2014

ANNUAL REPORT

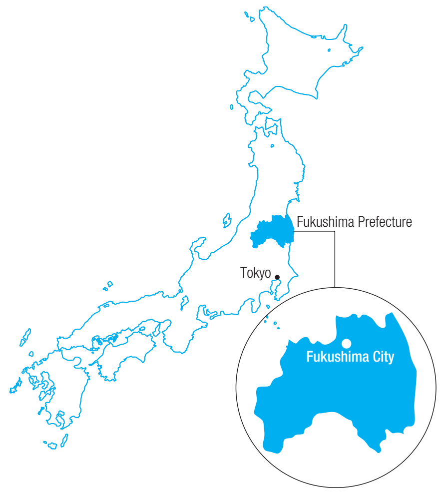
Year Ended March 31, 2014

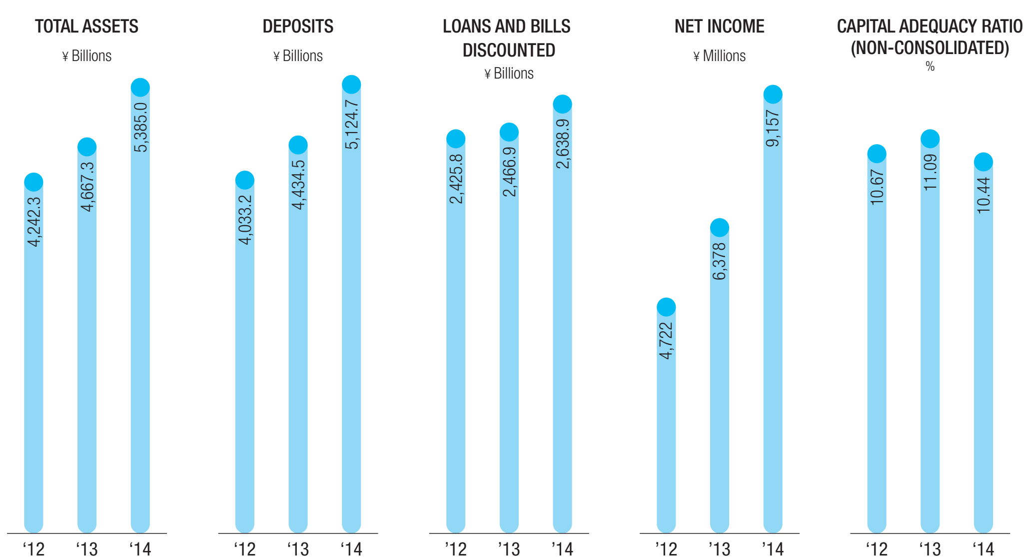
THE TOHO BANK, LTD.

Profile

As the leading bank in Fukushima Prefecture, Toho Bank has contributed to the prosperity of its local communities since being established in November 1941. In response to the trust placed in us by our customers and the market region we serve, in April 2012 we initiated our new medium-term management plan, “Toho step-by-step Plan,” as an action program. Our goal is embodied as the slogan “Big, strong and tough–serving the region with passion, serving customers with sincerity and caring for people” (our long-term vision). We are aggressively addressing our customers’ increasingly diversified and sophisticated needs, devoting our full efforts to strengthening previously executed risk management capabilities, and providing active disclosure of our financial position. Toho Bank has received a long-term credit rating of A– from Standard & Poor’s, the international credit rating firm, which we have duly disclosed. Moreover, Japan Credit Rating Agency, Ltd. (JCR), one of Japan’s representative rating agencies, assigned the bonds a senior long-term credit rating of “A.”

As of March 31, 2014, Toho Bank had total net assets of ¥167.8 billion (US$1,630 million) and total assets of ¥5,385.0 billion (US$52,322 million) (both figures on a consolidated basis), 1,969 employees, and a business network composed of 114 branches.





Contents

Message from the President

Financial and Economic Environment

The Japanese economy during the fiscal year ended March 31, 2014 remained on a recovery trend, with improved corporate earnings impelled mainly by the impacts of various monetary policies and the steady growth of economies overseas, and a clear rebound of capital expenditures.

With regard to economic conditions in Fukushima Prefecture, housing investment and public works spending related to recovery and reconstruction in the aftermath of the Great East Japan Earthquake substantially increased. Personal consumption progressed steadily, and the effective job offer ratio remained high overall, especially in the manufacturing and medical welfare sectors. Economic improvements thus continued to gain momentum.

Turning to the financial environment, fiscal conditions remained stable as a whole, with ample funding from the Bank of Japan. Lending at private banks increased year-on-year, backed by enduringly low market rates. The closing price of the Nikkei Stock Average at the end of the fiscal year increased by 2,429.92 yen from the end of the previous fiscal year, to 14,827.83 yen.

President
Seishi Kitamura

Business Development and Results

Under these circumstances, Toho Bank has taken initiatives based on the "Toho Step-by-Step Plan," a medium-term management plan for the three-year period which commenced in fiscal 2012, to realize the "Be Large, Strong, and Powerful" image the Bank is striving for.

The Bank made concerted efforts to achieve various measures throughout its ranks based on basic policy of "Contributing to Fukushima in moving toward Reconstruction," "Steadily Implementing the Growth Strategy," and "Further Reinforcing the Business Structure" in fiscal 2013.

[Contributing to Fukushima in moving toward Reconstruction]
Toho Bank has made efforts towards reconstruction in the aftermath of the Great East Japan Earthquake, the revitalization of industry, and the provision of smooth funding sources, while proactively participating in businesses for assisting reconstruction.

In its drive to support the reconstruction of the regional economy and revitalization of industry, the Bank continues to operate the "Toho Next Generation Entrepreneurs Club," a place where next-generation entrepreneurs can exchange ideas and study, for the purpose of firmly supporting the creation and growth of regional industry. The Bank has also established the "Toho Next Generation Start-up Support Fund" and the "Toho Next Generation Start-up Support Loan" in order to proactively meet the fund demands of customers working on first or second start-ups.

The Bank supplied funds and developed support systems for areas that are expected to grow, mainly by forming syndicate loans as a lead underwriter for solar energy power generation. The Bank also extended its progress in activities focused on assisting reconstruction for regional companies, mainly by offering proposals for use of the interest subsidy system set up for the special zone for reconstruction.

[Steadily Implementing the Growth Strategy]
To support the reconstruction and development of the regional economy and to endeavor for further growth of the Bank, Toho Bank has steadily implemented a growth strategy attuned to the changing markets.

As a support for individual customers, the Bank has been addressing the demographic shift to an aging society with fewer children in the region. As a measure for supporting children bearing the future Fukushima in financial terms, the Bank recently promoted the "Get together Vigorous Fukushima Children," a new account-opening campaign tailored to customers aged 18 or younger. The Bank has also established the "Future Fukushima Children" account, an educational saving instrument for saving tax-exempt lump-sum gifts for education, and the "Toho Bridge of Hope" time deposit account for saving funds that account holders wish to pass on to their heirs.

With regard to the Saturday and Sunday over-the-counter services the Bank started for individual customers at the Yatsuyamada branch in Koriyama-city in November 2012, the Bank duplicated the services at the Kitafukushima and Iwakikashima branches in October 2013. The services have also been offered at the Koriyamahigashi branch starting from April 2014.

To support business customers in the region, Toho Bank has been strengthening relationships with customers by progressively expanding business promotion to offer proposals for solving business challenges in order to help customers deliberate and solve the business challenges they face, including business successions, mergers & acquisitions, and overseas operations.

The Bank has also aggressively striven to provide new fund supply means, for example, by utilizing asset based lending (ABL), funding methods structured to reduce real estate collaterals and personal guarantees.

[Further Reinforcing the Business Structure]
To improve its net worth, Toho Bank implements swift and flexible capital policies and has established the "Shareholders' complementary treatment: Gifts from Fukushima," a preferential system under which shareholders can select "local specialties in Fukushima Prefecture," in addition to the current "complementary tickets for accommodations in Fukushima Prefecture."

To train human resources who will go on to support the perpetual growth of the Bank and regional economy, Toho Bank conducts in-house training and dispatches trainees to financial institutions, etc. within and outside Japan through the "Toho University," the Bank's original training system.

Main Corporate Investment

To provide timely information and give courteous and straightforward explanations, Toho Bank introduced tablet terminals in July 2013 and delivered them to all personnel in charge of business promotion in February 2014.

The Bank introduced a new lineup of ATMs developed in accordance with universal design principles at the Head Office Business Promotion Department and other departments in March 2014 to improve convenience for customers by adding functions for depositing and dispensing coins, etc. The Bank will gradually expand the installation sites for these new ATMs.

Summary of Business Results

Toho Bank made efforts to provide funds toward reconstruction in the region. Toho Bank also responded to drastic changes in the fund procurement environment resulting from the inflow of funds relating to reconstruction and strove to reinforce fund management.

As a result, the business results for the fiscal year ended March 31, 2014 are as described below.

[Deposits and negotiable certificate of deposits, etc.]
Mainly thanks to our efforts to increase deposits, together with the inflow of funds relating to reconstruction, deposits increased by ¥656.2 billion during the fiscal year and the balance at the end of the fiscal year was ¥4,724.4 billion. Total deposits, including negotiable certificates of deposits, increased by ¥690.1 billion during the fiscal year and the balance at the end of the fiscal year was ¥5,125.0 billion.

[Loans and bills discounted]
Toho Bank widely met demand for funds, etc. related to recovery and reconstruction in the aftermath of the Great East Japan Earthquake. As a result, loans and bills discounted increased by ¥171.9 billion during the fiscal year to ¥2,638.9 billion.

[Income/loss]
Income from the management of shares, etc. increased thanks to the effective management of securities, and net fees and commissions increased thanks to a favorable increase in sales of deposited assets. As a result, ordinary income increased by ¥714 million from the previous fiscal year to ¥61,496 million.

In addition, mainly as a consequence of the decreased amount of nonperforming loans attributable to the reinforcement of efforts to support customers' management, ordinary profit increased by ¥3,347 million from the previous fiscal year to ¥14,441 million and net income increased by ¥2,797 million from the previous fiscal year to ¥9,058 million.

Our Efforts in CSR (Corporate Social Responsibility) Activities

Toho Bank has promoted the following efforts in the areas of corporate social responsibility (CSR) as a member of regional society.

[Regional sports promotion]
To contribute to sports promotion in the region, Toho Bank acquired the naming rights for the Prefectural Azuma Athletic Stadium and named the venue the "Toho Minna-no" Stadium.

Toho Bank sent the members of its track and field club to open athletic sports classes and held the Toho Cup "The Second Fukushima Relays," a relay contest designed for elementary school, junior high school, and senior high school students in the Fukushima Prefecture.

[Fostering children bearing the future]
As an effort to assist financial education, the Bank held a Fukushima prefectural tournament for "Economics Koshien," a quiz tournament in financial economics for senior high school students nationwide. This was the second Economic Koshien, after the inaugural tournament in the previous fiscal year.

The Bank established "Toho Kids Land," an indoor playground, in July 2012, as a venue where children can play freely without worrying about the impact of the nuclear power plant accident. The number of visitors reached 10,000 in November 2013.

[Environmental preservation activities]
Toho Bank participated in the "Forest Creation by Business Entities" plan promoted by Fukushima Prefecture and took part in tree planting activities ("Toho Forest" Creation) at Kitashiobara-village, Yama-county, under the plan.

Matters to Address

In Fukushima Prefecture, Toho Bank's principal operational base, movement toward reconstruction has steadily progressed and further acceleration of these efforts are in need.

In keeping with Toho Bank's concept of "All Serves the Region," a corporate message, Toho Bank Group will make every effort to assist recovery throughout its ranks, in order to ensure that the regional economy may recover as soon as possible and that local residents may regain stable lives.

