THE KAGOSHIMA BANK, LTD.
and consolidated subsidiaries

Consolidated Financial Statements for the
Year Ended March 31, 2013, and
Independent Auditor's Report

Deloitte.

Deloitte Touche Tohmatsu LLC
Kagoshima Daiichi Kaijo Building
2-30 Yamanokuchi-cho
Kagoshima-shi, Kagoshima 892-0844
Japan

Tel:+81 (99) 239 2283
Fax:+81 (99) 239 2285
www.deloitte.com/jp

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
THE KAGOSHIMA BANK, LTD.:

We have audited the accompanying consolidated balance sheet of THE KAGOSHIMA BANK, LTD. and its consolidated subsidiaries as of March 31, 2013, and the related consolidated statements of income, comprehensive income, changes in equity, and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information, all expressed in Japanese yen.

Management's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of THE KAGOSHIMA BANK, LTD. and its consolidated subsidiaries as of March 31, 2013, and the consolidated results of their operations and their cash flows for the year then ended in accordance with accounting principles generally accepted in Japan.

Convenience Translation

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

Deloitte Touche Tohmatsu L.L.C.

June 26, 2013

THE KAGOSHIMA BANK, LTD. and Consolidated Subsidiaries
Consolidated Balance Sheet
March 31, 2013

	Millions of Yen		Thousands of U.S. Dollars
	2013	2012	2013
Assets			
Cash and due from banks (Notes 3 and 17)	¥ 88,937	¥ 108,423	$ 945,632
Call loans and bills purchased (Note 17)	21,632	12,466	230,000
Monetary receivables bought	9,946	9,404	105,748
Trading securities (Notes 4 and 17)	182	158	1,934
Money held in trust (Note 5)	7,500	9,964	79,745
Investment securities (Notes 4, 10 and 17)	1,160,445	1,103,906	12,338,596
Loans and bills discounted (Notes 6, 16 and 17)	2,272,324	2,203,893	24,160,813
Foreign exchange assets (Note 7)	1,358	1,215	14,440
Lease receivables and investments in leases (Note 10)	19,846	19,563	211,023
Other assets (Note 10)	25,651	26,475	272,740
Tangible fixed assets (Notes 8 and 9)	54,847	55,984	583,170
Intangible fixed assets (Note 8)	8,591	10,788	91,342
Deferred tax assets (Note 19)	611	712	6,497
Customers' liabilities for acceptances and guarantees (Note 14)	26,154	26,319	278,084
Allowance for doubtful accounts (Note 17)	(31,219)	(28,313)	(331,939)
Total assets	¥ 3,666,805	¥ 3,560,957	$ 38,987,825

See accompanying Notes to Consolidated Financial Statements.

	Millions of Yen		Thousands of U.S. Dollars
	2013	2012	2013
Liabilities and Equity			
Liabilities:			
Deposits (Notes 10, 11 and 17)	¥ 3,144,798	¥ 3,098,416	$ 33,437,516
Negotiable certificates of deposit (Note 17)	68,867	52,980	732,241
Call money and bills sold (Note 17)	20,785	6,822	221,000
Payables under repurchase transactions (Notes 10 and 17)	32,745	55,964	348,170
Borrowed money (Notes 10, 12 and 17)	44,185	19,720	469,804
Foreign exchange liabilities (Note 7)	23	36	245
Other liabilities	22,943	23,976	243,918
Accrued bonuses to directors and audit & supervisory board members	56	51	596
Provision for retirement benefits (Note 13)	1,122	994	11,930
Provision for directors' and audit & supervisory board members' retirement	868	739	9,232
Provision for reimbursement of deposits	586	637	6,235
Provision for contingent losses	240	282	2,556
Deferred tax liabilities (Note 19)	8,310	935	88,354
Deferred tax liabilities for land revaluation (Notes 2(f) and 19)	8,312	8,597	88,381
Acceptances and guarantees (Note 14)	26,154	26,319	278,084
Total liabilities	3,379,994	3,296,468	35,938,262
Equity (Notes 15 and 21)**:**			
Common stock, no par value; Authorized: 800,000,000 shares Issued: 210,403,655 shares in 2013 and 2012	18,131	18,131	192,778
Capital surplus	11,217	11,217	119,261
Retained earnings	197,703	191,243	2,102,104
Treasury stock, at cost, 538,735 shares in 2013 and 504,565 shares in 2012	(356)	(338)	(3,781)
Accumulated other comprehensive income (loss)			
Unrealized gains on available-for-sale securities (Note 4)	35,656	20,077	379,118
Deferred losses on derivatives under hedge accounting	(295)	(360)	(3,137)
Land revaluation surplus (Note 2(f))	14,363	14,820	152,722
Total	276,419	254,790	2,939,065
Minority interests	10,392	9,699	110,498
Total equity	286,811	264,489	3,049,563
Total liabilities and equity	¥ 3,666,805	¥ 3,560,957	$ 38,987,825

See accompanying Notes to Consolidated Financial Statements.

THE KAGOSHIMA BANK, LTD. and Consolidated Subsidiaries
Consolidated Statement of Income
Year Ended March 31, 2013

	Millions of Yen		Thousands of U.S. Dollars
	2013	2012	2013
Income:			
Interest income and dividends:			
Interest on loans and discounts	¥ 37,959	¥ 39,835	$ 403,609
Interest and dividends on securities	10,051	10,895	106,864
Other interest income	86	91	912
Total interest income and dividends	48,096	50,821	511,385
Fees and commissions	11,442	11,476	121,661
Other operating income	16,110	14,468	171,294
Other income	2,717	2,548	28,887
Total income	78,365	79,313	833,227
Expenses:			
Interest expenses:			
Interest on deposits	1,219	1,504	12,963
Interest on borrowings and rediscounts	158	172	1,683
Interest on repurchase transactions	90	69	957
Other interest expenses	777	1,015	8,259
Total interest expenses	2,244	2,760	23,862
Fees and commissions	2,755	2,823	29,289
Other operating expenses	12,809	10,820	136,192
General and administrative expenses	41,083	42,435	436,826
Transfer to allowance for doubtful accounts	3,874		41,195
Other expenses	2,069	2,719	21,994
Total expenses	64,834	61,557	689,358
Income before income taxes and minority interests	13,531	17,756	143,869
Income taxes:			
Current	6,193	6,655	65,850
Deferred	(1,089)	1,709	(11,580)
Total income taxes (Note 19)	5,104	8,364	54,270
Net income before minority interests	8,427	9,392	89,599
Minority interests in net income	640	642	6,803
Net income	¥ 7,787	¥ 8,750	$ 82,796

	Yen		U.S. Dollars
Per share information:			
Net income-basic (Note 21)	¥ 37.10	¥ 41.68	$ 0.39
Cash dividends applicable to the year	9.00	8.00	0.10

See accompanying Notes to Consolidated Financial Statements.

THE KAGOSHIMA BANK, LTD. and Consolidated Subsidiaries
Consolidated Statement of Comprehensive Income
Year Ended March 31, 2013

	Millions of Yen		Thousands of U.S. Dollars
	2013	2012	2013
NET INCOME BEFORE MINORITY INTERESTS	¥ 8,427	¥ 9,392	$ 89,599
OTHER COMPREHENSIVE INCOME (Note 20):			
Unrealized gains on available-for-sale securities	15,640	5,131	166,295
Deferred gains on derivatives under hedge accounting	65	48	691
Land revaluation surplus		1,242	
Total other comprehensive income	15,705	6,421	166,986
COMPREHENSIVE INCOME	¥ 24,132	¥ 15,813	$ 256,585
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO			
Owners of the parent	¥ 23,431	¥ 15,154	$ 249,135
Minority interests	701	659	7,450

See accompanying Notes to Consolidated Financial Statements.

THE KAGOSHIMA BANK, LTD. and Consolidated Subsidiaries

Consolidated Statement of Changes in Equity

Year Ended March 31, 2013

		Millions of Yen									
						Accumulated Other Comprehensive Income					
	Outstanding Number of Shares of Common Stock	Common Stock	Capital Surplus	Retained Earnings	Treasury Stock	Unrealized Gains on Available for-sale Securities	Deferred Gains (Losses) on Derivatives under Hedge Accounting	Land Revaluation Surplus	Total	Minority Interests	Total Equity
BALANCE, MARCH 31, 2011	210,403,655	¥ 18,131	¥ 11,217	¥ 184,139	¥ (332)	¥ 14,963	¥ (408)	¥ 13,612	¥ 241,322	¥ 9,047	¥ 250,369
Net income				8,750					8,750		8,750
Cash dividends, ¥8.00 per share				(1,679)					(1,679)		(1,679)
Purchases of treasury stock (13,864 shares)					(7)				(7)		(7)
Disposals of treasury stock (1,395 shares)				(1)	1				0		0
Reversal of land revaluation surplus				34					34		34
Net change in the year						5,114	48	1,208	6,370	652	7,022
BALANCE, MARCH 31, 2012	210,403,655	18,131	11,217	191,243	(338)	20,077	(360)	14,820	254,790	9,699	264,489
Net income				7,787					7,787		7,787
Cash dividends, ¥9.00 per share				(1,784)					(1,784)		(1,784)
Purchases of treasury stock (34,877 shares)					(18)				(18)		(18)
Disposals of treasury stock (707 shares)				0	0				0		0
Reversal of land revaluation surplus				457					457		457
Net change in the year						15,579	65	(457)	15,187	693	15,880
BALANCE, MARCH 31, 2013	210,403,655	¥ 18,131	¥ 11,217	¥ 197,703	¥ (356)	¥ 35,656	¥ (295)	¥ 14,363	¥ 276,419	¥ 10,392	¥ 286,811

