

2015 ANNUAL REPORT

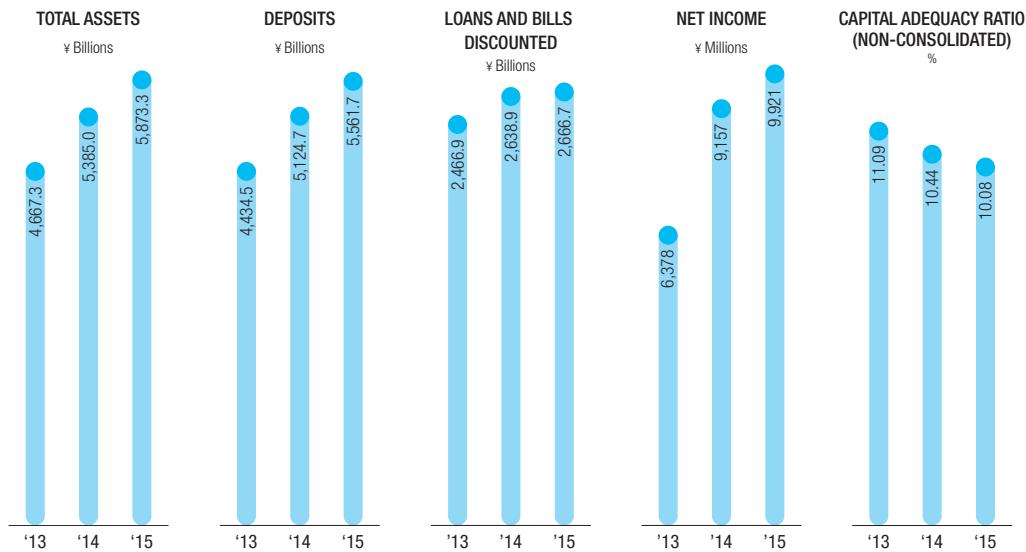
Year Ended March 31, 2015



THE TOHO BANK,LTD.

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 2015 we initiated our new medium-term management plan, "Toho Summit Plan," as an action program. Our goal is embodied as the slogan "Be Large, Strong, and Powerful 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, 2015, Toho Bank had total net assets of ¥186.2 billion (US\$1,550 million) and total assets of ¥5,873.3 billion (US\$48,875 million) (both figures on a consolidated basis), 2,002 employees, and a business network composed of 115 branches.



Contents

Message from the President.....	1
Financial Statements.....	3
Board of Directors and Auditors/Organization/Network.....	23

Message from the President

Financial and Economic Environment ☐

The Japanese economy during the fiscal year ended March 31, 2015 remained on a moderate recovery trend, with improved corporate earnings impelled mainly by the impacts of various government policies and the recovery of exports.

With regard to economic conditions in Fukushima Prefecture, public works spending related to recovery and reconstruction in the aftermath of the Great East Japan Earthquake continued to increase substantially and housing investment remained high. Personal consumption remained robust mainly on the back of improved employment and income conditions. Economic improvements within the prefecture thus remained on a steady recovery track.

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 4,379.16 yen from the end of the previous fiscal year, to 19,206.99 yen.

Business Development and Results ☐

Under these circumstances, Toho Bank continued to implement its "Toho Step-by-Step Plan," a medium-term management plan for the three-year period from fiscal 2012 to fiscal 2014, 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 the three basic policies of "Contributing to Fukushima in moving toward Reconstruction," "Steadily Implementing the Growth Strategy," and "Further Reinforcing the Business Structure" in fiscal 2014, the final year of the plan.

[Contributing to Fukushima in moving toward Reconstruction]

Toho Bank has made efforts to provide smooth funding sources and to revitalize the industry for reconstruction in the aftermath of the Great East Japan Earthquake, while proactively participating in businesses for assisting reconstruction.

In its drive to provide smooth funding sources and to revitalize the industry, Toho Bank has strengthened the provision of funding sources to areas that are expected to grow and has proactively met the fund demands of customers working on first or second start-ups through the "Toho Next Generation Start-up Support Fund" and other means. The Bank has also established the "Fukushima Reconstruction and Growth Support Fund" for customers developing business conducive to reconstruction and growth in the disaster areas. The Bank also started introducing "Investment-type Cloud Funding" services to procure business funds, etc. from individual investors through the Internet. Through these efforts, the Bank strove to diversify means to provide funding sources.

[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 reviewed various types of products and endeavored to develop its systems to meet customer requests in a speedy and flexible manner



President
Seishi Kitamura

through initiatives including introduction of an EBM (Event Based Marketing) system as a marketing method for providing the best products and services.

To support customers in their businesses, Toho Bank has been 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. In particular, Toho Bank received the "Bank of the Year Award (conclusion performance award)" from Nihon M&A Center Inc. and was highly evaluated for its efforts in mergers & acquisitions activities.

[Further Reinforcing the Business Structure]

In order to put Toho Bank's assets on a sound footing while contributing to the revitalization of the regional economy, the Bank has been strengthening relationships with customers and proactively strove to support management and business revitalization mainly by utilizing the Fukushima Industrial Recovery Corporation and the Corporation for Revitalizing Earthquake-affected Businesses.

Toho Bank has also established a system for granting shareholders free regular application fees when they purchase investment trusts, in addition to the current "Shareholders' complementary treatment: Gifts from Fukushima."

To train human resources who will go on to support the perpetual growth of the Bank and the development of the regional economy, Toho Bank expanded the Bank's original in-house training system, the "Toho University," and proactively dispatched trainees to financial institutions, etc. within and outside Japan. In its efforts to help employees balance their jobs and families, Toho Bank focused on creating a workplace environment more conducive to childcare by establishing "Toho Minna-no Kids Land," a childcare facility within the premise in Fukushima City, along with other measures.

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, 2015 are as described below.

[Deposits]

Thanks to significant increases in individual deposits and public deposits, etc., total deposits, including negotiable certificates of deposits, increased by ¥436.9 billion during the fiscal year and the balance at the end of the fiscal year was ¥5,561.7 billion.

[Loans and bills discounted]

Toho Bank has actively helped customers start businesses and inaugurate enterprises and widely met demand for funds, etc. related to renewable energy, medical industry and other growing fields, as well as funds for reconstruction in the aftermath of the Great East Japan Earthquake. As a result, loans and bills discounted increased by ¥27.8 billion during the fiscal year to ¥2,666.7 billion.

[Income/loss]

Income from the management of funds and net fees and commissions increased mainly thanks to a steady increase in the balance of loans and bills discounted and securities and a favorable increase in sales of investment trusts and life insurance. As a result, ordinary income increased by ¥2,699 million from the previous fiscal year to ¥64,516 million. In addition, mainly as a consequence of an increase in net gain on securities and the reversal of credit provisions, ordinary profit increased by ¥2,446 million from the previous fiscal year to ¥17,001 million. Net income increased by ¥764 million from the previous fiscal year to ¥9,921 million due to an increase in ordinary profit in spite of an increase in tax expenses of ¥1,000 million from the change in the effective tax rate.

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.

[Sports promotion activities]

To contribute to sports promotion in the region, Toho Bank sent the members of its track and field club to open athletic sports classes and held the "Fukushima Relays," a relay contest designed for elementary school, junior high school, and senior high school students at the "Toho Minna-no Stadium", the Prefectural Azuma Athletic Stadium for which Toho Bank acquired the naming rights.

[Education and culture support activities]

As an effort to assist financial education, the Bank continued to hold the "TOHO Financial Class for Parents and Children," a class designed for elementary school students, and a Fukushima prefectural tournament for "Economics Koshien," a quiz tournament in financial economics for senior high school students nationwide.

[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 and further progress toward a growth stage have become important.

