

NISHI-NIPPON CITY BANK

Annual Report
2014



THE NISHI-NIPPON CITY BANK, LTD.

Profile

Headquartered in Kyushu's largest urban center, Fukuoka City (population: 1.51 million), the Nishi-Nippon City Bank Group comprises a parent bank, seven consolidated subsidiaries, and one affiliate. While banking services are its primary focus, the Group also provides a diverse range of financial services, including investing and lending operations, credit guarantees and credit card services, as well as credit management and business consulting services.

Guided by its management philosophy, "Aiming high and motivated by pride in our services, we are committed to becoming Kyushu's leading bank through our ability to respond to change and to grow with our customers," the Group's core banking services provide community-oriented financial services that cater mainly to individuals and small and medium-sized enterprises (SMEs) in its host region of Kyushu.

As of March 31, 2014, the Group has a nationwide network of 198 branches (Head Office, 171 branches, and 26 sub-branches), as well as three representative offices in Hong Kong, Seoul, and Shanghai.

Consolidated Financial Highlights

The Nishi-Nippon City Bank, Ltd. and its consolidated subsidiaries Years ended March 31, 2014 and 2013

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2014	2013	2014
Total income	¥156,249	¥156,314	\$1,518,160
Total expenses	115,468	122,809	1,121,921
Income before income taxes and minority interests	40,780	33,504	396,239
Net income	24,009	18,436	233,282
	Yen		U.S. dollars
Net income per share	¥30.20	¥23.18	\$0.29

The Nishi-Nippon City Bank, Ltd. and its consolidated subsidiaries March 31, 2014 and 2013

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2014	2013	2014
Total assets	¥8,027,132	¥7,774,565	\$77,993,907
Deposits	6,952,471	6,822,234	67,552,188
Loans and bills discounted	5,849,866	5,585,226	56,838,968
Securities	1,781,211	1,717,636	17,306,762
Capital stock	85,745	85,745	833,128
Total net assets	429,734	409,320	4,175,421

Notes: 1. Translation into U.S. dollars (solely for the convenience of readers outside Japan) has been made at the exchange rate of ¥102.92 to U.S.\$1.
2. In this report, Japanese yen figures are rounded down to the nearest million yen.

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Message from the President

Under the banner of the new Medium-Term Business Plan, “New Stage 2014 – Working up a Sweat for Our Customers –,” we will tap into the Group’s collective strength for further business growth.



Hiromichi Tanigawa, *President*



Improvement recorded in profit levels

It gives me great pleasure to discuss the business performance of the Nishi-Nippon City Bank Group in this Annual Report for the fiscal year ended March 2014.

Before I begin, please be informed that, effective June 27, 2014, former President Isao Kubota assumed office as Chairman and I, the former Deputy President, assumed office as President, thus putting the new management setup in place.

During the fiscal year ended March 31, 2014, the Japanese economy started off with a mild pickup amid improving conditions for exporters, government stimulus packages, and the monetary easing policy by the Bank of Japan. The economy subsequently continued a mild upswing as corporate earnings rose and consumer spending surged due to last-minute demands prior to the consumption tax increase.

The economy of Kyushu – the Group’s key operational base – also experienced a mild recovery, primarily owing to the rise in consumer confidence and public investments, as well as improvement in employment and income situations.

Under these circumstances, the Group aggressively proceeded with measures laid out for the final year of the three-year Medium-Term Business Plan “New Stage 2011 – Act with Vigor!” As a result, steady progress was made in its basic concept of “evolving into a comprehensive financial services institution” and “realizing further improvement in productivity,” as well as in international

business, corporate business solutions, and personal loan transactions.

On a consolidated basis, in the fiscal period under review, total income decreased by ¥65 million year-on-year to ¥156,249 million (\$1,518 million) primarily due to a decline in income from lending activities in conjunction with a fall in interest rates. Total expenses, on the other hand, decreased by ¥7,341 million to ¥115,468 million (\$1,121 million), primarily due to a decline in losses on devaluation of stocks and other securities. As a result, income before income taxes and minority interests increased by ¥7,276 million to ¥40,780 million (\$396 million) and net income rose by ¥5,573 million to ¥24,009 million (\$233 million).

Solid growth registered both in loan balance and deposit balance

The loan balance (non-consolidated) at the end of the fiscal period under review increased by ¥261.9 billion during the year to ¥5,621.3 billion. Within this total, loans for the local Kyushu region accounted for 90.6%, with loans to SMEs and retail customers accounting for 76.7% of all loans.

The corresponding year-end balance of deposits, including certificates of deposit, increased by ¥124.5 billion to ¥6,738.9 billion yen. Within this total, the year-end balance of deposits from the local Kyushu region was ¥6,497.7 billion, or 96.4% of the total balance.

Providing services optimized for each stage in the enterprise life cycle

We have catered to the needs of corporate customers and sole proprietors by offering “comprehensive business support” that is optimized for each stage in their life cycle, such as developing overseas businesses and expanding sales channels. To support their overseas expansion, we established “World Business Squares” at 14 locations, thus offering total support for customers’ overseas businesses, while at the same time providing tailored support via our representative offices and the International Consulting Office of one of our Group companies, NCB Research & Consulting Co., Ltd.

In a bid to nurture local industries, we became the first bank in the country to invest in local businesses via a fund designed to revitalize growth of client businesses involved

in agriculture, forestry, and fishery by creating new business opportunities and added value. We also support their businesses via a variety of funds, including one that assists SMEs in their endeavors to improve management and turn around business, and a public-private infrastructure fund set up for private finance initiatives (PFIs). We were also the first among regional banks in Kyushu to arrange a major syndicate loan for the photovoltaic power generation business.

Expanding exclusive channels and improving customer convenience

We also provide retail customers with convenient services by offering “lifetime comprehensive support,” which serves specific needs in each life stage such as asset management and mortgage loans for housing purchases.

Framework

Given the changes in economic and social structures and the government’s economic-revitalization policy, we will tap into the Group’s collective strength for further growth in the “Territorial Expansion and Qualitative Development Stage,” the basic concept of the “New Stage 2014 – Working up a Sweat for Our Customers –.”

Our goal as a banking service provider in the “New Stage”

The leading bank in Kyushu prospering hand in hand with the local customers by providing them with top-level services in Japan



As the number of our exclusive sales channels – some for insurance and others for loans – were increased in our efforts to meet the various needs of our customers, we now have a total of 45 channels.

Also, to further improve convenience for our customers, we have partnered with E-net Co., Ltd., which operates over 13,000 ATMs at convenience stores around the country. The combined number of their ATMs and our ATMs that had been installed as of March 31, 2014, exceeded 44,000.

Beginning the new Medium-Term Business Plan

In April 2014, the Group kicked off a new three-year Medium-Term Business Plan, “New Stage 2014 – Working up a Sweat for Our Customers –.”

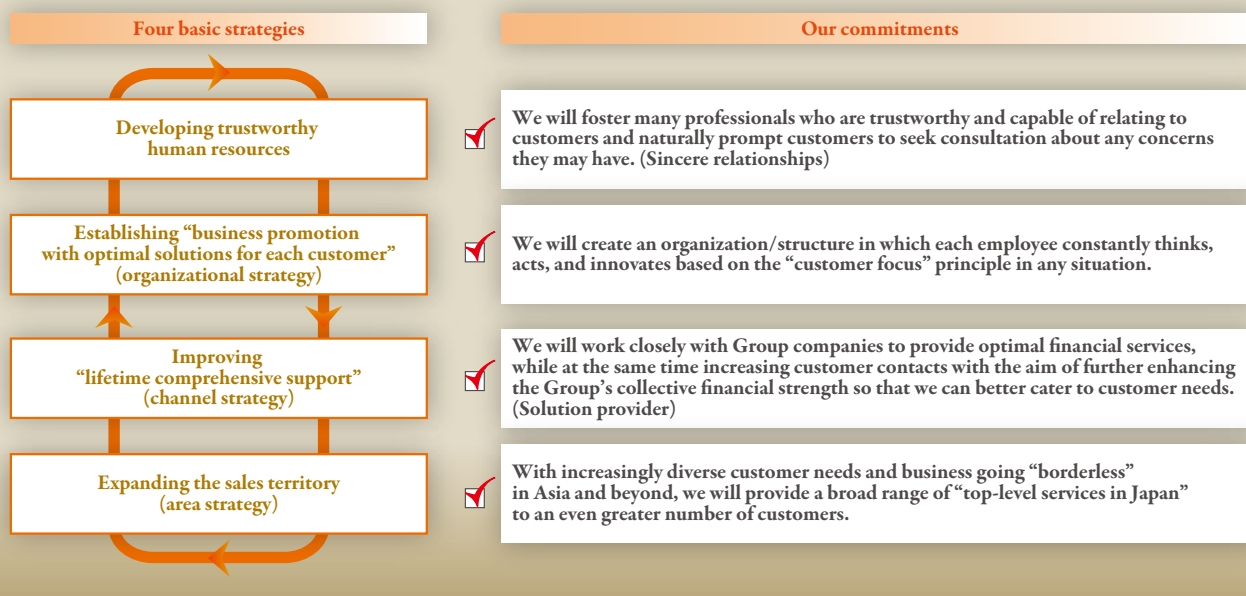
With a focus on accelerating growth in this “Territory Expansion/Qualitative Development Stage,” we have drawn up the four basic strategies detailed below.

“Working up a Sweat for Our Customers” – embedded within this subheading is our sincere belief that, while recognizing the need for rationality and smartness, it is important for us to maintain close relationships with each customer, both retail and corporate, and be prepared to “work up a sweat” for the benefit of those customers and host communities.

Key management benchmarks to be reached by March 2017 are: consolidated net income of ¥24.0 billion or higher, loan balance of ¥6,200.0 billion or higher, deposit balance of ¥7,500.0 billion or higher, OHR in the mid-60 percentage range, and consolidated/non-consolidated ratio of 1.1 times or over.

Basic Strategies Underpinning the “Territory Expansion/Qualitative Development Stage”

We will further enhance the Group’s comprehensive financial strength by linking the four basic strategies together.



In October 2014, we will celebrate the 10th anniversary of The Nishi-Nippon City Bank, Ltd., which was founded through the merger of The Nishi-Nippon Bank, Ltd. and The Fukuoka City Bank, Ltd. Under the new management setup, we will continue to persevere in our ceaseless efforts to revitalize the regional economy, so that we can become

“the No. 1 bank in Kyushu by providing top-level products and services in Japan for mutual prosperity.”

I would like to take this opportunity to solicit your continued understanding and support for the Nishi-Nippon City Bank Group in its future endeavors.

Toward a Sounder Financial Position

The pursuit of a sounder financial position is ranked as one of the Bank's key priorities. Accordingly, we are strengthening our capital adequacy and reducing non-performing loans (NPLs).

NPL ratio improved by 0.29 percentage points to 2.72%

The Bank carries out write-offs and provision of reserves for its NPLs according to strict standards, based on self-assessment of assets. As of March 31, 2014, the Bank's NPL balance (subject to mandatory disclosure of claims under the Financial Reconstruction Law, non-consolidated basis) decreased by ¥8.5 billion year-on-year to ¥154.3 billion. As a result, the NPL ratio declined to 2.72%, compared with 3.01% at the end of the previous fiscal year.

The coverage ratio for loans subject to mandatory disclosure of claims under the Financial Reconstruction Law is 84.81%, mainly through collateral and guarantees. The coverage ratio for bankrupt and quasi-bankrupt assets remains at 100%.

Capital ratio (consolidated) at 10.24%

From March 31, 2014, the revised capital adequacy requirements (Basel III) have been adopted. The capital ratio as of March 31, 2014, stood at 10.15% on a non-consolidated basis and 10.24% on a consolidated basis. These figures are significantly higher than the minimum level of 4.0% required of banks operating in Japan.

We will be implementing measures to further strengthen our capital adequacy and raise the capital ratio.

Balance of NPLs and ratio of loans subject to mandatory disclosure of claims under the Financial Reconstruction Law



Capital ratio



Risk Management Systems

As the risks attendant on financial services grow more diverse and complex, management of such risks is becoming increasingly important. Against this backdrop, the Bank is strengthening its risk management systems, one of the key priority issues for management, with the goal of establishing a sound management foundation and ensuring stable revenues.

Integrated Risk Management: In order to properly manage the risks associated with banking operations, the Bank quantifies such risks using a uniform standard employing VaR (Value at Risk) and other methods and compares measured risks with management resilience. In more concrete terms, we adequately control risks by using the method of capital allocation to each risk category – credit, market, and operational risks – so that each business division can contain the risks within the scope of the allocated capital (risk limits).

Risks that are difficult to quantify using the VaR method are subject to periodic stress tests in order to determine their possible impact on equity capital, thus ensuring capital sufficiency.

The ALM System: The ALM committee, consisting of top management members, meets monthly to perform integrated management of all of the Bank’s assets and liabilities, including off-balance-sheet transactions, based on projections of economic trends and capital market interest rates.

The committee also quantifies risks in areas such as deposits and loans, bonds, stocks, and investment trusts using the VaR method, and discusses and determines important risk management issues that are essential to maximize and stabilize revenues, as well as matters concerning integrated risks. This is conducted based on analysis of gaps generated by differences in contract terms for assets and liabilities, and on analysis of revenue forecasts.

Credit Risk Management: The Bank is strengthening credit risk management in accordance with its “Credit Risk Management Policy” and “Credit Policy.” Each individual case is screened extensively in terms of its public aspects, safety, profitability, and growth potential, and we are working hard to maintain the soundness of our assets by applying strict standards after investigating the realities at relevant customers.

We also ensure that lending portfolio risks are dispersed using a system of “credit risk quantification” and “sector-based portfolio management” based on our credit rating system, so that we can earn a level of income commensurate with credit cost.

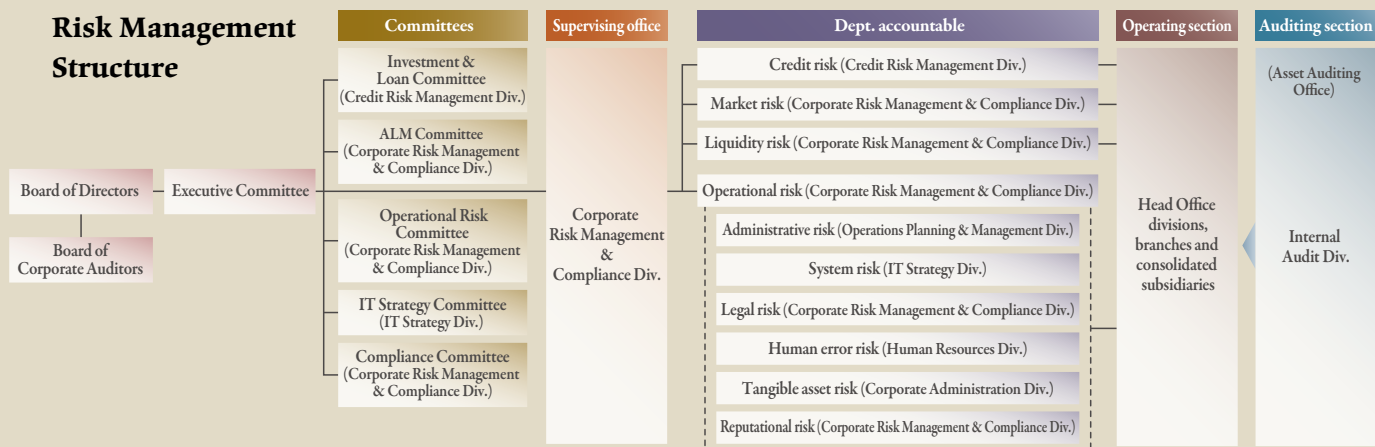
Market Risk Management: To properly manage market risks, the ALM committee sets up various limits, such as risk limits, position limits, and loss limits, for each business division and risk category. The committee also quantifies market risks using several risk measurement methods and properly controls risks within permissible limits, thereby ensuring a stable flow of income.

Liquidity Risk Management: Other than maintaining the soundness of its assets to prevent tight finances, the Bank has developed a liquidity risk management system by setting forth the “Liquidity Risk Management Policy,” “Liquidity Risk Management Regulations,” etc. in an effort to ensure market liquidity and stabilize cash flows.

Operational Risk Management: Given that operational risks are so extensive, varied, and diverse that they concern every single operation and section and thus must be avoided as much as possible in business management, the Bank has developed an organizational setup and system that properly manage such risks, in order to prevent them from being actualized and minimize their impact should such risks occur.

Crisis Management: To ensure that the minimum operations necessary to maintain the financial system’s functions may be continued without interruption and, should they be interrupted due to large-scale disasters and other contingencies, to ensure that they are resumed promptly, the Bank has established its “Business Continuity Plan” and strives to enhance effectiveness of the business continuity management system by carrying out various kinds of drills.

Adequacy and Effectiveness of Internal Control: Independent from all other business divisions, the Internal Audit Division conducts verification and assessment in accordance with the “Internal Audit Policy,” which provides the basic policy, etc. concerning the internal auditing system, in order to make suggestions to those audited on improvement of problems that may have been discovered, and reports audit findings, etc. to the Board of Directors, Executive Committee, and auditors on a monthly basis.