	Thousands of U.S. Dollars									
					Accumulated Other Comprehensive Income					
	Common Stock	Capital Surplus	Retained Earnings	Treasury Stock	Unrealized Gains on Available for-sale Securities	Deferred Gains (Losses) on Derivatives under Hedge Accounting	Land Revaluation Surplus	Total	Minority Interests	Total Equity
BALANCE, MARCH 31, 2012	$ 192,778	$ 119,261	$ 2,033,425	$ (3,596)	$ 213,470	$ (3,828)	$ 157,576	$ 2,709,086	$ 103,125	$ 2,812,211
Net income			82,796					82,796		82,796
Cash dividends, $0.10 per share			(18,969)					(18,969)		(18,969)
Purchases of treasury stock (34,877 shares)				(190)				(190)		(190)
Disposals of treasury stock (707 shares)			(2)	5				3		3
Reversal of land revaluation surplus			4,854					4,854		4,854
Net change in the year					165,648	691	(4,854)	161,485	7,373	168,858
BALANCE, MARCH 31, 2013	$ 192,778	$ 119,261	$ 2,102,104	$ (3,781)	$ 379,118	$ (3,137)	$ 152,722	$ 2,939,065	$ 110,498	$ 3,049,563

See accompanying Notes to Consolidated Financial Statements.

THE KAGOSHIMA BANK, LTD. and Consolidated Subsidiaries
Consolidated Statement of Cash Flows
Year Ended March 31, 2013

	Millions of Yen		Thousands of U.S. Dollars
	2013	2012	2013
Cash flows from operating activities:			
Income before income taxes and minority interests	¥ 13,531	¥ 17,756	$ 143,869
Adjustments for:			
Depreciation	5,495	5,465	58,422
Impairment losses	248		2,639
Increase (decrease) in allowance for doubtful accounts	2,906	(2,717)	30,896
Interest income and dividends recognized on statement of income	(48,096)	(50,821)	(511,385)
Interest expenses recognized on statement of income	2,244	2,760	23,862
Net loss (gain) on sales or maturities of investment securities	(1,277)	114	(13,577)
Increase in loans and bills discounted	(68,432)	(82,763)	(727,610)
Increase in deposits	46,382	82,481	493,165
Increase in negotiable certificates of deposit	15,887	5,547	168,924
Increase (decrease) in borrowed money	24,465	(27,478)	260,132
Decrease (increase) in due from banks	(40)	223	(424)
Decrease (increase) in call loans and bills purchased	(9,707)	41,174	(103,212)
Increase (decrease) in call money and bills sold	13,963	(23,445)	148,467
Increase (decrease) in payables under repurchase transactions	(23,219)	14,212	(246,875)
Interest income and dividends received	49,548	51,900	526,828
Interest expenses paid	(2,547)	(3,190)	(27,085)
Decrease (increase) in lease receivables and investments in leases	(282)	41	(3,007)
Other, net	(6,401)	3,808	(68,074)
Subtotal	14,668	35,067	155,955
Income taxes paid	(5,885)	(6,516)	(62,565)
Net cash provided by operating activities	8,783	28,551	93,390
Cash flows from investing activities:			
Purchases of investment securities	(520,003)	(349,183)	(5,529,011)
Proceeds from sales or maturities of investment securities	493,750	313,141	5,249,871
Net change in money held in trust	2,464	2,442	26,201
Purchases of tangible fixed assets	(2,146)	(2,382)	(22,818)
Proceeds from sales of tangible fixed assets	512	16	5,439
Purchases of intangible fixed assets	(1,084)	(1,293)	(11,532)
Net cash used in investing activities	(26,507)	(37,259)	(281,850)
Cash flows from financing activities:			
Dividends paid	(1,787)	(1,679)	(18,997)
Other, net	(36)	(26)	(386)
Net cash used in financing activities	(1,823)	(1,705)	(19,383)
Effect of exchange rate changes on cash and cash equivalents	21	(2)	227
Net decrease in cash and cash equivalents	(19,526)	(10,415)	(207,616)
Cash and cash equivalents at beginning of year	107,466	117,881	1,142,651
Cash and cash equivalents at end of year (Note 3)	¥ 87,940	¥ 107,466	$ 935,035

See accompanying Notes to Consolidated Financial Statements.

THE KAGOSHIMA BANK, LTD. and Consolidated Subsidiaries
Notes to Consolidated Financial Statements

1. Basis of Presenting Consolidated Financial Statements

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

In preparing these consolidated financial statements, certain reclassifications and rearrangements have been made to the consolidated financial statements issued domestically in order to present them in a form that is more familiar to readers outside Japan. In addition, certain reclassifications have been made in the 2012 financial statements to conform to the classifications used in 2013.

The consolidated financial statements are stated in Japanese yen, the currency of the country in which the Bank is incorporated and operates. The translation of Japanese yen amounts into U.S. dollar amounts is included solely for the convenience of readers outside Japan and has been made at the rate of ¥94.05 to $1, the approximate rate of exchange at March 31, 2013. Such translation should not be construed as representations that the Japanese yen amounts could be converted into U.S. dollars at that or any other rate.

2. Summary of Significant Accounting Policies

(a) Principles of consolidation

The accompanying consolidated financial statements include the accounts of the Bank and its significant subsidiaries. The number of consolidated subsidiaries as of March 31, 2013 and 2012, is seven.

Under the control or influence concept, those companies in which the Bank, directly or indirectly, is able to exercise control over operations are to be fully consolidated.

The consolidated financial statements do not include the accounts of one of the subsidiaries in 2013 and 2012 because the majority of operating profit from that subsidiary was not retained by the subsidiary (paid out to investors).

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

All significant intercompany balances and transactions have been eliminated in consolidation. All material unrealized profit included in assets resulting from transactions within the Group is also eliminated.

Fiscal year-ends of all consolidated subsidiaries are at the end of March.

(b) Cash and cash equivalents

Cash and cash equivalents in the consolidated statement of cash flows comprise cash on hand and due from The Bank of Japan.

(c) Trading securities

Trading securities are stated at fair value at the fiscal year-ends. Related gains or losses, both realized and unrealized, are included in current earnings. Accrued interest on trading securities is included in other assets.

(d) Investment securities

Debt securities for which the Group has ability to hold to maturity are stated at amortized cost. Marketable securities are carried at fair value as available-for-sale securities, with the net unrealized gains or losses reported as a separate component of shareholders' equity, net of applicable income taxes. Available-for-sale securities whose fair values cannot be reliably determined are stated at the moving-average cost or amortized cost. The carrying amounts of individual investment securities are reduced, if necessary, through write-downs to reflect other-than-temporary impairments in value. For other-than-temporary declines in fair value, securities are reduced to net realizable value by a charge to income. Accrued interest on securities is included in other assets. Funds entrusted to trust banks for securities (included in "Money held in trust") of the Bank are stated at fair value.

(e) Derivatives and hedge accounting

The Bank uses swaps, forward and option contracts and other types of derivative contracts. These derivative instruments are used for trading purposes to generate revenues and fee income, and to hedge exposures arising from fluctuations in interest and foreign exchange rates.

Derivatives are carried at fair value, with the unrealized and realized gains and losses recorded in current earnings.

(1) Hedging against interest rate changes
The Bank applies deferred hedge accounting based on the rules of the Japanese Institute of Certified Public Accountants (the "JICPA") Industry Audit Committee Report No. 24, "Accounting and Auditing Treatments on the Application of Accounting Standards for Financial Instruments in the Banking Industry" for interest rate derivatives to manage interest rate risk from various financial assets and liabilities as a whole.

Under this rule, the effectiveness of cash flow hedges is assessed based on the correlation between a base interest rate index of the hedged cash flow and that of the hedging instrument.

(2) Hedging against currency fluctuations
The Bank applies deferred hedge accounting based on the rules of the JICPA Industry Audit Committee Report No. 25, "Treatment for Accounting and Auditing of Application of Accounting Standard for Foreign Currency Transactions in Banking Industry" for funding swap transactions and currency swap transactions related to lending or borrowing in different currencies.

Pursuant to the rules, the Bank assesses the effectiveness of funding swap transactions and currency swap transactions executed for the purpose of offsetting the risk of changes in currency exchange rates by verifying that there are foreign-currency monetary claims and debts corresponding to the foreign-currency positions.

(f) Tangible fixed assets

(1) Tangible fixed assets are stated at cost less accumulated depreciation.
Tangible fixed assets of the Bank are depreciated using the declining-balance method over the following estimated useful lives of the assets, except for buildings acquired on or after April 1, 1998, which have been depreciated using the straight-line method.

