MINATO BANK

ANNUAL REPORT 2014

For the year ended March 31, 2014

TO OUR STAKEHOLDERS

We sincerely thank you for your continued patronage of Minato Bank.

The 2014 Annual report has been prepared to help you gain a deeper understanding of Minato Bank.

In this 2014 Annual Report, we seek to present Minato Bank's management policy, business overview, earnings results for fiscal 2013 (the fiscal year ended March 31, 2014), corporate governance and risk management structure as clearly as possible. We hope that you will find it a useful reference.

Minato Bank will continue to address its clients' wide-ranging needs by expanding its products and services, and as a regional-based financial institution of Sumitomo Mitsui Financial Group, the Bank will seek to become a more useful and helpful bank in the region by providing financial and information services.

To that end, we look forward to your continued understanding and support.

July 2014

Shunji Ono
President

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This annual report includes descriptions of future business performance. These forecasts do not guarantee future business performance and contain risks and uncertainties. Please note future business performance will change from the forecasts subject to changes in the operational environment.

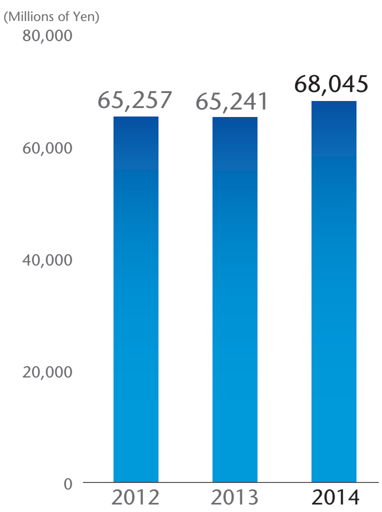
CONSOLIDATED FINANCIAL HIGHLIGHTS

The Minato Bank, Ltd. and Subsidiaries
Years Ended March 31, 2014, 2013 and 2012

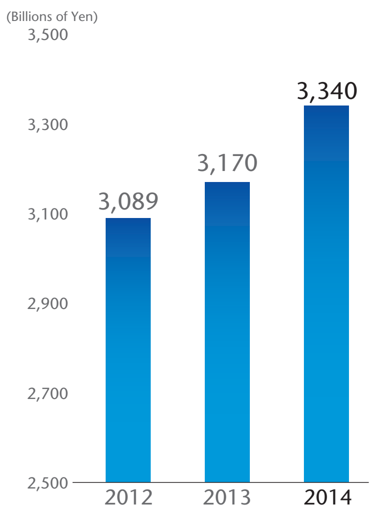
	Millions of Yen			Thousands of U.S. Dollars (Note)
	2014	2013	2012	2014
FOR THE YEAR:				
Total income	¥ 68,045	¥ 65,241	¥ 65,257	$ 661,141
Total expenses	54,573	53,162	53,469	530,247
Income before Income taxes and minority interests	13,472	12,079	11,788	130,894
Net income	7,512	6,949	7,717	72,988
AT YEAR-END:				
Total assets	¥ 3,340,993	¥ 3,169,836	¥ 3,089,350	$ 32,462,035
Deposits	3,073,690	2,876,385	2,819,518	29,864,850
Loans and bills discounted	2,337,806	2,245,483	2,179,265	22,714,785
Investment securities	604,994	800,648	771,262	5,878,291
Minority interests	908	10,800	10,715	8,817
Common stock	27,485	27,484	27,484	267,051
Total equity	122,269	128,166	118,138	1,187,996
Capital ratio	8.91%	10.12%	10.42%	

Note: U.S. dollar amounts represent translation of Japanese Yen at the rate of ¥102.92 to US$1.00 on March 31, 2014, the final business day of term.
From the fiscal year ended March 31, 2014, the capital ratio has been calculated based on the Basel III standard.

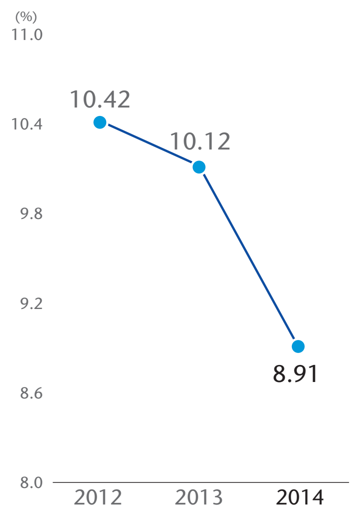
Total Income



Total Assets



Capital Ratio



In the above table, the capital ratio is calculated on a consolidated basis based on the domestic standard and formula prescribed in the Notification of the Financial Services Agency of Japan No. 19, 2006 in compliance with the provisions of Article 14-2 of the Banking Law.
From the fiscal year ended March 31, 2014, the capital ratio has been calculated based on the Basel III standard.

MESSAGE FROM THE PRESIDENT

Shunji Ono
President

15th Anniversary of the foundation of Minato Bank

On April 1, 2014, Minato Bank commemorated the 15th anniversary of its foundation.

Looking back, the Japanese economy has been affected by drastic changes in circumstances over these past fifteen years, including prolonged deflation, the collapse of Lehman Brothers, the very strong yen, the Great East Japan Earthquake and other challenges.

In addition, structural changes in society have occurred at the same time. Japan has seen a definite decline in birthrate, an aging population and the depopulation of society. Meanwhile, the development of Asian countries and economic globalization has rapidly advanced overseas. Moreover, the proliferation of information technology has changed our lives and business environment.

Minato Bank has survived these radical economic and social changes entirely thanks to the continued support of our clients, shareholders and people in our region. We, all officers and employees, are deeply and sincerely grateful for this support.

Earnings for Fiscal 2013

As business confidence gradually improved in Hyogo Prefecture, the main operating base of the Bank, we were able to achieve a consolidated net income of ¥7.5 billion in fiscal 2013, and on a non-consolidated basis, the net income of the bank came to ¥6.8 billion.

As a result, the target net income (on a non-consolidated basis) of ¥18 billion or more in aggregate for the three years under the Mid-Term Management Plan "MINATO 3S Up" (for fiscal 2011-2013) was achieved with actual income exceeding the target as a result of the efforts made since fiscal 2011.

In addition, we paid a dividend for fiscal 2013 of ¥6 including a memorial dividend of ¥1 commemorating the 15th anniversary.

New Mid-Term Management Plan

"MINATO Innovation 3" – Challenge toward Further Progress

From fiscal 2014, Minato Bank will proceed with a new Mid-Term management plan, "MINATO Innovation 3" – Challenge toward Further Progress (for fiscal 2014-2016). With a declining birthrate and aging population as well as Internet/mobile society advances, we intend to achieve fruitful results for the following three years in such a way as lead to further "progress" through "contribution to development and growth of the local community" which is the essential role of a local financial institution.

As for initiatives to address the declining birthrate and aging population, we will focus our efforts on the business related to transfer between generations such as inheritance and business succession, including establishment of an inheritance consulting center. As for initiatives to address the Internet/mobile society, we will strengthen non-personal transactions including Internet banking for individual customers.

In addition, the "regional strategy division" was established in April 2014 to strengthen cooperation with companies, local governments and medical/educational corporations and promote local cooperation among industry, academic, government and financial institutions, as well as other initiatives.

Through these initiatives we will make further efforts toward development of the local community by actively participating in regional projects and taking other actions.

Toward Development and Prosperity of the Local Community

Under the management philosophy that "the bank exists and prospers together with the people in the region," we will become the "region's trusted core bank" that can sufficiently satisfy the expectations of our stakeholders, including our clients and shareholders and the people in our region. To that end, the entire Minato Banking Group, including affiliates, will continue to make efforts toward contributions to the further development and prosperity of the local community.

July 2014

Shunji Ono

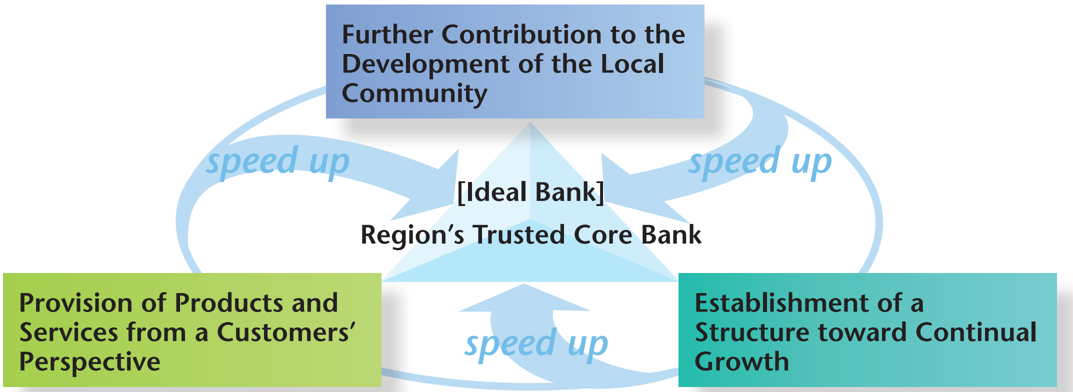
President

Mid-Term Management Plan

Slogan

"MINATO Innovation 3"
– Challenge toward Further Progress –

Basic Policy



Concept

The three years leading to further "progress" through the "contribution to development and growth of the local community" with the functions of a local financial institution as the declining birthrate, aging population and the internet/mobile society advance

Period

April 2014 through March 2017 (three years)

Key Indicators

Net income:	¥20 billion or more	(three years accumulated, on a consolidated basis)
Core capital ratio(*):	6 % or more	(as of March 31, 2017, exclusive of transitional measures, on a consolidated basis)
Aggregate loan balance:	¥2,600 billion or more	(as of March 31, 2017)

(*) Minimum required level of capital adequacy ratio under the regulations for banks subject to domestic standards regarding BASEL III (new standards): 4%

Major Initiatives

Further Contribution to the Development of the Local Community	• Establishment of the Regional Strategy Division • Further strengthening of business matching services • Strengthening of support for regional growth areas • Active efforts for business succession operations • Permanent efforts toward finance facilitation
Provision of Products and Services from a Customers' Perspective	• Establishment of the Direct Banking Department • Improvement of the functions of the group companies • Expansion of the inheritance consulting operations • Improvement of the customer support functions • Improvement of product/service lineup
Establishment of a Structure toward Continual Growth	• Development and vitalization of personnel • Ensuring thorough compliance • Maintaining and improving management of capital adequacy • Strengthening risk management • Improvement of the system base • Strengthening and enhancing ALM management

INITIATIVES AT THE BANK

Corporate Governance

Basic Concept for Corporate Governance

Reinforcing and enhancing corporate governance is defined as a critical management issue at our Bank and each group company. We adhere to the "Management Philosophy" and "Principles of Conduct" described below, and strive to sustain sound operations and contribute to the sound development of regional communities.

Management Philosophy

The Bank Exists and Prospers Together with the People in the Region.

We contribute to our region through the provision of financial and information services.

Principles of Conduct (Corporate Ethics)

Awareness of the public nature and social responsibility of the Bank

A bank should be aware of its public role, execute sound operations according to principles of self-responsibility, and contribute to the steady development of the regional economy and society through the fulfillment of its social commitments.

Fully customer-focused

We are always conscious of our "customer-first" policy, and attend to our customers with an honest, faithful and kind spirit, listening to customer requests with a sincere attitude and providing precise, prompt and customer-satisfying financial services.

Sincere and fair conduct

We abide by laws, regulations and their spirit, and always behave in a fair and faithful manner so as to not deviate from social norms.

Contributing to and harmony with regional communities

To express the Bank's management philosophy, "We contribute to our region," we make it one of our primary policies to contribute to and progress together with our region and its communities. The Bank's principles of conduct serve not only to contribute to our region, but to call for removing anti-social and anti-ethical conduct from the course of our operations with the aim of becoming closer to being an ideal "bona fide corporate citizen." To realize this, we endeavor to hold close communications with society and ensure the Bank executes corporate activities in line with social common sense and expectations.

Respect for humanity

We are committed to developing a corporate culture which ensures respect for the open and rich spirit of our employees, brimming with vitality and feelings of value for their employment at the Bank.

Corporate Governance Structure

We have a basic policy for internal control systems and the following structure designed to strengthen and improve our corporate governance so that directors, employees and corporate auditors will be able to cope with their responsibilities in an appropriate and efficient manner.

Board of Directors

Board of Directors meeting is in principle held once a month to make important decisions for the Bank's management issues and oversee the execution of the Directors' responsibilities.

Board of Corporate Auditors

The Bank has adopted a corporate auditor system, and Board of Corporate Auditor meetings are in principle held once a month. Based on the audit policy and audit plan made by the Board of Corporate Auditors, the Corporate Auditors have performed their audit procedures appropriately by attending Board of Director and other important meetings, examining business operations and assets, etc.

The Office of Corporate Auditors was established to support the Corporate Auditors carry out their audit procedures.

Management Committee

The Management Committee in principle meets once a week and makes decisions on important issues related to execution of the Bank's business, based on Board of Director decisions and Management Committee policies.

Significant items related to risk management are determined by the Corporate Risk Management Committee, which is part of the Management Committee.

Committees

• Compliance Committee

The Compliance Committee in principle meets once every three months to check and confirm the progress and implementation of the initiatives and compliance programs designed to build corporate ethics focused on legal compliance, and discuss and consider preventative measures for misconduct.

• CS (Customer Satisfaction) Committee

To win solid support from the local community and continuously raise customer satisfaction standards, members of the CS Committee formulate improvement policies, set targets for the whole Bank, and discuss and review measures to improve customer satisfaction. The CS Committee meets once every three months as a rule.

• CSR Committee

The CSR Committee is tasked with formulating a CSR action plan, evaluating performance and discussing improvement measures. The Committee meets twice in a year as a rule.

• Financial Facilitation Committee

The Financial Facilitation Committee was set up as a cross-sectional body to discuss how to facilitate financing for small and medium-sized companies. Committee members discuss measures, study actual issues faced by each department, and coordinate action across departments. The Committee meets once every three months as a rule.

• Regional-Oriented Financial Promotion Committee

To enhance and fortify the promotion system, this committee convenes once every six months, in principle, to discuss policies and measures related to regional-oriented financing promotion, to monitor and verify the status of promotional efforts, and to coordinate issues related to each division.

• IT Systems Committee

The IT Systems Committee meets as a general rule once every three months with the objectives of reporting information about the status of the IT systems to the management and deliberating and determining the measures, etc. that must be taken.

• Credit Risk Management Committee

The Credit Risk Management Committee in principle meets once every three months to identify, review and communicate credit risk status, consider and determine policies or countermeasures for credit risks, manage credit portfolios and big customer concentrated risks, and discuss and consider operating policies.

• **Asset and Liability Management (ALM) Committee**
The ALM Committee in principle meets once a month to discuss and consider how to maintain a healthy balance sheet and improve profitability, strategies for proper fund operations, and unifies management of market risks (interest risk, foreign exchange risk, share price risk, etc.) and liquidity risks (cash flow risk, market liquidity risk, etc.) related to assets and liabilities.

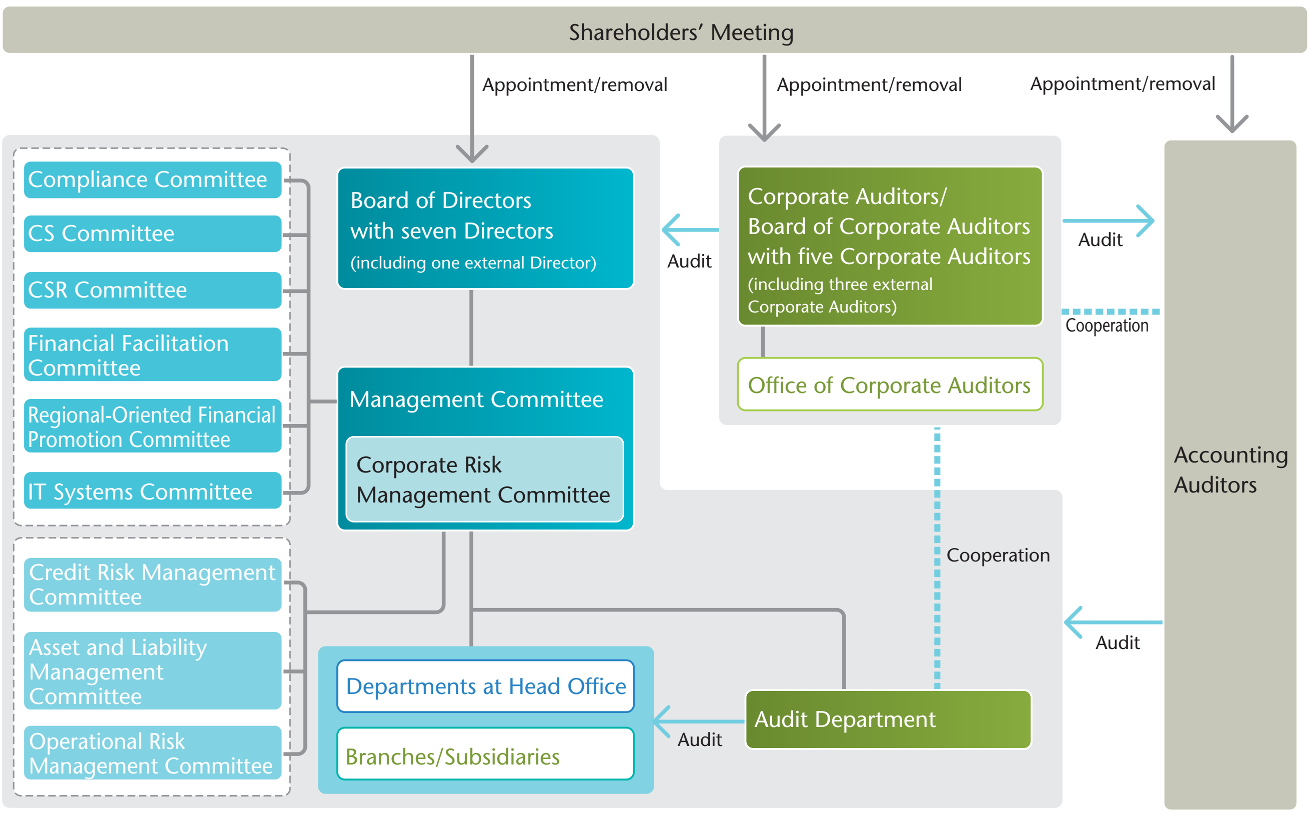
• **Operational Risk Management Committee**
The Operational Risk Management Committee in principle meets once a month, and analyzes and communicates operational risk related information (improper or non-functioning internal processes, staff or systems, or risk of losses related to external occurrences), discusses and considers various measures required to reduce operational risks, analyzes the causes of operational risk exposure incidents, and discusses and considers measures to prevent the reoccurrence of such incidents and potential risk exposure.

