

JOYO BANK

Annual Report

2013

PROFILE

The Joyo Bank, Ltd., was established in 1935 out of the merger of the Tokiwa Bank and Goju Bank (both founded in 1878), and celebrated its 130th year in business.

As a leading financial institution in Ibaraki Prefecture and surrounding regions, the Bank, with the philosophy of “Practicing sound management, creation of values, and partnership with the home region,” is contributing to the growth of its home region by providing stable and comprehensive financial services.

Management Philosophy

“Sound management, creation of value, and partnership with the home region”

- (1) Focusing on retail banking as our core business, Joyo Bank will pursue sound management and steady banking activities.
- (2) Joyo Bank will create high-value business together with our customers, regional communities, and shareholders.
- (3) By providing financial services in our base territory of Ibaraki Prefecture and adjacent areas, Joyo Bank will contribute to social and economic progress in the home region.

Action Guidelines

We will

- Provide the most appropriate products and services based on a keen understanding of our customers.
- Undertake steady banking activities and grow together with our customers.
- Seek to further improve our financial skills.

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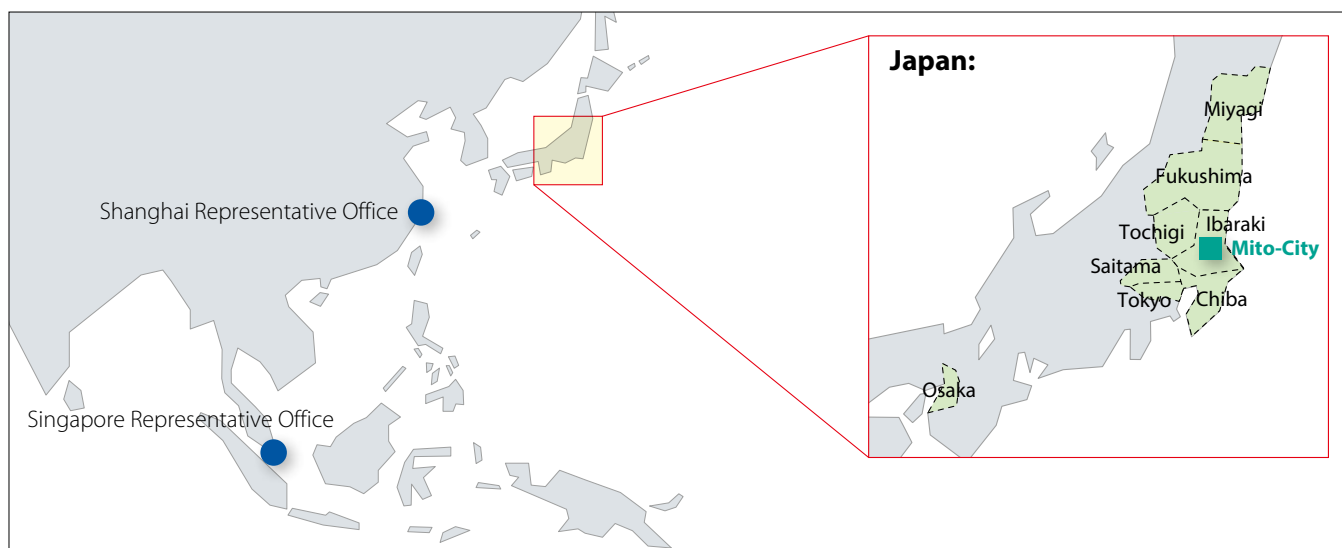
Corporate Data

As of March 31, 2013

■ Date of Establishment	July 30, 1935	
■ Head Office	5-5, Minami-machi 2-chome, Mito, Ibaraki 310-0021, Japan Phone: 029-231-2151 URL: http://www.joyobank.co.jp/ http://www.joyobank.co.jp/joyobank/eng/ (English Page)	
■ Domestic Network	Head Office, Tokyo Business Division (Tokyo Main Office), and 148 Branches, 27 Sub-branches	
■ Overseas Network	2 Representative Office: Shanghai, Singapore	
■ Number of Employees	3,722	
■ Stock Exchange Listing	Tokyo Stock Exchange	
■ Paid-in Capital	¥85,113 million	
■ Number of Shares (as of March 31, 2013)	Authorized	2,167,515 thousand
	Issued and Outstanding	799,231 thousand
■ Number of Shareholders (1 trading unit = 1,000 shares)	28,831	

Service Network

As of March 31, 2013



Japan:

■ Miyagi Pref. (1 Branch)	■ Saitama Pref. (3 Branches)
■ Fukushima Pref. (10 Branches)	■ Chiba Pref. (6 Branches)
■ Tochigi Pref. (Tochigi Wholesale Office, 6 Branches, 1 Sub-Branch)	■ Tokyo (Tokyo Business Div. (Tokyo Main Office), 4 Branches)
■ Mito-City (Head Office, International Business Office, International Operations Office)	■ Treasury and Securities Div. Markets Administration and International Div.
■ Ibaraki Pref. (Head Office, 119 Branches, 26 Sub-Branches)	■ Osaka Pref. (1 Branch)

MESSAGE FROM THE PRESIDENT

We Will Provide Comprehensive Financial Services as well as to Contribute to the Reconstruction and Growth of our Customers and the Region

The Japanese economy in fiscal 2012 showed signs of rebounding in the summer due mainly to the effects of recovery-related demand following the Great East Japan Earthquake and government stimulus measures. Following this, however, the slowdown in the economy grew more pronounced because of weak production activities mainly in export industries that primarily reflected a downturn in the global economy.

Despite signs of a gradual recovery in the first half of fiscal 2012, the economy in Ibaraki Prefecture weakened overall due mainly to sluggish personal consumption coupled with decreases in exports and production in the second half.

In this business environment, the Bank undertook its 11th Medium-Term Business Plan (running from fiscal 2011 through fiscal 2013), which seeks to create “The best partner bank that grows with its customers in the home region.” In fiscal 2012, the interim year of the plan, we continued to give our full support to the Joyo Regional Reconstruction Project “Bonding” to contribute to the reconstruction and growth of our customers and the region.

In our corporate banking services, we satisfied the diverse financing needs of customers—which included supplying a smooth flow of funds to meet recovery-related demand—while strengthening our business assistance initiatives.

Regarding our assistance to manufacturing businesses, we expanded “next X” activities to provide assistance over the next decade as well as strengthened support initiatives through collaboration with industry, academia, government and the financial sector. These initiatives included convening small face-to-face meetings with professors from regional universities and research institutes to

exchange opinions on such topics as technology and product development.

For overseas business development, we took steps to enhance our services by opening the Singapore Representative Office and expanding collaboration primarily with overseas banks.

To support new business creation, we founded the Joyo Business Award—which seeks and recognizes innovative and creative business plans—and strengthened regional economic revitalization measures by establishing the Joyo Regional Co-creation Fund and assisting in new business launches. To support business reconstruction, the Bank bolstered related services upon the expiry of the SME Financing Facilitation Act, which included setting up its own business reconstruction fund.

For retail customers, we strengthened our lineup of financial products and services to meet their various financing needs at each stage of their lives, including enhancing loan, investment trust and insurance services. We also bolstered systems for providing financial services, namely changing to a more customer-oriented retail format (comprehensive retail financial centers) at our 18 branches in Ibaraki Prefecture. In addition, we increased points of contact for retail customers by setting up a website especially for employees of client companies and enhancing benefit packages for client companies.

We further expanded our branch network along the Tsukuba Express commuter train line. In particular, we commenced Rokucho Branch (Adachi-ku, Tokyo) operations within the Koshigaya Branch in advance of its opening planned for the summer of 2013. Moreover, we have met the diverse fund settlement needs of our customers by commencing the Joyo Densai Service, which forwards

electronically recorded monetary claims (a new fund settlement procedure) along with providing cashing services.

Through these initiatives, fiscal 2012 ordinary income increased ¥1.7 billion year on year to ¥31.7 billion, and net income climbed ¥3.5 billion to ¥20.3 billion. Despite a decline in interest income caused by a drop in interest rates, these increases were mainly due to a rise in fees and commissions centered on sales of assets in custody as well as an improvement in credit costs. The capital ratio, which is an indicator of the Bank's financial soundness, remained at the high level of 12.81% on a consolidated basis.

In order to maintain the constant support of shareholders, we increased the annual dividend by ¥0.50 per share to ¥8.50 as well as introduced a shareholder special benefit. This entails selecting local specialty items to be given as gifts to shareholders with the aim of contributing to the region's restoration. In addition, the Bank sponsored the "GANBA-PPE (Go for it) ! IBARAKI/ FUKUSHIMA ¥100 Food Tasting Store," a food tasting and marketing event that supports local food products and agriculture. For its contribution to the recovery of local food products and agriculture, this event received high acclaim from the Ministry of Agriculture, Forestry and Fisheries, and in 2012 was awarded for the first time the Food Action Nippon Award, which is sponsored by financial institutions nationwide.

In fiscal 2013, the Joyo Bank Group will work together to promote the Joyo Regional Reconstruction Project "Bonding" in an ongoing effort to contribute to the reconstruction and growth of its customers and the region.

Everyone in the Joyo Bank group is committed to meeting the expectations of our customers, our shareholders, and the region. I hope you will all continue to support us in the future.



Kazuyoshi Terakado
President

A handwritten signature in black ink that reads "K. Terakado". The signature is written in a cursive, slightly stylized font. A horizontal line is drawn above the first few letters of the name.

Kazuyoshi Terakado
President
July 2013

MANAGEMENT POLICY

11th Medium-Term Business Plan to Build a Sound Management Base (FY2011 – FY 2013)

Social and economic structural changes, such as declining population, the decrease of the working-age population, and the spreading of economic activities, are well underway. Moreover, the Great East Japan Earthquake caused tremendous devastation to our customers and to the region and completely transformed the business environment in which the Bank operates.

Against this backdrop, in J-Cube, our 11th Medium-Term Business Plan for building a sound management base, which covers the three-year period from fiscal 2011 through fiscal 2013, we set the goal of “becoming the best partner bank that grows with its customers in the home region” in order to vigorously promote efforts to rebuild the lives of customers and the region and to support business reconstruction and improvement.



To be the best partner bank that grows with its customers

Contribute to the development and the growth of customers and the region by providing comprehensive financial services.

Basic strategies

◆ Contribute to regional reconstruction and growth by expanding the customer base

Seek sustained growth that is capable of responding flexibly and with precision to the changing social and economic structure by focusing efforts on customer and regional recovery and expanding the customer base in the Ibaraki area.

◆ Build a stable and sound management base by focusing on strong employee on-the-job performance

Enhance the ability of branches, which have the closest relationship with customers, to solidly execute their business in terms of both operations and administration, in order to contribute to regional reconstruction and growth and increase the Bank's earnings capacity.

◆ Strengthen the organization as a whole by improving human resource capabilities

Strengthen the organization by improving employees' ability to achieve self-sustaining growth through their contributions to customer and regional growth and revitalization and by developing each and every employees' knowledge and their job performance capabilities as financial professionals.

Business targets:

Strengthen earning capacity (on consolidated basis)

Fiscal 2013 Targets

● Core gross business profit	¥120.0 billion or more
● Core business profit	¥ 50.0 billion or more
● Net income	¥ 25.0 billion or more
● Consolidated net income	¥ 27.0 billion or more
● OHR ^{*1}	mid 50% range
● ROE ^{*2}	mid 5% range
● Tier I ratio including common stock ^{*3}	approx. 12%

*1. OHR is a leading indicator of management efficiency and indicates the amount of expenses incurred to obtain one unit of gross business profit.

*2. ROE is a leading indicator of capital efficiency and indicates how much profit was obtained using shareholders' equity.

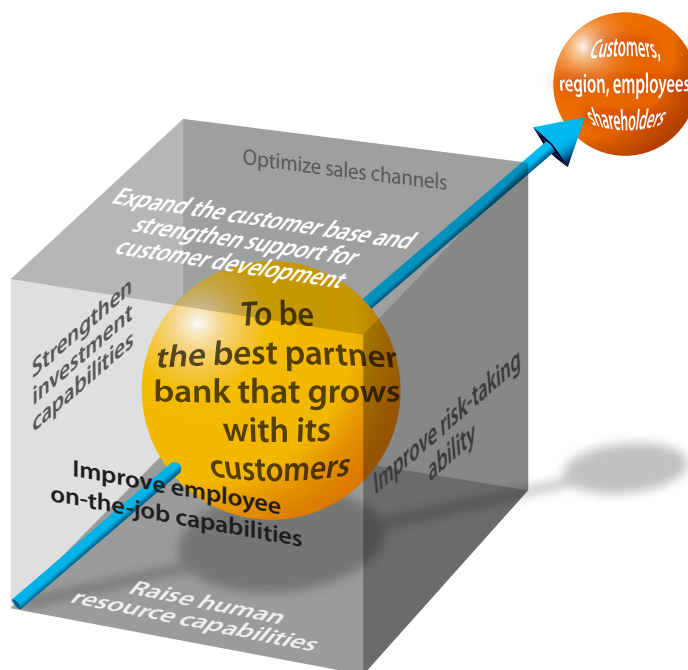
*3. Tier I ratio including common stock is an indicator of financial soundness and indicates how much core capital is comprised of common stock and retained earnings versus risk assets such as loans and securities.

Building a Strong Management Base:

J-Cube

The six sides of a cube represent key strategies for achieving our goal of becoming the best partner bank that grows with its customers in the home region.

Through the execution of these strategies, we will share our growth with stakeholders including customers, the community, employees and shareholders. Because we express this growth as the three dimensions of a cube, we established J-Cube, our 11th Medium-Term Business Plan to build a sound management base.



The Six Key Strategies of J-Cube

1. Expand the customer base and strengthen support for customer development

Expand the customer base by expanding the Bank's presence and promoting a wider range of transactions with each customer. Help customers rebuild their lives and businesses and grow based on the strong customer base.

2. Strengthen investment capabilities

Increase earnings by strengthening investment capabilities of funds procured through expanded customer base and stronger portfolio management capabilities for more stable profitability.

3. Improve employee on-the-job capabilities

Raise business efficiency and streamline headquarters through drastic business reforms. Improve employee on-the-job capabilities through more efficient use of the workforce and time.

4. Optimize sales channels

Meet the diverse needs of customers by optimizing the sales network, building stronger collaboration between channels and strengthening online banking.

5. Improve risk-taking ability

Improve risk-taking ability based on enhanced risk management system to build a strong management base.

6. Raise human resource capabilities

Support employee growth and increase opportunities for success by getting the right person for the right job.

RELATIONSHIP BANKING

Relationship Banking Policies

The local economy is the bedrock of the operations of a regional bank. Our mission is to contribute to the development of local society and economy by providing communities with reliable financial services.

To fulfill this mission, the Bank has adopted the following three priority policies:

Priorities

- Strengthen support for customer companies tailored to their stage of corporate growth
- Develop new financing options for SMEs
- Contribute to a sustainable growth of local economy

Efforts to Facilitate Financing

Joyo Bank began facilitating the smooth flow of funds through the establishment of the Financial Facilitation Engagement Policy in January 2010. This policy was established with the aim of fulfilling the Bank's important mission as a regional financial institution to contribute to the development of the local society and economy by providing communities with reliable financial services. Although the SME Financing Facilitation Act expired in March 2013, we will earnestly continue efforts to facilitate the smooth flow of funds by actively demonstrating our financial intermediary functions. Joyo Bank will also provide various forms of assistance to small and medium-sized businesses at each business stage by leveraging consulting functions based mainly on collaborations with Group companies and external organizations, beginning with offering smooth financing.

Implementation Status Including Changes in Loan Conditions (Standards as of March 31, 2013)

	To SMEs		To housing fund recipients	
	No. of loans	Monetary amounts (millions of yen)	No. of loans	Monetary amounts (millions of yen)
Total amount received	51,653	1,212,608	2,763	30,143
Among loans executed	48,905	1,156,870	2,271	24,099
Among loans declined	348	7,518	50	555
Among loans under review	848	18,145	58	704
Among loans discontinued	1,552	30,072	384	4,783

Notes: 1. Japanese yen amounts are rounded down to the nearest million yen.

2. No. of loans and monetary amounts are the cumulative totals as of the date of the above standards beginning on the effective date of the SME Financing Facilitation Act (December 4, 2009). In addition, the No. of loans represents claim amounts derived from the claim units and monetary amounts as of the application date.

FINANCIAL HIGHLIGHTS

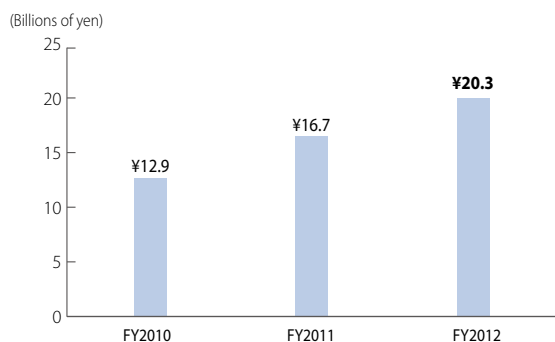
Business profit, ordinary income and net income increased compared with the previous fiscal year. Despite a decline in interest income caused by a drop in interest rates, these increases were mainly due to a rise in fees and commissions centered on sales of assets in custody as well as an improvement in credit costs.

Business profit grew ¥3.4 billion year on year to ¥45.4 billion, ordinary income increased ¥1.7 billion to ¥31.7 billion and net income climbed ¥3.5 billion to ¥20.3 billion. The capital ratio, which is an indicator of the Bank's financial soundness, stood at 12.81% on a consolidated basis and 12.40% on a non-consolidated basis.

"Region" refers to Ibaraki Prefecture and neighboring areas forming the main catchment area (by location of main branches) of the Bank: Fukushima, Tochigi, Saitama, Chiba and Miyagi prefectures. Loans to customers outside the local region are mainly limited to loans to corporate customers in Tokyo or Osaka who have factories or offices in the areas mentioned above and who have a deep relationship with regional business.

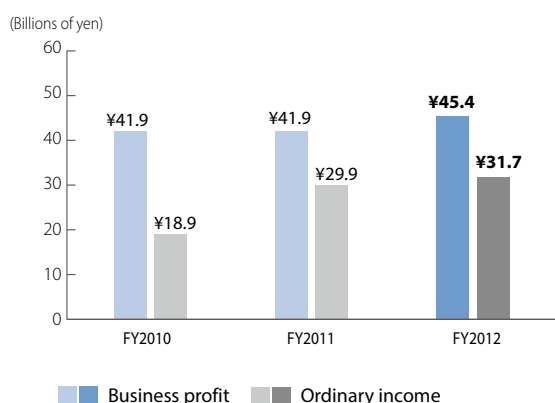
Net income

Net income climbed ¥3.5 billion to ¥20.3 billion year on year.



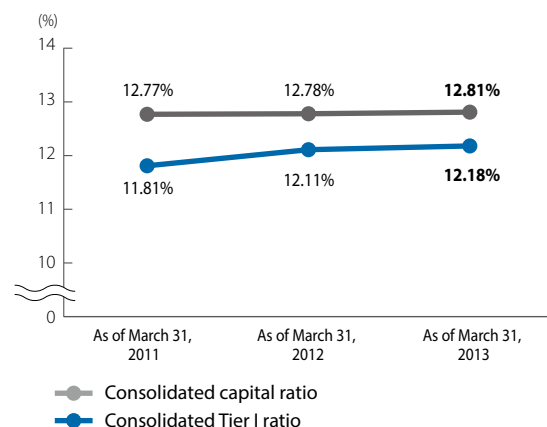
Business profit, Ordinary income

Business profit grew ¥3.4 billion year on year to ¥45.4 billion, and ordinary income increased ¥1.7 billion to ¥31.7 billion.



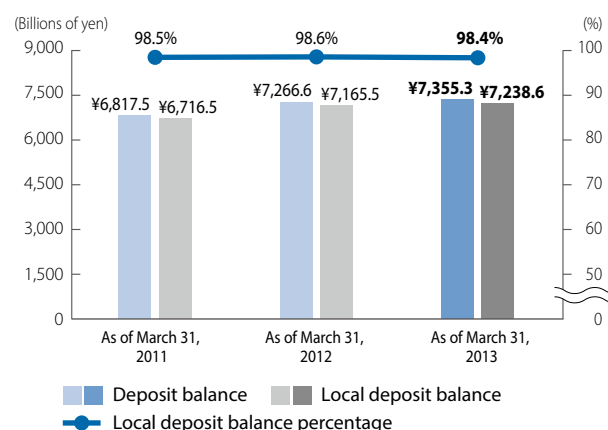
Consolidated capital ratio

Remained at high levels



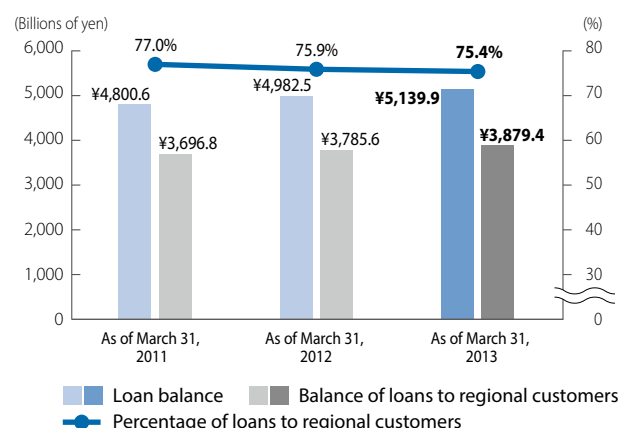
Deposits

Increased 1.2% from the previous fiscal year-end to ¥7,355.3 billion



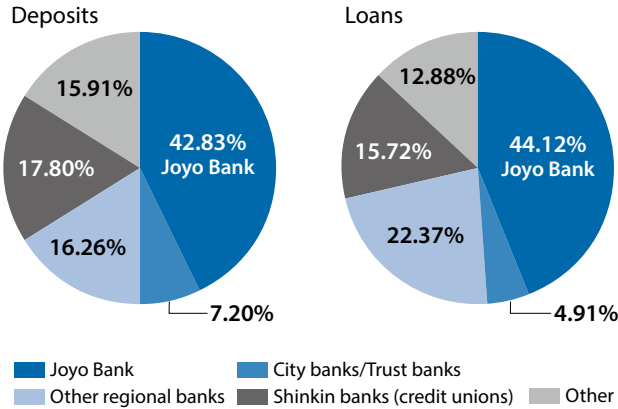
Loans (Percentage of loans to regional customers)

Increased 3.1% from the previous fiscal year-end to ¥5,139.9 billion



Market share within Ibaraki Prefecture

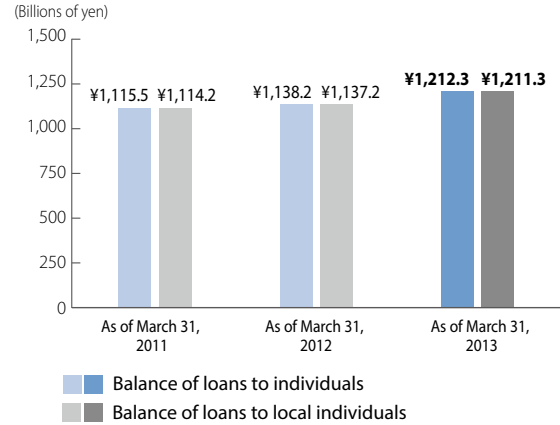
Secured an ongoing high share of both deposits and loans of over 40%



Note: Market share is calculated on the basis of private financial institutions.

