The Aichi Bank, Ltd. and Subsidiaries
Notes to Consolidated Financial Statements
For the Years Ended March 31, 2013 and 2012

1. Basis of Presenting Consolidated Financial Statements

The consolidated financial statements of The Aichi Bank, Ltd. (the "Bank") and its subsidiaries (collectively the "Group") have been prepared in accordance with the provisions set forth in the Japanese Financial Instruments and Exchange Act of Japan and its related accounting regulations and in conformity with accounting principles generally accepted in Japan ("Japanese GAAP"), which are different in certain respects as to the application and disclosure requirements from International Financial Reporting Standards. The accompanying consolidated financial statements have been reformatted and translated into English, with some expanded descriptions, from the consolidated financial statements of the Bank prepared in accordance with Japanese GAAP and filed with the appropriate Local Finance Bureau of the Ministry of Finance as required by the Financial Instruments and Exchange Act. Certain supplementary information included in the statutory Japanese language consolidated financial statements is not presented in the accompanying consolidated financial statements.

The translation of the Japanese yen amounts into U.S. dollar amounts is included solely for the convenience of readers outside Japan, using the prevailing exchange rate at March 31, 2013, which was ¥94.05 to U.S. $1.00. This translation should not be construed as a representation that the Japanese yen amounts have been, could have been or could in the future be converted into U.S. dollars at this or any other rate of exchange.

The Japanese yen amounts in the accompanying consolidated financial statements are expressed in millions of Japanese yen and have been rounded down. U.S. dollar amounts in the accompanying consolidated financial statements are expressed in thousands of U.S. dollars and have been also rounded down. As a result, total amounts expressed in both Japanese yen and U.S. dollars appearing in the consolidated financial statements and the notes thereto may not be equal to the sum of the individual amounts.

Certain comparative figures have been reclassified to conform to the current year's presentation.

2. Summary of Significant Accounting Policies

(a) Principles of consolidation

The consolidated financial statements include the accounts of the Bank and all of its subsidiaries, which are engaged primarily in providing a wide range of financial services. At both March 31, 2013 and 2012, the Bank had four subsidiaries, but no affiliates. All intercompany transactions and accounts have been eliminated. The difference between the cost of investments in subsidiaries and the underlying equity in their net assets, adjusted based on the fair value at the time of acquisition, is deferred as goodwill and amortized over five years using the straight-line method.

(b) Cash and cash equivalents

For the purpose of the consolidated statements of cash flows, cash and cash equivalents consisted of cash and due from the Bank of Japan as follows:

	Millions of yen		Thousands of U.S. dollars	
	2013	2012	2013	2012
Cash and due from banks	¥ 91,001	¥ 103,244	$ 967,581	$ 1,097,756
Less due from banks other than Bank of Japan	(1,191)	(1,115)	(12,663)	(11,855)
Cash and cash equivalents	¥ 89,810	¥ 102,128	$ 954,917	$ 1,085,890

(c) Trading securities

Trading securities are stated at fair value at the end of the fiscal year. Related gains and losses, both realized and unrealized, are included in the consolidated statements of income. Accrued interest on trading securities is included in “Other assets.”

(d) Investment securities

Debt securities for which the Group has both the intent and the ability to hold to maturity are classified as held-to-maturity debt securities and are stated at amortized cost determined by the moving average method. In principle, available-for-sale securities are carried at the fair value as of the balance sheet date. Net unrealized gain and loss on these securities, net of tax, are reported as a component of accumulated other comprehensive income in net assets. Available-for-sale securities for which the fair value is extremely difficult to determine are stated at moving average cost. The carrying value of individual investment securities is reduced, if necessary, through a write-down when a decline in value is deemed other than temporary. Gain and loss on the disposal of investment securities are computed principally using the moving average method. Accrued interest on securities is included in “Other assets.”

(e) Derivative financial instruments

Derivative financial instruments are recorded at fair value if hedge accounting is not applied, and gain and loss on the derivatives are recognized in the consolidated statements of income.

(f) Reserve for possible losses on investments

Pursuant to the internal rules of the Bank, a reserve for possible losses on investments is provided in an amount necessary to absorb future losses after considering the financial positions of the issuers of the securities. A provision of reserve for possible losses on investments is included in “Other expenses” and amounted to ¥32 million ($340 thousand) and ¥10 million ($106 thousand) for the years ended March 31, 2013 and 2012, respectively.

(g) Loans and bills discounted and reserve for possible loan losses

Loans and bills discounted are stated at the amount of unpaid principal. Unearned interest and discounts are recorded as liabilities and recognized as income over the term of the loan or bill.

A reserve for possible loan losses of the Bank is provided to cover future credit losses in accordance with internal rules for self-assessment of asset quality. Loans written off are charged either to a reserve for possible loan losses and/or current income. Recoveries on loans that have been written off are recorded as other income. The reserve for possible loan losses is made based on the Bank’s internal rules in accordance with Report No. 4 of the Ad Hoc Committee for Audits of Banks, “Practical Guideline for Audits of Write-off of Bad Loans and Allowance for Doubtful Loans of Banks and Similar Financial Institutions,” issued by the Japanese Institute of Certified Public Accountants (“JICPA”). For loans to borrowers that are legally or substantially bankrupt, a reserve is provided based on the amount of the claims, net of amounts expected to be collected through the disposal of collateral or the execution of guarantees. For loans to borrowers who are likely to become bankrupt, a reserve is provided based on an overall solvency assessment, net of amounts expected to be collected through the disposal of collateral or the execution of guarantees. For loans to borrowers not mentioned above, a reserve is provided based on the historical loss experience of the Bank for a certain past period. All claims are assessed by the Bank’s operating divisions based on the Bank’s internal rules for self-assessment of asset quality. The inspection division, which is independent from the operating divisions, conducts examinations of these assessments.

A reserve for possible loan losses of the subsidiaries is made for the aggregate amount of estimated credit loss based on an individual financial review of doubtful or troubled receivables and a general reserve based on historical loss experience for other receivables.

(h) Tangible fixed assets and depreciation (except for leases)

Tangible fixed assets of the Bank are stated at cost, less accumulated depreciation. Depreciation is computed using the declining balance method over the estimated useful life of the asset, except for buildings acquired on or after April 1, 1998. Such buildings, excluding facilities attached thereto, are depreciated using the straight-line method. The useful lives of tangible fixed assets range from 8 to 50 years for buildings and from 3 to 20 years for other fixed assets.

Tangible fixed assets of the subsidiaries are principally depreciated by the straight-line method over the estimated useful life of the asset.

(Change in accounting policy with the amendment of respective law or regulation that is not distinguishable from change in accounting estimates)
Effective from the year ended March 31, 2013, in accordance to the amendment of the Corporation Tax Act of Japan, the Group has changed its depreciation method to the method based on the amended Corporation Tax Act for tangible fixed assets acquired on or after April 1, 2012. As a result of this change, income before income taxes and minority interests for the year ended March 31, 2013 was ¥38 million ($404 thousand) more than the amount that would have been recorded without such change.

(i) Intangible fixed assets and amortization (except for leases)

Intangible fixed assets are amortized using the straight-line method. Costs of computer software developed or obtained for internal use are deferred and amortized by the straight-line method principally over the estimated useful life of five years as determined by the Bank and its subsidiaries.

(j) Leases

All finance lease transactions are accounted for in a manner similar to that used for ordinary sale and purchase transactions.

(Accounting for leases as lessee)
The Group, as lessee, capitalizes lease assets used under finance leases, except for certain immaterial or short-term finance leases which are accounted for as operating leases as permitted under the accounting standard for leases. Depreciation of the leased assets capitalized in finance lease transactions are computed by the straight-line method over the lease term, which is used as the useful life, and with the assumption of no residual value.

(Accounting for leases as lessor)
A certain subsidiary engaged primarily in leasing operations as a lessor recognizes “investments in leased assets” for finance leases that do not transfer ownership of the leased assets to the lessee in a manner similar to the accounting treatment for ordinary sales transactions. The “investment in leased assets” account is presented as other assets in the accompanying consolidated balance sheets. The total amount equivalent to interest is allocated over the lease term using the effective interest method, and the subsidiary recognizes leasing income for lease payments received from customers and related costs, net of imputed interest, when it receives the lease payments, as permitted under the accounting standard for leases.

(k) Impairment loss on fixed assets

Fixed assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. If the carrying amount of an asset or a group of assets exceeds the sum of the undiscounted future cash flows expected to result from the continued use and eventual disposition of the asset or group of assets, impairment loss is recognized in the income statement by reducing the carrying amount of the impaired asset or group of assets to the recoverable amount, measured as the higher of net selling price or value in use. Fixed assets include land, buildings and other forms of property, as well as intangible assets, and are grouped at the lowest level for which there are cash flows identifiably different from those of other groups of assets. To recognize and measure an impairment loss, fixed assets are grouped into cash-generating units such as operating business branches, other than idle or unused property. Recoverable amounts of the assets are based on value in use, calculated using the discounted future cash flows at interest rates principally of 3.0% and 4.5% for the years ended March 31, 2013 and 2012, respectively, or net selling prices, based primarily on appraisal valuations, net of estimated costs of disposal.