Internal Audit

The Audit Department, an internal audit organization which is independent from other departments, engages in monitoring the status of business operations and risk management at the head office, branches and subsidiaries and issues instructions and proposals for improvement. The department's monitoring results are reported to the Board of Directors and Board of Corporate Auditors.

There is a cooperative system among the Audit Department, Corporate Auditors and accounting auditors for exchanging information.

Corporate Governance Structure



Corporate Social Responsibility (CSR)

Basic Policy for CSR

The Bank's management philosophy is "we contribute to our region through the provision of financial and information services." We endeavor to provide financial and information services with the aim of contributing to the development of regional communities.

The Bank and its group companies define CSR as contributing to the sustainable development of regional communities through providing higher values to (i) our customers, (ii) our shareholders and markets, (iii) society and environment and (iv) our employees in the course of our business operations.

Principles of Conduct at the Bank consisting of five items, "awareness of the public nature and social responsibility of the Bank," "fully customer-focused," "fair and faithful conduct," "contributing to and harmony with regional communities" and "respect for humanity" are established as the common philosophy for the Bank and its group companies.

Focal Point for CSR Initiatives

We will reinforce the management system to a greater extent by enhancing the corporate governance structure, internal audit structure, compliance structure and risk management structure. We will also accurately identify each stakeholder's expectations and provide higher value to them.

- We will provide our customers with products and services of higher value and develop together with our customers.
- We will endeavor to sustain sound operations and increase shareholder value, through appropriate information disclosure and organized internal controls.
- We will be continuously and proactively be involved in social contribution and environmental activities which contribute to regional communities and restore the global environment.
- We will pay respect to people and grow a corporate culture which allows our employees to fully utilize their own skills and talents.

Through these activities, we will support the sustained development of our regional communities.

Compliance System

Based on its management policy, the Bank's basic legal compliance related policy is for the Bank's officers and employees to recognize the significance of the Bank's social responsibilities and public commitments, and strictly comply with laws and rules with an emphasis on corporate ethics, thereby contributing to the region.

All officers and employees are required to recognize the importance of legal compliance and behave in the most appropriate manner with constant awareness in the execution of day-to-day operations.

1. Establishment of the Legal Compliance Department

The Legal Compliance Department was established to manage and control overall compliance related issues.

The Legal Compliance Department is responsible for educating and encouraging officers and employees to comply with laws, regulations and social norms, placing its highest priority on the prevention of illegal conduct.

2. Appointment of Administrative Compliance Officer

General managers of the head office and each branch are fully responsible to manage and execute assigned operations in conformity with compliance policies.

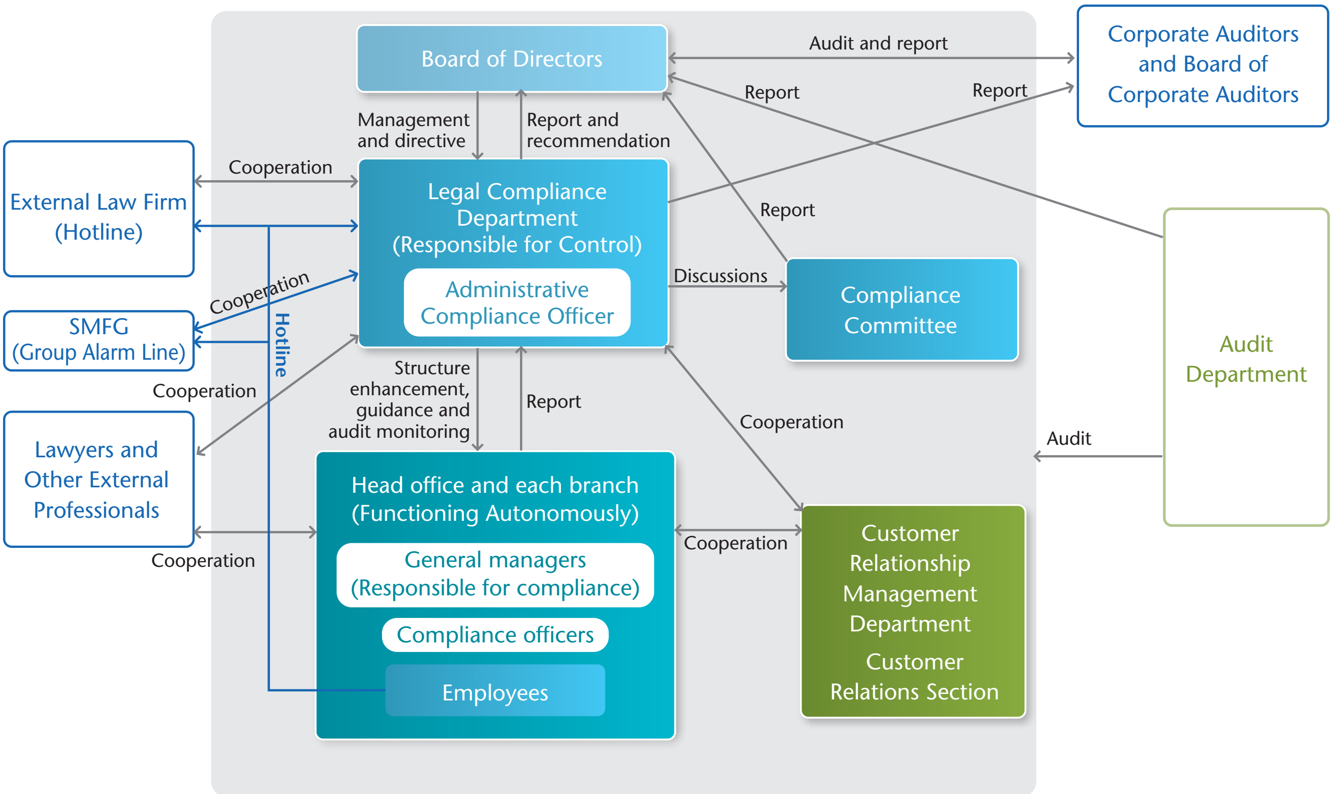
A compliance officer has been appointed for each of the above locations, and is required to prevent anti-compliance conduct and detect the occurrence of such conduct in its early stages.

In addition, an administrative compliance officer is assigned to the Legal Compliance Department, to direct and supervise the compliance officers and responsible individuals of the above locations, investigate compliance conditions at each location, and provide education and guidance.

3. Establishment of the Compliance Committee

The Compliance Committee was established to strengthen the legal compliance system and incident-preventing measures. This Committee deliberates upon various measures necessary to build corporate ethics focused on legal compliance and the implementation status of compliance programs.

The Bank's Compliance System



Implementing Compliance

The Bank requires all officers and employees to recognize the public mission and social responsibilities to be fulfilled by the Bank and to act in line with the highest moral standards.

Accordingly, we must comply with social norms as well as laws and regulations and behave fairly with a determined sense of ethics.

The Bank has created a Compliance Manual providing specific explanations about the laws and regulations that the officers and employees must observe to put the above matters into practice.

The Compliance Manual mainly consists of the following regulations to achieve complete compliance by each of the officers and employees: the Compliance Policy comprehensively describes overall compliance related matters (structure, system, roles, procedures, etc.) in a way that is easy to understand; the Code of Conduct providing principles and guidance for all officers and employees to comply with; and the Detailed Operating Policies for Conduct Management compiled in the form of a case study guidebook.

Principles of Conduct at the Bank

1. Awareness of the public nature and social responsibility of the Bank
2. Fully customer-focused
3. Sincere and fair conduct
4. Contributing to and harmony with regional communities
5. Respect for humanity

Guidance of Conduct for Officers and Employees

- Compliance with laws, regulations and rules
- Prohibition of unfair competition
- Duty of confidentiality
- Prohibition of illegal use of information
- Obligation to explain products and services
- Internal reporting requirements, etc.

Risk Management Structure

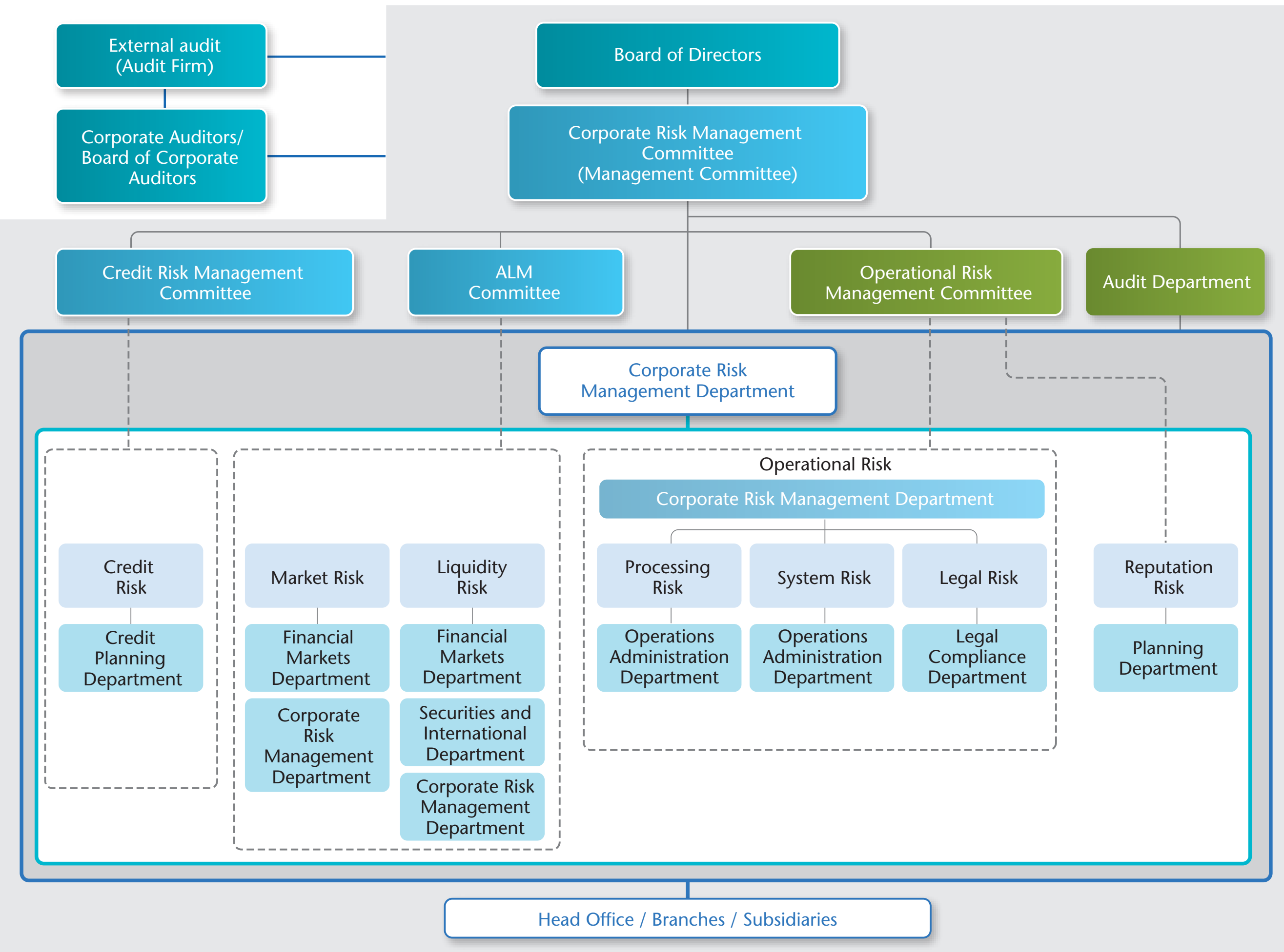
Banks are facing increasingly diversified and complicated risks due to their expanding scope of operations and financial technology innovations. It is therefore important to accurately monitor each individual risk, monitor the risks in an integrated manner, and control them within a scope that is tolerable for the overall bank, in order to maintain and improve sound banking management.

The establishment of a risk management structure is positioned as one of the most critical management issues at our Bank. We have established departments and sections in charge of risk management by risk type and monitor a range of risks in a precise manner. We also established the Corporate Risk Management Department which is responsible for overview and managing different risks in an integrated manner with the aim of reinforcing our structure to comprehensively manage and control various risks.

As organs to deliberate and determine matters related to risk management, we established the Corporate Risk Management Committee and its three committees: the Credit Risk Management Committee, the Asset and Liability Management (ALM) Committee and the Operational Risk Management Committee. The Corporate Risk Management Committee identifies and assesses the condition of bank-wide risks and deliberates and determines countermeasures and policies, while each committee identifies and assesses each risk on a cross-sectional and uniform basis and deliberates and determines countermeasures and policies.

As an internal audit organization operating independently from other departments, the Audit Department reviews and checks the status of business operations and risk management of the head office, branches and subsidiaries. We also have an external audit system led by an independent audit firm.

Risk Management System



1. Credit Risk Management

Credit risk is the possibility of loss arising from financial deterioration, changes in a customer's financial condition, which causes the asset value of loans receivables, etc. to become impaired or worthless.

The Bank strictly complies with the Credit Policy that explicitly prescribes our lending operation rules to achieve sound and proper business operations. We work to maintain and improve the soundness of assets and profitability through proper controls over credit risks and effective credit review operations according to degrees of credit risk based on the Credit Risk Management Policy which prescribes basic policies for credit risk management.

As a basis of such risk management, we have adopted a credit rating system. A credit rating is a borrower classification ranked according to the probability of loan performance, and is used as an objective indicator to measure the degree of risk pertaining to a borrower. Classifying borrowers according to the degree of risk promotes effective credit review operations.

In concrete terms, we established a credit approval policy for lending contracts based on credit ratings as well as lending approval authorizing standards, etc. to perform focused (efficient) credit screenings according to degrees of risk. At the same time, we monitor credit status on a constant basis to detect early signs of credit issues, and adjust the depth and efficiency of management based on the extent of such issues.

In addition, we perform self-assessments of our assets to maintain soundness of assets, prepare financial statements properly reflecting asset condition, and account for appropriate levels of write-offs and reserves. Self-assessments are designed to classify assets held by the Bank according to degrees of risk pertaining to collectibility or value deterioration, and play a significant role as a means of managing credit risks. Based on the results of self-assessments, we accurately and timely estimate future potential losses of loans, etc. in consideration of bad debt conditions, and account for write-offs and reserves based on estimates to maintain the asset soundness.

We utilize credit ratings and self-assessments to quantitatively grasp and manage credit risks to maintain control over the degree of credit risk for our overall credit portfolio and any risk concentration on specific industries and large accounts, and report findings to management. As appropriate, we establish and implement remedial measures for our credit portfolio including proper risk controls, risk diversification and reduction of troubled credit, etc.

As for concrete measures to enforce our monitoring system, we have set up a section in the monitoring department, which deals with corporate rehabilitation support, and manages doubtful receivables, etc.

In our effort to maintain soundness of assets, the Audit Department, which operates independently from the credit related departments, checks the accuracy of the credit ratings and self-assessments as well as the condition of credit review operations.

For loan arrangements, the Bank may require collateral or guarantees to mitigate credit risks with comprehensive determination of matters related to the financial position of the borrower, intended purpose of financing, loan collectibility, etc. We properly handle collateral and guarantees in accordance with Internal Operational Policies of Collateral and Guarantees and Operational Procedures that prescribe classifications according to types of collateral or qualifications of guarantors as well as methods for their management, valuation, etc. Particularly, we have detailed rules for mortgage collateral, comprising the majority of collateral, to perform impartial collateral valuations in a timely and proper manner.

2. Operational Risk Management

Operational risk is the possibility of losses arising from inadequate or failed internal processes, personnel and systems or external events.

The fundamental policy of the Bank is to establish the Operational Risk Management Policy prescribing basic matters concerning operational risk management and maintenance of an effective framework for identification, valuation, control and monitoring procedures according to characteristics of operations and risks. We manage operational risks on an individual basis classified into processing risks, system risks and legal risks, and have established a department responsible for overall management of operational risks in an integrated and centralized manner. To increase the effectiveness of risk management, operational risk officers are appointed for each department and section and are required to cooperate with the section in charge of corporate operational risk management so individual operational risks can be managed in an integrated fashion within a common framework. Also, the Operational Risk Management Committee, a cross-sectional in-house organization, is in place as a highly effective system to overview and examine various risk conditions from a companywide viewpoint and deliberate and determine policies and measures on a regular basis.

We compile a database of internal loss data incurred by each department and section and analyze this data on a regular basis for use in risk management. All departments and sections are required to provide all possible risk scenarios. A risk and control assessment (self-assessment of risk and effectiveness of controls) is performed for such risk scenarios to estimate the frequency and amount of losses attributable to each scenario.

