名古屋銀行

Bank of NAGOYA

2013 ANNUAL REPORT

絆をつくる、明日へつなぐ。

Established 1949
Number of Employees 2,065
(As of March 31, 2013)

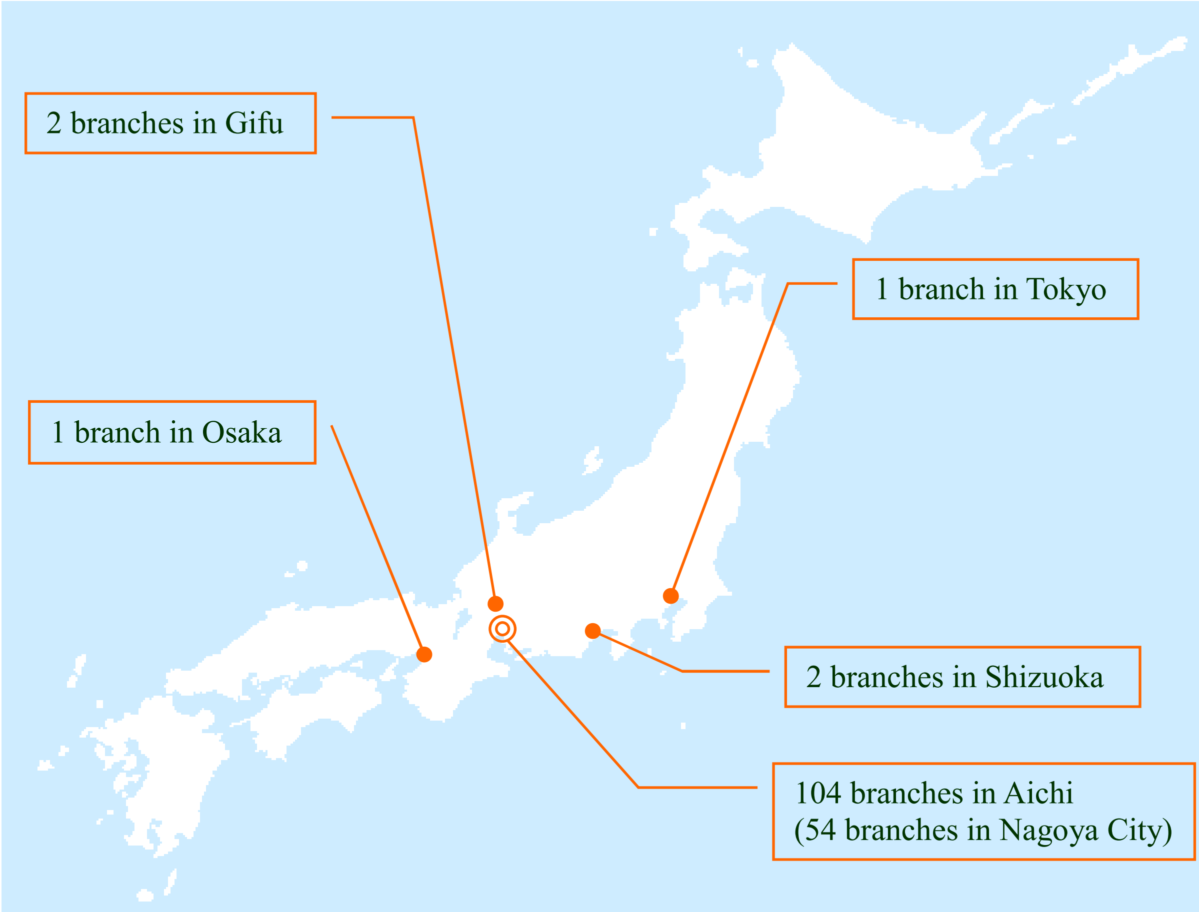
Subsidiaries
- Nagoya Lease Co., Ltd.
- Nagoya Business Service Co., Ltd.
- Meigin Real Property Research Co., Ltd.
- Nagoya Card Co., Ltd.
- Nagoya MC Card Co., Ltd.

THE BANK OF NAGOYA, LTD.

19-17 Nishiki 3-chome, Naka-ku,
Nagoya City, Aichi 460-0003 Japan
Tel: +81 52 962 9520
Fax: +81 52 961 6605
http://www.meigin.com/

Domestic Branches

Number of Branches: 110 (As of March 31, 2013)



Overseas

Nantong Branch

2nd Floor, Business Service Outsourcing Center, Building C, 188 Tongsheng Road, Economic and Technological Development Area,
Nantong, Jiangsu, China
Tel +86 513 89192280
Fax +86 513 89192281

Shanghai Representative Office

Room 1809, Shanghai International Trade Center,
2201 Yan-an Road (West), Shanghai, China.
Tel +86 21 62754207
Fax +86 21 62759461

Contents

Message from the Management

We would first like to extend our sincere gratitude to all our stakeholders for their patronage to the Bank of Nagoya and its Group.

We have created this annual report to explain the business situation and the operating results of the Bank of Nagoya Group in the fiscal year ended March 31, 2013.

During the fiscal year under review, the long downturn in the Japanese economy apparently reached a bottom in November 2012, launching a sharp rally in the stock market as well as a correction of the strong yen from December. Under these more upbeat conditions, household and corporate sentiment began to improve. Looking ahead, we expect Japan's economic recovery to accelerate, supported by improvement in overseas economies, a continued boost to demand from the Great East Japan Earthquake recovery efforts and from another large supplementary government budget, and finally from the positive reactions of the forex and stock markets to the Bank of Japan's adoption of an inflation target.

Meanwhile, the Act on Temporary Measures to Facilitate Financing for Small and Medium-Sized Enterprises (SMEs), etc. (SME Financing Facilitation Act), which was enacted in December 2009, expired on March 31, 2013. Our SME customers, however, continue to face many challenging management issues. We therefore are mustering the full capabilities of the Bank of Nagoya Group in order to fulfill our most important mission as a regional financial institution that aggressively displays its consulting function to provide its customers with the most appropriate solutions to the challenges they face.

Operating in this economic environment in the fiscal year that marked the second year of our 18th management plan, entitled "Reform & Challenge—Aiming to be the Region's Top Bank," the Bank strengthened its standing as the top regional bank in Aichi Prefecture. Under the catchphrase of "Top Bank in 5 Criteria," the Bank made headway with the reform towards further advancement in each of the following five areas: customer satisfaction, action and response, proposal capability, trustworthiness, and passion. The Bank of Nagoya has 104 branches in Aichi Prefecture, the largest branch network for regional bank in the prefecture. Leveraging our unrivaled position in the prefecture, we seek to increase communication with our customers in a manner that will raise customer satisfaction and further enhance the Bank of Nagoya brand reputation.

The Bank's guiding precept of "fostering regional prosperity" has remained immutable since the Bank was founded. We remain committed to providing high-quality financial services that contribute to development of the regional economy and enrich the lives of our customers. While fulfilling our corporate social responsibility and maintaining the highest standards of corporate governance, the Bank's senior management and employees will continue to work together to create even stronger bonds with our customers.

We would also like to take this opportunity to introduce Masahiro Nakamura, who was recently appointed President of the Bank.

Mr. Nakamura joins with Kazumaro Kato, who continues as Chairman, to form a new leadership team. Under their guidance, the bank will strive to continue to be a bank that brings great satisfaction and peace of mind to its customers, and work to realize its corporate philosophy in tangible forms.

We call upon your even stronger support in the future.

June 2013

Masahiro Nakamura
President

Kazumaro Kato
Chairman

Operating Environment

During the fiscal year ended March 31, 2013, the long downturn in the Japanese economy apparently reached a bottom in November 2012, launching a sharp rally in the stock market as well as a correction of the strong yen from December. Under these more upbeat conditions, household and corporate sentiment began to improve. Looking ahead, we expect Japan's economic recovery to accelerate, supported by improvement in overseas economies, a continued boost to demand from the Great East Japan Earthquake recovery efforts and from another large supplementary government budget, and finally from the positive reactions of the forex and stock markets to the Bank of Japan's adoption of an inflation target.

The Bank of Japan Nagoya Branch's March monthly assessment of *Financial and Economic Trends in the Tokai Region's Three Prefectures* (encompassing the prefectures of Aichi, Gifu, and Mie) was that the regional economy was "moderately recovering." The report said that exports were rebounding as the negative impact of recent chill in China-Japan relations receded while exports to the United States picked up. Regarding domestic demand, the report noted that the region saw a rebound in output by manufacturers supported by a solid demand trend as private consumption was picking up on firm sales of passenger cars and housing.

Meanwhile, the SME Finance Facilitation Act that was enacted in December 2009 expired on March 31, 2013. SME customers of the Bank of Nagoya, Ltd. (the Bank), however, continue to face many challenging management issues. We therefore are mustering the full capabilities of the Bank of Nagoya Group in order to fulfill our most important mission as a regional financial institution that aggressively displays its consulting function to provide its customers with the most appropriate solutions to the challenges they face.

Operating Results (Nonconsolidated basis)

The following five management policies of the Bank of Nagoya are based on the Bank's guiding precept of "fostering regional prosperity—which shall both develop the Bank and bring happiness to bank employees," and, together, they express the overall image that the bank aspires to. They are as follows: (1) contribute to the regional community, (2) strengthen our earnings power and ensure thoroughness in risk management, (3) provide financial services that suit the needs of the customers, (4) put compliance into practice, and (5) establish a free and open-minded corporate climate. Through following these basic policies, the Bank strives to further boost its corporate value as a regional financial institution that contributes to the prosperity of the regional society, fulfill its responsibilities, and establish unwavering support and trust from all our stakeholders, first and foremost of whom are our shareholders.

In recent years, an increasing number of companies, mainly in the Tokai region's key automotive industry, have been moving into Southeast Asia, including the ASEAN countries of Thailand, Vietnam, and Indonesia. In response to this trend, the Bank set up the Asia Support Team in the International Division. The Bank has extended its business support for "Asia" area, which now includes South East Asia in addition to China on which the Company has focused since before.

1. Alliances with Overseas Financial Institutions

   (1) Thailand

   We entered into a business alliance with Bangkok Bank and are now dispatching staff to the bank, enabling us to better gather local information and carry out related surveys. In addition, we are now better able to help our customers' local subsidiaries access Thai baht-denominated funding through standby lines of credit issued by our Thai partner.

   (2) Indonesia

   In November 2012, we entered into a business alliance with PT. Bank Negara Indonesia (Persero) Tbk. We plan to dispatch staff to our new partner in the near future.

2. Overseas expansion seminars

   The Bank of Nagoya holds seminars providing essential information for customers considering expansion into overseas markets. In 2012, we held market-entry seminars on Vietnam in March and India in July. In the first few months of 2013, we held a seminar on entry into the Myanmar market in January and a China seminar in March.

3. Bank of Nagoya Asia Business Club

   The Bank operates the Bank of Nagoya Asia Business Club as an organization supporting customers conducting business in Asia. The club distributes a mail magazine providing insightful information on Asian markets and also sponsors periodic practical seminars.

   * Club membership totaled 537 companies as of March 31, 2013

Nantong Branch

In September 2011, the Bank upgraded its Nantong representative office and opened as Nantong Branch. The Bank is the only regional bank headquartered in the three prefectures of the Tokai region (Aichi, Gifu, and Mie) and the only one among member banks of the Second Association of Regional Banks in Japan to have an overseas branch.

Nantong City is a port city located on the northern bank of the Yangtze River, opposite from Shanghai, with the East China Sea serving as its eastern border. In 1984, Nantong became one of the first 14 port cities in China opened to foreign investment, and has been home to a state-level economic development zone. The transportation network between Nantong and Shanghai has been greatly improved in recent years with the opening of the Sutong Yangtze River Bridge in June 2008 and the Chongqi Bridge in December 2011, and the city is expected to undergo further development and growth in coming years.

Together with our Shanghai Representative Office, the Nantong Branch is supporting the Chinese business of

Bank customers by (1) helping them establish local operations in China, (2) introducing them to local companies seeking technological tie-ups and production outsourcing contracts, and (3) introducing trading partners.

As a result, the Bank's banking profit, which is a profit derived from its core operations, fell by ¥574 million year on year to ¥9,542 million. Our efforts to reduce expenses were offset by lower loan yields and decreased income from government bonds and others.

Ordinary profit increased by ¥2,642 million year on year to ¥7,090 million mainly owing to a decrease in credit-related expenses and an improvement in gains on sales of stock and other securities.

Net income increased by ¥4,296 million to ¥5,719 million due to an effect of the revision of its retirement benefit plan.

Target Performance Indicators

The Bank is in the midst of its 18th management plan, covering fiscal years 2011–2013 (from April 2011 through March 2014). In the fiscal year ended March 31, 2013, the Bank achieved the plan's net income target of ¥5 billion. However, we have revised the final target as shown below to reflect aggressive investment in system upgrades, changes in our operating environment, and the need to make an appropriate response to such changes as the Bank becoming subject to Basel III requirements from the closing of the fiscal year ended March 31, 2013.

Management index	(Previous) Target (March 31, 2014)	(New) Target (March 31, 2014)
Capital adequacy ratio (consolidated) (Note 1)	12%	12%
Common Equity Tier 1 ratio (consolidated) (Note 1) (Note 2)	10%	10%
Net income (nonconsolidated)	¥5 billion	¥3 billion
Overhead ratio (nonconsolidated)	70–74%	70–74%
No. of business financing customers	25,000 companies	25,000 companies

(Note 1) The Bank has reviewed its targets for its capital adequacy ratio (consolidated) and Common Equity Tier 1 capital ratio (consolidated) in line with Basel III requirements and decided that the existing targets remain appropriate.

(Note 2) Common Equity Tier 1 capital ratio (consolidated) is a new term for the target ratio we previously called Tier 1 ratio (consolidated).

