The Awa Bank, Ltd.

Consolidated Financial Statements

The Awa Bank, Ltd. and its Consolidated Subsidiaries

Years ended March 31, 2012 and 2013

KPMG

Independent Auditor's Report

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

We have audited the accompanying consolidated financial statements of The Awa Bank, Ltd. and its consolidated subsidiaries, which comprise the consolidated balance sheets as at March 31, 2013 and 2012, and the consolidated income statements, statements of comprehensive income, statements of changes in net assets and statements of cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

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 misstatements, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in Japan. Those standards require that we comply with ethical requirements and 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 our judgement, 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, we consider 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, while the objective of the financial statement audit is 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 present fairly, in all material respects, the financial position of The Awa Bank, Ltd. and its consolidated subsidiaries as at March 31, 2013 and 2012, and their financial performance and cash flows for the years then ended in accordance with accounting principles generally accepted in Japan.

Convenience Translation

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2013 are presented solely for convenience. Our audit also included the translation of yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 1 to the consolidated financial statements.

KPMG AZSA LLC

October 31, 2013
Osaka, Japan

Consolidated Balance Sheets
The Awa Bank, Ltd. and its Consolidated Subsidiaries
For the years ended March 31, 2012 and 2013

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2012	2013	2013
Assets			
Cash and due from banks (Notes 3 and 4)	¥ 262,649	¥ 147,927	$ 1,572,855
Call loans and bills purchased (Note 4)	35,526	90,234	959,426
Commercial paper and other debt purchased (Note 4)	6,511	6,041	64,232
Trading account securities (Notes 4 and 5)	765	783	8,325
Securities (Notes 4, 5 and 9)	863,684	993,984	10,568,675
Loans and bills discounted (Notes 4, 6, 7 and 8)	1,571,624	1,568,137	16,673,440
Foreign exchange	4,842	5,806	61,733
Lease receivables and investment assets (Note 4)	22,796	22,355	237,693
Other assets (Note 9)	16,948	13,054	138,799
Tangible fixed assets (Notes 10 and 11)	32,973	33,064	351,558
Intangible fixed assets	3,267	3,197	33,993
Deferred tax assets (Note 14)	4,775	378	4,019
Customers' liabilities for acceptances and guarantees (Note 15)	6,569	6,325	67,251
Reserve for possible loan losses	(22,650)	(21,963)	(233,525)
Total assets	¥ 2,810,277	¥ 2,869,322	$ 30,508,474
Liabilities			
Deposits (Notes 4 and 9)	¥ 2,374,047	¥ 2,405,998	$ 25,582,116
Negotiable certificates of deposit (Note 4)	132,945	108,357	1,152,121
Call money and bills sold (Note 4)	26,768	48,663	517,416
Payables under securities lending transactions	2,124	9,591	101,978
Borrowed money (Notes 9 and 16)	35,416	11,893	126,454
Foreign exchange	0	76	808
Bonds (Note 17)	17,000	22,000	233,918
Other liabilities	18,972	22,630	240,617
Accrued employees' bonuses	25	27	287
Accrued directors' bonuses	25	42	447
Employees' severance and retirement benefits (Note 18)	6,389	6,361	67,634
Accrued directors' retirement benefits	629	327	3,477
Reserve for reimbursement of deposits	670	635	6,752
Reserve for contingent liabilities	437	502	5,338
Deferred tax liabilities (Note 14)	42	9,224	98,075
Deferred tax liabilities for land revaluation account (Note 11)	3,516	3,516	37,384
Acceptances and guarantees (Note 15)	6,569	6,325	67,251
Total liabilities	2,625,575	2,656,167	28,242,073
Net Assets			
Common stock			
Authorized – 500,000,000 shares			
Issued – 231,100,000 shares	23,453	23,453	249,367
Capital surplus	16,233	16,233	172,601
Retained earnings	103,831	110,749	1,177,554
Treasury stock	(1,204)	(823)	(8,751)
– Issued 1,593,180 shares in 2013 and 2,341,554 shares in 2012.			
Total shareholders' equity	142,312	149,612	1,590,771
Net unrealized holding gains on securities (Note 5)	27,246	48,457	515,226
Net deferred gains (losses) on derivatives under hedge accounting	(142)	(821)	(8,729)
Land revaluation account (Note 11)	5,065	5,071	53,918
Total accumulated other comprehensive income	32,169	52,707	560,415
Minority interests in consolidated subsidiaries	10,221	10,836	115,215
Total net assets	184,702	213,155	2,266,401
Total liabilites and net assets	¥ 2,810,277	¥ 2,869,322	$ 30,508,474

See Notes to Consolidated Financial Statements.

Consolidated Statements of Income
The Awa Bank, Ltd. and its Consolidated Subsidiaries
For the years ended March 31, 2012 and 2013

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2012	2013	2013
Income:			
Interest and dividend income:			
Interest on loans and discounts	¥ 31,498	¥ 30,025	$ 319,245
Interest and dividends on securities	12,462	13,098	139,266
Other interest income	530	433	4,604
Trust fees	0	0	0
Fees and commissions	7,176	7,268	77,278
Other operating income	14,276	12,383	131,664
Other income	3,022	2,127	22,616
Total income	68,964	65,334	694,673
Expenses:			
Interest expense:			
Interest on deposits and certificates of deposit	2,079	1,553	16,512
Interest on borrowings, rediscounts and bonds	483	518	5,508
Other interest expense	520	500	5,316
Fees and commissions	1,404	1,438	15,290
Other operating expenses	11,796	10,421	110,803
General and administrative expenses	28,886	28,590	303,987
Other expenses:			
Provision for loan losses	11,283	4,374	46,507
Other expenses (Note 12)	2,456	1,737	18,469
Total expenses	58,907	49,131	522,392
Income before income taxes	10,057	16,203	172,281
Income taxes (Note 14):			
Current	4,400	4,259	45,285
Deferred	1,372	2,445	25,997
Income before minority interests	4,284	9,499	100,999
Minority interests in income of consolidated subsidiaries	550	342	3,636
Net income	¥ 3,734	¥ 9,157	$ 97,363

Per share of common stock

	Yen		U.S. dollars (Note 1)
	2012	2013	2013
Net income per share – basic	¥ 16.26	¥ 39.76	$ 0.423

For the years ended March 31, 2012 and 2013, diluted net income per share of common stock was not disclosed because no dilutive securities were outstanding.

See Notes to Consolidated Financial Statements.

Consolidated Statements of Comprehensive Income
The Awa Bank, Ltd. and its Consolidated Subsidiaries
For the years ended March 31, 2012 and 2013

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2012	2013	2013
Income before minority interests	¥ 4,284	¥ 9,499	$ 100,999
Other comprehensive income:			
Net unrealized holding gains (losses) on securities	8,326	21,713	230,867
Net deferred gains (losses) on derivatives under hedge accounting	(102)	(679)	(7,220)
Land revaluation account	502	−	−
Total other comprehensive income (Note 13)	8,726	21,034	223,647
Comprehensive income (Note 13)	13,011	30,533	324,646
Comprehensive income attributable to:			
Owners of the parent company	12,320	29,689	315,673
Minority interests	691	844	8,974

See Notes to Consolidated Financial Statements.

Consolidated Statements of Changes in Net Assets
The Awa Bank, Ltd. and its Consolidated Subsidiaries
For the years ended March 31, 2012 and 2013

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2012	2013	2013
Stockholder's equity			
Common stock			
Balance at begining of the accounting year	¥ 23,453	¥ 23,453	$ 249,367
Changes during the accounting period			
Total changes during the accounting period	–	–	–
Balance at end of the accounting year	23,453	23,453	249,367
Capital surplus			
Balance at begining of the accounting year	16,233	16,233	172,601
Changes during the accounting period			
Total changes during the accounting period	–	–	–
Balance at end of the accounting year	16,233	16,233	172,601
Retained earnings			
Balance at begining of the accounting year	101,963	103,831	1,103,998
Changes during the accounting period			
Dividends	(1,380)	(1,497)	(15,917)
Net income	3,734	9,157	97,363
Disposal of treasury stock	(7)	(17)	(181)
Retirement of treasury stock	(503)	(720)	(7,656)
Reversal of land revaluation account	24	(5)	(53)
Total changes during the accounting period	1,868	6,918	73,557
Balance at end of the accounting year	103,831	110,749	1,177,554
Treasury stock			
Balance at begining of the accounting year	(1,664)	(1,204)	(12,802)
Changes during the accounting period			
Purchase of treasury stock	(436)	(726)	(7,719)
Disposal of treasury stock	392	387	4,115
Retirement of treasury stock	503	720	7,656
Total changes during the accounting period	460	381	4,051
Balance at end of the accounting year	(1,204)	(823)	(8,751)
Total stockholders' equity			
Balance at begining of the accounting year	139,985	142,312	1,513,153
Changes during the accounting period			
Dividends	(1,380)	(1,497)	(15,917)
Net income	3,734	9,157	97,363
Purchase of treasury stock	(436)	(726)	(7,719)
Disposal of treasury stock	385	371	3,945
Reversal of land revaluation	24	(5)	(53)
Total changes during the accounting period	2,327	7,300	77,618
Balance at end of the accounting year	142,312	149,612	1,590,771

See Notes to Consolidated Financial Statements.

Consolidated Statements of Changes in Net Assets
The Awa Bank, Ltd. and its Consolidated Subsidiaries
For the years ended March 31, 2012 and 2013

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2012	2013	2013
Accumulated other comprehensive income			
Net unrealized holding gains			
Balance at begining of the accounting year	¥ 19,061	¥ 27,246	$ 289,697
Changes during the accounting period			
Changes other than changes in stockholders' equity (net)	8,185	21,211	225,529
Total changes during the accounting period	8,185	21,211	225,529
Balance at end of the accounting year	27,246	48,457	515,226
Net deferred gains (losses) on derivatives under hedge accounting			
Balance at begining of the accounting year	(40)	(142)	(1,510)
Changes during the accounting period			
Changes other than changes in stockholders' equity (net)	(102)	(679)	(7,220)
Total changes during the accounting period	(102)	(679)	(7,220)
Balance at end of the accounting year	(142)	(821)	(8,729)
Land revaluation account			
Balance at begining of the accounting year	4,587	5,065	53,854
Changes during the accounting period			
Changes other than changes in stockholders' equity (net)	478	5	53
Total changes during the accounting period	478	5	53
Balance at end of the accounting year	5,065	5,070	53,907
Total accumulated other comprehensive income			
Balance at begining of the accounting year	23,608	32,169	342,041
Changes during the accounting period			
Changes other than changes in stockholders' equity (net)	8,562	20,537	218,363
Total changes during the accounting period	8,562	20,537	218,363
Balance at end of the accounting year	32,169	52,706	560,404
Minority interests in consolidated subsidiaries			
Balance at begining of the accounting year	9,546	10,221	108,676
Changes during the accounting period			
Changes other than changes in stockholders' equity (net)	674	616	6,550
Total changes during the accounting period	674	616	6,550
Balance at end of the accounting year	10,221	10,837	115,226
Total net assets			
Balance at begining of the accounting year	173,139	184,702	1,963,870
Changes during the accounting period			
Dividends	(1,380)	(1,497)	(15,917)
Net income	3,734	9,158	97,374
Purchase of treasury stock	(436)	(726)	(7,719)
Disposal of treasury stock	385	371	3,945
Reversal of land revaluation account	24	(5)	(53)
Changes other than changes in stockholders' equity (net)	9,236	21,153	224,912
Total changes during the accounting period	11,564	28,454	302,541
Balance at end of the accounting year	184,702	213,156	2,266,411

See Notes to Consolidated Financial Statements.

