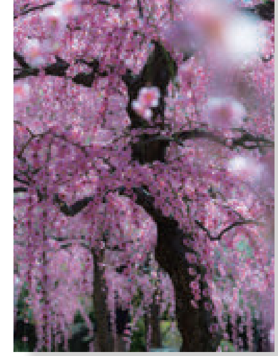
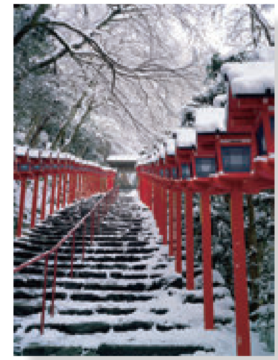
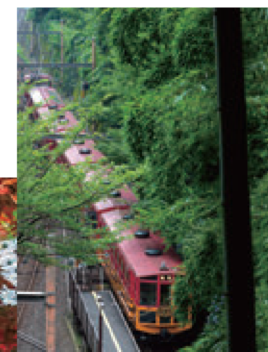




Bank of Kyoto



Annual Report 2015

For the year ended March 31, 2015

The Bank of Kyoto, Ltd.

Profile

Since its establishment on October 1, 1941, The Bank of Kyoto, Ltd. (hereinafter, "the Bank") and its consolidated subsidiaries have achieved steady growth as one of Kyoto Prefecture's core financial institutions. The Bank's fundamental mission is to contribute to the greater prosperity of the local community and the development of local industries. As Kyoto Prefecture's largest retail bank, the Bank of Kyoto vigorously carries out marketing activities aimed at providing customers with high-quality financial services. The Bank will work to fulfill its social mission of being the bank most trusted by customers as well as the bank with the strongest presence in the region.

Non-Consolidated Basis

Total Assets: ¥8,242.8 billion (8 among regional banks)	Total Deposits: ¥7,202.1 billion (7 among regional banks)	Loans and Bills Discounted: ¥4,354.8 billion (11 among regional banks)
Unrealized Gains on Securities: ¥481.5 billion (1 among regional banks)	Capital Ratio: 12.01% (domestic standards)	Credit Rating: A+ (R&I) A (S&P)

Contents

Attention regarding forward-looking statements

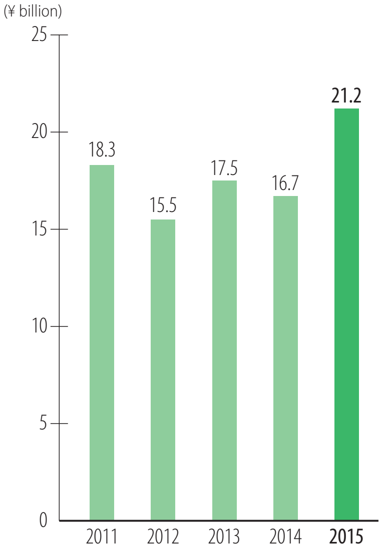
Readers are advised that this report contains forward-looking statements, which are not statements of historical fact but constitute estimates or projections based on facts known to the Company's management as of the time of writing. Actual results may therefore differ substantially from such statements.

Consolidated Financial Highlights

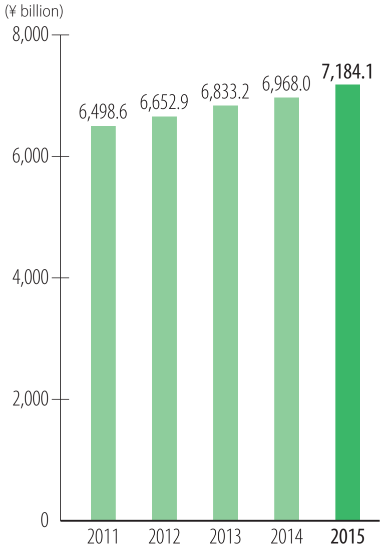
	Millions of yen			Thousands of U.S. dollars
	2015	2014	2013	2015
For The Year				
Total Income	¥ 114,969	¥ 105,878	¥ 115,297	$ 956,727
Total Expenses	79,004	77,793	84,592	657,442
Income before Income Taxes and Minority Interests	35,965	28,084	30,704	299,284
Net Income	21,276	16,771	17,574	177,056
At Year-end				
Total Assets	¥8,255,301	¥7,893,834	¥7,626,868	$68,696,858
Deposits (including NCDs)	7,184,121	6,968,036	6,833,266	59,782,986
Loans and Bills Discounted	4,347,459	4,216,634	4,120,333	36,177,578
Securities	3,168,152	3,196,706	3,034,289	26,363,924
Minority Interests	7,047	6,176	5,560	58,648
Common Stock	42,103	42,103	42,103	350,368
Total Equity	695,810	545,651	463,074	5,790,219
Capital Ratio (Domestic Standards)	12.51%	12.89%	13.26%	

Notes: 1. Japanese yen figures are expressed with amounts of under one million omitted. Accordingly breakdown figures may not add up to sums.
2. U.S. dollar amounts represent translation of Japanese yen at the rate of ¥120.17 to US$1.00 on March 31, 2015, the final business day of the term.
3. Beginning from March 31, 2014, the Bank's capital ratio (based on domestic standards) is being calculated based on the new capital adequacy requirements (Basel Ⅲ).

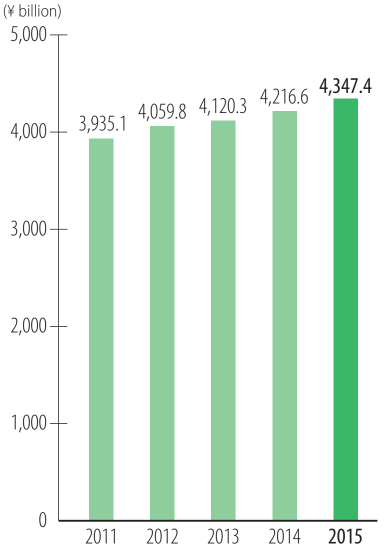
Net Income



Deposits (including NCDs)



Loans and Bills Discounted



Message from the President

The Bank of Kyoto Group seeks to achieve further growth under a new structure and will aggressively take on challenges.

On June 26, 2015, I was appointed the 8th president of the Bank of Kyoto. The magnitude of this responsibility is truly sobering to consider.

We will continue to do our utmost to support the development of the regional community, the greatest mission for a local financial institution. It is with this in mind that I ask for your continued support and patronage.

Management Policy

Financial results for the fiscal year ended March 31, 2015

In the fiscal year ended March 31, 2015, the Bank of Kyoto actively promoted sales and as a result, the fiscal year-end balance of deposits and negotiable certificates of deposit was ¥7,202.1 billion and the balance of loans and bills discounted came to ¥4,354.8 billion, as loans to both individuals and corporations increased.

On the earnings front, gross banking profit came to ¥85.2 billion, an increase of ¥3.7 billion year on year, and net income increased by ¥4.3 billion to ¥20.4 billion, due to the significant contribution of sales of investment trusts and, an increase in fees and commissions, and an increase in interest income.

Issues to be Addressed

In addition to changes in the social and industrial structures caused by an aging population and declining birth rate and the advancing global economy, and amid the ongoing policy of monetary easing, the environment facing financial institutions has grown increasingly harsh with a shrinking market and intensifying competition.

Furthermore, society's expectations toward banks are growing daily and include calling for banks to discover and develop new growth industries, support the expansion of businesses overseas, initiate regional revitalization, provide highly stable and convenient financial services as a social infrastructure for daily life, and strengthen corporate governance.

Taking on the challenge of becoming a bank with ¥10 trillion in deposits

The 5th medium-term management plan "Vision 75 Building a Good Bank" started in April 2014 seeks to improve its customer base, profitability, financial strength, and corporate value and actively build a bank that is chosen by the region and its customers as the main bank of the region.

In its medium-term management plan, the Bank aims for further growth within five-year and ten-year time frames. The Bank has determined that the kind of bank it should be in five years is one that has "built an absolute management foundation in 'our local town Kyoto'" and the kind of bank it wants to be in 10 years is one that has "an overwhelming presence in the five prefectures in the Kinki region (Kyoto prefecture, Osaka prefecture, Shiga prefecture, Nara prefecture and Hyogo prefecture)." Specifically, we will forge ahead to quickly achieve a 30% market share of deposits and loans in Kyoto Prefecture and further challenge ourselves to become a bank with ¥10 trillion in deposits.

Developing speedy management

Since the Bank opened the Kusatsu Branch in December 2000, it has aggressively expanded its growing network into the five prefectures in the Kinki Region, Nagoya, Tokyo and Asia and achieved growth as a "wide-area regional bank."

Today, we are leveraging our marketing bases and marketing force that have been spread and deployed over a wide area, and as a "Wide-area Regional Bank — Second Stage," we are developing management and expanding operations with a view to "strengthened profitability and continuous growth through the establishment of a solid customer base."

Meanwhile, with the environment surrounding financial institutions expected to grow increasingly harsh due to a shrinking market, we will aggressively challenge ourselves and develop speedy management in order to become a bank with ¥10 trillion in deposits. Specifically, we will work to further expand our branch network, develop new business domains, enhance products and services, and develop our human resources with the aim of becoming the most trusted regional financial institution that is chosen by customers.

Thorough implementation of compliance

It is extremely important to manage risk as we move aggressively to promote sales, and given the public nature of banks, compliance will always be the cornerstone of management.

The Bank has positioned compliance as one of its most important management issues in order to ensure that the actions of each and every one of its management and non-management employees will earn the trust and support of everyone in the region, thereby building relationships of trust and ensuring that observers continue to say that "The Bank of Kyoto is an attractive bank that we can do business with over the long term with a sense of security and satisfaction." The Bank will thoroughly comply with laws, regulations and business ethics, and take even more proactive initiatives to raise the awareness of compliance among all management and non-management employees including the taking of resolute measures against anti-social forces.

Development of the Regional Community

Since its founding, the Bank has played a contributing role in a wide range of activities including initiatives to develop local industries and tackle environmental problems, under its management principle of "Serving the Prosperity of the Community."

Meanwhile, as a regional financial institution under a "Comprehensive strategy for towns, people, and job creation" approved by the Cabinet, we are expected more than ever before to take initiatives that contribute to regional revitalization.

Given this context, the Bank is actively formulating and promoting a comprehensive regional strategy and has strengthened its initiatives to further contribute to the region with the establishment of the "Regional Revitalization Project" in March 2015 to demonstrate its required role as a regional financial institution.

We will continue to strongly push ahead with management that aims to make the Bank of Kyoto a financial institution that works together and grows with its region. I would like to thank all our investors and stakeholders for their continued support.

Nobuhiro Doi

President
The Bank of Kyoto, Ltd.

Our Operating Area

The Industry of Kyoto Prefecture

In Kyoto many cutting-edge, high-tech industries exist side by side with traditional industries and the tourism industry built upon the city's 1,200 years of history and culture. The manufacturing industries of Kyoto Prefecture are supported by a high level of technical capability that is unique to Kyoto, and they have captured high shares of the national market in a diverse array of fields and product categories.

Furthermore, Kyoto is known as the town of students (it has the highest number per 100,000 people in all Japan), with a high concentration of universities and academic research institutions, so it has an ideal environment for developing venture businesses and new industries.

Top-National Ranked Product Categories of Kyoto Prefecture by Value of Shipments

Sector	Product category	Value of shipments
High-tech and research tools	Pollution measuring instruments	20.0 billion yen (59%)
	Spectral photometer	11.6 billion yen (49%)
	Other analyzing equipment	45.2 billion yen (46%)
	Physical, chemical machinery and appliances	18.9 billion yen (23%)
Printmaking and printing	Plate making machine	12.3 billion yen (71%)
Traditional crafts	Ready-made kimono, obi	6.1 billion yen (40%)
	Chirimen textiles	3.5 billion yen (79%)
Food and beverages	Japanese confectionery	38.7 billion yen (7%)

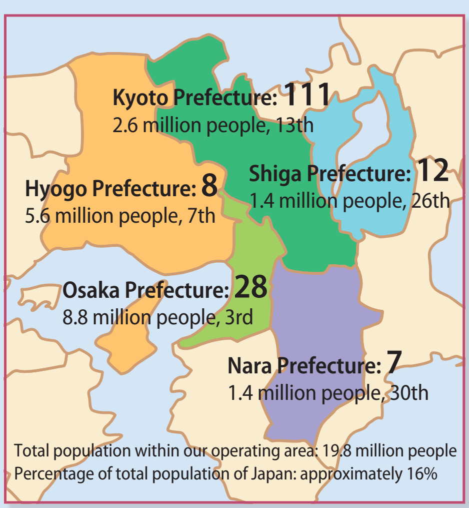
(Source)
METI: FY2012 industry statistics
(domestic market share in %)

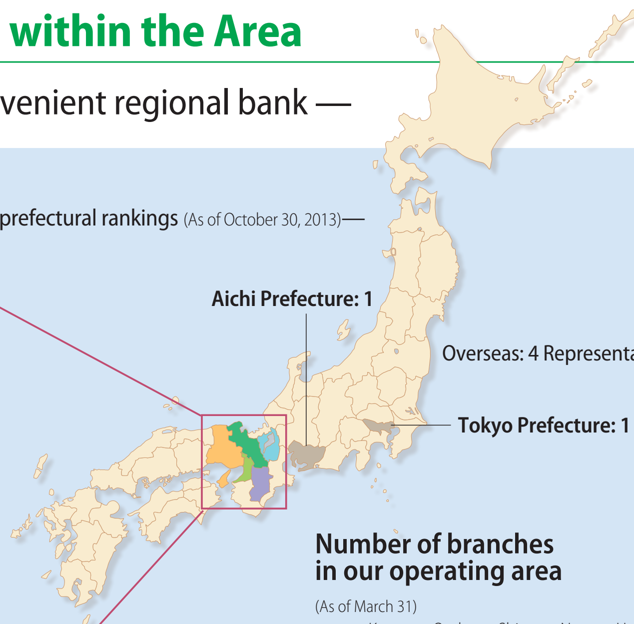
Operating Area and Population within the Area

— Aiming to be a comprehensive and convenient regional bank —

Kyoto Bank's Network

— The populations within areas in our operating area and their prefectural rankings (As of October 30, 2013)—





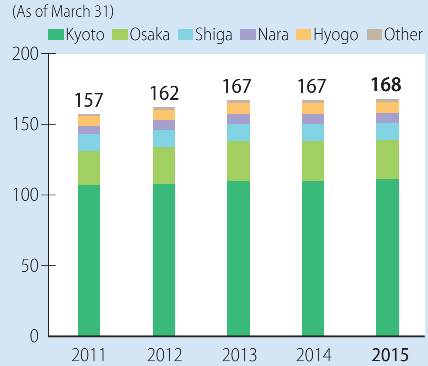
Opening of the Katsuragawa Branch

In March 2015, the Katsuragawa Branch was opened. The Branch is equipped with enhanced functions such as fully automatic deposit boxes which are also open on Saturdays and Sundays, and spacious consultation booths.

In addition, the Katsuragawa Home Loan Plaza that is open on Saturdays and Sundays was also established to provide quick and in-depth consultations with customers.

Number of branches in our operating area

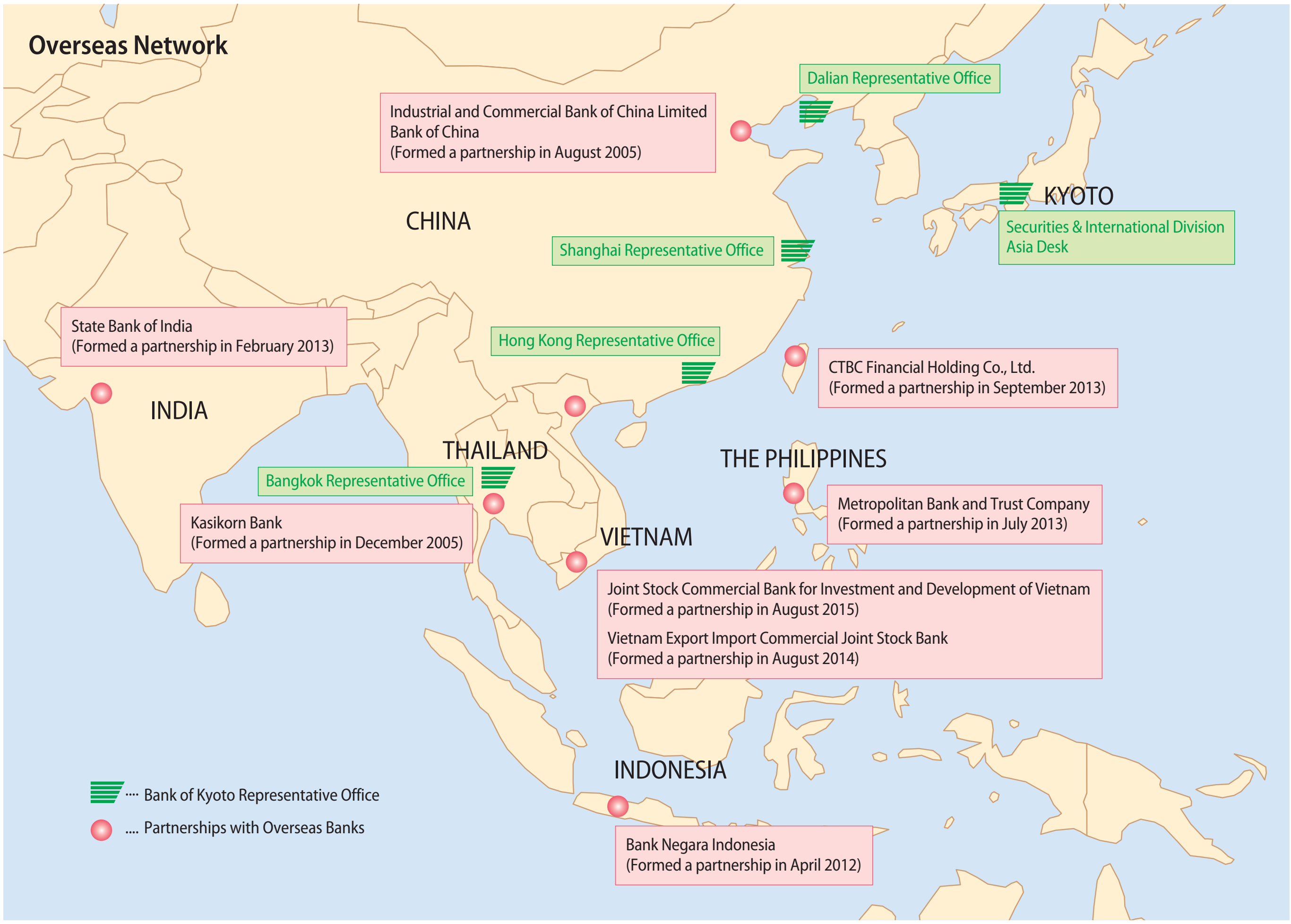
(As of March 31)



Support for Overseas Operations

We are providing our clients with a variety of business opportunities related to overseas expansion including the individual support for our customers given by the Asia Desk established inside the Securities & International Division at the Head Office and by each representative office, and the holding of seminars and business confabs.

Creation of an Overseas Network and Development of Personnel Effective in Overseas Business



Development of personnel effective in overseas business

Actively send personnel for overseas training and branch manager overseas training

	FY2010	FY2011	FY2012	FY2013	FY2014	FY2015 (planned for 1H)
Short-term overseas trainees	(Implemented in FY2014)				9	6
Long-term overseas trainees	1	4	3	3	4	1
Branch manager/Officer training	23	80	12	12	49	15


Shanghai Business Exchange 2015

Overseas business confabs hosted (fiscal 2014)

Name of business confab	No. of participating companies
Business Networking Event Held for Japanese Companies in Hong Kong and South China	37 companies
Business Networking Event Jointly Hosted by Local Banks in Dalian 2014	17 companies
FBC Bangkok 2014 (Factorynetwork Business Conference)	12 companies
FBC Shanghai 2014 (Factorynetwork Business Conference)	54 companies
Business Networking Event Jointly Hosted by Local Banks in Qingdao	7 companies

Name of business confab	No. of participating companies
FBC Guangdong 2014 (Factorynetwork Business Conference)	16 companies
2014 Dalian — Regional Bank Joint Business Expo	11 companies
Regional Bank Joint Seminar/Networking Event Guangzhou	14 companies
Shanghai Business Exchange 2015	83 companies
Bangkok Business Exchange Meeting	60 companies

Management Principle

"Serving the Prosperity of the Community"

The Bank's fundamental mission is to contribute to the greater prosperity of the local community and the development of local industries. As Kyoto Prefecture's largest retail bank, the Bank of Kyoto does everything it can to help everyone in the local community.

