Annual Report 2013

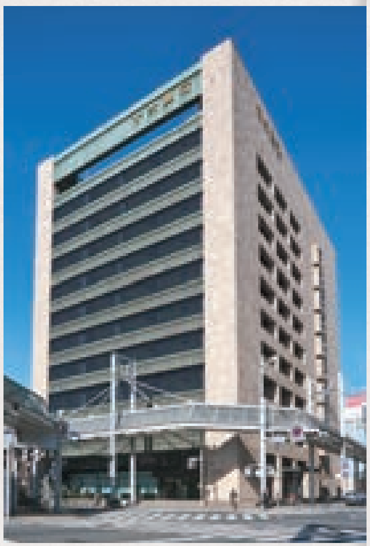
THE JUROKU BANK, LTD.

PROFILE

The Juroku Bank, Ltd., has its business base in Gifu and Aichi prefectures, the industrial center of the Chubu region of Japan. During the over 130 years since its founding in 1877, it has played a pivotal role as a leading financial institution in its area.

We will continue to follow our philosophy of “serving our community by fulfilling our social mission as a financial institution.” We will also pursue reforms by staying open-minded, managing our operations rationally and steadily, creating a strong management style through stronger earnings power, and improving our personnel and organization.

The head office of the Bank is located in Gifu prefecture. The Bank has 157 domestic branch offices, mainly in Gifu and Aichi prefectures, as well as representative offices in Hong Kong and Shanghai. On a consolidated basis, as of the end of March 2013, the Bank had total deposits of ¥5,001 billion (US$53,174 million), total assets of ¥5,668 billion (US$60,264 million), and a capital ratio of 11.27% according to domestic standards.



Head Office

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Forward-Looking Statement

This annual report contains certain forward-looking statements. Those forward-looking statements are subject to risks and uncertainties, and Juroku Bank’s actual results may differ from those described in the forward-looking statements. We are under no obligation, and expressly disclaim any obligation, to update or alter our forward-looking statements, whether as a result of new information, future events, or otherwise.

Financial Highlights (Consolidated)

The Juroku Bank, Ltd. and Subsidiaries *Year Ended March 31, 2013*

	Millions of Yen		Thousands of U.S.Dollars
	2013	2012	2013
For the Fiscal Year			
Total income	¥ 119,614	¥ 129,319	$ 1,271,813
Total expenses	103,155	105,947	1,096,810
Net income	23,181	11,941	246,475
Cash dividends	2,676	2,616	28,452
At Year-End			
Total assets	¥5,667,799	¥5,488,038	$60,263,679
Loans and bills discounted	3,646,732	3,722,144	38,774,397
Securities	1,471,984	1,458,761	15,651,079
Deposits	5,001,048	4,881,023	53,174,354
Total equity	313,373	282,843	3,331,983
Cash Flows			
Net cash provided by operating activities	¥ 193,858	¥106,235	$ 2,061,223
Net cash provided by investing activities	25,439	(142,721)	270,484
Net cash used in financing activities	(17,026)	(21,725)	(181,031)
Cash and cash equivalents, end of year	328,030	125,735	3,487,826

Note: Amounts stated in United States dollars have been computed, solely for convenience, at the rate of ¥94.05 = US$1, the approximate rate of exchange at March 31, 2013.

The “New Juroku Bank” strives to enhance corporate value

Hakumi Horie President

Looking at the operating environment for financial institutions, despite signs of economic recovery, demand for capital investment has been slow to recover, and compounded with prolonged low interest rates and intensified competition, the earnings environment continues to be harsh and the reinforcement of profitability has become a priority task. Moreover, as we prepare for the application of Basel III, new capital adequacy regulations, we will be called on to further enhance the Bank’s financial soundness and to solidify the trust placed in us by our customers.

Under such circumstances, the Bank merged with The Gifu Bank, Ltd., and upon eliminating and consolidating existing branch offices and integrating the systems of the two banks at the same time as planned, has been able to make a fresh start as the “New Juroku Bank.”

FY2013 will mark the final year of “The 12th Medium-Term Management Plan ~ Take-off towards the Glorious Tomorrow,” which was formulated in light of the merger with The Gifu Bank, Ltd., and amidst ongoing initiatives to increase profitability, strengthen its compliance function and reinforce our management base, we intend to concentrate our efforts in achieving the goals of the plan. In particular, the Bank has recognized compliance, which serves as the basis of customer trust, to be the foundation of all operations, and each employee will be committed to raising the standard of ethics and to further strengthening the systems of internal control and compliance system.

I look forward to receiving the continued support and encouragement of all our stakeholders.

July 2013
Hakumi Horie
President

In the final year of The 12th Medium-term Management Plan

FY2013 will mark the final year of "The 12th Medium-Term Management Plan ~ Take-off towards the Glorious Tomorrow," which was formulated in light of the merger with The Gifu Bank, Ltd.

Under this management plan, we are setting up a long-term vision for the Bank as "The No.1 bank in the Tokai Region," "The bank that bridges Gifu prefecture and Aichi prefecture," and "The bank that contributes to the regional economy and community," which shall be fulfilled along with enhancement of our corporate value through accelerating the implementation of our growth strategies and early materialization of the maximum effect of management integration with The Gifu Bank, Ltd.

Numerical Targets		FY2013 Year-end Targets
Sustainability and expandability of customer base	Deposit balance	¥5,000 billion
Strengthening of earnings capability	Core banking profit	¥25 billion
Streamlining of management	OHR (Overhead Ratio; expenses as a percentage of gross business profit)	Lower than 67%
Improvement of financial soundness	Tier I capital ratio	7.5% or more
	Ratio of credit cost to total loans	Lower than 0.25%

Based on this plan, we will be able to respond more effectively to problems that the Bank faces. Details are outlined below.

We will be committed to implementing the following basic strategies under the management plan, in an effort to effectively overcome the challenges that surround the Group.

Basic Strategies

•Reinforcement of Management Base
In order to realize the growth strategies to be pursued after the merger with The Gifu Bank, Ltd., we will be committed to building a stable management base by improving the quality of capital while enhancing the soundness of assets through the reinforcement of core tier I capital based on the strengthening of earnings capability while ensuring security and provision commensurate with the risks concerned.

•Pursuit of the Regional Strategies for Aichi and Gifu Prefectures Envisaging the Post-merger Situation
We will further deepen the relationship with customers by the deployment of distribution channels that suit each market, along with the reinforcement of products and services that meet the customer needs, whereby we will promote ourselves to be chosen by customers as their main bank.

In Aichi prefecture, we will conduct proactive marketing activities including further focus on retail business and establishment of new distribution channels, while expanding business transactions with new customers, in an effort to be the "community-oriented" Bank.

In Gifu prefecture on the other hand, we will focus on deepening business relationship with existing customers to establish rock-solid basis of business transactions, while creating easy-to-use channels.

•Early Materialization of Cost Synergy and Its Maximization
As a result of having concurrently eliminated and consolidated existing branch offices and integrated the systems and administration of the two banks at the time of merger with The Gifu Bank, Ltd. as planned, we have been successful in the early materialization of the initially anticipated cost synergy. We intend to utilize the management resources generated as a result of the merger and maximize the effects of management integration.

•Enhancement of Management Control Structure
We will be committed to enhancing management control structure including the strengthening of various risk management systems to flexibly deal with changes in financial business environment, along with further reinforcement of compliance with laws and regulations and customer protection that serve as the basis of customer trust.

•Consolidation of Corporate Culture and Human Resources between the Two Banks
We will endeavor to amalgamate corporate culture and human resources between the Bank and The Gifu Bank, Ltd. while developing a framework in which the employees will be able to offer financial services with the highest corporate morale under the constructive competitive environment between the employees of the two banks.

•Promotion of Community-based Financial Services and Flexible Facilitation of Finance
We will be committed to adequately and actively providing financial intermediation functions in line with the conditions of the customers and to facilitating financing, while engaged in community-based operation with community-based financial services defined as one of the Bank's core management strategies, in an effort to fulfill our responsibility as a regional financial institution.

Corporate Governance

Basic Policy

At Juroku Bank, we believe that retaining the trust of our stakeholders by conducting all of our activities in a sound manner is vital to our role as a financial institution. Therefore, we place the highest priority on building a solid organizational structure and establishing systems that continually reinforce corporate governance.

In association with the entry into effect of the Companies Act, we established a Basic Policy related to the Establishment of an Internal Control System at a meeting of the Board of Directors held on May 24, 2006. Board meetings held on September 20, 2007, February 26, 2009, and September 21, 2011 adopted resolutions to partially amend this policy. In this way, we have developed a system to ensure the appropriate execution of our business and have refined our system. Under this basic policy, we will pursue initiatives to enhance corporate governance.

Progress Thus Far

The Board of Directors comprises 11 members who deliberate and decide matters stipulated in laws and regulations and important management issues, and monitor the conduct of business operations by each director.

Under the Managing Directors Committee structure, authorized by the Board of Directors, the president, senior managing directors and managing directors are able to quickly decide on important matters affecting the daily conduct of business operations.

The Audit & Supervisory Board Comprises four Audit & Supervisory Board Members, including two Outside Audit & Supervisory Board Members and two Standing Audit & Supervisory Board Members. To support the Audit & Supervisory Board Members, we have established the Audit & Supervisory Board Members' Office, which monitors the execution of business operations objectively and ensures appropriate auditing functions.

With regard to internal controls, the Audit & Inspection Division conducts internal audits, and at least once per year seeks outside opinions regarding the development and management of the internal control system. Based on these objective opinions, we work to further improve the internal control system. Moreover, to reinforce the compliance system, we have established a whistle-blower system and have improved the effectiveness of the system by using an external lawyer as the point of contact.

With respect to the risk control system, we have established the ALM Committee, Operational Risk Management Committee and Compliance Committee. These committees discuss risk management issues both on a regular basis and when necessary. At these meetings, the appropriateness of operations is reviewed and risk management is applied to minimize loss due to unforeseen circumstances. During the term under review, the ALM and Compliance committees both met at least once a month. Moreover, in May 2013, we established the Operational Risk Management Committee with the aim of strengthening the internal control system over operational risks. We have also signed consultation agreements with three lawyers, who provide advice on legal matters and perform a variety of legal checks when necessary.

The Bank's accounts are audited by the independent auditing firm Deloitte Touche Tohmatsu LLC (as of June 30, 2013). This firm provides accurate audits on the basis of appropriate information disclosure.

Going forward, we will work to further enhance our corporate governance standards and ensure the soundness of our ethical conduct and financial position.

Basic Policy on Strengthening Internal Control System

We are currently making efforts to build an internal control system based on the policies described below.

1. System to ensure that, in the execution of their duties, directors comply with all relevant laws, ordinances, regulations, and the Bank's Articles of Incorporation

Our Basic Policy establishes the Bank's commitment to serve local communities by fulfilling its mission as a financial institution, and to seek business growth through sound practices founded on a broad and rational perspective.

To implement this policy, directors of the Bank are responsible for the establishment of ethical standards and a compliance policy, and for ensuring that business is conducted in accordance with these standards and that laws, ordinances, and the Articles of Incorporation are adhered to. In addition, directors are responsible for steadfastly confronting any anti-social forces that pose a threat to social order and safety; thereby directors consolidate a system to sever all ties to these forces.

2. System for storage and management of information related to the directors' execution of their duties

To ensure efficient verification of proper business practices, regulations will be created and followed on the handling and control of information and documents related to business operations (including electronic records); adherence to these regulations will be monitored, and regulations will be revised when necessary.

In addition, a system will be established to enable directors and Audit & Supervisory Board Members to view this information and the relevant documents when necessary.

3. Risk management regulations

(1) Risk management is positioned as an important duty to ensure the soundness and safety of business, and regulations related to each type of risk, including a Comprehensive Risk Management Policy, will be established, and efforts will be made to appropriately improve the measurement, evaluation, and management of risk by following these regulations. An independent third party will regularly evaluate the Bank's management of major risks, and the Bank will continually work to improve risk management level evaluations.

(2) In addition to designating one department to comprehensively manage risk, individual departments will be made specifically responsible for each category of risk, ensuring effective risk management. In addition, an organizational structure will be established, including an ALM Committee, chaired by the director in charge of the department responsible for comprehensive risk management. Risk management reports will be made to the Board of Directors on a regular basis, or as necessary.

(3) The following are risks to be managed. When new risks arise, a department to handle them will be promptly established by the Board of Directors.

1) credit risk, 2) market risk, 3) liquidity risk, 4) operational risk, and 5) other risks that could have a serious impact on the Bank's business.

4. System to ensure the efficient execution of directors' duties

(1) Duties will be executed centered on the Basic Policy and an Action Plan. A Medium-Term Management Plan will be created, and guidelines based on this plan will be established for each six-month period.

(2) Progress made in implementing these plans will be reported to the Board of Directors in a timely manner, and steps will be taken in response as needed.

(3) Items that should be taken up by the Board of Directors will be clearly stated in regulations such as the Board of Directors Regulations, and important items will be discussed by the Managing Directors Committee, which comprises managing directors or above, to ensure that issues are sufficiently examined. In addition, Regulations on Decision-Making Authority Related to Operations will stipulate the appropriate delegation of authority to subordinates based on such factors as the importance of the operation, making the directors' execution of duties more efficient.

5. System to ensure that the execution of employees' duties complies with laws, ordinances, and the Articles of Incorporation

(1) In addition to positioning compliance with laws and ordinances as one of our most important business responsibilities and establishing regulations such as the Code of Ethics and Compliance Policy, the Bank will establish a department to provide overall control. In addition, a Compliance Committee, chaired by the director responsible for the department undertaking overall control, will be created, and this committee will be tasked with handling compliance-related issues.

(2) An in-house system will be created for reporting violations of laws and ordinances and other compliance-related issues, and a whistle-blower system that employs an independent lawyer to receive reports will be maintained. Efforts will be made to prevent or promptly detect problems such as violations of laws.

6. System to ensure appropriate operations of the corporate group, which is composed of related companies, including affiliates

(1) An internal auditing agreement will be concluded with affiliates, and operations are audited by the Internal Audit Department of the Bank to ensure proper business operations by the corporate group, which is centered on the Bank. Operations at affiliates will be audited through various activities, including appointing officers of the Bank as Audit & Supervisory Board Member serving on a non-regular basis of affiliates and having them attend Board of Directors meetings of affiliates.

(2) The directors of the Bank and presidents of affiliates will exchange opinions at least once every six months to prevent problems such as inappropriate transactions between the Bank and its affiliates.

(3) When engaging in transactions with affiliates and other entities, steps will be taken to verify that the terms of the transaction conform to the arms-length principle.

(4) A whistle-blower system will be established at the Bank and all affiliates, making it possible for parties such as affiliate employees to make reports or seek advice.

(5) A system will be created to ensure the reliability of the financial reporting of the Group, centered on the Bank.

7. Items related to employees whose assignment to assist them in their duties is requested by the Audit & Supervisory Board Members of the Bank

An Audit & Supervisory Board Members' Office will be created to assist the Audit & Supervisory Board Members in the performance of their duties, and at least one full-time employee will be assigned to work in that office. Upon obtaining the opinions of the Audit & Supervisory Board, decisions will be made on the positions and qualifications of employees to be assigned to engage in this work, and a roster of such employees will be created.

8. Ensuring the independence of the above employees from directors

The appointment, transfer, and evaluation of employees who assist the Audit & Supervisory Board Members in their duties will be subject to the approval of the Audit & Supervisory Board.

9. System for directors and employees to report to Audit & Supervisory Board Members and a system for other reports to Audit & Supervisory Board Members

Officers shall submit reports and provide information in response to requests from the Audit & Supervisory Board or individual Audit & Supervisory Board Members. The following are the main topics of the reports and information to be provided.

(1) Department activities related to creating the Bank's internal control system

(2) Activities of the Bank's affiliates

(3) Matters that may inflict a significant loss on the Bank and its affiliates

(4) Significant accounting policies and standards and changes to them

(5) Content of disclosed earnings, projections, and other important disclosure materials

(6) Serious violations of the laws and ordinances

(7) Operation of the whistle-blower system and notifications

(8) Circulation of documents such as draft proposals and the minutes of important conference/committee meetings

(9) Other items deemed necessary by the Audit & Supervisory Board Members

10. System to ensure effective audits by Audit & Supervisory Board Members

The representative director will regularly meet and cooperate with the Audit & Supervisory Board Members to ensure the effectiveness of audits, and will regularly exchange opinions on management problems and progress in auditing to ensure high accuracy.

Compliance System

Recognizing that the survival of financial institutions depends on trust, we put top priority on earning the firm trust of the general public. To this end, we embrace high corporate ethical standards and promote extensive awareness of the importance of legal compliance. Accordingly, in April 2012, we newly set up a legal office within the Compliance Management Division in order to enhance our compliance system. With the support of the new section, we are equipped with an appropriate structure to comply, more than ever, with social requirements.

We are further strengthening our compliance system under our 12th Medium-Term Management Plan through policies which are designed to:

1) Earn the firm trust of the general public through the maintenance of high corporate ethical standards and awareness of the importance of legal compliance;
2) Promote awareness of the crucial importance of compliance among our staff; and
3) Raise standards of compliance rigor still higher.

To further enhance the compliance system that we have built to date, we formulate and implement a compliance program each fiscal year. All departments hold monthly study meetings to foster knowledge of legal issues and increase compliance-related awareness. We have also prepared curriculums related to compliance for individual training programs in order to boost the knowledge and awareness of compliance among our employees. In addition, each department conducts periodic self-checks according to its specific responsibilities. This is part of our initiative to ingrain a compliance-oriented corporate culture.

Organizational Structure

Compliance Committee

Chaired by the managing director in charge of the Compliance Management Division and consisting of general managers from relevant divisions, the Compliance Committee examines, discusses, and issues directives concerning matters of compliance.

Compliance Management Division

As the entity responsible for overseeing compliance, the Compliance Management Division promotes compliance programs and serves as the secretariat for the Compliance Committee.

Inspection Section (Audit and Inspection Division)

The section conducts audits and other investigations related to the compliance conditions in each division.

Compliance at Each Division

Compliance officers are appointed in each of the divisions to check the day-to-day compliance of those divisions.

