ASHIKAGA HOLDINGS
ASHIKAGA BANK

Annual Report 2014

Year Ended March 31, 2014






Profile

The Ashikaga Holdings Group is comprised of the five companies of Ashikaga Holdings, Ashikaga Bank and three other consolidated subsidiaries and primarily provides banking services and other financial services including credit card services. The Ashikaga Bank is a regional bank that operates mainly in the four prefectures comprising the North Kanto area, primarily Tochigi Prefecture, where its head office is located, as well as Saitama, Gunma, Ibaraki prefectures and hereafter, "our region."

As of March 31, 2014, the Bank had a total balance of deposits and negotiable certificates of deposit of ¥5,183.9 billion, a balance of loans and bills discounted of ¥4,007.3 billion, and a capital ratio of 8.68%. Its branch network consisted of 153 branches and sub-branch-level offices.

Corporate Philosophy

All of Ashikaga Holdings and Ashikaga Bank's actions are rooted in the Group corporate philosophy, comprising the three concepts of our mission, our business approach, and our code of conduct.

Based on our corporate philosophy, we are determined as a bank to justify the trust and meet the expectations of our customers in the community, in our role as a comprehensive financial institution for our region.

Our mission

— To contribute to the creation of affluence —

As a comprehensive financial institution for our region,
the Ashikaga Bank continues to contribute to the generation of affluence for all in the regional community.

Business approach

— In harmony with our region —

With a customer-oriented focus,
the Ashikaga Bank is committed to operational soundness in harmony with our region.

Code of conduct

— With pride in our hearts and a smile on our faces —

In full awareness of our mission and role,
we will tirelessly meet our customers' expectations and justify their trust,
with self-improvement as our watchword, with pride in our hearts and a smile on our faces.

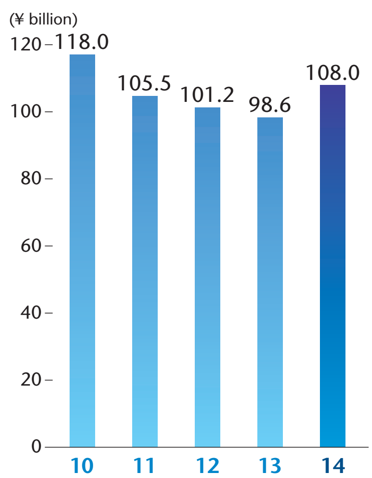
Contents

Financial Highlights (Consolidated)

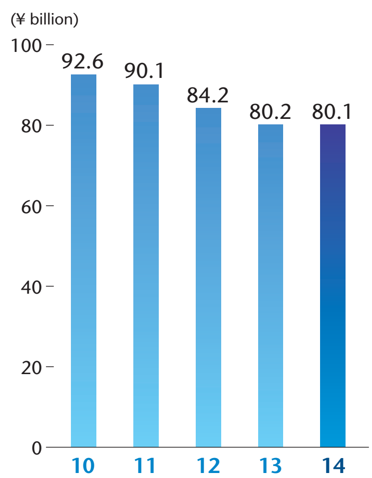
	Millions of Yen*		Thousands of U.S. Dollars**
Years ended March 31	2014	2013	2014
At year-end:			
Total assets	¥5,612,355	¥5,434,144	$54,531,243
Cash and due from banks	344,369	197,870	3,345,992
Loans and bills discounted	3,958,083	3,775,974	38,457,863
Securities	1,176,469	1,186,910	11,430,916
Deposits	4,943,137	4,745,811	48,028,926
Total equity	241,135	279,343	2,342,940
Common stock	117,495	67,510	1,141,620
For the year:			
Total income	¥ 108,073	¥ 98,612	$ 1,050,075
Total expenses	80,151	80,222	778,779
Net income	24,314	15,405	236,248

* Yen amounts have been rounded down to millions of yen.
** U.S. dollar amounts are translated, for reference only, at the rate of ¥102.92=$1 effective on March 31, 2014.

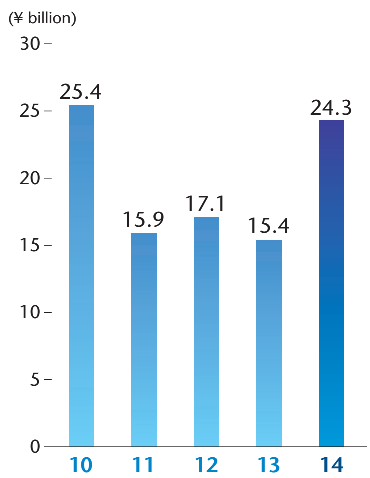
Total Income
Years ended March 31



Total Expenses
Years ended March 31



Net Income
Years ended March 31



A Message from the Management

Satoshi Fujisawa
Chairman and Chief Executive Officer
Ashikaga Holdings Co., Ltd.

Masanao Matsushita
President and Chief Executive Officer
Ashikaga Holdings Co., Ltd.
The Ashikaga Bank, Ltd.

We would like to express our greatest appreciation to our stakeholders for their continued support and patronage of Ashikaga Holdings and the Ashikaga Bank (hereinafter, "Ashikaga Bank" or "the Bank"). On December 19, 2013, Ashikaga Holdings listed on the first section of the Tokyo Stock Exchange. This is truly thanks to the cooperation and support from all of our stakeholders.

During the fiscal year under review, in the wake of various economic measures and greatly expanded monetary easing by the Bank of Japan, the Japanese economy continued its modest recovery as attested to by a pickup in capital investment, a surge in home investments caused by the last-minute demand prior to the consumption tax increase, and stable consumer spending after having bottomed out.

Similarly, in the local economy of Tochigi Prefecture, capital investments showed signs of improvement and home investments and consumer spending were stable after having bottomed out, resulting in a moderate recovery.

Under these circumstances, the Ashikaga Holdings Group (hereinafter, "the Group") focused on fulfilling a smooth financial intermediary function in the local

Outline of New Medium-term Management Plan

Name	Challenges 120 — Valiant Challenges Toward 120-year Anniversary of Foundation
Term	From fiscal 2013 to fiscal 2015 (3 years)
Vision for the Bank	• Reliable and trusted partner for our customers • Convenient and assured bank • Contribute to regional development and growing together
Goals of Medium-term Management Plan	• Augmenting profitability through commitment to the region • Listing on the Tokyo Stock Exchange

community and offering financial services that meet its customers' needs based on its medium-term management plan "Challenges 120 – Valiant challenges toward 120-year anniversary of foundation," which started on April 2013.

In corporate banking, we made greater contact with customers and actively extended new loans. Further, we held business confabs and established the Tochigi Network Fund, a fund to revitalize SMEs that is jointly operated with local financial institutions headquartered in Tochigi Prefecture, thereby demonstrating to our corporate clients our consulting capabilities tailored to their business stage.

In individual banking, we enhanced products and services tailored to the life events of customers and began offering the "Education Fund Grant Specialized Deposit" and the new card loan product named "Mo • Shi • Ca." In addition, through a business alliance with Asahi Trust Co., Ltd., we started an inheritance-related business that offers such services as trust by will and began offering, as an intermediary, individual trusts.

In our branch network, the Takasaki Loan Center, which had been set up in the Takasaki Branch, was relocated into a staffed sub-branch-level office specialized in loan services. Moreover, the name of the Mizuhono sub-branch-level office (retail center) was changed to the Interpark Branch, and it was relocated in a new building, with the Loan Center on the same premises.

As a consequence of these initiatives, on a consolidated basis, ordinary profit for fiscal 2013 increased ¥9,574 million year on year to ¥28,271 million. Net income increased ¥8,909 million year on year to ¥24,314 million.

Although the economy has recovered modestly, the regional economy has faced structural issues including a declining birth rate and an aging population, a dwindling population, and a hollowing of the industrial structure. Such circumstances have made us recognize that it is a significant challenge that we, as a regional financial institution, shall contribute to the development of the regional economy through further facilitation of regional financial activities.

All of our executives and employees will make their best efforts for the mutual development of regional customers as well as the Group, including the Bank.
I would like to thank our stakeholders for their continued support and encouragement of the Group.

July 2014

Significant Management Indicators (Fiscal 2015)

The Bank, non-consolidated basis

Profitability

• Gross business profit	¥78 billion
• Net business income	¥30 billion

Growth

• Balance of deposits and negotiable	¥5,200 billion
• Balance of loans and bills discounted	¥4,100 billion
• Balance of assets under custody	¥950 billion

Efficiency

• OHR	60%

Soundness

• Ratio of non-performing loans	At 3% or below

Ashikaga Holdings, consolidated basis

Profitability

• Ordinary profit	¥19 billion

Soundness

• (New) Capital ratio	8.2%

Area of Operation

— The high growth potential the North Kanto area, the enchanting Tochigi Prefecture, our home market —

The Ashikaga Bank mainly operates in the four prefectures comprising the North Kanto area, primarily Tochigi Prefecture, where its head office is located, as well as Saitama, Gunma, and Ibaraki prefectures.

Geographical advantage, transportation infrastructure

The four prefectures of Tochigi, Gunma, Ibaraki, and Saitama (the four prefectures of North Kanto) are within 100km of Tokyo and are directly connected by the high-speed transportation infrastructure including the Tohoku/Joetsu bullet trains, the Tohoku, Joban, and Kan-Etsu Expressways, and the Kita-Kanto Expressway. The population of the four prefectures totals 14 million and exceeds the 13 million population of the Tokyo metropolitan area. In fiscal 2011, the total production of these four prefectures came to ¥47 trillion, rivaling the GDP of Norway or Belgium.

Abundant tourism resources

The area's tourism resources are abundant and include UNESCO World Heritage sites of two Shinto shrines and one Buddhist temple located in Nikko and the famous hot springs resorts of Kinugawa, Nasu and Kusatsu. The area is full of enchantment because of its ability to attract tourists not only from the Tokyo metropolitan area, but also from all over the world. In addition, Tomioka Silk Mill and Related Sites were registered as world cultural heritage sites. It is rare to have several world heritage sites within one's area of operation, so there is hope that the tourism industry will bring about an economic ripple effect.

Enchanting Tochigi Prefecture

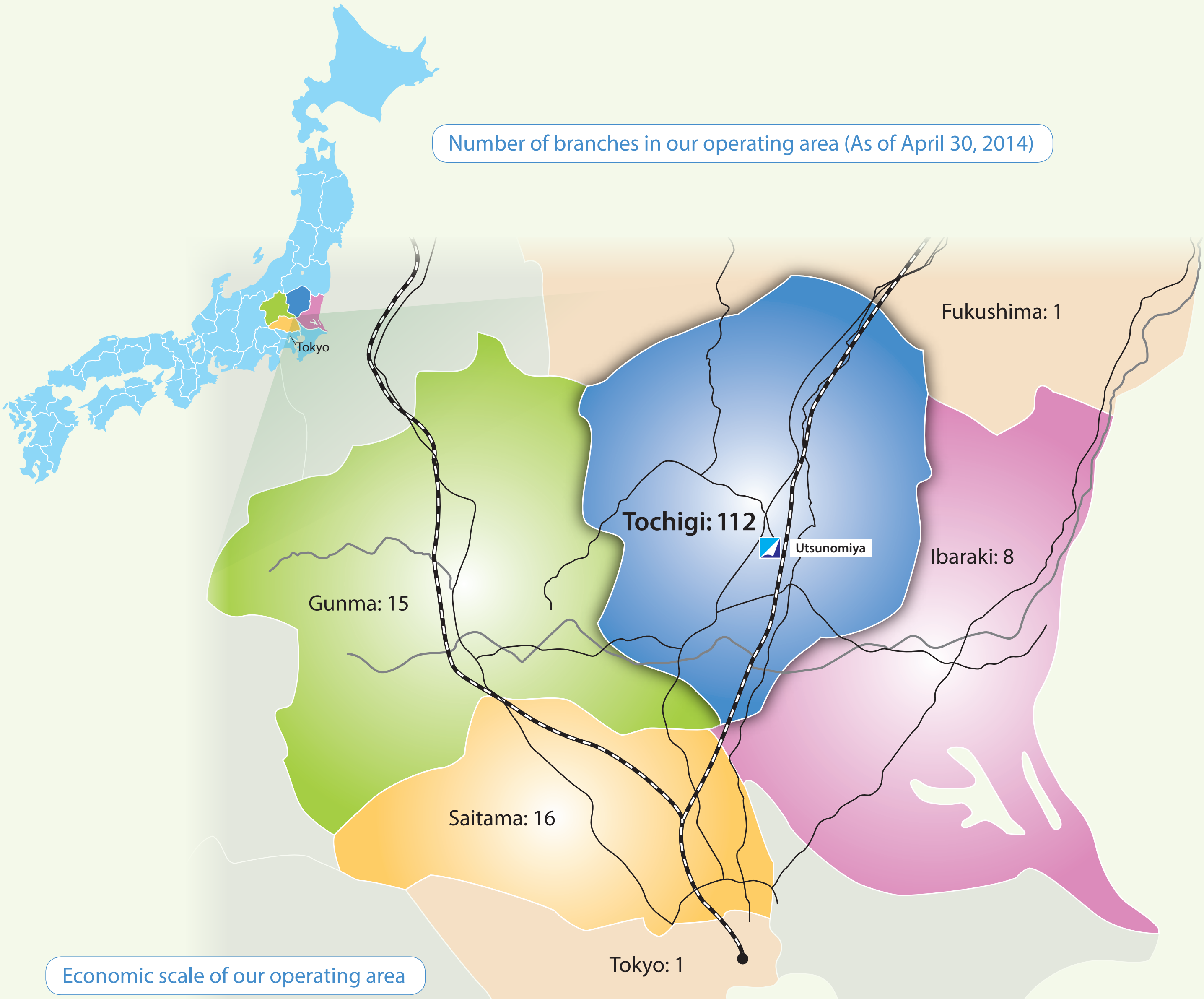
Tochigi Prefecture is a strategic point or the hub of the North Kanto area for transportation and the distribution of goods. The prefectural capital "Utsunomiya" is about one hour from Tokyo. In the distribution of goods, Tochigi Prefecture has a close relationship with Tokyo and three other North Kanto prefectures. The region has built up a good balance of various industries, among which are transportation equipment, such as automobiles and aircraft, and pharmaceutical and medical-related industries that have located factories here that serve as their nationwide core. There are also many SMEs with highly developed technological capabilities and Tochigi has the distinctive feature of being known as Monozukuri (manufacturing) Prefecture.

Furthermore, Tochigi is also an agricultural prefecture that plays a role as a base for the supply of food to the Tokyo metropolitan area and many of its agricultural products are ranked as the nation's top.

Seeking to demonstrate its financial intermediary function leveraging its growth potential as a widely operating regional bank

Meanwhile, Saitama and Gunma prefectures are near Ashikaga City, the birthplace of the Bank, where it has opened many branches from very early on. Saitama Prefecture is a large market that rivals the other three prefectures combined in economic scale, and with 16 branches already setup within Saitama Prefecture, the Bank has a befitting business base for the Prefecture's large economic scale. As a widely operating regional bank, it conducts sales activities that leverage features and growth potential of local operating areas. As a local financial institution, it is working to contribute to the development of local communities.

Number of branches in our operating area (As of April 30, 2014)



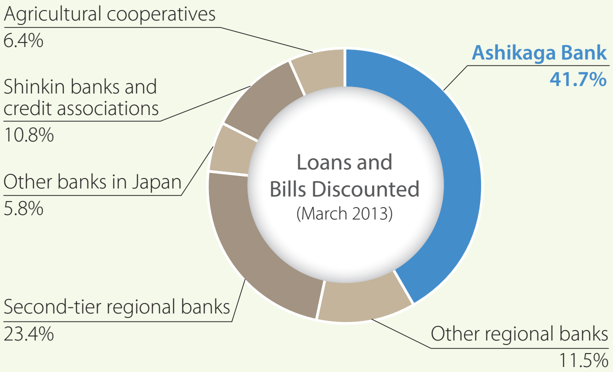
Economic scale of our operating area

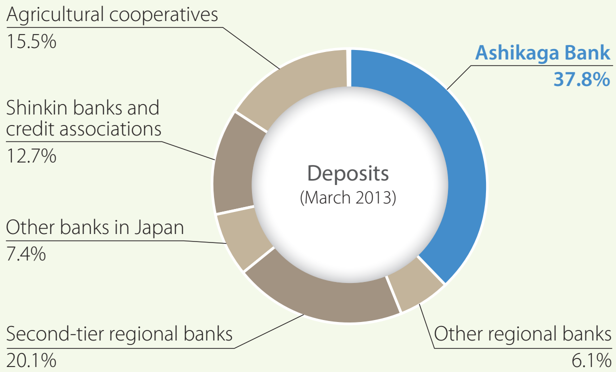
	Tochigi Prefecture	National Rank	Gunma Prefecture	National Rank	Ibaraki Prefecture	National Rank	Saitama Prefecture	National Rank
Prefectural gross product (2011) (¥ trillion)	7.8	16	7.6	17	11.4	11	20.3	5
Population (2013) (thousand)	1,986	18	1,984	19	2,931	11	7,222	5
Prefectural income per capita (2011) (¥ thousand)	2,955	8	2,890	11	3,044	6	2,785	17
Number of businesses (2012)	92,263	19	96,546	18	122,835	13	258,199	5
Manufactured goods shipped (2012) (¥ trillion)	7.4	15	7.4	14	11.0	8	12.1	7

Note: The above ranks are the ranks among the 47 prefectures.

Source: Prefectural gross product and prefectural income per capita data is from the Cabinet Office. Population data is from the Ministry of Internal Affairs and Communications. Number of businesses and manufactured goods shipped data come from the Ministry of Economy, Trade and Industry.

The Bank's Position in Tochigi Prefecture

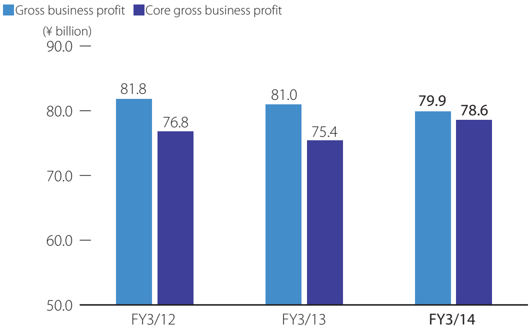




Earnings Highlights

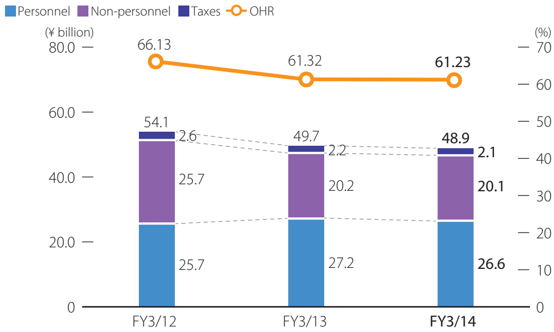
Major business indicators (Ashikaga Bank, non-consolidated)

Gross business profit



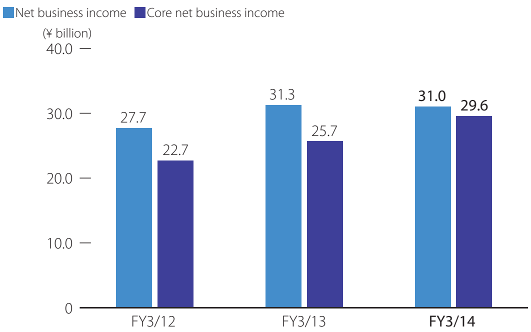
Gross business profit declined ¥1.1 billion year on year to ¥79.9 billion due to a ¥4.2 billion decrease in gains on bonds including government bonds. However, interest income increased ¥1 billion to ¥63.8 billion and fees and commission rose ¥2.2 billion to ¥14.3 billion, causing core gross business profit to increase ¥3.1 billion to ¥78.6 billion.

Overhead costs and OHR



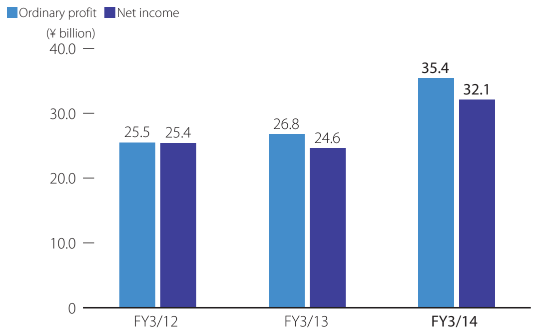
Overhead costs declined ¥0.7 billion year on year to ¥48.9 billion. As a result, overhead cost ratio (OHR) declined to 61.23%.

Net business income and Core net business income



Although there were lower gains on bonds including government bonds, overhead costs decreased. Therefore, net business income decreased ¥0.3 billion year on year to ¥31.0 billion. Core net business income after deducting the gains or losses on bonds including government bonds increased ¥3.8 billion year on year to ¥29.6 billion.

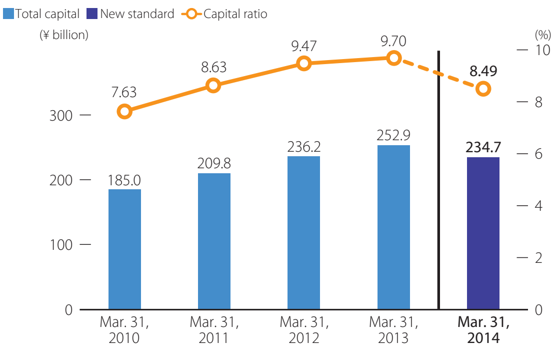
Ordinary profit and Net income



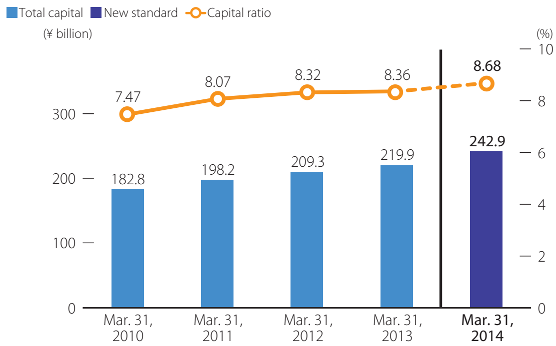
Ordinary profit increased ¥8.5 billion year on year to ¥35.4 billion mainly from posting ¥12.3 billion in gains on sale of stocks. Net income increased ¥7.5 billion year on year to ¥32.1 billion.

Capital ratio

Ashikaga Holdings (consolidated)



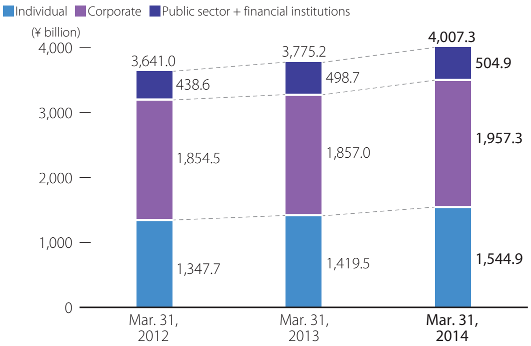
Ashikaga Bank (non-consolidated)



Since March 31, 2014, the capital ratio is calculated using a new domestic standard based on Basel III.

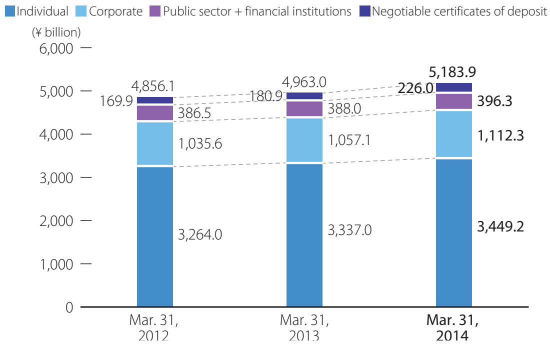
Ashikaga Holdings consolidated capital ratio (new domestic standard) was 8.49% due to the implementation of capital policies including a public offering associated with the listing (¥24.9 billion in total) and redemption of preferred stock (acquired amount: ¥79.2 billion). Ashikaga Bank's capital ratio on a non-consolidated basis (new domestic standard) was 8.68%.

