Financial Section

Consolidated Five-Year Summary

THE 77 BANK, LTD. AND SUBSIDIARIES
As of March 31

	Millions of Yen				
	2013	2012	2011	2010	2009
For the fiscal year					
Net interest income	**¥ 68,688**	¥ 72,785	¥ 73,483	¥ 72,084	¥ 76,490
Net fees and commissions	**11,344**	11,165	10,852	11,250	10,707
Net other operating income (loss)	**1,508**	2,945	3,250	(906)	(5,264)
Net income (loss)	**12,446**	10,690	(30,458)	11,646	7,724
At the fiscal year-end					
Total assets	**¥8,261,103**	¥7,616,779	¥6,217,663	¥5,906,852	¥5,644,253
Deposits	**7,745,804**	7,170,216	5,633,396	5,361,779	5,126,497
Loans and bills discounted	**3,762,620**	3,639,528	3,495,671	3,438,682	3,381,779
Trading account securities and investment securities	**3,439,268**	2,890,083	2,152,996	1,970,759	1,750,389
Equity	**367,533**	318,013	306,499	356,271	301,962
Common stock	**24,658**	24,658	24,658	24,658	24,658

	Yen				
	2013	2012	2011	2010	2009
Per share of common stock					
Basic net income (loss)	**¥ 33.29**	¥ 28.60	¥ (80.35)	¥ 30.70	¥ 20.36
Diluted net income	**33.18**	28.53		30.69	
Equity	**953.77**	826.80	793.64	916.36	773.24
Cash dividends	**7.00**	7.00	6.00	7.00	7.00
Capita adequacy ratio (%)					
Domestic standard	**12.54**	12.57	11.69	13.25	13.05

Notes: 1. The national consumption tax and the local consumption tax are excluded from transaction amounts.

2. The Bank's capital adequacy ratio on the domestic standard is accompanied by the revision of Article 14, Paragraph 2, of the Banking Law of Japan, in line with enforcement of the related law for financial system reform.

Consolidated Performance for Fiscal 2013

THE 77 BANK, LTD. AND SUBSIDIARIES
Year Ended March 31

Financial and Economic Conditions

Based in Miyagi Prefecture, The 77 Bank has a network of branches extending across Fukushima Prefecture, Iwate Prefecture, Yamagata Prefecture, Akita Prefecture, Tokyo, Aichi Prefecture, Osaka, and Hokkaido. Making sound management a principle and aspiring to be the "Best Creative Bank that creates a new era together with the region," the Bank has three basic policies: 1) support earthquake recovery and revitalize the regional economy from a financial perspective while fulfilling the Bank's financial intermediation function, 2) strengthen loan and consulting capabilities by enhancing human resources development with a view to establishing a business model that coexists with the region in the medium to long term while achieving sustained growth together with the region amid rapid change, such as the shrinking of the Japanese market as the birthrate declines and the population ages, and 3) further improve productivity.

In fiscal 2013, the year ended March 31, 2013, the Japanese economy remained weak, affected by the slowdown of overseas economies. However, toward the end of the fiscal year, there were indications that a moderate recovery of the Japanese economy was afoot as production and exports picked up thanks to the impact of the Abe administration's economic policies. Meanwhile, in Miyagi Prefecture, the heartland of The 77 Bank, economic activities were generally upbeat as projects for recovery and reconstruction in the aftermath of the Great East Japan Earthquake gained momentum. However, the tempo of recovery slowed somewhat in the prefecture as production showed little increase and personal consumption tended to weaken in certain respects.

In these circumstances, long-term interest rates, which had been hovering slightly below 1% against a backdrop of greater monetary easing and a favorable supply/demand situation for Japanese bonds, declined to the 0.5% level toward the end of the fiscal year for the first time in nine years and nine months. Short-term interest rates, which had been extremely low, trended downward further in the second half of the fiscal year. Share prices started to rise in the second half of the fiscal year owing to rising expectations centering on the Japanese government's policies to extricate the economy from deflation. The Nikkei Stock Average rose above ¥12,000 for the first time in four and a half years. Meanwhile, in foreign exchange markets, the yen continued to appreciate until the middle of the fiscal year, reaching an exchange rate of ¥77 to the U.S. dollar, and then depreciation of the yen progressed toward the end of the fiscal year, reaching ¥96 to the U.S. dollar.

In view of the massive damage caused by the Great East Japan Earthquake, the Bank strove to maintain the stable provision of financial services and continue to fulfill its financial intermediation function, in order to contribute to the recovery and reconstruction of communities and the regional economy as a financial institution working with the local region.

The Shizugawa Branch (Minami-sanriku-cho) and the Nainowaki Branch (Kesennuma-shi), whose premises were destroyed by the Great East Japan Earthquake, had been operating in space rented within neighboring branches. The Bank relocated these two branches to newly constructed premises near the previous premises and they resumed business operations in the disaster-stricken area.

In terms of support for small and medium-sized enterprises (SMEs) that were affected by the Great East Japan Earthquake, we vigorously responded to their funding needs for the resumption of business by using the Restoration and Maintenance Subsidy Project for Facilities of Small and Medium-sized Enterprise Groups and other SME support schemes of central and local government. The Bank, through initiatives such as conferences focused on business matching, supported corporate customers in cultivating and expanding their sales channels.

To support customers facing difficulties in continuing business or making loan repayments because of the impact of the earthquake disaster, the Bank continued to be flexible, such as accepting change of loan terms and conditions, in light of the extent of the damage suffered by each customer. In response to the commonly named "double loan" problem, the Bank utilized public institutions, such as Corporation for Revitalizing Earthquake-affected Business and Miyagi Industry Revitalization Corporation, as necessary, to support corporate customers burdened by double loans and offered consultation to help them improve management and revitalize their business. For individual customers, with the aim of helping them rebuild their lives and revitalizing the community as soon as possible, the Bank strove to communicate the advantages and implications of the Individual Debtor Guidelines for Out-of-Court Workouts. In addition, the Bank held free-of-charge consultations about the Individual Debtor Guidelines for Out-of-Court Workouts and other matters in collaboration with the Tohoku Local Finance Bureau and the Management Committee of Individual Debtor Guidelines for Out-of-Court Workouts. Moreover, for customers subject to group relocation promotion project for disaster mitigation, the Bank started offering the 77 Earthquake Recovery Support Home Loan (Group Relocation Type and Leased Land Type), a dedicated mortgage product to support the building of new homes.

In these circumstances, at the Bank and its consolidated subsidiaries, all officers and employees made a concerted effort to promote business and facilitate social and economic restoration of the region with the support of the shareholders and customers. Consolidated business results were as stated below.

Consolidated Business Results

Deposits, including negotiable deposits, amounted to ¥7,745.8 billion at the end of the year under review, having increased by ¥575.5 billion.

Loans and bills discounted increased by ¥123.0 billion to ¥3,762.6 billion at the end of the year. Investment securities increased by ¥553.9 billion to ¥3,414.9 billion at the end of the year.

Total assets stood at ¥8,261.1 billion at the end of the year under review, having increased by ¥644.3 billion.

With regard to profit and loss, ordinary income decreased by ¥4,625 million from the previous year to ¥112,111 million owing to a decrease in revenues of consolidated subsidiaries and a decrease in interest income as a result of the decreased interest on loans and discounts. Total expenses decreased by ¥10,481 million from the previous year to ¥88,261 million owing to a decrease in credit-related expenses despite an increase in impairment loss on investment securities.

As a result, ordinary profit increased by ¥5,856 million from the previous year to ¥23,850 million. Net income increased by ¥1,756 million from the previous year to ¥12,446 million. Net income per share was ¥33.29.

Regarding performance by business segment, banking operations' ordinary income decreased by ¥850 million from the previous year to ¥98,279 million, but segment income increased by ¥3,969 million to ¥20,780 million. Leasing operations' ordinary income decreased by ¥4,102 million from the previous year to ¥12,464 million, but segment income increased by ¥1,373 million to ¥1,626 million. In other operations, ordinary income decreased by ¥318 million from the previous year to ¥4,354 million, while segment income increased by ¥509 million to ¥1,513 million.

Cash Flows

Net cash from operating activities amounted to ¥298,237 million, a decrease of ¥753,287 million from the previous year, owing to an increase in deposits, etc.

Net cash from investing activities totaled ¥(497,878) million, an increase of ¥237,762 million from the previous year, mainly due to the purchase of investment securities.

Net cash from financing activities amounted to ¥(2,623) million, a decrease of ¥19,861 million from the previous year, mainly due to dividends paid, etc.

Consequently, cash and cash equivalents at March 31, 2013 amounted to ¥573,172 million, having decreased by ¥202,223 million from the previous year.

Consolidated Balance Sheet

THE 77 BANK, LTD. AND SUBSIDIARIES
March 31, 2013

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2013	2012	2013
Assets:			
Cash and due from banks (Notes 3 and 26)	¥ 595,492	¥ 777,084	$ 6,331,653
Call loans and bills bought (Note 26)	371,507	211,256	3,950,101
Debt purchased	18,523	20,040	196,948
Trading account securities (Note 4)	24,361	29,087	259,021
Money held in trust (Note 5)	53,950	44,728	573,631
Investment securities (Notes 4, 10, 11, 26 and 28)	3,414,907	2,860,996	36,309,484
Loans and bills discounted (Notes 6, 12, 26, 27 and 28)	3,762,620	3,639,528	40,006,592
Foreign exchange assets (Note 7)	2,023	2,853	21,509
Lease receivables and investments in leases (Notes 14 and 25)	16,566	18,418	176,140
Tangible fixed assets (Notes 8, 9 and 16):			
Buildings	9,191	9,787	97,724
Land	20,261	20,564	215,427
Lease assets	217	150	2,307
Construction in progress		297	
Other tangible fixed assets	5,355	4,178	56,937
Intangible fixed assets:			
Software	23	241	244
Other intangible fixed assets	340	350	3,615
Deferred tax assets (Note 23)	8,687	32,081	92,365
Customers' liabilities for acceptances and guarantees (Notes 10 and 28)	26,403	25,039	280,733
Other assets (Note 11)	29,931	32,526	318,245
Reserve for possible loan losses	(99,261)	(112,432)	(1,055,406)
Total	¥8,261,103	¥7,616,779	$87,837,352
Liabilities:			
Deposits (Notes 11, 13 and 26)	¥7,745,804	¥7,170,216	$82,358,362
Call money	2,821		29,994
Payables under securities lending transactions (Note 11)	18,489		196,586
Borrowed money (Note 14)	27,802	29,321	295,608
Foreign exchange liabilities (Note 7)	110	143	1,169
Liability for employees' retirement benefits (Note 15)	32,566	32,527	346,262
Reserve for reimbursement of deposits	275	221	2,923
Reserve for contingent losses	1,081	1,180	11,493
Reserve for disaster losses	122	143	1,297
Acceptances and guarantees (Note 10)	26,403	25,039	280,733
Other liabilities (Note 16)	38,093	39,973	405,029
Total liabilities	7,893,570	7,298,765	83,929,505
Equity (Notes 17 and 31):			
Common stock—authorized, 1,344,000,000 shares; issued, 383,278,734 shares in 2013 and 2012	24,658	24,658	262,179
Capital surplus	7,835	7,840	83,306
Stock acquisition rights (Note 18)	482	380	5,124
Retained earnings	267,400	257,573	2,843,168
Less: treasury stock—at cost, 9,418,890 shares in 2013 and 9,505,021 shares in 2012	(4,569)	(4,613)	(48,580)
Accumulated other comprehensive income:			
Unrealized gains on available-for-sale securities (Note 4)	61,593	23,892	654,896
Deferred losses on derivatives under hedge accounting	(338)	(311)	(3,593)
Total	357,061	309,419	3,796,501
Minority interests	10,471	8,594	111,334
Total equity	367,533	318,013	3,907,846
Total	¥8,261,103	¥7,616,779	$87,837,352

See notes to consolidated financial statements.

Consolidated Statement of Income

THE 77 BANK, LTD. AND SUBSIDIARIES
Year Ended March 31, 2013

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2013	2012	2013
Income:			
Interest income:			
Interest on loans and discounts	¥ 49,853	¥ 53,183	$ 530,069
Interest and dividends on trading account and investment securities	22,228	23,571	236,342
Other	234	503	2,488
Fees and commissions	16,569	16,254	176,172
Other operating income (Note 19)	16,852	18,893	179,181
Reversal of reserve for possible loan losses	2,819		29,973
Gain on transfer of a substitutional portion of the government pension program fund		11,367	
Other income (Note 20)	3,553	4,419	37,777
Total income	112,111	128,193	1,192,036
Expenses:			
Interest expense:			
Interest on deposits	3,234	3,740	34,385
Interest on borrowings and rediscounts	132	263	1,403
Other	260	468	2,764
Fees and commissions	5,225	5,089	55,555
Other operating expenses (Note 21)	15,343	15,948	163,136
General and administrative expenses (Note 18)	56,994	59,683	605,996
Provision of reserve for possible loan losses		9,880	
Losses on devaluation of stocks and other securities	3,506	1,476	37,278
Other expenses (Note 22)	4,350	3,820	46,251
Total expenses	89,048	100,371	946,815
Income before income taxes and minority interests	23,063	27,821	245,220
Income taxes (Note 23):			
Current	4,830	8,051	51,355
Deferred	3,948	9,180	41,977
Total income taxes	8,778	17,231	93,333
Net income before minority interests	14,284	10,590	151,876
Minority interests in net (income) loss	(1,837)	100	(19,532)
Net income	¥ 12,446	¥ 10,690	$ 132,333

	Yen		U.S. Dollars
Per share of common stock (Note 30):			
Basic net income	¥33.29	¥28.60	$0.353
Diluted net income	33.18	28.53	0.352
Cash dividends applicable to the year	7.00	7.00	0.074

See notes to consolidated financial statements.

