ANNUAL REPORT 2013

The Hyakujushi Bank, Ltd.

Management Principles

Prosper together with customers and community

Create a vigorous corporate culture

Ensure sound business management and enhance corporate value

Japan established a modern banking system in 1872, and following legislation to facilitate the founding of a number of government-controlled banks, 153 such national banks were established across the country during the period 1872-1879. As its name indicates in Japanese, the Hyakujushi Bank was the 114th national bank to be set up.

The Hyakujushi Bank is headquartered in the city of Takamatsu, Kagawa Prefecture, on the major island of Shikoku. From the beginning to the present day, the Bank has continuously played a crucial role in the economic life of Kagawa Prefecture and surrounding regions.

Profile (Non-consolidated)

(As of March 31, 2013)

Head Office:	5-1, Kamei-cho, Takamatsu, Kagawa
Established:	November 1, 1878
Total assets:	¥4,117.7 billion
Deposits and negotiable certificates of deposit:	¥3,661.5 billion
Loans and bills discounted:	¥2,536.6 billion
Paid-in capital:	¥37.3 billion
Total shares issued:	310,076 thousand shares
Capital ratio:	11.24% (Consolidated capital ratio: 11.63%)
Employees:	2,182
Offices:	122 (Head office, 100 branches, 21 sub-branches)
Non-branch ATMs and CDs:	233 machines in 182 locations

Contents

Consolidated Financial Highlights

For the years ended or as of March 31	Millions of yen 2013	Millions of yen 2012	Thousands of U.S. dollars 2013
FOR THE YEAR:			
Total income	¥ 74,961	¥ 77,064	$ 797,038
Total expenses	64,331	63,574	684,011
Income before income taxes and minority interests	10,630	13,489	113,027
Income taxes - current	4,939	3,202	52,519
Income taxes - deferred	(1,218)	3,610	12,952
Minority interests	1,056	863	11,238
Net income	5,851	5,813	62,221
AT YEAR-END:			
Loans and bills discounted	2,528,403	2,424,741	26,883,604
Securities and trading account securities	1,318,454	1,215,523	14,018,655
Foreign exchange assets	7,382	5,470	78,493
Other assets	280,089	373,161	2,978,092
Total assets	4,134,329	4,018,896	43,958,846
Deposits and negotiable certificates of deposit	3,652,466	3,583,949	38,835,366
Foreign exchange liabilities	579	841	6,159
Other liabilities	229,861	206,250	2,444,034
Total liabilities	3,882,906	3,791,041	41,285,560
Common stock	37,322	37,322	396,838
Capital surplus	24,920	24,920	264,970
Retained earnings	129,575	125,848	1,377,727
Treasury stock	(2,935)	(3,266)	(31,211)
Total stockholders' equity	188,882	184,824	2,008,324
Net unrealized gains on securities net of taxes	38,173	19,245	405,888
Net deferred losses on hedging instruments, net of taxes	(136)	(69)	(1,449)
Revaluation reserve for land	8,057	8,083	85,675
Total accumulated other comprehensive income	46,095	27,259	490,114
Share warrants	120	117	1,279
Minority interests	16,324	15,652	173,567
Total net assets	251,422	227,854	2,673,285
Total liabilities and net assets	¥4,134,329	¥4,018,896	$43,958,846

Notes: 1. Yen figures have been rounded, omitting numbers below the million mark, in accordance with the Japanese Commercial Code and the generally accepted accounting practice in Japan.
2. U.S. dollar amounts represent translations of Japanese yen at the exchange rate of ¥94.05 to US$1.00 on March 31, 2013.

Attention regarding forward-looking statements

The reader is advised that this report contains forward-looking statements, which are not statements of historical fact but constitute estimates or projections based on facts known to the Bank's management as of the time of writing. Actual results may therefore differ substantially from such statements.

Message from the President

First, I would like to express my gratitude to our stakeholders for their support of the Hyakujushi Bank.

In the over 130 years that have passed since our founding in 1878, the Hyakujushi Bank has always developed with the warm support of the local community and in partnership with regional society in Kagawa Prefecture, Shikoku.

The Bank exists today thanks only to our customers to whom we are grateful and feel a deep obligation as a regional financial institution.

Looking ahead, we are determined to approach all of our challenges with a spirit of innovation and to continue challenging ourselves tirelessly in order to ensure that the trust of our customers that we have built up over the years becomes even more unwavering.

I would like to again thank our stakeholders for their support.

Our Management Principles

- **Prosper together with customers and community**
- **Create a vigorous corporate culture**
- **Ensure sound business management and enhance corporate value**

These are the principles that guide the Bank in its business activities.

Under this philosophy, the Bank is determined to continue to provide valuable services to its shareholders, customers, local communities, employees and other stakeholders.

Our New Medium-Term Management Plan: The New Value Up Plan

Based on our Value Up Plan for the medium term, now in its third year, the Bank is working on a variety of policies to contribute to the further development of the regional economy. The growth of our regional bank cannot be achieved without our region's development. Each and every employee will work to provide high-quality service as a financial professional so that the Bank can steadfastly fulfill its role as a regional financial institution, and both build greater value for its customers and improve the earnings position of the Bank.

Our Goals

Putting the Customer First

As a regional financial institution, the Hyakujushi Bank's mission is to contribute to the development of the regional economy by ensuring a reliable supply of funds. Simultaneously, we endeavor to provide the financial services that best meet our customers' needs. Therefore, the Bank puts its top priority on its customers and promotes greater communication with them, which enables it to make timely proposals and provide better service.

In addition, we have established branches and various specialized departments, actively working to improve our customer support system in every possible way. The Bank provides consulting in high-growth medical and nursing care fields, as well as in agricultural, environmental, and overseas businesses, thereby helping customers to expand their businesses.

We will continue to put the customer first and strive to be a bank customers can truly depend on to receive advice when they want it. We will raise the skills of each and every employee and build stronger relationships of trust with our customers.

Innovation

The business environment faced by financial institutions in Japan, such as fiscal- and demographic-related problems, is changing daily. Given this environment, we must be more innovative than we were in the past in order to respond to the various problems of our customers. Without clinging to traditional approaches and empirical rules, we will continue to take on challenges so as to contribute to the further development of the regional economy by providing information that is useful to local customers and proposing new services.

Strengthening Internal Controls

To maintain the unshakeable trust of all our stakeholders, including shareholders, customers, and the regional community as a whole, we believe it is essential for all the employees of the Bank, from executives down, to maintain high ethical standards in the performance of their duties. In other words, we position the rigorous observance of legal and ethical compliance as a high-priority management task. We conduct continuous training to ensure that all our staff are fully aware of the importance of legal and ethical compliance, and the entire Bank is working to build an effective system of mutual checks as part of our overall program of strengthening internal control.

Deposit-Taking Business

The Bank's balance of total deposits (including CDs) at year-end, on a consolidated basis, increased by ¥68.5 billion from the end of the previous period, to ¥3,652.4 billion.

Lending Operations

The balance of loans outstanding at year-end increased ¥103.6 billion from the end of the previous year to ¥2,528.4 billion.

Securities

The balance of securities holdings at year-end increased ¥103.1 billion from the end of the previous period to ¥1,318.4 billion.

Profit & Loss

Total income for the period declined by ¥2.1 billion from the previous period to ¥74.9 billion. Total expenses increased ¥0.7 billion from the previous period to ¥64.3 billion. As a result, net income for the period on a consolidated basis increased ¥38 million year-on-year to ¥5.8 billion.

Capital Ratio

The Bank's capital ratio by domestic standards, on a consolidated basis, fell 0.02 percentage points from the previous year-end, to 11.63%. This is well above the 4% capital adequacy requirement for banks operating in Japan.

Cash Flows

Net cash provided by operating activities came to ¥7.1 billion, due to an increase in loans and bills discounted, a decrease of ¥158.1 billion from the net cash used in the previous year.

Net cash used in investing activities came to ¥74.4 billion, due in part to sales of securities, a decrease of ¥56.1 billion from the previous year.

Net cash used in financing activities amounted to ¥2.2 billion, a decrease of ¥2.1 billion, attributable in part to decrease in purchase of treasury stock.

As a result, cash and cash equivalents fell ¥69.5 billion compared with the previous year-end to ¥103.3 billion.

T. Watanabe

Tomoki Watanabe, President

Medium-Term Management Plan

VALUE UP PLAN

with Innovative Spirit

Plan Period: April 1, 2011 - March 31, 2014 (3 years)

In the Value Up Plan for the medium term that was launched in April 2011 (plan period: April 2011 to March 2014), the Bank is giving priority to its two basic strategies — "strengthen marketing capability" and "strengthen investment prowess" — as it works toward its vision of the kind of bank it wants to be in five years and ten years from now. Furthermore, we regard adapting to the changes in our environment as an opportunity for us to grow. We believe we must respond aggressively and flexibly, to help the regional economy to develop. For this reason, we urge every employee from executives down not to cling to old ideas but to embrace the spirit of innovation, and work to create new value (Value Up).

Basic Policy in Detail

Financial group that consistently does that bit more to meet the needs of our region and customers

Two basic strategies

Strategy: Strengthen marketing capability

- Rewarding workplaces
- Build and consolidate customer loyalty
- Brings smiles to our customers' faces

\+

Strategy: Strengthen investment prowess

- Flexible, proactive portfolio management
- More effective ALM

Human resource training and infrastructure to support basic strategy

Personnel strategy	Compliance and Risk Management
Administrative reforms at branches	Capital policy
Strengthened organization	Non-personnel expenses and IT investment strategy

Enhancing value-added for customers ⟷ *Win-Win* ⟷ **Improve profitability**

Making our part of Shikoku a more attractive place to live and a more vigorous community

Prospering together with customers and community

Numerical Targets for Fiscal 2013, the Final Year of the Plan

Profitability	Core gross operating profit*1	Over ¥59.0 billion
	Core operating profit*2	Over ¥20.0 billion
	Net income	Over ¥7.5 billion
Efficiency	OHR (Expenses/gross operating profit)	Below 65%
Soundness	Capital ratio (consolidated)*3	Approx. 12.0%
	Tier 1 capital ratio*4	Approx. 9.8%

Notes: *1. Core gross operating profit = Gross operating profit – Net gains related to bonds
*2. Core operating profit = Operating profit + Provision for general reserve for possible losses on loans – Net gains related to bonds
*3. Capital ratio (consolidated) = Capital (consolidated) ÷ Risk-weighted assets (consolidated)
*4. Tier I capital ratio (consolidated) = Core capital (consolidated) ÷ Risk-weighted assets (consolidated)
*5. All figures apart from the Tier I ratio (consolidated) and capital ratio are non-consolidated

Corporate Governance

Basic approach to corporate governance
We believe the fundamentals of corporate governance are the elevation of corporate value by endeavoring to ensure realization of the corporation's management principles, profitability, and soundness of operations, as well as management efficiency and transparency.

To assure this process is fully implemented, our directors, the executive officer system and the Audit & Supervisory Board system play an important role in the implementation of the corporate governance to the highest degree. Furthermore, the Revenue Management Committee, the Compliance Committee and the Risk Management Committee have been established to assure timely response to various issues across the organization.

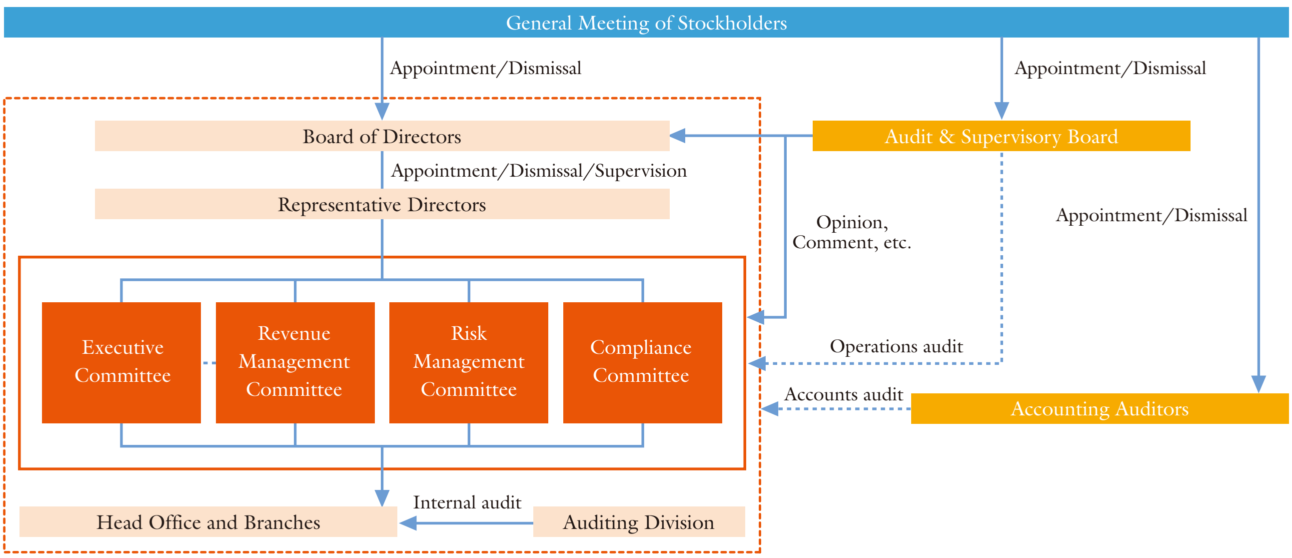
Measures adopted to improve corporate governance
The Board of Directors consists of 10 directors who are tasked with oversight of the directors in the performance of their duties, and also decide matters of importance relating to the overall management of our business as well as matters prescribed by laws or the Bank's articles of incorporation.

We have introduced an executive officer system, entrusting business duties of the Board to executive officers elected by the Board of Directors (24 executive officers including 8 serving also as directors, as of July 1, 2013). Important matters pertaining to their management duties are discussed and decided on at the Executive Committee consisting of managing executive officers and executives of higher status, as well as other committees.

The Bank also employs the Audit & Supervisory Board system. The Audit & Supervisory Board consists of 5 members (of whom 3 are outside members). Audit & Supervisory Board Members take an active role in the operations of the Bank, based on auditing policies and plans decided by the Audit & Supervisory Board, making presentations and voicing opinions at all important company meetings including Board of Director meetings. Additionally Audit & Supervisory Board Members are proactive, acting in an auditing as well as supervisory capacity, visiting not only the head office but also branches and subsidiaries, and ensuring that operations and procedures, as well as the use of assets, are appropriate. From the perspective of maintaining and improving the propriety and appropriateness of operations, the Auditing Division (an independent division) also fulfils an internal audit role and conducts inspections of assets and risks as required at any time, in the head office as well as at branches and subsidiaries, to assure that operations and procedures are appropriate and in compliance with laws. The results of audits are reported to the management.

We have appointed Ernst & Young ShinNihon as our accounting auditors, as stipulated in the Corporate Law.

[Corporate Governance Structure]



Risk Management

While the growing globalization of economic and financial affairs, together with the increasing sophistication of financial technology, are creating new business opportunities for financial institutions, the risks faced by financial institutions are also becoming more varied and complex. We regard sophisticated risk management techniques as being of primary importance for maintaining the soundness of a bank's business, and we also recognize the importance of appropriate responses to changing customer needs. To achieve these goals, we make every effort to properly recognize, assess and manage risks.

Efforts toward Comprehensive Risk Management

Basic concepts of risk management

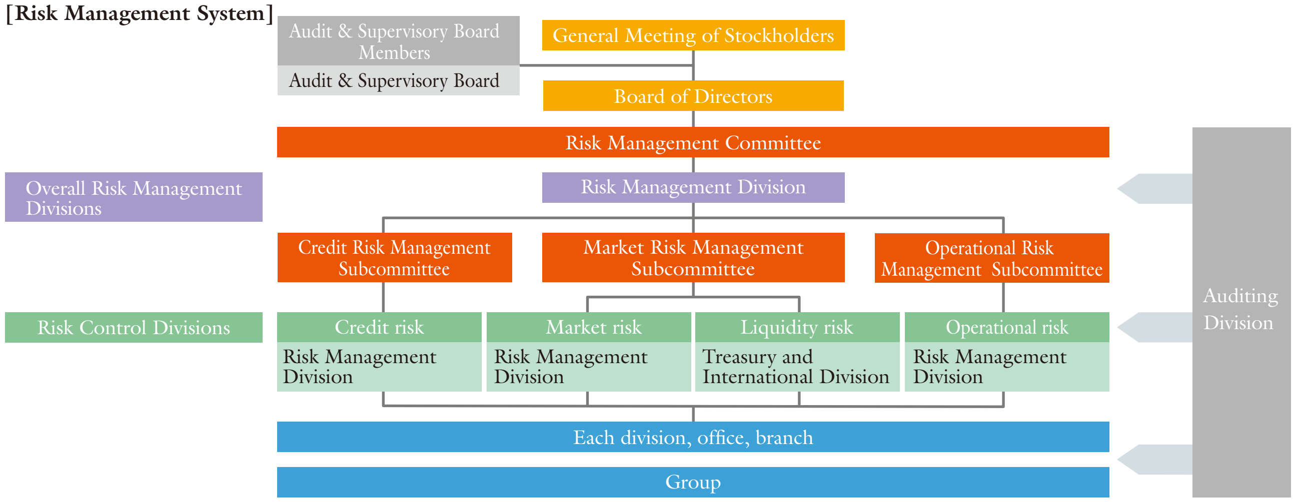
Banking operations are facing a variety of risks, including credit risk, market risk, liquidity risk, and operational risk. We apply proper management to each risk depending on the characteristics of the operation and the risk. By ascertaining risks in a comprehensive manner and comparing them to our level of capital adequacy, we strive to achieve soundness and stability in our overall management and also to improve the efficiency of our operations: in other words, to practice integrated risk management.

Moreover, our basic policies on overall and specific risk management are determined by the Board of Directors for each year, and through implementation of measures for each category of risk in accordance with these policies, we strive to achieve sophisticated risk management on an ongoing basis.

Risk management system

We have defined the types of risks in our risk management rules, drawn up by the Board of Directors. We then determine the category to which each risk belongs, and decide the divisions responsible for managing each category. We have also established an independent Risk Management Division to integrate risk management and carry out comprehensive management. Additionally, through the establishment of the Risk Management Committee and sub-committees for each risk category as organizations under the Committee, and cross-sectional consultations on matters regarding risk management on a regular basis, we have put in place a highly sophisticated system for the maintenance and management of risk.