Balance of loans and bills discounted



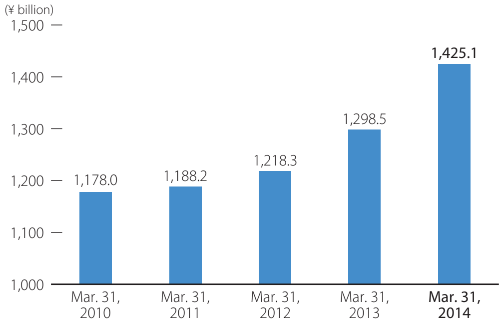
The balance of loans and bills discounted rose ¥232.0 billion year on year to ¥4,007.3 billion due to a ¥125.5 billion increase to ¥1,544.9 billion in lending to individual customers, primarily for housing loans, and a ¥100.3 billion increase to ¥1,957.3 billion in corporate loans.

Balance of deposits and negotiable certificates of deposit



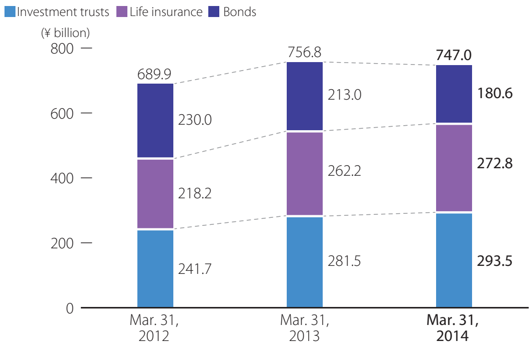
The balance of deposits and negotiable certificates of deposit rose ¥220.8 billion to ¥5,183.9 billion on a ¥112.2 billion increase to ¥3,449.2 billion in individual deposits and a ¥55.1 billion increase to ¥1,112.3 billion in corporate deposits respectively.

Balance of housing loans



The balance of housing loans climbed ¥126.6 billion to ¥1,425.1 billion due to efforts to actively meet both the borrowing needs for new housing loans and the need for refinancing.

Assets under custody



Despite increases in investment trusts and life insurance, assets under custody decreased ¥9.8 billion to ¥747.0 billion owing to a decrease in bonds.

Risk-monitored loans

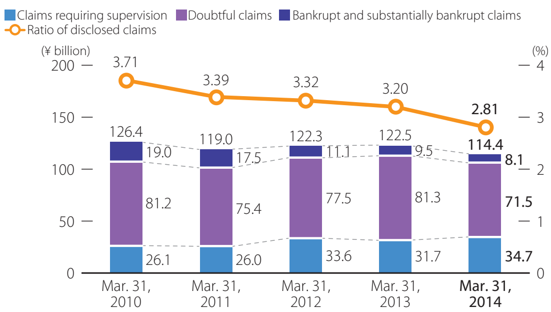
Risk-monitored loans in fiscal 2013 based on the Banking Act came to ¥114.3 billion, a decrease of ¥8.0 billion year on year. Among risk-monitored loans, loans of self-assessed bankrupt debtors are recorded as "loans to bankrupt borrowers," loans of effectively bankrupt debtors and potentially bankrupt debtors are recorded as "non-accrual delinquent loans," and among debtors requiring caution, those loans that are three or more months delinquent are recorded as "loans past due 3 months or more" and those that are being restructured are recorded as "restructured loans."

(¥ billion)		Mar. 31, 2010	Mar. 31, 2011	Mar. 31, 2012	Mar. 31, 2013	Mar. 31, 2014	Compared with Mar. 31, 2013
Risk-monitored loans	Loans to bankrupt borrowers	10.2	4.3	3.6	3.2	3.0	(0.2)
	Non-accrual delinquent loans	89.5	88.3	84.8	87.3	76.5	(10.8)
	Loans past due 3 months or more	0	0	0	0	0	0
	Restructured loans	26.0	26.0	33.6	31.7	34.7	2.9
	Total risk-monitored loans	125.9	118.7	122.1	122.4	114.3	(8.0)
Amount of partial write-off executed		20.7	23.4	17.2	12.4	9.5	(2.9)
Balance of loans and bills discounted (term-end)		3,365.9	3,473.2	3,641.0	3,775.2	4,007.3	232.0
Ratio of risk-monitored loans (%)		3.74	3.41	3.35	3.24	2.85	(0.39)

Disclosed claims under the Financial Revitalization Law

As of March 31, 2014, disclosed claims under the Act on Emergency Measures for the Revitalization of the Financial Functions (hereinafter, "Financial Revitalization Law") came to ¥114.4 billion, down ¥8.1 billion year on year.

Disclosed claims under the Financial Revitalization Law are "bankrupt and substantially bankrupt claims" of self-assessed bankrupt debtors and effectively bankrupt debtors, "doubtful claims" of potentially bankrupt debtors, and among debtors requiring supervision, those that fall under the category of loans past due 3 months or more or restructured loans are disclosed as "claims requiring supervision."



Efforts to Promote Relationship Banking

Under the watchwords of Retail & Relationship, Ashigin (the name by which the Bank is commonly known in Japan) seeks to raise corporate value by fulfilling its function as a regional financial institution and growing together with its customers.

Initiatives to provide business support to SMEs

Business startup and development support

The Bank signed an "MOU Regarding Business Startup and Development Support" with the Society of Commerce and Industry and the Chamber of Commerce & Industry in Tochigi. We provide business and financial support including the formulation of business plans for clients that want to form, startup and restart a company locally.

- Made loans for 70 customers (total value: ¥396 million) for the support of theirnew business startups and development.

Support during growth phase

Reinforce initiatives in growth fields

As new loan products that support clients who are actively working in growth fields, we offer the Ashigin Growth Platform Support Fund and the Ashigin Support Fund for Environmental Initiatives.

As a loan product for clients engaged in the solar power generation business, we began offering the Ashigin Solar Power Generation Support Loan in March 2013.

Held business matching events and business confabs

In May and June 2013 and February and March 2014, we held small-scale business confabs with Nex-area Company Limited, a company managing expressway service areas (SA) and parking areas (PA), SA and PA restaurants and food management companies, and food-related companies, with a total of 23 companies participating in the events.

In October 2013, 38 local banks including the Ashikaga Bank jointly held the Food Selection 2013 Business Confab, which is a food exhibition and business confab, with 28 of our corporate customers participating in the exhibition.

In November 2013, the Bank, six shinkin banks and two credit associations in Tochigi Prefecture jointly held the Monozukuri Kigyo Tenji/Shodankai 2013 (manufacturers' exhibition/business confab) with 193 companies participating in the exhibition. The event was intended to support expanding sales channel of local manufacturers.

In January 2014, the Bank and Tochigi Prefecture jointly held the Tochigi Shoku no Tenji/Shodankai 2014 (Tochigi Prefecture food exhibition and business confab 2014) with 182 companies participating in the exhibition. The event was intended to support business matching in food and agricultural fields.

Manufacturer's Exhibition/Business Confab 2013

Food Selection 2013 Business Confab

Strengthening the overseas business support system

Based on the high level of interest in customer entry into overseas markets against a backdrop of expanding overseas markets, we are strengthening our overseas business support system for those customers.

In fiscal 2013, the Bank held numerous seminars in order to provide information to customers seeking to expand their business in Asia. In September 2013, 41 groups co-hosted Nicchu Monozukuri Shodankai@Shanghai 2013 (Japan-China Manufacturers' business confab@Shanghai 2013) sponsored by Factory Network China. This event was intended to help customers in the manufacturing industry to procure parts and expand sales channels in China.

- Held the "Sales Channel Expansion Support for the Small and Medium-sized Parts Industry Seminar" in May 2013
- Held the "Sales Channel Expansion Support for Asia Seminar (for halal business)" in July 2013

- Held the "Mexican Automobile Industry and Japanese Company Trends Seminar" in January 2014
- Held the "China Seminar (Chinese Economic Issues and Prospects)" in March 2014

Japan-China Manufacturers' business confab@Shanghai 2013

Support for management improvement, business rehabilitation, and change of business

- Number of management improvement plans formulated: 150
- Number of customers assisted through the Small and Medium-sized Enterprise Revitalization Support Councils: 89
- Number of cases in which the Bank offered consultancy services on business succession matters such as transfer of own stock to a successor: 258
- Number of cases in which M&A consultation services were offered: 95 (of these, seven were intermediary services and five contracts were signed)

Proactive initiatives in local revitalization

Regional Economic Revitalization Study Group

The Regional Economic Revitalization Study Group, which was established jointly by Tochigi Prefecture, the Nomura Group and the Ashikaga Bank, discussed measures containing the themes of Food and Agriculture, Inviting Companies, Tourism, Renewable Energy, Overseas Business Development (expanding sales distribution and businesses).

[Food and Agriculture]

At the Food and Agriculture Company Support Project, a collaboration between government, industry, academia, and finance involving Tochigi Prefecture, Nomura Securities, Utsunomiya University, and the Ashikaga Bank, we held a research results briefing for six selected supporting companies in March 2014.

[Tourism]

Again this year, Tochigi Tourism Promotion Leader Training Seminar Management Council, which was established jointly by Tochigi Prefecture, the Ashikaga Bank and financial institutions in Tochigi Prefecture, held the Tochigi Tourism Promotion Leader Training Seminar that was attended by 45 people.

In addition, we held the "Major Prefectural Tourist Sites Information Exchange" 12 times by March 2014. These exchange briefings have given rise to new collaboration between the tourist sites and we will continue to work on tourism promotion through collaboration with tourism-related groups.

Fiscal 2013 Topics

2013	*July*	• To strengthen asset-based lending (ABL) initiatives, we concluded outsourcing agreements with two outside specialist companies.
	August	• Established the Tochigi Network Fund Investment Limited Partnership, an SME revitalization fund, jointly with the Organization for Small & Medium Enterprises and Regional Innovation, JAPAN, Credit Guarantee Corporation of Tochigi Prefecture, and others.
	September	• Set up the Tochimaru Sixth Industrialization Growth Support Fund jointly with the Agriculture, forestry and fisheries Fund corporation for Innovation, Value-chain and Expansion Japan, and others.
	December	• Ashikaga Holdings listed on first section of Tokyo Stock Exchange
		• Strengthened support to customers who are expanding business in Vietnam and formed a business alliance with Joint Stock Commercial Bank for Foreign Trade of Vietnam (generally referred to as Vietcombank), a major commercial bank in Vietnam.
2014	*January*	• Formed a business alliance with State Bank of India (of India) and Metropolitan Bank & Trust Company (of the Philippines) to strengthen support to customers expanding business in Asia.
	February	• Began offering inheritance-related services and individual trusts based on a business alliance with Asahi Trust Co., Ltd.

Corporate Social Responsibility Activities

Efforts for solving environmental issues

Tree Planting in the Ashio Mountain

The Bank addressed an environmental problem, mainly that of the water circulation system, through its tree planting activities in the Ashio Mountains, which had been devastated by smoke pollution. Considering the problems in the headwaters area of the Watarasegawa River, we support the activities of the NPO Grow Green in Ashio and engage in tree-planting activities there every year. The purpose of the NPO is to contribute to making healthy natural environment and prosperous local communities. In June 2014, 86 new employees of the Ashikaga Bank and 78 new employees of member companies of the Tochigi Prefecture Industrial Cooperation Council planted about 330 young trees in the Ashio Mountains.

New employees participating in tree-planting activities

Protection of Nikko Cedar Avenue

The Bank supports the Nikko Cedar Avenue Ownership System operated by Tochigi Prefecture to protect this world-famous arboreal asset at the Nikko cluster of temples and halls. The Bank became a tree-owner in 1996. Since then we have continuously stepped up purchases, and now own 78 cedar trees, the most cedar trees owned by one group, at a cost of ¥10 million per tree. In addition, the Bank is working on beautification activities, including participation in the cleanup at the Avenue.

Developing Ashigin's Forest

The Bank developed Ashigin's Forest in the Tochigi Prefecture Prefectural Citizen's forest in Yaita City. Since April 2012, we have twice participated in the planting of trees, with about 550 people including the Bank's executives, employees and their families. Based on Tochigi Prefecture's carbon offset system, we certified that these tree-planting activities reduced CO_2 emissions by 1.84 tons in fiscal 2012 and 1.04 tons in fiscal 2013. In fiscal 2014, in order to create a more growth-friendly environment for young trees, we will remove the underbrush that obstructs growth and develop walkways.

Certification based on the Tochigi Carbon Offset System

Contributing to health and welfare

Building environment- and people-friendly branches

We installed solar power generation systems in the Ashigin Building (Utsunomiya Nishi Branch) and the Interpark Retail Center (Interpark Branch) and used LED light bulbs to light the branch interior and used wood produced in Tochigi Prefecture in the tables in the reception area and seminar rooms. Further, ATMs that can be easily used by vision-impaired and wheelchair-bound customers have

Seminar room made from Tochigi Prefecture lumber been installed. We will continue to build branches based on the concept of being "environment- and people-friendly."

Solar power generation information panel set up in branch office

Wheelchair accessible ATMs

Promoting financial education

Held "Economics Koshien" Tochigi Tournament

In December 2013, in order to expose high school students to finance and economics and provide them an opportunity to gain financial knowledge in an enjoyable way, we held the 8th All Japan High School Quiz of Finance and Economics Championship "Economics Koshien" Tochigi Tournament.

"Economics Koshien" Tochigi Tournament

Public Interest Incorporated Foundation, The Ashigin International Foundation

We established the Ashigin International Foundation in 1985 aiming to promote international exchange activities and contribute to the creation of an international regional society. The Foundation provides subsidies and other aids to international exchange groups in the region and foreign students from abroad studying in the region.

Culture and sports promotion

In fiscal 2011, we became a naming rights partner of music concerts, Ashigin Maronie Kencho Concert, hosted by Tochigi Prefecture, and have been providing support for organizing presentations of cultural activities and events by residents in the prefecture.

Utsunomiya Blitzen Bicycle Classroom

So that we can cheer for local professional sport clubs with local people, we are the official partner of Tochigi SC (Tochigi Soccer Club Co., Ltd.) as well as the official sponsors of the Utsunomiya Blitzen (Cycle Sports Management Co., Ltd.) and H.C. Nikko Ice Bucks (Tochigi United Co., Ltd.)

Official game of H.C. Nikko Ice Bucks

Corporate Governance

To strengthen and enhance corporate governance, the Group seeks to establish a responsible management system and ensure management transparency.

Ashikaga Holdings and the Ashikaga Bank are working to reinforce and improve management supervisory functions and business operations under the committee-based management system.

Basic Approach to Corporate Governance

A commitment to management characterized by responsibility, and sound, appropriate business operations will earn greater trust for the Group from all stakeholders — customers, shareholders, local communities and employees — and boost corporate value. We see higher standards of corporate governance as a management priority. We are committed to ensuring transparency, reinforcing management supervisory functions, speeding up decision-making and strengthening business operations.

The Ashikaga Bank, the Group's main company, migrated to a company with committees system in June 2004, under which it had been working to reinforce and improve management supervisory and business operation functions. In July 2008, Ashikaga Holdings became a holding company which has the Ashikaga Bank as its main company, and adopted company with committees system at the same time. Since then, the company has been working for greater management transparency and objectivity.

In order to become the receiver of the Ashikaga Bank, Ashikaga Holdings adopted a stock transfer and holding company scheme to take over the entire business while maintaining the corporate status of the Ashikaga Bank. Against this backdrop, the Ashikaga Bank is Ashikaga Holdings' only direct subsidiary and the officers of Ashikaga Holdings also serve as board members of the Ashikaga Bank. With respect to overlapping management functions between Ashikaga Holdings and the Ashikaga Bank, we will ensure effective and efficient business operations and governance of the Group as a whole through close mutual collaboration between each division.

Management Structure

Board of Directors

The Board of Directors is composed of eight directors (of which four are outside directors). It has decision-making powers over basic management policies and important operational matters, and supervises the execution of duties by directors and executive officers. The outside directors comprise a lawyer rich in experience and with successful track records in corporate turnarounds, a certified public accountant, a business person well versed in finance and securities and a member of the regional business community. This system enables us to implement management decisions and carry out supervisory tasks from a wide range of perspectives, resulting in improved management and stronger corporate governance. The board of directors' meeting is held, in principle, once a month.

Executive Appointment Committee

The Executive Appointment Committee is composed of three directors (of which two are outside directors) and decides on proposals to be submitted to the annual meeting of shareholders concerning the appointment and removal of directors.

Compensation Committee

The Compensation Committee is composed of four directors (of which three are outside directors) and decides on policy for decision-making on compensation for individual directors and executive officers, as well as individual compensation levels.

Audit Committee

The Audit Committee is composed of three directors (of which two are outside directors and the Committee Chairman is an outside director) and audits the performance of duties by directors and executive officers. It also decides on proposals to be submitted to the annual meeting of shareholders concerning the appointment and removal of accounting auditors, or their non-reappointment. The Audit Committee is held, in principle, once a month.

Executive Officers and Group Management Meeting, etc.

Ashikaga Holdings has five executive officers — the Chairman and the President (both are Chief Executive Officers), and three Executive Officers authorized by the Board of Directors to supervise respectively the Corporate Planning Department, Business Administration Department and Auditing Department. While maintaining close contacts with divisions of the Ashikaga Bank, they supervise operations on a Group-wide basis, carrying out their management duties promptly and in a manner befitting the management of the holding company.

We hold various Group meetings, such as the Group Management Meeting, Group ALM Meeting and Group Compliance Meeting, through which Executive Officers, to the extent approved by the Board of Directors, discuss and decide on important issues concerning business operations.

Internal Control System

As a regional financial institution, in order to contribute to the stability and development of the region and its people by ensuring the soundness and appropriateness of its business and providing a smooth and appropriate supply of funds and financial services, we observe strict compliance with laws and regulations, rigorously protect its customers, and appropriately manages risks in all of the business of Ashikaga Holdings and its subsidiaries (hereafter "the Group") based on appropriate corporate governance. At the same time, it recognizes the need to ensure business efficiency. Based on this recognition, the Company's Board of Directors has adopted a "Basic Policy for Internal Controls (Whole Group)" for effective development and implementation of internal controls as below.

1. Conformity of performance of duties by Executive Officers and employees with laws, ordinances and articles of incorporation
   (1) The Group positions compliance as a management priority. It has compiled a basic Group compliance policy to which all directors and employees are subject.
   (2) It has established a Compliance Management Group in the Business Administration Department to improve legal compliance systems.
   (3) The Board of Directors monitors whether or not the compliance system is functioning effectively, through supervision of Executive Officers' performance and assessment and evaluation at the Audit Committee.
   (4) The Group takes a strict line with illegal or wrongful conduct, including disciplinary penalties. When directors and employees find evidence of actual or suspected illegality or misconduct, they should report the details to the Audit Committee or Compliance Management Group under the Business Administration Department.

2. Systems for storage and management of information concerning the performance of duties by Executive Officers
   (1) The Group requires Executive Officers to document their performance of duties and create an appropriate document management system.
   (2) The Audit Committee or personnel designated by the Committee have access at all times to documents concerning the performance of duties by Executive Officers.

3. Rules and other systems for management of risk of losses
   (1) The Group has formulated a basic Group risk management policy to establish and improve risk management systems. It carries out appropriate risk management through a Risk Management Group set up under the Business Administration Department.
   (2) The Board of Directors and the Audit Committee require the Risk Management Group in the Business Administration Department to periodically file reports on the status of risk controls, and develop and upgrade Group risk management systems.

4. System for ensuring the efficiency of performance of duties by Executive Officers
   (1) The Board of Directors decides on basic matters regarding organizational structure, division of authority, organization of staff positions and other business matters, to ensure smooth and appropriate operations.

(2) Executive Officers carry out their duties in line with the basic policy of management and division of authority decided by the Board of Directors.

(3) Executive Officers perform their duties assigned by the Board of Directors appropriately and effectively to the extent that they are authorized, and periodically report on the status of their performance of duties at meetings of the Board of Directors.

5. Systems for ensuring appropriate conduct of operations by the Group

(1) The Group aims to achieve its business goals through legal and appropriate means and sound corporate management of the Group as a whole.

(2) The Group drafts management policies, and works to ensure full legal compliance, customer protection and appropriate risk management.

(3) The Auditing Department verifies the legality and appropriateness of overall operations at the Group, and reports its findings to the President and Chief Executive Officer, Executive Officers in charge of departments and the Audit Committee.

6. Support staff for the Audit Committee

We have established an Office of Audit Committee and have deployed support staff for the Audit Committee.

7. Independence of support staff in the previous article from Executive Officers

The Group ensures the independence of all support staff for the Audit Committee, such as in matters that require the prior approval of the Audit Committee including the entry and exit of support staff, personnel evaluations, and compensation revisions, as they carry out their duties from any undue restrictions by Executive Officers.

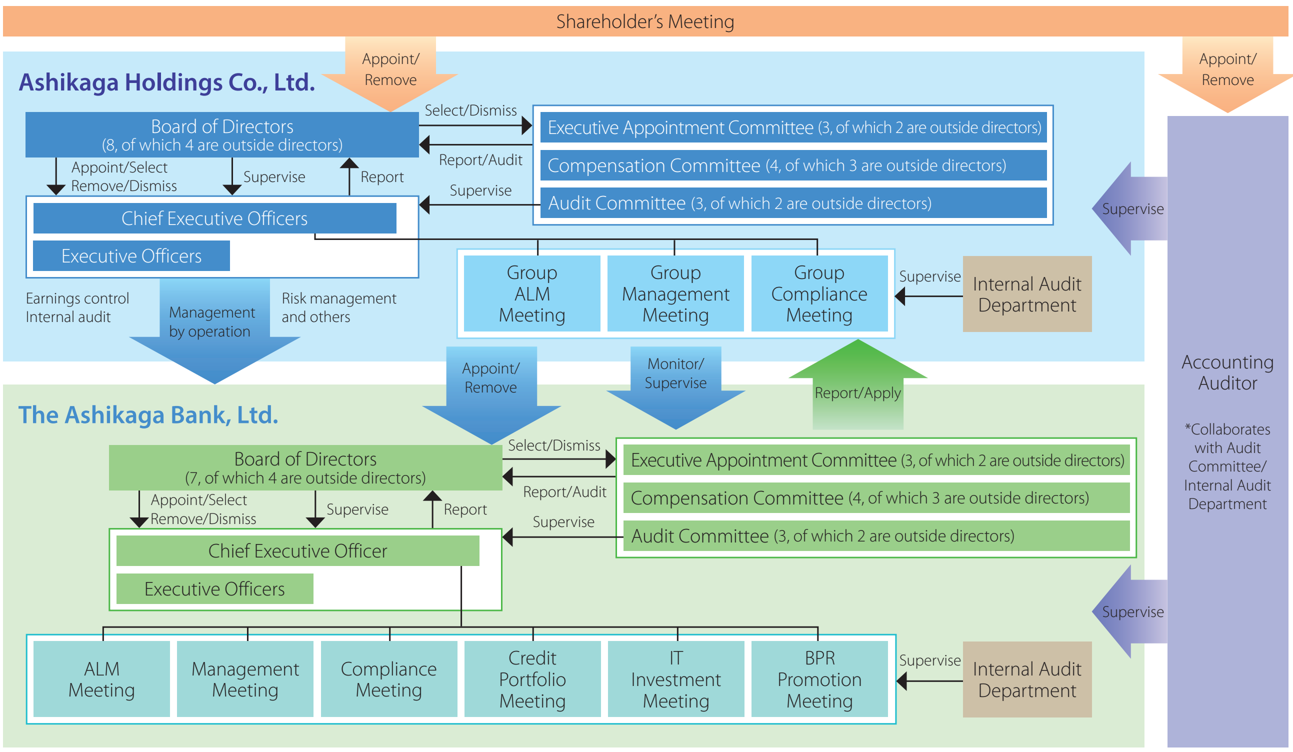
8. Mechanisms for reporting by Executive Officers and employees to the Audit Committee, and other reporting to the Audit Committee

(1) To enable the Audit Committee to deal appropriately with important matters affecting the Group, we have specified certain matters the Executive Officers and employees must report on to the Audit Committee.