Buildings	19 years to 50 years
Other	2 years to 20 years

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

Change of accounting policy which is not easily distinguished from change of accounting estimate－Effective April 1, 2012, as a result of the revision of Japanese corporate tax law, the Bank and its consolidated domestic subsidiaries changed their depreciation method for tangible fixed assets acquired on or after April 1, 2012, to the method stipulated under the revised corporate tax law. The effect of this change was immaterial.

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

The resulting land revaluation surplus is stated as a component of equity, and represents the total of unrealized appreciation of land, net of income taxes, and unrealized losses on the land. There was no effect on the consolidated statement of income. Continuous readjustment is not permitted unless the land value subsequently declines significantly such that the amount of the decline in value should be removed from the land revaluation surplus account and related deferred tax liabilities. At March 31, 2013 and 2012, the difference in the carrying values of land used for the banking business after reassessment of the current fair value of such land at the respective year-ends amounted to ¥14,593 million ($155,161 thousand) and ¥14,123 million, respectively.

(g) Intangible fixed assets

Intangible fixed assets mainly consisted of computer software developed or obtained for internal use and are amortized using the straight-line method over the estimated useful lives, mainly five years.

(h) Long-lived assets

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

(i) Allowance for doubtful accounts

The allowance for doubtful accounts of the Bank is established to cover future credit losses in accordance with the internal rules for self-assessment of asset quality.

The allowance for doubtful accounts is calculated in accordance with the Bank's internal rules based on the "Practical Guidelines for Audits of the Self-Assessment of Assets of Financial

Institutions Including Banks, Write-Down and Allowance for Doubtful Accounts" (Report No. 4 of the Ad Hoc Committee for the Audit of Banks, etc., of JICPA).

For claims to borrowers who are legally bankrupt and virtually bankrupt, an allowance has been provided based on the net of amounts exceeding the expected collectible amounts through the disposal of collateral or execution of guarantees. For claims to borrowers who are possibly bankrupt, an allowance has been provided for the loan losses at the amounts considered to be necessary based on an overall solvency assessment of the borrowers and expected collectible amounts through the disposal of collateral or execution of guarantees. For claims to large-lot borrowers who are classified as "Need attention," whose loans are classified as restructured loans and whose future cash flows of principal and interest are reasonably estimated, an allowance is provided for as the difference between the present value of expected future cash flows discounted at the contracted interest rate and the carrying amount of the claims. In cases where it is difficult to reasonably estimate future cash flows, an allowance is provided based on the estimated credit losses within the remaining loan terms calculated by the Bank. For other claims, an allowance is provided based on historical loan loss experience.

All claims are assessed by the Bank's operating divisions in accordance with the Bank's internal rules for the self-assessment of asset quality. The inspection division, which is independent from operating divisions, conducts audits of these assessments and an allowance is provided based on the results of these audits.

Regarding the consolidated subsidiaries, a general allowance for loan losses is provided in the amount deemed necessary based on the historical loan-loss ratio, and for specific claims an allowance is provided in the amount deemed uncollectible based on the respective assessments.

(j) Accrued bonuses to directors and audit & supervisory board members

Bonuses to directors and audit & supervisory board members are accrued at the end of the year to which such bonuses are attributable.

(k) Provision for retirement benefits

The Group accounts for the provision for retirement benefits based on the projected benefit obligations and plan assets at the consolidated balance sheet date. Prior service cost is amortized using the straight-line method over 10 years as a certain term within the employees' average remaining service period. Net actuarial gain and loss is amortized using the declining-balance method over 10 years as a certain term within the employees' average remaining service period commencing from the next fiscal year after incurrence.

(l) Provision for directors' and audit & supervisory board members' retirement benefits

Retirement benefits to directors and audit & supervisory board members are provided at the amount that would be required if all directors and audit & supervisory board members retired at the consolidated balance sheet date.

(m) Provision for reimbursement of deposits

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

(n) Provision for contingent losses

Provision for contingent losses is provided for possible losses from contingent events related to the enforcement of the “responsibility-sharing system,” and is calculated by estimation of future burden charges and other payments to the Credit Guarantee Institution.

(o) Leases

In March 2007, the Accounting Standards Board of Japan (the “ASBJ”) issued ASBJ Statement No. 13, “Accounting Standard for Lease Transactions,” which revised the previous accounting standard for lease transactions issued in June 1993. The revised accounting standard for lease transactions is effective for fiscal years beginning on or after April 1, 2008.

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

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

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

(p) Foreign currency translation

Assets and liabilities denominated in foreign currencies are translated into Japanese yen at the exchange rates at the balance sheet date. Revenues and expenses are translated at the exchange rates at transaction dates. Gains or losses resulting from foreign currency translation are included in the determination of net income.

(q) Per share information

Basic net income per share is computed by dividing net income available to common shareholders by the weighted-average number of common shares outstanding for the period.

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

(r) Income taxes

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

A valuation allowance is provided for any portion of the deferred tax assets if it is considered more likely than not that they will not be realized.

(s) New accounting pronouncements

Accounting standard for retirement benefits－On May 17, 2012, the ASBJ issued ASBJ Statement No. 26, “Accounting Standard for Retirement Benefits,” and ASBJ Guidance No. 25, “Guidance on Accounting Standard for Retirement Benefits,” which replaced the Accounting

Standard for Retirement Benefits that had been issued by the Business Accounting Council in 1998, with an effective date of April 1, 2000, and the other related practical guidance, and followed by partial amendments from time to time through 2009.

Major changes are as follows:

(a) Treatment in the balance sheet
Under the current requirements, actuarial gains and losses and past service costs that are yet to be recognized in profit or loss are not recognized in the balance sheet, and the difference between retirement benefit obligations and plan assets (hereinafter, “deficit or surplus”), adjusted by such unrecognized amounts, is recognized as a liability or asset.

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

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

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

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

The Bank expects to apply the revised accounting standard for (a) and (b) above from the end of the annual period beginning on April 1, 2013, and for (c) above from the beginning of the annual period beginning on April 1, 2014, and is in the process of measuring the effects of applying the revised accounting standard in future applicable periods.

3. Cash and Cash Equivalents

A reconciliation of the cash and cash equivalent balances on the consolidated statement of cash flows and the account balances on the consolidated balance sheet was as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2013	2012	2013
Cash and due from banks	¥ 88,937	¥ 108,423	$ 945,632
Less: due from banks other than The Bank of Japan	(997)	(957)	(10,597)
Cash and cash equivalents	¥ 87,940	¥ 107,466	$ 935,035

4. Trading Securities and Investment Securities

Trading securities consisted of national government bonds and local government bonds.
At March 31, 2013 and 2012, trading securities were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2013	2012	2013
National government bonds	¥ 17	¥ 29	$ 181
Local government bonds	165	129	1,753
Total	¥ 182	¥ 158	$ 1,934

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

	Millions of Yen		Thousands of U.S. Dollars
	2013	2012	2013
National government bonds	¥ 468,817	¥ 458,645	$ 4,984,760
Local government bonds	89,624	98,925	952,936
Corporate bonds	450,453	428,522	4,789,509
Equity securities	68,613	55,772	729,534
Other	82,938	62,042	881,857
Total	¥ 1,160,445	¥ 1,103,906	$ 12,338,596

At March 31, 2013 and 2012, carrying amounts of trading securities and the related net unrealized gains or losses included in current earnings were as follows:

	Millions of Yen				Thousands of U.S. Dollars	
	2013		2012		2013	
	Carrying amounts	Unrealized gains	Carrying amounts	Unrealized gains	Carrying amounts	Unrealized gains
Trading securities	¥ 182	¥ 0	¥ 158	¥ (1)	$ 1,934	$ 1

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

	Millions of Yen			
	Cost	Gross unrealized gains	Gross unrealized losses	Fair value
At March 31, 2013:				
Bonds:				
National government bonds	¥ 456,008	¥ 12,809	¥	¥ 468,817
Local government bonds	87,366	2,258		89,624
Corporate bonds	442,537	7,990	(74)	450,453
Equity securities	37,277	29,832	(829)	66,280
Other	79,047	2,653	(93)	81,607
Total	¥ 1,102,235	¥ 55,542	¥ (996)	¥ 1,156,781

	Millions of Yen			
	Cost	Gross unrealized gains	Gross unrealized losses	Fair value
At March 31, 2012:				
Bonds:				
National government bonds	¥ 451,001	¥ 7,744	¥ (100)	¥ 458,645
Local government bonds	96,796	2,129		98,925
Corporate bonds	423,911	4,765	(154)	428,522
Equity securities	37,055	18,082	(1,535)	53,602
Other	60,563	514	(784)	60,293
Total	¥ 1,069,326	¥ 33,234	¥ (2,573)	¥ 1,099,987

	Thousands of U.S. Dollars			
	Cost	Gross unrealized gains	Gross unrealized losses	Fair value
At March 31, 2013:				
Bonds:				
National government bonds	$ 4,848,563	$ 136,197	$	$ 4,984,760
Local government bonds	928,935	24,001		952,936
Corporate bonds	4,705,341	84,960	(792)	4,789,509
Equity securities	396,353	317,196	(8,815)	704,734
Other	840,480	28,209	(995)	867,694
Total	$ 11,719,672	$ 590,563	$ (10,602)	$ 12,299,633

At March 31, 2013 and 2012, net unrealized gains on available-for-sale securities, net of applicable income taxes and minority interests, recorded in a separate component of shareholders' equity on the accompanying consolidated balance sheet were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2013	2012	2013
Unrealized gains	¥ 54,546	¥ 30,661	$ 579,961
Less: applicable income taxes	(18,794)	(10,549)	(199,826)
Less: minority interests portion	(96)	(35)	(1,017)
Net unrealized gains in shareholders' equity	¥ 35,656	¥ 20,077	$ 379,118

During the years ended March 31, 2013 and 2012, the Group sold available-for-sale securities and recorded gains of ¥4,161 million ($44,248 thousand) and ¥1,819 million, respectively, and losses of ¥2,862 million ($30,428 thousand) and ¥869 million, respectively, on the accompanying consolidated statement of income.