Such risk scenarios, being important data to recognize risk conditions, are compiled as a database and constantly updated based on collected internal and external loss data and objective information such as operating environment and internal control factors. We strive to reflect various information to the database appropriately and ensure those scenarios are comprehensive and appropriate for conducting risk and control assessments on a regular basis.

In this way, we compile a database of the scenarios reflecting the Bank's risk profile. Each scenario is assessed for the degree of risk impact. For scenarios with a high degree of risk impact, each department and section considers and implements a risk reduction plan. Using this risk quantification system, we are able to manage operational risks efficiently and effectively.

Processing and Systems Risk Management

Processing risk is the possibility of losses arising from negligent processing by employees, accidents, or unauthorized activities.

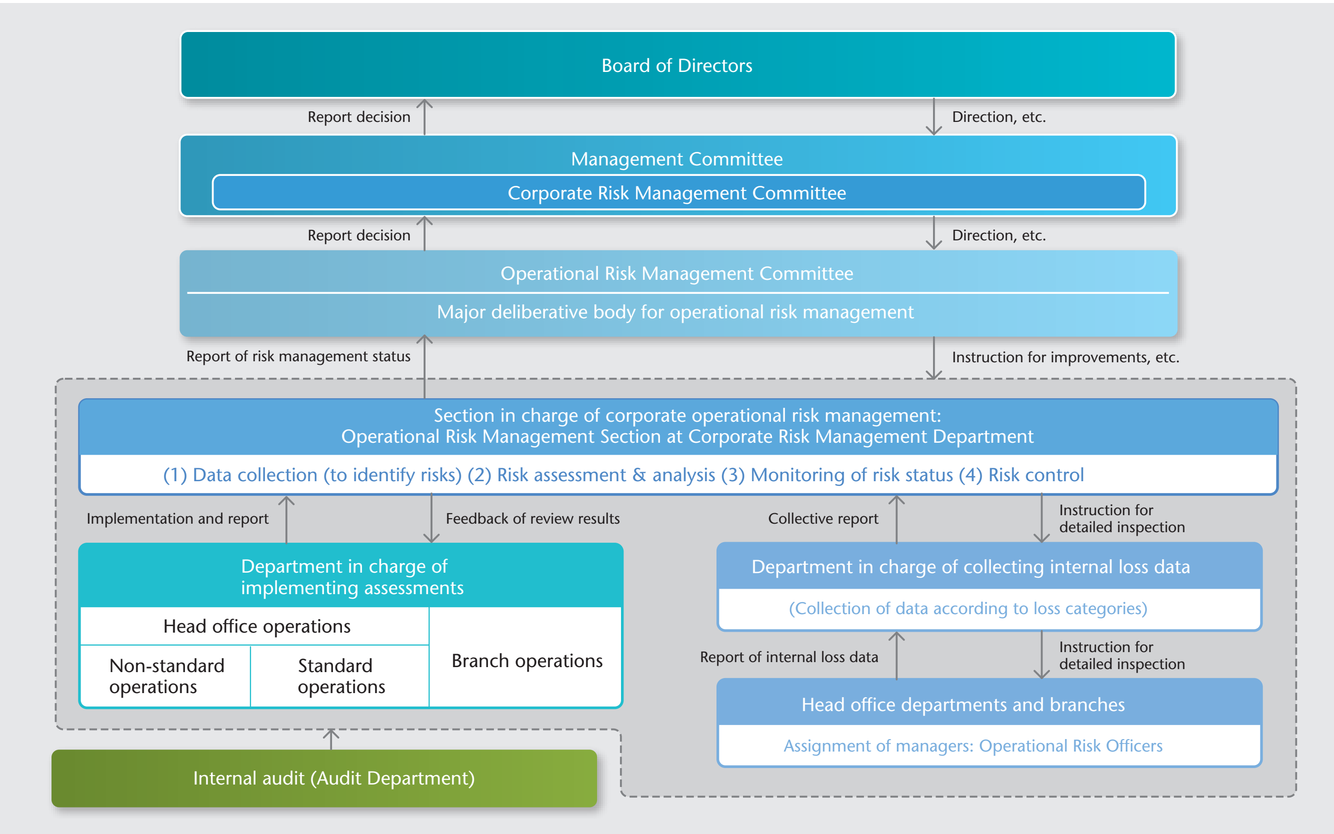
We promote streamlining and head-office centralized processing operations, and provide group training and on-site guidance offered by the Operations Administration Department to reduce processing risks and improve the level of processing ability. Moreover, the Audit Department periodically conducts branch field audits while head office and branches perform self-inspections to prevent accidents and fraud from occurring.

Systems risk is the possibility of losses arising from the failure, malfunction, unauthorized use of or data leakage from computer systems.

Due to the significance of potential impact, we recognize our social responsibility to maintain stable computer system operations and proper management for customer information. We established systems risk management policies and practical management standards, including the Security Policy, and strictly adhere to these policies in operating and managing our systems. To prepare for unforeseeable circumstances, we developed contingency plans and provide simulation training on a regular basis.

We provide internal and external audits for periodic system evaluation and upgrades, and strive for the more secure computer system operations and strict data controls.

Operational Risk Management Structure



3. Market and Liquidity Risk Management

Market risk is the possibility that fluctuations in interest rates, foreign exchange rates, or stock prices will change the value of financial assets and liabilities, leading to losses.

Liquidity risk is the possibility of encountering cash-flow problems due to differing fund source and usage periods or unexpected fund outflows, or losses caused by being forced to raise funds at interest rates markedly higher than ordinary interest rates.

We segregate front, middle and back office operations systematically to secure mutual check and balance functions, and established a system for the audit department to examine the appropriateness of risk management processes, etc.

With respect to market risk, we review market forecasts, operational policies for ALM and marketable securities as well as financial strength on a biannual basis to determine allowable ranges of market risk exposure and set individual risk limits for risk capital limits (*1), loss limits, VaR limits (*2) and position limits. Based on these procedures, we work to maintain management and operations within predetermined ranges of risk exposure (risk limits).

Specifically each department handling transactions (the front office sections) works to improve profitability within these limits. The middle office monitors and manages on a daily basis valuation gain or loss on securities and the price fluctuation risk such as for stocks, the loan interest rate risk, and on a monthly basis, the interest rate risk for all assets and liabilities.

With respect to liquidity risk, we place the highest priority on cash-flow security, and periodically set and manage funding gap limits (*3). We developed the Contingency Plan for Liquidity Emergency prescribing an emergency action plan, and take all possible measures for maintaining a system that ensures our operating transactions are not hindered in the event of market confusion, by holding sufficient assets easily convertible to cash, such as government bonds.

We hold ALM Committee meetings every month to prepare forecasted economic, interest rate, stock price, and foreign exchange rate trends and report profit conditions. The Committee also prepares reports and analyses of the status of compliance with market and liquidity risk limits, and discusses and considers market risk controls, fund sourcing and fund operations to develop an asset and liability structure that ensures stable profitability.

(*1) Risk capital limit
A portion of the Bank's capital allocated to provide for the Bank's ability to cover within the scope of its resources, losses realized in the period, valuation losses currently being incurred and probable future maximum loss estimates.

(*2) Value at Risk (VaR)
The probable future maximum loss statistically calculated using existing assets and liabilities and historical market fluctuation data.

(*3) Funding gap
The estimated amount of future financing requirements arising from the mismatch of periods between fund sourcing and fund operations.

4. Reputation Risk Management

Reputation risk is the possibility of tangible and intangible losses due to damage to the Bank's reputation attributable to rumors about various risk incidents related to our operating activities or the dissemination of false rumors or slander.

We endeavor to disclose information to our stakeholders such as customers, regional communities, shareholders investors and employees in a timely and appropriate manner through constant and active promotion of public and investor relation activities and increased management transparency to minimize reputation risk exposure.

We also monitor and assess rumors on a regular basis, and have prepared a system to take countermeasures promptly when reputation risk exposure becomes apparent.

The Status of Initiatives for the Management Improvement of SME Clients And Regional Revitalization

1. Policies for Initiatives Related To Management Support for SME Clients

The Bank considers "initiatives for management support to SME clients" to be one of the most important items in "promoting regional-oriented financing," so it has stipulated a Basic Policy of "further contributing to the development of the local community" in the new Mid-Term Management Plan, "MINATO Innovation 3" – Challenge toward Further Progress, which began in fiscal 2014. The Bank it will make active efforts towards that management plan.

2. Status of the Development of Structures for Management Support of Our SME Clients

[Reform of our organization]

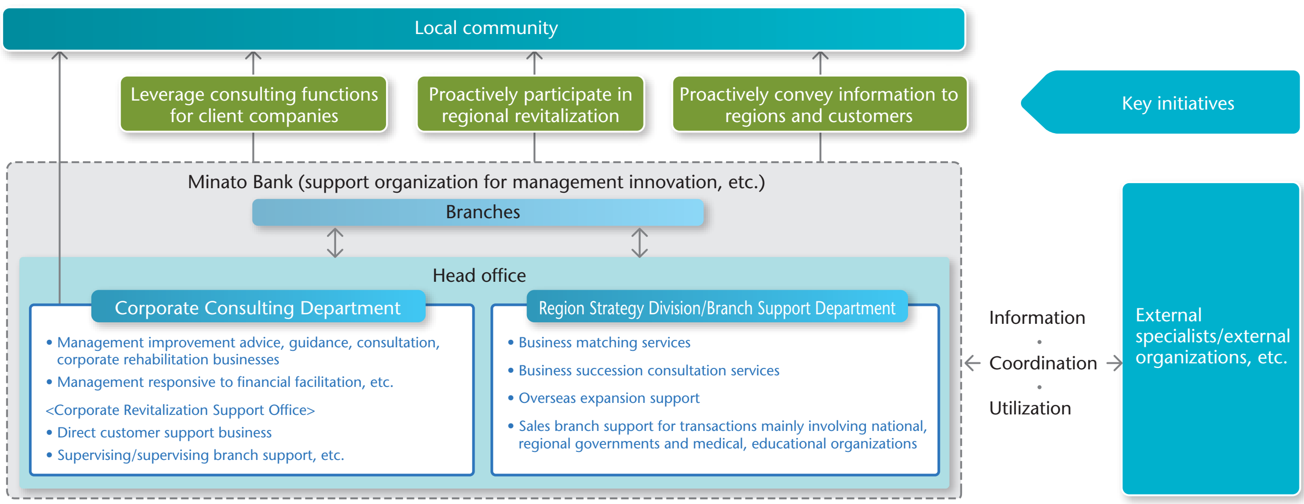
On April 1, 2014 the Bank newly established the "business planning department" to centralize the business/individual planning functions and the "regional strategy division" under the department to further focus on "strengthening the consulting function in the region" which is one of the roles required of a local financial institution.

[Certification as a Support Organization for Management Innovation, etc.]

In November 2012 the Bank received certification as a "support organization for management innovation, etc." based on the SME Management Capacity Strengthening Act. As a result of this, the Bank is aiming to further enhance its support structures for the creation of business plans, business succession, mergers and acquisitions, developing sales channels, developing business overseas, and other areas, and will continue offering a more specialized support service to corporate clients.

Basic Policy for the Promotion of Regional-Oriented Financing

Regional-oriented financing is a practical policy for implementing the Bank's management philosophy. Based on its Management Philosophy (The Bank exists and prospers together with the people in the region, we contribute to our region through the provision of financial and information services) and its CSR Definitions, the Bank promotes regional-oriented financing.



FINANCIAL REVIEW (CONSOLIDATED BASIS)

CONSOLIDATED BALANCE SHEETS

The Minato Bank, Ltd. and Subsidiaries
As of March 31, 2014 and 2013

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2014	2013	2014
ASSETS:			
Cash and due from banks (Notes 3 and 30)	¥ 312,014	¥ 36,683	$ 3,031,617
Call loans and bills bought (Note 30)	1,087	1,123	10,559
Receivables under resale agreements	5,000	5,000	48,581
Monetary claims bought	2,534	2,800	24,620
Trading account securities (Notes 26 and 30)	517	720	5,025
Securities (Notes 4, 10, 26 and 30)	604,994	800,648	5,878,291
Loans and bills discounted (Notes 5, 11 and 30)	2,337,806	2,245,483	22,714,785
Foreign exchange (Note 6)	5,814	5,970	56,484
Lease receivables and investment assets	10,027	9,469	97,422
Other assets (Notes 7 and 10)	22,798	27,663	221,516
Tangible fixed assets (Note 8)	35,886	35,305	348,681
Intangible fixed assets	5,388	5,022	52,353
Asset for retirement benefits (Note 23)	779	—	7,571
Deferred tax assets (Note 25)	9,637	9,483	93,633
Customers' liabilities for acceptances and guarantees (Note 16)	12,841	12,587	124,769
Allowance for loan losses (Note 30)	(26,129)	(28,120)	(253,872)
Total assets	¥3,340,993	¥3,169,836	$32,462,035
LIABILITIES:			
Deposits (Notes 10, 12 and 30)	¥3,073,690	¥2,876,385	$29,864,850
Payables under securities lending transactions (Notes 10 and 30)	25,434	55,285	247,124
Borrowed money (Notes 13 and 30)	49,534	16,301	481,289
Foreign exchange (Note 6)	58	34	560
Bonds payable (Notes 14 and 30)	28,000	28,000	272,056
Other liabilities (Notes 10 and 15)	23,576	46,367	229,068
Provision for bonuses	984	928	9,564
Provision for retirement benefits (Note 23)	—	4,996	—
Liability for retirement benefits (Note 23)	3,701	—	35,963
Provision for directors' retirement benefits	69	63	667
Provision for reimbursement of deposits	653	617	6,345
Deferred tax liabilities (Note 25)	184	107	1,784
Acceptances and guarantees (Note 16)	12,841	12,587	124,769
Total liabilities	3,218,724	3,041,670	31,274,039
EQUITY (Note 17)**:**			
Capital stock, authorized, 900,000,000 shares; issued, 410,951,977 shares and 410,940,977 shares as March of 31, 2014 and 2013	27,485	27,484	267,051
Capital surplus	49,530	49,500	481,245
Retained earnings	38,361	32,877	372,730
Treasury stock — at cost 4,502,532 shares and 5,482,600 shares as of March 31, 2014 and 2013, respectively	(641)	(778)	(6,225)
Total shareholders' equity	114,735	109,083	1,114,801
Valuation difference on available-for-sale securities	6,974	8,247	67,763
Accumulated other comprehensive income on defined retirement benefit plans	(435)	—	(4,232)
Total accumulated other comprehensive income	6,539	8,247	63,531
Equity warrant	87	36	847
Minority interests	908	10,800	8,817
Total net assets	122,269	128,166	1,187,996
Total liabilities and net assets	¥3,340,993	¥3,169,836	$32,462,035

See Notes to Consolidated Financial Statements.

CONSOLIDATED STATEMENTS OF INCOME

The Minato Bank, Ltd. and Subsidiaries
Years Ended March 31, 2014 and 2013

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2014	2013	2014
ORDINARY INCOME:			
Interest income:			
Interest on loans and discounts	¥34,039	¥35,469	$330,730
Interest and dividends on securities	4,628	5,270	44,970
Other interest income	812	742	7,892
Fees and commissions	13,444	12,542	130,625
Other ordinary income (Note 18)	9,054	9,111	87,967
Other income (Note 19)	6,068	2,107	58,957
Total income	68,045	65,241	661,141
ORDINARY EXPENSES:			
Financing expenses:			
Interest on deposits	1,794	1,847	17,427
Interest on borrowings and rediscounts	171	207	1,665
Other financing expenses	698	703	6,784
Fees and commissions payments	3,373	3,325	32,770
Other ordinary expenses (Note 20)	8,171	5,276	79,393
General and administrative expenses	35,176	34,860	341,780
Other expenses (Notes 9 and 21)	5,190	6,944	50,428
Total expenses	54,573	53,162	530,247
INCOME BEFORE INCOME TAXES AND MINORITY INTERESTS	13,472	12,079	130,894
INCOME TAXES (Note 25)**:**			
Current	4,526	4,546	43,979
Deferred	950	21	9,228
INCOME BEFORE MINORITY INTERESTS	7,996	7,512	77,687
MINORITY INTERESTS IN INCOME	484	563	4,699
NET INCOME	¥ 7,512	¥ 6,949	$ 72,988

	Yen		U.S. Dollars
	2014	2013	2014
PER SHARE INFORMATION (Note 29)**:**			
Basic net income	¥18.50	¥17.16	$0.18
Diluted net income	18.47	17.15	0.18
Cash dividends applicable to the year	6.00	5.00	0.06

See Notes to Consolidated Financial Statements.
The dividend per share in 2014 includes a 1.00 yen per share dividend to commemorate our 15th anniversary.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

The Minato Bank, Ltd. and Subsidiaries
Years Ended March 31, 2014 and 2013

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2014	2013	2014
INCOME BEFORE MINORITY INTERESTS:	¥7,996	¥ 7,512	$77,687
Unrealized gains on available-for-sale securities	(1,251)	4,829	(12,148)
Comprehensive income	6,745	12,341	65,539
(Attributable to)			
Shareholders of parent	6,239	11,754	60,620
Minority interests	506	587	4,919

See Notes to Consolidated Financial Statements.

CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS

The Minato Bank, Ltd. and Subsidiaries
Years Ended March 31, 2014 and 2013

	Thousands	Millions of Yen										
	Outstanding Number of Shares of Capital Stock	Capital Stock	Capital Surplus	Retained Earnings	Treasury Stock	Total Shareholders' Equity	Valuation Difference on Available-for-Sale Securities	Accumulated other comprehensive income on defined retirement benefit plans	Total Accumulated Other Comprehensive Income	Equity Warrant	Minority Interests	Total Net Assets
Balance as of March 31, 2012	404,252	¥27,484	¥49,496	¥27,949	¥(949)	¥103,980	¥3,443	¥ —	¥3,443	¥—	¥10,715	¥118,138
Net income	—	—	—	6,949	—	6,949	—	—	—	—	—	6,949
Dividends from surplus	—	—	—	(2,021)	—	(2,021)	—	—	—	—	—	(2,021)
Purchase of treasury stock	(21)	—	—	—	(3)	(3)	—	—	—	—	—	(3)
Disposal of treasury stock	1,227	—	4	—	174	178	—	—	—	—	—	178
Total changes of items during the period	—	—	—	—	—	—	4,804	—	4,804	36	85	4,925
Balance as of March 31, 2013	405,458	27,484	49,500	32,877	(778)	109,083	8,247	—	8,247	36	10,800	128,166
Issuance of new shares	11	1	1	—	—	2	—	—	—	—	—	2
Net income	—	—	—	7,512	—	7,512	—	—	—	—	—	7,512
Dividends from surplus	—	—	—	(2,028)	—	(2,028)	—	—	—	—	—	(2,028)
Purchase of treasury stock	(35)	—	—	—	(6)	(6)	—	—	—	—	—	(6)
Disposal of treasury stock	1,015	—	29	—	143	172	—	—	—	—	—	172
Total changes of items during the period	—	—	—	—	—	—	(1,273)	(435)	(1,708)	51	(9,892)	(11,549)
Balance as of March 31, 2014	406,449	¥27,485	¥49,530	¥38,361	¥(641)	¥114,735	¥6,974	¥(435)	¥6,539	¥87	¥ 908	¥122,269

	Thousands of U.S. Dollars (Note 1)										
	Capital Stock	Capital Surplus	Retained Earnings	Treasury Stock	Total Shareholders' Equity	Valuation Difference on Available-for-Sale Securities	Accumulated other comprehensive income on defined retirement benefit plans	Total Accumulated Other Comprehensive Income	Equity Warrant	Minority Interests	Total Net Assets
Balance as of March 31, 2013	$267,044	$480,959	$319,440	$(7,566)	$1,059,877	$80,131	$ —	$80,131	$354	$104,936	$1,245,298
Issuance of new shares	7	7	—	—	14	—	—	—	—	—	14
Net income	—	—	72,988	—	72,988	—	—	—	—	—	72,988
Dividends from surplus	—	—	(19,698)	—	(19,698)	—	—	—	—	—	(19,698)
Purchase of treasury stock	—	—	—	(59)	(59)	—	—	—	—	—	(59)
Disposal of treasury stock	—	279	—	1,400	1,679	—	—	—	—	—	1,679
Total changes of items during the period	—	—	—	—	—	(12,368)	(4,232)	(16,600)	493	(96,119)	(112,226)
Balance as of March 31, 2014	$267,051	$481,245	$372,730	$(6,225)	$1,114,801	$67,763	$(4,232)	$63,531	$847	$ 8,817	$1,187,996

See Notes to Consolidated Financial Statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

The Minato Bank, Ltd. and Subsidiaries
Years Ended March 31, 2014 and 2013

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2014	2013	2014
OPERATING ACTIVITIES:			
Income before income taxes and minority interests	¥ 13,472	¥ 12,079	$ 130,894
Depreciation and amortization	3,383	3,586	32,875
Impairment loss	116	178	1,125
Increase (decrease) in allowance for loan losses	3,256	5,188	31,640
Increase (decrease) in provision for bonuses	56	(30)	543
Increase (decrease) in provision for retirement benefits	(4,996)	163	(48,538)
Increase (decrease) in liability for retirement benefits	4,959	—	48,180
Decrease (increase) in prepaid pension costs	2,870	251	27,881
Decrease (increase) in asset for retirement benefits	(2,713)	—	(26,358)
Increase (decrease) in provision for directors' retirement benefits	5	(181)	53
Increase (decrease) in provision for reimbursement of deposits	36	(5)	350
Gain on fund management	(39,479)	(41,481)	(383,593)
Financing expenses	2,663	2,757	25,876
Loss (gain) related to securities	(3,347)	(3,017)	(32,518)
Foreign exchange (gain) losses	(2,473)	(1,783)	(24,029)
Loss (gain) on disposal of noncurrent assets	84	76	813
Net decrease (increase) in trading account securities	200	(186)	1,945
Net decrease (increase) in loans and bills discounted	(97,441)	(74,997)	(946,766)
Net increase (decrease) in deposit	197,881	57,308	1,922,665
Net increase (decrease) in borrowed money (excluding subordinated borrowings)	35,233	(1,475)	342,338
Net decrease (increase) in interest-bearing deposit	76	(550)	741
Net decrease (increase) in call loans	303	13,946	2,941
Net increase (decrease) in payables under securities lending transactions	(29,851)	(4,829)	(290,045)
Net decrease (increase) in foreign exchanges-assets	157	(1,517)	1,523
Net increase (decrease) in foreign exchanges-liabilities	24	(66)	234
Net decrease (increase) in lease receivables and investment assets	(558)	(636)	(5,418)
Proceeds from fund management	42,230	43,813	410,317
Payments for finance	(2,922)	(2,998)	(28,388)
Other, net	875	(914)	8,504
Sub-total	124,099	4,680	1,205,785
Income taxes paid	(5,026)	(3,787)	(48,836)
Income taxes refund	1	6	11
Net cash provided by operating activities	119,074	899	1,156,960
INVESTING ACTIVITIES:			
Purchases of securities	(263,256)	(498,573)	(2,557,865)
Proceeds from sales of securities	369,299	409,999	3,588,212
Proceeds from redemptions of securities	69,458	91,405	674,873
Purchases of tangible fixed assets	(2,857)	(1,948)	(27,760)
Proceeds from sales of tangible fixed assets	177	301	1,718
Purchase of intangible fixed assets	(1,883)	(1,323)	(18,292)
Other	(27)	(34)	(264)
Net cash used in investing activities	170,911	(173)	1,660,622
FINANCING ACTIVITIES:			
Proceeds from subordinated borrowings	—	5,200	—
Repayment of subordinated bonds	(2,000)	(6,000)	(19,433)
Proceeds from contributions paid by minority interests	1	—	14
Repayments to minority interests	(10,000)	—	(97,163)
Cash dividends paid	(2,026)	(2,019)	(19,682)
Cash dividends paid to minority interests	(484)	(490)	(4,705)
Repayment of lease obligations	(217)	(206)	(2,113)
Purchase of treasury stock	(6)	(3)	(59)
Proceeds from sales of treasury stock	173	179	1,679
Net cash used in financing activities	(14,559)	(3,339)	(141,462)
EFFECT OF EXCHANGE RATE CHANGE ON CASH AND CASH EQUIVALENTS	(18)	(2)	(180)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	275,408	(2,615)	2,675,940
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	35,404	38,019	343,999
CASH AND CASH EQUIVALENTS AT END OF PERIOD (Note 3)	¥310,812	¥ 35,404	$3,019,939

See Notes to Consolidated Financial Statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

The Minato Bank, Ltd. and Subsidiaries
Years Ended March 31, 2014 and 2013

1. BASIS OF PRESENTING CONSOLIDATED FINANCIAL STATEMENTS

The accompanying consolidated financial statements of The Minato Bank, Ltd. (the "Bank") and its subsidiaries have been prepared in accordance with the provisions set forth in the Japanese Financial Instruments and Exchange Act and its related accounting regulations and the Enforcement Regulation for the Banking Act and in conformity with accounting principles generally accepted in Japan, which are different in certain respects as to 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 accompanying consolidated financial statements are stated in Japanese yen, the currency of the country in which the Bank is incorporated and operates. The translations of Japanese yen amounts into U.S. dollar amounts are included solely for the convenience of readers outside Japan and have been made at the rate of ¥102.92 to $1, the approximate rate of exchange at March 31, 2014, the final business day of the term. Such translations should not be construed as representations that the Japanese yen amounts could be converted into U.S. dollars at that or any other rate.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Consolidation

The consolidated financial statements include the accounts of the Bank and all (16 and 15 subsidiaries in 2014 and 2013) of its subsidiaries (together, the "Group"). Under the control concept, those companies in which the Bank, directly or indirectly, is able to exercise control over operations are fully consolidated. All significant intercompany balances and transactions have been eliminated in consolidation. All material unrealized profit included in assets resulting from transactions within the Group is eliminated.

Assets and liabilities of consolidated subsidiaries including the portion attributable to the minority shareholders are valuated for consolidation at fair value when the Bank acquired control.

b. Consolidated subsidiaries' fiscal year-end

Fiscal years of 8 consolidated subsidiaries ended on March 31, 2014 and 2013, while 7 and 6 others ended on December 31, 2014 and 2013 and one consolidated subsidiary ended on January 24, 2014 and 2013 . Significant transactions between December 31 or January 24 and March 31 are adjusted in consolidation.

c. Cash equivalents

For purposes of the consolidated statements of cash flows, the Group considers noninterest-bearing deposits included in "Cash and due from banks" in the consolidated balance sheets to be cash equivalents.

d. Trading account securities

Trading account securities, which are held for the purpose of earning capital gains in the near term are reported at fair value, and the related unrealized gains and losses are included in the consolidated statements of income.

e. Securities

Securities with readily obtainable fair values are reported at fair value, with unrealized gains and losses, net of applicable taxes, reported in a separate component of equity. The cost of securities sold is determined based on the moving-average method.

Available-for-sale securities, the fair values of which are extremely difficult to calculate 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.

f. Derivative transactions

In accordance with the Industry Audit Committee Report No.24, "Treatment for Accounting and Auditing of Application of Accounting Standard for Financial Instruments in Banking Industry." Issued by the Japanese Institute of Certified Public Accountants ("JICPA"), the Bank applies hedge accounting to manage its exposures to fluctuations in interest rates associated with certain assets and liabilities. The Bank enters into derivative financial instruments, such as interest rate swaps, currency options and foreign exchange contracts. Subsidiaries do not perform any derivative transactions.

The Bank enters into derivatives principally as a means of managing its interest rate and foreign exchange rate exposures on certain assets. In addition, the Bank uses derivatives actively to meet its customers' needs for new financial instruments.

Derivative financial instruments are classified and accounted for as follows: a) all derivatives are recognized as either assets or liabilities and measured at fair value, and gains or losses on derivative transactions are recognized in the consolidated statements of income and b) for derivatives used for hedging purposes, if derivatives qualify for hedge accounting because of high correlation and effectiveness between the hedging instruments and the hedged items, gains or losses on derivatives are deferred until maturity of the hedged transactions. Net unrealized losses related to hedging are classified as deferred unrealized losses on hedges in equity.

g. Bills discounted

Bills discounted are accounted for as financial transactions in accordance with JICPA Industry Audit Committee Report No.24, "Treatment for Accounting and Auditing of Application of Accounting Standard for Financial Instruments in Banking Industry." The Bank has rights to sell or pledge bank acceptance bought, commercial bills discounted, documentary bills and foreign exchanges bought without restrictions. The total face values at March 31, 2014 and 2013 were ¥24,377 million ($236,856 thousand) and ¥26,444 million, respectively.

h. Tangible fixed assets

Tangible fixed assets are stated at cost less accumulated depreciation. Depreciation of tangible fixed assets and equipment of the Bank is computed using the declining-balance method while the straight-line method is applied to buildings at rates based on the estimated useful lives of the assets. The range of useful lives is principally from 8 to 50 years for buildings and from 2 to 20 years for equipment. Depreciation of tangible fixed assets owned by subsidiaries is computed principally using the straight-line method over the estimated useful lives of the assets. Under certain conditions such as exchanges of fixed assets of similar kinds and sales and purchases resulting from expropriation, Japanese tax laws permit companies to defer the profit arising from such transactions by reducing the cost of the assets acquired or by providing special reserve in the equity section. The Bank adopted the former treatment and reduced the cost of the assets acquired by ¥81 million ($791 thousand) as of March 31, 2014 and 2013.

i. Long-lived assets

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

j. Software

Software costs for internal use are capitalized (included in other assets) and amortized by the straight-line method over the estimated useful life of 5 years.

k. Allowance for loan losses

The amount of the allowance for loan losses is determined based on management's judgment and assessment of future losses based on the self-assessment system. This system reflects past experience of credit losses, possible credit losses, business and economic conditions, the character, quality and performance of the portfolio and other pertinent indicators. The Bank implemented the self-assessment system for asset quality. The quality of all loans is assessed by branches and the Credit Administration Division with a subsequent audit by the Credit Review and Audit Division in accordance with the Bank's policy and rules for 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 for self-assessment of asset quality. All loans are classified into five categories for self-assessment purposes such as "normal," "caution," "possible bankruptcy," "virtual bankruptcy" and "legal bankruptcy." For claims to debtors classified as legal bankruptcy or virtual bankruptcy, an allowance is provided for the remaining amount of claims after deduction of the amounts collectible through the disposal of collateral or execution of guarantees. For claims to debtors classified as possible bankruptcy, who are currently neither legally nor virtually bankrupt but are likely to become bankrupt, an allowance is provided at the amounts deemed necessary based on an overall solvency assessment performed for remaining claims after deduction of the amounts collectible through the disposal of collateral or execution of guarantees. For other claims, an allowance is provided based on historical loan loss experience. Subsidiaries provide an allowance for general claims based on historical loan loss experience and for specific claims at the amounts individually estimated to be uncollectible.

l. Provision for bonuses

The provision for bonuses is provided for the payment of employees' bonuses based on estimated amounts of the future payments attributed to the current fiscal year.

m. Provision for retirement benefits

In calculating the projected benefit obligation, the straight-line basis is used to attribute the expected benefit attributable to the respective fiscal year.

Prior service cost is deferred and amortized using the straight-line method over certain years (9 years) within the average remaining service period of the eligible employees.

Unrealized actuarial losses are deferred and amortized using the straight-line method over certain years (9 years) commencing with the following year, which is shorter than the average remaining service period of the eligible employees.

Subsidiaries provide for the liability for employees' severance payments based on amounts which would be required to be paid if all eligible employees voluntarily terminated their employment at the balance sheet date.

In July 2008, the Accounting Standards Board of Japan ("ASBJ") issued ASBJ Statement No.19, "Partial Amendments to Accounting Standard for Retirement Benefits (Part 3)." The Group applied the revised accounting standard effective April 1, 2009. This accounting change had no material impact on consolidated financial statements.

(Additional information)

The Bank transferred part of the defined benefit plan to the defined contribution plan on October 1, 2013.

The Bank adopted "Guidance on Accounting for Transfers between Retirement Benefit Plans" (Accounting Standards Board of Japan (ASBJ) Application Guidance No.1 issued on January 31, 2002) and "Practical Solution on Accounting for Transfer between Retirement Benefit Plans" (Practical Issues Task Force No.2 issued on February 7, 2007) to account for the transfer. As a result of this change, ¥507 million ($4,929 thousand) of other expenses was recorded for the year ended March 31, 2014.

(Accounting change)

From the fiscal year ended March 31, 2014, the Bank and its consolidated subsidiaries have adopted the Accounting Standard for Retirement Benefits (ASBJ Statement No.26, May 17, 2012) and the Guidance on Accounting Standard for Retirement Benefits (ASBJ Guidance No.25, May 17, 2012) (excluding the provisions set out in the main text of Paragraph 35 and Paragraph 67 of the Accounting Standard and the Guidance, respectively). Accordingly, the difference between the projected benefit obligation and plan assets is reported as asset for retirement benefits or liability for retirement benefits.

In accordance with the transitional treatment stipulated in Paragraph 37 of the Accounting Standard, unrecognized actuarial loss and unrecognized prior year service cost, net of deferred tax are reported as remeasurements of defined benefit plans in accumulated other comprehensive income from the fiscal year ended March 31, 2014.

As a result of this change, ¥779 million ($7,571 thousand) and ¥3,701 million ($35,963 thousand) is recorded as asset for retirement benefits and liability for retirement benefits and deferred tax assets increased by ¥241 million ($2,338 thousand) and accumulated other comprehensive income decreased by ¥436 million ($4,232 thousand).

n. Provision for directors' retirement benefits

Retirement allowances for directors and corporate auditors are recorded to state the liability at the amount that would be required if all directors (including executive officer) and corporate auditors retired at each balance sheet date.

o. Provision for reimbursement of deposits

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

p. Foreign currency transactions

Foreign currency denominated assets and liabilities are translated into Japanese yen at the exchange rates prevailing at the balance sheet date. The foreign exchange gains and losses from translation are recognized in the consolidated statements of income.

q. Leases

In March 2007, the ASBJ issued ASBJ Statement No.13, "Accounting Standard for Lease Transactions," which revised the previous accounting standard for lease transactions issued in June 1993. The revised accounting standard for lease transactions was effective for fiscal years beginning on or after April 1, 2008 with early adoption permitted for fiscal years beginning on or after April 1, 2007. Under the previous accounting standard, finance leases that were deemed to transfer ownership of the leased property to the lessee were treated as sales. However, other finance leases were permitted to be accounted for as operating lease transactions if certain "as if sold" information was disclosed in the note to the lessor's financial statements. The revised accounting standard requires that all finance leases that deem to transfer ownership of the leased property to the lessee recognized as lease receivables, and all finance leases that deem not to transfer ownership of the leased property to the lessee should be recognized as lease investment assets. Income for finance leases is recognized by allocating interest equivalents to applicable fiscal years instead of recording sale of lease assets. And income for finance leases is measured at total of interest equivalents, instead of the amount of lease transactions. Leased properties on finance lease transactions that do not transfer ownership are depreciated over the useful life of assets, equal to the lease term, by the straight-line method to a residual value of zero or residual value on the lease contract.

r. Income taxes

The provision for income taxes is computed based on the pretax income included in the consolidated statements 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 tax laws to the temporary differences.

s. Appropriations of retained earnings

Appropriations of retained earnings are reflected in the consolidated financial statements for the following year upon shareholders' approval.

t. Per share information

Basic net income per share is computed by dividing net income available to Capital shareholders by the weighted-average number of common shares outstanding for the period, retroactively adjusted for stock splits. Diluted net income per share is not disclosed because no dilutive securities are outstanding. Cash dividends per share presented in the accompanying consolidated statements of income are dividends applicable to the respective years including dividends to be paid after the end of the year.

u. Accounting standards issued bot not yet effective

Accounting Standard for Retirement Benefit (ASBJ Statement No.26, May 17, 2012) and Guidance for Accounting Standard for Retirement Benefit (ASBJ Guidance No.25, May 17, 2012)

(1) Outline

The accounting standard has been revised in light of improving financial reporting and trend toward international convergence, mainly on (i) changes in accounting methods for unrecognized actuarial net loss and unrecognized prior service cost, and enhancement of disclosure items; (ii) changes of calculation methods for projected benefit obligations and service cost.