(2) A member of the Audit Committee may at any time ask Executive Officers or employees to file reports when this is felt to be necessary for the execution of their duties.

9. Other mechanisms for ensuring effective auditing by the Audit Committee

To ensure the effectiveness of its auditing, the Audit Committee works together with the Internal Audit Department, which devises its audit plan and reports it, as well as audit results, to the Audit Committee.



(BPR = Business Process Reengineering)

Risk Management at the Ashikaga Holdings Group

In addition to managing each of the various risks that we face individually, the Group has in place and is committed to improving an overall risk management framework to control risk within acceptable limits. It does this by forming a clear idea of overall possible risk limits, and then comparing and contrasting them with the financial resources of the Group.

ALM and risk management frameworks

We manage risk based on the Comprehensive Group Risk Management Policy compiled by the Board of Directors of Ashikaga Holdings. We have established a Group ALM Meeting as a management-level committee charged with implementing specific measures laid down in the Comprehensive Group Risk Management Policy. The necessary decision-making authority has been vested in this Council.

The Group ALM Meeting ensures that management always focuses on the risk-return balance and takes measures to accelerate and streamline decision-making, by ensuring that reviews and consultation are carried out with risk and revenue management closely linked, while maintaining due controls on risk. In addition, we have set up a Risk Management Group in the Business Administration Department, to ensure oversight and integration of various kinds of risk management.

Based on Group policy, risk management at the Ashikaga Bank includes the compilation of the Comprehensive Risk Management Policy and the establishment of an ALM Meeting as a management-level committee, as with Ashikaga Holdings. In addition, we are creating a Risk Management Division to supervise risk management, and divisions in charge of management of individual risk categories.

The Group ALM Meeting and the ALM Meeting are held on a monthly basis, attended by full-time (Head Office) executives at Ashikaga Holdings and the Ashikaga Bank, and Audit Committee members, and receive reports about progress in comprehensive risk management and management of individual risk categories. In addition, they discuss possible steps to be taken to deal with changes in the internal or external business environment.

To ensure effective communication regarding risk, we have various information-relaying systems in place. We plan to strengthen our mechanisms for gathering information.

Comprehensive Risk Management

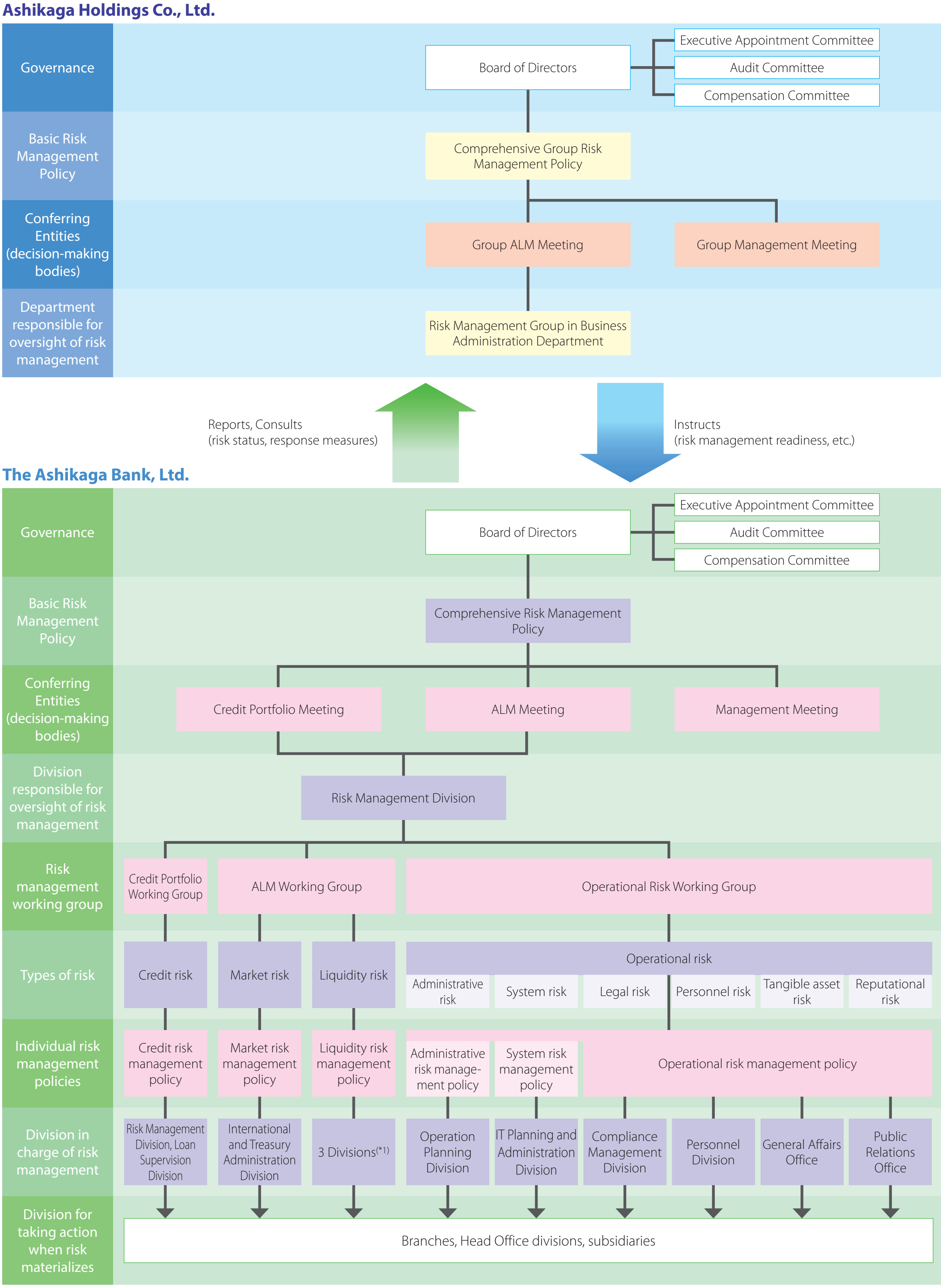
We use the Value-at-Risk (VaR) method to quantify the various types of risk that arise in our various businesses including lending and market trading, and apply the results of such analysis in our business management (comprehensive risk management). At the Ashikaga Bank, we use the Risk Capital System as a specific tool for comprehensively managing risk.

In concrete terms, we allocate capital (risk capital) for internal management purposes within the scope of credit risk, market risk, strategic stock investment risk, banking account interest rate risk and operational risk, ensuring that the total amount does not exceed core capital. Based on risk capital, we establish risk limit amounts every six months.

During the term, we ensure sound management by respecting risk limits in risk-taking and risk control. In addition, we confirm risk quantification results and the appropriateness and effectiveness of risk management methods using back-testing and stress-testing.

We have established a clear-cut Comprehensive Risk Management Policy and set of rules, governing basic approaches to the Risk Capital System, and methods of evaluation and monitoring of risk.

Risk Management Framework



(*1)=Treasury and Securities Division, International and Treasury Administration Division, Risk Management Division

Credit risk management

Credit risk is the risk of losses from reduction or loss of the value of loans and bills discounted and other assets held by the Bank due to deterioration of the financial standing of borrowers.

Based on the credit risk management policy approved at a meeting of the Board of Directors, the Ashikaga Bank clarifies the risk, etc. that needs to be appraised and managed, and, in the conviction that credit risk management is an essential prerequisite for ensuring sound financial health and profitability, adopts the following policies to further control risk.

Credit policy	• The Bank's credit policy clearly lays down basic policy for community contributions, borrower profiles, appropriate lending practices, soundness of assets, and ensuring adequate levels of profitability. • As a regional financial institution with its core business based in the North Kanto area centering on Tochigi Prefecture, our lending activities chiefly target regional small-and-medium-sized enterprises, individual business owners and individuals who have close relations with this area.
Credit risk management	• Division in charge of credit risk management, which is organizationally and functionally independent from the business promotion, credit-screening and management divisions, is responsible for planning and operational management of borrower rating systems, asset self-assessment and write-offs and provisions to the reserve for loan losses. In addition, it monitors loan assets and is the specialized organization responsible for comprehensive oversight of the credit portfolio. • In addition, the Credit Portfolio Meeting regularly deliberates and reviews the Bank's credit risk status and issues on an organization-wide basis.
Borrower rating system	• Under our borrower rating system, borrowers are divided into 14 categories based on quantitative analysis of their assets and qualitative analysis of the business environment and other issues they face. The borrower rating system is the basis of credit risk management. It enables instant appraisal of changes in credit circumstances at borrowers, helps make the credit screening decision-making process more efficient, and helps us set interest rates on loans and acts as a standard for credit portfolio management.
Credit portfolio management	• We analyze portfolio characteristics in terms of borrower credit rating, industrial sector, geographical area and other criteria, and carry out regular reviews of increases or decreases in credit in specific corporate groups or industries, and strengthen monitoring to ensure credit risk is not overly concentrated in certain sectors. In addition-, in tandem with strengthening measures for loans for SMEs and individuals, we aim to create a portfolio that is capable of credit asset small-lot diversification and generation of steady earnings.
Quantification of credit risk	• We calculate credit risk amounts on a monthly basis using credit risk measurement systems. The amount of measured credit risk and changes in such amount are mainly analyzed to identify contributing factors, and a report is made to the ALM Meeting regarding future measures.

Market risk management

Market risk is the risk of losses from changes in the value of financial assets and liabilities held by the Ashikaga Bank, due to changes in market interest rates, foreign exchange rates and stock market prices.

When we engage in market transactions, we carry out prior investigations and analyses, and make investments based on appraisal of identified risk. In addition to ensuring market liquidity and a suitable balance between returns and risk, we apply risk control parameters, in as much as they are feasible, to use and manage financial derivative products. Market risk management is carried out in an appropriate way based on a comparison of our own financial resources and amount at risk, while paying due consideration to secondary risk from the above-mentioned market transactions.

We set clear risk management parameters, measurement (monitoring) standards, control standards and reporting measures for market transactions, strategic stock investments and interest rate risk affecting banking account transactions. Every six months, we set risk management benchmarks (risk limits, loss limits, etc.) under a strict management regime.

Liquidity risk management

Liquidity risk is the risk of incurring a loss due to difficulties in raising funds needed for settlements and other purposes, or being forced to procure funds at a higher interest rate than normal.

The Ashikaga Bank has positioned itself to respond swiftly to all liquidity risk situations from normal banking operations to emergencies, and has compiled countermeasures for each possible situation. Specifically, in conventional cash flow management operations, we avoid increasing liquidity risk by managing trends in deposits and loan balances and managing indicators such as upper limits for fund procurement, in addition to using major benchmarks such as funding gaps and the balance of liquidity assets.

In a response to liquidity emergencies (establishment of a crisis headquarters, liaison and reporting mechanisms, response measures, delegation of decision-making, and chain of command), we have established a liquidity risk contingency plan. Based on it, we carry out regular drills to ensure its effectiveness during an actual emergency.

Operational risk management

Because operational risk is very diverse, comprising administrative risk, system risk, legal risk, personnel risk, tangible asset risk and reputational risk, it is jointly managed by a range of different divisions.

At the same time, operational risk is supervised on an integrated basis by the Risk Management Division, because all of our operations and divisions are subject to risk that could prevent continuation of business.

Management of administrative risk	• Administrative risk refers to the risk of losses due to errors, accidents, fraud or other irregularity on the part of executives or other employees. • Depending on the nature of business and risk profile, the Bank has in place administrative regulations that are comprehensive and compliant with laws and regulations, enabling us to ensure that all employees from executives down perform their administrative duties correctly, without accidents or fraud or other irregularity. • We introduced a registration and analysis system for administrative error, enabling systematic logging of a wide range of administrative errors and accidents that occur during the course of business. By using the accumulated data, we strengthened our administrative risk management readiness by establishing appropriate processes for identification, evaluation, monitoring, control and reduction of administrative risk.
Management of system risk	• System risk is the risk of losses arising from computer system failure, system malfunction due to operator error, or abuse of computer systems. • The Bank has compiled a system risk management policy, to serve as a basic policy for taking measures to assure the security and reliability of computer systems. In the event that computers stop functioning normally, due to causes such as disaster impact, we have duplicated backbone systems and established a contingency plan for dealing with emergencies. We are taking measures to ensure we can respond swiftly to such failure scenarios.
Management of information security	• The adoption of appropriate security policies for information assets is a key requirement not only for continuation and stable conduct of our business, but also for upholding our public reputation. • We have compiled a Data Security Policy as a management policy for due protection of information assets in our possession. We take care to rigorously manage all information relating to our customers, having created information asset manager positions at Head Office and in branches, as well as an information security management system.
Business continuity system	• Natural disasters, computer-system failures and epidemics of infectious diseases are among the events that can trigger an unavoidable suspension of operations. In the event of an emergency situation, we have in place business continuation measures that enable us to quickly resume or maintain as many core services as possible, as a matter of public duty. • Under our basic policy on creating a business continuity system, the roles of individual employees are clarified. We are committed to ensuring as rapid a response to a crisis as possible.

System of Legal Compliance at the Ashikaga Holdings Group

The Group has positioned compliance as one of the most important priorities facing management, and has drawn up a basic compliance policy for the Group.

All employees from executives down are constantly aware of the public roles and responsibilities that we have as a banking group. We are committed to compliance with laws, regulations and social norms, establishment of trust through sound business management, and to pursuing our corporate activities in a spirit of sincerity and fairness.

Management awareness and response

Management is fully aware that ensuring rigorous legal compliance is one of the most important priorities it faces, and directors of the board and executive officers themselves take care to avoid violation of laws and regulations during the performance of duties.

Ashikaga Holdings has adopted the committee-based system of corporate governance, with establishment of Executive Appointment, Audit and Compensation committees, and established executive officer posts. This clearly separates management oversight and execution of business.

The Board of Directors establishes internal controls including our compliance system, while the Audit Committee audits and examines whether or not these mechanisms are functioning effectively.

Executive officers are empowered to carry out tasks set by the Board of Directors, and to execute business operations. Powers of decision-making are vested in chief executive officers after approval from the Group Management Meeting, Group ALM Meeting and Group Compliance Meeting. Chief executive officers are thus subject to restraints on individual actions. Executive officers also must report at least once every three months to the Board of Directors on their own performance in fulfilling duties.

Instilling rigorous compliance throughout the Ashikaga Bank

To ensure a culture of compliance, it is necessary to ensure that compliance awareness and commitment permeates from management downward and throughout the Bank organization, using various platforms and mechanisms.

To achieve this, the management instills the concept of compliance through meetings of all division, office and branch managers of the Bank. At the same time, specific compliance action plans are drawn up based on a compliance manual and action guidelines, to ensure the effectiveness of compliance awareness-raising.

The Group’s basic compliance policy comprises the following concepts

Ensuring trust	In awareness of its social responsibilities and public mission, the Group provides comprehensive financial services rooted in the community, engages in sound business operations and ensures public trust.
Compliance with laws and regulations	The Group regards compliance with laws and regulations as a cardinal priority for management. In addition to legal compliance, the Group will engage in its corporate activities in a spirit of sincerity and fairness, without overstepping social norms or conventions.
Measures against antisocial forces	The Group will take decisive action against forces that threaten orderly public activity and security, or that undermine the development of a sound economy and society.
Management transparency	The Group shall, in a fair, timely, and appropriate way, disclose management information to customers, employees, shareholders, and local communities and industries, as a trust-building measure.
Creating and upholding compliance frameworks	The Group will thoroughly familiarize all employees with the importance of compliance, and establish and maintain a compliance framework based on implementation and planning of internal controls including sets of regulations, creation of dedicated organizations and employee training programs.

Improving compliance effectiveness

We have compiled the following seven Compliance Principles as a behavioral guideline for Group employees, who will do their best to abide by the principles.

Seven Compliance Principles

- Comply with laws and regulations affecting our business and social norms
- Always keep promises
- Do not mix private and public business
- Keep your surroundings clean and tidy
- Be scrupulously careful about information management
- Uphold and improve workplace order
- Thoroughly internalize the importance of reporting, liaising and consulting

In addition, the Bank has set up a Compliance Working Group, which checks compliance progress and status and discusses important matters every month, thereby improving the effectiveness of our compliance measures.

We have incorporated compliance programs into all of our training courses for different seniority grades at the Bank, to thoroughly instill a sense of the importance of legal compliance in all employees from executives downwards.

In fiscal 2014 as well, we compiled a compliance program to ensure systematic compliance with laws and regulations, and it is now in operation.

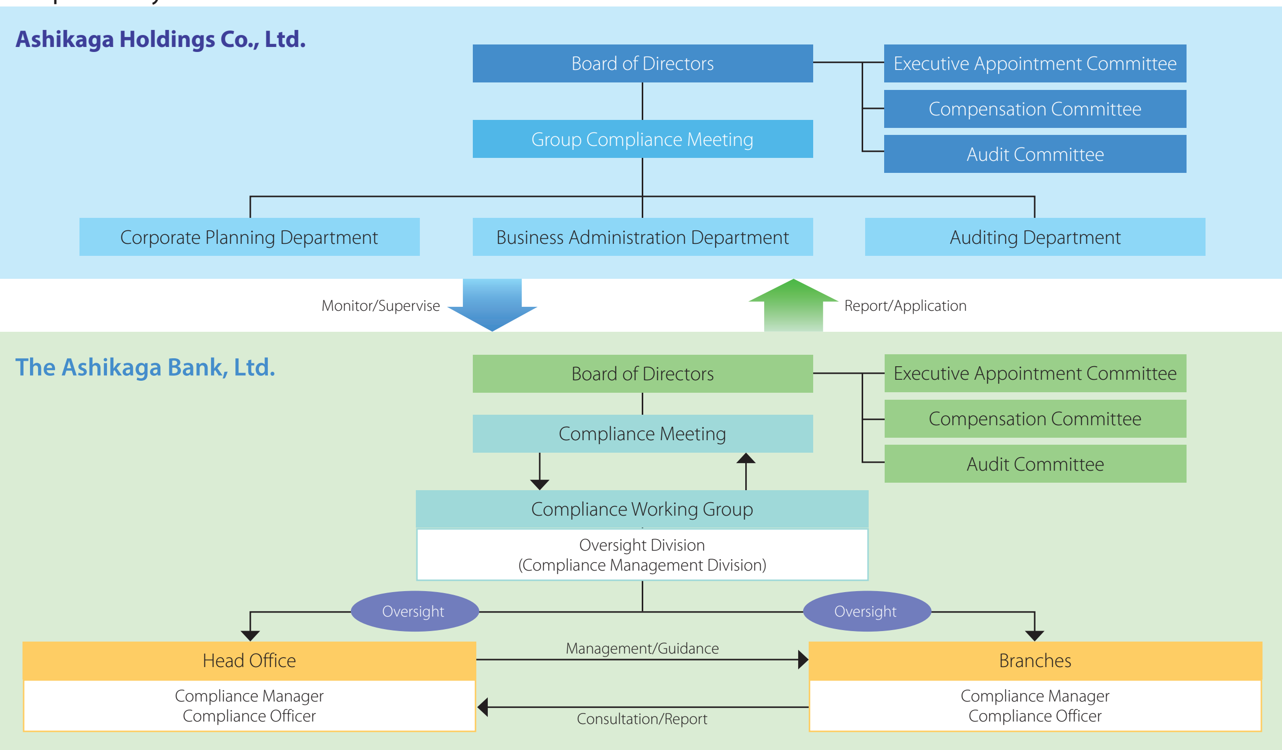
Compliance organizations and measures for the future

The Group has established a Compliance Management Group within the Business Administration Department to further strengthen our compliance framework.

In addition, in order to ensure compliance with laws and regulations at the Ashikaga Bank at the Head Office and branch level, we have also established the posts of Compliance Manager and Compliance Officer in every division, office and branch.

In the future, we will strive to further develop our compliance frameworks so as to further deepen public trust.

Compliance System



Measures to protect customer interests

The Group recognizes that establishment of a management framework for protection of the customer's interests is vital not only for the customer and the enhancement of customer convenience, but also for the soundness and propriety of Group business operations. Accordingly, it has established the following management policies for protection of customer interests.

Executives and employees recognize that continuous assessment and improvement of their own performance of duties from the customer's perspective are important to safeguarding customer interests, and are committed to improvement.

1. Ensuring customer understanding of explanations

We have mechanisms to ensure full and due customer understanding of our +explanations of their transactions with the Group, as well as with subsidiaries (credit transactions (loan contracts and related collateral and guarantee agreements), acceptance of deposits, etc., domestic and foreign exchange transactions, marketing, intermediary services and solicitation relating to financial products).

2. Customer support

We have established within the Group a general office for responding appropriately when a customer has an inquiry, seeks consultation, or expresses a wish or complaint. We are committed to improvement in all our operations, not just to resolution of single issues. At the same time, we always treat the customer with friendly and appropriate courtesy, without letting personal feelings get in the way, and take care to ensure provision of financial products and services that complies with regulations.

3. Using the Alternative Dispute Resolution system

We will use the Alternative Dispute Resolution (ADR) model of dispute settlement without resort to courts, which prioritizes the customer more and better suits the needs of an aging population and the diversification and increasing complexity of financial products.

The Bank has concluded a basic agreement on procedures with the Japanese Bankers Association, a designated ADR organization (institution designated under the Banking Act as a dispute resolution organization).

4. Management of customer information

Except where otherwise laid down under laws and regulations, information concerning customers is managed within the parameters deemed necessary for achievement of purposes relating to such information. In addition, we take measures to prevent external leakage of, loss of or damage to information about customers.

5. Sharing customer information within the Group

To ensure greater protection and convenience for the customer, and better risk management within the Group, customer information is shared by Ashikaga Holdings with its subsidiaries (including consolidated subsidiaries).

To protect customer information subject to shared use within the Group, we set clear limits on the category of information used, whom it is shared among, and what it is used for. We also have in place management mechanisms to ensure appropriate handling in conformity with laws protecting personal information, and with guidelines and laws and regulations relating to protection of personal information specific to the financial sector.

6. Management of conflict of interest

In transactions between the Group and its customers, the Group protects customers we are advising from adverse effects, such as firewalls between different business sections, to avoid events that constitute conflict-of-interest or other impropriety.

In particular, in cases where Ashikaga Holdings and its subsidiaries provide multiple services to the same customer, we have in place appropriate safeguards such as firewalls to prevent abuse of customer information and conflict-of-interest situations (including firewalls with affiliated companies), and measures to prevent unfair trading such as selling tie-in products.

7. Management of outsourcing

When Ashikaga Holdings outsources operations to external providers, it ensures the outsourced task is performed exactly as required and that both customer information and customer interests are handled appropriately.

8. Management of other operations

We ensure appropriate management of operations that we judge to be essential for the protection and convenience for the customer.