Consolidated Statements of Cash Flows
The Awa Bank, Ltd. and its Consolidated Subsidiaries
For the years ended March 31, 2012 and 2013

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2012	2013	2013
Cash flows from operating activities:			
Income before income taxes	¥ 10,057	¥ 16,203	$ 172,281
Depreciation	2,415	2,461	26,167
Impairment losses	194	34	362
Gains on negative goodwill	−	(212)	(2,254)
Increase (decrease) in reserve for possible loan losses	3,492	(688)	(7,315)
Net change in provision for contingent liabilities	173	64	680
Increase (decrease) in accrued employees' bonuses	1	1	11
Increase (decrease) in accrued directors' bonuses	(1)	17	181
Increase (decrease) in employees' severance and retirement benefits	55	(28)	(298)
Net change in reserve for retirement payments to directors	25	(302)	(3,211)
Net change in reserve for claims on dormant accounts	167	(35)	(372)
Interest and dividend income	(44,490)	(43,556)	(463,115)
Interest expense	3,082	2,571	27,337
Securities losses (gains), net	502	130	1,382
Moneys held in trust losses (gains), net	(0)	(0)	(0)
Foreign exchange losses (gains), net	1,503	(16,301)	(173,323)
Losses on disposal of tangible fixed assets, net	57	64	680
Net decrease (increase) in trading account securities	70	(18)	(191)
Net decrease (increase) in loans and bills discounted	8,965	3,487	37,076
Net increase (decrease) in deposits	30,278	31,951	339,724
Net increase (decrease) in certificates of deposit	18,217	(24,588)	(261,435)
Net increase (decrease) in borrowed money			0
(except for subordinated borrowed money)	(9,438)	(23,523)	(250,112)
Net decrease (increase) in due from banks			
(except for deposits with the Bank of Japan)	(105)	(157)	(1,669)
Net decrease (increase) in call loans, bills purchased,			
commercial paper and other debt purchased	(3,739)	(54,164)	(575,906)
Net increase (decrease) in call money	5,514	21,897	232,823
Net increase (decrease) in payables under securities lending transactions	2,124	7,466	79,383
Net decrease (increase) in foreign exchange (assets)	263	(676)	(7,188)
Net increase (decrease) in foreign exchange (liabilities)	(0)	76	808
Increase (decrease) in straight bond-issuance and redemption	−	10,000	106,326
Interest and dividends received	46,094	45,568	484,508
Interest paid	(6,044)	(2,701)	(28,719)
Other	11,111	5,213	55,428
Subtotal	80,540	(19,746)	(209,952)
Income taxes refunded	(5,745)	(3,753)	(39,904)
Net cash provided by operating activities	74,795	(23,499)	(249,856)
Cash flows from investing activities:			
Payments for purchases of securities	(270,595)	(253,930)	(2,699,947)
Proceeds from sales of securities	116,301	91,948	977,650
Proceeds from maturities of securities	114,975	79,925	849,814
Increase in moneys held in trust	(600)	(800)	(8,506)
Decrease in moneys held in trust	600	800	8,506
Payments for purchases of tangible fixed assets	(1,109)	(1,536)	(16,332)
Payments for disposal of tangible fixed assets	(22)	(17)	(181)
Proceeds from sales of tangible fixed assets	81	0	0
Purchases of intangible fixed assets	(1,270)	(913)	(9,708)
Net cash used investing activities	(41,640)	(84,523)	(898,703)
Cash flows from financing activities:			
Payments for redemption of subordinated bonds	−	(5,000)	(53,163)
Dividends paid	(1,380)	(1,497)	(15,917)
Dividends paid to minority interests stockholders	(17)	(17)	(181)
Payments for purchases of treasury stock	(436)	(726)	(7,719)
Proceeds from sales of treasury stock	385	371	3,945
Net cash used in financing activities	(1,447)	(6,869)	(73,036)
			0
Foreign currency translation adjustments	5	12	128
Net increase (decrease) in cash and cash equivalents	31,713	(114,879)	(1,221,467)
Cash and cash equivalents at beginning of year	230,401	262,115	2,786,975
Cash and cash equivalents at end of year (Note 3)	¥ 262,114	¥ 147,236	$ 1,565,508

See Notes to Consolidated Financial Statements.

1. Basis of Presentation of Consolidated Financial Statements

The accompanying consolidated financial statements of The Awa Bank, Ltd. (the "Bank") and its consolidated subsidiaries have been prepared in accordance with the provisions set forth in the Japanese Financial Instruments and Exchange Law and the Japanese Banking Law, generally conform with the Japanese Uniform Rules for Bank Accounting and the guidelines of Japanese regulatory authorities and are in conformity with accounting principles generally accepted in Japan ("Japanese GAAP"), which are different in certain respects from the application and disclosure requirements of International Financial Reporting Standards.

The accompanying consolidated financial statements have been restructured 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 Law. Some supplementary information included in the statutory Japanese language consolidated financial statements, but not required for fair presentation, is not presented in the accompanying consolidated financial statements.

The translations of the Japanese yen amounts into U.S. dollar amounts are included solely for the convenience of the readers outside Japan, using the prevailing exchange rate at March 31, 2013, which was ¥94.05 to U.S.$1.00. The translations should not be construed as representations 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.

2. Significant Accounting Policies

(1) Principles of consolidation

The consolidated financial statements for the years ended March 31, 2012 and 2013 include the accounts of the Bank and all four of its subsidiaries:

The Awagin Lease Company Limited
The Awagin Card Company Limited
The Awagin Guaranty Company Limited
The Awagin Business Service Company Limited

All significant intercompany balances, transactions and unrealized profits and losses included in assets and liabilities have been eliminated. In the elimination of investments in subsidiaries, the assets and liabilities of the subsidiaries, including the portion attributable to minority shareholders, are evaluated using the fair value at the time the Bank acquired control of the respective subsidiary.

(2) Trading account securities

Listed trading account securities of the Bank are stated at fair market value. Gains and losses realized on disposal and unrealized gains and losses from market value fluctuations of the securities are recognized as gains and losses in the period of the change. Cost is calculated by the moving average method.

(3) Securities

Held-to-maturity debt securities are stated at amortized cost. Available-for-sale securities with available fair market values are stated at fair market value, which is the average for the last month of the fiscal year. Unrealized gains and unrealized losses on these securities are reported, net of applicable income taxes, as a separate component of shareholders' equity or net assets. Realized gains and losses on the sale of such securities are computed using moving average cost. Available-for-sale securities whose fair values are extremely difficult to determine are stated at moving average cost. Debt securities with no available fair market values are stated at amortized cost, net of the amount considered not collectible.

2. Significant Accounting Policies (cont'd.)

(4) Tangible fixed assets

Buildings and equipment are generally stated at cost, less accumulated depreciation and deferred gains on the sale of real estate. Depreciation of buildings and equipment owned by the Bank and its consolidated subsidiaries is recorded using the declining balance method, except for buildings acquired after April 1, 1998 – which are depreciated using the straight-line method. At March 31, 2012 and 2013, estimated useful lives were as follows:

Buildings	19〜50 years
Equipment	4〜8 years

(Changes in accounting policies with amendment of respective law or regulation that are not distinguishable from changes in accounting estimates)

From the year ending March 31, 2013, in accordance with the amendment in the Corporate Tax Law, the Bank and its consolidated subsidiaries have changed their depreciation method for property, plant and equipment. Assets acquired on or after April 1, 2012 are depreciated using the method prescribed in the amended corporate tax law. Due to this change in depreciation method, ordinary income and income before taxes were each ¥45 million ($478 thousand) more than the amounts that would have been reported without the change.

(5) Intangible fixed assets

Depreciation for intangible fixed assets of the Bank and its consolidated subsidiaries is recorded using the straight-line method. Internal use software costs of the Bank and its consolidated subsidiaries are depreciated using the straight-line method over the estimated useful life of five years.

(6) Reserve for possible loan losses

The Bank writes off loans and makes provisions for possible loan losses based on the financial circumstances of the borrower and the status of the loan. For loans to insolvent customers who are undergoing bankruptcy or other collection proceedings or who are in a similar financial condition, the reserve for possible loan losses for the portions of the loans that are neither secured nor guaranteed is provided in the full amount, excluding write-off amounts and the portion that is estimated to be recoverable due to the existence of security interests or guarantees. For loans to customers not presently in the above circumstances but who have a high probability of becoming so, the reserve for possible loan losses for the portions of the loans that are neither secured nor guaranteed is provided for in the amounts estimated to be unrecoverable after an evaluation of the customer's overall financial condition. For other loans such as normal loans and loans requiring special attention, the reserve for possible loan losses is provided based on the Bank's actual rate of loan losses in the past.

Assessments and classifications regarding possible loan losses are made by each business department and credit supervision department and are audited by the independent Credit Administration Department. The reserve for possible loan losses is provided based on such auditing results. The consolidated subsidiaries write off loans and make provisions for possible loan losses based on their actual rate of loan losses in the past. However, unrecoverable amounts of loans to customers who have a high probability of becoming bankrupt are estimated and a reserve for possible loan losses is provided based on the estimation.

For the fiscal years ended March 31, 2012 and 2013, the Bank and some consolidated subsidiaries wrote off portions of loans that were estimated to be unrecoverable from insolvent customers who were undergoing bankruptcy or other collection proceedings. The estimated unrecoverable amounts were determined after excluding estimated recoverable amounts due to the existence of security interests or guarantees. As of March 31, 2012 and 2013, the write-off of the estimated unrecoverable amounts was ¥29,882 million and ¥26,139 million ($277,927 thousand), respectively.

2. Significant Accounting Policies (cont'd.)

(7) Accrued employees' bonuses

Accrued employees' bonuses were recorded to pay bonuses to employees of the consolidated subsidiaries for the fiscal years ended March 31, 2012 and 2013.

(8) Employees' severance and retirement benefits

The Bank and its consolidated subsidiaries provide two post-employment benefit plans, an unfunded lump-sum benefits plan and a funded contributory pension plan, under which all eligible employees are entitled to benefits based on the level of wages and salaries at the time of retirement or termination, length of service and certain other factors. The liabilities and expenses for severance and retirement benefits are determined based on the amounts actuarially calculated using certain assumptions.

The Bank and its consolidated subsidiaries provided the allowance for employees' severance and retirement benefits at March 31, 2012 and 2013 based on the estimated amounts of projected benefit obligation and the fair value of plan assets. Prior service costs are amortized using the straight-line method over 10 years. Actuarial differences are recognized as expenses using the straight-line method over the average of the estimated remaining service years commencing with the following period.

(9) Bonuses to directors

Bonuses to directors are recorded as expense in the current period, and the related liability is recorded in other liabilities.

(10) Accrued directors' retirement benefits

A provision is made for accrued retirement benefits of directors and corporate auditors in the amount deemed accrued at the end of the reporting period.

(11) Reserve for reimbursement of deposits

A provision is made for losses on future reimbursement of deposits in an amount deemed necessary, taking into account the Bank's estimated refund amount.

(12) Reserve for contingent liabilities

A provision is made for future payment on loan-loss burden-sharing to credit guarantee associations in an estimated payment amount.

(13) Translation of foreign currencies

Foreign currency denominated assets and liabilities held by the Bank at the year end are translated into Japanese yen at exchange rates prevailing at the end of the fiscal year.

