Annual Securities Report

"Yukashoken Hokokusho"

(Excerpt)

For the fiscal years ended March 31, 2015 and 2014

FIDEA HOLDINGS CO. LTD.

FIDEA Holdings Co. Ltd.

and Subsidiaries

FIDEA Holdings Co. Ltd. and Subsidiaries

Consolidated Balance Sheets
March 31, 2015 and 2014

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2015	2014	2015
Assets:			
Cash and due from banks (Notes 10, 17 and 22)	¥ 64,373	¥ 60,660	$ 535,237
Monetary claims bought (Note 22)	3,545	4,025	29,475
Trading account securities (Notes 4 and 22)	113	99	939
Money held in trust (Notes 5 and 22)	5,065	2,977	42,113
Securities (Notes 4, 5, 10, 13 and 22)	996,880	824,684	8,288,683
Loans and bills discounted (Notes 6, 21 and 22)	1,719,508	1,664,140	14,297,064
Foreign exchange assets (Note 22)	2,330	2,745	19,373
Tangible fixed assets (Note 7):			
Buildings	10,452	9,613	86,904
Land	11,179	11,209	92,949
Lease assets	133	153	1,105
Construction in progress	245	55	2,037
Other tangible fixed assets	2,383	1,897	19,813
Intangible fixed assets:			
Software	3,542	2,615	29,450
Goodwill	40	135	332
Other intangible fixed assets	140	142	1,164
Defined benefit asset (Note 12)	1,428	1,143	11,873
Deferred tax assets (Note 19)	803	3,012	6,676
Customers' liabilities for acceptances and guarantees (Note 21)	15,073	14,761	125,326
Other assets (Note 10)	8,784	8,553	73,035
Allowance for loan losses (Notes 6 and 22)	(14,795)	(15,433)	(123,014)
Total assets	¥ 2,831,229	¥ 2,597,193	$ 23,540,608

(Continued)

FIDEA Holdings Co. Ltd. and Subsidiaries

Consolidated Balance Sheets
March 31, 2015 and 2014

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2015	2014	2015
Liabilities:			
Deposits (Note 22)	¥ 2,362,702	¥ 2,226,755	$19,644,982
Negotiable certificates of deposit (Note 22)	126,814	130,202	1,054,410
Call money and bills sold (Notes 10 and 22)	53,045	47,616	441,049
Payables under securities lending transactions (Notes 10 and 22)	48,523	11,336	403,450
Borrowed money (Notes 9, 10 and 22)	64,300	43,440	534,630
Foreign exchange liabilities (Note 22)	0	0	0
Bonds payable (Notes 11 and 22)	10,000	10,000	83,146
Bonds with subscription rights to shares (Notes 11 and 22)	5,100	6,000	42,404
Defined benefit liability (Note 12)	2,858	2,372	23,763
Provision for reimbursement of deposits	591	681	4,913
Provision for contingent loss	476	419	3,957
Other provisions	35	40	291
Deferred tax liabilities (Notes 5 and 19)	8,715	2,557	72,461
Deferred tax liabilities for land revaluation (Note 8)	571	651	4,747
Acceptances and guarantees	15,073	14,761	125,326
Other liabilities (Note 9)	23,391	16,428	194,487
Total liabilities	2,722,200	2,513,264	22,634,073
Net assets (Note 14):			
Common stock	15,450	15,000	128,460
Capital surplus	25,194	24,744	209,478
Retained earnings	34,652	28,093	288,118
Treasury stock	(3)	(2)	(24)
Total shareholders' equity	75,293	67,835	626,033
Accumulated other comprehensive income:			
Unrealized gain on available-for-sale securities (Note 5)	31,750	14,510	263,989
Deferred loss on derivatives under hedge accounting	(3)	(8)	(24)
Revaluation reserve for land (Note 8)	1,111	1,091	9,237
Remeasurements of defined benefit plans	(501)	(774)	(4,165)
Total accumulated other comprehensive income	32,357	14,819	269,036
Minority interests	1,378	1,274	11,457
Total net assets	109,029	83,928	906,535
Total liabilities and net assets	¥ 2,831,229	¥ 2,597,193	$23,540,608

See notes to consolidated financial statements.

(Concluded)

FIDEA Holdings Co. Ltd. and Subsidiaries

Consolidated Statements of Income
Years Ended March 31, 2015 and 2014

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2015	2014	2015
Income:			
Interest income:			
Interest on loans and discounts	¥ 25,323	¥ 26,163	$ 210,551
Interest and dividends on securities	9,627	7,676	80,044
Other	38	71	315
Fees and commissions	9,582	9,469	79,670
Other operating income	2,753	3,212	22,890
Other income	3,617	4,154	30,074
Total income	50,945	50,749	423,588
Expenses:			
Interest expenses:			
Interest on deposits	2,623	2,593	21,809
Interest on borrowings and rediscounts	116	82	964
Interest on bonds payable	277	277	2,303
Other	100	38	831
Fees and commissions	3,051	3,029	25,367
Other operating expenses	1,042	1,904	8,663
General and administrative expenses	29,667	29,241	246,669
Provision of allowance for loan losses	2,223	2,054	18,483
Other expenses (Note 15)	1,138	1,437	9,462
Total expenses	40,241	40,658	334,588
Income before income taxes and minority interests	10,703	10,090	88,991
Income taxes (Note 19):			
Current	1,925	788	16,005
Deferred	1,012	2,956	8,414
Total income taxes	2,937	3,744	24,420
Net income before minority interests	7,765	6,346	64,563
Minority interests in net income	108	125	897
Net income	¥ 7,657	¥ 6,220	$ 63,665

	Yen		U.S. dollars
Per share of common stock (Note 24):			
Basic net income	¥ 52.45	¥ 42.41	$ 0.4361
Diluted net income	35.83	30.11	0.2979
Cash dividends applicable to the year	5.00	5.00	0.0415

See notes to consolidated financial statements.

FIDEA Holdings Co. Ltd. and Subsidiaries

Consolidated Statements of Comprehensive Income
Years Ended March 31, 2015 and 2014

	Millions of yen				Thousands of U.S. dollars (Note 1)	
	2015		2014		2015	
Net income before minority interests	¥	7,765	¥	6,346	$	64,563
Other comprehensive income (Note 16):						
Unrealized gain on available-for-sale securities		17,242		583		143,360
Deferred gain on derivatives under hedge accounting		4		4		33
Revaluation reserve for land (Note 8)		58		-		482
Remeasurements of defined benefit plans		273		-		2,269
Total other comprehensive income		17,579		587		146,162
Comprehensive income	¥	25,345	¥	6,933	$	210,734
Total comprehensive income attributable to:						
Owners of the parent	¥	25,234	¥	6,806	$	209,811
Minority interests		110		127		914

See notes to consolidated financial statements.