Consolidated Financial Statements

Consolidated Balance Sheet

March 31, 2014 Ashikaga Holdings Co., Ltd. and Consolidated Subsidiaries

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2014	2013	2014
ASSETS:			
Cash and due from banks (Notes 3, 10, and 20)	¥ 344,369	¥ 197,870	$ 3,345,992
Call loans and bills bought (Note 20)	1,520	129,460	14,776
Monetary claims bought (Note 20)	8,180	8,664	79,488
Trading account securities (Notes 4 and 20)	4,266	4,288	41,451
Securities (Notes 4 and 20)	1,176,469	1,186,910	11,430,916
Loans and bills discounted (Notes 6, 10, 20, and 24)	3,958,083	3,775,974	38,457,863
Foreign exchanges	5,969	7,451	58,000
Tangible fixed assets (Note 7)	23,378	23,780	227,153
Intangible fixed assets (Note 8)	93,141	100,594	904,989
Asset for retirement benefits (Note 13)	3,357	1,818	32,626
Deferred tax assets (Note 19)	2,027	2,292	19,703
Customers' liabilities for acceptances and guarantees (Note 9)	15,333	17,274	148,988
Other assets (Note 10)	20,307	20,804	197,313
Allowance for loan losses	(44,051)	(43,039)	(428,017)
Total	¥5,612,355	¥5,434,144	$54,531,243
LIABILITIES AND EQUITY			
LIABILITIES:			
Deposits (Notes 10 and 20)	¥4,943,137	¥4,745,811	$48,028,926
Negotiable certificates of deposit (Note 20)	171,040	150,927	1,661,882
Call money and bills sold (Note 20)	6,175	—	60,000
Payables under securities lending transactions (Notes 10 and 20)	5,965	71,951	57,966
Borrowed money (Notes 10, 11, and 20)	180,644	121,704	1,755,194
Foreign exchanges	763	550	7,418
Other liabilities (Note 12)	43,022	43,009	418,020
Provision for directors' bonuses	48	56	468
Liability for retirement benefits (Note 13)	2,779	1,269	27,010
Provision for directors' retirement benefits	189	254	1,838
Provision for reimbursement of deposits	1,606	1,518	15,604
Provision for contingent losses	424	326	4,126
Provision for point card certificates	88	74	863
Provision for losses on disaster	—	70	—
Acceptances and guarantees (Note 9)	15,333	17,274	148,988
Total liabilities	¥5,371,220	¥5,154,800	$52,188,303
EQUITY (Notes 14 and 15):			
Common stock:			
Authorized, 990,000 thousand shares; Issued, 333,250 thousands shares in 2014 and 2,700 thousands shares in 2013	¥ 117,495	¥ 67,510	$ 1,141,620
Preferred stock:			
Authorized, 100 thousand shares: Issued, nil in 2014 and 30 thousands shares in 2013	—	37,500	—
Capital surplus	29,025	95,780	282,018
Retained earnings	75,375	56,730	732,367
Total shareholders' equity	221,896	257,521	2,156,005
Accumulated other comprehensive income			
Unrealized gains on available-for-sale securities (Note 5)	20,230	21,954	196,564
Deferred losses on hedges	(30)	(132)	(301)
Defined retirement benefit plans	(960)	—	(9,329)
Total accumulated other comprehensive income	19,239	21,822	186,934
Total equity	241,135	279,343	2,342,940
TOTAL	¥5,612,355	¥5,434,144	$54,531,243

See notes to consolidated financial statements.

Consolidated Statement of Income

Year Ended March 31, 2014 Ashikaga Holdings Co., Ltd. and Consolidated Subsidiaries

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2014	2013	2014
INCOME:			
Interest income:			
Interest on loans and bills discounts	¥ 57,751	¥59,634	$ 561,130
Interest and dividends on securities	11,196	8,846	108,788
Interest on call loans and bills bought	204	305	1,986
Interest on deposits with banks	187	146	1,825
Other interest income	116	117	1,135
Fees and commissions	21,317	19,049	207,126
Other operating income	3,437	6,496	33,395
Other income (Note 17)	13,862	4,016	134,691
Total income	108,073	98,612	1,050,075
EXPENSES:			
Interest expenses:			
Interest on deposits	2,487	2,895	24,170
Interest on negotiable certificates of deposit	158	171	1,536
Interest on call money and bills sold	19	3	186
Interest on payables under securities lending transactions	62	14	610
Interest on borrowed money	1,871	3,413	18,188
Other interest expenses	24	10	240
Fees and commissions payments	5,759	5,762	55,960
Other operating expenses	1,461	102	14,197
General and administrative expenses	57,547	58,156	559,149
Provision of allowance for loan losses	6,791	3,749	65,984
Other expenses (Note 18)	3,968	5,943	38,559
Total expenses	80,151	80,222	778,779
INCOME BEFORE INCOME TAXES	27,921	18,389	271,297
INCOME TAXES (Note 19):			
Current	2,708	1,770	26,320
Deferred	898	1,214	8,729
Total income taxes	3,607	2,984	35,049
NET INCOME	¥ 24,314	¥15,405	$ 236,248

	Yen		U.S. Dollars
PER COMMON SHARE INFORMATION (Note 16):			
Basic net income per share	¥69.85	¥36.05	$0.68
Cash dividends applicable to the year (Note 14)	4.00	—	0.04

See notes to consolidated financial statements.

Consolidated Statement of Comprehensive Income

Year Ended March 31, 2014 Ashikaga Holdings Co., Ltd. and Consolidated Subsidiaries

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2014	2013	2014
NET INCOME	¥24,314	¥15,405	$236,248
OTHER COMPREHENSIVE (LOSS) INCOME (Note 22)			
Unrealized (losses) gains on available-for-sale securities	(1,724)	12,969	(16,756)
Deferred gains (losses) on hedges	101	(132)	987
Total other comprehensive (loss) income	(1,622)	12,837	(15,769)
COMPREHENSIVE INCOME (Note 22)	¥22,691	¥28,242	$220,479

See notes to consolidated financial statements.

Consolidated Statement of Changes in Equity

Year Ended March 31, 2014 Ashikaga Holdings Co., Ltd. and Consolidated Subsidiaries

	Millions of Yen								
						Accumulated other comprehensive income			
	Common stock (Note 14)	Preferred stock (Note 14)	Capital surplus	Retained earnings	Treasury stock	Unrealized gains on available-for-sale securities	Deferred losses on hedges	Defined retirement benefit plans	Total equity
BALANCE, APRIL 1, 2012	¥ 67,510	¥37,500	¥95,780	¥46,995	¥ —	¥ 8,984	¥ —	¥ —	¥256,770
Net income	—	—	—	15,405	—	—	—	—	15,405
Cash dividends	—	—	—	(5,670)	—	—	—	—	(5,670)
Net changes except for shareholders' equity during the year	—	—	—	—	—	12,969	(132)	—	12,837
Net change in the year	—	—	—	9,735	—	12,969	(132)	—	22,572
BALANCE, MARCH 31, 2013	67,510	37,500	95,780	56,730	—	21,954	(132)	—	279,343
Net income	—	—	—	**24,314**	—	—	—	—	**24,314**
Cash dividends	—	—	—	**(5,670)**	—	—	—	—	**(5,670)**
Purchases of treasury stock	—	—	—	—	**(79,240)**	—	—	—	**(79,240)**
Retirement of treasury stock	—	—	**(79,240)**	—	**79,240**	—	—	—	—
Issuance of new shares	**37,500**	**(37,500)**	**12,485**	—	—	—	—	—	**24,971**
Net changes except for shareholders' equity during the year	—	—	—	—	—	**(1,724)**	**101**	**(960)**	**(2,583)**
Net change in the year	**49,985**	**(37,500)**	**(66,755)**	**18,644**	—	**(1,724)**	**101**	**(960)**	**(38,208)**
BALANCE, MARCH 31, 2014	**¥117,495**	**¥ —**	**¥29,025**	**¥75,375**	**¥ —**	**¥20,230**	**¥ (30)**	**¥(960)**	**¥241,135**

	Thousands of U.S. Dollars (Note 1)								
						Accumulated other comprehensive income			
	Common stock (Note 14)	Preferred stock (Note 14)	Capital surplus	Retained earnings	Treasury stock	Unrealized gains on available-for-sale securities	Deferred losses on hedges	Defined retirement benefit plans	Total equity
BALANCE, MARCH 31, 2013	$ 655,946	$364,361	$930,631	$551,211	$ —	$213,320	$(1,289)	$ —	$2,714,181
Net income	—	—	—	**236,248**	—	—	—	—	**236,248**
Cash dividends	—	—	—	**(55,091)**	—	—	—	—	**(55,091)**
Purchases of treasury stock	—	—	—	—	**(769,927)**	—	—	—	**(769,927)**
Retirement of treasury stock	**364,461**	**(364,361)**	**(769,927)**	—	**769,927**	—	—	—	—
Issuance of new shares	**121,313**	—	**121,313**	—	—	—	—	—	**242,626**
Net changes except for shareholders' equity during the year	—	—	—	—	—	**(16,756)**	**987**	**(9,329)**	**(25,097)**
Net change in the year	**(485,674)**	—	**(648,613)**	**181,157**	—	**(16,756)**	**987**	**(9,329)**	**(371,241)**
BALANCE, MARCH 31, 2014	**$1,141,620**	**$ —**	**$282,018**	**$732,367**	**$ —**	**$196,564**	**$ (301)**	**$(9,329)**	**$2,342,940**

See notes to consolidated financial statements.

Consolidated Statement of Cash Flows

Year Ended March 31, 2014 Ashikaga Holdings Co., Ltd. and Consolidated Subsidiaries

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2014	2013	2014
OPERATING ACTIVITIES:			
Income before income taxes	¥ 27,921	¥ 18,389	$ 271,297
Adjustments for:			
Income taxes paid	(2,565)	(266)	(24,924)
Depreciation and amortization	3,702	3,814	35,976
Impairment loss	71	177	692
Amortization of goodwill	6,202	6,202	60,265
Increase (decrease) in allowance for loan losses	1,012	(5,479)	9,835
Decrease in provision for directors' bonuses	(8)	(16)	(85)
Increase in asset for retirement benefits	(1,076)	(887)	(10,459)
Decrease in liability for retirement benefits	(446)	(14,787)	(4,338)
(Decrease) increase in provision for directors' retirement benefits	(65)	34	(632)
Increase in provision for reimbursement of deposits	88	78	855
Increase in provision for contingent losses	97	63	950
Increase (decrease) in provision for point card certificates	14	(6)	139
Decrease in provision for loss on disaster	(70)	(99)	(684)
Interest income (accrual basis)	(69,456)	(69,049)	(674,864)
Interest expenses (accrual basis)	4,624	6,508	44,930
Gain related to securities	(9,758)	(1,662)	(94,817)
Foreign exchange gains	(1,515)	(1,500)	(14,726)
Losses on disposal of fixed assets	34	54	340
Losses on reduction of fixed assets	—	76	—
Net increase in loans and bills discounted	(182,108)	(133,424)	(1,769,422)
Net increase in deposit	197,325	88,495	1,917,268
Net increase in negotiable certificates of deposit	20,113	11,013	195,425
Net increase (decrease) in borrowed money (excluding subordinated borrowings)	58,940	(99,943)	572,681
Net decrease (increase) in due from banks (excluding deposit paid to Bank of Japan)	40,808	(35,496)	396,502
Net decrease in call loans	127,749	56,149	1,241,255
Net decrease (increase) in trading account securities	13	(1,033)	133
Net increase in call money	6,175	—	60,000
Net (decrease) increase in payables under securities lending transactions	(65,985)	71,951	(641,134)
Net decrease (increase) in foreign exchanges — assets	1,481	(1,786)	14,397
Net increase in foreign exchanges — liabilities	213	114	2,073
Interest and dividends received (cash basis)	70,772	71,311	687,646
Interest paid (cash basis)	(5,448)	(9,760)	(52,939)
Other, net	(1,674)	6,298	(16,267)
Total adjustments	199,260	(52,860)	1,936,069
Net cash provided by (used in) operating activities	227,182	(34,470)	2,207,365
INVESTING ACTIVITIES:			
Purchases of securities	(385,180)	(444,920)	(3,742,519)
Proceeds from sales of securities	189,879	205,402	1,844,926
Proceeds from redemption of securities	217,544	275,964	2,113,727
Purchases of tangible fixed assets	(1,605)	(1,870)	(15,601)
Proceeds from sales of tangible fixed assets	48	709	469
Purchases of intangible fixed assets	(647)	(412)	(6,289)
Other, net	(4)	78	(42)
Net cash provided by investing activities	20,035	34,952	194,672
FINANCING ACTIVITIES:			
Proceeds from subordinated borrowings	70,000	—	680,140
Repayments for subordinated borrowings	(70,000)	—	(680,140)
Proceeds from issuance of common stock	24,971	—	242,626
Cash dividends paid	(5,670)	(5,670)	(55,091)
Purchases of treasury stock	(79,240)	—	(769,927)
Other, net	—	(10)	—
Net cash used in financing activities	(59,939)	(5,680)	(582,392)
Effect of exchange rate changes on cash and cash equivalents	29	28	286
Net increase (decrease) in cash and cash equivalents	187,307	(5,170)	1,819,932
Cash and cash equivalents, beginning of year	155,060	160,230	1,506,614
Cash and cash equivalents, end of year (Note 3)	¥342,368	¥155,060	$3,326,546

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2014	2013	2014
NON-CASH FINANCING ACTIVITY			
Retirement of treasury stock	¥79,240	¥—	$769,927

See notes to consolidated financial statements.

Notes to Consolidated Financial Statements

Year Ended March 31, 2014 Ashikaga Holdings Co., Ltd. and Consolidated Subsidiaries

1. BASIS OF PRESENTATION

The accompanying consolidated financial statements of Ashikaga Holdings Co., Ltd. (the "Company") and its consolidated subsidiaries (together, the "Group") have been prepared in accordance with the provisions set forth in the Japanese Financial Instruments and Exchange Act and its related accounting regulations, in accordance with the Enforcement Regulation for the Banking Act, and in accordance with accounting principles generally accepted in Japan, which are different in certain respects as to the 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.

The consolidated financial statements are stated in Japanese yen, the currency of the country in which the Company is incorporated and operates. As permitted by the Japanese Financial Instruments and Exchange Act, amounts less than one million yen have been omitted. As a result, the totals do not necessarily agree with the sum of the individual amounts. Yen amounts, other than per share amounts, have been rounded down to millions of yen. Yen per share amounts have been rounded down to two decimal places.

The translations of Japanese yen amounts into U.S. dollar amounts are included solely for the convenience of readers outside Japan and have been made at the rate of ¥102.92 to U.S. $1, the rate of exchange at March 31, 2014. Such translations should not be construed as representations that the Japanese yen amounts could be converted into U.S. dollars at that or any other rate.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Consolidation—The consolidated financial statements include the accounts of the Company and its significant subsidiaries. There were four consolidated subsidiaries as of March 31, 2014 and 2013.

Under the control and influence concept, those companies in which the Company, directly or indirectly, is able to exercise control over operations are fully consolidated.

All consolidated subsidiaries have a fiscal year ending on March 31, which is the same as the fiscal year of the Company.

The consolidated financial statements do not include the accounts of one subsidiary in 2014 and two subsidiaries in 2013, because the total assets, total income, net income, and retained earnings of the entity would not have had a material effect on the consolidated financial statements.

Investments in the unconsolidated subsidiary and associated companies were stated at cost. If the equity method of accounting had been applied to the investments in these companies, the effect on the accompanying consolidated financial statements would not be material.

All significant intercompany balances, transactions, and unrealized profits included in assets were eliminated in consolidation.

Goodwill, which was included in intangible fixed assets, represents the difference between the cost of an acquisition and the fair value of the net assets of the acquired subsidiary at the date of acquisition. Goodwill on acquisition of subsidiaries is amortized using the straight-line method over 20 years (see Note 8).

b. Trading Account Securities—Trading account securities, which are held for the purpose of earning capital gains in the short term, are reported at fair value and the related unrealized gains and losses are included in "Other operating income (expenses)" in the consolidated statements of income.

c. Securities—Securities are classified and accounted for, depending on management's intent, as follows: (1) held-to-maturity debt securities, which are expected to be held-to-maturity with the positive intent and ability to hold to maturity, are stated at amortized cost using the straight-line method; (2) investments in unconsolidated subsidiary that are not accounted for by the equity method are stated at cost determined by the moving-average method; and (3) available-for-sale securities are stated at fair value with unrealized gains and losses, net of applicable taxes, reported in a separate component of equity. Securities whose fair values cannot be reliably determined are stated at cost determined by the moving-average cost method.

For other-than-temporary declines in fair value, securities are reduced to net realizable value by a charge to income.

d. Tangible fixed assets (except for leased assets)—Tangible fixed assets (except for leased assets) are stated at cost, less accumulated depreciation. Depreciation of tangible fixed assets owned by the consolidated banking subsidiary is computed by the declining balance method.

The range of useful lives is from 3 to 50 years for buildings and from 3 to 20 years for equipments.

Depreciation of tangible fixed assets owned by the other subsidiaries are computed by the declining-balance method in estimated useful lives.

Depreciation of leased assets from finance lease transactions that do not deem to transfer ownership of the leased property to the lessee is computed using the straight-line method over the respective lease periods. The residual value of lease assets is determined using the guaranteed residual value provided by the lease contracts or otherwise no value.

e. Intangible fixed assets (except for leased assets)—Amortization of intangible fixed assets (except for leased assets) is mainly computed by the straight-line method. The cost of computer software obtained for internal use is amortized principally using the straight-line method over the estimated useful lives of mainly 5 years.

f. Leased assets—Leased assets other than those under finance lease transactions that are deemed to transfer ownership of leased property to the lessee are depreciated by the straight-line method over the lease term. Residual value of those leased assets is zero, unless any guaranteed amount is prescribed in the lease agreement.

g. Long-Lived Assets—The Group reviews its long-lived assets for impairment whenever events or changes in circumstances indicate the carrying amount of an asset or asset group may not be recoverable. An impairment loss is recognized if the carrying amount of an asset or asset group exceeds the sum of the undiscounted future cash flows expected to result from the continued use and eventual disposition of the asset or asset group. The impairment loss would be measured as the amount by which the carrying amount of the asset exceeds its recoverable amount, which is the higher of the discounted cash flows from the continued use and eventual disposition of the asset or the net selling price at disposition.

h. Allowance for Loan Losses—The consolidated banking subsidiary has provided an allowance for loan losses which is determined based on management's judgment and assessment of future losses based on their self-assessment systems. These systems reflect past experience of credit losses; possible credit losses; business and economic conditions; the character, quality, and performance of the portfolio; value of collateral or guarantees; and other pertinent indicators.

The consolidated banking subsidiary has implemented a self-assessment system to determine its asset quality. The quality of all loans is assessed by the branches and the credit supervisory division with a subsequent audit by the asset review and Internal Audit division in accordance with the consolidated banking subsidiary's policy and guidelines for the self-assessment of asset quality.

The consolidated banking subsidiary has established a credit rating system under which its customers are classified into five categories. The credit rating system is used in the self-assessment of asset quality. All loans are classified into five categories for self-assessment purposes: "normal," "in need of caution," "possible bankruptcy," "virtual bankruptcy," and "legal bankruptcy."

For claims on borrowers that have entered into bankruptcy, special liquidation proceedings, or similar legal proceedings ("legal bankruptcy"), or borrowers that are not legally or formally insolvent, but are regarded as substantially in a same situation ("virtual bankruptcy"), an allowance is provided based on the amount of claims, after the write-offs as stated below, net of the expected amounts of recoveries from collateral and guarantees.

For claims on borrowers that are not currently bankrupt, but are likely to become bankrupt in the future ("possible bankruptcy"), an allowance is provided in the amount deemed necessary based on an overall solvency assessment of the claims, net of the expected amount of recoveries from collateral and guarantees.

The allowance for loan losses is calculated based on the actual historical loss ratio for "normal" and "in need of caution" categories. For claims on borrowers whose loans are classified as "restructured loans" over a certain amount, for which future cash flows from the collection of principal and interest are reasonably estimated, an allowance is provided for the difference between the present value of expected future cash flows discounted at the contracted interest rate and the carrying value of the claims based on the discounted cash flow method.

For collateralized or guaranteed claims of borrowers who are in "virtual bankruptcy" or "legal bankruptcy," the amount exceeding the estimated value of collateral or guarantees has been deducted as deemed uncollectible directly from those claims. As of March 31, 2014, and 2013, the deducted amounts were ¥11,008 million ($106,963 thousand) and ¥14,250 million, respectively.

Other consolidated subsidiaries determine allowances for loan losses that are provided as deemed necessary to cover expected losses based on their own experience.

i. Provision for directors' bonuses—Provision for directors' bonuses is provided in the amount of the estimated bonuses that are attributable to each fiscal year.

j. Employees' retirement benefits—The Company accounts for the liability for retirement benefits based on the projected benefit obligations and plan assets at the balance sheet date. The projected benefit obligations are attributed to periods on a straight-line basis. Actuarial gains and losses are amortized on a straight-line basis over the average remaining service period. Past service costs are amortized on a straight-line basis over the average remaining service period.

In May 2012, the Accounting Standards Board of Japan ("ASBJ") issued ASBJ Statement No. 26, "Accounting Standard for Retirement Benefits" and ASBJ Guidance No. 25, "Guidance on Accounting Standard for Retirement Benefits," which replaced the accounting standard for retirement benefits that had been issued by the Business Accounting Council in 1998 with an effective date of April 1, 2000, and the other related practical guidance, and were followed by partial amendments from time to time through 2009.

(a) Under the revised accounting standard, actuarial gains and losses and past service costs that are yet to be recognized in profit or loss are recognized within equity (accumulated other comprehensive income), after adjusting for tax effects, and any resulting deficit or surplus is recognized as a liability (liability for retirement benefits) or asset (asset for retirement benefits).

(b) The revised accounting standard does not change how to recognize actuarial gains and losses and past service costs in profit or loss. Those amounts are recognized in profit or loss in the expected average remaining service period of the employees. However, actuarial gains and losses and past service costs that arose in the current period and have not yet been recognized in profit or loss are included in other comprehensive income and actuarial gains and losses and past service costs that were recognized in other comprehensive income in prior periods and then recognized in profit or loss in the current period shall be treated as reclassification adjustments (see Note 13).

(c) The revised accounting standard also made certain amendments relating to the method of attributing expected benefit to periods and relating to the discount rate and expected future salary increases.

This accounting standard and the guidance for (a) and (b) above are effective for the end of annual periods beginning on or after April 1, 2013, and for (c) above are effective for the beginning of annual periods beginning on or after April 1, 2014, or for the beginning of annual periods beginning on or after April 1, 2015, subject to certain disclosure in March 2015, both with earlier application being permitted from the beginning of annual periods beginning on or after April 1, 2013. However, no retrospective application of this accounting standard to consolidated financial statements in prior periods is required.