Board of Directors and Corporate Auditors



Isao Kubota
Chairman



Hiromichi Tanigawa
President



Seiji Isoyama
Deputy President



Souichi Kawamoto
Deputy President

Chairman

Isao Kubota

Managing Directors

Hiroyuki Irie

President

Hiromichi Tanigawa

Michiharu Kitazaki

Deputy Presidents

Seiji Isoyama

Shinya Hirota

Souichi Kawamoto

Hideyuki Murakami

Toshihiko Sadano

Representative Executive Director

Shigeru Urayama

Director (outside)

Michiaki Uriu

Executive Directors

Kiyota Takata

Yasuyuki Ishida

Corporate Auditors

(Senior Corporate Auditor)

Akira Mitsutomi

Tomoaki Kawakami

(outside)

Masahiro Sakata

(outside)

Yuji Tanaka

(outside)

Hirohiko Okumura

(as of June 27, 2014)

Financial Section

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Consolidated Balance Sheets

The Nishi-Nippon City Bank, Ltd. and Subsidiaries 31st March, 2014 and 2013

	Millions of yen		Thousands of U.S. dollars(Note 1)
	2014	2013	2014
Assets:			
Cash and due from banks (Notes 8, 29 and 38)	¥185,603	¥248,461	\$1,803,380
Call loans and bills bought	237	293	2,312
Commercial paper and other debt purchased (Notes 8 and 29)	31,897	27,543	309,928
Trading account assets (Notes 5 and 30)	1,026	1,548	9,978
Money held in trust (Note 31)	1,972	3,000	19,163
Securities (Notes 6, 8, 29 and 30)	1,781,211	1,717,636	17,306,762
Loans and bills discounted (Notes 7, 9 and 29)	5,849,866	5,585,226	56,838,968
Foreign exchange assets (Note 10)	6,699	5,137	65,097
Other assets (Notes 8 and 11)	37,138	45,804	360,852
Tangible fixed assets (Notes 12 and 19)	113,622	117,073	1,103,987
Intangible fixed assets	8,189	9,904	79,568
Asset for retirement benefits (Notes 3 and 33)	7,043	—	68,434
Deferred tax assets (Note 34)	8,480	19,459	82,403
Customers' liabilities for acceptances and guarantees	33,652	33,043	326,977
Reserve for possible loan losses (Note 29)	(38,907)	(38,955)	(378,040)
Reserve for devaluation of securities	(603)	(613)	(5,866)
Total assets	¥8,027,132	¥7,774,565	\$77,993,907
Liabilities and net assets:			
Liabilities:			
Deposits (Notes 8, 13 and 29)	¥6,952,471	¥6,822,234	\$67,552,188
Call money and bills sold (Notes 8 and 29)	158,563	233,352	1,540,643
Guarantee deposits received under securities lending transactions (Note 8)	19,720	46,104	191,605
Borrowed money (Notes 8, 15 and 29)	223,976	74,004	2,176,218
Foreign exchange liabilities (Note 10)	97	133	946
Bonds (Notes 14 and 29)	93,300	73,300	906,529
Other liabilities (Note 16)	87,130	52,610	846,586
Reserve for employee retirement benefits (Note 33)	—	6,726	—
Liability for retirement benefits (Notes 3 and 33)	5,339	—	51,876
Reserve for retirement benefits for directors and corporate auditors	154	151	1,498
Reserve for reimbursement of deposits	2,211	2,421	21,484
Reserve for other contingent losses	2,102	2,104	20,430
Reserve under the special laws	1	0	16
Deferred tax liabilities on revaluation of premises (Note 19)	18,678	19,056	181,484
Acceptances and guarantees	33,652	33,043	326,977
Total liabilities	7,597,398	7,365,244	73,818,486
Net assets:			
Capital stock (Note 17)	85,745	85,745	833,128
Capital surplus	90,301	90,301	877,391
Earned surplus	164,207	143,541	1,595,483
Treasury stock (Note 18)	(692)	(673)	(6,723)
Total shareholders' equity	339,561	318,914	3,299,280
Net unrealized gains on securities available for sale, net of taxes (Note 30)	38,212	35,521	371,281
Net deferred gains (losses) on hedging instruments, net of taxes	(35)	0	(342)
Revaluation of premises, net of taxes (Note 19)	29,283	29,916	284,522
Retirement benefits liability adjustments, net of taxes (Notes 3 and 33)	(3,539)	—	(34,394)
Total accumulated other comprehensive income	63,920	65,437	621,067
Minority interests	26,252	24,968	255,073
Total net assets (Note 39)	429,734	409,320	4,175,421
Total liabilities and net assets	¥8,027,132	¥7,774,565	\$77,993,907

See accompanying Notes to Consolidated Financial Statements.

Consolidated Statements of Income

The Nishi-Nippon City Bank, Ltd. and Subsidiaries Years ended 31st March, 2014 and 2013

	Millions of yen		Thousands of U.S. dollars(Note 1)
	2014	2013	2014
Income:			
Interest and dividend income:			
Interest on loans and discounts	¥91,646	¥96,095	\$890,459
Interest and dividends on securities	20,241	17,446	196,673
Other interest income (Note 20)	1,116	962	10,845
Fees and commissions	32,272	30,840	313,570
Trading income	529	338	5,140
Other operating income (Note 21)	3,740	5,639	36,343
Other income (Note 22)	6,702	4,991	65,126
Total income	156,249	156,314	1,518,160
Expenses:			
Interest expenses:			
Interest on deposits	4,466	4,969	43,398
Interest on call money and bills sold	397	380	3,861
Interest on borrowings	617	521	5,997
Other interest expenses (Note 23)	2,036	2,104	19,789
Fees and commissions	10,133	9,544	98,457
Other operating expenses (Note 24)	3,602	1,226	35,000
General and administrative expenses (Note 25)	83,906	81,826	815,261
Other expenses (Note 26)	10,307	22,236	100,154
Total expenses	115,468	122,809	1,121,921
Income before income taxes and minority interests	40,780	33,504	396,239
Income taxes (Note 34)			
Current	3,619	3,418	35,169
Deferred	11,268	10,079	109,488
Total income taxes	14,888	13,498	144,657
Income before minority interests	25,892	20,006	251,582
Minority interests in net income	1,883	1,569	18,299
Net income (Note 39)	¥24,009	¥18,436	\$233,282

See accompanying Notes to Consolidated Financial Statements.

Consolidated Statements of Comprehensive Income

The Nishi-Nippon City Bank, Ltd. and Subsidiaries Years ended 31st March, 2014 and 2013

	Millions of yen	Millions of yen	Thousands of U.S. dollars(Note 1)
	2014	2013	2014
Income before minority interests	¥25,892	¥20,006	\$251,582
Other comprehensive income:			
Net unrealized gains on securities available for sale	2,780	24,638	27,015
Net deferred gains (losses) on hedging instruments	(35)	0	(342)
Share of other comprehensive income of affiliates accounted for by the equity method	(0)	1	(0)
Total other comprehensive income (Note 27)	¥2,745	¥24,640	\$26,672
Comprehensive income	¥28,637	¥44,646	\$278,254
Comprehensive income attributable to shareholders of the parent	¥26,665	¥42,926	\$259,085
Comprehensive income attributable to minority interests	¥1,972	¥1,720	\$19,168

See accompanying Notes to Consolidated Financial Statements.

Consolidated Statements of Changes in Net Assets

The Nishi-Nippon City Bank, Ltd. and Subsidiaries Years ended 31st March, 2014 and 2013

	Millions of yen		Thousands of U.S. dollars(Note 1)
	2014	2013	2014
Shareholders' equity			
Capital stock (Note 17)			
Balance at beginning of the year	¥85,745	¥85,745	\$833,128
Changes during the year			
Total changes during the year	—	—	—
Balance at end of the year	¥85,745	¥85,745	\$833,128
Capital surplus			
Balance at beginning of the year	¥90,301	¥90,301	\$877,391
Changes during the year			
Total changes during the year	—	—	—
Balance at end of the year	¥90,301	¥90,301	\$877,391
Earned surplus			
Balance at beginning of the year	¥143,541	¥128,247	\$1,394,685
Changes during the year			
Cash dividends paid (Note 40)	(3,975)	(3,975)	(38,623)
Net income	24,009	18,436	233,282
Transfer to reserve for deferred capital gains	0	—	0
Sale of treasury stock	(1)	(3)	(10)
Reversal of revaluation of premises	632	835	6,149
Total changes during the year	20,666	15,293	200,798
Balance at end of the year	¥164,207	¥143,541	\$1,595,483
Treasury stock (Note 18)			
Balance at beginning of the year	(¥673)	(¥668)	(\$6,544)
Changes during the year			
Acquisition of treasury stock	(21)	(11)	(212)
Sale of treasury stock	3	7	33
Total changes during the year	(18)	(4)	(179)
Balance at end of the year	(¥692)	(¥673)	(\$6,723)
Total shareholders' equity			
Balance at beginning of the year	¥318,914	¥303,625	\$3,098,661
Changes during the year			
Cash dividends paid (Note 40)	(3,975)	(3,975)	(38,623)
Net income	24,009	18,436	233,282
Transfer to reserve for deferred capital gains	0	—	0
Acquisition of treasury stock	(21)	(11)	(212)
Sale of treasury stock	2	3	22
Reversal of revaluation of premises	632	835	6,149
Total changes during the year	20,647	15,288	200,618
Balance at end of the year	¥339,561	¥318,914	\$3,299,280

Consolidated Statements of Changes in Net Assets

The Nishi-Nippon City Bank, Ltd. and Subsidiaries Years ended 31st March, 2014 and 2013

	Millions of yen		Thousands of U.S. dollars(Note 1)
	2014	2013	2014
Accumulated other comprehensive income			
Net unrealized gains on securities available for sale, net of taxes			
Balance at beginning of the year	¥35,521	¥11,032	\$345,135
Changes during the year			
Net changes in items other than shareholders' equity	2,690	24,489	26,146
Total changes during the year	2,690	24,489	26,146
Balance at end of the year	¥38,212	¥35,521	\$371,281
Net deferred gains (losses) on hedging instruments, net of taxes			
Balance at beginning of the year	¥0	(¥0)	\$0
Changes during the year			
Net changes in items other than shareholders' equity	(35)	0	(342)
Total changes during the year	(35)	0	(342)
Balance at end of the year	(¥35)	¥0	(\$342)
Revaluation of premises, net of taxes			
Balance at beginning of the year	¥29,916	¥30,751	\$290,672
Changes during the year			
Net changes in items other than shareholders' equity	(632)	(835)	(6,149)
Total changes during the year	(632)	(835)	(6,149)
Balance at end of the year	¥29,283	¥29,916	\$284,522
Retirement benefits liability adjustments			
Balance at beginning of the year	¥ —	¥ —	\$ —
Changes during the year			
Net changes in items other than shareholders' equity	(3,539)	—	(34,394)
Total changes during the year	(3,539)	—	(34,394)
Balance at end of the year	(¥3,539)	¥ —	(\$34,394)
Total accumulated other comprehensive income			
Balance at beginning of the year	¥65,437	¥41,783	\$635,807
Changes during the year			
Net changes in items other than shareholders' equity	(1,517)	23,653	(14,740)
Total changes during the year	(1,517)	23,653	(14,740)
Balance at end of the year	¥63,920	¥65,437	\$621,067
Minority interests			
Balance at beginning of the year	¥24,968	¥28,132	\$242,601
Changes during the year			
Net changes in items other than shareholders' equity	1,283	(3,163)	12,471
Total changes during the year	1,283	(3,163)	12,471
Balance at end of the year	¥26,252	¥24,968	\$255,073
Total net assets			
Balance at beginning of the year	¥409,320	¥373,541	\$3,977,070
Changes during the year			
Cash dividends paid (Note 40)	(3,975)	(3,975)	(38,623)
Net income	24,009	18,436	233,282
Transfer to reserve for deferred capital gains	0	—	0
Acquisition of treasury stock	(21)	(11)	(212)
Sale of treasury stock	2	3	22
Reversal of revaluation of premises	632	835	6,149
Net changes in items other than shareholders' equity	(233)	20,489	(2,268)
Total changes during the year	20,414	35,778	198,350
Balance at end of the year	¥429,734	¥409,320	\$4,175,421

See accompanying Notes to Consolidated Financial Statements.

Consolidated Statements of Cash Flows

The Nishi-Nippon City Bank, Ltd. and Subsidiaries Years ended 31st March, 2014 and 2013

	Millions of yen		Thousands of
	2014	2013	U.S. dollars(Note 1)
			2014
I. Cash flows from operating activities:			
Income before income taxes and minority interests	¥40,780	¥33,504	\$396,239
Depreciation	6,156	5,405	59,820
Losses on impairment of fixed assets	1,315	1,612	12,782
Amortization of goodwill	128	232	1,251
Equity in (gains) losses of nonconsolidated subsidiaries and affiliate	(288)	476	(2,807)
Decrease in reserve for possible loan losses	(47)	(1,219)	(459)
Decrease in reserve for devaluation of securities	(9)	(405)	(92)
Decrease in reserve for employee retirement benefits	(6,726)	(350)	(65,359)
Increase in asset for retirement benefits	(13,012)	—	(126,429)
Increase in liability for retirement benefits	5,814	—	56,497
Increase (decrease) in reserve for retirement benefits for directors and corporate auditors	3	(1)	29
Decrease in reserve for reimbursement of deposits	(210)	(251)	(2,047)
Decrease in reserve for other contingent losses	(1)	(401)	(18)
Income from lending activities	(113,003)	(114,504)	(1,097,978)
Funding costs	7,517	7,976	73,046
Losses on securities	67	1,714	659
Losses (gains) on money held in trust	23	(8)	232
Net foreign exchange gains	(721)	(247)	(7,013)
Losses on sale of tangible fixed assets	26	368	261
Losses on contribution of securities to retirement benefit trust	—	2,774	—
Net decrease (increase) in trading account assets	521	(272)	5,068
Net increase in loans and bills discounted	(264,640)	(195,339)	(2,571,319)
Net increase in deposits	119,761	70,580	1,163,631
Net increase in certificates of deposit	10,475	85,966	101,786
Net increase in borrowed money, exclusive of subordinated borrowings	152,971	21,537	1,486,313
Net decrease in due from banks, exclusive of central bank	328	5,256	3,193
Net (increase) decrease in call loans	(4,298)	9,223	(41,761)
Net decrease in call money	(74,789)	(44,525)	(726,675)
Net decrease in guarantee deposits received under securities lending transactions	(26,384)	(26,056)	(256,355)
Net (increase) decrease increase in foreign exchange assets	(1,562)	2,528	(15,179)
Net (decrease) increase in foreign exchange liabilities	(36)	49	(352)
Interest and dividends received	118,138	119,001	1,147,869
Interest paid	(9,017)	(9,584)	(87,613)
Others	20,870	(28,146)	202,780
Subtotal	(29,846)	(53,104)	(289,997)
Income taxes paid	(4,700)	(1,842)	(45,669)
Net cash used in operating activities	(¥34,546)	(¥54,946)	(\$335,666)

Consolidated Statements of Cash Flows

The Nishi-Nippon City Bank, Ltd. and Subsidiaries Years ended 31st March, 2014 and 2013

	Millions of yen		Thousands of U.S. dollars(Note 1)
	2014	2013	2014
II. Cash flows from investing activities:			
Payments for purchase of securities	(¥542,973)	(¥381,912)	(\$5,275,685)
Proceeds from sale of securities	255,740	252,365	2,484,849
Proceeds from redemption of securities	247,749	186,369	2,407,202
Payments for increase in money held in trust	—	(18)	—
Proceeds from decrease in money held in trust	1,003	—	9,750
Payments for purchase of tangible fixed assets	(2,134)	(3,125)	(20,742)
Proceeds from sale of tangible fixed assets	1,146	551	11,135
Payments for purchase of intangible fixed assets	(920)	(5,171)	(8,939)
Proceeds from sale of intangible fixed assets	65	84	637
Payments for purchase of stock of subsidiaries	—	(4,103)	—
Net cash (used in) provided by investing activities	(¥40,323)	¥45,039	(\$391,791)
III. Cash flows from financing activities:			
Repayments of subordinated borrowings	(¥3,000)	—	(\$29,148)
Issuance of subordinated bonds and bonds with stock subscription rights	20,000	—	194,325
Redemption of subordinated bonds and bonds with stock subscription rights	—	(15,000)	—
Dividends paid	(3,975)	(3,975)	(38,623)
Dividends paid to minority shareholders	(695)	(880)	(6,757)
Payments for acquisition of treasury stock	(21)	(11)	(212)
Proceeds from sale of treasury stock	2	3	22
Net cash provided by (used in) financing activities	¥12,309	(¥19,865)	\$119,605
IV. Effects of changes in exchange rates on cash and cash equivalents	¥31	¥36	\$305
V. Net decrease in cash and cash equivalents	(¥62,528)	(¥29,735)	(\$607,547)
VI. Cash and cash equivalents at beginning of the year	¥244,923	¥274,659	\$2,379,745
VII. Cash and cash equivalents at end of the year (Note 38)	¥182,394	¥244,923	\$1,772,198

See accompanying Notes to Consolidated Financial Statements.

Notes to Consolidated Financial Statements

The Nishi-Nippon City Bank, Ltd. and Subsidiaries

1. Basis of Presentation of Consolidated Financial Statements

The accompanying consolidated financial statements of The Nishi-Nippon City Bank, Ltd. (the "Bank"), formerly The Nishi-Nippon Bank, Ltd., and its consolidated subsidiaries have been prepared in conformity 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, and are compiled from the consolidated financial statements prepared by the Bank as required by the Financial Instruments and Exchange Law of Japan.

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

Solely for the convenience of readers outside Japan, certain items in the original Japanese financial statements have been reclassified for presentation.

As permitted by the Financial Instruments and Exchange Law, amounts of less than one million yen have been omitted by the Bank.

Consequently, the totals shown in the accompanying consolidated financial statements (both in yen and U.S. dollars) do not necessarily agree with the sum of the individual amounts.

The amounts in U.S. dollars are included solely for the convenience of readers outside Japan. A rate of ¥102.92= U.S.\$ 1.00, the exchange rate on 31st March, 2014, has been used in translation.

In the consolidated financial statements, "-" is used to denote "nil" and "0" is used to denote rounding down to zero.

2. Summary of Significant Accounting Policies

(a) Scope of Consolidation

The consolidated financial statements include the accounts of the Bank and its consolidated subsidiaries.

The number of consolidated and non-consolidated subsidiaries for the years ended 31st March, 2014 and 2013 is as follows:

	2014	2013
i) Number of consolidated subsidiaries:	7	8
ii) Number of non-consolidated subsidiaries:	2	1

- i) NCB Business Service Co., Ltd. was excluded from consolidation due to its liquidation in 2014.
- ii) The Nishi-Nippon Challenge 2, Limited Partnership and NCB Kyushu Rokujika Ouen Investment, Limited Partnership were excluded from consolidation due to their insignificance in 2014.

The Nishi-Nippon Challenge 2, Limited Partnership was excluded from consolidation due to its insignificance in 2013.

(b) Application of Equity Method

The number of non-consolidated subsidiaries and affiliates, which are accounted for by the equity method, for the years ended 31st March, 2014 and 2013 is as follows:

	2014	2013
i) Number of non-consolidated subsidiaries accounted for by the equity method:	0	0
ii) Number of affiliates accounted for by the equity method:	1	1
iii) Number of non-consolidated subsidiaries not accounted for by the equity method:	2	1
iv) Number of affiliates not accounted for by the equity method:	0	0

(c) Fiscal Years of Consolidated Subsidiaries

The closing dates of consolidated subsidiaries in 2014 and 2013 are as follows:

	2014	2013
January 14 *	1	1
March 31	6	7

*A subsidiary with the closing date of January 14 is consolidated based on the financial statements at the provisional closing of accounts performed as of 31st March. Other subsidiaries are consolidated based on the financial statements at their respective closing dates.