Management Plan

5th Medium-Term Management Plan "Vision 75 Building a Good Bank"

The 5th medium-term management plan "Vision 75 Building a Good Bank" was started in April 2014. The Bank has positioned the three years beginning from fiscal 2014 as the period it will carry out Building a Good Bank to improve its customer base, profitability, financial strength, and corporate value as we work toward being "the kind of bank we should be in five years, the kind of bank we want to be in ten years."

Framework of the 5th medium-term management plan (from fiscal 2014 to fiscal 2016)

< Behavioral guidelines >

Building a Good Bank — a bank that is chosen by the region and the customers —

>>The kind of bank we should be in five years, the kind of bank we want to be in ten years

Build an absolute management foundation in "our local town Kyoto" and then be an overwhelming presence in the five prefectures in the Kinki region
(Kyoto prefecture, Osaka prefecture, Shiga prefecture, Nara prefecture, Hyogo prefecture)

— Quickly achieve a 30% market share of deposits and loans in Kyoto Prefecture —
— Challenge ourselves to become a bank with ¥10 trillion in deposits —

>>Management vision

"Wide-area Regional Bank — Second Stage"
— From points to lines, from lines to surfaces, identify surfaces and become the "Main Bank of the Region" —

First Stage..........Enhancement and deployment of our marketing bases and marketing force
Second Stage......Strengthened profitability and continuous growth through the establishment of a solid customer base

Name of the plan Vision 75 Building a Good Bank

Value: Enhance our added value to become the bank that is chosen by customers
Volume: Aim to expand quantitatively through expansion of our customer base (number of customers and the balance)
Victory: Become an absolute and overwhelming presence

Vision 75

Achieve a balance of deposits and negotiable certificates of deposit of ¥7.5 trillion and a sum of retail deposits and loans of ¥7.5 trillion by the 75th anniversary of our founding (fiscal 2016). Moreover, aim to be a bank with a balance of deposits and negotiable certificates of deposit of ¥8 trillion within the near future, and then ¥10 trillion.

Numerical targets (by the final fiscal year of the plan) (Non-consolidated)

Balance of deposits + NCDs	Sum of retail deposits and loans	Net income
¥7.5 trillion	¥7.5 trillion (Deposits held by individuals ¥4.5 trillion + retail loans and bills discounted ¥3.0 trillion)	¥17.5 billion

Financial Review (Consolidated)

Financial and Economic Environment

During the fiscal year under review, despite a longer-than-expected reaction to the consumption tax increase, the Japanese economy was on the path to gradual recovery in the wake of the diminishing effects of the tax increase. Other factors in the recovery were the ongoing depreciation of the yen, and rising stock prices in the second half of the fiscal year brought on by further monetary easing. During this period, while housing investments and capital investments were flat and lacking in vigor, employment conditions remained positive. Production rose moderately amid an export recovery, and corporate earnings, primarily at leading companies, were on the road to improvement. In this context, although issues and concerns remain such as fiscal consolidation and economic slowdown overseas, there are mounting expectations for an autonomous domestic-led recovery through a total rebound in consumer spending and a recovery in capital investments based on the ripple effect of low oil prices and wage increases. It is with such rising expectations that the year came to a close.

Under these conditions, the Group achieved the following business results for the consolidated fiscal year as a result of promoting numerous measures in line with its marketing strategy, human resources strategy, and operational reforms strategy under its new management vision of "Wide-area Regional Bank — Second Stage" based on its 5th medium-term management plan "Vision 75 Building a Good Bank" (running from fiscal 2014 through 2016).

Business Progress and Results

Consolidated ordinary income came to ¥114,959 million, an increase of ¥9,128 million year on year due to higher fees and commissions resulting from strong marketing of assets under custody, and a rise in securities-related income.

On the other hand, consolidated ordinary expenses came to ¥78,682 million, an increase of ¥1,483 million year on year mainly due to higher general and administrative expenses, despite a decrease in financing expenses due to a decrease in interest on deposits on declining interest rates.

As a result, consolidated ordinary profit increased ¥7,644 million year on year to ¥36,277 million. Consolidated net income rose ¥4,505 million to ¥21,276 million.

Main Accounts

Regarding main accounts at the end of the consolidated fiscal year under review, deposits amounted to ¥6,270.2 billion, a decrease of ¥17.5 billion from the previous fiscal year, due to a decline in official deposits and changes in custody of negotiable certificates of deposit, despite solid increases in deposits held by individuals and corporations. Negotiable certificates of deposit came to ¥913.9 billion, an increase of ¥233.5 billion. As a result, the total of deposits and negotiable certificates of deposit increased by ¥216.0 billion to ¥7,184.1 billion at year-end.

Turning next to loans and bills discounted, as lending to corporations increased due to our active response to demand for funding, and loans to individuals, chiefly mortgage loans also increased steadily, overall loans and bills discounted increased by ¥130.8 billion over the previous fiscal year to ¥4,347.4 billion.

As for securities, as a result of flexible and efficient fund management while closely monitoring market trends including interest rates, stock prices, and foreign exchange rates, securities ended the year at ¥3,168.1 billion, a decrease of ¥28.5 billion year on year, mainly due to a decline in Japanese government bonds. Appraisal gains (unrealized) yielded from mark-to-market accounting increased ¥186.0 billion year on year due to rising stock prices, reaching ¥482.1 billion at the end of the year under review.

In addition, total assets ended the year at ¥8,255.3 billion, an increase of ¥361.4 billion compared with the end of the previous fiscal year. Equity stood at ¥361.6 billion, an increase of ¥14.6 billion due to higher retained earnings.

Cash Flows

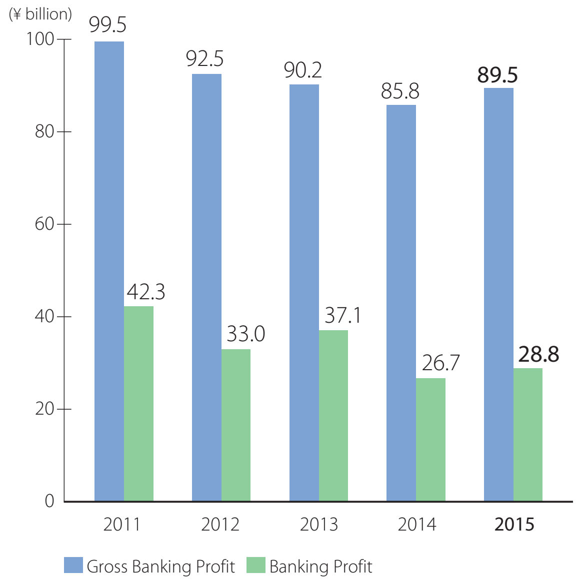
Net cash provided by operating activities during the fiscal year under review was ¥134.3 billion, compared to ¥104.7 billion provided in the previous fiscal year. The major factors for this were an increase in negotiable certificates of deposit and a decrease in call loans.

Net cash provided by investing activities was ¥241.5 billion, compared to ¥75.9 billion used in the previous fiscal year, due mainly to the sale and redemption of securities.

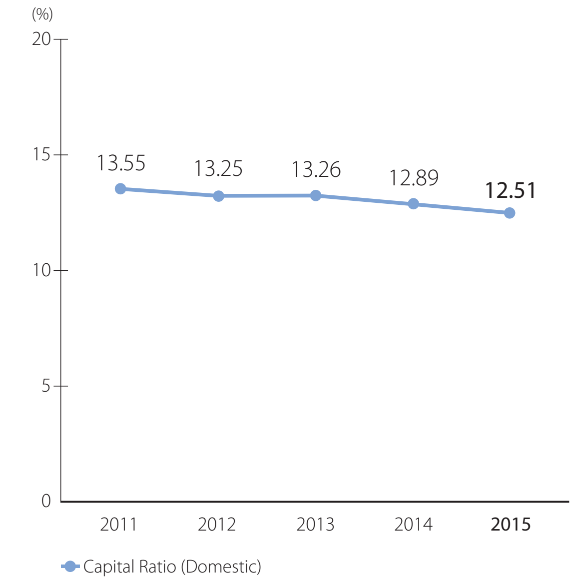
Net cash used in financing activities was ¥22.5 billion, compared with ¥33.7 billion used in the previous fiscal year, due chiefly to the redemption of subordinated bonds and the payment of dividends.

As a result, the balance of cash and cash equivalents increased ¥353.3 billion year on year to ¥582.6 billion.

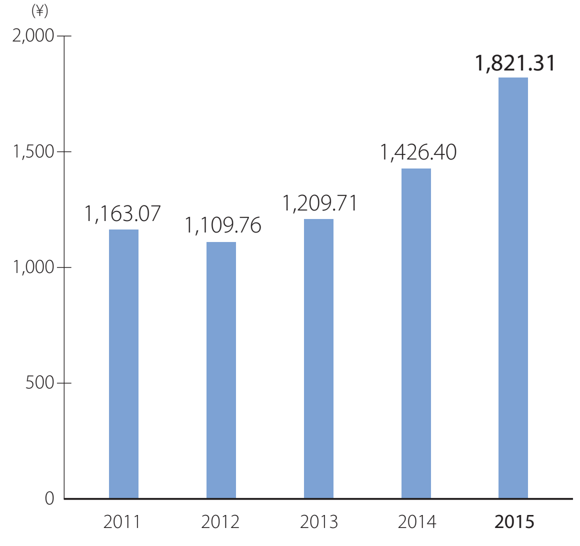
Gross Banking Profit/Banking Profit



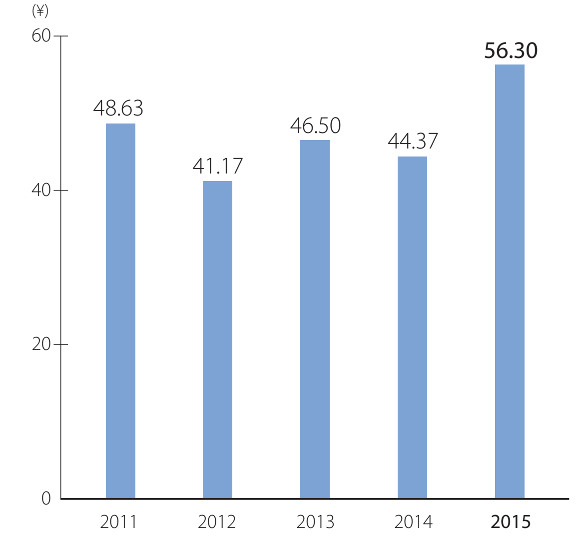
Capital Ratio (Domestic)



Net Asset Per Share



Net Income Per Share



Building Strong Financial Structures

Capital Ratio

The Bank's capital ratio (based on domestic standards) came to 12.01% on a non-consolidated basis and 12.51% on a consolidated basis. In both cases, the Bank's capital ratio exceeds the 4% level of soundness stipulated in laws and regulations.

We will continue to increase the soundness of our operations by working to raise our capital ratio.

	Non-consolidated	Consolidated
Domestic (exceeds the 4% level)	12.01%	12.51%

<Reference>

	Non-consolidated	Consolidated
International uniform standard	17.37%	17.76%

Self-Assessment of Assets and Write-Offs and Allowances

Borrower Classifications

The Bank recognizes that maintaining a sound asset portfolio is its most crucial management objective. Accordingly, we carry out a semiannual self-assessment of assets to accurately monitor the state of our asset quality, and take an active stance toward the disposal of non-performing loans.

To facilitate these efforts, we have finished compiling a set of regulations covering self-assessment of assets, write-offs, and allowances based on the Financial Services Agency's Financial Inspections Manual, and we are disposing of all currently anticipated non-performing loans.

Specifically, we classify borrowers using the following six categories based on a judgment of their ability to repay their loans derived from their financial circumstances, financing, profitability, and other factors: borrowers in good standing, borrowers requiring vigilance, borrowers requiring management, borrowers in danger of bankruptcy, borrowers in de facto bankruptcy, and borrowers in legal bankruptcy. These categories are known as borrower categories.

Disclosure of Asset Portfolio

Disclosure of Asset Assessment Based on the Financial Reconstruction Law

The Financial Reconstruction Law requires disclosure of self-assessed loan assets and similar assets to be classified into four categories: unrecoverable or valueless, risk, special attention, and normal.

At the end of fiscal 2014, the Bank's total disclosed assets, excluding normal assets, amounted to ¥99.1 billion (US$824 million) as we achieved further progress toward enhancing the soundness of our loan portfolio. The average reserve ratio for these assets, excluding the portion covered by collateral and guarantees, was 58.1%. When adding the portion secured by collateral and guarantees to the reserves, the coverage ratio was 90.0%, which we consider to be a sufficient level.

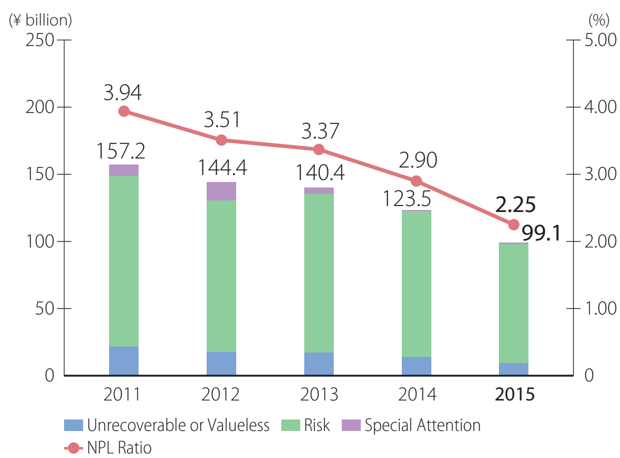
The Financial Reconstruction Law Standard (Non-Consolidated)

(Billions of yen)

	2015/3	Change from Mar. 31, 2014	2014/3
Unrecoverable or Valueless	¥ 9.5	¥ (4.4)	¥ 13.9
Risk	88.6	(19.8)	108.5
Special Attention	0.9	(0.1)	1.0
Subtotal (A)	99.1	(24.4)	123.5
Non-Classified	4,291.3	156.8	4,134.5
Total	¥4,390.4	¥132.4	¥4,258.0

(Notes)
1. From the end of March 2009, we have been calculating Special Attention by standards that reflect the Measure for facilitation of financing for SMEs through eased lending terms (Financial Services Agency) implemented as part of an official drive for facilitation of finance for SMEs.
2. The loan assets concerned include, in addition to loans and bills discounted, loan securities, customers' liabilities for acceptances and guarantees, foreign exchange, private placement bonds with bank guarantees, suspense payments equivalent to loans and accrued interest. Special Attention comprise only loans and bills discounted.

The Financial Reconstruction Law Standard (Non-Consolidated)



Coverage in Accordance with the Financial Reconstruction Law Standard (Non-Consolidated)

(Billions of yen)

	2015/3	Change from Mar. 31, 2014	2014/3
Allowance for Possible Loan Losses (B)	¥ 13.6	¥ (7.2)	¥ 20.9
Amounts Recoverable Due to Guarantees, Collateral and Others (C)	75.5	(14.5)	90.1
Coverage Ratio (B)+(C)/(A)	90.0%	0.1%	89.9%

Risk Management Loans under the Banking Law

The Banking Law in Japan mandates that banks disclose their risk management loans both on a consolidated and non-consolidated basis. These loans are classified into four categories: loans in legal bankruptcy, nonaccrual loans, accruing loans contractually past due three months or more, and restructured loans.

At the end of fiscal 2014, the Bank's balance of risk management loans amounted to ¥98.9 billion (US$823 million) on a nonconsolidated basis and ¥100.1 billion (US$833 million) on a consolidated basis. It should be noted, however, that not all of the disclosed loans will incur losses, since these figures include loans that are recoverable by disposing of collateral or redeeming guarantees.

Risk Management Loans (Consolidated)

(Billions of yen)

	2015/3	Change from Mar. 31, 2014	2014/3
Loans in Legal Bankruptcy	¥ 3.8	¥ (3.0)	¥ 6.9
Nonaccrual Loans	95.3	(21.5)	116.8
Accruing Loans			
Three Months or More	—	(0.0)	0.0
Restructured Loans	0.9	(0.0)	1.0
Total	¥ 100.1	¥ (24.7)	¥ 124.8
Total Loans Outstanding (term-end balance)	¥4,347.4	¥130.8	¥4,216.6

Community-based Finance

— Contributing to the Sustainable Development of the Regional Community —

Our Approach to Social Contribution

At the Bank of Kyoto, the concept of doing our part for the local community has been one of our guiding corporate principles ever since our establishment. We have made it our business to be involved in various aspects of community work, including the development of industry and environmental issues.

Customer needs are diversifying in tandem with changing financial and social conditions. At the Bank, we are aware that the original purpose of regional financial institutions is to contribute to the development of the regional economy and society through our main line of business, which is, of course, banking. Working together with local communities, we strive for ongoing development for all. Further, to earn the trust and understanding of local communities, our policy is to publicly disclose the details of our activities.

Our Communities

The Bank's business is deeply rooted in the community in five prefectures: Kyoto, where our headquarters is located, as well as the neighboring Shiga, Osaka, Nara, and Hyogo Prefectures.

Our Policy on Promoting Community-based Finance

Basic Policy on Community-based Finance and Positioning of the Medium-term Management Plan

The Bank has stipulated that its basic policy on community-based finance is to "aggressively harness the Bank's consulting function to support the stable management and development of small and medium-sized corporations while contributing to the revitalization of the regional economy." Therefore, we have actively promoted community-based finance.

We started the 5th medium-term management plan Vision 75 Building a Good Bank" (from fiscal 2014 to fiscal 2016) in fiscal 2014. Under this plan we are aiming to "deepen community-based finance" by working even harder on a variety of measures including the strengthening of consulting functions that promote business growth, and support for the revitalization of the regional economy.

Implementation Mechanisms

We have established the Community-based Finance Promotion Office within the Business Support Division and have consolidated our support functions for the management and sales of our clients, and have developed mechanisms that enable the branches and the departments in the head office to work together to actively take full advantage of our consulting function for the benefit of our clients.

Furthermore, in April 2014, we established the Community Revitalization Office in the Business Support Division so that we could collaborate with organizations such as local governments, local economic organizations, and other regional financial institutions, while providing even stronger support for initiatives aiming at the multifaceted regeneration and economic revitalization of the community. In April 2015, we established the M&A Promotion Office in the Business Support Division to provide even stronger support for mergers and acquisitions as a means of solving customer challenges including those of business expansion and business succession.

Initiatives for Regional Revitalization

In March 2015, following the cabinet meeting decision to create a "comprehensive strategy for towns, people, and job creation," and in order to help local governments formulate the comprehensive regional strategy and promote specific measures, the Bank formed the "Regional Revitalization Project." This project is comprised of relevant head office general managers and all branch managers, and is chaired by the Director responsible for Business Support and deputy chaired by the Director responsible for the Public Institutions Division.

Active Participation in Multifaceted Regeneration in Our Area

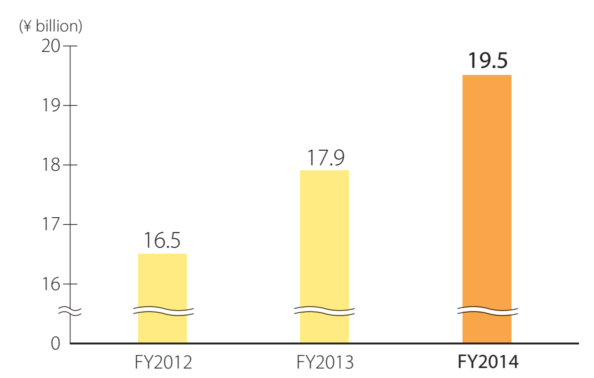
We understand that revitalization of the regional economy is an extremely important mission for the Bank as a regional financial institution.

We have established the Tourism Support Office and the Community Revitalization Office as dedicated departments inside the Business Support Division, and they are actively expanding our initiatives for the revitalization of the region, including the Bank's unique initiatives contributing to revitalization of the tourism industry, the strengthening of support for regional growth industries, and collaboration with government measures.

Loans Tailored to the Tourism Industry

The Bank offers the exclusive Kyogin "Nigiwai" special tourism support loan and the Interest Subsidies System for the Kyoto City Regional Revitalization Comprehensive Special Zone for our customers involved with the tourism industry, and is working to revitalize the regional economy by providing financial support for the revitalization of the tourism industry.

Total amount of tourism-related loans*



* The total of the Kyogin "Nigiwai" special tourism support loans and the loans utilizing the Interest Subsidies System for Supporting the Kyoto City Regional Revitalization Comprehensive Special Zone.

Leverage the Regional Regeneration and Revitalization Network (consisting of nine banks*) for Collaboration with Regional Banks

In January 2014, nine regional banks with different management bases and sales areas collaborated to launch the Regional Regeneration and Revitalization Network. The banks are providing services with higher added value through the use of each other's information and networks, including information matching associated with expansion outside the region.

