ANNUAL REPORT 2013

Year ended March 31, 2013

ANNUAL REPORT 2013

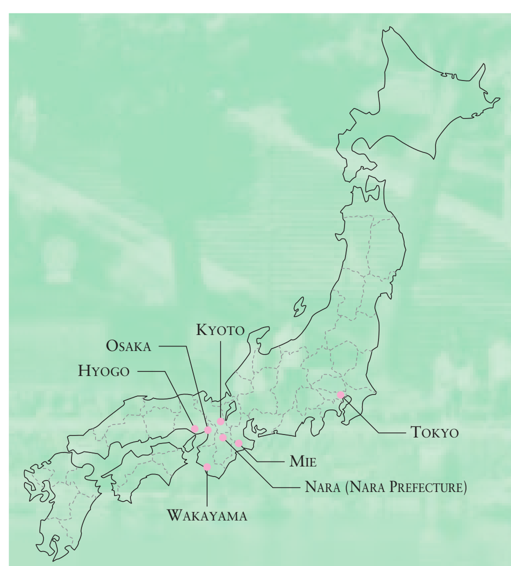
CONTENTS

PROFILE

The Nanto Bank, Ltd. (the "Bank" or "Nanto Bank") is based in Nara Prefecture, a region rich in tradition and culture dating back to its development as Japan's first capital in the early 8th century. Since its establishment in 1934, Nanto Bank has achieved steady growth in partnership with its region and continues to maintain a sound financial structure. As of March 31, 2013, Nanto Bank had deposits of ¥4,418.1 billion, loans of ¥2,898.8 billion, and total assets of ¥5,025.0 billion.

Nanto Bank's domestic network of 137 branches extends beyond Nara Prefecture to the neighboring prefectures of Osaka, Kyoto, Hyogo, Mie, Wakayama, and Tokyo. The Bank has become a trusted institution in communities throughout its region thanks to its commitment to regionally focused services designed to meet the needs of local customers.

Nanto Bank continues to make a positive contribution to regional economic development by providing a comprehensive range of financial services, including overseas services, and maintains representative offices in Hong Kong and Shanghai.



CORPORATE PHILOSOPHY

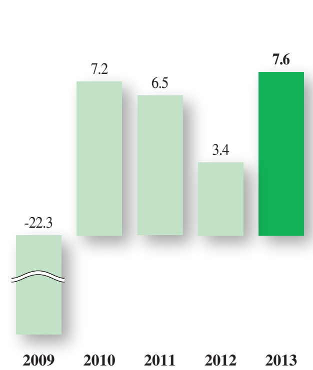
1. Pursue sound and efficient management
2. Provide superior comprehensive financial services
3. Contribute to regional prosperity
4. Strive to become a highly reliable, friendly and attractive bank

Consolidated Financial Highlights

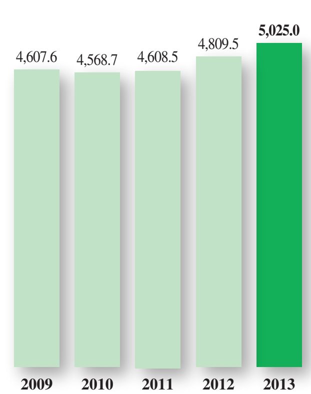
	Millions of yen					Thousands of U.S. dollars
	2013	2012	2011	2010	2009	2013
For the year:						
Total income	¥ 88,875	¥ 90,075	¥ 92,751	¥ 95,942	¥ 109,639	$ 944,976
Total expenses	77,661	78,843	78,711	83,145	134,276	825,741
Income (loss) before income taxes	11,214	11,231	14,039	12,796	(24,637)	119,234
Net income (loss)	7,621	3,467	6,584	7,293	(22,324)	81,031
At year-end:						
Total assets	5,025,037	4,809,575	4,608,561	4,568,768	4,607,649	53,429,420
Loans and bills discounted	2,898,844	2,785,671	2,709,612	2,730,540	2,854,567	30,822,371
Securities	1,840,741	1,755,495	1,668,948	1,560,110	1,425,966	19,571,940
Deposits and negotiable certificates of deposit	4,514,604	4,343,154	4,181,096	4,117,975	4,083,246	48,002,169
Total liabilities	4,809,291	4,597,334	4,401,386	4,361,672	4,445,015	51,135,470
Minority interests	6,658	25,971	25,125	24,621	24,447	70,792
Total net assets	215,745	212,241	207,175	207,095	162,634	2,293,939
Common stock	29,249	29,249	29,249	29,249	29,249	310,994
Per share data:	Yen					U.S. dollars
Net income (loss)	¥ 28.01	¥ 12.57	¥ 23.88	¥ 26.45	¥ (80.87)	$0.29
Stockholders' equity	774.46	675.42	660.24	661.81	501.09	8.23
Capital adequacy ratio (%)	10.66	11.63	11.74	12.12	10.06	

Note: U.S. dollar amounts are included solely for the convenience of readers and are calculated at the exchange rate of ¥94.05 to US$1.00, the rate prevailing on March 31, 2013.

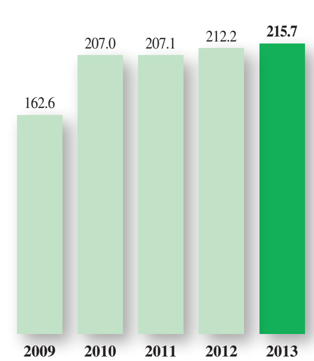
Net Income
(Billions of yen)



Total Assets
(Billions of yen)



Total Net Assets
(Billions of yen)



The purpose of this Annual Report 2013 is to disclose our performance in fiscal 2012 (the year ended March 31, 2013) and the initiatives conducted during the fiscal year. We would appreciate it if you would read through the report.

The Japanese economy has begun to show signs of an economic recovery, such as an upswing in household consumer confidence, backed by rising stock prices since the end of last year and improved profits in export industries following the correction of the yen appreciation. The regional economy centered on Nara Prefecture is also on a mild recovery track overall, with production and employment picking up and signs such as positive trends in consumer spending appearing recently.

Against this background, the Bank will celebrate the 80th anniversary of its founding, a major landmark, in June next year. Furthermore, fiscal 2012 is the final year of the medium-term management plan, Best Value NANTO, and the Bank as a whole is working hard on various policies in order to approach the 80th anniversary at a new stage.

We look forward to your continued support as all of our officers and employees devote their full efforts to steadily achieve this plan with the goal of becoming a bank that grows together with the region it serves.

Maximizing Our Consulting Function for Our Customers for Further Promotion of "Relationship-Based Local Banking"

I. Our Economic and Financial Environment

Signs of a gradual recovery have been seen in the Japanese economy, such as rising stock prices since the end of last year and improved profits in export industries following the correction of the yen appreciation. The regional economy centered on Nara Prefecture is also on a mild recovery track overall, mainly with production and employment picking up.

Meanwhile, the environment surrounding financial institutions remains severe due to factors such as intensifying competition, including that from other industries, and various structural changes such as the declining population and birth rate, Japan's aging society and globalization.

II. Towards the 80th Anniversary of the Bank's Founding

Under these circumstances, all the Bank officers and employees are united in their commitment to implement the various measures of the medium-term management plan, Best Value NANTO, which is in its final year, with a view to achieving our long-term vision of "aiming to further increase corporate value – a bank that grows together with the region it serves," as we approach our 80th anniversary in June of next year.

We will continue to steadily put this plan into action, while building up even stronger relationships of trust with all our stakeholders, including the region, our customers and our shareholders, as we strive to increase customer satisfaction and corporate value.

1. "Promoting relationship-based local banking" and "Strengthening our marketing structure"

• Promoting relationship-based local banking

With recognition that it is indispensable to revitalize the local economy for growing with customers and enduring development as a regional financial institution, the Bank has been continuously promoting relationship-based local banking.

Specifically, in order to meet the diversifying needs of our customers, we have put in place a comprehensive support system with the establishment of the headquarters' specialty divisions, including the Asia Business Support Group, the Support and Sales Group (Corporate Solutions Team), the Venture Business Support Office and the Corporate Finance Support Office, which work together with the branches to carry out a variety of solution-oriented marketing and sales.

In order to strengthen and enhance support for customers expanding into the Asian region in pursuit of further growth and development, the Asia Business Support Group formed business partnerships with seven external institutions in fiscal 2012 and currently has solid ties with 17 institutions to support the overseas expansion of customers. We are strengthening the support system for overseas business through measures such as dispatching our employees to the Bangkok Bank in Thailand last December.

The Corporate Solutions Team is actively working on business support in the fields of medicine and nursing care for which society's needs are increasing as the population continues to age, as well as on issues of interest to many business owners such as business succession measures. Additionally, by providing business matching opportunities, including the "Venture Business Matching Fair," we are supporting the expansion of operations through the broadening of sales channels and other measures. In this way, we will further promote relationship-based banking, which is the starting point of a regional financial institution.

• Measures to support management improvement

The Bank has always considered management support for clients to be an important mission of a regional financial institution. Branches and the headquarters' Corporate Finance Support Office, which is staffed with employees with expert backgrounds, work together to closely monitor the client's management situation and to offer advice and support with regards to matters such as drawing up management improvement plans.

Although the Act Concerning Temporary Measures to Facilitate Financing for SMEs (Small and Medium-Sized Enterprises), etc. (which came into effect in 2009) expired on March 31, 2013, the Bank's policy on facilitating financing has not changed. We will continue our efforts to revitalize the regional economy through utilizing our consulting function to support management improvement and business rehabilitation of our corporate clients.

• Expanding the branch network

The Bank seeks to further increase its balance of loans, deposits, and assets in custody by expanding its branch network mainly through the establishment of new branches.

In Osaka Prefecture, identified as an important strategic area in our medium-term management plan, two new branches, the Eiwa Branch and the Wakaeiwata Branch, were built and opened in Higashiosaka City in September last year. Furthermore, in April this year, as part of our dynamic activities to cultivate new clients, we opened the Joto Corporate Business Office and the Hokusetsu Corporate Business Office with a view to eventually developing these into branches. In addition, in the fall of this year, we are opening the newly constructed Tezukayama Branch to handle mainly the Abeno-ku and Sumiyoshi-ku areas, and we will continue to actively deploy our regionally-based marketing in Osaka Prefecture.

Also, in Wakayama Prefecture, in June of this year, we increased the number of branches in Wakayama City to two, namely the Wakayama Branch and the Wakayama-Kita Sub-branch, in an effort to enhance convenience for our customers and to broaden the marketing base.

• Enhancing our products and services

With regard to assets in custody such as investment trusts and life insurance, in addition to offering an abundant product line-up, we have set up locations such as the L-Plaza and FA offices in order to enhance our consulting system and to provide products that meet the asset management needs of our customers.

L-Plaza is open on Saturdays and Sundays until 5:00 p.m. in addition to weekday hours, creating a system that allows busy customers to come in for consultations at their convenience. Since April of last year, the "L-Plaza Weekend Tax Practice Consultation Session" by tax accountants has been held every Sunday and has been extremely well received for its appointment-only system that allows customers to enjoy unhurried consultations.

The FA offices are staffed by bank personnel with advanced expertise in financial matters who work together with the branches to respond proactively to customer needs in relation to consultations on matters such as asset management, inheritance and business succession and real estate utilization.

January 2014 will see the launch of the system known as "NISA," the Japanese version of the U.K.'s individual savings account (ISA), in which a certain amount of small investment is exempt from tax. We view this as an opportunity to further strengthen our ties with our customers, and in addition to enhancing our product line-up and other functions, we will endeavor to provide services that will satisfy our customers by refining the skills of each and every employee.

2. Effective use of corporate resources

While promoting our marketing strategy that includes enhancements for a new branch network, the Bank is also engaged in reviewing the branch format and streamlining branch operations in order to utilize corporate resources more effectively. From May to June this year, six branches were converted to sub-branches with the aim of boosting customer satisfaction and cost competitiveness and strengthening the marketing system. In addition, in order to streamline branch operations and to shorten customer waiting times, we plan to install touch panel-model new terminals in all branches by December this year.

The Bank will continue to take all possible measures to make effective use of its limited corporate resources.

3. Enhancement and upgrading of internal control systems

Establishing the "enhancement and upgrading of internal control systems" as one of the basic policies of our medium-term management plan, the Bank carries out various measures with "further enhancement of our compliance framework" and "incorporation of more advanced and enhanced risk management", which are considered as important management issues.

Compliance is fundamental for banks to faithfully carry out their social responsibilities and public missions. The Bank makes utmost effort to instill a compliance mindset into not only the management personnel but all employees in order to establish an effective compliance framework.

In terms of risk management, we will continue to advance and enhance risk management while appropriately controlling risks and returns.

4. Contributions to the local community

Aiming to become a bank that grows together with the region it serves, the Bank continuously works on its CSR (corporate social responsibility) initiatives, with “promotion of enduring community contributions” as one of the basic policies of its medium-term management plan. We carry out various social action programs and environmental conservation initiatives.

• Social action programs

The Bank, as a member of society, has developed a wide variety of social action programs since its foundation, including the Small Kindness Society, which conducts cleanups and blood donation to contribute to public service activities, the Nanto Scholarship Society, which offers academic scholarships, and the Manyo Charity Walk, which provides opportunities to tour historical sites featured in Manyoshu (a collection of Japanese poetry) in Nara Prefecture.

In addition, the Bank’s women’s hockey team, known as the “Nanto Bank Shooting Stars”, has contributed to the promotion of sports in Nara Prefecture for 30 years since its creation and is involved in the local community through hockey through activities such as by holding hockey schools for local students.

• Environmental conservation initiatives

The Bank obtained ISO14001 environmental management certification in 2002 and has diligently maintained programs to conserve energy and reduce paper and other waste. Furthermore, Bank employees volunteer every year to clear underbrush and do additional planting in Asuka-mura, where trees were initially planted to commemorate our 70th anniversary in 2004.

Since 2009, we have supported the Yoshino Heart Project, which promotes forest conservation through revitalization of Nara Prefecture’s local industries of forestry and related sectors. By encouraging the use of Yoshino materials, we are striving to revitalize the industry in the Yoshino area and to conserve its forests.

The Bank is a special member of the Yoshino Cherry Tree Preservation Group, founded to protect the shiroyama-zakura (cherry trees famous for their blossoms) of Mount Yoshino, which have recently shown visible signs of deterioration such as blight. In addition to supporting various events, we make donations through an environmentally-friendly financial product, the Yoshino Cherry Tree Time Deposit, to support conservation and the growing of cherry trees in Yoshino.

III. In Conclusion

The Nanto Bank was formed in 1934 through the merger of four banks: the Rokuju-hachi Bank, the Yoshino Bank, the Yagi Bank, and the Gose Bank. Since the Bank’s establishment, we have steadily built up our history with “sound management” as our fundamental principle and will mark the 80th anniversary of our founding in June 2014.

Throughout its history, the Bank has worked to strengthen its management structure while keeping pace with the regional economy and society. Moreover, by carrying out regionally-based marketing activities through the branch network which spreads out over the entire local operating area, we have built a solid marketing base, responsible for roughly 50 percent share of the financing in Nara Prefecture, our hometown, and a high share of deposits.

This year, we set up the “80th Anniversary Project Planning and Steering Committee” within the Bank and are currently looking into various ways to express our gratitude to our stakeholders on the historical occasion of the 80th anniversary of our founding.

In the years ahead, we will continue to follow our path toward becoming “a highly reliable, friendly and attractive bank” for all of our stakeholders, and we ask you all for your constant support.

President Yasuo Ueno

Medium-Term Management Plan

The Medium-Term Management Plan—Best Value NANTO

The Best Value NANTO medium-term management plan (April 2011 to March 2014) represents the second stage of our long-term vision of "aiming to further increase corporate value - a bank that grows together with the region it serves," established in 2008 (a six-year vision), targeting our 80th anniversary in June 2014. This management strategy aims to maintain a balance between profitability and efficiency while seeking sustainable growth.

Specifically, this plan will be implemented based on four basic policies and eight key strategies.

I. Increase customer satisfaction and enhance profitability through relationship-based local banking

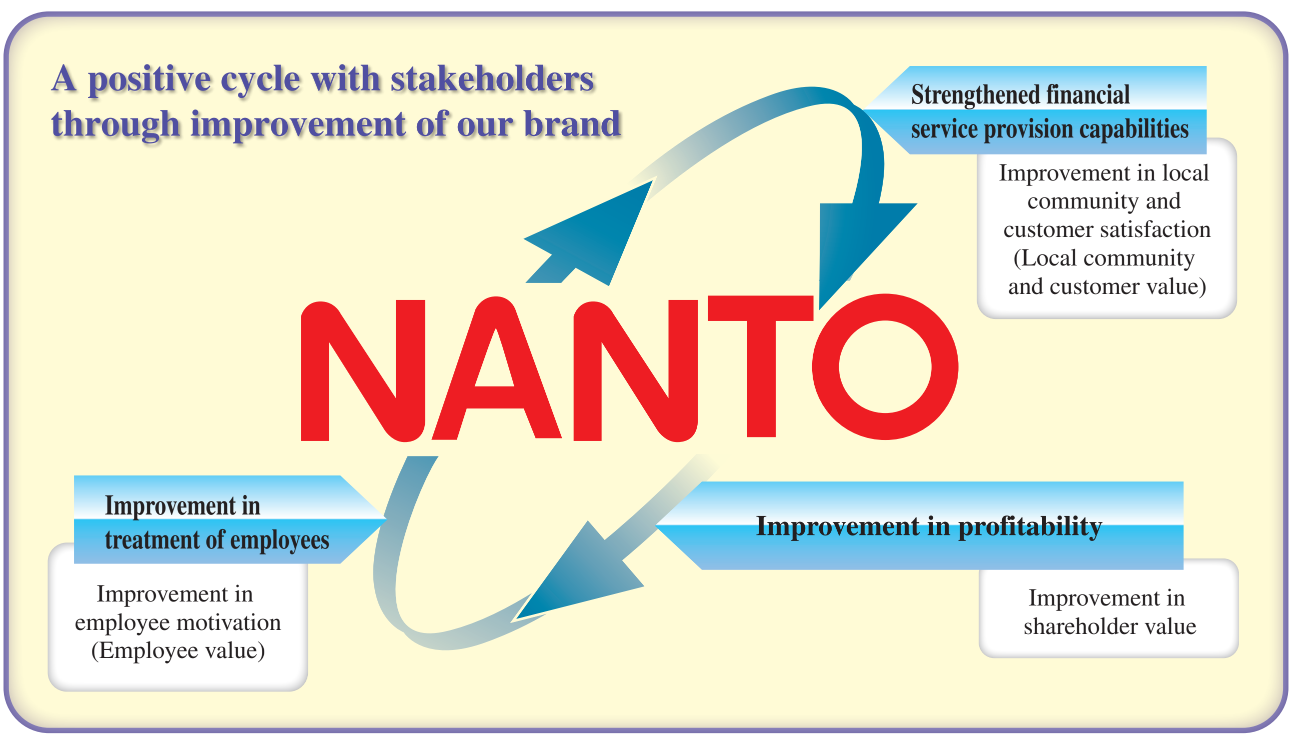
- We will devote ourselves to conducting business together closely with the local community as we work toward creating business opportunities through improved convenience and solution-oriented marketing for the local community and customers and strive to improve customer satisfaction and strengthen earnings ability.
- To expand the scope of operations and continue to grow in the future, we will work toward establishing new operational bases and strengthening our marketing structure while we make efforts to reinforce stable earnings ability in the market sector.

Key strategies

1. Establish a geographically broad-based business office network, which will focus on business loans, by enhancing our office network mainly in Osaka Prefecture
2. Expand personal banking business focused on assets in custody and personal loans and maintain or increase our share of the loan market, which includes business loans, mainly in the potential markets of Nara Prefecture
3. Construct a long-term and stable earnings structure by strengthening earnings ability in the market sector

Corporate philosophy

1. Pursue sound and efficient management
2. Provide superior comprehensive financial services
3. Contribute to regional prosperity
4. Strive to become a highly reliable, friendly and attractive bank



II. Efficient use of corporate resources

- We will invest in key fields and increase the number of sales staff. To make this possible we will streamline headquarters and branch operations and conduct a comprehensive review of business expenses in an effort to efficiently use corporate resources.
- We will actively strive to foster human resources to support these measures.