(d) Trading Account Assets and Liabilities

Transactions that seek gains on short-term fluctuations and arbitrage in interest rates, currency prices, market prices of financial instruments (trading transactions) are recognized on a trade date basis. They are recorded as trading assets or trading liabilities on the consolidated balance sheets and gains or losses on these transactions are recorded in trading income or trading expenses on the consolidated statements of income.

The Bank values securities, monetary claims, etc. held for trading purpose at the market price prevailing at the balance sheet date. Derivatives, such as futures and option transactions, are stated at the amount assuming that they were terminated or settled at the balance sheet date.

Trading income and expenses include interest income or expenses as well as changes in unrealized gains or losses on securities, monetary claims and derivative financial products during the fiscal year.

(e) Securities

Securities held to maturity are carried at amortized cost using the straight-line method with cost determined by the moving average method. Investments in non-consolidated subsidiaries not accounted for by the equity method are valued at cost determined by the moving average method. In principle, securities available for sale are carried at fair value with cost of sales determined by the moving average method. However, securities available for sale, for which it is extremely difficult to determine the fair value, are valued at cost determined by the moving average method.

The difference between the acquisition cost and the carrying amount of securities available for sale, representing unrealized gains and losses, is recognized as unrealized gains (losses) on securities available for sale, net of taxes, and included directly in net assets.

Securities held as components of individually managed money trusts whose principal objective is investments in securities are stated at fair value.

(f) Derivatives

Derivatives held or written are stated at fair value.

(g) Tangible Fixed Assets (excluding leased assets)

The Bank uses the declining-balance method for depreciation of tangible fixed assets other than buildings acquired on and after 1st April, 1998 which are depreciated by the straight-line method. The useful lives for buildings and equipment are as follows:

Buildings:	3 to 60 years
Equipment:	2 to 20 years

Tangible fixed assets of consolidated subsidiaries are depreciated mainly using the declining-balance method.

(h) Intangible Fixed Assets (excluding leased assets)

Intangible fixed assets are amortized using the straight-line method. Software for internal use is amortized based on the estimated useful life determined by the Bank and its consolidated subsidiaries (generally 5 years).

(i) Leased Assets

The tangible and intangible fixed assets capitalized under the finance lease transactions entered into on and after 1st April, 2008 where ownership of leased assets is not transferred to lessees are depreciated by the straight-line method over the lease term with their residual value of zero.

(j) Accounting for Deferred Assets

Bond issuance costs are expensed as incurred.

(k) Reserve for Possible Loan Losses

For loans to insolvent customers who are undergoing bankruptcy or special liquidation, etc. (hereinafter, "borrowers under bankruptcy proceedings") or who are in a similar financial condition although not yet in bankruptcy (hereinafter, "borrowers substantially in bankruptcy"), the reserve for possible loan losses is provided at the full amount of the book value of such loans after deducting the amount of direct write-offs (as defined below), and excluding the amounts deemed collectible from sale of the collateral pledged and the guarantees that are deemed recoverable.

For the unsecured and unguaranteed portion of loans to customers not presently in the above circumstances, but with a high probability of becoming so (hereinafter "customers with high probability of becoming insolvent"), the reserve for possible loan losses is provided at the amounts deemed necessary after deduction of the estimated realizable value of collateral and guarantees based on the customer's overall financial condition.

For other loans, the reserve for possible loan losses is provided at an amount based on the anticipated loss rates calculated from the actual losses for a certain period.

Regarding each loan, the Credit Review Office, which is independent of the operating divisions, reviews the operating divisions' evaluation of each loan for collectibility based on self-assessment standards.

For loans to borrowers under bankruptcy proceedings and borrowers substantially in bankruptcy that are secured by collateral and guarantees, the unrecoverable portion of such loans is determined by subtracting the estimated recoverable amounts from the disposal of the collateral and the amounts deemed recoverable from the guarantors. The unrecoverable amount is written off directly against the value of the loan ("direct write-off"). The amounts of such direct write-offs at 31st March, 2014 and 2013 were ¥20,339 million (\$197,619 thousand), and ¥24,666 million, respectively.

For loans to borrowers with a rescheduled or restructuring plan, which exceed a certain amount, the discounted cash flow (DCF) method is applied to provide for doubtful accounts, if cash flows from collection of principal and receipts of interest can be reasonably estimated. Under the DCF method a reserve for possible loan losses is provided at the difference between the cash flows discounted by the original interest rate and the carrying value of the loan.

Consolidated subsidiaries record a general reserve for possible loan losses by applying the historical loan-loss ratio observed over specific periods, and record a specific reserve for certain loans at the estimated uncollectible amount based on assessment of each borrower's ability to repay.

(l) Reserve for Devaluation of Securities

In order to provide for a loss on investments, the Bank estimates the amount deemed necessary based on a review of financial position, etc. of the companies issuing securities or golf club membership.

(m) Reserve for Retirement Benefits for Directors and Corporate Auditors

Reserve for retirement benefits for directors and corporate auditors is provided by some of the consolidated subsidiaries at the amount that would be paid in accordance with the internally established rule at the balance sheet date if they were retired on that date.

(n) Reserve for Reimbursement of Deposits

Reserve for reimbursement of deposits is provided for possible losses on the future claims for withdrawal of the deposits, which was derecognized, at an amount deemed necessary based on the estimates of the Bank.

(o) Reserve for Other Contingent Losses

Reserve for other contingent losses is provided for possible losses on loans under the shared responsibility system with the Credit Guarantee Corporation as well as for possible losses resulting from other contingencies not covered by the other reserves, at an amount deemed necessary based on the estimates of the future possible payments by the Bank.

(p) *Reserve under the Special Laws*

Reserve under the special laws is a legal reserve for financial instruments exchange, which is provided for possible losses arising from the purchase or sale of securities or other securities-related trading activities by the Bank's consolidated subsidiaries in Japan at an amount estimated pursuant to Article 46, item 5 of the Financial Instruments and Exchange Law as well as Article 175 of the Cabinet Office Ordinance relating to the financial instruments business.

(q) *Accounting for Retirement Benefits*

The retirement benefit obligation for employees is attributed to each period by the straight-line method over the estimated years of service of the eligible employees.

Actuarial gain/loss is amortized using the straight-line method mainly over a period of 10 years following the year it arises, which is within the average remaining years of service of the current employees.

For some consolidated subsidiaries, liability for retirement benefits and retirement benefit expenses are calculated using the simplified method, which assumes the retirement benefit obligation to be equal to the benefits payable if all eligible employees voluntarily terminated their employment at fiscal year end.

(r) *Foreign Currency Translation*

Foreign currency-denominated assets and liabilities are translated into Japanese yen primarily at the exchange rate prevailing at the balance sheet date.

(s) *Accounting for Leases*

Finance lease transactions which were initially engaged by the Bank and its consolidated subsidiaries prior to 1st April, 2008 where there is no transfer of ownership are accounted for by the same method as applicable to ordinary operating lease contracts.

(t) *Hedge Accounting*

① Hedge accounting for interest rate risks

The Bank applies the deferred method as hedge accounting for interest rate risks of certain financial assets and liabilities by using the individual hedging, which directly matches hedged items and hedging instruments.

With regard to hedging transactions to offset fluctuations in the fair value of fixed-rate bonds classified as available-for-sale securities, in accordance with operational rules concerning hedge accounting, hedged items are distinguished by identical type of bonds and interest rate swaps are used as hedging instruments. Since significant terms related to those hedged items and hedging instruments are nearly identical, such hedging transactions are deemed highly effective in terms of evaluation of hedge effectiveness.

No evaluation is performed for hedge effectiveness of qualifying interest rate swaps accounted for by the special treatment, as it is ascertained that the criteria for the special treatment are continually met.

② Hedge accounting for foreign exchange rate risk

The Bank applies the deferred method as hedge accounting for foreign exchange risks of various foreign currency-denominated financial assets and liabilities in accordance with the "Accounting and Auditing Treatment for Accounting for Foreign Currency Transactions in Banking Industry" (JICPA Industry Audit Committee Report No. 25).

The Bank treats foreign exchange swap transactions as hedging instruments for the purpose of the hedge of foreign currency-denominated financial assets and liabilities, and the Bank tests hedge effectiveness by matching the foreign currency swap position as hedging instruments with the related foreign currency-denominated financial assets and liabilities as hedged items.

③ Internal contract

For internal contracts, the Bank manages the foreign currency swaps that are designated as hedging instruments in accordance with the strict criteria for external transactions stipulated in the JICPA Industry Audit Committee Report No. 25. Therefore, the Bank either recognizes gains or losses that arise from such currency swaps as earnings or defers them, rather than eliminating them.

(u) Amortization of Goodwill

Goodwill is amortized using the straight-line method over five years.

(v) Cash and Cash Equivalents in the Consolidated Statements of Cash Flows

Cash and Cash Equivalents in the consolidated statements of cash flows are composed of cash and due from central bank.

(w) Accounting Treatment for Consumption Taxes

The tax excluded method is used as the accounting treatment for consumption taxes and local consumption taxes for the Bank and its domestic consolidated subsidiaries.

3. Change in Accounting Policies

“Accounting Standard for Retirement Benefits” (ASBJ Statement No. 26 issued on 17th May, 2012, hereinafter “Retirement Benefits Accounting Standard”) and “Guidance on Accounting Standard for Retirement Benefits” (ASBJ Guidance No. 25 issued on 17th May, 2012, hereinafter “Retirement Benefits Guidance”) were adopted as of the end of the fiscal year ended 31st March, 2014 (with the exception of the main clause of Paragraph 35 of the Retirement Benefits Accounting Standard and the main clause of Paragraph 67 of the Retirement Benefits Guidance), and accordingly the difference between the retirement benefit obligation and the plan asset was recorded as an asset or liability for retirement benefits.

Concerning the application of the Retirement Benefits Accounting Standard, in accordance with the provisional treatment set forth in Paragraph 37 of the standard, unrecognized actuarial gains (losses) after adjusting tax effects were recorded as retirement benefits liability adjustments under accumulated other comprehensive income.

As a result of this change, ¥7,043 million (\$68,434 thousand) and ¥5,339 million (\$51,876 thousand) were recorded in asset and liability for retirement benefits, respectively, as of 31st March, 2014. In addition, deferred tax assets and minority interests increased by ¥1,960 million (\$19,044 thousand) and ¥6 million (\$65 thousand), respectively, and accumulated other comprehensive income decreased by ¥3,539 million (\$34,394 thousand).

The effect of this change on per-share information is disclosed in Note 39.

4. Accounting Standards yet to be Applied

(1) Accounting standards for retirement benefits (issued on 17th May, 2012)

(a) Outline

The accounting standard and guidance have been revised primarily to change the accounting treatment of unrecognized actuarial gains and losses, as well as unrecognized prior service costs, and the calculation method for the retirement benefit obligation and service costs, and to expand the scope of disclosure items, with a view toward improving financial reporting while taking international trends into consideration.

(b) Effective date

The Bank plans to apply the change in the calculation method for the retirement benefit obligation and service costs effective as of the beginning of the fiscal year ending 31st March, 2015.

(c) Impact of application of the accounting standard and guidance

The impact of application of the accounting standard and guidance is immaterial.

(2) Accounting standards for business combinations (issued on 13th September, 2013)

(a) Outline

The accounting standards and guidance have been revised primarily to change 1) the accounting treatment for changes in shares that a parent company has in one of its subsidiaries due to acquisition of additional shares of the subsidiary which is under continued control of the parent and 2) the accounting treatment for acquisition-related costs, to define 3) the provisional treatment for these changes, and to amend 4) the presentation method of net income and the terminology from "minority interests" to "non-controlling interests."

(b) Effective date

The Bank plans to apply the revised accounting standards for business combinations effective as of the beginning of the fiscal year ending 31st March, 2016.

(c) Impact of application of the accounting standards and guidance

The bank is currently evaluating the impact of application of the accounting standards and guidance.

5. Trading Account Assets

Trading account assets at 31st March, 2014 and 2013 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2014	2013	2014
Trading securities	¥1,026	¥1,548	\$9,978
Other trading assets	—	—	—
Total	¥1,026	¥1,548	\$9,978

6. Securities

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

	Millions of yen		Thousands of U.S. dollars
	2014	2013	2014
Japanese government bonds	¥622,963	¥560,939	\$6,052,889
Japanese municipal bonds	201,876	193,325	1,961,494
Corporate bonds (including government-guaranteed bonds)*	508,301	481,879	4,938,798
Stock**	106,508	99,246	1,034,866
Other securities***	341,561	382,245	3,318,712
Total	¥1,781,211	¥1,717,636	\$17,306,762

* Corporate bonds included bonds offered through private placement. The Bank's guarantee obligation for such private placement bonds at 31st March, 2014 and 2013 were ¥4,466 million (\$43,392 thousand) and ¥5,911 million, respectively.

** Stock included stock of affiliates of ¥557 million (\$5,416 thousand) and ¥524 million at 31st March, 2014 and 2013, respectively.

*** Other securities included investments in non-consolidated subsidiaries of ¥347 million (\$3,380 thousand) and ¥312 million at 31st March, 2014 and 2013, respectively.

7. Loans and Bills Discounted

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

	Millions of yen		Thousands of U.S. dollars
	2014	2013	2014
Bills discounted*	¥31,030	¥35,407	\$301,499
Loans on notes	193,439	197,780	1,879,515
Loans on deed	5,102,637	4,853,072	49,578,674
Overdraft	522,759	498,966	5,079,277
Total	¥5,849,866	¥5,585,226	\$56,838,968

* Bills discounted are recorded as cash lending / borrowing transactions in accordance with the "Accounting and Auditing Treatments for Application of Accounting Standard for Financial Instruments in Banking Industry" (JICPA Industry Audit Committee Report No. 24). The Bank has right to sell or collateralize such bills at its discretion. Total face value of commercial bills and bills of exchange acquired through discounting amounted to ¥31,682 million (\$307,838 thousand) and ¥35,636 million at 31st March, 2014 and 2013, respectively.

Non-performing loans included in the loans at 31st March, 2014 and 2013 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2014	2013	2014
Loans to legally bankrupt entities**	¥2,103	¥3,687	\$20,435
Delinquent loans***	130,758	145,064	1,270,485
Loans past due for three months or more****	311	323	3,021
Loans with altered lending conditions*****	31,552	26,061	306,572
Total	¥164,725	¥175,137	\$1,600,515

** Loans to legally bankrupt entities are loans on which interest is placed on a non-accrual status ("non-accrual loans"), excluding loans written off, as principal or interest has not been paid for a substantial period or for other reasons and there are no prospects for recovery or repayment of principal or interest, and to which certain circumstances apply as stated in the Implementation Ordinances for the Corporation Tax Law.

*** Delinquent loans are non-accrual loans other than (i) loans to legally bankrupt entities and (ii) loans for which interest payments have been rescheduled in order to assist the restructuring of these borrowers.

**** Loans past due for three months or more are loans for which principal or interest has not been paid for a period of three months or more from the next business day of the last due date, and that are not included in loans to legally bankrupt entities or delinquent loans.

***** Loans with altered lending conditions are loans restructured to provide relief to borrowers, such as reducing interest rates, rescheduling interest and principal payment, or waiving the claims, in order to assist the restructuring of these borrowers. Such loans exclude loans to legally bankrupt entities, delinquent loans, and loans past due for three months or more.

8. Assets Pledged as Collateral

Assets pledged as collateral by the Bank and its consolidated subsidiaries at 31st March, 2014 and 2013 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2014	2013	2014
Assets pledged as collateral			
Cash and due from banks	¥54	¥60	\$531
Commercial paper and other debt purchased	377	536	3,671
Securities	439,278	449,175	4,268,158
Total	¥439,711	¥449,772	\$4,272,361
Liabilities secured by the above assets			
Deposits	¥18,827	¥11,060	\$182,929
Call money and bills sold	50,600	134,600	491,643
Guarantee deposits received under securities lending transactions	19,720	46,104	191,605
Borrowed money	203,434	51,380	1,976,627

Other than the items shown above, the following items were pledged as collateral for foreign exchange transactions and/or as substitutes for initial margin on futures at 31st March, 2014 and 2013:

	Millions of yen		Thousands of U.S. dollars
	2014	2013	2014
Cash and due from banks	¥2	¥2	\$19
Securities	83,764	111,561	813,875

The following deposits were included in other assets at 31st March, 2014 and 2013:

	Millions of yen		Thousands of U.S. dollars
	2014	2013	2014
Deposits included in other assets	¥3,376	¥3,221	\$32,808

9. Contracts for Commitment Lines of Credit Contracts for commitment lines of credit related to overdraft agreements and loan credit facilities represent a promise on a lending bank at a specified credit limit, to a customer upon request for funds, unless there is a violation of the contractual conditions.

The aggregate amounts under commitment contracts not yet drawn down at 31st March, 2014 and 2013 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2014	2013	2014
Aggregate amount under commitment contracts not yet drawn down	¥1,811,594	¥1,731,366	\$17,601,972
Of the above amount, those with original maturity of less than one year or cancellable at any time without penalty	1,781,542	1,710,394	17,309,977

As many of these contracts expire without the right to extend the loans being exercised, the aggregate total of the undrawn amount does not necessarily affect the future cash flows of the Bank and its consolidated subsidiaries. Many of these contracts have stipulations that allow the Bank and its consolidated subsidiaries to turn down a loan request or reduce the amount of the credit line if there is a change in financial conditions, a need to secure their credit, or other similar reasons. In addition to obtaining necessary collateral (real estate, securities, etc.) at the time the contract is entered into, the Bank and its consolidated subsidiaries assess the condition of the customer's business operations, and analyze other information, based on internal procedures and standards. If necessary, the contract is reviewed and revised, or additional steps are taken to secure the credit extended to the customer.

10. Foreign Exchange Foreign exchange assets and liabilities at 31st March, 2014 and 2013 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2014	2013	2014
Assets:			
Foreign exchange bills bought	¥652	¥229	\$6,338
Foreign exchange bills receivable	440	319	4,282
Due from foreign banks (their accounts)	1,649	—	16,022
Due from foreign banks (our accounts)	3,957	4,589	38,453
Total	¥6,699	¥5,137	\$65,097
Liabilities:			
Foreign exchange bills sold	¥1	¥39	\$11
Foreign exchange bills payable	96	94	934
Total	¥97	¥133	\$946

11. Other Assets Other assets at 31st March, 2014 and 2013 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2014	2013	2014
Domestic exchange settlement account*	¥13	¥19	\$132
Accrued income	7,746	8,526	75,267
Prepaid expenses	78	61	761
Financial derivative products	4,991	5,948	48,495
Other	24,309	31,249	236,195
Total	¥37,138	¥45,804	\$360,852

* Domestic exchange settlement account represents unsettled debit balances arising from inter-bank domestic exchange transfers.