FIDEA Holdings Co. Ltd. and Subsidiaries

Consolidated Statements of Changes in Net Assets
Years Ended March 31, 2015 and 2014

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	Remeasurements of defined benefit plans	Total accumulated other comprehensive income	Minority interests	Total net assets
Balance as of April 1, 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
Cumulative effects of changes in accounting policies			(284)		(284)							(284)
Restated balance as of April 1, 2014	15,000	24,744	27,808	(2)	67,551	14,510	(8)	1,091	(774)	14,819	1,274	83,644
Conversion of convertible bond-type bonds with subscription rights to shares	450	450			900							900
Cash dividends			(853)		(853)							(853)
Net income			7,657		7,657							7,657
Acquisition of treasury stock				(0)	(0)							(0)
Sale of treasury stock		0		0	0							0
Reversal of revaluation reserve for land			38		38							38
Net changes of items other than shareholders' equity						17,240	4	20	273	17,538	104	17,643
Balance as of March 31, 2015	¥ 15,450	¥ 25,194	¥ 34,652	¥ (3)	¥ 75,293	¥ 31,750	¥ (3)	¥ 1,111	¥ (501)	¥ 32,357	¥ 1,378	¥ 109,029

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	Remeasurements of defined benefit plans	Total accumulated other comprehensive income	Minority interests	Total net assets
Balance as of March 31, 2014	$ 124,719	$ 205,737	$ 233,582	$ (16)	$ 564,022	$ 120,645	$ (66)	$ 9,071	$ (6,435)	$ 123,214	$ 10,592	$ 697,829
Cumulative effects of changes in accounting policies			(2,361)		(2,361)							(2,361)
Restated balance as of April 1, 2014	124,719	205,737	231,213	(16)	561,661	120,645	(66)	9,071	(6,435)	123,214	10,592	695,468
Conversion of convertible bond-type bonds with subscription rights to shares	3,741	3,741			7,483							7,483
Cash dividends			(7,092)		(7,092)							(7,092)
Net income			63,665		63,665							63,665
Acquisition of treasury stock				(0)	(0)							(0)
Sale of treasury stock		0		0	0							0
Reversal of revaluation reserve for land			315		315							315
Net changes of items other than shareholders' equity						143,344	33	166	2,269	145,821	864	146,694
Balance as of March 31, 2015	$ 128,460	$ 209,478	$ 288,118	$ (24)	$ 626,033	$ 263,989	$ (24)	$ 9,237	$ (4,165)	$ 269,036	$ 11,457	$ 906,535

See notes to consolidated financial statements.

FIDEA Holdings Co. Ltd. and Subsidiaries

Consolidated Statements of Cash Flows
Years Ended March 31, 2015 and 2014

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2015	2014	2015
Operating activities:			
Income before income taxes and minority interests	¥ 10,703	¥ 10,090	$ 88,991
Adjustments for:			
Income taxes—paid	(980)	(969)	(8,148)
Depreciation and amortization	1,977	1,390	16,438
Loss on impairment—fixed assets	113	58	939
Amortization of goodwill	95	156	789
Amortization of negative goodwill	(458)	(917)	(3,808)
Gain on bargain purchase	-	(6)	-
Change in allowance for loan losses	(637)	738	(5,296)
Change in defined benefit asset	131	230	1,089
Change in defined benefit liability	3	(74)	24
Change in provision for reimbursement of deposits	(90)	142	(748)
Change in provision for contingent loss	57	53	473
Change in other provisions	(5)	(16)	(41)
Interest income	(34,991)	(33,912)	(290,937)
Interest expenses	3,118	2,992	25,925
Gain on securities—net	(2,772)	(2,767)	(23,048)
(Gain) loss on money held in trust—net	(151)	5	(1,255)
Foreign exchange gains—net	(14)	(9)	(116)
Loss on sale and disposal of fixed assets—net	48	23	399
Net change in loans and bills discounted	(55,368)	(61,863)	(460,364)
Net change in deposits	135,947	43,963	1,130,348
Net change in negotiable certificates of deposit	(3,387)	23,595	(28,161)
Net change in trading account securities	(13)	(40)	(108)
Net change in borrowed money, excluding subordinated borrowings	20,860	(13,930)	173,443
Net change in due from banks, excluding due from Bank of Japan	542	2,403	4,506
Net change in call loans and bills bought	479	505	3,982
Net change in call money and bills sold	5,428	30,313	45,131
Net change in payables under securities lending transactions	37,187	11,336	309,195
Net change in foreign exchange assets	415	(725)	3,450
Net change in foreign exchange liabilities	(0)	(14)	(0)
Interest received	35,957	35,543	298,968
Interest paid	(3,128)	(3,255)	(26,008)
Other—net	(6,498)	2,745	(54,028)
Total adjustments	133,864	37,695	1,113,029
Net cash provided by operating activities—(Forward)	¥ 144,567	¥ 47,785	$ 1,202,020

(Continued)

FIDEA Holdings Co. Ltd. and Subsidiaries

Consolidated Statements of Cash Flows
Years Ended March 31, 2015 and 2014

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2015	2014	2015
Net cash provided by operating activities—(Forward)	¥ 144,567	¥ 47,785	$ 1,202,020
Investing activities:			
Purchase of securities	(339,275)	(308,965)	(2,820,944)
Proceeds from sales of securities	109,720	182,451	912,280
Proceeds from maturity of securities	96,574	83,086	802,976
Increase in money held in trust	(2,022)	(1,033)	(16,812)
Decrease in money held in trust	82	14	681
Purchase of tangible fixed assets	(2,724)	(2,379)	(22,649)
Proceeds from sales of tangible fixed assets	93	88	773
Purchase of intangible fixed assets	(1,852)	(1,388)	(15,398)
Net cash used in investing activities	(139,403)	(48,127)	(1,159,083)
Financing activities:			
Increase in subordinated borrowings	-	5,000	-
Decrease in subordinated borrowings	-	(5,800)	-
Proceeds from issuance of subordinated bonds and bonds with subscription rights to shares	-	5,978	-
Repayment of lease obligations	(67)	(90)	(557)
Dividends paid	(850)	(861)	(7,067)
Dividends paid to minority shareholders	(3)	(5)	(24)
Payment for purchase of shares in subsidiaries from minority shareholders	-	(46)	-
Purchase of treasury stock	(0)	(0)	(0)
Proceeds from sales of treasury stock	0	0	0
Net cash (used in) provided by financing activities	(922)	4,173	(7,666)
Effect of exchange rate change on cash and cash equivalents	14	9	116
Net increase in cash and cash equivalents	4,255	3,841	35,378
Cash and cash equivalents at the beginning of year	55,644	51,802	462,659
Cash and cash equivalents at the end of year (Note 17)	¥ 59,899	¥ 55,644	$ 498,037

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 ¥120.27 = U.S.$1.00, the exchange rate prevailing on March 31, 2015. 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 8 subsidiaries (collectively the "Group") as of March 31, 2015 (11 subsidiaries as of March 31, 2014).

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 6 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.

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 Group.

(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 ¥10,735 million ($89,257 thousand) and ¥13,107 million for the years ended March 31, 2015 and 2014, 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 benefit formula 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 ($22,532 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 the year ended March 31, 2015, the Company has adopted the provisions stipulated in the main clause of Section 35 of 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 main clause of Section 67 of the "Guidance on Accounting Standard for Retirement Benefits" (ASBJ Guidance No. 25, issued on March 26, 2015). Accordingly, the method for calculating retirement benefit obligations and current service costs has been revised; the method of attributing expected retirement benefits to the periods has been changed from a straight-line method to a benefit formula method, and the method of determining discount rate has been changed from a method based on period of bonds which approximates the expected average remaining service period of the employees to a method using a single weighted average discount rate reflecting the estimated period and amount of retirement benefit payment.

With regard to adoption of the Accounting Standard and others, in accordance with the transitional treatment stipulated in the Section 37 of Accounting Standard, the effect of change in method for calculating retirement benefit obligations and current service costs has been recognized in retained earnings as of April 1, 2014.

As a result of this change, defined benefit asset increased by ¥142 million ($1,180 thousand), defined benefit liability increased by ¥583 million ($4,847 thousand) and the retained earnings decreased by ¥284 million ($2,361 thousand) as of April 1, 2014. The effects on income before income taxes and minority interests for the year ended March 31, 2015 was immaterial.

