects are expected to be long-term and stable as store buildings and business equipment are expected to be used in long-term and stable due to decrease in risk of structural obsolescence, and equipment maintenance costs, such as repair and maintenance costs incur almost fixed amount each year. Accordingly, the depreciation method has been changed from the declining-balance method to the straight-line method. The impact of this change is immaterial on the consolidated financial statements for the year ended March 31, 2014

Lease assets under finance lease arrangements which do not transfer ownership of the lease assets to the lessee are depreciated over the respective lease contract periods using the straight-line method with salvage values defined in the lease contracts, otherwise with no residual value.

(6) Intangible fixed assets

Intangible fixed assets, except for lease assets, are amortized by the straight-line method. Amortization of the cost of software intended for internal use is calculated by the straight-line method based on a useful life (principally five years) determined by the Company and its consolidated subsidiaries.

(7) Allowance for loan losses

Allowance for loan losses is provided by the consolidated banking subsidiaries and other major consolidated subsidiaries in accordance with the prescribed standards. For claims on borrowers who have declared bankruptcy or have commenced special liquidation proceedings or similar legal proceedings (the "bankrupt borrowers"), or borrowers who are not legally or formally insolvent but are regarded as substantially in the same situation (the "virtually bankrupt borrowers"), an allowance is generally provided based on the book value of the claims, after the write-off stated below, net of the expected amount recoverable from collateral and guarantees.

For claims on borrowers who are not currently bankrupt but are likely to become bankrupt (the "potentially bankrupt borrowers"), an allowance is provided at the amount deemed necessary based on the overall solvency assessment of the borrowers and the amount of the claims, net of the expected amount recoverable from collateral and guarantees.

For other claims, an allowance is provided based on the historical loan-loss ratio calculated from past experiences during a certain period after categorizing into definite types.

All claims are assessed for the quality by the Asset Assessment Department with the cooperation by operating offices in accordance with the Standards for Asset Self-Assessment, and then the assessment results are audited by the Asset Audit Department which is independent from the Asset Assessment Department.

For collateralized or guaranteed claims on the bankrupt borrowers and virtually bankrupt borrowers of Hokuto and certain consolidated subsidiaries, the amount of the claims exceeding the estimated value of collateral and guarantees is deemed to be uncollectible and is charged off against the total amount of the outstanding claims. These write-offs amounted to ¥13,107 million ($127,351 thousand) and ¥15,378 million for the years ended March 31, 2014 and 2013, respectively.

Allowances for loan losses of other consolidated subsidiaries are provided based on the historical loan loss ratio.

(8) Provision for reimbursement of deposits

Provision for reimbursement of deposits is provided at an estimated amount of the future payments to be made for reimbursement claims on deposits which were derecognized and credited from liability to income.

(9) Provision for contingent loss

Provision for contingent loss is provided at an estimated amount of the future payments to be made for a burden charge to the Credit Guarantee Corporations in connection with the responsibility-sharing system.

(10) Other provisions

Other provisions include provision for point service program, provision for losses on interest repayment claims and provision for losses on gift card claims of the consolidated subsidiaries.

Provision for point service program relating to credit business engaged by consolidated subsidiaries is provided for the future burdens when the service will be used at the necessary amount based on the reasonably estimated amount to be used in future.

Provision for losses on interest repayment claims is provided at an amount reasonably estimated considering the historical repayment experiences to provide for repayment claims on interest on loans made by consolidated subsidiaries exceeding the maximum interest rate stipulated by the Interest Rate Restriction Act.

Provision for losses on gift card claims is provided at a reasonably estimated amount for uncollected gift cards which were recognized as income after the elapse of a certain period of time to provide for future losses when they are collected in future.

(11) Retirement benefits

The straight-line method is used as a method of attributing expected retirement benefits to each period in calculating retirement benefit obligation.

Past service costs are amortized by the straight-line method over a certain period (five years) within the average remaining years of service of the eligible employees when such past service costs occur at Shonai, a consolidated subsidiary of the Company.

Actuarial gains and losses are amortized from the year following the year in which the gains and losses occur by the straight-line method over a certain period of 10 to 15 years within the average remaining years of service of the eligible employees when such actuarial gains and losses occur.

Unrecognized transitional obligation incurred at the time of the accounting standard change in the amount of ¥2,710 million ($26,331 thousand) is amortized over a period of 15 years.

Certain consolidated subsidiaries adopt the simplified method in calculating defined benefit liability and retirement benefit expenses. Under this method, the severance payment amount required at the year-end for voluntary termination is deemed as retirement benefit obligations.

(Change in accounting policy)
Effective from March 31, 2014, the Company has adopted the "Accounting Standard for Retirement Benefits" (Accounting Standards Board of Japan ("ASBJ") Statement No. 26, issued on May 17, 2012) (the "Accounting Standard") and the "Guidance on Accounting Standard for Retirement Benefits" (ASBJ Guidance No. 25, issued on May 17, 2012) (the "Guidance"), excluding certain provisions stipulated in the main clause of Section 35 of the Accounting Standard and the main clauses of Section 67 of the Guidance. In accordance with the Accounting Standard and the Guidance, the difference between retirement benefit obligation and plan assets is recorded as defined benefit asset or defined benefit liability.

With regard to the adoption of the Accounting Standard and others, unrecognized actuarial gains and losses, after income tax effect, unrecognized past service costs and unrecognized transitional obligation incurred at the time of the accounting standard change are recorded as remeasurements of defined benefit plans in accumulated other comprehensive income in accordance with the transitional treatment stipulated in the Section 37 of the Accounting Standard.

As a result of this change, defined benefit asset of ¥1,143 million ($11,105 thousand) and defined benefit liability of ¥2,372 million ($23,047 thousand) were recorded as of March 31, 2014. Deferred tax assets increased by ¥7 million ($68 thousand), deferred tax liabilities decreased by ¥416 million ($4,041 thousand) and accumulated other comprehensive income decreased by ¥774 million ($7,520 thousand) as of and for the year ended March 31, 2014. Regarding the effects on amounts per share, reference is made to Note 24.

(12) Foreign currency translation

The assets and liabilities denominated in foreign currencies of the consolidated subsidiaries are translated into Japanese yen at the exchange rates in effect at the balance sheet date.

(13) Leases

Certain consolidated subsidiaries' finance leases which commenced prior to April 1, 2008 and do not transfer ownership of the lease assets to the lessee are accounted for as operating leases.

(14) Hedge accounting

Interest rate risk hedging

With respect to the hedge accounting for the interest rate risk arising from financial assets and liabilities of the consolidated banking subsidiaries, the Group applies deferral hedge accounting, under which gains or losses on derivatives are deferred until maturity of the hedged transactions, as stipulated in the Japanese Institute of Certified Public Accountants ("JICPA") Industry Audit Committee Report No. 24. With respect to hedging transactions to offset fluctuations of the market price, the effectiveness of hedging transactions is assessed by specifying the hedged items such as deposits and loans and bills discounted and hedging instruments such as interest rate swaps after grouping these items by definite remaining maturity. With respect to hedging transactions to fix cash flows, the effectiveness of hedging is assessed by verifying the correlation of interest floating factors of hedged items and hedging instruments.

Foreign exchange risk hedging

With respect to the hedge accounting for the foreign exchange risk arising from financial assets and liabilities denominated in foreign currencies of the consolidated banking subsidiaries, the Group applies deferral hedge accounting, under which gains or losses on derivatives are deferred until maturity of the hedged transactions, as stipulated in the JICPA Industry Audit Committee Report No. 25. Hedge effectiveness is assessed by comparing the amount of monetary assets and liabilities denominated in foreign currencies as underlying hedged items with the corresponding foreign-currency amount of the respective hedging instruments such as currency swaps and foreign exchange swaps entered into in order to hedge foreign exchange risk associated with monetary assets and liabilities denominated in foreign currencies.

In addition, in order to hedge foreign exchange risk of available-for-sale securities denominated in foreign currencies except for debt securities, the fair value hedge is applied as portfolio hedging on the condition that liabilities of spot and forward foreign exchange contracts exceeding the acquisition costs of the foreign currency denominated securities on a basis of foreign currency exist, designating the issues of foreign currency denominated securities to be hedged in advance.

(15) Cash and cash equivalents

In preparing the consolidated statements of cash flows, of cash and due from banks in the consolidated balance sheets, cash and due from Bank of Japan (“BoJ”) are considered to be cash and cash equivalents.

(16) Consumption taxes

Transactions are principally stated exclusive of national and local consumption taxes.

(17) Accounting standards not yet adopted

“Accounting Standard for Retirement Benefits” (issued on May 17, 2012) and others

(a) Overview

From the viewpoint of improvements to financial reporting and international convergence, by the Accounting Standard and Guidance, accounting treatments for unrecognized actuarial gains and losses and past service costs were changed, methods for calculating retirement benefit obligations and current service costs were revised, and enhanced disclosures was required.

(b) Date of application

Shonai and Hokuto, the consolidated subsidiaries of the Company, will adopt the Accounting Standard and Guidance for the revision of methods for calculating retirement benefit obligations and current service costs from the beginning of the fiscal year beginning April 1, 2015.

(c) Effect of application

The effects of applying this accounting standard and others on the consolidated financial statements are currently under evaluation.

“Accounting Standard for Business Combinations” (issued on September 13, 2013) and others

(a) Overview

This accounting standard and others were revised mainly for accounting treatments for (i) changes in the ownership interest of a parent company in its subsidiaries (e.g. through additional acquisition of shares in the subsidiaries) when the parent retains control over the relevant subsidiaries, (ii) acquisition related costs, (iii) temporary accounting treatment, (iv) presentation of net income for the year and change from “minority interests” to “non-controlling interests.”

(b) Date of application

The Company will adopt this accounting standard and others from the beginning of the fiscal year beginning April 1, 2015.

(c) Effect of application

The effects of applying this accounting standard and others on the consolidated financial statements are not yet determined.

4. Securities

No gain and loss from the revaluation of trading account securities were recognized in the consolidated statements of income for the years ended March 31, 2014 and 2013.