For the years ended March 31, 2013 and 2012, the Group recognized impairment loss for the property of operating business branches and idle property, which are included in “Impairment loss on fixed assets” in the accompanying consolidated statements of income, as follows:

	Millions of yen			
	2013			
	Land	Buildings and structures	Other properties	Total
Operating assets:				
Aichi Prefecture	¥ 0	¥ 9	¥ 40	¥ 50
Other	3	32	26	62
Idle assets:				
Aichi Prefecture	3	-	0	3
Other	0	12	-	12
Total	¥ 7	¥ 54	¥ 66	¥ 128

	Millions of yen			
	2012			
	Land	Buildings and structures	Other properties	Total
Operating assets:				
Aichi Prefecture	¥ 680	¥ 381	¥ 185	¥ 1,247
Other	79	20	51	151
Idle assets:				
Aichi Prefecture	20	2	3	26
Other	19	9	-	28
Total	¥ 799	¥ 414	¥ 240	¥ 1,454

	Thousands of U.S. dollars			
	2013			
	Land	Buildings and structures	Other properties	Total
Operating assets:				
Aichi Prefecture	$ 0	$ 95	$ 425	$ 531
Other	31	340	276	659
Idle assets:				
Aichi Prefecture	31	-	0	31
Other	0	127	-	127
Total	$ 74	$ 574	$ 701	$ 1,360

	Thousands of U.S. dollars			
	2012			
	Land	Buildings and structures	Other properties	Total
Operating assets:				
Aichi Prefecture	$ 7,230	$ 4,051	$ 1,967	$ 13,258
Other	839	212	542	1,605
Idle assets:				
Aichi Prefecture	212	21	31	276
Other	202	95	-	297
Total	$ 8,495	$ 4,401	$ 2,551	$ 15,459

(l) Foreign currency translation

Assets and liabilities denominated in foreign currencies are generally translated into Japanese yen at the exchange rate prevailing at the balance sheet date. Income and expenses are translated at the exchange rate in effect at the transaction date. Gain and loss resulting from foreign currency translation are included in the consolidated statements of income.

(m) Reserve for employee bonuses

A reserve for employee bonuses is provided based on the estimated amounts of future payments attributable to the respective fiscal year.

(n) Reserve for bonuses to directors

A reserve for bonuses to directors and audit and supervisory board members is provided for future bonus payments to directors and audit and supervisory board members that reflect an amount estimated to have accrued as of the consolidated balance sheet date.

(o) Employee retirement benefits

Employees who terminate their service with the Group are entitled to retirement benefits generally determined with reference to the basic salary at the time of termination, years of service and conditions under which the termination occurs.

In accordance with the accounting standard for employee retirement benefits, the Group principally recognizes retirement benefits, including pension costs and related liabilities, based on the actuarial present value of the projected benefit obligation using an actuarial appraisal approach and the value of pension plan assets available for benefits at the fiscal year-end. Unrecognized actuarial differences include changes in the projected benefit obligation or value of pension plan assets resulting from outcomes which are different from those assumed and from changes in the assumptions themselves. Unrecognized actuarial differences are amortized on a straight-line basis principally over 13 to 14 years, a period within the average remaining years of service of employees at the time when the differences arise, from the fiscal year after the year the differences arise.

(p) Reserve for executive retirement benefits

A reserve for executive retirement benefits is provided for payment of retirement benefits to directors, audit and supervisory board members and other executive officers in the amount deemed to have accrued at the consolidated balance sheet date according to the internal rules of the Group.

(Additional information)

As a result of the resolution of the Bank's 103rd annual shareholders meeting held on June 22, 2012 for the abolition of the system of retirement benefits for directors and audit and supervisory board members, the Bank paid retirement benefits to directors and audit and supervisory board members during the year ended March 31, 2013, the "Reserve for executive retirement benefits" provided by the Bank was reversed, and benefits payable to directors and audit and supervisory board members of the Bank in the amount of ¥634 million ($6,741 thousand) were included in "Other liabilities."

(q) Reserve for reimbursement of deposits

A reserve for reimbursement of deposits is provided for possible losses on the future claims of withdrawal based on historical reimbursement experience. A provision of reserve for reimbursement of deposits was included in "Other expenses" and amounted to none and ¥117 million ($1,244 thousand) for the years ended March 31, 2013 and 2012, respectively.

(r) Reserve for contingencies

A provision is made in an amount deemed necessary to cover possible losses resulting from the default of loans under a responsibility-sharing system with Credit Guarantee Corporation based primarily on historical default rates. A provision of reserve for contingencies is included in "Other expenses" and amounted to ¥13 million ($138 thousand) and none for the years ended March 31, 2013 and 2012, respectively.

(s) Stock options

In December 2005, the Accounting Standards Board of Japan ("ASBJ") issued ASBJ Statement No. 8, entitled the "Accounting Standard for Stock Options" and its related guidance. These standard and guidance are applicable to stock options granted on or after May 1, 2006. This standard requires companies to measure the cost of employee stock options based on fair value at the date of such grant and recognize compensation expense over the vesting period as consideration for receiving goods or services from such employees. The standard also requires companies to account for stock options granted to non-employees based on the fair values of either the stock options or goods or services received from such non-employees. In the balance sheets, stock options are presented as stock acquisition rights, a separate component of net assets, 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 the fair value cannot be reliably estimated.

(t) Income taxes

Income taxes are accounted for using the asset-liability method. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the carrying amounts of existing assets and liabilities and their respective tax bases and operating loss carryforwards. Deferred tax assets and liabilities are measured using the enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to reverse. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in the period that includes the promulgation date.

(u) Appropriation of retained earnings

Cash dividends are recorded in the fiscal year when a proposed appropriation of retained earnings is approved by the shareholders.

(v) Per share data

Net income per share is computed by dividing income available to common shareholders by the weighted average number of shares of common stock outstanding during the respective year.

Diluted net income per share is computed to reflect the potential dilution that could occur if securities were exercised or converted into common stock, assuming the full exercise of the outstanding stock options. For the year ended March 31, 2012, diluted net income per share was not disclosed as the Group had no potential dilutive common shares outstanding.

Cash dividends per share shown in the accompanying consolidated statements of income represent dividends declared by the Bank as applicable to the respective year.

(w) Accounting standard for accounting changes and error corrections

The Group has adopted the "Accounting Standard for Accounting Changes and Error Corrections" (ASBJ Statement No. 24, issued on December 4, 2009) and the "Guidance on Accounting Standard for Accounting Changes and Error Corrections" (ASBJ Guidance No. 24, issued on December 4, 2009) for accounting changes and corrections of prior period errors made after the beginning of the fiscal year ended March 31, 2012.

(x) New accounting standards not yet adopted by the Group

On May 17, 2012, 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 originally issued by the Business Accounting Council of Japan in 1998.

i) Overview

From the viewpoint of improvements to financial reporting and international convergence, the new standard and guidance (1) require changes in accounting treatment for unrecognized actuarial differences and prior service cost and enhanced disclosure and (2) revise the requirements relating to the methods for calculating retirement benefit obligations and current service cost.

ii) Date of application

The Bank will adopt this standard and guidance from the fiscal year ending March 31, 2014 for (1) above and from the beginning of the fiscal year ending March 31, 2015 for (2) above.

iii) Effect of application

The Bank is currently in the process of determining the effects of applying this new standard and guidance on the consolidated financial statements.

3. Financial Instruments

(a) Qualitative information on financial instruments

i) Policies for financial instruments

The Group procures funds by accepting deposits from clients and utilizes the funds for financial investments in the bond and stock markets and making loans to corporate and individual clients.

The Group enters into derivative transactions in order to avoid the risk of foreign currency fluctuations on customers' funds as well as to conduct foreign financing transactions and to avoid the risk of rising interest rates for the Bank. From an overall risk management standpoint, the Bank utilizes derivative instruments as hedging instruments in order to avoid the market risk to which financial assets and liabilities are exposed.

ii) Details of financial instruments and related risks

Financial assets of the Group consist mainly of loans to corporate and individual clients and are exposed to interest rate risk and credit risk resulting from any deterioration in the financial condition of the counterparty.

Investment securities comprise mainly debt and equity securities. The Group holds debt securities classified as held-for-sale, available-for-sale or held-to-maturity and equity securities to pursue capital gain or to maintain relationships with corporate clients. These securities are exposed to the credit risk of the issuers, interest rate risk, market risk and foreign currency risk. Deposits consist of demand deposits and time deposits. The maturities of time deposits are within five years.

Asset-liability management techniques are employed to manage financial assets and liabilities sensitive to interest rate fluctuations.

iii) Risk management for financial instruments

Credit risk management

The Bank manages credit risk of respective debtors by conducting credit examinations on respective debtors strictly. Additionally, the Bank analyzes the risk by credit rating and industry in chronological order and diversifies the risk of its portfolios in the entirety.

The Group manages the credit risk of respective debtors under the Credit Supervision Section, examining and assessing financial circumstances, industry trends, purposes of loans and repayment plans. Assessments are conducted to evaluate the credit standings of prospective debtors before entering into a transaction, for credit management after execution, as a self-assessment on a regular basis, and at any time when an event occurs. By the self-assessment, assets are classified depending on the degree of risk based on the debtor's classification and the existence of any collateral or guarantees. The results of self-assessments are examined by the Self-Assessment Verification Section and are reported to the Asset Assessment Committee and management.

