2013

ANNUAL REPORT

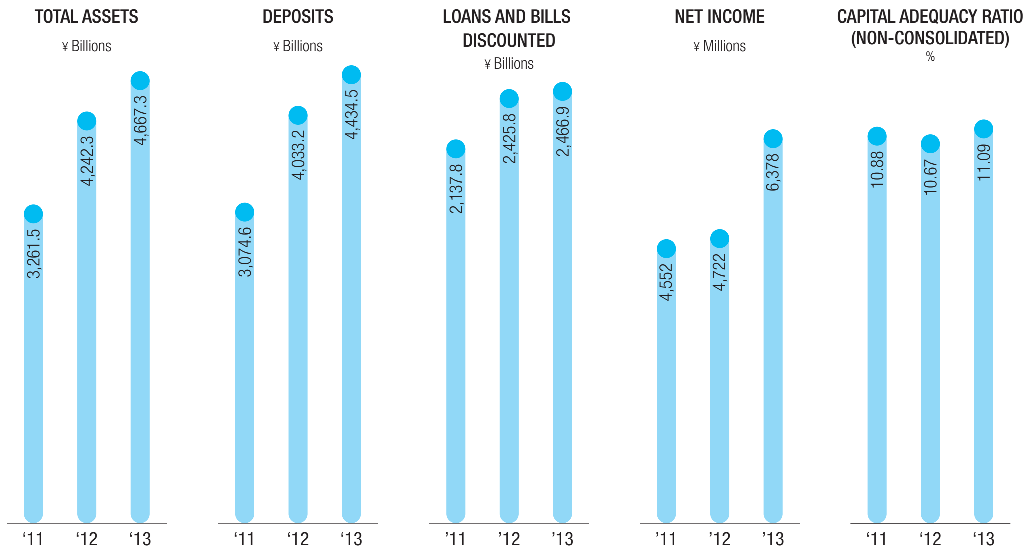
Year Ended March 31, 2013

THE TOHO BANK,LTD.

Profile

As the leading bank in Fukushima Prefecture, Toho Bank has contributed to the prosperity of its local communities since being established in November 1941. In response to the trust placed in us by our customers and the market region we serve, in April 2012 we initiated our new medium-term management plan, "Toho step-by-step Plan," as an action program. Our goal is embodied as the slogan "Big, strong and tough–serving the region with passion, serving customers with sincerity and caring for people" (our long-term vision). We are aggressively addressing our customers' increasingly diversified and sophisticated needs, devoting our full efforts to strengthening previously executed risk management capabilities, and providing active disclosure of our financial position. Toho Bank has received a long-term credit rating of A– from Standard & Poor's, the international credit rating firm, which we have duly disclosed. Moreover, Japan Credit Rating Agency, Ltd. (JCR), one of Japan's representative rating agencies, assigned the bonds a senior long-term credit rating of "A."

As of March 31, 2013, Toho Bank had total net assets of ¥164.2 billion (US$1,746 million) and total assets of ¥4,667.3 million (US$4,962.6 million) (both figures on a consolidated basis), 1,983 employees, and a business network composed of 114 branches.



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Message from the President

Financial and Economic Environment

The Japanese economy during the fiscal year ended March 31, 2013 remained weak as a whole in the first half of the fiscal year, as export and production remained sluggish amidst growing uncertainty over the future in overseas economies. The economic declines were tempered, however, and some sectors showed hints of recovery, thanks to the correction of the strong yen spurred by hopeful expectations of the government's economic policies and monetary measures in around the end of the fiscal year.

With regard to economic conditions in Fukushima Prefecture, housing investment and public works spending continued to increase at a robust pace, backed by concerted efforts of the public and private sectors to recover and reconstruct the region in the aftermath of the Great East Japan Earthquake and accidents at nuclear power plants.

Turning to the financial environment, the long-term interest rate fell below 1% and the short-term interest rate stayed at an extremely low level in response to the trend towards stronger monetary easing around the world. Since climbing above the ¥10,000 threshold last December for the first time in almost eight months, the Nikkei Stock Average has continued to rise, mainly on the back of improved corporate performance due to the enduringly weak yen and expectations of the government's growth strategies. The closing price at the end of the fiscal year was ¥12,397.91.

Business Development and Results

Under these circumstances, Toho Bank has implemented various measures toward the reconstruction of its home region, Fukushima Prefecture, along with measures toward new growth planned for the first fiscal year of the "Toho Step-by-Step Plan," a medium-term management plan, based on the "Carry Out All We Can" concept as a regional financial institution.

To assist the recovery and reconstruction of small and medium-sized enterprises that have suffered from damage caused by rumors related to the Great East Japan Earthquake and accidents at nuclear power plants, Toho Bank has striven to provide a smooth funding sources by means such as private placement bonds for assisting reconstruction and public loans relating to the earthquake.

In particular, projects and initiatives to create and concentrate growth industries have become particularly active, such as projects to promote renewable energy, an area where Fukushima Prefecture ranks as a pillar for reconstruction, concentrate medical-service-related industries, and convert agriculture and fisheries into sextic industries. To further accelerate these movements, Toho Bank has established two loans, the "Toho Loan to Promote the Renewable Power-Generation Business" and "Toho Loan to Promote Business Related to Medical and Welfare Equipment," and has also decided to invest in the Fukushima Reconstruction Fund for the Conversion of Fukushima Regional Industries into Sextic Industries.

As a measure to help entrepreneurs resolve management issues and expand their businesses, the Bank has also established the "Toho Next Generation Entrepreneurs Club," a place where next-generation entrepreneurs can exchange ideas and study.

President
Seishi Kitamura

In other areas, the Bank has striven to provide funds by new means outside of conventional frameworks, for example, by utilizing asset based lending (ABL) and debt for debt swap (DDS), funding methods structured to reduce securitization with real estate and personal guarantees.

Toho Bank has established the Iwakitaira Loan Center at Iwaki-city, where many victims of the accidents at nuclear power plants take refuge, in order to meet demand for funds mainly for house acquisition and apartment construction for the victims. As such, the Bank has made efforts toward life rehabilitation for the victims and regional reconstruction.

From the viewpoint of improving convenience for customers hit by the earthquake, Toho Bank has implemented measures such as the operation of "Hometown Fukushima," a mobile ATM car, from July 2012, the installation of an out-of-branch ATM with a bankbook renewal function on the station premises of JR Sendai station (the Bank's first out-of-branch ATM location outside the prefecture), and cooperation with neighboring banks to share ATMs.

In addition, to fix all damage caused by rumors and help expand sales routes for Fukushima products, Toho Bank has taken steps to revitalize the regional economy, including activities to support "Fukushima Markets, Utsukushima Good-Quality Merchandise Stop," a mail order business for assisting reconstruction, and various business meetings.

Turning to main corporate investment, the Toho Bank has been operating a new system for branches on a full scale since April 2012 to shorten waiting times and improve convenience for customers.

In addition, the Bank has installed and started operating a back-up system for the "PROBANK" accounting cooperation system at the system center of Fujitsu Limited in Akashi-city, Hyogo as an alternative system to operate when the Bank's business center is damaged or inoperable. The Bank has also established a structure to provide online deposit, repayment, transfer, and loan services that will stay up and running even when the next large-scale disaster occurs.

Summary of Business Results

Toho Bank has made efforts to provide funds toward reconstruction in the region. Toho Bank has also responded to drastic changes in the fund procurement environment resulting from the inflow of funds relating to reconstruction and has striven to enforce fund management. As a result, the business results for the fiscal year ended March 31, 2013 are as described below.

[Deposits and negotiable certificate of deposits, etc.]
Mainly thanks to our efforts to increase deposits, together with the inflow of funds relating to reconstruction, deposits increased by ¥266.3 billion during the fiscal year and the balance at the end of the fiscal year was ¥4,068.2 billion. Total deposits, including negotiable certificates of deposits, increased by ¥401.3 billion during the fiscal year and the balance at the end of the fiscal year was ¥4,434.8 billon.

[Loans and bills discounted]
Toho Bank widely met demands for funds after the earthquake. As a result, loans and bills discounted increased by ¥41.0 billion during the fiscal year to ¥2,466.9 billion.

[Income/loss]
Income from the management of bonds (including government bonds) increased thanks to the effective management of securities, and net fees and commissions increased thanks to a favorable increase in sales of deposited assets. As a result, ordinary income increased by ¥1,947 million from the previous fiscal year to ¥60,782 million.

In addition, mainly as a consequence of the decreased amount of nonperforming loans attributable to the reinforcement of efforts to support customers' management, ordinary profit increased by ¥719 million from the previous fiscal year to ¥11,094 million and net income increased by ¥1,575 million from the previous fiscal year to ¥6,261 million.

Our Efforts in CSR (Corporate Social Responsibility) Activities

Toho Bank has promoted the following efforts in the areas of corporate social responsibility (CSR) as a member of regional society.

[Our efforts to assist disabled persons toward self-support]
Through "Toho Smile, Ltd.," a special subsidiary that started operating in April 2012, Toho Bank has promoted self-support and social participation for disabled persons who desire to work. The Bank has also focused on various measures to assist monetary transactions for visually disabled persons, such as its new "Notice Service by Braille," a service to print and deliver deposit transactions and deposit balances in Braille.

[Fostering children bearing the future]
For the sake of children in the region, who now have fewer opportunities to play freely outdoors because of the accidents at nuclear power plants, Toho Bank established "Toho Kids Land," an outdoor playground on the premises of its training center, in July 2012, and invites the public to use it.

To contribute to sports promotion in the region, the Bank held athletic sports classrooms and the Toho Cup "Fukushima Relays," a relay contest designed for elementary school, junior high school, and senior high school students in the prefecture.

Furthermore, as an effort to assist monetary education, the Bank held a Fukushima prefectural tournament for "Economics Koshien," a quiz tournament in monetary economics for senior high school students nationwide. This was the first Economics Koshien to be held in Fukushima Prefecture.

[Environmental preservation activities]
Toho Bank participated in the "Forest Creation by Business Entities" plan promoted by Fukushima Prefecture. Bank officers, employees, and their families took part in tree planting activities ("Toho's Forest" Creation) at Kitashiobara-mura, Yama-gun, under the plan.

Matters to Address

In Fukushima Prefecture, Toho Bank's principal operational base, the impacts of population outflow and damage caused by rumors still continue, though movement toward reconstruction has steadily progressed. We are required to further accelerate the movement toward reconstruction.

In keeping with the concept of "All Serves the Region," a corporate message, Toho Bank Group will make every effort to assist recovery throughout its ranks, in order to ensure that the regional economy may recover as soon as possible and that local residents may regain stable lives.

Toho Bank has already started the "Toho Step-by-Step Plan," a new medium-term management plan from April 2012. Based on a hard look at homeland Fukushima and the Bank, the Bank and its officers and employees will make full-fledged efforts to steadily progress, together with the region, and to meet the expectations of the Bank's customers, shareholders, and regional society.