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

	Millions of yen		
March 31, 2014	Carrying amount	Acquisition cost	Unrealized gain (loss)
Securities whose carrying amount exceeds their acquisition cost:			
Held-to-maturity debt securities	¥ -	¥ -	¥ -
Available-for-sale securities:			
Equity securities	¥ 16,755	¥ 12,481	¥ 4,274
Debt securities:	644,832	635,896	8,936
Japanese government bonds	306,774	302,786	3,988
Municipal bonds	154,589	151,842	2,747
Corporate bonds	183,468	181,268	2,200
Other	81,682	71,537	10,144
Subtotal	¥ 743,271	¥ 719,915	¥ 23,355
Securities whose carrying amount does not exceed their acquisition cost:			
Held-to-maturity debt securities	¥ -	¥ -	¥ -
Available-for-sale securities:			
Equity securities	¥ 2,792	¥ 3,032	¥ (239)
Debt securities:	51,597	51,725	(127)
Japanese government bonds	11,510	11,526	(15)
Municipal bonds	33,123	33,230	(107)
Corporate bonds	6,963	6,968	(4)
Other	24,354	25,268	(914)
Subtotal	¥ 78,744	¥ 80,025	¥ (1,281)
Total	¥ 822,015	¥ 799,941	¥ 22,074

March 31, 2013	Millions of yen Carrying amount	 Acquisition cost	 Unrealized gain (loss)
Securities whose carrying amount exceeds their acquisition cost:			
Held-to-maturity debt securities	¥ -	¥ -	¥ -
Available-for-sale securities:			
Equity securities	¥ 12,983	¥ 9,736	¥ 3,246
Debt securities:	625,330	614,685	10,645
Japanese government bonds	265,494	261,089	4,405
Municipal bonds	177,202	173,664	3,537
Corporate bonds	182,633	179,931	2,702
Other	64,449	54,014	10,434
Subtotal	¥ 702,763	¥ 678,436	¥ 24,326
Securities whose carrying amount does not exceed their acquisition cost:			
Held-to-maturity debt securities	¥ -	¥ -	¥ -
Available-for-sale securities:			
Equity securities	¥ 4,112	¥ 4,541	¥ (429)
Debt securities:	48,637	49,075	(437)
Japanese government bonds	35,759	36,182	(423)
Municipal bonds	9,867	9,874	(6)
Corporate bonds	3,011	3,018	(7)
Other	22,832	25,368	(2,535)
Subtotal	¥ 75,583	¥ 78,986	¥ (3,403)
Total	¥ 778,346	¥ 757,422	¥ 20,923

March 31, 2014	Thousands of U.S. dollars Carrying amount	 Acquisition cost	 Unrealized gain (loss)
Securities whose carrying amount exceeds their acquisition cost:			
Held-to-maturity debt securities	$ -	$ -	$ -
Available-for-sale securities:			
Equity securities	$ 162,796	$ 121,268	$ 41,527
Debt securities:	6,265,371	6,178,546	86,824
Japanese government bonds	2,980,703	2,941,954	38,748
Municipal bonds	1,502,030	1,475,340	26,690
Corporate bonds	1,782,627	1,761,251	21,375
Other	793,645	695,073	98,561
Subtotal	$ 7,221,832	$ 6,994,898	$ 226,923
Securities whose carrying amount does not exceed their acquisition cost:			
Held-to-maturity debt securities	$ -	$ -	$ -
Available-for-sale securities:			
Equity securities	$ 27,127	$ 29,459	$ (2,322)
Debt securities:	501,331	502,574	(1,233)
Japanese government bonds	111,834	111,989	(145)
Municipal bonds	321,832	322,872	(1,039)
Corporate bonds	67,654	67,703	(38)
Other	236,630	245,511	(8,880)
Subtotal	$ 765,099	$ 777,545	$ (12,446)
Total	$ 7,986,931	$ 7,772,454	$ 214,477

Available-for-sale securities sold for the years ended March 31, 2014 and 2013 were as follows:

	Millions of yen		
March 31, 2014	Sales proceeds	Realized gain	Realized loss
Equity securities	¥ 6,116	¥ 1,590	¥ 133
Debt securities:	163,967	604	763
Japanese government bonds	133,077	444	759
Municipal bonds	8,760	97	-
Corporate bonds	22,129	61	4
Other	14,039	1,747	197
Total	¥ 184,124	¥ 3,942	¥ 1,094

	Millions of yen		
March 31, 2013	Sales proceeds	Realized gain	Realized loss
Equity securities	¥ 8,805	¥ 550	¥ 1,724
Debt securities:	211,927	1,716	727
Japanese government bonds	204,169	1,598	727
Municipal bonds	1,129	24	-
Corporate bonds	6,628	93	-
Other	8,753	531	393
Total	¥ 229,485	¥ 2,798	¥ 2,845

	Thousands of U.S. dollars		
March 31, 2014	Sales proceeds	Realized gain	Realized loss
Equity securities	$ 59,424	$ 15,448	$ 1,292
Debt securities:	1,593,150	5,868	7,413
Japanese government bonds	1,293,013	4,314	7,374
Municipal bonds	85,114	942	-
Corporate bonds	215,011	592	38
Other	136,406	16,974	1,914
Total	$1,789,001	$ 38,301	$ 10,629

Write-down of securities

Non-trading securities, with the exception of those whose fair value is extremely difficult to determine, whose fair value significantly declined compared with their acquisition cost and is not considered to be able to recover their acquisition cost, are written down to their respective fair value which is recorded as the carrying amount on the consolidation balance sheet. The related loss on revaluation is charged to income for the year.

Write-down of the above available-for-sale securities in the amount of ¥24 million ($233 thousand), consisting ¥24 million ($233 thousand) of equity securities and ¥0 million ($0 thousand) of other, and ¥2,145 million, consisting ¥105 million of equity securities and ¥2,039 million of other, were recognized for the years ended March 31, 2014 and 2013, respectively.

The criteria for determining whether the fair value is "significantly declined" are as follows:
If the amount calculated based on the average market price of each issue during one month before the balance sheet date for equity securities or the fair value as of the balance sheet date for other securities declines 50% or more compared to their acquisition cost, the difference is recognized as write-down of securities. If they decline by 30% or more but less than 50% compared to their acquisition cost, write-down of securities is recognized for the securities whose fair value is not recoverable after considering the business condition of the issuer and past trend of the market value for a certain period.

5. Unrealized gain and loss on available-for-sale securities

Unrealized gain (loss) on available-for-sale securities at March 31, 2014 and 2013 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2014	2013	2014
Unrealized gain:	¥ 22,074	¥ 20,923	$ 214,477
Available-for-sale securities	22,074	20,923	214,477
Money held in trust	-	-	-
Deferred tax liabilities	(7,558)	(6,990)	(73,435)
Unrealized gain on available-for-sale securities before adjustments by equity interest:	14,515	13,932	141,031
Minority interests	(5)	(3)	(48)
Unrealized gain on available-for-sale securities	¥ 14,510	¥ 13,929	$ 140,983

6. Loans and Bills Discounted and Risk Monitored Loans

Loans and bills discounted

Bills discounted are accounted for as financial transactions rather than as purchased bills in accordance with JICPA Industry Audit Committee Report No. 24 "Treatment of Accounting and Auditing concerning Application of Accounting Standard for Financial Instruments in Banking Industry." The Group has the right to sell or pledge (repledge) such bills without any restrictions. These include commercial bills discounted and foreign exchange bills purchased, etc. The total face value of such financial transactions at March 31, 2014 and 2013 amounted to ¥6,236 million ($60,590 thousand) and ¥7,459 million, respectively.

Loans and bills discounted at March 31, 2014 and 2013 include a loan participation in an amount of ¥166 million ($1,612 thousand) and ¥1,278 million, respectively, accounted for as a loan to an original debtor in accordance with the "Accounting Treatment and Representation of Loan Participation" (JICPA Accounting System Committee Report No. 3 issued on June 1, 1995).

Contracts for overdraft facilities and loan commitments are contracts under which the Group lends money to customers up to their prescribed limits at the customers' request as long as there are no violations of any of the conditions in the contracts. The aggregate unutilized balances within the limits of these contracts totaled ¥435,466 million ($4,231,111 thousand) and ¥423,883 million at March 31, 2014 and 2013, respectively, including the contracts whose contractual periods were either less than one year or revocable at any time, in the amount of ¥433,986 million ($4,216,731 thousand) and ¥422,332 million, respectively.

Since many of these commitments expire without being fully utilized, the unutilized amounts do not necessarily represent future cash commitments of the consolidated subsidiaries. Most of these contracts include provisions which stipulate that the consolidated subsidiaries can reject customers' requests or decrease the contract limits for an appropriate reason, such as a change in financial situation and preservation of claims. At the inception of the contracts, they obtain collateral in the form of real estate, securities, and so forth, if deemed necessary. Subsequently, they, based on its internal rules, perform periodic reviews of the customers' business results and may take necessary measures such as reconsidering the terms and conditions of the contracts and/or requiring additional collateral or guarantees.

Risk monitored loans

Risk monitored loans which were included in loans and bills discounted at March 31, 2014 and 2013 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2014	2013	2014
Loans to bankrupt borrowers	¥ 1,363	¥ 2,671	$ 13,243
Delinquent loans	30,601	26,784	297,328
Loans past due for 3 months or more	-	-	-
Restructured loans	17,719	10,443	172,162
Total	¥ 49,684	¥ 39,900	$ 482,743

Loans to bankrupt borrowers represent non-accrual loans to borrowers who are legally bankrupt as defined in Articles 96-1-3 and 96-1-4 of the Order for Enforcement of the Corporation Tax Act (Cabinet Order No. 97 of 1965).

Delinquent loans represent non-accrual loans other than (i) loans to bankrupt borrowers and (ii) loans on which interest payments have been suspended in order to facilitate or support the reconstruction of borrowers who are experiencing financial difficulties.

Loans past due for 3 months or more represent loans on which the payment of principal and/or interest has not been received for three months or more from the day after the due date, and which are not classified as “loans to bankrupt borrowers” or “delinquent loans.”

Restructured loans are loans which have been restructured to facilitate or support the reconstruction of borrowers who are experiencing financial difficulties, with the intention of ensuring the recovery of the loans by providing more flexible repayment terms for the borrowers (such as reducing the rate of interest, suspending the payment of principal/interest, forgiving debt, etc.) and loans which are not classified in any of the above categories.

The amounts presented in the table above are stated before deducting the amount of allowance for loan losses.

7. Tangible Fixed Assets

At March 31, 2014 and 2013, accumulated depreciation of tangible fixed assets was ¥32,197 million ($312,835 thousand) and ¥32,623 million, respectively.

8. Revaluation of Land

In accordance with the “Act on Revaluation of Land” (Act No. 34 of March 31, 1998), land used for business operations of Shonai was revalued as of the date indicated below. The excess of revaluation to carrying value at the time of revaluation, net of income taxes corresponding to the excess which are recognized as “Deferred tax liabilities for land revaluation,” is stated as “Revaluation reserve for land” under net assets.

Date of revaluation: September 30, 1999

The method of revaluation of asset set forth in Article 3, Paragraph 3 of the “Act on Revaluation of Land”:

Fair values are determined based on the land price registered in the book of taxation on land stipulated in Article 2-3 of the “Order for Enforcement of Act on Revaluation of Land” (the “Ordinance”) (Cabinet Order No. 119 of March 31, 1998), with price adjustments by shape and time and the appraisal value by an independent real estate appraiser as provided by Article 2-5 of the Ordinance.