Medium- and Long-term Management Strategies

In our three-year 18th management plan, "Reform & Challenge—Aiming to be the Region's Top Bank," which started in April 2011, our basic position is to treat the three years of the plan as a period to strengthen our standing as a top regional bank in Aichi Prefecture and promote reform towards further advancement. Our major strategy is to achieve top bank status in the following five criteria:

(a) Top bank in customer satisfaction
- Getting the Bank of Nagoya brand well-established with strong market penetration
- Strengthening of product and service offering
- Enhancement of sales infrastructure

(b) Top bank in action and response
- Speedy response to customer needs
- Strengthening of community ties through improved relationships
- Strengthening sales and marketing function of headquarters

(c) Top bank in proposal capability
- Strengthening of Asian business support
- Strengthening of consulting function
- Provision of services by a unified Meigin Group

(d) Top bank in trustworthiness
- Maintenance of financial soundness
- Strengthening of CSR initiatives
- Giving greater importance to compliance

(e) Top bank in passion
- Strengthening of staff quality through personnel development
- Cultivate mercantile mindset amongst entire staff
- Boost employee satisfaction

Issues to Address

In the 18th management plan, we positioned the three years as a period to strengthen our standing as a top regional bank in Aichi Prefecture and promote reform towards further advancement. While strengthening our standing by boosting our brand and improving customer ties, we will proceed with reforms aimed at future advancement. In these ways, we aim to be the top regional bank of Aichi Prefecture both in name and reality.

Management Policy

1. Contribute to the regional community

   As a regional financial institution, the Bank shall advance together with the regional community by bearing in mind the public nature of bank operations, ensuring that customers' savings are protected, and providing high quality financial services that contribute to the sound development of medium and small-sized enterprise and improving the lives of the local residents.

2. Strengthen our earnings power and ensure thoroughness in risk management

   To maintain the trust of our depositors and shareholders, the Bank aims for sound management practices based on a transparent management system. To realize this, we strive to strengthen our earnings power, ensure thoroughness in risk management to maintain soundness of management, and thereby strengthen our management base.

3. Provide financial services that suit the needs of the customers

   The Bank strives to develop operations that energetically respond to changes in the environment and provide high quality financial services that truly suit the needs of the customers. We also strive to disclose and explain the details of the products and services we provide to the customers and provide the necessary information for customers to make appropriate decisions.

4. Put compliance into practice

   For the Bank, compliance is not limited to the adherence of laws and regulations; compliance also means respecting a broad range of rules, and by doing so, raising soundness of management to ensure unshakable trust from society. To this end, each and every director and employee puts compliance policies firmly into practice.

5. Establish a free and open-minded corporate climate

   The Bank quickly and flexibly responds to the changing times to maintain and further strengthen the unshakeable trust towards banks. To achieve this, while working to develop our personnel, we work to establish a vibrant corporate culture that allows a free and open-minded exchange of opinion and spread it throughout the entire organization.

The Bank’s Corporate Governance

At the Bank of Nagoya, enhancing corporate governance is one of the most important management challenges. While striving to further enhance our corporate value as a regional financial institution that fosters regional prosperity, we shall fulfill our responsibilities as a corporate citizen and work to establish unshakeable support and trust from all stakeholders, particularly the shareholders.

Based on this principle, the Bank’s guiding precept is to “foster regional prosperity—which shall both develop the Bank and bring happiness to bank employees” through (1) good service—a sincere, considerate and speedy service; (2) good people—lift people, broaden people and create a cheery workplace; and (3) good management—sound and richly innovative management that seeks full participation from employees. To this end, we shall strive to share the basic sense of values and ethics of directors and employees of the Bank, and to ensure that these are reflected in the Bank’s operations. We have formulated a “Code of Ethics for Bank of Nagoya Directors and Employees” and “Regulations for Complying with Laws and Regulations etc.” and through this we are striving to raise corporate value.

Risk Management System

The Bank has enhanced its risk management system by establishing the Asset Liability Management (ALM) Committee to oversee credit risk, liquidity risk, and market risk, and the Operational Risk Management Committee to oversee risks related to internal operations, such as system risk and administrative risk. The Bank also considers compliance as a top priority and aims to establish a system of checks and balances and tighten internal controls by, for example, establishing a Compliance Committee that includes members from outside the Bank, such as attorneys at law. Status of all risks the Bank should address is covered by monthly meetings of these three committees, which will be then reported to the Board of Directors. This consolidated reporting system is designed in the way to enhance the Board of Directors’ ability to monitor the Bank’s risk control functions.

Breakdown of Loans (Nonconsolidated basis)

Balance of problem loans under the Banking Act (risk monitored loans)

(As of March 31)

	2013 (Millions of yen)	2012 (Millions of yen)	Rate of change (%)
Total loans and bills discounted	2,073,987	2,087,995	−0.67
Claims to borrowers in bankruptcy *1	4,740	3,379	40.28
Past due loans *2	61,166	55,885	9.44
Accruing loans past due three months or more *3	376	96	290.23
Restructured loans *4	22,219	20,435	8.73
Ratio of risk monitored loans to total loans and bills discounted	4.27%	3.82%	0.45%

*1 Claims to borrowers in bankruptcy

Of non-accrual loans for which there is no prospect of payment or collection of principal and/or interest, for reasons such as the delay in payment of interest or principal having continued for a considerable period of time, those are subject to the following grounds set forth in the Order for Enforcement of the Corporation Tax Act of Japan:

(a) Petition for commencement of reorganization proceedings pursuant to the provisions of the Corporate Reorganization Act or Act on Special Treatment of Corporate Reorganization Proceedings and Other Insolvency Proceedings of Financial Institutions.
(b) Petition for commencement of rehabilitation proceedings pursuant to the provisions of the Civil Rehabilitation Act.
(c) Petition for commencement of bankruptcy proceedings pursuant to the provisions of the Bankruptcy Act.
(d) Petition for commencement of special liquidation proceedings pursuant to the provisions of the Companies Act.
(e) Suspension of transactions through a clearing house (including bank syndicates that undertake clearing in the relevant regions when there is no clearing house)
(f) Should there be a significant decrease in the economic value of monetary claims against foreign governments, central banks, and local governments, due to long-term delays in the performance of obligations, and should the receipt of payment be recognized as being extremely difficult.

*2 Past due loans

These are non-accrual loans other than claims to borrowers in bankruptcy and loans for which interest payments are deferred in order to assist the financial recovery of borrowers in financial difficulties.

*3 Accruing loans past due three months or more

These are loans for which the payment of the principal and/or interest is past due three months or more from the day following contractual payment date, excluding claims to borrowers in bankruptcy and past due loans.

*4 Restructured loan

These are loans for which the Bank has relaxed the lending conditions for borrowers in financial difficulties—such as by a reduction of the original rate, forbearance of interest and/or principal payment, granting a maturity date extension—in order to support their financial recovery or restructuring. These exclude claims to borrowers in bankruptcy, past due loans and accruing loans past due three months or more.

Balance of problem loans under the Financial Revitalization Act

(As of March 31)

	2013 (Millions of yen)	2012 (Millions of yen)	Rate of change (%)
Bankrupt and quasi-bankrupt *5	12,887	9,727	32.48
Doubtful *6	53,233	49,960	6.55
Need of special attention *7	22,596	20,531	10.05
Normal *8	2,014,842	2,038,696	−1.17

*5 Bankrupt and quasi-bankrupt

These are loans to borrowers who are currently in legal bankruptcy procedures, including bankruptcy, liquidation, corporate reorganization, and rearrangement, and borrowers who are not currently in legal bankruptcy, but in quasi-bankruptcy.

*6 Doubtful

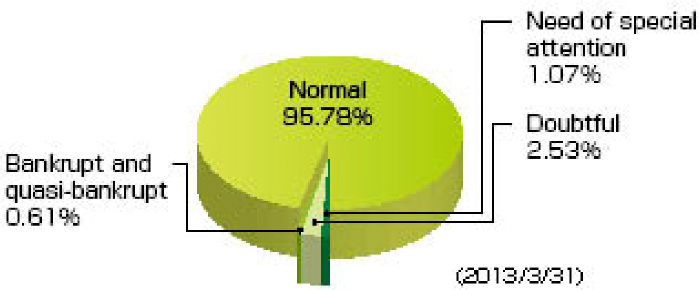
These are loans to borrowers who are not currently in bankruptcy, but in difficult financial situations and with a possibility of higher default risk.

*7 Need of special attention

These are accruing loans past due 3 months or more (excluding those under *5 and *6), and restructured loans (excluding those under *5 and *6 and accruing loans past due three months or more).

*8 Normal

These are loans to borrowers not having particular problems regarding their financial situations and operating conditions, and excluding loans classified as “Bankrupt and quasi-bankrupt,” “Doubtful” and “Need of special attention.”

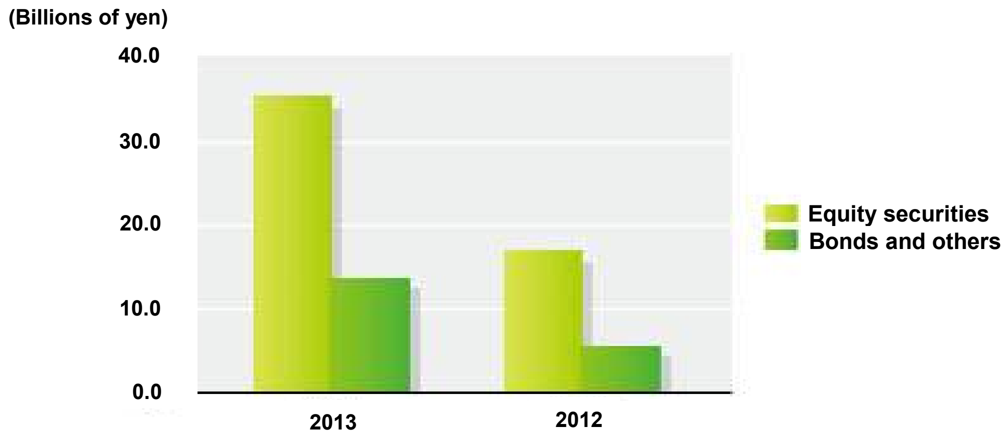


At March 31, 2013, the ratio of problem loans under the Financial Reconstruction Law was 4.21%.

Unrealized Gains on Securities (Nonconsolidated basis)

(As of March 31)

	2013 (Billions of yen)	2012 (Billions of yen)
Equity securities	35.2	16.8
Bonds and others	13.7	5.6
Total	48.9	22.4



Capital Adequacy Ratio

The Bank maintains soundness in capital adequacy. The Bank's capital adequacy ratio (nonconsolidated) was 12.39%, which is considerably higher than the 8% minimum requirement for internationally active banks. The Tier I ratio, which is the ratio of the Bank's core equity capital, including common stock, to its total assets, was 9.93% (nonconsolidated). The Bank's consolidated capital adequacy ratio is 12.66%.

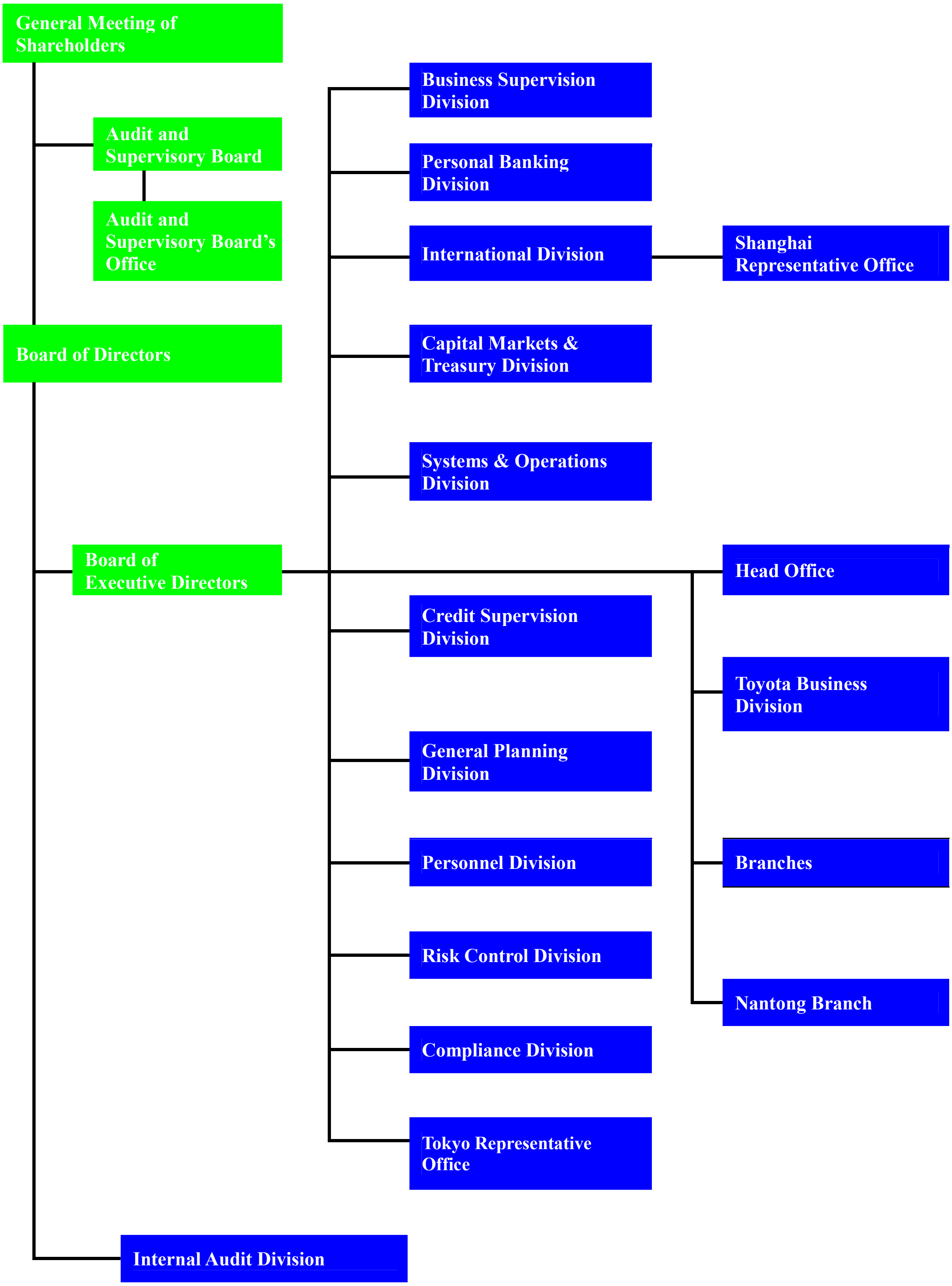
The Bank applied Basel III, a new capital adequacy standard, to the data at March 31, 2013.