Key strategies

4. Foster human resources by developing employees with high-level and practical marketing capabilities as well as management abilities for educating and motivating staff
5. Shift staff to the sales sector by streamlining headquarters and branch operations

III. Enhancement and upgrading of internal control systems

- We will strive toward further strengthening of our compliance framework to gain even more trust from stakeholders.
- For more efficient management of risks and returns, we will work toward more advanced and enhanced risk management.

Key strategies

6. Further enhancement of our compliance framework
7. More advanced and enhanced risk management

IV. Promotion of enduring community contributions

- We will employ corporate resources to make continual contributions to environmental preservation and the development of the regional society and economy in order to fulfill our corporate social responsibility.

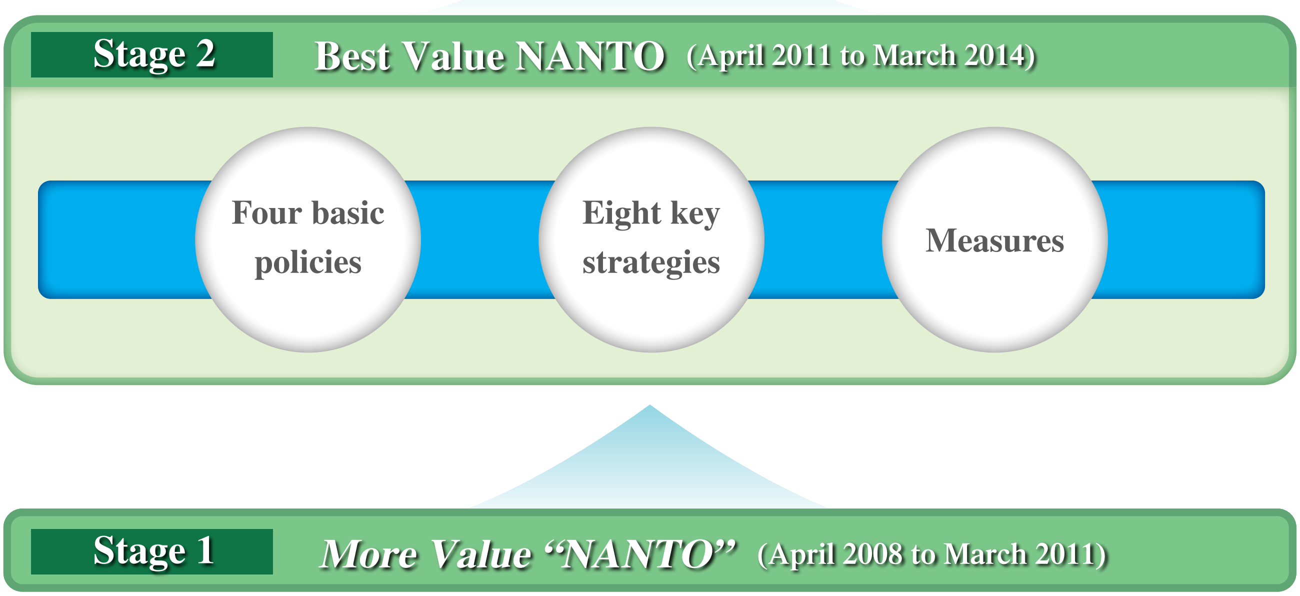
Key strategies

8. Enhancement of CSR initiatives

Long-term vision

"Aiming to further increase corporate value — a bank that grows together with the region it serves"

◆ To maintain the balance between profitability and soundness while seeking sustainable growth, we have established a long-term business strategy target based on the outlook for future changes in the business environment and current awareness at the Bank.



Compliance

Compliance refers to strict observance of ethics and social norms as well as laws, regulations, government ordinances and the bank's regulations. This is essential for banks to faithfully carry out their social responsibilities and public missions.

The Bank takes the following approach in order to increase awareness of compliance and respond to legal risks.

Thorough Execution of Compliance

- In recognition of the public mission and social responsibilities that financial institutions need to perform, the Bank regards compliance with laws and regulations as the most important management issue and has established a Charter of Corporate Behavior which consists of Basic Policies and Code of Conduct for all officers and employees to follow to gain trust from all stakeholders, including local communities, our customers and shareholders.
- To establish a basic framework for the compliance system, we have established our compliance regulations and rules for disciplinary action and demonstrate fairness and transparency in the administration of disciplinary action as means of establishing a clear stance on compliance with laws and regulations.
- Deliberations and decisions in matters of compliance are the responsibility of the Compliance Committee, which is chaired by the President and operates horizontally across the bank's organization structure. Plans and supervision of compliance are carried out in the Compliance & Risk Management Division.
- A Compliance Program consisting of concrete plans to achieve compliance is drawn up each year and undergoes appropriate review.
- The Bank strives to properly operate a Compliance Hotline as part of its internal reporting system that was established to prevent legal violations and misconduct before they occur, to discover them promptly if they occur and to rectify them immediately.
- To instill a compliance mindset throughout the Bank, we have compiled a Compliance Handbook, which serves as a guide for achieving compliance and has been distributed to all officers and employees, and regularly conduct seminars and other group training at the workplaces of individual workgroups.
- The Bank has established a Regulations on Response to Antisocial Forces in order to take a resolute stand against anti-social forces that pose a threat to the order and security of civil society and takes strong measures to intervene and block any attempt by such forces to create any relationship with the Bank.

Risk Management

In recent years, the management environment surrounding financial institutions has changed drastically, and the risks they face have become more diversified and complex.

The Bank regards risk management as one of its most important management issues and aims to create an advanced risk management system so that the Bank can maintain appropriate and sound management and provide reliable services to its customers.

Risk Management Coordination

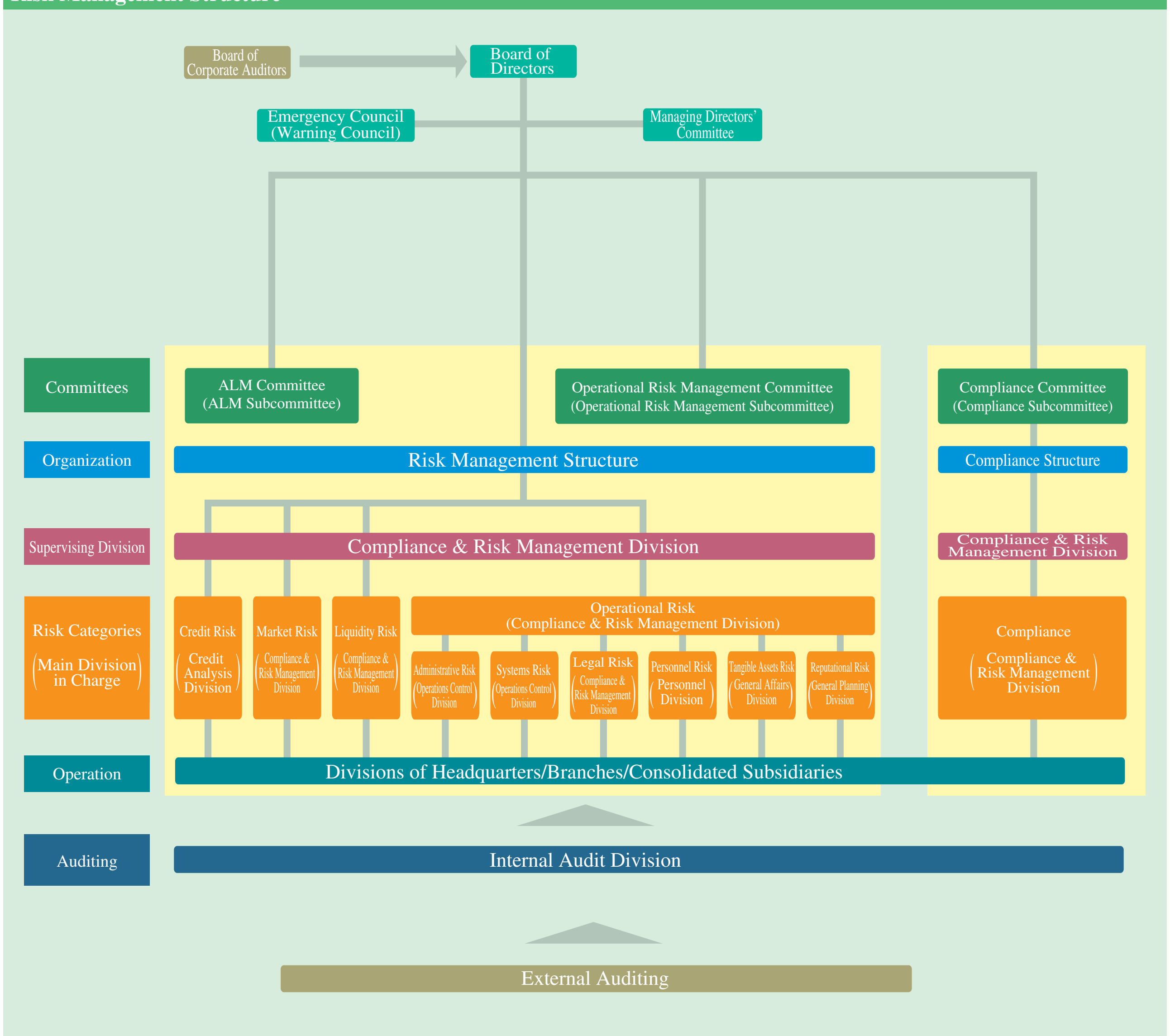
To cope with the various risks that the Bank faces in its banking business, the Bank has established specified units for each category of risk. The Bank also incorporates the Compliance & Risk Management Division responsible for risk management coordination in order to gain a precise understanding of the nature and extent of risks and take expeditious steps toward their management.

Furthermore, the Bank defines its basic risk management policies in risk management regulations and other requirements, including the Risk Management Coordination Regulations, in an effort to appropriately manage the risks.

Moreover the Bank has adopted a policy of Risk Management Coordination under which it quantifies various risks by using the integrated risk management method, intending to keep the amount of risks and its capital adequacy at appropriate levels in the light of its management vitality. Biannually, the Bank determines risk capital (risk based amounts) for each category of risk within the scope of its capital adequacy to limit the value of each risk (e.g. VaR) to the amount of risk capital.

The situation of each risk is evaluated at a monthly ALM Committee meeting which decides the appropriate level of risk control to implement, aiming at conducting more effective and efficient risk and return management from the viewpoint of maintaining sound management and higher profitability alongside effective utilization of capital.

Risk Management Structure



Risk Management

• Managing Internal Capital

Managing Internal Capital refers to the implementation of measures to maintain a sufficient level of internal capital, capital adequacy assessment and computation of the capital adequacy ratio.

The Bank conducts a quarterly assessment of its internal capital adequacy by analyzing factors that cause the capital adequacy ratio and Tier I ratio to fluctuate.

We also use the integrated risk management method to quantify the various risks faced by the Bank, and we regularly compare the level of these risks with the Bank's internal capital so as to control each risk and carry out the assessments of our internal capital adequacy for each risk.

As for the capital adequacy assessment, the Bank positions itself to be able to review the allocation of its internal capital, discuss necessary internal capital strategies and other necessary actions through the monthly-held ALM Committee meeting. We intend to maintain a sound management with the help of appropriate risk control practices and increase profitability through the effective utilization of our internal capital by fully operating this internal capital management structure.

• Managing Credit Risk

To ensure the continuing soundness of its assets, the Bank manages credit risk under a credit screening structure that operates independently of its marketing operations.

We have established the Credit Analysis Division as a risk management body that is responsible for examining the credit standing of customers, loan screening and the management of claims.

The Credit Analysis Division consists of the Credit Analysis Group, which handles general screening and industry-specific screening; the Management Group, which intensively supervises borrowers whose business performance has deteriorated; and the Corporate Finance Support Office, which was established to assist borrowers with business restructuring and recovery initiatives. Together these units form a structure that supports flexible risk management tailored to the specific circumstances of each customer.

Our credit analysis and risk management measures include rigorous self-assessment, credit rating which is consistent with the borrower classifications used in self-assessment and other methods with which the Bank subjectively recognizes and manages each customer's credit capability. In addition, we have a policy of setting an interest rate (Pricing) to be applied to individual customers according to their rating-based creditworthiness. Through this, we take measures to strengthen our credit risk management and increase profitability.

The Bank regularly and appropriately reviews transaction terms and establishes credit limits for borrowers with debt exceeding a certain amount, with a view to reducing credit risk by conducting strict credit control.

For the management of overall loan portfolios, the Bank has worked on a more efficient assessment support system by using several systems, including segment analysis, e.g. industry-based or rating group-based analysis, a real estate collateral evaluation system, designed to refine the quantified collateral evaluation of credit risk which calculates possible losses in future by using statistical methods, etc.

• Managing Asset Appraisals

Asset Appraisals are for the review of determine assets held by financial institutions in order to the accurate status of the institution's assets. It is an important method of credit risk management and a preliminary procedure to appropriately determine the amount of depreciation and allowances. Asset assessment conducted by the financial institution itself is referred to as a self-assessment.

The Bank carries out an assessment of its assets in which actual assessments are conducted by its operating branches in conformity with the Regulations on Self-Assessment of Assets. Assessment results are then subjected to a rigorous verification process in which the results are examined by the Credit Analysis Division and further audited by the Internal Audit Division. According to the audit results, the Bank determines appropriate amounts of depreciation and allowances. In this way, the Bank strives to perform appropriate asset assessment practices and maintain and improve the soundness of its assets.

• Managing Market Risk

The Bank controls its market operations under a system of reciprocal checks and balances based on a clear demarcation between front office units, which implement transactions, and back office units, which carry out administrative processing. The middle office unit responsible for risk management is the Compliance & Risk Management Division, which develops risk management systems, checks compliance with risk management regulations and other requirements and monitors the positions and profit performance of market units. The Compliance & Risk Management Division also carries out wide-ranging analyses to quantify the risk levels of assets and liabilities, including deposits, loans and securities. In its analyses, the division uses a variety of analytical techniques, including the value at risk (VaR) and basis point value (BPV) methods and interest rate fluctuation simulations. The results of this work are used to provide timely reports to management.

Allowable risk limits are measured based on VaR and determined by the Bank's ALM Committee biannually in consideration of its capital status, market conditions and other factors. Market operation staff members make efforts to gain profits while complying with these allowable risk limits. Every month, the ALM Committee obtains actual risk and revenue results from each market operation and discusses appropriate ways to control risks and generate earnings efficiently by taking account of the market prospects and other conditions. In addition, the Bank conducts stress tests by using scenarios that capture the characteristics of market environments and its portfolios in order to understand the impact of extreme market fluctuations exceeding VaR projections, bracing up for contingency events.

• Managing Liquidity Risk

Liquidity risk, also known as fund-raising risk, is defined as the risk of the Bank incurring a loss due to encountering an obstacle in raising the required funds either because of a mismatch between the use and procurement of funds or unexpected outflow of funds or being forced to borrow at higher interest rates than usual.

According to monthly fund management plans formulated by the ALM Committee, the Securities and International Division closely manages the Bank's cash flow position on a day-to-day basis, and the Compliance & Risk Management Division monitors the management conditions. The ALM Committee is also responsible for overall monitoring and management of cash flow risk, including the monitoring of assets available for liquidation and the amount of funds that the Bank can procure.

The cash flow situation is classified into one of three levels according to financial situations: "regular phase," "concern phase" and "crisis phase." The Bank has developed management systems that can be flexibly implemented in each of these situations.

• Managing Operational Risks

Operational risk is the risk of the Bank incurring a loss due to inadequate or failed processes of banking operations, activities of executives and employees (including part-time and temporary and other similarly classified workers) or systems, as well as external events.

At the Bank, departments in charge of operational risks apply the perspectives of specialists to the management of administrative risk, systems risk, legal risk, personnel risk, tangible assets risk and reputational risk.

In addition, information about loss from operational accidents and results of potential risk analysis, etc. are collectively reported to the Operational Risk Management Committee, which understands and manages each risk comprehensively. This enables the Bank to preferentially deal with major risks and minimize the effects of the risks.

• Managing Administrative Risk

Administrative risk refers to the risk of incurring loss as a result of neglecting accurate administrative processes alongside occurrences of accident or fraud.

The Bank reinforces the provisions of its administrative regulations and requires strict staff compliance with the regulations to achieve customer confidence in its accurate and strict administration. At the same time, the Bank aims to raise executives and employees administrative work standards by conducting regular training programs and temporary office work guidance. In addition, the Bank intends to establish more accurate and efficient administrative operations by facilitating the systemization and centralization of administrative processes.

• Managing System Risk

System risk refers to failures or malfunctions of the computer system and loss incurred associated with inadequate systems, etc. Furthermore, system risk includes the risk of loss from unauthorized use of computers.

The Bank incorporates a system which copes with unexpected system failures or network errors and swiftly resumes operations. It is prepared for these events with stand-by equipment for each of the existing equipment in the network system and dual communication lines. Also, the Bank has formulated a manual which directs necessary action as defined by its contingency plan in the event of a large scale disaster and has developed a decentralized data administration system and "back-up center".

With a view to conducting strict control of customer data and other confidential information, the Bank takes various measures to prevent unauthorized use of the computer system or leakage of information. It addresses the provision of safer and more assured services by establishing security measures such as the formulation of handling regulations for classified data, encryption of computer data and important information, e.g., security codes, and others.

Risk Management

● Managing Legal Risk

The term "legal risk" refers to the risk of incurring loss or damage arising from violation of obligations resulting from negligence concerning customers and inappropriate business and/or market practices.

The Bank has attempted to avoid and mitigate legal risks via legal examination by external experts, such as corporate lawyers, and the Compliance & Risk Management Division.

● Managing Personnel Risk

Personnel risk refers to the risk of loss and damages the Bank suffers due to unfairness/unjustness in terms of personnel management concerning compensation, benefits, dismissal and acts of discrimination such as sexual harassment, etc.

The Bank recognizes that economic loss, loss in confidence, etc. due to the materialization of personnel risk can have a major impact on the Bank's management and business operations and strives to minimize the risk through the appropriate management of such risk.

● Managing Tangible Assets Risk

Tangible assets risk involves the risk of loss from impairment or damage to tangible assets due to disaster or other unforeseeable events.

The Bank recognizes that economic loss, loss in confidence, etc. due to the materialization of tangible asset risk can have a major impact on the Bank's management and business operations and strives to minimize the tangible assets risk through the appropriate management of such risk.

● Managing Reputational Risk

Reputational risk refers to the risk of loss or damage incurred if an organization has fallen into discredit due to the deterioration of its reputation or through damaging rumors, etc.

The Bank recognizes that economic loss, loss in confidence, etc. due to the materialization of reputational risk can have a major impact on the Bank's management and business operations and strives to minimize that risk through appropriate management. In the event of the spread of damaging rumors about the Bank, the Bank will take appropriate and swift action to curtail them and revitalize its reputation.

Internal Audit Posture

For the enhancement and reinforcement of risk management, it is necessary to verify the effective function of internal control and improve problems as needed.

The Internal Audit Division, an internal auditing organization, promotes risk management and strives to ensure the soundness of management and the appropriateness of business by ascertaining the risk management situation at the division and branch level, evaluating and verifying that internal control is appropriately maintained and functioning effectively and providing advice as necessary.

Crisis Management Posture

Along with the above risk management, the Bank has formulated a Crisis Management Plan and a Crisis Management Plan Response Manual for each type of crisis to respond suitably to the occurrence and materialization of crises related to business operations, such as natural disasters including large-scale earthquakes, systems malfunctions, or novel influenza and other pandemics. In the event of a crisis, the Bank responds, depending on the level of emergency of the crisis, by having the Emergency Council, Response Headquarters, or other divisions gather information and engaging in centralized supervision and command, in an effort to minimize the impact of the crisis on its operations.

In the meantime, the Bank, as an organization responsible for social function maintenance, takes measures to continuously provide customer services, including improvement of facilities to continue its business operations in the event of disasters or other events, while striving to ensure the effectiveness of the crisis management posture and improve it continuously, through measures including risk management training provided every year.