5. Money Held in Trust

The carrying amounts and unrealized gains of money held in trust at March 31, 2013 and 2012, were as follows:

(a) Money held in trust for investment

	Millions of Yen		Thousands of U.S. Dollars
	2013	2012	2013
Carrying amounts	¥ 7,500	¥ 9,964	$ 79,745
Unrealized gains recognized in income	0	71	3

(b) Money held in trust held to maturity
None.

(c) Other money held in trust (money held in trust other than held for investment or held to maturity)
None.

6. Loans and Bills Discounted

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

	Millions of Yen		Thousands of U.S. Dollars
	2013	2012	2013
Bills discounted	¥ 15,624	¥ 15,578	$ 166,126
Loans on notes	152,771	150,702	1,624,355
Loans on deeds	1,813,218	1,757,137	19,279,294
Overdrafts	290,711	280,476	3,091,038
Total	¥ 2,272,324	¥ 2,203,893	$ 24,160,813

The loans and bills discounted include “loans to borrowers in bankruptcy” totaling ¥5,001 million ($53,170 thousand) and ¥4,991 million as of March 31, 2013 and 2012, respectively, as well as “past due loans” totaling ¥26,991 million ($286,984 thousand) and ¥26,256 million as of March 31, 2013 and 2012, respectively. “Loans to borrowers in bankruptcy” are loans to borrowers who are legally bankrupt and are placed on nonaccrued status. “Past due loans” include loans classified as “possible bankruptcy” and “virtual bankruptcy” under the Bank’s self-assessment guidelines and are loans on which accrued interest income is not recognized, excluding loans to bankrupt borrowers and loans on which interest payments are deferred in order to support the borrower’s recovery from financial difficulties.

In addition to “past due loans,” certain other loans classified as “in need of caution” under the Bank’s self-assessment guidelines include “accruing loans contractually past due for three months or more,” which are loans on which the principal and/or interest is three months or more past due but exclude “loans to borrowers in bankruptcy” or “past due loans.” There was no “accruing loans contractually past due for three months or more” as of march 31, 2013. The balance of “accruing loans contractually past due for three months or more” as of March 31, 2012, was ¥38 million.

“Restructured loans” are loans where the Bank has restructured lending conditions, such as by a reduction of the original interest rate, forbearance of interest payments, principal repayments, or renunciation of claims to support the borrowers’ reorganization, but exclude “loans to borrowers in bankruptcy,” “past due loans” and “accruing loans contractually past due for three months or more.” The outstanding balances of “restructured loans” as of March 31, 2013 and 2012, were ¥25,684 million ($273,089 thousand) and ¥28,744 million, respectively.
Total amount of assets, which consisted of “loans to borrowers in bankruptcy,” “past due loans,”

"accruing loans contractually past due for three months or more" and "restructured loans" as of March 31, 2013 and 2012, were ¥56,956 million ($605,590 thousand) and ¥60,029 million, respectively. The allowance for doubtful accounts is not deducted from the amounts of loans shown in the above.

Bills discounted are treated as secured lending transactions. As of March 31, 2013 and 2012, the Bank had the right by contract or custom to sell or repledge bills discounted and foreign exchange bills bought, and their total face value was ¥15,626 million ($166,151 thousand) and ¥15,578 million, respectively.

7. Foreign Exchange

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

	Millions of Yen		Thousands of U.S. Dollars
	2013	2012	2013
Assets:			
Due from banks	¥ 1,159	¥ 1,076	$ 12,324
Foreign bills of exchange purchased	2	1	25
Foreign bills of exchange receivable	197	138	2,091
Total	¥ 1,358	¥ 1,215	$ 14,440
Liabilities:			
Foreign bills of exchange sold	¥ 8	¥ 18	$ 81
Foreign bills of exchange payable	15	18	164
Total	¥ 23	¥ 36	$ 245

8. Tangible Fixed Assets and Intangible Fixed Assets

At March 31, 2013 and 2012, the major classifications of tangible fixed assets and intangible fixed assets were as follows:

	Millions of Yen		Thousands of U.S. Dollars
Tangible fixed assets	2013	2012	2013
Buildings	¥ 35,939	¥ 36,153	$ 382,131
Land	36,966	37,135	393,051
Construction in progress	18	80	190
Other	15,315	15,597	162,828
	88,238	88,965	938,200
Less: accumulated depreciation	(33,391)	(32,981)	(355,030)
Total	¥ 54,847	¥ 55,984	$ 583,170
Intangible fixed assets			
Software	¥ 8,437	¥ 10,501	$ 89,713
Other	154	287	1,629
Total	¥ 8,591	¥ 10,788	$ 91,342

9. Fixed Asset Impairment Losses

The bank wrote down the carrying amounts to the recoverable amounts and recognized impairment losses for the following assets for the year ended March 31, 2013:

Year ended March 31, 2013

Purpose of use	Area	Items	Type	Millions of Yen		Thousands of U.S. Dollars	
In use	Kagoshima	4	Land and buildings	¥	160	$	1,707
Not in use	Kagoshima	18	Land and buildings		70		742
	Outside of Kagoshima	5	Land and buildings		18		190
Total				¥	248	$	2,639

The Bank groups assets by branch, which is a minimum unit for managerial accounting. The Bank treats each consolidated subsidiary as a unit for asset grouping.

The recoverable value is calculated based on the real estate appraisal value less the estimated cost of disposal.

10. Assets Pledged

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

	Millions of Yen				Thousands of U.S. Dollars	
	2013		2012		2013	
Investment securities	¥	336,862	¥	314,657	$	3,581,738
Investment in leases		1,978		2,752		21,027
Other		3,037		2,918		32,296

At March 31, 2013 and 2012, the liabilities related to the above pledged assets were as follows:

	Millions of Yen				Thousands of U.S. Dollars	
	2013		2012		2013	
Deposits	¥	10,853	¥	9,926	$	115,400
Borrowed money		41,596		17,088		442,275
Payables under repurchase transaction		32,745		55,964		348,170

In addition, securities totaling ¥19,657 million ($209,001 thousand) and ¥34,822 million at March 31, 2013 and 2012, respectively, were pledged as collateral for the settlement of exchange, derivatives and other transactions.

11. Deposits

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

	Millions of Yen				Thousands of U.S. Dollars	
	2013		2012		2013	
Demand deposits	¥	1,885,867	¥	1,893,234	$	20,051,751
Time deposits		1,234,560		1,182,746		13,126,630
Other		24,371		22,436		259,135
Total	¥	3,144,798	¥	3,098,416	$	33,437,516

12. Borrowed Money

At March 31, 2013, the annual maturities of borrowed money, which were due through March 2018 with an average interest rate of 0.23% per annum, were as follows:

Years ending March 31,	Millions of Yen	Thousands of U.S. Dollars
2014	¥ 39,514	$ 420,134
2015	2,111	22,441
2016	1,436	15,271
2017	781	8,304
2018	329	3,502
Total	¥ 44,171	$ 469,652

Apart from borrowed money, lease obligations are included in "Other liabilities."

At March 31, 2013, the annual maturities of lease obligations, which were due through March 2018 with an average interest rate of 2.07% per annum, were as follows:

Years ending March 31,	Millions of Yen	Thousands of U.S. Dollars
2014	¥ 12	$ 126
2015	12	128
2016	11	120
2017		
2018		
Total	¥ 35	$ 374

13. Employee Retirement Benefits

The Bank has a cash-balance type pension plan and unfunded retirement benefit plans. Consolidated subsidiaries have unfunded retirement benefit plans.