As to the credit portfolios in the entirety, the level of concentration in the industry and large transactions are monitored by the Credit Management Section on a regular basis in order to construct portfolios that exclude concentration risk. The Section periodically reports the results to management.

Moreover, an internal credit rating system has been introduced. The system rates and classifies debtors depending on creditworthiness, and the Bank uses the credit rating for screening and credit management of debtors as well as monitoring the credit portfolio.

Credit risk is quantified, which enables the Bank to manage the credit risk effectively.

Market risk management

The Risk Control Department of the Bank monitors market risk. Specifically, the department quantifies the risk whenever possible and performs stress tests and simulation analyses to analyze the possible effects of changes in market variables such as interest rates, stock prices and exchange rates on the amount of market risk the Bank is exposed to and on the profit and loss of the Bank. The results of the analyses are regularly reported to the Board of Directors, the Risk Management Committee and other relevant parties. The Risk Management Committee and other relevant parties confirm that the level of the risk is sufficiently limited considering the equity of the Bank and review the policies for control of market risk.

Interest rate risk and stock price risk are significant risks for the Group. Major financial instruments which are exposed to interest rate risk are "Loans and bills discounted," debt securities classified as available-for-sale securities under "Investment securities" and "Deposits." Financial instruments which are exposed to stock price risk are equity securities classified as available-for-sale securities in "Investment securities." The Group utilizes Value at Risk ("VaR"), which is calculated based on the these financial assets and liabilities categorized into "loans and deposits," "debt securities," "equity securities held for investment" and "strategically held equity securities" for quantitative analysis to manage interest rate and stock price fluctuation risks. The VaR was calculated using the variance-covariance method for the year ended March 31 2012 and the historical simulation method (based on the assumptions of a holding period of 125 business days, 99% confidence interval and observation period of 5 years) for the year ended March 31, 2013.

As of March 31, 2013, the total market risk exposure of the Group as estimated loss amounted to ¥28,223 million ($300,085 thousand). In calculating the VaR, VaR amount for interest rate risk associated with the banking account and price fluctuation risk associated with the equity securities held for investment and that for price fluctuation risk associated with the strategically held equity securities were summed. As of March 31, 2012, the total market risk exposure of the Group as estimated loss amounted to ¥41,467 million ($440,903 thousand). In calculating the VaR, market risk exposures based on assumptions that take into consideration risk characteristics and risk management techniques for financial instruments were summed, and the correlation between interest rate and stock price risk variables was not taken into account.

The Group ensures the reliability and accuracy of the measurement model by performing back-testing, that is, comparing the VaR amounts measured using the model and the actual amounts of profit and loss. However, the VaR reflects market risk exposures statistically calculated under certain probabilities based on historical market volatility; therefore, it may not be able to accurately reflect the risks when the market environment changes extraordinarily.

iv) Supplemental information on fair value of financial instruments

Fair values of financial instruments are estimated based on quoted market prices or based on reasonably calculated prices if quoted market prices are not available. Certain assumptions are used to calculate such prices. Therefore, prices may be different under different assumptions.

(b) Fair value of financial instruments

The following is a summary of the carrying values and fair values of financial instruments at March 31, 2013 and 2012.

	Millions of yen		
	2013		
	Carrying value	Fair value	Difference
Financial assets:			
Cash and due from banks	¥ 91,001	¥ 91,001	¥ -
Call loans and bills purchased	24,440	24,440	-
Trading securities	215	215	-
Investment securities:			
Available-for-sale securities *(*1)*	979,323	979,323	-
Loans and bills discounted:			
Loans and bills discounted	1,661,355		
Reserve for possible loan losses *(*2)*	(15,859)		
Loans and bills discounted, net	1,645,495	1,671,036	25,541
	¥ 2,740,477	¥ 2,766,018	¥ 25,541
Financial liabilities:			
Deposits	¥ 2,507,613	¥ 2,509,455	¥ 1,841
Security deposits received related to securities lending transactions	32,261	32,261	-
Borrowings	30,530	30,560	30
	¥ 2,570,405	¥ 2,572,277	¥ 1,872

	Millions of yen					
	2012					
	Carrying value		Fair value		Difference	
Financial assets:						
Cash and due from banks	¥	103,244	¥	103,244	¥	-
Call loans and bills purchased		23,742		23,742		-
Trading securities		289		289		-
Investment securities:						
Available-for-sale securities *(*1)*		918,109		918,109		-
Loans and bills discounted:						
Loans and bills discounted		1,640,986				
Reserve for possible loan losses *(*2)*		(14,556)				
Loans and bills discounted, net		1,626,429		1,645,226		18,798
	¥	2,671,814	¥	2,690,611	¥	18,798
Financial liabilities:						
Deposits	¥	2,459,568	¥	2,462,353	¥	2,785
Security deposits received related to securities lending transactions		61,388		61,388		-
Borrowings		6,305		6,331		26
	¥	2,527,261	¥	2,530,073	¥	2,811

	Thousands of U.S. dollars					
	2013					
	Carrying value		Fair value		Difference	
Financial assets:						
Cash and due from banks	$	967,581	$	967,581	$	-
Call loans and bills purchased		259,861		259,861		-
Trading securities		2,286		2,286		-
Investment securities:						
Available-for-sale securities *(*1)*		10,412,791		10,412,791		-
Loans and bills discounted:						
Loans and bills discounted		17,664,593				
Reserve for possible loan losses *(*2)*		(168,623)				
Loans and bills discounted, net		17,495,959		17,767,527		271,568
	$	29,138,511	$	29,410,079	$	271,568
Financial liabilities:						
Deposits	$	26,662,551	$	26,682,137	$	19,574
Security deposits received related to securities lending transactions		343,019		343,019		-
Borrowings		324,614		324,933		318
	$	27,330,196	$	27,350,101	$	19,904

	Thousands of U.S. dollars		
	2012		
	Carrying value	Fair value	Difference
Financial assets:			
Cash and due from banks	$ 1,097,756	$ 1,097,756	$ -
Call loans and bills purchased	252,440	252,440	-
Trading securities	3,072	3,072	-
Investment securities:			
Available-for-sale securities *(*1)*	9,761,924	9,761,924	-
Loans and bills discounted:			
Loans and bills discounted	17,448,017		
Reserve for possible loan losses *(*2)*	(154,768)		
Loans and bills discounted, net	17,293,237	17,493,099	199,872
	$ 28,408,442	$ 28,608,304	$ 199,872
Financial liabilities:			
Deposits	$ 26,151,706	$ 26,181,318	$ 29,611
Security deposits received related to securities lending transactions	652,716	652,716	-
Borrowings	67,038	67,315	276
	$ 26,871,461	$ 26,901,360	$ 29,888

Notes:

*(*1) The following securities were excluded from the above tables because their fair values were extremely difficult to determine.*

	Millions of yen		*Thousands of U.S. dollars*	
	2013	*2012*	*2013*	*2012*
*Unlisted stocks**	*¥ 1,816*	*¥ 1,814*	*$ 19,308*	*$ 19,287*
Other nonmarketable securities	*285*	*499*	*3,030*	*5,305*
	¥ 2,101	*¥ 2,314*	*$ 22,339*	*$ 24,603*

** For the years ended March 31, 2013 and 2012, loss on the write-down of these securities was recognized in the amount of ¥24 million ($255 thousand) and ¥6 million ($63 thousand), respectively.*

*(*2) Reserve for possible loan losses on ordinary and specific claims corresponding to loans and bills discounted is deducted.*

The method for calculating the fair value of financial instruments was as follows:

Financial assets:

- Cash and due from banks – The fair value of due from banks without maturities approximates the carrying value. As for those with maturities, the present value calculated by discounting the amount categorized based on the remaining term to maturity as of the consolidated balance sheet date at the risk free rate is used as the fair value. As for those with maturities up to one year as of the consolidated balance sheet date, the carrying value is used as the fair value after it is confirmed that the fair value approximates the carrying value.
- Call loans and bills purchased – The present value calculated by discounting the amount categorized based on the remaining term to maturity as of the consolidated balance sheet date at the risk free rate is used as the fair value of call loans and bills purchased. As for those with maturities up to one year as of the consolidated balance sheet date, the carrying value is used as the fair value after it is confirmed that the fair value approximates the carrying value.
- Trading securities – The fair value of trading securities such as debt securities held for dealing operations is based on the quoted market price or the price obtained from the counterparty financial institutions.
- Investment securities – The fair value of equity securities is based on the quoted market price. The fair value of debt securities is based on the quoted market price or the price obtained from the

counterparty financial institutions. The fair value of investment trust funds is based on the constant value.

The fair value of private placement bonds guaranteed by the Bank is calculated by discounting the future cash flows at the risk free rate to which the consideration (risk premium) to cover uncertainty inherent in cash flows (credit risk and others), which is calculated based on the amount expected to be collected according to the internal credit rating and the existence of collateral or guarantees is added. As for transactions with maturities up to one year as of the consolidated balance sheet date, the carrying value is used as the fair value after it is confirmed that the fair value approximates the carrying value. Additional information on securities classified by holding purpose is presented in Note 4, Trading Securities and Investment Securities.