Board of Directors and Corporate Auditors

(As of July 2, 2013)

Hiromune Nishiguchi
CHAIRMAN
(Representative Director)

Yasuo Ueno
PRESIDENT
(Representative Director)

Yasuo Shimakawa
SENIOR MANAGING DIRECTOR
(Representative Director)

Masaaki Hashimoto
MANAGING DIRECTOR

Hiroki Matsuoka
MANAGING DIRECTOR

Takashi Hashimoto
MANAGING DIRECTOR

Kohsaku Yoshida
MANAGING DIRECTOR
(Osaka Regional Headquarter and Osaka Chuo Office)

Yoshihiko Kita
MANAGING DIRECTOR
(General Planning Division)

CHAIRMAN
Hiromune Nishiguchi

PRESIDENT
Yasuo Ueno

SENIOR MANAGING DIRECTOR
Yasuo Shimakawa

MANAGING DIRECTORS
Masaaki Hashimoto
Hiroki Matsuoka
Takashi Hashimoto
Kohsaku Yoshida
(Osaka Regional Headquarter and Osaka Chuo Office)
Yoshihiko Kita
(General Planning Division)

DIRECTORS AND GENERAL MANAGERS
Hideaki Nishimoto
(Compliance & Risk Management Division)
Yoshiaki Morita
(Head Office)
Toru Hagihara
(Tokyo Branch and Tokyo Liaison Office)
Kiyohide Sawamura
(Personnel Division)
Shigeyori Kawai
(Internal Audit Division)
Takao Handa
(Value Creation Division)
Nobuo Shibata
(Operations Control Division and Operations Division)

CORPORATE AUDITORS
Taro Hayama
Naoki Minowa
Hiroyuki Sakai
Mitsuhiko Noguchi
Yasushi Marumori

Note: Hiroyuki Sakai, Mitsuhiko Noguchi and Yasushi Marumori are outside corporate auditors pursuant to Item 16, Article 2 of the Company Law.

Consolidated Financial Statements

Consolidated Balance Sheets

The Nanto Bank, Ltd. and Consolidated Subsidiaries as of March 31, 2013 and 2012

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2013	2012	2013
Assets:			
Cash and due from banks (Notes 5 and 6)	**¥ 175,662**	¥ 131,459	**$ 1,867,751**
Call loans and bills bought (Note 6)	**430**	12,080	**4,572**
Debt purchased (Note 6)	**4,279**	4,075	**45,497**
Trading account securities (Notes 6 and 7)	**322**	400	**3,423**
Money held in trust (Notes 6 and 7)	**21,000**	25,000	**223,285**
Securities (Notes 6, 7, 12 and 14)	**1,840,741**	1,755,495	**19,571,940**
Loans and bills discounted (Notes 6, 15 and 20)	**2,898,844**	2,785,671	**30,822,371**
Foreign exchange (Note 20)	**4,023**	1,310	**42,775**
Lease receivables and lease investment assets	**14,377**	15,052	**152,865**
Other assets (Note 14)	**20,746**	21,447	**220,584**
Tangible fixed assets (Note 9)	**40,291**	40,574	**428,399**
Buildings	**11,193**	11,794	**119,011**
Land	**24,204**	24,629	**257,352**
Construction in progress	**327**	102	**3,476**
Other tangible fixed assets	**4,564**	4,047	**48,527**
Intangible fixed assets	**6,066**	8,171	**64,497**
Software	**5,304**	6,703	**56,395**
Other intangible fixed assets (Note 14)	**762**	1,468	**8,102**
Deferred tax assets (Note 10)	**13,018**	24,088	**138,415**
Customers' liabilities for acceptances and guarantees	**13,591**	13,278	**144,508**
Reserve for possible loan losses (Note 6)	**(28,358)**	(28,531)	**(301,520)**
Total assets	**¥5,025,037**	¥4,809,575	**$53,429,420**
Liabilities and net assets:			
Liabilities:			
Deposits (Notes 6 and 14)	**4,418,137**	4,277,409	**46,976,469**
Negotiable certificates of deposit (Notes 6 and 14)	**96,467**	65,744	**1,025,699**
Payables under securities lending transactions (Notes 6 and 14)	**138,235**	104,266	**1,469,803**
Borrowed money (Notes 6, 8 and 14)	**81,100**	63,783	**862,307**
Foreign exchange	**140**	148	**1,488**
Bonds payable (Notes 6 and 8)	**20,000**	20,000	**212,652**
Other liabilities (Note 8)	**27,258**	38,729	**289,824**
Reserve for employee retirement benefits (Note 11)	**12,669**	12,207	**134,704**
Reserve for reimbursement of deposits	**165**	131	**1,754**
Reserve for contingent losses	**1,526**	1,633	**16,225**
Acceptances and guarantees	**13,591**	13,278	**144,508**
Total liabilities	**¥4,809,291**	¥4,597,334	**$51,135,470**
Net assets (Note 4):			
Common stock: Authorized 640,000 thousand shares Issued 275,756 thousand shares in 2013 and 281,756 thousand shares in 2012	**29,249**	29,249	**310,994**
Capital surplus	**18,813**	18,829	**200,031**
Retained earnings	**126,387**	122,907	**1,343,827**
Less treasury stock: Issued 5,909 thousand shares in 2013 and 6,072 thousand shares in 2012	**(2,480)**	(2,987)	**(26,368)**
Total stockholders' equity	**171,970**	167,999	**1,828,495**
Valuation difference on available-for-sale securities (Note 7)	**37,947**	19,057	**403,476**
Net deferred gains or losses on hedges	**(931)**	(850)	**(9,898)**
Total accumulated other comprehensive income	**37,016**	18,206	**393,577**
Stock acquisition rights	**100**	64	**1,063**
Minority interests	**6,658**	25,971	**70,792**
Total net assets	**215,745**	212,241	**2,293,939**
Total liabilities and net assets	**¥5,025,037**	¥4,809,575	**$53,429,420**

See Notes to Consolidated Financial Statements.

Consolidated Statements of Income

The Nanto Bank, Ltd. and Consolidated Subsidiaries for the Years Ended March 31, 2013 and 2012

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2013	2012	2013
Income:			
Interest income:			
Interest on loans and bills discounted	**¥41,086**	¥43,499	**$436,852**
Interest and dividends on securities	**17,538**	17,936	**186,475**
Other interest income	**369**	426	**3,923**
Fees and commissions	**18,447**	18,205	**196,140**
Other operating income	**6,995**	4,825	**74,375**
Other income (Note 16)	**4,438**	5,181	**47,187**
Total income	**88,875**	90,075	**944,976**
Expenses:			
Interest expense:			
Interest on deposits	**3,414**	4,399	**36,299**
Interest on borrowings and rediscounts	**434**	468	**4,614**
Interest on subordinated bonds	**344**	344	**3,657**
Other interest expense	**462**	472	**4,912**
Fees and commissions	**9,380**	9,141	**99,734**
Other operating expenses	**3,187**	1,943	**33,886**
General and administrative expenses	**50,408**	52,503	**535,970**
Other expenses (Note 17)	**10,030**	9,569	**106,645**
Total expenses	**77,661**	78,843	**825,741**
Income before income taxes and minority interests	**11,214**	11,231	**119,234**
Income taxes (Note 10):			
Current	**386**	72	**4,104**
Deferred	**2,150**	6,201	**22,860**
Total income taxes	**2,536**	6,274	**26,964**
Net income before minority interests	**8,677**	4,956	**92,259**
Minority interests	**1,056**	1,489	**11,228**
Net income	**¥ 7,621**	¥ 3,467	**$ 81,031**
	Yen		**U.S. dollars (Note 1)**
Per share of common stock: (Note 23)			
Net income - basic	**¥28.01**	¥12.57	**$0.29**
Net income - diluted	**27.99**	12.57	**0.29**
Dividends	**6.00**	6.00	**0.06**

See Notes to Consolidated Financial Statements.

Consolidated Statements of Comprehensive Income

The Nanto Bank, Ltd. and Consolidated Subsidiaries for the Years Ended March 31, 2013 and 2012

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2013	2012	2013
Net income before minority interests	**¥ 8,677**	¥4,956	**$ 92,259**
Other comprehensive income (Note 19):			
Valuation difference on available-for-sale securities	**18,857**	2,548	**200,499**
Net deferred gains or losses on hedges	**(80)**	(144)	**(850)**
Total other comprehensive income	**18,777**	2,403	**199,649**
Total comprehensive income for the year	**¥27,455**	¥7,360	**$291,919**
Total comprehensive income attributable to:			
Owners of the parent	**¥26,431**	¥5,839	**$281,031**
Minority interests	**1,023**	1,521	**10,877**

See Notes to Consolidated Financial Statements.

Consolidated Financial Statements

Consolidated Statements of Changes in Net Assets

The Nanto Bank, Ltd. and Consolidated Subsidiaries for the Years Ended March 31, 2013 and 2012

		Millions of yen								
	Number of shares of common stock (thousands)	Common stock	Capital surplus	Retained earnings	Less treasury stock	Valuation difference on available-for-sale securities	Net deferred gains or losses on hedges	Stock acquisition rights	Minority interests	Total net assets
Balance at April 1, 2011	281,756	¥29,249	¥18,830	¥121,094	¥(2,990)	¥16,540	¥(706)	¥ 31	¥25,125	¥207,175
Cash dividends	—	—	—	(1,654)	—	—	—	—	—	(1,654)
Net income	—	—	—	3,467	—	—	—	—	—	3,467
Purchase of treasury stock	—	—	—	—	(7)	—	—	—	—	(7)
Disposition of treasury stock	—	—	(0)	—	9	—	—	—	—	8
Net changes in the items other than stockholders' equity	—	—	—	—	—	2,516	(144)	33	845	3,250
Balance at April 1, 2012	281,756	¥29,249	¥18,829	¥122,907	¥(2,987)	¥19,057	¥(850)	¥ 64	¥25,971	¥212,241
Cash dividends	—	—	—	(1,636)	—	—	—	—	—	(1,636)
Net income	—	—	—	7,621	—	—	—	—	—	7,621
Purchase of treasury stock	—	—	—	—	(2,019)	—	—	—	—	(2,019)
Disposition of treasury stock	—	—	(1)	—	7	—	—	—	—	6
Retirement of treasury stock	(6,000)	—	(2,519)	—	2,519	—	—	—	—	—
Transfer from retained earnings to capital surplus	—	—	2,504	(2,504)	—	—	—	—	—	—
Net changes in the items other than stockholders' equity	—	—	—	—	—	18,890	(80)	36	(19,313)	(466)
Balance at March 31, 2013 (Note 4)	**275,756**	**¥29,249**	**¥18,813**	**¥126,387**	**¥(2,480)**	**¥37,947**	**¥(931)**	**¥100**	**¥ 6,658**	**¥215,745**

	Thousands of U.S. dollars (Note 1)								
	Common stock	Capital surplus	Retained earnings	Less treasury stock	Valuation difference on available-for-sale securities	Net deferred gains or losses on hedges	Stock acquisition rights	Minority interests	Total net assets
Balance at April 1, 2012	$310,994	$200,202	$1,306,826	$(31,759)	$202,626	$(9,037)	$ 680	$276,140	$2,256,682
Cash dividends	—	—	(17,395)	—	—	—	—	—	(17,395)
Net income	—	—	81,031	—	—	—	—	—	81,031
Purchase of treasury stock	—	—	—	(21,467)	—	—	—	—	(21,467)
Disposition of treasury stock	—	(10)	—	74	—	—	—	—	63
Retirement of treasury stock	—	(26,783)	—	26,783	—	—	—	—	—
Transfer from retained earnings to capital surplus	—	26,624	(26,624)	—	—	—	—	—	—
Net changes in the items other than stockholders' equity	—	—	—	—	200,850	(850)	382	(205,348)	(4,954)
Balance at March 31, 2013 (Note 4)	**$310,994**	**$200,031**	**$1,343,827**	**$(26,368)**	**$403,476**	**$(9,898)**	**$1,063**	**$ 70,792**	**$2,293,939**

See Notes to Consolidated Financial Statements.

Consolidated Statements of Cash Flows

The Nanto Bank, Ltd. and Consolidated Subsidiaries for the Years Ended March 31, 2013 and 2012

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2013	2012	2013
Cash flows from operating activities			
Income before income taxes and minority interests	**¥ 11,214**	¥ 11,231	**$ 119,234**
Depreciation	**5,859**	6,154	**62,296**
Loss on impairment of fixed assets	**648**	320	**6,889**
Increase (decrease) in reserve for possible loan losses	**(173)**	(3,093)	**(1,839)**
Increase (decrease) in reserve for retirement benefits	**461**	730	**4,901**
Increase (decrease) in reserve for reimbursement of deposits	**33**	10	**350**
Increase (decrease) in reserve for contingent losses	**(106)**	(520)	**(1,127)**
Interest income	**(58,994)**	(61,862)	**(627,262)**
Interest expense	**4,654**	5,685	**49,484**
Loss (gain) on investment securities	**(2,692)**	1,039	**(28,623)**
Loss (gain) on money held in trust	**(550)**	52	**(5,847)**
Foreign exchange losses (gains)	**(23,686)**	3,912	**(251,844)**
Losses on disposal of fixed assets	**55**	106	**584**
Net decrease (increase) in due from banks	**21,364**	1,194	**227,155**
Net decrease (increase) in loans and bills discounted	**(113,173)**	(76,058)	**(1,203,328)**
Net increase (decrease) in deposits	**140,727**	160,321	**1,496,299**
Net increase (decrease) in negotiable certificates of deposit	**30,722**	1,736	**326,656**
Net increase (decrease) in call loans and bills bought	**11,445**	(7,991)	**121,690**
Net increase (decrease) in borrowed money	**17,317**	36,414	**184,125**
Net decrease (increase) in foreign exchange assets	**(2,712)**	123	**(28,835)**
Net increase (decrease) in foreign exchange liabilities	**(8)**	(1)	**(85)**
Net increase (decrease) in payables under securities lending transactions	**33,968**	(11,843)	**361,169**
Net decrease (increase) in lease receivables and lease investment assets	**330**	120	**3,508**
Interest received	**65,015**	65,773	**691,281**
Interest paid	**(5,749)**	(7,782)	**(61,127)**
Other	**3,124**	1,485	**33,216**
Subtotal	**139,097**	127,260	**1,478,968**
Income taxes paid	**(298)**	(566)	**(3,168)**
Income taxes refunded	**268**	—	**2,849**
Net cash provided by operating activities	**139,067**	126,693	**1,478,649**
Cash flows from investing activities			
Purchases of securities	**(812,346)**	(462,591)	**(8,637,384)**
Proceeds from sales of securities	**677,208**	284,745	**7,200,510**
Proceeds from maturity of securities	**84,888**	98,476	**902,583**
Increase in money held in trust	**(2)**	(1,093)	**(21)**
Decrease in money held in trust	**4,552**	540	**48,399**
Purchase of tangible fixed assets	**(2,380)**	(1,378)	**(25,305)**
Proceeds from sales of tangible fixed assets	**28**	20	**297**
Purchase of intangible fixed assets	**(1,474)**	(1,541)	**(15,672)**
Other	**(2)**	(36)	**(21)**
Net cash used in investing activities	**(49,527)**	(82,859)	**(526,602)**
Cash flows from financing activities			
Repayment to minority shareholders	**(20,000)**	—	**(212,652)**
Dividends paid	**(1,637)**	(1,652)	**(17,405)**
Dividends paid by subsidiaries to minority stockholders	**(337)**	(675)	**(3,583)**
Purchases of treasury stock	**(2,019)**	(7)	**(21,467)**
Other	**0**	0	**0**
Net cash used in financing activities	**(23,993)**	(2,335)	**(255,108)**
Effect of exchange rate changes on cash and cash equivalents	**20**	4	**212**
Net increase (decrease) in cash and cash equivalents	**65,566**	41,503	**697,139**
Cash and cash equivalents at beginning of year	**109,606**	68,103	**1,165,401**
Cash and cash equivalents at end of year (Note 5)	**¥175,173**	¥109,606	**$1,862,551**

See Notes to Consolidated Financial Statements.

Consolidated Financial Statements

Notes to Consolidated Financial Statements

The Nanto Bank, Ltd. and Consolidated Subsidiaries
Years ended March 31, 2013 and 2012

1. BASIS OF PRESENTATION

The accompanying consolidated financial statements of The Nanto Bank, Ltd. (the "Bank") and its consolidated subsidiaries (together, the "Group") have been prepared in accordance with the provisions set forth in the Japanese Financial Instruments and Exchange Act, its related accounting regulations, Ordinance for Enforcement of the Banking Law and in conformity with accounting principles 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 Bank 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 Act. Some supplemental 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.

As permitted by the Financial Instruments and Exchange Act of Japan, amounts less than one million yen have been omitted. As a result, the totals shown in the financial statements do not necessarily agree with the sum of the individual amounts.

The translation of the Japanese yen amounts into U.S. dollar amounts is included solely for the convenience of the readers outside Japan, using the prevailing exchange rate at March 31, 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Principles of consolidation

The accompanying consolidated financial statements include the accounts of the Bank and all its eleven (twelve in 2012) subsidiaries at March 31, 2013. The Bank has no affiliates over which it has the ability to exercise significant influence over operating and financial policies.

Nanto Preferred Capital Cayman Limited, which had been consolidated until 2012, has been excluded from the scope of consolidation for the year ended March 31, 2013 since it was liquidated in 2013.

All consolidated subsidiaries have fiscal years ending on March 31.

All significant intercompany accounts, transactions and unrealized profits on transactions are eliminated.

b. Cash and cash equivalents

In preparing the consolidated statements of cash flows, cash and cash equivalents represents cash and deposits with the Bank of Japan.

c. Finance leases

As lessor:

Finance leases are accounted for in a manner similar to that used for manner ordinary sale transactions. Revenue from finance lease transactions and related costs are recognized upon receipt of lease payments. Finance leases which transfer ownership of the lease assets to the lessee are recognized as lease receivables, and all finance leases which do not transfer ownership of the leased assets to the lessee are recognized as lease investment assets.

As for finance leases which commenced before April 1, 2008 and do not transfer ownership of the leased assets to the lessee, the appropriate book value (net of accumulated depreciation and amortization) of tangible and intangible fixed assets as of March 31, 2008 was recorded as the beginning balance of "Lease receivables and lease investment assets" and the total amount of interest equivalent for the remaining lease term after the adoption of "Accounting Standard for Lease Transactions" (Accounting Standards Board of Japan ("ASBJ"), Statement No. 13, issued on March 30, 2007) is allocated over the remaining lease term using the straight-line method.

Differences between income before income taxes for the fiscal year ended March 31, 2013 and 2012 and income before income taxes calculated as if the accounting treatment for the ordinary sale transaction had been applied to the finance leases which do not transfer ownership of the leased assets to the lessee are not material.

d. Securities

Trading securities are stated at fair value. Gains and losses realized on disposal and unrealized gains and losses from market value fluctuations are recognized as gains or losses in the period of the disposal or the change. Cost of sales is determined using the moving average method. Held-to-maturity debt securities are stated at amortized cost on a straight-line method, cost of which is determined using the moving average method. Available-for-sale securities with available fair values are stated at fair value in principle based on the market price as of the fiscal closing date. Unrealized gains and losses on available-for-sale securities are reported, net of applicable income taxes, as a separate component of accumulated other comprehensive income. Available-for-sale securities for which it is extremely difficult to identify the fair value are stated at moving average cost.

If the fair value of held-to-maturity debt securities or available-for-sale securities declines significantly, such securities are stated at fair value, and the difference between the fair value and the carrying amount is recognized as a loss in the period of the decline. In such a case, the fair value will be the carrying amount of the securities at the beginning of the next fiscal year.

Securities managed as trust assets in the individually managed money held in trust primarily for securities management purposes are measured at fair value.

e. Derivatives and hedge accounting

Derivatives are measured at fair value.

To account for hedging transactions in connection with interest rate risk arising from financial assets and liabilities, the Bank applies the deferred hedge accounting method stipulated in "Treatment for Accounting and Auditing of Application of Accounting Standard for Financial Instruments in the Banking Industry" (JICPA Industry Audit Committee Report No. 24). The Bank assesses the effectiveness of such hedges in offsetting movement in the fair value from changes in interest rates by classifying the hedged items, such as deposits and loans, and the hedging instruments, such as interest rate swaps, by their maturity. Regarding cash flow hedges, the Bank assesses the effectiveness by verifying the correlation of the hedged items with the hedging instruments.