Customer Protection Management System

The Bank set up a Customer Protection Management Policy in September 2007 to develop and establish a system to ensure customer protection. Under the Customer Protection Management Policy, we have clearly stated protection measures that we had taken as part of compliance and risk management. We are focusing more heavily on customer-oriented management. The purpose of the policy is to improve the protection and convenience of customers through the following initiatives:

(i) Providing appropriate information and explanations on products and services for customers
(ii) Responding properly to requests, consultation, inquiries and complaints from customers
(iii) Appropriately managing customer information
(iv) Properly managing outsourced operations
(v) Properly managing of conflicts of interest so avoid unfair detriment to the interests of our customers

Information Security, Management of Customer Information

In line with the top priority that we assign to ensuring the confidentiality of our customers' personal data, information security risk is addressed by the Bank's Information Security Management Rules. We have publicly announced our Declaration of Personal Information Protection (Privacy Policy).

As stipulated in the aforementioned Security Management Rules, we have also appointed a chief information officer at the Bank's headquarters and an information officer in each department and branch. We are making every effort to educate employees to bolster their awareness of security issues so that we can ensure the maximum degree of protection for customer data in daily operations.

Risk Management

The importance of risk management has grown as the risks confronting financial institutions have become more complex and diverse. Recognizing risk management as crucial for safe and sound operations, we have established "Basic Policy of Risk Management" contained in our 12th Medium-Term Management Plan. In addition, we have established Comprehensive Risk Management Policy and other policies and rules relating to risk management that enable an appropriate and prompt response to various types of risk.

We have established the Risk Management Division to step up our commitment in this area. We aim to further strengthen our risk management system through use of the PDCA cycle, by laying down policy (planning), creating internal rules and organizations (doing), assessing results of these measures (checking) and making improvements where needed (acting).

In addition, to ensure that our risk management mechanisms function effectively with regard to sections within the Group subject to auditing (the Bank's head office divisions, branches and consolidated affiliates), regular, planned, on-site audits of such departments are carried out by staff of the Audit and Inspection Division, which is independent from business operation departments. In this way the Bank verifies the effectiveness of its risk management systems.

Basic Policy of Risk Management (12th Medium-Term Management Plan)

•**Risk Management**

1. Implement appropriate risk management to ensure that risk taking is handled in line with the Bank's financial strength.
2. Enhance the ability of risk analysis to support appropriate risk-taking.
3. Development of risk management system in compliance with capital adequacy regulation.
4. Strengthen credit risk management.

Comprehensive Risk Management

The Bank has formulated a comprehensive risk management framework by determining a Comprehensive Risk Management Policy and Rules.

The Bank's risk management does not stop at managing various risks individually, but extends a step ahead to control the total amount of risks to keep it within the range of Tier I-based distributable capital, through the risk quantification using statistical methods, thereby enforcing a comprehensive risk management aiming at ensuring soundness of management.

We adopt a flexible approach to required responses by getting the current state of such comprehensive risks checked by the ALM Committee, which has monthly meetings and reports directly to the Board of Directors.

Credit Risk

To appropriately adapt to changes in the credit risk in relation to assets held by the Bank, and to ensure stable profitability and maintain sound operations, we conduct management appropriately with reference to our Credit Risk Management Policies and Credit Risk Management Rules.

In order to objectively determine a borrower company's credit state and its capacity to repay loans, we perform a credit rating system in a timely manner and reflect the result of the credit rating in our credit risk management. More specifically, we endeavor to maintain a sound asset base by implementing our own assessment of loan assets and by making appropriate provision for possible loan losses and write-offs based on the credit rating system.

The credit rating system enables a quantification of the credit risk, eliminates concentration of risk with particular borrowers or industries, and further ensures profits that are balanced by credit costs, and thereby enables the Bank to improve its credit portfolio.

Regarding examination of loan applications, we have clearly separated the sales promotion and credit screening functions and undertake strict reviews and management under a policy of screening by borrower business sector. Individual cases are screened by verifying various aspects including the use of funds, income and expenditure plans, and investment outcomes, and by carefully examining a borrower's resources and plans for repayment.

Market Risk

We manage market risk through the Bank's Market Risk Management Policies and, as specific rules, Market Risk Management Rules.

The Risk Management Division manages interest rate risk related to deposits and loans, as well as the risk associated with securities, derivatives and other markets. Our current positions, unrealized gains/losses and risk indicators such as BPV and VaR are measured and evaluated on a daily or monthly basis and reported to management. From the perspective of managing assets and liabilities together, we hold monthly ALM Committee meetings, forecast interest rates, stock prices and exchange rates, as a set of measures to enable an appropriate response to risk.

Liquidity Risk

We manage liquidity risk through our Liquidity Risk Management Policies and Liquidity Risk Management Rules and regard stable cash flows as the primary objective. Moreover, we have in place a system (Liquidity Risk Contingency Plan) that can respond to a wide variety of circumstances promptly and appropriately.

Operational Risk

We have drawn up an Operational Risk Management Policies and Operational Risk Management Rules, with separate provisions for administrative risk, system risk, legal risk, personnel risk, fixed asset risk and reputational risk. We implement necessary measures for required responses by getting the current management status of such risks checked regularly by the Operational Risk Management Committee and is reported to the Board of Directors. For the important categories of administrative and system risk, we have drawn up the following subpolicies and procedures.

【Administrative Risk】

We manage administrative risk through our own Administrative Risk Management Policies and Administrative Risk Management Rules. While adapting to the growing diversification and complexity of banking operations, our administration has become more rigorous in an effort to retain and strengthen the trust of our customers.

【System Risk】

System risk is managed through the Bank's System Risk Management Policies and System Risk Management Rules. We have established a framework that swiftly responds to system failure through our Computer System Failure Action Rules and Center Failure Rules.

To prepare for contingencies that cannot be dealt with using our conventional risk management mechanisms, we have compiled a Business Continuity Plan, and have taken measures that would enable us to continue major business operations even under emergency conditions.

At Juroku Bank, we recognize the importance of integrated risk management, and we will continue working to enhance the sophistication of our risk management system.

Non-Performing Loans

The Bank provides information about the status of its assets in three different ways. First, we conduct self assessment to calculate appropriate write-offs and reserves by classifying borrowers according to their financial soundness. Second, disclosure based on "The Financial Reconstruction Law" is used to classify problem assets. Third, we disclose the value of Risk-Monitored Loans based on the Banking Law, which excludes non-loan assets such as foreign exchange, accrued interest and advance payments.

Asset Self-Assessment / Assets Disclosed under the Financial Reconstruction Law / Risk-Monitored Loans under the Banking Law (as of March 31, 2013)

(Non-consolidated)

Billions of Yen

Asset Self-Assessment — For all assets

Borrower category / Balances of credits	Classification I	Classification II	Classification III	Classification IV
Legally bankrupt borrowers 3.1 [1.0]	2.4	0.7	— (0.1)	— (2.1)
Virtually bankrupt borrowers 14.5 [7.9]	11.2	3.3	— (1.3)	— (6.6)
Potentially bankrupt borrowers 115.8	61.8	25.8	28.3 (20.9)	
Borrowers requiring caution				
Substandard borrowers 16.9	4.2	12.7		
Others*1 662.0	242.8	419.2		
Normal borrowers 2,914.6	2,914.6			
Total 3,726.9 [3,718.1]	3,236.9	461.7	28.3 (22.4)	— (8.8)

*1 Borrowers requiring caution, excluding substandard borrowers
*2 Portion of claims secured by collateral or guarantees

Assets disclosed under the Financial Reconstruction Law and coverage of the claims — For all claims

Classification / Balances of claims	Portion of claims secured*2	Reserves	Coverage ratio
Bankrupt and quasi-bankrupt assets 17.6 [8.8]	7.3	10.2	100.0%
Doubtful assets 115.8	66.6	20.9	75.5%
Substandard loans*3 13.1	4.7	0.8	41.5%
Sub-total 146.5 [137.8]	78.7	31.9	75.4%
Normal assets 3,580.3			
Total 3,726.9 [3,718.1]			

Ratio of disclosed claims under the Financial Reconstruction Law (subtotal) to total credits
Figures in brackets are those after application of partial charge-offs (direct deduction).
3.9%
[3.7%]

*3 Substandard claims consist of loans only.

Risk-monitored loans — Loans only (no other type of credit included)

Classification	Loan balances
Bankrupt loans	2.9 [0.9]
Non-accrual loans	129.9 [123.3]
Past due loans (3 months or more)	1.0
Restructured loans	12.0
Total	146.0 [137.4]

Ratio of risk-monitored loans to total loans

Figures in brackets are those after application of partial charge-offs (direct deduction).
3.9%
[3.7%]

Notes:

1. Amounts in asset self-assessment and claims disclosed under the Financial Reconstruction Law and the coverage of claims are rounded to the nearest 100 million yen. Amounts in risk-monitored loans are rounded down to the nearest 100 million yen. Figures for ratios are rounded down to the first decimal place.

2. All credit items = Loans + Customers' liabilities for acceptances and guarantees + Bonds issued through private placements covered by guarantees of the Bank + Foreign exchanges + Suspense payments with a similar nature to loans + Accrued interest.

3. Amounts in asset self-assessment are those after deduction of specific reserves for possible loan losses, and the amounts in parentheses are specific reserves for each classification.

4. The Bank does not implement partial charge-offs (direct deduction). If partial charge-offs were implemented, relevant figures would decline to the figures shown in brackets.

Activities to Revitalize the Regional Economy

Initiatives to Facilitate Financing

The Bank views the facilitation of regional financing as its most important duty and this is expressed in its basic philosophy of "serving our community by fulfilling our social mission as a financial institution." Therefore, the Bank has actively responded to its customers' demands in relation to their needs for funds or review of the conditions for borrowing.

The Bank has enhanced its management system through the provision of a Financing Facilitation Meeting that was established in the headquarters during December 2009 to respond attentively to the variety of requests we receive from customers including small-and medium-sized businesses and customers who have mortgage loans.

Although the SME Financing Facilitation Act expired at the end of March 2013, we intend to maintain our basic stance toward facilitation of financing and will strive to provide a prompt, accurate and suitable response and thereby enable the Bank to function as a proactive financial intermediary in its role as a regional financial institution for further facilitation of financing.

Environmental Conservation Activities

The Juroku Bank not only engages in its own environmental conservation activities but also supports the various environmental activities of its customers.

▶ Handling Eco-Friendly Financial Products

The Bank promotes financial assistance for environmentally-conscious companies. As part of its commitment, the Bank deals with the Juroku Eco-Rating Loan Scheme (commenced in December 2010) and Juroku Eco Private Placement Bonds (from March 2011). In addition to the above eco-friendly products, the Bank extends the loan, Every Support 21, with the aim of supporting customers to address environmental issues.

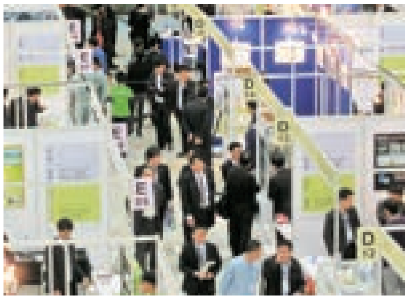
Juroku Bank's Support for Overseas Business Development

▶ Hosting Overseas Business Seminars

In December 2012, we hosted the "Overseas Expansion Support Seminar (M&A Utilization and Risk Management)" and the "SME Overseas Expansion Support Forum in Chubu," which was co-sponsored by the Small and Medium Enterprise Agency and the Chubu Bureau of Economy, Trade and Industry. In February 2013, we hosted the "China Business Seminar for Automobile Parts Manufacturers." As an increasing number of our customers actively pursue overseas expansion against the backdrop of a shrinking domestic market, we coordinated with related agencies and cooperating businesses to provide information on such matters as the future of risk management and business expansion for Japanese companies.

▶ Hosting "Japan-China Monozukuri Business Talks Forum @ Shenzhen 2012"

In December 2012, the Bank, jointly with a number of Japanese regional banks and local governments, held an inverse trade fair in Shenzhen, China, designed to support Japanese companies operating in China in their creation of excellent products and services. We provided our customers seeking suppliers of raw materials and contract manufacturers in the Huanan region of China with opportunities for fruitful business negotiations.

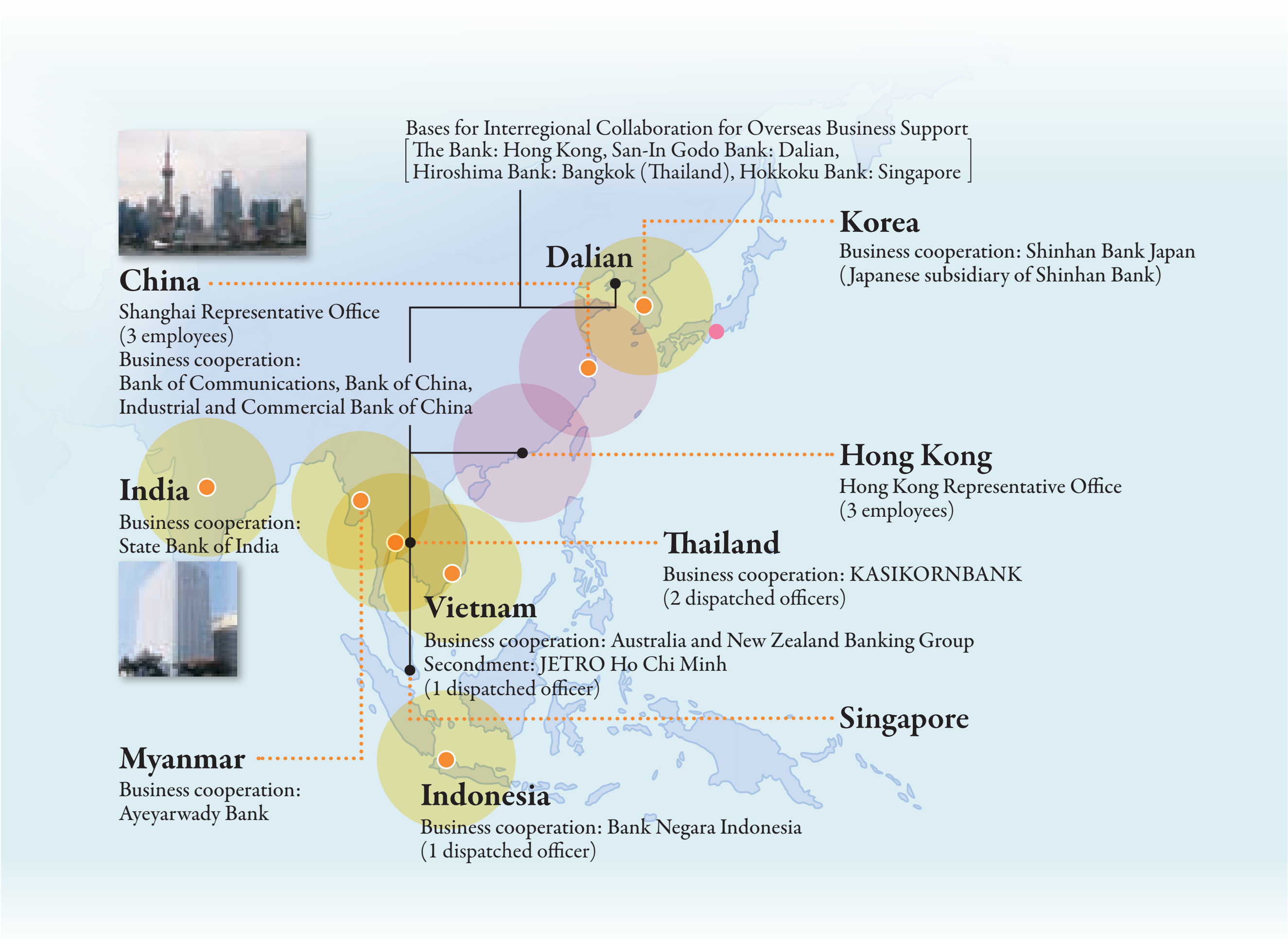


▶ **Held "Myanmar Economics Study Mission" and "Myanmar Investment and Expansion Seminar"**

The Bank held a "Seminar and Local Economics Study" for customers who are interested in doing business in Myanmar. By inspecting an industrial park that was scheduled to be developed and factories of companies already operating in Myanmar during the local study tour, participants were able to obtain valuable information including that on the local investment climate, financial situation and the entry status of Japanese companies into the Myanmar market. In November 2012, the Bank became the first regional bank to conclude a business cooperation agreement with Ayeyarwady Bank, a major private bank in Myanmar.

▶ **Commencement of "Juroku Overseas Support and Network Services"**

As an increasing number of our customers find the need to expand their businesses into emerging countries, risks associated with such overseas business development are also on the rise. Moreover, the needs for consultation and information gathering are also becoming increasingly diverse. In light of such circumstances, the Bank, starting from February 2013, launched "Juroku Overseas Support and Network Services," a free membership service that utilizes its domestic and overseas networks (overseas representative offices, overseas cooperating financial institutions, insurance companies, consulting firms, etc.), in addition to its conventional support for overseas business development. We intend to reinforce our support for the overseas business development of our customers by providing even more timely and enhanced support services.