12. Tangible Fixed Assets

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

	Millions of yen		Thousands of U.S. dollars
	2014	2013	2014
Land	¥79,301	¥80,697	\$770,511
Buildings	70,381	72,199	683,843
Construction in progress	24	116	238
Leased assets	718	851	6,983
Other tangible fixed assets	35,993	36,705	349,722
	186,418	190,570	1,811,299
Less accumulated depreciation	(72,796)	(73,497)	(707,312)
Total	¥113,622	¥117,073	\$1,103,987

The accelerated depreciation entry amounts for tangible fixed assets at 31st March, 2014 and 2013 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2014	2013	2014
	¥7,675	¥7,829	\$74,577

13. Deposits

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

	Millions of yen		Thousands of U.S. dollars
	2014	2013	2014
Current deposits	¥282,371	¥288,589	\$2,743,599
Ordinary deposits	3,389,112	3,250,185	32,929,580
Deposits at notice	13,358	10,080	129,790
Time deposits	2,917,689	2,935,187	28,349,101
Negotiable certificates of deposit	232,610	222,134	2,260,106
Other deposits	117,329	116,057	1,140,008
Total	¥6,952,471	¥6,822,234	\$67,552,188

14. Bonds

Bonds at 31st March, 2014 and 2013 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2014	2013	2014
Bonds:			
3.20% Japanese yen subordinated bonds due 2014	¥15,000	¥15,000	\$145,744
2.78% Japanese yen subordinated bonds due 2015	14,500	14,500	140,886
2.70% Japanese yen subordinated bonds due 2017	10,000	10,000	97,162
1.70% Japanese yen callable subordinated bonds due 2020	15,000	15,000	145,744
1.55% Japanese yen callable subordinated bonds due 2021	8,800	8,800	85,503
1.37% Japanese yen callable subordinated bonds due 2021	10,000	10,000	97,162
0.67% Japanese yen callable subordinated bonds due 2023	10,000	–	97,162
0.87% Japanese yen callable subordinated bonds due 2025	10,000	–	97,162
Total	¥93,300	¥73,300	\$906,529

15. Borrowed Money

Borrowed money included subordinated borrowings of ¥10,000 million (\$97,162 thousand) and ¥13,000 million at 31st March, 2014 and 2013, respectively.

The weighted average interest rates on borrowed money at 31st March, 2014 and 2013 are 0.28% and 0.71%, respectively.

The aggregate annual maturity amounts within five years of borrowed money after 31st March, 2014 are as follows:

Year ending 31st March	Millions of yen	Thousands of U.S. dollars
2015	¥74,937	\$728,117
2016	2,648	25,735
2017	145,106	1,409,898
2018	600	5,833
2019	363	3,527

16. Other Liabilities

Other liabilities at 31st March, 2014 and 2013 consisted of the following:

	Millions of yen		Thousands of
	2014	2013	U.S. dollars
Domestic exchange settlement account	¥28	¥52	\$278
Accrued income taxes	1,483	2,698	14,416
Accrued expenses	9,637	11,043	93,637
Unearned income	2,981	2,786	28,966
Financial derivative products	6,169	5,184	59,942
Lease obligations	336	414	3,265
Asset retirement obligations	833	825	8,095
Others	65,661	29,605	637,983
Total	¥87,130	¥52,610	\$846,586

17. Capital Stock

Capital stock during the year ended 31st March, 2014 consisted of the following:

	Common stock	Capital stock	
	Issued shares	Millions of yen	Thousands of U.S. dollars
1st April, 2013	796,732,552	¥85,745	\$833,128
Increase	—	—	—
Decrease	—	—	—
31st March, 2014	796,732,552	¥85,745	\$833,128

Capital stock during the year ended 31st March, 2013 consisted of the following:

	Common stock	Capital stock	
	Issued shares	Millions of yen	Thousands of U.S. dollars
1st April, 2012	796,732,552	¥85,745	
Increase	—	—	
Decrease	—	—	
31st March, 2013	796,732,552	¥85,745	

18. Treasury Stock

Treasury stock during the year ended 31st March, 2014 consisted of the following:

	Common stock	Treasury stock	
	Number of shares	Millions of yen	Thousands of U.S. dollars
1st April, 2013	1,696,763	(¥673)	(\$6,544)
Increase*	80,893	(21)	(212)
Decrease*	8,771	3	33
31st March, 2014	1,768,885	(¥692)	(\$6,723)

* An increase for the year ended 31st March, 2014 was caused by purchase of fractional shares, and a decrease was caused by sale of fractional shares.

Treasury stock during the year ended 31st March, 2013 consisted of the following:

	Common stock	Treasury stock	
	Number of shares	Millions of yen	Thousands of U.S. dollars
1st April, 2012	1,653,320	(¥668)	
Increase*	60,946	(11)	
Decrease*	17,503	7	
31st March, 2013	1,696,763	(¥673)	

* An increase for the year ended 31st March, 2013 was caused by purchase of fractional shares, and a decrease was caused by sale of fractional shares.

19. Revaluation of Premises Account Based on the Law Concerning Land Revaluation (Law No. 34, promulgated on 31st March, 1998), the Bank has revalued its land used for business purposes. The deferred taxes on revaluation differences are presented in the account, "Deferred tax liabilities on revaluation of premises" in the liabilities of the consolidated balance sheet. The amount of revaluation differences, net of tax, is presented as "Revaluation of premises, net of taxes" in net assets.

The excess of the aggregate market value of land for business use revalued in accordance with Article 10 of the Law Concerning Land Revaluation over the book value after revaluation at 31st March, 2014 and 2013 is as follows:

Millions of yen		Thousands of U.S. dollars
2014	2013	2014
¥30,672	¥33,365	\$298,024

20. Other Interest Income Other interest income for the years ended 31st March, 2014 and 2013 consisted of the following:

Millions of yen		Thousands of U.S. dollars	
2014	2013	2014	
Interest on call loans and bills bought	¥66	¥81	\$646
Interest on deposits with banks	92	48	896
Others	957	832	9,302
Total	¥1,116	¥962	\$10,845

21. Other Operating Income Other operating income for the years ended 31st March, 2014 and 2013 consisted of the following:

Millions of yen		Thousands of U.S. dollars	
2014	2013	2014	
Gains on foreign exchange transactions	¥894	¥525	\$8,689
Gains on sale of bonds	2,366	4,516	22,997
Others	479	598	4,656
Total	¥3,740	¥5,639	\$36,343

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

Millions of yen		Thousands of U.S. dollars	
2014	2013	2014	
Gains on sale of stock and other securities	¥2,225	¥286	\$21,623
Gains on money held in trust	3	8	34
Equity in earnings of affiliates	288	—	2,807
Gains on disposition of fixed assets	360	101	3,506
Recoveries of written-off claims	878	2,173	8,536
Rental income on land and buildings	383	387	3,729
Others	2,561	2,034	24,889
Total	¥6,702	¥4,991	\$65,126

23. Other Interest Expenses	Other interest expenses for the years ended 31st March, 2014 and 2013 consisted of the following:		
	Millions of yen		Thousands of U.S. dollars
	2014	2013	2014
Bonds	¥1,723	¥1,693	\$16,749
Securities lending transactions	95	220	926
Others	217	190	2,113
Total	¥2,036	¥2,104	\$19,789

24. Other Operating Expenses	Other operating expenses for the years ended 31st March, 2014 and 2013 consisted of the following:		
	Millions of yen		Thousands of U.S. dollars
	2014	2013	2014
Losses on sale of bonds	¥3,486	¥978	\$33,872
Losses on redemption of bonds	106	212	1,036
Expenses for derivatives other than trading derivatives	9	35	92
Others	0	0	0
Total	¥3,602	¥1,226	\$35,000

25. General and Administrative Expenses	General and administrative expenses for the years ended 31st March, 2014 and 2013 consisted of the following:		
	Millions of yen		Thousands of U.S. dollars
	2014	2013	2014
Salaries and allowances	¥33,963	¥34,806	\$330,000
Employee retirement benefits	1,673	3,271	16,264
Retirement benefits for directors and corporate auditors	31	30	310
Depreciation	6,156	5,405	59,820
Rental expenses	4,091	4,702	39,756
Amortization of goodwill	128	232	1,251
Taxes	3,999	4,063	38,858
Others	33,860	29,313	328,999
Total	¥83,906	¥81,826	\$815,261

26. Other Expenses	Other expenses for the years ended 31st March, 2014 and 2013 consisted of the following:		
	Millions of yen		Thousands of U.S. dollars
	2014	2013	2014
Provision for possible loan losses	¥1,090	¥1,095	\$10,595
Losses on write-offs of claims	3,490	5,777	33,916
Losses on sale of stock and other securities	306	801	2,982
Losses on devaluation of stock and other securities	760	4,526	7,390
Losses on money held in trust	27	—	267
Equity in losses of affiliates	—	476	—
Losses on disposition of tangible fixed assets	387	470	3,767
Impairment losses	1,315	1,612	12,782
Losses on contribution of securities to retirement benefit trust	—	2,774	—
Losses on sale of loans	1,066	1,594	10,364
Others	1,861	3,107	18,087
Total	¥10,307	¥22,236	\$100,154

27. Other Comprehensive Income	Reclassification adjustments and tax effects related to other comprehensive income for the years ended 31st March, 2014 and 2013 are as follows:		
	Millions of yen		Thousands of U.S. dollars
	2014	2013	2014
Net unrealized gains on securities available for sale:			
Amount arising during the year	¥8,509	¥33,604	\$82,679
Reclassification adjustments	(4,418)	4,019	(42,927)
Amount before tax effect	4,091	37,623	39,751
Tax effect	(1,310)	(12,984)	(12,735)
Net unrealized gains on securities available for sale	¥2,780	¥24,638	\$27,015
Net deferred gains (losses) on hedging instruments:			
Amount arising during the year	(¥271)	(¥190)	(\$2,636)
Reclassification adjustments	216	190	2,106
Amount before tax effect	(54)	0	(530)
Tax effect	19	(0)	187
Net deferred gains (losses) on hedging instruments	(¥35)	¥0	(\$342)
Share of other comprehensive income of affiliates accounted for by the equity method:			
Amount arising during the year	(¥0)	¥1	(\$0)
Reclassification adjustments	—	—	—
Amount before tax effect	(0)	1	(0)
Tax effect	—	—	—
Share of other comprehensive income of affiliates accounted for by the equity method	(¥0)	¥1	(\$0)
Total other comprehensive income	¥2,745	¥24,640	\$26,672

28. Lease Transactions

(1) Finance leases

Information on finance lease transactions which are accounted for as operating leases at 31st March, 2014 and 2013 is summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2014	2013	2014
Amounts equivalent to acquisition cost			
Tangible fixed assets	¥4,355	¥4,355	\$42,315
Total	¥4,355	¥4,355	\$42,315
Amounts equivalent to accumulated depreciation			
Tangible fixed assets	¥3,524	¥3,321	\$34,242
Total	¥3,524	¥3,321	\$34,242
Amounts equivalent to carrying value			
Tangible fixed assets	¥830	¥1,033	\$8,072
Total	¥830	¥1,033	\$8,072

Note: The amount equivalent to acquisition cost includes an interest element as the total future finance lease payments are not significant to the balance of tangible fixed assets at the end of the year.

Future lease payments of finance leases which are accounted for as operating leases at 31st March, 2014 and 2013 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2014	2013	2014
Future finance lease payments			
Due within one year	¥195	¥202	\$1,899
Due after one year	635	830	6,173
Total	¥830	¥1,033	\$8,072

Note: The amount of the future finance lease payments at the end of the year includes an interest element as the total future finance lease payments are not significant to the balance of tangible fixed assets at the end of the year.

Total lease payments during the year and the amount equivalent to depreciation expenses for the years ended 31st March, 2014 and 2013 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2014	2013	2014
Total lease payments during the year	¥202	¥370	\$1,968
The amount equivalent to depreciation expenses *	202	370	1,968

* The amount equivalent to depreciation expenses was calculated using the straight-line method with no residual value over the lease term.

(2) Operating leases

Future lease payments required under operating leases that are non-cancelable at 31st March, 2014 and 2013 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2014	2013	2014
Future operating lease payments			
Due within one year	¥351	¥386	\$3,411
Due after one year	993	1,302	9,657
Total	¥1,345	¥1,689	\$13,069

29. Financial Instruments**(1) Matters related to status of financial instruments****1. Policies for financial instruments**

The Nishi-Nippon City Bank Group (the "Group") is engaged in the financial service business, with a primary focus on banking businesses such as deposits, loans, securities, and domestic and foreign currency exchange businesses. The Group manages and raises funds, taking into account market conditions and balancing duration. To conduct these businesses, the Bank comprehends the risks arising from all of its assets and liabilities, including off-balance-sheet transactions, through the proper controls over these risks, and builds reasonable and effective portfolios. Thus the Bank operates a comprehensive asset and liability management (ALM) system with the aim of maximizing and stabilizing its profits.

In addition, some of the Bank's consolidated subsidiaries are engaged in banking, credit card, credit guarantee services, credit management, restructuring support services, claims servicing businesses and financial instruments and exchange services.

2. Types of financial instruments and related risks

Loans, which comprise 70% of the Group's total assets, are primarily made to domestic corporations and individuals and are exposed to credit risks resulting from non-performance of contracts. Should the creditworthiness of major borrowers deteriorate, the value of collateral sharply decline, or other unanticipated problems arise, it could cause an increase in the cost of credit such as an unexpected write-off or rise in reserve for possible loan losses. Moreover, considering the relative weight of the invested assets, the impact of any such problems could be substantial and could have a negative effect on the financial position and performance of the Group.

Securities are mainly stocks, debt securities, and investment trusts and are exposed to the credit risk of each issuer and the risk of interest rate fluctuation. Stocks that are marketable are exposed to price volatility risks that a decline in their market prices cause impairment losses and valuation losses on the stocks. Debt securities are also subject to price volatility risks that an increase in the market interest rates following economic recovery may cause valuation losses on the securities.

Borrowed money and bonds are exposed to liquidity risks that, if some problems arise in cash management due to deterioration in financial positions at the Group, the Group is forced to raise funds at higher interest rates than usual, market transactions are suspended as a result of market turmoil, or it is forced to make transactions at a drastically unfavorable price than usual, it could impact future operations of the Group.

Derivative transactions include interest rate swaps, forward exchange transactions, currency swaps, and currency options. These derivatives are utilized primarily as hedging instruments to manage and mitigate the market risks of on-balance-sheet assets and liabilities. In addition, some of the derivative transactions in trading operations are used for the purpose of making profits through short-term fluctuations in the market rates, arbitrage transactions and others. Hedge transactions consist mainly of interest rate swaps as a hedge against interest rate fluctuation risks arising from loans with fixed interest rates and callable time deposits, and forward exchange transactions and currency options as a hedge against exchange rate fluctuation risks arising from foreign currency-denominated assets and liabilities. The Bank assesses the hedge effectiveness based on the difference between accumulated changes in cash flows of hedged items and hedging instruments. However, no evaluation is performed for the hedge effectiveness of qualifying interest rate swaps accounted for by the special treatment under the Accounting Standard for Financial Instruments, as it is ascertained that such derivatives continually meet the criteria for special treatment. Risks related to these derivatives transactions include the market risk of a potential loss in the fair value of financial instruments or portfolios resulting from fluctuations in interest rates, foreign exchange rates, stock prices and other factors as well as the credit risk of a potential loss in the value of a transaction due to default by counterparties to the contracts.

3. Risk management system for financial instruments

① Credit risk management

Recognizing the credit risk as our highest priority, the Group is working on strengthening controls over the credit risk in accordance with the Group's credit risk management policy and credit policy.

The Group applies its strict standards to the screening of individual credit extension, and credits that exceed certain thresholds are reviewed further by specialized staff in its Credit Supervision Division. In this way, the Group is working to maintain the soundness of its assets.

Regarding its loan portfolios, the Group tries to diversify risks to ensure that there is no concentration on any particular industrial sectors or customers, through its systems of credit risk quantification and portfolio management by sector based on the credit rating system.

In addition, each related division carries out self-assessment of its assets for calculating the appropriate level of write-offs and provisions. The asset audit office in the Internal Audit Division of the Bank constantly monitors the status of the self-assessment procedures and adequacy of the write-offs and provisions.

② Market risk management

The Group clearly separates the department responsible for conducting market transactions (front office) from the department responsible for business administration (back office). Furthermore, the Corporate Risk Management & Compliance Division of the Bank, which is independent from the market divisions, has been put in charge of risk management (middle office) to monitor conditions of the market transactions and their compliance with the market risk-related regulations. The Group thus has a system of mutual controls among offices.

In addition, the Group is working to achieve stable profits by improving its management methods through a variety of techniques for measuring risks such as VaR (Value at Risk) and BPV (Basis Point Value) methods, and by establishing a maximum acceptable level for market risks and controlling the risks within the certain acceptable range.

(Quantitative information on market risks)

The measured quantity of market risks of the Group as a whole at 31st March, 2014 and 2013 were ¥45,024 million (\$437,465 thousand) and ¥40,144 million, respectively.

The Bank's financial instruments which are subject to the measurement include loans, deposits, securities and derivatives. The Bank measures market risks using historical VaR method with an observation period of five years, a confidence interval of 99% and a holding period of 6 months. The quantity of market risks of the Bank at 31st March, 2014 and 2013 were ¥43,684 million (\$424,446 thousand) and ¥38,915 million, respectively.

The Bank performs backtesting, which compares VaR calculated by the model with actual performance (gain or loss). Based on the results of the testing, we believe that the risk measurement model which we use captures market risks with sufficient accuracy. However, since VaR measures market risks at a certain probability which is statistically calculated, it is not always possible for the model to capture market risks in situations where market conditions change drastically.

③ Liquidity risk management

The Group recognizes the liquidity risk as one of the most significant risks, because there are concerns over potential business failures and systemic risks when the liquidity risk rises. The Group provides against the liquidity risks by ensuring an adequate reserve for outstanding claims and developing a contingency plan that assumes various scenarios.