[Risk Management System]



[Risks Subject to Management]

Risk classification	Outline of risks	Division in charge
Credit risk	Risk of reduction in the value of assets or their loss altogether due to deteriorating financial position at customers to which the Bank has granted credit	Risk Management Division
Market risk	Risk of suffering loss due to volatility of financial assets and liabilities resulting from financial market fluctuation	Risk Management Division
Interest rate risk	Risk of reduced profits or total losses due to changes in interest rates arising because of discrepancies in interest rates on assets and liabilities, and in instrument maturities	
Foreign exchange risk	Risk of suffering loss due to a decrease in the yen-converted amount of foreign currency denominated assets and liabilities due to exchange market fluctuations	
Price volatility risk	Risk of a fall in asset values due to changes in the value of securities	
Liquidity risk	Risk of suffering loss from difficulty in procuring necessary funds or abnormally high interest rate requirements in securing funds, due to causes such as unforeseen outflows of funding or turmoil in financial markets	Treasury and International Division
Operational risk	Risk of suffering loss due to inappropriate or malfunctioning internal processes, personnel conduct or IT systems, or external factors	Risk Management Division
Process risk	Risk of suffering loss due to or by executives' or employees' failure to perform duties, or to improper outside intervention	Operations Supervision Division
System risk	Risk of suffering loss due to partial or complete system breakdown, human error, system deficiency, or improper use of the computer system	
Legal risk	Risk of losses due to the violation of laws and ordinances and contracts and signing of inappropriate contractual commitments	Compliance and Legal Affairs Office
Personnel risk	Risk of losses caused by labor malpractice, workplace safety and environmental hygiene deficiencies and risk of employer liability in the event of illegal behavior by Bank employees	Personnel Division
Physical asset risk	Risk of suffering loss due to damage to assets resulting from disaster or defective asset management	General Administration Division

Practice of comprehensive risk management

We have introduced a system for risk-adjusted capital allocation in which the credit and market risks inherent in banking operations are quantified; capital corresponding to risk amount (risk-adjusted capital) is allocated for each risk category, and risks are controlled within risk-adjusted capital, to earn revenues that correspond to the risks while keeping overall risks within our management capacity.

Under this system, based on the amount of Tier I core capital less the operational risk equivalent amount, risk-adjusted capital to cover credit and market risk is allocated each half-year and the changes in risk trends and the risk-return balance is monitored, enabling ascertainment and management of risk-adjusted profitability and efficiency.

In addition, stress tests are conducted on a regular basis and the impact that major changes in the economic and market environments have on Bank profits and management stability are monitored and assessed.

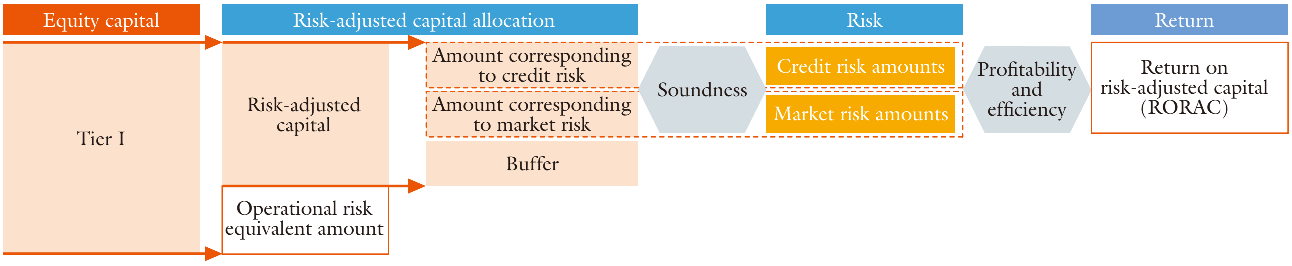
Explanation of Terms

Tier I capital: Principal component of equity capital

Operational risk equivalent amount: Calculated using the Basic Indicator Approach stipulated in Basel II

Return on risk-adjusted capital (RORAC): Profit and loss indicator, arrived at by deducting expenses, deemed allowance costs and capital costs from gross operating profits

[System for Risk-Adjusted Capital Allocation]



Credit Risk Management Readiness

Basic concepts

Credit risk is a category of risk that has a significant impact on the soundness of a bank. In accordance with a credit risk management rules approved by the Board of Directors, we identify, evaluate, measure and monitor and carry out stress-testing regarding credit risk on both an individual credit basis and a portfolio basis (total assets managed under the bank account), and control credit risk within the scope of allocated risk-adjusted capital.

System

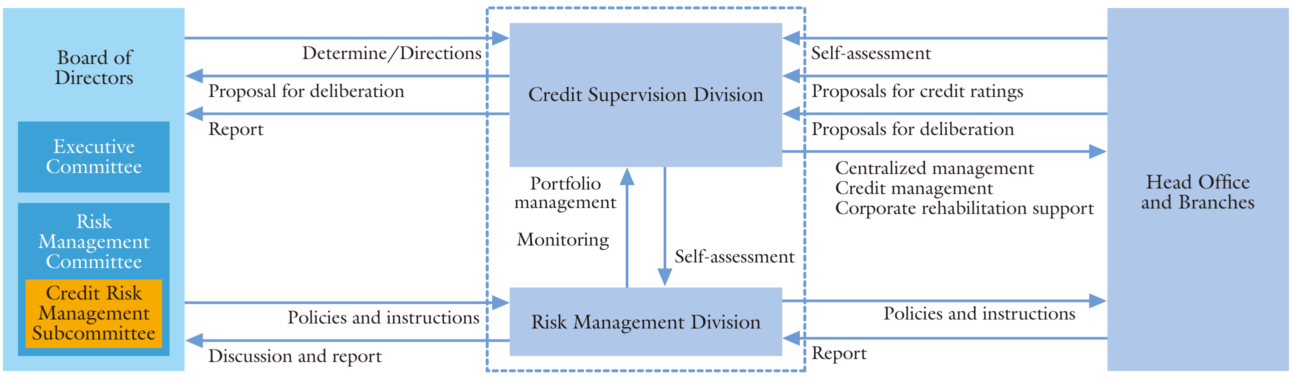
We have structured our organization and systems for mutual checking among three divisions: the Risk Management Division, which carries out overall credit risk management, including internal credit ratings and self-assessment systems; the Credit Supervision Division, which examines loan assets on an individual basis and determines internal ratings and borrower categories by making self-assessments; and the Auditing Division, which audits and verifies the appropriateness of overall administration of credit risk management system. Additionally, the results of credit risk amount measurement are reported to the Credit Risk Management Subcommittee and discussed therein regularly, with the results of discussions being reported to the management as necessary.

For individual credit management, we make efforts to ascertain the situation of parties to which credit is offered by assigning borrower ratings and through implementing self-assessment of loans. In particular, we carry out credit risk management by treating borrower ratings as important benchmarks for predicting the future probability of default.

Meanwhile, for credit management on a total asset basis, we measure the credit risk amount based on the internal rating on a regular basis, set the credit limit amount for each business segment and borrower category, and control credit risk.

For the reserve for possible loan losses, we post it appropriately by methods based on loan-loss experience calculated using historical default rates over a certain period upon classification of receivables into certain types depending on the degree of risk, or by the method of reducing the projected amount for which collateral can be disposed and the amount judged to be collectible through guarantee from the amount of receivables.

[Credit Risk Management System]



Credit risk reduction methods
Under our internal management, we regard collateral and guarantees that can be set up against a bona fide third person as eligible. Additionally, we are working on building a system for ascertainment of the current market value of collateral and the creditworthiness of guarantors on a regular basis, to make it possible to take proper measures at times of damage to collateral value or decline in guarantor creditworthiness.

The collateral categories that we handle include own bank deposit collateral, securities collateral, bill (including electronically recorded monetary claims) collateral, real estate collateral, and movables collateral, among others. We carry out proper management of collateral by performing status surveys of real estate and movables collateral relating to business credit on a regular basis, and implementation of revaluation of listed stock collateral by daily market value. Moreover, for the appraisal of collateral for internal management purposes, we use market value amounts (for securities without market quotations, face value amounts) multiplied by certain ratio after taking into consideration price volatility and liquidity.

Regarding guarantees on the other hand, only for guarantors that satisfy a certain standard and about whose creditworthiness there is judged to be no concern is the effect of guarantee taken into consideration.

Risk management relating to derivative transactions
We engage in derivative transactions to hedge risks on transactions with customers and as a means of Asset-Liability Management (ALM). Additionally, to expand our profit opportunities, we engage in derivative transactions after setting transaction limits and loss-cut rules, centering on foreign exchange transactions.

We also have a system by which the credit equivalent amount relating to a derivative instrument is calculated on the basis of the current exposure method (market break cost with margin of possibility of price volatility in remaining period of agreement), and, after totaling this with on-balance transactions, we are positioned to manage limit amounts of credit corresponding to the creditworthiness of each particular borrower. For derivative product transactions with financial institutions, we have established credit lines for management purposes.

With regard to collateral provided against risk with regard to bank transaction derivative product deals, our preparations assume the possible need to furnish additional collateral should our creditworthiness deteriorate. Should it become necessary to take this step, the impact would be limited, since we own sufficient assets that can be provided. We do not engage in long-term settlement period transactions of securities.

Risk management relating to securitization
When considering providing a loan that is classified as a securitization transaction or investing in securitization products from the investor viewpoint, the Bank determines whether or not to provide the loan after verifying the propriety of the reimbursement plan based on the future cash flows of the underlying assets, and other matters. For securitization products we analyze the risks and make careful investment judgments, while taking as the limit amount that amount determined for each six-month period, with reference to market trends and rating information assigned by eligible rating agencies. Note that as the originator we do not conduct securitization transactions with the assets of the Bank with the objective of credit risk reduction.

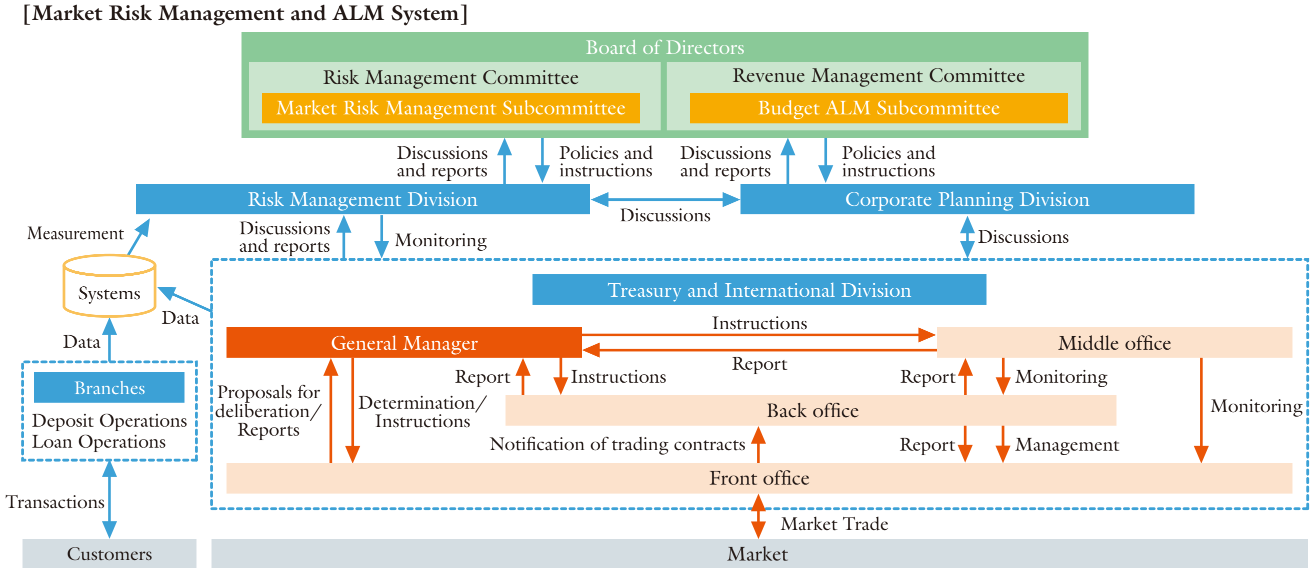
In addition to credit risk, securitization transactions also entail price volatility risk arising from declines in the value of the underlying assets and other factors, interest-rate risk, infrastructure risk, and other risks. Therefore, even after investing or lending, we establish structures for regularly monitoring the various kinds of risk information inherent in these risks, and continuously monitor the status of these risks in order to manage them appropriately.

Market Risk Management Readiness

Basic concepts
Market risk management is extremely important for responding accurately to our customers' transaction needs, and at the same time for securing stable profits by controlling our assets and liabilities amid daily changes in interest rates, foreign exchange rates, stock prices, and other factors.

Under our market risk rules, approved by the Board of Directors, we hold market risk to refer to our exposure to fluctuations in the value of assets and liabilities due to fluctuations in interest rates, stock prices, foreign exchange rates and other factors, and the possibility of subsequent losses. We further categorize market risk as interest-rate risk, price volatility risk or foreign-exchange risk, depending on where

[Market Risk Management and ALM System]



the loss arose, and take appropriate management countermeasures.

We use an ALM System for cross-organizational discussions regarding measures for stabilization of medium- to long-term profits, based on our assessment of market risks.

Management system

We have a system in which the section in charge of market transaction execution (front office), clerical management (back office) and market risk management (middle office) are separated from each other in the division that implements market transactions (Treasury and International Division), so that mutual checking will operate inside the Division. Then, through comprehensive management of overall market risk by the Risk Management Division, independent from market transaction implementation departments, we are making efforts toward centralized management of market risk, including interest rate risk for the whole bank.

Moreover, for continuous and appropriate management of market risk inherent in overall bank assets and liabilities, we have established the Market Risk Management Subcommittee as an organization under the Risk Management Committee, and this performs monitoring of risk status or the effectiveness of risk management on a regular basis.

In the ALM System, the Corporate Planning Division works as a secretariat, with the Budget ALM Subcommittee, which is a sub-organization, under the Revenue Management Committee. Based on market risk appraisal by the Risk Management Division and the Treasury and International Division, consultation is undertaken regarding measures for stable generation of medium- to long-term profits, and the results are translated into actual measures.

Management method

For management of market risk, we measure risk amounts statistically by methods that correspond to type of transaction, such as bank account transactions and trading account transactions, and risk factors including interest rate, market price, and foreign exchange rate, and manage risk within the scope of the risk-adjusted capital allocated to market risk. For trading on markets, such as securities transactions, fund transactions, and derivatives transactions, we set limit amounts as to long or short positions and the loss-cut rules, and carry out monitoring of the status of observance of the limits on a regular basis.

The following shows our management of the principal risk factors.

• Bank account transactions

We apply the historical method to loans and bills discounted, securities, deposits, interest-rate swaps and other interest-rate risk exposures, for price volatility risk on equity shares held for policy purposes, as well as for interest-rate risk, price volatility risk, and foreign exchange risk on money held in trust. We quantify and manage price volatility risk on investment trusts by measuring Value at Risk under the Delta method. Furthermore, we conduct stress tests of scenarios such as a rapid rise in interest rates or a significant drop in stock prices, and sensitivity analyses of interest rates and stock prices (stock price indices).

• Trading account transactions

To measure and manage Value at Risk, we use the historical method for interest-rate risk on trading account securities and interest-rate futures transactions, and for foreign-exchange rate risk for foreign-exchange trading.

Explanation of Terms

Banking account transactions: Deposit transactions, loan transactions, investment in securities, etc., and derivative transactions for the purposes of hedging the aforementioned.

Trading account transactions: Foreign-exchange, interest-rate dealing and other trading, underwriting and bidding for trading account securities (public authority bonds).

Value at Risk (VaR) : Based on historical data, a statistical estimate of exposure to risk of losses in current values.

Historical method: A method for measuring VaR that takes interest-rate, stock-price, foreign-exchange and other fluctuations over a fixed period of time and applies them to current positions.

Delta method: A method for measuring VaR assuming a normal distribution of fluctuation in interest rates, stock prices and foreign-exchange rates.

Sensitivity: This indicator shows the extent of the change in the value (present value) of a portfolio when interest rates and stock prices (stock price indices) rise by a fixed percentage.

Liquidity Risk Management Readiness

Basic Policy

Liquidity risk is a very serious risk category that carries the potential to bring about the bankruptcy of a financial institution. Consequently, to minimize the likelihood of materialization of liquidity risk, the Board of Directors of the Bank has drawn up a set of liquidity risk management rules to guide employees in the day-to-day conduct of business operations with adequate countermeasures for liquidity risk.

System

The Bank entrusts the Treasury and International Division with liquidity risk management. Appropriate controls are exercised over liquidity risk through regular monitoring of risk status and the effectiveness of management measures by the Market Risk Management Subcommittee under the Risk Management Committee.

Management method

In addition to taking account of daily and monthly cash flow forecasts, we ensure appropriate and stable day-to-day management of cash flow in line with operational and procurement procedures through maintenance of adequate liquidity reserves and other measures. In addition, we have created mechanisms to deal promptly and appropriately with developing and actual contingencies classified as “normal,” “caution,” and “liquidity crisis,” enabling us to respond rapidly to unpredictable events that adversely affect cash flow.

Operational Risk Management Readiness

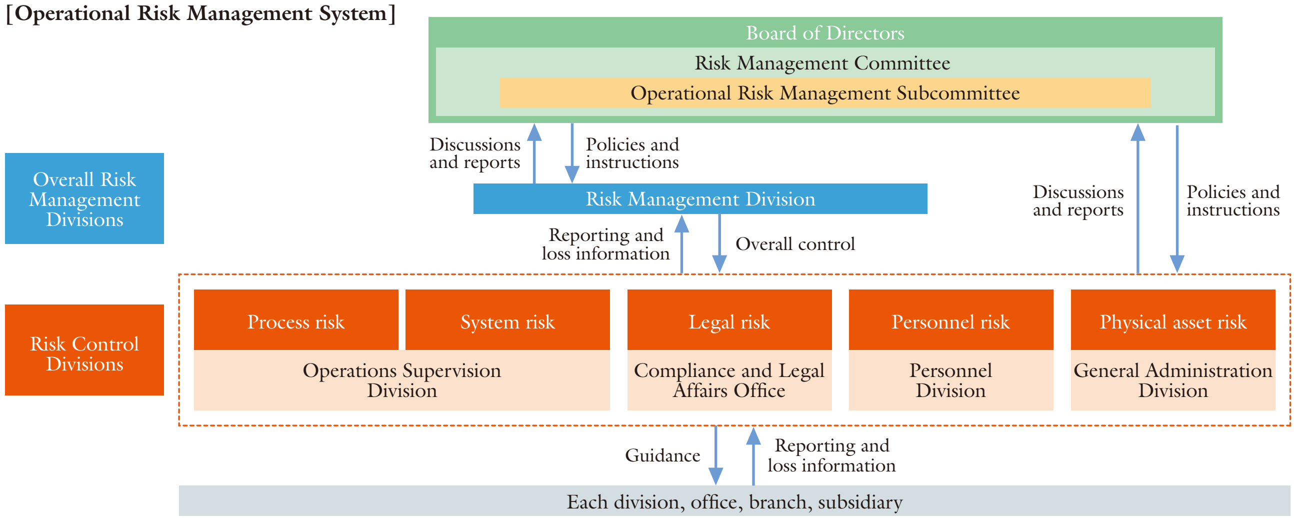
Basic concepts
Operational risk refers to risk relating to losses arising from inadequacies or failures of internal processes, on the part of personnel or of systems, or from occurrence of external events. Operational risk covers a wide scope, such as improper paperwork processing procedures, handling mistakes, system failure, damage due to criminal acts (internal or external), and damage to assets due to disaster, or other causes.