The effects on per share information are disclosed in 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 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

Gain and loss from revaluation of trading account securities included in the consolidated statements of income amounted to ¥0 million ($0 thousand) and ¥0 million for the years ended March 31, 2015 and 2014, respectively.

Securities at March 31, 2015 and 2014 consisted of the following:

	Millions of yen		
March 31, 2015	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	¥ 29,520	¥ 18,676	¥ 10,843
Debt securities:	652,776	639,431	13,345
Japanese government bonds	315,042	309,438	5,603
Municipal bonds	190,819	185,847	4,972
Corporate bonds	146,915	144,145	2,769
Other	241,355	218,309	23,046
Subtotal	¥ 923,652	¥ 876,418	¥ 47,234
Securities whose carrying amount does not exceed their acquisition cost:			
Held-to-maturity debt securities	¥ -	¥ -	¥ -
Available-for-sale securities:			
Equity securities	¥ 1,156	¥ 1,234	¥ (78)
Debt securities:	54,043	54,251	(207)
Japanese government bonds	19,056	19,102	(46)
Municipal bonds	29,563	29,696	(133)
Corporate bonds	5,424	5,452	(28)
Other	15,523	15,735	(212)
Subtotal	¥ 70,723	¥ 71,221	¥ (498)
Total	¥ 994,376	¥ 947,640	¥ 46,736

March 31, 2014	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	¥ 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, 2015	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	$ 245,447	$ 155,283	$ 90,155
Debt securities:	5,427,587	5,316,629	110,958
Japanese government bonds	2,619,456	2,572,861	46,586
Municipal bonds	1,586,588	1,545,248	41,340
Corporate bonds	1,221,543	1,198,511	23,023
Other	2,006,776	1,815,157	191,618
Subtotal	$ 7,679,820	$ 7,287,087	$ 392,733
Securities whose carrying amount does not exceed their acquisition cost:			
Held-to-maturity debt securities	$ -	$ -	$ -
Available-for-sale securities:			
Equity securities	$ 9,611	$ 10,260	$ (648)
Debt securities:	449,347	451,076	(1,721)
Japanese government bonds	158,443	158,825	(382)
Municipal bonds	245,805	246,911	(1,105)
Corporate bonds	45,098	45,331	(232)
Other	129,067	130,830	(1,762)
Subtotal	$ 588,035	$ 592,175	$ (4,140)
Total	$ 8,267,863	$ 7,879,271	$ 388,592

Available-for-sale securities sold for the years ended March 31, 2015 and 2014 were as follows:

	Millions of yen		
March 31, 2015	Sales proceeds	Realized gain	Realized loss
Equity securities	¥ 4,904	¥ 982	¥ 76
Debt securities:	67,080	205	39
Japanese government bonds	42,531	165	36
Municipal bonds	2,911	6	-
Corporate bonds	21,637	33	2
Other	36,126	1,922	227
Total	¥ 108,110	¥ 3,110	¥ 343

	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

	Thousands of U.S. dollars		
March 31, 2015	Sales proceeds	Realized gain	Realized loss
Equity securities	$ 40,774	$ 8,164	$ 631
Debt securities:	557,745	1,704	324
Japanese government bonds	353,629	1,371	299
Municipal bonds	24,203	49	-
Corporate bonds	179,903	274	16
Other	300,374	15,980	1,887
Total	$ 898,894	$ 25,858	$ 2,851

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.

There was no write-down of the above available-for-sale securities for the year ended March 31, 2015. Write-down of the above available-for-sale securities in the amount of ¥24 million, consisting ¥24 million of equity securities and ¥0 million of other, were recognized for the year ended March 31, 2014.

The criteria for determining whether the fair value is “significantly declined” are as follows:
(1) If the fair value as of the balance sheet date declines 50% or more compared to the acquisition cost, the difference is recognized as write-down of securities.
(2) If the fair value as of the balance sheet date declines by 30% or more but less than 50% compared to the acquisition cost, write-down of securities is recognized for the securities which meets criteria of the Group after considering the financial 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, 2015 and 2014 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Unrealized gain:	¥ 46,736	¥ 22,074	$ 388,592
Available-for-sale securities	46,736	22,074	388,592
Money held in trust	-	-	-
Deferred tax liabilities	(14,978)	(7,558)	(124,536)
Unrealized gain on available-for-sale securities before adjustments by equity interest:	31,758	14,515	264,055
Minority interests	(7)	(5)	(58)
Unrealized gain on available-for-sale securities	¥ 31,750	¥ 14,510	$ 263,989

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, 2015 and 2014 amounted to ¥6,072 million ($50,486 thousand) and ¥6,236 million, respectively.

Loans and bills discounted at March 31, 2015 and 2014 include a loan participation in an amount of ¥55 million ($457 thousand) and ¥166 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 ¥460,589 million ($3,829,625 thousand) and ¥435,466 million at March 31, 2015 and 2014, respectively, including the contracts whose contractual periods were either less than one year or revocable at any time, in the amount of ¥457,706 million ($3,805,653 thousand) and ¥433,986 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, 2015 and 2014 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Loans to bankrupt borrowers	¥ 1,089	¥ 1,363	$ 9,054
Delinquent loans	30,388	30,601	252,664
Loans past due for 3 months or more	-	-	-
Restructured loans	10,259	17,719	85,299
Total	¥ 41,737	¥ 49,684	$ 347,027

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, 2015 and 2014, accumulated depreciation of tangible fixed assets was ¥32,406 million ($269,443 thousand) and ¥32,197 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, 2015 and 2014 was ¥1,532 million ($12,738 thousand) and ¥1,588 million, respectively.

9. Borrowed Money and Lease Obligations

Borrowed money and lease obligations at March 31, 2015 and 2014 were as follows:

	Millions of yen		Thousands of U.S. dollars	Average interest rate	
	2015	2014	2015	(%)	Maturity
Borrowed money	¥ 64,300	¥ 43,440	$ 534,630	0.20	Apr. 2015 through Apr. 2024
Current portion of lease obligations	48	59	399	3.20	
Lease obligations, less current portion	91	101	756	3.03	Apr. 2016 through Jan. 2020

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, 2015 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	¥ 55,900	¥ -	¥ -	¥ 3,400	¥ -
Lease obligations	48	39	32	14	4

	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	$ 464,787	$ -	$ -	$ 28,269	$ -
Lease obligations	399	324	266	116	33

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

Subordinated borrowings of ¥5,000 million ($41,573 thousand) and ¥5,000 million were included in borrowed money at March 31, 2015 and 2014, respectively.

10. Assets Pledged

Assets pledged as collateral at March 31, 2015 and 2014 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Securities	¥ 165,356	¥ 101,188	$ 1,374,873

The liabilities secured by the above pledged assets at March 31, 2015 and 2014 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Call money	¥ 53,045	¥ 47,503	$ 441,049
Payables under securities lending transactions	48,523	11,336	403,450
Borrowed money	59,300	38,440	493,057

In addition to the pledged assets listed above, securities in the amount of ¥161,579 million ($1,343,468 thousand) and ¥182,642 million and cash and due from banks in the amount of ¥8 million ($66 thousand) and ¥8 million are pledged as collateral for domestic exchange transactions or as margins on futures contracts at March 31, 2015 and 2014, respectively. Other assets include guarantee deposits in the amount of ¥601 million ($4,997 thousand) and ¥579 million at March 31, 2015 and 2014, respectively.

