Annual Report 2013

THE YAMANASHI CHUO BANK

Our Mission

Region-Based Operations and Sound Management

Maintaining a close relationship with the communities in the region where we operate, we will contribute to the prosperity of the region and the development of its economy, with a commitment to sound management that enjoys the trust of our customers, while bolstering our business operations.

Management Vision

A highly trustworthy bank that fully satisfies customers

Slogan

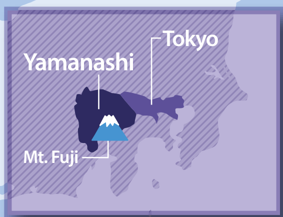
Becoming No.1 bank in customer and employee satisfaction

Medium-Term Management Plan

Basic policies in the "Best Bank Plan 2016" plan

- Increase Operating Income
- Build Strong Management Structure
- Promote CSR

Head office



Profile (as of March 31, 2013)

Corporate Name:
The Yamanashi Chuo Bank, Ltd.

Head Office:
20-8, Marunouchi 1-chome, Kofu, Yamanashi

Established:
December 1, 1941

President:
Nakaba Shindo

Common Stock:
¥15,400 million

Number of Shares Issued:
179,915,000 shares

Stock Listing:
First Section of the Tokyo Stock Exchange

Long-Term Credit Rating:
A+ (Rating and Investment Information, Inc.)

Network:
Domestic: 90 locations (Head Office and Branches: 88, District Offices: 2)
Corporate Sales Office: 1
Overseas: Hong Kong Representative Office

Businesses:
The Yamanashi Chuo Bank Group comprises the Yamanashi Chuo Bank and four consolidated subsidiaries. Centered on its core banking business, the Group provides an integrated financing service that includes a leasing and credit-card business. The Bank is the leading local bank in Yamanashi Prefecture, and its sphere of operations encompasses both the prefecture and the western part of the Tokyo metropolitan region.

Contents

Forward-looking statements

Statements contained in this report regarding the Bank's future performance do not constitute statements of historical fact, and are thus subject to a number of risks and uncertainties. Readers are therefore cautioned not to place undue reliance on forward-looking statements, as factors beyond the Bank's control and outside its ability to predict, including general economic conditions and market fluctuations, could cause results to diverge materially from the Company's projections.

Consolidated Financial Highlights

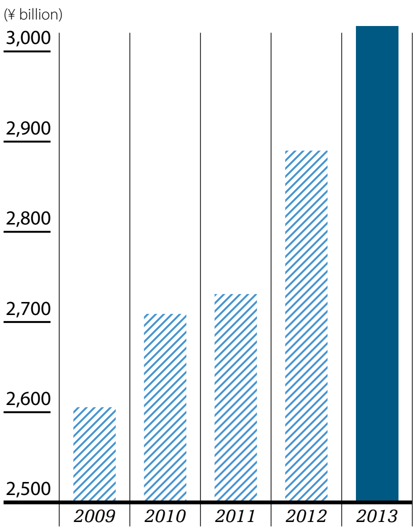
The Yamanashi Chuo Bank, Ltd. and Consolidated Subsidiaries
Fiscal years ended March 31

Millions of yen

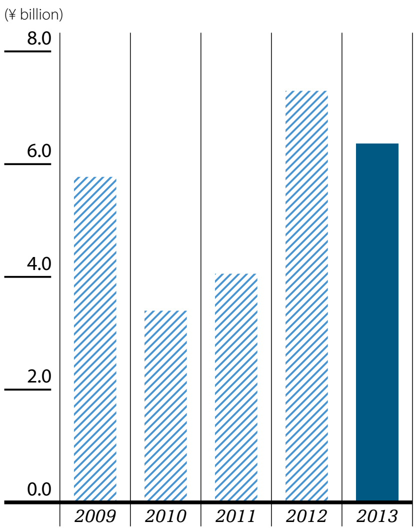
	2009	2010	2011	2012	2013
Ordinary Income	60,333	57,423	54,514	51,892	**50,470**
Ordinary Profit	7,383	6,913	8,013	9,606	**10,912**
Net Income	5,774	3,475	4,056	7,323	**6,362**
Comprehensive Income	—	—	(5)	14,708	**23,393**
Net Assets	146,722	161,976	159,424	172,343	**193,620**
Total Assets	2,605,532	2,709,198	2,731,372	2,890,741	**3,028,916**
Net Assets per Share (Yen)	793.66	875.40	878.10	959.53	**1,093.22**
Net Income per Share (Yen)	31.31	18.85	22.23	40.68	**35.69**
Capital Adequacy Ratio (Domestic Standard, %)	14.20	15.23	16.07	16.41	**16.75**
Return on Equity (%)	3.75	2.25	2.53	4.44	**3.50**
Price Earning Ratio (Times)	16.44	21.79	18.16	9.04	**12.02**
Cash Flows from Operating Activities	137,248	92,036	44,621	207,059	**72,870**
Cash Flows from Investing Activities	(66,253)	(135,694)	(61,293)	(181,424)	**(70,360)**
Cash Flows from Financing Activities	(1,102)	(1,117)	(2,551)	(1,821)	**(2,467)**
Cash and Cash Equivalents	129,018	84,251	65,030	88,844	**88,889**

Notes
(1) Amounts do not include consumption and local taxes payable by the Bank and its consolidated subsidiaries.
(2) Capital ratio is calculated on a consolidated basis in accordance with the Bulletin Notification No. 19 issued by the Financial Services Agency in 2006 under Paragraph 2, Article 14 of the Banking Law).

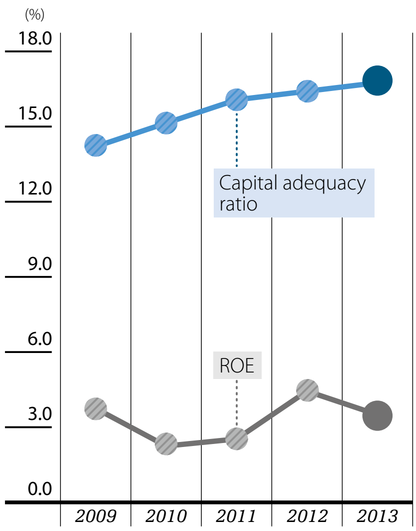
Total assets



Net income



ROE/ Capital adequacy ratio (Domestic standard)



Message from the President

I would like to take this opportunity to thank our shareholders and other stakeholders for their steadfast support for the Bank and its Group companies.

Following the LDP's electoral victory in December 2012, the new administration of Shinzo Abe has initiated a range of economic policies aimed at pulling the country out of deflation. This, in combination with a weakening yen and rising stock prices, has lifted economic confidence about the future. However, the real economy remains bogged down, except for certain sectors, and competition among financial institutions is growing still more intense against a backdrop of major demographic and economic structural change affecting Japanese society.

In this business environment, the Bank in April 2013 launched its "Best Bank Plan 2016" medium-term management plan for the period April 2013 to March 2016, with its three principal aims of increasing operating income, building a strong management structure, and promoting CSR. A range of policies are being rolled out to achieve these goals. Looking ahead, I would like to thank all our shareholders and investors for their continued support in our endeavors as we work to ensure that we remain a financially sound organization trusted by our regional customers, shareholders and investors and all other stakeholders, and to deliver still higher quality services.

Below, we present an overview of our business performance for fiscal 2012 (April 2012 to March 2013), together with a report on future management plans.

Nakaba Shindo, *President*

Overview of fiscal 2012 performance

In the year ended March 2013, the Japanese economy continued to show weak recovery into the second half, on the stimulatory effects of a full-scale recovery in demand following the Great East Japan Earthquake disaster and official subsidies to promote use of eco-cars, though slowdown in the overseas economy worked against these positives. However, surer signs of recovery have gradually been appearing since the launch of a range of financial and economic policies, combined with monetary easing measures undertaken by the Bank of Japan, following the LDP victory and change of administration in December 2012. As a result, recovery is setting in the financial sector overall, with the Nikkei Stock Average getting back over 12,000 while the yen has continued to weaken. The yen stood at ¥96-99 to the dollar.

The economy of Yamanashi Prefecture, the principal business base of the Group, remained anemic overall despite signs of robustness in certain sectors such as electronics and automotive components. However, slightly brighter production and personal spending figures provided encouragement toward the end of the fiscal year.

Against this financial and economic backdrop, the management and employees of the Bank worked hard together to meet the targets in the new Future Creation Plan 2013 medium-term management plan (April 2010 to March 2013) with the goal of expanding our business and earnings power while streamlining operations and generating improved efficiencies. During the period under review, we continued measures to improve customer service and our ability to offer solutions.

We launched a three-pronged strategy to develop our relationship banking initiatives: showcasing our consulting services for customer companies, participating constructively in regional revitalization, and actively disseminating information to communities and customers.

In addition, we compiled a basic plan for enabling smoothing funding in response to the upcoming expiry of the Act concerning Temporary Measures to Facilitate Financing for SMEs, etc. Further support for borrowers came in the form of finely tuned customer consultation services in areas such as cash flow management. We also took measures to better position us to help customer companies, including proposal of business reform and firm support for management implementation.

In branch policy, we continued to overhaul our network, with the aim of improving customer convenience and rationalizing operations. With the aim of expanding our business base in the Western Tokyo and other areas, we opened our first branch in Kanagawa Prefecture in May 2012, in Sagamihara. We transferred to it operations of the Hashimoto Corporate Sales Office at Machida Branch.

To ensure a flexible capital policy and return of profit to our shareholders amid a changing business environment, the Board of Directors on February 27, 2013 passed a resolution to purchase treasury stock. As of April 2014 a total of 3,150,000 common shares (with a total value of ¥1.235 billion) had been purchased on the market. Another resolution was passed at the same time for retirement of 5,000,000 common shares, which measure was carried out on March 8, 2013.

As a result of the foregoing, ordinary income on a consolidated basis in the year ended March 31, 2013 declined ¥1,421 million to ¥50,470 million. Ordinary profit increased ¥1,360 million to ¥10,912 million, but net income dipped ¥961 million to ¥6,362 million.