Rating

Japan Credit Rating Agency, Ltd. (JCR)	A^{+}	A high level of capacity to honor the financial commitment on the obligation.

Organization of the Bank

(As of July 1, 2013)



Board of Directors and Audit and Supervisory Board

(As of June 21, 2013)

Chairman
Kazumaro Kato

President
Masahiro Nakamura

Deputy President
Ichiro Fujiwara

Senior Managing Director
Yasuhisa Yamamoto

Managing Directors
Tomio Iwata
Tetsundo Nakamura
Yoshiyuki Furukawa

Directors
Chiharu Kozakai
Yasuhisa Furumoto
Shinichi Yokota
Hideharu Ishii
Koji Kurachi
Shougo Ukai
Toshi Saeki*

*Outside director

Audit and Supervisory Board Members
Akio Oguri
Tadashi Takeuchi
Hideji Aoyama
Akira Kanda

Senior Advisor
Yukio Yanase

Executive Officers
Masaki Tsunashima
Itaru Iyoda
Naoto Sugita
Shunji Asami
Kiyoshi Imaoka
Masakazu Kitagawa

Principal Shareholders

(As of March 31, 2013)

Sumitomo Mitsui Banking Corporation	**5.03%**
Japan Trustee Services Bank, Ltd. (Trust Account)	**4.41%**
The Bank of Nagoya Employees' Shareholding Association (Meigin Minori-kai)	**3.88%**
Nippon Life Insurance Company	**3.54%**
Meiji Yasuda Life Insurance Company	**3.54%**
The Master Trust Bank of Japan, Ltd. (Toyota Motor Corporation Account)	**2.84%**
SUMITOMO LIFE INSURANCE COMPANY	**2.51%**
Mitsui Sumitomo Insurance Company, Limited	**2.19%**
Mizuho Corporate Bank, Ltd.	**2.16%**
The Master Trust Bank of Japan, Ltd. (Trust Account)	**2.09%**

(Note 1) Shares held by Japan Trustee Services Bank, Ltd. (Trust Account) and The Master Trust Bank of Japan, Ltd. (Toyota Motor Corporation Account, Trust Account) are shares in association with their trust business.

KPMG

Independent Auditor's Report

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

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

Management's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of The Bank of Nagoya, Ltd. and its subsidiaries as at March 31, 2013 and 2012, and their financial performance and cash flows for the years then ended in accordance with accounting principles generally accepted in Japan.

Convenience Translation

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

KPMG AZSA LLC

July 12, 2013
Nagoya, Japan

The Bank of Nagoya, Ltd. and Subsidiaries
Consolidated Balance Sheets
March 31, 2013 and 2012

	Millions of yen		Thousands of U.S. dollars
	2013	2012	2013
Assets:			
Cash and due from banks (Note 3)	¥ 174,814	¥ 160,519	$ 1,858,735
Call loans and bills purchased (Note 3)	1,668	1,803	17,745
Trading account securities (Notes 3 and 4)	100	404	1,070
Securities (Notes 3, 4, 7 and 11)	908,294	843,253	9,657,571
Loans and bills discounted (Notes 3, 5, 7, 13 and 17)	2,072,332	2,086,157	22,034,368
Foreign exchanges	3,423	4,035	36,397
Lease receivables and investments in leased assets (Notes 7 and 13)	22,411	23,160	238,288
Other assets (Note 7)	26,390	22,553	280,600
Tangible fixed assets (Note 6)	35,918	35,382	381,903
Intangible fixed assets (Note 6)	1,730	865	18,396
Deferred tax assets (Note 15)	1,277	5,393	13,588
Customers' liabilities for acceptances and guarantees (Note 11)	12,229	12,853	130,029
Reserve for possible loan losses	(24,163)	(24,205)	(256,919)
Total assets	¥ 3,236,427	¥ 3,172,177	$ 34,411,771

(Continued)

See accompanying Notes to Consolidated Financial Statements.

The Bank of Nagoya, Ltd. and Subsidiaries
Consolidated Balance Sheets
March 31, 2013 and 2012

	Millions of yen		Thousands of U.S. dollars
	2013	2012	2013
Liabilities:			
Deposits (Notes 3, 7 and 8)	¥ 2,956,057	¥ 2,919,130	$ 31,430,697
Call money and bills sold (Notes 3 and 7)	6,583	6,575	70,000
Payables under securities lending transactions (Notes 3 and 7)	2,879	–	30,618
Borrowed money (Notes 3, 7 and 9)	18,070	24,750	192,132
Foreign exchanges	152	56	1,617
Other liabilities (Notes 9 and 15)	23,690	19,640	251,897
Reserve for employee bonuses	1,122	1,179	11,936
Reserve for executive bonuses	55	52	595
Reserve for employee retirement benefits (Note 10)	6,002	6,722	63,821
Reserve for executive retirement benefits	676	645	7,190
Reserve for losses on repayments of dormant bank accounts	352	347	3,748
Reserve for contingent loss	3,933	3,471	41,822
Reserve for loss on interest repayment	247	257	2,634
Deferred tax liabilities (Note 15)	5,130	–	54,553
Deferred tax liabilities for revaluation (Note 6)	3,832	3,834	40,750
Acceptances and guarantees (Note 11)	12,229	12,853	130,029
Total liabilities	3,041,016	2,999,515	32,334,039
Net assets (Notes 12 and 18)**:**			
Common stock	25,090	25,090	266,782
Capital surplus	18,645	18,645	198,254
Retained earnings	111,561	106,698	1,186,190
Less treasury stock, at cost	(231)	(227)	(2,463)
Total shareholders' equity	155,066	150,207	1,648,763
Accumulated other comprehensive income	36,602	19,008	389,181
Minority interests	3,742	3,444	39,788
Total net assets	195,410	172,661	2,077,732
Total liabilities and net assets	¥ 3,236,427	¥ 3,172,177	$ 34,411,771

The Bank of Nagoya, Ltd. and Subsidiaries
Consolidated Statements of Income
For the Years Ended March 31, 2013 and 2012

	Millions of yen		Thousands of U.S. dollars
	2013	2012	2013
Income:			
Interest on:			
Loans and discounts	¥ 30,294	¥ 32,044	$ 322,110
Securities	7,885	7,681	83,840
Others	156	133	1,665
Total interest income	38,336	39,859	407,615
Fees and commissions	7,852	7,403	83,494
Other operating income	15,776	16,636	167,748
Gain on sales of stocks and other securities	72	1,876	770
Gain on revision of retirement benefit plan	2,255	–	23,986
Compensation income from expropriation	336	–	3,578
Other income	614	808	6,533
Total income (Note 19)	65,244	66,584	693,724
Expenses:			
Interest on:			
Deposits	1,867	2,266	19,861
Borrowings and rediscounts	193	240	2,060
Others	89	20	949
Total interest expenses	2,150	2,528	22,870
Fees and commissions	2,471	2,630	26,277
Other operating expenses	12,429	12,500	132,161
General and administrative expenses	34,123	35,247	362,825
Impairment loss on fixed assets	256	100	2,726
Provision for possible loan losses	639	2,452	6,805
Loss on devaluation of stocks and other securities	130	2,488	1,388
Other expenses	2,274	2,812	24,188
Total expenses	54,477	60,759	579,240
Income before income taxes and minority interests (Note 19)	10,767	5,824	114,484
Income taxes (Note 15)	4,246	3,362	45,154
Income before minority interests	6,520	2,462	69,330
Less minority interests in net income of subsidiaries	296	373	3,154
Net income	¥ 6,223	¥ 2,089	$ 66,176

	Yen		U.S. dollars
Per share:			
Net income	¥ 30.41	¥ 10.20	$ 0.32
Cash dividends	6.50	6.50	0.07

See accompanying Notes to Consolidated Financial Statements.

The Bank of Nagoya, Ltd. and Subsidiaries
Consolidated Statements of Comprehensive Income
For the Years Ended March 31, 2013 and 2012

	Millions of yen		Thousands of U.S. dollars
	2013	2012	2013
Income before minority interests	¥ 6,520	¥ 2,462	$ 69,330
Other comprehensive income (Note 16)**:**			
Net change in unrealized gains on available-for-sale securities	17,567	6,041	186,785
Net change in deferred (losses) gains on hedging instruments	(0)	0	(0)
Net change in land revaluation excess	–	565	–
Total other comprehensive income	17,567	6,606	186,785
Comprehensive income	¥ 24,087	¥ 9,068	$ 256,115
Comprehensive income attributable to:			
Owners of the parent	¥ 23,787	¥ 8,699	$ 252,922
Minority interests	300	369	3,193
Total comprehensive income	¥ 24,087	¥ 9,068	$ 256,115

See accompanying Notes to Consolidated Financial Statements.

The Bank of Nagoya, Ltd. and Subsidiaries
Consolidated Statements of Changes in Net Assets
For the Years Ended March 31, 2013 and 2012

	Millions of yen											
		Shareholders' equity					Accumulated other comprehensive income					
	Number of shares issued	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity	Net unrealized gains on available-for-sale securities	Net deferred losses on hedging instruments	Land revaluation excess	Total accumulated other comprehensive income	Minority interests	Total net assets
Balance at April 1, 2011	205,054,873	¥ 25,090	¥ 18,645	¥ 105,816	¥ (231)	¥ 149,321	¥ 8,929	¥ (0)	¥ 3,595	¥ 12,525	¥ 3,077	¥ 164,924
Net income for the year	–	–	–	2,089	–	2,089	–	–	–	–	–	2,089
Cash dividends	–	–	–	(1,330)	–	(1,330)	–	–	–	–	–	(1,330)
Purchases of treasury stock	–	–	–	–	(5)	(5)	–	–	–	–	–	(5)
Disposition of treasury stock	–	–	(2)	–	9	6	–	–	–	–	–	6
Reversal of land revaluation excess	–	–	–	126	–	126	–	–	–	–	–	126
Transfer from retained earnings to capital surplus	–	–	2	(2)	–	–	–	–	–	–	–	–
Net changes of items other than shareholders' equity	–	–	–	–	–	–	6,044	0	439	6,483	366	6,850
Balance at March 31, 2012	205,054,873	25,090	18,645	106,698	(227)	150,207	14,974	(0)	4,034	19,008	3,444	172,661
Net income for the year	–	–	–	6,223	–	6,223	–	–	–	–	–	6,223
Cash dividends	–	–	–	(1,330)	–	(1,330)	–	–	–	–	–	(1,330)
Purchases of treasury stock	–	–	–	–	(6)	(6)	–	–	–	–	–	(6)
Disposition of treasury stock	–	–	(1)	–	2	1	–	–	–	–	–	1
Reversal of land revaluation excess	–	–	–	(29)	–	(29)	–	–	–	–	–	(29)
Transfer from retained earnings to capital surplus	–	–	1	(1)	–	–	–	–	–	–	–	–
Net changes of items other than shareholders' equity	–	–	–	–	–	–	17,563	(0)	29	17,593	297	17,890
Balance at March 31, 2013	205,054,873	¥ 25,090	¥ 18,645	¥ 111,561	¥ (231)	¥ 155,066	¥ 32,538	¥ (0)	¥ 4,064	¥ 36,602	¥ 3,742	¥ 195,410

	Thousands of U.S. dollars										
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity	Net unrealized gains on available-for-sale securities	Net deferred losses on hedging instruments	Land revaluation excess	Total accumulated other comprehensive income	Minority interests	Total net assets
Balance at March 31, 2012	$ 266,782	$ 198,254	$ 1,134,492	$ (2,423)	$ 1,597,105	$ 159,220	$ (1)	$ 42,897	$ 202,116	$ 36,626	$ 1,835,847
Net income for the year	–	–	66,176	–	66,176	–	–	–	–	–	66,176
Cash dividends	–	–	(14,144)	–	(14,144)	–	–	–	–	–	(14,144)
Purchases of treasury stock	–	–	–	(69)	(69)	–	–	–	–	–	(69)
Disposition of treasury stock	–	(15)	–	29	14	–	–	–	–	–	14
Reversal of land revaluation excess	–	–	(319)	–	(319)	–	–	–	–	–	(319)
Transfer from retained earnings to capital surplus	–	15	(15)	–	–	–	–	–	–	–	–
Net changes of items other than shareholders' equity	–	–	–	–	–	186,746	(0)	319	187,065	3,162	190,227
Balance at March 31, 2013	$ 266,782	$ 198,254	$ 1,186,190	$ (2,463)	$ 1,648,763	$ 345,966	$ (1)	$ 43,216	$ 389,181	$ 39,788	$ 2,077,732

See accompanying Notes to Consolidated Financial Statements.