11. Bonds Payable

Bonds payable at March 31, 2015 and 2014 consisted of the following:

		Millions of yen		Thousands of U.S. dollars	Coupon rate (%)	Secured/ unsecured	Due
Issuer/description	Issued date	2015	2014	2015			
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	¥ 5,100	¥ 6,000	$ 42,404	0.00	Unsecured	Mar. 7, 2016
Shonai							
4th subordinated bonds	Jul. 13, 2010	5,000	5,000	41,573	2.84	Unsecured	Jul. 13, 2020
5th subordinated bonds	Jul. 27, 2012	5,000	5,000	41,573	2.70	Unsecured	Jul. 27, 2022
Total		¥ 15,100	¥ 16,000	$ 125,550			

12. Retirement Benefit Plans

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
	2015	2014	2015
Retirement benefit obligations at beginning of year	¥ 13,772	¥ 14,313	$ 114,509
Cumulative effects of changes in accounting policies	436	-	3,625
Restated balance at beginning of year	14,208	14,313	118,134
Service costs	468	447	3,891
Interest costs	99	157	823
Actuarial gains and losses arising during year	623	142	5,180
Retirement benefits paid	(1,272)	(1,088)	(10,576)
Past service costs arising during year	-	(211)	-
Other	-	12	-
Retirement benefit obligations at end of year	¥ 14,127	¥ 13,772	$ 117,460

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

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Plan assets at beginning of year	¥ 12,543	¥ 12,149	$ 104,290
Expected return on plan assets	164	160	1,363
Actuarial gains and losses	569	561	4,731
Contribution from employer	534	584	4,440
Retirement benefits paid	(1,113)	(925)	(9,254)
Other	-	12	-
Plan assets at end of year	¥ 12,697	¥ 12,543	$ 105,570

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 sheets

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Funded retirement benefit obligation	¥ 12,491	¥ 12,147	$ 103,857
Plan assets	(12,697)	(12,543)	(105,570)
	(206)	(395)	(1,712)
Unfunded retirement benefit obligation	1,635	1,624	13,594
Net balance of liability and asset recorded on the consolidated balance sheets	¥ 1,429	¥ 1,229	$ 11,881

	Millions of yen		Thousands of U.S. dollars
Defined benefit liability	¥ 2,858	¥ 2,372	$ 23,763
Defined benefit asset	(1,428)	(1,143)	(11,873)
Net balance of liability and asset recorded on the consolidated balance sheets	¥ 1,429	¥ 1,229	$ 11,881

Note: Retirement benefit trust is included in plan assets.

(4) Retirement benefit expenses and components thereof

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Service costs	¥ 468	¥ 447	$ 3,891
Interest costs	99	157	823
Expected return on plan assets	(164)	(160)	(1,363)
Amortization of actuarial gains and losses	254	288	2,111
Amortization of past service costs	(42)	(10)	(349)
Amortization of net retirement benefit obligation at transition	180	180	1,496
Retirement benefit expenses on defined benefit plans	¥ 796	¥ 903	$ 6,618

Note: Retirement benefit expenses of the consolidated subsidiaries adopting the simplified method are collectively included in “Service costs.”

(5) Components of items recorded in remeasurements of defined benefit plans in other comprehensive income, before tax, are as follows:

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Past service costs	¥ (42)	¥ -	$ (349)
Actuarial gains and losses	200	-	1,662
Net retirement benefit obligation at transition	180	-	1,496
Total	¥ 339	¥ -	$ 2,818

(6) Components of items recorded in remeasurements of defined benefit plans in accumulated other comprehensive income, before tax, are as follows:

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Unrecognized past service costs	¥ (158)	¥ (200)	$ (1,313)
Unrecognized actuarial gains and losses	1,018	1,218	8,464
Unrecognized net retirement benefit obligation at transition	-	180	-
Total	¥ 859	¥ 1,198	$ 7,142

(7) Components of plan assets

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

	2015	2014
Debt securities	52.6%	46.8%
Equity securities	26.4	28.9
Cash and deposits	0.4	0.1
Call loans	13.1	18.0
General account	5.6	5.6
Other	1.9	0.6
Total	100.0%	100.0%

Note: 32.6% and 34.5% of the total plan assets consisted of the retirement benefit trust established for the lump-sum payment plan as of March 31, 2015 and 2014, respectively.

(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.

(8) Actuarial assumptions at end of year

	2015	2014
Discount rate	0.25% - 0.75%	0.75% - 1.50%
Expected long-term rate of return on plan assets	1.00% - 1.50%	1.00% - 1.50%
Expected rate of salary increase (Note)	3.61%	3.61%

Note: Hokuto maintains a cash balance plan for the defined benefit corporate pension plan, and a point system is adopted for the lump-sum payment plan. Accordingly, the expected rate of salary increase is not included in the basis for calculation of retirement benefit obligations and others for the years ended March 31, 2015 and 2014.

Defined contribution pension plans

The amounts to be contributed to the defined contribution pension plans of the Company and its consolidated subsidiaries were ¥153 million ($1,272 thousand) and ¥104 million as of March 31, 2015 and 2014, respectively.

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 ¥7,244 million ($60,231 thousand) and ¥7,894 million at March 31, 2015 and 2014, 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, 2015 and 2014 are summarized as follows:

	Number of shares (in thousands)				
	April 1, 2014	Increase	Decrease	March 31, 2015	Ref.
Issued shares:					
Common stock	143,464	4,411	-	147,876	Note 1
Preferred stock Class B	25,000	-	-	25,000	
Total	168,464	4,411	-	172,876	
Treasury stock:					
Common stock	12	4	0	16	Note 2
Total	12	4	0	16	

Note 1: Increase in number of shares is due to issuance of new shares on conversion of convertible bond-type bonds with subscription rights to shares.

Note 2: 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, 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.

15. Other Expenses

Other expenses for the years ended March 31, 2015 and 2014 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Loss on sales of equity securities, etc.	¥ 78	¥ 147	$ 648
Written-off of loans	104	139	864
Loss on disposal of fixed assets	50	34	415
Impairment loss	113	58	939
Other	793	1,059	6,593
Total	¥ 1,138	¥ 1,437	$ 9,462

16. Other Comprehensive Income

Reclassification adjustments and income tax effect for each component of other comprehensive income for the years ended March 31, 2015 and 2014 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Unrealized gain on available-for-sale securities:			
Gain arising during the year	¥ 27,476	¥ 3,853	$ 228,452
Reclassification adjustments	(2,814)	(2,703)	(23,397)
Before income tax effect	24,662	1,150	205,055
Income tax effect	(7,420)	(567)	(61,694)
Unrealized gain on available-for-sale securities	17,242	583	143,360
Deferred gain on derivatives under hedge accounting:			
Gain arising during the year	7	7	58
Reclassification adjustments	-	-	-
Before income tax effect	7	7	58
Income tax effect	(2)	(2)	(16)
Deferred gain on derivatives under hedge accounting	4	4	33
Revaluation reserve for land:			
Adjustments arising during the year	-	-	-
Reclassification adjustments	-	-	-
Before income tax effect	-	-	-
Income tax effect	58	-	482
Revaluation reserve for land	58	-	482
Remeasurements of defined benefit plans:			
Adjustments arising during the year	(53)	-	(440)
Reclassification adjustments	392	-	3,259
Before income tax effect	339	-	2,818
Income tax effect	(65)	-	(540)
Remeasurements of defined benefit plans	273	-	2,269
Total other comprehensive income	¥ 17,579	¥ 587	$ 146,162