The Economy of Yamanashi Prefecture — Our Business Base (fiscal 2011)

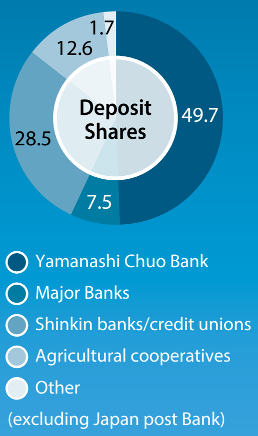
General Prefectural Production:	¥3,407 billion
Real Growth Rate:	9.3%
Shipment Value of Production in Prefecture:	¥2,214 billion

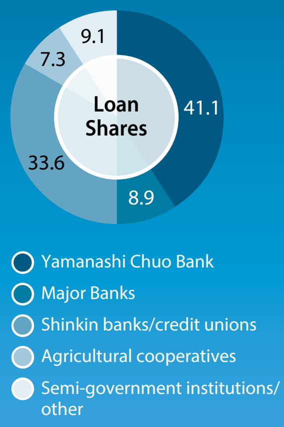
■ Major Products and Their Share in Japanese Market

Products	Shipment Value (¥ billion)	Share (%)	Ranking
Precious Metal Products	28.5	29.8	No. 1
Wine	12.8	23.6	No. 1
Mineral Water	20.4	26.5	No. 1
Wafer Processing Equipment	174.2	20.8	No. 1
Flat-Panel Display Manufacturing Equipment	62.2	13.7	No. 3
Medical Apparatus and Instruments	49.9	9.4	No. 3
Quartz crystal units (excluding for clock and watch use)	11.0	6.1	No. 3

Shares in Yamanashi Pref. (%)

(as of March 31, 2013)





In the Bank's main accounts, the year-end balance of total deposits on a consolidated basis increased ¥83.1 billion to ¥2,546.9 billion as a result of tailoring our products and services to promptly meet the increasingly diversified asset management needs of our customers at a time of persistent low interest rates. Total deposits including negotiable certificates of deposits (NCDs) climbed ¥80.0 billion to ¥2,680.7 billion by the fiscal year-end. Over the counter sales of Japanese government bonds and investment trusts decreased ¥10.2 billion to ¥201.6 billion by the fiscal year-end.

At the same time, loans and bills discounted increased ¥24.9 billion year-on-year to end the term at ¥1,499.8 billion, due to an increase in lending to individuals and public bodies, which offset the drag of weak overall funding demand.

The balance of investment securities increased to ¥92.4 billion to end the year at ¥1,370.5 billion, on the strength of efficient portfolio management with a close eye on the investment environment and market trends, supported by underwriting of municipal, government-guaranteed and other public bonds.

Future management policies

Looking ahead, we expect to see the Japanese economy get back onto a self-sustaining recovery track, as sentiment improves since the 2012 election on the launch of bold monetary easing and flexible fiscal policies intended to pull Japan out of deflation. However, in Yamanashi Prefecture, demographic and economic change are beginning to take a toll, as a rising dependency ratio (falling birth rate and higher numbers of elderly) ushers in a time of significant population decrease, and globalization leads to industrial hollowing-out.

Further affecting our sector, competition among financial institutions is expected to grow more severe as Japan Post Bank and online banking become more active and prominent in the sector.

In light of these changes in the business environment, in April 2013 the Bank launched its new Best Bank Plan 2016 medium-term management plan for the three-year period from April 2013 to March 2016. The target of this plan is to provide full customer satisfaction as a highly trustworthy bank, by responding appropriately and promptly to various customer needs and taking proactive measures to regenerate the regional economy, our business base. For realization of this vision, we have set out three basic policies — increasing operating income, building a strong management structure and promoting CSR — and are working to realize them through a range of strategies.

To ensure stronger gross business profit, we are rolling out strategies for individual and corporate customers, as well as regional and branch strategies, to strengthen our marketing capabilities. To build a strong management structure, we are fostering a more vigorous organizational culture in which operations are more efficient, costs pared to optimal levels, internal management strengthened and personnel trained to think and act more independently. With regard to promoting corporate social responsibility, we are aggressively taking measures for the revitalization of the regional economy and contributing to the regional community and environmental protection.

The Group and all management and employees will work together to contribute to community prosperity and economic development.

President

Nakaba Shindo

Best Bank Plan 2016
Medium-Term Management Plan

Overview

In April 2013, the Bank launched its "Best Bank Plan 2016" medium-term management plan for the period April 2013 to March 2016.

We have drawn up a management vision, to be realized through achievement of three principal goals: increasing operating income, building a strong management structure, and promoting CSR. A range of policies are being rolled out to achieve these goals. Our aim is to be a highly trustworthy bank that fully satisfies customers.

In tandem with this strategy, we are working toward the goal of becoming No.1 in customer satisfaction, which necessarily means also being No. 1 in employee satisfaction. We aim to create a virtuous circle, with improved customer and employee satisfaction generating stronger earnings, in turn triggering further improvement in customer and employee satisfaction. This will be the key to achieving sustainable growth.

(Plan duration: April 2013 to March 2016)

Our Mission: Region-Based Operations and Sound Management

Management Vision
A highly trustworthy bank that fully satisfies customers

Slogan
Becoming No.1 bank in customer and employee satisfaction

Improve customer satisfaction

Increase operating income

Strengthen marketing capabilities
- Strengthen marketing
- Corporate customer marketing strategies
- Individual marketing strategies
- Area and branch strategies

Increase capabilities in fund operations

Improve employee satisfaction

Build strong management structure
- Greater work efficiency and cost optimization
- Strengthen the internal controls system
- Train human resources and foster dynamic organizational environment

Promote CSR
- Measures to stimulate the local economy
- Initiatives for contributing to the local community
- Initiatives for environmental protection

Initiatives for promoting community-based financing

Compliance / Protection of customer information

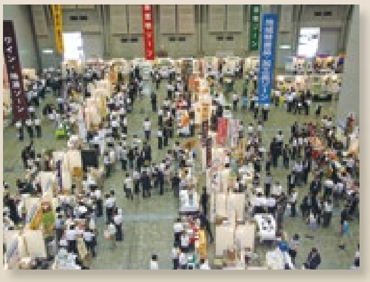
Mid-Term Plan Target (FY2015)

Gross banking profit	Net business profit	OHR	Capital adequacy ratio (domestic standard)	Average loan balance	Average deposit balance
¥41 bn	¥12 bn	70% or under	15% or above	¥1,550 bn	¥2,800 bn

CSR within the medium-term management plan

At the Yamanashi Chuo Bank, we have been working to fulfill our corporate social responsibilities, as we recognize that this, along with sustained value creation and improved competitiveness, is essential in forging even stronger ties with all our stakeholders, including our customers and shareholders, other market investors, our employees, and the regional community. We work to enhance corporate governance and to further reinforce our compliance stance. In addition to contributing to regional economy revitalization through our core businesses, we will take further measures to contribute to society and protect the environment to meet our obligations as a corporate citizen.

Contribute to the Regional Community – Strengthening CSR Initiatives



Held "Yamanashi Food Matching Fair"

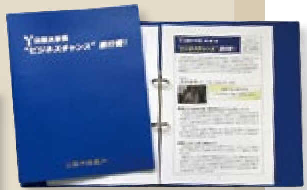
Detailed business talk Scheduling ▶ Find out from external buyers the best ways of displaying food products ▶ Matching Fair ▶ Hosted a follow-up meeting

Results of "Yamanashi Food Matching Fair 2012" (As of January 31, 2013)

- Number of business meetings held: **2,336**
- Matches made at business meetings (contracts concluded): **147**
- Potential contracts/Business meetings continued: **259**
- Loan procurement, etc.: **50**

Regional Economic Revitalization Initiatives

- Industry revitalization through regional cooperation
- Participate in regional development
- Support for regional economic revitalization linked to government policies



Publication of "Business Chances Directly from the University of Yamanashi"

Publication of "Management Navigation" from Yamanashi Gakuin University

Contributing to the Regional Community

- Educational support
- Promotion of culture, arts, sports, etc.
- Social contribution activities, in welfare etc.

Sustainable Development of the Regional Community

Raise corporate value and competitiveness

Environmental Initiatives

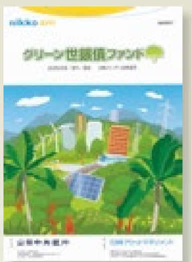
- Environmental business initiatives through Bank's main line of business
- Initiatives to reduce Bank's environmental impact
- Ongoing, proactive environmental conservation initiatives based on cooperation with local communities

Promotion of sports in Yamanashi Prefecture through volleyball

Acquired the naming rights to the Kose Sports Park athletic field

Holding financial courses at universities

Solar power unit



Environment-friendly products

Region-Based Financial Services

Basic Policy

The provision of region-based financial services (relationship banking) is a long-term issue for the Bank, and our Best Bank Plan 2016 Medium-Term Management Plan (April 2013 – March 2016) embodies this principle and approach. Accordingly, we are promoting relationship banking by resolutely implementing various supporting measures in the medium-term plan.

Looking ahead, we will continue to take measures to develop the regional economy and community, improve our services for customers in the region, and promote relationship banking.

