Notes to Consolidated Financial Statements

Kiyo Holdings, Inc. and its consolidated subsidiaries
Years ended March 31, 2013 and 2012

1. Basis of presenting consolidated financial statements

Kiyo Holdings, Inc. (the "Company") and its consolidated subsidiaries (the "Group") maintain their official accounting records in Japanese yen, in accordance with the provisions set forth in the Japanese Corporate Law and the Japanese Banking Law, in general conformity with the Japanese regulatory authorities and in conformity with accounting principles and practices generally accepted in Japan, which are different in certain respects from the application and disclosure requirements of International Financial Reporting Standards. The accompanying consolidated financial statements have been restructured and translated into English, with some expanded descriptions, from the consolidated financial statements of the Company prepared in accordance with Japanese GAAP and filed with the appropriate Local Finance Bureau of the Ministry of Finance as required by the Financial Instruments and Exchange Law. Some supplementary information included in the statutory Japanese language consolidated financial statements, but not required for fair presentation, is not presented in the accompanying consolidated financial statements. In preparing these consolidated financial statements, certain reclassifications and rearrangements have been made in order to present them in a form which is more familiar to readers outside Japan.

The translations of the Japanese yen amounts into U.S. dollar amounts are included solely for the convenience of the readers outside Japan, using the prevailing exchange rate at March 29, 2013, which was ¥94.05 to US $1.00. The translations should not be construed as representations that the Japanese yen amounts have been, could have been or could in the future be converted into U.S. dollars at this or any other rate of exchange. Amounts of less than one million yen have been rounded down. As a result, the totals shown in the financial statements do not necessarily agree with the sum of the individual amounts.

2. Significant accounting policies

(a) Consolidation — The consolidated financial statements include the accounts of the Company and 7 subsidiaries for the years ended March 31, 2013 and 2012. All significant intercompany transactions and unrealized profits have been eliminated. In the elimination of investments in subsidiaries, the assets and liabilities of the subsidiaries, including the portion attributable to minority shareholders, are evaluated using the fair value at the time the Company acquired control of the respective subsidiary.

(b) Trading account securities — Trading account securities are stated at fair market value. Gains and losses realized on the sale of such securities and unrealized gains and losses from market value fluctuations are recognized as gains or losses in the period of the change. Realized gains and losses on the sale of such securities are computed using moving average cost.

(c) Securities — The Company and its consolidated subsidiaries classify securities as (1) debt securities intended to be held to maturity ("held-to-maturity debt securities"), (2) equity securities issued by subsidiaries and affiliated companies, and (3) all other securities that are not classified in any of the above categories ("available-for-sale securities"). Held-to-maturity debt securities are stated at amortized cost. Held-to-maturity debt securities with no available fair value are stated at amortized cost, net of the amount considered not collectible. In principle, available-for-sale securities are stated at fair value, which is determined based on the market price as of the fiscal closing date. Available-for-sale securities for which it is extremely difficult to identify the fair value are stated at acquisition cost determined by the moving average method. Unrealized gains and unrealized losses on these securities are reported, net of applicable income taxes, as a separate component of shareholders' equity. Realized gains and losses on the sale of such securities are computed using moving average cost.

(d) Derivatives and hedge accounting — Derivatives are stated at fair value, except when the derivatives are used for hedging purposes. If derivatives are used for hedging purposes and meet certain hedging criteria, recognition of gains and losses resulting from changes in fair value are deferred until the related losses and gains on the hedged items are recognized.

The following hedge accounting is applied to derivatives.

To hedge risk arising from the changes in interest rates

The Group applies the deferral method under which gains and losses arising from the changes in interest rates are deferred until the related losses and gains on the Japanese government bonds held by the banking subsidiary are recognized. As for the assessment method on hedge effectiveness, the hedge effectiveness is assessed by specifying the Japanese government bonds as hedged items and interest rate swap contracts as hedging instruments to offset the market changes.

To hedge risk arising from the changes in currency exchange rates

The banking subsidiary applies the basic provisions of JICPA Industry Audit Committee Report No. 25 to currency swap and foreign exchange swap transactions, which are made to convert funds raised in Japanese yen to funds invested in foreign currencies and other purposes. The banking subsidiary assesses the effectiveness of currency swap and foreign exchange swap transactions executed to offset the risk of changes in currency exchange rates by verifying that there are foreign currency positions of the hedging instruments that correspond to the foreign currency monetary claims and debts to be hedged.

To hedge risk arising from the stock price fluctuations

As for accounting pertaining to risks stemming from stock price fluctuation, the Company employs an approach that defers gains and losses arising from the stock price fluctuations until the related losses and gains on the hedged items are recognized. Since correlation between the hedging instruments and hedged items is assured, assessing hedge effectiveness is not required.

(e) Depreciation and amortization —

Tangible fixed assets (excluding lease assets)

Depreciation of tangible fixed assets held by the Company and its banking subsidiary is generally computed by the declining balance method. However, buildings (excluding attached facilities) acquired on or after April 1, 1998 are depreciated using the straight-line method. The useful life of tangible fixed assets ranges from 8 to 50 years for buildings and 5 to 20 years for equipment. Tangible fixed assets held by other consolidated subsidiaries are mainly depreciated using the declining balance method based on the estimated useful life of the asset.

<Change in accounting policies with amendment of respective law or regulation that are not distinguishable from change in accounting estimates>

From the year ending March 31, 2013, in accordance with the amendment in corporate tax law, the Company and its subsidiaries have changed its depreciation method for property, plant and equipments. Assets acquired on or after April 1, 2012 are depreciated using the method prescribed in the amended corporate tax law.

The effects of this change are immaterial.

Intangible fixed assets (excluding lease assets)

Intangible fixed assets are amortized on a straight-line method. Software developed or obtained for internal use is amortized by the straight-line method over an estimated useful life of 5 years. Goodwill is amortized over ten years on a straight-line method, and negative goodwill is fully charged to income when incurred.

Lease assets

Depreciation and amortization of lease assets, including both “Tangible fixed assets” and “Intangible fixed assets” under leasing transactions that are not deemed to transfer ownership of the leased property to the lessee are computed by the straight-line method over the lease period with a residual value of zero.

(f) Reserve for possible loan losses — Based on its own self-assessment rules, the banking subsidiary makes provisions for possible loan losses. For loans to insolvent customers who are undergoing bankruptcy or other collection proceedings or who are in a similar financial condition, the reserve for possible loan losses is provided in the full amount of such loans, excluding the portion that is estimated to be recoverable due to the fair value of any underlying collateral or guarantees. For the unsecured and unguaranteed portions of loans to customers not presently in the above circumstances but for whom there is a high probability of so becoming, the reserve for possible loan losses is provided for the estimated unrecoverable amounts determined after an evaluation of each customer’s overall financial condition. For other loans, the reserve for possible loan losses is provided based on the banking subsidiary’s actual rate of loan losses in the past.

All loans are subject to asset assessment by the business related divisions based on the self-assessment standards for assets and the assessment results are audited by the Asset Audit Department independent from the divisions concerned.

The reserves for possible loan losses of non-banking subsidiaries are provided for general claims in the amount deemed necessary based on the rate of losses in the past and for certain doubtful claims in the amount deemed uncollectible based on assessments of the respective claims.

For claims against “bankrupt borrowers” and “effectively bankrupt borrowers,” the amount exceeding the estimated value of collateral and guarantees deemed uncollectible is deducted directly from those claims. At March 31, 2013 and 2012, the deducted amounts were ¥44,828 million ($476,642 thousand) and ¥50,053 million, respectively.

(g) Liability for employees’ severance and retirement benefits — The banking subsidiary has established a defined benefit plan under which the bank operates a private pension fund and a qualified retirement plan and makes lump-sum payments at the time of an employee’s retirement. The banking subsidiary has also established trust fund for pension payments.

Another subsidiary has established a defined contribution plan and jointly operates pension funds with other companies outside the Kiyo Group. Other subsidiaries have employed lump-sum payment systems under which they make payments to their employees at the time of retirement.

Liability is recognized for severance and retirement benefits in the amount deemed necessary based on the estimated amounts of retirement benefit obligations and the value of pension plan assets at the balance sheet date.

Past service costs are fully charged to income when incurred.

Differences generated from changes in actuarial assumptions are charged or credited to income in an amount allocated on a straight-line method over 9 years, which is shorter than the average remaining service period of the employees, beginning with the term following that when the differences are generated.

(h) Accrued directors' retirement benefits — On June 29, 2004, the banking subsidiary abolished the system for the payment of retirement allowances to retiring directors and auditors. Instead, a provision has been made for accrued retirement benefits of directors and auditors in an amount deemed necessary based on a formula stipulated in the internal regulations when the previous system was abolished.

(i) Reserve for reimbursement of deposits — Provision is made for future losses from claims on dormant accounts based on the historical refund record.

(j) Provision for contingent loss — Provision is made for payment on loan-loss burden-sharing to credit guarantee associations in an amount estimated to be paid in the future.

(k) Foreign currency translation — Receivables and payables in foreign currencies are translated into Japanese yen at the year-end rates. Hedge accounting is outlined in the above Note 2(d).

(l) Income taxes — Income taxes comprise corporation, inhabitants and enterprise taxes. Deferred tax assets are recorded by the asset-liability approach based on loss carryforwards and the temporary differences between the financial statement bases and tax bases of assets and liabilities.

(m) Finance leases — As lessor, revenues and cost of finance leases are recognized when lease payments are made. As lessee, finance lease transactions in which ownership of the lease assets is not transferred to the lessee and for which leasing contracts commenced prior to April 1, 2008 are treated in the same manner as that applied to ordinary operating lease transactions. As lessor, and in line with stipulations in the ASBJ Practical Guidance on accounting procedures for leasing transactions, the theoretical value of assets (after deduction of accumulated depreciation expenses) as of the previous term-end is used to determine balance-sheet amounts of lease investment assets as of April 1, 2008.

(n) Statements of cash flows — Cash and deposits with the Bank of Japan that are included in the consolidated balance sheets under cash and due from banks are considered to be cash and cash equivalents in the statements of cash flows.

(o) Net income per share — Net income per share is computed by deducting dividends for preferred stock from net income and dividing the balance by the weighted average number of shares of common stock, excluding treasury shares, outstanding during the reporting period. Diluted earnings per share reflect the potential dilution that could occur if preferred stock were converted into common stock.

(p) New accounting standard not yet adopted

-Accounting Standard for Retirement Benefits (ASBJ Statement No. 26, May 17, 2012)
-Guidance on Accounting Standard for Retirement Benefits (ASBJ Guidance No. 25, May 17, 2012)
(1)Summary
Under the revised accounting standard, taking into the accounts the viewpoints of improvement of financial reporting and international trends, accounting treatment for actuarial gains and losses and past service costs that are yet to be recognized in profit or loss, the calculation method for retirement benefit obligations and service costs and expansion of the related disclosure requirements have been revised.
(2)Effective dates
The Company and its subsidiaries plan to apply the revised accounting standard from the fiscal year ending March 31, 2014, but the revision of the calculation method for retirement benefit obligations and service costs will be adopted from April 1, 2014.
(3)Effect of application of the standard
The Company and its subsidiaries are currently in the process of measuring the effects of applying the revised accounting standard.