2. Significant Accounting Policies (cont'd.)

(14) Accounting for leases

(As lessor)

On finance lease transactions in which ownership of the lease assets is not transferred to the lessee and for which the leasing contracts commenced prior to April 1, 2008, the new accounting standard ASBJ Guidance No. 16, "Guidance on Accounting Standard for Lease Transactions," issued on March 30, 2007, was adopted, and for accumulated depreciation lease investment assets beginning with the year ended March 31, 2009, book value is regarded as the depreciable amount, in accordance with Article 81 of Guidance No. 16. As a result, income before income taxes for the years ended March 31, 2012 and 2013 were ¥331 million and ¥195 million ($2,073 thousand) more, respectively, than the amounts that would have been reported without the change.

(15) Derivatives and hedge accounting

Derivative financial instruments are carried at market value.

① Hedge of interest rate risk

In order to hedge the interest rate risk associated with various financial assets and liabilities, the Bank applies the deferred hedge method stipulated in "Accounting and Auditing Treatment of Accounting Standards for Financial Instruments in Banking Industry" (JICPA Industry Audit Committee Report No. 24).

The effectiveness of hedging is assessed for each identified group of hedged deposits, loans and similar instruments and the corresponding group of hedging instruments, such as interest rate swaps, in the same maturity bucket. In assessing the effectiveness of cash flow hedges, the correlation between the interest rate sensitivities of the hedged instruments and the hedging instruments is examined.

② Hedge of foreign currency risk

The Bank applies the deferred method of hedge accounting to hedge foreign exchange risks associated with various foreign currency denominated monetary assets and liabilities as stipulated in "Accounting and Auditing Concerning Accounting for Foreign Currency Transactions in the Banking Industry" (JICPA Industry Audit Committee Report No. 25). Assessment of the effectiveness of these hedge transactions is conducted by confirming whether notional amounts of hedging foreign exchange swaps, etc. correspond to the hedged foreign currency denominated receivables or payables.

(16) Cash flow statements

In preparing consolidated statements of cash flows, cash on hand and deposits with the Bank of Japan are considered to be cash and cash equivalents.

(17) Income taxes

The tax effects of loss carryforwards and the temporary differences between the carrying amounts of assets and liabilities for tax and financial reporting are recognized. The asset-liability approach is used to recognize deferred tax assets and liabilities for the expected future tax consequences of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes.

2. Significant Accounting Policies (cont'd.)

(18) Additional information

(Unapplied Accounting Standards)

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

① Summary
From the point of view of improving financial reporting and consideration of international trends, the above accounting standards were amended as follows:
(i) Changes in the treatment of unrecognized actual differences and unrecognized past service costs and enhancement of disclosures.
(ii) The calculation method for retirement benefit obligations and past service costs has been revised.

② Effective dates
The Bank and its consolidated subsidiaries have scheduled to apply the above (i) effective from the end of the fiscal year starting on April 1, 2013, and (ii) effective from the beginning of annual periods starting from April 1, 2014.

③ Effect of application of the standard
The effect of the application of this accounting standard is currently under consideration.

3. Cash and Cash Equivalents

The reconciliation between "Cash and due from banks" in the consolidated balance sheets and "Cash and cash equivalents at end of year" in the consolidated statements of cash flows at March 31, 2012 and 2013 was as follows:

	Millions of yen		Thousands of U.S. dollars
	2012	2013	2013
Cash and due from banks	¥ 262,649	¥ 147,927	$ 1,572,855
Other	(534)	(691)	(7,347)
Cash and cash equivalents	¥ 262,114	¥ 147,236	$ 1,565,508

4. Financial Instruments

(1) Overview of financial instruments

① Policy on financial instruments
The Group consists of the Bank and its four consolidated subsidiaries and provides mainly banking services and other financial services, including leasing. The Group holds financial assets such as loans and securities raised by deposits. In order to effectively manage its assets and liabilities, the Bank works on asset and liability management (ALM) and conducts derivative transactions as part of this ALM.

② Descriptions and risks of financial instruments
The financial assets of the Bank consist mainly of loans to domestic customers, which, although subject to credit risk, have brought about changes in the domestic economy and the financial status of the borrowers. The Group credits are hedged in small lots as to not focus on certain customers.

Also the Bank holds securities that consist mainly of stocks, bonds and mutual funds for investment, management and trading purposes. They are subject to credit risk, interest rate risk and market price risk. The Group's portfolio consists mainly of government bonds and municipal bonds which are very safe.

The financial liabilities of the Bank consist mainly of deposits from domestic customers, which are subject to liquidity risk due to the difficulty of raising necessary funds due to unexpected capital outflows. The Group tries to maintain and improve the soundness and reliability of its assets and to ensure stable cash management.

Derivative transactions include interest rate swaps, currency swaps, forward foreign exchange contracts and bond futures contracts. The Bank engages in derivative transactions principally to stabilize its earnings by hedging the risk of future fluctuations in interest rates, market price and exchange rates related to assets and liabilities. These transactions also provide various services to customers to fulfill their needs.

For interest rate risk, the Bank applies hedge accounting based on "Accounting Standards and Auditing Treatment for Financial Instruments in the Banking Industry"(JICPA Industry Audit Committee Report No. 24). The Bank assesses the effectiveness of hedges in offsetting movement in the fair value from changes in interest rates by classifying the hedged items such as deposits and loans and the hedging instruments such as interest rate swaps by incidence and remaining period. For cash flow hedges, the Bank assesses the effectiveness by verifying the correlation of the interest-rate fluctuation between the hedged items and the hedging instruments.

For exchange rate risk, the Bank applies hedge accounting based on JICPA Industry Audit Committee Report No. 25, "Treatment of Accounting and Auditing Concerning Accounting for Foreign Currency Transactions in the Banking Industry." The Bank uses currency swaps and other methods to hedge exchange rate risk and evaluates the effectiveness of the hedges by confirming that a foreign currency hedge position exists in an amount equivalent to the foreign-currency denominated monetary assets or liabilities being hedged.

4. Financial Instruments (cont'd.)

Derivative transactions are subject to market risk or credit risk, but the Bank does not engage in complicated or speculative transactions.

③ Risk management system for financial products
The Bank and its consolidated subsidiaries manage risk as follows:

(i) Credit risk management
The Bank prescribes "Credit Risk Management Standards" and carries out its credit risk management by division, maintains an appropriate portfolio and seeks to improve on the soundness of its assets. In addition, the Bank reviews the system for credit risk management periodically and tries to improve it.

The Credit Division is independent from the Business Promotion Division to maintain and improve the soundness of assets. The Risk Managing Division verifies credit ratings, conducts self-assessments and administers the credit portfolio and exerts influence on the internal check system to branches and the Credit Division, while trying to further enhance the credit rating and self-assessment.

(ii) Market risk management
(Management for interest rate risks, market price risks and foreign exchange risks)
The Bank has set the policy, "Taking adequate market risk within the Bank's management vitality, and the Bank assesses management risk accurately and executes policy and controls that corresponds to the Bank's management vitality, the scale and characteristic of the business to earn a profit." Then, the Bank enhances the system of management and optimizes market risk.

The Bank maintains the Trade Execution Section (front office), Administrative Processing Section to confirm and check the transactions of the Trade Execution Section (back office) and Market Risk Management Section (middle office). They set the tolerance levels for risk and measure profits and losses on market risks and report risks to the Board of Directors regularly.

The Risk Management Division, which is independent from the divisions above, monitors risk and profit and loss and reports the information to the Risk Management Committee regularly. The Group tries to improve risk management, in part, by discussing future measures. The Bank uses the VaR (Value at Risk) method for calculations of interest rate risks, foreign exchange risks and market price risks. For Japanese yen interest rate risks, the Bank analyzes the gap of risk including the deposits and loans of the entire Bank and uses the BPV (Basis Point Value) method and present value method for detailed management.

(Quantitative information on market risk)
The Bank measures market risk based on the VaR method. The variance co-variance model (holding period: 60 business days (cross-share holdings: 120 business days), confidence interval: 99%, and historical observation period: 250 business days) is applied in the measurement. The amount of market risk (estimated amount of loss) of the Group as of March 31, 2012 and 2013 was ¥20,481 million and ¥27,159 million ($288,772 thousand).

The Bank identifies the interest rate risk sorted by an internal model for the liquid deposits which have had no incoming or outgoing movement to or from the Bank for a considerable period of time as core deposits and by categorizing these using maturity periods of up to 10 years.

The Bank periodically performs back-testing to compare VaR measured by the model with hypothetical profit and loss, which are assumed to have been incurred when the portfolio was fixed as it was at the point of the risk amount measurement. The bank believes that the model estimates market risk with sufficient accuracy. VaR represents the market risk arising with a certain probability using a statistical methodology based on historical market volatilities. Risks arising from drastic market movements beyond normal estimation may not be captured by this method.

4. Financial Instruments (cont'd.)

(iii) Liquidity risk management related to fund procurement
The Bank maintains the soundness and reliability of its assets and makes daily analysis of fund procurement and asset management for the stable supply of funds. The Bank maintains a sound level of highly negotiable debt securities such as government bonds. In addition, the Bank sets risk management policies and organizes liquidity risk management to maximize its assurance.

④ Supplementary explanation of the fair value of financial instruments
The fair value of financial instruments includes, in addition to the value based on the market price, value reasonably calculated if no market price is available. Since certain assumptions are used in the calculation of such values, the results of such calculations may vary if different assumptions are used.

(2) Fair value of financial instruments
The following table summarizes book values, fair values and any differences between them as of March 31, 2012 and 2013. Unlisted stocks and others for which the fair value was deemed to be extremely difficult to determine were excluded from the table (see Note 2).

	Millions of yen		
	2012		
	Book value	Fair value	Difference
(1) Cash and due from banks	¥262,649	¥262,649	¥ –
(2) Call loans and bills purchased	35,526	35,526	–
(3) Commercial paper and other debt purchased	6,511	6,511	–
(4) Trading account securities			
Available-for-sale securities	765	765	–
(5) Securities			
Held-to-maturity debt securities	–	–	–
Available-for-sale securities	853,635	853,635	–
(6) Loans and bills discounted	1,571,624		
Reserve for possible loan losses (*1)	(21,627)		
	1,549,997	1,563,846	13,849
(7) Lease receivables and investment assets	22,796		
Reserve for lease losses (*1)	(499)		
(*2)	22,297	23,911	1,613
Total assets:	¥2,731,379	¥2,746,841	¥15,462
(1) Deposits	2,374,047	2,374,972	925
(2) Negotiable certificates of deposit	132,945	132,958	13
(3) Call money and bills sold	26,768	26,768	–
Total liabilities:	¥2,533,760	¥2,534,698	¥938
Derivative transactions (*3)			
Hedge accounting not applied	134	134	–
Hedge accounting applied	2,490	2,490	–
Total derivative transactions:	¥2,624	¥2,624	¥ –

(*1) "General and specific reserves for loan losses related to loans and bills discounted" and "General and specific reserves for loan losses related to lease receivables and investment assets" are excluded.
(*2) The fair value amount after deduction for uncollectible receivables of lease receivables and investment assets was ¥20,439 million.
(*3) Derivative transactions recorded in other assets and liabilities are presented as a lump sum.
Net claims and debts that arise from derivative transactions are presented on a net basis.