Board of Directors and Audit & Supervisory Board Members

The Juroku Bank, Ltd. (as of June 30, 2013)

President
Hakumi Horie

Senior Managing Director
Yukio Murase

Managing Directors
Toshiro Hori
Fumihiko Miura
Naoki Ikeda

Directors
Hiroyuki Ota
Kunisaku Muto
Kenji Mori
Takeyoshi Asai
Kimio Hirose
Akira Yamada

Standing Audit & Supervisory Board Members
Takashi Okada
Kunihiko Mori

Outside Audit & Supervisory Board Members
Toshihiro Nakaya
Masahiro Hori

Hakumi Horie
President

Yukio Murase
Senior Managing Director

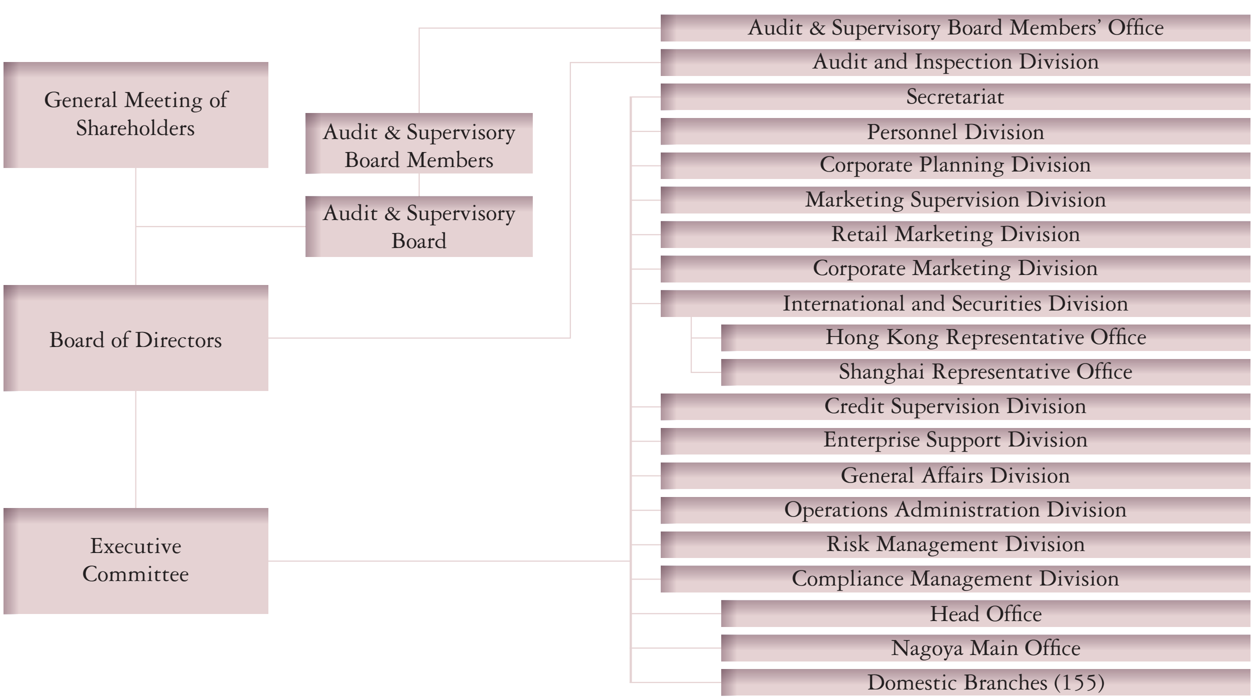
Toshiro Hori
Managing Director

Fumihiko Miura
Managing Director

Naoki Ikeda
Managing Director

Organization Chart

The Juroku Bank, Ltd. (as of June 30, 2013)



Business Environment

During the fiscal year under review, the Japanese economy followed a recovery path, thanks to increased exports to the U.S., in addition to strong automobile production reflecting the effects of the eco-car subsidy and demand related to earthquake restoration activities. In the latter half of the year, the economy softened somewhat as a result of the deceleration of the emerging economies including China, in the wake of the European debt crisis, as well as the effects of deteriorating of Japan-China relations. However, hopes of economic recovery were raised once again in response to “Abenomics,” the economic policies of the Abe administration and the ensuing deprecation of the yen and rising stock prices.

Likewise, in Gifu and Aichi prefectures, the Bank’s business bases, production increased, mainly in automobile-related field, the area’s primary industry, and despite a slight slowdown toward the latter half of the fiscal year, positive signs of recovery were discernible, similar to that in the rest of the country.

Performance

On September 18, 2012, the Bank conducted an absorption-type merger with its consolidated subsidiary, The Gifu Bank, Ltd. Under these conditions, the Bank’s consolidated results for the fiscal year under review were as follows:

In conjunction with the merger with The Gifu Bank, Ltd., the Bank, starting from the fiscal year under review, has made certain changes to the categories of business segments presented as reportable segments. The comparisons and analyses of the fiscal year under review are based on the categories of segments after the changes.

Ordinary income from banking operations decreased by ¥11,670 million to ¥91,186 million (US$970 million), mainly due to a decrease in interest income reflecting the decrease in interest on loans and discounts as well as the decrease in net gain on securities. Ordinary expenses decreased by ¥1,862 million to ¥80,868 million (US$860 million), due to a decrease in interest expense reflecting the decrease in interest on deposits in addition to the decrease in net loss on securities. Ordinary profit declined by ¥9,808 million to ¥10,318 million (US$110 million).

In the leasing business, ordinary income decreased by ¥823 million to ¥20,719 million (US$220 million), while ordinary expenses decreased by ¥622 million to ¥19,176 million (US$204 million) and ordinary profit decreased by ¥201 million to ¥1,543 million (US$16 million). In other businesses, including the credit card business and credit guarantee business, ordinary income decreased by ¥16 million to ¥5,503 million (US$59 million), while ordinary expenses decreased by ¥18 million to ¥3,720 million (US$40 million) and ordinary profit increased by ¥2 million to ¥1,783 million (US$19 million).

As a result, ordinary income on a consolidated basis decreased by ¥12,453 million to ¥115,801 million (US$1,231 million) and ordinary expenses decreased by ¥2,443 million to ¥102,191 million (US$1,087 million), while ordinary profit decreased by ¥10,010 million to ¥13,610 million (US$145 million). Net income increased by ¥11,240 million to ¥23,181 million (US$246 million) as a result of reporting gain on negative goodwill recorded in connection with the merger with The Gifu Bank, Ltd. under extraordinary income, and a decrease in income taxes reflecting the reporting of deferred tax assets relating to temporary differences, which were moved over from The Gifu Bank, Ltd.

Financial Position

In relation to balance of deposits, while striving to procure stable, long-term funds at low cost through various sales activities such as special campaigns, the Bank also worked to strengthen its lineup of investment products, particularly for individuals. These included investment trusts, government bonds, pension insurance, and whole life insurance as a positive response to diversified asset management needs. As a result, our balance of deposits as of March 31, 2013 came to ¥5,001.0 billion (US$53,174 million).

In lending activities, the Bank responded actively to demand for funds from local enterprises. Along with this, we worked actively to provide mortgage loans and other financing to individuals and funds to local government entities. As a result, our balance of loans as of March 31, 2013 came to ¥3,646.7 billion (US$38,774 million).

With regard to securities, in addition to underwriting and purchasing central and local government bonds, while closely watching market conditions, the Bank engaged in bond and other securities transactions in order to efficiently manage funds. As a result, our balance of securities as of March 31, 2013 came to ¥1,472.0 billion (US$15,651 million).

Year-end unrealized gain on available-for-sale securities came to ¥45,997 million (US$489 million).

Net cash provided by operating activities amounted to ¥193,858 million (US$2,061 million), an increase of ¥87,623 million from the previous term, mainly as a result of an increase in deposits. Net cash provided by investing activities amounted to ¥25,439 million (US$270 million), an increase of ¥168,160 million from the previous term, mainly as a result of an increase in proceeds from maturities of securities. Net cash used in financing activities amounted to ¥17,026 million (US$181 million), a decrease of ¥4,699 million from the previous term, mainly as a result of an increase in proceeds from issuance of subordinated bonds. As a result, the closing balance of cash and cash equivalents increased by ¥202,295 million during the term under review, to ¥328,030 million (US$3,488 million).

Consolidated Balance Sheet

The Juroku Bank, Ltd. and Consolidated Subsidiaries *March 31, 2013*

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2013	2012	2013
ASSETS:			
Cash and due from banks (Notes 4 and 23)	¥ 328,715	¥ 129,096	$ 3,495,109
Call loans (Note 23)	60,000	—	637,959
Trading securities (Notes 5 and 23)	1,230	1,718	13,078
Money held in trust (Notes 6 and 23)	10,620	10,620	112,919
Securities (Notes 5, 12 and 23)	1,471,984	1,458,761	15,651,079
Loans and bills discounted (Notes 7 and 23)	3,646,732	3,722,144	38,774,397
Foreign exchanges (Notes 7 and 8)	5,712	4,814	60,734
Lease receivables and investments in leases (Notes 12 and 22)	40,563	40,839	431,292
Other assets (Notes 9 and 12)	39,963	51,618	424,910
Premises and equipment (Notes 2.h and 10)	66,018	67,569	701,946
Goodwill	4,343	4,587	46,178
Intangible assets	6,190	6,788	65,816
Deferred tax assets (Note 21)	3,360	4,982	35,726
Customers' liabilities for acceptances and guarantees (Note 11)	25,733	27,437	273,610
Reserve for possible loan losses (Note 23)	(43,364)	(42,935)	(461,074)
Total Assets	¥5,667,799	¥5,488,038	$60,263,679
LIABILITIES AND EQUITY:			
Liabilities:			
Deposits (Notes 12, 13 and 23)	¥5,001,048	¥4,881,023	$53,174,354
Negotiable certificates of deposit (Note 23)	131,760	8,400	1,400,957
Call money (Note 12)	—	50,000	—
Payables under securities lending transactions (Notes 12 and 23)	48,915	63,926	520,096
Borrowed money (Notes 12, 14 and 23)	72,314	82,988	768,889
Foreign exchanges (Note 8)	380	842	4,040
Bonds (Note 15)	10,000	15,000	106,326
Other liabilities (Notes 16 and 18)	45,129	53,462	479,841
Liability for retirement benefits (Note 17)	10,419	12,137	110,781
Deferred tax liabilities (Note 21)	36	1,228	383
Deferred tax liabilities for land revaluation surplus (Note 2.h)	8,692	8,752	92,419
Acceptances and guarantees (Note 11)	25,733	27,437	273,610
Total Liabilities	5,354,426	5,205,195	56,931,696
Commitments and Contingent Liabilities (Notes 22 and 24)			
Equity (Notes 19 and 28):			
Common stock: authorized, 460,000,000 shares; issued, 379,241,348 shares in 2013 and 2012	36,839	36,839	391,696
Preferred stock: authorized, 20,000,000 shares; issued, 20,000,000 shares in 2013			
Capital surplus	47,816	27,817	508,410
Retained earnings	148,804	128,186	1,582,180
Treasury stock - at cost: 5,516,641 shares in 2013 and 5,490,087 shares in 2012	(1,515)	(1,509)	(16,108)
Accumulated other comprehensive income			
Unrealized gain on available-for-sale securities (Note 5)	45,997	25,378	489,069
Land revaluation surplus (Note 2.h)	13,619	13,732	144,806
Total	291,560	230,443	3,100,053
Minority interests	21,813	52,400	231,930
Total Equity	313,373	282,843	3,331,983
Total Liabilities and Equity	¥5,667,799	¥5,488,038	$60,263,679

See notes to consolidated financial statements.

Consolidated Statement of Income

The Juroku Bank, Ltd. and Consolidated Subsidiaries *Year Ended March 31, 2013*

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
Income:	2013	2012	2013
Interest on:			
Loans and discounts	¥ 55,920	¥ 59,217	$ 594,577
Securities	14,708	16,001	156,385
Other	220	274	2,339
Fees and commissions	15,588	15,566	165,742
Other operating income (Note 5)	24,957	25,410	265,359
Gain on sale of securities	2,014	8,706	21,414
Gain on negative goodwill (Notes 3 and 29)	3,670	1,061	39,022
Other income	2,537	3,084	26,975
Total Income	119,614	129,319	1,271,813
Expenses:			
Interest on:			
Deposits	5,109	6,124	54,322
Borrowings and re-discounts	960	1,429	10,207
Other	157	141	1,669
Fees and commissions	5,649	5,848	60,064
Other operating expenses (Note 5)	20,531	21,124	218,300
General and administrative expenses	60,157	64,369	639,628
Provision for possible loan losses	5,326	—	56,629
Impairment loss on long-lived assets	609	309	6,475
Loss on abolishment of retirement benefit plan and the others (Note 17)	—	957	—
Other expenses (Note 20)	4,657	5,646	49,516
Total Expenses	103,155	105,947	1,096,810
Income before Income Taxes and Minority Interests	16,459	23,372	175,003
Income Taxes (Note 21):			
Current	1,678	2,150	17,842
Deferred	(10,019)	7,354	(106,528)
Total Income Taxes	(8,341)	9,504	(88,686)
Net Income before Minority Interests	24,800	13,868	263,689
Minority Interests in Net Income	1,619	1,927	17,214
Net Income	¥ 23,181	¥ 11,941	$ 246,475

	Yen		U.S. Dollars
Per Share of Common Stock (Notes 2.q and 27):	2013	2012	2013
Basic net income	¥61.70	¥31.94	$0.66
Diluted net income	55.96	25.88	0.60
Cash dividends applicable to the year	7.00	7.00	0.07

See notes to consolidated financial statements.

Consolidated Statement of Comprehensive Income

The Juroku Bank, Ltd. and Consolidated Subsidiaries *Year Ended March 31, 2013*

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2013	2012	2013
Net income before minority interests	¥ 24,800	¥ 13,868	$ 263,689
Other comprehensive income (Note 26):			
Unrealized gain on available-for-sale securities	20,724	11,980	220,351
Land revaluation surplus	—	1,247	—
Total other comprehensive income	20,724	13,227	220,351
Comprehensive income	¥ 45,524	¥ 27,095	$ 484,040
Total comprehensive income attributable to:			
Owners of the parent	¥ 43,800	¥ 25,122	$ 465,710
Minority interests	1,724	1,973	18,330

See notes to consolidated financial statements.

Consolidated Statement of Changes in Equity

The Juroku Bank, Ltd. and Consolidated Subsidiaries *Year Ended March 31, 2013*

	Thousands		Millions of Yen								
							Accumulated Other Comprehensive Income				
	Outstanding Number of Shares of Common Stock	Outstanding Number of Shares of Preferred Stock	Common Stock	Capital Surplus	Retained Earnings	Treasury Stock	Unrealized Gain on Available-for-sale Securities	Land Revaluation Surplus	Total	Minority Interests	Total Equity
Balance at April 1, 2011	373,776	—	¥36,839	¥27,824	¥118,816	¥(1,529)	¥13,444	¥12,550	¥207,944	¥51,635	¥259,579
Net income	—	—	—	—	11,941	—	—	—	11,941	—	11,941
Cash dividends, ¥7.00 per share	—	—	—	—	(2,616)	—	—	—	(2,616)	—	(2,616)
Transfer of land revaluation surplus	—	—	—	—	65	—	—	—	65	—	65
Purchase of treasury stock	(135)	—	—	—	—	(34)	—	—	(34)	—	(34)
Disposal of treasury stock	110	—	—	(7)	(20)	54	—	—	27	—	27
Net change in the year	—	—	—	—	—	—	11,934	1,182	13,116	765	13,881
Balance at March 31, 2012	373,751	—	36,839	27,817	128,186	(1,509)	25,378	13,732	230,443	52,400	282,843
Net income	—	—	—	—	23,181	—	—	—	23,181	—	23,181
Cash dividends, ¥7.00 per share	—	—	—	—	(2,676)	—	—	—	(2,676)	—	(2,676)
Transfer of land revaluation surplus	—	—	—	—	113	—	—	—	113	—	113
Purchase of treasury stock	(41)	—	—	—	—	(12)	—	—	(12)	—	(12)
Disposal of treasury stock	15	—	—	(1)	—	6	—	—	5	—	5
Increase by merger	—	20,000	—	20,000	—	—	—	—	20,000	—	20,000
Net change in the year	—	—	—	—	—	—	20,619	(113)	20,506	(30,587)	(10,081)
Balance at March 31, 2013	373,725	20,000	¥36,839	¥47,816	¥148,804	¥(1,515)	¥45,997	¥13,619	¥291,560	¥21,813	¥313,373

	Thousands of U.S. Dollars (Note 1)								
					Accumulated Other Comprehensive Income				
	Common Stock	Capital Surplus	Retained Earnings	Treasury Stock	Unrealized Gain on Available-for-sale Securities	Land Revaluation Surplus	Total	Minority Interests	Total Equity
Balance at March 31, 2012	$391,696	$295,768	$1,362,956	$(16,045)	$269,835	$146,007	$2,450,217	$557,150	$3,007,367
Net income	—	—	246,475	—	—	—	246,475	—	246,475
Cash dividends, $0.07 per share	—	—	(28,452)	—	—	—	(28,452)	—	(28,452)
Transfer of land revaluation surplus	—	—	1,201	—	—	—	1,201	—	1,201
Purchase of treasury stock	—	—	—	(127)	—	—	(127)	—	(127)
Disposal of treasury stock	—	(11)	—	64	—	—	53	—	53
Increase by merger	—	212,653	—	—	—	—	212,653	—	212,653
Net change in the year	—	—	—	—	219,234	(1,201)	218,033	(325,220)	(107,187)
Balance at March 31, 2013	$391,696	$508,410	$1,582,180	$(16,108)	$489,069	$144,806	$3,100,053	$231,930	$3,331,983

See notes to consolidated financial statements.

Consolidated Statement of Cash Flows

The Juroku Bank, Ltd. and Consolidated Subsidiaries *Year Ended March 31, 2013*

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
Operating Activities:	2013	2012	2013
Income before income taxes and minority interests	¥ 16,459	¥ 23,372	$ 175,003
Adjustments for:			
Income taxes - paid	(2,501)	(1,242)	(26,592)
Income taxes - refund	103	260	1,095
Depreciation	4,316	5,832	45,890
Impairment loss on long-lived assets	609	309	6,475
Interest income recognized on statements of income	(70,848)	(75,492)	(753,301)
Interest expense recognized on statements of income	6,226	7,694	66,198
Gain on change in equity	(82)	—	(872)
Net gain on securities	(2,351)	(5,270)	(24,997)
Unrealized loss on derivatives	124	71	1,318
Net increase (decrease) in reserve for possible loan losses	429	(8,637)	4,561
Net (decrease) increase in liability for retirement benefits	(1,718)	2,075	(18,267)
Net decrease (increase) in loans	75,412	(157,899)	801,829
Net increase in deposits	120,024	131,436	1,276,172
Net increase in negotiable certificates of deposit	123,360	2,053	1,311,643
Net decrease in due from banks (excluding cash equivalents)	2,676	638	28,453
Net (increase) decrease in call loans	(60,000)	56,663	(637,959)
Net (decrease) increase in call money	(50,000)	50,000	(531,632)
Net decrease in payables under securities lending transactions	(15,010)	(6,965)	(159,596)
Net decrease in lease receivables and investments in leases	276	465	2,935
Interest income - cash basis	73,378	76,608	780,202
Interest expense - cash basis	(5,796)	(13,380)	(61,627)
Other - net	(21,228)	17,644	(225,708)
Total adjustments	177,399	82,863	1,886,220
Net cash provided by operating activities	193,858	106,235	2,061,223
Investing Activities:			
Purchases of securities	(369,204)	(371,677)	(3,925,614)
Proceeds from sales of securities	152,519	173,850	1,621,680
Proceeds from maturities of securities	246,657	60,141	2,622,616
Purchases of premises and equipment	(2,222)	(1,842)	(23,626)
Purchases of intangible assets	(1,519)	(3,384)	(16,151)
Proceeds from sales of premises and equipment	363	252	3,860
Other - net	(1,155)	(61)	(12,281)
Net cash provided by investing activities	25,439	(142,721)	270,484
Financing Activities:			
Proceeds from subordinated loans	8,000	—	85,061
Repayment of subordinated loans	(10,000)	(4,000)	(106,326)
Issuance of subordinated bonds	10,000	—	106,326
Redemption of subordinated bonds	(15,000)	(15,000)	(159,490)
Proceeds from sales of treasury stock	4	27	43
Acquisition of treasury stock	(12)	(34)	(128)
Acquisition of treasury stock of subsidiaries	(7,000)	—	(74,428)
Dividends paid	(3,018)	(2,718)	(32,089)
Net cash used in financing activities	(17,026)	(21,725)	(181,031)
Foreign Currency Translation Adjustments on Cash and Cash Equivalents	24	(3)	255
Net Increase (Decrease) in Cash and Cash Equivalents	202,295	(58,214)	2,150,931
Cash and Cash Equivalents, Beginning of Year	125,735	183,949	1,336,895
Cash and Cash Equivalents, End of Year (Note 4)	¥328,030	¥125,735	$3,487,826

See notes to consolidated financial statements.