A portion of the deferred hedge losses and gains that were previously accounted for under the "macro hedge method," which had been applied in order to manage interest rate risk arising from large volume transactions in loans, deposits and other interest earning assets and interest bearing liabilities as a whole using derivatives pursuant to "Temporary Treatment for Accounting and Auditing of Application of Accounting Standard for Financial Instruments in Banking Industry" (JICPA Industry Audit Committee Report No. 15) is no longer subject to hedge accounting. The deferred hedge losses and gains are being charged to "Interest income" or "Interest expenses" over a 15-year period (maximum) from March 31, 2004 according to their maturity and notional principal amount. The total amount of deferred hedge loss under the "macro hedge method" was ¥4 million ($42 thousand) in 2013 and ¥12 million in 2012.

In order to hedge risk arising from the volatility of exchange rates for securities (excluding bonds) denominated in foreign currencies, the Bank applies fair value hedge accounting on the condition that the hedged securities are designated in advance and that sufficient on balance (actual) or off-balance (forward) liability exposure exists to cover the cost of the hedged securities denominated in the same foreign currency.

f. Tangible fixed assets (except for leased assets)

Depreciation of tangible fixed assets of the Bank is computed by the declining balance method, except for buildings (excluding building attachments which are depreciated by the declining balance method) which are depreciated by the straight-line method. The estimated useful lives of major items are as follows:

Buildings	6 to 50 years
Others	3 to 20 years

Depreciation of the assets of the consolidated subsidiaries is principally provided on the declining balance method over the estimated useful life of the asset.

Changes in accounting policies

<Changes in accounting policies based on justified reasons other than revisions of accounting standards or amendments of respective laws or regulations that are not distinguishable from changes in accounting estimates>

Depreciation of tangible fixed assets (except for leased assets) of the Bank had been previously computed by the declining balance method. Effective from the year ended March 31, 2013, however, the Bank changed the depreciation method for buildings, excluding building attachments, from the declining balance method to the straight-line method.

This change was made because management determined that the straight-line method by which the depreciation charge is allocated equally over the useful life reflects the actual use profit or loss more appropriately than the declining balance method since the buildings are being used for a long-term period. Management studied the depreciation method for buildings considered to increase in materiality after the fiscal year ended March 31, 2013, following the preparation of capital investment plans that include the establishment of new branches, expansion and improvement and the Bank's endeavoring to enhance customer satisfaction and strengthen profitability through the development of community-based operations pursuant to the mid-term management plan "Best Value NANTO", which started from April 2011, and working to establish operational bases centering on business loan transactions by expanding the branch network as a part of the plan.

The effect of this change on the consolidated financial statements has been immaterial.

<Changes in accounting policies with amendments of respective laws or regulations that are not distinguishable from changes in accounting estimates>

From the year ended March 31, 2013, in accordance with the amendment in the Corporate Tax Law, the Bank and its domestic subsidiaries have changed the depreciation method for tangible fixed assets, except for buildings (excluding building attachments) and leased assets. Assets acquired on or after April 1, 2012 are depreciated using the method prescribed in the amended Corporate Tax Law.

The effect of this change on the consolidated financial statements has been immaterial.

g. Intangible fixed assets

Amortization of intangible fixed assets is computed by the straight-line method. Acquisition costs of software to be used internally are capitalized and amortized by the straight-line method primarily over a useful life of five years.

h. Lease assets

Lease assets with respect to finance leases that do not transfer ownership of tangible fixed assets and intangible fixed assets are depreciated or amortized using the straight-line method with the assumption that the term of the lease is the useful life. Residual values of leased assets are the guaranteed values determined in the lease contracts or zero for assets without such guaranteed value.

i. Reserve for possible loan losses

The reserve for possible loan losses is provided according to predetermined standards. For loans to insolvent customers who are undergoing bankruptcy or other special liquidation ("bankrupt borrowers") or who are in a similar financial condition ("effectively bankrupt borrowers"), the reserve for possible loan losses is provided based on the amount of the claims net of the amount expected to be recovered from collateral and guarantees and net of the deducted amount mentioned below. 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 ("likely to become bankrupt borrowers"), the reserve for possible loan losses is provided for the estimated unrecoverable amounts determined after an evaluation of the customer's overall financial condition. For other loans, the reserve for possible loan losses is provided for based on the Bank's actual rate of loan losses in the past.

All the claims are assessed by the operating divisions based on the self-assessment criteria on asset quality, and the assessment results are audited by the Asset Audit Division, which is independent from the operating divisions.

For claims against "bankrupt borrowers" and "effectively bankrupt borrowers," the amount exceeding the estimated value of collateral and guarantees is deemed uncollectible and deducted directly from those claims. At March 31, 2013 and 2012, the deducted amounts were ¥17,082 million ($181,626 thousand) and ¥17,150 million, respectively. The reserve for possible loan losses of the consolidated subsidiaries is provided for general claims by the amount deemed necessary based on the historical loan-loss ratio and for certain doubtful claims by the amount deemed uncollectible based on an assessment of each claim.

j. Employee retirement benefits

The reserve for retirement benefits, which is provided for future pension payments to employees, is recorded based on the projected benefit obligation and the estimated value of pension plan assets at the end of the fiscal year.

Prior service costs are recognized as profit or loss at the time of occurrence, and actuarial gains and losses are recognized in gains or expenses in equal amounts from the following fiscal year by the straight-line method over ten years, which is within the average remaining service years of the current employees.

k. Reserve for reimbursement of deposits

A reserve for reimbursement of deposits which were derecognized as liabilities under certain conditions is provided for possible losses on the future claims of withdrawal based on historical reimbursement experience.

l. Reserve for contingent losses

Providing for payment of the contribution to the Credit Guarantee Corporation, the Bank provides a reserve for contingent liabilities not covered by other reserves in an amount deemed necessary based on estimated losses in the future.

m. Foreign currency translations
Foreign currency assets and liabilities are translated at fiscal year-end exchange rates.

n. Income taxes
Deferred income taxes are recorded to reflect the tax effects of temporary differences between the carrying amounts of assets and liabilities for tax and financial reporting purposes.

The asset and liability approach is used to recognize deferred tax assets and liabilities for the expected future tax consequences of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts for income tax purposes.

o. Recognition criteria for lease income and costs
Lease income and costs are recognized at the time of receiving lease fees.

p. Consumption taxes
Transactions subject to national and local consumption taxes are recorded at amounts exclusive of consumption taxes.

q. Unapplied accounting standards
"Accounting Standard for Retirement Benefits" (ASBJ Statement No. 26, May 17, 2012) and "Guidance on Accounting Standard for Retirement Benefits" (ASBJ Guidance No. 25, May 17, 2012)
(1) Summary
Under the amended rule, actuarial gains and losses and past service costs that are yet to be recognized in profit or loss would be recognized within the net asset section, after adjusting for tax effects, and the deficit or surplus would be recognized as a liability or asset without any adjustments. For determining method of attributing expected benefit to periods, the Standard now allows to choose benefit formula basis, as well as straight-line basis. Method for determination of discount rate has also been amended.
(2) Effective dates
The Bank is scheduled to apply above (i) from the consolidated financial statements concerning the end of the fiscal year starting on April 1, 2013 and above (ii) from the beginning of the fiscal year starting on April 1, 2014.
(3) Effect of application of the standard
The effect of the application of this accounting standard is currently under consideration.

3. SEGMENT AND RELATED INFORMATION
(1) Overview of the Reportable Segments
The Bank's reportable segments are determined on the basis that separate financial information for such segments is available and examined periodically by the Board of Directors to make decisions regarding the allocation of management resources and assess the business performances of such segments within the Group. The Group's main operations is banking. The Bank also provides securities services and operates credit guarantee business and leasing and credit card businesses. The Group has divided its business operations into the two reportable segments of "Banking and Securities" and "Leasing." Banking and Securities includes banking and the security business, and Leasing includes leasing.

(2) Basis of measurement for reported segment profit (loss), segment assets, segment liabilities and other material items
The accounting method used for reportable business segments is presented in accordance with "Summary of significant accounting policies." The reportable segment profit figures are based on operating profit. Income arising from intersegment transactions is based on arm's length prices.

As referred to Note 2 (f), effective from the year ended March 31, 2013, the Bank has changed the depreciation method for buildings (excluding building attachments) under tangible fixed assets (except for leased assets) from the declining balance method to the straight-line method to reflect the actual use of the buildings in profit or loss for the period more accurately. Accordingly, the depreciation method for such assets under the segment of "Banking and securities" in the reportable segment has been changed from the declining balance method to the straight-line method.

In addition, effective from the year ended March 31, 2013, the Bank and its consolidated subsidiaries changed the depreciation method for tangible fixed assets, except for buildings (excluding building attachments) and leased assets, acquired on or after April 1, 2012 to the depreciation method provided by the amended Corporate Income Tax Act. Accordingly, the depreciation method for such assets in the reportable segment has been changed to the depreciation method provided by the amended Corporate Income Tax Law.

The effect of these changes on the respective reportable segment profit has been immaterial.

(3) Information about reported segment profit (loss), segment assets, segment liabilities and other material items

Segment information for the years ended March 31, 2013 and 2012 is summarized as follows:

	Millions of yen						
	2013						
	Reportable segments						
	Banking and Securities	Leasing	Total	Other	Total	Adjustment	Consolidated
Ordinary income:							
Outside customers	¥ 79,685	¥ 6,754	¥ 86,440	¥ 2,101	¥ 88,541	¥ 334	¥ 88,875
Intersegment income	457	1,166	1,623	2,858	4,482	(4,482)	—
Total	80,143	7,920	88,063	4,959	93,023	(4,147)	88,875
Segment profit	9,899	250	10,150	1,629	11,779	141	11,921
Segment assets	5,015,857	22,102	5,037,960	16,075	5,054,035	(28,997)	5,025,037
Segment liabilities	4,809,469	19,348	4,828,817	8,802	4,837,620	(28,328)	4,809,291
Other item							
Depreciation	5,241	313	5,555	76	5,631	228	5,859
Interest income	59,058	1	59,059	303	59,363	(369)	58,994
Interest expense	4,852	214	5,067	17	5,084	(429)	4,654
Extraordinary gain	—	—	—	—	—	—	—
Extraordinary loss	493	0	494	212	706	—	706
Tax expense	1,858	105	1,964	500	2,464	71	2,536
Increase in tangible and intangible fixed assets	3,750	422	4,173	60	4,233	(378)	3,854

Notes: 1. Ordinary income (“Total income” less extraordinary gain) is presented in place of net sales of operating companies of other industry groups.
2. “Other” includes business segments which are not included in the reportable segments and comprises credit guarantees, real estate leasing and management, software development and credit cards.
3. Adjustments are as below:
(1) Adjustment of ordinary income for outside customers of ¥334 million is mainly the recovery of written off claims included in “other.”
(2) Adjustment of segment profit of ¥141 million is the elimination of intersegment transactions.
(3) Adjustment of segment assets of negative ¥28,997 million is the elimination of intersegment transactions.
(4) Adjustment of segment liabilities of negative ¥28,328 million is the elimination of intersegment transactions.
(5) Adjustment of depreciation of ¥228 million is the elimination of intersegment transactions.
(6) Adjustment of interest income of negative ¥369 million is the elimination of intersegment transactions.
(7) Adjustment of interest expense of negative ¥429 million is the elimination of intersegment transactions.
(8) Adjustment of tax expense of ¥71 million is the elimination of intersegment transactions.
(9) Adjustment of increase in tangible and intangible fixed assets of negative ¥378 million is the elimination of intersegment transactions.
4. Segment profit is reconciled to income before income taxes and minority interests in the consolidated statements of income.

	Millions of yen						
	2012						
	Reportable segments						
	Banking and Securities	Leasing	Total	Other	Total	Adjustment	Consolidated
Ordinary income:							
Outside customers	¥ 79,928	¥ 6,469	¥ 86,397	¥ 2,080	¥ 88,478	¥ 1,597	¥ 90,075
Intersegment income	475	1,638	2,114	4,366	6,480	(6,480)	—
Total	80,404	8,107	88,512	6,446	94,958	(4,883)	90,075
Segment profit	9,178	(138)	9,040	2,450	11,490	185	11,676
Segment assets	4,799,083	22,071	4,821,155	36,790	4,857,946	(48,370)	4,809,575
Segment liabilities	4,615,454	19,479	4,634,934	9,398	4,644,332	(46,998)	4,597,334
Other item							
Depreciation	5,107	274	5,381	85	5,466	687	6,154
Interest income	61,945	1	61,946	807	62,754	(891)	61,862
Interest expense	6,371	247	6,619	20	6,639	(954)	5,685
Extraordinary gain	—	—	—	—	—	—	—
Extraordinary loss	444	0	444	0	444	—	444
Tax expense	5,418	(36)	5,382	1,061	6,444	(169)	6,274
Increase in tangible and intangible fixed assets	2,833	374	3,207	37	3,244	(324)	2,920

Notes: 1. Ordinary income (“Total income” less extraordinary gain) is presented in place of net sales of operating companies of other industry groups.
2. “Other” includes business segments which are not included in the reportable segments and comprises credit guarantees, real estate leasing and management, software development and credit cards.
3. Adjustments are as below:
(1) Adjustment of ordinary income for outside customers of ¥1,597 million is mainly the reversal of allowance for loan losses and recovery of written off claims included in “other.”
(2) Adjustment of segment profit of ¥185 million is the elimination of intersegment transactions.
(3) Adjustment of segment assets of negative ¥48,370 million is the elimination of intersegment transactions.
(4) Adjustment of segment liabilities of negative ¥46,998 million is the elimination of intersegment transactions.
(5) Adjustment of depreciation of ¥687 million is the elimination of intersegment transactions.
(6) Adjustment of interest income of negative ¥891 million is the elimination of intersegment transactions.

(7) Adjustment of interest expense of negative ¥954 million is the elimination of intersegment transactions.
(8) Adjustment of tax expense of negative ¥169 million is the elimination of intersegment transactions.
(9) Adjustment of increase in tangible and intangible fixed assets of negative ¥324 million is the elimination of intersegment transactions.
4. Segment profit is reconciled to income before income taxes and minority interests in the consolidated statements of income.

Thousands of U.S. dollars

	2013						
	Reportable segments						
	Banking and Securities	Leasing	Total	Other	Total	Adjustment	Consolidated
Ordinary income:							
Outside customers	$ 847,262	$ 71,812	$ 919,085	$ 22,339	$ 941,424	$ 3,551	$ 944,976
Intersegment income	4,859	12,397	17,256	30,388	47,655	(47,655)	—
Total	852,131	84,210	936,342	52,727	989,080	(44,093)	944,976
Segment profit	105,252	2,658	107,921	17,320	125,241	1,499	126,751
Segment assets	53,331,812	235,002	53,566,826	170,919	53,737,745	(308,314)	53,429,420
Segment liabilities	51,137,363	205,720	51,343,083	93,588	51,436,682	(301,201)	51,135,470
Other item							
Depreciation	55,725	3,328	59,064	808	59,872	2,424	62,296
Interest income	627,942	10	627,953	3,221	631,185	(3,923)	627,262
Interest expense	51,589	2,275	53,875	180	54,056	(4,561)	49,484
Extraordinary gain	—	—	—	—	—	—	—
Extraordinary loss	5,241	0	5,252	2,254	7,506	—	7,506
Tax expense	19,755	1,116	20,882	5,316	26,198	754	26,964
Increase in tangible and intangible fixed assets	39,872	4,486	44,370	637	45,007	(4,019)	40,978

Notes: 1. Ordinary income (“Total income” less extraordinary gain) is presented in place of net sales of operating companies of other industry groups.
2. “Other” includes business segments which are not included in the reportable segments and comprises credit guarantees, real estate leasing and management, software development and credit cards.
3. Adjustments are as below:
(1) Adjustment of ordinary income for outside customers of $3,551 thousand is mainly the recovery of written off claims included in “other.”
(2) Adjustment of segment profit of $1,499 thousand is the elimination of intersegment transactions.
(3) Adjustment of segment assets of negative $308,314 thousand is the elimination of intersegment transactions.
(4) Adjustment of segment liabilities of negative $301,201 thousand is the elimination of intersegment transactions.
(5) Adjustment of depreciation of $2,424 thousand is the elimination of intersegment transactions.
(6) Adjustment of interest income of negative $3,923 thousand is the elimination of intersegment transactions.
(7) Adjustment of interest expense of negative $4,561 thousand is the elimination of intersegment transactions.
(8) Adjustment of tax expense of $754 thousand is the elimination of intersegment transactions.
(9) Adjustment of increase in tangible and intangible fixed assets of negative $4,019 thousand is the elimination of intersegment transactions.
4. Segment profit is reconciled to income before income taxes and minority interests in the consolidated statements of income.

(4) Information about services

Millions of yen

	2013				
	Banking	Securities and investments	Leasing	Others	Total
Ordinary income from outside customers	¥41,116	¥26,423	¥6,754	¥14,582	¥88,875

Millions of yen

	2012				
	Banking	Securities and investments	Leasing	Others	Total
Ordinary income from outside customers	¥43,507	¥22,775	¥6,469	¥17,323	¥90,075

Thousands of U.S. dollars

	2013				
	Banking	Securities and investments	Leasing	Others	Total
Ordinary income from outside customers	$437,171	$280,946	$71,812	$155,045	$944,976

Note: Ordinary income (“Total income” less extraordinary gain) is presented in place of net sales of operating companies of other industry group.

(5) Information about geographic areas

a. Ordinary income

The ratio of ordinary income from outside customers within Japan to the total ordinary income in the consolidated statement of income exceeded 90% for both fiscal years ended March 31, 2013 and 2012; therefore, no information about geographic areas is required to be disclosed.

b. Tangible fixed assets

The ratio of tangible fixed assets located in Japan to the total tangible fixed assets in the consolidated balance sheet exceeded 90% for both fiscal years ended March 31, 2013 and 2012; therefore, no information about geographic areas is required to be disclosed.

(6) Information about major customers

Ordinary income from a specific customer exceeding 10% of the total consolidated ordinary income did not exist for either fiscal year ended March 31, 2013 or 2012. Therefore, information about major customers is not required to be disclosed.

(7) Information on Impairment of Fixed Assets for Each Reportable Segment

	Millions of yen				
	2013				
	Reportable segments				
	Banking and Securities	Leasing	Total	Others (Note)	Total
Impairment	**¥480**	**—**	**¥480**	**¥167**	**¥648**

	Millions of yen				
	2012				
	Reportable segments				
	Banking and Securities	Leasing	Total	Others	Total
Impairment	¥320	—	¥320	—	¥320

	Thousands of U.S. dollars				
	2013				
	Reportable segments				
	Banking and Securities	Leasing	Total	Others	Total
Impairment	**$5,103**	**—**	**$5,103**	**$1,775**	**$6,889**

Note: "Others" represents the amounts related to the real estate leasing and management business.

(8) Information on amortization of goodwill and its remaining balance for each reportable segment

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

(9) Information on gain on negative goodwill for each reportable segment

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

4. CHANGES IN NET ASSETS

(1) Type and numbers of shares issued and treasury stock for the fiscal years ended March 31, 2013 and 2012 are as follows:

	(Thousands of shares)				Remarks
	2013				
	April 1, 2012	Increase	Decrease	March 31,2013	
Shares issued					
Common stock	**281,756**	**—**	**6,000**	**275,756**	**Note 1**
Total	**281,756**	**—**	**6,000**	**275,756**	
Treasury stock					
Common stock	**6,072**	**5,852**	**6,015**	**5,909**	**Notes 2 & 3**
Total	**6,072**	**5,852**	**6,015**	**5,909**	

Notes: 1. The decrease in common stock of 6,000 thousand shares issued is due to the retirement of treasury stock.
2. The increase in common stock of treasury stock of 5,852 thousand shares comprises an increase of 5,837 thousand shares due to the purchase of treasury stock based on a resolution of the Board of Directors' meeting and an increase of 15 thousand shares due to the purchase of shares of less than one unit.
3. The decrease in common stock of treasury stock of 6,015 thousand shares comprises a decrease of 6,000 shares due to the retirement of treasury stock, a decrease of 13 thousand shares due to the execution of stock options and a decrease of 2 thousand shares due to sales of shares of less than one unit.