- Loans and bills discounted – The fair value of loans and bills discounted to corporate clients is calculated by discounting the future cash flows at the risk free rate to which the consideration (risk premium) to cover uncertainty inherent in cash flows (credit risk and others) which is calculated based on the amount expected to be collected according to the internal credit rating and the existence of collateral or guarantees. The fair value of those to individual clients is calculated as the total of principal and interest discounted by the rate assumed when a similar loan is executed.

  As for transactions whose due date is within one year as of the consolidated balance sheet date, the carrying value is used as the fair value after it is confirmed that the fair value approximates the carrying value.

  As for loans to borrowers that are legally or substantially bankrupt and those who are likely to become bankrupt, the estimated loan losses are calculated based on the present value of the estimated future cash flows or the amount expected to be collected due to collateral or guarantees. As a result, the fair value approximates the carrying value as of the consolidated balance sheet date minus the current estimated loan losses.

Financial liabilities:

- Deposits – The fair value of demand deposits is deemed as the amount that would be paid if demanded by the clients as of the consolidated balance sheet date (the carrying value). As for time deposits, the present value, the discounted future cash flows by the amount categorized based on a certain period, is used as the fair value. The discount rate is that used when a new deposit is accepted. As for those with maturities up to one year as of the consolidated balance sheet date, the carrying value is used as the fair value after it is confirmed that the fair value approximates the carrying value.
- Security deposits received related to securities lending transactions and borrowings – The present value calculated by discounting the amount categorized based on the remaining term to maturity as of the consolidated balance sheet date at the risk free rate is used as the fair value. As for transactions with maturities up to one year as of the consolidated balance sheet date, the carrying value is used as the fair value after it is confirmed that the fair value approximates the carrying value.

(c) Redemption schedule for financial instruments with maturities

The redemption schedule for financial instruments with maturities at March 31, 2013 was as follows:

	Millions of yen					
	2013					
	Due in 1 year or less	Due after 1 year through 3 years	Due after 3 years through 5 years	Due after 5 years through 7 years	Due after 7 years through 10 years	Due after 10 years
Financial assets:						
Due from banks	¥ 56,558	¥ -	¥ -	¥ -	¥ -	¥ -
Call loans and bills purchased	24,440	-	-	-	-	-
Investment securities:						
Available-for-sale securities:						
Japanese government bonds	40,089	5,118	12,800	65,800	157,900	-
Local government bonds	14,691	13,754	16,063	21,543	32,048	-
Corporate bonds	107,251	124,250	41,537	61,806	59,500	7,024
Foreign bonds	16,000	16,904	19,288	5,821	1,400	-
Total investment securities	178,971	164,058	95,954	155,465	255,363	7,024
Loans and bills discounted *(*1)*	321,776	357,475	219,408	111,808	98,496	283,398
	¥ 581,747	¥ 521,533	¥ 315,362	¥ 267,273	¥ 353,859	¥ 290,423
Financial liabilities:						
Deposits *(*2)*	¥ 2,188,390	¥ 297,873	¥ 17,787	¥ -	¥ -	¥ -
Security deposits received related to securities lending transactions	32,261	-	-	-	-	-
Borrowings	27,085	2,270	1,175	-	-	-
	¥ 2,247,737	¥ 300,143	¥ 18,962	¥ -	¥ -	¥ -

	Thousands of U.S. dollars					
	2013					
	Due in 1 year or less	Due after 1 year through 3 years	Due after 3 years through 5 years	Due after 5 years through 7 years	Due after 7 years through 10 years	Due after 10 years
Financial assets:						
Due from banks	$ 601,360	$ -	$ -	$ -	$ -	$ -
Call loans and bills purchased	259,861	-	-	-	-	-
Investment securities:						
Available-for-sale securities:						
Japanese government bonds	426,251	54,417	136,097	699,627	1,678,894	-
Local government bonds	156,204	146,241	170,792	229,059	340,754	-
Corporate bonds	1,140,361	1,321,105	441,648	657,161	632,642	74,683
Foreign bonds	170,122	179,734	205,082	61,892	14,885	-
Total investment securities	1,902,934	1,744,370	1,020,244	1,653,003	2,715,183	74,683
Loans and bills discounted *(*1)*	3,421,329	3,800,903	2,332,886	1,188,814	1,047,272	3,013,269
	$ 6,185,507	$ 5,545,273	$ 3,353,131	$ 2,841,818	$ 3,762,456	$ 3,087,963
Financial liabilities:						
Deposits *(*2)*	$ 23,268,367	$ 3,167,177	$ 189,122	$ -	$ -	$ -
Security deposits received related to securities lending transactions	343,019	-	-	-	-	-
Borrowings	287,985	24,136	12,493	-	-	-
	$ 23,899,383	$ 3,191,313	$ 201,616	$ -	$ -	$ -

Notes:

*(*1) At March 31, 2013, the total amount of loans which were not expected to be recovered, including claims to borrowers that were legally or substantially bankrupt and to those who were likely to become bankrupt amounted to ¥61,998 million ($659,202 thousand). Loans without due dates in the amount of ¥206,992 million ($2,200,871 thousand) were excluded.*

*(*2) Demand deposits were included in "Due in 1 year or less."*

4. Trading Securities and Investment Securities

At March 31, 2013 and 2012, trading securities consisted of the following:

	Millions of yen		Thousands of U.S. dollars	
	2013	2012	2013	2012
Japanese government bonds	¥ 215	¥ 286	$ 2,286	$ 3,040
Local government bonds	-	3	-	31
	¥ 215	¥ 289	$ 2,286	$ 3,072

At March 31, 2013 and 2012, investment securities consisted of the following:

	Millions of yen		Thousands of U.S. dollars	
	2013	2012	2013	2012
Japanese government bonds	¥ 292,639	¥ 285,465	$ 3,111,525	$ 3,035,247
Local government bonds	102,745	88,297	1,092,450	938,830
Bonds and debentures	411,379	397,052	4,374,045	4,221,711
Equity securities	83,629	65,877	889,197	700,446
Other	91,032	83,730	967,910	890,271
	¥ 981,425	¥ 920,423	$ 10,435,140	$ 9,786,528

At March 31, 2013 and 2012, investment securities included Japanese government bonds of ¥41,361 million ($439,776 thousand) and ¥20,703 million ($220,127 thousand), respectively, as loans without collateral (securities lending transactions).

At March 31, 2013 and 2012, liabilities for guarantees on corporate bonds included in "Investment securities," which were issued by private placement (Article 2, Paragraph 3 of the Financial Instruments and Exchange Act), amounted to ¥13,439 million ($142,892 thousand) and ¥13,826 million ($147,006 thousand), respectively.

Securities are classified as trading, held-to-maturity or available-for-sale. The classification determines the respective accounting method that should be used to account for these securities, as stipulated by the accounting standard for financial instruments. At March 31, 2013 and 2012, the carrying values of trading securities and the related valuation differences included in the consolidated statements of income were as follows:

	Millions of yen				Thousands of U.S. dollars			
	2013		2012		2013		2012	
	Carrying value	Valuation difference	Carrying value	Valuation difference	Carrying value	Valuation difference	Carrying value	Valuation difference
Trading securities	¥ 215	¥ 0	¥ 289	¥ 0	$ 2,286	$ 0	$ 3,072	$ 0

The Group did not have any held-to-maturity debt securities as of March 31, 2013 and 2012.

At March 31, 2013 and 2012, gross unrealized gains and losses for available-for-sale securities with fair value were as follows:

	Millions of yen			
	2013			
	Cost	Gross unrealized gains	Gross unrealized losses	Fair and carrying value
Available-for-sale securities with fair value:				
Japanese government bonds	¥ 284,208	¥ 8,433	¥ (3)	¥ 292,639
Local government bonds	99,079	3,670	(4)	102,745
Bonds and debentures	403,144	8,305	(70)	411,379
Equity securities	48,176	34,108	(472)	81,812
Other	85,021	5,977	(252)	90,746
	¥ 919,629	¥ 60,496	¥ (802)	¥ 979,323

	Millions of yen			
	2012			
	Cost	Gross unrealized gains	Gross unrealized losses	Fair and carrying value
Available-for-sale securities with fair value:				
Japanese government bonds	¥ 280,251	¥ 5,215	¥ (1)	¥ 285,465
Local government bonds	85,932	2,365	(0)	88,297
Bonds and debentures	390,849	6,288	(85)	397,052
Equity securities	47,751	18,008	(1,696)	64,062
Other	82,069	1,429	(267)	83,231
	¥ 886,854	¥ 33,307	¥ (2,052)	¥ 918,109

	Thousands of U.S. dollars			
	2013			
	Cost	Gross unrealized gains	Gross unrealized losses	Fair and carrying value
Available-for-sale securities with fair value:				
Japanese government bonds	$ 3,021,881	$ 89,665	$ (31)	$ 3,111,525
Local government bonds	1,053,471	39,021	(42)	1,092,450
Bonds and debentures	4,286,485	88,304	(744)	4,374,045
Equity securities	512,238	362,658	(5,018)	869,877
Other	903,997	63,551	(2,679)	964,869
	$ 9,778,086	$ 643,232	$ (8,527)	$ 10,412,791

	Thousands of U.S. dollars			
	2012			
	Cost	Gross unrealized gains	Gross unrealized losses	Fair and carrying value
Available-for-sale securities with fair value:				
Japanese government bonds	$ 2,979,808	$ 55,449	$ (10)	$ 3,035,247
Local government bonds	913,684	25,146	(0)	938,830
Bonds and debentures	4,155,757	66,858	(903)	4,221,711
Equity securities	507,719	191,472	(18,032)	681,148
Other	872,610	15,194	(2,838)	884,965
	$ 9,429,601	$ 354,141	$ (21,818)	$ 9,761,924

During the years ended March 31, 2013 and 2012, the Group recorded losses on the write-down of available-for-sale securities with fair value due to other than temporary decline in value as follows:

	Millions of yen		Thousands of U.S. dollars	
	2013	2012	2013	2012
Equity securities	¥ 1,356	¥ 130	$ 14,417	$ 1,382

The Group recognizes the write-down of available-for-sale securities with fair value in the case of a decline in value by 50% or more below cost or an other than temporary decline ranging from 30% to 50% below cost.