We identify, assess, recognize, manage, and reduce the respective risks appropriately in accordance with our operational risk management rules, drawn up by the Board of Directors, in order to mitigate the operational risks and make efforts to maintain the trust of our customers. Meanwhile, we are striving to introduce new management methods to achieve a comprehensive grasp of important operational risks.

Management system
For process risk, system risk, legal risk, personnel risk, and physical asset risk, we determine the risk management division and management rules for each risk, and carry out necessary risk control measures based on an evaluation of risk control status. At the same time, through the establishment of an operational risk controlling division to identify and manage operational risk as a whole, various risks are managed comprehensively.

Additionally, for cross-sectional monitoring of various risks, we have established the Operational Risk Management Subcommittee as an organization under the Risk Management Committee. By regularly performing risk actualization event analysis, monitoring the status of risk reduction measures, and ordering countermeasures as necessary, we help improve the efficiency of our operational risk management.

[Operational Risk Management System]



Management method
- Potential operational risk

We have introduced Risk & Control Self-Assessment methods. These cover detection of all potential operational risk existing in various forms in the operations, transactions, systems and all asset categories of the Bank. We also undertake regular inspections to check whether advance detection mechanisms for risk and prevention policies are functioning effectively, and if not take remedial measures. This approach ensures consistent and ever-improving standards of operational risk management.

- When operational risk is detected

When operational risk is detected, the department involved immediately contacts the appropriate department supervising risk management and takes due measures in line with instructions received. In addition, by closely investigating all details of the event and analyzing causes and trends, we can establish processes for reviewing and implementing countermeasures and assessing their effectiveness.

Explanation of Terms

Risk & Control Self-Assessment: A method for identifying, assessing, and monitoring risk with the goal of identifying potential risk, preventing exposure to risk, and reducing the amount of loss from risk.

Risk Audit and Inspection Readiness

To strengthen our risk management system, it is necessary to conduct regular inspections of the effectiveness of system functioning. To this end, we have set up a dedicated section within the Auditing Division. The section (Risk Audit Group) is tasked with verifying that risk is being properly managed, both in the Bank's Head Office departments and branches, and in our subsidiaries. The Group carries out inspections of the status of risk management implementation, including regular checks of the adequacy of risk-related operations at our branches. The Head Office departments, subsidiaries and individual branches are also required to conduct self-inspections to confirm that procedures are being followed as laid down. These inspections improve the level of risk management and minimize the probability of human or system error.

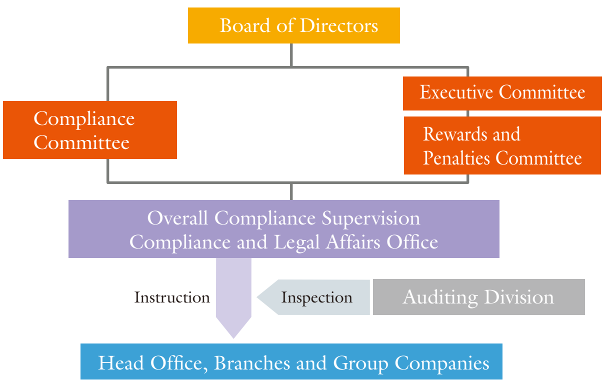
We are working to build up the trust of our customers through due measures for monitoring and minimizing risks of all kinds, and through creation of systems for early recognition and management of risk-related issues.

Compliance System

The function of banks is highly public in nature, and is intimately bound up with the welfare of society as a whole. Their primary role is to assist the sound development of the economy. At the Hyakujushi Bank, to honor the trust placed on us by our stockholders, customers and the local community, all our executives and employees assign a high priority to compliance with laws and regulations, as well as the observance of high ethical standards in the conduct of the Bank's business. Compliance is a key priority at the Hyakujushi Bank.

Compliance system
The Compliance and Legal Affairs Office exercises overall supervision of compliance issues, and implements centralized management of matters related to compliance. Furthermore, Compliance officers with responsibility for compliance matters are designated in each division, office, and branch of the Bank to ensure that the rules of compliance are observed and that all staff are fully aware of issues concerned. Staff are also required to confirm the compliance status of each business unit by filling out a checklist, and compliance seminars are held to keep staff up-to-date and fully informed regarding compliance-related matters. To further improve the efficiency of compliance systems, the Compliance Committee has been established, as well as the Rewards and Penalties Committee.

[Compliance System]



Compliance measures
We have published a Compliance Manual as a practical handbook covering specific compliance issues, and have initiated a Compliance Program to serve as an action plan for realizing compliance measures.

We have also drawn up the Hyakujushi Bank Code of Ethics to be followed by executives and employees, and put up Compliance awareness posters ("Mamorimasu") in all sections and branches of the Bank. In internal educational activities, lectures on compliance are given in all training programs, including seminars designed for all the different levels of employees within the Bank's hierarchy. This initiative to improve understanding of compliance is being conducted across the whole Bank, with directors and corporate auditors required to attend Compliance Seminars held by the Regional Banks Association of Japan. We are instilling compliance awareness at all branches, with guidance at branches and training of compliance officers.

Whistleblower hotline
We set up a whistleblower hotline, and are strengthening compliance systems by protecting users of the hotline, and taking measures to identify and remedy wrongful activities at the early stage.

Abuse of power or position
To assure propriety in all of the Bank's transactions (prevention of the abuse of power or position), the Bank has established the "Manual on Compliance with the Antimonopoly Act" based on the scenarios in the Fair Trade Commission publication "Types of Activities that Can Cause Problems (Unfair Business Practices)" and we are making strenuous efforts to keep all staff informed about compliance through in-house training sessions and other methods, so that no unfair transactions occur.

Personal information protection
Against the background of a rapid expansion in the use of data on individuals accompanying the growing social importance of information technology, the Japanese Diet passed the Personal Information Protection Law in April 2005, which mandates steps by corporations to prevent the leakage or inappropriate use of personal information in their possession, so as to protect the privacy and interests of the individuals concerned. At the Hyakujushi Bank, we have laid down regulations and set out guidelines relating to the secure management of personal information. We have also taken steps to properly handle customers' personal information by providing rigorous training including in-house workshops to all executives and employees.

At Hyakujushi Bank, we take the view that the appropriate handling and protection of personal information entrusted to us is an absolute prerequisite for the long-term conduct of business activities. We have codified our policies regarding personal information protection in our Privacy Policy, which is available for perusal on our website, and has also been publicized via posters and pamphlets.

Compliance System

Management of conflict of interest

As a result of amendments enacted in June 2009 to the Banking Law, the Financial Instruments and Exchange Act, and other legislation, it is now mandatory for banks (including companies under their control) to create and operate systems to ensure that conflicts of interest are properly managed so as to ensure that the interests of customers are not unjustly harmed as a result of transactions conducted by the banks or their subsidiaries or affiliates.

At the Hyakujushi Bank, we have centralized the management of all data relating to transactions with customers (including those conducted by Group companies), and have set up a system whereby transactions that carry the possibility of conflict of interest are specified and handled separately. A special unit of the Bank has been established to oversee the management of conflicts of interest, with a single executive appointed as officer with responsibility for the management of conflicts of interest. In this way, all transactions deemed to potentially involve conflicts of interest are subject to unified management.

We have laid down a set of Policies on Management of Conflicts of Interest to specifically spell out the Bank's measures to prevent conflict of interest, and we are taking all necessary measures to appropriately manage potential conflicts of interest to ensure that our customers' interests are not unjustly harmed. These measures include the conduct of regular training courses to ensure that all directors and employees of the Bank and other companies in the Group are fully aware of the issues involved.

An outline of the Bank's Policies on Management of Conflicts of Interest is available for public viewing on our website, and we are also employing posters that convey the gist of these policies.

Controls on insider trading

The financial authorities of Japan impose restrictions on insider trading, which is defined as buying or selling of stocks or other securities issued by a company before important information regarding the company is publicly released, by persons whose position gives them access to non-public information including management and financial information that may influence investment decisions.

At the Hyakujushi Bank, we have drawn up a set of Insider Trading Regulations to ensure that the Bank fulfills its responsibilities as a corporate citizen and prevents insider trading. These regulations specify the basic items pertaining to the management of important non-public information known to executives and other employees of the Bank, as well as the duties of Bank employees. We have taken steps to prevent insider trading by providing rigorous training including in-house workshops to all executives and employees.

Exclusion of anti-social forces

In order to prevent the harm caused by anti-social forces and maintain the public trust in the Bank, we are taking measures to exclude organized anti-social forces. For example, we resolutely reject all illegitimate demands made by anti-social forces, and we have no relationships with anti-social forces including business relationships.

Specifically, we have established the "Regulations for Preventing Harm by Anti-social Forces" and other guidelines, and are keeping all of our staff well-informed about our policies for dealing with anti-social forces. We have also established the General Administration Group in the General Administration Division as the body in charge of this area in the Bank. It collaborates with specialized external organizations such as the national centers for the elimination of boryokudan (violent groups), lawyers, and others to block relationships with anti-social forces.

Board of Directors and Audit & Supervisory Board Members

Katsuhiko Takesaki
Chairman

Tomoki Watanabe
President

Yukio Hirao
Director & Senior Managing Executive Officer

Toshinori Yano
Director & Senior Managing Executive Officer

Chairman

Katsuhiko Takesaki

President

Tomoki Watanabe

Directors & Senior Managing Executive Officers

Yukio Hirao
Toshinori Yano

Directors & Managing Executive Officers

Kiyoshi Irie
Noriaki Iida
Kazuyuki Negayama
Ryuji Nishikawa
Harunori Ando
Teruo Kiuchi

Managing Executive Officers

Akihiro Matsubara
Kazushi Kozuchi
Yasuo Oka
Osamu Itami

Executive Officers

Masanobu Satomi
Hitoshi Onishi
Yoshikazu Fukunishi
Shinji Matsumoto
Takashi Mori
Tadahiko Tamura
Masahiko Miyake
Ryohei Kagawa
Yujiro Ayada
Yasuo Miyake
Kazuo Shirotori
Toshiya Yoritomi

Full-time Audit & Supervisory Board Members

Kazuo Mitani
Tsutomu Inamo

Audit & Supervisory Board Members

Hiroshi Manabe
Ichiro Terato
Hideki Kuwashiro

(as of July 1, 2013)

Consolidated Balance Sheets

As of March 31	Millions of yen 2013	Millions of yen 2012	Thousands of U.S. dollars (Note 1) 2013
Assets:			
Cash and due from banks	¥ 136,427	¥ 224,295	$ 1,450,580
Call loans and bills bought	6,301	2,465	67,000
Monetary claims bought	33,867	33,378	360,098
Trading account securities (Note 6)	49	264	528
Money held in trust (Note 7)	4,901	4,901	52,119
Securities (Notes 6 and 9)	1,318,404	1,215,259	14,018,127
Loans and bills discounted (Note 8)	2,528,403	2,424,741	26,883,604
Foreign exchange assets	7,382	5,470	78,493
Lease receivables and lease investment assets (Note 17)	17,010	16,964	180,864
Other assets	40,498	40,456	430,608
Tangible fixed assets (Notes 11, 14 and 15)	44,910	44,677	477,513
Intangible fixed assets	4,996	5,956	53,131
Deferred tax assets (Note 10)	1,629	8,759	17,322
Customers' liabilities for acceptances and guarantees	15,882	18,018	168,868
Reserve for possible loan losses	(26,335)	(26,712)	(280,014)
Total assets	¥4,134,329	¥4,018,896	$43,958,846

Consolidated Balance Sheets

As of March 31	Millions of yen 2013	Millions of yen 2012	Thousands of U.S. dollars (Note 1) 2013
Liabilities and net assets			
Liabilities:			
Deposits (Note 9)	**¥3,420,759**	¥3,382,241	**$36,371,709**
Negotiable certificates of deposit	**231,706**	201,707	**2,463,657**
Call money and bills sold (Note 9)	**51,915**	24,657	**552,000**
Borrowed money (Notes 9 and 12)	**73,654**	79,775	**783,137**
Foreign exchange liabilities	**579**	841	**6,159**
Corporate bond (Note 13)	**10,000**	10,000	**106,326**
Other liabilities	**68,436**	65,304	**727,664**
Reserve for directors' bonuses	**19**	21	**211**
Accrued retirement benefits (Note 19)	**504**	738	**5,369**
Accrued directors' retirement benefits	**55**	67	**587**
Provision for claims on dormant accounts	**481**	540	**5,117**
Provision for contingent liabilities	**135**	276	**1,436**
Deferred tax liabilities (Note 10)	**1,947**	8	**20,711**
Deferred tax liability for land revaluation (Note 14)	**6,828**	6,842	**72,603**
Acceptances and guarantees	**15,882**	18,018	**168,868**
Total liabilities	**3,882,906**	3,791,041	**41,285,560**
Net assets:			
Stockholders' equity:			
Common stock	**37,322**	37,322	**396,838**
Capital surplus	**24,920**	24,920	**264,970**
Retained earnings	**129,575**	125,848	**1,377,727**
Treasury stock	**(2,935)**	(3,266)	**(31,211)**
Total stockholders' equity	**188,882**	184,824	**2,008,324**
Accumulated other comprehensive income:			
Net unrealized gains on securities, net of taxes	**38,173**	19,245	**405,888**
Net deferred losses on hedging instruments, net of taxes	**(136)**	(69)	**(1,449)**
Revaluation reserve for land (Note 14)	**8,057**	8,083	**85,675**
Total accumulated other comprehensive income	**46,095**	27,259	**490,114**
Share warrants	**120**	117	**1,279**
Minority interests	**16,324**	15,652	**173,567**
Total net assets	**251,422**	227,854	**2,673,285**
Total liabilities and net assets	**¥4,134,329**	¥4,018,896	**$43,958,846**

As of March 31	Yen 2013	Yen 2012	U.S. dollars (Note 1) 2013
Per share			
Net assets	**¥773.81**	¥700.36	**$8.227**

See accompanying notes to consolidated financial statements.

The Hyakujushi Bank, Ltd. and Consolidated Subsidiaries

Consolidated Statements of Income

For the years ended March 31	Millions of yen 2013	Millions of yen 2012	Thousands of U.S. dollars (Note 1) 2013
Income:			
Interest on loans and bills discounted	**¥36,034**	¥37,255	**$383,141**
Interest and dividends on securities	**14,158**	14,591	**150,539**
Other interest income	**353**	387	**3,756**
Fees and commissions	**10,365**	9,899	**110,209**
Other operating income	**3,368**	2,678	**35,820**
Other income	**10,681**	12,252	**113,570**
Total income	**74,961**	77,064	**797,038**
Expenses:			
Interest on deposits and negotiable certificates of deposit	**2,244**	2,636	**23,863**
Interest on call money and bills sold	**180**	73	**1,921**
Interest on borrowed money	**506**	502	**5,384**
Other interest expenses	**437**	395	**4,647**
Fees and commissions	**2,534**	2,471	**26,951**
Other operating expenses	**2,590**	1,403	**27,543**
General and administrative expenses	**40,169**	42,334	**427,109**
Other expenses (Note 15)	**15,667**	13,758	**166,587**
Total expenses	**64,331**	63,574	**684,011**
Income before income taxes and minority interests	**10,630**	13,489	**113,027**
Income taxes (Note 10):			
Current	**4,939**	3,202	**52,519**
Deferred	**(1,218)**	3,610	**(12,952)**
Subtotal	**3,721**	6,812	**39,566**
Income before minority interests	**6,908**	6,677	**73,460**
Minority interests	**1,056**	863	**11,238**
Net income	**¥ 5,851**	¥ 5,813	**$ 62,221**

For the years ended March 31	Yen 2013	Yen 2012	U.S. dollars (Note 1) 2013
Per share			
Net income	**¥19.29**	¥18.92	**$0.205**

See accompanying notes to consolidated financial statements.

The Hyakujushi Bank, Ltd. and Consolidated Subsidiaries

Consolidated Statements of Comprehensive Income

For the years ended March 31	Millions of yen 2013	Millions of yen 2012	Thousands of U.S. dollars (Note 1) 2013
Income before minority interests	**¥ 6,908**	¥ 6,677	**$ 73,460**
Other Comprehensive income	**18,858**	5,097	**200,517**
Net unrealized income on other securities, net of taxes	**18,925**	4,101	**201,228**
Net deferred income (loss) on hedging instruments, net of taxes	**(66)**	6	**(711)**
Revaluation reserve for land	**—**	988	**—**
Total comprehensive income	**25,767**	11,774	**273,978**
Total comprehensive income attributable to:			
Equity holders the parent	**24,713**	10,941	**262,771**
Minority interests	**¥ 1,054**	¥ 833	**$ 11,207**

See accompanying notes to consolidated financial statements.