1. Basis of Presentation of Consolidated Financial Statements

The accompanying consolidated financial statements have been prepared in accordance with the provisions set forth in the Japanese Financial Instruments and Exchange Act and its related accounting regulations and the Enforcement Regulation for the Banking Law, and in conformity with accounting principles generally accepted in Japan ("Japanese GAAP"), which are different in certain respects as to the application and disclosure requirements of International Financial Reporting Standards ("IFRS").

In preparing these consolidated financial statements, certain reclassifications and rearrangements have been made to the consolidated financial statements issued domestically in order to present them in a form which is more familiar to readers outside Japan.

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

2. Summary of Significant Accounting Policies

a. Consolidation

The consolidated financial statements as of March 31, 2013 include the accounts of the Bank and its eight (eleven in 2012) significant subsidiaries, including Juroku Business Service Co., Ltd., Juroku DC Card Co., Ltd., Juroku JCB Co., Ltd., Juroku Lease Co., Ltd., Juroku Computer Service Co., Ltd., Juroku Credit Guarantee Co., Ltd., Juroku Capital Co., Ltd., and The Gifugin Hosho Services Co., Ltd. (together, the "Group").

The Gifu Bank, Ltd., Juroku DC Card Co., Ltd. and The Gifugin Business Service Co., Ltd. are excluded from consolidation because The Gifu Bank., Ltd. and Juroku DC Card Co., Ltd. were merged with the Bank, and The Gifugin Business Service Co., Ltd. was liquidated.

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

Investments in two (two in 2012) unconsolidated subsidiaries are stated at cost. If the equity method of accounting had been applied to the investments in these companies, the effect on the accompanying consolidated financial statements would not be material.

The excess of the cost of acquisition over the fair value of the net assets of an acquired subsidiary at the date of acquisition is being amortized over a period of 20 years.

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

b. Business Combination

In October 2003, the Business Accounting Council issued a Statement of Opinion, "Accounting for Business Combinations", and in December 2005, the ASBJ issued ASBJ Statement No.7, "Accounting Standard for Business Divestitures" and ASBJ Guidance No.10, "Guidance for Accounting Standard for Business Combinations and Business Divestitures." The accounting standard for business combinations allowed companies to apply the pooling of interests method of accounting only when certain specific criteria were met such that the business combination was essentially regarded as a uniting-of-interests. For business combinations that did not meet the uniting-of-interests criteria, the business combination was considered to be an acquisition and the purchase method of accounting was required. This standard also prescribed the accounting for combinations of entities under common control and for joint ventures.

In December 2008, the ASBJ issued a revised accounting standard for business combinations, ASBJ Statement No. 21, "Accounting Standard for Business Combinations." Major accounting changes under the revised accounting standard are as follows: (1) The revised standard requires accounting for business combinations only by the purchase method. As a result, the pooling of interests method of accounting is no longer allowed. (2) The previous accounting standard required research and development costs to be charged to income as incurred. Under the revised standard, in-process research and development costs (IPR&D) acquired in the business combination are capitalized as an intangible asset. (3) The previous accounting standard provided for a bargain purchase gain (negative goodwill) to be systematically amortized over a period not exceeding 20 years. Under the revised standard, the acquirer recognizes the bargain purchase gain in profit or loss immediately on the acquisition date after reassessing and confirming that all of the assets acquired and all of the liabilities assumed have been identified after a review of the procedures used in the purchase price allocation. The revised standard was applicable to business combinations undertaken on or after April 1, 2010.

c. Cash and cash equivalents

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

d. Trading securities

Trading securities are stated at fair value and the related unrealized gains and losses are included in earnings. The cost of trading securities sold is determined based on the moving-average method.

e. Securities

Securities other than trading securities are classified and accounted for, depending on management's intent, as follows: 1) held-to-maturity debt securities, which are expected to be held to maturity with the positive intent and ability to hold to maturity, are reported at amortized cost and 2) available-for-sale securities, which are not classified as held-to-maturity, are reported at fair value with unrealized gains and losses, net of applicable taxes, reported in a separate component of equity. Non-marketable available-for-sale securities are stated at cost determined by the moving-average method.

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

Securities included in money held in trust for trading purposes are stated at fair value, and the related unrealized gains and losses are included in earnings.

f. Premises and equipment

Premises and equipment are stated at cost less accumulated depreciation. Depreciation of premises and equipment of the Bank, except for leased assets, is computed by the declining-balance method over the estimated useful lives of the assets. Depreciation of premises and equipment of the consolidated subsidiaries, except for leased assets, is computed principally by the same method as the Bank.

The range of useful lives is principally from 15 to 50 years for buildings and from 4 to 20 years for other premises and equipment.

Effective April 1, 2012, as a result of the revision of Japanese corporate tax law, the Bank and its consolidated subsidiaries changed their depreciation method for premises and equipment acquired on or after April 1, 2012 to the method stipulated under the revised corporate tax law.

As a result, consolidated operating income, and income before income taxes and minority interests for the year ended March 31, 2013, both increased by ¥39 million ($415 thousand).

Depreciation of leased assets under finance leases is computed by the straight-line method over the lease period.

Under certain conditions, such as exchanges of premises and equipment for similar kinds and sales and purchases resulting from expropriation, Japanese tax laws permit companies to defer the profit arising from such transactions by reducing the cost of the assets acquired or by providing a special reserve in the equity section. The deferred gain on premises and equipment by reducing the cost of the assets acquired, which is taxable for tax purposes in the future, was ¥2,939 million ($31,249 thousand) and ¥3,073 million as of March 31, 2013 and 2012, respectively.

g. Long-lived assets

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

h. Land revaluation

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

The resulting land revaluation surplus represents unrealized appreciation of land and is stated, net of income taxes, as a component of equity. There was no effect on the consolidated statement of income. Continuous readjustment is not permitted unless the land value subsequently declines significantly such that the amount of the decline in value should be removed from the land revaluation surplus account and related deferred tax liabilities.

The carrying amount of the land after the above one-time revaluation exceeded the market value by ¥21,166 million ($225,051 thousand) as of March 31, 2013.

i. Intangible assets

Amortization of intangible assets is calculated by the straight-line method.

Amortization cost for software for internal use is calculated by the straight-line method over the estimated useful life, principally, five years.

j. Reserve for possible loan losses

The Bank implemented a self-assessment system for its asset quality. The quality of all loans is assessed by the related lending division with a subsequent audit by the asset audit division in accordance with the Bank's policies and rules for self-assessment of asset quality.

The Bank has established a credit rating system under which the customers are classified into five categories such as "normal," "caution," "possible bankruptcy," "virtual bankruptcy" and "legal bankruptcy." The credit rating system is used for the self-assessment of asset quality.

For normal and caution loans, the reserve for possible loan losses is calculated based on actual past loss ratios. For loans such as possible bankruptcy, the reserve for possible loan losses is calculated based on an amount deemed necessary to cover possible losses on loans considering the customer's solvency and other factors, after the estimated fair value of the collateral real estate or guaranteed amount has been deducted. For loans such as virtual bankruptcy or legal bankruptcy, the reserve for possible loan losses is calculated based upon the loan amount after the estimated fair value of the collateral real estate or guaranteed amount has been deducted.

For loans to possible bankruptcy customers, if the exposure to a customer after deducting the estimated value of the collateral or guaranteed amount exceeds a certain amount, the discounted cash flow method is applied for reserve provision, under which the reserve is determined as the difference between the book value of the loan and its present value of future cash flows discounted using the contractual interest rate in the case that future cash flows of the principal and interest can be reasonably estimated.

Reserve for possible loan losses of consolidated subsidiaries is provided based on historical loan loss experience and estimated collectability of specific claims.

k. Liability for retirement benefits

The Bank has a contributory funded defined benefit pension plan and lump-sum payment severance plan for employees and certain subsidiaries have lump-sum payment severance plans for employees. Also, the Bank and certain subsidiaries have lump-sum severance payment plans for directors and Audit & Supervisory Board members.

The liability for retirement benefits is provided based on projected benefit obligations and plan assets at the end of the fiscal year. Any actuarial differences are amortized by the straight-line method mainly over ten years within the average of employees' remaining service period, starting in the fiscal year following the occurrence of such differences.

Retirement benefits to directors and Audit & Supervisory Board members of the Group are provided at the amount that would be required if all directors and Audit & Supervisory Board members retired at the balance sheet date.

l. Leases

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

(As lessee)

Under the previous accounting standard, finance leases that were deemed to transfer ownership of the leased property to the lessee were capitalized. However, other finance leases were permitted to be accounted for as operating lease transactions if certain "as if capitalized" information was disclosed in the note to the lessee's financial statements. The revised accounting standard requires that all finance lease transactions to be capitalized to recognize lease assets and lease obligations in the balance sheet. In addition, the revised accounting standard permits leases which existed at the transition date and do not transfer ownership of the leased property to the lessee to continue to be accounted for as operating lease transactions with certain "as if capitalized" information disclosed in the notes to the lessee's financial statements.

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

(As lessor)

Under the previous accounting standard, finance leases that were deemed to transfer ownership of the leased property to the lessee were treated as sales. However, other finance leases were permitted to be accounted for as operating lease transactions if certain "as if sold" information was disclosed in the notes to the lessor's financial statements. The revised accounting standard requires that all finance leases that are deemed to transfer ownership of the leased property to the lessee to be recognized as lease receivables and all finance leases that are not deemed to transfer ownership of the leased property to the lessee to be recognized as investments in leases. The Group applied the revised accounting standard effective April 1, 2008. For the finance lease contracts which existed on adoption and did not transfer ownership of the leased property to the lessee, the appropriate carrying amount of the leased assets (after deducting accumulated depreciation) at adoption is used as the beginning value of the investments in leases. Interest revenues of these finance lease contracts existed at the adoption are calculated by the straight-line method over the remaining lease period as accepted by ASBJ Guidance No. 16, "Guidance on Accounting Standard for Lease Transaction,". As a result of this treatment, income before income taxes and minority interests is ¥316 million ($3,360 thousand) and ¥432 million larger than the same calculated using the new standards for the contracts existed at the adoption for the years ended March 31, 2013 and 2012, respectively.

All other leases are accounted for as operating leases.

m. Bonuses to directors and Audit & Supervisory Board members

Bonuses to directors and Audit & Supervisory Board members are accrued at the end of the year to which such bonuses are attributable.

n. Income taxes

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

o. Foreign currency transactions
Foreign currency assets and liabilities of the Group are translated into yen equivalents at the exchange rates prevailing at the fiscal year end.

p. Derivatives and hedging activities
The Bank uses a variety of derivative financial instruments.

Derivative financial instruments and foreign currency transactions are classified and accounted for as follows: (1) all derivatives are recognized as either assets or liabilities and measured at fair value, and gains or losses on the derivative transactions are recognized in the income statement and (2) for derivatives used for hedging purposes, if the derivatives qualify for hedge accounting because of high correlation and effectiveness between the hedging instruments and the hedged items, gains or losses on the derivatives are deferred until maturity of the hedged transactions.

The interest rate swaps which qualify for hedge accounting and meet specific matching criteria are not remeasured at market value but the differential paid or received under the swap agreements are recognized and included in interest expense or income. All other derivatives are recognized as either assets or liabilities and measured at fair value and gains or losses on derivative transactions are recognized in the consolidated statement of income.

q. Per share information
Basic net income per share is computed by dividing net income available to common shareholders by the weighted-average number of common shares outstanding for the period, retroactively adjusted for stock splits.

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

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

r. Accounting Changes and Error Corrections
In December 2009, the ASBJ issued ASBJ Statement No. 24, "Accounting Standard for Accounting Changes and Error Corrections," and ASBJ Guidance No. 24, "Guidance on Accounting Standard for Accounting Changes and Error Corrections." Accounting treatments under this standard and guidance are as follows: (1) Changes in Accounting Policies—When a new accounting policy is applied following a revision of an accounting standard, the new policy is applied retrospectively unless the revised accounting standard includes specific transitional provisions, in which case the entity shall comply with the specific transitional provisions. (2) Changes in Presentation—When the presentation of financial statements is changed, prior-period financial statements are reclassified in accordance with the new presentation. (3) Changes in Accounting Estimates—A change in an accounting estimate is accounted for in the period of the change if the change affects that period only, and is accounted for prospectively if the change affects both the period of the change and future periods. (4) Corrections of Prior-Period Errors—When an error in prior-period financial statements is discovered, those statements are restated.

s. New Accounting Pronouncements
Accounting Standard for Retirement Benefits—On May 17, 2012, the ASBJ issued ASBJ Statement No. 26, "Accounting Standard for Retirement Benefits," and ASBJ Guidance No. 25, "Guidance on Accounting Standard for Retirement Benefits," which replaced the "Accounting Standard for Retirement Benefits" that had been issued by the Business Accounting Council in 1998 with an effective date of April 1, 2000, and the other related practical guidance, and followed by partial amendments from time to time through 2009.

Major changes are as follows:

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

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

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

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

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

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

3. Business Combination

For the year ended March 31, 2013

Acquisition of Treasury Stock by a Consolidated Subsidiary

On May 10, 2012, The Gifu Bank, Ltd. (hereinafter "Gifu Bank"), a consolidated subsidiary of the Bank, acquired treasury stock owned by minority shareholders in exchange for cash in the amount of ¥6,999 million ($74,417 thousand) to improve the efficiency of the capital and to minimize the cost for obtaining capital. The treasury stock was cancelled on the date of acquisition.

The Group accounted for this transaction as a transaction with minority shareholders pursuant to ASBJ Statement No. 21, "Accounting Standard for Business Combinations" and ASBJ Guidance No. 10, "Guidance on Accounting Standard for Business Combinations and Business Divestitures" issued on December 26, 2008.

The Group recognized a gain from negative goodwill of ¥778 million ($8,272 thousand) arising from the transaction, since the acquisition cost from minority shareholders was lower than the decrease in minority interests.

Acquisition of Additional Shares of a Subsidiary

On May 28, 2012, the Bank acquired additional shares of Juroku Lease Co., Ltd., a consolidated subsidiary of the Bank, owned by minority shareholders in exchange for cash in the amount of ¥1,120 million ($11,908 thousand) to strengthen the governance through the change in capital structure of the Group.

The Bank accounted for this transaction as a transaction with minority shareholders pursuant to ASBJ Statement No. 21, "Accounting Standard for Business Combinations" and ASBJ Guidance No. 10, "Guidance on Accounting Standard for Business Combinations and Business Divestitures" issued on December 26, 2008.

The Bank recognized a gain from negative goodwill of ¥765 million ($8,134 thousand) arising from the transaction, since the acquisition cost from minority shareholders was lower than the decrease in minority interests.

Merger of the Bank and a Subsidiary

On April 27, 2012, the Bank entered into an agreement on a merger condition (hereinafter "the Agreement") with Gifu Bank and the Bank, The Bank of Tokyo-Mitsubishi UFJ, Ltd. (hereinafter "BTMU"), a holder of Class 5 preferred stock issued by Gifu Bank, upon the approval by the Board of Directors of the Bank for the purpose of merging Gifu Bank (hereinafter "the Merger") effective September 18, 2012 under the condition that this proposal were approved by the general shareholders' meeting and class shareholders' meeting of the Bank and relevant authorities stipulated by the applicable laws and regulations.

On May 14, 2012, the Bank entered into a merger contract (hereinafter "the Merger Contract") with Gifu Bank with the approval from the Board of Directors' meeting held on that date.

The Merger Contract was approved by the general shareholders' meeting and class shareholders' meeting attended by the common shareholders held on June 22, 2012, and the Bank and Gifu Bank were merged effective on September 18, 2012.

1. Summary of the Transaction

(1) Name of the entities and description of their business

	Acquirer (Surviving Entity)	Acquiree (Absorbed Entity)
Name of the entity	The Juroku Bank, Ltd.	The Gifu Bank, Ltd.
Business Description	Banking	Banking

(2) Acquisition Date
September 18, 2012

(3) Legal Form of Acquisition
Absorption-type merger; the Bank as a surviving entity and Gifu Bank as an absorbed entity

(4) Name of the Entity after Business Combination
The Juroku Bank, Ltd.

(5) Others

① Purpose of the business combination

On September 28, 2010, Gifu Bank and BTMU entered into the Business Integration Agreement and the Bank and Gifu Bank entered into the Share Exchange Agreement, under which Gifu Bank became a wholly-owned subsidiary of the Bank. On December 22, 2010, Gifu Bank became a consolidated subsidiary after acquisition and cancellation of the first series of Class 1 preferred stock of Gifu Bank. Thereafter, Gifu Bank issued Class 5 preferred stock to BTMU. Since then, the Bank and Gifu Bank has promoted various initiatives to secure sustainable growth of the corporate value of the Group, contribute to the stabilization of the regional finance system and stimulate the regional economy.