The following table reconciles the benefit liability and net periodic retirement benefit expenses as of and for the years ended March 31, 2013 and 2012:

	Millions of Yen		Thousands of U.S. Dollars
	2013	2012	2013
Reconciliation of benefit liability:			
Projected benefit obligation	¥ (23,711)	¥ (22,478)	$ (252,114)
Fair value of pension plan assets at year-end	25,568	23,573	271,858
	1,857	1,095	19,744
Unrecognized actuarial differences	4,894	5,827	52,033
Unrecognized prior service cost of retroactive benefits granted by plan amendment	683	474	7,264
Net amounts of provision for retirement benefits recognized on the consolidated balance sheet	¥ 7,434	¥ 7,396	$ 79,041
Balance sheet presentation:			
Prepaid pension cost (other assets)	¥ 8,556	¥ 8,390	$ 90,971
Provision for retirement benefits	¥ (1,122)	¥ (994)	$ (11,930)

	Millions of Yen		Thousands of U.S. Dollars
	2013	2012	2013
Components of net periodic retirement benefit expenses:			
Service cost	¥ 819	¥ 798	$ 8,711
Interest cost	404	441	4,291
Expected return on pension plan assets	(214)	(237)	(2,272)
Amortization of prior service cost	(209)	(209)	(2,227)
Amortization of actuarial differences	1,200	1,131	12,764
Net periodic retirement benefit expense	¥ 2,000	¥ 1,924	$ 21,267

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

	2013	2012
Discount rate	1.4%	1.8%
Expected rate of return on pension plan assets:		
Defined benefit pension plan	0.5%	0.5%
Trusts for retirement benefits	2.5%	2.5%
Amortization of prior service cost	10 years	10 years
Amortization of actuarial differences	10 years	10 years

14. Acceptances and Guarantees

The Bank provides guarantees for the liabilities of its customers for payments of loans or other liabilities to other financial institutions. As a contra account, “Customers’ liabilities for acceptances and guarantees” are shown as assets on the accompanying consolidated balance sheet indicating the Bank’s right of indemnity from the customers.

15. Equity

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

(a) Dividends

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

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

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

(b) Increases/decreases and transfer of common stock, reserve and surplus

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

(c) Treasury stock and treasury stock acquisition rights

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

16. Loan Commitments

Contracts for overdraft facilities and loan commitment limits are contracts that the Bank makes with customers up to prescribed limits in response to customers' loan applications as long as there is no violation of any condition in the contracts. The amount of unused commitments at March 31, 2013 and 2012, was ¥602,182 million ($6,402,790 thousand) and ¥589,777 million, respectively, and the amount of unused commitments whose original contract terms are within one year or unconditionally cancelable at any time at March 31, 2013 and 2012, was ¥597,142 million ($6,349,202 thousand) and ¥581,268 million, respectively.

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

17. Financial Instruments and Related Disclosures

(a) Policy on financial instruments

The main business of the Group is banking operations, which consists of deposit-taking and lending services, securities investment, etc. Additionally, the Group provides other financial services, such as leasing services.

Accordingly, the Bank holds financial assets and liabilities that are subject to interest rate fluctuations and conducts Asset-Liability Management (ALM) in order to minimize any unfavorable impacts from interest rate fluctuations. The Bank also conducts derivative transactions as part of its ALM.

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

The main financial instruments that the Group has are as follows:

The Group provides loans mainly to domestic corporations and individual customers. Loans are exposed to credit risk, which represents losses on defaults caused by deterioration in a borrower's financial condition. Moreover, fixed interest rate loans are exposed to interest rate risks.

The Group has mainly the following securities: national government bonds, local government bonds, corporate bonds and equity securities. These securities are exposed to interest rate risks, market price risks, foreign exchange risks and credit risks.

The Bank handles deposits and negotiable certificates of deposit from customers. These deposits are exposed to interest rate risks.

Call money is exposed to liquidity risk, which may lead the Bank to face difficulties in raising necessary funds under certain circumstances.

The Group conducts derivative transactions mainly to manage market risks of loans and securities, etc., and partly applies hedge accounting to them.

(c) Risk management for financial instruments

(1) Credit risk management

As a basis of credit risk management, the Bank periodically monitors the debtors' financial status. This checking system is called the "Monitoring System of Customers."

The Bank has established a "Lending Policy" to advance the credit risk control systems for individual accounts and to enhance the effectiveness of these credit portfolio management measures. In addition, the Bank assists debtors, which have problems in their financial conditions, and guides their management in financial aspects.

To enhance its risk management system, the Bank has established a system of checks and balances in its credit risk management operations by separating the Corporate Risk Management Department from the Credit & Investment Planning Department. In addition, regarding business loans, the Corporate Risk Management Department is responsible for measuring credit risks and planning a credit rating system.

Corporate credit rates are decided by the Monitoring System of Customers with a financial support system called "Key Man." The Monitoring System of Customers gives corporate credit rates with internal standards based on actual financial or nonfinancial conditions and decides the credit rating classification, lending policies and lending rates according to the corporate credit rates.

The Credit Risk Management Department reports the management situation of the credit portfolio to the Risk Management Committee and the ALM Committee regularly or as needed, and the agenda is reported to the Board of Directors.

Regarding credit examinations and lending judgment on individual transactions, the Bank establishes a "Lending Policy," which determines the basic lending policies, individual lending criterion and, to prevent the concentration of lending, conducts credit examinations in accordance with the policy.

(2) Market risk management

The Bank recognizes the importance of appropriate market risk management to attain its purpose. Therefore, its basic policy is to understand the market risk management situation precisely and to take appropriate business risks by establishing an appropriate market risk management system that enables it to manage and take certain market risks.

The Bank has separated its departments into the Market Department (front office), the Office Management Department (back office) and the Risk Management Department (middle office), and has established an effective mutual monitoring system.

Moreover, the Bank conducts strict operational management with retention limits, Value at Risk (VaR) limits and loss limits, which are decided by the Executive Board on a semiannual basis. The middle office reports to directors on a daily basis and to the Risk Management Committee on a monthly basis on the status of risks related to market transactions, such as retention limits, unrealized gains or losses, Basis Point Value of the securities portfolio, VaR, etc. The study results of the Risk Management Committee are reported to the Board of Directors.

The ALM Committee monitors market risks, including interest risk of bank accounting in terms of comprehensive management of assets and liabilities and studies hedging strategies based on the financial environment and market forecasts.

（Quantitative information of market risk）

1) Financial instruments held for trading purposes

The Bank has set upper holding limits for trading securities and fund trusts. As of March 31, 2013 and 2012, the limits were ¥10,000 million ($106,326 thousand) for trading securities and ¥14,000 million ($148,857 thousand) for fund trusts. For trading securities, the Bank has not set an allowable potential loss amount to smoothly trade securities with customers. The Bank holds fund trusts to earn profit by taking advantage of short-term fluctuations in the market or discrepancies in interest rates, currency exchange rates or other market indices in different markets. In order to manage risks, the Bank has set an allowable potential loss amount for fund trusts, which was ¥300 million ($3,190 thousand) and ¥450 million as of March 31, 2013 and 2012, respectively.

2) Financial instruments held for other than trading purposes

(a) Management of interest rate risks

The main financial instruments that are affected by interest rate risks in the Bank are “Loans and bills discounted,” bonds within “Securities,” “Deposits” and interest rate swaps of “Derivative transactions.”

The Bank has computed the VaR of these financial assets and liabilities with the variance-covariance method and uses that method for quantitative analysis of interest rate risk management. The assumptions for computing VaR are based on a 60-day holding period, 99% confidence level and a five-year observation period. The aggregate amount of interest rate risks (value of estimated record of losses) was ¥10,100 million ($107,390 thousand) and ¥9,000 million as of March 31, 2013 and 2012, respectively. The Bank conducts back testing to verify the reliability of VaR by monthly monitoring and analysis. The results support the reliability of the Bank’s model, which has captured interest rate risks with sufficient accuracy.

The Bank has computed interest rate risks with core deposits estimated by the core deposits measurement model. In this model, the Bank estimates the amount of core deposits from a shift of the lower 99th percentile of deposit decrease in the future distribution of demand deposits. The distribution is computed by a linear regression model and a future interest rate scenario, and the linear regression model uses the one-month Tokyo Interbank Offered Rate as an explanatory variable.

The Bank conducts back testing to verify the reliability of the core deposits measurement model by comparing core deposits expectations and core deposits actual values, which are measured with the core deposits measurement model. The results support the reliability of the Bank’s model, which has captured core deposits movements with sufficient accuracy.

The VaR and the core deposits measurement model represent the amount of interest rate risks and core deposits arising with a certain probability using a statistical methodology based on historical interest rate fluctuations and the relationship between interest rate fluctuations and deposit fluctuations. It may not be able to capture the interest rate risks and movements of core deposits arising under drastic market movements beyond normal estimates.

(b) Management of market price risks

The Bank uses VaR for quantitative analysis of market price risk related to trading securities in "Securities." The assumptions for computing VaR include a 60-day holding period (regarding a part of asset, for example, cross-shareholdings is 125-day), a 99% confidence level and a one-year observation period. The VaR was ¥26,000 million ($276,449 thousand) and ¥16,300 million as of March 31, 2013 and 2012, respectively.

The Bank conducts research to compare the VaR calculated using the model with gains or losses, which are assumed to have been incurred when the portfolio was fixed. According to the results of the research, it is believed that the measurement model used is adequate to capture market risk. It should be noted that VaR measures the amount of market risk at certain probability levels statistically calculated based on historical market fluctuations, and therefore, there may be cases where market risk cannot be captured in such situations when market conditions change dramatically beyond what was experienced historically.

(3) Liquidity risk management

The financing condition of the Bank is stable because the Bank raises most of its operational funds from deposits.

The Financing Management Department, which is in the Market Financing Department, monitors the Bank's financing conditions on a daily, weekly and monthly basis and conducts adequate market funding as needed.