Consolidated Statements of Changes in Net Assets

	Millions of yen											
	Stockholders' equity					Accumulated other comprehensive income						
For the years ended March 31	Common stock	Capital surplus	Retained earnings	Treasury stock	Total stockholders' equity	Net unrealized gains on securities, net of taxes	Net deferred losses on hedging instruments, net of taxes	Revaluation reserve for land	Total valuation and translation adjustments	Share warrants	Minority interests	Total net assets
Balance as of March 31, 2011	¥37,322	¥24,920	¥122,015	¥(1,436)	¥182,822	¥15,113	¥ (76)	¥7,266	¥22,303	¥ 75	¥15,202	¥220,402
Change of items during the period												
Dividends from surplus	—	—	(2,155)	—	(2,155)	—	—	—	—	—	—	(2,155)
Net income	—	—	5,813	—	5,813	—	—	—	—	—	—	5,813
Purchase of treasury stock	—	—	—	(1,859)	(1,859)	—	—	—	—	—	—	(1,859)
Disposal of treasury stock	—	—	(9)	28	19	—	—	—	—	—	—	19
Transfer from revaluation reserve for land	—	—	184	—	184	—	—	—	—	—	—	184
Provision for revaluation reserve for land	—	—	(0)	—	(0)	—	—	—	—	—	—	(0)
Net changes of items other than stockholders' equity	—	—	—	—	—	4,131	6	817	4,956	42	450	5,449
Total changes of items during the period	—	—	3,832	(1,830)	2,002	4,131	6	817	4,956	42	450	7,452
Balance as of March 31, 2012	37,322	24,920	125,848	(3,266)	184,824	19,245	(69)	8,083	27,259	117	15,652	227,854
Change of items during the period												
Dividends from surplus	—	—	(2,121)	—	(2,121)	—	—	—	—	—	—	(2,121)
Net income	—	—	5,851	—	5,851	—	—	—	—	—	—	5,851
Purchase of treasury stock	—	—	—	(7)	(7)	—	—	—	—	—	—	(7)
Disposal of treasury stock	—	—	(30)	338	308	—	—	—	—	—	—	308
Transfer from revaluation reserve for land	—	—	26	—	26	—	—	—	—	—	—	26
Net changes of items other than stockholders' equity	—	—	—	—	—	18,928	(66)	(26)	18,835	2	671	19,509
Total changes of items during the period	—	—	3,726	331	4,058	18,928	(66)	(26)	18,835	2	671	23,567
Balance as of March 31, 2013	¥37,322	¥24,920	¥129,575	¥(2,935)	¥188,882	¥38,173	¥(136)	¥8,057	¥46,095	¥120	¥16,324	¥251,422

Consolidated Statements of Changes in Net Assets

	Thousands of U.S. dollars (Note 1)											
	Stockholders' equity					Accumulated other comprehensive income						
For the year ended March 31	Common stock	Capital surplus	Retained earnings	Treasury stock	Total stockholders' equity	Net unrealized gains on securities, net of taxes	Net deferred losses on hedging instruments, net of taxes	Revaluation reserve for land	Total valuation and translation adjustments	Share warrants	Minority interests	Total net assets
Balance as of March 31, 2012	$396,838	$264,970	$1,338,102	$(34,735)	$1,965,175	$204,628	$ (738)	$85,954	$289,843	$1,249	$166,430	$2,422,699
Change of items during the period												
Dividends from surplus	—	—	(22,556)	—	(22,556)	—	—	—	—	—	—	(22,556)
Net income	—	—	62,221	—	62,221	—	—	—	—	—	—	62,221
Purchase of treasury stock	—	—	—	(75)	(75)	—	—	—	—	—	—	(75)
Disposal of treasury stock	—	—	(320)	3,600	3,280	—	—	—	—	—	—	3,280
Transfer from revaluation reserve for land	—	—	278	—	278	—	—	—	—	—	—	278
Net changes of items other than stockholders' equity	—	—	—	—	—	201,260	(711)	(278)	200,271	29	7,136	207,437
Total changes of items during the period	—	—	39,624	3,524	43,148	201,260	(711)	(278)	200,271	29	7,136	250,585
Balance as of March 31, 2013	$396,838	$264,970	$1,377,727	$(31,211)	$2,008,324	$405,888	$(1,449)	$85,675	$490,114	$1,279	$173,567	$2,673,285

See accompanying notes to consolidated financial statements.

Consolidated Statements of Cash Flows

	Millions of yen		Thousands of U.S. dollars (Note 1)
For the years ended March 31	2013	2012	2013
Cash flows from operating activities			
Income before income taxes and minority interests	¥ 10,630	¥ 13,489	$ 113,027
Depreciation	3,568	4,312	37,943
Impairment losses	55	137	593
Amortization of goodwill	26	42	283
Net change in reserve for possible loan losses	(377)	452	(4,010)
Net change in reserve for bonuses for directors and corporate auditors	(1)	5	(13)
Net change in accrued retirement benefits	(233)	(453)	(2,478)
Net change in reserve for retirement payments to directors and corporate auditors	(12)	(11)	(129)
Net change in reserve for claims on dormant accounts	(58)	37	(624)
Net change in reserve for contingent liabilities	(141)	(205)	(1,504)
Interest income	(50,546)	(52,234)	(537,437)
Interest expenses	3,368	3,607	35,817
Net loss (gain) related to securities transactions	2,626	584	27,925
Net loss on investments in money held in trust	—	98	—
Net loss related to foreign exchange	(6,747)	960	(71,746)
Net loss on disposal of fixed assets	168	555	1,795
Net change in trading account securities	214	99	2,283
Net change in loans and bills discounted	(103,661)	(35,661)	(1,102,200)
Net change in deposits	38,517	81,366	409,542
Net change in negotiable certificates of deposit	29,999	38,044	318,969
Net change in borrowed money excluding subordinated borrowings	(6,121)	25,750	(65,091)
Net change in due from banks other than The Bank of Japan	18,341	19,775	195,023
Net change in call loans and others	(4,324)	4,097	(45,984)
Net change in call money and others	27,258	12,517	289,830
Net change in foreign exchange assets	(1,911)	132	(20,328)
Net change in foreign exchange liabilities	(262)	135	(2,788)
Net increase in lease assets and lease investment assets	(46)	557	(490)
Revenues from fund operations	50,436	51,373	536,269
Expenditure on fund procurement	(4,153)	(4,683)	(44,157)
Other	3,769	5,119	40,082
Subtotal	10,383	170,002	110,400
Payment of income taxes	(3,259)	(4,701)	(34,651)
Net cash provided by (used in) operating activities	7,124	165,300	75,748
Cash flows from investing activities			
Purchase of securities	(497,814)	(474,752)	(5,293,083)
Proceeds from sales of securities	300,821	221,422	3,198,524
Redemption of securities	125,757	132,118	1,337,130
Purchase of money held in trust	—	(5,000)	—
Purchases of tangible fixed assets	(3,078)	(3,311)	(32,729)
Purchases of intangible fixed assets	(667)	(1,335)	(7,097)
Proceeds from sales of tangible fixed assets	522	282	5,560
Proceeds from sales of intangible fixed assets	1	1	12
Net cash used in investing activities	(74,457)	(130,573)	(791,683)
Cash flows from financing activities			
Purchase of treasury stock	(7)	(1,859)	(75)
Proceeds from sales of treasury stock	308	19	3,280
Dividends paid	(2,121)	(2,155)	(22,556)
Dividends paid to minority interests	(382)	(382)	(4,069)
Net cash used in financing activities	(2,202)	(4,378)	(23,421)
Effect of exchange rate changes on cash and cash equivalents	9	(1)	105
Net change in cash and cash equivalents	(69,526)	30,346	(739,251)
Cash and cash equivalents at beginning of year	172,859	142,512	1,837,955
Cash and cash equivalents at end of year	¥103,333	¥172,859	$1,098,704

See accompanying notes to consolidated financial statements.

Notes to Consolidated Financial Statements

1. Basis of presenting consolidated financial statements

The accompanying consolidated financial statements of The Hyakujushi Bank, Ltd. (the "Bank") and its consolidated subsidiaries are prepared on the basis of accounting principles generally accepted in Japan, which are different in certain respects as to the application and disclosure requirements of International Financial Reporting Standards, and are compiled from the consolidated financial statements prepared by the Bank as required by the Financial Instruments and Exchange Law of Japan.

The Japanese yen figures in the consolidated financial statements are in millions, with fractions omitted.

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

2. Financial terms

Account closing dates of consolidated subsidiaries are as follows:
March 31st: 11 companies
January 31st: 1 company
Hyakujushi Preferred Capital Cayman Limited., whose account closing date is January 31, has been included in the scope of consolidation on the balance sheet based on the provisional closing of accounts, as of March, 31.

3. Significant accounting policies

(1) Consolidation

The consolidated financial statements include the accounts of the Bank and its 12 subsidiaries.
Non-consolidated subsidiaries: 3
1st Hyakujushi Venture Fund Cooperation Limited
2nd Hyakujushi Venture Fund Cooperation Limited
3rd Hyakujushi Venture Fund Cooperation Limited

Non-consolidated subsidiaries were excluded from the scope of consolidation because its assets, ordinary income, net income (corresponding to equity), retained earnings (corresponding to equity) and accumulated other comprehensive income (corresponding to equity) have no material impact on the Bank's financial position and results of operations.

(2) Trading account securities

Under the Accounting Standard for Financial Instruments, trading account securities are stated at fair market value.

(3) Securities

Marketable debt securities held to maturity are stated at amortized cost using the moving-average cost method. Investments in non-consolidated subsidiaries that are not accounted for by the equity method are stated at cost by the moving-average cost method. Available-for-sale securities of which market prices are available are stated at fair value based principally on their market prices at the balance-sheet date, whereas those for which the market value is not readily determinable are stated at cost or amortized cost using the moving-average cost method.

Unrealized gain or loss on available-for-sale securities (net of the related tax effect) has been reported as a component of net assets.

(4) Derivatives

Under the Accounting Standard for Financial Instruments, derivatives are stated at fair value.

(5) Depreciation

(a) Tangible fixed assets

Depreciation of tangible fixed assets is calculated principally using the declining-balance method. Useful lives of tangible fixed assets are as follows:

Buildings: 10 to 50 years
Equipment: 5 to 15 years

Tangible fixed assets held by the consolidated subsidiaries are depreciated, in principle, by the declining-balance method, based on the respective estimated useful lives of the assets.

Changes in accounting policies which are difficult to distinguish from changes in accounting estimates

In accordance with an amendment of the Corporation Tax Act of Japan, the Bank and its domestic consolidated subsidiaries have changed the depreciation and amortization method from the year ended March 31, 2013 for tangible fixed assets (excluding buildings) acquired on or after April 1, 2012.

This change had a minimal impact on profits and losses for the fiscal year ended March 31, 2013.

(b) Intangible fixed assets

Intangible fixed assets are amortized on a straight-line basis. Depreciation of software for internal use is calculated using the straight-line method over the useful lives (principally 5 years).

(c) Lease assets

Assets held by our consolidated subsidiaries are depreciated over the leasing contract periods by the straight-line method.

(6) Reserve for possible loan losses

Reserve for possible loan losses is provided as follows, based on the defined rules for write-offs and provisioning.

Reserve for possible loan losses for bankrupt or substantially bankrupt borrowers is provided based on the amount after deducting the collectible portion, based on the fair value of any underlying collateral or guarantees, except for a portion written-off, as explained below.

Reserve for possible loan losses for borrowers not currently bankrupt but likely to go bankrupt is provided considering the overall solvency assessment after deducting the collectible portion, based on the fair value of any underlying collateral or guarantees.

Reserve for possible loan losses on loans other than the above is provided based on loan loss experience as calculated using historical default rates.

In accordance with the Bank's asset self-assessment standards, loans are assessed by branch staff and head office staff in charge of inspection, the results of which are audited by independent staff in charge of audits. Provision is made to reflect these assessment procedures.

In the case of loans to borrowers who are bankrupt or substantially bankrupt, the amount remaining after deduction of the amount of collateral considered to be disposable and the amount recoverable under guarantees is set off from the original outstanding loan balance. The amount of such write-offs totaled ¥27,331 million ($290,600 thousand) and ¥29,157 million for the years ended March 31, 2013 and 2012, respectively.

A reserve for possible losses on ordinary loans held by the Bank's consolidated subsidiaries is provided based on loan loss experience as calculated using the historical default rates. A reserve for possible

Notes to Consolidated Financial Statements

losses on specific loans held by the Bank's consolidated subsidiaries is provided based on the amount deemed irrecoverable after careful examination of the recoverability of the loans in question on an individual basis.

(7) Reserve for directors' bonuses

A provision is made for the payments of bonuses to directors and corporate auditors of the Bank based on an estimated amount deemed necessary.

(8) Accrued retirement benefits

Reserve for retirement benefits is provided to state the retirement benefit obligations less the fair value of the pension assets.

Prior service costs are charged to income at the time of occurrence.

Actuarial differences of the plans are to be amortized from the succeeding fiscal year over a period of 10 years within the average remaining service period of the employees at the time of occurrence.

(9) Accrued directors' retirement benefits

In order to provide for the payment of retirement benefits to directors of consolidated subsidiaries, a provision has been recorded as accrued directors' retirement benefits at the end of the consolidated reporting period.

(10) Reserve for losses on claims on dormant accounts

A provision is made for losses on claims on dormant accounts in the future in an amount deemed necessary, taking into account the Bank's historical refund record.

(11) Reserve for contingent liabilities

A provision is made for an estimated amount considered necessary for losses which may occur in the future due to contingencies other than those covered for in other reserves.

(12) Foreign currency translation

Receivables and payables in foreign currencies are translated into Japanese yen at the year-end rates.

(13) Accounting standards for posting of earnings and expenses

Consolidated subsidiaries engaged in the leasing business post income and expenses relating to lease transactions as "Other income" and "Other expenses," respectively, at the time of receipt of lease charges.

(14) Hedge accounting

(a) Hedges against interest rate fluctuations

The Bank applies the deferred hedge accounting method to hedge transactions to manage interest rate risk associated with various financial assets, as defined under "Accounting and Auditing Treatment relating to the Adoption of 'Accounting for Financial Instruments' for Banks" (JICPA Industry Audit Committee Report No. 24).

The hedging instruments are considered to highly effectively offset the change in fair value and cash flows arising from the hedged items both at inception and onward because the terms of hedged items and the corresponding hedging instruments are substantially identical.

(b) Hedging against currency fluctuations

The Bank applies the deferred hedge accounting stipulated in the basic provisions of JICPA Industry Audit Committee Report No. 25 to currency swap and foreign exchange swap transactions executed for the purpose of lending or borrowing funds in different currencies. Pursuant to JICPA Industry Audit Committee Report No. 25, the Bank assesses the effectiveness of currency swap and foreign exchange swap transactions executed for the purpose of offsetting the risk of changes in currency exchange rates by verifying that there are foreign currency monetary claims and debts corresponding to the foreign-currency positions.

(15) Goodwill

The straight-line method is employed for the amortization of goodwill over 5 years.

(16) Statements of cash flows

The reconciliations between cash and due from banks in the consolidated balance sheets and cash and cash equivalents in the consolidated statements of cash flows are as follows:

	Millions of yen		Thousands of U.S. dollars
March 31	**2013**	2012	**2013**
Cash and due from banks	**¥136,427**	¥224,295	**$1,450,580**
Time deposits with banks other than The Bank of Japan	**(1,092)**	(50,092)	**(11,616)**
Deposits with banks other than The Bank of Japan	**(533)**	(403)	**(5,667)**
Other	**(31,468)**	(939)	**(334,592)**
Cash and cash equivalents	**¥103,333**	¥172,859	**$1,098,704**

(17) Consumption taxes

In the accounting treatment of the Bank and its subsidiaries, the National Consumption Tax and the Local Consumption Tax are excluded from the transaction amounts.

4. New accounting standards not yet applied

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

(1) Overview

These standards primarily aim to change accounting methods for unrecognized net actuarial gain or loss and unrecognized prior service cost and also to expand disclosure items based on improvements in financial reporting and international trends. In addition, methods for calculating employee retirement benefits obligation and service costs will be changed.

(2) Planned date of application

Application of the accounting methods for unrecognized net actual gain or loss and unrecognized prior service cost and the expansion disclosure items will begin at the end of fiscal year beginning on April 1, 2013. Also, the method for calculating employee retirement benefits obligation and service costs is scheduled to be applied at the end of fiscal year beginning on April 1, 2014.

(3) Effect of applying said accounting standard

The amount of the effect was under review at the time the consolidated financial statements were being prepared.

Notes to Consolidated Financial Statements

5. Changes in net assets

(1) Type and number of shares issued and treasury shares are as follows:

	Thousands of shares			
2013	March 31, 2012	Increase	Decrease	**March 31, 2013**
Shares issued:				
Common stock	310,076	—	—	**310,076**
Total	310,076	—	—	**310,076**
Treasury shares:				
Common stock (Notes 1 and 2)	7,225	22	865	**6,412**
Total	7,225	22	865	**6,412**

Notes: 1. A breakdown of the increase in the number of common shares in treasury is given below.
Increase due to purchase demand for fractional shares: 22 thousand shares
2. A breakdown of the decrease in the number of common shares in treasury is given below.
Decrease due to sale of shares from ESOP Trust to employee shareholding association: 720 thousand shares
Decrease due to exercise of share warrants: 145 thousand shares
Decrease by additional purchase demand for fractional shares: 0 thousand shares

	Thousands of shares			
2012	March 31, 2011	Increase	Decrease	March 31, 2012
Shares issued:				
Common stock	310,076	—	—	310,076
Total	310,076	—	—	310,076
Treasury shares:				
Common stock (Notes 1 and 2)	2,102	5,208	54	7,255
Total	2,102	5,208	54	7,255

Notes: 1. A breakdown of the increase in the number of common shares in treasury is given below.
Increase due to ESOP Trust acquisition: 3,185 thousand shares
Increase due to acquisition based on Board of Directors' resolution: 2,000 thousand shares
Increase due to purchase demand for fractional shares: 23 thousand shares
2. A breakdown of the decrease in the number of common shares in treasury is given below.
Decrease due to sale of shares from ESOP Trust to employee shareholding association: 27 thousand shares
Decrease due to exercise of share warrants: 26 thousand shares
Decrease by additional purchase demand for fractional shares: 1 thousand shares

(2) Matters concerning share warrants and own share options

The balance of share warrants (for stock options) at the end of March 31, 2013 and 2012 stood at ¥120 million ($1,279 thousand), respectively. At end of the previous and reporting fiscal years, no shares had been earmarked for share warrants.

(3) Information on dividends

(a) Dividends paid

2013

Resolution	Type of share	Total dividend amount (Millions of yen)	Dividend per share (Yen)	Record date	Effective date
June 28, 2012 (Regular Annual General Meeting of Shareholders)	**Common stock**	**¥1,059**	**¥3.5**	**March 31, 2012**	**June 29, 2012**
November 9, 2012 (meeting of the Board of Directors)	**Common stock**	**1,061**	**3.5**	**September 30, 2012**	**December 10, 2012**

2012

Resolution	Type of share	Total dividend amount (Millions of yen)	Dividend per share (Yen)	Record date	Effective date
June 29, 2011 (Regular Annual General Meeting of Shareholders)	Common stock	¥1,077	¥3.5	March 31, 2011	June 30, 2011
November 11, 2011 (meeting of the Board of Directors)	Common stock	1,077	3.5	September 30, 2011	December 9, 2011

2013

Resolution	Type of share	Total dividend amount (Thousands of U.S. dollars)	Dividend per share (U.S. dollars)	Record date	Effective date
June 28, 2012 (Regular Annual General Meeting of Shareholders)	**Common stock**	**$11,269**	**$0.037**	**March 31, 2012**	**June 29, 2012**
November 9, 2012 (meeting of the Board of Directors)	**Common stock**	**11,286**	**0.037**	**September 30, 2012**	**December 10, 2012**

Note: In accordance with a resolution approved at the Bank's Regular Annual General Meeting of Shareholders held on June 28, 2012, the total amount of dividends paid excludes the ¥11 million ($117 thousand) dividend payment to the Employee Stock Ownership Plan (ESOP) Trust. Moreover, the total amount of dividends paid excludes the ¥9 million ($103 thousand) dividend payment to the ESOP Trust pursuant to the resolution approved by the Board of Directors at a meeting held on November 9, 2012.
These exclusions reflect the Bank's classification of the shares owned by the Trust as treasury stock.