The Bank announced upon the conclusion of the above Business Integration Agreement that the Bank will merge Gifu Bank in middle to late September 2012 after improving business efficiency of Gifu Bank. Since the progress of Gifu Bank's business efficiency is being made, the Bank merged Gifu Bank on September 18, 2012 as initially scheduled.

② Schedule of the business combination

Public notice on the effective date of class shareholders' meeting
Friday, March 16, 2012

Effective date of general shareholders' meeting and class shareholders' meeting by common shareholders
Saturday, March 31, 2012

Board of Directors' meeting to approve the Agreement
Friday, April 27, 2012

Conclusion of the Agreement
Friday, April 27, 2012

Board of Directors' meeting to approve the Merger Contract
Monday, May 14, 2012

Conclusion of the Merger Contract
Monday, May 14, 2012

General shareholders' meeting and class shareholders' meeting by common shareholders
Friday, June 22, 2012

Effective date of the Merger
Tuesday, September 18, 2012

(Note) The management of the Bank requested the Bank's shareholders to approve the Merger because there was a possibility that the Bank would record loss on merger depending on the operating results of Gifu Bank for the period ended the effective date of the Merger. In addition, since the Bank issued Class 1 preferred stock in exchange for Class 5 preferred stock of Gifu Bank in conjunction with the Merger, the Bank became an entity with class shares. Since the Bank was required to make amendments to the Articles of Incorporation to issue preferred shares, the Bank held the class shareholders' meeting to be attended by common shareholders regarding the approval of the Merger Contract.

Even though Gifu Bank was not required to obtain an approval from the shareholders' meeting pursuant to the provision stipulated by the first section of the article No. 784 of the Companies Act; however, Gifu Bank held a class shareholders' meeting by the common shareholders, a class shareholders' meeting by the Class 4 preferred shareholders and a class shareholders' meeting by the Class 5 preferred shareholders concerning the approval of the Merger Contract.

2. Summary of the Accounting Treatment

The Bank accounted for this transaction as a combination of entities under common control and a transaction with minority shareholders in accordance with ASBJ Statement No. 21, "Accounting Standard for Business Combinations" and ASBJ Guidance No. 10, "Guidance on Accounting Standard for Business Combinations and Business Divestitures".

3. Cost incurred by the acquiree and description of the cost

		Millions of Yen	Thousands of U.S. Dollars
Acquisition cost	Fair value of the Bank's Class 1 stock issued on acquisition date	¥20,000	$212,652
Expenses incurred for acquisition	Expenses for advisory, etc.	95	1,010
Total cost incurred		¥20,095	$213,662

4. Distribution of shares by class of shares related to the Merger, calculation methods and the number of shares issued

(1) Distribution of shares by class of shares

① Common stock:
The Bank held 100% of the common stock issued by Gifu Bank and did not issue new shares, nor pay any amount of money due to the Merger.

② Class 4 preferred shares
The Bank held 100% of the Class 4 preferred shares issued by Gifu Bank and did not issue new shares, nor pay any amount of money due to the Merger.

③ Class 5 preferred shares
The Bank issued 0.9 share of the Class 1 preferred shares for one Class 5 preferred shares issued by Gifu Bank due to the Merger. The terms and conditions of the Class 1 preferred shares of the Bank are identical with those of the Class 5 preferred shares of Gifu Bank.

(2) Calculation method of distribution of shares

Pursuant to the contents of the Business Integration Agreement on September 28, 2010, the Bank, Gifu Bank and BTMU discussed the distribution ratio of the preferred shares of Gifu Bank, taking into consideration that the shareholders of Gifu Bank consisted of only two shareholders, the Bank and BTMU, and that the Bank holds 100% of voting rights of Gifu Bank. As a result of the discussion, the Bank, Gifu Bank and BTMU agreed that 1) the identical terms and conditions of the Class 5 preferred stock issued by Gifu Bank will be used for the Class 1 preferred stock to be newly issued by the Bank, and 2) the Bank will issue 0.9 shares of the Class 1 preferred stock of the Bank for one Class 5 preferred stock issued by Gifu Bank, taking into account that no market price exists for the Class 5 preferred stock, and the stock value of Gifu Bank.

(3) Number of Shares

Under this Merger, 20 million shares of Class 1 preferred stock were issued.

5. Amount of negative goodwill recorded

Since the total of fair value of the Bank's Class 1 preferred stock issued on acquisition date and the expenses incurred for the Merger was lower than the decrease in minority interest, the Bank recorded gain from negative goodwill of ¥2,127 million ($22,616 thousand) from the Merger.

For the year ended March 31, 2012

On April 26 and 28, 2011, the Bank acquired additional shares of Juroku Capital Co., Ltd., which is a consolidated subsidiary, owned by minority shareholders in exchange for cash in the amount of ¥39 million to strengthen the governance through the change of capital structure of the company.

The Bank accounted for this transaction as a transaction with minority shareholders pursuant to ASBJ Statement No. 21, "Accounting Standard for Business Combinations" and ASBJ Guidance No. 10, "Guidance on Accounting Standard for Business Combinations and Business Divestitures" issued on December 26, 2008.

The Bank recognized a gain from negative goodwill of ¥1,061 million arising from the transaction, since the acquisition cost of the subsidiary's shares from minority shareholders was lower than the decreased amount of minority interests.

4. Cash and Due from Banks

Cash and due from banks as of March 31, 2013 and 2012 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2013	2012	2013
Cash	¥ 51,179	¥ 64,795	$ 544,168
Due from banks	277,536	64,301	2,950,941
Total	¥328,715	¥129,096	$3,495,109

A reconciliation between the cash and due from banks on the consolidated balance sheet and the cash and cash equivalents on the consolidated statement of cash flows for the years ended March 31, 2013 and 2012 was as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2013	2012	2013
Cash and due from banks	¥328,715	¥129,096	$3,495,109
Due from banks other than the Bank of Japan	(685)	(3,361)	(7,283)
Cash and cash equivalents	¥328,030	¥125,735	$3,487,826

5. Trading Securities and Securities

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

	Millions of Yen		Thousands of U.S. Dollars
	2013	2012	2013
National government bonds	¥1,214	¥1,712	$12,908
Local government bonds	16	6	170
	¥1,230	¥1,718	$13,078

The Bank records net valuation gains and losses as other operating income and expenses, respectively. For the years ended March 31, 2013 and 2012, the Bank recorded net valuation gains of ¥5 million ($53 thousand) and net valuation losses of ¥0 million, respectively.

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

	Millions of Yen		Thousands of U.S. Dollars
	2013	2012	2013
Equity securities	¥ 108,045	¥ 95,874	$ 1,148,804
National government bonds	612,195	627,612	6,509,250
Local government bonds	306,533	307,599	3,259,256
Corporate bonds	315,213	306,116	3,351,547
Other securities	129,998	121,560	1,382,222
Total	¥1,471,984	¥1,458,761	$15,651,079

Information regarding available-for-sale and held-to-maturity securities as of March 31, 2013 and 2012 was as follows:

	Millions of Yen			
March 31, 2013	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Securities classified as:				
Available-for-sale:				
Equity securities	¥ 64,784	¥38,357	¥3,403	¥ 99,738
Debt securities	1,163,153	30,456	147	1,193,462
Other	121,626	4,453	371	125,708
Held-to-maturity:				
Debt securities	40,478	343	108	40,713

	Millions of Yen			
March 31, 2012	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Securities classified as:				
Available-for-sale:				
Equity securities	¥ 67,813	¥24,141	¥4,570	¥ 87,384
Debt securities	1,175,074	20,250	413	1,194,911
Other	117,501	2,425	3,561	116,365
Held-to-maturity:				
Debt securities	46,416	368	227	46,557

	Thousands of U.S. Dollars			
March 31, 2013	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Securities classified as:				
Available-for-sale:				
Equity securities	$ 688,825	$407,836	$36,183	$ 1,060,478
Debt securities	12,367,390	323,828	1,564	12,689,654
Other	1,293,206	47,347	3,945	1,336,608
Held-to-maturity:				
Debt securities	430,388	3,647	1,148	432,887

Proceeds from sales of available-for-sale securities for the year ended March 31, 2013 consisted of the following:

	Millions of Yen		
March 31, 2013	Proceeds	Realized Gains	Realized Losses
Equity securities	¥ 4,617	¥1,213	¥424
Debt securities:			
National government bonds	89,006	2,357	—
Local government bonds	12,919	570	—
Corporate bonds	12,929	189	55
Other	22,713	1,295	282
Total	¥142,184	¥5,624	¥761

	Millions of Yen		
March 31, 2012	Proceeds	Realized Gains	Realized Losses
Equity securities	¥ 15,458	¥ 8,027	¥2,583
Debt securities:			
National government bonds	85,749	1,498	26
Local government bonds	1,226	27	—
Corporate bonds	15,598	239	223
Other	44,445	2,035	1,825
Total	¥162,476	¥11,826	¥4,657

	Thousands of U.S. Dollars		
March 31, 2013	Proceeds	Realized Gains	Realized Losses
Equity securities	$ 49,091	$12,897	$4,508
Debt securities:			
National government bonds	946,369	25,061	—
Local government bonds	137,363	6,061	—
Corporate bonds	137,469	2,010	585
Other	241,500	13,769	2,998
Total	$1,511,792	$59,798	$8,091

In addition, held-to-maturity securities amounting to ¥302 million ($3,211 thousand) and ¥500 million were reclassified as available-for-sale securities due to a decline of the issuer's credit worthiness as of March 31, 2013 and 2012.

The impairment losses on available-for-sale equity securities for the years ended March 31, 2013 and 2012, were ¥247 million ($2,626 thousand) (consisting of equity securities ¥145 million ($1,542 thousand) and corporate bonds ¥102 million ($1,084 thousand)) and ¥ 32 million (consisting of corporate bonds), respectively.

Unrealized gain on available-for-sale securities as of March 31, 2013 and 2012 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2013	2012	2013
Unrealized gain before deferred tax on: Available-for-sale securities	¥70,103	¥38,992	$745,380
Deferred tax liabilities	(23,806)	(13,419)	(253,121)
Unrealized gain on available-for-sale securities before interest adjustments	46,297	25,573	492,259
Minority interest	(300)	(195)	(3,190)
Unrealized gain on available-for-sale securities	¥45,997	¥25,378	$489,069

Unrealized gain on available-for-sale securities includes ¥758 million ($8,060 thousand) and ¥719 million of revaluation gain on available-for-sale securities as of March 31, 2013 and 2012, which are held by investment limited partnership and similar groups.

6. Money Held in Trust

Information regarding money held in trust for trading purposes as of March 31, 2013 and 2012 was as follows:

	Carrying Amount		
	Millions of Yen		Thousands of U.S. Dollars
	2013	2012	2013
Money held in trust classified as trading purpose	¥ 6,000	¥ 6,000	$ 63,796
Money held in trust-other	4,620	4,620	49,123
Total	¥10,620	¥10,620	$112,919

7. Loans and Bills Discounted

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

	Millions of Yen		Thousands of U.S. Dollars
	2013	2012	2013
Bills discounted	¥ 32,691	¥ 39,008	$ 347,592
Loans on bills	171,438	199,742	1,822,839
Loans on deeds	2,981,407	486,239	31,700,234
Overdrafts	457,179	5,110	4,861,021
Others	4,017	2,992,045	42,711
Total	¥3,646,732	¥3,722,144	$38,774,397

"Nonaccrual loans", which include loans to borrowers in bankruptcy and past due loans, are defined as loans upon which the Bank has discontinued the accrual of interest income. Borrowers are generally placed on nonaccrual status when substantial doubt is deemed to exist as to the ultimate collectability of either the principal or interest and if the loans are past due for a certain period of time or for other reasons.

"Loans to borrowers in bankruptcy" represent nonaccrual loans to debtors who are legally bankrupt, which is defined in Article 96, Paragraph 1, Subparagraphs 3 and 4 of Enforcement Ordinance for the Corporate Tax Law. Loans to borrowers in legal bankruptcy as of March 31, 2013 and 2012 were ¥3,928 million ($41,765 thousand) and ¥6,283 million, respectively.

"Past due loans" are nonaccrual loans other than loans to borrowers in bankruptcy and loans of which interest payments are deferred in order to assist the financial recovery of a debtor in financial difficulty. Past due loans as of March 31, 2013 and 2012 were ¥131,887 million ($1,402,307 thousand) and ¥113,545 million, respectively.

"Accruing loans past due three months or more" are defined as loans on which principal or interest is past due more than three months. Loans classified as loans to borrowers in bankruptcy and past due loans are excluded from accruing loans past due three months or more. Accruing loans past due three months or more as of March 31, 2013 and 2012 were ¥1,039 million ($11,047 thousand) and ¥255 million, respectively.

"Restructured loans" are defined as loans in which the Group is providing financial support to a borrower by a reduction of interest rates, deferral of interest payments, extension of maturity dates, or reduction of the face or maturity amount of the debt or accrued interest. Loans classified as loans to borrowers in bankruptcy, past due loans and accruing loans past due three months or more are excluded from restructured loans. Restructured loans as of March 31, 2013 and 2012 were ¥12,095 million ($128,602 thousand) and ¥17,540 million, respectively.

The total amount of loans to borrowers in bankruptcy, past due loans, accruing loans past due three months or more and restructured loans as of March 31, 2013 and 2012 were ¥148,949 million ($1,583,721 thousand) and ¥137,623 million, respectively.

Bills discounted are accounted for as financing transactions in accordance with "Treatment of Accounting and Auditing in Applying Accounting Standard for Financial Instruments in the Banking Industry" issued by the Japanese Institute of Certified Public Accountants. The Bank has rights to sell or pledge accepted commercial bills discounted and foreign bills of exchange bought without restrictions.

The total fair value of commercial bills discounted and foreign bills of exchange bought included in foreign exchanges as of March 31, 2013 and 2012 were ¥34,407 million ($365,837 thousand) and ¥39,956 million, respectively.

8. Foreign Exchanges

Foreign exchanges as of March 31, 2013 and 2012 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2013	2012	2013
Assets:			
Due from foreign correspondent account	¥2,927	¥2,356	$31,122
Foreign bills of exchange bought	1,716	945	18,246
Foreign bills of exchange receivable	1,069	1,513	11,366
Total	¥5,712	¥4,814	$60,734
Liabilities:			
Due to foreign correspondent account	¥ 303	¥ 639	$ 3,222
Foreign bills of exchange payable	77	203	818
Total	¥ 380	¥ 842	$ 4,040

9. Other Assets

Other assets as of March 31, 2013 and 2012 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2013	2012	2013
Accrued income	¥ 6,604	¥ 7,541	$ 70,218
Accounts receivable	8,508	8,605	90,463
Installment receivables	8,627	8,215	91,728
Derivative assets	6,358	13,835	67,602
Other	9,866	13,422	104,899
Total	¥39,963	¥51,618	$424,910

10. Premises and Equipment

Premises and equipment as of March 31, 2013 and 2012 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2013	2012	2013
Land	¥46,542	¥48,299	$494,864
Building	13,227	13,400	140,638
Construction in progress	198	249	2,105
Other	6,051	5,621	64,339
Total	¥66,018	¥67,569	$701,946

The accumulated depreciation of premises and equipment as of March 31, 2013 and 2012 amounted to ¥64,849 million ($689,516 thousand) and ¥70,108 million, respectively.

11. Customers' Liabilities for Acceptances and Guarantees

All contingent liabilities arising from acceptances and guarantees are reflected in acceptances and guarantees. As a contra account, the customers' liabilities for acceptances and guarantees are presented as assets, representing the Bank's right of indemnity from applicants.

The Enforcement Ordinance of the Banking Law was revised on April 17, 2007 and effective from the fiscal years beginning on and after April 1, 2006. The Bank offset customer's liabilities for acceptance and guarantees with acceptance and guarantees of ¥41,014 million ($436,087 thousand) and ¥47,195 million arising from guarantees of private placement securities as of March 31, 2013 and 2012, respectively.

12. Assets Pledged

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

	Millions of Yen		Thousands of U.S. Dollars
	2013	2012	2013
Assets pledged as collateral:			
Securities	¥138,951	¥240,952	$1,477,416
Lease receivables and investments in leases	1,818	3,129	19,330
Other assets	77	48	819
Total	¥140,846	¥244,129	$1,497,565
Relevant liabilities to above assets:			
Deposits	¥112,102	¥117,085	$1,191,940
Call money	—	50,000	—
Payables under securities lending transactions	48,915	63,926	520,096
Borrowed money	16,460	30,362	175,013
Total	¥177,477	¥261,373	$1,887,049

In addition, the following assets were pledged or deposited with respect to foreign exchange settlements and derivatives as of March 31, 2013 and 2012:

	Millions of Yen		Thousands of U.S. Dollars
	2013	2012	2013
Securities	¥81,884	¥109,328	$870,643
Other assets	8	11	85
Total	¥81,892	¥109,339	$870,728

Deposits included in other assets as of March 31, 2013 and 2012 were ¥2,285 million ($24,296 thousand) and ¥2,581 million, respectively.

13. Deposits

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

	Millions of Yen		Thousands of U.S. Dollars
	2013	2012	2013
Current deposits	¥ 316,830	¥ 308,458	$ 3,368,740
Ordinary deposits	1,915,866	1,888,110	20,370,718
Deposits at notice	44,703	39,023	475,311
Savings deposits	97,075	103,025	1,032,164
Time deposits	2,562,978	2,471,047	27,251,228
Other deposits	63,596	71,360	676,193
Total	¥5,001,048	¥4,881,023	$53,174,354

14. Borrowed Money and Lease Obligation

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

	Millions of Yen		Thousands of U.S. Dollars
	2013	2012	2013
Borrowings due serially to September 2022 with weighted average interest rates of 1.02% in 2013 and 0.97% in 2012	¥72,314	¥82,988	$768,889
Lease obligation	263	308	2,796

Weighted average interest rates of lease obligation are not represented because lease obligation is disclosed on the balance sheet without deducting interest portion which is included in the amount of lease obligation.

Annual maturities of borrowings as of March 31, 2013 were as follows:

Year Ending March 31	Millions of Yen	Thousands of U.S. Dollars
2014	¥24,397	$259,405
2015	6,807	72,376
2016	5,327	56,640
2017	4,409	46,879
2018	2,124	22,584
2019 and thereafter	29,250	311,005
Total	¥72,314	$768,889

Borrowings include subordinated borrowings of the Bank, which amounted to ¥29,000 million ($308,347 thousand) and ¥31,000 million as of March 31, 2013 and 2012.