4. Financial Instruments (cont'd.)

	Millions of yen			Thousands of U.S. dollars		
	2013			2013		
	Book value	Fair value	Difference	Book value	Fair value	Difference
(1) Cash and due from banks	¥147,926	¥147,926	–	$1,572,844	$1,572,844	–
(2) Call loans and bills purchased	90,234	90,234	–	959,426	959,426	–
(3) Commercial paper and other debt purchased	6,041	6,041	–	64,232	64,232	–
(4) Trading account securities						
Available-for-sale securities	783	783	–	8,325	8,325	–
(5) Securities						
Held-to-maturity debt securities	–	–	–	–	–	–
Available-for-sale securities	984,232	984,232	–	10,464,987	10,464,987	–
(6) Loans and bills discounted	1,568,137			16,673,440		
Reserve for possible loan losses (*1)	(21,144)			(224,817)		
	1,546,993	1,559,210	12,217	16,448,623	16,578,522	129,899
(7) Lease receivables and investment assets	22,355			237,693		
Reserve for lease losses (*1)	(282)			(2,998)		
(*2)	22,073	23,503	1,430	234,695	249,899	15,205
Total assets:	¥2,798,282	¥2,811,929	¥13,647	$29,753,132	$29,898,235	$145,104
(1) Deposits	2,405,998	2,406,388	390	25,582,116	25,586,263	4,147
(2) Negotiable certificates of deposit	108,357	108,368	12	1,152,121	1,152,249	128
(3) Call money and bills sold	48,663	48,663	–	517,416	517,416	–
Total liabilities:	¥2,563,018	¥2,563,419	¥402	$27,251,653	$27,255,928	$4,275
Derivative transactions (*3)						
Hedge accounting not applied	(140)	(140)	–	(1,489)	(1,489)	–
Hedge accounting applied	(5,987)	(5,987)	–	(63,658)	(63,658)	–
Total derivative transactions:	¥(6,127)	¥(6,127)	¥ –	$(65,147)	$(65,147)	$ –

(*1) "General and specific reserves for loan losses related to loans and bills discounted" and "General and specific reserves for loan losses related to lease receivables and investment assets" are excluded.
(*2) The fair value amount after deduction for uncollectible receivables of lease receivables and investment assets was ¥20,174 million ($214,503 thousand).
(*3) Derivative transactions recorded in other assets and liabilities are presented as a lump sum.
Net claims and debts that arise from derivative transactions are presented on a net basis.

(Note 1) Calculation method for the fair value of financial instruments

Assets

(1) Cash and due from banks

The fair value of due from banks with no maturity is considered to be equal to the book value because the fair value of these items approximates the book value.

(2) Call loans and bills purchased

Call loans and bills purchased have short contractual terms (within 1 year), and the fair value is considered to be equal to the book value because the fair value of these items approximates the book value.

(3) Commercial paper and other debt purchased

The fair value of trustee beneficial rights in other debt purchased is based on the price quoted by corresponding securities. For factoring, these have short contractual terms (within 1 year), and the fair value is considered to be equal to the book value because the fair value of these items approximates the book value.

4. Financial Instruments (cont'd.)

(4) Trading account securities
The fair value of securities such as bonds held for trading is based on the published market price or the price quoted by corresponding financial institutions.

(5) Securities
The fair value of stocks is based on the market price. The fair value of bonds is determined by the over-the-counter market value or amounts quoted by corresponding financial institutions. The fair value of investment trusts is based on the publicly disclosed base value. The fair value of private placement bonds is calculated based on loans and bills discounted. Investments in partnerships are evaluated if the partnership assets can be quoted at fair value and the posted equivalent value of net assets as the fair value of the investment in the partnership.

Information on securities classified by the purpose for which they are held is disclosed in Note 2 (3), "Significant Accounting Policies - Securities."

(6) Loans and bills discounted
The fair value of loans and bills discounted with a floating rate is considered to be equal to the book value since the rate reflects the market rate in a short period, and the fair value of these items approximate the book value, unless the creditworthiness of the borrower changes significantly from the inception date. The fair value of loans and bills discounted with a fixed rate is calculated as the present value, discounting future cash flow at a rate that reflects the proper market rate corresponding to the remaining period and credit risk based on the internal rating. The fair value of loans and bills discounted with short contractual terms (within 1 year) is considered to be equal to the book value because the fair value of these items approximates the book value.

In addition, the fair value of claims against bankrupt obligors, substantially bankrupt obligors and intensive control obligors, because the bad debt is calculated based on the present value of the expected future cash flow or the estimated collectable amount from collateral and/or guarantees, approximates the consolidated balance sheet amount as of the consolidated balance sheet date less the allowance for bad debts.

The fair value of the loans and bills discounted with no maturity due to conditions such as limiting the loans to the value of pledged assets is deemed to be the book value since the fair value is expected to approximate the book value considering the estimated loan period, interest rate and other conditions.

(7) Lease receivables and investment assets
The fair value of lease receivables and investment assets takes into consideration the loan loss ratio of each borrower's category and the discounted market interest rate on the consolidated balance sheet date. In addition, the fair value of claims against bankrupt obligors, substantially bankrupt obligors and intensive control obligors, because the bad debt is calculated based on the present value of the expected future cash flow or the estimated collectable amount from collateral and/or guarantees, approximates the consolidated balance sheet amount as of the consolidated balance sheet date less the allowance for bad debts.

Liabilities

(1) Deposits and (2) Negotiable certificates of deposit
The fair value of demand deposits is considered to be the payable amount as of the consolidated balance sheet date (the book value). In addition, the fair value of fixed-term deposits and negotiable certificates of deposit is calculated as the present value, discounting the future cash flow at a rate that reflects when the Bank received the new deposit. The fair value of floating interest-rate deposits, time deposits (matured), nonresident Japanese yen deposits and foreign currency time deposits is considered less important and is expected to approximate the book value.

4. Financial Instruments (cont'd.)

(3) Call money and bills sold
The fair value of call money and bills sold is equal to the book value because the contractual term is within 1 year and the fair value of these items approximates the book value.

Derivative Transactions
Derivative transactions consist of interest rate related contracts (interest rate options, interest rate swaps, etc.), currency related contracts (currency options, currency swaps, etc.) and bond related contracts (bond futures, bond futures options). The fair value of these items is calculated from market price, discounted cash flow and option price calculation models, etc.

(Note 2) Financial instruments whose fair value was deemed to be extremely difficult to determine were not included in financial instruments fair value "Assets (5) Available-for-sale securities." These instruments were as follows:

	Book value		
	Millions of yen	Millions of yen	Thousands of U.S. dollars
	2012	2013	2013
Unlisted stocks (*1)(*2)	¥ 9,878	¥ 9,738	$ 103,541
Others (*3)	¥ 171	¥ 15	$ 159
Total ------------	¥ 10,049	¥ 9,753	$ 103,700

(*1) Unlisted stocks are not included in the disclosure of fair value because the fair value is deemed extremely difficult to determine.
(*2) The amount of unlisted stocks impaired during the year ended March 31, 2012 was ¥7 million and the year ended March 31, 2013 was not applicable.
(*3) Investments in partnerships in which the partnership assets comprise unlisted stocks are not included in the disclosure of fair value because the fair value is deemed extremely difficult to determine.

4. Financial Instruments (cont'd.)

(Note 3) Expected collection of monetary claims and securities with maturities

	Millions of yen					
	2012					
	Within 1 year	1-3 years	3-5 years	5-7 years	7-10 years	Over 10 years
Cash and due from banks	¥241,354	¥ −	¥ −	¥ −	¥ −	¥ −
Call loans and bills purchased	35,526	−	−	−	−	−
Commercial paper and other debt purchased	3,696	2,669	253	−	−	—
Securities	70,286	165,451	196,412	126,728	154,941	26,468
Held-to-maturity debt securities	−	−	−	−	−	−
Japanese government bonds	−	−	−	−	−	−
Municipal bonds	−	−	−	−	−	−
Short-term corporate bonds	−	−	−	−	−	−
Corporate bonds	−	−	−	−	−	−
Others	−	−	−	−	−	−
Securities with maturities	70,286	165,451	196,412	126,728	154,941	26,468
Japanese government bonds	15,430	36,398	73,470	61,500	110,400	4,000
Municipal bonds	15,133	46,481	47,742	37,513	22,600	5,557
Short-term corporate bonds	−	−	−	−	−	−
Corporate bonds	22,172	35,098	36,626	13,613	13,871	16,911
Others	17,552	47,474	38,574	14,103	8,071	—
Loans and bills discounted (*1)	414,947	326,574	209,373	147,698	154,812	236,881
Lease receivables and investment assets (*2)	7,356	9,930	4,411	724	31	−
Total	¥773,166	¥504,625	¥410,450	¥275,149	¥309,785	¥263,349

(*1) Loans and bills discounted on which full repayment is not expected from debtors such as bankrupt obligors, substantially bankrupt obligors and intensively controlled obligors in the amount of ¥48,144 million and those without terms in the amount of ¥33,194 million are not included.
(*2) Leasing receivables and investment assets on which full repayment is not expected from debtors such as bankrupt obligors, substantially bankrupt obligors and intensively controlled obligors in the amount of ¥343 million are not included.

4. Financial Instruments (cont'd.)

	Millions of yen					
	2013					
	Within 1 year	1–3 years	3–5 years	5–7 years	7–10 years	Over 10 years
Cash and due from banks	¥125,177	¥ –	¥ –	¥ –	¥ –	¥ –
Call loans and bills purchased	90,234	–	–	–	–	–
Commercial paper and other debt purchased	4,539	113	–	–	1,422	—
Securities	90,078	212,409	203,482	138,974	152,268	39,686
Held-to-maturity debt securities	–	–	–	–	–	–
Japanese government bonds	–	–	–	–	–	–
Municipal bonds	–	–	–	–	–	–
Short-term corporate bonds	–	–	–	–	–	–
Corporate bonds	–	–	–	–	–	–
Others	–	–	–	–	–	–
Securities with maturities	90,078	212,409	203,482	138,974	152,268	39,686
Japanese government bonds	22,200	56,668	63,200	75,500	120,600	16,000
Municipal bonds	22,310	59,100	43,848	31,610	12,702	4,809
Short-term corporate bonds	–	–	–	–	–	–
Corporate bonds	17,763	48,037	49,804	13,247	16,367	17,947
Others	27,805	48,604	46,630	18,617	2,599	930
Loans and bills discounted (*1)	407,834	310,694	216,586	150,680	164,791	243,448
Lease receivables and investment assets (*2)	7,173	9,765	4,635	564	31	14
Total	¥725,035	¥532,981	¥424,703	¥290,218	¥318,512	¥283,148

4. Financial Instruments (cont'd.)

	Thousands of U.S. dollars					
	2013					
	Within 1 year	1–3 years	3–5 years	5–7 years	7–10 years	Over 10 years
Cash and due from banks	$1,330,962	$ –	$ –	$ –	$ –	$ –
Call loans and bills purchased	959,426	–	–	–	–	–
Commercial paper and other debt purchased	48,262	1,201		–	15,120	–
Securities	957,767	2,258,469	2,163,551	1,477,661	1,619,011	421,967
Held-to-maturity debt securities	–	–	–	–	–	–
Japanese government bonds	–	–	–	–	–	–
Municipal bonds	–	–	–	–	–	–
Short-term corporate bonds	–	–	–	–	–	–
Corporate bonds	–	–	–	–	–	–
Others	–	–	–	–	–	–
Securities with maturities	957,767	2,258,469	2,163,551	1,477,661	1,619,011	421,967
Japanese government bonds	236,045	602,531	671,983	802,764	1,282,297	170,122
Municipal bonds	237,214	628,389	466,220	336,098	135,056	51,132
Short-term corporate bonds	–	–	–	–	–	–
Corporate bonds	188,868	510,760	529,548	140,851	174,024	190,824
Others	295,640	516,789	495,800	197,948	27,634	9,889
Loans and bills discounted (*1)	4,336,353	3,303,498	2,302,881	1,602,127	1,752,164	2,588,495
Lease receivables and investment assets (*2)	76,268	103,828	49,283	5,996	329	149
Total	$7,709,038	$5,666,996	$4,515,715	$3,085,784	$3,386,624	$3,010,611

(*1) Loans and bills discounted on which full repayment is not expected from debtors such as bankrupt obligors, substantially bankrupt obligors and intensively controlled obligors in the amount of ¥43,562 million ($463,179 thousand) and those without terms in the amount of ¥30,541 million ($324,732 thousand) are not included.
(*2) Leasing receivables and investment assets on which full repayment is not expected from debtors such as bankrupt obligors, substantially bankrupt obligors and intensively controlled obligors in the amount of ¥174 million ($1,850 thousand) are not included.