August 2013

北村清士
S. Kitamura

Seishi Kitamura

President

Consolidated Balance Sheets

As of March 31, 2013 and 2012	Millions of Yen		Thousands of U.S. Dollars (Note 3)
	2013	2012	**2013**
Assets:			
Cash and due from banks (Notes 14 and 19)	**¥ 455,684**	¥ 52,502	**$ 4,845,125**
Call loans and bills bought (Note 19)	**325,783**	570,512	**3,463,938**
Monetary claims bought	**6,110**	5,438	**64,971**
Trading account securities (Notes 19 and 20)	**780**	690	**8,299**
Money held in trust (Note 21)	**30,825**	29,461	**327,754**
Securities (Notes 6, 10, 19 and 20)	**1,341,651**	1,117,084	**14,265,295**
Loans and bills discounted (Notes 4, 6, 7, 19 and 25)	**2,466,952**	2,425,880	**26,230,225**
Foreign exchanges	**1,440**	1,084	**15,313**
Other assets (Note 6)	**9,321**	9,763	**99,116**
Tangible fixed assets (Note 8)	**36,215**	35,076	**385,061**
Intangible fixed assets	**2,971**	3,325	**31,592**
Deferred tax assets (Note 15)	**4,342**	10,087	**46,167**
Customers' liabilities for acceptances and guarantees (Note 5)	**5,048**	5,003	**53,683**
Allowance for loan losses	**(19,781)**	(23,566)	**(210,332)**
Total assets	**¥4,667,345**	¥4,242,345	**$49,626,213**
Liabilities:			
Deposits (Notes 6 and 19)	**¥4,434,586**	¥4,033,236	**$47,151,368**
Call money and bills sold	**—**	3,698	**—**
Borrowed money (Notes 6 and 9)	**31,460**	22,406	**334,502**
Foreign exchanges	**193**	182	**2,052**
Other liabilities	**15,940**	15,350	**169,487**
Provision for retirement benefits (Note 16)	**10,984**	10,581	**116,793**
Provision for directors' retirement benefits	**453**	401	**4,818**
Provision for reimbursement of deposits	**353**	262	**3,758**
Provision for contingent loss	**259**	292	**2,762**
Provision for customer point program	**95**	79	**1,014**
Deferred tax liabilities for land revaluation (Note 15)	**3,698**	3,708	**39,320**
Acceptances and guarantees (Note 5)	**5,048**	5,003	**53,683**
Total liabilities	**4,503,072**	4,095,204	**47,879,561**
Commitments and contingent liabilities (Note 7)			
Net Assets:			
Capital stock	**23,519**	23,519	**250,071**
Capital surplus	**13,653**	13,653	**145,172**
Retained earnings	**108,443**	103,825	**1,153,041**
Treasury stock	**(190)**	(536)	**(2,025)**
Shareholders' equity	**145,425**	140,461	**1,546,259**
Valuation difference on available-for-sale securities (Note 20)	**17,965**	5,782	**191,017**
Revaluation reserve for land	**664**	684	**7,064**
Total accumulated other comprehensive income	**18,629**	6,466	**198,081**
Minority interests	**217**	213	**2,310**
Total net assets (Note 17)	**164,272**	147,141	**1,746,652**
Total liabilities and net assets	**¥4,667,345**	¥4,242,345	**$49,626,213**

See notes to consolidated financial statements.

Consolidated Statements of Income

For the years ended March 31, 2013 and 2012	Millions of Yen		Thousands of U.S. Dollars (Note 3)
	2013	2012	**2013**
Income:			
Interest income:			
Interest on loans and discounts	**¥33,023**	¥33,967	**$351,129**
Interest and dividends on securities	**9,304**	9,545	**98,927**
Other interest income	**1**	7	**20**
Fees and commissions income	**11,020**	10,340	**117,180**
Other operating income	**5,028**	2,598	**53,463**
Other income (Note 11)	**2,620**	2,501	**27,862**
Total income	**60,999**	58,961	**648,584**
Expenses:			
Interest expenses:			
Interest on deposits	**1,990**	2,324	**21,163**
Interest on borrowings and rediscounts	**383**	347	**4,081**
Other interest expenses	**1**	1	**15**
Fees and commissions expenses	**5,395**	5,044	**57,367**
Other operating expenses	**1,145**	92	**12,175**
General and administrative expenses	**36,800**	36,185	**391,291**
Other expenses (Note 12)	**4,544**	5,043	**48,321**
Total expenses	**50,261**	49,039	**534,415**
Income before income taxes and minority interests	**10,737**	9,922	**114,168**
Income taxes:			
Current	**4,491**	3,670	**47,755**
Deferred	**(139)**	1,522	**(1,480)**
Total	**4,352**	5,193	**46,275**
Net income before minority interests	**6,385**	4,728	**67,893**
Minority interests in income	**6**	6	**71**
Net income (Note 17)	**¥ 6,378**	¥ 4,722	**$ 67,821**

See notes to consolidated financial statements.

Consolidated Statements of Comprehensive Income

For the years ended March 31, 2013 and 2012	Millions of Yen		Thousands of U.S. Dollars (Note 3)
	2013	2012	**2013**
Net income before minority interests	**¥ 6,385**	¥4,728	**$ 67,893**
Other comprehensive income (Note 23):			
Valuation difference on available-for-sale securities	**12,177**	4,063	**129,481**
Revaluation reserve for land	**—**	537	**—**
Share of other comprehensive income in affiliates accounted for by the equity method	**4**	3	**50**
Total other comprehensive income	**12,182**	4,604	**129,532**
Comprehensive income	**¥18,567**	¥9,332	**$197,425**
Total comprehensive income attributable to:			
Shareholders of the parent	**¥18,561**	¥9,326	**$197,354**
Minority interests	**6**	6	**71**
	¥18,567	¥9,332	**$197,425**

See notes to consolidated financial statements.

Consolidated Statements of Changes in Net Assets

For the years ended March 31, 2013 and 2012	Millions of Yen		Thousands of US Dollars (Note 3)
	2013	2012	**2013**
Shareholders' equity:			
Capital stock			
Balance at the beginning of the year	**¥ 23,519**	¥ 23,519	**$ 250,071**
Changes of items during the year			
Total changes of items during the year	**—**	—	**—**
Balance at the end of the year	**23,519**	23,519	**250,071**
Capital surplus			
Balance at the beginning of the year	**13,653**	13,653	**145,172**
Changes of items during the year			
Total changes of items during the year	**—**	—	**—**
Balance at the end of the year	**13,653**	13,653	**145,172**
Retained earnings			
Balance at the beginning of the year	**103,825**	100,680	**1,103,934**
Changes of items during the year			
Dividends from retained earnings	**(1,779)**	(1,642)	**(18,921)**
Net income	**6,378**	4,722	**67,821**
Disposal of treasury stock	**(0)**	(0)	**(2)**
Reversal of land revaluation excess, net of tax	**19**	65	**209**
Total changes of items during the year	**4,618**	3,144	**49,106**
Balance at the end of the year	**108,443**	103,825	**1,153,041**
Treasury stock			
Balance at the beginning of the year	**(536)**	(1,020)	**(5,705)**
Changes of items during the year			
Acquisition of treasury stock	**(3)**	(2)	**(41)**
Disposal of treasury stock	**349**	486	**3,720**
Total changes of items during the year	**346**	484	**3,679**
Balance at the end of the year	**(190)**	(536)	**(2,025)**
Shareholders' equity			
Balance at the beginning of the year	**140,461**	136,832	**1,493,473**
Changes of items during the year			
Dividends from retained earnings	**(1,779)**	(1,642)	**(18,921)**
Net income	**6,378**	4,722	**67,821**
Acquisition of treasury stock	**(3)**	(2)	**(41)**
Disposal of treasury stock	**349**	486	**3,718**
Reversal of land revaluation excess, net of tax	**19**	65	**209**
Total changes of items during the year	**4,964**	3,629	**52,786**
Balance at the end of the year	**145,425**	140,461	**1,546,259**

	Millions of Yen		Thousands of US Dollars (Note 3)
	2013	2012	**2013**
Accumulated other comprehensive income:			
Valuation difference on available-for-sale securities			
Balance at the beginning of the year	**5,782**	1,715	**61,485**
Changes of items during the year			
Net changes of items other than shareholders' equity	**12,182**	4,066	**129,532**
Total changes of items during the year	**12,182**	4,066	**129,532**
Balance at the end of the year	**17,965**	5,782	**191,017**
Revaluation reserve for land			
Balance at the beginning of the year	**684**	212	**7,273**
Changes of items during the year			
Net changes of items other than shareholders' equity	**(19)**	471	**(209)**
Total changes of items during the year	**(19)**	471	**(209)**
Balance at the end of the year	**664**	684	**7,064**
Accumulated other comprehensive income			
Balance at the beginning of the year	**6,466**	1,928	**68,758**
Changes of items during the year			
Net changes of items other than shareholders' equity	**12,162**	4,538	**129,323**
Total changes of items during the year	**12,162**	4,538	**129,323**
Balance at the end of the year	**18,629**	6,466	**198,081**
Minority interests:			
Balance at the beginning of the year	**213**	209	**2,269**
Changes of items during the year			
Net changes of items other than shareholders' equity	**3**	3	**41**
Total changes of items during the year	**3**	3	**41**
Balance at the end of the year	**217**	213	**2,310**
Total net assets:			
Balance at the beginning of the year	**147,141**	138,970	**1,564,501**
Changes of items during the year			
Dividends from retained earnings	**(1,779)**	(1,642)	**(18,921)**
Net income	**6,378**	4,722	**67,821**
Acquisition of treasury stock	**(3)**	(2)	**(41)**
Disposal of treasury stock	**349**	486	**3,718**
Reversal of land revaluation excess, net of tax	**19**	65	**209**
Net changes of items other than shareholders' equity	**12,166**	4,541	**129,364**
Total changes of items during the year	**17,131**	8,171	**182,150**
Balance at the end of the year	**¥164,272**	¥147,141	**$1,746,652**

See notes to consolidated financial statements.