Annual maturities of lease obligation as of March 31, 2013 were as follows:

Year Ending March 31	Millions of Yen	Thousands of U.S. Dollars
2014	¥ 46	$ 489
2015	46	489
2016	46	489
2017	46	489
2018	46	489
2019	33	351
Total	¥263	$2,796

15. Bonds

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

	Millions of Yen		Thousands of U.S. Dollars
	2013	2012	2013
Unsecured Yen subordinated bonds due September 2017	—	¥15,000	—
Unsecured Yen subordinated bonds due December 2022 (*)	¥10,000	—	$106,326
Total	¥10,000	¥15,000	$106,326

(*) The interest rates of the bonds are 1.01% for the period from December 22, 2012 to December 21, 2017 and six-month Euroyen Libor plus 2.20% for the period from December 22, 2017 to December 21, 2022.

16. Other Liabilities

Other liabilities as of March 31, 2013 and 2012 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2013	2012	2013
Domestic exchange settlement account, credit (*)	¥ 27	¥ 16	$ 287
Income taxes payable	790	1,573	8,400
Accrued expenses	8,194	8,053	87,124
Deferred income	9,862	9,912	104,859
Employees' deposits	2,715	2,495	28,868
Derivative liabilities	6,540	13,885	69,537
Accounts payable	5,879	6,233	62,509
Other	11,122	11,295	118,257
Total	¥45,129	¥53,462	$479,841

(*) The domestic exchange settlement account consisted of outstanding remittance bills from other banks and/or collection bills for which the Bank has received notices for payment from other banks which have not been settled.

17. Retirement and Pension Plans

The Bank and certain subsidiaries have severance payment plans for employees, directors and Audit & Supervisory Board members. Under most circumstances, employees terminating their employment are entitled to retirement benefits determined based on the rate of pay at the time of termination, years of service and certain other factors. If the termination is involuntary, caused by retirement at the mandatory retirement age or death, or certain other causes, the employee is entitled to greater payments than in the case of voluntary termination.

The liability for retirement benefits for directors and Audit & Supervisory Board members as of March 31, 2013 and 2012 was ¥432 million ($4,593 thousand) and ¥430 million, respectively. The retirement benefits for directors and Audit & Supervisory Board members are paid subject to the approval of the shareholders.

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

	Millions of Yen		Thousands of U.S. Dollars
	2013	2012	2013
Projected benefit obligation	¥48,494	¥50,394	$515,619
Fair value of plan assets	(35,700)	(32,131)	(379,585)
Unrecognized actuarial loss	(2,807)	(6,556)	(29,846)
Net liability	¥ 9,987	¥11,707	$106,188

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

	Millions of Yen		Thousands of U.S. Dollars
	2013	2012	2013
Service cost	¥1,508	¥1,463	$16,034
Interest cost	957	968	10,175
Expected return on plan assets	(817)	(797)	(8,687)
Recognized actuarial loss	1,122	1,679	11,930
Loss on abolishment of retirement benefit plan and the others	—	957	—
Net periodic retirement costs	¥2,770	¥4,270	$29,452

The Bank recorded the estimated loss on abolishment of retirement benefit plan for terminating the retirement plan in September 2012 for one of the subsidiaries for the year ended March 31, 2012. The loss consists of ¥617 million of estimated termination expense and ¥340 million of estimated premium severance pay.

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

	2013	2012
Periodic recognition of projected benefit obligation	Straight-line method	Straight-line method
Discount rate	2.0%	2.0 %
Expected rate of return on plan assets	3.0%	3.0 %
Recognition period of actuarial gain/loss	10 years	10 years

18. Asset Retirement Obligations

The changes in asset retirement obligations, which are included in other liabilities, for the year ended March 31, 2013 and 2012 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2013	2012	2013
Balance at beginning of year	¥284	¥281	$3,020
Reconciliation associated with passage of time	11	18	117
Decrease due to fulfillment of asset retirement obligations	(95)	(15)	(1,010)
Balance at end of year	¥200	¥284	$2,127

19. Equity

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

(a) Dividends

Under the Companies Act, companies can pay dividends at any time during the fiscal year in addition to the year-end dividend upon resolution at the shareholders' meeting. For companies that meet certain criteria, the Board of Directors may declare dividends (except for dividends-in-kind) at any time during the fiscal year if the company has prescribed so in its articles of incorporation. However, the Bank cannot do so because it does not meet the criteria. Semiannual interim dividends may also be paid once a year upon resolution by the Board of Directors if the articles of incorporation of the company so stipulate. The Companies Act provides certain limitations on the amounts available for dividends or the purchase of treasury stock. The limitation is defined as the amount available for distribution to the shareholders, but the amount of net assets after dividends must be maintained at no less than ¥3 million.

(b) Treasury stock and treasury stock acquisition rights

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

Other than above, the Japanese Banking Law provided that an amount at least equal to 20% of the aggregate amount of cash dividends and certain other cash payments which are made as an appropriation of retained earnings applicable to each fiscal period shall be set aside as a legal reserve until the total additional paid-in capital and legal reserve equals 100% of stated capital. The amount of total additional paid-in capital and legal reserve which exceeds 100% of stated capital can be transferred to retained earnings by resolution of the shareholders, which may be available for dividends. The Bank's legal reserve amount, which is included in retained earnings, totals ¥20,155 million ($214,301 thousand) and ¥20,155 as of March 31, 2013 and 2012, respectively.

20. Other Expenses

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

	Millions of Yen		Thousands of U.S. Dollars
	2013	2012	2013
Write-down of stocks and other securities	¥ 176	¥ 143	$ 1,871
Loss on sales of stocks and other securities	521	3,726	5,540
Write-down of loans	85	28	904
Loss on sales of loans	2,092	735	22,243
Loss on dispositions of premises and equipment	355	47	3,775
Other	1,428	967	15,183
Total	¥4,657	¥5,646	$49,516

21. Income Taxes

The Bank and its subsidiaries are subject to Japanese national and local income taxes which, in the aggregate, resulted in normal effective statutory tax rate of approximately 37% and 40% for the years ended March 31, 2013 and 2012.

The tax effects of significant temporary differences and tax loss carryforwards, which result in deferred tax assets and liabilities as of March 31, 2013 and 2012 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2013	2012	2013
Deferred tax assets:			
Reserve for possible loan losses	¥12,705	¥12,284	$135,088
Tax loss carryforwards	9,595	10,516	102,020
Liability for retirement benefits	5,679	6,601	60,383
Write-down of securities	2,959	3,388	31,462
Depreciation	2,166	2,512	23,030
Other	3,188	3,766	33,897
Less: Valuation allowance	(7,295)	(20,054)	(77,565)
Total	28,997	19,013	308,315
Deferred tax liabilities:			
Unrealized gain on available-for-sale securities	(23,807)	(13,419)	(253,131)
Gain on contribution of available-for-sale securities to employees' retirement benefit trusts	(1,184)	(1,184)	(12,589)
Other	(682)	(656)	(7,252)
Total	(25,673)	(15,259)	(272,972)
Net deferred tax assets	¥ 3,324	¥ 3,754	$ 35,343

Reconciliations between the normal effective statutory tax rate and the actual effective tax rate reflected in the accompanying consolidated statement of operations for the years ended March 31, 2013 and 2012 were as follows:

	2013	2012
Normal effective statutory tax rate	37.18%	39.76%
Expenses not deductible for income tax purposes	0.62	0.45
Income not taxable for income tax purposes	(2.41)	(1.78)
Per capita tax	0.57	0.40
Net change in valuation allowance	(81.94)	(4.97)
Reduction in year-end deferred tax assets (liabilities) due to tax-rate	—	7.43
Gain on negative goodwill	(8.29)	(1.80)
The effect of variance with the future effective statutory tax rate which will be applied after the taxable period of the new tax reform laws	3.03	—
Other – net	0.56	1.17
Actual effective tax rate	(50.68)%	40.66%

22. Leases

Finance leases

(Lessee)

A subsidiary leases certain premises.

Total rental expense including lease payments under the finance leases for the years ended March 31, 2013 and 2012 was ¥31 million ($330 thousand) and ¥44 million, respectively.

Pro forma information of leased assets whose lease inception was before March 31, 2008

ASBJ Statement No.13, "Accounting Standard for Lease Transactions", requires that all finance lease transactions be capitalized to recognize lease assets and lease obligations in the balance sheet. However, the ASBJ Statement No. 13 permits leases that do not ownership transfer of the leased assets to the lessee and whose lease inception was before March 31, 2008 to continue to be accounted for as operating lease transactions if certain "as if capitalized" information is disclosed in the notes to the financial statements. The Group applied ASBJ Statement

No. 13 effective April 1, 2008 and continued to account for such leases as operating lease transactions. Pro forma information of leased assets whose lease inception was before March 31, 2008 was as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2013	2012	2013
Acquisition cost	¥209	¥229	$2,222
Accumulated depreciation	(161)	(149)	(1,712)
Net leased assets	¥ 48	¥ 80	$ 510

Obligations under finance leases as of March 31, 2013 and 2012 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2013	2012	2013
Due within one year	¥30	¥32	$319
Due after one year	18	48	191
Total	¥48	¥80	$510

*The amounts of obligations under finance leases include the imputed interest expense portion.

Depreciation expense, which was not reflected in the accompanying consolidated statement of income, was computed by the straight-line method with useful lives being equal to the lease period and all residual values at zero. Depreciation expense for the years ended March 31, 2013 and 2012 was ¥31 million ($330 thousand) and ¥44 million, respectively.

(Lessor)
A subsidiary leases certain equipment and other assets.

The net investments in leases as of March 31, 2013 and 2012 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2013	2012	2013
Gross lease receivables	¥41,341	¥42,351	$439,564
Unguaranteed residual values	966	746	10,271
Deferred interest income	(4,341)	(4,663)	(46,156)
Total	¥37,966	¥38,434	$403,679

Maturities of lease receivables for finance leases that were deemed to transfer ownership of the leased assets to the lessee are as follows:

Year Ending March 31	Millions of Yen	Thousands of U.S. Dollars
2014	¥ 749	$ 7,964
2015	641	6,816
2016	534	5,678
2017	432	4,593
2018	226	2,403
2019 and thereafter	425	4,518
Total	¥3,007	$31,972

Maturities of investment in leases for finance leases that were deemed not to transfer ownership of the leased assets to the lessee are as follows:

Year Ending March 31	Millions of Yen	Thousands of U.S. Dollars
2014	¥12,259	$130,346
2015	9,397	99,915
2016	7,125	75,758
2017	5,069	53,897
2018	3,131	33,291
2019 and thereafter	4,360	46,357
Total	¥41,341	$439,564

Operating leases

(Lessee)
The minimum rental commitments under noncancellable operating leases as of March 31, 2013 and 2012 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2013	2012	2013
Due within one year	¥ 194	¥ 238	$ 2,063
Due after one year	1,988	2,980	21,137
Total	¥2,182	¥3,218	$23,200

(Lessor)
Expected future rental revenues under operating leases as of March 31, 2013 and 2012 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2013	2012	2013
Due within one year	¥284	¥159	$3,020
Due after one year	590	250	6,273
Total	¥874	¥409	$9,293

23. Financial Instruments and Related Disclosures

(1) Group policy for financial instruments

The Group provides banking services and comprehensive financial services including leasing business. The Group meets the needs of local business through providing various products and services in the banking services, lending services, securities investments and other financial services such as derivatives business. The Group has aligned its operation into local personnel and businesses and fund from deposits from customers, which are low cost and stable. The Group also funds by borrowing.

As for loans and bills discounted in the money management system, the Group finances local companies based on their capital demands and individuals mainly for home mortgage. As its main resources are bank deposits from customers, the Group tries to ensure the soundness of the assets through appropriate credit decisions and credit rating by understanding the current credit status and managing the credit portfolio to prevent concentrations in specific customers or industries. In marketable securities, considering the nature that it is an excess fund management relating to lending services and its responsibility as a bank to provide settlement services, the Group focuses on running a fund based on public bonds, which is superior in security and liquidity. To build up a portfolio that is less subject to rising interest rates, the Group invests in risk assets such as securities whose values are expected to be less correlated with bonds.

The Group performs the derivative transactions to fund and invest capitals to meet the various needs of its customers as well as to meet its own needs. In trading transactions, the Group avoids taking excessive risk by restricting the type of transactions and limiting the volume. Also, the Group will not trade a particular investment if its fair value is volatile compared to the same of the underlying assets (i.e. high leverage-effect transaction).

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

The loans and bills discounted are to general business enterprises, individuals, and local public bodies, and there is a risk (credit risk) that the value of loaned money is reduced by financial deterioration of the borrower and a risk (interest risk) of losses due to changes in interest rates.

In marketable securities, the Group holds domestic bonds which are comprised mainly of public bonds such as government bonds and local government bonds, foreign securities, which are comprised of mainly US Treasury, stocks, investment trusts, and investment partnerships and so forth for investment purposes. Also, the Group holds certain domestic bonds for held-to-maturity purposes. These items have interest risk, risk of changes in price, credit risk, and market liquidity risk. Market liquidity risk represents the risk that market trades cannot be performed due to market turmoil and that the Group may suffer losses due to significantly unfavorable financing conditions.

Deposits and borrowed money hold interest risk and cash flow risk (liquidity risk). Cash flow risk means the risk that securing necessary financing becomes difficult or significant unfavorable financing conditions result in recording of loss due to a mismatch of periods between operations and financing and unexpected outflows of money. Derivative transactions related to interest are comprised of interest-rate swap agreements, cap agreements, floor agreements, and interest option contracts.

Derivative transactions related to currency are comprised of exchange contracts, non-deliverable forwards (NDF), currency swap agreements, and currency option contracts. Derivative transactions related to securities are comprised of bond futures, options on bond futures, OTC bond options, stock future transactions and individual security options.

The Group utilizes derivative transactions to meet customer needs and to control risk so that interest risk, risk of changes in prices, and foreign currency exchange risk are not excessive. In trading transactions, the Group performs derivative transactions to earn a profit and to accumulate know-how of the transactions and understand market trends.

The derivative transactions the Group utilizes have interest risk, currency exchange risk and the risk of change in prices. In derivative transactions, the Group performs effective covering transactions to meet customers' needs and in trading transactions, the Group preliminarily establishes a risk limit to avoid exposing the Group to too much market risk. Transactions in the market such as options have limited credit risk and OTC transactions like interest swaps are assumed to have low risk since the counterparties are comprised of highly credible financial institutions and companies.

The interest rate swaps on deposits which qualify for hedge accounting and meet specific matching criteria are not remeasured at market values but the differential paid or received under the swap agreements is recognized and included in interest expense or income.

(3) Risk management for financial instruments

Integrated Risk

The Group defines integrated risk management policies and regulations, and strengthens integrated risk management to ensure the soundness of management.

The Group monitors various risks holistically including measurement by statistical methods and tries to control risks within the range of management vitality. Specifically, the Group allocates risk capital to credit risk, market risk, and operational risk based on Value at Risk ("VaR") calculations according to assumptions about the market fluctuation rate and its half year business plan. In each operation division, the Group tries to control risk and obtain returns within the range of risk capital. Integrated risk is managed by the risk management department and is reported at the monthly ALM committee and Board of Directors meetings. Necessary actions like risk control are taken promptly.

Credit Risk Management

The Group defines credit risk management policy and rules such as credit risk management regulation to understand, manage and take actions on credit risk appropriately.

First of all, in screening requests for loans, the Group clearly separates the credit department from the operating department and the Group performs strict examination by the type of business. Also, the Group analyzes if repayment resources are ensured and reasonably secured on individual loans based on the purpose of the loan, business plans and investment effects.

For portfolio management, the Group tries to improve credit portfolio by preventing concentrations in particular customers or industries and by ensuring profits to meet credit costs.

In addition, in order to improve credit risk, the Group supports to improve management and business restructuring for customers experiencing difficult business conditions.

Regarding credit risk management, the Group defines a credit rating system where the Group evaluates the degree of credit risk by an integrated scale objectively and makes arrangements to reevaluate credit ratings close to fiscal year end or when there are any changes in credit status.

As for the level of credit risk and degree of concentration of credit granting, the risk controlling department manages, reports monthly to the ALM committee and management and discusses necessary actions.

Market risk management (foreign exchange risk and interest rate risk)

The Group considers interest risk, currency risk and the risk of change in prices as the main market risks and institutes a market risk management policy to manage the risks properly to avoid a reduction in the value of assets and losing credit. The Group also institutes market risk management regulations according to the market risk management policy to clarify the identification of market risk, the role of the department in charge the method of evaluation and monitoring and the methods for controlling and reducing market risk.

Under integrated risk management, the Group allocates risk capital to each business (deposit, loan, investment securities and other securities) and establishes a cap on the investment amount and a maximum loss amount and matters to be discussed (level of loss to be re-examined). The Group handles market transactions within these risk limits expeditiously and effectively. With regard to these risks, the risk controlling department manages and reports monthly to the ALM committee and management and discusses necessary actions.

Regarding derivative transactions, the Group follows internal regulations and policies. The market-risk-management department (middle office) and office-work department (back office) manage and monitor the balance, fair value, profit and loss and measurement of risk of the transactions and report to top-management and risk controlling department regularly to ensures mutual supervision of risks. Especially in trading transactions, the market-risk-management department (middle office) manages the positions, measurement of risk and application for loss cut rule closely.

The Group holds financial instruments which are exposed to market risks (e.g. interest-rate risk, price-volatility risk and exchange risk) such as loans and bills discounted, securities, deposits, borrowed money and corporate bonds. To manage these market risks, the Group calculates VaR, which is used for quantitative analysis.

The Group calculates VaR of private placement bonds, borrowed money and corporate bonds which are exposed to interest-rate risk by the variance-covariance method (six months holding period with confidence interval of 99%, observation period one year). The VaR of these financial instruments amounted to ¥14,837 million ($157,757 thousand) and ¥7,707 million in aggregate as of March 31, 2013 and 2012 respectively.