4. Financial Instruments (cont'd.)

(Note 4) Amount payable for borrowed money and other interest bearing liabilities

	Millions of yen					
	2012					
	Within 1 year	1–3 years	3–5 years	5–7 years	7–10 years	Over 10 years
Deposits (*)	¥ 2,146,747	¥ 190,296	¥ 34,330	¥ 687	¥ 1,987	¥ –
Negotiable certificates of deposit	132,945	–	–	–	–	–
Call money and bills sold	26,768	–	–	–	–	–
Borrowed money	27,262	6,174	1,972	8	–	–
Corporate bonds	–	–	–	5,000	12,000	–
Total	¥ 2,333,722	¥ 196,470	¥ 36,302	¥ 5,695	¥ 13,987	¥ –

	Millions of yen					
	2013					
	Within 1 year	1–3 years	3–5 years	5–7 years	7–10 years	Over 10 years
Deposits (*)	¥ 2,193,865	¥ 175,688	¥ 33,209	¥ 1,102	¥ 2,135	¥ –
Negotiable certificates of deposit	108,357	–	–	–	–	–
Call money and bills sold	48,663	–	–	–	–	–
Borrowed money	4,546	5,603	1,740	3	–	–
Corporate bonds	–	–	10,000	–	12,000	–
Total	¥ 2,355,431	¥ 181,291	¥ 44,949	¥ 1,105	¥ 14,135	¥ –

	Thousands of U.S. dollars					
	2013					
	Within 1 year	1–3 years	3–5 years	5–7 years	7–10 years	Over 10 years
Deposits (*)	$ 23,326,582	$1,868,028	$ 353,099	$ 11,717	$ 22,701	$ –
Negotiable certificates of deposit	1,152,121	–	–	–	–	–
Call money and bills sold	517,416	–	–	–	–	–
Borrowed money	48,336	59,574	18,502	32	–	–
Corporate bonds	–	–	106,326	–	127,591	–
Total	$ 25,044,455	$1,927,602	$ 477,927	$ 11,749	$ 150,292	$ –

(*) Demand deposits are included in "Within 1 year."

5. Securities

Unsecured securities that have been loaned and that allow the borrowers to sell the borrowed securities amounted to ¥17,780 million and ¥52,952 million ($563,020 thousand) as of March 31, 2012 and 2013, respectively, and are included in Japanese government bonds in Securities.

(1) The following tables summarize acquisition costs, book values and fair values of securities with available fair values as of March 31, 2012 and 2013.

① Trading securities:

	Millions of yen		Thousands of U.S. dollars
	2012	2013	2013
Amount of net unrealized gains (losses) included in statements of income	¥ 5	¥ 6	$ 64

② Held-to-maturity debt securities for the years ended March 31, 2012 and 2013:

Not applicable.

③ Available-for-sale securities:
※Book value exceeded acquisition cost

	Millions of yen		
	2012		
	Acquisition cost	Book (fair) value	Difference
Equity securities	¥ 55,655	¥ 29,615	¥ 26,040
Bonds:			
Japanese government bonds	307,438	300,246	7,192
Municipal bonds	172,804	166,414	6,390
Corporate bonds	130,514	127,274	3,239
Other	118,975	115,617	3,358
Total	¥ 785,386	¥ 739,166	¥ 46,219
※ Book value did not exceed acquisition cost			
Equity securities	¥ 12,506	¥ 14,548	¥ (2,042)
Bonds:			
Japanese government bonds	4,376	4,378	(2)
Municipal bonds	9,748	9,757	(8)
Corporate bonds	10,893	10,934	(42)
Other	36,336	37,452	(1,116)
Total	¥ 73,859	¥ 77,069	¥ (3,210)
Grand total	¥ 859,245	¥ 816,235	¥ 43,009

5. Securities (cont'd.)

※Book value exceeded acquisition cost

	Millions of yen		
	2013		
	Acquisition cost	Book (fair) value	Difference
Equity securities	¥ 80,336	¥ 37,044	¥ 43,291
Bonds:			
Japanese government bonds	369,716	357,755	11,961
Municipal bonds	176,626	169,754	6,872
Corporate bonds	161,517	157,044	4,473
Other	169,706	159,010	10,696
Total	¥ 957,901	¥ 880,607	¥ 77,293
※ Book value did not exceed acquisition cost			
Equity securities	¥ 5,602	¥ 6,489	¥ (887)
Bonds:			
Japanese government bonds	–	–	–
Municipal bonds	5,764	5,769	(5)
Corporate bonds	6,108	6,142	(34)
Other	13,922	14,061	(139)
Total	¥ 31,396	¥ 32,461	¥ (1,065)
Grand total	¥ 989,297	¥ 913,068	¥ 76,228

5. Securities (cont'd.)

※ Book value exceeded acquisition cost

	Thousands of U.S. dollars		
	2013		
	Acquisition cost	Book (fair) value	Difference
Equity securities	$ 854,184	$ 393,876	$ 460,298
Bonds:			
Japanese government bonds	3,931,058	3,803,881	127,177
Municipal bonds	1,878,001	1,804,934	73,067
Corporate bonds	1,717,352	1,669,793	47,560
Other	1,804,423	1,690,695	113,727
Total	$ 10,185,018	$ 9,363,179	$ 821,829
※ Book value did not exceed acquisition cost			
Equity securities	$ 59,564	$ 68,995	$ (9,431)
Bonds:			
Japanese government bonds	−	−	−
Municipal bonds	61,287	61,340	(53)
Corporate bonds	64,944	65,306	(362)
Other	148,028	149,505	(1,478)
Total	$ 333,823	$ 345,146	$ (11,324)
Grand total	$ 10,518,841	$ 9,708,325	$ 810,505

④ Held-to-maturity debt securities sold for the years ended March 31, 2012 and 2013:

Not applicable.

⑤ Available-for-sale securities sold in the years ended March 31, 2012 and 2013.

	Millions of yen		
	2012		
	Amount sold	Gains	Losses
Equity securities	¥ 2,865	¥ 364	¥ 912
Bonds:			
Japanese government bonds	61,917	758	31
Municipal bonds	11,309	138	25
Corporate bonds	14,320	202	590
Other	26,982	503	494
Total	¥ 117,393	¥ 1,965	¥ 2,052

5. Securities (cont'd.)

	Millions of yen		
	2013		
	Amount sold	Gains	Losses
Equity securities	¥ 3,961	¥ 558	¥ 1,118
Bonds:			
Japanese government bonds	58,865	386	84
Municipal bonds	3,205	7	–
Corporate bonds	15,085	225	21
Other	9,841	34	121
Total	¥ 90,957	¥ 1,210	¥ 1,344

	Thousands of U.S. dollars		
	2013		
	Amount sold	Gains	Losses
Equity securities	$ 42,116	$ 5,933	$ 11,887
Bonds:			
Japanese government bonds	625,890	4,104	893
Municipal bonds	34,078	74	–
Corporate bonds	160,393	2,392	223
Other	104,636	362	1,287
Total	$ 967,113	$ 12,865	$ 14,290

⑥ Securities reclassified for the years ended March 31, 2012 and 2013:

Not applicable.

⑦ Available-for-sale securities with market values are considered impaired if the market value decreases materially below the acquisition cost and the decline is not considered recoverable. The market value is used for the balance sheet amount, and the amount of write-down is accounted for as an impairment loss for the fiscal year. Impairment loss for the fiscal year ended March 31, 2012 was ¥427 million, including ¥423 million of equity securities and ¥3 million of others. Impairment loss for the fiscal year ended March 31, 2013 was ¥0 million ($1 thousand), including ¥0 million ($1 thousand) of others.

The market value is deemed to have decreased materially when it has fallen by 50% or more from the acquisition cost. In such cases, impairment accounting is applied uniformly. In cases where the market value has fallen by 30% or more but less than 50%, historical price trends over a specific period and the recent business performance of the issuing company are taken into account to determine whether or not the acquisition cost can be recovered. Securities whose acquisition costs are deemed not to be recoverable are written down to the current market value.

5. Securities (cont'd.)

(2) Net unrealized holding gains on securities stated at market value at March 31, 2012 and 2013 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2012	2013	2013
Available-for-sale securities	¥ 43,009	¥ 76,228	$ 810,505
Deferred tax assets	-	-	-
Deferred tax liabilities	15,203	26,709	283,987
Net unrealized holding gains on securities (before adjustment for minority interests)	27,807	49,519	526,517
Minority interests	561	1,063	11,302
Net unrealized holding gains on securities	¥ 27,246	¥ 48,456	$ 515,215

(3) For the year ended March 31, 2012 and 2013, the amount of guarantee obligations for privately placed bonds (Securities and Exchange Law, Article 2, Item 3) included in corporate bonds amounted to ¥3,545 million and ¥3,675 million ($39,075 thousand), respectively.

6. Loans and Bills Discounted

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

	Millions of yen		Thousands of U.S. dollars
	2012	2013	2013
Loans to bankrupt customers	¥ 6,053	¥ 3,939	$ 41,882
Non-accrual loans	42,434	39,797	423,147
Loans past due three months or more	239	125	1,329
Restructured loans	5,810	7,424	78,937
Total	¥ 54,537	¥ 51,285	$ 545,295

Loans to bankrupt customers are loans to customers undergoing bankruptcy or similar proceedings or who are in similar financial condition. Interest is not being accrued on these loans as there is a strong likelihood that the principal and interest are uncollectible.

Non-accrual loans are loans on which accrued interest income is not recognized, excluding "Bankrupt loans" and loans on which interest payments are deferred in order to support the borrowers' recovery from financial difficulties.

Loans past due three months or more are loans not included in the above categories or in restructured loans for which payments are past due three months or more but less than six months.

Restructured loans are loans not included in the above categories for which the Bank has granted concessions such as reduced interest rates or the deferral or waiver of interest or principal payments to support customers in financial difficulties.

7. Commercial Bills

The total face value of commercial bills obtained as a result of discounting was ¥22,605 million and ¥22,128 million ($235,279 thousand) at March 31, 2012 and 2013, respectively.