Consolidated Statement of Comprehensive Income

THE 77 BANK, LTD. AND SUBSIDIARIES
Year Ended March 31, 2013

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2013	2012	2013
Net income before minority interests	¥14,284	¥10,590	$151,876
Other comprehensive income (Note 24):			
Unrealized gains on available-for-sale securities	37,748	3,433	401,360
Deferred (losses) gains on derivatives under hedge accounting	(26)	100	(276)
Total other comprehensive income	37,722	3,533	401,084
Comprehensive income	¥52,006	¥14,124	$552,961
Total comprehensive income attributable to:			
Owners of the parent	¥50,121	¥14,186	$532,918
Minority interests	1,884	(62)	20,031

See notes to consolidated financial statements.

Consolidated Statement of Changes in Equity

THE 77 BANK, LTD. AND SUBSIDIARIES
Year Ended March 31, 2013

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2013	2012	2013
Common stock:			
Balance at the beginning of year	¥ 24,658	¥ 24,658	$ 262,179
Balance at the end of year	¥ 24,658	¥ 24,658	$ 262,179
Capital surplus:			
Balance at the beginning of year	¥ 7,840	¥ 7,842	$ 83,359
Sales of treasury stock	(5)	(2)	(53)
Balance at the end of year	¥ 7,835	¥ 7,840	$ 83,306
Stock acquisition rights:			
Balance at the beginning of year	¥ 380	¥ 251	$ 4,040
Net change in the year	102	129	1,084
Balance at the end of year	¥ 482	¥ 380	$ 5,124
Retained earnings:			
Balance at the beginning of year	¥257,573	¥249,128	$2,738,681
Net income	12,446	10,690	132,333
Cash dividends	(2,616)	(2,245)	(27,814)
Sales of treasury stock	(3)		(31)
Balance at the end of year	¥267,400	¥257,573	$2,843,168
Treasury stock:			
Balance at the beginning of year	¥ (4,613)	¥ (4,131)	$ (49,048)
Purchases of treasury stock	(5)	(514)	(53)
Sales of treasury stock	49	31	520
Balance at the end of year	¥ (4,569)	¥ (4,613)	$ (48,580)
Accumulated other comprehensive income:			
Unrealized gains on available-for-sale securities:			
Balance at the beginning of year	¥ 23,892	¥ 20,497	$ 254,035
Net change in the year	37,701	3,394	400,861
Balance at the end of year	¥ 61,593	¥ 23,892	$ 654,896
Deferred losses on derivatives under hedge accounting:			
Balance at the beginning of year	¥ (311)	¥ (412)	$ (3,306)
Net change in the year	(26)	100	(276)
Balance at the end of year	¥ (338)	¥ (311)	$ (3,593)
Total:			
Balance at the beginning of year	¥309,419	¥297,835	$3,289,941
Net income	12,446	10,690	132,333
Cash dividends	(2,616)	(2,245)	(27,814)
Purchases of treasury stock	(5)	(514)	(53)
Sales of treasury stock	40	29	425
Net change in the year	37,776	3,624	401,658
Balance at the end of year	¥357,061	¥309,419	$3,796,501
Minority interests:			
Balance at the beginning of year	¥ 8,594	¥ 8,663	$ 91,376
Net change in the year	1,877	(69)	19,957
Balance at the end of year	¥ 10,471	¥ 8,594	$ 111,334
Total equity:			
Balance at the beginning of year	¥318,013	¥306,499	$3,381,318
Net income	12,446	10,690	132,333
Cash dividends	(2,616)	(2,245)	(27,814)
Purchases of treasury stock	(5)	(514)	(53)
Sales of treasury stock	40	29	425
Net change in the year	39,653	3,554	421,616
Balance at the end of year	¥367,533	¥318,013	$3,907,846

See notes to consolidated financial statements.

Consolidated Statement of Cash Flows

THE 77 BANK, LTD. AND SUBSIDIARIES
Year Ended March 31, 2013

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2013	2012	2013
Operating activities:			
Income before income taxes and minority interests	¥ 23,063	¥ 27,821	$ 245,220
Adjustments for:			
Income taxes—paid	(7,700)	(11,151)	(81,871)
Depreciation and amortization	3,716	3,591	39,510
Losses on impairment of fixed assets	787	1,461	8,367
Net change in reserve for possible loan losses	(13,171)	5,950	(140,042)
Net change in reserve for reimbursement of deposits	54	3	574
Net change in reserve for contingent losses	(98)	(135)	(1,041)
Net change in reserve for disaster losses	(21)	(705)	(223)
Net change in liability for employees' retirement benefits	38	(9,140)	404
Interest income	(72,316)	(77,258)	(768,910)
Interest expense	3,627	4,472	38,564
Losses on investment securities—net	5,442	16	57,862
Gains on money held in trust—net	(624)	(499)	(6,634)
Foreign exchange (gains) losses—net	(20,251)	3,313	(215,321)
Losses on sales and disposals of fixed assets—net	127	79	1,350
Net change in loans and bills discounted	(123,092)	(143,856)	(1,308,793)
Net change in deposits	575,588	1,536,819	6,120,021
Net change in borrowed money (except for subordinated loans)	(1,518)	(95,309)	(16,140)
Net change in due from banks	(20,632)	(367)	(219,372)
Net change in call loans and bills bought	(158,734)	(210,323)	(1,687,761)
Net change in call money	2,821	(64,441)	29,994
Net change in payables under securities lending transactions	18,489	(817)	196,586
Net change in trading account securities	4,725	(5,180)	50,239
Net change in foreign exchange assets	829	639	8,814
Net change in foreign exchange liabilities	(32)	86	(340)
Net change in lease receivables and investments in leases	1,852	4,822	19,691
Interest received	77,948	80,259	828,793
Interest paid	(4,726)	(6,036)	(50,249)
Other—net	2,045	7,407	21,743
Total adjustments	275,174	1,023,703	2,925,826
Net cash provided by operating activities—(Forward)	¥ 298,237	¥ 1,051,524	$ 3,171,047
Investing activities:			
Purchases of investment securities	(1,067,601)	(1,162,939)	(11,351,419)
Proceeds from sales of investment securities	238,671	178,925	2,537,703
Proceeds from maturity of investment securities	339,640	249,522	3,611,270
Investment in money held in trust	(5,000)		(53,163)
Proceeds from dispositions of money held in trust	714	1,331	7,591
Purchases of tangible fixed assets	(4,452)	(2,749)	(47,336)
Proceeds from sales of tangible fixed assets	157	282	1,669
Purchases of intangible fixed assets	(9)	(13)	(95)
Net cash used in investing activities	(497,878)	(735,640)	(5,293,758)
Financing activities:			
Proceeds from subordinated loans		20,000	
Purchases of treasury stock	(5)	(514)	(53)
Proceeds from sales of treasury stock		2	
Dividends paid	(2,611)	(2,241)	(27,761)
Dividends paid for minority interest stockholders	(7)	(7)	(74)
Net cash (used in) provided by financing activities	(2,623)	17,238	(27,889)
Foreign currency translation adjustments on cash and cash equivalents	41	(13)	435
Net (decrease) increase in cash and cash equivalents	(202,223)	333,108	(2,150,164)
Cash and cash equivalents, beginning of year	775,396	442,287	8,244,508
Cash and cash equivalents, end of year (Note 3)	¥ 573,172	¥ 775,396	$ 6,094,332

See notes to consolidated financial statements.

Notes to Consolidated Financial Statements

THE 77 BANK, LTD. AND SUBSIDIARIES
Year Ended March 31, 2013

1. Basis Of Presenting Consolidated Financial Statements

The accompanying consolidated financial statements have been prepared in accordance with the provisions set forth in the Japanese Financial Instruments and Exchange Act and its related accounting regulations and the Enforcement Regulation for the Banking Law of Japan (the “Banking Law”), 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 which is more familiar to readers outside Japan. In addition, certain reclassifications have been made in the 2012 consolidated financial statements to conform to the classifications used in 2013.

In accordance with the Companies Act of Japan (the “Companies Act”) and other relevant regulations, all Japanese yen figures in the consolidated financial statements have been rounded down to the nearest million yen, except for per share data. Accordingly, the total of each account may not be equal to the combined total of individual items. Also, U.S. dollar amounts have been rounded down to the nearest thousand dollars.

The consolidated financial statements are stated in Japanese yen, the currency of the country in which The 77 Bank, Ltd. (the “Bank”) is incorporated and operates. The translations of Japanese yen amounts into U.S. dollar amounts are included solely for the convenience of readers outside Japan and have been made at the rate of ¥94.05 to U.S.$1, the approximate rate of exchange at March 29, 2013. Such translations should not be construed as representations that the Japanese yen amounts could be converted into U.S. dollars at that or any other rate.

2. Summary Of Significant Accounting Policies

a. Consolidation—The consolidated financial statements include the accounts of the Bank and its subsidiaries (together, the “Companies”). There were six (seven in 2012) consolidated subsidiaries as of March 31, 2013.

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

On July 1, 2012, 77 Staff Services Co., Ltd. and 77 Jimu Daiko Co., Ltd. merged, with 77 Staff Services Co., Ltd. as the surviving company, and 77 Jimu Daiko Co., Ltd. as the trade name of the new company. Consequently, the number of consolidated subsidiaries decreased from seven to six as of March 31, 2013.

All significant intercompany balances and transactions have been eliminated in consolidation. All material unrealized profits included in assets resulting from transactions within the Companies are eliminated.

b. Cash and Cash Equivalents—For the purpose of the consolidated statement of cash flows, cash and cash equivalents represent cash and amounts due from the Bank of Japan.

c. Trading Account Securities, Investment Securities and Money Held in Trust—Securities other than investments in affiliates are classified into three categories, based principally on the Companies’ intent, as follows: (1) trading account securities, which are held for the purpose of earning capital gains in the near term, are reported at fair value and the related unrealized gains and losses are included in earnings, (2) held-to-maturity debt securities, which are expected to be held to maturity with the positive intent and ability to hold to maturity, are reported at amortized cost, and (3) available-for-sale securities, which are not classified as either of the aforementioned securities, are reported at fair value with unrealized gains and losses, net of applicable taxes, reported in a separate component of equity.

The cost of trading account securities and available-for-sale securities sold is determined based on the moving-average method.

Available-for-sale securities for which fair value is extremely difficult to identify are reported at cost determined by the moving-average method.

For other than temporary declines in fair value, investment securities are reduced to net realizable value by a charge to income.

Securities included in money held in trust are also classified and accounted for by the same method as above.

The components of trust assets are accounted for based on the standard appropriate for each asset type. Instruments held in trust for trading purposes are recorded at fair value and unrealized gains and losses are recorded in other income/expenses. Instruments held in trust classified as available-for-sale are recorded at fair value with the corresponding unrealized gains/losses recorded directly in a separate component of equity. Instruments held in trust classified as held to maturity are carried at amortized cost.

d. Tangible Fixed Assets—Tangible fixed assets are stated at cost less accumulated depreciation and gains deferred on the sale and replacement of certain assets. Depreciation of tangible fixed assets, except for lease assets, is mainly computed by the declining-balance method at rates based on the estimated useful lives of the assets. The range of useful lives is principally from 5 to 31 years for buildings and from 4 to 20 years for equipment. Lease assets under finance lease transactions, in which substantial ownership is not deemed to have been transferred, are depreciated by the straight-line method over the lease term. The salvage value is zero or the guaranteed amounts if specified in the lease contracts (see Note 2.o).

Change of accounting policy which is not easily distinguished from change of accounting estimate.

Pursuant to the tax reform, the Bank and its consolidated subsidiaries changed the depreciation method for tangible fixed assets (except for the Bank’s buildings and lease assets) acquired on or after April 1, 2012, to the depreciation method provided by the amended Income Tax Act.

The effect of this change was an increase of income before income taxes and minority interests by ¥135 million ($1,435 thousand) for the year ended March 31, 2013, compared with the previous method.

e. Intangible Fixed Assets—The amortization of intangible fixed assets is calculated by the straight-line method. Capitalized costs of computer software developed/obtained for internal use are amortized by the straight-line method over the estimated useful lives of five years.

f. Long-Lived Assets—The Companies review their 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.

g. Foreign Currency Items—Assets and liabilities denominated in foreign currencies held by the Bank at year-end are translated into Japanese yen at the current exchange rates in effect at each balance sheet date. Exchange gains and losses are recognized in the fiscal periods in which they occur.

h. Reserve for Possible Loan Losses—The Bank determines the amount of the reserve for possible loan losses by means of management’s judgment and assessment of future losses based on a self-assessment system. This system reflects past experience of credit losses, possible future credit losses, business and economic conditions, the character, quality and performance of the portfolio, and other pertinent indicators.

As part of the Bank's self-assessment system, the quality of all loans is assessed by branches and the credit supervisory division with a subsequent audit by the Bank's asset review and inspection division in accordance with the Bank's policy and rules for self-assessment of asset quality.