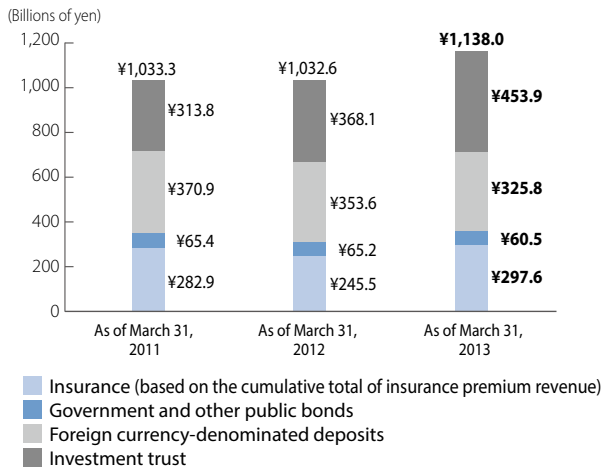
Loans to individuals

Loans to individuals stood at ¥1,212.3 billion due to the ongoing firm performance of housing loans.

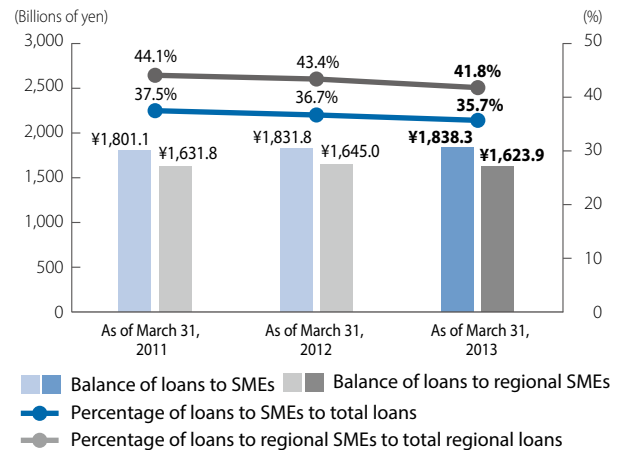


Assets in custody

Increased 10.2% from the previous fiscal year-end to ¥1,138.0 billion

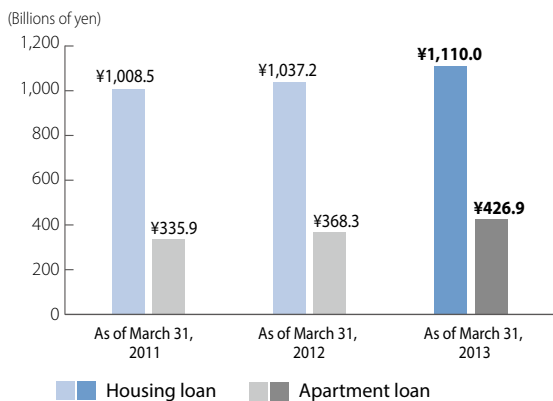


Loans to SMEs

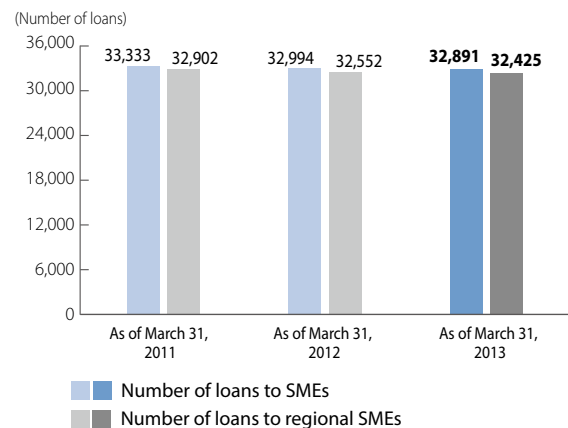


Housing loan

Housing loans increased 7.0% from the previous fiscal year-end to ¥1,110.0 billion.



Number of loans to SMEs



BUSINESS HIGHLIGHTS

Support for Overseas Business Development

We support our customers' overseas business development through business collaboration with external organizations, including overseas banks. To further this aim, we opened the Singapore Representative Office in September 2012, firmly positioning ourselves in the main hub of Southeast Asia. This was the first such opening since we established the Shanghai Representative Office over 16 years ago.

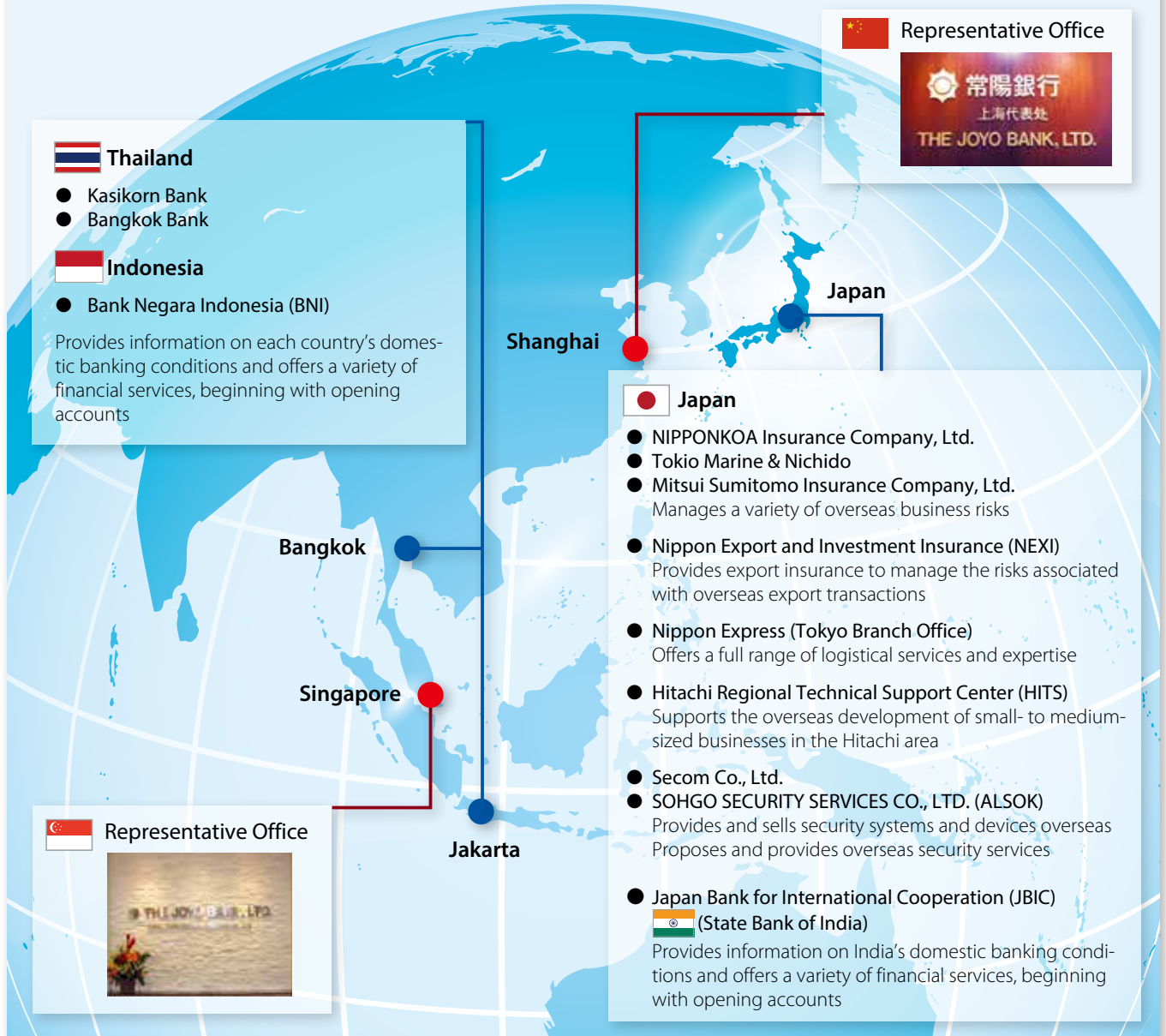
In February 2013, we established the toll-free Joyo Overseas Business Expansion Consultation Line to offer a multitude of advice necessary for overseas business

development, including information on each country in the region and trade transaction-related procedures.

Moreover, we hold the Japan-China Manufacturing Forum in China as well as various seminars to provide the latest information on local conditions and other topics.



Overseas Network



Support for Manufacturers

Joyo Bank is expanding “next X” activities to provide assistance to local manufacturing businesses over the next decade. Our “next X” activities are strengthening support initiatives through collaboration with industry, academia, government and the financial sector. These initiatives included actively convening small face-to-face meetings with professors from universities in Ibaraki Prefecture and research institutes to exchange opinions on such topics as technological and product development.

The Bank is also leveraging its networks to provide support in a variety of areas. In particular, we hold the Joyo Manufacturing Forum as a venue to support sales channel development through business matching with big corporations as well as manufacturing technology workshops to assist in efforts to develop personnel and upgrade technological capabilities.



A manufacturing technology workshop

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お客様とともに。
next X
10年ロードマップ協創プロジェクト [ネクストX]

Support for Medical and Welfare Businesses

We offer consulting services to facilitate future business expansion and provide information to help launch new businesses. To facilitate these services, we have established medical and welfare teams. We also meet the various needs of medical and welfare businesses mainly by holding seminars focusing on operational advice and risk management information.



Support for the Agri-Business

The Bank offers customers new exchange and business meeting opportunities by convening the Joyo Commercial Food Fair to support the development of sales channels for food businesses as well as the Regional Bank Food Selection eventworkshop Food Selection event in collaboration with regional banks nationwide. In addition, we are enhancing our financial products for farmers by handling “Daichi” series multi-purpose loans, which are guaranteed by Ibaraki Agriculture Credit



The Regional Bank Food Selection eventworkshop

Guarantee Fund Association, and operating the Asset-Based Lending (ABL) system as a method for providing finance to cattle breeders using fattening cattle as collateral.

Joyo Bank’s Business Reconstruction Funds

We support the early revival of businesses by establishing the Ibaraki Iki-iki Fund II jointly with financial institutions in the prefecture as well as the Joyo Business Reconstruction Fund in partnership with Risa Partners Inc. In addition, we are working to enhance assistance approaches to small and medium-sized businesses by strengthening our consultation functions based on broader tie-ups with external institutions.

Online Banking for Corporations JWEOFFICE

JWEOFFICE is an online banking service that enables users to undertake balance and payment inquiries, money and bulk transfers, salary deposits, reimbursements and other transactions anywhere. Through these services, JWEOFFICE supports businesses’ efforts to reduce cumbersome administrative burdens. JWEOFFICE can be accessed once a user’s identity has been verified using a onetime password. Through these and other measures, we are enhancing the security of this online service.



Joyo Industrial Research Institute

In order to revitalize the region, Joyo Industrial Research Institute conducts surveys and research on a consignment basis while providing various consulting services. The Institute’s staff includes a large number of experts, including certified SME management consultants, ISO auditors who offer effective solutions to the wide range of issues faced by our customers in the region.

Joyo Area Research Center

The Joyo Area Research Center cooperates with various economic associations—beginning with those located in Ibaraki Prefecture—and research institutions, performing various tasks that contribute to the regional community and economy. In particular, the Center conducts research and publishes data on economic industry trends and regional development, holding lectures and sending speakers to regional organizations and events.

CORPORATE SOCIAL RESPONSIBILITY (CSR)

Environmental Preservation Initiatives

Environmental Principles (Established in 2008)

The main operational base of the Joyo Bank Group is Ibaraki Prefecture, an area blessed with beautiful natural scenery, including abundant greenery and water resources. We believe it is the Bank's social mission to help protect and nurture this rich and varied natural environment while realizing a sustainable society in our local region. To this end, we work hand in hand with a diverse range of partners in preserving the natural environment of our home –Ibaraki on a continuous basis.

Save The Forest In Japan

The Bank is a member of Save The Forest In Japan, an organization established by regional banks from all over the country dedicated to ensuring healthily growing forests. In conjunction with its efforts to preserve forests in disaster-affected areas, Save The Forest In Japan held the Tohoku Summit in April 2013 with the objective of contributing to the recovery of natural environments in the Tohoku region that were severely damaged during the Great East Japan Earthquake.

Joyo Furusato Forest

We have also signed a "forestry partnership agreement" with Ibaraki Prefecture and Ibaraki Forestry Support Center in September 2009. In Naka City, we established the Joyo Furusato Forest. Through such ongoing activities as clearing underbrush, thinning and tree planting, we are helping to protect and cultivate local forests. In March 2013, we planted trees around Mount Tsukuba.



Development of Eco-Friendly Branches

In fiscal 2012, we opened the renovated Tone and Ogawa branches equipped with solar panels in an effort to promote the development of eco-friendly bank branches.



"Eco-Ibaraki" Environmental Conservation Trust

Joyo Bank subsidizes organizations that engage in environmental preservation activities in Ibaraki Prefecture and support the recovery of areas affected by the Great East Japan Earthquake (limited to environmental preservation activities). In fiscal 2012, we held a ceremony to present grants to five of these organizations, all of which reported on the status of their activities.

Overview: Jointly established with Nipponkoa Insurance Co., Ltd. in 1992. Each year, this trust accepts entries from organizations seeking funding, which are evaluated and selected by the executive committee.

Funds donated in fiscal 2012:

75 organizations totaling ¥9,030,000 (including seven for disaster-related activities)



Barrier-Free Initiatives

Pamphlet entitled Being a People-Friendly Bank

We produced a pamphlet that provides information on products and services for the elderly and customers with disabilities. We also created a braille version for visually impaired customers.



Wheelchairs Available

Wheelchairs are available at 78 Joyo Bank branches to make banking comfortable and worry free for customers with physical disabilities and the elderly.

Braille Document Preparation Services

We prepare transaction documents in braille upon request for visually impaired customers.

ATM for the Visually Impaired

Joyo Bank has equipped every branch with ATMs featuring audio guidance functions and phone receivers with braille buttons. In addition, these ATMs are accessible to customers in wheelchairs.

Support Program for People with Dementia

We run the Dementia Supporter Training Program for all employees in an effort to promote proper understanding of dementia while cultivating "dementia supporters" who help those suffering from this disease and offer heartfelt support to their families.



Dementia Supporter Training Program

Joyo Geibun Center Foundation

The Center's ongoing objective is to contribute to prosperous and comfortable individual lifestyles by creating rich local environments through art and culture. Working together with people throughout Ibaraki Prefecture, the Center focuses on supporting cultural promotion activities and local cultural activities. In October 2012,

we commemorated the 30th anniversary of the Joyo Geibun Center Foundation establishment with the opening of the Geibun Gakuen School.



Charity Concert:
Yuzo Kayama and
The Wild Ones Concert

Joyo Historical Materials Museum

The Museum features the Currency Gallery, which displays historical currency notes and banking materials, and the Historical Materials Library, where visitors can view documents pertaining to local culture and finance. At the Art Spot, the Museum periodically displays various exhibits.

In addition, the Museum holds classes on finance for various organizations and provides lectures to local residents on financial history and other topics.



Art Spot

Joyo Volunteer Club

The Bank operates the Joyo Volunteer Club to encourage volunteer-based initiatives by Bank employees. Around 3,400 employees registered in the Club participate in activities in such areas as social welfare, environmental protection, international exchanges, regional development and various events. The Club also takes part in activities that support and raise money for regions impacted by the Great East Japan Earthquake while donating approximately 6,000 towels to welfare facilities each year.



Rubble removal activities in
Higashimatsushima City, Miyagi Prefecture

CORPORATE GOVERNANCE AND INTERNAL CONTROL SYSTEM

To ensure a greater trust from customers, the regional community and our shareholders, we believe it is essential that our management be efficient, sound and transparent, and firmly rooted in compliance. Constantly to be mindful of the importance of corporate ethics, we have established eight basic principles under which we are strengthening and expanding our corporate governance.

Corporate Governance at Joyo Bank

The Board of Directors meets twice a month in principle to exercise decision-making and supervisory functions. The Bank has a total of 12 directors, of whom two external directors appointed to strengthen supervisory functions by providing an outside perspective. Nine of them are executive directors, and the others a managing director (in charge of internal auditing) and two external directors. Major items relating to conduct of operations excluding those decided by the Board of Directors are handled by an Executive Officer Committee created as an assessment and decision-making body. Executive Officer Committee meetings are held twice a month to discuss and implement specific policies and proposals in the conduct of business.

Special committees (Compliance Committee, General Budget Committee, ALM Committee, Risk Management Committee and Sound Asset Committee) have been established to determine the major themes for management audits. Reports are compiled regarding the discussions and decisions of these committees for perusal of the Board of Directors.

The Joyo Bank Corporate Philosophy

Corporate Social Responsibility (CSR) and Public Mission

Always keep in mind the Bank's CSR and public mission, and deepen trust through sound and open business management.

Compliance

Comply with the legal and social code and execute honest and open business activities.

Fight Against Crime

Ensure that the Bank has no relationship with organized crime.

Provide Valuable Financial Services

We will contribute to the development of the region in which we operate by responding to our customers' needs and providing valuable financial services, considering the security of customers' information.

Relationship with the Regional Community

We will communicate openly and freely with the community where we do our business, raising our transparency through active disclosure of corporate information.

Respecting the Human Rights of our Employees

We will provide a work environment that respects individuality and protects the rights of all employees.

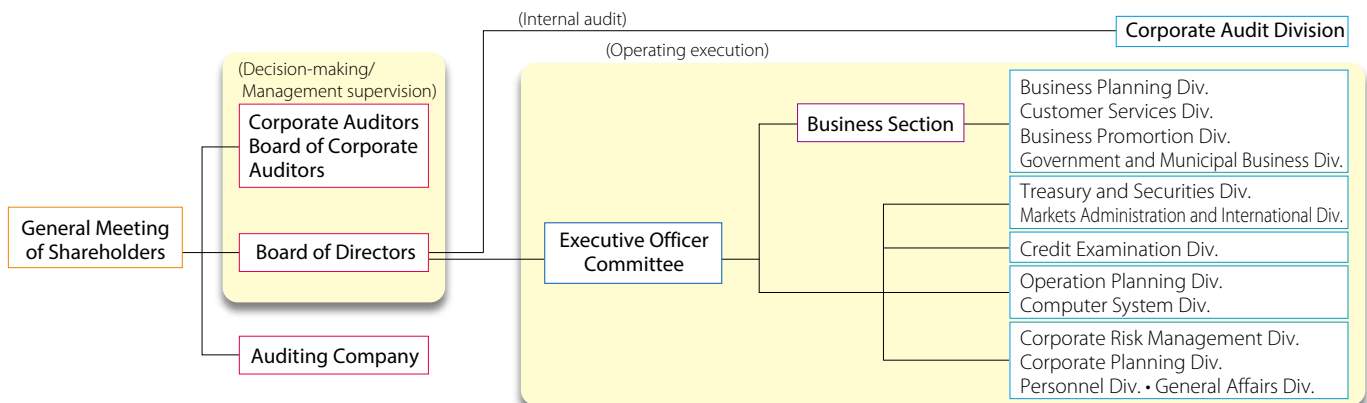
Environmental Initiatives

We will reduce environmental load, and help the environment through core banking activities.

Community Contribution Activities

We are committed to contributing to the community we serve, as a good corporate citizen that marches in step with regional society.

In order to audit performance of duties by directors, the auditors attend important meetings such as the Board of Directors and Executive Officer Committee meetings, peruse relevant documents, and carry out business and asset status inspections, all of which are based on the auditing policies and plans outlined at Board of Corporate



Auditors meetings (held once a month in principle).

With regard to internal auditing, the Corporate Audit Division (the auditing office) monitors internal management in terms of appropriateness and effectiveness of conduct, and suggests improvements when problem areas are identified. Results of the audits are regularly submitted in a report to the Board of Directors.

In addition to strengthening internal auditing, we have created a Compliance Audit Committee comprising four outside experts including lawyers and Certified Public Accountants (CPAs) to ensure greater expert input and objectivity.

Internal Controls and Risk Management

Compliance

Based upon our philosophy of soundness, cooperation and partnership with the home region, we attach great importance to compliance in our management. We have established a corporate ethics guideline and a code of conduct. Moreover, we have established a new set of guidelines to ensure that every director and employee complies with the law and with the Bank's Articles of Incorporation. Every company within Joyo Bank Group follows the same strict guidelines. We have put standards into place to establish a compliance system across the Group as a whole.

To ensure the best standards in compliance, we have established a Compliance Office that oversees the compliance program as defined by the Board of Directors.

The Office makes regular reports to the Board. Moreover, we have established a whistleblower hotline for the entire Group, called the Compliance Hotline.

In addition to the Compliance Committee, we have appointed outside experts to form a Compliance Audit Committee, which monitors compliance issues on a regular basis.

To ensure that our internal controls perform their intended functions, our various auditing functions, which are independent from business execution departments, carry out internal audits across the Group. We will resolutely take action to prevent transactions with criminal bodies that threaten public order and security or disrupt economic development.

Risk Management Standards and other Controls

In addition to establishing risk management standards for appropriate management of all categories of risk, it is our mission to build a comprehensive internal risk management structure to ensure a sound financial position and stable earnings in the future by creating frameworks for comprehensive understanding and control of risk. Moreover, we also have business contingency plans in place should any event disrupt our core systems, such as natural disasters or a systems failure.

The management of risk is the responsibility of various risk management departments, as set down in the in-house regulations. Comprehensive risk management is carried out by one department that oversees risk management for the entire Bank. The Board of Directors has appointed the director to oversee the risk management program.