The difference between the total fair values of land used for business operations revalued pursuant to Article 10 of the “Act on Revaluation of Land” and book value after revaluation of the relevant land at March 31, 2014 and 2013 was ¥1,588 million ($15,429 thousand) and ¥1,562 million, respectively.

9. Borrowed Money and Lease Obligations

Borrowed money and lease obligations at March 31, 2014 and 2013 were as follows:

	Millions of yen		Thousands of U.S. dollars	Average interest rate	
	2014	2013	2014	(%)	Maturity
Borrowed money	¥ 43,440	¥ 58,170	$ 422,075	0.25	Apr. 2014 through Apr. 2024
Current portion of lease obligations	59	87	573	3.46	
Lease obligations, less current portion	101	140	981	3.55	Apr. 2015 through Mar. 2019

Note: Average interest rate is calculated based on the interests and the balances as of the balance sheet date by the weighted average method.

Annual maturities of borrowed money and lease obligations within five years at March 31, 2014 are as follows:

	Millions of yen				
	Due in one year or less	Due after one year through two years	Due after two years through three years	Due after three years through four years	Due after four years through five years
Borrowed money	¥ 38,440	¥ -	¥ -	¥ -	¥ -
Lease obligations	59	40	31	22	6

	Thousands of U.S. dollars				
	Due in one year or less	Due after one year through two years	Due after two years through three years	Due after three years through four years	Due after four years through five years
Borrowed money	$ 373,493	$ -	$ -	$ -	$ -
Lease obligations	573	388	301	213	58

Note: Lease obligations are included in “Borrowed money” and “Other liabilities” in the accompanying consolidated balance sheet.

Subordinated borrowings of ¥5,000 million ($48,581 thousand) and ¥5,800 million were included in borrowed money at March 31, 2014 and 2013, respectively.

10. Assets Pledged

Assets pledged as collateral at March 31, 2014 and 2013 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2014	2013	2014
Securities	¥ 101,188	¥ 71,724	$ 983,171

The liabilities secured by the above pledged assets at March 31, 2014 and 2013 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2014	2013	2014
Call money	¥ 47,503	¥ 16,823	$ 461,552
Payables under securities lending transactions	11,336	-	110,143
Borrowed money	38,440	52,370	373,493

In addition to the pledged assets listed above, securities in the amount of ¥182,642 million ($1,774,601 thousand) and ¥172,245 million and cash and due from banks in the amount of ¥8 million ($77 thousand) and ¥8 million are pledged as collateral for domestic exchange transactions or as margins on futures contracts at March 31, 2014 and 2013, respectively. Other assets include guarantee deposits in the amount of ¥579 million ($5,625 thousand) and ¥587 million at March 31, 2014 and 2013, respectively.

11. Bonds Payable

Bonds payable at March 31, 2014 and 2013 consisted of the following:

		Millions of yen		Thousands of U.S. dollars	Coupon rate (%)	Secured/ unsecured	Due
Issuer/description	Issued date	2014	2013	2014			
The Company							
FIDEA Holdings Co. Ltd. 1st unsecured convertible bond-type bonds with subscription rights to shares with 120% soft call provision	Dec. 5, 2013	¥ 6,000	¥ -	$ 58,297	0.00	Unsecured	Mar. 7, 2016
Shonai							
4th subordinated bonds	Jul. 13, 2010	5,000	5,000	48,581	2.84	Unsecured	Jul. 13, 2020
5th subordinated bonds	Jul. 27, 2012	5,000	5,000	48,581	2.70	Unsecured	Jul. 27, 2022
Total		¥ 16,000	¥ 10,000	$ 155,460			

12. Retirement Benefit Plans

Year ended March 31, 2014

Shonai, a consolidated banking subsidiary of the Company, has funded and unfunded defined benefit pension plans and a defined contribution pension plan to provide for employees' retirement benefits. Under the defined benefit corporate pension plan (funded), a lump-sum payment or pension is provided based on the base salary used for retirement benefits calculation and service years. In addition, this plan is a type of quasi cash balance plan. Under the lump-sum payment plan (unfunded), a lump-sum payment is provided as a retirement benefit based on the base salary used for retirement benefits calculation and service years. During the year ended March 31, 2014, the retirement benefit plan was revised and a part of future payment of the defined benefit corporate pension plan was transferred to the defined contribution pension plan on January 1, 2014.

Hokuto, a consolidated banking subsidiary of the Company, has funded defined benefit pension plans and a defined contribution pension plan to provide for employees' retirement benefits. Under the defined benefit corporate pension plan, pension or a lump-sum payment is provided based on service years. Hokuto maintains a cash balance plan for defined benefit corporate pension plan and a virtual individual account balance which is corresponding to each participant's funded amount and the source of pension amount is established under this plan. In this virtual individual account balance, mainly interest credits based on the trend of market interest rate and contributed credits based on the interest granted each month are accumulated. The defined benefit corporate pension plan is funded. Under the lump-sum payment plan, points are accumulated during the service based on the service years and the functional classes. Employees who terminate their employment are entitled to lump-sum payments based on the accumulated points at the time of the termination multiplied by unit price by point and additional benefits based on the functional class at the time of the termination. A retirement benefit trust is established for the lump-sum payment plan which is funded. With the agreement between labor and management during the year ended March 31, 2012, Hokuto revised its retirement benefit plan and has established a defined contribution pension plan since February 1, 2012.

Certain consolidated subsidiaries other than consolidated banking subsidiaries have unfunded defined benefit pension plans (lump-sum payment plans only). These consolidated subsidiaries adopt the simplified method under lump-sum payment plans in calculating defined benefit liability and retirement benefit expenses.

Defined benefit pension plans

(1) Reconciliation between retirement benefit obligations at beginning of year and end of year

	Millions of yen	Thousands of U.S. dollars
	2014	2014
Retirement benefit obligations at beginning of year	¥ 14,313	$ 139,069
Current service costs	447	4,343
Interest costs	157	1,525
Actuarial gains and losses arising during year	142	1,379
Retirement benefits paid	(1,088)	(10,571)
Past service costs arising during year	(211)	(2,050)
Other	12	116
Retirement benefit obligations at end of year	¥ 13,772	$ 133,812

(2) Reconciliation between plan assets at beginning of year and end of year

	Millions of yen	Thousands of U.S. dollars
	2014	2014
Plan assets at beginning of year	¥ 12,149	$ 118,043
Expected return on plan assets	160	1,554
Actuarial gains and losses	561	5,450
Contribution from employer	584	5,674
Retirement benefits paid	(925)	(8,987)
Other	12	116
Plan assets at end of year	¥ 12,543	$ 121,871

Note: Retirement benefit trust is included in plan assets.

(3) Reconciliation between retirement benefit obligations and plan assets at end of year and defined benefit liability and defined benefit asset on the consolidated balance sheet

	Millions of yen	Thousands of U.S. dollars
	2014	2014
Funded retirement benefit obligation	¥ 12,147	$ 118,023
Plan assets	(12,543)	(121,871)
	(395)	(3,837)
Unfunded retirement benefit obligation	1,624	15,779
Net balance of liability and asset recorded on the consolidated balance sheet	¥ 1,229	$ 11,941

	Millions of yen	Thousands of U.S. dollars
Defined benefit liability	¥ 2,372	$ 23,047
Defined benefit asset	(1,143)	(11,105)
Net balance of liability and asset recorded on the consolidated balance sheet	¥ 1,229	$ 11,941

Note: Retirement benefit trust is included in plan assets.

(4) Retirement benefit expenses and components thereof

	Millions of yen	Thousands of U.S. dollars
	2014	2014
Current service costs	¥ 447	$ 4,343
Interest costs	157	1,525
Expected return on plan assets	(160)	(1,554)
Amortization of actuarial gains and losses	288	2,798
Amortization of past service costs	(10)	(97)
Amortization of net retirement benefit obligation at transition	180	1,748
Retirement benefit expenses on defined benefit plans	¥ 903	$ 8,773

Notes: (1) Retirement benefit expenses of the consolidated subsidiaries adopting the simplified method are collectively included in "Current service costs."

(2) Shonai employees' contribution to the corporate pension plan is excluded from "Current service costs."

(5) Remeasurements of defined benefit plans

Components of items recorded in remeasurements of defined benefit plans, before tax, are as follows:

	Millions of yen	Thousands of U.S. dollars
	2014	2014
Unrecognized past service costs	¥ (200)	$ (1,943)
Unrecognized actuarial gains and losses	1,218	11,834
Unrecognized net retirement benefit obligation at transition	180	1,748
Total	¥ 1,198	$ 11,640

(6) Components of plan assets

(a) Percentages to total plan by major category are as follows:

	2014
Debt securities	46.8%
Equity securities	28.9
Cash and deposits	0.1
Call loans	18.0
General account	5.6
Other	0.6
Total	100.0%

Note: 34.5% of the total plan assets consisted of the retirement benefit trust established for the lump-sum payment plan.

(b) Determination of expected long-term rate of plan assets

The expected long-term rate of return on plan assets is determined considering current and expected distribution of plan assets and current and expected long-term rate of return derived from various components of plan assets.

(7) Actuarial assumptions at end of year

	2014
Discount rate	0.75% - 1.50%
Expected long-term rate of return on plan assets	1.00% - 1.50%

Defined contribution pension plans

The amount to be contributed to the defined contribution plans of the Company and its consolidated subsidiaries was ¥104 million ($1,010 thousand).

Year ended March 31, 2013

The consolidated banking subsidiaries have defined benefit pension plans consisting of corporate pension fund and lump-sum payment plans.

Shonai has introduced a corporate pension fund similar with cash balance plans, and established a defined contribution pension plan in October 2006.

Hokuto has established a retirement benefit trust. Hokuto abolished a tax qualified pension plan at the end of August 2011 and has established a defined contribution pension plan since February 2012.

The Group may pay additional retirement benefits to certain employees which are not covered by the actuarially projected retirement benefit obligation pursuant to the accounting standard for retirement benefits. Consolidated subsidiaries other than banking subsidiaries adopt principally lump-sum payment plans.

(1) The assets and liabilities of the employees' retirement benefit plans at March 31, 2013 consisted of the following:

	Millions of yen
Retirement benefit obligation	¥ (14,313)
Pension plan assets at fair value	12,149
Unfunded benefit obligation	(2,163)
Unrecognized net retirement benefit obligation at transition	361
Unrecognized actuarial differences	1,926
Net retirement benefit obligation	124
Prepaid pension cost	1,712
Provision for retirement benefits	¥ (1,587)

Notes: (1) Above table does not include additional retirement benefits to be paid on a temporary base.
(2) In calculating retirement benefit obligation, consolidated subsidiaries other than banking subsidiaries mainly adopt the simplified method.