The Bank has established a credit rating system under which its debtors are classified into five categories. The credit rating system is used in the self-assessment of asset quality. All loans are classified into one of the following five categories for self-assessment purposes: "normal," "caution," "possible bankruptcy," "virtual bankruptcy" and "legal bankruptcy."

The reserve for possible loan losses is calculated based on the specific actual past loss ratio for normal and caution categories, and the fair value of the collateral for collateral-dependent loans and other solvency factors including the value of future cash flows for the other self-assessment categories.

The subsidiaries determine the reserve for possible loan losses by a similar self-assessment system as that of the Bank.

Change in accounting estimates

The Bank has strengthened its system related to the support for business turnaround and administrative improvement and accordingly, effective from the year ended March 31, 2013, the reserve for possible loan losses on the large debtors who have possible bankruptcy and restructured loans and whose cash flows related to collection of the principal of the loans and receipt of their related interest can be reasonably estimated is calculated based on the difference between the cash flows discounted at the contractual interest rate before restructuring and the carrying amount of the loans (the "DCF" method).

The effect of this change was to decrease income before income taxes and minority interests by ¥5,002 million ($53,184 thousand) for the year ended March 31, 2013.

i. Reserve for Reimbursement of Deposits—Reserve for reimbursement of deposits which were derecognized as liabilities is provided for the future estimated payments for reimbursement claims on sleeping deposit accounts based on the historical reimbursement experience.

j. Reserve for Contingent Losses—Reserve for contingent losses is provided for the future estimated payments of burden money to the Credit Guarantee Corporations based on the historical experience of subrogation.

k. Reserve for Disaster Losses—Reserve for disaster losses is provided for the future estimated payments of repairs required for restoration of the branches damaged by the Great East Japan Earthquake based on reasonable estimates.

l. Employees' Retirement and Pension Plans—The Bank and certain subsidiaries have contributory funded pension plans and unfunded retirement benefit plans for employees which cover approximately 75% and 25%, respectively, of their benefits. Other subsidiaries have unfunded retirement benefit plans.

The Bank accounted for the liability for retirement benefits based on the projected benefit obligations and plan assets at the balance sheet date.

Prior service cost is charged to income when incurred. Unrecognized actuarial differences are amortized by the straight-line method from the following fiscal year after the fiscal year when they were incurred over a definite period (10 years) with the employees' average remaining service period when incurred.

On November 1, 2011, the Bank obtained an approval from the Ministry of Health, Labour and Welfare regarding past pension obligations of a substitute portion of the welfare pension fund. The effect of this return on profit or loss was ¥11,367 million, which was recorded under "Gain on transfer of a substitutional portion of the government pension program fund" for the year ended March 31, 2012.

m. Asset Retirement Obligations—The asset retirement obligation is recognized as the sum of the discounted cash flows required for the future asset retirement and is recorded in the period in which the obligation is incurred if a reasonable estimate can be made. If a reasonable estimate of the asset retirement obligation cannot be made in the period the asset retirement obligation is incurred, the liability should be recognized when a reasonable estimate of the asset retirement obligation can be made. Upon initial recognition of a liability for an asset retirement obligation, an asset retirement cost is capitalized by increasing the carrying amount of the related fixed asset by the amount of the liability. The asset retirement cost is subsequently allocated to expense through depreciation over the remaining useful life of the asset. Over time, the liability is accreted to its present value each period. Any subsequent revisions to the timing or the amount of the original estimate of undiscounted cash flows are reflected as an increase or a decrease in the carrying amount of the liability and the capitalized amount of the related asset retirement cost.

n. Stock Options— In December 2005, the Accounting Standards Board of Japan (the "ASBJ") issued ASBJ Statement No. 8, "Accounting Standard for Stock Options," and related guidance. The new standard and guidance are applicable to stock options newly granted on and after May 1, 2006. This standard requires companies to recognize compensation expense for employee stock options based on the fair value at the date of grant and over the vesting period as consideration for receiving goods or services. The standard also requires companies to account for stock options granted to non-employees based on the fair value of either the stock option or the goods or services received. In the balance sheet, the stock option is presented as a stock acquisition right as a separate component of equity until exercised. The standard covers equity-settled, share-based payment transactions, but does not cover cash-settled, share-based payment transactions. The Bank has applied this accounting standard for stock options to those granted on and after May 1, 2006.

o. Leases—In March 2007, the ASBJ issued ASBJ Statement No. 13, "Accounting Standard for Lease Transactions," which revised the previous accounting standard for lease transactions issued in June 1993. The revised accounting standard for lease transactions was effective for fiscal years beginning on or after April 1, 2008.

As a lessee

Under the previous accounting standard, finance leases that were deemed to transfer ownership of the leased property to the lessee were capitalized. However, other finance leases were permitted to be accounted for as operating lease transactions if certain "as if capitalized" information was disclosed in the notes to the lessee's financial statements. The revised accounting standard requires that all finance lease transactions be capitalized to recognize lease assets and lease obligations in the balance sheet.

In addition, the accounting standard permits leases which existed at the transition date and do not transfer ownership of the leased property to the lessee to continue to be accounted for as operating lease transactions.

The Bank applied the revised accounting standard effective April 1, 2008. In addition, the Bank continues to account for leases which existed at the transition date and do not transfer ownership of the leased property to the lessee as operating lease transactions.

As a lessor

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 deemed not to transfer ownership of the leased property to the lessee should be recognized as investments in leases.

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

q. Derivatives and Hedging Activities—It is the Bank's policy to use derivative financial instruments ("derivatives") primarily for the purpose of reducing market risks associated with its assets and liabilities. The Bank also utilizes derivatives to meet the needs of its clients while entering into derivatives as a part of its trading activities. The Bank enters into interest rate swaps and interest rate caps as a means of hedging its interest rate risk on certain loans and investment securities. The Bank also enters into currency swaps, foreign exchange forward contracts and currency options to hedge foreign currency exchange risk associated with its assets and liabilities denominated in foreign currencies and to meet the needs of its clients. Furthermore, the Bank enters into interest rate futures, bond futures, bond future options and foreign exchange forward contracts for a short term as part of its trading activities.

Derivatives are recognized as either assets or liabilities and measured at fair value. Gains or losses on derivative transactions are recognized in the consolidated statement of income. If derivatives qualify for hedge accounting because of high correlation and effectiveness between the hedging instruments and the hedged items, the gains or losses on derivatives are deferred until maturity of the hedged transactions.

The interest rate swaps which 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.

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

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

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

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 effective date of April 1, 2000, and the other related practical guidances, being 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 would 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

The reconciliation of cash and cash equivalents at the end of the fiscal year and cash and due from banks in the consolidated balance sheets as of March 31, 2013 and 2012, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2013	2012	**2013**
Cash and due from banks	**¥595,492**	¥777,084	**$6,331,653**
Due from banks, excluding due from the Bank of Japan	**(22,320)**	(1,687)	**(237,320)**
Cash and cash equivalents at the end of year	**¥573,172**	¥775,396	**$6,094,332**

4. Trading Account Securities And Investment Securities

Trading account securities as of March 31, 2013 and 2012, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2013	2012	**2013**
National government bonds	**¥ 984**	¥ 1,482	**$ 10,462**
Local government bonds	**2,381**	3,608	**25,316**
Other securities	**20,995**	23,995	**223,232**
Total	**¥24,361**	¥29,087	**$259,021**

Investment securities as of March 31, 2013 and 2012, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2013	2012	**2013**
National government bonds	**¥2,000,514**	¥1,582,710	**$21,270,749**
Local government bonds	**92,247**	87,998	**980,829**
Corporate bonds	**865,697**	865,671	**9,204,646**
Equity securities	**98,526**	85,318	**1,047,591**
Other securities	**357,921**	239,298	**3,805,645**
Total	**¥3,414,907**	¥2,860,996	**$36,309,484**

The carrying amounts and aggregate fair values of securities at March 31, 2013 and 2012, were as follows:

Securities below include trading account securities and investment securities:

	Millions of Yen 2013			
	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Securities classified as:				
Trading				¥ 24,361
Available-for-sale:				
Equity securities*	¥ 59,041	¥39,126	¥ 2,106	96,061
Debt securities	2,903,390	44,728	1,467	2,946,651
Other securities*	346,171	15,456	4,618	357,008
Held-to-maturity	11,807	95	2	11,900

	Millions of Yen 2012			
	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Securities classified as:				
Trading				¥ 29,087
Available-for-sale:				
Equity securities*	¥ 63,918	¥24,196	¥ 5,879	82,235
Debt securities	2,488,741	38,186	1,955	2,524,972
Other securities*	254,805	568	16,893	238,480
Held-to-maturity	11,407	82		11,490

	Thousands of U.S. Dollars 2013			
	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Securities classified as:				
Trading				$ 259,021
Available-for-sale:				
Equity securities*	$ 627,761	$416,012	$ 22,392	1,021,382
Debt securities	30,870,707	475,576	15,598	31,330,685
Other securities*	3,680,712	164,338	49,101	3,795,938
Held-to-maturity	125,539	1,010	21	126,528

* Unlisted equity securities for which fair value is extremely difficult to identify are not included.

Securities, other than trading account securities, with readily determinable fair value, whose fair value significantly declined compared with the acquisition cost and whose fair value is not considered likely to recover to their acquisition cost, are written down to the respective fair value. The related losses on revaluation are charged to income for the fiscal year.

Impairment losses were recognized for available-for-sale securities in the amounts of ¥5,039 million ($53,577 thousand) and ¥1,699 million for the years ended March 31, 2013 and 2012, respectively.

The criteria for determining whether the fair value has "significantly declined" are defined based on the asset classification of the issuer in the internal standards for asset quality self-assessment as follows:

(a) Normal issuer: Fair value declined by 50% or more of the acquisition cost or fair value declined between 30% and 50% and average fair value during the past one month declined by 50% or more (30% or more for issuers who have credit risk more than a certain level).

(b) Caution issuers: Fair value declined by 30% or more of the acquisition cost.

(c) Legal bankrupt, virtually bankrupt and possibly bankrupt issuers: Fair value is lower than the acquisition cost.

Proceeds from sales of available-for-sale securities for the years ended March 31, 2013 and 2012, were ¥238,331 million ($2,534,088 thousand) and ¥181,995 million, respectively. Gross realized gains and losses on these sales, computed on the moving average cost basis, were ¥5,504 million ($58,522 thousand) and ¥2,880 million ($30,622 thousand), respectively, for the year ended March 31, 2013, and ¥4,153 million and ¥685 million, respectively, for the year ended March 31, 2012.

Unrealized gains on available-for-sale securities for the years ended March 31, 2013 and 2012, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2013	2012	2013
Valuation differences:			
Available-for-sale securities	¥ 91,118	¥ 38,222	$ 968,825
Available-for-sale money held in trust	2,894	(1,417)	30,770
Deferred tax liabilities	(32,275)	(12,815)	(343,168)
Minority interests	(145)	(97)	(1,541)
Unrealized gains on available-for-sale securities	¥ 61,593	¥ 23,892	$ 654,896

5. Money Held In Trust

The carrying amounts and aggregate fair values of money held in trust at March 31, 2013 and 2012, were as follows:

	Millions of Yen 2013			
	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Money held in trust classified as:				
Trading				¥29,474
Available-for-sale	¥21,581	¥2,894		24,476
Total	¥21,581	¥2,894		¥53,950

	Millions of Yen 2012			
	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Money held in trust classified as:				
Trading				¥24,010
Available-for-sale	¥22,135		¥1,417	20,718
Total	¥22,135		¥1,417	¥44,728

	Thousands of U.S. Dollars 2013			
	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Money held in trust classified as:				
Trading				$313,386
Available-for-sale	$229,463	$30,770		260,244
Total	$229,463	$30,770		$573,631

Available-for-sale securities held in trust, whose fair value significantly declined compared with the acquisition cost and whose fair value is not considered likely to recover to their acquisition cost, are written down to the respective fair value. The related losses on revaluation are charged to income for the fiscal year.

6. Loans And Bills Discounted

Loans and bills discounted at March 31, 2013 and 2012, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2013	2012	2013
Bills discounted	¥ 13,986	¥ 14,038	$ 148,708
Loans on bills	181,195	175,268	1,926,581
Loans on deeds	2,979,511	2,864,912	31,680,074
Overdrafts	587,927	585,308	6,251,267
Total	¥3,762,620	¥3,639,528	$40,006,592

Bills discounted are accounted for as financial transactions in accordance with "Treatment of Accounting and Auditing of Application of Accounting Standard for Financial Instruments in the Banking Industry" (the Japanese Institute of Certified Public Accountants (the "JICPA") Industry Audit Committee Report No. 24). The Bank has rights to sell or pledge these bills discounted. The total of the face value of bills discounted was ¥14,265 million ($151,674 thousand) and ¥14,396 million at March 31, 2013 and 2012, respectively.

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

	Millions of Yen		Thousands of U.S. Dollars
	2013	2012	**2013**
Loans to borrowers in bankruptcy	**¥ 1,704**	¥ 5,100	**$ 18,118**
Past due loans	**103,528**	130,579	**1,100,776**
Past due loans (three months or more)	**965**	1,035	**10,260**
Restructured loans	**37,926**	38,937	**403,253**
Total	**¥144,125**	¥175,653	**$1,532,429**

Loans to borrowers in bankruptcy represent nonaccrual loans to debtors who are legally bankrupt, as defined in the Enforcement Ordinance for the Corporation Tax Law.

