

JOYO BANK

Annual Report

未来協創
プロジェクト **PLUS**

2015



常陽銀行

PROFILE

The Joyo Bank, Ltd., was established in 1935 out of the merger of the Tokiwa Bank and Goju Bank (both founded in 1878), and celebrated its 80th year in business.

As a leading financial institution in Ibaraki Prefecture and surrounding regions, the Bank, with the philosophy of “Practicing sound management, creation of values, and partnership with the home region,” is contributing to the growth of its home region by providing stable and comprehensive financial services.

Management Philosophy

“Sound management, creation of value, and partnership with the home region”

- (1) Focusing on retail banking as our core business, Joyo Bank will pursue sound management and steady banking activities.
- (2) Joyo Bank will create high-value business together with our customers, regional communities, and shareholders.
- (3) By providing financial services in our base territory of Ibaraki Prefecture and adjacent areas, Joyo Bank will contribute to social and economic progress in the home region.

Action Guidelines

We will

- Provide the most appropriate products and services based on a keen understanding of our customers.
- Undertake steady banking activities and grow together with our customers.
- Seek to further improve our financial skills.

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Corporate Data

As of March 31, 2015

■ Date of Establishment	July 30, 1935	
■ Head Office	5-5, Minami-machi 2-chome, Mito, Ibaraki 310-0021, Japan Phone: 029-231-2151 URL: http://www.joyobank.co.jp/ http://www.joyobank.co.jp/joyobank/eng/ (English Page)	
■ Domestic Network	Head Office, Tokyo Business Division (Tokyo Main Office), and 152 Branches, 26 Sub-branches	
■ Overseas Network	3 Representative Office: Shanghai, Singapore, New York	
■ Number of Employees	3,629	
■ Stock Exchange Listing	Tokyo Stock Exchange	
■ Paid-in Capital	¥85,113 million	
■ Number of Shares (as of March 31, 2015)	Authorized	2,167,515 thousand
	Issued and Outstanding	766,231 thousand
■ Number of Shareholders (1 trading unit = 1,000 shares)	26,796	

Service Network

As of March 31, 2015



Japan:

■ Miyagi Pref. (1 Branch)	■ Saitama Pref. (3 Branches)
■ Fukushima Pref. (10 Branches)	■ Chiba Pref. (6 Branches)
■ Tochigi Pref. (7 Branches, 1 Sub-Branch)	■ Tokyo (Tokyo Business Div. (Tokyo Main Office), 4 Branches)
■ Mito-City (Head Office, International Business Office, International Operations Office)	■ Treasury and Securities Div. Markets Administration and International Div.
■ Ibaraki Pref. (Head Office, 118 Branches, 25 Sub-Branches)	■ Osaka Pref. (1 Branch)

MESSAGE FROM THE PRESIDENT

We will provide customers and communities solutions through comprehensive financial services.

Despite steady improvement in employment and income conditions and a general upturn in corporate earnings led by major exporters, against the larger backdrop of the government's economic policies and programs, Japan's economy in fiscal 2014 was limited to a moderate recovery due to consumer demand fell after it rose before the consumption tax rate was raised. In the economy of Ibaraki Prefecture as well, there were strong indications of a recovery in production as the employment situation and incomes improved and exports bottomed out, but there was weakness overall as personal consumption and housing investment turned lackluster after the consumption tax increase.

Operating in this economic environment, since April 2014 Joyo Bank has carried out its 12th Medium-Term Business Plan (from fiscal 2014 to fiscal 2016), which represents our vision for becoming the "best partner bank for the collaborative creation of the region's future."

The fiscal year under review was the first year of the plan, and we carried out the following policies, centering on the "PLUS+" project for collaborative creation of the region's future." Our objective is to help customers and communities solve local issues arising due to structural changes in society and the economy through provision of comprehensive financial services while translating these efforts into our own growth as the Joyo Bank Group.

In corporate banking, we continued working to provide a smooth flow of funding to customers while also further enhancing funding methods based on the stages of customer businesses. Related measures included forming the Ibaraki Revitalization Fund in partnership with a government-affiliated financial institution to help revitalize the local economy and spur local business creation. We also continued to focus on identifying innovative and creative business plans and creating new business in the fiscal year under review. Collaborating with the National Institute of Advanced Industrial Science and Technology (JAT), we started the "Action JAT" collaborative business creation project to promote the development of new renewable energy technologies by local manufacturers, while also strengthening various other initiatives for industrial development. Moreover, we also reinforced initiatives for

meeting the challenges of economic globalization. These included strengthened information gathering capabilities thanks to the opening of a representative office in New York, enhanced support for overseas expansion through the expansion of partnerships with overseas banks, and creation of opportunities for business negotiations between local food-related companies and overseas buyers via the Joyo Commercial Food Fair.

In retail banking, we worked to accommodate diversifying customer needs in the area of asset management. Along with expanding lineups of investment trust and insurance products, we originated the "Power of the Future" investment trust for syndication to customers, as Japan's first money trust with an asset portfolio of loans we made to solar power providers. In addition to promoting the Nippon Individual Savings Account (NISA) tax exemption system for small investments, we focused on restructuring installment-based investment trusts and foreign currency deposit products and otherwise worked to strengthen initiatives for customer asset formation. Moreover, in the area of individual financing, we increased handling of housing loans intended to encourage long-term residency in coordination with municipal grant and interest rate subsidy programs, and continued working to help solve various local issues through our function as a financial intermediary.

In network initiatives, we relocated the Misato Branch in Saitama Prefecture to the Misato-Chuo Station area on the Tsukuba Express line and thereby enhanced our branch network along a train line where there is vital economic exchange with Ibaraki Prefecture. In addition, we introduced a new "Mobile Customer Inquiry Vehicle" to bring our financial inquiry counter and ATM services directly to corporate customer offices, model home exhibitions and other venues to better and more conveniently serve customers. Our online initiatives included establishing "J-Pallete," a portal specifically for female customers on the bank's website to enhance information tailored to the lifestyles of women and strengthen our point of contact with them.

Joyo Bank was also involved in a range of social

contribution activities. Continuing on from last year, we held the Joyo Photo Contest to promote local tourism and signed cooperation agreements for disaster preparedness with the cities of Mito, Tsukuba and Tsuchiura to help ensure the safety and peace of mind of people living in the region. Furthermore, in our role as a leading regional bank driving growth in support of the local economy, we began a project to assist in the formulation of an "Overall Revitalization Strategy for Local Communities, People and Jobs," signed a partnership agreement with the Regional Economy Vitalization Corporation of Japan on revitalization of shopping districts and actively conducted a range of other initiatives aimed at revitalizing the region.

As a result of these initiatives, non-consolidated ordinary profit increased by ¥4.5 billion year on year to ¥40.4 billion and net income by ¥1.8 billion year on year to ¥23.9 billion in fiscal 2014, as interest income and fees and commissions increased and general and administrative expenses decreased. On a consolidated basis, ordinary profit increased by ¥4.4 billion year on year to ¥45.7 billion and net income rose by ¥3.6 billion year on year to ¥28.6 billion. Consolidated return on equity was 5.1%. The capital ratio, an indicator of banking soundness, remained at the high level of 11.92% on a non-consolidated basis and 12.40% on a consolidated basis.

In recognition of our shareholders' support over the years, we have increased the annual dividend in fiscal 2014 by ¥1.0, to ¥10.0 per share. In fiscal 2015, we intend to raise the ordinary dividend another ¥0.50 to ¥10.50 per share while also paying a special dividend of ¥1.0 to commemorate our 80th anniversary, so a total annual dividend of ¥11.50 is planned.

The Joyo Bank will celebrate its 80th anniversary on July 30, 2015, an occasion made possible by the continuing support of customers, community members and shareholders. Everyone at Joyo Bank is sincerely appreciative of this support, and to mark the occasion we will be carrying out a number of commemorative programs to express our gratitude as well as our commitment to collaborative creation for the future. Thank you for your ongoing encouragement and support.



Kazuyoshi Terakado
President

A handwritten signature in black ink that reads "K. Terakado". The signature is written in a cursive style with a horizontal line above the name.

Kazuyoshi Terakado
President
June 2015

Vision

Best Partner Bank for the Collaborative Creation of the Region's Future

In the environment surrounding the regional economy, along with changes to the socioeconomic structure such as the decline in the total population and further decrease in the birthrate and aging of the population, and the decline in the potential economic growth rate, a multitude of challenges are expected to emerge.

In the 12th Medium-Term Business Plan, we aim to solve — together with our customers and the region — the local challenges accompanying socioeconomic changes by contributing more than ever to the reconstruction and growth of our customers and the region and providing comprehensive financial services based on original and creative ideas, which we tackled in the 11th Medium-Term Business Plan, and also to contribute to the Joyo Bank Group's growth.

To define this approach, we established the vision of becoming the "Best Partner Bank for the Collaborative Creation of the Region's Future" and we will execute our five basic strategies starting with "collaborative creation."

Five Basic Strategies to Achieve Our Vision

1. Collaborative Creation

We will share the various challenges brought about by changes in the socioeconomic structure with customers and local communities, and demonstrate collaborative creation*1 to contribute to solving customers' and communities' problems by providing comprehensive financial services that are original and creative.

As part of these efforts, we will launch the "project for the collaborative creation of the region's future 'PLUS+' and move forward working together as a group.

2. Expansion of Customer Base

In demonstrating collaborative creation, it is essential to spread business and expand our customer network based on strong relationships of trust, which area prerequisite for sharing and solving the challenges facing customers' and local communities, and we will expand our customer base in the Ibaraki region*2.

3. Strengthening investment return

In light of advancing globalization and securitization, we will strengthen investment returns by increasing returns on securities and foreign currency loans in order to not only raise money for lending, but to also enhance profitability.

4. Renewal of operation

Seek to strengthen points of contact with customers in order to share and solve challenges facing customers and local communities, innovate marketing channels by strengthening direct channel marketing, strengthen collaboration among channels, and construct effective marketing channels. In addition, we will pursue innovations in marketing and administrative processes through ongoing construction of BPR promotion systems.

5. Remaking human resources portfolio

In the area of human resources, our most important business resource for achieving our vision, we will increase support for self-directed development, strengthen the organizational human resources development structure including the restructuring of the development system, and expand opportunities to participate in comprehensive financial resources.

*1. Collaborative creation refers to sharing the various challenges brought about by changes in the socioeconomic structure with customers and local communities and contribute to solving the challenges facing customers' and communities' by providing comprehensive financial services based on creative and original ideas that leverage consulting, information technology (IT) and other services.

*2. The Ibaraki region is that area where the provision and development of the transportation infrastructure is advancing and includes the Tsukuba Express, Kita-Kanto Expressway, Metropolitan Inter-City Expressway (Ken-Ō Expressway) and is forming a deeper connection with Ibaraki Prefecture.

未来協創 プロジェクト PLUS

[About the logo]

- Orange rectangles show “customers,” “local communities,” “Joyo Bank,” the red rectangle shows “additional value.”
- Spread made by four rectangles shows a “+” shape, and projects the image of four rectangles making new value like a wind mill.

To “demonstrate collaborative creation” centered on the basic strategies of the 12th Medium-Term Business Plan, we started the “project for the collaborative creation of region’s future ‘PLUS+.’” We will make ever-greater efforts to recover from the Great East Japan Earthquake and contribute to solving the various challenges of the region.



Project Policy

Seeking to possibilities for utilizing comprehensive financial service to resolve challenges in local area, create collaboratively the region’s future by business development through valuable planning and actions.



Three “PLUS’s”

1. Aiming to create additional values for customers, local communities and the Bank by solving challenges in our home region and to provide greater support for recovery after the Great East Japan Earthquake.
2. Aiming to provide “advanced comprehensive financial service” which are essential service for the economy in our home region, such as “investment, funding, and settlement” and mixed creative functions such as “consulting and information technology.”
3. Acting to resolve agendas with positive thinking which improves motivation and brings about better business opportunities.



Three components

1. Resolving challenges by smooth financial functions
2. Business development through activation the local community and economy
3. Social contribution to region’s future

“Best partner bank for the collaborative creation of region’s future”

(Individual)
Contribution to satisfied lives
(Corporate)
Assistance for growing sector
(Public)
Creating active local communities

Management Goals

Expand consolidated net income

Aiming for record-high consolidated and nonconsolidated net income in final fiscal year plan (FY2016)

Numerical targets (FY2016)

Consolidated net income after tax	¥30.0 billion or more	OHR*1	under 60%
Non-consolidated net income after tax	¥27.0 billion or more	ROE*2	approx. 5%
Non-consolidated ordinary profit	¥40.0 billion or more	Capital adequacy ratio	approx. 12%
Non-consolidated gross business profit	¥120.0 billion or more		

*1. OHR is a primary indicator of management efficiency and shows the amount of expenses used to generate one unit of gross business profit.

*2. ROE is a primary indicator of capital efficiency and shows how much profit was raised using shareholders’ equity.

FINANCIAL HIGHLIGHTS

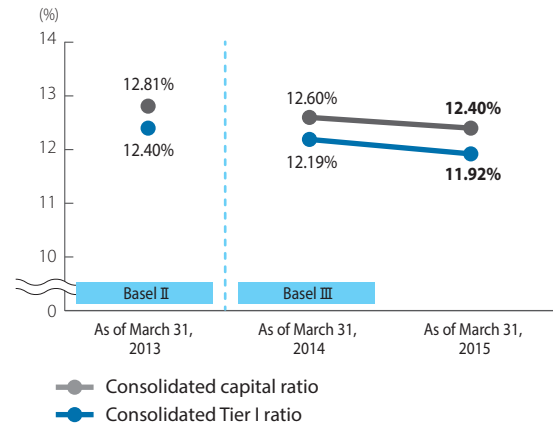
The Bank saw business profit, ordinary profit and net income increase from fiscal 2013, in line with a rise in interest income and fees and commissions, and a fall in general and administrative expenses.

On a non-consolidated basis, business profit rose ¥3.0 billion year on year to ¥40.2 billion, while ordinary profit increased by ¥4.5 billion year on year to ¥40.4 billion and net income by ¥1.8 billion year on year to ¥23.9 billion in fiscal 2014.

The capital ratio remained at the high level of 11.92% on a non-consolidated basis and 12.40% on a consolidated basis.

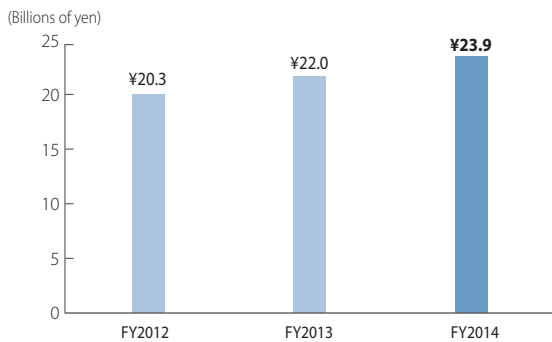
Consolidated capital ratio

Remained at high levels



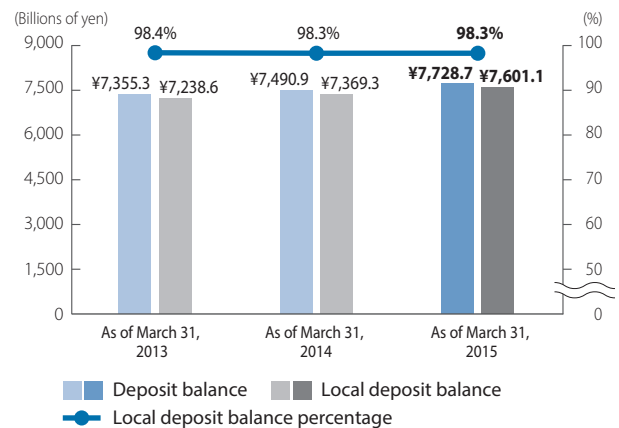
Net income

Net income climbed ¥1.9 billion to ¥23.9 billion year on year.



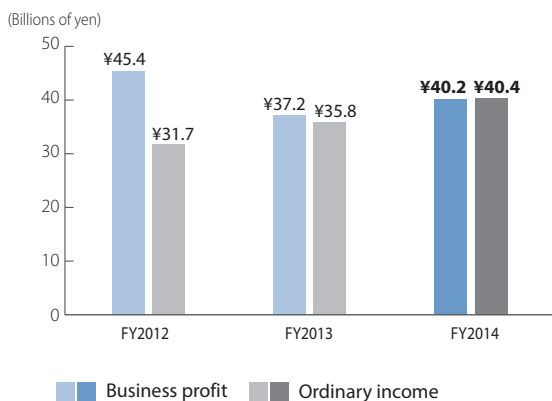
Deposits

Increased 3.1% from the previous fiscal year-end to ¥7,728.7 billion



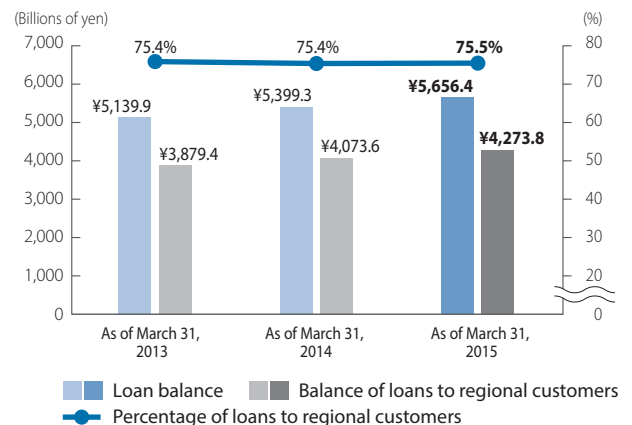
Business profit, Ordinary income

Business profit increased ¥3.0 billion year on year to ¥40.2 billion, and ordinary income increased ¥4.5 billion to ¥40.4 billion.



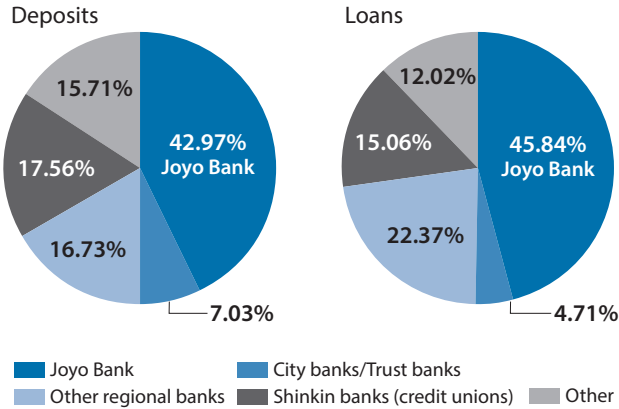
Loans (Percentage of loans to regional customers)

Increased 4.7% from the previous fiscal year-end to ¥5,656.4 billion



Market share within Ibaraki Prefecture

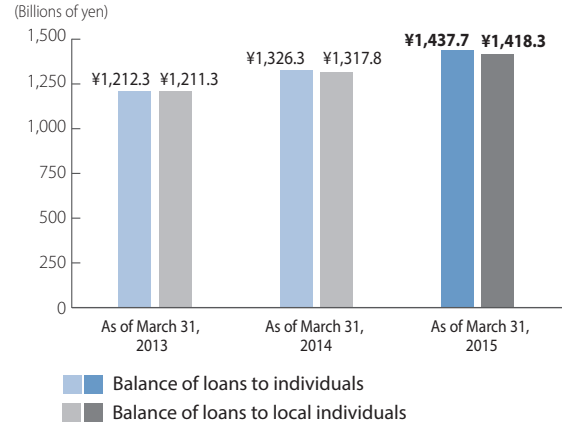
Secured an ongoing high share of both deposits and loans of over 40%.



Note: Market share is calculated on the basis of private financial institutions.

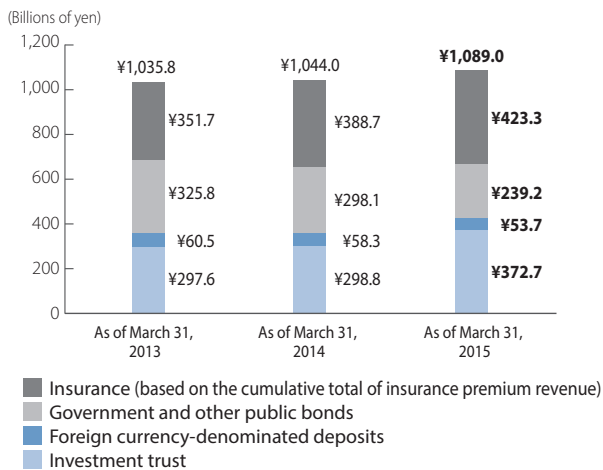
Loans to individuals

Loans to individuals stood at ¥1,437.7 billion due to the ongoing firm performance of housing loans.

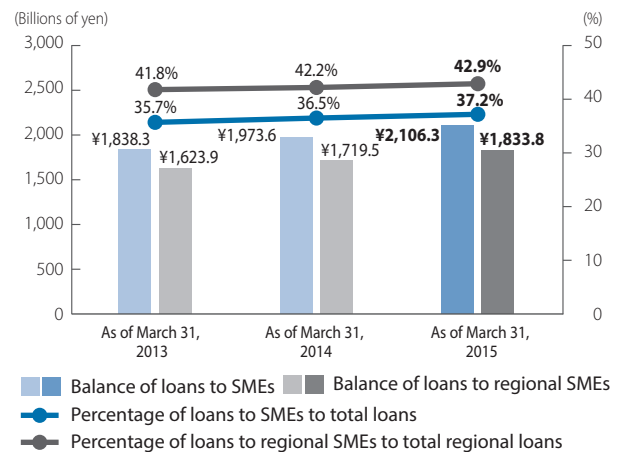


Assets in custody

Increased 4.3% from the previous fiscal year-end to ¥1,180.0 billion

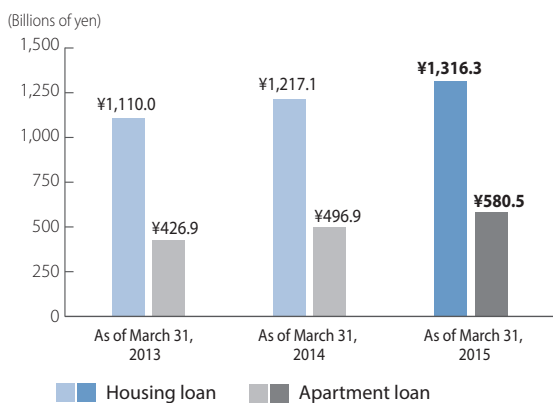


Loans to SMEs

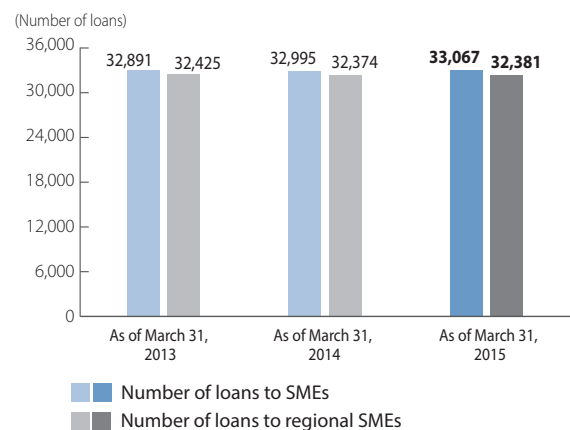


Housing loan

Housing loans increased 8.1% from the previous fiscal year-end to ¥1,316.3 billion.



Number of loans to SMEs



BUSINESS HIGHLIGHTS

Support for Overseas Business Expansion

We are also assisting our corporate customers to expand business overseas through the issuance of local currency stand-by credit and by providing local information, based on our business alliance with nine financial institutions and one government agency in seven mainly ASEAN nations. One recent alliance was a memorandum on business cooperation in assisting overseas expansion that we concluded with the Foreign Investment Agency of Vietnam in December 2014.

In addition, we also host business conferences to help our customers expand their sales channels overseas. In fiscal 2014, this included a series of Manufacturing Forums in China and Thailand and a Japanese Food Trade Fair in Singapore, where we served as the intermediary providing contact and business opportunities between local companies and our exhibiting customers.