At March 31, 2013 and 2012, net unrealized gains on available-for-sale securities, net of applicable income taxes and minority interests, recorded as a component of accumulated other comprehensive income in net assets on the consolidated balance sheets were as follows:

	Millions of yen		Thousands of U.S. dollars	
	2013	2012	2013	2012
Unrealized gains	¥ 59,693	¥ 31,255	$ 634,694	$ 332,323
Less applicable income taxes	(20,544)	(10,699)	(218,437)	(113,758)
Less minority interests portion	(39)	(15)	(414)	(159)
Net unrealized gains	¥ 39,109	¥ 20,540	$ 415,832	$ 218,394

During the years ended March 31, 2013 and 2012, the Group sold available-for-sale securities and recorded gains and losses on sales of these securities on the consolidated statements of income as follows:

	Millions of yen		Thousands of U.S. dollars	
	2013	2012	2013	2012
Gains on sales of:				
Equity securities	¥ 1,068	¥ 2,557	$ 11,355	$ 27,187
Bonds and others	1,114	1,439	11,844	15,300
	¥ 2,182	¥ 3,997	$ 23,200	$ 42,498
Losses on sales of:				
Equity securities	¥ 415	¥ 998	$ 4,412	$ 10,611
Bonds and others	889	1,182	9,452	12,567
	¥ 1,304	¥ 2,181	$ 13,864	$ 23,189

5. Loans and Bills Discounted

At March 31, 2013 and 2012, loans and bills discounted consisted of the following:

	Millions of yen		Thousands of U.S. dollars	
	2013	2012	2013	2012
Bills discounted	¥ 33,275	¥ 37,313	$ 353,801	$ 396,735
Loans on bills	78,561	81,776	835,311	869,494
Loans on deeds	1,338,858	1,326,853	14,235,598	14,107,953
Overdrafts	210,659	195,041	2,239,861	2,073,801
	¥ 1,661,355	¥ 1,640,986	$ 17,664,593	$ 17,448,017

Bills discounted are accounted for as financial transactions in accordance with the JICPA Industry Audit Committee Report No. 24, "Treatment of Accounting and Auditing concerning Application of Accounting Standard for Financial Instruments in Banking Industry." The Group has the right to sell or pledge (repledge) bankers' acceptances, commercial bills, documentary bills and foreign bills of exchange purchased without restrictions. The total face value of these bills amounted to ¥33,496 million ($356,150 thousand) and ¥37,632 million ($400,127 thousand) at March 31, 2013 and 2012, respectively.

Claims to borrowers in bankruptcy and past due loans amounted to ¥61,998 million ($659,202 thousand) and ¥60,807 million ($646,539 thousand) at March 31, 2013 and 2012, respectively, and are included in "Loans and bills discounted." Loans are generally placed on non-accrual status when there is substantial doubt about the ultimate collectability of either principal or interest because the principal or interest is past due for a considerable period or for other reasons. Claims to borrowers in bankruptcy represent non-accrual loans after charge-off to legally bankrupt borrowers as defined in Article 96, Paragraph 1, Subparagraph 3 and 4 of the Order for Enforcement of the Corporation Tax Act of Japan. Past due loans are non-accrual loans other than claims to borrowers in bankruptcy and loans for which interest payments are deferred in order to assist the financial recovery of borrowers in financial difficulties.

At March 31, 2013 and 2012, delinquent loans for which the payment of principal or interest was contractually past due three months or more, excluding non-accrual loans, amounted to ¥1,216 million ($12,929 thousand) and ¥723 million ($7,687 thousand), respectively.

At March 31, 2013 and 2012, restructured loans for which the Bank had restructured the terms and conditions in favor of borrowers in financial difficulties, such as a reduction or exemption of the original interest rate, extension of interest payments and/or principal repayments and debt forgiveness in order to support the borrowers in their financial recovery or restructuring, excluding "claims to borrowers in bankruptcy," "past due loans" and "delinquent loans contractually past due three months or more" disclosed above, amounted to ¥10,417 million ($110,760 thousand) and ¥10,127 million ($107,676 thousand), respectively.

Total non-performing assets before charge-offs of claims deemed uncollectible, consisting of "claims to borrowers in bankruptcy," "past due loans," "delinquent loans contractually past due three months or more" and "restructured loans," aggregated ¥73,631 million ($782,892 thousand) and ¥71,658 million ($761,913 thousand) at March 31, 2013 and 2012, respectively.

A provision of reserve for possible loan losses amounted to ¥2,779 million ($29,548 thousand) and ¥5,685 million ($60,446 thousand) for the years ended March 31, 2013 and 2012, respectively, and is included in "Other expenses" in the accompanying consolidated statements of income.

6. Foreign Exchange

At March 31, 2013 and 2012, foreign exchange consisted of the following:

	Millions of yen		Thousands of U.S. dollars	
	2013	2012	2013	2012
Assets:				
Due from banks	¥ 1,094	¥ 1,281	$ 11,632	$ 13,620
Foreign bills of exchange purchased	220	318	2,339	3,381
Foreign bills of exchange receivable	780	358	8,293	3,806
	¥ 2,095	¥ 1,957	$ 22,275	$ 20,808

	Millions of yen		Thousands of U.S. dollars	
	2013	2012	2013	2012
Liabilities:				
Foreign bills of exchange sold	¥ 444	¥ 427	$ 4,720	$ 4,540
Foreign bills of exchange payable	307	103	3,264	1,095
	¥ 752	¥ 530	$ 7,995	$ 5,635

7. Tangible Fixed Assets

At March 31, 2013 and 2012, tangible fixed assets consisted of the following:

	Millions of yen		Thousands of U.S. dollars	
	2013	2012	2013	2012
Land	¥ 23,828	¥ 23,099	$ 253,354	$ 245,603
Buildings and structures	5,246	5,200	55,778	55,289
Property held for lease	3	6	31	63
Construction in progress	631	13	6,709	138
Other tangible fixed assets	3,261	4,004	34,673	42,573
Tangible fixed assets	¥ 32,970	¥ 32,324	$ 350,558	$ 343,689

Accumulated depreciation of tangible fixed assets at March 31, 2013 and 2012 was ¥23,563 million ($250,536 thousand) and ¥23,495 million ($249,813 thousand), respectively.

As permitted by the accounting principles and practices generally accepted in Japan, deferred capital gains on sales of real property are deducted from the original acquisition cost of property newly acquired for replacement purposes in the same line of business as the property sold. At March 31, 2013 and 2012, the amount of ¥2,333 million ($24,805 thousand) was directly reduced from the acquisition cost of land.

The Bank elected the one-time revaluation of land used for the banking business effective on March 31, 1998, reflecting appropriate adjustments for land shape and other factors based on the appraisal values issued by the Japanese National Tax Agency under the Act on Revaluation of Land. According to the Act, the amount equivalent to the tax effect on the excess of sound reassessed values over the original book value is stated as “Deferred tax liabilities for revaluation,” and the rest of the excess, net of the tax effect, is disclosed as “Land revaluation increment” and included in a component of accumulated other comprehensive income in net assets on the consolidated balance sheets. At March 31, 2013 and 2012, the differences in the carrying values of land used for the banking business after reassessment over the market values amounted to ¥4,716 million ($50,143 thousand) and ¥4,489 million ($47,729 thousand), respectively.

8. Pledged Assets

At March 31, 2013 and 2012, investment securities totaling ¥32,107 million ($341,382 thousand) and ¥61,416 million ($653,014 thousand), respectively, were pledged as collateral for “Security deposits received related to securities lending transactions” of ¥32,261 million ($343,019 thousand) and ¥61,388 million ($652,716 thousand), respectively.

At March 31, 2013 and 2012, investment securities totaling ¥26,272 million ($279,340 thousand) and ¥25,865 million ($275,013 thousand), respectively, were pledged as collateral for the settlement of exchange and other transactions.