Past due loans are nonaccrual loans which include loans classified as "possible bankruptcy" and "virtual bankruptcy."

Nonaccrual loans are defined as loans (after the partial charge-off of claims deemed uncollectible) which the Bank has discontinued accruing interest income due to substantial doubt existing about the ultimate collection of principal and/or interest. Such loans are classified either as "possible bankruptcy" or "virtual bankruptcy" under the Bank's self-assessment guidelines.

In addition to past due loans as defined, certain other loans classified as "caution" under the Bank's self-assessment guidelines include past due loans (three months or more) which consist of loans which the principal and/or interest is three months or more past due, but exclude loans to borrowers in bankruptcy and past due loans.

Restructured loans are loans where the Bank and its subsidiaries relax lending conditions by reducing the original interest rate or by forbearing interest payments or principal repayments to support the borrower's reorganization. Restructured loans exclude loans to borrowers in bankruptcy, past due loans or past due loans (three months or more).

7. Foreign Exchanges

Foreign exchange assets and liabilities at March 31, 2013 and 2012, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2013	2012	**2013**
Assets			
Foreign exchange bills bought	**¥ 281**	¥ 363	**$ 2,987**
Foreign exchange bills receivable	**87**	36	**925**
Due from foreign correspondent accounts	**1,654**	2,453	**17,586**
Total	**¥2,023**	¥2,853	**$21,509**
Liabilities			
Foreign exchange bills sold	**¥ 36**	¥ 71	**$ 382**
Foreign exchange bills payable	**73**	72	**776**
Total	**¥110**	¥143	**$1,169**

8. Tangible Fixed Assets

The accumulated depreciation of tangible fixed assets at March 31, 2013 and 2012, amounted to ¥74,139 million ($788,293 thousand) and ¥76,591 million, respectively.

As of March 31, 2013 and 2012, deferred gains for tax purposes of ¥7,829 million ($83,242 thousand) and ¥7,857 million on tangible fixed assets sold and replaced with similar assets have been deducted from the cost of newly acquired tangible fixed assets, respectively.

9. Long-Lived Assets

The Bank recognized impairment losses of ¥787 million ($8,367 thousand) and ¥1,461 million on certain operating branches, business premises, branches to be closed and unused facilities for the years ended March 31, 2013 and 2012, respectively.

The impairment losses were comprised of ¥100 million ($1,063 thousand) on buildings, ¥420 million ($4,465 thousand) on land and ¥266 million ($2,828 thousand) on other fixed assets, respectively, for the year ended March 31, 2013, and ¥443 million on buildings, ¥742 million on land and ¥275 million on other fixed assets, respectively, for the year ended March 31, 2012.

For the purpose of testing for impairment, the Bank recognizes each individual branch office as a cash-generating unit for which it continues to manage and monitor identifiable cash flows. Branch offices to be closed and facilities not used in operation are individually assessed for impairment. Subsidiaries recognize each company as a cash-generating unit. 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. The discounted cash flows were calculated using discount rates of 3.2% and 3.5% for the years ended March 31, 2013 and 2012, respectively, and the net selling price was determined by quotation from a third-party vendor.

10. Customers' Liabilities For Acceptances And Guarantees

All contingent liabilities arising from acceptances and guarantees are reflected in "Acceptances and guarantees." "Customers' liabilities for acceptances and guarantees" are shown as contra assets, representing the Bank's right to receive indemnity from the applicants.

In accordance with the Cabinet Office Ordinance No. 38, "Customers' liabilities for acceptances and guarantees" and "Acceptances and guarantees" are offset.

The amount of guarantee obligations for privately-placed corporate bonds included in securities as of March 31, 2013 and 2012, was ¥8,113 million ($86,262 thousand) and ¥9,032 million, respectively.

11. Assets Pledged

Assets pledged as collateral and their relevant liabilities at March 31, 2013 and 2012, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2013	2012	2013
Assets pledged as collateral:			
Investment securities	¥234,680	¥220,344	$2,495,268
Other assets	141	141	1,499
Relevant liabilities to above assets:			
Deposits	38,985	41,478	414,513
Payables under securities lending transactions	18,489		196,586

Additionally, investment securities amounting to ¥136,358 million ($1,449,845 thousand) and ¥132,838 million at March 31, 2013 and 2012, respectively, are pledged as collateral for transactions such as exchange settlement transactions or as substitute securities for future transaction initial margin and others.

Other assets include guarantee deposits for leased tangible fixed assets (lessee side) amounting to ¥98 million ($1,041 thousand) and ¥99 million at March 31, 2013 and 2012, respectively.

12. Loan Commitments

Contracts of overdraft facilities and loan commitments are contracts with customers to lend up to the prescribed limits in response to customers' applications for a loan, as long as there is no violation of any condition within the contracts. As of March 31, 2013, the unused amount of such contracts totals ¥1,576,563 million ($16,763,030 thousand), of which amounts with original agreement terms of less than one year were ¥1,548,928 million ($16,469,197 thousand).

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

13. Deposits

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

	Millions of Yen		Thousands of U.S. Dollars
	2013	2012	2013
Current deposits	¥ 181,771	¥ 196,114	$ 1,932,706
Ordinary deposits	4,053,595	3,848,149	43,100,425
Deposits at notice	17,395	16,526	184,954
Time deposits	2,408,063	2,221,235	25,604,072
Negotiable certificates of deposit	852,790	641,630	9,067,410
Other deposits	232,188	246,560	2,468,771
Total	¥7,745,804	¥7,170,216	$82,358,362

14. Borrowed Money

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

	Millions of Yen		Thousands of U.S. Dollars
	2013	2012	2013
Borrowings from banks and other	¥27,802	¥29,321	$295,608

Borrowed money as of March 31, 2013 and 2012, included subordinated borrowings in an amount of ¥20,000 million ($212,652 thousand).

Annual maturities of borrowed money as of March 31, 2013, were as follows:

Year Ending March 31	Millions of Yen	Thousands of U.S. Dollars
2014	¥ 4,129	$ 43,902
2015	1,121	11,919
2016	956	10,164
2017	733	7,793
2018	423	4,497
2019 and thereafter	20,437	217,299
Total	¥27,802	$295,608

At March 31, 2013 and 2012, the weighted average annual interest rates applicable to borrowed money were 0.425% and 0.511%, respectively.

Investments in leases amounting to ¥2,980 million ($31,685 thousand) and ¥8,052 million are placed under quasi pledge arrangements for borrowings from banks and other amounting to ¥2,484 million ($26,411 thousand) and ¥6,710 million at March 31, 2013 and 2012, respectively.

15. Liability For Employees' Retirement Benefits

The Companies have severance payment plans consisting of contributory pension fund plans and non-contributory lump-sum payment plans for employees.

Under most circumstances, employees terminating their employment are entitled to retirement benefits based on the rate of pay at the time of termination, years of service and certain other factors. Such retirement benefits are made in the form of a lump-sum severance payment from the Companies and annuity payments from trustees. Employees are entitled to larger payments if the termination is involuntary, by retirement at the mandatory retirement age, by death or by voluntary retirement at certain specific ages prior to the mandatory retirement age.

The liability for employees' retirement benefits at March 31, 2013 and 2012, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2013	2012	2013
Projected benefit obligation	¥ 75,214	¥ 74,835	$ 799,723
Fair value of plan assets	(38,469)	(36,169)	(409,027)
Unrecognized net actuarial loss	(4,178)	(6,138)	(44,423)
Net liability	¥ 32,566	¥ 32,527	$ 346,262

(Notes) 1. At March 31, 2013 and 2012, in connection with the return of the Bank's substitute portion of the welfare pension fund, the corresponding amount of the return (minimum policy reserves) measured as of November 1, 2011, when the return was approved, is included in the above table.

2. The consolidated subsidiaries adopt a short-cut method in computing projected benefit obligation. In addition, pension plan assets related to the multi-employers' welfare pension fund plans adopted by certain consolidated subsidiaries are not included in the above plan assets.

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

	Millions of Yen		Thousands of U.S. Dollars
	2013	2012	2013
Service cost	¥1,497	¥1,716	$ 15,917
Interest cost	1,166	1,716	12,397
Expected return on plan assets	(601)	(1,257)	(6,390)
Amortization of prior service cost		538	
Recognized actuarial loss	1,365	2,609	14,513
Net periodic retirement benefit costs	¥3,427	¥5,324	$36,438

(Notes) 1. Employees' contribution to corporate pension funds is deducted for the years ended March 31, 2013 and 2012, respectively.
2. Retirement benefit costs of the consolidated subsidiaries which adopt a short-cut method are included in "Service cost."

Assumptions used for the years ended March 31, 2013 and 2012, were set forth as follows:

	2013	2012
Discount rate	2.0%	2.0%
Expected rate of return on plan assets	3.0%	3.5%
Inter-period allocation method of estimated retirement benefits	Straight-line method over the period	Straight-line method over the period
Amortization period of prior service cost	Fully charged to income when incurred	Fully charged to income when incurred
Recognition period of actuarial gain/loss	Ten years	Ten years

16. Asset Retirement Obligations

Asset retirement obligations which were recognized on the consolidated balance sheets for the years ended March 31, 2013 and 2012, were as follows:

a. Overview of asset retirement obligations

Asset retirement obligations are recognized for obligations of restoring leased buildings, such as branch premises, to their original state, based on the real estate lease contracts and asbestos removal costs.

b. Calculation of asset retirement obligations

Asset retirement obligations are calculated based on the estimated available periods of 16 to 31 years depending on the expected useful lives of buildings using the discount rates from 1.984% to 2.324%.

c. The changes in asset retirement obligations for the years ended March 31, 2013 and 2012, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2013	2012	2013
Balance at beginning of year	¥628	¥622	$6,677
Increase due to acquisition of tangible assets	4	2	42
Reconciliation associated with passage of time	12	12	127
Other		(7)	
Balance at end of year	¥645	¥628	$6,858

17. Equity

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

a. Dividends

Under the Companies Act, companies can pay dividends at any time during the fiscal year in addition to the year-end dividend upon resolution at the general meeting of stockholders. 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 (non-cash assets) to stockholders 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 Bank can do so because it stipulates this in its articles of incorporation. The Companies Act provides certain limitations on the amounts available for dividends or the purchase of treasury stock. The limitation is defined as the amount available for distribution to the stockholders, but the amount of net assets after dividends must be maintained at no less than ¥3 million.

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

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

Under the Companies Act and the Banking Law, the aggregate amount of additional paid-in capital and the legal reserve that exceeds 100% of the stated capital may be made available for dividends by resolution of the stockholders after transferring such excess to retained earnings in accordance with the Companies Act. Under the Companies Act, the total amount of additional paid-in capital and the legal reserve may be reversed without limitation. The Companies Act also provides that stated capital, 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 stockholders.

c. Treasury Stock and Treasury Stock Acquisition Rights

The Companies Act also provides for companies to purchase treasury stock and dispose of such treasury stock by resolution of the Board of Directors. The amount of treasury stock purchased cannot exceed the amount available for distribution to the stockholders which is determined by 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.

18. Stock Options

Expenses related to stock options in the amount of ¥142 million ($1,509 thousand) and ¥155 million are recorded under general and administrative expenses for the years ended March 31, 2013 and 2012, respectively.

The stock options outstanding as of March 31, 2013, are as follows:

Nature and extent of stock options:

	2009 Stock Option	2010 Stock Option	2011 Stock Option	2012 Stock Option
Persons granted	16 directors of the Bank	16 directors of the Bank	16 directors of the Bank	16 directors of the Bank
Number of stock options by type of share*	281,800 shares of common stock of the Bank	357,500 shares of common stock of the Bank	498,900 shares of common stock of the Bank	498,900 shares of common stock of the Bank
Date of grant	August 3, 2009	August 2, 2010	August 1, 2011	July 27, 2012
Vesting conditions	Not defined	Not defined	Not defined	Not defined
Eligible service period	Not defined	Not defined	Not defined	Not defined
Exercise period	From August 4, 2009 to August 3, 2034	From August 3, 2010 to August 2, 2035	From August 2, 2011 to August 1, 2036	From July 28, 2012 to July 27, 2037

**Number of stock options is converted into number of shares.*

Stock option activity is as follows:

	2009 Stock Option	2010 Stock Option	2011 Stock Option	2012 Stock Option
	(Shares)			
Non-vested				
March 31, 2012—Outstanding	242,200	326,500	498,900	
Granted				498,900
Forfeited				
Vested	26,400	31,000	43,200	
March 31, 2013—Outstanding	215,800	295,500	455,700	498,900
Vested				
March 31, 2012—Outstanding				
Vested	26,400	31,000	43,200	
Exercised	26,400	31,000	43,200	
Forfeited				
March 31, 2013—Outstanding				

Unit price information is as follows:

	2009 Stock Option	2010 Stock Option	2011 Stock Option	2012 Stock Option
Exercise price	¥1 ($0.01)	¥1 ($0.01)	¥1 ($0.01)	¥1 ($0.01)
Average stock price at the time of exercise	¥325 ($3.45)	¥325 ($3.45)	¥325 ($3.45)	
Fair value at the date of grant	¥523 ($5.56)	¥415 ($4.41)	¥317 ($3.37)	¥275 ($2.92)

The estimation method of the fair value of the 2012 Stock Option granted in the year ended March 31, 2013, is as follows:

(1) The valuation technique used is the Black-Scholes option pricing model.