17. Cash and Cash Equivalents

(1) 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, 2015 and 2014 is summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Cash and due from banks	¥ 64,373	¥ 60,660	$ 535,237
Due from banks (excluding due from BoJ)	(4,473)	(5,016)	(37,191)
Cash and cash equivalents	¥ 59,899	¥ 55,644	$ 498,037

(2) Material non-cash transaction

Exercise of subscription rights to shares of convertible bond-type bonds with subscription rights to shares:

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Increase in common stock by exercise of subscription rights to shares	¥ 450	¥ -	$ 3,741
Increase in legal capital surplus by exercise of subscription rights to shares	450	-	3,741
Decrease in convertible band-type bonds with subscription right to shares by exercise of subscription rights to shares	¥ 900	¥ -	$ 7,483

18. Leases

The Group leases 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, 2015 and 2014, 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, 2015	Tangible fixed assets	Intangible fixed assets	Total
Acquisition costs	¥ 185	¥ -	¥ 185
Accumulated depreciation	140	-	140
Net book value	¥ 44	¥ -	¥ 44

	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

	Thousands of U.S. dollars		
March 31, 2015	Tangible fixed assets	Intangible fixed assets	Total
Acquisition costs	$ 1,538	$ -	$ 1,538
Accumulated depreciation	1,164	-	1,164
Net book value	$ 365	$ -	$ 365

Future minimum lease payments subsequent to March 31, 2015 for finance leases accounted for as operating leases are summarized as follows:

	Millions of yen	Thousands of U.S. dollars
Due within one year	¥ 17	$ 141
Due after one year	33	274
Total	¥ 50	$ 415

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, 2015 and 2014, are summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Total lease payments	¥ 25	¥ 57	$ 207
Depreciation expense	21	50	174
Interest expenses	2	3	16

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, 2015 and 2014 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Deferred tax assets:			
Allowance for loan losses	¥ 7,211	¥ 8,211	$ 59,956
Tax loss carryforwards	4,069	1,202	33,832
Defined benefit liability	1,909	1,913	15,872
Depreciation	1,020	1,022	8,480
Write-down of securities	118	935	981
Allowance for investment loss	-	3,797	-
Other	1,183	1,513	9,836
Gross deferred tax assets	15,513	18,595	128,984
Valuation allowance	(7,808)	(9,859)	(64,920)
Total deferred tax assets	¥ 7,705	¥ 8,736	$ 64,064
Deferred tax liabilities:			
Unrealized gain on available-for-sale securities	¥ (14,978)	¥ (7,595)	$ (124,536)
Other	(639)	(686)	(5,313)
Total deferred tax liabilities	(15,617)	(8,281)	(129,849)
Net deferred tax (liabilities) assets	¥ (7,912)	¥ 454	$ (65,785)

A reconciliation of the statutory tax rate to the effective tax rate for the year ended March 31, 2015 is as follows:

	2015
Normal effective statutory tax rate	35.59%
Non-deductible expenses such as entertainment expenses	0.39
Non-taxable income such as dividend income	(4.84)
Per capita inhabitant tax	0.56
Valuation allowance	(10.86)
Amortization of negative goodwill	(1.52)
Consolidation adjustments	2.60
Reduction of deferred tax assets due to change in income tax rates	5.74
Other	(0.22)
Actual effective tax rate	27.44%

A reconciliation of the statutory tax rate to the effective tax rate for the year ended March 31, 2014 is omitted since the difference was less than 5% of the effective statutory tax rate.

The “Act for Partial Revision of the Income Tax Act, etc.” (Act No. 9 of 2015) and the “Act for Partial Revision of the Local Tax Act, etc.” (Act No. 2 of 2015) ware promulgated on March 31, 2015 and the income tax rates will be reduced from the fiscal years beginning on or after April 1, 2015. Accordingly, the statutory tax rate used to calculate deferred tax assets and liabilities is changed from 35.59% to 33.01% for temporary differences which are expected to reverse in the fiscal year beginning on April 1, 2015 and to 32.25% for temporary differences which are expected to reverse in the fiscal year beginning on April 1, 2016 and thereafter. As a result of this change, deferred tax assets decreased by ¥62 million ($515 thousand), deferred tax liabilities decreased by ¥957 million ($7,957 thousand), unrealized gain on available-for-sale securities increased by ¥1,544 million ($12,837 thousand), remeasurements of defined benefit plans increased by ¥35 million ($291 thousand) and income taxes-deferred increased by ¥614 million ($5,105 thousand) as of and for the year ended March 31, 2015. Deferred tax liabilities for land revaluation decreased by ¥58 million ($482 thousand) and revaluation reserve for land increased by the same amount as of March 31, 2015.

In addition, the tax loss carry forward rules have been revised. The deductible amount is limited to 65% of the taxable income before deducting losses carried forward from the fiscal years beginning on or after April 1, 2015, and to 50% form the fiscal years beginning on or after April 1, 2017. As a result of this change, deferred tax liabilities increased by ¥470 million ($3,907 thousand) and income taxes-deferred increased by ¥470 million ($3,907 thousand) as of and for the year ended March 31, 2015.

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, 2015	Lending	Securities investment	Other	Total
Ordinary income from external customers	¥ 25,578	¥ 12,781	¥ 12,584	¥ 50,944

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

	Thousands of U.S. dollars			
March 31, 2015	Lending	Securities investment	Other	Total
Ordinary income from external customers	$ 212,671	$ 106,269	$ 104,631	$ 423,580

"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, 2015 and 2014 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, 2015 and 2014 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, 2015 and 2014 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, 2015 and 2014 and for the years then ended are as follows:

2015

Type	Name	Address	Capital (Millions of yen)	Business	Ownerships of voting rights (%)	Transaction type	Transaction amount	Account	Balance at March 31, 2015
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	¥3 million ($24 thousand)	-	-
	Akita Kubota Co., Ltd. Note (1)	Akita city, Akita Pref.	¥60	Agricultural machines distributor	0.0% directly held	Lending	¥223 million ($1,854 thousand)	Loans and bills discounted	¥239 million ($1,987 thousand)
	Netz Toyota Akita Co., Ltd. Note (2)	Akita city, Akita Pref.	¥40	Car distributor	0.0% directly held	Lending	¥494 million ($4,107 thousand)	Loans and bills discounted	¥700 million ($5,820 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 ($2,494 thousand)	Loans and bills discounted	¥300 million ($2,494 thousand)
	Ugo Setsubi Co., Ltd. Note (3)	Akita city, Akita Pref.	¥20	Pipe works	0.0% directly held	Lending	¥185 million ($1,538 thousand)	Loans and bills discounted	¥24 million ($199 thousand)
						Guarantee for liabilities	¥8 million ($66 thousand)	Customers’ liabilities for acceptances and guarantees	¥7 million ($58 thousand)
	Ugo Densetsu Kogyo Co., Ltd. Note (4)	Akita city, Akita Pref.	¥30	Electric works	0.0% directly held	Lending	¥32 million ($266 thousand)	Loans and bills discounted	¥150 million ($1,247 thousand)
						Guarantee for liabilities	¥98 million ($814 thousand)	Customers’ liabilities for acceptances and guarantees	¥98 million ($814 thousand)
	Ugo Hatsuhenden Koji Co., Ltd. Note (4)	Akita city, Akita Pref.	¥20	Electric works	-	Lending	¥61 million ($507 thousand)	Loans and bills discounted	¥35 million ($291 thousand)
						Guarantee for liabilities	¥1 million ($8 thousand)	-	-