Projects of the Nine Collaborating Banks

Project Type	No. of Projects
Finance	17 cases
M&A	14 cases
Information matching	38 cases
Other	7 cases
Total	76 cases

(As of March 31, 2015)

* Bank of Kyoto, Hokkaido Bank, 77 Bank, Chiba Bank, Hachijuni Bank, Shizuoka Bank, Hiroshima Bank, Iyo Bank, and Bank of Fukuoka

Initiative to Provide Business Support Tailored to the Growth Stages of the Customer

Based on its "Policy on Promoting Community-based Finance" and "Policy for Facilitating Smooth Access to Finance," the Bank supports the stabilization, growth and development of its customers' management by providing in-depth support tailored to the growth stages of the customer and facilitating smooth access to finances.

For the challenges and needs of customers who are considering moving into venture companies and new business fields, we are collaborating with support organizations and universities that participate in the "Kyogin Venture Business Support Program" and are offering assistance in business matching, supplying various types of information, and providing introductions to specialists (institutions) and universities as well as holding events and helping customers to apply for public aid.

Supporting Start-Ups and Other New Businesses

- Fund Procurement
- Supporting Start-Ups
- Business Deployment
- Supporting Development

Initiatives	Fiscal 2014 achievements
Number of new projects supported	70 cases
Execution of local government loans related to Supporting Start-Ups and Other New Businesses	33 cases / ¥198 million

Leveraging the Bank's wide-ranging branch network and information network, we support the expansion of customer sales channels through business matching.

For customers considering and/or expanding their business overseas, we actively support overseas business by providing market entry support and holding business meetings to assist with local procurement and sales channel expansion.

Supporting Growth

- Business Expansion
- Overseas Market Entry
- Sales Channel Development
- Business Matching

Initiatives	Fiscal 2014 achievements
Number of business matching meetings	1,622 cases
Balance of loans using movable property or assignment of obligation as collateral	31 cases / ¥4,847 million (as of March 31, 2015)
Number of overseas businesses supported	1,994 cases

For business partners requiring management improvement or business restructuring, the Bank strives to strengthen relationships and share awareness of management issues with business partners while working toward improving management.

This is particularly so for the Management Support Office, which is the Credit Examination Division's specialized financial assessment department. The Office holds consultation sessions and seminars as well as working with branches to collaborate closely with the Small and Medium-Sized Business Rehabilitation Support Council and outside consultants to support business partners.

Initiatives for Management Improvement and Supporting Business Restructuring

- Individually Tailored Management Consultations
- Supporting the Management Improvement Strategy Formulation
- Cooperation with Outside Specialized Agencies
- Use of Various Recovery Schemes

Initiatives	Fiscal 2014 achievements
Management improvement plans drafted for recipients of management support	
• Plan drafting ratio	87.3% (*1)
Utilization of the Small and Medium-Sized Business Rehabilitation Support Council	• Consultations brought in: 24 cases • Drafting of plans completed: 80 cases
Use of the Small and Medium-Sized Business Rehabilitation Support Loan System (*2)	• 56 cases / ¥4,032 million (cumulative total of 406 cases / ¥46.6 billion)

*1 The cumulative total of 331 corporate groups that received the drafting of plans divided by the 379 corporate groups that received management support

*2 The figures inside the brackets are the cumulative achievements since May 2005

To support customers immersed in business succession issues, we offer initial advice on measures concerning the company's own stock and business succession, review optimal business succession schemes, and study problem-solving measures in collaboration with experts including tax accountants.

Moreover, we offer exit strategy support through the use of M&A for customers who are struggling with business continuity due to lack of successors or industry reorganization.

Assisting in Business Succession Planning

- Measures Concerning Company's Own Stock
- Measures Concerning Business Successor
- Reorganization
- M&A

Initiatives	Fiscal 2014 achievements
Number of business succession consultations received	98 cases (cumulative total of 320)
M&A contracts concluded	4 cases

Contributing to Society

Environmental Policy

Basic Philosophy

With our headquarters in Kyoto, which boasts more than 1200 years of history, and operating widely in the Kinki region, a place of magnificent natural settings and rich history and culture, the Bank of Kyoto strives to achieve sustainable development together with the community in which we operate.

We make it as our social mission to pass on rich natural surroundings and these tremendous historic and cultural assets to future generations. In light of this philosophy, we consider the environment an important social issue, and all of our employees take an active stance on environmental conservation.

Action Plan

(1) Observe laws, regulations, agreements, etc. on the environment.

(2) Accurately assess the impact of our corporate activity on the environment, set goals and objectives in this regard and work toward them, and strive to continuously improve environmental conservation activities by conducting regular reviews.

(3) Promote energy and resources conservation, as well as recycling, with a view to reducing environmental stress.

(4) By offering environmentally-friendly financial products and services, assist clients with environmental conservation, and contribute to improving the local community environment.

(5) Deepen awareness of all employees, including executives, on environmental issues, and address environmental conservation initiatives in the region.

(6) Inform all employees and executives of our environmental policy and environmental initiatives, and also disclose this information to the public.

Stage 2 Environmental Plan (FY2014 – FY2016)

Our numerical target under the plan is to reduce the amount of electricity, gas, and gasoline we use by at least 1% every year with fiscal 2013 as the base year.

Initiatives of the Bank of Kyoto

- Promotion of energy-saving activities
- Building of environmentally-friendly branches
- Resource-saving and recycling
- Information disclosure

Initiatives for Customers and Local Communities

- Forestry preservation activities
- Environmentally-friendly financial products and services
- Collaboration with environmental projects in the region

Initiatives of all Bank Employees

- Eco-lifestyle for the families of all Bank employees
- Environmental volunteers

Inclusion in Responsible Investment Indices

In June 2015, FTSE Group, which is wholly owned by the London Stock Exchange, confirmed that the Bank of Kyoto has been included in the FTSE4Good index since March 2008. The FTSE4Good index is an equity index series that is designed to facilitate investment in companies that meet globally recognised corporate responsibility standards.

FTSE4Good

Measures to Hand Down the Beautiful Forests to Coming Generations

Kyoto Prefecture is a heavily wooded area with forests occupying about three-quarters of its total land area. To pass on this wonderful environment to future generations, the Bank actively promotes involvement in initiatives to preserve forests.

The Bank of Kyoto's Forest Preservation and Cultivation Activities

The Bank of Kyoto is engaged in activities to cultivate the Kyogin *Furusato* Forest within the Bank's Arashiyama grounds in Kyoto's Nishikyo-ku. The Bank is collaborating with the Forestry Agency, Kyoto Prefecture, Kyoto Model Forest Association, Kyoto Sangyo University, and Kyoto University and taking part in activities to preserve forests at the Kyogin *Fureai* Forest within the Motoyama National Forest area in the Kita-ku area of Kyoto.

In addition to these activities, in November 2014, on the premises of Kyoto Banking College Katsuragawa Campus, our new training center, we planted trees and started development activities for the Kyogin *Manabi* Forest.

Planting trees for the Kyogin *Manabi* Forest

Taking Part in Activities for "Save the Forest in Japan"

"Save the Forest in Japan," carried out as an activity for passing on a beautiful and healthy natural environment to the next generation, was launched in 2008 with the Bank playing a central role. At present, 64 regional banks participate and share information from each region through information exchange meetings and other measures.

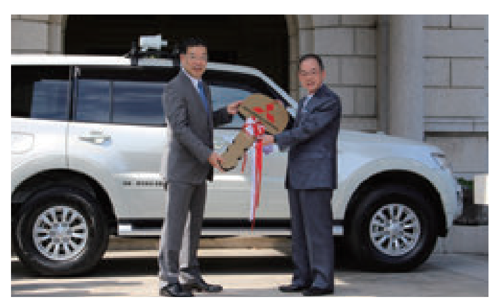
Working Together with Local Communities

Industry-Academia Collaboration with Kyoto University (International Exchange and Endowment Lecture)

In April 2010, the Bank and Kyoto University agreed that international exchanges could improve overseas students' career prospects and the Bank employees' global outlook and began an industry-academia cooperation promoting international exchanges in such ways as providing overseas students with places in the Bank's dormitory.

Moreover, to support research to help local economic development and to nurture human resources, the Bank has been holding endowment lectures at Kyoto University since the second half of fiscal 2011.

Donation of Disaster Response Vehicles to Kyoto Prefecture



The Bank donated two disaster response vehicles to Kyoto Prefecture. Based on the "Framework Agreement for the Promotion of the Kyoto BCP" concluded by the Bank with Kyoto Prefecture in September 2014, the Bank collaborated in the establishment of a disaster prevention framework for Kyoto Prefecture and the vehicles are expected to be used for local investigation at times of disaster and for disaster prevention patrols.

Contributing to the Community by Supporting Local Sports Teams

To contribute to vitalizing the community through the promotion of sports, together with the local community we support the local Kyoto soccer team, Kyoto Sanga F.C., and basketball team, KYOTO HANNARYZ.

Initiatives for Employees

Initiatives to Create Workplaces for Employees

Kyoto Banking College Katsuragawa Campus training center

With the objective of developing capable human resources who have mastered advanced specialized knowledge and serve the local community, in April 2010 we inaugurated the in-house educational program "Kyoto Banking College."

As part of a commemorative project marking the 70th anniversary of our founding, we completed construction of the Kyoto Banking College Katsuragawa Campus, a new training center equipped with the latest functions, in March 2014. Taking full advantage of this new facility, we are working to provide higher quality financial services to customers by actively developing human resources.


The Big Hall holds 500 people


Career Support Room where bank employees and others on childcare leave can study with the aim of returning to the workplace


Mock Branch which enables role-playing practices

Active Seniors System

We have established the Active Seniors System, a system to enable persons who have retired from the Bank (65 years old or older) and willing to work to utilize their abundant knowledge and experience to continue working until they are 70 years old. Regarding the employment of elderly persons, the Bank had already established a Senior Advisor System in accordance with the Revised Act on Stabilization of Employment of Elderly Persons brought into force on April 1, 2006, quickly achieving stable employment for its employees until the age of 65.

Support for Women

The Bank is taking measures to create more comfortable workplaces where employees work with enthusiasm, and every individual employee is able to develop his or her own capabilities.

In particular in the area of support for women we enhanced work-life balance support systems through the Women's Career Support Project (from fiscal 2007) and promoted the further career advancement of women through the *Kirara* Program (from fiscal 2011).

Furthermore, from fiscal 2014 we have started the *Kagayaki* Program, a new comprehensive support package for women. We have set the target of raising the percentage of female executives up to 20% during the period of the 5th medium-term management plan (from fiscal 2014 to fiscal 2016), and will further support the involvement of women in the bank through the three pillars of career development support, support for an early return to the workplace, and *Kagayaki* Support.

Held a "Children's Banking School" for children of employees

At Kyoto Banking College Katsuragawa Campus, our new training center completed in March 2014, we held a Children's Banking School for the children of Bank employees.

We expect that through this workplace experience, children will learn about the importance of work, and that contact with their families' workplace will further deepen family bonds.

The Bank has received the following awards based on initiatives it has taken.

Fiscal 2008
- General Business Owner Action Plans (first time held) Certification
- Kyoto Prefecture: Kyoto Prefecture Childcare Support Award
- Ministry of Health, Labour and Welfare "Minister's award for outstanding offices for the employment of persons with disabilities"
- "Kyoto Mayor Award" pertaining to businesses registered under Kyoto City's "Kyoto Gender Equality Promotion Declaration"

Fiscal 2009
- Ministry of Health, Labour and Welfare's "Minister Prize in Equal Employment/Work-Life Balance for Fiscal Year 2009" in the Category for Enterprises Promoting Equal Employment

Fiscal 2010
- Kyoto Prefecture Award for Promoting Health in the Workplace

Fiscal 2011
- Won highest award from the Nagoya City Certification and Award Program for Companies that Promote the Active Participation of Women
- Won highest award from the Nagoya City Certification and Award Program for Companies that Support Childcare

Fiscal 2013
- General Business Owner Action Plans (second time held) Certification

Corporate Governance

The Bank of Kyoto is working ensure that its corporate governance structure is founded on sound, transparent management practices by monitoring directors' execution of business through surveillance by the Board of Directors and auditors and through the use of an auditing system.

The Bank has built a structure for quick management decision making, under which decision-making authority is delegated appropriately, with the Board of Directors acting as the highest ranking decision-making body. Moreover, the Bank is strengthening its auditing functions through internal audits based on risk analysis and through external auditing of its financial statements and internal management system.

To ensure the soundness and propriety of operations, based on sound business management (governance), we have established a set of Business Management (Governance) Regulations, to better position us to offer financial intermediary services, comply with laws and regulations, rigorously protect customer privacy, and duly manage all kinds of risk.

The Business Management (Governance) Regulations have the role of bringing together our stances on finance facilitation management system, legal compliance system, customer protection management system and internal management system.

Board of Directors

The Board of Directors comprises 12 directors (among whom two are outside directors) and has decision-making responsibility for basic policies and important matters related to the execution of Bank business. Members of the Board of Directors also engage in reciprocal surveillance and monitoring.

Executive Committee

The Executive Committee is a structure designed to facilitate streamlined decision-making by representative directors and managing directors, who have been delegated decision-making authority by the Board of Directors, on important matters related to daily bank operations.

Board of Corporate Auditors

The Board of Corporate Auditors consists of four auditors, including two external auditors. Appropriate auditing is implemented in accordance with auditing policies and plans approved by the Board of Corporate Auditors.

Election of Corporate Officers and Terms of Office

Directors and auditors are elected at the General Meeting of Stockholders after being approved as candidates by resolution of the Board of Directors or approved by the Board of Corporate Auditors, respectively.

To further invigorate the Board of Directors and to flexibly build an optimal management structure capable of responding effectively to changes in the business environment, the term of office for directors is one year.

The Bank has adopted a corporate auditor system in which at least half of the corporate auditors are external corporate auditors who have no potential conflicts of interests with general stockholders.

Corporate auditors attend meetings of the Board of Directors; standing auditors also attend meetings of the Executive Committee. Corporate auditors attend these meetings to monitor decision-making processes and the execution of bank business. Internal bank rules have clearly provided that the corporate auditors/Board of Corporate Auditors establish and maintain an audit environment that ensures objectivity and independence in management audits. Accordingly the current structure supports a strict audit control function.

Adoption of Employee Stock Options (ESO) System

As part of an overall management reform initiative, the Bank has revised its compensation package for directors. The directors' retirement compensation payment system has been terminated, and an ESO (employee stock options) system for directors has been introduced to reward directors more concretely for their contribution to improving business performance and raising the enterprise value of the Bank. We believe this system will make the Bank's management more strongly focused on shareholder value.

Stance on Internal Control Systems

1. Structures to ensure that the execution of business by the directors, the directors of the Bank's Group companies, and employees conforms to laws and the articles of incorporation of Kyoto Bank
2. Structures related to the storage and management of information about the execution of business by the Bank's the directors
3. Guidelines and other structures related to managing the risk of losses of the Bank and the Bank's Group companies
4. Structures to ensure that the directors of the Bank and the Bank's Group companies execute business efficiently
5. Structures to ensure the appropriateness of financial reporting of the Bank and the Bank's Group companies
6. Structures to ensure the appropriateness of operations in the corporate group comprised of the Bank and the Bank's Group companies and structures for reporting to the Bank on the business execution of the directors of the Bank's Group companies
7. Structures related to employees who are appointed by request from the Bank's auditors to assist them with their business
8. Matters related to the independence from the directors of employees assisting the business of the Bank's auditors and to the effectiveness of auditors' instructions to said employees
9. Structures for reporting to the Bank's auditors by directors and employees of the Bank, directors or employees of the Bank's Group companies, or those who receive the reports from these people, as well as other structures related to reporting to other auditors, and structures to ensure that those making reports are not subject to adverse treatment by reason of what they reported
10. Matters related to policies on processing prepayments or refunds of expenses incurred concerning the business execution of the Bank's auditors, or policies on processing expenses or debt incurred for the execution of other businesses
11. Other structures to ensure effective auditing by the Bank's auditors

Finance Facilitation Program

Historically, the Bank has facilitated lending and management improvement/business restructuring services based on a complete understanding of the facts and characteristics of the client. To serve an even more active role in finance facilitation, we have established a policy and standards for finance facilitation management. This program is backed by the full support of the Bank and its employees, who conscientiously promote the availability of the program.

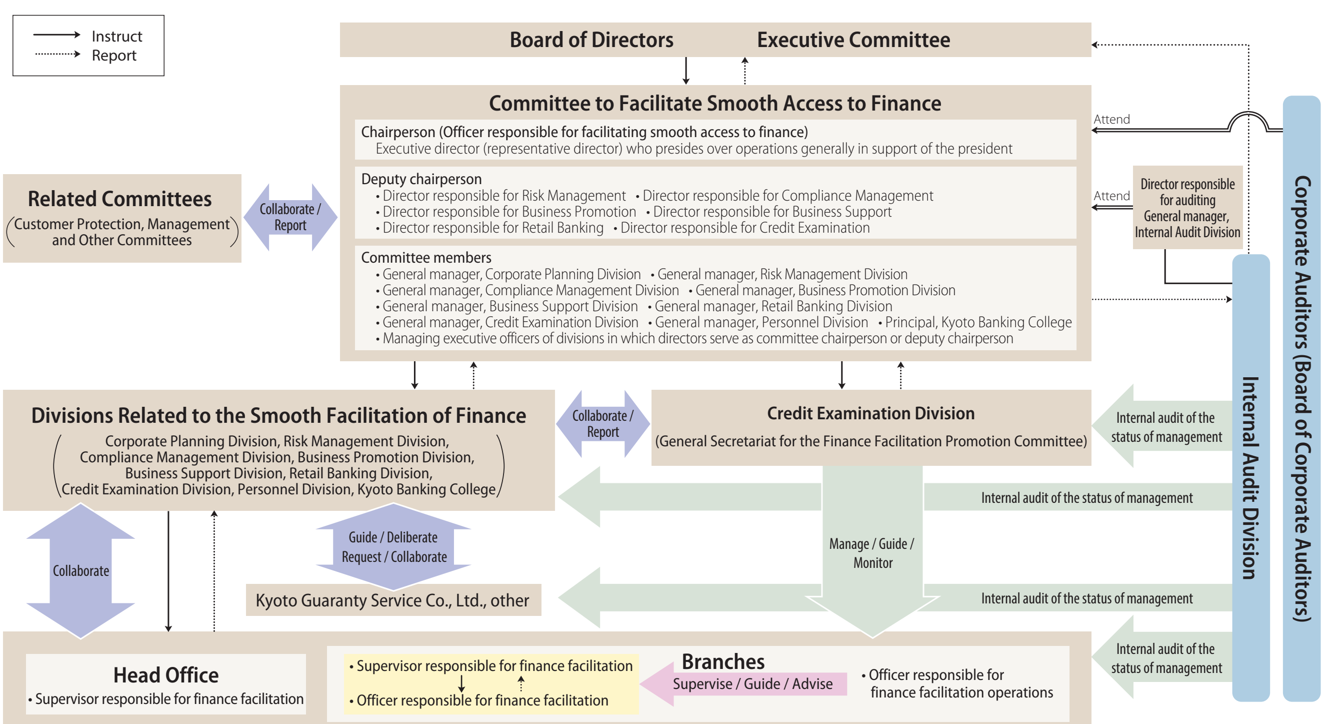
More specifically, we have established a Finance Facilitation Promotion Committee, which assists the Bank president and is chaired by an executive director of the Bank who has overall responsibility for the finance facilitation program, and as the secretariat for the committee the Credit Examination Division provides central management over the status of finance facilitations. This framework incorporates cross-organizational implementation of finance facilitation, including the consideration and implementation of various policies based on reports received from branches.

Each branch is responsible for responding directly to customer questions and/or applications regarding new loans and term changes. Branch personnel endeavor to provide responses appropriate to the facts at hand, with the Finance Facilitation Officer assigned to each branch assessing progress and providing prompt responses.

To make the finance facilitation administration structure function more effectively, we set up a finance facilitation administration program each fiscal year, implementing various policies in compliance with the program.

As a regional banking institution, we will continue to engage in appropriate and active financial intermediary functions, providing financing and cash-management consulting services for companies and personal business owners, as well as loan repayment plan modifications for home loan clients, following the expiration of SME Financing Facilitation Act as of March 31, 2013. We offer a variety of other consulting services, responding to our clients in a prompt, fair, and professional manner.

