Annual Report 2014

Year ended March 31, 2014

八十二銀行
THE HACHIJUNI BANK, LTD.

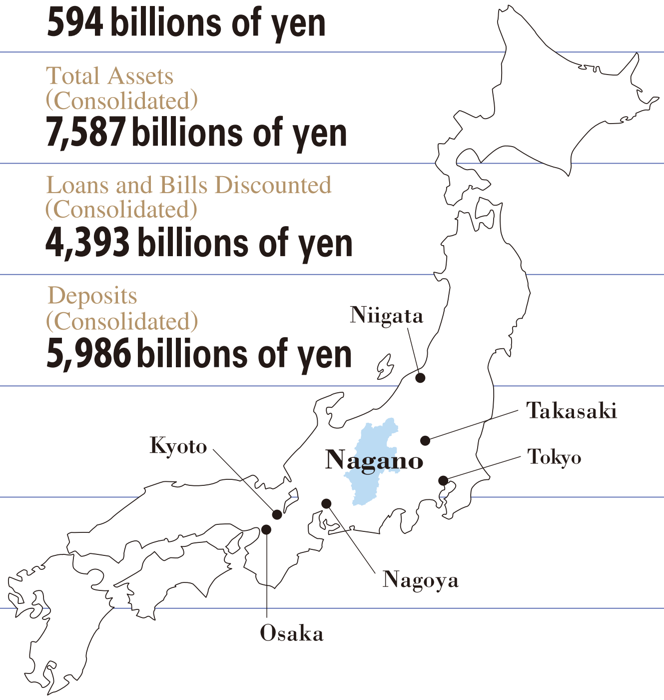
Corporate Outline

Equity
(Consolidated)
594 billions of yen

Total Assets
(Consolidated)
7,587 billions of yen

Loans and Bills Discounted
(Consolidated)
4,393 billions of yen

Deposits
(Consolidated)
5,986 billions of yen



Number of Employees
3,223

Total Capital Ratio
18.85% (BIS standards)

Network
154 Domestic Branches (Japan)
1 Overseas Branch (Hong Kong)
4 Representative Offices
(Dalian, Shanghai, Bangkok & Singapore)

Credit Rating (Long-Term)
Rating and Investment Information, Inc.
A+

Standard & Poor's
A

as of March 31, 2014

The Hachijuni Bank, Ltd. is one of the leading regional banks in Japan. We are mainly based in Nagano Prefecture, which is located in the center of Japan and noted for the coexistence of beautiful nature and advanced industries.

Since its establishment in 1931 in Nagano City, Hachijuni Bank has consistently maintained sound management policies, and is now playing a leading role as one of the largest regional banks in Japan.

Branches of Hachijuni Bank can be found in Nagano, Gunma, Saitama, Niigata and Gifu prefectures, as well as in Tokyo, Osaka and Nagoya metropolitan areas. We also have an overseas branch in Hong Kong, as well as, the Dalian Representative Office, the Shanghai Representative Office, the Bangkok Representative office, and the Singapore Representative Office.

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Yoshiyuki Yamaura
Chairman

Shoichi Yumoto
President

Message from the Management

August 2014

We would like to begin by expressing our sincere gratitude for your patronage.

Since its establishment in 1931, and in tandem with the development of the regional economy, Hachijuni Bank ("the Bank") has continued to grow and has established itself as a key financial institution within its community. This is in large part due to the long-lasting support and patronage of our shareholders, our customers, and the community, for which we are very grateful.

We have designed our "Annual Report 2014" to present, in an easy-to-understand format, our earnings results and the details of our businesses for the fiscal year ending March 31, 2014. We sincerely hope that you will use this report to increase your understanding of the Bank.

The Japanese economy in FY2013 saw signs of recovery emerging against the backdrop of a brighter outlook due to the significant correction of the strong yen and the rise of share prices, both resulting from the Bank of Japan's unprecedented large-scale monetary easing. Yet uncertainty had not been completely eliminated – the consumption tax hike took place in the spring of 2014 amid broad fluctuations in share prices that had become apparent since the start of 2014. More than ever before, the Japanese economy faced the crucial moment for further development and growth.

In such a business environment, the Bank is striving to promote its business and improve its management strength in accordance with the 29th Long-Term Management Plan (FY2012-2014) under the theme "Development of Customers; Our Own Revolution; Evolution of Infrastructure ~ 3 Challenges." This commitment, we believe, will lead us to better meet customer needs as well as the expectations placed upon us by our shareholders and the greater regional community.

For our corporate customers, the Bank will further strengthen its support both in the supply of business funds and in efforts to improve their management. We will step up support for companies seeking to expand overseas and for new business start-ups while providing advice on business strategies such as business succession and M&As. These initiatives demonstrate our commitment to helping to revitalize our regional economy. For individual customers, we will flexibly respond to diverse asset management needs by further enhancing our consultation functions – in this way, we can remain their lifetime partner. Successfully completing these initiatives requires that each and every employee of the Bank – management and staff alike – maintains proper awareness and action. We are committed to nurturing human resources capable of "Thinking and acting on their own." We will also continue to provide our female employees with increased opportunities for advancement.

We kindly ask for your continued support and patronage in the years to come; in exchange, we will commit ourselves to doing our utmost to live up to your expectations.

Sincerely yours,

Yoshiyuki Yamaura
Chairman

Shoichi Yumoto
President

Management Policies

Management Philosophy

"Stick firmly to the sound banking principles, thereby contributing to the development of the regional community"

Corporate Vision: "Shining at the center of Japan" — 8 "shines"

Strong trustworthiness from the people and the region of Nagano	Entirely sound, constant & steady earning power	Agreeable correspondence to the request of our customers	Business promotion from our customers' viewpoint
High awareness of compliance	Every staff's speedy, lively & responsible action	Trustworthy, efficient & assured operational system and condition	Advanced and confident computer system

The 29th Long-Term Management Plan (April 1, 2012 ~ March 31, 2015)

Positioning of the Long-Term Management Plan

Management Philosophy ▶ Corporate Vision ▶ The 29th Long-Term Plan: 3 Themes ▶ Key Measures ▶ Short-Term Plan: Concrete Plan

Theme1 ~ Development of Customers ~ "Supporting customers facing tough challenges"

The economic and employment situation in Nagano Prefecture has become increasingly more severe in recent years as the decline in working age population and the relocation overseas of production bases have rapidly picked up pace. In response to these circumstances, the Bank will provide corporate customers with more services than ever while providing individual customers with integrated financial services. The Bank will actively support our customers so that we can continue to grow alongside our customers and community.

Key Measures
- **Providing customers the best solution for their management problems**
- **Becoming customers' "lifetime" bank**
- **Responding to Globalization**

Theme2 ~ Our Own Revolution ~ "Becoming staff who act on their own initiative"

As customer needs have become more diversified and sophisticated, the Bank's areas of activity have also expanded, becoming more specialized and complicated. As such, the Bank is constantly challenged to identify and then resolve problems in new and innovative ways. All staff will acquire high-level skill and act on their own initiative, allowing them to respond appropriately to changes in the market environment.

Key Measures
- **Promoting autonomous action**
- **Transforming into a group in which all staff have high-level skills and learn from each other in friendly rivalry**

Theme3 ~ Evolution of Infrastructure ~ "Reinforcing infrastructure through IT"

The advancement and reinforcement of infrastructure – including various business channels, computer systems and the clerical work structure – have substantially affected customer services and business efficiency. By making maximum use of IT – mainly by upgrading our infrastructure, by centralizing clerical work and adding extra value at branches – the Bank will enhance customer convenience and business efficiency, and strengthening our competitiveness.

Key Measures
- **Wide use of IT**
- **Centralization of business operations**

Business Performance and Financial Standings

Financial Highlights (Consolidated)

	Millions of Yen		Thousands of U.S. Dollars
	2014	2013	2014
For the year:			
Total income	169,371	162,566	1,645,663
Total expenses	123,322	123,316	1,198,233
Income before income taxes and minority interests	46,049	39,249	447,429
Net income	26,519	22,151	257,674
Net income per share	¥ 52.38	¥ 43.61	$ 0.50
At year-end:			
Deposits	5,986,880	5,808,637	58,170,230
Loans and bills discounted	4,393,259	4,316,284	42,686,155
Securities	2,379,140	2,274,684	23,116,404
Total assets	7,587,735	7,254,978	73,724,592
Equity	594,052	563,238	5,771,980
Total capital ratio : **Basel 3 standards**	18.85%	17.88%	

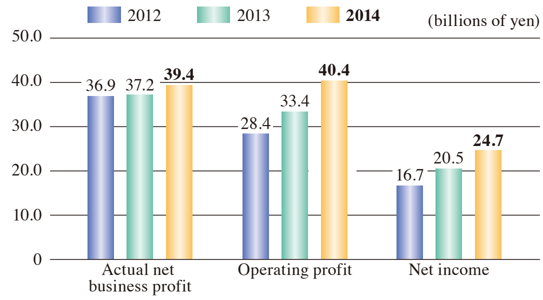
Notes: 1. Yen figures have been rounded down to the nearest million yen.
2. The United States dollar amounts represent translations of Japanese yen at the exchange rate of ¥102.92 to US$1.00 on March 31, 2014.
3. Net income per share is based on the weighted average number of shares of common stock outstanding during each year.

Summary of Business Performance

Consolidated Business Results

Operating profit increased ¥6,543 million from the previous year to ¥46,375 million and net income increased ¥4,368 million to ¥26,519 million.

Non-consolidated Business Results



Operating income increased ¥8,668 million from a year earlier to ¥130,112 million due to an increase in interest income by the increase of interest and dividends on securities in addition to increases in “other operating income” such as gains on sales of bonds and “other income” such as gains on sales of stocks.
Operating expenses increased ¥1,662 million from a year earlier to ¥89,630 million due to increases in “other operating expenses” such as loss on sales of bonds and in funding costs for negotiable certificate of deposit despite decreases in “other expenses” such as loss on money held in trust and in G&A expenses.
As a result, operating profit increased ¥7,005 million from the previous year to ¥40,481 million.
Extraordinary gains decreased ¥29 million from a year earlier to ¥73 million and extraordinary losses decreased ¥296 million to ¥384 million.
As a result, net income was ¥24,713 million, up ¥4,167 million from the previous fiscal year.

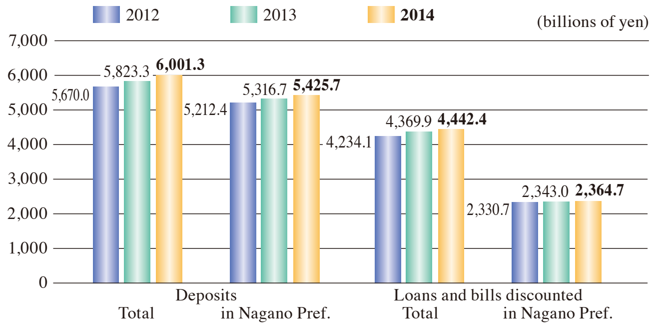
Summary of Financial Standings

Results of Consolidated Main Accounts

Outstanding balance of deposits increased ¥178.2 billion to ¥5,986.8 billion from a year earlier owing to an increase in deposits from general corporations and from individual.
Outstanding balance of loans and bills discounted increased ¥76.9 billion to ¥4,393.2 billion due to increases in loans for individual customers and local public entities despite a decrease in demand for business fund loans inside the Prefecture.
Outstanding balance of securities increased ¥104.4 billion to ¥2,379.1 billion due to increases in the balance of foreign securities and stocks on the back of stock prices rise.

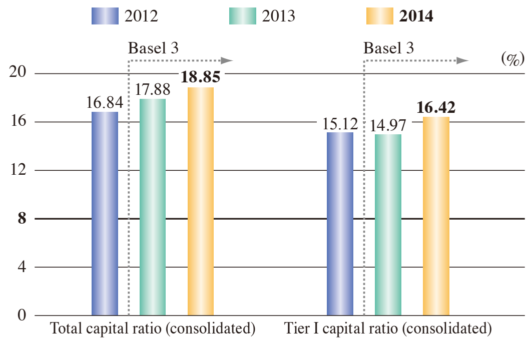
Results of Non-Consolidated Main Accounts

Outstanding balance of deposits increased ¥177.9 billion from a year earlier to ¥6,001.3 billion.
Outstanding balance of loans and bills discounted increased ¥72.5 billion to ¥4,442.4 billion.
Outstanding balance of securities increased ¥108.6 billion to ¥2,374.2 billion.
Outstanding balance of public bonds, including Japanese government bonds for retail investors deposited with the Bank declined ¥67.1 billion to ¥224.7 billion and investment trusts decreased ¥10.1 billion to ¥165.1 billion.



Total Capital Ratio (Basel 3 standards)

Total capital ratio was 18.85% on a consolidated basis and 18.02% on a non-consolidated basis.



Basic Policies on Profit Sharing

The Bank has linked its dividend payment to the size of its profit focusing on business performance aiming toward enhanced profit distribution to shareholders.

[Policy regarding dividend payment]
The Bank has set a goal to achieve a dividend ratio of approximately 20% against net income of ¥20.0 billion or lower, and if net income exceeds the ¥20.0 billion mark, it will aim to add 30% of a portion of net income in excess of such amount to the foregoing 20% (lower limit of dividend per share: ¥5.0 a year).

With respect to year-end dividends for the fiscal year ended March 31, 2014, the Bank decided to pay ¥6.0 per share. As a result, annual dividends, together with the interim dividend, were ¥11.0 in total, an increase of ¥1.0 from a year earlier.

Corporate Governance

Corporate Governance Principle

- The Bank defines Corporate Governance Principle as the basic policy which regulates all of the Bank's business activities, keeps the group's sustainability, enhances corporate value and carries out its social responsibility to realize the Bank's philosophy.
- Corporate Governance Principle includes basic attitudes to "customers" "shareholders" "employees" "regional community", and basic policies related to corporate governance, observation of laws, corporate ethics and disclosure of information.

Organizational Structure

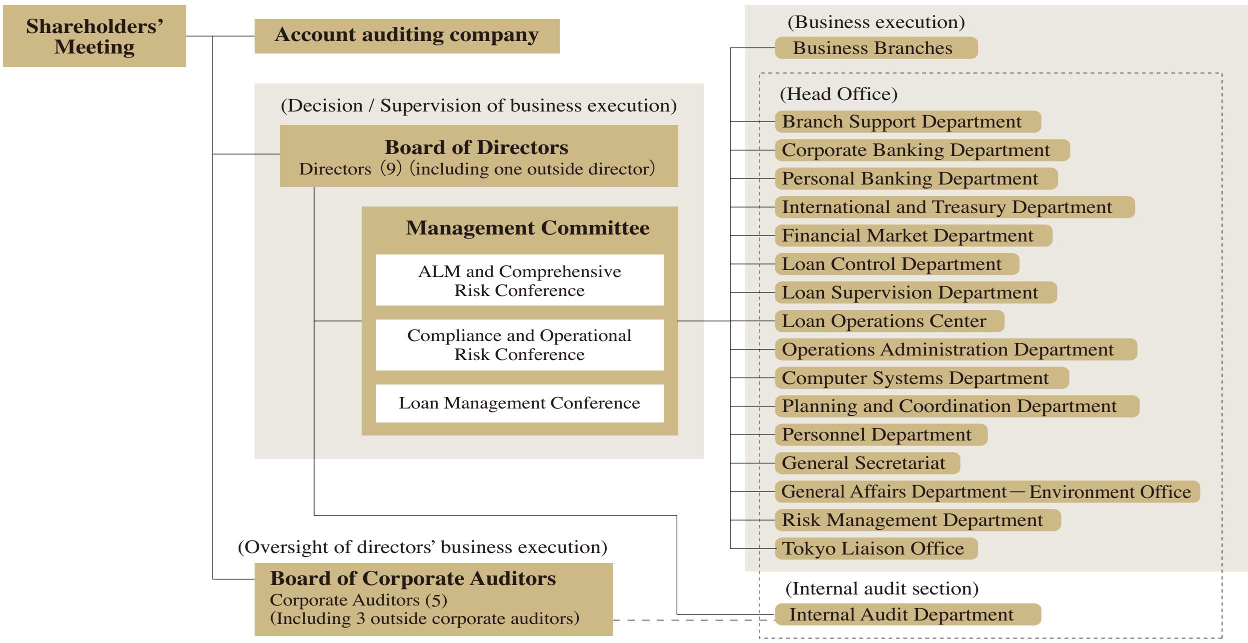
- The Bank appoints corporate auditors (establish a Board of Corporate Auditors) based on the recognition that business oversight function should be separated from business execution function. While the Board of Directors decides and implements business operations, the Board of Corporate Auditors oversees business operations.
- Furthermore, the Bank appoints both outside director and outside corporate auditors for avoiding conflict of interest with shareholders.