(2) Retirement benefit expenses for the year ended March 31, 2013 consisted of the following:

	Millions of yen
Service cost	¥ 415
Interest cost	263
Expected return on plan assets	(152)
Amortization of prior service cost	-
Amortization of actuarial loss	273
Amortization of net retirement benefit obligation at transition	180
Additional retirement benefits and other	144
Net periodic retirement benefit expenses	¥ 1,125

Note: Retirement benefit expenses of the consolidated subsidiaries adopting the simplified method are collectively recorded in "Service cost."

(3) The assumptions used in accounting for the above plans for the year ended March 31, 2013 were as follows:

Discount rate	0.75% - 1.50%
Expected rate of return on plan assets	1.00% - 1.50%
Method of attributing expected benefit to periods	Straight-line basis
Amortization period of prior service cost	Charged to income on a straight-line basis over a period of 5 years within the average remaining service years of employees upon occurrence at Shonai. Charged to income when incurred at Hokuto.
Amortization period of actuarial difference	10-15 years (charged to income beginning from the following year after incurrence with the inter-period allocated amount on a straight-line basis over a certain period within the average remaining service years of employees upon occurrence)
Amortization period of net retirement benefit obligation at transition	15 years

13. Contingent Liabilities

Guarantee liabilities for corporate bonds acquired through private offering (as defined in Article 2-3 of the Financial Instruments and Exchange Act) among those classified as corporate bonds in "Securities" amounted to ¥7,894 million ($76,700 thousand) and ¥8,357 million at March 31, 2014 and 2013, respectively.

14. Shareholders' Equity

Japanese banks are required to comply with the Banking Act and the Companies Act. The Companies 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 Act, 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 to the legal reserve until the aggregate amount of the legal reserve and the capital surplus account equals 100% of the amount of share capital. The Companies Act also provides that if the aggregate amount of additional paid-in capital and the legal reserve exceeds 100% of the amount of share capital, the excess may be distributed to the shareholders either as a return of capital or as dividends subject to the approval of the shareholders.

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

Movements in common stock, preferred stock and treasury stock during the years ended March 31, 2014 and 2013 are summarized as follows:

	Number of shares (in thousands)				
	April 1, 2013	Increase	Decrease	March 31, 2014	Ref.
Issued shares:					
Common stock	143,464	-	-	143,464	
Preferred stock Class B	25,000	-	-	25,000	
Total	168,464	-	-	168,464	
Treasury stock:					
Common stock	8	4	0	12	Note
Total	8	4	0	12	

Note: Increase in number of shares is due to request for purchase of less than one unit, and decrease in number of shares is due to request for sale of less than one unit.

	Number of shares (in thousands)				
	April 1, 2012	Increase	Decrease	March 31, 2013	Ref.
Issued shares:					
Common stock	143,464	-	-	143,464	
Preferred stock Class B	25,000	-	-	25,000	
Total	168,464	-	-	168,464	
Treasury stock:					
Common stock	6	2	0	8	Note
Total	6	2	0	8	

Note: Increase in number of shares is due to request for purchase of less than one unit, and decrease in number of shares is due to request for sale of less than one unit.

15. 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
	2014	2013	2014
Loss on sales of equity securities, etc.	¥ 147	¥ 1,835	$ 1,428
Written-off of loans	139	425	1,350
Loss on disposal of fixed assets	34	121	330
Impairment loss	58	30	563
Other	1,059	1,321	10,289
Total	¥ 1,437	¥ 3,732	$ 13,962

16. Other Comprehensive Income

Reclassification adjustments and income tax effect for each component of other comprehensive income for the years ended March 31, 2014 and 2013 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2014	2013	2014
Unrealized gain on available-for-sale securities:			
Gain arising during the year	¥ 3,853	¥ 17,173	$ 37,436
Reclassification adjustments	(2,703)	2,172	(26,263)
Before income tax effect	1,150	19,346	11,173
Income tax effect	(567)	(6,416)	(5,509)
Unrealized gain on available-for-sale securities	583	12,929	5,664
Deferred gain on derivatives under hedge accounting:			
Gain arising during the year	7	5	68
Reclassification adjustments	-	-	-
Before income tax effect	7	5	68
Income tax effect	(2)	(1)	(19)
Deferred gain on derivatives under hedge accounting	4	3	38
Total other comprehensive income	¥ 587	¥ 12,933	$ 5,703

17. Cash and Cash Equivalents

A reconciliation of cash and due from banks in the accompanying consolidated balance sheets to cash and cash equivalents in the accompanying consolidated statements of cash flows at March 31, 2014 and 2013 is summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2014	2013	2014
Cash and due from banks	¥ 60,660	¥ 59,222	$ 589,389
Due from banks (excluding due from BoJ)	(5,016)	(7,419)	(48,736)
Cash and cash equivalents	¥ 55,644	¥ 51,802	$ 540,652

18. Leases

The Group leases certain personal computers, automated teller machines, etc. under finance lease arrangements.
The Group accounts for finance leases which commenced prior to April 1, 2008 and do not transfer ownership of the lease assets to the lessee as operating lease transactions as permitted by the accounting standard. The following pro forma amounts represent the acquisition costs, accumulated depreciation and net book value of the leased fixed assets as of March 31, 2014 and 2013, which would have been reflected in the accompanying consolidated balance sheets if finance lease accounting had been applied to the finance leases under which the Group are lessees and which are currently accounted for as operating leases:

	Millions of yen		
March 31, 2014	Tangible fixed assets	Intangible fixed assets	Total
Acquisition costs	¥ 224	¥ -	¥ 224
Accumulated depreciation	157	-	157
Net book value	¥ 66	¥ -	¥ 66

	Millions of yen		
March 31, 2013	Tangible fixed assets	Intangible fixed assets	Total
Acquisition costs	¥ 496	¥ -	¥ 496
Accumulated depreciation	378	-	378
Net book value	¥ 117	¥ -	¥ 117

	Thousands of U.S. dollars		
March 31, 2014	Tangible fixed assets	Intangible fixed assets	Total
Acquisition costs	$ 2,176	$ -	$ 2,176
Accumulated depreciation	1,525	-	1,525
Net book value	$ 641	$ -	$ 641

Future minimum lease payments subsequent to March 31, 2014 for finance leases accounted for as operating leases are summarized as follows:

	Millions of yen	Thousands of U.S. dollars
Due within one year	¥ 23	$ 223
Due after one year	50	485
Total	¥ 73	$ 709

Total lease payments related to finance leases accounted for as operating leases, depreciation expense and interest expenses, which have not been reflected in the accompanying consolidated statements of income for the years ended March 31, 2014 and 2013, are summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2014	2013	2014
Total lease payments	¥ 57	¥ 111	$ 553
Depreciation expense	50	99	485
Interest expenses	3	5	29

Depreciation expense has been calculated by the straight-line method assuming the lease periods to be the useful lives of the respective assets and a nil residual value.
The difference between the total lease payments and the amounts corresponding to acquisition costs of the lease assets, which is the amount corresponding to interest expenses, is allocated over the period using the interest method.

19. Income Taxes
The tax effect of temporary differences which gave rise to significant portions of the deferred tax assets and liabilities at March 31, 2014 and 2013 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2014	2013	2014
Deferred tax assets:			
Allowance for loan losses	¥ 8,211	¥ 8,027	$ 79,780
Allowance for investment loss	3,797	3,797	36,892
Provision for retirement benefits	-	1,558	-
Defined benefit liability	1,913	-	18,587
Tax loss carryforwards	1,202	3,293	11,678
Depreciation	1,022	1,098	9,930
Write-down of securities	935	2,087	9,084
Other	1,513	1,132	14,700
Gross deferred tax assets	18,595	20,995	180,674
Valuation allowance	(9,859)	(9,651)	(95,792)
Total deferred tax assets	¥ 8,736	¥ 11,344	$ 84,881
Deferred tax liabilities:			
Unrealized gain on available-for-sale securities	¥ (7,595)	¥ (7,102)	$ (73,795)
Other	(686)	(670)	(6,665)
Total deferred tax liabilities	(8,281)	(7,772)	(80,460)
Net deferred tax assets	¥ 454	¥ 3,571	$ 4,411

Reconciliations of the statutory tax rate to the effective tax rate for the years ended March 31, 2014 and 2013 are omitted since the difference was less than 5% of the effective statutory tax rate.

The "Act on Partial Revision of the Income Tax Act, etc." (Act No. 10 of 2014) was promulgated on March 31, 2014 and the special corporate tax for reconstruction will no longer be imposed from fiscal years beginning on or after April 1, 2014. Accordingly, the statutory tax rate used to calculate deferred tax assets and liabilities is changed from 37.96% to 35.59% for temporary differences which are expected to reverse in the fiscal year beginning on April 1, 2014. As a result of this change, deferred tax assets decreased by ¥144 million ($1,399 thousand), deferred tax liabilities increased by ¥84 million ($816 thousand) and income taxes-deferred increased by ¥229 million ($2,225 thousand) as of and for the year ended March 31, 2014.

20. Segment Information

(1) Segment information

The Group has a single segment of banking business. Accordingly, segment information by reportable segment is omitted.

(2) Related information

Information by service

	Millions of yen			
March 31, 2014	Lending	Securities investment	Other	Total
Ordinary income from external customers	¥ 26,304	¥ 11,662	¥ 12,764	¥ 50,731

	Millions of yen			
March 31, 2013	Lending	Securities investment	Other	Total
Ordinary income from external customers	¥ 28,138	¥ 9,267	¥ 11,954	¥ 49,360

	Thousands of U.S. dollars			
March 31, 2014	Lending	Securities investment	Other	Total
Ordinary income from external customers	$ 255,577	$ 113,311	$ 124,018	$ 492,916

"Ordinary income" is defined as income less certain special income included in the accompanying consolidated statements of income.

Geographic information

a. Ordinary income
Information about ordinary income by geographic area for the years ended March 31, 2014 and 2013 is omitted as ordinary income from external customers in Japan was more than 90% of ordinary income in the consolidated statements of income.

b. Tangible fixed assets
Information about tangible fixed assets by geographic area as of March 31, 2014 and 2013 is omitted as tangible fixed assets in Japan was more than 90% of "Tangible fixed assets" in the consolidated balance sheets.

Information by major customer

Information by major customer for the years ended March 31, 2014 and 2013 is omitted since there was no single external customer accounting for 10% or more of the consolidated ordinary income.