The Bank's Management Framework for Facilitating Smooth Access to Finance



As of June 26, 2015

Compliance Structures

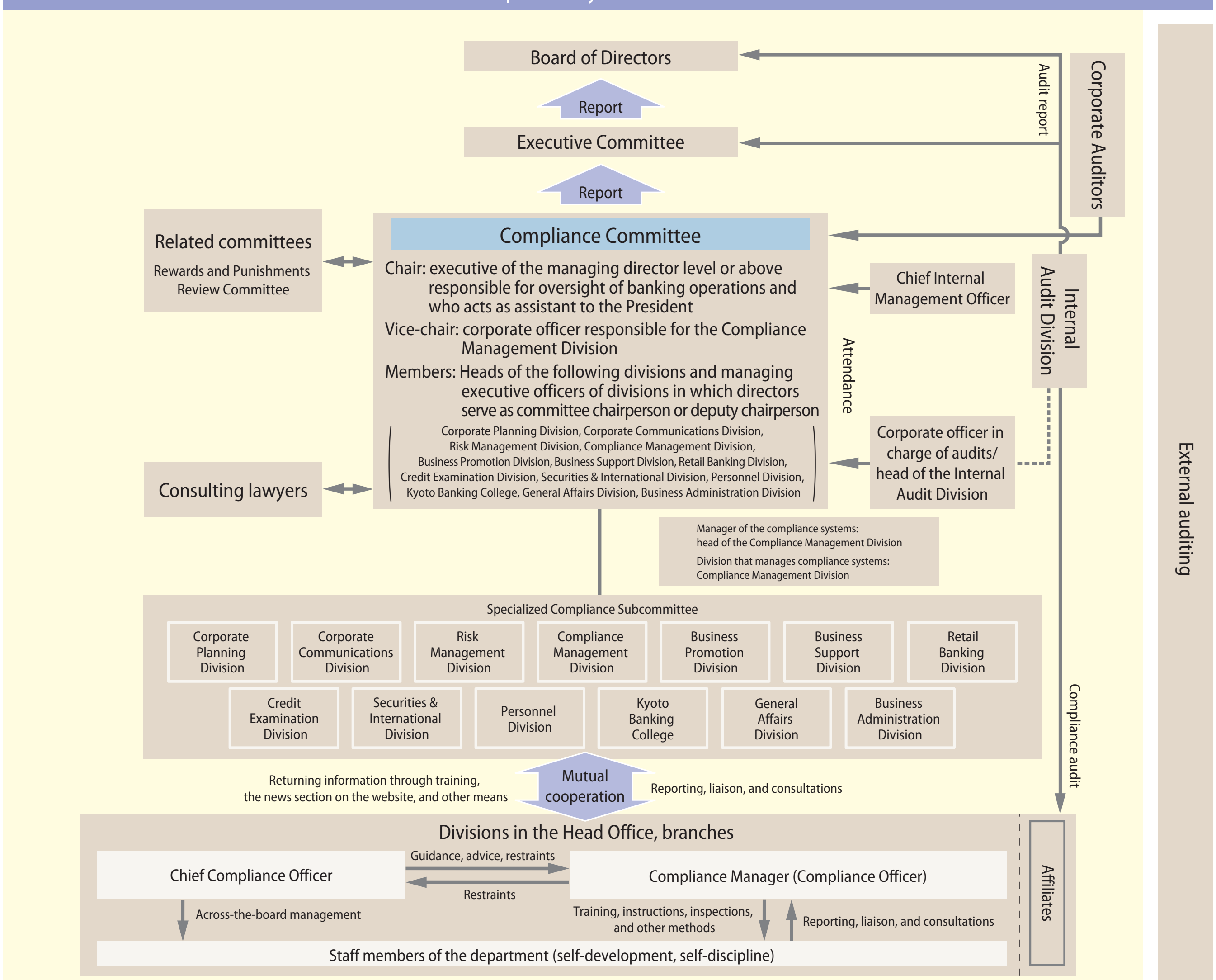
Given the public nature of banks, compliance will always be the cornerstone of management.

The Bank considers compliance to be one of its most important management issues and has been working to rigorously enhance its compliance structures to ensure that the actions of management and non-management employees alike will earn the trust and support of observers. This will enable us to build solid bonds of trust with the local community, and to maintain our reputation as a reliable bank that provides excellent customer satisfaction over the long term. For these purposes, we have worked hard to strengthen our compliance systems. For example, the Compliance Committee (chaired by an executive of the managing director level or above responsible for oversight of bank operations and who acts as assistant to the president) centrally manages and responds to compliance-related problems.

In order to ensure compliance, the Board of Directors establishes compliance programs every fiscal year, and enforces a variety of policies in accordance with these programs.

The Bank has also developed structures under the jurisdiction of the Compliance Management Division and has established and published its Basic Stance on Anti-Social Forces in order to ensure that we block all relationships between the Bank and anti-social forces.

Compliance System of the Bank



As of June 26, 2015

Risk Management Structures

While ongoing liberalization and globalization of Japan's financial markets coupled with advances in information technology and other changes have led to increased business opportunities for financial companies, these developments are also increasing the complexity and diversity of risk. Responding to this environment, the Bank has designated risk management as a crucial management issue for maintaining the stability and soundness of its operations.

Comprehensive Risk Management

At the Bank of Kyoto, in order to accurately identify the amount of risk involved in the conduct of operations, and to ensure the stability and soundness of its management base, we have established a set of Comprehensive Risk Management Guidelines, and we maintain a self-managed risk management posture that compares aggregate risk to the Bank's capital. We are working to strengthen and enhance risk management by expanding the integrated management of the Risk Management Division to include the supervisory divisions in our head office that take responsibility for each risk type and provide cross-sectional management.

At the same time, we quantify and allocate capital to principal risks (credit risk, market risk, and operational risk). The amount of allocated capital is treated as a limit for management purposes in accordance with the semiannual review of risk management policy. In addition, we conduct comprehensive stress tests projecting the simultaneous appearance of major risks based on comprehensive risk scenarios.

Capital Management

In order to ensure that the Bank maintains sufficient capital commensurate with all possible risks inherent in its operating activities, the Bank of Kyoto has formulated internal rules relating to the management of capital. At the same time, the Bank employs a variety of measures in its capital management endeavors including steps to verify that calculated risk levels fall within allocated capital ranges, conducting comprehensive stress tests and applying such benchmarks as capital adequacy ratios.

The Bank's capital allocation policy, which is determined by the Executive Committee after deliberation at the ALM meeting (chaired by an executive of the managing director level or above responsible for oversight of bank operations and who acts as assistant to the president), is subject to semiannual review. Specifically, core capital (before applying transitional measures), a primary component of regulatory capital used to calculate a bank's capital ratio, serves as the source of capital for allocation to principal risks. The amount of capital allocated is determined on the basis of forecast risk levels, which take into account past risk levels as well as the overall budget and operational policy.

Credit Risk Management

Credit risk refers to risk stemming from an inability to recover principal and interest on loans in the event that borrowers experience a deterioration in business conditions, or to the risk of losses due to a reduction in the value of securities. In particular, the risk of loss due to fluctuations in foreign exchange rates or political and economic conditions in borrowers' countries is known as country risk.

Having crafted a management posture by compiling a series of Credit Risk Management Guidelines, the Bank is working to strengthen its credit risk management regime by establishing the Credit Risk Management Committee (chaired by an executive of the managing director level or above responsible for oversight of risk) in order to develop and maintain a comprehensive stance toward credit risk.

In addition to planning and managing credit risk through means such as internal ratings, a self-assessment system, write-offs of non-performing loans, and provisions for possible loan losses, the Risk Management Division's Credit Risk Management Office is responsible for quantitatively analyzing and assessing credit risk. Additionally, because the concentration of credit in particular business partners or industries can lead to significant losses in the event of environmental changes, the Office analyzes the condition of the Bank's portfolio from a variety of perspectives and manages it to avoid any excessive concentration of credit. Credit risk levels and credit concentration conditions are reported to the monthly Credit Risk Management Committee meeting.

To maintain and improve the soundness of its assets, the Bank subjects them to a self-assessment regime that includes Group companies in order to adequately write off non-performing loans and make provisions for possible loan losses. We also established an Asset Audit Office as a specialized section within the Internal Audit Division to examine the validity of write-offs and allowances based on asset self-assessments. These matters also undergo auditing by a certified public accounting firm. In managing credit for specific borrowers, we have established a Credit Examination Division independent of marketing sections, and we are pursuing more stringent credit screening guidelines.

Credit ratings are determined by a credit assessment officer based on information including the applicant's financial condition, technical capabilities, and future viability. Credit ratings are assessed according to strict standards, after which the loan officer makes a final determination based on the intended usage of the funds, resources available for loan repayment, and the ability of the borrower to repay the loan.

We are also placing a special emphasis on improving the ability of our personnel to assess credit risk, providing lending services training to employees according to their level of experience.

Moreover, we have established a Management Support Office within the Credit Examination Division and are working to keep Bank assets sound by helping customers radically transform slumping businesses via a variety of measures designed to support improvements in management. Other initiatives include strengthening risk management by formulating solution plans based on self-assessment results as policies for dealing with individual borrowers and taking measures in response to changing business conditions through continuous monitoring.

Market Risk Management

Market risk refers to interest risk, where the profit margin between fundraising and fund management shrinks due to fluctuations in market interest rates, and price fluctuation risk, where declines in market prices cause losses.

While fluctuations in market prices carry with them the risk of the Bank sustaining losses, they also offer profit opportunities. For this reason, it is important to maintain a management posture that not only minimizes risk but also realizes stable earnings.

Our stance on market risk has been set out in the Bank's Market Risk Guidelines, and we are taking steps to strengthen market risk management. The Securities & International Division, which is responsible for overseeing market risk management, sets the limits on acceptable risk levels, as well as position ranges and loss limits, taking into account the Bank's economic capital and net operating profit to achieve a balance between capital and profitability and effectively control market risk for stocks and other securities. For risk amount calculation regarding the Bank's securities position, the Bank regularly monitors the market value of securities and employs the value-at-risk (VaR) method and other methods to assess the amount of risk involved, and then submits a report on risk valuations at the ALM Meeting.

For market risk for stocks and other securities, we use the method of setting and managing acceptable risk amount based on the Bank's capital and appraisal gains on stocks and other securities. Moreover, we are conducting adequate risk management. This includes calculating the daily positions and profits and losses and reporting them to the management, and measuring the amount of risk involved in stocks and other securities and reporting it to the management. A semiannual self-assessment provides an accurate understanding of the stocks and similar securities held by the Bank and Group companies, the results of which are subject to auditing by the Internal Audit Division and a certified public auditing company.

In addition, the Bank established the ALM Office within the Risk Management Office in the Risk Management Division to bring uniformity to the management of market risk (including for deposits and loans) with credit and other risks, and to adequately control risk within the scope of the Bank's capital to secure stable earnings. To this end, the ALM Office manages and analyzes risk by utilizing techniques such as VaR and fluctuations in the present value of assets and liabilities (interest risk level based on the outlier standard), and in addition we conduct stress tests supposing a variety of different stress scenarios, and utilize them in risk checks. The Bank also employs tools such as back testing to verify the suitability and effectiveness of its metrics and management methods.

Moreover, the Bank conducts semiannual reviews of risk management policy in areas such as credit interest and liquidity by holding ALM meetings. We also work to strategically address risk management at monthly ALM meetings by reporting on calculated risk levels, examining the appropriate balance of assets and liabilities, and considering measures such as risk hedges as needed.

Liquidity Risk Management

Liquidity risk refers to the risk of losses caused by a need to resort to fundraising at costs well in excess of normal due to obstructions to financing caused by a mismatch in time between fund management and fundraising or by unexpected fund outflows or other factors, as well as to the risk of losses stemming from an inability to conduct market transactions due to factors such as market confusion or to the need to resort to transactions at prices that are significantly less favorable than usual.

The Bank maintains an appropriate funding position through careful projection and verification of fundraising and fund management balances. Utilizing a system that continuously monitors the amount of funds available in the market, the Bank is always prepared for the occurrence of liquidity risk.

We also regularly conduct liquidity stress tests, and carry out verifications of the impact of unexpected cash outflows on financing.

Operational Risk Management

Operational risk refers to the risk of losses caused by inappropriate processes in financial institution operations, activities on the part of executives or employees, Bank systems, or external factors. The Bank categorizes operational risk into the following five components for management purposes: (1) clerical risk, (2) information security risk, (3) legal risk, (4) human risk, and (5) tangible asset risk.

The Bank's stance on operational risk management has been set out in the Operational Risk Guidelines, and the divisions with oversight for each component risk take responsibility for managing those risks from a specialist perspective. The Risk Management Division is responsible for the overall management of operational risk.

The Bank considers operational risk management to be one of its most important management challenges. The Bank has established an Operational Risk Meeting, which is chaired by an executive of the managing director level or above responsible for oversight of banking operations and who acts as assistant to the President. The meeting provides a central venue for assessing and analyzing problem areas related to operational risk and discussing policy in an organization-based manner.

Reputation Risk Management

Reputation risk refers to the risk of losses caused by a deterioration of the Bank's reputation among customers or the market.

The Bank is working to control and minimize reputation risk by establishing a set of Reputation Risk Management Guidelines specifying measures for reducing reputation risk, preventing its manifestation, and responding to the danger of its manifestation.

Contingency Planning

The Bank has established a series of Emergency Task Force Guidelines for dealing with unforeseeable events including crimes, natural disasters such as fires or earthquakes, system malfunctions, financial crises, information security risks, and market and other risks. In the event of such an emergency, the Bank would set up an Emergency Task Force to provide unified leadership and instruction on a temporary basis. We have developed a Contingency Plan detailing specific procedures, and we are working to strengthen our response capability through regular training and reviews. We have set out in our Crisis Management Guidelines for Disasters the official procedures regarding rapid disaster recovery and a Business Continuity Plan (BCP) for implementing the minimum processes necessary to run our business in the event of a large-scale natural disaster, disease outbreak, etc. Our basic policy on business continuity, which includes the Bank's intentions to offer support in ensuring the livelihoods of local residents and to help local business enterprises resume business operations, has been set out in the Business Continuity Policy.

We have also drafted detailed manuals/guidelines taking into account the possibility of a large-scale earthquake and the outbreak of a new and highly contagious strain of influenza. In this way we are working to strengthen our crisis management system.

Financial Section and Corporate Data

I Financial Section

II Corporate Data

Consolidated Balance Sheet

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

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2015	2014	2015
Assets:			
Cash and due from Bank of Japan (Note 25)	¥ 582,668	¥ 229,279	$ 4,848,704
Due from other banks (Note 25)	2,549	1,830	21,219
Call loans and bills bought (Note 25)	34,716	127,840	288,893
Monetary claims bought	11,799	12,037	98,189
Trading securities	154	169	1,283
Money held in trust (Note 4)	1,500	1,493	12,482
Securities (Notes 3, 9, 15 and 25)	3,168,152	3,196,706	26,363,924
Loans and bills discounted (Notes 6, 10 and 25)	4,347,459	4,216,634	36,177,578
Foreign exchanges (Note 7)	3,972	3,696	33,058
Lease receivables and investment assets (Notes 2. *o* and 22)	9,454	8,955	78,677
Other assets (Note 9)	19,808	29,883	164,837
Tangible fixed assets (Note 8)	83,652	85,902	696,114
Buildings	31,097	32,091	258,781
Land (Note 11)	43,927	43,974	365,542
Construction in progress	314	440	2,617
Other tangible fixed assets	8,312	9,396	69,172
Intangible fixed assets	2,943	3,293	24,494
Software	2,635	2,982	21,932
Other intangible fixed assets	307	310	2,562
Deferred tax assets (Note 24)	1,772	2,131	14,752
Customers' liabilities for acceptances and guarantees (Note 15)	14,985	12,926	124,699
Allowance for possible loan losses	(30,288)	(38,946)	(252,050)
Total assets	¥8,255,301	¥7,893,834	$68,696,858
Liabilities and Equity			
Liabilities:			
Deposits (Notes 9, 12 and 25)	¥7,184,121	¥6,968,036	$59,782,986
Call money	20,428	52,234	170,000
Payables under securities lending transactions (Note 9)	39,685	53,599	330,246
Borrowed money (Notes 9 and 13)	54,808	70,423	456,095
Foreign exchanges (Note 7)	147	276	1,228
Bonds (Note 14)		15,000	
Other liabilities	84,064	72,809	699,550
Liability for employees' retirement benefits (Notes 2. *i* and 23)	28,874	23,043	240,282
Liability for reimbursement of deposit losses (Note 2. *k*)	309	308	2,571
Liability for contingent losses (Note 2. *l*)	1,130	719	9,403
Deferred tax liabilities (Note 24)	130,903	78,757	1,089,322
Deferred tax liabilities for land revaluation (Note 11)	30	48	251
Acceptances and guarantees (Note 15)	14,985	12,926	124,699
Total liabilities	7,559,490	7,348,182	62,906,639
Equity (Notes 16, 17 and 29):			
Common stock, authorized, 1,000,000 thousands shares; issued, 379,203 thousands shares in 2015 and 2014	42,103	42,103	350,368
Capital surplus	30,301	30,301	252,157
Stock acquisition rights	515	453	4,293
Retained earnings	290,491	275,845	2,417,335
Treasury stock – at cost, 1,319 thousands shares in 2015 and 1,315 thousands shares in 2014	(1,208)	(1,204)	(10,057)
Accumulated other comprehensive income:			
Net unrealized gains on available-for-sale securities (Note 5)	328,898	192,722	2,736,944
Deferred losses on derivatives under hedge accounting	(2,195)	(1,946)	(18,270)
Land revaluation surplus (Note 11)	63	87	529
Defined retirement benefit plans	(207)	1,112	(1,727)
Total	688,762	539,474	5,731,571
Minority interests	7,047	6,176	58,648
Total equity	695,810	545,651	5,790,219
Total liabilities and equity	¥8,255,301	¥7,893,834	$68,696,858

See notes to consolidated financial statements.

Consolidated Statement of Income

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

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2015	2014	2015
Income:			
Interest income:			
Interest on loans and discounts	¥ 51,574	¥ 54,020	$429,179
Interest and dividends on securities	25,804	22,226	214,732
Other interest income	492	475	4,097
Fees and commissions	19,058	17,986	158,599
Other operating income (Note 18)	9,229	8,484	76,799
Other income (Note 19)	8,810	2,685	73,318
Total income	114,969	105,878	956,727
Expenses:			
Interest expense:			
Interest on deposits	3,676	4,207	30,596
Interest on borrowed money	692	737	5,764
Interest on bonds	39	321	328
Other interest expense	1,112	1,151	9,260
Fees and commissions	6,298	6,185	52,417
Other operating expenses (Note 20)	4,770	4,742	39,694
General and administrative expenses	60,671	58,939	504,877
Provision for allowance for possible loan losses		282	
Other expenses (Note 21)	1,742	1,226	14,502
Total expenses	79,004	77,793	657,442
Income Before Income Taxes and Minority Interests	35,965	28,084	299,284
Income Taxes (Note 24)**:**			
Current	9,396	7,944	78,195
Deferred	4,511	2,782	37,546
Net income before minority interests	22,056	17,357	183,543
Minority Interests	779	586	6,486
Net Income	¥ 21,276	¥ 16,771	$177,056

	Yen		U.S. dollars
	2015	2014	2015
Per Share Information (Notes 2. *q* and 28)**:**			
Basic net income	¥56.30	¥44.37	$0.46
Diluted net income	56.19	44.30	0.46
Cash dividends applicable to the year	12.00	11.00	0.09

See notes to consolidated financial statements.

Consolidated Statement of Comprehensive Income

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

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2015	2014	2015
Net Income Before Minority Interests	¥ 22,056	¥17,357	$ 183,543
Other Comprehensive Income (Note 27)	134,704	67,817	1,120,950
Unrealized gains on available-for-sale securities	136,269	67,396	1,133,974
Deferred gains (losses) on derivatives under hedge accounting	(248)	421	(2,069)
Land revaluation surplus	3		26
Defined retirement benefit plans	(1,319)		(10,981)
Comprehensive Income	¥156,760	¥85,175	$1,304,493
Total Comprehensive Income Attributable to:			
Owners of the parent	¥155,887	¥84,556	$1,297,225
Minority interests	873	619	7,268

See notes to consolidated financial statements.