Amid these circumstances, in keeping with Toho Bank's concept of "All Serves the Region," a corporate message, Toho Bank will make all possible efforts to contribute to Fukushima as it moves from the reconstruction phase into the growth phase and find it necessary to further expand its management base (expand horizons) and business operations, and accumulate strong business results (raise mountains) during the process.

With this in mind, Toho Bank has formulated its new medium-term management plan for the three-year period starting from fiscal 2015, the "Toho Summit Plan - Expand Horizons and Raise Mountains," to realize the "Be Large, Strong, and Powerful" image the Bank is striving for. The new medium-term management plan sets forth three basic policies: "Contributing to Fukushima from reconstruction to growth," "Becoming the bank that customers choose," and "Establishing a sustainable corporate culture." Toho Bank Group will make concerted groupwide efforts to meet the expectations of the Bank's customers, shareholders, and regional society.

August 2015

北村 清士
S. Kitamura

Seishi Kitamura

President

Consolidated Balance Sheet

As of March 31, 2015 and 2014

	Millions of Yen	2014	Thousands of U.S. Dollars (Note 3)
	2015	2014	2015
Assets:			
Cash and due from banks (Notes 14 and 19).....	¥1,423,783	¥1,093,424	\$11,848,080
Call loans and bills bought (Note 19).....	10,000	96,059	83,215
Monetary claims bought	10,459	10,426	87,038
Trading account securities (Notes 19 and 20).....	309	379	2,578
Money held in trust (Note 21).....	12,199	10,379	101,521
Securities (Notes 6, 10, 19 and 20).....	1,706,866	1,492,213	14,203,768
Loans and bills discounted (Notes 4, 7, 19 and 26).....	2,666,736	2,638,929	22,191,368
Foreign exchanges.....	2,221	1,744	18,485
Other assets (Note 6)	8,772	8,053	73,001
Tangible fixed assets (Note 8)	36,395	35,766	302,864
Intangible fixed assets.....	2,128	2,545	17,712
Deferred tax assets (Note 15)	—	4,862	—
Customers' liabilities for acceptances and guarantees (Note 5).....	8,981	7,617	74,743
Allowance for loan losses (Note 19).....	(15,516)	(17,359)	(129,123)
Total assets	¥5,873,339	¥5,385,042	\$48,875,254
Liabilities:			
Deposits (Notes 6 and 19).....	¥5,561,753	¥5,124,757	\$46,282,377
Call money and bills sold.....	44,462	15,438	370,000
Borrowed money (Notes 6, 9 and 28)	37,500	33,500	312,057
Foreign exchanges.....	151	79	1,264
Other liabilities (Note 28)	21,149	17,698	175,992
Net defined benefit liability (Note 16).....	7,837	13,192	65,218
Provision for directors' retirement benefits.....	460	403	3,835
Provision for reimbursement of deposits	550	329	4,578
Provision for contingent loss	484	501	4,033
Provision for customer point program.....	90	92	753
Deferred tax liabilities (Note 15)	366	—	3,053
Deferred tax liabilities for land revaluation (Note 15).....	3,259	3,611	27,119
Acceptances and guarantees (Note 5)	8,981	7,617	74,743
Total liabilities	5,687,048	5,217,222	47,325,028
Commitments and contingent liabilities (Note 7)			
Net Assets (Note 13):			
Capital stock.....	23,519	23,519	195,716
Capital surplus.....	13,653	13,653	113,619
Retained earnings.....	123,276	115,067	1,025,854
Treasury stock	(174)	(172)	(1,452)
Shareholders' equity	160,275	152,068	1,333,738
Valuation difference on available-for-sale securities (Note 20).....	28,593	16,448	237,941
Deferred gains or losses on hedges (Note 22).....	(1,631)	0	(13,577)
Revaluation reserve for land (Note 2(f))	821	502	6,839
Remeasurements of defined benefit plans (Note 16).....	(1,768)	(1,422)	(14,715)
Total accumulated other comprehensive income	26,015	15,528	216,487
Minority interests	—	223	—
Total net assets (Note 17)	186,290	167,820	1,550,226
Total liabilities and net assets	¥5,873,339	¥5,385,042	\$48,875,254

See notes to consolidated financial statements.

◆ Consolidated Statements of Income

For the years ended March 31, 2015 and 2014

	Millions of Yen	2014	Thousands of U.S. Dollars (Note 3)
	2015	2014	2015
Income:			
Interest income:			
Interest on loans and discounts	¥30,593	¥30,723	\$254,583
Interest and dividends on securities	11,596	10,284	96,500
Other interest income	619	447	5,159
Fees and commissions income	13,830	12,790	115,092
Other operating income	2,406	3,664	20,028
Other income (Note 11)	5,496	4,173	45,741
Total income	64,544	62,082	537,107
Expenses:			
Interest expenses:			
Interest on deposits	1,757	1,782	14,625
Interest on borrowings and rediscounts	345	497	2,871
Other interest expenses	416	21	3,468
Fees and commissions expenses	5,268	5,251	43,838
Other operating expenses	750	774	6,244
General and administrative expenses	38,041	37,338	316,567
Other expenses (Note 12)	1,172	1,990	9,757
Total expenses	47,752	47,657	397,374
Income before income taxes and minority interests	16,791	14,425	139,732
Income taxes (Note 15):			
Current	5,377	4,241	44,750
Deferred	1,492	1,017	12,418
Total	6,869	5,259	57,168
Net income before minority interests	9,921	9,166	82,563
Minority interests in income	—	9	—
Net income (Note 17)	¥ 9,921	¥ 9,157	\$ 82,563

See notes to consolidated financial statements.

◆ Consolidated Statements of Comprehensive Income

For the years ended March 31, 2015 and 2014

	Millions of Yen	2014	Thousands of U.S. Dollars (Note 3)
	2015	2014	2015
Net income before minority interests			
¥ 9,921			
Other comprehensive income (Note 23):			
Valuation difference on available-for-sale securities	12,134	(1,520)	100,978
Deferred gains or losses on hedges	(1,631)	0	(13,579)
Revaluation reserve for land	339	(1)	2,829
Remeasurements of defined benefit plans, net of tax (Note 16)	(345)	—	(2,876)
Share of other comprehensive income in affiliates accounted for by the equity method	10	4	85
Total other comprehensive income	10,507	(1,517)	87,436
Comprehensive income	¥20,428	¥ 7,648	\$169,999
Total comprehensive income attributable to:			
Shareholders of the parent	¥20,428	¥ 7,639	\$169,999
Minority interests	—	9	—
	¥20,428	¥ 7,648	\$169,999

See notes to consolidated financial statements.

◆ Consolidated Statements of Changes in Net Assets

For the years ended March 31, 2015 and 2014

	Millions of Yen				
	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Shareholders' equity
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	1
Retirement of treasury stock.....			(982) 982		—
Reversal of land revaluation excess, net of tax			160		160
Net changes of items other than stockholders' equity during year					
Total changes of items during the year	—	—	6,623	18	6,642
BALANCE, April 1, 2014	¥23,519	¥13,653	¥115,067	¥(172)	¥152,068
Cumulative effects of changes in accounting policies			220		220
Restated balance	23,519	13,653	115,288	(172)	152,288
Changes of items during the year					
Dividends from retained earnings.....			(1,953)		(1,953)
Net income.....			9,921		9,921
Acquisition of treasury stock.....				(3) (3)	
Disposal of treasury stock		0		0	1
Reversal of land revaluation excess, net of tax			20		20
Net changes of items other than stockholders' equity during year					
Total changes of items during the year	—	0	7,988	(2)	7,986
BALANCE, March 31, 2015	¥23,519	¥13,653	¥123,276	¥(174)	¥160,275