Consolidated Statements of Cash Flows

For the years ended March 31, 2013 and 2012	Millions of Yen		Thousands of U.S. Dollars (Note 3)
	2013	2012	**2013**
Cash flows from operating activities			
Income before income taxes	**¥ 10,737**	¥ 9,922	**$ 114,168**
Depreciation expense	**2,743**	2,018	**29,173**
Impairment loss	**217**	362	**2,309**
Equity in earnings of affiliates	**(116)**	(36)	**(1,238)**
Net decrease in allowance for loan losses	**(3,784)**	(1,765)	**(40,236)**
Decrease in provision for directors' bonuses	**—**	(28)	**—**
Increase in provision for retirement benefits	**402**	674	**4,284**
Increase (decrease) in provision for directors' retirement benefits	**51**	(265)	**546**
Increase in provision for reimbursement of deposits	**91**	106	**970**
Decrease in provision for contingent loss	**(32)**	(19)	**(345)**
Increase in provision for customer point program	**15**	16	**165**
Decrease in provision for loss on disaster	**—**	(235)	**—**
Interest income	**(42,329)**	(43,520)	**(450,078)**
Interest expenses	**2,375**	2,673	**25,260**
Net (gain) loss on securities	**(1,199)**	543	**(12,750)**
Net gain on money held in trust	**(390)**	(193)	**(4,149)**
Net (gain) loss on foreign exchange	**(11)**	1	**(125)**
Net loss on sale of fixed assets	**126**	58	**1,340**
Increase in trading account securities	**(89)**	(85)	**(952)**
Increase in loans and bills discounted	**(41,072)**	(288,073)	**(436,709)**
Increase in deposits	**266,336**	834,152	**2,831,861**
Increase in negotiable certificates of deposit	**135,013**	124,439	**1,435,549**
Increase (decrease) in borrowed money (excluding subordinated borrowings)	**(746)**	4,425	**(7,941)**
(Increase) decrease in due from banks other than BOJ	**(75)**	102	**(807)**
(Increase) decrease in call loans	**244,057**	(551,501)	**2,594,971**
Increase (decrease) in call money	**(3,698)**	3,698	**(39,325)**
(Increase) decrease in foreign exchange assets	**(355)**	1,003	**(3,779)**
Increase in foreign exchange liabilities	**10**	82	**114**
Interest received	**43,816**	44,576	**465,881**
Interest paid	**(2,939)**	(3,419)	**(31,259)**
All other operating activities	**(2,200)**	3,153	**(23,394)**
Sub-total	**606,952**	142,869	**6,453,503**
Income taxes refund (paid)	**(4,896)**	520	**(52,059)**
Net cash provided by operating activities	**602,055**	143,390	**6,401,443**
Cash flows from investing activities			
Purchase of equity and other securities	**(450,361)**	(379,438)	**(4,788,533)**
Proceeds from sales of equity and other securities	**163,954**	120,806	**1,743,264**
Proceeds from maturities of securities	**83,879**	100,160	**891,860**
Increase in money held in trust	**(1,000)**	(10,024)	**(10,632)**
Expenditures for tangible fixed assets	**(3,031)**	(1,014)	**(32,230)**
Proceeds from sales of tangible fixed assets	**108**	52	**1,152**
Expenditures for intangible fixed assets	**(430)**	(1,620)	**(4,578)**
Net cash used in investing activities	**(206,881)**	(171,076)	**(2,199,697)**
Cash flows from financing activities			
Proceeds from subordinated borrowings	**9,800**	—	**104,199**
Dividends paid	**(1,779)**	(1,642)	**(18,921)**
Dividends paid to minority interests	**(2)**	(2)	**(30)**
Repayments of lease obligations	**(404)**	(152)	**(4,300)**
Purchase of treasury stock	**(4)**	(2)	**(43)**
Proceeds from sales of treasury stock	**310**	343	**3,303**
Net cash provided by (used in) financing activities	**7,919**	(1,455)	**84,207**
Effect of exchange rate changes in cash and cash equivalents	**11**	(1)	**125**
Net increase (decrease) in cash and cash equivalents	**403,105**	(29,143)	**4,286,079**
Cash and cash equivalents at beginning of fiscal year	**52,156**	81,299	**554,558**
Cash and cash equivalents at end of fiscal year (Note 14)	**¥ 455,261**	¥ 52,156	**$4,840,637**

See notes to consolidated financial statements.

1. Basis of Presentation

The accompanying consolidated financial statements of The Toho Bank, Ltd. (the "Bank") and its consolidated subsidiaries (collectively the "Group") have been prepared from the accounts and records maintained by them in accordance with accounting principles generally accepted in Japan which are different in certain material respects as to the application and disclosure requirements of International Financial Reporting Standards. The accompanying consolidated financial statements have been compiled from the consolidated financial statements filed with the Prime Minister as required by the Financial Instruments and Exchange Law of Japan and the Banking Law of Japan.

For the convenience of readers outside Japan, certain items presented in the original financial statements have been reclassified and rearranged.

The amounts indicated in millions of yen are rounded down by omitting amounts of less than one million. As a result, the totals shown in the accompanying financial statements do not necessarily agree with the sums of the individual amounts.

2. Summary of Significant Accounting Policies

(a) Principles of consolidation

Under the control or influence concept, those companies in which the Bank, directly or indirectly, is able to exercise control over operations are fully consolidated, and those companies (affiliates) over which the Group has the ability to exercise significant influence are accounted for by the equity method.

The number of consolidated subsidiaries and affiliates at March 31, 2013 and 2012 is as follows:

	2013	2012
Number of consolidated subsidiaries:	**2**	2
Number of affiliates accounted for by the equity method:	**5**	5

The closing date of the consolidated subsidiaries is the same as the consolidated closing date.

(b) Trading account securities

Trading account securities are stated at fair value at the end of the year.

The moving average cost method is used to determine the cost of securities sold.

(c) Securities

Held-to-maturity debt securities are stated at amortized cost using the moving average cost method.

Available-for-sale securities are, in principle stated at fair value at the end of the year or, if the fair value is considered to be extremely difficult to obtain, at cost using the moving average cost method.

Valuation difference on available-for-sale securities is presented as a separate component of net assets, net of related tax effect.

Securities included in "Money held in trust" are also classified and accounted for in the same method as stated above.

(d) Derivatives

The Bank's derivatives are stated at fair value.

(e) Depreciation of fixed assets

(1) Depreciation of tangible fixed assets of the Bank (except lease assets) is computed under the declining-balance method. The estimated useful lives of assets are as follows:

Buildings: 2–40 years
Others: 2–20 years

Depreciation at the consolidated subsidiaries is computed principally using the declining-balance method over the estimated useful lives of assets.

(Changes in accounting policies that are difficult to distinguish from changes in accounting estimates)

In accordance with the amendment of the Corporation Tax Law, effective from the beginning of the fiscal year ended March 31, 2013, the Bank and its consolidated subsidiaries have changed their depreciation method for those tangible fixed assets acquired on or after April 1, 2012. As a result of this change, income before income taxes and minority interests increased by ¥154 million from the corresponding amounts which would have been recorded under the previous method.

(2) Depreciation of intangible fixed assets (except lease assets) is computed under the straight-line method. Development costs for internally used software are capitalized and depreciated under the straight-line method over the estimated useful lives of primarily 5 years.

(3) Depreciation of lease assets pertaining to finance lease transactions other than those in which the lease is deemed to transfer ownership of leased property to the lessee, included in "Tangible fixed assets" and "Intangible fixed assets," is computed by the straight-line method based on the assumptions that the lease term is equal to the useful life and that there is no residual value except where residual value guarantees are stipulated in lease contracts.

(f) Revaluation of land

In accordance with the Law concerning Revaluation of Land enacted on March 31, 1998 (the "Law"), the land used for business owned by the Bank was revalued at March 31, 2000, and the unrealized gains, net of related tax effect, are reported as "Revaluation reserve for land" in the Net Assets section, and the deferred tax is included in the Liabilities section as "Deferred tax liabilities for land revaluation"

The amount of excess of the revalued carrying amount over the fair value of the lands revalued at March 31, 2013 and 2012 pursuant to the Article 10 of the Law was ¥11,906 million and ¥10,914 million, respectively.

(g) Allowance for loan losses

The allowance for loan losses of the Bank is made in accordance with the Bank's internal rules for self-assessment of asset quality and for providing reserve for possible credit losses. Pursuant to the rules, the allowance for loan losses has been provided for as described below.

For loans to borrowers which are classified as substantially bankrupt or which are bankrupt in the formal legal sense, a reserve is provided based on the amount remaining after deduction of the collateral considered to be disposable and an estimate of amounts recoverable under guarantees.

For loans to borrowers which, although not actually bankrupt in the legal sense, have experienced serious financial difficulties and whose failure is highly possible, a reserve is provided for the estimated unrecoverable amount based on the amount remaining after deduction of the collateral considered to be disposable and an estimate of amounts recoverable under guarantees.

For other loans, a reserve is provided based on the Bank's historical loan loss experience.

The above procedures for providing reserves follow the Bank's internally established rules for self-assessment of the quality of all the Bank's loan assets, which have been audited by the Audit Department.

The allowance for loan losses of the consolidated subsidiaries is provided for necessary amount, which is based on historical loan loss experience and estimated collectibility of specific claims.

(h) Provision for retirement benefits

The provision for retirement benefits is provided to the extent that retirement benefit obligation at the balance sheet date exceeds estimated plan assets. Amortization of prior service cost and actuarial loss is computed as follows:

Prior service cost is amortized using the straight-line method over a period of 3 years within the average remaining service period of active employees when incurred.

Actuarial loss is amortized from the succeeding fiscal year using the straight-line method over a period of 10 years within the average remaining service period of active employees at fiscal year of the incurrence.

(i) Provision for directors' retirement benefits

The provision for directors' retirement benefits is provided at the amount that would be required to be paid based on internally established standards if directors retired at the end of the fiscal year.

(j) Provision for reimbursement of deposits

The provision for reimbursement of deposits is provided for the future reimbursement of dormant deposits which were recognized as income to depositors, based on the estimated reimbursement loss in accordance with the past reimbursement records.

(k) Provision for contingent loss

The provision for contingent loss is provided for possible losses from contingencies, which are not covered by other specific provisions.

(l) Provision for customer point program

The provision for customer point program is provided based on a reasonable estimate for expected future purchases to be made by customers with reward point which are granted when they use co-branded credit cards issued by the Bank.

(m) Translation of foreign currency assets and liabilities

Assets and liabilities are translated into Japanese yen mainly at the exchange rates prevailing at the consolidated balance sheet date.

(n) Leases

Finance lease transactions, commenced prior to April 1, 2008, other than those in which the lease is deemed to transfer ownership of leased property to lessees are accounted for as operating lease transactions.

(o) Method of hedge accounting

The Bank applies special treatment of hedge accounting for interest rate swaps for interest rate risk arising from certain financial assets and liabilities whereby interest is recognized on an accrual basis.

(p) Statements of cash flows

In preparing the consolidated statements of cash flows, cash and due from the Bank of Japan are considered to be cash and cash equivalents.

(q) Consumption taxes

National and local consumption taxes of the Bank and its consolidated subsidiaries are accounted for using the tax-excluded method.

(r) Accounting standard issued but not yet adopted

"Accounting Standard for Retirement Benefits" (the Accounting Standards Board of Japan (hereinafter "ASBJ") Statement No. 26, May 17, 2012) and "Guidance on Accounting Standard for Retirement Benefits" (ASBJ Guidance No. 25, May 17, 2012)

(1) Overview

Accounting standard for retirement benefits has been revised from the viewpoint of improvements to financial reporting and international convergence, mainly focusing on (a) the accounting method for actuarial gain or loss and prior service cost and enhancement of related disclosures and (b) the calculation method for retirement benefits obligation and service cost.

(2) Scheduled date of adoption

The Bank will adopt the accounting standard, relating to the (a) above, from the fiscal year ending March 31, 2014. However, the Bank will adopt the amendments to the method for calculating retirement benefits obligation and service cost, relating to the (b) above, from the beginning of the fiscal year ending March 31, 2015.