The Bank of Nagoya, Ltd. and Subsidiaries
Consolidated Statements of Cash Flows
For the Years Ended March 31, 2013 and 2012

	Millions of yen		Thousands of U.S. dollars
	2013	2012	2013
Cash flows from operating activities:			
Income before income taxes and minority interests	¥ 10,767	¥ 5,824	$ 114,484
Adjustments for:			
Depreciation and amortization	1,949	1,798	20,730
Impairment loss on fixed assets	256	100	2,726
(Decrease) increase in reserve for possible loan losses	(42)	310	(448)
Increase in reserve for executive retirement benefits	30	52	328
Increase in reserve for contingent loss	462	422	4,914
Interest income recognized on statement of income	(38,336)	(39,859)	(407,615)
Interest expenses recognized on statement of income	2,150	2,528	22,870
Net (gains) losses on securities	(68)	13	(725)
Foreign exchange gains, net	(5,645)	(254)	(60,024)
Net decrease in call loans and bills purchased and others	134	1,931	1,433
Net decrease (increase) in loans and bills discounted	13,824	(31,066)	146,994
Net decrease in lease receivables and investments in leased assets	749	545	7,972
Net increase in deposits	36,926	129,206	392,631
Net increase in call money and bills sold	8	5,743	88
Net increase in payables under securities lending transactions	2,879	–	30,618
Net (decrease) increase in borrowed money (excluding subordinated borrowings)	(6,680)	588	(71,026)
Interest income received	38,617	39,994	410,602
Interest expenses paid	(2,952)	(3,354)	(31,394)
Others, net	(1,714)	936	(18,225)
Subtotal	53,320	115,462	566,933
Income taxes paid	(2,240)	(3,566)	(23,818)
Net cash provided by operating activities	51,079	111,895	543,115
Cash flows from investing activities:			
Purchases of securities	(261,663)	(316,894)	(2,782,173)
Proceeds from sales and maturities of securities	228,364	274,801	2,428,115
Purchases of tangible fixed assets	(2,217)	(2,250)	(23,579)
Proceeds from sales of tangible fixed assets	141	397	1,499
Payments of asset retirement obligations	(3)	–	(34)
Purchases of intangible fixed assets	(779)	(721)	(8,287)
Net cash used in investing activities	(36,158)	(44,666)	(384,459)
Cash flows from financing activities:			
Dividends paid	(1,333)	(1,332)	(14,178)
(Purchase) disposition of treasury stock, net	(5)	0	(55)
Net cash used in financing activities	(1,338)	(1,331)	(14,233)
Effect of exchange rate changes on cash and cash equivalents	41	6	442
Net increase in cash and cash equivalents	13,624	65,904	144,865
Cash and cash equivalents at beginning of year	159,786	93,882	1,698,948
Cash and cash equivalents at end of year (Note 2(b))	¥ 173,410	¥ 159,786	$ 1,843,813

See accompanying Notes to Consolidated Financial Statements.

The Bank of Nagoya, Ltd. and Subsidiaries
Notes to Consolidated Financial Statements

1. Basis of Consolidated Financial Statements

The accompanying consolidated financial statements of The Bank of Nagoya, Ltd. (the "Bank") and its subsidiaries (together with the Bank, the "Group") have been prepared in conformity with accounting principles generally accepted in Japan ("Japanese GAAP"), which are different in certain respects as to application and disclosure requirements from the International Financial Reporting Standards. The accompanying consolidated financial statements have been restructured and translated into English from the consolidated financial statements of the Bank prepared in accordance with Japanese GAAP and filed with the appropriate Local Finance Bureau of the Ministry of Finance as required by the Financial Instruments and Exchange Act of Japan. Certain supplementary information included in the statutory Japanese language consolidated financial statements, but not required for fair presentation, has not been presented in the accompanying consolidated financial statements.

The amounts in Japanese yen are presented in millions of yen and are rounded down to the nearest million. Accordingly, the totals shown in the accompanying consolidated financial statements and the notes thereto may not exactly equal to the sum of the individual amounts.

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

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

2. Summary of Significant Accounting Policies

(a) Principles of consolidation

The accompanying consolidated financial statements include the accounts of the Bank and all of its subsidiaries. Both at March 31, 2013 and at March 31, 2012, the Bank had five subsidiaries primarily engaged in the business of providing a wide range of financial services to customers. The Bank had no affiliates at March 31, 2013 or 2012.

The difference between the cost of investments in subsidiaries and the underlying equity in their net assets adjusted based on fair value at the time of acquisition is deferred as goodwill and amortized over five years using the straight-line method. Negative goodwill incurred and recognized prior to April 1, 2010 is amortized over five years on a straight-line basis as permitted by the revised accounting standard for business combinations (Accounting Standards Board of Japan ("ASBJ") Statement No. 21). In consolidation, all intercompany transactions and accounts have been eliminated. In addition, all significant unrealized profits included in assets resulting from transactions within the Group have been eliminated.

(b) Cash and cash equivalents

For the purpose of the consolidated statements of cash flows, cash and cash equivalents consisted of cash and dues from banks with original maturity of three months or less at March 31, 2013 and 2012 as follows.

	Millions of yen				Thousands of U.S. dollars	
	2013		2012		2013	
Cash and due from banks	¥	174,814	¥	160,519	$	1,858,735
Less due from banks whose period exceeds three months		(1,403)		(733)		(14,922)
Cash and cash equivalents	¥	173,410	¥	159,786	$	1,843,813

(c) Trading account securities

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

(d) Securities

Debt securities for which the Group has both the intent and the ability to hold to maturity are classified as held-to-maturity debt securities and are stated at amortized cost. In principle, available-for-sale securities other than those classified as trading or held-to-maturity debt securities are carried at fair value based on their market prices at the applicable fiscal year-end, with net unrealized gains or losses reported as component of accumulated other comprehensive income in net assets, net of applicable income taxes. Available-for-sale securities whose fair values are extremely difficult to determine are stated at moving average cost. The carrying values of individual securities are reduced, if necessary, through write-downs to reflect other-than-temporary declines in value. Gains and losses on disposal of securities are principally computed based on the moving average method. Accrued interest on securities is included in "Other assets."

(e) Derivatives and hedge accounting

The Bank uses various derivative instruments. Derivatives are recorded at fair value, with changes in fair values included in the consolidated statements of income for the period in which they arise, except for derivatives that are designated as hedging instruments and qualify for hedge accounting.

The Bank applies the deferral method of hedge accounting for hedging foreign exchange risks associated with various foreign currency denominated monetary assets and liabilities in accordance with the Industry Audit Committee Report No. 25, entitled the "Treatment of Accounting and Auditing concerning Accounting for Foreign Currency Transactions in Banking Industry" issued by the Japanese Institute of Certified Public Accountants ("JICPA"). The effectiveness of the currency swap transactions, foreign exchange swap transactions and similar transactions that hedge foreign exchange risks of monetary receivables and payables denominated in foreign currencies as described above is assessed based on the comparison of the hedged monetary receivables and payables denominated in foreign currencies and the foreign currency positions of the corresponding hedging instruments.

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

The reserve for possible loan losses is established based on the Bank's management's judgment and assessment of future losses. The Bank implements a self-assessment system for its asset quality. The quality of all loans is assessed by each of the Bank's branches and business units, and is subsequently examined by the Bank's Credit Supervision 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 customers are classified into five categories. All loans are classified for self-assessment purposes into the following categories: "legal bankruptcy;" "de facto bankruptcy"; "bankruptcy risk"; "watch"; and, "normal." The Bank provides a reserve for possible loan losses at an amount deemed necessary to cover possible future losses. For claims against borrowers in legal bankruptcy and de facto bankruptcy, a reserve is provided based on the amounts of such claims, net of the amounts expected to be collected through disposal of collateral or from guarantees. For claims against borrowers who have bankruptcy risk, a reserve is provided in the amounts considered necessary based on the overall solvency assessment performed for the amounts of such claims, net of the amounts expected to be collected through disposal of collateral or from guarantees. For claims against borrowers in the "watch" and "normal" category, a reserve is provided based on the historical loss experience of the Bank for a certain past period.

The reserve amounts recorded by subsidiaries are provided at the aggregate amount of estimated credit losses based on the individual financial review approach for doubtful or troubled claims. For other claims, an amount deemed necessary is provided as reserve taking into consideration the historical loss experience.

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

Tangible fixed assets are principally stated at cost less accumulated depreciation. Depreciation is computed by the declining-balance method over the estimated useful life of the asset, except for buildings (excluding facilities attached thereto) acquired on or after April 1, 1998, which are depreciated using the straight-line method. The useful lives of tangible fixed assets range as follows.

	2013 and 2012
Buildings	15 years to 50 years
Equipment and other	4 years to 20 years

Tangible fixed assets of the subsidiaries are mainly depreciated using the straight-line method over the estimated useful lives of such assets.

(Change in accounting policy with the amendment of respective law or regulation that is not distinguishable from change in accounting estimate)
Effective from the year ended March 31, 2013, in accordance with the amendment in Corporation Tax Law of Japan, the Group has changed its depreciation method to the method based on the amended Corporation Tax Law for tangible fixed assets acquired on or after April 1, 2012. This change had no material impact on the consolidated statements of income.

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

Intangible fixed assets are amortized using the straight-line method. Costs of computer software developed or obtained for internal use are principally capitalized and amortized using the straight-line method over the estimated useful life of five years.

(i) Leases
(Accounting for leases as lessee)
The Group, as lessee, capitalizes the assets used under finance leases that do not transfer ownership and whose commencement day falls on or after April 1, 2008, except for certain immaterial or short-term finance leases accounted for as operating leases. Depreciation of leased assets capitalized in finance lease transactions is computed by the straight-line method over the lease term, as useful life, with the assumption of having no residual value unless residual value is guaranteed by the corresponding lease contracts.

(Accounting for leases as lessor)

A certain subsidiary engaged in leasing operations, as lessor, recognizes as "investments in leased assets" finance leases that do not transfer ownership of the leased assets to the lessee, and recognizes as "lease receivables" finance leases that transfer ownership in a manner similar to the accounting treatment for ordinary sale transactions. The total amount equivalent to interest is allocated over the lease term using the interest method, and such subsidiary recognizes as income lease payment received from customers at the time of receipt and related costs, net of imputed interest, as permitted by the accounting standard. With respect to finance leases commenced prior to April 1, 2008, the appropriate book values of fixed assets, net of accumulated depreciation, as of March 31, 2008 are recognized as the values of investments in such leased assets at April 1, 2008, and the total amount equivalent to interest is allocated over the lease term using the straight-line method. Although the revised accounting standard generally requires the use of the interest method as the principal method of calculation, it permits the use of the straight-line method during the transitional period. As a result, revenues from interests for the years ended March 31, 2013 and 2012 were ¥227 million ($2,416 thousand) and ¥296 million more, respectively, than the amount that would have been calculated using the interest method.

(j) Impairment of fixed assets

A fixed asset is reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of such asset may not be recoverable. An impairment loss is recognized in the income statement by reducing the carrying amount of the impaired asset or a group of assets to the recoverable amount, measured at the higher of the asset's net selling price or value in use. Fixed assets include land, buildings and other forms of property, as well as intangible assets, and are grouped at the lowest level at which there are identifiable cash flows separate from other groups of assets. For the purpose of recognition and measurement of an impairment loss, fixed assets, other than idle or unused property, of the Bank are grouped into cash generating units, such as operating branches and the like, and fixed assets of the subsidiaries are grouped into respective units which manage and determine income and expenses relating to such assets. The Group recognized impairment losses on fixed assets amounting to ¥256 million ($2,726 thousand) for unprofitable operating branches and ¥100 million for unprofitable operating branch and idle or unused property for the years ended March 31, 2013 and 2012, respectively. Recoverable amounts of the assets were measured based on their net selling prices, which were based on appraisal values or expected selling amounts less estimated costs of disposal. Accumulated impairment loss is deducted from the net book value of each asset.

(k) Foreign currency translation

The Group's assets and liabilities denominated in foreign currencies, as well as the accounts of its foreign branches, are translated into Japanese yen at the exchange rate prevailing at the fiscal year-end. Revenues and expenses are translated at the exchange rate prevailing on the applicable transaction dates. Gains and losses resulting from transactions are included in the determination of net income.

(l) Reserve for employee bonuses

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

(m) Reserve for executive bonuses

A reserve for executive bonuses is provided for the payment of bonuses to directors and audit and supervisory board members based on the estimated amount of the payments attributable to the respective year.

(n) Reserve for employee retirement benefits

Employees who terminate their services with the Group are entitled to retirement benefits which are generally determined based on the current basic rate of pay, length of service and conditions under which the termination has occurred.

The Group principally recognizes retirement benefits, including pension costs and related liabilities, based on the actuarial present value of the projected benefit obligation using an actuarial appraisal approach and on the value of pension plan assets available for benefits at the respective fiscal year-ends. Unrecognized prior service cost is amortized using the straight-line method over a certain period within the average remaining years of services of employees, measured from the year in which such cost arises. Unrecognized actuarial differences arising from changes in the projected benefit obligation or value of pension plan assets not anticipated by previous assumptions or from changes in the assumptions themselves are amortized on a straight-line basis over a certain period within the average remaining years of services of employees, measured from the year following the year in which such differences arise. In respect of the amortization period for unrecognized prior service cost and actuarial differences, the Bank recognizes an amortization period of 13 years as the period within the average remaining years of services of employees.

(Additional information)

Effective from April 1, 2012, the Bank revised its retirement benefit plans and transferred a part of its defined benefit pension plan to a lump-sum retirement benefit plan. Effective from April 2, 2012, the Bank transferred a part of the lump-sum retirement benefit plan to a defined contribution pension plan. In line with the above changes, in accordance with ASBJ Guidance No. 1, entitled the "Guidance on Accounting for Transfers between Retirement Benefit Plans", the Bank recorded the effect of such changes as "Gain on revision of retirement benefit plan" in the amount of ¥2,255 million ($23,986 thousand) in the accompanying consolidated statements of income.

In addition, on April 2, 2012, the Bank also revised such provisions as in regards to benefit levels for the defined benefit pension plan and the lump-sum retirement benefit plan and the like. These revisions resulted in a credit recognition of unrecognized prior service cost of ¥1,884 million ($20,037 thousand), which will be amortized as reduction of expenses using the straight-line method over 13 years, a certain period within the average remaining years of services of employees, starting from the year ended March 31, 2013.