	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, 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 stockholders' equity during year	(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, April 1, 2014	¥16,448	¥ 0	¥ 502	¥(1,422)	¥15,528	¥ 223	¥167,820
Cumulative effects of changes in accounting policies							220
Restated balance	16,448	0	502	(1,422)	15,528	223	168,041
Changes of items during the year.....							
Dividends from retained earnings.....							(1,953)
Net income.....							9,921
Acquisition of treasury stock.....							(3)
Disposal of treasury stock							1
Reversal of land revaluation excess, net of tax							20
Net changes of items other than stockholders' equity during year	12,144	(1,631)	319	(345)	10,486	(223)	10,263
Total changes of items during the year	12,144	(1,631)	319	(345)	10,486	(223)	18,249
BALANCE, March 31, 2015	¥28,593	¥(1,631)	¥ 821	¥(1,768)	¥26,015	¥ —	¥186,290

Thousands of U.S. Dollars (Note 3)

Shareholders' equity

	Capital stock	Capital surplus	Retained earnings	Treasury stock	Shareholders' equity
BALANCE, April 1, 2014	\$195,716	\$113,617	\$ 957,539	\$(1,432)	\$1,265,441
Cumulative effects of changes in accounting policies			1,836		1,836
Restated balance	195,716	113,617	959,376	(1,432)	1,267,277
Changes of items during the year					
Dividends from retained earnings.....			(16,256)		(16,256)
Net income.....			82,563		82,563
Acquisition of treasury stock.....				(27)	(27)
Disposal of treasury stock		1		7	8
Reversal of land revaluation excess, net of tax			171		171
Net changes of items other than stockholders' equity during year					
Total changes of items during the year	—	1	66,478	(19)	66,460
BALANCE, March 31, 2015	\$195,716	\$113,619	\$1,025,854	\$(1,452)	\$1,333,738

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, 2014	\$136,877	\$ 1	\$4,182	\$(11,838)	\$129,223	\$ 1,860	\$1,396,524
Cumulative effects of changes in accounting policies							1,836
Restated balance	136,877	1	4,182	(11,838)	129,223	1,860	1,398,361
Changes of items during the year							
Dividends from retained earnings.....							(16,256)
Net income.....							82,563
Acquisition of treasury stock.....							(27)
Disposal of treasury stock							8
Reversal of land revaluation excess, net of tax							171
Net changes of items other than stockholders' equity during year	101,063	(13,579)	2,657	(2,876)	87,264	(1,860)	85,404
Total changes of items during the year	101,063	(13,579)	2,657	(2,876)	87,264	(1,860)	151,864
BALANCE, March 31, 2015	\$237,941	\$(13,577)	\$6,839	\$(14,715)	\$216,487	\$ —	\$1,550,226

See notes to consolidated financial statements.

◆ Consolidated Statements of Cash Flows

For the years ended March 31, 2015 and 2014

	Millions of Yen		Thousands of U.S. Dollars (Note 3)
	2015	2014	2015
Cash flows from operating activities			
Income before income taxes and minority interests	¥ 16,791	¥ 14,425	\$ 139,732
Depreciation expense	2,632	2,777	21,907
Impairment loss	26	214	222
Equity in earnings of affiliates	(104)	(96)	(869)
Net decrease in allowance for loan losses	(1,842)	(2,422)	(15,329)
Increase (decrease) in net defined benefit liability	(4,967)	18	(41,336)
Increase (decrease) in provision for directors' retirement benefits	57	(49)	477
Increase (decrease) in provision for reimbursement of deposits	220	(23)	1,836
Increase (decrease) in provision for contingent loss	(16)	241	(138)
Decrease in provision for customer point program	(2)	(2)	(20)
Interest income	(42,809)	(41,455)	(356,243)
Interest expenses	2,519	2,301	20,965
Net gain on securities	(3,286)	(3,779)	(27,346)
Net (gain) loss on money held in trust	(352)	328	(2,932)
Net gain on foreign exchange	(13)	(10)	(110)
Net loss on sale of fixed assets	79	68	657
Loss on change in equity	1	—	10
Decrease in trading account securities	69	401	579
Increase in loans and bills discounted	(27,806)	(171,977)	(231,396)
Increase in deposits	433,135	656,352	3,604,359
Increase in negotiable certificates of deposit	3,638	33,818	30,280
Increase in borrowed money (excluding subordinated borrowings)	4,000	240	33,286
Decrease in due from banks other than BOJ	22	52	187
Decrease in call loans and bills bought	86,026	225,407	715,874
Increase in call money and bills sold	29,024	15,438	241,531
Increase in foreign exchange assets	(477)	(303)	(3,970)
Increase (decrease) in foreign exchange liabilities	72	(113)	606
Interest received	43,080	43,799	358,493
Interest paid	(2,505)	(2,785)	(20,850)
All other operating activities	(10,558)	(328)	(87,866)
Sub-total	526,656	772,538	4,382,596
Income taxes paid, net	(4,480)	(4,882)	(37,287)
Net cash provided by operating activities	522,175	767,656	4,345,308
Cash flows from investing activities			
Purchase of equity and other securities	(1,023,609)	(669,690)	(8,518,010)
Proceeds from sales of equity and other securities	615,656	394,367	5,123,208
Proceeds from maturities of securities	222,576	128,612	1,852,176
Increase in money held in trust	(1,500)	(1,691)	(12,482)
Decrease in money held in trust	—	21,777	—
Expenditures for tangible fixed assets	(2,243)	(1,776)	(18,668)
Proceeds from sales of tangible fixed assets	41	248	349
Expenditures for intangible fixed assets	(258)	(410)	(2,154)
Net cash used in investing activities	(189,337)	(128,561)	(1,575,581)
Cash flows from financing activities			
Proceeds from subordinated borrowings	—	16,800	—
Repayments of subordinated borrowings	—	(15,000)	—
Dividends paid	(1,953)	(1,711)	(16,256)
Dividends paid to minority interests	—	(2)	—
Repayments of lease obligations	(512)	(433)	(4,267)
Purchase of treasury stock	(3)	(965)	(25)
Proceeds from sales of treasury stock	1	1	8
Net cash used in financing activities	(2,468)	(1,312)	(20,540)
Effect of exchange rate changes in cash and cash equivalents	13	10	110
Net increase in cash and cash equivalents	330,383	637,792	2,749,297
Cash and cash equivalents at beginning of fiscal year	1,093,054	455,261	9,095,904
Decrease in cash and cash equivalents resulting from exclusion of subsidiaries from consolidation	(0)	—	(5)
Cash and cash equivalents at end of fiscal year (Note 14)	¥ 1,423,437	¥1,093,054	\$11,845,195

See notes to consolidated financial statements.

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 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 Financial Instruments and Exchange Act of Japan and Banking Act 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 subsidiaries as of March 31, 2015 and 2014 is as follows:

	2015	2014
Number of consolidated subsidiaries:	1	2
Number of unconsolidated subsidiaries:.....	1	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, net income (amount corresponding to the equity), retained earnings (amount corresponding to the equity) and accumulated other comprehensive income (amount corresponding to the equity), etc.

(Changes in the scope of consolidation)

Toho Information System Co., Ltd., which was the Bank's consolidated subsidiary, and Toho Computer Service Co., Ltd., which was the Bank's affiliate accounted for by the equity method, were merged on April 1, 2014 through an absorption-type merger where Toho Computer Service Co., Ltd. was the surviving company and Toho Information System Co., Ltd. was the dissolving company. Accordingly, the Bank has excluded Toho Information System Co., Ltd., from the scope of subsidiary from the year ended March 31, 2015.

As a result of the merger, Toho Computer Service Co., Ltd. changed its trade name to Toho Information System Co., Ltd, and continues to be the Bank's affiliate accounted for by the equity method.

(2) Application of the equity method

The number of affiliates accounted for by the equity method and unconsolidated subsidiaries not accounted for by the equity method as of March 31, 2015 and 2014 is as follows:

	2015	2014
Number of affiliates accounted for by the equity method.....	5	5
Number of unconsolidated subsidiaries not accounted for by the equity method.....	1	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 (amount corresponding to the equity), retained earnings (amount corresponding to the equity) and accumulated other comprehensive income (amount corresponding to the equity), etc.