(3) The effect of adopting this accounting standard

The effect of adopting this accounting standard is currently under evaluation.

3. U.S. Dollar Amounts

The translation of yen amounts into U.S. dollar amounts is included solely for convenience, as a matter of arithmetic computation only, at the rate of ¥94.05 = U.S. $1.00, the exchange rate prevailing on March 31, 2013. This translation should not be construed as a representation that yen amounts have been, could have been, or could in the future be, converted into U.S. dollars at the above or any other rate.

4. Loans and Bills Discounted

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

	Millions of Yen	
March 31	**2013**	2012
Loans to borrowers in bankruptcy	**¥ 3,800**	¥ 5,886
Delinquent loans	**47,658**	52,897
Loans past due 3 months or more	**877**	133
Restructured loans	**1,308**	1,897
Total	**¥53,645**	¥60,815

Loans to borrowers in bankruptcy represent non-accrual loans, after the write-offs of loans deemed uncollectable to borrowers who are legally bankrupt, as defined in Article 96, Paragraph 1, Subparagraphs 3 and 4 of the Enforcement Ordinance of the Corporation Tax Law.

Delinquent loans are non-accrual loans other than loans to borrowers in bankruptcy or loans on which interest payments have been deferred in order to assist the restructuring of the borrowers.

Loans past due 3 months or more are loans on which interest or principal payments are 3 months or more past due, but which are not included in loans to borrowers in bankruptcy or delinquent loans.

Restructured loans are loans, other than loans to borrowers in bankruptcy or delinquent loans, on which the Bank has granted certain concessions such as a reduction of the contractual interest rates or principal or a deferral of payments of interest/principal, in order to assist the restructuring of the borrowers.

Bills discounted are accounted for as finance transactions in accordance with "Treatments in Accounting and Audit for Banks on Application of Accounting Standards for Financial Instruments for Banks" (JICPA Industry Audit Committee Report No. 24). The Bank has rights to sell or pledge commercial bills discounted and foreign exchange bought without restrictions, and their total face amount was ¥8,232 million and ¥8,156 million at March 31, 2013 and 2012, respectively.

5. Acceptances and Guarantees

All contingent liabilities arising from acceptances and guarantees are included in the account "Customers' liabilities for acceptances and guarantees," which represents the Bank's right of indemnity from the applicants, and is presented as a contra-account on the assets side of the consolidated balance sheets.

6. Pledged Assets

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

	Millions of Yen	
March 31	**2013**	2012
Pledged assets:		
Securities	**¥ 66,309**	¥ 70,449
Loans and bills discounted	**85,916**	156,042
Total pledged assets	**¥152,225**	¥226,491
Liabilities covered by pledged assets:		
Deposits	**¥ 20,268**	¥ 14,083
Borrowed money	**6,660**	6,870
Total liabilities covered by pledged assets	**¥ 26,928**	¥ 20,953

In addition to the above, Securities in the amount of ¥94,688 million and ¥99,431 million, and Other assets in the amount of ¥295 million and ¥286 were pledged as collateral in connection with exchange settlements as of March 31, 2013 and 2012, respectively.

Security deposit in the amount of ¥864 million and ¥870 million were included in Other assets as of March 31, 2013 and 2012, respectively.

7. Commitments and Contingent Liabilities

Overdraft facilities and line-of-credit contracts are agreements under which, unless there is no breach of contract by the counterparty, the Bank or its consolidated subsidiary is required to provide clients with funds up to a fixed limit upon submission of a loan application to the Bank or its consolidated subsidiary. The unused amount related to such facilities/contracts stood at ¥666,575 million and ¥643,362 million at March 31, 2013 and 2012, respectively. Of this amount, facilities/contracts which expire within one year at inception or which are unconditionally cancelable at any time, totaled ¥645,065 million and ¥627,507 million at March 31, 2013 and 2012, respectively.

Most of these agreements expire without the clients' having utilized the financial resources available under the facilities/contracts, and the unused amount does not necessarily impact the Bank or its consolidated subsidiary's future cash flows. Most of these facilities/contracts contain a clause which allows the Bank or its subsidiary to reject a loan application or to reduce the upper limit requested in view of changing financial conditions, credit maintenance and other reasonable concerns.

When necessary, the Bank or its consolidated subsidiary demands collateral such as real estate or marketable securities at the date on which the aforementioned agreement is entered into. In addition, after facilities/contracts are set forth, the Bank or its consolidated subsidiary regularly assesses the business status of the clients, based on predetermined internal procedures and, when prudent, revises the agreements or reformulates policies to maintain creditworthiness.

8. Accumulated Depreciation of Tangible Fixed Assets

Accumulated depreciation of Tangible fixed assets amount was ¥47,233 million and ¥49,275 million, and advanced depreciation on Tangible fixed assets amount was ¥1,022 million and ¥1,026 million at March 31, 2013 and 2012, respectively.

9. Borrowed Money

Borrowed money includes borrowings made under special conditions under which repayment is subordinate to other classes of debt. The amount of the subordinate borrowings totaled ¥24,800 million and ¥15,000 million at March 31, 2013 and 2012, respectively.

10. Guarantees for Corporate Bonds

The amount of the guarantees for privately placed bonds in corporate bonds in accordance with Paragraph 3 of Article 2 of the Financial Instruments and Exchange Law totaled ¥26,756 million and ¥23,156 million at March 31, 2013 and 2012, respectively.

11. Other Income

Other income principally represented gain on sales of stocks and other securities, gain on disposal of fixed assets, equity in earnings of affiliates and gain on bad debt recovered.

Gain on sales of stocks and other securities for the years ended March 31, 2013 and 2012 included in other income, were ¥571 million and ¥52 million, respectively.

Gain on bad debt recovered for the years ended March 31, 2013 and 2012 included in other income, were ¥16 million and ¥294 million, respectively.

12. Other Expenses

Other expenses principally represented provision for possible loan losses, loss on sales of stocks and other securities, loss on devaluation of stocks and other securities, loss on disposal of fixed assets and loss on impairment of fixed assets.

Provision for possible loan losses for the years ended March 31, 2013 and 2012 included in other expenses, were ¥24 million and ¥792 million, respectively.

Other expenses also included Losses on sales of stocks and other securities in the amount of ¥949 million and ¥1,288 million, Losses on devaluation of stocks and other securities in the amount of ¥2,184 million and ¥1,699 million for the years ended March 31, 2013 and 2012, respectively.

Loss on disposal of fixed assets for the years ended March 31, 2013 and 2012 included in other expenses, were ¥270 million and ¥142 million, respectively.

The differences between the recoverable amount and the book value of the following assets were recognized as loss on impairment of fixed assets during the fiscal years ended March 31, 2013 and 2012:

(Millions of Yen)

Area	Purpose of use	Type	Losses	
			2013	2012
Fukushima Area	Branch premises	Building	¥149	¥ —
		Land	—	198
	Company housing	Building	3	6
	Idle assets	Land	29	144
		Building	11	—
Other	Branch premises	Building	23	—
	Company housing	Building	—	12
Total			¥217	¥362

The Bank recognizes the estimated unrecoverable amount in its branch premises and idle assets as Impairment loss. For the purposes of identifying impaired assets, the assets of an individual branch are grouped as a unit.

As for idle assets, the individual asset is assessed as a unit for the purposes of identification.

The recoverable amount is calculated based on net realizable value. Net realizable value is calculated based on the valuation by road rating and on the appraisal value, etc., less estimated cost of disposal.

13. Notes to Consolidated Statements of Changes in Net Assets

Changes in outstanding shares and treasury stock during the years ended March 31, 2013 and 2012 are summarized as follows:

(Thousand Shares)

	Number of Shares as of April 1, 2012	Number of Shares Increased	Number of Shares Decreased	Number of Shares as of March 31, 2013
Outstanding Shares				
Common Stock	255,500	—	—	255,500
Treasury Stock				
Common Stock(*1&2)	1,701	14	1,246	470

(*1) Major component of an increase in the number of Treasury stock by 14 thousand shares was 14 thousand shares of acquisition of odd-lot shares. Decrease in the number of Treasury stock of 1,246 thousand shares was composed of 1,244 thousand shares of disposition by an employee stock ownership plan (ESOP) trust, 0 thousand shares of disposal of Treasury stock and 1 thousand shares of disposition of odd-lot shares.

(*2) The number of Treasury stock includes stock owned by ESOP trust. However, the number of Treasury stock at March 31, 2013 did not include stock owned by ESOP trust since ESOP trust terminated in the year ended March 31, 2013.

(Thousand Shares)

	Number of Shares as of April 1, 2011	Number of Shares Increased	Number of Shares Decreased	Number of Shares as of March 31, 2012
Outstanding Shares				
Common Stock	255,500	—	—	255,500
Treasury Stock				
Common Stock(*1&2)	3,422	12	1,732	1,701

(*1) Major component of an increase in the number of Treasury stock by 12 thousand shares was 9 thousand shares of acquisition of odd-lot shares. Decrease in the number of Treasury stock by 1,732 thousand shares was composed of 1,729 thousand shares of disposition by an employee stock ownership plan (ESOP) trust and 3 thousand shares of disposition of odd-lot shares.

(*2) Treasury stock includes 1,244 thousand shares owned by ESOP trust at March 31, 2012.

Detailed information about cash dividends paid during the year ended March 31, 2013 was as follows:

Date of Approval	Type of Shares	Total Dividends (¥ million)	Dividend Per Share	Dividend Record Date	Effective Date
General Meeting of Shareholders on June 26, 2012	Common Stock	952	¥3.75	March 31, 2012	June 27, 2012
Board of Directors on November 12, 2012	Common Stock	827	¥3.25	September 30, 2012	December 5, 2012

Note: 1. The total dividends resolved by the General Meeting of Shareholders on June 26, 2012 do not include the dividends paid to the ESOP trust of ¥4 million, since the Bank's shares owned by ESOP trust is treated as treasury stock.

2. The total dividends resolved by the Board of Directors meeting on November 12, 2012 do not include the dividends paid to the ESOP trust of ¥1 million, since the Bank's shares owned by ESOP trust is treated as Treasury stock.

Detailed information about cash dividends paid during the year ended March 31, 2012 was as follows:

Date of Approval	Type of Shares	Total Dividends (¥ million)	Dividend Per Share	Dividend Record Date	Effective Date
General Meeting of Shareholders on June 27, 2011	Common Stock	819	¥3.25	March 31, 2011	June 28, 2011
Board of Directors on November 11, 2011	Common Stock	822	¥3.25	September 30, 2011	December 6, 2011

Note: 1. The total dividends resolved by the General Meeting of shareholders on June 27, 2011 do not include the dividends paid to the ESOP trust of ¥9 million, since the Bank's shares owned by ESOP trust is treated as treasury stock.

2. The total dividends resolved by the Board of Directors meeting on November 11, 2011 do not include the dividends paid to the ESOP trust of ¥6 million, since the Bank's shares owned by ESOP trust is treated as treasury stock.