(o) Reserve for executive retirement benefits

A reserve for executive retirement benefits is provided based on the Group's internal rules in the amount that would be payable assuming the directors and audit and supervisory board members terminate their services at the balance sheet date.

(p) Reserve for losses on repayments of dormant bank accounts

In order to cover possible losses on claims from customers for repayment of dormant bank accounts which were previously recognized as income, the Bank provides a reserve to the extent of the estimated losses based on the historical loss experience taking into consideration the repayment conditions for a certain past period. A provision for losses on repayments of dormant bank accounts is included in "Other expenses" and amounted to ¥125 million ($1,331 thousand) and ¥109 million for the years ended March 31, 2013 and 2012, respectively.

(q) Reserve for contingent loss

A reserve for contingent loss is provided at an amount deemed necessary to cover possible future losses from default of loans under the responsibility-sharing system on guarantees of loans with the Credit Guarantee Corporation based on the historical default loss experience. A provision for contingent loss is included in "Other expenses" and amounted to ¥462 million ($4,914 thousand) and ¥422 million for the years ended March 31, 2013 and 2012, respectively.

(r) Reserve for loss on interest repayment

In order to cover possible losses on the repayment of interests to be received from customers that exceed the upper limit of interest rates prescribed under the Interest Rate Restriction Act, two subsidiaries provide a reserve for loss on interest repayment to the extent of the estimated losses that may be incurred from repayment claims against customers for which court settlements have not been reached. Such estimated losses are based on the historical loss experience taking into consideration the repayment conditions for a certain past period.

(s) Income taxes

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

(t) Appropriation of retained earnings

Cash dividends are recorded in the fiscal year when a proposed appropriation of retained earnings is approved by the Bank's Board of Directors and/or shareholders.

(u) Per share data

Net income per share is computed by dividing income available to common shareholders by the weighted-average number of shares of common stock outstanding during the respective year. Diluted net income per share was not disclosed as the Group had no diluted common shares for the years ended March 31, 2013 and 2012.

Cash dividends per share shown in the accompanying consolidated statements of income represent dividends declared applicable to the respective years shown.

(v) Accounting standard for accounting changes and error corrections

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

Under this standard, when a new accounting policy becomes effective upon revision of an accounting standard, such new policy will apply retroactively unless the revised accounting standard includes specific transitional provisions. In addition, if accounting changes are made based on justifiable reasons other than due to revisions of accounting standards, such changes will apply retroactively. Moreover, a change in an accounting estimate shall be accounted for only in the period in which such change has occurred if such change affects such period only, however, such change shall be accounted for prospectively if such change affects both the period in which such change has occurred and future periods. Furthermore, when a material error in prior period financial statements is discovered, such statements shall be restated.

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

On May 17, 2012, ASBJ issued ASBJ Statement No. 26, entitled the "Accounting Standard for Retirement Benefits", and ASBJ Guidance No. 25, entitled the "Guidance on Accounting Standard for Retirement Benefits", which together replaced the accounting standard for retirement benefits originally issued by the Business Accounting Council of Japan in 1998.

(1) Overview

From the viewpoint of improvements to financial reporting and international convergence, the new standard and guidance require changes mainly in regards to (i) accounting treatments for unrecognized actuarial differences and prior service costs and enhanced disclosures and (ii) methods for calculating retirement benefit obligations and current service costs.

(2) Effective dates

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

(3) Effects of application

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

3. Financial Instruments and Related Disclosures

(a) Qualitative information on financial instruments

(1) Group policy for financial instruments

The Group undertakes deposit, loan and investment operations. Since the Group has financial assets and liabilities which mainly involve interest rate risk, the Bank has adopted the Asset Liability Management ("ALM") system to avoid any unfavorable influence from interest rate fluctuations. Derivative transactions are also used as part of ALM.

(2) Nature of financial instruments and related risks

Financial assets held by the Group mainly comprise loans to domestic corporate entities and individuals and securities. Loans are subject to customer credit risk arising from default by borrowers. There is a possibility that the borrowers will not perform their obligations in accordance with the applicable contract terms due to economic circumstances or the like. Securities, which primarily comprise equity securities, bonds and investment trusts, are held for investment and business promotion purposes. These securities are exposed to credit risk of issuers, interest rate fluctuation risk and/or market price fluctuation risk. For securities denominated in foreign currencies, bonds denominated in foreign currencies are basically purchased at the amount up to the corresponding amount of deposits and fund procurement from the market in foreign currencies to avoid foreign exchange fluctuation risk.

Financial liabilities mainly include deposits from customers and are subject to liquidity risk. Deposits with variable interest rates are exposed to interest rate fluctuation risk.

Derivative transactions include, among others, interest rate swaps and forward foreign exchange contracts. The Group uses derivative transactions in line with ALM in order to avoid interest rate fluctuation risk in relation to deposits and loans and to fulfill the customers' hedging requirements for foreign exchange fluctuation risk. Hedge accounting is applied to certain transactions which offset market fluctuations or fix cash flows and fulfill preliminary and subsequent requirements. Derivative transactions which do not meet the hedge accounting criteria are exposed to foreign exchange fluctuation risk and interest rate fluctuation risk.

(3) Risk management for financial instruments

(i) Credit risk management

The Group manages its credit risk by maintaining a credit exposure management system in relation to loans in accordance with its "Credit Policy" which stipulates basic concepts in relation to credit exposure management and administrative rules regarding credit risk. The system includes credit administration of loans and credit lines, administration of credit records and internal ratings as well as establishment of guarantees or collateral and handling of doubtful loans. These credit exposure management procedures are performed by each of the Group's sales branches and loan departments and are reported to the Board of Executive Directors and/or Board of Directors on a routine basis.

Credit risk of issuers of securities and counterparty risk of derivative transactions are managed by the Bank's Capital Markets and Treasury Division which monitors credit information and fair values on a regular basis.

(ii) Market risk management

(a) Interest risk management

The Group has established the ALM committee for the purpose of recognizing and managing interest rate fluctuation risk comprehensively and pursuing appropriate ALM. Risk control methods and procedures are stipulated in the ALM committee codes, and the ALM committee operates in accordance with the management policy of ALM determined at the Board of Directors' meeting. The status of implementation is monitored, and actions to be taken in the future are discussed at the Board of Directors' meeting. On a daily basis, the Bank's Risk Control Division comprehensively checks interest rates and periods of financial assets and liabilities, monitors risks using gap analysis and interest rate sensitivity analysis and reports to the ALM committee and Board of Directors monthly. Interest rate swap transactions are also used under the ALM system to avoid interest rate fluctuation risk.

(b) Foreign exchange risk management

The Group manages foreign exchange fluctuation risk by transaction and enters into forward foreign exchange contracts to avoid foreign exchange fluctuation risk on transactions with customers.

(c) Market price fluctuation risk management

The Group holds investment products including securities based on marketable securities investment planning determined by the Board of Executive Directors in accordance with basic market fluctuation risk management rules of the Board of Directors. Since the Bank's Capital Markets and Treasury Division purchases investment products from outside, market price fluctuation risk is reduced through consecutive monitoring as well as preliminary review and setup of investment limits. Most of the equity securities managed by the Bank's Planning Division are for business promotion purposes, and market conditions and financial statuses of customers are monitored and reported to the Board of Executive Directors on a regular basis.

(d) Derivative transactions

For derivative transactions, an internal checking system has been established through segregating the operation, custody and evaluation of hedge effectiveness.

(e) Quantitative information on market risk

i) Financial instruments for trading purposes

The Group uses the historical simulation method (based on the assumptions of a holding period of 120 business days, 99% confidence level and observation period of 1,200 business days) for the calculation of interest-related Value at Risk (VaR) of trading account securities. As of March 31, 2013 and 2012, the market risk exposures (the expected maximum loss) of the Group's trading operation amounted to ¥1 million ($20 thousand) and ¥10 million, respectively.

ii) Financial instruments other than for trading purposes

Market risk is the primary risk factor to the Group. The major financial instruments subject to market risk are “Loans and bills discounted”, debt and equity securities and investment trusts included in “Securities” and “Deposits” and interest rate swaps included in “Derivatives”. The historical simulation method (based on the assumptions of a holding period of 120 business days, 99% confidence level and observation period of 1,200 business days) is used for the calculation of VaR of these financial assets and liabilities. As of March 31, 2013 and 2012, the market risk exposures (the expected maximum loss) of the Bank’s banking operations were as follows.

	Value at Risk		
	Millions of yen		Thousands of U.S. dollars
	2013	2012	2013
Securities for investment purposes *(*1)*	¥ 13,792	¥ 12,248	$ 146,648
Strategically held equity securities	31,560	23,760	335,572
Loans and deposits *(*2)*	7,341	8,871	78,061

Notes:

*(*1) Securities for investment purposes: yen bonds, foreign bonds, equity securities for investment purposes, investment trusts and OTC options*

*(*2) Loans and deposits: deposits, negotiable certificates of deposit, loans and bills discounted, interest rate swaps for ALM hedging purposes, call loans, dues from banks and others*

iii) Supplementary explanation about quantitative information on market risk

The Group evaluates the effectiveness of its measurement model by performing back-testing procedures to compare VaR calculated by the measurement system with actual gain or loss. VaR provides information regarding market risk exposure, which is statistically calculated under certain probability based on historical market fluctuations; therefore, it may not be able to measure risks under a situation where the market environment changes extraordinarily.

(iii) Management of liquidity risk associated with fund raising

The Group regards stable fund raising as its top priority and conducts fund management on a timely basis. In addition, the Group manages liquidity risk by diversifying means of fund raising and adjusting the balances of long-term and short-term accounts taking into consideration the market condition.

(4) Supplementary explanation on fair values

The fair values of financial instruments are based on their market prices. If a market price is not available, another rational valuation technique is used instead. Since certain assumptions are used when calculating fair values, different assumptions may lead to different fair values.

(b) Fair values of financial instruments

The carrying values and fair values of financial instruments at March 31, 2013 and 2012 were as follows.

	Millions of yen		
	2013		
	Carrying value	Fair value	Difference
Cash and due from banks	¥ 174,814	¥ 174,814	¥ –
Call loans and bills purchased	1,668	1,668	–
Trading account securities	100	100	–
Securities - Available-for-sale securities *(*1)*	903,945	903,945	–
Loans and bills discounted:	2,072,332		
Reserve for possible loan losses *(*2)*	(22,956)		
Loans and bills discounted – subtotal	2,049,376	2,073,046	23,669
Total	¥ 3,129,904	¥ 3,153,574	¥ 23,669
Deposits	¥ 2,956,057	¥ 2,956,970	¥ 913
Call money and bills sold	6,583	6,583	–
Payables under securities lending transactions	2,879	2,879	–
Borrowed money	18,070	18,118	48
Total	¥ 2,983,590	¥ 2,984,551	¥ 961
Derivative transactions *(*3)*:			
To which hedge accounting is not applied	¥ (1,704)	¥ (1,704)	¥ –
To which hedge accounting is applied	(40)	(40)	–
Total	¥ (1,745)	¥ (1,745)	¥ –

	Millions of yen		
	2012		
	Carrying value	Fair value	Difference
Cash and due from banks	¥ 160,519	¥ 160,519	¥ –
Call loans and bills purchased	1,803	1,803	–
Trading account securities	404	404	–
Securities - Available-for-sale securities *(*1)*	838,747	838,747	–
Loans and bills discounted:	2,086,157		
Reserve for possible loan losses *(*2)*	(22,659)		
Loans and bills discounted – subtotal	2,063,497	2,088,257	24,759
Total	¥ 3,064,972	¥ 3,089,732	¥ 24,759
Deposits	¥ 2,919,130	¥ 2,920,410	¥ 1,281
Call money and bills sold	6,575	6,575	–
Borrowed money	24,750	24,812	62
Total	¥ 2,950,455	¥ 2,951,799	¥ 1,344
Derivative transactions *(*3)*:			
To which hedge accounting is not applied	¥ (1,269)	¥ (1,269)	¥ –
To which hedge accounting is applied	(41)	(41)	–
Total	¥ (1,310)	¥ (1,310)	¥ –

	Thousands of U.S. dollars		
	2013		
	Carrying value	Fair value	Difference
Cash and due from banks	$ 1,858,735	$ 1,858,735	$ –
Call loans and bills purchased	17,745	17,745	–
Trading account securities	1,070	1,070	–
Securities - Available-for-sale securities *(*1)*	9,611,326	9,611,326	–
Loans and bills discounted:	22,034,368		
Reserve for possible loan losses *(*2)*	(244,085)		
Loans and bills discounted – subtotal	21,790,283	22,041,956	251,673
Total	$ 33,279,159	$ 33,530,832	$ 251,673
Deposits	$ 31,430,697	$ 31,440,408	$ 9,711
Call money and bills sold	70,000	70,000	–
Payables under securities lending transactions	30,618	30,618	–
Borrowed money	192,132	192,643	511
Total	$ 31,723,447	$ 31,733,669	$ 10,222
Derivative transactions *(*3)*:			
To which hedge accounting is not applied	$ (18,122)	$ (18,122)	$ –
To which hedge accounting is applied	(434)	(434)	–
Total	$ (18,556)	$ (18,556)	$ –

Notes:

*(*1) The following securities were excluded from the above table because management of the Bank concluded that their fair values were virtually impossible to estimate.*

	Millions of yen		*Thousands of U.S. dollars*
	2013	*2012*	*2013*
*Unlisted stocks *1*	*¥ 4,349*	*¥ 4,497*	*$ 46,245*
*Investments in partnerships *2*	*–*	*9*	*–*
Total	*¥ 4,349*	*¥ 4,506*	*$ 46,245*

**1 The Group wrote off unlisted stocks amounting to ¥30 million ($328 thousand) and ¥87 million for the years ended March 31, 2013 and 2012, respectively.*

**2 The fair values of investments in partnerships that comprised assets whose fair values could not be reliably determined, such as unlisted stocks and the like, were not disclosed.*

*(*2) General and individual reserves for possible loan losses corresponding to loans and bills discounted were deducted.*

*(*3) Derivative transactions show the net amounts after offsetting related receivables and payables, and amounts in parentheses denote net payables.*

Details of the methodologies and assumptions used to calculate fair values of financial instruments are summarized below.