Consolidated Statement of Changes in Equity

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

	Thousands	Millions of yen											
							Accumulated other comprehensive income						
	Outstanding number of shares of common stock	Common stock	Capital surplus	Stock acquisition rights	Retained earnings	Treasury stock	Unrealized gains on available-for-sale securities	Deferred gains (losses) on derivatives under hedge accounting	Land revaluation surplus	Defined retirement benefit plans	Total	Minority interests	Total equity
Balance at April 1, 2013	377,894	¥42,103	¥30,301	¥370	¥262,761	¥(1,199)	¥125,358	¥(2,368)	¥186		¥457,514	¥5,560	¥463,074
Net income					16,771						16,771		16,771
Cash dividends, ¥10.00 per share					(3,778)						(3,778)		(3,778)
Purchases of treasury stock	(6)					(33)					(33)		(33)
Disposals of treasury stock					(7)	29					21		21
Disposals of land revaluation surplus					99						99		99
Net change in the year				82			67,364	421	(99)	¥ 1,112	68,881	616	69,497
Balance at March 31, 2014 (April 1, 2014, as previously reported)	377,887	¥42,103	¥30,301	¥453	¥275,845	¥(1,204)	¥192,722	¥(1,946)	¥ 87	¥ 1,112	¥539,474	¥6,176	¥545,651
Cumulative effect of accounting change					(2,108)						(2,108)		(2,108)
Balance at April 1, 2014 (as restated)	377,887	¥42,103	¥30,301	¥453	¥273,736	¥(1,204)	¥192,722	¥(1,946)	¥ 87	¥ 1,112	¥537,366	¥6,176	¥543,543
Net income					21,276						21,276		21,276
Cash dividends, ¥12.00 per share					(4,534)						(4,534)		(4,534)
Purchases of treasury stock	(3)					(66)					(66)		(66)
Disposals of treasury stock					(14)	62					47		47
Disposals of land revaluation surplus					27						27		27
Net change in the year				62			136,175	(248)	(23)	(1,319)	134,646	870	135,517
Balance at March 31, 2015	377,884	¥42,103	¥30,301	¥515	¥290,491	¥(1,208)	¥328,898	¥(2,195)	¥63	¥ (207)	¥688,762	¥7,047	¥695,810

	Thousands of U.S. dollars (Note 1)											
						Accumulated other comprehensive income						
	Common stock	Capital surplus	Stock acquisition rights	Retained earnings	Treasury stock	Unrealized gains on available-for-sale securities	Deferred gains (losses) on derivatives under hedge accounting	Land revaluation surplus	Defined retirement benefit plans	Total	Minority interests	Total equity
Balance at March 31, 2014 (April 1, 2014, as previously reported)	$350,368	$252,157	$3,771	$2,295,456	$(10,020)	$1,603,750	$(16,201)	$727	$ 9,254	$4,489,264	$51,401	$4,540,665
Cumulative effect of accounting change				(17,543)						(17,543)		(17,543)
Balance at April 1, 2014 (as restated)	350,368	252,157	3,771	2,277,913	(10,020)	1,603,750	(16,201)	727	9,254	4,471,721	51,401	4,523,122
Net income				177,056						177,056		177,056
Cash dividends, $0.09 per share				(37,735)						(37,735)		(37,735)
Purchases of treasury stock					(554)					(554)		(554)
Disposals of treasury stock				(123)	517					393		393
Disposals of land revaluation surplus				225						225		225
Net change in the year			521			1,133,193	(2,069)	(198)	(10,981)	1,120,465	7,246	1,127,711
Balance at March 31, 2015	$350,368	$252,157	$4,293	$2,417,335	$(10,057)	$2,736,944	$(18,270)	$529	$ (1,727)	$5,731,571	$58,648	$5,790,219

See notes to consolidated financial statements.

Consolidated Statement of Cash Flows

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

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2015	2014	2015
Operating Activities:			
Income before income taxes and minority interests	¥ 35,965	¥ 28,084	$ 299,284
Depreciation	5,634	5,220	46,884
Losses on impairment of long-lived assets		88	
Decrease in allowance for possible loan losses	(8,657)	(4,799)	(72,047)
Increase (decrease) in liability for employees' retirement benefits	521	(32)	4,341
Increase in liability for reimbursement of deposit losses	1	9	8
Increase (decrease) in liability for contingent losses	410	(326)	3,413
Interest income	(77,871)	(76,722)	(648,009)
Interest expense	5,521	6,417	45,950
Gains on securities	(6,845)	(2,297)	(56,965)
(Gains) losses on money held in trust	(65)	0	(542)
Foreign exchange gains	(14,266)	(15,652)	(118,716)
Losses on sales of fixed assets	312	381	2,598
Net decrease in trading securities	15	1,352	125
Net increase in loans	(130,824)	(96,300)	(1,088,664)
Net (decrease) increase in deposits	(17,515)	206,654	(145,753)
Net increase (decrease) in negotiable certificates of deposit	233,599	(71,884)	1,943,911
Net decrease in borrowed money (excluding subordinated loans)	(12,614)	(3,391)	(104,975)
Net increase in due from banks (excluding due from Bank of Japan)	(719)	(465)	(5,990)
Net decrease in call loans and bills bought	93,361	3,268	776,915
Net (decrease) increase in call money	(31,805)	30,991	(264,672)
Net (decrease) increase in payables under securities lending transactions	(13,913)	14,969	(115,780)
Net increase in foreign exchanges (assets)	(275)	(1,027)	(2,294)
Net (decrease) increase in foreign exchanges (liabilities)	(128)	70	(1,069)
Net increase in lease receivables and investment assets	(498)	(1,190)	(4,151)
Interest and dividends received (cash basis)	85,176	86,088	708,795
Interest paid (cash basis)	(5,867)	(7,081)	(48,825)
Other, net	3,524	15,713	29,325
Subtotal	142,172	118,138	1,183,095
Income taxes — paid	(7,820)	(13,360)	(65,076)
Net cash provided by operating activities	134,352	104,777	1,118,019
Investing Activities:			
Purchases of securities	(1,299,780)	(1,135,046)	(10,816,184)
Proceeds from sales of securities	1,134,919	716,088	9,444,280
Proceeds from redemption of securities	409,629	355,556	3,408,749
Decrease in money held in trust		471	
Purchases of tangible fixed assets	(2,601)	(11,046)	(21,651)
Proceeds from sales of tangible fixed assets	60	159	501
Purchases of intangible fixed assets	(600)	(2,180)	(4,993)
Other, net	(71)		(596)
Net cash provided by (used in) investing activities — (Forward)	241,554	(75,999)	2,010,104
Financing Activities:			
Repayments of subordinated loans	(3,000)		(24,964)
Payments for redemption of bonds and convertible bonds	(15,000)	(29,953)	(124,823)
Dividends paid by the Bank	(4,534)	(3,778)	(37,735)
Dividends paid by subsidiaries to minority shareholders	(2)	(2)	(21)
Net cash used in financing activities	(22,537)	(33,734)	(187,544)
Foreign Currency Translation Adjustments on Cash and Cash Equivalents	20	9	1,683
Net Increase (Decrease) In Cash and Cash Equivalents	353,389	(4,946)	2,940,747
Cash and Cash Equivalents at Beginning of Year	229,279	234,225	1,907,957
Cash and Cash Equivalents at End of Year	¥ 582,668	¥ 229,279	$ 4,848,704

See notes to consolidated financial statements.

1. Basis of Presentation of Consolidated Financial Statements

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

In preparing these consolidated financial statements, certain reclassifications and rearrangements have been made to the consolidated financial statements issued domestically in order to present them in a form which is more familiar to readers outside Japan. In addition, certain reclassifications have been made in the 2014 consolidated financial statements to conform to the classifications used in 2015.

The consolidated financial statements are stated in Japanese yen, the currency of the country in which the Bank is incorporated and operates. All yen figures for 2015 and 2014 have been rounded down to millions of yen. Also, U.S. dollar amounts have been rounded down to thousands of dollar.

The translation of Japanese yen amounts into U.S. dollar amounts is included solely for the convenience of readers outside Japan and has been made at the rate of ¥120.17 to $1, the approximate rate of exchange at March 31, 2015. Such translation should not be construed as a representation 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 as of March 31, 2015 include the accounts of the Bank and its significant 7 subsidiaries (together, the "Group"). Consolidation of the remaining unconsolidated subsidiary and the affiliated company not accounted for by equity method would not have a material effect on the accompanying consolidated financial statements. Under the control and influence concept, those companies in which the Bank, directly or indirectly, is able to exercise control over operations are fully consolidated.

Investments in an unconsolidated subsidiary and an affiliated company not accounted for by equity method are accounted for on a cost basis. The effect on the consolidated financial statements of not applying the equity method is immaterial.

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 also eliminated.

b. *Cash Equivalents* — For purposes of the consolidated statements of cash flows, the Group considers deposits with the Bank of Japan which are included in "Cash and due from Bank of Japan" in the consolidated balance sheet, to be cash equivalents.

c. *Trading Securities* — Trading securities, which are held for the purpose of primarily earning capital gains in the short term, are reported at fair value and the related unrealized gains and losses are included in the consolidated statement of income.

d. *Securities* — Securities are classified and accounted for, depending on management's intent, as follows: (1) held-to-maturity debt securities, which are expected to be held to maturity with the positive intent and ability to hold to maturity, are reported at amortized cost and (2) available-for-sale securities, which are not classified as held-to-maturity debt securities, are reported at fair value, with unrealized gains and losses, net of applicable taxes, reported in a separate component of equity. Securities whose fair value cannot be reliably determined are stated at cost determined by the moving-average method. For other-than-temporary declines in fair value, securities are reduced to net realizable value by a charge to income. Money held in trust classified as trading is reported at fair value and the related unrealized gains and losses are included in the consolidated statement of income.

e. *Derivatives and Hedging Activities* — Derivatives are classified and accounted for as follows: (a) all derivatives (other than those used for hedging purposes) are recognized as either assets or liabilities and measured at fair value at the end of the fiscal year and the related gains or losses are recognized in the accompanying consolidated statements of income and (b) for derivatives used for hedging purposes, if such derivatives qualify for hedge accounting because of high correlation and effectiveness between the hedging instruments and the hedged items, the gains or losses on the derivatives are deferred until maturity of the hedged transactions.

To manage interest rate risk associated with financial assets and liabilities, the Bank applies hedge accounting by matching specific items to be hedged with specific hedging instruments or applying deferral hedge accounting (or cash flow hedge) based on the rules of the Japanese Institute of Certified Public Accountants (the "JICPA") Industry Audit Committee Report No. 24.

The Bank applies deferral hedge accounting based on the rules of the JICPA Industry Audit Committee Report No. 25, "Treatment of Accounting and Auditing Concerning Accounting for Foreign Currency Transactions in the Banking Industry," to manage its exposures to fluctuations in foreign exchange rates associated with assets and liabilities denominated in foreign currencies.

f. *Tangible Fixed Assets* — Tangible fixed assets are stated at cost less accumulated depreciation. Depreciation of tangible fixed assets of the Bank is computed using the declining-balance method while the straight-line method is applied to buildings acquired by the Bank after April 1, 1998, 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 3 to 20 years for other tangible fixed assets. Depreciation of tangible fixed assets of the Bank's consolidated subsidiaries is computed substantially by the declining-balance method at rates based on the estimated useful lives of the assets.

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

Accumulated impairment losses are directly deducted from the respective tangible fixed assets.

h. *Intangible Fixed Assets* — Depreciation of intangible fixed assets is computed using the straight-line method. Software costs for internal use are capitalized and amortized by the straight-line method over the estimated useful life of 5 years.

i. *Allowance for Possible Loan Losses* — The amount of the allowance for possible loan losses is determined based on management's judgment and assessment of future losses based on the Bank's self-assessment system. This system reflects past experience of credit losses, possible future credit losses, business and economic conditions, the character, quality and performance of the portfolio, and other pertinent indicators.

The quality of all loans is assessed by branches and the Credit Examination Division with a subsequent audit by the Asset Review and Inspection 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 in the self-assessment of asset quality. The five categories for self-assessment purposes are "normal," "caution," "possible bankruptcy," "virtual bankruptcy," and "legal bankruptcy."

For claims to debtors classified as legal bankruptcy or virtual bankruptcy, a full reserve is provided after deducting amounts collectible through the disposal of collateral or execution of guarantees.

For claims to debtors classified as possible bankruptcy, which are currently neither legally nor virtually bankrupt but are likely to become bankrupt, and for claims to debtors which had restructured loans, allowances are provided at the amounts deemed necessary based on an overall solvency assessment performed after deducting amounts collectible through the disposal of collateral or execution of guarantees. The discounted cash flow method ("DCF method") is applied to claims whose estimated uncollectible amounts exceed a pre-established threshold and future cash flows could reasonably be estimated. Under the DCF method, an allowance is provided for the difference between the present value of expected future cash flows discounted at the contracted interest rates and the carrying value of the claims.

For other claims, an allowance is provided based on historical loan loss experience.

Subsidiaries provide an allowance for general claims based on their historical loan loss experience and for specific claims at the amounts individually estimated to be uncollectible.

j. *Liability for Employees' Retirement Benefits* — The Bank has a contributory funded pension plan and an unfunded lump-sum severance payment plan. The Bank provides for the liability for employees' retirement benefits based on projected benefit obligations and plan assets at the balance sheet date. Subsidiaries provide for the liability for employees' severance payments based on amounts that would be required to be paid if all eligible employees voluntarily terminated their employment at the balance sheet date.

The projected benefit obligations are attributed to periods on a benefit formula basis. Actuarial gains and losses are amortized on a straight-line basis over 10 years within the average remaining service period.

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

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

(b) The revised accounting standard does not change how to recognize actuarial gains and losses and past service costs in profit or loss. Those amounts are recognized in profit or loss over a certain period no longer than the expected average remaining service period of the employees. However, actuarial gains and losses and past service costs that arose in the current period and have not yet been recognized in profit or loss are included in other comprehensive income and actuarial gains and losses and past service costs that were recognized in other comprehensive income in prior periods and then recognized in profit or loss in the current period shall be treated as reclassification adjustments (see Note 23).

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

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

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

With respect to (c) above, the Group changed the method of attributing the expected benefit to periods from a straight-line basis to a benefit formula basis, the method of determining the discount rate from using the period which approximates the expected average remaining service period to using a single weighted average discount rate reflecting the estimated timing and amount of benefit payment and recorded the effect of (c) above as of April 1, 2014, in retained earnings. As a result, liability for retirement benefits as of April 1, 2014, increased by ¥3,275 million ($27,257 thousand), and retained earnings as of April 1, 2014, decreased by ¥2,108 million ($17,543 thousand), and the influence of the change on operating income and income before income taxes and minority interests for the year ended March 31, 2015, is insignificant. In addition, the influence of the change on basic net income per share and diluted net income per share for the year ended March 31, 2015, is insignificant.

k. *Liability for Reimbursement of Deposit Losses* — A liability for reimbursement of deposits which was derecognized as liability is provided for estimated losses on future claims of withdrawal from depositors of inactive accounts.

l. *Liability for Contingent Losses* — A liability for contingent losses is provided for possible losses from contingent events related to the enforcement of the "responsibility-sharing system" on October 1, 2007. The liability is calculated by estimation of future burden charges and other payments to the Credit Guarantee Corporation.

m. *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 statement of income.

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

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

Lessee

Under the previous accounting standard, finance leases that were deemed to transfer ownership of the leased property to the lessee were capitalized. However, other finance leases were permitted to be accounted for as operating lease transactions if certain "as if capitalized" information was disclosed in the note to the lessee's financial statements. The revised accounting standard requires that all finance lease transactions be capitalized by recognizing lease assets and lease obligations in the balance sheet. In addition, the revised accounting standard permits leases which existed at the transition date and do not transfer ownership of the leased property to the lessee to be accounted for as operating lease transactions.

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

Lessor

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 notes to the lessor's financial statements. The revised accounting standard requires that all finance leases that are deemed to transfer ownership of the leased property to the lessee be recognized as lease receivables, and all finance leases that are not deemed to transfer ownership of the leased property to the lessee be recognized as investments in leases.

With regard to finance lease transactions entered into prior to April 1, 2008, that were not deemed to transfer ownership of the property to the lessee, leased investment assets are recognized at the book values of those leased assets at the transaction date.

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

All other leases are accounted for as operating leases.

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

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

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

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

3. Securities

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

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Japanese government bonds	¥1,122,344	¥1,200,198	$ 9,339,635
Japanese local government bonds	345,722	372,623	2,876,942
Japanese corporate bonds	839,669	931,742	6,987,347
Japanese corporate stocks	603,258	434,989	5,020,042
Other securities	257,158	257,151	2,139,956
Total	¥3,168,152	¥3,196,706	$26,363,924

Securities include investments in unconsolidated subsidiaries of ¥160 million ($1,337 thousand) and ¥249 million at March 31, 2015 and 2014, respectively.

Held-to-maturity debt securities at March 31, 2015 and 2014, were as follows:

	Millions of yen									
	2015					2014				
	Carrying amount	Fair value	Net unrealized gains	Unrealized gains	Unrealized losses	Carrying amount	Fair value	Net unrealized gains	Unrealized gains	Unrealized losses
Japanese government bonds	¥4,102	¥4,107	¥5	¥5		¥4,604	¥4,613	¥9	¥9	¥0

	Thousands of U.S. dollars				
	2015				
	Carrying amount	Fair value	Net unrealized gains	Unrealized gains	Unrealized losses
Japanese government bonds	$34,138	$34,181	$42	$42	

The cost and aggregate fair value of available-for-sale securities at March 31, 2015 and 2014 were as follows:

	Millions of yen									
	2015					2014				
	Cost	Carrying amount	Net unrealized gains	Unrealized gains	Unrealized losses	Cost	Carrying amount	Net unrealized gains	Unrealized gains	Unrealized losses
Japanese corporate stocks	¥ 174,524	¥ 599,969	¥425,445	¥425,546	¥101	¥ 176,763	¥ 431,618	¥254,854	¥256,582	¥1,728
Japanese government bonds	1,096,873	1,118,241	21,368	21,368	0	1,178,486	1,195,594	17,108	17,121	13
Japanese local government bonds	338,195	345,722	7,526	7,560	33	366,421	372,623	6,202	6,234	31
Japanese corporate bonds	833,139	839,669	6,529	6,678	149	925,024	931,742	6,718	6,834	115
Japanese bonds — total	2,268,208	2,303,633	35,424	35,607	183	2,469,931	2,499,960	30,029	30,189	160
Foreign bonds	162,909	164,677	1,767	1,790	23	190,277	191,668	1,390	1,656	266
Other	72,017	91,517	19,500	19,617	117	55,063	64,829	9,765	9,863	97
Other — total	234,927	256,194	21,267	21,408	140	245,340	256,497	11,156	11,520	363
Total	¥2,677,660	¥3,159,798	¥482,137	¥482,562	¥424	¥2,892,036	¥3,188,076	¥296,040	¥298,292	¥2,252

	Thousands of U.S. dollars				
	2015				
	Cost	Carrying amount	Net unrealized gains	Unrealized gains	Unrealized losses
Japanese corporate stocks	$ 1,452,311	$ 4,992,676	$3,540,364	$3,541,206	$ 841
Japanese government bonds	9,127,681	9,305,496	177,815	177,818	3
Japanese local government bonds	2,814,309	2,876,942	62,632	62,915	282
Japanese corporate bonds	6,933,009	6,987,347	54,338	55,578	1,240
Japanese bonds — total	18,875,000	19,169,786	294,786	296,311	1,525
Foreign bonds	1,355,657	1,370,367	14,709	14,902	192
Other	599,298	761,569	162,270	163,246	975
Other — total	1,954,956	2,131,936	176,980	178,148	1,167
Total	$22,282,268	$26,294,399	$4,012,131	$4,015,666	$3,535

Bonds classified as held-to-maturity were not sold during the fiscal years ended March 31, 2015 and 2014.

Available-for-sale securities sold during the fiscal year:

	Millions of yen					
	2015			2014		
	Sales amount	Gains on sales	Losses on sales	Sales amount	Gains on sales	Losses on sales
Available-for-sale securities	¥1,124,603	¥8,100	¥1,311	¥722,637	¥3,509	¥1,137

	Thousands of U.S. dollars		
	2015		
	Sales amount	Gains on sales	Losses on sales
Available-for-sale securities	$9,358,435	$67,408	$10,917

The classification of securities was not changed in the years ended March 31, 2015 and 2014.

Individual securities, except for trading securities, are written down when a decline in fair value below the cost of such securities is "deemed to be other than temporary." The amount written down is accounted for as losses on devaluation. The total losses on devaluation of available-for-sale securities (other than securities whose fair value cannot be reliably determined) amounted to ¥110 million ($915 thousand) and ¥2 million, respectively, for the years ended March 31, 2015 and 2014.

To determine whether an other-than-temporary impairment has occurred, the Bank applies the following rules by the credit risk category for the security issuer based on the Bank's self-assessment guidelines.

(a) For securities issued by obligors classified as "legal bankruptcy," "virtual bankruptcy," and "possible bankruptcy": the fair value is lower than the amortized/acquisition cost.

(b) For securities issued by obligors classified as "caution": the fair value is 30% or more lower than the amortized/acquisition cost.

(c) For securities issued by obligors classified as "normal": the fair value is 50% or more lower than the amortized/acquisition cost, or fair value is more than 30% but less than 50% lower than amortized/acquisition cost and stayed below a certain level for a specified period of time.