1. Demonstrate consulting capabilities to corporate customers
2. Constructively participate in entire regions' revitalization
3. Actively disseminate information to communities and customers

Our Mission: Region-Based Operations and Sound Management

Best Bank Plan 2016 medium-term management plan

Promotion of relationship banking

1 Demonstrate consulting capabilities to corporate customers

- Provide prompt, fitting solutions for companies at different growth stages*
- Upgrade our solutions services through alliances with external organizations and regional public bodies
- Use specialist financial tools to support the growth of regional enterprises and the fostering and deployment of personnel with intellectual skills

*The growth stages of a company: foundation, growth and other development stages, and degree of enterprise sustainability

2 Constructively participate in entire region's revitalization

- Involvement in and partnerships for measures for regional regeneration through public bodies, etc.
- Measures for community contributions such as support for education, and promotion of culture, the arts and sports

3 Actively disseminate information to communities and customers

- Easy-to-understand information made available through various media including our website and annual report

Aiming to provide satisfaction and earn unshakeable trust

Corporate growth assistance through collaboration with business advisors (April 2001 to March 2013)

Number of investment target and borrower enterprises, investment amount	186 ¥13.5 bn	In the field of corporate growth support, since employment of business advisors in April 2001, we have provided consulting services to 552 companies regarding expansion of marketing channels and evaluation of potential of business.
Number of business matching deals	83 lines	

Yamanashi Chugin Management Support Coordination Services, and corporate customer support through business matching services (April 2005 to March 2013)

Number of companies that have received support (problem-solving) from Yamanashi Chugin Management Support Services	702	The coordination services utilizes a network of contacts linking the Bank with external support institutions to offer corporate customers tailored proposals backed up by specialist know-how (Jan. 2006-March 2013).
Number of business matching deals successfully concluded via the Bank's network or Bank-sponsored business meetings	1,797	Business matching has been achieved by using the Bank's network to provide data on customer companies, as well as business fairs such as the Yamanashi Food Sector Business Matching Fair, the Regional Banking Food Selection, etc. (FY2005-2012).

Achievements in Support for Management Improvement (April 2012 to March 2013)

Debtors (excluding normal borrowers) as of the start of term: A	3,911
Of which, those receiving management improvement support: a	190
Of which, those upgraded their debtor categories as of the term-end: b	8
Of which, those drawing up reconstruction plans: c	140
Percentage receiving management improvement support: (a/A)	4.9%
Percentage upgraded: (b/a)	4.2%
Percentage drawing up reconstruction plans: (c/a)	73.7%

Corporate Banking

Support for companies through our solutions businesses

In cooperation with external organizations, the Yamanashi Chuo Bank Group works to provide high-quality financial services through the construction of a support framework for the founding and start-up phase of new businesses, as well as for business development and revitalization.

In the reporting term, ended March 2013, we likewise worked to strengthen our solutions businesses, focusing on enabling smoother funding provision and offering consultation services to corporate customers. We also took measures to better position us to help customer companies, including proposals for business reform and firm support for implementation. To position us to respond to funding demand after expiry of the Act concerning Temporary Measures to Facilitate Financing for SMEs, etc., we compiled a basic policy for facilitating funding, enabling us to offer finely tuned customer consultation services in areas such as cash flow management, and help customer companies with proposals of business reform and firm support for their implementation.

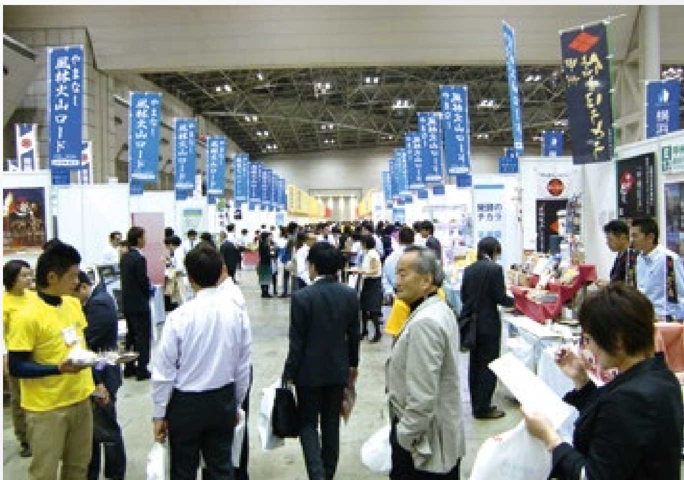
In specific measures, we are helping customers resolve business issues by drawing on the resources of Yamanashi Chugin management Support Services, which links up customers, local universities and support organizations. We also provided optimized solutions in growth areas such as healthcare, nursing care, the environment, agriculture and tourism. As a support policy for development and expansion of marketing channels, we arranged business matching events such as the Yamanashi Food Sector Business Matching Fair and the Local Bank Food Selection event. We also supported customers trying to expand their business by arranging transactions with the Yamanashi Chugin "Growth Platform Reinforcement Fund" using the Growth Platform Reinforcement Fund of the Bank of Japan.

In international operations, we formed alliances with Bank Negara Indonesia, in addition to existing operational tie-ups with The Bangkok Bank of Thailand and the Bank of Communications in China. Using these connections, we provided a range of financial services and local business information, and supported trading transactions, for customers aiming to set up units in the countries of Asia, which continue to see high economic growth rates, and expand marketing channels and pursue other initiatives in overseas markets.

To strengthen business succession and inheritance-related services, we arranged business succession and inheritance seminars, and offered business succession and inheritance support services drawing on partnerships with Yamanashi Chugin Management Consulting Co., Ltd. and outside specialists including tax experts.

The total of loans outstanding at SMEs as of March 31, 2013 was up by ¥9.3 billion to ¥491.7 billion year-on-year, accounting for 33% of all loans outstanding.

Looking ahead, the Bank is determined to strengthen its comprehensive financial and consulting services, to better respond to be needs of our corporate customers who form the bedrock of the regional economy.



The Regional Banking Food Selection Event

Yamanashi Food Business Liaison Conference

Consumer Banking

Meeting diverse asset management needs

In consumer banking, we responded to a wide range of diversifying asset management needs. Measures included our ATM time deposit special interest-rate campaign and Internet investment trust campaign, as well as introduction of new investment trust and life insurance products, and briefing sessions on investment trusts and other events. Of particular interest was the Seminar for senior citizens on inheritance and preheritance strategies" arranged by Yamanashi Chugin focusing on estate planning, which enabled us to build still stronger relations with our customers in their silver years. In addition, to respond in a more tailored way to customers' life-planning, we marketed our mortgage interest rate plan and a promoted a campaign featuring special interest rates on education and auto loans. Newly launched were the Yamanashi Chugin solar loan and "Waku Waku Every" credit card loans.

Seminar for senior citizens on inheritance and preheritance strategies

The balance of loans to individuals increased by ¥4.1 billion from the previous year-end to ¥376.7 billion, accounting for 25% of all loans. The balance of housing loans outstanding at the year-end stood at ¥366.5 billion, an increase of ¥7.0 billion.

Western Tokyo Bloc

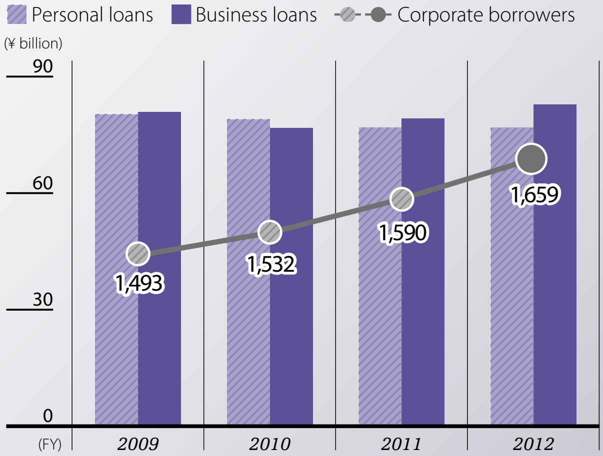
Seeking Greater Potential beyond Yamanashi Prefecture

Bordering Yamanashi Prefecture to the east, the western part of Tokyo in which we operate is a large market, home to around 5.64 million people, and 180,000 places of business. We call it the Western Tokyo Bloc. It has tremendous growth potential. As of March 31, 2013, we had 14 branches and one corporate sales office within the Bloc. Most of them have been in operation for 30 to 40 years and are well-established in their local communities. In May 2012, we transferred operations of the other corporate sales office, the Hashimoto Corporate Sales Office at Machida Branch, to the Sagamihara Branch in Kanagawa Prefecture, in a measure aimed at expanding our customer base in the Western Tokyo Bloc.

This Western Tokyo Bloc is more profitable and efficient than other blocs within Yamanashi Prefecture. Under the Bank's new medium-term management plan, we aim to make this marketing area key to achievement of our goal of increasing operating income. To achieve this goal, we are aggressively redeploying staff and developing new markets in a drive to further improve profitability and efficiency by building up our network from specific starting points.

In fiscal 2012, personal loans decreased by ¥100 million year-on-year to ¥76.8 billion, while business loans increased by ¥3.6 billion to ¥82.8 billion. The total of corporate borrowers now on our books increased by 69 to 1,659 (in terms of transactions). Loan RAROA (earnings after deduction of credit cost/loans), a prime indicator of profitability, was better than in Yamanashi Prefecture, reflecting the excellent profitability of our operations in western Tokyo area.

Loans and corporate borrowers in Western Tokyo Bloc



* Local public bodies are excluded in corporate borrowers

Financial Review

(on a consolidated basis)

Operating Environment

In the year ended March 2013, the Japanese economy continued to show weak recovery into the second half, from stimulatory effects of a full-scale recovery in demand following the Great East Japan Earthquake disaster and official subsidies to promote use of eco-cars, though slowdown in the overseas economy worked against these positives. However, surer signs of recovery have gradually been appearing since the launch of a range of financial and economic policies, combined with monetary easing measures undertaken by the Bank of Japan, following the LDP victory and change of administration in December 2012. As a result, recovery is setting in the financial sector too, with the Nikkei Stock Average getting back over 12,000 while the yen continued to weaken. The yen stood at ¥96-99 to the dollar during the term.

The economy of Yamanashi Prefecture, the principal business base of the Group, remained anemic overall despite signs of robustness in certain sectors such as electronics and automotive components. However, there were signs of slightly brighter production and personal spending figures toward the end of the fiscal year.