8. Commitment Lines

Loan agreements and commitment line agreements related to loans are agreements which oblige the Bank and its consolidated subsidiaries to lend funds up to a certain limit agreed to in advance. The Bank and its consolidated subsidiaries lend the funds upon the request of the borrower to draw down funds under the agreement as long as there is no breach of the various terms and conditions stipulated in the agreement. The unused commitment balances related to these agreements at March 31, 2012 and 2013 amounted to ¥414,819 million and ¥406,852 million ($4,325,912 thousand), respectively. Of these amounts, ¥412,963 million and ¥405,552 million ($4,312,089 thousand), respectively related to loans in which the term of the agreement was one year or less or in which unconditional cancellation of the agreement was allowed at any time.

In many cases, the term of the agreement expires without the loan ever being drawn down. In these cases, the unused loan commitment does not necessarily affect future cash flows. Conditions are also included in certain loan agreements which allow the Bank and its consolidated subsidiaries either to decline the request for a loan drawdown or to reduce the agreed to limit when there is cause to do so, such as when there is a change in financial condition or when it is necessary to protect the Bank or its consolidated subsidiaries' credit.

The Bank and its consolidated subsidiaries take various measures to protect their credit. Such measures include having the obligor pledge collateral such as real estate or securities on signing the loan agreement or confirming the obligor's financial condition at regular intervals in accordance with the Bank and its consolidated subsidiaries' established internal procedures.

9. Assets Pledged

At March 31, 2012 and 2013, assets and future receipts pledged as collateral were as follows:

	Millions of yen		Thousands of U.S. dollars
	2012	2013	2013
Securities	¥ 45,349	¥ 44,944	$ 477,873

The above pledged amounts secure the following liabilities:

	Millions of yen		Thousands of U.S. dollars
	2012	2013	2013
Deposits	¥ 2,456	¥ 5,016	$ 53,333
Call money and bills sold	¥ 4,110	¥ −	$ −
Payables under securities lending transactions	¥ 2,124	¥ 9,591	$ 101,978
Borrowed money	¥ 22,370	¥ −	$ −

At March 31, 2012, respectively, and 2013, certain investment securities amounting to ¥72,616 million and ¥40,228 million ($427,730 thousand), respectively, and other assets of ¥27 million and ¥27 million ($287 thousand), respectively, were pledged as collateral for settlement of exchange at the Bank of Japan and for other purposes.

At March 31, 2012 and 2013, other assets included guarantees of ¥261 million and ¥317 million ($3,371 thousand), respectively.

10. Tangible Fixed Assets

Accumulated depreciation of tangible fixed assets at March 31, 2012 and 2013 amounted to ¥34,277 million and ¥34,239 million ($364,051 thousand), respectively. Accumulated capital gains that directly offset acquisition costs of tangible fixed assets to obtain tax benefits at March 31, 2012 and 2013 amounted to ¥831 million and ¥831 million ($8,836 thousand), respectively.

11. Land Revaluation Account

In accordance with the Land Revaluation Law, the Bank revalued land used in the ordinary course of business as of March 31, 1999. The revaluation excess, net of deferred taxes, is shown as land revaluation account, a separate component of shareholders' equity. At March 31, 2012 and 2013, the current market values of the revalued land decreased from the revalued amount by ¥9,209 million and ¥9,847 million ($104,700 thousand), respectively.

12. Other Expenses

(1) For the year ended March 31, 2012, other expenses included loans written off of ¥61 million, loss on sale of securities of ¥978 million and securities written off of ¥431 million. For the year ended March 31, 2013, other expenses included loans written off of ¥65 million ($691 thousand) and loss on sale of securities of ¥1,152 million ($12,249 thousand).

(2) For the years ended March 31, 2012 and 2013, the Bank reduced the book value of the following asset groups to the recoverable amounts and recognized impairment losses of ¥194 million and ¥34 million ($362 thousand), respectively, due to the continuous decrease in real estate values and decrease in operating cash flows.

	Area	Purpose of use		Type	Impairment losses Millions of yen 2012
Operating assets	Tokushima area	Branches	3 branches	Land and buildings	¥ 86
	Others	Branches	1 branch	Land and buildings	33
Idle assets	Tokushima area	Idle assets	5 items	Land	75
Total					194
				(Land)	103
				(Buildings)	91

The Bank allocates its assets to each branch (or a group of branches if the management is in a group) which is the smallest unit of an asset group, and consolidated subsidiaries regard each entity as a unit in group. The recoverable amount is the net realizable value, which is determined by the appraisal value based on the Real Estate Appraisal Standard less the expected disposal cost.

For the year ended March 31, 2013:
A description is omitted because the amount was immaterial.

13. Other Comprehensive Income

Amounts reclassified to net income (loss) in the current period that were recognized in other comprehensive income in the current or previous periods and the tax effects for each component of other comprehensive income for the years ended March 31, 2012 and 2013 were as follows:

	Millions of yen 2012	Millions of yen 2013	Thousands of U.S. dollars 2013
Unrealized gains (losses) on securities			
Increase (decrease) during the year	¥ 9,798	¥ 33,089	$ 351,823
Reclassification adjustments	537	130	1,382
Subtotal, before tax	10,335	33,219	353,206
Tax (expense) or benefit	(2,009)	(11,506)	(122,339)
Subtotal, net of tax	8,326	21,713	230,867
Deferred gains or losses on hedges			
Increase (decrease) during the year	(673)	(1,548)	(16,459)
Reclassification adjustments	518	498	5,295
Subtotal, before tax	(155)	(1,050)	(11,164)
Tax (expense) or benefit	53	371	3,944
Subtotal, net of tax	(102)	(679)	(7,220)
Land revaluation account			
Increase (decrease) during the year	–	–	–
Reclassification adjustments	–	–	–
Subtotal, before tax	–	–	–
Tax (expense) or benefit	502	–	–
Land revaluation account	502	–	–
Total other comprehensive income	8,726	21,034	223,647

14. Income Taxes

The Bank and its consolidated subsidiaries are subject to a number of taxes based on income, such as corporation tax, inhabitants tax and enterprise tax, which, in the aggregate, indicate a statutory rate of approximately 40.4% and 37.7% for the years ended March 31, 2012 and 2013, respectively.

The reconciliation of the statutory tax rate and effective tax rate for the years ended March 31, 2012 and 2013 was as follows:

	2012	2013
Statutory tax rate	40.4	37.7
(Adjustments)		
Items permanently excluded from expenses such as entertainment expenses	0.5	0.3
Items permanently excluded from income such as dividend income	(4.0)	(2.4)
Inhabitants tax on per capita basis	0.4	0.2
Increase (decrease) in valuation allowance	0.2	4.7
Adjustment of deferred tax assets and liabilities for enacted changes in tax laws and rates	20.8	−
Others	(1.0)	(0.8)
Actual tax rate after application of deferred income tax accounting	57.3	41.3

Significant components of deferred tax assets and liabilities as of March 31, 2012 and 2013 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2012	2013	2013
Deferred tax assets:			
Excess reserve for possible loan losses	¥ 15,504	¥ 14,625	$ 155,502
Excess employees' severance and retirement benefits	1,016	917	9,750
Excess depreciation	2,217	1,668	17,735
Tax loss carryforwards	−	16	170
Net deferred gains (losses) on derivatives under hedge accounting	80	451	4,795
Other	2,393	2,204	23,435
Valuation allowance	(968)	(1,714)	(18,224)
Total deferred tax assets	20,242	18,167	193,163
Deferred tax liabilities:			
Deferred gains on real property	(284)	(285)	(3,030)
Unrealized gains on securities	(15,203)	(26,709)	(283,987)
Other	(21)	(19)	(202)
Total deferred tax liabilities	(15,508)	(27,013)	(287,219)
Net deferred tax assets	¥ 4,734	¥ (8,846)	$ (94,056)

15. Acceptances and Guarantees

All commitments and contingent liabilities arising in connection with customers' needs in foreign trade and other transactions are included in "Acceptances and guarantees." A contra account, "Customers' liabilities for acceptances and guarantees," is shown on the asset side, representing the Bank's right of indemnity from customers.

16. Borrowed Money

Borrowed money at March 31, 2012 and 2013 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2012	2013	2013
Borrowings from banks	¥ 35,416	¥ 11,893	$ 126,454
Lease obligations	¥ 182	¥ 160	$ 1,701

The following is a summary of aggregate annual maturities of borrowings from banks and lease obligations at March 31, 2013.

・Borrowings from banks

Year ending March 31:	Millions of yen	Thousands of U.S. dollars
2014	¥ 4,546	$ 48,336
2015	3,256	34,620
2016	2,348	24,965
2017	1,255	13,344
2018	485	5,157
2019 and thereafter	3	32
Total	¥ 11,893	$ 126,454

・Lease obligations

Year ending March 31:	Millions of yen	Thousands of U.S. dollars
2014	¥ 70	$ 744
2015	45	478
2016	27	287
2017	13	138
2018	4	43
2019 and thereafter	1	11
Total	¥ 160	$ 1,701

17. Bonds

Bonds at March 31, 2012 and 2013 consisted of the following:

	Millions of yen				Thousands of U.S. dollars	
	2012		2013		2013	
1.69% bonds, due November 2, 2017[*1, 2]	¥	5,000	¥	–	$	–
1.01% bonds, due September 10, 2020[*1, 3]		12,000		12,000		127,592
0.52% bonds, due December 21, 2017 [*1, 4]		–		10,000		106,326
Total	¥	17,000	¥	22,000	$	233,918

[*1] At March 31, 2012 and 2013, bonds included subordinated debt of ¥17,000 million and ¥22,000 million ($233,918 thousand), respectively.

[*2] There was a fixed interest rate of 1.69% through November 2, 2012 and floating rate of LIBOR + 1.88% from November 3, 2012 to November 2, 2017.

[*3] There is a fixed interest rate of 1.01% through September 10, 2015 and floating rate of Euro LIBOR + 1.92% from September 11, 2015 to September 10, 2020.

[*4] There is a fixed interest rate of 0.52% through December 12, 2017.

18. Employees' Severance and Retirement Benefits

The following table sets forth the changes in benefit obligation, plan assets and funded status of the Bank's and its consolidated subsidiaries' retirement benefit plans at March 31, 2012 and 2013.

	Millions of yen		Thousands of U.S. dollars
	2012	2013	2013
Benefit obligation at end of year	¥ (28,938)	¥ (28,926)	$ (307,560)
Fair value of plan assets at end of year (including employees' retirement benefit trust)	20,472	25,340	269,431
Funded status:			
Benefit obligation in excess of plan assets	(8,466)	(3,586)	(38,129)
Unrecognized actuarial differences	8,366	4,495	47,794
Unrecognized prior service costs	(2,351)	(1,619)	(17,214)
Prepaid pension cost	3,938	5,651	60,085
Accrued retirement benefits in consolidated balance sheets	¥ (6,389)	¥ (6,361)	$ (67,634)

Note: The consolidated subsidiaries have adopted the alternative treatment allowed by the accounting standards for retirement benefits under an unfunded lump-sum payment plan.

Expenses for retirement benefits of the Bank and its consolidated subsidiaries included the following components for the years ended March 31, 2012 and 2013.

	Millions of yen		Thousands of U.S. dollars
	2012	2013	2013
Service cost	¥ 659	¥ 670	$ 7,124
Interest cost	402	403	4,285
Expected return on plan assets	(483)	(400)	(4,253)
Amortization of prior service costs	(732)	(732)	(7,783)
Amortization of actuarial differences	1,669	1,231	13,089
Other	146	131	1,392
Net benefit cost	¥ 1,662	¥ 1,303	$ 13,854

Notes:
1. Employee contributions to the funded contributory pension plan were not included in service cost.
2. Retirement benefit expenses of the consolidated subsidiaries adopted the alternative treatment allowed by the accounting standards were included in "service cost."
3. "Others" in the above table included prepaid pension premium and prepaid retirement allowance to defined contribution pension plan.