(2) Major basic factors and estimation method:

Stock price volatility (see Note 1 below)	33.801%
Expected remaining service period (see Note 2 below)	4 years and 3 months
Expected cash dividend (see Note 3 below)	¥7 per share
Risk-free interest rate (see Note 4 below)	0.134%

(Notes) 1. *Stock price volatility is computed based on past stock prices during the period from April 2008 to July 2012 corresponding to the expected remaining period.*

2. *The expected remaining service period is estimated by deducting the current service period and age from the presumed remaining service period calculated from average terms of office and retirement ages of the directors who retired within the past 10 years.*
3. *Actual cash dividends for the fiscal year ended March 31, 2012*
4. *Risk-free interest rate refers to yields of Japanese government bonds corresponding to the expected remaining period.*

The estimation method of the number of stock options to be vested:

The Bank uses the method to reflect the actual forfeited options, since it is difficult to estimate the number of stock options to be forfeited in the future on a reasonable basis.

19. Other Operating Income

Other operating income for the years ended March 31, 2013 and 2012, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2013	2012	**2013**
Gain on sales and redemption of bonds and other securities	**¥ 4,476**	¥ 2,408	**$ 47,591**
Lease receipts	**9,093**	12,532	**96,682**
Other	**3,282**	3,952	**34,896**
Total	**¥16,852**	¥18,893	**$179,181**

20. Other Income

Other income for the years ended March 31, 2013 and 2012, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2013	**2012**	**2013**
Gains on sales of stocks and other securities	**¥1,154**	¥2,176	**$12,270**
Gains on sales of money held in trust	**1,147**	524	**12,195**
Gains on sales of tangible fixed assets	**35**	88	**372**
Other	**1,216**	1,628	**12,929**
Total	**¥3,553**	¥4,419	**$37,777**

21. Other Operating Expenses

Other operating expenses for the years ended March 31, 2013 and 2012, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2013	2012	**2013**
Losses on sales, redemption and devaluation of bonds and other securities	**¥ 5,935**	¥ 2,449	**$ 63,104**
Lease costs	**8,444**	11,931	**89,782**
Other	**963**	1,567	**10,239**
Total	**¥15,343**	¥15,948	**$163,136**

22. Other Expenses

Other expenses for the years ended March 31, 2013 and 2012, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2013	2012	2013
Bad debt losses	¥ 14	¥ 23	$ 148
Losses on dispositions of money held in trust	522	25	5,550
Losses on sales of loans	793	944	8,431
Losses on impairments and disposals of fixed assets	950	1,629	10,101
Provision for reserve for reimbursement of deposits	257	126	2,732
Other	1,812	1,069	19,266
Total	¥4,350	¥3,820	$46,251

23. Income Taxes

The Companies are subject to Japanese national and local income taxes which, in the aggregate, resulted in normal effective statutory tax rates of approximately 37.9% and 40.6% for the years ended March 31, 2013 and 2012, respectively.

The tax effects of significant temporary differences which resulted in 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:			
Reserve for possible loan losses	¥32,398	¥36,261	$344,476
Liability for employee retirement benefits	11,674	11,715	124,125
Fixed assets (depreciation)	5,855	6,444	62,254
Losses on devaluation of stocks and other securities	2,680	1,861	28,495
Other	7,112	7,258	75,619
Less valuation allowance	(18,345)	(18,215)	(195,055)
Total	41,376	45,326	439,936
Deferred tax liabilities:			
Unrealized gains on available-for-sale securities	32,275	12,815	343,168
Fixed assets (deferred gain on sales and replacements)	406	421	4,316
Other	7	7	74
Total	32,689	13,244	347,570
Net deferred tax assets	¥ 8,687	¥32,081	$ 92,365

A reconciliation between the normal effective statutory tax rate and the actual effective tax rate reflected in the accompanying consolidated statement of income for the year ended March 31, 2012, was as follows, whereas a reconciliation for the year ended March 31, 2013, is not required under Japanese accounting standards, since the difference is less than 5% of the normal effective statutory tax rate.

	2012
Normal effective statutory tax rate	40.6%
Expenses not deductible for income tax purposes	0.3
Non-taxable dividend income	(2.1)
Inhabitants taxes	0.2
Valuation allowance	7.0
Reduction of deferred tax assets due to tax rate changes	15.7
Other—net	0.2
Actual effective tax rate	61.9%

24. Other Comprehensive Income

The components of other comprehensive income for the years ended March 31, 2013 and 2012, were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2013	2012	2013
Unrealized gains on available-for-sale securities:			
Gain arising during the year	¥50,885	¥2,964	$541,041
Reclassification adjustment to profit or loss	6,322	208	67,219
Amount before income tax effect	57,208	3,172	608,272
Income tax effect	(19,459)	260	(206,900)
Total	¥37,748	¥3,433	$401,360
Deferred (losses) gains on derivatives under hedge accounting:			
Loss arising during the year	¥ (275)	¥ (285)	$ (2,923)
Reclassification adjustment to profit or loss	234	498	2,488
Amount before income tax effect	(41)	212	(435)
Income tax effect	14	(111)	148
Total	¥ (26)	¥ 100	$ (276)
Total other comprehensive income	¥37,722	¥3,533	$401,084

25. Leases

Finance Leases

a. Lessee

The Companies lease certain machinery, computer equipment and other assets.

The Companies account for finance leases that existed prior to April 1, 2008, and do not transfer ownership of the leased property to the lessee as operating lease transactions as permitted by the revised accounting standard.

Total lease payments under finance leases for the years ended March 31, 2013 and 2012, were ¥37 million ($393 thousand) and ¥1,307 million, respectively.

Pro forma information of leased property such as acquisition cost, accumulated depreciation, obligations under finance leases, depreciation expense and interest expense of finance leases that do not transfer ownership of the leased property to the lessee on an "as if capitalized" basis for the years ended March 31, 2013 and 2012, was as follows:

	Millions of Yen		Thousands of U.S. Dollars
	Equipment and Other Assets		Equipment and Other Assets
	2013	2012	2013
Acquisition cost	¥ 21	¥465	$223
Accumulated depreciation	(20)	(431)	(212)
Net leased property	¥ 1	¥ 33	$ 10

Obligations under finance leases:

	Millions of Yen		Thousands of U.S. Dollars
	2013	2012	2013
Due within one year	¥1	¥38	$10
Due after one year		1	
Total	¥1	¥39	$10

Depreciation expense and interest expense under finance leases:

	Millions of Yen		Thousands of U.S. Dollars
	2013	2012	2013
Depreciation expense	¥32	¥1,108	$340
Interest expense		39	
Total	¥32	¥1,147	$340

Depreciation expense and interest expense, which are not reflected in the accompanying consolidated statement of income, are computed by the straight-line method and the interest method, respectively.

b. Lessor
A subsidiary leases certain equipment and other assets to various customers.

The net investments in leases at March 31, 2013 and 2012, are summarized as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2013	2012	2013
Gross lease receivables	**¥17,612**	¥19,603	**$187,262**
Estimated residual values	**1,057**	1,268	**11,238**
Unearned interest income	**(2,104)**	(2,458)	**(22,371)**
Investments in leases	**¥16,566**	¥18,413	**$176,140**

Maturities of investment in leases for finance leases that are deemed not to transfer ownership of the leased property to the lessee as of March 31, 2013, are as follows:

Year Ending March 31	Millions of Yen	Thousands of U.S. Dollars
2014	**¥6,215**	**$66,081**
2015	**4,680**	**49,760**
2016	**3,342**	**35,534**
2017	**2,110**	**22,434**
2018	**867**	**9,218**
2019 and thereafter	**395**	**4,199**
Total	**¥17,612**	**$187,262**

The net leased property under finance leases which do not transfer ownership to the lessee and existed at March 31, 2008, was recorded as the beginning book value of the investments in leases at April 1, 2008. Interest income equivalents on such leases are allocated to the remaining lease period by the straight-line method.

As a result, income before income taxes and minority interests increased by ¥147 million ($1,562 thousand) for the year ended March 31, 2013, and income before income taxes and minority interests increased by ¥219 million for the year ended March 31, 2012, respectively, compared with the case where the revised accounting standard had been retroactively applied to the commencement date of such leases.

Operating Leases
As of March 31, 2013 and 2012, future lease payment receivables including interest receivables under non-cancelable operating leases were as follows:
Future Lease Payment Receivables

	Millions of Yen		Thousands of U.S. Dollars
	2013	2012	2013
Due within one year	**¥15**	¥15	**$159**
Due after one year	**3**	18	**31**
Total	**¥18**	¥33	**$191**

26. Financial Instruments And Related Disclosures

(1) Group Policy for Financial Instruments
The Companies provide financial services such as credit card business and leasing operations in addition to banking operations. In the course of these operations, the Companies raise funds principally through deposit taking and invest funds in loans, securities and others. As such, the Bank holds financial assets and liabilities which are subject to fluctuation in interest rates and conducts comprehensive Asset and Liability Management ("ALM") to avoid unfavorable effects from interest rate fluctuations. Derivatives are also employed by the Bank as part of ALM.
(2) Nature and Extent of Risks Arising from Financial Instruments
Financial assets held by the Companies mainly consist of loans to domestic corporations, local government agencies and individual customers which are exposed to credit risk that the Companies may suffer from losses resulting from nonperformance of borrowers and interest rate risk that the Companies may suffer from losses resulting from fluctuations in interest rates.

Securities, mainly debt securities, equity securities and investment trusts are held to maturity and other purposes and also certain debt securities are held for the purpose of selling to customers. These securities are exposed to credit risk of issuers and market risks of fluctuations in interest rates and market prices. In addition, they are exposed to market liquidity risk that the Companies may suffer from losses resulting from difficulties in executing financial transactions in certain environments such as market turmoil.

Financial liabilities, mainly consisting of liquid deposits or time deposits taken from corporate and individual customers, are exposed to cash flow risk that the Bank may experience the situation where unexpected cash flows are incurred in certain environments where the credit rating of the Bank may be lowered and accordingly, necessary funding may become difficult.

Foreign currency denominated assets and liabilities are exposed to foreign exchange risk that the Bank may suffer from losses resulting from fluctuations in foreign exchange rates.

Derivatives mainly include interest rate swaps and bond futures, which are used to manage exposure to market risks from changes in interest rates of loans and debt securities, and foreign exchange forward contracts, which are used to hedge foreign exchange risk associated with foreign currency denominated assets and liabilities. Hedge accounting is applied to certain hedging activities related to loans as hedged items.
(3) Risk Management for Financial Instruments
Credit risk management
The Bank has established the "Credit Risk Control Policy" as a basic policy for credit risk management and various rules concerning credit risk management. Based on these policies and rules, the Companies clarify fundamental approaches to secure the soundness of assets and control procedures for identifying, monitoring and controlling credit risk. Additionally, the Bank utilizes the "Credit Rating System" applied to counterparties granted with credit from the viewpoint of identifying credit risk objectively and enhancing credit risk control.

In addition, as an organization responsible for credit risk management, credit risk control functions and review functions have been established to secure the effectiveness of credit risk management.

The Risk Management Division, as a credit risk control function, is engaged in identifying the level of future possible credit risk and the status of credit concentration in major borrowers through measurement of the level of credit risk and analysis of credit portfolios.

The Credit Supervision Division, as a review control function, is engaged in reviewing lending operations based on strict examination standards, system development for strengthening the daily control of loan receivables and appropriate maintenance of operational procedures.
Market risk management
a. Market Risk Management System
The Bank has established the "Market Risk Control Policy" as a basic policy for market risk management and various rules concerning market risk management. Based on these policies and rules, the Bank clarifies fundamental approaches for appropriate market risk control operations and control procedures for identifying, monitoring and controlling market risk.

As an organization responsible for market risk management, a market risk control function (middle office) has been established and furthermore, an operating function (front office) and an administration function (back office) have been separated. Additionally, market risk control function staff are assigned to the operating function to secure the effectiveness of market risk management.

The Risk Management Division, as a market risk control function, measures the level of market risk of the Bank as a whole using Value-at-Risk ("VaR") approach models and other models and regularly monitors the compliance status with position limits and loss limits established according to the type and characteristics of transactions to control the level of market risk within a certain range.

In addition, an ALM and Income Control Committee was established for the purpose of studying flexible investment strategies in order to prevent risks resulting from fluctuations in interest rates and market prices, while forecasting future interest rates, market prices and trends of fund and business conditions. The committee is also responsible for securing the soundness of management and also improving profitability at the same time based on appropriate asset and liability management through the unification of risk management and earnings control.

b. Quantitative Information about Market Risk

The Bank adopts the variance-covariance method (holding period: 125 business days for strategic equity securities and 60 business days for others, confidence interval: 99.0%, observation period: 250 business days) in computing the VaR with respect to securities, Japanese yen deposits and loans and Japanese yen money market funds. The volume of market risk (estimated losses) that the Bank is exposed to as of March 31, 2013, amounts to ¥73,434 million ($780,797 thousand) (¥61,797 million in 2012) as a whole. However, the risk under certain abnormal market fluctuations may not be captured, since under the VaR method, the market risk volume under a definite probability of incidence statistically computed is measured based on historical market fluctuations.

The Bank implements backtesting to compare the VaR computed by the model with actual profit and loss in the securities and confirms that the measurement model in use captures the market risk with sufficient precision.