Notes to Consolidated Financial Statements

(b) Dividends paid after the balance-sheet date

2013

Resolution	Type of share	Total dividend amount (Millions of yen)	Source of dividends	Dividend per share (Yen)	Record date	Effective date
June 27, 2013 (Regular Annual General Meeting of Shareholders)	**Common stock**	**¥1,062**	**Retained earnings**	**¥3.5**	**March 31, 2013**	**June 28, 2013**

Note: The total dividend excludes the ¥8 million dividends for the ESOP Trust.
This is because the shares owned by this trust are treated as treasury shares.

2012

Resolution	Type of share	Total dividend amount (Millions of yen)	Source of dividends	Dividend per share (Yen)	Record date	Effective date
June 28, 2012 (Regular Annual General Meeting of Shareholders)	Common stock	¥1,059	Retained earnings	¥3.5	March 31, 2012	June 29, 2012

2013

Resolution	Type of share	Total dividend amount (Thousands of U.S. dollars)	Source of dividends	Dividend per share (U.S. dollars)	Record date	Effective date
June 27, 2013 (Regular Annual General Meeting of Shareholders)	**Common stock**	**$11,300**	**Retained earnings**	**$0.037**	**March 31, 2013**	**June 28, 2013**

Note: The total dividend excludes the ¥8 million ($90 thousand) dividends for the ESOP Trust.
This is because the shares owned by this trust are treated as treasury shares.

6. Securities and trading account securities

(1) Trading account securities

A valuation gain of ¥0 million ($1 thousand) was recognized for the year ended March 31, 2013, and a valuation gain of ¥0 million was recognized for the year ended March 31, 2012.

(2) Held-to-maturity debt securities

Held-to-maturity debt securities with fair market value consisted of local government bonds. Book value and market value of the securities amounted to ¥0 million ($7 thousand) and ¥0 million ($7 thousand), respectively, as of March 31, 2013, and ¥2 million and ¥2 million, respectively, as of March 31, 2012.

(3) Other securities

(a) Consolidated balance sheet amount and acquisition cost of other securities and their difference as of March 31, 2013 and 2012 were as follows:

	Millions of yen		
2013	Consolidated balance sheet amount	Acquisition cost	Difference
Consolidated balance sheet amount exceeding acquisition cost			
Equity stock	¥ 100,611	¥ 63,157	¥37,454
Bonds:			
National	489,594	478,412	11,181
Local	256,309	247,426	8,883
Corporate	279,762	273,548	6,214
	1,025,666	999,387	26,279
Other	85,782	82,021	3,760
Subtotal	1,212,060	1,144,566	67,494
Consolidated balance sheet amount not exceeding acquisition cost			
Equity stock	21,579	25,909	(4,329)
Bonds:			
National	43,753	43,904	(151)
Corporate	7,536	7,588	(52)
	51,289	51,492	(203)
Other	30,498	34,230	(3,731)
Subtotal	103,367	111,632	(8,264)
Total	¥1,315,428	¥1,256,199	¥59,229

Notes to Consolidated Financial Statements

2012	Millions of yen		
	Consolidated balance sheet amount	Acquisition cost	Difference
Consolidated balance sheet amount exceeding acquisition cost			
Equity stock	¥ 79,430	¥ 54,206	¥25,224
Bonds:			
National	523,306	515,157	8,149
Local	216,258	209,008	7,249
Corporate	223,158	219,388	3,769
	962,723	943,555	19,168
Other	60,245	58,119	2,126
Subtotal	1,102,400	1,055,880	46,519
Consolidated balance sheet amount not exceeding acquisition cost			
Equity stock	33,254	40,585	(7,331)
Bonds:			
National	7,995	8,002	(7)
Local	7,478	7,497	(19)
Corporate	23,010	23,197	(187)
	38,483	38,697	(214)
Other	37,594	46,570	(8,976)
Subtotal	109,331	125,853	(16,521)
Total	¥1,211,731	¥1,181,734	¥29,997

2013	Thousands of U.S. dollars		
	Consolidated balance sheet amount	Acquisition cost	Difference
Consolidated balance sheet amount exceeding acquisition cost			
Equity stock	$ 1,069,766	$ 671,527	$398,239
Bonds:			
National	5,205,681	5,086,793	118,887
Local	2,725,250	2,630,793	94,456
Corporate	2,974,617	2,908,543	66,074
	10,905,548	10,626,129	279,418
Other	912,093	872,109	39,983
Subtotal	12,887,409	12,169,767	717,641
Consolidated balance sheet amount not exceeding acquisition cost			
Equity stock	229,450	275,486	(46,036)
Bonds:			
National	465,213	466,822	(1,608)
Corporate	80,128	80,683	(555)
	545,341	547,506	(2,164)
Other	324,282	363,959	(39,677)
Subtotal	1,099,074	1,186,952	(87,878)
Total	$13,986,483	$13,356,720	$629,763

(b) Gains and losses on sale of securities available for sale for the years ended March 31, 2013 and 2012 are as follows:

2013	Millions of yen		
	Sale amount	Gains on sale	Losses on sale
Equity stock	¥ 3,952	¥ 335	¥ 842
Bonds:			
National	212,291	1,099	571
Local	2,516	17	—
Corporate	78,095	666	50
	292,903	1,782	622
Other	3,943	110	247
Total	¥300,799	¥2,228	¥1,711

2012	Millions of yen		
	Sale amount	Gains on sale	Losses on sale
Equity stock	¥ 3,452	¥ 535	¥ 921
Bonds:			
National	211,795	1,307	852
Corporate	1,919	27	—
	213,714	1,335	852
Other	4,506	28	491
Total	¥221,674	¥1,898	¥2,265

2013	Thousands of U.S. dollars		
	Sale amount	Gains on sale	Losses on sale
Equity stock	$ 42,030	$ 3,569	$ 8,957
Bonds:			
National	2,257,214	11,685	6,080
Local	26,754	185	—
Corporate	830,366	7,082	534
	3,114,335	18,953	6,614
Other	41,928	1,170	2,628
Total	$3,198,294	$23,693	$18,200

(4) Impairment losses on securities

Securities with fair values that have fallen significantly below their acquisition cost and whose fair values are not expected to recover are recorded at fair value on the consolidated balance sheet with the valuation differences are expensed on the consolidated income statement ("impairment loss").

Impairment losses for the consolidated fiscal years ended March 31, 2013 and 2012 amounted to ¥2,712 million ($28,844 thousand) (¥1,412 million ($15,019 thousand) in equity stock, other ¥1,300 million ($13,824 thousand)) and ¥111 million (¥111 million in equity stock), respectively.

The Bank has standards for determining whether fair value has decreased significantly, based on "Practical Guidelines on Accounting Standards for Financial Instruments (JICPA Accounting Practice Committee Report No. 14). The following are the details of this policy.

If, as of the end of the consolidated fiscal year, fair value has decreased by 50 percent or greater than acquisition cost, the entire holding is deemed to have decreased materially. If the decrease is between 30 percent and 50 percent, the determination shall be made in light of the issuing entity's credit risk and other factors (classification of creditor according to self-assessment; and external credit rating).

Notes to Consolidated Financial Statements

7. Matters relating to money held in trust

Money held in trust classified as held for trading purposes

Amount on the consolidated balance sheet as of March 31, 2013 and 2012 was ¥4,901 million ($52,119 thousand) and ¥4,901 million, respectively.

8. Loans and bills discounted

Loans and bills discounted as of March 31, 2013 and 2012 included the following non-performing amounts:

	Millions of yen		Thousands of U.S. dollars
	2013	2012	2013
Loans under bankruptcy	¥ 2,381	¥ 2,829	$ 25,316
Non-accrual loans	45,633	45,801	485,199
Loans past due over 3 months	423	603	4,502
Restructured loans	30,734	31,178	326,793
Total	¥79,172	¥80,413	$841,812

9. Assets pledged as collateral

Assets pledged as collateral as of March 31, 2013 and 2012 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2013	2012	2013
Assets pledged as collateral:			
Securities	¥195,230	¥203,296	$2,075,816
Liabilities corresponding to assets pledged as collateral:			
Deposits	28,519	10,984	303,239
Call money	—	4,109	—
Borrowed money	30,592	36,870	325,280

In addition to the assets presented above, the following assets were pledged as collateral for exchange clearance transactions and futures contracts at March 31, 2013 and 2012:

	Millions of yen		Thousands of U.S. dollars
	2013	2012	2013
Securities	¥39,755	¥92,569	$422,707

As of March 31, 2013 and 2012, Other assets included guarantee money and household deposits of ¥1,287 million ($13,686 thousand) and ¥1,336 million, respectively.

10. Income taxes

(1) Deferred tax assets

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

	Millions of yen		Thousands of U.S. dollars
	2013	2012	2013
Excess reserve for possible loan losses	¥14,921	¥14,353	$158,656
Valuation gain on securities available for sale	2,917	5,832	31,021
Excess reserve for employee retirement benefits	2,360	2,442	25,097
Excess depreciation	1,559	1,569	16,579
Other	4,685	3,968	49,822
Subtotal	26,444	28,165	281,178
Valuation reserve	(2,783)	(2,825)	(29,591)
Deferred tax assets	23,661	25,340	251,586
Deferred tax liabilities	(23,980)	(16,589)	(254,975)
Net deferred tax assets (liabilities)	¥ (318)	¥ 8,750	$ (3,388)

(2) Income taxes

The following table shows the major items responsible for the difference between the statutory tax rate and the effective tax rate after application of tax-effect accounting at March 31, 2013 and 2012.

	2013	2012
Statutory income tax rate	37.7%	40.4%
Reconciliation:		
Unrecognized loss carryforwards at subsidiaries	(0.2)	0.1
Non-deductible expenses, including entertainment expenses	0.7	0.6
Non-taxable income, including dividend income	(4.6)	(4.4)
Other permanent differences, including write-offs of securities with a long-term holding period	0.8	(0.3)
Per-capita resident tax	0.6	0.5
Increase (decrease) of valuation reserve	(0.8)	0.6
Decrease in term-end balance of deferred tax assets due to income tax changes	—	14.2
Other	0.8	(1.2)
Effective income tax rate under tax-effect accounting	35.0%	50.5%

11. Accumulated depreciation

Accumulated depreciation of tangible fixed assets as of March 31, 2013 and 2012 amounted to ¥37,839 million ($402,333 thousand) and ¥38,242 million, respectively.

12. Borrowed money

Borrowed money consists of loans from other financial institutions. As of March 31, 2013 and 2012, subordinated borrowings in the amount of ¥17,000 million ($180,754 thousand) and ¥17,000 million, respectively, were included in borrowed money.

13. Corporate bond

Corporate bond consists solely of subordinated bonds in the amount of ¥10,000 million ($106,326 thousand) and ¥10,000 million, as of March 31, 2013 and 2012.

14. Revaluation reserve for land

Based on the Law on the Revaluation of Land, the Bank's land was revalued on March 31, 1999.

The amounts equivalent to deferred tax on the land revaluation were recorded as deferred tax liabilities for land revaluation in liabilities, and net unrealized gains on the land revaluation were recorded as revaluation reserve for land in stockholders' equity.

As of March 31, 2013 and 2012, the difference between the carrying amount and the fair value of the land revalued was ¥15,663 million ($166,544 thousand) and ¥15,155 million, respectively.

15. Impairment losses

During the years ended March 31, 2013 and 2012, the Bank recorded losses on impairment of fixed assets as described below:

			Millions of yen	
			Loss amount	
Location	Usage	Type	2013	2012
Kagawa Pref. …	Idle assets and assets for disposal (2013: 15 items, 2012: 19 items)	Land, buildings and movables	¥31 land: 28 buildings: 2 movables: 0	¥ 54 land: 24 buildings: 28 movables: 1
Other……….	Idle assets and assets for disposal (2013: 7 items, 2012: 9 items)	Land, buildings and movables	¥24 land: 22 buildings: 1 movables: 0	¥ 82 land: 7 buildings: 70 movables: 4
Total………..			¥55 land: 51 buildings: 4 movables: 0	¥137 land: 31 buildings: 99 movables: 5

			Thousands of U.S. dollars
			Loss amount
Location	Usage	Type	2013
Kagawa Pref. …	Idle assets and assets for disposal (2013: 15 items)	Land, buildings and movables	$336 land: 304 buildings: 27 movables: 3
Other……….	Idle assets and assets for disposal (2013: 7 items)	Land, buildings and movables	$257 land: 238 buildings: 18 movables: 0
Total………..			$593 land: 543 buildings: 46 movables: 4

The Bank posted impairment losses of ¥55 million ($593 thousand) and ¥137 million, respectively, during the years ended March 31, 2013 and 2012 on land and buildings, to deal with continuous declines in land prices. The Bank reduced the book value of the assets in question to the recoverable amounts, and recorded the difference between the carrying amount and the amount deemed recoverable of each asset as a loss on impairment of fixed assets under Other expenses.

In general, the Bank treats each of its branches as a single asset group unit for recognition and measurement of impairment loss: jointly managed branches, however, are treated as a single unit. Values of idle assets and assets for disposal are measured on an individual basis.

Regarding head office buildings, operation and training centers, dormitories, and housing and welfare facilities, these facilities are classified as the Bank's common property, as it is deemed difficult to specify each asset as a source of identifiable cash flows in the future. At the Bank's consolidated subsidiaries, each business base of subsidiaries is usually considered as the smallest grouping unit. Idle assets and assets for disposal, however, are valued on an individual basis.

Recoverable amounts are measured using net selling prices; that is, the net present value of the future cash flows. Net selling prices are calculated on the basis of appraisal values of land after deduction of estimated cost of disposal, which is based on amounts computed using the method laid down by the National Tax Agency for calculation of land prices (used as the basis for computing taxable amounts as set forth in Article 16 of the Land Tax Law).

16. Matters relating to consolidated statements of comprehensive income

The amount of recycling and amount of income tax effects associated with other comprehensive income

	Millions of yen		Thousands of U.S. dollars
	2013	2012	2013
Net unrealized gains on securities, net of taxes:			
Amount recognized during the year………	¥27,079	¥3,577	$287,922
Amount of recycling………	2,172	738	23,096
Prior to income tax effect…….	29,251	4,315	311,018
Income tax effect………	(10,325)	(213)	(109,789)
Net unrealized gains on securities available for sale…..	18,925	4,101	201,228
Net deferred losses on hedges instruments, net of taxes:			
Amount recognized during the year………	(363)	(157)	(3,860)
Amount of recycling………	262	173	2,795
Prior to income tax effect…….	(100)	16	(1,064)
Income tax effect………	33	(9)	353
Deferred gains (losses) on hedges ………	(66)	6	(711)
Revaluation reserve for land:			
Amount recognized during the year………	—	—	—
Amount of recycling………	—	—	—
Prior to income tax effect…….	—	—	—
Income tax effect………	—	988	—
Revaluation reserve for land…	—	988	—
Total other comprehensive income…	¥18,858	¥5,097	$200,517

17. Finance leases

Information on finance leases for the years ended March 31, 2013 and 2012 are as follows:

1. As lessee

Finance lease transactions that do not transfer ownership

(1) Components of lease assets

(a) Tangible fixed assets

Primarily consisting of ATMs

(b) Intangible fixed assets

None

Notes to Consolidated Financial Statements

(2) Depreciation and amortization methods for lease assets

Depreciation and amortization methods for lease assets are described in Note 3. Significant accounting policies (5) Depreciation and amortization methods for lease assets.

2. As lessor

(1) Breakdown of lease investment assets

	Millions of yen		Thousands of U.S. dollars
	2013	2012	2013
Lease receivables	¥17,128	¥17,132	$182,117
Estimated residual value	1,755	1,822	18,669
Interest received	(1,919)	(2,018)	(20,405)
Lease investment assets	¥16,964	¥16,936	$180,381

(2) Schedule for collection of lease receivables and receivables on lease investment assets by leasing contract maturity

	Millions of yen	
2013	Lease receivables	Receivables on lease investment assets
Up to 1 year	¥13	¥5,510
Over 1 year, up to 2 years	13	4,258
Over 2 years, up to 3 years	11	3,248
Over 3 years, up to 4 years	6	2,271
Over 4 years, up to 5 years	3	1,135
Over 5 years	—	702

	Millions of yen	
2012	Lease receivables	Receivables on lease investment assets
Up to 1 year	¥7	¥5,708
Over 1 year, up to 2 years	7	4,344
Over 2 years, up to 3 years	7	3,112
Over 3 years, up to 4 years	5	2,129
Over 4 years, up to 5 years	0	1,211
Over 5 years	0	625

	Thousands of U.S. dollars	
2013	Lease receivables	Receivables on lease investment assets
Up to 1 year	$141	$58,595
Over 1 year, up to 2 years	140	45,280
Over 2 years, up to 3 years	118	34,540
Over 3 years, up to 4 years	65	24,157
Over 4 years, up to 5 years	32	12,070
Over 5 years	—	7,474

(3) Regarding finance lease transactions that do not transfer ownership of the leased assets to the lessee and whose date of commencement of leasing was prior to the start of application of the new accounting standards, the book value (after deduction of accumulated depreciation expenses) of the tangible fixed assets and intangible fixed assets at the end of the last business term prior to the start of application of the new accounting standards is taken as the start-of-term value of the lease assets.

Regarding the lease investment assets in question, amounts equivalent to interest receivable under the new accounting standards will be allocated on a straight-line basis to the remaining interest period.

On the assumption of application of the new accounting standards for leasing transactions at the beginning of the leasing transactions in question, net loss before income taxes and minority interests would have decreased by ¥87 million ($929 thousand) (¥127 million in the previous consolidated fiscal year) compared with the amount posted in the Consolidated Statements of Operations.

18. Financial instruments

1. Disclosures related to financial instruments

(1) Financial instrument policies

The Bank and its subsidiaries (the "Group") provides banking services, including leasing and other financial services. We limit risk within the scope of its business capacity, while realizing profits commensurate with the risk of the financial instruments held. To accomplish this goal, the Group quantifies, to the greatest extent possible, various risks related to financial instruments using statistical methods. We categorize capital (risk capital) according to the size of the risk, engaging in "integrated risk management," incorporating a capital allocation system that monitors risk versus return. We continue to improve our efficiency in risk management, ensuring greater stability and soundness for our business as a whole.

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

The major types of financial assets held by the Group are loans and bills discounted and investment securities. Loans and bills discounted are mainly for domestic corporations and individuals, and are exposed to credit risk, interest rate risk, and foreign exchange risk. If loans and bills discounted are concentrated excessively on a particular corporate group or industry type, the Group's stockholders' equity may suffer significant adverse effects. Therefore, the Group has set maximum loan balances for each corporate group or industry type, and has in place a system for monitoring compliance with these thresholds to prevent such an excessive concentration of risk.