The Company applied the revised accounting standard and guidance for retirement benefits for (a) and (b) above, effective March 31, 2014. As a result, a liability for retirement benefits of ¥2,779 million ($27,010 thousand) and an asset for retirement benefits of ¥3,357 million ($32,626 thousand) were recorded as of March 31, 2014, and accumulated other comprehensive income for the year ended March 31, 2014, decreased by ¥960 million ($9,329 thousand).

k. Provision for directors' retirement benefits—Provision for directors' retirement benefits, which is provided for payments of retirement benefits to directors, is recorded in the amount deemed accrued at the fiscal year end date based on the estimated amount of benefits.

l. Provision for reimbursement of deposits—Provision for reimbursement of deposits, that were derecognized as liabilities under certain conditions, is provided for possible losses on future claims on the historical reimbursement experience.

m. Provision for contingent losses—Provision for contingent losses is provided for contingent liabilities not covered by other reserves in an amount deemed necessary based on estimated losses in the future.

n. Provision for point card certificates—Provision for point card certificates, which is provided for the future use of points granted to customers under credit card points programs, is calculated by converting the outstanding points into a monetary amount, and rationally estimating and recognizing the amount that will be redeemed in the future.

o. Provision for loss on disaster—Provision for loss on disaster is provided for the estimated payments for repair of damaged fixed assets by the Great East Japan Earthquake.

p. Asset retirement obligation—In March 2008, the ASBJ published the accounting standard for asset retirement obligations, ASBJ Statement No. 18 "Accounting Standard for Asset Retirement Obligations" and ASBJ Guidance No. 21 "Guidance on Accounting Standard for Asset Retirement Obligations." Under this accounting standard, an asset retirement obligation is defined as a legal obligation imposed either by law or contract that results from the acquisition, construction, development and the normal operation of a tangible fixed asset and is associated with the retirement of such tangible fixed asset. The asset retirement obligation is recognized as the sum of the discounted cash flows required for the future asset retirement and is recorded in the period in which the obligation is incurred if a reasonable estimate can be made. If a reasonable estimate of the asset retirement obligation cannot be made in the period the asset retirement obligation is incurred, the liability should be recognized when a reasonable estimate of the asset retirement obligation can be made. Upon initial recognition of a liability for an asset retirement obligation, an asset retirement cost is capitalized by increasing the carrying amount of the related fixed asset by the amount of the liability. The asset retirement cost is subsequently allocated to expense through depreciation over the remaining useful life of the asset. Over time, the liability is accreted to its present value each period. Any subsequent revisions to the timing or the amount of the original estimate of undiscounted cash flows are reflected as an adjustment to the carrying amount of the liability and the capitalized amount of the related asset retirement cost.

q. Stock Options—In December 2005, the ASBJ issued ASBJ Statement No. 8, "Accounting Standard for Stock Options" and related guidance. The standard and guidance are applicable to stock options newly granted on and after May 1, 2006. This standard requires companies to measure cost of employee stock options is based on the fair value at the date of grant and recognized compensation expense over the vesting period as consideration for receiving goods or services. The standard also requires companies to account for stock options granted to nonemployees based on the fair value of either the stock option or the goods or services received. In the balance sheet, stock options are presented as stock acquisition rights as a separate component of equity until exercised. The standard covers equity-settled, share-based payment transactions, but does not cover cash-settled, share-based payment transactions. In addition, the standard allows unlisted companies to measure options at their intrinsic value, if they cannot reliably estimate fair value.

r. Income Taxes—The provision for income taxes is computed based on the pretax income included in the consolidated statements of income. The asset and liability approach is used to recognize deferred tax assets and liabilities for the expected future tax consequences of temporary differences between the carrying amounts and the tax bases of assets and liabilities. Deferred taxes are measured by applying currently enacted tax laws to the temporary differences. A valuation allowance is provided for any portion of the deferred tax assets if it is considered more likely than not that they will not be realized.

s. Translation of foreign currencies—Assets and liabilities denominated in foreign currencies are translated at exchange rates prevailing as of the balance sheet date.

t. Derivatives and Hedging Activities—Derivative financial instruments are classified and accounted for as follows: (a) all derivatives, except those entered into for hedging purposes, are recognized as either assets or liabilities and measured at fair value with gains or losses on derivative transactions recognized in the consolidated statements of income or (b) for derivatives used for hedging purposes, if the derivatives qualify for hedge accounting because of high correlation and effectiveness between the hedging instruments and the hedged items, gains or losses on the derivatives are deferred until maturity of the hedged transactions (deferral hedge accounting).

The consolidated banking subsidiary applies deferral hedge accounting based on the rules of the Japanese Institute of Certified Public Accountants ("JICPA") Industry Audit Committee Report No. 24 for interest rate derivatives to manage interest rate risk from various financial assets and liabilities as a whole. Under these rules, the effectiveness of a fair value hedge is assessed by an identified group of hedge deposits, loans, and similar instruments, and by a corresponding group of hedging instruments, such as interest rate swaps in the same maturity category. Also, under these rules, the effectiveness of cash flow hedges is assessed based on the correlation between a base interest rate index of the hedged cash flow and that of the hedging instrument.

The consolidated banking subsidiary applies deferral hedge accounting based on the rules of the JICPA Industry Audit Committee Report No. 25 to currency swaps and funding swaps used for the purpose of currency exchange. Under the deferral hedge accounting under the Report No. 25, hedged items are identified by grouping the foreign currency-denominated financial assets and liabilities by currencies and designating derivative transactions, such as currency swap transactions and foreign exchange swaps, as hedging instruments. Effectiveness of currency swap transactions and foreign exchange swap transactions is reviewed by comparing the total foreign currency position of the hedged items and the hedging instrument by currency.

u. Cash and Cash Equivalents—For the purpose of the consolidated statements of cash flows, cash and cash equivalents represent cash and due from the Bank of Japan.

v. Consumption Taxes—National and local consumption taxes are excluded from the transaction amounts.

w. Per-Share Information—Basic net income per share of common stocks is computed by dividing net income attributable to common shareholders by the weighted-average number of shares of common stock outstanding for the period, retroactively adjusted for stock splits.

Diluted net income per share reflects the potential dilution that could occur if securities were exercised or converted into common stock. Diluted net income per share of common stock assumes full exercise of outstanding warrants.

Cash dividends per share presented in the accompanying consolidated statements of income are dividends applicable to the respective years, including dividends to be paid after the end of the year.

x. New Accounting Pronouncements

Accounting Standard for Retirement Benefits—On May 17, 2012, the ASBJ issued ASBJ Statement No. 26, "Accounting Standard for Retirement Benefits" and ASBJ Guidance No. 25, "Guidance on Accounting Standard for Retirement Benefits," which replaced the Accounting Standard for Retirement Benefits that had been issued by the Business Accounting Council in 1998 with an effective date of April 1, 2000, and the other related practical guidance, and were followed by partial amendments from time to time through 2009.

Major changes are as follows:

(a) Treatment in the balance sheet

Under the current requirements, actuarial gains and losses and past service costs that are yet to be recognized in profit or loss are not recognized in the balance sheet, and the difference between retirement benefit obligations and plan assets (hereinafter, "deficit or surplus"), adjusted by such unrecognized amounts, is recognized as a liability or asset.

Under the revised accounting standard, actuarial gains and losses and past service costs that are yet to be recognized in profit or loss shall be recognized within equity (accumulated other comprehensive income), after adjusting for tax effects, and any resulting deficit or surplus shall be recognized as a liability (liability for retirement benefits) or asset (asset for retirement benefits).

(b) Treatment in the statement of income and the statement of comprehensive income

The revised accounting standard does not change how to recognize actuarial gains and losses and past service costs in profit or loss. Those amounts would be recognized in profit or loss over a certain period no longer than the expected average remaining service period of the employees. However, actuarial gains and losses and past service costs that arose in the current period and have not yet been recognized in profit or loss shall be included in other comprehensive income and actuarial gains and losses and past service costs that were recognized in other comprehensive income in prior periods and then recognized in profit or loss in the current period shall be treated as reclassification adjustments.

(c) Amendments relating to the method of attributing expected benefit to periods and relating to the discount rate and expected future salary increases

The revised accounting standard also made certain amendments relating to the method of attributing expected benefit to periods and relating to the discount rate and expected future salary increases.

This accounting standard and the guidance for (a) and (b) above are effective for the end of annual periods beginning on or after April 1, 2013, and for (c) above are effective for the beginning of annual periods beginning on or after April 1, 2014, or for the beginning of annual periods beginning on or after April 1, 2015, subject to certain disclosure in March 2015, both with earlier application being permitted from the beginning of annual periods beginning on or after April 1, 2013. However, no retrospective application of this accounting standard to consolidated financial statements in prior periods is required.

The Company applied the revised accounting standard for (a) and (b) above effective March 31, 2014, and expects to apply (c) above from April 1, 2014, and is in the process of measuring the effects of applying the revised accounting standard for (c) above in future applicable periods.

Accounting Standards for Business Combinations and Consolidated Financial Statements—On September 13, 2013, the ASBJ issued revised ASBJ Statement No. 21, "Accounting Standard for Business Combinations," revised ASBJ Guidance No. 10, "Guidance on Accounting Standards for Business Combinations and Business Divestitures," and revised ASBJ Statement No. 22, "Accounting Standard for Consolidated Financial Statements."

Major accounting changes are as follows:

Transactions with noncontrolling interest

A parent's ownership interest in a subsidiary might change if the parent purchases or sells ownership interests in its subsidiary. The carrying amount of minority interest is adjusted to reflect the change in the parent's ownership interest in its subsidiary while the parent retains its controlling interest in its subsidiary. Under the current accounting standard, any difference between the fair value of the consideration received or paid and the amount by which the minority interest is adjusted is accounted for as an adjustment of goodwill or as profit or loss in the consolidated statement of income. Under the revised accounting standard, such difference shall be accounted for as capital surplus as long as the parent retains control over its subsidiary.

Presentation of the consolidated balance sheet

In the consolidated balance sheet, "minority interest" under the current accounting standard will be changed to "noncontrolling interest" under the revised accounting standard.

Presentation of the consolidated statement of income

In the consolidated statement of income, "income before minority interest" under the current accounting standard will be changed to "net income" under the revised accounting standard, and "net income" under the current accounting standard will be changed to "net income attributable to owners of the parent" under the revised accounting standard.

Provisional accounting treatments for a business combination

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the business combination occurs, an acquirer shall report in its financial statements provisioned amounts for the items for which the accounting is incomplete. Under the current accounting standard guidance, the impact of adjustments to provisional amounts recorded in a business combination on profit or loss is recognized as profit or loss in the year in which the measurement is completed. Under the revised accounting standard guidance, during the measurement period, which shall not exceed one year from the acquisition, the acquirer shall retrospectively adjust the provisional amounts recognized at the acquisition date to reflect new information obtained about facts and circumstances that existed as of the acquisition date and that would have affected the measurement of the amounts recognized as of that date. Such adjustments shall be recognized as if the accounting for the business combination had been completed at the acquisition date.

Acquisition-related costs
Acquisition-related costs are costs, such as advisory fees or professional fees, which an acquirer incurs to effect a business combination. Under the current accounting standard, the acquirer accounts for acquisition-related costs by including them in the acquisition costs of the investment. Under the revised accounting standard, acquisition-related costs shall be accounted for as expenses in the periods in which the costs are incurred.

The above accounting standards and guidance for "transactions with noncontrolling interest," "acquisition-related costs" and "presentation changes in the consolidated financial statements" are effective for the beginning of annual periods beginning on or after April 1, 2015. Earlier application is permitted from the beginning of annual periods beginning on or after April 1, 2014, except for the presentation changes in the consolidated financial statements. In case of earlier application, all accounting standards and guidance above, except for the presentation changes, should be applied simultaneously. Either retrospective or prospective application of the revised accounting standards and guidance for "transactions with noncontrolling interest" and "acquisition-related costs" is permitted. In retrospective application of the revised standards and guidance for "transactions with noncontrolling interest" and "acquisition-related costs," accumulated effects of retrospective adjustments for all "transactions with noncontrolling interest" and "acquisition-related costs" which occurred in the past shall be reflected as adjustments to the beginning balance of capital surplus and retained earnings for the year of the first-time application.

In prospective application, the new standards and guidance for "transactions with noncontrolling interest" and "acquisition-related costs" shall be applied prospectively from the beginning of the year of the first-time application. The changes in presentation shall be applied to all periods presented in financial statements containing the first-time application of the revised standards and guidance.

The revised standards and guidance for "provisional accounting treatments for a business combination" is effective for a business combination which will occur on or after the beginning of annual periods beginning on or after April 1, 2015. Earlier application is permitted for a business combination which will occur on or after the beginning of annual periods beginning on or after April 1, 2014.

The Group expects to apply the revised accounting standards and guidance from the beginning of the annual period beginning on April 1, 2014, and is in the process of measuring the effects of applying the revised accounting standards and guidance in future applicable periods.

3. CASH AND CASH EQUIVALENTS

The reconciliation of "Cash and cash equivalents" in the consolidated statement of cash flows and "Cash and due from banks" in the consolidated balance sheet as of March 31, 2014 and 2013 was as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2014	2013	2014
Cash and due from banks	¥344,369	¥197,870	$3,345,992
Interest-bearing deposits included in due from banks (other than due from the Bank of Japan)	(2,001)	(42,809)	(19,446)
Cash and cash equivalents	¥342,368	¥155,060	$3,326,546

4. TRADING ACCOUNT SECURITIES AND SECURITIES

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

	Millions of Yen		Thousands of U.S. Dollars
	2014	2013	2014
Japanese national government bonds	¥ 439,400	¥ 439,698	$ 4,269,340
Japanese local government bonds	257,005	311,644	2,497,139
Japanese corporate bonds	269,572	286,841	2,619,241
Japanese corporate stocks	42,949	51,059	417,308
Other securities	167,542	97,666	1,627,888
Total	¥1,176,469	¥1,186,910	$11,430,916

Net unrealized (losses) gains on trading account securities were ¥(8) million ($(82) thousand) and ¥24 million for the years ended March 2014 and 2013, respectively.

The cost and aggregate fair value of available-for-sale securities and held-to-maturity securities as of March 31, 2014 and 2013 were as follows:

	Millions of Yen			
March 31, 2014	Cost	Unrealized gains	Unrealized losses	Fair value
Securities classified as:				
Available-for-sale:	¥1,047,380	¥31,163	¥1,677	¥1,076,866
Equity securities	21,949	20,585	1,067	41,466
Debt securities:	876,724	7,015	457	883,282
Japanese national government bonds	364,407	2,428	144	366,691
Japanese local government bonds	253,723	3,362	80	257,005
Japanese corporate bonds	258,593	1,224	232	259,585
Others:	148,706	3,563	151	152,118
Foreign bonds	98,680	401	144	98,937
Held-to-maturity:	97,695	7,942	—	105,638
Japanese national government bonds	72,708	7,395	—	80,104
Japanese corporate bonds	9,987	337	—	10,324
Others:	14,999	209	—	15,209
Foreign bonds	14,999	209	—	15,209

March 31, 2013	Millions of Yen Cost	Unrealized gains	Unrealized losses	Fair value
Securities classified as:				
Available-for-sale:	¥1,053,947	¥32,607	¥1,240	¥1,085,314
Equity securities	31,083	19,354	761	49,676
Debt securities:	944,031	11,760	253	955,538
Japanese national government bonds	361,689	5,340	—	367,029
Japanese local government bonds	306,595	5,056	7	311,644
Japanese corporate bonds	275,746	1,363	246	276,864
Others:	78,832	1,492	225	80,099
Foreign bonds	61,138	192	89	61,242
Held-to-maturity:	99,646	7,862	3	107,504
Japanese national government bonds	72,668	7,132	1	79,799
Japanese corporate bonds	9,977	504	—	10,481
Others:	16,999	226	1	17,224
Foreign bonds	16,999	226	1	17,224

March 31, 2014	Thousands of U.S. Dollars Cost	Unrealized gains	Unrealized losses	Fair value
Securities classified as:				
Available-for-sale:	**$10,176,650**	**$302,795**	**$16,299**	**$10,463,146**
Equity securities	**213,264**	**200,011**	**10,375**	**402,900**
Debt securities:	**8,518,509**	**68,163**	**4,450**	**8,582,223**
Japanese national government bonds	**3,540,688**	**23,595**	**1,403**	**3,562,880**
Japanese local government bonds	**2,465,251**	**32,675**	**786**	**2,497,139**
Japanese corporate bonds	**2,512,571**	**11,894**	**2,261**	**2,522,204**
Others:	**1,444,877**	**34,621**	**1,475**	**1,478,023**
Foreign bonds	**958,807**	**3,903**	**1,402**	**961,308**
Held-to-maturity:	**949,241**	**77,170**	**—**	**1,026,411**
Japanese national government bonds	**706,460**	**71,853**	**—**	**778,313**
Japanese corporate bonds	**97,037**	**3,280**	**—**	**100,317**
Others:	**145,744**	**2,037**	**—**	**147,781**
Foreign bonds	**145,744**	**2,037**	**—**	**147,781**

Information on available-for-sale securities, which were sold during the years ended March 31, 2014 and 2013, were as follows:

March 31, 2014	Millions of Yen Proceeds	Realized gains	Realized losses
Available-for-sale:			
Equity securities	**¥ 20,445**	**¥11,325**	**¥ 54**
Debt securities:	**163,456**	**2,706**	**1,326**
Japanese national government bonds	**162,382**	**2,699**	**1,324**
Japanese local government bonds	**—**	**—**	**—**
Japanese corporate bonds	**1,073**	**6**	**1**
Other securities	**1,826**	**—**	**91**
Total	**¥185,728**	**¥14,032**	**¥1,472**

March 31, 2013	Millions of Yen Proceeds	Realized gains	Realized losses
Available-for-sale:			
Equity securities	¥ 2,926	¥ 364	¥ 679
Debt securities:	197,954	5,625	—
Japanese national government bonds	109,584	2,603	—
Japanese local government bonds	31,480	1,121	—
Japanese corporate bonds	56,889	1,900	—
Other securities	3,469	—	809
Total	¥204,350	¥5,989	¥1,489

March 31, 2014	Thousands of U.S. Dollars Proceeds	Realized gains	Realized losses
Available-for-sale:			
Equity securities	**$198,654**	**$110,045**	**$ 531**
Debt securities:	**1,588,188**	**26,295**	**12,887**
Japanese national government bonds	**1,577,755**	**26,230**	**12,871**
Japanese local government bonds	**—**	**—**	**—**
Japanese corporate bonds	**10,433**	**65**	**16**
Other securities	**17,747**	**—**	**886**
Total	**$1,804,588**	**$136,340**	**$14,304**

Marketable available-for-sale securities, whose fair value significantly declined in comparison with the acquisition cost and whose fair value is not considered likely to recover to their acquisition cost, are written down and recognized as impairment losses.

The criteria for determining whether the fair value is "significantly declined" are defined as follows:

(a) Securities whose fair value has declined by 50% or more of the acquisition cost are deemed to be impaired.

(b) Securities whose fair value has declined by 30% or more but less than 50% of the acquisition cost and their fair value is deemed not recoverable by individual assessment.

The impairment losses on marketable available-for-sale securities for the years ended March 31, 2014 and 2013, were nil and ¥111 million, respectively.

As of March 31, 2014 and 2013, securities included equity investments in unconsolidated subsidiaries and associated companies of ¥9 million ($90 thousand) and nil, respectively, and capital subscriptions of ¥421 million ($4,100 thousand) and ¥567 million, respectively.

5. UNREALIZED GAINS ON AVAILABLE-FOR-SALE SECURITIES

Unrealized gains on available-for-sale securities as of March 31, 2014 and 2013 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2014	2013	2014
Unrealized gains:	¥29,486	¥31,366	$286,496
Available-for-sale securities	29,486	31,366	286,496
Money held in trust except for trading and held-to-maturity purpose	—	—	—
Deferred tax liabilities:	9,255	9,412	89,932
Unrealized gains on available-for-sale securities before adjustments by ownership share	20,230	21,954	196,564
Minority interests	—	—	—
Company's ownership share in unrealized gains (losses) on available-for-sale securities held by affiliates accounted for using the equity method	—	—	—
Unrealized gains on available-for-sale securities	¥20,230	¥21,954	$196,564

6. LOANS AND BILLS DISCOUNTED

The following loans were included in loans and bills discounted as of March 31, 2014 and 2013:

	Millions of Yen		Thousands of U.S. Dollars
	2014	2013	2014
Loans to borrowers in legal bankruptcy	¥ 3,165	¥ 3,386	$ 30,758
Past due loans	77,250	88,194	750,586
Loans past due for three months or more	2	5	20
Restructured loans	34,741	31,745	337,561
Total	¥115,159	¥123,331	$1,118,925

The amounts above are stated before the deduction of the allowance for loan losses.

"Loans to borrowers in legal bankruptcy" are nonaccrual loans, which are highly probable to become unrecoverable. Specific conditions for inclusion in this category are as follows:

(i) Borrowers have made application for procedures under the Corporate Reorganization Act, Civil Rehabilitation Act, Bankruptcy Act, liquidation under the Companies Act of Japan, or liquidation under other legal provisions.

(ii) Clearance of promissory notes or bills issued by the borrower is suspended.

"Past due loans" are loans on which accrued interest income is not recognized, excluding "loans to borrowers in legal bankruptcy" and loans on which interest payments are deferred in order to support the borrowers' recovery from financial difficulties.

"Loans past due for three months or more" include accruing loans for which principal or interest is past due three months or more.

"Restructured loans" are loans to borrowers in financial difficulty to whom the Group has provided financial support through modification of the lending terms to be more favorable to the borrower, including reduction of interest rates, suspension of repayment of principal and interest, and debt forgiveness.

Contracts of overdraft facilities and loan commitment limits are contracts under which the consolidated banking subsidiary and certain consolidated subsidiaries lend to customers up to the prescribed limits in response to customer applications for loans as long as there is no violation of any condition in the contracts. As of March 31, 2014 and 2013, the amounts of unused commitments were ¥1,183,354 million ($11,497,813 thousand) and ¥1,120,969 million, respectively. As of March 31, 2014 and 2013, the amounts of unused commitments whose remaining contract terms were within one year were ¥1,159,022 million ($11,261,391 thousand) and ¥1,098,775 million, respectively.

As many of these commitments expire without being drawn down, the unused amount does not necessarily represent a future cash requirement. Most of these contracts have conditions whereby the consolidated banking subsidiary and certain consolidated subsidiaries can refuse customer applications for loans or decrease the contract limits for certain reason (e.g., changes in financial situation, and deterioration in customers' creditworthiness). At the inception of the contracts, the consolidated banking subsidiary and certain consolidated subsidiaries obtain real estate, securities, or other assets as collateral if considered to be necessary. Subsequently, the consolidated banking subsidiary and certain consolidated subsidiaries perform periodic reviews of the customers' business results based on the internal rules and take necessary measures to reconsider conditions in the contracts and/or require additional collateral and guarantees.

Discounting bills are treated as secured lending transactions. As of March 31, 2014 and 2013, consolidated banking subsidiary has the right to sell or repledge bills discounted and foreign exchange bills bought and their total face value was ¥27,692 million ($269,070 thousand) and ¥29,117 million, respectively.

7. TANGIBLE FIXED ASSETS

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

	Millions of Yen		Thousands of U.S. Dollars
	2014	2013	2014
Buildings	¥ 7,294	¥ 7,240	$ 70,871
Land	12,467	12,536	121,138
Leased assets	12	19	122
Construction in progress	238	54	2,314
Other	3,366	3,929	32,709
Total	¥23,378	¥23,780	$227,153

The accumulated depreciation of tangible fixed assets as of March 31, 2014 and 2013, amounted to ¥38,865 million ($377,623 thousand) and ¥38,569 million, respectively.

Under certain conditions, such as exchanges of fixed assets of similar kinds and sales and purchases resulting from expropriation, Japanese tax laws permit companies to defer the profit arising from such transactions by reducing the cost of the assets acquired or by providing a special reserve in the equity section. As of March 31, 2014 and 2013, such deferred profit amounted to ¥2,771 million ($26,926 thousand) and ¥2,771 million, respectively.

8. INTANGIBLE FIXED ASSETS

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

	Millions of Yen		Thousands of U.S. Dollars
	2014	2013	2014
Software	¥ 4,219	¥ 5,465	$ 40,994
Goodwill	88,384	94,587	858,770
Leased assets	2	5	24
Other	535	536	5,201
Total	¥93,141	¥100,594	$904,989

The amortization expense for goodwill was included in general and administrative expenses for the years ended March 31, 2014 and 2013, amounted to ¥6,202 million ($60,265 thousand) and ¥6,202 million.

9. CUSTOMERS' LIABILITIES FOR ACCEPTANCES AND GUARANTEES

All contingent liabilities arising from acceptances and guarantees are reflected in acceptances and guarantees. As a contra account, customers' liabilities for acceptances and guarantees are presented as assets, representing the consolidated banking subsidiary's and certain consolidated subsidiaries' rights of indemnity from the applicants.

Guarantee obligations for private placement bonds included in "Securities" (provided in accordance with the Article 2-3 of the "Financial Instruments and Exchange Act") as of March 2014 and 2013 were ¥41,628 million ($404,471 thousand) and ¥33,346 million, respectively.

10. ASSETS PLEDGED AS COLLATERAL

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

	Millions of Yen		Thousands of U.S. Dollars
	2014	2013	2014
Assets pledged as collateral:			
Cash and due from banks	¥ 2	¥ 2	$ 26
Securities	266,669	390,104	2,591,037
Loans and bills discounted	41,150	56,200	399,825
Relevant liabilities to above assets:			
Deposits	¥118,551	¥110,570	$1,151,875
Payables under securities lending transactions	5,965	71,951	57,966
Borrowed money	100,570	41,600	977,167

Additionally, securities amounting to ¥72,981 million ($709,114 thousand) and ¥81,634 million as of March 31, 2014 and 2013, respectively, were pledged as collateral for settlements of exchange or as substitute securities for margins on futures transactions.