Financial assets:

Cash and due from banks

Since the carrying values of dues from banks on demand or with an original maturity of up to one year approximately equal the fair values of such dues, the carrying values of such instruments are deemed to be their fair values. For due from banks with an original maturity exceeding one year, its present value is calculated by discounting such due from banks by the remaining term to maturity at the corresponding rate applicable to the Group for a new transaction.

Call loans and bills purchased

The carrying values of call loans and bills purchased approximate their fair values because of their short maturities (original maturities of up to one year).

Trading account securities

The fair values of trading account securities held for trading operation are based on the quoted market price at the applicable exchange or on the price provided by the applicable contracted financial institution.

Securities

The fair values of equity securities, bonds and investment trusts are based on the quoted market price at the applicable exchange, the quoted market price at the applicable exchange or on the price provided by the applicable contracted financial institution and the publicly-available net asset value, respectively. The fair values of privately-placed bonds are determined by discounting the sum of principal and interest, which is sorted by internal rating and term to maturity, at the corresponding rate applicable to the Group for a similar new transaction. The fair values of securities issued by issuers in legal bankruptcy or de facto bankruptcy, or who have bankruptcy risk, are calculated based on the present value of estimated future cash flows or the amount expected to be collected through disposal of collateral or from guarantees.

Loans and bills discounted

The fair values of commercial bills, loans on bills and overdrafts which have short maturities (original maturities of up to one year) are approximately equal to their carrying values unless the credit status of the borrower has changed dramatically after execution thereof because of quick reflection of market interest rates to such change. Therefore, the carrying values of these instruments are deemed to be their fair values. The fair values of loans on deeds are determined by discounting the sum of principal and interest, which is sorted by nature and internal rating of such loans and term to maturity, at the corresponding rate applicable to the Group for a similar new loan. The fair values of structured loans are determined by considering the value calculated by using the option pricing model, in addition to using the method applicable to measuring the fair values of loans on deeds as mentioned above. For loans to borrowers in legal bankruptcy or de facto bankruptcy, or who have bankruptcy risk, a reserve for possible loan losses is estimated based on the present value of estimated future cash flows or the amount expected to be collected through disposal of collateral or from guarantees. Thus, the fair values of such loans approximate the carrying amounts of receivables minus the corresponding amount of reserve for possible loan losses on the consolidated balance sheets at the closing date. Therefore, such carrying amounts are deemed to be the fair values of such loans. The carrying values of loans and bills discounted without repayment terms due to characteristics, such as limitations on loans to the range of collateral assets and the like, are deemed to be their fair values since such carrying values approximately equal their fair values when considering the expected repayment period and interest rate conditions for such loans and bills discounted without repayment terms.

Financial liabilities:

Deposits

The fair values of demand deposits in Japanese yen are deemed to be the amounts to be paid (carrying amounts) on the assumption that the Group is demanded to pay on the consolidated balance sheet date. The fair values of time deposits in Japanese yen and negotiable certificates of deposit are determined by discounting future cash flows by the term to maturity at the corresponding rate used for accepting a new deposit. For all deposits in foreign currencies, original maturities are short (within one year) and their carrying values approximate their fair values. Thus, such carrying values are deemed to be the fair values of such deposits in foreign currencies.

Call money and bills sold

The original maturities of call money and bills sold are short (within one year) and their carrying values approximate their fair values. Thus, such carrying values are deemed to be the fair values of such call money and bills sold.

Payables under securities lending transactions

The original maturities of payables under securities lending transactions are short (within one year) and their carrying values approximate their fair values. Thus, such carrying values are deemed to be the fair values of such payables under securities lending transactions.

Borrowed money

The carrying value of borrowed money with variable interest rate is deemed to be the fair value since such carrying value approximates the fair value. This is due to the quick reflection of market interest rates and immaterial changes in the credit status of the Bank and the subsidiaries after execution of such borrowing. The fair value of borrowed money with a fixed interest rate is the present value determined by discounting the sum of principal and interest by the term to maturity at the corresponding rate for a similar borrowing. For borrowed money with a short maturity (original maturity of up to one year), the carrying value is deemed to be the fair value since such carrying value approximates the fair value.

(c) Maturity analysis for monetary claims and securities with contractual maturities

	Millions of yen					
	2013					
	Due in one year or less	Due after one year through three years	Due after three years through five years	Due after five years through seven years	Due after seven years through ten years	Due after ten years
Due from banks	¥ 142,384	¥ –	¥ –	¥ –	¥ –	¥ –
Call loans and bills purchased	1,668	–	–	–	–	–
Securities:						
Available-for-sale securities with maturities *(*1)*						
National government bonds	68,796	103,100	79,500	29,800	57,000	–
Local government bonds	2,980	32,082	25,213	7,231	25,573	–
Bonds and debentures	22,526	82,263	72,640	54,999	73,802	584
Others *(*2)*	2,404	16,309	22,567	14,357	2,910	–
Securities - total	96,708	233,756	199,920	106,388	159,286	584
Loans and bills discounted *(*3)*	722,515	410,004	257,357	133,316	144,536	338,573
Total	¥ 963,277	¥ 643,761	¥ 457,278	¥ 239,704	¥ 303,823	¥ 339,158

	Thousands of U.S. dollars					
Due from banks	$ 1,513,925	$ –	$ –	$ –	$ –	$ –
Call loans and bills purchased	17,745	–	–	–	–	–
Securities:						
Available-for-sale securities with maturities *(*1)*						
National government bonds	731,489	1,096,225	845,295	316,853	606,061	–
Local government bonds	31,689	341,126	268,083	76,891	271,909	–
Bonds and debentures	239,521	874,681	772,355	584,790	784,717	6,213
Others *(*2)*	25,569	173,416	239,949	152,657	30,949	–
Securities - total	1,028,268	2,485,448	2,125,682	1,131,191	1,693,636	6,213
Loans and bills discounted *(*3)*	7,682,244	4,359,434	2,736,391	1,417,504	1,536,808	3,599,935
Total	$ 10,242,182	$ 6,844,882	$ 4,862,073	$ 2,548,695	$ 3,230,444	$ 3,606,148

Notes:

*(*1) Amounts of securities were stated on the basis of scheduled redemption amounts regarding the principal and do not match the amounts shown in the consolidated balance sheets.*

*(*2) "Others" includes Samurai bonds, Euro-Yen bonds and foreign currency bonds.*

*(*3) The portion whose timing of collection is unforeseeable, such as loans to "legal bankruptcy" borrowers, loans to "de facto bankruptcy" borrowers and loans to "bankruptcy risk" borrowers, amounting to ¥66,028 million($702,052 thousand), was*

not included in the above table.

(d) Repayment schedule for borrowed money and other debts with contractual maturities

	Millions of yen					
	2013					
	Due in one year or less	Due after one year through three years	Due after three years through five years	Due after five years through seven years	Due after seven years through ten years	Due after ten years
Deposits *(*1)*	¥ 2,797,265	¥ 94,072	¥ 62,489	¥ 765	¥ 1,463	¥ –
Call money and bills sold	6,583	–	–	–	–	–
Borrowed money	8,795	6,850	2,425	–	–	–
Total	¥ 2,812,644	¥ 100,922	¥ 64,914	¥ 765	¥ 1,463	¥ –
	Thousands of U.S. dollars					
Deposits *(*1)*	$ 29,742,328	$ 1,000,237	$ 664,433	$ 8,138	$ 15,561	$ –
Call money and bills sold	70,000	–	–	–	–	–
Borrowed money	93,514	72,834	25,784	–	–	–
Total	$ 29,905,842	$ 1,073,071	$ 690,217	$ 8,138	$ 15,561	$ –

Note:
*(*1) Demand deposits were included in "Due in one year or less."*

4. Trading Account Securities and Securities

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

	Millions of yen		Thousands of U.S. dollars
	2013	2012	2013
National government bonds	¥ 345,156	¥ 333,535	$ 3,669,921
Local government bonds	95,476	92,986	1,015,171
Bonds and debentures	313,204	293,882	3,330,191
Equity securities	90,790	73,036	965,342
Other securities	63,666	49,811	676,946
	¥ 908,294	¥ 843,253	$ 9,657,571

Securities are classified as trading, held-to-maturity or available-for-sale securities. Such classification determines the respective accounting method to be applied as stipulated under the accounting standard for financial instruments. Trading account securities and securities in the accompanying consolidated balance sheets include marketable securities traded on stock exchanges.

At March 31, 2013 and 2012, the carrying values of trading securities and the related valuation differences included in the consolidated statements of income were as follows.

	Millions of yen				Thousands of U.S. dollars	
	2013		2012		2013	
	Carrying value	Valuation difference	Carrying value	Valuation difference	Carrying value	Valuation difference
Trading securities	¥ 100	¥ 0	¥ 404	¥ 0	$ 1,070	$ 3

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

	Millions of yen			
	Acquisition cost	Gross unrealized gains	Gross unrealized losses	Fair and carrying value
Available-for-sale securities with fair values at March 31, 2013:				
Equity securities	¥ 51,168	¥ 36,530	¥ (1,258)	¥ 86,441
Bonds:				
National government bonds	340,442	4,719	(5)	345,156
Local government bonds	93,347	2,129	–	95,476
Bonds and debentures	307,617	5,715	(128)	313,204
Others	62,370	1,386	(89)	63,666
	¥ 854,945	¥ 50,481	¥ (1,482)	¥ 903,945
Available-for-sale securities with fair values at March 31, 2012:				
Equity securities	¥ 51,722	¥ 17,795	¥ (978)	¥ 68,539
Bonds:				
National government bonds	331,370	2,465	(300)	333,535
Local government bonds	91,814	1,181	(10)	92,986
Bonds and debentures	291,352	2,782	(252)	293,882
Others	50,014	596	(808)	49,802
	¥ 816,275	¥ 24,821	¥ (2,350)	¥ 838,747

	Thousands of U.S. dollars			
Available-for-sale securities with fair value at March 31, 2013:				
Equity securities	$ 544,060	$ 388,421	$ (13,384)	$ 919,097
Bonds:				
National government bonds	3,619,800	50,184	(63)	3,669,921
Local government bonds	992,528	22,643	–	1,015,171
Bonds and debentures	3,270,784	60,769	(1,362)	3,330,191
Others	663,158	14,739	(951)	676,946
	$ 9,090,330	$ 536,756	$ (15,760)	$ 9,611,326

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

	Millions of yen		Thousands of U.S. dollars
	2013	2012	2013
Unrealized gains	¥ 48,999	¥ 22,471	$ 520,996
Deferred tax liabilities	(16,458)	(7,497)	(174,996)
Minority interests portion	(3)	0	(34)
Net unrealized gains in net assets	¥ 32,538	¥ 14,974	$ 345,966

During the years ended March 31, 2013 and 2012, the Group sold available-for-sale securities and recorded gains of ¥775 million ($8,249 thousand) and ¥3,625 million, respectively, and losses of ¥576 million ($6,127 thousand) and ¥814 million, respectively, in the accompanying consolidated statements of income.

For the years ended March 31, 2013 and 2012, the Group recorded losses on write-downs of available-for-sale securities with fair values due to other-than-temporary declines in value amounting to ¥100 million ($1,069 thousand) and ¥2,412 million, respectively.

5. Loans and Bills Discounted

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

	Millions of yen		Thousands of U.S. dollars
	2013	2012	2013
Bills discounted	¥ 53,136	¥ 56,382	$ 564,986
Loans on bills	152,567	158,610	1,622,197
Loans on deeds	1,609,723	1,625,969	17,115,618
Overdrafts	251,633	239,853	2,675,534
Others	5,269	5,341	56,033
	¥ 2,072,332	¥ 2,086,157	$ 22,034,368

Bills discounted are accounted for as finance transactions in accordance with JICPA Industry Audit Committee Report No. 24, entitled the "Treatment of Accounting and Auditing concerning Application of Accounting Standard for Financial Instruments in Banking Industry". The Group has rights to sell or pledge (repledge) bankers' acceptances, commercial bills, documentary bills and foreign bills bought without restrictions. The total face values of these bills amounted to ¥54,430 million ($578,738 thousand) and ¥58,761 million at March 31, 2013 and 2012, respectively.

Claims against borrowers in bankruptcy and past due loans are included in "Loans and bills discounted" and amounted to ¥66,028 million ($702,058 thousand) and ¥59,468 million at March 31, 2013 and 2012, respectively. Loans are generally placed on non-accrual status when there is substantial doubt about the ultimate collectability of either the principal or interest because such principal or interest is past due for a considerable period or for other reasons. Accrued interest is not recorded when loans are classified as claims against borrowers in bankruptcy or past due loans. Claims against borrowers in bankruptcy represent non-accrual loans after charge-off against legally bankrupt borrowers as defined in Article 96, Paragraph 1, Subparagraphs 3 and 4 of the Order for Enforcement of the Corporation Tax Law of Japan. Other than claims against borrowers in bankruptcy and loans for which interest payments are deferred in order to assist the financial recovery of borrowers in financial difficulties, past due loans are recognized as non-accrual loans.

At March 31, 2013 and 2012, accruing loans for which the payment of principal or interest was contractually past due by three months or more, excluding non-accrual loans, amounted to ¥376 million ($4,006 thousand) and ¥96 million, respectively.