The Group calculates VaR of investment securities which are exposed to price-volatility risk by the variance-covariance method (six months holding period with confidence interval of 99%, observation period one year). The VaR of these financial instruments amounted to ¥26,998 million ($287,060 thousand) and ¥23,906 million in aggregate as of March 31, 2013 and 2012, respectively.

In addition, the Group calculates VaR of securities, excluding investment securities, which are exposed to interest-rate risk or the price volatility risk by the variance-covariance method (six months holding period with confidence interval of 99%, observation period one year). The VaR of these financial instruments amounted to ¥17,261 million ($183,530 thousand) and ¥21,588 million in aggregate as of March 31, 2013 and 2012, respectively.

The Group compares VaR calculated by the formula with the actual fluctuation of realized gains and losses to verify that the calculated VaR reflects market risks with a high degree of accuracy.

However, VaR might not reflect market risks in circumstances such as unimaginable wide fluctuations in market circumstances because VaR reflects a certain amount of market risks calculated statistically based on historical fluctuation.

Liquidity risk management

As to liquidity risk, the Group defines liquidity risk management policies and liquidity risk management regulations, and tries to manage stable cash flow. Also, to be prepared for unforeseeable circumstances, the Group defines a contingency plan for liquidity risks and addresses them in a timely manner.

(4) Fair values of financial instruments

Fair values of financial instruments are based on quoted prices in active markets. If quoted prices are not available, other rational valuation techniques are used instead. Please see Note 25 for the detail of the fair value of derivatives. Fair values are calculated based on certain assumptions, therefore fair values may vary according to the assumptions used.

(a) Fair value of financial instruments

March 31, 2013	Millions of Yen		
	Carrying Amount	Fair Value	Unrealized Gains/(Losses)
Cash and due from banks	¥ 328,715	¥ 328,715	—
Call loans	60,000	60,000	—
Trading securities	1,230	1,230	—
Money held in trust	10,620	10,620	—
Securities			
Held-to-maturity securities	40,478	40,713	¥ 235
Available-for-sale securities	1,418,908	1,418,908	—
Loans and bills discounted	3,646,732		
Less: Reserve for possible loan losses	(40,617)		
Loans and bills discounted – net	3,606,115	3,633,183	27,068
Total	¥5,466,066	¥5,493,369	¥27,303
Deposits	¥5,001,048	¥5,005,512	¥ (4,464)
Negotiable certificates of deposit	131,760	131,760	—
Payables under securities lending transactions	48,915	48,915	—
Borrowed money	72,314	72,689	(375)
Total	¥5,254,037	¥5,258,876	¥ (4,839)
Derivatives not applied hedge accounting	¥ (120)	¥ (120)	—

March 31, 2012	Millions of Yen		
	Carrying Amount	Fair Value	Unrealized Gains/(Losses)
Cash and due from banks	¥ 129,096	¥ 129,154	¥ 58
Trading securities	1,718	1,718	—
Money held in trust	10,620	10,620	—
Securities			
Held-to-maturity securities	46,416	46,557	141
Available-for-sale securities	1,398,660	1,398,660	—
Loans and bills discounted	3,722,144		
Less: Reserve for possible loan losses	(38,633)		
Loans and bills discounted – net	3,683,511	3,711,493	27,982
Total	¥5,270,021	¥5,298,202	¥28,181
Deposits	¥4,881,023	¥4,885,528	¥ (4,505)
Negotiable certificates of deposit	8,400	8,400	—
Payables under securities lending transactions	63,926	63,926	—
Borrowed money	82,988	82,783	205
Total	¥5,036,337	¥5,040,637	¥ (4,300)
Derivatives not applied hedge accounting	¥ (50)	¥ (50)	—

March 31, 2013	Thousands of U.S. Dollars		
	Carrying Amount	Fair Value	Unrealized Gains/(Losses)
Cash and due from banks	$ 3,495,109	$ 3,495,109	—
Call loans	637,959	637,959	—
Trading securities	13,078	13,078	—
Money held in trust	112,919	112,919	—
Securities			
Held-to-maturity securities	430,388	432,887	$ 2,499
Available-for-sale securities	15,086,751	15,086,751	—
Loans and bills discounted	38,774,397		
Less: Reserve for possible loan losses	(431,866)		
Loans and bills discounted – net	38,342,531	38,630,335	287,804
Total	$58,118,735	$58,409,038	$290,303
Deposits	$53,174,354	$53,221,818	$ (47,464)
Negotiable certificates of deposit	1,400,957	1,400,957	—
Payables under securities lending transactions	520,096	520,096	—
Borrowed money	768,889	772,876	(3,987)
Total	$55,864,296	$55,915,747	$ (51,451)
Derivatives not applied hedge accounting	$ (1,276)	$ (1,276)	—

Assets

Cash and due from banks

The carrying amount of cash and due from banks with no maturities represents the fair value because the fair value approximates such carrying amount. The carrying amount of cash and due from banks with maturities represents the fair value because the interest rates are floating or they have short-term maturities and the fair value approximates such carrying amount.

For due from banks in which derivatives are embedded, the fair value is determined based on the prices quoted by the financial institutions from which they are purchased.

Call loans

Contract terms of call loans are short (within 1 year). Therefore, the carrying amount represents the fair value because the fair value approximates such carrying amount.

Trading securities

For securities such as bonds that are held for trading, the fair value is determined based on the prices quoted by the exchange or the financial institutions from which these securities are purchased.

Money held in trust

For securities that are part of trust property in an independently managed monetary trust with the primary purpose to manage securities, the fair value of equity securities is determined based on the prices quoted by the exchange and the fair value of bonds is determined based on the prices quoted by the exchange or the financial institutions from which they are purchased. For money held in trust due to the securitization of credited loans, the carrying amount represents the fair value because the trust assets consist of ordinary deposits. Information on money held in trust by classification is included in Note 6, "Money Held in Trust".

Securities

The fair value of equity securities is determined based on the prices quoted by the exchange and the fair value of bonds is determined based on the prices quoted by the exchange or the financial institutions from which they are purchased. The fair value of investment trusts is determined based on the publicly available price.

For privately placed guaranteed bonds held by the Bank, the fair value is determined based on the present value of expected future cash flows, which is adjusted to reflect default risk, amounts to be collected from collateral and guarantees and guarantee fees, and discounted at an interest rate based on the market interest rate as of the date of evaluation with certain adjustments.

Information on securities by classification is included in Note 5, "Trading securities and Securities".

Loans and bills discounted
For loans with variable interest rates, the carrying amount represents the fair value as the fair value approximates such carrying value as it reflects the market interest rate in the short term as long as the credit status of the borrower has not changed significantly. For loans with fixed interest rates, the fair value is calculated by bundling the type of loans and the internal credit rating using the expected future cash flows, which are discounted by the risk free rate and certain management costs. As for certain consumer loans such as home mortgages, fair value is calculated by discounting the total loan principal with the same rate as a similar loan. Also, for consumer loans that mature within one year, the carrying amount represents the fair value as the fair value approximates such carrying value. In addition, as for loans to legally bankrupt borrowers, virtually bankrupt borrowers, and potentially bankrupt borrowers, the fair value is calculated by deducting the allowance, which is calculated based on the present value of the estimated future cash flow or the estimated collection of cash from collateral and guarantee, from the balance in the consolidated balance sheet date. Therefore, the book value approximates the fair value. Regarding loans which do not have repayment terms because the outstanding amount of the loan is limited to the value of collateral assets, the carrying amount represents the fair value as the fair value approximates such carrying amount according to estimated repayment periods and conditions of interest.

Liabilities
Deposits and negotiable certificates of deposit
For demand deposits, the amount payable on demand as of the consolidated balance sheet date (i.e., the carrying amount) is considered to be the fair value. For variable rate time deposits, the carrying amount represents the fair value as the fair value approximates such carrying amount because the market interest rate is reflected in such deposits within a short time period. Fixed rate time deposits are grouped by certain maturity lengths. Their fair value is calculated by discounting future cash flows with the same interest rate as that of accepted new deposits. For the deposits and negotiable certificates of deposits with the repayment period within 2 year, the carrying amount represents the fair value because the fair value approximates the carrying amount.

Payable under securities of deposits
For payables under securities of deposit, the contract term is short (within 1 year). Therefore, the carrying amount represents the fair value because the fair value approximates such carrying amount.

Borrowed money
For borrowed money with variable interest rates, the carrying amount represents the fair value as the fair value approximates such carrying value as it reflects the market interest rate in the short term as long as the credit rating of the Bank and its subsidiaries has not changed significantly. For borrowed money with fixed interest rates, the fair value is calculated by discounting the total of the principal by the rate which reflects the credit risks of the Group. In addition, for short term borrowed money (within 1 year), the carrying amount represents the fair value as the fair value approximates such carrying value.

Derivatives
Information regarding the fair value for derivatives is included in Note 25.
(b) Financial instruments whose fair value cannot be reliably determined

	Carrying amount		
	Millions of Yen		Thousands of U.S. Dollars
	2013	2012	2013
Unlisted equity securities	¥ 8,307	¥ 8,490	$ 88,325
Investments in unconsolidated subsidiaries	940	1,003	9,995
Others	3,351	4,192	35,631
Total	¥12,598	¥13,685	$133,951

(5) Maturity analysis for financial assets, securities and financial liabilities with contractual maturities

	Millions of Yen			
March 31, 2013	Due in One Year or Less	Due after One Year through Five Years	Due after Five Years through Ten Years	Due after Ten Years
Cash and due from banks	¥ 277,536	—	—	—
Call loans	60,000	—	—	—
Securities:				
Held-to-maturity securities:				
Debt securities:				
Corporate bonds	10,529	¥ 28,468	¥ 1,481	—
Available-for-sale securities with contractual maturities:				
Debt securities:				
National government bonds	117,000	164,958	298,700	¥ 12,000
Local government bonds	9,274	177,849	107,529	—
Corporate bonds	19,977	148,299	44,869	54,213
Other	5,592	66,571	29,561	19,575
Loans and bills discounted (*1)	994,607	1,072,767	604,237	797,184
Total	¥1,494,515	¥1,658,912	¥1,086,377	¥882,972

	Millions of Yen			
March 31, 2013	Due in One Year or Less	Due after One Year through Five Years	Due after Five Years through Ten Years	Due after Ten Years
Deposits	¥4,249,616	¥743,274	¥8,158	—
Negotiable certificates of deposit	131,760	—	—	—
Payables under securities lending transactions	48,915	—	—	—
Total	¥4,430,291	¥743,274	¥8,158	—

	Thousands of U.S. Dollars			
March 31, 2013	Due in One Year or Less	Due after One Year through Five Years	Due after Five Years through Ten Years	Due after Ten Years
Cash and due from banks	$ 2,950,941	—	—	—
Call loans	637,959	—	—	—
Securities:				
Held-to-maturity securities:				
Debt securities:				
Corporate bonds	111,951	$ 302,690	$ 15,747	—
Available-for-sale securities with contractual maturities:				
Debt securities:				
National government bonds	1,244,019	1,753,939	3,175,970	$ 127,592
Local government bonds	98,607	1,891,005	1,143,317	—
Corporate bonds	212,408	1,576,810	477,076	576,427
Other	59,458	707,826	314,312	208,134
Loans and bills discounted (*1)	10,575,300	11,406,348	6,424,636	8,476,172
Total	$15,890,643	$17,638,618	$11,551,058	$9,388,325

March 31, 2013	Thousands of U.S. Dollars			
	Due in One Year or Less	Due after One Year through Five Years	Due after Five Years through Ten Years	Due after Ten Years
Deposits	$45,184,646	$7,902,967	$86,741	—
Negotiable certificates of deposit	1,400,957	—	—	—
Payables under securities lending transactions	520,096	—	—	—
Total	$47,105,699	$7,902,967	$86,741	—

(*1) Loans and bills discounted whose cash flow cannot be estimated such as "legal bankruptcy," "vitrtual bankruptcy," and "possible bankruptcy" loans amounting to ¥133,163 million ($1,415,875 thousand) and loans and bills discounted with no contractual maturities amounting to ¥44,774 million ($476,066 thousand) are not included.

Please see Note 14 for annual maturities of borrowed money.

24. Commitments and Contingent Liabilities

Commitment line contracts on overdrafts and loans are agreements to make loans to customers when they apply for borrowing up to a prescribed amount, as long as there is no violation of any condition in the contracts.

The total amounts of unused open commitments as of March 31, 2013 and 2012 were ¥1,387,611 million ($14,753,971 thousand) and ¥1,347,714 million, respectively. Multi-purpose accounts included in the unused open commitments as of March 31, 2013 and 2012 are ¥752,265 million ($7,998,565 thousand) and ¥678,315 million, respectively. The amounts of unused commitments whose original contract terms were within one year or unconditionally cancellable at any time as of March 31, 2013 and 2012 were ¥1,377,322 million ($14,644,572 thousand) and ¥1,337,309 million, respectively.

Since many of these commitments are expected to expire without being drawn upon, the total amount of unused commitments does not necessarily represent actual future cash flow requirements. Many of these commitments have clauses enabling the Bank and certain subsidiaries to reject the loans to customers or reduce the contract amounts of commitment, in the event monetary conditions have changed and the Bank and certain subsidiaries need to secure claims, or other considerable events have occurred.

In addition, if necessary, the Bank and certain subsidiaries can request the customers to pledge collateral such as premises and securities at the execution of the contracts. After execution, the Bank and certain subsidiaries periodically evaluate the customers' financial position based upon the Bank's internal policy, and take necessary measures to manage the credit exposures, such as revising the terms of contracts or securing the claims.

25. Derivative Information

The Bank enters into swap, future, cap and floor agreements related to interest rates, foreign exchange forward contracts, swap and option contracts related to currencies, bond futures, bond futures options, over-the-counter bond options, stock futures, stock futures options and stock option contracts related to securities. In addition, the Bank has credit derivatives embedded in compound instruments.

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

March 31, 2013	Millions of Yen			
	Contract Amount	Contract Amount due after One Year	Fair Value	Unrealized Gains/(Losses)
Over-the-counter interest-related contracts:				
Interest rate swap:				
Fixed rate receipt, variable rate payment	¥ 1,604	¥ 1,221	¥ 52	¥ 52
Variable rate receipt, fixed rate payment	1,604	1,221	(35)	(35)
Over-the-counter currency-related contracts:				
Currency swap	80,175	58,938	129	129
Foreign exchange forward:				
Sell	26,376	19	(1,015)	(1,015)
Buy	11,774	—	681	681
Currency option:				
Sell	90,032	53,941	(5,109)	3,169
Buy	90,623	53,518	5,156	(2,279)
Other:				
Sell	507	220	(48)	(48)
Buy	421	178	71	71

March 31, 2012	Millions of Yen			
	Contract Amount	Contract Amount due after One Year	Fair Value	Unrealized Gains/(Losses)
Over-the-counter interest-related contracts:				
Interest rate swap:				
Fixed rate receipt, variable rate payment	¥ 2,195	¥ 2,195	¥ 60	¥ 60
Variable rate receipt, fixed rate payment	2,195	2,195	(38)	(38)
Over-the-counter currency-related contracts:				
Currency swap	127,694	77,787	247	247
Foreign exchange forward:				
Sell	20,140	247	(572)	(572)
Buy	10,043	—	172	172
Currency option:				
Sell	139,342	85,962	(12,428)	(264)
Buy	129,792	82,568	12,457	1,651
Other:				
Sell	944	608	42	42
Buy	912	584	11	11

March 31, 2013	Thousands of U.S. Dollars			
	Contract Amount	Contract Amount due after One Year	Fair Value	Unrealized Gains/(Losses)
Over-the-counter interest-related contracts:				
Interest rate swap:				
Fixed rate receipt, variable rate payment	$ 17,055	$ 12,982	$ 553	$ 553
Variable rate receipt, fixed rate payment	17,055	12,982	(372)	(372)
Over-the-counter currency-related contracts:				
Currency swap	852,472	626,667	1,372	1,372
Foreign exchange forward:				
Sell	280,447	202	(10,792)	(10,792)
Buy	125,189	—	7,241	7,241
Currency option:				
Sell	957,278	573,535	(54,322)	33,695
Buy	963,562	569,038	54,822	(24,232)
Other:				
Sell	5,391	2,339	(510)	(510)
Buy	4,476	1,893	755	755

Notes:
1. Derivative transactions are valued at market and the gains/ (losses) are recognized in the consolidated statement of income.
2. Market values of exchange-traded transactions are based on closing prices on the exchange markets, such as the Tokyo International Financial Future Exchange. Market values of over-the-counter contracts are based on the valuation techniques, such as the discounted cash flow method and the option pricing calculation models.

Derivative transactions to which hedge accounting is applied at March 31, 2013 and 2012.

March 31, 2013	Millions of Yen			
	Hedged Item	Contract Amount	Contract Amount due after One Year	Fair Value
Interest rate swaps:				
(Fixed rate receipt, variable rate payment)	Deposits	¥27,433	¥27,433	(*)

March 31, 2012	Millions of Yen			
	Hedged Item	Contract Amount	Contract Amount due after One Year	Fair Value
Interest rate swaps:				
(Fixed rate receipt, variable rate payment)	Deposits	¥36,743	¥36,743	(*)

March 31, 2013	Thousands of U.S. Dollars			
	Hedged Item	Contract Amount	Contract Amount due after One Year	Fair Value
Interest rate swaps:				
(Fixed rate receipt, variable rate payment)	Deposits	$291,685	$291,685	(*)

(*) The above interest rate swaps which qualify for hedge accounting and meet specific matching criteria are not remeasured at market value, but the differential paid or received under the swap agreements is recognized and included in interest expense or income. In addition, the fair value of such interest rate swaps in Note 23 is included in that of the hedged items (i.e. deposits).