Dividends with record dates on or before March 31, 2013 and effective dates after April 1, 2013 were as follows:

Date of Approval	Type of Shares	Total Dividends (¥ million)	Source of Dividends	Dividend Per Share	Dividend Record Date	Effective Date
General Meeting of Shareholders on June 24, 2013	Common Stock	829	Other Retained Earnings	¥3.25	March 31, 2013	June 25, 2013

Dividends with record dates on or before March 31, 2012 and effective dates after April 1, 2012 were as follows:

Date of Approval	Type of Shares	Total Dividends (¥ million)	Source of Dividends	Dividend Per Share	Dividend Record Date	Effective Date
General Meeting of Shareholders on June 26, 2012	Common Stock	952	Other Retained Earnings	¥3.75	March 31, 2012	June 27, 2012

Note: The total dividends in the above table do not include the dividend payable to the ESOP trust of ¥4 million, since the Bank's shares owned by ESOP trust is treated as treasury stock.

14. Cash and Cash Equivalents

A reconciliation between Cash and due from banks in the consolidated balance sheets at March 31, 2013 and 2012, and Cash and cash equivalents in the consolidated statements of cash flows for the years then ended was as follows:

	Millions of Yen	
March 31	**2013**	2012
Cash and due from banks	**¥455,684**	¥52,502
Ordinary due from banks	**(198)**	(48)
Other	**(223)**	(297)
Cash and cash equivalents	**¥455,261**	¥52,156

15. Deferred Income Taxes

The major components of deferred tax assets and liabilities at March 31, 2013 and 2012 were summarized as follows:

	Millions of Yen	
March 31	**2013**	2012
Deferred tax assets:		
Allowance for loan losses	**¥ 6,030**	¥ 6,533
Provision for retirement benefits	**3,905**	3,768
Depreciation	**1,364**	1,384
Revaluation reserve for land	**2,169**	2,169
Others	**4,754**	4,412
Valuation allowance	**(4,330)**	(4,486)
Total deferred tax assets	**13,892**	13,781
Deferred tax liabilities:		
Revaluation reserve for land	**(3,698)**	(3,708)
Valuation difference on available-for-sale securities	**(9,531)**	(3,657)
Others	**(18)**	(36)
Total deferred tax liabilities	**(13,248)**	(7,402)
Net deferred tax assets	**¥ 643**	¥ 6,378

The following summarized the significant differences between the statutory tax rate and the Bank's effective tax rate for the years ended March 31, 2013 and 2012:

Year ended March 31	2013	2012
Statutory tax rate	**37.4%**	40.0%
Non-deductible expenses	**0.7**	1.0
Non-taxable dividend income	**(1.2)**	(1.3)
Per capita inhabitant taxes	**0.3**	0.3
Valuation allowance	**2.6**	(0.7)
Reduction of year-end deferred tax liabilities due to tax rate changes	**—**	13.1
Others	**0.5**	0.1
Effective tax rate	**40.5%**	52.5%

16. Retirement Benefits

The following information pertains to the defined benefits pension plans of the Bank and its consolidated subsidiaries.

(a) Retirement benefits obligation

	Millions of Yen	
Year ended March 31	2013	2012
Retirement benefits obligation	**¥(35,367)**	¥(31,286)
Plan assets at fair value	**19,885**	18,534
Unfunded retirement benefits obligation	**(15,481)**	(12,752)
Unrecognized actuarial loss	**4,497**	2,170
Net retirement benefits obligation	**(10,984)**	(10,581)
Prepaid pension cost	**—**	—
Provision for retirement benefits	**¥(10,984)**	¥(10,581)

(b) Net pension cost

	Millions of Yen	
Year ended March 31	2013	2012
Service cost	**¥ 912**	¥ 896
Interest cost	**623**	623
Expected return on plan assets	**(369)**	(367)
Amortization of prior service cost	**—**	—
Amortization of actuarial loss	**296**	576
Net pension cost	**¥1,463**	¥1,729

(c) Actuarial assumptions and basis of calculation to determine costs and benefits obligation

Year ended March 31	2013	2012
(i) Assumed discount rate	**1.0%**	2.0%
(ii) Expected rate of return on plan assets	**2.0%**	2.0%

(iii) Method of attributing expected retirement benefits to periods: Straight-line basis

(iv) Amortization of prior service cost

Prior service cost is amortized using the straight-line method over a period of 3 years within the average remaining service period of active employees when incurred.

(v) Amortization of actuarial loss

Actuarial loss is amortized from the succeeding fiscal year using the straight-line method over a period of 10 years within the average remaining service period of active employees at fiscal year of the occurrence.

17. Per Share Information

Total net assets as of March 31, 2013 and 2012 and net income per share for the years ended March 31, 2013 and 2012 were as follows:

	Yen	
As of March 31	2013	2012
Total net assets per share	**¥643.28**	¥578.91
Net income per share	**25.06**	18.66

Note 1: The bases for the computation of net assets per share are set out below.

	Millions of Yen	
As of or year ended March 31	2013	2012
Total net assets	**¥164,272**	¥147,141
Deduction from total net assets:	**217**	213
Minority interests	**217**	213
Net assets related to common stock	**164,055**	146,927
Number of common stock used to calculate net assets per share (1,000 shares)	**255,029**	253,798

Note 2: The bases for the computation of net income per share are set out below.

	Millions of Yen	
Year ended March 31	2013	2012
Net income	**¥ 6,378**	¥ 4,722
Amounts not attributable to common shareholders	**—**	—
Net income related to common stock	**6,378**	4,722
Weighted average number of common stock during the year (1,000 shares)	**254,502**	253,016

18. Leases

Lessee:

Finance lease transactions other than those in which the lease is deemed to transfer ownership of the leased property to the lessee are accounted for as operating lease transactions as permitted by the new accounting standard at March 31, 2013 and 2012 were summarized as follows:

	Millions of Yen	
March 31	2013	2012
Amounts equivalent to acquisition costs:		
Tangible fixed assets	**¥80**	¥153
Amounts equivalent to accumulated depreciation:		
Tangible fixed assets	**¥71**	¥124
Amounts equivalent to net carrying amount:		
Tangible fixed assets	**¥ 8**	¥ 29

Lease payment relating to finance leases accounted for as operating leases amounted to ¥22 million and ¥91 million for the years ended March 31, 2013 and 2012, respectively.

The amount equivalent to depreciation related to leased assets has been computed using the straight-line method over the lease terms and amounted to ¥19 million and ¥78 million for the years ended March 31, 2013 and 2012, respectively.

The amount equivalent to interest expense related to leased assets amounted to ¥1 million and ¥3 million for the years ended March 31, 2013 and 2012, respectively.

The amount of anticipated finance lease payments at March 31, 2013 and 2012 are as follows:

At March 31, 2013	Millions of Yen
2014	**¥8**
2015 and Thereafter	**1**
Total	**¥9**

At March 31, 2012	Millions of Yen
2013	¥22
2014 and Thereafter	10
Total	¥33

19. Financial Instruments and Related Disclosure

(a) Overall situation concerning financial instruments

(1) Policy for financial instruments

The Group provides banking and other financial operations including lease business. Funds raised from these operations are used primarily to offer commercial and mortgage loans and to invest in marketable securities. The Group's primary funding sources are deposits, but it may also borrow funds in the financial markets to meet day-to-day, short-term funding needs. As a result, it holds financial assets and liabilities whose economic values fluctuate with interest rate changes. To minimize adverse effects of interest rate fluctuations, an asset-liability management (ALM) system is in place to ensure comprehensive management of assets and liabilities with various durations under different market conditions. The Group also uses derivative transactions primarily to hedge the adverse fluctuation in the value of assets and liabilities against market risks, and the derivative transactions utilized in the hedge activities are limited to instruments with high market liquidity.

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

Financial assets held by the Group consist mainly of loans extended to business entities and individuals in Japan, which entail credit risk, where difficulty occurs in recovering the principal amounts of loans and interests thereon due to borrowers' bankruptcy or deteriorating business. General economic conditions in Fukushima Prefecture, the Group's primary geographical area of operations, may also exert adverse impact on borrowers' businesses and values of collaterals pledged. Marketable securities in which the Group invests are primarily bonds and equity shares, which subject the Group to credit risk (deterioration of financial conditions of issuers) and market risk (fluctuations in interest rates and prices).

The Group also faces liquidity risk in connection with borrowed funds and call money, that is, the Group might find it difficult to honor promises of payment on due dates if it cannot tap into financial markets to raise needed funds under certain environments. Moreover, the Group's borrowings are based on variable rates, which expose the Group to risks associated with interest rate fluctuations.

Aside from derivative instruments (i.e., interest rate and currency swaps) distributed directly to customers, the Group may enter into interest rate swaps as a part of its ALM operations to hedge its borrowings. Derivative transactions qualified for hedge accounting are accounted for separately using the hedge accounting standards. To secure foreign-currency denominated funds for currency-related services, the Group may utilize foreign exchange forward contracts and bond options trading at over-the-counter to increase interest income, which come with inherent market risk (risk of losses by the Group if interest rates and foreign exchange make adverse movements) and credit risk (risk of losses by the Group in the event of default by the counterparty). The Group is not engaged in leveraged derivative transactions with large volatility of the contract's fair value out of proportion to the price fluctuation of the underlying asset.

(3) Risk management system for financial instruments

(i) To manage credit risk, the Group has established credit risk management rules and a framework governing credit review required for each loan, credit limits, internal credit ratings, guarantees and collaterals in addition to procedures to deal with problem loans. The state of such risk and risk management is periodically reported to the Board of Directors upon examination by the ALM Committee.

Credit risk associated with issuers of marketable securities and counterparty risk relating to derivative transactions are managed by periodic monitoring of credit ratings and fair value.

(ii) The Group manages market risk (interest rate risk, price fluctuation risk and foreign exchange risk) as part of its ALM operations, which, among others, calls for quantification of various risks, risk limits to be set within a manageable scope in line with the Group's financial strength, and proper risk distribution to secure optimized profits. Risk management techniques and procedures used by the Group for the market risks are stipulated in the Group's market risk management rules. They include Value at Risk (VaR), asset-liability analyses by maturity, interest rate sensitivity analyses, and simulated risk analyses to assess potential impact of interest rate fluctuations from various angles. To reduce price fluctuation risk, the rules require a limit on the amount of securities to be held and a stop-loss level to be set up for each type of securities. In addition, ALM guidelines are prepared every six months, and the ALM Committee conducts reviews and examinations. The status of exposure to risks and the results of risk management activities are reported periodically to the Board of Directors upon examination by the ALM Committee.

To calculate VaR for the market risk, the variance-covariance method (holding period varies from one month to one year, depending on risk categories such as interest rates and shares, confidence level of 99%, observation period of combination of both 1 and 5 years) has been adopted. At March 31, 2013, the Group's market risk quantity (estimated loss) in total is ¥32,214 million. This measure is for the Bank alone, since outstanding balance and sensitivity of the consolidated subsidiaries' financial assets and liabilities are considered insignificant.