Overview of Earnings

The Bank strengthened its earning capacity and streamlined operations, but gross business profit decreased on declines in interest income mainly due to decrease in interest on loans and bills discounted. However, we recorded an increase in gains on sale of bonds, and improvement in investment securities earnings on the back of recovery in the stock market from the beginning of 2013. Expenses were driven down by a decline in non-personnel expenses.

As a result, ordinary income declined ¥1,421 million from the previous year to ¥50,470 million. Consolidated ordinary profit increased ¥1,306 million to ¥10,912 million, but consolidated net income slipped ¥961 million to ¥6,362 million.

Overview of Principal Accounts

In the Bank's main accounts, interest rates on deposits remained at a lower level, but the Bank expanded products and services so as to be able to respond more rapidly and appropriately to diversifying customer asset management needs. As a result, the year-end balance of total deposits on a consolidated basis increased ¥83.1 billion to ¥2,546.9 billion, on an increase in deposits held by both individual and corporate customers. Total deposits including negotiable certificates of deposit (NCDs) increased ¥80.0 billion during the year to ¥2,680.7 billion.

The balance of over-the-counter Japanese government bonds and investment trusts declined ¥10.2 billion during the year to ¥201.6 billion.

Turning to loans, funding demand was weak overall, but we expanded lending to individuals and to second-tier companies and SMEs, and responded proactively to funding demand from local government bodies. As a result, the balance of loans increased by ¥24.9 billion to ¥1,499.8 billion, due chiefly to an increase in lending to individual borrowers and public bodies.

In investment securities, we took measures to ensure smooth management of JGB and other funds, while keeping a close eye on the investment environment and market trends, and underwrote public debt such as municipal, government-guaranteed and other public bonds. As a result, the balance of investment securities at the end of the year increased ¥92.4 billion to ¥1,370.5 billion.

The consolidated capital adequacy ratio (domestic standard) increased 0.34 percentage points to 16.75%.

Cash Flows

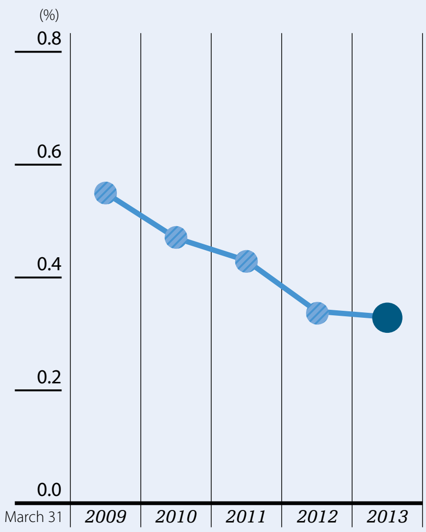
Net cash provided by operating activities amounted to ¥72.8 billion (compared with inflows of ¥207.0 billion in the previous year), with new deposits and negotiable certificates of deposit totaling ¥80.0 billion, borrowed money increasing ¥24.6 billion and loans and bills discounted rising ¥24.9 billion.

Net cash used in investment activities totaled ¥70.3 billion (compared with net outflows of ¥181.4 billion in the previous term), with acquisition of investment securities totaling ¥315.0 billion and sales and redemptions totaling ¥247.4 billion.

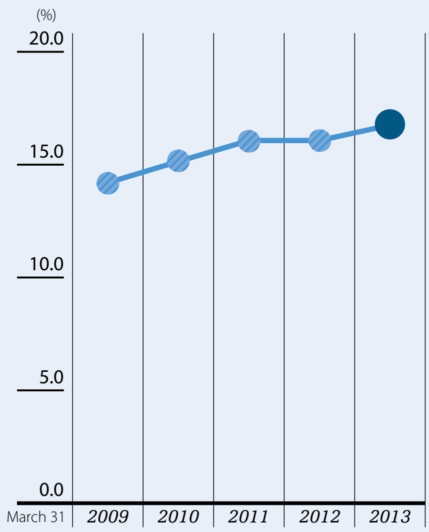
Net cash used in financing activities came to ¥2.4 billion (compared with net outflows of ¥1.8 billion in the previous term), with expenses on acquisition of treasury stock totaling ¥1.3 billion and ¥1.1 billion on dividend payments.

As a result, cash and cash equivalents at the end of the term came to ¥88.8 billion (up ¥44 million from the previous term).

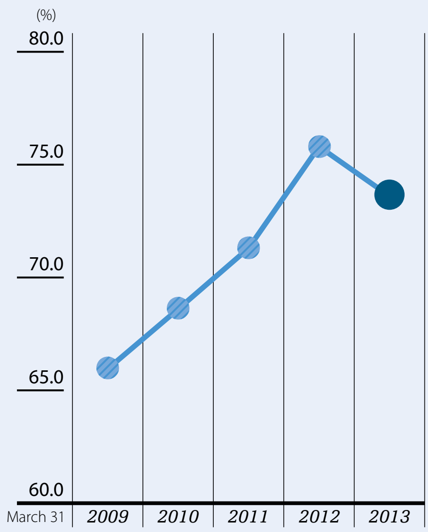
ROA



Capital adequacy ratio (Domestic standard)



OHR



ROA = Core net business profit/(Average Balance of Total Assets - Average Balance of Customers' Liabilities for Acceptances & Guarantees)
Capital Ratio = On a consolidated basis, domestic standard OHR = Operating expenses/Core Gross Business Profit

Note: All except for the capital ratio are on a non-consolidated basis.

【Consolidated Financial Statements】

①【Consolidated Balance Sheets】

	Millions of Yen		Thousands of U.S. Dollars
	End of FY2012 (March 31, 2013)	End of FY2011 (March 31, 2012)	**End of FY2012 (March 31, 2013)**
Assets:			
Cash and due from banks	**¥98,997**	¥88,979	**$1,052,606**
Call loans and bills bought	**15,902**	2,354	**169,081**
Monetary claims bought	**10,796**	12,293	**114,792**
Trading securities	**24**	18	**258**
Money held in trust	**311**	—	**3,311**
Securities ※1, ※8, ※13	**1,370,563**	1,278,084	**14,572,712**
Loans and bills discounted ※2, ※3, ※4, ※5, ※6, ※7, ※10	**1,499,875**	1,474,910	**15,947,641**
Foreign exchanges ※6	**1,121**	415	**11,927**
Other assets ※8, ※9	**15,043**	16,589	**159,951**
Tangible fixed assets ※11, ※12	**24,785**	24,995	**263,535**
Buildings	**8,362**	8,635	**88,911**
Land	**13,111**	13,373	**139,414**
Lease assets	**0**	0	**2**
Construction in progress	**558**	23	**5,936**
Other tangible fixed assets	**2,753**	2,962	**29,272**
Intangible fixed assets	**5,870**	6,596	**62,421**
Software	**4,560**	6,086	**48,488**
Lease assets	**1**	4	**15**
Software in progress	**884**	—	**9,401**
Other intangible fixed assets	**424**	505	**4,517**
Deferred tax assets	**468**	552	**4,977**
Customers' liabilities for acceptances and guarantees	**5,925**	6,704	**63,008**
Allowance for possible loan losses	**(20,768)**	(21,754)	**(220,829)**
Total assets	**¥3,028,916**	¥2,890,741	**$32,205,390**

	Millions of Yen		Thousands of U.S. Dollars
	End of FY2012 (March 31, 2013)	End of FY2011 (March 31, 2012)	**End of FY2012 (March 31, 2013)**
Liabilities:			
Deposits ※8	**¥2,546,917**	¥2,463,800	**$27,080,458**
Negotiable certificates of deposit	**133,794**	136,854	**1,422,594**
Call money and bills sold	**752**	—	**8,000**
Borrowed money ※8, ※9	**105,826**	81,166	**1,125,212**
Foreign exchanges	**108**	56	**1,157**
Other liabilities	**20,431**	17,488	**217,246**
Accrued bonuses to directors and corporate auditors	**45**	41	**484**
Liability for employees' retirement benefits	**7,680**	7,512	**81,665**
Reserve for directors' and corporate auditors' retirement benefits	**12**	9	**132**
Reserve for reimbursement of deposits	**275**	255	**2,930**
Reserve for contingent losses	**279**	294	**2,976**
Deferred tax liabilities	**13,244**	4,214	**140,829**
Acceptances and guarantees	**5,925**	6,704	**63,008**
Total liabilities	**2,835,296**	2,718,398	**30,146,691**
Net assets:			
Common stock	**15,400**	15,400	**163,743**
Capital surplus	**8,287**	8,287	**88,117**
Retained earnings	**132,330**	129,039	**1,407,024**
Treasury stock	**(1,566)**	(2,483)	**(16,655)**
Total shareholders' equity	**154,451**	150,243	**1,642,228**
Unrealized gains on available-for-sale securities	**37,789**	20,997	**401,797**
Deferred losses on derivatives under hedge accounting	**—**	(0)	**—**
Total accumulated other comprehensive income	**37,789**	20,997	**401,797**
Subscription rights to shares	**71**	32	**760**
Minority interests	**1,308**	1,070	**13,914**
Total net assets	**193,620**	172,343	**2,058,699**
Total liabilities and net assets	**¥3,028,916**	¥2,890,741	**$32,205,390**

②【Consolidated Statements of Income and Consolidated Statements of Comprehensive Income】