3. Cash and cash equivalents

A reconciliation of "Cash and cash equivalents" at the end of the year in the consolidated statements of cash flows and "Cash and due from banks" in the consolidated balance sheets as of March 31, 2013 and 2012 is as follows:

	Millions of Yen		Millions of U.S. Dollars
March 31	**2013**	2012	**2013**
Cash and due from banks	**¥188,043**	¥84,887	**$1,999,403**
Less: Time deposits included in due from banks	**(70,000)**	-	**(744,285)**
Cash and cash equivalents at the end of year	**¥118,043**	¥84,887	**$1,255,118**

4. Trading account securities and other securities

The balance sheet amounts of trading account securities as of March 31, 2013 and 2012 were ¥1,415 million ($15,049 thousand) and ¥2,010 million, respectively. Net valuation gains and losses from trading account securities for the years ended March 31, 2013 and 2012 amounted to ¥3 million ($39 thousand) and ¥5 million, respectively. Fair values and unrealized gains and losses on held-to-maturity debt securities and available-for-sale securities with available fair values as of March 31, 2013 and 2012 were as follows:

(a) Held-to-maturity debt securities

	Millions of yen		
	2013		
Type	Carrying amount	Fair value	Difference
Held-to-maturity securities whose fair value exceeds carrying amount:			
Bonds			
Japanese government bonds	¥ **11,082**	¥ **11,149**	¥ **67**
Local government bonds	**14,392**	**14,466**	**73**
Corporate bonds	**6,680**	**6,703**	**23**
Other			
Foreign bonds	**940**	**974**	**33**
Subtotal	¥ **33,096**	¥ **33,294**	¥ **197**
Held-to-maturity securities whose fair value does not exceed carrying amount:			
Japanese government bonds	¥ **122,150**	¥ **120,731**	¥ **(1,419)**
Total	¥ **155,247**	¥ **154,026**	¥ **(1,221)**

	Millions of yen		
	2012		
Type	Carrying amount	Fair value	Difference
Held-to-maturity securities whose fair value exceeds carrying amount:			
Bonds			
Japanese government bonds	¥ 76,578	¥ 77,341	¥ 762
Local government bonds	14,385	14,606	220
Corporate bonds	6,686	6,776	89
Other			
Foreign bonds	821	852	30
Subtotal	¥ 98,472	¥ 99,575	¥ 1,102
Held-to-maturity securities whose fair value does not exceed carrying amount:			
Other			
Foreign bonds	¥ 57,038	¥ 56,234	¥ (803)
Total	¥ 155,510	¥ 155,809	¥ 299

	Thousands of U.S. dollars		
	2013		
Type	Carrying amount	Fair value	Difference
Held-to-maturity securities whose fair value exceeds carrying amount:			
Bonds			
Japanese government bonds	$ **117,839**	$ **118,553**	$ **714**
Local government bonds	**153,032**	**153,814**	**782**
Corporate bonds	**71,035**	**71,281**	**246**
Other			
Foreign bonds	**10,000**	**10,361**	**361**
Subtotal	$ **351,906**	$ **354,009**	$ **2,103**
Held-to-maturity securities whose fair value does not exceed carrying amount:			
Japanese government bonds	$ **1,298,786**	$ **1,283,695**	$ **(15,091)**
Total	$ **1,650,692**	$ **1,637,704**	$ **(12,988)**

(b) Available-for-sale securities with available fair values, including beneficial interests in trusts and trading account securities, which are included in "Monetary claims bought," were as follows:

	Millions of yen		
	2013		
Type	Carrying amount	Acquisition cost	Difference
Available-for-sale securities whose carrying amount exceeds acquisition cost:			
Stocks	**¥ 25,474**	**¥ 15,319**	**¥ 10,155**
Bonds	**553,081**	**540,336**	**12,744**
Japanese government bonds	**260,141**	**256,232**	**3,909**
Local government bonds	**133,902**	**128,097**	**5,805**
Corporate bonds	**159,036**	**156,006**	**3,029**
Other	**176,174**	**166,764**	**9,410**
Foreign bonds	**162,639**	**156,199**	**6,440**
Other	**13,534**	**10,564**	**2,970**
Subtotal	**¥754,730**	**¥722,419**	**¥ 32,310**
Available-for-sale securities whose carrying amount does not exceed acquisition cost:			
Stocks	**¥ 12,115**	**¥ 13,495**	**¥ (1,380)**
Bonds	**10,861**	**10,874**	**(13)**
Local government bonds	**4,816**	**4,817**	**(0)**
Corporate bonds	**6,044**	**6,057**	**(13)**
Other	**49,863**	**51,914**	**(2,050)**
Foreign bonds	**42,004**	**43,856**	**(1,852)**
Other	**7,858**	**8,057**	**(198)**
Subtotal	**¥ 72,839**	**¥ 76,284**	**¥ (3,444)**
Total	**¥827,569**	**¥798,704**	**¥ 28,865**

	Millions of yen		
	2012		
Type	Carrying amount	Acquisition cost	Difference
Available-for-sale securities whose carrying amount exceeds acquisition cost:			
Stocks	¥ 14,334	¥ 10,637	¥ 3,696
Bonds	601,272	588,960	12,312
Japanese government bonds	319,206	314,949	4,257
Local government bonds	168,696	162,322	6,374
Corporate bonds	113,369	111,689	1,680
Other	151,636	145,602	6,033
Foreign bonds	149,752	143,733	6,018
Other	1,884	1,869	15
Subtotal	¥767,243	¥745,200	¥ 22,042
Available-for-sale securities whose carrying amount does not exceed acquisition cost:			
Stocks	¥ 18,374	¥ 20,762	¥ (2,388)
Bonds	20,715	20,759	(44)
Local government bonds	11,844	11,851	(7)
Corporate bonds	8,870	8,907	(37)
Other	105,654	111,240	(5,586)
Foreign bonds	91,364	94,907	(3,542)
Other	14,289	16,332	(2,043)
Subtotal	¥144,743	¥152,762	¥ (8,018)
Total	¥911,986	¥897,962	¥ 14,023

Type	Thousands of U.S. dollars		
	2013		
	Carrying amount	Acquisition cost	Difference
Available-for-sale securities whose carrying amount exceeds acquisition cost:			
Stocks	**$ 270,862**	**$ 162,887**	**$ 107,975**
Bonds	**5,880,713**	**5,745,203**	**135,510**
Japanese government bonds	**2,765,992**	**2,724,426**	**41,566**
Local government bonds	**1,423,741**	**1,362,011**	**61,730**
Corporate bonds	**1,690,980**	**1,658,766**	**32,214**
Other	**1,873,202**	**1,773,143**	**100,059**
Foreign bonds	**1,729,290**	**1,660,812**	**68,478**
Other	**143,912**	**112,331**	**31,581**
Subtotal	**$8,024,777**	**$7,681,233**	**$343,544**
Available-for-sale securities whose carrying amount does not exceed acquisition cost:			
Stocks	**$ 128,815**	**$ 143,491**	**$ (14,676)**
Bonds	**115,482**	**115,628**	**(146)**
Local government bonds	**51,216**	**51,222**	**(6)**
Corporate bonds	**64,266**	**64,406**	**(140)**
Other	**530,177**	**551,984**	**(21,807)**
Foreign bonds	**446,621**	**466,313**	**(19,692)**
Other	**83,556**	**85,671**	**(2,115)**
Subtotal	**$ 774,474**	**$ 811,103**	**$ (36,629)**
Total	**$8,799,251**	**$8,492,336**	**$ 306,915**

Available-for-sale securities with fair value that has declined significantly from the acquisition cost and for which there is deemed to be no likelihood of the fair value recovering to the acquisition cost level are recorded on the balance sheet at the fair value. In addition, the difference between acquisition cost and fair value is posted as a loss in the consolidated accounts for the fiscal year (this process is known as “impairment accounting”). The impairment loss for the year ended March 31, 2013 was ¥538 million ($5,729 thousand), which was composed of ¥236 million ($2,517 thousand) in stocks and ¥302 million ($3,212 thousand) of other. The impairment loss for the year ended March 31, 2012 was ¥2,921 million, which was composed of ¥2,301 million in stocks, ¥368 million of other, ¥224 million of foreign bonds and ¥27 million of corporate bonds.

The fair value of a security is classified as having fallen “significantly” from the acquisition cost when it falls below 70% of the acquisition cost. Of securities that have fallen below their acquisition cost, impairment accounting is implemented with respect to those that have fallen below 50% of the acquisition cost. In the case of securities whose fair value has fallen below 70% but not below 50%, impairment accounting is implemented with respect to those whose market price is deemed unlikely to recover to the acquisition cost level taking into account internal and external factors such as the business performance of the issuing company and market price movements with respect to all securities and the credit ratings assigned to the issuing company by external rating agencies in the case of bonds.

(c) There were no bonds classified as held-to-maturity sold during the years ended March 31, 2013 and 2012.

(d) Total sales of available-for-sale securities in the years ended March 31, 2013 and 2012 amounted to ¥367,108 million ($3,903,335 thousand) and ¥256,503 million, respectively. The related gains and losses for the year ended March 31, 2013 amounted to ¥11,516 million ($122,447 thousand) and ¥2,177 million ($23,155 thousand), respectively. The related gains and losses for the year ended March 31, 2012 amounted to ¥5,033 million and ¥3,977 million, respectively.

(e) Net unrealized gains on available-for-sale securities as of March 31, 2013 and 2012 were as follows.

	Millions of yen		Thousands of U.S. dollars
	2013	2012	**2013**
Difference between acquisition cost and fair value:			
Available-for-sale securities	**¥33,338**	¥19,185	**$354,481**
Deferred tax liabilities	**(10,765)**	(6,344)	**(114,470)**
Difference between acquisition cost and fair value (prior to adjustment for minority interests)	**22,573**	12,841	**240,011**
Amount corresponding to minority interests	**(58)**	(38)	**(624)**
Net unrealized gains on available-for-sale securities	**¥22,514**	¥12,802	**$239,387**

5. Loans and bills discounted

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

	Millions of yen		Thousands of U.S. dollars
	2013	2012	**2013**
Loans to borrowers legally bankrupt	**¥1,981**	¥2,732	**$21,069**
Other delinquent loans	**82,542**	82,361	**877,645**
Loans past due over 3 months	**34**	-	**371**
Restructured loans	**9,392**	10,707	**99,862**
Total	**¥93,950**	¥95,801	**$998,947**

Loans to borrowers legally bankrupt are loans to customers who meet specific credit risk criteria such as undergoing bankruptcy proceedings. Interest is not accrued on these loans. Other delinquent loans are loans other than those included in loans to borrowers legally bankrupt for which the recognition of accrued interest has been suspended after an assessment of the loan's quality. Loans past due over 3 months are loans for which principal and/or interest payments are past due for three months or more.

Restructured loans are loans for which the banking subsidiary has granted borrowers certain concessions such as reduced or exempted interest, suspended payments of interest, delayed repayment of principal and/or waivers of claims to allow borrowers to restructure or to provide support. This category of loans excludes loans to borrowers legally bankrupt, other delinquent loans and loans past due over 3 months.