We have established a Risk Management Committee to measure the extent of various risks and make decisions on risk management policies. This committee will meet regularly to ensure an accurate grasp of the situation regarding risk management issues across the Bank. The officer in charge of risk management will make regular reports to the Board of Directors on the current state of risk management and the countermeasures that the Bank is taking against risks.

System to Ensure the Effective Execution of their Duties by the Directors of Joyo Bank

We have put in place business plans to clarify our operational targets, as well as an overall budget every year, to define specific policies.

We have determined the scope of decision-making responsibilities for each director, to achieve efficient operations.

We have established an Executive Officer Committee its functions and details of convocation, etc., are laid down in our Executive Officer regulations. We have also set up a range of committees, grouping executive directors, executive officers and division heads, who meet as and when needed.

Supporting Corporate Auditors

To support internal auditing, a staff who has enough knowledge and ability as an auditor is assigned to assist the corporate auditor is assigned to assist the corporate auditors.

To ensure the independence of this assistant from the influence of the business execution departments, in case of transfer of the staff, the executive director in charge of all personnel transfers should inform the corporate auditors in advance. The corporate auditors are entitled to express their opinions and advice regarding the personnel transfer of the staff.

The corporate auditors attend meetings of the Executive Officer Committee and offer their opinions on the audit process and all related matters. The directors and employees report any and all information the corporate auditors deem necessary to complete the audit.

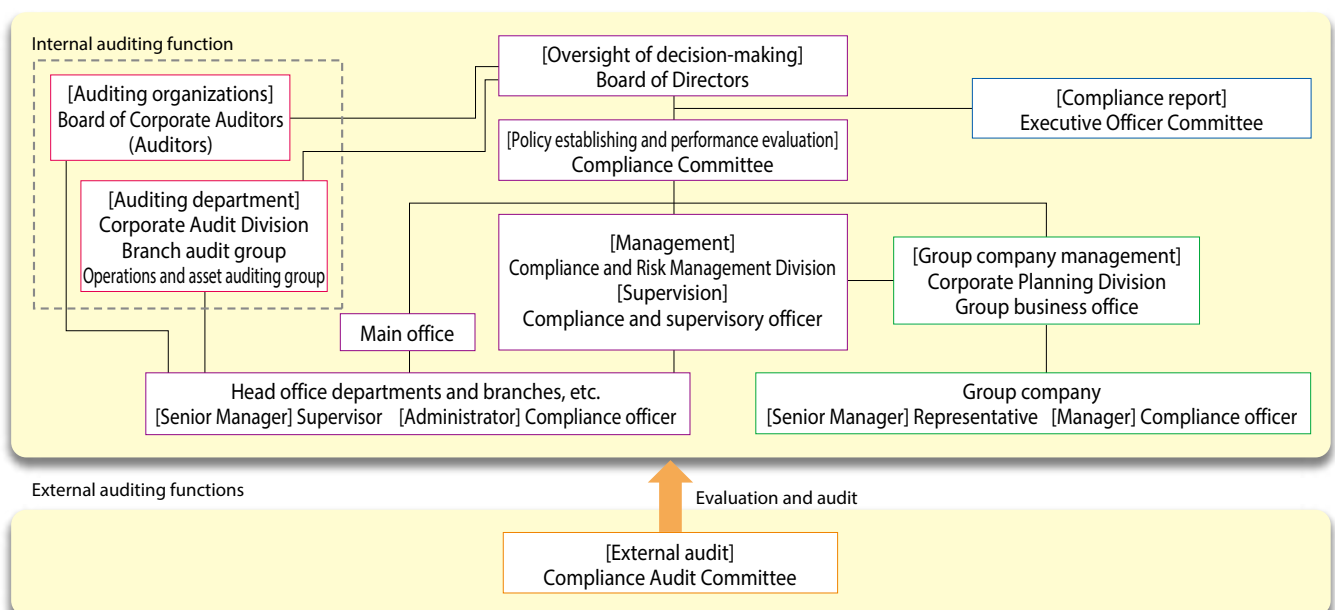
In order to enhance the efficiency of the audit system, the corporate auditors maintain close coordination with all headquarters departments other than the internal audit sections.

The representative directors and accounting auditors each meet regularly with corporate auditors and exchange opinions on the issues related to the audits.

Compliance System

We place high priority on strengthening our compliance system to ensure sound banking operations, fulfill our social responsibility and public mission, and maintain the trust of customers, shareholders and other stakeholders.

Also, we establish a compliance program each year and ensure that each executive and employee are fulfilling their roles in compliance. In addition, we build a compliance system whose ultimate supervisory organ is the Board of Directors and place dedicated compliance officers in each major division to undertake wide-ranging inspections of legal issues in each division. To supplement internal compliance activities by outside audits to inject the required professional knowledge and objectivity, the Bank set up a Compliance Audit Committee, consisting of outside professionals including lawyers and CPAs. The Committee evaluates and audits the Bank's compliance activities. We strive to further strengthen and improve compliance activities.



Code of Conduct

We will

- get to know our customers and offer optimal products and services
- expand business scale and grow with our customers
- increase our financial expertise

Policy Regarding Solicitations for Financial Products

In accordance with the Law Concerning the Sale of Financial Products, our solicitations for products are based on the following policies.

1. Financial product solicitation is based on tailoring products to the level of understanding, experience and financial status of the customer.
2. To ensure that our customers make choices based on their own judgment and at their own liability, we will provide easy-to-understand explanations so that the customer has sufficient understanding of financial products and the risks attached.
3. We assure that sales are never based on the provision of misleading or false statements or information, nor do we act in a manner leading to any misunderstanding by our customers.
4. Our solicitations will not be conducted at times or in locations that cause inconvenience.
5. We are setting up a training system within the Bank to ensure proper solicitation to our customers.

Risk Management

While the financial industry has grown due to deregulation and the advancement of financial technology, the risks carried by banks continue to diversify and become ever more complicated. In this environment, we are working to meet the highly advanced and various needs of our customers, and we also have placed emphasis on the subject of "risk management" to ensure the maintenance and improvement of sound operations which is one of the most vital issues facing management.

The Risk Management System

In our fundamental rules regarding risk management, we have outlined our fundamental thinking and management procedures including policies regarding risk management, organizational structure, and responsibilities.

In business management, the departments that carry risks when conducting transactions (marketing departments) and the departments that internally manage the

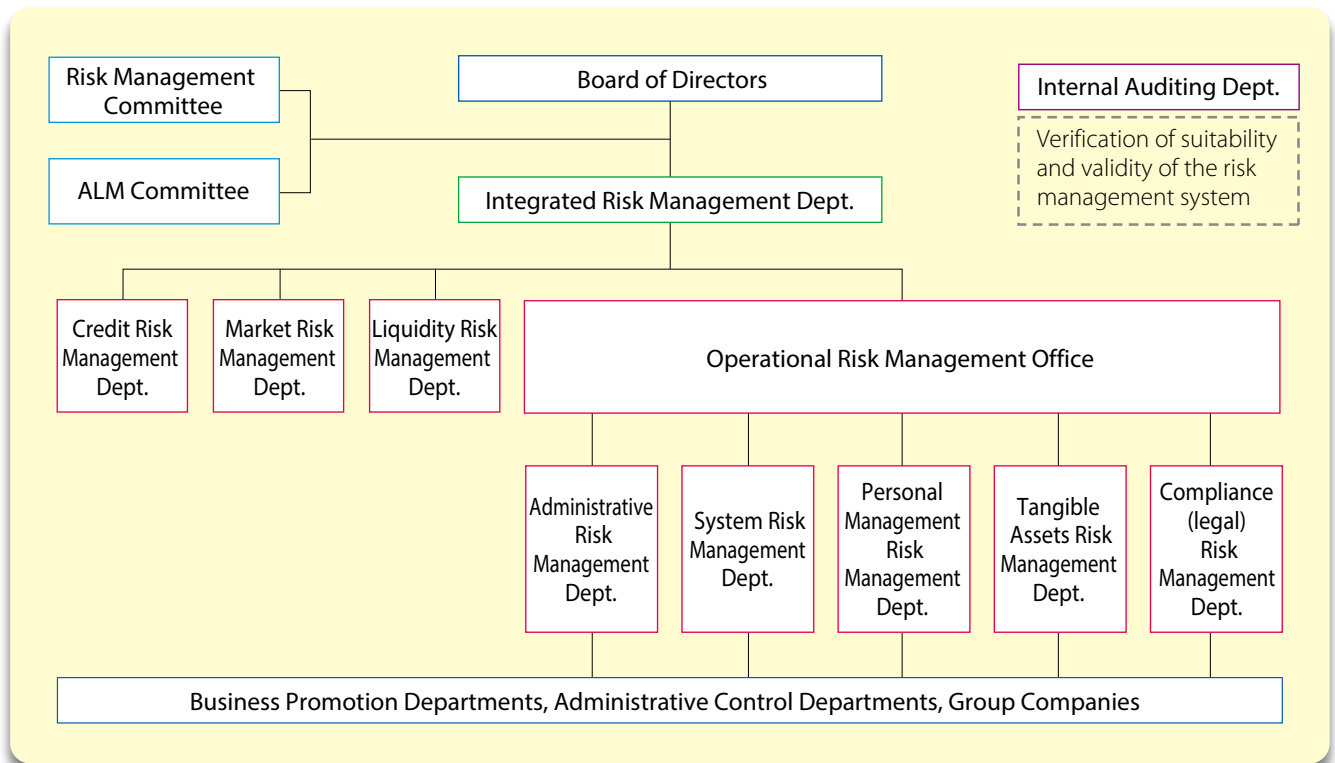
results of transactions (business administration departments) are separated, thus creating an organizational structure that allows for mutual checks and balances.

The various risks that are incurred during banking operations are managed by specific risk management departments depending on the type of risk.

We also have established a risk management supervision department, which supervises the management systems for all risks and is responsible for holding meetings of the Risk Management Committee, an organ for the examination of Bank-wide solutions to risks. The department also provides regular reports on the overall status of risks to the Board of Directors.

Additionally, internal auditing staff verify that risk management is functioning appropriately and effectively through the integrated risk management department and each risk management related department, thereby increasing the effectiveness of the system.

Risk Management System



Integrated Risk Management

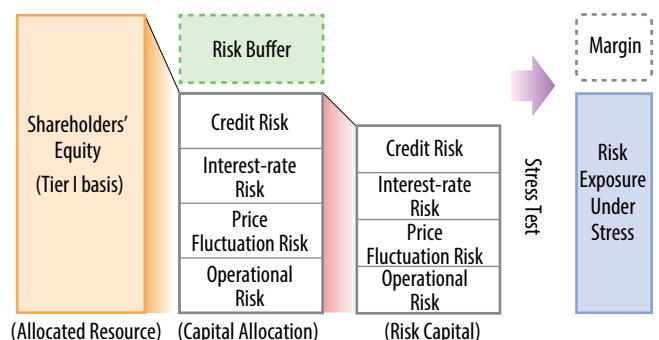
At a time of increasing diversification and complexity in banking operations, we have adopted a policy of integrated risk management to gain a quantitative understanding of risk, using statistical methods such as Value at Risk (VaR) for individual risk categories (credit risk and market risk), to enable systematic risk management rather than management by individual risk category.

By comparing and contrasting comprehensive amounts at risk with the bank's financial resources (own capital), we are committed to maintaining capital at an appropriate level.

Allocation of Risk Capital

We pre-allocate capital (Tier I basis) to cover risk in terms of individual categories (credit risk, interest-rate risk, price fluctuation risk and operational risk). Each month, we carry out monitoring to confirm that each quantified risk amount (amount of risk capital to be used) is kept within the allocated capital parameters.

With regard to capital allocation, we ensure a risk buffer is in place to position us to deal with losses that exceed scenarios used by our statistical tools, or which are difficult to quantify using statistical methods. To confirm our capital adequacy including the risks mentioned above, we use stress tests that enable us to appraise the impact on Bank capital of scenarios such as a sudden economic slowdown. In addition, back-testing through comparison of risk amounts calculated using VaR formulas and actual profit performance enables us to confirm the appropriateness and effectiveness of our statistical methods.



Credit Risk Management

Credit risk is the risk of not receiving principal or loan payments as promised on loans due to a deterioration in creditworthiness of the debtor. This is recognized as one of the most serious risks within banking operations.

In order to prevent the occurrence of nonperforming loans and improve the soundness of our assets, we make every effort to ensure good credit risk management.

Overview of Basic Policy and Procedures with Regard to Credit Risk Management

We have compiled management guidelines for credit risk, which serve as a basic policy for appropriate management of credit risk on individual loans and management of the credit portfolio, focusing on risk dispersion as its basic tool.

Credit Risk Management for Individual Loans

We have separated credit-screening departments from loan departments, and constantly work toward screening stricter while also focusing on credit management before due date to prevent the status of a claim from deteriorating.

We have created a set of basic parameters for loans, designed to speed up decision-making on loans and to ensure more rigorous risk management. We also have a system for accurately reflecting in the asset self-assessments the business performance achieved by the borrower and changes in the value of collateral.

We have also adopted an automated scoring system for small-amount loans to unify credit screening standards and improve efficiency.

● *Internal Credit Ratings*

We classify our customers into a 12-grade rating class based on quantitative appraisal of financial condition and cash flows, and qualitative appraisal. In addition to serving as the basis for asset self-assessments, ratings for customers, credit worthiness are used across the full range of credit risk management, including monitoring of credit risk exposure, setting of lending rate and allocation of lending authority.

● *Asset Self-Assessment*

In asset self-assessments to evaluate the soundness of assets, the branch carry out a primary evaluation by making a decision on credit category based on a credit rating. Then the head office department in charge of credit screening checks these (secondary assessment), and the Corporate Audit Division audits the results of the asset self-assessment and verifies the appropriateness of procedures. Based on these results, the Bank provides appropriate reserves and writes down problem loans based on the assessments.

● *Quantification of Credit Risk Management*

The quantification of credit risk management refers to the statistical forecasting of future losses (amount of credit risk) that can be expected from the bankruptcy or deterioration of business at borrowers. Based on credit ratings, we calculate credit risk for each customer in view of the security and other factors.

Loan Portfolio Management

We treat loan assets in their entirety as a single portfolio and conduct credit risk management from a macro-perspective. Based on the quantification of credit risk, we carry out periodic monitoring to determine whether or not credit risk is concentrated in specific rating groups, sectors or corporate groups, and analyze and evaluate credit situations by rating, region and sector.

Market Risk Management

Market risk refers to the possibility of losses arising from exposure to risk of change in the value of assets and liabilities of the Bank and in its earnings, due to fluctuations in interest rates, foreign exchange rates and stock prices, etc.

We manage all assets and liabilities (deposits, loans, securities, and others) comprehensively based on ALM (asset and liability management) to manage market risks.

Market Risk Management System

The front and back office departments are separated. We have also established middle-office risk management sections to enable a mutual system of checks and balances.

Market Risk Control

To control market risk at appropriate levels, we set loss limits, position limits and other thresholds for each category of transaction, after setting risk tolerance parameters (capital allocation) reflecting the Bank's financial strength, risk-return profile and other factors.

We also have in place a system in which an ALM Committee decides whether to conduct checks on status of compliance with monthly thresholds and other matters and takes measures when necessary. In addition to using VaR, we also approach market risk with multifaceted analysis using tools such as basis point value (BPV) analysis, gap analysis, scenario analysis (simulation method) and sensitivity analysis. This enables us to control risks within a tolerable range reflective of the Bank's financial strength.

Liquidity Risk Management

Liquidity risk refers to the possibility of losses arising from exposure to risk due to difficulty in securing needed funding after an unforeseen funding outflow or similar events, or a sharp rise in fund-procurement costs. At the Bank, maintaining liquidity risk at a safe and appropriate level is a basic management policy. As a matter of policy, we maintain a certain level of assets that can be quickly converted into liquid form (liquidity reserve assets), and ensure that any funding gap for a given period of time (the amount necessary for fund procurement) is kept within the parameters of assets that can be quickly converted into liquid form. In addition to continuous monitoring of market trends and

liquidity status, we are creating a system enabling us to rapidly respond, to the fullest possible degree, in cases of materialization of liquidity risk events, based on countermeasures drawn up for emergency situations.

Operational Risk Management

Operational risk refers to the risk of losses arising from irregular procedures or employee conduct in operations, or inappropriate system operation or detrimental external events. The Bank divides such risk into five categories: administrative risk, system risk, risk to tangible assets, personnel management risk, and compliance (legal) risk.

We have also established a management office for each risk category, as well as supervision of overall operational risk measures.

Administrative Risk

Administrative risk is the risk of damages due to improper administration resulting in accidents or improprieties. We have taken steps to uphold and improve the quality of our administrative operations, to ensure that customers are not inconvenienced by inappropriate administrative management and that administrative management is as error-free and prompt as possible.

In addition to analyzing and evaluating the circumstances, causes and processes surrounding administrative mistakes, we verify the effectiveness of countermeasures after their introduction and repeat them as often as necessary to ensure that the problem is resolved. We are drawing up regulations for administrative processes, and ensuring their strict application by all staff from executives down through guidance and training. We are also verifying the effectiveness of internal audits and taking steps to preempt accidents.

System Risk

System risk is the risk of losses due to the breakdown of computer systems, erroneous computer operation, and inappropriate computer use. Measures to ensure appropriate management of such risk is based on protection of information data and ensuring stable operation of computer systems.

Tangible Assets Risk, Human Resources Risk and Compliance (Legal) Risk

Risk to tangible assets (inadequate precautions to prevent damage from earthquakes and neglect of building management), personnel management risk relating to safety and hygiene at the workplace, and compliance risk (legality of business, illegal behavior by any executives and employees) are addressed through appropriate measures after identification and evaluation using methods to gauge risk scale and features, and the effect of risk reduction measures is later assessed.

Crisis Management

We have established a set of general emergency guidelines providing specific measures for dealing with situations such as major disasters, system failures and reputational damage, and for minimizing disruption of relations with business partners. We aim to strengthen our crisis management through continuous training and upgrading of procedures.

Customer Protection

To ensure peace of mind for our customers, the Bank established the Customer Protection Management Policy, and is developing a management system that includes the establishment of a controlling division.

Adequate explanations of products and services

We always provide explanations of our financial products and services to ensure that customers understand the products or services adequately. We are working to further improve the quality of explanations by perfecting our staff's knowledge of financial products and services, so they can enable customers to understand them more easily.

Listening attentively to customer feedback

Management of customer queries, consultation, requests, complaints and disputes is undertaken on an integrated basis by the Customer Counseling Office in the customer services department. We have in place a system for discussing measures for improvement and for prevention of issues arising within the operational departments. We have also signed agreements with designated dispute settlement organizations and also work through external entities to reach settlements.

Ensuring strict confidentiality in the management of customer information

We ensure strict confidentiality in our management of customers' personal data. We have drawn up detailed in-house rules for the handling of customer information, practicing strict control of data access and office access as well as the encryption of confidential information. In these ways, we protect our customers from the leakage of their personal information to outside parties as a result of misconduct or human error.

Protection of Confidential Private Information

We have drawn up and made public a privacy policy as a response to the Law Concerning the Protection of Private Information, and have put in place safeguards for the protection and appropriate handling of personal data.

Privacy Policy

We work to build on the mutual trust we have with our customers, the region, and our shareholders, stress the importance of our social responsibility, and offer high-quality financial services. For the protection of personal data, we have established the following policy based on our respect for all individuals, and will put all our efforts into the protection of private information.

Privacy Mark

Based on the "Privacy Mark" certification, administered by Japan Information Processing Development Corporation (JIPDEC), the Bank meets the "requirements for management of personal information protection" (JISQ15001) laid down by Japanese Industrial Standards Committee and now has in place mechanisms for appropriate protection of personal information. The Joyo Bank is the first regional financial institution in the North Kanto area to obtain this certification.



Policy for Protection of Personal Confidential Information

• **Strict compliance with laws and regulations**

We comply with all laws, ordinances and other regulations regarding confidentiality of personal information.

• **Appropriate access**

We acquire personal information only by appropriate and legal methods, and only when necessary for business operations. Personal information is never gathered in an inappropriate way.

• **Ban on unapproved use of personal information**

We only use personal information inasmuch as it is necessary for achievement of business objectives, and do not use such information for any other purpose.

In addition, information that is registered with credit-data organizations of which we are a member is used where appropriate for credit-related purposes.

• **Ban on provision of personal information to third parties**

Except when prescribed by laws and ordinances, we never provide personal information to third parties without first obtaining the affected person's agreement. In addition, when personal information is

entrusted to an outside organization under an outsourcing arrangement, we require that protection of personal information be contractually assured, and carries out checks.

• **Security management measures**

We have in place appropriate security management mechanisms to ensure prevention of leakage, loss or destruction of personal data, and other measures.

• **Appropriate response to complaints**

When customers have questions or complaints regarding our protection of personal information, we investigate these questions or complaints and deal with them appropriately and promptly, within a reasonable period of time.

• **Continuous improvement**

The Bank has compiled regulations for ensuring strict legal compliance and protection of personal information.

In addition to ensuring that these measures are familiar to all employees and other affected parties, the Bank continually upgrades them. Regular audits into acquisition, use and handling of personal information are part of our broad and thorough commitment to confidentiality.

Financial Crime Prevention

We are fully committed to preventing crimes involving accounts held at our banks, and to protecting the financial assets of our customers. We require identification when a new account is set up or for a large-amount transaction. In addition to working to prevent inappropriate transactions, when an account is used, we will cancel transactions when considered necessary and will work hard toward crime prevention. We also have implemented measures to prevent the crimes of use of forged ATM cards and online hacking.