Overseas Network

Thailand

- Kasikorn Bank
- Bangkok Bank

Indonesia

- Bank Negara Indonesia (BNI)

Philippines

- BDO Unibank

Provides information on each country's domestic banking conditions and offers a variety of financial services, beginning with opening accounts

China

- Bank of Communications

Taiwan

- Chinatrust Commercial Bank

Representative Office

- Opening of a New York Representative Office
In October 2014, we opened a representative office in New York City to gather information on the U.S., as the center of global economic activity and finance, and to support customers expanding their businesses there. As a result, our direct overseas network now consists of three representative offices in Shanghai, Singapore and New York.



New York

Representative Office



Singapore

Japan

Japan

- Sompo Japan Nipponkoa Insurance Inc.
- Tokio Marine & Nichido
- Mitsui Sumitomo Insurance Company, Ltd.
Manages a variety of overseas business risks
- Nippon Export and Investment Insurance (NEXI)
Provides export insurance to manage the risks associated with overseas export transactions
- Nippon Express (Tokyo Branch Office)
Offers a full range of logistical services and expertise
- Hitachi Regional Technical Support Center (HITS)
Supports the overseas development of small- to medium-sized businesses in the Hitachi area
- Secom Co., Ltd.
- SOHGO SECURITY SERVICES CO., LTD. (ALSOK)
Provides and sells security systems and devices overseas
Proposes and provides overseas security services
- Japan Bank for International Cooperation (JBIC)
 - (State Bank of India)
 - (Vietcom bank)
Provides information on country's domestic banking conditions and offers a variety of financial services, beginning with opening accounts

Representative Office



Support for Manufacturers

Joyo Bank is expanding “next X” activities to provide assistance to local manufacturing businesses over the next decade.



As part of these activities, we provide support for the creation of new businesses and for promotion of alliances among companies and creation of new marketing channels through forums such as the Joyo Manufacturing Forum, technology and business meetings, in which many major companies participate, as well as the “Action JAT” project, a collaborative venture with the National Institute of Advanced Industrial Science and Technology (JAT). Likewise, we offer a wide range of support through our own networks, including support for industrial partnerships with universities and government agencies, such as the “Hizazume Meeting,” which brings together small groups for opinion exchanges on technological and product development with university professors and experts from research institutions. Another example is our Joyo Practical Manufacturing Workshop, which supports personnel training.



Joyo Manufacturing Forum

Initiatives Involving Collaborative Industry-Academia-Government Teams

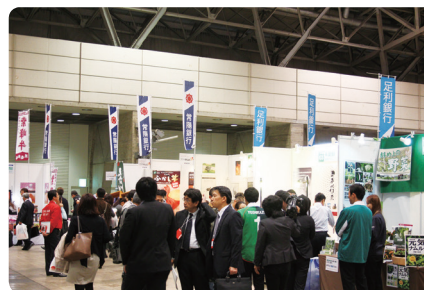
Joyo Bank provides support for the development of new technologies and products as well as assistance in applying for various subsidies (408 cases in fiscal 2014) by collaborating with universities, government research institutions and the private sector. These efforts are headed mainly by collaborative industry-academia-government teams comprising staff with branch manager experience and three coordinators with specialized knowledge, recruited from among academic and government institutions, and the manufacturing sector.

To augment support for manufacturers, the Bank recognizes it must have a discerning eye for evaluating the

technology and products of its corporate customers and holds a “Mekiki Ryoku (Discerning Eye) Training Seminar” to help its employees develop the required knowledge and expertise.

Support for the Agri-Business

The Bank also convenes the “Joyo Commercial Food Fair” and participates in the “Regional Bank Food Selection” event on an ongoing basis to help food-related businesses operators to expand their sales channels. In addition, we are enhancing our financial products for farmers by offering “Daichi” series farmers’ loans guaranteed by the Ibaraki Agriculture Credit Guarantee Fund Association, and operating an “Asset-Based Lending (ABL) System” as a method for providing finance to cattle breeders using fattening cattle as collateral. At the same time, we make the most of our “Joyo Daichi to Umi (Land and Sea) Growth Support Fund” to help business operators in the agriculture, forestry and fishing industries make headway with sextic industrialization (integration of the primary × secondary × tertiary sectors) to drive new business creation.



Regional Bank Food Selection event

Support for Medical and Welfare Businesses

The ongoing demographic change in Japan (a falling birth rate coupled with an increasing number of aged), reform of the social security system and advances in medical care raise the prospect of a range of new financing needs, including funding for upgrading of hospitals and their operation as businesses and for companies entering the healthcare market. We have set up healthcare and welfare teams within the Head Office and provide information through consultations and seminars on longer-term business development and new business creation in these new fields.

Moreover, in September 2014, we invested in a Regional

Healthcare Industry Support Fund managed by the Regional Economy Vitalization Corporation of Japan.

Going forward, Joyo Bank will continue contributing to the development of the local economy by providing a raft of services to medical and healthcare business operators.



Support for the Environment and Renewable Energy

We support companies that are working to bring about a sustainable society through protection of the environment. We offer loans with preferential interest rates to fund capital investment at companies that protect the environment with renewable energy and energy conservation centered on solar power generation businesses. In addition, we are involved in environmental financing, including the introduction of environmental screening and ratings for lending.

In measures to respond to the government's Feed-in Tariff Scheme for Renewable Energy, we offer services to meet a range of needs, including financing support frameworks for businesses involved in solar power generation using the Asset-Based Lending System, acting as intermediary for solar-panel manufacturers and other companies, and business consultation using the expertise of Joyo Industrial Research Institute, Ltd.

In fiscal 2014, we offered support in the form of ¥34.6 billion in loans for solar power generation.



Support for Management Reform, Business Revitalization, and Business Succession

Branches and the Head Office work together to provide corporate customers with management assistance ranging broadly in scope from management reform to business revitalization, covering aspects such as business operation, organizational structure and financial administration. We also help customers find solutions to management issues, such as business succession for proprietors who are advancing in age and are faced with the challenge of finding a successor.

Online Banking for Corporations: JWEB OFFICE

JWEB OFFICE is an online banking service that enables users to perform balance and payment inquiries, money and bulk transfers, salary deposits, collection of receivables and other transactions from anywhere. Likewise, customers using JWEB OFFICE can also use the Joyo Densai Service. JWEB OFFICE gives customers access to densai.net Co., Ltd., the Japanese Bankers Association's subsidiary for the electronic settlement of claims receivable, where they can obtain funding through the transfer or discount of claims receivable by electronically registering the amounts and due dates of the claims receivable.

Joyo Industrial Research Institute

Joyo Industrial Research Institute conducts surveys and research on regional revitalization on a consignment basis while providing various consulting services. The Institute's expert staff including certified SME management consultants and ISO auditors offer effective solutions to the wide range of issues faced by our customers in the region.

Joyo Area Research Center

The Joyo Area Research Center cooperates with Ibaraki Prefecture and various economic associations and research institutions to perform various tasks that contribute to the regional community and economy. In particular, the center conducts research and publishes data on economic industry trends and regional development, holding lectures and sending speakers to regional organizations and events.

Initiatives in Support of Women's Careers

Participation in Meeting of Regional Bank Presidents for Accelerating Women's Careers

The Meeting of Regional Bank Presidents for Promoting Women's Careers was launched in November 2014 with the participation of the presidents of all 64 member banks of the Regional Banks Association of Japan. The meeting is intended to promote the active appointment of talented, motivated women, communicate the commitment of the nationwide network of regional banks toward women's career development, and work to foster women leaders and their network. Joyo Bank fully supports these objectives and so takes part in the meeting. The Bank intends to further develop personnel programs for women's career development and strengthen related support.

Appointment of Female Bank Officers

We believe that it is extremely important that the perspectives and mindsets of women are integrated into an organization if that organization is to thrive. Accordingly, we actively appoint talented and motivated female employees as bank officers. (As of March 31, 2015, we had 288 female bank officers comprising 16.1% of the total.)



Support for Female Customers

Joyo Bank conducts a variety of initiatives to support the life planning and asset formation of female customers. We launched a new portal for women on our website called "J-Palette" to introduce and recommend products matched to different life stages and events of women, and to provide useful information on money management and other topics. We also held asset management seminars in the cities of Mito and Tsukuba for working women. Over 200 customers attended and, after the seminar, we provided advice to the women seeking individual consultation.

The seminars were conducted based on feedback we received from our Female Customer Service Task Force (Team of Hospitality).



Female Customer Service Task Force (Team of Hospitality)

This task force was formed to further enhance services and products for female customers. It is led by our female employees and considers a range of measures. New members were selected recently for the second stage of the task force, to pick up where the first stage left off, with the goal of further improving service.



Initiatives to Prevent Financial Crimes

Security Measures for Online Banking

The Joyo Bank conducts a range of measures to ensure customers can use online banking services securely and with complete peace of mind. These measures include providing security software free of charge.

In September 2014, we introduced “one-push” authentication (two-channel authentication) for corporate customers. Two-channel authentication is a system for performing login authentication through the combination of a computer and a smartphone; it reduces the risk of unauthorized logins in the event passwords and other login information is obtained by a criminal. We have also introduced authentication with one-time passwords and a function that partially limits real-time transfers.

In addition, for individual customers, we have distributed a Security Guide that provides an easy-to-understand summary of the main methods used in online banking crime along with important reminders for users. In addition, our dedicated smartphone app comes embedded with security software.



Using Personal Checks to Fight Telephone-based Identity Fraud

On the request of the Ibaraki Prefectural Police we have implemented measures for preventing telephone-based identity fraud that make use of bank cashier's checks. Requiring an ID to be shown at the teller window by the person cashing the cashier's check and requiring a waiting period before the person can receive the money are effective measures for preventing customers from becoming victims of this type of fraud. When elderly customers wish to withdraw a large amount of money at a teller window, we confirm the use of the funds through a questionnaire, a measure that has been in place for some time, and may recommend the customer withdraw the money in the form of a bank cashier's check. We intend to continue working with the police department to prevent damage from phone-based identity fraud.

Issuing Only IC Cash Cards

All new cash cards for ordinary deposits issued by The Joyo Bank are cards embedded with an IC chip (“Joyo IC Card”). The Joyo IC Card comes with an IC chip to make it difficult to counterfeit or perpetrate skimming fraud, and the customer's finger vein identification data is registered on the card, which makes IC cards higher in security than conventional magnetic strip cards. New cards are issued free of charge in order to make them available to even larger numbers of customers. The Bank will continue working to further improve both convenience and security for customers.



Disaster Preparedness Agreements with Municipalities

The Joyo Bank has signed agreements with the cities of Mito, Tsukuba and Tsuchiura for cooperation in disasters and other emergencies.

If there is a major disaster or power outage, for example, we will provide electric vehicles, charging facilities, temporary evacuation sites, and storage facilities for relief provisions.



Environmental Preservation Initiatives

Forest Preservation Initiatives

Regional banks throughout Japan participate in Save The Forest In Japan, an association they established to preserve the beauty and health of country's provincial woodlands for future generations. At “Joyo Furusato Forest” in Naka City and the Mt. Tsukuba area, we are creating woodlands protecting and nurturing the greenery in our home prefecture

through forest thinning and tree planting activities. In April 2015, as a part of their training program, all new employees took part in a commemorative tree-planting activity.



“Eco-Ibaraki” Environmental Conservation Trust

Joyo Bank subsidizes organizations that engage in environmental preservation activities in Ibaraki Prefecture. In fiscal 2014, we oversaw the environmental protection activities of Mito City’s Shinso Elementary School, one of the recipients of grants the Bank makes through the Trust, and held a ceremony for grant presentation.

Overview: jointly established with Sampo Japan Nipponkoa Insurance Inc. in 1992. Each year, this trust accepts entries from organizations seeking funding, which are evaluated and selected by the executive committee.

Grants made in fiscal 2014:¥9,700,000 to 76 organizations



Universal Design Initiatives

Approximately 240 of our employees assigned primarily to branches are certified Service Care-Fitters® who have been trained to assist customers with physical disabilities and the elderly so that they can use the financial services we provide with peace of mind. Apart from that, wheelchairs are available at 156 Joyo Bank branches. In addition, we run the Dementia Supporter Training Program for all employees in an effort to promote a correct understanding of dementia while cultivating “dementia supporters” who help those suffering from the disease and offer heartfelt support to their families.

Joyo Geibun Center Foundation

The Center’s ongoing objective is to contribute to prosperous and comfortable individual lifestyles by creating rich local environments through art and culture. The center focuses on promoting culture and supporting local cultural activities.

The Center provides a venue for lifelong learning classes centered on history, literature, and the liberal arts. Currently there are some 1,300 people taking classes in Mito City and around 400 in Tsukuba City.



Joyo Historical Materials Museum

The Museum features the Currency Gallery, which displays historical currency notes and banking materials, and the Historical Materials Library, where visitors can view documents pertaining to local culture and finance. At the Art Spot, the Museum periodically displays various exhibits.

In addition, the Museum holds classes on finance and provides lectures to local residents on financial history and other topics.



Art Spot

Joyo Volunteer Club

The Bank operates the Joyo Volunteer Club to encourage volunteer-based initiatives by Bank employees. Around 3,700 employees registered in the club participate in activities in such areas as social welfare, environmental protection, international exchanges, sports activities and various events. We also participate in support and fundraising activities for areas affected by the Great East Japan Earthquake.

In addition, we run an annual “One Towel Donation per Employee Campaign,” which donated around 6,000 towels to mainly welfare facilities in fiscal 2014.

CORPORATE GOVERNANCE AND INTERNAL CONTROL SYSTEM

To more securely earn the trust of all stakeholders including customers, local communities, employees and shareholders, Joyo Bank believes that its management must be rooted firmly in compliance, sound and efficient, and extremely fair and transparent.

Always aware of the importance of corporate ethics, the Bank has established a corporate philosophy comprising eight basic principles under which it is striving to strengthen and enhance corporate governance.

Corporate Governance at Joyo Bank

Joyo Bank has adopted the company with an Audit & Supervisory Board. The system organization includes the General Meeting of Shareholders, directors, Board of Directors, Audit & Supervisory Board members, Audit & Supervisory Board, and an auditing company.

The Board of Directors meets once a month, in principle, to exercise decision-making and supervisory functions. Since June 2009, 2 of the 12 directors have been outside directors appointed to strengthen the supervisory function of the Board of Directors.

The Audit & Supervisory Board consists of five Audit & Supervisory Board members, of which three are outside members, and meets once a month in principle. Based on an auditing policy and plan formulated by the Audit & Supervisory Board, the Audit & Supervisory Board members audit the directors' execution of duties by attending important meetings such as Board of Directors meetings, examining documentation of important resolutions, and investigating the status of the Bank's business operations and assets.

The Joyo Bank Corporate Philosophy

Corporate Social Responsibility (CSR) and Public Mission

Always keep in mind the Bank's CSR and public mission, and deepen trust through sound and open business management.

Compliance

Comply with the legal and social code and execute honest and open business activities.

Fight Against Crime

We will resolutely build countermeasures and refuse all relationships with organized crime and other antisocial forces, which threaten public law and order and safety and stand in the way of sound economic development.

Provide Valuable Financial Services

We will contribute to economic and social development with valuable financial services that respond to customers' needs and pay due consideration to the protection of their interests. To this end, we will apply creativity and ingenuity to provide infrastructure and functions to support customers' economic activity, while upgrading the security level of our services and ensuring business continuity in the event of a disaster.

Relationship with the Regional Community

We will strive to disclose data such as business information actively and fairly, and to communicate broadly and openly with society.

Respecting the Human Rights of our Employees

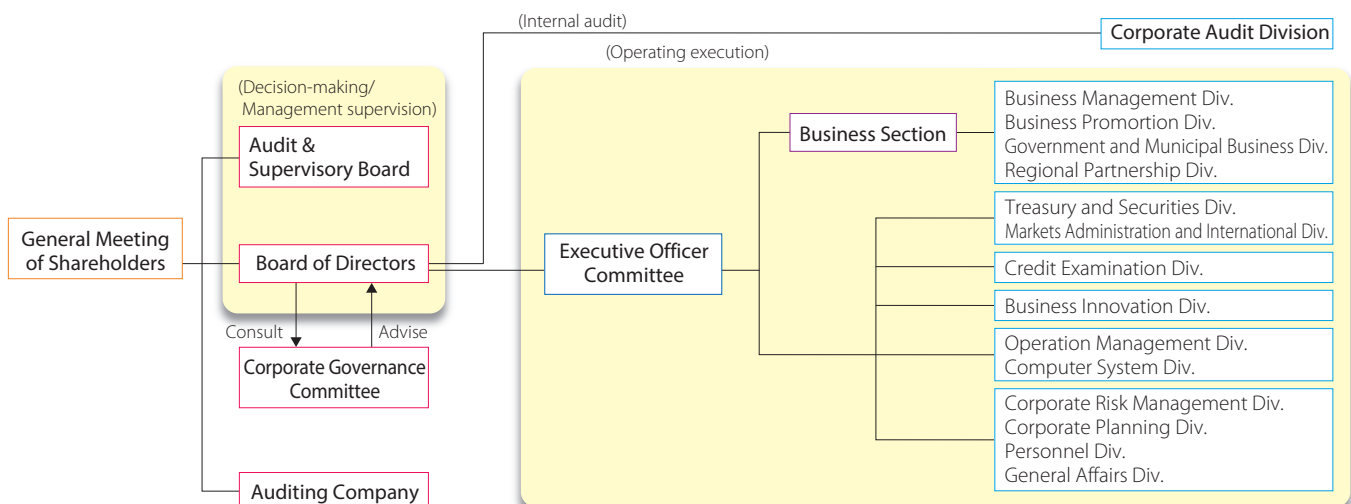
We will respect the human rights and individuality of our employees, ensuring a safe and productive work environment in which people from diverse backgrounds can achieve their full potential.

Environmental Initiatives

We will strive to reduce environmental burdens by efficiently using resources and reducing waste, while working through our main business as a bank to address environmental problems and provide financial services contributing to environmental protection.

Community Contribution Activities

We recognize that our continued existence and development is supported by regional society, and as a good corporate citizen, we will develop together with local communities and actively contribute to them.



The Bank has also adopted the Executive Officer Committee system to expedite business execution. Under this system, important decisions for business execution other than matters to be resolved exclusively by the Board of Directors are discussed and approved by the Executive Officer Committee.

Furthermore, the Bank has established a Corporate Governance Committee to upgrade corporate governance with a view to sustaining growth and enhancing corporate value from a medium- to long-term perspective. As an advisory body to the Board of Directors, composed in majority by independent directors, the Corporate Governance Committee nominates candidates for appointment to the Board and deliberates matters such as the compensation of directors, and reports back to the Board of Directors. Special committees are established by the Bank to deal with important management themes (Compliance Committee, General Budget Committee, ALM Committee, Risk Management Committee, and Sound Asset Committee). The committees conduct discussions and make determinations, and follow procedures in their respective bylaws to report their findings and recommendations to the Board of Directors and other pertinent bodies.

Internal Controls and Risk Management

Joyo Bank is working to establish and strengthen internal control through the following systems, based on a “Basic Policy on Internal Control Systems” approved by the Board of Directors. The systems ensure that the Bank’s directors are executing their duties, and employees conducting business, both efficiently and in compliance with laws and regulations.

System for ensuring directors and employees are executing their duties in compliance with laws and regulations and the Bank’s Articles of Incorporation

Compliance is the highest management priority under Joyo Bank’s Management Philosophy of “Practicing sound management, creation of values, and partnership with the home region.” To ensure compliance, the Bank also has a Corporate Philosophy and Action Guidelines providing basic guidance for its corporate activities. Moreover, rules governing the compliance system have been established and disseminated to the directors and employees to ensure that the Bank remains in compliance with laws and regulations and its Articles of Incorporation.

Board of Directors Regulations govern the operation of Joyo Bank’s Board of Directors. These regulations guide the

Board’s business decisions and supervision of directors’ execution of duties. The regulations also stipulate separation of duties among directors to ensure that the Bank’s business is carried out appropriately.

The Bank also has a Compliance and Risk Management Division to supervise and rigorously enforce compliance. This division implements a compliance program approved by the Board of Directors to supervise compliance throughout the Bank and periodically report back to the Board of Directors. The Bank also has a Compliance Hotline that serves as an internal whistleblower system.

Important matters of compliance are discussed by the Bank’s Compliance Committee, while a Compliance Audit Committee comprising a panel of outside experts periodically verifies the Bank’s overall compliance standing.

Independent of the Bank’s business execution divisions, there is also a Corporate Audit Division that conducts internal audits to ensure Joyo Bank’s internal controls are functioning properly.

Regulations and system for managing the risk of loss

The Bank has regulations for managing the risk of loss and strives to manage various risks appropriately and establish systems for comprehensively monitoring and managing the risks to ensure sound management and a steady stream of revenue and income. At the same time, the Bank is building up a framework of business continuity plans (BCPs) in preparation for emergency situations such as natural disasters and core ICT system failures.

The management of risk is the responsibility of various risk management departments, as set down in the in-house regulations. Comprehensive risk management is carried out by one department that oversees risk management for the entire Bank. The Board of Directors has appointed the director to oversee the risk management program.

The Risk Management Committee is tasked with periodically assessing the Bank’s overall risk exposure, as well as measuring individual risks and deliberating policies for countering them. The director in charge of risk management periodically reports back to the Board of Directors on the status of the Bank’s risk management and countermeasures.

System for ensuring the efficient execution of duties by directors

The Bank formulates business plans to clarify its management

vision and earnings targets, and compiles a general budget, among other details, each fiscal year to make the plans more specific.

To carry out operations efficiently, the Bank has established Standards on Head Office Decision-Making Authority that clarify the decision-making authority attached to the business assignments and duties of each director.

The Bank has an Executive Officer Committee and Executive Officer Committee Regulations prescribing details such as the committee's role and when it meets. The committee is tasked with deliberating important business execution matters. Various other committees made up of executive directors, executive officers and division general managers have also been established as needed to address various business issues.

System for ensuring the reliability of financial reporting

The Bank and each of its Group companies have regulations governing the structure, organization, and implementation of internal control systems for financial reporting to ensure that it is reliable.

System governing the treatment of employees assigned to assist the Audit & Supervisory Board members with their duties when requested

The Bank is to assign at least one employee as the corporate auditing staff for assisting the Audit & Supervisory Board members with their duties.

Furthermore, the Bank is to assign personnel with knowledge and capabilities suitable for assisting with auditing duties, and having no involvement in the Bank's business execution.

Matters relating to the independence of the above employees from the Board of Directors and ensuring that the employees carry out instructions from the Audit & Supervisory Board members

In the event that the corporate auditing staff are to be reassigned, the director in charge is to give advance notice to the Audit & Supervisory Board members, who are to be allowed to give their opinions.

Furthermore, the corporate auditing staff are to assist the Audit & Supervisory Board members with their duties by exclusively following their instructions.

System relating to reports from officers and employees of the Joyo Bank Group and other reports to the Audit & Supervisory Board members

Audit & Supervisory Board members attend the Executive Officer Committee and other important meetings of the Joyo Bank Group, at which they are given the opportunity to voice their opinions.

Officers and employees of the Joyo Bank Group are encouraged to report matters that could cause significant damage to the Bank to the Audit & Supervisory Board members, take advantage of the internal whistleblower system to report the details confidentially and otherwise provide information considered necessary by the Audit & Supervisory Board members.

Officers and employees are not to be treated unfairly for having divulged such information to the Audit & Supervisory Board members.

Matters relating to advances or reimbursements for expenses incurred by Audit & Supervisory Board members when executing their duties and policy on accounting for the expenses and reimbursements

The Bank is to bear the necessary expenses requested by the Audit & Supervisory Board members, unless the Bank can prove that the expenses were unnecessary for the execution of the Audit & Supervisory Board members' duties.