Moreover, other assets included security deposits amounting to ¥686 million ($6,672 thousand) and ¥688 million as of March 31, 2014 and 2013, respectively.

11. BORROWED MONEY

As of March 31, 2014 and 2013, the weighted-average annual interest rates applicable to borrowed money were 1.06% and 2.76%, respectively.

Borrowed money includes borrowings from the Bank of Japan and other financial institutions. In addition, borrowed money included subordinated borrowings totaling ¥80,000 million ($777,303 thousand) and ¥80,000 million as of March 31, 2014 and 2013, respectively.

12. OTHER LIABILITIES

Other liabilities included asset retirement obligations of ¥534 million ($5,195 thousand) and ¥527 million as of March 31, 2014 and 2013, respectively.

(a) Overview of asset retirement obligations

Asset retirement obligations which were recognized for restoring leased buildings, such as branch premises, to their original state, based on the real estate lease contracts.

(b) Calculation of asset retirement obligations

Asset retirement obligations are calculated based on the estimated available period of 19 to 39 years using the discount rates from 1.6% to 2.3%.

	Millions of Yen		Thousands of U.S. Dollars
	2014	2013	2014
Balance at beginning of year	¥527	¥493	$5,127
Additional provisions associated with the acquisition of tangible fixed assets	7	33	70
Reconciliation associated with passage of time	4	4	48
Reduction associated with meeting asset retirement obligations	(5)	(4)	(51)
Balance at end of year	¥534	¥527	$5,195

13. LIABILITY RETIREMENT BENEFITS

The Company and certain consolidated subsidiaries have severance payment plans for employees. Under most circumstances, employees terminating their employment are entitled to retirement benefits determined based on the rate of pay at the time of termination, years of services and certain other factors. Such retirement benefits are made in the form of a lump sum severance payment from the Company or from certain consolidated subsidiaries and annuity payments are from a trustee. Employees are entitled to larger payments if the termination is voluntary, by retirement at the mandatory retirement age, by death, or by voluntary retirement at certain specific ages prior to the mandatory retirement age.

Year Ended March 31, 2014

(a) Change in benefit obligation

	Millions of Yen	Thousands of U.S. Dollars
	2014	2014
Benefit obligation, beginning of year	¥47,041	$457,068
Service cost	1,150	11,177
Interest cost	533	5,183
Actuarial loss	1,459	14,182
Benefits paid	(2,855)	(27,744)
Other	52	513
Benefit obligation, at end of year	¥47,382	$460,379

(b) Change in plan assets

	Millions of Yen	Thousands of U.S. Dollars
	2014	2014
Plan assets, beginning of year	¥44,697	$434,298
Expected return on plan assets	893	8,686
Actuarial gain	1,947	18,926
Employers' contributions	2,028	19,705
Benefits paid	(1,642)	(15,963)
Other	35	343
Plan assets, at end of year	¥47,960	$465,996

(c) The reconciliation of the ending balances of benefit obligation and plan assets to liability for retirement benefits and asset for retirement benefits

	Millions of Yen	Thousands of U.S. Dollars
	2014	2014
Benefit obligation funded, at end of year	¥47,382	$460,379
Plan assets, at end of year	(47,960)	(465,996)
	(578)	(5,616)
Benefit obligation unfunded, at end of year	—	—
Net amount on the balance sheet	¥ (578)	$ (5,616)

	Millions of Yen	Thousands of U.S. Dollars
	2014	2014
Liability for retirement benefits	¥2,779	$27,010
Asset for retirement benefits	(3,357)	(32,626)
Net on balance sheet	¥ (578)	$ (5,616)

(d) Components of pension cost

	Millions of Yen	Thousands of U.S. Dollars
	2014	2014
Service cost	¥1,150	$11,177
Interest cost	533	5,183
Expected return on plan assets	(893)	(8,686)
Recognized actuarial loss	1,055	10,253
Amortization of prior service cost	(144)	(1,407)
Other retirement costs (nonactuarial-basis cost)	17	169
Pension cost related to defined benefit pension plan	¥1,717	$16,690

(e) Defined retirement benefit plan

Accumulated other comprehensive income on defined retirement benefit plan (before taxes) was as follows:

	Millions of Yen	Thousands of U.S. Dollars
	2014	2014
Unrecognized prior-service cost	¥ 1,303	$ 12,664
Unrecognized actuarial loss	(2,796)	(27,176)
Accumulated other comprehensive income on defined retirement benefit plan	¥(1,493)	$(14,511)

(f) Classification of plan assets by financial instruments

Components of plan assets on balance sheet were as follows:

	Ratios
	2014
Bonds	71%
Securities	21%
Short-term assets	3%
Other	5%
Total	100%

* Total plan assets include retirement benefit trust of 25% which was set up on corporate pension plans.

(g) Assumptions

Assumptions used to determine benefit obligations are set forth as follows:

	2014
Discount rate	1.0%–1.2%
Long-run expected rate of return on plan assets	2.0%

Defined Contribution Plans:

The amount of the required contribution to the defined contribution plans of the Company and certain consolidated subsidiaries was ¥291 million ($2,836 thousand).

Year Ended March 31, 2013

The liability for employees' retirement benefits as of March 31, 2013 consisted of the following:

	Millions of Yen
	2013
Projected benefit obligation	¥(47,041)
Fair value of plan assets	44,697
Unfunded projected benefit obligation	(2,343)
Unrecognized actuarial loss	4,340
Unrecognized prior service cost	(1,448)
Net liability recognized	548
Prepaid pension cost	1,818
Liability for employees' retirement benefits	¥ (1,269)

The components of retirement benefit costs for the years ended March 31, 2013 were as follows:

	Millions of Yen
	2013
Service cost	¥1,149
Interest cost	875
Expected return on plan assets	(623)
Amortization of prior service cost	(143)
Recognized actuarial loss	882
Other retirement costs (nonactuarial-basis cost)	228
Periodic retirement benefit costs	2,368
Gain on the transfer to a defined contribution plan	(877)
Net periodic retirement benefit costs	¥1,490

Assumptions used for the year ended March 31, 2013 are set forth as follows:

	2013
Discount rate	1.0%–1.2%
Expected rate of return on plan assets	2.0%
Amortization period of prior service cost	11 years
Recognition period of actuarial gain/loss	7–11 years

14. EQUITY

Japanese companies are subject to the Companies Act of Japan (the "Companies Act"). The significant provisions in the Companies Act that affect financial and accounting matters are summarized below:

a. Dividends

Under the Companies Act, companies can pay dividends at any time during the fiscal year in addition to the year-end dividend upon resolution at the shareholders meeting. For companies that meet certain criteria such as: (1) having the Board of Directors, (2) having independent auditors, (3) having the Board of Corporate Auditors, and (4) the term of service of the directors is prescribed as one year rather than two years of normal term by its articles of incorporation, the Board of Directors may declare dividends (except for dividends in kind) at any time during the fiscal year if the company has prescribed so in its articles of incorporation. The Company meets all the above criteria. The Board of Directors of companies with board committees (an appointment committee, compensation committee, and audit committee) can also declare dividends (except for dividends in kind) because such companies with board committees already, by nature, meet the above criteria under the Companies Act, even though such companies have an audit committee instead of the Board of Corporate Auditors. The Company is organized as a company with board committees. The limitation is defined as the amount available for distribution to the shareholders, but the amount of equity after dividends must be maintained at no less than ¥3 million.

The Companies Act permits companies to distribute dividends in-kind (noncash assets) to shareholders subject to certain limitations and additional requirements.

Semiannual interim dividends may also be paid once a year upon resolution by the Board of Directors if the articles of incorporation of the company so stipulate. The Companies Act provides certain limitations on the amounts available for dividends or the purchase of treasury stock.

b. Increases/Decreases and Transfer of Common Stock, Reserve, and Surplus

The Companies Act requires that an amount equal to 10% of dividends must be appropriated as a legal reserve (a component of retained earnings) or as additional paid-in capital (a component of capital surplus) depending on the equity account that was charged upon the payment of such dividends until the aggregate amount of the legal reserve and additional paid-in capital equals 25% of capital stock. Under the Companies Act, the total amount of additional paid-in capital and legal reserve may be reversed without limitation. The Companies Act also provides that capital stock, legal reserve, additional paid-in capital, other capital surplus, and retained earnings can be transferred among the accounts under certain conditions upon resolution of the shareholders.

c. Treasury Stock and Treasury Stock Acquisition Rights

The Companies Act also provides for companies to purchase treasury stock and dispose of such treasury stock by resolution of the Board of Directors. The amount of treasury stock purchased cannot exceed the amount available for distribution to the shareholders, which is determined by specific formula. Under the Companies Act, stock acquisition rights are presented as a separate component of equity. The Companies Act also provides that companies can purchase both treasury stock acquisition rights and treasury stock. Such treasury stock acquisition rights are presented as a separate component of equity or deducted directly from stock acquisition rights.

Capital Stock Changes during the Year

The changes in the number and class of shares issued and treasury stock for the year ended March 31, 2014 were as follows:

	Shares in thousands			
		Changes during the year		
	As of March 31, 2013	Increase	Decrease	As of March 31, 2014
Issued stock:				
Common stock	2,700	330,550*1, 2	—	333,250
Preferred stock:				
Class No. 1 preferred stock	20	—	20*3	—
Class No. 2 preferred stock	10	—	10*4	—
Total	2,730	330,550	30	333,250
Treasury stock:				
Preferred stock:				
Class No. 1 preferred stock	—	20*3	20	—
Class No. 2 preferred stock	—	10*4	10	—
Total	—	30	30	—

*1. On October 19, 2013, the Company made stock split by way of a free share distribution at the rate of 0.01 shares for each outstanding common stock. As a result, 267,300,000 shares were issued to shareholders of record.

*2. At the Board of Directors meeting held on November 14, 2013, and November 29, 2013, the Board of Directors approved the issuance of 55,000,000 shares for the public placement with the date of payment to be December 18, 2013. Also the Board of Directors approved to allocate newly issued common stocks of 8,250,000 shares to a third party, with the payment date of January 17, 2014, due to overallotment of secondary offering.

*3. On May 31, 2013, the Board of Directors authorized the treasury stock repurchase program. The Company repurchased 10,000 shares of Class No. 1 preferred stock as treasury stock on September 9, 2013, and retired that stock on the same day. Further, based on the repurchase clause stipulated in the Company's Articles of Incorporation, the Company repurchased 10,000 shares of Class No. 1 preferred stock as treasury stock on January 17, 2014, and retired that stock on the same day.

*4. Based on a repurchase clause stipulated in the Company's Articles of Incorporation, the Company repurchased 10,000 shares of Class No. 2 preferred stock as treasury stock on March 31, 2014, and retired that stock on the same day.

The changes in the number and class of shares issued and treasury stock for the year ended March 31, 2013 were as follows:

	Shares in thousands			
		Changes during the year		
	As of March 31, 2012	Increase	Decrease	As of March 31, 2013
Issued stock:				
Common stock	2,700	—	—	2,700
Preferred stock:				
Class No. 1 preferred stock	20	—	—	20
Class No. 2 preferred stock	10	—	—	10
Total	2,730	—	—	2,730

Cash Dividends per Share

Cash dividends per share for the years ended March 31, 2014 and 2013, were as follows:

Year ended March 31, 2014:

The following cash dividend payments were approved at the Board of Directors' meeting held on May 10, 2013 and May 12, 2014 :

Cash dividends approved at the Board of Directors' meeting held on May 10, 2013:	Total amount (Millions of Yen)	Per share amount (Yen)	Dividend record date	Effective date
Class No. 1 preferred stock	¥3,780	¥189,000.00	Mar. 31, 2013	Jun. 10, 2013
Class No. 2 preferred stock	1,890	189,000.00	Mar. 31, 2013	Jun. 10, 2013
Total	¥5,670			

Cash dividends approved at the Board of Directors' meeting held on May 10, 2013:	Total amount (Thousands of U.S. Dollars)	Per share amount (U.S. Dollars)	Dividend record date	Effective date
Class No. 1 preferred stock	$36,728	$1,836.38	Mar. 31, 2013	Jun. 10, 2013
Class No. 2 preferred stock	18,364	1,836.38	Mar. 31, 2013	Jun. 10, 2013
Total	$55,091			

Cash dividends approved at the Board of Directors' meeting held on May 12, 2014:	Total amount (Millions of Yen)	Per share amount (Yen)	Dividend record date	Effective date
Common stock	¥1,333	¥4.00	Mar. 31, 2014	Jun. 5, 2014
Total	¥1,333			

Cash dividends approved at the Board of Directors' meeting held on May 12, 2014:	Total amount (Thousands of U.S. Dollars)	Per share amount (U.S. Dollars)	Dividend record date	Effective date
Common stock	$12,952	$0.04	Mar. 31, 2014	Jun. 5, 2014
Total	$12,952			

Year ended March 31, 2013:

The following cash dividends payments were approved at the Board of Directors' meeting held on May 11, 2012:

	Total amount (Millions of Yen)	Per share amount (Yen)	Dividend record date	Effective date
Class No. 1 preferred stock	¥3,780	¥189,000.00	Mar. 31, 2012	Jun. 8, 2012
Class No. 2 preferred stock	1,890	189,000.00	Mar. 31, 2012	Jun. 8, 2012
Total	¥5,670			

15. STOCK OPTIONS

The Company's stock option plans grant options to directors and others to purchase certain shares of the Company's common stock in the respective exercise periods.

The stock options outstanding as of March 31, 2014, are as follows:

Stock option	Persons granted	Number of options granted (Shares)*1	Date of grant	Exercise price	Exercise period*2
2009 Stock option	6 directors and executive officers of the Company 10 directors and executive officers of the consolidated banking subsidiary 1,848 employees of the consolidated banking subsidiary	2,684,900	March 2, 2009	¥550	From March 1, 2011, to December 31, 2018
2010 Stock option	6 directors and executive officers of the Company 10 directors and executive officers of the consolidated banking subsidiary 1,878 employees of the consolidated banking subsidiary	2,698,700	January 4, 2010	550	From January 1, 2012, to December 31, 2018

*1. On October 19, 2013, the Company made a stock split by way of a free share distribution at the rate of 0.01 shares for each outstanding common stock. All share amounts of options granted in above table have been adjusted to reflect the stock split.

*2. The stock option agreement stipulates that stock options cannot be exercised until six months after the stock has been listed.

The stock option activity is as follows:

	2009 Stock option	2010 Stock option
For the year ended March 31, 2014		
Nonvested (shares):		
March 31, 2013 — outstanding	2,653,800	2,667,000
Granted	—	—
Canceled	1,200	1,100
Vested	—	—
March 31, 2014 — outstanding	2,652,600	2,665,900
Vested (shares):		
March 31, 2013 — outstanding	—	—
Vested	—	—
Exercised	—	—
Canceled	—	—
March 31, 2014 — outstanding	—	—

The Assumptions Used to Measure Fair Value of Stock Option

As the Company was an unlisted company when stock option rights were granted, they were measured at their intrinsic value because the fair value of stock option cannot be reliably estimated. The Company does not recognize relevant expenses since their fair value on the date of grant was zero. The amount of their intrinsic value as of March 31, 2014 and 2013, were nil.

16. PER COMMON SHARE INFORMATION

Reconciliation of the differences between basic and diluted net income per share ("EPS") for the years ended March 31, 2014 and 2013, was as follows:

	Yen		U.S. Dollars
	2014	2013	2014
Total equity per share	¥723.58	¥735.82	$7.03

Note: As noted in Note 2, the Company has applied ASBJ Statement No. 26, "Accounting Standard for Retirement Benefits" and ASBJ Guidance No. 25, "Guidance on Accounting Standard for Retirement Benefits," effective March 31, 2014 and followed the transitional treatment prescribed in Paragraph 37 of the Accounting Standard. As a result, total equity per share as of March 31, 2014 decreased by ¥2.88 ($0.02).

	Millions of Yen	Thousands of shares	Yen	U.S. Dollars
	Net income	Weighted-average shares*1	EPS	
Year Ended March 31, 2014				
Basic EPS — Net income available to common shareholders	¥20,073	287,343	¥69.85	$0.68
Effect of dilutive warrants	—	—	—	—
Diluted EPS — Net income for computation*2	—	—	—	—
Year Ended March 31, 2013				
Basic EPS — Net income available to common shareholders	¥ 9,735	270,000	¥36.05	
Effect of dilutive warrants	—	—	—	
Diluted EPS — Net income for computation*3	—	—	—	

*1. On October 19, 2013, the Company split its common stock at a ratio of 100 shares to one common share. As a result, fully diluted net income per share, basic EPS and diluted EPS has been calculated assuming that the stock split was made at the beginning of the year-ended March 31, 2013.

*2. With regard to diluted EPS in the year ended March 31, 2014, since the Company started to list its stock on Tokyo Stock Exchange on December 19, 2013, the average share price during the period from the date of listing until the year ended March 31, 2014, has been calculated as though it was the average share price for the fiscal year. However, since the average share price during the fiscal year did not exceed the exercise price and the shares did not dilute, diluted EPS is not shown because net income available to common shareholders does not decrease as a result of dilution.

*3. Diluted EPS in the year ended March 31, 2013, is not shown because the Company's stock was unlisted and so the average share price cannot be determined, even though dilutive common shares exist.

Total equity per share is calculated based on the following:

	Millions of Yen		Thousands of U.S. Dollars
	2014	2013	2014
Total equity	¥241,135	¥279,343	$2,342,940
Deductions from total equity:			
Preferred shares	—	75,000	—
Preferred dividends	—	5,670	—
Total	—	80,670	—
Total equity attributable to common shares	¥241,135	¥198,673	$2,342,940

	Number of shares in thousands	
	2014	2013
Number of common shares used in computing total equity per share at the year end	333,250	270,000

Net income per share for the years ended March 31, 2014 and 2013 is calculated based on the following:

	Millions of Yen		Thousands of U.S. Dollars
	2014	2013	2014
Net income	¥24,314	¥15,405	$236,248
Amount not attributable to common shareholders:			
Redemption of preferred stock	(4,240)	—	(41,205)
Preferred dividends	—	(5,670)	—
Net income attributable to common shares	¥20,073	¥ 9,735	$195,043

17. OTHER INCOME

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

	Millions of Yen		Thousands of U.S. Dollars
	2014	2013	2014
Gain on sales of stock and other securities	¥11,325	¥ 364	$110,045
Gain on disposal of fixed assets	4	222	46
Recoveries of write-off claims	1,631	1,358	15,856
Other	899	2,070	8,744
Total	¥13,862	¥4,016	$134,691

18. OTHER EXPENSES

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

	Millions of Yen		Thousands of U.S. Dollars
	2014	2013	2014
Write-off amount of loans	¥1,999	¥2,940	$19,430
Loss on sales of stocks and other securities	145	1,489	1,417
Loss on devaluation of stocks and other securities	0	113	10
Loss on sales of loans	612	302	5,950
Loss on disposal of fixed assets	39	276	386
Impairment losses	71	177	692
Other	1,098	643	10,675
Total	¥3,968	¥5,943	$38,559

19. INCOME TAXES

The Group is subject to Japanese national and local income taxes, which, in the aggregate, resulted in a normal effective statutory tax rate of approximately 37.8% for the years ended March 31, 2014 and 2013.

The tax effects of significant temporary differences and loss carry forwards, which result in deferred tax assets and liabilities as of March 31, 2014 and 2013, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2014	2013	2014
Deferred tax assets:			
Tax loss carryforwards	¥ 6,542	¥13,346	$ 63,570
Liability for retirement benefits	7,113	7,111	69,114
Allowance for loan losses	16,080	16,039	156,243
Write-offs of securities	14,088	16,769	136,884
Other	5,342	6,168	51,908
Subtotal deferred tax assets	49,166	59,435	477,719
Less valuation allowance	(37,005)	(46,851)	(359,553)
Total deferred tax assets	12,161	12,583	118,166
Deferred tax liabilities:			
Unrealized gains on available-for-sale securities	9,255	9,412	89,932
Property revaluations in preparing consolidated financial statements	858	861	8,337
Other	20	18	195
Total deferred tax liabilities	10,133	10,291	98,463
Net deferred tax assets	¥ 2,027	¥ 2,292	$ 19,703

A reconciliation between the normal effective statutory tax rate and the actual effective tax rate reflected in the accompanying consolidated statements of income for the years ended March 31, 2014 and 2013, was as follows:

	2014	2013
Normal effective statutory tax rate	37.8%	37.8%
Change in valuation allowance	(34.0)	(248.0)
Dividends exempted from taxation	(20.8)	(31.2)
Expire of tax loss carryforwards	—	208.3
Effect of change in income tax rate	(1.2)	—
Consolidation adjustments, such as amortization of goodwill	29.7	46.0
Adjustments, such as residential tax on a per capita basis	0.3	0.5
Expenses that are not deductible for income tax purposes	0.3	1.6
Other — net	0.8	1.2
Actual effective tax rate	12.9%	16.2%

On March 31, 2014, a tax reform law was enacted in Japan that changed the normal effective statutory tax rate from approximately 37.8% to 35.4%, effective for years beginning on or after April 1, 2014. As the result of this rate change, deferred tax assets in the consolidated balance sheet as of March 31, 2014 decreased by ¥330 million ($3,215 thousand), and increased income taxes-deferred in the consolidated statement of income for the year then ended by ¥330 million ($3,215 thousand).

20. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

(1) Group Policies for Financial Instruments

The Group provides various financial services centering on banking business. The Company is a bank-holding company and financed by subordinate debts to acquire shares of the consolidated banking subsidiary, the Ashikaga Bank Co., Ltd. As the central business operation of the Group, the consolidated banking subsidiary raises funds by deposits as its basic function as a bank; the consolidated banking subsidiary also procures funds by call money transactions from short-term markets to maintain an adequate degree of liquidity. The consolidated banking subsidiary manages those funds lending to company customers and individuals, such as mortgages and investing securities, mainly bonds, and lending to counterparties in short-term markets.

The Group utilizes Asset Liability Management ("ALM") to avoid unfavorable floating interest rate fluctuations of financial assets and liabilities it holds. As a part of ALM, the Group has entered into derivative transactions.

(2) Nature and Extent of Risks Arising from Financial Instruments

The Group's financial assets are mainly loans made by the consolidated banking subsidiary to domestic corporations and individuals in Japan. These loans are exposed to not only interest rate fluctuation risks but also customers' credit risks. Securities and investment securities such as bonds, stocks, and investment trusts are held to their maturity dates to generate stable interest income to promote business relationships with issuers. These securities are exposed to the issuers' credit risks, interest rate fluctuation risks, and market price fluctuation risks.

The Group's main financial liabilities are deposits received by the consolidated banking subsidiary. These deposits are exposed to interest rate fluctuation risks and liquidity risks. Subordinated debts raised by the Company and other borrowed money raised by the consolidated banking subsidiary are exposed to the risks that the Group may not be able to repay them on their maturity dates if, under certain circumstances, the Group is not able to access to a capital market.

The consolidated banking subsidiary utilizes derivative transactions to hedge the customers' interest and currency risks, to control the interest rate fluctuation risks in ALM, and to treat as the alternative way of on-balance-asset management under the appropriate risk control. Derivatives mainly include interest-rate swaps, currency swaps, and bond futures, and are exposed to the interest rate fluctuation risks, market price fluctuation risks, foreign exchange fluctuation risks, and credit risks.

Hedge accounting is applied to certain derivatives that address currency rate fluctuation risks.