【Consolidated Statements of Income】

	Millions of Yen		Thousands of U.S. Dollars
	Consolidated FY2012 (From April 1, 2012 to March 31, 2013)	Consolidated FY2011 (From April 1, 2011 to March 31, 2012)	**Consolidated FY2012 (From April 1, 2012 to March 31, 2013)**
Ordinary income:	**¥50,470**	¥51,892	**$536,636**
Interest and dividends income	**34,456**	37,034	**366,360**
Interest on loans and bills discounted	**22,259**	24,069	**236,678**
Interest and dividends on securities	**12,041**	12,787	**128,033**
Interest on call loans and bills bought	**56**	73	**603**
Interest on due from banks	**16**	19	**172**
Other	**82**	83	**874**
Fees and commissions	**7,445**	7,401	**79,165**
Other operating income	**7,251**	6,127	**77,105**
Other ordinary income	**1,317**	1,328	**14,006**
Reversal of allowance for possible loan losses	**—**	413	—
Other ※1	**1,317**	914	**14,006**
Ordinary expenses	**39,557**	42,285	**420,602**
Interest expenses	**1,765**	1,739	**18,773**
Deposits	**1,564**	1,497	**16,630**
Negotiable certificates deposits	**122**	192	**1,299**
Call money and bills sold	**0**	5	**9**
Borrowed money	**78**	42	**833**
Other	**0**	1	**2**
Fees and commissions	**1,817**	1,788	**19,326**
Other operating expenses	**4,999**	5,413	**53,153**
General and administrative expenses	**29,779**	31,496	**316,637**
Other expenses	**1,195**	1,848	**12,714**
Provision of allowance for possible loan losses	**269**	—	**2,868**
Other ※2	**926**	1,848	**9,846**
Ordinary profit	**10,912**	9,606	**116, 034**

	Millions of Yen		Thousands of U.S. Dollars
	Consolidated FY2012 (From April 1, 2012 to March 31, 2013)	Consolidated FY2011 (From April 1, 2011 to March 31, 2012)	**Consolidated FY2012 (From April 1, 2012 to March 31, 2013)**
Extraordinary income:	**43**	10	**464**
Gain on disposal of fixed assets	**43**	3	**464**
Other extraordinary income	**—**	6	**—**
Extraordinary losses	**674**	126	**7,176**
Losses on disposal of fixed assets	**176**	66	**1,879**
Impairment losses ※3	**498**	59	**5,298**
Income before income taxes and minority interests	**10,281**	9,490	**109,321**
Income taxes − current	**3,439**	313	**36,574**
Income taxes − deferred	**242**	1,663	**2,575**
Total income taxes	**3,681**	1,977	**39,149**
Income before minority interests	**6,599**	7,513	**70,172**
Minority interests in net income	**237**	189	**2,524**
Net income	**¥6,362**	¥7,323	**$67,649**

【Consolidated Statements of Comprehensive Income】

	Millions of Yen		Thousands of U.S. Dollars
	Consolidated FY2012 (From April 1, 2012 to March 31, 2013)	Consolidated FY2011 (From April 1, 2011 to March 31, 2012)	**Consolidated FY2012 (From April 1, 2012 to March 31, 2013)**
Income before minority interests	**¥6,599**	¥7,513	**$70,172**
Other comprehensive income ※1	**16,794**	7,195	**178,567**
Net unrealized gains on available-for-sale securities	**16,794**	7,195	**178,567**
Deferred hedge gains	**0**	0	**0**
Total comprehensive income	**23,393**	14,708	**248,739**
Total comprehensive income attributable to shareholders of the parent	**23,154**	14,521	**246,192**
Total comprehensive income attributable to minority interests	**239**	186	**2,546**

③【Consolidated Statements of Changes in Net Assets】

	Millions of Yen		Thousands of U.S. Dollars
	Consolidated FY2012 (From April 1, 2012 to March 31, 2013)	Consolidated FY2011 (From April 1, 2011 to March 31, 2012)	**Consolidated FY2012 (From April 1, 2012 to March 31, 2013)**
Shareholders' equity			
Common stock			
Balance at beginning of current year	**¥15,400**	¥15,400	**$163,743**
Changes during year:			
Total changes during year	**—**	—	**—**
Balance at end of current year	**¥15,400**	¥15,400	**$163,743**
Capital surplus			
Balance at beginning of current year	**¥8,287**	¥8,287	**$88,117**
Changes during year:			
Cancellation of treasury stock	**(1,911)**	—	**(20,320)**
Disposal of treasury stock	**(0)**	(0)	**(0)**
Transfer from retained earnings	**1,911**	0	**20,320**
Total changes during year	**—**	—	**—**
Balance at end of current year	**¥8,287**	¥8,287	**$88,117**
Retained earnings			
Balance at beginning of current year	**¥129,039**	¥122,889	**$1,372,028**
Changes during year:			
Cash dividends	**(1,159)**	(1,173)	**(12,334)**
Transfer from retained earnings to capital surplus	**(1,911)**	(0)	**(20,320)**
Net income	**6,362**	7,323	**67,649**
Total changes during year	**3,291**	6,149	**34,995**
Balance at end of current year	**¥132,330**	¥129,039	**$1,407,024**
Treasury stock			
Balance at beginning of current year	**¥(2,483)**	¥(1,836)	**$(26,404)**
Changes during year:			
Purchases of treasury stock	**(994)**	(647)	**(10,571)**
Cancellation of treasury stock	**1,911**	—	**20,320**
Disposal of treasury stock	**0**	0	**1**
Total changes during year	**916**	(646)	**9,749**
Balance at end of current year	**¥(1,566)**	¥(2,483)	**$(16,655)**

	Millions of Yen		Thousands of U.S. Dollars
	Consolidated FY2012 (From April 1, 2012 to March 31, 2013)	Consolidated FY2011 (From April 1, 2011 to March 31, 2012)	**Consolidated FY2012 (From April 1, 2012 to March 31, 2013)**
Total shareholders' equity			
Balance at beginning of current year	**¥150,243**	¥144,740	**$1,597,484**
Changes during year:			
Cash dividends	**(1,159)**	(1,173)	**(12,334)**
Net income	**6,362**	7,323	**67,649**
Purchases of treasury stock	**(994)**	(647)	**(10,571)**
Disposal of treasury stock	**0**	0	**1**
Total changes during year	**4,208**	5,503	**44,744**
Balance at end of current year	**¥154,451**	¥150,243	**$1,642,228**
Unrealized gains on available-for-sale securities			
Balance at beginning of current year	**¥20,997**	¥13,798	**$223,254**
Changes during year:			
Net changes in items other than shareholders' equity	**16,792**	7,198	**178,544**
Total changes during year	**16,792**	7,198	**178,544**
Balance at end of current year	**¥37,789**	¥20,997	**$401,797**
Deferred losses on derivatives under hedge accounting			
Balance at beginning of current year	**¥(0)**	¥(0)	**$(0)**
Changes during year:			
Net changes in items other than shareholders' equity	**0**	0	**0**
Total changes during year	**0**	0	**0**
Balance at end of current year	**¥—**	¥(0)	**$—**
Accumulated other comprehensive income			
Balance at beginning of current year	**¥20,997**	¥13,798	**$223,254**
Changes during year:			
Net changes in items other than shareholders' equity	**16,792**	7,198	**178,544**
Total changes during year	**16,792**	7,198	**178,544**
Balance at end of current year	**¥37,789**	¥20,997	**$401,797**

	Millions of Yen		Thousands of U.S. Dollars
	Consolidated FY2012 (From April 1, 2012 to March 31, 2013)	Consolidated FY2011 (From April 1, 2011 to March 31, 2012)	**Consolidated FY2012 (From April 1, 2012 to March 31, 2013)**
Subscription rights to shares			
Balance at beginning of current year	**¥32**	¥—	**$343**
Changes during year:			
Net changes in items other than shareholders' equity	**39**	32	**417**
Total changes during year	**39**	32	**417**
Balance at end of current year	**¥71**	¥32	**$760**
Minority interests			
Balance at beginning of current year	**¥1,070**	¥885	**$11,382**
Changes during year:			
Net changes in items other than shareholders' equity	**238**	185	**2,531**
Total changes during year	**238**	185	**2,531**
Balance at end of current year	**¥1,308**	¥1,070	**$13,914**
Total net assets			
Balance at beginning of current year	**¥172,343**	¥159,424	**$1,832,463**
Changes during year:			
Cash dividends	**(1,159)**	(1,173)	**(12,334)**
Net income	**6,362**	7,323	**67,649**
Purchases of treasury stock	**(994)**	(647)	**(10,571)**
Disposals of treasury stock	**0**	0	**1**
Net changes in items other than shareholders' equity	**17,069**	7,415	**181,492**
Total changes during year	**21,277**	12,918	**226,236**
Balance at end of current year	**¥193,620**	¥172,343	**$2,058,699**

④【Consolidated Statements of Cash Flows】

	Millions of Yen		Thousands of U.S. Dollars
.	**Consolidated FY2012 (From April 1, 2012 to March 31, 2013)**	Consolidated FY2011 (From April 1, 2011 to March 31, 2012)	**Consolidated FY2012 (From April 1, 2012 to March 31, 2013)**
Operating activities:			
Income before income taxes and minority interests	**¥10,281**	¥9,490	**$109,321**
Adjustment for:			
Depreciation and amortization	**3,254**	3,422	**34,607**
Impairment losses	**498**	59	**5,298**
Increase (decrease) in allowance for possible loan losses	**(985)**	(3,716)	**(10,477)**
Increase (decrease) in accrued bonuses to directors and corporate auditors	**3**	10	**38**
Increase (decrease) in liability for employees' retirement benefits	**168**	45	**1,791**
Increase (decrease) in reserve for directors' and corporate auditors' retirement benefits	**3**	(529)	**32**
Increase (decrease) in reserve for reimbursement of deposits	**20**	(77)	**216**
Increase (decrease) in reserve for contingent losses	**(14)**	47	**(157)**
Interest income recognized on consolidated statements of income	**(34,456)**	(37,034)	**(366,360)**
Interest expenses recognized on consolidated statements of income	**1,765**	1,739	**18,773**
Losses (gains) on investment securities	**(1,516)**	1,125	**(16,123)**
Foreign exchange losses − net	**(409)**	21	**(4,355)**
Losses on disposal of premises and equipment	**133**	62	**1,415**
Net increase (decrease) in loans and bills discounted	**(24,965)**	41,754	**(265,444)**
Net increase in deposits	**83,116**	115,134	**883,744**
Net increase in negotiable certificates of deposit	**(3,059)**	(20,357)	**(32,526)**
Net increase (decrease) in borrowed money	**24,659**	54,975	**262,193**
Net decrease in due from banks (excluding cash equivalents)	**(9,973)**	35	**(106,047)**
Net decrease (increase) in call loans	**(12,050)**	9,103	**(128,130)**
Net increase (decrease) in call money	**752**	(922)	**8,000**
Net decrease (increase) in foreign exchanges (assets)	**(705)**	355	**(7,505)**
Net increase (decrease) in foreign exchanges (liabilities)	**52**	(28)	**558**
Interest income (cash basis)	**37,213**	38,713	**395,674**
Interest expenses (cash basis)	**(1,567)**	(2,043)	**(16,665)**
Other − net	**866**	(3,195)	**9,211**