	(Thousands of shares)				Remarks
	2012				
	April 1, 2011	Increase	Decrease	March 31,2012	
Shares issued					
Common stock	281,756	—	—	281,756	
Total	281,756	—	—	281,756	
Treasury stock					
Common stock	6,073	17	19	6,072	Notes 1 & 2
Total	6,073	17	19	6,072	

Notes: 1. The increase in common stock of treasury stock of 17 thousand shares is due to the purchase of shares of less than one unit.
2. The decrease in common stock of treasury stock of 19 thousand shares comprises a decrease of 19 thousand shares due to the execution of stock options and a decrease of 0 thousand shares due to sales of shares of less than one unit.

(2) Matters concerning Stock Acquisition Rights

For the year ended March 31, 2013

Classification	Breakdown	Shares expected to be acquired upon exercise of stock acquisition rights — Number of shares: April 1, 2012	Increase	Decrease	March 31, 2013	Balance at end of current fiscal year (Millions of yen)	(Thousands of U.S. dollars)
The Bank	Stock acquisition rights granted as stock options	—	—	—	—	¥100	$1,063
	Total	—	—	—	—	¥100	$1,063

For the year ended March 31, 2012

Classification	Breakdown	Shares expected to be acquired upon exercise of stock acquisition rights — Number of shares: April 1, 2011	Increase	Decrease	March 31, 2012	Balance at end of current fiscal year (Millions of yen)
The Bank	Stock acquisition rights granted as stock options	—	—	—	—	¥64
	Total	—	—	—	—	¥64

(3) Information on dividends is as follows:

(a) Dividends paid in the fiscal year ended March 31, 2013

	Millions of yen (thousands of U.S. dollars), except per share amount				
Resolution	Type of shares	Aggregate amount of dividends	Cash dividends per share	Record date	Effective date
Annual shareholders meeting held on June 28, 2012	Common stock	¥827 ($8,793)	¥3.00 ($0.03)	March 31, 2012	June 29, 2012
Board of Directors meeting held on November 12, 2012	Common stock	¥809 ($8,601)	¥3.00 ($0.03)	September 30, 2012	December 7, 2012

Dividends paid in the fiscal year ended March 31, 2012

	Millions of yen, except per share amount				
Resolution	Type of shares	Aggregate amount of dividends	Cash dividends per share	Record date	Effective date
Annual shareholders meeting held on June 29, 2011	Common stock	¥827	¥3.00	March 31, 2011	June 30, 2011
Board of Directors meeting held on November 11, 2011	Common stock	¥827	¥3.00	September 30, 2011	December 9, 2011

(b) Dividends to be paid in the fiscal year ending March 31, 2014

	Millions of yen, except per share amount					
Resolution	Type of shares	Aggregate amount of dividends	Source of dividends	Cash dividends per share	Record date	Effective date
Annual shareholders meeting held on June 27, 2013	Common stock	¥809 ($8,601)	Retained earnings	¥3.00 ($0.03)	March 31, 2013	June 28, 2013

5. STATEMENTS OF CASH FLOWS

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

	Millions of yen		Thousands of U.S. dollars
	2013	2012	2013
Cash and due from banks on the consolidated balance sheet	**¥175,662**	¥131,459	**$1,867,751**
Time deposits due from banks	**(315)**	(21,015)	**(3,349)**
Other due from banks	**(173)**	(838)	**(1,839)**
Cash and cash equivalents on the consolidated statements of cash flows	**¥175,173**	¥109,606	**$1,862,551**

6. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

a. Matters relating to the status of financial instruments

(1) Policy on financial instruments

The Group (the Bank and its subsidiaries) is composed of the Bank and eleven consolidated subsidiaries and provides financial services such as banking, securities, credit guarantee and leasing businesses.

Its major banking business includes (i) the acceptance of deposits, lending services, bills discounting and remittance, and (ii) the guarantee of debt, acceptance of bills, and other services related to the banking business. The securities business includes underwriting and dealing in securities, over-the-counter derivative transactions and other related services, including security index future transactions in accordance with the Financial Instruments and Exchange Act.

The Bank, in addition to being a money lender and borrower in the interbank market, to adjust surplus funds, raises funds by loans and bonds with consideration for the balance of financial market conditions and length.

The Bank conducts asset and liability management (ALM) and manages, identifying various types of risk exposures associated with the banking business, since the Bank holds financial assets and liabilities exposed to the market risk associated with the fluctuation of interest rates. As part of its risk management, the Bank utilizes derivative transactions such as interest rate swaps. The Bank also enters into derivative transactions for trading purposes with certain position limits.

(2) Contents and risk of financial instruments

Financial assets held by the Group are composed mainly of loans to corporate and individual customers which are exposed to credit risk arising from the nonperformance of its customers. In addition, loan balances are significantly concentrated to Nara prefecture, where the head office of the Bank is located. Accordingly, changes in the economic circumstances of the region could have a great impact on the credit risk.

Securities consist principally of Japanese government bonds, Japanese local government bonds, equity securities, foreign securities, investment trusts that are classified as other securities (available-for-sale), private bonds guaranteed by the Bank that are classified as held-to-maturity debt securities and Japanese government bonds classified as trading purpose securities. These securities are exposed to the credit risk of issuers and the market risk of fluctuation in interest rates and market prices. Since financial assets denominated in foreign currencies are exposed to exchange rate risk, currency related derivative transactions are used to balance the amount of each currency to reduce the risk.

In the banking business, financial liabilities consist principally of deposits from retail clients in Japan and are exposed to interest rate risk. In addition, foreign currency deposits are exposed to exchange rate risk. With respect to borrowed money and bonds payable, the Group may be forced to raise funds under unfavorable conditions and, accordingly, become significantly exposed to liquidity risk if the fund raising capacity of the Group significantly declined and led to the inability to repay under circumstances such as the significant deterioration of the financial position of the Group. Furthermore, borrowed money with floating interest rates is exposed to interest rate risk.

Derivative transactions include interest rate swaps for interest rate related transactions, currency swaps and forward foreign exchange transactions for currency related transactions and bond future transactions for bond related transactions. In addition, certain credit derivatives are embedded in the financial instruments. The Bank utilizes those derivative transactions in order to hedge the position of the customers as well as to capture various risks associated with transactions with customers and control those risks properly. The Bank also uses derivatives for trading purposes with certain position limits.

The Bank applies the deferred hedge accounting method for derivative transactions when used as hedging instruments. Interest rate swaps are used as hedging instruments to avoid interest rate risks of hedged items such as loans with fixed interest rates and deposits with fixed interest rates. Deferred hedge accounting has been applied to derivatives used as hedging instruments.

The Bank assesses the effectiveness of hedges in offsetting movement in the fair value from changes in interest rates by classifying the hedged items such as deposits and loans and the hedging instruments such as interest rate swaps by their maturity. For cash flow hedges, the Bank assesses the effectiveness by verifying the correlation between the hedged items and the hedging instruments. Transactions which do not meet the requirements of hedge accounting and derivative transactions for trading purposes are exposed to interest rate risk, currency risk, price fluctuation risk and credit risk.

(3) Risk management system for financial instruments

Credit risk management

The Group has established a framework for credit control which includes credit review by individual transaction, credit limit, credit information management, internal credit rating, guarantees and collateral and self-assessment in accordance with the Group's "Rules on credit risk management" and "Rules on self-assessment of assets." These credit controls are performed by each branch and the Credit Analysis Division, and the independent Audit Department audits the status of credit risk controls and its results. The status of credit risk controls is periodically evaluated and reported to the Managing Directors' Committee and board meeting.

Credit risks associated with the issuers of securities are managed by Securities & International Division and Compliance & Risk Management Division. With respect to the credit risks associated with the issuer of the securities and counterparty risk associated with derivative transactions, related credit information and fair values of the securities are periodically checked to monitor those risks.

Market risk management

(a) Interest rate risk

From the perspective of ALM, the Group manages market risk such as interest rate risk associated with assets and liabilities, including loans, deposits and securities comprehensively. The Group's "Rules on Market Risk Management" articulates that the Bank make efforts to manage the market sector effectively, taking risk and reward into account as well as avoiding excessive risk taking by setting appropriate risk limits based on the Group's ability to take risk and identifying market risk properly.

The ALM Committee, the decision making entity for the management of market risks, sets certain semiannual risk limits determined by VaR based upon the Bank's capital adequacy and market conditions. The Bank pursues profit opportunities within the risk limits. The Compliance & Risk Management Division assesses interest rate risk by VaR, reports to the ALM Committee on a monthly basis and properly monitors its operations. Other methodologies such as BPV and the simulation of the interest rate fluctuation are also used so that the Bank can capture and analyze risk from a broader point of view.

(b) Foreign currency risk

With regard to foreign currency risk associated with operations and procurement of financial instruments denominated in foreign currency, the Group manages risk by balancing the amount of funding and amount of operations for each currency. In addition, as for foreign currency exchange transactions for investment purposes, the Compliance & Risk Management Division assesses the foreign currency risk by VaR, reports to the ALM committee on a monthly basis and properly monitors its operations.

(c) Price fluctuation risk

With regard to investments in securities, the Group prepares its asset management plan semiannually and makes investment decisions at the ALM Committee based upon expected returns and correlations between investment items and related market fluctuation risk. The Securities & International Division plays a part in investment for investment purposes, and the General Business Division plays a part in investments for the purpose of business alliances and capital affiliation. Continuous monitoring of market conditions and restrictions on riskier assets such as securitized instruments help to avoid unnecessary price fluctuation risk.

The Compliance & Risk Management Division assesses the price fluctuation risk of equity securities, etc. by VaR, reports monthly to the ALM Committee about compliance with risk limits and properly manages the risk.

(d) Derivative transactions

With respect to derivative transactions for hedging purposes, the Group establishes internal rules defining the authority and hedge policies which are governed by the Compliance & Risk Management Division. With respect to derivative transactions for trading purposes, certain trading limits and loss limit rules are set semiannually by the ALM Committee. The Compliance & Risk Management Division, which serves as the middle office, monitors compliance and calculates the total amount of risk. The Securities & International Division, which serves as the back office, checks each derivative transaction, marked-to-market position and evaluates the profit and loss from the transactions on a daily basis. Combined with those functions, the related divisions check each other so as not to exceed limits on loss.

The directors of the Bank are reported to from both the middle office and back office and monitor the risks associated with the Bank's portfolio as a whole, including loans, deposits and securities at the ALM Committee.

(e) Quantitative information relating to market risk

The Group manages the quantity of market risk for financial instruments such as loans, deposits, securities and derivatives by VaR. To calculate VaR, the historical method (confidence level of 99%, observation period of 1,250 business days, holding period of 120 business days [holding period for shares other than for net investment purposes are 240 business days] and the correlation of risk categories are not considered.) is adopted. The holding period has been changed from 60 business days to 120 business days [holding period for shares other than for net investment purposes has been changed from 120 business days to 240 business days].

At March 31, 2013, the Group's total market risk (decrease in estimated economic value) was ¥55,850 million ($593,833 thousand) (¥51,731 million in 2012). In addition, the Group conducted back tests to compare actual income with the VaR calculated by the model. According to the back tests conducted in 2012, the measurement model captured the quantity of market risk with sufficient accuracy. However, VaR is a statistical measure of market risk based on past fluctuations in the market and certain probability of occurrence. It may not be possible to capture the risk if the market fluctuates rapidly under extraordinary circumstances.

Management of liquidity risk associated with financing activities

The Securities & International Division manages the Bank's cash position based upon the monthly funding plan designed by the ALM Committee, while the Compliance & Risk Management Division monitors the situation. The ALM Committee manages financing risk comprehensively by understanding the amount of cash for which the Bank can liquidate and also can raise from the market on a regular basis.

In addition, the Group categorizes its financing situation into "Regular Phase" "Concern Phase" and "Crisis Phase," and prepares appropriate management structures for each phase so that the Group can take proper action accordingly.

(4) Supplementary explanation on the fair value of financial instruments

The fair values of financial instruments comprise the values determined based on quoted market prices and values calculated on a reasonable basis when no market price is available. Certain assumptions are used for the calculation of such amounts, and, accordingly, the result of such calculations may vary if different assumptions are used.

b. Fair value of financial instruments

The table below summarizes the carrying amounts, fair values and differences of financial instruments as of March 31, 2013 and 2012.

Note that unlisted equity securities for which it is extremely difficult to identify the fair value and immaterial accounts are not included in the table (see Note 2 below).

	Millions of yen		
	2013		
	Carrying amount	Fair value	Difference
Cash and due from banks	¥ 175,662	¥ 175,662	¥ —
Call loans and bills bought	430	430	—
Debt purchased	4,279	4,279	—
Trading account securities:			
Trading securities	322	322	—
Money held in trust	21,000	21,000	—
Securities			
Held-to-maturity debt securities	4,031	4,056	24
Available-for-sale securities	1,833,939	1,833,939	—
Loans and bills discounted	2,898,844		
Reserve for possible loan losses (*1)	(27,896)		
	2,870,948	2,888,782	17,834
Total assets	¥4,910,614	¥4,928,472	¥17,858
Deposits	¥4,418,137	¥4,419,757	¥ 1,620
Negotiable certificates of deposit	96,467	96,467	—
Payables under securities lending transactions	138,235	138,235	—
Borrowed money	81,100	81,099	(1)
Bonds payable	20,000	20,436	436
Total liabilities	¥4,753,940	¥4,755,995	¥ 2,055
Derivative transactions (*2)			
Hedge accounting not applied	(3,900)	(3,900)	—
Hedge accounting applied	(1,609)	(1,609)	—
Total derivative transactions	¥ (5,510)	¥ (5,510)	¥ —

	Millions of yen		
	2012		
	Carrying amount	Fair value	Difference
Cash and due from banks	¥ 131,459	¥ 131,459	¥ —
Call loans and bills bought	12,080	12,080	—
Debt purchased	4,075	4,075	—
Trading account securities:			
Trading securities	400	400	—
Money held in trust	25,000	25,000	—
Securities			
Held-to-maturity debt securities	3,945	3,979	34
Available-for-sale securities	1,748,774	1,748,774	—
Loans and bills discounted	2,785,671		
Reserve for possible loan losses (*1)	(27,888)		
	2,757,782	2,776,977	19,194
Total assets	¥4,683,518	¥4,702,748	¥19,229
Deposits	¥4,277,409	¥4,279,936	¥ 2,527
Negotiable certificates of deposit	65,744	65,744	—
Payables under securities lending transactions	104,266	104,266	—
Borrowed money	63,783	63,728	(54)
Bonds payable	20,000	20,342	342
Total liabilities	¥4,531,204	¥4,534,018	¥ 2,814
Derivative transactions (*2)			
Hedge accounting not applied	(1,590)	(1,590)	—
Hedge accounting applied	(1,489)	(1,498)	(9)
Total derivative transactions	¥ (3,079)	¥ (3,088)	¥ (9)

Consolidated Financial Statements

	Thousands of U.S. dollars		
	2013		
	Carrying amount	Fair value	Difference
Cash and due from banks	$ 1,867,751	$ 1,867,751	$ —
Call loans and bills bought	4,572	4,572	—
Debt purchased	45,497	45,497	—
Trading account securities:			
Trading securities	3,423	3,423	—
Money held in trust	223,285	223,285	—
Securities			
Held-to-maturity debt securities	42,860	43,125	255
Available-for-sale securities	19,499,617	19,499,617	—
Loans and bills discounted	30,822,371		
Reserve for possible loan losses (*1)	(296,608)		
	30,525,762	30,715,385	189,622
Total assets	$52,212,801	$52,402,679	$189,877
Deposits	$46,976,469	$46,993,694	$ 17,224
Negotiable certificates of deposit	1,025,699	1,025,699	—
Payables under securities lending transactions	1,469,803	1,469,803	—
Borrowed money	862,307	862,296	(10)
Bonds payable	212,652	217,288	4,635
Total liabilities	$50,546,943	$50,568,793	$ 21,850
Derivative transactions (*2)			
Hedge accounting not applied	(41,467)	(41,467)	—
Hedge accounting applied	(17,107)	(17,107)	—
Total derivative transactions	$ (58,585)	$ (58,585)	$ —

(*1) General reserve for possible loan losses and specific reserve for possible loan losses corresponding to loans are deducted.
(*2) Assets and liabilities arising from derivative transactions are presented on a net basis, and net liabilities are presented in parentheses.

(Note 1) Computation method for fair value of financial instruments

Assets

Cash and due from banks:

With respect to due from banks without maturities, the carrying amount is presented as the fair value as the fair value approximates the carrying amount. With respect to due from banks with maturities, the fair value is calculated for each category of maturity by discounting its cash flow at the interest rate assumed if the same due from banks were newly executed. The fair value of the derivative embedded due from banks is determined based on the prices presented by the financial institutions with which they are transacted.

Call loans and bills bought:

The carrying amount is presented as the fair value as the residual maturity is less than one year and the fair value approximates the carrying amount.

Debt purchased:

The carrying amount of the lump sum factoring receivables is presented as the fair value as the residual maturity is less than one year and the fair value approximates the carrying amount.

Trading account securities:

The fair values of securities held for trading purposes are determined based on quoted market prices or values calculated on a reasonable basis if no market price is available.

Money held in trust:

The fair value of securities managed as trust assets in individually managed money held in trust primarily for securities management purposes are determined based on the values presented by the trust bank. For additional information on money held in trust categorized by holding purposes, see Note 7, "SECURITIES AND MONEY HELD IN TRUST."

Securities:

The fair value of equity securities is determined using the market price at the exchanges. The fair value of debt securities is determined based on market prices or values calculated on a reasonable basis if no market price is available. The fair value of listed investment trusts is determined using the market price at the exchanges and the fair value of other investment trusts is determined using standard prices published by the Investment Trust Association, Japan or presented from the financial institutions with which they are transacted. The fair value of the private bonds guaranteed by the Bank is calculated by discounting the aggregate value of principle and interest at the interest rate assumed if the same bond were newly issued, for each category based on term, redemption method and guarantees. With respect to the private bonds guaranteed by the Bank issued by "bankrupt borrowers," "effectively bankrupt borrowers" and "likely to become bankrupt borrowers," the possible amounts of loan loss are computed based on the present value of estimated future cash flow or the recoverable amounts from collateral and guarantees. Therefore, the fair value approximates the carrying amount, net of reserve for possible loan losses, and such amount is presented as the fair value.

With regard to floating rate Japanese government bonds held as "securities," the market value is unlikely to indicate the fair value due to the extraordinary limited trading of such bonds. Such bonds have been carried at their reasonably estimated amounts at this fiscal year end. As a result, "Japanese Government Bonds" included in "Securities" and "Valuation difference on available-for-sale securities" increased by ¥1,398 million ($14,864 thousand) and ¥903 million ($9,601 thousand) at March 31, 2013 and ¥8,308 million and ¥5,367 million at March 31, 2012, respectively, and "Deferred tax assets" decreased by ¥494 million ($5,252 thousand) at March 31, 2013 and ¥2,941 million at March 31, 2012, compared with the result that would have been reported using the market price.

Reasonably estimated amounts of floating-rate Japanese government bonds consist of the net value of discounted cash flow adjusting convexity from the floating-rate Japanese government bonds and the net value of discounted cash flow of zero-floor options calculated by the Black-Sholes option pricing model. The main variables of pricing decision for the above calculations are the Japanese government bond spot rate as the market-yield and the yen swaption volatility as the forward rate volatility. The theoretical prices of parties of each series of floating-rate Japanese government bonds are determined from the quotes of venders and verified for their adequacy by the Bank.

For additional information on securities categorized by holding purposes, see Note 7, "SECURITIES AND MONEY HELD IN TRUST."

Loans and bills discounted:
The fair value of loans with floating interest rates is presented using the carrying amount as the fair value approximates the carrying amount, as long as the credit situation of the borrowers does not vary significantly after executing the loans, since they reflect market interest rates due to their short-term nature. The fair value of loans with fixed rates is computed by discounting the aggregate value of principal and interest at the interest rate assumed if the same loans were newly executed for each category of type of loans, internal ratings and maturities. As for the loans whose maturity is less than one year, the carrying amount is presented as the fair value as the fair value approximates the carrying amount.