The banking subsidiary applies "Accounting and Auditing Treatment of Accounting Standards for Financial Instruments in the Banking Industry" (JICPA Industry Audit Committee Report No. 24) and accounts for bills discounted as financial transactions. The face value of bank acceptances, bills of exchange and bills of lading which were permitted to be sold or pledged without restrictions and which were acquired at a discount amounted to ¥31,466 million ($334,570 thousand) and ¥32,458 million at March 31, 2013 and 2012, respectively.

6. Accumulated depreciation for tangible fixed assets

Accumulated depreciation for tangible fixed assets at March 31, 2013 and 2012 was ¥44,409 million ($472,195 thousand) and ¥43,463 million, respectively. The amount of accumulated contributions deducted from the acquisition cost of tangible fixed assets were ¥4,317 million ($45,901 thousand) and ¥4,294 million at March 2013 and 2012, respectively.

7. Assets pledged as collateral

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

	Millions of yen		Thousands of U.S. dollars
	2013	2012	**2013**
Securities	**¥186,444**	¥194,401	**$1,982,397**
Other assets	**293**	173	**3,117**
Total	**¥186,737**	¥194,575	**$1,985,514**

The above pledged assets secured the following liabilities:

	Millions of yen		Thousands of U.S. dollars
	2013	2012	**2013**
Deposits	**¥14,500**	¥6,555	**$154,182**
Payable under securities lending transactions	**73,918**	80,920	**785,953**
Total	**¥88,419**	¥87,476	**$940,135**

In addition to the above pledged assets, securities pledged as collateral for transaction guarantees of foreign exchange and as substitutes for margins on futures transactions at March 31, 2013 and 2012 were ¥29,343 million ($311,998 thousand) and ¥70,146 million, respectively. Other assets included guarantee and leasehold deposits of ¥1,291 million ($13,729 thousand) and ¥1,341 million at March 31, 2013 and 2012, respectively.

8. Deposits

Deposits at March 31, 2013 and 2012 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2013	2012	**2013**
Liquid deposits	**¥1,611,232**	¥1,514,999	**$17,131,662**
Fixed-term deposits	**1,829,661**	1,840,955	**19,454,140**
Other deposits	**91,580**	84,069	**973,739**
Negotiable certificates of deposit	**48,042**	55,988	**510,824**
Total	**¥3,580,517**	¥3,496,013	**$38,070,365**

9. Borrowed money

The weighted average interest rate on the term-end balance of borrowed money was 2.39%. Borrowed money consisted of loans from other financial institutions. As of March 31, 2013 and 2012, subordinated loans in the amount of ¥24,000 million ($255,183 thousand) were included in borrowed money. Annual maturities of borrowed money and lease obligations as of March 31, 2013 were as follows:

	Borrowed money		Lease obligations	
Years ending March 31	Millions of yen	Thousands of U.S. dollars	Millions of yen	Thousands of U.S. dollars
2014	**¥184**	**$1,962**	**¥50**	**$536**
2015	**539**	**5,736**	**9**	**103**
2016	**1,089**	**11,583**	**6**	**72**
2017	**58**	**621**	**6**	**72**
2018	**20**	**212**	**6**	**71**
2019 and thereafter	**23,000**	**244,551**	**6**	**74**
Total	**¥24,891**	**$264,665**	**¥87**	**$928**

10. Bonds

As of March 31, 2013, the banking subsidiary had issued unsecured subordinated bonds as follows:

Issued	Due	Rate	Millions of yen	Thousands of U.S. dollars
December 2010	December 2020	1.94%	**¥7,000**	**$74,429**
September 2011	September 2021	2.21%	**3,000**	**31,898**
Total	-	-	**¥10,000**	**$106,327**

11. Employees' severance and retirement benefits

The banking subsidiary has defined benefit pension plans consisting of a corporate pension plan and a lump-sum payment plan. In addition, the bank has set up a retirement benefit trust.

A consolidated subsidiary has adopted a defined contribution pension plan and participated in general establishment type welfare pension funds. Other consolidated subsidiaries adopted lump-sum payment plans.

The liabilities for employees' severance and retirement benefits included in the liability section of the consolidated balance sheets as of March 31, 2013 and 2012 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2013	2012	**2013**
Projected benefit obligation	**¥(26,747)**	¥(24,916)	**$(284,396)**
Fair value of pension assets	**35,401**	30,047	**376,407**
Unfunded benefit obligation	**8,653**	5,131	**92,011**
Unrecognized actuarial differences	**(2,895)**	168	**(30,782)**
Net amount recognized in the consolidated balance sheets	**5,758**	5,299	**61,229**
Prepaid contribution	**5,789**	5,328	**61,559**
Liability for severance and retirement benefits	**¥(31)**	¥(29)	**$(330)**

Notes:
1. Some consolidated subsidiaries adopt a simple method in determining the projected benefit obligation.
2. With respect to corporate pension plans established by multi-employers, the latest funding status of the relevant pension plans is not presented due to immateriality.

Included in the consolidated statements of income for the years ended March 31, 2013 and 2012 were severance and retirement benefit expenses comprising the following:

	Millions of yen		Thousands of U.S. dollars
	2013	2012	**2013**
Service costs — benefits earned during the year	**¥854**	¥863	**$9,081**
Interest cost on projected benefit obligation	**497**	491	**5,292**
Expected return on plan assets	**(446)**	(427)	**(4,750)**
Amortization of actuarial differences	**(938)**	(355)	**(9,984)**
Other (Note 2)	**41**	34	**446**
Severance and retirement benefit expenses	**¥8**	¥606	**$85**
Gain on revision of retirement benefit plans (Note 3)	**-**	(1,476)	**-**
Total	**¥8**	¥(869)	**$85**

Notes:
1. Severance and retirement benefits of the consolidated subsidiaries which adopt a simple method and necessary amounts of contribution to the welfare pension fund jointly established by companies are included in "Service costs".
2. "Other" included payment of contribution to defined contribution pension plans in the amount of ¥19 million ($210 thousand) and ¥19 million for the year ended March 31, 2013 and 2012, respectively.
3. "Gain on revision of retirement benefit plans" is recorded under "Other income" in the accompanying consolidated statements of income.

Assumptions used in determining the projected benefit obligation, etc. for the years ended March 31, 2013 and 2012 were as follows:

	2013	2012
Discount rate	**1.4%**	2.0%
Expected return rate on plan assets	**2.0%**	2.0%
Method of attributing benefits of service	Straight-line method	
Amortization period of prior service costs	**-**	1 year
Amortization period of actuarial differences	9 years (allocated on a straight-line method, which is shorter than the average remaining service period of the employees, beginning with the term following the fiscal year when the differences are generated)	

12. Acceptances and guarantees

All contingent liabilities, including letters of credit and acceptances and guarantees, are reflected in acceptances and guarantees. Customers' liabilities for acceptances and guarantees are shown as a contra account on the asset side and represent the bank's right of indemnity from customers.

13. Guarantee obligations for bonds

Guarantee obligations for privately placed bonds (Article 2, Clause 3 of the Financial Instruments and Exchange Law) stood at ¥14,192 million ($150,900 thousand) and ¥13,586 million as of March 31, 2013 and 2012, respectively.

14. Shareholders' equity

(a) Capital stock

The number of shares of the Company's capital stock as of March 31, 2013 and 2012 was as follows:

	2013	2012
Number of shares:		
Authorized:		
Common	**1,798,381,105**	1,798,381,105
Preferred (Type 1)	**101,734,000**	123,734,000
Preferred (Type 2)	**4,170,000**	4,170,000
Preferred (Type 3)	**6,000,000**	6,000,000
Issued and outstanding:		
Common	**745,017,053**	745,017,053
Preferred (Fourth Series Type 1)	**23,000,000**	45,000,000
Total	**768,017,053**	790,017,053

Preferred stock

Preferred stock is noncumulative and nonparticipating for dividend payments, and holders of preferred stock are not entitled to vote at a general meeting of shareholders except when the proposal to pay the prescribed dividends to shareholders is not submitted to or is rejected at the general meeting of shareholders.

Annual dividends per share of preferred stock (Fourth Series Type 1) were paid to shareholders in the amount of ¥11.00. With regard to preferred stock of Fourth Series Type 1, annual dividends per share are determined using a formula provided by the Company's Articles of Incorporation.

If there is a liquidation distribution, holders of preferred stock of Fourth Series Type 1 will receive ¥700 per share and will not have the right to participate in any further liquidation distribution. Holders of preferred stock may request the Company to convert their preferred stock to common stock. The conversion period and conversion price of preferred stock are as follows:

Type	Conversion period	Conversion price
Fourth Series Type 1	October 1, 2011 to September 30, 2016	Market price at October 1, 2011

The conversion price is reset and adjusted pursuant to the stated rules governing the conversion of preferred stock. Any preferred stock for which conversion has not been requested during the conversion period shall be mandatorily converted as of the date immediately following the last day of the conversion period (the "mandatory conversion date") into the common stock. The number of shares of common stock resulting from the conversion shall be determined by dividing the amount set forth below by the average closing price per share of common stock in regular transactions at the Tokyo Stock Exchange for the 30 consecutive trading days (excluding any day on which the closing price is not available) commencing on the 45th trading day preceding the mandatory conversion date. If the average price of Fourth Series Type 1 preferred stock is less than 50% of the initial acquisition price (market price at October 1, 2011), the preferred stock shall be converted into shares of common stock by dividing the corresponding amount set forth below by the relevant amount described above.

Preferred stock (Fourth Series Type 1): ¥700 per share

(b) Retained earnings

Japanese banks are subject to the Corporate Law of Japan (the "Law") and the Banking Law. The Law requires that all shares of common stock be recorded with no par value and that at least 50% of the issue price of new shares be recorded as common stock and the remaining net proceeds as additional paid-in capital, which is included in capital surplus. The Law permits Japanese companies, upon approval of their Boards of Directors, to issue shares to existing shareholders without limitation. Such issuance of shares generally does not give rise to changes within the shareholders' accounts.

The Law requires that an amount equal to 10% of dividends must be appropriated as a legal reserve (a component of retained earnings) or as additional paid-in capital (a component of capital surplus) depending on the equity account charged upon the payment of such dividends until the total of aggregate amount of legal reserve and additional paid-in capital equals 25% of the capital stock. Under the Law, the total amount of additional paid-in capital and legal reserve may be reserved without limitation. The Law also provides that capital stock, legal reserve, additional paid-in capital, other capital surplus and retained earnings can be transferred among the accounts under certain conditions upon resolution of the shareholders.

The Law allows Japanese companies to repurchase treasury stock and dispose of such treasury stock by resolution of the Board of Directors. The repurchased amount of treasury stock cannot exceed the amount available for future dividends plus the amount of stated capital, additional paid-in capital or legal reserve to be reduced in cases in which a reduction was resolved at the shareholders' meeting.

In addition to requiring an appropriation for a legal reserve in connection with cash payments, the Law imposes certain limitations on the amount of retained earnings available for dividends.