Securities mainly consist of stocks, bonds, investment trusts and direct investments. These investments are as held-to-maturity, as a pure investment vehicle, or as part of a Group investment policy. Certain bonds are held for resale. These investments are exposed to the credit risk of the issuing body, interest rate risk, price volatility risk and/or foreign exchange risk. Securities include financial instruments with limited market liquidity, including private placement bonds underwritten by the Group, private equity shares, and direct investments.

Financial liabilities mainly consist of deposits received from domestic corporations and individuals. These financial liabilities are exposed to interest rate risk, exchange rate risk, and liquidity risk.

Derivative transactions entered into by the Group include interest rate and currency swaps, options, futures/forward contracts, and cap transactions. These transactions are generally entered into with a client to cover the underlying financial instrument. Such transactions are variously exposed to interest rate risk, foreign exchange risk, price volatility risk, and the credit risk of the counter party.

Some derivative transactions entered into by the Group involve currency swaps and foreign exchange swaps for the purpose of hedging exchange rate fluctuation risk associated with financial assets denominated in foreign currencies. Such transactions are treated as deferred hedges as defined under "JICPA Industry Audit Committee Report No. 25." The Group assesses hedge effectiveness for hedging transactions to confirm whether a position is commensurate with the value of the foreign currency-denominated financial asset subject to the hedge.

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(3) Risk Management for financial instruments

(a) Credit risk management

The Group has compiled Credit Risk Management Rules and related documents, and, under the Risk Management Committee (Credit Risk Management Subcommittee), monitors and manages credit risk exposures.

In addition, the Credit Planning Division acts as the credit risk managing department for granting and verifying internal credit ratings, measures the amount of credit risk and sets and manages credit limits. Following the organizational changes that entered effect April 2, 2012, the credit risk managing department is currently the Risk Management Division.

(b) Market risk management

The Group has defined "Market Risk Management Rules" and set up the "Risk Management Committee" and the "Market Risk Management Subcommittee," which periodically monitor the operational status of market risk management. The Group has established the "Revenue Management Committee" and "Budget ALM Subcommittee" as part of its Asset and Liability Management (ALM) system. These committees deliberate on the stability of medium- and long-term profit based on the inherent risks listed in the Risk Control Matrix and the response measures to these potential risks.

Departments involved in the execution of market transactions (Treasury and International Division) have been divided into front office (transaction execution), back office (clerical), and middle office (market risk management) roles. This creates a system of internal checks and balances, with the Risk Management Division in charge of managing overall market risk.

(i) Interest rate risk management

The Group manages interest rate risk using statistical methods to quantify the size of the interest rate risk. When deemed necessary, the Group establishes and manages limits on positions and profits and losses for securities, derivatives, and other market transactions. The Group also enters into derivative transactions for interest rate swaps to hedge interest rate risk as part of the ALM.

(ii) Foreign exchange risk management

The Group uses statistical methods to quantify and manage foreign exchange risk. The Group also establishes and manages limits on positions and profits and losses.

(iii) Price volatility risk management

The Group uses statistical methods to quantify and manage price volatility risk. The Group establishes and manages limits on positions and profits and losses.

(iv) Quantitative information regarding market risks

a. Financial instruments held for trading purposes

In measuring the VaR of interest-rate risks associated with trading securities, interest-rate futures and related transactions as well as the VaR of foreign currency exchange risks associated with foreign exchange trading and related transactions, the Hyakujushi Bank Group applies the historical simulation method with a holding period of 10 days, level of confidence of 99% and observation period of 1,200 business days. As of March 31, 2013 (the consolidated balance sheet date), the volume of the aforementioned risks (estimated amount of loss) amounted to ¥7 million ($74 thousand) (compared with ¥8 million at the end of the previous consolidated fiscal year).

b. Financial instruments not held for trading purposes

In measuring the VaR of interest-rate risks associated with loans and bills discounted, investment securities, deposits, and interbank, interest-rate swap and related transactions, as well as the VaR for volatility risks associated with the prices of publicly listed company shares, the Hyakujushi Bank Group applies the historical simulation method with a holding period of 120 days, confidence of 99% and observation period of 1,200 business days. As of March 31, 2013, the volume of the aforementioned risks (taking into consideration the correlation or reciprocal risks) amounted to ¥44,141 million ($469,335 thousand) (compared with ¥36,578 million in the end of the previous fiscal year). Results of statistical analysis are used for liquid deposits, which are recognized as being in part long-term fixed procurement and as such subject to interest-rate risk.

In addition, in measuring the VaR of price volatility risks of investment trusts, the Hyakujushi Bank Group applies the variance-covariance method with a holding period of 20 days, confidence interval of 99% and observation period of 240 business days, while in measuring the VaR of risks involving interest rates of money held in trust, price volatility or exchange rates, the Group applies the historical simulation method with a holding period of 20 days, confidence interval of 99% and observation period of 1,200 business days. As of March 31, 2013, the volume of the aforementioned risks amounted to ¥1,955 million ($20,786 thousand) (compared to ¥1,815 million in the end of the previous fiscal year).

c. VaR

The Hyakujushi Bank Group uses back testing to compare the VaR computed by the models and the hypothesized gain/loss (gain or loss assumed generated when the portfolio is fixed at the time of measuring the VaR) to verify the reliability of these measured models.

However, VaR determined using the historical simulation and variance covariance methods is a measure of the volume of market risk at a certain event probability statistically computed utilizing changes in historical market data. In this context, there are cases in which VaR cannot capture risk under sudden and dramatic changes in the market beyond normal circumstances.

d. Liquidity risk management

The Group has established "Liquidity Risk Management Rules" and other related guidelines as a basis for managing liquidity risk. The Group has also established "Liquidity Crisis Response Rules" to ensure a prompt response to unexpected situations that may affect cash management. These rules assume that unexpected situations will arise and classifies them into the categories of "caution" and "crisis" categories, thereby enabling the Group to respond in a timely and appropriate manner.

The Liquidity Risk Management Department (Treasury and International Division) performs daily and monthly cash projections to ensure proper and stable cash management based on the Group's investment/acquisition structure, ensuring sufficient liquidity reserves. The Liquidity Risk Management Department is also responsible for identifying, analyzing, assessing and monitoring liquidity risk in consideration of internal and external factors that may have an impact on said risk.

e. Supplementary information regarding fair value of financial instruments

The fair value of financial instruments includes their respective market prices, and rationally calculated values if the fair value of the financial instrument is not available. Certain assumptions are used to calculate said values, and said values may vary when differing assumptions are used.

2. Fair value of financial instruments

The consolidated balance sheet amount, fair values and the differences as of March 31, 2013 are as follows. Private equity shares or other shares whose fair values are not readily determinable are not included in the following table.

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2013	Millions of yen Consolidated balance sheet amount	Fair value	Difference
(1) Cash and due from banks	¥ 136,427	¥ 136,427	¥ —
(2) Call loans and bills bought	6,301	6,301	—
(3) Trading account securities and securities available for sale	49	49	—
(4) Money held in trust	4,901	4,901	—
(5) Securities			
Held-to-maturity debt securities	0	0	0
Other securities	1,314,929	1,314,929	—
(6) Loans and bills discounted	2,528,403		
Reserve for possible loan losses	(23,068)		
	2,505,334	2,528,130	22,796
Total Assets *2	3,967,944	3,990,740	22,796
(1) Deposits	3,420,759	3,421,279	520
(2) Negotiable certificates of deposit	231,706	231,746	39
(3) Call money and bills sold	51,915	51,915	—
(4) Borrowed money	73,654	73,709	55
(5) Corporate bonds	10,000	10,099	99
Total Liabilities *2	3,788,035	3,788,750	714
Derivative Transactions *1			
Not subject to hedge accounting	10,963	10,963	—
Subject to hedge accounting	(2,128)	(2,128)	—
Total Derivative Transactions	¥ 8,834	¥ 8,834	¥ —

2012	Millions of yen Consolidated balance sheet amount	Fair value	Difference
(1) Cash and due from banks	¥ 224,295	¥ 224,295	¥ —
(2) Call loans and bills bought	2,465	2,465	—
(3) Trading account securities and securities available for sale	264	264	—
(4) Money held in trust	4,901	4,901	—
(5) Securities			
Held-to-maturity debt securities	2	2	0
Other securities	1,211,731	1,211,731	—
(6) Loans and bills discounted	2,424,741		
Reserve for possible loan losses	(23,967)		
	2,400,773	2,422,640	21,867
Total Assets *2	3,844,435	3,866,302	21,867
(1) Deposits	3,382,241	3,383,044	802
(2) Negotiable certificates of deposit	201,707	201,750	42
(3) Call money and bills sold	24,657	24,657	—
(4) Borrowed money	79,775	79,842	66
(5) Corporate bonds	10,000	10,050	50
Total Liabilities *2	3,698,382	3,699,344	961
Derivative Transactions *1			
Not subject to hedge accounting	20,466	20,466	—
Subject to hedge accounting	(1,240)	(1,240)	—
Total Derivative Transactions	¥ 19,226	¥ 19,226	¥ —

2013	Thousands of U.S. dollars Consolidated balance sheet amount	Fair value	Difference
(1) Cash and due from banks	$ 1,450,580	$ 1,450,580	$ —
(2) Call loans and bills bought	67,000	67,000	—
(3) Trading account securities and securities available for sale	528	528	—
(4) Money held in trust	52,119	52,119	—
(5) Securities			
Held-to-maturity debt securities	7	7	0
Other securities	13,981,173	13,981,173	—
(6) Loans and bills discounted	26,883,604		
Reserve for possible loan losses	(245,279)		
	26,638,325	26,880,710	242,385
Total Assets *2	42,189,734	42,432,119	242,385
(1) Deposits	36,371,709	36,377,244	5,534
(2) Negotiable certificates of deposit	2,463,657	2,464,076	419
(3) Call money and bills sold	552,000	552,000	—
(4) Borrowed money	783,137	783,728	591
(5) Corporate bonds	106,326	107,382	1,055
Total Liabilities *2	40,276,830	40,284,431	7,601
Derivative Transactions *1			
Not subject to hedge accounting	116,569	116,569	—
Subject to hedge accounting	(22,632)	(22,632)	—
Total Derivative Transactions	$ 93,937	$ 93,937	$ —

*1 All derivative transactions recorded in Other assets and Other liabilities are presented in one line item on a net basis. Net payables and receivables resulting from derivative transactions are presented at net of tax. Items that come to net payables in the aggregate are presented in parentheses.

*2 Monetary claims bought and foreign exchange, lease receivables and lease investment assets, which are presented under "Assets," as well as foreign exchange, which is presented under "Liabilities," have been omitted from the consolidated balance sheet due to the immaterial nature of these amounts.

Calculation method for fair value of financial instruments

Assets

(1) Cash and due from banks

The fair value of due from banks with no maturity date is valued at book value, since the book value approximates the fair value. Due from banks with a maturity date is valued at present value in each category by deposit term, discounting by an assumed applicable interest rate when new deposit are accepted.

Items with a short contract period are valued at book value, since book value approximates their fair value.

(2) Call loans and bills bought

Items with a short contract period are valued at book value, since the book value approximates their fair value.

(3) Trading account securities

Corporate bonds and other available-for-sale securities are valued at market prices and internal model.

(4) Securities

Stocks and corporate bonds are valued at market prices. Investment trusts are valued at their published base price.

Private placement bonds guaranteed by the Group are categorized according to internal credit rating and maturity, and valued at fair value, discounting by a projected interest rate applicable when a bond

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in the same total amount of principal and interest is issued.

Considering the recent market environment, the Group had determined that market prices could no longer be considered fair value of floating rate government bonds. Accordingly, the Group had decided to record these instruments at a rationally calculated value instead of market prices on the consolidated balance sheet from the end of the consolidated fiscal year ended March 31, 2009 onward. However, as the disparity between the desired prices of sellers and those of buyers was considered no longer significantly large, the Group has decided to record these instruments at market prices on the consolidated balance sheet as fair value as of the end of the fiscal year ended March 31, 2013.

Consequently, in comparison with rationally calculated prices recorded on the consolidated balance sheet, securities, valuation difference of other securities and deferred tax liabilities decreased by ¥487 million ($5,185 thousand), ¥315 million ($3,354 thousand) and ¥172 million ($1,830 thousand), respectively as of March 31, 2013.

See the section under "Securities and trading account securities" for further information about the securities by intent of holding.

(5) Loans and bills discounted

Loans and bills discounted are valued at present value in each category by internal rating and maturity, discounting the total amount of principal and interest by an assumed applicable interest rate when similar loans are made.

Loans to borrowers who are bankrupt, substantially bankrupt, or likely to go bankrupt are valued net of the estimated uncollectible amount based on the current value of estimated future cash flows, or the estimated collectible portion based on the collateral or guarantee underlying the loan. As such, the balance of the loan on the consolidated balance sheet as of the last day of the fiscal period less the current estimated uncollectible amount approximates the fair value.

For loans and bills discounted with no repayment deadline, due to their nature, such as the limited range of pledged assets for said loans, their fair values are valued at book value, because they are assumed to approximate the fair values due to expected repayment deadlines and interest rate conditions.

Liabilities

(1) Deposits and (2) Negotiable certificates of deposit

The Group considers the fair value of demand deposits to be the payment (book value) of the instrument as if demanded on the last day of the consolidated fiscal year. The fair value of time deposits is valued at present value in each category by specific deposit term, discounting future cash flow by the interest rate used when accepting new deposits. Since book value approximates fair value for items with a short deposit term, the book value shall be the fair value for these instruments.

(3) Call money and bills sold

Due to the short contract period of these instruments, the Group considers their book value to approximate the fair value.

(4) Borrowed money

Borrowed money subject to variable interest rates reflects market interest rates over a short-term. As the credit status of the Bank and its consolidated subsidiaries has not significantly changed since these transactions were executed the Group believes that the book value approximates the fair value of these instruments. The fair value for borrowed money subject to fixed interest rates is valued at present value, discounting the total amount of principal and interest categorized by specific term by an assumed applicable interest rate when similar borrowings are entered into.

(5) Corporate bonds

The fair value of corporate bonds is valued at present value by discounting the total amount of principal and interest by an assumed applicable interest rate when similar corporate bonds are issued.

Derivative Transactions

See the section under "(Derivative Transactions)" for further information about derivatives.

The following are financial instruments whose fair values are not readily determinable as of March 31, 2013. These are not included in the "Assets (4) Securities" section under fair value information for financial instruments.

Category	Millions of yen Consolidated balance sheet amount	Thousands of U.S. dollars Consolidated balance sheet amount
1. Private equity shares *1*2	¥2,614	$27,794
2. Investment in partnership *3	361	3,842
Total	¥2,975	$31,636

*1 As private equity shares have no market price, and their fair values are not readily determinable, their fair values are not stated.
*2 The Group recorded a ¥24 million ($264 thousand) impairment loss for unlisted equity stock for the consolidated fiscal year ended March 31, 2013.
*3 For investments in partnership for which the fair value is not readily determinable, the fair value has not been disclosed because the underlying partnership assets are comprised of unlisted equity stock.

Estimated redemption amounts of monetary claims and securities with maturities after the consolidated fiscal year as of March 31, 2013

	Millions of yen					
	Up to 1 year	Over 1 year, up to 3 years	Over 3 years, up to 5 years	Over 5 years, up to 7 years	Over 7 years, up to 10 years	Over 10 years
Deposits	¥ 101,925	¥ —	¥ —	¥ —	¥ —	¥ —
Call loans and bills bought	6,301	—	—	—	—	—
Monetary claims bought	30,641	1,000	569	—	—	1,656
Securities:						
Held-to-maturity debt securities	0	—	—	—	—	—
Local government bonds	0	—	—	—	—	—
Other securities with maturities	98,534	322,496	235,218	190,531	324,097	5,843
National government bonds	25,531	145,429	91,045	122,036	143,462	5,843
Local government bonds	24,847	83,711	45,093	25,694	76,962	—
Corporate bonds	33,683	58,383	66,996	31,047	97,187	—
Other	14,472	34,972	32,082	11,752	6,485	—
Loans and bills discounted*	1,121,016	406,913	283,504	166,591	164,240	298,876
Total	¥1,358,420	¥730,410	¥519,291	¥357,122	¥488,337	¥306,375

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	Thousands of U.S. dollars					
	Up to 1 year	Over 1 year, up to 3 years	Over 3 years, up to 5 years	Over 5 years, up to 7 years	Over 7 years, up to 10 years	Over 10 years
Deposits	$ 1,083,738	$ —	$ —	$ —	$ —	$ —
Call loans and bills bought	67,000	—	—	—	—	—
Monetary claims bought	325,797	10,632	6,052	—	—	17,615
Securities:						
Held-to-maturity debt securities	7	—	—	—	—	—
Local government bonds	7	—	—	—	—	—
Other securities with maturities	1,047,684	3,428,992	2,500,992	2,025,848	3,446,013	62,126
National government bonds	271,463	1,546,298	968,052	1,297,572	1,525,380	62,126
Local government bonds	264,195	890,078	479,466	273,201	818,309	—
Corporate bonds	358,143	620,770	712,353	330,117	1,033,362	—
Other	153,883	371,845	341,120	124,957	68,961	—
Loans and bills discounted*	11,919,368	4,326,570	3,014,399	1,771,311	1,746,305	3,177,841
Total	$14,443,597	$7,766,195	$5,521,444	$3,797,160	$5,192,319	$3,257,583

*Among loans and bills discounted, ¥48,020 million ($510,587 thousand) in loans for bankrupt, substantially bankrupt and likely to go bankrupt borrowers or other loans of which repayment is not expected, and ¥39,239 million ($417,218 thousand) in loans with no established maturity have not been included.

Corporate bonds, borrowed money and other interest-bearing debt scheduled to be repaid after the end of the consolidated fiscal year as of March 31, 2013

	Millions of yen					
	Up to 1 year	Over 1 year, up to 3 years	Over 3 years, up to 5 years	Over 5 years, up to 7 years	Over 7 years, up to 10 years	Over 10 years
Deposits*	¥3,124,940	¥285,112	¥ 9,056	¥ 985	¥ 663	¥ —
Negotiable certificates of deposit	231,706	—	—	—	—	—
Call money and bills sold	51,915	—	—	—	—	—
Borrowed money	38,516	10,433	5,113	14,158	5,173	258
Corporate bonds	—	—	—	—	10,000	—
Total	¥3,447,079	¥295,546	¥14,170	¥15,144	¥15,836	¥258

	Thousands of U.S. dollars					
	Up to 1 year	Over 1 year, up to 3 years	Over 3 years, up to 5 years	Over 5 years, up to 7 years	Over 7 years, up to 10 years	Over 10 years
Deposits*	$33,226,370	$3,031,502	$ 96,295	$ 10,483	$ 7,057	$ —
Negotiable certificates of deposit	2,463,657	—	—	—	—	—
Call money and bills sold	552,000	—	—	—	—	—
Borrowed money	409,530	110,936	54,373	150,540	55,003	2,752
Corporate bonds	—	—	—	—	106,326	—
Total	$36,651,558	$3,142,439	$150,668	$161,023	$168,387	$2,752

*Among deposits, demand deposits are included in "Up to 1 year."