As for the day-to-day cash management of the Bank, a system of mutual controls among divisions has been put into place. As a part of this system, the Treasury & Securities Transaction Division and Treasury & Portfolio Investment Division, which are responsible for the Bank's day-to-day cash management, raise and manage marketable funds, while the Corporate Risk Management & Compliance Division, which is responsible for managing the liquidity risk, monitors the Bank's cash position. In this way, the Bank maintains a fluid and stable cash position.

④ Risk management for derivative transactions

The Bank's derivative transactions are entered into using operational rules prepared in accordance with the Bank's internal regulations. The rules stipulate the scope of derivative usage, authorization, responsibility, procedure, credit line, loss-cut rule, and reporting system. Each business line is responsible for each relevant risk management and for reporting to management, including the ALM Committee, on a monthly basis.

4. Supplementary explanation of the estimated fair value of financial instruments

The fair value of financial instruments includes the value based on the market price as well as a reasonably estimated value in case there is no market price. Because various assumptions are used in the estimation of the fair value, the fair value may vary when different assumptions are used.

(2) Estimated fair value of financial instruments

Carrying value of financial instruments in the consolidated balance sheets at 31st March, 2014 and 2013 and their fair values and valuation differences are as follows. Non-listed stocks and others whose fair value is extremely difficult to be estimated are excluded from the table below (refer to Note 2).

<At 31st March, 2014>

	Millions of yen		
	Carrying value	Fair value	Valuation differences
Assets:			
(1) Cash and due from banks	¥185,603	¥185,603	¥ —
(2) Securities:			
Held-to-maturity securities	75,744	79,511	3,766
Available-for-sale securities	1,688,322	1,688,322	—
(3) Loans and bills discounted	5,849,866		
Reserve for possible loan losses*	(35,995)		
	5,813,871	5,920,044	106,172
Total assets	¥7,763,542	¥7,873,482	¥109,939
Liabilities:			
(1) Deposits	¥6,952,471	¥6,953,422	¥951
(2) Call money and bills sold	158,563	158,563	—
(3) Borrowed money	223,976	222,314	(1,661)
(4) Bonds	93,300	95,337	2,037
Total liabilities	¥7,428,310	¥7,429,637	¥1,327
Derivatives**			
Hedge accounting not applied	¥218	¥218	¥ —
Hedge accounting applied	(1,396)	(1,396)	—
Total derivatives	(¥1,178)	(¥1,178)	¥ —

	Thousands of U.S. dollars		
	Carrying value	Fair value	Valuation differences
Assets:			
(1) Cash and due from banks	\$1,803,380	\$1,803,380	\$ —
(2) Securities:			
Held-to-maturity securities	735,955	772,553	36,597
Available-for-sale securities	16,404,224	16,404,224	—
(3) Loans and bills discounted	56,838,968		
Reserve for possible loan losses*	(349,742)		
	56,489,225	57,520,832	1,031,606
Total assets	\$75,432,787	\$76,500,991	\$1,068,204
Liabilities:			
(1) Deposits	\$67,552,188	\$67,561,432	\$9,244
(2) Call money and bills sold	1,540,643	1,540,643	—
(3) Borrowed money	2,176,218	2,160,070	(16,147)
(4) Bonds	906,529	926,326	19,797
Total liabilities	\$72,175,579	\$72,188,474	\$12,894
Derivatives**			
Hedge accounting not applied	\$2,120	\$2,120	\$ —
Hedge accounting applied	(13,566)	(13,566)	—
Total derivatives	(\$11,446)	(\$11,446)	\$ —

* The general reserve for possible loan losses and the specific reserve for possible loan losses, which correspond to loans and bills discounted, have been deducted.

** Derivative transactions recorded in Other assets and Other liabilities are presented in total. The value of assets and liabilities arising from derivative transactions is shown at net value, and with the amount in parentheses representing net liability position.

<At 31st March, 2013>

	Millions of yen		Valuation differences
	Carrying value	Fair value	
Assets:			
(1) Cash and due from banks	¥248,461	¥248,461	¥
(2) Securities:			
Held-to-maturity securities	75,624	79,609	3,985
Available-for-sale securities	1,623,950	1,623,950	—
(3) Loans and bills discounted	5,585,226		
Reserve for possible loan losses*	(36,010)		
	5,549,215	5,668,833	119,617
Total assets	¥7,497,251	¥7,620,854	¥123,603
Liabilities:			
(1) Deposits	¥6,822,234	¥6,823,373	¥1,138
(2) Call money and bills sold	233,352	233,352	—
(3) Borrowed money	74,004	74,270	265
(4) Bonds	73,300	76,043	2,743
Total liabilities	¥7,202,891	¥7,207,039	¥4,147
Derivatives**			
Hedge accounting not applied	¥543	¥543	¥ —
Hedge accounting applied	220	220	—
Total derivatives	¥764	¥764	¥ —

* The general reserve for possible loan losses and the specific reserve for possible loan losses, which correspond to loans and bills discounted, have been deducted.

** Derivative transactions recorded in Other assets and Other liabilities are presented in total. The value of assets and liabilities arising from derivative transactions is shown at net value.

(Note 1) Methods for estimating the market value of financial instruments

Assets:

(1) Cash and due from banks

Because the fair value of due from banks that does not have stated maturity approximates its carrying value, the carrying value is treated as the fair value. The fair value of due from banks that has stated maturity is based on the present value of the totals by maturity bucket discounted by the interest rate that would be applied if similar deposits were placed. As the fair value of due from banks with a short-term original contractual maturity (one year or less) approximates its carrying value, its carrying value is treated as the fair value.

(2) Securities

The fair value of stocks is based on their market price on the stock exchange, while the fair value of debt securities is based on the Reference Prices (Yields) for OTC Bond Transactions published by the Japan Securities Dealers Association, the price quoted by the correspondent financial institutions or the value reasonably calculated by the banks. The fair value of investment trusts is based on the announced reference price or the price quoted by the correspondent financial institutions. The fair value of foreign securities is based on the price quoted by the correspondent financial institutions or the financial information vendors.

The fair value of private placement bonds with the Bank's own guarantee is based on the present value of future cash flows discounted by the market interest rate adjusted for credit risk.

Floating-rate Japanese government bonds (JGBs) are valued and stated at the amounts reasonably estimated by the Bank as of 31st March, 2013. As a result, securities and net unrealized gains on securities available for sale increased by ¥660 million and ¥426 million, respectively, and deferred tax assets decreased by ¥233 millions of 31st March, 2013, compared with the corresponding amounts if the fair value of the bonds were stated at the market price.

The reasonably estimated fair value of floating-rate JGBs is based on future cash flows derived from JGB yield and volatilities of the underlying assets of 10-year interest rate swaptions, discounted by the respective JGB yield.

Floating-rate JGBs are valued and stated at the market prices as of 31st March, 2014.

Notes concerning securities by each carrying purpose are presented in "30. Securities" of "Notes to Consolidated Financial Statements."

(3) Loans and bills discount

Because loans and bills discounted with floating interest rates reflect market interest rates in a short period of time, the fair value of such loans approximates their carrying value as long as the credit standing of the borrower has not changed significantly since origination. Thus, the carrying value of such loans is treated as the fair value. The fair value of loans and bills discounted with fixed interest rates is based on the present value of the total amount of principal and interest categorized by the type of loans, internal rating and term, discounted by the market interest rate adjusted for credit risk. Because the fair value of loans with a short-term contractual maturity (one year or less) approximates their carrying value, the carrying value is treated as the fair value.

Regarding loans to borrowers under bankruptcy proceedings, borrowers substantially in bankruptcy and customers with high probability of becoming insolvent, since the fair value of such loans approximates their carrying value after deducting the reserve for possible loan losses, which is calculated based on the present value of estimated future cash flows or the estimated amounts collectible from the sale of collateral and guarantees, the carrying value is treated as the fair value.

With respect to loans and bills discounted that have no due date because of special attributes such as limiting the borrowings to the amounts secured by collateral, because it is assumed that the fair value approximates the carrying value from the estimated repayment period and interest rate conditions, the carrying value is treated as the fair value.

Liabilities:

(1) Deposits

For demand deposits, the amount which would be paid if its repayment were demanded on the consolidated balance sheet date (carrying value) is deemed to be the fair value. The fair value of time deposits is based on the discounted present value of the future cash flows categorized by term. The discount rate is the interest rate that would be applied when new deposits were taken. Because the fair value of those with a short-term original contractual maturity (one year or less) approximates their carrying value, the carrying value is treated as the fair value.

(2) Call money and bills sold

Since call money and bills sold have short-term original contractual maturity (one year or less) and their fair value approximates the carrying value, the carrying value is treated as the fair value.

(3) Borrowed money

Because borrowed money with floating interest rates reflects market interest rates in a short period of time and the credit standing of the Bank and its consolidated subsidiaries has not changed significantly since the borrowing, the fair value of such borrowed money is deemed to approximate the carrying value. Therefore, the carrying value is treated as the fair value. The fair value of borrowed money with fixed interest rates is based on the present value of the total amount of principal and interest of the borrowed money categorized by term, discounted by the market interest rate adjusted for credit risk. Because the fair value of borrowed money with a short-term original contractual maturity (one year or less) approximates its carrying value, the carrying value is treated as the fair value.

(4) Bonds

The fair value of bonds is based on the Reference Price (Yields) for OTC Bond Transactions published by the Japan Securities Dealers Association or the price quoted by the securities company. Since bonds with floating interest rates reflect market interest rates in a short period of time and the credit standing of the issuers has not changed significantly since the issuance, the fair value of such bonds is deemed to approximate their carrying value. Thus, the carrying value is treated as the fair value.

Derivative transactions:

Derivative transactions are presented in "32. Derivatives" of "Notes to Consolidated Finance Statements."

(Note 2) Financial instruments whose fair value is extremely difficult to be estimated are as stated below. They are not included in "Assets: (2) Available-for-sale securities" presented in "Estimated fair value of financial instruments."

	Millions of yen		Thousands of U.S. dollars
	2014	2013	2014
Non-listed stocks	¥15,024	¥15,914	\$145,977
Investments in partnerships	2,120	2,147	20,603
Total	¥17,144	¥18,062	\$166,581

- Notes:
1. Because non-listed stocks have no market price and because it is extremely difficult to estimate their fair value, they are not subject to the fair value disclosure.
 2. In the year ended 31st March, 2014 and 2013, impairment losses of ¥117 million (\$1,147 thousand) and ¥109 million were recorded for non-listed stocks, respectively.
 3. Investments in partnerships whose fair value is extremely difficult to be estimated because the partnership's assets are non-listed stocks, etc. are not subject to the fair value disclosure.

(Note 3) Repayment schedules for monetary claims and securities with stated maturity at 31st March, 2014 and 2013

<At 31st March, 2014>

	Millions of yen					
	Due in 1 year or less	Due from 1 year to 3 years	Due from 3 years to 5 years	Due from 5 years to 7 years	Due from 7 years to 10 years	Due after 10 years
Due from banks	¥75,055	¥ —	¥ —	¥ —	¥ —	¥ —
Securities:						
Held-to-maturity securities	—	7,000	21,236	32,597	16,000	—
Government bonds	—	—	—	25,000	16,000	—
Municipal bonds	—	5,000	7,089	5,290	—	—
Corporate bonds	—	2,000	14,147	2,307	—	—
Others	—	—	—	—	—	—
Securities available for sale with maturity	222,787	577,961	352,145	277,716	96,443	1,018
Government bonds	37,000	175,500	128,500	183,700	45,000	—
Municipal bonds	52,898	95,849	29,467	3,000	800	—
Corporate bonds	104,362	219,135	112,430	31,612	13,381	—
Others	28,526	87,477	81,747	59,403	37,262	1,018
Loans and bills discounted	1,197,002	1,025,823	806,578	577,537	682,674	1,337,178
Total	¥1,494,845	¥1,610,785	¥1,179,959	¥887,850	¥795,118	¥1,338,197

	Thousands of U.S. dollars					
	Due in 1 year or less	Due from 1 year to 3 years	Due from 3 years to 5 years	Due from 5 years to 7 years	Due from 7 years to 10 years	Due after 10 years
Due from banks	\$729,260	\$ —	\$ —	\$ —	\$ —	\$ —
Securities:						
Held-to-maturity securities	—	68,013	206,335	316,721	155,460	—
Government bonds	—	—	—	242,907	155,460	—
Municipal bonds	—	48,581	68,878	51,399	—	—
Corporate bonds	—	19,432	137,456	22,415	—	—
Others	—	—	—	—	—	—
Securities available for sale with maturity	2,164,662	5,615,641	3,421,542	2,698,373	937,077	9,892
Government bonds	359,502	1,705,207	1,248,542	1,784,881	437,232	—
Municipal bonds	513,973	931,301	286,310	29,148	7,773	—
Corporate bonds	1,014,010	2,129,178	1,092,405	307,158	130,015	—
Others	277,175	849,954	794,283	577,184	362,055	9,892
Loans and bills discounted	11,630,419	9,967,195	7,836,945	5,611,513	6,633,063	12,992,411
Total	\$14,524,342	\$15,650,851	\$11,464,822	\$8,626,608	\$7,725,601	\$13,002,304

Note: Excluded from Loans and bills discounted are ¥131,680 million (\$1,279,443 thousand) relating to those whose repayment is not reasonably estimable because the debtors are borrowers under bankruptcy proceedings, borrowers substantially in bankruptcy, or customers with high probability of becoming insolvent and ¥91,390 million (\$887,974 thousand) relating to those that do not have contractual maturity.

<At 31st March, 2013>

	Millions of yen					
	Due in	Due from	Due from	Due from	Due from	Due after
	1 year or less	1 year to 3 years	3 years to 5 years	5 years to 7 years	7 years to 10 years	10 years
Due from banks	¥136,638	¥ —	¥ —	¥ —	¥ —	¥ —
Securities:						
Held-to-maturity securities		7,000	11,927	26,906	25,000	6,000
Government bonds	—	—	—	10,000	25,000	6,000
Municipal bonds	—	5,000	6,089	6,290	—	—
Corporate bonds	—	2,000	5,838	10,616	—	—
Others	—	—	—	—	—	—
Securities available for sale with maturity	186,721	443,201	416,048	278,975	124,778	1,189
Government bonds	84,500	77,000	122,800	115,700	108,000	—
Municipal bonds	25,770	106,310	31,731	8,400	—	—
Corporate bonds	41,999	198,382	117,978	90,342	2,400	—
Others	34,452	61,509	143,538	64,532	14,378	1,189
Loans and bills discounted	1,129,217	1,006,967	788,359	514,708	682,119	1,219,149
Total	¥1,452,577	¥1,457,168	¥1,216,334	¥820,590	¥831,898	¥1,226,339

Note: Excluded from Loans and bills discounted are ¥147,726 million relating to those whose repayment is not reasonably estimable because the debtors are borrowers under bankruptcy proceedings, borrowers substantially in bankruptcy, or customers with high probability of becoming insolvent and ¥96,977 million relating to those that do not have contractual maturity.

(Note 4) Repayment schedules for bonds, borrowed money and other interest-bearing debts at 31st March, 2014 and 2013

<At 31st March, 2014>

	Millions of yen					
	Due in	Due from	Due from	Due from	Due from	Due after
	1 year or less	1 year to 3 years	3 years to 5 years	5 years to 7 years	7 years to 10 years	10 years
Deposits	¥6,473,587	¥416,504	¥53,464	¥3,695	¥5,219	¥ —
Call money and bills sold	158,563	—	—	—	—	—
Borrowed money	74,937	147,755	963	138	156	25
Bonds	15,000	14,500	10,000	15,000	28,800	10,000
Total	¥6,722,088	¥578,759	¥64,427	¥18,833	¥34,175	¥10,025

	Thousands of U.S. dollars					
	Due in	Due from	Due from	Due from	Due from	Due after
	1 year or less	1 year to 3 years	3 years to 5 years	5 years to 7 years	7 years to 10 years	10 years
Deposits	\$62,899,217	\$4,046,874	\$519,474	\$35,909	\$50,712	\$ —
Call money and bills sold	1,540,643	—	—	—	—	—
Borrowed money	728,117	1,435,634	9,360	1,342	1,519	242
Bonds	—	140,886	97,162	—	279,828	97,162
Total	\$65,313,722	\$5,623,394	\$625,998	\$182,996	\$332,061	\$97,405

Note: Demand deposits are included under "Due in 1 year or less."

<At 31st March, 2013>

	Millions of yen					
	Due in	Due from	Due from	Due from	Due from	Due after
	1 year or less	1 year to 3 years	3 years to 5 years	5 years to 7 years	7 years to 10 years	10 years
Deposits	¥6,276,869	¥496,581	¥40,176	¥3,730	¥4,875	¥ —
Call money and bills sold	233,352	—	—	—	—	—
Borrowed money	59,174	1,350	400	13,055	23	—
Bonds	—	29,500	10,000	—	33,800	—
Total	¥6,569,396	¥527,431	¥50,577	¥16,786	¥38,699	¥ —

Note: Demand deposits are included under "Due in 1 year or less."