21. Related Party Transactions

Transactions between the Company's consolidated subsidiaries and their directors and major shareholders as of March 31, 2014 and 2013 and for the years then ended are as follows:

2014

Type	Name	Address	Capital (Millions of yen)	Business	Ownerships of voting rights (%)	Transaction type	Transaction amount	Account	Balance at March 31, 2014
Companies, etc. whose voting rights are owned by the director of the consolidated subsidiary or his/her relatives	Ishii Shoji Co., Ltd. Note (1)	Akita city, Akita Pref.	¥10	Real estate rental	0.0% directly held	Lending	¥24 million ($233 thousand)	Loans and bills discounted	¥11 million ($106 thousand)
	Akita Kubota Co., Ltd. Note (1)	Akita city, Akita Pref.	¥60	Agricultural machines distributor	0.0% directly held	Lending	¥162 million ($1,574 thousand)	Loans and bills discounted	¥386 million ($3,750 thousand)
	Netz Toyota Akita Co., Ltd. Note (2)	Akita city, Akita Pref.	¥40	Car distributor	0.0% directly held	Lending	¥441 million ($4,284 thousand)	Loans and bills discounted	¥700 million ($6,801 thousand)
	Toyota Renta Lease Akita Co., Ltd. Note (2)	Akita city, Akita Pref.	¥36	Rental and lease of vehicles	0.0% directly held	Lending	¥300 million ($2,914 thousand)	Loans and bills discounted	¥300 million ($2,914 thousand)
	Ugo Setsubi Co., Ltd. Note (3)	Akita city, Akita Pref.	¥20	Pipe works	0.0% directly held	Lending	¥226 million ($2,195 thousand)	Loans and bills discounted	¥530 million ($5,149 thousand)
						Guarantee for liabilities	¥6 million ($58 thousand)	Customers' liabilities for acceptances and guarantees	¥4 million ($38 thousand)
	Ugo Densetsu Kogyo Co., Ltd. Note (4)	Akita city, Akita Pref.	¥30	Electric works	0.0% directly held	Lending	¥13 million ($126 thousand)	Loans and bills discounted	¥100 million ($971 thousand)
						Guarantee for liabilities	¥83 million ($806 thousand)	Customers' liabilities for acceptances and guarantees	¥58 million ($563 thousand)
	Ugo Hatsuhenden Koji Co., Ltd. Note (4)	Akita city, Akita Pref.	¥20	Electric works	-	Lending	¥73 million ($709 thousand)	Loans and bills discounted	¥61 million ($592 thousand)

2013

Type	Name	Address	Capital (Millions of yen)	Business	Ownerships of voting rights (%)	Transaction type	Transaction amount	Account	Balance at March 31, 2013
Companies, etc. whose voting rights are owned by the director of the consolidated subsidiary or his/her relatives	Ishii Shoji Co., Ltd. Note (1)	Akita city, Akita Pref.	¥10	Real estate rental	0.0% directly held	Lending	¥50 million	Loans and bills discounted	¥40 million
	Akita Kubota Co., Ltd. Note (1)	Akita city, Akita Pref.	¥60	Agricultural machines distributor	0.0% directly held	Lending	¥218 million	Loans and bills discounted	¥460 million
	Netz Toyota Akita Co., Ltd. Note (2)	Akita city, Akita Pref.	¥40	Car distributor	0.0% directly held	Lending	¥410 million	Loans and bills discounted	¥700 million
	Toyota Renta Lease Akita Co., Ltd. Note (2)	Akita city, Akita Pref.	¥36	Rental and lease of vehicles	0.0% directly held	Lending	¥300 million	Loans and bills discounted	¥300 million
	Ugo Setsubi Co., Ltd. Note (3)	Akita city, Akita Pref.	¥20	Pipe works	0.0% directly held	Lending	¥180 million	Loans and bills discounted	¥585 million
						Guarantee for liabilities	¥31 million	Customers' liabilities for acceptances and guarantees	¥28 million
	Ugo Densetsu Kogyo Co., Ltd. Note (4)	Akita city, Akita Pref.	¥30	Electric works	0.0% directly held	Lending	¥9 million	Loans and bills discounted	¥150 million
						Guarantee for liabilities	¥81 million	Customers' liabilities for acceptances and guarantees	¥72 million
	Ugo Hatsuhenden Koji Co., Ltd. Note (4)	Akita city, Akita Pref.	¥20	Electric works	-	Lending	¥54 million	Loans and bills discounted	¥57 million
						Guarantee for liabilities	¥0 million	Customers' liabilities for acceptances and guarantees	-

Notes: (1) Tadanari Ishii, who is a director of Hokuto which is a significant consolidated subsidiary of the Company, and his relatives own the majority of voting rights of Ishii Shoji Co., Ltd. Akita Kubota Co., Ltd. is a subsidiary of Ishii Shoji Co., Ltd.

(2) Tadanari Ishii, who is a director of Hokuto which is a significant consolidated subsidiary of the Company, and his relatives and Ishii Shoji Co., Ltd. own the majority of voting rights of Netz Toyota Akita Co., Ltd. Toyota Renta Lease Akita Co., Ltd. is a subsidiary of Netz Toyota Akita Co., Ltd.

(3) Hiroyuki Sato, who is a director of Hokuto which is a significant consolidated subsidiary of the Company, and his relatives own the majority of voting rights of Ugo Setsubi Co., Ltd.

(4) Shin-ichi Nanayama, an audit & supervisory board member of Hokuto which is a significant consolidated subsidiary of the Company, and his relatives own the majority of voting rights of Ugo Densetsu Kogyo Co., Ltd. Ugo Hatsuhenden Koji Co., Ltd. is a subsidiary of Ugo Densetsu Kogyo Co., Ltd.

(5) The transactions are with Hokuto, which is a significant consolidated subsidiary of the Company, and the trading conditions and policies are the same as those of the transactions with general parties.

(6) The transaction amount is shown by the average balance.

There is no other related party transaction to be disclosed for the years ended March 31, 2014 and 2013.

22. Financial Instruments and Related Disclosures

1. Status of Financial Instruments

(1) Policy on financial instruments

The Group is engaged in financial information services centering on banking business such as deposit-taking and lending services for domestic corporate and individual customers and management of securities such as debt and equity securities and investment trusts. The Group accepts risk as long as it remains financially healthy and intends to improve its earning power in order to continue to conduct these services.

The Group holds financial assets and liabilities exposed to the fluctuation risk of interest rates. Accordingly, the Group conducts asset and liability management (ALM) and enters into derivative transactions if necessary in order to avoid adverse effect by the interest-rate fluctuation.

(2) Contents of financial instruments and their risks

Financial assets held by the Group mainly consist of loans and bills discounted to domestic corporate and individual customers, which are exposed to credit risk arising from customers' nonperformance of contractual obligations. In addition, securities, principally consisting of equity securities, debt securities, investment trusts and investment in partnerships, are held for the purposes of net investment and strategic investment. These financial assets are exposed to credit risk of issuers and fluctuation risk of interest rates and market prices.

Major financial liabilities, consisting of deposits and negotiable certificates of deposit, are principally deposits accepted from domestic corporate and individual customers. They require attentions to liquidity risk arising from concentrated cancellation of deposits, but most of those deposits are from individual customers and accordingly, the risk is dispersed to small accounts. The liquidity risk is also controlled by limiting the ratio of large deposit accounts to a certain level.

Derivative contracts which the Group enters into consist of interest rate swaps employed as part of ALM and futures of debt securities held as available-for-sale securities, options, etc. These derivatives are not entered into for speculative purpose but mainly for hedging purposes.

(3) Risk management system for financial instruments

The Group has established the "Basic Policy on Risk Management" and various risk control rules and a system to conduct the risk management as follows:

a. Credit risk management:

In accordance with the "Credit Policy" and "Credit Risk Management Rule," for loans and bills discounted, a credit control system has been established and maintained, including credit review by individual contract, credit limit control, credit information control, internal ratings, retrospective control including self-assessment, establishment of guaranty and security, countermeasures for problem accounts, credit concentration risk management, etc. These credit controls are performed by the loan departments in addition to each operating office, being reported to and discussed at the management meetings on a regular basis. Furthermore, the status of credit control is examined by the internal audit department.

b. Market risk management:

For market transactions, front office, middle office and back office, each of which is independent of others, are mutually controlled.

Interest rate risk management:

The Group manages the fluctuation risk of interest rates by ALM. In accordance with the "Market Risk Management Rule," the Group measures the exposure of interest rate risk, monitoring by gap analysis and sensitivity analysis on a regular basis, and the monitoring results are reported to the management meetings on a regular basis. In addition, the future countermeasures based on the analysis of current status are discussed.

Foreign exchange risk management:
The Group manages foreign exchange risk, in accordance with the "Market Risk Management Rule," by establishing total positions and loss limits or entering into hedging activities.

Price fluctuation risk management:
The Group manages price fluctuation risk in accordance with "Market Risk Management Rule." Risk exposures to securities are monitored for usage against the pre-set limit by the Risk Control Department on a daily basis based on Value at Risk (VaR) and other risk indexes such as 10BVP and reported to the management meetings.

Derivative transactions:
With respect to derivative transactions, the Group segregates the duties of the departments responsible for execution of transactions, verification of hedge effectiveness, and operation administration and conducts transactions under the management and control based on the handling rules.

Quantitative information about market risk:
Financial instruments not for trading purposes
The Group identifies and manages the market risk volume using VaR on a daily basis (monthly basis with regard to interest rate risk volume of deposits, loans and bills discounted, etc.), since the Group holds many financial instruments whose fair values fluctuate on a daily basis and such fluctuation amount is greater than other risk categories. The market risk volume of the Group is controlled as the total amounts of market risk volume of Shonai and Hokuto which are the subsidiaries.
Market risk volume of the banking business of the Group at March 31, 2014 and 2013 and for the years then ended was as follows:

	Billions of yen			
	2014			
	Average	Maximum	Minimum	As of the fiscal year-end
Due from banks, loans and bills discounted and others	¥ 0.0	¥ 0.0	¥ 0.0	¥ 0.0
Securities:	27.9	35.5	18.7	26.8
Debt securities	12.6	18.6	6.3	9.7
Equity securities	6.8	7.7	5.0	6.6
Other	15.2	18.2	9.8	17.7

	Billions of yen			
	2013			
	Average	Maximum	Minimum	As of the fiscal year-end
Due from banks, loans and bills discounted and others	¥ 0.2	¥ 0.7	¥ 0.0	¥ 0.0
Securities:	15.1	19.0	13.3	19.0
Debt securities	5.7	6.6	5.0	6.4
Equity securities	4.5	5.2	3.6	5.1
Other	7.5	10.0	6.5	10.0

	Millions of U.S. dollars			
	2014			
	Average	Maximum	Minimum	As of the fiscal year-end
Due from banks, loans and bills discounted and others	$ 0.0	$ 0.0	$ 0.0	$ 0.0
Securities:	271.0	344.9	181.6	260.3
Debt securities	122.4	180.7	61.2	94.2
Equity securities	66.0	74.8	48.5	64.1
Other	147.6	176.8	95.2	171.9

(*1) VaR is measured in principle using the variance/co-variance method, but certain financial instruments such as structured bonds are measured using other methods including the Monte Carlo Simulation method.

(*2) Holding period is assumed to be 60 business days for higher market liquidity financial instruments such as Japanese government bonds, municipal bonds, listed equity securities (excluding strategic investments), etc., and 125 business days for less market liquidity financial instruments, due from banks, loans and bills discounted, etc.