Liquidity risk management

The Bank has established the “Liquidity Risk Control Policy” as a basic policy for liquidity risk management and various rules concerning liquidity risk management. Based on these policies and rules, the Bank clarifies fundamental approaches for stable funding operations and control procedures for identifying, monitoring and controlling liquidity risk. In addition, the Bank has established the “Contingency Plan for Liquidity” to enable it to make quick and correct responses to unexpected events.

Furthermore, as an organization responsible for liquidity risk management, the liquidity risk control function has been established and a cash management function and a settlement control function have been established to control daily cash management and settlement related to cash and securities.

The Risk Management Division, as a liquidity risk control function, manages the liquidity risk of the Bank as a whole by identifying, monitoring and controlling liquidity risk.

The Treasury Administration and International Division, as a cash management control function and settlement control function, prepares daily or monthly cash flow projections and conducts cash management by identifying possible funds and liquidity of assets and verifying the concentration of settlement of major account funds to certain date. The Division also controls settlement by identifying the status of settlement through systems such as the BOJ-NET and among financial institutions.

Risk management system of subsidiaries

The subsidiaries have a similar risk management system with the Bank.

(4) Supplementary Explanation about Fair Values of Financial Instruments

The fair values of financial instruments include, in addition to the value determined based on market prices, valuations calculated on a reasonable basis if no market prices are available. Since certain assumptions are used in calculating the value, the outcome of such calculation may vary if different assumptions are used.

(5) Fair Values of Financial Instruments

The carrying amount, the fair value and their related differences as of March 31, 2013 and 2012, are disclosed below. Note that unlisted equity securities for which fair value is extremely difficult to identify are not included in the following table (see Note 2 below) and insignificant accounts in terms of the carrying amount are omitted:

	Millions of Yen		
March 31, 2013	Carrying Amount	Fair Value	Difference
(1) Cash and due from banks	¥ 595,492	¥ 595,492	
(2) Call loans and bills bought	371,507	371,507	
(3) Investment securities	3,411,529	3,411,622	¥ 92
Held-to-maturity securities	11,807	11,900	92
Available-for-sale securities	3,399,721	3,399,721	
(4) Loans and bills discounted	3,762,620		
Reserve for possible loan losses*	(94,430)		
	3,668,189	3,721,384	53,194
Total assets	¥8,046,719	¥8,100,006	¥53,286
(1) Deposits	¥7,745,804	¥7,748,033	¥ 2,229
Total liabilities	¥7,745,804	¥7,748,033	¥ 2,229

	Millions of Yen		
March 31, 2012	Carrying Amount	Fair Value	Difference
(1) Cash and due from banks	¥ 777,084	¥ 777,084	
(2) Call loans and bills bought	211,256	211,256	
(3) Investment securities	2,857,096	2,857,178	¥ 82
Held-to-maturity securities	11,407	11,490	82
Available-for-sale securities	2,845,688	2,845,688	
(4) Loans and bills discounted	3,639,528		
Reserve for possible loan losses*	(105,983)		
	3,533,544	3,587,711	54,167
Total assets	¥7,378,981	¥7,433,231	¥54,249
(1) Deposits	¥7,170,216	¥7,174,422	¥ 4,206
Total liabilities	¥7,170,216	¥7,174,422	¥ 4,206

	Thousands of U.S. Dollars		
March 31, 2013	Carrying Amount	Fair Value	Difference
(1) Cash and due from banks	$ 6,331,653	$ 6,331,653	
(2) Call loans and bills bought	3,950,101	3,950,101	
(3) Investment securities	36,273,567	36,274,556	$ 978
Held-to-maturity securities	125,539	126,528	978
Available-for-sale securities	36,148,017	36,148,017	
(4) Loans and bills discounted	40,006,592		
Reserve for possible loan losses*	(1,004,040)		
	39,002,541	39,568,144	565,592
Total assets	$85,557,884	$86,124,465	$566,570
(1) Deposits	$82,358,362	$82,382,062	$ 23,700
Total liabilities	$82,358,362	$82,382,062	$ 23,700

*General and specific reserves for possible loan losses corresponding to loans and bills discounted are deducted.

Notes:
1. Calculation method for the fair value of financial instruments
Assets:
(1) Cash and due from banks
For due from banks, the carrying amount is presented as the fair value since the fair value approximates the carrying amount.
(2) Call loans and bills bought
For call loans and bills bought, the carrying amount is presented as the fair value since the fair value approximates the carrying amount.
(3) Investment securities
The fair values of equity securities and debt securities are determined using the quoted price of the stock exchange, Japan Securities Dealers Association or the price calculated by financial institutions. The fair value of investment trust is determined using the published standard quotation or the standard quotation offered by the securities investment advisors.

With respect to privately placed guaranteed bonds, the fair value is determined using the future cash flows (coupons, redemption of principal, guarantee fees) discounted at an interest rate considering the market interest rates and issuers' credit risk. For floating rate Japanese government bonds, the Bank had valued them at an amount calculated on a reasonable basis according to Practical Issues Task Force No. 25, "Practical Solution on Measurement of Fair Value for Financial Assets," issued by the ASBJ on October 28, 2008, if the market prices of these securities as of the balance sheet date cannot be regarded as the fair value, but as of March 31, 2013, there was no floating rate Japanese government bond which meets the above criteria that the market prices cannot be regarded as the fair value. "Investment securities" and "Unrealized gains on available-for-sale securities" increased by ¥5,169 million and ¥3,344 million, respectively, at March 31, 2012, and "Deferred tax assets" decreased by ¥1,824 million at March 31, 2012, compared with those which would have been valued based on the market price.

The value of floating rate Japanese government bonds calculated on a reasonable basis is determined by discounting the future cash flows estimated based on factors such as the yield of government bonds and volatility of interest rate swaptions. Accordingly, the yield of government bonds and volatility of interest rate swaptions are major parameters determining the price.
(4) Loans and bills discounted
With respect to loans with floating interest rates, the carrying amount is presented as the fair value since the fair value approximates the carrying amount as they reflect the market interest rates in a short period, unless the creditworthiness of the borrower has changed significantly since the loan origination. With respect to loans with fixed interest rates, for each category of loans based on the type of loan, internal ratings and maturity length, the fair value is determined based on the present value of expected cash flows of aggregated principal and interest discounted at a rate which is the rate assumed if a new loan were made, or market interest rate, which is adjusted by the standard spread (including overhead ratio) by credit rating. The carrying amount is presented as the fair value if the maturity is within a short time period (less than one year) and the fair value approximates the carrying amount.

For receivables from "legal bankrupt," "virtually bankrupt" and "possibly bankrupt" borrowers, possible loan losses are estimated based on the DCF method or factors such as the expected amounts to be collected from collateral and guarantees. Since the fair value of these items approximates the carrying amount, net of the currently expected loan losses, such carrying amount is presented as the fair value.

For loans for which the repayment due date is not defined because of the characteristics that the loan amount is limited within the pledged assets, the carrying amount is presented as the fair value since the fair value is assumed to approximate the carrying amount considering the expected repayment schedule and terms on the interest rates.

Liabilities:
(1) Deposits
Regarding demand deposits, the amount payable as of the balance sheet date (i.e., the carrying amount) is considered to be the fair value. Time deposits and negotiable certificates of deposit are grouped by maturity length and the fair value is determined using the present value of the aggregate amounts of principal and interest discounted at an interest rate that would be applied to newly accepted deposits. For deposits with maturities within a short time period (less than one year) and whose fair value approximates the carrying amount, the carrying amount is presented as the fair value.
2. The financial instruments whose fair value is extremely difficult to identify are as follows. These items are not included in (3) "Available-for-sale securities" under "Assets" in the aforementioned table of fair value information of financial instruments.

	Carrying Amount		
	Millions of Yen		Thousands of U.S. Dollars
Category	**2013**	2012	**2013**
Unlisted equity securities*1,*2	**¥2,465**	¥3,082	**$26,209**
Capital subscription in investment business partnerships*3	**912**	817	**9,696**
Total	**¥3,377**	¥3,900	**$35,906**

*1 *Unlisted equity securities are not treated as instruments whose fair value is required to be disclosed since there is no market price and it is extremely difficult to identify the fair value.*
*2 *Impairment losses in the amount of ¥10 million ($106 thousand) and ¥149 million were recognized for unlisted equity securities for the years ended March 31, 2013 and 2012, respectively.*
*3 *Capital subscription in investment business partnerships, whose assets (i.e., unlisted equity securities) consist of those whose fair values are extremely difficult to identify, is not treated as instruments whose fair value is required to be disclosed.*

3. Maturity analysis for financial assets and securities with contractual maturities as of March 31, 2013

	Millions of Yen					
	Due in 1 Year or Less	Due after 1 Year through 3 Years	Due after 3 Years through 5 Years	Due after 5 Years through 7 Years	Due after 7 Years through 10 Years	Due after 10 Years
Due from banks	¥ 545,355					
Call loans and bills bought	371,507					
Investment securities	298,830	¥1,223,412	¥ 803,764	¥479,071	¥513,535	¥ 6,676
Held-to-maturity securities	1,300	4,700	5,100		700	
National government bonds	700	2,100	3,900		700	
Local government bonds	600	2,600	1,200			
Available-for-sale securities with contractual maturities	297,530	1,218,712	798,664	479,071	512,835	6,676
National government bonds	131,600	714,000	477,100	331,400	297,150	
Local government bonds	21,800	59,145	4,575		1,000	
Corporate bonds	104,279	321,102	185,495	122,503	106,277	
Other	39,850	124,464	131,493	25,168	108,408	6,676
Loans and bills discounted*	1,081,643	812,412	641,613	249,959	268,446	490,840
Total	¥2,297,337	¥2,035,824	¥1,445,377	¥729,030	¥781,982	¥497,517

	Thousands of U.S. Dollars					
	Due in 1 Year or Less	Due after 1 Year through 3 Years	Due after 3 Years through 5 Years	Due after 5 Years through 7 Years	Due after 7 Years through 10 Years	Due after 10 Years
Due from banks	$ 5,798,564					
Call loans and bills bought	3,950,101					
Investment securities	3,177,352	$13,008,102	$ 8,546,135	$5,093,790	$5,460,233	$ 70,983
Held-to-maturity securities	13,822	49,973	54,226		7,442	
National government bonds	7,442	22,328	41,467		7,442	
Local government bonds	6,379	27,644	12,759			
Available-for-sale securities with contractual maturities	3,163,530	12,958,128	8,491,908	5,093,790	5,452,791	70,983
National government bonds	1,399,255	7,591,706	5,072,833	3,523,657	3,159,489	
Local government bonds	231,791	628,867	48,644		10,632	
Corporate bonds	1,108,761	3,414,162	1,972,301	1,302,530	1,130,005	
Other	423,710	1,323,381	1,398,118	267,602	1,152,663	70,983
Loans and bills discounted*	11,500,723	8,638,086	6,822,041	2,657,724	2,854,290	5,218,926
Total	$24,426,762	$21,646,188	$15,368,176	$7,751,515	$8,314,534	$5,289,920

** Of loans and bills discounted, the portion whose timing of collection is unforeseeable, such as loans to "Legally bankrupt" borrowers, loans to "Virtually bankrupt" borrowers, and loans to "Possibly bankrupt" borrowers, amounting to ¥105,232 million ($1,118,894 thousand) are not included in the above table. Loans that do not have a contractual maturity, amounting to ¥112,471 million ($1,195,863 thousand), are not included either.*

4. Repayment schedule of bonds, borrowed money and other interest bearing liabilities subsequent to March 31, 2013

	Millions of Yen					
	Due in 1 Year or Less	Due after 1 Year through 3 Years	Due after 3 Years through 5 Years	Due after 5 Years through 7 Years	Due after 7 Years through 10 Years	Due after 10 Years
Deposits*	¥7,209,124	¥453,257	¥83,422			

	Thousands of U.S. Dollars					
	Due in 1 Year or Less	Due after 1 Year through 3 Years	Due after 3 Years through 5 Years	Due after 5 Years through 7 Years	Due after 7 Years through 10 Years	Due after 10 Years
Deposits*	$76,652,036	$4,819,319	$886,996			

** Demand deposits included in deposits are presented under "Due in 1 year or less."*

27. Derivatives

It is the Bank's policy to use derivatives primarily for the purpose of reducing market risks associated with its assets and liabilities. The Bank also utilizes derivatives to meet the needs of its clients while entering into derivatives as a part of its trading activities.

The Bank enters into interest rate swaps, interest rate swaptions, bond futures and bond future options as a means of hedging its interest rate risk on certain loans, deposits and investment securities while entering into interest rate swaps and interest rate caps to meet the needs of its clients.

The Bank also enters into foreign exchange forward contracts and currency options to hedge foreign exchange risk associated with its assets and liabilities denominated in foreign currencies and to meet the needs of its clients.

Furthermore, the Bank enters into bond futures, bond future options and foreign exchange forward contracts for a short term as part of its trading activities.

Derivatives are subject to market risk and credit risk. Market risk is the exposure created by potential fluctuations of market conditions, including interest or foreign exchange rates. Credit risk is the possibility that a loss may result from a counterparty's failure to perform its obligations under a contract.

The Bank sets limits to credit risk on those derivatives by limiting the counterparties to major financial institutions and securities companies and establishing maximum risk exposures to the counterparties.

The Bank has established a standard of risk management including management approaches for each type of risks. Derivative transactions entered into by the Bank have been made in accordance with internal policies which regulate trading activities and credit risk management including maximum risk exposures and loss-cutting rules. Concerning risk management associated with derivative transactions, the front and back offices of the trading divisions are clearly separated and risk managers are assigned to the trading divisions, while the Risk Management Division synthetically manages the Bank's market risks. In this manner, an internal control system is effectively secured.