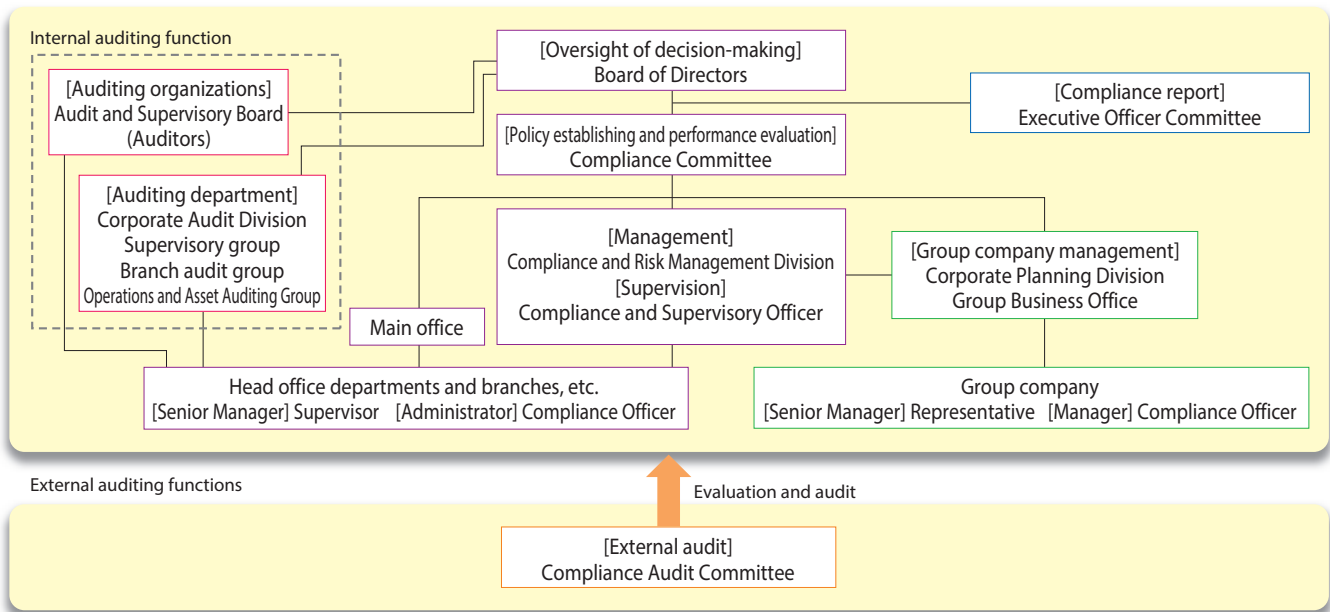
Other systems for ensuring effectiveness of audits carried out by the Audit & Supervisory Board members

The Audit & Supervisory Board members, Corporate Audit Division for internal audits, and other business divisions and departments cooperate with one another to raise the effectiveness of the auditing system.

The Chairman of the Board of Directors and the Bank's representative directors and the auditing company meet periodically with the Audit & Supervisory Board members to exchange opinions.

Risk Management

On one hand, deregulation and globalization of finance, advances in ICT, and the growing diversification and sophistication of customer needs have broadened the business opportunities for Joyo Bank. However, on the other hand, this has also meant that the Bank's risk exposures have grown much more diversified and complex. Amid this



Code of Conduct

We will

- get to know our customers and offer optimal products and services
- expand business scale and grow with our customers
- increase our financial expertise

Policy Regarding Solicitations for Financial Products

In accordance with the Law Concerning the Sale of Financial Products, our solicitations for products are based on the following policies.

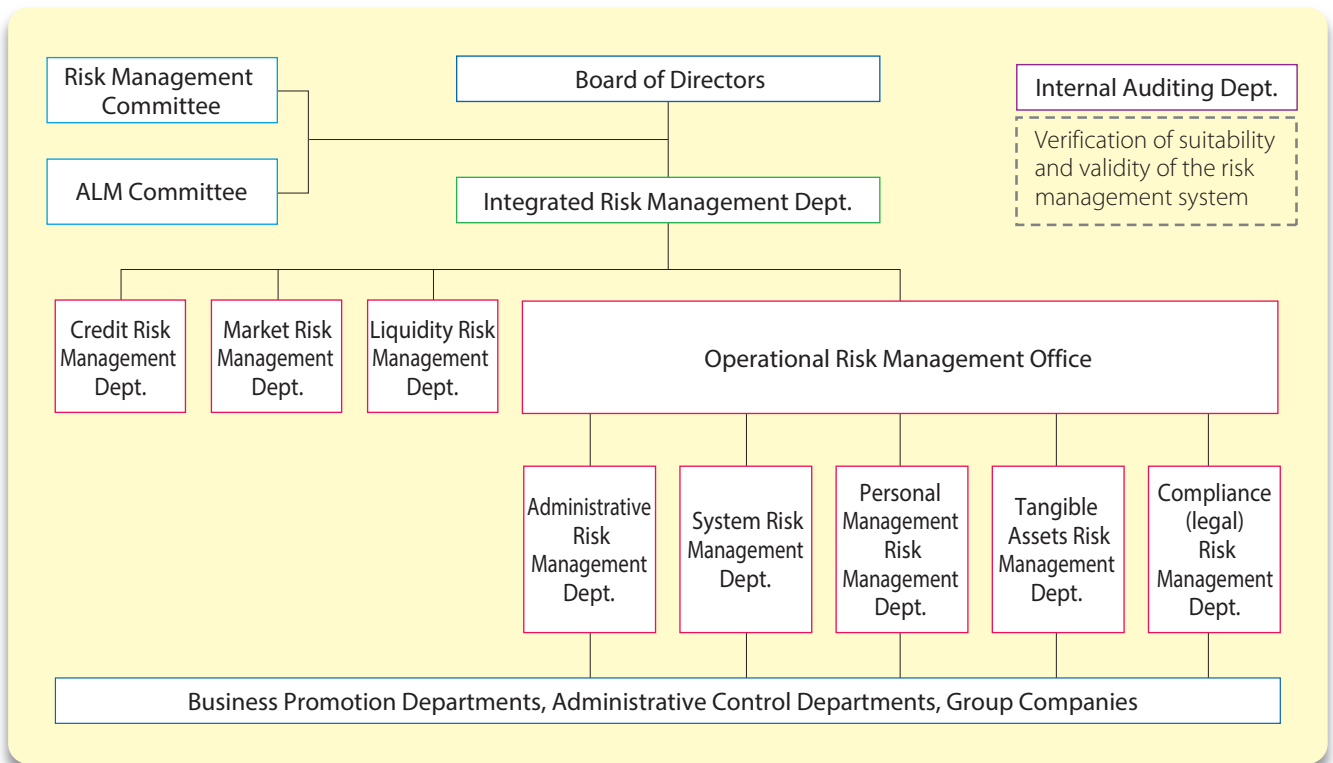
1. Financial product solicitation is based on tailoring products to the level of understanding, experience and financial status of the customer.
2. To ensure that our customers make choices based on their own judgment and at their own liability, we will provide easy-to-understand explanations so that the customer has sufficient understanding of financial products and the risks attached.
3. We assure that sales are never based on the provision of misleading or false statements or information, nor do we act in a manner leading to any misunderstanding by our customers.
4. Our solicitations will not be conducted at times or in locations that cause inconvenience.
5. We are setting up a training system within the Bank to ensure proper solicitation to our customers.

environment, the Bank is striving to increase the sophistication of its risk management, having positioned it as a priority business issue from the perspective of maintaining and improving sound management.

The Risk Management System

In our fundamental rules regarding risk management, we have outlined our fundamental thinking and management procedures including policies regarding risk management, organizational structure, and responsibilities.

Risk Management System



In business management, the departments that carry risks when conducting transactions (marketing departments) and the departments that internally manage the results of transactions (business administration departments) are separated, thus creating an organizational structure that allows for mutual checks and balances.

The various risks that are incurred during banking operations are managed by specific risk management departments depending on the type of risk.

We also have established a risk management supervision department, which supervises the management systems for all risks and is responsible for holding meetings of the Risk Management Committee, an organ for the examination of Bank-wide solutions to risks. The department also provides regular reports on the overall status of risks to the Board of Directors.

Additionally, internal auditing staff verify that risk management is functioning appropriately and effectively through the integrated risk management department and each risk management related department, thereby increasing the effectiveness of the system.

Integrated Risk Management

At a time of increasing diversification and complexity in banking operations, we have adopted a policy of integrated risk management to gain a quantitative understanding of risk, using statistical methods such as Value at Risk (VaR) for individual risk categories (credit risk and market risk), to enable systematic risk management rather than management by individual risk category.

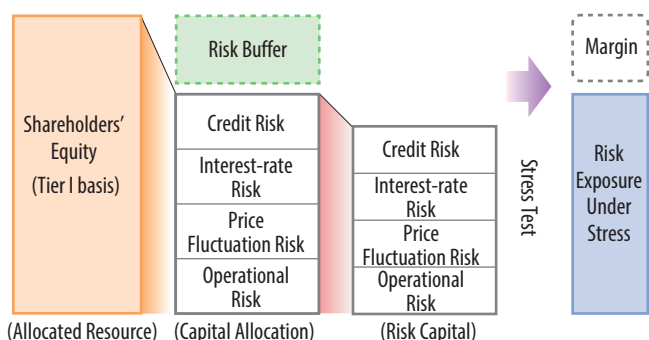
By comparing and contrasting comprehensive amounts at risk with the bank's financial resources (own capital), we are committed to maintaining capital at an appropriate level.

Allocation of Risk Capital

We pre-allocate capital to cover risk in terms of individual categories (credit risk, interest-rate risk, price fluctuation risk and operational risk). Each month, we carry out monitoring to confirm that each quantified risk amount (amount of risk capital to be used) is kept within the allocated capital parameters.

With regard to capital allocation, we ensure a risk buffer is in place to position us to deal with losses that exceed

scenarios used by our statistical tools, or which are difficult to quantify using statistical methods. To confirm our capital adequacy including the risks mentioned above, we use stress tests that enable us to appraise the impact on Bank capital of scenarios such as a sudden economic slowdown. In addition, back-testing through comparison of risk amounts calculated using VaR formulas and actual profit performance enables us to confirm the appropriateness and effectiveness of our statistical methods.



Credit Risk Management

Credit risk is the risk of not receiving principal or loan payments as promised on loans due to a deterioration in credibility of the debtor. This is recognized as one of the most serious risks make within banking operations.

In order to prevent the occurrence of nonperforming loans and improve the soundness of our assets, we make every effort to ensure good credit risk management.

Overview of Basic Policy and Procedures with Regard to Credit Risk Management

We have compiled management guidelines for credit risk, which serve as a basic policy for appropriate management of credit risk on individual loans and management of the credit portfolio, focusing on risk dispersion as its basic tool.

Credit Risk Management for Individual Loans

We have separated credit-screening departments from loan departments, and constantly work toward screening stricter while also focusing on credit management before due date to prevent the status of a claim from deteriorating.

We have created a set of basic parameters for loans, designed to speed up decision-making on loans and to ensure more rigorous risk management. We also have a

system for accurately reflecting in the asset self-assessments the business performance achieved by the borrower and changes in the value of collateral.

We have also adopted an automated scoring system for small-amount loans to unify credit screening standards and improve efficiency.

Internal Credit Ratings

We classify our customers into a 12-grade rating class based on quantitative appraisal of financial condition and cash flows, and qualitative appraisal. In addition to serving as the basis for asset self-assessments, ratings for customers, credit worthiness are used across the full range of credit risk management, including monitoring of credit risk exposure, setting of lending rate and allocation of lending authority.

Asset Self-Assessment

In asset self-assessments to evaluate the soundness of assets, the branch carry out a primary evaluation by making a decision on credit category based on a credit rating. Then the head office department in charge of credit screening checks these (secondary assessment), and the Corporate Audit Division audits the results of the asset self-assessment and verifies the appropriateness of procedures. Based on these results, the Bank provides appropriate reserves and writes down problem loans based on the assessments.

Quantification of Credit Risk Management

The quantification of credit risk management refers to the statistical forecasting of future losses (amount of credit risk) that can be expected from the bankruptcy or deterioration of business at borrowers. Based on credit ratings, we calculate credit risk for each customer in view of the security and other factors.

Loan Portfolio Management

We treat loan assets in their entirety as a single portfolio and conduct credit risk management from a macro-perspective. Based on the quantification of credit risk, we carry out periodic monitoring to determine whether or not credit risk is concentrated in specific rating groups, sectors or corporate groups, and analyze and evaluate credit situations by rating, region and sector.

Market Risk Management

Market risk refers to the possibility of losses arising from exposure to risk of change in the value of assets and liabilities of the Bank and in its earnings, due to fluctuations in interest rates, foreign exchange rates and stock prices, etc.

We manage all assets and liabilities (deposits, loans, securities, and others) comprehensively based on ALM (asset and liability management) to manage market risks.

Market Risk Management System

The front and back office departments are separated. We have also established middle-office risk management sections to enable a mutual system of checks and balances.

Market Risk Control

To control market risk at appropriate levels, we set loss limits, position limits and other thresholds for each category of transaction, after setting risk tolerance parameters (capital allocation) reflecting the Bank's financial strength, risk-return profile and other factors.

We also have in place a system in which an ALM Committee decides whether to conduct checks on status of compliance with monthly thresholds and other matters and takes measures when necessary. In addition to using VaR, we also approach market risk with multifaceted analysis using tools such as basis point value (BPV) analysis, gap analysis, scenario analysis (simulation method) and sensitivity analysis. This enables us to control risks within a tolerable range reflective of the Bank's financial strength.

Liquidity Risk Management

Liquidity risk refers to the possibility of losses arising from exposure to risk due to difficulty in securing needed funding after an unforeseen funding outflow or similar events, or a sharp rise in fund-procurement costs. At the Bank, maintaining liquidity risk at a safe and appropriate level is a basic management policy. As a matter of policy, we maintain a certain level of assets that can be quickly converted into liquid form (liquidity reserve assets), and ensure that any funding gap for a given period of time (the amount necessary for fund procurement) is kept within the parameters of assets that can be quickly converted into liquid form. In addition to continuous monitoring of market trends and

liquidity status, we are creating a system enabling us to rapidly respond, to the fullest possible degree, in cases of materialization of liquidity risk events, based on countermeasures drawn up for emergency situations.

Operational Risk Management

Operational risk refers to the risk of losses arising from irregular procedures or employee conduct in operations, or inappropriate system operation or detrimental external events. The Bank divides such risk into five categories: administrative risk, system risk, risk to tangible assets, personnel management risk, and compliance (legal) risk.

We have also established a management office for each risk category, as well as supervision of overall operational risk measures.

Administrative Risk

Administrative risk is the risk of damages due to improper administration resulting in accidents or improprieties. We have taken steps to uphold and improve the quality of our administrative operations, to ensure that customers are not inconvenienced by inappropriate administrative management and that administrative management is as error-free and prompt as possible.

In addition to analyzing and evaluating the circumstances, causes and processes surrounding administrative mistakes, we verify the effectiveness of countermeasures after their introduction and repeat them as often as necessary to ensure that the problem is resolved. We are drawing up regulations for administrative processes, and ensuring their strict application by all staff from executives down through guidance and training. We are also verifying the effectiveness of internal audits and taking steps to preempt accidents.

System Risk

System risk is the risk of losses due to the breakdown of computer systems, erroneous computer operation, and inappropriate computer use. Measures to ensure appropriate management of such risk is based on protection of information data and ensuring stable operation of computer systems.

Tangible Assets Risk, Human Resources Risk and Compliance (Legal) Risk

Risk to tangible assets (inadequate precautions to prevent damage from earthquakes and neglect of building management), personnel management risk relating to safety and hygiene at the workplace, and compliance risk (legality of business, illegal behavior by any executives and employees) are addressed through appropriate measures after identification and evaluation using methods to gauge risk scale and features, and the effect of risk reduction measures is later assessed.

Crisis Management

We have established a set of general emergency guidelines providing specific measures for dealing with situations such as major disasters, system failures and reputational damage, and for minimizing disruption of relations with business partners. We aim to strengthen our crisis management through continuous training and upgrading of procedures.

Customer Protection

To ensure peace of mind for our customers, the Bank established the Customer Protection Management Policy, and is developing a management system that includes the establishment of a controlling division.

Adequate Explanations of Products and Services

We always provide explanations of our financial products and services to ensure that customers understand the products or services adequately. We are working to further improve the quality of explanations by perfecting our staff's knowledge of financial products and services, so they can enable customers to understand them more easily.

Listening Attentively to Customer Feedback

Management of customer queries, consultation, requests, complaints and disputes is undertaken on an integrated basis by the Customer Counseling Office in the business planning division. We have in place a system for discussing measures for improvement and for prevention of issues arising within the operational departments. We have also signed agreements with designated dispute settlement organizations and also work through external entities to reach settlements.

Ensuring Strict Confidentiality in the Management of Customer Information

We ensure strict confidentiality in our management of customers' personal data. We have drawn up detailed in-house rules for the handling of customer information, practicing strict control of data access and office access as well as the encryption of confidential information. In these ways, we protect our customers from the leakage of their personal information to outside parties as a result of misconduct or human error.

Protection of Confidential Private Information

We have drawn up and made public a privacy policy as a response to the Law Concerning the Protection of Private Information, and have put in place safeguards for the protection and appropriate handling of personal data.

Privacy Policy

We work to build on the mutual trust we have with our customers, the region, and our shareholders, stress the importance of our social responsibility, and offer high-quality financial services. For the protection of personal data, we have established the following policy based on our respect for all individuals, and will put all our efforts into the protection of private information.

Policy for Protection of Personal Confidential Information

- **Strict compliance with laws and regulations**

We comply with all laws, ordinances and other regulations regarding confidentiality of personal information.

- **Appropriate access**

We acquire personal information only by appropriate and legal methods, and only when necessary for business operations. Personal information is never gathered in an inappropriate way.

- **Ban on unapproved use of personal information**

We only use personal information inasmuch as it is necessary for achievement of business objectives, and do not use such information for any other purpose.

In addition, information that is registered with credit-data organizations of which we are a member is used where appropriate for credit-related purposes.

- **Ban on provision of personal information to third parties**

Except when prescribed by laws and ordinances, we never provide personal information to third parties without first obtaining the affected person's agreement. In addition, when personal information is

entrusted to an outside organization under an outsourcing arrangement, we require that protection of personal information be contractually assured, and carries out checks.

- **Security management measures**

We have in place appropriate security management mechanisms to ensure prevention of leakage, loss or destruction of personal data, and other measures.

- **Appropriate response to complaints**

When customers have questions or complaints regarding our protection of personal information, we investigate these questions or complaints and deal with them appropriately and promptly, within a reasonable period of time.

- **Continuous improvement**

The Bank has compiled regulations for ensuring strict legal compliance and protection of personal information.

In addition to ensuring that these measures are familiar to all employees and other affected parties, the Bank continually upgrades them. Regular audits into acquisition, use and handling of personal information are part of our broad and thorough commitment to confidentiality.

Financial Crime Prevention

We are fully committed to preventing crimes involving accounts held at our banks, and to protecting the financial assets of our customers. We require identification when a new account is set up or for a large-amount transaction. In addition to working to prevent inappropriate transactions, when an account is used, we will cancel transactions when considered necessary and will work hard toward crime prevention. We also have implemented measures to prevent the crimes of use of forged ATM cards and online hacking.

Consolidated Balance Sheets

THE JOYO BANK, LTD. and Consolidated Subsidiaries

March 31,	Millions of yen		Thousands of U.S. dollars (Note 2)
	2015	2014	2015
Assets:			
Cash and due from banks (Note 23)	¥ 496,348	¥ 224,661	\$ 4,130,385
Call loans and bills purchased	14,356	7,181	119,468
Other debt purchased	12,509	14,660	104,101
Trading assets (Note 24)	4,999	3,387	41,605
Securities (Notes 7, 8, 13, 23 and 24)	2,742,510	2,760,304	22,821,921
Loans and bills discounted (Notes 6, 10, 11 and 23)	5,618,019	5,363,389	46,750,603
Foreign exchanges (Note 6)	3,296	2,251	27,435
Lease receivables and lease investment assets (Notes 7 and 22)	38,571	36,081	320,974
Other assets (Note 7)	52,719	47,812	438,710
Tangible fixed assets (Note 18)	94,961	96,121	790,228
Intangible fixed assets	10,570	10,902	87,965
Net defined benefit asset (Note 14)	1,438	—	11,970
Deferred tax assets (Note 15)	1,966	2,245	16,367
Customers' liabilities for acceptances and guarantees	14,961	14,522	124,506
Reserve for possible loan losses	(41,765)	(46,915)	(347,553)
Reserve for devaluation of investment securities	(9)	(35)	(74)
Total assets	¥9,065,458	¥8,536,571	\$75,438,616
Liabilities and net assets			
Liabilities:			
Deposits (Notes 7 and 23)	¥7,725,643	¥7,489,932	\$64,289,288
Call money and bills sold	44,324	71,839	368,846
Payables under securities lending transactions (Notes 7 and 23)	143,395	105,996	1,193,272
Trading liabilities	160	141	1,338
Borrowed money (Notes 7, 10 and 23)	345,388	218,248	2,874,166
Foreign exchanges	551	353	4,592
Bonds (Note 12)	15,000	15,000	124,823
Bonds with warrant attached	36,051	—	300,000
Due to trust account	13	19	113
Other liabilities (Note 10)	66,084	62,790	549,927
Reserve for director's bonuses	62	48	519
Net defined benefit liability (Note 14)	7,997	8,834	66,552
Reserve for directors' retirement benefits	39	39	329
Reserve for reimbursement of dormant deposits	2,164	1,993	18,012
Reserve for frequent users services	138	127	1,152
Reserve for losses on interest refunded	7	2	61
Reserve for other contingent losses	1,169	1,505	9,728
Reserves under the special laws	2	1	16
Deferred tax liabilities (Note 15)	48,507	14,352	403,656
Deferred tax liabilities for land revaluation (Note 3)	10,136	11,872	84,347
Negative goodwill	1,817	1,975	15,122
Acceptances and guarantees	14,961	14,522	124,506
Total liabilities	¥8,463,618	¥8,019,600	\$70,430,376
Net assets:			
Common stock	¥ 85,113	¥ 85,113	\$ 708,272
Capital surplus	58,574	58,574	487,426
Retained earnings	311,093	300,506	2,588,775
Treasury stock	(21,619)	(21,079)	(179,907)
Total shareholders' equity	433,160	423,113	3,604,566
Unrealized gains on available-for-sale securities (Note 24)	159,909	86,445	1,330,697
Deferred losses on hedging instruments, net of taxes	(1,725)	(2,072)	(14,355)
Land revaluation excess, net of taxes (Note 15)	12,666	12,184	105,402
Remeasurements of defined benefit plans (Note 14)	(3,756)	(5,656)	(31,257)
Total accumulated other comprehensive income	167,094	90,900	1,390,486
Equity warrants	147	113	1,223
Minority interests	1,437	2,843	11,963
Total net assets	601,840	516,971	5,008,239
Total liabilities and net assets	¥9,065,458	¥8,536,571	\$75,438,616

See accompanying notes to the consolidated financial statements.

Consolidated Statements of Income

THE JOYO BANK, LTD. and Consolidated Subsidiaries

Years ended March 31,	Millions of yen		Thousands of U.S. dollars (Note 2)
	2015	2014	2015
Income:			
Interest and dividend income:	¥ 95,952	¥ 95,180	\$ 798,471
Interest on loans and discounts	67,788	69,635	564,105
Interest and dividends on securities	27,455	24,854	228,471
Other interest income	708	689	5,894
Fees and commissions	26,297	24,305	218,837
Trading income	1,842	1,517	15,329
Other operating income	5,240	7,800	43,605
Other income	28,574	30,382	237,781
Total income	157,906	159,186	1,314,025
Expenses:			
Interest expenses:			
Interest on deposits	2,395	2,583	19,936
Interest on borrowings and rediscounts	903	692	7,516
Other interest expenses	1,821	1,497	15,159
Fees and commissions	7,490	7,136	62,335
Other operating expenses	2,263	6,215	18,838
General and administrative expenses	72,161	72,785	600,491
Other expenses (Note 17)	24,926	28,106	207,430
Total expenses	111,963	119,018	931,708
Income before income taxes and minority interests	45,943	40,168	382,316
Income taxes:			
Current	12,497	12,277	103,999
Deferred (Note 15)	4,517	2,500	37,594
Income before minority interests	28,927	25,389	240,723
Minority interests in net income of consolidated subsidiaries	247	347	2,059
Net income	¥ 28,680	¥ 25,042	\$ 238,663
Net income per share (in yen and dollars) (Note 29)	¥ 39.48	¥ 33.52	\$ 0.32

Consolidated Statements of Comprehensive Income

THE JOYO BANK, LTD. and Consolidated Subsidiaries

Years ended March 31,	Millions of yen		Thousands of U.S. dollars (Note 2)
	2015	2014	2015
Income before minority interests	¥ 28,927	¥25,389	\$240,723
Other comprehensive income (Note 19)	76,782	(17)	638,952
Unrealized gains on available-for-sale securities	73,489	(596)	611,542
Deferred gains on hedging instruments, net of taxes	347	579	2,892
Land revaluation excess, net of taxes (Note 15)	1,045	—	8,703
Remeasurements of defined benefit plans (Note 14)	1,900	—	15,814
Comprehensive income	105,710	25,372	879,675
(Attributable to)			
Shareholders of parent	105,438	25,019	877,413
Minority interest	271	352	2,261

See accompanying notes to the consolidated financial statements.