	Millions of Yen		Thousands of U.S. Dollars
	Consolidated FY2012 (From April 1, 2012 to March 31, 2013)	Consolidated FY2011 (From April 1, 2011 to March 31, 2012)	**Consolidated FY2012 (From April 1, 2012 to March 31, 2013)**
Total adjustments	**73,084**	208,191	**777,081**
Income taxes paid	**(214)**	(1,132)	**(2,277)**
Net cash provided by operating activities	**72,870**	207,059	**774,803**
Investing activities:			
Purchases of investment securities	**(315,009)**	(371,737)	**(3,349,380)**
Proceeds from sales of investment securities	**159,822**	105,375	**1,699,333**
Proceeds from redemption of investment securities	**87,654**	86,225	**932,000**
Purchases of premises and equipment	**(1,883)**	(1,167)	**(20,023)**
Proceeds from sales of premises and equipment	**67**	57	**718**
Purchases of intangible fixed assets	**(1,013)**	(179)	**(10,780)**
Proceeds from sales of intangible fixed assts	**1**	1	**17**
Net cash used in investing activities	**(70,360)**	(181,424)	**(748,115)**
Financing activities:			
Dividends paid	**(1,159)**	(1,173)	**(12,334)**
Payment of dividends to minority interests	**(1)**	(1)	**(15)**
Repurchases of treasury stock	**(806)**	(647)	**(8,577)**
Proceeds from sales of treasury stock	**0**	0	**1**
Payment of setting of money trust by acquisition purpose of treasury stock	**(500)**	—	**(5,316)**
Net cash used in financing activities	**(2,467)**	(1,821)	**(26,241)**
Foreign currency transaction adjustments on cash and cash equivalents	**2**	1	**23**
Net decrease in cash and cash equivalents	**44**	23,814	**470**
Cash and cash equivalents, beginning of year	**88,844**	65,030	**944,656**
Cash and cash equivalents, end of year ※1	**¥88,889**	¥88,844	**$945,126**

【Notes to consolidated financial statements】
Important items used as basis for preparing consolidated financial statements

1. Items relating to scope of consolidation

(1) Consolidated subsidiaries 4 companies

The names of consolidated subsidiaries are Yamanashi Chuo Guarantee Co., Ltd., Yamanashi Chugin Lease Co., Ltd., Yamanashi Chugin DC Card Co., Ltd. and Yamanashi Chugin Management Consulting Co., Ltd.

(2) Non-consolidated subsidiary 1 company

Yamanashi Venture Promotion Investment Limited Partnership

The non-consolidated subsidiary has excluded from the consolidation scope. Because property, ordinary income, net income or loss (amount that corresponds to share) and earned surplus (amount that corresponds to share) of non-consolidated subsidiary are lack importance.

2. Items relating to application of equity method

(1) Non-consolidated subsidiaries that are applied to equity method

Not applicable

(2) Affiliates that are applied to equity method

Not applicable

(3) Non-consolidated subsidiary that is not applied to equity method 1 company

Yamanashi Venture Promotion Investment Limited Partnership

Non-consolidated subsidiary that is not applied to equity method has excluded from the consolidation scope. Because net income or loss and earned surplus (amount that corresponds to share) of non-consolidated subsidiary that is not applied to equity method are lack importance.

(4) Affiliates that are not applied to equity method

Not applicable

3. Items relating to business years of consolidated subsidiaries

All of the consolidated subsidiaries have their settlement day on March 31.

4. Items relating to accounting standards

(1) Valuation standards and methods for trading account securities

Trading securities, which are held for the purpose of earning capital gains, are reported at fair value and the related unrealized gains and losses are included in earnings.

(2) Valuation standards and methods for securities

Held-to-maturity debt securities, which management has the positive intent and ability to hold to maturity are reported at amortized cost, and available-for-sale securities, which are not classified as either of the aforementioned securities, are reported at fair value with unrealized gains and losses, net of applicable taxes, reported in a separate component of equity. Available-for-sale securities whose fair values are extremely difficult to be determined are stated at cost determined by the moving-average method. The cost of securities sold is determined based on the moving-average method.

(3) Valuation standards and methods for derivative transactions

Derivative transactions are measured at fair value.

(4) Methods of depreciation of fixed assets

① Tangible fixed assets (excluding lease assets)

Depreciation of tangible fixed assets is calculated principally using the declining-balance method. Useful lives of tangible fixed assets are primarily as follows:

Buildings 3 to 50 years

Other 2 to 20 years

(Changes to accounting policy that are difficult to distinguish from changes relating to accounting estimates)

With the amendment of the Corporation Tax Act, the Bank and its consolidated subsidiaries have changed to a method of depreciation and amortization for premises and equipment acquired on or after April 1, 2012 that is based on the amended Act.

As a result, ordinary profit and income before income taxes and minority interests have both increased by ¥14 million in the consolidated year under review compared with using the previous method.

② Intangible fixed assets (excluding lease assets)

Amortization of intangible fixed assets is calculated principally using the straight-line method. Software for internal use by the Bank and its subsidiaries is calculated over the useful life of the software (principally five years).

③ Lease assets

Lease assets employed in leasing transactions that do not transfer ownership of the lease assets to the lessee − both premises and equipment and intangible fixed assets − are depreciated by the straight-line method over the lease period. Residual value of those lease assets is zero unless any guaranteed amount is prescribed in the lease agreement.

(5) Allowance for possible loan losses

The allowance for possible loan losses is stated in amounts considered to be appropriate based on management's judgment and an assessment of future losses estimated through the Bank's self assessment of the quality of all loans.

The Bank has a credit rating system and a self assessment system. These systems are used to assess the Bank's asset quality based on past experience of credit losses, possible credit losses, analysis of customers' conditions, such as business conditions, character and quality and the overall performance of the portfolio. All loans are subject to asset quality assessment conducted by the business-related divisions in accordance with the Self-Assessment Standards, and the results of the assessments are reviewed by the Auditing Division, which is independent from the business-related divisions, before the allowance amount is finally determined. All loans are classified into one of five categories for self assessment purposes, "normal," "caution," "possible bankruptcy," "virtual bankruptcy" or "legal bankruptcy."

The allowance for possible loan losses is calculated based on the actual past loss ratio for "normal" and "caution" categories, and the fair value of the collateral for collateral-dependent loans and other factors, including the value of future cash flows for other self assessment categories.

The policy for the allowance for possible loan losses of consolidated subsidiaries is similar to the Bank's.

(6) Accrued bonuses to directors and corporate auditors

Accrued bonuses to directors and corporate auditors are provided in the amount of the estimated bonuses which are attributable to each fiscal year.

(7) Retirement and pension plans

The Group has a non-contributory defined benefit pension plan and a lump-sum severance indemnity plan. Employees whose services with the Group are terminated are, under most circumstances, entitled to retirement and pension benefits determined by reference to basic rates of pay at the time of termination, length of service, and conditions under which the termination occurs.

The Group accounted for the liability for retirement benefits based on projected benefit obligations and plan assets at the balance sheet date.

(8) Reserve for directors' and corporate auditors' retirement benefits

A reserve for directors' and corporate auditors' retirement benefits is provided at the amount which would be required if all directors and corporate auditors retired at the balance sheet date.

(9) Reserve for reimbursement of deposits

Provision is made for possible losses on future claims of withdrawal of deposits which were derecognized as liabilities under certain conditions in an amount deemed necessary based on historical reimbursement experience.

(10) Reserve for contingent losses

Reserve for contingent losses, which is provided for possible losses from contingent events, is calculated by estimation of the impact of those contingent events.

(11) Foreign currency items

Foreign currency assets and liabilities are translated into yen at the exchange rates prevailing at the balance sheet date.

(12) Lease transactions

(Lessor)

Revenues and cost of revenues of finance lease transactions are recognized when lease payments are made.

(13) Hedging activities

The Bank applies the deferred method of accounting to hedges of foreign exchange risks arising from foreign currency denominated monetary assets and liabilities in accordance with the Japanese Institute of Certified Public Accountants (“JICPA”) Industry Audit Committee Report No. 25, “Treatment of Accounting and Auditing concerning Accounting for Foreign Currency Transaction in the Banking Industry.”

In applying the deferred hedge accounting method, the Bank designates such hedging instruments as foreign currency swap transactions for the purpose of diminishing the risk of foreign currency exchange fluctuations with respect to foreign currency denominated monetary assets and liabilities as well as other items, and confirms the foreign currency position of the hedged monetary assets or liabilities is more than or equal to the hedging instruments over the residual terms of the hedging instruments.

(14) Cash and cash equivalents

For the purpose of reporting cash flows, cash and cash equivalents are defined as cash and due from the Bank of Japan.

(15) Consumption taxes

The accounting treatment of the consumption tax and local consumption tax descends by excluding tax method. However, deducting off the subject to the consumption tax to tangible fixed assets are summed up to the cost in this fiscal year.

(16) U.S. dollar amounts

The translations of Japanese yen amounts into U.S. dollar amounts are included solely for the convenience of readers outside Japan and have been made at the rate of ¥94.05 to $1, the exchange rate prevailing on March 31, 2013.

[New accounting standards not yet applied]

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

(1) Summary

In light of moves to improve the quality of financial reporting and international trends, the Bank is (1) making changes mainly to the method of accounting for unrecognized actuarial difference and service cost and increasing items for disclosure, and (2) improving the method of calculation of pension benefit obligations and service cost.