Dividends are approved by the shareholders at a meeting held subsequent to the fiscal year for which the dividends are applicable. Semiannual interim dividends may also be paid upon resolution of the Board of Directors, subject to certain limitations imposed by the Law.

15. Changes in Net Assets

(a) Type and number of shares issued and treasury stock

At March 31, 2013 and 2012, the number of shares was as follows:

	Thousands of shares			
	2012	Increase	Decrease	**2013**
Shares issued:				
Common	745,017	-	-	**745,017**
Preferred (Fourth Series Type 1) (*1)	45,000	-	22,000	**23,000**
Total	790,017	-	22,000	**768,017**
Treasury stock:				
Common (*2)	7,132	9,835	2,317	**14,650**
Preferred (Fourth Series Type 1) (*3)	-	22,000	22,000	**-**
Total	7,132	31,835	24,317	**14,650**

(*1) The decrease in the number of preferred shares (Fourth Series Type 1) issued was due to cancellation.

(*2) The increase in the number of common shares in treasury was due to the acquisition of preferred shares (9,800 thousand shares) based on the resolution at the Board of Directors' meeting and purchase of shares (35 thousand shares) less than one unit. The decrease in the number of common shares in treasury is due to the sales by "Trust Exclusive for Employees Stock Ownership Group" of common shares (2,316 thousand shares) and the requests for the additional purchase of shares (1 thousand shares) less than one unit.

(*3) The increase in the number of preferred treasury stock (Fourth Series Type 1) is due to the acquisition executed within the purchase limit resolved at the general shareholders' meeting held on June 28, 2012 and the decrease is due to cancellation of treasury shares acquired.

	Thousands of shares			
	2011	Increase	Decrease	**2012**
Shares issued:				
Common (*1)	741,215	3,801	-	745,017
Preferred (Fourth Series Type 1)	45,000	-	-	45,000
Preferred (Type 2) (*2)	3,949	-	3,949	-
Total	790,165	3,801	3,949	790,017
Treasury stock:				
Common (*3)	9,240	175	2,283	7,132
Preferred (Type 2) (*2)	-	3,949	3,949	-
Total	9,240	4,125	6,232	7,132

(*1) The increase in the number of common shares issued was due to the acquisition of preferred shares in exchange for common shares (3,730 thousand shares) and requests from holders of preferred shares for the issuance of common shares (71 thousand shares) in exchange for preferred shares.

(*2) The increase in the number of preferred shares (Type 2) in treasury was due to the acquisition of preferred shares (3,875 thousand shares) in exchange for common shares and requests from holders of preferred shares for the purchase of preferred shares (74 thousand shares) in exchange for common shares. The decrease in the number of preferred shares (Type 2) issued was due to cancellation.

(*3) The increase in the number of common shares in treasury was due to the purchase by the Company of common shares less than one unit. The decrease in the number of common shares in treasury was due to the sales by "Trust Exclusive for Employees Stock Ownership Group" of common shares (2,276 thousand shares) and the requests for the additional purchase of shares (7 thousand shares) less than one unit.

(b) Information on dividends

Dividends paid during the year ended March 31, 2013 were as follows:

	Millions of yen	Yen	Thousands of U.S. dollars	U.S. dollars
	Amount of dividends	Cash dividends per share	Amount of dividends	Cash dividends per share
Common	**¥2,231**	**¥3.00**	**$23,727**	**$0.032**
Preferred (Fourth Series Type 1)	**495**	**11.00**	**5,263**	**0.117**

Notes: 1. Date of resolution of the ordinary general meeting of shareholders was June 28, 2012.
2. Record date for all type of shares was March 31, 2012.
3. Effective date for all type of shares was June 29, 2012.

Dividends applicable to the year ended March 31, 2013 and whose effective date (i.e. initial payment date) falls on a day after March 31, 2013 were as follows:

	Millions of yen	Yen	Thousands of U.S. dollars	U.S. dollars
	Amount of dividends	Cash dividends per share	Amount of dividends	Cash dividends per share
Common	**¥2,202**	**¥ 3.00**	**$23,414**	**$0.032**
Preferred (Fourth Series Type 1)	**253**	**11.00**	**2,690**	**0.117**

Notes: 1. Date of resolution of the ordinary general meeting of shareholders was June 27, 2013.
2. Record date for all type of shares was March 31, 2013.
3. Effective date for all type of shares was June 28, 2013.

Dividends paid during the year ended March 31, 2012 were as follows:

	Millions of yen	Yen
	Amount of dividends	Cash dividends per share
Common	¥2,220	¥3.00
Preferred (Fourth Series Type 1)	540	12.00
Preferred (Type 2)	39	10.00

Notes: 1. Date of resolution of the ordinary general meeting of shareholders was June 29, 2011.
2. Record date for all type of shares was March 31, 2011.
3. Effective date for all type of shares was June 30, 2011.

Dividends applicable to the year ended March 31, 2012 and whose effective date (i.e. initial payment date) falls on a day after March 31, 2012 were as follows:

	Millions of yen	Yen
	Amount of dividends	Cash dividends per share
Common	¥2,231	¥ 3.00
Preferred (Fourth Series Type 1)	495	11.00

Notes: 1. Date of resolution of the ordinary general meeting of shareholders was June 28, 2012.
2. Record date for all type of shares was March 31, 2012.
3. Effective date for all type of shares was June 29, 2012.

16. Other income

Other income included recoveries of written-off claims in the amount of ¥1,629 million ($17,331 thousand) and ¥1,699 million, for the years ended March 31, 2013 and 2012, respectively and gain on reversal of reserve for possible loan losses in the amount of ¥201 million ($2,137 thousand) for the year ended March 31, 2013.

17. Other expenses

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

	Millions of yen		Thousands of U.S. dollars
	2013	2012	**2013**
Loss on the devaluation of stocks	**¥236**	¥2,301	**$2,517**
Loss on the loans written-off	**3,003**	4,022	**31,939**
Loss on the transfer/sale of loan obligations	**238**	211	**2,539**
Impairment loss	**32**	37	**340**

Impairment loss

The Bank reduced the book value to the amounts deemed recoverable and posted the reduced amount of ¥32 million ($340 thousand) and ¥37 million for the years ended March 31, 2013 and 2012, respectively. Details are as follows:

			Impairment loss		
			Millions of yen		Thousands of U.S. dollars
Location	Major use	Asset category	**2013**	2012	**2013**
Kiyo Bank:					
Wakayama Prefecture	Idle assets	Land	**¥32**	¥-	**$340**
Wakayama Prefecture	Idle assets	Land, buildings, etc.	-	37	-
Total	-	-	**¥32**	¥37	**$340**

With respect to the calculation of impairment loss, the minimum operational unit recognized for management accounting purposes by the banking subsidiary is the single bank branch. However, where a number of branches operate as a group at the managerial level, the accounting unit is the group rather than the individual branch. Each unit of idle assets (one “unit” is defined as one plot of land or one building) is treated as a separate and individual unit for accounting purposes. Because the head office, administration center and Company provided housing and dormitories for the staff of the banking subsidiary do not independently generate any cash flows, they are treated as assets held in common by the banking subsidiary for accounting purposes. With respect to other consolidated subsidiaries, in principle, each company is treated as a separate and individual unit for impairment accounting purposes.

In calculating impairment loss for the reporting period, the amount deemed recoverable, i.e. the net proceeds from sale, was estimated by deducting the cost of disposal from the real estate appraisal value based on official appraisal standards.

18. Income taxes

The Company is subject to a number of taxes based on income, which, in the aggregate, indicate a statutory rate in Japan of approximately 37.7% and 40.4% for the years ended March 31, 2013 and 2012, respectively. The table below summarizes the significant differences between the statutory tax rate and the Company's effective tax rate for financial statement purposes for the years ended March 31, 2013 and 2012.

	2013	2012
Statutory tax rate	**37.7%**	40.4%
Adjustments:		
Reduction of deferred tax assets due to tax rate changes	**-**	13.2
Amortization of goodwill and negative goodwill	**2.3**	4.3
Dividend income that is not taxable for income tax purposes	**(0.7)**	(1.5)
Decrease in valuation allowance	**(7.0)**	(5.2)
Other	**0.4**	0.7
Effective income tax rate	**32.7%**	51.9%

Significant components of the Company's and its consolidated subsidiaries' deferred tax assets and liabilities as March 31, 2013 and 2012 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2013	2012	**2013**
Deferred tax assets:			
Nondeductible reserve for possible loan losses	**¥22,294**	¥24,853	**$237,051**
Write-down of securities	**6,845**	8,477	**72,781**
Retirement benefits	**5,813**	6,295	**61,812**
Operating loss carryforwards	**506**	4,211	**5,384**
Unrealized gains on available-for-sale securities	**-**	0	**-**
Other	**5,674**	6,340	**60,333**
Subtotal	**41,133**	50,179	**437,361**
Valuation allowance	**(22,940)**	(24,848)	**(243,918)**
Deferred tax assets	**18,193**	25,330	**193,443**
Deferred tax liabilities	**(12,601)**	(8,276)	**(133,985)**
Net deferred tax assets	**¥5,592**	¥17,053	**$59,458**

19. Other comprehensive income

Amounts reclassified to net income in the current period that were recognized in other comprehensive income in the current or previous periods and tax effects for each component of other comprehensive income were as follows:

	Millions of yen		Thousands of U.S. dollars
	2013	2012	**2013**
Net unrealized gains on available-for-sale securities:			
Increase during the year	**¥24,353**	¥14,729	**$258,944**
Reclassification adjustments	**(10,200)**	1,198	**(108,456)**
Subtotal before tax	**14,153**	15,927	**150,488**
Tax (expense) or benefit	**(4,421)**	(3,941)	**(47,010)**
Net unrealized gains on available-for-sale securities	**9,732**	11,986	**103,478**
Net deferred gains (losses) on hedging instruments			
Decreased during the year	**(1,134)**	(177)	**(12,068)**
Reclassification adjustments	**724**	11	**7,707**
Subtotal before tax	**(410)**	(166)	**(4,361)**
Tax (expense) or benefit	**149**	72	**1,591**
Net deferred gains (losses) on hedging instruments	**(260)**	(93)	**(2,770)**
Total other comprehensive income	**¥9,471**	¥ 11,892	**$100,708**

20. Per share information

	Yen		U.S. dollars
	2013	2012	**2013**
Net assets per share	**¥235.27**	¥201.64	**$2.502**
Net income per share (basic)	**24.31**	9.67	**0.258**
Net income per share (diluted)	**19.49**	7.56	**0.207**

The calculation of basic and diluted net income per share for the years ended March 31, 2013 and 2012 was as follows:

	Millions of yen		Thousands of U.S. dollars
	2013	2012	**2013**
Earnings per share:			
Net income	**¥18,125**	¥7,602	**$192,722**
Amount not available to common shareholders	**253**	495	**2,690**
Net income available to common shareholders	**17,872**	7,107	**190,032**
Average number of common shares during the term (thousands)	**735,333**	735,161	-
Diluted earnings per share:			
Reduction in net income	**253**	495	**2,690**
Increase in number of common shares (thousands)	**194,681**	270,345	-
Preferred shares (thousands)	**194,681**	270,345	**-**

21. Lease transactions

(1) Financing leases

As lessee

The Company accounts for finance leases which commenced prior to April 1, 2008 and did not transfer ownership of the lease assets to the lessee as operating lease transactions as permitted by the new accounting standard. The following pro forma amounts represent the acquisition costs, accumulated depreciation and net book value of the lease assets as of March 31, 2013 and 2012 that would have been applied to the finance leases under which the Company and its subsidiaries were lessees and are currently accounted for as operating leases:

	Millions of yen		Thousands of U.S. dollars
	2013	2012	**2013**
Acquisition cost	**¥2,080**	¥2,080	**$22,117**
Accumulated depreciation	**1,772**	1,511	**18,849**
Net book value	**¥307**	¥568	**$3,268**

	Millions of yen		Thousands of U.S. dollars
	2013	2012	**2013**
Original lease obligations (including finance charges)	**¥2,080**	¥2,080	**$22,117**
Payments remaining:			
Payments due within one year	**¥251**	¥261	**$2,669**
Payments due after one year	**56**	307	**599**
Total	**¥307**	¥568	**$3,268**

Lease payments under such leases for the years ended March 31, 2013 and 2012 were ¥261 million ($2,776 thousand) and ¥300 million, respectively.