Decision / Supervision of Business Execution

- The Board of Directors is held more than once a month in principle. In this meeting, directors develop substantial discussions and supervise the status of business operations with one another.
- Under the Board of Directors, Management Committee is held every week in principle. The Management Committee decides and supervises daily business operations and also discusses key issues related to the Bank's management and prepares agendas to propose to the Board of Directors. There are three special conferences: ALM and Comprehensive Risk Conference, Compliance and Operational Risk Conference and Loan Management Conference.
- The Board of Directors consists of nine (9) directors (8: internal directors, 1: outside director) and the Management Committee consists of senior executives.

Oversight of Directors' Business Execution

- The Board of Corporate Auditors is held every month in principle. It consists of five (5) corporate auditors including three (3) outside auditors. By attending the Board of Directors and providing appropriate advices, each auditor strictly oversees the execution of duties of directors. Two corporate standing auditors may attend the Management Committee and oversee the execution of business operations through inspecting each kind of matter, such as the status of internal controls and branches' audit results. They also discuss with Representative Directors regularly in order to provide feedback on monitoring results to the top management.



(as of June 20, 2014)

Remuneration

- As for directors' remuneration, the Bank introduces three types of remuneration: defined cash compensation, performance-linked compensation and stock-based compensation.
- The monthly amount of defined cash compensation is limited to be under ¥25 million. Performance-linked compensation is linked to the Bank's net income. The form of stock-based compensation is stock options (share options). The total amount of stock options is limited to be under ¥100 million in a year. The payment amount to each director is decided by a consultation of the Board of Directors.
- Corporate auditors' remuneration is defined cash compensation. The monthly amount of such remuneration is limited to be under ¥8 million and the payment amount to each auditor is decided by a consultation among corporate auditors.

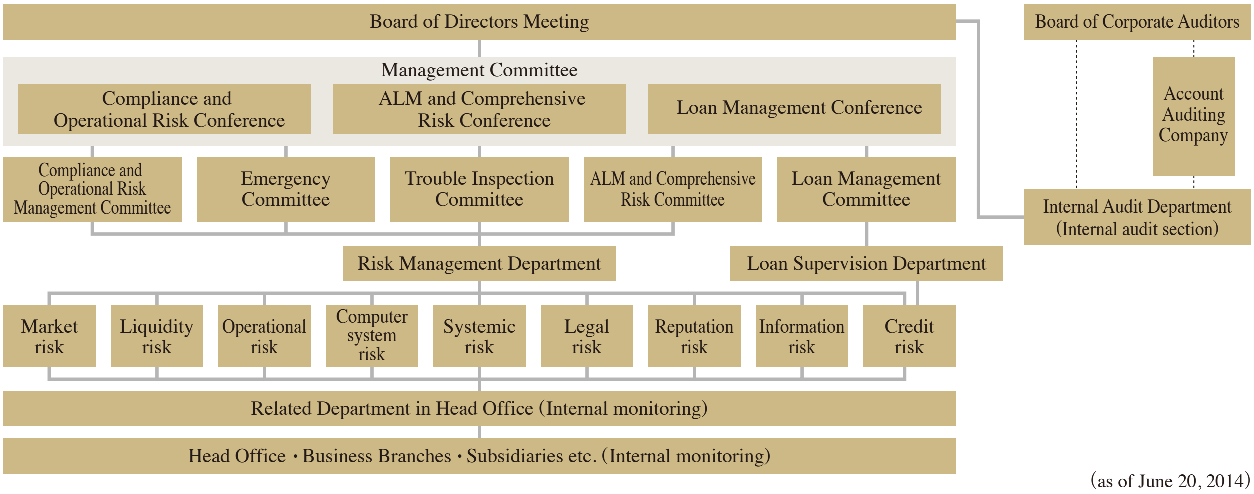
Risk Management

Comprehensive Risk Management

➤ Each department and branch properly performs risk control responsibilities and independently reviews its processes with an internal check system based on the Comprehensive Risk Management Policy. The Risk Management Department examines each department's management status for diversified risks in an integrated fashion and finds and controls the Bank's risk exposure. Key information related to risk management is gathered by the Risk Management Department from each department and branch, and this information is reflected in the decision-making process of executives.

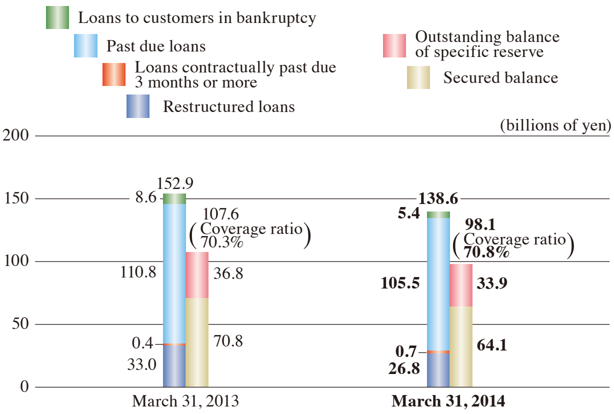
➤ ALM and Comprehensive Risk Conference manages market risk, credit risk and liquidity risk. Compliance and Operational Risk Conference manages operational risk, computer system risk, legal risk and other risks. Loan Management Conference manages more diversified credit risks.

Risk Management Organization Chart



(as of June 20, 2014)

Loans under risk management



Note : Possible amounts of recoveries through disposition of collaterals pledged to the Bank are not included in the foregoing disclosed amounts. Therefore the disclosed amounts do not necessarily represent actual future loss amounts of the Bank.

(billions of yen,%)

	March 31, 2013	**March 31, 2014**
Loans to Customers in Bankruptcy	8.6(0.19)	**5.4(0.12)**
Past Due Loans	110.8(2.53)	**105.5(2.37)**
Loans Contractually Past Due 3 months or more	0.4(0.00)	**0.7(0.01)**
Restructured Loans	33.0(0.75)	**26.8(0.60)**
Total	152.9(3.50)	**138.6(3.12)**
Outstanding Balance of loans and bills discounted	4,369.9	**4,442.4**

(Loans under risk management as a percentage of outstanding balance of loans and bills discounted)

Regarding Terminologies:

Loans to Customers in Bankruptcy
Of loans for which substantial doubt is judged to exist as to ultimate collectibility of either principal or interest because they are past due for a certain period or for other reasons, the loans to customers who are alleged to commence legal corporate rearrangement procedures under Company Rehabilitation Law, Bankruptcy Law, Civil Rehabilitation Law, Commercial Code of Japan and other related laws, and/or to customers whose transactions with banks are suspended by the rules of clearing house.

Past Due Loans
Of loans for which substantial doubt is judged to exist as to ultimate collectibility of either principal or interest because they are past due for a certain period or for other reasons, the loans to customers other than customers in bankruptcy and customers on which the Bank granted concessions such as deferral of interest payments in order to support for their management reconstruction.

Loans Contractually Past Due 3 months or more
Loans, either principal or interest payment of which is contractually past due for 3 months or more, excluding loans to customers in bankruptcy and past due loans.

Restructured Loans
Loans to customers on which the Bank granted concessions such as reduction of the stated interest rate, deferral of interest payments, extension of maturity date, debt forgiveness and other arrangements favoring customers to support for their management reconstruction, excluding loans to customers in bankruptcy, past due loans and loans contractually past due 3 months or more.

International Operations

Nagano Prefecture, which is the major business base for the Bank, has developed as an advanced region in Japan in terms of foreign trade and international business operations. Now there are more than 1,900 bases of our customers in other countries, primarily in Asia.

Since the launch of its foreign exchange business in January 1962, the Bank has expanded its international operations to meet the growing needs of customers who operate worldwide.

The Hachijuni Bank Group maintains a network of overseas offices covering five major Asian cities. In addition to the Hong Kong Branch, which functions as the Asian control center and offers full banking services, we have four representative offices – Dalian, Shanghai, Bangkok and Singapore.

Taking advantage of this network – one of the most powerful of any Japanese regional bank – our staff of international banking specialists at headquarters and overseas offices stand ready to offer customers a wide range of support services to meet their overseas transaction, overseas business expansion and business development requirements. The Bank continues to be one of Japan's leading regional banks in terms of the value of foreign exchange transactions handled. The Bank offers to parent companies in Japan the funds they need to advance overseas and the funds they need to finance their overseas subsidiaries ("parent-subsidiary loans"). And we are also promoting initiatives to expand cross-border loans whereby our domestic offices offer direct loans to customers operating overseas. We have extended cross-border loans to customers operating in 14 countries/regions, including China, Thailand, Indonesia and Vietnam (as of the end of March 2014). We also handle loans denominated in Thai baht.

Our Hong Kong Branch offers loans to customers planning to operate in Hong Kong/South China as well as cross-border loans to customers' subsidiaries in Southeast Asia and mainland China. The Hong Kong Branch also offers loans denominated in RMB(renminbi).

In addition, the Bank can meet the fund-raising needs of customers' overseas subsidiaries by making the most of our partnership with leading foreign banks.

International and Treasury Department

◆ **Nagano Main Office**
178-8, Okada, Nagano-City 380-8682, Japan
Phone: (026)227-1182 Facsimile: (026)226-2982

◆ **Tokyo Office**
1-22, Nihonbashi Muromachi 4-chome, Chuo-ku, Tokyo 103-0022, Japan
Phone: (03)3242-0082 Facsimile: (03)3277-0146
SWIFT Address: HABK JPJT

Financial Market Department

◆ **Tokyo Office**
1-22, Nihonbashi Muromachi 4-chome, Chuo-ku, Tokyo 103-0022, Japan
Phone: (03)3277-0082 Facsimile: (03)3246-4675

Hong Kong Branch

Since its opening in May 1991, the Hong Kong Branch has been expanding with offering the financial services to the customers. As a result, the Bank now handles the large foreign exchange volume due to the Hong Kong Branch. Furthermore, the Hong Kong Branch offers a wide range of services such as providing various information, supporting business expansion for its customers to extend business in China and other Asian countries. In September 2010, the Hong Kong Branch started the renminbi-denominated transactions such as deposit, transfer and loan amid a surge of our customers' needs.

1602-05, 16F The Gateway Tower 2, 25 Canton Road, Tsimshatsui, Kowloon, Hong Kong
Phone: 852-2845-4188 Facsimile: 852-2537-1757 SWIFT address: HABKHKHH

Singapore Representative Office / Bangkok Representative Office

Southeast Asia, together with China, has always attracted the attention of our customers as a region with strong growth potential. Currently, there are almost 600 bases of our customers in ASEAN countries.

Singapore is the distribution, financial and economic center in Southeast Asia. The Bank established its Singapore Representative Office in 1997. And in 2007, it established the Bangkok Representative Office, which is the first in Thailand among all regional banks in Japan. Both offices collect and analyze information on the rapidly changing social, financial and economic conditions in the region, and offer the latest information to local customers. In cooperation with the Bank's head office and domestic branches, both offices help customers to expand their businesses in Southeast Asia.

◆ **Singapore Representative Office**
16 Raffles Quay, #15-05 Hong Leong Building, Singapore 048581
Phone: 65-6221-1182 Facsimile: 65-6221-0556

◆ **Bangkok Representative Office**
Level 8, Zuellig House, 1 Silom Road, Silom, Bangrak, Bangkok 10500 Thailand
Phone: 66-2231-8218 Facsimile: 66-2231-8121

Shanghai Representative Office / Dalian Representative Office

China is one of countries attracting the hottest attention from all over the world. Our customers establish over 550 manufacturing and sales facilities in mainland China, and especially their making inroads to coast area are remarkable. Since its opening in May 2002, the Shanghai Representative Office supports its customers in their making inroads to China from various aspects and tries to provide them with every kind of information from the city of Shanghai, which is the largest business city as well as a center of the economy and finance in China. In January 2008, the Bank established the Dalian Representative Office to offer careful support to customers.

◆ **Shanghai Representative Office**
8/F, Hang Seng Bank Tower, 1000 Lujiazui Ring Road, Pudong New Area, Shanghai, People's Republic of China
Phone: 86-21-6841-1882 Facsimile: 86-21-6841-2118

◆ **Dalian Representative Office**
4F, Senmao Bldg., 147 Zhongshan Road, Xigang District, Dalian, Liaoning, 116011, People's Republic of China
Phone: 86-411-3960-8266 Facsimile: 86-411-3960-8182

Corporate Social Responsibilities (CSR)

Environmental Conservation Activities

Environmental Policy

Environmental Philosophy

Hachijuni Bank positions environmental conservation activities as elements vital to corporate social responsibility and will contribute to the creation of a sustainable regional community through positive and constant improving the environment.

Action Program

1. Hachijuni Bank will try to prevent pollution by accurately determining the impact of its activities on environment, and will set, achieve, and review its environmental objectives.
2. Hachijuni Bank will comply with all laws, regulations, and agreements concerning the environment.
3. Hachijuni Bank will make efforts to conserve resources and energy toward reducing environmental burden.
4. By providing financial products, services, and information, Hachijuni Bank will aim to support its clients that are involved with environmental preservation, and that contribute to improving the local environment.
5. Recognizing the importance of biodiversity which is a blessing of nature, Hachijuni Bank will work to preserve biodiversity.
6. All employees of Hachijuni Bank, and their families, will take the initiative in activities for environmental conservation, and will enhance their awareness of environmental issues.

Three pillars

1 *Environmental conservation activities by the Bank's core business*

(Target of FY2014) Contribution to environmental improvements by customers' activities by providing environment-friendly financial products

2 *Reduction of internal environmental burdens*

(Target of FY2014) Achievement of the reduction in both environmental burdens and the Bank's costs through energy savings and resource conservation

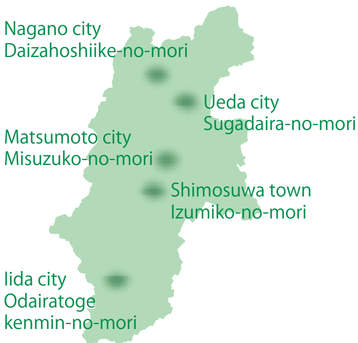
3 *Contribution to the regional economy and reinforcement of environmental education*

(Target of FY2014) Contribution to the regional community through environmental volunteer activities

Topics

"Hachijuni-no-Mori activities"

At 5 activity locations of "Hachijuni-no-Mori", the Bank continues to provide forest maintenance work. Through these activities, the Bank seeks to contribute to the local community while enhancing awareness of environmental protection among employees. In FY2013, a total of 780 people, including officers and employees and their families, planted, weeded and thinned trees 8 times.