With respect to receivables from "bankrupt borrowers," "effectively bankrupt borrowers" and "likely to become bankrupt borrowers," the possible amounts of loan loss are computed based on the present value of the estimated future cash flow or the recoverable amounts from collateral and guarantees. Therefore, the fair value approximates the carrying amount, net of reserve for possible loan losses, and such amount is presented as the fair value.

The fair value of loans without a predetermined repayment date due to their lending amounts being limited within the values of the applicable collateral is presented using the carrying amount as the fair value is deemed to approximate the carrying amounts considering the estimated repayment term and interest rates. The fair value of embedded derivative loans is presented using market prices at financial institutions.

Liabilities

Deposits and negotiable certificates of deposits:
With respect to on-demand deposits, the payment obligation due when demanded at the balance sheet date, which is the carrying amount, is deemed to be the fair value. The fair value of time deposits is computed using the present value by discounting future cash flows for each category of a certain period. The interest rate to be applied when a new deposit is taken is used as the discount rate. For deposits whose residual maturity is less than one year, the carrying amount is presented as the fair value as the fair value approximates the carrying amount.

Payables under securities lending transactions:
The carrying amount is presented as the fair value as the residual maturity is less than one year and the fair value approximates the carrying amount.

Borrowed money:
The fair value of borrowed money with floating interest rates is presented using the carrying amount as the fair value approximates the carrying amount since the interest rate reflects the market interest rate due to the short-term nature and that the credit situation of the Bank and its consolidated subsidiaries does not vary significantly after executing the borrowing. The fair value of borrowed money with fixed interest rate is computed by discounting the aggregate value of principal and interest (with respect to borrowed money accounted for by the special treatment of interest rate swaps, the aggregate value of principal and interest using the interest rate swap rate) at the interest rate assumed if the same borrowing were newly executed for each category of type of maturities. As for the borrowed money whose maturity is less than one year, the carrying amount is presented as the fair value as the fair value approximates the carrying amount.

Bonds payable:
Bonds issued by the Bank are all unsecured and subordinated bonds. The fair value of such bonds is determined using the market price.

Derivative transactions

For derivative transactions, see Note 21, "DERIVATIVE TRANSACTIONS."

(Note 2) The table below summarizes financial instruments whose fair value is extremely difficult to estimate. Note that these instruments are not included in the above table regarding the fair value of financial instruments.

	Carrying amount		
	Millions of yen		Thousands of U.S. dollars
	2013	2012	2013
Unlisted equity securities (*1) (*2)	**¥2,356**	¥2,333	**$25,050**
Investment in partnerships (*3)	**413**	441	**4,391**
Total	**¥2,770**	¥2,775	**$29,452**

(*1) The fair value of unlisted equity securities is not disclosed since there is no market price and it is extremely difficult to estimate the fair value.
(*2) The Bank recognized loss on impairment of ¥0 million ($0 thousand) on unlisted equity securities for the year ended March 31, 2013. No impairment loss was recognized for the year ended March 31, 2012.
(*3) The fair value of unlisted equity securities among the investment in partnerships is not disclosed since there is no market price and it is extremely difficult to estimate the fair value.

Consolidated Financial Statements

(Note 3) Redemption schedule of monetary claims and securities with maturities

	Millions of yen					
	2013					
	Due within one year or less	Due after one year through three years	Due after three years through five years	Due after five years through seven years	Due after seven years through ten years	Due after ten years
Due from banks	¥ 133,036	¥ —	¥ —	¥ —	¥ —	¥ —
Call loans and bills bought	430	—	—	—	—	—
Debt purchased	4,279	—	—	—	—	—
Securities	155,503	425,806	292,186	339,202	428,101	60,000
Held-to-maturity debt securities	987	1,275	1,489	279	—	—
Bonds	987	1,275	1,489	279	—	—
Available-for-sale securities with contractual maturities:	154,516	424,530	290,697	338,922	428,101	60,000
Japanese government bonds	90,000	153,600	184,000	279,600	282,000	30,000
Japanese local government bonds	8,729	66,627	29,542	43,744	41,348	—
Corporate bonds	11,400	60,393	65,322	7,504	50,753	—
Other	44,386	143,909	11,832	8,073	54,000	30,000
Loans and bills discounted (*)	895,960	371,881	256,541	189,654	239,961	553,014
Total	¥1,189,210	¥797,687	¥548,728	¥528,856	¥668,063	¥613,014

	Millions of yen					
	2012					
	Due within one year or less	Due after one year through three years	Due after three years through five years	Due after five years through seven years	Due after seven years through ten years	Due after ten years
Due from banks	¥ 89,315	¥ —	¥ —	¥ —	¥ —	¥ —
Call loans and bills bought	12,080	—	—	—	—	—
Debt purchased	4,075	—	—	—	—	—
Securities:	134,589	305,264	365,487	330,474	463,640	30,000
Held-to-maturity debt securities:	440	1,822	1,435	248	—	—
Bonds	440	1,822	1,435	248	—	—
Available-for-sale securities with contractual maturities:	134,149	303,442	364,052	330,226	463,640	30,000
Japanese government bonds	69,300	167,800	244,000	282,500	332,000	—
Japanese local government bonds	5,203	35,338	60,336	34,492	62,946	—
Corporate bonds	14,468	22,261	14,232	6,508	12,694	—
Other	45,177	78,042	45,483	6,725	56,000	30,000
Loans and bills discounted (*)	849,900	377,645	253,489	181,237	210,171	529,840
Total	¥1,089,960	¥682,909	¥618,976	¥511,711	¥673,812	¥559,840

	Thousands of U.S. dollars					
	2013					
	Due within one year or less	Due after one year through three years	Due after three years through five years	Due after five years through seven years	Due after seven years through ten years	Due after ten years
Due from banks	$ 1,414,524	$ —	$ —	$ —	$ —	$ —
Call loans and bills bought	4,572	—	—	—	—	—
Debt purchased	45,497	—	—	—	—	—
Securities:	1,653,407	4,527,442	3,106,709	3,606,613	4,551,844	637,958
Held-to-maturity debt securities:	10,494	13,556	15,832	2,966	—	—
Bonds	10,494	13,556	15,832	2,966	—	—
Available-for-sale securities with contractual maturities:	1,642,913	4,513,875	3,090,877	3,603,636	4,551,844	637,958
Japanese government bonds	956,937	1,633,173	1,956,406	2,972,886	2,998,405	318,979
Japanese local government bonds	92,812	708,421	314,109	465,114	439,638	—
Corporate bonds	121,212	642,137	694,545	79,787	539,638	—
Other	471,940	1,530,132	125,805	85,837	574,162	318,979
Loans and bills discounted (*)	9,526,422	3,954,077	2,727,708	2,016,523	2,551,419	5,880,000
Total	$12,644,444	$8,481,520	$5,834,428	$5,623,136	$7,103,274	$6,517,958

(*) Loans from "bankrupt," "effectively bankrupt" and "likely to become bankrupt" borrowers which are not expected to be repaid and amounting to ¥89,660 million ($953,322 thousand) and ¥86,896 million at March 31, 2013 and 2012, respectively, are not included.
Loans whose payment term is not determined amounting to ¥318,320 million ($3,384,582 thousand) and ¥312,413 million at March 31, 2013 and 2012, respectively, are not included.

(Note 4) Redemption schedule of bonds payable, borrowed money and interest bearing liabilities

	Millions of yen					
	2013					
	Due within one year or less	Due after one year through three years	Due after three years through five years	Due after five years through seven years	Due after seven years through ten years	Due after ten years
Deposits (*)	**¥3,726,752**	**¥597,142**	**¥94,241**	**¥ —**	**¥—**	**¥—**
Negotiable certificates of deposits	**96,467**	**—**	**—**	**—**	**—**	**—**
Payables under securities lending transactions	**138,235**	**—**	**—**	**—**	**—**	**—**
Borrowed money	**76,809**	**3,316**	**975**	**—**	**—**	**—**
Bonds payable	**—**	**—**	**—**	**20,000**	**—**	**—**
Total	**¥4,038,264**	**¥600,459**	**¥95,216**	**¥20,000**	**¥—**	**¥—**

	Millions of yen					
	2012					
	Due within one year or less	Due after one year through three years	Due after three years through five years	Due after five years through seven years	Due after seven years through ten years	Due after ten years
Deposits (*)	¥3,631,418	¥533,376	¥112,613	¥—	¥ —	¥—
Negotiable certificates of deposits	65,744	—	—	—	—	—
Payables under securities lending transactions	104,266	—	—	—	—	—
Borrowed money	59,151	3,547	1,085	—	—	—
Bonds payable	—	—	—	—	20,000	—
Total	¥3,860,581	¥536,923	¥113,698	¥—	¥20,000	¥—

	Thousands of U.S. dollars					
	2013					
	Due within one year or less	Due after one year through three years	Due after three years through five years	Due after five years through seven years	Due after seven years through ten years	Due after ten years
Deposits (*)	**$39,625,220**	**$6,349,197**	**$1,002,030**	**$ —**	**$—**	**$—**
Negotiable certificates of deposits	**1,025,699**	**—**	**—**	**—**	**—**	**—**
Payables under securities lending transactions	**1,469,803**	**—**	**—**	**—**	**—**	**—**
Borrowed money	**816,682**	**35,257**	**10,366**	**—**	**—**	**—**
Bonds payable	**—**	**—**	**—**	**212,652**	**—**	**—**
Total	**$42,937,416**	**$6,384,465**	**$1,012,397**	**$212,652**	**$—**	**$—**

(*) Demand deposits are included in "Due within one year or less."

7. SECURITIES AND MONEY HELD IN TRUST

The securities in this note include the "Securities" and "Trading account securities" classified on the consolidated balance sheet.

(1) Information on trading account securities and securities with available fair values at March 31, 2013 and 2012 was as follows:
(a) Trading securities

	Millions of yen		Thousands of U.S. dollars
	2013	2012	2013
Amount of net unrealized gains (losses) included in the statements of income	**¥0**	¥0	**$0**

(b) Held-to-maturity debt securities

The carrying amount and fair value of held-to-maturity debt securities which have a readily determinable fair value and the related unrealized gain and loss at March 31, 2013 and 2012 were as follows:

	Millions of yen				
	2013				
	Carrying amount	Fair value	Difference	Gain	Loss
Corporate bonds	**¥4,031**	**¥4,056**	**¥24**	**¥26**	**¥1**

	Millions of yen				
	2012				
	Carrying amount	Fair value	Difference	Gain	Loss
Corporate bonds	¥3,945	¥3,979	¥34	¥34	¥—

	Thousands of U.S. dollars				
	2013				
	Carrying amount	Fair value	Difference	Gain	Loss
Corporate bonds	**$42,860**	**$43,125**	**$255**	**$276**	**$10**

(c) Available-for-sale securities

	Millions of yen		
	2013		
	Carrying amount	Acquisition cost	Unrealized gains (losses)
Carrying amount exceeding acquisition cost:			
Stocks	**¥ 69,591**	**¥ 45,610**	**¥23,980**
Bonds	**1,379,136**	**1,347,173**	**31,962**
Japanese government bonds	**1,018,770**	**995,912**	**22,857**
Japanese local government bonds	**193,292**	**185,855**	**7,436**
Japanese corporate bonds	**167,073**	**165,404**	**1,668**
Others	**193,584**	**186,790**	**6,794**
Foreign securities included	**180,820**	**178,086**	**2,733**
Subtotal	**¥1,642,312**	**¥1,579,574**	**¥62,737**
Carrying amount not exceeding acquisition cost:			
Stocks	**¥ 9,533**	**¥ 10,570**	**¥ (1,037)**
Bonds	**70,518**	**70,796**	**(278)**
Japanese government bonds	**34,711**	**34,918**	**(206)**
Japanese local government bonds	**5,113**	**5,118**	**(5)**
Japanese corporate bonds	**30,694**	**30,759**	**(65)**
Others	**111,574**	**119,048**	**(7,473)**
Foreign securities included	**111,392**	**118,854**	**(7,462)**
Subtotal	**¥ 191,627**	**¥ 200,416**	**¥ (8,789)**
Total	**¥1,833,939**	**¥1,779,991**	**¥53,948**

	Millions of yen		
	2012		
	Carrying amount	Acquisition cost	Unrealized gains (losses)
Carrying amount exceeding acquisition cost:			
Stocks	¥ 49,058	¥ 37,582	¥ 11,476
Bonds	1,355,600	1,324,237	31,363
Japanese government bonds	1,096,265	1,072,121	24,144
Japanese local government bonds	204,080	197,426	6,653
Japanese corporate bonds	55,255	54,689	566
Others	169,820	166,259	3,560
Foreign securities included	157,425	154,545	2,880
Subtotal	¥1,574,479	¥1,528,079	¥ 46,400
Carrying amount not exceeding acquisition cost:			
Stocks	¥ 21,903	¥ 24,703	¥ (2,799)
Bonds	54,493	54,949	(455)
Japanese government bonds	34,890	34,900	(10)
Japanese local government bonds	1,306	1,308	(1)
Japanese corporate bonds	18,297	18,740	(443)
Others	97,897	114,921	(17,023)
Foreign securities included	90,587	106,978	(16,390)
Subtotal	¥ 174,294	¥ 194,573	¥(20,278)
Total	¥1,748,774	¥1,722,652	¥ 26,121

	Thousands of U.S. dollars		
	2013		
	Carrying amount	Acquisition cost	Unrealized gains (losses)
Carrying amount exceeding acquisition cost:			
Stocks	**$ 739,936**	**$ 484,954**	**$254,970**
Bonds	**14,663,859**	**14,324,008**	**339,840**
Japanese government bonds	**10,832,216**	**10,589,175**	**243,030**
Japanese local government bonds	**2,055,204**	**1,976,129**	**79,064**
Japanese corporate bonds	**1,776,427**	**1,758,681**	**17,735**
Others	**2,058,309**	**1,986,071**	**72,238**
Foreign securities included	**1,922,594**	**1,893,524**	**29,059**
Subtotal	**$17,462,115**	**$16,795,045**	**$667,060**
Carrying amount not exceeding acquisition cost:			
Stocks	**$ 101,360**	**$ 112,387**	**$ (11,026)**
Bonds	**749,792**	**752,748**	**(2,955)**
Japanese government bonds	**369,069**	**371,270**	**(2,190)**
Japanese local government bonds	**54,364**	**54,417**	**(53)**
Japanese corporate bonds	**326,358**	**327,049**	**(691)**
Others	**1,186,326**	**1,265,794**	**(79,457)**
Foreign securities included	**1,184,391**	**1,263,732**	**(79,340)**
Subtotal	**$ 2,037,501**	**$ 2,130,951**	**$ (93,450)**
Total	**$19,499,617**	**$18,926,007**	**$573,609**

(2) Held-to-maturity debt securities sold for the years ended March 31, 2013 and 2012

	Millions of yen		
	2013		
	Sales amount	Cost of sales	Gains (losses) on sales
Corporate bonds	**¥—**	**¥—**	**¥—**

	Millions of yen		
	2012		
	Sales amount	Cost of sales	Gains (losses) on sales
Corporate bonds	¥100	¥100	¥0

	Thousands of U.S. dollars		
	2013		
	Sales amount	Cost of sales	Gains (losses) on sales
Corporate bonds	**$—**	**$—**	**$—**

Sales of corporate bonds were due to retirement of private placement bonds.

(3) Available-for-sale securities sold for the years ended March 31, 2013 and 2012

	Millions of yen		
	2013		
	Sales amount	Gains on sales	Losses on sales
Stocks	**¥ 9,496**	**¥1,379**	**¥1,657**
Bonds	**607,746**	**6,033**	**2,785**
Japanese government bonds	**569,005**	**5,206**	**2,784**
Japanese local government bonds	**28,373**	**681**	**0**
Japanese corporate bonds	**10,367**	**145**	**0**
Others	**49,103**	**1,137**	**105**
Foreign securities included	**47,123**	**1,012**	**105**
Total	**¥666,347**	**¥8,550**	**¥4,548**

	Millions of yen		
	2012		
	Sales amount	Gains on sales	Losses on sales
Stocks	¥ 6,231	¥ 120	¥1,476
Bonds	211,644	2,034	1,263
Japanese government bonds	202,769	1,815	1,257
Japanese local government bonds	6,252	192	—
Japanese corporate bonds	2,622	26	5
Others	62,959	2,617	220
Foreign securities included	60,639	2,498	73
Total	¥280,836	¥4,772	¥2,960

	Thousands of U.S. dollars		
	2013		
	Sales amount	Gains on sales	Losses on sales
Stocks	**$ 100,967**	**$14,662**	**$17,618**
Bonds	**6,461,945**	**64,146**	**29,611**
Japanese government bonds	**6,050,026**	**55,353**	**29,601**
Japanese local government bonds	**301,679**	**7,240**	**0**
Japanese corporate bonds	**110,228**	**1,541**	**0**
Others	**522,094**	**12,089**	**1,116**
Foreign securities included	**501,041**	**10,760**	**1,116**
Total	**$7,085,029**	**$90,909**	**$48,357**

(4) Information on money held in trust at March 31, 2013 and 2012 was as follows:

Money held in trust

	Millions of yen		Thousands of U.S. dollars
	2013	2012	2013
Carrying amount (fair value)	**¥21,000**	¥25,000	**$223,285**
Amount of net unrealized gains (losses) included in the statement of income	**320**	11	**3,402**

(5) The components of the valuation difference on available-for-sale securities recorded under net assets at March 31, 2013 and 2012 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2013	2012	2013
Valuation difference	**¥ 53,948**	¥26,121	**$ 573,609**
Deferred tax liabilities	**(15,940)**	(6,971)	**(169,484)**
Amounts equivalent to difference on available-for-sale securities	**¥ 38,007**	¥19,149	**$ 404,114**
Minority interests adjustment	**(60)**	(92)	**(637)**
Valuation difference on available-for-sale securities	**¥ 37,947**	¥19,057	**$ 403,476**

(6) Securities reclassified for the years ended March 31, 2013 and 2012

Not applicable.

(7) Impairment loss on the securities

In the event that the fair value of securities, except trading securities, with available fair values declines significantly compared with the acquisition cost and the fair value is not expected to recover, such securities are stated at fair value and the difference between fair value and the acquisition cost is recognized as loss in the period of the decline (“impairment loss“). The fair value is regarded as “significantly declined“ when (i) the fair value as of the end of the fiscal year declines by more than 50% of the acquisition cost or (ii) the fair value as of the end of the fiscal year declines by more than 30% but less than 50% of the acquisition cost, and is not expected to recover within one year. Impairment loss recognized on equity securities was ¥1,309 million ($13,918 thousand) and ¥2,897 million for the fiscal years ended March 31, 2013 and 2012, respectively.

8. BORROWED MONEY, BONDS PAYABLE AND LEASE OBLIGATIONS

a. The details of borrowed money as of March 31, 2013 and 2012 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2013	2012	2013
Borrowed money Due from April 2013 through January 2018 Average interest rate: 0.18% p.a.	**¥81,100**	¥63,783	**$862,307**

Annual maturities of borrowed money as of March 31, 2013 were as follows:

	Millions of yen	Thousands of U.S. dollars
2014	**¥76,809**	**$816,682**
2015	**1,971**	**20,956**
2016	**1,345**	**14,300**
2017	**670**	**7,123**
2018	**305**	**3,242**
Total	**¥81,100**	**$862,307**

b. The details of bonds payable as of March 31, 2013 and 2012 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2013	2012	2013
Issuer: The Bank Name of issue: The Nanto Bank, Ltd. 2nd unsecured callable bonds (subordinated) Issued on: March 4, 2010 Due on: March 4, 2020 Interest rate: 1.72% from March 5, 2010 through March 4, 2015 6 m/s Euro Yen Libor+2.45% p.a. after March 4, 2015	**¥20,000**	¥20,000	**$212,652**

No repayment is scheduled within 5 years after March 31, 2013.

c. Lease obligations

Lease obligations are included in “Other liabilities” in the accompanying consolidated balance sheets.