(2) Operating leases

Future lease payments receivable, excluding interest, as of March 31, 2013 and 2012 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2013	2012	**2013**
Due within one year	**¥6**	¥5	**$73**
Due after one year	**4**	9	**43**
Total	**¥10**	¥15	**$116**

22. Commitment lines

Loan agreements and commitment line agreements are agreements which oblige the banking subsidiary to lend funds up to a certain limit agreed to in advance. The banking subsidiary makes the loans upon a borrower's request to draw down funds under such agreements as long as there is no breach of the various terms and conditions stipulated in the agreements. The unused commitment balances relating to these agreements at March 31, 2013 and 2012 amounted to ¥325,692 million ($3,462,971 thousand) and ¥331,563 million, respectively. Of this amount, the unused commitment balances relating to agreements with terms of one year or less or that were unconditionally cancelable at any time totaled ¥314,240 million ($3,341,212 thousand) and ¥324,959 million, respectively.

In many cases, the term of the agreement runs its course without the loan ever being drawn down. Therefore, unused loan commitment balances will not necessarily affect future cash flows. Conditions are included in certain loan agreements which allow the banking subsidiary to decline a request to draw down funds or to reduce the agreed limit amount when there is cause to do so, such as when there is a change in the financial condition of the borrower or when it is necessary to protect the subsidiary's credit. The banking subsidiary makes various measures to protect its credit, including having the obligor pledge collateral in the form of real estate, securities etc. on signing the loan agreement or confirming the obligor's financial condition in accordance with the subsidiary's established internal procedures.

23. Financial instruments and related disclosures

1. Disclosure about Financial Instruments

(1) Policy on financial instruments

The Group provides comprehensive financial services such as deposit-taking and lending services, electronic computing related services, leasing operations, credit card business and others. Since the Group is exposed to the market risk of fluctuations in interest rates arising from deposit-taking, lending services and securities investment operations, the Group conducts comprehensive asset and liability management (ALM) and, as part, engages in derivative transactions.

(2) Nature and risk of financial instruments

Financial assets held by the Group consist mainly of loans to domestic customers, which are exposed to credit risk arising from customers' nonperformance of contractual obligations and the risk of interest rates fluctuations. Securities held by the Group consist mainly of debt securities, equity securities and investment trusts, which are held for the purpose of holding to maturity, net investment, strategic investment and trading purposes. These securities are exposed to the credit risk of the issuers, interest rate fluctuation risk and price fluctuation risk.

Financial liabilities consist mainly of deposits, which are exposed to liquidity risk and interest rate fluctuation risk and other financial assets.

Major risks inherent in derivative transactions include the market risk of fluctuation in interest rates, foreign exchange, stock prices and other market instruments and the credit risk arising from customers' nonperformance of contractual obligations. The Group employs derivative transactions mainly to hedge these risks, and the market risk of the hedged items is almost offset by the derivatives. Hedging instruments to which hedge accounting is applied are mainly interest rate swaps, currency swaps, forward transactions, etc. and the corresponding hedged items are securities.

(3) Risk management system for financial instruments

Credit risk management

The Group has established a credit risk management system that includes the "Credit Risk Control Rule" and other various rules and defines the basic credit risk control policy and management system. Specifically, the Review Department conducts reviews according to the risk characteristics of the credit items by identifying the financial position, use of funds, repayment resources and other factors related to the credit customers. The Credit Control Department sets up and controls limits to avoid the concentration of credit risk and identifies the quantitative level of credit risk. The Department is also responsible for the maintenance of the credit rating system and reports the measured volume of credit risk to the Board of Directors and risk management committee so that credit risk management may be discussed within the framework of integrated risk control.

Market risk management

The Group has established a market risk management system that includes the "Market Risk Control Rule" and other various rules and defines the basic market risk control policy and management system.

(i) Interest rate risk management

With respect to interest rate management, the Group regularly measures the volume of interest rate risk arising from assets and liabilities such as securities, loans and deposits and conducts interest rate gap analysis and interest rate sensitivity analysis and reports the outcome to the ALM Strategy Committee and the Risk Control Committee. The Group also has established specific limits on the level of interest rate risk.

(ii) Price fluctuation risk management

With respect to price fluctuation risk, the Group controls the level of risk on a daily basis by measuring the risk volume and setting up limits on the level of risk. Securities held for net investment purposes are controlled by setting up additional limits on transactions and losses above those set up by the risk volume control. With respect to the shares held for strategic investment purposes, the Group tries to reduce the risk level by limiting the balance and using hedging instruments.

(iii) Foreign exchange risk management

The Group tries to reduce the risk by identifying the fluctuation risk of foreign exchange rates associated with the foreign currency denominated assets and liabilities, controlling the risk within the predetermined limit and employing currency swaps, etc.

(iv) Derivative transactions

Derivatives transactions are employed principally and limitedly for hedging purposes. An internal control system has been established by segregating the functions of executing derivative transactions, evaluating hedge effectiveness and operations control.

(v) Information on volume of market risk

Major financial instruments that are affected by interest rate risk that is regarded as a major risk factor are due from banks, call loans, other debt purchased, bonds and investment trusts included in securities, loans and bills discounted, deposits, payables under securities lending transactions, borrowed money and bonds. Financial

instruments that are affected by price fluctuation risk consist of stocks and investment trusts included in securities.
The banking subsidiary calculates VaR to capture the effects of income and economic value from interest rate fluctuation and price fluctuation. VaR is made available to inner management. To calculate VaR, subsidiaries apply the variance and covariance method, using 3 to 6 months as the holding period based on risk characteristics, 99% as the confidence interval and 1 to 5 years as the observation period based on risk characteristics. The amount of risk at March 31, 2013 and 2012 was ¥271 million ($2,881 thousand) and ¥2,329 million for interest rate risk and ¥16,302 million ($173,333 thousand) and ¥10,130 million for price fluctuation risk, respectively. In addition, subsidiaries verify the effectiveness of risk measurement under the variance and covariance method by a back testing protocol that compares VaR to the actual incomes.
In calculating VaR on interest rate risk, the core deposits of liquid deposits are adjusted. Core deposits do not have specified interest rates and are demand deposits that are expected to be held for the long term without demand for withdrawal.
VaR is a statistical measure of market risk volume under a certain probability of occurrence based on the past market fluctuations. Accordingly, it may be impossible to capture the risk if the market fluctuates rapidly under extraordinary circumstances.

Liquidity risk management

The Group has established a liquidity risk management system that includes the “Liquidity Risk Control Rule” and other various rules and defines the basic liquidity risk control policy and management system. The Group tries to control liquidity risk by maintaining stable cash management, securing highly liquid reserves and strengthening preliminary controls.

(4) Supplementary explanation about fair value of financial instruments
In addition to the value determined based on the market price, the fair value of financial instruments includes a valuation calculated on a reasonable basis if no market price is available. Since certain assumptions are used in calculating the value, the outcome of such calculations may vary if different assumptions are used.

2. Fair value of financial instruments
The carrying amount, the fair value and any difference as at March 31, 2013 and 2012 are set forth in the table below. Note that unlisted equity securities for which the fair value was extremely difficult to determine were not included in the following table (See Note 2). Also, insignificant items were omitted.

	Millions of yen		
	2013		
	Carrying amount	Fair value	Unrealized gains (losses)
Cash and due from banks	**¥188,043**	**¥188,043**	**¥ -**
Call loans and bills bought	**110,000**	**110,000**	**-**
Securities:			
Held-to-maturity securities	**155,247**	**154,026**	**(1,221)**
Available-for-sale securities	**826,628**	**826,628**	**-**
Loans and bills discounted	**2,575,933**		
Reserve for possible loan losses (*1)	**(27,087)**		
	2,548,845	**2,562,999**	**14,153**
Total assets	**¥3,828,765**	**¥3,841,697**	**¥12,931**
Deposits	**¥3,580,517**	**¥3,581,090**	**¥572**
Payables under securities lending transactions	**73,918**	**73,918**	**-**
Borrowed money	**24,891**	**25,296**	**405**
Bonds	**10,000**	**10,368**	**368**
Total liabilities	**¥3,689,328**	**¥3,690,674**	**¥1,346**
Derivative transactions (*2)			
Hedge accounting not applied	**¥250**	**¥250**	**¥ -**
Hedge accounting applied	**(418)**	**(418)**	**-**
Total derivative transactions	**¥(167)**	**¥(167)**	**¥ -**

	Millions of yen		
	2012		
	Carrying amount	Fair value	Unrealized gains (losses)
Cash and due from banks	¥84,887	¥84,887	¥ -
Call loans and bills bought	61,239	61,239	-
Securities:			
Held-to-maturity securities	155,510	155,809	299
Available-for-sale securities	910,883	910,883	-
Loans and bills discounted	2,539,253		
Reserve for possible loan losses (*1)	(25,774)		
	2,513,478	2,528,663	15,184
Total assets	¥3,725,999	¥3,741,483	¥15,483
Deposits	¥3,496,013	¥3,497,974	¥1,961
Payables under securities lending transactions	84,206	84,205	(0)
Borrowed money	30,100	30,248	147
Bonds	13,000	13,225	225
Total liabilities	¥3,623,319	¥3,625,653	¥2,333
Derivative transactions (*2)			
Hedge accounting not applied	¥(25)	¥(25)	¥ -
Hedge accounting applied	171	171	-
Total derivative transactions	¥145	¥145	¥ -

	Thousands of U.S. dollars		
	2013		
	Carrying amount	Fair value	Unrealized gains (losses)
Cash and due from banks	**$1,999,403**	**$1,999,403**	**$ -**
Call loans and bills bought	**1,169,591**	**1,169,591**	**-**
Securities:			
Held-to-maturity securities	**1,650,692**	**1,637,704**	**(12,988)**
Available-for-sale securities	**8,789,243**	**8,789,243**	**-**
Loans and bills discounted	**27,388,979**		
Reserve for possible loan losses (*1)	**(288,012)**		
	27,100,967	**27,251,454**	**150,487**
Total assets	**$40,709,896**	**40,847,395**	**$137,499**
Deposits	**$38,070,365**	**$38,076,456**	**$6,091**
Payables under securities lending transactions	**785,953**	**785,953**	**-**
Borrowed money	**264,665**	**268,972**	**4,307**
Bonds	**106,327**	**110,243**	**3,916**
Total liabilities	**$39,227,310**	**$39,241,624**	**$14,314**
Derivative transactions (*2)			
Hedge accounting not applied	**$2,661**	**$2,661**	**$ -**
Hedge accounting applied	**(4,446)**	**(4,446)**	**-**
Total derivative transactions	**$(1,785)**	**$(1,785)**	**$ -**

(*1) General and specific reserves for possible loan losses corresponding to loans and bills discounted are deducted.
(*2) Net receivables and payables incurred from derivative transactions are presented in net amounts, and net payables are presented in parentheses.