The Bank's positions, gain-and-loss, risk amount and other conditions are periodically reported to the executive committee.

The Bank has the following derivatives contracts outstanding at March 31, 2013 and 2012:

Derivative Transactions to Which Hedge Accounting Is Not Applied

With respect to derivatives to which hedge accounting is not applied, contract or notional amount, fair value and unrealized gains/losses and the calculation method of fair value are as shown below. Note that the contract or notional amounts of the derivatives which are shown in the table do not represent the amounts of the Bank's exposure to credit or market risk.

	Millions of Yen								Thousands of U.S. Dollars			
	2013				2012				**2013**			
	Contract or Notional Amount				Contract or Notional Amount				Contract or Notional Amount			
	Total	Due after One Year	Fair Value	Unrealized Gains/ Losses	Total	Due after One Year	Fair Value	Unrealized Gains/ Losses	Total	Due after One Year	Fair Value	Unrealized Gains/ Losses
Interest rate-related OTC transactions:												
Interest rate swaps:												
Floating rate receipt/ fixed rate payment	**¥13,450**	**¥8,865**	**¥(21)**	**¥(21)**	¥11,695	¥9,012	¥(43)	¥(43)	**$143,009**	**$94,258**	**$(223)**	**$(223)**
Floating rate payment/ fixed rate receipt	**10,910**	**6,790**	**(7)**	**(7)**	6,680	4,720	(3)	(3)	**116,002**	**72,195**	**(74)**	**(74)**
Interest rate swaption:												
Selling	**9,030**		**(16)**	**(16)**	10,840		(26)	(26)	**96,012**		**(170)**	**(170)**
Buying	**9,030**		**16**	**16**	10,840		26	26	**96,012**		**170**	**170**
Currency-related OTC transactions:												
Currency swaps	**32,265**	**28,228**	**57**	**57**	41,531	40,126	81	81	**343,062**	**300,138**	**606**	**606**
Foreign exchange forward contracts:												
Selling	**125,225**		**(2,158)**	**(2,158)**	76,418		(3,165)	(3,165)	**1,331,472**		**(22,945)**	**(22,945)**
Buying	**4,618**		**29**	**29**	4,352		4	4	**49,101**		**308**	**308**
Currency option:												
Selling	**8,676**	**4,586**	**(288)**	**402**	19,062	12,614	(1,289)	321	**92,248**	**48,761**	**(3,062)**	**4,274**
Buying	**8,676**	**4,586**	**288**	**(265)**	19,062	12,614	1,289	(80)	**92,248**	**48,761**	**3,062**	**(2,817)**

Notes:
1. Above transactions are stated at fair value and unrealized gains (losses) for the years ended March 31, 2013 and 2012, were recognized in the consolidated statement of income.
2. The fair value of interest rate-related OTC transactions is determined using the discounted present value or option pricing models and the fair value of currency-related OTC transactions is determined using the discounted present value.

Derivative Transactions to Which Hedge Accounting Is Applied

With respect to derivatives to which hedge accounting is applied, contract or notional amount, fair value and the calculation method of fair value are as shown below. Note that the contract or notional amounts of the derivatives which are shown in the table do not represent the amounts of the Bank's exposure to market risk.

At March 31, 2013			Millions of Yen		
			Contract or Notional Amount		
Hedge Accounting Method	Type of Derivatives	Major Hedged Item	Total	Due after One Year	Fair Value
Normal method	Interest rate swaps– Floating rate receipt/ fixed rate payment	Loans	**¥ 19,431**	**¥ 18,607**	**¥ (558)**
Special matching criteria	Interest rate swaps– Floating rate receipt/ fixed rate payment	Loans	**155,583**	**120,512**	**(2,468)**
Total					**¥(3,027)**

At March 31, 2012			Millions of Yen		
			Contract or Notional Amount		
Hedge Accounting Method	Type of Derivatives	Major Hedged Item	Total	Due after One Year	Fair Value
Normal method	Interest rate swaps– Floating rate receipt/ fixed rate payment	Loans	¥ 20,226	¥ 19,458	¥ (517)
Special matching criteria	Interest rate swaps– Floating rate receipt/ fixed rate payment	Loans	191,358	156,380	(2,584)
Total					¥(3,102)

At March 31, 2013			Thousands of U.S. Dollars		
			Contract or Notional Amount		
Hedge Accounting Method	Type of Derivatives	Major Hedged Item	Total	Due after One Year	Fair Value
Normal method	Interest rate swaps– Floating rate receipt/ fixed rate payment	Loans	**$ 206,602**	**$ 197,841**	**$ (5,933)**
Special matching criteria	Interest rate swaps– Floating rate receipt/ fixed rate payment	Loans	**1,654,258**	**1,281,360**	**(26,241)**
Total					**$(32,185)**

Notes:
1. These are principally accounted for under the deferral hedge method in accordance with JICPA Industry Audit Committee Report No. 24, "Treatment of Accounting and Auditing of Application of Accounting Standard for Financial Instruments in the Banking Industry."
2. Fair value is determined using the discounted present value.

28. Related Party Transactions

Related party transactions for the years ended March 31, 2013 and 2012, were as follows:
a. Transactions between the Bank and Its Related Parties

		Transactions for the Year*4			Balance at End of Year		
		Millions of Yen		Thousands of U.S. Dollars	Millions of Yen		Thousands of U.S. Dollars
Related Party	Account Classification *3	**2013**	2012	**2013**	**2013**	2012	**2013**
Department Store Fujisaki Co., Ltd. *1	Loans and bills discounted	**¥4,586**	¥4,399	**$48,761**	**¥5,475**	¥4,604	**$58,213**
	Investment securities	**3**	82	**31**		50	
	Customers' liabilities for acceptances and guarantees	**200**	200	**2,126**	**200**	200	**2,126**
Fuji Styling Co., Ltd. *1	Loans and bills discounted	**276**	295	**2,934**	**265**	285	**2,817**
Fujisaki Agency Co., Ltd. *1	Customers' liabilities for acceptances and guarantees	**700**	700	**7,442**	**700**	700	**7,442**
Medical Corp. Shoukeikai *1	Loans and bills discounted	**24**	26	**255**	**22**	24	**233**
Mr. Junichi Matsuoka *2	Loans and bills discounted	**13**	14	**138**	**12**	14	**127**
Mr. Minokichi Akaizawa *2	Loans and bills discounted	**69**	74	**733**	**66**	72	**701**

Notes: *1 *Company whose voting rights are majority owned by a director or his close relatives (including subsidiaries of such company).*
*2 *Mr. Junichi Matsuoka and Mr. Minokichi Akaizawa are close relatives of directors.*
*3 *Terms are substantially the same as for similar transactions with third parties.*
*4 *Amounts of transactions were reported at the average balance for the period.*

b. Transactions between a Consolidated Subsidiary and Its Related Party

		Transactions for the Year			Balance at End of Year		
		Millions of Yen		Thousands of U.S. Dollars	Millions of Yen		Thousands of U.S. Dollars
Related Party	Account Classification *2	**2013**	2012	**2013**	**2013**	2012	**2013**
Department Store Fujisaki Co., Ltd. *1	Fees and commissions	**¥17**	¥11	**$180**			

Notes: *1 *Company whose voting rights are majority owned by a director or his close relatives (including subsidiaries of such company).*
*2 *Terms are substantially the same as for similar transactions with third parties.*

29. Segment Information

(1) Description of Reportable Segments
The reportable segments of the Bank are subject to periodic review by the chief operating decision maker to determine the allocation of management resources and assess performance and from the viewpoint of the nature of its major financial instruments and services. The Bank is composed of the operating segments of "Banking" and "Leasing" activities as the reportable segments.

"Banking" segment provides customers with banking operations including deposit taking, lending and exchange businesses as well as scrutinizing of cash as a banking related service.

"Leasing" segment provides customers with leasing business.

Financial segment information is for those segments about which separate financial information is available.

(2) Methods of Measurement of Sales, Profit (Loss), Assets and Other Items for Each Reportable Segment
Accounting policies adopted by the reportable segments are almost the same as those described in Note 2, "Summary of Significant Accounting Policies." Segment profit of the reportable segments is based on the figures of ordinary profit and intersegment income is based on an arm's length transaction basis.

(3) Reportable Segment Information concerning Income, Profit (Loss), Assets and Other Items

	Millions of Yen						
	2013						
	Reportable Segments						
	Banking	Leasing	Total	Other	Total	Reconciliations	Consolidated
Ordinary income:							
External customers	¥ 97,967	¥ 11,412	¥ 109,379	¥ 2,732	¥ 112,111		¥ 112,111
Intersegment income	312	1,052	1,364	1,622	2,987	¥ (2,987)	
Total	¥ 98,279	¥ 12,464	¥ 110,744	¥ 4,354	¥ 115,099	¥ (2,987)	¥ 112,111
Segment profit	¥ 20,780	¥ 1,626	¥ 22,406	¥ 1,513	¥ 23,920	¥ (70)	¥ 23,850
Segment assets	8,233,799	23,086	8,256,885	20,541	8,277,427	(16,323)	8,261,103
Other information:							
Depreciation	3,602	87	3,690	26	3,716		3,716
Interest income	72,071	6	72,077	386	72,464	(148)	72,316
Interest expense	3,539	191	3,731	36	3,767	(140)	3,627
Increase in tangible and intangible fixed assets	4,404	92	4,497	60	4,557	(1)	4,556

Notes: 1. Segment profit is reconciled with ordinary profit. Ordinary profits, ordinary income and ordinary expenses are defined as follows:
"Ordinary profits" means "Ordinary income" less "Ordinary expenses."
"Ordinary income" represents total income less certain special income included in other income in the accompanying consolidated statement of income.
"Ordinary expenses" represent total expenses less certain special expenses included in other expenses in the accompanying consolidated statement of income.
2. "Other" is a business segment which does not belong to reportable segments and consists of credit guarantee business, credit card business, etc.
3. "Reconciliations" of segment profit of ¥(70) million, segment assets of ¥(16,323) million, interest income of ¥(148) million and interest expense of ¥(140) million are eliminations of intersegment transactions.

	Millions of Yen						
	2012						
	Reportable Segments						
	Banking	Leasing	Total	Other	Total	Reconciliations	Consolidated
Ordinary income:							
External customers	¥ 98,792	¥ 14,937	¥ 113,730	¥ 3,005	¥ 116,736		¥ 116,736
Intersegment income	336	1,628	1,964	1,666	3,631	¥ (3,631)	
Total	¥ 99,129	¥ 16,566	¥ 115,695	¥ 4,672	¥ 120,367	¥ (3,631)	¥ 116,736
Segment profit	¥ 16,811	¥ 253	¥ 17,064	¥ 1,004	¥ 18,069	¥ (74)	¥ 17,994
Segment assets	7,589,581	25,390	7,614,972	20,391	7,635,363	(18,583)	7,616,779
Other information:							
Depreciation	3,476	93	3,569	22	3,591		3,591
Interest income	76,925	5	76,931	507	77,439	(181)	77,258
Interest expense	4,357	249	4,607	38	4,646	(173)	4,472
Increase in tangible and intangible fixed assets	2,611	93	2,704	25	2,730		2,730

Notes: 1. Segment profit is reconciled with ordinary profit. Ordinary profits, ordinary income and ordinary expenses are defined as follows:
"Ordinary profits" means "Ordinary income" less "Ordinary expenses."
"Ordinary income" represents total income less certain special income included in other income in the accompanying consolidated statement of income.
"Ordinary expenses" represent total expenses less certain special expenses included in other expenses in the accompanying consolidated statement of income.
2. "Other" is a business segment which does not belong to reportable segments and consists of credit guarantee business, credit card business, etc.
3. "Reconciliations" of segment profit of ¥(74) million, segment assets of ¥(18,583) million, interest income of ¥(181) million and interest expense of ¥(173) million are eliminations of intersegment transactions.

	Thousands of U.S. Dollars						
	2013						
	Reportable Segments						
	Banking	Leasing	Total	Other	Total	Reconciliations	Consolidated
Ordinary income:							
External customers	$ 1,041,648	$121,339	$ 1,162,987	$ 29,048	$ 1,192,036		$ 1,192,036
Intersegment income	3,317	11,185	14,502	17,246	31,759	$ (31,759)	
Total	$ 1,044,965	$132,525	$ 1,177,501	$ 46,294	$ 1,223,806	$ (31,759)	$ 1,192,036
Segment profit	$ 220,946	$ 17,288	$ 238,234	$ 16,087	$ 254,332	$ (744)	$ 253,588
Segment assets	87,547,038	245,465	87,792,503	218,405	88,010,919	(173,556)	87,837,352
Other information:							
Depreciation	38,298	925	39,234	276	39,510		39,510
Interest income	766,305	63	766,368	4,104	770,483	(1,573)	768,910
Interest expense	37,628	2,030	39,670	382	40,053	(1,488)	38,564
Increase in tangible and intangible fixed assets	46,826	978	47,814	637	48,452	(10)	48,442

Notes: 1. Segment profit is reconciled with ordinary profit. Ordinary profits, ordinary income and ordinary expenses are defined as follows:
"Ordinary profits" means "Ordinary income" less "Ordinary expenses."
"Ordinary income" represents total income less certain special income included in other income in the accompanying consolidated statement of income.
"Ordinary expenses" represent total expenses less certain special expenses included in other expenses in the accompanying consolidated statement of income.
2. "Other" is a business segment which does not belong to reportable segments and consists of credit guarantee business, credit card business, etc.
3. "Reconciliations" of segment profit of $(744) thousand, segment assets of $(173,556) thousand, interest income of $(1,573) thousand and interest expense of $(1,488) thousand are eliminations of intersegment transactions.