As stated in "(1) Scope of consolidation," Toho Computer Service Co., Ltd., which was the Bank's affiliate accounted for by the equity method, changed its trade name to Toho Information System Co., Ltd.

(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 leased 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 leased 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 leased 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 Act on Revaluation of Land enacted on March 31, 1998 (the "Act"), 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 as of March 31, 2015 and 2014 pursuant to the Article 10 of the Act was ¥10,890 million and ¥11,387 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 on a benefit formula basis. 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.

(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

Deferred hedge accounting is adopted for hedges carried out to control interest rate risk arising from financial assets and liabilities, as stipulated in "Treatment of Accounting and Auditing Concerning Accounting for Financial Instruments in the Banking Industry" (Japanese Institute of Certified Public Accountants (hereinafter "JICPA") Audit Committee Report No. 24). Regarding the hedge which is intended to offset the effects of market fluctuations, hedge effectiveness between hedged items (such as deposits and loans and bills discounted) and hedging instruments

(such as interest rate swaps) are assessed individually. Hedge effectiveness is considered to be high as the major terms between designated hedged items and hedging instruments are almost the same, thus substituting for evaluation of hedge effectiveness. The effectiveness is also assessed by verifying the inverse correlation of the interest rates.

The Bank applies the 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 adopted the main clause of Paragraph 35 of "Accounting Standard for Retirement Benefits" (ASBJ Statement No. 26, May 17, 2012, hereinafter the "Retirement Benefits Standard") and the main clause of Paragraph 67 of "Guidance on Accounting Standard for Retirement Benefits" (ASBJ Guidance No. 25, March 26, 2015, hereinafter the "Retirement Benefits Guidance") effective the year ended March 31, 2015, and accordingly, the Bank has changed the calculation method for retirement benefit obligation and service cost. The method of attributing the retirement benefits to periods was changed from the straight-line method to the benefit formula method, and the method for determining the discount rate was changed from using the discount rate based on the term approximate to the employees' average remaining service years to using different discount rates according to the estimated timing of benefit payments.

The Retirement Benefits Standard and the Retirement Benefits Guidance are applied in accordance with the transitional provisions set forth in Paragraph 37 of the Retirement Benefits Standard. The effect of the change in calculation method for retirement benefit obligation and service cost is reflected as increase or decrease in retained earnings at the beginning of the year ended March 31, 2015.

As a result, at the beginning of the year ended March 31, 2015, net defined benefit liability decreased by ¥339 million and retained earnings increased by ¥220 million. In addition, income before income taxes and minority interests for the year ended March 31, 2015 increased by ¥168 million.

The effect on per share information is noted in "17. Per Share Information."

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 ¥120.17 = U.S. \$1.00, the exchange rate prevailing on March 31, 2015. 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 as of March 31, 2015 and 2014 included the following loans:

March 31	Millions of Yen	
	2015	2014
Loans to borrowers in bankruptcy.....	¥ 1,857	¥ 1,154
Delinquent loans	34,720	40,504
Loans past due 3 months or more.....	409	105
Restructured loans.....	675	931
Total.....	¥37,662	¥42,696

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 Order for Enforcement of the Corporation Tax Act.

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 ¥7,990 million and ¥8,028 million as of March 31, 2015 and 2014, 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 as of March 31, 2015 and 2014 were as follows:

March 31	Millions of Yen	
	2015	2014
Pledged assets:		
Securities	¥140,429	¥162,579
Total pledged assets.....	¥140,429	¥162,579
Liabilities covered by pledged assets:		
Deposits	¥ 40,118	¥ 32,752
Borrowed money.....	10,900	6,900
Total liabilities covered by pledged assets	¥ 51,018	¥ 39,652

In addition to the above, Securities in the amount of ¥99,738 million and ¥96,953 million, and Other assets in the amount of ¥284 million and ¥292 million were pledged as collateral in connection with exchange settlements as of March 31, 2015 and 2014, respectively.

Security deposit in the amount of ¥838 million and ¥854 million and Cash collateral paid for financial instruments in the amount of ¥331 million and nil were included in Other assets as of March 31, 2015 and 2014, 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 ¥718,486 million and ¥689,868 million as of March 31, 2015 and 2014, respectively. Of this amount, facilities/contracts which expire within one year at inception or which are unconditionally cancelable at any time, totaled ¥678,192 million and ¥650,173 million as of March 31, 2015 and 2014, 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 was ¥48,535 million and ¥47,954 million, and advanced depreciation on Tangible fixed assets was ¥1,022 million and ¥1,022 million as of March 31, 2015 and 2014, 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 ¥26,600 million as of March 31, 2015 and 2014, respectively.

10. Guarantees for Corporate Bonds

The amount of the guarantees for privately placed bonds in corporate bonds in accordance with Article 2, Paragraph 3 of the Financial Instruments and Exchange Act totaled ¥29,988 million and ¥30,419 million as of March 31, 2015 and 2014, respectively.

11. Other Income

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

March 31	Millions of Yen	
	2015	2014
Gain on sales of stocks and other securities	¥2,019	¥1,435
Reversal of allowance for loans losses.....	1,093	24
Compensation income.....	25	263
Gain on disposal of fixed assets	2	1

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, 2015 and 2014 principally consisted of the following:

March 31	Millions of Yen	
	2015	2014
Loss on disposal of fixed assets	¥210	¥180
Loss on sales of stocks and other securities	136	58
Loss on impairment of fixed assets	26	214
Loss on devaluation of stocks and other securities	18	16
Write-off of loans	1	9
Loss on change in equity	1	—

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, 2015 and 2014:

Area	Purpose of use	Type	Losses	
			2015	2014
Fukushima Area	Branch premises	Land	¥11	¥ 38
		Building	8	39
	Company housing	Land	3	19
		Building	2	—
	Idle assets	Land	—	64
	Other	Idle assets	—	52
Total			¥26	¥214

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, 2015 and 2014 were summarized as follows:

	(Thousand Shares)			
	Number of Shares as of April 1, 2014	Number of Shares Increased	Number of Shares Decreased	Number of Shares as of March 31, 2015
Outstanding Shares				
Common Stock	252,500	—	—	252,500
Treasury Stock				
Common Stock (*)	510	8	2	516

(*) Increase in the number of Treasury stock by 8 thousand shares consisted of 8 thousand shares of acquisition of odd-lot shares and 0 thousand shares of change in equity in affiliates accounted for by the equity method.

Decrease in the number of Treasury stock by 2 thousand shares consisted of 2 thousand shares of disposition of odd-lot shares.

	(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 (*)	255,500	—	3,000	252,500
Treasury Stock				
Common Stock (**)2	470	3,045	3,005	510

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

(**) Increase in the number of Treasury stock by 3,045 thousand shares consisted 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 by 3,005 thousand shares consisted of 3,000 thousand shares of retirement of Treasury stock and 5 thousand shares of disposition of odd-lot shares.