At March 31, 2013 and 2012, restructured loans (excluding non-accrual and accruing loans contractually past due by three months or more as mentioned above) for which the Bank had restructured the terms and conditions in favor of the borrowers in financial difficulties, such as reduction or exemption of the original interest rate, extension of interest payments and/or principal repayments and debt forgiveness, in order to support the financial recovery or restructuring of such borrowers amounted to ¥24,974 million ($265,546 thousand) and ¥24,029 million, respectively.

Total non-performing loans before charge-offs, which consisted of non-accrual loans, accruing loans contractually past due by three months or more and restructured loans, amounted to ¥91,379 million ($971,609 thousand) and ¥83,594 million at March 31, 2013 and 2012, respectively.

6. Tangible Fixed Assets and Intangible Fixed Assets

At March 31, 2013 and 2012, major classifications of accounts were as follows.

	Millions of yen		Thousands of U.S. dollars
	2013	2012	2013
Land	¥ 23,620	¥ 23,731	$ 251,145
Buildings and structures	8,229	8,429	87,505
Equipment	3,779	3,114	40,188
Leased assets as lessee	4	9	48
Construction in progress	283	96	3,017
Tangible fixed assets	¥ 35,918	¥ 35,382	$ 381,903

At March 31, 2013 and 2012, accumulated depreciation for tangible fixed assets amounted to ¥31,983 million ($340,070 thousand) and ¥31,409 million, respectively. Intangible fixed assets included software.

The Bank elected a one-time revaluation to restate the cost of land used for the banking business at values rationally reassessed and reflecting appropriate adjustments for geographical shape and other factors based on the appraisal values issued by the Japanese National Tax Agency effective on March 31, 1998 under the Act on Revaluation of Land. According to such Act, the amount equivalent to the tax effect on the excess of reassessed values over the original book values is recorded as "Deferred tax liabilities for revaluation," and the rest of such excess, net of the tax effect, is recorded as "Land revaluation excess" in the accumulated other comprehensive income of net assets in the consolidated balance sheets. At March 31, 2013 and 2012, the differences in the carrying values of land used for the banking business after revaluation over market values amounted to ¥9,474 million ($100,737 thousand) and ¥9,207 million, respectively.

As permitted by Japanese GAAP, deferred capital gains on the sale of real property are deducted from the original acquisition costs of property which is newly acquired for replacement purposes in the same line of business as the property sold by the Bank. At March 31, 2013 and 2012, ¥1,794 million ($19,079 thousand) ,respectively, were directly deducted from the acquisition costs of land.

7. Pledged Assets

The carrying amounts of assets pledged as collateral and related collateralized debt at March 31, 2013 and 2012 were as follows.

	Millions of yen				Thousands of U.S. dollars	
	2013		2012		2013	
Assets pledged:						
Securities	¥	35,429	¥	35,150	$	376,704
Loans and bills discounted		–		108		–
Investments in leased assets		–		1,825		–
Other assets		20		20		217
Related collateralized debts:						
Deposits	¥	4,176	¥	3,466	$	44,406
Call money		–		821		–
Payables under securities lending transactions		2,879		–		30,618
Borrowed money		1,970		10,200		20,946

In addition, securities amounting to ¥65,870 million ($700,375 thousand) and ¥66,120 million at March 31, 2013 and 2012, respectively, were pledged as collateral for the settlement of exchange and other transactions.

8. Deposits

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

	Millions of yen				Thousands of U.S. dollars	
	2013		2012		2013	
Demand deposits	¥	1,623,787	¥	1,558,079	$	17,265,146
Time deposits		1,240,566		1,272,055		13,190,496
Other deposits		45,363		38,764		482,338
Subtotal		2,909,717		2,868,900		30,937,980
Negotiable certificates of deposit		46,340		50,230		492,717
	¥	2,956,057	¥	2,919,130	$	31,430,697

9. Borrowed Money and Finance Lease Obligations

Borrowed money consisted principally of borrowings from financial institutions due through January 2018 with average interest rates of 0.77% and 0.72% per annum at March 31, 2013 and 2012, respectively. Finance lease obligations of ¥5 million ($55 thousand) and ¥10 million at March 31, 2013 and 2012, respectively, were included in "Other liabilities" in the accompanying consolidated balance sheets.

At March 31, 2013, the annual maturities of borrowed money and finance lease obligations were as follows.

Year ending March 31,	Millions of yen: Borrowed money	Millions of yen: Finance lease obligations	Thousands of U.S. dollars: Borrowed money	Thousands of U.S. dollars: Finance lease obligations
2014	¥ 8,795	¥ 4	$ 93,514	$ 51
2015	4,025	0	42,797	3
2016	2,825	0	30,037	1
2017	1,725	–	18,341	–
2018	700	–	7,443	–
	¥ 18,070	¥ 5	$ 192,132	$ 55

10. Employee Retirement Benefits

The Bank has a defined benefit pension plan and lump-sum retirement benefit plan that together substantially cover all employees. In addition, the Bank transferred a part of its defined benefit pension plan to a lump-sum retirement benefit plan on April 1, 2012 and a part of the lump-sum retirement benefit plan to a defined contribution pension plan on April 2, 2012. One of the Bank's subsidiaries participates in a multi-employer pension program under a certain public pension plan as part of the lump-sum retirement benefit plan. The Bank's other four subsidiaries have each adopted only lump-sum retirement benefit plan.

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

	Millions of yen 2013	Millions of yen 2012	Thousands of U.S. dollars 2013
Reconciliation of benefit liabilities:			
Projected benefit obligation	¥ 33,103	¥ 40,494	$ 351,973
Less fair value of pension plan assets at end of year	(36,393)	(32,011)	(386,964)
Projected benefit obligation in excess of pension plan assets	(3,290)	8,482	(34,991)
Unrecognized actuarial differences	(3,520)	(9,533)	(37,431)
Unrecognized prior service cost	1,684	(34)	17,913
Net amounts of reserve for employee retirement benefits recognized in the consolidated balance sheets	(5,126)	(1,085)	(54,509)
Prepaid pension cost	11,128	7,807	118,330
Reserve for employee retirement benefits	¥ 6,002	¥ 6,722	$ 63,821

Note: The projected benefit obligation of the subsidiaries was calculated using the simplified calculation method as permitted by the accounting standard for employee retirement benefits.

	Millions of yen		Thousands of U.S. dollars
	2013	2012	2013
Components of net periodic retirement benefit expense:			
Service cost	¥ 859	¥ 1,295	$ 9,142
Interest cost	502	605	5,348
Expected return on pension plan assets	(531)	(663)	(5,655)
Amortization of prior service cost	(90)	17	(959)
Amortization of actuarial differences	1,233	1,408	13,114
Others, including contributions to defined contribution benefit plan	163	–	7,684
Net periodic retirement benefit expense	¥ 2,137	¥ 2,662	$ 28,674

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

	2013	2012
Method attributing the projected benefits to periods of services	Straight-line method	Straight-line method
Discount rate	1.50%	1.50%
Expected rate of return on pension plan assets	2.50%	3.30%
Amortization period of prior service cost	13 years	13 years
Amortization period of actuarial differences	13 years	13 years

11. Acceptances and Guarantees

The Bank provides guarantees with respect to liabilities of its customers for payment of loans or other liabilities with other financial institutions. As a contra account, "Customers' liabilities for acceptances and guarantees" has been shown in assets on the accompanying consolidated balance sheets, indicating the Bank's right of indemnity from customers.

Guarantees are provided on certain privately-placed bonds included in securities in accordance with Article 2, Paragraph 3 of the Financial Instrument and Exchange Law of Japan. The guarantees amounted to ¥14,982 million ($159,298 thousand) and ¥14,671 million at March 31, 2013 and 2012, respectively.

12. Net Assets

At both March 31, 2013 and 2012, the authorized number of shares of common stock without par value was 500 million shares, and the number of shares of common stock issued was 205,054,873 shares. At March 31, 2013 and 2012, the number of shares of treasury stock held by the Group was 412 thousand and 395 thousand shares, respectively.

Under Japanese laws and regulations, the entire amount paid for new shares is required to be designated as common stock. However, a company may, by a resolution of the Board of Directors, designate an amount not exceeding one-half of the issue price of the new shares as additional paid-in capital, which is included in capital surplus.

Capital surplus consists principally of additional paid-in capital. The Banking Act of Japan provides that an amount equivalent to at least 20% of the cash payments as appropriation of retained earnings shall be appropriated as legal earnings reserve until the total amount of additional paid-in capital and such reserve equals 100% of common stock. The legal earnings reserve has been included in the retained earnings in the accompanying consolidated balance sheets. Under such Act, the legal earnings reserve and additional paid-in capital can be used to eliminate or reduce a deficit by a resolution at the shareholders' meeting. The additional paid-in capital and legal earnings reserve may not be distributed as dividends. All additional paid-in capital and legal earnings reserve may be transferred to other capital surplus and retained earnings, respectively, which may become available for distribution as dividends. Both at March 31, 2013 and 2012, the legal earnings reserve amounted to ¥8,029 million ($85,380 thousand).

The maximum amount that the Bank can distribute as dividends is calculated based on the nonconsolidated financial statements of the Bank in accordance with Japanese laws and regulations.

13. Commitments

(a) Loan commitments

Overdraft facilities and loan commitment lines are contracts under which the Bank is obligated to advance funds up to a predetermined amount to a customer upon request, provided that the customer has met the terms and conditions of the applicable contract. At March 31, 2013 and 2012, the unused amounts within the limits relating to these contracts amounted to ¥654,706 million ($6,961,265 thousand) and ¥665,410 million, respectively. Such outstanding contract amounts included amounts which originally expire within one year or are revocable by the Bank at any time without any conditions in the amounts of ¥645,429 million ($6,862,621 thousand) and ¥656,455 million at March 31, 2013 and 2012, respectively.

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

(b) Lease commitments

(Lessee contracts)
The Group leases certain office space and equipment as lessee under long-term non-cancellable lease contracts. The aggregate future minimum lease commitments for non-cancellable operating leases at March 31, 2013 and 2012 were as follows.

	Millions of yen		Thousands of U.S. dollars
	2013	2012	2013
Operating leases as lessee:			
Due within one year	¥ 470	¥ 471	$ 5,004
Due after one year	590	766	6,284
	¥ 1,061	¥ 1,238	$ 11,288

(Lessor contracts)
A consolidated subsidiary engaged in leasing operations as lessor entered into various long-term, non-cancellable lease contracts with third parties, which were categorized as finance leases. At March 31, 2013 and 2012, investments in leased assets as lessor consisted of the following.

	Millions of yen		Thousands of U.S. dollars
	2013	2012	2013
Future minimum lease payments to be received	¥ 23,089	¥ 24,434	$ 245,498
Estimated residual value	1,887	1,968	20,064
Imputed interest	(2,565)	(3,242)	(27,274)
Investments in leased assets	¥ 22,411	¥ 23,160	$ 238,288

The aggregate annual maturities of future minimum lease payments to be received related to investments in leased assets at March 31, 2013 were as follows.

Year ending March 31,	Millions of yen	Thousands of U.S. dollars
2014	¥ 8,020	$ 85,277
2015	5,955	63,328
2016	4,121	43,824
2017	2,745	29,190
2018	1,431	15,216
2019 and thereafter	814	8,663
	¥ 23,089	$ 245,498

At March 31, 2013 and 2012, future lease payments to be received for non-cancellable operating leases were as follows.

	Millions of yen		Thousands of U.S. dollars
	2013	2012	2013
Operating leases as lessor:			
Due within one year	¥ 135	¥ 140	$ 1,436
Due after one year	86	93	920
	¥ 221	¥ 233	$ 2,356

14. Derivative Instruments

At March 31, 2013 and 2012, derivative instruments, other than those to which hedge accounting was applied, were stated at fair value with valuation gains and losses recognized as current earnings in the accompanying consolidated statements of income as follows.

	Millions of yen			
	Notional principals or contract amounts			
	Total	Over one year	Fair value *	Valuation gain/(loss)
At March 31, 2013:				
Interest rate swaps	¥ 20,000	¥ 20,000	¥ (1,311)	¥ (1,311)
Currency swaps	14,212	–	(361)	(361)
Forward foreign exchange contracts	2,518	–	(31)	(31)
At March 31, 2012:				
Interest rate swaps	¥ 20,000	¥ 20,000	¥ (1,252)	¥ (1,252)
Forward foreign exchange contracts	2,587	–	(16)	(16)
	Thousands of U.S. dollars			
At March 31, 2013:				
Interest rate swaps	$ 212,653	$ 212,653	$ (13,946)	$ (13,946)
Currency swaps	151,112	–	(3,845)	(3,845)
Forward foreign exchange contracts	26,773	–	(331)	(331)

*Note: * Fair values were calculated based on the discounted cash flow method, etc.*

Derivative instruments to which hedge accounting was applied at March 31, 2013 and 2012 were as follows.

		Millions of yen		
	Hedged item	Total	Contract amounts over one year	Fair value *
Currency swap contracts:				
As of March 31, 2013	Loans	¥ 680	¥ –	¥ (40)
As of March 31, 2012	Loans	1,031	–	¥ (41)
		Thousands of U.S. dollars		
Currency swap contracts:				
As of March 31, 2013	Loans	$ 7,231	$ –	$ (434)

*Note: * Fair values were calculated based on the discounted cash flow method, etc.*

15. Income Taxes

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

	Millions of yen		Thousands of U.S. dollars
	2013	2012	2013
Income taxes:			
Current	¥ 3,963	¥ 3,219	$ 42,142
Deferred	283	142	3,012
	¥ 4,246	¥ 3,362	$ 45,154

At March 31, 2013 and 2012, income taxes (including enterprise taxes) payable amounting to ¥3,188 million ($33,906 thousand) and ¥1,445 million, respectively, were included in "Other liabilities" in the accompanying consolidated balance sheets.