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

	Millions of yen	Thousands of U.S. dollars
2014	**¥1**	**$10**
2015	**0**	**0**
Total	**¥1**	**$10**

Average interest rates are omitted since the interest equivalent amount included in total lease charges is allocated over the related period using the straight-line method.

d. Other

The Group has not issued commercial paper by way of promissory notes for funding for operating activities.

9. TANGIBLE FIXED ASSETS

Accumulated depreciation of tangible fixed assets was ¥45,476 million ($483,530 thousand) and ¥44,357 million at March 31, 2013 and 2012, respectively. Accumulated capital gains directly offset against the acquisition cost of tangible fixed assets to obtain tax benefits were ¥718 million ($7,634 thousand) at March 31, 2013 and 2012.

10. INCOME TAXES

The Group is subject to a number of taxes based on the income such as corporation tax, inhabitant tax and enterprise tax, which, in the aggregate, indicate a statutory tax rate in Japan of approximately 38.2 % and 40.4% for the years ended March 31, 2013 and 2012, respectively.

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

	Millions of yen		Thousands of U.S. dollars
	2013	2012	2013
Deferred tax assets:			
Excess bad debt expense	**¥ 13,344**	¥ 15,092	**$ 141,881**
Retirement benefits	**7,031**	6,970	**74,758**
Depreciation	**954**	1,081	**10,143**
Write-down of land	**4,107**	4,107	**43,668**
Loss on impairment of fixed assets	**1,832**	1,616	**19,479**
Valuation loss on securities	**4,914**	6,934	**52,248**
Tax loss carryforwards	**5,016**	5,124	**53,333**
Net deferred loss on hedging instruments	**575**	525	**6,113**
Other	**2,952**	3,201	**31,387**
Subtotal deferred tax assets:	**40,728**	44,655	**433,046**
Valuation allowance	**(11,716)**	(13,539)	**(124,572)**
Total deferred tax assets	**29,011**	31,115	**308,463**
Deferred tax liabilities:			
Valuation difference on available-for-sale securities	**(15,940)**	(6,971)	**(169,484)**
Other	**(52)**	(55)	**(552)**
Total deferred tax liabilities	**(15,993)**	(7,027)	**(170,047)**
Net deferred tax assets	**¥ 13,018**	¥ 24,088	**$ 138,415**

The following table summarizes the significant differences between the statutory tax rate and the effective tax rate for financial statement purposes for the years ended March 31, 2013 and 2012:

	2013	2012
Statutory tax rate	**38.2%**	40.4%
Valuation allowance	**(17.5%)**	0.0%
Expense not qualifying for deduction	**0.6%**	0.6%
Non-taxable dividend income	**(2.6%)**	(2.8%)
Tax rate difference for Special Purpose Company	**(0.7%)**	(2.4%)
Adjustment of deferred tax assets for enacted changes in tax laws and rates	**—%**	21.7%
Difference between current tax rate and future tax rate to be applied for elimination of temporary differences	**3.4%**	—%
Other	**1.2%**	(1.6%)
Effective tax rate	**22.6%**	55.8%

11. RETIREMENT BENEFIT OBLIGATIONS

(1) Outline of employees' retirement allowance

The Bank has a contributory defined benefit pension plan and a non-contributory unfunded lump-sum retirement allowance plan. The Bank grants additional retirement benefits occasionally. The Bank has employer retirement benefits trusts.

Eleven consolidated subsidiaries have non-contributory unfunded lump-sum retirement allowance plans.

(2) Information about retirement benefit obligations

	Millions of yen		Thousands of U.S. dollars
	2013	2012	2013
Projected benefit obligation	**¥(49,656)**	¥(49,277)	**$(527,974)**
Plan assets	**32,901**	28,800	**349,824**
Unfunded projected benefit obligation	**(16,754)**	(20,476)	**(178,139)**
Unrecognized actuarial differences	**4,085**	8,269	**43,434**
	(12,669)	(12,207)	**(134,704)**
Prepaid pension costs	**—**	—	**—**
Reserve for employee retirement benefits	**¥(12,669)**	¥(12,207)	**$(134,704)**

Note: Consolidated subsidiaries have adopted the simple method in calculating projected benefit obligations.

(3) Information relating to retirement benefit expenses

	Millions of yen		Thousands of U.S. dollars
	2013	2012	2013
Service cost	**¥1,684**	¥1,689	**$17,905**
Interest cost on projected benefit obligation	**980**	977	**10,419**
Expected return on plan assets	**(477)**	(450)	**(5,071)**
Amortization of actuarial differences	**1,867**	2,163	**19,851**
Other	**—**	—	**—**
Total	**¥4,054**	¥4,379	**$43,104**

Note: Retirement benefit expenses of consolidated subsidiaries which have adopted the simple method are included in "Service cost."

(4) Principal assumptions used in determining retirement benefit obligation and pension expenses

(a) Discount rate: 2.0% in 2013 and 2012

(b) Expected rate of return on plan assets: 2.0% in 2013 and 2012

(c) Inter-period allocation method for estimated retirement benefits: straight-line method over the period

(d) Amortization of past service costs: Full amounts are charged to income when incurred.

(e) Amortization of actuarial differences: 10 years (Actuarial differences are charged to income from the following year in the amount allocated by the straight-line method over a definite period within the employees' average number of service years when incurred.)

12. GUARANTEES

The amount guaranteed by the Bank for privately placed bonds (stipulated by Article 2-3 of the Financial Instruments Exchange Act) included in "Bonds" of "Securities" was ¥3,831 million ($40,733 thousand) and ¥3,745 million at March 31, 2013 and 2012, respectively.

13. STOCKHOLDERS' EQUITY

Under the Banking Law of Japan and the Company law, the entire amount of the issue price of shares is required to be accounted for as capital, although the Bank may, by resolution of its Board of Directors, account for an amount not exceeding one half of the issue price of the new shares as additional paid-in capital, which is included in capital surplus.

The Banking Law provides that an amount equal to at least 20% of cash dividends and other cash appropriations be appropriated and set aside as legal earnings reserve until the total amount of legal earnings reserve and additional paid-in capital equals 100% of common stock. The total amount of legal earnings reserve and additional paid-in capital of the Bank has reached 100% of common stock. Therefore, the Bank is not required to provide additional legal earnings reserve.

The legal earnings reserve and additional paid-in capital may be used to eliminate or reduce a deficit by resolution of the stockholders' meeting or may be capitalized by resolution of the Board of Directors. On condition that the total amount of legal earnings reserve and additional paid-in capital remains equal to or more than 100% of common stock, they are available for distribution by resolution of the stockholders' meeting. Legal earnings reserve is included in retained earnings in the accompanying financial statements.

The maximum amount that the Bank can distribute as dividends is calculated based on the nonconsolidated financial statements of the Bank in accordance with the Company Law.

14. PLEDGED ASSETS

At March 31, 2013 and 2012, securities of ¥450,658 million ($4,791,685 thousand) and ¥413,699 million, respectively, were pledged as collateral for deposits and negotiable certificates of deposit of ¥64,240 million ($683,040 thousand) and ¥32,786 million, respectively, payables under securities lending transactions of ¥138,235 million ($1,469,803 thousand) and ¥104,266 million, respectively, and borrowed money of ¥74,083 million ($787,698 thousand) and ¥56,510 million, respectively.

Securities of ¥74,532 million ($792,472 thousand) and ¥72,119 million were pledged for transaction guarantees at March 31, 2013 and 2012, respectively.

Unexpired lease contract claims of ¥5,238 million ($55,693 thousand) and ¥6,352 million were pledged as collateral for borrowed money at March 31, 2013 and 2012, respectively.

At March 31, 2013 and 2012, other assets included security deposits of ¥1,465 million ($15,576 thousand) and ¥1,542 million, respectively, and other intangible fixed assets included key money of ¥574 million ($6,103 thousand) and ¥573 million, respectively.

15. LOAN COMMITMENTS

Commitment line contracts on overdrafts and loans are agreements to lend to customers when they apply for borrowing up to a prescribed amount as long as there is no violation of any condition established in the contract. The amounts of unused commitments at March 31, 2013 and 2012 were ¥888,911 million ($9,451,472 thousand) and ¥908,128 million, respectively, and the amount of unused commitments whose original contract terms were within one year or unconditionally cancelable at any time at March 31, 2013 and 2012 were ¥871,842 million ($9,269,984 thousand) and ¥892,643 million, respectively.

Since many of these commitment line contracts are expected to expire without being drawn upon, the total amount of unused commitments does not necessarily represent actual future cash flow requirements.

Many of these commitments line contracts have clauses that allow the Bank and its consolidated subsidiaries to reject the application from customers or reduce the contract amounts if economic conditions change. In addition, the Bank and its consolidated subsidiaries may request that customers pledge collateral such as premises and securities or take other necessary measures such as scrutinizing customers' financial positions and revising contracts when the need arises to secure claims.

16. OTHER INCOME

For the fiscal years ended 2013 and 2012, other income consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2013	2012	2013
Gains on sales of stocks and other securities	**¥1,588**	¥ 214	**$16,884**
Reversal of reserve for possible loan losses	**—**	1,966	**—**
Recovery of written off claims	**1,081**	1,656	**11,493**
Other	**1,767**	1,344	**18,787**
Total	**¥4,438**	¥5,181	**$47,187**

17. OTHER EXPENSES

(1) For the fiscal years ended 2013 and 2012, other expenses consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2013	2012	2013
Loss on devaluation of stocks and other securities	**¥ 1,309**	¥2,897	**$ 13,918**
Write-offs of loans	**1,956**	3,581	**20,797**
Loss on sales of stocks and other securities	**1,657**	1,537	**17,618**
Provision for possible loan losses	**3,539**	—	**37,628**
Impairment loss on fixed assets	**648**	320	**6,889**
Other	**919**	1,233	**9,771**
Total	**¥10,030**	¥9,569	**$106,645**

(2) (Impairment loss on fixed assets)

The Group reviews its long-lived assets for impairment by grouping its assets based on the unit of an operating office, which individually and continuously identifies profit and loss, and based on individual assets unit for idle assets. Headquarters, administration centers, training centers, etc. are treated as common assets since they contribute to the generation of future cash flows from multiple assets or asset groups. Primarily, each consolidated subsidiary is treated as one asset group. The recoverable amount is measured principally at its net realizable value, which is determined by appraisal values based on the real estate appraisal standards, less the expected disposal cost.

For the year ended March 31, 2013, the Group recognized impairment loss on the following asset groups:

Area	Purpose of use	Type	Millions of yen	Thousands of U.S. dollars
In Nara Pref.	2 idle assets	Land, etc.	**¥452**	**$4,805**
Out of Nara Pref.	1 idle asset	Land and buildings	**27**	**287**
In Nara Pref.	1 dormitory	Buildings	**167**	**1,775**
Total			**¥648**	**$6,889**

For the above fixed assets, the carrying amounts were reduced to net realizable values due to the continuous decrease in real estate values and changes in use. As a result, the Group recognized impairment loss of ¥648 million ($6,889 thousand) under "Other expenses."

For the year ended March 31, 2012, the Group recognized impairment loss on the following asset groups:

Area	Purpose of use	Type	Millions of yen
Out of Nara Pref.	1 operating office	Land and buildings	¥258
In Nara Pref.	2 idle assets	Land and buildings	16
Out of Nara Pref.	1 idle asset	Land and buildings	46
Total			¥320

For the above fixed assets, the carrying amounts were reduced to net realizable values due to the continuous decrease in real estate values, changes in use and decreases in operating cash flows. As a result, the Group recognized impairment loss of ¥320 million under "Other expenses."

18. LEASE TRANSACTIONS

Operating leases

As lessee:

Future minimum lease payments under operating leases which were not cancelable at March 2013 and 2012 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2013	**2012**	**2013**
Due within one year	**¥ 113**	¥ 98	**$ 1,201**
Due after one year	**1,143**	726	**12,153**
Total	**¥1,257**	¥825	**$13,365**

As lessor:

Future minimum lease payments under operating leases which were not cancelable at March 2013 and 2012 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2013	**2012**	**2013**
Due within one year	**¥3**	¥ 3	**$31**
Due after one year	**5**	9	**53**
Total	**¥9**	¥13	**$95**

19. OTHER COMPREHENSIVE INCOME

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

	Millions of yen		Thousands of U.S. dollars
	2013	**2012**	**2013**
Valuation difference on available-for-sale securities:			
Gains incurred during the year	**¥30,519**	¥2,306	**$324,497**
Reclassification adjustments to net income	**(2,692)**	1,084	**(28,623)**
Amount before tax effect	**27,826**	3,391	**295,863**
Tax effect	**(8,968)**	(843)	**(95,353)**
Valuation difference on available-for-sale securities	**18,857**	2,548	**200,499**
Net deferred gains or losses on hedges			
Losses incurred during the year	**(579)**	(657)	**(6,156)**
Reclassification adjustments to net income	**449**	465	**4,774**
Amount before tax effect	**(129)**	(191)	**(1,371)**
Tax effect	**49**	47	**520**
Net deferred gains or losses on hedges	**(80)**	(144)	**(850)**
Total other comprehensive income	**¥18,777**	¥2,403	**$199,649**

20. NON PERFORMING LOANS

Nonperforming loans at March 31, 2013 and 2012 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2013	**2012**	**2013**
Loans to bankrupt borrowers	**¥ 1,442**	¥ 1,735	**$ 15,332**
Past due loans	**72,555**	69,542	**771,451**
Past due loans (three months or more)	**712**	872	**7,570**
Restructured loans	**14,750**	17,893	**156,831**
Total	**¥89,461**	¥90,043	**$951,206**

Bills discounted are accounted for as financing transactions in accordance with the JICPA Industry Audit Committee Report No. 24. This accounting treatment allows the Bank the right to sell or pledge them without restrictions. The total face value of commercial bills and purchased foreign exchange bills obtained as a result of discounting was ¥21,839 million ($232,206 thousand) and ¥23,657 million at March 31, 2013 and 2012, respectively.

21. DERIVATIVE TRANSACTIONS

(1) Derivative contracts to which hedge accounting is not applied

With respect to derivatives to which hedge accounting is not applied, the contract amount or notional principal amount defined in the contract, fair value, unrealized gains (losses) and calculation method of fair value by transaction type as of March 31, 2013 and 2012 were as follows:

Note that the contract amount does not represent the market risk exposure of the derivative transactions themselves.

(a)Interest rate related transactions

		Millions of yen			
		2013			
Category	Transaction type	Contract amount	Contract amount due after one year	Fair value	Unrealized gains (losses)
Over-the-counter transactions	Interest rate swaps				
	Receive fixed rate/pay floating rate ...	**¥520**	**¥520**	**¥ 32**	**¥ 32**
	Receive floating rate/pay fixed rate ...	**520**	**520**	**(29)**	**(29)**
Total ...		**¥ —**	**¥ —**	**¥ 3**	**¥ 3**

		Millions of yen			
		2012			
Category	Transaction type	Contract amount	Contract amount due after one year	Fair value	Unrealized gains (losses)
Over-the-counter transactions	Interest rate swaps				
	Receive fixed rate/pay floating rate ...	¥ 585	¥ 585	¥ 39	¥ 39
	Receive floating rate/pay fixed rate ...	5,585	5,585	(159)	(159)
Total ...		¥ —	¥ —	¥(120)	¥(120)

		Thousands of U.S. dollars			
		2013			
Category	Transaction type	Contract amount	Contract amount due after one year	Fair value	Unrealized gains (losses)
Over-the-counter transactions	Interest rate swaps				
	Receive fixed rate/pay floating rate ...	**$5,528**	**$5,528**	**$ 340**	**$ 340**
	Receive floating rate/pay fixed rate ...	**5,528**	**5,528**	**(308)**	**(308)**
Total ...		**$ —**	**$ —**	**$ 31**	**$ 31**

Notes: 1. The above transactions are measured at fair value, and unrealized gains (losses) are recognized in the consolidated statements of income.
2. The fair values of exchange transactions is based on the closing price at the Tokyo Financial Exchange Inc., etc.
The fair values of over-the-counter transactions is based on the discounted cash flow method, option pricing model, etc.

(b) Currency related transactions

		Millions of yen			
		2013			
Category	Transaction type	Contract amount	Contract amount due after one year	Fair value	Unrealized gains (losses)
Over-the-counter transactions	Currency swaps ...	**¥205,974**	**¥127,544**	**¥(3,777)**	**¥(3,777)**
	Forward foreign exchange contracts				
	Sold ...	**2,877**	**—**	**(132)**	**(132)**
	Bought ...	**2,613**	**—**	**5**	**5**
Total ...		**¥ —**	**¥ —**	**¥(3,903)**	**¥(3,903)**

		Millions of yen			
		2012			
Category	Transaction type	Contract amount	Contract amount due after one year	Fair value	Unrealized gains (losses)
Over-the-counter transactions	Currency swaps ...	¥124,754	¥77,378	¥(1,443)	¥(1,443)
	Forward foreign exchange contracts				
	Sold ...	1,286	—	(28)	(28)
	Bought ...	1,190	—	2	2
Total ...		¥ —	¥ —	¥(1,469)	¥(1,469)

Category	Transaction type	Thousands of U.S. dollars 2013 Contract amount	Contract amount due after one year	Fair value	Unrealized gains (losses)
Over-the-counter transactions	Currency swaps	**$2,190,047**	**$1,356,129**	**$(40,159)**	**$(40,159)**
	Forward foreign exchange contracts				
	Sold	**30,590**	**—**	**(1,403)**	**(1,403)**
	Bought	**27,783**	**—**	**53**	**53**
Total		**$ —**	**$ —**	**$(41,499)**	**$(41,499)**

Notes: 1. The above transactions are measured at fair value, and unrealized gains (losses) are recognized in the consolidated statements of income.
2. The fair value is based on the discounted present value, etc.

(c) Stock related transactions

None

(d) Bond derivatives

None

(e) Commodity derivatives

None

(f) Credit derivative transactions

None

(2) Derivative contracts to which hedge accounting is applied

With respect to derivatives to which hedge accounting is applied, the contract amount or notional principal amount defined in the contract, fair value and calculation method of fair value by transaction type and by hedge accounting method as of March 31, 2013 and 2012 were as follows:

Note that the contract amount does not represent the market risk exposure of the derivative transactions themselves.

(a) Interest rate related

Hedge accounting method	Transaction type	Major hedged items	Millions of yen 2013 Contract amount	Contract amount due after one year	Fair value
Fundamental method	Interest rate swaps:	Interest bearing assets and liabilities such as loans and deposits			
	Receive fixed rate/pay floating rate		**—**	**—**	**—**
	Receive floating rate/pay fixed rate		**¥41,457**	**¥31,212**	**¥(1,609)**
	Interest rate futures		**—**	**—**	**—**
	Interest rate options		**—**	**—**	**—**
	Other		**—**	**—**	**—**
Exceptional accounting method for interest rate swaps	Interest rate swaps	Borrowed money			
	Receive fixed rate/pay floating rate		**—**	**—**	**—**
	Receive floating rate/pay fixed rate		**¥ 645**	**¥ 525**	**Note 3**
Total			**¥ —**	**¥ —**	**¥(1,609)**

			Millions of yen		
			2012		
Hedge accounting method	Transaction type	Major hedged items	Contract amount	Contract amount due after one year	Fair value
Fundamental method	Interest rate swaps:	Interest bearing assets and liabilities such as loans and deposits			
	Receive fixed rate/pay floating rate		—	—	—
	Receive floating rate/pay fixed rate		¥48,551	¥45,673	¥(1,489)
	Interest rate futures		—	—	—
	Interest rate options		—	—	—
	Other		—	—	—
Exceptional accounting method for interest rate swaps	Interest rate swaps	Borrowed money			
	Receive fixed rate/pay floating rate		—	—	—
	Receive floating rate/pay fixed rate		¥ 1,360	¥ 1,145	¥ (9)
Total			¥ —	¥ —	¥(1,498)

			Thousands of U.S. dollars		
			2013		
Hedge accounting method	Transaction type	Major hedged items	Contract amount	Contract amount due after one year	Fair value
Fundamental method	Interest rate swaps:	Interest bearing assets and liabilities such as loans and deposits			
	Receive fixed rate/pay floating rate		**—**	**—**	**—**
	Receive floating rate/pay fixed rate		**$440,797**	**$331,866**	**$(17,107)**
	Interest rate futures		**—**	**—**	**—**
	Interest rate options		**—**	**—**	**—**
	Other		**—**	**—**	**—**
Exceptional accounting method for interest rate swaps	Interest rate swaps	Borrowed money			
	Receive fixed rate/pay floating rate		**—**	**—**	**—**
	Receive floating rate/pay fixed rate		**$ 6,858**	**$ 5,582**	**Note 3**
Total			**$ —**	**$ —**	**$(17,107)**

Notes: 1. Gain/loss on the above contacts is deferred until maturity of the hedged items under the fundamental method in accordance with the “Treatment for Accounting and Auditing of Application of Accounting Standard for Financial Instruments in the Banking Industry” (JICPA Industry Audit Committee Report No. 24).
2. For transactions on exchanges, the fair value is the closing price on the Tokyo International Exchange, etc. For over-the-counter transactions, the fair value is determined using the discounted cash flow method and option pricing model, etc.
3. Interest rate swaps accounted for by the exceptional accounting method are accounted for together with the borrowed money as a hedged item, and the fair values are described in the fair values of “Borrowed money” under Liabilities of Note 6, “FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES.”