The Risk Management Department, which is independent from the Financing Management Department, monitors the Bank's financing conditions on a daily basis, and endeavors to secure available funding methods, such as preparation of market funding with holding securities to prepare for contingencies.

The monitoring results of financing and market liquidity risks are reported to the Risk Management Committee, and the study results of the Risk Management Committee are reported to the Board of Directors.

(4) Derivative transaction risk management

As for derivative transactions, the basic policy of the Bank is to reduce market risks of loans and securities.

Market risks and credit risks are inherent in derivative transactions used by the Bank.

Market risks include interest rate risks in interest-related derivative transactions, exchange rate risks in currency-related derivative transactions and market price risks in security/bond-related derivative transactions.

As for credit risks, the Bank handles trades with stock exchanges and only creditable banks and securities companies, and reduces default risks appropriately by operational limits.

The Bank manages its risks mainly by checking whether the effective derivative transactions are used to reduce asset and liability risks, such as fluctuations in interest rates and foreign exchange rates. The basic policy is studied by the ALM Committee, and the transactions and management are conducted by the Market Financing Department.

(d) Supplementary explanation of matters relating to fair value of financial instruments and others

Fair values of financial instruments include values based on market prices, and values deemed to be market prices obtained by a reasonable estimate when financial instruments do not have market prices. Because certain assumptions are adopted for calculating such values, values may differ when adopting different assumptions.

(e) Fair value of financial instruments

The following table summarizes the carrying amounts and the fair values of financial instruments as of March 31, 2013 and 2012, together with their differences. Note that the following table does not include unlisted equity securities and certain other securities for which fair value is extremely difficult to determine.

Fair value of financial instruments

	Millions of Yen		
At March 31, 2013	Carrying amount	Fair value	Unrealized gains/losses
Assets			
Cash and due from banks	¥ 88,937	¥ 88,937	¥
Call loans and bills purchased	21,632	21,632	
Trading securities	182	182	
Available-for-sale securities	1,156,780	1,156,780	
Loans and bills discounted	2,272,324		
Allowance for doubtful accounts (*1)	(29,371)		
	2,242,953	2,277,140	34,187
Total	¥ 3,510,484	¥ 3,544,671	¥ 34,187
Liabilities			
Deposits	¥ 3,144,798	¥ 3,145,443	¥ 645
Negotiable certificates of deposit	68,867	68,883	16
Call money and bills sold	20,785	20,785	
Borrowed money	44,185	44,198	13
Total	¥ 3,278,635	¥ 3,279,309	¥ 674
Derivative transactions (*2)			
Hedge accounting is not applied	¥ 141	¥ 141	¥
Hedge accounting is applied	(455)	(455)	
Total	¥ (314)	¥ (314)	¥

At March 31, 2012	Millions of Yen Carrying amount	 Fair value	 Unrealized gains/losses
Assets			
Cash and due from banks	¥ 108,423	¥ 108,423	¥
Call loans and bills purchased	12,466	12,466	
Trading securities	158	158	
Available-for-sale securities	1,099,987	1,099,987	
Loans and bills discounted	2,203,893		
Allowance for doubtful accounts (*1)	(26,247)		
	2,177,646	2,209,662	32,016
Total	¥ 3,398,680	¥ 3,430,696	¥ 32,016
Liabilities			
Deposits	3,098,416	3,099,493	1,077
Negotiable certificates of deposit	52,980	52,994	14
Call money and bills sold	6,822	6,822	
Payables under repurchase transactions	55,964	55,964	
Total	¥ 3,214,182	¥ 3,215,273	¥ 1,091
Derivative transactions (*2)			
Hedge accounting is not applied	62	62	
Hedge accounting is applied	(557)	(557)	
Total	¥ (495)	¥ (495)	¥

At March 31, 2013	Thousands of U.S. Dollars Carrying amount	 Fair value	 Unrealized gains/losses
Assets			
Cash and due from banks	$ 945,632	$ 945,632	$
Call loans and bills purchased	230,000	230,000	
Trading securities	1,934	1,934	
Available-for-sale securities	12,299,633	12,299,633	
Loans and bills discounted	24,160,813		
Allowance for doubtful accounts (*1)	(312,287)		
	23,848,526	24,212,019	363,493
Total	$ 37,325,725	$ 37,689,218	$ 363,493
Liabilities			
Deposits	33,437,516	33,444,373	6,857
Negotiable certificates of deposit	732,241	732,404	163
Call money and bills sold	221,000	221,000	
Borrowed money	469,804	469,947	143
Total	$ 34,860,561	$ 34,867,724	$ 7,163
Derivative transactions (*2)			
Hedge accounting is not applied	1,498	1,498	
Hedge accounting is applied	(4,843)	(4,843)	
Total	$ (3,345)	$ (3,345)	$

(*1) Allowance for doubtful accounts relevant to loans and bills discounted have been deducted.
(*2) Derivatives recorded in “Other assets” and “Other liabilities” are aggregated and shown herein in total. Derivative instruments are presented as net of assets and liabilities associated with derivative transactions.

(f) Method used for determining the fair value of financial instruments

Assets

(1) Cash and due from banks

Fair values of cash and due from banks that have no maturity dates are approximately equivalent to carrying amounts.

Regarding cash and due from banks with maturity dates, the fair values of certain products with short maturities (less than one year) are approximately equivalent to the carrying amounts.

(2) Call loans and bills purchased

Fair values of call loans and bills purchased are approximately equivalent to carrying amounts because of their short maturities.

(3) Trading securities

For securities, such as bonds that are held for trading, fair values are measured at the quoted market prices in bond markets or the quoted prices obtained from financial institutions.

(4) Investment securities

Fair values of stocks are measured at the quoted market prices in stock markets. Fair values of bonds are mainly measured at the quoted market prices in bond markets or the quoted prices obtained from financial institutions.

Fair values of investment trusts are measured at the standard prices disclosed publicly.

See Note 4 for information related to securities by holding purpose.

(5) Loans and bills discounted

Because floating-rate loans are immediately affected by the movement of market rates, the fair values of these loans are equivalent to carrying amounts in cases where the credit risk of debtors has not significantly changed from the execution of the loans.

Fixed-rate loans are segmented by loan type, internal rating and period, and their fair value is determined by discounting the total amount of principal and interest by the assumed interest rate on new lending of a similar type.

For loans to debtors who are legally bankrupt, virtually bankrupt and possible bankrupt, an allowance for doubtful accounts calculated from the current value of expected future cash flows or from the amount expected to be collected through disposal of collateral or execution of guarantees is provided. Therefore, the carrying amounts at the consolidated balance sheet date, net of reserve amounts, are regarded as the fair values.

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

Liabilities

(1) Deposits

Fair value of demand deposits is recognized as the payment amount required at the balance sheet date (i.e., carrying amounts). The fair value of time deposits is calculated by classifying them on the basis of their terms and by discounting future cash flows. The discount rates used in such calculations are interest rates used when accepting new deposits.

(2) Negotiable certificates of deposit

Fair value of fixed negotiable certificates of deposit is calculated by classifying them on the basis of their terms and by discounting future cash flows. The discount rates used in such calculations are interest rates used when accepting new negotiable certificates of deposit.

(3) Call money and bills sold

Fair values of call money and bills sold are equivalent to carrying amounts because of their short maturities.

(4) Payables under repurchase transactions

Fair values of payables under repurchase transactions are approximately equivalent to carrying amounts because of their short maturities.

(5) Borrowed money

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

Derivatives

Please see Note 18 for the fair values of derivatives.

(g) Financial instruments whose fair value cannot be reliably determined

	Carrying amount		
	Millions of Yen		Thousands of U.S. Dollars
	2013	2012	2013
Unlisted stocks (*1) (*2)	¥ 2,332	¥ 2,169	$ 24,797
Investments in partnerships (*3)	1,332	1,749	14,163
Total	¥ 3,664	¥ 3,918	$ 38,960

(*1) Equity securities without a readily available market price are outside the scope of the fair value disclosure because their fair values cannot be readily determined.

(*2) During the year ended March 31, 2013, impairment losses on equity securities without a readily available market price of ¥0 million were recognized. During the year ended March 31, 2012, impairment losses on equity securities without a readily available market price of ¥70 million were recognized.

(*3) Investments in partnerships, the assets of which comprise equity securities without a readily available market price, are outside the scope of the fair value disclosure because the fair value of those investments cannot be readily determined.

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

	Millions of Yen		
At March 31, 2013	Due in 1 year or less	Due from 1 to 3 years	Due from 3 to 5 years
Due from banks	¥ 47,894	¥	¥
Call loans and bills purchased	21,632		
Available-for-sale securities	84,723	300,108	269,219
National government bonds	36,190	98,254	70,062
Local government bonds	17,685	32,910	20,756
Corporate bonds	26,337	155,566	137,676
Others	4,511	13,378	40,725
Loans and bills discounted (*)	695,223	449,649	383,407
Total	¥ 849,472	¥ 749,757	¥ 652,626

	Millions of Yen		
At March 31, 2013	Due from 5 to 7 years	Due from 7 to 10 years	Due after 10 years
Due from banks	¥	¥	¥
Call loans and bills purchased			
Available-for-sale securities	116,326	197,707	115,448
National government bonds	77,319	115,240	71,751
Local government bonds	7,828	10,445	
Corporate bonds	16,379	70,798	43,697
Others	14,800	1,224	
Loans and bills discounted (*)	208,044	178,890	325,808
Total	¥ 324,370	¥ 376,597	¥ 441,256

(*) Loans and bills discounted to borrowers who are legally bankrupt, virtually bankrupt and possibly bankrupt amounting to ¥31,303 million are excluded from the table above as of March 31, 2013.