(2) Planned date of application

With regard to (1), the Bank plans to apply the changed approach to the consolidated financial statements at the end of the consolidated fiscal year that began on April 1, 2013, and, with regard to (2), at the beginning of the consolidated fiscal year that begins on April 1, 2014.

(3) Effect of the changes

The Bank is in the process of appraising the effect of application of modified accounting standards, etc.

(Relating to Consolidated Balance Sheets)

*1 Shares held or investments in non-consolidated subsidiaries and affiliates

As of March 31, 2013	(Millions of yen)
Investments	¥95

*2 The amounts of loans to customers in bankruptcy and past due loans included in loans and bills discounted were as follows:

As of March 31, 2013	(Millions of yen)
Loans to customers in bankruptcy	¥2,895
Past due loans	¥48,053

Loans to customers in bankruptcy represent nonaccrual loans to debtors who are legally bankrupt, as defined in Article 96, Paragraph 1, Subparagraphs 3 and 4 of Enforcement Ordinance for the Corporation Tax Law. Past due loans are defined as nonaccrual loans except for loans to customers in bankruptcy and loans of which the interest payments are deferred in order to assist in the financial recovery of a debtor in financial difficulties.

*3 The amount of accruing loans contractually past due three months or more included in loans and bills discounted was as follows:

As of March 31, 2013	(Millions of yen)
Past due loans of three months or more	¥—

Accruing loans contractually past due three months or more are loans on which the principal or interest is three months or more past due.

*4 The amount of restructured loans for which the Bank has relaxed lending conditions included in loans and bills discounted was as follows:

As of March 31, 2013	(Millions of yen)
Restructured loans for which the Bank has relaxed lending conditions	¥3,077

Restructured loans are loans for which the Bank has relaxed lending conditions, such as: reduction of the original interest rate, deferral of interest payment, extension of maturity date, or reduction of the amount of the debt or accrued interest.

*5 The total amount of loans to customers in bankruptcy, past due loans, accruing loans contractually past due three months or more and restructured loans for which the Bank has relaxed lending conditions was as follows:

As of March 31, 2013	(Millions of yen)
Total amount	¥54,026

The loan amounts identified in the preceding items (2) to (5) are before deducting any allowance for possible loan losses.

*6 Bills discounted are accounted for as financial transactions in accordance with JICPA Industry Audit Committee Report No. 24, "Treatment for Accounting and Auditing of Application of Accounting Standard for Financial Instruments in Banking Industry." The Bank has the right to sell or pledge commercial bills discounted and foreign exchanges bought without restrictions. The face amount was as follows:

As of March 31, 2013	(Millions of yen)
	¥7,079

*7 The amount of loan participation recorded in the consolidated balance sheet and included in participated principals that were accounted for as loans to original debtors in accordance with JICPA Accounting System Committee Report No. 3 dated June 1, 1995 was as follows:

As of March 31, 2013	(Millions of yen)
	¥3,002

*8 Assets pledged as collateral were as follows:

As of March 31, 2013	(Millions of yen)
Assets pledged as collateral	
Investment securities	¥196,351
Liabilities related to pledged assets	
Deposits	¥22,549
Borrowed money	¥104,931

In addition to the aforementioned, the following items were pledged as collateral for the settlement of foreign currency exchange and other transactions:

As of March 31, 2013	(Millions of yen)
Investment securities	¥68,085

Moreover, guarantee deposits included in other assets were as follows:

As of March 31, 2013	(Millions of yen)
Guarantee deposits	¥272

*9 Lease contract assets (the total sum of lease investment assets included in Other assets and interest receivables on lease investment assets) for the remaining lease periods, which were pledged as collateral for a portion of borrowed money, were as follows:

As of March 31, 2013	(Millions of yen)
Lease contract assets	¥1,241
Corresponding borrowed money	¥895

*10 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 as of March 31, 2013 were as follows:

As of March 31, 2013	(Millions of yen)
Total amount of unused commitments as of the end of the period:	¥381,433
Amount of unused commitments whose original contract terms were within one year or unconditionally cancelable at any time	¥366,453

Since many of these commitments are expected to expire without being drawn upon, the total amount of unused commitments does not necessarily represent actual future cash flow requirements. Many of these commitments have clauses that allow the Bank to withdraw the commitment line offer or reduce the contract amounts in situations where economic conditions are changed, the Bank needs to secure claims, or other conditions are triggered.

In addition, the Bank requires the customers to pledge collateral such as premises and securities and takes necessary measures such as seizing the customers' financial positions, revising contracts when the need arises and securing claims after conclusion of the contracts.

*11 Accumulated depreciation of tangible fixed assets

As of March 31, 2013	(Millions of yen)
Total amount of accumulated depreciation	¥33,656

*12 Deferred gains on tangible fixed assets deductible for tax purposes:

As of March 31, 2013	(Millions of yen)
Deferred gains	¥1,037

*13 The amount of guarantee liabilities for private placement bonds in "Securities" (provided in accordance with the Financial Instruments and Exchange Act, Article 2, Paragraph 3) was as follows:

As of March 31, 2013	(Millions of yen)
	¥2,307

(Relating to Consolidated Statements of Income)

*1 "Other ordinary income" includes the following item:

From April 1, 2012 to March 31, 2013	(Millions of yen)
Gain on sales stock	¥710

*2 "Other ordinary expenses" includes the following items:

From April 1, 2012 to March 31, 2013	(Millions of yen)
Write-off stocks	¥694
Amortization of stocks	—

*3 In the case of the following asset groups, book values were written down to the recoverable levels due to falling land prices and lower net cash from operating activities, and differences have been recorded as impairment losses.

(From April 1, 2012 to March 31, 2013)			(Millions of yen)
Location	Yamanashi Prefecture		Tokyo
Use		Operating assets	Operating assets
Category	Land	Land and intangible fixed assets.	Buildings, etc.
Total impairment loss	¥4	¥466	¥27

In this method of asset grouping, operating assets as a rule are treated as business premises units (however business premises groups that handle combined businesses are treated as Group units), and idle assets are treated as individual asset units. Head Office, computing centers, company residences and dormitories, etc. are regarded as shared assets.
Recoverable amounts are whichever is the higher of net selling prices and value in use. In the case of net selling prices, the calculation involves deduction of expected disposal expenses from the sum reasonably calculated by real estate asset valuation, etc. In the case of value in use, the calculation uses a 1.5% discount rate for future cash flow.

(Relating to Consolidated statements of comprehensive income)

*1 Reclassification adjustment and tax effect related to comprehensive income

From April 1, 2012 to March 31, 2013	(Millions of yen)
Valuation difference on available-for-sale securities:	
Difference arising during the fiscal year	¥27,256
Reclassification adjustment to profit and loss	(1,589)
Amount before income tax effect	25,666
Income tax effect	(8,872)
Valuation difference on available-for-sale securities:	16,794
Deferred hedge gains (losses)	
Gains (losses) arising during the fiscal year	(0)
Reclassification adjustment to profit and loss	0
Amount before income tax effect	0
Income tax effect	(0)
Deferred hedge gains (losses)	0
Total other comprehensive income	¥16,794

(Relating to Consolidated Statements of Changes in Net Assets)

1 Items to kind and total number of shares outstanding and treasury stocks

(Thousands of shares)

	Number of shares at the beginning of FY2012	Number of shares increased during FY2012	Number of shares decreased during FY2012	Number of shares at the end of FY2012	Remarks
Shares outstanding					
Common stock	184,915	—	5,000	179,915	Note 2
Treasury stock					
Common stock	6,453	2,613	5,000	4,067	Notes 1and 2

Note 1 Breakdown of the number of increase stocks during fiscal year are as follows.

Increased by acquisition of treasury stocks 2,600 thousand

Increased by purchase claims less than unit 13 thousand

2 Decrease during the consolidated fiscal year. A breakdown of the number of shares follows below.

(1) Issued and outstanding shares

Reduction due to retirements of treasury stock by resolution of the Board of Directors: 5,000,000 shares

(2) Treasury stock

Reduction due to retirements of treasury stock by resolution of the Board of Directors: 5,000,000 shares

Reduction due to subscription request for additional shares required to form one transaction unit: 0 shares

2 Matters concerning share subscription rights and own share options

Classification	Breakdown of share subscription rights	Class of shares to be issued or transferred upon the exercise of share subscription rights	Number of shares to be issued or transferred upon the exercise of share subscription rights (shares)				Balance as of the end of the FY2012 (Millions of yen)
			Beginning of FY2012	FY2012		End of the FY2012	
				Increase	Decrease		
The Bank	Stock options as share subscription rights			—			¥71
Total				—			¥71

3 Items relating to dividends

(1) Dividend paid during FY2012

(Resolution)	Type of stock	Total dividend (Millions of yen)	Dividends per share (Yen)	Reference date	Effective date
Annual general meeting of shareholders on June 28, 2012	Common stock	¥624	¥3.5	March 31, 2012	June 29, 2012
Board of directors' meeting on November 13, 2012	Common stock	535	3.0	September 30, 2012	December 5, 2012

(2) Dividends whose reference date falls in the current fiscal year, but where the effective date of dividend occurs after the end of FY2012.

(Resolution)	Type of stock	Total dividend (Millions of yen)	Fund for dividend	Dividends per share (Yen)	Reference date	Effective date
Annual general meeting of shareholders on June 27, 2013	Common stock	¥527	Retained earnings	¥3.0	March 31, 2013	June 28, 2013

(Relating to Consolidated Statements of Cash Flows)

*1 The reconciliation of the cash and due from banks in the consolidated balance sheets and the cash and cash equivalents at March 31, 2013, is as follows:

Cash and due from banks	¥98,997 million
Due from banks, excluding due from Bank of Japan	(10,108) million
Cash and cash equivalents	¥88,889 million

(Relating to Lease Transactions)

Finance leases

(Lessee)

Finance leases that are not deemed to transfer ownership of the leased property to the lessee

1 Details of lease assets

(1) Tangible fixed assets

Principally office equipment

(2) Intangible fixed assets

Software

2 Method of depreciation of lease assets

Lease assets are depreciation in accordance with the stipulations as described in "Important items used as basis for preparing consolidated financial statements, 4 Items relating to accounting standards (4) Methods of depreciation."