Consolidated Statements of Changes in Net Assets

THE JOYO BANK, LTD. and Consolidated Subsidiaries

Years ended March 31,	Millions of yen		Thousands of U.S. dollars (Note 2)
	2015	2014	2015
Shareholders' equity			
Common stock			
Balance at end of the previous year	¥ 85,113	¥ 85,113	\$ 708,272
Changes during the year	—	—	—
Total changes during the year	—	—	—
Balance at end of the current year	¥ 85,113	¥ 85,113	\$ 708,272
Capital surplus			
Balance at end of the previous year	¥ 58,574	¥ 58,574	\$ 487,426
Changes during the year	—	—	—
Total changes during the year	—	—	—
Balance at end of the current year	¥ 58,574	¥ 58,574	\$ 487,426
Retained earnings			
Balance at end of the previous year	¥300,506	¥286,893	\$2,500,674
Cumulative effects of changes in accounting policies	(748)	—	(6,229)
Restated balance	299,757	—	2,494,444
Changes during the year			
Cash dividends	(6,622)	(6,735)	(55,106)
Net income	28,680	25,042	238,663
Disposal of treasury stock	(3)	(24)	(29)
Retirement of treasury stock	(11,283)	(4,844)	(93,895)
Transfer from land revaluation excess	564	174	4,698
Total changes during the year	11,335	13,612	94,330
Balance at end of the current year	¥311,093	¥300,506	\$2,588,775
Treasury stock			
Balance at end of the previous year	¥ (21,079)	¥ (23,299)	\$ (175,415)
Changes during the year			
Purchase of treasury stock	(11,842)	(2,710)	(98,551)
Disposal of treasury stock	19	85	163
Retirement of treasury stock	11,283	4,844	93,895
Total changes during the year	(539)	2,219	(4,492)
Balance at end of the current year	¥ (21,619)	¥ (21,079)	\$ (179,907)
Total shareholders' equity			
Balance at end of the previous year	¥423,113	¥407,281	\$3,520,957
Cumulative effects of changes in accounting policies	(748)	—	(6,229)
Restated balance	422,364	—	3,514,727
Changes during the year			
Cash dividends	(6,622)	(6,735)	(55,106)
Net income	28,680	25,042	238,663
Purchase of treasury stock	(11,842)	(2,710)	(98,551)
Disposal of treasury stock	16	60	134
Retirement of treasury stock	—	—	—
Transfer from land revaluation excess	564	174	4,698
Total changes during the year	10,795	15,832	89,838
Balance at end of the current year	¥433,160	¥423,113	\$3,604,566
Accumulated other comprehensive income:			
Unrealized gains on available-for-sale securities			
Balance at end of the previous year	¥ 86,445	¥ 87,047	\$ 719,357
Changes during the year			
Net changes in items other than shareholders' equity	73,464	(601)	611,340
Total changes during the year	73,464	(601)	611,340
Balance at end of the current year	¥159,909	¥ 86,445	\$1,330,697

Years ended March 31,	Millions of yen		Thousands of U.S. dollars (Note 2)
	2015	2014	2015
Deferred losses on hedging instruments, net of taxes			
Balance at end of the previous year	¥ (2,072)	¥ (2,651)	\$ (17,247)
Changes during the year			
Net changes in items other than shareholders' equity	347	579	2,892
Total changes during the year	347	579	2,892
Balance at end of the current year	¥ (1,725)	¥ (2,072)	\$ (14,355)
Land revaluation excess, net of taxes			
Balance at end of the previous year	¥ 12,184	¥ 12,359	\$ 101,396
Changes during the year			
Net changes in items other than shareholders' equity	481	(174)	4,005
Total changes during the year	481	(174)	4,005
Balance at end of the current year	¥ 12,666	¥ 12,184	\$ 105,402
Remeasurements of defined benefit plans			
Balance at end of the previous year	¥ (5,656)	¥ —	\$ (47,072)
Changes during the year			
Net changes in items other than shareholders' equity	1,900	(5,656)	15,814
Total changes during the year	1,900	(5,656)	15,814
Balance at end of the current year	¥ (3,756)	¥ (5,656)	\$ (31,257)
Total accumulated other comprehensive income			
Balance at end of the previous year	¥ 90,900	¥ 96,754	\$ 756,434
Changes during the year			
Net changes in items other than shareholders' equity	76,194	(5,853)	634,052
Total changes during the year	76,194	(5,853)	634,052
Balance at end of the current year	¥167,094	¥ 90,900	\$1,390,486
Equity warrants			
Balance at end of the previous year	¥ 113	¥ 120	\$ 945
Changes during the year			
Net changes in items other than shareholders' equity	33	(6)	277
Total changes during the year	33	(6)	277
Balance at end of the current year	¥ 147	¥ 113	\$ 1,223
Minority interests			
Balance at end of the previous year	¥ 2,843	¥ 2,493	\$ 23,659
Changes during the year			
Net changes in items other than shareholders' equity	(1,405)	350	(11,696)
Total changes during the year	(1,405)	350	(11,696)
Balance at end of the current year	¥ 1,437	¥ 2,843	\$ 11,963
Total net assets			
Balance at end of the previous year	¥516,971	¥506,649	\$4,301,997
Cumulative effects of changes in accounting policies	(748)	—	(6,229)
Restated balance	516,222	—	4,295,767
Changes during the year			
Cash dividends	(6,622)	(6,735)	(55,106)
Net income	28,680	25,042	238,663
Purchase of treasury stock	(11,842)	(2,710)	(98,551)
Disposal of treasury stock	16	60	134
Transfer from land revaluation excess	564	174	4,698
Net changes in items other than shareholders' equity	74,821	(5,510)	622,633
Total changes during the year	85,617	10,321	712,472
Balance at end of the current year	¥601,840	¥516,971	\$5,008,239

See accompanying notes to the consolidated financial statements.

Consolidated Statements of Cash Flows

THE JOYO BANK, LTD. and Consolidated Subsidiaries

Years ended March 31,	Millions of yen		Thousands of U.S. dollars (Note 2)
	2015	2014	2015
Cash flows from operating activities			
Income before income taxes and minority interests	¥ 45,943	¥ 40,168	\$ 382,316
Depreciation	5,710	5,841	47,522
Impairment losses	1,020	597	8,493
Gain on negative goodwill	(1,335)	—	(11,117)
Amortization of negative goodwill	(158)	(158)	(1,315)
Net decrease in reserve for possible loan losses	(5,150)	(4,504)	(42,859)
Net decrease in reserve for devaluation of investment securities	(26)	—	(222)
Net increase in reserve for directors' retirement benefits	0	5	4
Net increase in reserve for reimbursement of dormant deposits	170	144	1,421
Net increase (decrease) in reserve for frequent users services	10	(2)	87
Net decrease in reserve for other contingent losses	(336)	(13)	(2,797)
Net increase (decrease) in reserve for losses on interest refunded	4	(3)	36
Net increase (decrease) in reserve for bonuses to directors and corporate auditors	13	(1)	112
Net decrease in net defined benefit asset	(1,438)	—	(11,970)
Net decrease in net defined benefit liability	(836)	(606)	(6,964)
Interest and dividend income	(103,319)	(101,539)	(859,779)
Interest expenses	5,120	4,773	42,611
Net losses related to securities transactions	1,658	95	13,802
Foreign exchange gains, net	(35,769)	(23,567)	(297,655)
Losses on disposal of tangible fixed assets	102	554	851
Net increase in trading assets	(1,612)	(667)	(13,415)
Net increase (decrease) in trading liabilities	19	(18)	158
Net increase in lease investment assets	(2,489)	(5,174)	(20,718)
Net increase in loans and bills discounted	(254,630)	(255,073)	(2,118,916)
Net increase in deposits	235,695	135,439	1,961,353
Net increase (decrease) in negotiable certificates of deposit	15	(5,429)	126
Net increase in borrowed money excluding subordinated borrowings	132,539	103,003	1,102,935
Net decrease (increase) in due from banks excluding cash equivalents	11,383	(5,597)	94,727
Net decrease (increase) in call loans and others	(5,024)	7,324	(41,812)
Net increase (decrease) in call money and bills sold	(27,515)	33,373	(228,972)
Net increase in payables under securities lending transactions	37,399	14,712	311,219
Net increase in foreign exchange (assets)	(1,045)	(407)	(8,698)
Net decrease in foreign exchange (liabilities)	198	88	1,648
Net decrease (increase) in due to trust account	(5)	(7)	(46)
Interest and dividends received	102,982	102,620	856,975
Interest paid	(5,367)	(5,724)	(44,663)
Others, net	680	(7,559)	5,665
Subtotal	134,608	32,686	1,120,146
Income taxes paid	(13,624)	(12,453)	(113,379)
Net cash provided by operating activities	120,983	20,232	1,006,766
Cash flows from investing activities:			
Purchases of securities	(863,354)	(794,302)	(7,184,440)
Proceeds from sale of securities	736,166	417,373	6,126,042
Proceeds from redemption of securities	287,759	282,427	2,394,605
Purchases of tangible fixed assets	(4,665)	(7,099)	(38,821)
Proceeds from sales of tangible fixed assets	1,941	154	16,152
Purchases of intangible fixed assets	(2,259)	(3,751)	(18,799)
Purchases of subsidiary stock	(339)	—	(2,822)
Net cash used in investing activities	155,249	(105,198)	1,291,916
Cash flows from financing activities:			
Proceeds from issuance of bonds with warrant attached	30,674	—	255,261
Repayments of subordinated borrowings	(5,400)	(5,000)	(44,936)
Cash dividends paid	(6,622)	(6,735)	(55,106)
Cash dividends paid to minority interests	(2)	(2)	(18)
Purchases of treasury stock	(11,842)	(2,710)	(98,551)
Proceeds from sales of treasury stock	3	60	26
Net cash used in financing activities	6,810	(14,386)	56,675
Translation adjustment for cash and cash equivalents	27	20	225
Net increase (decrease) in cash and cash equivalents	283,070	(99,332)	2,355,583
Cash and cash equivalents at beginning of year	210,363	309,695	1,750,546
Cash and cash equivalents at end of year (Note 3)	¥ 493,433	¥ 210,363	\$ 4,106,130

See accompanying notes to the consolidated financial statements.

Notes to the Consolidated Financial Statements

THE JOYO BANK, LTD. and Consolidated Subsidiaries

1. Basis of Preparation

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

For the convenience of readers outside Japan, certain items presented in the original consolidated financial statements have been reclassified and rearranged.

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

2. Japanese Yen and U.S. Dollar Amounts

As permitted by the Financial Instruments and Exchange Act of Japan, amounts of less than one million yen have been rounded off. As a result, the totals shown in the accompanying consolidated financial statements (both in yen and U.S. dollars) do not necessarily agree with the sums of the individual amounts. Solely for the convenience of the reader, the U.S. dollar amounts represent a translation of the Japanese yen amounts at ¥120.17 = US\$1.00, the exchange rate prevailing on March 31, 2015.

3. Significant Accounting Policies

(a) Consolidation

The accompanying consolidated financial statements include the accounts of the Bank and nine major subsidiaries.

There are no unconsolidated subsidiaries. There are no unconsolidated subsidiaries and affiliates that are accounted for by the equity method. Three affiliates, Ibaraki-kizuna Investment Limited Partnership, Ibaraki New Industry Creation Investment Limited Partnership, Ibaraki Revitalization Investment Limited Partnership are not accounted for under the equity method because the amounts of net income, retained earnings and accumulated other comprehensive income of the affiliate are immaterial, and as such, it does not have any significant impacts on the consolidated financial statements when excluded from the scope of equity method.

All significant intercompany transactions have been eliminated in consolidation. Assets and liabilities held by consolidated subsidiaries are stated at fair value at a time of acquisition.

(b) Consolidated subsidiaries' closing date

Closing date of nine consolidated subsidiaries is March 31.

(c) Transactions for trading purposes

Transactions for "trading purposes" (seeking to capture gains arising from short-term changes in interest rates, currency exchange rates or market prices of securities and other market-related indices or from arbitrage between markets) are valued at market or fair value, and have been included in trading assets and trading liabilities on a trade date basis. Gain or loss on such trading transactions are reflected as trading income or trading expenses in the consolidated statements of income.

Among the trading assets and liabilities, securities and monetary claims are carried at market value as of the balance sheet date. Derivatives including swaps, futures, and options are valued assuming settlement on the balance sheet date.

Trading income or trading expenses include interest received or paid during the fiscal year. The year-on-year valuation differences of securities and monetary claims are also recorded in the above-mentioned accounts. As for the derivatives, assuming that the settlement will be made in cash, the year-on-year valuation differences are also recorded in the above-mentioned accounts.

(d) Securities

Securities other than trading securities have been accounted for by the following methods:

Marketable debt securities held to maturity are stated at amortized cost by the moving-average cost method. Equity shares and investment trusts listed on Japanese markets are stated at fair value based on their average market prices over the month prior to the balance sheet date. (Acquisition cost is basically calculated by the moving-average cost method.) Other listed securities are stated at fair value based on the market prices prevailing on the balance sheet date. (Acquisition cost is basically calculated by the moving-average cost method.) Other available-for-sale securities which are extremely difficult to determine the fair value are stated at cost or amortized cost by the moving-average cost method.

Unrealized gain or loss on available-for-sale securities (net of the related tax effect) has been reported as a component of net assets.

(e) Derivatives

Derivatives positions held by the Bank (not including transactions for trading purposes) are stated at fair value.

(f) Depreciation of tangible fixed assets

Depreciation of tangible fixed assets held by the Bank is calculated by the straight-line method. The estimated useful lives are as follows:

Buildings: 6~50 years

Other: 3~20 years

Depreciation of tangible fixed assets held by the consolidated subsidiaries is calculated principally by the declining-balance method, based on the respective estimated useful lives of the assets.

Depreciation of intangible fixed assets is calculated using the straight-line method. Software for internal use is depreciated using the straight-line method over its estimated useful life (mainly 5 years).

Depreciation of lease assets in "Tangible fixed assets", which are the finance leases other than those that transfer the ownership lease property to the lessee is calculated using the straight-line method over the lease term with zero residual value unless residual value is guaranteed by the corresponding lease contracts.

(g) Reserve for possible loan losses

The reserve for possible loan losses of the Bank is provided as detailed below, in accordance with the internal rules for providing reserves for possible loan losses:

For claims to debtors who are legally bankrupt (as a result of bankruptcy, special liquidation, etc.) or who are substantially bankrupt, a reserve is provided based on the amount of the claims, net of the amounts expected to be collected by the disposal of collateral or as a result of the execution of guarantees.

For claims to debtors who are not currently bankrupt, but are likely to become bankrupt, a reserve is provided based on the amount considered necessary based on an overall solvency assessment of the amount of claims net of the amounts expected to be collected by the disposal of collateral or as a result of the execution of guarantees.

For other claims, a reserve is provided based on the Bank's historical loan-loss experience.

All claims are assessed by the Business Section (at the branches and the related head office divisions) based on the Bank's internal rules for the self-assessment of asset quality.

The Corporate Audit Department, which is independent of the Business Section, subsequently conducts audits of such assessments, and a reserve is provided based on the audit results.

The reserves of the consolidated subsidiaries are provided for general claims at an amount based on the actual historical rate of loan losses and for specific claims (from potentially bankrupt customers, etc.) at an estimate of the amounts deemed uncollectible based on the respective assessments.

For collateralized or guaranteed claims from debtors who are legally or substantially bankrupt, the amounts of the claims deemed uncollectible in excess of the estimated value of the collateral or guarantees have been written off in aggregate amounts of ¥16,905 million and ¥19,748 million as of March 31, 2015 and 2014, respectively.

(h) Reserve for devaluation of investment securities

A reserve for the devaluation of investment securities is provided at the amount deemed necessary to cover estimated possible losses on investments which the Bank and its consolidated subsidiaries may incur in the future.

(i) Reserve for employees' retirement benefits

In calculating the projected benefit obligation, the benefit formula basis is used to attribute the expected benefit attributable to the respective fiscal year.

Prior service cost is deferred and amortized using the straight-line method over certain years (10 years) within the average remaining service period of the eligible employees.

Unrealized actuarial losses are deferred and amortized using the straight-line method over a ten-year period commencing with the following year, which is shorter than the average remaining service period of the eligible employees.

(j) Reserve for directors' bonuses

Reserve for directors' bonuses represents estimated cost of directors' (including executive officers) bonuses attributable to the fiscal year.

(k) Reserve for directors' retirement benefits

Reserve is made for the payments of retirement allowances to directors and corporate auditors of the consolidated subsidiaries based on an estimate of the amount attributable to the fiscal year.

(l) Reserve for reimbursement of dormant deposits

Reserve for reimbursement of dormant deposits which were derecognized as liabilities under certain conditions is provided for

possible losses on the future claims.

(m) Reserve for frequent users services

Reserve for frequent users services, which is provided to meet future use of credits granted to credit card customers, is recorded in the amount deemed necessary based on the estimated future use of unused credits. This program applies to cards issued by the Bank and one of its subsidiaries.

(n) Reserve for losses on interest refunded

One consolidated subsidiary provides a provision for losses on interest refunded in an amount deemed necessary based on estimated amounts to be refunded, taking into account historical records of interest refunded on the portion of loans whose interest rates exceeded the maximum interest rate stipulated by the Interest Limitation Law.

(o) Reserve for contingent losses

The Bank makes reserve for possible losses on loans guaranteed by the credit guarantee corporations in an amount deemed necessary based on estimated losses in the future, calculated using historical default rates after exclusion of contingent losses covered by other reserves.

(p) Reserves under special laws

The reserve under the special laws is a reserve for contingent liabilities and provided for compensation for losses from securities-related transactions or derivative transactions in the amount of ¥2 million and ¥1 million as of March 31, 2015 and 2014, pursuant to Article 46-5-1 of the Financial Instruments and Exchange Act and Article 175 of the related cabinet order.

(q) Negative goodwill

Negative goodwill is amortized using the straight-line method over 20 years.

(r) Deferred charges

Bonds issuance costs and stock issuance costs are charged to expenses as incurred.

(s) Translation of foreign currencies

Foreign currency-denominated assets and liabilities of the Bank are translated into Japanese yen at the rates prevailing at the balance sheet date. Foreign currency-denominated assets and liabilities held by consolidated subsidiaries are translated into Japanese yen principally at the rates prevailing at the respective balance sheet dates.

All consolidated subsidiaries have a fiscal year end of March 31.

(t) Leases

As for finance lease transactions that do not transfer ownership of the leased property and which commenced prior to April 1, 2008, their treatment was as follows.

As a lessee

Using the same method applied to operating lease transactions.

As a lessor

In line with the stipulations of Article 81 of the Guidance on Accounting Standard for Lease Transactions (ASBJ Guidance No. 16, issued on March 30, 2007), book value (after deduction of accumulated depreciation) of lease assets included in tangible fixed assets and intangible assets as of the previous balance sheet date (March 31, 2008) was recorded as the initial balance of "Lease receivables and lease investment assets."

(u) Recognition of income on finance lease

As a lessor income and expense are recognized when lease receivables are collected as for finance lease transactions that do not transfer ownership of the property.

(v) Hedging

Hedging against interest rate risks

The deferred method of hedge accounting is applied to transactions to hedge against the interest rate risks associated with monetary claims and debt in accordance with the regulations set out in the "Accounting and Auditing Treatment of Accounting Standards for Financial Instruments in the Banking Industry" (JICPA Industry Audit Committee Report No. 24).

The Bank assesses the effectiveness of such hedges in offsetting movement of the fair value with the changes in interest rates,

by classifying the hedged items (deposits or loans) and the hedging instruments (interest swaps) by their maturity. As to cash flow hedges, the Bank assesses the effectiveness of such hedges in fixing cash flows by verifying the correlation between the hedged items and the hedging instruments.

Hedging against foreign exchange fluctuation risks

The deferred method of hedge accounting is applied to transactions to hedge against the foreign exchange fluctuation risks associated with monetary assets and liabilities denominated in foreign currencies, in accordance with the regulations set out in the “Accounting and Auditing Treatment of Accounting Standards for Foreign Currency Transactions in the Banking Industry” (JICPA Industry Audit Committee Report No. 25).

To minimize the foreign exchange fluctuation risks on monetary assets and liabilities, the Bank engages in currency swaps, foreign exchange swaps, and similar transactions. The effectiveness of these transactions in the hedging of the foreign exchange risks of monetary assets and liabilities denominated in foreign currencies is assessed through comparison of the foreign currency position of the hedged monetary assets and liabilities, with that of the hedging instruments.

When certain criteria are met, exceptional accrual method for interest rate swap is applied to some assets and liabilities held by the Bank and its consolidated subsidiaries.

(w) Consumption tax

Consumption tax is excluded from transactions reported by the Bank and its consolidated subsidiaries. However, non-deductible consumption tax on tangible fixed assets is charged to income as incurred.

(x) Land revaluation excess

In accordance with the Law concerning the Revaluation of Land (Act No. 119, effective March 31, 1998), the Bank revalued the land held for its operations on March 31, 1998. The net unrealized gain is presented in net assets net of the applicable income taxes as land revaluation excess, net of taxes.

The difference between the carrying amount and the fair value of premises revalued pursuant to Article 10 of the Law was ¥28,950 million and ¥29,682 million as of March 31, 2015 and 2014, respectively.

(y) Earnings per share

The computation of earnings per share of common stock is based on the weighted average number of shares outstanding during each year.

(z) Statements of cash flows

Cash and cash equivalents in the statements of cash flows represent cash and due from banks in the consolidated balance sheets, excluding deposits with banks other than the Bank of Japan as well as the time deposits of certain consolidated subsidiaries.

March 31,	Millions of yen	
	2015	2014
Cash and due from banks	¥496,348	¥224,661
Deposits with banks other than the Bank of Japan	(2,914)	(14,298)
Cash and cash equivalents	¥493,433	¥210,363

4. Accounting change

Accounting Standard for Retirement Benefits

From the fiscal year ended March 31, 2015, the Bank and its consolidated subsidiaries have adopted the Accounting Standard for Retirement Benefits (ASBJ Statement No. 26, May 17, 2012) and the Guidance on Accounting Standard for Retirement Benefits (ASBJ Guidance No. 25, Mar 26, 2015), in terms of regulations stipulated in Accounting Standard, Paragraph 35 and the Guidance, Paragraph 67. We have reviewed the calculation methods of the projected benefit obligations and service cost, which changed the method of attributing the expected projected benefit obligations to periods of service from a straight-line basis to a benefit formula basis, and we also reviewed the change in the calculation of the discount rate from the one using the discount rate based on the average remaining service years of employees to the weighted average discount rate based on the estimated timing of each benefit payment.

The Accounting Standard and the Guidance have been applied in accordance with the transitional treatment stipulated in the Accounting Standard, Paragraph 37, and the amount of financial impact resulting from the change in the calculation method of the projected obligations and service cost was added to or deducted from Retained earnings at the beginning of the fiscal year ended March 31, 2015.

As a result of this change, net defined benefit liability increased by ¥1,156 million (¥1,962 million decrease in pension plan and

¥3,119 million increase in lump-sum) and retained earnings decreased by ¥748 million at the beginning of the fiscal year ending March 31, 2015. Effect on the income before income taxes and minority interests is minor for the year ended March 31, 2015.