(2) Date of application

The Bank intends to adopt (ii) from the fiscal year beginning on April 1, 2014.

(3) Effects of adoption of the revised accounting standard

As a result of the adoption of the revised accounting standard, retained earnings at the beginning of the fiscal year beginning on April 1, 2014 decreased by ¥752 million ($7,308 thousand).

3. CASH AND CASH EQUIVALENTS

The reconciliation of "Cash and cash equivalents" and "Cash and due from banks" in the consolidated balance sheets at March 31, 2014 and 2013 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2014	2013	2014
Cash and due from banks	¥312,014	¥36,683	$3,031,617
Interest-bearing deposits included in due from banks	(1,202)	(1,279)	(11,678)
Cash and cash equivalents	¥310,812	¥35,404	$3,019,939

4. SECURITIES

The fair values of floating rate Japanese government bonds were previously measured at their market prices. However, after consideration of Practice Issues Task Force No.25, "Practical Solution on Measurement of Fair Value for Financial Assets," issued by the ASBJ and the recent market environment, management has concluded that current market prices are no longer indicative of the fair values.

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

	Millions of Yen		Thousands of U.S. Dollars
	2014	2013	2014
Japanese government bonds	¥207,493	¥418,022	$2,016,061
Japanese local government bonds	140,647	172,138	1,366,566
Japanese corporate bonds	123,776	111,474	1,202,643
Corporate stocks	25,061	21,236	243,495
Other securities	108,017	77,778	1,049,526
Total	¥604,994	¥800,648	$5,878,291

5. LOANS AND BILLS DISCOUNTED

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

	Millions of Yen		Thousands of U.S. Dollars
	2014	2013	2014
Bills discounted	¥ 23,079	¥ 25,225	$ 224,245
Loans on bills	60,554	64,252	588,360
Loans on deeds	2,074,792	1,990,156	20,159,269
Overdrafts	179,381	165,850	1,742,911
Total	¥2,337,806	¥2,245,483	$22,714,785

Loans in legal bankruptcy totaled ¥4,078 million ($39,628 thousand) and ¥3,580 million as of March 31, 2014 and 2013, respectively. Nonaccrual loans totaled ¥67,242 million ($653,338 thousand) and ¥69,326 million as of March 31, 2014 and 2013, respectively. Loans in legal bankruptcy are loans for which the interest accrual has been discontinued (excluding the portion recognized as bad debts), based on management's judgment as to the collectability of principal or interest resulting from the delay in payments of interest or principal for a considerable period of time and other factors. Nonaccrual loans are loans in which the interest accrual is discontinued, other than loans in legal bankruptcy and loans granting deferral of interest payment to the debtors in financial difficulties to assist them in their recovery. Accruing loans contractually past due three months or more as to principal or interest payments totaled ¥579 million ($5,630 thousand) and ¥216 million as of March 31, 2014 and 2013, respectively. Loans classified as loans in legal bankruptcy and past due loans are excluded. Restructured loans totaled ¥6,373 million ($61,926 thousand) and ¥11,000 million as of March 31, 2014 and 2013, respectively. Such restructured loans are loans on which creditors grant concessions (e.g., reduction of the stated interest rate, deferral of interest payment, extension of maturity date, waiver of the face amount, or other concessive measures) to the debtors to assist them to recover from their financial difficulties and eventually be able to pay creditors. Loans classified as loans in legal bankruptcy, nonaccrual loans and accruing contractually past due three months or more are excluded from these restructured loans.

6. FOREIGN EXCHANGES

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

	Millions of Yen		Thousands of U.S. Dollars
	2014	2013	2014
Assets:			
Due from foreign correspondents	¥1,372	¥2,001	$13,330
Foreign bills of exchange receivable	3,144	2,751	30,543
Foreign bills of exchange purchased	1,298	1,218	12,611
Total	¥5,814	¥5,970	$56,484
Liabilities:			
Due to foreign correspondents	¥ —	¥ 12	$ —
Foreign bills of exchange sold	50	13	483
Accrued foreign bills of exchange	8	9	77
Total	¥ 58	¥ 34	$ 560

7. OTHER ASSETS

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

	Millions of Yen		Thousands of U.S. Dollars
	2014	2013	2014
Prepaid expenses	¥ 38	¥ 31	$ 367
Prepaid pension costs	—	2,869	—
Accrued income	2,700	3,121	26,234
Derivatives	2,266	2,514	22,017
Other	17,794	19,128	172,898
Total	¥22,798	¥27,663	$221,516

8. TANGIBLE FIXED ASSETS

Accumulated depreciation on tangible fixed assets at March 31, 2014 and 2013 amounted to ¥835 million ($221,154 thousand) and ¥21,162 million, respectively.

9. LONG-LIVED ASSETS

The Group recognized impairment losses for the years ended March 31, 2014 and 2013 as follows:

			Millions of Yen	Thousands of U.S. Dollars
			2014	2014
Location	Description	Classification	Impairment Losses	Impairment Losses
Hyogo prefecture	Idle assets	Buildings	¥ 6	$ 55
Osaka prefecture	Book storeroom	Land and buildings	97	939
Hyogo prefecture	Idle assets	Buildings	3	34
Hyogo prefecture	Idle assets	Buildings	5	48
Hyogo prefecture	Idle assets	Buildings	5	49
Total			¥116	$1,125

			Millions of Yen
			2013
Location	Description	Classification	Impairment Losses
Osaka prefecture	Operating retail premises	Land and buildings	¥142
Hyogo prefecture	Idle assets	Buildings	4
Hyogo prefecture	Operating retail premises	Buildings	24
Hyogo prefecture	Operating retail premises	Buildings	8
Total			¥178

The Bank groups operating retail premises by operating block (a group of operation branches in close relationship). Each of the subsidiaries is grouped as a single unit.

The Bank treats the head office, the computer center, the business concentration center, company condominiums and dormitories, and other, which do not generate independent cash flows, as assets in common use. Idle assets of the Group are treated as an independent unit. The Group wrote down the carrying amounts to the recoverable amounts and recognized impairment losses of ¥116 million ($1,125 thousand) and ¥178 million for the years ended March 31, 2014 and 2013, respectively as other expenses, since the carrying amounts of the assets held by the above branches and other exceeded the sum of the undiscounted future cash flows. The recoverable amounts of such assets were measured at their net realizable selling prices determined by quotations from real estate appraisal information less estimated costs to dispose.

10. ASSETS PLEDGED

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

	Millions of Yen		Thousands of U.S. Dollars
	2014	2013	2014
Securities	¥95,485	¥91,364	$927,764
Due from Banks	0	0	0
Other assets	90	90	879
Total	¥95,575	¥91,454	$928,643

Related liabilities:

	Millions of Yen		Thousands of U.S. Dollars
	2014	2013	2014
Deposits	¥ 2,899	¥ 2,196	$ 28,165
Call money and bills sold	39,821	4,450	386,916
Payables under securities lending transactions	25,434	55,285	247,124

In addition, Securities totaling ¥38,641 million ($375,444 thousand) and ¥39,821 million at March 31, 2014 and 2013, respectively, and other assets totaling ¥57 million ($554 thousand) and ¥57 million at March 31, 2014 and 2013, respectively, were pledged as collateral for settlement of exchange, fund settlement for joint systems of the industry and derivative transactions. Other assets include guarantee deposits of ¥3,173 million ($30,832 thousand) and ¥3,287 million at March 31, 2014 and 2013, respectively.

11. COMMITMENT LINE

Commitment line contracts on overdrafts and loans are agreements to lend to customers when they apply for borrowing, to the prescribed amount as long as there is no violation of any condition established in the contracts. At March 31, 2014 and 2013, the amount of unused commitments amounts to ¥460,575 million ($4,475,073 thousand) and ¥460,230 million, respectively, of which commitments aggregating ¥452,245 million ($4,394,139 thousand) and ¥451,570 million, respectively, have original contract terms that expire within one year or are unconditionally cancelable at any time. Since many of these commitments are expected to expire without being drawn upon, the total amount of unused commitments does not necessarily represent actual future cash flow requirements. Many of these commitments have clauses that allow the Bank to reject the application from customers or reduce the contract amounts in some cases, such as change in economic conditions, the Bank need to secure their credit, or other events occur. In addition, the Bank requests customers to pledge collateral such as premises and securities at execution of the contracts, and takes necessary measures such as understanding customers' financial positions, revising contracts when the need arises and securing claims after execution of the contracts.

12. DEPOSITS

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

	Millions of Yen		Thousands of U.S. Dollars
	2014	2013	2014
Current deposits	¥ 159,024	¥ 128,680	$ 1,545,119
Ordinary deposits	1,596,786	1,500,791	15,514,827
Savings deposits	20,732	21,845	201,442
Deposits at notice	19,577	8,742	190,213
Time deposits	1,204,189	1,173,045	11,700,245
Other deposits	37,348	29,899	362,887
Sub-total	3,037,656	2,863,002	29,514,733
Negotiable certificates of deposit	36,034	13,383	350,117
Total	¥3,073,690	¥2,876,385	$29,864,850

13. BORROWED MONEY

At March 31, 2014 and 2013, the weighted average interest rates applicable to the borrowed money were 0.37% and 1.12%, respectively and at March 31, 2014 and 2013, the weighted average interest rates applicable to the lease obligation were 5.19% and 5.23%, respectively. Borrowed money at March 31, 2014 and 2013 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2014	2013	2014
Borrowed money	¥49,534	¥16,301	$481,289
Subordinated borrowings	8,200	10,200	79,673
Borrowings from banks and other	41,334	6,101	401,616
Short-term lease obligation	228	217	2,217
Lease obligation (other than short-term)	262	480	2,544

Annual maturities of borrowed money and lease obligation at March 31, 2014, were as follows:

	Millions of Yen		Thousands of U.S. Dollars	
	2014		2014	
Year Ending March 31	Borrowed Money	Lease Obligation	Borrowed Money	Lease Obligation
2015	¥ 2,811	¥228	$ 27,315	$2,217
2016	3,774	180	36,667	1,753
2017	34,129	74	331,604	714
2018	280	5	2,726	45
2019	340	2	3,304	22
2020 and thereafter	8,200	1	79,674	11
Total	¥49,534	¥490	$481,290	$4,762

14. BONDS PAYABLE

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

	Millions of Yen		Thousands of U.S. Dollars		
Description	2014	2013	2014	Interest Rate	Due
Subordinated bonds	¥ 9,700	¥ 9,700	$ 94,248	2.45%	Mar. 2011 – Mar. 2021
Subordinated bonds	18,300	18,300	177,808	2.19	Sep. 2011 – Sep. 2021

15. OTHER LIABILITIES

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

	Millions of Yen		Thousands of U.S. Dollars
	2014	2013	2014
Domestic exchange settlement	¥ 336	¥ 693	$ 3,267
Accrued income taxes	1,951	2,310	18,959
Accrued expenses	2,122	2,197	20,622
Unearned income	7,190	6,852	69,856
Derivatives	1,536	1,908	14,919
Other	10,441	32,407	101,445
Total	¥23,576	¥46,367	$229,068

16. 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," is shown as an asset representing the Bank's right of indemnity from the applicants. At March 31, 2014 and 2013, the amounts of "Acceptances and guarantees" and "Customers' liabilities for acceptances and guarantees," which were set off were ¥23,188 million ($225,303 thousand) and ¥21,545 million, because which were relevant to corporate bonds, and the guaranteed bonds were held by the Bank itself.

17. EQUITY

Since May 1, 2006, Japanese companies have been subject to the Companies Act of Japan (the "Companies Act"). The significant changes 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 shareholders meeting. For companies that meet certain criteria such as; (1) having the Board of Directors, (2) having accounting auditors, (3) having the Board of Corporate Auditors, and (4) the term of service of the directors is prescribed as one year rather than two years of normal term by its articles of incorporation, the Board of Directors may declare dividends (except for dividends in kind) at any time during the fiscal year if the company has prescribed so in its articles of incorporation. However, the Bank cannot do so because it does not meet all the above criteria. The Companies Act permits companies to distribute dividends-in-kind (non-cash assets) to shareholders subject to a certain limitation 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 provides certain limitations on the amounts available for dividends or the purchase of treasury stock. The limitation is defined as the amount available for distribution to the shareholders, but the amount of net assets after dividends must be maintained at no less than ¥3 million.

b. Increases/decreases and transfer of Capital stock, reserve and surplus

The Companies Act requires that an amount equal to 10% (20% for banks pursuant to the Banking Law) 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 aggregate amount of legal reserve and additional paid-in capital equals 25% (100% for banks pursuant to the Banking Law) of the Capital stock. Under the Companies Act, the total amount of additional paid-in capital and legal reserve may be reversed without limitation. The Companies Act also provides that Capital stock, legal reserve, additional paid-in capital, other capital surplus and retained earnings can be transferred among the accounts under certain conditions upon resolution of the shareholders.

c. Treasury stock and treasury stock acquisition rights

The Companies Act also provides for companies to purchase treasury stock and dispose of such treasury stock by resolution of the Board of Directors. The amount of treasury stock purchased cannot exceed the amount available for distribution to the shareholders which is determined by specific formula. Under the Companies Act stock acquisition rights are presented as a separate component of equity. The Companies Act also provides that companies can purchase both treasury stock acquisition rights and treasury stock. Such treasury stock acquisition rights are presented as a separate component of equity or deducted directly from stock acquisition rights. At the Shareholders' Extraordinary Meeting held on December 22, 1998, the Bank's shareholders approved amendment of the Bank's Articles of Incorporation to authorize the Bank to issue preferred stock of 100,000,000 shares. No preferred stocks have been issued.

18. OTHER ORDINARY INCOME

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

	Millions of Yen		Thousands of U.S. Dollars
	2014	2013	2014
Gains on foreign exchange transactions-net	¥ 384	¥ 425	$ 3,730
Gains on sales of bonds	1,452	3,371	14,111
Other	7,218	5,315	70,126
Total	¥9,054	¥9,111	$87,967

19. OTHER INCOME

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

	Millions of Yen		Thousands of U.S. Dollars
	2014	2013	2014
Gains on sales of stocks and other securities	¥3,730	¥ 200	$36,240
Gain on disposal of tangible fixed assets	67	66	655
Recovery of claims previously charged-off	12	47	112
Other	2,259	1,794	21,950
Total	¥6,068	¥2,107	$58,957

20. OTHER ORDINARY EXPENSES

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

	Millions of Yen		Thousands of U.S. Dollars
	2014	2013	2014
Losses on sales of bonds	¥1,676	¥ 3	$16,280
Other	6,495	5,273	63,113
Total	¥8,171	¥5,276	$79,393

21. OTHER EXPENSES

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

	Millions of Yen		Thousands of U.S. Dollars
	2014	2013	2014
Provision for possible loan losses	¥3,256	¥5,188	$31,640
Losses on sales of stocks and other securities	148	9	1,433
Losses on devaluation of stocks and other securities	12	541	119
Loss on disposal of noncurrent assets	151	142	1,468
Impairment loss	116	178	1,125
Other	1,507	886	14,643
Total	¥5,190	¥6,944	$50,428

22. OTHER COMPREHENSIVE INCOME

Reclassification adjustments and the related tax effects concerning other comprehensive income for the years ended March 31, 2014 and 2013 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2014	2013	2014
Valuation difference on available-for-sale securities			
The amount arising during the period	¥ 1,286	¥10,484	$ 12,493
Reclassification adjustments	(3,323)	(3,088)	(32,284)
Before adjustments to tax effect	(2,037)	7,396	(19,791)
The amount of tax effect	787	(2,567)	7,643
Valuation difference on available-for-sale securities	(1,250)	4,829	(12,148)
Total other comprehensive income	¥(1,250)	¥ 4,829	$(12,148)

23. RETIREMENT BENEFITS

The Bank has a contributory funded pension plan and an unfunded lump-sum severance payment plan. Subsidiaries have unfunded lump-sum severance payment plans and calculate liability for retirement benefits and retirement benefit cost using simplified method. The Bank transferred part of the defined benefit plan to the defined contribution plan on October 1, 2013.