"Memorial Volunteer"

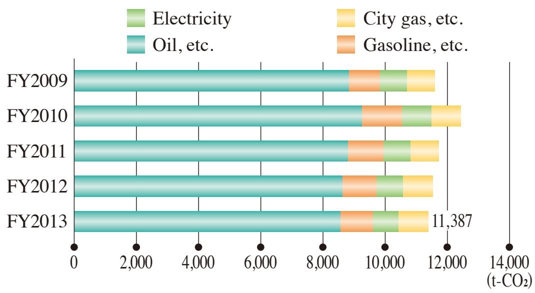
In commemoration of its 82nd anniversary, the Bank held its 1st memorial volunteer activity in May 2013. Volunteers from the Bank planted 3,000 *mizunara* (Mongolian oak trees) on an unused 8,200m² section of Jimbagata Ranch in Nakagawa village, Kami Ina-gun, Nagano Prefecture, taking the first step in the land's transformation back into forest. To protect them from deer and other wild animals, volunteers built a fence around the seedlings.

Our 2nd memorial volunteer activity was held in September 2013 in Kijimadaira village, Shimo Takai-gun, Nagano Prefecture. 159 volunteers from the Bank planted 8,282 (82 = the Bank's name) beech.

Total Energy Consumption and Carbon Dioxide Emission

Total energy consumption and carbon dioxide emission decreased 1.1% (or 3,181 giga joules) and 1.2% (or 142 tons-CO_2) respectively on the year-on-year basis.

Carbon Dioxide Emissions by Type of Energy



Environmental Accounting System

The Bank has recognized both environment conservation cost and economic effect in quantitative base by the Environmental Accounting System introduced in fiscal year 2004. Hoping the disclosure of the result will help the people's understanding of the Bank's activities, the Bank will continue to develop environmental activities more effectively.

Results of Environmental Accounting for the Fiscal Year 2013

Environmental conservation cost

(millions of yen)

Classification	FY2012	FY2013
Business area cost	34	43
Resource circulation cost	29	40
Pollution prevention cost	0	0
Global environmental conservation cost	5	3
Administrative activity cost	65	66
Personal expenses	47	47
Disclosure of environment information and advertisement	12	12
Maintenance control of environment management system	5	6
Monitoring of environment burden	1	1
Social activity cost (*1)	18	20
Total	117	129

Economic benefit associated with environmental conservation activities

(millions of yen)

Item	FY2012	FY2013
Income	983	1,044
Income from environment related loans	948	1,013
Income from EB contracts	34	24
Income from ISO14001consultation	1	7
Cost saved (*2)	▲ 30	▲ 14
Total	953	1,030

*1 Money of support for "Hachijuni-no-Mori", donation to Nagano Environment Conservation Associations
*2 The amount of reduction in utilities expenses, supplies expenses and expenses for disposing of wastes helped by energy and resources savings efforts (stated by simple comparison with the previous fiscal year)
A negative figure means an increase from the previous fiscal year.

Environmental conservation benefit (Reduction of carbon dioxide emission)

(t-CO_2)

Classification	FY2012	FY2013
CO_2 emission reduced by the Bank's internal efforts (by simple comparison from a year earlier)	199	142
CO_2 emission reduced by customers through contribution of the Bank's core businesses	297,879	470,074
CO_2 emission reduced by " Environment Activities by the Household" (estimate)	2,280	− (*3)
Total	300,358	470,216

*3 This item has not been targeted from FY2013 because "Environment Activities by the Household" have been firmly established.

ISO14001 Certification

- The Bank received ISO14001 certification for its head office in March 1999, the first of all regional banks in Japan to do so. It expanded of this certification to all domestic branches in March 2002. Total of 180 offices (152 branches, 7 regional centers, 17 headquarters, and 4 Group companies as of March 31, 2014) and nearly 5,000 employees are involved in this effort.

Contribution to the Region and Society

- The Bank has established a "Hachijuni Volunteer Club", and assigned a liaison for volunteer activities at each department and branch. The Bank provides support to the volunteer activities by encouraging its employees to participate in social-action programs at least once a year.
- The Bank has also introduced a "Special Holiday System to Encourage Volunteer Activities", to support its employees' participation in programs for the promotion of social welfare, disaster aid, sports, and other causes.
- The Bank established "Nagano Economic Research Institute" in March 1984 as a think-tank to contribute to the advancement and development of the regional community in response to its highly sophisticated needs.
- The Bank also established "Hachijuni Culture Foundation" in 1985 to contribute to the development of the regional community in the areas of its arts and culture.

Adoption of SRI Related Fund

- Due to the Bank's steady corporate activities, it has been registered as an investment target for social-responsibility investment funds, and its equity shares have been selected by a social-responsibility investment index (FTSE4Good Index).

Board of Directors

Yoshiyuki Yamaura
Chairman

Shoichi Yumoto
President

Fumiaki Magaribuchi
Deputy President

Tetsuo Komatsu
Managing Director

Kenichi Takehana
Managing Director

Hideyuki Ota
Managing Director

Teruyuki Koike
Managing Director

Kunio Hamamura
Managing Director

Saburo Kusama
Director (Outside Director)

Corporate Auditors

Akio Saito
Corporate Standing Auditor

Hiroshi Miyashita
Corporate Standing Auditor

Asakazu Horii
Corporate Auditor

Kenji Miyazawa
Corporate Auditor

Takeshi Kadota
Corporate Auditor

(as of June 20, 2014)

Organization

- Shareholders' Meeting
  - Corporate Auditors, Board of Corporate Auditors
- Board of Directors Meeting
  - Management Committee
    - Chairman
    - President
    - Deputy President
    - Managing Directors
  - Branch Support Department
  - Corporate Banking Department
  - Personal Banking Department
  - International and Treasury Department
  - Financial Market Department
  - Loan Control Department
  - Loan Supervision Department
  - Loan Operations Center
  - Operations Administration Department
  - Computer Systems Department
  - Planning and Coordination Department
  - Personnel Department
  - General Secretariat
  - General Affairs Department — Environment Office
  - Risk Management Department
  - Tokyo Liaison Office
  - Internal Audit Department
    - Overseas Branch
    - Domestic Branches and Sub-Branches
    - Regional Operation Centers

(as of June 20, 2014)

Major Affiliated Companies

The Hachijuni Bank, Ltd.

	Date of establishment	Line of business
Hachijuni Business Service Co., Ltd.	August 1981	Collection and delivery of materials and cash, printing
Hachijuni Staff Service Co., Ltd.	September 1986	Placement of temporary working staff
Hachijuni Asia Limited	January 1989	Loan, trading, underwriting of bonds
Hachijuni Securities Co., Ltd.	May 1949	Securities business
Yamabiko Services Co., Ltd.	June 2000	Credit collection and manegement
Hachijuni Lease Co., Ltd.	June 1974	Leasing
Hachijuni DC Card Co., Ltd.	August 1982	Credit card business
Hachijuni Credit Guarantee Co., Ltd.	December 1983	Guarantee to cunsumer loan
Hachijuni System Development Co., Ltd.	December 1983	Development of computer systems
Hachijuni Capital Co., Ltd.	September 1984	Venture capital for high-tech companies
Hachijuni Auto Lease Co., Ltd.	October 2005	Leasing

(as of March 31, 2014)

Major Shareholders

Name	Number of shares in thousands	%	Name	Number of shares in thousands	%
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	20,364	3.90	Aioi Nissay Dowa Insurance Co., Ltd.	11,441	2.19
Nippon Life Insurance Company	17,000	3.26	Showa Shoji Co., Ltd.	10,201	1.95
Meiji Yasuda Life Insurance Company	16,417	3.15	Tokio Marine & Nichido Fire Insurance Co., Ltd.	9,598	1.84
Japan Trustee Services Bank, Ltd. (Trust Account)	12,511	2.40	State Street Bank and Trust Company 505223	9,160	1.75
Shin-Etsu Chemical Co., Ltd.	11,830	2.27	The Master Trust Bank of Japan, Ltd. (Trust Account)	8,392	1.61

(as of March 31, 2014)

Independent Auditor's Report

Deloitte.

Deloitte Touche Tohmatsu LLC
Choei-Dai 2 Bldg.
1277-2, Minami-Ishido-cho
Nagano 380-0824
Japan

Tel:+81 (26) 227 9821
Fax:+81 (26) 227 9831
www.deloitte.com/jp

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of The Hachijuni Bank, Ltd.:

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

Management's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

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

Convenience Translation

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

Deloitte Touche Tohmatsu LLC

June 13, 2014

Member of
Deloitte Touche Tohmatsu Limited

Consolidated Balance Sheet
March 31, 2014

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2014	2013	2014
ASSETS:			
Cash and due from banks (Notes 3 and 24)	¥ 478,425	¥ 346,224	$ 4,648,520
Call loans and bills bought	23,088	22,572	224,335
Monetary claims bought	53,493	46,405	519,757
Trading assets (Notes 4 and 25)	21,002	39,379	204,065
Money held in trust (Note 5)	63,909	29,735	620,965
Securities (Notes 6, 11 and 24)	2,379,140	2,274,684	23,116,404
Loans and bills discounted (Notes 7, 24 and 26)	4,393,259	4,316,284	42,686,155
Foreign exchanges (Note 8)	18,155	22,945	176,399
Lease receivables and investments in leases (Note 22)	60,403	56,535	586,900
Other assets (Note 11)	61,608	89,111	598,603
Property, plant and equipment—net (Note 9)	38,026	35,431	369,478
Intangible assets—net (Note 9)	5,169	4,817	50,231
Asset for employees' retirement benefits (Note 14)	16,729		162,546
Deferred tax assets (Note 21)	3,182	3,422	30,920
Customers' liabilities for acceptances and guarantees (Note 10)	39,079	43,185	379,704
Allowance for credit losses	(66,935)	(75,755)	(650,367)
Allowance for investment losses	(3)		(29)
TOTAL	¥ 7,587,735	¥ 7,254,978	$ 73,724,592
LIABILITIES AND EQUITY			
LIABILITIES:			
Deposits (Notes 11, 12 and 24)	¥ 5,986,880	¥ 5,808,637	$ 58,170,230
Negotiable certificates of deposit (Note 24)	528,951	372,257	5,139,441
Call money and bills sold	19,215	29,501	186,707
Payables under securities lending transactions (Notes 11 and 24)	125,270	97,707	1,217,162
Trading liabilities (Notes 4 and 25)	6,431	6,774	62,486
Borrowed money (Notes 13 and 24)	121,626	161,496	1,181,754
Foreign exchanges (Note 8)	1,063	2,476	10,335
Other liabilities	101,534	112,995	986,542
Liability for employees' retirement benefits (Note 14)	14,927	14,920	145,036
Provision for reimbursement of deposits	700	603	6,804
Provision for contingent losses	1,269	1,187	12,335
Reserve under special laws	9	7	96
Deferred tax liabilities (Note 21)	46,722	39,989	453,972
Acceptances and guarantees (Note 10)	39,079	43,185	379,704
Total liabilities	6,993,682	6,691,740	67,952,612
EQUITY (Notes 15 and 29):			
Common stock—authorized, 2,000,000 thousand shares; issued, 521,103 thousand shares in 2014 and 2013	52,243	52,243	507,609
Capital surplus	29,674	29,674	288,321
Stock acquisition rights (Note 16)	233	204	2,271
Retained earnings	367,343	346,651	3,569,215
Treasury stock—at cost, 14,850 thousand shares in 2014 and 14,922 thousand shares in 2013	(7,179)	(7,209)	(69,756)
Accumulated other comprehensive income:			
Valuation difference on available-for-sale securities	137,540	134,197	1,336,384
Deferred loss on hedges	(10,343)	(15,330)	(100,500)
Foreign currency translation adjustments	(413)	(824)	(4,017)
Defined retirement benefit plans	(1,693)		(16,450)
Total	567,405	539,605	5,513,077
Minority interests	26,646	23,632	258,903
Total equity	594,052	563,238	5,771,980
TOTAL	¥ 7,587,735	¥ 7,254,978	$ 73,724,592

See notes to consolidated financial statements.

Consolidated Statement of Income
Year Ended March 31, 2014

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2014	2013	2014
INCOME:			
Interest income:			
Interest on loans and discounts	¥ 57,793	¥ 61,140	$ 561,541
Interest and dividends on securities	31,099	26,151	302,172
Other interest income	863	837	8,390
Fees and commissions	21,613	20,683	210,002
Trading income	1,715	1,215	16,672
Other operating income (Note 17)	47,553	44,643	462,038
Other income (Note 18)	8,732	7,894	84,844
Total income	169,371	162,566	1,645,663
EXPENSES:			
Interest expenses:			
Interest on deposits	2,787	2,786	27,082
Interest on borrowings and rediscounts	498	587	4,847
Other interest expenses	5,688	4,816	55,273
Fees and commission payments	6,057	5,824	58,856
Other operating expenses (Note 19)	35,869	33,189	348,516
General and administrative expenses	63,603	65,200	617,989
Provision for credit losses	871	299	8,466
Other expenses (Note 20)	7,945	10,612	77,202
Total expenses	123,322	123,316	1,198,233
INCOME BEFORE INCOME TAXES AND MINORITY INTERESTS	46,049	39,249	447,429
INCOME TAXES (Note 21):			
Current	13,457	12,465	130,753
Deferred	3,626	2,251	35,232
Total income taxes	17,083	14,717	165,985
NET INCOME BEFORE MINORITY INTERESTS	28,966	24,531	281,444
MINORITY INTERESTS IN NET INCOME	2,446	2,380	23,769
NET INCOME	¥ 26,519	¥ 22,151	$ 257,674
	Yen		U.S. Dollars
PER SHARE OF COMMON STOCK (Note 28):			
Basic net income	¥ 52.38	¥ 43.61	$ 0.50
Diluted net income	52.33	43.57	0.50
Cash dividends applicable to the year	11.50	7.50	0.11

See notes to consolidated financial statements.

Consolidated Statement of Comprehensive Income
Year Ended March 31, 2014

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2014	2013	2014
NET INCOME BEFORE MINORITY INTERESTS	¥ 28,966	¥ 24,531	$ 281,444
OTHER COMPREHENSIVE INCOME (Note 27):			
Unrealized gain on available-for-sale securities	3,740	61,069	36,346
Deferred loss on derivertives under hedge	4,986	(9,413)	48,452
Foreign currency translation adjustments	411	192	3,995
Total other comprehensive income	9,138	51,848	88,794
COMPREHENSIVE INCOME	¥ 38,104	¥ 76,380	$ 370,238
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:			
Owners of the parent	¥ 35,260	¥ 73,924	$ 342,603
Minority interests	2,844	2,455	27,634

See notes to consolidated financial statements.