The consolidated banking subsidiary applies deferral hedge accounting based on the rules of the JICPA Industry Audit Committee Report No. 25 for currency swaps and funding swaps used for the purpose of currency exchange. Under deferral hedge accounting, hedged items are identified by grouping the foreign currency-denominated financial assets and liabilities by currencies and designating derivative transactions, such as currency swap transactions and foreign exchange swaps, as hedging instruments. Hedge effectiveness is reviewed by comparing the total foreign currency position of the hedged items and hedging instrument by currency.

In addition, the Company conducts interest rate swaps whose purpose is to offset the market fluctuations of securities held in "Available-for sale securities" and uses deferred hedges. Regarding swaps that meet the requirements for the special treatment of interest rate swaps, the Company continues to verify whether they meet special requirements with "post testing."

Derivative transactions that do not qualify for hedge accounting are exposed to interest rate fluctuation risks, foreign exchange rate fluctuation risks, price fluctuation risks, and credit risks.

(3) Risk Management for Financial Instruments

(a) Credit risk management

The Group has implemented and operated the credit control system that includes credit review of each individual loan application, establishing credit limits, managing credit information, internal credit rating, securing adequate guarantees and collaterals, and handling troubled loans. The credit control management is performed by the Credit Supervising Division I and the Credit Supervising Division II as well as at each banking office of the consolidated banking subsidiary. In addition, those credit information and matters are regularly reported to and discussed by the Credit Portfolio Meeting and the Board of Directors. The Internal Audit Division monitors the status of credit management.

To monitor the credit risks of security issuers and counterparty risks of derivatives, the International and Treasury Administration Division of the consolidated banking subsidiary regularly obtains and reviews relevant credit and fair value information.

(b) Market risk management

(i) Interest risk management

The Group manages risks of interest rate fluctuations by ALM. Risk management policies and procedures are prescribed in relevant ALM rules and manuals and any policies decided to be implemented are closely monitored and regularly discussed in the ALM Meeting. The Company's Risk Management Group in Business Administration Department maintains comprehensive information of interest rates and durations of financials assets and liabilities, performs gap analyses and the interest rate sensitive analyses, and reports monthly results to the ALM Meeting. The Group utilizes derivative transactions, such as interest rate swaps, to hedge the interest rate fluctuation risks.

(ii) Currency risk management

The International and Treasury Administration Division of the consolidated banking subsidiary manages the subsidiary's foreign exchange positions and hedges the risks of exchange rate fluctuations by using derivative transactions, such as funding swaps.

(iii) Price fluctuation risk management

The Group manages investment instruments, including securities, in accordance with security investment and market risk management policies and procedures after certain policies are determined in the ALM Meeting. The International and Treasury Administration Division of the consolidated banking subsidiary reduces the price fluctuation risks through advance screening, establishing investment limits, and constant monitoring. The Group holds most stocks for the purpose of business promotion and regularly monitors financial conditions of issuers.

Such financial conditions of the issuers are regularly reported to the Board of Directors and the ALM Meeting by the Risk Management Division and the International and Treasury Administration Division.

The Risk Management Division and the International and Treasury Administration Division monitor its market risk quantity of derivative transactions relating to securities, currencies, and interest rates using value at risk ("VaR"), and monitor its compliance with the aforementioned policies and procedures.

(iv) Derivative transactions

The consolidated banking subsidiary has established separate Divisions to manage derivative transactions in order to achieve proper internal controls. Each Division is separately responsible for executing the transactions, assessing effectiveness of the hedge transactions, or managing business administration. It also engages the derivative transactions in accordance with the aforementioned market risk management policies and procedures.

(v) Market risk quantitative information

Financial instruments exposed to major risk factors, such as interest rate risk and price fluctuation risk, are mainly "Loans and bills discounted," "Securities," "Deposits," "Negotiable certificates of deposit," subordinate debts of "Borrowed money," and "Derivatives." The Group performs quantitative analysis on these financial instruments held by the consolidated banking subsidiary and utilizes its results to allocate risk capital and control market risks. The Company and subsidiaries other than the consolidated banking subsidiary do not perform quantitative analysis.

① Financial instruments held by the consolidated banking subsidiary

a. "Loans and bills discounted," yen-denominated bonds of "Securities," "Deposits," and "Negotiable certificates of deposit"

The consolidated banking subsidiary classifies its financial assets and financial liabilities into a fixed interest rate group and a floating interest rate group in its quantitative analysis. In each group, the financial assets and liabilities are disaggregated by each interest due date and analyzed effects of interest fluctuations by period. If all risk factors, other than an interest rate, are constant and the interest rate is assumed to be increased by 10 basis points (0.10%), the net fair value of financial assets after offsetting with financial liabilities decreases by ¥1,260 million ($12,247 thousand). As previously mentioned, this net fair value amount is obtained assuming that all risk factors are constant except for the interest rate, and no correlation between the interest rate and other risk factors was considered. If the interest rate fluctuates more than 10 basis points (0.10%), the impact may be greater than the net fair value amount above.

The consolidated banking subsidiary considers those liquid deposits of "Deposit" that have no activities for certain periods as "core" deposits and manages the interest rate risk by categorizing them to maturity periods of up to 10 years.

b. Financial instruments excepting a.

The Group performs quantitative analysis using VaR. For the calculation of VaR, the consolidated banking subsidiary uses the variance-covariance method (holding period: appropriate period depends on the nature of the instruments from one month to six months, confidence interval: 99.0%, observation period: one year). The simple aggregated VaR of each instrument is ¥30,460 million ($295,958 thousand) as of March 31, 2014.

The Group carries out back testing to compare the VaR calculated based on the above model with hypothetical profits and losses calculated assuming that all positions were fixed at the point of the risk amount measurement. It should be noted that VaR measures the amount of market risk at certain probability levels statistically calculated based on historical market fluctuations; therefore, there may be cases where market risks cannot be captured in such situations when market conditions are changing dramatically beyond what was historically experienced.

② Financial instruments held by the Company and subsidiaries other than the consolidated banking subsidiary

Financial instruments held by the Company and subsidiaries other than the consolidated banking subsidiary, which are affected by interest risk, are subordinate debts of "Borrowed money." If all risk factors, other than an interest rate, are constant, the fair value of the financial liabilities decreases by ¥377 million ($3,666 thousand) when the interest rate increases by 10 basis points (0.10%). As previously mentioned, this fair value amount is obtained assuming that all risk factors are constant except for the interest rate, and no correlation between the interest rate and other risk factors was considered. If the interest rate fluctuates more than 10 basis points (0.10%), the impact may be greater than the fair value amount above.

(c) Liquidity risk management

The Group carries out adequate timely cash management through the ALM Meeting, and also manages the liquidity risks by diversifying financing methods, and balancing long-term and short-term funding with the consideration of market environment.

(4) Supplementary Explanation on Fair Values of Financial Instruments

The fair values of financial instruments are based on their market prices and, in cases, where market prices are not readily available, reasonably calculated prices. Such prices have been calculated using certain assumptions and may differ if calculated based on different assumptions.

(5) Fair Values of Financial Instruments

(a) Fair value of financial instruments

	Millions of Yen		
March 31, 2014	Carrying amount	Fair value	Unrealized gains
(1) Cash and due from banks	¥ 344,369	¥ 344,369	¥ —
(2) Call loans and bills bought	1,520	1,520	—
(3) Monetary claims bought	8,167	8,167	—
(4) Trading account securities — Securities held for trading purposes	4,266	4,266	—
(5) Securities:			
Held-to-maturity securities	97,695	105,638	7,942
Available-for-sale securities	1,076,866	1,076,866	—
(6) Loans and bills discounted	3,958,083		
Allowance for loan losses*1	(43,918)		
Net	3,914,164	3,953,082	38,918
Total assets	¥5,447,051	¥5,493,912	¥46,860
(1) Deposits	¥4,943,137	¥4,947,496	¥ 4,359
(2) Negotiable certificates of deposit	171,040	171,100	59
(3) Call money and bills sold	6,175	6,175	—
(4) Payables under securities lending transactions	5,965	5,965	—
(5) Borrowed money	180,644	181,947	1,302
Total liabilities	¥5,306,963	¥5,312,685	¥ 5,721
Derivative instruments*2 —			
Hedge accounting is not applied	¥ 451	¥ 451	¥ —
Hedge accounting is applied	(129)	(129)	—
Total derivative instruments	¥ 322	¥ 322	¥ —

	Millions of Yen		
March 31, 2013	Carrying amount	Fair value	Unrealized gains
(1) Cash and due from banks	¥ 197,870	¥ 197,870	¥ —
(2) Call loans and bills bought	129,460	129,460	—
(3) Monetary claims bought	8,661	8,661	—
(4) Trading account securities — Securities held for trading purposes	4,288	4,288	—
(5) Securities:			
Held-to-maturity securities	99,646	107,504	7,858
Available-for-sale securities	1,085,314	1,085,314	—
(6) Loans and bills discounted	3,775,974		
Allowance for loan losses*1	(42,830)		
Net	3,733,143	3,776,651	43,507
Total assets	¥5,258,385	¥5,309,751	¥51,365
(1) Deposits	¥4,745,811	¥4,751,630	¥ 5,818
(2) Negotiable certificates of deposit	150,927	151,002	74
(3) Payables under securities lending transactions	71,951	71,951	—
(4) Borrowed money	121,704	124,114	2,409
Total liabilities	¥5,090,395	¥5,098,698	¥ 8,303
Derivative instruments*2 —			
Hedge accounting is not applied	¥ 671	¥ 671	¥ —
Hedge accounting is applied	(210)	(210)	—
Total derivative instruments	¥ 461	¥ 461	¥ —

*1. Allowances for loan losses relevant to loans and bills discounted have been deducted. Allowances for loan losses relevant to monetary claims bought are excluded from the consolidated balance sheet amounts directly due to its immateriality.

*2. Derivative instruments include derivative transactions both in other assets and liabilities. Derivative instruments are presented as net of assets and liabilities associated with derivative transactions.

	Thousands of U.S. Dollars		
March 31, 2014	Carrying amount	Fair value	Unrealized gains
(1) Cash and due from banks	$ 3,345,992	$ 3,345,992	$ —
(2) Call loans and bills bought	14,776	14,776	—
(3) Monetary claims bought	79,362	79,362	—
(4) Trading account securities — Securities held for trading purposes	41,451	41,451	—
(5) Securities:			
Held-to-maturity securities	949,241	1,026,411	77,170
Available-for-sale securities	10,463,146	10,463,146	—
(6) Loans and bills discounted	38,457,863		
Allowance for loan losses*1	(426,727)		
Net	38,031,136	38,409,277	378,141
Total assets	$52,925,104	$53,380,415	$455,310
(1) Deposits	$48,028,926	$48,071,283	$ 42,357
(2) Negotiable certificates of deposit	1,661,882	1,662,461	579
(3) Call money and bills sold	60,000	60,000	—
(4) Payables under securities lending transactions	57,966	57,966	—
(5) Borrowed money	1,755,194	1,767,851	12,657
Total liabilities	$51,563,968	$51,619,560	$ 55,592
Derivative instruments*2 —			
Hedge accounting is not applied	$ 4,390	$ 4,390	$ —
Hedge accounting is applied	(1,258)	(1,258)	—
Total derivative instruments	$ 3,131	$ 3,131	$ —

*1. Allowances for loan losses relevant to loans and bills discounted have been deducted. Allowances for loan losses relevant to monetary claims bought are excluded from the consolidated balance sheet amounts directly due to its immateriality.

*2. Derivative instruments include derivative transactions both in other assets and liabilities. Derivative instruments are presented as net of assets and liabilities associated with derivative transactions.

Assets

(1) Cash and due from banks

The carrying amounts of due from banks with no maturities approximate fair values. For due from banks with maturities, the carrying amounts approximate fair values because they have short maturities of one year or less.

(2) Call loans and bills bought

The carrying amounts of call loans and bills bought and monetary claims bought approximate fair values because they have short contract terms of one year or less.

(3) Monetary claims bought

Refer to (2) Call loans and bills bought.

(4) Trading account securities

The fair values of securities held for trading purposes are measured at the market price or the quoted price obtained from financial institutions.

(5) Securities

The fair values of marketable equity securities are measured at the quoted market price of the stock exchange for equity instruments. Fair values of bonds are measured at the market price or the quoted price obtained from financial institutions. Fair values of investment trusts are measured at the quoted price.

The fair values of private placement bonds are determined by discounting future cash flows at the rate that consists of the risk-free rate and the credit risk premium that corresponds to the internal credit rating.

(6) Loans and bills discounted

The carrying amounts of loans and bills discounted with floating interest rates approximate fair value as long as customers' credit risks have not changed significantly after lending because the market rates are promptly reflected in the floating interest rates.

The fair values of loans and bills discounted with fixed interest rates are determined by discounting the principal and interest amount with the interest rate used for new loans for each category of loan, internal credit rating, and loan period. The carrying amounts of loans and bills discounted with maturity less than one year approximate fair value because of their short maturities.

For loans to obligors "legal bankruptcy," "virtual bankruptcy," and "possible bankruptcy," a reserve is provided based on the discounted cash flow method or based on amounts expected to be collected through the disposal of collateral or execution of guarantees. The carrying value net of the reserve as of the consolidated balance sheet date is a reasonable estimate of the fair values of those loans.

The carrying amounts of loans and bills discounted that do not have fixed maturities due to loan characteristics, such as limited loan amounts within the value of pledged assets, approximate fair value due to their expected repayment periods and interest rate conditions.

Liabilities

(1) Deposits

The fair values of demand deposits are recognized as the payment at the date of the consolidated balance sheet. The fair values of time deposit and negotiable certificates of deposit are determined by discounting the contractual cash flows grouped by the remaining duration at the rates that would be applied for similar new contracts.

(2) Negotiable certificates of deposit

Refer to (1) Deposits.

(3) Call money and bills sold

The carrying amounts of call money and bills sold, and payables under securities lending transactions approximate fair values because they have short maturities of one year or less.

(4) Payables under securities lending transactions

Refer to (3) Call money and bills sold.

(5) Borrowed Money

The fair value of borrowed money with fixed interest rates is determined by discounting the principal and interest amount grouped by the remaining duration at the rate that would be applied for similar new contracts. The carrying amount of borrowed money with maturity of less than one year approximates fair value because of its short maturity period.

Derivatives

Derivative transactions consist of interest rate derivatives (swaps), currency derivatives (currency futures, options, and swaps), and bond derivatives (bond futures). The fair values of derivative instruments are measured at the market price or determined using the discounted cash flow method or option-pricing model.

(b) Financial instruments whose fair value cannot be reliably determined

	Carrying amount		
	Millions of Yen		Thousands of U.S. Dollars
	2014	2013	**2014**
Equity securities without readily available market price*1*3	**¥1,482**	¥1,382	**$14,408**
Investments in partnerships*2	**424**	567	**4,121**
Total	**¥1,907**	¥1,949	**$18,529**

*1. Equity securities without readily available market price are out of the scope of the fair value disclosure because their fair values cannot be reliably determined.

*2. Investments in partnerships, the assets of which comprise equity securities without readily available market price, are out of the scope of the fair value disclosure.

*3. During the years ended March 31, 2014 and 2013, impairment losses on equity securities without readily available market price of ¥0 million ($10 thousand) and ¥1 million, respectively, were recognized.

(6) Maturity Analysis for Financial Assets and Liabilities with Contractual Maturities

March 31, 2014	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 five years through 10 years	Due after 10 years
Due from banks	¥ 285,430	¥ —	¥ —	¥ —	¥ —	¥ —
Call loans and bills bought	1,520	—	—	—	—	—
Monetary claims bought	8,180	—	—	—	—	—
Securities:	194,735	248,956	148,871	78,611	224,365	161,545
Held-to-maturity securities	2,000	21,000	2,000	23,000	—	50,000
Japanese national government bonds	—	—	—	23,000	—	50,000
Japanese corporate bonds	1,000	7,000	2,000	—	—	—
Other	1,000	14,000	—	—	—	—
Available-for-sale securities with contractual maturities	192,735	227,956	146,870	55,611	224,365	111,545
Japanese national government bonds	40,700	40,000	30,000	25,000	145,000	70,000
Japanese local government bonds	61,847	51,397	39,963	29,653	69,073	—
Japanese corporate bonds	84,187	95,283	35,497	957	—	41,545
Other	6,000	41,275	41,408	—	10,292	—
Loans and bills discounted*1	906,460	786,311	512,815	329,066	385,609	874,617
Total	¥1,396,327	¥1,035,267	¥661,685	¥407,677	¥609,974	¥1,036,162

March 31, 2013	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 five years through 10 years	Due after 10 years
Due from banks	¥ 197,870	¥ —	¥ —	¥ —	¥ —	¥ —
Call loans and bills bought	129,460	—	—	—	—	—
Monetary claims bought	8,664	—	—	—	—	—
Securities:	213,877	334,612	198,492	51,167	170,527	120,775
Held-to-maturity securities	1,000	10,000	16,000	7,000	16,000	50,000
Japanese national government bonds	—	—	—	7,000	16,000	50,000
Japanese corporate bonds	—	8,000	2,000	—	—	—
Other	1,000	2,000	14,000	—	—	—
Available-for-sale securities with contractual maturities	212,877	324,612	182,492	44,167	154,527	70,775
Japanese national government bonds	35,000	50,700	60,000	20,000	135,000	50,000
Japanese local government bonds	117,240	95,771	50,679	22,008	18,117	—
Japanese corporate bonds	60,636	143,120	47,229	2,159	—	20,775
Other	—	35,021	24,583	—	1,410	—
Loans and bills discounted*2	948,494	705,874	546,371	267,874	359,223	779,217
Total	¥1,498,367	¥1,040,486	¥744,864	¥319,041	¥529,750	¥899,992

March 31, 2014	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 five years through 10 years	Due after 10 years
Due from banks	$ 2,773,320	$ —	$ —	$ —	$ —	$ —
Call loans and bills bought	14,776	—	—	—	—	—
Monetary claims bought	79,488	—	—	—	—	—
Securities:	1,892,103	2,418,928	1,446,465	763,811	2,179,995	1,569,618
Held-to-maturity securities	19,433	204,042	19,433	223,475	—	485,814
Japanese national government bonds	—	—	—	223,475	—	485,814
Japanese corporate bonds	9,716	68,014	19,433	—	—	—
Other	9,716	136,028	—	—	—	—
Available-for-sale securities with contractual maturities	1,872,670	2,214,886	1,427,033	540,336	2,179,995	1,083,804
Japanese national government bonds	395,453	388,651	291,489	242,907	1,408,861	680,140
Japanese local government bonds	600,929	499,395	388,298	288,123	671,134	—
Japanese corporate bonds	817,990	925,798	344,907	9,306	—	403,664
Other	58,298	401,042	402,340	—	100,000	—
Loans and bills discounted*1	8,807,430	7,640,022	4,982,657	3,197,299	3,746,687	8,498,028
Total	$13,567,118	$10,058,950	$6,429,122	$3,961,109	$5,926,682	$10,067,645

*1. As of March 31, 2014, loans and bills discounted with no contractual maturities amounting to ¥103,313 million ($1,003,824 thousand) and loans and bills discounted whose cash flow cannot be estimated, such as "legal bankruptcy," "virtual bankruptcy," and "possible bankruptcy" loans, amounting to ¥70,899 million ($688,879 thousand) are not included.

*2. As of March 31, 2013, loans and bills discounted with no contractual maturities amounting to ¥100,595 million and loans and bills discounted whose cash flow cannot be estimated, such as "legal bankruptcy," "virtual bankruptcy" and "possible bankruptcy" loans, amounting to ¥82,575 million are not included.

March 31, 2014	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 10 years
Deposits*1	¥4,474,995	¥390,309	¥ 74,944	¥ 1,519	¥1,370
Negotiable certificates of deposit	171,040	—	—	—	—
Borrowed money*2	41,144	59,500	40,000	30,000	—
Total	¥4,687,180	¥449,809	¥114,944	¥31,519	¥1,370

March 31, 2013	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 10 years
Deposits*1	¥4,222,302	¥438,254	¥82,006	¥1,915	¥1,334
Negotiable certificates of deposit	150,927	—	—	—	—
Borrowed money*3	111,704	—	—	—	—
Total	¥4,484,934	¥438,254	¥82,006	¥1,915	¥1,334

March 31, 2014	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 10 years
Deposits*1	$43,480,325	$3,792,353	$ 728,177	$ 14,759	$13,311
Negotiable certificates of deposit	1,661,882	—	—	—	—
Borrowed money*2	399,772	578,119	388,651	291,489	—
Total	$45,541,979	$4,370,472	$1,116,829	$306,248	$13,311

*1. The cash flow of demanded deposits is included in "Due in one year or less."
*2. As of March 31, 2014, perpetual subordinated borrowings with no contractual maturities amounting to ¥10,000 million ($97,163 thousand) is not included.
*3. As of March 31, 2013, perpetual subordinated borrowings with no contractual maturities amounting to ¥10,000 million is not included.

21. DERIVATIVE INFORMATION

Derivative Transactions to Which Hedge Accounting Is Not Applied at March 31, 2014 and 2013

With respect to derivatives to which hedge accounting is not applied, contract amount or notional principal, fair value and the related valuation gains (losses) at the fiscal year end date by transaction type and valuation method of fair value are as follows: Note that contract amounts do not represent the market risk exposure associated with derivatives.

Consolidated banking subsidiary had the following derivative contracts, which were quoted on listed exchanges, outstanding as of March 31, 2014 and 2013, as follows:

March 31, 2014	Millions of Yen Contract amount	Contract amount due after one year	Fair value	Unrealized gains/losses	Thousands of U.S. Dollars Contract amount	Contract amount due after one year	Fair value	Unrealized gains/losses
Bond contracts —								
Futures written	¥3,908	¥—	¥3	¥3	$37,974	$—	$34	$34

March 31, 2013	Millions of Yen Contract amount	Contract amount due after one year	Fair value	Unrealized gains/losses
Bond contracts —				
Futures written	¥870	¥—	¥(2)	¥(2)

Notes: 1. The transactions above are stated at fair value and the related valuation gains (losses) is reported in the consolidated statements of income.
2. Fair values of transactions listed on exchange are calculated using the last quoted market price at the Osaka Financial Exchange (Tokyo Exchange in 2013).

Consolidated banking subsidiary had the following derivative contracts, which were not quoted on listed exchanges, outstanding as of March 31, 2014 and 2013, as follows:

	Millions of Yen				Thousands of U.S. Dollars			
March 31, 2014	Contract amount	Contract amount due after one year	Fair value	Unrealized gains/losses	Contract amount	Contract amount due after one year	Fair value	Unrealized gains/losses
Interest rate contracts:								
Interest rate swaps:								
Receive fixed and pay floating	¥ 200	¥ 200	¥ 0	¥ 0	$ 1,943	$ 1,943	$ 5	$ 5
Foreign exchange:								
Currency swaps	248,624	168,917	448	448	2,415,707	1,641,249	4,357	4,357
Forward exchange contracts written	2,304	—	(3)	(3)	22,390	—	(31)	(31)
Forward exchange contracts purchased	800	—	2	2	7,775	—	25	25
Total	—	—	¥447	¥447	—	—	$4,350	$4,350

	Millions of Yen			
March 31, 2013	Contract amount	Contract amount due after one year	Fair value	Unrealized gains/losses
Foreign exchange:				
Currency swaps	¥280,843	¥224,159	¥648	¥648
Forward exchange contracts written	3,413	—	(23)	(23)
Forward exchange contracts purchased	680	—	48	48
Total	—	—	¥674	¥674

Notes: 1. The transactions above are stated at fair value and the related valuation gain (loss) is reported in the consolidated statements of income.
2 .Fair values of transactions above are calculated using the discounted present value method.

Derivative Transactions to Which Hedge Accounting Is Applied at March 31, 2014 and 2013

With respect to derivatives to which hedge accounting is applied, contract amount or notional principal and fair value at the fiscal year end date by transaction type and hedge accounting method and valuation method of fair value are as follows: Note that contract amounts do not represent the market risk exposure associated with derivatives.