Detailed information about cash dividends paid during the year ended March 31, 2015 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 23, 2014	Common Stock	1,008	¥4.00	March 31, 2014	June 24, 2014
Board of Directors on November 14, 2014	Common Stock	945	¥3.75	September 30, 2014	December 5, 2014

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

Dividends with record dates on or before March 31, 2015 and effective dates after April 1, 2015 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, 2015	Common Stock	1,071	Retained Earnings	¥4.25	March 31, 2015	June 25, 2015

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	Retained Earnings	¥4.00	March 31, 2014	June 24, 2014

14. Cash and Cash Equivalents

A reconciliation between Cash and due from banks in the consolidated balance sheets as of March 31, 2015 and 2014, and Cash and cash equivalents in the consolidated statements of cash flows for the years then ended was as follows:

March 31	Millions of Yen	
	2015	2014
Cash and due from banks.....	¥1,423,783	¥1,093,424
Ordinary due from banks.....	(97)	(119)
Other.....	(249)	(249)
Cash and cash equivalents	¥1,423,437	¥1,093,054

15. Deferred Income Taxes

The major components of deferred tax assets and liabilities as of March 31, 2015 and 2014 were summarized as follows:

March 31	Millions of Yen	
	2015	2014
Deferred tax assets:		
Allowance for loan losses.....	¥ 4,493	¥ 5,312
Net defined benefit liability.....	4,081	4,624
Depreciation	1,184	1,315
Revaluation reserve for land.....	1,964	2,169
Deferred gains or losses on hedges.....	758	—
Others.....	3,649	3,883
Valuation allowance.....	(3,432)	(3,750)
Total deferred tax assets.....	12,698	13,554
Deferred tax liabilities:		
Revaluation reserve for land.....	(3,259)	(3,611)
Valuation difference on available-for-sale securities.....	(13,065)	(8,673)
Others.....	—	(18)
Total deferred tax liabilities.....	(16,324)	(12,303)
Net deferred tax assets (liabilities).....	¥ (3,625)	¥ 1,251

The following summarizes the significant differences between the statutory tax rate and the Bank's effective tax rate for the years ended March 31, 2015 and 2014:

Year ended March 31	2015	2014
Statutory tax rate.....	35.0%	—%
Non-deductible expenses.....	0.6	—
Non-taxable income	(1.2)	—
Per capita inhabitant taxes.....	0.2	—
Valuation allowance.....	(0.1)	—
Reduction of year-end deferred tax liabilities due to tax rate changes	6.2	—
Others.....	0.2	—
Effective tax rate	40.9%	—%

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)

On March 31, 2015, "Act for Partial Amendment to the Income Tax Act" and "Act for Partial Amendment to the Local Tax Act" were promulgated, and the income tax rate was reduced from the years beginning on and after April 1, 2015. Accordingly, the statutory tax rates used to measure deferred tax assets and liabilities were lowered from 35.0% to 32.5% for temporary differences expected to be reversed in the year beginning on April 1, 2015, and to 31.7% for those expected to be reversed on and after April 1, 2016.

As a result of this change, deferred tax liabilities, deferred gains or losses on hedges, and remeasurements of defined benefit plans decreased by ¥147 million, ¥79 million, and ¥85 million, respectively. Meanwhile, income taxes-deferred and valuation difference on available-for-sale securities increased by ¥1,050 million and ¥1,363 million, respectively. In addition, deferred tax liabilities for land revaluation decreased by ¥339 million and revaluation reserve for land increased by the same amount.

16. Retirement Benefits

The Bank and its consolidated subsidiary 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 subsidiary adopts the simplified method for calculating net defined benefit liability and net pension cost.

Retirement benefits in the corporate pension fund plan and the lump-sum retirement payment plan are calculated based on points.

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).

The Bank has set up retirement benefit trusts in lump-sum retirement payment plan on March 31, 2015.

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

(i) Change in retirement benefit obligation

March 31	Millions of Yen	
	2015	2014
Balance at beginning of the year	¥34,272	¥35,367
Cumulative effects of changes in accounting policies.....	(339)	—
Restated balance	33,933	35,367
Service cost.....	759	1,056
Interest cost.....	461	352
Actuarial (gain) loss	1,808	(13)
Benefit paid	(1,365)	(1,484)
Prior service cost	—	(1,005)
Decrease in changes in the scope of consolidation.....	(113)	—
Others	—	—
Balance at end of the year	¥35,482	¥34,272

(ii) Change in plan assets

March 31	Millions of Yen	
	2015	2014
Balance at beginning of the year	¥21,080	¥19,885
Expected return on plan assets	420	396
Actuarial gain.....	1,343	918
Employer contributions	5,571	691
Benefit paid	(789)	(811)
Decrease in changes in the scope of consolidation.....	(65)	—
Others	84	—
Balance at end of the year	¥27,645	¥21,080

Contributions to retirement benefit trusts were included in employer contributions for the year ended March 31, 2015.

(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

March 31	Millions of Yen	
	2015	2014
Funded retirement benefit obligation	¥ 35,482	¥ 25,001
Plan assets	(27,645)	(21,080)
Unfunded retirement benefit obligation	7,837	3,921
Amount of liability, net of asset, recognized in consolidated balance sheet.....	7,837	13,192
Net defined benefit liability	7,837	13,192
Net defined benefit asset	—	—
Amount of liability, net of asset, recognized in consolidated balance sheet.....	¥ 7,837	¥ 13,192

As a result of setting up retirement benefit trusts, unfunded lump-sum retirement payment plan in the year ended March 31, 2014 was changed to a funded plan.

(iv) Net pension cost and its breakdown

March 31	Millions of Yen	
	2015	2014
Service cost.....	¥ 759	¥1,056
Interest cost.....	461	352
Expected return on plan assets	(420)	(396)
Amortization of actuarial loss	399	398
Amortization of prior service cost	(335)	(27)
Others.....	—	—
Net pension cost.....	¥ 864	¥1,383

(v) Remeasurements of defined benefit plan, net of tax

The items recognized under remeasurements of defined benefit plans, net of tax (before tax effect) were as follows:

March 31	Millions of Yen	
	2015	2014
Prior service cost	¥(335)	¥—
Actuarial gain.....	11	—
Others.....	—	—
Total.....	¥(323)	¥—

(vi) Remeasurements of defined benefit plans

The items recognized under remeasurements of defined benefit plans (before tax effect) were as follows:

March 31	Millions of Yen	
	2015	2014
Unrecognized prior service cost.....	¥ (642)	¥ (977)
Unrecognized actuarial gain.....	3,232	3,167
Others.....	—	—
Total.....	¥2,590	¥2,190

(vii) Plan assets

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

	2015	2014
General account of life insurance companies	34%	44%
Equities	23%	28%
Bonds	21%	23%
Others	22%	5%
Total.....	100%	100%

18% of total plan assets were retirement benefit trusts contributed to lump-sum retirement payment plan, which were set up on March 31, 2015.

(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.

(viii) Actuarial assumptions

Actuarial assumptions as of March 31, 2015 and 2014 were as follows:

	2015	2014
Discount rate	0.1%–1.6%	1.0%
Long-term expected rate of return on plan assets	2.0%	2.0%

B. Defined contribution pension plans

On April 1, 2014 (the Date of Enforcement), the Bank transferred a part of the future payments of defined benefit pension plans to defined contribution pension plans. Contributions to be paid to defined contribution pension plans were ¥133 million for the year ended March 31, 2015.

17. Per Share Information

Net assets per share as of March 31, 2015 and 2014 and net income per share for the years ended March 31, 2015 and 2014 were as follows:

As of March 31	Yen	
	2015	2014
Net assets per share	¥739.29	¥665.09
Net income per share	39.37	36.26

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

As of or year ended March 31	Millions of Yen / Thousands of Shares	
	2015	2014
Total net assets.....	¥186,290	¥167,820
Deduction from total net assets:.....	—	223
Minority interests	—	223
Net assets related to common stock.....	186,290	167,596
Number of common stock used to calculate net assets per share	251,983	251,989

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

Year ended March 31	Millions of Yen / Thousands of Shares	
	2015	2014
Net income	¥ 9,921	¥ 9,157
Amounts not attributable to common shareholders	—	—
Net income related to common stock.....	9,921	9,157
Weighted average number of common stock during the year.....	251,985	252,495

As described in "Changes in accounting policies," the Bank has adopted the main clause of Paragraph 35 of Retirement Benefits Standard and the main clause of Paragraph 67 of Retirement Benefits Guidance from the year ended March 31, 2015. The Retirement Benefits Standard and the Retirement Benefits Guidance are applied in accordance with the transitional provisions set forth in Paragraph 37 of the Retirement Benefits Standard.

