Bank of Yokohama

Annual Report 2015

Year Ended March 31, 2015

横浜銀行

Bank of Yokohama

Profile

The Bank of Yokohama, Ltd. was founded in 1920 to serve the needs of individuals and companies in Kanagawa Prefecture and southwestern Tokyo. With its main business focusing on its home region, the Bank has since grown to become one of Japan's leading regional banks, with consolidated total assets of ¥15.3 trillion and deposits of ¥12.1 trillion as of March 31, 2015. In April 2013, the Bank of Yokohama launched a new medium-term management plan, "Tackle for the Dream." We are working under this plan to become an attractive financial institution for customers, shareholders, employees, and communities by enhancing and deepening the "solid business foundation" and, by maintaining and reinforcing the "strong management foundation" for the realization of the Long-Term Vision.

Consolidated Basis

Total Deposits:
¥12,121.4
billion

Loans and Bills Discounted:
¥9,724.0
billion

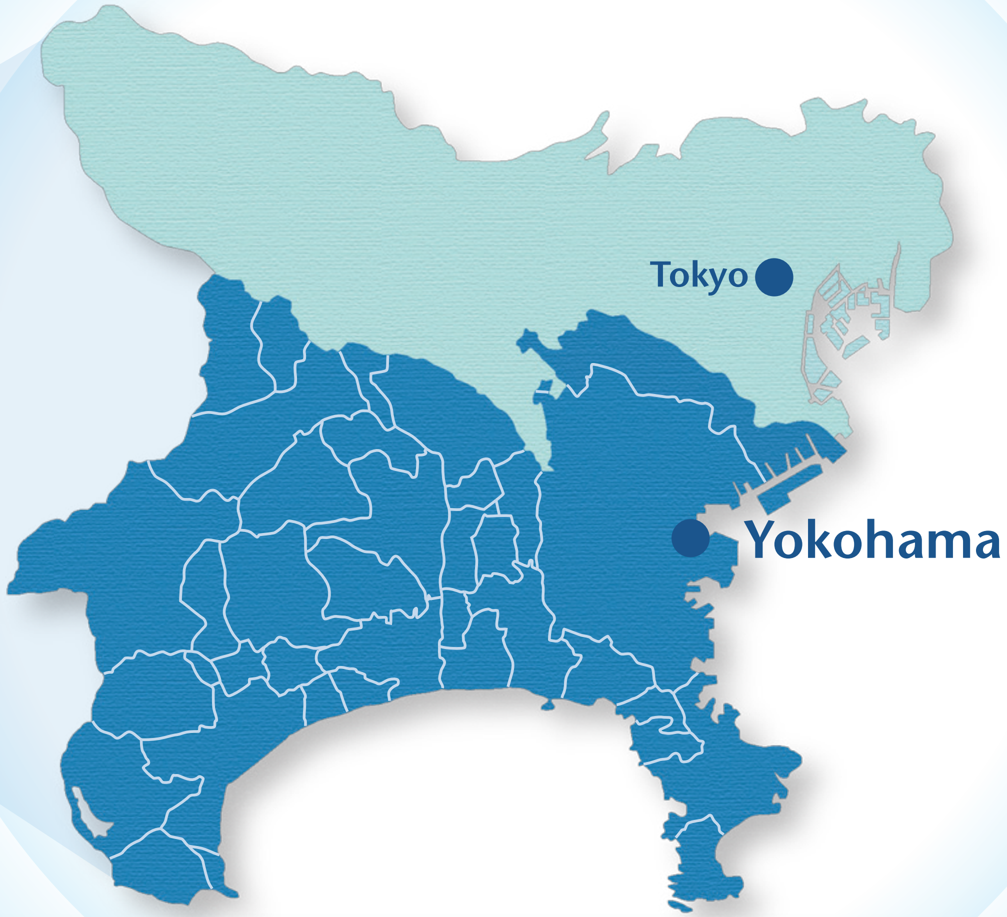
Net Income:
¥76.3
billion

OHR (non-consolidated)
49.1%
Ratio of expenses to gross operating income

Capital Ratio:
13.29%
(International standards)

Credit Rating:
A1 (Moody's)
AA- (R&I)

Contents



Potential of Kanagawa Prefecture

Population
(Oct. 2014)
9.09 million
(**2nd**/47 Prefectures)
(Tokyo, Kanagawa, Osaka)

Manufacturing Output
(2013)
¥17.2 trillion
(**2nd**)
(Aichi, Kanagawa)

Number of Businesses
(Feb. 2012)
313 thousand
(**4th**)
(Tokyo, Osaka, Aichi, Kanagawa)

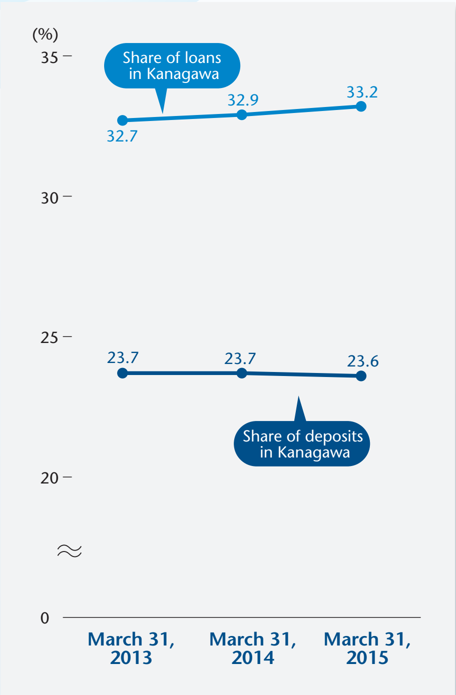
Retail Sales
(2011)
¥7.3 trillion
(**3rd**)
(Tokyo, Osaka, Kanagawa)

Gross Prefectural Product
(FY11)
¥30.4 trillion
(**4th**)
(Tokyo, Osaka, Aichi, Kanagawa)

(Note) Sources:
- Population and # of Businesses: Ministry of Internal Affairs and Communications
- Gross Prefectural Product & Consumption Expenditure of Households: Each Prefecture
- Manufacturing Output: Ministry of Economy, Trade and Industry

Market Shares in Kanagawa Prefecture

As of March 31, 2015



(Note) Market share calculations do not include Japan Post Bank, Credit Cooperatives and Japan Agricultural Cooperatives.

Tatsumaro Terazawa
Representative Director, President

Together With Our Customers, Contributing to the Business Growth of Our Home Region

I would like to begin this message by expressing our sincere appreciation to our customers for your continuing patronage of the Bank of Yokohama, Ltd.

We are constantly striving to see that the Bank of Yokohama remains trusted and preferred by customers in its business area by always benefiting them, and contributes to the advancement of local communities by proposing solutions for local issues that draw on its financial services as a principal playing a central role in local economic affairs.

At present, the Japanese government is promoting policy for revitalizing local economies in order to stimulate community life in areas where population is in decline. This policy coincides with the social mission of regional banks, and there are consequently high hopes for our approaches. To play a role that meets these expectations, we have instituted the "Project Team for Promotion of Regional Revitalization." In close coordination with municipalities in Kanagawa Prefecture, we are actively participating in the formulation of comprehensive strategies at the regional level containing specific initiatives for revitalization. In this context, we are making full use of our information and know-how on local economies in order to support the growth of core firms to drive local revitalization and the rise in corporate value.

At this point, I would like to outline the fiscal year 2014 financial results of the Bank of Yokohama as well as describe the progress of our Medium-Term Management Plan and the proposed management integration with The Higashi-Nippon Bank, Ltd.

Outline of our FY2014 financial results and state of progress in execution of the Medium-Term Management Plan

In FY2014, we were faced with challenging circumstances under the low-interest-rate environment, as evidenced by a decrease in our domestic interest income as compared to FY2013. Nevertheless, we actively worked to expand our fees and commissions with a focus on sales of non-deposit products, and this led to an increase in fees and commissions income. As a result, gross operating income, which indicates our earnings from our primary business, increased for the second consecutive year to ¥204.4 billion, up about ¥1.3 billion from FY2013.

Thanks to a decrease in credit costs and other factors, net income was up for the sixth consecutive year by ¥8.8 billion from FY2013 to reach a record-high ¥67.5 billion. Consolidated net income similarly increased by ¥15.7 billion from FY2013 to a record-high ¥76.3 billion. This increase came partly as an effect of the gain on bargain purchase, which arises when the corporate acquisition cost is lower than the net asset value, along with the review of the capital structure of the companies in our group.

As a result, we are maintaining the targeted levels for six of the seven target indicators in "Tackle for the Dream," our Medium-Term Management Plan launched in FY2013 (running from April 2013 to March 2016), including Net Income ROE (return on equity; consolidated) and the OHR (overhead ratio).

FY2015 is the final year of the Medium-Term Management Plan, and the one in which its targets should be attained. For our individual customers, we are going to strive to expand our points of contact by taking full advantage of our network spread throughout Kanagawa Prefecture, so that they will make us their main bank. We are also going to increase financial consultants ready to provide sound advice in areas such as inheritance, business succession, and effective use of assets. Through such steps, we hope to deepen our relationships with our individual customers. For our corporate customers, we are determined to make proper assessments of business portfolios, growth prospects, and other aspects of business feasibility, in order to provide support for an increase in corporate value and improvement of management. To this end, we shall endeavor to offer total financial services encompassing M&A and business matching as well as financing.

About the management integration with The Higashi-Nippon Bank

The Bank of Yokohama concluded a basic agreement about studying the agreed-upon management integration with The Higashi-Nippon Bank, Ltd. in November 2014. Based on this agreement, the two banks will establish Concordia Financial Group, Ltd. by the stock transfer method on April 1, 2016 to act as the joint holding company, namely the parent company, of the two banks.

The word "Concordia" in the name of the joint holding company is a Latin word that means harmony and cooperation, derived from "Con (together)" and "Cordia (heart)." This name expresses the message "each group company will work for the customers with one heart." The management philosophy of this new financial group is "to contribute to creating a vibrant future as a trusted financial group and to enhance its corporate value together with the growth of the region by providing the best financial services to its customers through collaboration that leverages the strengths and uniqueness of each group company." The group slogan has been chosen to express the spirit of "Concordia": One Heart For You.

The business foundation of The Higashi-Nippon Bank is centered on Tokyo, and there is little competition with the Bank of Yokohama in respect of the sales area, customer base, and fields of special competence.

Because the relationship between the two is one of mutual complementation, we believe the management integration will be to the satisfaction of our customers.

The new group formed by the two banks will possess deep relations with customers as a regional financial institution. In addition, we will be able to offer wide-ranging high-quality financial services and regional information by making the best use of the large network created by the management integration. By these means, we aim to become a trusted financial group.

For our individual customers, it will offer use of the branch networks and ATMs of both banks, covering Tokyo and other six prefectures. It will also enable patronage of new branches to be established in Tokyo and participation in seminars on assets management that will be co-hosted by the two banks in Tokyo. For our corporate customers, the integration will open the door to use of the wide range of financial products in the combined assortments of the two banks, and enable these customers to smoothly obtain funding as a result of the improved funding mediation capabilities of the entire group. It will likewise bring services drawing fully on the information and know-how of both banks and group companies, in areas including business matching between our customers and support for M&A plans, and services that make use of think-tank capabilities such as industry surveys and consulting. Furthermore, the benefits of the future cost reductions arising from the integration and increased efficiency at the new Head Office can be utilized in investing in improved services to customers.

To make these services a reality, we are currently engaged in preparations to establish the holding company, which is scheduled for April next year. The Bank of Yokohama will remain in business as a bank under the umbrella of this holding company, and we consequently are counting on your continuing patronage as always.

The environment surrounding financial institutions is in the midst of momentous change. In this climate, the Bank of Yokohama remains a financial institution which regards environmental change as an opportunity for further growth, reacts both properly and promptly to it, and is the first to respond to the needs of its customers. Over the coming years, too, we shall aspire to be a financial institution that benefits its customers by providing progressive first-rate financial services, brims with appeal in their eyes, and contributes to regional economic advancement centered on our local Kanagawa Prefecture.

As always, we ask for your continued understanding and support.

September 2015

Tatsumaro Terazawa
Representative Director, President

Definitive Agreement Concerning the Business Integration

Profile of the holding company

Concordia Financial Group, Ltd.

- "Concordia" is a Latin word that means harmony and cooperation, derived from "Con (together)" and "Cordia (heart)."
- This name expresses the message "each group company will work for the customers with one heart."

Location of head office	7-1, Nihonbashi 2-chome, Chuo-ku, Tokyo (Tokyo Nihonbashi Tower, 34th floor)		
Representatives and directors (scheduled)	**Representative Director, President:** Tatsumaro Terazawa (currently, Representative Director, President of Bank of Yokohama) **Representative Director, Vice President:** Michitoo Ishii (currently, Representative Director, President of Higashi-Nippon Bank) **Representative Director:** Yasuyoshi Oya (currently, Representative Director, Managing Executive Officer of Bank of Yokohama) (initially 7 directors, including representative directors, will be appointed, 3 of whom will be outside directors)		
Amount of capital	150 billion yen	Date of incorporation	April 1, 2016 (scheduled)
Stock exchange	Tokyo Stock Exchange (scheduled)	Fiscal year-end	March 31

Outline of the business integration

1. Schedule of the share transfer

Tuesday, Sept. 8, 2015

Adoption of resolutions at the board of directors' meeting for executing the integration agreement and the share transfer plan, execution of the integration agreement and preparation of the share transfer plan (both banks)

Tuesday, Sept. 15, 2015

Announcement of the record date for the extraordinary shareholders' meeting (both banks)

Wednesday, Sept. 30, 2015

Record date for the extraordinary shareholders' meeting (both banks)

Monday, Dec. 21, 2015 (scheduled)

Extraordinary shareholders' meeting for approval of the share transfer plan (both banks)

Tuesday, Mar. 29, 2016 (scheduled)

Delisting from the Tokyo Stock Exchange (both banks)

Friday, Apr. 1, 2016 (scheduled)

Registration of incorporation of the joint holding company (effective date) and listing of shares of the joint holding company

2. Form of the share transfer

The share transfer will take the form of a joint share transfer, under which the two banks will become wholly-owned subsidiaries of the joint holding company to be incorporated following the share transfer and the joint holding company will become the wholly-owning parent company of the two banks.

3. Share transfer ratio

One share of common stock of the joint holding company will be allotted for each share of common stock of Bank of Yokohama and 0.541 share of common stock of the joint holding company will be allotted for each share of common stock of Higashi-Nippon Bank.

In order to ensure fairness in the determination of the share transfer ratio used in the share transfer, the two banks appointed independent third-party assessors (Bank of Yokohama: Daiwa Securities Co. Ltd., Higashi-Nippon Bank: SMBC Nikko Securities Inc.) and each requested its respective assessor to analyze the share transfer ratio. Based on the analysis from the assessors and upon careful negotiations and discussions on the share transfer ratio among the two banks that comprehensively took into account various factors such as financial condition, condition of assets and future prospects, the share transfer ratio was agreed upon and determined.

Management philosophy of the new financial group

Management philosophy	The new group aims to contribute to creating a vibrant future as a trusted financial group and to enhance its corporate value together with the growth of the region by providing the best financial services to its customers through collaboration that leverages the strengths and uniqueness of each group company.
Group slogan	*One Heart for You*
Corporate ideal	1) Aim to become a trusted financial group by maintaining deep relationship with customers as a regional financial institution and providing broad, high-quality financial service and regional information leveraging its wide-area network achieved through the business integration. 2) Aim to strengthen earning capacity and improve corporate value by strategically placing into growing areas and business fields management resources that are created through proactive sharing of each bank's business infrastructure and know-how to the maximum extent and promoting streamlining and improvements in efficiency, even while maintaining each group company's brand. 3) Aim to improve each employee's capabilities in consulting services and of assessing the future prospects of customers' businesses in order to appropriately respond to changes in environment and customers' needs and to pursue constant customer satisfaction. 4) Contribute to the prosperity of the region by providing solutions that utilize sophisticated consulting services and financial techniques to address various issues in the Tokyo metropolitan area and surrounding region where the group is based.

Management strategy of the new financial group

The new financial group seeks to improve its services to customers by leveraging the strengths and uniqueness of each bank and complementing each other.

	Strengths of the two banks		Improvement of services to customers
	Bank of Yokohama	Higashi-Nippon Bank	Effects of integration
Branch network*	• Dense branch network (206 branches in total) centered in Kanagawa Prefecture (180 branches) and southwestern Tokyo Prefecture	• Wide-area branch network (82 branches in total) centered in Tokyo Prefecture (49 branches)	• Wide-area network covering Tokyo Prefecture and six other prefectures • Dense branch network in Tokyo and Kanagawa Prefectures
Customer base and service	• Consulting services to retail customers, mainly high net worth individuals, and small- and medium-sized enterprises	• Sales efforts focused on attentive face-to-face transactions and presentation of proposals to small- and medium-sized enterprises	• Providing various services to a broad range of customers, including individuals and small- and medium-sized enterprises as a result of the integration of the two banks' know-how and management infrastructure
Financial intermediation	• Stable fund raising capability supported by strong brand power	• Capability to actively cultivate new loans to small- and medium-sized enterprises	• Smooth supplying of funds through enhanced financial intermediation capacity of the entire group
Group company services	• Asset management, securities, venture capital, leasing and think-tanks		• Providing solutions to various needs of customers • Providing services leveraging the think-tank functions, such as industry research and consulting
Overseas	• Shanghai Branch and overseas representative offices (New York, London, Hong Kong and Bangkok)		• Expansion of overseas support for customers through the use of overseas network
Management efficiency	• Know-how on low-cost operations		• Investment into the enhancement of services to customers using funds generated from cost reduction achieved through promotion of streamlining and improvements in efficiency

* The number of branches is as of August 31, 2015.

In addition to leveraging the two banks' strengths, the new financial group will consider introducing new financial services that utilize IT, such as internet settlement and use of big data, by taking advantage of its ample capital and comprehensive human resource.

Branch strategy of the new financial group

The new financial group aims to expand the sales and customer base by strategically placing management resources, such as personnel generated by promotion of streamlining and improvements in efficiency of existing branches and headquarters, into the Tokyo metropolitan area and surrounding regions where growth is expected. For this purpose, the group will advance the efficient building of the network through the opening of new joint branches and sharing of existing branches.

Promote efficiency of existing branches

- Consolidate overlapping branches and use shared branches
- Convert branches to satellite branches through reevaluation of their functions

Promote streamlining and efficiency of headquarters

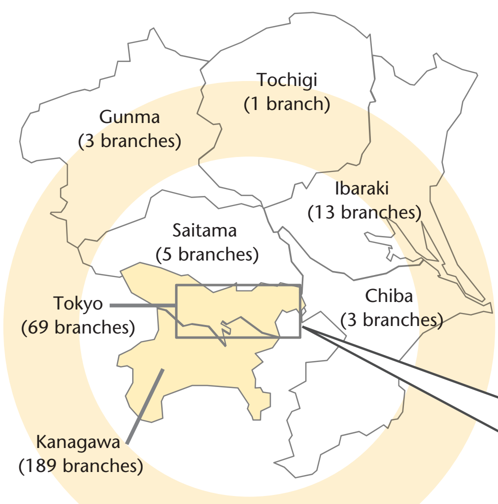
- Integrate market divisions and administration centers
- Promote integration of administration and IT systems

Strategically place management resources into the Tokyo metropolitan area and surrounding regions where growth is expected while maintaining existing sales and customer base

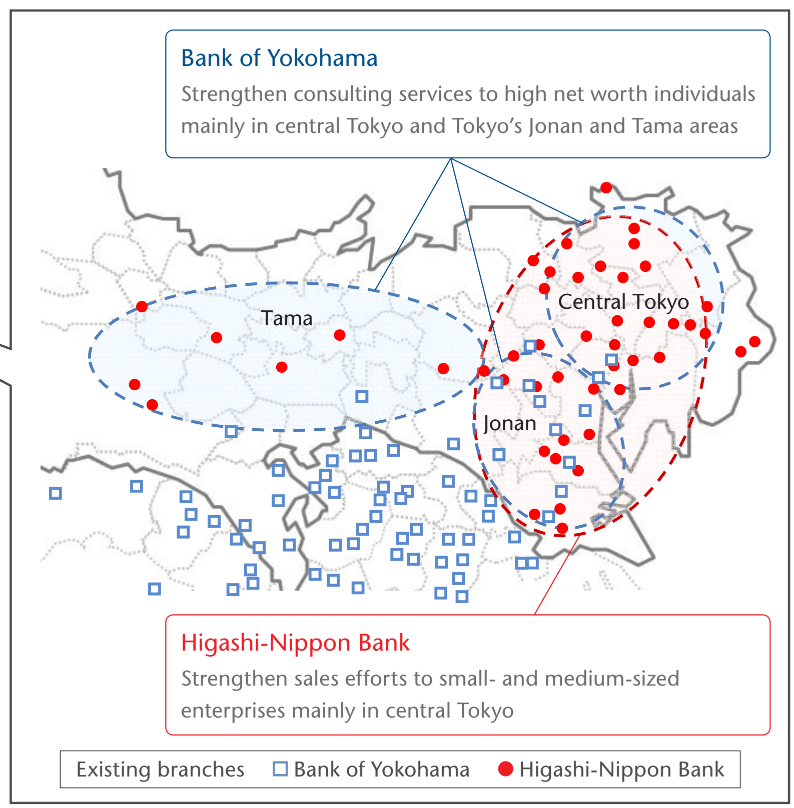
- Newly open separate or shared branches
- Share existing branches as sales base

Expansion of network

Open to further expansion of network in the future



* The number of branches is the sum of the two banks' branches as of August 31, 2015.



Improvement of value for stakeholders

The new financial group aims to improve its value for its stakeholders through collaboration that leverages its strengths and uniqueness.

Customers

- Convenience will be improved due to expansion of branch and ATM networks
- Various services and solutions, including those provided by affiliates and business partners, will become available to a wide range of retail customers
- Fund raising will be facilitated through enhanced financial intermediation capacity
- Growth opportunities for customers will be increased as a result of availability of information pertaining to the wide-area centered around the Tokyo metropolitan area
- Overseas expansion support utilizing the overseas network will become available
- Convenience will be improved by investing into the enhancement of services to customers the funds generated from cost reduction achieved through promotion of streamlining and improvements in efficiency

Shareholders

- Compared to growth of each bank, corporate value will be improved due to synergy effects of promotion of improvements in efficiency and growth
- Combined ROE (consolidated) for fiscal 2014: 6.9%* ⇛ ROE (consolidated) for fiscal 2020: upper 7%

* Impact of gains on bargain purchase and gains or losses related to stock excluded

Employees

- Job satisfaction will be improved for each employee due to increased opportunities to take on a challenge or to play an active role as a result of expansion of the group's business fields and personnel interaction among the group companies

Regional Community

- Companies will be revitalized and regional economy will be developed through the use of solutions that leverage each group company's knowledge and cooperation with the government, industries, academia and workers

Outline of synergy measures

The new financial group aims to reduce costs by promoting streamlining of and improvements in efficiency in administration, IT systems and branches to generate personnel to place into growing areas and business fields. The two banks will also aim to complement each other using their know-how in areas in which they have strengths in order to increase transactions with small- and medium-sized enterprises and individuals in the Tokyo area.

	Major synergy measures	Target (5 years after integration)
Promote streamlining and improvements in efficiency (cost synergies)	• Promote integration of administration and IT systems • Consolidate various administration centers and financial subsidiaries • Integrate market divisions and administration centers • Streamline headquarter organizations • Consolidate overlapping branches (approximately 5 branches) and convert branches to satellite branches • Introduce low-cost operations and joint purchase	**Cost reduction: 3 billion yen** **Shifted personnel: 200** (Reassign personnel to departments with higher earnings)
Generate and shift sales personnel	Strategically place personnel and funds into growing areas and business fields	Reinforce recruitment of new employees
Build business structure (earnings synergies)	**Bank of Yokohama** **Increase of transactions mainly with individuals** • Open new branches individually and jointly (approximately 5 branches) and share Higashi-Nippon Bank's existing branches as a sales base (approximately 10 bases) • Strengthen consulting services to high net worth individuals • Expand introduction of customers to securities subsidiary for a fee • Strengthen card loans through expanded ATM network **Higashi-Nippon Bank** **Increase of transactions mainly with small- and medium-sized enterprises** • Open new branches individually and jointly (approximately 15 branches) and share Bank of Yokohama's existing branches as a sales base (approximately 5 bases) • Enhance risk-taking ability (funding capability) • Strengthen foreign exchange transactions and overseas operations through the use of overseas presence • Strengthen sales of investment products	**Strengthen business structure:** Open approx. 20 new branches (5 of which will be shared branches) Establish approx. 15 shared sales bases Loans: **approx. +1 trillion yen** Gross operating income: **approx. +15 billion yen**

Management objectives for fiscal 2020

The new financial group will aim to achieve 290 billion yen in gross operating income and 100 billion yen in profit attributable to owners of parent for fiscal 2020 by maximizing synergy achieved through the steady implementation of management strategy.

Billions of Yen

	Actual results for fiscal 2014			Target for fiscal 2020	
	Bank of Yokohama	Higashi-Nippon Bank	New financial group (simple aggregation)	New financial group	Increase or decrease
Average balance of deposits (non-consolidated)	11,652.4	1,756.5	13,409.0	16,000.0	+19%
Average balance of loans (non-consolidated) < > indicates synergy impact	9,636.7	1,483.3	11,120.1	14,000.0 <+1,000.0>	+25%
Gross operating income (non-consolidated) ( ) indicates amount in Tokyo < > indicates synergy impact	204.4 (23.7)	31.8 (20.8)	236.3 (44.5)	290.0 (65.0) <+15.0>	+22% (+46%)
Core net business profit (non-consolidated)	104.0	8.6	112.7	155.0	+37%
Profit attributable to owners of parent (consolidated)	76.3	8.5	84.8	100.0	+17%
OHR (non-consolidated)	49.1%	72.8%	52.3%	Upper 40%	—
ROE (consolidated)*	8.3% (7.3%)	7.8% (3.6%)	8.3% (6.9%)	Upper 7%	—
Total capital ratio (non-consolidated)	12.9%	9.0%	12.3%	Approx. 12%	—

* The amount in ( ) excludes the impact of gains on bargain purchase and gains or losses related to stock.