Consolidated Balance Sheets

THE JOYO BANK, LTD. and Consolidated Subsidiaries

March 31,	Millions of yen		Thousands of U.S. dollars (Note 2)
	2013	2012	2013
Assets:			
Cash and due from banks (Note 26)	¥ 318,396	¥ 385,528	\$ 3,385,392
Call loans and bills purchased	1,829	3,385	19,454
Commercial paper and other debt purchased	27,336	33,714	290,659
Trading assets (Notes 5 and 27)	2,719	3,776	28,920
Securities (Notes 6, 8, 26 and 27)	2,651,398	2,458,416	28,191,368
Loans and bills discounted (Notes 7, 9, 11 and 26)	5,108,316	4,952,771	54,314,899
Foreign exchanges	1,844	1,757	19,610
Lease receivables and lease investment assets (Notes 8 and 25)	30,906	28,494	328,622
Other assets (Note 8)	55,410	55,058	589,155
Tangible fixed assets (Note 22)	93,839	92,957	997,765
Intangible fixed assets	8,958	8,247	95,250
Deferred tax assets (Note 14)	2,801	13,892	29,786
Customers' liabilities for acceptances and guarantees	15,731	18,293	167,266
Reserve for possible loan losses	(51,420)	(50,706)	(546,733)
Reserve for devaluation of investment securities	(35)	(311)	(380)
Total assets	¥8,268,033	¥8,005,275	\$87,911,038
Liabilities and net assets			
Liabilities:			
Deposits (Notes 8, 15 and 26)	¥7,359,923	¥7,277,708	\$78,255,433
Call money and bills sold (Notes 8 and 19)	38,466	17,561	408,999
Payables under securities lending transactions (Notes 8 and 19)	91,283	38,888	970,585
Trading liabilities (Note 16)	160	192	1,707
Borrowed money (Notes 8, 10, 19 and 26)	120,245	99,309	1,278,522
Foreign exchanges	265	238	2,822
Bonds (Note 12)	15,000	15,000	159,489
Due to trust account	26	16	280
Other liabilities	82,157	68,211	873,551
Reserve for directors' bonuses	49	46	531
Reserve for employees' retirement benefits (Note 13)	5,265	5,224	55,981
Reserve for directors' retirement benefits	33	26	352
Reserve for reimbursement of dormant deposits	1,849	1,711	19,664
Reserve for frequent users services	130	137	1,383
Reserve for losses on interest refunded	6	10	65
Reserve for other contingent losses	1,519	1,740	16,153
Reserves under the special laws	1	1	13
Deferred tax liabilities (Note 14)	15,162	—	161,213
Deferred tax liabilities for land revaluation (Note 3)	11,974	12,050	127,316
Negative goodwill	2,133	2,291	22,683
Acceptances and guarantees	15,731	18,293	167,266
Total liabilities	7,761,383	7,558,660	\$82,524,017
Net assets:			
Common stock	85,113	85,113	904,976
Capital surplus	58,574	58,574	622,796
Retained earnings	286,893	275,598	3,050,437
Treasury stock	(23,299)	(24,913)	(247,735)
Total shareholders' equity	407,281	394,371	4,330,474
Unrealized gains on available-for-sale securities	87,047	40,214	925,540
Deferred losses on hedging instruments, net of taxes	(2,651)	(2,705)	(28,194)
Land revaluation excess, net of taxes (Note 14)	12,359	12,452	131,409
Total accumulated other comprehensive income	96,754	49,961	1,028,755
Equity warrants	120	81	1,282
Minority interests	2,493	2,201	26,507
Total net assets	506,649	446,615	5,387,020
Total liabilities and net assets	¥8,268,033	¥8,005,275	\$87,911,038

See accompanying notes to the consolidated financial statements.

Consolidated Statements of Income

THE JOYO BANK, LTD. and Consolidated Subsidiaries

Years ended March 31,	Millions of yen		Thousands of U.S. dollars (Note 2)
	2013	2012	2013
Income:			
Interest and dividend income:			
Interest on loans and discounts	¥ 72,786	¥ 76,781	\$ 773,908
Interest and dividends on securities	24,420	23,927	259,654
Other interest income	863	1,104	9,185
Fees and commissions	23,949	22,175	254,649
Trading income (Note 18)	1,089	594	11,586
Other operating income	5,956	6,713	63,329
Other income (Note 20)	21,401	22,394	227,556
Total income	150,467	153,691	1,599,869
Expenses:			
Interest expenses:			
Interest on deposits	3,355	4,309	35,672
Interest on borrowings and rediscounts (Note 19)	509	487	5,413
Other interest expenses	1,362	1,406	14,491
Fees and commissions	7,011	7,089	74,555
Other operating expenses	973	1,215	10,346
General and administrative expenses	71,176	72,080	756,799
Other expenses (Note 21)	31,054	34,515	330,192
Total expenses	115,443	121,105	1,227,470
Income before income taxes and minority interests	35,024	32,585	372,398
Income taxes:			
Current	10,861	5,276	115,491
Deferred (Note 14)	1,143	8,832	12,162
Income before minority interests	23,018	18,476	244,745
Minority interests in net income of consolidated subsidiaries	291	341	3,102
Net income	¥ 22,726	¥ 18,134	\$ 241,642
Net income per share (in yen and dollars)	¥ 23.65	¥ 23.65	\$ 0.29

See accompanying notes to the consolidated financial statements.

Consolidated Statements of Comprehensive Income

THE JOYO BANK, LTD. and Consolidated Subsidiaries

Years ended March 31,	Millions of yen		Thousands of U.S. dollars (Note 2)
	2013	2012	2013
Income before minority interests	¥23,018	¥18,476	\$244,745
Other comprehensive income (Note 23)	46,888	11,414	498,549
Unrealized gains on available-for-sale securities	46,834	10,084	497,978
Deferred gains (losses) on hedging instruments, net of taxes	53	(401)	571
Land revaluation excess, net of taxes	—	1,730	—
Comprehensive income	69,906	29,891	743,295
(Attributable to)			
Shareholders of parent	69,612	29,549	740,168
Minority interest	294	341	3,126

See accompanying notes to the consolidated financial statements.

Consolidated Statements of Changes in Net Assets

THE JOYO BANK, LTD. and Consolidated Subsidiaries

Years ended March 31,	Millions of yen		Thousands of U.S. dollars (Note 2)
	2013	2012	2013
Shareholders' equity			
Common stock			
Balance at end of the previous year	¥ 85,113	¥ 85,113	\$ 904,976
Changes during the year	—	—	—
Total changes during the year	—	—	—
Balance at end of the current year	¥ 85,113	¥ 85,113	\$ 904,976
Capital surplus			
Balance at end of the previous year	¥ 58,574	¥ 58,574	\$ 622,796
Changes during the year	—	—	—
Total changes during the year	—	—	—
Balance at end of the current year	¥ 58,574	¥ 58,574	\$ 622,796
Retained earnings			
Balance at end of the previous year	¥275,598	¥266,435	\$2,930,340
Changes during the year			
Cash dividends	(6,069)	(6,134)	(64,531)
Net income	22,726	18,134	241,642
Disposal of treasury stock	(5)	(20)	(53)
Retirement of treasury stock	(5,450)	(3,073)	(57,952)
Transfer from land revaluation excess	93	256	992
Total changes during the year	11,295	9,163	120,097
Balance at end of the current year	¥286,893	¥275,598	\$3,050,437
Treasury stock			
Balance at end of the previous year	¥ (24,913)	¥ (25,858)	\$ (264,901)
Changes during the year			
Purchase of treasury stock	(3,854)	(2,191)	(40,983)
Disposal of treasury stock	18	61	195
Retirement of treasury stock	5,450	3,073	57,952
Total changes during the year	1,614	944	17,165
Balance at end of the current year	¥ (23,299)	¥ (24,913)	\$ (247,735)
Total shareholders' equity			
Balance at end of the previous year	¥394,371	¥384,264	\$4,193,211
Changes during the year			
Cash dividends	(6,069)	(6,134)	(64,531)
Net income	22,726	18,134	241,642
Purchase of treasury stock	(3,854)	(2,191)	(40,983)
Disposal of treasury stock	13	41	142
Retirement of treasury stock	—	—	—
Transfer from land revaluation excess	93	256	992
Total changes during the year	12,909	10,107	137,262
Balance at end of the current year	¥407,281	¥394,371	\$4,330,474

Years ended March 31,	Millions of yen		Thousands of U.S. dollars (Note 2)
	2013	2012	2013
Accumulated Other Comprehensive Income:			
Unrealized gains on available-for-sale securities			
Balance at end of the previous year	¥ 40,214	¥ 30,129	\$ 427,585
Changes during the year			
Net changes in items other than shareholders' equity	46,832	10,085	497,954
Total changes during the year	46,832	10,085	497,954
Balance at end of the current year	¥ 87,047	¥ 40,214	\$ 925,540
Deferred losses on hedging instruments, net of taxes			
Balance at end of the previous year	¥ (2,705)	¥ (2,304)	\$ (28,765)
Changes during the year			
Net changes in items other than shareholders' equity	53	(401)	571
Total changes during the year	53	(401)	571
Balance at end of the current year	¥ (2,651)	¥ (2,705)	\$ (28,194)
Land revaluation excess, net of taxes			
Balance at end of the previous year	¥ 12,452	¥ 10,978	\$ 132,402
Changes during the year			
Net changes in items other than shareholders' equity	(93)	1,473	(992)
Total changes during the year	(93)	1,473	(992)
Balance at end of the current year	¥ 12,359	¥ 12,452	\$ 131,409
Total accumulated other comprehensive income			
Balance at end of the previous year	¥ 49,961	¥ 38,803	\$ 531,222
Changes during the year			
Net changes in items other than shareholders' equity	46,793	11,157	497,533
Total changes during the year	46,793	11,157	497,533
Balance at end of the current year	¥ 96,754	¥ 49,961	\$1,028,755
Equity warrants			
Balance at end of the previous year	¥ 81	¥ 69	\$ 866
Changes during the year			
Net changes in items other than shareholders' equity	39	11	416
Total changes during the year	39	11	416
Balance at end of the current year	¥ 120	¥ 81	\$ 1,282
Minority interests			
Balance at end of the previous year	¥ 2,201	¥ 1,859	\$ 23,404
Changes during the year			
Net changes in items other than shareholders' equity	291	341	3,103
Total changes during the year	291	341	3,103
Balance at end of the current year	¥ 2,493	¥ 2,201	\$ 26,507
Total net assets			
Balance at end of the previous year	¥446,615	¥424,997	\$4,748,704
Changes during the year			
Cash dividends	(6,069)	(6,134)	(64,531)
Net income	22,726	18,134	241,642
Purchase of treasury stock	(3,854)	(2,191)	(40,983)
Disposal of treasury stock	13	41	142
Transfer from land revaluation excess	93	256	992
Net changes in items other than shareholders' equity	47,124	11,510	501,052
Total changes during the year	60,033	21,618	638,315
Balance at end of the current year	¥506,649	¥446,615	\$5,387,020

See accompanying notes to the consolidated financial statements.

Consolidated Statements of Cash Flows

THE JOYO BANK, LTD. and Consolidated Subsidiaries

Years ended March 31,	Millions of yen		Thousands of U.S. dollars (Note 2)
	2013	2012	2013
Cash flows from operating activities:			
Income before income taxes and minority interests	¥ 35,024	¥ 32,585	\$ 372,398
Depreciation	5,334	6,290	56,716
Impairment losses	308	860	3,283
Amortization of negative goodwill	(158)	(158)	(1,680)
Net increase (decrease) in reserve for possible loan losses	713	(131)	7,585
Net increase (decrease) in reserve for devaluation of investment securities	(275)	8	(2,928)
Net increase in reserve for directors' retirement benefits	7	0	75
Net increase in reserve for reimbursement of dormant deposits	137	129	1,464
Net increase (decrease) in reserve for frequent users services	(7)	8	(80)
Net decrease in reserve for other contingent losses	(221)	(143)	(2,350)
Net increase (decrease) in reserve for losses on interest refunded	(4)	1	(49)
Net increase in reserve for bonuses to directors and corporate auditors	3	46	33
Net increase in reserve for employees' retirement benefits	40	59	428
Interest and dividend income	(104,699)	(107,432)	(1,113,235)
Interest expenses	5,227	6,204	55,577
Net losses related to securities transactions	4,314	4,915	45,871
Foreign exchange losses (gains), net	(27,468)	2,135	(292,057)
Losses on disposal of tangible fixed assets	620	391	6,599
Net decrease in trading assets	1,056	3,898	11,235
Net decrease in trading liabilities	(31)	(90)	(333)
Net decrease (increase) in lease investment assets	(2,412)	26	(25,654)
Net increase in loans and bills discounted	(155,545)	(182,874)	(1,653,855)
Net increase in deposits	86,606	452,900	920,859
Net increase (decrease) in negotiable certificates of deposit	(4,392)	7,982	(46,699)
Net increase in borrowed money excluding subordinated borrowings	20,936	60,721	222,604
Net decrease (increase) in due from banks excluding cash equivalents	3,729	(679)	39,659
Net decrease in call loans and others	7,933	655	84,356
Net increase in call money and bills sold	20,904	3,925	222,272
Net increase in payables under securities lending transactions	52,394	25,556	557,096
Net decrease (increase) in foreign exchange (assets)	(86)	6,058	(919)
Net decrease (increase) in foreign exchange (liabilities)	27	(177)	291
Net decrease (increase) in due to trust account	9	(2)	105
Interest and dividends received	104,557	107,002	1,111,726
Interest paid	(6,969)	(8,040)	(74,099)
Others, net	1,732	155	18,415
Subtotal	49,349	422,788	524,713
Income taxes paid	(5,370)	(7,369)	(57,105)
Net cash provided by operating activities	43,978	415,419	467,607
Cash flows from investing activities:			
Purchases of securities	(712,034)	(878,412)	(7,570,811)
Proceeds from sale of securities	319,994	334,599	3,402,388
Proceeds from redemption of securities	302,033	280,759	3,211,415
Purchases of tangible fixed assets	(5,486)	(3,814)	(58,333)
Proceeds from sales of tangible fixed assets	186	81	1,984
Purchases of intangible fixed assets	(2,188)	(2,330)	(23,264)
Net cash used in provided by investing activities	(97,494)	(269,118)	(1,036,621)
Cash flows from financing activities:			
Proceeds from issuance of subordinated bonds	—	10,000	—
Proceeds from issuance of subordinated borrowings	—	5,400	—
Repayments of subordinated borrowings	—	(20,000)	—
Cash dividends paid	(6,069)	(6,134)	(64,531)
Cash dividends paid to minority interests	(2)	(0)	(23)
Purchases of treasury stock	(3,854)	(2,191)	(40,983)
Proceeds from sales of treasury stock	13	41	142
Net cash used in financing activities	(9,912)	(12,884)	(105,395)
Translation adjustment for cash and cash equivalents	25	(4)	274
Net increase in (used in) cash and cash equivalents	(63,402)	133,411	(674,135)
Cash and cash equivalents at beginning of year	373,098	239,686	3,967,019
Cash and cash equivalents at end of year (Note 3)	¥309,695	¥373,098	\$3,292,884

See accompanying notes to the consolidated financial statements.

Notes to the Consolidated Financial Statements

THE JOYO BANK, LTD. and Consolidated Subsidiaries

1. Basis of Preparation

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

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

In addition, the notes to the consolidated financial statements include information which is not required under accounting principles generally accepted in Japan but is presented herein as additional information.

2. Japanese Yen and U.S. Dollar Amounts

As permitted by the Financial Instruments and Exchange Act of Japan, amounts of less than one million yen have been rounded off. As a result, the totals shown in the accompanying consolidated financial statements (both in yen and U.S. dollars) do not necessarily agree with the sums of the individual amounts. Solely for the convenience of the reader, the U.S. dollar amounts represent a translation of the Japanese yen amounts at ¥94.05 = US\$1.00, the exchange rate prevailing on March 31, 2013.

3. Significant Accounting Policies

(a) Consolidation

The accompanying consolidated financial statements include the accounts of the Bank and nine major subsidiaries.

All significant intercompany transactions have been eliminated in consolidation. Assets and liabilities held by consolidated subsidiaries are stated at fair value at a time of acquisition.

(b) Transactions for trading purposes

Transactions for "trading purposes" (seeking to capture gains arising from short-term changes in interest rates, currency exchange rates or market prices of securities and other market-related indices or from arbitrage between markets) are valued at market or fair value, and have been included in trading assets and trading liabilities on a trade date basis. Gain or loss on such trading transactions are reflected as trading income or trading expenses in the consolidated statements of income.

Among the trading assets and liabilities, securities and monetary claims are carried at market value as of the balance sheet date. Derivatives including swaps, futures, and options are valued assuming settlement on the balance sheet date.

Trading income or trading expenses include interest received or paid during the fiscal year. The year-on-year valuation differences of securities and monetary claims are also recorded in the above-mentioned accounts. As for the derivatives, assuming that the settlement will be made in cash, the year-on-year valuation differences are also recorded in the above-mentioned accounts.

(c) Securities

Securities other than trading securities have been accounted for by the following methods:

Marketable debt securities held to maturity are stated at amortized cost by the moving-average cost method. Equity shares and investment trusts listed on Japanese markets are stated at fair value based on their average market prices over the month prior to the balance sheet date. (Acquisition cost is basically calculated by the moving-average cost method.) Other listed securities are stated at fair value based on the market prices prevailing on the balance sheet date. (Acquisition cost is basically calculated by the moving-average cost method.) Other available-for-sale securities which are extremely difficult to determine the fair value are stated at cost or amortized cost by the moving-average cost method.

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

(d) Derivatives

Derivatives positions held by the Bank (not including transactions for trading purposes) are stated at fair value.

(e) Depreciation of tangible fixed assets

Depreciation of tangible fixed assets held by the Bank is calculated by the declining-balance method, except for buildings acquired on or after April 1, 1998 of which depreciation is calculated by the straight-line method. The estimated useful lives are as follows:

Buildings: 6~50 years

Other: 3~20 years

Depreciation of tangible fixed assets held by the consolidated subsidiaries is calculated principally by the declining-balance method, based on the respective estimated useful lives of the assets.

Depreciation of intangible fixed assets is calculated using the straight-line method. Software for internal use is depreciated using the straight-line method over its estimated useful life (mainly 5 years).

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

In accordance with the amendment of the Corporation Tax Act, effective from the fiscal year ended March 31, 2013 the Bank and its consolidated subsidiaries have changed depreciation method for tangible fixed assets acquired on or after April 1, 2012. As a result of the change income before income taxes and minority interests increased by ¥99 million.

Among tangible fixed assets relating to non-ownership-transfer finance lease transactions, lease assets are depreciated by the straight-line method on the assumption that the lease term is the useful life. The residual value is estimated to be zero unless residual value guarantees are agreed on the lease contracts.

(f) Reserve for possible loan losses

The reserve for possible loan losses of the Bank is provided as detailed below, in accordance with the internal rules for providing reserves for possible loan losses:

For claims to debtors who are legally bankrupt (as a result of bankruptcy, special liquidation, etc.) or who are substantially bankrupt, a reserve is provided based on the amount of the claims, net of the amounts expected to be collected by the disposal of collateral or as a result of the execution of guarantees.

For claims to debtors who are not currently bankrupt, but are likely to become bankrupt, a reserve is provided based on the amount considered necessary based on an overall solvency assessment of the amount of claims net of the amounts expected to be collected by the disposal of collateral or as a result of the execution of guarantees.

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

All claims are assessed by the Business Section (at the branches and the related head office divisions) based on the Bank's internal rules for the self-assessment of asset quality.

The Corporate Audit Department, which is independent of the Business Section, subsequently conducts audits of such assessments, and a reserve is provided based on the audit results.

The reserves of the consolidated subsidiaries are provided for general claims at an amount based on the actual historical rate of loan losses and for specific claims (from potentially bankrupt customers, etc.) at an estimate of the amounts deemed uncollectible based on the respective assessments.

For collateralized or guaranteed claims from debtors who are legally or substantially bankrupt, the amounts of the claims deemed uncollectible in excess of the estimated value of the collateral or guarantees have been written off in aggregate amounts of ¥20,250 million and ¥28,660 million as of March 31, 2013 and 2012, respectively.

(g) Reserve for devaluation of investment securities

A reserve for the devaluation of investment securities is provided at the amount deemed necessary to cover estimated possible losses on investments which the Bank and its consolidated subsidiaries may incur in the future.

(h) Reserve for employees' retirement benefits

Reserve for retirement benefits of the Bank and its subsidiaries is provided for the amount deemed necessary, based on estimated pension benefits obligations and pension plan assets at the fiscal year end, to cover required retirement benefits for eligible employees.

Prior service cost is deferred and amortized using the straight-line method over certain years (10 years) within the average remaining service period of the eligible employees.

Unrealized actuarial losses are deferred and amortized using the straight-line method over a ten-year period commencing with the following year, which is shorter than the average remaining service period of the eligible employees.

(i) Reserve for directors' retirement benefits

Reserve is made for the payments of retirement allowances to directors and corporate auditors of the consolidated subsidiaries based on an estimate of the amount attributable to the fiscal year.

(j) Reserve for reimbursement of dormant deposits

Reserve for reimbursement of dormant deposits which were derecognized as liabilities under certain conditions is provided for possible losses on the future claims.

(k) Reserve for frequent users services

Reserve for frequent users services, which is provided to meet future use of credits granted to credit card customers, is recorded in the amount deemed necessary based on the estimated future use of unused credits. This program applies to cards issued by the Bank and one of its subsidiaries.

(l) Reserve for losses on interest refunded

One consolidated subsidiary provides a provision for losses on interest refunded in an amount deemed necessary based on estimated amounts to be refunded, taking into account historical records of interest refunded on the portion of loans whose interest rates exceeded the maximum interest rate stipulated by the Interest Limitation Law.

(m) Reserve for contingent losses

The Bank makes reserve for possible losses on loans guaranteed by the credit guarantee corporations in an amount deemed necessary based on estimated losses in the future, calculated using historical default rates after exclusion of contingent losses covered by other reserves.

(n) Reserves under special laws

The reserve under the special laws is a reserve for contingent liabilities and provided for compensation for losses from securities-related transactions or derivative transactions, pursuant to Article 46-5-1 of the Financial Instruments and Exchange Act and Article 175 of the related cabinet order.

(o) Negative goodwill

Negative goodwill is amortized using the straight-line method over 20 years.

(p) Translation of foreign currencies

Foreign currency-denominated assets and liabilities of the Bank are translated into Japanese yen at the rates prevailing at the balance sheet date. Foreign currency-denominated assets and liabilities held by consolidated subsidiaries are translated into Japanese yen principally at the rates prevailing at the respective balance sheet dates.

All consolidated subsidiaries have a fiscal year end of March 31.

(q) Leases

As for finance lease transactions that do not transfer ownership of the leased property and which commenced prior to April 1, 2008, their treatment was as follows.

As lessee

Using the same method applied to operating lease transactions.

As lessor

In line with the stipulations of Article 81 of the Guidance on Accounting Standard for Lease Transactions (ASBJ Guidance No. 16, issued on March 30, 2007), book value (after deduction of accumulated depreciation) of lease assets included in tangible fixed assets and intangible assets as of the previous balance sheet date (March 31, 2008) was recorded as the initial balance of "Lease receivables and lease investment assets."