9. Deposits

At March 31, 2013 and 2012, deposits consisted of the following:

	Millions of yen		Thousands of U.S. dollars	
	2013	2012	2013	2012
Demand deposits	¥ 1,245,825	¥ 1,199,171	$ 13,246,411	$ 12,750,356
Time deposits	1,221,855	1,221,211	12,991,547	12,984,699
Other	39,932	39,185	424,582	416,640
	¥ 2,507,613	¥ 2,459,568	$ 26,662,551	$ 26,151,706

10. Borrowings and Lease Obligations

At March 31, 2013 and 2012, borrowings, which consisted of the borrowings from other financial institutions, amounted to ¥30,530 million ($324,614 thousand) and ¥6,305 million ($67,038 thousand), respectively. At March 31, 2013, the annual maturities of borrowings due through February 2018 at an average interest rate of 0.18% per annum were as follows:

Year ending March 31,	Millions of yen	Thousands of U.S. dollars
2014	¥ 27,085	$ 287,985
2015	1,180	12,546
2016	1,090	11,589
2017	800	8,506
2018	375	3,987
	¥ 30,530	$ 324,614

At March 31, 2013 and 2012, other liabilities included lease obligations of ¥43 million ($457 thousand) and ¥72 million ($765 thousand), respectively. At March 31, 2013, the annual maturities of lease obligations due through August 2014 at an average interest rate of 3.36% per annum were as follows:

Year ending March 31,	Millions of yen	Thousands of U.S. dollars
2014	¥ 30	$ 318
2015	12	127
	¥ 43	$ 457

11. Employee Retirement Benefits

The Group has corporate pension fund plans and lump-sum retirement benefit plans as defined benefit pension plans that cover substantially all employees.

The following table sets forth the funded status of the plans and the amounts recognized in the consolidated balance sheets as of March 31, 2013 and 2012 for the Group's defined benefit plans.

	Millions of yen		Thousands of U.S. dollars	
	2013	2012	2013	2012
Projected benefit obligation	¥ 22,069	¥ 19,556	$ 234,651	$ 207,931
Less fair value of pension plan assets at end of year	(19,994)	(17,544)	(212,589)	(186,539)
Projected benefit obligation in excess of pension plan assets	2,074	2,012	22,052	21,392
Less unrecognized actuarial differences	(5,324)	(5,618)	(56,608)	(59,734)
Net amount recorded on the consolidated balance sheets	(3,249)	(3,605)	(34,545)	(38,330)
Prepaid pension cost	6,425	6,719	68,314	71,440
Balance of reserve for employee retirement benefits recognized on the consolidated balance sheets	¥ 3,176	¥ 3,114	$ 33,769	$ 33,110

The components of net periodic retirement benefit expenses for the years ended March 31, 2013 and 2012 were as follows:

	Millions of yen		Thousands of U.S. dollars	
	2013	2012	2013	2012
Service cost	¥ 605	¥ 586	$ 6,432	$ 6,230
Interest cost	391	387	4,157	4,114
Expected return on pension plan assets	(243)	(245)	(2,583)	(2,604)
Amortization of actuarial differences	905	891	9,622	9,473
Other	35	35	372	372
Net periodic retirement benefit expenses	¥ 1,693	¥ 1,654	$ 18,001	$ 17,586

Major assumptions used in the calculation of the above information for the years ended March 31, 2013 and 2012 were as follows:

	2013	2012
Method attributing the projected benefits to periods of services	Straight-line method	Straight-line method
Discount rate	1.0%	2.0%
Expected rate of return on pension plan assets	2.0%	2.0%
Amortization period of actuarial differences	13 to 14 years	13 to 14 years
Amortization period of prior service cost	1 year	1 year

12. Acceptances and Guarantees

The Bank provides guarantees for liabilities of its customers for payments on loans from other financial institutions. A contra account, "Customers' liabilities for acceptances and guarantees," is classified as an asset in the consolidated balance sheets, indicating the Bank's right of indemnity from customers.

13. Net Assets

At March 31, 2013 and 2012, the authorized number of shares of common stock without par value was 30 million, and the number of shares of common stock issued was 10,943,240 shares. At March 31, 2013 and 2012, the number of shares of treasury stock held by the Group was 87,848 and 85,081 shares, respectively.

At March 31, 2013 and 2012, capital surplus consisted principally of additional paid-in capital. Included in retained earnings was the legal reserve of the Bank in the amount of ¥5,392 million ($57,331 thousand) at both March 31, 2013 and 2012. The Japanese Banking Act provides that an amount equivalent to at least 20% of the cash payments as appropriations of retained earnings shall be appropriated as the legal reserve until the total amount of additional paid-in capital and such reserve equals the common stock. The legal reserve is not available for distributions as dividends, but may be used to reduce a deficit or may be transferred to common stock by proper action of the Board of Directors and/or the shareholders.

In November 2012, the Board of Directors of the Bank resolved to pay interim dividends of ¥379 million ($4,029 thousand) at ¥35 per share ($0.37 per share). The shareholders of the Bank approved the following appropriation of retained earnings at the annual shareholders meeting on June 21, 2013.

	Millions of yen	Thousands of U.S. dollars
Cash dividends, ¥35 per share ($0.37 per share)	¥ 379	$ 4,029

14. Stock Options

(a) Stock option expenses

The Bank recorded stock option expenses of ¥47 million ($499 thousand) and none in "General and administrative expenses" for the years ended March 31, 2013 and 2012, respectively.

(b) Outline of stock options and size of and changes in stock options

i) Outline of stock options

	2012 stock options
Position and number of grantees	13 directors of the Bank (excluding outside directors)
Number of options granted*	13,000 common shares of the Bank
Grant date	July 20, 2012
Conditions for vesting	Not defined
Requisite service period	Not defined
Exercise period	From July 21, 2012 to July 20, 2042

*Note: * Calculated in terms of the number of shares.*

ii) Size of and changes in stock options

The following describes the size of and changes in stock options that existed during the year ended March 31, 2013. The number of stock options is calculated in terms of the number of shares.

a) Number of stock options

	2012 stock options
Non-vested	
April 1, 2012 - Outstanding	-
Granted	13,000 shares
Forfeited	-
Vested	13,000 shares
March 31, 2013 - Outstanding	-
Vested	
April 1, 2012 - Outstanding	-
Vested	13,000 shares
Exercised	-
Forfeited	-
March 31, 2013 - Outstanding	13,000 shares

b) Price information

	2012 stock option
Exercise price	¥1 ($0.01) per share
Average exercise price	-
Fair value at grant date	¥3,645 ($38.75) per share

iii) Valuation technique to estimate fair value of stock options

a) Valuation technique used: Black-Scholes model

b) Major assumptions and estimation method

	2012 stock options
Expected volatility *(*1)*	30.536%
Expected life *(*2)*	1.5 years
Expected dividends *(*3)*	¥70 ($0.74) per share
Risk free interest rate *(*4)*	0.100%

*Notes: (*1) Expected volatility is calculated based on the actual stock prices during the period from January 2011 to July 2012, which corresponds to the expected life of the options.*
*(*2) Expected life is estimated based on the difference between the average term of office of directors who retired during the past 10 years and the average term of office of existing directors in office.*
*(*3) Expected dividends are the actual dividends for the year ended March 31, 2012.*
*(*4) Risk free interest rate is a Japanese government bond yield which corresponds to the expected life.*

iv) Method of estimating number of stock options vested

Basically, only the actual number of forfeited stock options is reflected because it is difficult to rationally estimate the number of stock options to be forfeited in the future.

15. Commitments

(a) Loan commitments

Contracts related to overdraft facilities and loan commitment lines are agreements that allow customers to extend overdrafts or loans up to prescribed limits unless there is violation of any condition in the contract. At March 31, 2013 and 2012, the unused amounts within the limits of these contracts, which originally expire within one year or are revocable by the Bank at any time without any conditions, aggregated ¥540,557 million ($5,747,549 thousand) and ¥533,393 million ($5,671,376 thousand), respectively.

Since many of these commitments expire without being drawn down, the unused amount does not necessarily represent a future cash flow. In addition, most of these contracts have conditions that the Group can refuse customer applications or decrease the contract limits for appropriate reasons such as changes in the financial situation or deterioration in creditworthiness of the customer. At the execution of the contract, the Bank obtains real estate, securities, etc., as collateral if considered necessary. Subsequently, the Bank performs periodic reviews of the customers' business performance in accordance with the Bank's internal rules and takes necessary measures such as reconsidering conditions of the contracts and/or requiring additional collateral and/or guarantees if necessary.