26. Comprehensive Income

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

	Millions of Yen		Thousands of U.S. Dollars
	2013	2012	2013
Unrealized gain on available-for-sale securities:			
Gains arising during the year	¥32,543	¥13,675	$346,018
Reclassification adjustments to profit or loss	(1,431)	2,771	(15,215)
Amount before income tax effect	31,112	16,446	330,803
Income tax effect	(10,388)	(4,466)	(110,452)
Total	¥20,724	¥11,980	$220,351
Land revaluation surplus:			
Gains arising during the year	—	—	—
Reclassification adjustments to profit or loss	—	—	—
Amount before income tax effect	—	—	—
Income tax effect	—	¥ 1,247	—
Total	—	¥ 1,247	—
Total other comprehensive income	¥20,724	¥13,227	$220,351

27. Net Income per Share

Reconciliation of the differences between basic and diluted net income per share ("EPS") for the years ended March 31, 2013 and 2012 is as follows:

	Millions of Yen	Thousands of shares	Yen	U.S. Dollars
	Net income	Weighted average shares	EPS	
For the year ended March 31, 2013:				
Net income	23,181			
Amount not attributable to common shareholders	(120)			
Basic EPS—Net income available to common shareholders	¥23,061	373,741	¥61.70	$0.66
Effect of dilutive securities:				
Dividends on preferred stock	120	40,482		
Diluted EPS—Net income for computation	¥23,181	414,223	¥55.96	$0.60

	Millions of Yen	Thousands of shares	Yen
	Net income	Weighted average shares	EPS
For the year ended March 31, 2012:			
Basic EPS—Net income available to common shareholders	¥11,941	373,768	¥31.94
Effect of dilutive securities:			
Adjustment for dilutive shares issued by subsidiaries	(2,151)	4,574	
Diluted EPS—Net income for computation	¥ 9,790	378,342	¥25.88

28. Subsequent Event

Appropriations of Retained Earnings

On June 27, 2013, the Bank's shareholders authorized an appropriation of retained earnings as follows:

	Millions of Yen	Thousands of U.S. Dollars
Year-end cash dividends:		
¥3.50 ($0.04) per share on common stock	¥1,308	$13,907
¥3.00 ($0.03) per share on preferred stock	60	638

29. Segment Information

Under ASBJ Statement No. 17, "Accounting Standard for Segment Information Disclosures" and ASBJ Guidance No. 20, "Guidance on Accounting Standard for Segment Information Disclosures," an entity is required to report financial and descriptive information about its reportable segments. Reportable segments are operating segments or aggregations of operating segments that meet specified criteria. Operating segments are components of an entity about which separate financial information is available and such information is evaluated regularly by the chief operating decision maker in deciding how to allocate resources and in assessing performance. Generally, segment information is required to be reported on the same basis as is used internally for evaluating operating segment performance and deciding how to allocate resources to operating segments.

1. Description of reportable segments

The Group's reportable segments are those for which separately financial information is available and regular evaluation by the Group's management is being performed in order to decide how resources are allocated among the Group.

The Group consists of the Bank and eight (eleven in 2012) consolidated subsidiaries. The Group provides banking services-based comprehensive financial services and leasing business. The Group operates its business by units which consists of some branches located in a certain range. But the Group discloses these units as a segment of the Banking business because their economic nature is similar to each other. Therefore, the Group consists of two reportable segments of banking business and lease business.

Banking business is operated by the Bank. Banking business provides various services such as deposit-taking and lending services, trading securities, securities investment, domestic exchange, foreign exchange, managing bonds, derivatives business and other related businesses at headquarters and branches of the Bank.

Lease business is operated by Juroku Lease Co., Ltd.. It provides leasing business to meet local customers' needs.

Gifu Bank and its 3 subsidiaries were a part of Banking business since those entities were providing banking services-based comprehensive financial services as a group. However, based on the Group reviewed the grouping of the segment in conjunction with the reorganization of the Group, and the Group deemed it is more appropriate to include Gifu Bank and its one subsidiary into banking business and its two subsidiaries into other segment.

Further, the disclosed information related to the operating results for the year ended march 31, 2012 is based on the revised segment to present comparable information.

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

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

3. Information about income, profit, assets, liabilities and other items is as follows.

	Millions of Yen						
	Reportable Segment						
2013	Banking	Lease	Total	Other*	Total	Reconciliations	Consolidated
Ordinary income:							
(1) Outside customers	¥ 90,820	¥20,429	¥ 111,249	¥ 4,552	¥ 115,801	—	¥ 115,801
(2) Intersegment transactions	366	290	656	951	1,607	¥ (1,607)	—
Total	¥ 91,186	¥20,719	¥ 111,905	¥ 5,503	¥ 117,408	¥ (1,607)	¥ 115,801
Segment profit	10,318	1,543	11,861	1,783	13,644	(34)	13,610
Segment assets	5,613,747	59,255	5,673,002	37,115	5,710,117	(42,318)	5,667,799
Other:							
Depreciation	¥ 3,835	¥ 282	¥ 4,117	¥ 68	¥ 4,185	¥ 131	¥ 4,316
Amortization of goodwill	245	—	245	—	245	—	245
Interest income	70,488	60	70,548	534	71,082	(234)	70,848
Interest expense	6,002	359	6,361	85	6,446	(220)	6,226
Provision (reversal) of allowance for doubtful accounts	5,415	57	5,472	(146)	5,326	—	5,326
Increase in premises and equipment and intangible assets	2,875	653	3,528	52	3,580	79	3,659

	Millions of Yen						
	Reportable Segment						
2012	Banking	Lease	Total	Other*	Total	Reconciliations	Consolidated
Ordinary income:							
(1) Outside customers	¥ 102,360	¥21,260	¥ 123,620	¥ 4,634	¥ 128,255	—	¥ 128,254
(2) Intersegment transactions	496	282	778	885	1,663	¥ (1,663)	—
Total	¥ 102,856	¥21,542	¥ 124,398	¥ 5,519	¥ 129,918	¥ (1,663)	¥ 128,254
Segment profit	20,126	1,744	21,870	1,781	23,651	(31)	23,620
Segment assets	5,438,931	59,239	5,498,170	41,744	5,539,914	(51,876)	5,488,038
Other:							
Depreciation	¥ 5,395	¥ 249	¥ 5,644	¥ 59	¥ 5,703	¥ 129	¥ 5,832
Amortization of goodwill	245	—	245	—	245	—	245
Interest income	75,105	56	75,161	667	75,828	(336)	75,492
Interest expense	7,486	424	7,910	107	8,017	(323)	7,694
Provision of allowance for doubtful accounts	(667)	533	(134)	(37)	(171)	—	(171)
Increase in premises and equipment and intangible assets	4,729	92	4,821	99	4,920	227	5,147

2013	Thousands of U.S. Dollars						
	Reportable Segment						
	Banking	Lease	Total	Other*	Total	Reconciliations	Consolidated
Ordinary income:							
(1) Outside customers	$ 965,657	$217,214	$ 1,182,871	$ 48,400	$ 1,231,271	—	$ 1,231,271
(2) Intersegment transactions	3,891	3,084	6,975	10,111	17,086	$ (17,086)	—
Total	$ 969,548	$220,298	$ 1,189,846	$ 58,511	$ 1,248,357	$ (17,086)	$ 1,231,271
Segment profit	109,708	16,406	126,114	18,958	145,072	(362)	144,710
Segment assets	59,688,964	630,037	60,319,001	394,630	60,713,631	(449,952)	60,263,679
Other:							
Depreciation	$ 40,777	$ 2,998	$ 43,775	$ 723	$ 44,498	$ 1,392	$ 45,890
Amortization of goodwill	2,605	—	2,605	—	2,605	—	2,605
Interest income	749,474	638	750,112	5,677	755,789	(2,488)	753,301
Interest expense	63,817	3,817	67,634	904	68,538	(2,340)	66,198
Provision (reversal) of allowance for doubtful accounts	57,576	606	58,182	(1,553)	56,629	—	56,629
Increase in premises and equipment and intangible assets	30,569	6,943	37,512	553	38,065	840	38,905

Notes:
1. Ordinary income represents total income less certain extraordinary income included in "Other income" in the accompanying consolidated statement of income.
2. "Other" includes business segments of credit cards, computer services and credit guarantees.
3. Reconciliations mainly represent elimination of intra-segment transactions.
4. Segment profit is adjusted to reconcile to income before income taxes and minority interests less certain extraordinary items in the accompanying consolidated statement of income.

4. Associated Information

(1) Information about services

2013	Millions of Yen				
	Lending Service	Securities Services	Leasing	Other	Total
Ordinary income:					
Outside customers	¥56,402	¥20,378	¥20,361	¥18,660	¥115,801

2012	Millions of Yen				
	Lending Service	Securities Services	Leasing	Other	Total
Ordinary income:					
Outside customers	¥59,627	¥27,864	¥21,190	¥19,573	¥128,254

2013	Thousands of U.S. Dollars				
	Lending Service	Securities Services	Leasing	Other	Total
Ordinary income:					
Outside customers	$599,702	$216,672	$216,491	$198,406	$1,231,271

(2) Geographical information

(a) Operating revenues

This information is not presented because the Group's revenues in Japan account for more than 90% of revenues in the consolidated statement of income.

(b) Property and equipment

This information is not presented because the Group's property and equipment in Japan account for more than 90% of property and equipment in the consolidated balance sheet.

(3) Information by major customers

This information is not presented because there are no customers for which income account for more than 10% of revenues in the consolidated statement of income.

(4) Information about impairment loss by reportable segments

2013	Millions of Yen				
	Banking	Lease	Other	Elimination/Corporate	Total
Impairment loss	¥609	—	—	—	¥609

2012	Millions of Yen				
	Banking	Lease	Other	Elimination/Corporate	Total
Impairment loss	¥309	—	—	—	¥309

2013	Thousands of U.S. Dollars				
	Banking	Lease	Other	Elimination/Corporate	Total
Impairment loss	$6,475	—	—	—	$6,475

(5) Information about goodwill and negative goodwill by reportable segments

	Millions of Yen				
2013	Banking	Lease	Other	Elimination/Corporate	Total
Amortization of goodwill	¥ 245	—	—	—	¥ 245
Goodwill at March 31, 2013	4,343	—	—	—	4,343

	Millions of Yen				
2013	Banking	Lease	Other	Elimination/Corporate	Total
Gain on negative goodwill	¥2,905	—	—	765	¥3,670

Notes:
1. The Group recorded gain on negative goodwill of ¥778 million arising from acquisition of treasury stock (Class 5 preferred stock issued by Gifu Bank) on May 10, 2012, in the banking segment.
2. The Bank was merged with Gifu Bank on September 18, 2012. Since the Bank issued 0.9 shares of Class 1 preferred shares for 1 share of Class 5 preferred shares issued by Gifu Bank, the Group recorded gain on negative good will of ¥2,127 million in the banking segment.
3. The Group recorded gain on negative goodwill of ¥765 million arising from acquiring additional shares on Juroku Lease Co., Ltd. on May 28, 2012. Since this gain is not related to a specific segment, the gain was treated as the Corporate gain.

	Millions of Yen				
2012	Banking	Lease	Other	Elimination/Corporate	Total
Amortization of goodwill	¥ 245	—	—	—	¥ 245
Goodwill at March 31, 2012	4,587	—	—	—	4,587

For the year ended March 31, 2012, the Group recorded gain on negative goodwill of ¥1,061 million arising from acquiring additional shares on Juroku Capital Co., Ltd. The gain was recognized because the acquisition cost of the subsidiary's shares from minority shareholders was lower than the decreased amount of minority interests. Since this gain is not related to a specific segment, the gain was treated as the Corporate gain.

	Thousands of U.S. Dollars				
2013	Banking	Lease	Other	Elimination/Corporate	Total
Amortization of goodwill	$ 2,605	—	—	—	$ 2,605
Goodwill at March 31, 2013	46,178	—	—	—	46,178

	Thousands of U.S. Dollars				
2013	Banking	Lease	Other	Elimination/Corporate	Total
Gain on negative goodwill	$30,888	—	—	8,134	$39,022

Notes:
1. The Group recorded gain on negative goodwill of $8,272 thousand arising from acquisition of treasury stock (Class 5 preferred stock issued by Gifu Bank) on May 10, 2012, in the banking segment.
2. The Bank was merged with Gifu Bank on September 18, 2012. Since the Bank issued 0.9 shares of Class 1 preferred shares for 1 share of Class 5 preferred shares issued by Gifu Bank, the Group recorded gain on negative good will of $22,616 thousand in the banking segment.
3. The Group recorded gain on negative goodwill of $8,134 thousand arising from acquiring additional shares on Juroku Lease Co., Ltd. on May 28, 2012. Since this gain is not related to a specific segment, the gain was treated as the Corporate gain.

Deloitte.

Deloitte Touche Tohmatsu LLC
Nagoya Daiya Building 3-goukan
13-5, Meieki, 3-chome, Nakamura-ku
Nagoya, Aichi 450-8530
Japan

Tel:+81 (52) 565 5511
Fax:+81 (52) 569 1394
www.deloitte.com/jp

INDEPENDENT AUDITOR'S REPORT

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

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

Management's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

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

Convenience Translation

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

Deloitte Touche Tohmatsu LLC

June 27, 2013

Member of
Deloitte Touche Tohmatsu Limited

Corporate Data

(as of March 31, 2013)

Date of Establishment:
October 10, 1877

Authorized Shares:
460,000 thousand shares

Shares of Common Stock Issued and Outstanding:
379,241 thousand shares

Shares of Class 1 Preferred Stock Issued and Outstanding:
20,000 thousand shares

Stock Listed:
First Sections of the Tokyo and Nagoya Stock Exchanges

Paid-in Capital:
¥36,839 million

Number of Common Stock Shareholders:
14,125

Number of Class 1 Preferred Stock Shareholders:
1

Number of Employees:
3,441

10 Principal Shareholders:
The Bank of Tokyo-Mitsubishi UFJ, Ltd.
Japan Trustee Services Bank, Ltd. (Trust account)
NIPPONKOA Insurance Co., Ltd.
The Juroku Bank Employee Shareholders' Association
Tokio Marine and Nichido Fire Insurance Co., Ltd.
Meiji Yasuda Life Insurance Company
Fuji Baking Group Co., Ltd.
Mitsubishi UFJ Trust and Banking Corporation
Nippon Life Insurance Company
The Master Trust Bank of Japan, Ltd. (Trust Account)

Affiliates

(as of June 30, 2013)

Name	Business Lines	Established	Capital (¥ Millions)	Equity Stake*	Equity Stake of subsidiaries*
Juroku Business Service Co., Ltd.	Clerical work service	Jan. 1979	10	100.0	—
Juroku Research Institute Company Limited	Business consulting service Survey and research service	Jun. 2013	50	100.0	—
Juroku DC Card Co., Ltd.	Credit card flotation service	Aug. 1982	50	6.4	64.0
Juroku JCB Co., Ltd.	Credit card flotation service	Nov. 1994	50	5.0	65.0
Juroku Lease Co., Ltd.	Leasing service Venture capital service	Mar. 1975	102	19.9	30.4
Juroku Computer Service Co., Ltd.	Computer system development service	Aug. 1985	245	5.0	71.0
Juroku Credit Guarantee Co., Ltd.	Credit guaranty service	May 1979	50	3.0	40.0
The Gifugin Hosho Service Co., Ltd.	Credit guaranty service	Oct. 1987	90	100.0	—

*Voting rights held by the Bank, or subsidiaries excluding the Bank, as a percentage of total voting rights.

Directory

(as of June 30, 2013)

Head Office

8-26, Kandamachi, Gifu-shi,
Gifu 500-8516, Japan
Telephone: +81-58-265-2111

International and Securities Division

8-26, Kandamachi, Gifu-shi,
Gifu 500-8516, Japan P.O. Box 40
Telephone: +81-58-265-2111
Facsimile: +81-58-266-1698
SWIFT Address: JUROJPJ T

General Manager
Koji Iwata

Overseas Network

Hong Kong Representative Office

Suite 1606, 16th Floor, Tower 2,
The Gateway,Harbour City,
Tsim Sha Tsui, Kowloon, Hong Kong
Telephone: +852-2526-5716
Facsimile: +852-2810-6261

Chief Representative
Tadashi Murase

Shanghai Representative Office

18th Floor, Hang Seng Bank Tower,
1000 Lujiazui Ring Road, Pudong New Area,
Shanghai, People's Republic of China
Telephone: +86-21-6841-1600
Facsimile: +86-21-6841-1881

Chief Representative
Hitoshi Iwamura

Branches Handling Foreign Exchange Business

(17 Offices)

Head Office

8-26, Kandamachi, Gifu-shi, Gifu
Telephone: +81-58-265-2111

Nagara Branch

1643-5, Nagarafukumitsu,
Gifu-shi, Gifu
Telephone: +81-58-232-1611

Yanagase Branch

3-10-2, Kandamachi,
Gifu-shi, Gifu
Telephone: +81-58-265-2521

Kakamigahara Branch

1-33, Nakasumiyoshicho,
Kakamigahara-shi,Gifu
Telephone: +81-58-383-1600

Ogaki Branch

1-26, Takayacho, Ogaki-shi, Gifu
Telephone: +81-584-78-2161

Seki Branch

51-1, Higashikashiage, Seki-shi, Gifu
Telephone: +81-575-22-2016

Tajimi Branch

1-24, Sakaemachi, Tajimi-shi, Gifu
Telephone: +81-572-22-1301

Nakatsugawa Branch

2-5-1, Ootamachi, Nakatsugawa-shi, Gifu
Telephone: +81-573-65-3116

Takayama Branch

136, Shimosannomachi,
Takayama-shi, Gifu
Telephone: +81-577-32-1600

Ichinomiya Branch

1-2-5, Sakae,
Ichinomiya-shi, Aichi
Telephone: +81-586-73-5116

Nagoya Ekimae Branch

4-2-28, Meieki,
Nakamura-ku, Nagoya-shi, Aichi
Telephone: +81-52-561-5431

Nagoya Main Office

3-1-1, Nishiki, Naka-ku,
Nagoya-shi, Aichi
Telephone: +81-52-961-8111

Osu Branch

1-14-23, Matsubara,Naka-ku,
Naoya-shi, Aichi
Telephone: +81-52-321-5486

Ozone Branch

3-5-23, Ozone, Kita-ku,
Nagoya-shi, Aichi
Telephone: +81-52-911-6116

Atsuta Branch

3-1-1, Shin-Otou, Atsuta-ku,
Nagoya-shi, Aichi
Telephone: +81-52-671-4116

Kariya Branch

3-20, Toyocho, Kariya-shi, Aichi
Telephone: +81-566-21-1611

Osaka Branch

2-3-8, Honmachi, Chuo-ku,
Osaka-shi, Osaka
Telephone: +81-6-6264-1600

Tokyo Branch

4-1-10, Nihombashi Honcho,
Chuo-ku, Tokyo
Telephone: +81-3-3242-1661

THE JUROKU BANK, LTD.

http://www.juroku.co.jp/