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

	Millions of yen		Thousands of U.S. dollars
	2013	2012	2013
Deferred tax assets:			
Reserve for possible loan losses	¥ 8,126	¥ 8,290	$ 86,405
Reserve for employee retirement benefits	3,766	5,281	40,050
Loss on devaluation of stocks and other securities	3,038	3,007	32,304
Reserve for contingent loss	1,431	1,279	15,217
Depreciation	988	1,025	10,514
Others	3,730	2,951	39,670
Less valuation allowance	(4,775)	(4,594)	(50,772)
Subtotal	16,307	17,242	173,388
Deferred tax liabilities:			
Unrealized gains on available-for-sale securities	(16,458)	(7,497)	(174,996)
Gain on transfer of securities to trusts for retirement benefit plan	(3,601)	(4,250)	(38,290)
Others	(100)	(100)	(1,067)
Subtotal	(20,159)	(11,848)	(214,353)
Net deferred tax assets	¥ (3,852)	¥ 5,393	$ (40,965)

At March 31, 2013 and 2012, deferred tax assets and liabilities were as follows.

	Millions of yen		Thousands of U.S. dollars
	2013	2012	2013
Deferred tax assets	¥ 1,277	¥ 5,393	$ 13,588
Deferred tax liabilities	5,130	-	54,553

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

The Group is subject to Japanese national and local income taxes which in the aggregate resulted in effective statutory tax rates of approximately 37.7% and 40.5% for the years ended March 31, 2013 and 2012, respectively. Information about reconciliation between the Japanese statutory effective tax rate and the actual effective income tax rate on pre-tax income reflected in the accompanying consolidated statements of income for the year ended March 31, 2013 was not disclosed as their difference was less than 5% of the statutory tax rate for the year ended March 31, 2013. Reconciliation between the Japanese statutory effective tax rate and the actual effective income tax rate on pre-tax income reflected in the accompanying consolidated statements of income for the year ended March 31, 2012 was as follows.

	Percentage of pre-tax income	
	2012	
Japanese statutory effective tax rate	40.5	%
Increase (decrease) due to:		
Permanently non-deductible expenses	1.7	
Tax exempt income	(5.9)	
Local minimum taxes - per capita basis	1.2	
Changes in valuation allowance	4.4	
Effects of income tax rate changes	16.5	
Others	(0.7)	
Actual effective tax rate	57.7	%

Following the promulgation on December 2, 2011 of the “Act for Partial Revision of the Income Tax Act, etc. for the Purpose of Creating Taxation System Responding to Changes in Economic and Social Structures” (Act No. 114 of 2011) and the “Act on Special Measures for Securing Financial Resources Necessary to Implement Measures for Reconstruction following the Great East Japan Earthquake” (Act No. 117 of 2011), Japanese corporate income tax rates have been reduced and a special restoration surtax imposed from the fiscal year beginning on or after April 1, 2012. In line with these revisions, the Company has changed the statutory tax rate used to calculate deferred tax assets and liabilities from 40.5% to 37.7% for temporary differences which were and are expected to reverse during the period from the fiscal year beginning on April 1, 2012 to the fiscal year beginning on April 1, 2014. Similarly, the Company has changed the statutory tax rate used to calculate deferred tax assets and liabilities from 40.5% to 35.3% for temporary differences which are expected to reverse from the fiscal year beginning on or after April 1, 2015. As a result of these changes in tax rates, at March 31, 2012, deferred tax assets and net unrealized gains on available-for-sale securities increased by ¥141 million and by ¥1,104 million, respectively. Deferred income taxes increased by ¥963 million for the year ended March 31, 2012. In addition, deferred tax liabilities for revaluation decreased by ¥564 million and land revaluation excess increased by the same amount at March 31, 2012.

16. Comprehensive Income

Amounts reclassified to net income (loss) in the current period that were recognized in other comprehensive income in the current or previous periods and tax effects for each component 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
Net change in unrealized gains on available-for-sale securities:			
Increase during the year	¥ 26,681	¥ 6,758	$ 283,695
Reclassification adjustments	(153)	1,515	(1,633)
Pre-tax amount	26,527	8,274	282,062
Tax effect amount	(8,960)	(2,232)	(95,277)
Net change in unrealized gains on available-for-sale securities, net of tax	17,567	6,041	186,785
Net change in deferred (losses) gains on hedging instruments:			
Decrease during the year	(25)	(15)	(270)
Reclassification adjustments	25	16	270
Pre-tax amount	(0)	0	(0)
Tax effect amount	0	(0)	0
Net change in deferred (losses) gains on hedging instruments, net of tax	(0)	0	(0)
Net change in land revaluation excess:			
Increase during the year	–	–	–
Reclassification adjustments	–	–	–
Pre-tax amount	–	–	–
Tax effect amount	–	565	–
Net change in land revaluation excess, net of tax	–	565	–
Total other comprehensive income	¥ 17,567	¥ 6,606	$ 186,785

17. Related Party Transactions

During the years ended March 31, 2013 and 2012, the Bank had significant transactions with the Bank's directors and audit and supervisory board members, their immediate family members and/or the companies in which they hold a majority voting interest.

A summary of the significant related party transactions as of and for the years ended March 31, 2013 and 2012 is as follows.

	Millions of yen		Thousands of U.S. dollars
	2013	2012	2013
For the year:			
Number of related parties	7	7	
Amount of lending loan transactions (average balance)	¥ 98	¥ 111	$ 1,048
At year-end:			
Loans and bills discounted	¥ 82	¥ 108	$ 875

18. Subsequent Events

(a) Appropriation of retained earnings

Shareholders of the Bank approved the following appropriation of retained earnings at the annual general meeting held on June 21, 2013.

	Millions of yen	Thousands of U.S. dollars
Cash dividends at ¥3.50 per share ($0.04 per share)	¥ 716	$ 7,616

19. Segment Information

(a) General information about reportable segments

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

The Group engages in financial services primarily in banking and also in comprehensive finance leasing services and credit card services. The reportable segments of the Group are determined based on the types of financial services as follows.

"Banking" — head office and branches

- Deposits and loans
- Domestic and foreign exchange transactions
- Securities investments
- Trading of trading account securities
- Underwriting and registration of corporate bonds

"Leasing" — Nagoya Lease Co., Ltd., a domestic subsidiary of the Bank

- Comprehensive finance leasing business

"Credit Card" — Nagoya Card Co., Ltd. and Nagoya MC Card Co., Ltd., domestic subsidiaries of the Bank

- Credit card business

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

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

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

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

	Millions of yen					
	2013					
	Reportable segment					
	Banking	Leasing	Credit Card	Total	Other *(*2)*	Total
Ordinary income *(*1)*:						
External customers	¥ 47,597	¥ 13,114	¥ 1,942	¥ 62,654	¥ 0	¥ 62,654
Intersegment	179	240	173	593	339	933
Total ordinary income	47,777	13,354	2,115	63,247	339	63,587
Segment profit	7,089	733	580	8,403	41	8,445
Segment assets	3,208,437	29,491	12,805	3,250,734	607	3,251,341
Segment liabilities	3,020,633	24,558	8,194	3,053,385	47	3,053,433
Other material items:						
Depreciation and amortization *(*3)*	1,541	399	8	1,949	0	1,949
Interest income	38,235	6	189	38,431	0	38,431
Interest expenses	2,002	243	3	2,249	0	2,249
Provision for possible loan losses	561	–	130	691	–	691
Changes in tangible and intangible fixed assets	3,268	212	7	3,489	–	3,489

	Millions of yen					
	2012					
	Reportable segment					
	Banking	Leasing	Credit Card	Total	Other *(*2)*	Total
Ordinary income *(*1)*:						
External customers	¥ 51,527	¥ 13,005	¥ 1,846	¥ 66,379	¥ 0	¥ 66,380
Intersegment	175	301	157	634	352	986
Total ordinary income	51,703	13,307	2,003	67,013	352	67,366
Segment profit	4,447	756	633	5,837	46	5,883
Segment assets	3,144,593	29,478	11,634	3,185,706	598	3,186,305
Segment liabilities	2,978,730	24,980	7,371	3,011,082	64	3,011,147
Other material items:						
Depreciation and amortization *(*3)*	1,445	343	8	1,797	0	1,798
Interest income	39,693	6	250	39,951	0	39,951
Interest expenses	2,322	294	5	2,622	0	2,622
Provision for possible loan losses	2,402	20	29	2,452	–	2,452
Changes in tangible and intangible fixed assets	2,816	151	5	2,973	–	2,973

	Thousands of U.S. dollars					
	2013					
	Reportable segment					
	Banking	Leasing	Credit Card	Total	Other *(*2)*	Total
Ordinary income *(*1)*:						
External customers	$ 506,088	$ 139,441	$ 20,649	$ 666,178	$ 4	$ 666,182
Intersegment	1,909	2,557	1,849	6,315	3,606	9,921
Total ordinary income	507,997	141,998	22,498	672,493	3,610	676,103
Segment profit	75,382	7,803	6,170	89,355	438	89,793
Segment assets	34,114,165	313,575	136,157	34,563,897	6,455	34,570,352
Segment liabilities	32,117,310	261,122	87,127	32,465,559	505	32,466,064
Other material items:						
Depreciation and amortization *(*3)*	16,387	4,251	90	20,728	2	20,730
Interest income	406,543	66	2,015	408,624	1	408,625
Interest expenses	21,291	2,587	37	23,915	0	23,915
Provision for possible loan losses	5,970	–	1,386	7,356	–	7,356
Changes in tangible and intangible fixed assets	34,755	2,261	84	37,100	–	37,100

Notes: 1. "Ordinary income" represents total income less certain special income included in "Other income" in the accompanying consolidated statements of income.

2. The "Other" business segment includes principally the clerical outsourcing business.

3. Depreciation and amortization includes amounts relating to information technology investments.

(d) Reconciliations of the totals of each segment item to corresponding Group amounts

	Millions of yen		Thousands of U.S. dollars
	2013	2012	2013
Ordinary income:			
Total reportable segment	¥ 63,247	¥ 67,013	$ 672,493
Other	339	352	3,610
Intersegment elimination	(933)	(986)	(9,921)
Amortization of negative goodwill	–	75	–
Gain on reversal of reserve for possible loan losses	(51)	–	(550)
	62,602	66,455	665,632
Special gains	2,642	128	28,092
Total income on consolidated statements of income	¥ 65,244	¥ 66,584	$ 693,724
Segment profit:			
Total reportable segment	¥ 8,403	¥ 5,837	$ 89,355
Other	41	46	438
Intersegment elimination	(11)	(8)	(123)
Amortization of negative goodwill	–	75	–
	8,433	5,950	89,670
Special gains (losses), net	2,333	(125)	24,814
Income before income taxes and minority interests on consolidated statements of income	¥ 10,767	¥ 5,824	$ 114,484
Segment assets:			
Total reportable segment	¥ 3,250,734	¥ 3,185,706	$ 34,563,897
Other	607	598	6,455
Intersegment elimination	(14,914)	(14,127)	(158,581)
Total assets on consolidated balance sheets	¥ 3,236,427	¥ 3,172,177	$ 34,411,771
Segment liabilities:			
Total reportable segment	¥ 3,053,385	¥ 3,011,082	$ 32,465,559
Other	47	64	505
Intersegment elimination	(12,416)	(11,631)	(132,025)
Total liabilities on consolidated balance sheets	¥ 3,041,016	¥ 2,999,515	$ 32,334,039

	Millions of yen			
	2013			
Other material items:	Total reportable segment	Other	Reconciliation	Consolidated
Depreciation and amortization	¥ 1,949	¥ 0	¥ –	¥ 1,949
Interest income	38,431	0	(94)	38,336
Interest expenses	2,249	0	(98)	2,150
Provision for possible loan losses	691	–	(51)	639
Changes in tangible and intangible fixed assets	3,489	–	–	3,489

	Millions of yen			
	2012			
Other material items:	Total reportable segment	Other	Reconciliation	Consolidated
Depreciation and amortization	¥ 1,797	¥ 0	¥ –	¥ 1,798
Interest income	39,951	0	(91)	39,859
Interest expenses	2,622	0	(94)	2,528
Provision for possible loan losses	2,452	–	–	2,452
Changes in tangible and intangible fixed assets	2,973	–	–	2,973

	Thousands of U.S. dollars			
	2013			
Other material items:	Total reportable segment	Other	Reconciliation	Consolidated
Depreciation and amortization	$ 20,728	$ 2	$ –	$ 20,730
Interest income	408,624	1	(1,010)	407,615
Interest expenses	23,915	0	(1,045)	22,870
Provision for possible loan losses	7,356	–	(551)	6,805
Changes in tangible and intangible fixed assets	37,100	–	–	37,100

(e) Related information for enterprise-wide disclosure

(1) Information by service

	Millions of yen				
	Service				
	Loans	Security investments	Leasing	Other	Total
Ordinary income from external customers:					
For the year ended March 31, 2013	¥ 30,170	¥ 8,652	¥ 13,114	¥ 10,716	¥ 62,654
For the year ended March 31, 2012	31,935	11,303	13,005	10,135	66,380

	Thousands of U.S. dollars				
Ordinary income from external customers:					
For the year ended March 31, 2013	$ 320,790	$ 92,002	$ 139,441	$ 113,949	$ 666,182

(2) Information by geographical area for the years ended March 31, 2013 and 2012 was omitted since income accounted for in Japan was more than 90% of total consolidated income, and tangible fixed assets in Japan was more than 90% of tangible fixed assets on the consolidated balance sheets.

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

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

	Millions of yen					
	Reportable segment					
	Banking	Leasing	Credit Card	Total	Other	Total
Impairment loss on fixed assets:						
For the year ended March 31, 2013	¥ 256	¥ –	¥ –	¥ 256	¥ –	¥ 256
For the year ended March 31, 2012	100	–	–	100	–	100

	Thousands of U.S. dollars					
Impairment loss on fixed assets:						
For the year ended March 31, 2013	$ 2,726	$ –	$ –	$ 2,726	$ –	$ 2,726

(g) Information with regard to goodwill by reportable segment: None.