For the year ended March 31, 2014

Reconciliation of the projected benefit obligation between April 1, 2013 and March 31, 2014 is as follows:

	Millions of Yen	Thousands of U.S. Dollars
	2014	2014
Retirement benefit obligation as of April 1, 2013	¥21,794	$211,760
Service cost	550	5,345
Interest cost	300	2,917
Actuarial net loss incurred	78	754
Payment of retirement benefit	(756)	(7,347)
Recognized prior service cost	(75)	(727)
Decrease due to transfer to defined contribution plan	(3,332)	(32,378)
Other	—	—
Retirement benefit obligation as of March 31, 2014	¥18,559	$180,324

Reconciliation of the plan assets between April 1, 2013 and March 31, 2014 is as follows:

	Millions of Yen	Thousands of U.S. Dollars
	2014	2014
Plan assets as of April 1, 2013	¥16,538	$160,690
Expected return on plan assets	167	1,626
Actuarial net loss incurred	1,057	10,272
Contribution by the employer	1,192	11,583
Payment of retirement benefit	(255)	(2,481)
Decrease due to transfer to defined contribution plan	(3,062)	(29,758)
Plan assets as of March 31, 2014	¥15,637	$151,932

Reconciliation of the projected benefit obligation and plan assets between net defined benefit liability and net defined benefit asset is as follows:

	Millions of Yen	Thousands of U.S. Dollars
	2014	2014
Retirement benefit obligation of the funded pension plan	¥18,559	$180,324
Plan assets	(15,637)	(151,932)
	2,922	28,392
Retirement benefit obligation of the unfunded pension plan	—	—
Net defined benefit liability and asset on the consolidated balance sheet	¥ 2,922	$ 28,392

	Millions of Yen	Thousands of U.S. Dollars
	2014	2014
Liability for retirement benefits	¥3,701	$35,963
Asset for retirement benefits	(779)	(7,571)
Net liability and asset for defined benefits on the consolidated balance sheet	¥2,922	$28,392

Components of retirement benefit expenses are as follows:

	Millions of Yen	Thousands of U.S. Dollars
	2014	2014
Service cost	¥ 550	$ 5,345
Interest cost	300	2,917
Expected return on plan assets	(167)	(1,625)
Amortization of prior service cost	585	5,686
Recognized actuarial net loss	37	363
Other	38	365
Retirement benefit expenses in defined benefit pension plan	1,343	13,051
Loss to transfer to defined contribution plan	¥ 507	$ 4,929

Components of remeasurements of defined benefit plans are as follows (Before deferred tax assets deduction):

	Millions of Yen	Thousands of U.S. Dollars
	2014	2014
Unrecognized prior service cost	¥ (26)	$ (257)
Unrecognized actuarial net loss	702	6,827
Total	¥676	$6,570

Proportions of major components of plan assets are as follows:

	2014
Bonds	2.9%
Equities	31.6%
General account	63.4%
Others	2.0%
Total	100.0%

Note: Total plan assets include 33.4% of retirement benefit trust.

Expected rate of return on pension plan assets is determined considering current and future portfolio of pension assets and current and future long term expected rate of return on various assets.
Assumptions used for the year ended March 31, 2014:

	2014
Discount rate	1.5%
Expected rate of return on plan assets	0–1.5%

Defined contribution pension plan
The amount required to be contributed by the Bank is ¥97 million ($946 million).
The effects of transfer of the defined benefit plan to the defined contribution plan as of March 31, 2014 are as follows:

	Millions of Yen	Thousands of U.S. Dollars
	2014	2014
Decrease of defined benefit obligation	¥3,332	$32,378
Unrecognized actuarial net loss	(771)	(7,492)
Unrecognized prior service cost	(6)	(57)

Transfer of pension assets to the defined contribution plans is ¥3,063 million ($29,758 thousand).

For the year ended March 31, 2013
The Provision for retirement benefits at March 31, 2013 consisted of the following:

	Millions of Yen
	2013
Projected benefit obligation	¥(21,794)
Plan assets (fair value)	16,538
Unfunded projected benefit obligation	(5,256)
Unrecognized actuarial net loss	3,039
Unrecognized prior service cost	91
Prepaid pension costs	2,870
Provision for retirement benefits	¥ (4,996)

The components of net periodic benefit costs for the year ended March 31, 2013 were as follows:

	Millions of Yen
	2013
Service cost	¥ 663
Interest cost	335
Expected return on plan assets	(178)
Amortization of prior service cost	(9)
Recognized actuarial net loss	823
Other	28
Net periodic retirements benefit costs	¥1,662

Assumptions used for the year ended March 31, 2013 were set forth as follows:

	2013
Discount rate	1.5%
Expected rate of return on plan assets	0–1.5%
Recognized period of actuarial gain or loss	9 years
Amortization period of prior service cost	9 years

24. STOCK OPTIONS

Information on stock acquisition rights for the years ended March 31, 2014 and 2013 were as follows:
1. Share-based compensation expenses which were accounted for as general and administrative expenses

	Millions of Yen		Thousands of U.S. Dollars
	2014	2013	2014
Share-based compensation expenses	¥52	¥36	$507

2. Outline of stock options and changes
(1) Outline of stock options

	2nd Stock Option	1st Stock Option
Title and number of grantees	7 directors of the Bank and 12 executive officers of the Bank	7 directors of the Bank and 12 executive officers of the Bank
Number of stock options	Common shares: 334,000	Common shares: 368,000
Grant date	July 19, 2013	July 20, 2012
Condition for vesting	Loss of director or executive officer position	N.A.
Requisite service period	June 27, 2013 to June 27, 2014	N.A.
Exercise period	July 20, 2013 to July 19 2053	July 21, 2012 to July 20, 2052

(2) Stock options granted and changes

Number of stock options

	2nd Stock Option	1st Stock Option
Before vested		
Previous fiscal year end	—	312,000
Granted	334,000	—
Forfeited	6,000	—
Vested	22,000	40,000
Outstanding	306,000	272,000
After vested		
Previous fiscal year end	—	44,000
Vested	22,000	40,000
Exercised	—	11,000
Forfeited	—	—
Exercisable	22,000	73,000

Price information

	Yen	U.S. Dollars
	1st Stock Option	1st Stock Option
Exercise price	¥ 1	$0
Average exercise price	181	2
Fair value at the grant date	132	1

	Yen	U.S. Dollars
	2nd Stock Option	2nd Stock Option
Exercise price	¥ 1	$ 0
Average exercise price	—	—
Fair value at the grant date	166	1

(3) Valuation technique used for valuating fair value of stock options

Stock options granted in the fiscal year ended March 31, 2014 were valued using the Black-Scholes option pricing model and the principal parameters were as follows:

	2nd Stock Option
Expected volatility (Note 1)	29.62%
Average expected life (Note 2)	2 years
Expected dividends (Note 3)	¥5 per share
Risk-free interest rate (Note 4)	0.1%

Notes: 1. Calculated based on actual stock priced from July 20, 2011 to July 19, 2013.
2. The average tenure of the directors and executive officers who retired in the past.
3. The actual dividends on common stock for the year ended March 31, 2013.
4. Japanese government bond yield corresponding to the average expected life.

(4) Method of estimating number of stock options vested

Only the actual number of forfeited stock options is reflected because it is difficult to rationally estimate the actual number of stock options that will be forfeited in the future.

25. INCOME TAXES

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

	Millions of Yen		Thousands of U.S. Dollars
	2014	2013	2014
Deferred tax assets			
Allowance for loan losses	¥10,712	¥11,516	$104,077
Provision for retirement benefits	—	3,228	—
Liability for retirement benefits	3,174	—	30,838
Provision for bonuses	351	353	3,408
Accrued enterprise tax	206	273	1,998
Devaluation of stocks and other securities	834	858	8,109
Depreciation	156	187	1,515
Tax loss carryforwards	15	21	145
Other	1,572	1,324	15,278
Less valuation allowance	(2,270)	(2,236)	(22,054)
Total	¥14,750	¥15,524	$143,314
Deferred tax liabilities			
Net unrealized gains on available-for-sale securities	¥ (3,666)	¥ (4,452)	$ (35,616)
Gains on securities contributed to employee retirement benefit trust	(600)	(601)	(5,834)
Prepaid pension costs	—	(1,041)	—
Asset for retirement benefits	(966)	—	(9,381)
Other	(65)	(54)	(633)
Total	¥ (5,297)	¥ (6,148)	$ (51,464)
Net deferred tax assets	¥ 9,453	¥ 9,376	$ 91,850

A reconciliation between the normal effective statutory tax rates and the actual effective tax rates reflected in the accompanying consolidated statements of income of the years ended March 31, 2014 was as follows. The corresponding reconciliation for the year ended March 31, 2013 has been omitted since the difference between normal effective statutory tax rate and actual effective tax rate is less than 5% of normal effective statutory tax rate.

	2014
Normal effective statutory tax rate	37.9%
Permanent differences-expenses	0.2
Permanent differences-income	(0.7)
Corporate inhabitant tax per capita	0.5
Valuation allowance	0.3
Changes in effective statutory tax rate	3.4
Other	(1.0)
Actual effective tax rate	40.6%

"Act on Partial Amendment to the Income Tax Act, etc." (Act No.10, 2014) was promulgated on March 31, 2014, and the special corporation tax for restoration has been abolished. Accordingly, the effective statutory tax rate used for the calculation of deferred tax assets and liabilities from the temporary differences, expected to be either deductible, taxable or expired on or after the fiscal year beginning April 1, 2014, has been lowered from 37.9% to 35.5%. As a result of this change, deferred tax assets decreased ¥360 million ($3,495 thousand) and deferred tax liabilities increased ¥2 million ($20 thousand) and deferred income taxes increased ¥362 million ($3,515 thousand).

26. FAIR VALUE AND OTHER INFORMATION ON SECURITIES

Fair value and other information on securities as of March 31, 2014 and 2013 were as follows:

Securities

(1) Bonds classified as trading

	Millions of Yen		Thousands of U.S. Dollars
	2014	2013	2014
	Gains (Losses) Included in Profit/Loss during the Fiscal Year	Gains (Losses) Included in Profit/Loss during the Fiscal Year	Gains (Losses) Included in Profit/Loss during the Fiscal Year
Bonds classified as trading	¥1	¥5	$17

(2) Bonds classified as held-to-maturity securities that have fair value as of March 31, 2014 and 2013.

		Millions of Yen			Thousands of U.S. Dollars		
		2014			2014		
		Consolidated Balance Sheet Amount	Fair Value	Difference	Consolidated Balance Sheet Amount	Fair Value	Difference
Unrealized Gains	Japanese local government bonds	¥58,437	¥58,705	¥268	$567,794	$570,393	$2,599
	Japanese corporate bonds	1,490	1,501	11	14,471	14,587	116
	Sub-total	59,927	60,206	279	582,265	584,980	2,715
Unrealized Losses	Japanese local government bonds	1,883	1,882	(1)	18,300	18,282	(18)
	Japanese corporate bonds	5,196	5,183	(13)	50,485	50,363	(122)
	Sub-total	7,079	7,065	(14)	68,785	68,645	(140)
Total		¥67,006	¥67,271	¥265	$651,050	$653,625	$2,575

		Millions of Yen		
		2013		
		Consolidated Balance Sheet Amount	Fair Value	Difference
Unrealized Gains	Japanese local government bonds	¥74,038	¥74,661	¥623
	Japanese corporate bonds	5,000	5,033	33
	Sub-total	79,038	79,694	656
Unrealized Losses	Japanese local government bonds	373	372	(1)
	Japanese corporate bonds	—	—	—
	Sub-total	373	372	(1)
Total		¥79,411	¥80,066	¥655

(3) Available-for-sale securities that have fair value:

		Millions of Yen			Thousands of U.S. Dollars		
		2014			2014		
		Consolidated Balance Sheet Amount	Cost	Difference	Consolidated Balance Sheet Amount	Cost	Difference
Unrealized Gains	Stocks	¥ 21,488	¥ 12,094	¥ 9,394	$ 208,785	$ 117,511	$ 91,274
	Bonds:	355,970	354,060	1,910	3,458,707	3,440,146	18,561
	Japanese government bonds	197,491	196,649	842	1,918,879	1,910,697	8,182
	Japanese local government bonds	76,600	76,090	510	744,265	739,313	4,952
	Short-term Japanese corporate bonds	—	—	—	—	—	—
	Japanese corporate bonds	81,879	81,321	558	795,563	790,136	5,427
	Other	45,266	44,228	1,038	439,809	429,730	10,079
	Sub-total	422,724	410,382	12,342	4,107,301	3,987,387	119,914
Unrealized Losses	Stocks	1,323	1,650	(327)	12,857	16,026	(3,169)
	Bonds:	48,940	49,072	(132)	475,512	476,798	(1,286)
	Japanese government bonds	10,002	10,004	(2)	97,182	97,203	(21)
	Japanese local government bonds	3,727	3,750	(23)	36,207	36,439	(232)
	Short-term Japanese corporate bonds	—	—	—	—	—	—
	Japanese corporate bonds	35,211	35,318	(107)	342,123	343,156	(1,033)
	Other	61,320	62,485	(1,165)	595,805	607,126	(11,321)
	Sub-total	111,583	113,207	(1,624)	1,084,174	1,099,950	(15,776)
Total		¥534,307	¥523,589	¥10,718	$5,191,475	$5,087,337	$104,138

		Millions of Yen		
		2013		
		Consolidated Balance Sheet Amount	Cost	Difference
Unrealized Gains	Stocks	¥ 16,120	¥ 10,137	¥ 5,983
	Bonds:	561,686	556,148	5,538
	Japanese government bonds	393,834	389,843	3,991
	Japanese local government bonds	95,637	94,704	933
	Short-term Japanese corporate bonds	—	—	—
	Japanese corporate bonds	72,215	71,601	614
	Other	53,236	51,179	2,057
	Sub-total	631,042	617,464	13,578
Unrealized Losses	Stocks	2,834	3,320	(486)
	Bonds:	60,536	60,738	(202)
	Japanese government bonds	24,187	24,219	(32)
	Japanese local government bonds	2,090	2,103	(13)
	Short-term Japanese corporate bonds	—	—	—
	Japanese corporate bonds	34,259	34,416	(157)
	Other	23,785	23,920	(135)
	Sub-total	87,155	87,978	(823)
Total		¥718,197	¥705,442	¥12,755

(4) Bonds classified as held-to-maturity have not been sold.

(5) Available-for-sale securities sold:

	Millions of Yen			Thousands of U.S. Dollars		
	2014			2014		
	Sales Amount	Gains on Sales	Losses on Sales	Sales Amount	Gains on Sales	Losses on Sales
Stocks	¥ 268	¥ 57	¥ 1	$ 2,601	$ 551	$ 5
Bonds:	309,614	1,285	1,675	3,008,293	12,487	16,281
Japanese government bonds	297,789	1,152	1,675	2,893,398	11,196	16,278
Japanese local government bonds	—	—	—	—	—	—
Short-term Japanese corporate bonds	—	—	—	—	—	—
Japanese corporate bonds	11,825	133	0	114,895	1,291	3
Other	61,384	3,840	147	596,428	37,313	1,428
Total	¥371,266	¥5,182	¥1,823	$3,607,322	$50,351	$17,714

	Millions of Yen		
	2013		
	Sales Amount	Gains on Sales	Losses on Sales
Stocks	¥ 146	¥ 4	¥ 9
Bonds:	398,217	3,318	1
Japanese government bonds	392,941	3,267	—
Japanese local government bonds	—	—	—
Short-term Japanese corporate bonds	—	—	—
Japanese corporate bonds	5,276	51	1
Other	11,491	247	2
Total	¥409,854	¥3,569	¥12

(6) The classification of securities has not been changed.

Net Unrealized Gains on Available-for-sale Securities

Available-for-sale Securities were valued at market and net unrealized gains on valuation were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2014	2013	2014
	Consolidated Balance Sheet Amount	Consolidated Balance Sheet Amount	Consolidated Balance Sheet Amount
Net unrealized gains on securities	¥10,718	¥12,755	$104,138
Deferred tax assets (liabilities)	3,666	4,453	35,616
Net unrealized gains on valuation (before adjustment)	7,052	8,302	68,522
(Minority interests)	78	55	759
Net unrealized gains on valuation	6,974	8,247	67,763

Securities Subject to Impairment Charges

Fair values of securities other than trading securities for the years ended March 31, 2014 and 2013 that have fair value have decreased significantly from the original acquisition cost.

Securities deemed to have no chance of recovering their value up to their original acquisition cost are listed on the balance sheet (consolidated basis) at their market price, and the valuation difference is booked as a loss ("impairment loss") for the consolidated fiscal year under review.

The total amount of such impairment charges for the consolidated fiscal years ended March 31, 2014 and 2013 under review was ¥9 million ($85 thousand) and ¥470 million.

Standards used to determine when a security has "decreased significantly" in value under the Bank's self-assessment system for asset quality are as follows, classified by creditworthiness category.

Issuer is in "legal bankruptcy," "virtual bankruptcy" or "possible bankruptcy:"	Fair value is below acquisition cost
Issuer requires "caution:"	Fair value is 30% or more below acquisition cost
Issuer has "normal" status:	Fair value is 50% or more below acquisition cost

Among issuers with "normal" status under the above-mentioned self-assessment asset screening, for those whose securities' fair value is between 30% and 50% below the original acquisition cost, a decision on the likelihood of recoverability up to acquisition cost is made on a case-by-case basis. Impairment charges are booked in all cases if acquisition cost is not deemed fully recoverable.

Legally bankrupt issuing companies include those that are bankrupt, and those whose businesses have legally failed and that have effectively gone in to special liquidation proceedings, under law. Virtually bankrupt companies are those facing the same circumstances as legally bankrupt companies. Companies in possible bankruptcy are companies that, though currently going concerns, are recognized as having a high probability of failure in the future. Companies requiring caution are those whose management will need monitoring.

Companies performing normally are those which fall into none of the above categories.