Consolidated Statement of Changes in Equity
Year Ended March 31, 2014

	Thousands	Millions of Yen											
							Accumulated Other Comprehensive Income						
	Number of Shares of Common Stock Issued	Common Stock	Capital Surplus	Stock Acquisition Rights	Retained Earnings	Treasury Stock	Valuation Difference on Available-for-Sale Securities	Deferred Loss on Hedges	Foreign Currency Translation Adjustments	Defined Retirement Benefit Plans	Total	Minority Interests	Total Equity
BALANCE, APRIL 1, 2012	521,103	¥ 52,243	¥ 29,674	¥ 144	¥ 328,316	¥ (5,199)	¥ 73,202	¥ (5,916)	¥ (1,016)		¥ 471,448	¥ 21,195	¥ 492,643
Net income					22,151						22,151		22,151
Cash dividends, ¥7.50 per share					(3,815)						(3,815)		(3,815)
Purchases of treasury stock (4,849 thousand shares)						(2,014)					(2,014)		(2,014)
Net loss from disposals of treasury stock (6 thousand shares)						3					2		2
Net increase in valuation difference on available-for-sale securities							60,994				60,994		60,994
Net change in foreign currency translation adjustments									192		192		192
Net change during the period				60				(9,413)			(9,353)	2,437	(6,916)
BALANCE, MARCH 31, 2013	521,103	52,243	29,674	204	346,651	(7,209)	134,197	(15,330)	(824)		539,605	23,632	563,238
Net income					26,519						26,519		26,519
Cash dividends, ¥11.50 per share					(5,821)						(5,821)		(5,821)
Purchases of treasury stock (35 thousand shares)						(21)					(21)		(21)
Net loss from disposals of treasury stock (106 thousand shares)					(5)	51					45		45
Net increase in valuation difference on available-for-sale securities							3,342				3,342		3,342
Net change in foreign currency translation adjustments									411		411		411
Net change during the period				29				4,986		¥ (1,693)	3,323	3,013	6,336
BALANCE, MARCH 31, 2014	521,103	¥ 52,243	¥ 29,674	¥ 233	¥ 367,343	¥ (7,179)	¥ 137,540	¥ (10,343)	¥ (413)	¥ (1,693)	¥ 567,405	¥ 26,646	¥ 594,052

	Thousands of U.S. Dollars (Note 1)											
						Accumulated Other Comprehensive Income						
	Common Stock	Capital Surplus	Stock Acquisition Rights	Retained Earnings	Treasury Stock	Valuation Difference on Available-for-Sale Securities	Deferred Loss on Hedges	Foreign Currency Translation Adjustments	Defined Retirement Benefit Plans	Total	Minority Interests	Total Equity
BALANCE, MARCH 31, 2013	$ 507,609	$ 288,321	$ 1,985	$ 3,368,159	$ (70,051)	$1,303,903	$ (148,953)	$ (8,013)		$5,242,961	$ 229,623	$ 5,472,585
Net income				257,674						257,674		257,674
Cash dividends, $0.11 per share				(56,563)						(56,563)		(56,563)
Purchases of treasury stock (35 thousand shares)					(204)					(204)		(204)
Net loss from disposals of treasury stock (106 thousand shares)				(55)	499					444		444
Net increase in valuation difference on available-for-sale securities						32,480				32,480		32,480
Net change in foreign currency translation adjustments								3,995		3,995		3,995
Net change during the period			286				48,452		$ (16,450)	32,287	29,279	61,567
BALANCE, MARCH 31, 2014	$ 507,609	$ 288,321	$ 2,271	$ 3,569,215	$ (69,756)	$1,336,384	$ (100,500)	$ (4,017)	$ (16,450)	$5,513,077	$ 258,903	$ 5,771,980

See notes to consolidated financial statements.

Consolidated Statement of Cash Flows
Year Ended March 31, 2014

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2014	2013	2014
OPERATING ACTIVITIES:			
Income before income taxes and minority interests	¥ 46,049	¥ 39,249	$ 447,429
Income taxes paid	(12,633)	(11,855)	(122,750)
Depreciation and amortization	5,556	5,567	53,992
Impairment losses	195	530	1,896
Decrease in allowance for credit losses	(8,823)	(10,278)	(85,727)
Interest income	(89,756)	(88,129)	(872,104)
Interest expense	8,974	8,190	87,202
Interest received	90,827	89,080	882,510
Interest paid	(9,283)	(9,273)	(90,205)
Net increase in loans and bills discounted	(76,967)	(135,753)	(747,836)
Net (decrease) increase in borrowed money	(40,598)	67,537	(394,471)
Net increase in deposits	178,242	151,443	1,731,854
Net increase in call loans and bills bought	(7,604)	(14,352)	(73,887)
Net decrease in call money and bills sold	(10,285)	(25,720)	(99,938)
Net (increase) decrease in due from banks, excluding due from the Bank of Japan	(10,084)	9,678	(97,986)
Others—net	168,194	314,815	1,634,221
Net cash provided by operating activities	232,002	390,730	2,254,200
INVESTING ACTIVITIES:			
Purchases of investment securities	(806,170)	(767,570)	(7,832,977)
Proceeds from sales of investment securities	618,133	380,415	6,005,964
Proceeds from maturities of investment securities	127,100	233,586	1,234,946
Payments for increase in money held in trust	(57,875)	(33,884)	(562,334)
Proceeds from decrease in money held in trust	23,441	23,791	227,763
Purchases of fixed assets	(10,054)	(6,266)	(97,692)
Proceeds from sales of fixed assets	1,358	119	13,196
Net cash used in investing activities	(104,065)	(169,807)	(1,011,134)
FINANCING ACTIVITIES:			
Payments to acquire treasury stock	(21)	(2,014)	(204)
Proceeds from sales of treasury stock	1	2	13
Dividends paid	(5,821)	(3,815)	(56,563)
Dividends paid to minority interests	(18)	(18)	(183)
Net cash used in financing activities	(5,859)	(5,845)	(56,937)
FOREIGN CURRENCY TRANSLATION ADJUSTMENTS ON CASH AND CASH EQUIVALENTS	26	33	259
NET INCREASE IN CASH AND CASH EQUIVALENTS	¥ 122,103	¥ 215,110	$ 1,186,387
CASH AND CASH EQUIVALENTS, BEGINNING OF FISCAL YEAR (Note 3)	336,411	121,301	3,268,669
CASH AND CASH EQUIVALENTS, END OF FISCAL YEAR (Note 3)	¥ 458,514	¥ 336,411	$ 4,455,057

See notes to consolidated financial statements.

1. BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS

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

In preparing these consolidated financial statements, certain reclassifications and rearrangements have been made to the consolidated financial statements issued domestically in order to present them in a form which is more familiar to readers outside Japan. In addition, certain reclassifications have been made in the 2013 consolidated financial statements to conform to the classifications used in 2014.

All Japanese yen figures in the consolidated financial statements have been rounded down to the nearest million yen. Accordingly, the total of each account may not be equal to the combined total of the individual items.

The consolidated financial statements are stated in Japanese yen, the currency of the country in which The Hachijuni Bank, Ltd. (the "Bank") is incorporated and operates. The translations of Japanese yen amounts into U.S. dollar amounts are included solely for the convenience of readers outside Japan and have been made at the rate of ¥102.92 to $1, the rate of exchange at March 31, 2014. Such translations should not be construed as representations that the Japanese yen amounts could be converted into U.S. dollars at that or any other rate.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a **Consolidation** – The consolidated financial statements as of March 31, 2014, include the accounts of the Bank and its 11 significant subsidiaries (together, the "Group").

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

Investments in the 8 (9 in 2013) unconsolidated subsidiaries are stated at cost. If the equity method of accounting had been applied to the investments in these companies, the effect on the accompanying consolidated financial statements would not be material.

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

b **Unification of Accounting Policies Applied to Foreign Subsidiaries for the Consolidated Financial Statements** – In May 2006, the Accounting Standards Board of Japan (the "ASBJ") issued ASBJ Practical Issues Task Force (PITF) No.18, "Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for the Consolidated Financial Statements." PITF No. 18 prescribes (1) the accounting policies and procedures applied to a parent company and its subsidiaries for similar transactions and events under similar circumstances should in principle be unified for the preparation of the consolidated financial statements; (2) financial statements prepared by foreign subsidiaries in accordance with either IFRS or the generally accepted accounting principles in the United States of America tentatively may be used for the consolidation process; (3) however, the following items should be adjusted in the consolidation process so that net income is accounted for in accordance with Japanese GAAP, unless they are not material: (a) amortization of goodwill; (b) scheduled amortization of actuarial gain or loss on pensions that has been directly recorded in equity; (c) expensing capitalized development costs of R&D; (d) cancellation of fair value model accounting for property, plant and equipment and investment properties and incorporation of cost model accounting; and (e) exclusion of minority interests from net income, if contained in net income.

c **Cash Equivalents** – For the purpose of reporting of cash flows, "Cash and cash equivalents" consists of "Cash" and "Due from the Bank of Japan."

d **Trading Assets and Liabilities** – Transactions for trading purposes (for purposes of 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 gaps among markets) are included in "Trading assets" and "Trading liabilities" on a trade-date basis.

Trading securities and monetary claims bought for trading purposes are stated at fair value at the consolidated balance sheet date. Trading-related financial derivatives, such as swaps, futures, and options are stated at amounts that would be received or paid for settlement if such transactions were terminated at the consolidated balance sheet date.

Trading income includes interest received and paid during the fiscal year and unrealized gains and losses resulting from the change in the value of securities, monetary claims bought, and derivatives between the consolidated balance sheet dates.

e **Securities** – Securities other than investments in unconsolidated subsidiaries and affiliates are classified into three categories, based principally on the Group's intent, as follows: (a) trading securities are securities held in anticipation of gains arising from short-term changes in market value and/or held for resale to customers and are carried at fair value with corresponding unrealized gains and losses recorded in income; (b) held-to-maturity debt securities, which are expected to be held to maturity with the positive intent and ability to hold to maturity, are stated at amortized cost computed using straight-line method; and (c) securities not classified as held-to-maturity debt securities, other than trading securities, are classified as available-for-sale securities. Marketable available-for-sale securities are stated at fair value with unrealized gains and losses, net of applicable taxes, reported in a separate component of equity. Available-for-sale securities for which a fair value is not reliably determined are stated at cost computed using the moving-average method.

In addition, investments in unconsolidated subsidiaries that are not accounted for by the equity method are carried at cost determined by the moving-average method.

Individual securities are written down when a decline in fair value below the cost of such securities is deemed to be other than temporary.

f **Securities in Money Held in Trust** – Securities included in "Money held in trust" are stated at fair value.

g **Property, Plant and Equipment** – Property, plant and equipment are stated at cost less accumulated depreciation. Depreciation for buildings and equipment of the Group is computed under the declining-balance method at rates based on the estimated useful lives, which are principally from 2 to 50 years for buildings and from 2 to 20 years for equipment.

h **Software** – Capitalized software for internal use is depreciated using the straight-line method over its estimated useful life (principally 5 years).

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

j Allowance for Credit Losses – An allowance for credit losses is determined based on a credit assessment made by management at each consolidated balance sheet date. A key element relating to policies and discipline used in determining the allowance for credit losses is the credit classification and the related borrower categorization process. The categorization is based on conditions that may affect the ability of borrowers to service their debt, taking into consideration current financial information, historical payment experience, credit documentation, public information, analyses of relevant industry segments and current trends. In determining the appropriate level of the allowance, the Group evaluates the probable loss by category of loan based on its type and characteristics.

The Bank performs a credit assessment of its loan asset quality. The quality of all loans is assessed by branches and the credit supervisory division with a subsequent audit by the asset review and the credit inspection division in accordance with the Bank's policies and discipline.

Under the policies and discipline, all loans are classified into five categories which are: "normal"; "caution, including substandard"; "possible bankrupt"; "virtual bankrupt"; and "legal bankrupt."

The allowance for credit losses is calculated based on the past loss ratio for normal and caution categories, and on the fair value of the collateral and other factors of solvency including value of future cash flows for possible bankrupt, virtual bankrupt, and legal bankrupt categories.

The Bank applied the "discounted cash flow method" (the "DCF method") in calculating the loan loss reserve amounts for most of the claims against obligors categorized as possible bankrupt or substandard under the self-assessment guidelines, when total loan amounts exceed a certain amount. Under the DCF method, the loan loss allowance is determined as the difference between (a) relevant estimated cash flows discounted by the original contractual interest rate and (b) the book value of the claim.

The consolidated subsidiaries provide an "Allowance for credit losses" at the amount deemed necessary to cover such losses, principally based on past experience and management's assessment of the loan portfolio.

k Allowance for Investment Losses – An allowance for investment losses is provided at an amount deemed necessary based on the estimate of possible future losses.

l Asset and Liability for Employees' Retirement Benefits – The Bank and its domestic consolidated subsidiaries have a contributory funded pension plan and noncontributory unfunded retirement benefit plans, together covering substantially all of their employees.

The Bank accounts for the liability for retirement benefits based on projected benefit obligations and plan assets at the consolidated balance sheet date.

Effective April 1, 2000, the Bank adopted a new accounting standard for retirement benefits and accounted for the liability for retirement benefits based on the projected benefit obligations and plan assets at the balance sheet date. The projected benefit obligations are attributed to periods on a straight-line basis. Actuarial gains and losses are amortized on a straight-line basis over 10 years within the average remaining service period.

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

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

(b) The revised accounting standard does not change how to recognize actuarial gains and losses and past service costs in profit or loss. Those amounts are recognized in profit or loss over a certain period no longer than the expected average remaining service period of the employees. However, actuarial gains and losses and past service costs that arose in the current period and have not yet been recognized in profit or loss are included in other comprehensive income and actuarial gains and losses and past service costs that were recognized in other comprehensive income in prior periods and then recognized in profit or loss in the current period shall be treated as reclassification adjustments (see Note 2.y).

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

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

The Group applied the revised accounting standard and guidance for retirement benefits for (a) and (b) above, effective March 31, 2014. As a result, asset for retirement benefits of ¥16,729 million ($162,546 thousand) and liability for retirement benefits of ¥14,927 million ($145,036 thousand) were recorded as of March 31, 2014, and accumulated other comprehensive income for the year ended March 31, 2014, decreased by ¥1,693 million ($16,450 thousand).

m Provision for Reimbursement of Deposits – A provision for reimbursement of deposits, which were derecognized as liabilities under certain conditions, is provided for possible losses on future claims of withdrawal based on historical reimbursement experience.

n Provision for Contingent Losses – A provision for contingent losses is provided for the contribution to the National Federation of Credit Guarantee Corporations' liability sharing program and is recorded in the amount of estimated future contributions based on subrogate performance, etc.

o Reserve under Special Laws – A reserve under special laws is provided for contingent liabilities from brokering of securities or derivative transactions in accordance with Article 46-5 of the Financial Instruments and Exchange Act.

p Asset Retirement Obligations – In March 2008, the ASBJ issued ASBJ Statement No.18, "Accounting Standard for Asset Retirement Obligations" and ASBJ Guidance No.21, "Guidance on Accounting Standard for Asset Retirement Obligations." Under this accounting standard, an asset retirement obligation is defined as a legal obligation imposed either by law or contract that results from the acquisition, construction, development and normal operation of a tangible fixed asset and is associated with the retirement of such tangible fixed asset.

The asset retirement obligation is recognized as the sum of the discounted cash flows required for the future asset retirement and is recorded in the period in which the obligation is incurred if a reasonable estimate can be made. If a reasonable estimate of the asset retirement obligation cannot be made in the period the asset retirement obligation is incurred, the liability should be recognized when a reasonable estimate of asset retirement obligation can be made. Upon initial recognition of a liability for an asset retirement obligation, an asset retirement cost is capitalized by increasing the carrying amount of the related fixed asset by the amount of the liability. The asset retirement cost is subsequently allocated to expense through depreciation over the remaining useful life of the asset. Over time, the liability is accreted to its present value each period. Any subsequent revisions to the timing or the amount of the original estimate of undiscounted cash flows are reflected as an increase or a decrease in the carrying amount of the liability and the capitalized amount of the related asset retirement cost.

q Stock Options– In December 2005, the ASBJ issued ASBJ Statement No.8, "Accounting Standard for Stock Options," and related guidance that require companies to recognize compensation expense for employee stock options based on the fair value at the date of grant and over the vesting period as consideration for receiving goods or services. The standard also requires companies to account for stock options granted to nonemployees based on the fair value of either the stock option or the goods or services received. In the consolidated balance sheet, the stock option is presented as a stock acquisition right as a separate component of equity until exercised. The standard covers equity-settled, share-based payment transactions, but does not cover cash-settled, share-based payment transactions.

r Leases – In March 2007, the ASBJ issued ASBJ Statement No.13, "Accounting Standard for Lease Transactions," which revised the previous accounting standard for lease transactions issued in June 1993.