The Group conducts back test to compare the actual income to VaR calculated by the model in order to verify the model. As a result of back test conducted, the Group concludes the model captures the market risk with sufficient accuracy. However, VaR is a statistic measure of market risk quantity based on the past fluctuations of market and certain probability of occurrence. It may not be possible to capture the risk if the market fluctuates rapidly, under extraordinary circumstances.

For derivative transactions, an internal control framework is in place by separating the execution team, the team responsible for assessing effectiveness of transactions as hedging instruments and the back office from one another. The quantified risks, aggregate size of derivative transactions and the results of profit/loss revaluation are reported to the ALM Committee on a monthly basis. The state of risk and risk management is reported periodically to the Board of Directors upon examination by the ALM Committee.

(iii) To control liquidity risk, the Group, having formulated its liquidity risk management rules, conducts daily analyses of the status of funding and the results of fund management activities, in addition to periodic funding tolerance checks under diverse scenarios. The status of exposure to risks and the results of risk management activities are reported periodically to the Board of Directors upon examination by the ALM Committee.

(4) Supplemental explanation for fair value of financial instruments

Financial instruments are stated at amounts based on market prices or reasonably computed amounts in the case of the absence of observable market prices. The computation of the amounts thereof is based on certain assumptions. Therefore, the amounts derived may differ if other assumptions are used.

(b) Fair value of financial instruments

The amount shown on the consolidated balance sheets, the corresponding fair value and their difference as of March 31, 2013 and 2012 for each financial instrument category are provided below. It should be noted that non-listed shares for which fair value is extremely difficult to obtain are not included in the following tables (see Note 2). Also items whose account balance on the consolidated balance sheets are immaterial are not included in the following disclosure.

	Millions of Yen		
March 31, 2013	Book value	Fair value	Difference
(1) Cash and due from banks	**¥ 455,684**	**¥ 455,684**	**¥ —**
(2) Call loans and bills bought	**325,783**	**325,783**	**—**
(3) Trading account securities	**780**	**780**	**—**
(4) Securities:			
Held-to-maturity securities	**10,299**	**10,444**	**144**
Available-for-sale securities	**1,329,117**	**1,329,117**	**—**
(5) Loans and bills discounted	**2,466,952**		
Allowance for loan losses (*1)	**(19,702)**		
	2,447,249	**2,482,213**	**34,963**
Total assets	**¥4,568,915**	**¥4,604,023**	**¥35,108**
(1) Deposits	**¥4,068,077**	**¥4,068,449**	**¥ 371**
(2) Negotiable certificates of deposits	**366,508**	**366,508**	**0**
Total liabilities	**¥4,434,586**	**¥4,434,957**	**¥ 371**
Derivative transactions (*2):			
Hedge accounting is not applied	**¥ (440)**	**¥ (440)**	**¥ —**
Hedge accounting is applied	**—**	**—**	**—**
Total derivative transactions	**¥ (440)**	**¥ (440)**	**¥ —**

	Millions of Yen		
March 31, 2012	Book value	Fair value	Difference
(1) Cash and due from banks	¥ 52,502	¥ 52,502	¥ —
(2) Call loans and bills bought	570,512	570,512	—
(3) Trading account securities	690	690	—
(4) Securities:			
Held-to-maturity securities	17,299	17,599	299
Available-for-sale securities	1,097,511	1,097,511	—
(5) Loans and bills discounted	2,425,880		
Allowance for loan losses (*1)	(23,311)		
	2,402,569	2,432,112	29,543
Total assets	¥4,141,086	¥4,170,929	¥29,842
(1) Deposits	¥3,801,741	¥3,802,566	¥ 825
(2) Negotiable certificates of deposits	231,494	231,494	—
Total liabilities	¥4,033,236	¥4,034,061	¥ 825
Derivative transactions (*2):			
Hedge accounting is not applied	¥ (380)	¥ (380)	¥ —
Hedge accounting is applied	—	—	—
Total derivative transactions	¥ (380)	¥ (380)	¥ —

(*1) Allowance for loan losses (general reserve) and allowance for loan losses (case-specific reserve) provided for loans are deducted to compare with the corresponding fair value.

(*2) The derivative transactions reported under "Other assets" and "Other liabilities" in the consolidated balance sheets are stated on a net basis in the above table.

Net credit/debit arising from derivative transactions is stated on a net basis, and accounts with net debits in the aggregate are indicated by parentheses.

(Note 1) Valuation method of financial instruments

Assets

(1) Cash and due from banks

Cash and due from banks with no maturities is stated at the book value, since the book value approximates fair value. Cash and due from banks with set maturities is carried at the present value of future cash flows estimated by maturity category that are discounted at the assumed interest rate applicable to new deposits at the balance sheet date.

(2) Call loans and bills bought

They are due within one year and are stated at the book value, which approximates fair value.

(3) Trading account securities

The bonds and other securities, including government and municipal/public bonds held as sales agents thereof, are stated at the value announced by Japan Securities Dealers Association or quoted by financial institutions with which the Bank transacts business.

(4) Securities

Equity shares are stated at prices quoted in applicable stock exchanges, and bonds are stated at the value announced by Japan Securities Dealers Association. Investment trusts are stated at the publicized base prices or the base prices quoted by financial institutions with which the Bank transacts business. Investments in associations, if the fair value of assets held by such associations is obtainable, are stated at fair value on a pro rata basis in proportion of the Group's interests held in such associations' net assets. The fair value of privately placed bonds guaranteed by the Bank is computed in a manner similar to the loans described below.

(5) Loans and bills discounted

Loans are grouped by type and internal credit rating, and the fair value of a group of loans is computed by discounting the aggregate principal/interest amount by the theoretical value of an interest rate that reflects the expected loss rate of each borrower's category. For loans due within one year, the book value is stated as the fair value, since the book value is presumed to approximate the fair value.

The fair value of the loans to which the special accounting treatment of hedge accounting for interest rate swaps is applied is evaluated together with their hedging instruments (i.e., interest rate swaps). For loans extended to bankrupt, effectively bankrupt and potentially bankrupt borrowers, estimated loss given default are computed based on expected recoverable amounts through the disposal of the collaterals and execution of guarantees. Therefore, their fair values are stated at the amounts derived by subtracting the estimated loss given default from the carrying amounts of loans as of the consolidated balance sheet date, since the book value is presumed to approximate the fair value.

Loans with no stated maturities, such as loan facilities where loans are provided within a certain limit determined by pledged collateral value, are stated at their book values, as the book value is presumed to approximate fair value, based on the expected repayment periods, interest rate conditions and other terms and conditions.

Liabilities

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

Demand deposits are stated at amounts payable (i.e., book value if demanded on the consolidated balance sheet date). To arrive at the fair value of time deposits and others, deposits are grouped by deposit type, and the present value of expected future cash flows for each such group is computed by discounting the total of principals and interests. Discount rates applied are those applicable to new deposits accepted by the Bank at the balance sheet date. For deposits and certificates of deposits due within one year, they are stated at their book values, which are presumed to approximate the fair values.

Derivative transactions

Derivative transactions include interest rate swaps, currency swaps and foreign exchange forward contracts. They are stated at the prices at exchanges or at prices computed from their discounted present values, among others.

(Note 2) The fair values of the following financial products are extremely difficult to determine and, therefore, are not included in "Assets (4) Available-for-sale securities."

	Millions of Yen	
March 31	**2013**	2012
(i) Non-listed shares(*1)(*2)	**¥2,198**	¥2,238
(ii) Investments in associations(*3)(*4)	**34**	34
Total	**¥2,233**	¥2,273

(*1) The fair values of non-listed shares, which have no readily available market prices, are extremely difficult to determine. Therefore, they are excluded from fair-value disclosure.

(*2) Impairment loss on non-listed shares in the amount of ¥2 million and ¥34 million was posted for the years ended March 31, 2013 and 2012, respectively.

(*3) For investments in associations, assets included in the asset portfolios of such associations are excluded from fair-value disclosure, if the fair values of such assets, including real estate, are extremely difficult to determine.

(*4) Impairment loss on investments in associations in the amount of ¥46 million was posted for the year ended March 31, 2012.

(Note 3) Maturity analysis for claims and securities with contractual maturities subsequent to March 31, 2013 and 2012

March 31, 2013	Due in 1 Year or Less	Due in 1 to 3 Years	Due in 3 to 5 Years	Due in 5 to 7 Years	Due in 7 to 10 Years	Due after 10 Years
	Millions of Yen					
Due from banks	¥ 413,051	¥ —	¥ —	¥ —	¥ —	¥ —
Call loans	325,783	—	—	—	—	—
Securities:	116,314	381,954	425,528	106,143	259,728	137
Held-to-maturity securities	10,299	—	—	—	—	—
National government bonds in them	10,299	—	—	—	—	—
Available-for-sale securities with maturity	106,014	381,954	425,528	106,143	259,728	137
National government bonds in them	50,201	168,622	150,527	57,624	227,240	—
Local government bonds in them	12,404	60,909	84,416	20,681	21,470	—
Corporate bonds in them	31,444	104,164	144,470	27,837	9,945	—
Loans(*)	664,833	511,665	383,178	209,061	241,856	342,228
Total	¥1,519,982	¥893,619	¥808,706	¥315,204	¥501,585	¥342,366

(*) Loans that are unlikely to be redeemed, such as to bankrupt, effectively bankrupt, and potentially bankrupt of ¥51,459 million, loans with no stated maturities of ¥62,668 million are not included.

March 31, 2012	Due in 1 Year or Less	Due in 1 to 3 Years	Due in 3 to 5 Years	Due in 5 to 7 Years	Due in 7 to 10 Years	Due after 10 Years
	Millions of Yen					
Due from banks	¥ 17,048	¥ —	¥ —	¥ —	¥ —	¥ —
Call loans	570,512	—	—	—	—	—
Securities:	78,886	266,466	343,354	107,517	278,295	3
Held-to-maturity securities	7,000	10,299	—	—	—	—
National government bonds in them	7,000	10,299	—	—	—	—
Available-for-sale securities with maturity	71,886	256,166	343,354	107,517	278,295	3
National government bonds in them	20,093	122,364	169,909	78,268	238,671	—
Local government bonds in them	8,482	34,085	55,356	9,409	20,016	—
Corporate bonds in them	23,195	76,464	84,082	19,415	18,976	—
Loans(*)	675,886	529,782	419,137	214,991	251,448	212,763
Total	¥1,342,334	¥796,248	¥762,492	¥322,509	¥529,743	¥212,766

(*) Loans that are unlikely to be redeemed, such as to bankrupt, effectively bankrupt, and potentially bankrupt ¥58,784 million, loans with no set maturities ¥63,085 million are not included.