(b) Lease commitments

The Group has entered into various lease agreements as a lessee principally for land for office space. These leases are generally cancelable with a few months advance notice and are accounted for as operating leases. The Group has also entered into non-cancelable operating lease agreements. The future minimum lease payments under these non-cancellable operating leases as of March 31, 2013 and 2012 were as follows:

	Millions of yen		Thousands of U.S. dollars	
	2013	2012	2013	2012
Due within one year	¥ 109	¥ 105	$ 1,158	$ 1,116
Due after one year	1,034	981	10,994	10,430
	¥ 1,144	¥ 1,087	$ 12,163	$ 11,557

In addition, a subsidiary engaged in the leasing business as a lessor has entered into various long-term, non-cancelable lease agreements with third parties that were categorized as finance leases. Information concerning future minimum lease payments to be received as of March 31, 2013 and 2012 for finance leases which do not transfer ownership of the leased assets to the lessee was as follows:

	Millions of yen		Thousands of U.S. dollars	
	2013	2012	2013	2012
Total future minimum lease payments to be received	¥ 10,555	¥ 11,249	$ 112,227	$ 119,606
Estimated residual value of leased assets	798	893	8,484	9,494
Imputed interest	(845)	(1,071)	(8,984)	(11,387)

The aggregate annual maturities of future minimum lease payments to be received as of March 31, 2013 were as follows:

Year ending March 31,	Millions of yen	Thousands of U.S. dollars
2014	¥ 3,334	$ 35,449
2015	2,588	27,517
2016	1,885	20,042
2017	1,367	14,534
2018	778	8,272
2019 and thereafter	601	6,390
	¥ 10,555	$ 112,227

As permitted by the accounting standard for lease transactions with respect to finance leases entered into before April 1, 2008, the appropriate carrying value, net of accumulated depreciation, of the underlying assets at March 31, 2008 is recognized as the value of the investment in the leased assets, and the total amount equivalent to interest income on these transactions is allocated over the lease term using the straight-line method, instead of using the effective interest method as the principal method of the accounting standard. As a result, income before income taxes and minority interests for the years ended March 31, 2013 and 2012 were ¥16 million ($170 thousand) and ¥39 million ($414 thousand) more, respectively, than the amounts that would have been recorded under the effective interest method based on lease payments receivable.

16. Derivative Financial Instruments

Derivative financial instruments, other than those to which hedge accounting was applied, which were traded on the over-the-counter market and stated at fair value and whose valuation gains and losses are recognized in the consolidated statements of income, as of March 31, 2013 and 2012 are summarized as follows:

	Millions of yen			
	Notional principal or contract amounts			
	Total	Over one year	Fair value*	Valuation gains (losses)
Foreign exchange forward contracts:				
At March 31, 2013	¥ 18,736	¥ 171	¥ (502)	¥ (502)
At March 31, 2012	16,072	913	(605)	(605)

	Thousands of U.S. dollars			
	Notional principal or contract amounts			
	Total	Over one year	Fair value*	Valuation gains (losses)
Foreign exchange forward contracts:				
At March 31, 2013	$ 199,213	$ 1,818	$ (5,337)	$ (5,337)
At March 31, 2012	170,887	9,707	(6,432)	(6,432)

*Note: * Fair value was based on the discounted cash flow method.*

There were no outstanding derivative financial instruments to which hedge accounting was applied as of March 31, 2013 and 2012.

17. Income Taxes

Income taxes for the years ended March 31, 2013 and 2012 consisted of the following:

	Millions of yen		Thousands of U.S. dollars	
	2013	2012	2013	2012
Income taxes:				
Current	¥ 2,416	¥ 3,066	$ 25,688	$ 32,599
Deferred	(53)	(1,193)	(563)	(12,684)
	¥ 2,363	¥ 1,872	$ 25,124	$ 19,904

The tax effects of temporary differences that gave rise to a significant portion of deferred tax assets and liabilities at March 31, 2013 and 2012 were as follows:

	Millions of yen		Thousands of U.S. dollars	
	2013	2012	2013	2012
Deferred tax assets:				
Reserve for possible loan losses	¥ 5,381	¥ 4,965	$ 57,214	$ 52,791
Reserve for employee retirement benefits	3,366	3,233	35,789	34,375
Investment securities	2,024	1,684	21,520	17,905
Other	4,317	4,629	45,901	49,218
	15,089	14,513	160,435	154,311
Less valuation allowance	(2,574)	(2,052)	(27,368)	(21,818)
	12,514	12,460	133,056	132,482
Deferred tax liabilities:				
Unrealized gains on available-for-sale securities	(20,544)	(10,699)	(218,437)	(113,758)
Gains on transfer of investment securities to trusts for retirement benefit plans	(3,520)	(3,520)	(37,426)	(37,426)
Deferred gains on sale of property and other	(220)	(218)	(2,339)	(2,317)
	(24,285)	(14,437)	(258,213)	(153,503)
Net deferred tax liabilities	¥ (11,770)	¥ (1,976)	$ (125,146)	$ (21,010)

At March 31, 2013 and 2012, deferred tax assets and liabilities reported on the accompanying consolidated balance sheets were as follows:

	Millions of yen		Thousands of U.S. dollars	
	2013	2012	2013	2012
Deferred tax assets	¥ 588	¥ 725	$ 6,251	$ 7,708
Deferred tax liabilities	12,358	2,702	131,398	28,729

In assessing the realizability of deferred tax assets, management of the Group considers whether some portion or all of the deferred tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible. At March 31, 2013 and 2012, a valuation allowance was provided to reduce deferred tax assets to the extent that the management believed that the deferred tax assets were not realizable.

Reconciliations of the Japanese statutory tax rate and the effective income tax rate on pre-tax income reflected in the accompanying consolidated statements of income for the years ended March 31, 2013 and 2012 were as follows:

	Percentage of pre-tax income	
	2013	2012
Japanese statutory income tax rate	37.70%	40.55%
Increase (decrease) due to:		
Permanently non-deductible expenses	1.55	2.67
Tax exempt income	(6.07)	(9.37)
Change in valuation allowance	10.75	(3.58)
Effect of changes in income tax rates	-	25.08
Other	1.70	1.06
Effective income tax rate	45.64%	56.42%

18. Segment Information

(a) General information about reportable segments

The Group defines a reportable segment as a component of the Group for which discrete financial information is available and whose operating results are regularly reviewed by the Board of Directors to make decisions about resources to be allocated to the segment and assess its performance.

The Group engages in a wide range of financial services to customers primarily in the areas of banking and leasing businesses. The reportable segments of the Group are based on operating segments as follows:

"Banking"

- Deposits and loans
- Foreign exchange transactions
- Over-the-counter sales of investment trusts and life insurance products
- Securities business

"Leasing"

- Leasing business

(b) Basis of measurement for reported segment profit, segment assets, segment liabilities and other material items

The measurement basis for operating segment information follows the accounting principles used in the consolidated financial statements as described in Note 2, "Summary of Significant Accounting Policies." The segment profit is based on ordinary income, which is defined as "Total income" less certain special income included in "Other income" in the accompanying consolidated statements of income, and intersegment income is accounted for based on prices in ordinary transactions with independent third parties.

(c) Information about reported segment profit, segment assets, segment liabilities and other material items

Segment information as of and for the year ended March 31, 2013 was as follows:

	Millions of yen 2013						
	Reported segment						
	Banking	Leasing	Total	Other *(*2)*	Total	Reconciliation *(*3)*	Consolidated
Ordinary income *(*1)*:							
External customers	¥ 43,890	¥ 4,815	¥ 48,706	¥ 994	¥ 49,701	¥ -	¥ 49,701
Intersegment	100	359	459	609	1,069	(1,069)	-
Total ordinary income	43,991	5,174	49,166	1,603	50,770	(1,069)	49,701
Segment profit *(*4)*	4,807	175	4,983	346	5,329	(4)	5,325
Segment assets	2,809,127	14,017	2,823,145	5,447	2,828,592	(7,486)	2,821,106
Segment liabilities	2,625,604	9,506	2,635,110	993	2,636,104	(7,489)	2,628,614
Other material items:							
Depreciation	¥ 1,253	¥ 173	¥ 1,427	¥ 44	¥ 1,471	¥ -	¥ 1,471
Interest and dividend income	34,956	9	34,966	90	35,056	(39)	35,016
Interest expense	1,980	78	2,059	4	2,063	(107)	1,956
Provision of reserve for possible loan losses	2,807	68	2,875	(96)	2,778	0	2,779
Impairment loss on securities	1,381	-	1,381	-	1,381	-	1,381
Increase in tangible fixed assets and intangible fixed assets	2,068	-	2,068	13	2,081	-	2,081

	Thousands of U.S. dollars 2013						
	Reported segment						
	Banking	Leasing	Total	Other *(*2)*	Total	Reconciliation *(*3)*	Consolidated
Ordinary income *(*1)*:							
External customers	$ 466,666	$ 51,196	$ 517,873	$ 10,568	$ 528,452	$ -	$ 528,452
Intersegment	1,063	3,817	4,880	6,475	11,366	(11,366)	-
Total ordinary income	467,740	55,013	522,764	17,044	539,819	(11,366)	528,452
Segment profit *(*4)*	51,111	1,860	52,982	3,678	56,661	(42)	56,618
Segment assets	29,868,442	149,037	30,017,490	57,916	30,075,406	(79,595)	29,995,810
Segment liabilities	27,917,107	101,073	28,018,181	10,558	28,028,750	(79,627)	27,949,112
Other material items:							
Depreciation	$ 13,322	$ 1,839	$ 15,172	$ 467	$ 15,640	$ -	$ 15,640
Interest and dividend income	371,674	95	371,780	956	372,737	(414)	372,312
Interest expense	21,052	829	21,892	42	21,935	(1,137)	20,797
Provision of reserve for possible loan losses	29,845	723	30,568	(1,020)	29,537	0	29,548
Impairment loss on securities	14,683	-	14,683	-	14,683	-	14,683
Increase in tangible fixed assets and intangible fixed assets	21,988	-	21,988	138	22,126	-	22,126