Fiscal 2014 is the last year of the "Toho Step-by-Step Plan," a medium-term management plan. Based on a hard look at homeland Fukushima and the Bank, the Bank will make full-fledged efforts throughout its ranks to steadily progress, together with the region, and to meet the expectations of the Bank's customers, shareholders, and regional society, and to achieve the planned target of the medium-term management plan.

August 2014

北村清士
S. Kitamura

Seishi Kitamura

President

Consolidated Balance Sheet

As of March 31, 2014 and 2013	Millions of Yen		Thousands of U.S. Dollars (Note 3)
	2014	2013	**2014**
Assets:			
Cash and due from banks (Notes 14 and 19)	**¥1,093,424**	¥ 455,684	**$10,624,018**
Call loans and bills bought (Note 19)	**96,059**	325,783	**933,345**
Monetary claims bought	**10,426**	6,110	**101,303**
Trading account securities (Notes 19 and 20)	**379**	780	**3,686**
Money held in trust (Note 21)	**10,379**	30,825	**100,848**
Securities (Notes 6, 10, 19 and 20)	**1,492,213**	1,341,651	**14,498,769**
Loans and bills discounted (Notes 4, 6, 7, 19 and 25)	**2,638,929**	2,466,952	**25,640,592**
Foreign exchanges	**1,744**	1,440	**16,947**
Other assets (Note 6)	**8,053**	9,321	**78,253**
Tangible fixed assets (Note 8)	**35,766**	36,215	**347,512**
Intangible fixed assets	**2,545**	2,971	**24,734**
Deferred tax assets (Note 15)	**4,862**	4,342	**47,245**
Customers' liabilities for acceptances and guarantees (Note 5)	**7,617**	5,048	**74,016**
Allowance for loan losses	**(17,359)**	(19,781)	**(168,667)**
Total assets	**¥5,385,042**	¥4,667,345	**$52,322,607**
Liabilities:			
Deposits (Notes 6 and 19)	**¥5,124,757**	¥4,434,586	**$49,793,601**
Call money and bills sold	**15,438**	—	**150,000**
Borrowed money (Notes 6 and 9)	**33,500**	31,460	**325,495**
Foreign exchanges	**79**	193	**768**
Other liabilities	**17,698**	15,940	**171,961**
Provision for retirement benefits (Note 16)	**—**	10,984	**—**
Net defined benefit liability (Note 16)	**13,192**	—	**128,186**
Provision for directors' retirement benefits	**403**	453	**3,921**
Provision for reimbursement of deposits	**329**	353	**3,201**
Provision for contingent loss	**501**	259	**4,871**
Provision for customer point program	**92**	95	**903**
Deferred tax liabilities for land revaluation (Note 15)	**3,611**	3,698	**35,089**
Acceptances and guarantees (Note 5)	**7,617**	5,048	**74,016**
Total liabilities	**5,217,222**	4,503,072	**50,692,016**
Commitments and contingent liabilities (Note 7)			
Net Assets:			
Capital stock	**23,519**	23,519	**228,519**
Capital surplus	**13,653**	13,653	**132,660**
Retained earnings	**115,067**	108,443	**1,118,028**
Treasury stock	**(172)**	(190)	**(1,672)**
Shareholders' equity	**152,068**	145,425	**1,477,536**
Valuation difference on available-for-sale securities (Note 20)	**16,448**	17,965	**159,819**
Deferred gains or losses on hedges (Note 22)	**0**	—	**2**
Revaluation reserve for land	**502**	664	**4,883**
Remeasurements of defined benefit plans	**(1,422)**	—	**(13,822)**
Total accumulated other comprehensive income	**15,528**	18,629	**150,882**
Minority interests	**223**	217	**2,171**
Total net assets (Note 17)	**167,820**	164,272	**1,630,590**
Total liabilities and net assets	**¥5,385,042**	¥4,667,345	**$52,322,607**

See notes to consolidated financial statements.

Consolidated Statements of Income

For the years ended March 31, 2014 and 2013	Millions of Yen		Thousands of U.S. Dollars (Note 3)
	2014	2013	**2014**
Income:			
Interest income:			
Interest on loans and discounts	**¥30,723**	¥33,023	**$298,517**
Interest and dividends on securities	**10,284**	9,304	**99,927**
Other interest income	**447**	1	**4,348**
Fees and commissions income	**12,790**	11,020	**124,272**
Other operating income	**3,664**	5,028	**35,600**
Other income (Note 11)	**4,173**	2,620	**40,549**
Total income	**62,082**	60,999	**603,215**
Expenses:			
Interest expenses:			
Interest on deposits	**1,782**	1,990	**17,317**
Interest on borrowings and rediscounts	**497**	383	**4,836**
Other interest expenses	**21**	1	**210**
Fees and commissions expenses	**5,251**	5,395	**51,025**
Other operating expenses	**774**	1,145	**7,526**
General and administrative expenses	**37,338**	36,800	**362,796**
Other expenses (Note 12)	**1,990**	4,544	**19,338**
Total expenses	**47,657**	50,261	**463,050**
Income before income taxes and minority interests	**14,425**	10,737	**140,165**
Income taxes (Note 15)**:**			
Current	**4,241**	4,491	**41,214**
Deferred	**1,017**	(139)	**9,887**
Total	**5,259**	4,352	**51,101**
Net income before minority interests	**9,166**	6,385	**89,063**
Minority interests in income	**9**	6	**87**
Net income (Note 17)	**¥ 9,157**	¥ 6,378	**$ 88,975**

See notes to consolidated financial statements.

Consolidated Statements of Comprehensive Income

For the years ended March 31, 2014 and 2013	Millions of Yen		Thousands of U.S. Dollars (Note 3)
	2014	2013	**2014**
Net income before minority interests	**¥ 9,166**	¥ 6,385	**$ 89,063**
Other comprehensive income (Note 23):			
Valuation difference on available-for-sale securities	**(1,520)**	12,177	**(14,777)**
Deferred gains or losses on hedges	**0**	—	**2**
Revaluation reserve for land	**(1)**	—	**(10)**
Share of other comprehensive income in affiliates accounted for by the equity method	**4**	4	**41**
Total other comprehensive income	**(1,517)**	12,182	**(14,743)**
Comprehensive income	**¥ 7,648**	¥18,567	**$ 74,319**
Total comprehensive income attributable to:			
Shareholders of the parent	**¥ 7,639**	¥18,561	**$ 74,231**
Minority interests	**9**	6	**87**
	¥ 7,648	¥18,567	**$ 74,319**

See notes to consolidated financial statements.

Consolidated Statements of Changes in Net Assets

For the years ended March 31, 2014 and 2013

	Millions of Yen				
	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Shareholders' equity
Balance, April 1, 2012	¥23,519	¥13,653	¥103,825	¥(536)	¥140,461
Changes of items during the year					
Dividends from retained earnings			(1,779)		(1,779)
Net income			6,378		6,378
Acquisition of treasury stock				(3)	(3)
Disposal of treasury stock			(0)	349	349
Reversal of land revaluation excess, net of tax			19		19
Net changes of items other than shareholders' equity					
Total changes of items during the year	—	—	4,618	346	4,964
Balance, April 1, 2013	¥23,519	¥13,653	¥108,443	¥(190)	¥145,425
Changes of items during the year					
Dividends from retained earnings			(1,711)		(1,711)
Net income			9,157		9,157
Acquisition of treasury stock				(965)	(965)
Disposal of treasury stock			(0)	1	1
Retirement of treasury stock			(982)	982	—
Reversal of land revaluation excess, net of tax			160		160
Net changes of items other than shareholders' equity					
Total changes of items during the year	—	—	6,623	18	6,642
Balance, March 31, 2014	¥23,519	¥13,653	¥115,067	¥(172)	¥152,068

	Millions of Yen						
	Accumulated other comprehensive income						
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Revaluation reserve for land	Remeasurements of defined benefit plans	Total accumulated other comprehensive income	Minority interests	Total net assets
Balance, April 1, 2012	¥ 5,782	¥—	¥684	¥ —	¥ 6,466	¥213	¥147,141
Changes of items during the year							
Dividends from retained earnings							(1,779)
Net income							6,378
Acquisition of treasury stock							(3)
Disposal of treasury stock							349
Reversal of land revaluation excess, net of tax							19
Net changes of items other than shareholders' equity	12,182	—	(19)	—	12,162	3	12,166
Total changes of items during the year	12,182	—	(19)	—	12,162	3	17,131
Balance, April 1, 2013	¥17,965	¥—	¥664	¥ —	¥18,629	¥217	¥164,272
Changes of items during the year							
Dividends from retained earnings							(1,711)
Net income							9,157
Acquisition of treasury stock							(965)
Disposal of treasury stock							1
Retirement of treasury stock							—
Reversal of land revaluation excess, net of tax							160
Net changes of items other than shareholders' equity	(1,516)	0	(161)	(1,422)	(3,100)	6	(3,094)
Total changes of items during the year	(1,516)	0	(161)	(1,422)	(3,100)	6	3,547
Balance, March 31, 2014	¥16,448	¥ 0	¥502	¥(1,422)	¥15,528	¥223	¥167,820

	Thousands of U.S. Dollars (Note 3)				
	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Shareholders' equity
Balance, April 1, 2013	$228,519	$132,660	$1,053,668	$(1,851)	$1,412,997
Changes of items during the year					
Dividends from retained earnings			(16,629)		(16,629)
Net income			88,975		88,975
Acquisition of treasury stock				(9,385)	(9,385)
Disposal of treasury stock			(1)	18	16
Retirement of treasury stock			(9,546)	9,546	—
Reversal of land revaluation excess, net of tax			1,561		1,561
Net changes of items other than shareholders' equity					
Total changes of items during the year	—	—	64,360	178	64,538
Balance, March 31, 2014	$228,519	$132,660	$1,118,028	$(1,672)	$1,477,536

	Thousands of U.S. Dollars (Note 3)						
	Accumulated other comprehensive income						
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Revaluation reserve for land	Remeasurements of defined benefit plans	Total accumulated other comprehensive income	Minority interests	Total net assets
Balance, April 1, 2013	$174,554	$—	$6,455	$ —	$181,010	$2,111	$1,596,119
Changes of items during the year							
Dividends from retained earnings							(16,629)
Net income							88,975
Acquisition of treasury stock							(9,385)
Disposal of treasury stock							16
Retirement of treasury stock							—
Reversal of land revaluation excess, net of tax							1,561
Net changes of items other than shareholders' equity	(14,735)	2	(1,571)	(13,822)	(30,128)	60	(30,067)
Total changes of items during the year	(14,735)	2	(1,571)	(13,822)	(30,128)	60	34,470
Balance, March 31, 2014	$159,819	$ 2	$4,883	$(13,822)	$150,882	$2,171	$1,630,590

See notes to consolidated financial statements.