At March 31, 2012	Millions of Yen					
	Due in 1 year or less		Due from 1 to 3 years		Due from 3 to 5 years	
Due from banks	¥	67,087	¥		¥	
Call loans and bills purchased		12,466				
Available-for-sale securities		122,317		264,224		305,394
National government bonds		31,146		121,354		98,836
Local government bonds		6,345		32,576		36,369
Corporate bonds		67,742		96,205		155,336
Others		17,084		14,089		14,853
Loans and bills discounted (*)		701,542		415,267		358,193
Total	¥	903,412	¥	679,491	¥	663,587

At March 31, 2012	Millions of Yen					
	Due from 5 to 7 years		Due from 7 to 10 years		Due after 10 years	
Due from banks	¥		¥		¥	
Call loans and bills purchased						
Available-for-sale securities		169,377		153,967		21,324
National government bonds		110,796		96,512		
Local government bonds		13,543		10,092		
Corporate bonds		42,675		45,240		21,324
Others		2,363		2,123		
Loans and bills discounted (*)		214,284		177,513		306,628
Total	¥	383,661	¥	331,480	¥	327,952

(*) Loans and bills discounted to borrowers who are legally bankrupt, virtually bankrupt and possibly bankrupt amounting to ¥30,464 million are excluded from the table above as of March 31, 2012.

At March 31, 2013	Thousands of U.S. Dollars					
	Due in 1 year or less		Due from 1 to 3 years		Due from 3 to 5 years	
Due from banks	$	509,238	$		$	
Call loans and bills purchased		230,000				
Available-for-sale securities		900,830		3,190,945		2,862,509
National government bonds		384,800		1,044,699		744,945
Local government bonds		188,034		349,919		220,692
Corporate bonds		280,027		1,654,082		1,463,860
Others		47,969		142,245		433,012
Loans and bills discounted (*)		7,392,053		4,780,956		4,076,630
Total	$	9,032,121	$	7,971,901	$	6,939,139

At March 31, 2013	Thousands of U.S. Dollars					
	Due from 5 to 7 years		Due from 7 to 10 years		Due after 10 years	
Due from banks	$		$		$	
Call loans and bills purchased						
Available-for-sale securities		1,236,848		2,102,156		1,227,515
National government bonds		822,110		1,225,310		762,897
Local government bonds		83,233		111,058		
Corporate bonds		174,151		752,771		464,618
Others		157,354		13,017		
Loans and bills discounted (*)		2,212,055		1,902,076		3,464,200
Total	$	3,448,903	$	4,004,232	$	4,691,715

(*) Loans and bills discounted to borrowers who are legally bankrupt, virtually bankrupt and possibly bankrupt amounting to $332,843 thousand are excluded from the table above as of March 31, 2013.

(i) Scheduled repayment amount after the balance sheet date for borrowed money and other interest-bearing liabilities

	Millions of Yen		
At March 31, 2013	Due in 1 year or less	Due from 1 to 3 years	Due from 3 to 5 years
Deposits (*)	¥ 3,022,632	¥ 110,455	¥ 11,711
Negotiable certificates of deposit	68,837	30	
Call money and bills sold	20,785		
Borrowed money	39,513	3,547	1,110
Total	¥ 3,151,767	¥ 114,032	¥ 12,821

	Millions of Yen		
At March 31, 2013	Due from 5 to 7 years	Due from 7 to 10 years	Due after 10 years
Deposits (*)	¥	¥	¥
Negotiable certificates of deposit			
Call money and bills sold			
Borrowed money	7	8	
Total	¥ 7	¥ 8	¥

	Millions of Yen		
At March 31, 2012	Due in 1 year or less	Due from 1 to 3 years	Due from 3 to 5 years
Deposits (*)	¥ 2,982,053	¥ 104,552	¥ 11,811
Negotiable certificates of deposit	50,799	2,181	
Call money and bills sold	6,822		
Payables under repurchase transactions	55,964		
Total	¥ 3,095,638	¥ 106,733	¥ 11,811

	Millions of Yen		
At March 31, 2012	Due from 5 to 7 years	Due from 7 to 10 years	Due after 10 years
Deposits (*)	¥ 0	¥	¥
Negotiable certificates of deposit			
Call money and bills sold			
Payables under repurchase transactions			
Total	¥ 0	¥	¥

At March 31, 2013	Thousands of U.S. Dollars Due in 1 year or less	Due from 1 to 3 years	Due from 3 to 5 years
Deposits (*)	$ 32,138,573	$ 1,174,425	$ 124,518
Negotiable certificates of deposit	731,922	319	
Call money and bills sold	221,000		
Borrowed money	420,134	37,712	11,806
Total	$ 33,511,629	$ 1,212,456	$ 136,324

At March 31, 2013	Thousands of U.S. Dollars Due from 5 to 7 years	Due from 7 to 10 years	Due after 10 years
Deposits (*)	$	$	$
Negotiable certificates of deposit			
Call money and bills sold			
Borrowed money	72	80	
Total	$ 72	$ 80	$

(*) Regarding deposits, demand deposits are included in deposits with maturity dates of one year or less. Please see Note 12 for annual maturities of borrowed money.

18. Derivative Instruments

The Bank has entered into various transactions involving derivative instruments in the normal course of business to meet the financing needs of its customers for risk management, the Bank's ALM and as a source of income. These derivative instruments involve, in varying degrees, elements of credit and market risk. The Bank is exposed to credit losses in the event of nonperformance by third parties. However, the Bank does not expect nonperformance by its counterparties because the counterparties to these derivatives are limited to major international financial institutions.

(a) Derivative transactions to which hedge accounting is not applied at March 31, 2013 and 2012

	Millions of Yen Notional principal or contract amounts	Contract amount due after one year	Fair value	Valuation gains (losses)
At March 31, 2013				
Foreign exchange contracts:				
Currency swaps	¥ 27,935	¥ 27,935	¥ 30	¥ 30
Foreign exchange forward contracts				
Forward exchange contracts written	175		(3)	(3)
Forward exchange contracts purchased	157		5	5

	Millions of Yen			
	Notional principal or contract amounts	Contract amount due after one year	Fair value	Valuation gains (losses)
At March 31, 2012				
Foreign exchange contracts:				
Currency swaps	¥ 31,611	¥ 26,351	¥ 38	¥ 38
Foreign exchange forward contracts				
Forward exchange contracts written	153		(4)	(4)
Forward exchange contracts purchased	114		4	4

	Thousands of U.S. Dollars			
	Notional principal or contract amounts	Contract amount due after one year	Fair value	Valuation gains (losses)
At March 31, 2013				
Foreign exchange contracts:				
Currency swaps	$ 297,024	$ 297,024	$ 319	$ 319
Foreign exchange forward contracts				
Forward exchange contracts written	1,856		(32)	(32)
Forward exchange contracts purchased	1,670		51	51

(b) Derivative transactions to which hedge accounting is applied at March 31, 2013 and 2012

	Millions of Yen			
	Hedged item	Contract amount	Contract amount due after one year	Fair value
At March 31, 2013				
Interest rate contracts:				
Interest rate swaps- receive floating and pay Fixed	Loans and bills discounted	¥ 11,908	¥ 11,908	¥ (455)

	Millions of Yen			
	Hedged item	Contract amount	Contract amount due after one year	Fair value
At March 31, 2013				
Foreign exchange:				
Forward contracts	Foreign currency call loans	¥ 24,008	¥	¥ (3)

	Hedged item	Contract amount	Contract amount due after one year	Fair value
	Millions of Yen			
At March 31, 2012				
Interest rate contracts:				
Interest rate swaps - receive floating and pay fixed	Loans and bills discounted	¥ 14,086	¥ 12,862	¥ (557)

	Hedged item	Contract amount	Contract amount due after one year	Fair value
	Millions of Yen			
At March 31, 2012				
Foreign exchange:				
Forward contracts	Foreign currency call loans	¥ 5,349	¥	¥ 0

	Hedged item	Contract amount	Contract amount due after one year	Fair value
	Thousands of U.S. Dollars			
At March 31, 2013				
Interest rate contracts:				
Interest rate swaps - receive floating and pay fixed	Loans and bills discounted	$ 126,612	$ 126,612	$ (4,843)

	Hedged item	Contract amount	Contract amount due after one year	Fair value
	Thousands of U.S. Dollars			
At March 31, 2013				
Foreign exchange:				
Forward contracts	Foreign currency call loans	$ 255,268	$	$ (32)

The below interest rate swaps that qualify for hedge accounting and meet specific matching criteria are not remeasured at market value but the differential paid or received under the swap agreements is recognized and included in interest expense or income. In addition, the fair value of such interest rate swaps in Note 17 is included in that of the hedged items (i.e., Loans and bills discounted).