Under the previous accounting standard, finance leases that were deemed to transfer ownership of the leased property to the lessee were treated as sales. However, other finance leases were permitted to be accounted for as operating lease transactions if certain "as if sold" information was disclosed in the notes to the lessor's financial statements. The revised accounting standard requires that all finance leases that are deemed to transfer ownership of the leased property to the lessee be recognized as lease receivables and all finance leases that are not deemed to transfer ownership of the leased property to the lessee be recognized as investments in leases.

s Income Taxes– The provision for income taxes is computed based on the pretax income included in the consolidated statement of income. The asset and liability approach is used to recognize deferred tax assets and liabilities for the expected future tax consequences of temporary differences between the carrying amounts and the tax bases of assets and liabilities. Deferred taxes are measured by applying currently enacted income tax rates to the temporary differences.

t Foreign Currency Transactions– Assets and liabilities denominated in foreign currencies held domestically and the accounts of the Bank's overseas branch are translated into Japanese yen generally at the exchange rates prevailing on the consolidated balance sheet date.

u Foreign Currency Financial Statements – The balance sheet, revenue and expense accounts of the consolidated overseas subsidiaries are translated into Japanese yen at the current exchange rates as of the consolidated balance sheet date except for equity, which is translated at the historical exchange rate.

v Derivatives and Hedging Activities– Derivatives are stated at fair value. Derivative transactions that meet hedge accounting criteria are primarily accounted for under the deferral method whereby unrealized gains and losses are deferred until maturity as deferred gain (loss) under hedge accounting in a separate component of equity.

The hedging derivative instruments must be highly effective in achieving offsetting changes in fair values or variable cash flows from the hedged items attributable to the risk being hedged.

The Bank adopted portfolio hedging in accordance with Industry Audit Committee Report No.24 issued by the Japanese Institute of Certified Public Accountants ("JICPA"). Under portfolio hedging, a portfolio of hedged items, such as deposits or loans with common maturities, is matched with a group of hedging instruments, such as interest rate swaps, which offset the effect of fair value fluctuations of the hedged items by identified maturities. The effectiveness of the portfolio hedge is accessed by each group.

Currency swap and foreign exchange swap transactions are accounted for using deferral hedge accounting by fully applying Industry Audit Committee Report No.25 issued by the JICPA. Under deferral hedge accounting, hedged items are identified by grouping the foreign currency-denominated financial assets and liabilities by currencies and designating derivative transactions, such as currency swap transactions and forward exchange contracts as hedging instruments. Hedge effectiveness is reviewed by comparing the total foreign currency position of the hedged items and hedging instruments by currency.

With respect to derivative transactions between consolidated subsidiaries or internal transactions between trading accounts and other accounts, the Bank manages interest rate swap and currency swap transactions designated as hedging instruments in accordance with the strict hedging criteria for external mirror transactions stipulated the Industry Audit Committee Reports No.24 and No.25. Therefore, the Bank accounts for the gains and losses on these swap transactions in its earnings or defers until maturity as deferred gain (loss) under hedge accounting in a separate component of equity.

The interest rate swaps that qualify for hedge accounting and meet specific matching criteria are not measured at fair value but the net payments or receipts under the swap agreements are recognized and included in interest expense or income.

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

Diluted net income per share reflects the potential dilution that could occur if securities were exercised or converted into common stock. Diluted net income per share of common stock assumes full conversion of the outstanding convertible notes and bonds at the beginning of the year (or at the time of issuance) with an applicable adjustment for related interest expense, net of tax, and full exercise of outstanding warrants.

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

x Accounting Changes and Error Corrections – In December 2009, the ASBJ issued ASBJ Statement No.24, "Accounting Standard for Accounting Changes and Error Corrections" and ASBJ Guidance No.24, "Guidance on Accounting Standard for Accounting Changes and Error Corrections." Accounting treatments under this standard and guidance are as follows: (1) Changes in Accounting Policies—When a new accounting policy is applied with revision of accounting standards, the new policy is applied retrospectively, unless the revised accounting standards include specific transitional provisions. When the revised accounting standards include specific transitional provisions, an entity shall comply with the specific transitional provisions. (2) Changes in Presentation—When the presentation of consolidated financial statements is changed, the prior-period consolidated financial statements are reclassified in accordance with the new presentation. (3) Changes in Accounting Estimates—A change in an accounting estimate is accounted for in the period of the change if the change affects that period only and is accounted for prospectively if the change affects both the period of the change and future periods. (4) Corrections of Prior-Period Errors—When an error in the prior-period consolidated financial statements is discovered, those consolidated financial statements are restated.

y New Accounting Pronouncements

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

Major changes are as follows:

(a) Treatment in the consolidated balance sheet

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

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

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

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

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

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

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

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

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

Major accounting changes are as follows:

(a) Transactions with noncontrolling interest

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

(b) Presentation of the consolidated balance sheet

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

(c) Presentation of the consolidated statement of income

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

(d) Provisional accounting treatments for a business combination

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

(e) Acquisition-related costs

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

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

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

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

The Group expects to apply the revised accounting standards and guidance from April 1, 2015, and the effects of applying the revised accounting standards and guidance in future applicable periods have not yet been decided.

3. CASH AND DUE FROM BANKS

Cash and due from banks on the consolidated balance sheet as of March 31, 2014 and 2013, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2014	2013	2014
Cash and cash equivalents	¥ 458,514	¥ 336,411	$ 4,455,057
Due from banks, excluding amounts due from the Bank of Japan	19,911	9,813	193,462
Cash and due from banks	¥ 478,425	¥ 346,224	$ 4,648,520

4. TRADING ASSETS AND LIABILITIES

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

	Millions of Yen		Thousands of U.S. Dollars
	2014	2013	2014
Trading assets:			
Trading securities	¥ 2,963	¥ 2,951	$ 28,795
Financial derivatives	7,041	7,432	68,417
Other trading assets	10,997	28,996	106,852
Total	¥ 21,002	¥ 39,379	$ 204,065
Trading liabilities —Financial derivatives	¥ 6,431	¥ 6,774	$ 62,486

5. MONEY HELD IN TRUST

The aggregate fair value of money held in trust that is listed on stock exchanges or over-the-counter markets as of March 31, 2014 and 2013, is as follows:

	Fair Value		
	Millions of Yen		Thousands of U.S. Dollars
	2014	2013	2014
Money held in trust—Trading	¥ 63,909	¥ 29,735	$ 620,965

6. SECURITIES

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

	Millions of Yen		Thousands of U.S. Dollars
	2014	2013	2014
Securities:			
National government bonds	¥ 1,269,573	¥ 1,297,824	$ 12,335,533
Local government bonds	89,604	86,036	870,623
Short-term corporate bonds		499	
Corporate bonds	267,674	250,842	2,600,797
Equity securities	259,573	233,645	2,522,088
Other securities	492,715	405,835	4,787,362
Total	¥ 2,379,140	¥ 2,274,684	$ 23,116,404

In the following description, in addition to "Securities" in the consolidated balance sheet, also presented are beneficial interests in trust investments within the item "Monetary claims bought."

The carrying amounts and aggregate fair value of the securities as of March 31, 2014 and 2013, are as follows:

	Millions of Yen			
March 31, 2014	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Securities classified as:				
Available-for-sale:				
Equity securities	¥ 101,098	¥ 149,222	¥ 578	¥ 249,742
Debt securities	1,561,911	57,685	109	1,619,486
Other securities	477,721	7,658	1,680	483,699
Held-to-maturity	7,361	17	9	7,370
March 31, 2013				
Securities classified as:				
Available-for-sale:				
Equity securities	¥ 100,228	¥ 124,707	¥ 995	¥ 223,940
Debt securities	1,559,206	70,140	77	1,629,269
Other securities	385,530	14,201	980	398,751
Held-to-maturity	5,929	33	35	5,928

	Thousands of U.S. Dollars			
March 31, 2014	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Securities classified as:				
Available-for-sale:				
Equity securities	$ 982,302	$1,449,892	$ 5,624	$ 2,426,570
Debt securities	15,175,973	560,484	1,061	15,735,395
Other securities	4,641,680	74,412	16,332	4,699,759
Held-to-maturity	71,530	169	90	71,609

Proceeds from sales of available-for-sale securities for the years ended March 31, 2014 and 2013, were ¥620,677 million ($6,030,674 thousand) and ¥384,467 million, respectively. Gross realized gains and losses on these sales, computed on the moving-average cost basis, were ¥13,968 million ($135,722 thousand) and ¥3,591 million ($34,894 thousand), respectively, for the year ended March 31, 2014, and ¥9,482 million and ¥2,473 million, respectively, for the year ended March 31, 2013.

7. LOANS AND BILLS DISCOUNTED

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

	Millions of Yen		Thousands of U.S. Dollars
	2014	2013	2014
Bills discounted	¥ 17,929	¥ 22,184	$ 174,206
Loans on bills	213,735	238,551	2,076,715
Loans on deeds	3,515,393	3,404,342	34,156,565
Overdrafts	646,200	651,206	6,278,667
Total	¥ 4,393,259	¥ 4,316,284	$ 42,686,155

Of total loans, loans to customers in bankruptcy, which represent nonaccrual loans and which were included in loans and bills discounted, amounted to ¥5,471 million ($53,159 thousand) and ¥8,710 million as of March 31, 2014 and 2013, respectively; past due loans which represent nonaccrual loans other than loans to customers in bankruptcy amounted to ¥106,011 million ($1,030,036 thousand) and ¥111,407 million as of March 31, 2014 and 2013, respectively.

Of total loans, accruing loans contractually past due three months or more amounted to ¥757 million ($7,363 thousand) and ¥415 million as of March 31, 2014 and 2013, respectively.

Of total loans, restructured loans amounted to ¥27,016 million ($262,503 thousand) and ¥33,304 million as of March 31, 2014 and 2013, respectively. Restructured loans, designed to assist in the recovery of the financial health of debtors, were loans on which the Bank granted concessions (e.g., reduction of the stated interest rate, deferral of interest payment, extension of maturity date, reduction of the face amount). Loans classified as nonaccrual loans or accruing loans contractually past due three months or more were excluded from restructured loans.

8. FOREIGN EXCHANGES

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

	Millions of Yen		Thousands of U.S. Dollars
	2014	2013	2014
Assets:			
Due from foreign banks	¥ 15,357	¥ 18,130	$ 149,217
Foreign exchange bills bought	2,402	3,094	23,347
Foreign exchange bills receivable	394	1,720	3,834
Total	¥ 18,155	¥ 22,945	$ 176,399
Liabilities:			
Due to foreign banks		¥ 1	
Overdrafts from foreign banks	¥ 98	58	$ 958
Foreign exchange bills sold	567	879	5,514
Foreign exchange bills payable	397	1,537	3,862
Total	¥ 1,063	¥ 2,476	$ 10,335

9. PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS

Property, plant and equipment as of March 31, 2014 and 2013, net of accumulated depreciation of ¥69,106 million ($671,458 thousand) and ¥67,859 million, respectively, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2014	2013	2014
Land	¥ 14,945	¥ 15,096	$ 145,211
Buildings	11,083	10,388	107,692
Lease assets	159	59	1,546
Construction in progress	1,525	9	14,820
Other tangible fixed assets	10,313	9,877	100,207
Software	4,532	4,174	44,038
Other intangible fixed assets	637	642	6,193
Total	¥ 43,196	¥ 40,248	$ 419,710

As of March 31, 2014 and 2013, deferred gains for tax purposes of ¥8,384 million ($81,469 thousand) and ¥8,460 million, respectively, on property, plant and equipment sold and replaced with similar assets have been deducted from the cost of newly acquired property, plant and equipment.

10. ACCEPTANCES AND GUARANTEES

Acceptances and guarantees include all contingent liabilities associated with the issuance of letters of credit, acceptances of bills and issuances of guarantees. The contra account included in the assets side of the consolidated balance sheet represents the Bank's potential claim against applicants.

11. ASSETS PLEDGED

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

	Millions of Yen		Thousands of U.S. Dollars
	2014	2013	2014
Assets pledged:			
Cash (other assets)	¥ 399	¥ 399	$ 3,885
Securities	457,555	493,904	4,445,743
Total	¥ 457,955	¥ 494,303	$ 4,449,628
Related liabilities:			
Deposits	¥ 34,608	¥ 14,404	$ 336,262
Payables under securities lending transactions	125,270	97,707	1,217,162
Total	¥ 159,878	¥ 112,112	$ 1,553,424

In addition to the above, securities of ¥73,780 million ($716,873 thousand) and ¥74,101 million as of March 31, 2014 and 2013, respectively, and other assets amounting ¥12,174 million ($118,286 thousand) and ¥14,120 million as of March 31, 2014 and 2013, respectively, were pledged as collateral for settlement of exchange and derivative transactions or as substitutes for futures transaction margins. Lease receivables to be received as collateral for borrowed money were ¥3,887 million ($37,775 thousand) and ¥3,449 million as of March 31, 2014 and 2013, respectively.

Guarantee deposits on office space are included in other assets in the amount of ¥924 million ($8,978 thousand) and ¥933 million as of March 31, 2014 and 2013, respectively.

12. DEPOSITS

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

	Millions of Yen		Thousands of U.S. Dollars
	2014	2013	2014
Current deposits	¥ 202,763	¥ 213,604	$ 1,970,106
Ordinary deposits	3,020,929	2,871,159	29,352,207
Savings deposits	61,027	63,016	592,957
Deposits at notice	25,001	18,266	242,921
Time deposits	2,485,256	2,505,187	24,147,461
Other deposits	191,902	137,403	1,864,576
Total	¥ 5,986,880	¥ 5,808,637	$ 58,170,230

13. BORROWED MONEY

As of March 31, 2014 and 2013, the weighted-average annual interest rates applicable to borrowed money were 0.19% and 0.12%, respectively.

Borrowed money includes borrowings from the Bank of Japan and other financial institutions. Annual maturities of borrowed money as of March 31, 2014, were as follows:

Years Ending March 31	Millions of Yen	Thousands of U.S. Dollars
2015	¥ 120,016	$ 1,166,115
2016	509	4,953
2017	878	8,538
2018	156	1,521
2019	35	340
2020 and thereafter	32	287
Total	¥ 121,626	$ 1,181,754

14. RETIREMENT AND PENSION PLANS

The Bank and its domestic consolidated subsidiaries have a contributory funded pension plan and noncontributory unfunded retirement benefit plans.

In the contributory funded pension plan, the Group adopts cash balance plan, that each employee has a "hypothetical account balance" which accumulates pay credits based on each salary level, and interest credits based on the trend of market interest rate, and pay retirement lump sum grants or pension, based on their salary and length of service. Some funded pension plan contributes to employee pension trust.

In the noncontributory unfunded plan, the Group pays retirement lump sum grants based on salary and length of service.

Employees whose service with the Bank or its domestic consolidated subsidiaries is terminated are, under most circumstances, entitled to retirement and pension benefits determined by reference to basic rates of pay at the time of termination, length of service, and conditions under which the termination occurs. If the termination is involuntary, caused by retirement at the mandatory retirement age or death, the employee is typically entitled to a larger payment than in the case of voluntary termination.

In addition, some consolidated subsidiaries adopt the simplified method to calculate their liability for employees' retirement benefit and retirement benefit costs.