(Note 4) Maturity analysis for interest bearing liabilities subsequent to March 31, 2013 and 2012

March 31, 2013	Due in 1 Year or Less	Due in 1 to 3 Years	Due in 3 to 5 Years	Due in 5 to 7 Years	Due in 7 to 10 Years	Due after 10 Years
	Millions of Yen					
Deposits(*)	¥3,869,942	¥167,623	¥30,479	¥17	¥14	¥—
Negotiable certificates of deposit	366,469	39	—	—	—	—
Total	¥4,236,411	¥167,663	¥30,479	¥17	¥14	¥—

(*) Demand deposits are disclosed under "Due in 1 year or Less".

March 31, 2012	Due in 1 Year or Less	Due in 1 to 3 Years	Due in 3 to 5 Years	Due in 5 to 7 Years	Due in 7 to 10 Years	Due after 10 Years
	Millions of Yen					
Deposits(*)	¥3,598,272	¥178,889	¥24,552	¥12	¥14	¥—
Negotiable certificates of deposit	231,494	—	—	—	—	—
Total	¥3,829,767	¥178,889	¥24,552	¥12	¥14	¥—

(*) Demand deposits are disclosed under "Due in 1 year or Less".

20. Fair Value Information

The tables below represent the securities and trading account securities:

(a) Trading account securities

March 31	2013	2012
	Millions of Yen	
Realized gain included in earnings	¥0	¥3

(b) Held-to-maturity securities

March 31	2013	2012
	Millions of Yen	
National government bonds		
Carrying amount	¥10,299	¥17,299
Fair value	10,444	17,599
Net unrealized gain/(loss)	144	299
Gross unrealized gain	144	299
Gross unrealized loss	—	—

(c) Available-for-sale securities

March 31, 2013	Carrying Amount	Acquisition Cost	Net Unrealized Gain/(Loss)
	Millions of Yen		
Securities with their fair value over their amortized cost:			
Corporate stock	¥ 30,690	¥ 21,723	¥ 8,966
Bonds:	1,075,110	1,058,698	16,412
National government	610,505	600,141	10,364
Local government	186,163	183,747	2,416
Corporate	278,441	274,809	3,632
Other	103,215	99,206	4,008
Sub-total	1,209,016	1,179,628	29,387
Securities with their fair value below their amortized cost:			
Corporate stock	4,715	5,512	(796)
Bonds:	96,849	97,483	(633)
National government	43,711	44,154	(443)
Local government	13,718	13,740	(22)
Corporate	39,420	39,588	(167)
Other	18,535	19,008	(472)
Sub-total	120,101	122,004	(1,902)
Total	¥1,329,117	¥1,301,632	¥27,484

March 31, 2012	Millions of Yen Carrying Amount	Acquisition Cost	Net Unrealized Gain/(Loss)
Securities with their fair value over their amortized cost:			
Corporate stock	¥ 13,951	¥ 9,964	¥ 3,987
Bonds:	904,956	893,565	11,390
National government	602,211	595,376	6,835
Local government	109,606	108,160	1,445
Corporate	193,137	190,029	3,108
Other	41,711	41,143	568
Sub-total	960,619	944,673	15,946
Securities with their fair value below their amortized cost:			
Corporate stock	17,208	21,402	(4,193)
Bonds:	73,836	74,198	(362)
National government	27,096	27,285	(189)
Local government	17,744	17,765	(20)
Corporate	28,995	29,147	(151)
Other	45,847	47,805	(1,957)
Sub-total	136,892	143,405	(6,513)
Total	¥1,097,511	¥1,088,079	¥ 9,432

(d) Available-for-sale securities sold

March 31, 2013	Millions of Yen Proceeds from Sales	Realized Gain	Realized Loss
Corporate stock	**¥ 3,222**	**¥ 571**	**¥ 949**
Bonds:	**159,430**	**4,699**	**529**
National government	**159,153**	**4,699**	**161**
Local government	**—**	**—**	**—**
Corporate	**277**	**0**	**367**
Other	**1,183**	**—**	**0**
Total	**¥163,836**	**¥5,271**	**¥1,478**

March 31, 2012	Millions of Yen Proceeds from Sales	Realized Gain	Realized Loss
Corporate stock	¥ 2,458	¥ 52	¥1,288
Bonds:	115,595	2,264	—
National government	115,425	2,264	—
Local government	—	—	—
Corporate	170	0	—
Other	2,574	48	0
Total	¥120,628	¥2,365	¥1,289

(e) Securities with their classification changed to others

None

(f) Loss on impairment

Certain "Available-for-sale securities" with fair value are stated at fair value on the consolidated balance sheets, and the difference between the acquisition cost and the fair value is recognized as a loss ("impairment loss") for the consolidated fiscal year, if the fair value has significantly deteriorated compared with the acquisition cost and if it is further concluded that there would be little possibility of the recovery in fair value to the acquisition cost.

The loss on impairment in the amount of ¥2,741 million, consisted of corporate stock of ¥2,181 million and foreign securities of ¥560 million, was recognized on corporate stocks for the years ended March 31, 2013. The loss on impairment in the amount of ¥1,618 million was recognized on corporate stocks for the years ended March 31, 2012.

The criteria for determining whether the decline in the fair value is "significantly deteriorated" are as follows: Individual securities whose fair values are 50% or less of the acquisition cost at the end of the consolidated fiscal year (or interim period), or securities whose fair values exceed 50% but are 70% or less of the acquisition prices and whose past share price movements for certain set periods, and the issuers' business conditions indicate little prospect of recovery in their fair value.

(g) Valuation difference on available-for-sale securities

March 31, 2013	Millions of Yen
Unrealized gain before income tax effect and minority interests adjustments	**¥27,484**
Available-for-sale securities	**27,484**
Less: deferred tax liabilities	**9,531**
Unrealized gain before minority interests adjustment	**17,952**
Less: minority interests	**—**
Equity of unrealized gain on available-for-sale securities:	
Owned by affiliates that are accounted for under the equity method	**12**
Valuation difference on available-for-sale securities	**¥17,965**

March 31, 2012	Millions of Yen
Unrealized gain before income tax effect and minority interests adjustments	¥9,432
Available-for-sale securities	9,432
Less: deferred tax liabilities	3,657
Unrealized gain before minority interests adjustment	5,774
Less: minority interests	—
Equity of unrealized gain on available-for-sale securities:	
Owned by affiliates that are accounted for under the equity method	7
Valuation difference on available-for-sale securities	¥5,782

(h) Investments in affiliates

Securities in the Assets section included investments in affiliates of ¥763 million and of ¥642 million at March 31, 2013 and 2012, respectively.

(i) Unsecured loaned securities

Unsecured loaned securities which borrowers have the right to sell or pledge in the amount of ¥20,107 million and of ¥20,619 million at March 31, 2013 and 2012, respectively, were included in National government bonds.

21. Money held in trust

Money held in trust at March 31, 2013 and 2012 consisted of the following:

(a) Money held in trust for trading purpose

March 31	Millions of Yen 2013	2012
Carrying amount	**¥26,706**	¥25,348
Realized gain included in earnings	**—**	—

(b) Money held in trust owned for other purposes

March 31	Millions of Yen 2013	2012
Carrying amount	¥4,118	¥4,113
Acquisition cost	4,118	4,113
Net unrealized gain/(loss)	—	—
Gross unrealized gain	—	—
Gross unrealized loss	—	—

22. Derivatives

(a) Derivatives transactions to which hedge accounting is not applied

The contract amount at the consolidated balance sheet date or the notional amount as stipulated in contracts for each transaction type as well as fair value, net gains or losses, and methods used for deriving the fair value are indicated below. It should be noted that the size of the contract amount or any other monetary amount does not, by and in itself, serve as an indicator of market risks associated with derivative transactions.

(1) Interest-rate derivatives

March 31	Millions of Yen					
	2013			2012		
	Contract Amounts		Fair Value	Contract Amounts		Fair Value
	Total	Over 1 Year		Total	Over 1 Year	
Over-the-counter transactions:						
Interest-rate swaps:						
Receivable fixed/payable floating	¥—	¥—	¥—	¥32	¥—	¥ 0
Receivable floating/payable fixed	¥—	¥—	¥—	¥32	¥—	¥(0)
Total			¥—			¥ 0

(2) Currency derivatives

March 31	Millions of Yen					
	2013			2012		
	Contract Amounts		Fair Value	Contract Amounts		Fair Value
	Total	Over 1 Year		Total	Over 1 Year	
Over-the-counter transactions:						
Currency swap	¥11,002	¥10,299	¥ 6	¥23,129	¥ 5,045	¥ (1)
Forward exchange contracts:						
Sold	¥30,867	¥ —	¥ (446)	¥13,768	¥ —	¥(379)
Bought	¥ 171	¥ —	¥ (0)	¥ 145	¥ —	¥ 0
			¥ (440)			¥(380)

(b) Derivatives transactions to which hedge accounting is applied

The contract amount or the contractual notional amount by transaction type and method of hedge accounting, fair value, net gains or losses at the balance sheet date as well as the methods used for deriving the fair value are summarized below. It should be noted that the size of the contract amount or any other monetary amount does not, by and in itself, serve as an indicator of market risks associated with derivative transactions.

Interest-rate derivatives

March 31, 2013	Main objective for hedge	Millions of Yen Contract Amounts Total	Over 1 Year	Fair Value
Special treatment for interest rate swaps:				
Interest-rate swaps:				
Receivable floating/payable fixed	Loans to borrowers	¥55,713	¥51,755	(*)

(*) As interest swaps subject to special treatment are accounted for synthetic products of swaps and hedged loans, their fair values are included in the fair values of the hedged loans in "19. Financial Instruments and Related Disclosure".

March 31, 2012	Main objective for hedge	Millions of Yen Contract Amounts Total	Over 1 Year	Fair Value
Special treatment for interest rate swaps:				
Interest-rate swaps:				
Receivable floating/payable fixed	Loans to borrowers	¥58,684	¥ 55,713	(*)

(*) As interest swaps subject to special treatment are accounted for synthetic products of swaps and hedged loans, their fair values are included in the fair values of the hedged loans in "19. Financial Instruments and Related Disclosure".

23. Other Comprehensive Income

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

	Millions of Yen 2013	2012
Valuation difference on available-for-sale securities:		
Gain recognized during the year	¥19,110	¥6,097
Reclassification adjustment to net income	(1,058)	607
Amount before tax effect	18,052	6,704
Tax effect	(5,874)	(2,641)
Valuation difference on available-for-securities	12,177	4,063
Revaluation reserve for land:		
Gain (loss) recognized during the year	—	—
Reclassification adjustment to net income	—	—
Amount before tax effect	—	—
Tax effect	—	537
Revaluation reserve for land	—	537
Share of other comprehensive income in affiliates accounted for by the equity method:		
Gain recognized during the year	4	3
Reclassification adjustment to net income	—	—
Share of other comprehensive income in affiliates accounted for by the equity method	4	3
Total other comprehensive income	¥12,182	¥4,604

24. Segment Information

(a) Segment information

The Group has one segment, banking service, therefore segment information is not disclosed.

The category "Other" described in the related information below includes software development.