(b) Currency related transactions

None

(c) Stock related transactions

None

(d) Bond related transactions

None

22. RELATED PARTY TRANSACTIONS

For the year ended March 31, 2013, related party transactions were as follows:

Relationship with the Bank	Name	Location	Paid-in capital (millions of yen)	Business line	Voting rights ownership (%)	Relationship of related parties	Details of transactions	Transaction amount (millions of yen)	Accounting title	Year-end balance (millions of yen)	Year-end balance (thousands of U.S. dollars)
Relatives of a director of the Bank	Tetsuya Matsubara	—	—	Public officer	—	Son-in-law of Hiroki Matsuoka (Executive Director) Loans	Lending of money *2 Interest receivable	30 0	Loans —	29 —	308 —
	Takashi Horiuchi	—	—	Office worker	—	Second son of Yasuo Horiuchi (Corporate Auditor) Loans	Lending of money *2 Interest receivable	— 0	Loans —	17 —	180 —
A company in which majority voting rights are held by relatives of a director of the Bank	Nikken Blast Kogyo Co., Ltd. *3	Daito City Osaka	10	Metal processing	—	Loans	Lending of money Interest receivable	50 1	Loans —	109 —	1,158 —

Policies regarding and terms and conditions of the transactions

Notes: 1. Terms and conditions of loans are determined on an arm's length basis.
2. Real estate is accepted as collateral for loan transactions.
3. Relatives of Naoki Minowa (Director of the Bank) have 50.6% of voting rights of this company directly.

For the year ended March 31, 2012, related party transactions were as follows:

Relationship with the Bank	Name	Location	Paid-in capital (millions of yen)	Business line	Voting rights ownership (%)	Relationship of related parties	Details of transactions	Transaction amount (millions of yen)	Accounting title	Year-end balance (millions of yen)
Relatives of a director of the Bank	Hirokatsu Horiuchi	—	—	Public officer	—	Oldest son of Yasuo Horiuchi (Corporate Auditor) Loans	Lending of money *2 Interest receivable	— 0	Loans —	13 —
	Takashi Horiuchi	—	—	Office worker	—	Second son of Yasuo Horiuchi (Corporate Auditor) Loans	Lending of money *2 Interest receivable	— 0	Loans —	22 —
A company in which majority voting rights are held by relatives of a director of the Bank	Nikken Blast Kogyo Co., Ltd. *3	Daito City Osaka	10	Metal processing	—	Loans	Lending of money Interest receivable	— 1	Loans —	84 —

Policies regarding and terms and conditions of the transactions

Notes: 1. Terms and conditions of loans are determined on an arm's length basis.
2. Real estate is accepted as collateral for loan transactions.
3. Relatives of Naoki Minowa (Director of the Bank) have 50.6% of voting rights of this company directly.
4. Tadashi Kasei retired from the position of a director of the Bank on June 29, 2011. The Bank has loans to his daughter's husband, Atsushi Nakatani, in the amount of ¥15 million and his daughter, Naomi Nakatani, in the amount of ¥15 million.

Consolidated Financial Statements

23. PER SHARE INFORMATION

Net assets per share at March 31, 2013 and 2012 and net income per share for the years then ended were as follows:

	Yen		U.S. dollars
	2013	2012	2013
Net assets per share	**¥774.46**	¥675.42	**$8.23**
Net income per share - basic	**28.01**	12.57	**0.29**
Diluted net income per share	**27.99**	12.57	**0.29**

Basic information in computing the above per share data was as follows:

	Millions of yen		Thousands of U.S. dollars
	2013	2012	2013
(Net assets per share)			
Net assets	**¥215,745**	¥212,241	**$2,293,939**
Amounts to be deducted from net assets	**6,758**	26,035	**71,855**
Acquisition Rights	**(100)**	(64)	**(1,063)**
Minority interests	**(6,658)**	(25,971)	**(70,792)**
Net assets attributed to common stock	**208,987**	186,205	**2,222,083**
Outstanding number of shares of common stock at end of year (unit: thousand shares)	**269,847**	275,684	**—**
(Net income per share and diluted net income per share)			
Net income	**¥ 7,621**	¥ 3,467	**$ 81,031**
Net income attributed to common stock	**7,621**	3,467	**81,031**
Average outstanding number of shares during the year (unit: thousands of shares)	**271,994**	275,690	**—**
Adjustment to net income	**—**	—	**—**
Increase in number of shares of common stock	**248**	136	**—**
Acquisition rights	**(248)**	(136)	**—**
Convertible securities not diluting earnings per common share	**—**	—	**—**

24. STOCK OPTIONS

(a) Items and amounts expensed in the current fiscal year related to stock options were as follows:

	Millions of yen		Thousands of U.S. dollars
	2013	2012	2013
General and administrative expenses	**¥41**	¥42	**$435**

(b) Stock options outstanding at March 31, 2013 were as follows:

a. Outline of stock options

Beneficiaries qualifying for stock option rights are entitled to acquire common stock upon the exercise of their rights. The following table summarizes the number of shares upon exercise of the stock option rights granted by the Bank outstanding at March 31, 2013:

Stock options	Persons granted	Number of options granted	Date of grant	Exercise price	Exercise period	Vesting conditions	Target of service period
2010 Stock Options	15 directors of the Bank	Common stock 94,400 shares	July 29, 2010	¥1 ($0.01)	From July 30, 2010 to July 29, 2040	Not defined	Not defined
2011 Stock Options	14 directors of the Bank	Common stock 109,400 shares	July 29, 2011	¥1 ($0.01)	From July 30, 2011 to July 29, 2041	Not defined	Not defined
2012 Stock Options	15 directors of the Bank	Common stock 136,200 shares	July 27, 2012	¥1 ($0.01)	From July 28, 2012 to July 27, 2042	Not defined	Not defined

b. Stock option activity:

1) Number of stock options

	Number of shares		
	2010 Stock Options	2011 Stock Options	2012 Stock Options
Non-vested			
March 31, 2011 – Outstanding	—	27,350	—
Granted	—	—	136,200
Forfeited	—	—	—
Vested	—	27,350	102,150
Unvested	—	—	34,050
Vested			
March 31, 2011 – Outstanding	74,900	82,050	—
Vested	—	27,350	102,150
Exercised	5,900	7,400	—
Forfeited	—	—	—
March 31, 2012 – Outstanding	69,000	102,000	102,150

2) Price information

	Yen			U.S. dollars		
	2010 Stock Options	2011 Stock Options	2012 Stock Options	2010 Stock Options	2011 Stock Options	2012 Stock Options
Exercise price	¥ 1	¥ 1	¥ 1	$0.01	$0.01	$0.01
Average stock price at exercise date	348	348	—	3.70	3.70	—
Fair value price at grant date	441	386	386	4.68	4.10	3.22

(c) Assumptions used to measure the fair value of stock options

The assumptions used to measure the fair value of the stock options granted in the year ended March 31, 2013 were as follows:

1) The Black-Scholes option pricing model was used as a measurement method.
2) Assumptions used for the Black-Scholes option pricing model:
   1. Volatility of stock price: 23.77%, calculated using the market price of the Bank's stock from May 2009 to July 2012.
   2. Estimated remaining outstanding period: 3.2 years, which was the average remaining tenure of the Board of Directors at the date of issue, determined by the average time from appointment to retirement and time from appointment to the date of issue.
   3. Estimated dividend: ¥6 per share, which was calculated based on the actual amount of dividends for the fiscal year ended March 31, 2012.
   4. Risk-free interest rate: 0.10%, determined using the yield of national bonds equivalent to the estimated remaining outstanding period.

(d) Estimation method for the total number of vested stock option rights

The total number of stock option rights issued is deemed to reflect the actual number of stock option rights expired due to difficulties in estimating reasonably the number of stock option rights that will expire in future.

25. SUBSEQUENT EVENTS

The Bank announced that its Board of Directors at its meeting on August 2, 2013 approved the repurchase of treasury stock, based on Paragraph 3, Article 165 of the Companies Act of Japan, as interpreted in light of Article 156 of the said Act. The repurchase was carried out as detailed below.

1) Contents of resolution

Reason for the repurchase:	The repurchase was approved to increase returns to shareholders and to give the Bank greater flexibility in capital policy in light of a changed business environment.
Type of shares to be repurchased:	Common stock
Number of shares to be repurchased:	1,800,000 shares (maximum)
Repurchase price:	¥810 million (maximum) ($8,612 thousand)
Term of repurchase:	From August 5, 2013 to August 30, 2013

2) Results of repurchase

Number of shares of common stock to be repurchased:	1,698,000 shares
Repurchase price:	¥704 million ($7,485 thousand)
Date of repurchase:	August 6, 2013

Independent Auditors’ Report

KPMG

Independent Auditor's Report

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

We have audited the accompanying consolidated financial statements of The Nanto Bank., Ltd. and its consolidated subsidiaries, which comprise the consolidated balance sheets as at March 31, 2013 and 2012, and the consolidated statements of income, statements of comprehensive income, statements of changes in net assets and statements of cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of The Nanto Bank., Ltd. and its consolidated subsidiaries as at March 31, 2013 and 2012, and their financial performance and cash flows for the years then ended in accordance with accounting principles generally accepted in Japan.

Convenience Translation

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2013 are presented solely for convenience. Our audit also included the translation of yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 1 to the consolidated financial statements.

KPMG AZSA LLC

KPMG AZSA LLC
September 18, 2013
Osaka, Japan

Capital Management

Consolidated Capital Adequacy Ratio

As of March 31, 2013

Millions of yen

	2013	2012	2011	2010	2009
Tier I:					
Capital	¥ 177,865	¥ 192,745	¥ 190,328	¥ 184,878	¥ 179,138
Tax effect amount	—	—	—	—	—
Tier I total (A)	177,865	192,745	190,328	184,878	179,138
Tier II:					
General provision	10,457	12,512	11,655	12,073	12,966
Qualifying subordinated debt	20,000	20,000	20,000	40,000	20,000
Tier II total	30,457	32,512	31,655	52,073	32,966
Of which, added to capital (B)	30,457	31,897	31,655	52,073	32,966
Deductions from capital (internal holding for other financial institutions' fund raising purposes) (C)	103	3,109	2,976	2,665	3,269
[Total capital (A)+(B)-(C)] (D)	¥ 208,219	¥ 221,534	¥ 219,007	¥ 234,286	¥ 208,835
Risk-weighted assets					
On-balance-sheet risk-weighted assets	1,808,800	1,749,790	1,706,948	1,771,998	1,909,271
Off-balance-sheet risk-weighted assets	30,277	27,476	28,904	29,566	35,449
Total (E)	¥1,839,078	¥1,777,267	¥1,735,852	¥1,801,565	¥1,944,720
Operational risk equivalent ((G)/8%) (F)	113,102	126,340	129,077	130,157	129,880
(For reference) amount related to operational risk (G)	9,048	10,107	10,326	10,412	10,390
[Total (E)+(F)] (H)	¥1,952,180	¥1,903,607	¥1,864,930	¥1,931,722	¥2,074,601
Capital adequacy ratio					
(Based on domestic standards) (D)/(H)x100(%)	10.66%	11.63%	11.74%	12.12%	10.06%
Tier I ratio = (A)/(H)x100(%)	9.11%	10.12%	10.20%	9.57%	8.63%

Note: The capital adequacy ratio was calculated on the basis of the formula provided by the Ministry of Finance under Provision 14, Clause 2 of the Banking Law.

Nonconsolidated Capital Adequacy Ratio

As of March 31, 2013

Millions of yen

	2013	2012	2011	2010	2009
Tier I:					
Capital	¥ 168,563	¥ 184,611	¥ 182,915	¥ 177,971	¥ 172,326
Tax effect amount	—	—	—	—	—
Tier I total (A)	168,563	184,611	182,915	177,971	172,326
Tier II:					
General provision	8,650	10,173	11,529	11,951	12,847
Qualifying subordinated debt	20,000	20,000	20,000	40,000	20,000
Tier II total	28,650	30,173	31,529	51,951	32,847
Of which, added to capital (B)	28,650	30,173	31,529	51,951	32,847
Deductions from capital (internal holding for other financial institutions' fund raising purposes) (C)	103	3,109	2,976	2,665	3,269
[Total capital (A)+(B)-(C)] (D)	¥ 197,110	¥ 211,675	¥ 211,468	¥ 227,257	¥ 201,904
Risk-weighted assets					
On-balance-sheet risk-weighted assets	1,801,427	1,737,204	1,693,588	1,758,780	1,895,642
Off-balance-sheet risk-weighted assets	30,276	27,475	28,902	29,564	35,446
Total (E)	¥1,831,704	¥1,764,680	¥1,722,491	¥1,788,344	¥1,931,089
Operational risk equivalent ((G)/8%) (F)	106,661	118,852	122,271	123,903	124,515
(For reference) amount related to operational risk (G)	8,532	9,508	9,781	9,912	9,961
[Total (E)+(F)] (H)	¥1,938,366	¥1,883,532	¥1,844,762	¥1,912,248	¥2,055,604
Capital adequacy ratio					
(Based on domestic standards) (D)/(H)x100(%)	10.16%	11.23%	11.46%	11.88%	9.82%
Tier I ratio = (A)/(H)x100(%)	8.69%	9.80%	9.91%	9.30%	8.38%

Note: The capital adequacy ratio was calculated on the basis of the formula provided by the Ministry of Finance under Provision 14, Clause 2 of the Banking Law.

Organization, Group Network

(As of July 1, 2013)

ORGANIZATION

- STOCKHOLDERS' MEETING
- BOARD OF DIRECTORS
  - MANAGING DIRECTORS' COMMITTEE
    - Chairman
    - President
      - Senior Managing Directors
      - Managing Directors
      - Directors
- BOARD OF CORPORATE AUDITORS
  - Standing Corporate Auditor
  - Corporate Auditors
  - Corporate Auditors' Office

HEADQUARTERS

- General Secretariat
- General Planning Division
- Compliance & Risk Management Division
- General Business Division
- Individual Sales Division
- Value Creation Division
- Public Institutions Division
- Credit Analysis Division
- Securities & International Division
- Operations Control Division
- Operations Division
- Internal Audit Division
- Personnel Division
- General Affairs Division
- Regional Headquarters
- Tokyo Liaison Office

DOMESTIC OFFICES

NANTO BANK GROUP

(As of July 1, 2013)

The Nanto Group, which consists of the Nanto Bank and its 11 consolidated subsidiaries, offers financial services related to securities, credit guarantees and leasing as well as its primary business, banking services.

THE NANTO BANK, LTD.

- Banking
  - Head Office and 110 Branches
  - 24 Sub-branches
  - 2 Agencies (Nanto Bank Agency Co., Ltd.'s business offices)
  - 2 Representative Offices (Hong Kong and Shanghai)
- Securities
  - Securities & International Division
- Credit Guarantees
  - Nanto Credit Guarantee Co., Ltd.
- Leasing
  - Nanto Lease Co., Ltd.
- Computer Software Development and Services
  - Nanto Computer Service Co., Ltd.
- Credit Card Business
  - Nanto DC Card Co., Ltd.
  - Nanto Card Services Co., Ltd.
- Other Operations
  - Nanto Estate Co., Ltd.
  - Nanto Business Service Co., Ltd.
  - Nanto Staff Service Co., Ltd.
  - Nanto Asset Research Co., Ltd.
  - Nangin Agency Co., Ltd.
  - Nanto Investment Management Co., Ltd.

Companies indicated with a pink square are consolidated subsidiaries.

Affiliates and Subsidiaries, Bank Data

(As of July 1, 2013)

Outline of Consolidated Subsidiaries

Subsidiaries	Address	Established	Capital (millions of yen)	Direct holdings of the Bank (%)	Indirect holdings through subsidiaries (%)	Business line
Nanto Credit Guarantee Co., Ltd.	2-1, Saidaiji-Kunimi-cho 1-chome Nara City, Nara, Japan	October 9, 1984	¥10	3%	69%	Credit guarantee
Nanto Lease Co., Ltd.	52-1, Omori-cho Nara City, Nara, Japan	December 22, 1984	50	5	65	Leasing
Nanto Computer Service Co., Ltd.	93-2, Minami-Kyobate-cho 1-chome, Nara City, Nara, Japan	July 1, 1986	10	5	69	Computer software development and services
Nanto DC Card Co., Ltd.	61-7, Higashi-Ikoma 1-chome, Ikoma City, Nara, Japan	October 12, 1990	50	5	71	Credit card business
Nanto Card Services Co., Ltd.	61-7, Higashi-Ikoma 1-chome, Ikoma City, Nara, Japan	December 10, 1990	50	5	71	Credit card business
Nanto Estate Co., Ltd.	16, Hashimoto-cho Nara City, Nara, Japan	November 8, 1969	30	100	—	Leasing and management of real estate
Nanto Business Service Co., Ltd.	93-2, Minami-Kyobate-cho 1-chome, Nara City, Nara, Japan	June 1, 1984	10	100	—	Centralized processing of clerical operations for the Bank
Nanto Staff Service Co., Ltd.	2-1, Omiya-cho 6-chome Nara City, Nara, Japan	March 18, 1991	20	100	—	Dispatch of temporary staff
Nanto Asset Research Co., Ltd. (*1)	16, Hashimoto-cho Nara City, Nara, Japan	July 4, 2005	20	100	—	Research and appraisal of real estate
Nangin Agency Co., Ltd.	16, Hashimoto-cho Nara City, Nara, Japan	October 6, 2009	50	100	—	Bank agency services
Nanto Investment Management Co., Ltd.	2-1, Omiya-cho 6-chome Nara City, Nara, Japan	November 21, 1986	120	5	68	Investment advisory services

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CORPORATE DATA

Authorized shares:	640,000,000
Outstanding shares:	275,756 thousand
Stated capital:	29,249 million
Number of stockholders:	10,771
Date of incorporation:	June 1934
Domestic network:	134 offices
Overseas network:	2 representative offices
Number of employees:	2,755
Ordinary stockholders' meeting:	June 27, 2013
Stock listings:	Tokyo Stock Exchange Osaka Stock Exchange

MAJOR STOCKHOLDERS (As of March 31, 2013)

	Number of shares (thousands)	Percentage (%)
Japan Trustee Services Bank, Ltd.	10,310	3.73
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	10,283	3.72
Nippon Life Insurance Co.	8,531	3.09
Meiji Yasuda Life Insurance Co. (standing proxy: Trust & Custody Services Bank, Ltd.)	8,430	3.05
The Nanto Bank Employees' Shareholders Association	8,285	3.00
Sumitomo Life Insurance Co. (standing proxy: Japan Trustee Services Bank, Ltd.)	5,420	1.96
Mori Seiki Co., Ltd.	4,766	1.72
Kitamura Forestry Co., Ltd.	4,063	1.47
The Master Trust Bank of Japan, Ltd.	3,628	1.31
The Shiga Bank, Ltd. (standing proxy: Trust & Custody Services Bank, Ltd.)	3,336	1.20
Total	67,054	24.31

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