	Hedged item	Contract amount	Contract amount due after one year	Fair value
	Millions of Yen			
At March 31, 2013				
Interest rate contracts:				
Interest rate swaps - receive floating and pay fixed	Loans and bills discounted	¥ 40,586	¥ 40,564	¥

	Millions of Yen			
	Hedged item	Contract amount	Contract amount due after one year	Fair value
At March 31, 2012				
Interest rate contracts:				
Interest rate swaps - receive floating and pay fixed	Loans and bills discounted	¥ 54,955	¥ 44,509	¥

	Thousands of U.S. Dollars			
	Hedged item	Contract amount	Contract amount due after one year	Fair value
At March 31, 2013				
Interest rate contracts:				
Interest rate swaps - receive floating and pay fixed	Loans and bills discounted	$ 431,534	$ 431,304	$

Note. Fair values are calculated based on the discounted cash flow method or other valuation method.

19. Income Taxes

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

	Millions of Yen		Thousands of U.S. Dollars
	2013	2012	2013
Deferred tax assets:			
Allowance for doubtful accounts	¥ 10,195	¥ 9,043	$ 108,398
Provision for retirement benefits	397	352	4,220
Provision for directors' and audit & supervisory board members' retirement benefits	307	262	3,267
Provision for reimbursement of deposits	217	236	2,311
Depreciation	322	365	3,423
Write-downs of investment securities	1,114	1,233	11,846
Unrealized losses on available-for-sale securities	352	909	3,743
Losses on impairment of fixed assets	2,399	2,312	25,510
Other	2,202	2,363	23,400
Less, valuation allowance	(3,898)	(3,868)	(41,442)
Subtotal	13,607	13,207	144,676
Deferred tax liabilities:			
Unrealized gains on available-for-sale securities	(19,146)	(11,457)	(203,568)
Other	(2,159)	(1,973)	(22,965)
Subtotal	(21,305)	(13,430)	(226,533)
Net deferred tax assets (liabilities)	¥ (7,698)	¥ (223)	$ (81,857)

A reconciliation of the differences between the Japanese statutory effective tax rate and the actual effective tax rate on pretax income reflected in the accompanying consolidated statement of income for the years ended March 31, 2013 and 2012, is as follows:

	Percentage of pretax income
	2012
Japanese statutory effective tax rate	40.4 %
Increase (decrease) due to:	
Non-deductible expenses	0.7
Non-taxable income	(1.8)
Effect of tax rate reduction	6.2
Resident tax per capital levy	0.2
Increase in valuation allowance	1.1
Other	0.3
Actual effective income tax rate	47.1 %

A reconciliation between the normal effective statutory tax rate for the year ended March 31, 2013, and the actual effective tax rate reflected in the accompanying consolidated statement of income was not required under Japanese accounting standards due to immaterial differences.

20. Other Comprehensive Income

The components of other comprehensive income for the year ended March 31, 2013, were as follows:

	Millions of Yen	Thousands of U.S. Dollars
	2013	2013
Unrealized gains (losses) on available-for-sale securities		
Gains arising during the year	¥ 25,161	$ 267,532
Reclassification adjustments to profit or loss	(1,276)	(13,572)
Amount before income tax effect	23,885	253,960
Income tax effect	(8,245)	(87,665)
Total	¥ 15,640	$ 166,295
Deferred gains (losses) on derivatives under hedge accounting		
Gains arising during the year	¥ (74)	$ (790)
Reclassification adjustments to profit or loss	175	1,858
Amount before income tax effect	101	1,068
Income tax effect	(36)	(377)
Total	¥ 65	$ 691
Land revaluation surplus		
Gains arising during the year	¥	$
Reclassification adjustments to profit or loss		
Amount before income tax effect		
Income tax effect		
Total	¥	$
Total other comprehensive income	¥ 15,705	$ 166,986

The corresponding information for the year ended March 31, 2012, was not required under the accounting standard for presentation of comprehensive income as an exemption for the first year of adopting that standard, and therefore, it is not disclosed herein.

21. Per Share Information

Net income per share, as presented in the consolidated statement of income, is based on the weighted-average number of common shares outstanding during each year. The weighted-average number of common shares outstanding for the years ended March 31, 2013 and 2012, was 209,882 thousand and 209,904 thousand, respectively.

22. Subsequent Events

Appropriation of retained earnings

The shareholders of the Bank approved the following appropriations of retained earnings at the annual general meeting held on June 26, 2013:

	Millions of Yen	Thousands of U.S. Dollars
Cash dividends	¥ 944	$ 10,041

23. SEGMENT INFORMATION

Year Ended March 31, 2013

1. Description of reportable segments

The Group's reportable segments are those for which separate financial information is available and regular evaluation by the Board of Directors is being performed in order to decide how resources are allocated among the Group. The Bank concentrates on the banking business, and also conducts other financial services business including leasing. Therefore, the Group's reportable segments consist of Banking and Leasing.
Banking consists of a deposit business, loan business, foreign (domestic) exchange business, and securities business.
Leasing consists of a leasing business.

2. Methods of measurement for the amounts of ordinary income, profit (loss), assets and other items for each reportable segment

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

3. Information about ordinary income, profit (loss), assets and other items is as follows.

	Millions of Yen						
	2013						
	Reportable segment						
	Banking	Leasing	Total	Other	Total	Reconciliations	Consolidated
Ordinary income:							
Outside customers	¥ 65,000	¥ 11,754	¥ 76,754	¥ 1,608	¥ 78,362	¥	¥ 78,362
Intersegment	233	1,185	1,418	535	1,953	(1,953)	
Total	65,233	12,939	78,172	2,143	80,315	(1,953)	78,362
Segment profit	12,461	890	13,351	813	14,164	(39)	14,125
Segment assets	3,647,466	29,970	3,677,436	14,138	3,691,574	(24,769)	3,666,805
Other:							
Depreciation	¥ 5,265	¥ 213	¥ 5,478	¥ 17	¥ 5,495	¥	¥ 5,495
Interest income and dividends	48,055	37	48,092	159	48,251	(155)	48,096
Interest expenses	2,296	187	2,483	3	2,486	(242)	2,244

	Millions of Yen						
	2012						
	Reportable segment						
	Banking	Leasing	Total	Other	Total	Reconciliations	Consolidated
Ordinary income:							
Outside customers	¥ 65,520	¥ 12,370	¥ 77,890	¥ 1,420	¥ 79,310	¥	¥ 79,310
Intersegment	243	1,252	1,495	523	2,018	(2,018)	
Total	65,763	13,622	79,385	1,943	81,328	(2,018)	79,310
Segment profit	16,299	1,106	17,405	691	18,096	(44)	18,052
Segment assets	3,541,909	29,761	3,571,670	13,699	3,585,369	(24,412)	3,560,957
Other:							
Depreciation	¥ 5,110	¥ 341	¥ 5,451	¥ 14	¥ 5,465	¥	¥ 5,465
Interest income and dividends	50,757	35	50,792	191	50,983	(162)	50,821
Interest expenses	2,803	224	3,027	3	3,030	(270)	2,760

	Thousands of U.S. Dollars						
	2013						
	Reportable segment						
	Banking	Leasing	Total	Other	Total	Reconciliations	Consolidated
Ordinary income:							
Outside customers	$ 691,127	$ 124,980	$ 816,107	$ 17,098	$ 833,205	$	$ 833,205
Intersegment	2,479	12,607	15,086	5,697	20,783	(20,783)	
Total	693,606	137,587	831,193	22,795	853,988	(20,783)	833,205
Segment profit	132,500	9,472	141,972	8,652	150,624	(423)	150,201
Segment assets	38,782,200	318,656	39,100,856	150,323	39,251,179	(263,354)	38,987,825
Other:							
Depreciation	$ 55,978	$ 2,261	$ 58,239	$ 183	$ 58,422	$	$ 58,422
Interest income and dividends	510,950	391	511,341	1,687	513,028	(1,643)	511,385
Interest expenses	24,408	1,993	26,401	38	26,439	(2,577)	23,862

Note: 1. The “Other” segment contains business that is not included in these reportable segments, such as the guarantee and credit card business.

2. Reconciliations were eliminations of intersegment transactions.

3. Segment profit represents profit that is deducted for certain special income and loss from income before income taxes and minority interests in the accompanying consolidated statement of income.

Related Information for the year ended March 31, 2013

Segment information by services

	Millions of Yen				
	2013				
	Loan business	Securities investment business	Leasing business	Other	Total
Ordinary income from external customers	¥ 37,855	¥ 14,510	¥ 11,639	¥ 14,358	¥ 78,362

	Millions of Yen				
	2012				
	Loan business	Securities investment business	Leasing business	Other	Total
Ordinary income from external customers	¥ 39,600	¥ 12,824	¥ 12,082	¥ 14,804	¥ 79,310

	Thousands of U.S. Dollars				
	2013				
	Loan business	Securities investment business	Leasing business	Other	Total
Ordinary income from external customers	$ 402,496	$ 154,282	$ 123,757	$ 152,670	$ 833,205