Consolidated Statements of Cash Flows

For the years ended March 31, 2014 and 2013	Millions of Yen		Thousands of U.S. Dollars (Note 3)
	2014	2013	**2014**
Cash flows from operating activities			
Income before income taxes and minority interests	**¥ 14,425**	¥ 10,737	**$ 140,165**
Depreciation expense	**2,777**	2,743	**26,985**
Impairment loss	**214**	217	**2,088**
Equity in earnings of affiliates	**(96)**	(116)	**(935)**
Net decrease in allowance for loan losses	**(2,422)**	(3,784)	**(23,537)**
Increase in provision for retirement benefits	**—**	402	**—**
Increase in net defined benefit liability	**18**	—	**180**
Increase (decrease) in provision for directors' retirement benefits	**(49)**	51	**(481)**
Increase (decrease) in provision for reimbursement of deposits	**(23)**	91	**(232)**
Increase (decrease) in provision for contingent loss	**241**	(32)	**2,346**
Increase (decrease) in provision for customer point program	**(2)**	15	**(23)**
Interest income	**(41,455)**	(42,329)	**(402,792)**
Interest expenses	**2,301**	2,375	**22,364**
Net gain on securities	**(3,779)**	(1,199)	**(36,727)**
Net (gain) loss on money held in trust	**328**	(390)	**3,196**
Net gain on foreign exchange	**(10)**	(11)	**(102)**
Net loss on sale of fixed assets	**68**	126	**663**
(Increase) decrease in trading account securities	**401**	(89)	**3,897**
Increase in loans and bills discounted	**(171,977)**	(41,072)	**(1,670,977)**
Increase in deposits	**656,352**	266,336	**6,377,310**
Increase in negotiable certificates of deposit	**33,818**	135,013	**328,589**
Increase (decrease) in borrowed money (excluding subordinated borrowings)	**240**	(746)	**2,331**
(Increase) decrease in due from banks other than BOJ	**52**	(75)	**513**
Decrease in call loans	**225,407**	244,057	**2,190,127**
Increase (decrease) in call money	**15,438**	(3,698)	**150,000**
Increase in foreign exchange assets	**(303)**	(355)	**(2,953)**
Increase (decrease) in foreign exchange liabilities	**(113)**	10	**(1,107)**
Interest received	**43,799**	43,816	**425,572**
Interest paid	**(2,785)**	(2,939)	**(27,068)**
All other operating activities	**(328)**	(2,200)	**(3,191)**
Sub-total	**772,538**	606,952	**7,506,202**
Income taxes refund (paid)	**(4,882)**	(4,896)	**(47,436)**
Net cash provided by operating activities	**767,656**	602,055	**7,458,766**
Cash flows from investing activities			
Purchase of equity and other securities	**(669,690)**	(450,361)	**(6,506,905)**
Proceeds from sales of equity and other securities	**394,367**	163,954	**3,831,789**
Proceeds from maturities of securities	**128,612**	83,879	**1,249,634**
Increase in money held in trust	**(1,691)**	(1,000)	**(16,430)**
Decrease in money held in trust	**21,777**	—	**211,600**
Expenditures for tangible fixed assets	**(1,776)**	(3,031)	**(17,258)**
Proceeds from sales of tangible fixed assets	**248**	108	**2,419**
Expenditures for intangible fixed assets	**(410)**	(430)	**(3,992)**
Net cash used in investing activities	**(128,561)**	(206,881)	**(1,249,142)**
Cash flows from financing activities			
Proceeds from subordinated borrowings	**16,800**	9,800	**163,233**
Repayments of subordinated borrowings	**(15,000)**	—	**(145,744)**
Dividends paid	**(1,711)**	(1,779)	**(16,629)**
Dividends paid to minority interests	**(2)**	(2)	**(27)**
Repayments of lease obligations	**(433)**	(404)	**(4,213)**
Purchase of treasury stock	**(965)**	(4)	**(9,385)**
Proceeds from sales of treasury stock	**1**	310	**16**
Net cash provided by (used in) financing activities	**(1,312)**	7,919	**(12,750)**
Effect of exchange rate changes in cash and cash equivalents	**10**	11	**102**
Net increase in cash and cash equivalents	**637,792**	403,105	**6,196,976**
Cash and cash equivalents at beginning of fiscal year	**455,261**	52,156	**4,423,455**
Cash and cash equivalents at end of fiscal year (Note 14)	**¥1,093,054**	¥455,261	**$10,620,431**

See notes to consolidated financial statements.

1. Basis of Presentation

The accompanying consolidated financial statements of The Toho Bank, Ltd. (the "Bank") and its consolidated subsidiaries (collectively the "Group") have been prepared from the accounts and records maintained by them in accordance with accounting principles generally accepted in Japan which are different in certain material respects as to the application and disclosure requirements of International Financial Reporting Standards. The accompanying consolidated financial statements have been compiled from the consolidated financial statements filed with the Prime Minister as required by the Financial Instruments and Exchange Law of Japan and the Banking Law of Japan.

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

The amounts indicated in millions of yen are rounded down by omitting amounts of less than one million. As a result, the totals shown in the accompanying financial statements do not necessarily agree with the sums of the individual amounts.

2. Summary of Significant Accounting Policies

(a) Principles of consolidation

Under the control or influence concept, those companies in which the Bank, directly or indirectly, is able to exercise control over operations are fully consolidated, and those companies (affiliates) over which the Group has the ability to exercise significant influence are accounted for by the equity method.

(1) Scope of consolidation

The number of consolidated subsidiaries and unconsolidated subsidiary at March 31, 2014 and 2013 is as follows:

	2014	2013
Number of consolidated subsidiaries:	**2**	2
Number of unconsolidated subsidiaries:	**1**	—

The unconsolidated subsidiary is excluded from the scope of consolidation since its exclusion does not preclude reasonable judgment on the Group's financial position and financial performance in terms of its assets, ordinary income, net income (equal to the equity share), retained earnings (equal to the equity share) and accumulated other comprehensive income (equal to the equity share).

(2) Application of the equity method

The number of affiliates accounted for by the equity method and unconsolidated subsidiary not accounted for by the equity method at March 31, 2014 and 2013 is as follows:

	2014	2013
Number of affiliates accounted for by the equity method	**5**	5
Number of unconsolidated subsidiary not accounted for by the equity method	**1**	—

The unconsolidated subsidiary not accounted for by the equity method is excluded from the scope of equity method since its exclusion does not have a material effect on the consolidated financial statements in terms of its net income (equal to the equity share), retained earnings (equal to the equity share) and accumulated other comprehensive income (equal to the equity share).

(3) Closing date of the consolidated subsidiaries

The closing date of the consolidated subsidiaries is the same as the consolidated closing date.

(b) Trading account securities

Trading account securities are stated at fair value at the end of the year.

The moving average cost method is used to determine the cost of securities sold.

(c) Securities

Held-to-maturity debt securities are stated at amortized cost using the moving average cost method.

Available-for-sale securities are, in principle stated at fair value at the end of the year or, if the fair value is considered to be extremely difficult to obtain, at cost using the moving average cost method.

Valuation difference on available-for-sale securities is presented as a separate component of net assets, net of related tax effect.

Securities included in "Money held in trust" are also classified and accounted for in the same method as stated above.

(d) Derivatives

The Bank's derivatives are stated at fair value.

(e) Depreciation of fixed assets

(1) Depreciation of tangible fixed assets of the Bank (except lease assets) is computed under the declining-balance method. The estimated useful lives of assets are as follows:

Buildings: 2–40 years
Others: 2–20 years

Depreciation at the consolidated subsidiaries is computed principally using the declining-balance method over the estimated useful lives of assets.

(2) Depreciation of intangible fixed assets (except lease assets) is computed under the straight-line method. Development costs for internally used software are capitalized and depreciated under the straight-line method over the estimated useful lives of primarily 5 years.

(3) Depreciation of lease assets pertaining to finance lease transactions other than those in which the lease is deemed to transfer ownership of leased property to the lessee, included in "Tangible fixed assets" and "Intangible fixed assets," is computed by the straight-line method based on the assumptions that the lease term is equal to the useful life and that there is no residual value except where residual value guarantees are stipulated in lease contracts.

(f) Revaluation of land

In accordance with the Law concerning Revaluation of Land enacted on March 31, 1998 (the "Law"), the land used for business owned by the Bank was revalued at March 31, 2000, and the unrealized gains, net of related tax effect, are reported as "Revaluation reserve for land" in the Net Assets section, and the deferred tax is included in the Liabilities section as "Deferred tax liabilities for land revaluation".

The amount of excess of the revalued carrying amount over the fair value of the lands revalued at March 31, 2014 and 2013 pursuant to the Article 10 of the Law was ¥11,387 million and ¥11,906 million, respectively.

(g) Allowance for loan losses

The allowance for loan losses of the Bank is made in accordance with the Bank's internal rules for self-assessment of asset quality and for providing reserve for possible credit losses. Pursuant to the rules, the allowance for loan losses has been provided for as described below.

For loans to borrowers which are classified as substantially bankrupt or which are bankrupt in the formal legal sense, a reserve is provided based on the amount remaining after deduction of the collateral considered to be disposable and an estimate of amounts recoverable under guarantees.

For loans to borrowers which, although not actually bankrupt in the legal sense, have experienced serious financial difficulties and whose failure is highly possible, a reserve is provided for the estimated unrecoverable amount based on the amount remaining after deduction of the collateral considered to be disposable and an estimate of amounts recoverable under guarantees.

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

The above procedures for providing reserves follow the Bank's internally established rules for self-assessment of the quality of all the Bank's loan assets, which have been audited by the Audit Department.

The allowance for loan losses of the consolidated subsidiaries is provided for necessary amount, which is based on historical loan loss experience and estimated collectibility of specific claims.

(h) Provision for directors' retirement benefits

The provision for directors' retirement benefits is provided at the amount that would be required to be paid based on internally established standards if directors retired at the end of the year.

(i) Provision for reimbursement of deposits

The provision for reimbursement of deposits is provided for the future reimbursement of dormant deposits which were recognized as income to depositors, based on the estimated reimbursement loss in accordance with the past reimbursement records.

(j) Provision for contingent loss

The provision for contingent loss is provided for possible losses from contingencies, which are not covered by other specific provisions.

(k) Provision for customer point program

The provision for customer point program is provided based on a reasonable estimate for expected future purchases to be made by customers with reward point which are granted when they use co-branded credit cards issued by the Bank.

(l) Method for accounting for retirement benefits

The retirement benefit obligation is attributed to each period by the straight-line method. Amortization of prior service cost and actuarial gain or loss is computed as follows:

Prior service cost is amortized using the straight-line method over a period of 3 years within the average remaining service period of active employees when incurred.

Actuarial gain or loss is amortized from the succeeding year using the straight-line method over a period of 10 years within the average remaining service period of active employees in the year of the incurrence.

Consolidated subsidiaries adopt the simplified method for calculating net defined benefit liability and net pension cost.

(Additional information)

On April 1, 2014 (the Date of Enforcement), the Bank has revised its retirement benefit plans whereby a part of the future payments of defined benefit plans transferred to defined contribution plans, and accounted for the transfer in accordance with the “Guidance on Accounting for Transfer between Retirement Benefit Plans” (the Accounting Standards Board of Japan (hereinafter “ASBJ”) Guidance No. 1). The prior service cost incurred in the amount of ¥1,005 million due to this revision is amortized using the straight-line method over 3 years within the average remaining service period from the date of the revision (i.e. the date of the revision is informed to employees).

(m) Translation of foreign currency assets and liabilities

Assets and liabilities are translated into Japanese yen mainly at the exchange rates prevailing at the consolidated balance sheet date.

(n) Leases

Finance lease transactions, commenced prior to April 1, 2008, other than those in which the lease is deemed to transfer ownership of leased property to lessees are accounted for as operating lease transactions.

(o) Method of hedge accounting

(1) Interest rate risks
The Bank applies special treatment of hedge accounting for interest rate swaps for interest rate risk arising from certain financial assets and liabilities whereby interest is recognized on an accrual basis.

(2) Currency risks
Deferred hedge accounting is adopted for hedges carried out to control the risk of currency fluctuations arising from foreign currency-denominated assets and liabilities, as stipulated in the “Treatment of Accounting and Auditing Concerning Accounting for Foreign Currency Transactions in Banking Industry” (JICPA Industry Audit Committee Report No. 25). Currency swap transactions are carried out for the purpose of offsetting the risk of currency fluctuations arising from foreign currency-denominated monetary claims. The effectiveness of the hedge is evaluated by confirming the availability of an amount equivalent to the foreign currency position used to hedge the foreign currency-denominated monetary claims.

(p) Statements of cash flows

In preparing the consolidated statements of cash flows, cash and due from the Bank of Japan are considered to be cash and cash equivalents.

(q) Consumption taxes

National and local consumption taxes of the Bank and its consolidated subsidiaries are accounted for using the tax-excluded method.