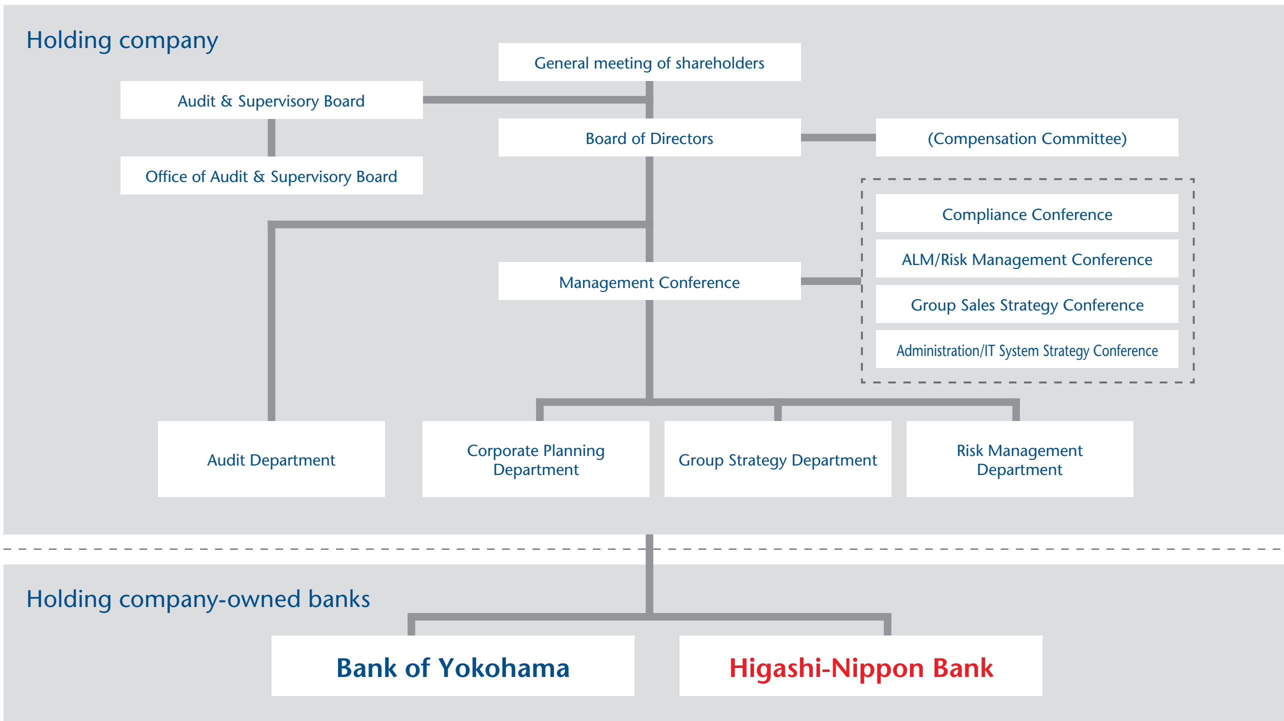
Shareholder return policy following the integration

The new financial group plans to follow Bank of Yokohama's current shareholder return policy.

Organization and operating structure of the new financial group

- Structure of the holding company will be simple but with sufficient supervisory function, and the holding company will formulate management and sales strategies of the new financial group, as well as have the function and the role to supervise and instruct the group's business and operations.
- The holding company will have an Audit & Supervisory Board.

Management structure of the new financial group



Function and role of the new financial group

Holding company

- The holding company will initially appoint 7 directors, 3 of whom will be outside directors, and it will build appropriate corporate governance structure that takes into account outside point of view.
- Through the auditing and monitoring of each business and operation, the holding company will supervise and instruct its subsidiaries and build appropriate structure to manage compliance and risk.
- The holding company will formulate policy and strategy for management and business of the entire group and will take initiative in promoting the implementation thereof through cooperation among the group companies.
- In order to maximize the effects of integration, the holding company will take initiative in supervising and promoting implementation of each measure, such as sales, administration and IT systems.

Holding company-owned banks

- The two banks will develop and promote specific business plans and measures in accordance with the group management policy and strategy formulated by the holding company.
- The two banks will promote their businesses in close cooperation with each other as part of the same financial group while maintaining their respective uniqueness.

Reference : Cooperative measures already implemented

Below are the cooperative measures that have already been implemented. After the integration, further cooperation will be advanced based on the sales strategy of the new financial group.

Category	Measures	Implementation
Individuals	Introduction of Higashi-Nippon Bank's customers to Hamagin TT for a fee	• Financial instruments intermediary services cooperation agreement was executed in September 2015 and services are scheduled to commence in October 2015
	Joint holding of seminars	• Seminars on tax code revisions that attracted a lot of interest mainly from business owners and high net worth individuals were held jointly in Tokyo and Yokohama
	Strengthening of capabilities of consulting services for high net worth individuals	• Higashi-Nippon Bank's capabilities of consulting services for high net worth individuals are being strengthened by seconding its public relations representative to Bank of Yokohama and acquiring its know- how
	Strengthening of capabilities of selling investment products	• Higashi-Nippon Bank's capabilities of selling investment products are being strengthened by seconding Higashi-Nippon Bank's sales representative for investment products to Bank of Yokohama and acquiring its know-how
	Sharing of ATM	• Preferential ATM fees for the two bank's ATMs were introduced on March 2, 2015
Corporate	Joint formation of a syndicated loan	• Higashi-Nippon Bank participated in a syndicated loan arranged by Bank of Yokohama
	Mutual provision of business opportunities, such as business matching and M&A	• A basic agreement was executed concerning business alliance for expansion of business opportunities leveraging the two banks' network of customers and business partners
	Sharing of functions of affiliates	• Use of Yokohama Capital, Hamagin Research Institute and Hamagin Finance by the two banks was advanced • Business cooperation agreements were executed in March 2015 between each affiliate and Higashi-Nippon Bank
	Holding of study sessions on promotion of sales efforts to corporate customers	• Study sessions on inheritance and business succession, promotion of transactions with medical institutions, use of affiliates and overseas expansion support were jointly held
Overseas	Providing functions of Bank of Yokohama's Shanghai Branch	• Bank of Yokohama, Hamagin Research Institute and Higashi-Nippon Bank formed an alliance for overseas operations • Loans using the SBLC structure were provided to local Chinese subsidiaries of Higashi-Nippon Bank's customers, credit was extended to Higashi-Nippon Bank and joint study sessions concerning overseas businesses were held

••• Financial Highlights (Consolidated)

Years Ended March 31	Millions of Yen* 2015	Millions of Yen* 2014	Thousands of U.S. Dollars** 2015
At year-end:			
Total assets	¥15,377,845	¥13,832,063	$127,861,026
Cash and due from banks	2,303,301	1,423,159	19,151,086
Deposits	12,121,479	11,829,221	100,785,558
Loans and bills discounted	9,724,053	9,453,564	80,851,859
Securities	2,460,453	2,044,741	20,457,749
Total equity	1,010,495	921,506	8,401,894
Capital stock	215,628	215,618	1,792,871
For the year:			
Total income	¥ 317,692	¥ 298,228	$ 2,641,497
Total expenses	199,006	193,264	1,654,665
Net income	76,324	60,690	634,610

* Yen amounts have been rounded down to millions of yen.
** U.S. dollar amounts are translated, for reference only, at the rate of ¥120.17=$1 effective on March 31, 2015.

Our Approach to Shareholder Returns

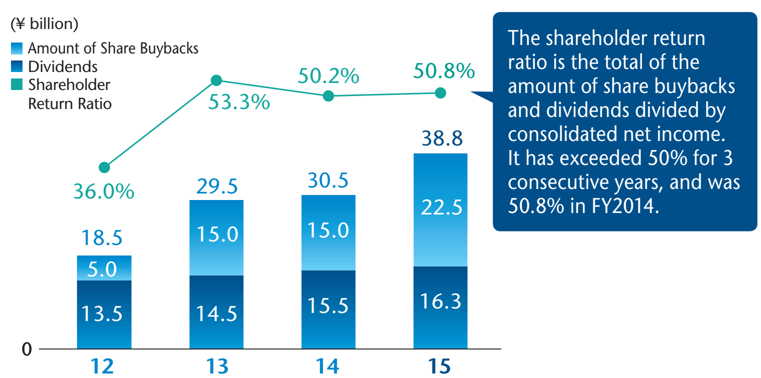
Shareholder Return Policy for the Term of the Medium-Term Management Plan (through FY2015)	
Ordinary Dividends	¥11 per share per annum is to be paid out stably regardless of business results.
Flexible Share Buybacks	We will flexibly repurchase our own shares, deciding by the market condition and our performance.
Special Dividends	Special dividends will be paid out, in the case where Net Income (consolidated) exceeds ¥55 billion.

Annual Per Share Dividend (non-consolidated)

Years ended March 31

Shareholder Returns (consolidated)

Years ended March 31



* The amounts shown are rounded to the nearest whole number.

Economic Environment

During fiscal 2014, the Japanese economy showed some weakness during the first half of the fiscal year due to the reaction following the prior surge in demand ahead of the consumption tax rate hike as well as due to the impact of inclement weather during the summer months. However, the economy picked up in the fiscal second half. Personal spending dipped significantly in the April through June quarter, particularly spending on durable consumer goods, due to the recoil decline in demand following the earlier demand surge, and there was some weakness overall due to factors including the inclement weather during the summer months, but on the whole personal spending was solid against a backdrop of steady improvement in both the employment and income environments. During the first half of the fiscal year, exports remained on a sideways track as a result of the modest pace of recovery of overseas economies and other factors. However, from the beginning of autumn, exports picked up, particularly exports to the U.S. and Asia, and this was accompanied by an improvement in production activity in the corporate sector.

In Kanagawa Prefecture, exports and corporate production activity were weak early in the fiscal year, but began to modestly recover from the autumn onward.

In Japan's financial sector, short-term interest rates were at extremely low levels due to the fact that the Bank of Japan's qualitative and quantitative easing policies expanded in October 2014. Meanwhile, amid some large fluctuations during the period, long-term interest rates remained low, even temporarily falling below 0.2% in January 2015.

Amid this type of environment, we have set a Long Term Vision "to become an attractive financial institution for customers, shareholders, employees, and communities," and have made concentrated investments of management resources in the regional retail sector, the Group's strength, and worked to enhance our business foundation and grow earnings.

(Deposits)

As a result of measures to increase deposits including expanding comprehensive transactions, deposits increased by ¥292.2 billion from the previous fiscal year to ¥12,121.4 billion. Of this total, time deposits fell ¥50.7 billion to ¥3,233.2 billion.

(Loans and bills discounted, securities, total assets)

As a result of our efforts to provide apartment loans and loans to small- and medium-sized businesses, loans and bills discounted increased by ¥270.5 billion year on year to ¥9,724.0 billion. Securities increased ¥415.7 billion to ¥2,460.4 billion. Of this, Japanese government bonds increased ¥156.5 billion to ¥703.2 billion.

Total assets increased ¥1,545.8 billion to ¥15,377.8 billion from the previous year-end.

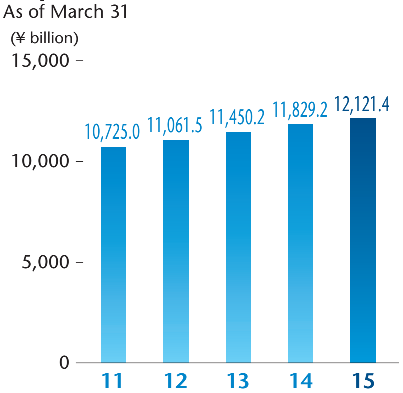
(Earnings)

Ordinary income increased ¥11.011 billion versus the previous fiscal year to ¥305.462 billion, due to the increase in earnings such as service transactions as we worked proactively to grow fees and commissions, centered on sales of investment products. Meanwhile, total expenses increased by ¥5.137 billion versus the previous fiscal year to ¥197.387 billion, due to the increase in general and administrative expenses along with other factors.

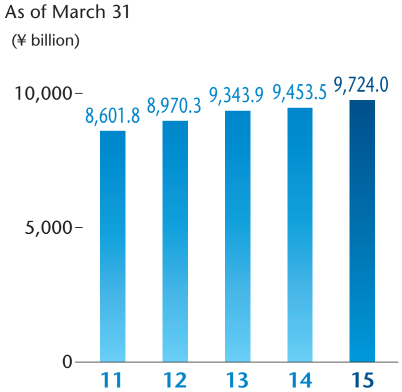
As a result of the above, ordinary profit during the fiscal year under review increased by ¥5.874 billion year on year to ¥108.074 billion, while net income grew by ¥15.634 billion to ¥76.324 billion.

Our consolidated equity ratio based on international common standards was 13.29% as of March 31, 2015.

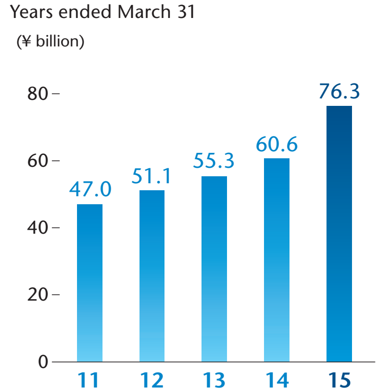
Deposits
As of March 31



Loans and Bills Discounted
As of March 31



Net Income
Years ended March 31



Supporting Corporate and Public Sector Customers Achieve Further Growth

The Bank of Yokohama is continually working to meet the changing financial needs of its customers. We also make optimal use of wide-ranging information sources and the capabilities of the Bank of Yokohama Group to provide advice and solutions to customers' challenges in such areas as mergers and acquisitions and business inheritance.

In addition, our Shanghai Branch provides financial services to customers with business operations in China and supports companies in the region expand overseas.

Meeting a Wide Range of Financing Needs

In order to best serve the financing needs of our customers who seek increasingly diverse financing approaches, we handle non-recourse loans, PFIs, etc., and deal with ABLs that do not depend on real estate collateral or personal guarantees.

With the growing use of syndicated loans and private placement bonds in financing, we are continuously seeking new and more responsive ways to serve our customers.

Support for the Agriculture and Childcare Business Fields

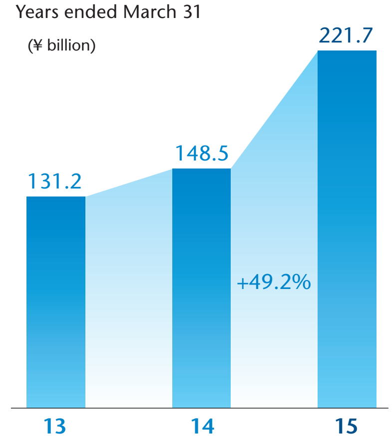
With respect to agriculture, we are providing asset-backed loans (ABL) backed by cattle and other agricultural products in order to respond to the diversification in customers' financing methods. In the childcare business field, we are working on capital investment in kindergartens and other activities to contribute to increasing the number of qualified centers for early childhood education and care which integrate the functions of a kindergarten and a day care center, and help to reduce the number of children on waiting lists.

Supporting Growth Industries

We have undertaken a number of initiatives to support customers in growth industries such as healthcare, nursing care, and the environment. We offer the "Growth Sector Strategy Fund — Kagayaki," which provides low interest rate loans, and we provide equity funding through our investment in the "Regional Core Company Revitalization Fund" and the "Regional Healthcare Industry Support Fund" which were established and are managed by subsidiaries, etc. of the Regional Economy Vitalization Corporation of Japan (REVIC).

The Loan Amount to Growth Industries

Years ended March 31



Revitalizing the Regional Economy by Ensuring Women Thrive in the Workplace

As a show of our support for the revitalization of the regional economy through having women thrive in the workplace, Group company Hamagin Research Institute held the "Businesswoman Awards," which extol the excellent management talents unique to female managers, as well as holding the "Women's Management School."

Shoko Oguri, Representative Director of NPO At Home, which received the top award in FY2014

Supporting Companies Enter Overseas Markets

In order to support our customers enter overseas markets, we have bolstered our partnership with local financial institutions, particularly in Asia.

In addition, the Yokohama Asia Club provides information about Asian business and a variety of services including holding seminars and introducing experts.

Support Through Business Matching

We provide business matching services in order to assist customers in their efforts to expand sales channels and build regional supply chains.

By supporting the stable procurement of food produced in Kanagawa Prefecture and the cultivation of sales channels for new products, we helped develop a curry using Yamayuri Beef, a brand of beef from Kanagawa Prefecture.

Protecting Customers' Assets

We have been working to expand our branch and ATM network as part of our efforts to enhance the convenience of our banking services. We are also improving our ability to provide products and services that match customers' needs by expanding our product line-up and strengthening our consulting capabilities.

Enhancing Our Business Network

The Bank of Yokohama maintains a highly concentrated network of branches, particularly in Kanagawa Prefecture and southwestern Tokyo, numbering 204 staffed locations in Japan as of March 31, 2015. In April 2015, we opened the Ebina Ekimae Branch, our 205th staffed location in Japan.

In addition, as of March 31, 2015, we operated 406 unstaffed locations, with ATMs installed on the premises of convenient facilities such as all 70 stations of the Odakyu Line, as well as at major stations along the Sagami Railway, Keihin Kyuko, JR and other railway lines.

Moreover, we share reciprocal ATM access with the JR East Group's View Card and Aeon Bank, and our alliances with Seven Bank, Lawson ATM Networks and E-net enable access to convenience store ATMs.

Investment Products

To meet the asset management needs of our customers, we offer a wide range of products such as investment trusts and life insurance. As of March 31, 2015, we handled 115 investment trust products, 38 of which are sold exclusively through online and telephone banking. In addition, we accept applications for investment trusts that take advantage of accounts for Japan's tax-free program for small investments, the Nippon Individual Savings Account (NISA).

In life insurance, we offer 52 different products as of March 31, 2015. These products include single-premium and level-premium individual annuity insurance and whole-life insurance, as well as protection-type life insurance (available at selected branches only) such as term insurance and health insurance coverage. Customers may also purchase certain health insurance coverage and other products from our dedicated call center via phone and postal mail.

Launched "Sky Ocean Core Wrap Fund"

We established the asset management company Sky Ocean Asset Management Co., Ltd. jointly with Sumitomo Mitsui Trust Bank, and began offering the company's first fund, the "Sky Ocean Core Wrap" investment trust at our branches, which has been designed to achieve stable growth regardless of investment timing.

We support customers build optimal portfolios by recommending core investment products that are designed to achieve stable returns.

Partnering with Hamagin TT Securities, Our Group Securities Company

Hamagin TT Securities has 14 branches and 2 consultation centers in Kanagawa Prefecture.

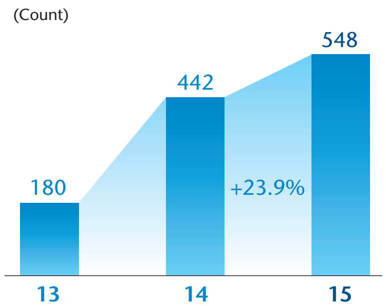
By creating joint branches with the Bank of Yokohama, we have created a one-stop service for both banking and securities.

Supporting the Succession of Assets with Inheritance and Trust related Companies

In order to meet customers' asset succession needs responding to the aging society, we have formed business alliances with trust companies that have many attorneys and tax accountants to provide custom-made services matching customers' needs including testamentary trust and estate planning and structuring.

The Number of Inheritance/ Trust Services Contracts

Years ended March 31



Housing Loans

We support the housing needs of our customers by offering a wide range of housing loan products in line with their life plans and needs. Our housing loan services include loans to build and purchase homes, as well as the refinancing of mortgages from other financial institutions.

Our customers are able to seek consultation and apply for loans through our 23 housing loan centers (as of March 31, 2015), where specialized staff are permanently stationed. The housing loan centers are open on the Bank's regular business days, as well as on Sundays at certain locations. We have also established direct housing loan centers that enable customers to seek consultation over the phone, and apply for preliminary loan application review online. We also have professional life consultants on hand who help our customers review various forms of insurance policies as they begin paying off their mortgage loans (by appointment only).

Unsecured Loans

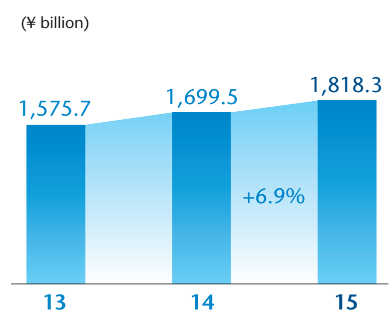
We offer unsecured loans for specific purposes, such as car loans, student loans and home-improvement loans. We also offer loans that can be used for a broader range of needs, such as loans to cover general living expenses and other personal loans. Customers may apply for either type of loan by postal mail, facsimile, personal computer, or smartphone, and will be notified of loan approval results within three business days of application. Preferred interest rates are also offered exclusively to customers applying online for car loans, student loans, home-improvement loans and loans to cover general living expenses.

Proposing Effective Use of Real Estate

At the head office, financial consultants with external experts help customers solve the problems including providing advice on tax planning and on the effective use of real estate.

Average Balance of Loans to High-net-worth Customers

Years ended March 31



Loans to High-net-worth Customers (internal management basis)
= Apartment loans + large personal loans (income properties, etc.) + loans to asset administration companies

The Bank of Yokohama's CSR Activities

As a financial institution that supports the local economy, the Bank of Yokohama strives to supply smooth funding and offer appropriate financial services. In addition, by proactively promoting corporate activities and local contribution activities that address societal issues, we aim to contribute to society and grow together with the region. Based on this philosophy, the Bank of Yokohama's CSR program focuses on three areas of CSR activities: CSR activities through our core business of financial services, CSR activities within the bank targeting social issues, and CSR activities through regional contributions such as volunteering, donations, and sponsorships.

In carrying out each of these activities, the three areas we place particular emphasis on are the environment, children, and local communities, as we aim to conserve a beautiful environment for future generations, strive to support the development of children who will be the future leaders of the region, and wish to build vibrant local communities. Furthermore, we proactively engage in activities targeting new issues that arise in conjunction with changes in society, while taking the viewpoints of our stakeholders into consideration.

The Bank of Yokohama strives to promote regional growth while increasing its corporate value, and aims to contribute to creating a vibrant future as a trusted financial group.

The Bank of Yokohama's CSR Program

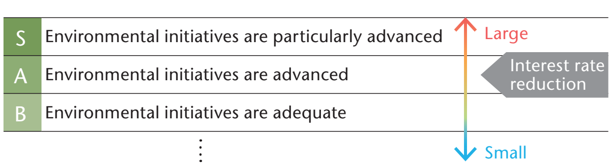
Environment

Supporting Customers' Environmental Initiatives

Environmental Rating and Finance Program

We offer the Hamagin Environmental Rating and Finance Program as a way to provide financial support to companies working to make their business operations environmentally friendly.

We use a proprietary model to assess a company's eco-friendly initiatives, and then reduce the interest rate by a certain amount according to the assessment results. The higher a company's environmental rating, the larger the reduction in the interest rate.



Environmental Management Strategy Seminar

We offer this seminar to help companies formulate eco-friendly business strategies. Topics covered include strategies for conserving energy and utilizing subsidies, and we introduce specific examples of environmental management through capital investment.

Solar Loans

With the aim of realizing a safe and secure low-carbon society, we offer the "Solar Loan" (a home renovation loan to install solar panels) in order to support the installation of solar panels on homes.

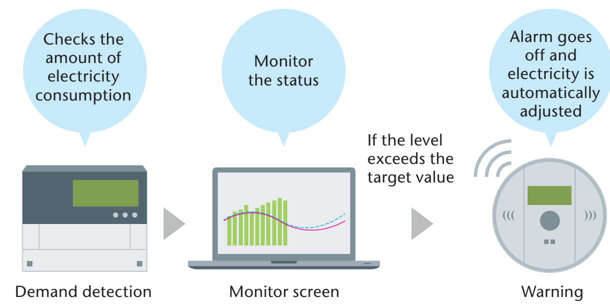
Preventing Global Warming

Efforts to Reduce Carbon Dioxide Emissions

The entire Bank of Yokohama Group is working to conserve energy and save electricity in order to prevent global warming and to reduce the Group's carbon dioxide emissions.

Reducing Electricity Consumption

We have introduced high-efficiency reflective plates and LED lighting in lighting fixtures in order to conserve electricity while still maintaining appropriate brightness levels in offices and branches. In addition, we are working to curb peak electricity use by introducing demand monitoring systems to monitor electricity consumption.



Children

Creating an Environment for Raising Children

Proactive Cooperation with Capital Investment in Kindergartens

We are supporting children's growth by proactively assisting with capital investment in kindergartens with the aim of increasing the number of qualified centers for early childhood education and care which provide both the functions of kindergartens and day care centers, to reduce the number of children on waiting lists to enter such facilities, and to enhance our support for child-raising in the region.

Providing Children with Opportunities for Hands-on Experience

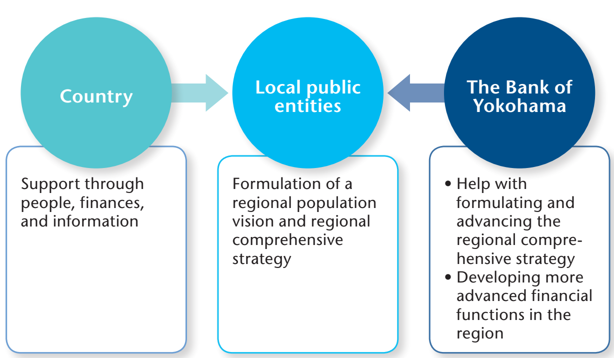
Finance and Economics Education : A Day at the Bank

Each branch invites local elementary, junior high, and high school students to spend a day at the Bank for a "hands-on work experience" day. It is an opportunity for them to learn how finance works and about the role that banks play in society. We give students tours of the branch, including the front office area where customers are assisted and the bank vault, and they also attend a workshop about lending.

Local Communities

Initiatives Aimed at Regional Development

We have established a "Project Team for the Promotion of Regional Revitalization" in order to fulfill the role expected of a regional financial institution and to help formulate and advance a regional comprehensive strategy. We are partnering with industry, the government, academia, labor, and media to proactively provide solutions, and will continue to contribute to regional economic growth.



Partnering with Yokohama City to Encourage Businesses to Come to the Area

We concluded an "Agreement on Encouraging Companies to Locate in the Yokohama Area" with Yokohama City which will reinforce our partnership in attracting companies to the area. In addition to providing support to help bring companies to the area, we will introduce the bank's customers to such companies to help them with a variety of needs, including building head offices, relocating, and having new furnishings and fixtures made.

Sponsoring the Yokohama Marathon

We sponsored "Yokohama Marathon 2015," the first-ever full marathon held in Yokohama. On the day of the marathon, approximately 50 bank employees staffed a water station near JR Shinsugita Station, while some employees ran in the marathon, thereby adding excitement to this local event.

Developing Human Resources

We are developing human resources systematically and continuously through our daily operations, based on our approach that on-the-job training (OJT) is the fundamental basis for developing human resources.

We also provide group training to supplement OJT. The Financial Business School, which is the head office organization that coordinates all aspects of education and training, conducts systematic and well-planned training, including basic training for younger employees and training to enhance the management skills of executives, primarily through instruction by full-time professional instructors. The training curriculum is designed to be practical, and includes discussions and role-playing work among the trainees themselves. In addition, the content of training sessions is updated as needed in line with the Bank's management strategy, allowing us to develop personnel capable of handling the increasingly diverse customer needs.

Furthermore, we work to develop personnel with a high degree of expertise through in-house and external training systems, including dispatching employees to overseas MBA programs, and through job assignments to specialized sections in the head office.

Diversity Initiatives

Expanding Opportunities for Female Employees

We have been implementing the "Female Employee Value Up Program" since 2005, in order to expand opportunities for females, who have a tremendous role to play in revitalizing the Bank and society as a whole. In FY2013, in recognition of our efforts up until that point, we received the "Minister's Award for Equal Employment and Work and Family Harmonization" from Minister of Health, Labour and Welfare.

In December 2014, we launched Phase II of the "Female Employee Value Up Program." In this phase, we will further strengthen and deepen career development and support for continued employment, in addition to continuing to make progress with fostering awareness of career design on the part of female employees as well as with reforming the culture of the organization as a whole.

Targets for Expanding Opportunities for Female Employees

By the end of FY2020	Ratio of female managing executives	At least 20%
	Ratio of female executives	At least 30%

Promoting Working Style Reforms and Diversity

In April 2015, we began working on a program to reform the working style of the Bank's employees, with a goal of establishing a lively workplace environment in which a diverse group of personnel can work enthusiastically, and creating a highly-productive organization where all employees are able to fully showcase their motivation and talents.

In addition to each and every employee reviewing their working style and having a strong awareness of performing their work in a planned manner with specific goals, and by working in the early morning as needed, employees will create harmony with their family life and generate time for self-improvement, and also promote their physical and mental health while we increase the added-value of our human resources.

Furthermore, in addition to allowing diverse personnel to thrive, we newly established the "Diversity & Inclusion Promotion Department" as an organization tasked with creating a culture for the company to utilize diversity in its operations.