As a result, net assets per share as of April 1, 2014 increased by ¥0.87 and net income per share for the year ended March 31, 2015 increased by ¥0.66.

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 as of March 31, 2015 and 2014 were summarized as follows:

March 31	Millions of Yen	
	2015	2014
Amounts equivalent to acquisition costs:		
Tangible fixed assets	¥—	¥35
Amounts equivalent to accumulated depreciation:		
Tangible fixed assets	¥—	¥34
Amounts equivalent to net carrying amount:		
Tangible fixed assets	¥—	¥ 0

Lease payment relating to finance leases accounted for as operating leases amounted to ¥1 million and ¥9 million for the years ended March 31, 2015 and 2014, 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 ¥1 million and ¥7 million for the years ended March 31, 2015 and 2014, respectively.

The amount equivalent to interest expense related to leased assets amounted to ¥0 million and ¥0 million for the years ended March 31, 2015 and 2014, respectively.

The amount of anticipated finance lease payments as of March 31, 2015 and 2014 are as follows:

As of March 31, 2015	Millions of Yen
2016.....	¥—
2017 and Thereafter	—
Total.....	¥—

As of March 31, 2014	Millions of Yen
2015.....	¥ 1
2016 and Thereafter	—
Total.....	¥ 1

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. As of March 31, 2015, the Group's market risk quantity (estimated loss) in total is ¥27,418 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, 2015 and 2014 for each financial instrument category were 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, 2015	Book value	Fair value	Difference
(1) Cash and due from banks.....	¥1,423,783	¥1,423,783	¥ —
(2) Call loans and bills bought.....	10,000	10,000	—
(3) Trading account securities	309	309	—
(4) Securities:			
Held-to-maturity securities.....	—	—	—
Available-for-sale securities	1,702,488	1,702,488	—
(5) Loans and bills discounted.....	2,666,736		
Allowance for loan losses (*1)	(15,414)		
	2,651,322	2,684,201	32,879
Total assets	¥5,787,904	¥5,820,783	¥32,879
(1) Deposits	¥5,157,587	¥5,157,761	¥ 173
(2) Negotiable certificates of deposits	404,165	404,165	0
Total liabilities	¥5,561,753	¥5,561,926	¥ 173
Derivative transactions (*2):			
Hedge accounting is not applied.....	¥ (192)	¥ (192)	¥ —
Hedge accounting is applied	(2,389)	(2,389)	—
Total derivative transactions.....	¥ (2,582)	¥ (2,582)	¥ —

	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)	¥ —

(*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/debt arising from derivative transactions is stated on a net basis, and amounts in parentheses indicate net credit balance.

(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."

	Millions of Yen	
	2015	2014
(i) Non-listed shares(*1)(*2).....	¥2,841	¥2,530
(ii) Investments in associations(*3).....	1,537	34
Total.....	¥4,378	¥2,564

(*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 ¥18 million and ¥16 million was posted for the years ended March 31, 2015 and 2014, 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, 2015 and 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
March 31, 2015						
Due from banks	¥1,373,806	¥ —	¥ —	¥ —	¥ —	¥ —
Call loans.....	10,000	—	—	—	—	—
Securities:.....	249,239	501,935	439,270	108,322	275,442	58,375
Held-to-maturity securities	—	—	—	—	—	—
National government bonds in them.....	—	—	—	—	—	—
Available-for-sale securities with maturity	249,239	501,935	439,270	108,322	275,442	58,375
National government bonds in them.....	96,280	182,556	116,987	60,311	246,213	58,159
Local government bonds in them.....	34,727	88,678	115,583	17,362	8,506	—
Corporate bonds in them.....	50,992	170,188	147,366	6,233	15,964	203
Loans(*).....	561,611	532,819	432,678	289,016	315,113	440,278
Total.....	¥2,194,657	¥1,034,755	¥871,949	¥397,339	¥590,556	¥498,653

(*) Loans that are unlikely to be redeemed, such as to bankrupt, effectively bankrupt, and potentially bankrupt of ¥36,577 million, loans with no stated maturities of ¥58,640 million were not included.

	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
March 31, 2014						
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 were not included.

(Note 4) Maturity analysis for interest bearing liabilities subsequent to March 31, 2015 and 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
March 31, 2015						
Deposits(*).....	¥4,939,738	¥184,891	¥32,923	¥20	¥13	¥—
Negotiable certificates of deposit.....	404,165	—	—	—	—	—
Total.....	¥5,343,904	¥184,891	¥32,923	¥20	¥13	¥—

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

	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
March 31, 2014						
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."

20. Fair Value Information

The tables below represent the securities and trading account securities:

(a) Trading account securities

	Millions of Yen	
	2015	2014
March 31		
Realized gain included in earnings.....	¥1	¥0

(b) Held-to-maturity securities

None

(c) Available-for-sale securities

	Millions of Yen		
	Carrying Amount	Acquisition Cost	Net Unrealized Gain/(Loss)
March 31, 2015			
Securities with their carrying amount over their acquisition cost:			
Corporate stock	¥ 45,286	¥ 26,433	¥18,853
Bonds:	1,302,704	1,284,170	18,534
National government.....	724,037	710,098	13,938
Local government.....	242,982	241,051	1,931
Corporate.....	335,684	333,020	2,664
Other.....	196,974	192,101	4,873
Sub-total	1,544,966	1,502,705	42,261
Securities with their carrying amount below their acquisition cost:			
Corporate stock	1,825	1,997	(172)
Bonds:	113,610	113,886	(275)
National government.....	36,472	36,557	(84)
Local government.....	21,875	21,899	(24)
Corporate.....	55,263	55,429	(166)
Other.....	42,086	42,268	(181)
Sub-total	157,521	158,152	(630)
Total.....	¥1,702,488	¥1,660,857	¥41,631

	Millions of Yen		
	Carrying Amount	Acquisition Cost	Net Unrealized Gain/(Loss)
March 31, 2014			
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

(d) Available-for-sale securities sold

	Millions of Yen		
	Proceeds from Sales	Realized Gain	Realized Loss
March 31, 2015			
Corporate stock.....	¥ 4,342	¥1,323	¥136
Bonds:.....	575,287	1,184	731
National government.....	568,937	1,183	731
Local government	6,199	0	—
Corporate	150	—	—
Other.....	36,006	1,740	1
Total.....	¥615,637	¥4,247	¥869

	Millions of Yen		
	Proceeds from Sales	Realized Gain	Realized Loss
March 31, 2014			
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

(e) 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 years ended March 31, 2015 and 2014.

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 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 values.

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

	Millions of Yen	
	Unrealized gain before income tax effect and minority interests adjustments...	¥41,631
Available-for-sale securities.....	41,631	
Less: deferred tax liabilities	13,065	
Unrealized gain before minority interests adjustment	28,566	
Less: minority interests	—	
Equity of unrealized gain on available-for-sale securities:		
Owned by affiliates that are accounted for under the equity method	27	
Valuation difference on available-for-sale securities.....	¥28,593	

	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	

(g) Investments in affiliates

Securities in the Assets section included investments in affiliates of ¥1,441 million and ¥1,054 million as of March 31, 2015 and 2014, respectively.

(h) Unsecured loaned securities

Unsecured loaned securities, which borrowers have the right to sell or pledge in the amount of ¥45,203 million and ¥30,181 million as of March 31, 2015 and 2014, respectively, were included in National government bonds.