19. Accrued retirement benefits

(1) Retirement benefits plan

The Bank and its consolidated domestic subsidiaries have established a defined-benefit corporate pension plan and lump-sum payment plan, as well as a defined contribution pension plan. Additionally, in some cases, a premium severance package is provided to employees on their retirement. In addition, the Bank has set up a retirement benefit trust.

Plan	Companies adopting the plan	Establishment
Lump-sum payment plan	The Bank and its 11 consolidated subsidiaries	The Bank inauguration
Defined-benefit corporate pension plan	The Bank	2004
Defined-contribution pension plan	11 companies	2011

(2) Accrued retirement benefits

Accrued retirement benefits as of March 31, 2013 and 2012 were calculated as below:

	Millions of yen		Thousands of U.S. dollars
	2013	2012	**2013**
Retirement benefit obligation	**¥(47,154)**	¥(40,409)	**$(501,381)**
Fair value of pension assets	**44,266**	39,430	**470,672**
Benefit obligation excess of pension assets	**(2,888)**	(979)	**(30,708)**
Unrecognized actuarial loss	**6,555**	4,164	**69,702**
Net retirement benefit obligation	**3,667**	3,185	**38,993**
Prepaid pension costs	**4,172**	3,923	**44,362**
Accrued retirement benefits	**¥ (504)**	¥ (738)	**$ (5,369)**

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(3) Retirement benefits expenses

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

	Millions of yen		Thousands of U.S. dollars
	2013	2012	**2013**
Service costs	**¥1,199**	¥1,204	**$12,758**
Interest costs	**805**	808	**8,561**
Estimated return on pension assets	**(450)**	(430)	**(4,794)**
Amortization of actuarial difference	**731**	1,107	**7,783**
Total retirement benefits expenses	**2,286**	2,690	**24,308**
Gain on abolishment of retirement benefit plan	**—**	(107)	**—**
Total	**¥2,286**	¥2,583	**$24,308**

(4) Basis of computation

The above computations for 2013 and 2012 were based on the following assumptions:

	2013	2012
Discount rate	**0.92%**	2.00%
Expected rate of return on pension assets	**2.00%**	2.00%

20. Stock options

1. Stock option expenses and accounts for the consolidated fiscal years ended March 31, 2013 and 2012

	Millions of yen		Thousands of U.S. dollars
	2013	2012	**2013**
Operating expense	**¥47**	¥51	**$506**

2. Stock option details, size, and changes

(1) Stock option details

	2009 stock options	2010 stock options	2011 stock options	2012 stock options
Category and number of grant recipients	The bank's twelve directors	The bank's ten directors	The bank's ten directors	The bank's ten directors
Type and number of stock options granted (Note)	Common stock: 128,500 shares	Common stock: 159,000 shares	Common stock: 187,300 shares	Common stock: 175,000 shares
Grant date	July 24, 2009	July 26, 2010	July 26, 2011	July 24, 2012
Vesting terms	No vesting terms	No vesting terms	No vesting terms	No vesting terms
Service period	No service period specified	No service period specified	No service period specified	No service period specified
Exercise period	July 25, 2009 to July 24, 2039	July 27, 2010 to July 26, 2040	July 27, 2011 to July 26, 2041	July 25, 2012 to July 24, 2042

Note: Converted to equivalent number of shares.

(2) Stock option size and changes

(a) Number of stock options

	2009 stock options	2010 stock options	2011 stock options	2012 stock options
Prior to vesting (shares):				
Prior fiscal year end	79,900	142,700	187,300	—
Granted	—	—	—	175,000
Expired	—	—	—	—
Vested shares	21,100	43,300	66,800	14,600
Unvested shares	58,800	99,400	120,500	160,400
After vesting (shares):				
Prior fiscal year end	—	—	—	—
Vested shares	21,100	43,300	66,800	14,600
Exercised	21,100	43,300	66,800	14,600
Expired	—	—	—	—
Unexercised	—	—	—	—

(b) Unit price information (in year)

	2009 stock options	2010 stock options	2011 stock options	2012 stock options
Exercise price	Per share: ¥1	Per share: ¥1	Per share: ¥1	Per share: ¥1
Average price at exercise	Per share: ¥314	Per share: ¥314	Per share: ¥312	Per share: ¥309
Fair value on grant date	Per share: ¥418	Per share: ¥315	Per share: ¥279	Per share: ¥256

3. Method for estimating fair value of stock options

The following method was used to estimate the fair value of 2012 stock options granted during the consolidated fiscal year ended March 31, 2013.

(1) Valuation technique: Black-Scholes formula

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(2) Important assumptions and estimation methods

	2012 stock options
Stock volatility (Note 1)	27.4%
Projected remaining years (Note 2)	3.7 years
Projected dividend (in year) (Note 3)	Per share: ¥7
Risk-free interest rate (Note 4)	0.11%

Notes: 1. Calculated weekly for the period beginning the week of November 3, 2008 through the week of July 18, 2012 based on actual market prices.
2. Estimated according to the average remaining tenures of directors as of the date of issuance based on the average service period from the date of assumption of office to the date of resignation, or the period from the date of assumption of office to the issuance date.
3. Actual dividends for the fiscal year ended March 2012.
4. Yield of government bonds during the period of estimated remaining years.

4. Method for estimating number of vested stock options
In general, as it is difficult to rationally estimate the future number of expired stock options only the actual number of expired stock options is reflected.

21. Derivative transactions

(1) Type of transactions

The Bank and its consolidated subsidiaries undertake the following derivatives transactions: in interest-rate related transactions, we handle interest-rate futures, interest-rate options, and interest-rate swaps; in currency-related transactions, we handle forward exchange contracts, currency options, and currency swaps; and in securities-related transactions, we handle bond futures, and bond options.

(2) Aims and policy

The Bank offers derivative products to meet customer needs, and to minimize risk from exchange rate and interest rate fluctuations regarding the Bank's assets and liabilities.

Market prices of interest-rate swap transactions as of March 31, 2013 and 2012 were as follows:

	Millions of yen			
	Contracted value			Appraised
2013	Total	Over 1 year	Fair value	profit/(loss)
Over the counter				
Interest-rate swaps:				
Fixed rate receivable/ variable rate payable	¥67,436	¥64,972	¥1,385	¥1,385
Variable rate receivable/ fixed rate payable	67,436	64,972	(658)	(658)
Others:				
Sell	2,788	2,596	7	105
Buy	2,788	2,596	7	(20)
Total			¥ 741	¥ 811

	Millions of yen			
	Contracted value			Appraised
2012	Total	Over 1 year	Fair value	profit/(loss)
Over the counter				
Interest-rate swaps:				
Fixed rate receivable/ variable rate payable	¥51,425	¥49,472	¥1,047	¥1,047
Variable rate receivable/ fixed rate payable	51,425	49,472	(589)	(589)
Others:				
Sell	2,967	2,809	3	84
Buy	2,967	2,809	3	(19)
Total			¥ 465	¥ 522

	Thousands of U.S. dollars			
	Contracted value			Appraised
2013	Total	Over 1 year	Fair value	profit/(loss)
Over the counter				
Interest-rate swaps:				
Fixed rate receivable/ variable rate payable	$717,023	$690,825	$14,730	$14,730
Variable rate receivable/ fixed rate payable	717,023	690,825	(7,002)	(7,002)
Others:				
Sell	29,648	27,608	75	1,116
Buy	29,648	27,608	75	(217)
Total			$ 7,880	$ 8,627

Market price of currency-related swap transactions as of March 31, 2013 and 2012 were as follows:

	Millions of yen			
	Contracted value			Appraised
2013	Total	Over 1 year	Fair value	profit/(loss)
Over the counter				
Currency swaps	¥227,037	¥133,143	¥ 148	¥ 148
Forward exchange contracts:				
Sell	117,668	10,373	(2,766)	(2,766)
Buy	52,434	12,324	3,280	3,280
Currency options:				
Sell	105,623	60,412	4,780	4,440
Buy	105,623	60,412	4,780	(3,009)
Total			¥10,222	¥2,093

	Millions of yen			
	Contracted value			Appraised
2012	Total	Over 1 year	Fair value	profit/(loss)
Over the counter				
Currency swaps	¥148,475	¥125,999	¥ 189	¥ 189
Forward exchange contracts:				
Sell	60,917	5,671	2,283	2,283
Buy	62,492	6,246	(1,813)	(1,813)
Currency options:				
Sell	109,397	65,118	9,671	1,234
Buy	109,397	65,118	9,671	392
Total			¥20,001	¥2,286

	Thousands of U.S. dollars			
	Contracted value			Appraised
2013	Total	Over 1 year	Fair value	profit/(loss)
Over the counter				
Currency swaps	$2,414,012	$1,415,663	$ 1,580	$ 1,580
Forward exchange contracts:				
Sell	1,251,126	110,300	(29,419)	(29,419)
Buy	557,517	131,040	34,880	34,880
Currency options:				
Sell	1,123,060	642,344	50,824	47,212
Buy	1,123,060	642,344	50,824	(31,998)
Total			$108,689	$22,255

Notes: 1. The above transactions were listed at market values and recognized gains (losses) were included in the consolidated statements of income.
2. The derivatives transactions for which hedge accounting has been applied were excluded from the above table.
3. Market values for over the counter transactions were calculated at discounted present values and formulas for option prices.

Notes to Consolidated Financial Statements

(3) Derivative transactions subject to hedge accounting

The following are the contracted value, or the equivalent principal, and the fair value for each type of derivative transaction subject to hedge accounting as of the end of the consolidated fiscal year, as well as the market price calculation method. The contracted value or other price or value below does not indicate by itself the market risk of the derivative transaction.

(a) Interest rate transactions

As of March 31, 2012

None

As of March 31, 2013

			Millions of yen		
Hedge accounting method	Type	Main hedged item	Contracted value	Contracted value over 1 year	Fair value
General accounting rules	Interest-rate swaps Variable rate receivable/ fixed rate payable	Other securities (bonds)	¥15,000	¥15,000	¥(199)
	Total	—	¥ —	¥ —	¥(199)

			Thousands of U.S. dollars		
Hedge accounting method	Type	Main hedged item	Contracted value	Contracted value over 1 year	Fair value
General accounting rules	Interest-rate swaps Variable rate receivable/ fixed rate payable	Other securities (bonds)	$159,489	$159,489	$(2,120)
	Total	—	$ —	$ —	$(2,120)

Note: In general deferred hedge accounting is applied according to "Accounting and Auditing Treatment relating to the Adoption of 'Accounting for Financial Instruments' for Banks" (JICPA Audit Committee Report No. 24)

(b) Currency transactions (as of March 31, 2013)

As of March 31, 2013

			Millions of yen		
Hedge accounting method	Type	Main hedged item	Contracted value	Contracted value over 1 year	Fair value
General accounting rules	Currency swaps	Foreign currency receivables	¥12,226	¥—	¥(2,003)
	Monetary swaps		54,767	—	74
	Total	—	¥ —	¥—	¥(1,929)

As of March 31, 2012

			Millions of yen		
Hedge accounting method	Type	Main hedged item	Contracted value	Contracted value over 1 year	Fair value
General accounting rules	Currency swaps	Foreign currency receivables	¥10,684	¥—	¥ (738)
	Monetary swaps		21,484	—	(501)
	Total	—	¥ —	¥—	¥(1,240)

As of March 31, 2013

			Thousands of U.S. dollars		
Hedge accounting method	Type	Main hedged item	Contracted value	Contracted value over 1 year	Fair value
General accounting rules	Currency swaps	Foreign currency receivables	$130,000	$—	$(21,306)
	Monetary swaps		582,327	—	794
	Total	—	$ —	$—	$(20,511)

Notes: 1. In general, deferred hedge accounting is applied according to "Accounting and Auditing for Foreign Currency Transactions in the Banking Industry" (JICPA Industry Audit Committee Report No. 25).
2. Calculation of fair value
Calculated at discounted present value.

(c) Equity stock transactions (as of March 31, 2013 and 2012)

None

(d) Bond transactions (as of March 31, 2013 and 2012)

None

Notes to Consolidated Financial Statements

22. Segment information

(1) Overview of reportable segments

Reportable segments are the Group's constituent business units for which separate financial data can be obtained and that are examined periodically by the Board of Directors for the purposes of determining the allocation of management resources and evaluating operating results.

The Group is engaged mainly in banking activities. Consolidated subsidiaries provide financial services primarily engaging in leasing activities. The Bank and its individual consolidated subsidiaries, which comprise a corporate group, each prepare business and other plans while developing business activities.

As a result, the Group has identified the two reportable segments of banking and leasing, which comprise the basic segments of the Bank and its individual consolidated subsidiaries by operation. Operations under the banking segment include the provision of services relating deposits, loans, marketable security and related investment as well as foreign currency exchange. Operations under the leasing segment include leasing and other operations conducted by 114 Lease Co., Ltd.

(2) Calculation methods for ordinary income, profit and loss, assets and liabilities and other items by reportable segment

The method of accounting treatment applied to reportable segments is the same as that described in "Notes to Consolidated Financial Statements."

Moreover, reportable segment profit is based on ordinary profit.

Intersegment ordinary income is based on transaction prices between third parties.

(3) Information regarding ordinary income, profit and loss, assets and liabilities and other items by reportable segment

Information about industry segments of the Bank and its consolidated subsidiaries for the years ended March 31, 2013 and 2012 is as follows:

	Millions of yen						
2013	Banking	Leasing	Total	Other businesses	Total	Adjustment	Consolidated total
Ordinary income:							
Outside customers	¥ 65,599	¥ 6,849	¥ 72,448	¥ 2,241	¥ 74,690	¥ —	¥ 74,690
Inter-segment transactions	375	784	1,159	4,266	5,426	(5,426)	—
Total	¥ 65,975	¥ 7,633	¥ 73,608	¥ 6,507	¥ 80,116	¥ (5,426)	¥ 74,690
Segment profit	¥ 8,951	¥ 268	¥ 9,220	¥ 1,724	¥ 10,944	¥ (89)	¥ 10,854
Segment assets	¥4,117,713	¥24,954	¥4,142,668	¥30,234	¥4,172,903	¥(38,574)	¥4,134,329
Segment liabilities	¥3,886,766	¥21,285	¥3,908,052	¥11,527	¥3,919,579	¥(36,672)	¥3,882,906
Other items:							
Depreciation	¥ 2,946	¥ 114	¥ 3,061	¥ 384	¥ 3,446	¥ 122	¥ 3,568
Interest income	50,494	105	50,599	553	51,152	(606)	50,546
Interest expenses	3,732	184	3,917	96	4,014	(645)	3,368
Increases in property, plant and equipment and intangible assets	2,861	6	2,868	362	3,230	65	3,296

	Millions of yen						
2012	Banking	Leasing	Total	Other businesses	Total	Adjustment	Consolidated total
Ordinary income:							
Outside customers	¥ 67,491	¥ 7,069	¥ 74,560	¥ 2,384	¥ 76,945	¥ —	¥ 76,945
Inter-segment transactions	407	875	1,282	4,157	5,440	(5,440)	—
Total	¥ 67,898	¥ 7,945	¥ 75,843	¥ 6,542	¥ 82,385	¥ (5,440)	¥ 76,945
Segment profit	¥ 12,526	¥ 491	¥ 13,017	¥ 1,531	¥ 14,548	¥ (473)	¥ 14,075
Segment assets	¥4,002,569	¥24,949	¥4,027,518	¥29,842	¥4,057,361	¥(38,465)	¥4,018,896
Segment liabilities	¥3,794,197	¥21,574	¥3,815,772	¥11,888	¥3,827,660	¥(36,619)	¥3,791,041
Other items:							
Depreciation	¥ 3,607	¥ 118	¥ 3,726	¥ 370	¥ 4,096	¥ 215	¥ 4,312
Interest income	52,168	103	52,272	593	52,865	(631)	52,234
Interest expenses	3,970	210	4,181	100	4,282	(674)	3,607
Increases in property, plant and equipment and intangible assets	3,350	7	3,357	803	4,161	119	4,281

Notes to Consolidated Financial Statements

2013	Thousands of U.S. dollars Banking	Leasing	Total	Other businesses	Total	Adjustment	Consolidated total
Ordinary income:							
Outside customers	$ 697,496	$ 72,827	$ 770,324	$ 23,828	$ 794,152	$ —	$ 794,152
Inter-segment transactions	3,993	8,340	12,333	45,367	57,700	(57,700)	—
Total	$ 701,490	$ 81,167	$ 782,657	$ 69,195	$ 851,853	$ (57,700)	$ 794,152
Segment profit	$ 95,177	$ 2,855	$ 98,033	$ 18,339	$ 116,372	$ (956)	$ 115,416
Segment assets	$43,782,178	$265,337	$44,047,515	$321,476	$44,368,991	$(410,145)	$43,958,846
Segment liabilities	$41,326,599	$226,326	$41,552,925	$122,563	$41,675,489	$(389,928)	$41,285,560
Other items:							
Depreciation	$ 31,333	$ 1,216	$ 32,550	$ 4,090	$ 36,640	$ 1,302	$ 37,943
Interest income	536,889	1,116	538,006	5,884	543,890	(6,452)	537,437
Interest expenses	39,688	1,965	41,653	1,031	42,685	(6,867)	35,817
Increases in property, plant and equipment and intangible assets	30,428	69	30,498	3,850	34,349	698	35,047

Notes: 1. In place of sales which are usually posted by companies other than banks, the Bank and its consolidated subsidiaries report ordinary income. In addition, adjusted differences are recorded as the difference between ordinary income and ordinary income recorded on consolidated statements of income.
2. The Other businesses segment is comprised of business segments not included in reportable segments and mainly consists of credit card and credit guarantee operations.
3. The adjusted amounts of segment profit, segment assets, segment liabilities, depreciation, interest income, interest expenses and the amount of increase in tangible fixed assets and intangible fixed assets are recorded as eliminations.
4. Segment profit is adjusted with ordinary profit recorded on consolidated statements of income.

(Associated information)

Information on Each Service

2013	Millions of yen Lending services	Securities investment services	Leasing services	Other	Total
Income from external customers	¥36,312	¥17,821	¥6,849	¥13,706	¥74,690

2012	Millions of yen Lending services	Securities investment services	Leasing services	Other	Total
Income from external customers	¥37,566	¥17,580	¥7,069	¥14,728	¥76,945

2013	Thousands of U.S. dollars Lending services	Securities investment services	Leasing services	Other	Total
Income from external customers	$386,099	$189,488	$72,827	$145,738	$794,152

23. Related-party transactions

Not applicable to the years ended March 31, 2013 and 2012.