New Personnel System, Reemployment System, and Career Track Change System

In July 2015, we revised our personnel system which was previously divided into distinct tracks, in order to make each and every employee more motivated to achieve growth and excited about taking on new challenges, as well as to increase the vitality of the entire organization by taking full advantage of our diverse human resources. Specifically, we created a system in which each employee can expand the scope of their duties and advance to a higher track based on their own personal ambition.

In addition, we are working to employ motivated, talented and diverse personnel by using a reemployment system to re-hire former employees who left the Bank for various reasons, such as marriage, childbirth, or a change of job, as well as a system to offer formal, permanent or full-time employment to part-time workers and others.

Human Rights Awareness

As stipulated in the Code of Conduct for all employees, the Bank "respects each and every employee regardless of race, nationality, creed, gender, age, area of upbringing and other factors, and strives to create a positive working environment." As such, the Bank continuously works to ensure a working environment where the human rights and humanity of all executives and employees are respected, where their privacy is protected, and where discrimination and harassment are prohibited.

We have established both in-house and external contact points for employees to consult regarding acts of harassment, including sexual harassment, and provide training and other forms of education to all employees in order to prevent such harassment in the first place. Also, each year we ask Bank employees to present ideas for a human rights awareness slogan organized by the Japanese Bankers Association, and we otherwise proactively work to promote awareness of human rights.

Promoting Employee Health

We have established a health management center staffed full time by an industrial physician, dentist, and industrial health staff. The center provides regular health exams and additional health checks based on results of regular checks, health guidance, and dental exams. We also regularly conduct comprehensive medical exams for employees designated by the Bank, and offer subsidies for employees and their family members to receive health exams, such as comprehensive medical exams, through the Bank of Yokohama Health Insurance Union. Furthermore, in order to take measures against mental health, we deploy a medical specialist and utilize a self-check system.

Diversity

Description	Target	Units	FY2012	FY2013	FY2014
Number of employees*1	Non-consolidated	Persons	4,593	4,612	4,651
Part-time and temporary employees, and overseas employees hired locally	Non-consolidated	Persons	1,321	3,081	3,041
Average age*2	Non-consolidated	Age	38 years and 7 months old	38 years and 11 months old	39 years old
Average length of service*3	Non-consolidated	Year	15 years and 7 months	15 years and 9 months	15 years and 8 months
Average monthly salary	Non-consolidated	Yen	457,084	462,723	464,132
Number of employees hired	Non-consolidated	Persons	147	168	172
Ratio of female employees	Non-consolidated	%	45.2	45.5	46.9
Ratio of female managing executives	Non-consolidated	%	6.4	7.3	7.6
Ratio of female executives	Non-consolidated	%	24.1	25.3	25.6
Number of persons who took childcare leave	Non-consolidated	Persons	212	255	262

Notes: 1. Part-time and temporary employees, and overseas employees hired locally, are not included in the "Number of employees."
2. The "Average monthly salary" is the average monthly salary including overtime payments for March, but does not include bonuses.
3. The official retirement age for employees is when they have become 60 years old.

Environmental Initiatives

Description	Target	Units	FY2012	FY2013	FY2014
Total crude-oil equivalent energy consumption*1	Group	KL	12,408	12,310	12,796
Total energy consumption*1	Group	GJ	480,921	477,143	495,958
Greenhouse gas scope 1 (direct emissions)	Group	t-CO_2e		815	841
Greenhouse gas scope 2 (indirect emissions)	Group	t-CO_2e		23,842	23,684
Total greenhouse gas emissions	Group	t-CO_2e		24,657	24,525
Power consumption	Group	1,000 kWh	42,833	42,645	44,666
Gasoline consumption*2	Group	KL	58.7	63.6	65.8
Paper purchased	Group*3	t	150.7	136.0	151.0
Of paper purchased, amount of eco-friendly paper	Group*3	t	109.4	91.0	104.4
Waste generated	Group*3	t	455.7	473.3	463.8
Of waste generated, amount for final disposal	Group*3	t	72.3	73.6	71.2
Of waste generated, amount for recycling	Group*3	t	383.3	399.7	392.6

Notes: 1. The objective is to reduce per-unit energy consumption by an average of 1% per year.
2. Figures for gasoline consumption are for consumption of regular and high-octane gasoline.
3. The data compiled comprises measures to combat global warming at the Group's Yokohama headquarters building, Tokyo Office building and administrative center.

Consumer Issues

Description	Target	Units	FY2012	FY2013	FY2014
Number of consultations held at the Customer Consultation Center	Non-consolidated	Occurrences	4,759	5,766	6,157
Of this number, the number of telephone consultations	Non-consolidated	Occurrences	4,606	5,129	5,534
Complaints	Non-consolidated	Occurrences	714	813	910
Inquiries	Non-consolidated	Occurrences	3,892	4,316	4,624
Of this number, the number of opinion cards received	Non-consolidated	Occurrences	153	218	139
Of this number, the number of Customer Feedback messages on our website*1	Non-consolidated	Occurrences		419	484
Complaints	Non-consolidated	Occurrences		235	244
Requests	Non-consolidated	Occurrences		151	215
Compliments	Non-consolidated	Occurrences		33	25

Notes: 1. This service was started in July 2013.

Community

Description	Target	Units	FY2012	FY2013	FY2014
Cost of regional social activities	Group	¥ thousand	60,678	66,847	62,008
Cost of regional social activities/After-tax profits	Group	%	0.11	0.11	0.10
Number of schools that provided work-experience sessions*1	Group	Schools	19	32	47
Elementary schools	Group	Schools	6	3	2
Junior high schools	Group	Schools	9	19	37
High schools	Group	Schools	4	10	8
Number of students that received work-experience sessions*1	Group	Persons	124	299	323
Elementary schools	Group	Persons	76	16	20
Junior high schools	Group	Persons	29	117	170
High schools	Group	Persons	19	166	133

Notes: 1. This data has been compiled in a performance report.

CORPORATE GOVERNANCE

Basic Approach

The Bank has established Management Philosophy representing the philosophy serving as the basis for all corporate activities, as well as a Long Term Vision based on this Management Philosophy.

Management Philosophy

- We aim to become the bank that is trusted. We will do this by fully recognizing our traditional role in ensuring a stable supply of funds, and in providing the kind of financial services demanded by the community, and by conducting our business in as thorough a manner as possible.
- In each area of our market, we aim to become a community bank deeply rooted in its locality, with each branch working to be the "best bank," growing through contribution to the community and in concert with it.
- We aim to be a bank that serves all the community, and improve our bank as a good place to work by developing and training dynamic talents and fostering energetic culture.

Long Term Vision

- To become a financial institution that is attractive to customers, shareholders, employees, and the community

In order to realize the Long Term Vision based on the Management Philosophy which serves as the basis of our corporate activities, we formulate medium-term management plans and other basic management policies, as well as specific business strategies based on such policies. We recognize that as a regional financial institution, it is our role as well as our duty for the Bank and all Group companies to work as one to advance these strategies and contribute to the growth of the local community, the economy, and society at large. The Bank will appropriately fulfill this role and duty, and, as a result, the Bank will achieve sustained growth and increase its corporate value over the medium to long term.

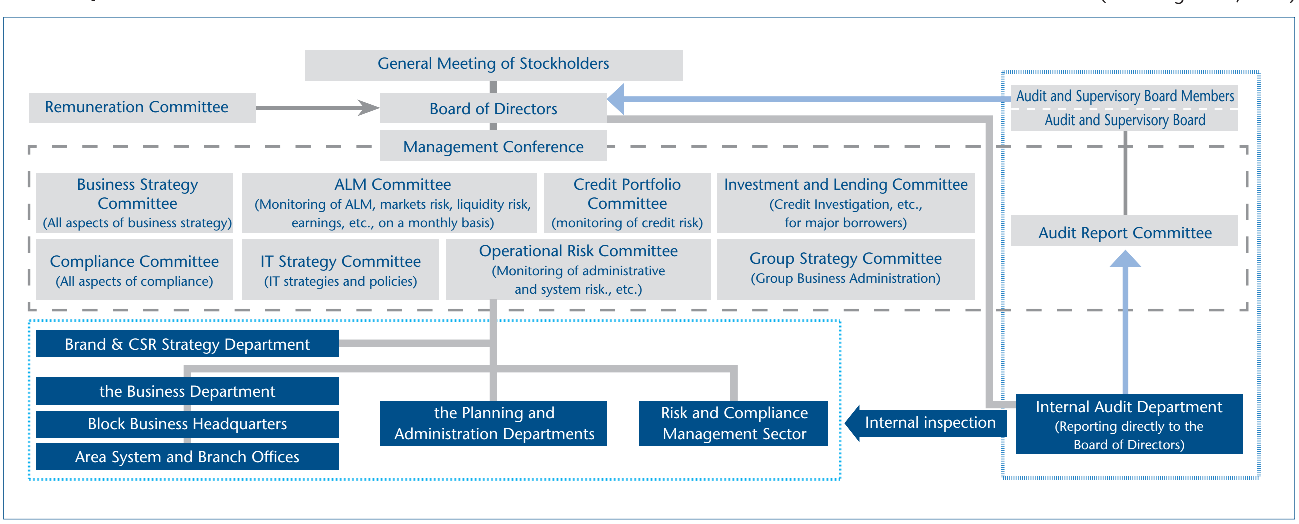
To this end, we are fully aware of our fiduciary responsibility to shareholders, and along with cooperation with various stakeholders, we believe in the importance of building an effective corporate governance system as a mechanism to ensure the Bank's decision-making process is transparent, fair, swift and decisive. In addition, in light of the economic and social changes taking place around us at a dizzying pace, we believe that it is important to revise the corporate governance system in a timely and appropriate manner in response to such changes in order to maintain and improve on an effective corporate governance system.

Our basic policy on corporate governance based on the above approach is discussed below. In order to realize this policy, the Bank is a company with an Audit and Supervisory Board.

- The Board of Directors' rules and operation standards determine the scope of matters for resolution by the Board of Directors and clarify the scope of delegation of responsibility to management. In addition, the Bank uses the executive officer system, under which executive officers selected by the Board of Directors take responsibility

Corporate Governance Structure

(As of August 31, 2015)



for execution of business within their assigned divisions. This structure enables the Board of Directors to perform a more effective management supervision function, while enabling management to make swift, bold decisions.
- Outside directors who are independent from the Bank are elected to enhance the independence of the Board of Directors and to incorporate opinions and advice based on external perspectives. This system enhances the effectiveness of the decision making and supervision functions for business execution within the Board of Directors.
- The effectiveness of corporate governance is enhanced by the effective use of management auditing functions provided by the independent Audit and Supervisory Board members and the Audit and Supervisory Board.
- The Bank ensures accountability and strengthens its management supervision functions by voluntarily employing a system in which outside directors are the principal constituent members.

Description of the Company's Organizations

The main business management organizations involved in making business decisions, executing business, and supervising business are as follows.

A. Board of Directors

The Board of Directors consists of ten directors, including three outside directors. Of the ten directors, one was a woman and nine mens (as of June 30, 2015). Meetings of the Board of Directors are normally held monthly.

B. Auditors, Audit and Supervisory Board Members

The Audit and Supervisory Board consists of five corporate auditors (all male), including three outside corporate auditors (as of June 30, 2015). Individual auditors attend important management meetings, including meetings of the Board of Directors, in accordance with audit policies and plans determined by Audit and Supervisory Board. The auditors also audit the directors' business performance by monitoring the status of Bank operations, financial position and other means. The Bank has established the Audit and Supervisory Board Members Office and staffed it with full-time employees to assist the Audit and Supervisory Board members, including the outside members, and to ensure the smooth functioning of the Audit and Supervisory Board. The Audit and Supervisory Board normally meets monthly.

C. Management Conference

The membership of the Management Committee includes representative directors and directors. It deliberates on agenda items for meetings of the Board of Directors and makes decisions on important management matters as stipulated in the Bank's internal regulations. Meetings of the Management Committee are normally held weekly.

D. Remuneration Committee

The Remuneration Committee was established to deliberate on directors' remuneration. Its task is to ensure objectivity and transparency in related decisions.

Corporate Governance

Description	Target	Units	FY2012	FY2013	FY2014
Number of directors*1	Non-consolidated	Persons	10	10	10
Number of outside directors	Non-consolidated	Persons	2	2	2
Number of female directors*2	Non-consolidated	Persons	1	1	1
Average attendance at Board of Directors meetings	Non-consolidated	%	98.5	99.5	99.1

Notes: 1. One representative director retired on March 31, 2015, and there were nine directors at the end of FY2014.
2. Includes outside directors.

Improvement of Internal Control Systems

The Bank develops and administers the following internal control systems to ensure compliance with laws and regulations, and with our Articles of Incorporation. These systems are continually assessed, and when necessary, steps are taken to improve their effectiveness.

A. A framework to ensure that the execution of duties of directors and employees is in accordance with the Articles of Incorporation as well as other laws and ordinances.

B. A framework for storing and managing information related to the execution of duties of directors.

C. Regulations and other frameworks related to control of loss-related risk.

D. A framework to ensure the execution of duties of the directors is being performed efficiently.

E. Systems to ensure the accuracy of financial statements.

F. A framework to ensure the appropriateness of operations within the Bank's group, comprising its subsidiaries as well as the Bank itself.

G. Matters regarding employees who are requested by Audit & Supervisory Board members to assist them, matters regarding the independence of such employees from directors, and matters related to ensuring the effectiveness of instructions given to such employees.

H. The system for the company's directors, executive officers and employees, as well as the company's subsidiaries' directors, executive officers, Audit & Supervisory Board members and employees to report to the Company's Audit & Supervisory Board or to Audit & Supervisory Board members, and other systems related to reporting to the Audit & Supervisory Board or to Audit & Supervisory Board members.

I. Other frameworks to ensure that audits by the Audit and Supervisory Board Members are to be performed effectively.

(As of June 30, 2015)

COMPLIANCE

Compliance Measures

Through the Compliance Conference and Compliance Committee, the Bank evaluates basic compliance policies and measures aimed at forestalling legal violations, as laid down as in the basic Compliance Regulations of the Bank covering basic compliance items. We are working to further strengthen management's proactive involvement in fostering and monitoring compliance, and to ensure a comprehensive management framework, with guidance provided at the branch level, to further strengthen our commitment to compliance.

In consideration of the importance of our public mission and social responsibilities as a financial institution rooted in the local community and dedicated to contributing to the sound development of the local economy and community, the Bank will continue to ensure thorough compliance on the basis of systematic compliance frameworks.

Compilation of Compliance Program

Under the FY2015 Compliance Program, major policies will include firmly establishing a culture of compliance, preventing abuse of financial services by criminals and other undesirable elements, and more stringently ensuring the propriety of transactions with customers along with stricter management of customer information. Particular focus has been placed on areas such as practical guidance and training to thoroughly familiarize employees with the gist of laws, regulations and other rules, preventing accidents and scandals by creating a workplace where employees keep each other concerned about compliance and through mutual checks, as well as ensuring stringent management of customer information, including when such information is entrusted to outside vendors.

Compliance Manual

To ensure that a comprehensive framework is in place for legal, regulatory and all other compliance, we have compiled a Compliance Manual. Approved by the Board of Directors, it is intended for distribution among all employees to ensure that its contents are fully understood throughout the Bank.

The Compliance Manual brings together the Bank's Ethics Charter and Code of Conduct for all employees. It also explains all the laws and regulations that employees must comply with and indicates specific responses in the event of discovery of illegal behavior.

Compliance Framework

The Compliance Office within the Risk Management Department has overall responsibility for compliance activities throughout the Bank of Yokohama organization. Compliance officers are appointed directly by the Board of Directors and work independently of business departments to coordinate all aspects of compliance activities. Additionally, compliance assistants at each department of the head office and compliance managers deployed to individual bank branches ensure objective compliance monitoring in bank operations, and report to the Compliance Officer on the status of compliance.

The Compliance Conference and Compliance Committee hold regular meetings, for deliberation on matters such as preventing recurrence of specific compliance failures, and take decisions regarding major compliance matters affecting the entire bank.

We have also established a compliance hotline, enabling early detection of violations and taking of remedial measures, and have in place under the Compliance Office mechanisms enabling direct contact and face-to-face consultation regarding compliance issues raised by employees.

Elimination of Antisocial Elements

We are constantly aware of our social mission and responsibilities as a bank. For this reason, we steadfastly refuse to provide funds to antisocial elements that could threaten public order and safety and resolutely reject any unlawful demands or intervention by such elements. The entire Bank of Yokohama organization is united behind our fundamental principle of excluding any relationship whatsoever, including business transactions, with antisocial elements.

Based on these core principles, we have compiled a Compliance Manual and other protocols to prevent the Bank from being adversely affected by antisocial elements, and have organized training and awareness sessions for all employees. In further measures to prevent transactions with antisocial forces and ensure severance of all contact with them, we have designated the Compliance Office of the Risk Management Department as our response coordination unit, and cooperate in this area with the police and other official organizations, and with lawyers.

Measures to Strengthen Customer Protection

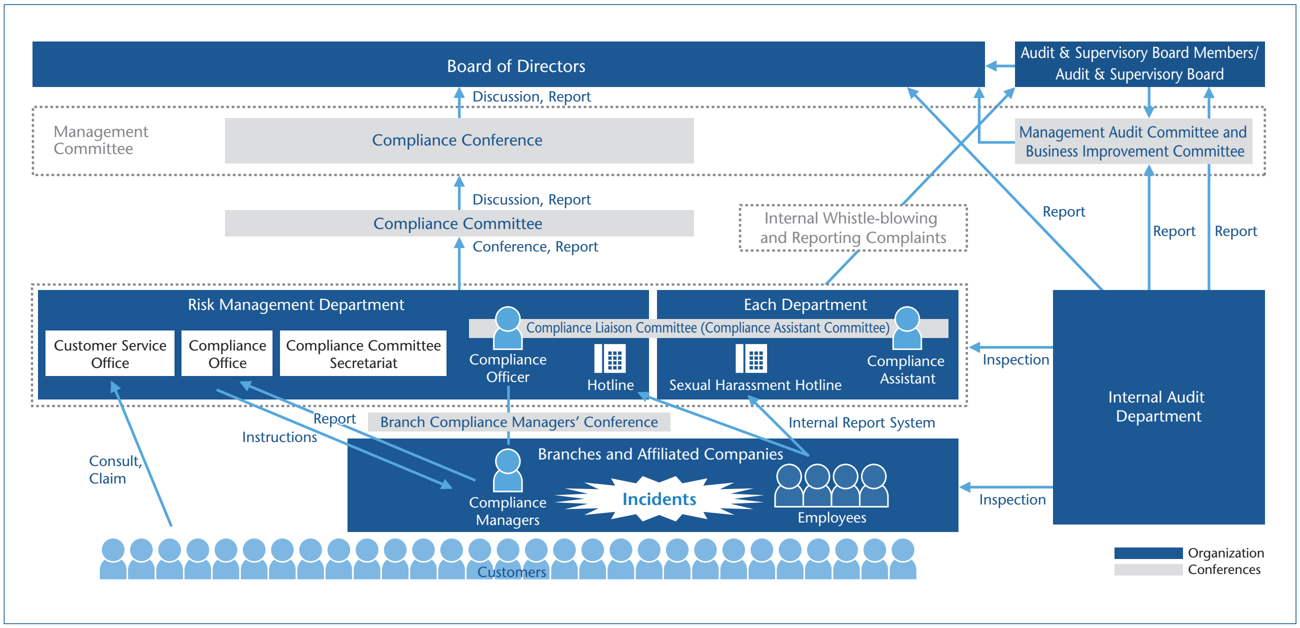
In an effort to strengthen customer protection and other control systems, the Compliance Office of the Risk Management Department has oversight, planning and management functions related to customer protection and other controls.

We have also established within the Risk Management Department a Customer Services Office, for accommodating customer comments and complaints. The Bank is also positioning itself to work within the Alternative Dispute Resolution (ADR) system for handling disputes involving customers. Under ADR, disputes are resolved through a third party organization. To this end, the Bank has signed a basic procedural agreement with the Japanese Bankers Association, a designated dispute resolution organization under the Banking Act of Japan.

Continuous measures are also being taken by the Compliance Office under the Risk Management Department to improve the standard of customer briefing and support, through collection of data from consultations, expressions of opinion, requests and complaints, with analysis of trends they reveal. This is in addition to measures to forestall financial crime and deal appropriately with it when it occurs.

In measures to protect personal information, the Bank has issued a Declaration on the Protection of Personal Information based on Japanese law and other standards. This declaration, and the purposes for which customers' personal information will be used, are clearly stated on our website and elsewhere. In addition, we ensure that all employees are thoroughly familiarized with the appropriate way of handling customers' private information, based on procedures and regulations.

Compliance Structure



RISK MANAGEMENT

Approach to Risk Management

The risks confronting banks are becoming increasingly diverse and complex in step with the progress of financial deregulation, globalization and securitization as well as the development of derivatives and other financial engineering and IT, along with the growing sophistication of customer needs. After the Great East Japan Earthquake, highly effective risk management is required to maintain financial system. Given this situation, the Bank positions risk management as a critical management issue from the standpoint of maintaining and improving the soundness of its business, and constantly works to refine its approach in this direction.

Consequently, the Bank comprehensively manages a wide range of risks by conducting dynamic risk control. At the same time, the Bank has constructed a strict monitoring framework to cope with the various risks such as credit risk, market risk and liquidity risk. Under this framework, risk-controlling departments and risk-taking departments are organizationally separated.

Based on this framework, the Bank takes the characteristics of the various risks into consideration to draw a sharp line between "risks that should be taken" and "risks that should be controlled." The Bank actively deals with those risks that should be taken by applying appropriate control systems. In this manner, the Bank conducts sound and highly profitable business as a leader of the financial system in its region.

Basic Policies on Risk Management

Based on the Basic Risk Management Principles approved by the Board of Directors, the Bank conducts risk management in keeping with the basic policies stated below:

- Our risk management systems are designed to minimize the effects of economic fluctuations and market changes. As a major element of the financial system of our region, our basic mission is to provide financial services reliably and continuously.
- The Bank continually identifies, assesses, monitors and controls the various risks inherent in its operations, products, services and systems corresponding to our strategic goals, including medium-term management plans and operational management policies.
  In this way, the Bank is able to secure stable income commensurate with risk by maintaining sound management and appropriately allocating our management resources.
- The Bank has established specific risk management policies according to our strategic goals, and the Bank takes appropriate steps to ensure that all within our organization are aware of these policies. Risk management policies are reviewed annually or as required when there are changes in our strategic goals or the external environment.
- Various risks confronted by the Bank are distinguished and controlled as much as possible in an integrated manner because they are either cross-organizational, ranging across various operations, or are closely related to one another.

- The Bank distinguishes and controls risks on a comprehensive and consolidated basis in principle. Under the Basel III framework, the Bank assessed its credit risk using the "Foundation Internal Ratings Based approach (FIRB)" and operational risk using the "Standardized Approach."

Integrated Risk Management

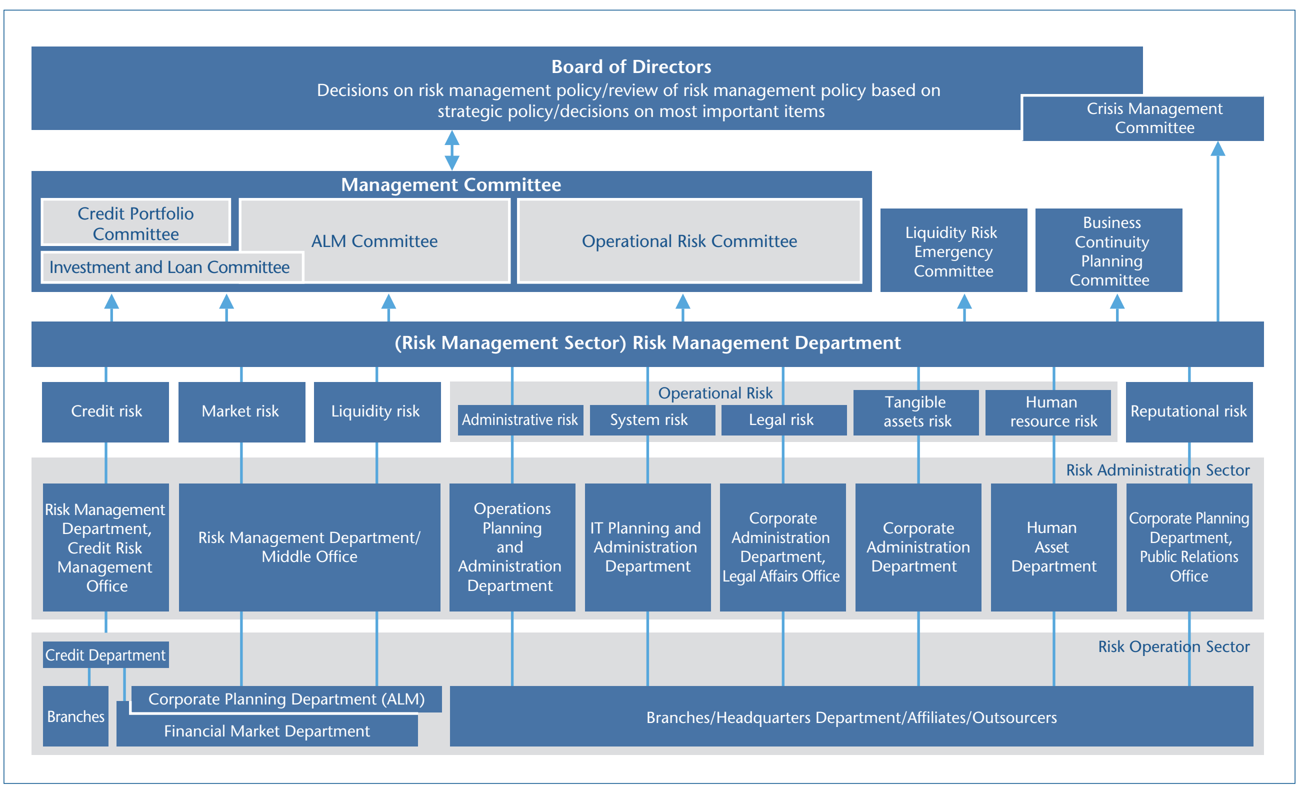
One of the Bank's basic policies of risk management is to "manage risks in an integrated manner as much as possible." To accomplish this goal, the Bank formulates "Integrated Risk Management Regulations" and seeks to understand each risk quantitatively in an integrated manner while conducting its business in pursuit of two aspects: to ensure the soundness of its management and to improve its profitability and efficiency.

Method of Risk Management

In keeping with the following basic rules, the Bank endeavors to refine its risk management practices and make them even stricter.

- Certain risks can be quantified, understood and thereby managed. After quantifying such risks by means of risk analysis using VaR (Value at Risk), BPV (Basis Point Value), gap analysis and simulations, the Bank controls those risks in keeping with Risk Management Structure the expected returns and management strengths.
- Applying back testing and stress tests, the Bank checks its quantification techniques and the validity and effectiveness of its management methods to ensure the effectiveness of risk management while also working to refine its quantification techniques and make them more precise. When conducting stress tests, we facilitate risk communication through the use of forward-looking scenarios that anticipate disaster, economic recession and changes in the environment.
- The Bank seeks to prevent the emergence of reputational risks and other risks that should be avoided or constrained. If such risks do emerge, however, the Bank seeks to deal with them immediately.
- The Bank identifies and assesses new risks resulting from various actions, such as the development, supply or modification of products and services, and establishes clearly defined risk control methods and management reporting systems.
- When tasks are outsourced, appropriate risk management measures are employed to ensure customer protection and management soundness.
- The Bank maintains risk management regulations concerning the establishment and effectiveness of risk management systems.