(Note 1) Method of calculation for fair value of financial instruments

Assets:

Cash and due from banks

For deposits without maturity, the carrying amount is presented as the fair value since the fair value approximates the carrying amount. For deposits with maturity, the carrying amount is presented as the fair value since the fair value approximates the carrying amount because the maturity is short (less than one year).

Call loans and bills bought

For call loans and bills bought, the carrying amount is presented as the fair value since the fair value approximates the carrying amount because the remaining maturity is short (less than one year).

Securities

The fair value of equity securities is determined using the quoted price on exchanges, and the fair value of debt securities is determined using the price published by the industry group or offered by the financial institutions with which they are transacted. The fair value of investment trusts is determined using the quoted price on exchange or the price offered by the financial institutions with which they are transacted. The fair value of non-publicly traded private placement bonds is determined using the same calculation method as that of loans. With respect to the fair value of a part of variable-interest JGBs, it has been judged that current market prices cannot be regarded as the fair value, and the value calculated on a reasonable basis is treated as the fair value.

The fair value of variable-interest JGBs is determined using the discounted present value of future cash flows generated from the variable interest JGBs, taking into consideration the value of zero-floor options as predicted by the convexity method and/or the Black-Scholes option model. The principal variables used in determining the JGB price are the JGB spot rate and the implied volatility of yen swaptions. The Company obtains this price from reliable bid-price providers and applies it after careful examination of its applicability to the Company's situation.

Notes concerning securities held by holding purposes are described at Note 4, "Trading account securities and securities."

Loans and bills discounted

For loans with variable interest rates which reflect short-term interest rates, the carrying amount is presented as the fair value since the fair value approximates the carrying amount as long as the creditworthiness of the borrower has not changed significantly from the time of the loan origination. For the loans with fixed interest rates, the fair value is determined based on the aggregate value of principal and interest by categories of types of loans, internal ratings and maturities discounted using the interest rate assumed if the same loans were newly originated. For the loans with short contractual terms (less than one year), the carrying amount is presented as the fair value since the fair value approximates the carrying amount.

For receivables from bankrupt, effectively bankrupt and likely to become bankrupt borrowers, loan losses are estimated based on factors such as the present value of expected future cash flows or the expected amount to be collected from collateral and guarantees. Since the fair value of these items approximates the carrying amount, net of the expected loan losses, the carrying amount is presented as the fair value.

For loans which have non-defined repayment due dates because of restricting the amount of the loans to the amount of the pledged assets, the carrying amount is presented as the fair value since the fair value approximates the carrying amount considering the expected repayment schedule and interest rate.

Liabilities:

Deposits

For demand deposits, the amount payable on demand as of the balance sheet date (i.e., the carrying amount) is considered to be the fair value. The fair value of time deposits is determined using the discounted present value of future cash flows grouped by certain maturity lengths. The discount rate used is the interest rate that would be applied to newly accepted deposits. For deposits whose maturity is short (less than one year), the carrying amount is presented as the fair value since the fair value approximates the carrying amount.

Payables under securities lending transactions

For payables under securities lending transactions in which the trade term is short (less than one year), the carrying amount is presented as the fair value since the fair value approximates the carrying amount.

Borrowed money and bonds

For borrowed money and bonds, the fair value is calculated as the present value of expected future cash flows discounted using the interest rate that would be applied to newly borrowed money. For borrowed money with variable interest rates linked to the short-term market interest rates, the carrying amount is presented as the fair value since the fair value approximates the carrying amount because the creditworthiness of the Company and its consolidated subsidiaries has not changed significantly after it was executed.

Derivative transactions:

Derivative transactions consist mainly of interest rate related derivatives such as interest rate swaps, currency related derivatives such as currency futures, currency options, currency swaps, etc. The fair value is determined using the value calculated by the quoted price on exchange, discounted present value, option pricing models, etc.

(Note 2) Financial instruments which fair value is extremely difficult to determine are set forth in the table below. These securities are not included in "Available-for-sale securities" under "Assets" in the table "Fair value of financial instruments."

	Carrying amount		
	Millions of yen		Thousands of U.S. dollars
	2013	2012	**2013**
Unlisted equity securities (*1) (*2)	**¥2,297**	¥2,514	**$24,432**
Investment in partnerships (*3)	**475**	239	**5,056**
Total	**¥2,773**	¥2,754	**$29,488**

(*1) No market price is available for unlisted equity securities, and the fair value is not disclosed since it is extremely difficult to determine.
(*2) The Company recognized impairment loss in an amount of ¥9 million ($97 thousand) on unlisted equity securities for the year ended March 31, 2013.
(*3) The fair value of investment in partnerships whose assets consisted of securities such as unlisted equity securities whose fair value is extremely difficult to identify is not disclosed.

(Note 3) Repayment schedule of monetary receivables and securities with contract maturities subsequent to the balance sheet date

	Millions of yen					
	2013					
	Due within 1 year	Due within 3 years	Due within 5 years	Due within 7 years	Due within 10 years	Due over 10 years
Cash and due from banks	**¥188,043**	**¥ -**	**¥ -**	**¥ -**	**¥ -**	**¥ -**
Call loans and bills bought	**110,000**	**-**	**-**	**-**	**-**	**-**
Securities						
Held-to-maturity debt securities	**21,073**	**1,446**	**60,427**	**504**	**71,794**	**-**
Japanese government bonds	**-**	**506**	**60,427**	**504**	**71,794**	**-**
Local government bonds	**14,392**	**-**	**-**	**-**	**-**	**-**
Corporate bonds	**6,680**	**-**	**-**	**-**	**-**	**-**
Other	**-**	**940**	**-**	**-**	**-**	**-**
Foreign bonds	**-**	**940**	**-**	**-**	**-**	**-**
Available-for-sale securities with contract Maturities	**113,929**	**111,953**	**222,436**	**78,170**	**177,366**	**64,730**
Japanese government bonds	**77,915**	**8,409**	**48,471**	**-**	**125,344**	**-**
Local government bonds	**3,858**	**20,365**	**42,891**	**54,793**	**6,555**	**10,255**
Corporate bonds	**5,828**	**50,700**	**55,108**	**796**	**5,165**	**47,481**
Other	**26,326**	**32,477**	**75,965**	**22,581**	**40,301**	**6,992**
Foreign bonds	**26,326**	**32,477**	**75,965**	**22,581**	**40,301**	**6,992**
Loans and bills discounted (*)	**673,443**	**467,356**	**330,934**	**201,848**	**234,475**	**549,974**
Total	**¥1,106,490**	**¥580,756**	**¥613,798**	**¥280,524**	**¥483,636**	**¥614,704**

(*) Loans and bills discounted at March 31, 2013 do not include ¥84,568 million ($899,187 thousand) of those due from bankrupt, effectively bankrupt or likely to become bankrupt borrowers whose repayment schedules cannot be estimated and ¥33,332 million ($354,408 thousand) of those which have non-defined maturities.

	Millions of yen					
	2012					
	Due within 1 year	Due within 3 years	Due within 5 years	Due within 7 years	Due within 10 years	Due over 10 years
Cash and due from banks	¥84,887	¥ -	¥ -	¥ -	¥ -	¥ -
Call loans and bills bought	61,239	-	-	-	-	-
Securities						
Held-to-maturity debt securities	-	21,072	27,995	33,919	72,522	-
Japanese government bonds	-	-	27,173	33,919	72,522	-
Local government bonds	-	14,385	-	-	-	-
Corporate bonds	-	6,686	-	-	-	-
Other	-	-	821	-	-	-
Foreign bonds	-	-	821	-	-	-
Available-for-sale securities with contract Maturities	85,662	151,618	214,531	85,102	267,316	58,872
Japanese government bonds	5,004	78,272	78,492	17,488	139,948	-
Local government bonds	2,023	14,237	25,901	41,705	86,192	10,482
Corporate bonds	5,384	33,465	38,835	706	4,672	39,173
Other	73,250	25,642	71,301	25,202	36,502	9,216
Foreign bonds	73,250	25,642	71,301	25,202	36,502	9,216
Loans and bills discounted (*)	655,804	479,276	340,189	176,995	220,689	548,664
Total	¥887,594	¥651,967	¥582,716	¥296,017	¥560,527	¥607,537

(*) Loans and bills discounted at March 31, 2012 do not include ¥84,090 million of those due from bankrupt, effectively bankrupt or likely to become bankrupt borrowers whose repayment schedules cannot be estimated and ¥33,542 million of those which have non-defined maturities.

	Thousands of U.S. dollars					
	2013					
	Due within 1 year	Due within 3 years	Due within 5 years	Due within 7 years	Due within 10 years	Due over 10 years
Cash and due from banks	**$1,999,403**	**$ -**	**$ -**	**$ -**	**$ -**	**$ -**
Call loans and bills bought	**1,169,591**	**-**	**-**	**-**	**-**	**-**
Securities						
Held-to-maturity debt securities	**224,067**	**15,381**	**642,507**	**5,369**	**763,368**	**-**
Japanese government bonds	**-**	**5,381**	**642,507**	**5,369**	**763,368**	**-**
Local government bonds	**153,032**	**-**	**-**	**-**	**-**	**-**
Corporate bonds	**71,035**	**-**	**-**	**-**	**-**	**-**
Other	**-**	**10,000**	**-**	**-**	**-**	**-**
Foreign bonds	**-**	**10,000**	**-**	**-**	**-**	**-**
Available-for-sale securities with contract Maturities	**1,211,369**	**1,190,362**	**2,365,092**	**831,159**	**1,885,872**	**688,252**
Japanese government bonds	**828,450**	**89,418**	**515,381**	**-**	**1,332,743**	**-**
Local government bonds	**41,029**	**216,539**	**456,048**	**582,596**	**69,701**	**109,044**
Corporate bonds	**61,967**	**539,084**	**585,954**	**8,464**	**54,921**	**504,857**
Other	**279,923**	**345,321**	**807,709**	**240,099**	**428,507**	**74,351**
Foreign bonds	**279,923**	**345,321**	**807,709**	**240,099**	**428,507**	**74,351**
Loans and bills discounted (*)	**7,160,485**	**4,969,236**	**3,518,705**	**2,146,187**	**2,493,092**	**5,847,678**
Total	**$11,764,915**	**$6,174,979**	**$6,526,304**	**$2,982,715**	**$5,142,332**	**$6,535,930**

(Note 4) Repayment schedule of bonds, borrowed money and other interest bearing liabilities subsequent to the balance sheet date

	Millions of yen					
	2013					
	Due within 1 year	Due within 3 years	Due within 5 years	Due within 7 years	Due within 10 years	Due over 10 years
Deposits (*)	**¥3,150,689**	**¥346,170**	**¥83,658**	**¥ -**	**¥ -**	**¥ -**
Deposits received for securities lending transactions	**73,918**	**-**	**-**	**-**	**-**	**-**
Borrowed money	**184**	**1,628**	**78**	**15,000**	**8,000**	**-**
Bonds	**-**	**-**	**-**	**-**	**10,000**	**-**
Total	**¥3,224,792**	**¥347,799**	**¥83,736**	**¥15,000**	**¥18,000**	**¥ -**

	Millions of yen					
	2012					
	Due within 1 year	Due within 3 years	Due within 5 years	Due within 7 years	Due within 10 years	Due over 10 years
Deposits (*)	¥3,053,440	¥374,194	¥68,377	¥ -	¥ -	¥ -
Deposits received for securities lending transactions	81,533	2,673	-	-	-	-
Borrowed money	5,106	925	1,067	3,000	20,000	-
Bonds	-	-	-	3,000	10,000	-
Total	¥3,140,080	¥377,793	¥69,445	¥6,000	¥30,000	¥ -

(*) Demand deposits are shown under "Due within one year."