Consolidated banking subsidiary had the following derivative contracts, which were not quoted on listed exchanges, outstanding as of March 31, 2014 and 2013, as follows:

		Millions of Yen			Thousands of U.S. Dollars		
March 31, 2014	Hedged Item	Contract amount	Contract amount due after one year	Fair value	Contract amount	Contract amount due after one year	Fair value
Interest rate contracts:							
Interest rate swaps:							
Receive fixed and pay floating	Bonds (available-for-sale securities)	¥50,000	¥50,000	¥(56)	$485,814	$485,814	$(547)
Foreign exchange:							
Forward exchange contracts	Loans, deposits, due from banks, etc., which are denominated in foreign currencies	10,292	—	(73)	100,000	—	(711)

		Millions of Yen		
March 31, 2013	Hedged Item	Contract amount	Contract amount due after one year	Fair value
Interest rate contracts:				
Interest rate swaps:				
Receive fixed and pay floating	Bonds (available-for-sale securities)	¥50,000	¥50,000	¥(210)

Notes: 1. These derivatives are accounted for using the deferred hedge accounting.
2. Fair values of transactions above are calculated using the discounted present value method.

22. OTHER COMPREHENSIVE (LOSS) INCOME

The components of other comprehensive (loss) income for the years ended March 31, 2014 and 2013 were as follows;

	Millions of Yen		Thousands of U.S. Dollars
	2014	2013	2014
Unrealized gain on available-for-sale securities			
Gains arising during the year	¥10,086	¥22,124	$ 98,001
Reclassification adjustments to profit or loss	(11,967)	(4,356)	(116,276)
Amount before income tax effect	(1,880)	17,767	(18,274)
Income tax effect	156	(4,797)	1,518
Total	¥ (1,724)	¥12,969	$ (16,756)
Deferred losses on hedges			
Gains arising during the year	¥ (79)	¥ (278)	$ (771)
Reclassification adjustments to profit or loss	236	73	2,299
Amount before income tax effect	157	(205)	1,528
Income tax effect	(55)	72	(540)
Total	¥ 101	¥ (132)	$ 987
Total other comprehensive (loss) income	¥ (1,622)	¥12,837	$ (15,769)

23. SEGMENT INFORMATION

For the years ended March 31, 2014 and 2013

Under the ASBJ revised ASBJ Statement No. 17, "Accounting Standard for Segment Information Disclosures" and issued ASBJ Guidance No. 20, "Guidance on Accounting Standard for Segment Information Disclosures." Under the standard and guidance, an entity is required to report financial and descriptive information about its reportable segments. Reportable segments are operating segments or aggregations of operating segments that meet specified criteria. Operating segments are components of an entity about which separate financial information is available and such information is evaluated regularly by the chief operating decision maker in deciding how to allocate resources and in assessing performance. Generally, segment information is required to be reported on the same basis as is used internally for evaluating operating segment performance and deciding how to allocate resources to operating segments.

The Group engages in the business of banking and other related activities, such as credit card. Segment information is not disclosed due to immateriality of businesses other than banking.

Other segment related information:

1) Information by services

	Millions of Yen			
March 31, 2014	Lending operations	Investment operations	Other	Total
Ordinary income from external customers	¥57,751	¥25,228	¥25,089	¥108,069

	Millions of Yen			
March 31, 2013	Lending operations	Investment operations	Other	Total
Ordinary income from external customers	¥59,634	¥14,873	¥23,881	¥98,389

	Thousands of U.S. Dollars			
March 31, 2014	Lending operations	Investment operations	Other	Total
Ordinary income from external customers	$561,130	$245,128	$243,772	$1,050,030

2) Information by geographic region

Since the ordinary income and total tangible fixed assets attributable to the "Japan" segment account for more than 90% of the total of all geographic segments, geographical segment information has not been presented.

3) Information by major customers

Since there has been no specific customer to which the Group sells more than 10% of total ordinary income on the consolidated statements of income, information on major customers has not been presented.

4) Information on loss on impairment of fixed assets by reportable segment

Information on loss on impairment of fixed assets is not disclosed due to immateriality.

5) Information on amortization and unamortized balance of goodwill by reportable segment

Information on amortization and unamortized balance of goodwill is not disclosed due to immateriality.

6) Information on gain on negative goodwill by reportable segment

Not applicable.

24. RELATED PARTY TRANSACTIONS

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

(1) Transactions between the Company and its related parties

a. Company and major share holders

There was no applicable transaction to be reported for the years ended March 31, 2014 and 2013

b. Unconsolidated subsidiaries and affiliates

There was no applicable transaction to be reported for the years ended March 31, 2014 and 2013

c. Companies that are owned by the same parent company with the Company and other affiliates' subsidiaries

There was no applicable transaction to be reported for the years ended March 31, 2014 and 2013

d. Directors or major individual shareholders

There was no applicable transaction to be reported for the years ended March 31, 2014 and 2013

(2) Transactions between subsidiaries of the Company and its related parties

a. Company and major shareholders

There was no applicable transaction to be reported for the years ended March 31, 2014 and 2013

b. Unconsolidated subsidiaries and affiliates

There was no applicable transaction to be reported for the years ended March 31, 2014 and 2013

c. Companies that are owned by the same parent with the Company and other affiliates' subsidiaries

There was no applicable transaction to be reported for the years ended March 31, 2014 and 2013

d. Directors or major individual shareholders

Year ended March 31, 2014

Type	Name	Location	Capital (Millions of Yen)	Business	Ownerships	Relationship	Transactions	Transaction amount (Millions of Yen)*1	Account	Outstanding balance (Millions of Yen)
Company whose voting rights are majority owned by a director or its close relatives	ITATSU CO., LTD.*2*3	Tochigi	¥30	Wholesale	None	Loans	Loan	¥582	Loans and bills discounted	¥659
	Ryomo Seihin Toso Co., Ltd.*2*4	Gunma	20	Manufacturing	None	Loans	Loan	22	Loans and bills discounted	20

Terms and conditions on transactions and transaction policy:

Notes: 1. Transaction amounts were reported at the average balance for the period.
2. The interest rate on loans is reasonably determined considering the market rate.
3. Company whose voting rights are majority owned by a close relative of Mr. Toshio Itabashi, an outside director of the Company.
4. Company whose voting rights are majority owned by ITATSU Co., LTD.
5. Transaction amounts do not include consumption taxes.

Year ended March 31, 2013

Type	Name	Location	Capital (Millions of Yen)	Business	Ownerships	Relationship	Transactions	Transaction amount (Millions of Yen)*1	Account	Outstanding balance (Millions of Yen)
Company whose voting rights are majority owned by a director or its close relatives	ITATSU CO., LTD.*2*3	Tochigi	¥30	Wholesale	None	Loans	Loan	¥585	Loans and bills discounted	¥651
	Ryomo Seihin Toso Co., Ltd.*2*4	Gunma	20	Manufacturing	None	Loans	Loan	18	Loans and bills discounted	26

Terms and conditions on transactions and transaction policy:

Notes: 1. Transaction amounts were reported at the average balance for the period.
2. The interest rate on loans is reasonably determined considering the market rate.
3. Company whose voting rights are majority owned by a close relative of Mr. Toshio Itabashi, an outside director of the Company.
4. Company whose voting rights are majority owned by ITATSU Co., LTD.
5. Transaction amounts do not include consumption taxes.

Year ended March 31, 2014

Type	Name	Location	Capital (Thousands of U.S. Dollars)	Business	Ownerships	Relationship	Transactions	Transaction amount (Thousands of U.S. Dollars)*1	Account	Outstanding balance (Thousands of U.S. Dollars)
Company whose voting rights are majority owned by a director or its close relatives	ITATSU CO., LTD.*2*3	Tochigi	$291	Wholesale	None	Loans	Loan	$5,660	Loans and bills discounted	$6,407
	Ryomo Seihin Toso Co., Ltd.*2*4	Gunma	194	Manufacturing	None	Loans	Loan	222	Loans and bills discounted	194

Terms and conditions on transactions and transaction policy:

Notes: 1. Transaction amounts were reported at the average balance for the period.
2. The interest rate on loans is reasonably determined considering the market rate.
3. Company whose voting rights are majority owned by a close relative of Mr. Toshio Itabashi, an outside director of the Company.
4. Company whose voting rights are majority owned by ITATSU Co., LTD.
5. Transaction amounts do not include consumption taxes.

25. SUBSEQUENT EVENTS

Not applicable.

Deloitte.

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of Ashikaga Holdings Co., Ltd.:

We have audited the accompanying consolidated balance sheet of Ashikaga Holdings Co., Ltd. (the "Company") and its consolidated subsidiaries as of March 31, 2014, and the related consolidated statements of income, comprehensive income, changes in equity, and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information, all expressed in Japanese yen.

Management's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of the Company and its consolidated subsidiaries as of March 31, 2014, and the consolidated results of their operations and their cash flows for the year then ended in accordance with accounting principles generally accepted in Japan.

Convenience Translation

Our audit also comprehended the translation of Japanese yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made in accordance with the basis stated in Note 1 to the consolidated financial statements. Such U.S. dollar amounts are presented solely for the convenience of readers outside Japan.

Deloitte Touche Tohmatsu LLC

June 19, 2014

Member of
Deloitte Touche Tohmatsu Limited

Non-Consolidated Financial Statements

Non-Consolidated Balance Sheet

March 31, 2014 (unaudited) The Ashikaga Bank, Ltd.

	Millions of Yen		Thousands of U.S. Dollars
	2014	2013	2014
ASSETS:			
Cash and due from banks	¥ 344,367	¥ 197,868	$ 3,345,971
Call loans and bills bought	1,520	129,460	14,776
Monetary claims bought	8,180	8,664	79,488
Trading account securities	4,266	4,288	41,451
Securities	1,205,418	1,215,856	11,712,189
Loans and bills discounted	4,007,311	3,775,220	38,936,182
Foreign exchange	5,969	7,451	58,000
Tangible fixed assets	24,536	25,063	238,405
Intangible fixed assets	4,739	5,991	46,048
Prepaid pension cost	2,955	1,879	28,719
Deferred tax assets	2,219	3,025	21,562
Customers' liabilities for acceptances and guarantees	15,333	17,274	148,988
Other assets	15,142	15,923	147,125
Allowance for loan losses	(40,715)	(38,985)	(395,601)
Total	¥5,601,246	¥5,368,984	$54,423,304
LIABILITIES AND EQUITY			
LIABILITIES:			
Deposits	¥4,957,892	¥4,782,156	$48,172,295
Negotiable certificates of deposit	226,040	180,927	2,196,278
Call money and bills sold	6,175	—	60,000
Payables under securities lending transactions	5,965	71,951	57,966
Borrowed money	100,644	41,704	977,891
Foreign exchanges	763	550	7,418
Other liabilities	26,812	27,355	260,521
Provision for directors' bonuses	21	27	210
Liability for retirement benefits	812	1,260	7,899
Provision for directors' retirement benefits	86	130	844
Provision for reimbursement of deposits	1,606	1,518	15,604
Provision for contingent loss	424	326	4,126
Provision for point card certificates	51	37	496
Provision for loss on disaster	—	70	—
Acceptances and guarantees	15,333	17,274	148,988
Total liabilities	¥5,342,632	¥5,125,291	$51,910,535
EQUITY:			
Common stock	¥ 135,000	¥ 135,000	$ 1,311,698
Retained earnings:			
Legal retained earnings	12,332	9,383	119,829
Other retained earnings	88,404	73,919	858,965
Total shareholders' equity	235,737	218,302	2,290,492
Valuation adjustments:			
Unrealized gains on available-for-sale securities	22,907	25,522	222,578
Deferred losses on hedges	(30)	(132)	(301)
Total valuation adjustments	22,876	25,390	222,277
Total equity	258,614	243,693	2,512,769
TOTAL	¥5,601,246	¥5,368,984	$54,423,304

Non-Consolidated Statement of Income

Year Ended March 31, 2014 (unaudited) The Ashikaga Bank, Ltd.

	Millions of Yen		Thousands of U.S. Dollars
	2014	2013	2014
INCOME:			
Interest income:			
Interest on loans and bills discounts	¥ 55,574	¥56,648	$ 539,979
Interest and dividends on securities	10,630	8,749	103,291
Interest on call loans and bills bought	204	305	1,986
Interest on deposits with banks	187	146	1,825
Other interest income	105	108	1,027
Fees and commissions	20,189	17,968	196,163
Other operating income	3,114	6,185	30,264
Other income	14,988	4,374	145,630
Total income	104,995	94,486	1,020,164
EXPENSES:			
Interest expenses:			
Interest on deposits	2,493	2,909	24,228
Interest on negotiable certificates of deposit	169	171	1,644
Interest on call money and bills sold	19	3	189
Interest on payables under securities lending transactions	62	14	610
Interest on borrowed money	80	73	786
Other interest expenses	19	4	186
Fees and commissions payments	5,840	5,836	56,750
Other operating expenses	1,331	—	12,935
General and administrative expenses	49,931	50,542	485,145
Provision of allowance for loan losses	6,749	2,878	65,578
Other expenses	3,295	5,367	32,022
Total expenses	69,993	67,801	680,073
INCOME BEFORE INCOME TAXES	35,002	26,684	340,090
INCOME TAXES:			
Current	2,158	1,074	20,970
Deferred	663	965	6,447
Total income taxes	2,821	2,040	27,416
NET INCOME	¥ 32,180	¥24,644	$ 312,674

Non-Consolidated Statement of Changes in Equity

Year Ended March 31, 2014 (unaudited) The Ashikaga Bank, Ltd.

	Millions of Yen					
		Retained earnings				
	Common stock	Legal retained earnings	Other retained earnings	Unrealized gains on available-for-sale securities	Deferred losses on hedges	Total equity
BALANCE, APRIL 1, 2012	¥135,000	¥ 6,434	¥66,969	¥13,052	¥ —	¥221,457
Net income	—	—	24,644	—	—	24,644
Cash dividends	—	2,949	(17,694)	—	—	(14,745)
Net changes except for shareholders' equity during the year	—	—	—	12,469	(132)	12,337
Net change in the year	—	2,949	6,949	12,469	(132)	22,235
BALANCE, MARCH 31, 2013	135,000	9,383	73,919	25,522	(132)	243,693
Net income	—	—	**32,180**	—	—	**32,180**
Cash dividends	—	**2,949**	**(17,694)**	—	—	**(14,745)**
Net changes except for shareholders' equity during the year	—	—	—	**(2,615)**	**101**	**(2,513)**
Net change in the year	—	**2,949**	**14,485**	**(2,615)**	**101**	**14,921**
BALANCE, MARCH 31, 2014	**¥135,000**	**¥12,332**	**¥88,404**	**¥22,907**	**¥ (30)**	**¥258,614**

	Thousands of U.S. Dollars					
		Retained earnings				
	Common stock	Legal retained earnings	Other retained earnings	Unrealized gains on available-for-sale securities	Deferred losses on hedges	Total equity
BALANCE, MARCH 31, 2013	$1,311,698	$ 91,174	$718,220	$247,987	$(1,289)	$2,367,791
Net income	—	—	**312,674**	—	—	**312,674**
Cash dividends	—	**28,655**	**(171,928)**	—	—	**(143,274)**
Net changes except for shareholders' equity during the year	—	—	—	**(25,409)**	**987**	**(24,421)**
Net change in the year	—	**28,655**	**140,745**	**(25,409)**	**987**	**144,979**
BALANCE, MARCH 31, 2014	**$1,311,698**	**$119,829**	**$858,965**	**$222,578**	**$ (301)**	**$2,512,769**

Corporate Data

Ashikaga Holdings Co., Ltd.

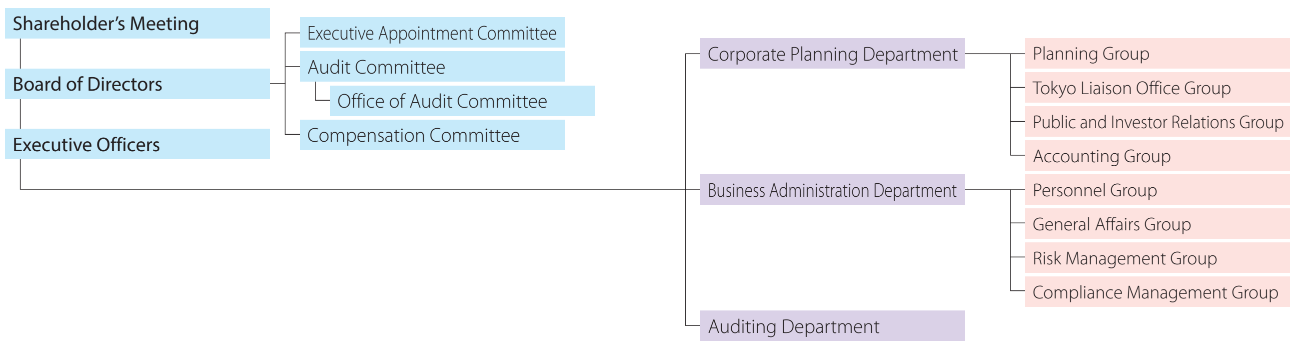
Trade name:	Ashikaga Holdings Co., Ltd.
Representative:	Masanao Matsushita, President and Chief Executive Officer
Established:	April 1, 2008
Paid in capital:	¥117,495 million
Address of head office:	1-25, Sakura 4-chome, Utsunomiya, Tochigi Prefecture

The Ashikaga Bank, Ltd.

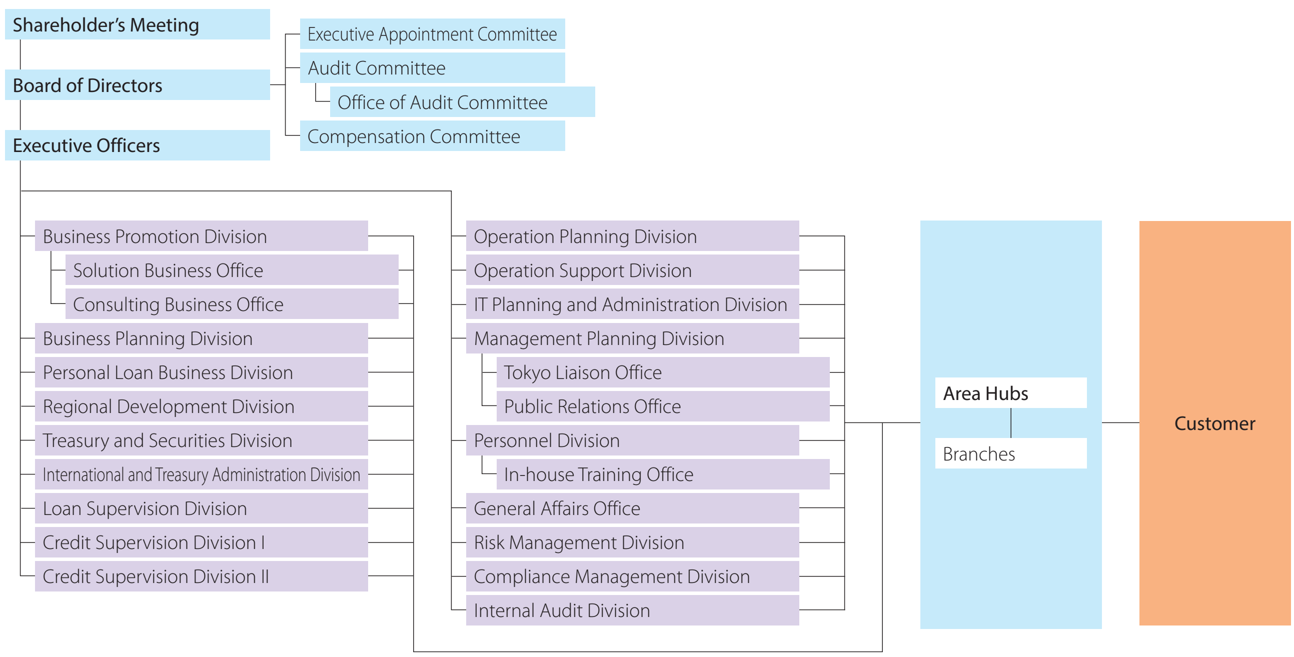
Trade name:	The Ashikaga Bank, Ltd.
Representative:	Masanao Matsushita, President and Chief Executive Officer
Founded:	October 1, 1895
Paid in capital:	¥135,000 million (The Ashikaga Bank, Ltd. is a wholly owned subsidiary of Ashikaga Holdings Co., Ltd.)
Address of head office:	1-25, Sakura 4-chome, Utsunomiya, Tochigi Prefecture
Number of employees:	3,006 (as of March 31, 2014)
Consolidated Subsidiaries:	Ashikaga Credit Guarantee Co., Ltd. Ashigin Research Institute, Ltd. Ashigin Card Co., Ltd.

Organization (as of April 1, 2014)

Ashikaga Holdings Co., Ltd.



The Ashikaga Bank, Ltd.



17 Divisions and 6 Offices (As of April 1, 2014)

List of Directors and Executive Officers (as of June 26, 2014)

Ashikaga Holdings Co., Ltd.

Directors

Director	Satoshi Fujisawa
Director	Masanao Matsushita *1,*2
Director	Kunihiro Ono *3
Director	Masataka Komata
Outside Director	Shinjiro Takagi *1,*2
Outside Director	Yoshio Kohra *3
Outside Director	Toshio Itabashi *2,*3
Outside Director	Shoji Fukui *1,*2

Executive Officers

Chairman and Chief Executive Officer	Satoshi Fujisawa
President and Chief Executive Officer	Masanao Matsushita
Executive Officer (General Manager of Corporate Planning Department)	Kiyoshi Kato
Executive Officer (General Manager of Auditing Department)	Mitsuo Sugiyama
Executive Officer (General Manager of Business Administration Department)	Kazuyuki Shimizu

The Ashikaga Bank, Ltd.

Directors

Director	Masanao Matsushita *1,*2
Director	Kunihiro Ono
Director	Masataka Komata *3
Outside Director	Shinjiro Takagi *1,*2
Outside Director	Yoshio Kohra *3
Outside Director	Toshio Itabashi *2,*3
Outside Director	Shoji Fukui *1,*2

Directors shown above belong to *1: Executive Appointment Committee, *2: Compensation Committee, *3: Audit Committee

Executive Officers

President and Chief Executive Officer	Masanao Matsushita
Managing Executive Officer (General Manager of Management Planning Division)	Kiyoshi Kato
Managing Executive Officer	Yutaka Horie
Managing Executive Officer	Hiroshi Mori
Executive Officer	Mitsuo Sugiyama
Executive Officer (Chief Officer of Ken'ou and Nikko Area Hub)	Zenichi Komaba
Executive Officer	Hideo Saito
Executive Officer	Takashi Satake
Executive Officer	Keizo Shinozaki
Executive Officer	Kazuyuki Shimizu

Stock Information (as of March 31, 2014)

Number of shares:	333,250 thousands (issued)
Number of shareholders:	14,687
Term-end:	End of March
Stock exchange listing:	Tokyo Stock Exchange (First section code: 7167)
Unit of Trading:	100 shares

Principal shareholders (top ten)

Shareholder	Shareholding (thou. shares)	% shareholding
Nomura Financial Partners Co., Ltd.	122,900	36.87
Ashikaga Next Investment Limited Partnership	53,000	15.90
NORTHERN TRUST CO. (AVFC) RE 15PCT TREATY ACCOUNT	16,888	5.06
JAFCO Super V-3 Investment Limited Partnership	15,000	4.50
NIPPONKOA Insurance Company, Limited	15,000	4.50
Mitsui Sumitomo Insurance Company, Limited	15,000	4.50
BNY FOR GCM CLIENT ACCOUNTS (E) BD	6,198	1.86
National Mutual Insurance Federation of Agricultural Cooperatives	5,623	1.68
Nippon Life Insurance Company	5,000	1.50
Seven Bank, Ltd.	4,000	1.20
Sompo Japan Insurance Inc.	4,000	1.20

Note: % shareholdings are expressed to second decimal places

ASHIKAGA HOLDINGS
ASHIKAGA BANK

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