"Legal bankruptcy" refers to issuers who have already gone bankrupt from a legal and/or formal perspective. "Virtual bankruptcy" refers to issuers who have not yet gone legally or formerly bankrupt but who are substantially bankrupt because they are in serious financial difficulties and the possibility of restructuring is remote. "Possible bankruptcy" refers to issuers who are not yet bankrupt but are in financial difficulties and are very likely to go bankrupt in the future. "Caution" refers to debtors who require close attention because there are problems with their borrowings. "Normal" refers to issuers other than those classified as "legal bankruptcy," "virtual bankruptcy," "possible bankruptcy," and "caution" mentioned above.

4. Money Held in Trust

(1) Money held in trust classified as trading:

	Millions of yen				Thousands of U.S. dollars	
	2015		2014		2015	
	Carrying amount	Gains included in profit/loss during this fiscal year	Carrying amount	Gains included in profit/loss during this fiscal year	Carrying amount	Gains included in profit/loss during this fiscal year
Money held in trust classified as trading	¥1,500		¥1,493		$12,482	

(2) No money held in trust was classified as held-to-maturity at March 31, 2015 and 2014.

(3) No money held in trust was classified as available-for-sale (money held in trust that is classified neither as trading nor as held-to-maturity) at March 31, 2015 and 2014.

5. Net Unrealized Gains/Losses on Available-for-sale Securities

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

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Net unrealized gains on available-for-sale securities	¥ 482,137	¥ 296,040	$ 4,012,131
Deferred tax liabilities	(153,074)	(103,246)	(1,273,815)
Net unrealized gains on valuation (before adjustment)	329,063	192,793	2,738,316
Minority interests	(164)	(71)	(1,372)
Net unrealized gains on valuation	¥ 328,898	¥ 192,722	$ 2,736,944

6. Loans and Bills Discounted

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

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Bills discounted	¥ 27,785	¥ 28,511	$ 231,221
Loans on bills	116,248	115,540	967,364
Loans on deeds	3,750,870	3,604,803	31,213,034
Overdrafts	452,555	467,779	3,765,957
Total	¥4,347,459	¥4,216,634	$36,177,578

Bills discounted are accounted for as financial transactions in accordance with "Treatment of Accounting and Auditing of Application of Accounting

Standard for Financial Instruments in the Banking Industry" (the Japanese Institute of Certified Public Accountants (the "JICPA") Industry Audit Committee Report No. 24). The Bank has rights to sell or pledge these bills discounted. The total of the face value of bills discounted was ¥29,092 million ($242,092 thousand) and ¥29,934 million at March 31, 2015 and 2014, respectively.

Loans and bills discounted at March 31, 2015 and 2014, included the following loans:

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Loans in legal bankruptcy	¥ 3,883	¥ 6,966	$ 32,317
Nonaccrual loans	95,329	116,894	793,288
Past due loans (three months or more)		18	
Restructured loans	909	1,000	7,564
Total	¥100,122	¥124,879	$833,170

Loans in legal bankruptcy are loans in which interest accrual is discontinued (excluding the portion recognized as bad debt), 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 interest accrual is discontinued, other than loans in legal bankruptcy and loans granting deferral of interest payments to debtors in financial difficulty to assist them in their recovery.

Past due loans (three months or more) are excluded loans that are classified as loans in legal bankruptcy and nonaccrual loans.

Restructured loans are loans on which the Bank grants concessions (e.g., reductions of the stated interest rate, deferrals of interest payments, extensions of maturity dates, waivers of the face amount, or other measures) to the debtors to assist them in recovering from financial difficulties and eventually being able to pay creditors. Loans classified as loans in legal bankruptcy, nonaccrual loans, and accruing loans contractually past due three months or more are excluded.

7. Foreign Exchanges

Foreign exchange assets and liabilities at March 31, 2015 and 2014 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Assets:			
Due from foreign correspondents	¥2,247	¥1,772	$18,700
Foreign bills of exchange purchased	1,306	1,424	10,873
Foreign bills of exchange receivable	418	499	3,483
Total	¥3,972	¥3,696	$33,058
Liabilities:			
Foreign bills of exchange sold	¥ 147	¥ 276	$ 1,228
Total	¥ 147	¥ 276	$ 1,228

8. Tangible Fixed Assets

Accumulated depreciation on tangible fixed assets at March 31, 2015 and 2014, amounted to ¥75,811 million ($630,868 thousand) and ¥73,321 million, respectively.

9. Assets Pledged

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

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Securities	¥70,328	¥96,109	$585,245

Collateralized liabilities:

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Deposits	¥28,216	¥18,166	$234,804
Payables under securities lending transactions	39,685	53,599	330,246
Borrowed money	22,032	34,446	183,340

In addition, securities totaling ¥371,882 million ($3,094,640 thousand) and ¥373,907 million at March 31, 2015 and 2014, respectively, were pledged as collateral for the settlement of exchange and derivative transactions.

Other assets include surety deposits of ¥1,579 million ($13,146 thousand) and ¥1,545 million at March 31, 2015 and 2014, respectively.

10. Commitment Line

Commitment line contracts on overdrafts and loans are agreements to lend to customers when they apply for borrowing up to prescribed amounts as long as there is no violation of any condition established in the contracts. At March 31, 2015 and 2014, such commitments amounted to ¥1,338,434 million ($11,137,843 thousand) and ¥1,260,403 million, respectively, of which ¥1,282,597 million ($10,673,194 thousand) and ¥1,203,826 million, respectively, were those whose original contract maturity was within one year or unconditionally cancelable at any time. As many of these commitments are expected to expire without being drawn upon, the total amount of unutilized commitments does not necessarily represent actual future cash flow requirements. Many of these commitments have clauses that the Group can reject the application from customers or reduce the contract amounts in case economic conditions change, there is a deterioration in the customer's creditworthiness, or other events occur. In addition, the Group requests customers to pledge collateral, such as buildings, land, and securities, at the execution of the contracts, and takes necessary measures, such as understanding customers' financial positions, revising contracts when the need arises, and securing claims, after the execution of the contracts.

11. Land Revaluation

Under the "Law of Land Revaluation," promulgated on March 31, 1998 (final revised on May 30, 2003), the Bank elected a one-time revaluation of its own-use land to a value based on real estate appraisal information as of March 31, 2002.

The resulting land revaluation surplus represented unrealized appreciation of land and was stated, net of income taxes, as a component of equity. Continuous readjustment is not permitted unless the land value subsequently declines significantly such that the amount of the decline in value should be removed from the land revaluation surplus account and related deferred tax liabilities.

At March 31, 2015 and 2014, the carrying amount of the land after the above one-time revaluation was less than the fair value by ¥2,446 million ($20,357 thousand) and by ¥2,798 million, respectively.

Method of Revaluation

The fair value was determined by applying appropriate adjustments for land shape and analysis on the appraisal specified in Article 2-4 of the Enforcement Ordinance of the Law of Land Revaluation effective March 31, 1998.

12. Deposits

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

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Current deposits	¥ 262,449	¥ 258,092	$ 2,183,985
Ordinary deposits	3,189,125	3,033,511	26,538,446
Savings deposits	84,847	85,105	706,065
Deposits at notice	19,860	14,026	165,266
Time deposits	2,475,607	2,621,107	20,600,875
Other deposits	238,319	275,881	1,983,189
Subtotal	6,270,209	6,287,724	52,177,827
Negotiable certificates of deposit	913,911	680,312	7,605,158
Total	¥7,184,121	¥6,968,036	$59,782,986

13. Borrowed Money

Borrowed money at March 31, 2015 and 2014, consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Subordinated loans	¥32,000	¥35,000	$266,289
Borrowing from banks and other	22,808	35,423	189,805
Total	¥54,808	¥70,423	$456,095

At March 31, 2015 and 2014, the weighted average interest rates applicable to borrowed money were 1.19% and 1.03%, respectively.

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

Year Ending March 31	Millions of yen	Thousands of U.S. dollars
2016	¥22,222	$184,921
2017	500	4,164
2018	20	166
2019	10	83
2020	56	469
2021 and thereafter	32,000	266,289
Total	¥54,808	$456,095

14. Bonds

Callable, unsecured subordinated bonds at March 31, 2015 and 2014, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Bonds		¥15,000	

15. Acceptances and Guarantees

All contingent liabilities arising from acceptances and guarantees are reflected in "Acceptances and guarantees." As a contra account, "Customers' liabilities for acceptances and guarantees" are shown as an asset representing the Bank's right of indemnity from the applicants.

Among corporate bonds included in securities, guarantee liabilities on privately offered corporate bonds (Article 2-3 of the Financial Instruments and Exchange Act) amounted to ¥16,664 million ($138,677 thousand) as of March 31, 2015.

16. Equity

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

a. *Dividends*

Under the Companies Act, companies can pay dividends at any time during the fiscal year in addition to the year-end dividend upon resolution at the stockholders' meeting. For companies that meet certain criteria including (1) having a Board of Directors, (2) having independent auditors, (3) having an Audit & Supervisory Board, and (4) the term of service of the directors being prescribed as one year rather than the normal two-year term by its articles of incorporation, the Board of Directors may declare dividends (except for dividends in kind) at any time during the fiscal year if the company has prescribed so in its articles of incorporation. The Bank, however, shall not pay such dividends by resolution of the Board of Directors, since it has not prescribed so in its articles of incorporation. On the other hand, semiannual interim dividends may also be paid once a year upon resolution by the Board of Directors if the articles of incorporation of the company so stipulate. The Companies Act and the Banking Law provides certain limitations on the amounts available for dividends or the purchase of treasury stock.

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

The Banking Law requires that an amount equal to 20% of dividends must be appropriated as a legal reserve (a component of retained earnings) or as additional paid-in capital (a component of capital surplus) depending on the equity account charged upon the payment of such dividends until the total of the aggregate amount of the legal reserve and additional paid-in capital equals 100% of capital stock. Under the Companies Act, the total amount of additional paid-in capital and legal 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 within equity under certain conditions upon resolution of the stockholders.

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 stockholders which is determined by a 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.

17. Stock Options

Stock-based compensation expenses were ¥109 million ($914 thousand) and ¥104 million for the years ended March 31, 2015 and 2014, respectively.

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

Stock option	Persons granted	Number of options granted	Date of grant	Exercise price	Exercise period
2008 Stock option	12 directors and 6 executive officers of the Bank	87,100 shares	July 29, 2008	¥1 ($0.01)	From July 30, 2008, to July 29, 2038
2009 Stock option	12 directors and 5 executive officers of the Bank	111,900 shares	July 29, 2009	¥1 ($0.01)	From July 30, 2009, to July 29, 2039
2010 Stock option	12 directors and 7 executive officers of the Bank	143,700 shares	July 29, 2010	¥1 ($0.01)	From July 30, 2010, to July 29, 2040
2011 Stock option	12 directors and 8 executive officers of the Bank	149,800 shares	August 1, 2011	¥1 ($0.01)	From August 2, 2011, to August 1, 2041
2012 Stock option	13 directors and 10 executive officers of the Bank	164,800 shares	July 30, 2012	¥1 ($0.01)	From July 31, 2012, to July 30, 2042
2013 Stock option	13 directors and 8 executive officers of the Bank	144,400 shares	July 30, 2013	¥1 ($0.01)	From July 31, 2013, to July 30, 2043
2014 Stock option	13 directors and 10 executive officers of the Bank	124,400 shares	July 30, 2014	¥1 ($0.01)	From July 31, 2014, to July 30, 2044

The stock option activity is as follows:

	2008 Stock option	2009 Stock option	2010 Stock option	2011 Stock option	2012 Stock option	2013 Stock option	2014 Stock option
Year Ended March 31, 2014							
Non-vested							
March 31, 2013 — Outstanding					164,800		
Granted						144,400	
Canceled							
Vested					(164,800)		
March 31, 2014 — Outstanding						144,400	
Vested							
March 31, 2013 — Outstanding	67,200	88,000	120,100	128,000			
Vested					164,800		
Exercised	(3,000)	(4,000)	(6,400)	(9,000)	(9,600)		
Canceled							
March 31, 2014 — Outstanding	64,200	84,000	113,700	119,000	155,200		
Year Ended March 31, 2015							
Non-vested							
March 31, 2014 — Outstanding						144,400	
Granted							124,400
Canceled							(2,600)
Vested						(144,400)	
March 31, 2015 — Outstanding							121,800
Vested							
March 31, 2014 — Outstanding	64,200	84,000	113,700	119,000	155,200		
Vested						144,400	
Exercised	(5,100)	(6,600)	(10,200)	(10,400)	(18,600)	(17,200)	
Canceled							
March 31, 2015 — Outstanding	59,100	77,400	103,500	108,600	136,600	127,200	
Exercise price	¥1 ($0.01)	¥1 ($0.01)	¥1 ($0.01)	¥1 ($0.01)	¥1 ($0.01)	¥1 ($0.01)	¥1 ($0.01)
Average stock price at exercise	¥934 ($7)	¥934 ($7)	¥938 ($7)	¥937 ($7)	¥936 ($7)	¥936 ($7)	
Fair value price at grant date	¥978 ($8)	¥805 ($6)	¥686 ($5)	¥678 ($5)	¥526 ($4)	¥762 ($6)	¥902 ($7)

The fair value of stock options granted in 2015 was measured on the date of grant using the Black-Scholes option pricing-model with the following assumptions:

Volatility of stock price:	26.1%
Estimated remaining outstanding period:	Three years and 7 months
Estimated dividend:	¥11 per share
Risk free interest rate:	0.09%

18. Other Operating Income

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

	Millions of yen		Thousands of U.S. dollars
	2015	2014	**2015**
Gains on foreign exchange transactions — net	**¥ 645**	¥ 698	**$ 5,369**
Gains on trading securities	**3**	4	**28**
Gains on sales of bonds	**3,942**	3,210	**32,806**
Gains on sales of derivatives	**614**	540	**5,112**
Other	**4,023**	4,030	**33,482**
Total	**¥9,229**	¥8,484	**$76,799**

19. Other Income

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

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Recovery of loans previously charged off	¥ 2		$ 24
Gains on sales of stocks and other securities	4,342	¥ 299	36,138
Gains on invests in money held in trust	65	1	542
Reversal of allowance for possible loan losses	1,865		15,527
Gains on sales of tangible fixed assets	10	44	88
Other	2,523	2,340	20,997
Total	¥8,810	¥2,685	$73,318

20. Other Operating Expenses

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

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Losses on sales of bonds	¥1,218	¥1,086	$10,138
Other	3,551	3,655	29,555
Total	¥4,770	¥4,742	$39,694

21. Other Expenses

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

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Charge-off claims	¥ 57	¥ 65	$ 474
Losses on sales of stocks and other securities	93	71	779
Losses on devaluation of stocks and other securities	127	51	1,061
Losses on invests in money held in trust		1	
Losses on sales of tangible fixed assets	322	506	2,686
Losses on impairment of long-lived assets		88	
Other	1,141	440	9,500
Total	¥1,742	¥1,226	$14,502

22. Leases

Lessee

The Group leases certain equipment.

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

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Due within one year	¥ 115	¥ 118	$ 958
Due after one year	1,420	1,634	11,819
Total	¥1,535	¥1,753	$12,777

Lessor

A consolidated subsidiary leases other assets.

The net leased investment assets are summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Gross leased investment assets	¥ 9,840	¥ 9,397	$81,889
Estimated residual values	8	5	68
Unearned interest income	(1,037)	(1,058)	(8,631)
Leased investment assets	¥8,811	¥8,345	$73,326

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

	Lease receivables		Leased investment assets	
	Millions of yen	Thousands of U.S. dollars	Millions of yen	Thousands of U.S. dollars
Year Ending March 31	2015	2015	2015	2015
2016	¥219	$1,827	¥2,912	$24,238
2017	180	1,498	2,468	20,539
2018	137	1,147	2,000	16,645
2019	80	667	1,438	11,969
2020	29	242	700	5,826
2021 and thereafter	13	113	320	2,670
Total	¥660	$5,497	¥9,840	$81,889

The minimum future rentals to be received under noncancellable operating leases at March 31, 2015 and 2014, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Due within one year	¥5	¥6	$42
Due after one year	1	2	13
Total	¥6	¥8	$55

23. Employees' Retirement Benefits

The Bank has a contributory funded pension plan and an unfunded lump-sum severance payment plan. Certain consolidated subsidiaries have unfunded lump-sum severance payment plans.

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

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Balance at beginning of year (as previously reported)	¥44,079	¥44,074	$366,809
Cumulative effect of accounting change	3,275		27,257
Balance at beginning of year (as restated)	47,354	44,074	394,066
Current service cost	1,768	1,701	14,715
Interest cost	709	659	5,901
Actuarial gains (losses)	4,612	(249)	38,385
Benefits paid	(1,948)	(2,108)	(16,210)
Others	0	1	6
Balance at end of year	¥52,498	¥44,079	$436,865

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

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Balance at beginning of year	¥21,036	¥19,458	$175,054
Expected return on plan assets	315	291	2,625
Actuarial gains	2,704	1,331	22,504
Contributions from the employer	1,024	1,466	8,529
Benefits paid	(1,458)	(1,513)	(12,137)
Others	0	1	6
Balance at end of year	¥23,623	¥21,036	$196,582

(3) Reconciliation between the liability recorded in the consolidated balance sheet and the balances of defined benefit obligation and plan assets as of March 31, 2015 and 2014, is as follows:

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Funded defined benefit obligation	¥ 43,238	¥ 35,227	$ 359,813
Plan assets	(23,623)	(21,036)	(196,582)
	19,615	14,191	163,231
Unfunded defined benefit obligation	9,259	8,851	77,051
Net liability arising from defined benefit obligation	¥ 28,874	¥ 23,043	$ 240,282

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Liability for retirement benefits	¥28,874	¥23,043	$240,282
Asset for retirement benefits			
Net liability arising from defined benefit obligation	¥28,874	¥23,043	$240,282

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

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Service cost	¥1,768	¥1,701	$14,715
Interest cost	709	659	5,901
Expected return on plan assets	(315)	(291)	(2,625)
Recognized actuarial gains	(125)	(41)	(1,048)
Net periodic benefit costs	¥2,036	¥2,028	$16,943

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

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Actuarial losses	¥(2,034)		$(16,926)

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

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Unrecognized prior service cost			
Unrecognized actuarial gains	¥306	¥(1,727)	$2,550

(7) Plan assets

a. Components of plan assets

Plan assets consisted of the following:

	2015	2014
Debt investments	43%	45%
Equity investments	44	41
Cash and cash equivalents	6	8
Others	7	6
Total	100%	100%

b. Method of determining the expected rate of return on plan assets

The expected rate of return on plan assets is determined considering the long-term rates of return which are expected currently and in the future from the various components of the plan assets.

(8) Assumptions used for the years ended March 31, 2015 and 2014, are set forth as follows:

	2015	2014
Discount rate	1.0%	1.5%
Expected rate of return on plan assets	1.5	1.5
Expected salary increase rate	3.9	3.9

24. Income Taxes

The Group is subject to Japanese national and local income taxes which, in the aggregate, resulted in a normal effective statutory tax rate of approximately 35.6% and 38.0% respectively for the years ended March 31, 2015 and 2014.

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

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Deferred tax assets:			
Allowance for possible loan losses	¥ 8,203	¥ 10,804	$ 68,265
Liability for employees' retirement benefits	9,230	8,829	76,811
Devaluation of stocks and other securities	3,237	4,344	26,943
Depreciation	398	477	3,317
Other	6,111	6,373	50,858
Less valuation allowance	(3,250)	(3,503)	(27,047)
Total	¥ 23,931	¥ 27,325	$ 199,148
Deferred tax liabilities:			
Net unrealized gains on available-for-sale securities	¥153,103	¥103,276	$1,274,058
Other	(40)	675	(340)
Total	¥153,062	¥103,951	$1,273,717
Net deferred tax assets	¥ 1,772	¥ 2,131	$ 14,752
Net deferred tax liabilities	130,903	78,757	1,089,322

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

Normal effective statutory tax rate	35.6%
Expenses not deductible for income tax purposes	0.2
Income not taxable for income tax purposes	(3.7)
Per capita inhabitant tax	0.3
Increase in valuation allowance for deferred tax assets	0.2
Effect of reduction of income tax rates on deferred tax assets	5.8
Others	0.2
Actual effective tax rate	38.6%

A reconciliation for the year ended March 31, 2014, is not required under Japanese accounting standards, since the difference is less than 5% of the normal effective statutory tax rate.

New tax reform laws enacted in 2015 in Japan changed the normal effective statutory tax rate for the fiscal year beginning on or after April 1, 2015, from approximately 35.6% to 33.0% and for the fiscal year beginning on or after April 1, 2016, to approximately 32.2%. The effect of this change was to decrease deferred tax assets by ¥81 million ($674 thousand) and to decrease deferred tax liability by ¥13,883 million ($115,528 thousand) in the consolidated balance sheet as of March 31, 2015. Also, other comprehensive income for unrealized gain on available-for-sale securities increased by ¥16,023 million ($133,340 thousand) and income taxes-deferred increased by ¥2,116 million ($17,608 thousand) in the consolidated statement of income for the year ended March 31, 2015.