(r) Hedging

Hedging against interest rate risks

The deferred method of hedge accounting is applied to transactions to hedge against the interest rate risks associated with monetary claims and debt in accordance with the regulations set out in the "Accounting and Auditing Treatment of Accounting Standards for Financial Instruments in the Banking Industry" (JICPA Industry Audit Committee Report No. 24).

The Bank assesses the effectiveness of such hedges in offsetting movement of the fair value with the changes in interest rates, by classifying the hedged items (deposits or loans) and the hedging instruments (interest swaps) by their maturity. As to cash flow hedges, the Bank assesses the effectiveness of such hedges in fixing cash flows by verifying the correlation between the hedged items and the hedging instruments.

Hedging against foreign exchange fluctuation risks

The deferred method of hedge accounting is applied to transactions to hedge against the foreign exchange fluctuation risks associated with monetary assets and liabilities denominated in foreign currencies, in accordance with the regulations set out in the "Accounting and Auditing Treatment of Accounting Standards for Foreign Currency Transactions in the Banking Industry" (JICPA Industry Audit Committee Report No. 25).

To minimize the foreign exchange fluctuation risks on monetary assets and liabilities, the Bank engages in currency swaps,

foreign exchange swaps, and similar transactions. The effectiveness of these transactions in the hedging of the foreign exchange risks of monetary assets and liabilities denominated in foreign currencies is assessed through comparison of the foreign currency position of the hedged monetary assets and liabilities, with that of the hedging instruments.

When certain criteria are met, exceptional accrual method for interest rate swap is applied to some assets and liabilities held by the Bank and its consolidated subsidiaries.

(s) Consumption tax

Consumption tax is excluded from transactions reported by the Bank and its consolidated subsidiaries. However, non-deductible consumption tax on tangible fixed assets is charged to income as incurred.

(t) Land revaluation excess

In accordance with the Law concerning the Revaluation of Land, the Bank revalued the land held for its operations on March 31, 1998. The net unrealized gain is presented in net assets net of the applicable income taxes as land revaluation excess, net of taxes.

The difference between the carrying amount and the fair value of premises revalued pursuant to Article 10 of the Law was ¥29,364 million and ¥28,436 million as of March 31, 2013 and 2012, respectively.

(u) Earnings per share

The computation of earnings per share of common stock is based on the weighted average number of shares outstanding during each year.

(v) Statements of cash flows

Cash and cash equivalents in the statements of cash flows represent cash and due from banks in the consolidated balance sheets, excluding deposits with banks other than the Bank of Japan as well as the time deposits of certain consolidated subsidiaries.

March 31,	Millions of yen	
	2013	2012
Cash and due from banks	¥318,396	¥385,528
Deposits with banks other than the Bank of Japan	(8,700)	(12,430)
Cash and cash equivalents	¥309,695	¥373,098

4. Standards Issued but not yet effective

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

(1) Outline

The accounting standards have been revised in light of improving financial reporting and considering the trends of international convergence. The major revisions are (i) changes in accounting treatments for unrecognized actuarial losses and unrecognized prior service costs, and enhancement of disclosure items; and (ii) changes of calculation methods for retirement benefit obligation and service costs.

(2) Dates of application

The Bank intends to adopt (i) above to the consolidated financial statements as of the end of the fiscal year beginning on April 1, 2013, and (ii) from the fiscal year beginning on April 1, 2014.

(3) Impacts of adoption of the revised accounting standards

Impacts of adoption of the revised accounting standard are currently examined.

5. Trading Assets

March 31,	Millions of yen	
	2013	2012
Trading securities	¥2,320	¥3,361
Trading securities-related financial derivatives	—	0
Trading-related financial derivatives	399	413
Total	¥2,719	¥3,776

6. Securities

March 31,	Millions of yen	
	2013	2012
Japanese government bonds	¥1,415,379	¥1,400,947
Japanese local government bonds	301,379	298,469
Corporate bonds	408,445	387,344
Corporate stocks	197,952	166,353
Other securities	328,241	205,300
Total	¥2,651,398	¥2,458,416

Notes: 1. Corporate bonds include ¥16,688 million and ¥14,636 million of guarantee obligations for privately placed bonds (under Article 2-3 of the Financial Instruments and Exchange Act) as of March 31, 2013 and 2012, respectively.

7. Bills Discounted

Bills discounted are accounted for as financial transactions in accordance with JICPA Industry Audit Committee Report No. 24. The Bank has the rights to sell or pledge bank acceptances bought, commercial bills discounted, documentary bills and foreign exchanges bought without restrictions. The face value at March 31, 2013 and 2012 totaled ¥26,010 million and ¥27,085 million, respectively.

8. Pledged Assets

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

March 31,	Millions of yen	
	2013	2012
Pledged assets:		
Securities	¥289,879	¥232,879
Liabilities covered by pledged assets:		
Deposits	20,673	23,308
Payables under securities lending transactions	91,283	38,888
Borrowed money	95,940	76,610

In addition to the above, securities amounting to ¥45,946 million and ¥99,072 million at book value were pledged as collateral in connection with bank transfer settlements and futures transactions as of March 31, 2013 and 2012, respectively.

One consolidated subsidiary had pledged its lease receivables amounting to ¥575 million and ¥1,323 million as of March 31, 2013 and 2012, respectively.

“Other assets” included lease deposits of ¥1,518 million and ¥1,410 million, at March 31, 2013 and 2012, respectively. “Other assets” also included Initial margins on futures transactions of ¥160 million at both March 31, 2013 and 2012.

9. Commitments and Contingent Liabilities

Overdraft facilities and line-of-credit contracts are agreements under which, subject to compliance with the contractual conditions, the Bank or consolidated subsidiaries pledge to provide clients with funds up to a fixed limit upon submission of a loan application to the Bank. The unused amount related to such facilities/contracts stood at ¥1,496,374 million and ¥1,509,314 million at March 31, 2013 and 2012, respectively. Of this amount, facilities/contracts which expire within one year or which are unconditionally cancelable at any time, totaled ¥942,282 and ¥929,457 million at March 31, 2013 and 2012, respectively.

Most of these agreements will expire without the clients' having utilized the financial resources available to them, and the amount of the non-executed financing will not necessarily impact on the Bank or its consolidated subsidiaries' future cash flows. Most of these facilities/contracts contain a clause which allows the Bank or its consolidated subsidiaries 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 will demand collateral such as real estate or marketable securities at the date on which an agreement is entered into. In addition, after facilities/contracts are set forth the Bank will regularly assess the business status of the clients, based on predetermined internal procedures and, when prudent, will revise the agreements or reformulate their policies to maintain creditworthiness.

10. Borrowed Money

Borrowed money included subordinated debt of ¥10,400 million, at March 31, 2013 and 2012.

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

Description	Millions of yen		%		Due
	2013	2012	Average interest rate		
Bills rediscounted	¥ —	¥ —	—	—	
Other borrowings	120,245	99,309	0.34		April 2013 - September 2019
Lease obligations	3	—	8.93		April 2013 - September 2017

Notes: 1. Average interest rate represents the weight average interest rate based on the balances and rates at respective fiscal year-end.
2. The repayment schedule within five years on borrowed money at March 31, 2013 was as follows:

	Millions of yen	
	Other borrowings	Lease obligations
Within 1 year	¥103,735	¥0
After 1 year within 2 years	5,970	0
After 2 years within 3 years	5,570	0
After 3 years within 4 years	2,570	0
After 4 years within 5 years	2,400	0

11. Non-Performing Loans

In accordance with the disclosure requirements under the Rules for Bank Accounting in Japan, the balance of loans and bills discounted at March 31, 2013 and 2012 included the following non-performing loans:

March 31,	Millions of yen	
	2013	2012
Loans in bankruptcy and dishonored bills	¥1,575	¥2,079
Delinquent loans	116,116	111,103
Loans past due with respect to interest payments for more than 3 months	854	789
Restructured loans	37,139	45,938
Total	¥155,685	¥159,910

Notes: 1. Loans in bankruptcy and dishonored bills refers to loans (excluding charged-off amounts) stipulated in Article 96, Paragraph 1, Item 3 (a) to (e) or Item 4 of the Enforcement Regulation to Corporation Tax Act (1965 Enforcement Regulation No. 97) to which accrued interest receivables are not recognized as accruals for accounting purposes since no repayment of principal or payment of interest has been made for a considerable period. Delinquent loans refers to loans with respect to which accrued interest receivables are not recognized as accruals for accounting purposes, excluding loans falling into the category of restructured loans. Loans past due with respect to interest payments for more than 3 months refers to loans with respect to which repayment of principal or payment of interest are past due for three months or more, excluding loans falling into the categories of loans in bankruptcy and dishonored bills or delinquent loans. Restructured loans refers to loans to borrowers to whom financial support is given in the form of reduction in interest, waiver of repayment of the principal or payment of interest, or debt forgiveness with the aim of corporate rehabilitation, excluding loans falling into loan categories mentioned above.
2. The above amounts are stated before the deduction of the reserve for possible loan losses.

12. Bonds

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

Issuer	Description	Date of issue	Millions of yen		%		Collateral	Due
			2013	2012	Interest rate			
The Joyo Bank, Ltd.	2nd Unsecured Straight Bonds	May 24, 2000	5,000	5,000	2.64		—	May 22, 2020
The Joyo Bank, Ltd.	1st Unsecured Subordinated Bonds with early redemption clause	January 31, 2012	10,000	10,000	1.22		—	January 31, 2022
Total			¥15,000	¥15,000				

Note: After the consolidated closing date, the Bank had no redemption schedule for a period of five years or less.

13. Employees' Retirement Benefits

(a) Outline of current retirement benefit system

The Bank and its consolidated subsidiaries have adopted defined employees' retirement benefit plans, i.e., the employees' welfare pension fund supplemented by the employees' public pension system and lump-sum retirement benefits. In addition, extra benefits may be paid on a case-by-case basis. The Bank has established an employees' retirement benefit trust. As of the end of March 31, 2013, the Bank and nine consolidated subsidiaries have lump-sum retirement benefits for employees. The Bank and its consolidated subsidiaries have jointly established a fund under a defined benefit pension plan.

(b) The following table sets forth the changes in the retirement benefit obligation, the plan assets and the funded status of the Bank and its consolidated subsidiaries at March 31, 2013 and 2012:

March 31,	Millions of yen	
	2013	2012
Retirement benefit obligation	¥(72,736)	¥(63,279)
Fair value of plan assets	58,550	51,203
Funded status	(14,186)	(12,076)
Unrecognized actuarial loss	13,312	11,112
Unrecognized prior service cost	172	270
Net retirement benefit obligation	(701)	(693)
Prepaid pension cost	4,563	4,531
Reserve for employees' retirement benefits	¥(5,265)	¥(5,224)

Notes: 1. The above amounts do not include any extra benefits.

2. The consolidated subsidiaries have adopted a simplified method for the calculation of their retirement benefit obligation.

(c) Cost for retirement benefits of the Bank and its consolidated subsidiaries included the following components for the fiscal years ended March 31, 2013 and 2012:

Years ended March 31,	Millions of yen	
	2013	2012
Service cost	¥1,799	¥1,815
Interest cost	1,109	1,099
Expected return on plan assets	(642)	(718)
Amortization:		
Amortization of prior service cost	98	98
Amortization of unrecognized actuarial loss	1,531	2,124
Total retirement benefit cost	¥3,895	¥4,419

Note: Retirement benefit cost of consolidated subsidiaries which is calculated by a simplified method has been included in "service cost" referred to above.

(d) The assumptions used in accounting for the defined benefit plans for the fiscal years ended March 31, 2013 and 2012 were as follows:

Years ended March 31,	2013	2012
Discount rate	1.17%	2.0%
Expected rate of return on plan assets	2.5%	3.0%
Periodic allocation of estimated retirement benefits	Straight-line method	Straight-line method
Amortization period of prior service cost	10 years	10 years
Amortization period of actuarial gain/loss	10 years	10 years

14. Deferred Tax Assets

March 31,	Millions of yen	
	2013	2012
Deferred tax assets:		
Reserve for possible loan losses	¥21,243	¥23,082
Reserve for retirement benefits	8,683	8,776
Depreciation	1,848	2,290
Devaluation of securities	2,586	2,389
Reserve for employee bonuses	939	957
Reserve for reimbursement of dormant deposits	652	603
Others	8,409	8,555
Valuation allowance	(4,291)	(5,235)
Total	¥40,072	¥41,421
Deferred tax liabilities:		
Unrealized gain on available-for-sale securities	¥(45,615)	¥(20,606)
Retirement benefit trust	(5,186)	(5,186)
Reversal of reserve for possible loan losses after elimination of intercompany balances	(15)	(20)
Others	(1,616)	(1,715)
Total	(52,433)	(27,529)
Net deferred tax assets	¥(12,360)	¥13,892

The effective tax rate reflected in the consolidated statements of income for the fiscal years ended March 31, 2013 and 2012 differs from the statutory tax rate for the following reasons:

	2013	2012
Statutory tax rate	37.66%	40.32%
Effect of changes in statutory tax rate	—%	7.89%
Valuation allowance	(2.69)%	(4.55)%
Permanent differences including dividends received deduction	(2.16)%	(2.38)%
Permanent differences including entertainment expenses	0.28%	0.30%
Other	1.18%	1.71%
Effective tax rate	34.27%	43.29%

15. Deposits

March 31,	Millions of yen	
	2013	2012
Current deposits	¥4,422,678	¥4,317,343
Time deposits	2,816,395	2,828,842
Negotiable certificates of deposit	15,459	19,852
Others	105,389	111,669
Total	¥7,359,923	¥7,277,708

16. Trading Liabilities

March 31,	Millions of yen	
	2013	2012
Trading-related financial derivatives	¥160	¥192
Total	¥160	¥192

17. Shareholders' Equity

In accordance with the Banking Act of Japan, the Bank has provided a legal reserve by appropriation of retained earnings, which is included in retained earnings. The Banking Act of Japan provides that an amount equivalent to at least 20% of the amount to be disbursed as distributions of earnings be appropriated to the legal reserve until the total of such reserve and the capital surplus equals 100% of the common stock.

The Companies Act of Japan (the "Act"), provides that an amount equal to 10% of the amount to be disbursed as distributions of capital surplus (other than the capital reserve) and retained earnings (other than the legal reserve) be transferred to the capital reserve and the legal reserve, respectively, until the sum of the capital reserve and the legal reserve equals 25% of the capital stock account. Such distributions can be made at any time by resolution of the shareholders or by the Board of Directors if certain conditions are met.

Under the Act, upon the issuance and sale of new shares of common stock, the entire amount of the proceeds is required to be accounted for as common stock, although a company may, by resolution of the Board of Directors, account for an amount not exceeding one-half of the proceeds as capital surplus.

18. Trading Income

Years ended March 31,	Millions of yen	
	2013	2012
Revenue from trading securities	¥957	¥475
Revenue from trading-related financial derivatives	131	117
Other trading revenue	—	1
Total	¥1,089	¥594

19. Interest on Borrowings and Rediscounts

Years ended March 31,	Millions of yen	
	2013	2012
Call money and bills sold	¥91	¥35
Payables under securities lending transactions	207	51
Borrowed money	209	400
Total	¥509	¥487

20. Other Income

Years ended March 31,	Millions of yen	
	2013	2012
Other ordinary income	¥21,385	¥22,377
Gain on disposal of tangible fixed assets	16	—
Others	—	17
Total	¥21,401	¥22,394

21. Other Expenses

Years ended March 31,	Millions of yen	
	2013	2012
Losses on disposal of tangible fixed assets	¥636	¥391
Losses on impairment	308	860
Write-offs of claims	5,088	5,582
Write down of equity shares	939	1,622
Losses on sale of claims	163	347
Others	23,916	25,713
Total	¥31,054	¥34,515

Impairment losses were recorded in an aggregate amount deemed irrecoverable on idle assets, primarily located in Ibaraki Prefecture.

Impairment losses recognized on a consolidated basis for the fiscal years ended March 31, 2013 and 2012 can be broken down into the three categories of losses on land holdings in the amount of ¥261 million and ¥858 million, respectively, losses on buildings in the amount of ¥46 million and ¥2 million, respectively and losses on movable assets in the amount of ¥0 million and nil, respectively.

The recoverable amounts used for the measurement of such impairment losses are net sales prices, which are calculated on the basis of appraisal values after deduction of the estimated cost of disposal.

22. Accumulated Depreciation of Tangible Fixed Assets

Accumulated depreciation on tangible fixed assets amounted to ¥92,941 million and ¥95,814 million, as of March 31, 2013 and 2012, respectively.

23. Supplementary Information to Consolidated Statements of Comprehensive Income

Years ended March 31,	Millions of yen	
	2013	2012
Unrealized gains on available-for-sale securities:		
The amount arising during the period	¥75,084	¥15,797
Reclassification adjustments	(3,257)	(2,835)
Before adjustments of tax effect	71,826	12,962
Tax effect	(24,991)	(2,877)
Unrealized gains on available-for-sale securities	46,834	10,084
Deferred gain/loss on hedging instruments, net of taxes:		
The amount arising during the period	1,129	859
Reclassification adjustments	(1,047)	(1,179)
Before adjustments of tax effect	81	(319)
Tax effect	(27)	(81)
Deferred gain/loss on hedging instruments, net of taxes	53	(401)
Land revaluation excess, net of taxes:		
The amount arising during the period	—	—
Reclassification adjustments	—	—
Before adjustments of tax effect	—	—
Tax effect	—	1,730
Land revaluation excess, net of taxes	—	1,730
Total	¥46,888	¥11,414

24. Segment Information

a. Outline of the reportable segments

The reportable segments of the Company are those units for which discrete financial information can be obtained and which are regularly examined by the management meeting, which is the highest decision-making body for decisions on the allocation of management resources and for assessing business performance.

Comprised of the Bank and its nine subsidiaries, the Group's main business is banking. Other operations include leasing, credit guarantee services, banking administrative agency services, securities trading and other financial business. "Banking" and "leasing" are its reportable segments, while credit guarantee services are included in "Other."

b. Calculation method of the amount of ordinary income, segment profit, assets and other items by the reportable segment

Accounting method of the reportable segment is as described in "Significant Accounting Policies." Ordinary income is regarded as the segment profit. Ordinary income from internal transactions is calculated based on actual market price.

In addition, ordinary profit is operating income plus non-operating revenue (including interest income, dividend income and gain/loss on sale of securities), after deduction of non-operating expenses (including interest expenses, gain/loss on sale of securities, and securities valuation gains/losses).

c. Information related to ordinary income, segment profit, assets and other items by the reportable segment

Year ended March 31, 2013	Millions of yen						Consolidated
	The reportable segment			Other	Total	Adjustments	
	Banking operations	Leasing	Total				
Ordinary income:							
From external customers	¥129,515	¥15,635	¥145,151	¥5,299	¥150,451	¥—	¥150,451
From internal transactions	1,647	721	2,369	4,875	7,244	(7,244)	—
Total	131,163	16,357	147,520	10,175	157,696	(7,244)*1	150,451
Segment profit	31,726	1,222	32,948	2,743	35,692	261	35,953
Assets	8,243,641	46,556	8,290,197	42,411	8,332,608	(64,575)	8,268,033
Liabilities	7,746,950	39,363	7,786,314	28,481	7,814,795	(53,411)	7,761,383
Others							
Depreciation	5,180	66	5,246	257	5,504	(170)	5,334
Interest income	98,209	62	98,272	212	98,484	(414)	98,070
Interest expenses	5,180	294	5,475	162	5,638	(411)	5,227
Gain on disposal of tangible fixed assets	16	—	16	—	16	—	16
Losses on disposal of tangible fixed assets	622	—	622	14	636	—	636
Losses on impairment	228	—	228	80	308	—	308
Tax expenses	10,513	502	11,016	993	12,010	(4)	12,005
Increase in tangible and intangible fixed assets	7,462	16	7,479	195	7,674	—	7,674

Notes: 1. Ordinary income is presented as the counterpart of sales of a non-banking company. Adjustments refer to differences between ordinary income and ordinary income posted in Consolidated Statements of Income.

2. Adjustments are as follows:

- *1 Include intersegment transactions of ¥(7,402) million.
- Adjustments in assets of ¥(64,575) million include elimination of intersegment transactions of ¥(53,524) million.
- Adjustments in liabilities of ¥(53,411) million include elimination of intersegment transactions of ¥(50,523) million.
- Adjustments in depreciation of ¥(170) million include depreciation of lease assets presented as tangible fixed assets on the consolidated financial statements of ¥(169) million.
- Adjustments in Interest income of ¥(414) million include intersegment interests of ¥(407) million.
- Adjustments in interest expenses of ¥(411) million include intersegment interest of ¥(408) million.
- Adjustments in tax expenses of ¥(4) million include deferred income taxes of ¥(4) million due to eliminations of intersegment reserve for possible loan losses.

Year ended March 31, 2012	Millions of yen						
	The reportable segment			Other	Total	Adjustments	Consolidated
	Banking operations	Leasing	Total				
Ordinary income:							
From external customers	¥133,669	¥15,270	¥148,940	¥4,733	¥153,673	¥ —	¥153,673
From internal transactions	1,269	1,035	2,304	4,755	7,059	(7,059)	—
Total	134,938	16,305	151,244	9,489	160,733	(7,059)*1	153,673
Segment profit	29,979	1,870	31,849	1,928	33,778	44	33,822
Assets	7,984,854	41,612	8,026,467	37,782	8,064,249	(58,973)	8,005,275
Liabilities	7,545,571	35,132	7,580,703	25,439	7,606,142	(47,482)	7,558,660
Others							
Depreciation	5,939	55	5,995	263	6,259	31	6,290
Interest income	101,940	57	101,998	227	102,225	(412)	101,813
Interest expenses	6,146	297	6,443	173	6,617	(413)	6,204
Other extraordinary gain	—	—	—	17	17	—	17
Losses on disposal of tangible fixed assets	345	—	345	45	391	—	391
Losses on impairment	389	—	389	732	1,122	(262)	860
Provision for reserves under special law	—	—	—	0	0	—	0
Other extraordinary loss*	—	—	—	2	2	—	2
Tax expenses	12,448	761	13,210	908	14,119	(10)	14,109
Increase in tangible and intangible fixed assets	5,694	0	5,694	451	6,145	—	6,145

* Other extraordinary loss refers to loss on disposal of noncurrent assets and impairment loss.