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	Loans and bills discounted	¥11 million
	Akita Kubota Co., Ltd. Note (1)	Akita city, Akita Pref.	¥60	Agricultural machines distributor	0.0% directly held	Lending	¥162 million	Loans and bills discounted	¥386 million
	Netz Toyota Akita Co., Ltd. Note (2)	Akita city, Akita Pref.	¥40	Car distributor	0.0% directly held	Lending	¥441 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	¥226 million	Loans and bills discounted	¥530 million
						Guarantee for liabilities	¥6 million	Customers' liabilities for acceptances and guarantees	¥4 million
	Ugo Densetsu Kogyo Co., Ltd. Note (4)	Akita city, Akita Pref.	¥30	Electric works	0.0% directly held	Lending	¥13 million	Loans and bills discounted	¥100 million
						Guarantee for liabilities	¥83 million	Customers' liabilities for acceptances and guarantees	¥58 million
	Ugo Hatsuhenden Koji Co., Ltd. Note (4)	Akita city, Akita Pref.	¥20	Electric works	-	Lending	¥73 million	Loans and bills discounted	¥61 million

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, 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, his relatives and Shin-ichi Nanayama, an audit & supervisory board member of Hokuto, 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, 2015 and 2014.

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, 2015 and 2014 and for the years then ended was as follows:

	Billions of yen			
	2015			
	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:	22.0	28.1	17.8	28.0
Debt securities	6.2	10.5	4.3	10.5
Equity securities	6.1	6.7	1.1	6.3
Other	15.2	18.6	12.8	18.2

	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

	Millions of U.S. dollars			
	2015			
	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:	182.9	233.6	148.0	232.8
Debt securities	51.5	87.3	35.7	87.3
Equity securities	50.7	55.7	9.1	52.3
Other	126.3	154.6	106.4	151.3

(*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 due from banks, loans and bills discounted and others 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, 2015, 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, 2015 and 2014 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, 2015	Carrying amount	Fair value	Difference
Cash and due from banks	¥ 64,373	¥ 64,373	¥ -
Monetary claims bought (*1)	3,527	3,527	-
Trading account securities:			
Trading securities	113	113	-
Money held in trust	5,065	5,065	-
Securities:			
Available-for-sale securities	994,376	994,376	-
Loans and bills discounted:	1,719,508		
Allowance for loan losses (*1)	(14,674)		
	1,704,834	1,740,979	36,144
Foreign exchange assets (*1)	2,329	2,329	-
Total assets	¥ 2,774,620	¥ 2,810,764	¥ 36,144
Deposits	¥ 2,362,702	¥ 2,363,664	¥ 961
Negotiable certificates of deposit	126,814	126,825	11
Call money and bills sold	53,045	53,045	-
Payables under securities lending transactions	48,523	48,523	-
Borrowed money	64,300	64,467	167
Foreign exchange liabilities	0	0	-
Bonds payable	10,000	10,331	331
Bonds with subscription rights to shares	5,100	5,070	(29)
Total liabilities	¥ 2,670,486	¥ 2,671,929	¥ 1,442
Derivative transactions (*2):			
To which hedge accounting is not applied	¥ 241	¥ 241	¥ -
To which hedge accounting is applied	(5)	(5)	-
Total derivative transactions	¥ 235	¥ 235	¥ -

	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)	¥	-

March 31, 2015	Thousands of U.S. dollars Carrying amount	Fair value	Difference
Cash and due from banks	$ 535,237	$ 535,237	$ -
Monetary claims bought (*1)	29,325	29,325	-
Trading account securities:			
Trading securities	939	939	-
Money held in trust	42,113	42,113	-
Securities:			
Available-for-sale securities	8,267,863	8,267,863	-
Loans and bills discounted:	14,297,064		
Allowance for loan losses (*1)	(122,008)		
	14,175,056	14,475,588	300,523
Foreign exchange assets (*1)	19,364	19,364	-
Total assets	$ 23,069,925	$ 23,370,449	$ 300,523
Deposits	$ 19,644,982	$ 19,652,980	$ 7,990
Negotiable certificates of deposit	1,054,410	1,054,502	91
Call money and bills sold	441,049	441,049	-
Payables under securities lending transactions	403,450	403,450	-
Borrowed money	534,630	536,018	1,388
Foreign exchange liabilities	0	0	-
Bonds payable	83,146	85,898	2,752
Bonds with subscription rights to shares	42,404	42,155	(241)
Total liabilities	$ 22,204,090	$ 22,216,088	$ 11,989
Derivative transactions (*2):			
To which hedge accounting is not applied	$ 2,003	$ 2,003	$ -
To which hedge accounting is applied	(41)	(41)	-
Total derivative transactions	$ 1,953	$ 1,953	$ -

(*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.

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 rates, 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 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) and export bills and traveler’s checks, etc. (foreign bills bought). 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
	2015	2014	2015
Unlisted equity securities (*1) (*2)	¥ 1,544	¥ 1,805	$ 12,837
Investment in partnerships (*3)	958	863	7,965
Total	¥ 2,503	¥ 2,669	$ 20,811

(*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 ¥36 million ($299 thousand) and ¥87 million for the years ended March 31, 2015 and 2014, 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, 2015

	Millions of yen					
March 31, 2015	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)	¥ 27,776	¥ -	¥ -	¥ -	¥ -	¥ -
Monetary claims bought	3,545	-	-	-	-	-
Securities:						
Available-for-sale securities with maturity:	110,753	181,324	227,967	121,197	108,379	129,455
Japanese government bonds	36,000	61,500	100,500	75,900	34,000	17,000
Municipal bonds	26,758	38,550	36,529	24,514	40,842	46,608
Corporate bonds	39,695	40,814	10,635	4,385	7,101	46,667
Other	8,298	40,459	80,302	16,397	26,436	19,179
Loans and bills discounted (* 2)	248,337	213,568	215,942	170,139	263,436	505,802
Total	¥ 390,412	¥ 394,893	¥ 443,909	¥ 291,336	¥ 371,816	¥ 635,257

	Thousands of U.S. dollars					
March 31, 2015	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)	$ 230,947	$ -	$ -	$ -	$ -	$ -
Monetary claims bought	29,475	-	-	-	-	-
Securities:						
Available-for-sale securities with maturity:	920,869	1,507,641	1,895,460	1,007,707	901,130	1,076,369
Japanese government bonds	299,326	511,349	835,619	631,080	282,697	141,348
Municipal bonds	222,482	320,528	303,724	203,824	339,585	387,528
Corporate bonds	330,049	339,353	88,426	36,459	59,042	388,018
Other	68,994	336,401	667,681	136,334	219,805	159,466
Loans and bills discounted (* 2)	2,064,829	1,775,737	1,795,476	1,414,642	2,190,371	4,205,554
Total	$ 3,246,129	$ 3,283,387	$ 3,690,937	$ 2,422,349	$ 3,091,510	$ 5,281,924

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

(*2) Loans and bills discounted as of March 31, 2015 do not include ¥31,450 million ($261,494 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 ¥70,382 million ($585,199 thousand) of receivables without maturity.