(b) Related information

1. Information by services

Income regarding major services for the year ended March 31, 2013 and 2012 was as follows:

	Millions of yen			
Year ended March 31, 2013	Lending	Securities and Investment	Other	Total
Ordinary income from external customers...............	¥32,676	¥14,570	¥13,750	¥60,998

	Millions of yen			
Year ended March 31, 2012	Lending	Securities and Investment	Other	Total
Ordinary income from external customers...............	¥33,709	¥11,983	¥13,266	¥58,960

Note: ordinary income is stated in line of sales of general enterprises.

2. Geographical information

(i) Income

Income from external domestic customers exceeded 90% of total income on the consolidated statements of income for the years ended March 31, 2013 and 2012, therefore geographical income information are not disclosed.

(ii) Tangible fixed assets

The balance of domestic tangible fixed assets exceeded 90% of total balance of tangible fixed assets on the consolidated balance sheets as of March 31, 2013 and 2012, therefore geographical tangible fixed assets information are not disclosed.

3. Major customer information

It is difficult to reasonably determine the ratio of ordinary income for each major customer, therefore major customer information is not disclosed.

Information on impairment of fixed assets for each reportable segment:

There is no information to be reported on impairment of fixed assets for each reportable segment.

Information on amortization of goodwill and its remaining balance for each reportable segment:

There is no information to be reported on amortization of goodwill and its remaining balance.

Information related to gain on negative goodwill for each reportable segment:

There is no information to be reported for gain on negative goodwill.

25. Related Party Transactions

Related party transactions for the year ended March 31, 2013

(a) Transactions between the Bank and related parties

Transactions with executive officers of the Bank and major shareholders (limited to individual) and others:

Year ended March 31, 2013

Type	Name	Business	Voting share owner-ship (%)	Relation to the related party	Type of trans-action	Amount of trans-action (¥million)	Account name	Balance at March 31 2013 (¥million)
Director and close family members	Kiyoshi Hasegawa	Real estate rental	Nil	Creditor	Loans (Average) Interest received	63 1	Loans and bills discounted	61
	Toru Ito	Real estate rental	Nil	Creditor	Loans (Average) Interest received	139 2	Loans and bills discounted	137

Notes: 1. Mr. Kiyoshi Hasegawa and Mr. Toru Ito are the close family members of Toshiro Hasegawa, a board member of the Bank.

2. The terms and conditions, and the business decisions are determined and made in the same way as other ordinary business.

(b) Transactions between the Bank's consolidated subsidiaries and related parties

None

Related party transaction for the year ended March 31, 2012

(a) Transactions between the Bank and related parties

Transactions with executive officers of the Bank and major shareholders (limited to individual) and others:

Year ended March 31, 2012

Type	Name	Business	Voting share owner-ship (%)	Relation to the related party	Type of trans-action	Amount of trans-action (¥million)	Account name	Balance at March 31 2012 (¥million)
Director and close family members	Kiyoshi Hasegawa	Real estate rental	Nil	Creditor	Loans (Average) Interest received	67 1	Loans and bills discounted	65
	Toru Ito	Real estate rental	Nil	Creditor	Loans (Average) Interest received	100 1	Loans and bills discounted	141

Notes: 3. Mr. Kiyoshi Hasegawa and Mr. Toru Ito are the close family members of Toshiro Hasegawa, a board member of the Bank.

4. The terms and conditions, and the business decisions are determined and made in the same way as other ordinary business.

(b) Transactions between the Bank's consolidated subsidiaries and related parties

None

26. Subsequent Events

(a) Acquisition of treasury stock

In accordance with Article 156 of the Companies Act applied by replacing the phrases pursuant to Article 165 Paragraph 3, the Bank resolved to acquire treasury stock at a meeting of the Board of Directors held on May 14, 2013, to improve the shareholder values by returning profits to shareholders.

(1) Type of stock to be acquired	Common stock of the Bank
(2) Total number of shares to be acquired	3,000,000 shares (maximum)
(3) Total acquisition value of shares to be acquired	1,000,000,000 yen (maximum)
(4) Acquisition period	From May 15, 2013 to July 31, 2013
(5) Acquisition method	Purchase of treasury stock through market or using the off-hours trading system (ToSTNeT-3) of the Tokyo Stock Exchange

Further, the Bank has completed acquisition of treasury stock on June 5, 2013.

(1) Type of stock acquired	Common stock of the Bank
(2) Total number of shares acquired	3,000,000 shares
(3) Total acquisition value of shares acquired	951,922,000 yen

(b) Borrowing the subordinated loan

The Bank resolved at meetings of the Board of Directors held on April 5, 2013 and May 21, 2013, to undertake borrowing the subordinated loan conditioned below by using a joint management specified money trust, "Bridge for Fukushima Recovery II."

Name of lender	Joint management specified money trust (Subordinated loan type) Trustee: Mizuho Trust & Banking
Total amount of borrowing	11.8 billion yen
Interest rate	0.93%
Date of borrowing	June 21, 2013
Repayment condition	Lump-sum repayment on the final payment date or prepayable dates
Final payment date	June 21, 2023 (10-year term. However, the Bank can prepay on and after June 21, 2018. (Prepayable date))
Collateral	Unsecured
Use of fund	Used mainly as working capital for long-term investment of loans and acquisition of investment securities.

27. Supplementary schedule

(a) Schedule of bonds

None

(b) Schedule of borrowing and similar instruments

Category	Balance as of April 1, 2012 (Millions of Yen)	Balance as of March 31, 2013 (Millions of Yen)	Average interest rate (%)	Due date
Borrowed money:	¥22,406	¥31,460	1.26	—
Loans payable	22,406	31,460	1.26	From June 2013 to August 2022
Lease obligation:				
Due in one year or less	205	416	—	
Due after one year	574	1,174	—	From April 2014 to February 2020

Notes: 1. Average interest rate is stated at weighted average interest rate on the interest rate and balance as of March 31, 2013.

2. Average interest rate is not stated for lease obligations, since the lease obligations are recorded inclusive of the interest portion in the consolidated balance sheet.

3. The repayment schedule of loans payable and lease obligations for five years subsequent to March 31, 2013, is summarized as follows:

	Millions of Yen				
	Due in one year or less	Due after one year through two years	Due after two years through three years	Due after three years through four years	Due after four year through five years
Loans payable	¥6,660	¥ —	¥ —	¥ —	¥—
Lease obligation	416	392	360	313	¥84

Since banking business includes such operations as deposit taking, and raising/use of funds from the call money and bills market, the schedule of loans includes only "Borrowed money" and lease obligation included in "Other liabilities" in "Liabilities" of the consolidated balance sheet.

(c) Schedule of asset retirement obligations

Schedule of asset retirement obligations is omitted because the amount of asset retirement obligations at the beginning and the end of the year ended March 31, 2013 are both less than one percent of the total of liabilities and net assets as of then.

ERNST & YOUNG

Ernst & Young ShinNihon LLC

Independent Auditor's Report

The Board of Directors
The Toho Bank, Ltd.

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

Management's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

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

Convenience Translation

We have reviewed the translation of these consolidated financial statements into U.S. dollars, presented for the convenience of readers, and, in our opinion, the accompanying consolidated financial statements have been properly translated on the basis described in Note 3.

Ernst & Young ShinNihon LLC

June 17, 2013
Fukushima, Japan

A member firm of Ernst & Young Global Limited

Board of Directors and Auditors

President:
Seishi Kitamura

Senior Managing Director:
Takahiro Kato
Shinsuke Tanno

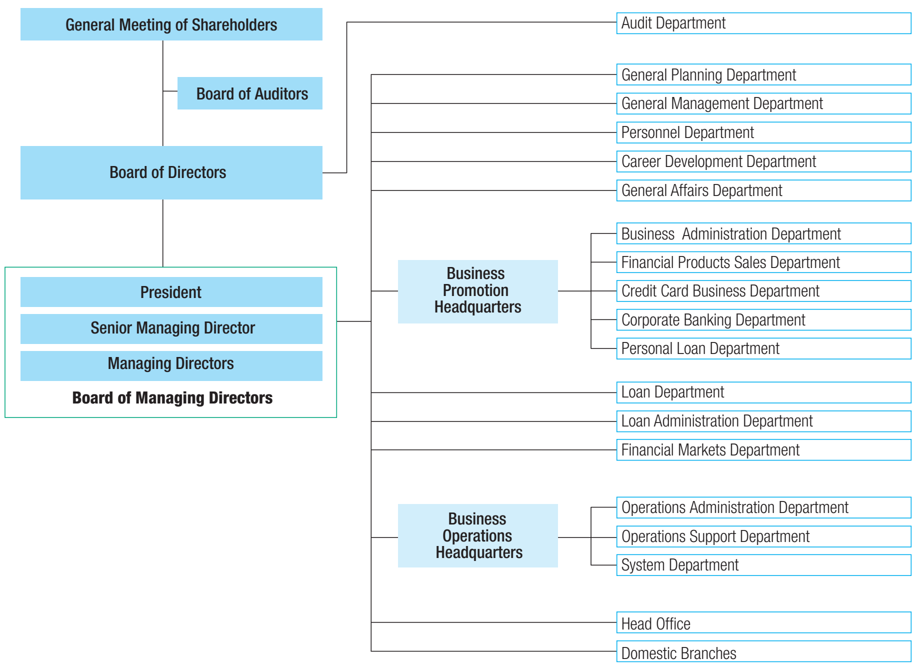
Managing Directors:
Masayuki Sakaji
Seiji Takeuchi
Mitsuo Moriya
Kenichi Kogure
Satoshi Aji

Directors:
Toshiro Hasegawa
Atsushi Tsuchida
Minoru Sato
Katsuo Kato
Michio Sakai
Shintaro Taguchi

Standing Auditors:
Kunio Ebata
Takao Endo

Auditors:
Hiroshi Fukuda
Hisako Murase
Kazufumi Ioki

Organization



Network

SUBSIDIARIES AND AFFILIATES

Name	*Line of Business*	*Established in*	*Capital (Millions of yen)*	*Bank's Share in Capital (%)*
Toho Smile, Co., Ltd.	Printing and binding of business forms, etc.	2012	30	100
The Toho Information System Co., Ltd.	Developing software	1993	30	5
The Toho Lease Co., Ltd.	Leasing	1985	60	5
The Toho Computer Service Co., Ltd.	Calculation operations	1983	30	7.69
The Toho Credit Guarantee Co., Ltd.	Credit guaranteeing	1985	30	5
The Toho Card Co., Ltd.	Credit card	1985	30	5
The Toho Credit Service Co., Ltd.	Credit card	1990	30	5

(As of June 30, 2013)

HEADQUARTERS

3-25, Ohmachi, Fukushima 960-8633, Japan
Phone: (024) 523-3131
Facsimile: (024) 524-1583
SWIFT: TOHOJPJT

THE TOHO BANK, LTD.

HEAD OFFICE

3-25, Ohmachi, Fukushima 960-8633, Japan   Phone: (024) 523-3131

URL: http://www.tohobank.co.jp/