(r) Changes in accounting policies

The Bank has adopted “Accounting Standard for Retirement Benefit” (ASBJ Statement No. 26, May 17, 2012, hereinafter the “Retirement Benefit Standard”) and “Guidance on Accounting Standard for Retirement Benefits” (ASBJ Guidance No. 25, May 17, 2012, hereinafter the “Retirement Benefit Guidance”), (except for certain provisions set forth in the main clause of Paragraph 35 of Retirement Benefit Standard and Paragraph 67 of Retirement Benefit Guidance) effective from the end of the year ended March 31, 2014, and the Bank recognized the difference between retirement benefit obligation and plan assets as net defined benefit liability.

The Retirement Benefit Standard, etc., were applied in accordance with the transitional provisions set forth in Paragraph 37 of the Retirement Benefit Standard whereby unrecognized actuarial gain or loss and unrecognized prior service cost, net of tax, were recognized as remeasurements of defined benefit plans under accumulated other comprehensive income as of March 31, 2014.

As a result, net defined benefit liability of ¥13,192 million was recognized as of March 31, 2014. In addition, deferred tax asset increased by ¥767 million and accumulated other comprehensive income decreased by ¥1,422 million.

The effect on per share information is noted in Note 17.

(s) Accounting standard issued but not yet adopted

Accounting Standards for Retirement Benefits (May 17, 2012)

(1) Overview
Accounting standards for retirement benefits has been revised from the viewpoint of improvements to financial reporting and international convergence, mainly focusing on (a) how unrecognized actuarial gain or loss and prior service cost should be accounted for, (b) how retirement benefit obligation and service cost should be determined and (c) enhancement of disclosures.

(2) Scheduled date of adoption
The Bank will adopt the amendments to the method for calculating retirement benefit obligation and service cost effective from the beginning of the year ending March 31, 2015.

(3) The effect of adopting this accounting standard
The effect of adopting these accounting standards is an increase in retained earnings by ¥220 million at the beginning of the year ending March 31, 2015.

3. U.S. Dollar Amounts

The translation of yen amounts into U.S. dollar amounts is included solely for convenience, as a matter of arithmetic computation only, at the rate of ¥102.92 = U.S. $1.00, the exchange rate prevailing on March 31, 2014. This translation should not be construed as a representation that yen amounts have been, could have been, or could in the future be, converted into U.S. dollars at the above or any other rate.

4. Loans and Bills Discounted

Loans and bills discounted at March 31, 2014 and 2013 included the following loans:

	Millions of Yen	
March 31	**2014**	2013
Loans to borrowers in bankruptcy	**¥ 1,154**	¥ 3,800
Delinquent loans	**40,504**	47,658
Loans past due 3 months or more	**105**	877
Restructured loans	**931**	1,308
Total	**¥42,696**	¥53,645

Loans to borrowers in bankruptcy represent non-accrual loans, after the write-offs of loans deemed uncollectable to borrowers who are legally bankrupt, as defined in Article 96, Paragraph 1, Subparagraphs 3 and 4 of the Enforcement Ordinance of the Corporation Tax Law.

Delinquent loans are non-accrual loans other than loans to borrowers in bankruptcy or loans on which interest payments have been deferred in order to assist the restructuring of the borrowers.

Loans past due 3 months or more are loans on which interest or principal payments are 3 months or more past due, but which are not included in loans to borrowers in bankruptcy or delinquent loans.

Restructured loans are loans, other than loans to borrowers in bankruptcy, delinquent loans or loans past due 3 months or more, on which the Bank has granted certain concessions such as a reduction of the contractual interest rates or principal or a deferral of payments of interest/principal, in order to assist the restructuring of the borrowers.

Bills discounted are accounted for as finance transactions in accordance with "Treatments in Accounting and Audit for Banks on Application of Accounting Standards for Financial Instruments for Banks" (JICPA Industry Audit Committee Report No. 24). The Bank has rights to sell or pledge commercial bills discounted and foreign exchange bought without restrictions, and their total face amount was ¥8,028 million and ¥8,232 million at March 31, 2014 and 2013, respectively.

5. Acceptances and Guarantees

All contingent liabilities arising from acceptances and guarantees are included in the account "Customers' liabilities for acceptances and guarantees," which represents the Bank's right of indemnity from the applicants, and is presented as a contra-account on the assets side of the consolidated balance sheets.

6. Pledged Assets

Assets pledged as collateral at March 31, 2014 and 2013 were as follows:

	Millions of Yen	
March 31	**2014**	2013
Pledged assets:		
Securities	**¥162,579**	¥ 66,309
Loans and bills discounted	**—**	85,916
Total pledged assets	**¥162,579**	¥152,225
Liabilities covered by pledged assets:		
Deposits	**¥ 32,752**	¥ 20,268
Borrowed money	**6,900**	6,660
Total liabilities covered by pledged assets	**¥ 39,652**	¥ 26,928

In addition to the above, Securities in the amount of ¥96,953 million and ¥94,688 million, and Other assets in the amount of ¥292 million and ¥295 million were pledged as collateral in connection with exchange settlements as of March 31, 2014 and 2013, respectively.

Security deposit in the amount of ¥854 million and ¥864 million were included in Other assets as of March 31, 2014 and 2013, respectively.

7. Commitments and Contingent Liabilities

Overdraft facilities and line-of-credit contracts are agreements under which, unless there is no breach of contract by the counterparty, the Bank or its consolidated subsidiary is required to provide clients with funds up to a fixed limit upon submission of a loan application to the Bank or its consolidated subsidiary. The unused amount related to such facilities/contracts stood at ¥689,868 million and ¥666,575 million at March 31, 2014 and 2013, respectively. Of this amount, facilities/contracts which expire within one year at inception or which are unconditionally cancelable at any time, totaled ¥650,173 million and ¥645,065 million at March 31, 2014 and 2013, respectively.

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

When necessary, the Bank or its consolidated subsidiary demands collateral such as real estate or marketable securities at the date on which the aforementioned agreement is entered into. In addition, after facilities/contracts are set forth, the Bank or its consolidated subsidiary regularly assesses the business status of the clients, based on predetermined internal procedures and, when prudent, revises the agreements or reformulates policies to maintain creditworthiness.

8. Accumulated Depreciation of Tangible Fixed Assets

Accumulated depreciation of Tangible fixed assets amount was ¥47,954 million and ¥47,233 million, and advanced depreciation on Tangible fixed assets amount was ¥1,022 million and ¥1,022 million at March 31, 2014 and 2013, respectively.

9. Borrowed Money

Borrowed money includes borrowings made under special conditions under which repayment is subordinate to other classes of debt. The amount of the subordinate borrowings totaled ¥26,600 million and ¥24,800 million at March 31, 2014 and 2013, respectively.

10. Guarantees for Corporate Bonds

The amount of the guarantees for privately placed bonds in corporate bonds in accordance with Paragraph 3 of Article 2 of the Financial Instruments and Exchange Law totaled ¥30,419 million and ¥26,756 million at March 31, 2014 and 2013, respectively.

11. Other Income

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

	Millions of Yen	
March 31	**2014**	2013
Gain on sales of stocks and other securities	**¥1,435**	¥571
Compensation income	**263**	—
Reversal of allowance for loans losses	**24**	—
Gain on bad debt recovered	**—**	16
Gain on disposal of fixed assets	**1**	0

Compensation income was the compensation for damage from Tokyo Electric Power Co., Inc. since the value of depreciable assets and residential land reduced due to the accident at Fukushima Daiichi Nuclear Power Station and Fukushima Daini Nuclear Power Station.

12. Other Expenses

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

	Millions of Yen	
March 31	**2014**	2013
Loss on impairment of fixed assets	**¥214**	¥ 217
Loss on disposal of fixed assets	**180**	270
Loss on sales of stocks and other securities	**58**	949
Loss on devaluation of stocks and other securities	**16**	2,184
Write-off of loans	**9**	—
Provision for possible loan losses	**—**	24

The differences between the recoverable amount and the book value of the following assets were recognized as loss on impairment of fixed assets during the years ended March 31, 2014 and 2013:

(Millions of Yen)

Area	Purpose of use	Type	Losses	
			2014	2013
Fukushima Area	Branch premises	Land	¥ 38	¥ —
		Building	39	149
	Company housing	Land	19	—
		Building	—	3
	Idle assets	Land	64	29
		Building	—	11
Other	Idle assets	Land	52	—
	Branch premises	Building	—	23
Total			¥214	¥217

The Bank recognizes the estimated unrecoverable amount in its branch premises and idle assets as loss on impairment. For the purposes of identifying impaired assets, the assets of an individual branch are grouped as a unit.

As for idle assets, the individual asset is assessed as a unit for the purposes of identification.

The recoverable amount is calculated based on net realizable value. Net realizable value is calculated based on the valuation by road rating and on the appraisal value, etc., less estimated cost of disposal.

13. Notes to Consolidated Statements of Changes in Net Assets

Changes in outstanding shares and treasury stock during the years ended March 31, 2014 and 2013 are summarized as follows:

(Thousand Shares)

	Number of Shares as of April 1, 2013	Number of Shares Increased	Number of Shares Decreased	Number of Shares as of March 31, 2014
Outstanding Shares				
Common Stock (*1)	255,500	—	3,000	252,500
Treasury Stock				
Common Stock (*2)	470	3,045	3,005	510

(*1) Decrease in the number of Common stock by 3,000 thousand shares was composed of 3,000 thousand shares of retirement of treasury stock.

(*2) Increase in the number of Treasury stock by 3,045 thousand shares was composed of 3,000 thousand shares of repurchase of Treasury stock and 45 thousand shares of acquisition of odd-lot shares.
Decrease in the number of Treasury stock of 3,005 thousand shares was composed of 3,000 thousand shares of retirement of Treasury stock and 5 thousand shares of disposition of odd-lot shares.

(Thousand Shares)

	Number of Shares as of April 1, 2012	Number of Shares Increased	Number of Shares Decreased	Number of Shares as of March 31, 2013
Outstanding Shares				
Common Stock	255,500	—	—	255,500
Treasury Stock				
Common Stock (*1&2)	1,701	14	1,246	470

(*1) Major component of an increase in the number of Treasury stock by 14 thousand shares was 14 thousand shares of acquisition of odd-lot shares. Decrease in the number of Treasury stock of 1,246 thousand shares was composed of 1,244 thousand shares of disposition by an employee stock ownership plan (ESOP) trust, 0 thousand shares of disposal of Treasury stock and 1 thousand shares of disposition of odd-lot shares.

(*2) The number of Treasury stock includes stock owned by ESOP trust. However, the number of Treasury stock at March 31, 2013 did not include stock owned by ESOP trust since ESOP trust terminated in the year ended March 31, 2013.

Detailed information about cash dividends paid during the year ended March 31, 2014 was as follows:

Date of Approval	Type of Shares	Total Dividends (¥ million)	Dividend Per Share	Dividend Record Date	Effective Date
General Meeting of Shareholders on June 24, 2013	Common Stock	829	¥3.25	March 31, 2013	June 25, 2013
Board of Directors on November 11, 2013	Common Stock	882	¥3.50	September 30, 2013	December 5, 2013

Detailed information about cash dividends paid during the year ended March 31, 2013 was as follows:

Date of Approval	Type of Shares	Total Dividends (¥ million)	Dividend Per Share	Dividend Record Date	Effective Date
General Meeting of Shareholders on June 26, 2012	Common Stock	952	¥3.75	March 31, 2012	June 27, 2012
Board of Directors on November 12, 2012	Common Stock	827	¥3.25	September 30, 2012	December 5, 2012

Notes: 1. The total dividends resolved by the General Meeting of Shareholders on June 26, 2012 do not include the dividends paid to the ESOP trust of ¥4 million, since the Bank's shares owned by ESOP trust is treated as treasury stock.
2. The total dividends resolved by the Board of Directors meeting on November 12, 2012 do not include the dividends paid to the ESOP trust of ¥1 million, since the Bank's shares owned by ESOP trust is treated as Treasury stock.