Accounting changes that are difficult to distinguish from changes in accounting estimates

The Bank had applied the declining-balance method to the depreciation of its tangible fixed assets, except for buildings (excluding accompanying facilities) acquired on or after April 1, 1998 and lease receivables and lease investment assets). However, this was changed to the straight-line method in the year ended March 31, 2015.

Under the 12th Medium-Term Business Plan launched in the year ended March 31, 2015 for becoming the "Best partner bank for the collaborative creation of the region's future," the Bank had decided to innovate its marketing channels, as well as its marketing and operating processes. Specifically, the Bank plans to renovate or rebuild branches and invest in the renewal of office machineries and other equipments to strengthen marketing and improve customer convenience. Having conducted a general review of such investment projects, including the format of the investments, the Bank determined that its branches, office machineries and equipments, and other tangible fixed assets would be used constantly over a long period of time. Consequently, contemplating the fixed nature of the value in use throughout the useful life of the assets, the Bank decided to change its depreciation method of tangible fixed assets to the straight-line method to more accurately reflect business conditions. As a result of this change, income before income taxes and minority interests increased by ¥1,503 million.

5. Standards issued but not yet effective

Accounting Standard for Business Combinations

(1) Outline

The accounting standards have been revised mainly on (i) the treatment of a change in the parent company's ownership interest in a subsidiary in the case where the parent company continues to control the subsidiary upon additionally acquiring the shares of the subsidiary or other cases, (ii) the treatment of acquisition cost, (iii) the treatment of the transitional accounting, and (iv) the presentation of net income and the change in presentation from minority interests to non-controlling interests.

(2) Dates of application

The Bank intends to adopt revised accounting standards from the beginning of the fiscal year beginning on April 1, 2015.

(3) Impacts of adoption of the revised accounting standards

Impacts of adoption of the revised accounting standard are not yet determined.

6. Bills Discounted

Bills discounted are accounted for as financial transactions in accordance with JICPA Industry Audit Committee Report No. 24. The Bank has the rights to sell or pledge bank acceptances bought, commercial bills discounted, documentary bills and foreign exchanges bought without restrictions. The face value at March 31, 2015 and 2014 totaled ¥21,861 million and ¥22,859 million, respectively.

7. Pledged Assets

Assets pledged as collateral at March 31, 2015 and 2014 were as follows:

March 31,	Millions of yen	
	2015	2014
Pledged assets:		
Securities	¥601,823	¥440,698
Liabilities covered by pledged assets:		
Deposits	40,714	26,047
Payables under securities lending transactions	143,395	105,996
Borrowed money	319,926	196,996

In addition to the above, securities amounting to ¥60,943 million and ¥48,096 million at book value were pledged as collateral in connection with bank transfer settlements and futures transactions as of March 31, 2015 and 2014, respectively.

One consolidated subsidiary had pledged its lease receivables amounting to ¥127 million and ¥259 million as of March 31, 2015 and 2014, respectively.

"Other assets" included lease deposits of ¥1,365 million and ¥1,401 million, at March 31, 2015 and 2014, respectively. "Other assets" also included Initial margins on futures transactions of ¥160 million at both March 31, 2015 and 2014.

8. Investments in unconsolidated subsidiaries and affiliates

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

	Millions of yen	
	2015	2014
Investments	¥425	¥423

9. Commitments and Contingent Liabilities

Overdraft facilities and line-of-credit contracts are agreements under which, subject to compliance with the contractual conditions, the Bank or consolidated subsidiaries pledge to provide clients with funds up to a fixed limit upon submission of a loan application to the Bank. The unused amount related to such facilities/contracts stood at ¥1,605,200 million and ¥1,552,123 million at March 31, 2015 and 2014, respectively. Of this amount, facilities/contracts which expire within one year or which are unconditionally cancelable at any time, totaled ¥879,018 and ¥876,495 million at March 31, 2015 and 2014, respectively.

Most of these agreements will expire without the clients' having utilized the financial resources available to them, and the amount of the non-executed financing will not necessarily impact on the Bank or its consolidated subsidiaries' future cash flows. Most of these facilities/contracts contain a clause which allows the Bank or its consolidated subsidiaries to reject a loan application or to reduce the upper limit requested in view of changing financial conditions, credit maintenance and other reasonable concerns.

When necessary, the Bank will demand collateral such as real estate or marketable securities at the date on which an agreement is entered into. In addition, after facilities/contracts are set forth the Bank will regularly assess the business status of the clients, based on predetermined internal procedures and, when prudent, will revise the agreements or reformulate their policies to maintain creditworthiness.

10. Borrowed Money

Borrowed money included subordinated debt of zero and ¥5,400 million, at March 31, 2015 and 2014.

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

Description	Millions of yen		%	Due
	2015	2014		
Bills rediscounted	¥ —	¥ —	—	—
Other borrowings	345,388	218,248	0.19	April 2015 - March 2020
Lease obligations	25	30	4.91	April 2015 - July 2020

Notes: 1. Average interest rate represents the weight average interest rate based on the balances and rates at respective fiscal year-end.
2. The repayment schedule within five years on borrowed money at March 31, 2015 was as follows:

	Millions of yen	
	Other borrowings	Lease obligations
Within 1 year	¥79,562	¥4
After 1 year within 2 years	103,555	5
After 2 years within 3 years	8,803	4
After 3 years within 4 years	150,725	4
After 4 years within 5 years	2,743	4

11. Non-Performing Loans

In accordance with the disclosure requirements under the Rules for Bank Accounting in Japan, the balance of loans and bills discounted at March 31, 2015 and 2014 included the following non-performing loans:

March 31,	Millions of yen	
	2015	2014
Loans in bankruptcy and dishonored bills	¥1,278	¥1,694
Delinquent loans	87,175	100,471
Loans past due with respect to interest payments for more than 3 months	479	944
Restructured loans	26,353	23,823
Total	¥115,287	¥126,933

Notes: 1. Loans in bankruptcy and dishonored bills refers to loans (excluding charged-off amounts) stipulated in Article 96, Paragraph 1, Item 3 (a) to (e) or Item 4 of the Enforcement Regulation to Corporation Tax Act (1965 Enforcement Regulation No. 97) to which accrued interest receivables are not recognized as accruals for accounting purposes since no repayment of principal or payment of interest has been made for a considerable period. Delinquent loans refers to loans with respect to which accrued interest receivables are not recognized as accruals for accounting purposes, excluding loans falling into the category of restructured loans. Loans past due with respect to interest payments for more than 3 months refers to loans with respect to which repayment of principal or payment of interest are past due for three months or more, excluding loans falling into the categories of loans in bankruptcy and dishonored bills or delinquent loans. Restructured loans refers to loans to borrowers to

- whom financial support is given in the form of reduction in interest, waiver of repayment of the principal or payment of interest, or debt forgiveness with the aim of corporate rehabilitation, excluding loans falling into loan categories mentioned above.
2. The above amounts are stated before the deduction of the reserve for possible loan losses.

12. Bonds

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

Issuer	Description	Date of issue	Millions of yen		%	Collateral	Due
			2015	2014			
The Joyo Bank, Ltd.	2nd Unsecured Straight Bonds	May 24, 2000	5,000	5,000	2.64	—	May 22, 2020
The Joyo Bank, Ltd.	1st Unsecured Subordinated Bonds with early redemption clause	January 31, 2012	10,000	10,000	1.22	—	January 31, 2022
The Joyo Bank, Ltd.	Euro-US dollar-denominated convertible bonds with stock acquisition rights maturing in 2019	April 24, 2014	36,051	—	—	—	April 24, 2019
Total			¥51,051	¥15,000			

Note: 1. After the consolidated closing date, the Bank had no redemption schedule for a period of five years or less.

2. Information on convertible bonds with stock acquisition rights is as follows:

Bond name	Joyo Bank, Ltd. Euro-U.S. dollar-denominated convertible bonds with SAR maturing in 2019
Type of stock	Common stock
Issue price of stock acquisition rights	Free of charge
Issue price of stock	\$6.05
Total sum of issue price	\$300,000 thousand
Grant ratio of stock acquisition rights	100.0%
Exercise period of stock acquisition rights	From May 9, 2014 to April 10, 2019
Substitute payment	On execution of the stock acquisition rights the corresponding bonds are to be invested and the bonds price is same as face amount.

13. Privately placed bonds

Privately placed bonds (Article 2-3 of Financial Instruments and Exchange Law) guaranteed by the Bank at March 31, 2015 and 2014 were as follows:

	Millions of yen	
	2015	2014
Privately placed bonds	¥22,338	¥17,704

14. Employees' Retirement Benefits

For the fiscal year ended March 31, 2015

(a) Outline of current retirement benefit system

The Bank and its consolidated subsidiaries have adopted defined employees' retirement benefit plans, i.e., the employees' welfare pension fund supplemented by the employees' public pension system and lump-sum retirement benefits. In addition, extra benefits which are excluded from the projected benefit obligation in employees' retirement benefits accounting may be paid on a case-by-case basis. The Bank has established an employees' retirement benefit trust. As of the end of March 31, 2015, the Bank and nine consolidated subsidiaries have lump-sum retirement benefits for employees. The Bank and its consolidated subsidiaries have jointly established a fund under a defined benefit pension plan and it is included in the section of defined benefit pension plan of the note. Net defined benefit liability and service cost in the defined benefit pension plan and lump-sum retirement benefit adopted by the consolidated subsidiaries are calculated by the simplified method.

(b) Defined benefit pension plan

**(1) Reconciliation of the projected benefit obligation between the beginning of the fiscal year and the end of the fiscal year
(Except for the simplified method):**

	Millions of yen	
	2015	2014
Retirement benefit obligation at the beginning of the fiscal year	¥62,072	¥64,418
Cumulative effects of changes in accounting policies	1,156	—
Restated balance	63,229	—
Service cost	1,444	1,790
Interest cost	967	753
Actuarial loss incurred	6,678	1,068
Payment of retirement benefit	(3,239)	(3,399)
Prior service cost incurred	—	—
Decrease due to amendment of defined benefit pension plan	—	(2,559)
Retirement benefit obligations at the end of the fiscal year	¥69,080	¥62,072

(2) Reconciliation of the plan assets between the beginning of the fiscal year and the end of the fiscal year (Except for the simplified method):

	Millions of yen	
	2015	2014
Plan assets at the beginning of the fiscal year	¥53,763	¥50,730
Expected return on plan assets	794	737
Actuarial loss incurred	8,414	4,226
Contribution by the Bank and its consolidated subsidiaries	2,038	2,153
Payment of retirement benefit	(1,922)	(1,893)
Decrease due to amendment of defined benefit pension plan	—	(2,190)
Plan assets at the end of the fiscal year	¥63,088	¥53,763

(3) Reconciliation of the net defined benefit liability adopting the simplified method between the beginning of the fiscal year and the end of the fiscal year:

	Millions of yen	
	2015	2014
Net defined benefit liability at the beginning of the fiscal year	¥526	¥498
Retirement benefit expense	393	412
Payment of retirement benefit	(32)	(34)
Contribution to the defined benefit pension plan	(320)	(349)
Net defined benefit liability at the end of the fiscal year	¥567	¥526

(4) Reconciliation of the projected benefit obligation and plan assets between net defined benefit liability and net defined benefit asset is as follows:

	Millions of yen	
	2015	2014
Retirement benefit obligation of the funded pension plan	¥76,723	¥69,960
Plan assets	(70,164)	(61,125)
	6,559	8,834
Retirement benefit obligation of the unfunded pension plan	—	—
Net defined benefit liability and asset on the consolidated balance sheet	¥6,559	¥8,834

	Millions of yen	
	2015	2014
Net defined benefit liability	¥7,997	¥8,834
Net defined benefit asset	1,438	—
Net defined benefit liability and asset on the consolidated balance sheet	¥6,559	¥8,834

Note: Including the simplified method

(5) Components of retirement benefit expenses are as follows:

	Millions of yen	
	2015	2014
Service cost	¥1,444	¥1,790
Interest cost	967	753
Expected return on plan assets	(794)	(737)
Amortization of unrecognized actuarial loss	1,402	1,082
Amortization of prior service cost	69	98
Retirement benefit expense adopting the simplified method	393	412
Other	—	37
Retirement benefit expense on defined benefit pension plan	¥3,482	¥3,436

(6) Components of remeasurements of defined benefit plans are as follows (Before deferred tax assets deduction):

	Millions of yen	
	2015	2014
Prior service cost	¥69	¥—
Actuarial loss	3,137	—
Total	¥3,207	¥—

(7) Components of remeasurements of defined benefit plans are as follows (Before deferred tax assets deduction):

	Millions of yen	
	2015	2014
Unrecognized prior service cost	¥—	¥69
Unrecognized actuarial loss	5,532	8,670
Total	¥5,532	¥8,740

(8) Plan assets

Proportions of major components of plan assets are as follows:

	2015	2014
Bond	38.1%	38.1%
Equity	41.8%	40.2%
General account	16.4%	17.8%
Other	3.7%	3.9%
Total	100.0%	100.0%

Note: A retirement benefit trust was established for corporate pension plans and totaling to 18.2% of the total plan assets

Expected rate of return on pension plan assets is determined considering current and future portfolio of pension assets and current and future long term expected rate of return on various assets in the portfolio.

(9) The assumptions used in accounting for the defined benefit plans:

	2015	2014
Discount rate	1.05%	1.27%
Expected rate of return on plan assets	2.50%	2.50%
Expected increase rate in salary	4.92%	5.04%

15. Deferred Tax Assets

March 31,	Millions of yen	
	2015	2014
Deferred tax assets:		
Reserve for possible loan losses	¥16,783	¥19,859
Net defined benefit liability	9,629	11,379
Depreciation	417	1,531
Devaluation of securities	1,473	1,672
Reserve for employee bonuses	844	946
Reserve for reimbursement of dormant deposits	692	703
Others	7,666	7,726
Valuation allowance	(3,474)	(3,727)
Total	34,031	40,245
Deferred tax liabilities:		
Unrealized gain on available-for-sale securities	¥(73,544)	¥(45,535)
Retirement benefit trust	(4,701)	(5,186)
Reversal of reserve for possible loan losses after elimination of intercompany balances	(7)	(11)
Others	(2,318)	(1,618)
Total	(80,572)	(52,351)
Net deferred tax assets	¥(46,540)	¥(12,106)

The effective tax rate reflected in the consolidated statements of income for the fiscal years ended March 31, 2015 and 2014 differs from the statutory tax rate for the following reasons:

	2015	2014
Statutory tax rate	35.28%	37.66%
Effect of changes in statutory tax rate	4.49%	1.69%
Valuation allowance	(0.55)%	(1.40)%
Permanent differences including dividends received deduction	(2.24)%	(2.00)%
Permanent differences including entertainment expenses	0.20%	0.25%
Other	(0.15)%	0.59%
Effective tax rate	37.03%	36.79%

“Act on Partial Amendment to the Income Tax Act, etc.” (Act No. 9, 2015) and “Act on Partial Amendment to the Local Tax Act, etc.” (Act No. 2, 2015) were promulgated on March 31, 2015, and the corporate tax rate and other rates have been lowered from the fiscal year beginning on or after April 1, 2015. Due to this change, the effective statutory tax rate used for the calculation of deferred tax assets and deferred tax liabilities has been revised from the previous rate of 35.28%. The rate of 32.75% has been applied to the temporary differences, expected to be realized in the fiscal year beginning on April 1, 2015, while the rate of 31.98% has been applied to the temporary differences, expected to be realized in or after the fiscal year beginning on April 1, 2016. As a result of this change, deferred tax liabilities decreased ¥5,261 million, remeasurements of defined benefit plans decreased ¥175 million, deferred losses on hedging instruments, net of taxes decreased ¥83 million, unrealized gains on available-for-sale securities increased ¥7,585 million, deferred income taxes increased ¥2,065 million, deferred tax liabilities decreased ¥1,045 million and land revaluation excess, net of taxes increased ¥1,045 million.

16. Shareholders' Equity

In accordance with the Banking Act of Japan, the Bank has provided a legal reserve by appropriation of retained earnings, which is included in retained earnings. The Banking Act of Japan provides that an amount equivalent to at least 20% of the amount to be disbursed as distributions of earnings be appropriated to the legal reserve until the total of such reserve and the capital surplus equals 100% of the common stock.

The Companies Act of Japan (the “Act”), provides that an amount equal to 10% of the amount to be disbursed as distributions of capital surplus (other than the capital reserve) and retained earnings (other than the legal reserve) be transferred to the capital reserve and the legal reserve, respectively, until the sum of the capital reserve and the legal reserve equals 25% of the capital stock account. Such distributions can be made at any time by resolution of the shareholders or by the Board of Directors if certain conditions are met.

Under the Act, upon the issuance and sale of new shares of common stock, the entire amount of the proceeds is required to be

accounted for as common stock, although a company may, by resolution of the Board of Directors, account for an amount not exceeding one-half of the proceeds as capital surplus.

17. Other Expenses

Years ended March 31,	Millions of yen	
	2015	2014
Write-offs of claims	¥3,347	4,000
Write down of equity shares	534	1,458
Losses on sale of claims	122	121
Others	20,923	22,527
Total	¥24,926	¥28,106

Impairment losses were recorded in an aggregate amount deemed irrecoverable on idle assets, primarily located in Ibaraki Prefecture.

Impairment losses recognized on a consolidated basis for the fiscal years ended March 31, 2015 and 2014 can be broken down into the three categories of losses on land holdings in the amount of ¥1,020 million and ¥424 million, respectively, losses on buildings in the amount of zero and ¥171 million, respectively and losses on movable assets in the amount of zero and ¥1 million, respectively.

The recoverable amounts used for the measurement of such impairment losses are net sales prices, which are calculated on the basis of appraisal values after deduction of the estimated cost of disposal.

18. Tangible Fixed Assets

Accumulated depreciation on tangible fixed assets amounted to ¥87,601 million and ¥90,608 million, as of March 31, 2015 and 2014, respectively.

The accumulated capital gains directly offset against the acquisition costs of tangible fixed assets to obtain tax benefits at March 31, 2015 and 2014 amounted to ¥7,108 million and ¥6,463 million, respectively. For the years ended March 31, 2015 and 2014, the capital gains offset were ¥460 million and ¥46 million.

19. Supplementary Information to Consolidated Statements of Comprehensive Income

Years ended March 31,	Millions of yen	
	2015	2014
Unrealized gains on available-for-sale securities:		
The amount arising during the period	¥107,924	¥7,146
Reclassification adjustments	(6,425)	(7,820)
Before adjustments of tax effect	101,498	(673)
Tax effect	(28,009)	77
Unrealized gains on available-for-sale securities	73,489	(596)
Deferred gain (loss) on hedging instruments, net of taxes:		
The amount arising during the period	2,157	2,065
Reclassification adjustments	(1,492)	(1,168)
Before adjustments of tax effect	665	896
Tax effect	(317)	(317)
Deferred gain (loss) on hedging instruments, net of taxes	347	579
Land revaluation excess, net of taxes:		
The amount arising during the period	—	—
Reclassification adjustments	—	—
Before adjustments of tax effect	—	—
Tax effect	1,045	—
Land revaluation excess, net of taxes	1,045	—
Remeasurements of defined benefit plans:		
The amount arising during the period	1,735	—
Reclassification adjustments	1,471	—
Before adjustments of tax effect	3,207	—
Tax effect	(1,306)	—
Remeasurements of defined benefit plans	1,900	—
Total	¥76,782	¥(17)

20. Changes in Net Assets

(1) Types and number of shares issues and treasury stock are as follows:

March 31, 2015	Number of shares			
	April 1, 2014	Increase	Decrease	March 31, 2015
Shares issued:				
Common stock	789,231	—	23,000	766,231
Total	789,231	—	23,000	766,231
Treasury stock:				
Common stock	43,438	23,074	23,040	43,473
Total	43,438	23,074	23,040	43,473

- Notes: 1. Decrease in number of shares issued is cancellation of treasury stock stipulated by the Article 178 of the ACT
2. Increase in number of treasury stock includes purchase of fractional shares 74 thousands and acquisition of common stock 23,000 thousands.
3. Decrease in number of treasury stock includes purchase of fractional shares 5 thousands, cancellation of treasury stock 23,000 thousands and execution of stock options 34 thousands.

March 31, 2014	Number of shares			
	April 1, 2013	Increase	Decrease	March 31, 2014
Shares issued:				
Common stock	799,231	—	10,000	789,231
Total	799,231	—	10,000	789,231
Treasury stock:				
Common stock	48,455	5,159	10,176	43,438
Total	48,455	5,159	10,176	43,438

- Notes: 1. Decrease in number of shares issued is cancellation of treasury stock stipulated by the Article 178 of the ACT
2. Increase in number of treasury stock includes purchase of fractional shares 159 thousands and acquisition of common stock 5,000 thousands.
3. Decrease in number of treasury stock includes purchase of fractional shares 11 thousands, cancellation of treasury stock 10,000 thousands and execution of stock options 164 thousands.

(2) Information on stock acquisition rights is as follows:

	Detail of stock acquisition rights	Type of shares	Number of shares			Millions of yen	
			April 1, 2014	Increase	Decrease	March 31, 2015	March 31, 2015
March 31, 2015							
The Bank	Stock Options			—			¥147
Total				—			¥147

	Detail of stock acquisition rights	Type of shares	Number of shares			Millions of yen	
			April 1, 2013	Increase	Decrease	March 31, 2014	March 31, 2014
March 31, 2014							
The Bank	Stock Options			—			¥113
Total				—			¥113

(3) Information on dividends is as follows:

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

	Type of shares	Aggregate amount of dividends (Millions of yen)	Cash dividends per share (yen)	Record date	Effective date
Ordinary general meeting of shareholders held on June 26, 2014	Common stock	¥3,356	4.5	March 31, 2014	June 27, 2014
Meeting of board of directors held on November 7, 2014	Common stock	¥3,266	4.5	September 30, 2014	December 2, 2014

(b) Dividends to be paid after March 31, 2015

	Type of shares	Aggregate amount of dividends (Millions of yen)	Source of dividends	Cash dividends per share (yen)	Record date	Effective date
Ordinary general meeting of shareholders held on June 25, 2015	Common stock	¥3,975	Retained earnings	5.5	March 31, 2015	June 26, 2015

(c) Dividends paid in the fiscal year ended March 31, 2014

	Type of shares	Aggregate amount of dividends (Millions of yen)	Cash dividends per share (yen)	Record date	Effective date
Ordinary general meeting of shareholders held on June 26, 2013	Common stock	¥3,378	4.5	March 31, 2013	June 27, 2013
Meeting of board of directors held on November 8, 2013	Common stock	¥3,356	4.5	September 30, 2013	December 3, 2013

(d) Dividends to be paid after March 31, 2014

	Type of shares	Aggregate amount of dividends (Millions of yen)	Source of dividends	Cash dividends per share (yen)	Record date	Effective date
Ordinary general meeting of shareholders held on June 26, 2014	Common stock	¥3,356	Retained earnings	4.5	March 31, 2014	June 27, 2014

21. Segment Information

a. Outline of the reportable segments

The reportable segments of the Company are those units for which discrete financial information can be obtained and which are regularly examined by the management meeting, which is the highest decision-making body for decisions on the allocation of management resources and for assessing business performance.

Comprised of the Bank and its nine subsidiaries, the Group's main business is banking. Other operations include leasing, credit guarantee services, banking administrative agency services, securities trading and other financial business. "Banking" and "leasing" are its reportable segments, while credit guarantee services are included in "Other."

b. Calculation method of the amount of ordinary income, segment profit, assets and other items by the reportable segment

Accounting method of the reportable segment is as described in "Significant Accounting Policies." Ordinary income is regarded as the segment profit. Ordinary income from internal transactions is calculated based on actual market price.