18. Employees' Severance and Retirement Benefits (cont'd.)

Assumptions used in accounting for retirement plans for the years ended March 31, 2012 and 2013 were as follows:

	2012	2013
Discount rate	1.4%	1.4%
Long-term rates of return on fund assets		
A funded contributory pension plan	2.8%	2.3%
Employees' retirement benefit trust	0.0%	0.0%
Method of attributing benefits to periods of service	Straight-line basis	Straight-line basis
Amortization period for prior service benefits	10 years	10 years
Amortization period for actuarial differences	10 years	10 years

19. Derivative Transactions

The Bank enters into various contracts, including swaps, options, forwards and futures, that cover interest rates, foreign currencies, stocks and bonds in order to meet customers' needs and manage the risks of market fluctuations related to the assets, liabilities and interest rates of the Bank and its consolidated subsidiaries. The Bank has established procedures and controls to minimize market and credit risk, including limits on transaction levels, hedging exposed positions, daily reporting to management and outside review of trading department activities. At March 31, 2012 and 2013, outstanding derivatives were as follows:

(1) Interest rate related transactions

	Millions of yen			
	2012			
	Contract amount	Portion maturing over one year	Market value	Recognized gain (loss)
Over-the-counter transactions:				
Swaps:				
Receive floating rate and pay fixed rate	¥ 2,000	¥ -	¥ (13)	¥ (13)

For the year ended March 31, 2013:

Not applicable.

The above transactions were recorded at market values, and recognized gains (losses) were included in the consolidated statements of income. Market values for over-the-counter transactions are calculated at discounted present values and formulas for option prices. The derivative transactions for which hedge accounting was applied were excluded from the above tables in accordance with the treatment stipulated in the JICPA Industry Audit Committee Report No. 24.

(2) Currency and foreign exchange transactions

	Millions of yen			
	2012			
	Contract amount	Portion maturing over one year	Market value	Recognized gain (loss)
Over-the-counter transactions:				
Forward exchange contracts				
Sell	¥ 4,854	¥ 1,144	¥ 372	¥ 372
Buy	2,750	-	(226)	(226)

19. Derivative Transactions (cont'd.)

	Millions of yen				Thousands of U.S. dollars
	2013				2013
	Contract amount	Portion maturing over one year	Market value	Recognized gain (loss)	Recognized gain (loss)
Over-the-counter transactions:					
Forward exchange contracts					
Sell	¥ 9,656	¥ 294	¥ (162)	¥ (162)	$ (1,722)
Buy	1,095	−	20	20	213

The above transactions were recorded at market values, and recognized gains (losses) were included in the consolidated statements of income. Market values for over-the-counter transactions are calculated at discounted present values. The currency swaps for which hedge accounting was applied were excluded from the above transactions in accordance with the treatment stipulated in the JICPA Industry Audit Committee Report No. 25.

(3) Bond related transactions

	Millions of yen			
	2012			
	Contract amount	Portion maturing over one year	Market value	Recognized gain (loss)
Transactions listed on exchanges:				
Bond futures				
Sell	¥ 1,000	¥ −	¥ (9)	¥ (9)
Buy	1,000	−	9	9
Bond futures options				
Sell	¥ −	¥ −	¥ −	¥ −
Buy	1,000	−	1	(2)

	Millions of yen				Thousands of US dollars
	2013				2013
	Contract amount	Portion maturing over one year	Market value	Recognized gain (loss)	Recognized gain (loss)
Transactions listed on exchanges:					
Bond futures					
Sell	¥ 2,000	¥ −	¥ 11	¥ 11	$ 117
Buy	2,000	−	(10)	(10)	(106)

The above transactions were recorded at market values, and recognized gains (losses) were included in the consolidated statements of income. The derivative transactions for which hedge accounting was applied were excluded from the above tables.

20. Segment Information

(1) General information about reportable segments

The Group's reportable segments are components of the Group for which separate financial information is provided to and used by the Board of Directors periodically to determine the allocation of resources and assessment of performance.

The Group consists of the Bank and its four consolidated subsidiaries and are engaged mainly in commercial banking and leasing services. Therefore, the Bank and its consolidated subsidiaries recognize reportable segments by the financial services provided: 'Commercial banking' and 'Leasing'.

'Commercial banking' includes deposit services, lending services, securities investment services and exchange services. 'Commercial banking' represents the Bank's banking services as well as the consolidated subsidiaries' business support services, credit guarantee services, credit card services, securities trading services and fund management service.

'Leasing' includes leasing services by Awagin Leasing Company Limited, one of the consolidated subsidiaries.

(2) Basis of measurement for reporting segment ordinary income, profit or loss, segment assets, segment liabilities and other material items.

The accounting policies of the reportable segments are the same as the Group's accounting policies described in Note 2, "Significant Accounting Policies." Reportable segment profit is based on operating profit, and intersegment ordinary income is based on arm's length pricing.

As described in Note 2 (4) "Significant Account Policies – Tangible fixed assets," "Changes in accounting policies with amendment of respective law or regulation that are not distinguishable from changes in accounting estimates," in accordance with the amendment in the Corporate Tax Law, from the year ending March 31, 2013, the Bank and its consolidated subsidiaries have changed their depreciation method for property, plant and equipment acquired on or after April 1, 2012. The depreciation method for the reporting segment has been changed to reflect the amendment in Corporate Tax Law. As a result, income in the Commercial Banking segment increased by ¥45 million ($478 thousand). For the Leasing segment the effect was immaterial.

20. Segment Information (cont'd.)

(3) Information about reported segment ordinary income, profit or loss and amounts of assets, liabilities and other material items.

Segment information as of and for the years ended March 31, 2012 and 2013 was as follows:

	Millions of yen				
	2012				
	Reportable segment				
	Commercial Banking	Leasing	Total	Adjustments	Consolidated total
Ordinary income					
Customers	¥ 56,393	¥ 12,570	¥ 68,962	¥ –	¥ 68,962
Intersegment	129	228	356	(356)	–
Total	¥ 56,521	¥ 12,797	¥ 69,319	¥ (356)	¥ 68,962
Segment profit	¥ 9,106	¥ 1,227	¥ 10,333	¥ (26)	¥ 10,307
Segment assets	¥ 2,786,992	¥ 33,215	¥ 2,820,207	¥ (9,930)	¥ 2,810,277
Segment liabilities	¥ 2,613,349	¥ 22,144	¥ 2,635,493	¥ (9,919)	¥ 2,625,575
Other items					
Depreciation	¥ 2,176	¥ 158	¥ 2,333	¥ 81	¥ 2,415
Interest income received	44,443	145	44,588	(98)	44,490
Interest expanse paid	2,927	240	3,166	(84)	3,082
Extraordinary income	2	0	2	–	2
Gains on disposal of fixed assets	(2)	(0)	(2)	(–)	(2)
Gains on negative goodwill	(–)	(–)	(–)	(–)	(–)
Extraordinary losses	252	–	252	–	252
Losses on disposal of fixed assets	(59)	(–)	(59)	(–)	(59)
Impairment losses	(194)	(–)	(194)	(–)	(194)
Tax expenses	5,264	512	5,775	(3)	5,773
Increase in tangible fixed assets and intangible fixed assets	2,227	137	2,364	15	2,379

Notes:
1. Ordinary income is presented as the counterpart of sales of companies in other industries.
2. Adjustments are as below.
   (1) Adjustment of segment profit of negative ¥26 million is for the elimination of intersegment transactions.
   (2) Adjustment of segment assets of negative ¥9,930 million is for the elimination of intersegment transactions.
   (3) Adjustment of segment debt of negative ¥9,919 million is for the elimination of intersegment transactions.
   (4) Adjustment of depreciation of ¥81 million is for the elimination of intersegment transactions.
   (5) Adjustment of interest income received of negative ¥98 million is for the elimination of intersegment transactions.
   (6) Adjustment of interest expenses paid of negative ¥84 million is for the elimination of intersegment transactions.
   (7) Adjustment of tax expenses of negative ¥3 million is for the elimination of intersegment transactions.
   (8) Adjustment of increase in tangible fixed assets and intangible fixed assets of ¥15 million is for the elimination of intersegment transactions.
3. Segment profit is reconciled to net income in the consolidated statements of income.

20. Segment Information (cont'd.)

	Millions of yen				
	2013				
	Reportable segment				
	Commercial Banking	Leasing	Total	Adjustments	Consolidated total
Ordinary income					
Customers	¥ 53,269	¥ 11,853	¥ 65,122	¥ –	¥ 65,122
Intersegment	125	222	347	(347)	0
Total	¥ 53,394	¥ 12,075	¥ 65,469	¥ (347)	¥ 65,122
Segment profit	¥ 15,063	¥ 1,048	¥ 16,111	¥ (22)	¥ 16,089
Segment assets	¥ 2,845,256	¥ 32,855	¥ 2,878,111	¥ (8,789)	¥ 2,869,322
Segment liabilities	¥ 2,644,223	¥ 20,717	¥ 2,664,940	¥ (8,773)	¥ 2,656,167
Other items					
Depreciation	¥ 2,243	¥ 165	¥ 2,408	¥ 53	¥ 2,461
Interest income received	43,493	148	43,641	(85)	43,556
Interest expanse paid	2,457	185	2,642	(71)	2,571
Extraordinary income	–	–	–	212	212
Gains on disposal of fixed assets	(–)	(–)	(–)	(–)	(–)
Gains on negative goodwill	(–)	(–)	(–)	(212)	(212)
Extraordinary losses	98	0	98	–	98
Losses on disposal of fixed assets	(64)	(0)	(64)	(0)	(64)
Impairment losses	(34)	(–)	(34)	(–)	(34)
Tax expenses	6,306	399	6,705	(2)	6,703
Increase in tangible fixed assets and intangible fixed assets	2,342	73	2,415	34	2,449

20. Segment Information (cont'd.)

	Thousands of U.S. dollars				
	2013				
	Reportable segment				
	Commercial Banking	Leasing	Total	Adjustments	Consolidated total
Ordinary income					
Customers	$ 566,390	$ 126,029	$ 692,419	$ −	$ 692,419
Intersegment	1,329	2,360	3,689	(3,689)	−
Total	$ 567,719	$ 128,389	$ 696,108	$ (3,689)	$ 692,419
Segment profit	$ 160,159	$ 11,143	$ 171,302	$ (233)	$ 171,069
Segment assets	$ 30,252,589	$ 349,335	$ 30,601,924	$ (93,450)	$ 30,508,474
Segment liabilities	$ 28,115,077	$ 220,276	$ 28,335,353	$ (93,280)	$ 28,242,073
Other items					
Depreciation	$ 23,849	$ 1,754	$ 25,603	$ 564	$ 26,167
Interest income received	462,445	1,574	464,019	(904)	463,115
Interest expanse paid	26,124	1,967	28,091	(754)	27,337
Extraordinary income	−	−	−	2,254	2,254
Gains on disposal of fixed assets	(−)	(−)	(−)	(−)	(−)
Gains on negative goodwill	(−)	(−)	(−)	(2,254)	(2,254)
Extraordinary losses	1,042	0	1,042	0	1,042
Losses on disposal fixed assets	(680)	(0)	(680)	(0)	(680)
Impairment losses	(362)	(0)	(362)	(−)	(362)
Tax expenses	67,049	4,243	71,292	(21)	71,271
Increase in tangible fixed assets and intangible fixed assets	24,901	776	25,677	362	26,039