(*3) 99 % is used for confidence interval, and 250 business days are used as extraction period of market data to measure volatility.

(*4) The total amount does not agree with the sum of the individual amounts since correlation between the risks of debt securities and equity securities is taken into account.

(*5) The current interest rate risk volume of deposits, loans and bills discounted, etc., represents decreasing interest rate risk, not increasing interest rate risk, due to increase in core-deposit balance and prolonged duration. The increasing interest rate risk is managed as internal control. Therefore, the interest rate risk volume of deposits, loans and bills discounted, etc. is considered to be zero.

Within the Group, each banking subsidiary implements backtests comparing the VaR of one day holding period measured by the model and actual change in gains and losses, in order to verify the accuracy of the measurement model of the market risk volume concerning the VaR of securities.

As a result of the backtest implemented as of March 31, 2014, actual losses of certain assets exceeded the VaR, but it was not deemed necessary to review the measurement model considering the frequency of losses in excess of VaR. The measurement models currently in use are considered to be capturing the market risk of the Group with proper accuracy.

In implementing the risk management using the VaR, the following particular points are paid attention to:

(i) Quantitative information such as VaR of market risk is determined based on the statistical assumptions and may result in a different value depending on the different assumptions and calculation methods.

(ii) Quantitative information such as VaR of market risk is a statistical value calculated based on the assumptions and not intended to estimate the amount of maximum losses. Profit or loss is assumed to exceed VaR on the frequency corresponding to the confidence interval.

(iii) Future market conditions may differ significantly from the past.

Financial instruments for trading purposes are excluded from the scope of disclosure, since the outstanding balance at any banking subsidiary is very insignificant and the materiality of effect on the management is quite limited.

c. Liquidity risk management:
The Group sets limits on liquidity risk management and reports to the management meetings, monitoring the results on a daily basis in accordance with the "Liquidity Risk Management Rule."

(4) Supplementary explanation about fair value of financial instruments

The fair value of financial instruments includes, in addition to the value determined based on the market price, a valuation calculated on a reasonable basis, such as theoretical price if no market price is available. Since certain assumptions are used in calculating the value, the result of such calculation may vary if different assumptions are used.

2. Fair value of financial instruments

The carrying amount, the fair value and their difference as of March 31, 2014 and 2013 were as follows. Note that unlisted equity securities for which fair value is extremely difficult to determine are not included in the following table (See Note 2 below).

	Millions of yen		
March 31, 2014	Carrying amount	Fair value	Difference
Cash and due from banks	¥ 60,660	¥ 60,660	¥ -
Monetary claims bought (*1)	4,000	4,000	-
Trading account securities:			
Trading securities	99	99	-
Money held in trust	2,977	2,977	-
Securities:			
Available-for-sale securities	822,015	822,015	-
Loans and bills discounted:	1,664,140		
Allowance for loan losses (*1)	(15,311)		
	1,648,828	1,683,086	34,257
Foreign exchange assets (*1)	2,744	2,744	-
Total assets	¥ 2,541,328	¥ 2,575,586	¥ 34,257
Deposits	¥ 2,226,755	¥ 2,227,357	¥ 602
Negotiable certificates of deposit	130,202	130,205	3
Call money and bills sold	47,616	47,616	-
Payables under securities lending transactions	11,336	11,336	-
Borrowed money	43,440	43,494	54
Foreign exchange liabilities	0	0	-
Bonds payable	10,000	10,453	453
Bonds with subscription rights to shares	6,000	5,891	(108)
Total liabilities	¥ 2,475,351	¥ 2,476,355	¥ 1,004
Derivative transactions (*2):			
To which hedge accounting is not applied	¥ (12)	¥ (12)	¥ -
To which hedge accounting is applied	(13)	(13)	-
Total derivative transactions	¥ (25)	¥ (25)	¥ -

	Millions of yen		
March 31, 2013	Carrying amount	Fair value	Difference
Cash and due from banks	¥ 59,222	¥ 59,222	¥ -
Monetary claims bought (*1)	4,492	4,492	-
Trading account securities:			
Trading securities	59	59	-
Money held in trust	1,966	1,966	-
Securities:			
Available-for-sale securities	778,346	778,346	-
Loans and bills discounted:	1,602,277		
Allowance for loan losses (*1)	(14,496)		
	1,587,780	1,650,759	62,979
Foreign exchange assets (*1)	2,019	2,019	-
Total assets	¥ 2,433,886	¥ 2,496,865	¥ 62,979
Deposits	¥ 2,182,791	¥ 2,182,944	¥ 153
Negotiable certificates of deposit	106,607	106,607	-
Call money and bills sold	17,302	17,302	-
Borrowed money	58,170	58,190	20
Foreign exchange liabilities	14	14	-
Bonds payable	10,000	10,446	446
Total liabilities	¥ 2,374,886	¥ 2,375,507	¥ 620
Derivative transactions (*2):			
To which hedge accounting is not applied	¥ 127	¥ 127	¥ -
To which hedge accounting is applied	(20)	(20)	-
Total derivative transactions	¥ 107	¥ 107	¥ -

	Thousands of U.S. dollars		
March 31, 2014	Carrying amount	Fair value	Difference
Cash and due from banks	$ 589,389	$ 589,389	$ -
Monetary claims bought (*1)	38,865	38,865	-
Trading account securities:			
Trading securities	961	961	-
Money held in trust	28,925	28,925	-
Securities:			
Available-for-sale securities	7,986,931	7,986,931	-
Loans and bills discounted:	16,169,257		
Allowance for loan losses (*1)	(148,766)		
	16,020,481	16,353,342	332,850
Foreign exchange assets (*1)	26,661	26,661	-
Total assets	$ 24,692,265	$ 25,025,126	$ 332,850
Deposits	$ 21,635,785	$ 21,641,634	$ 5,849
Negotiable certificates of deposit	1,265,079	1,265,108	29
Call money and bills sold	462,650	462,650	-
Payables under securities lending transactions	110,143	110,143	-
Borrowed money	422,075	422,600	524
Foreign exchange liabilities	0	0	-
Bonds payable	97,162	101,564	4,401
Bonds with subscription rights to shares	58,297	57,238	(1,049)
Total liabilities	$ 24,051,214	$ 24,060,969	$ 9,755
Derivative transactions (*2):			
To which hedge accounting is not applied	$ (116)	$ (116)	$ -
To which hedge accounting is applied	(126)	(126)	-
Total derivative transactions	$ (242)	$ (242)	$ -

(*1) General and specific allowances for loan losses corresponding to loans and bills discounted are deducted. With respect to allowance for loan losses related to monetary claims bought and foreign exchange assets, carrying amount is shown, net of allowance, since the amount is insignificant.

(*2) Assets and liabilities arising from derivative transactions are presented in net amounts, and net liabilities are shown in parenthesis.

(Note 1) Calculation method for the fair value of financial instruments

Assets:

Cash and due from banks

For due from banks without maturity, the carrying amount is presented as the fair value since the fair value approximates the carrying amount. For due from banks with maturity, the carrying amount is presented as the fair value since the fair value approximates the carrying amount because the remaining maturity is mostly short (within one year).

Monetary claims bought

The carrying amount is presented as the fair value since the fair value approximates the carrying amount because the remaining term is short (within one year).

Trading account securities

For securities such as debt securities held for dealing purpose, the fair value is determined using the price at the exchange or the price presented by the financial institutions with which they are transacted.

Money held in trust

For securities that are invested as part of trust assets in an independently managed money trust with the primary purpose of managing securities, the fair value of equity securities is determined using the price at the exchange and the fair value of debt securities is determined using the price at the exchange or the price presented by the financial institutions with which they are transacted.

Securities

The fair value of equity securities is determined using the price at the exchange (average market price during one month before the fiscal year-end) and the fair value of debt securities is determined using the price at the exchange or the price presented by the financial institutions with which they are transacted. The fair value of investment trust is determined based on the published standard quotation price.

For privately placed bonds, the fair value is determined by discounting the future cash flows of bonds categorized based on the internal ratings and terms using credit risk spread by credit rating and market interest rate.

For the year ended March 31, 2013, with respect to the floating rate Japanese government bonds, the fair value was determined using a value calculated on a reasonable basis for those whose market price could not be deemed as the fair value, based on certain criteria specified by the Group, after considering current market environments. The carrying amounts of "Securities" and "Unrealized gain on available-for-sale securities" as of March 31, 2013 increased by ¥102 million and ¥66 million, respectively, and "Deferred tax assets" decreased by ¥36 million, compared to the amount that would have been reported using the market prices.

With respect to the value of floating rate Japanese government bonds as of March 31, 2013, which was calculated on a reasonably basis, the fair value was calculated based on the discounted present value of future cash flows derived from the yields of Japanese government bonds, and major pricing parameters adopted in above calculation were yields of Japanese government bonds and their volatilities.

For the year ended March 31, 2014, the market price of floating rate Japanese bonds owned by the Group is presented as the fair value since the market price can be deemed as the fair value.

Loans and bills discounted

For the loans and bills discounted with short remaining terms (within one year), the carrying amount is presented as the fair value since the fair value approximates the carrying amount. For the loans and bills discounted without predetermined maturity because of characteristics such as the loans and bills discounted being limited within the amount of the pledged assets, the carrying amount is presented as the fair value since the fair value is considered to approximate the carrying amount considering the expected repayment term and interest rate conditions.

The fair value of the loans and bills discounted with fixed interest rates categorized by type of loans and bills discounted, internal rating and term is calculated by discounting the total of principal and interest using credit risk spread by credit rating and market interest rate. The fair value of the loans and bills discounted with floating interest rate, categorized by internal rating and term, is calculated by discounting the total of principal and interest, basically until the interest maturity date, using credit risk spread by credit rating and market interest rate. Credit risk spread is calculated by remaining term based on accumulated default rate by credit rating and loss rate by debtor classification.

For the year ended March 31, 2013, the fair value of structured loans was calculated by the Monte Carlo Simulation approach using future interest rate calculated by the interest rate estimation model and credit risk spread by credit rating of the loans and bills discounted. There are no outstanding balances of structured loans as of March 31, 2014.

For loans and bills discounted due from bankrupt, virtually bankrupt or potentially bankrupt borrowers, loan losses are estimated based on factors such as the present value of estimated future cash flows or the expected amount to be collected from collaterals and guarantees. Since the fair value of these items approximates the carrying amount net of the recoded amount of allowance for loan losses, such carrying amount is presented as the fair value.

Foreign exchange assets
Foreign exchange assets consist of foreign currency deposits with other banks (due from other foreign banks), export bills and traveler's checks, etc., (foreign bills bought) and loans on bills using import bills (foreign bills receivable). For these items, the carrying amount is presented as the fair value, since the fair value approximates the carrying amount because they are deposit without maturity or have short-term remaining terms (within one year).