Year Ended March 31, 2014

(1) The changes in defined benefit obligation, excluding the ones calculated by the simplified method, (3) below, for the year ended March 31, 2014, were as follows:

	Millions of Yen	Thousands of U.S. Dollars
Balance at beginning of year	¥ 52,684	$ 511,898
Current service cost	1,561	15,168
Interest cost	790	7,678
Actuarial gains	(636)	(6,182)
Benefits paid	(2,613)	(25,393)
Others	131	1,280
Balance at end of year	¥ 51,917	$ 504,449

(2) The changes in plan assets, excluding the ones calculated by the simplified method, (3) below, for the year ended March 31, 2014, were as follows:

	Millions of Yen	Thousands of U.S. Dollars
Balance at beginning of year	¥ 49,873	$ 484,586
Expected return on plan assets	819	7,963
Actuarial losses	3,333	32,389
Contributions from the employer	2,107	20,475
Benefits paid	(1,593)	(15,480)
Others	131	1,280
Balance at end of year	¥ 54,672	$ 531,215

(3) The changes in liability for employees' retirement benefits calculated by the simplified method for the year ended March 31, 2014, were as follows:

	Millions of Yen	Thousands of U.S. Dollars
Balance at beginning of year	¥ 1,428	$ 13,879
Net periodic benefit cost	(372)	(3,621)
Benefits paid	(103)	(1,001)
Balance at end of year	¥ 952	$ 9,256

(4) Reconciliation between the asset and liability recorded in the consolidated balance sheet and the balances of defined benefit obligation and plan assets, including that calculated by the simplified method (3) above:

	Millions of Yen	Thousands of U.S. Dollars
Funded defined benefit obligation	¥ 43,644	$ 424,065
Plan assets	59,907	582,078
	(16,262)	(158,013)
Unfunded defined benefit obligation	14,460	140,504
Net asset for defined benefit obligation	¥ (1,802)	$ (17,509)

	Millions of Yen	Thousands of U.S. Dollars
Liability for retirement benefits	¥ 14,927	$ 145,036
Asset for retirement benefits	16,729	162,546
Net asset for defined benefit obligation	¥ (1,802)	$ (17,509)

(5) The components of net periodic benefit costs for the year ended March 31, 2014, were as follows:

	Millions of Yen	Thousands of U.S. Dollars
Service cost	¥ 1,561	$ 15,168
Interest cost	790	7,678
Expected return on plan assets	(819)	(7,963)
Recognized actuarial gains	(214)	(2,087)
Net periodic benefit cost calculated by the simplified method	(372)	(3,621)
Others	143	1,393
Net periodic benefit costs	¥ 1,087	$ 10,567

(6) Accumulated other comprehensive income on defined retirement benefit plans, before adjusting for tax effects, as of March 31, 2014

	Millions of Yen	Thousands of U.S. Dollars
Unrecognized actuarial losses	¥ 2,329	$ 22,633

(7) Plan assets as of March 31, 2014

(a) Components of plan assets

Plan assets consisted of the following:

Debt investments	24.48 %
Equity investments	51.82
General account assets of life insurance companies	21.11
Cash and cash equivalents	0.03
Others	2.56
Total	100.00 %

(b) Method of determining the expected rate of return on plan assets

The expected rate of return on plan assets is determined considering the long-term rates of return which are expected currently and in the future from the various components of the plan assets.

(8) Assumptions used for the year ended March 31, 2014, were set forth as follows:

Discount rate	1.5%
Expected rate of return on plan assets	1.0%–2.0%

Year Ended March 31, 2013

(1) The liability for retirement benefits at March 31, 2013, consisted of the following:

	Millions of Yen
Projected benefit obligation	¥ 58,792
Fair value of plan assets	(54,555)
Unrecognized net actuarial loss	(6,081)
Prepaid pension cost	16,765
Net liability	¥ 14,920

(2) The components of net periodic benefit costs for the year ended March 31, 2013, are as follows:

	Millions of Yen
Service cost	¥ 1,561
Interest cost	784
Expected return on plan assets	(723)
Amortization of net actuarial loss	1,574
Other cost	173
Net periodic benefit costs	¥ 3,370

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

Discount rate	1.5%
Expected rate of return on plan assets	1.0%–2.0%
Amortization period of actuarial gain/loss	10 years

Prior service cost is charged to income as incurred.

15. EQUITY

The significant provisions in the Banking Law and the Companies Act of Japan (the "Companies Act") that affect financial and accounting matters are summarized below:

a Dividends

Under the Companies Act, companies can pay dividends at any time during the fiscal year in addition to the year-end dividend upon resolution at the shareholders' meeting. For companies that meet certain criteria including (1) having a Board of Directors, (2) having independent auditors, (3) having an Audit & Supervisory Board, and (4) the term of service of the directors is prescribed as one year rather than two years of normal term by its articles of incorporation, the Board of Directors may declare dividends (except for dividends in kind) at any time during the fiscal year if the company has prescribed so in its articles of incorporation. The Bank meets all the above criteria.

Semiannual interim dividends may also be paid once a year upon resolution by the Board of Directors if the articles of incorporation of the company so stipulate. The Companies Act provides certain limitations on the amounts available for dividends or the purchase of treasury stock. The limitation is defined as the amount available for distribution to the shareholders, but the amount of net assets after dividends must be maintained at no less than ¥3 million.

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

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

c Treasury Stock and Treasury Stock Acquisition Rights

The Companies Act also provides for companies to purchase treasury stock and dispose of such treasury stock by resolution of the Board of Directors. The amount of treasury stock purchased cannot exceed the amount available for distribution to the shareholders which is determined by a specific formula.

Under the Companies Act, stock acquisition rights are presented as a separate component of equity.

The Companies Act also provides that companies can purchase both treasury stock acquisition rights and treasury stock. Such treasury stock acquisition rights are presented as a separate component of equity or deducted directly from stock acquisition rights.

The Banking Law provides that an amount at least equal to 20% of the aggregate amount of cash dividends and certain other appropriations of retained earnings associated with cash outlays applicable to each period shall be appropriated as a legal reserve (a component of retained earnings) until the total of such reserve and additional paid-in capital equals 100% of common stock. The amount of total additional paid-in capital and legal reserve that exceeds 100% of common stock may be available for dividends upon resolution by the shareholders. In addition, the Companies Act permits the transfer of a portion of additional paid-in capital and legal reserves to common stock upon resolution by the Board of Directors.

16. STOCK ACQUISITION RIGHTS

The Bank's stock option plans grant options to directors to purchase certain shares of the Bank's common stock in the respective periods. Stock-based compensation expenses were ¥73 million ($709 thousand) and ¥60 million for the years ended March 31, 2014 and 2013, respectively.

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

Stock Option	Persons Granted	Number of Options Granted	Date of Grant	Exercise Price	Exercise Period
2008 Stock Option	9 directors	105,700 shares	July 28, 2008	¥ 1 ($0.01)	From July 29, 2008 to July 28, 2033
2009 Stock Option	8 directors	135,900 shares	July 27, 2009	¥ 1 ($0.01)	From July 28, 2009 to July 27, 2034
2010 Stock Option	8 directors	150,000 shares	August 2, 2010	¥ 1 ($0.01)	From August 3, 2010 to August 2, 2035
2011 Stock Option	8 directors	150,000 shares	August 8, 2011	¥ 1 ($0.01)	From August 9, 2011 to August 8, 2036
2012 Stock Option	8 directors	150,000 shares	August 6, 2012	¥ 1 ($0.01)	From August 7, 2012 to August 6, 2037
2013 Stock Option	7 directors	129,300 shares	August 5, 2013	¥ 1 ($0.01)	From August 6, 2013 to August 5, 2038

The stock option activity is as follows:

	2008 Stock Option	2009 Stock Option	2010 Stock Option	2011 Stock Option	2012 Stock Option	2013 Stock Option
	(Shares)					
Year Ended March 31, 2013						
Nonvested						
April 1, 2012—Outstanding	31,500	75,200	97,800	150,000		
Granted					150,000	
Canceled						
Vested						
March 31, 2013—Outstanding	31,500	75,200	97,800	150,000	150,000	
Vested						
April 1, 2012—Outstanding						
Vested						
Exercised						
Canceled						
March 31, 2013—Outstanding						

	2008 Stock Option	2009 Stock Option	2010 Stock Option	2011 Stock Option	2012 Stock Option	2013 Stock Option
	(Shares)					
Year Ended March 31, 2014						
Nonvested						
March 31, 2013—Outstanding	31,500	75,200	97,800	150,000	150,000	
Granted						129,300
Canceled						
Vested		13,500	30,000	30,400	30,400	
March 31, 2014—Outstanding	31,500	61,700	67,800	119,600	119,600	129,300
Vested						
March 31, 2013—Outstanding						
Vested		13,500	30,000	30,400	30,400	
Exercised		13,500	30,000	30,400	30,400	
Canceled						
March 31, 2014—Outstanding						
Exercise price	¥1 ($ 0.01)	¥1 ($ 0.01)	¥1 ($ 0.01)	¥1 ($ 0.01)	¥1 ($ 0.01)	¥1 ($ 0.01)
Average stock price at exercise		¥529 ($ 5.13)	¥529 ($ 5.13)	¥529 ($ 5.13)	¥529 ($ 5.13)	
Fair value price at grant date	¥617 ($ 5.99)	¥512 ($ 4.97)	¥452 ($ 4.39)	¥374 ($ 3.63)	¥410 ($ 3.98)	¥602 ($ 5.84)

The Assumptions Used to Measure Fair Value of 2014 Stock Option Grant	
Estimate method:	Black-Scholes option-pricing model
Volatility of stock price:	27.92%
Estimated remaining outstanding period:	One year and five months
Estimated dividend:	¥8 per share
Interest rate (risk free):	0.113%

17. OTHER OPERATING INCOME

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

	Millions of Yen		Thousands of U.S. Dollars
	2014	2013	2014
Gains on foreign exchange transactions	¥ 497	¥ 539	$ 4,829
Gains on sales of bonds	12,845	8,163	124,809
Income on lease transaction and installment receivables	32,826	34,879	318,954
Other	1,383	1,061	13,444
Total	¥ 47,553	¥ 44,643	$ 462,038

18. OTHER INCOME

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

	Millions of Yen		Thousands of U.S. Dollars
	2014	2013	2014
Gains on sales of equity securities	¥ 2,264	¥ 1,661	$ 21,998
Gains on money held in trust	3,685	3,751	35,809
Other	2,782	2,481	27,037
Total	¥ 8,732	¥ 7,894	$ 84,844

19. OTHER OPERATING EXPENSES

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

	Millions of Yen		Thousands of U.S. Dollars
	2014	2013	2014
Loss on sales of bonds	¥ 6,991	¥ 2,681	$ 67,930
Cost of lease transaction and installment receivables	28,859	30,448	280,406
Other	18	60	179
Total	¥ 35,869	¥ 33,189	$ 348,516

20. OTHER EXPENSES

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

	Millions of Yen		Thousands of U.S. Dollars
	2014	2013	2014
Write-off of loans	¥ 92	¥ 26	$ 897
Losses on sales of equity securities	286	842	2,787
Valuation losses on equity securities	246	1,263	2,390
Loss on money held in trust	3,945	5,468	38,332
Loss on sales of real estate	201	156	1,960
Impairment losses	195	530	1,896
Other	2,978	2,324	28,937
Total	¥ 7,945	¥ 10,612	$ 77,202

21. INCOME TAXES

The Bank and its domestic consolidated subsidiaries are subject to Japanese national and local income taxes that, in the aggregate, resulted in normal effective statutory tax rates of approximately 37.64% and 37.63% for the years ended March 31, 2014 and 2013, respectively.

The tax effects of significant temporary differences that resulted in deferred tax assets and liabilities as of March 31, 2014 and 2013, are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2014	2013	2014
Deferred tax assets:			
Allowance for credit losses	¥ 17,354	¥ 19,882	$ 168,624
Liability for employee retirement benefits	5,699	5,888	55,379
Valuation difference on available-for-sale securities	834	717	8,105
Deferred losses on hedges	5,704	8,772	55,424
Valuation losses on equity securities	1,840	2,070	17,884
Depreciation	3,268	3,621	31,754
Accrued enterprise tax	568	585	5,527
Others	3,770	4,468	36,634
Less—valuation allowance	(3,750)	(4,932)	(36,442)
Total deferred tax assets	35,290	41,074	342,893
Deferred tax liabilities:			
Valuation difference on available-for-sale securities	74,592	73,015	724,762
Gain on contribution of securities to employee retirement benefit trust	2,613	2,612	25,394
Others	1,624	2,013	15,787
Total deferred tax liabilities	78,831	77,641	765,945
Net deferred tax liabilities	¥ (43,540)	¥ (36,566)	$ (423,051)

Reconciliation is not presented for the years ended March 31, 2014 and 2013, because the difference was immaterial (less than 5% of the normal statutory tax rate).

22. LEASES

Lessor

The net investments in leases are summarized as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2014	2013	2014
Gross lease receivables	¥ 58,451	¥ 56,416	$ 567,929
Estimated residual values	4,476	4,364	43,496
Estimated maintenance cost	(1,434)	(1,280)	(13,936)
Unearned interest income	(4,617)	(4,835)	(44,869)
Investments in leases	¥ 56,875	¥ 54,664	$ 552,619

Maturities of lease receivables for finance leases that are deemed to transfer ownership of the leased property to the lessee are as follows:

	Millions of Yen		Thousands of U.S. Dollars
March 31	2014	2013	2014
Due in 1 year or less	¥ 994	¥ 528	$ 9,658
Due from 1 to 2 years	861	484	8,365
Due from 2 to 3 years	737	358	7,167
Due from 3 to 4 years	512	290	4,982
Due from 4 to 5 years	272	178	2,643
Due after 5 years	208	85	2,021
Total	¥ 3,585	¥ 1,925	$ 34,839

Maturities of investments in leases for finance leases that are deemed not to transfer ownership of the leased property to the lessee are as follows:

March 31	Millions of Yen 2014	Millions of Yen 2013	Thousands of U.S. Dollars 2014
Due in 1 year or less	¥ 18,550	¥ 18,846	$ 180,238
Due from 1 to 2 years	14,675	14,446	142,590
Due from 2 to 3 years	11,098	10,537	107,840
Due from 3 to 4 years	7,380	6,959	71,708
Due from 4 to 5 years	4,163	3,415	40,450
Due after 5 years	2,583	2,210	25,101
Total	¥ 58,451	¥ 56,416	$ 567,929

The minimum rental commitments under noncancelable operating leases as of March 31, 2014 and 2013, are as follows:

	Millions of Yen 2014	Millions of Yen 2013	Thousands of U.S. Dollars 2014
Due within 1 year	¥ 2,610	¥ 2,557	$ 25,365
Due after 1 year	2,849	2,668	27,690
Total	¥ 5,460	¥ 5,225	$ 53,055

23. RELATED-PARTY TRANSACTIONS

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

2014

Related Party	Category	Description of the Transaction	Amounts of Transactions: Millions of Yen	Amounts of Transactions: Thousands of U.S. Dollars	Balance at End of the Year: Millions of Yen	Balance at End of the Year: Thousands of U.S. Dollars
Takeshi Kadota	Audit & Supervisory Board member	Loan	(Average amounts) ¥ 20	$ 197	¥ 19	$ 190

2013

Related Party	Category	Description of the Transaction	Amounts of Transactions: Millions of Yen	Balance at End of the Year: Millions of Yen
Takeshi Kadota	Audit & Supervisory Board member	Loan	(Average amounts) ¥ 21	¥ 21

24. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

(1) Group Policy for Financial Instruments

The Group offers financial services such as providing loans and sales of investment products to customers. In performing these operations, the Bank uses funds received as deposits from customers or by borrowing money from the market in consideration of market conditions and the balance in funding periods between the short term and the long term.