Notes: 1. Ordinary income is presented as the counterpart of sales of a non-banking company. Adjustments refer to differences between ordinary income and ordinary income posted in Consolidated Statements of Income.

2. Adjustments are as follows:

- a) *1 Include intersegment transactions of ¥(7,217) million.
- b) Adjustments in assets of ¥(58,973) million include elimination of intersegment transactions of ¥(49,568) million.
- c) Adjustments in liabilities of ¥(47,482) million include elimination of intersegment transactions of ¥(46,575) million.
- d) Adjustments in depreciation of ¥(31) million include depreciation of lease assets presented as tangible fixed assets on the consolidated financial statements of ¥(32) million.
- e) Adjustments in Interest income of ¥(412) million include intersegment interests of ¥(364) million.
- f) Adjustments in interest expenses of ¥(413) million include intersegment interest of ¥(364) million.
- g) Adjustments in losses on impairment of ¥(262) million are those between consolidated balance sheet amount and non-consolidated balance sheet amount.
- h) Adjustments in tax expenses of ¥(10) million include deferred income taxes of ¥(10) million due to eliminations of intersegment reserve for possible loan losses.

Related Information

a. Information by service

Year ended March 31, 2013	Millions of yen				
	Lending	Investment in securities	Leasing	Other	Total
Ordinary income from external customers:	¥72,655	¥30,537	¥15,635	¥31,622	¥150,451

Note: 1. Ordinary income is presented as the counterpart of sales of a non-banking company. Adjustments refer to differences between ordinary income and ordinary income posted in Consolidated Statements of Income.

Year ended March 31, 2012	Millions of yen				
	Lending	Investment in securities	Leasing	Other	Total
Ordinary income from external customers:	¥76,624	¥31,365	¥15,270	¥30,413	¥153,673

Note: 1. Ordinary income is presented as the counterpart of sales of a non-banking company. Adjustments refer to differences between ordinary income and ordinary income posted in Consolidated Statements of Income.

b. Information by geographic area

Segment information by geographic area is not disclosed since over 90% of the total consolidated ordinary income and tangible fixed assets of the Bank and its consolidated subsidiaries resides in Japan.

c. Information by customer

Segment information by customer has not been disclosed since no single customer represented 10% or more of total ordinary income.

Impairment loss information by the reportable segments

Year ended March 31, 2013	Millions of yen				
	The reportable segment			Other	Total
	Banking operations	Leasing	Total		
Impairment loss:	¥228	¥—	¥228	¥80	¥308

Year ended March 31, 2012	Millions of yen				
	The reportable segment			Other	Total
	Banking operations	Leasing	Total		
Impairment loss:	¥389	¥—	¥389	¥470	¥860

Amortization and unamortized balance of goodwill

Year ended March 31, 2013	Millions of yen				
	The reportable segment			Other	Total
	Banking operations	Leasing	Total		
Negative goodwill:					
Amortization	¥158	—	¥158	—	¥158
Unamortized balance	2,133	—	2,133	—	2,133

Year ended March 31, 2012	Millions of yen				
	The reportable segment			Other	Total
	Banking operations	Leasing	Total		
Negative goodwill:					
Amortization	¥158	—	¥158	—	¥158
Unamortized balance	2,291	—	2,291	—	2,291

25. Leases

(a) Finance leases

Finance lease transactions in which ownership of leased property is not transferred to the lessee are accounted for as operating leases (please see 3(q) "In line with the stipulations of Article 81 of the Guidance on Accounting Standard for Lease Transactions (ASBJ Guidance No. 16, issued on March 30, 2007), book value (after deduction of accumulated depreciation) of lease assets included in tangible fixed assets and intangible assets as of the previous balance sheet date (March 31, 2008) was recorded as the initial balance of "Lease receivables and lease investment assets.", as follows:

As lessee

Acquisition cost, aggregate depreciation expenses, and book value at March 31, 2013

	Tangible fixed assets	Total
Acquisition cost	¥5 million	¥5 million
Accumulated Depreciation expenses	¥3 million	¥3 million
Book value at term-end	¥2 million	¥2 million

Note: The acquisition cost presented above is inclusive of interest amounts, as the balance of acquisition cost and minimum lease payment is small as a percentage of the total book value of tangible fixed assets.

Lease payments that would have been required for finance leases:

Within one year	Over one year	Total
¥0 million	¥1 million	¥2 million

Note: Lease payments presented above is inclusive of interest amounts, as the balance of acquisition cost and minimum lease payment is small as a percentage of the total book value of tangible fixed assets.

Lease fees paid and depreciation expenses that would have been incurred under finance leases:

Lease fees	Depreciation expenses
¥0 million	¥0 million

Note: Method of calculation of depreciation expenses

The lease assets are depreciated by the straight-line method on the assumption that the lease term is the useful life and the residual value is zero.

(b) Operating leases

As lessee

Future lease payments under non-cancellable operating lease transactions were as follows:

	Within one year	Over one year	Total
As lessee	¥46 million	¥279 million	¥325 million
As lessor	¥18 million	¥ 4 million	¥22 million

No losses are recognized for the impairment of lease assets.

26. Financial Instruments

(1) Status of Financial Instruments

a. Policy on Financial Instruments

The Bank and its nine consolidated subsidiaries (the "Group") provide financial services such as leasing, agent of banking administrative work and securities business, and centering on banking service.

The Group raises funds by acceptance of the deposits, and invests the funds in loans and securities. We have financial assets and liabilities of which the values fluctuate with changes in interest rates, foreign exchange rates and market prices. To avoid adverse effects from such fluctuations, the Group performs integrated assets and liabilities management (the "ALM") in each company.

Moreover, we are engaged in derivatives transactions, such as those related to interest rates, currencies and bonds, for hedging and non-hedging purposes. Some consolidated subsidiaries are also engaged in interest rate related derivatives in connection with investments in securities and for hedging purposes.

b. Financial Instruments and Risks

The financial assets held by the Group consist primarily of securities and loans. Loans are subject to credit risk which could cause financial losses to the Group from non-performance of obligations by borrowers. With regard to securities, the Group is exposed to credit risk of issuers, interest-rate risk, and market price volatility risk.

The deposits include current deposits and savings deposits without maturities, and time deposits with maturities. These deposits expose the Group to liquidity risk that could be caused by concentrated withdrawals by customers.

The Group has liquidity risk with the borrowed money and bonds that it would become impossible to execute payments at the due dates when the Group lost access to the financial markets. Although the floating-rate borrowings expose us to the interest rate risk, we mitigate this risk using interest rate swaps partially.

We are engaged in derivatives transactions to meet customers' demands to hedge exchange-rate and interest-rate risks and to appropriately manage the Bank's market risks. Moreover, we utilize derivatives transactions for efficient ALM and hedging of individual transactions.

Derivatives transactions have market risk that losses could arise from market changes including those in interest rates and exchange rates. Additionally, derivatives transactions have credit risk that transactions are not fulfilled as provided by the contracts due to an event such as a failure of the counterparty.

Regarding hedging transactions to offset fluctuations in interest rates, the hedged items (e.g., loans) and the hedging instruments (e.g., interest rate swaps) are grouped by maturity to assess the effectiveness. As for cash flow hedges, we examine interest-rate correlation between the hedged items and the hedging instruments. Moreover, to assess the effectiveness of hedging transactions for foreign exchange risk, we designate transactions such as currency swaps and foreign exchange swaps as the hedging instruments and verify that we hold foreign currency positions of those hedging instruments that match the hedged items including monetary claims and obligations denominated in foreign currencies. We also perform "after-the-fact test" to confirm certain interest rate swaps continuously meet the requirements for exceptional accrual method.

We have set position limits and loss limits for trading transactions involving short-term purchases and sales of financial instruments.

c. Risk Management for Financial Instruments

(a) Integrated Risk Management

The Bank holistically controls risks from various financial assets and liabilities and risks related to banking business through integrated risk management. The Bank calculates apportionable risk capital using Tier I capital and allocates by risk category and by department. The Bank periodically quantifies risks it takes and controls such risks within the allocated capital. The Bank assesses unquantifiable risks using stress test and other measures.

(b) Credit Risk Management

The Group has enacted "Guidelines for Credit Risk Management," which provides for basic policies comprising appropriate credit exposure management on individual and portfolio bases. The portfolio-based credit exposure management involves diversification of risk. Credit Risk Management Group has been segregated from the divisions under Business Headquarters to achieve rigorous credit review, and conducts thorough monitoring borrower's financial condition to prevent deterioration of loans.

In the self-assessments that evaluate the quality of assets, the business offices categorize the borrowers based on the credit ratings, which is then reviewed by Credit Examination Division in the Headquarters. Furthermore, Corporate Audit Division examines results and processes of the self-assessments for accuracy and adequacy. As for credit risk of the issuers of securities, Treasury and Securities Division monitors credit information and market prices and gives the issuers credit ratings as well as carries out self-assessments of the issuers like for general borrowers.

(c) Market Risk Management

(i) Interest-rate Risk Management

The Group has set risk limits corresponding to the Group's financial strength to interest-rate risk in the banking account, and applies and monitors the limits rigorously through the ALM. In order to control the interest-rate risk appropriately:

- ◆ The Group has established "Risk Management Basic Rules," "Integrated Risk Management Rules," and "ALM Guidance."
- ◆ The Board of Directors (the "Board") establishes risk tolerance limits for interest-rate risk within the allocable capital range after discussions at the General Budget Committee every half year.

The ALM Committee discusses and reports to the Board detail plans to address interest-rate risk every month.

Interest-rate risk is measured using value at risk ("VaR"). The ALM Committee sets alarm points somewhat below the risk limits and monitors the points as well as the limits on a monthly basis.

Moreover, the Group analyzes interest-rate risk from various aspects using tools such as basis-point value ("BPV"), the scenario analysis (simulation method) and the interest rate sensitivity analysis in addition to VaR, and controls the risk within a tolerable range reflective of the Group's financial strength.

(ii) Foreign Exchange Risk Management

The Group controls foreign exchange risk by using hedging instruments such as currency swaps and foreign exchange swaps. In addition, the Group also enters into offsetting transactions in financial markets on an individual or aggregate basis, in order to reverse out foreign exchange risk arising from foreign exchange transactions offered by customers. Additionally, the Group converts into yen an amount equivalent to monthly interest income denominated in foreign currencies every month, in order to mitigate foreign exchange risk arising from foreign-currency denominated revenues.

(iii) Price Fluctuation Risk Management

The Group has set risk limits corresponding to the Group's financial strength to price-fluctuation risk arising from financial instruments such as stocks and investment trusts, and applies and monitors the limits rigorously through the ALM.

The Board establishes risk tolerance limits for price-fluctuation risk within the allocable capital range after discussions at the General Budget Committee every half year.

Price-fluctuation risk is measured using VaR. The ALM Committee sets alarm points somewhat below the risk limits and monitors the points as well as the limits on a monthly basis. To prevent unrealized losses from being accumulated, the Group monitors and manages unrealized gains and losses under certain policies on a daily basis.

(iv) Derivatives Transactions

The Group utilizes derivatives transactions chiefly as hedging instruments for interest-rate and foreign exchange risks. The Group controls counterparty credit risk in derivatives transactions by setting credit limits.

For derivatives transactions with financial institutions, the Group sets an individual credit line and manages credit exposures on a daily basis in accordance with "Credit Line Management Rule for Banking and Security Companies."

For derivatives transactions with customers, the Group also sets an individual credit line to reflect factors such as the creditworthiness and outstanding transactions, just like for financing transactions, and manages the credit exposures together with those arising from other transactions on an individual basis.

(v) Trading Transactions

The Group primarily trades bonds, foreign exchanges and derivatives transactions for trading purposes. We set utilize certain measures such as position limits, risk tolerance limits and loss limits in accordance with "Trading and Risk Management Rules."

(vi) Quantitative Information related to Market Risk

1. Banking Account

(1) Interest rate risk

The Bank adopts the variance-covariance method as measurement method (a holding period of 6 months, a confidence interval 99%, and observation period of 5 years) for calculating VaR related to interest rate risk of interest rate swaps in loans and bills discounted, domestic bonds, deposits, borrowed money, corporate bonds and derivatives. The bank adopts the historical simulation method (a holding period of 6 months, a confidence interval 99%, and observation period of 5 years) for calculating VaR related to interest rate risk of interest rate swaps and currency swaps in foreign bonds, trust beneficiary right, market fund transactions and derivatives. As of March 31, 2013 VaR related to interest rate risk was ¥ 36,740 million.

(2) Price fluctuation risk

The Bank adopts the historical simulation method (a holding period of 6 months, a confidence interval 99%, and observation period of 5 years) for calculating VaR related to price fluctuation risk of listed equities and mutual funds. As of March 31, 2013 VaR related to price fluctuation risk was ¥ 112,703 million. Correlation between interest rate risk and price fluctuation risk has not been considered.

2. Trading Account

The Bank adopts the historical simulation method (a holding period of 1 day, a confidence interval 99%, and observation period of 5 years) for calculating VaR related trading securities, trading purpose foreign exchange transactions and derivatives such as forward transactions and option transactions. As of March 31, 2013, VaR related to trading account was ¥ 16 million.

3. Validity of VaR

The Bank performs back testing to compare VaR calculated by its internal model against actual profit and loss to confirm the measurement model used captures market risk with sufficient accuracy. However, VaR statistically quantifies market risk calculated based on past market movements. Therefore, there could be cases in which VaR cannot capture risk under sudden and dramatic changes in market conditions beyond normal circumstances.

(d) Management of Liquidity Risk in Funding

To manage liquidity risk under “Market and Liquidity Risk Management Rules,” the Bank:

- ◆ Conducts financing activities after fully analyzing its cash flows.
- ◆ Pays continuous attention to the balance sheet structure, lines of credit provided to the Group, collateral management and costs to maintain the liquidity.
- ◆ Strives to maintain the diversity and stability of funding sources.

In addition, the liquidity risk borne by the Group is reported to the Board and the ALM Committee on a monthly basis.

d. Supplementary Explanation Concerning Matters Related to Fair Value of Financial Instruments

Fair value of financial instruments includes a value based on market prices as well as a reasonably calculated value when no market price is available. Because certain assumptions are used in the fair value calculation, such value may vary when different assumptions are used.

(2) Disclosures Regarding Fair Value of Financial Instruments and Other Items

The table below sets forth fair values of financial instruments at March 31, 2013 and 2012 except for those whose fair values are extremely difficult to determine (see (Note2)). In addition, those financial instruments which are immaterial are not below listed.

March 31, 2013	Millions of yen		
	Consolidated balance sheet amount	Fair value	Difference
(1) Cash and due from banks	¥318,396	¥318,396	¥—
(2) Securities			
Held-to-maturity debt securities	34,289	34,544	254
Available-for-sale securities	2,608,405	2,608,405	—
(3) Loans and bills discounted	5,108,316		
Reserve for possible loan losses (*1)	(44,986)		
Sub-total	5,063,329	5,141,569	78,239
Total assets	8,024,420	8,102,914	78,494
(1) Deposits	7,344,463	7,345,331	(867)
(2) Negotiable certificates of deposit	15,459	15,459	—
(3) Payables under securities lending transactions	91,283	91,283	—
(4) Borrowed money	120,245	120,657	(412)
Total liabilities	7,571,452	7,572,732	(1,280)
Derivatives transactions (*2)			
Transactions not accounted for as hedging instruments	511	511	—
Transactions accounted for as hedging instruments	(6,692)	(6,692)	—
Total derivatives transactions	(6,181)	(6,181)	—

(*1) General and individual reserves for possible loan losses are deducted from loans and bills discounted.

(*2) Derivatives transactions recorded in other assets and other liabilities are presented in a lump sum. Net claims and debts that arose from derivatives transactions are presented on a net basis.

March 31, 2012	Millions of yen		
	Consolidated balance sheet amount	Fair value	Difference
(1) Cash and due from banks	¥385,528	¥385,528	¥—
(2) Securities			
Held-to-maturity debt securities	30,937	31,115	178
Available-for-sale securities	2,417,781	2,417,781	—
(3) Loans and bills discounted	4,952,771		
Reserve for possible loan losses (*1)	(43,917)		
Sub-total	4,908,854	4,982,409	73,555
Total assets	7,743,100	7,816,834	73,733
(1) Deposits	7,257,856	7,259,521	(1,664)
(2) Negotiable certificates of deposit	19,852	19,852	—
(3) Borrowed money	99,309	99,693	(384)
Total liabilities	7,377,017	7,379,066	(2,048)
Derivatives transactions (*2)			
Transactions not accounted for as hedging instruments	675	675	—
Transactions accounted for as hedging instruments	(4,916)	(4,916)	—
Total derivatives transactions	(4,241)	(4,241)	—

(*1) General and individual reserves for possible loan losses are deducted from loans and bills discounted.

(*2) Derivatives transactions recorded in other assets and other liabilities are presented in a lump sum. Net claims and debts that arose from derivatives transactions are presented on a net basis.

(Note 1) Calculation Methods for Fair Value of Financial Instruments

Assets

(1) Cash and Due from Banks

Since fair value of these items approximates the book value, we deem the carrying value to be the fair value.

(2) Securities

Fair value of shares is determined by reference to quoted market prices on stock exchanges. Fair value of bonds is determined by reference to quoted market prices or prices offered by financial institutions, or based on the price best estimated. Fair value of investment trusts is determined by reference to their publicly available net asset value per unit. Fair value of privately placed bonds guaranteed by the Bank is determined by the discounted cash flow method. The discount rates used in the calculation were calculated based on the bankruptcy probability by credit rating and the coverage ratio of an individual claim.

In the fiscal year ended March 31, 2013, we treat market prices as fair value for Japanese Government Bonds (JGBs) with variable interest rates and securitized products that we own.

In the previous fiscal year, the reasonably estimated value of Japanese Government Bonds (JGBs) with variable interest rates that have widely fluctuating differences between market price and theoretical price was set as the fair value. The reasonably estimated value is calculated based on the discounted cash flow method or other pricing methods using JGB yields and the volatility of swaptions as primary pricing variables. In the previous term, the reasonably estimated value of JGBs with variable interest rates was set as the fair value. The reasonably estimated value is calculated based on the discounted cash flow method or other pricing methods using JGB yields and the volatility of swaptions as primary pricing variables.

We used a reasonably estimated value as the fair value of securitized products (e.g., collateralized loan obligations), except those subject to impairment, of which external credit rating is not downgraded, of which collateral asset pools are not deteriorated, and which the Group intends to continue to hold. The reasonably estimated price was calculated by the discounted cash flow method or other pricing methods using the default rate, recovery rate, pre-payment rate and discount rate as primary pricing variables.

Please see "27. Securities Information" for details of securities in each purpose of holding.

(3) Loans and bills discounted

Since floating-rate loans and bills discounted reflect market interest rates in a short period, the fair value approximates the carrying value unless the credit standing of the borrower is not significantly different after the loan was made or the bill was drawn. The fair value is therefore deemed equal to the carrying value.

Fair value of fixed-rate loans and bills discounted are determined as the total of principal and interest discounted by the type, internal credit rating and maturities. Discount rates used in the calculation were interest rates which would be applied when similar loans were newly extended. Fair value of fixed-rate loans and bills discounted whose terms are short (i.e., within one year) approximates their carrying value and is therefore deemed equal to the carrying value.

Possible losses on legally bankrupt loans, substantially bankrupt loans and potentially bankrupt loans are computed based on recoverable amounts estimated as the present value of future cash flows or the collectible amounts from collaterals and guarantees. Then the fair value of those loans approximates the consolidated balance sheet amount at the closing date minus the currently estimated losses, and is therefore deemed equal to the amounts.

Fair value of loans and bills discounted for which repayment terms are not set because of their attributes (e.g., loans are limited to the amounts of assets pledged as collateral) is assumed to approximate their carrying value, considering the expected repayment periods and interest rate conditions, and are deemed equal to the carrying value.

Liabilities

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

For demand deposits, we deem the amount that the Group would require to pay on the consolidated balance sheet date (i.e., carrying value) to be the fair value.

With respect to time deposits with long deposit terms (i.e., one year or longer), we used the present value of future cash flows calculated by time band as the fair value. The discount rates used in the calculation were the interest rates that would apply to newly accepted deposits.

(3) Payables under securities lending transactions

As for short-term loans with maturity of one year or less, the book value is deemed as the fair value since the fair value approximates the book value.

(4) Borrowed money

We used as the fair value the present value of future cash flows calculated by borrowing period. The discount rates used in the calculation were interest rate that would applied to new borrowings. Fair value of borrowings for a short term (i.e., within one year) approximates the carrying value and is deemed equal to the carrying value.

Derivatives Instruments

See "28. Derivatives."

(Note 2) The following table summarizes financial instruments, of which fair value is extremely difficult to determine:

Fair value of available-for-sale securities in the above table excludes the following items at March 31, 2013 and 2012.

Years ended March 31,	Millions of yen	
	Consolidated balance sheet amounts	
	2013	2012
Unlisted stocks (*1) (*2)	¥5,330	¥5,374
Investments in partnerships and others (*3)	3,373	4,323
Total	¥8,704	¥9,697

(*1) Unlisted stocks are excluded from "Disclosures Regarding Fair Value of Financial Instruments and Other Items" since no market price is available and their fair value is extremely difficult to determine.

(*2) Impairment losses on unlisted stocks were ¥43 million and ¥21 million, as of March 31, 2013 and 2012.

(*3) Out of investments in partnerships and others, certain partnerships holding assets whose fair value was extremely difficult to determine are excluded from "Disclosures Regarding Fair Value of Financial Instruments and Other Items."

(Note 3) Redemption schedule of money claims and securities with stated maturities after the consolidated balance sheet date is as follows:

March 31, 2013	Millions of yen					
	1 year or less	1-3 years	3-5 years	5-7 years	7-10 years	Over 10 years
Cash and due from banks	¥318,396	¥—	¥—	¥—	¥—	¥—
Securities						
Held-to-maturity debt securities	13,205	10,872	10,211	—	—	—
Japanese government bonds	11,000	2,100	—	—	—	—
Municipal bonds	—	—	—	—	—	—
Corporate bonds	2,205	8,772	10,211	—	—	—
Available-for-sale securities						
with maturities	231,132	489,354	504,541	444,097	471,485	106,321
Japanese government bonds	101,000	257,400	342,900	330,300	318,000	—
Municipal bonds	37,037	146,930	61,308	—	50,313	—
Corporate bonds	69,166	55,437	36,464	75,408	101,752	33,784
Foreign bonds	21,515	26,526	62,529	38,389	—	71,207
Other	2,413	3,059	1,338	—	1,420	1,329
Loans and bills discounted (*)	3,072,577	697,694	506,993	251,517	219,949	172,021
Total	¥3,635,310	¥1,197,920	¥1,021,745	¥695,615	¥691,434	¥278,342

(*) Legally bankrupt loans, substantially bankrupt loans and potentially bankrupt loans amounting to ¥117,692 million, and loans and bills discounted without maturities amounting to ¥69,871 million were excluded from the table above.