27. FAIR VALUE INFORMATION ON DERIVATIVE TRANSACTIONS

Derivatives are subject to market risk, which is the possibility that a loss may result from fluctuations in market conditions, and credit risk, which is the possibility that a loss may result from a counterparty's failure to perform according to the terms and conditions of the contract. Since most of the Bank's derivative transactions are conducted to hedge underlying business exposures, market gain or risk in the derivative instruments is expected to be offset by an opposite movement in the value of hedged assets or liabilities. These figures are the measures used in the calculation of risk-based capital ratios under the Japanese capital ratio guidelines. The Bank adopts the current exposure method stipulated by the guidelines in calculating the amount. As a risk control system for derivatives, the Bank has established a risk management division that operates independently from divisions executing derivative transactions. Derivative transactions entered into by the Bank have been made in accordance with internal policies which regulate the authorization and credit limit amounts. In addition, positions and related gains or losses from derivatives are reported to management on a daily basis for monitoring and evaluation purposes. The contract amounts of forward exchange contracts and option agreements do not necessarily measure the Bank's exposure to credit or market risk.

Derivative transactions to which the deferred hedge accounting method is not applied

Contractual value, fair value, unrealized gains or losses, and computation method for fair value by types of transactions as of March 2014 and 2013 were as follows. The contract amounts do not necessarily measure the Bank's exposure to market risk:

(1) Interest-rate-related transactions

	Millions of Yen				Thousands of U.S. Dollars			
	2014				2014			
	Contractual Value	Contractual Value Due after One Year	Fair Value	Net Unrealized Gains (Losses)	Contractual Value	Contractual Value Due after One Year	Fair Value	Net Unrealized Gains (Losses)
Over-the-counter:								
Interest rate swaps:								
Receive fixed and pay floating	¥43,033	¥40,899	¥1,242	¥1,243	$418,124	$397,384	$12,073	$12,073
Receive floating and pay fixed	43,033	40,899	(602)	(602)	418,124	397,384	(5,853)	(5,853)
Others:								
Sold	5,161	4,776	(2)	45	50,145	46,410	16	443
Bought	5,161	4,776	2	(30)	50,145	46,410	(16)	(293)
Total	¥ —	¥ —	¥ 640	¥ 656	$ —	$ —	$ 6,220	$ 6,370

	Millions of Yen			
	2013			
	Contractual Value	Contractual Value Due after One Year	Fair Value	Net Unrealized Gains (Losses)
Over-the-counter:				
Interest rate swaps:				
Receive fixed and pay floating	¥36,386	¥36,059	¥1,239	¥1,239
Receive floating and pay fixed	36,386	36,059	(744)	(744)
Others:				
Sold	4,764	3,437	(7)	65
Bought	4,764	3,437	7	(38)
Total	¥ —	¥ —	¥ 495	¥ 522

Notes: 1. The above transactions were revalued at the end of the year and the related gain and loss were reflected in the accompanying consolidated statements of income.
2. The fair values were mainly calculated using the discounted present values.

(2) Currency-related transactions

	Millions of Yen				Thousands of U.S. Dollars			
	2014				2014			
	Contractual Value	Contractual Value Due after One Year	Fair Value	Net Unrealized Gains (Losses)	Contractual Value	Contractual Value Due after One Year	Fair Value	Net Unrealized Gains (Losses)
Over-the-counter:								
Currency swaps:	¥84,500	¥76,045	¥126	¥126	$821,027	$738,878	$1,228	$1,228
Forward exchange contracts:								
Sold	15,024	5	(123)	(123)	145,974	46	(1,196)	(1,196)
Bought	7,181	—	82	81	69,770	—	793	793
Currency options:								
Sold	494	309	(54)	(19)	4,800	3,000	(528)	(188)
Bought	494	309	59	25	4,800	3,000	580	240
Total	¥ —	¥ —	¥ 90	¥ 90	$ —	$ —	$ 877	$ 877

	Millions of Yen			
	2013			
	Contractual Value	Contractual Value Due after One Year	Fair Value	Net Unrealized Gains (Losses)
Over-the-counter:				
Currency swaps:	¥49,771	¥46,939	¥ 91	¥ 91
Forward exchange contracts:				
Sold	12,620	—	(306)	(306)
Bought	8,297	—	299	299
Currency options:				
Sold	2,093	452	(86)	102
Bought	2,093	452	112	(76)
Total	¥ —	¥ —	¥110	¥110

Notes: 1. The above transactions were revalued at the end of the year and the related gain and loss were reflected in the accompanying consolidated statements of income.
2. The fair values were mainly calculated using the discounted present values.

(3) Stock-related transactions are not performed.

(4) Bond-related transactions are not performed.

(5) Financial product-related transactions are not performed.

(6) Credit derivative transactions are not performed.

Derivative transactions to which the deferred hedge accounting method is applied
There were no derivative transactions to which the deferred hedge accounting method is applied for the years ended March 31, 2014 and 2013.

28. RELATED PARTY TRANSACTIONS

At March 31, 2014 and 2013, Sumitomo Mitsui Financial Group and Sumitomo Mitsui Banking Corporation are the parent companies of the Bank.

There were no material transactions between related parties for the years ended March 31, 2014 and 2013.

29. NET INCOME PER SHARE

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

	Millions of Yen	Thousands of Shares	Yen	U.S. Dollars
	Net Income	Weighted Average Shares	EPS	EPS
For the year ended March 31, 2014				
Basic EPS				
Net income available to capital shareholders	¥7,512	405,992	¥18.50	$0.18
For the year ended March 31, 2013				
Basic EPS				
Net income available to capital shareholders	¥6,949	404,898	¥17.16	

	Thousands of Shares	Yen	U.S. Dollars
	Increased Shares	Diluted EPS	Diluted EPS
For the year ended March 31, 2014			
Diluted EPS			
Net income available to capital shareholders	596	¥18.47	$0.18
For the year ended March 31, 2013			
Diluted EPS			
Net income available to capital shareholders	289	¥17.15	

30. FINANCIAL INSTRUMENTS

Financial instruments

(1) Financial instrument management plan

The Group operates primarily banking and other financial service businesses related to credit cards, credit guarantees, and leasing. To operate these businesses, the Group raises funds by accepting customer deposits while regulating the balance between market conditions and the long and short terms, by indirect financing through borrowings, and by issuing treasury bonds. Because the Group mainly holds financial assets and liabilities with fluctuating interest rates, the Bank operates its business using Asset Liability Management (ALM) to prevent an unfavorable impact caused by interest rate changes. As part of ALM, the Bank conducts derivative transactions.

Some of the consolidated subsidiaries of the Bank hold marketable securities.

(2) Financial instrument attributes and risks

The financial assets held by the Group are primarily commercial loans made to businesses and individuals in Japan. These assets are subject to credit risk arising from client default on loan contracts. There is the possibility that these debts may not be fulfilled in accordance with the contract terms and conditions due to changes in the borrowers' financial conditions and particular conditions in various industries; economic and financial environmental changes in interest rates, share prices, and real estate values. Further, marketable securities and trading account securities held by the Bank are mainly comprised of stocks and bonds, held-to-maturity for net investment and business promotion purposes. These securities are subject to the issuer's credit risk, interest rate fluctuation risk, and market value change risk.

The Group is subject to liquidity risk in its borrowings and bonds, and should it be unable to access the markets under certain conditions, this may prevent the Bank from making payments by contractual due dates. Further, the Group makes loans with variable interest rates and is therefore subject to the risk of fluctuating interest rates.

The Bank engages in interest rate swap transactions as part of ALM. The Bank applies hedge accounting to interest rate swaps as a hedging instrument against the risk of fluctuating interest rates arising from hedged financial assets and liabilities. To evaluate hedge effectiveness, deposits and loans (hedged items) and interest rate swap derivatives (hedging instruments) are grouped for each specified period of time, and hedges for offsetting market price fluctuations are identified from the group and assessed.

Further, the Bank also trades bond futures to offset market price fluctuations of bonds held as available-for-sale securities.

Some consolidated subsidiaries hold marketable securities, and these financial instruments are exposed to interest rate risk, market price fluctuation risk, and credit risk.

(3) Financial instrument risk management system

1. Credit risk management

The Group has established and operates a credit management system for commercial loans. The system performs credit reviews, manages credit limits and credit data, establishes internal ratings, guarantees and collateral, and deals with problem debt in accordance with the Bank's financing rules and other credit risk management rules and regulations. These credit management procedures are conducted by the relevant credit review and sales departments. In addition, the credit management status is reported at regularly-held management meetings and board of directors' meetings for deliberation, and is also subject to corporate auditor reviews.

The Corporate Risk Management Department oversees the credit risk of issuers of the marketable securities and counterparty risk of derivative transactions by periodically collecting credit information and market values.

2. Market risk management

(i) Interest risk management

The Bank conducts Asset Liability Management (ALM) to manage interest rate risk. The risk management methods and procedures are described in detail in ALM regulations and the status of their implementation is checked and verified and future actions are discussed in general risk meetings (management meetings), based on ALM policies reviewed in the ALM Committee. In practice, the Corporate Risk Management Department primarily oversees overall interest rates and terms of financial assets and liabilities and monitors them using gap and interest rate sensitivity analysis, reporting to the ALM Committee monthly. The Bank trades interest rate swaps and other derivative transactions to hedge interest rate risk.

(ii) Exchange risk management

The Group manages exchange risk on individual transactions and oversees exchange positions.

(iii) Price fluctuation risk management

The decision to hold investment instruments including marketable securities is made at general risk meetings based on the policies of the ALM Committee, and carried out following rules and regulations on market risk management. The Financial Markets Department purchases investment instruments from outside sources and mitigates price fluctuation risk by conducting preliminary reviews and setting investment limits, and through consistent monitoring. Shares managed by the Operations Planning Department are held for the purposes of promoting business, including business and capital tie-ups, thereby allowing it to monitor the market environments and financial conditions of its business partners. This information is reported periodically to the ALM Committee and the Management Committee.

Some consolidated subsidiaries hold marketable securities, and these are managed in accordance with the subsidiaries' market and liquidity risk management rules and monitored by the Bank.

(iv) Derivative transactions

For derivative transactions, the Group has created separate divisions for derivative trading, evaluation of hedge effectiveness and business administration, thereby establishing a system of checks and balances. These divisions operate based on market risk management rules and regulations.

(v) Quantitative information related to market risk

In the Bank, financial instruments influenced by interest risk which is a main risk variable number are loans and bills discounted, bonds classified in securities and deposits and financial instruments influenced by stocks price fluctuation risk are stocks and investment trust in securities. The Bank uses the variance-covariance method for the measurement of VaR (a holding period of one day, an observation period of one day and a confidence interval of 99%).

As of March 31, 2014, the market risk amount (estimated value of latent loss) of the main financial instruments in banking account was ¥2,733 million ($26,555 thousand).

The Bank considers that the measurement model used captures market risks with sufficient accuracy. However, VaR measures the amount of market risk by certain occurrence probabilities which are statistically calculated based on past market movements. Therefore, there are cases in which VaR cannot capture risk under sudden and dramatic changes in market beyond normal circumstances.

3. Fund procurement liquidity risk management

The Group manages liquidity risk through timely fund management, diversified fund procurement sources and regulating the balance between long and short term funding in light of market conditions.

(4) Additional information on the fair value of financial instruments, etc.

The fair values of financial instruments include values based on fair values and reasonably calculated values when the fair value is not available. As said values are calculated using certain assumptions, these values may vary when different assumptions are used.

Financial instruments' fair values

Consolidated balance sheet amount, fair value, and unrealized gains or losses as of March 31, 2014 and 2013 were as follows. Unlisted securities, the fair values of which were extremely difficult to calculate were excluded from the table below:

	Millions of Yen			Thousands of U.S. Dollars		
	2014			2014		
	Consolidated Balance Sheet Amount	Fair Value	Difference	Consolidated Balance Sheet Amount	Fair Value	Difference
Cash and due from banks	¥ 312,014	¥ 312,014	¥ —	$ 3,031,617	$ 3,031,617	$ —
Call loans and bills bought	1,087	1,087	—	10,559	10,559	—
Trading account securities:						
Trading securities	517	517	—	5,025	5,025	—
Securities:						
Held-to-maturity securities	67,006	67,271	265	651,050	653,624	2,574
Available-for-sale securities	534,307	534,307	—	5,191,475	5,191,475	—
Loans and bills discounted:	2,337,805			22,714,785		
Allowance for possible loan losses	(25,075)			(243,637)		
	2,312,730	2,314,031	1,301	22,471,148	22,483,790	12,642
Assets total	3,227,661	3,229,227	1,566	31,360,874	31,376,090	15,216
Deposits	3,037,657	3,038,134	(477)	29,514,733	29,519,374	(4,641)
Negotiable certificate of deposits	36,034	36,037	(3)	350,117	350,146	(29)
Payables under securities lending transactions	25,434	25,434	—	247,124	247,124	—
Borrowed money	49,534	48,749	785	481,290	473,656	7,634
Bonds payable	28,000	28,228	(228)	272,056	274,271	(2,215)
Liabilities total	3,176,659	3,176,582	77	30,865,320	30,864,571	749
Derivative transactions:						
Deferred hedge accounting is applied	731	731	—	7,098	7,098	—
Deferred hedge accounting is not applied	—	—	—	—	—	—
Derivative transactions total	¥ 731	¥ 731	¥ —	$ 7,098	$ 7,098	$ —

	Millions of Yen		
	2013		
	Consolidated Balance Sheet Amount	Fair Value	Difference
Cash and due from banks	¥ 36,683	¥ 36,683	¥ —
Call loans and bills bought	1,123	1,123	—
Trading account securities:			
Trading securities	720	720	—
Securities:			
Held-to-maturity securities	79,411	80,066	655
Available-for-sale securities	718,197	718,197	—
Loans and bills discounted:	2,245,483	—	—
Allowance for possible loan losses	(27,164)	—	—
	2,218,319	2,221,285	2,966
Assets total	3,054,453	3,058,074	3,621
Deposits	2,863,002	2,863,542	(540)
Negotiable certificate of deposits	13,383	13,384	(1)
Payables under securities lending transactions	55,285	55,285	—
Borrowed money	16,301	15,391	910
Bonds payable	28,000	28,299	(299)
Liabilities total	2,975,971	2,975,901	70
Derivative transactions:			
Deferred hedge accounting is applied	605	605	—
Deferred hedge accounting is not applied	—	—	—
Derivative transactions total	¥ 605	¥ 605	¥ —

Notes: 1. Allowance for possible loan losses to loans and bills discounted are excluded.
2. Derivative transactions recorded in Other assets and Other liabilities are presented as a lump sum. Net claims and debts that arose from derivative transactions are presented on a net basis.

(Note 1) Calculating method for the fair values of financial instruments was as follows:

Assets

(1) Cash and due from banks

The fair values of non-term deposits approximate the book values, therefore said book values shall be the fair values. For term deposits, present values are calculated for each category based on the deposit term, discounting by the applicable interest rate assumed for any new deposit transaction.

(2) Call loans and bills bought

These transactions have short remaining contract terms (six months or less), and as their fair values approximate the book values, said book values shall be the fair values.

(3) Trading account securities

Values of marketable securities such as bonds held for dealing are based on their securities exchange prices.

(4) Securities

Stock prices are based on their stock exchange prices, while bond prices are based either on their stock exchange prices or on the prices provided by the correspondent financial institutions. Investment trust prices are based on the standard prices publicly released. The fair values of each privately placed bond group, categorized by internal rating and term period, are calculated by discounting the total principal and interest at an interest rate that reflects the risk free rate, estimated default probability based on the internal ratings of the bond issuer, and the estimated uncollectibility rate at default based on guarantees.

Fair values of floating rate Japanese government bonds held as available-for-sale securities are booked on the consolidated balance sheet based upon realistically-calculated valuations made as of March 31, 2013. This is presumably because fair values do not reflect fair assessment values since there are very few actual transactions. Thus, “Securities” increased by ¥649 million, “Deferred tax assets” fell by ¥231 million, and “Valuation difference on available-for-sale securities” rose by ¥418 million compared to the fair value-based figures on the consolidated balance sheets as of March 31, 2013.

The reasonably estimated values were calculated by discounting the cash flows based mainly on the yields of Japanese government bonds. The main variables are the yields of Japanese government bonds and volatility of those yields.

Comments regarding available-for-sale securities for each holding category are noted in the “Securities” section.

(5) Loans and bills discounted

Fair values of loans categorized by internal rating and term are calculated by discounting the total principal and interest at an interest rate that reflects the risk free rate, estimated default probability based on the internal ratings of the borrower, and the estimated uncollectibility rate at default based on collateral and guarantees.

Further, loans to borrowers in legal bankruptcy, virtual bankruptcy and possible bankruptcy are calculated based upon the estimated loan losses using the probable recoverable amount based upon collateral and guarantee amounts. Thus, the fair value is approximately the amount on the consolidated balance sheet as of the consolidated settlement date, minus the current loan loss estimate. This figure is used as the market price.

Note that where the repayment period has not been stipulated, like some overdraft facilities, the market price is assumed to approximate the book value from the probable repayment period or the interest rate terms. Therefore, the book value shall be the market price.

Liabilities

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

The fair value of demand deposits is considered to be the payment amount (book value) sought on the consolidated settlement date. Time deposits and negotiable certificates of deposit are categorized by given term periods, and their present values are calculated discounting their future cash flow. This discount rate is based upon the rate used when new deposits are accepted.

(3) Payables under securities lending transactions

Book values are used for fair values because these products have short remaining contract terms (six months or less) and the market prices approximate the book values.

(4) Borrowed money

The present value is calculated by discounting the total principal and interest of said borrowings, which have been categorized by specific term periods, at an assumed interest rate for similar borrowings.