25. Financial Instruments and Related Disclosures

In March, 2008, the ASBJ revised ASBJ Statement No. 10 "Accounting Standard for Financial Instruments" and issued ASBJ Guidance No. 19 "Guidance on Accounting Standard for Financial Instruments and Related Disclosures." This accounting standard and the guidance were applicable to financial instruments and related disclosures at the end of the fiscal years ending on or after March 31, 2010. The Group applied the revised accounting standard and the new guidance effective March 31, 2010.

(1) Basic policy for financial instruments

The main business of the Group is banking, which consists of deposit-taking and lending services, trading of securities, securities investment, domestic exchange services, foreign exchange services, etc. Additionally, the Group provides other financial services, such as credit guarantee services, leasing, and credit card services.

The Group's fundamental mission is to contribute to the greater prosperity of the local community and the development of local industries. The Group maintains and improves the soundness of its management, providing small and medium-sized companies with various financial services such as deposits and loans, etc., and investing securities.

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

Financial assets held by the Group are mainly composed of loans to local businesses and individual customers. Loans are subject to credit risk stemming from the inability to recover principal and interest on loans due to events such as the deterioration in the financial condition of the borrower.

Securities held by the Group primarily consist of bonds and stocks, which are subject to various risks, such as the credit risk of the issuer, interest rate fluctuation risk, and market price fluctuation risk.

The Group raises funds by deposits which have relatively shorter maturities than those of investments in loans and securities. Therefore, the Group is exposed to liquidity risks such as the risk of losses caused by the necessity to execute transactions at extremely high funding costs when unexpected outflows of funds occur, and by the inability to execute market transactions or by the necessity to execute transactions at extremely unfavorable prices as result of market turbulence.

The Bank enters into derivative financial instruments, such as interest rate swaps, interest rate caps, currency swaps, currency options and foreign exchange forward contracts. The Bank also enters into interest futures, bond futures, bond options and other derivatives; however, there is no derivative balance at March 31, 2015. Subsidiaries do not enter into any derivative transactions. Derivatives are subject to market risk, which is the risk that a loss may result from fluctuations in market conditions, and credit risk, which is the risk 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 loss on the derivative instruments is expected to be offset by opposite movements in the value of the hedged assets or liabilities.

The Bank enters into derivatives principally as a means of managing its interest rate and foreign exchange rate exposures on certain assets. The Bank also uses derivatives within established trading limits as part of its short-term trading activities. In addition, the Bank uses derivatives actively to meet its customers' needs for new financial instruments.

Derivatives are classified and accounted for as follows:

① 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.

② The hedge items are the interest rate swaps and currency swaps. The hedged instruments are fixed rate loans, time deposits and currency-denominated available-for-sale securities.

③ The Bank assesses the effectiveness of the interest rate swaps and currency swaps.

(3) Risk management for financial instruments

① Credit risk management

Having established a management posture by compiling a series of Credit Risk Management Guidelines, the Bank is working to strengthen its credit risk management. In addition to planning and managing credit risk through means such as credit ratings, a self-assessment system, write-offs of nonperforming loans, and provisions for possible loan losses, the Risk Management Division's Credit Planning Office (the "Office") is responsible for quantitatively analyzing and assessing credit risk. Because the concentration of credit in particular business partners or industries can lead to significant losses in the event of environmental changes, the Office analyzes the Bank's portfolio from a variety of perspectives to avoid any excessive concentration of credit. Quantitative analyses of credit risk and credit concentration conditions are reported at the monthly credit-risk management committee.

To maintain and improve the soundness of its assets, the Group subjects its assets to a self-assessment system in order to adequately write off non-performing loans and make provisions for possible loan losses. The Bank also established an Asset Audit Office as a specialized section within the Internal Audit Division to examine the validity of write-offs and allowances based on asset self-assessments. Asset self-assessments are also audited by the independent auditor. In managing credit for specific borrowers, the Bank has established a Credit Examination Division independent from business divisions, and the Bank is implementing strict credit screening. Obligors' ratings are determined based on information including the applicant's financial condition, technical capabilities, and future viability by the Credit Examination Division. Comprehensive judgments of repayment ability are provided considering the purpose of the loan and borrowers' repayment resources, when customers apply for borrowing. The Bank is also working to strengthen its credit screening capabilities by providing training for staff engaged in loan operations at all levels of the Bank.

Moreover, the Bank has established a Management Support Office within the Credit Examination Division and is working to keep the Bank's assets sound by helping customers radically transform slumping businesses via a variety of measures designed to support improvements in management. Other initiatives include strengthening risk management by formulating plans based on self-assessment results and taking measures in response to changes in business conditions through continuous monitoring.

② Market risk management

The Bank's stance on market risk has been set out in the Market Risk Guidelines and the Bank is taking steps to strengthen market risk management. The Securities & International Division, which is responsible for conducting market risk management, sets the limits on acceptable risk levels, as well as position ranges and loss limits, taking into account the Bank's economic capital and net operating profit to achieve a balance between capital and profitability and effectively control market risk for stocks and other securities. Regarding quantitative analysis of the risk associated with the Bank's investment in securities, the Bank regularly monitors the market value of securities and employs the value-at-risk (VaR) method and other methods to assess the amount of risk involved, and submits a report on risk valuations at the monthly asset liability management ("ALM") meeting.

For stocks, the Bank measures its positions and profit and loss on a daily basis and reports these to management in line with the risk management policy on stocks. A semiannual self-assessment provides an accurate understanding of the investments in stocks and similar securities held by the Group, the results of which are subject to audit by the Internal Audit Division and the independent auditor. In addition, the Bank established the ALM Office within the Risk Management Office in the Risk Management Division to unify the management of market risk (including risk for deposits and loans), credit risk, and other risks, and to adequately control risks within the scope of the Bank's capital to secure stable earnings. To this end, the ALM Office manages and assesses risks by utilizing techniques such as the VaR method and analysis of fluctuations in the present value of assets and liabilities (interest risk level based on the outlier standard). The Bank also employs tools such as back testing and stress testing to verify the suitability and effectiveness of its metrics and management methods.

Moreover, the Bank conducts semiannual reviews of risk management policy in areas such as credit, interest, and liquidity by holding ALM meetings. The Bank also works to strategically address risk management at monthly ALM meetings by reporting on calculated risk levels, examining the appropriate balance of assets and liabilities, and considering measures such as risk hedges as needed.

(Quantitative information on market risk)

• Financial instruments other than those for trading purposes

The instruments that are affected by the typical risks, parameter interest rate risk, market price fluctuation risk and foreign currency risk are "Loans and bills discounted," "Securities," "Deposits (other than negotiable certificates of deposit)," "Negotiable certificates of deposit," "Cash and due from Bank of Japan," "Due from other banks," "Call loans," "Call money," and interest rate swaps and currency swaps of "Derivatives." The Bank measures VaR and conducts a quantitative analysis of market risk in order to manage market risks for the financial assets and financial liabilities mentioned above.

In the current fiscal year, the Bank adopts the Historical simulation method (at 1 month holding period and 99% confidence interval and 5 years observation period) in order to measure VaR for interest rate risk, foreign currency risk and market price fluctuation risk associated with stocks other than securities held for strategic equity. In order to measure VaR for market price fluctuation risk associated with securities held for strategic equity, the Historical simulation method (at 6 months holding period, 99% confidence interval and 5 years observation period) is adopted.

The market risk exposure (the estimated amount of loss) of the Bank as of March 31, 2015 and 2014 was ¥14.7 billion ($122 million) and ¥15.0 billion.

VaR by risk type at March 31, 2015 and 2014, were as follows:

	Billions of yen		Millions of U.S. dollars
	2015	2014	2015
Interest rate fluctuation risk	¥ 7.6	¥ 8.5	$ 63
Market price fluctuation risk (*)	7.0	6.4	58
Foreign currency fluctuation risk	0.1	0.1	0
Total	¥14.7	¥15.0	$122

(*) The risk exposure related to securities held for strategic equity is measured considering unrealized gains and losses.

The Bank performs backtesting, which reconciles VaR measured by the model with the actual gains and losses in order to verify the reliability of the risk measurement model. VaR represents the market risks arising with a certain probability using a statistical methodology based on historical market volatilities. It may not be able to capture the risks arising under drastic market movements beyond normal imagination.

③ Liquidity risk management

The Bank maintains an appropriate funding position through careful projections and verification of fund-raising and fund management balances. The Bank manages its liquidity risk by utilizing a system that continuously monitors the amount of funds available in the market.

(4) Supplementary explanation on fair value of financial instruments

The fair value of financial instruments includes market prices, as well as reasonably calculated prices in cases where there are no market prices available. Since the calculations of the latter prices are implemented under certain conditions and assumptions, the result of calculations could differ if calculations are made under different conditions and assumptions.

(5) Fair value of financial instruments

Accounts that have immaterial amounts on the consolidated balance sheet are not included in the following table. Instruments, such as non-listed stocks, whose fair value cannot be reliably determined are not included in the following table (see (b)).

	Millions of yen		
March 31, 2015	Carrying amount	Fair value	Unrealized gains/losses
Cash and due from Bank of Japan	¥ 582,668	¥ 582,668	
Due from other banks	2,549	2,549	
Securities:			
Held-to-maturity bonds	4,102	4,107	¥ 5
Available-for-sale securities	3,159,798	3,159,798	
Loans and bills discounted	4,347,459		
Allowance for possible loan losses (*1)	(28,852)		
	4,318,606	4,348,653	30,046
Total	¥8,067,726	¥8,097,777	¥30,051
Deposits (other than negotiable certificates of deposit)	¥6,270,209	¥6,270,813	¥ 603
Negotiable certificates of deposit	913,911	913,915	3
Total	¥7,184,121	¥7,184,728	¥ 607
Derivatives (*2):			
Hedge accounting not applied	¥ 800	¥ 800	
Hedge accounting applied	(6,518)	(6,518)	
Total	¥ (5,717)	¥ (5,717)	

	Millions of yen		
March 31, 2014	Carrying amount	Fair value	Unrealized gains/losses
Cash and due from Bank of Japan	¥ 229,279	¥ 229,279	
Due from other banks	1,830	1,830	
Call loans and bills bought	127,840	127,840	
Securities:			
Held-to-maturity bonds	4,604	4,613	¥ 9
Available-for-sale securities	3,188,076	3,188,076	
Loans and bills discounted	4,216,634		
Allowance for possible loan losses (*1)	(37,221)		
	4,179,413	4,209,267	29,854
Total	¥7,731,043	¥7,760,906	¥29,863
Deposits (other than negotiable certificates of deposit)	¥6,287,724	¥6,288,555	¥ 830
Negotiable certificates of deposit	680,312	680,317	5
Total	¥6,968,036	¥6,968,873	¥ 836
Derivatives (*2):			
Hedge accounting not applied	¥ 552	¥ 552	
Hedge accounting applied	(3,827)	(3,827)	
Total	¥ (3,275)	¥ (3,275)	

	Thousands of U.S. dollars		
March 31, 2015	Carrying amount	Fair value	Unrealized gains/losses
Cash and due from Bank of Japan	$ 4,848,704	$ 4,848,704	
Due from other banks	21,219	21,219	
Securities:			
Held-to-maturity bonds	34,138	34,181	$ 42
Available-for-sale securities	26,294,399	26,294,399	
Loans and bills discounted	36,177,578		
Allowance for possible loan losses (*1)	(240,098)		
	35,937,479	36,187,513	250,033
Total	$67,135,942	$67,386,018	$250,076
Deposits (other than negotiable certificates of deposit)	$52,177,827	$52,182,853	$ 5,026
Negotiable certificates of deposit	7,605,158	7,605,186	27
Total	$59,782,986	$59,788,040	$ 5,053
Derivatives (*2):			
Hedge accountings not applied	$ 6,662	$ 6,662	
Hedge accountings applied	(54,243)	(54,243)	
Total	$ (47,581)	$ (47,581)	

(*1) General and specific allowance for possible loan losses corresponding to "Loans and bills discounted" are deducted.
(*2) Derivative transactions recorded in "Other assets" and "Other liabilities" are included and shown in total. Assets or liabilities are presented on a net basis.

(a) Valuation method of financial instruments

Assets

Cash and due from banks

For deposits without maturity, the carrying amount is presented as the fair value since fair value approximates such carrying amount. For deposits with maturity, the carrying amount is presented as the fair value, as the fair value approximates such carrying amount because of their short maturities (within one year).

Call loans and bills bought

The carrying amount is presented as the fair value since fair value approximates such carrying amount because of their short maturities (within one year).

Securities

The fair value of stocks is determined based on the prices quoted by the exchange and the fair value of bonds is determined based on the prices quoted by the exchange or the financial institutions from which they are purchased. The fair value of investment trusts is determined based on the publicly available price.

The fair value of private placement bonds is calculated by discounting the total amount of principal and interest at the interest rates considered to be applicable to similar bonds by categories according to internal ratings, and terms of the bonds. Information on securities by classification is included in Note 3.

Loans and bills discounted

For floating rate loans, the carrying amount is presented as the fair value as the fair value approximates such carrying amount, unless the creditworthiness of the borrower has changed significantly since the loan origination.

The fair value of fixed-rate loans is calculated by discounting the total amount of principal and interest at the interest rates considered to be applicable to similar loans by categories according to the types, internal ratings, and terms of the loans.

As for loans in legal bankruptcy, virtual bankruptcy and possible bankruptcy, credit loss is estimated based on factors such as the present value of expected future cash flow or the expected amount to be collected from collateral and guarantees. Since the fair value of these items approximates the carrying amount, net of the currently expected credit loss amount, such carrying amount is presented as the fair value.

For those without a fixed maturity due to loan characteristics such as limiting loans to within the value of collateral, the carrying amount is deemed to be the fair value since the fair value is expected to approximate the carrying amount based on the estimated loan periods, interest rates, and other conditions.

Liabilities

Deposits and negotiable certificates of deposit

Fair value of deposits on demand is deemed as payment amount if demanded on the consolidated balance sheet date (i.e., carrying amount).

Time deposits are grouped by certain maturity lengths. The fair value of such deposits is the present value of expected future cash flow discounted. The discount rate used is the interest rate that would be applied to newly accepted deposits.

Derivatives

Fair value information for derivatives is included in Note 26.

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

The following instruments are not included in "Securities: Available-for-sales securities" in the above table showing the fair value of financial instruments.

	Carrying amount		
	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Non-listed stocks (*1) (*2)	¥3,288	¥3,370	$27,366
Investments in venture funds (*3)	963	654	8,019
Total	¥4,252	¥4,025	$35,385

(*1) Non-listed stocks do not have a quoted market price in an active market and their fair values cannot be reliably determined, so they are not subject to fair value disclosure.

(*2) With respect to non-listed stocks, losses on devaluation of ¥17 million ($145 thousand) and ¥51 million were recorded for the years ended March 31, 2015 and 2014, respectively.

(*3) Fair value of investments in venture funds cannot be reliably determined, so they are not subject to fair value disclosure.

(c) Maturity analysis for financial assets and securities with contractual maturities

	Millions of yen					
March 31, 2015	1 year or less	1 to 3 years	3 to 5 years	5 to 7 years	7 to 10 years	Over 10 years
Due from banks	¥ 506,605					
Calls loans and bills bought	34,716					
Securities:						
Held-to-maturity bonds	2,100	¥ 2,000				
Available-for-sale	416,991	612,752	¥ 579,858	¥517,872	¥256,222	¥ 35,417
Loans and bills discounted (*)	1,064,226	811,783	607,439	408,397	454,369	882,947
Total	¥2,024,640	¥1,426,535	¥1,187,298	¥926,270	¥710,592	¥918,364

	Millions of yen					
March 31, 2014	1 year or less	1 to 3 years	3 to 5 years	5 to 7 years	7 to 10 years	Over 10 years
Due from banks	¥ 150,536					
Calls loans and bills bought	127,840					
Securities:						
Held-to-maturity bonds	1,800	¥ 2,800				
Available-for-sale	373,001	731,056	¥ 489,323	¥526,101	¥484,935	¥ 38,805
Loans and bills discounted (*)	1,068,526	818,754	583,339	352,280	392,520	856,821
Total	¥1,721,704	¥1,552,610	¥1,072,662	¥878,381	¥877,455	¥895,627

	Thousands of U.S. dollars					
March 31, 2015	1 year or less	1 to 3 years	3 to 5 years	5 to 7 years	7 to 10 years	Over 10 years
Due from banks	$ 4,215,744					
Calls loans and bills bought	288,893					
Securities:						
Held-to-maturity bonds	17,475	$ 16,643				
Available-for-sale	3,470,009	5,099,044	$4,825,320	$4,309,502	$2,132,164	$ 294,727
Loans and bills discounted (*)	8,856,009	6,755,293	5,054,836	3,398,497	3,781,058	7,347,486
Total	$16,848,132	$11,870,980	$9,880,157	$7,708,000	$5,913,223	$7,642,214

(*) At March 31, 2015 and 2014, loans and bills discounted of ¥99,213 million ($825,605 thousand) and ¥123,860 million, respectively, whose collection amount is not determinable, such as loans in legal bankruptcy, loans in virtual bankruptcy and loans in possible bankruptcy, are not included in the table. At March 31, 2015 and 2014, loans and bills discounted of ¥19,081 million ($158,789 thousand) and ¥20,532 million, respectively, that do not have fixed maturities are not included as well.

(d) Maturity analysis for interest bearing liabilities

	Millions of yen					
March 31, 2015	1 year or less	1 to 3 years	3 to 5 years	5 to 7 years	7 to 10 years	Over 10 years
Deposits (other than negotiable certificates of deposit)	¥5,840,743	¥388,521	¥40,944			
Negotiable certificates of deposit	910,550	3,361				
Borrowed money	22,222	520	66	¥3,000	¥29,000	
Total	¥6,773,516	¥392,403	¥41,011	¥3,000	¥29,000	

	Millions of yen					
March 31, 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 (other than negotiable certificates of deposit)	¥5,866,266	¥379,622	¥41,836			
Negotiable certificates of deposit	680,312					
Borrowed money	35,196	197	30	¥3,000	¥32,000	
Total	¥6,581,774	¥379,819	¥41,866	¥3,000	¥32,000	

	Thousands of U.S. dollars					
March 31, 2015	1 year or less	1 to 3 years	3 to 5 years	5 to 7 years	7 to 10 years	Over 10 years
Deposits (other than negotiable certificates of deposit)	$48,604,008	$3,233,096	$340,723			
Negotiable certificates of deposit	7,577,185	27,973				
Borrowed money	184,921	4,331	552	$24,964	$241,324	
Total	$56,366,115	$3,265,401	$341,275	$24,964	$241,324	

Deposits on demand (current deposits, ordinary deposits, and deposits at notice) are included in "1 year or less."

26. Derivatives

The contractual value of swap agreements and the contract amounts of forward exchange contracts, option agreements, and other derivatives do not necessarily measure the Bank's exposure to credit or market risk.

Derivative transactions to which hedge accounting is not applied

(1) Interest-rate-related Transactions

	Millions of yen			
	2015			
	Contractual value	Contractual value due after one year	Fair value	Unrealized gains (losses)
Interest rate swaps:				
Receive fixed and pay floating	¥84,656	¥77,960	¥1,213	¥1,213
Receive floating and pay fixed	84,656	77,960	(309)	(309)
Other:				
Sold	¥ 82	¥ 82	¥ 0	¥ 11
Bought	82	82	0	(7)
Total			¥ 903	¥ 907

	Millions of yen			
	2014			
	Contractual value	Contractual value due after one year	Fair value	Unrealized gains (losses)
Interest rate swaps:				
Receive fixed and pay floating	¥66,184	¥59,975	¥929	¥929
Receive floating and pay fixed	66,184	59,975	(302)	(302)
Other:				
Sold	¥ 106	¥ 106	¥ 0	¥ 11
Bought	106	106	0	(7)
Total			¥627	¥631

	Thousands of U.S. dollars			
	2015			
	Contractual value	Contractual value due after one year	Fair value	Unrealized gains (losses)
Interest rate swaps:				
Receive fixed and pay floating	$704,472	$648,752	$10,096	$10,096
Receive floating and pay fixed	704,472	648,752	(2,579)	(2,579)
Other:				
Sold	$ 686	$ 686	$ 0	$ 98
Bought	686	686	0	(62)
Total			$ 7,516	$ 7,553

Notes: 1. The above transactions were measured at fair value at the end of the fiscal year and the related gains or losses were recognized in the accompanying consolidated statement of income.
2. The fair values of the above derivatives are principally based on discounted values of future cash flows or option-pricing models.