Risk Management Structure



Claims

Non-performing Loans Ratio Holds Steady (Non-Consolidated)

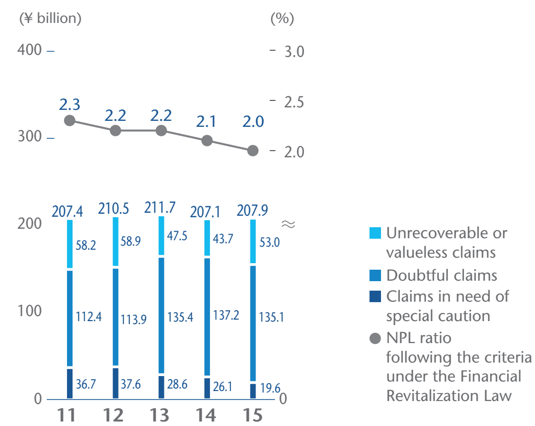
Non-performing loans (NPL, under the Financial Revitalization Law) increased by ¥0.8 billion to ¥207.9 billion from the previous term. The NPL ratio dropped by 0.1% from the previous term to 2.0%.

Coverage of Credit Information (As of March 31, 2015) (¥ billion)

		Unrecoverable or valueless claims	Doubtful claims	Subtotal	In need of special caution (borrower category)	Total
Outstanding claims	(A)	53.0	135.1	188.2	21.5	209.7
Sum covered by collateral, etc.	(B)	34.8	94.5	129.3	10.1	139.5
Sum of possible uncollectible loans	(C=A-B)	18.2	40.6	58.8	11.4	70.2
Specific allowance for possible loan losses	(D)	18.2	23.6	41.8	4.2	46.0
Allowance coverage ratio	(D/C)x100	100.0	58.1	71.0	37.1	65.5
Total coverage ratio	(B+D)/Ax100	100.0	87.4	90.9	66.6	88.4

Problem Claims as a Percentage of Total Claims

(In Accordance with the Financial Revitalization Law) (Non-Consolidated)
As of March 31



Capital Adequacy

1. Overview of Capital Adequacy Assessment Method

As stipulated in its Basic Regulations on Capital Adequacy Management, the Bank of Yokohama assesses its capital adequacy by ascertaining whether it has sufficient capital to cover its risk exposure, taking into account management plans and strategies. Capital adequacy is assessed on the basis of total risk exposure and the capital adequacy ratio.

To assess capital adequacy based on total risk exposure, the Bank determines whether the buffer (unallocated capital) is sufficient to cover unallocated risk. In this way, it ensures that risk does not exceed its financial capacity.

Specifically, anticipated risk exposure is estimated on the basis of business plans for each segment, and capital is allocated within the scope of real capital according to the level of risk in each category, including credit risk, market risk, liquidity risk and operational risk. To monitor the effect of sudden environmental changes and economic cycles on the overall portfolio, the Bank analyzes the potential impact, including the degree of capital impairment, by periodically conducting stress tests based on common scenarios that reflect the possibility of serious deterioration in relation to each type of risk.

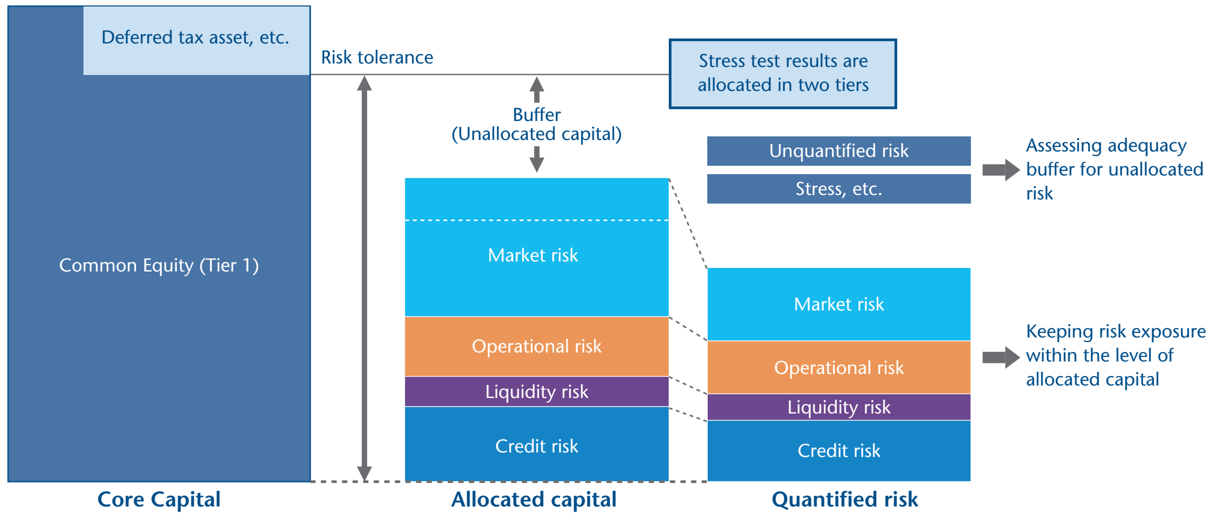
The Bank assesses its capital adequacy from the perspective of whether or not its capital buffer (unallocated capital) is sufficient, taking into account stress test results and risks that have been excluded from quantification because of quantification model limitations and other factors. The results are used to formulate capital strategies and risk management policies.

2. Overview of Credit Risk Management Policies and Procedures

The basic policy of the Bank of Yokohama, as an institution that helps to maintain an orderly credit environment in its region, is to supply credit reliably regardless of business trends and changes in the economic environment with a forward-looking stance, while keeping its exposure to credit risk within its financial capacity and enhancing its risk management approach. Under this policy, we have continually strengthened our credit risk management systems, based on internal rating systems.

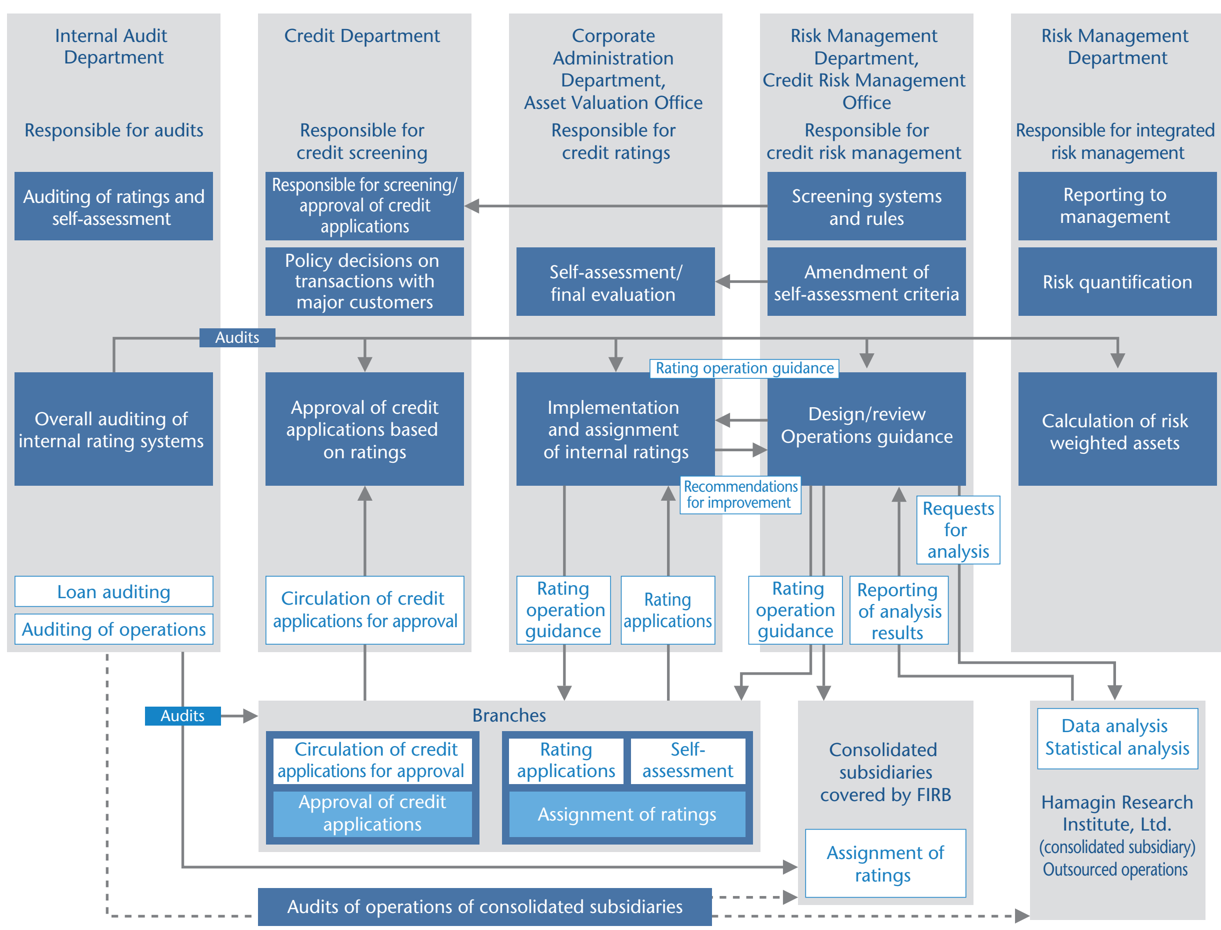
The Credit Risk Management Office, which is independent of the Credit Department (responsible for credit screening) and the Corporate Administration Department, Asset Valuation Office (responsible for credit ratings), has developed internal rating and self-assessment systems to analyze the credit risk of obligators and transactions. These systems are used to manage credit risk appropriately, and to write off assets and provide reserves where appropriate. The Risk Management Department, responsible for integrated risk management, maintains the effectiveness and objectivity of internal rating systems by validating them and by monitoring credit portfolios.

Overview of Integrated Risk Quantification Assessment



* A stress test is performed based on a future possible stress test scenario (a scenario that assumes a rise in interest rates in the case of a cutback in credit expansion by the Bank of Japan) and using those test results credit is allocated in two tiers.

Organizational Structure for Internal Rating Systems



Five-Year Summary of Consolidated Financial Statements

Consolidated Balance Sheets

As of March 31,	2015	2014	2013	2012	2011
	Millions of Yen				
ASSETS:					
Cash and due from banks	¥ 2,303,301	¥ 1,423,159	¥ 923,218	¥ 811,600	¥ 857,677
Call loans and bills bought	273,006	283,210	250,527	108,820	143,395
Monetary claims bought	124,369	125,896	140,652	164,256	188,390
Trading assets	15,233	10,045	34,932	24,256	100,368
Securities	2,460,453	2,044,741	2,219,630	2,113,975	1,994,647
Loans and bills discounted	9,724,053	9,453,564	9,343,974	8,970,301	8,601,882
Foreign exchanges	7,315	5,101	5,742	5,214	3,948
Deferred tax assets	5,150	16,021	16,723	34,562	49,940
Customers' liabilities for acceptances and guarantees	182,209	222,377	256,681	293,484	331,805
Other	349,867	320,022	345,525	352,884	336,821
Allowance for loan losses	(67,115)	(72,076)	(68,866)	(77,226)	(88,352)
Total	¥15,377,845	¥13,832,063	¥13,468,743	¥12,802,131	¥12,520,526
LIABILITIES:					
Deposits	¥12,121,479	¥11,829,221	¥11,450,207	¥11,061,581	¥10,725,087
Negotiable certificates of deposit	106,960	49,610	32,490	27,460	96,900
Call money and bills sold	777,299	182,178	207,707	40,689	36,908
Payables under securities lending transactions	247,651	91,591	5,100		
Trading liabilities	609	702	1,046	1,286	1,460
Borrowed money	695,315	301,184	300,618	304,226	282,939
Foreign exchanges	56	59	77	51	28
Bonds payable		30,000	64,300	64,300	64,300
Other liabilities	193,190	181,668	233,021	154,594	170,312
Provision for directors' bonuses	69	64	64	66	40
Provision for retirement benefits			203	171	143
Net defined benefit liability	253	216			
Provision for reimbursement of deposits	1,653	1,572	1,537	1,029	898
Provision for contingent losses	774	748	691	1,096	700
Reserves under special laws	11	8	5	3	2
Deferred tax liabilities	22,353	46			
Deferred tax liabilities for land revaluation	17,461	19,305	19,323	19,323	22,048
Acceptances and guarantees	182,209	222,377	256,681	293,484	331,805
Total liabilities	14,367,349	12,910,556	12,573,078	11,969,365	11,733,577
EQUITY:					
Capital stock	215,628	215,628	215,628	215,628	215,628
Surplus, reserves and other	749,899	647,827	624,056	563,530	520,180
Minority interests	44,967	58,050	55,979	53,606	51,139
Total equity	1,010,495	921,506	895,664	832,765	786,948
TOTAL	¥15,377,845	¥13,832,063	¥13,468,743	¥12,802,131	¥12,520,526

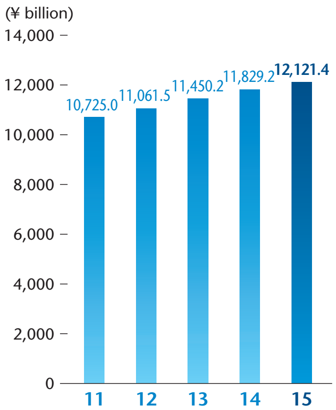
Consolidated Statements of Income

Years ended March 31,	2015	2014	2013	2012	2011
	Millions of Yen				
INCOME:					
Interest on loans and bills discounted	¥132,268	¥138,583	¥146,526	¥151,930	¥157,937
Other	185,424	159,645	147,483	147,004	129,300
Total income	317,692	298,228	294,010	298,934	287,238
EXPENSES:					
Interest on deposits	4,406	4,862	5,556	6,125	8,155
Other	194,600	188,402	193,962	196,877	195,295
Total expenses	199,006	193,264	199,519	203,003	203,450
INCOME BEFORE INCOME TAXES AND MINORITY INTERESTS	118,686	104,963	94,490	95,931	83,787
TOTAL INCOME TAXES	39,362	40,471	35,712	41,139	33,323
MINORITY INTERESTS IN NET INCOME	(2,999)	(3,801)	(3,436)	(3,601)	(3,375)
NET INCOME	¥ 76,324	¥ 60,690	¥ 55,342	¥ 51,190	¥ 47,089

Yen amounts have been rounded down to millions of yen.

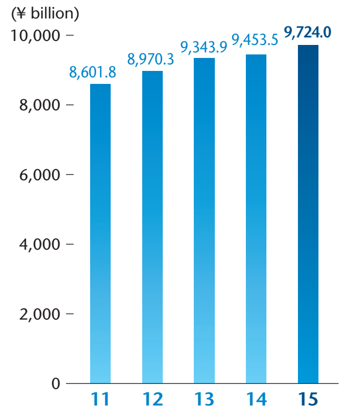
Deposits

As of March 31



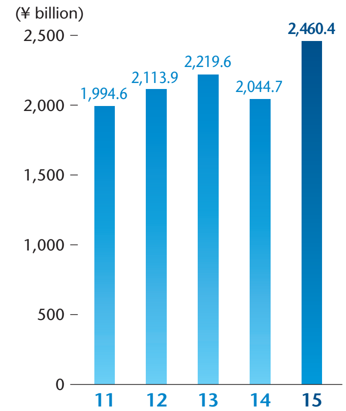
Loans and Bills Discounted

As of March 31



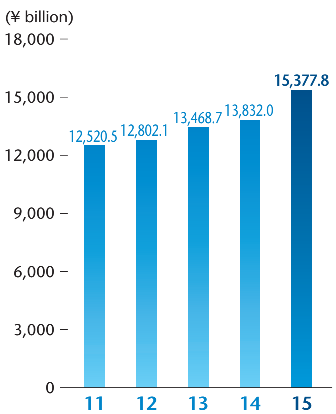
Securities

As of March 31



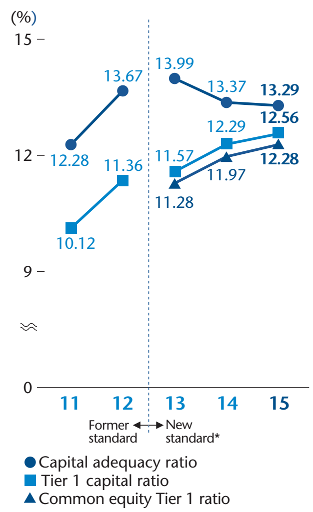
Total Assets

As of March 31



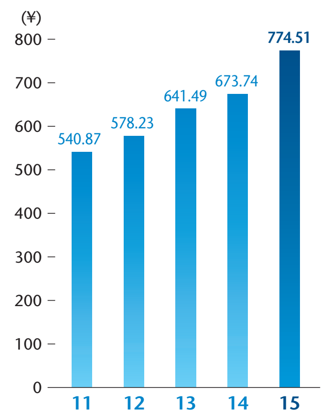
Capital Adequacy Ratio

As of March 31



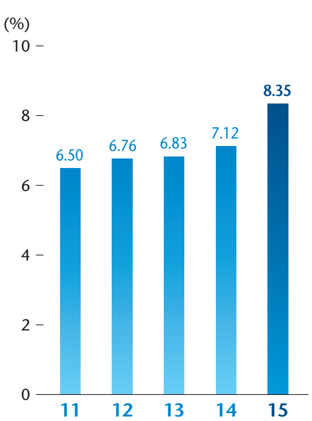
Net Assets Per Share

As of March 31



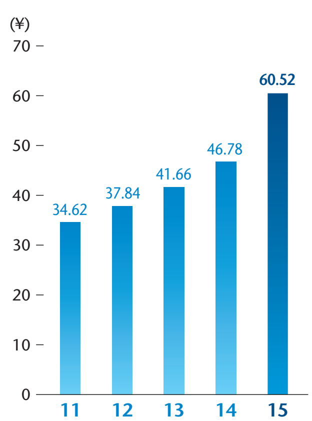
ROE

Years ended March 31



Net Income Per Share

Years ended March 31



* The ratio has been calculated in accordance with the notification of revision to Capital Adequacy Ratio (FSA Notification No. 28, 2012, hereinafter referred to as "New Standard") since the end of March, 2013.

Consolidated Financial Statements

Consolidated Balance Sheet

The Bank of Yokohama, Ltd. and Consolidated Subsidiaries
March 31, 2015

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2015	2014	**2015**
ASSETS:			
Cash and due from banks (Notes 3 and 27)	**¥ 2,303,301**	¥ 1,423,159	**$ 19,151,086**
Call loans and bills bought (Note 27)	**273,006**	283,210	**2,269,950**
Monetary claims bought	**124,369**	125,896	**1,034,090**
Trading assets (Note 4)	**15,233**	10,045	**126,664**
Securities (Notes 5, 12, and 27)	**2,460,453**	2,044,741	**20,457,749**
Loans and bills discounted (Notes 6, 12, and 27)	**9,724,053**	9,453,564	**80,851,859**
Foreign exchanges (Notes 6 and 7)	**7,315**	5,101	**60,824**
Lease receivables and investment assets (Note 26)	**65,028**	66,628	**540,690**
Other assets (Notes 8 and 12)	**115,104**	101,872	**957,052**
Property, plant and equipment (Note 9)	**125,136**	123,877	**1,040,466**
Intangible assets (Note 10)	**12,205**	11,523	**101,484**
Net defined benefit asset (Note 17)	**32,392**	16,120	**269,328**
Deferred tax assets (Note 25)	**5,150**	16,021	**42,824**
Customers' liabilities for acceptances and guarantees (Note 11)	**182,209**	222,377	**1,515,004**
Allowance for loan losses	**(67,115)**	(72,076)	**(558,044)**
TOTAL	**¥15,377,845**	¥13,832,063	**$127,861,026**
LIABILITIES:			
Deposits (Notes 12, 13, and 27)	**¥12,121,479**	¥11,829,221	**$100,785,558**
Negotiable certificates of deposit	**106,960**	49,610	**889,332**
Call money and bills sold (Notes 12 and 27)	**777,299**	182,178	**6,462,956**
Payables under securities lending transactions (Notes 12 and 27)	**247,651**	91,591	**2,059,132**
Trading liabilities (Note 4)	**609**	702	**5,069**
Borrowed money (Notes 12, 14, and 27)	**695,315**	301,184	**5,781,287**
Foreign exchanges (Note 7)	**56**	59	**471**
Bonds payable (Note 15)		30,000	
Other liabilities (Note 16)	**193,190**	181,668	**1,606,308**
Provision for directors' bonuses	**69**	64	**574**
Net defined benefit liability (Note 17)	**253**	216	**2,107**
Provision for reimbursement of deposits	**1,653**	1,572	**13,747**
Provision for contingent losses	**774**	748	**6,437**
Reserves under special laws	**11**	8	**98**
Deferred tax liabilities (Note 25)	**22,353**	46	**185,863**
Deferred tax liabilities for land revaluation	**17,461**	19,305	**145,189**
Acceptances and guarantees (Note 11)	**182,209**	222,377	**1,515,004**
Total liabilities	**14,367,349**	12,910,556	**119,459,132**
EQUITY (Notes 18 and 19):			
Capital stock — common stock — authorized, 3,000,000 thousand shares in 2015 and 2014; issued, 1,254,071 thousand shares in 2015 and 1,292,071 thousand shares in 2014	**215,628**	215,628	**1,792,871**
Capital surplus	**177,244**	177,244	**1,473,721**
Subscription rights to shares	**314**	265	**2,615**
Retained earnings	**430,668**	393,957	**3,580,845**
Treasury shares — common stock — at cost, 7,855 thousand shares in 2015 and 10,880 thousand shares in 2014	**(5,090)**	(5,585)	**(42,328)**
Accumulated other comprehensive income:			
Valuation difference on available-for-sale securities	**109,501**	56,190	**910,462**
Deferred gains or losses on hedges	**41**	7	**347**
Revaluation reserve for land	**36,060**	34,216	**299,830**
Remeasurements of defined benefit plans	**1,159**	(8,469)	**9,640**
Total	**965,527**	863,456	**8,028,003**
Minority interests	**44,967**	58,050	**373,891**
Total equity	**1,010,495**	921,506	**8,401,894**
TOTAL	**¥15,377,845**	¥13,832,063	**$127,861,026**

See notes to consolidated financial statements.

Consolidated Statement of Income

The Bank of Yokohama, Ltd. and Consolidated Subsidiaries
Year Ended March 31, 2015

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2015	2014	**2015**
INCOME:			
Interest income:			
Interest on loans and bills discounted	**¥132,268**	¥138,583	**$1,099,760**
Interest and dividends on securities	**26,255**	24,330	**218,306**
Interest on call loans and bills bought	**1,235**	986	**10,272**
Interest on due from banks	**2,142**	1,424	**17,817**
Other interest income	**2,279**	2,636	**18,952**
Fees and commissions	**67,206**	62,740	**558,799**
Trading income	**2,366**	1,513	**19,680**
Other operating income (Note 21)	**65,386**	53,349	**543,667**
Other income (Notes 22 and 31)	**18,550**	12,665	**154,244**
Total income	**317,692**	298,228	**2,641,497**
EXPENSES:			
Interest expenses:			
Interest on deposits	**4,406**	4,862	**36,637**
Interest on negotiable certificates of deposit	**69**	62	**574**
Interest on call money and bills sold	**578**	489	**4,806**
Interest on payables under securities lending transactions	**412**	135	**3,433**
Interest on borrowed money	**498**	985	**4,148**
Interest on bonds payable	**143**	1,085	**1,197**
Other interest expenses	**1,850**	992	**15,386**
Fees and commissions	**11,895**	11,225	**98,903**
Trading expenses	**4**	5	**38**
Other operating expenses (Note 23)	**55,721**	41,693	**463,300**
General and administrative expenses	**113,075**	110,250	**940,182**
Provision of allowance for loan losses	**2,123**	11,641	**17,655**
Other expenses (Note 24)	**8,227**	9,835	**68,406**
Total expenses	**199,006**	193,264	**1,654,665**
INCOME BEFORE INCOME TAXES AND MINORITY INTERESTS	**118,686**	104,963	**986,832**
INCOME TAXES (Note 25):			
Current	**31,774**	35,820	**264,190**
Deferred	**7,588**	4,651	**63,092**
Total income taxes	**39,362**	40,471	**327,282**
INCOME BEFORE MINORITY INTERESTS	**79,324**	64,492	**659,550**
MINORITY INTERESTS IN NET INCOME	**(2,999)**	(3,801)	**(24,940)**
NET INCOME	**¥ 76,324**	¥ 60,690	**$ 634,610**

	Yen		U.S. Dollars
PER SHARE INFORMATION (Notes 2.v and 20):			
Basic net income per share	**¥60.52**	¥46.78	**$0.50**
Diluted net income per share	**60.48**	46.76	**0.50**
Dividend on common stock	**13.00**	12.00	**0.11**

See notes to consolidated financial statements.

Consolidated Statement of Comprehensive Income

The Bank of Yokohama, Ltd. and Consolidated Subsidiaries
Year Ended March 31, 2015

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2015	2014	**2015**
INCOME BEFORE MINORITY INTERESTS	**¥ 79,324**	¥64,492	**$ 659,550**
OTHER COMPREHENSIVE INCOME (Note 29):			
Valuation difference on available-for-sale securities	**53,982**	1,845	**448,847**
Deferred gains or losses on hedges	**33**	26	**281**
Revaluation reserve for land	**1,843**		**15,330**
Remeasurements of defined benefit plans	**9,629**		**80,065**
Total other comprehensive income	**65,489**	1,872	**544,523**
COMPREHENSIVE INCOME	**¥144,813**	¥66,364	**$1,204,073**
Comprehensive income attributable to owners of the parent	**¥141,142**	¥62,044	**$1,173,544**
Comprehensive income attributable to minority interests	**3,671**	4,319	**30,529**

See notes to consolidated financial statements.