Notes:

*(*1) Ordinary income represents "Total income" less certain special income included in "Other income" in the accompanying consolidated statements of income. "Total income" of ¥49,701 million ($528,452 thousand) in the accompanying consolidated statement of income is derived from ordinary income of ¥49,701 million ($528,452 thousand) through adding certain special income of ¥0 million ($0 thousand).*

*(*2) The "Other" business segment in the table above represents operating segments not included in the reported segments and includes credit card business, administrative outsourcing business and information technology management operations.*

*(*3) Reconciliation represents the eliminations of intersegment transactions.*

*(*4) Segment profit is reconciled to ordinary profit, which represents ordinary income less ordinary expenses. Ordinary expenses represent "Total expenses" of ¥44,524 million ($473,407 thousand) less certain special expenses of ¥148 million ($1,573 thousand) included in "Other expenses" in the accompanying consolidated statements of income. Therefore, total amount of the segment profit, which shows ordinary profit of ¥5,325 million ($56,618 thousand), is reconciled to "Income before income taxes and minority interests" of ¥5,177 million ($55,045 thousand) through adding/deducting certain special income/ (expenses), net.*

Segment information as of and for the year ended March 31, 2012 was as follows:

	Millions of yen						
	2012						
	Reported segment						
	Banking	Leasing	Total	Other *(*2)*	Total	Reconciliation *(*3)*	Consolidated
Ordinary income *(*1)*:							
External customers	¥ 47,463	¥ 5,151	¥ 52,615	¥ 1,055	¥ 53,671	¥ -	¥ 53,671
Intersegment	105	315	420	629	1,050	(1,050)	-
Total ordinary income	47,569	5,467	53,036	1,685	54,722	(1,050)	53,671
Segment profit *(*4)*	4,274	319	4,594	310	4,904	(4)	4,900
Segment assets	2,747,860	13,611	2,761,472	5,173	2,766,645	(6,353)	2,760,292
Segment liabilities	2,584,675	9,159	2,593,835	1,006	2,594,842	(6,361)	2,588,480
Other material items:							
Depreciation	¥ 1,343	¥ 185	¥ 1,528	¥ 42	¥ 1,570	¥ -	¥ 1,570
Interest and dividend income	36,605	9	36,615	110	36,725	(46)	36,678
Interest expense	2,630	103	2,734	4	2,738	(109)	2,628
Provision of reserve for possible loan losses	5,640	12	5,653	30	5,684	1	5,685
Impairment loss on securities	130	-	130	-	130	-	130
Increase in tangible fixed assets and intangible fixed assets	1,792	0	1,793	110	1,904	-	1,904

	Thousands of U.S. dollars						
	2012						
	Reported segment						
	Banking	Leasing	Total	Other *(*2)*	Total	Reconciliation *(*3)*	Consolidated
Ordinary income *(*1)*:							
External customers	$ 504,657	$ 54,768	$ 559,436	$ 11,217	$ 570,664	$ -	$ 570,664
Intersegment	1,116	3,349	4,465	6,687	11,164	(11,164)	-
Total ordinary income	505,784	58,128	563,912	17,916	581,839	(11,164)	570,664
Segment profit *(*4)*	45,443	3,391	48,846	3,296	52,142	(42)	52,099
Segment assets	29,217,012	144,720	29,361,743	55,002	29,416,746	(67,549)	29,349,197
Segment liabilities	27,481,924	97,384	27,579,319	10,696	27,590,026	(67,634)	27,522,381
Other material items:							
Depreciation	$ 14,279	$ 1,967	$ 16,246	$ 446	$ 16,693	$ -	$ 16,693
Interest and dividend income	389,207	95	389,314	1,169	390,483	(489)	389,984
Interest expense	27,963	1,095	29,069	42	29,112	(1,158)	27,942
Provision of reserve for possible loan losses	59,968	127	60,106	318	60,435	10	60,446
Impairment loss on securities	1,382	-	1,382	-	1,382	-	1,382
Increase in tangible fixed assets and intangible fixed assets	19,053	0	19,064	1,169	20,244	-	20,244

Notes:

*(*1) Ordinary income represents "Total income" less certain special income included in "Other income" in the accompanying consolidated statements of income. "Total income" of ¥53,690 million ($570,866 thousand) in the accompanying consolidated statement of income is derived from ordinary income of ¥53,671 million ($570,664 thousand) through adding certain special income of ¥18 million ($191 thousand).*

*(*2) The "Other" business segment in the table above represents operating segments not included in the reported segments and includes credit card business, administrative outsourcing business and information technology management operations.*

*(*3) Reconciliation represents the eliminations of intersegment transactions.*

*(*4) Segment profit is reconciled to ordinary profit, which represents ordinary income less ordinary expenses. Ordinary expenses represent "Total expenses" of ¥50,371 million ($535,576 thousand) less certain special expenses of ¥1,599 million ($17,001 thousand) included in "Other expenses" in the accompanying consolidated statements of income. Therefore, total amount of the segment profit, which shows ordinary profit of ¥4,900 million ($52,099 thousand), is reconciled to "Income before income taxes and minority interests" of ¥3,319 million ($35,289 thousand) through adding/deducting certain special income/(expenses), net.*

(d) Other information

i) Information by service

	Millions of yen				
	Service				
	Loans	Security investments	Leasing	Other	Total
Ordinary income from external customers:					
For the year ended March 31, 2013	¥ 24,199	¥ 13,101	¥ 4,815	¥ 7,584	¥ 49,701
For the year ended March 31, 2012	25,421	15,290	5,151	7,807	53,671

	Thousands of U.S. dollars				
	Service				
	Loans	Security investments	Leasing	Other	Total
Ordinary income from external customers:					
For the year ended March 31, 2013	$ 257,299	$ 139,298	$ 51,196	$ 80,637	$ 528,452
For the year ended March 31, 2012	270,292	162,573	54,768	83,009	570,664

ii) Information by geographical area for the years ended March 31, 2013 and 2012 is omitted since income in Japan accounted for more than 90% of the consolidated ordinary income and all tangible fixed assets were located in Japan.

iii) Information by major customer for the years ended March 31, 2013 and 2012 is omitted since there was no single external customer accounting for 10% or more of the consolidated ordinary income.

(e) Information about impairment loss on fixed assets by reportable segment

	Millions of yen				
	Reportable segment				
	Banking	Leasing	Total	Other	Total
Impairment loss:					
For the year ended March 31, 2013	¥ 128	¥ -	¥ 128	¥ -	¥ 128
For the year ended March 31, 2012	1,454	-	1,454	-	1,454

	Thousands of U.S. dollars				
	Reportable segment				
	Banking	Leasing	Total	Other	Total
Impairment loss:					
For the year ended March 31, 2013	$ 1,360	$ -	$ 1,360	$ -	$ 1,360
For the year ended March 31, 2012	15,459	-	15,459	-	15,459

(f) Information about goodwill by reportable segment

None.

19. Transactions with Related Parties

Significant transactions with the related parties of the Group for the years ended March 31, 2013 and 2012 were as follows:

Transactions with relatives of the Bank's directors:

Name	Business	Description of the Bank's transaction	Transaction amounts: Millions of yen	Transaction amounts: Thousands of U.S. dollars	Account	Balances: Millions of yen	Balances: Thousands of U.S. dollars
For the year ended March 31, 2013:							
Toshiyuki Miyaji	Real estate leasing business	Loan lending	(Average balance during period) ¥ 162 (Interest income) ¥ 4	$ 1,722 $ 42	Loans and bills discounted	¥ 156	$ 1,658
For the year ended March 31, 2012:							
Toshiyuki Miyaji	Real estate leasing business	Loan lending	(Average balance during period) ¥ 173 (Interest income) ¥ 4	$ 1,839 $ 42	Loans and bills discounted	¥ 168	$ 1,786

Note: Terms and conditions of loan lending are determined in the same manner as general loan lending transactions with third parities.

20. Comprehensive Income

Reclassification adjustments and tax effect amounts on components of other comprehensive income for the years ended March 31, 2013 and 2012 were as follows:

	Millions of yen		Thousands of U.S. dollars	
	2013	2012	2013	2012
Net unrealized gains on available-for-sale securities:				
Increase during the year	¥ 28,083	¥ 6,759	$ 298,596	$ 71,866
Reclassification adjustments	355	(766)	3,774	(8,144)
Pre-tax amount	28,438	5,992	302,371	63,710
Tax effect amount	(9,845)	(697)	(104,678)	(7,410)
Net unrealized gains on available-for-sale securities, net of tax	18,593	5,295	197,692	56,299
Land revaluation increment:				
Increase during the year	-	-	-	-
Reclassification adjustments	-	-	-	-
Pre-tax amount	-	-	-	-
Tax effect amount	-	828	-	8,803
Land revaluation increment, net of tax	-	828	-	8,803
Total other comprehensive income	¥ 18,593	¥ 6,123	$ 197,692	$ 65,103