30. Securities

(1) Trading securities and commercial papers (including those included in "Trading account assets")

	Millions of yen		Thousands of U.S. dollars
	2014	2013	2014
Holding losses recognized in income	¥4	¥7	\$45

(2) Held-to-maturity securities

1. Securities whose fair value exceeds their carrying value

<At 31st March, 2014>

	Millions of yen		Valuation differences
	Carrying value	Fair value	
Bonds:			
Government bonds	¥39,413	¥41,931	¥2,517
Municipal bonds	17,666	18,237	570
Corporate bonds	18,664	19,342	678
	75,744	79,511	3,766
Others	—	—	—
Total	¥75,744	¥79,511	¥3,766

	Thousands of U.S. dollars		Valuation differences
	Carrying value	Fair value	
Bonds:			
Government bonds	\$382,950	\$407,413	\$24,463
Municipal bonds	171,656	177,197	5,541
Corporate bonds	181,349	187,941	6,592
	735,955	772,553	36,597
Others	—	—	—
Total	\$735,955	\$772,553	\$36,597

<At 31st March, 2013>

	Millions of yen		Valuation differences
	Carrying value	Fair value	
Bonds:			
Government bonds	¥39,164	¥41,535	¥2,371
Municipal bonds	17,744	18,482	738
Corporate bonds	18,715	19,591	875
	75,624	79,609	3,985
Others	—	—	—
Total	¥75,624	¥79,609	¥3,985

2. Securities whose carrying value exceeds their fair value

<At 31st March, 2014>

None

<At 31st March, 2013>

None

(3) Available-for-sale securities

1. Securities whose carrying value exceeds their acquisition cost

<At 31st March, 2014>

	Millions of yen		
	Carrying value	Acquisition cost	Valuation differences
Stocks	¥72,686	¥41,686	¥30,999
Bonds:			
Government bonds	565,568	560,366	5,201
Municipal bonds	170,080	169,139	941
Corporate bonds	446,413	441,057	5,355
	1,182,061	1,170,564	11,497
Others	244,370	224,045	20,324
Total	¥1,499,118	¥1,436,295	¥62,822

	Thousands of U.S. dollars		
	Carrying value	Acquisition cost	Valuation differences
Stocks	\$706,240	\$405,037	\$301,203
Bonds:			
Government bonds	5,495,220	5,444,680	50,539
Municipal bonds	1,652,551	1,643,408	9,143
Corporate bonds	4,337,477	4,285,444	52,033
	11,485,249	11,373,533	111,716
Others	2,374,368	2,176,888	197,480
Total	\$14,565,858	\$13,955,458	\$610,399

<At 31st March, 2013>

	Millions of yen		
	Carrying value	Acquisition cost	Valuation differences
Stocks	¥58,630	¥38,124	¥20,505
Bonds:			
Government bonds	449,520	443,861	5,658
Municipal bonds	174,115	172,464	1,650
Corporate bonds	433,596	426,116	7,480
	1,057,232	1,042,442	14,789
Others	320,112	294,937	25,175
Total	¥1,435,975	¥1,375,504	¥60,471

2. Securities whose acquisition cost exceeds their carrying value

<At 31st March, 2014>

	Millions of yen		
	Carrying value	Acquisition cost	Valuation differences
Stocks	¥18,798	¥21,817	(¥3,019)
Bonds:			
Government bonds	17,982	17,988	(6)
Municipal bonds	14,129	14,140	(10)
Corporate bonds	43,223	43,240	(16)
	75,335	75,368	(33)
Others	95,071	96,194	(1,122)
Total	¥189,204	¥193,380	(¥4,175)

	Thousands of U.S. dollars		
	Carrying value	Acquisition cost	Valuation differences
Stocks	\$182,648	\$211,985	(\$29,337)
Bonds:			
Government bonds	174,719	174,777	(58)
Municipal bonds	137,286	137,391	(104)
Corporate bonds	419,971	420,133	(162)
	731,977	732,302	(325)
Others	923,741	934,651	(10,910)
Total	\$1,838,366	\$1,878,939	(\$40,573)

<At 31st March, 2013>

	Millions of yen		
	Carrying value	Acquisition cost	Valuation differences
Stocks	¥24,701	¥28,996	(¥4,294)
Bonds:			
Government bonds	72,255	72,661	(406)
Municipal bonds	1,465	1,468	(2)
Corporate bonds	29,567	29,589	(22)
	103,288	103,719	(430)
Others	59,984	61,175	(1,190)
Total	¥187,974	¥193,890	(¥5,915)

(4) Available-for-sale securities sold for the years ended 31st March, 2014 and 2013 are as follows:

<At 31st March, 2014>

	Millions of yen		
	Proceeds from sale	Gains	Losses
Stocks	¥4,046	¥487	¥295
Bonds:			
Government bonds	97,136	259	656
Municipal bonds	9,714	18	14
Corporate bonds	22,837	53	34
	129,689	331	705
Others	92,896	3,754	2,780
Total	¥226,632	¥4,573	¥3,782

	Thousands of U.S. dollars		
	Proceeds from sale	Gains	Losses
Stocks	\$39,315	\$4,736	\$2,875
Bonds:			
Government bonds	943,807	2,523	6,380
Municipal bonds	94,393	183	139
Corporate bonds	221,896	517	337
	1,260,097	3,223	6,857
Others	902,608	36,480	27,014
Total	\$2,202,021	\$44,440	\$36,747

<At 31st March, 2013>

	Millions of yen		
	Proceeds from sale	Gains	Losses
Stocks	¥6,939	¥286	¥801
Bonds:			
Government bonds	152,101	2,585	65
Municipal bonds	11,263	61	—
Corporate bonds	17,720	89	1
	181,086	2,736	67
Others	47,454	1,779	910
Total	¥235,479	¥4,802	¥1,779

(5) Devaluation of securities

Securities other than trading securities (excluding securities whose fair value is extremely difficult to be estimated) are devalued to the fair value, and the difference between the acquisition cost and the fair value is treated as the loss for the fiscal year ("devaluation"), if the fair value (primarily the closing market price at the consolidated balance sheet date) has significantly deteriorated compared with the acquisition cost (including amortized cost) unless it is deemed that there is a possibility of a recovery in the fair value. The amounts of devaluation were ¥642 million* (\$6,245 thousand) and ¥4,416 million** for the years ended 31st March, 2014 and 2013, respectively.

* stocks ¥642 million (\$6,245 thousand)

** stocks ¥4,416 million

The criteria for determining whether the fair value of a security has "significantly deteriorated" are outlined as follows:

1. The fair value is 50% or less of the acquisition cost, or
2. The fair value exceeds 50% but is 70% or less of the acquisition cost and the quoted market price maintains a certain level or lower.

(6) Unrealized gains/losses on securities available for sale

The components of the unrealized gains/losses on securities available for sale at 31st March, 2014 and 2013 are as follows:

<At 31st March, 2014>

	Millions of yen	Thousands of U.S. dollars
Revaluation difference	¥58,646	\$569,826
Deferred tax liability	(20,095)	(195,256)
Revaluation difference (before minority interest adjustment), net of taxes	38,550	374,570
Amount corresponding to minority interests	(338)	(3,288)
Amount corresponding to the parent's share of net unrealized gains on available-for-sale securities owned by affiliates	—	—
Unrealized gains on securities available for sale, net of taxes	¥38,212	\$371,281

<At 31st March, 2013>

	Millions of yen
Revaluation difference	¥54,555
Deferred tax liability	(18,785)
Revaluation difference (before minority interest adjustment), net of taxes	35,770
Amount corresponding to minority interests	(249)
Amount corresponding to the parent's share of net unrealized gains on available-for-sale securities owned by affiliates	0
Unrealized gains on securities available for sale, net of taxes	¥35,521

31. Money Held in Trust

Money held in trust at 31st March, 2014 and 2013 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2014	2013	2014
Money held in trust for investment purposes:			
Carrying value	¥972	¥2,000	\$9,447
Unrealized gains included in income before income taxes and minority interests	—	—	—
	Millions of yen		Thousands of U.S. dollars
	2014	2013	2014
Money held in trust for other purposes than investment purposes and held-to-maturity purposes:			
Acquisition Cost	¥1,000	¥1,000	\$9,716
Carrying value	1,000	1,000	9,716
Unrealized gains/losses	—	—	—

32. Derivatives

(1) Derivative transactions to which hedge accounting is not applied

Summarized below are the contract value or the notional principal and the fair value of the derivative transactions at 31st March, 2014 and 2013, to which hedge accounting is not applied. The amounts of the contract value are not necessarily indicative of the actual market risk of derivative transactions.

1. Interest related transactions

<At 31st March, 2014>

Type of transactions	Millions of yen			Unrealized gain (loss)
	Contract value		Fair value	
	Total	Over one year		
Over-the-counter transactions:				
Interest rate swaps:				
Receive-fixed and pay-floating	¥17,125	¥17,125	¥263	¥263
Receive-floating and pay-fixed	17,125	17,125	(144)	(144)
Total	—	—	¥119	¥119

Type of transactions	Thousands of U.S. dollars			Unrealized gain (loss)
	Contract value		Fair value	
	Total	Over one year		
Over-the-counter transactions:				
Interest rate swaps:				
Receive-fixed and pay-floating	\$166,395	\$166,395	\$2,564	\$2,564
Receive-floating and pay-fixed	166,395	166,395	(1,402)	(1,402)
Total	—	—	\$1,161	\$1,161

Notes: 1. The above transactions are marked to market and unrealized gains/losses are included in the consolidated statements of income.

2. Calculation of fair value is based on the discounted cash flows and others.

<At 31st March, 2013>

Type of transactions	Millions of yen			Unrealized gain (loss)
	Contract value		Fair value	
	Total	Over one year		
Over-the-counter transactions:				
Interest rate swaps:				
Receive-fixed and pay-floating	¥16,665	¥16,285	¥329	¥329
Receive-floating and pay-fixed	16,665	16,285	(196)	(196)
Total	—	—	¥133	¥133

Notes: 1. The above transactions are marked to market and unrealized gains/losses are included in the consolidated statements of income.

2. Calculation of fair value is based on the discounted cash flows and others.

2. Currency related transactions

<At 31st March, 2014>

Type of transactions	Millions of yen			
	Contract value		Fair value	Unrealized gain (loss)
	Total	Over one year		
Over-the-counter transactions:				
Currency swaps	¥126,691	¥92,438	¥103	¥103
Forward foreign:				
Sell	13,133	—	(83)	(83)
Buy	9,805	—	78	78
Currency option:				
Sell	56,604	39,994	(1,901)	449
Buy	56,604	39,994	1,901	177
Total	—	—	¥98	¥726

Type of transactions	Thousands of U.S. dollars			
	Contract value		Fair value	Unrealized gain (loss)
	Total	Over one year		
Over-the-counter transactions:				
Currency swaps	\$1,230,970	\$898,158	\$1,001	\$1,001
Forward foreign:				
Sell	127,609	—	(807)	(807)
Buy	95,268	—	765	765
Currency option:				
Sell	549,984	388,600	(18,472)	4,372
Buy	549,984	388,600	18,472	1,727
Total	—	—	\$958	\$7,058

- Notes: 1. The above transactions are marked to market and unrealized gains/losses are included in the consolidated statements of income.
2. Calculation of fair value is based on the discounted cash flows and others.

<At 31st March, 2013>

Type of transactions	Millions of yen			
	Contract value		Fair value	Unrealized gain (loss)
	Total	Over one year		
Over-the-counter transactions:				
Currency swaps	¥176,008	¥116,431	¥212	¥212
Forward foreign:				
Sell	6,910	—	159	159
Buy	4,603	—	37	37
Currency option:				
Sell	37,835	21,593	(1,452)	694
Buy	37,835	21,593	1,452	(62)
Total	—	—	¥409	¥1,041

- Notes: 1. The above transactions are marked to market and unrealized gains/losses are included in the consolidated statements of income.
2. Calculation of fair value is based on the discounted cash flows and others.

- (2) Derivative transactions to which hedge accounting is applied
Summarized below are the contract value or the notional principal and the fair value of the derivative transactions at 31st March, 2014 and 2013, to which hedge accounting is applied. The amounts of the contract value are not necessarily indicative of the actual market risk of derivative transactions.

1. Interest related transactions

<At 31st March, 2014>

Hedge accounting method	Type of transactions	Hedged item	Millions of yen		Fair value
			Contract value		
			Total	Over one year	
Principle hedge accounting method	Interest rate swaps: Receive-floating and pay-fixed	Available-for-sale securities	¥5,146	¥5,146	(¥55)
Special treatment for interest rate swaps	Interest rate swaps: Receive-fixed and pay-floating Receive-floating and pay-fixed Interest rate options	Loans and bills discounted, and deposits	3,400 283,856 15,000	3,100 226,856 15,000	(Note 2)
Total			—	—	(¥55)

Hedge accounting method	Type of transactions	Hedged item	Thousands of U.S. dollars		Fair value
			Contract value		
			Total	Over one year	
Principle hedge accounting method	Interest rate swaps: Receive-floating and pay-fixed	Available-for-sale securities	\$50,000	\$50,000	(\$544)
Special treatment for interest rate swaps	Interest rate swaps: Receive-fixed and pay-floating Receive-floating and pay-fixed Interest rate options	Loans and bills discounted, and deposits	33,035 2,758,029 145,744	30,120 2,204,201 145,744	(Note 2)
Total			—	—	(\$544)

- Notes: 1. Calculation of fair value is based on the discounted cash flows and others.
2. Since the interest rate swaps, to which the special treatments are applied, are accounted for as synthetic products composed of loans and bills discounted and deposits, their fair value is included in the fair value of the said loans and bills discounted and deposits which are disclosed in "Financial Instruments (Note 29)". The balance of unamortized premium for interest rate options is ¥158 million (\$1,537 thousand).

<At 31st March, 2013>

Hedge accounting method	Type of transactions	Hedged item	Millions of yen		Fair value
			Contract value		
			Total	Over one year	
Special treatment for interest rate swaps	Interest rate swaps: Receive-fixed and pay-floating Receive-floating and pay-fixed Interest rate options	Loans and bills discounted, and deposits	¥5,000 296,447 15,000	¥5,000 276,447 15,000	(Note 2)
Total			—	—	

- Notes: 1. Calculation of fair value is based on the discounted cash flows and others.
2. Since the interest rate swaps, to which the special treatments are applied, are accounted for as synthetic products composed of loans and bills discounted and deposits, their fair value is included in the fair value of the said loans and bills discounted and deposits which are disclosed in "Financial Instruments (Note 29)". The balance of unamortized premium for interest rate options is ¥210 million.

2. Currency related transactions
<At 31st March, 2014>

			Millions of yen		
Hedge accounting method	Type of transactions	Hedged item	Contract value		Fair value
			Total	Over one year	
Principle hedge accounting method	Forward foreign	Securities denominated in foreign currencies	¥101,737	¥ —	(¥1,498)
Total			—	—	(¥1,498)

			Thousands of U.S. dollars		
Hedge accounting method	Type of transactions	Hedged item	Contract value		Fair value
			Total	Over one year	
Principle hedge accounting method	Forward foreign	Securities denominated in foreign currencies	\$988,506	\$ —	(\$14,559)
Total			—	—	(\$14,559)

- Notes: 1. The Bank applies the deferred method as hedge accounting in accordance primarily with "Accounting and Auditing Treatment for Accounting for Foreign Currency Transactions in Banking Industry" (JICPA Industry Audit Committee Report No. 25).
2. Calculation of fair value is based on the discounted cash flows and others.

<At 31st March, 2013>

			Millions of yen		
Hedge accounting method	Type of transactions	Hedged item	Contract value		Fair value
			Total	Over one year	
Principle hedge accounting method	Forward foreign	Securities denominated in foreign currencies	¥92,585	¥ —	¥10
Total			—	—	¥10

- Notes: 1. The Bank applies the deferred method as hedge accounting in accordance primarily with "Accounting and Auditing Treatment for Accounting for Foreign Currency Transactions in Banking Industry" (JICPA Industry Audit Committee Report No. 25).
2. Calculation of fair value is based on the discounted cash flows and others.

33. Employee Retirement Benefits

<For the year ended 31st March, 2014>

(1) Description of the retirement benefit plan

The Bank and its domestic consolidated subsidiaries adopt funded or unfunded defined benefit plans and/or the defined contribution plan to provide for employee retirement benefits.

Under the defined benefit corporate pension plans (all funded), lump-sum or annuity payments are made at the amounts based on salaries and the length of service periods of the covered employees. The Bank has established a retirement benefit trust for its defined benefit corporate pension plan.

Under the lump-sum payment plans (principally unfunded, however, some plans have a funded status as a result of the establishment of a retirement benefit trust), retirement benefits are paid in the form of a lump sum at the amounts based on salaries and the length of service periods of the covered employees.

The Bank may also pay additional retirement benefits that are not subject to actuarial calculation.

As of 31st March, 2014, the lump-sum payment plans have been adopted by 6 group companies including the Bank and its domestic consolidated subsidiaries. The corporate pension fund plans have been adopted by the Bank and 1 consolidated subsidiary. The defined contribution plan has been adopted by 1 consolidated subsidiary.

For the lump-sum payment plans that certain consolidated subsidiaries have adopted, liability for retirement benefits and retirement benefit expenses are calculated using the simplified method which assumes the retirement benefit obligation to be equal to the benefits payable if all the eligible employees voluntarily terminated their employment at fiscal year end.

(2) Defined benefit plans

(a) Reconciliation between the balances of retirement benefit obligation at the beginning and end of the year

	Millions of yen	Thousands of U.S. dollars
Retirement benefit obligation at beginning of the year	¥64,432	\$626,047
Service cost	2,049	19,916
Interest cost	1,043	10,141
Actuarial loss	106	1,033
Retirement benefits paid	(3,283)	(31,906)
Others	—	—
Retirement benefit obligation at end of the year	¥64,348	\$625,233

(b) Reconciliation between the balances of plan assets at the beginning and end of the year

	Millions of yen	Thousands of U.S. dollars
Plan assets at beginning of the year	¥62,248	\$604,821
Expected return on plan assets	2,048	19,899
Actuarial gain	359	3,492
Contributions by employer	2,981	28,972
Contributions by employees	165	1,608
Retirement benefits paid	(1,749)	(17,003)
Others	—	—
Plan assets at end of the year	¥66,053	\$641,791

(c) Reconciliation between the balances of retirement benefit obligation and plan assets at the end of the year and the amounts of the liability and asset for retirement benefits recognized in the consolidated balance sheet

	Millions of yen	Thousands of U.S. dollars
Retirement benefit obligation (funded)	¥64,002	\$621,864
Fair value of plan assets	(66,053)	(641,791)
	(2,050)	(19,926)
Retirement benefit obligation (unfunded)	346	3,368
Net asset for retirement benefits in the balance sheet	(¥1,704)	(\$16,558)

	Millions of yen	Thousands of U.S. dollars
Liability for retirement benefits	¥5,339	\$51,876
Asset for retirement benefits	(7,043)	(68,434)
Net asset for retirement benefits in the balance sheet	(¥1,704)	(\$16,558)

(d) Components of retirement benefit expenses

	Millions of yen	Thousands of U.S. dollars
Service cost	¥1,884	\$18,312
Interest cost	1,043	10,141
Expected return on plan assets	(2,048)	(19,899)
Amortization of unrecognized actuarial loss	304	2,961
Others	487	4,735
Retirement benefit expenses	¥1,672	\$16,252

Notes: 1. Contributions by employees to corporate pension funds, etc. have been deducted from the service cost.

2. Retirement benefit expenses of consolidated subsidiaries that have adopted the simplified method are reported in total under "Service cost."

(e) Items recorded in retirement benefits liability adjustments (gross of income tax effects) are as follows:

	Millions of yen	Thousands of U.S. dollars
Unrecognized actuarial loss	¥5,493	\$53,373

(f) Matters concerning plan assets

1) Percentages of each main category of the total plan assets are as follows.