Liabilities:
Deposits and Negotiable certificates of deposit
For demand deposits, the amount payable on demand as of the balance sheet date (i.e., the carrying amount) is considered to be the fair value. The fair value of time deposit is determined using the discounted present value of future cash flows, grouping by certain maturity length. The discount rate used is the interest rate that would be applied to newly accepted deposits. For deposits whose remaining term is short (within one year), the carrying amount is presented as the fair value since the fair value approximates the carrying amount.

Call money and bills sold and Payables under securities lending transactions
The carrying amount is presented as the fair value since the fair value approximates the carrying amount because the remaining term is short (within one year).

Borrowed money
For borrowed money whose remaining term is short (within one year), the carrying amount is presented as the fair value since the fair value approximates the carrying amount.
For subordinated borrowed money whose remaining term is more than one year and which is subject to call option giving a right to redeem before maturity and step-up clause, the fair value is calculated by discounting the estimated cash flows after taking into consideration the possibility of redemption before maturity by the interest rate corresponding to the estimated period after taking into consideration credit risk of the consolidated subsidiaries.

Foreign exchange liabilities
The carrying amount is presented as the fair value, since the fair value of these liabilities approximates the carrying amount because they are settled within a short period of time.

Bonds payable
For subordinated bonds payable issued by the principal consolidated subsidiary of the Company and subject to call option giving a right to redeem before maturity and step-up clause, the fair value is calculated by discounting the estimated cash flows after taking into consideration the possibility of redemption before maturity by the interest rate corresponding to the estimated period after taking into consideration credit risk of the related subsidiary.

Bonds with subscription rights to shares
The fair value is calculated by discounting the cash flows at the time of redemption at maturity by the interest rate corresponding to the period after taking into consideration the credit risk of the Company.

Derivative transactions:
Please see Note 23.

(Note 2) Financial instruments whose fair value is extremely difficult to determine are as follows. These financial instruments are not included in "Securities" under "Assets" of the fair value information of financial instruments.

	Millions of yen		Thousands of U.S. dollars
	2014	2013	2014
Unlisted equity securities (*1) (*2)	¥ 1,805	¥ 1,716	$ 17,537
Investment in partnerships (*3)	863	1,104	8,385
Total	¥ 2,669	¥ 2,820	$ 25,932

(*1) The fair value of unlisted equity securities is not disclosed since no market price is available and it is extremely difficult to determine the fair value.

(*2) The Company recognized write-down of unlisted equity securities in an amount of ¥87 million ($845 thousand) and ¥2 million for the years ended March 31, 2014 and 2013, respectively.

(*3) The fair value of investment in partnerships whose assets consist of securities such as unlisted equity securities whose fair value is extremely difficult to determine is not disclosed.

(Note 3) Repayment schedule of monetary receivables and securities with contractual maturities subsequent to March 31, 2014

	Millions of yen					
March 31, 2014	Due in one year or less	Due after one year through three years	Due after three years through five years	Due after five years through seven years	Due after seven years through ten years	Due after ten years
Due from banks (*1)	¥ 26,201	¥ -	¥ -	¥ -	¥ -	¥ -
Monetary claims bought	4,025	-	-	-	-	-
Securities:						
Available-for-sale securities with maturity:	86,052	202,962	132,945	130,611	76,410	109,363
Japanese government bonds	10,000	73,500	67,000	105,000	44,500	10,000
Municipal bonds	32,280	41,241	34,622	16,728	24,612	33,568
Corporate bonds	41,169	68,389	18,509	3,538	6,600	49,790
Other	2,601	19,831	12,812	5,344	697	16,004
Loans and bills discounted (* 2)	225,582	250,738	187,229	168,348	252,844	471,767
Total	¥ 341,862	¥ 453,700	¥ 320,174	¥ 298,960	¥ 329,254	¥ 581,130

	Thousands of U.S. dollars					
March 31, 2014	Due in one year or less	Due after one year through three years	Due after three years through five years	Due after five years through seven years	Due after seven years through ten years	Due after ten years
Due from banks (*1)	$ 254,576	$ -	$ -	$ -	$ -	$ -
Monetary claims bought	39,108	-	-	-	-	-
Securities:						
Available-for-sale securities with maturity:	836,105	1,972,036	1,291,731	1,269,053	742,421	1,062,602
Japanese government bonds	97,162	714,146	650,991	1,020,209	432,374	97,162
Municipal bonds	313,641	400,709	336,397	162,534	239,137	326,156
Corporate bonds	400,009	664,486	179,838	34,376	64,127	483,773
Other	25,272	192,683	124,485	51,923	6,772	155,499
Loans and bills discounted (* 2)	2,191,818	2,436,241	1,819,170	1,635,717	2,456,704	4,583,822
Total	$ 3,321,628	$ 4,408,278	$ 3,110,901	$ 2,904,780	$ 3,199,125	$ 5,646,424

(*1) Due from banks without maturity is shown under "Due in one year or less."

(*2) Loans and bills discounted as of March 31, 2014 do not include ¥31,923 million ($310,172 thousand) of receivables such as those due from bankrupt, virtually bankrupt or potentially bankrupt borrowers since these are not certain when they can be collected or redeemed, and ¥75,705 million ($735,571 thousand) of receivables without maturity.

(Note 4) Repayment schedule of bonds payable, borrowed money and other interest bearing liabilities subsequent to March 31, 2014

	Millions of yen					
March 31, 2014	Due in one year or less	Due after one year through three years	Due after three years through five years	Due after five years through seven years	Due after seven years through ten years	Due after ten years
Deposits (*)	¥ 1,941,217	¥ 125,941	¥ 29,149	¥ -	¥ -	¥ -
Negotiable certificates of deposit	129,592	510	100	-	-	-
Call money and bills sold	47,616	-	-	-	-	-
Payables under securities lending transactions	11,336	-	-	-	-	-
Borrowed money	38,440	-	-	-	-	5,000
Bonds payable	-	-	-	5,000	5,000	-
Bonds with subscription rights to shares	-	6,000	-	-	-	-
Total	¥ 2,168,202	¥ 132,451	¥ 29,249	¥ 5,000	¥ 5,000	¥ 5,000

	Thousands of U.S. dollars					
March 31, 2014	Due in one year or less	Due after one year through three years	Due after three years through five years	Due after five years through seven years	Due after seven years through ten years	Due after ten years
Deposits (*)	$ 18,861,416	$ 1,223,678	$ 283,219	$ -	$ -	$ -
Negotiable certificates of deposit	1,259,152	4,955	971	-	-	-
Call money and bills sold	462,650	-	-	-	-	-
Payables under securities lending transactions	110,143	-	-	-	-	-
Borrowed money	373,493	-	-	-	-	48,581
Bonds payable	-	-	-	48,581	48,581	-
Bonds with subscription rights to shares	-	58,297	-	-	-	-
Total	$ 21,066,867	$ 1,286,931	$ 284,191	$ 48,581	$ 48,581	$ 48,581

(*) Demand deposits are shown under "Due in one year or less" of deposits.

23. Derivatives

Derivative transactions to which hedge accounting is not applied

With respect to derivatives to which hedge accounting is not applied, contract amount or notional principal, fair value and related valuation gain or loss by transaction type at the balance sheet date and calculation method of the fair value were as follows. Note that contract amounts do not represent the market risk exposure associated with the derivative transactions.

Currency related derivatives at March 31, 2014 and 2013 were as follows:

	Millions of yen			
	Contract amount			
March 31, 2014	Total	Over one year	Fair value	Valuation gain (loss)
OTC transactions:				
Forward foreign exchange contracts:				
Sold	¥ 4,239	¥ 133	¥ (54)	¥ (54)
Bought	222	131	41	41
Total			¥ (12)	¥ (12)

	Millions of yen			
	Contract amount			
March 31, 2013	Total	Over one year	Fair value	Valuation gain (loss)
OTC transactions:				
Forward foreign exchange contracts:				
Sold	¥ 7,949	¥ 132	¥ 81	¥ 81
Bought	289	129	42	42
Total			¥ 123	¥ 123

	Thousands of U.S. dollars			
	Contract amount			
March 31, 2014	Total	Over one year	Fair value	Valuation gain (loss)
OTC transactions:				
Forward foreign exchange contracts:				
Sold	$ 41,187	$ 1,292	$ (524)	$ (524)
Bought	2,157	1,272	398	398
Total			$ (116)	$ (116)

Notes: (1) Above transactions are stated at the fair value, and the related valuation gain (loss) are reported in the consolidated statements of income.

(2) The fair value is calculated using the discounted present value.

Derivative transactions to which hedge accounting is applied

With respect to derivatives to which hedge accounting is applied, contract amount or notional principal and fair value at the balance sheet date by transaction type and hedge accounting method and calculation method of the fair value were as follows. Note that contract amounts do not represent the market risk exposure associated with the derivative transactions.

Interest related derivatives at March 31, 2014 and 2013 were as follows:

March 31, 2014			Millions of yen		
Hedge accounting method	Transaction type	Major hedged item	Contract amount	Contract amount due after one year	Fair value
Deferral hedge accounting	Interest rate swaps Receivable floating rate/ Payable fixed rate	Loans and bills discounted	¥ 473	¥ 473	¥ (13)
	Total				¥ (13)

March 31, 2013			Millions of yen		
Hedge accounting method	Transaction type	Major hedged item	Contract amount	Contract amount due after one year	Fair value
Deferral hedge accounting	Interest rate swaps Receivable floating rate/ Payable fixed rate	Loans and bills discounted	¥ 541	¥ 541	¥ (20)
	Total				¥ (20)

March 31, 2014			Thousands of U.S. dollars		
Hedge accounting method	Transaction type	Major hedged item	Contract amount	Contract amount due after one year	Fair value
Deferral hedge accounting	Interest rate swaps Receivable floating rate/ Payable fixed rate	Loans and bills discounted	$ 4,595	$ 4,595	$ (126)
	Total				$ (126)

Notes: (1) These derivatives are mainly accounted for by deferral hedge accounting in accordance with JICPA Industry Audit Committee Report No. 24 "Treatment of Accounting and Auditing concerning Application of Accounting Standard for Financial Instruments in Banking Industry."

(2) The fair value is determined using the discounted present value.