	Thousands of U.S. dollars					
	2013					
	Due within 1 year	Due within 3 years	Due within 5 years	Due within 7 years	Due within 10 years	Due over 10 years
Deposits (*)	**$33,500,154**	**$3,680,704**	**$889,507**	**$ -**	**$ -**	**$ -**
Deposits received for securities lending transactions	**785,953**	**-**	**-**	**-**	**-**	**-**
Borrowed money	**1,962**	**17,319**	**834**	**159,489**	**85,061**	**-**
Bonds	**-**	**-**	**-**	**-**	**106,327**	**-**
Total	**$34,288,069**	**$3,698,023**	**$890,341**	**$159,489**	**$191,388**	**$ -**

(*) Demand deposits are shown under "Due within one year."

24. Derivative transactions

Information regarding derivative transactions, such as the types of derivatives, the policies and purpose for using derivatives and the risks and risk control systems for derivatives are described in Note 23, "Financial instruments and related disclosures."

Outstanding derivative contracts which were revalued at fair value and the gains and losses recognized in the consolidated statements of income as of March 31, 2013 and 2012 are set forth in the tables below.

Derivatives to which hedge accounting is not applied:

With respect to derivatives to which hedge accounting is not applied, the contract amount, fair value and recognized gain (loss) at the balance sheet date designated by transaction type and method of calculating fair value are set forth in the table below. Note that the contract amounts do not reflect the market risk exposure associated with derivatives themselves.

	Millions of yen							
	2013				2012			
	Contract amount				Contract amount			
	Total	Over one Year	Fair value	Recognized gain (loss)	Total	Over one Year	Fair Value	Recognized gain (loss)
Currency related:								
Currency swaps	**¥185,557**	**¥143,278**	**¥197**	**¥197**	¥209,371	¥152,635	¥234	¥234
Forward foreign exchanges:								
Sell	**42,364**	-	**52**	**52**	7,997	-	(260)	(260)
Buy	**690**	-	**(0)**	**(0)**	113	-	(0)	(0)
Total	-	-	**¥250**	**¥250**	-	-	¥(25)	¥(25)

	Thousands of U.S. dollars			
	2013			
	Contract amount			
	Total	Over one year	Fair value	Recognized gain (loss)
Currency related:				
Currency swaps	**$1,972,962**	**$1,523,433**	**$2,101**	**$2,101**
Forward foreign exchanges:				
Sell	**450,450**	**-**	**563**	**563**
Buy	**7,338**	**-**	**(3)**	**(3)**
Total	-	-	**$2,661**	**$2,661**

The transactions were valued at market value, and valuation gains and losses were credited or charged to income. Fair value was determined using the value calculated by the discounted present value.

Derivatives to which hedge accounting is applied:

With respect to derivatives to which hedge accounting is applied, the contract amount and fair value at the balance sheet date by transaction type and by hedge accounting method and method of calculating fair value are set forth in the table below. Note that the contract amounts do not reflect the market risk exposure associated with derivatives themselves.

Interest rate related:

			Millions of yen		
			2013		
			Contract amount		
Hedge accounting method	Type	Major hedged item	Total	Over one year	Fair value
Fundamental method	Interest rate swaps: Receivable floating rate/ Payable fixed rate	Available-for-sale securities (bonds)	**¥30,000**	**¥30,000**	**¥(241)**

			Thousands of U.S. dollars		
			2013		
			Contract amount		
Hedge accounting method	Type	Major hedged item	Total	Over one year	Fair value
Fundamental method	Interest rate swaps: Receivable floating rate/ Payable fixed rate	Available-for-sale securities (bonds)	**$318,979**	**$318,979**	**$(2,570)**

There were no interest rate related derivatives at March 31, 2012.

Currency related:

			Millions of yen		
			2013		
			Contract amount		
Hedge accounting method	Type	Major hedged item	Total	Over one year	Fair value
Fundamental method	Currency swaps	Foreign currency denominated securities	**¥1,207**	**¥ -**	**¥(176)**

			Millions of yen		
			2012		
			Contract amount		
Hedge accounting method	Type	Major hedged item	Total	Over one year	Fair value
Fundamental method	Currency swaps	Foreign currency denominated securities	¥1,098	¥ -	¥(29)

			Thousands of U.S. dollars		
			2013		
			Contract amount		
Hedge accounting method	Type	Major hedged item	Total	Over one year	Fair value
Fundamental method	Currency swaps	Foreign currency denominated securities	**$12,837**	**$ -**	**$(1,876)**

Currency related derivatives are accounted for by the deferred hedge accounting method in accordance with JICPA Industry Committee Report No. 25, “Treatment of Accounting and Auditing concerning Accounting for Foreign Currency Transactions in the Banking Industry.” Fair value was determined using the value calculated by the discounted present value.

Stock related:

There were no stock related derivatives at March 31, 2013.

			Millions of yen		
			2012		
			Contract amount		
Hedge accounting method	Type	Major hedged item	Total	Over one year	Fair value
Fundamental method	Forward transactions	Stocks	¥2,673	¥2,673	¥201

Fair value of the above table is based on closing market quotations on the Tokyo stock exchange at the end of the year.

25. Segment information

(a) General information about reportable segments

The Group's reportable segment is defined as an operating segment for which discrete financial information is available and examined by the Board of Directors regularly in order to make decisions about resources to be allocated to the segment and assess its performance. The Group engages mainly in the banking business, and financial information is controlled based on figures provided by the Kiyo Bank Ltd., which operates the banking business. So, the Group defines banking business as a reportable segment.

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

The accounting methods for the reportable segments are the same as those used for the preparation for the consolidated financial statements. Profits for reportable segments are ordinary profit. Ordinary profit is profit derived from regular business activities, including wages, dividends and interest. Profits and transfer sums of intersegment transactions within the Group are based on market prices.

(c) Information about reportable segment profit or loss, segment assets, segment liabilities and other items

Segment information as of and for the fiscal year ended March 31, 2013 is as follows

	Millions of yen				
	2013				
	Banking business	Other business	Total	Reconciliation	Consolidated
Ordinary income:					
Outside customers	**¥79,350**	**¥7,856**	**¥87,206**	**¥ -**	**¥87,206**
Intersegment	**332**	**2,987**	**3,320**	**(3,320)**	**-**
Total	**79,682**	**10,844**	**90,526**	**(3,320)**	**87,206**
Segment profit	**25,898**	**1,375**	**27,274**	**(31)**	**27,242**
Segment assets	**3,925,955**	**26,433**	**3,952,388**	**(24,918)**	**3,927,469**
Segment liabilities	**3,741,763**	**17,455**	**3,759,218**	**(22,352)**	**3,736,865**
Others					
Depreciation	**¥3,851**	**¥254**	**¥4,106**	**¥ -**	**¥4,106**
Interest income	**56,254**	**178**	**56,433**	**(116)**	**56,316**
Interest expenses	**5,515**	**113**	**5,628**	**(115)**	**5,513**
Gain on disposal of fixed assets	**2**	**0**	**2**	**-**	**2**
Loss on disposal of fixed assets	**57**	**3**	**61**	**-**	**61**
Impairment loss	**32**	**-**	**32**	**-**	**32**
Income taxes	**8,405**	**495**	**8,900**	**(27)**	**8,873**
Increase in tangible and intangible fixed assets	**2,477**	**428**	**2,906**	**-**	**2,906**

Notes: 1. Ordinary income represents total income less certain specific income.
2. The "Other" category incorporates operations not included in any of the reportable segments reported, including the credit assurance business, computing business, clerical work agency industry, leasing business, venture capital services and credit card services.
3. Segment profit is reconciled to net income in the consolidated statement of income.

Segment information as of and for the fiscal year ended March 31, 2012 is as follows

	Millions of yen				
	2012				
	Banking business	Other business	Total	Reconciliation	Consolidated
Ordinary income:					
Outside customers	¥75,939	¥8,387	¥84,327	¥ -	¥84,327
Intersegment	434	2,697	3,132	(3,132)	-
Total	76,374	11,085	87,459	(3,132)	84,327
Segment profit	13,257	1,352	14,609	56	14,666
Segment assets	3,854,001	26,246	3,880,248	(25,405)	3,854,842
Segment liabilities	3,676,479	18,183	3,694,663	(22,854)	3,671,808
Others					
Depreciation	¥4,017	¥215	¥4,233	¥ -	¥4,233
Interest income	59,204	240	59,444	(138)	59,305
Interest expenses	7,022	135	7,157	(137)	7,020
Gain on disposal of fixed assets	20	0	20	-	20
Gain on revision of retirement benefit plans	1,476	-	1,476	-	1,476
Loss on disposal of fixed assets	64	6	70	-	70
Impairment loss	37	-	37	-	37
Income taxes	7,777	575	8,352	(27)	8,325
Increase in tangible and intangible fixed assets	1,605	680	2,286	-	2,286

Notes: 1. Ordinary income represents total income less certain specific income.
2. The “Other” category incorporates operations not included in any of the reportable segments reported, including the credit assurance business, computing business, clerical work agency industry, leasing business, venture capital services and credit card services.
3. Segment profit is reconciled to net income in the consolidated statement of income.