Related Information for the Years Ended March 31, 2013 and 2012
Information by Service Line

	Millions of Yen				
	2013				
	Loan	Securities Investment	Lease	Other	Total
External customers	¥49,497	¥28,922	¥10,621	¥23,070	¥112,111

	Millions of Yen				
	2012				
	Loan	Securities Investment	Lease	Other	Total
External customers	¥52,957	¥28,649	¥14,937	¥20,191	¥116,736

	Thousands of U.S. Dollars				
	2013				
	Loan	Securities Investment	Lease	Other	Total
External customers	$526,283	$307,517	$112,929	$245,295	$1,192,036

Information about Assets Impairment Losses

	Millions of Yen				
	2013				
	Reportable Segments				
	Banking	Leasing	Total	Other	Total
Impairment losses	**¥787**		**¥787**		**¥787**

	Millions of Yen				
	2012				
	Reportable Segments				
	Banking	Leasing	Total	Other	Total
Impairment losses	¥1,461		¥1,461		¥1,461

	Thousands of U.S. Dollars				
	2013				
	Reportable Segments				
	Banking	Leasing	Total	Other	Total
Impairment losses	**$8,367**		**$8,367**		**$8,367**

Information about geographical areas is omitted because the Companies conduct banking and other related activities in Japan without having foreign subsidiaries or foreign branches.
Information about major customers is not presented because there are no customers having over a 10% share of ordinary income.

30. Net Income Per Share

Basic and diluted net income per share ("EPS") for the years ended March 31, 2013 and 2012, is as follows:

	Millions of Yen	Thousands of Shares	Yen	U.S. Dollars
Year Ended March 31, 2013	Net Income	Weighted-Average Shares	EPS	
Basic EPS—Net income attributable to common stockholders	**¥12,446**	**373,842**	**¥33.29**	**$0.35**
Effect of dilutive securities—Stock acquisition rights		**1,260**		
Diluted EPS—Net income for computation	**¥12,446**	**375,102**	**¥33.18**	**$0.35**
Year Ended March 31, 2012				
Basic EPS—Net income attributable to common stockholders	¥10,690	373,792	¥28.60	
Effect of dilutive securities—Stock acquisition rights		832		
Diluted EPS—Net income for computation	¥10,690	374,624	¥28.53	

31. Subsequent Event

At the Bank's general meeting of stockholders held on June 27, 2013, the Bank's stockholders approved the following:

Appropriations of Retained Earnings

	Millions of Yen	Thousands of U.S. Dollars
Year-end cash dividends, ¥3.50 ($0.037) per share	**¥1,308**	**$13,907**

Independent Auditors' Report

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of The 77 Bank, Ltd.:

We have audited the accompanying consolidated balance sheet of The 77 Bank, Ltd. and its 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 77 Bank, Ltd. and its 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 LLC

June 27, 2013

Member of
Deloitte Touche Tohmatsu Limited

Capital Adequacy Ratios

THE 77 BANK, LTD. AND SUBSIDIARIES
March 31, 2013

Consolidated (Domestic standard)		Millions of Yen 2013	Millions of Yen 2012	Thousands of U.S. Dollars 2013
Tier I capital:	Common stock	¥ 24,658	¥ 24,658	$ 262,179
	Capital surplus	7,835	7,840	83,306
	Retained earnings	266,082	256,258	2,829,154
	Minority interests	10,325	8,496	109,782
	Stock acquisition rights	482	380	5,124
	Treasury stock	(4,569)	(4,613)	(48,580)
	Subtotal (A)	304,815	293,019	3,240,988
Tier II capital:	General reserve for possible loan losses	58,471	64,179	621,701
	Dated subordinated debt instruments	20,000	20,000	212,652
	Subtotal	78,471	84,179	834,354
	Position included in stockholders' equity (B)	36,984	36,321	393,237
Deductions:	Deduction (C)	998	998	10,611
Total capital:	(A) + (B) – (C) = (D)	340,801	328,343	3,623,615
Risk-adjusted assets:	On-balance sheet	2,523,262	2,406,663	26,828,942
	Off-balance-sheet	43,079	41,762	458,043
	Operational risk equivalent amount	151,175	163,077	1,607,389
	Subtotal (E)	2,717,516	2,611,503	28,894,375
Capital adequacy ratio (Domestic standard) = (D)/(E) x 100 (%)		12.54	12.57	

Non-Consolidated (Domestic standard)		Millions of Yen 2013	Millions of Yen 2012	Thousands of U.S. Dollars 2013
Tier I capital:	Common stock	¥ 24,658	¥ 24,658	$ 262,179
	Capital surplus	7,835	7,840	83,306
	Retained earnings	264,404	254,863	2,811,313
	Stock acquisition rights	482	380	5,124
	Treasury stock	(4,595)	(4,639)	(48,856)
	Subtotal (A)	292,786	283,104	3,113,088
Tier II capital:	General reserve for possible loan losses	52,555	58,789	558,798
	Dated subordinated debt instruments	20,000	20,000	212,652
	Subtotal	72,555	78,789	771,451
	Position included in stockholders' equity (B)	36,794	36,123	391,217
Deductions:	Deductions (C)	998	998	10,611
Total capital:	(A) + (B) – (C) = (D)	328,582	318,229	3,493,694
Risk-adjusted assets:	On-balance sheet	2,500,805	2,383,797	26,590,164
	Off-balance-sheet	43,079	41,762	458,043
	Operational risk equivalent amount	143,211	154,216	1,522,711
	Subtotal (E)	2,687,096	2,579,776	28,570,930
Capital adequacy ratio (Domestic standard) = (D)/(E) x 100 (%)		12.22	12.33	

Non-Consolidated Balance Sheet (Parent Company)

THE 77 BANK, LTD.
March 31, 2013

	Millions of Yen		Thousands of U.S. Dollars
	2013	2012	**2013**
Assets:			
Cash and due from banks	**¥ 595,463**	¥ 776,987	**$ 6,331,345**
Call loans and bills bought	**371,507**	211,256	**3,950,101**
Debt purchased	**18,523**	20,040	**196,948**
Trading account securities	**24,361**	29,087	**259,021**
Money held in trust	**53,950**	44,728	**573,631**
Investment securities	**3,402,860**	2,849,428	**36,181,392**
Loans and bills discounted	**3,770,847**	3,649,096	**40,094,066**
Foreign exchange assets	**2,023**	2,853	**21,509**
Tangible fixed assets:			
Buildings	**9,172**	9,765	**97,522**
Land	**20,261**	20,564	**215,427**
Lease assets	**989**	915	**10,515**
Construction in progress	**0**	297	**0**
Other tangible fixed assets	**4,150**	2,924	**44,125**
Intangible fixed assets	**335**	344	**3,561**
Deferred tax assets	**5,244**	28,397	**55,757**
Customers' liabilities for acceptance and guarantees	**26,403**	25,039	**280,733**
Other assets	**16,881**	18,472	**179,489**
Reserve for possible loan losses	**(89,238)**	(100,724)	**(948,835)**
Total	**¥8,233,739**	¥7,589,478	**$87,546,400**
Liabilities:			
Deposits	**¥7,750,093**	¥7,174,163	**$82,403,965**
Call money	**2,821**	—	**29,994**
Payables under securities lending transaction	**18,489**	—	**196,586**
Borrowed money	**20,413**	20,161	**217,044**
Foreign exchange liabilities	**110**	143	**1,169**
Liability for retirement benefits	**32,177**	32,141	**342,126**
Reserve for reimbursement of deposits	**275**	221	**2,923**
Reserve for contingent losses	**1,081**	1,180	**11,493**
Acceptances and guarantees	**26,403**	25,039	**280,733**
Reserve for disaster losses	**122**	143	**1,297**
Other liabilities	**26,417**	28,301	**280,882**
Total liabilities	**7,878,404**	7,281,496	**83,768,250**
Equity:			
Common stock	**24,658**	24,658	**262,179**
Capital surplus	**7,835**	7,840	**83,306**
Retained earnings	**265,713**	256,172	**2,825,231**
Treasury stock	**(4,595)**	(4,639)	**(48,856)**
Total stockholders' equity	**293,611**	284,031	**3,121,860**
Unrealized gain on available-for-sale securities	**61,577**	23,881	**654,726**
Deferred losses on derivatives under hedge accounting	**(338)**	(311)	**(3,593)**
Total valuation adjustments	**61,239**	23,569	**651,132**
Stock acquisition rights	**482**	380	**5,124**
Total equity	**355,334**	307,981	**3,778,139**
Total	**¥8,233,739**	¥7,589,478	**$87,546,400**

Non-Consolidated Statement of Income (Parent Company)

THE 77 BANK, LTD.
Year Ended March 31, 2013

	Millions of Yen		Thousands of U.S. Dollars
	2013	2012	**2013**
Income:			
Interest income:			
Interest on loans and discounts	**¥49,666**	¥ 52,906	**$ 528,080**
Interest on dividends on trading account and investment securities	**22,153**	23,479	**235,544**
Other	**234**	503	**2,488**
Fees and commissions	**15,641**	15,306	**166,305**
Other operating income	**4,656**	2,459	**49,505**
Other income	**5,993**	15,957	**63,721**
Total income	**98,346**	110,611	**1,045,677**
Expenses:			
Interest expense:			
Interest on deposits	**3,235**	3,741	**34,396**
Interest on call money	**3**	125	**31**
Other	**348**	536	**3,700**
Fees and commissions	**5,846**	5,756	**62,158**
Other operating expenses	**5,981**	2,491	**63,593**
General and administrative expenses	**55,328**	58,465	**588,282**
Provision of reserve for possible loan losses	**—**	7,911	**—**
Other expenses	**7,791**	5,195	**82,838**
Total expenses	**78,534**	84,222	**835,023**
Income before income taxes	**19,811**	26,389	**210,643**
Income taxes:			
Current	**3,908**	6,974	**41,552**
Deferred	**3,740**	8,817	**39,766**
Total income taxes	**7,649**	15,791	**81,329**
Net income	**¥12,161**	¥ 10,597	**$ 129,303**

	Yen		U.S. Dollars
Per share of common stock:			
Basic net income	**¥32.53**	¥28.35	**$ 0.34**
Diluted net income	**32.42**	28.28	**0.34**
Cash dividends applicable to the year	**7.00**	7.00	**0.074**

Loan Portfolio

Loan Portfolio by Industry	Billions of Yen 2013	Millions of U.S. Dollars 2013
Domestic offices *(Excluding Japan offshore banking accounts)*	¥3,770	$40,094
Manufacturing	432	4,602
Agriculture and forestry	3	32
Fisheries	5	55
Mining and quarrying of stone and gravel	1	11
Construction	134	1,426
Electricity, gas, heat supply and water	87	926
Information and communications	34	363
Transport and postal activities	78	836
Wholesale and retail trade	374	3,984
Finance and insurance	300	3,196
Real estate and goods rental and leasing	564	5,999
Services, N.E.C.	254	2,706
Government, except elsewhere classified	724	7,698
Other	776	8,255
Japan's offshore banking accounts		
Financial institutions	—	—
Total	¥3,770	$40,094

Loan Portfolio by Industry	Billions of Yen 2012
Domestic offices *(Excluding Japan offshore banking accounts)*	¥3,649
Manufacturing	394
Agriculture and forestry	3
Fisheries	4
Mining and quarrying of stone and gravel	1
Construction	132
Electricity, gas, heat supply and water	82
Information and communications	38
Transport and postal activities	73
Wholesale and retail trade	350
Finance and insurance	288
Real estate and goods rental and leasing	546
Services, N.E.C.	257
Government, except elsewhere classified	705
Other	768
Japan's offshore banking accounts	
Financial institutions	—
Total	¥3,649

Loans by Collateral	Billions of Yen 2013	Billions of Yen 2012	Millions of U.S. Dollars 2013
Securities	¥ 0	¥ 0	$ 5
Commercial claims	28	27	307
Real estate	545	541	5,801
Subtotal	575	569	6,114
Guaranteed	1,211	1,208	12,881
Unsecured	1,984	1,870	21,097
Total [Subordinated loans]	¥3,770 [4]	¥3,649 [4]	$40,094 [51]

Reserve for Loan Losses	Billions of Yen		Millions of U.S. Dollars
	2013	2012	2013
General reserve for loan losses	¥51	¥ 57	$547
Specific reserve for estimated loan losses on certain doubtful loans	37	43	401
Total	¥89	¥100	$948

Risk-Monitored Loans	Billions of Yen				Millions of U.S. Dollars
	2013		2012		2013
		Percentage of total		Percentage of total	
Loans to borrowers under bankruptcy	¥ 1.4	0.03%	¥ 4.5	0.12%	$ 15
Past due loans	102.2	2.71	128.7	3.52	1,087
Accruing loans contractually past due three months or more	0.9	0.02	1.0	0.02	10
Restructured loans	37.8	1.00	38.8	1.06	402
Total	142.5	3.77	173.2	4.74	1,515
Balance of total loans	¥3,770.0	100.00%	¥3,649.0	100.00%	$40,094