(Note 4) Repayment schedule of bonds payable, borrowed money and other interest bearing liabilities subsequent to March 31, 2015

March 31, 2015	Millions of yen 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 (*)	¥ 2,030,550	¥ 166,129	¥ 38,018	¥ -	¥ -	¥ -
Negotiable certificates of deposit	122,542	4,272	-	-	-	-
Call money and bills sold	53,045	-	-	-	-	-
Payables under securities lending transactions	48,523	-	-	-	-	-
Borrowed money	55,900	-	3,400	-	5,000	-
Bonds payable	-	-	-	5,000	5,000	-
Bonds with subscription rights to shares	5,100	-	-	-	-	-
Total	¥2,315,662	¥ 170,401	¥ 41,418	¥ 5,000	¥ 10,000	¥ -

March 31, 2015	Thousands of U.S. dollars 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 (*)	$16,883,262	$ 1,381,300	$ 316,105	$ -	$ -	$ -
Negotiable certificates of deposit	1,018,890	35,520		-	-	-
Call money and bills sold	441,049	-	-	-	-	-
Payables under securities lending transactions	403,450	-	-	-	-	-
Borrowed money	464,787	-	28,269	-	41,573	
Bonds payable	-	-	-	41,573	41,573	-
Bonds with subscription rights to shares	42,404	-	-	-	-	-
Total	$19,253,862	$ 1,416,820	$ 344,375	$ 41,573	$ 83,146	$ -

(*) 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, 2015 and 2014 were as follows:

	Millions of yen			
	Contract amount			
March 31, 2015	Total	Over one year	Fair value	Valuation gain (loss)
OTC transactions:				
Forward foreign exchange contracts:				
Sold	¥ 80,586	¥ 364	¥ 149	¥ 149
Bought	1,329	360	91	91
Total			¥ 241	¥ 241

	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)

	Thousands of U.S. dollars			
	Contract amount			
March 31, 2015	Total	Over one year	Fair value	Valuation gain (loss)
OTC transactions:				
Forward foreign exchange contracts:				
Sold	$ 670,042	$ 3,026	$ 1,238	$ 1,238
Bought	11,050	2,993	756	756
Total			$ 2,003	$ 2,003

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, 2015 and 2014 were as follows:

March 31, 2015			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	¥ 405	¥ -	¥ (5)
	Total				¥ (5)

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, 2015			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	$ 3,367	$ -	$ (41)
	Total				$ (41)

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, 2015 and 2014 and for the years then ended are summarized as follows:

	Yen		U.S. dollars
	2015	2014	2015
Net assets	¥ 659.53	¥ 505.52	$ 5.4837
Net income:			
Basic	52.45	42.41	0.4361
Diluted	35.83	30.11	0.2979

Net income per share—basic and net income per share—diluted for the years ended March 31, 2015 and 2014 were calculated based on the following information:

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Net income—basic:	¥ 7,657	¥ 6,220	$ 63,665
Amounts not attributed to common stock shareholders	132	136	1,097
O/W, dividends for preferred stock based on the resolution at the Board of Directors' meeting	132	136	1,097
Net income attributable to common stock	¥ 7,525	¥ 6,084	$ 62,567
Average outstanding number of shares of common stock (Unit: thousand shares)	143,462	143,454	1,192,832
Net income—diluted:			
Adjustments to net income	¥ 132	¥ 136	$ 1,097
O/W, dividends for preferred stock class B	132	136	1,097
Increase in number of shares of common stock (Unit: thousand shares)	70,202	63,129	583,703
O/W, preferred stock class B	42,016	54,347	349,347
O/W, bonds with subscription rights to shares	28,185	8,782	234,347

Net assets per share at March 31, 2015 and 2014 were calculated based on the following information:

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Total net assets	¥ 109,029	¥ 83,928	$ 906,535
Amounts deducted from total net assets:	(11,510)	(11,410)	(95,701)
O/W, payment for preferred stock	(10,000)	(10,000)	(83,146)
O/W, dividends for preferred stock	(132)	(136)	(1,097)
O/W, minority interests	(1,378)	(1,274)	(11,457)
Net assets attributable to common stock as of March 31, 2015 and 2014	¥ 97,518	¥ 72,518	$ 810,825
Number of shares of common stock as of March 31, 2015 and 2014 used to calculate net assets per share (Unit: thousand shares)	147,859	143,452	

As described in Note 3 (11), the Company has adopted the provisions stipulated in the main clause of Section 35 of the "Accounting Standard for Retirement Benefits" (ASBJ Statement No. 26, issued on May 17, 2012) and the main clause of Section 67 of the "Guidance on Accounting Standard for Retirement Benefits" (ASBJ Guidance No. 25, issued on March 26, 2015), and has followed the transitional treatment stipulated in Section 37 of the Accounting Standard for Retirement Benefits. As a result, net assets per share as of April 1, 2014 decreased by ¥1.99 ($0.01).

The effects on net income per share-basic and net income per share-diluted were immaterial.

25. Subsequent Events

1. The following cash dividends to be paid out of retained earnings were resolved at the Board of Directors' meeting held on May 11, 2015:

Type of shares	Aggregate amount of dividends	Dividend per share	Record date	Effective date
Common stock	¥739 million ($6,144 thousand)	¥5.00 ($0.0415)	March 31, 2015	June 24, 2015
Preferred stock Class B	¥132 million ($1,097 thousand)	¥5.28 ($0.0439)	March 31, 2015	June 24, 2015

2. Issuance of new shares by exercise of subscription rights to shares with convertible bond-type bonds with subscription rights to shares

FIDEA Holdings Co. Ltd. 1st unsecured convertible bond-type bonds with subscription rights to shares with 120% soft call provision which the Company issued on December 5, 2013 were exercised after the year ended March 31, 2015 through May 31, 2015 as follows:

(1) Exercise of subscription rights to shares
   a. Number of subscription rights to shares exercised: 11
   b. Exercise price: ¥204 ($1.69) per share
   c. Aggregate amount of bonds issued: ¥1,100 million ($9,146 thousand)
   d. Number and type of shares issued: Common stock 5,392,156 shares

(2) Number of outstanding shares, capital and regal capital surplus increased by the exercise of subscription rights to shares
   a. Number of outstanding shares increased: Common stock 5,392,156 shares
   b. Amount of common stock increased: ¥550 million ($4,573 thousand)
   c. Amount of regal capital surplus increased: ¥550 million ($4,573 thousand)

As a result, number of outstanding common stock increased to 153,268,810 shares and common stock and legal capital surplus increased to ¥16,000 million ($133,034 thousand) and ¥8,500 million ($70,674 thousand), respectively, as of May 31, 2015.

3. Early redemption of Call Option on convertible bond-type bonds with subscription rights to shares

The Company determined to exercise its option to redeem early all of the outstanding of FIDEA Holdings Co. Ltd. 1st unsecured convertible bond-type bonds with subscription rights to shares with 120% soft call provision (hereafter referred to as "the Bonds"), because the conditions of the 120% call option contained in the terms and conditions of the Bonds were fulfilled on June 11, 2015.

(1) Bonds to be redeemed	FIDEA Holdings Co. Ltd. 1st unsecured convertible bond-type bonds with subscription rights to shares with 120% soft call provision
(2) Early redemption amount	All of the Bonds outstanding *Outstanding amount as of June 10, 2015: ¥3,900 million ($32,427 thousand) (face value)
(3) Early redemption date	September 9, 2015
(4) Redemption amount	100% of the face value
(5) Method to procure funds	Funds on hand
(6) Expected decrease in interest expense	No decrease is expected because the Bonds bear no interest.

26. Non-Consolidated Financial Statements of Shonai and Hokuto as of March 31, 2015 and 2014 and for the Years Then Ended

The Shonai Bank, Ltd.