As described in accounting changes that are difficult to distinguish from changes in accounting estimates, the Bank had applied the declining-balance method to the depreciation of its tangible fixed assets, except for buildings. However, this was changed to the straight-line method in the year ended March 31, 2015. As a result of this change, segment profit in banking operations increased by ¥1,101 million.

c. Information related to ordinary income, segment profit, assets and other items by the reportable segment

Year ended March 31, 2015	Millions of yen						Consolidated
	The reportable segment			Other	Total	Adjustments	
	Banking operations	Leasing	Total				
Ordinary income:							
From external Customers	131,532	18,270	149,802	6,316	156,118	—	156,118
From internal transactions	1,882	493	2,376	5,106	7,482	(7,482)	—
Total	133,415	18,763	152,178	11,423	163,601	(7,482)	156,118
Segment profit	40,404	956	41,361	3,703	45,064	665	45,730
Assets	9,032,543	63,204	9,095,748	47,698	9,143,447	(77,988)	9,065,458
Liabilities	8,447,816	54,573	8,502,390	28,933	8,531,324	(67,705)	8,463,618
Others							
Depreciation	5,855	211	6,067	256	6,323	(620)	5,703
Interest income	96,111	80	96,191	161	96,353	(400)	95,952
Interest expenses	5,062	327	5,389	127	5,517	(396)	5,120
Gain on disposal of tangible fixed assets	108	—	108	343	451	—	451
Gain on negative goodwill	—	—	—	—	—	1,335	1,335
Losses on disposal of tangible fixed assets	546	0	546	7	553	—	553
Losses on impairment	1,020	—	1,020	—	1,020	—	1,020
Provision for Financial Instruments Transaction Liability Reserve	—	—	—	0	0	—	0
Tax expenses	15,063	376	15,440	1,213	16,653	361	17,015
Increase in tangible and intangible fixed assets	6,239	253	6,492	431	6,924	—	6,924

- Notes: 1. Ordinary income is presented as the counterpart of sales of a non-banking company. Adjustments refer to differences between ordinary income and ordinary income posted in Consolidated Statements of Income.
2. Adjustments are as follows:
- Adjustments in Ordinary income total of ¥(7,482) million include elimination of intersegment transactions of ¥(7,640) million.
 - Adjustments in assets of ¥(77,988) million include elimination of intersegment transactions of ¥(67,626) million.
 - Adjustments in liabilities of ¥(67,705) million include elimination of intersegment transactions of ¥(65,337) million.
 - Adjustments in depreciation of ¥(620) million include depreciation of lease assets presented as tangible fixed assets on the consolidated financial statements of ¥(620) million.
 - Adjustments in Interest income of ¥(400) million include intersegment interests of ¥(392) million.
 - Adjustments in interest expenses of ¥(396) million include intersegment interest of ¥(393) million.
 - Adjustments in tax expenses of ¥361 million include deferred income taxes of ¥366 million due to eliminations of intersegment reserve for possible loan losses.
 - Information on negative goodwill is described in "Gain on negative goodwill".
3. Segment profit is adjusted to ordinary profit posted in the Consolidated Statements of Income.

Year ended March 31, 2014	Millions of yen						
	The reportable segment			Other	Total	Adjustments	Consolidated
	Banking operations	Leasing	Total				
Ordinary income:							
From external Customers	136,663	16,503	153,167	6,012	159,179	—	159,179
From internal transactions	1,887	543	2,431	5,277	7,708	(7,708)	—
Total	138,551	17,047	155,598	11,289	166,887	(7,708)	159,179
Segment profit	35,837	1,290	37,128	3,845	40,973	346	41,320
Assets	8,509,629	54,636	8,564,265	45,167	8,609,433	(72,861)	8,536,571
Liabilities	8,005,924	46,645	8,052,570	29,230	8,081,800	(62,199)	8,019,600
Others							
Depreciation	5,807	102	5,910	239	6,149	(308)	5,840
Interest income	95,316	62	95,378	186	95,565	(384)	95,180
Interest expenses	4,715	294	5,010	144	5,154	(380)	4,773
Gain on disposal of tangible fixed assets	6	—	6	—	6	—	6
Losses on disposal of tangible fixed assets	522	0	522	39	561	—	561
Losses on impairment	169	—	169	459	629	(31)	597
Provision for Financial Instruments Transaction Liability Reserve	—	—	—	0	0	—	0
Tax expenses	13,047	498	13,546	1,236	14,782	(3)	14,778
Increase in tangible and intangible fixed assets	10,455	8	10,464	387	10,851	—	10,851

Notes: 1. Ordinary income is presented as the counterpart of sales of a non-banking company. Adjustments refer to differences between ordinary income and ordinary income posted in Consolidated Statements of Income.

2. Adjustments are as follows:

- Adjustments in Ordinary income total of ¥(7,708) million include elimination of intersegment transactions of ¥(7,866) million.
- Adjustments in assets of ¥(72,861) million include elimination of intersegment transactions of ¥(59,106) million.
- Adjustments in liabilities of ¥(62,199) million include elimination of intersegment transactions of ¥(56,064) million.
- Adjustments in depreciation of ¥(308) million include depreciation of lease assets presented as tangible fixed assets on the consolidated financial statements of ¥(308) million.
- Adjustments in Interest income of ¥(384) million include intersegment interests of ¥(378) million.
- Adjustments in interest expenses of ¥(380) million include intersegment interest of ¥(378) million.
- Adjustments in tax expenses of ¥(3) million include deferred income taxes of ¥(3) million due to eliminations of intersegment reserve for possible loan losses.

3. Segment profit is adjusted to ordinary profit posted in the Consolidated Statements of Income.

Related Information

a. Information by service

Year ended March 31, 2015	Millions of yen				
	Lending	Investment in securities	Leasing	Other	Total
Ordinary income from external customers:	¥67,763	¥35,052	¥18,270	¥35,033	¥156,118

Note: Ordinary income is presented as the counterpart of sales of a non-banking company. Adjustments refer to differences between ordinary income and ordinary income posted in Consolidated Statements of Income.

Year ended March 31, 2014	Millions of yen				
	Lending	Investment in securities	Leasing	Other	Total
Ordinary income from external customers:	¥69,594	¥40,457	¥16,503	¥32,623	¥159,179

Note: Ordinary income is presented as the counterpart of sales of a non-banking company. Adjustments refer to differences between ordinary income and ordinary income posted in Consolidated Statements of Income.

b. Information by geographic area

Segment information by geographic area is not disclosed since over 90% of the total consolidated ordinary income and tangible fixed assets of the Bank and its consolidated subsidiaries resides in Japan.

c. Information by customer

Segment information by customer has not been disclosed since no single customer represented 10% or more of total ordinary income.

Impairment loss information by the reportable segments

Year ended March 31, 2015	Millions of yen				
	The reportable segment			Other	Total
	Banking operations	Leasing	Total		
Impairment loss:	¥1,020	¥—	¥1,020	¥—	¥1,020

Year ended March 31, 2014	Millions of yen				
	The reportable segment			Other	Total
	Banking operations	Leasing	Total		
Impairment loss:	¥169	¥—	¥169	¥427	¥597

Note: Other includes idle assets and the like of the consolidated subsidiaries and includes adjustments of ¥(31) million.

Amortization and unamortized balance of goodwill

Year ended March 31, 2015	Millions of yen				
	The reportable segment			Other	Total
	Banking operations	Leasing	Total		
Negative goodwill:					
Amortization	¥158	¥—	¥158	¥—	¥158
Unamortized balance	1,817	—	1,817	—	1,817

Year ended March 31, 2014	Millions of yen				
	The reportable segment			Other	Total
	Banking operations	Leasing	Total		
Negative goodwill:					
Amortization	¥158	¥—	¥158	¥—	¥158
Unamortized balance	1,975	—	1,975	—	1,975

Gain on negative goodwill

Gain on negative goodwill ¥1,335 million occurred in the fiscal year ended March 31, 2015, as the Bank acquired the stock from minority shareholders due to improvement in capital efficiency.

Not applicable for the fiscal year ended March 31, 2014.

22. Leases

(a) Finance leases

Finance lease transactions in which ownership of leased property is not transferred to the lessee are accounted for as operating leases, book value (after deduction of accumulated depreciation) of lease assets included in tangible fixed assets and intangible assets as of the previous balance sheet date (March 31, 2008) was recorded as the initial balance of "Lease receivables and lease investment assets."), as follows:

As lessee

Acquisition cost, aggregate depreciation expenses, and book value at March 31, 2015

	Tangible fixed assets	Total
Acquisition cost	¥5 million	¥5 million
Accumulated Depreciation expenses	¥3 million	¥3 million
Book value at term-end	¥1 million	¥1 million

Note: The acquisition cost presented above is inclusive of interest expenses, as the balance of acquisition cost and minimum lease payment is insignificant compare to the total book value of tangible fixed assets.

Acquisition cost, aggregate depreciation expenses, and book value at March 31, 2014

	Tangible fixed assets	Total
Acquisition cost	¥5 million	¥5 million
Accumulated Depreciation expenses	¥3 million	¥3 million
Book value at term-end	¥1 million	¥1 million

Note: The acquisition cost presented above is inclusive of interest expenses, as the balance of acquisition cost and minimum lease payment is insignificant compare to the total book value of tangible fixed assets.

Lease payments that would have been required for finance leases at March 31, 2015:

Within one year	Over one year	Total
¥0 million	¥1 million	¥1 million

Note: Lease payments presented above is inclusive of interest expenses, as the balance of acquisition cost and minimum lease payment is insignificant compare to the total book value of tangible fixed assets.

Lease payments that would have been required for finance leases at March 31, 2014:

Within one year	Over one year	Total
¥0 million	¥1 million	¥1 million

Note: Lease payments presented above is inclusive of interest expenses, as the balance of acquisition cost and minimum lease payment is insignificant compare to the total book value of tangible fixed assets.

Lease fees paid and depreciation expenses that would have been incurred under finance leases for the fiscal year ended March 31, 2015:

Lease fees	Depreciation expenses
¥0 million	¥0 million

Note: Calculation method for depreciation expenses

The lease assets are depreciated by the straight-line method on the assumption that the lease term is the useful life and the residual value is zero.

Lease fees paid and depreciation expenses that would have been incurred under finance leases for the fiscal year ended March 31, 2014:

Lease fees	Depreciation expenses
¥0 million	¥0 million

Note: Calculation method for depreciation expenses

The lease assets are depreciated by the straight-line method on the assumption that the lease term is the useful life and the residual value is zero.

(b) Operating leases

Future lease payments under non-cancellable operating lease transactions for the fiscal year ended March 31, 2015 were as follows:

	Within one year	Over one year	Total
As lessee	¥65 million	¥252 million	¥317 million
As lessor	¥0 million	¥2 million	¥2 million

Future lease payments under non-cancellable operating lease transactions for the fiscal year ended March 31, 2014 were as follows:

	Within one year	Over one year	Total
As lessee	¥53 million	¥250 million	¥303 million
As lessor	¥4 million	¥— million	¥4 million

No losses are recognized for the impairment of lease assets.

23. Financial Instruments

(1) Status of Financial Instruments

a. Policy on Financial Instruments

The Bank and its nine consolidated subsidiaries (the “Group”) provide financial services such as leasing, agent of banking administrative work and securities business, and centering on banking service.

The Group raises funds by acceptance of the deposits, and invests the funds in loans and securities. We have financial assets and liabilities of which the values fluctuate with changes in interest rates, foreign exchange rates and market prices. To avoid adverse effects from such fluctuations, the Group performs integrated assets and liabilities management (the “ALM”) in each company.

Moreover, we are engaged in derivatives transactions, such as those related to interest rates, currencies and bonds, for hedging and non-hedging purposes. Some consolidated subsidiaries are also engaged in interest rate related derivatives in connection with investments in securities and for hedging purposes.

b. Financial Instruments and Risks

The financial assets held by the Group consist primarily of securities and loans. Loans are subject to credit risk which could cause financial losses to the Group from non-performance of obligations by borrowers. Securities include mainly bonds, stocks and these are held trading, held-to-maturity and available-for-sale purposes. With regard to securities, the Group is exposed to credit risk of issuers, interest-rate risk, and market price volatility risk.

The deposits include current deposits and savings deposits without maturities, and time deposits with maturities. These deposits expose the Group to liquidity risk that could be caused by concentrated withdrawals by customers.

The Group has liquidity risk with the borrowed money and bonds that it would become impossible to execute payments at the due dates when the Group lost access to the financial markets. Although the floating-rate borrowings expose us to the interest rate risk, we partially mitigate this risk using interest rate swaps.

We are engaged in derivatives transactions to meet customers’ demands to hedge exchange-rate and interest-rate risks and to appropriately manage the Bank’s market risks. Moreover, we utilize derivatives transactions for efficient ALM and hedging of individual transactions.

Derivatives transactions have market risk that losses could arise from market changes including those in interest rates and exchange rates. Additionally, derivatives transactions have credit risk that transactions are not fulfilled as provided by the contracts due to an event such as a failure of the counterparty.

Regarding hedging transactions to offset fluctuations in interest rates, the hedged items (e.g., loans) and the hedging instruments (e.g., interest rate swaps) are grouped by maturity to assess the effectiveness. As for cash flow hedges, we examine interest-rate correlation between the hedged items and the hedging instruments. Moreover, to assess the effectiveness of hedging transactions for foreign exchange risk, we designate transactions such as currency swaps and foreign exchange swaps as the hedging instruments and verify that we hold foreign currency positions of those hedging instruments that match the hedged items including monetary claims and obligations denominated in foreign currencies. We also perform “after-the-fact test” to confirm certain interest rate swaps continuously meet the requirements for exceptional accrual method.

We have set position limits and loss limits for trading transactions involving short-term purchases and sales of financial instruments.

c. Risk Management for Financial Instruments

(a) Integrated Risk Management

The Bank holistically controls risks from various financial assets and liabilities and risks related to banking business through integrated risk management. The Bank calculates apportionable risk capital using Tier I capital and allocates by risk category and by department. The Bank periodically quantifies risks it takes and controls such risks within the allocated capital. The Bank assesses unquantifiable risks using stress test and other measures.

(b) Credit Risk Management

The Group has enacted "Guidelines for Credit Risk Management," which provides for basic policies comprising appropriate credit exposure management on individual and portfolio bases. The portfolio-based credit exposure management involves diversification of risk. Credit Risk Management Group has been segregated from the divisions under Business Headquarters to achieve rigorous credit review, and conducts thorough monitoring of borrower's financial condition to prevent deterioration of loans.

In the self-assessments that evaluate the quality of assets, the business offices categorize the borrowers based on credit ratings, which are then reviewed by Credit Examination Division in the Headquarters. Furthermore, Corporate Audit Division examines results and processes of the self-assessments for accuracy and adequacy. As for credit risk of the issuers of securities, Treasury and Securities Division monitors credit information and market prices and gives the issuers credit ratings as well as carries out self-assessments of the issuers like for general borrowers.

(c) Market Risk Management

(i) Interest-rate Risk Management

The Group has set risk limits corresponding to the Group's financial strength to interest-rate risk in the banking account, and applies and monitors the limits rigorously through the. In order to control the interest-rate risk appropriately:

- ◆ The Group has established "Risk Management Basic Rules," "Integrated Risk Management Rules," and "ALM Guidance."
- ◆ The Board of Directors (the "Board") establishes risk tolerance limits for interest-rate risk within the allocable capital range after discussions at the General Budget Committee every half year.

The ALM Committee discusses and reports to the Board detail plans to address interest-rate risk every month.

Interest-rate risk is measured using value at risk ("VaR"). The ALM Committee sets alarm points somewhat below the risk limits and monitors the points as well as the limits on a monthly basis.

Moreover, the Group analyzes interest-rate risk from various aspects using tools such as basis-point value ("BPV"), the scenario analysis (simulation method) and the interest rate sensitivity analysis in addition to VaR, and controls the risk within a tolerable range reflective of the Group's financial strength.

(ii) Foreign Exchange Risk Management

The Group controls foreign exchange risk by using hedging instruments such as currency swaps and foreign exchange swaps. In addition, the Group also enters into offsetting transactions in financial markets on an individual or aggregate basis, in order to reverse out foreign exchange risk arising from foreign exchange transactions offered by customers. Additionally, the Group converts into yen an amount equivalent to monthly interest income denominated in foreign currencies every month, in order to mitigate foreign exchange risk arising from foreign-currency denominated revenues.

(iii) Price Fluctuation Risk Management

The Group has set risk limits corresponding to the Group's financial strength to price-fluctuation risk arising from financial instruments such as stocks and investment trusts, and applies and monitors the limits rigorously through the ALM.

The Board establishes risk tolerance limits for price-fluctuation risk within the allocable capital range after discussions at the General Budget Committee every half year.

Price-fluctuation risk is measured using VaR. The ALM Committee sets alarm points somewhat below the risk limits and monitors the points as well as the limits on a monthly basis. To prevent unrealized losses from being accumulated, the Group monitors and manages unrealized gains and losses under certain policies on a daily basis.

(iv) Derivatives Transactions

The Group utilizes derivatives transactions chiefly as hedging instruments for interest-rate and foreign exchange risks. The Group controls counterparty credit risk in derivatives transactions by setting credit limits.

For derivatives transactions with financial institutions, the Group sets an individual credit line and manages credit exposures on a daily basis in accordance with "Credit Line Management Rule for Banking and Security Companies."

For derivatives transactions with customers, the Group also sets an individual credit line to reflect factors such as the creditworthiness and outstanding transactions, just like for financing transactions, and manages the credit exposures together with those arising from other transactions on an individual basis.

(v) Trading Transactions

The Group primarily trades bonds, foreign exchanges and derivatives transactions for trading purposes. We set utilize certain measures such as position limits, risk tolerance limits and loss limits in accordance with "Trading and Risk Management Rules."

(vi) Quantitative Information related to Market Risk

1. Banking Account

(1) Interest rate risk

The Bank adopts the variance-covariance method as the measurement method (a holding period of 6 months, a confidence interval of 99%, and observation period of 5 years) for calculating VaR related to interest rate risk of interest rate swaps in loans and bills discounted, domestic bonds, deposits, borrowed money, corporate bonds and derivatives. The Bank adopts the historical simulation method (a holding period of 6 months, a confidence interval 99%, and observation period of 5 years) for calculating VaR related to interest rate risk of interest rate swaps and currency swaps in foreign bonds, trust beneficiary right, market fund transactions and derivatives. As of March 31, 2015 VaR related to interest rate risk was ¥24,549 million.

(2) Price fluctuation risk

The Bank adopts the historical simulation method (a holding period of 6 months, a confidence interval of 99%, and observation period of 5 years) for calculating VaR related to price fluctuation risk of listed equities and mutual funds. As of March 31, 2015 VaR related to price fluctuation risk was ¥67,398 million. Correlation between interest rate risk and price fluctuation risk has not been considered.

2. Trading Account

The Bank adopts the historical simulation method (a holding period of 10 day, a confidence interval of 99%, and observation period of 5 years) for calculating VaR related trading securities, trading purpose foreign exchange transactions and derivatives such as forward transactions and option transactions. As of March 31, 2015, VaR related to trading account was ¥12 million.

3. Validity of VaR

The Bank performs back testing to compare VaR calculated by its internal model against actual profit and loss to confirm the measurement model used captures market risk with sufficient accuracy. However, VaR statistically quantifies market risk calculated based on past market movements. Therefore, there could be cases in which VaR cannot capture risk under sudden and dramatic changes in market conditions beyond normal circumstances.

(d) Management of Liquidity Risk in Funding

To manage liquidity risk under “Market and Liquidity Risk Management Rules,” the Bank:

- ◆ Conducts financing activities after fully analyzing its cash flows.
- ◆ Pays continuous attention to the balance sheet structure, lines of credit provided to the Group, collateral management and costs to maintain the liquidity.
- ◆ Strives to maintain the diversity and stability of funding sources.

d. Supplementary Explanation Concerning Matters Related to Fair Value of Financial Instruments

Fair value of financial instruments includes a value based on market prices as well as a reasonably calculated value when no market price is available. Because certain assumptions are used in the fair value calculation, such value may vary when different assumptions are used.

(2) Disclosures Regarding Fair Value of Financial Instruments and Other Items

The table below sets forth fair values of financial instruments at March 31, 2015 and 2014 except for those whose fair values are extremely difficult to determine (see (Note2)). In addition, those financial instruments which are immaterial are not listed below.

March 31, 2015	Millions of yen		
	Consolidated balance sheet amount	Fair value	Difference
(1) Cash and due from banks	¥496,348	¥496,348	¥—
(2) Securities			
Held-to-maturity debt securities	39,539	39,760	220
Available-for-sale securities	2,695,172	2,695,172	—
(3) Loans and bills discounted	5,618,019		
Reserve for possible loan losses (*1)	(36,598)		
Sub-total	5,581,420	5,653,947	72,526
Total assets	8,812,481	8,885,229	72,747
(1) Deposits	7,715,598	7,716,010	(411)
(2) Negotiable certificates of deposit	10,045	10,045	—
(3) Payables under securities lending transactions	143,395	143,395	—
(4) Borrowed money	345,388	345,083	305
Total liabilities	8,214,428	8,214,534	(106)
Derivatives transactions (*2)			
Transactions not accounted for as hedging instruments	590	590	—
Transactions accounted for as hedging instruments	(5,819)	(5,819)	—
Total derivatives transactions	¥(5,229)	¥(5,229)	¥—

(*1) General and individual reserves for possible loan losses are deducted from loans and bills discounted.

(*2) Derivatives transactions recorded in trading assets/liabilities and other assets and other liabilities are presented on an aggregate basis. Claims and debts that arose from derivatives transactions are presented on a net basis.

March 31, 2014	Millions of yen		
	Consolidated balance sheet amount	Fair value	Difference
(1) Cash and due from banks	¥224,661	¥224,661	¥—
(2) Securities			
Held-to-maturity debt securities	35,757	35,986	228
Available-for-sale securities	2,715,449	2,715,449	—
(3) Loans and bills discounted	5,363,389		
Reserve for possible loan losses (*1)	(41,349)		
Sub-total	5,322,040	5,392,304	70,263
Total assets	8,297,909	8,368,401	70,491
(1) Deposits	7,497,902	7,480,413	(511)
(2) Negotiable certificates of deposit	10,030	10,030	—
(3) Payables under securities lending transactions	105,996	105,996	—
(4) Borrowed money	218,248	217,619	629
Total liabilities	7,814,178	7,814,059	118
Derivatives transactions (*2)			
Transactions not accounted for as hedging instruments	494	494	—
Transactions accounted for as hedging instruments	(4,827)	(4,827)	—
Total derivatives transactions	¥(4,332)	¥(4,332)	¥—

(*1) General and individual reserves for possible loan losses are deducted from loans and bills discounted.

(*2) Derivatives transactions recorded in trading assets/liabilities and other assets and other liabilities are presented on an aggregate basis. Claims and debts that arose from derivatives transactions are presented on a net basis.

(Note 1) Calculation Methods for Fair Value of Financial Instruments

Assets

(1) Cash and Due from Banks

Since fair value of these items approximates the book value, we deem the carrying value to be the fair value.

(2) Securities

Fair value of shares is determined by reference to quoted market prices on stock exchanges. Fair value of bonds is determined by reference to quoted market prices or prices offered by financial institutions, or based on the price best estimated. Fair value of investment trusts is determined by reference to their publicly available net asset value per unit. Fair value of privately placed bonds guaranteed by the Bank is determined by the discounted cash flow method. The discount rates used in the calculation were calculated based on the bankruptcy probability by credit rating and the coverage ratio of an individual claim.

In the fiscal year ended March 31, 2015, we treat market prices as fair value for Japanese Government Bonds (JGBs) with variable interest rates and securitized products that we own.

We used a reasonably estimated value as the fair value of securitized products (e.g., collateralized loan obligations), except those subject to impairment, of which external credit rating is not downgraded, of which collateral asset pools are not deteriorated, and which the Group intends to continue to hold. The reasonably estimated price was calculated using the discounted cash flow method or other pricing methods using the default rate, recovery rate, pre-payment rate and discount rate as primary pricing variables.

Please see "24. Securities Information" for details of securities in each purpose of holding.

(3) Loans and bills discounted

Since floating-rate loans and bills discounted reflect market interest rates in a short period, the fair value approximates the carrying value unless the credit standing of the borrower is not significantly different after the loan was made or the bill was drawn. The fair value is therefore deemed equal to the carrying value.