21. Money held in trust

Money held in trust as of March 31, 2015 and 2014 consisted of the following:

(a) Money held in trust for trading purpose

	Millions of Yen	
	2015	2014
Carrying amount.....	¥6,825	¥5,006
Realized gain included in earnings.....	—	—

(b) Money held in trust for held-to-maturity

None

(c) Other money held in trust

	Millions of Yen	
	2015	2014
Carrying amount.....	¥ 5,374	¥ 5,373
Acquisition cost	5,374	5,373
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

	Millions of Yen					
	2015		2014			
	Contract Amounts	Fair Value	Contract Amounts	Fair Value	Total	Over 1 Year
Over-the-counter transactions:						
Currency swap	¥10,054	¥10,054	¥ 3	¥10,796	¥9,226	¥ 4
Forward exchange contracts:						
Sold	42,455	—	(201)	33,232	—	(131)
Bought	1,271	—	5	321	—	1
				¥(192)		¥(124)

(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

March 31, 2015	Millions of Yen		
	Hedged items	Contract Amounts	Fair Value
	Total	Over 1 Year	
Principle method:			
Interest-rate swaps:			
Receivable floating/payable fixed	Available-for-sale securities (Debt securities)	¥55,000	¥55,000 ¥(2,389)
Special treatment for interest rate swaps:			
Interest-rate swaps:			
Receivable floating/payable fixed	Loans to borrowers	¥36,359	¥33,869 (Note 2)

Notes: 1. Hedge accounting is carried out by allocating hedged items to hedging instruments or through deferred hedging in accordance with "Treatment of Accounting and Auditing Concerning Accounting for Financial Instruments in the Banking Industry" (JICPA Audit Committee Report No. 24).
 2. As interest swaps subject to special treatment are treated together with loans to borrowers, their fair values are included in fair values of such hedged loans in "19. Financial Instruments and Related Disclosure."

March 31, 2014	Millions of Yen		
	Hedged items	Contract Amounts	Fair Value
	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 treated together with loans to borrowers, their fair values are included in the fair values of such hedged loans in "19. Financial Instruments and Related Disclosure."

(2) Currency derivatives

There were no currency derivatives transactions for the year ended March 31, 2015.

March 31, 2014	Millions of Yen		
	Hedged items	Contract Amounts	Fair Value
	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).

23. Other Comprehensive Income

The components of other comprehensive income for the years ended March 31, 2015 and 2014 were as follows:

March 31	Millions of Yen	
	2015	2014
Valuation difference on available-for-sale securities:		
Gain recognized during the year	¥20,845	¥ 1,547
Reclassification adjustment to net income	(4,319)	(3,926)
Amount before tax effect	16,526	(2,379)
Tax effect	(4,391)	858
Valuation difference on available-for-securities	12,134	(1,520)
Deferred gains or losses on hedges		
Gain (loss) recognized during the year	(2,390)	0
Reclassification adjustment to net income	(0)	—
Amount before tax effect	(2,390)	0
Tax effect	758	0
Deferred gains or losses on hedges	(1,631)	0
Revaluation reserve for land:		
Gain (loss) recognized during the year	—	—
Reclassification adjustment to net income	—	—
Amount before tax effect	—	—
Tax effect	339	(1)
Revaluation reserve for land	339	(1)
Remeasurements of defined benefit plans:		
Loss recognized during the year	(387)	—
Reclassification adjustment to net income	64	—
Amount before tax effect	(323)	—
Tax effect	(22)	—
Remeasurements of defined benefit plans	(345)	—
Share of other comprehensive income in affiliates accounted for by the equity method:		
Gain recognized during the year	10	4
Reclassification adjustment to net income	—	—
Share of other comprehensive income in affiliates accounted for by the equity method	10	4
Total other comprehensive income	¥10,507	¥(1,517)

24. Business Combination

Toho Information System Co., Ltd., which was the Bank's consolidated subsidiary, and Toho Computer Service Co., Ltd., which was the Bank's affiliate accounted for by the equity method, was 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) Name and business description of the companies concerned
 - (i) Surviving company

Company name: Toho Computer Service Co., Ltd. (the Bank's affiliate accounted for by the equity method)
 Business description: Computer operations
 - (ii) Merged company

Company name: Toho Information System Co., Ltd. (the Bank's consolidated subsidiary)
 Business description: Software development for electronic computers
- (b) Major reason for the business combination

The merger between Toho Computer Service Co., Ltd., which specialized in computer data entry, and Toho Information System Co., Ltd., which specialized 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 a surviving company and Toho Information System Co., Ltd. was a 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 merger.
- (2) Outline of accounting
- The Bank accounted for the business combination 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 in 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, 2015
Not applicable as the date of the business combination was at the beginning of the year ended March 31, 2015 (April 1, 2014).
- (5) Overview of the continuing involvement
Since the year ended March 31, 2015, 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 an affiliate.

25. 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, 2015 and 2014. Software development business and others were included in "Other" for the year ended March 31, 2014. However, "Other" for the year ended March 31, 2015 consisted of printing and binding business due to changes in the scope of consolidation.

(b) Related information

1. Information by services

Income regarding major services for the years ended March 31, 2015 and 2014 was as follows:

Year ended March 31, 2015	Millions of Yen			
	Lending	Securities and Investment	Other	Total
Ordinary income from external customers.....	¥30,485	¥15,841	¥18,188	¥64,516
Millions of Yen				
Year ended March 31, 2014	Lending	Securities and Investment	Other	Total
	¥30,452	¥14,715	¥16,650	¥61,817

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, 2015 and 2014, 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, 2015 and 2014, 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, 2015 and 2014.

(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.

26. Related Party Transactions

Related party transactions for the year ended March 31, 2015

(a) Transactions between the Bank and related parties

None

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

None

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 ownership (%)	Relation to the related party	Type of transaction	Amount of transaction (¥million)	Account name	Balance as of March 31, 2014 (¥million)
Director and close family members	Kiyoshi Hasegawa	Real estate rental	Nil	Creditor	Loans (Average) Interest received	601	Loans and bills discounted	58
	Toru Ito	Real estate rental	Nil	Creditor	Loans (Average) Interest received	1412	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

27. Subsequent Events

Business combination of additional acquisition of shares of affiliates

The Bank acquired additionally shares of five affiliates accounted for by the equity method on April 1, 2015 and June 1, 2015. As a result of such acquisition of shares, these five affiliates became consolidated subsidiaries of the Group, whose voting rights are fully owned by the Group.

Outline of the acquisition of shares was as follows:

(1) Outline of the business combination through acquisition

(a) Name and business description of acquired companies

Name of acquired companies	Business description
Toho Credit Guarantee Co., Ltd.	Credit guaranteeing
Toho Information System Co., Ltd.	Computer operations and software development for electronic computers
Toho Lease Co., Ltd.	Leasing
Toho Card Co., Ltd.	Credit card and credit guaranteeing
Toho Credit Service Co., Ltd.	Credit card and credit guaranteeing

(b) Major reason for the business combination

Ever since the Bank's establishment, Toho Credit Guarantee Co., Ltd., Toho Information System Co., Ltd., Toho Lease Co., Ltd., Toho Card Co., Ltd. and Toho Credit Service Co., Ltd., all of which are affiliates accounted for by the equity method, have been operating in cooperation with the Bank and adhering closely to the needs of local communities.

The Bank determined that making the above five affiliates accounted for by the equity method into consolidated subsidiaries of the Group, whose voting rights are fully owned by the Group, would be essential to further enhancement of cooperation in order to fully meet diversified and sophisticated needs of customers.

Through implementation of the integrated management in a prompt and flexible manner, the Bank will provide comprehensive financial services and thus intends to improve the corporate value of the Group.

(c) Date of the business combination

April 1, 2015

(d) Legal form of the business combination

Acquisition of shares by cash

(e) Name of the company after the business combination

No change in the name of the company after the business combination

(f) Percentage of voting rights acquired

Percentage of voting rights after additional acquisition of shares of five affiliates accounted for by the equity method reached 100% including both direct and indirect holding by the Bank.