Dividends with record dates on or before March 31, 2014 and effective dates after April 1, 2014 were as follows:

Date of Approval	Type of Shares	Total Dividends (¥ million)	Source of Dividends	Dividend Per Share	Dividend Record Date	Effective Date
General Meeting of Shareholders on June 23, 2014	Common Stock	1,008	Other Retained Earnings	¥4.00	March 31, 2014	June 24, 2014

Dividends with record dates on or before March 31, 2013 and effective dates after April 1, 2013 were as follows:

Date of Approval	Type of Shares	Total Dividends (¥ million)	Source of Dividends	Dividend Per Share	Dividend Record Date	Effective Date
General Meeting of Shareholders on June 24, 2013	Common Stock	829	Other Retained Earnings	¥3.25	March 31, 2013	June 25, 2013

14. Cash and Cash Equivalents

A reconciliation between Cash and due from banks in the consolidated balance sheets at March 31, 2014 and 2013, and Cash and cash equivalents in the consolidated statements of cash flows for the years then ended was as follows:

	Millions of Yen	
March 31	**2014**	2013
Cash and due from banks	**¥1,093,424**	¥455,684
Ordinary due from banks	**(119)**	(198)
Other	**(249)**	(223)
Cash and cash equivalents	**¥1,093,054**	¥455,261

15. Deferred Income Taxes

The major components of deferred tax assets and liabilities at March 31, 2014 and 2013 were summarized as follows:

	Millions of Yen	
March 31	**2014**	2013
Deferred tax assets:		
Allowance for loan losses	**¥ 5,312**	¥ 6,030
Provision for retirement benefits	**—**	3,905
Net defined benefit liability	**4,624**	—
Depreciation	**1,315**	1,364
Revaluation reserve for land	**2,169**	2,169
Others	**3,883**	4,754
Valuation allowance	**(3,750)**	(4,330)
Total deferred tax assets	**13,554**	13,892
Deferred tax liabilities:		
Revaluation reserve for land	**(3,611)**	(3,698)
Valuation difference on available-for-sale securities	**(8,673)**	(9,531)
Others	**(18)**	(18)
Total deferred tax liabilities	**(12,303)**	(13,248)
Net deferred tax assets	**¥ 1,251**	¥ 643

The following summarized the significant differences between the statutory tax rate and the Bank's effective tax rate for the years ended March 31, 2014 and 2013:

Year ended March 31	**2014**	2013
Statutory tax rate	**—%**	37.4%
Non-deductible expenses	**—**	0.7
Non-taxable dividend income	**—**	(1.2)
Per capita inhabitant taxes	**—**	0.3
Valuation allowance	**—**	2.6
Others	**—**	0.5
Effective tax rate	**—%**	40.5%

The note for the year ended March 31, 2014 was omitted, because the difference between the statutory tax rate and the Bank's effective tax rate in the consolidated statement of income was less than or equal to 5% of the statutory tax rate.

(Revisions to amounts of deferred tax assets and deferred tax liabilities due to change in rate of income taxes)
The "Act for Partial Amendment to the Income Tax Act" was promulgated on March 31, 2014 and, as a result, the Bank is no longer subject to the Special Reconstruction Corporation Tax effective for year beginning on and after April 1, 2014. Accordingly, the effective statutory tax rate used to measure the Bank's deferred tax assets and liabilities was changed from 37.4% to 35.0% for the temporary differences to be settled from year beginning April 1, 2014.

As a result of this change, deferred tax assets decreased by ¥323 million and income taxes-deferred increased by ¥323 million.

16. Retirement Benefits

The Bank and its consolidated subsidiaries have a corporate pension fund plan and a lump-sum retirement payment plan (transferred from the welfare pension fund system on October 1, 2004) as defined benefit plans.

The Bank's consolidated subsidiaries adopt the simplified method for calculating net defined benefit liability and net pension cost.

On April 1, 2014 (the Date of Enforcement), the Bank has revised its retirement benefit plans whereby a part of the future payments of defined benefit plans transferred to defined contribution plans, and accounted for the transfer in accordance with the "Guidance on Accounting for Transfer between Retirement Benefit Plans" (ASBJ Guidance No. 1).

Year ended March 31, 2014

A. Defined benefit plans (included the companies that apply simplified method)

(i) Change in retirement benefit obligation

	Millions of Yen
Balance at beginning of the year	**¥35,367**
Service cost	**1,056**
Interest cost	**352**
Actuarial gain	**(13)**
Benefit paid	**(1,484)**
Prior service cost	**(1,005)**
Others	**—**
Balance at end of year	**¥34,272**

(ii) Change in plan assets

	Millions of Yen
Balance at beginning of the year	**¥19,885**
Expected return on plan assets	**396**
Actuarial gain	**918**
Employer contributions	**691**
Benefit paid	**(811)**
Others	**—**
Balance at end of year	**¥21,080**

(iii) Retirement benefit obligation and plan assets at end of the year and reconciliation of net defined benefit liability and net defined benefit asset recognized in the consolidated balance sheet

	Millions of Yen
Funded retirement benefit obligation	**¥ 25,001**
Plan assets	**(21,080)**
	3,921
Unfunded retirement benefit obligation	**9,271**
Amount of liability, net of asset, recognized in consolidated balance sheet	**13,192**
Net defined benefit liability	**13,192**
Net defined benefit asset	**—**
Amount of liability, net of asset, recognized in consolidated balance sheet	**¥ 13,192**

(iv) Net pension cost and its breakdown

	Millions of Yen
Service cost	**¥1,056**
Interest cost	**352**
Expected return on plan assets	**(396)**
Amortization of actuarial loss	**398**
Amortization of prior service cost	**(27)**
Others	**—**
Net pension cost	**¥1,383**

(v) Remeasurements of defined benefit plans
The components of items recognized in remeasurements of defined benefit plans (before tax effect) were as follows:

	Millions of Yen
Unrecognized prior service cost	**¥ (977)**
Unrecognized actuarial gain	**3,167**
Total	**¥2,190**

(vi) Plan assets
(a) Percentage by major category of plans assets was as follows:

General account of life insurance companies	**44%**
Equities	**28%**
Bonds	**23%**
Others	**5%**
Total	**100%**

(b) Basis of long-term expected rate of return on plan assets

In determining long-term expected rate of return on plan assets, the Group considers the current and projected plan asset allocations, as well as current and future long-term rate of returns expected from various categories of the plan assets.

(vii) Actuarial assumptions

Actuarial assumptions as of March 31, 2014 was as follows:

Discount rate	**1.0%**
Long-term expected rate of return on plan assets	**2.0%**

B. Defined contribution pension plans

None

On April 1, 2014 (the Date of Enforcement), the Bank has transferred part of the future payments of defined benefit pension plans to defined contribution plans.

Year ended March 31, 2013

(a) Retirement benefit obligation

	Millions of Yen
Year ended March 31	2013
Retirement benefit obligation	¥(35,367)
Plan assets at fair value	19,885
Unfunded retirement benefit obligation	(15,481)
Unrecognized actuarial loss	4,497
Net retirement benefit obligation	(10,984)
Prepaid pension cost	—
Provision for retirement benefits	¥(10,984)

(b) Net pension cost

	Millions of Yen
Year ended March 31	2013
Service cost	¥ 912
Interest cost	623
Expected return on plan assets	(369)
Amortization of prior service cost	—
Amortization of actuarial loss	296
Net pension cost	¥1,463

(c) Actuarial assumptions and basis of calculation to determine costs and benefit obligation

Year ended March 31	2013
(i) Assumed discount rate	1.0%
(ii) Expected rate of return on plan assets	2.0%

(iii) Method of attributing expected retirement benefits to periods: Straight-line basis

(iv) Amortization of prior service cost

Prior service cost is amortized using the straight-line method over a period of 3 years within the average remaining service period of active employees when incurred.

(v) Amortization of actuarial loss

Actuarial loss is amortized from the succeeding year using the straight-line method over a period of 10 years within the average remaining service period of active employees at year of the occurrence.

17. Per Share Information

Net assets per share as of March 31, 2014 and 2013 and net income per share for the years ended March 31, 2014 and 2013 were as follows:

	Yen	
As of March 31	**2014**	2013
Net assets per share	**¥665.09**	¥643.28
Net income per share	**36.26**	25.06

Note 1: The bases for the computation of net assets per share are set out below.

	Millions of Yen / Thousands of Shares	
As of or year ended March 31	**2014**	2013
Total net assets	**¥167,820**	¥164,272
Deduction from total net assets:	**223**	217
Minority interests	**223**	217
Net assets related to common stock	**167,596**	164,055
Number of common stock used to calculate net assets per share	**251,989**	255,029

As described in “Changes in accounting policies”, the Bank and certain consolidated subsidiaries have adopted the Retirement Benefit Standard, etc. and the transitional provisions set forth in Paragraph 37 of the Retirement Benefit Standard is applied.

As a result, net assets per share decreased by ¥5.65 at March 31, 2014.

Note 2: The bases for the computation of net income per share are set out below.

	Millions of Yen / Thousands of Shares	
Year ended March 31	**2014**	2013
Net income	**¥ 9,157**	¥ 6,378
Amounts not attributable to common shareholders	**—**	—
Net income related to common stock	**9,157**	6,378
Weighted average number of common stock during the year	**252,495**	254,502

18. Leases

Lessee:

Finance lease transactions other than those in which the lease is deemed to transfer ownership of the leased property to the lessee are accounted for as operating lease transactions at March 31, 2014 and 2013 were summarized as follows:

	Millions of Yen	
March 31	**2014**	2013
Amounts equivalent to acquisition costs:		
Tangible fixed assets	**¥35**	¥80
Amounts equivalent to accumulated depreciation:		
Tangible fixed assets	**¥34**	¥71
Amounts equivalent to net carrying amount:		
Tangible fixed assets	**¥ 0**	¥ 8

Lease payment relating to finance leases accounted for as operating leases amounted to ¥9 million and ¥22 million for the years ended March 31, 2014 and 2013, respectively.

The amount equivalent to depreciation related to leased assets has been computed using the straight-line method over the lease terms and amounted to ¥7 million and ¥19 million for the years ended March 31, 2014 and 2013, respectively.

The amount equivalent to interest expense related to leased assets amounted to ¥0 million and ¥1 million for the years ended March 31, 2014 and 2013, respectively.

The amount of anticipated finance lease payments at March 31, 2014 and 2013 are as follows:

At March 31, 2014	Millions of Yen
2015	**¥ 1**
2016 and Thereafter	**—**
Total	**¥ 1**

At March 31, 2013	Millions of Yen
2014	¥8
2015 and Thereafter	1
Total	¥9

19. Financial Instruments and Related Disclosure

(a) Overall situation concerning financial instruments

(1) Policy for financial instruments

The Group provides banking and other financial operations including lease business. Funds raised from these operations are used primarily to offer commercial and mortgage loans and to invest in marketable securities. The Group's primary funding sources are deposits, but it may also borrow funds in the financial markets to meet day-to-day, short-term funding needs. As a result, it holds financial assets and liabilities whose economic values fluctuate with interest rate changes. To minimize adverse effects of interest rate fluctuations, an asset-liability management (ALM) system is in place to ensure comprehensive management of assets and liabilities with various durations under different market conditions. In addition, the Group engages in interest rate-, currency-, and bond- related transactions as derivative transactions which include transactions for the purpose of hedging and transactions for the purpose other than hedging.

(2) Nature and extent of risks arising from financial instruments

Financial assets held by the Group consist mainly of loans extended to business entities and individuals in Japan, which entail credit risk, where difficulty occurs in recovering the principal amounts of loans and interests thereon due to borrowers' bankruptcy or deteriorating business. General economic conditions in Fukushima Prefecture, the Group's primary geographical area of operations, may also exert adverse impact on borrowers' businesses and values of collaterals pledged. Marketable securities in which the Group invests are primarily bonds and equity shares, which subject the Group to credit risk (deterioration of financial conditions of issuers) and market risk (fluctuations in interest rates and prices).

The Group also faces liquidity risk in connection with borrowed funds and call money, that is, the Group might find it difficult to honor promises of payment on due dates if it cannot tap into financial markets to raise needed funds under certain environments. Moreover, the Group's borrowings are based on variable rates, which expose the Group to risks associated with interest rate fluctuations.