(5) Bonds payable

The present value is calculated by discounting the total principal and interest of said bonds payable, which have been categorized by specific time periods, at an assumed interest rate when similar bonds payable are issued.

(Note 2) Financial Instruments, the fair values of which were extremely difficult to calculate were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2014	2013	2014
	Consolidated Balance Sheet Amount	Consolidated Balance Sheet Amount	Consolidated Balance Sheet Amount
Unlisted stocks	¥2,249	¥2,283	$21,854
Limited partnership for investment	1,432	757	13,912
Total	¥3,681	¥3,040	$35,766

Notes: 1. Unlisted stocks are excluded as there are no market prices and extremely difficult to calculate fair values.
2. For the years ended March 31, 2014 and 2013, impairment losses for unlisted stocks amounted to ¥12 million ($119 thousand) and ¥70 million.
3. Limited partnership for investment made up of unlisted securities, the fair values of which are extremely difficult to calculate are excluded from the table.

(Note 3) Maturities of money claims and securities that have maturities were as follows:

	Millions of Yen					
	2014					
	1 Year or Less	1 to 3 Years	3 to 5 Years	5 to 7 Years	7 to 10 Years	Over 10 Years
Deposits with banks	¥ 1,000	¥ —	¥ —	¥ —	¥ —	¥ —
Call loans and bills bought	1,087	—	—	—	—	—
Securities:	82,078	173,351	228,215	51,896	13,718	—
Held-to-maturity securities:	22,303	36,203	8,227	—	—	—
Japanese government bonds	—	—	—	—	—	—
Japanese local government bonds	22,303	34,716	3,016	—	—	—
Japanese corporate bonds	—	1,487	5,211	—	—	—
Available-for-sale securities:	59,775	137,148	219,988	51,896	13,718	—
Japanese government bonds	2,000	45,000	115,000	30,000	10,000	—
Japanese local government bonds	32,563	38,937	5,585	1,129	759	—
Japanese corporate bonds	15,043	29,699	66,045	3,161	2,630	—
Others	10,169	23,512	33,358	17,606	329	—
Loans and bills discounted	509,353	471,092	335,852	191,330	206,911	537,032
Total	¥593,518	¥644,443	¥564,067	¥243,226	¥220,629	¥537,032

	Thousands of U.S. Dollars					
	2014					
	1 Year or Less	1 to 3 Years	3 to 5 Years	5 to 7 Years	7 to 10 Years	Over 10 Years
Deposits with banks	$ 9,716	$ —	$ —	$ —	$ —	$ —
Call loans and bills bought	10,559	—	—	—	—	—
Securities:	797,496	1,684,332	2,217,399	504,235	133,290	—
Held-to-maturity securities:	216,705	351,757	79,936	—	—	—
Japanese government bonds	—	—	—	—	—	—
Japanese local government bonds	216,705	337,309	29,307	—	—	—
Japanese corporate bonds	—	14,448	50,629	—	—	—
Available-for-sale securities:	580,791	1,332,575	2,137,463	504,235	133,290	—
Japanese government bonds	19,433	437,233	1,117,373	291,489	97,163	—
Japanese local government bonds	316,395	378,322	54,259	10,970	7,379	—
Japanese corporate bonds	146,158	288,563	641,715	30,713	25,554	—
Others	98,805	228,457	324,116	171,063	3,194	—
Loans and bills discounted	4,949,023	4,577,262	3,263,241	1,859,021	2,010,404	5,217,954
Total	$5,766,794	$6,261,594	$5,480,640	$2,363,256	$2,143,694	$5,217,954

	Millions of Yen					
	2013					
	1 Year or Less	1 to 3 Years	3 to 5 Years	5 to 7 Years	7 to 10 Years	Over 10 Years
Deposits with banks	¥ 1,000	¥ —	¥ —	¥ —	¥ —	¥ —
Call loans and bills bought	1,123	—	—	—	—	—
Securities:	66,428	188,401	205,266	166,640	121,461	—
Held-to-maturity securities:	20,620	44,861	13,444	—	—	—
Japanese government bonds	—	—	—	—	—	—
Japanese local government bonds	17,120	43,374	13,444	—	—	—
Japanese corporate bonds	3,500	1,487	—	—	—	—
Available-for-sale securities:	45,808	143,540	191,822	166,640	121,461	—
Japanese government bonds	—	33,000	103,000	164,000	101,000	—
Japanese local government bonds	19,194	58,746	17,207	380	—	—
Japanese corporate bonds	15,187	25,584	61,168	1,391	2,550	—
Others	11,427	26,210	10,447	869	17,911	—
Loans and bills discounted	539,913	408,291	328,208	177,705	196,482	506,465
Total	¥608,464	¥596,692	¥533,474	¥344,345	¥317,943	¥506,465

Note: Loans in legal bankruptcy, virtual bankruptcy and potential bankruptcy amounting to ¥72,231 million ($701,814 thousand) and ¥72,475 million and loans and bills discounted without maturities amounting to ¥14,004 million ($136,066 thousand) and ¥15,943 million were excluded from the table above as of March 31, 2014 and 2013.

(Note 4) Maturities of borrowed money and others were as follows:

	Millions of Yen					
	2014					
	1 Year or Less	1 to 3 Years	3 to 5 Years	5 to 7 Years	7 to 10 Years	Over 10 Years
Deposits	¥2,936,216	¥ 85,549	¥15,892	¥ —	¥ —	¥—
Negotiable certificate of deposits	36,034	—	—	—	—	—
Payables under securities lending transactions	25,434	—	—	—	—	—
Borrowed money	2,811	37,903	620	5,200	3,000	—
Corporate bonds	—	—	—	9,700	18,300	—
Total	¥3,000,495	¥123,452	¥16,512	¥14,900	¥21,300	¥—

	Thousands of U.S. Dollars					
	2014					
	1 Year or Less	1 to 3 Years	3 to 5 Years	5 to 7 Years	7 to 10 Years	Over 10 Years
Deposits	$28,529,105	$ 831,219	$154,410	$ —	$ —	$—
Negotiable certificate of deposits	350,117	—	—	—	—	—
Payables under securities lending transactions	247,124	—	—	—	—	—
Borrowed money	27,315	368,271	6,030	50,525	29,149	—
Corporate bonds	—	—	—	94,248	177,808	—
Total	$29,153,661	$1,199,490	$160,440	$144,773	$206,957	$—

	Millions of Yen					
	2013					
	1 Year or Less	1 to 3 Years	3 to 5 Years	5 to 7 Years	7 to 10 Years	Over 10 Years
Deposits	¥2,750,761	¥94,431	¥17,809	¥—	¥ —	¥—
Negotiable certificate of deposits	13,383	—	—	—	—	—
Payables under securities lending transactions	55,285	—	—	—	—	—
Borrowed money	5,109	469	2,524	—	8,200	—
Corporate bonds	—	—	—	—	28,000	—
Total	¥2,824,538	¥94,900	¥20,333	¥—	¥36,200	¥—

Note: Demand deposits were included in "1 Year or Less."

31. SEGMENT INFORMATION

Segment Information

(1) Outline of the reported segments

The reported segments of the Company are those units for which separate financial statements can be obtained and which are regularly examined by the management meeting for decisions on the allocation of management resources and for assessing business performance.

The Group engages in financial services such as credit card operations, credit guarantee operations, lease operations, agent for office functions, management consulting business centering on banking operations.

As the banking operations accounts for the large portion of the Group, the reported segment of the Group is only "Banking Operations Segment" conducted by the Bank and other operations conducted by the consolidated subsidiaries are included in "Other."

(2) Calculation method of the amount of ordinary income, segment profit or loss, assets and other items by the reported segment

Accounting method of the reported segment is almost the same to the mention in "Significant Accounting Policies." Business conditions of the transactions between the reported segment and "Other" and transactions in "Other" are same as general trade.

Differences between total of the segment profit and other and the profit on the consolidated statement of income and the segment asset and "Other" asset and asset on the consolidated balance sheet are described in (3).

(3) Information related to operating income, segment profit or loss, assets and other items by the reported segment

For the year ended March 31, 2014

	Millions of Yen				
	2014				
	Reported Segment				
	Banking	Other	Total	Adjustments	Consolidated
Operating income:					
Outside customers	¥ 58,346	¥ 9,631	¥ 67,977	¥ —	¥ 67,977
Intersegment income	814	3,448	4,262	(4,262)	—
Total	59,160	13,079	72,239	(4,262)	67,977
Segment profit	12,477	2,159	14,636	(458)	14,178
Segment asset	3,335,386	673,266	4,008,652	(667,659)	3,340,993
Other items:					
Depreciation	3,292	76	3,368	(1)	3,367
Interest income	39,423	1,187	40,610	(1,131)	39,479
Financing expenses	3,115	154	3,269	(606)	2,663
Increase in tangible and intangible fixed assets	4,686	159	4,845	—	4,845

	Thousands of U.S. dollars				
	2014				
	Reported Segment				
	Banking	Other	Total	Adjustments	Consolidated
Operating income:					
Outside customers	$ 566,904	$ 93,582	$ 660,486	$ —	$ 660,486
Intersegment income	7,906	33,503	41,409	(41,409)	—
Total	574,810	127,085	701,895	(41,409)	660,486
Segment profit	121,233	20,976	142,209	(4,448)	137,761
Segment asset	32,407,564	6,541,642	38,949,206	(6,487,171)	32,462,035
Other items:					
Depreciation	31,988	732	32,720	(7)	32,713
Interest income	383,042	11,538	394,580	(10,987)	385,593
Financing expenses	30,264	1,497	31,761	(5,885)	25,876
Increase in tangible and intangible fixed assets	45,535	1,544	47,079	—	47,079

Notes: 1. Operating income means total income less certain special income included in other income in the accompanying consolidated statements of income.
2. "Other" consists of other banking related activities such as credit card operations, credit guarantee, leasing operations, entrusted account and management consulting business.
3. Adjustments include items below.
a. Segment profit adjustments –¥458 million (–$4,448 thousand) are adjustment in consolidation accounting.
b. Segment assets adjustments –¥667,659 million (–$6,487,171 thousand) are adjustment in consolidation accounting.
c. Depreciation adjustments –¥1 million (–$7 thousand), interest income adjustments –¥1,131 million (–$10,987 thousand), financing expenses –¥606 million (–$5,885 thousand) are adjustment in consolidation accounting.
4. Segment profit is adjusted to ordinary income on the consolidated statements of income.

For the year ended March 31, 2013

	Millions of Yen				
	2013				
	Reported Segment				
	Banking	Other	Total	Adjustments	Consolidated
Operating income:					
Outside customers	¥ 56,996	¥ 8,179	¥ 65,175	¥ —	¥ 65,175
Intersegment income	594	3,519	4,113	(4,113)	—
Total	57,590	11,698	69,288	(4,113)	65,175
Segment profit	10,538	2,034	12,572	(239)	12,333
Segment asset	3,163,804	670,501	3,834,305	(664,469)	3,169,836
Other items:					
Depreciation	3,542	68	3,610	(62)	3,548
Interest income	41,102	1,466	42,568	(1,087)	41,481
Financing expenses	3,311	179	3,490	(733)	2,757
Increase in tangible and intangible fixed assets	3,179	103	3,282	—	3,282

Notes: 1. Operating income means total income less certain special income included in other income in the accompanying consolidated statements of income.
2. “Other” consists of other banking related activities such as credit card operations, credit guarantee, leasing operations, entrusted account and venture capital.
3. Adjustments include items below.
a. Segment profit adjustments –¥239 million are adjustment in consolidation accounting.
b. Segment assets adjustments –¥664,469 million are adjustment in consolidation accounting.
c. Depreciation adjustments –¥62 million, interest income adjustments –¥1,087 million, financing expenses –¥733 million are adjustment in consolidation accounting.
4. Segment profit is adjusted to ordinary income on the consolidated statements of income.

CORPORATE INFORMATION

CORPORATE ORGANIZATION (As of April 1, 2014)

[Section, etc. under Department]

- Shareholders' Meeting
  - Board of Corporate Auditors / Corporate Auditors
    - Office of Corporate Auditors
- Board of Directors
- Management Committee
  - Audit Department
  - Legal Compliance Department
  - Corporate Risk Management Department
    - Market Risk Management Section
    - Operational Risk Management Section
  - Planning Department
    - Tokyo Office
    - Public Relations Section
    - Subsidiaries and Affiliates Section
  - Financial Department
  - Personnel Department
    - Secretariat
    - Training Section
    - Diversity Promotion Section
  - General Affairs Department
    - Property Administration Section
  - Customers Relationship Management Department
    - Customer Relations Section
  - Business Planning Department
    - Region Strategy Division
    - Channel Strategy Section
    - Asia Business Promotion Section
    - Shanghai Representative Office
    - Financial Instruments Transaction Management Section
  - Branch Support Department
    - Branch Support Divisions I-III
    - Business Support Division
    - Securities Marketing Division
    - Consumer Marketing Section
  - Loan Promotion Department
  - Direct Banking Department
    - Inheritance Consulting Center
  - Credit Planning Department
  - Credit Department
  - Corporate Consulting Department
    - Corporate Revitalization Support Office
  - Credit Administration Department
  - Loan Credit Section
  - Financial Markets Department
  - Securities and International Department
    - International Operations Center
  - Operations Administration Department
  - Operations Department

CORPORATE OFFICERS (As of June 27, 2014)

Directors, Corporate Auditors and Executive Officers

President (Representative Director)
Shunji Ono*

Senior Managing Directors (Representative Directors)
Seiji Goto*
Shigeru Sadakari*

Managing Directors
Hisashi Yasukuni*
Shinya Kimura*
Tomohiko Kondo*

Director
Tadaharu Ohashi *(external)*

Corporate Auditors
Masayasu Kikuchi *(full-time)*
Takatsugu Nishimura *(full-time)*
Katsuyuki Watanabe *(external)*
Hironori Oasa *(external)*
Nobuya Amabe *(external)*

* Executive Officers

Managing Executive Officers
Takeshi Morimoto
Yoshio Sonoo

Executive Officers
Katsuyoshi Namba
(General Manager of Audit Department)
Takashi Murakami
(General Manager of Credit Department)
Toshihiko Kishimoto
(General Manager of Head Office Business Promotion)
Masashi Kondo
(General Manager of Corporate Risk Management Department)
Toru Nakajima
(General Manager of Business Planning Department and Head of Asia Business Promotion Section, Business Planning Department)
Kenjiro Oda
(General Manager of Planning Department)
Kaoru Aso
(General Manager of Osaka Branch)
Tomoyuki Kawai
(General Manager of Tokyo Branch and General Manager of Tokyo Office, Planning Department)
Katsushi Yamashita
(General Manager of Financial Market Department)
Katsuaki Maruyama
(General Manager of Financial Department)
Teruji Tanaka
(General Manager of Himeji)
Takao Ogasawara
(General Manager of Credit Planning Department)
Ikuya Fujii
(General Manager of Amagasaki)
Koichi Kato
(General Manager of Corporate Consulting Department)

CORPORATE DATA (As of March 31, 2014)

Company Name:	The Minato Bank, Ltd.
Head Office:	1-1, Sannomiya-cho 2-chome, Chuo-ku, Kobe, Hyogo, 651-0193, Japan Phone: 078-331-8141 URL: http://www.minatobk.co.jp
Authorized Shares:	1,000 million shares
Outstanding Shares:	410,951 thousand shares
Stated Capital:	27.4 billion yen
Number of Shareholders:	8,791
Date of Incorporation:	September 1949 (Company name was changed to The Minato Bank, Ltd. in April 1999.)
Domestic Network:	107 locations (Hyogo: 102, Osaka: 4, Tokyo: 1)
Number of Employees:	2,107
Stock Listings:	The 1st sections of the Tokyo Stock Exchange
Credit Rating:	Long-term senior debt rating: A (Japan Credit Rating Agency, Ltd.) Moody's long-term deposit rating: A2 (Moody's (JAPAN) K.K)

GROUP STRUCTURE (As of March 31, 2014)

- Sumitomo Mitsui Financial Group, Inc.
  - Sumitomo Mitsui Banking Corporation
- The Minato Bank, Ltd.
  - Banking business
    - Head Office, 103 branches and 3 sub-branches
  - Other business
    - Minato Business Service Co., Ltd. (Centralized processing of administrative operations for the Bank)
    - Minato Asset Research Co., Ltd. (Real estate/movables research business)
    - Minato Guarantee Co., Ltd. (Credit guarantee business)
    - Minato Lease Co., Ltd. (Lease, factoring business, etc.)
    - Minato Card Co., Ltd. (Credit card business)
    - Minato System Co., Ltd. (Computer related business)
    - Minato Capital Co., Ltd. (Investment business, Management consulting business, etc.)
    - Minato Consulting Co., Ltd. (Operation of seminar/training sessions, Management consulting business, etc.)
    - Minato Preferred Capital Cayman Limited (Finance)
    - Seven investment limited partnerships

MAJOR SHAREHOLDERS (As of March 31, 2014)

Name	Number of Shares (Thousands)	Percentage (%)
Sumitomo Mitsui Banking Corporation	184,828	45.04
Minato Bank Kyoueikai	32,059	7.81
Nippon Life Insurance Company	11,401	2.77
Japan Trustee Services Bank, Ltd. (trust accounts)	9,755	2.37
Minato Bank Employees' Shareholding Association	9,149	2.22
Aioi Nissay Dowa Insurance Co., Ltd.	5,661	1.37
Mitsui Sumitomo Insurance Co., Ltd.	5,220	1.27
Sumitomo Life Insurance Company	5,203	1.26
Sumitomo Mitsui Banking Corporation (trust accounts)	3,886	0.94
Meiji Yasuda Life Insurance Company	3,532	0.86

MINATO BANK

The Minato Bank, Ltd.
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