(2) Currency-related Transactions

	Millions of yen			
	2015			
	Contractual value	Contractual value due after one year	Fair value	Unrealized gains (losses)
Forward exchange contracts:				
Sold	¥48,837	¥4,999	¥(2,539)	¥(2,539)
Bought	47,103	4,732	2,436	2,436
Currency options:				
Sold	¥17,532	¥7,716	¥ (619)	¥ 226
Bought	17,532	7,716	619	(70)
Total			¥ (102)	¥ 54

	Millions of yen			
	2014			
	Contractual value	Contractual value due after one year	Fair value	Unrealized gains (losses)
Forward exchange contracts:				
Sold	¥35,508	¥ 4,889	¥(1,245)	¥(1,245)
Bought	25,176	4,575	1,171	1,171
Currency options:				
Sold	¥16,169	¥10,217	¥ (630)	¥609
Bought	16,169	10,217	630	(383)
Total			¥ (74)	¥ 151

	Thousands of U.S. dollars			
	2015			
	Contractual value	Contractual value due after one year	Fair value	Unrealized gains (losses)
Forward exchange contracts:				
Sold	$406,401	$41,600	$(21,131)	$(21,131)
Bought	391,975	39,380	20,276	20,276
Currency options:				
Sold	$145,900	$64,216	$ (5,151)	$ 1,888
Bought	145,900	64,216	5,151	(582)
Total			$ (854)	$ 451

Notes: 1. The above transactions were measured at the fair value at the end of the fiscal years and the related gains or losses were recognized in the accompanying consolidated statement of income.
2. The fair values of the above derivatives are principally based on discounted values of future cash flows.

Derivative transactions to which hedge accounting is applied

(1) Interest-rate-related Transactions

	Millions of yen		
	2015		
	Contractual amount	Contractual value due after one year	Fair value
Interest rate swaps:			
Receive floating and pay fixed	¥81,005	¥81,005	¥(3,174)

	Millions of yen		
	2014		
	Contractual amount	Contractual value due after one year	Fair value
Interest rate swaps:			
Receive floating and pay fixed	¥82,275	¥82,275	¥(2,974)

	Thousands of U.S. dollars		
	2015		
	Contractual amount	Contractual value due after one year	Fair value
Interest rate swaps:			
Receive floating and pay fixed	$674,089	$674,089	$(26,413)

Notes: 1. The Bank applies hedge accounting by matching specific items to be hedged with specific hedging instruments or applying deferral hedge accounting (or cash flow hedge) based on the rules of the JICPA Industry Audit Committee Report No. 24.
2. The fair values of the above derivatives are principally based on quoted market prices, such as those from Tokyo Financial Exchange Inc., or discounted values of future cash flows.
3. The hedged items for interest rate swaps are fixed-rate loans and time deposits.

(2) Currency-related Transactions

	Millions of yen		
	2015		
	Contractual amount	Contractual value due after one year	Fair value
Currency swaps	¥36,051		¥(3,344)

	Millions of yen		
	2014		
	Contractual amount	Contractual value due after one year	Fair value
Currency swaps	36,022	¥5,146	¥(853)

	Thousands of U.S. dollars		
	2015		
	Contractual amount	Contractual value due after one year	Fair value
Currency swaps	$300,000		$(27,830)

Notes: 1. The Bank applies deferral hedge accounting principally based on the rules of the JICPA Industry Audit Committee Report No. 25.
2. The fair values of the above derivatives are principally based on discounted values of future cash flows.
3. The hedged items for currency swaps are currency-denominated available-for-sale securities.

27. Other Comprehensive Income

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

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Unrealized gains (losses) on available-for-sale securities:			
Gains arising during the year	¥192,775	¥106,571	$1,604,191
Reclassification adjustments to profit or loss	(6,678)	(2,370)	(55,575)
Amount before income tax effect	186,097	104,200	1,548,616
Income tax effect	49,827	36,804	414,642
Total	¥136,269	¥67,396	$1,133,974
Deferred losses on derivatives under hedge accounting:			
Losses arising during the year	¥ (1,184)	¥ (299)	$ (9,855)
Reclassification adjustments to profit or loss	968	954	8,056
Amount before income tax effect	(216)	654	(1,798)
Income tax effect	32	233	270
Total	¥ (248)	¥ 421	$ (2,069)
Defined retirement benefit plans:			
Losses arising during the year	¥ (1,908)		$ (15,881)
Reclassification adjustments to profit or loss	(125)		(1,048)
Amount before income tax effect	(2,034)		(16,929)
Income tax effect	(714)		(5,947)
Total	¥ (1,319)		$ (10,981)
Land revaluation surplus	¥ 3		$ 26
Total other comprehensive income	¥134,704	¥ 67,817	$1,120,950

28. Net Income Per Share

Reconciliation of the differences between basic and diluted net income per share ("EPS") for the years ended March 31, 2015 and 2014, were 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, 2015				
Basic EPS — Net income available to common stockholders	**¥21,276**	**377,893**	**¥56.30**	**$0.46**
Effect of dilutive securities — Convertible bonds and stock acquisition rights		**705**		
Diluted EPS — Net income for computation	**¥21,276**	**378,599**	**¥56.19**	**$0.46**
For the year ended March 31, 2014				
Basic EPS — Net income available to common stockholders	¥16,771	377,897	¥44.37	
Effect of dilutive securities — Convertible bonds and stock acquisition rights		647		
Diluted EPS — Net income for computation	¥16,771	378,545	¥44.30	

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

The influence of the change on basic and diluted EPS for the year ended March 31, 2015 is insignificant.

29. Subsequent Events

Appropriations of Retained Earnings

The following appropriation of retained earnings at March 31, 2015, was approved at the Bank's general meeting of stockholders held on June 26, 2015:

	Millions of yen	Thousands of U.S. dollars
Year-end cash dividends, ¥6.00 ($0.04) per share	**¥2,267**	**$18,864**

30. Segment Information

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

1. Description of Reportable Segments

   The Group's reportable segments are those for which separately financial information is available and regular evaluation by the Bank's management is being performed in order to decide how resources are allocated among the Group.

   The Group provides financial services, but engages mainly in the banking business. Since the business other than the banking business which the Group engages in is immaterial, banking is the only reportable segment for the Group.

   The banking business consists of deposit-taking and lending services, trading of securities, securities investment, domestic exchange services, foreign exchange services, etc.

2. Methods of Measurement of Operating Income, Profit (Loss), Assets, Liabilities, and Other Items for Each Reportable Segment

   The accounting policies of each reportable segment are consistent with those disclosed in Note 2, "Summary of Significant Accounting Policies."

   The profit of the reportable segment is based on "net operating income." "Net operating income" does not include certain other income and expenses, income taxes, and minority interests.

3. Information about Operating Income, Profit (Loss), Assets, Liabilities, and Other Items is as follows.

	Millions of yen				
	2015				
	Reportable segment				
	Banking	Other (Note 2)	Total	Reconciliations	Consolidated
Operating income (Note 1):					
Outside customers	¥ 106,675	¥ 8,283	¥ 114,959		¥ 114,959
Intersegment	642	1,965	2,608	¥ (2,608)	
Total	¥ 107,317	¥10,249	¥ 117,567	¥ (2,608)	¥ 114,959
Segment profit (Note 3)	¥ 33,533	¥ 2,746	¥ 36,279	¥ (2)	¥ 36,277
Segment assets (Note 4)	8,242,851	41,628	8,284,479	(29,178)	8,255,301
Segment liabilities (Note 5)	7,560,908	24,764	7,585,673	(26,182)	7,559,490
Other:					
Depreciation	5,547	86	5,634		5,634
Interest income (Note 3)	77,753	200	77,953	(82)	77,871
Interest expense (Note 3)	5,509	87	5,596	(74)	5,521
Income taxes (Note 3)	12,814	1,092	13,907	1	13,908
Increase in tangible and intangible fixed assets	3,157	44	3,201		3,201

	Millions of yen				
	2014				
	Reportable segment				
	Banking	Other (Note 2)	Total	Reconciliations	Consolidated
Operating income (Note 1):					
Outside customers	¥ 98,097	¥ 7,733	¥ 105,831		¥ 105,831
Intersegment	435	2,702	3,138	¥ (3,138)	
Total	¥ 98,532	¥10,436	¥ 108,969	¥ (3,138)	¥ 105,831
Segment profit (Note 3)	¥ 26,411	¥ 2,225	¥ 28,637	¥ (4)	¥ 28,632
Segment assets (Note 4)	7,880,742	40,165	7,920,908	(27,073)	7,893,834
Segment liabilities (Note 5)	7,348,411	25,166	7,373,577	(25,394)	7,348,182
Other:					
Depreciation	5,109	110	5,220		5,220
Interest income (Note 3)	76,577	228	76,805	(83)	76,722
Interest expense (Note 3)	6,401	91	6,493	(76)	6,417
Income taxes (Note 3)	9,768	957	10,725	1	10,726
Increase in tangible and intangible fixed assets	13,196	31	13,227		13,227

	Thousands of U.S. dollars				
	2015				
	Reportable segment				
	Banking	Other (Note 2)	Total	Reconciliations	Consolidated
Operating income (Note 1):					
Outside customers	$ 887,705	$ 68,933	$ 956,639		$ 956,639
Intersegment	5,343	16,359	21,702	$ (21,702)	
Total	$ 893,048	$ 85,293	$ 978,341	$ (21,702)	$ 956,639
Segment profit (Note 3)	$ 279,049	$ 22,854	$ 301,904	$ (21)	$ 301,882
Segment assets (Note 4)	68,593,252	346,414	68,939,667	(242,808)	68,696,858
Segment liabilities (Note 5)	62,918,436	206,081	63,124,518	(217,879)	62,906,639
Other:					
Depreciation	46,167	716	46,884		46,884
Interest income (Note 3)	647,029	1,665	648,695	(685)	648,009
Interest expense (Note 3)	45,847	726	46,573	(623)	45,950
Income taxes (Note 3)	106,634	9,093	115,728	13	115,741
Increase in tangible and intangible fixed assets	26,274	370	26,644		26,644

Notes: 1. "Operating income" is presented as a substitute for sales in industries. "Operating income" does not include certain other income.
2. "Other" includes business segments excluded from reportable segments including the credit guarantee business, leasing business, credit card business, and several other businesses.
3. "Reconciliations" are eliminations of intersegment transactions.
4. "Reconciliations" are eliminations of intersegment assets.
5. "Reconciliations" are eliminations of intersegment liabilities (decrease by ¥26,390 million ($219,607 thousand)), and adjustments of liabilities for retirement benefits (increase by ¥207 million ($1,727 thousand)).

Related Information

1. Information about services

	Millions of yen			
	2015			
	Lending services	Securities investment	Other	Total
Operating income from outside customers	¥51,927	¥34,089	¥28,941	¥114,959

	Millions of yen			
	2014			
	Lending services	Securities investment	Other	Total
Operating income from outside customers	¥54,419	¥25,736	¥25,675	¥105,831

	Thousands of U.S. dollars			
	2015			
	Lending services	Securities investment	Other	Total
Operating income from outside customers	$432,121	$283,677	$240,940	$956,639

2. Information about geographical areas

(1) Operating income

Operating income from domestic customers exceeded 90% of total operating income on the consolidated statements of income for the fiscal years ended March 31, 2015 and 2014; therefore, geographical operating income information is not presented.

(2) Tangible fixed assets

The balance of domestic tangible fixed assets exceeded 90% of total balance of tangible fixed assets on the consolidated balance sheets as of March 31, 2015 and 2014; therefore, geographical tangible fixed assets information is not presented.

3. Information about major customers

Operating income from transactions with a specific customer did not reach 10% of total operating income on the consolidated statements of income for the fiscal years ended March 31, 2015 and 2014; therefore, major customer information is not presented.

Deloitte.

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors and Stockholders of The Bank of Kyoto, Ltd.:

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

Management's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

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

Convenience Translation

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

Deloitte Touche Tohmatsu LLC

June 26, 2015

Member of
Deloitte Touche Tohmatsu Limited

Non-Consolidated Balance Sheet (Unaudited)

The Bank of Kyoto, Ltd. As of March 31, 2015

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Assets:			
Cash and due from banks	¥ 584,943	¥ 230,701	$ 4,867,629
Call loans	34,716	127,840	288,893
Monetary claims bought	6,363	6,528	52,957
Trading securities	154	169	1,283
Money held in trust	1,500	1,493	12,482
Securities	3,165,149	3,193,519	26,338,930
Loans and bills discounted	4,354,810	4,223,248	36,238,749
Foreign exchanges	3,972	3,696	33,058
Other assets	16,078	25,910	133,799
Tangible fixed assets	82,884	85,120	689,730
Buildings	30,661	31,636	255,149
Land	43,640	43,687	363,153
Construction in progress	314	440	2,617
Other tangible fixed assets	8,268	9,356	68,809
Intangible fixed assets	2,868	3,202	23,869
Software	2,565	2,896	21,350
Other intangible fixed assets	302	305	2,518
Customers' liabilities for acceptances and guarantees	14,985	12,926	124,699
Allowance for possible loan losses	(25,575)	(33,613)	(212,829)
Total assets	¥8,242,851	¥7,880,742	$68,593,252
Liabilities and Equity			
Liabilities:			
Deposits	¥7,202,154	¥6,984,476	$59,933,049
Call money	20,428	52,234	170,000
Payables under securities lending transactions	39,685	53,599	330,246
Borrowed money	54,098	69,473	450,186
Foreign exchanges	147	276	1,228
Bonds		15,000	
Other liabilities	68,540	56,531	570,360
Liability for employees' retirement benefits	28,487	24,691	237,062
Liability for reimbursement of deposit losses	309	308	2,571
Liability for contingent losses	1,130	719	9,403
Deferred tax liabilities	130,910	78,125	1,089,375
Deferred tax liabilities for land revaluation	30	48	251
Acceptances and guarantees	14,985	12,926	124,699
Total liabilities	7,560,908	7,348,411	62,918,436
Equity:			
Common stock	42,103	42,103	350,368
Capital surplus	30,301	30,301	252,157
Stock acquisition rights	515	453	4,293
Retained earnings	283,685	269,909	2,360,699
Treasury stock — at cost	(1,208)	(1,204)	(10,057)
Accumulated other comprehensive income:			
Net unrealized gains on available-for-sale securities	328,676	192,627	2,735,097
Deferred losses on derivatives under hedge accounting	(2,195)	(1,946)	(18,270)
Land revaluation surplus	63	87	529
Total equity	681,942	532,331	5,674,815
Total liabilities and equity	¥8,242,851	¥7,880,742	$68,593,252

Notes: 1. Japanese yen figures are expressed with amounts under one million omitted. Accordingly, breakdown figures may not add up to sums.

2. U.S. dollar amounts represent translation of Japanese yen at the rate of ¥120.17 to US$1.00 on March 31, 2015, the final business day of the term.

Non-Consolidated Statement of Income (Unaudited)

The Bank of Kyoto, Ltd.   Year Ended March 31, 2015

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Income:			
Interest income:			
Interest on loans and discounts	¥ 51,492	¥53,911	$428,500
Interest and dividends on securities	25,770	22,193	214,450
Other interest income	490	472	4,077
Fees and commissions	15,683	14,615	130,511
Other operating income	5,220	4,453	43,442
Other income	8,669	2,930	72,142
Total income	107,326	98,577	893,125
Expenses:			
Interest expenses:			
Interest on deposits	3,680	4,211	30,631
Interest on borrowed money	683	725	5,684
Interest on bonds	39	321	328
Other interest expenses	1,105	1,144	9,203
Fees and commissions	6,687	6,682	55,647
Other operating expenses	1,218	1,088	10,138
General and administrative expenses	59,030	57,396	491,228
Other expenses	1,660	1,143	13,816
Total expenses	74,106	72,713	616,678
Income before income taxes	33,220	25,864	276,446
Income taxes:			
Current	8,625	7,100	71,780
Deferred	4,188	2,668	34,854
Net income	¥ 20,406	¥16,095	$169,812

	Yen		U.S. dollars
	2015	2014	2015
Per Share Information:			
Basic net income	¥54.00	¥42.59	$0.44
Diluted net income	53.89	42.51	0.44
Cash dividends applicable to the year	12.00	11.00	0.09

Notes: 1. Japanese yen figures are expressed with amounts under one million omitted. Accordingly, breakdown figures may not add up to sums.
2. U.S. dollar amounts represent translation of Japanese yen at the rate of ¥120.17 to US$1.00 on March 31, 2015, the final business day of the term.

Corporate Profile

The Bank's Organization (As of June 26, 2015)

- General Meeting of Stockholders
  - Board of Corporate Auditors
    Corporate Auditors
- Board of Directors
  - Internal Audit Division
- Executive Committee
  - Corporate Planning Division
  - Corporate Communications Division
  - Risk Management Division
  - Compliance Management Division
  - Business Headquarters
    - Business Promotion Division
      - Area Business Headquarters
    - Business Support Division
    - Retail Banking Division
  - Public Institutions Division
  - Credit Examination Division
  - Head Office Business Department, Osaka Business Department, Domestic Branches and Sub-branches
  - Treasury & Investment Division
  - Securities & International Division
    - Hong Kong Representative Office
    - Shanghai Representative Office
    - Dalian Representative Office
    - Bangkok Representative Office
  - General Secretariat
  - Personnel Division
  - Kyoto Banking College
  - General Affairs Division
  - Business Administration Division
    - Business Operations Center
  - Systems Division
  - Tokyo Liaison Office

Board of Directors and Corporate Auditors (As of June 26, 2015)

Chairman
Hideo Takasaki

President
Nobuhiro Doi

Senior Managing Directors
Katsuyuki Toyobe
Masayuki Kobayashi
Junji Inoguchi

Managing Directors
Masahiko Naka
Hiroshi Hitomi
Masaya Anami

Director & Counselor
Yasuo Kashihara

Directors
Toshiro Iwahashi
Shinichi Nakama (external)
Norikazu Koishihara (external)

Standing Corporate Auditors
Tadahiko Nishiyama
Takayuki Matsumura

Corporate Auditors
Nobuaki Sato (external)
Masaki Ishibashi (external)

Managing Executive Officers
Hiroshi Okuno
Hideya Naka

Executive Officers
Satoru Kitagawa
Hirokazu Tagano
Hiroyuki Yamamoto
Keizo Tokomoto
Yoshihiko Hamagishi
Masao Okuda
Yoshihiro Yamanaka
Hiroyuki Ando
Hiroyuki Hata
Kazuhiro Waki
Hiroshi Nishimura
Mikiya Yasui

Corporate Data (As of March 31, 2015)

Date of Establishment
October 1, 1941

Number of Employees
3,370 (Non-consolidated)

Number of Authorized Shares
1,000,000,000

Number of Issued Shares
379,203,441

Capital (Paid-in)
42,103 million

R&I* Rating *Rating and Investment Information, Inc.
A+
S&P* Rating *Standard & Poor's.
A

Major Stockholders (Number of shares in thousands and percentage)

Nippon Life Insurance Company	15,169	(4.00%)
The Tokio Marine & Nichido Fire Insurance Co., Ltd.	13,393	(3.53%)
Meiji Yasuda Life Insurance Company	12,501	(3.29%)
Japan Trustee Services Bank, Ltd. (trust account)	11,059	(2.91%)
NORTHERN TRUST Co. (AVFC) RE SILCHSTER INTERNATIONAL INVESTORS INTERNATIONAL VALUE EQUITY TRUST	9,447	(2.49%)
NORTHERN TRUST Co. (AVFC) RE U.S. TAX EXEMPTED PENSION FUNDS	8,077	(2.13%)
Kyocera Corporation	7,980	(2.10%)
The Master Trust Bank of Japan, Ltd. (trust account)	7,708	(2.03%)
Sompo Japan Nipponkoa Insurance Inc.	7,512	(1.98%)
Sumitomo Life Insurance Company	6,590	(1.73%)

International Service Network

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Consolidated Subsidiaries

Name	Establishment	Capital	Line of business
Karasuma Shoji Co., Ltd.	October 1958	¥ 10 million	Managing real estate services for the Bank of Kyoto
Kyogin Business Service Co., Ltd.	July 1983	10	Centralized processing of clerical operations for the Bank
Kyoto Guaranty Service Co., Ltd.	October 1979	30	Credit guarantee services
Kyogin Lease & Capital Co., Ltd.	June 1985	100	Leasing and investment services
Kyoto Credit Service Co., Ltd.	November 1982	50	Credit card services (DC)
Kyogin Card Service Co., Ltd.	September 1989	50	Credit card services (JCB, Diners)
Kyoto Research Institute, Inc.	April 1987	30	Research and business consulting services

Bank of Kyoto

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