Aside from derivative instruments (i.e., interest rate and currency swaps) distributed directly to customers, the Group may enter into interest rate swaps as a part of its ALM operations to hedge its borrowings. Derivative transactions qualified for hedge accounting are accounted for separately using the hedge accounting standards. To secure foreign-currency denominated funds for currency-related services, the Group may utilize foreign exchange forward contracts and bond options trading at over-the-counter to increase interest income, which come with inherent market risk (risk of losses by the Group if interest rates and foreign exchange make adverse movements) and credit risk (risk of losses by the Group in the event of default by the counterparty). The Group is not engaged in leveraged derivative transactions with large volatility of the contract's fair value out of proportion to the price fluctuation of the underlying asset.

(3) Risk management system for financial instruments

(i) To manage credit risk, the Group has established credit risk management rules and a framework governing credit review required for each loan, credit limits, internal credit ratings, guarantees and collaterals in addition to procedures to deal with problem loans. The state of such risk and risk management is periodically reported to the Board of Directors upon examination by the ALM Committee.

Credit risk associated with issuers of marketable securities and counterparty risk relating to derivative transactions are managed by periodic monitoring of credit ratings and fair value.

(ii) The Group manages market risk (interest rate risk, price fluctuation risk and foreign exchange risk) as part of its ALM operations, which, among others, calls for quantification of various risks, risk limits to be set within a manageable scope in line with the Group's financial strength, and proper risk distribution to secure optimized profits. Risk management techniques and procedures used by the Group for the market risks are stipulated in the Group's market risk management rules. They include Value at Risk (VaR), asset-liability analyses by maturity, interest rate sensitivity analyses, and simulated risk analyses to assess potential impact of interest rate fluctuations from various angles. To reduce price fluctuation risk, the rules require a limit on the amount of securities to be held and a stop-loss level to be set up for each type of securities. In addition, ALM guidelines are prepared every six months, and the ALM Committee conducts reviews and examinations. The status of exposure to risks and the results of risk management activities are reported periodically to the Board of Directors upon examination by the ALM Committee.

To calculate VaR for the market risk, the variance-covariance method (holding period varies from one month to one year, depending on risk categories such as interest rates and shares, confidence level of 99%, observation period of combination of both 1 and 5 years) has been adopted. At March 31, 2014, the Group's market risk quantity (estimated loss) in total is ¥53,139 million. This measure is for the Bank alone, since outstanding balance and sensitivity of the consolidated subsidiaries' financial assets and liabilities are considered insignificant.

The Group conducts back test to compare the actual income to VaR calculated by the model in order to verify the model. As a result of back test conducted, the Group concludes the model captures the market risk with sufficient accuracy. However, VaR is a statistic measure of market risk quantity based on the past fluctuations of market and certain probability of occurrence. It may not be possible to capture the risk if the market fluctuates rapidly, under extraordinary circumstances.

For derivative transactions, an internal control framework is in place by separating the execution team, the team responsible for assessing effectiveness of transactions as hedging instruments and the back office from one another. The quantified risks, aggregate size of derivative transactions and the results of profit/loss revaluation are reported to the ALM Committee on a monthly basis. The state of risk and risk management is reported periodically to the Board of Directors upon examination by the ALM Committee.

(iii) To control liquidity risk, the Group, having formulated its liquidity risk management rules, conducts daily analyses of the status of funding and the results of fund management activities, in addition to periodic funding tolerance checks under diverse scenarios. The status of exposure to risks and the results of risk management activities are reported periodically to the Board of Directors upon examination by the ALM Committee.

(4) Supplemental explanation for fair value of financial instruments

Financial instruments are stated at amounts based on market prices or reasonably computed amounts in the case of the absence of observable market prices. The computation of the amounts thereof is based on certain assumptions. Therefore, the amounts derived may differ if other assumptions are used.

(b) Fair value of financial instruments

The amount shown on the consolidated balance sheets, the corresponding fair value and their difference as of March 31, 2014 and 2013 for each financial instrument category are provided below. It should be noted that non-listed shares for which fair value is extremely difficult to obtain are not included in the following tables (see Note 2). Also items whose account balance on the consolidated balance sheets are immaterial are not included in the following disclosure.

	Millions of Yen		
March 31, 2014	Book value	Fair value	Difference
(1) Cash and due from banks	¥1,093,424	¥1,093,424	¥ —
(2) Call loans and bills bought	96,059	96,059	—
(3) Trading account securities	379	379	—
(4) Securities:			
Held-to-maturity securities	—	—	—
Available-for-sale securities	1,489,648	1,489,648	—
(5) Loans and bills discounted	2,638,929		
Allowance for loan losses (*1)	(17,272)		
	2,621,657	2,654,552	32,894
Total assets	¥5,301,169	¥5,334,064	¥32,894
(1) Deposits	¥4,724,430	¥4,724,646	¥ 215
(2) Negotiable certificates of deposits	400,326	400,326	—
Total liabilities	¥5,124,757	¥5,124,973	¥ 215
Derivative transactions (*2):			
Hedge accounting is not applied	¥ (124)	¥ (124)	¥ —
Hedge accounting is applied	32	32	—
Total derivative transactions	¥ (92)	¥ (92)	¥ —

March 31, 2013	Millions of Yen Book value	Fair value	Difference
(1) Cash and due from banks	¥ 455,684	¥ 455,684	¥ —
(2) Call loans and bills bought	325,783	325,783	—
(3) Trading account securities	780	780	—
(4) Securities:			
Held-to-maturity securities	10,299	10,444	144
Available-for-sale securities	1,329,117	1,329,117	—
(5) Loans and bills discounted	2,466,952		
Allowance for loan losses (*1)	(19,702)		
	2,447,249	2,482,213	34,963
Total assets	¥4,568,915	¥4,604,023	¥35,108
(1) Deposits	¥4,068,077	¥4,068,449	¥ 371
(2) Negotiable certificates of deposits	366,508	366,508	0
Total liabilities	¥4,434,586	¥4,434,957	¥ 371
Derivative transactions (*2):			
Hedge accounting is not applied	¥ (440)	¥ (440)	¥ —
Hedge accounting is applied	—	—	—
Total derivative transactions	¥ (440)	¥ (440)	¥ —

(*1) Allowance for loan losses (general reserve) and allowance for loan losses (case-specific reserve) provided for loans are deducted to compare with the corresponding fair value.

(*2) The derivative transactions reported under "Other assets" and "Other liabilities" in the consolidated balance sheets are stated on a net basis in the above table.

Net credit/debit arising from derivative transactions is stated on a net basis, and accounts with net debits in the aggregate are indicated by parentheses.

(Note 1) Valuation method of financial instruments

Assets

(1) Cash and due from banks

Cash and due from banks with no maturities is stated at the book value, since the book value approximates fair value. Cash and due from banks with set maturities is carried at the present value of future cash flows estimated by maturity category that are discounted at the assumed interest rate applicable to new deposits at the balance sheet date.

(2) Call loans and bills bought

They are due within one year and are stated at the book value, which approximates fair value.

(3) Trading account securities

The bonds and other securities, including government and municipal/public bonds held as sales agents thereof, are stated at the value announced by Japan Securities Dealers Association or quoted by financial institutions with which the Bank transacts business.

(4) Securities

Equity shares are stated at prices quoted in applicable stock exchanges, and bonds are stated at the value announced by Japan Securities Dealers Association. Investment trusts are stated at the publicized base prices or the base prices quoted by financial institutions with which the Bank transacts business. Investments in associations, if the fair value of assets held by such associations is obtainable, are stated at fair value on a pro rata basis in proportion of the Group's interests held in such associations' net assets. The fair value of privately placed bonds guaranteed by the Bank is computed in a manner similar to the loans described below.

(5) Loans and bills discounted

Loans are grouped by type and internal credit rating, and the fair value of a group of loans is computed by discounting the aggregate principal/interest amount by the theoretical value of an interest rate that reflects the expected loss rate of each borrower's category. For loans due within one year, the book value is stated as the fair value, since the book value is presumed to approximate the fair value.

The fair value of the loans to which the special accounting treatment of hedge accounting for interest rate swaps is applied is evaluated together with their hedging instruments (i.e., interest rate swaps). For loans extended to bankrupt, effectively bankrupt and potentially bankrupt borrowers, estimated loss given default are computed based on expected recoverable amounts through the disposal of the collaterals and execution of guarantees. Therefore, their fair values are stated at the amounts derived by subtracting the estimated loss given default from the carrying amounts of loans as of the consolidated balance sheet date, since the book value is presumed to approximate the fair value.

Loans with no stated maturities, such as loan facilities where loans are provided within a certain limit determined by pledged collateral value, are stated at their book values, as the book value is presumed to approximate fair value, based on the expected repayment periods, interest rate conditions and other terms and conditions.

Liabilities

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

Demand deposits are stated at amounts payable (i.e., book value if demanded on the consolidated balance sheet date). To arrive at the fair value of time deposits and others, deposits are grouped by deposit type, and the present value of expected future cash flows for each such group is computed by discounting the total of principals and interests. Discount rates applied are those applicable to new deposits accepted by the Bank at the balance sheet date. For deposits and certificates of deposits due within one year, they are stated at their book values, which are presumed to approximate the fair values.

Derivative transactions

Derivative transactions include interest rate swaps, currency swaps and foreign exchange forward contracts. They are stated at the prices at exchanges or at prices computed from their discounted present values, among others.

(Note 2) The fair values of the following financial products are extremely difficult to determine and, therefore, are not included in "Assets (4) Available-for-sale securities."

March 31	Millions of Yen 2014	2013
(i) Non-listed shares(*1)(*2)	¥2,530	¥2,198
(ii) Investments in associations(*3)	34	34
Total	¥2,564	¥2,233

(*1) The fair values of non-listed shares, which have no readily available market prices, are extremely difficult to determine. Therefore, they are excluded from fair-value disclosure.

(*2) Impairment loss on non-listed shares in the amount of ¥16 million and ¥2 million was posted for the years ended March 31, 2014 and 2013, respectively.

(*3) For investments in associations, assets included in the asset portfolios of such associations are excluded from fair-value disclosure, if the fair values of such assets, including real estate, are extremely difficult to determine.

(Note 3) Maturity analysis for claims and securities with contractual maturities subsequent to March 31, 2014 and 2013

March 31, 2014	Millions of Yen Due in 1 Year or Less	Due in 1 to 3 Years	Due in 3 to 5 Years	Due in 5 to 7 Years	Due in 7 to 10 Years	Due after 10 Years
Due from banks	¥1,045,818	¥ —	¥ —	¥ —	¥ —	¥ —
Call loans	96,059	—	—	—	—	—
Securities:	202,565	422,413	515,679	41,764	248,814	202
Held-to-maturity securities	—	—	—	—	—	—
National government bonds in them	—	—	—	—	—	—
Available-for-sale securities with maturity	202,565	422,413	515,679	41,764	248,814	202
National government bonds in them	71,232	187,167	162,712	—	201,786	—
Local government bonds in them	21,915	61,780	136,678	21,636	10,190	—
Corporate bonds in them	54,781	120,818	171,747	20,127	14,500	201
Loans(*)	665,203	553,216	408,319	232,897	295,157	376,803
Total	¥2,009,647	¥975,630	¥923,998	¥274,661	¥543,972	¥377,005

(*) Loans that are unlikely to be redeemed, such as to bankrupt, effectively bankrupt, and potentially bankrupt of ¥41,658 million, loans with no stated maturities of ¥65,672 million are not included.