Changes in percentage of voting rights directly owned by the Bank were as follows:

Name of acquired companies	Percentage of voting rights immediately before the acquisition	Percentage of voting rights acquired additionally on the date of the business combination	Percentage of voting rights after the acquisition
Toho Credit Guarantee Co., Ltd.	5.0%	45.0%	50.0%
Toho Information System Co., Ltd.	7.8%	34.6%	39.6%
Toho Lease Co., Ltd.	5.0%	45.0%	50.0%
Toho Card Co., Ltd.	5.0%	45.0%	50.0%
Toho Credit Service Co., Ltd.	5.0%	45.0%	50.0%

(g) Main reason for determining the acquiring companies

It is because the Group owned the majority of voting rights for each of the acquired companies as a result of acquisition of shares by cash.

(2) Outline of calculation, etc. and others of acquisition cost

(a) Acquisition cost of the acquired companies by type of consideration

	Millions of Yen
Fair value of common stock owned immediately before the business combination, on the date of the business combination	¥2,753
Consideration for additional acquisition of common stock	4,584
Acquisition cost.....	¥7,338

(b) Difference between acquisition cost of the acquired company and total acquisition cost of individual transactions leading to acquisition

	Millions of Yen
Gain on step acquisitions.....	¥1,630

(c) Major expenses related to the acquisition

	Millions of Yen
Consulting fee and others	¥13

(3) Outline of allocation of acquisition cost

(a) Amounts of assets and liabilities acquired on the date of the business combination

	Millions of Yen
Current assets	¥29,488
Fixed assets.....	3,807
Total assets	¥33,296

	Millions of Yen
Current liabilities	¥13,861
Long-term liabilities.....	6,557
Total liabilities	¥20,418

(b) Amount of goodwill, reason for recognizing goodwill and its amortization method

(i) Amount of goodwill

¥ 495 million

(ii) Reason for recognizing goodwill

As the acquisition cost exceeded the amount of assets and liabilities of acquired companies calculated by fair value of the business combination date, the excess amount was regarded as goodwill.

(iii) Amortization method

The goodwill was recognized in expense as incurred since the amount was immaterial.

(c) Amount of negative goodwill and reason for recognizing negative goodwill

(i) Amount of negative goodwill

¥ 6,033 million

(ii) Reason for recognizing negative goodwill

As the amount of assets and liabilities of acquired companies measured at fair value as of the business combination date exceeded the acquisition cost, the excess amount was regarded as negative goodwill.

Establishment of a securities subsidiary

Subject to approval by the relevant authorities, the Bank resolved to establish a wholly owned securities subsidiary at the Board of Directors' meeting held on May 26, 2015.

(1) Purpose of establishment

In order to fully meet diversified fund management needs of customers and to offer one-stop services for a wide range of financial instruments and services which respond to changes in the society and market, and therefore enhance customer satisfaction within the local community.

(2) Outline of newly established securities subsidiary

Name of established company	Toho Securities Co., Ltd.
Headquarters	3-25, Ohmachi, Fukushima city, Fukushima prefecture
Capital stock	¥ 3,000 million
Equity interest	100% by the Bank
Scheduled date of commencing operation	April, 2016

28. Supplementary schedule

(a) Schedule of bonds

None

(b) Schedule of borrowing and similar instruments

Category	Balance as of April 1, 2014 (Millions of Yen)	Balance as of March 31, 2015 (Millions of Yen)	Average interest rate (%)	Due date
Borrowed money:	¥33,500	¥37,500	0.65	—
Loans payable	33,500	37,500	0.65	From June 2015 to March 2024
Lease obligation:				
Due in one year or less	456	555	—	
Due after one year	1,048	1,131	—	From April 2015 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, 2015.
 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, 2015, 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	¥5,500	¥ —	¥ —	¥5,400	¥ —
Lease obligation	555	508	279	202	111

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, 2015 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, 2015, and the consolidated statements of income, comprehensive income, changes in net assets, and cash flows for the year then ended and a summary of significant accounting policies and other explanatory information, all expressed in Japanese yen.

Management's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of The Toho Bank, Ltd. and its consolidated subsidiaries as of March 31, 2015, and their consolidated financial performance and cash flows for the year then ended in conformity with accounting principles generally accepted in Japan.

Emphasis of Matter

We draw attention to Note.27 to the financial statements, which describes the fact that; The Bank acquired additionally shares of five affiliates accounted for by the equity method on April 1, 2015 and June 1, 2015. As a result of such acquisition of shares, these five affiliates became consolidated subsidiaries of the Group, whose voting rights are fully owned by the Group.

Our opinion is not qualified in respect of this matter.

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.

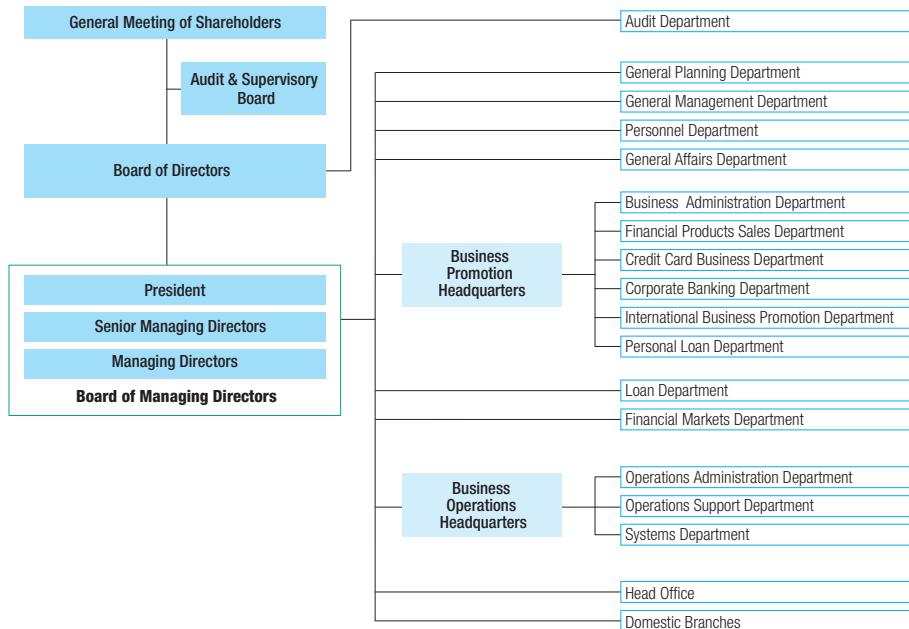
Ernst & Young ShinNihon LLC

June 22, 2015
Fukushima, Japan

◆ Board of Directors and Auditors

President:	Senior Managing Directors:	Managing Directors:	Directors:	Audit & Supervisory Board Member:
Seishi Kitamura	Masayuki Sakai Seiji Takeuchi	Kenichi Kogure Satoshi Aji Minoru Sato Katsuo Kato	Michio Sakai Kazuaki Ishii Hideho Suto Takayuki Ishii Shintaro Taguchi Asao Ono	Takao Endo Shinsuke Tanno Kazufumi Ioki Keiichi Akagi Toru Hara

◆ Organization



◆ Network

SUBSIDIARIES AND AFFILIATES

Name	Line of Business	Established in	Capital (Millions of yen)	Bank's Share in Capital (%)
The Toho Information System Co., Ltd.	Calculation operations and Developing software	1983	60	39.6
The Toho Lease Co., Ltd.	Leasing	1985	60	50.0
The Toho Credit Guarantee Co., Ltd.	Credit guaranteeing	1985	30	50.0
The Toho Card Co., Ltd.	Credit card	1985	30	50.0
The Toho Credit Service Co., Ltd.	Credit card	1990	30	50.0
Toho Smile, Co., Ltd.	Printing and binding of business forms, etc.	2012	30	100

(As of June 30, 2015)

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