Bonds	24%
Stocks	60
Cash and deposits	1
Others	15
Total	100%

* Retirement benefit trusts established for the corporate pension plans and for the lump-sum payment plans account for 30% and 21% of the total plan assets, respectively.

2) The expected long-term rate of return on plan assets has been estimated by taking into account the current and expected allocation of the plan assets and the current and anticipated long-term rate of return on diverse assets that constitute the plan assets.

(g) Assumptions for actuarial calculation

Major assumptions for actuarial calculation as of 31st March, 2014

- 1) Discount rates: **1.623% (principally)**
- 2) Expected long-term rate of return on plan assets: **3.3% (principally)**

(3) Defined contribution plans

Contributions of ¥0 million (\$1 thousand) have been made to the defined contribution plan by the consolidated subsidiary for the year ended 31st March, 2014.

<For the year ended 31st March, 2013>

(1) Description of the retirement benefit plan

The Bank and its domestic consolidated subsidiaries adopt defined benefit plans such as corporate pension fund plans and lump-sum payment plans, and the defined contribution plan. The Bank may also pay additional retirement benefits which are not subject to actuarial calculation.

The Bank has established a retirement benefit trust.

As of 31st March, 2013, the lump-sum payment plans are adopted by 8 group companies including the Bank and its domestic consolidated subsidiaries. The corporate pension fund plans are adopted by the Bank and 1 consolidated subsidiary. The defined contribution plan is adopted by 1 consolidated subsidiary.

(2) The funded status and amounts recognized in the consolidated balance sheet at 31st March, 2013

	Millions of yen
Projected benefit obligation	(¥64,432)
Plan assets	62,248
Projected benefit obligation in excess of plan assets	(2,184)
Unrecognized actuarial loss	6,051
Unrecognized prior service cost	—
Net asset (liability) recognized	3,866
Prepaid pension cost	10,593
Reserve for employee retirement benefits	(¥6,726)

(3) Pension cost for the year ended 31st March, 2013

	Millions of yen
Service cost	¥1,674
Interest cost	1,397
Expected return on plan assets for the year	(1,555)
Amortization of unrecognized prior service cost	—
Amortization of unrecognized actuarial loss	1,295
Others (additional retirement benefit payments)	417
Net pension benefit expense	¥3,228

(4) Basic information used for calculation of the retirement benefit obligation

2013	
(1) Discount rate	1.623%(principally)
(2) Expected rate of return on plan assets	3.3%(principally)
(3) Method of attribution of projected benefit obligation	Straight-line method
(4) Number of years over which actuarial gains/losses are amortized	10 years(principally)*

* Using the straight-line method from the following fiscal year over a 10-year period within the average remaining years of service of employees.

34. Income Taxes

The tax effect of temporary differences and tax loss carryforwards that give rise to the deferred tax assets and liabilities at 31st March, 2014 and 2013 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2014	2013	2014
Deferred tax assets:			
Reserve for possible loan losses	¥18,162	¥19,302	\$176,473
Reserve for retirement benefits	—	3,635	—
Liability for retirement benefits	4,484	—	43,567
Accumulated depreciation	2,077	2,089	20,186
Loss carryforwards for tax purposes	10,932	19,450	106,227
Others	10,744	12,323	104,395
Sub-total	46,401	56,800	450,850
Valuation allowance	(17,711)	(18,436)	(172,090)
Total deferred tax assets	28,690	38,364	278,760
Deferred tax liabilities:			
Reserve fund for deferred income of fixed assets	(1)	(1)	(18)
Unrealized losses on securities attributable to partition of corporation, net	(59)	(61)	(573)
Asset retirement obligations	(52)	(56)	(509)
Deferred gains on hedging instruments, net	—	(0)	—
Unrealized gains on securities available for sale, net	(20,095)	(18,785)	(195,256)
Total deferred tax liabilities	(20,209)	(18,905)	(196,357)
Net deferred tax assets	¥8,480	¥19,459	\$82,403

The effective tax rate reflected in the consolidated statement of income for the year ended 31st March, 2013 differs from the statutory tax rate for the following reasons:

	2013
Statutory tax rate	37.8%
Adjustments:	
Expenses permanently nondeductible for income tax purposes	0.5
Dividend income deductible for income tax purposes	(1.8)
Inhabitant's per capita taxes	0.3
Increase in valuation allowance	2.4
Others, net	1.0
Effective tax rate	40.2%

* The reconciliation is omitted for the year ended 31st March, 2014, as the difference between the statutory tax rate and the effective tax rate reflected in the consolidated statement of income was 5/100 or less of the statutory tax rate.

[Disclosure for the year ended 31st March, 2014]

Following the promulgation of the "Act for Partial Amendment of the Income Tax Act, etc." (Act No. 10, 2014) on 31st March, 2014, the Special Corporation Tax for Reconstruction has been abolished from the year beginning on or after 1st April, 2014. As a result, the statutory tax rate used to calculate deferred tax assets and liabilities associated with the temporary differences, etc. that are expected to reverse during the year beginning 1st April, 2014 has been changed from 37.8% to 35.4%. With this change, deferred tax assets and net deferred losses on hedging instruments, net of taxes, decreased by ¥977 million (\$9,493 thousand) and ¥1 million (\$12 thousand), respectively, whereas earned surplus and deferred income taxes increased by ¥0 million (\$0 thousand) and ¥975 million (\$9,480 thousand), respectively, as of and for the year ended 31st March, 2014.

35. Asset retirement obligations Information on asset retirement obligations is as follows:

Asset retirement obligations that are recorded in the consolidated balance sheets

(1) Outline of asset retirement obligations

The Bank and its consolidated subsidiaries recognize asset retirement obligations for restoration obligations resulting from real estate lease agreements such as those of the Group branch offices and commercial fixed-term leasehold agreements. The Bank and its consolidated subsidiaries also recognize asset retirement obligations pertaining to obligations to remove hazardous substances used in some of their branch offices in accordance with the Ordinance on Prevention of Health Impairment due to Asbestos.

(2) Method for calculating the value of asset retirement obligations

An asset retirement obligation is calculated by first estimating the period of expected use of the asset, which is the relevant building's depreciation period (principally 39 years), and then discounting the value of the relevant liability using the government bond's market rate (principally 2.304%) that matches said depreciation period as the discount rate.

(3) Changes in total asset retirement obligations for the years ended 31st March, 2014 and 2013

	Millions of yen		Thousands of U.S. dollars
	2014	2013	2014
Balance at beginning of the year	¥825	¥874	\$8,025
Increase due to acquisition of tangible fixed assets	6	5	67
Adjustment for passage of time	15	15	148
Decrease due to fulfillment of asset retirement obligation	15	68	145
Balance at end of the year	¥833	¥825	\$8,095

36. Business Segment Information

Segment Information

(1) Segment information summary

Financial information can be individually obtained for each of the Group's reportable segments. This information is regularly reviewed by the board of directors in order to determine how to allocate business resources and to evaluate business performance.

The Group consists of the Bank, 7 consolidated subsidiaries and 1 affiliate. The Group is engaged in the financial services business, with a primary focus on the banking business.

Thus, while the Group is composed of business segments offering different financial services, the Group's reportable segment is the "banking business" which the Bank and The Bank of Nagasaki are engaged in.

The "banking business" is a wide range of services including services for deposits, loans, securities investment, domestic and foreign currency exchange, and other incidental services.

(2) Method for calculating the amount of ordinary income, profit or loss, assets, liabilities and other items

The accounting policies of reported business segments are the same as those described in "2. Summary of Significant Accounting Policies". The segment income is reported on an ordinary income basis. In addition, internal ordinary income among segments is based on the same transaction terms as used in ordinary transactions with third parties.

(3) Ordinary income, profit or loss, assets, liabilities and other items by reportable segments

<In 2014>

	Millions of yen				
	Reportable segment			Adjustments	Consolidated
	Banking	Other	Total		
Ordinary income					
Ordinary income from third party customers	¥144,778	¥11,109	¥155,888	¥ —	¥155,888
Internal ordinary income among segments	1,050	6,302	7,352	(7352)	—
Total ordinary income	145,829	17,411	163,240	(7352)	155,888
Segment profit	36,562	5,607	42,170	(45)	42,124
Segment assets	7,978,895	81,175	8,060,071	(32938)	8,027,132
Segment liabilities	7,594,466	38,887	7,633,354	(35955)	7,597,398
Other items					
Depreciation	5,929	227	6,156	—	6,156
Interest and dividend income	111,011	2,906	113,918	(914)	113,003
Interest expenses	8,148	132	8,281	(763)	7,517
Increase in tangible and intangible fixed assets	¥2,724	¥330	¥3,054	¥ —	¥3,054

	Thousands of U.S. dollars				
	Reportable segment			Adjustments	Consolidated
	Banking	Other	Total		
Ordinary income					
Ordinary income from third party customers	\$1,406,713	\$107,940	\$1,514,654	\$ —	\$1,514,654
Internal ordinary income among segments	10,202	61,232	71,435	(71435)	—
Total ordinary income	1,416,916	169,172	1,586,089	(71435)	1,514,654
Segment profit	355,254	54,482	409,737	(442)	409,294
Segment assets	77,525,217	788,725	78,313,943	(320035)	77,993,907
Segment liabilities	73,789,997	377,845	74,167,842	(349356)	73,818,486
Other items					
Depreciation	57,611	2,208	59,820	—	59,820
Interest and dividend income	1,078,622	28,239	1,106,862	(8883)	1,097,978
Interest expenses	79,177	1,284	80,461	(7414)	73,046
Increase in tangible and intangible fixed assets	\$26,470	\$3,210	\$29,681	\$ —	\$29,681

- Notes: 1. Ordinary income is presented instead of net sales.
 2. The category of "other" includes business segments which are not reportable segments, such as financial-related services for credit guarantee, credit card and financial instruments exchange and auxiliary banking services.
 3. Adjustments for segment profit, segment assets, segment liabilities, interest and dividend income and interest expenses are primarily eliminations of internal transactions among segments.

<In 2013>

	Millions of yen				
	Reportable segment		Total	Adjustments	Consolidated
	Banking	Other			
Ordinary income					
Ordinary income from third party customers	¥146,448	¥9,764	¥156,212	¥ —	¥156,212
Internal ordinary income among segments	1,201	7,090	8,292	(8292)	—
Total ordinary income	147,650	16,855	164,505	(8292)	156,212
Segment profit	34,829	4,430	39,260	(999)	38,260
Segment assets	7,734,804	76,768	7,811,572	(37007)	7,774,565
Segment liabilities	7,367,477	37,638	7,405,115	(39870)	7,365,244
Other items					
Depreciation	5,158	247	5,405	—	5,405
Interest and dividend income	112,823	2,886	115,709	(1205)	114,504
Interest expenses	8,598	189	8,787	(810)	7,976
Increase in tangible and intangible fixed assets	¥7,937	¥358	¥8,296	¥ —	¥8,296

- Notes: 1. Ordinary income is presented instead of net sales.
 2. The category of "other" includes business segments which are not reportable segments, such as financial-related services for credit guarantee, credit card and financial instruments exchange and auxiliary banking services.
 3. Adjustments for segment profit, segment assets, segment liabilities, interest and dividend income and interest expenses are primarily eliminations of internal transactions among segments.

Related Information

Ordinary income by services:

<In 2014>

	Millions of yen			
	Loan	Securities	Other	Total
Ordinary income from third party customers	¥96,870	¥25,363	¥33,654	¥155,888

	Thousands of U.S. dollars			
	Loan	Securities	Other	Total
Ordinary income from third party customers	\$941,223	\$246,436	\$326,994	\$1,514,654

Note: Ordinary income is presented instead of net sales.

<In 2013>

	Millions of yen			
	Loan	Securities	Other	Total
Ordinary income from third party customers	¥102,189	¥22,587	¥31,435	¥156,212

Note: Ordinary income is presented instead of net sales.

Impairment Losses on Tangible Fixed Assets by Reportable Segments

<In 2014>

	Millions of yen		
	Reportable segment		
	Banking	Other	Total
Impairment losses	¥1,315	¥ —	¥1,315

	Thousands of U.S. dollars		
	Reportable segment		
	Banking	Other	Total
Impairment losses	\$12,782	\$ —	\$12,782

<In 2013>

	Millions of yen		
	Reportable segment		
	Banking	Other	Total
Impairment losses	¥1,612	¥ —	¥1,612

Amortization and Balance of Goodwill by Reportable Segments

<In 2014>

	Millions of yen		
	Reportable segment		
	Banking	Other	Total
Goodwill			
Amortization of goodwill	¥ —	¥128	¥128
Balance at end of the year	¥ —	¥128	¥128

	Thousands of U.S. dollars		
	Reportable segment		
	Banking	Other	Total
Goodwill			
Amortization of goodwill	\$ —	\$1,251	\$1,251
Balance at end of the year	\$ —	\$1,244	\$1,244

Note: "Other" mainly consists of services for financial instruments exchange.

<In 2013>

	Millions of yen		
	Reportable segment		
	Banking	Other	Total
Goodwill			
Amortization of goodwill	¥ 103	¥129	¥232
Balance at end of the year	¥ —	¥256	¥256

Note: "Other" mainly consists of services for financial instruments exchange.

37. Related Party Transactions

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

1. Transactions of the Bank with related individuals, including shareholders and directors

<In 2014>

Attribute	Name	Address	Common stock	Business/occupation	Equity ownership	Relationship	Transactions	Transaction amount	Account	Balance at end of year
Companies owned by the Bank's directors and their close relatives	Takada	Chuo-ku	¥4	Real-estate		Companies owned by close relatives of Bank's director		¥69		¥67
	Kosan	Fukuoka	(million)	leasing	—	(Kiyota Takata)	Loan	(million)	Loans	(million)
	Ltd.							\$670		\$656
								(thousand)		(thousand)
Companies owned by the Bank's directors and their close relatives	Yamada	Chikushino	¥10	Hotel		Companies owned by close relatives of Bank's director		¥222		¥439
	Shoji	Fukuoka	(million)	business	—	(Yasuyuki Ishida)	Loan	(million)	Loans	(million)
	Co.,Ltd.							\$2,157		\$4,270
								(thousand)		(thousand)

* Terms and conditions of the transactions are similar to those with unrelated parties.

<In 2013>

Attribute	Name	Address	Common stock	Business/occupation	Equity ownership	Relationship	Transactions	Transaction amount	Account	Balance at end of year
Companies owned by the Bank's directors and their close relatives	Yamada	Chikushino	¥10	Hotel		Companies owned by close relatives of Bank's director	Loan	—	Loans	¥232
	Shoji	Fukuoka	(million)	business	—	(Yasuyuki Ishida)	Guarantee	—		(million)
	Co.,Ltd.								Customer's liabilities for acceptances and guarantees	¥40
										(million)

* Terms and conditions of the transactions are similar to those with unrelated parties.

2. There are no relevant transactions of the Bank's consolidated subsidiaries with related parties to report.

38. Reconciliation of Cash and Cash Equivalents

The reconciliation between "Cash and cash equivalents" in the consolidated statements of cash flows and each account in the consolidated balance sheets is as follows:

	Millions of yen		Thousands of U.S. dollars
	2014	2013	2014
Cash and due from banks on the consolidated balance sheets	¥185,603	¥248,461	\$1,803,380
Due from banks, exclusive of central bank	(3,209)	(3,537)	(31,181)
Cash and cash equivalents on the consolidated statements of cash flows	¥182,394	¥244,923	\$1,772,198

39. Per Share Information

	Yen		U.S. dollars
	2014	2013	2014
Net assets per share at end of the year	¥507.54	¥483.43	\$4.931
Net income per share*	30.20	23.18	0.293

Basis for net assets per share as of 31st March, 2014 and 2013 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2014	2013	2014
Net assets	¥429,734	¥409,320	\$4,175,421
Items to be deducted from net assets	26,252	24,968	255,073
Minority interests	26,252	24,968	255,073
Net assets attributable to common stock	403,482	384,351	3,920,347
	Shares		
	2014	2013	
Number of shares of common stock outstanding at end of the year	794,963,667	795,035,789	

Basis for net income per share for the years ended 31st March, 2014 and 2013 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2014	2013	2014
Basic:			
Net income	¥24,009	¥18,436	\$233,282
Items not attributable to common stock	—	—	—
Net income attributable to common stock	24,009	18,436	233,282
	Shares		
	2014	2013	
Average number of shares of common stock outstanding during the year	795,002,977	795,058,726	

* Diluted net income per share for the years ended 31st March, 2014 and 2013 was not presented, because the Bank and its consolidated subsidiaries had no dilutive shares during the years.

[Change in Accounting Policies]

Retirement Benefits Accounting Standard and Retirement Benefits Guidance were adopted as of the end of the fiscal year ended 31st March, 2014 (with the exception of the main clause of Paragraph 35 of the Retirement Benefits Accounting Standard and the main clause of Paragraph 67 of the Retirement Benefits Guidance), and the provisional treatment set forth in Paragraph 37 of the Retirement Benefits Accounting Standard was applied.

As a result, net assets per share decreased by ¥4.45 (\$0.04) as of 31st March, 2014.