Consolidated Statement of Changes in Equity

The Bank of Yokohama, Ltd. and Consolidated Subsidiaries
Year Ended March 31, 2015

	Thousands	Millions of Yen											
							Accumulated Other Comprehensive Income						
	Outstanding Number of Shares of Common Stock	Capital Stock	Capital Surplus	Subscription Rights to Shares	Retained Earnings	Treasury Shares	Valuation Difference on Available-for-sale Securities	Deferred Gains or Losses on Hedges	Revaluation Reserve for Land	Remeasurements of Defined Benefit Plans	Total	Minority Interests	Total Equity
BALANCE, APRIL 1, 2013	1,308,463	¥215,628	¥177,244	¥309	¥358,033	¥ (625)	¥ 54,863	¥(19)	¥34,249		¥839,684	¥ 55,979	¥ 895,664
Net income					60,690						60,690		60,690
Cash dividends, ¥11.50 per share of common stock					(15,001)						(15,001)		(15,001)
Purchases of treasury shares	(27,908)					(15,034)					(15,034)		(15,034)
Disposals of treasury shares	636				(13)	288					275		275
Retirements of treasury shares					(9,785)	9,785							
Reversal of revaluation reserve for land					32						32		32
Net change in the year				(43)			1,326	26	(32)	¥(8,469)	(7,192)	2,071	(5,120)
BALANCE, MARCH 31, 2014 (APRIL 1, 2014, as previously reported)	1,281,190	215,628	177,244	265	393,957	(5,585)	56,190	7	34,216	(8,469)	863,456	58,050	921,506
Cumulative effect of accounting change					(2,097)						(2,097)		(2,097)
BALANCE, APRIL 1, 2014 (as restated)		215,628	177,244	265	391,859	(5,585)	56,190	7	34,216	(8,469)	861,358	58,050	919,409
Net income					76,324						76,324		76,324
Cash dividends, ¥12.00 per share of common stock					(15,276)						(15,276)		(15,276)
Purchases of treasury shares	(36,220)					(22,536)					(22,536)		(22,536)
Disposals of treasury shares	1,244		72			719					792		792
Retirements of treasury shares			(72)		(22,239)	22,312							
Net change in the year				48			53,310	33	1,843	9,629	64,866	(13,082)	51,783
BALANCE, MARCH 31, 2015	**1,246,215**	**¥215,628**	**¥177,244**	**¥314**	**¥430,668**	**¥ (5,090)**	**¥109,501**	**¥ 41**	**¥36,060**	**¥ 1,159**	**¥965,527**	**¥ 44,967**	**¥1,010,495**

	Thousands of U.S. Dollars (Note 1)											
						Accumulated Other Comprehensive Income						
	Capital Stock	Capital Surplus	Subscription Rights to Shares	Retained Earnings	Treasury Shares	Valuation Difference on Available-for-sale Securities	Deferred Gains or Losses on Hedges	Revaluation Reserve for Land	Remeasurements of Defined Benefit Plans	Total	Minority Interests	Total Equity
BALANCE, MARCH 31, 2014 (APRIL 1, 2014, as previously reported)	$1,792,871	$1,473,721	$2,212	$3,275,608	$ (46,442)	$467,204	$ 66	$284,500	$(70,425)	$7,179,315	$ 482,670	$7,661,985
Cumulative effect of accounting change				(17,443)						(17,443)		(17,443)
BALANCE, APRIL 1, 2014 (as restated)	1,792,871	1,473,721	2,212	3,258,165	(46,442)	467,204	66	284,500	(70,425)	7,161,872	482,670	7,644,542
Net income				634,610						634,610		634,610
Cash dividends, $0.10 per share of common stock				(127,017)						(127,017)		(127,017)
Purchases of treasury shares					(187,385)					(187,385)		(187,385)
Disposals of treasury shares		606			5,980					6,586		6,586
Retirements of treasury shares		(606)		(184,913)	185,519							
Net change in the year			403			443,258	281	15,330	80,065	539,337	(108,779)	430,558
BALANCE, MARCH 31, 2015	**$1,792,871**	**$1,473,721**	**$2,615**	**$3,580,845**	**$ (42,328)**	**$910,462**	**$347**	**$299,830**	**$ 9,640**	**$8,028,003**	**$ 373,891**	**$8,401,894**

See notes to consolidated financial statements.

Consolidated Statement of Cash Flows

The Bank of Yokohama, Ltd. and Consolidated Subsidiaries
Year Ended March 31, 2015

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2015	2014	**2015**
OPERATING ACTIVITIES:			
Income before income taxes and minority interests	**¥ 118,686**	¥ 104,963	**$ 986,832**
Adjustments to reconcile income before income taxes and minority interests to net cash provided by (used in) operating activities:			
Depreciation	**8,722**	8,901	**72,528**
Amortization of goodwill	**204**	413	**1,698**
Gain on bargain purchase	**(9,101)**		**(75,676)**
Increase (decrease) in allowance for loan losses	**(4,960)**	3,210	**(41,246)**
Increase (decrease) in provision for directors' bonuses	**4**		**35**
Decrease (increase) in net defined benefit asset	**(4,666)**	(2,127)	**(38,802)**
Increase (decrease) in net defined benefit liability	**37**	39	**311**
Increase (decrease) in provision for reimbursement of deposits	**80**	35	**671**
Increase (decrease) in provision for contingent losses	**25**	57	**211**
Interest income	**(164,181)**	(167,959)	**(1,365,107)**
Interest expenses	**7,959**	8,613	**66,181**
Loss (gain) related to securities	**23,087**	5,229	**191,967**
Foreign exchange losses (gains)	**(25,607)**	(8,569)	**(212,920)**
Loss (gain) on disposals of non-current assets	**(1,512)**	457	**(12,580)**
Net decrease (increase) in trading assets	**(5,188)**	24,886	**(43,137)**
Net increase (decrease) in trading liabilities	**(92)**	(344)	**(773)**
Net decrease (increase) in loans and bills discounted	**(270,456)**	(109,562)	**(2,248,747)**
Net increase (decrease) in deposits	**292,257**	379,013	**2,430,010**
Net increase (decrease) in negotiable certificates of deposit	**57,350**	17,120	**476,844**
Net increase (decrease) in borrowed money (excluding subordinated borrowings)	**394,131**	65,565	**3,277,053**
Net decrease (increase) in due from banks (excluding due from the Bank of Japan)	**41,711**	47,316	**346,813**
Net decrease (increase) in call loans and others	**9,420**	(19,245)	**78,328**
Net increase (decrease) in call money and others	**595,121**	(25,528)	**4,948,210**
Net increase (decrease) in payables under securities lending transactions	**156,060**	86,490	**1,297,585**
Net decrease (increase) in foreign exchanges — assets	**(2,213)**	641	**(18,407)**
Net increase (decrease) in foreign exchanges — liabilities	**(2)**	(18)	**(23)**
Net decrease (increase) in lease receivables and investment assets	**1,057**	(4,906)	**8,793**
Interest and dividends received	**169,383**	179,691	**1,408,362**
Interest paid	**(8,230)**	(9,807)	**(68,432)**
Other, net	**(10,672)**	9,872	**(88,742)**
Subtotal	**1,368,412**	594,448	**11,377,840**
Income tax paid	**(37,507)**	(39,041)	**(311,864)**
Net cash provided by (used in) operating activities	**1,330,904**	555,406	**11,065,976**
INVESTING ACTIVITIES:			
Purchases of securities	**(5,973,138)**	(2,221,579)	**(49,664,413)**
Proceeds from sales of securities	**5,028,022**	1,889,316	**41,806,127**
Proceeds from redemption of securities	**619,775**	461,192	**5,153,198**
Purchases of property, plant and equipment	**(7,130)**	(3,586)	**(59,284)**
Proceeds from sales of property, plant and equipment	**3,395**	495	**28,232**
Purchases of intangible assets	**(5,125)**	(3,246)	**(42,615)**
Other, net	**(271)**	(170)	**(2,259)**
Net cash provided by (used in) investing activities	**(334,472)**	122,421	**(2,781,014)**
FINANCING ACTIVITIES:			
Decrease in subordinated borrowings		(65,000)	
Payments for redemption of subordinated bonds	**(30,000)**	(34,300)	**(249,439)**
Proceeds from share issuance to minority shareholders	**204**		**1,696**
Cash dividends paid	**(15,276)**	(15,001)	**(127,017)**
Cash dividends paid to minority shareholders	**(1,592)**	(1,446)	**(13,240)**
Purchases of treasury shares	**(22,536)**	(15,034)	**(187,384)**
Proceeds from sales of treasury shares	**763**	162	**6,347**
Purchase of treasury shares of subsidiaries	**(6,194)**		**(51,505)**
Net cash provided by (used in) financing activities	**(74,632)**	(130,618)	**(620,542)**
EFFECT OF EXCHANGE RATE CHANGE ON CASH AND CASH EQUIVALENTS	**53**	47	**445**
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**921,853**	547,256	**7,664,865**
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	**1,268,029**	720,772	**10,543,191**
CASH AND CASH EQUIVALENTS AT END OF PERIOD (Note 3)	**¥ 2,189,882**	¥ 1,268,029	**$ 18,208,056**

See notes to consolidated financial statements.

Notes to Consolidated Financial Statements

The Bank of Yokohama, Ltd. and Consolidated Subsidiaries
Year Ended March 31, 2015

1. BASIS OF PRESENTATION

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

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

The consolidated financial statements are stated in Japanese yen, the currency of the country in which the Bank is incorporated and operates. As permitted by the Japanese Financial Instruments and Exchange Act, amounts less than one million yen have been omitted. As a result, the totals do not necessarily agree with the sum of the individual amounts. Yen amounts, other than per share amounts, have been rounded down to millions of yen. Yen per share amounts have been rounded down to two decimal places.

The translations of Japanese yen amounts into U.S. dollar amounts are included solely for the convenience of readers outside Japan and have been made at the rate of ¥120.27 to U.S. $1, the rate of exchange at March 31, 2015. Such translations should not be construed as representations that the Japanese yen amounts could be converted into U.S. dollars at that or any other rate.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Principles of Consolidation — The consolidated financial statements include the accounts of the Bank and its significant subsidiaries. The number of consolidated subsidiaries as of March 31, 2015 and 2014, was 12 and 11, respectively; Sky Ocean Asset Management Co., Ltd. was established and consolidated in 2015.

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

Of the consolidated subsidiaries, 11 and 10 in 2015 and 2014, respectively, have fiscal years ending on March 31, which is the same as the fiscal year end date of the Bank. One consolidated subsidiary with balance sheet dates of January 24 and July 24 was consolidated based on the tentative financial statements for the period ended March 31.

The consolidated financial statements do not include the accounts of three subsidiaries in 2015 and 2014, because the total assets, total income, net income, retained earnings, and accumulated other comprehensive income of these entities would not have had a material effect on the consolidated financial statements.

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

All significant intercompany balances, transactions, and unrealized profits included in assets have been eliminated in consolidation.

Goodwill represents the difference between the cost of an acquisition and the fair value of the net assets of the acquired subsidiary at the date of acquisition. Goodwill on the acquisition of subsidiaries is amortized using the straight-line method over five years.

b. Business Combinations — In October 2003, the Business Accounting Council issued a Statement of Opinion, "Accounting for Business Combinations," and in December 2005, the Accounting Standards Board of Japan ("ASBJ") issued ASBJ Statement No. 7, "Accounting Standard for Business Divestitures" and ASBJ Guidance No. 10, "Guidance for Accounting Standard for Business Combinations and Business Divestitures." The accounting standard for business combinations allowed companies to apply the pooling-of-interests method of accounting only when certain specific criteria are met such that the business combination is essentially regarded as a uniting-of-interests. For business combinations that do not meet the uniting-of-interests criteria, the business combination is considered to be an acquisition and the purchase method of accounting is required. This standard also prescribes the accounting for combinations of entities under common control and for joint ventures.

In December 2008, the ASBJ issued a revised accounting standard for business combinations, ASBJ Statement No. 21, "Accounting Standard for Business Combinations." Major accounting changes under the revised accounting standard are as follows: (1) The revised standard requires accounting for business combinations only by the purchase method. As a result, the pooling-of-interests method of accounting is no longer allowed. (2) The previous accounting standard required research and development costs to be charged to income as incurred. Under the revised standard, in-process research and development costs (IPR&D) acquired in the business combination are capitalized as an intangible asset. (3) The previous accounting standard provided for a bargain purchase gain (negative goodwill) to be systematically amortized over a period not exceeding 20 years. Under the revised standard, the acquirer recognizes the bargain purchase gain in profit or loss immediately on the acquisition date after reassessing and confirming that all of the assets acquired and all of the liabilities assumed have been identified after a review of the procedures used in the purchase price allocation. The revised standard was applicable to business combinations undertaken on or after April 1, 2010.

c. Trading-Purpose Transactions — "Transactions for trading purposes" (for the purpose of capturing gains arising from short-term changes in interest rates, currency exchange rates, or market prices of securities and other market-related indices or from arbitrage opportunities) are included in "Trading assets" and "Trading liabilities" on a trade-date basis. Trading securities and monetary claims bought for trading purposes recorded in these accounts are stated at fair value and trading-related financial derivatives are stated at the amounts that would be settled if they were terminated at the end of the fiscal year.

Profits and losses on transactions for trading purposes are shown as "Trading income" or "Trading expenses" on a trade-date basis.

d. Securities — Securities are classified and accounted for, depending on management's intent, as follows:

(1) held-to-maturity debt securities, which are expected to be held to maturity with a positive intent and ability to hold to maturity, are reported at amortized cost computed using the straight-line method.

(2) available-for-sale securities are reported at fair value with unrealized gains and losses, net of applicable taxes, reported in a separate component of equity. Securities whose fair values cannot be reliably determined are stated at cost determined by the moving-average method.

For other-than-temporary declines in fair value, securities are reduced to net realizable value by a charge to income.

e. Property, plant and equipment — Property, plant and equipment are stated at cost, less accumulated depreciation. Depreciation of property, plant and equipment owned by the Bank and its consolidated domestic subsidiaries is computed mainly using the declining-balance method while the straight-line method is applied to buildings acquired after April 1, 1998.

The range of useful lives is from 2 to 60 years for buildings and from 2 to 20 years for equipment.

Depreciation of leased property and equipment owned by consolidated subsidiaries is calculated by the straight-line method over the lease periods.

f. Software — Cost of computer software obtained for internal use is amortized principally using the straight-line method over the estimated useful lives of 5 to 7 years.

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

h. Revaluation Reserve for Land — Under the "Law of Land Revaluation," the Bank elected a one-time revaluation of its own-use land to a value based on real estate appraisal information as of March 31, 1998.

The resulting revaluation reserve for land represents unrealized appreciation of land and is stated, net of income taxes, as a component of equity. There was no effect on the consolidated statement of income. Continuous readjustment is not permitted, unless the land value subsequently declines significantly, such that the amount of the decline in value should be removed from the revaluation reserve for land account and related deferred tax liabilities.

The carrying amount of the land after the above one-time revaluation exceeded the market value by ¥39,624 million ($329,460 thousand) and ¥40,311 million as of March 31, 2015 and 2014, respectively.

i. Allowance for loan losses — The Bank provides an allowance for loan losses, which is determined based on management's judgment and an assessment of future losses based on the Bank's self-assessment systems. These systems reflect past experience of credit losses, possible credit losses, business and economic conditions, the character, quality and performance of the portfolio, the value of collateral or guarantees, and other pertinent indicators.

The Bank has implemented a self-assessment system to determine its asset quality. The quality of all loans is assessed by branches and the credit supervisory division with a subsequent audit by the asset review and inspection division, which is independent from the operating divisions, in accordance with the Bank's policy and guidelines for the self-assessment of asset quality.

The Bank has established a credit rating system under which its customers are classified into five categories. The credit rating system is used in the self-assessment of asset quality. All loans are classified into five categories for self-assessment purposes: "normal," "in need of caution," "possible bankruptcy," "virtual bankruptcy," and "legal bankruptcy."

The allowance for loan losses is calculated based on the actual historical loss ratio for "normal" and "in need of caution" categories; the fair value of the collateral for collateral-dependent loans; and other factors of solvency, including future cash flows for other categories. For claims to borrowers whose loans are classified as "possible bankruptcy" or "restructured loans" over a certain amount, for which future cash flows could be reasonably estimated, an allowance is provided for the difference between the present value of expected future cash flows discounted at the contracted interest rate and the carrying value of the claims (the "DCF method"). Also, for claims for which allowance has been provided based on the DCF method in previous fiscal years, an allowance is provided based on the DCF method.

For collateralized or guaranteed claims to borrowers who are in the "virtual bankruptcy" or "legal bankruptcy" category, the amount exceeding the estimated value of collateral or guarantees has been deducted as deemed uncollectible directly from those claims. As of March 31, 2015 and 2014, the deducted amounts were ¥55,277 million ($459,609 thousand) and ¥64,046 million, respectively.

Other consolidated subsidiaries maintain allowances for possible loan losses that are provided as deemed necessary to cover expected losses based on their own experience.

j. Provision for directors' bonuses — Provision for directors' bonuses is provided in the amount of the estimated bonuses that are attributable to each fiscal year.

k. Provision for reimbursement of deposits — Provision for reimbursement of deposits that were derecognized as liabilities under certain conditions is provided for possible losses on future claims of withdrawal based on historical reimbursement experience.

l. Provision for contingent losses — The Bank provides a provision for contingent losses not covered by other provisions in an amount deemed necessary based on estimated losses in the future.

m. Reserve under special laws — Reserve under special laws is provided for contingent liabilities from brokering of security transactions in accordance with Section 1 of Article 46-5 of the Japanese Financial Instruments and Exchange Act.

n. Retirement and Pension Plans — The Bank has contributory funded defined benefit pension plans and lump-sum retirement benefit plans for employees. Consolidated subsidiaries have lump-sum retirement benefit plans.

Effective April 1, 2000, the Bank adopted a new accounting standard for retirement benefits and accounted for the liability for retirement benefits based on the projected benefit obligations and plan assets at the balance sheet date. The projected benefit obligations are attributed to periods on a straight-line basis. Actuarial gains and losses are amortized on a straight-line basis over 15 years within the average remaining service period.

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

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

(b) The revised accounting standard does not change how to recognize actuarial gains and losses and past service costs in profit or loss. Those amounts are recognized in profit or loss over a certain period no longer than the expected average remaining service period of the employees. However, actuarial gains and losses and past service costs that arose in the current period and have not yet been recognized in profit or loss are included in other comprehensive income, and actuarial gains and losses and past service costs that were recognized in other comprehensive income in prior periods and then recognized in profit or loss in the current period, are treated as reclassification adjustments (see Note 29).

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

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

The Bank applied the revised accounting standard and guidance for retirement benefits for (a) and (b) above, effective March 31, 2014, and for (c) above, effective April 1, 2014.

With respect to (c) above, the Bank changed the method of attributing the expected benefit to periods from a straight-line basis to a benefit formula basis, the method of determining the discount rate from using the period which approximates the expected average remaining service period to using a single weighted average discount rate reflecting the estimated timing and amount of benefit payment and the method of estimating expected future salary increases from salary increases "expected to be certain" to salary increases "expected", and recorded the effect of (c) above as of April 1, 2014, in retained earnings. As a result, liability for retirement benefits as of April 1, 2014, increased by 3,257 million ($27,085 thousand), and retained earnings and minority interests as of April 1, 2014, decreased by 2,097 million ($17,443 thousand), and the effect this change has on operating income and income before income taxes and minority interests for the year ended March 31, 2015, is negligible. In addition, the effect this change has on basic net income per share and diluted net income per share for the year ended March 31, 2015, is negligible.

o. Stock Options — In December 2005, the ASBJ issued ASBJ Statement No. 8, "Accounting Standard for Stock Options," and related guidance. That new standard and guidance are applicable to stock options newly granted on and after May 1, 2006. This standard requires companies to measure the cost of employee stock options based on the fair value at the date of grant and recognize compensation expense over the vesting period as consideration for receiving goods or services. The standard also requires companies to account for stock options granted to non-employees based on the fair value of either the stock option or the goods or services received. In the balance sheet, stock options are presented as subscription rights to shares as a separate component of equity until exercised. The standard covers equity-settled, share-based payment transactions, but does not cover cash-settled, share-based payment transactions.

p. Leases — In March 2007, the ASBJ issued ASBJ Statement No. 13, "Accounting Standard for Lease Transactions," which revised the previous accounting standard for lease transactions. The revised accounting standard for lease transactions was effective for fiscal years beginning on or after April 1, 2008.

Lessor

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

The Group applied the revised accounting standard effective April 1, 2008.

Lease revenue and lease costs are recognized over the lease period.

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

r. Translation of Foreign Currencies — Assets and liabilities denominated in foreign currencies and accounts of overseas branches held by the Bank are translated at exchange rates prevailing as of the balance sheet date.

Foreign currency accounts held by consolidated foreign subsidiaries are translated into the currency of the subsidiaries at their respective year-end exchange rates.

s. Derivatives and Hedging Activities — Derivative financial instruments are classified and accounted for as follows: (a) all derivatives, except those entered into for hedging purposes, are recognized as either assets or liabilities and measured at fair value with gains or losses on derivative transactions recognized in the statement of income or (b) for derivatives used for hedging purposes, if the derivatives qualify for hedge accounting because of a high correlation and effectiveness between the hedging instruments and the hedged items, the gains or losses on the derivatives are deferred until maturity of the hedged transactions (deferral hedge accounting).

The Bank applies deferral hedge accounting based on the rules of the Japanese Institute of Certified Public Accountants ("JICPA") Industry Audit Committee Report No. 24 for interest rate derivatives to manage interest rate risk from various financial assets and liabilities as a whole. Under these rules, the effectiveness of a fair value hedge is assessed by an identified group of hedge deposits, loans, and similar instruments and by a corresponding group of hedging instruments, such as interest rate swaps in the same maturity category. Also, under these rules, the effectiveness of cash flow hedges is assessed based on the correlation between a base interest rate index of the hedged cash flow and that of the hedging instrument.

The Bank applies deferral hedge accounting based on the rules of the JICPA Industry Audit Committee Report No. 25 for currency swaps and funding swaps used for the purpose of currency exchange.

t. Cash and Cash Equivalents — For the purpose of the consolidated statement of cash flows, cash and cash equivalents represent cash and due from the Bank of Japan.

u. Cash Dividends — Cash dividends charged to retained earnings are the dividends paid during the year and represent year-end dividends for the preceding year and interim dividends for the current year.

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

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

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

w. New Accounting Pronouncements

Accounting Standards for Business Combinations and Consolidated Financial Statements — In September 13, 2013, the ASBJ issued revised ASBJ Statement No. 21, “Accounting Standard for Business Combinations,” revised ASBJ Guidance No. 10, “Guidance on Accounting Standards for Business Combinations and Business Divestitures,” and revised ASBJ Statement No. 22, “Accounting Standard for Consolidated Financial Statements.”

Major accounting changes are as follows:

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

(b) *Presentation of the consolidated balance sheet* — In the consolidated balance sheet, “minority interest” under the current accounting standard will be changed to “noncontrolling interest” under the revised accounting standard.

(c) *Presentation of the consolidated statement of income* — In the consolidated statement of income, “income before minority interest” under the current accounting standard will be changed to “net income” under the revised accounting standard, and “net income” under the current accounting standard will be changed to “net income attributable to owners of the parent” under the revised accounting standard.

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

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

The above accounting standards and guidance for (a) transactions with noncontrolling interest, (b) presentation of the consolidated balance sheet, (c) presentation of the consolidated statement of income, and (e) acquisition-related costs are effective for the beginning of annual periods beginning on or after April 1, 2015. Earlier application is permitted from the beginning of annual periods beginning on or after April 1, 2014, except for (b) presentation of the consolidated balance sheet and (c) presentation of the consolidated statement of income. In the case of earlier application, all accounting standards and guidance above, except for (b) presentation of the consolidated balance sheet and (c) presentation of the consolidated statement of income, should be applied simultaneously.

Either retrospective or prospective application of the revised accounting standards and guidance for (a) transactions with noncontrolling interest and (e) acquisition-related costs is permitted. In retrospective application of the revised standards and guidance, the accumulated effects of retrospective adjustments for all (a) transactions with noncontrolling interest and (e) acquisition-related costs which occurred in the past shall be reflected as adjustments to the beginning balance of capital surplus and retained earnings for the year of the first-time application. In prospective application, the new standards and guidance shall be applied prospectively from the beginning of the year of the first-time application.

The revised accounting standards and guidance for (b) presentation of the consolidated balance sheet and (c) presentation of the consolidated statement of income shall be applied to all periods presented in financial statements containing the first-time application of the revised standards and guidance.

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

The Bank expects to apply the revised accounting standards and guidance for (a), (b), (c) and (e) above from April 1, 2015, and for (d) above for a business combination which will occur on or after April 1, 2015, and is in the process of measuring the effects of applying the revised accounting standards and guidance in future applicable periods.

3. CASH AND CASH EQUIVALENTS

The reconciliation of "Cash and cash equivalents" in the consolidated statement of cash flows and "Cash and due from banks" in the consolidated balance sheet as of March 31, 2015 and 2014, was as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2015	2014	**2015**
Cash and due from banks	**¥2,303,301**	¥1,423,159	**$19,151,086**
Interest-bearing deposits included in due from banks (other than due from the Bank of Japan)	**(113,418)**	(155,129)	**(943,030)**
Cash and cash equivalents	**¥2,189,882**	¥1,268,029	**$18,208,056**

4. TRADING ASSETS AND LIABILITIES

Trading assets and liabilities as of March 31, 2015 and 2014, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2015	2014	**2015**
Trading assets:			
Trading securities	**¥14,599**	¥ 9,320	**$121,387**
Trading-related financial derivatives	**634**	725	**5,277**
Total	**¥15,233**	¥10,045	**$126,664**
Trading liabilities — trading-related financial derivatives	**¥ 609**	¥ 702	**$ 5,069**

5. SECURITIES

Securities as of March 31, 2015 and 2014, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2015	2014	**2015**
Japanese national government bonds	**¥ 703,206**	¥ 546,762	**$ 5,846,895**
Japanese local government bonds	**259,522**	257,622	**2,157,829**
Japanese corporate bonds	**689,548**	781,231	**5,733,339**
Japanese corporate stocks	**227,996**	177,281	**1,895,703**
Other securities	**580,180**	281,844	**4,823,983**
Total	**¥2,460,453**	¥2,044,741	**$20,457,749**

The carrying amounts and aggregate fair value of securities as of March 31, 2015 and 2014, were as follows:

	Millions of Yen			
March 31, 2015	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Securities classified as:				
Available-for-sale:				
Equity securities	**¥ 102,575**	**¥117,563**	**¥423**	**¥ 219,714**
Debt securities	**1,417,467**	**7,270**	**673**	**1,424,064**
Other securities	**646,837**	**35,650**	**331**	**682,156**
Held-to-maturity	**228,212**	**11,263**		**239,475**

	Millions of Yen			
March 31, 2014	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Securities classified as:				
Available-for-sale:				
Equity securities	¥ 101,021	¥69,551	¥2,084	¥ 168,489
Debt securities	1,315,179	9,387	239	1,324,327
Other securities	374,993	11,374	2,235	384,132
Held-to-maturity	261,288	10,751	2	272,037

	Thousands of U.S. Dollars			
March 31, 2015	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Securities classified as:				
Available-for-sale:				
Equity securities	**$ 852,877**	**$977,493**	**$3,524**	**$ 1,826,846**
Debt securities	**11,785,707**	**60,453**	**5,596**	**11,840,564**
Other securities	**5,378,210**	**296,418**	**2,755**	**5,671,873**
Held-to-maturity	**1,897,499**	**93,649**		**1,991,148**

Information on available-for-sale securities and held-to-maturity securities which were sold during the years ended March 31, 2015 and 2014, was as follows:

	Millions of Yen		
March 31, 2015	Proceeds	Realized Gains	Realized Losses
Available-for-sale:			
Equity securities	**¥ 1,448**	**¥ 333**	**¥ 13**
Debt securities	**4,889,587**	**993**	**22,589**
Other securities	**120,792**	**985**	**525**
Total	**¥5,011,828**	**¥2,312**	**¥23,127**

	Millions of Yen		
March 31, 2014	Proceeds	Realized Gains	Realized Losses
Available-for-sale:			
Equity securities	¥ 13,826	¥2,812	¥ 824
Debt securities	1,820,039	2,525	8,866
Other securities	42,276	897	359
Total	¥1,876,141	¥6,235	¥10,050

	Thousands of U.S. Dollars		
March 31, 2015	Proceeds	Realized Gains	Realized Losses
Available-for-sale:			
Equity securities	**$ 12,042**	**$ 2,773**	**$ 114**
Debt securities	**40,655,088**	**8,261**	**187,821**
Other securities	**1,004,347**	**8,192**	**4,365**
Total	**$41,671,477**	**$19,226**	**$192,300**

Impairment losses on securities whose fair value can be reliably determined, other than trading securities for the years ended March 31, 2015 and 2014, were ¥13 million ($108 thousand) and ¥7 million, respectively.

Securities also include corporate stocks in unconsolidated and associated companies and investments in unconsolidated subsidiaries, which totaled ¥877 million ($7,297 thousand) and ¥1,022 million as of March 31, 2015 and 2014, respectively.

The amount of guarantee obligations for privately-placed bonds (Paragraph 3 of Article 2 of the Financial Instruments and Exchange Act) included in securities as of March 31, 2015 and 2014 was ¥80,446 million ($668,880 thousand) and ¥91,287 million, respectively.