24. Per share data

	Yen 2013	2012	U.S. dollars 2013
Net assets per share	¥773.81	¥700.36	$8.227
Net income per share	19.29	18.92	0.205
Net diluted earnings per share	19.27	18.90	0.204

Notes: 1. The net assets per share figure is calculated on the basis of the following.

	Millions of yen, except number of shares 2013	2012	Thousands of U.S. dollars 2013
Net assets	¥251,422	¥227,854	$2,673,285
Amount excluded from net assets	16,444	15,770	174,846
New share subscription right	120	117	1,279
(of which, held by minority interests)	16,324	15,652	173,567
Net assets attributable to common stock at the fiscal year-end	234,978	212,084	2,498,439
Number of common stock shares at fiscal year-end used for calculation of net assets per share (in thousands)	303,663	302,820	

2. Net income per share is calculated on the basis of the following.

	Millions of yen, except number of shares 2013	2012	Thousands of U.S. dollars 2013
Net income per share			
Net income	¥5,851	¥5,813	$62,221
Amount not attributable to common stockholders			
Net income attributable to common stock	5,851	5,813	62,221
Average number of shares of common stock during the year (in thousands)	303,255	307,130	
Diluted earnings per share			
Increase in number of common stock shares	396	317	
New subscription rights	396	317	

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Independent Auditor's Report

The Board of Directors
The Hyakujushi Bank, Ltd.

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

Management's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. The purpose of an audit of the consolidated financial statements is not to express an opinion on the effectiveness of the entity's internal control, but in making these risk assessments the auditor considers internal controls 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. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

Opinion

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

Convenience Translation

We have reviewed the translation of these consolidated financial statements into U.S. dollars, presented for the convenience of readers, and, in our opinion, the accompanying consolidated financial statements have been properly translated on the basis described in Note 1.

Ernst & Young ShinNihon LLC

June 27, 2013
Tokyo, Japan

Non-Consolidated Balance Sheets (Unaudited)

	Millions of yen		Thousands of U.S. dollars
As of March 31	**2013**	2012	**2013**
Assets:			
Cash and due from banks	**¥ 136,307**	¥ 224,219	**$ 1,449,309**
Call loans	**6,301**	2,465	**67,000**
Monetary claims bought	**33,867**	33,378	**360,098**
Trading account securities	**49**	264	**528**
Money held in trust	**4,901**	4,901	**52,119**
Securities	**1,319,325**	1,216,133	**14,027,920**
Loans and bills discounted	**2,536,687**	2,433,388	**26,971,693**
Foreign exchange assets	**7,382**	5,470	**78,493**
Other assets	**37,080**	36,717	**394,268**
Tangible fixed assets	**39,980**	39,545	**425,095**
Intangible fixed assets	**3,766**	4,686	**40,048**
Deferred tax assets	**—**	7,218	**—**
Customers' liabilities for acceptances and guarantees	**15,882**	18,018	**168,868**
Reserve for possible loan losses	**(23,821)**	(23,841)	**(253,288)**
Total assets	**¥4,117,711**	¥4,002,567	**$43,782,154**

Non-Consolidated Balance Sheets (Unaudited)

As of March 31	Millions of yen 2013	Millions of yen 2012	Thousands of U.S. dollars 2013
Liabilities and net assets			
Liabilities:			
Deposits	¥3,427,988	¥3,387,272	$36,448,570
Negotiable certificates of deposit	233,606	203,607	2,483,859
Call money	51,915	24,657	552,000
Borrowed money	75,630	82,633	804,147
Foreign exchange liabilities	579	841	6,159
Corporate bond	10,000	10,000	106,326
Other liabilities	61,584	58,917	654,810
Reserve for bonuses for directors	19	21	211
Accrued retirement benefits	308	587	3,278
Provision for claims on dormant accounts	481	540	5,117
Provision for contingent liabilities	135	276	1,436
Deferred tax liability	1,826	—	19,417
Deferred tax liability for land revaluation	6,828	6,842	72,603
Acceptances and guarantees	15,882	18,018	168,868
Total liabilities	3,886,786	3,794,216	41,326,807
Net assets:			
Stockholders' equity:			
Common stock	37,322	37,322	396,838
Capital surplus	24,920	24,920	264,970
Capital surplus reserve	24,920	24,920	264,970
Retained earnings	125,480	122,076	1,334,194
Earned surplus reserve	12,402	12,402	131,868
Other retained earnings	113,078	109,674	1,202,326
Reserve for advanced depreciation of fixed assets	254	254	2,704
Special reserve	106,661	103,161	1,134,088
Earned surplus bought forward	6,163	6,259	65,533
Treasury stock	(2,935)	(3,266)	(31,211)
Total stockholders' equity	184,788	181,053	1,964,791
Valuation and translation adjustments:			
Net unrealized gains on securities available for sale	38,094	19,164	405,050
Net deferred losses on hedging instruments	(136)	(69)	(1,449)
Revaluation reserve for land	8,057	8,083	85,675
Total valuation and translation adjustments	46,016	27,179	489,276
Share warrants	120	117	1,279
Total net assets	230,925	208,350	2,455,346
Total liabilities and net assets	¥4,117,711	¥4,002,567	$43,782,154

As of March 31	Yen 2013	Yen 2012	U.S. dollars 2013
Per share			
Net assets	¥760.06	¥687.64	$8.081

Note: U.S. dollar amounts represent translations of Japanese yen at the exchange rate of ¥94.05 to US$1.00 on March 31, 2013.

Non-Consolidated Statements of Income (Unaudited)

For the years ended March 31	Millions of yen 2013	Millions of yen 2012	Thousands of U.S. dollars 2013
Income:			
Interest on loans and bills discounted	**¥35,975**	¥37,182	**$382,515**
Interest and dividends on securities	**14,167**	14,599	**150,633**
Other interest income	**351**	386	**3,740**
Fees and commissions	**8,839**	8,321	**93,984**
Other operating income	**3,368**	2,678	**35,820**
Other income	**3,285**	4,730	**34,932**
Total income	**65,988**	67,898	**701,627**
Expenses:			
Interest on deposits and negotiable certificates of deposit	**2,246**	2,639	**23,891**
Interest on call money	**180**	73	**1,921**
Interest on borrowed money	**806**	795	**8,574**
Other interest expenses	**498**	462	**5,301**
Fees and commissions	**2,943**	2,805	**31,302**
Other operating expenses	**2,570**	1,400	**27,331**
General and administrative expenses	**38,440**	40,393	**408,728**
Other expenses	**9,770**	7,298	**103,886**
Total expenses	**57,458**	55,868	**610,937**
Income before income taxes	**8,529**	12,030	**90,690**
Income taxes:			
Current	**4,264**	2,503	**45,340**
Deferred	**(1,264)**	3,672	**(13,441)**
Subtotal	**3,000**	6,176	**31,898**
Net income	**¥ 5,529**	¥ 5,853	**$ 58,791**

For the years ended March 31	Yen 2013	Yen 2012	U.S. dollars 2013
Per share			
Net income	**¥18.23**	¥19.05	**$0.193**

Note: U.S. dollar amounts represent translations of Japanese yen at the exchange rate of ¥94.05 to US$1.00 on March 31, 2013.

Non-Consolidated Statements of Changes in Net Assets (Unaudited)

	Millions of yen										
	Stockholders' equity										
		Capital surplus			Retained earnings						
						Other retained earnings					
For the years ended March 31	Common stock	Capital surplus reserve	Other capital surplus	Total capital surplus	Earned surplus reserve	Reserve for advanced depreciation of fixed assets	Special reserve	Earned surplus bought forward	Total retained earnings	Treasury stock	Total stockholders' equity
Balance as of March 31, 2011	¥37,322	¥24,920	¥—	¥24,920	¥12,402	¥234	¥100,161	¥5,406	¥118,203	¥(1,436)	¥179,010
Change of items during the period											
Dividends from surplus	—	—	—	—	—	—	—	(2,155)	(2,155)	—	(2,155)
Increase in reserve funds following changes in effective tax rate	—	—	—	—	—	20	—	(20)	—	—	—
Provision to general reserve	—	—	—	—	—	—	3,000	(3,000)	—	—	—
Net income	—	—	—	—	—	—	—	5,853	5,853	—	5,853
Purchase of treasury stock	—	—	—	—	—	—	—	—	—	(1,859)	(1,859)
Disposal of treasury stock	—	—	—	—	—	—	—	(9)	(9)	28	19
Transfer from revaluation reserve for land	—	—	—	—	—	—	—	184	184	—	184
Provision for revaluation reserve for held	—	—	—	—	—	—	—	(0)	(0)	—	(0)
Net changes of items other than stockholders' equity	—	—	—	—	—	—	—	—	—	—	—
Total changes of items during the period	—	—	—	—	—	20	3,000	853	3,873	(1,830)	2,042
Balance as of March 31, 2012	37,322	24,920	—	24,920	12,402	254	103,161	6,259	122,076	(3,266)	181,053
Change of items during the period											
Dividends from surplus	—	—	—	—	—	—	—	(2,121)	(2,121)	—	(2,121)
Provision to general reserve	—	—	—	—	—	—	3,500	(3,500)	—	—	—
Net income	—	—	—	—	—	—	—	5,529	5,529	—	5,529
Purchase of treasury stock	—	—	—	—	—	—	—	—	—	(7)	(7)
Disposal of treasury stock	—	—	—	—	—	—	—	(30)	(30)	338	308
Transfer from revaluation reserve for land	—	—	—	—	—	—	—	26	26	—	26
Net changes of items other than stockholders' equity	—	—	—	—	—	—	—	—	—	—	—
Total changes of items during the period	—	—	—	—	—	—	3,500	(95)	3,404	331	3,735
Balance as of March 31, 2013	¥37,322	¥24,920	¥—	¥24,920	¥12,402	¥254	¥106,661	¥6,163	¥125,480	¥(2,935)	¥184,778

Non-Consolidated Statements of Changes in Net Assets (Unaudited)

	Millions of yen					
	Valuation and translation adjustments					
For the years ended March 31	Net unrealized gains on securities available for sale	Net deferred losses on hedging instruments	Revaluation reserve for land	Total valuation and translation adjustments	Share warrants	Total net assets
Balance as of March 31, 2011	¥15,017	¥ (76)	¥7,266	¥22,206	¥ 75	¥201,292
Change of items during the period						
Dividends from surplus	—	—	—	—	—	(2,155)
Increase in reserve funds following changes in effective tax rate	—	—	—	—	—	—
Provision to general reserve	—	—	—	—	—	—
Net income	—	—	—	—	—	5,853
Purchase of treasury stock	—	—	—	—	—	(1,859)
Disposal of treasury stock	—	—	—	—	—	19
Transfer from revaluation reserve for land	—	—	—	—	—	184
Provision for revaluation reserve for held	—	—	—	—	—	(0)
Net changes of items other than stockholders' equity	4,147	6	817	4,972	42	5,015
Total changes of items during the period	4,147	6	817	4,972	42	7,057
Balance as of March 31, 2012	19,164	(69)	8,083	27,179	117	208,350
Change of items during the period						
Dividends from surplus	**—**	**—**	**—**	**—**	**—**	**(2,121)**
Provision to general reserve	**—**	**—**	**—**	**—**	**—**	**—**
Net income	**—**	**—**	**—**	**—**	**—**	**5,529**
Purchase of treasury stock	**—**	**—**	**—**	**—**	**—**	**(7)**
Disposal of treasury stock	**—**	**—**	**—**	**—**	**—**	**308**
Transfer from revaluation reserve for land	**—**	**—**	**—**	**—**	**—**	**26**
Net changes of items other than stockholders' equity	**18,929**	**(66)**	**(26)**	**18,836**	**2**	**18,839**
Total changes of items during the period	**18,929**	**(66)**	**(26)**	**18,836**	**2**	**22,575**
Balance as of March 31, 2013	**¥38,094**	**¥(136)**	**¥8,057**	**¥46,016**	**¥120**	**¥230,925**

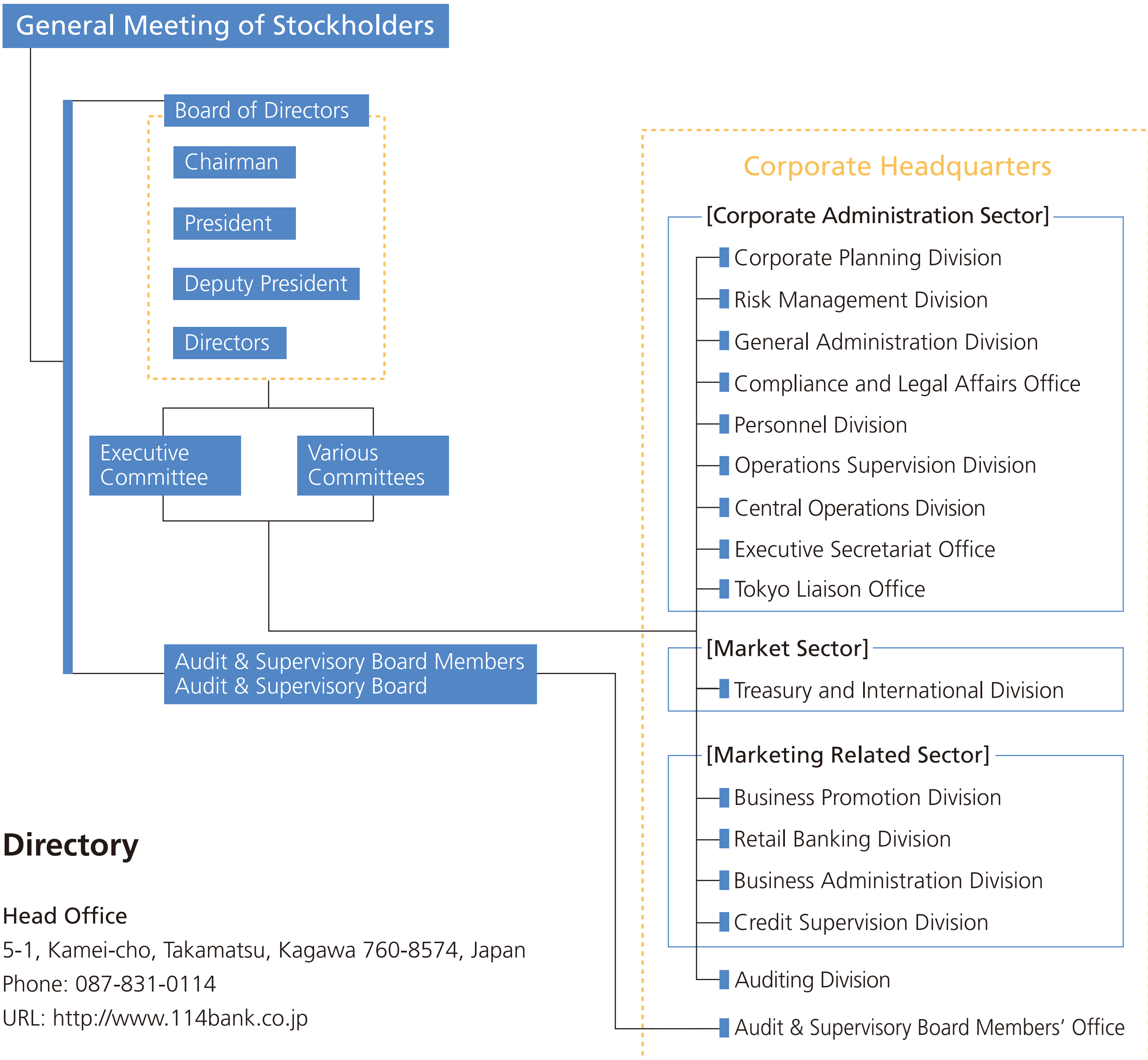
Non-Consolidated Statements of Changes in Net Assets (Unaudited)

	Thousands of U.S. dollars										
	Stockholders' equity										
		Capital surplus			Retained earnings						
						Other retained earnings					
For the year ended March 31	Common stock	Capital surplus reserve	Other capital surplus	Total capital surplus	Earned surplus reserve	Reserve for advanced depreciation of fixed assets	Special reserve	Earned surplus bought forward	Total retained earnings	Treasury stock	Total stockholders' equity
Balance as of March 31, 2012	$396,838	$264,970	$—	$264,970	$131,868	$2,704	$1,096,874	$66,553	$1,298,000	$(34,735)	$1,925,073
Change of items during the period											
Dividends from surplus	—	—	—	—	—	—	—	(22,556)	(22,556)	—	(22,556)
Provision to general reserve	—	—	—	—	—	—	37,214	(37,214)	—	—	—
Net income	—	—	—	—	—	—	—	58,791	58,791	—	58,791
Purchase of treasury stock	—	—	—	—	—	—	—	—	—	(75)	(75)
Disposal of treasury stock	—	—	—	—	—	—	—	(320)	(320)	3,600	3,280
Transfer from revaluation reserve for land	—	—	—	—	—	—	—	278	278	—	278
Net changes of items other than stockholders' equity	—	—	—	—	—	—	—	—	—	—	—
Total changes of items during the period	—	—	—	—	—	—	37,214	(1,020)	36,193	3,524	39,718
Balance as of March 31, 2013	$396,838	$264,970	$—	$264,970	$131,868	$2,704	$1,134,088	$65,533	$1,334,194	$(31,211)	$1,964,791

	Thousands of U.S. dollars					
	Valuation and translation adjustments					
For the year ended March 31	Net unrealized gains on securities available for sale	Net deferred losses on hedging instruments	Revaluation reserve for land	Total valuation and translation adjustments	Share warrants	Total net assets
Balance as of March 31, 2012	$203,774	$ (738)	$85,954	$288,989	$1,249	$2,215,312
Change of items during the period						
Dividends from surplus	—	—	—	—	—	(22,556)
Provision to general reserve	—	—	—	—	—	—
Net income	—	—	—	—	—	58,791
Purchase of treasury stock	—	—	—	—	—	(75)
Disposal of treasury stock	—	—	—	—	—	3,280
Transfer from revaluation reserve for land	—	—	—	—	—	278
Net changes of items other than stockholders' equity	201,275	(711)	(278)	200,286	29	200,315
Total changes of items during the period	201,275	(711)	(278)	200,286	29	240,034
Balance as of March 31, 2013	$405,050	$(1,449)	$85,675	$489,276	$1,279	$2,455,346

Note: U.S. dollar amounts represent translations of Japanese yen at the exchange rate of ¥94.05 to US$1.00 on March 31, 2013.

Organization (as of July 1, 2013)



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