March 31, 2013	Millions of Yen Due in 1 Year or Less	Due in 1 to 3 Years	Due in 3 to 5 Years	Due in 5 to 7 Years	Due in 7 to 10 Years	Due after 10 Years
Due from banks	¥ 413,051	¥ —	¥ —	¥ —	¥ —	¥ —
Call loans	325,783	—	—	—	—	—
Securities:	116,314	381,954	425,528	106,143	259,728	137
Held-to-maturity securities	10,299	—	—	—	—	—
National government bonds in them	10,299	—	—	—	—	—
Available-for-sale securities with maturity	106,014	381,954	425,528	106,143	259,728	137
National government bonds in them	50,201	168,622	150,527	57,624	227,240	—
Local government bonds in them	12,404	60,909	84,416	20,681	21,470	—
Corporate bonds in them	31,444	104,164	144,470	27,837	9,945	—
Loans(*)	664,833	511,665	383,178	209,061	241,856	342,228
Total	¥1,519,982	¥893,619	¥808,706	¥315,204	¥501,585	¥342,366

(*) Loans that are unlikely to be redeemed, such as to bankrupt, effectively bankrupt, and potentially bankrupt of ¥51,459 million, loans with no stated maturities of ¥62,668 million are not included.

(Note 4) Maturity analysis for interest bearing liabilities subsequent to March 31, 2014 and 2013

	Millions of Yen					
March 31, 2014	Due in 1 Year or Less	Due in 1 to 3 Years	Due in 3 to 5 Years	Due in 5 to 7 Years	Due in 7 to 10 Years	Due after 10 Years
Deposits(*)	**¥4,512,778**	**¥177,173**	**¥34,449**	**¥15**	**¥13**	**¥—**
Negotiable certificates of deposit	**400,326**	**—**	**—**	**—**	**—**	**—**
Total	**¥4,913,105**	**¥177,173**	**¥34,449**	**¥15**	**¥13**	**¥—**

(*) Demand deposits are disclosed under "Due in 1 year or Less".

	Millions of Yen					
March 31, 2013	Due in 1 Year or Less	Due in 1 to 3 Years	Due in 3 to 5 Years	Due in 5 to 7 Years	Due in 7 to 10 Years	Due after 10 Years
Deposits(*)	¥3,869,942	¥167,623	¥30,479	¥17	¥14	¥—
Negotiable certificates of deposit	366,469	39	—	—	—	—
Total	¥4,236,411	¥167,663	¥30,479	¥17	¥14	¥—

(*) Demand deposits are disclosed under "Due in 1 year or Less".

20. Fair Value Information

The tables below represent the securities and trading account securities:

(a) Trading account securities

	Millions of Yen	
March 31	**2014**	2013
Realized gain included in earnings	**¥0**	¥0

(b) Held-to-maturity securities

	Millions of Yen	
March 31	**2014**	2013
National government bonds		
Carrying amount	**¥—**	¥10,299
Fair value	**—**	10,444
Net unrealized gain/(loss)	**—**	144
Gross unrealized gain	**—**	144
Gross unrealized loss	**—**	—

(c) Available-for-sale securities

	Millions of Yen		
March 31, 2014	Carrying Amount	Acquisition Cost	Net Unrealized Gain/(Loss)
Securities with their carrying amount over their acquisition cost:			
Corporate stock	**¥ 30,095**	**¥ 18,658**	**¥11,437**
Bonds:	**1,134,446**	**1,122,948**	**11,497**
National government	**612,937**	**606,124**	**6,813**
Local government	**201,892**	**200,045**	**1,847**
Corporate	**319,616**	**316,779**	**2,837**
Other	**135,740**	**132,033**	**3,707**
Sub-total	**1,300,283**	**1,273,640**	**26,642**
Securities with their carrying amount below their acquisition cost:			
Corporate stock	**8,726**	**9,875**	**(1,149)**
Bonds:	**122,832**	**123,018**	**(186)**
National government	**9,962**	**9,968**	**(6)**
Local government	**50,309**	**50,362**	**(53)**
Corporate	**62,560**	**62,686**	**(125)**
Other	**57,806**	**58,008**	**(201)**
Sub-total	**189,365**	**190,902**	**(1,537)**
Total	**¥1,489,648**	**¥1,464,543**	**¥25,105**

	Millions of Yen		
March 31, 2013	Carrying Amount	Acquisition Cost	Net Unrealized Gain/(Loss)
Securities with their carrying amount over their acquisition cost:			
Corporate stock	¥ 30,690	¥ 21,723	¥ 8,966
Bonds:	1,075,110	1,058,698	16,412
National government	610,505	600,141	10,364
Local government	186,163	183,747	2,416
Corporate	278,441	274,809	3,632
Other	103,215	99,206	4,008
Sub-total	1,209,016	1,179,628	29,387
Securities with their carrying amount below their acquisition cost:			
Corporate stock	4,715	5,512	(796)
Bonds:	96,849	97,483	(633)
National government	43,711	44,154	(443)
Local government	13,718	13,740	(22)
Corporate	39,420	39,588	(167)
Other	18,535	19,008	(472)
Sub-total	120,101	122,004	(1,902)
Total	¥1,329,117	¥1,301,632	¥27,484

(d) Available-for-sale securities sold

	Millions of Yen		
March 31, 2014	Proceeds from Sales	Realized Gain	Realized Loss
Corporate stock	**¥ 4,235**	**¥ 924**	**¥ 58**
Bonds:	**384,467**	**2,993**	**600**
National government	**384,387**	**2,993**	**600**
Local government	**—**	**—**	**—**
Corporate	**80**	**—**	**—**
Other	**5,609**	**516**	**0**
Total	**¥394,313**	**¥4,434**	**¥659**

	Millions of Yen		
March 31, 2013	Proceeds from Sales	Realized Gain	Realized Loss
Corporate stock	¥ 3,222	¥ 571	¥ 949
Bonds:	159,430	4,699	529
National government	159,153	4,699	161
Local government	—	—	—
Corporate	277	0	367
Other	1,183	—	0
Total	¥163,836	¥5,271	¥1,478

(e) Securities with their classification changed to others

None

(f) Loss on impairment

Certain "Available-for-sale securities" with fair value are stated at fair value on the consolidated balance sheets, and the difference between the acquisition cost and the fair value is recognized as a loss ("impairment loss") for the consolidated year, if the fair value has significantly deteriorated compared with the acquisition cost and if it is further concluded that there would be little possibility of the recovery in fair value to the acquisition cost.

There was no loss on impairment for the year ended March 31, 2014. The loss on impairment in the amount of ¥2,741 million was recognized in corporate stocks for the year ended March 31, 2013.

The criteria for determining whether the decline in the fair value is "significantly deteriorated" are as follows: Individual securities whose fair values are 50% or less of the acquisition cost at the end of the consolidated year (or interim period), or securities whose fair values exceed 50% but are 70% or less of the acquisition prices and whose past share price movements for certain set periods, and the issuers' business conditions indicate little prospect of recovery in their fair value.

(g) Valuation difference on available-for-sale securities

March 31, 2014	Millions of Yen
Unrealized gain before income tax effect and minority interests adjustments	**¥25,105**
Available-for-sale securities	**25,105**
Less: deferred tax liabilities	**8,673**
Unrealized gain before minority interests adjustment	**16,431**
Less: minority interests	**—**
Equity of unrealized gain on available-for-sale securities:	
Owned by affiliates that are accounted for under the equity method	**16**
Valuation difference on available-for-sale securities	**¥16,448**

March 31, 2013	Millions of Yen
Unrealized gain before income tax effect and minority interests adjustments	¥27,484
Available-for-sale securities	27,484
Less: deferred tax liabilities	9,531
Unrealized gain before minority interests adjustment	17,952
Less: minority interests	—
Equity of unrealized gain on available-for-sale securities:	
Owned by affiliates that are accounted for under the equity method	12
Valuation difference on available-for-sale securities	¥17,965

(h) Investments in affiliates

Securities in the Assets section included investments in affiliates of ¥1,054 million of ¥763 million at March 31, 2014 and 2013, respectively.

(i) Unsecured loaned securities

Unsecured loaned securities, which borrowers have the right to sell or pledge in the amount of ¥30,181 million and of ¥20,107 million at March 31, 2014 and 2013, respectively, were included in National government bonds.

21. Money held in trust

Money held in trust at March 31, 2014 and 2013 consisted of the following:

(a) Money held in trust for trading purpose

	Millions of Yen	
March 31	**2014**	2013
Carrying amount	**¥5,006**	¥26,706
Realized gain included in earnings	**—**	—

(b) Money held in trust owned for other purposes

	Millions of Yen	
March 31	**2014**	2013
Carrying amount	**¥5,373**	¥4,118
Acquisition cost	**5,373**	4,118
Net unrealized gain/(loss)	**—**	—
Gross unrealized gain	**—**	—
Gross unrealized loss	**—**	—

22. Derivatives

(a) Derivatives transactions to which hedge accounting is not applied

The contract amount at the consolidated balance sheet date or the notional amount as stipulated in contracts for each transaction type as well as fair value, net gains or losses, and methods used for deriving the fair value are indicated below. It should be noted that the size of the contract amount or any other monetary amount does not, by and in itself, serve as an indicator of market risks associated with derivative transactions.

(1) Currency derivatives

March 31	Millions of Yen					
	2014			2013		
	Contract Amounts		Fair Value	Contract Amounts		Fair Value
	Total	Over 1 Year		Total	Over 1 Year	
Over-the-counter transactions:						
Currency swap	**¥10,796**	**¥9,226**	**¥ 4**	¥11,002	¥10,299	¥ 6
Forward exchange contracts:						
Sold	**33,232**	**—**	**(131)**	30,867	—	(446)
Bought	**321**	**—**	**1**	171	—	(0)
			¥(124)			¥(440)

(b) Derivatives transactions to which hedge accounting is applied

The contract amount or the contractual notional amount by transaction type and method of hedge accounting, fair value, net gains or losses at the balance sheet date as well as the methods used for deriving the fair value are summarized below. It should be noted that the size of the contract amount or any other monetary amount does not, by and in itself, serve as an indicator of market risks associated with derivative transactions.

(1) Interest-rate derivatives

		Millions of Yen		
		Contract Amounts		Fair Value
March 31, 2014	Main objective for hedge	Total	Over 1 Year	
Special treatment for interest rate swaps:				
Interest-rate swaps:				
Receivable floating/payable fixed	Loans to borrowers	**¥51,755**	**¥36,359**	**(*)**

(*) As interest swaps subject to special treatment are accounted for synthetic products of swaps and hedged loans, their fair values are included in the fair values of the hedged loans in "19. Financial Instruments and Related Disclosure".

		Millions of Yen		
		Contract Amounts		Fair Value
March 31, 2013	Main objective for hedge	Total	Over 1 Year	
Special treatment for interest rate swaps:				
Interest-rate swaps:				
Receivable floating/payable fixed	Loans to borrowers	¥55,713	¥51,755	(*)

(*) As interest swaps subject to special treatment are accounted for synthetic products of swaps and hedged loans, their fair values are included in the fair values of the hedged loans in "19. Financial Instruments and Related Disclosure".

(2) Currency derivatives

		Millions of Yen		
		Contract Amounts		Fair Value
March 31, 2014	Main objective for hedge	Total	Over 1 Year	
Principle method:				
Foreign exchange contracts:	foreign currency-denominated monetary claims, etc.	**¥20,605**	**¥—**	**¥32**

Note: In principle, deferred hedges are adopted in accordance with "Treatment of Accounting and Auditing Concerning Accounting for Foreign Currency Transactions in the Banking Industry" (JICPA Industry Audit Committee Report No. 25).

There were no currency derivatives transactions for the year ended March 31, 2013.