6. LOANS AND BILLS DISCOUNTED

Loans and bills discounted as of March 31, 2015 and 2014, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2015	2014	**2015**
Bills discounted	**¥ 31,993**	¥ 35,133	**$ 266,013**
Loans on bills	**263,106**	281,600	**2,187,633**
Loans on deeds	**8,620,419**	8,333,574	**71,675,558**
Overdrafts	**808,533**	803,256	**6,722,655**
Total	**¥9,724,053**	¥9,453,564	**$80,851,859**

"Past due loans" include loans classified as "possible bankruptcy" and "virtual bankruptcy" under the Bank's self-assessment guidelines. Interest receivables on loans in these categories are not accrued as accruals for accounting purposes. The loans and bills discounted include "loans to borrowers in bankruptcy" totaling ¥3,805 million ($31,639 thousand) and ¥4,638 million as of March 31, 2015 and 2014, respectively, as well as "past due loans" totaling ¥182,078 million ($1,513,911 thousand) and ¥178,322 million as of March 31, 2015 and 2014, respectively.

In addition to "past due loans" as defined, certain other loans classified as "in need of caution" under the Bank's self-assessment guidelines include "accruing loans contractually past due for three months or more." "Accruing loans contractually past due for three months or more" are loans on which the principal and/or interest is three months or more past due, but exclude "loans to borrowers in bankruptcy" or "past due loans." The balances of "accruing loans contractually past due for three months or more" as of March 31, 2015 and 2014, were ¥4,182 million ($34,776 thousand) and ¥3,694 million, respectively.

"Restructured loans" are loans for which the Bank and its subsidiaries have restructured lending conditions, such as by a reduction of the original interest rate, forbearance of interest payments, principal repayments, or renunciation of claims to support the borrowers' reorganization, but exclude "loans to borrowers in bankruptcy," "past due loans," and "accruing loans contractually past due for three months or more." The outstanding balances of "restructured loans" as of March 31, 2015 and 2014, were ¥15,510 million ($128,964 thousand) and ¥22,458 million, respectively.

The allowance for loan losses is not deducted from the amounts of loans shown in the above three paragraphs.

Contracts of overdraft facilities and loan commitment limits are contracts under which the Bank lends to customers up to the prescribed limits in response to customer applications for loans as long as there is no violation of any condition in the contracts. As of March 31, 2015 and 2014, the amounts of unused commitments were ¥1,932,598 million ($16,068,835 thousand) and ¥1,818,484 million, respectively. As of March 31, 2015 and 2014, the amounts of unused commitments whose remaining contract terms were within one year were ¥1,234,017 million ($10,260,391 thousand) and ¥1,223,705 million, respectively.

As many of these commitments expire without being drawn down, the unused amount does not necessarily represent a future cash requirement. Most of these contracts have conditions whereby the Bank can refuse customer applications for loans or decrease the contract limits for certain reasons (e.g., changes in financial situation and deterioration in customers' creditworthiness). At the inception of the contracts, the Bank obtains real estate, securities, or other assets as collateral if considered to be necessary. Subsequently, the Bank performs periodic reviews of the customers' business results based on internal rules and takes necessary measures to reconsider conditions in the contracts and/or require additional collateral and guarantees.

Discounting bills are treated as secured lending transactions. As of March 31, 2015 and 2014, the Bank has the right by contract or custom to sell or repledge bills discounted and foreign exchange bills bought, and their total face value was ¥32,519 million ($270,383 thousand) and ¥35,686 million, respectively.

7. FOREIGN EXCHANGES

Foreign exchanges as of March 31, 2015 and 2014, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2015	2014	**2015**
Assets			
Foreign exchange bills bought	**¥ 525**	¥ 553	**$ 4,370**
Foreign exchange bills receivable	**4,148**	2,806	**34,495**
Due from foreign correspondent accounts	**2,640**	1,741	**21,959**
Total	**¥7,315**	¥5,101	**$60,824**
Liabilities			
Foreign exchange bills sold	**¥ 20**	¥ 23	**$ 174**
Foreign exchange bills payable	**35**	35	**297**
Total	**¥ 56**	¥ 59	**$ 471**

8. OTHER ASSETS

Other assets as of March 31, 2015 and 2014, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2015	2014	**2015**
Accrued income	**¥ 12,578**	¥ 11,757	**$104,585**
Derivatives other than for trading — assets	**48,437**	42,389	**402,739**
Installments receivable	**20,229**	19,173	**168,202**
Other	**33,859**	28,551	**281,526**
Total	**¥115,104**	¥101,872	**$957,052**

9. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment as of March 31, 2015 and 2014, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2015	2014	**2015**
Buildings, net	**¥ 37,700**	¥ 37,026	**$ 313,462**
Land	**80,328**	80,306	**667,900**
Construction in progress	**1,965**	1,516	**16,339**
Other	**5,143**	5,027	**42,765**
Total	**¥125,136**	¥123,877	**$1,040,466**

The accumulated depreciation of property, plant and equipment as of March 31, 2015 and 2014, amounted to ¥157,875 million ($1,312,679 thousand) and ¥165,789 million, respectively.

10. INTANGIBLE ASSETS

Intangible assets as of March 31, 2015 and 2014, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2015	2014	**2015**
Software	**¥11,161**	¥10,340	**$ 92,803**
Goodwill	**621**	751	**5,167**
Other	**422**	430	**3,514**
Total	**¥12,205**	¥11,523	**$101,484**

11. CUSTOMERS' LIABILITIES FOR ACCEPTANCES AND GUARANTEES

All contingent liabilities arising from acceptances and guarantees are reflected in acceptances and guarantees. As a contra account, customers' liabilities for acceptances and guarantees are presented as assets, representing the Bank's and certain consolidated subsidiaries' rights of indemnity from the applicants.

12. ASSETS PLEDGED

Assets pledged as collateral and the related liabilities as of March 31, 2015 and 2014, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2015	2014	**2015**
Assets pledged as collateral:			
Securities	**¥1,207,582**	¥845,626	**$10,040,597**
Loans and bills discounted	**420**	4,293	**3,492**
Other	**887**		**7,375**
Relevant liabilities to above assets:			
Deposits	**¥ 57,237**	¥ 26,024	**$ 475,906**
Call money and bills sold	**78,500**	50,800	**652,698**
Payables under securities lending transactions	**247,651**	91,591	**2,059,132**
Borrowed money	**666,462**	276,828	**5,541,387**

In addition to the above, pledged as collateral for transactions, such as exchange settlement transactions, or as substitute securities for initial margin on futures transactions and others were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2015	2014	**2015**
Securities	**¥84,930**	¥110,505	**$706,164**
Other assets amounting	**21**	21	**181**

Additionally, initial margins of futures markets, cash collateral received for financial instruments liabilities, and guarantee deposits on office space included in other assets were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2015	2014	**2015**
Initial margins of futures markets	**¥ 32**		**$ 272**
Cash collateral received for financial instruments liabilities	**7,391**	¥2,514	**61,459**
Guarantee deposits on office space	**5,404**	5,478	**44,940**

13. DEPOSITS

Deposits as of March 31, 2015 and 2014, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2015	2014	**2015**
Current deposits	**¥ 419,491**	¥ 432,659	**$ 3,487,912**
Ordinary deposits	**7,912,953**	7,601,402	**65,793,243**
Savings deposits	**216,309**	219,877	**1,798,533**
Deposits at notice	**96,583**	86,735	**803,054**
Time deposits	**3,233,207**	3,283,950	**26,882,908**
Other deposits	**242,934**	204,596	**2,019,908**
Total	**¥12,121,479**	¥11,829,221	**$100,785,558**

14. BORROWED MONEY

As of March 31, 2015 and 2014, the weighted-average annual interest rates applicable to borrowed money were 0.12% and 0.14%, respectively.

Annual maturities of borrowed money as of March 31, 2015, were as follows:

Year Ending March 31	Millions of Yen	Thousands of U.S. Dollars
2016	¥148,894	$1,238,005
2017	65,544	544,981
2018	2,468	20,525
2019	474,761	3,947,462
2020	1,218	10,128
2021 and thereafter	2,427	20,186
Total	¥695,315	$5,781,287

15. BONDS PAYABLE

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

	Millions of Yen		Thousands of U.S. Dollars
	2015	2014	**2015**
Unsecured fixed and floating subordinated bonds, payable in Japanese yen, due July 2019, 1.82% interest		¥20,000	
Unsecured fixed and floating subordinated bonds, payable in Japanese yen, due July 2019, 1.15% interest		10,000	
Total		¥30,000	

16. OTHER LIABILITIES

Other liabilities as of March 31, 2015 and 2014, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2015	2014	**2015**
Unearned revenue	**¥ 33,182**	¥ 33,874	**$ 275,896**
Derivatives other than for trading — liabilities	**42,771**	39,253	**355,626**
Suspense receipts	**53,779**	53,548	**447,157**
Payables for securities transactions	**18,678**	3,798	**155,309**
Other	**44,778**	51,193	**372,320**
Total	**¥193,190**	¥181,668	**$1,606,308**

The domestic exchange settlement account consists of outstanding remittance bills from other banks and/or collection bills for which the Bank has received notices for payment from other banks that have not been settled.

17. RETIREMENT AND PENSION PLANS

The Bank has defined benefit corporate pension plans for its employees including a cash balance plan, lump-sum payment plans, and defined contribution pension plans. The plans are based on the point system. In addition, it is possible for the Bank to pay additional retirement benefits.

The Bank contributes to a retirement benefit trust through lump-sum payment plans and defined benefit corporate pension plans.

Consolidated subsidiaries have lump-sum payment plans, and three consolidated subsidiaries have defined contribution pension plans.

Consolidated subsidiaries estimate their net defined benefit liability and retirement benefit costs using the simplified method.

(1) Defined benefit plans

(a) The changes in defined benefit obligation for the years ended March 31, 2015 and 2014, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2015	2014	**2015**
Balance at beginning of year (as previously reported)	**¥77,122**	¥78,648	**$641,247**
Cumulative effect of accounting change	**3,257**		**27,085**
Balance at beginning of year (as restated)	**80,380**	78,648	**668,332**
Current service cost	**1,631**	1,615	**13,567**
Interest cost	**1,057**	1,097	**8,793**
Actuarial losses	**3,809**	40	**31,675**
Benefits paid	**(4,906)**	(4,370)	**(40,797)**
Others	**91**	90	**762**
Balance at end of year	**¥82,064**	¥77,122	**$682,332**

In the above schedule, the amount of retirement benefit plans is calculated by applying the simplified method for consolidated subsidiaries.

(b) The changes in plan assets for the years ended March 31, 2015 and 2014, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2015	2014	**2015**
Balance at beginning of year	**¥ 93,027**	¥77,057	**$773,489**
Expected return on plan assets	**2,068**	1,715	**17,201**
Actuarial losses	**14,980**	6,457	**124,561**
Contributions from the employer	**7,809**	7,194	**64,932**
Contribution of securities to retirement benefit trust		4,871	
Benefits paid	**(3,775)**	(4,360)	**(31,393)**
Others	**91**	90	**763**
Balance at end of year	**¥114,202**	¥93,027	**$949,553**

(c) Reconciliation between the liability recorded in the consolidated balance sheet and the balances of defined benefit obligation and plan assets

	Millions of Yen		Thousands of U.S. Dollars
	2015	2014	**2015**
Funded defined benefit obligation	**¥ 81,810**	¥ 76,906	**$ 680,225**
Plan assets	**(114,202)**	(93,027)	**(949,553)**
	(32,392)	(16,120)	**(269,328)**
Unfunded defined benefit obligation	**253**	216	**2,107**
Net liability (asset) arising from defined benefit obligation	**¥ (32,138)**	¥(15,904)	**$(267,221)**

	Millions of Yen		Thousands of U.S. Dollars
	2015	2014	**2015**
Net defined benefit liability	**¥ 253**	¥ 216	**$ 2,107**
Net defined benefit asset	**(32,392)**	(16,120)	**(269,328)**
Net liability (asset) arising from defined benefit obligation	**¥(32,138)**	¥(15,904)	**$(267,221)**

In the above schedule, the amount of retirement benefit plans is calculated by applying the simplified method for consolidated subsidiaries.

(d) The components of net periodic benefit costs for the years ended March 31, 2015 and 2014, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2015	2014	**2015**
Current service cost	**¥ 1,631**	¥ 1,615	**$ 13,567**
Interest cost	**1,057**	1,097	**8,793**
Expected return on plan assets	**(2,068)**	(1,715)	**(17,201)**
Recognized actuarial losses	**3,690**	4,118	**30,686**
Others	**95**	90	**790**
Net periodic benefit costs	**¥ 4,406**	¥ 5,206	**$ 36,635**

(e) Amounts recognized in other comprehensive income (before income tax effect) in respect of defined retirement benefit plans for the years ended March 31, 2015 and 2014

	Millions of Yen		Thousands of U.S. Dollars
	2015	2014	**2015**
Actuarial losses	**¥14,862**		**$123,573**
Total	**¥14,862**		**$123,573**

(f) Amounts recognized in accumulated other comprehensive income (before income tax effect) in respect of defined retirement benefit plans as of March 31, 2015 and 2014

	Millions of Yen		Thousands of U.S. Dollars
	2015	2014	**2015**
Unrecognized actuarial losses	**¥(1,709)**	¥13,152	**$(14,218)**
Total	**¥(1,709)**	¥13,152	**$(14,218)**

(g) Plan assets

(i) Components of plan assets

Plan assets consisted of the following:

	2015	2014
Domestic equity investments	**32%**	36%
[Of which, domestic equity investment contributed to retirement benefit trusts]	**[25]**	[24]
Overseas equity investments	**5**	12
Domestic debt investments	**9**	33
Overseas debt investments	**14**	15
Call loans	**32**	2
Others	**8**	2
Total*	**100%**	100%

* In "Total," retirement benefit trusts for lump-sum payment plans and defined benefit corporate pension plans for the year ended March 31, 2015 and 2014, were included as 26% and 25%, respectively.
* In the current fiscal year, the composition rate of call loans increased temporarily due to the revision of the policy asset mix of plan assets.

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

The expected rate of return on plan assets is determined by considering the portfolio of plan assets, past performance, investment policy, market trends, and other factors.

(h) Assumptions used for the year ended March 31, 2015 and 2014, were set forth as follows:

	2015	2014
Discount rate	**0.9%**	1.4%
Expected rate of return on plan assets	**2.5**	2.5
Future salary growth	**6.4**	6.8

(2) Defined contribution plans

The required amount contributed to defined contribution plans by the Bank and its consolidated subsidiaries for the years ended March 31, 2015 and 2014, was ¥308 million ($2,568 thousand) and ¥303 million, respectively.

18. EQUITY

Japanese banks are subject to the Companies Act of Japan (the "Companies Act") and the Banking Act. The significant provisions in the Companies Act that affect financial and accounting matters are summarized below:

a. Dividends

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

The Companies Act permits companies to distribute dividends-in-kind (noncash assets) to stockholders subject to certain limitations and additional requirements.

Semiannual interim dividends may also be paid once a year upon resolution by the Board of Directors if the articles of incorporation of the company so stipulate. The Companies Act and the Banking Act provide certain limitations on the amounts available for dividends or the purchase of treasury shares.

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

The Banking Act requires that an amount equal to 20% of dividends must be appropriated as a legal reserve (a component of retained earnings) or as additional paid-in capital (a component of capital surplus), depending on the equity account charged upon the payment of such dividends, until the total of the aggregate amount of the legal reserve and additional paid-in capital equals 100% of capital stock. Under the Companies Act, the total amount of additional paid-in capital and legal retained earnings may be reversed without limitation. The Companies Act also provides that capital stock, legal retained earnings additional paid-in capital, other capital surplus, and retained earnings can be transferred among the accounts within equity under certain conditions upon resolution of the stockholders.

c. Treasury Shares and Treasury Subscription Rights to Shares

The Companies Act also provides for companies to purchase treasury shares and dispose of such treasury shares by resolution of the Board of Directors. The amount of treasury shares purchased cannot exceed the amount available for distribution to the stockholders which is determined by a specific formula. Under the Companies Act, subscription rights to shares are presented as a separate component of equity. The Companies Act also provides that companies can purchase both treasury subscription rights to shares and treasury shares. Such treasury subscription rights to shares are presented as a separate component of equity or deducted directly from subscription rights to shares.

19. STOCK OPTIONS

The Bank's stock option plans grant options to directors and others to purchase certain shares of the Bank's common stock in the respective exercise periods. The exercise prices are subject to adjustments for stock issuances below fair value and stock splits.

Stock-based compensation expense was ¥77 million ($641 thousand) and ¥69 million for the fiscal years ended March 31, 2015 and 2014, respectively.

The stock options outstanding as of March 31, 2015, are as follows:

Stock Option	Persons Granted	Number of Options Granted (Shares)	Date of Grant	Exercise Price	Exercise Period
2005 Stock Option	8 directors and 280 employees	2,186,000	July 6, 2004	¥624	From June 26, 2006 to June 25, 2014
2006 Stock Option	7 directors and 455 employees	4,379,000	July 7, 2005	648	From June 29, 2007 to June 28, 2015
2009 Stock Option	7 directors and 11 executive officers	178,800	July 9, 2008	1	From July 10, 2008 to July 9, 2038
2010 Stock Option	8 directors and 10 executive officers	277,200	July 8, 2009	1	From July 9, 2009 to July 8, 2039
2011 Stock Option	7 directors and 10 executive officers	322,800	July 7, 2010	1	From July 8, 2010 to July 7, 2040
2012 Stock Option	8 directors and 11 executive officers	189,800	July 6, 2011	1	From July 7, 2011 to July 6, 2041
2013 Stock Option	8 directors and 12 executive officers	218,400	July 5, 2012	1	From July 6, 2012 to July 5, 2042
2014 Stock Option	8 directors and 12 executive officers	145,400	July 4, 2013	1	From July 5, 2013 to July 4, 2043
2015 Stock Option	8 directors and 15 executive officers	146,500	July 4, 2014	1	From July 5, 2014 to July 4, 2044

The stock option activity is as follows:

Year Ended March 31, 2014	2005 Stock Option	2006 Stock Option	2009 Stock Option	2010 Stock Option	2011 Stock Option	2012 Stock Option	2013 Stock Option	2014 Stock Option	2015 Stock Option
Non-vested (shares):									
March 31, 2013 — outstanding							49,700		
Granted								145,400	
Canceled								(2,800)	
Vested							(49,700)	(109,400)	
March 31, 2014 — outstanding								33,200	
Vested (shares):									
March 31, 2013 — outstanding	1,968,000	4,288,000	69,200	151,600	217,300	169,600	164,300		
Vested							49,700	109,400	
Exercised			(41,100)	(61,500)	(76,800)	(43,500)	(43,000)		
Canceled									
March 31, 2014 — outstanding	1,968,000	4,288,000	28,100	90,100	140,500	126,100	171,000	109,400	

Year Ended March 31, 2015	2005 Stock Option	2006 Stock Option	2009 Stock Option	2010 Stock Option	2011 Stock Option	2012 Stock Option	2013 Stock Option	2014 Stock Option	2015 Stock Option
Non-vested (shares):									
March 31, 2014 — outstanding								**33,200**	
Granted									**146,500**
Canceled									**(4,500)**
Vested								**(33,200)**	**(111,300)**
March 31, 2015 — outstanding									**30,700**
Vested (shares):									
March 31, 2014 — outstanding	**1,968,000**	**4,288,000**	**28,100**	**90,100**	**140,500**	**126,100**	**171,000**	**109,400**	
Vested								**33,200**	**111,300**
Exercised		**(1,175,000)**	**(8,800)**	**(14,900)**		**(17,600)**	**(17,000)**	**(8,600)**	
Canceled	**(1,968,000)**								
March 31, 2015 — outstanding		**3,113,000**	**19,300**	**75,200**	**140,500**	**108,500**	**154,000**	**134,000**	**111,300**
Exercise price	**¥ 624**	**¥ 648**	**¥ 1**	**¥ 1**	**¥ 1**	**¥ 1**	**¥ 1**	**¥ 1**	**¥ 1**
	$5.19	**$5.39**	**$0.01**	**$0.01**	**$0.01**	**$0.01**	**$0.01**	**$0.01**	**$0.01**
Average stock price at exercise		**¥ 721**	**¥ 590**	**¥ 590**		**¥ 514**	**¥ 514**	**¥ 514**	
		$5.99	**$4.91**	**$4.91**		**$4.27**	**$4.27**	**$4.27**	
Fair value price at grant date			**¥ 647**	**¥ 454**	**¥ 368**	**¥ 367**	**¥ 326**	**¥ 486**	**¥ 548**
			$5.38	**$3.77**	**$3.06**	**$3.05**	**$2.71**	**$4.04**	**$4.56**

The Assumptions Used to Measure Fair Value of the 2015 Stock Option

Estimate method:	Black-Scholes option-pricing model
Volatility of stock price:	26.263%
Estimated remaining outstanding period:	Five years and one month
Estimated dividend:	¥12.00 per share
Risk free interest rate:	0.159%

20. PER SHARE INFORMATION

Reconciliation of the differences between basic and diluted net income per share ("EPS") for the years ended March 31, 2015 and 2014, was as follows:

	Millions of Yen	Thousands of Shares	Yen	U.S. Dollars
Year Ended March 31, 2015	Net Income	Weighted-Average Shares	EPS	
Basic EPS — Net income available to common stockholders	**¥76,324**	**1,261,052**	**¥60.52**	**$0.50**
Effect of dilutive warrants		**721**		
Diluted EPS — Net income for computation	**¥76,324**	**1,261,773**	**¥60.48**	**$0.50**
Year Ended March 31, 2014				
Basic EPS — Net income available to common stockholders	¥60,690	1,297,187	¥46.78	
Effect of dilutive warrants		692		
Diluted EPS — Net income for computation	¥60,690	1,297,880	¥46.76	

As noted in Note 2.n, the Bank applied the revised accounting standard and guidance for retirement benefits effective April 1, 2014, and changed the methods of attributing the expected benefit to periods, determining the discount rate and estimating the future salary growth.

As a result, the change in basic and diluted EPS for the year ended March 31, 2015, is immaterial.

21. OPERATING INCOME

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

	Millions of Yen		Thousands of U.S. Dollars
	2015	2014	**2015**
Gain on foreign exchange transactions — net	**¥ 1,503**	¥ 1,417	**$ 12,498**
Gain on sales and redemption of bonds and other securities	**1,978**	3,452	**16,454**
Gain on derivatives	**26,705**	12,504	**222,048**
Lease receipts	**25,261**	25,546	**210,042**
Other	**9,937**	10,429	**82,625**
Total	**¥65,386**	¥53,349	**$543,667**

22. OTHER INCOME

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

	Millions of Yen		Thousands of U.S. Dollars
	2015	2014	**2015**
Gain on sales of stock and other securities	**¥ 333**	¥ 2,812	**$ 2,773**
Recovery of claims previously charged-off	**2,759**	2,651	**22,946**
Gain on contribution of securities to retirement benefit trust		3,223	
Gain on disposals of non-current assets	**3,128**	552	**26,012**
Gain on bargain purchase	**9,101**		**75,676**
Other	**3,227**	3,425	**26,837**
Total	**¥18,550**	¥12,665	**$154,244**

23. OTHER OPERATING EXPENSES

Other operating expenses for the years ended March 31, 2015 and 2014, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2015	2014	**2015**
Losses on sales and redemption of bonds and other securities	**¥25,327**	¥10,583	**$210,591**
Losses on write-downs of bonds and other securities	**47**	25	**395**
Lease costs	**22,884**	23,081	**190,275**
Other	**7,461**	8,003	**62,039**
Total	**¥55,721**	¥41,693	**$463,300**

24. OTHER EXPENSES

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

	Millions of Yen		Thousands of U.S. Dollars
	2015	2014	**2015**
Losses on sales of stocks and other securities	**¥ 13**	¥ 824	**$ 113**
Losses on write-downs of stocks and other securities	**11**	60	**94**
Loss on disposals of non-current assets	**1,615**	1,010	**13,432**
Direct charge-off of loans	**3,646**	4,447	**30,321**
Other	**2,940**	3,492	**24,446**
Total	**¥8,227**	¥9,835	**$68,406**

25. INCOME TAXES

The Bank and its domestic subsidiaries are subject to Japanese national and local income taxes which, in the aggregate, resulted in a normal effective statutory tax rates of approximately 35.6% and 38.0% for the years ended March 31, 2015 and 2014, respectively.

The tax effects of significant temporary differences which resulted in deferred tax assets and liabilities as of March 31, 2015 and 2014, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2015	2014	**2015**
Deferred tax assets:			
Allowance for loan losses	**¥32,442**	¥35,266	**$269,748**
Provision for retirement benefits			
Net defined benefit liability	**5,423**	5,753	**45,091**
Write-downs of securities	**2,500**	2,968	**20,789**
Other	**9,398**	17,224	**78,146**
Less valuation allowance	**(4,779)**	(4,821)	**(39,741)**
Total deferred tax assets	**44,984**	56,390	**374,033**
Deferred tax liabilities:			
Net unrealized gain on available-for-sale securities	**49,554**	28,781	**412,028**
Gain on contribution of the employees' retirement benefit trust	**6,569**	7,263	**54,626**
Other	**6,063**	4,371	**50,418**
Total deferred tax liabilities	**62,188**	40,416	**517,072**
Net deferred tax assets	**¥17,203**	¥15,974	**$143,039**

A reconciliation between the normal effective statutory tax rate and the actual effective tax rate reflected in the accompanying consolidated statements of income for the year ended March 31, 2015 was as follows:

	2015
Normal effective statutory tax rate	35.6%
Decrease in deferred taxes due to newly enacted tax reform laws	2.3
Permanently tax-exempt income, such as dividend income	(3.1)
Gain on bargain purchase	(2.7)
Other — net	1.0
Actual effective tax rate	33.1%

New tax reform laws enacted in 2015 in Japan changed the normal effective statutory tax rate for the fiscal year beginning on or after April 1, 2015, to approximately 33.0% and for the fiscal year beginning on or after April 1, 2016, to approximately 32.2%. The effect of these changes was to decrease deferred tax assets by ¥255 million ($2,121 thousand) and deferred tax liabilities by ¥2,807 million ($23,340 thousand), and increase valuation difference on available-for-sale-securities by ¥5,219 million ($43,394 thousand) and revaluation reserve for land by ¥1,843 million ($15,331 thousand), with a decrease of the same amount in related deferred tax liability, in the consolidated balance sheet as of March 31, 2015, and to increase income taxes-deferred in the consolidated statement of income for the year then ended by ¥2,778 million ($23,104 thousand).

A reconciliation between the normal effective statutory tax rate for the year ended March 31, 2014 and the actual effective tax rate reflected in the accompanying consolidated statements of income was not required under Japanese accounting standards due to immaterial differences.

26. LEASES

Lessor

A consolidated subsidiary leases certain equipment and other assets to various customers.