	Thousands of U.S. dollars				
	2013				
	Banking business	Other business	Total	Reconciliation	Consolidated
Ordinary income:					
Outside customers	**$843,702**	**$83,535**	**$927,237**	**$ -**	**$927,237**
Intersegment	**3,537**	**31,766**	**35,303**	**(35,303)**	**-**
Total	**847,239**	**115,301**	**962,540**	**(35,303)**	**927,237**
Segment profit	**275,374**	**14,628**	**290,002**	**(339)**	**289,663**
Segment assets	**41,743,278**	**281,057**	**42,024,335**	**(264,952)**	**41,759,383**
Segment liabilities	**39,784,832**	**185,593**	**39,970,425**	**(237,667)**	**39,732,758**
Others					
Depreciation	**40,951**	**2,707**	**43,658**	**-**	**43,658**
Interest income	**598,132**	**1,903**	**600,035**	**(1,242)**	**598,793**
Interest expenses	**58,644**	**1,202**	**59,846**	**(1,223)**	**58,623**
Gain on disposal of fixed assets	**29**	**1**	**30**	**-**	**30**
Loss on disposal of fixed assets	**612**	**42**	**654**	**-**	**654**
Impairment loss	**340**	**-**	**340**	**-**	**340**
Income taxes	**89,369**	**5,269**	**94,638**	**(293)**	**94,345**
Increase in tangible and intangible fixed assets	**26,346**	**4,558**	**30,904**	**-**	**30,904**

(d) Information about services

	Millions of yen			
	2013			
	Loan services	Securities investment	Other	Total
Ordinary income:				
Outside customers	**¥45,146**	**¥23,963**	**¥18,097**	**¥87,206**

	Millions of yen			
	2012			
	Loan services	Securities investment	Other	Total
Ordinary income:				
Outside customers	¥47,068	¥18,600	¥18,658	¥84,327

	Thousands of U.S. dollars			
	2013			
	Loan services	Securities investment	Other	Total
Ordinary income:				
Outside customers	**$480,023**	**$254,792**	**$192,422**	**$927,237**

Note: Ordinary income represents total income less certain specific income.

(e) Information about geographic areas

The information is not required to be disclosed because the amounts of ordinary income and tangible fixed assets in Japan exceeded 90% of the respective total amount for all segments.

(f) Information about major customers

The information is not required to be disclosed because ordinary income from any particular outside customer represented less than 10% of consolidated ordinary income.

(g) Segment information for impairment loss on fixed assets by reportable segment

	Millions of yen		
	2013		
	Banking business	Other business	Total
Impairment loss	**¥32**	**¥ -**	**¥32**

	Millions of yen		
	2012		
	Banking business	Other business	Total
Impairment loss	¥37	¥ -	¥37

	Thousands of U.S. dollars		
	2013		
	Banking business	Other business	Total
Impairment loss	**$340**	**$ -**	**$340**

(h) Segment information on amortization and unamortized portion of goodwill by reportable segment

	Millions of yen		
	2013		
	Banking business	Other business	Total
Amortization for the year	**¥ 1,679**	**¥ -**	**¥ 1,679**
Unamortized portion	**4,759**	**-**	**4,759**

	Millions of yen		
	2012		
	Banking business	Other business	Total
Amortization for the year	¥ 1,679	¥ 1	¥ 1,681
Unamortized portion	6,439	-	6,439

	Thousands of U.S. dollars		
	2013		
	Banking business	Other business	Total
Amortization for the year	**$ 17,861**	**$ -**	**$ 17,861**
Unamortized portion	**50,607**	**-**	**50,607**

26. Related party transactions

Significant transactions with the directors of the Company or related parties for the years ended March 31, 2013 and 2012 were as follows:

Year ended March 31, 2013

Type	Name:	Occupation	Ownership	Relationship	Transactions	Transaction amount (millions of yen)	Account	Outstanding balance (millions of yen)
*1	Hiroshi Nishi	Real estate leasing	0.01%, directly	Loans	Loan (Note 1)	**¥-**	Loans and bills discounted	**¥33**
*2	Masahiro Ueno	Office worker	None	Loans	Loan (Note 1)	**-**	Loans and bills discounted	**17**
*3	Akira Danbooru Kogyo Co., Ltd.	Production of cardboard boxes	0.05% directly	Loans	Loan (Note 1) Repayment of loan Subscription to private bonds	**15** **43** **-**	Loans and bills discounted Securities	**56** **50**

*1 A director of the Company or his or her relative
*2 A director of a significant subsidiary or his or her relative
Mr. Takashi Ueno (relative of Mr. Masahiro Ueno) retired from director of the consolidate subsidiary (the Kiyo Bank, Ltd.) of the Company on June 28, 2012 and accordingly, the outstanding balance of Mr. Masahiro Ueno presents the outstanding balance as of that date.
*3 A company in which a director or his or her relative owns a majority interest. Mr. Yasuhiko Akira, executive officer of the consolidated subsidiary (the Kiyo Bank, Ltd.) of the Company, assumed office as an executive officer of the consolidated subsidiary (the Kiyo Bank, Ltd.) of the Company on June 28, 2012 and fell under the definition of "Related party". Accordingly, the transactions with Akira Danbooru Kogyo Co., Ltd. are regarded as that of transactions with a related party.

Note 1. The terms and conditions of the transactions were the same as those applied to general parties with which the Company enters into transactions.

Year ended March 31, 2012

Type	Name:	Occupation	Ownership	Relationship	Transactions	Transaction amount (millions of yen)	Account	Outstanding balance (millions of yen)
*1	Hiroshi Nishi	Real estate leasing	0.01%, directly	Loans	Loan (Note 1)	¥-	Loans and bills discounted	¥35
*2	Masahiro Ueno	Office worker	None	Loans	Loan (Note 1)	-	Loans and bills discounted	17
*3	Konda Kensetsu Co., Ltd.	Civil engineering	None	Loans	Loan (Note 1)	-	Loans and bills discounted	33

*1 A director of the Company or his or her relative
*2 A director of a significant subsidiary or his or her relative
*3 A company in which a director or his or her relative owns a majority interest. During the year ended March 31, 2012, the company has ceased to be a related party since the relative's ownership became less than the majority. Accordingly, the above outstanding balance is stated at the amount as of the date when the company ceased to be a related party.

Note 1. The terms and conditions of the transactions were the same as those applied to general parties with which the Company enters into transactions.

Year ended March 31, 2013

Type	Name:	Occupation	Ownership	Relationship	Transactions	Transaction amount (thousands of U.S. dollars)	Account	Outstanding balance (thousands of U.S. dollars)
*1	Hiroshi Nishi	Real estate leasing	0.01%, directly	Loans	Loan (Note 1)	**$-**	Loans and bills discounted	**$358**
*2	Masahiro Ueno	Office worker	None	Loans	Loan (Note 1)	**-**	Loans and bills discounted	**183**
*3	Akira Danbooru Kogyo Co., Ltd.	Production of cardboard boxes	0.05% directly	Loans	Loan (Note 1) Repayment of loan Subscription to private bonds	**159** **464** **-**	Loans and bills discounted Securities	**599** **532**

27. Subsequent events

(a) Transfer of a part of "Capital reserve" to "Other capital surplus"

The Company had resolved to submit a proposal to the general shareholders' meeting held on June 27, 2013 to transfer a part of "Capital reserve" to "Other capital surplus" at the Board of Directors' meeting held on May 13, 2013 and the proposal was approved at the general shareholders' meeting held on June 27, 2013.

Purpose of the transfer of "Capital reserve":
The purpose is to acquire preferred stock related to public funds based on the Article 448, Paragraph 1 of the Corporate Law.
At the Board of Directors' meeting held on May 13, 2013, the Company had resolved to submit a proposal to the general shareholders' meeting held on June 27, 2013 to establish an acquisition limit on treasury stock for the purpose of acquiring public funds preferred stock (Fourth series, Type 1) from the Resolution and Collection Corporation and the proposal was approved at the general shareholders' meeting held on June 27, 2013.

Amount of "Capital reserve" to be reversed:
The amount of "Capital reserve" will be reduced from ¥47,044 million ($500,208 thousand) to ¥27,724 million ($294,786 thousand) after reversal of ¥19,320 million ($205,422 thousand).

Method of transferring "Capital reserve":
In accordance with the Article 448, Paragraph 1 of the Corporate Law, part of "Capital reserve" will be reversed and fully transferred to "Other capital surplus".

Schedule:

Date of resolution at the Board of Directors' meeting:	May 13, 2013
Date of resolution at the shareholders' meeting:	June 27, 2013
Final due date for raising objection by creditors:	July 29, 2013
Effective date:	July 30, 2013

(b) Merger agreement with the Kiyo Bank, Ltd., a consolidated subsidiary of the Company

The Company and the Kiyo Bank, Ltd., a consolidated subsidiary of the Company (hereinafter referred to as "the Kiyo Bank", have entered into the merger agreement (hereinafter referred to as the "Agreement") with the Kiyo Bank being the surviving company, each company having received the approval of their respective boards of directors at the meeting held on May 13, 2013, subject to the approval of the general shareholders' meeting and the class shareholders' meeting and the approval of the authorities concerned, etc.

The proposal on the merger was approved at the ordinary general shareholders' meeting and the class shareholders' meeting on June 27, 2013.

The merger is a combination of entities under common control and the outline is as follows:

The surviving company and its business:	The Kiyo Bank, Ltd. Banking
The absorbed company and its business:	Kiyo Holdings, Inc. Bank holding company
Date of business combination:	October 1, 2013 (scheduled)
Legal form of business combination:	Absorption-type merger with the Kiyo Bank being the surviving company
Name of company after the merger:	The Kiyo Bank, Ltd.

Purpose of the merger:
The Company was established with the purpose of facilitating management integration between the Kiyo Bank and the former Wakayama Bank, Ltd. as the holding company of the two banks in February 2006. Since then, the Company has been engaged in promoting management integration and realizing synergies from the integration at an early stage as well as merging the two banks in October 2006. Today, more than six years after the merger, the Company believes that the purpose of its establishment has almost been fulfilled.

Additionally, the business environment around the Company has changed considerably during the preceding years. Management will be required to further speed up management decision-making and to further strengthen corporate governance in the future.

In consideration of these circumstances, the Company has decided to abolish the pure holding company system and change to a simpler group structure, centered on the Kiyo Bank, the Company's subsidiary company which is a business company, in order to expedite decision-making, to promote efficiency in operations, to establish a healthier and sounder financial position, and to make continued contributions to revitalizing the regional economy through its stable financial functions.

Outline of accounting treatment:
The merger falls under the category of a transaction under common control, stipulated by "Accounting Standard for Business Combinations" (ASBJ Statement No. 21, December 26, 2008) and "Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures" (ASBJ Guidance No. 10, December 26, 2008).

(c) Acquisition and retirement of Fourth Series Type 1 preferred stock (the "Preferred Stock", the public fund preferred stock)

In connection with the Preferred Stock, the Company resolved the acquisition and cancellation of treasury stock at the Board of Directors' meeting held on September 2, 2013, and subsequently enforced it on September 5, 2013. Due to the retirement, capital surplus decreased by ¥18,101 million ($192,464 thousand).

Details of acquisition and retirement:

Type of shares to be acquired	Fourth Series Type 1 preferred stock
Total number of shares to be acquired	23,000,000 shares
Consideration	Cash
Acquisition price per share	¥787.01 ($8.37)
Total acquisition amount	¥18,101 million ($192,464 thousand)
Seller	Resolution and Collection Corporation ("RCC")
Date of the acquisition and cancellation	September 5, 2013