23. Other Comprehensive Income

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

	Millions of Yen	
March 31	**2014**	2013
Valuation difference on available-for-sale securities:		
Gain recognized during the year	**¥ 1,547**	¥19,110
Reclassification adjustment to net income	**(3,926)**	(1,058)
Amount before tax effect	**(2,379)**	18,052
Tax effect	**858**	(5,874)
Valuation difference on available-for-securities	**(1,520)**	12,177
Deferred gains or losses on hedges		
Gain recognized during the year	**0**	—
Reclassification adjustment to net income	**—**	—
Amount before tax effect	**0**	—
Tax effect	**0**	—
Deferred gains or losses on hedges	**0**	—
Revaluation reserve for land:		
Gain (loss) recognized during the year	**—**	—
Reclassification adjustment to net income	**—**	—
Amount before tax effect	**—**	—
Tax effect	**(1)**	—
Revaluation reserve for land	**(1)**	—
Share of other comprehensive income in affiliates accounted for by the equity method:		
Gain recognized during the year	**4**	4
Reclassification adjustment to net income	**—**	—
Share of other comprehensive income in affiliates accounted for by the equity method	**4**	4
Total other comprehensive income	**¥(1,517)**	¥12,182

24. Segment Information

(a) Segment information

Reportable segment information is omitted because the Group is engaged only in banking service and as "Other" in the Group's operating results was immaterial for the years ended March 31, 2014 and 2013.

(b) Related information

1. Information by services

Income regarding major services for the years ended March 31, 2014 and 2013 was as follows:

	Millions of Yen			
Year ended March 31, 2014	Lending	Securities and Investment	Other	Total
Ordinary income from external customers................	¥30,452	¥14,715	¥16,650	¥61,817

	Millions of Yen			
Year ended March 31, 2013	Lending	Securities and Investment	Other	Total
Ordinary income from external customers................	¥32,676	¥14,570	¥13,750	¥60,998

Note: ordinary income is stated in lieu of sales of general enterprises.

2. Geographical information

(i) Income

Income from external domestic customers exceeded 90% of total income on the consolidated statements of income for the years ended March 31, 2014 and 2013, therefore geographical income information are not disclosed.

(ii) Tangible fixed assets

The balance of domestic tangible fixed assets exceeded 90% of total balance of tangible fixed assets on the consolidated balance sheets as of March 31, 2014 and 2013, therefore geographical tangible fixed assets information are not disclosed.

3. Major customer information

It is difficult to reasonably determine the ratio of ordinary income for each major customer; therefore major customer information is not disclosed.

(c) Information on impairment of fixed assets for each reportable segment:

Reportable segment information is omitted because the Group is engaged only in banking service and as "Other" in the Group's operating results was immaterial for the years ended March 31, 2014 and 2013.

(d) Information on amortization of goodwill and its remaining balance for each reportable segment:

There is no information to be reported on amortization of goodwill and its remaining balance.

(e) Information related to gain on negative goodwill for each reportable segment:

There is no information to be reported for gain on negative goodwill.

25. Related Party Transactions

Related party transactions for the year ended March 31, 2014

(a) Transactions between the Bank and related parties

Transactions with executive officers of the Bank and major shareholders (limited to individual) and others:

Year ended March 31, 2014

Type	Name	Business	Voting share owner-ship (%)	Relation to the related party	Type of trans-action	Amount of trans-action (¥million)	Account name	Balance at March 31 2014 (¥million)
Director and close family members	Kiyoshi Hasegawa	Real estate rental	Nil	Creditor	Loans (Average) Interest received	60 1	Loans and bills discounted	58
	Toru Ito	Real estate rental	Nil	Creditor	Loans (Average) Interest received	141 2	Loans and bills discounted	159

Notes: 1. Mr. Kiyoshi Hasegawa and Mr. Toru Ito are the close family members of Toshiro Hasegawa, a board member of the Bank.

2. The terms and conditions, and the business decisions are determined and made in the same way as other ordinary business.

(b) Transactions between the Bank's consolidated subsidiaries and related parties

None

Related party transactions for the year ended March 31, 2013

(a) Transactions between the Bank and related parties

Transactions with executive officers of the Bank and major shareholders (limited to individual) and others:

Year ended March 31, 2013

Type	Name	Business	Voting share owner-ship (%)	Relation to the related party	Type of trans-action	Amount of trans-action (¥million)	Account name	Balance at March 31 2013 (¥million)
Director and close family members	Kiyoshi Hasegawa	Real estate rental	Nil	Creditor	Loans (Average) Interest received	63 1	Loans and bills discounted	61
	Toru Ito	Real estate rental	Nil	Creditor	Loans (Average) Interest received	139 2	Loans and bills discounted	137

Notes: 3. Mr. Kiyoshi Hasegawa and Mr. Toru Ito are the close family members of Toshiro Hasegawa, a board member of the Bank.
4. The terms and conditions, and the business decisions are determined and made in the same way as other ordinary business.

(b)Transactions between the Bank's consolidated subsidiaries and related parties

None

26. Subsequent Events

Business combination of subsidiary

Toho Information System Co., Ltd., which is the Bank's consolidated subsidiary, and the Toho Computer Service Co., Ltd., which is the Bank's affiliate accounted for by the equity method, have merged on April 1, 2014 (New company name: Toho Information System Co., Ltd.). The new company will continue to be the Bank's affiliate accounted for by the equity method.

(1) Outline of the business combination

(a) Designation and business of the business combination

(i) Surviving company

Company name: Toho Computer Service Co., Ltd. (the Bank's affiliate accounted for by the equity method)

Business: Computer operations

(ii) Merged company

Company name: Toho Information System Co., Ltd. (the Bank's consolidated subsidiary)

Business: Software development for electronic computers

(b) Major reason for the business combination

The merger between Toho Computer Service Co., Ltd., which specializes in computer data entry, and Toho Information System Co., Ltd., which specializes in system development, was conducted in view of a significant synergy between the two companies and effective use of management resources within the Group.

(c) Date of the business combination

April 1, 2014

(d) Legal form of the business combination

(i) The merger was an absorption-type merger where Toho Computer Service Co., Ltd. was the surviving company and Toho Information System Co., Ltd. was the dissolving company. Toho Computer Service Co., Ltd. changed its trade name to Toho Information System Co., Ltd.

(ii) For each share of Toho Information System Co., Ltd. common stock, 0.1 shares of Toho Computer Service Co., Ltd. common stock was allotted.

(iii) There was no cash payment upon the merger.

(2) Outline of accounting

The Bank accounted for based on the accounting procedures stipulated by the "Accounting Standard for Business Divestitures" (ASBJ Statement No. 7) and recognized ¥ 1 million of loss on change of equity.

(3) Name of the reportable segment which the subsidiary was included in the segment information

"Others"

(4) Estimated amount of gain on this subsidiary which has been recognized in the consolidated statements of income for the year ended March 31, 2014

(a) Ordinary income: ¥639 million

(b) Net income: ¥10 million

(5) Overview of the continuing involvement

The Bank has excluded the former Toho Information System Co., Ltd., from the scope of subsidiary, and the new Toho Information System Co., Ltd. is accounted for by the equity method as affiliate.

27. Supplementary schedule

(a) Schedule of bonds

None

(b) Schedule of borrowing and similar instruments

Category	Balance as of April 1, 2013 (Millions of Yen)	Balance as of March 31, 2014 (Millions of Yen)	Average interest rate (%)	Due date
Borrowed money:	¥31,460	¥33,500	0.72	—
Loans payable	31,460	33,500	0.72	From June 2014 to March 2024
Lease obligation:				
Due in one year or less	416	456	—	
Due after one year	1,174	1,048	—	From June 2014 to November 2023

Notes: 1. Average interest rate is stated at weighted average interest rate on the interest rate and balance as of March 31, 2014.
2. Average interest rate is not stated for lease obligations, since the lease obligations are recorded inclusive of the interest portion in the consolidated balance sheets.
3. The repayment schedule of loans payable and lease obligations for five years subsequent to March 31, 2014, is summarized as follows:

	Millions of Yen				
	Due in one year or less	Due after one year through two years	Due after two years through three years	Due after three years through four years	Due after four years through five years
Loans payable	¥6,900	¥ —	¥ —	¥ —	¥—
Lease obligation	456	424	377	147	71

Since banking business includes such operations as deposit taking, and raising/use of funds from the call money and bills market, the schedule of borrowing and similar instruments includes only "Borrowed money" and lease obligation included in "Other liabilities" in "Liabilities" of the consolidated balance sheets.

(c) Schedule of asset retirement obligations

Schedule of asset retirement obligations is omitted because the amount of asset retirement obligations at the beginning and the end of the year ended March 31, 2014 are both less than one percent of the total of liabilities and net assets as of then.

Report of Independent Auditors

Ernst & Young ShinNihon LLC

Independent Auditor's Report

The Board of Directors
The Toho Bank, Ltd.

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

Management's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

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

Convenience Translation

We have reviewed the translation of these consolidated financial statements into U.S. dollars, presented for the convenience of readers, and, in our opinion, the accompanying consolidated financial statements have been properly translated on the basis described in Note 3.

Ernst & Young ShinNihon LLC

June 16, 2014
Fukushima, Japan

A member firm of Ernst & Young Global Limited

Board of Directors and Auditors

President:
Seishi Kitamura

Senior Managing Director:
Takahiro Kato
Shinsuke Tanno

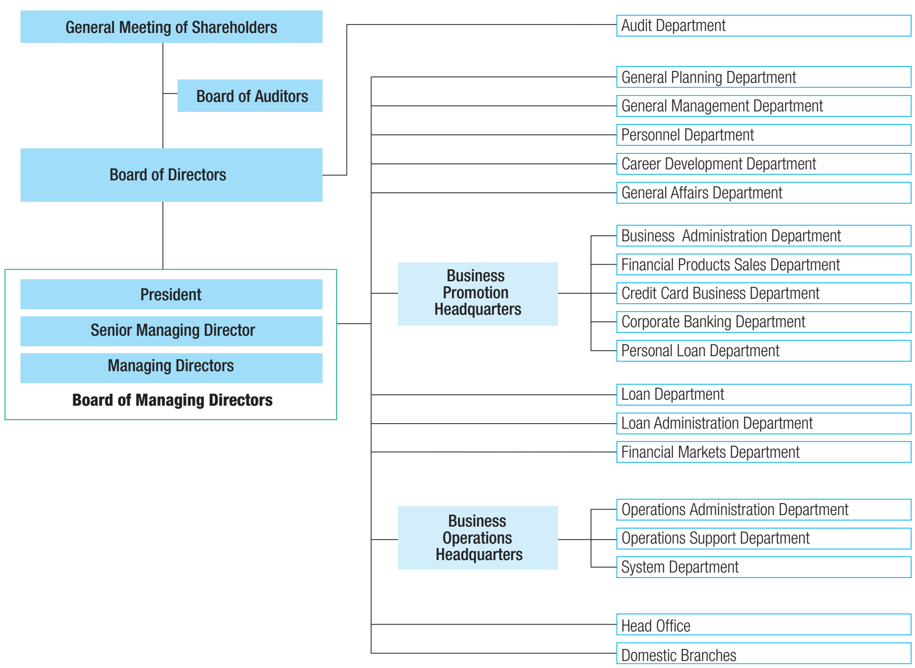
Managing Directors:
Masayuki Sakaji
Seiji Takeuchi
Kenichi Kogure
Satoshi Aji
Minoru Sato

Directors:
Atsushi Tsuchida
Katsuo Kato
Michio Sakai
Kazuaki Ishii
Hideho Suto
Shintaro Taguchi

Standing Auditors:
Kunio Ebata
Takao Endo

Auditors:
Hiroshi Fukuda
Hisako Murase
Kazufumi Ioki

Organization



Network

SUBSIDIARIES AND AFFILIATES

Name	*Line of Business*	*Established in*	*Capital (Millions of yen)*	*Bank's Share in Capital (%)*
Toho Smile, Co., Ltd.	Printing and binding of business forms, etc.	2012	30	100
The Toho Lease Co., Ltd.	Leasing	1985	60	5
The Toho Information System Co., Ltd.	Calculation operations and Developing software	1983	60	7.8
The Toho Credit Guarantee Co., Ltd.	Credit guaranteeing	1985	30	5
The Toho Card Co., Ltd.	Credit card	1985	30	5
The Toho Credit Service Co., Ltd.	Credit card	1990	30	5

(As of June 30, 2014)

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