Non-Consolidated Balance Sheets
March 31, 2015 and 2014

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Assets:			
Cash and due from banks	¥ 42,669	¥ 39,033	$ 354,776
Monetary claims bought	1,652	1,582	13,735
Trading account securities	92	53	764
Money held in trust	4,065	2,000	33,798
Securities	501,573	380,159	4,170,391
Loans and bills discounted	934,905	897,627	7,773,384
Foreign exchange assets	1,786	1,939	14,849
Tangible fixed assets:			
Buildings	5,236	5,048	43,535
Land	6,704	6,697	55,741
Lease assets	61	91	507
Construction in progress	143	-	1,188
Other tangible fixed assets	1,232	896	10,243
Intangible fixed assets:			
Software	537	652	4,464
Other intangible fixed assets	70	70	582
Customers' liabilities for acceptances and guarantees	5,054	6,010	42,022
Prepaid pension cost	-	347	-
Other assets	3,551	3,061	29,525
Allowance for loan losses	(5,535)	(4,903)	(46,021)
Total assets	¥ 1,503,803	¥ 1,340,367	$ 12,503,558

(Continued)

The Shonai Bank, Ltd.

Non-Consolidated Balance Sheets
March 31, 2015 and 2014

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Liabilities:			
Deposits	¥ 1,217,395	¥ 1,114,525	$ 10,122,183
Negotiable certificates of deposit	94,270	88,397	783,819
Call money	12,745	9,916	105,969
Payables under securities lending transactions	25,734	11,336	213,968
Borrowed money	57,000	35,600	473,933
Foreign exchange liabilities	0	0	0
Bonds payable	10,000	10,000	83,146
Provision for retirement benefits	1,218	994	10,127
Provision for reimbursement of deposits	115	193	956
Provision for contingent loss	242	143	2,012
Deferred tax liabilities	6,829	2,946	56,780
Deferred tax liabilities for land revaluation	571	651	4,747
Acceptances and guarantees	5,054	6,010	42,022
Other liabilities	8,901	7,543	74,008
Total liabilities	¥ 1,440,078	¥ 1,288,259	$ 11,973,709
Net assets:			
Common stock	7,000	7,000	58,202
Capital surplus	18,808	18,808	156,381
Retained earnings	18,755	16,686	155,940
Total shareholders' equity	44,564	42,495	370,532
Unrealized gain on available-for-sale securities	18,052	8,530	150,095
Deferred loss on derivatives under hedge accounting	(3)	(8)	(24)
Revaluation reserve for land	1,111	1,091	9,237
Total valuation and translation adjustments	19,160	9,613	159,308
Total net assets	63,724	52,108	529,841
Total liabilities and net assets	¥ 1,503,803	¥ 1,340,367	$ 12,503,558

(Concluded)

The Shonai Bank, Ltd.

Non-Consolidated Statements of Income
Years Ended March 31, 2015 and 2014

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Income:			
Interest income:			
Interest on loans and discounts	¥ 13,554	¥ 13,964	$ 112,696
Interest and dividends on securities	5,076	4,007	42,205
Other	23	22	191
Fees and commissions	4,382	4,230	36,434
Other operating income	91	258	756
Other income	1,585	1,406	13,178
Total income	24,713	23,890	205,479
Expenses:			
Interest expenses:			
Interest on deposits	1,595	1,552	13,261
Interest on negotiable certificates of deposit	136	126	1,130
Interest on borrowings and rediscounts	108	67	897
Interest on bonds payable	277	277	2,303
Other	65	32	540
Fees and commissions	2,043	2,014	16,986
Other operating expenses	31	196	257
General and administrative expenses	14,052	13,809	116,837
Other expenses	1,481	1,462	12,313
Total expenses	19,792	19,541	164,563
Income before income taxes	4,921	4,349	40,916
Income taxes:			
Current	1,689	417	14,043
Deferred	217	1,321	1,804
Total income taxes	1,907	1,738	15,855
Net income	¥ 3,013	¥ 2,610	$ 25,051

The Hokuto Bank, Ltd.

Non-Consolidated Balance Sheets
March 31, 2015 and 2014

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Assets:			
Cash and due from banks	¥ 21,728	¥ 21,614	$ 180,660
Monetary claims bought	684	1,076	5,687
Trading account securities	21	46	174
Money held in trust	1,000	977	8,314
Securities	495,402	453,077	4,119,082
Loans and bills discounted	801,026	782,256	6,660,231
Foreign exchange assets	544	806	4,523
Tangible fixed assets:			
Buildings	4,884	4,216	40,608
Land	8,380	8,438	69,676
Lease assets	14	14	116
Construction in progress	102	55	848
Other tangible fixed assets	947	835	7,873
Intangible fixed assets:			
Software	2,621	1,625	21,792
Other intangible fixed assets	64	65	532
Prepaid pension cost	1,176	1,164	9,777
Deferred tax assets	-	2,673	-
Customers' liabilities for acceptances and guarantees	10,038	8,772	83,462
Other assets	4,225	4,411	35,129
Allowance for loan losses	(6,424)	(7,472)	(53,413)
Allowance for investment loss	-	(1,879)	-
Total assets	¥ 1,346,436	¥ 1,282,776	$ 11,195,111

(Continued)

The Hokuto Bank, Ltd.

Non-Consolidated Balance Sheets
March 31, 2015 and 2014

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Liabilities:			
Deposits	¥ 1,149,072	¥ 1,122,696	$ 9,554,103
Negotiable certificates of deposit	43,144	51,505	358,726
Call money	40,300	37,700	335,079
Payables under securities lending transactions	22,789	-	189,481
Borrowed money	12,300	12,840	102,269
Provision for reimbursement of deposits	476	488	3,957
Provision for contingent loss	234	276	1,945
Deferred tax liabilities	1,842	-	15,315
Deferred tax liabilities for land revaluation	1,296	1,456	10,775
Acceptances and guarantees	10,038	8,772	83,462
Other liabilities	9,239	2,902	76,818
Total liabilities	1,290,732	1,238,636	10,731,953
Net assets:			
Common stock	11,000	11,000	91,460
Capital surplus	18,499	18,499	153,812
Retained earnings	10,307	6,390	85,698
Total shareholders' equity	39,807	35,889	330,980
Unrealized gain on available-for-sale securities	13,402	5,846	111,432
Revaluation reserve for land	2,493	2,404	20,728
Total valuation and translation adjustments	15,895	8,250	132,160
Total net assets	55,703	44,140	463,149
Total liabilities and net assets	¥ 1,346,436	¥ 1,282,776	$ 11,195,111

(Concluded)

The Hokuto Bank, Ltd.

Non-Consolidated Statements of Income
Years Ended March 31, 2015 and 2014

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Income:			
Interest income:			
Interest on loans and discounts	¥ 12,018	¥ 12,306	$ 99,925
Interest and dividends on securities	4,580	3,735	38,080
Other	10	45	83
Fees and commissions	4,407	4,424	36,642
Other operating income	1,338	1,788	11,124
Other income	1,636	1,694	13,602
Total income	23,993	23,996	199,492
Expenses:			
Interest expenses:			
Interest on deposits	838	861	6,967
Interest on negotiable certificates of deposit	54	54	448
Interest on borrowings and rediscounts	111	82	922
Other	32	0	266
Fees and commissions	1,341	1,304	11,149
Other operating expenses	400	1,081	3,325
General and administrative expenses	14,898	14,398	123,871
Other expenses	1,409	1,507	11,715
Total expenses	19,087	19,292	158,701
Income before income taxes	4,905	4,704	40,783
Income taxes:			
Current	58	206	482
Deferred	820	1,621	6,817
Total income taxes	878	1,827	7,300
Net income	¥ 4,027	¥ 2,876	$ 33,482