Fair value of fixed-rate loans and bills discounted are determined as the total of principal and interest discounted by the type, internal credit rating and maturities. Discount rates used in the calculation were interest rates which would be applied when similar loans were newly extended. Fair value of fixed-rate loans and bills discounted whose terms are short (i.e., within one year) approximates their carrying value and is therefore deemed equal to the carrying value.

Possible losses on legally bankrupt loans, substantially bankrupt loans and potentially bankrupt loans are computed based on recoverable amounts estimated as the present value of future cash flows or the collectible amounts from collateral and guarantees. Then the fair value of those loans approximates the consolidated balance sheet amount at the closing date minus the currently estimated losses, and is therefore deemed equal to the amounts.

Fair value of loans and bills discounted for which repayment terms are not set because of their attributes (e.g., loans are limited to the amounts of assets pledged as collateral) is assumed to approximate their carrying value, considering the expected repayment periods and interest rate conditions, and are deemed equal to the carrying value.

Liabilities

(1) Deposits and (2) Negotiable certificates of deposit

For demand deposits, we deem the amount that the Group would require to pay on the consolidated balance sheet date (i.e., carrying value) to be the fair value.

With respect to time deposits with long deposit terms (i.e., one year or longer), we used the present value of future cash flows calculated by time band as the fair value. The discount rates used in the calculation were the interest rates that would apply to newly accepted deposits.

(3) Payables under securities lending transactions

As for short-term loans with maturity of one year or less, the book value is deemed as the fair value since the fair value approximates the book value.

(4) Borrowed money

We used as the fair value the present value of future cash flows calculated by borrowing period. The discount rates used in the calculation were interest rates that would be applied to new borrowings. Fair value of borrowings for a short term (i.e., within one year) approximates the carrying value and is deemed equal to the carrying value.

Derivatives Instruments

See "26. Derivatives."

(Note 2) The following table summarizes financial instruments, of which fair value is extremely difficult to determine:

Fair value of available-for-sale securities in the above table excludes the following items at March 31, 2015 and 2014.

Years ended March 31,	Millions of yen	
	Consolidated balance sheet amounts	
	2015	2014
Unlisted stocks (*1) (*2)	¥3,209	¥5,502
Investments in partnerships and others (*3)	4,588	3,594
Total	¥7,797	¥9,097

(*1) Unlisted stocks are excluded from "Disclosures Regarding Fair Value of Financial Instruments and Other Items" since no market price is available and their fair value is extremely difficult to determine.

(*2) Impairment losses on unlisted stocks were ¥0 million and ¥5 million, as of March 31, 2015 and 2014.

(*3) Out of investments in partnerships and others, certain partnerships holding assets whose fair value was extremely difficult to determine are excluded from "Disclosures Regarding Fair Value of Financial Instruments and Other Items."

(Note 3) Redemption schedule of money claims and securities with stated maturities after the consolidated balance sheet date is as follows:

March 31, 2015	Millions of yen					
	1 year or less	1-3 years	3-5 years	5-7 years	7-10 years	Over 10 years
Cash and due from banks	¥421,670	¥—	¥—	¥—	¥—	¥—
Securities						
Held-to-maturity debt securities	16,379	10,780	11,956	423	—	—
Japanese government bonds	11,500	1,000	—	—	—	—
Municipal bonds	—	—	200	—	—	—
Corporate bonds	4,879	9,780	11,756	423	—	—
Available-for-sale securities						
with maturities	185,775	454,631	681,541	487,607	236,378	106,922
Japanese government bonds	67,000	337,200	375,300	304,500	50,000	5,000
Municipal bonds	75,216	7,761	58,449	19,246	41,775	—
Corporate bonds	22,237	34,864	81,761	107,857	119,914	26,268
Foreign bonds	20,048	66,548	140,279	55,229	11,818	75,654
Other	1,274	8,256	25,751	774	12,870	—
Loans and bills discounted (*)	1,440,141	1,010,506	793,410	474,640	491,894	1,250,182
Total	¥2,063,967	¥1,475,917	¥1,486,908	¥962,671	¥728,272	¥1,357,105

(*) Legally bankrupt loans, substantially bankrupt loans and potentially bankrupt loans amounting to ¥88,454 million, and loans and bills discounted without maturities amounting to ¥68,789 million were excluded from the table above.

March 31, 2014	Millions of yen					
	1 year or less	1-3 years	3-5 years	5-7 years	7-10 years	Over 10 years
Cash and due from banks	¥224,661	¥—	¥—	¥—	¥—	¥—
Securities						
Held-to-maturity debt securities	12,054	12,526	11,174	—	—	—
Japanese government bonds	9,500	4,000	—	—	—	—
Municipal bonds	—	—	50	—	—	—
Corporate bonds	2,554	8,526	11,124	—	—	—
Available-for-sale securities						
with maturities	248,496	448,986	671,099	598,264	254,480	96,553
Japanese government bonds	140,700	260,600	379,200	417,800	125,000	—
Municipal bonds	60,462	87,123	123,104	15,756	33,305	—
Corporate bonds	31,061	41,583	47,179	129,795	94,257	28,109
Foreign bonds	13,730	58,962	117,780	34,685	—	68,444
Other	2,542	716	3,835	227	1,917	—
Loans and bills discounted (*)	1,482,505	1,016,357	782,908	443,699	422,683	1,043,050
Total	¥1,967,717	¥1,477,871	¥1,465,182	¥1,041,964	¥677,163	¥1,139,604

(*) Legally bankrupt loans, substantially bankrupt loans and potentially bankrupt loans amounting to ¥102,165 million, and loans and bills discounted without maturities amounting to ¥70,018 million were excluded from the table above.

(Note 4) Redemption schedule of borrowed money and other interest-bearing liabilities after the consolidated balance sheet date at March 31, 2015 and 2014 is as follows:

March 31, 2015	Millions of yen					
	1 year or less	1-3 years	3-5 years	5-7 years	7-10 years	Over 10 years
Deposits (*)	¥6,993,163	¥618,246	¥97,241	¥2,596	¥4,350	¥—
Negotiable certificates of deposit	10,045	—	—	—	—	—
Payables under securities						
lending transactions	143,395	—	—	—	—	—
Borrowed money	79,562	112,358	153,468	—	—	—
Total	¥7,226,166	¥730,604	¥250,709	¥2,596	¥4,350	¥—

(*) Demand deposits were included in "1 year or less."

March 31, 2014	Millions of yen					
	1 year or less	1-3 years	3-5 years	5-7 years	7-10 years	Over 10 years
Deposits (*)	¥6,772,166	¥597,972	¥103,132	¥2,524	¥4,106	¥—
Negotiable certificates of deposit	10,030	—	—	—	—	—
Payables under securities						
lending transactions	105,996	—	—	—	—	—
Borrowed money	206,032	9,191	3,025	—	—	—
Total	¥7,094,226	¥607,163	¥106,157	¥2,524	¥4,106	¥—

(*) Demand deposits were included in "1 year or less."

24. Securities Information

The amounts shown in the following tables include "Securities", trading securities in "Trading assets" and trust beneficiary right in "Other debt purchased".

Year ended March 31, 2015

(a) Trading Securities

March 31, 2015	Millions of yen	
	Unrealized gain recognized as income	
Trading securities		¥(5)

(b) Held-to-maturity debt securities

March 31, 2015	Type	Millions of yen		
		Consolidated balance sheet amount	Fair value	Difference
Securities with fair value exceeding consolidated balance sheet amount	Bonds:	¥29,426	¥29,661	¥235
	Japanese government bonds	4,000	4,001	0
	Municipal bonds	49	50	0
	Corporate bonds	25,375	25,609	233
	Other:	—	—	—
	Foreign bonds	—	—	—
	Other	—	—	—
	Sub-total	29,426	29,661	235
Securities with fair value not exceeding consolidated balance sheet amount	Bonds	10,113	10,099	(14)
	Japanese government bonds	8,500	8,500	(0)
	Municipal bonds	150	149	(0)
	Corporate bond	1,463	1,449	(13)
	Other:	—	—	—
	Foreign bonds	—	—	—
	Other	—	—	—
	Sub-total	10,113	10,099	(14)
Total		¥39,539	¥39,760	¥220

(c) Available-for-sale securities

March 31, 2015	Type	Millions of yen		
		Consolidated balance sheet amount	Acquisition cost	Difference
Securities with consolidated balance sheet amount exceeding acquisition cost	Stocks	¥266,760	¥121,280	¥145,479
	Bonds	1,694,823	1,657,965	36,858
	Japanese government bonds	1,175,240	1,151,075	24,164
	Municipal bonds	136,231	133,286	2,945
	Corporate bonds	383,351	373,603	9,748
	Other	565,135	511,158	53,977
	Foreign bonds	355,457	347,633	7,823
	Other	209,678	163,524	46,153
	Sub-total	2,526,719	2,290,404	236,315
Securities with consolidated balance sheet amount not exceeding acquisition cost	Stocks	5,091	5,578	(487)
	Bonds	99,577	99,827	(250)
	Japanese government bonds	5,264	5,277	(13)
	Municipal bonds	69,023	69,131	(107)
	Corporate bonds	25,290	25,418	(128)
	Other	70,558	73,240	(2,681)
	Foreign bonds	40,480	40,643	(163)
	Other	30,078	32,596	(2,518)
	Sub-total	175,227	178,646	(3,419)
Total		¥2,701,946	¥2,469,050	¥232,896

(d) Held-to-maturity debt securities sold during the fiscal year

No held-to-maturity debt securities were sold during the fiscal year ended March 31, 2015.

(e) Available-for-sale securities sold during the fiscal year

Year ended March 31, 2015	Millions of yen		
	Sales proceeds	Gains on sales	Losses on sales
Stocks	¥17,249	¥3,345	¥534
Bonds	623,644	2,767	1,250
Japanese government bonds	470,036	2,424	1,250
Municipal bonds	128,246	223	—
Corporate bonds	25,361	119	—
Other	92,426	1,404	345
Foreign bonds	87,793	409	345
Other	4,632	994	—
Total	¥733,320	¥7,517	¥2,130

(f) Securities Recognized for Impairment Loss

For available-for-sale securities with market values, in cases where the market value has fallen substantially from the acquisition price and it is considered there is little likelihood of recovery to the acquisition price level, the securities are stated at market value on the consolidated balance sheets and the difference between the market value and the acquisition price is posted as a loss ("impairment loss").

Impairment losses for the fiscal year were nil.

Pursuant to "Practical Guidelines for Accounting for Financial Instruments" (JICPA Accounting Committee Report No. 14), the Bank recognized the impairment losses on listed equity shares whose average market price over the one-month period immediately prior to the balance sheet date declined by 30% or more compared with acquisition cost, and other securities whose market price at the balance-sheet date also declined by 30% or more compared with acquisition cost.

(g) Money held in trust classified as available-for-sale securities

Not applicable as of March 31, 2015.

(h) Unrealized gain on available-for-sale securities

March 31, 2015	Millions of yen
Unrealized (losses) gains:	
Available-for-sale securities	¥233,486
Other money held in trust	—
Deferred tax assets (liabilities)	73,544
Net unrealized gains on available-for-sale securities	159,941
Less minority interests	31
Unrealized gains on available-for-sale securities	¥159,909

Note: The total unrealized gains include an unrealized gain of ¥590 million on available-for-sale securities, which constitute the property of related associations.

Year ended March 31, 2014**(a) Trading Securities**

March 31, 2014	Millions of yen
	Unrealized gain recognized as income
Trading securities	¥(10)

(b) Held-to-maturity debt securities

March 31, 2014	Type	Millions of yen		
		Consolidated balance sheet amount	Fair value	Difference
Securities with fair value exceeding consolidated balance sheet amount	Bonds:	¥25,947	¥26,178	¥230
	Japanese government bonds	4,903	4,904	1
	Municipal bonds	49	50	0
	Corporate bonds	20,994	21,223	228
	Other:	—	—	—
	Foreign bonds	—	—	—
	Other	—	—	—
	Sub-total	25,947	26,178	230
Securities with fair value not exceeding consolidated balance sheet amount	Bonds	9,810	9,808	(2)
	Japanese government bonds	8,600	8,600	(0)
	Municipal bonds	—	—	—
	Corporate bond	1,210	1,208	(1)
	Other:	—	—	—
	Foreign bonds	—	—	—
	Other	—	—	—
	Sub-total	9,810	9,808	(2)
Total		¥35,757	¥35,986	¥228

(c) Available-for-sale securities

March 31, 2014	Type	Millions of yen		
		Consolidated balance sheet amount	Acquisition cost	Difference
Securities with consolidated balance sheet amount exceeding acquisition cost	Stocks	¥195,165	¥111,070	¥84,095
	Bonds	2,004,673	1,969,315	35,357
	Japanese government bonds	1,358,037	1,334,741	23,295
	Municipal bonds	277,457	273,611	3,845
	Corporate bonds	369,178	360,962	8,215
	Other	267,459	251,519	15,940
	Foreign bonds	163,895	160,913	2,982
	Other	103,563	90,606	12,957
	Sub-total	2,467,298	2,331,905	135,393
Securities with consolidated balance sheet amount not exceeding acquisition cost	Stocks	13,968	15,752	(1,783)
	Bonds	73,386	73,449	(62)
	Japanese government bonds	10,002	10,002	(0)
	Municipal bonds	46,096	46,124	(27)
	Corporate bonds	17,287	17,322	(34)
	Other	169,491	171,574	(2,082)
	Foreign bonds	139,163	140,591	(1,428)
	Other	30,328	30,982	(654)
	Sub-total	256,846	260,776	(3,929)
Total		¥2,724,144	¥2,592,681	¥131,463

(d) Held-to-maturity debt securities sold during the fiscal year

No held-to-maturity debt securities were sold during the fiscal year ended March 31, 2014.

(e) Available-for-sale securities sold during the fiscal year

Year ended March 31, 2014	Sales proceeds	Millions of yen	
		Gains on sales	Losses on sales
Stocks	¥46,144	¥7,352	¥1,458
Bonds	258,419	1,231	2,277
Japanese government bonds	249,416	1,224	1,911
Municipal bonds	—	—	—
Corporate bonds	9,003	7	365
Other	103,653	5,965	3,937
Foreign bonds	88,562	1,662	3,937
Other	15,091	4,302	0
Total	¥408,217	¥14,549	¥7,673

(f) Securities Recognized for Impairment Loss

For available-for-sale securities with market values, in cases where the market value has fallen substantially from the acquisition price and it is considered there is little likelihood of recovery to the acquisition price level, the securities are stated at market value on the consolidated balance sheets and the difference between the market value and the acquisition price is posted as a loss ("impairment loss").

Impairment losses for the fiscal year were nil.

Pursuant to "Practical Guidelines for Accounting for Financial Instruments" (JICPA Accounting Committee Report No. 14), the Bank recognized the impairment losses on listed equity shares whose average market price over the one-month period immediately prior to the balance sheet date declined by 30% or more compared with acquisition cost, and other securities whose market price at the balance-sheet date also declined by 30% or more compared with acquisition cost.

(g) Money held in trust classified as available-for-sale securities

Not applicable as of March 31, 2014.

(h) Unrealized gain on available-for-sale securities

March 31, 2014	Millions of yen
Unrealized (losses) gains:	
Available-for-sale securities	¥131,987
Other money held in trust	—
Deferred tax assets (liabilities)	(45,535)
Net unrealized gains on available-for-sale securities	86,452
Less minority interests	(7)
Unrealized gains on available-for-sale securities	¥86,445

Note: The total unrealized gains include an unrealized gain of ¥524 million on available-for-sale securities, which constitute the property of related associations.

25. Money held in trust

(1) Trading money held in trust

Not applicable as of March 31, 2015

Not applicable as of March 31, 2014

(2) Held-to-maturity money held in trust

Not applicable as of March 31, 2015

Not applicable as of March 31, 2014

(3) Other money held in trust

Not applicable as of March 31, 2015

Not applicable as of March 31, 2014

26. Derivatives

Year ended March 31, 2015

1. Derivative instruments not accounted for as hedges

Regarding the derivative instruments to which hedge accounting is not applied, the following tables summarize contract amount, market value and unrealized gain or loss for each type of derivative transaction, respectively, at the end of the consolidated balance sheet date, as well as determination of fair value.

Contract amount does not represent itself the market risk of derivative instruments.

(1) Interest-rate Derivatives

	Millions of yen			
	Contract amount	Over 1 year	Fair value	Unrealized gain (loss)
Transactions listed on exchanges:				
Interest-rate futures:				
Sold	¥—	¥—	¥—	¥—
Bought	—			
Interest-rate options:				
Sold	—	—	—	—
Bought	—	—	—	—
Over-the-counter transactions:				
Forward rate agreements:				
Sold	—	—	—	—
Bought	—	—	—	—
Interest-rate swaps:				
Receivable fixed / payable floating	172,114	53,650	665	665
Receivable floating / payable fixed	172,114	53,650	(91)	(91)
Receivable floating / payable floating	—	—	—	—
Interest-rate options:				
Sold	—	—	—	—
Bought	—	—	—	—
Caps:				
Sold	110	50	(0)	2
Bought	110	50	0	(1)
Swaption:				
Sold	51,823	8,590	(108)	34
Bought	51,823	8,590	108	108
Others:				
Sold	—	—	—	—
Bought	—	—	—	—
Total			¥573	¥718

Notes: 1. The transactions in this table have been revalued at the market rates prevailing on the balance sheet date, and unrealized gain (loss) is included in the Consolidated Statements of Income.

2. Calculation of fair value

The fair value of transactions listed on exchanges has been calculated on the basis of the closing prices on the Tokyo Financial Exchange, etc. The fair value of over-the-counter transactions has been calculated at their discounted future cash flows or by utilizing option pricing models.

(2) Currency Derivatives

	Millions of yen			
	Contract amount	Over 1 year	Fair value	Unrealized gain (loss)
Transactions listed on exchanges:				
Currency futures:				
Sold	¥—	¥—	¥—	¥—
Bought	—	—	—	—
Currency options:				
Sold	—	—	—	—
Bought	—	—	—	—
Over-the-counter transactions:				
Currency swaps	183,694	115,599	83	83
Forward foreign exchange contracts:				
Sold	5,206	542	(124)	(124)
Bought	5,404	26	56	56
Currency options:				
Sold	23,144	8,702	(524)	(130)
Bought	23,144	8,702	526	269
Others:				
Sold	—	—	—	—
Bought	—	—	—	—
Total			¥16	¥155

Notes: 1. The transactions in this table have been revalued at the market rates prevailing on the balance sheet date, and unrealized gain (loss) is included in the Consolidated Statements of Income.

2. Calculation of fair value

Fair value is calculated at discounted future cash flows, etc.

(3) Stock Derivatives

Not applicable as of March 31, 2015.

(4) Bond Derivatives

Not applicable as of March 31, 2015.

(5) Commodity Derivatives

Not applicable as of March 31, 2015.

(6) Credit Derivatives

Not applicable as of March 31, 2015.

2. Derivative Instruments accounted for as hedges

Regarding the derivative instruments to which hedge accounting is applied, the following tables summarize contract amount, market value and unrealized gain or loss for each type of derivative transaction, respectively, at the end of the consolidated balance sheet date, as well as determination of fair value.

Contract amount does not represent itself the market risk of derivative instruments.

(1) Interest-rate Derivatives

March 31, 2015

Method of hedge	Type	Hedged items	Millions of yen		
			Contract amounts	Over 1 year	Fair value
Deferred method	Interest rate swap	Interest bearing financial assets and liabilities			
	Receivable fixed / payable floating	including loans, available-for-sale	¥—	¥—	¥—
	Receivable floating / payable fixed	securities, deposits and negotiable certificates of deposit, etc.	170,000	170,000	(2,643)
	Interest rate futures		—	—	—
	Interest rate options		—	—	—
	Other		—	—	—
Exceptional accrual method for interest rate swap	Interest rate swap	Loans, borrowed money			
	Receivable fixed / payable floating		9,000	4,000	218
	Receivable floating / payable fixed		32,817	27,295	(1,632)
Total					¥(4,057)

- Notes:
1. Primarily, the Bank applies the deferred method of hedge accounting which is described in "Accounting and Auditing Treatment relating to the Adoption of 'Accounting for Financial Instruments' for Banks," issued by the Japanese Institute of Certified Public Accountants ("JICPA"), (JICPA Industry Audit Committee Report No. 24).
 2. Determination of fair value:
The fair value of exchange-traded derivative instruments is based on closing prices at the Tokyo Financial Exchange or other relevant exchanges. The fair value of over-the-counter traded derivative instruments is determined based on a discounted cash flows model, an option pricing model or other models as appropriate.
 3. The exceptional accrual method of hedge accounting, as specifically permitted for certain interest rate swaps, is valued with the hedged items as a whole, so that the fair value is included in the fair value of Loans and Bills Discounted and other items (See: 31. Financial Instruments (2) Disclosures Regarding the Fair Value of Financial Instruments and Other Items).

(2) Currency Derivatives

March 31, 2015

Method of hedge	Type	Hedged items	Millions of yen		
			Contract amounts	Over 1 year	Fair value
Deferred method	Currency swaps	Foreign currency-denominated loans, securities, deposits and foreign exchanges, etc.	¥71,784	¥180	¥(1,890)
	Forward foreign exchange contracts		—	—	—
	Foreign exchange swaps		90,871	—	(1,286)
	Other		—	—	—
Treatment for forward foreign exchange contracts, etc.	Currency swap		—	—	—
	Forward foreign exchange contracts		—	—	—
Total					¥(3,176)

- Notes:
1. Primarily, the Bank applies the deferred method of hedge accounting which is described in "Accounting and Auditing Treatment relating to Accounting for Foreign Currency Transactions in the Banking Industry" (JICPA Industry Audit Committee Report No. 25).
 2. Determination of fair value:
Fair value is determined based on the discounted cash flows model.

(3) Stock Derivatives

Not applicable as of March 31, 2015.

(4) Bond Derivatives

Not applicable as of March 31, 2015.

Year ended March 31, 2014

1. Derivative instruments not accounted for as hedges

Regarding the derivative instruments to which hedge accounting is not applied, the following tables summarize contract amount, market value and unrealized gain or loss for each type of derivative transaction, respectively, at the end of the consolidated balance sheet date, as well as determination of fair value.

Contract amount does not represent itself the market risk of derivative instruments.

(1) Interest-rate Derivatives

	Millions of yen			
	Contract amount	Over 1 year	Fair value	Unrealized gain (loss)
Transactions listed on exchanges:				
Interest-rate futures:				
Sold	¥—	¥—	¥—	¥—
Bought	—	—	—	—
Interest-rate options:				
Sold	—	—	—	—
Bought	—	—	—	—
Over-the-counter transactions:				
Forward rate agreements:				
Sold	—	—	—	—
Bought	—	—	—	—
Interest-rate swaps:				
Receivable fixed / payable floating	153,920	33,626	384	384
Receivable floating / payable fixed	153,920	33,626	(54)	(54)
Receivable floating / payable floating	—	—	—	—
Interest-rate options:				
Sold	—	—	—	—
Bought	—	—	—	—
Caps:				
Sold	340	110	(0)	9
Bought	340	110	0	(4)
Swaption:				
Sold	48,783	4,650	(92)	22
Bought	48,783	4,650	92	92
Others:				
Sold	—	—	—	—
Bought	—	—	—	—
Total			¥330	¥450

Notes: 1. The transactions in this table have been revalued at the market rates prevailing on the balance sheet date, and unrealized gain (loss) is included in the Consolidated Statements of Income.

2. Calculation of fair value

The fair value of transactions listed on exchanges has been calculated on the basis of the closing prices on the Tokyo Financial Exchange, etc. The fair value of over-the-counter transactions has been calculated at their discounted future cash flows or by utilizing option pricing models.

(2) Currency Derivatives

	Millions of yen			
	Contract amount	Over 1 year	Fair value	Unrealized gain (loss)
Transactions listed on exchanges:				
Currency futures:				
Sold	¥—	¥—	¥—	¥—
Bought	—	—	—	—
Currency options:				
Sold	—	—	—	—
Bought	—	—	—	—
Over-the-counter transactions:				
Currency swaps	258,937	169,438	163	163
Forward foreign exchange contracts:				
Sold	2,062	351	(6)	(6)
Bought	1,110	10	7	7
Currency options:				
Sold	12,733	3,583	(270)	(12)
Bought	12,733	3,583	270	113
Others:				
Sold	—	—	—	—
Bought	—	—	—	—
Total			¥164	¥265

Notes: 1. The transactions in this table have been revalued at the market rates prevailing on the balance sheet date, and unrealized gain (loss) is included in the Consolidated Statements of Income.