As the Bank holds financial assets and liabilities affected by interest rate movements, it carries out Asset Liability Management ("ALM") to avoid negative effects of interest movements. In managing interest rate movements, the Bank deals with derivatives.

The Bank and certain consolidated subsidiaries also hold securities for sale to customers.

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

(a) Loans

The Bank provides loans mainly to domestic customers but does not focus on specific groups of companies. These loans are exposed to credit risk in case of the customers' breach of the contract. In all domestic loans, the percentage of loans in Nagano Prefecture, the Bank's main business area, is approximately 50%. So the Bank's credit risk is likely to deteriorate due to negative changes in the economy in Nagano Prefecture.

(b) Securities

Securities are mainly bonds, stocks, investment trusts and corporate investment funds. These securities are classified into categories, such as (1) securities held to maturity, (2) available-for-sale, and (3) securities for trading purposes to sell to customers. All securities are exposed to the credit risk of the securities' issuers or interest rate risk, market price risk, foreign exchange risk and liquidity risk.

(c) Deposits

The Bank receives deposits from customers. These deposits are exposed to interest rate risk, foreign exchange risk and liquidity risk.

(d) Derivatives

The purpose of using derivatives is to provide customers various hedging instruments to hedge the Bank's portfolio under ALM and to enhance the Bank's profit. Derivatives include interest rate swaps, interest cap transactions, and currency exchange swaps. Using these derivatives as hedging instruments for loans and securities, the Bank applies hedge accounting to derivative transactions and assesses the effectiveness between the hedged items and hedging instruments from the start of hedging. These derivative transactions are exposed to market risk and credit risk.

Derivative transactions used for hedging purposes are carried out in accordance with the Bank's annual hedging policy.

(3) Risk Management for Financial Instruments

(a) Credit risk management

In accordance with internal rules of credit risk management, the Bank examines every loan, manages loans according to credit lines for each debtor, addresses troubled loans, reviews each debtor's credit rating and manages the Bank's loan portfolio. Regarding the loan examination structure, the loan promotion section is separated from the loan examination section in the head office. These two sections monitor and check each other. Every loan from the business branches is examined in many stages from loan application to the Bank's final decision. The Bank reviews each debtor's credit rating on a regular basis to identify troubled loans in a timely manner. In addition, the Bank uses examination results in order to reduce credit risk and to manage the Bank's loan portfolio.

To address the credit risk of securities' issuers, the Bank carries out its business under credit line limits for each debtor. Such limits are defined by the Risk Management Department on a semiannual basis.

(b) Market risk management (interest rate risk, foreign exchange risk, and market price risk)

The Group stipulates internal rules of market risk management and controls market risk so as to maintain management soundness and profitability.

Considering market and the Bank's conditions, the Bank defines the Market Risk Management Policy on a semiannual basis to maintain an appropriate balance between risk and return and to adjust the volume of risk. Furthermore, the Management Committee confirms the risk limit and loss limit by each transaction type for each customer according to the Market Risk Management Policy. The Bank defines the limit of investment, limit of holding, and limit of valuation losses, as necessary. It also defines the threshold that should limit market risk and losses to certain amounts. Each section should carry out its business within risk limits, as well as report the risk status to an executive officer on a daily basis.

Regarding management of business operations, the front office is separated from the back office. The middle office which controls and manages risk is also separated from these two offices. These three offices monitor and check each other.

Management of Interest Rate Risk

To manage risk caused by interest rate fluctuations, the Bank uses Value at Risk ("VaR") for the change of economic value and uses ALM for the change of interest rate in gap analysis. The "ALM and Integrated Risk Conference" monitors the Group's risk status and discusses various measures corresponding to risks. As stated above, the Bank uses some derivative transactions under ALM.

Management of Foreign Exchange Risk

The Bank manages the change of economic value arising from fluctuations in foreign exchange rates by VaR. To avoid excessive foreign exchange risk, the Bank defines the upper holding limit in its Market Risk Management Policy.

Management of Market Price Risk

The Bank manages the change of economic value arising from fluctuations in market prices by VaR. The Board of Directors define the upper limit of risk on a semiannual basis by taking into account the Bank's capital status and market conditions. Certain consolidated subsidiaries report market values of holding securities to the Bank's Board of Directors on a regular basis.

The Principles of Derivative Transactions

The Bank establishes internal rules for derivative transactions and manages the Group's risk in an integrated fashion including derivative transactions made by consolidated subsidiaries. Regarding derivatives, the Risk Management Department reports the total positions, market values and market risk amounts to both executive officers and the "ALM and Integrated Risk Conference" on a regular basis.

To manage risk arising from derivative transactions, the middle office, which checks and controls risk, is separated from the front office so as to monitor the front office's transactions.

Quantitative Information on Market Risk

The Bank principally uses VaR for quantitative analysis of the market risk of all financial instruments. For calculating VaR, the historical simulation method (confidence interval of 99.9% observation period of 1,250 days: and holding period of 10 days for Bank's trading business, 240 days for Bank's banking business and 120 days for others) has been adopted.

The VaRs in the Bank's trading business are ¥118 million ($1,153 thousand) and ¥125 million and the VaRs in the Bank's banking business are ¥203,976 million ($1,981,893 thousand) and ¥191,586 million as of March 31, 2014 and 2013, respectively.

The Bank conducts backtesting to compare the VaR calculated using the model with actual loss amounts. According to the bank testing results, it is believed that the measurement model that the Bank uses is adequate to capture market risk. It should be noted that VaR measures the amount of market risk at certain probability levels statistically calculated based on historical market fluctuations and therefore there may be cases where market risk cannot be captured in situations when market conditions change dramatically beyond what has been experienced historically.

(c) Liquidity risk management

The Bank manages liquidity risk through diversification of funding and adjustment of funding periods between long term and short term under ALM.

(4) Fair Value of Financial Instruments

Fair values of financial instruments are based on quoted prices in active markets. If quoted prices are not available, other rational valuation techniques are used instead. Please see Note 25 for the detail of the fair value of derivatives.

(a) Fair value of financial instruments

	Millions of Yen		
March 31, 2014	Carrying Amount	Fair Value	Unrealized Gains(Losses)
Cash and due from banks	¥ 478,425	¥ 478,425	
Securities:			
Held-to-maturity	7,361	7,370	¥ 8
Available-for-sale	2,352,431	2,352,431	
Loans and bills discounted	4,393,259		
Allowance for credit losses	(57,523)		
Subtotal	4,335,735	4,387,094	51,358
Total	¥7,173,954	¥7,225,321	¥ 51,367
Deposits	¥5,986,880	¥5,987,284	¥ 404
Negotiable certificates of deposits	528,951	528,951	
Payables under securities lending transactions	125,270	125,270	
Borrowed money	121,626	121,648	21
Total	¥6,762,727	¥6,763,154	¥ 426
Derivative transactions:			
Hedge accounting not applied	¥ 604	¥ 604	
Hedge accounting applied	(16,908)	(16,908)	
Total	¥ (16,304)	¥ (16,304)	
March 31, 2013			
Cash and due from banks	¥ 346,224	¥ 346,224	
Securities:			
Held-to-maturity	5,929	5,928	¥ (1)
Available-for-sale	2,251,961	2,251,961	
Loans and bills discounted	4,316,284		
Allowance for credit losses	(66,104)		
Subtotal	4,250,180	4,311,863	61,683
Total	¥6,854,297	¥6,915,978	¥ 61,681
Deposits	¥5,808,637	¥5,809,256	¥ 619
Negotiable certificates of deposits	372,257	372,257	
Payables under securities lending transactions	97,707	97,707	
Borrowed money	161,496	161,527	31
Total	¥6,440,098	¥6,440,749	¥ 650
Derivative transactions:			
Hedge accounting not applied	¥ 795	¥ 795	
Hedge accounting applied	(24,607)	(24,607)	
Total	¥ (23,811)	¥ (23,811)	

	Thousands of U.S.Dollars		
March 31, 2014	Carrying Amount	Fair Value	Unrealized Gains
Cash and due from banks	$ 4,648,520	$ 4,648,520	
Securities:			
Held-to-maturity	71,530	71,609	$ 79
Available-for-sale	22,856,889	22,856,889	
Loans and bills discounted	42,686,155		
Allowance for credit losses	(558,914)		
Subtotal	42,127,241	42,626,259	499,018
Total	$69,704,181	$70,203,279	$ 499,097
Deposits	$58,170,230	$ 58,174,158	$ 3,927
Negotiable certificates of deposits	5,139,441	5,139,441	
Payables under securities lending transactions	1,217,162	1,217,162	
Borrowed money	1,181,754	1,181,966	212
Total	$65,708,589	$ 65,712,729	$ 4,140
Derivative transactions:			
Hedge accounting not applied	$ 5,876	$ 5,876	
Hedge accounting applied	(164,290)	(164,290)	
Total	$ (158,414)	$ (158,414)	

Cash and Due from Banks

Fair values of cash and due from banks that have no maturity dates are approximately equivalent to book values.

Regarding due from banks with maturity dates, the fair values of products with short maturities (less than one year) are equivalent to the book values.

Securities

Fair values of stocks are measured at the quoted market prices in stock markets. Fair values of bonds are measured at the quoted market prices in bond markets or the quoted prices obtained from financial institutions.

Fair values of investment trusts are measured at the standard prices disclosed in public.

Fair values of private placement bonds with guarantees are measured at the total amounts of the principal and interest discounted at market rates, plus spreads. The spreads are defined in internal guidelines.

Information relating to securities for holding purpose is included in Note 6.

Loans

Because floating-rate loans are immediately affected by the movement of interest rates, the fair values of these loans are equivalent to book values in cases where the credit risk of debtors has not totally changed from the execution of the loans.

For fixed-rate loans used to fund business, fair values are determined by discounting the total amounts of the principal and interest at market rates plus spreads. The spreads are defined in internal guidelines.

For fixed-rate loans other than business funds, fair values are determined by discounting the total amounts of the principal and interest at expected rates if the Bank newly executes similar loans to customers. Such expected rates are determined according to the loans' type and period. The fair values of fixed-rate loans other than business funds with short maturity (less than one year) are equivalent to the book values.

For loans to debtors who are legally bankrupt, virtually bankrupt, and possible bankrupt, a reserve for possible loan losses calculated from the current value of expected future cash flows or from the amount expected to be collected through disposal of collateral or execution of guarantees is provided. Therefore, the book values at the consolidated balance sheet date, net of reserve amounts, are regarded as the fair values.

Specific loans in which the loan amount can be increased or decreased within the collateral amount have no maturity dates. The fair values of such loans are assumed to be equivalent to the book values because of the loans' period and conditions.

Deposits and Negotiable Certificates of Deposits

Fair values of demand deposits are measured at the expected amount to be paid to depositors from the Bank at the consolidated balance sheet date (book values). For time deposits, according to each period, fair values are measured at the total amount of the principal and interest discounted at the rate that the Bank applies to new deposits.

Payables under Securities Lending Transactions

Fair value of payables under securities lending transactions whose term is short (within one year) approximates the carrying value and is therefore deemed equal to the carrying value.

Borrowed Money

Because floating-rate borrowed money is immediately affected by the movement of interest rates, the fair value of this borrowed money is equivalent to book value in cases where the credit risk of consolidated subsidiaries has not totally changed from when the money was borrowed.

The fair value of fixed-rate borrowed money, which is classified in accordance with its period, is estimated by discounting future cash flows, using rates that would be offered to similar borrowings. The fair value of borrowed money whose term is short (within one year) approximates the carrying value and is therefore deemed equal to the carrying value.

Derivatives

Information on the fair value of derivatives is included in Note 25.

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

March 31	Millions of Yen 2014	Millions of Yen 2013	Thousands of U.S. Dollars 2014
Investments in equity instruments that do not have a quoted market price in an active market	¥ 19,344	¥ 16,789	$187,955

(5) Maturity Analysis for Financial Assets and Securities with Contractual Maturities

	Millions of Yen					
March 31, 2014	Due in 1 Year or Less	Due from 1 to 3 Years	Due from 3 to 5 Years	Due from 5 to 7 Years	Due from 7 to 10 Years	Due after 10 Years
Due from banks	¥ 361,231	¥ 20				
Securities	163,724	357,274	¥ 426,627	¥ 432,488	¥ 188,881	¥ 360,089
Held-to-maturity	4,900	2,250	100		100	
National government bonds	4,000	2,250	100		100	
Corporate bonds	900					
Available-for-sale	158,824	355,024	426,527	432,488	188,781	360,089
National government bonds	13,000	195,389	215,500	307,400	113,100	344,500
Local government bonds	15,069	7,852	26,294	18,633	18,644	
Corporate bonds	53,153	33,939	24,620	90,637	48,556	8,900
Loans and bills discounted	854,105	931,221	666,405	380,648	365,509	549,168
Total	¥ 1,379,061	¥ 1,288,515	¥ 1,093,033	¥ 813,137	¥ 554,390	¥ 909,257
March 31, 2013						
Due from banks	¥ 261,882					
Securities	111,384	¥ 351,493	¥ 248,984	¥ 307,561	¥ 421,651	¥ 422,113
Held-to-maturity		5,900				
National government bonds		5,000				
Corporate bonds		900				
Available-for-sale	111,384	345,593	248,984	307,561	421,651	422,113
National government bonds	27,000	139,500	123,489	221,500	279,600	416,000
Local government bonds	2,856	20,021	14,083	21,290	23,773	
Short-term corporate bonds	500					
Corporate bonds	19,403	71,266	17,921	21,444	111,638	
Loans and bills discounted	906,786	929,296	641,915	325,241	354,289	507,548
Total	¥ 1,280,053	¥ 1,280,789	¥ 890,899	¥ 632,803	¥ 775,940	¥ 929,662

March 31, 2014	Thousands of U.S. Dollars Due in 1 Year or Less	Due from 1 to 3 Years	Due from 3 to 5 Years	Due from 5 to 7 Years	Due from 7 to 10 Years	Due after 10 Years
Due from banks	$ 3,509,825	$ 194				
Securities	1,590,792	3,471,381	$ 4,145,235	$ 4,202,181	$ 1,835,225	$ 3,498,734
Held-to-maturity	47,609	21,861	971		971	
National government bonds	38,865	21,861	971		971	
Corporate bonds	8,744					
Available-for-sale	1,543,182	3,449,519	4,144,263	4,202,181	1,834,253	3,498,734
National government bonds	126,311	1,898,458	2,093,859	2,986,785	1,098,911	3,347,260
Local government bonds	146,422	76,299	255,488	181,043	181,150	
Corporate bonds	516,455	329,766	239,214	880,654	471,783	86,474
Loans and bills discounted	8,298,731	9,048,010	6,474,984	3,698,493	3,551,393	5,335,873
Total	$ 13,399,349	$ 12,519,586	$ 10,620,219	$ 7,900,675	$ 5,386,618	$ 8,834,608

(6) Scheduled Repayment Amount after the Consolidated Balance Sheet Date for Borrowed Money and Other Interest-Bearing Liabilities

March 31, 2014	Millions of Yen Due in 1 Year or Less	Due from 1 to 3 Years	Due from 3 to 5 Years	Due from 5 to 7 Years	Due from 7 to 10 Years	Due after 10 Years
Deposits	¥ 5,178,928	¥ 761,481	¥ 34,173	¥ 4,664	¥ 7,631	
Negotiable certificates of deposits	501,475	27,475				
Payables under securities lending transactions	125,270					
Borrowed money	120,016	1,388	191	16	13	
Total	¥ 5,925,691	¥ 790,345	¥ 34,364	¥ 4,681	¥ 7,645	
March 31, 2013						
Deposits	¥ 4,993,765	¥ 771,296	¥ 31,319	¥ 4,030	¥ 8,225	
Negotiable certificates of deposits	371,687	570				
Payables under securities lending transactions	97,707					
Borrowed money	159,538	935	993	18	9	
Total	¥ 5,622,699	¥ 772,802	¥ 32,313	¥ 4,048	¥ 8,234	

March 31, 2014	Thousands of U.S.Dollars Due in 1 Year or Less	Due from 1 to 3 Years	Due from 3 to 5 Years	Due from 5 to 7 Years	Due from 7 to 10 Years	Due after 10 Years
Deposits	$ 50,319,944	$ 7,398,771	$ 332,037	$ 45,326	$ 74,151	
Negotiable certificates of deposits	4,872,480	266,960				
Payables under securities lending transactions	1,217,162					
Borrowed money	1,166,114	13,491	1,861	156	130	
Total	$ 57,575,702	$ 7,679,223	$ 333,898	$ 45,482	$ 74,282	

25. DERIVATIVES

Derivatives that the Bank and certain consolidated subsidiaries use are as follows:

Interest rate-related transactions:	Interest rate futures, forward rate agreements, interest rate swaps, and interest rate options
Currency-related transactions:	Currency swaps, currency futures, currency options, and forward foreign exchange contracts
Stock-related transactions:	Stock index futures and stock index future options
Bond-related transactions:	Bond futures, bond future options, and over-the-counter bond options
Others:	Credit derivatives

The Bank and certain subsidiaries use derivatives primarily to hedge risks for customers to maximize the profit of their own trading account and to manage the potential risks in their own portfolio as a part of ALM.