The net lease investment assets are summarized as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2015	2014	2015
Gross lease receivables	¥64,178	¥64,884	$533,624
Unguaranteed residual values	1,907	5,094	15,860
Unearned interest income	(5,590)	(6,493)	(46,485)
Lease investment assets	¥60,495	¥63,485	$502,999

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

Year Ending March 31	Millions of Yen	Thousands of U.S. Dollars
2016	¥1,169	$ 9,727
2017	885	7,362
2018	672	5,588
2019	494	4,111
2020	375	3,124
2021 and thereafter	1,227	10,210
Total	¥4,825	$40,122

Maturities of lease investment assets for finance leases that are not deemed to transfer ownership of the leased property to the lessee were as follows:

Year Ending March 31	Millions of Yen	Thousands of U.S. Dollars
2016	¥19,479	$161,967
2017	15,338	127,535
2018	11,992	99,710
2019	8,341	69,360
2020	4,102	34,108
2021 and thereafter	4,924	40,944
Total	¥64,178	$533,624

The minimum rental commitments under noncancelable operating leases as of March 31, 2015 and 2014, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2015	2014	**2015**
Due within one year	**¥216**	¥211	**$1,802**
Due after one year	**320**	426	**2,668**
Total	**¥537**	¥638	**$4,470**

27. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

(1) Group Policies for Financial Instruments

The Group engages in banking as its mainstay business, as well as leasing, securities, conducting survey research and other information services, venture capital, and other financial service businesses. As the Group positions its core business services exclusively for local small- and medium-sized businesses and individuals, it is a fundamental policy of the Group to aim to minimize any adverse effects of economic fluctuations and the changing market environment and to provide financial services reliably. Under this policy, the Group endeavors to maintain sound management by continuously identifying, assessing, monitoring, and controlling the various risks inherent in financial instruments that correspond to the strategic goals of the Bank, including medium-term management plans and operational management policies. The Group also strives to secure stable revenues, commensurate with the risks, by appropriately allocating management resources.

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

The financial assets of the Bank, which mainly consist of loans to small- and medium-sized businesses and personal housing loans, are exposed to customer credit risk. Securities mainly consist of debt securities, equity securities, and investment trusts, and are accounted for as trading securities, held-to-maturity securities, and available-for-sale securities. These securities are exposed to issuers' credit risk and the risk of market price fluctuations.

The financial liabilities of the Bank are mainly personal deposits, which consist of liquidity deposits and fixed deposits. These deposits are exposed to liquidity risk, such as losses generated by unexpected withdrawals.

There are certain mismatches in interest rates and contract periods between financial assets, such as loans, and financial liabilities, such as deposits, that are exposed to market risks from changes in variable interest rates. However, a part of this risk is mitigated by using interest-rate swap derivatives.

The Bank uses swaps, futures, forward and option contracts, and other similar types of contracts based on either interest rates, foreign exchange rates, or securities prices. These financial instruments are used in trading activities to generate trading revenues and fee income and are also used in Asset and Liability Management ("ALM") activities to control exposure to fluctuations in such market rates or prices.

The Bank uses derivatives to provide customers with risk-hedging methods, to complement their ALM activities, to hedge market risks, and to strengthen earnings. The Bank carefully studies the risks involved with derivative transactions and maintains a policy of limiting the volume of the risks within a range that it is capable of controlling based on its financial strength.

Derivatives used for hedging purposes are recorded on the basis of hedge accounting in accordance with the Japanese accounting standard for financial instruments. Such derivatives are interest rate swaps, currency swaps, and forward exchange contracts that are utilized to control the risks from loan and bills discounted, foreign currency monetary claims, and debt. The Bank reviews the effectiveness of hedging activities using the methods permitted under the accounting standards.

Similar to other market transactions, derivative transactions are subject to a variety of risks, including market, credit, and liquidity. Among those risks, the Bank emphasizes establishing a risk management structure to understand and manage market risk and credit risk.

Certain consolidated subsidiaries hold lease receivables and installment receivables. These financial instruments are exposed to market risks from changes in variable interest rates and credit risk.

(3) Risk Management for Financial Instruments

(a) Credit risk management

Under the consensus that credit risk is the risk with most influence on the Bank's financial stability, the Bank has established a "Credit Policy" to realize one of its management philosophies, "We facilitate stable supply of funds as a mainstay of the credit order," and takes every initiative to optimize its credit portfolio management and credit control of individual accounts.

In addition, the Credit Risk Management Office in the Risk Management Department ("RMD"), which is responsible for credit risk control, has been established as a section independent of the Credit Department, which assesses the credit of individual accounts. The RMD has developed an "Internal Credit Rating System" and a "Self-Assessment System" to categorize the credibility of debtors and individual loan projects from an independent point of view and conducts appropriate credit risk control and proper amortization and/or determines the allowance for loan losses.

Under its Internal Credit Rating System, the Bank uses data of past credit default experience, collateral, and guarantees sorted by credit rating to statistically quantify the aggregate credit risk volume for the entire credit portfolio. Such data and the quantified credit risk are then used to assess the debtor's financial health and profitability, including comparison of management strength and adjustment of appropriate lending rates.

The Bank also monitors the portfolio from various aspects to strictly control the following credit concentration risks:

- Debtor concentration risk could generate large losses due to too much credit concentrated in specific debtors or debtor groups. In order to control such risk, an aggregate credit limit and action plans for major debtors with a certain amount of credit, which is determined based on their management strength and profitability, are decided directly by the Board of Directors.
- Industry concentration risk could generate large losses due to too much credit concentrated in specific industries that could be significantly affected by changes in their respective surrounding economic conditions. In order to control such risk, the Bank uses credit limits established exclusively for specific industries and an alarm-point system.
- Use-of-loans concentration risk could generate large losses due to too much credit concentrated in specific use of loaned funds that could be significantly affected by changes in financing practices and the social environment. To identify increases in such risk, periodic investigations are performed.

Aiming at enhancing the effectiveness of these credit portfolio management measures, the Credit Portfolio Committee (Executive Committees consist of directors, etc.) meets periodically. In this Committee, credit breakdowns by region, amount, credit rating, industry, and product, as well as risks against returns, are analyzed from a company-wide point of view. The Committee also discusses and decides material matters for advancing the credit risk control systems through measures, including verification of the effectiveness of the Internal Credit Rating System.

To properly backup these credit risk control systems, an accumulation of large quantities of data is necessary. While the Bank continuously takes initiatives to expand and enrich its internal databases, it uses the "Credit Risk Information Total Service (CRITS)" and the "Credit Risk Assessment System (Credit Gauge)," which are provided by the Regional Banks Association of Japan as shared systems, to complement its own databases.

These shared systems are fully equipped with major functions, such as financial scoring models for enterprises, credit control databases, and credit risk quantification systems. They also provide extensive statistical data on nationwide credit conditions and credit risks collected from 64 regional banks. By using these shared systems, the Bank carries out calculations according to the Monte Carlo simulation method in a short time and, thereby, achieves a detailed quantification of credit risk.

In order to assess the credibility of individual accounts, the Bank performs strict examinations in conformity with the five principles of "publicity," "safety," "profitability," "growth," and "liquidity," as stipulated in the Credit Policy.

During credit examinations, not only the credit risk relating to the traditional loan business, but also the credit risk of counterparties of derivatives and other market transactions are examined. Final decisions are made on the aggregate credit limit for entire on- and off-balance transactions and/or domestic and overseas transactions by customer group.

Regarding the individual credit of major debtors, the Investment and Loan Committee (Executive Committees consist of directors, etc.) analyzes and examines their credibility and decides on the extension of credit. This treatment is also aimed at enhancing the Bank's corporate governance.

If the debtor enterprises' performance deteriorates after the credit extension, the Management Support Office proactively assists in their rehabilitation. For effective rehabilitation support, human resources with rich knowledge and experience are indispensable. Based on this understanding, the Bank has established a Business Solution Advisor Certification System to nurture human resources capable of rehabilitation support and strengthened its structure for helping customers enhance their management systems.

(b) Market risk management (foreign exchange risk and interest risk)

It is a fundamental policy of the Bank to enter into market transactions that appropriately meet customers' needs, which have been increasingly diversified due to the development of financial engineering (such as the emergence of various derivative transactions), as well as in transactions that enhance the profitability of the Bank.

It is also its fundamental policy to perform market risk management that corresponds to the above-mentioned market transactions. Specifically, the Bank controls interest rate risk, foreign exchange risk, and price fluctuation risk in its ALM processes.

To control market risks effectively, the ALM Committee (Executive Committees consist of directors, etc.) meets semiannually to set the amount of capital to be allocated within the Bank's risk-tolerance parameters in relation to the level of risk exposure and to set the position limits (the upper limits of the risk that the Bank can hold) by operation and the warning points (the level of loss amounts to start reviewing operating policies). Furthermore, to strengthen symptom managements and to detect rapid changes in market structure as early as possible, management and each department develop new perspectives and communicate across the organization to a greater extent than in prior years. The market risk operation sections enter into market transactions flexibly and efficiently in conformity with these risk-limit rules.

The Bank has established reciprocal control mechanisms in its market operations by separating its organization into front office (Financial Market Department), middle office (RMD), and back office (Operations Planning and Administration Department) functions. The middle office is responsible for market risk management, measuring risks and returns relating to market transactions, and monitoring the front office and back office. In addition to sharing recognition and exchanging views on economic trends and market trends in "Market Opinion Exchange Meeting" that consisted of directors, the middle office provides daily reports to management concerning market risk exposure and the profit and loss situation. For management purposes, the Bank also separates the market operations into trading operations and banking operations.

The Bank's trading operations include profit-generating trading transactions that take advantage of short-term fluctuations and differences in value among markets in indices, such as interest rates, foreign exchange rates, and market quotations of financial instruments. The trading operations also deal with transactions for the purpose of mitigating possible losses incurred from the above-mentioned transactions. The financial instruments that are allowed to be dealt with in the trading operations include Japanese government bonds ("JGBs"), JGB futures, interest rate swaps, and interest rate futures. Operations other than trading operations are defined as banking operations. The trading operations are carried out in a rigid manner in compliance with the Bank's internal rules on definition of trading transactions, authorities for fair value calculation, and its methods.

The Bank currently utilizes various effective measurement methods suitable for operational features and investment policies, in addition to Value-at-Risk ("VaR") and Basis Point Value, to quantify market risk. To quantify market risk that cannot be captured by VaR, stress tests are regularly carried out.

The Bank performs quantitative analysis on market risks relating to all financial instruments in principle, using mainly VaR. In calculating VaR, the Bank uses the historical simulation method (confidence interval: 99.9%, observation period: 1,250 days). As for holding periods, the Bank has set 10 days for financial instruments for trading purposes and periods considered appropriate (primarily from one month to one year, based on the position settlement periods and other factors) for financial instruments for nontrading purposes (those for banking operations).

The aggregate amount of the market risks (estimated loss amount) of the Bank's trading business was ¥57 million ($480 thousand) and ¥24 million as of March 31, 2015 and 2014, respectively. The aggregate amount of the market risks of the banking business, excluding market risks of unlisted equity securities and other financial instruments whose fair value cannot be reliably determined, stood at ¥103,621 million ($861,577 thousand) and ¥106,356 million as of March 31, 2015 and 2014, respectively. It should be noted that the aggregate amounts of market risks represent a simple sum of amounts of each market risk categorized by risk type. It should also be noted that the interest risks on loans and deposits are calculated by defining core deposits as liquid deposits that have had no movement, incoming or outgoing, to/from the Bank for a considerable period of time and by categorizing these using maturity periods of up to five years with an average of less than 2.5 years.

The Bank carries out back testing to compare VaR calculated based on the models with hypothetical profit and loss, which are assumed to have been incurred when the portfolio was fixed as it was at the point of the risk-amount measurement. The outcome of the tests is reported to the ALM Committee quarterly. According to the result of back testing conducted, it is believed that the measurement model the Bank uses is adequate to capture market risks. It should be noted that VaR measures the amount of market risk at certain probability levels statistically calculated based on historical market fluctuations, and therefore, there may be cases where market risks cannot be captured in such situations where market conditions are changing dramatically beyond what was experienced historically.

(c) Liquidity risk management

The basic structure of assets and liabilities of a bank is to procure funds as deposits with relatively short maturities and to invest them in loans and debt securities with long maturities.

Therefore, managing liquidity risk to facilitate a stable settlement system should be recognized as a top-priority issue for a bank. Should the Bank's liquidity fall short, it would not only affect the Bank, but also the whole financial system and the whole regional economy significantly, and would clearly show the emergence of systemic risk. Based on this understanding, the Bank closely stipulates in its internal regulations, such as the Basic Regulations of Liquidity Risk Management, and the methods of liquidity risk management to be used in day-to-day operations, as well as appropriate countermeasures to be taken in case of concern and/or critical situations regarding liquidity risk.

In order to facilitate stable funding management on a daily basis and maintain preparation for urgent cash outflows, the ALM Committee semiannually sets limits for fund reserves that require maintenance of highly liquid assets above a certain level stipulated in the guidelines. The middle office (RMD) monitors the level of fund reserves daily against the limits in a strict manner.

In addition, the status of investments and procurement of funds are examined together with the prospects of the interest rate and foreign exchange markets and with current circumstances regarding risks, not only by the ALM Committee but also by Market Risk Expert Committees held in relevant sections every week. This is done in order to reflect changes in the market environment in liquidity risk management through the monitoring of a variety of data to be considered to affect the liquidity risk of the Bank.

In cases where obvious signs of liquidity risk can be discerned, such as in the case of significant changes in the market environment and/or the Bank's status of fund investments and procurement, the Liquidity Risk Emergency Committee will be called upon immediately to, with the participation of relevant sections, compile and organize information and make prompt decisions on necessary countermeasures.

(4) Supplementary Explanation on Fair Value of Financial Instruments

The fair values of financial instruments are based on their market prices and, in cases where market prices are not readily available, reasonably calculated prices. Such prices have been calculated using certain assumptions and these prices may differ if calculated based on different assumptions.

(5) Fair Values of Financial Instruments

Fair values of financial instruments are based on quoted prices in active markets. If quoted prices are not available, other rational valuation techniques are used instead.

(a) Fair value of financial instruments

	Millions of Yen		
March 31, 2015	Carrying Amount	Fair Value	Unrealized Gain/Loss
(1) Cash and due from banks	¥ 2,303,301	¥ 2,303,301	
(2) Call loans and bills bought	273,006	273,006	
(3) Securities:			
Held-to-maturity securities	228,212	239,475	¥11,263
Available-for-sale securities	2,222,963	2,222,963	
(4) Loans and bills discounted	9,724,053		
Allowance for loan losses*1	(66,197)		
Net	9,657,855	9,720,290	62,434
Total assets	¥14,685,339	¥14,759,036	¥73,697
(1) Deposits	¥12,121,479	¥12,122,688	¥ 1,209
(2) Call money and bills sold	777,299	777,299	
(3) Payables under securities lending transactions	247,651	247,651	
(4) Borrowed money	695,315	694,314	(1,001)
Total liabilities	¥13,841,745	¥13,841,953	¥ 207
Derivative instruments*2:			
Hedge accounting is not applied	¥ 7,792	¥ 7,792	
Hedge accounting is applied	(2,101)	(2,101)	
Total derivative instruments	¥ 5,691	¥ 5,691	

March 31, 2014	Millions of Yen Carrying Amount	 Fair Value	 Unrealized Gain/Loss
(1) Cash and due from banks	¥ 1,423,159	¥ 1,423,159	
(2) Call loans and bills bought	283,210	283,210	
(3) Securities:			
Held-to-maturity securities	261,288	272,037	¥10,748
Available-for-sale securities	1,773,572	1,773,572	
(4) Loans and bills discounted	9,453,564		
Allowance for loan losses*1	(71,177)		
Net	9,382,386	9,448,570	66,183
Total assets	¥13,123,617	¥13,200,549	¥76,932
(1) Deposits	¥11,829,221	¥11,831,090	¥ 1,868
(2) Call money and bills sold	182,178	182,178	
(3) Payables under securities lending transactions	91,591	91,591	
(4) Borrowed money	301,184	301,021	(163)
Total liabilities	¥12,404,175	¥12,405,881	¥ 1,705
Derivative instruments*2:			
Hedge accounting is not applied	¥ 8,188	¥ 8,188	
Hedge accounting is applied	(5,030)	(5,030)	
Total derivative instruments	¥ 3,158	¥ 3,158	

March 31, 2015	Thousands of U.S. Dollars Carrying Amount	 Fair Value	 Unrealized Gain/Loss
(1) Cash and due from banks	**$ 19,151,086**	**$ 19,151,086**	
(2) Call loans and bills bought	**2,269,950**	**2,269,950**	
(3) Securities:			
Held-to-maturity securities	**1,897,499**	**1,991,148**	**$ 93,649**
Available-for-sale securities	**18,483,106**	**18,483,106**	
(4) Loans and bills discounted	**80,851,859**		
Allowance for loan losses*1	**(550,405)**		
Net	**80,301,454**	**80,820,570**	**519,116**
Total assets	**$122,103,095**	**$122,715,860**	**$612,765**
(1) Deposits	**$100,785,558**	**$100,795,613**	**$ 10,055**
(2) Call money and bills sold	**6,462,956**	**6,462,956**	
(3) Payables under securities lending transactions	**2,059,132**	**2,059,132**	
(4) Borrowed money	**5,781,287**	**5,772,961**	**(8,326)**
Total liabilities	**$115,088,933**	**$115,090,662**	**$ 1,729**
Derivative instruments*2:			
Hedge accounting is not applied	**$ 64,791**	**$ 64,791**	
Hedge accounting is applied	**(17,469)**	**(17,469)**	
Total derivative instruments	**$ 47,322**	**$ 47,322**	

*1 Allowances for loan losses relevant to loans and bills discounted have been deducted.

*2 Derivative instruments include derivative transactions, both in trading assets and liabilities and other assets and liabilities. Derivative instruments are presented net of assets and liabilities associated with derivative transactions.

Assets

(1) Cash and Due from Banks

The carrying amounts of due from banks with no maturities approximate fair value. For due from banks with maturities, the carrying amounts approximate fair value because they have short maturities of one year or less.

(2) Call Loans and Bills Bought

The carrying amounts of call loans and bills bought approximate fair value because they have short maturities of one year or less.

(3) Securities

The fair values of marketable equity securities are measured at the quoted market price of the stock exchange for equity instruments. Fair values of bonds are measured at the reference statistical price of the Japan Securities Dealers Association or the quoted price obtained from financial institutions. Fair values of investment trusts are measured at the quoted price.

The fair values of private placements with floating interest rates approximate their book values as long as customers' credit risks have not changed significantly after issuance because the market rates are promptly reflected in the floating interest rates. The fair values of private placements with fixed interest rates are determined by discounting future cash flows at the rate that consists of the risk-free rate and the credit risk premium that corresponds to the internal credit rating.

(4) Loans and Bills Discounted

The carrying amounts of loans and bills discounted with floating interest rates approximate fair value as long as customers' credit risks have not changed significantly after lending because the market rates are promptly reflected in the floating interest rates.

The fair values of loans and bills discounted with fixed interest rates are determined by discounting the future cash flows at rates that consist of the risk-free rate and the credit risk premium that corresponds to the internal credit rating. The future cash flows of certain loans and bills discounted are grouped by product and by remaining duration in accordance with internal rules of credit risk classification. The carrying amounts of loans and bills discounted with maturities less than one year approximate fair value because of their short maturities.

For loans to customers deemed as "legal bankruptcy," "virtual bankruptcy," and "possible bankruptcy," an allowance for credit losses is provided based on the DCF method or based on amounts expected to be collected through the disposal of collateral or execution of guarantees. The carrying value, net of the reserve, as of the consolidated balance sheet date is a reasonable estimate of the fair values of those loans.

The carrying amounts of loans and bills discounted that do not have fixed maturities due to loan characteristics, such as limited loan amounts within the value of pledged assets, approximate fair value due to their expected repayment periods and interest rate conditions.

Liabilities

(1) Deposits

The fair values of demand deposits are recognized as payment at the date of the consolidated balance sheet. The fair values of time deposits are determined by discounting the contractual cash flows grouped by product and by the remaining duration at the rates that would be applied for similar new contracts. The carrying amounts of the deposits with maturities less than one year approximate fair value because of their short-term maturities.

(2) Call Money and Bills Sold and (3) Payables under securities lending transactions

The carrying amounts of call money and bills sold and payables under securities lending transactions approximate fair value because they have short maturities of one year or less.

(4) Borrowed Money

The carrying amount of borrowed money with floating interest rates approximates fair value because the market rates are promptly reflected in the floating interest rate and the credit risks of the Bank and its consolidated subsidiaries have not changed significantly after borrowing. The fair value of borrowed money with fixed interest rates is determined by discounting future cash flows at the rate that would be applied for similar new contracts. The carrying amount of borrowed money with maturity of less than one year approximates fair value because of its short maturity period.

Derivatives

The fair values of derivative instruments are measured at the market price or determined using the discounted cash flow method or option-pricing model.

(b) Carrying amount of financial instruments whose fair value cannot be reliably determined

	Millions of Yen		Thousands of U.S. Dollars
	2015	2014	**2015**
Equity securities without readily available market price*1*3	**¥8,284**	¥8,794	**$68,879**
Investments in partnerships*2*3	**116**	63	**968**
Total	**¥8,400**	¥8,858	**$69,847**

*1 Equity securities without readily available market price are out of the scope of the fair value disclosure because their fair values cannot be reliably determined.

*2 Investments in partnerships, the assets of which comprise equity securities without a readily available market price, are out of the scope of the fair value disclosure.

*3 During the year ended March 31, 2015, impairment losses on equity securities without a readily available market price of ¥11 million ($94 thousand) and on investments in partnerships of ¥4 million ($38 thousand) were recognized. During the year ended March 31, 2014, impairment losses on equity securities without readily available market price of ¥60 million and on investments in partnerships of ¥1 million were recognized.

(6) Maturity Analysis for Financial Assets and Liabilities with Contractual Maturities

	Millions of Yen					
March 31, 2015	Due in 1 Year or Less	Due after 1 Year through 3 Years	Due after 3 Years through 5 Years	Due after 5 Years through 7 Years	Due after 7 Years through 10 Years	Due after 10 Years
Due from banks	**¥2,177,548**					
Call loans and bills bought	**273,006**					
Securities:						
Held-to-maturity securities	**26,277**	**¥ 20,087**	**¥ 25,512**	**¥146,566**	**¥ 4,000**	**¥ 6,000**
Available-for-sale securities with contractual maturities	**305,666**	**529,069**	**702,601**	**94,415**	**39,134**	**313,514**
Loans and bills discounted	**2,159,708**	**1,681,761**	**1,260,199**	**686,075**	**838,978**	**2,819,764**
Total	**¥4,942,207**	**¥2,230,918**	**¥1,988,312**	**¥927,056**	**¥882,113**	**¥3,139,279**

	Millions of Yen					
March 31, 2014	Due in 1 Year or Less	Due after 1 Year through 3 Years	Due after 3 Years through 5 Years	Due after 5 Years through 7 Years	Due after 7 Years through 10 Years	Due after 10 Years
Due from banks	¥1,288,165					
Call loans and bills bought	283,210					
Securities:						
Held-to-maturity securities	35,557	¥ 27,317	¥ 23,577	¥ 67,491	¥ 97,557	¥ 10,000
Available-for-sale securities with contractual maturities	383,740	538,552	408,396	95,417	23,614	140,228
Loans and bills discounted	2,171,370	1,654,439	1,185,128	670,532	735,171	2,766,889
Total	¥4,162,045	¥2,220,308	¥1,617,102	¥833,441	¥856,342	¥2,917,117

	Thousands of U.S. Dollars					
March 31, 2015	Due in 1 Year or Less	Due after 1 Year through 3 Years	Due after 3 Years through 5 Years	Due after 5 Years through 7 Years	Due after 7 Years through 10 Years	Due after 10 Years
Due from banks	**$18,105,497**					
Call loans and bills bought	**2,269,950**					
Securities:						
Held-to-maturity securities	**218,488**	**$ 167,016**	**$ 212,123**	**$1,218,641**	**$ 33,259**	**$ 49,888**
Available-for-sale securities with contractual maturities	**2,541,501**	**4,399,018**	**5,841,864**	**785,026**	**325,392**	**2,606,758**
Loans and bills discounted	**17,957,165**	**13,983,216**	**10,478,088**	**5,704,458**	**6,975,791**	**23,445,287**
Total	**$41,092,601**	**$18,549,250**	**$16,532,075**	**$7,708,125**	**$7,334,442**	**$26,101,933**

Note: As of March 31, 2015, loans and bills discounted whose cash flow cannot be estimated, such as "legal bankruptcy," "virtual bankruptcy," and "possible bankruptcy" loans, amounting to ¥185,883 million ($1,545,550 thousand) and loans and bills discounted with no contractual maturities amounting to ¥91,682 million ($762,304 thousand) are not included.

As of March 31, 2014, loans and bills discounted whose cash flow cannot be estimated, such as "legal bankruptcy," "virtual bankruptcy," and "possible bankruptcy" loans, amounting to ¥182,960 million and loans and bills discounted with no contractual maturities amounting to ¥87,072 million are not included.

March 31, 2015	Millions of Yen Due in 1 Year or Less	Due after 1 Year through 3 Years	Due after 3 Years through 5 Years	Due after 5 Years through 7 Years	Due after 7 Years through 10 Years
Deposits	**¥11,351,074**	**¥514,052**	**¥242,125**	**¥5,878**	**¥8,348**
Call money and bills sold	**777,299**				
Payables under securities lending transactions	**247,651**				
Borrowed money	**148,894**	**68,013**	**475,979**	**2,102**	**325**
Total	**¥12,524,920**	**¥582,065**	**¥718,105**	**¥7,981**	**¥8,673**

March 31, 2014	Millions of Yen Due in 1 Year or Less	Due after 1 Year through 3 Years	Due after 3 Years through 5 Years	Due after 5 Years through 7 Years	Due after 7 Years through 10 Years
Deposits	¥11,076,440	¥504,476	¥235,922	¥4,929	¥7,452
Call money and bills sold	182,178				
Payables under securities lending transactions	91,591				
Borrowed money	230,699	67,314	2,244	400	525
Total	¥11,580,909	¥571,791	¥238,167	¥5,329	¥7,977

March 31, 2015	Thousands of U.S. Dollars Due in 1 Year or Less	Due after 1 Year through 3 Years	Due after 3 Years through 5 Years	Due after 5 Years through 7 Years	Due after 7 Years through 10 Years
Deposits	**$ 94,379,929**	**$4,274,153**	**$2,013,185**	**$48,880**	**$69,412**
Call money and bills sold	**6,462,956**				
Payables under securities lending transactions	**2,059,132**				
Borrowed money	**1,238,005**	**565,506**	**3,957,590**	**17,483**	**2,702**
Total	**$104,140,022**	**$4,839,659**	**$5,970,775**	**$66,363**	**$72,114**

Note: The cash flow of demanded deposits is included in “Due in 1 Year or Less.”