2. Calculation of fair value

Fair value is calculated at discounted future cash flows, etc.

(3) Stock Derivatives

Not applicable as of March 31, 2014.

(4) Bond Derivatives

	Millions of yen			
	Contract amount	Over 1 year	Fair value	Unrealized gain (loss)
Transactions listed on exchanges:				
Bond futures:				
Sold	¥434	¥—	¥0	¥0
Bought	—	—	—	—
Bond future options:				
Sold	—	—	—	—
Bought	—	—	—	—
Over-the-counter transactions:				
Bond over-the-counter options:				
Sold	—	—	—	—
Bought	—	—	—	—
Others:				
Sold	—	—	—	—
Bought	—	—	—	—
Total			¥0	¥0

Notes: 1. The transactions in this table have been revalued at the market rates prevailing on the balance sheet date, and unrealized gain (loss) is included in the Consolidated Statements of Income.

2. Calculation of fair value

The fair value of transactions listed on exchanges has been calculated on the basis of the closing prices on the Osaka Exchange, Inc. The fair value of over-the-counter transactions has been calculated at their discounted future cash flows or by option pricing models.

(5) Commodity Derivatives

Not applicable as of March 31, 2014.

(6) Credit Derivatives

Not applicable as of March 31, 2014.

2. Derivative Instruments accounted for as hedges

Regarding the derivative instruments to which hedge accounting is applied, the following tables summarize contract amount, market value and unrealized gain or loss for each type of derivative transaction, respectively, at the end of the consolidated balance sheet date, as well as determination of fair value.

Contract amount does not represent itself the market risk of derivative instruments.

(1) Interest-rate Derivatives

March 31, 2014

Method of hedge	Type	Hedged items	Millions of yen		
			Contract amounts	Over 1 year	Fair value
Deferred method	Interest rate swap	Interest bearing financial assets and liabilities			
	Receivable fixed / payable floating	including loans, available-for-sale securities, deposits and negotiable certificates of deposit, etc.	¥—	¥—	¥—
	Receivable floating / payable fixed		90,000	90,000	(3,333)
	Interest rate futures		—	—	—
	Interest rate options		—	—	—
	Other		—	—	—
Exceptional accrual method for interest rate swap	Interest rate swap				
	Receivable fixed / payable floating	Loans, borrowed money	9,000	9,000	367
	Receivable floating / payable fixed		38,339	32,817	(2,043)
Total				¥(5,008)	

Notes: 1. Primarily, the Bank applies the deferred method of hedge accounting which is described in "Accounting and Auditing Treatment relating to the Adoption of 'Accounting for Financial Instruments' for Banks," issued by the Japanese Institute of Certified Public Accountants ("JICPA"), (JICPA Industry Audit Committee Report No. 24).

2. Determination of fair value:

The fair value of exchange-traded derivative instruments is based on closing prices at the Tokyo Financial Exchange or other relevant exchanges. The fair value of over-the-counter traded derivative instruments is determined based on a discounted cash flows model, an option pricing model or other models as appropriate.

3. The exceptional accrual method of hedge accounting, as specifically permitted for certain interest rate swaps, is valued with the hedged items as a whole, so that the fair value is included in the fair value of Loans and Bills Discounted and other items (See: 31. Financial Instruments (2) Disclosures Regarding the Fair Value of Financial Instruments and Other Items).

(2) Currency Derivatives

March 31, 2014

Method of hedge	Type	Hedged items	Millions of yen		
			Contract amounts	Over 1 year	Fair value
Deferred method	Currency swaps	Foreign currency-denominated loans, securities, deposits and foreign exchanges, etc.	¥46,084	¥154	¥(1,153)
	Forward foreign exchange contracts		—	—	—
	Foreign exchange swaps		47,704	—	(340)
	Other		—	—	—
Treatment for forward foreign exchange contracts, etc.	Currency swap		—	—	—
	Forward foreign exchange contracts		—	—	—
Total				¥(1,494)	

Notes: 1. Primarily, the Bank applies the deferred method of hedge accounting which is described in "Accounting and Auditing Treatment relating to Accounting for Foreign Currency Transactions in the Banking Industry" (JICPA Industry Audit Committee Report No. 25).

2. Determination of fair value:

Fair value is determined based on the discounted cash flows model.

(3) Stock Derivatives

Not applicable as of March 31, 2014.

(4) Bond Derivatives

Not applicable as of March 31, 2014.

27. Stock Options

(a) The Bank recorded stock option expenses in “General and administrative expenses” of ¥46 million and ¥47 million for the fiscal years ended March 31, 2015 and 2014, respectively.

(b) Outline of stock options, size and changes

(1) Outline of stock options

March 31, 2015	1st equity warrant	2nd equity warrant
Persons to whom stock options are granted	Directors of the Bank: 10	Executive officers of the Bank: 12
Type and number of shares (*)	Common shares: 56,698	Common shares: 41,546
Grant date	August 24, 2009	August 24, 2009
Condition for vesting	Not applicable	Not applicable
Eligible service period	Not applicable	Not applicable
Period for exercise of stock options	From August 25, 2009 to August 24, 2039	From August 25, 2009 to August 24, 2039

March 31, 2015	3rd equity warrant	4th equity warrant
Persons to whom stock options are granted	Directors of the Bank: 10	Executive officers of the Bank: 13
Type and number of shares (*)	Common shares: 79,606	Common shares: 61,881
Grant date	July 21, 2010	July 21, 2010
Condition for vesting	Not applicable	Not applicable
Eligible service period	Not applicable	Not applicable
Period for exercise of stock options	From July 22, 2010 to July 21, 2040	From July 22, 2010 to July 21, 2040

March 31, 2015	5th equity warrant	6th equity warrant
Persons to whom stock options are granted	Directors of the Bank: 10	Executive officers of the Bank: 13
Type and number of shares (*)	Common shares: 78,720	Common shares: 60,999
Grant date	July 20, 2011	July 20, 2011
Condition for vesting	Not applicable	Not applicable
Eligible service period	Not applicable	Not applicable
Period for exercise of stock options	From July 21, 2011 to July 20, 2041	From July 21, 2011 to July 20, 2041

March 31, 2015	7th equity warrant	8th equity warrant
Persons to whom stock options are granted	Directors of the Bank: 10	Executive officers of the Bank: 16
Type and number of shares (*)	Common shares: 76,174	Common shares: 73,080
Grant date	July 19, 2012	July 19, 2012
Condition for vesting	Not applicable	Not applicable
Eligible service period	Not applicable	Not applicable
Period for exercise of stock options	From July 20, 2012 to July 19, 2042	From July 20, 2012 to July 19, 2042

March 31, 2015	9th equity warrant	10th equity warrant
Persons to whom stock options are granted	Directors of the Bank: 10	Executive officers of the Bank: 15
Type and number of shares (*)	Common shares: 47,254	Common shares: 41,968
Grant date	July 18, 2013	July 18, 2013
Condition for vesting	Not applicable	Not applicable
Eligible service period	Not applicable	Not applicable
Period for exercise of stock options	From July 19, 2013 to July 18, 2043	From July 19, 2013 to July 18, 2043

March 31, 2015	11th equity warrant	12th equity warrant
Persons to whom stock options are granted	Directors of the Bank: 10	Executive officers of the Bank: 14
Type and number of shares (*)	Common shares: 48,960	Common shares: 41,133
Grant date	July 18, 2014	July 18, 2014
Condition for vesting	Not applicable	Not applicable
Eligible service period	Not applicable	Not applicable
Period for exercise of stock options	From July 19, 2014 to July 18, 2044	From July 19, 2014 to July 18, 2044

(*) The table above presents the number of common shares converted from the stock options.

(2) Size and changes of stock options

a. Number of stock options in the fiscal years ended March 31, 2015

	1st equity warrant	2nd equity warrant	3rd equity warrant	4th equity warrant	5th equity warrant	6th equity warrant	7th equity warrant	8th equity warrant	9th equity warrant	10th equity warrant
March 31, 2015										
Non-vested:										
Previous fiscal year-end outstanding	23,596	3,280	33,129	9,056	51,520	26,910	49,854	44,370	47,254	41,968
Granted	—	—	—	—	—	—	—	—	—	—
Forfeited	—	—	—	—	—	—	—	—	—	—
Vested	—	—	—	4,528	—	8,970	—	13,050	—	7,968
Outstanding on March 31, 2015	23,596	3,280	33,129	4,528	51,520	17,940	49,854	31,320	47,254	34,000
Vested:										
Previous fiscal year-end outstanding										
Vested	—	—	—	4,528	—	8,970	—	13,050	—	7,968
Exercised	—	—	—	4,528	—	8,970	—	13,050	—	7,968
Forfeited	—	—	—	—	—	—	—	—	—	—
Exercisable	—	—	—	—	—	—	—	—	—	—

	11th equity warrant	12th equity warrant
March 31, 2015		
Non-vested:		
Previous fiscal year-end outstanding	—	—
Granted	48,960	41,133
Forfeited	—	—
Vested	—	—
Outstanding on March 31, 2015	48,960	41,133
Vested:		
Previous fiscal year-end outstanding		
Vested	—	—
Exercised	—	—
Forfeited	—	—
Exercisable	—	—

b. Price information

	Yen									
	1st equity warrant	2nd equity warrant	3rd equity warrant	4th equity warrant	5th equity warrant	6th equity warrant	7th equity warrant	8th equity warrant	9th equity warrant	10th equity warrant
March 31, 2015										
Exercise price	1	1	1	1	1	1	1	1	1	1
Average share price at exercise	—	—	—	532	—	532	—	532	—	532
Fair value at the grate date	417	439	297	318	300	321	310	331	518	542

	Yen	
	11th equity warrant	12th equity warrant
March 31, 2015		
Exercise price	1	1
Average share price at exercise	—	—
Fair value at the grate date	500	525

c. Valuation technique for fair value of stock options

Stock options granted during the fiscal year ended March 31, 2015 were valued using the Black-Scholes option pricing model and the following principal parameters:

	11th equity warrant	12th equity warrant
Expected volatility (*1)	30.90%	25.77%
Average expected life (*2)	6 years	3 years
Expected dividends (*3)	¥9.0 per share	¥9.0 per share
Risk-free interest rate (*4)	0.19%	0.08%

(*1) Expected volatility is calculated based on the actual stock prices at the following period corresponding to the average expected life.

11th equity warrant: From July 18, 2008 to July 17, 2014

12th equity warrant: From July 19, 2011 to July 17, 2014

(*2) The average tenure of the directors and the executive officers who retired in the past is used as the average expected life in the above table.

(*3) Actual dividends on common stock for the fiscal year ended March 31, 2014.

(*4) Japanese government bond yield corresponding to the average expected life.

d. Method of estimating number of stock options vested

Only the actual number of forfeited stock options is reflected because it is difficult to reasonably estimate the number of stock options that will be forfeited in the future.

28. Related-Party Transactions

No material transactions occurred with related-parties for the fiscal year ended March 31, 2015 and 2014.

29. Per-share Data

March 31,	Yen	
	2015	2014
Net assets per share	¥830.50	¥689.21
Earnings per share-basic	39.48	33.52
Earnings per share-diluted	39.46	33.51

Note: Bases for calculation of net assets per share are as follows:

	Millions of yen	
	2015	2014
Net assets	¥601,840	¥516,971
Deduction from nets assets	1,584	2,956
Attributable to equity warrants	147	113
Attributable to minority interests	1,437	2,843
Net assets after deduction of the portion described above	600,255	514,014
Number of common shares (in thousands)	722,758	745,792

Note: Bases for calculation of earnings per share (basic and diluted) are as follows:

March 31,	Millions of yen	
	2015	2014
Earnings per share		
Net income	¥28,680	¥25,042
Earnings not available to common shareholders	—	—
Net income after deduction of the portion described above	28,680	25,042
Weighted average number of common shares for the fiscal year (in thousands)	726,349	746,908
Diluted earnings per share		
Adjustment to net income	—	—
Increase in common shares (in thousands)	346	320
Attributable to equity warrants (in thousands)	346	320
Equity warrants that have no dilutive effects on earnings per share	—	*1

From the fiscal year ended March 31, 2015, the Bank and its consolidated subsidiaries have adopted the Accounting Standard for Retirement Benefits (ASBJ Statement No. 26, May 17, 2012) and the Guidance on Accounting Standard for Retirement Benefits (ASBJ Guidance No. 25, Mar 26, 2015), in terms of the Accounting Standard, Paragraph 35 and the Guidance, Paragraph 67. Meanwhile the Bank and its consolidated subsidiaries are following the transition treatment stipulated in the Accounting Standard, Paragraph 37.

As a result of the adoption, net assets per share decreased by ¥1.00 at the beginning of the fiscal year ended March 31, 2015 and effects to earnings per share and diluted earnings per share is minor.

(*1): Euro-US dollar-denominated convertible bonds with stock acquisition rights maturing in 2019 (see (Note12))

30. Business Combination

A consolidated subsidiary, The Joyo Credit Guarantee Co., Ltd. acquired the stock of consolidated subsidiaries from minority shareholders at December 17, 2014.

1. Outline of the transaction

- (1) Names and businesses of combined entities
 - The Joyo Credit Guarantee Co.,Ltd. (Credit guarantee business of housing loan)
 - The Joyo Computer Service Co.,Ltd. (Development and sales of software and contracted calculation business)
 - The Joyo Lease Co.,Ltd. (Goods rental and factoring business)
- (2) Date of the business combination
 - December 17, 2014
- (3) Legal form of business combination
 - Additional acquisition of stocks of consolidated subsidiaries
- (4) Name of the entity after the business combination
 - No change in the name of the entity
- (5) Other outline of the transaction
 - Acquisition from minority shareholders due to improvement in capital efficiency

2. Accounting method

The transaction has been accounted for as transaction with minority interest holders under common control situation based on ASBJ Statement No. 21 issued on December 26, 2008, "Accounting Standard for Business Combinations" and ASBJ Guidance No.10 issued on December 26, 2008, "Guidance for Accounting Standard for Business Combinations and Business Divestitures."

3. Additional acquisition of stocks of subsidiaries

- (1) Acquisition cost and details
 - Consideration, Cash and due from banks amounting to ¥339 million
 - Acquisition cost amounting to ¥339 million
- (2) Amount of negative goodwill and the reason for generating the negative goodwill
 - i. Amount of negative goodwill
 - ¥1,335 million
 - ii. Reason for negative goodwill
 - Acquisition costs of the subsidiary stocks were less than the decrease in minority interests.

31. Significant Subsequent event

Nothing applicable

32. Asset retirement obligation

Information on asset retirement obligation is omitted as asset retirement obligation is not recorded as of April 1, 2014 and March 31, 2015.



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Independent Auditor's Report

The Board of Directors
The Joyo Bank, Ltd.

We have audited the accompanying consolidated financial statements of The Joyo Bank, Ltd. and its consolidated subsidiaries, which comprise the consolidated balance sheet as at March 31, 2015, and the consolidated statements of income, comprehensive income, changes in net assets, 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 designing and operating such internal control as management determines is necessary to enable the preparation and fair presentation of the 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. The purpose of an audit of the consolidated financial statements is not to express an opinion on the effectiveness of the entity's internal control, but in making these risk assessments the auditor considers internal controls 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. 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 Joyo Bank, Ltd. and its consolidated subsidiaries as at March 31, 2015, and their consolidated financial performance and cash flows for the year then ended in conformity with accounting principles generally accepted in Japan.

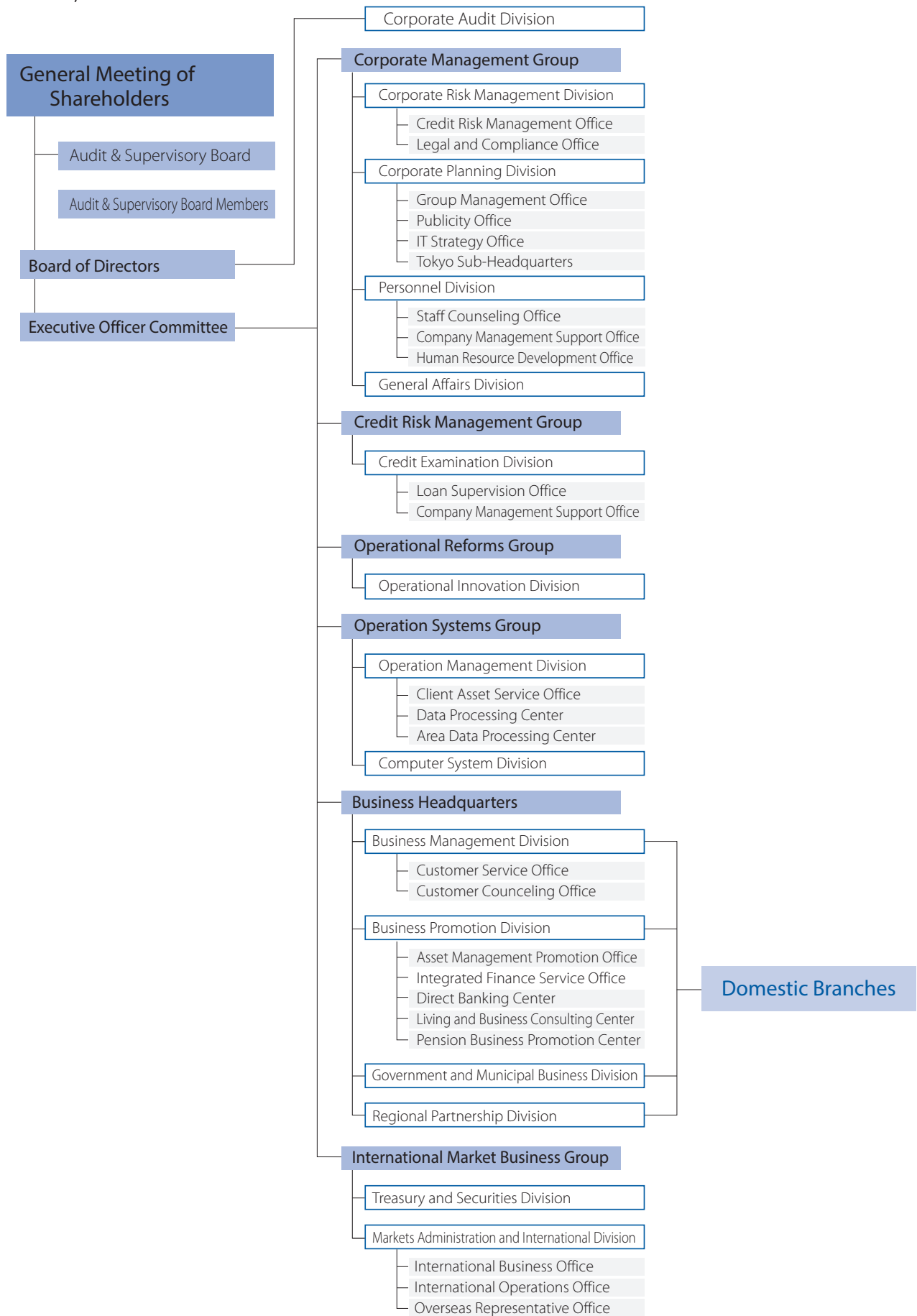
Convenience Translation

We have reviewed the translation of these consolidated financial statements into U.S. dollars, presented for the convenience of readers, and, in our opinion, the accompanying consolidated financial statements have been properly translated on the basis described in Note 2.

Ernst & Young ShinNihon LLC

June 25, 2015
Tokyo, Japan

The JOYO BANK, LTD.



Board of Directors and Corporate Auditors

As of June 26, 2015

Chairman Kunio Onizawa	Senior Managing Directors Hideo Sakamoto	Directors Toshihiko Kawamura (outside) Ryuzaburo Kikuchi (outside)	Corporate Auditors Yoshiaki Terakado (standing) Hideo Torihata (standing) Akira Yasu Sanenori Hitomi Toshio Mizushima
President Kazuyoshi Terakado	Managing Directors Katsuhiko Ito Atsuyuki Kurosawa Eiji Murashima Ritsuo Sasajima Hiroshige Sonobe Masaru Seki Hiroaki Yokochi		

Market Business Group and Overseas Offices

As of June 26, 2015

Head Office	5-5, Minami-machi 2-chome, Mito, Ibaraki 310-0021, Japan	Phone: +81-29-231-2151
Markets Administration and International Division	7-2, Yaesu 2-chome, Chuo-ku, Tokyo 104-0028, Japan	Phone: +81-3-3273-1741
International Business Office	5-5 Minami-machi 2-chome, Mito, Ibaraki 310-0021, Japan	Phone: +81-29-300-2727
International Operations Office	5-5 Minami-machi 2-chome, Mito, Ibaraki 310-0021, Japan	Phone: +81-29-300-2386
Shanghai Representative Office	Room 1901, Shanghai International Trade Centre, 2201 Yan An Road (West), Shanghai 200336 P.R. of China	Phone: +86-21-6209-0258
Singapore Representative Office	30 Cecil Street, #11-04 Prudential Tower, Singapore 049712	Phone: +65-6225-6543
Treasury and Securities Division	7-2, Yaesu 2-chome, Chuo-ku, Tokyo 104-0028, Japan	Phone: +81-3-3273-5245

Affiliated Companies

As of March 31, 2015

Company Name	Address	Main Business Activities	Established	Capital Stock (millions of yen)	Share of Voting Rights
The Joyo Computer Service Co., Ltd.	16-25, Nishihara 2-chome, Mito, Ibaraki	Sale of software and contract of calculation businesses	1973	47.5	5%
The Joyo Lease Co., Ltd.	4-12, Minami-machi 3-chome, Mito, Ibaraki	Leasing of machinery and equipment, claim acquisition	1974	100	5%
The Joyo Credit Guarantee Co., Ltd.	4-12, Minami-machi 3-chome, Mito, Ibaraki	Credit guarantee of housing loans from the Bank	1978	30	5%
The Joyo Credit Co., Ltd.	4-12, Minami-machi 3-chome, Mito, Ibaraki	Credit card services	1982	100	5%
The Joyo Business Service Co., Ltd.	8-1, Sasano-machi 1-chome, Hitachinaka, Ibaraki	Agent in charge of administrative work for the Bank	1984	100	100%
The Joyo Industrial Research Institute, Ltd.	5-18, Sannomaru 1-chome, Mito, Ibaraki	Consulting, investigation and research	1995	100	5%
The Joyo Equipment Management Co., Ltd.	5-5, Minami-machi 2-chome, Mito, Ibaraki	Maintenance and management of operational properties and equipment of the Bank	1999	100	100%
The Joyo Cash Service Co., Ltd.	3-3, Jonan 1-chome, Mito, Ibaraki	Management and maintenance of ATMs and CDs	1999	50	100%
The Joyo Securities Co., Ltd.	4-12, Minami-machi 3-chome, Mito, Ibaraki	Dealing of securities, mediation, commission and substitution of trading of securities	2007	3,000	100%

Principal Shareholders

The 10 largest shareholders of the Bank and their respective shareholdings at March 31, 2015 were as follows:

	Number of Shares Held (Thousands)	Percentage of Total Shares Outstanding (%)
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	28,992	3.78
Nippon Life Insurance Company	25,203	3.28
Japan Trustee Services Bank, Ltd. (Trust Account)	25,000	3.26
Sompo Japan Nipponkoa Insurance Inc.	23,178	3.02
The Dai-ichi Mutual Life Insurance Company	17,049	2.22
STATE STREET BANK AND TRUST COMPANY 505223	16,861	2.20
Sumitomo Life Insurance Company	16,448	2.14
The Master Trust Bank of Japan, Ltd. (Trust Account)	16,187	2.11
Meiji Yasuda Life Insurance Company	11,422	1.49
Northern Trust Co. (AVFC) Re-SSD00.....	9,745	1.27
Total	190,088	24.80%

For further information, please contact to: Markets Administration and International Division, The Joyo Bank, Ltd.
7-2, Yaesu 2-chome, Chuo-ku, Tokyo 104-0028, Japan