Notes:
1. Ordinary income is presented as the counterpart of sales of companies in other industries.
2. Adjustments are as below.
   (1) Adjustment of segment profit of negative ¥22 million ($233 thousand) is for the elimination of intersegment transactions.
   (2) Adjustment of segment assets of negative ¥8,789 million ($93,450 thousand) is for the elimination of intersegment transactions.
   (3) Adjustment of segment debt of negative ¥8,773 million ($93,280 thousand) is for the elimination of intersegment transactions.
   (4) Adjustment of depreciation of ¥53 million ($564 thousand) is for the elimination of intersegment transactions.
   (5) Adjustment of interest income received of negative ¥85 million ($904 thousand) is for the elimination of intersegment transactions.
   (6) Adjustment of interest expenses paid of negative ¥71 million ($754 thousand) is for the elimination of intersegment transactions.
   (7) Adjustment of gain on negative goodwill of ¥212 million ($2,254 thousand) is for the additional acquisition of a consolidated subsidiary's share.
   (8) Adjustment of losses on disposal fixed assets of ¥0 million ($0 thousand) is for the elimination of intersegment transactions.
   (9) Adjustment of tax expenses of negative ¥2 million ($21 thousand) is for the elimination of intersegment transactions.
   (10) Adjustment of increase in tangible fixed assets and intangible fixed assets of ¥34 million ($362 thousand) is for the elimination of intersegment transactions.
3. Segment profit is reconciled to net income in the consolidated statements of income.

20. Segment Information (cont'd.)

(4) Related information
For the years ended March 31, 2012 and 2013
Information by service

	Millions of yen				
	2012				
	Loan	Security investment	Lease	Other businesses	Total
Ordinary income					
Customers	¥ 33,362	¥ 14,534	¥ 12,570	¥ 8,497	¥ 68,962

	Millions of yen				
	2013				
	Loan	Security investment	Lease	Other businesses	Total
Ordinary income					
Customers	¥ 30,761	¥ 14,423	¥ 11,853	¥ 8,085	¥ 65,122

	Thousand of U.S. dollars				
	2013				
	Loan	Security investment	Lease	Other businesses	Total
Ordinary income					
Customers	$ 327,071	$ 153,355	$ 126,029	$ 85,964	$ 692,419

(5) Impairment loss on tangible fixed assets by reportable segment
For the years ended March 31, 2012 and 2013

	Millions of yen		
	2012		
	Reportable segments		
	Commercial banking	Leasing	Total
Impairment losses	¥ 194	¥ −	¥ 194

	Millions of yen		
	2013		
	Reportable segments		
	Commercial banking	Leasing	Total
Impairment losses	¥ 34	¥ −	¥ 34

	Thousands of U.S. dollars		
	2013		
	Reportable segments		
	Commercial banking	Leasing	Total
Impairment losses	$ 362	$ −	$ 362

20. Segment Information (cont'd.)

(6) Information on gain on negative goodwill
Gain on negative goodwill related to the additional acquisition of a consolidated subsidiary's shares for the year ended March 31, 2013 amounted to ¥212 million ($2,254 thousand).

21. Transactions with Related Parties

The Bank and related party transactions for the years ended March 31, 2012 and 2013 were as follows:

For the year ended March 31, 2012:

Related party	Transactions	Transaction amount	Account	Balance at end of year
		Millions of yen		Millions of yen
Nishino Kinryo Co., Ltd. *1	Lending	¥(188)	Loans	¥3,404
	Interest received	¥66	Unearned income	¥4
	Guarantees of liabilities	¥16	Liabilities for acceptances and guarantees	¥16
	Guarantee deposits received	¥0	Unearned income	¥0
Kinryo Co., Ltd. *1	Lending	¥(10)	Loans	¥60
	Interest received	¥1	Unearned income	¥0
Tachibana Syoten Co., Ltd. *2	Lending	¥(313)	Loans	–
	Interest received	¥1	Unearned income	–
Kagawa Syurui Hanbai Co., Ltd. *3	Lending	¥(100)	Loans	¥770
	Interest received	¥15	Unearned income	¥0

*1 A corporate auditor of the Bank, Takeaki Nishino, serves as chairman of Nishino Kinryo Co., Ltd. and Kinryo Co., Ltd.
*2 Tachibana Syoten Co., Ltd. dissolved by absorption into of Nishino Kinryo Co., Ltd. as merging company on June 1, 2011.
*3 Companies whose voting rights are owned entirely by Nishino Kinryo Co., Ltd.

For the year ended March 31, 2013:

Related party	Transactions	Transaction amount		Account	Balance at end of year	
		Millions of yen	Thousands of U.S. dollars		Millions of yen	Thousands of U.S. dollars
Nishino Kinryo Co., ltd. *1	Lending	¥(168)	$(1,786)	Loans	¥3,236	$34,407
	Interest received	¥52	$553	Unearned income	¥5	$53
	Guarantees of liabilities	–	–	Liabilities for acceptances and guarantees	¥16	$170
	Guarantee deposits received	¥0	$0	Unearned income	¥0	$0
Kinryo Co., Ltd. *1	Lending	¥(9)	$(96)	Loans	¥50	$532
	Interest received	¥0	$0	Unearned income	¥0	$0
Kagawa Shurui Hanbai Co., Ltd. *2	Lending	¥–	$–	Loans	¥770	$8,187
	Interest received	¥13	$138	Unearned income	¥0	$0
Hasui Saketen Co., Ltd. *2	Lending	¥50	$532	Loans	¥50	$532
	Interest received	¥0	$0	Unearned income	¥0	$0

*1 A corporate auditor of the Bank, Takeaki Nishino, serves as chairman of Nishino Kinryo Co., Ltd. and Kinryo Co., Ltd.
*2 Companies whose voting rights are owned entirely by Nishino Kinryo Co., Ltd.

21. Transactions with Related Parties (cont'd.)

Related party transactions involving consolidated subsidiaries of the Bank for the years ended March 31, 2012 and 2013 were as follows:

Related party	Transactions	Transaction amount		
		Millions of yen		Thousands of U.S. dollars
		2012	2013	2013
Nishino Kinryo Co., Ltd.	Lease commitments	¥19	¥16	$170
	Receiving lease payments	¥31	¥17	$181

A corporate auditor of the Bank, Takeaki Nishino, serves as chairman of Nishino Kinryo Co., Ltd.

22. Changes in Net Assets

(1) The type and number of shares issued and treasury stock for the years ended March 31, 2012 and 2013 were as follows:

For the year ended March 31, 2012

	Number of shares as of the previous fiscal year end (thousands)	Increase in number of shares during the accounting period (thousands)	Decrease in number of shares during the accounting period (thousands)	Number of shares as of the fiscal year end (thousands)
Shares issued				
Common stock	233,400	−	1,000	(*1) 232,400
Total	233,400	−	1,000	232,400
Treasury stock				
Common stock	3,236	868	1,762	(*2) 2,342
Total	3,236	868	1,762	2,342

(*1) The 1,000 thousand decrease in the number of shares of common stock was due to the retirement of treasury stock.
(*2) The 868 thousand increase in the number of shares of treasury stock was due to the purchase of fractional shares (23 thousand shares) and the purchase of market shares (844 thousand shares). The 1,762 thousand decrease in the number of shares of treasury stock was due to the amortization of fractional shares (0 thousand shares), retirement of treasury stock (1,000 thousand shares) and stock transfer from the Trust to the Partnership (761 thousand shares).

For the year ended March 31, 2013

	Number of shares as of the previous fiscal year end (thousands)	Increase in number of shares during the accounting period (thousands)	Decrease in number of shares during the accounting period (thousands)	Number of shares as of the fiscal year end (thousands)
Shares issued				
Common stock	232,400	−	1,300	(*1) 231,100
Total	232,400	−	1,300	231,100
Treasury stock				
Common stock	2,342	1,305	2,053	(*2) 1,593
Total	2,342	1,305	2,053	1,593

(*1) The 1,300 thousand decrease in the number of shares of common stock was due to the retirement of treasury stock.
(*2) The 1,305 thousand increase in the number of shares of treasury stock was due to the purchase of fractional shares (11 thousand shares) and the purchase of market shares (1,294 thousand shares). The 2,054 thousand decrease in the number of shares of treasury stock was due to the amortization of fractional shares (0 thousand shares), retirement of treasury stock (1,300 thousand shares) and stock transfer from the Trust to the Partnership (753 thousand shares).

22. Changes in Net Assets (cont'd.)

(2) Dividends

The following dividends were paid in the years ended March 31, 2012 and 2013:

Year ended March 31, 2012

Date of resolution	Type of shares	Amounts of dividends	Cash dividends per share	Record date	Effective date
		Millions of yen	Yen		
Annual meeting of stockholders held on June 29, 2011	Common stock	¥ 690	¥ 3.00	March 31, 2011	June 30, 2011
Directors' meeting held on November 14, 2011	Common stock	¥ 689	¥ 3.00	September 30, 2011	December 5, 2011

Year ended March 31, 2013

Date of resolution	Type of shares	Amounts of dividends		Cash dividends per share		Record date	Effective date
		Millions of yen	Thousands of U.S.	Yen	U.S. dollars		
Annual meeting of stockholders held on June 28, 2012	Common stock	¥ 690	$ 7,337	¥ 3.00	$ 0.03	March 31, 2012	June 29, 2012
Directors' meeting held on November 9, 2012	Common stock	¥ 806	$ 8,570	¥ 3.50	$ 0.04	September 30, 2012	December 5, 2012

The following dividends were recorded during the fiscal years ended March 31, 2012 and 2013 and became effective after March 31, 2012 and 2013:

For the fiscal year ended March 2012, the dividends became effective after March 31, 2012.

Date of resolution	Type of shares	Amounts of dividends	Source of dividends	Cash dividends per share	Record date	Effective date
		Millions of yen		Yen		
Annual meeting of stockholders held on June 28, 2012	Common stock	¥ 690	Retained earnings	¥ 3.00	March 31, 2012	June 29, 2012

22. Changes in Net Assets (cont'd)

For the fiscal year ended March 2013, the dividends became effective after March 31, 2013.

Date of resolution	Type of shares	Amounts of dividends		Source of dividends	Cash dividends per share		Record date	Effective date
		Millions of yen	Thousands of U.S. dollars		Yen	U.S. dollars		
Annual meeting of stockholders held on June 27, 2013	Common stock	¥ 803	$ 8,538	Retained earnings	¥ 3.50	$ 0.04	March 31, 2013	June 28, 2013

23. Subsequent Events

Conducting flexible financial management policy in response to changes in the business environment, the Bank resolved the acquisition of its own shares at the Directors' meeting on May 10, 2013 as follows:

Class of shares to be acquired: Common stock of the Bank
Total numbers of shares to be acquired: Up to 1,100,000 shares
Aggregate acquisition cost: Up to ¥700 million ($7,443 thousand)
Period of acquisition: From May 16, 2013 to June 18, 2013

The Bank completed the acquisition of its own shares during the above period of as follows:

Class of shares acquired: Common stock of the Bank
Total number of shares acquired: 1,100,000 shares
Aggregate acquisition cost: ¥594 million ($6,316 thousand)

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