28. DERIVATIVE INFORMATION

Derivative Transactions to Which Hedge Accounting Is Not Applied at March 31, 2015 and 2014

The Bank’s derivative contracts that were quoted on listed exchanges, outstanding as of March 31, 2015 and 2014, were as follows:

March 31, 2015	Millions of Yen Contract Amount	Contract Amount Due after One Year	Fair Value	Unrealized Gain/Loss
Interest rate swaps — Futures written	**¥5,966**		**¥ (7)**	**¥ (7)**
Bond contracts — Futures written	**6,904**		**(71)**	**(71)**
Bond contracts — Futures purchased	**3,951**		**64**	**64**

March 31, 2014	Millions of Yen Contract Amount	Contract Amount Due after One Year	Fair Value	Unrealized Gain/Loss
Bond contracts — Futures written	¥579			

March 31, 2015	Thousands of U.S. Dollars Contract Amount	Contract Amount Due after One Year	Fair Value	Unrealized Gain/Loss
Interest rate swaps — Futures written	**$49,610**		**$ (63)**	**$ (63)**
Bond contracts — Futures written	**57,406**		**(592)**	**(592)**
Bond contracts — Futures purchased	**32,855**		**532**	**532**

The Bank's derivative contracts that were not quoted on listed exchanges, outstanding as of March 31, 2015 and 2014, were as follows:

	Millions of Yen			
March 31, 2015	Contract Amount	Contract Amount Due after One Year	Fair Value	Unrealized Gain/Loss
Interest rate contracts:				
Interest rate swaps:				
Receive fixed and pay floating	**¥1,751,090**	**¥1,445,625**	**¥ 39,090**	**¥ 39,090**
Receive floating and pay fixed	**1,740,571**	**1,346,981**	**(30,365)**	**(30,365)**
Receive floating and pay floating	**1,405,400**	**1,197,900**	**142**	**142**
Caps and others written	**19,748**	**14,855**	**(26)**	**392**
Caps and others purchased	**12,900**	**10,700**	**23**	**23**
Foreign exchange:				
Currency swaps	**49,475**	**36,834**	**165**	**165**
Forward exchange contracts — written	**134,319**		**(2,115)**	**(2,115)**
Forward exchange contracts — purchased	**136,758**		**882**	**882**
Options written	**27,238**	**18,921**	**(1,619)**	**98**
Options purchased	**27,370**	**18,921**	**1,629**	**170**

	Millions of Yen			
March 31, 2014	Contract Amount	Contract Amount Due after One Year	Fair Value	Unrealized Gain/Loss
Interest rate contracts:				
Interest rate swaps:				
Receive fixed and pay floating	¥1,923,809	¥1,590,427	¥ 36,235	¥ 36,235
Receive floating and pay fixed	1,923,077	1,461,887	(29,096)	(29,096)
Receive floating and pay floating	693,620	613,630	387	387
Caps and others written	34,425	21,609	(63)	542
Caps and others purchased	22,700	13,900	48	48
Foreign exchange:				
Currency swaps	71,057	45,897	290	290
Forward exchange contracts — written	119,732		(565)	(565)
Forward exchange contracts — purchased	123,564		944	944
Options written	28,106	19,353	(1,253)	758
Options purchased	28,209	19,353	1,260	(431)

	Thousands of U.S. Dollars			
March 31, 2015	Contract Amount	Contract Amount Due after One Year	Fair Value	Unrealized Gain/Loss
Interest rate contracts:				
Interest rate swaps:				
Receive fixed and pay floating	**$14,559,658**	**$12,019,838**	**$ 325,024**	**$ 325,024**
Receive floating and pay fixed	**14,472,202**	**11,199,648**	**(252,482)**	**(252,482)**
Receive floating and pay floating	**11,685,375**	**9,960,090**	**1,188**	**1,188**
Caps and others written	**164,205**	**123,515**	**(222)**	**3,268**
Caps and others purchased	**107,259**	**88,966**	**191**	**191**
Foreign exchange:				
Currency swaps	**411,367**	**306,265**	**1,375**	**1,375**
Forward exchange contracts — written	**1,116,820**		**(17,587)**	**(17,587)**
Forward exchange contracts — purchased	**1,137,098**		**7,339**	**7,339**
Options written	**226,481**	**157,322**	**(13,461)**	**817**
Options purchased	**227,575**	**157,322**	**13,549**	**1,418**

Derivative Transactions to Which Hedge Accounting Is Applied at March 31, 2015 and 2014

The Bank's derivative contracts that were not quoted on listed exchanges, outstanding as of March 31, 2015 and 2014, were as follows:

		Millions of Yen		
March 31, 2015	Hedged Item	Contract Amount	Contract Amount Due after One Year	Fair Value
Interest rate contracts — Interest rate swaps — receive floating and pay fixed	Loans and bills discounted, etc.	**¥ 7,193**	**¥7,193**	
Foreign exchange — Currency swaps	Deposits denominated in foreign currencies, due from banks denominated in foreign currencies, etc.	**440,153**	**7,216**	**¥(2,101)**

		Millions of Yen		
March 31, 2014	Hedged Item	Contract Amount	Contract Amount Due after One Year	Fair Value
Interest rate contracts — Interest rate swaps — receive floating and pay fixed	Loans and bills discounted	¥ 6,572	¥6,443	¥ (2)
Foreign exchange — Currency swaps	Deposits denominated in foreign currencies, due from banks denominated in foreign currencies, etc.	500,507		(5,027)

		Thousands of U.S. Dollars		
March 31, 2015	Hedged Item	Contract Amount	Contract Amount Due after One Year	Fair Value
Interest rate contracts — Interest rate swaps — receive floating and pay fixed	Loans and bills discounted, etc.	**$ 59,812**	**$59,812**	
Foreign exchange — Currency swaps	Deposits denominated in foreign currencies, due from banks denominated in foreign currencies, etc.	**3,659,713**	**60,000**	**$(17,469)**

The above interest rate swaps that qualify for hedge accounting and meet specific matching criteria are not remeasured at market value, but the differential paid or received under the swap agreements is recognized and included in interest expense or income. In addition, the fair value of such interest rate swaps in Note 27 is included in the hedged items (i.e., loan and bills discounted).

29. OTHER COMPREHENSIVE INCOME

The components of other comprehensive income for the years ended March 31, 2015 and 2014, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2015	2014	**2015**
Valuation difference on available-for-sale securities:			
Gains arising during the year	**¥ 60,472**	¥ 3,918	**$ 502,807**
Reclassification adjustments to profit or loss	**15,011**	(1,326)	**124,819**
Amount before income tax effect	**75,484**	2,591	**627,626**
Income tax effect	**(21,501)**	(746)	**(178,779)**
Total	**¥ 53,982**	¥ 1,845	**$ 448,847**
Deferred gain or losses on hedges:			
Gains arising during the year	**¥ (1,725)**	¥ (886)	**$ (14,347)**
Reclassification adjustments to profit or loss	**1,774**	928	**14,756**
Amount before income tax effect	**49**	41	**409**
Income tax effect	**(15)**	(14)	**(128)**
Total	**¥ 33**	¥ 26	**$ 281**
Revaluation reserve for land:			
Gains arising during the year			
Reclassification adjustments to profit or loss			
Amount before income tax effect			
Income tax effect	**¥ 1,843**		**$ 15,330**
Total	**¥ 1,843**		**$ 15,330**
Remeasurements of defined benefit plans:			
Adjustments arising during the year	**¥ 11,171**		**$ 92,886**
Reclassification adjustments to profit or loss	**3,690**		**30,687**
Amount before income tax effect	**14,862**		**123,573**
Income tax effect	**(5,232)**		**(43,508)**
Total	**¥ 9,629**		**$ 80,065**
Total other comprehensive income	**¥ 65,489**	¥ 1,872	**$ 544,523**

30. SEGMENT INFORMATION

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

The Group engages in banking as its mainstay business, as well as leasing, securities, and other financial services businesses. The Group Strategic Conference established by the Bank helps each Group company set its own management goals and conducts periodic reviews of progress as part of its thorough supervision of the management of the Group. Segment information for businesses other than the banking operations of each Group company is not disclosed due to its immateriality.

31. BUSINESS COMBINATION

(1) Summary of the Business Combination

On September 5, 2014 and March 25, 2015, Yokohama Guarantee Co.,Ltd. acquired treasury shares from minority shareholders, and on March 25, 2015, and March 30, 2015, the consolidated subsidiaries acquired shares of Yokohama Guarantee Co., Ltd. (Residential loan guarantee services), Hamagin Research Institute, Ltd. (Consulting business, conducting surveys researches, and other information services), and Yokohama Capital Co., Ltd. (investment in, and financing to, small and medium-sized enterprises) from their minority shareholders.

As a result, the ownership of the Group in these subsidiaries and Hamagin Finance Co., Ltd. (Leasing and factoring services) has increased to 100%.

(2) Summary of the Accounting Treatment Implemented

This business combination was accounted for as a transaction under common control, based on ASBJ Statement No. 21, "Accounting Standard for Business Combinations" and ASBJ Guidance No. 10, "Guidance for Accounting Standard for Business Combinations and Business Divestitures."

(3) Additional Acquisition of Subsidiary's Shares

(A) Acquisition Cost

¥6,338 million ($52,701 thousand)

(B) Amount of Gain on bargain purchase Incurred and Cause

(a) Amount of Gain on bargain purchase Incurred

¥9,101 million ($75,676 thousand)

(b) Cause

The acquisition cost of the subsidiary shares from minority shareholders was lower than the amount of a decrease of minority interests.

32. SUBSEQUENT EVENTS

(1) On May 12, 2015, the Board of Directors resolved the following appropriation of retained earnings:

Appropriation of Retained Earnings as of March 31, 2015

	Millions of Yen	Thousands of U.S. Dollars
Year-end cash dividends — Common stock (¥7.50 — $0.06 per share)	**¥9,346**	**$77,714**

(2) On September 8, 2015, the Bank executed the Business Integration Agreement:

On September 8, 2015, the Bank and The Higashi-Nippon Bank, Limited ("HNB"), in accordance with the Basic Agreement Concerning Consideration of a Business Integration agreed upon between the Bank and HNB (together, the "Banks") on November 14, 2014, resolved at their respective meetings of the Board of Directors to incorporate a company named "Concordia Financial Group, Ltd." that would become a wholly-owning parent company of the Banks effective as of April 1, 2016 through a share transfer subject to obtaining the approval of shareholders of the Banks and regulatory approvals. The Banks also executed the Business Integration Agreement on the same date. According to the agreement, one share of common stock of the wholly-owning parent company of the Banks will be allocated and delivered for each share of common stock of the Bank, and 0.541 shares of common stock of the wholly-owning parent company will be allocated and delivered for each share of common stock of HNB.

(3) On September 8, 2015, the Board of Directors resolved the following purchases of treasury shares:

On September 8, 2015, the Board of Directors resolved to purchase its own shares as defined under Article 459, Section 1 of the Companies Act.

(1) Type of shares to be purchased	Common stock
(2) Total number of shares to be purchased	20,000,000 shares (upper limit)
(3) Total amount of shares to be purchased	¥12.5 billion (upper limit)
(4) Schedule of purchases of stock	From September 10, 2015 to October 30, 2015

Deloitte.

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INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying consolidated balance sheet of The Bank of Yokohama, Ltd. and its consolidated subsidiaries as of March 31, 2015, and the related consolidated statements of income, comprehensive income, changes in equity, and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information, all expressed in Japanese yen.

Management's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

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

Convenience Translation

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

Deloitte Touche Tohmatsu LLC

June 15, 2015
(September 11, 2015 as to Note 32.(2) and (3))

Member of
Deloitte Touche Tohmatsu Limited

Non-Consolidated Financial Statements

Non-Consolidated Balance Sheet

The Bank of Yokohama, Ltd.
March 31, 2015 — Unaudited

	Millions of Yen		Thousands of U.S. Dollars
	2015	2014	**2015**
ASSETS:			
Cash and due from banks	**¥ 2,299,181**	¥ 1,419,339	**$ 19,116,834**
Call loans	**273,006**	283,210	**2,269,950**
Monetary claims bought	**117,416**	117,537	**976,277**
Trading assets	**15,233**	10,045	**126,664**
Securities	**2,461,869**	2,050,240	**20,469,519**
Loans and bills discounted	**9,778,038**	9,505,178	**81,300,729**
Foreign exchanges	**7,315**	5,101	**60,824**
Other assets	**87,452**	75,791	**727,133**
Property, plant and equipment	**126,047**	125,072	**1,048,040**
Intangible assets	**10,696**	9,860	**88,939**
Prepaid pension costs	**30,682**	29,272	**255,110**
Deferred tax assets		4,003	
Customers' liabilities for acceptances and guarantees	**54,678**	57,147	**454,629**
Allowance for loan losses	**(57,284)**	(61,151)	**(476,298)**
TOTAL	**¥15,204,334**	¥13,630,650	**$126,418,350**
LIABILITIES:			
Deposits	**¥12,158,517**	¥11,868,337	**$101,093,517**
Negotiable certificates of deposit	**126,960**	69,610	**1,055,625**
Call money	**777,299**	182,178	**6,462,956**
Payables under securities lending transactions	**247,651**	91,591	**2,059,132**
Trading liabilities	**609**	702	**5,069**
Borrowed money	**710,193**	318,840	**5,904,992**
Foreign exchanges	**56**	59	**471**
Bonds payable		30,000	
Other liabilities	**140,327**	127,597	**1,166,770**
Provision for directors' bonuses	**69**	64	**574**
Provision for reimbursement of deposits	**1,653**	1,572	**13,747**
Provision for contingent losses	**774**	748	**6,436**
Deferred tax liabilities	**22,613**		**188,020**
Deferred tax liabilities for land revaluation	**17,461**	19,305	**145,189**
Acceptances and guarantees	**54,678**	57,147	**454,629**
Total liabilities	**14,258,865**	12,767,757	**118,557,127**
EQUITY:			
Capital stock — common stock — authorized, 3,000,000 thousand shares in 2015 and 2014; issued, 1,254,071 thousand shares in 2015 and 1,292,071 thousand shares in 2014	**215,628**	215,628	**1,792,871**
Capital surplus	**177,244**	177,244	**1,473,721**
Subscription rights to shares	**314**	265	**2,615**
Retained earnings:			
Legal retained earnings	**38,384**	38,384	**319,150**
Other retained earnings	**375,479**	347,572	**3,121,975**
Valuation difference on available-for-sale securities	**107,406**	55,158	**893,042**
Deferred gains or losses on hedges	**41**	7	**347**
Revaluation reserve for land	**36,060**	34,216	**299,830**
Treasury shares — common stock — at cost, 7,855 thousand shares in 2015 and 10,880 thousand shares in 2014	**(5,090)**	(5,585)	**(42,328)**
Total equity	**945,469**	862,892	**7,861,223**
TOTAL	**¥15,204,334**	¥13,630,650	**$126,418,350**

Non-Consolidated Statement of Income

The Bank of Yokohama, Ltd.
Year Ended March 31, 2015 — Unaudited

	Millions of Yen		Thousands of U.S. Dollars
	2015	2014	**2015**
INCOME:			
Interest income:			
Interest on loans and bills discounted	**¥132,425**	¥138,684	**$1,101,070**
Interest and dividends on securities	**27,723**	24,596	**230,509**
Interest on call loans	**1,235**	986	**10,272**
Interest on due from banks	**2,142**	1,424	**17,817**
Other interest income	**2,143**	2,525	**17,821**
Fees and commissions	**57,021**	51,735	**474,108**
Trading income	**424**	181	**3,529**
Other operating income	**30,205**	17,382	**251,147**
Other income	**9,503**	11,908	**79,015**
Total income	**262,824**	249,423	**2,185,288**
EXPENSES:			
Interest expenses:			
Interest on deposits	**4,412**	4,868	**36,691**
Interest on negotiable certificates of deposit	**75**	69	**624**
Interest on call money	**578**	489	**4,806**
Interest on payables under securities lending transactions	**412**	135	**3,433**
Interest on borrowed money	**1,599**	2,076	**13,296**
Interest on bonds payable	**143**	1,085	**1,197**
Other interest expenses	**1,850**	992	**15,386**
Fees and commissions	**14,385**	14,003	**119,609**
Trading expenses	**4**	5	**38**
Other operating expenses	**25,372**	10,602	**210,963**
General and administrative expenses	**104,362**	101,188	**867,735**
Provision of allowance for loan losses	**730**	11,469	**6,072**
Other expenses	**5,839**	7,302	**48,551**
Total expenses	**159,766**	154,289	**1,328,401**
INCOME BEFORE INCOME TAXES	**103,057**	95,134	**856,887**
INCOME TAXES:			
Current	**28,570**	32,809	**237,554**
Deferred	**6,965**	3,579	**57,919**
Total income taxes	**35,536**	36,388	**295,473**
NET INCOME	**¥ 67,521**	¥ 58,745	**$ 561,414**

	Yen		U.S. Dollars
PER SHARE INFORMATION:			
Basic net income per share	**¥53.54**	¥45.28	**$0.45**
Diluted net income per share	**53.51**	45.26	**0.44**

Non-Consolidated Statement of Changes in Equity

The Bank of Yokohama, Ltd.
Year Ended March 31, 2015 — Unaudited

	Thousands	Millions of Yen										
			Capital Surplus			Retained Earnings						
	Outstanding Number of Shares of Common Stock	Capital Stock	Additional Paid-In Capital	Other Capital Surplus	Subscription Rights to Shares	Legal Retained Earnings	Other Retained Earnings	Valuation Difference on Available-for-sale Securities	Deferred Gains or Losses on Hedges	Revaluation Reserve for Land	Treasury Shares	Total Equity
BALANCE, APRIL 1, 2013	1,308,463	¥215,628	¥177,244		¥309	¥38,384	¥313,593	¥ 54,580	¥(19)	¥34,249	¥ (625)	¥833,346
Net income							58,745					58,745
Cash dividends, ¥11.50 per share of common stock							(15,001)					(15,001)
Purchases of treasury shares	(27,908)										(15,034)	(15,034)
Disposals of treasury shares	636						(13)				288	275
Retirements of treasury shares							(9,785)				9,785	
Reversal of revaluation reserve for land							32					32
Net change in the year					(43)			577	26	(32)		528
BALANCE, MARCH 31, 2014 (APRIL 1, 2014, as previously)	1,281,190	215,628	177,244		265	38,384	347,572	55,158	7	34,216	(5,585)	862,892
Cumulative effect of accounting change							(2,097)					(2,097)
BALANCE, APRIL 1, 2014 (as restated)		215,628	177,244		265	38,384	345,474	55,158	7	34,216	(5,585)	860,794
Net income							67,521					67,521
Cash dividends, ¥12.00 per share of common stock							(15,276)					(15,276)
Purchases of treasury shares	(36,220)										(22,536)	(22,536)
Disposals of treasury shares	1,244			¥ 72							719	792
Retirements of treasury shares				¥(72)			(22,239)				22,312	
Net change in the year					48			52,248	33	1,843		54,174
BALANCE, MARCH 31, 2015	**1,246,215**	**¥215,628**	**¥177,244**		**¥314**	**¥38,384**	**¥375,479**	**¥107,406**	**¥ 41**	**¥36,060**	**¥ (5,090)**	**¥945,469**

	Thousands of U.S. Dollars										
		Capital Surplus			Retained Earnings						
	Capital Stock	Additional Paid-In Capital	Other Capital Surplus	Subscription Rights to Shares	Legal Retained Earnings	Other Retained Earnings	Valuation Difference on Available-for-sale Securities	Deferred Gains or Losses on Hedges	Revaluation Reserve for Land	Treasury Shares	Total Equity
BALANCE, MARCH 31, 2014 (APRIL 1, 2014, as previously)	$1,792,871	$1,473,721		$2,212	$319,150	$2,889,933	$458,619	$ 66	$284,500	$ (46,442)	$7,174,630
Cumulative effect of accounting change						(17,443)					(17,443)
BALANCE, APRIL 1, 2014 (as restated)	1,792,871	1,473,721		2,212	319,150	2,872,490	458,619	66	284,500	(46,442)	7,157,187
Net income						561,414					561,414
Cash dividends, $0.09 per share of common stock						(127,017)					(127,017)
Purchases of treasury shares										(187,384)	(187,384)
Disposals of treasury shares			$ 606							5,980	6,586
Retirements of treasury shares			$(606)			(184,912)				185,518	
Net change in the year				403			434,423	281	15,330		450,437
BALANCE, MARCH 31, 2015	**$1,792,871**	**$1,473,721**		**$2,615**	**$319,150**	**$3,121,975**	**$893,043**	**$347**	**$299,830**	**$ (42,329)**	**$7,861,223**

Corporate Information

CORPORATE DATA

(As of March 31, 2015)

Company Name
The Bank of Yokohama, Ltd.

Head Office
1-1, Minatomirai 3-chome, Nishi-ku,
Yokohama, Kanagawa 220-8611, Japan
Tel: +81 (45) 225-1111
Fax: +81 (45) 225-1160

Date of Establishment
December 16, 1920

Paid-in Capital
¥215,628 million

Number of Employees
4,651

Number of Branches and Offices (As of August 31, 2015)
615
Domestic: 610 (197 branches, 8 sub-branches, 405 ATM locations)
Overseas: 1 Branch, 4 Representative offices

Internet Address
http://www.boy.co.jp/e/index.html

INTERNATIONAL NETWORK

(As of July 31, 2015)

Japan

Head Office:
1-1, Minatomirai 3-chome,
Nishi-ku, Yokohama,
Kanagawa 220-8611, Japan
Tel: +81 (45) 225-1111
Fax: +81 (45) 225-1160

Tokyo Office:
8-2, Nihonbashi 2-chome,
Chuo-ku, Tokyo 103-0027, Japan
Tel: +81 (3) 3272-4171

Asia

Shanghai Branch:
17F, Shanghai World Financial Center,
100 Century Avenue, Pudong New Area,
Shanghai 200120,
People's Republic of China
Tel: +86 (21) 6877-6800
Fax: +86 (21) 6877-6680

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Takashi Kato

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Tel: +852-2523-6041
Fax: +852-2845-9022

CHIEF REPRESENTATIVE
Kazuhiro Sueyoshi

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Fax: +66 2254-7255

CHIEF REPRESENTATIVE
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Fax: +1 (212) 750-8008

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Ryo Kashimura

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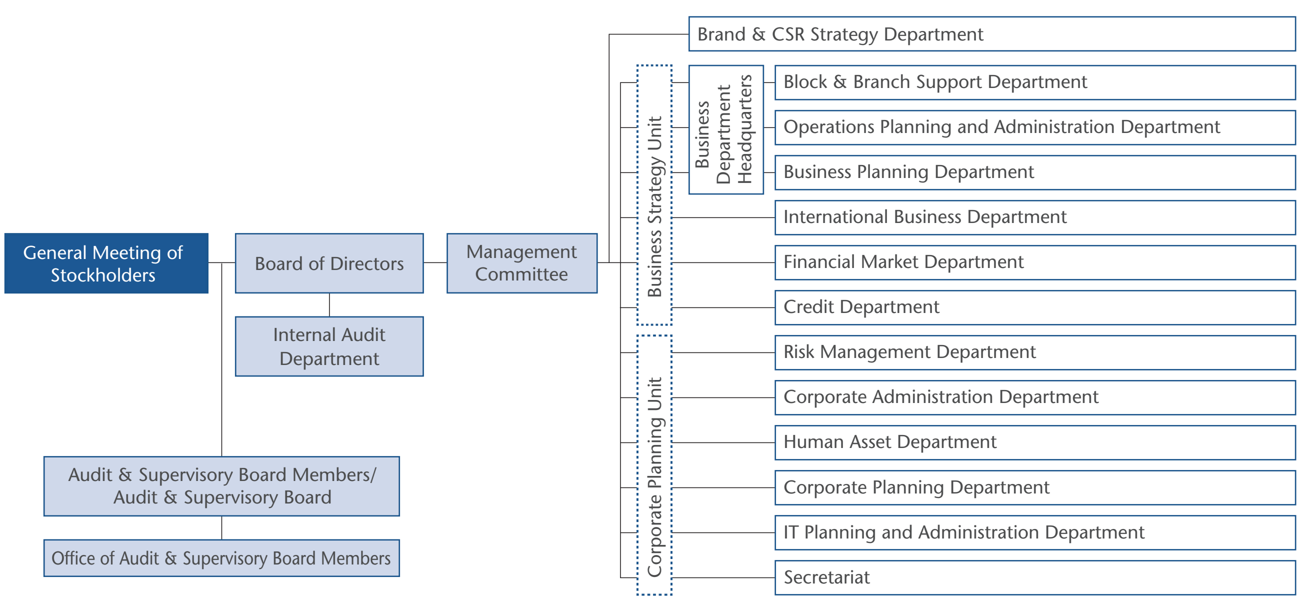
Fax: +44 (20) 7638-1886

CHIEF REPRESENTATIVE
Naoyuki Miyamoto

ORGANIZATION

(As of July 31, 2015)



DIRECTORS, EXECUTIVE OFFICERS AND AUDIT & SUPERVISORY BOARD MEMBERS (As of June 30, 2015)

Representative Director, President
Tatsumaro Terazawa

Representative Director, Managing Executive Officers
Atsushi Mochizuki
Yasuyoshi Oya

Director and Managing Executive Officers
Susumu Koshida
Kenichi Kawamura

Director and Executive Officers
Yasuhiro Shibuya
Yasutaka Nozawa

Outside Directors
Harumi Sakamoto
Minoru Morio
Yuzo Takagi

Managing Executive Officers
Shizumi Maesako
Kazuhiro Okada

Executive Officers
Hironobu Onishi
Tomonori Ito
Yoshiyuki Oishi
Mitsukazu Kudo
Mitsuhiro Hara
Haruo Ezu
Hidekatsu Kosakai
Takayoshi Miyoshi
Kenjiro Kanzawa
Manabu Ishikawa
Hiroshi Kanaya
Tadashi Komine

Full-time Audit & Supervisory Board Members
Yoshiyuki Hiranuma
Osamu Ishida

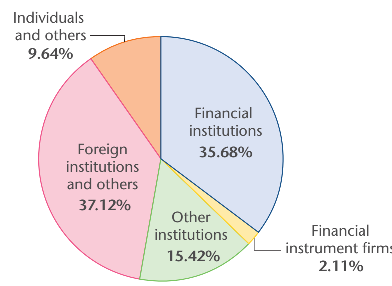
Outside Full-time Audit & Supervisory Board Member
Michio Ayuse

Outside Audit & Supervisory Board Members
Atsushi Shimizu
Rikuro Oikawa

INVESTOR INFORMATION (As of March 31, 2015)

Authorized Stocks	3,000,000 thousand
Outstanding Stocks	1,254,071 thousand shares
Total Capital Ratio (Consolidated)	13.29%
Stock Listing	First Section of the Tokyo Stock Exchange
Ticker code	8332
Unit of trading	1,000 shares

INFORMATION ON COMMON STOCK (As of March 31, 2015)



MAJOR STOCKHOLDERS (Common stock) (As of March 31, 2015)

	Number of stock held (thousand)	Percentage of stock held (%)
The Master Trust Bank of Japan, Ltd. (Trustee Account)	49,671	3.96
Japan Trustee Services Bank, Ltd. (Trustee Account)	44,686	3.56
Meiji Yasuda Life Insurance Company	36,494	2.91
Trust & Custody Services Bank, Ltd. (Meiji Yasuda Life Insurance Company Retirement Benefit trust Account re-entrusted by Mizuho trust and banking Co., Ltd.)	36,494	2.91
Northern Trust Co. (AVFC) Re Silchester International Investors International Value Equity Trust	33,283	2.65
Northern Trust Co. AVFC RE U.S. Tax Exempted Pension Funds	27,459	2.18
Nippon Life Insurance Company	24,039	1.91
The Dai-ichi Life Insurance Company, Limited	21,994	1.75
Northern Trust Co. (AVFC) Account Non Treaty	19,029	1.51
State Street Bank West Client – Treaty 505234	18,001	1.43

Group Companies (As of March 31, 2015)

Name	Main Business
Hamagin Tokai Tokyo Securities Co., Ltd.	Securities services
Hamagin Finance Co., Ltd.	Leasing and factoring services
Hamagin Research Institute, Ltd.	Consulting business, conducting surveys researches, and other information services
Sky Ocean Asset Management Co., Ltd.	Investment Trust Management Business
Yokohama Capital Co., Ltd.	Investment in, and Financing to, small and medium-sized enterprises
Yokohama Guarantee Co., Ltd.	Residential-loan-guarantee services
Yokohama Staff Service Co., Ltd.	Fee-Charging employment placement business and management of real estate
Hamagin Business Operations Center Co., Ltd.	Back office services
Yokohama Operation Service Co., Ltd.	Cash dispenser control center
Hamagin Mortgage Service Co., Ltd.	Real estate appraisal services
BANKCARD Service Japan Co., Ltd.	Credit card services
Yokohama Preferred Capital Cayman Limited	Investment and loan services

The Bank of Yokohama, Ltd.

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