24. Amounts per Share

Amounts per share at March 31, 2014 and 2013 and for the years then ended are summarized as follows:

	Yen		U.S. dollars
	2014	2013	2014
Net assets	¥ 505.52	¥ 469.41	$ 4.9117
Net income:			
Basic	42.41	28.46	0.4120
Diluted	30.11	22.55	0.2925

Net income per share—Basic and net income per share—diluted for the years ended March 31, 2014 and 2013 were calculated based on the following information:

	Millions of yen		Thousands of U.S. dollars
	2014	2013	2014
Net income for the year	¥ 6,220	¥ 4,228	$ 60,435
Amounts not attributed to common stock shareholders	136	146	1,321
O/W, dividends for preferred stock based on the resolution at the Board of Directors' meeting	136	146	1,321
Net income attributable to common stock	¥ 6,084	¥ 4,082	$ 59,113
Average outstanding number of shares of common stock (Unit: thousand shares)	143,454	143,457	
Net income per share—diluted:			
Adjustments to net income	¥ 136	¥ 146	$ 1,321
O/W, dividends for preferred stock class B	136	146	1,321
Increase in number of shares of common stock (Unit: thousand shares)	63,129	44,052	
O/W, preferred stock class B	54,347	44,052	
O/W, bonds with subscription rights to shares	8,782	-	

Net assets per share at March 31, 2014 and 2013 were calculated based on the following information:

	Millions of yen		Thousands of U.S. dollars
	2014	2013	2014
Total net assets	¥ 83,928	¥ 78,692	$ 815,468
Amounts deducted from total net assets:	(11,410)	(11,351)	(110,862)
O/W, payment for preferred stock	(10,000)	(10,000)	(97,162)
O/W, dividends for preferred stock	(136)	(146)	(1,321)
O/W, minority interests	(1,274)	(1,205)	(12,378)
Net assets attributable to common stock as of March 31, 2014 and 2013	¥ 72,518	¥ 67,340	$ 704,605
Number of shares of common stock as of March 31, 2014 and 2013 used to calculate net assets per share (Unit: thousand shares)	143,452	143,456	

As described in Note 3 (11), the Company has adopted the "Accounting Standard for Retirement Benefits" (ASBJ Statement No. 26, issued on May 17, 2012) and the "Guidance on Accounting Standard for Retirement Benefits" (ASBJ Guidance No. 25, issued on May 17, 2012), excluding certain provisions stipulated in the main clause of Section 35 of the Accounting Standard and the main clause of Section 67 of the Guidance, and has followed the transitional treatment stipulated in Section 37 of the Accounting Standard. As a result, net assets per share at March 31, 2014 decreased by ¥5.40 ($0.05).

25. Subsequent Event

The following cash dividends to be paid out of retained earnings were resolved at the Board of Directors' meeting held on May 12, 2014:

Type of shares	Aggregate amount of dividends	Dividend per share	Record date	Effective date
Common stock	¥717 million ($6,966 thousand)	¥5.00 ($0.0485)	March 31, 2014	June 26, 2014
Preferred stock Class B	¥136 million ($1,321 thousand)	¥5.44 ($0.0528)	March 31, 2014	June 26, 2014

26. Non-Consolidated Financial Statements of Shonai and Hokuto as of March 31, 2014 and 2013 and for the Years Then Ended

The Shonai Bank, Ltd.

Non-Consolidated Balance Sheets
March 31, 2014 and 2013

	Millions of yen		Thousands of U.S. dollars
	2014	2013	2014
Assets:			
Cash and due from banks	¥ 39,033	¥ 40,461	$ 379,255
Monetary claims bought	1,582	1,545	15,371
Trading account securities	53	31	514
Money held in trust	2,000	966	19,432
Securities	380,159	340,195	3,693,732
Loans and bills discounted	897,627	864,513	8,721,599
Foreign exchange assets	1,939	864	18,839
Tangible fixed assets:			
Buildings	5,048	4,986	49,047
Land	6,697	6,430	65,069
Lease assets	91	148	884
Construction in progress	-	9	-
Other tangible fixed assets	896	455	8,705
Intangible fixed assets:			
Software	652	534	6,335
Other intangible fixed assets	70	67	680
Customers' liabilities for acceptances and guarantees	6,010	5,568	58,394
Prepaid pension cost	347	317	3,371
Other assets	3,061	3,310	29,741
Allowance for loan losses	(4,903)	(4,132)	(47,638)
Total assets	¥ 1,340,367	¥ 1,266,277	$ 13,023,387

(Continued)

The Shonai Bank, Ltd.

Non-Consolidated Balance Sheets
March 31, 2014 and 2013

	Millions of yen		Thousands of U.S. dollars
	2014	2013	2014
Liabilities:			
Deposits	¥ 1,114,525	¥ 1,080,884	$ 10,829,041
Negotiable certificates of deposit	88,397	62,591	858,890
Call money	9,916	9,302	96,346
Payables under securities lending transactions	11,336	-	110,143
Borrowed money	35,600	41,040	345,899
Foreign exchange liabilities	0	0	0
Bonds payable	10,000	10,000	97,162
Provision for retirement benefits	994	933	9,657
Provision for reimbursement of deposits	193	154	1,875
Provision for contingent loss	143	78	1,389
Deferred tax liabilities	2,946	797	28,624
Deferred tax liabilities for land revaluation	651	666	6,325
Acceptances and guarantees	6,010	5,568	58,394
Other liabilities	7,543	5,689	73,289
Total liabilities	1,288,259	1,217,707	12,517,090
Net assets:			
Common stock	7,000	7,000	68,013
Capital surplus	18,808	18,808	182,743
Retained earnings	16,686	14,655	162,125
Total shareholders' equity	42,495	40,464	412,893
Unrealized gain on available-for-sale securities	8,530	6,999	82,879
Deferred loss on derivatives under hedge accounting	(8)	(13)	(77)
Revaluation reserve for land	1,091	1,119	10,600
Total valuation and translation adjustments	9,613	8,105	93,402
Total net assets	52,108	48,569	506,296
Total liabilities and net assets	¥ 1,340,367	¥ 1,266,277	$ 13,023,387

(Concluded)

The Shonai Bank, Ltd.

Non-Consolidated Statements of Income
Years Ended March 31, 2014 and 2013

	Millions of yen		Thousands of U.S. dollars
	2014	2013	2014
Income:			
Interest income:			
Interest on loans and discounts	¥ 13,964	¥ 14,336	$ 135,678
Interest and dividends on securities	4,007	3,178	38,933
Other	22	21	213
Fees and commissions	4,230	3,917	41,099
Other operating income	258	287	2,506
Other income	1,406	646	13,661
Total income	23,890	22,388	232,122
Expenses:			
Interest expenses:			
Interest on deposits	1,552	1,552	15,079
Interest on negotiable certificates of deposit	126	126	1,224
Interest on borrowings and rediscounts	67	119	650
Interest on bonds payable	277	232	2,691
Other	32	36	310
Fees and commissions	2,014	1,907	19,568
Other operating expenses	196	23	1,904
General and administrative expenses	13,809	13,426	134,172
Other expenses	1,462	1,242	14,205
Total expenses	19,541	18,667	189,865
Income before income taxes	4,349	3,720	42,256
Income taxes:			
Current	417	194	4,051
Deferred	1,321	1,695	12,835
Total income taxes	1,738	1,889	16,886
Net income	¥ 2,610	¥ 1,830	$ 25,359

The Hokuto Bank, Ltd.

Non-Consolidated Balance Sheets
March 31, 2014 and 2013

	Millions of yen		Thousands of U.S. dollars
	2014	2013	2014
Assets:			
Cash and due from banks	¥ 21,614	¥ 18,669	$ 210,007
Monetary claims bought	1,076	1,481	10,454
Trading account securities	46	27	446
Money held in trust	977	1,000	9,492
Securities	453,077	449,459	4,402,225
Loans and bills discounted	782,256	750,732	7,600,621
Foreign exchange assets	806	1,155	7,831
Tangible fixed assets:			
Buildings	4,216	3,707	40,963
Land	8,438	8,452	81,986
Lease assets	14	10	136
Construction in progress	55	108	534
Other tangible fixed assets	835	829	8,113
Intangible fixed assets:			
Software	1,625	892	15,788
Other intangible fixed assets	65	66	631
Prepaid pension cost	1,164	1,394	11,309
Deferred tax assets	2,673	3,952	25,971
Customers' liabilities for acceptances and guarantees	8,772	8,718	85,231
Other assets	4,411	3,240	42,858
Allowance for loan losses	(7,472)	(7,257)	(72,600)
Allowance for investment loss	(1,879)	(1,879)	(18,256)
Total assets	¥ 1,282,776	¥ 1,244,761	$ 12,463,816

(Continued)

The Hokuto Bank, Ltd.

Non-Consolidated Balance Sheets
March 31, 2014 and 2013

	Millions of yen		Thousands of U.S. dollars
	2014	2013	2014
Liabilities:			
Deposits	¥ 1,122,696	¥ 1,111,428	$ 10,908,433
Negotiable certificates of deposit	51,505	48,216	500,437
Call money	37,700	8,000	366,303
Borrowed money	12,840	19,630	124,757
Foreign exchange liabilities	-	14	-
Provision for reimbursement of deposits	488	385	4,741
Provision for contingent loss	276	287	2,681
Deferred tax liabilities for land revaluation	1,456	1,474	14,146
Acceptances and guarantees	8,772	8,718	85,231
Other liabilities	2,902	3,701	28,196
Total liabilities	1,238,636	1,201,856	12,034,939
Net assets:			
Common stock	11,000	11,000	106,879
Capital surplus	18,499	18,499	179,741
Retained earnings	6,390	3,740	62,087
Total shareholders' equity	35,889	33,240	348,707
Unrealized gain on available-for-sale securities	5,846	7,230	56,801
Revaluation reserve for land	2,404	2,434	23,357
Total valuation and translation adjustments	8,250	9,665	80,159
Total net assets	44,140	42,905	428,876
Total liabilities and net assets	¥ 1,282,776	¥ 1,244,761	$ 12,463,816

(Concluded)

The Hokuto Bank, Ltd.

Non-Consolidated Statements of Income
Years Ended March 31, 2014 and 2013

	Millions of yen		Thousands of U.S. dollars
	2014	2013	2014
Income:			
Interest income:			
Interest on loans and discounts	¥ 12,306	¥ 12,751	$ 119,568
Interest and dividends on securities	3,735	3,306	36,290
Other	45	24	437
Fees and commissions	4,424	4,007	42,984
Other operating income	1,788	1,769	17,372
Other income	1,694	1,592	16,459
Total income	23,996	23,454	233,151
Expenses:			
Interest expenses:			
Interest on deposits	861	882	8,365
Interest on negotiable certificates of deposit	54	44	524
Interest on borrowings and rediscounts	82	60	796
Other	0	3	0
Fees and commissions	1,304	1,245	12,670
Other operating expenses	1,081	2,980	10,503
General and administrative expenses	14,398	14,320	139,895
Provision of allowance for loan losses	880	376	8,550
Other expenses	627	1,566	6,092
Total expenses	19,292	21,482	187,446
Income before income taxes	4,704	1,971	45,705
Income taxes:			
Current	206	309	2,001
Deferred	1,621	455	15,750
Total income taxes	1,827	765	17,751
Net income	¥ 2,876	¥ 1,205	$ 27,944