March 31, 2012	Millions of yen					
	1 year or less	1-3 years	3-5 years	5-7 years	7-10 years	Over 10 years
Cash and due from banks	¥385,528	¥—	¥—	¥—	¥—	¥—
Securities						
Held-to-maturity debt securities	17,375	6,344	7,417	—	—	—
Japanese government bonds	12,000	—	—	—	—	—
Municipal bonds	—	—	—	—	—	—
Corporate bonds	5,375	6,344	7,417	—	—	—
Available-for-sale securities						
with maturities	239,135	491,107	534,752	392,395	424,546	79,204
Japanese government bonds	129,000	241,700	346,100	332,200	300,000	—
Municipal bonds	67,392	107,888	93,906	355	23,258	—
Corporate bonds	31,362	105,027	45,680	38,137	96,629	41,865
Foreign bonds	11,265	33,469	46,027	21,023	2,360	36,027
Other	114	3,022	3,038	680	2,298	1,311
Loans and bills discounted (*)	1,415,532	1,057,362	695,606	399,234	386,278	815,797
Total	¥2,057,571	¥1,554,813	¥1,237,776	¥791,630	¥810,825	¥895,001

(*) Legally bankrupt loans, substantially bankrupt loans and potentially bankrupt loans amounting to ¥113,183 million, and loans and bills discounted without maturities amounting to ¥69,776 million were excluded from the table above.

(Note 4) Redemption schedule of borrowed money and other interest-bearing liabilities after the consolidated balance sheet date at March 31, 2013 and 2012 is as follows:

March 31, 2013	Millions of yen					
	1 year or less	1-3 years	3-5 years	5-7 years	7-10 years	Over 10 years
Deposits (*)	¥6,616,152	¥615,630	¥106,207	¥2,099	¥4,372	¥—
Negotiable certificates of deposit	15,459	—	—	—	—	—
Payables under securities lending transactions	91,283	—	—	—	—	—
Borrowed money	103,735	11,540	4,970	—	—	—
Total	¥6,826,631	¥627,170	¥111,177	¥2,099	¥4,372	¥—

(*) Demand deposits were included in "1 year or less."

March 31, 2012	Millions of yen					
	1 year or less	1-3 years	3-5 years	5-7 years	7-10 years	Over 10 years
Deposits (*)	¥6,571,224	¥592,393	¥88,440	¥1,760	¥4,037	¥—
Negotiable certificates of deposit	19,852	—	—	—	—	—
Borrowed money	79,534	10,685	7,060	2,030	—	—
Total	¥6,670,610	¥603,078	¥95,500	¥3,790	¥4,037	¥—

(*) Demand deposits were included in "1 year or less."

27. Securities Information

Year ended March 31, 2013

(a) Trading Securities

March 31, 2013	Millions of yen	
	Unrealized gain	recognized as income
Trading securities		¥(4)

(b) Held-to-maturity debt securities

March 31, 2013	Type	Millions of yen		
		Consolidated balance sheet amount	Fair value	Difference
Securities with fair value exceeding consolidated balance sheet amount	Bonds:	¥29,908	¥30,177	¥268
	Japanese government bond	10,100	10,101	1
	Municipal bonds	—	—	—
	Corporate bonds	19,808	20,075	267
	Other:	—	—	—
	Foreign bonds	—	—	—
	Other	—	—	—
	Sub-total	29,908	30,177	268
Securities with fair value not exceeding consolidated balance sheet amount	Bonds	4,380	4,366	(13)
	Japanese government bond	3,000	3,000	(0)
	Municipal bonds	—	—	—
	Corporate bond	1,380	1,366	(13)
	Other:	774	774	(0)
	Foreign bonds	—	—	—
	Other	774	774	(0)
	Sub-total	5,155	5,141	(13)
Total		¥35,063	¥35,318	¥254

(c) Available-for-sale securities

March 31, 2013	Type	Millions of yen		
		Consolidated balance sheet amount	Acquisition cost	Difference
Securities with consolidated balance sheet amount exceeding acquisition cost	Stocks	¥177,231	¥108,773	¥68,457
	Bonds	1,987,026	1,942,887	44,138
	Japanese government bond	1,300,188	1,271,840	28,347
	Municipal bonds	301,379	295,647	5,731
	Corporate bonds	385,458	375,398	10,059
	Other	246,783	222,181	24,602
	Foreign bonds	178,010	171,716	6,294
	Other	68,773	50,464	18,308
	Sub-total	2,411,041	2,273,842	137,199
	Securities with consolidated balance sheet amount not exceeding acquisition cost	Stocks	15,390	17,749
Bonds		103,888	104,159	(271)
Japanese government bonds		102,090	102,359	(269)
Municipal bonds		—	—	—
Corporate bonds		1,798	1,800	(1)
Other		89,009	91,708	(2,698)
Foreign bonds		57,878	58,479	(600)
Other		31,131	33,229	(2,098)
Sub-total	208,288	213,617	(5,328)	
Total		¥2,619,330	¥2,487,460	¥131,870

(d) Held-to-maturity debt securities sold during the fiscal year

No held-to-maturity debt securities were sold during the fiscal year ended March 31, 2013.

(e) Available-for-sale securities sold during the fiscal year

Year ended March 31, 2013	Sales proceeds	Millions of yen	
		Gains on sales	Losses on sales
Stocks	¥18,958	¥1,178	¥1,705
Bonds	242,413	3,640	81
Japanese government bonds	222,509	3,296	28
Municipal bonds	—	—	—
Corporate bonds	19,903	343	52
Other	47,338	1,031	408
Foreign bonds	41,133	237	408
Other	6,204	793	—
Total	¥308,710	¥5,850	¥2,195

(f) Securities Recognized for Impairment Loss

For available-for-sale securities with market values, in cases where the market value has fallen substantially from the acquisition price and it is considered there is little likelihood of recovery to the acquisition price level, the securities are stated at market value on the consolidated balance sheets and the difference between the market value and the acquisition price is posted as a loss ("impairment loss").

Impairment losses for the fiscal year amounted to ¥1,387 million, comprising ¥904 million from stocks and ¥483 million from bonds.

Pursuant to "Practical Guidelines for Accounting for Financial Instruments" (JICPA Accounting Committee Report No. 14), the Bank recognized the impairment losses on listed equity shares whose average market price over the one-month period immediately prior to the balance sheet date declined by 30% or more compared with acquisition cost, and other securities whose market price at the balance-sheet date also declined by 30% or more compared with acquisition cost.

(g) Money held in trust classified as available-for-sale securities

Not applicable as of March 31, 2013.

(h) Unrealized gain on available-for-sale securities

March 31, 2013	Millions of yen
Unrealized (losses) gains:	
Available-for-sale securities	¥132,661
Other money held in trust	—
Deferred tax assets (liabilities)	(45,612)
Net unrealized gains on available-for-sale securities	87,049
Less minority interests	(2)
Unrealized gains on available-for-sale securities	¥87,047

Note: The total unrealized gains include an unrealized gain of ¥791 million on available-for-sale securities, which constitute the property of related associations.

Year ended March 31, 2012**(a) Trading Securities**

March 31, 2012	Millions of yen
	Unrealized gain recognized as income
Trading securities	¥7

(b) Held-to-maturity debt securities

March 31, 2012	Type	Consolidated balance sheet amount	Fair value	Difference
Securities with fair value exceeding consolidated balance sheet amount	Bonds:	¥26,238	¥26,445	¥207
	Japanese government bond	11,501	11,503	2
	Municipal bonds	—	—	—
	Corporate bonds	14,737	14,941	204
	Other:	—	—	—
	Foreign bonds	—	—	—
	Other	—	—	—
	Sub-total	26,238	26,445	207
Securities with fair value not exceeding consolidated balance sheet amount	Bonds	4,699	4,670	(29)
	Japanese government bond	500	500	(0)
	Municipal bonds	—	—	—
	Corporate bond	4,199	4,169	(29)
	Other:	2,235	2,229	(5)
	Foreign bonds	—	—	—
	Other	2,235	2,229	(5)
	Sub-total	6,934	6,899	(34)
Total		¥33,172	¥33,345	¥172

(c) Available-for-sale securities

March 31, 2012	Type	Millions of yen		
		Consolidated balance sheet amount	Acquisition cost	Difference
Securities with consolidated balance sheet amount exceeding acquisition cost	Stocks	¥110,902	¥74,191	¥36,710
	Bonds	1,926,122	1,898,828	27,293
	Japanese government bonds	1,287,289	1,271,590	15,698
	Municipal bonds	289,880	284,359	5,520
	Corporate bonds	348,951	342,877	6,073
	Other	119,178	113,323	5,855
	Foreign bonds	86,166	83,455	2,711
	Other	33,012	29,867	3,144
	Sub-total	2,156,203	2,086,343	69,859
Securities with consolidated balance sheet amount not exceeding acquisition cost	Stocks	50,077	57,853	(7,776)
	Bonds	129,702	129,929	(226)
	Japanese government bonds	101,656	101,777	(121)
	Municipal bonds	8,588	8,592	(3)
	Corporate bonds	19,457	19,559	(102)
	Other	95,625	97,276	(1,650)
	Foreign bonds	69,838	70,488	(650)
	Other	25,787	26,788	(1,000)
	Sub-total	275,405	285,058	(9,653)
Total		¥2,431,609	¥2,371,402	¥60,206

(d) Held-to-maturity debt securities sold during the fiscal year

No held-to-maturity debt securities were sold during the fiscal year ended March 31, 2012.

(e) Available-for-sale securities sold during the fiscal year

Year ended March 31, 2012	Millions of yen		
	Sales proceeds	Gains on sales	Losses on sales
Stocks	¥13,168	¥1,943	¥2,022
Bonds	294,244	4,922	1
Japanese government bonds	265,774	4,464	—
Municipal bonds	10,110	110	—
Corporate bonds	18,360	348	1
Other	19,549	495	989
Foreign bonds	11,288	209	—
Other	8,260	285	989
Total	¥326,963	¥7,361	¥3,013

(f) Securities Recognized for Impairment Loss

For available-for-sale securities with market values, in cases where the market value has fallen substantially from the acquisition price and it is considered there is little likelihood of recovery to the acquisition price level, the securities are stated at market value on the consolidated balance sheets and the difference between the market value and the acquisition price is posted as a loss ("impairment loss").

Impairment losses for the fiscal year amounted to ¥1,824 million, comprising ¥1,600 million from stocks and ¥223 million from bonds.

Pursuant to "Practical Guidelines for Accounting for Financial Instruments" (JICPA Accounting Committee Report No. 14), the Bank recognized the impairment losses on listed equity shares whose average market price over the one-month period immediately prior to the balance sheet date declined by 30% or more compared with acquisition cost, and other securities whose market price at the balance-sheet date also declined by 30% or more compared with acquisition cost.

(g) Money held in trust classified as available-for-sale securities

Not applicable as of March 31, 2012.

(h) Unrealized gain on available-for-sale securities

March 31, 2012	Millions of yen
Unrealized (losses) gains:	
Available-for-sale securities	¥60,835
Other money held in trust	—
Deferred tax assets (liabilities)	(20,620)
Net unrealized gains on available-for-sale securities	40,214
Less minority interests	(0)
Unrealized gains on available-for-sale securities	¥40,214

Note: The total unrealized gains include an unrealized gain of ¥628 million on available-for-sale securities, which constitute the property of related associations.

28. Derivatives

Year ended March 31, 2013

1. Derivative instruments not accounted for as hedges

Regarding the derivative instruments to which hedge accounting is not applied, the following tables summarize contract amount, market value and unrealized gain or loss for each type of derivative transactions, respectively, at the end of the consolidated balance sheet date, as well as determination of fair value.

Contract amount does not represent itself market risk of derivative instruments.

(1) Interest-rate Derivatives

	Millions of yen			
	Contract amount	Over 1 year	Fair value	Unrealized gain (loss)
Transactions listed on exchanges:				
Interest-rate futures:				
Sold	¥—	¥—	¥—	¥—
Bought	—	—	—	—
Interest-rate options:				
Sold	—	—	—	—
Bought	—	—	—	—
Over-the-counter transactions:				
Forward rate agreements:				
Sold	—	—	—	—
Bought	—	—	—	—
Interest-rate swaps:				
Receivable fixed / payable floating	145,624	23,616	288	288
Receivable floating / payable fixed	145,624	23,616	(49)	(49)
Receivable floating / payable floating	—	—	—	—
Interest-rate options:				
Sold	—	—	—	—
Bought	—	—	—	—
Caps:				
Sold	547	340	(0)	21
Bought	547	340	0	(11)
Swaption:				
Sold	44,600	2,100	(81)	16
Bought	44,600	2,100	81	81
Others:				
Sold	—	—	—	—
Bought	—	—	—	—
Total	—	—	¥238	¥345

Notes: 1. The transactions in this table have been revalued at the market rate prevailing on the balance sheet date, and unrealized gain (loss) is accounted for in the consolidated statements of income.

2. Calculation of fair value

The fair value of transactions listed on exchanges has been calculated on the basis of the closing prices on the Tokyo International Financial Exchange, etc. The fair value of over-the-counter transactions has been calculated at their discounted future cash flows or by utilizing option pricing models.

(2) Currency Derivatives

	Millions of yen			
	Contract amount	Over 1 year	Fair value	Unrealized gain (loss)
Transactions listed on exchanges:				
Currency futures:				
Sold	¥—	¥—	¥—	¥—
Bought	—	—	—	—
Currency options:				
Sold	—	—	—	—
Bought	—	—	—	—
Over-the-counter transactions:				
Currency swaps	532,930	237,128	272	272
Forward foreign exchange contracts:				
Sold	3,810	51	(282)	(282)
Bought	2,507	—	280	280
Currency options:				
Sold	10,326	2,069	(234)	16
Bought	10,326	2,069	236	70
Others:				
Sold	—	—	—	—
Bought	—	—	—	—
Total	—	—	¥272	¥357

Notes: 1. The transactions in this table have been revalued at the market rate prevailing on the balance sheet date, and unrealized gain (loss) is accounted for in the consolidated statements of income.

2. Calculation of fair value

Fair value is calculated at discounted future cash flows, etc.

(3) Stock Derivatives

Not applicable as of March 31, 2013.

(4) Bond Derivatives

Not applicable as of March 31, 2013.

(5) Commodity Derivatives

Not applicable as of March 31, 2013.

(6) Credit Derivatives

Not applicable as of March 31, 2013.

2. Derivative Instruments accounted for as hedges

Regarding the derivative instruments to which hedge accounting is applied, the following tables summarize contract amount, market value and unrealized gain or loss for each type of derivative transactions, respectively, at the end of the consolidated balance sheet date, as well as determination of fair value.

Contract amount does not represent itself market risk of derivative instruments.

(1) Interest-rate Derivatives

March 31, 2013

Method of hedge	Type	Hedged items	Millions of yen		
			Contract amounts	Over 1 year	Fair value
Deferred method	Interest rate swap	Interest bearing financial assets and liabilities			
	Receivable fixed / payable floating	including loans, available-for-sale	¥ —	¥ —	¥ —
	Receivable floating / payable fixed	securities, deposits and negotiable certificates of deposit, etc.	80,000	80,000	(4,220)
	Interest rate futures		—	—	—
	Interest rate options		—	—	—
	Other		—	—	—
Exceptional accrual method for interest rate swap	Interest rate swap	Loans, borrowed money			
	Receivable fixed / payable floating		9,000	9,000	516
	Receivable floating / payable fixed		43,862	38,339	(2,630)
Total					¥ (6,333)

- Notes: 1. Primarily, the Bank applies the deferred method of hedge accounting which is described in "Accounting and Auditing Treatment relating to the Adoption of 'Accounting for Financial Instruments' for Banks," issued by the Japanese Institute of Certified Public Accountants ("JICPA"), (JICPA Industry Audit Committee Report No. 24).
2. Determination of fair value:
The fair value of exchange-traded derivative instruments is based on closing prices at the Tokyo Financial Exchange or other relevant exchanges. The fair value of over-the-counter traded derivative instruments is determined based on a discounted cash flows model, an option pricing model or other models as appropriate.
3. The exceptional accrual method of hedge accounting, as specifically permitted for certain interest rate swaps, is valued with the hedged items as a whole, so that the fair value is included in the fair value of Loans and Bills Discounted and other items (See: 31. Financial Instruments (2) Disclosures Regarding the Fair Value of Financial Instruments and Other Items).

(2) Currency Derivatives

March 31, 2013

Method of hedge	Type	Hedged items	Millions of yen		
			Contract amounts	Over 1 year	Fair value
Deferred method	Currency swaps	Foreign currency-denominated loans, securities, deposits and foreign exchanges, etc.	¥31,962	¥—	(¥2,416)
	Forward foreign exchange contracts		—	—	—
	Foreign exchange swaps		20,143	—	(56)
	Other		—	—	—
Treatment for forward foreign exchange contracts, etc.	Currency swap		—	—	—
	Forward foreign exchange contracts		—	—	—
Total					¥(2,472)

- Notes: 1. Primarily, the Bank applies the deferred method of hedge accounting which is described in "Accounting and Auditing Treatment relating to Accounting for Foreign Currency Transactions in the Banking Industry" (JICPA Industry Audit Committee Report No. 25).
2. Determination of fair value:
Fair value is determined based on the discounted cash flows model.

(3) Stock Derivatives

Not applicable as of March 31, 2013.

(4) Bond Derivatives

Not applicable as of March 31, 2013.

Year ended March 31, 2012

1. Derivative instruments not accounted for as hedges

Regarding the derivative instruments to which hedge accounting is not applied, the following tables summarize contract amount, market value and unrealized gain or loss for each type of derivative transactions, respectively, at the end of the consolidated balance sheet date, as well as determination of fair value.

Contract amount does not represent itself market risk of derivative instruments.

(1) Interest-rate Derivatives

	Millions of yen			
	Contract amount	Over 1 year	Fair value	Unrealized gain (loss)
Transactions listed on exchanges:				
Interest-rate futures:				
Sold	¥—	¥—	¥—	¥—
Bought	—	—	—	—
Interest-rate options:				
Sold	—	—	—	—
Bought	—	—	—	—
Over-the-counter transactions:				
Forward rate agreements:				
Sold	—	—	—	—
Bought	—	—	—	—
Interest-rate swaps:				
Receivable fixed / payable floating	120,314	26,421	301	301
Receivable floating / payable fixed	120,314	26,421	(79)	(79)
Receivable floating / payable floating	—	—	—	—
Interest-rate options:				
Sold	—	—	—	—
Bought	—	—	—	—
Caps:				
Sold	997	547	(0)	53
Bought	997	547	0	(23)
Swaption:				
Sold	45,125	3,230	(119)	28
Bought	45,125	3,230	119	119
Others:				
Sold	—	—	—	—
Bought	—	—	—	—
Total	—	—	¥221	¥399

Notes: 1. The transactions in this table have been revalued at the market rate prevailing on the balance sheet date, and unrealized gain (loss) is accounted for in the consolidated statements of income.

2. Calculation of fair value

The fair value of transactions listed on exchanges has been calculated on the basis of the closing prices on the Tokyo Financial Exchange, etc. The fair value of over-the-counter transactions has been calculated at their discounted future cash flows or by utilizing option pricing models.

(2) Currency Derivatives

March 31, 2012	Millions of yen			
	Contract amount	Over 1 year	Fair value	Unrealized gain (loss)
Transactions listed on exchanges:				
Currency futures:				
Sold	¥—	¥—	¥—	¥—
Bought	—	—	—	—
Currency options:				
Sold	—	—	—	—
Bought	—	—	—	—
Over-the-counter transactions:				
Currency swaps	723,880	499,982	386	386
Forward foreign exchange contracts:				
Sold	4,843	215	(21)	(21)
Bought	3,106	—	84	84
Currency options:				
Sold	15,461	3,787	(453)	(59)
Bought	15,681	3,787	457	182
Others:				
Sold	—	—	—	—
Bought	—	—	—	—
Total	—	—	¥453	¥573

Notes: 1. The transactions in this table have been revalued at the market rate prevailing on the balance sheet date, and unrealized gain (loss) is accounted for in the consolidated statements of income.

2. Calculation of fair value

Fair value is calculated at discounted future cash flows, etc.

(3) Stock Derivatives

Not applicable as of March 31, 2012.

(4) Bond Derivatives

March 31, 2012	Millions of yen			
	Contract amount	Over 1 year	Fair value	Unrealized gain (loss)
Transactions listed on exchanges:				
Bond futures:				
Sold	¥426	¥—	¥0	¥0
Bought	—	—	—	—
Bond future options:				
Sold	—	—	—	—
Bought	—	—	—	—
Over-the-counter transactions:				
Bond options:				
Sold	—	—	—	—
Bought	—	—	—	—
Others:				
Sold	—	—	—	—
Bought	—	—	—	—
Total	—	—	¥0	¥0

Notes: 1. The transactions in this table have been revalued at the market rate prevailing on the balance sheet date, and unrealized gain (loss) is accounted for in the consolidated statements of income.

2. Calculation of fair value

The fair value of transactions listed on exchanges has been calculated on the basis of the closing prices on the Tokyo Financial Exchange, etc. The fair value of over-the-counter transactions has been calculated at their discounted future cash flows or by option pricing models.

(5) Commodity Derivatives

Not applicable as of March 31, 2012.

(6) Credit Derivatives

Not applicable as of March 31, 2012.

2. Derivative Instruments accounted for as hedges

Regarding the derivative instruments to which hedge accounting is applied, the following tables summarize contract amount, market value and unrealized gain or loss for each type of derivative transactions, respectively, at the end of the consolidated balance sheet date, as well as determination of fair value.

Contract amount does not represent itself market risk of derivative instruments.