40. Cash Dividends

Cash dividends paid during the year ended 31st March, 2014, which were distribution of earned surplus at 31st March, 2013, are as follows:

Resolution	Types	Millions of yen	Thousands of U.S. dollars
June 27, 2013 Ordinary General Meeting of Shareholders	Cash dividends (¥2.5 per share)	¥1,987	\$19,311
November 8, 2013 Meeting of Board of Directors	Cash dividends (¥2.5 per share)	¥1,987	\$19,311

Cash dividends paid during the year ended 31st March, 2013, which were distribution of earned surplus at 31st March, 2012, are as follows:

Resolution	Types	Millions of yen
June 28, 2012 Ordinary General Meeting of Shareholders	Cash dividends (¥2.5 per share)	¥1,987
November 9, 2012 Meeting of Board of Directors	Cash dividends (¥2.5 per share)	¥1,987

41. Subsequent Event

The following appropriation of earned surplus for the year ended 31st March, 2014 was approved at the shareholders' meeting held on 27th June, 2014:

Resolution	Types	Millions of yen	Thousands of U.S. dollars
June 27, 2014 Ordinary General Meeting of Shareholders	Cash dividends (¥3.5 per share)	¥2,782	\$27,034

Quarterly Information (Unaudited)

The Nishi-Nippon City Bank, Ltd. and Subsidiaries Year ended 31st March, 2014

	Millions of yen			
	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
	from 1st April, 2013 to 30th June, 2013	from 1st April, 2013 to 30th September, 2013	from 1st April, 2013 to 31st December, 2013	from 1st April, 2013 to 31st March, 2014
Ordinary income	¥42,044	¥81,616	¥120,019	¥155,888
Income before income taxes and minority interests	14,412	25,974	36,879	40,780
Net income	8,510	15,401	21,440	24,009

	yen			
	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
	from 1st April, 2013 to 30th June, 2013	from 1st April, 2013 to 30th September, 2013	from 1st April, 2013 to 31st December, 2013	from 1st April, 2013 to 31st March, 2014
Net income per share	¥10.70	¥19.37	¥26.96	¥30.20

	yen			
	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
	from 1st April, 2013 to 30th June, 2013	from 1st July, 2013 to 30th September, 2013	from 1st October, 2013 to 31st December, 2013	from 1st January, 2014 to 31st March, 2014
Net income per share	¥10.70	¥8.66	¥7.59	¥3.23

	Thousands of U.S. dollars			
	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
	from 1st April, 2013 to 30th June, 2013	from 1st April, 2013 to 30th September, 2013	from 1st April, 2013 to 31st December, 2013	from 1st April, 2013 to 31st March, 2014
Ordinary income	\$408,517	\$793,010	\$1,166,140	\$1,514,654
Income before income taxes and minority interests	140,035	252,378	358,335	396,239
Net income	82,693	149,643	208,326	233,282

	U.S. dollars			
	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
	from 1st April, 2013 to 30th June, 2013	from 1st April, 2013 to 30th September, 2013	from 1st April, 2013 to 31st December, 2013	from 1st April, 2013 to 31st March, 2014
Net income per share	\$0.10	\$0.18	\$0.26	\$0.29

	U.S. dollars			
	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
	from 1st April, 2013 to 30th June, 2013	from 1st July, 2013 to 30th September, 2013	from 1st October, 2013 to 31st December, 2013	from 1st January, 2014 to 31st March, 2014
Net income per share	\$0.10	\$0.08	\$0.07	\$0.03

Non-Consolidated Balance Sheets (Unaudited)

The Nishi-Nippon City Bank, Ltd. 31st March, 2014 and 2013

	Millions of yen		Thousands of U.S. dollars
	2014	2013	2014
Assets:			
Cash and due from banks	¥173,424	¥240,356	\$1,685,039
Call loans and bills bought	237	293	2,312
Trading account assets	1,026	1,542	9,978
Money held in trust	1,972	3,000	19,163
Securities	1,789,956	1,726,900	17,391,725
Loans and bills discounted	5,621,358	5,359,415	54,618,716
Foreign exchange assets	6,699	5,137	65,097
Other assets	31,780	30,787	308,784
Tangible fixed assets	109,891	113,253	1,067,739
Intangible fixed assets	8,363	10,287	81,262
Prepaid pension cost	13,012	10,593	126,429
Deferred tax assets	4,811	17,022	46,751
Customers' liabilities for acceptances and guarantees	30,465	30,037	296,009
Reserve for possible loan losses	(31,313)	(29,915)	(304,249)
Reserve for devaluation of securities	(494)	(497)	(4,803)
Total assets	¥7,761,192	¥7,518,215	\$75,409,956
Liabilities and Net assets:			
Liabilities:			
Deposits	¥6,738,994	¥6,614,463	\$65,477,988
Call money and bills sold	158,563	233,352	1,540,643
Guarantee deposits received under securities lending transactions	19,720	46,104	191,605
Borrowed money	232,878	85,405	2,262,710
Foreign exchange liabilities	97	133	946
Bonds	93,300	73,300	906,529
Other liabilities	62,356	29,668	605,875
Reserve for employee retirement benefits	5,027	5,782	48,846
Reserve for reimbursement of deposits	2,179	2,394	21,174
Reserve for other contingent losses	2,050	2,053	19,925
Deferred tax liabilities on revaluation of premises	18,255	18,634	177,377
Acceptances and guarantees	30,465	30,037	296,009
Total liabilities	7,363,888	7,141,329	71,549,632
Net assets:			
Capital stock	85,745	85,745	833,128
Capital surplus	85,684	85,684	832,530
Earned surplus			
Legal reserve	61	61	597
Voluntary reserves	137,403	122,803	1,335,052
Unappropriated retained earnings	22,689	18,654	220,452
Treasury stock	(692)	(673)	(6,723)
Total shareholders' equity	330,891	312,275	3,215,038
Net unrealized gains on securities available for sale, net of taxes	37,164	34,694	361,104
Net deferred gains (losses) on hedging instruments, net of taxes	(35)	0	(342)
Revaluation of premises, net of taxes	29,283	29,916	284,522
Total valuation and translation adjustments	66,412	64,610	645,285
Total net assets	397,304	376,885	3,860,323
Total liabilities and net assets	¥7,761,192	¥7,518,215	\$75,409,956

See accompanying Notes to Non-Consolidated Financial Statements.

Non-Consolidated Statements of Income (Unaudited)

The Nishi-Nippon City Bank, Ltd. Years ended 31st March, 2014 and 2013

	Millions of yen		Thousands of U.S. dollars
	2014	2013	2014
Income:			
Interest income:			
Interest on loans and discounts	¥86,391	¥90,667	\$839,407
Interest and dividends on securities	20,541	17,812	199,591
Other interest income	191	171	1,863
Fees and commissions	24,980	24,286	242,715
Trading income	16	30	157
Other operating income	3,265	5,133	31,724
Other income	6,170	4,573	59,951
Total income	141,557	142,675	1,375,411
Expenses:			
Interest expenses:			
Interest on deposits	4,343	4,835	42,198
Interest on call money and bills sold	397	379	3,861
Interest on borrowings	1,244	1,138	12,090
Other interest expenses	2,036	2,104	19,789
Fees and commissions	12,299	11,625	119,502
Other operating expenses	3,602	1,226	34,999
General and administrative expenses	73,897	71,873	718,010
Other expenses	8,759	19,399	85,105
Total expenses	106,579	112,584	1,035,557
Income before income taxes	34,977	30,091	339,854
Income taxes			
Current	2,276	2,328	22,122
Deferred	10,723	9,970	104,189
Total income taxes	13,000	12,298	126,312
Net income	¥21,977	¥17,793	\$213,541

See accompanying Notes to Non-Consolidated Financial Statements.

Non-Consolidated Statements of Changes in Net Assets (Unaudited)

The Nishi-Nippon City Bank, Ltd. Years ended 31st March, 2014 and 2013

	Millions of yen		Thousands of U.S. dollars
	2014	2013	2014
Shareholders' equity			
Capital stock			
Balance at beginning of the year	¥85,745	¥85,745	\$833,128
Changes during the year			
Total changes during the year	—	—	—
Balance at end of the year	¥85,745	¥85,745	\$833,128
Capital surplus:			
Capital reserve			
Balance at beginning of the year	¥85,684	¥85,684	\$832,530
Changes during the year			
Total changes during the year	—	—	—
Balance at end of the year	¥85,684	¥85,684	\$832,530
Earned surplus:			
Legal reserve			
Balance at beginning of the year	¥61	¥61	\$597
Changes during the year			
Total changes during the year	—	—	—
Balance at end of the year	¥61	¥61	\$597
Other earned surplus:			
Reserve for deferred capital gains			
Balance at beginning of the year	¥3	¥3	\$34
Changes during the year			
Transfer from reserve for deferred capital gains	(0)	(0)	(1)
Transfer to reserve for deferred capital gains	0	—	0
Total changes during the year	(0)	(0)	(1)
Balance at end of the year	¥3	¥3	\$33
Other voluntary reserves			
Balance at beginning of the year	¥122,800	¥109,700	\$1,193,161
Changes during the year			
Transfer to other voluntary reserves	14,600	13,100	141,857
Total changes during the year	14,600	13,100	141,857
Balance at end of the year	¥137,400	¥122,800	\$1,335,019
Unappropriated retained earnings			
Balance at beginning of the year	¥18,654	¥17,104	\$181,252
Changes during the year			
Cash dividends paid	(3,975)	(3,975)	(38,623)
Transfer from reserve for deferred capital gains	0	0	1
Transfer to other voluntary reserves	(14,600)	(13,100)	(141,857)
Net income	21,977	17,793	213,541
Sale of treasury stock	(1)	(3)	(10)
Reversal of revaluation of premises	632	835	6,149
Total changes during the year	4,034	1,549	39,200
Balance at end of the year	¥22,689	¥18,654	\$220,452
Total earned surplus			
Balance at beginning of the year	¥141,519	¥126,869	\$1,375,045
Changes during the year			
Cash dividends paid	(3,975)	(3,975)	(38,623)
Transfer from reserve for deferred capital gains	—	—	—
Transfer to reserve for deferred capital gains	0	—	0
Transfer to other voluntary reserves	—	—	—
Net income	21,977	17,793	213,541
Sale of treasury stock	(1)	(3)	(10)
Reversal of revaluation of premises	632	835	6,149
Total changes during the year	18,634	14,649	181,057
Balance at end of the year	¥160,154	¥141,519	\$1,556,103

Non-Consolidated Statements of Changes in Net Assets (Unaudited)

The Nishi-Nippon City Bank, Ltd. Years ended 31st March, 2014 and 2013

	Millions of yen		Thousands of U.S. dollars
	2014	2013	2014
Treasury stock			
Balance at beginning of the year	(¥673)	(¥668)	(\$6,544)
Changes during the year			
Acquisition of treasury stock	(21)	(11)	(212)
Sale of treasury stock	3	7	33
Total changes during the year	(18)	(4)	(179)
Balance at end of the year	(¥692)	(¥673)	(\$6,723)
Total shareholders' equity			
Balance at beginning of the year	¥312,275	¥297,630	\$3,034,160
Changes during the year			
Cash dividends paid	(3,975)	(3,975)	(38,623)
Net income	21,977	17,793	213,541
Transfer to reserve for deferred capital gains	0	—	0
Acquisition of treasury stock	(21)	(11)	(212)
Sale of treasury stock	2	3	22
Reversal of revaluation of premises	632	835	6,149
Total changes during the year	18,615	14,644	180,878
Balance at end of the year	¥330,891	¥312,275	\$3,215,038
Valuation and translation adjustments			
Net unrealized gains on securities available for sale, net of taxes			
Balance at beginning of the year	¥34,694	¥10,517	\$337,098
Changes during the year			
Net changes in items other than shareholders' equity	2,470	24,176	24,006
Total changes during the year	2,470	24,176	24,006
Balance at end of the year	¥37,164	¥34,694	\$361,104
Net deferred gains (losses) on hedging instruments, net of taxes			
Balance at beginning of the year	¥0	(¥0)	\$0
Changes during the year			
Net changes in items other than shareholders' equity	(35)	0	(342)
Total changes during the year	(35)	0	(342)
Balance at end of the year	(¥35)	¥0	(\$342)
Revaluation of premises, net of taxes			
Balance at beginning of the year	¥29,916	¥30,751	\$290,672
Changes during the year			
Net changes in items other than shareholders' equity	(632)	(835)	(6,149)
Total changes during the year	(632)	(835)	(6,149)
Balance at end of the year	¥29,283	¥29,916	\$284,522
Total valuation and translation adjustments			
Balance at beginning of the year	¥64,610	¥41,269	\$627,770
Changes during the year			
Net changes in items other than shareholders' equity	1,802	23,340	17,514
Total changes during the year	1,802	23,340	17,514
Balance at end of the year	¥66,412	¥64,610	\$645,285
Total net assets			
Balance at beginning of the year	¥376,885	¥338,900	\$3,661,931
Changes during the year			
Cash dividends paid	(3,975)	(3,975)	(38,623)
Net income	21,977	17,793	213,541
Transfer to reserve for deferred capital gains	0	—	0
Acquisition of treasury stock	(21)	(11)	(212)
Sale of treasury stock	2	3	22
Reversal of revaluation of premises	632	835	6,149
Net changes in items other than shareholders' equity	1,802	23,340	17,514
Total changes during the year	20,418	37,985	198,392
Balance at end of the year	¥397,304	¥376,885	\$3,860,323

See accompanying Notes to Non-Consolidated Financial Statements.

Notes to Non-Consolidated Financial Statements (Unaudited)

The Nishi-Nippon City Bank, Ltd. Years ended 31st March, 2014 and 2013

- 1. Basis of Presentation of Financial Statements** The accompanying non-consolidated financial statements of The Nishi-Nippon City Bank, Ltd. (the Bank) have been prepared from the accounts maintained by the Bank in accordance with the provisions set forth in the Japanese Corporation Law, the Banking Law, and accounting principles generally accepted in Japan, which are different in certain respects as to the application and disclosure requirements of International Financial Reporting Standard.

- 2. Other Accounting Principles and Practices Employed by the Bank** Accounting principles employed by the Bank in preparing the accompanying non-consolidated financial statements which have significant effects thereon, are explained in Note 2 of the Notes to Consolidated Financial Statements.



Independent Auditor's Report

The Board of Directors
The Nishi-Nippon City Bank, Ltd.

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

Management's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

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

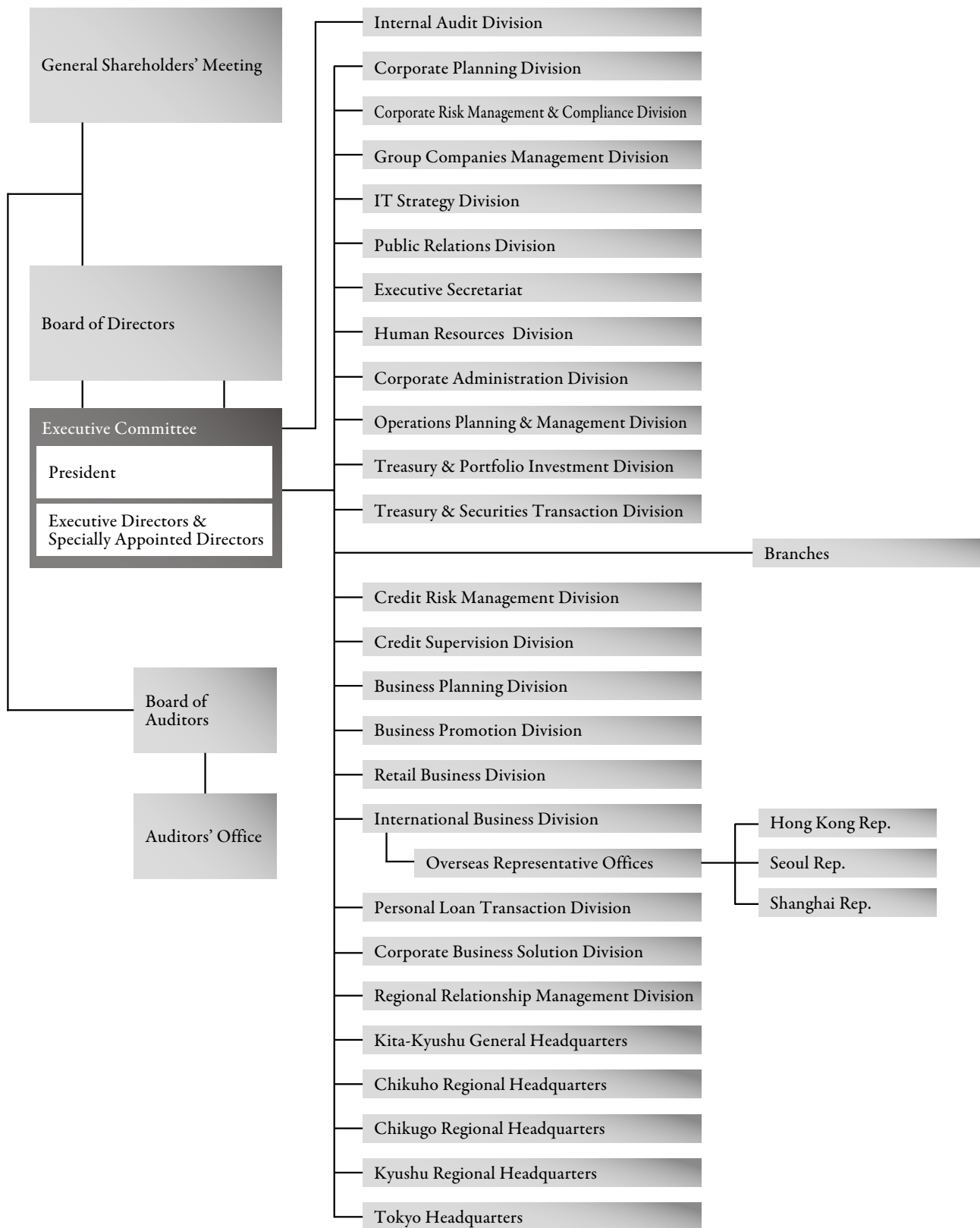
Convenience Translation

We have reviewed the translation of these consolidated financial statements into U.S. dollars, presented for the convenience of readers, and, in our opinion, the accompanying consolidated financial statements have been properly translated on the basis described in Note 1.

June 27, 2014
Fukuoka, Japan

Ernst & Young ShinNihon LLC

Organization Chart



(as of June 30, 2014)

Corporate Data

Head Office:

1-1, Hakata-ekimae 3-chome, Hakata-ku,
Fukuoka 812-0011, Japan
Phone: (092) 476-2481

Established:

December 1, 1944

Paid-up Capital:

¥85,745 million

Number of Shareholders:

Ordinary shares: 12,382

Number of Employees:

3,867

Number of Domestic Offices:

198

Number of Correspondent Banks:

134

Major Shareholders (common stock):

Name	Shares held (thousands)	(%)
Japan Trustee Services Bank, Ltd. (Trust Account)	99,017	12.42
Japan Trustee Service Bank, Ltd. (Trust Account No. 4)	46,241	5.80
The Master Trust Bank of Japan, Ltd. (Trust Account)	24,955	3.13
Nippon Life Insurance Company	19,453	2.44
Japan Trustee Services Bank, Ltd. (Trust Account No. 9)	14,498	1.81
Mizuho Bank, Ltd.	11,507	1.44
Tokio Marine & Nichido Fire Insurance Co., Ltd.	11,280	1.41
Resona Bank, Ltd.	11,000	1.38
The Nishi-Nippon City Bank Employee Shareholding Association	10,971	1.37
Meiji Yasuda Life Insurance Company	10,945	1.37

(as of March 31, 2014)

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