Derivatives are subject to market risk and credit risk. Market risk is the exposure created by potential fluctuations in market conditions, including interest rates, foreign exchange rates, or prices of bonds. Credit risk is the possibility that a loss may result from a counterparty's failure to perform according to the terms and conditions of the contract.

The Bank comprehensively controls derivative risks of the Bank and certain consolidated subsidiaries in accordance with its Risk Management Regulations and Market Risk Management Regulations. The position amounts, market values, and market risks are reported periodically to the responsible executive officers and the ALM Committee, where evaluations and analyses of derivatives are made.

Risk control of derivatives is the responsibility of the Risk Management Department independent from the front office. The Risk Management Department is in charge of controlling market risks in order to make the risk control system work effectively.

On the other hand, concerning credit risk management, the Bank sets up credit limits of customers according to their credit standings and manages it strictly not to exceed each credit ceiling of customers.

It should be noted that the nominal contract value or notional principal amount is used in determining the value of receipts or payments of interest and as an indicator representative of the volume of transactions, but those values do not necessarily reflect such things as market risk or credit risk.

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

	Millions of Yen				Thousands of U.S. Dollars			
	Contract or Notional Amount	Contract Amount Due after 1 Year	Fair Value	Unrealized Gains(Losses)	Contract or Notional Amount	Contract Amount Due after 1 Year	Fair Value	Unrealized Gains(Losses)
Interest Rate-Related Transactions								
Listed—Interest rate futures:								
Selling	¥ 38,783	¥ 5,475	¥ 2	¥ 2	$ 376,829	$ 53,204	$ 21	$ 21
Buying	41,122	23,801	(12)	(12)	399,560	231,257	(124)	(124)
Over the counter—Interest rate swaps:								
Receipt fixed—payments floating	110,436	101,478	1,549	1,549	1,073,036	985,990	15,052	15,052
Receipt floating—payments fixed	108,383	99,702	(939)	(939)	1,053,088	968,739	(9,130)	(9,130)
Receipt floating—payments floating	1,800	1,800			17,489	17,489	9	9
Over the counter—Interest rate options:								
Selling	166	166		15	1,620	1,620	(4)	151
Buying	166	166		(11)	1,620	1,620	4	(115)
Currency-Related Transactions								
Over the counter—Currency futures:								
Selling	20,037	301	(990)	(990)	194,686	2,924	(9,626)	(9,626)
Buying	23,075	26	998	998	224,209	259	9,700	9,700
Over the counter—Currency options:								
Selling	22,442	12,961	(1,162)	1,475	218,062	125,935	(11,292)	14,338
Buying	22,442	12,961	1,162	(599)	218,062	125,935	11,292	(5,826)
Foreign exchange swaps	2,266		(2)	(2)	22,025		(26)	(26)

The contract or notional amounts of derivatives that are shown in the above table do not represent the amounts exchanged by the parties and do not measure the Group's exposure to credit or market risk.

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

		Millions of Yen			Thousands of U.S. Dollars		
	Hedged Item	Contract or Notional Amount	Contract Amount Due after 1 Year	Fair Value	Contract or Notional Amount	Contract Amount Due after 1 Year	Fair Value
Interest Rate-Related Transactions							
Interest rate swaps:	Loans and bills discounted, available-for-sale securities, and other financial assets						
Receipt fixed—payments floating		¥ 205,000	¥ 205,000	¥ 655	$ 1,991,838	$1,991,838	$ 6,367
Receipt floating—payments fixed		367,897	361,778	(17,764)	3,574,597	3,515,140	(172,607)
Currency-Related Transactions							
Foreign exchange swaps	Foreign currency loans and deposits	24,468		200	237,738		1,949

The contract or notional amounts of derivatives that are shown in the above table do not represent the amounts exchanged by the parties and do not measure the Group's exposure to credit or market risk.

The below interest rate swaps that qualify for hedge accounting and meet specific matching criteria are not remeasured at market value but the differential paid or received under the swap agreements is recognized and included in interest expense or income.

		Millions of Yen			Thousands of U.S. Dollars		
	Hedged Item	Contract or Notional Amount	Contract Amount Due after 1 Year	Fair Value	Contract or Notional Amount	Contract Amount Due after 1 Year	Fair Value
Interest Rate-Related Transactions							
Interest rate swaps—Receipt floating—payments fixed	Loans and bills discounted and borrowed money	¥ 25,900	¥ 25,900		$ 251,658	$ 251,658	

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

	Millions of Yen			
	Contract or Notional Amount	Contract Amount Due after 1 Year	Fair Value	Unrealized Gains (Losses)
Interest Rate-Related Transactions				
Listed—Interest rate futures:				
Selling	¥ 4,648	¥ 4,648	¥ (28)	¥ (28)
Buying	10,498	6,985	30	30
Over the counter—				
Interest rate swaps:				
Receipt fixed—payments floating	106,273	96,969	1,922	1,922
Receipt floating—payments fixed	104,290	94,986	(1,265)	(1,265)
Receipt floating—payments floating	600	600	1	1
Over the counter—				
Interest rate options:				
Selling	205	205		18
Buying	205	205		(14)
Currency-Related Transactions				
Over the counter—				
Currency futures:				
Selling	31,968	8	(5,469)	(5,469)
Buying	34,783		5,610	5,610
Over the counter—				
Currency options:				
Selling	34,118	23,157	(1,877)	2,411
Buying	34,118	23,157	1,877	(1,044)
Bond-Related Transactions				
Listed—Bond futures—selling	3,542		(5)	(5)

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

		Millions of Yen		
	Hedged Item	Contract or Notional Amount	Contract Amount Due after 1 Year	Fair Value
Interest Rate-Related Transactions				
Interest rate swaps: Receipt fixed—payments floating	Loans and bills discounted, available-for-sale securities, and other financial assets and liabilities	¥ 150,000	¥ 150,000	¥ 258
Receipt floating—Payments fixed		408,225	405,545	(25,784)
Currency-Related Transactions				
Currency swaps	Foreign bonds	5,643		1,207
Foreign exchange swaps	Foreign currency loans and deposits	28,352		(288)

The below interest rate swaps that qualify for hedge accounting and meet specific matching criteria are not remeasured at market value, but the differential paid or received under the swap agreements is recognized and included in interest expense or income.

		Millions of Yen		
	Hedged Item	Contract or Notional Amount	Contract Amount Due after 1 Year	Fair Value
Interest Rate-Related Transactions				
Interest rate swaps—Receipt floating—payments fixed	Loans and bills discounted, and borrowed money	¥ 17,518	¥ 17,518	

The contract or notional amounts of derivatives that are shown in the above tables do not represent the Bank's exposure to credit or market risk.

26. LOAN COMMITMENTS

The Bank and its consolidated subsidiaries issue commitments to extend credit and establish credit lines for overdrafts to meet the financing needs of their customers. Unfunded amounts relating to these contracts totaled ¥1,397,396 million ($13,577,502 thousand) and ¥1,346,246 million as of March 31, 2014 and 2013, respectively.

As a large majority of these commitments expire without being drawn down upon, the unfunded amounts do not necessarily represent future cash requirements. Many of these agreements include conditions granting the Bank the right to reject the drawdown or to reduce the amount on the basis of changes in the financial circumstances of the borrower or other reasonable grounds.

In addition, the Bank obtains collateral when necessary to reduce credit risk related to these commitments.

27. COMPREHENSIVE INCOME

The components of other comprehensive income for the years ended March 31, 2014 and 2013, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2014	2013	2014
Unrealized gain on available-for-sale securities:			
Gains arising during the year	¥ 15,423	¥ 98,420	$ 149,859
Reclassification adjustments to profit or loss	(10,222)	(4,588)	(99,325)
Amount before income tax effect	5,200	93,831	50,533
Income tax effect	(1,460)	(32,761)	(14,186)
Total	3,740	61,069	36,346
Deferred loss on derivatives under hedge accounting:			
Gains arising during the year	(201)	(19,631)	(1,959)
Reclassification adjustments to profit or loss	7,900	5,093	76,766
Amount before income tax effect	7,699	(14,538)	74,806
Income tax effect	(2,712)	5,124	(26,353)
Total	4,986	(9,413)	48,452
Foreign currency translation adjustments:			
Adjustments arising during the year	411	192	3,995
Amount before income tax effect	411	192	3,995
Total	411	192	3,995
Total other comprehensive income	¥ 9,138	¥ 51,848	$ 88,794

28. NET INCOME PER SHARE

Basic net income per share ("EPS") for the years ended March 31, 2014 and 2013, is as follows:

	Millions of Yen	Thousands of Shares	Yen	U.S. Dollars
Year Ended March 31, 2014	Net Income	Weighted-Average Shares	EPS	
Basic EPS—Net income available to common shareholders	¥ 26,519	506,242	¥ 52.38	$ 0.50
Effect of dilutive—Stock acquisition rights		520		
Diluted EPS—Net income for computation	¥ 26,519	506,762	¥ 52.33	$ 0.50
Year Ended March 31, 2013				
Basic EPS—Net income available to common shareholders	¥ 22,151	507,912	¥ 43.61	
Effect of dilutive—Stock acquisition rights		468		
Diluted EPS—Net income for computation	¥ 22,151	508,381	¥ 43.57	

29. SUBSEQUENT EVENT

The following appropriations of retained earnings at March 31, 2014, will be approved at the Bank's shareholders' meeting to be held on June 20, 2014:

	Millions of Yen	Thousands of U.S. Dollars
Cash dividends, ¥6.00 ($0.05) per share	¥ 3,037	$ 29,513

30. SEGMENT INFORMATION

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

(1) Description of Reportable Segments

The Group's reportable segments are those for which financial information is available separately and regular evaluation by the Bank's management is performed in order to decide how resources are allocated among the Group. The Group consists of the banking and leasing segments. Banking consists of banking and credit card business. Leasing consists of leasing business.

(2) Methods of Measurement for Sales, Profit (Loss), Assets, Liabilities and Other Items

The accounting policies of each reportable segment are consistent with those disclosed in Note 2, "Summary of Significant Accounting Policies."

(3) Information about Ordinary Income, Profit, Assets, Liabilities and Other Items

	Millions of Yen						
	2014						
	Reportable Segment						
	Banking	Leasing	Total	Other	Total	Recon-ciliations	Consoli-dated
Ordinary income:							
Outside customers	¥ 132,787	¥ 32,928	¥ 165,716	¥ 3,581	¥ 169,297		¥ 169,297
Intersegment	1,164	821	1,985	25	2,010	¥ (2,010)	
Total	¥ 133,952	¥ 33,749	¥ 167,702	¥ 3,606	¥ 171,308	¥ (2,010)	¥ 169,297
Segment profit	¥ 42,822	¥ 2,725	¥ 45,548	¥ 839	¥ 46,388	¥ (13)	¥ 46,375
Segment assets	7,540,331	89,779	7,630,111	13,787	7,643,898	(56,163)	7,587,735
Segment liabilities	6,972,530	66,632	7,039,162	7,615	7,046,777	(53,094)	6,993,682
Other:							
Depreciation	3,983	1,541	5,525	31	5,556		5,556
Interest income	89,860	81	89,942	108	90,050	(293)	89,756
Interest expense	8,871	358	9,229	38	9,268	(293)	8,974
Income taxes	16,248	827	17,076	11	17,087	(4)	17,083
Increase in property, plant and equipment and intangible assets	7,113	3,045	10,159	26	10,185		10,185

	Millions of Yen						
	2013						
	Reportable Segment						
	Banking	Leasing	Total	Other	Total	Recon-ciliations	Consoli-dated
Ordinary income:							
Outside customers	¥ 124,613	¥ 35,246	¥ 159,859	¥ 2,602	¥ 162,462		¥ 162,462
Intersegment	806	761	1,567	49	1,617	¥ (1,617)	
Total	¥ 125,419	¥ 36,008	¥ 161,427	¥ 2,651	¥ 164,079	¥ (1,617)	¥ 162,462
Segment profit	¥ 35,714	¥ 3,621	¥ 39,336	¥ 504	¥ 39,841	¥ (8)	¥ 39,832
Segment assets	7,212,590	87,083	7,299,673	13,666	7,313,339	(58,361)	7,254,978
Segment liabilities	6,672,287	66,015	6,738,302	8,739	6,747,041	(55,301)	6,691,740
Other:							
Depreciation	4,304	1,221	5,526	41	5,567		5,567
Interest income	88,256	103	88,360	112	88,473	(343)	88,129
Interest expense	8,095	392	8,487	47	8,534	(343)	8,190
Income taxes	13,382	1,287	14,670	48	14,718		14,717
Increase in property, plant and equipment and intangible assets	3,795	2,492	6,288	9	6,297		6,297

	Thousands of U.S. Dollars						
	2014						
	Reportable Segment						
	Banking	Leasing	Total	Other	Total	Recon-ciliations	Consoli-dated
Ordinary income:							
Outside customers	$1,290,204	$ 319,942	$1,610,146	$ 34,798	$1,644,944		$ 1,644,944
Intersegment	11,313	7,980	19,294	243	19,538	$ (19,538)	
Total	$ 1,301,518	$ 327,922	$1,629,440	$ 35,041	$1,664,482	$ (19,538)	$ 1,644,944
Segment profit	$ 416,077	$ 26,486	$ 442,563	$ 8,160	$ 450,724	$ (127)	$ 450,596
Segment assets	73,264,009	872,321	74,136,330	133,960	74,270,291	(545,698)	73,724,592
Segment liabilities	67,747,086	647,420	68,394,507	73,990	68,468,497	(515,885)	67,952,612
Other:							
Depreciation	38,706	14,979	53,685	306	53,992		53,992
Interest income	873,112	793	873,905	1,051	874,957	(2,852)	872,104
Interest expense	86,196	3,481	89,677	378	90,055	(2,852)	87,202
Income taxes	157,878	8,036	165,915	112	166,028	(42)	165,985
Increase in property, plant and equipment and intangible assets	69,119	29,590	98,709	260	98,969		98,969

THE HACHIJUNI BANK, LTD.
178-8, Okada, Nagano-city 380-8682, Japan
Phone:(026)227-1182
http://www.82bank.co.jp/

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