(1) Interest-rate Derivatives

March 31, 2012

Method of hedge	Type	Hedged items	Millions of yen		
			Contract amounts	Over 1 year	Fair value
Deferred method	Interest rate swap	Interest bearing			
	Receivable fixed / payable floating	financial assets and liabilities including	¥ —	¥ —	¥ —
	Receivable floating / payable fixed	loans, available-for-sale securities, deposits	60,000	60,000	(4,335)
	Interest rate futures	and negotiable	—	—	—
	Interest rate options	certificates of deposit, etc.	—	—	—
	Other		—	—	—
Exceptional accrual method for interest rate swap	Interest rate swap				
	Receivable fixed / payable floating	Loans, borrowed money	9,000	9,000	597
	Receivable floating / payable fixed		42,489	37,307	(2,818)
Total				¥ (6,556)	

Notes: 1. Primarily, the Bank applies the deferred method of hedge accounting which is described in "Accounting and Auditing Treatment relating to the Adoption of 'Accounting for Financial Instruments' for Banks," issued by the Japanese Institute of Certified Public Accountants ("JICPA"), (JICPA Industry Audit Committee Report No. 24).

2. Determination of fair value:

The fair value of exchange-traded derivative instruments is based on closing prices at the Tokyo Financial Exchange or other relevant exchanges. The fair value of over-the-counter traded derivative instruments is determined based on a discounted cash flows model, an option pricing model or other models as appropriate.

3. The exceptional accrual method of hedge accounting, as specifically permitted for certain interest rate swaps, is valued with the hedged items as a whole, so that the fair value is included in the fair value of Loans and Bills Discounted and other items (See: 31. Financial Instruments (2) Disclosures Regarding the Fair Value of Financial Instruments and Other Items).

(2) Currency Derivatives

March 31, 2012

Method of hedge	Type	Hedged items	Millions of yen		
			Contract amounts	Over 1 year	Fair value
Deferred method	Currency swaps	Foreign	¥17,953	¥—	(¥394)
	Forward foreign exchange contracts	currency-denominated loans, securities, deposits and foreign exchanges, etc.	—	—	—
	Foreign exchange swaps		4,936	—	(186)
	Other		—	—	—
Treatment for forward foreign exchange contracts, etc.	Currency swap		—	—	—
	Forward foreign exchange contracts		—	—	—
Total				¥(580)	

Notes: 1. Primarily, the Bank applies the deferred method of hedge accounting which is described in "Accounting and Auditing Treatment relating to Accounting for Foreign Currency Transactions in the Banking Industry" (JICPA Industry Audit Committee Report No. 25).

2. Determination of fair value:

Fair value is determined based on the discounted cash flows model.

(3) Stock Derivatives

Not applicable as of March 31, 2012.

(4) Bond Derivatives

Not applicable as of March 31, 2012.

29. Stock Options

(a) The Bank recorded stock option expenses in "General and administrative expenses" of ¥46 million for the fiscal years ended March 31, 2013 and 2012.

(b) Outline of stock options, size and changes

(1) Outline of stock options

March 31, 2013	1st equity warrant	2nd equity warrant
Persons to whom stock options are granted	Directors of the Bank: 10	Executive officers of the Bank: 12
Type and number of shares (*)	Common shares: 56,698	Common shares: 41,546
Grant date	August 24, 2009	August 24, 2009
Condition for vesting	Not applicable	Not applicable
Eligible service period	Not applicable	Not applicable
Period for exercise of stock options	From August 25, 2009 to August 24, 2039	From August 25, 2009 to August 24, 2039

March 31, 2013	3rd equity warrant	4th equity warrant
Persons to whom stock options are granted	Directors of the Bank: 10	Executive officers of the Bank: 13
Type and number of shares (*)	Common shares: 79,606	Common shares: 61,881
Grant date	July 21, 2010	July 21, 2010
Condition for vesting	Not applicable	Not applicable
Eligible service period	Not applicable	Not applicable
Period for exercise of stock options	From July 22, 2010 to July 21, 2040	From July 22, 2010 to July 21, 2040

March 31, 2013	5th equity warrant	6th equity warrant
Persons to whom stock options are granted	Directors of the Bank: 10	Executive officers of the Bank: 13
Type and number of shares (*)	Common shares: 78,720	Common shares: 60,999
Grant date	July 20, 2011	July 20, 2011
Condition for vesting	Not applicable	Not applicable
Eligible service period	Not applicable	Not applicable
Period for exercise of stock options	From July 21, 2011 to July 20, 2041	From July 21, 2011 to July 20, 2041

March 31, 2013	7th equity warrant	8th equity warrant
Persons to whom stock options are granted	Directors of the Bank: 10	Executive officers of the Bank: 16
Type and number of shares (*)	Common shares: 76,174	Common shares: 73,080
Grant date	July 19, 2012	July 19, 2012
Condition for vesting	Not applicable	Not applicable
Eligible service period	Not applicable	Not applicable
Period for exercise of stock options	From July 20, 2012 to July 19, 2042	From July 20, 2012 to July 19, 2042

(*) The table above presents the number of common shares converted from the number of stock options.

(2) Size and changes of stock options

a. Number of stock options in the fiscal years ended March 31, 2013

March 31, 2013	1st equity warrant	2nd equity warrant	3rd equity warrant	4th equity warrant	5th equity warrant	6th equity warrant	7th equity warrant	8th equity warrant
Non-vested:								
Previous fiscal year-end outstanding	37,408	17,056	52,521	32,601	78,720	60,999	—	—
Granted	—	—	—	—	—	—	76,174	73,080
Forfeited	—	—	—	—	—	—	—	—
Vested	—	3,280	—	4,528	—	9,868	—	4,350
Outstanding on March 31, 2013	37,408	13,776	52,521	28,073	78,720	51,131	76,174	68,730
Vested:								
Previous fiscal year-end outstanding	—	—	—	—	—	—	—	—
Vested	—	3,280	—	4,528	—	9,868	—	4,350
Exercised	—	3,280	—	4,528	—	9,868	—	4,350
Forfeited	—	—	—	—	—	—	—	—
Exercisable	—	—	—	—	—	—	—	—

b. Price information

March 31, 2013	Yen							
	1st equity warrant	2nd equity warrant	3rd equity warrant	4th equity warrant	5th equity warrant	6th equity warrant	7th equity warrant	8th equity warrant
Exercise price	1	1	1	1	1	1	1	1
Average share price at exercise	—	355	—	355	—	355	—	426
Fair value at the grate date	417	439	297	318	300	321	310	331

(c) Valuation technique for fair value of stock options

Stock options granted during the fiscal year ended March 31, 2013 were valued using the Black-Scholes option pricing model and the following principal parameters:

	7th equity warrant	8th equity warrant
Expected volatility (*1)	32.54%	24.41%
Average expected life (*2)	6 years	3 years
Expected dividends (*3)	¥8 per share	¥8 per share
Risk-free interest rate (*4)	0.26%	0.10%

(*1) Expected volatility is calculated based on the actual stock prices at the following period corresponding to the average expected life.

7th equity warrant: From July 19, 2006 to July 18, 2012

8th equity warrant: From July 21, 2009 to July 18, 2012

(*2) The average tenure of the directors and the executive officers who retired in the past is used as the average expected life in the above table.

(*3) Actual dividends on common stock for the fiscal year ended March 31, 2012.

(*4) Japanese government bond yield corresponding to the average expected life.

(d) Method of estimating number of stock options vested

Only the actual number of forfeited stock options is reflected because it is difficult to reasonably estimate the number of stock options that will be forfeited in the future.

30. Related-Party Transactions

No material transactions occurred with related-party for the fiscal years ended March 31, 2013.

Transactions occurred with related-party for the fiscal years ended March 31, 2012 are as follows:

Category	Name	Location	Description of transactions	Transaction amount	Account	Balance
Company majority held by relatives of director	Ito dentist	Oarai town, Ibaraki prefecture	Loan lending	—	Loans and bills discounted	¥10 million

31. Per-share Data

March 31,	Yen	
	2013	2012
Net assets per share	¥671.35	¥583.98
Earnings per share-basic	30.06	23.66
Earnings per share-diluted	30.05	23.65

Note: Bases for calculation of earnings per share (basic and diluted) are as follows:

March 31,	Millions of yen	
	2013	2012
Earnings per share		
Net income	¥22,726	¥18,134
Earnings not available to common shareholders	—	—
Net income after deduction of the portion described above	22,726	18,134
Weighted average number of common shares for the fiscal year (in thousands)	755,916	766,344
Diluted earnings per share		
Adjustment to net income	—	—
Increase in common shares (in thousands)	338	228
Attributable to equity warrants	338	228
Equity warrants that have no dilutive effects on earnings per share	—	—

32. Significant Subsequent Events

1. Acquisition of treasury stock

At the board of directors meeting held on May 10, 2013, the Bank resolved to acquire treasury stock based on the provisions of Article 156 of the Companies Act of Japan, which is applied by replacing the relevant terms and phrases pursuant to the provision of Article 165, Paragraph 3, of the Companies Act.

- (1) Class of shares to be acquired: Common stock of the Bank
- (2) Total number of shares to be acquired: 5,000,000 shares (upper limit)
- (3) Total acquisition cost: ¥3,500 million (upper limit)
- (4) Period of acquisition: From May 13, 2013 to September 20, 2013
- (5) Method of acquisition: Purchase through the market

2. Cancellation of treasury stock

At the board of directors meeting held on May 10, 2013, the Bank resolved to cancel treasury stock based on the provisions of Article 178 of the Companies Act of Japan.

- (1) Class of shares to be cancelled: Common stock of the Bank
- (2) Total number of shares to be cancelled: 10,000,000 shares
- (3) Total number of outstanding shares after cancellation: 789,231,875 shares
- (4) Cancellation date: July 25, 2013



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Independent Auditors' Report

The Board of Directors
The Joyo Bank, Ltd.

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

Management's Responsibility for the Consolidated Financial Statements

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

Auditors' 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 auditors' 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 Joyo Bank, Ltd. and its consolidated subsidiaries as at March 31, 2013, and their consolidated financial performance and cash flows for the year then ended in conformity with accounting principles generally accepted in Japan.

Convenience Translation

We have reviewed the translation of these consolidated financial statements into U.S. dollars, presented for the convenience of readers, and, in our opinion, the accompanying consolidated financial statements have been properly translated on the basis described in Note 2.

Ernst & Young ShinNihon LLC

June 26, 2013
Tokyo, Japan

Non-Consolidated Balance Sheets (unaudited)

THE JOYO BANK, LTD.

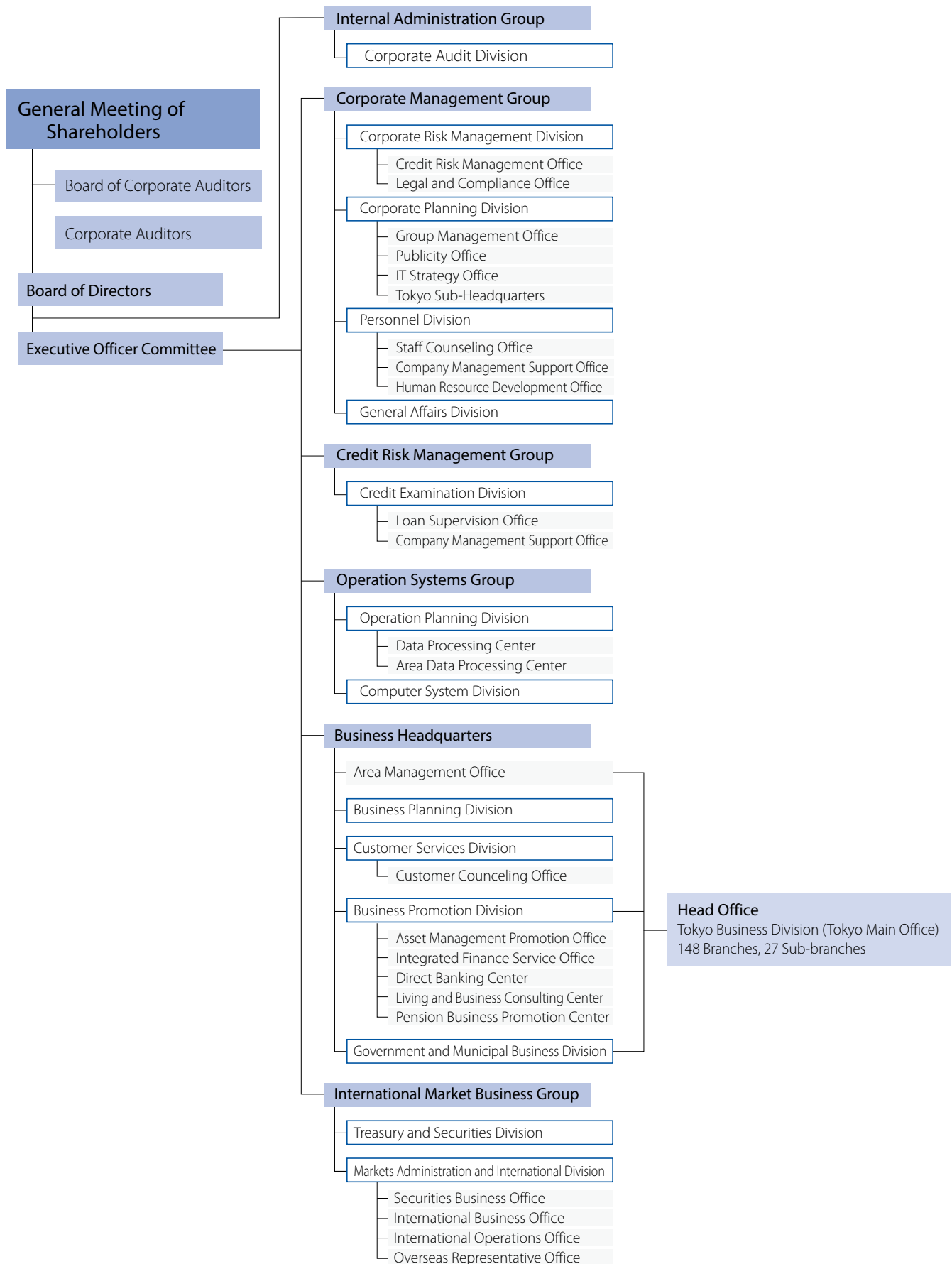
March 31,	Millions of yen		Thousands of U.S. dollars
	2013	2012	2013
Assets:			
Cash and due from banks	¥ 318,319	¥ 385,492	\$ 3,384,576
Call loans and bills purchased	1,829	3,385	19,454
Commercial paper and other debt purchased	27,336	33,714	290,659
Trading assets	2,719	3,776	28,920
Securities	2,644,104	2,452,292	28,113,817
Loans and bills discounted	5,139,973	4,982,564	54,651,494
Foreign exchanges	1,844	1,757	19,610
Lease receivables and lease investment assets	3,400	3,031	36,160
Other assets	38,858	42,077	413,163
Tangible fixed assets	83,379	82,734	886,548
Intangible fixed assets	8,471	7,662	90,074
Deferred tax assets	—	9,526	—
Customers' liabilities for acceptances and guarantees	15,731	18,293	167,266
Reserve for possible loan losses	(45,118)	(43,970)	(479,732)
Reserve for devaluation of investment securities	(35)	(311)	(380)
Total assets	¥8,240,814	¥7,982,027	\$87,621,634
Liabilities and net assets			
Liabilities:			
Deposits	¥7,371,951	¥7,287,588	\$78,383,319
Call money and bills sold	38,466	17,561	408,999
Payables under securities lending transactions	91,283	38,888	970,585
Trading liabilities	160	192	1,707
Borrowed money	115,340	96,010	1,226,368
Foreign exchanges	265	238	2,822
Bonds	15,000	15,000	159,489
Due to trust account	26	16	280
Other liabilities	61,712	51,237	656,171
Reserve for directors' bonuses	49	46	531
Reserve for employees' retirement benefits	4,766	4,754	50,683
Reserve for reimbursement of dormant deposits	1,849	1,711	19,664
Reserve for frequent users services	95	99	1,020
Reserve for other contingent losses	1,519	1,740	16,153
Deferred tax liabilities	16,614	—	176,653
Deferred tax liabilities for land revaluation	10,976	11,053	116,713
Acceptances and guarantees	15,731	18,293	167,266
Total liabilities	7,745,810	7,544,431	82,358,432
Net assets:			
Common stock	85,113	85,113	904,976
Capital surplus	58,574	58,574	622,796
Retained earnings	280,396	271,650	2,981,360
Treasury stock	(24,066)	(25,881)	(255,894)
Total shareholders' equity	400,017	389,455	4,253,239
Unrealized gains on available-for-sale securities	86,988	40,141	924,915
Deferred losses on hedging instruments, net of taxes	(2,651)	(2,705)	(28,194)
Land revaluation excess, net of taxes	10,529	10,623	111,958
Total valuation and translation adjustments	94,866	48,058	1,008,680
Equity warrants	120	81	1,282
Total net assets	495,004	437,596	5,263,201
Total liabilities and net assets	¥8,240,814	¥7,982,027	\$87,621,634

Non-Consolidated Statements of Income (unaudited)

THE JOYO BANK, LTD.

Years ended March 31,	Millions of yen		Thousands of U.S. dollars
	2013	2012	2013
Income:			
Interest and dividend income:			
Interest on loans and discounts	¥ 72,912	¥ 76,890	\$ 775,253
Interest and dividends on securities	24,391	23,904	259,348
Other interest income	905	1,145	9,626
Fees and commissions	21,048	19,264	223,804
Trading income	283	302	3,014
Other operating income	5,956	6,694	63,336
Other income	5,680	6,736	60,399
Total income	131,179	134,938	1,394,784
Expenses:			
Interest expenses:			
Interest on deposits	3,358	4,314	35,704
Interest on borrowings and rediscounts	509	487	5,413
Other interest expenses	1,313	1,344	13,968
Fees and commissions	7,848	7,908	83,454
Other operating expenses	973	1,215	10,346
General and administrative expenses	70,425	71,510	748,813
Other expenses	15,858	18,914	168,622
Total expenses	100,287	105,694	1,066,324
Income before income taxes	30,891	29,243	328,460
Income taxes:			
Income taxes – Current	9,468	4,131	100,680
Income taxes – Deferred	1,044	8,317	11,106
Net income	¥ 20,378	¥ 16,795	\$ 216,673

The JOYO BANK, LTD.



Board of Directors and Corporate Auditors

As of June 26, 2013

Chairman Kunio Onizawa	Senior Managing Directors Shigeru Ichimura Hideo Sakamoto	Directors Toshihiko Kawamura (outside) Ryuzaburo Kikuchi (outside)	Corporate Auditors Yoshiaki Terakado (standing) Hideo Torihata (standing) Akira Yasu Sanenori Hitomi Toshio Mizushima
President Kazuyoshi Terakado	Managing Directors Katsuhiko Ito Atsuyuki Kurosawa Eiji Murashima Makoto Sasanuma Ritsuo Sasajima		
Deputy President Mikio Kawamata			

Market Business Group and Overseas Offices

As of June 26, 2013

Head Office	5-5, Minami-machi 2-chome, Mito, Ibaraki 310-0021, Japan	Phone: +81-29-231-2151
Markets Administration and International Division	7-2, Yaesu 2-chome, Chuo-ku, Tokyo 104-0028, Japan	Phone: +81-3-3273-1741
International Business Office	5-5 Minami-machi 2-chome, Mito, Ibaraki 310-0021, Japan	Phone: +81-29-300-2727
International Operations Office	3-3, Shinhara 1-chome, Mito, Ibaraki 310-0045, Japan	Phone: +81-29-255-6671
Shanghai Representative Office	Room 1901, Shanghai International Trade Centre, 2201 Yan An Road (West), Shanghai 200336 P.R. of China	Phone: +86-21-6209-0258
Singapore Representative Office	30 Cecil Street, #11-04 Prudential Tower, Singapore 049712	Phone: +65-6225-6543
Treasury and Securities Division	7-2, Yaesu 2-chome, Chuo-ku, Tokyo 104-0028, Japan	Phone: +81-3-3273-5245

Affiliated Companies

As of March 31, 2013

Company Name	Address	Main Business Activities	Established	Capital Stock (millions of yen)	Share of Voting Rights
The Joyo Computer Service Co., Ltd.	16-25, Nishihara 2-chome, Mito, Ibaraki	Sale of software and contract of calculation businesses	1973	47.5	5%
The Joyo Lease Co., Ltd.	4-12, Minami-machi 3-chome, Mito, Ibaraki	Leasing of machinery and equipment, claim acquisition	1974	100	5%
The Joyo Credit Guarantee Co., Ltd.	4-12, Minami-machi 3-chome, Mito, Ibaraki	Credit guarantee of housing loans from the Bank	1978	30	5%
The Joyo Credit Co., Ltd.	4-12, Minami-machi 3-chome, Mito, Ibaraki	Credit card services	1982	100	5%
The Joyo Business Service Co., Ltd.	8-1, Sasano-machi 1-chome, Hitachinaka, Ibaraki	Agent in charge of administrative work for the Bank	1984	100	100%
The Joyo Industrial Research Institute, Ltd.	5-18, Sannomaru 1-chome, Mito, Ibaraki	Consulting, investigation and research	1995	100	5%
The Joyo Equipment Management Co., Ltd.	5-5, Minami-machi 2-chome, Mito, Ibaraki	Maintenance and management of operational properties and equipment of the Bank	1999	100	100%
The Joyo Cash Service Co., Ltd.	3-3, Jonan 1-chome, Mito, Ibaraki	Management and maintenance of ATMs and CDs	1999	50	100%
The Joyo Securities Co., Ltd.	4-12, Minami-machi 3-chome, Mito, Ibaraki	Dealing of securities, mediation, commission and substitution of trading of securities	2007	3,000	100%

Principal Shareholders

The 10 largest shareholders of the Bank and their respective shareholdings at March 31, 2013 were as follows:

	Number of Shares Held (Thousands)	Percentage of Total Shares Outstanding (%)
Northern Trust Company (AVFC) Sub Account American Client	39,479	5.25%
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	28,992	3.86
NIPPONKOA Insurance Company, Ltd.	28,973	3.85
Nippon Life Insurance Company	28,003	3.72
Japan Trustee Services Bank, Ltd. (Trust Account)	24,564	3.27
The Dai-ichi Mutual Life Insurance Company	17,049	2.27
Sumitomo Life Insurance Company	16,448	2.19
Northern Trust Company (AVFC) US Tax Exempted Pension Funds	16,363	2.17
The Master Trust Bank of Japan, Ltd. (Trust Account)	15,552	2.07
Meiji Yasuda Life Insurance Company	9,722	1.29
Total	225,147	28.17%

For further information, please contact to: Markets Administration and International Division, The Joyo Bank, Ltd.
7-2, Yaesu 2-chome, Chuo-ku, Tokyo 104-0028, Japan