(Lessor)

1. Details of net investment in leases for the year ended March 31, 2013 are as follows:

	(Millions of yen)
Gross lease receivables	¥7,928
Estimated residual value	—
Unearned interest income	(658)
Net investment in leases	¥7,269

2. Expected amounts from the collection of gross lease receivables for the year ended March 31, 2013 are as follows:

	(Millions of yen)
1 year or less	¥2,638
1 to 2 years	2,012
2 to 3 years	1,478
3 to 4 years	961
4 to 5 years	467
Over 5 years	368
Total	¥7,928

(Financial Instruments and Related Disclosure)

1. Qualitative Information of Financial Instruments

(1) Policy for financial instruments

The Group is involved in financial services including the leasing and the credit card business, etc. around the banking business. Within banking, we are involved in the business of taking deposits, making loans and securities trading, as well as the over-the-counter sale of public bonds such as Japanese government bonds, investment trusts and insurance. In addition, for the purpose of short-term fund raising, we enter into call loans and call money in the interbank market. In hedging foreign exchange risk and finance and using different currencies, we enter into forward exchange contracts including fund swap transactions. However, we do not conduct transactions whose structures are complicated and speculative transactions. Because we hold financial assets and liabilities with interest rate risk, we conduct Asset Liability Management (ALM) to limit the disadvantageous influence from fluctuations in interest.

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

The financial assets that the Group holds are loans for domestic customers and domestic securities. Loans have credit risk, brought about by the borrower's nonperformance of contractual obligations. The contents of securities are mainly bonds, stocks and investment trusts. The Group holds these securities for the purpose of holding to maturity, investment available for sale and policy investment (business promotion). Securities have issuer's credit risk, interest rate risk and market price risk.

The Group regards the deposits from customers as its main supply of financial funds. The Group secures stable financing by maintaining the soundness of financial affairs, but has liquidity risk that it may not be possible to obtain necessary funds due to the outflow of unexpected funds.

Derivative transactions are mainly fund swap transactions that are combinations of spot and forward exchange contracts. Those transactions apply hedge accounting based on JICPA Industry Audit Committee Report No. 25, "Treatment of Accounting and Auditing concerning Accounting for Foreign Currency Transactions in the Banking Industry." A part of derivative transactions that do not meet the criteria for hedge accounting have foreign exchange risk.

(3) Risk management systems for financial instruments

① *Credit risk management*

The Group performs maintenance of the credit screening system, fosters talented human resources and positively advances credit risk management. The credit screening system keeps the credit screening section independent and performs strict screening in advance, performs interim screening and assesses credit enhancements and credit risk management after lending. Regarding administration, the marketing section and credit screening section or the headquarters and business offices perform mutual check functions. The Group tries for the observance of the financing rule and appropriate use and thereby acts in enhancement of system support such as the practical use of the financing support system. Furthermore, for coping with risk fluctuating continually, the Group monitors the actual condition of customers through credit rating and self assessment to be performed regularly or at any time. The Group introduced “Credit risk information integration service” that is a joint undertaking of the banks that joined the Regional Bank Association to attempt the upgrade of the credit risk management and are aiming at refining measurement of value at risk (VaR).

We monitor credit information, current-prices and VaR and manage the credit risk of issuers of securities and counterparty risk of derivative transactions in the risk management section.

The situation of these risk management activities is reported to management regularly in the ALM Committee and the board of directors.

② *Market risk management*

(A) Interest-rate risk management

The Group supports the needs of customers properly and, for the earning capacity improvement of the bank, conducts interest rate risk management as a basic policy. We devised “the basic policy for the interest rate risk hedge” as a general rule every half term to control interest rate risk properly in the ALM Committee in which management is involved as the main members and involved in examining interest rate changes and reviews it regularly. In addition, in the ALM committee meeting held monthly, the Group examines an interest rate predictive report that the interest rate prediction committee produces and monitors the change in the interest rate risk amount of the whole bank account closely. In the risk management section, the Group calculates VaR and basis point value (BPV) and manages the interest rate risk amount of the banking account. In addition, the Group performs stress tests based on a stress scenario extending to each risk category and by Monte Carlo simulation of interest rate changes. These results are reported to management regularly in the ALM Committee and the board of directors.

(B) Foreign exchange risk management

The Group manages foreign exchange risk by monitoring exposure to foreign exchange and VaR in the risk management section. Moreover, it reports regularly to management in the ALM committee and board of directors, etc. The majority of foreign exchange risk is hedged by forward exchange contracts.

(C) Market price risk management

Regarding investment in financial instruments including securities, the Group conducts risk management in conformity with a basic administration policy. The basic administration policy is as follows. The Group executes the market business while attempting to secure fairness and prompt correspondence. The Group takes the opportunity for earnings by actively taking risks that can be measured and managed. The proof of maximizing management vitality, like earnings and equity capital, are assumed to be a precondition. The operative plans are decided by the board of managing directors after discussion with the ALM Committee.

In making the plans, the Group examines the expected rate of return based on the prospect of interest rate and stock prices, market price risk and return in consideration of the correlation between the financial instruments invested in. The Group measures market price risks such as stock price risk using the VaR method. The ALM Committee monitors VaR based on risk limits and the results of stress tests and tries for coexistence of securing of financial soundness and earning profit.

(D) Derivative transactions

For derivative transactions, the maintenance of strong management is aimed at so as not to exert a negative influence on profit and loss, and the Group tries to set position limits and operate loss-cut rules strictly based on the risk management standard. Moreover, the Group reports regularly to management in the ALM committee and the board of directors, etc.

(E) Quantitative information regarding market risk

In principle, the Group undertakes a quantitative analysis of the market risks applicable to all of its financial instruments. The volume of market risk is mainly managed utilizing VaR method. In specific terms, market risks are managed in a manner that ensures that VaR (the amount of risk after writing down investment in shares undertaken for strategic business purposes for a portion of VaR) does not exceed the maximum amount of risk (amount of capital allocation) determined by a resolution of the Board of Directors or other appropriate bodies. The variance-covariance method (holdings period: 240 days; confidence interval: 99%; observation period: 240 business days) is used to measure VaR (excluding trading securities) while taking into consideration the correlation among yen-denominated interest, shares and investment trusts. In addition, with respect to the yen-denominated interest risk applicable to demand deposits, internal models are used to estimate core deposits and VaR used as the means for measurement. Trading securities VaR is measured using the separate holding period of 10 days. Financial instruments including shares of non-listed companies, where fair values are deemed as being extremely difficult to ascertain, are managed on a credit risk basis. Taking into consideration the nominal amount of market risk applicable to the financial instruments held by consolidated subsidiaries, these financial instruments are excluded from the scope of VaR measurement.

The Group's VaR (excluding trading securities) amounted to ¥33,953 million as of March 31, 2013 compared with ¥21,852 million as of the end of the previous fiscal year. The VaR of trading securities was ¥0 million as of the end of the fiscal year under review, unchanged from the previous fiscal year-end. The Group undertakes backtesting to compare VaR, calculated using VaR measurement models, with actual income and loss. The results of this comparison are reported to the ALM Committee on a monthly basis. As a result of this backtesting, the Group is confident that the VaR measurement models used are more than adequate in accurately identifying market risks. However, VaR represents the amount of market risks arising with a certain probability using a statistical methodology based on historical market volatilities. Accordingly, situations may arise where it is not possible to identify risks appropriately due to market environment volatility that exceeds normally recognized parameters.

③ *Liquidity risk management*

The Group controls liquidity risk by managing the mismatch between the terms of investing and procuring funds as well as holding highly liquid assets. Financing risk is limited by holding assets with high liquidity as payment reserves for unexpected capital outflows, and a smooth financing resource is secured. Moreover, the Group reports regularly to management in the risk management committee and the board of directors, etc.

(4) Supplementary explanation of the fair value financial instruments

The fair value of financial instruments includes, in addition to the value based on the market price, the value reasonably calculated if no market prices are available. Certain assumptions are used in the calculation of such amounts. Accordingly, the results of such calculations may vary if different assumptions are used.

2. Fair Values of Financial Instruments

Fair value and carrying amounts of financial instruments are shown below. Some instruments, such as unlisted stocks, whose fair values are extremely difficult to determine, are not included in the table below (see Note 2).

(Millions of yen)

	Carrying amount	Fair value	Difference
(1) Cash and due from banks	¥98,997	¥98,997	¥—
(2) Trading securities			
Trading securities	24	24	—
(3) Securities			
Held-to-maturity	2,307	2,303	(4)
Available-for-sale securities	1,367,791	1,367,791	—
(4) Loans and bills discounted	1,499,875		
Accrued income (Interest on loans)	1,138		
Deferred income (Interest on loans and guarantee charge) (*1)	(1,056)		
Reserve for possible loan losses (*2)	(20,210)		
	1,479,747	1,499,284	19,537
Total	¥2,948,868	¥2,968,401	¥19,532
(1) Deposits	¥2,546,917		
Accrued expenses (Interest on deposits)	1,358		
	2,548,275	2,549,980	1,705
(2) Negotiable certificates of deposits	133,794		
Accrued expenses (Interest on NCDs)	71		
	133,866	133,894	27
(3) Borrowed money	105,826	105,832	6
Total	¥2,787,968	¥2,789,707	¥1,738
Derivatives (*3)			
Hedge accounting is applied	23	23	—
Hedge accounting is not applied	—	—	—
Total	¥23	¥23	¥—

*1. Represents deferred interest received on loans and deferred guarantee fees received of a consolidated subsidiary performing guarantees on the Bank's loans to customers.

*2. General reserve for possible loan losses and specific reserve for possible loan losses provided to "Loans and bills discounted" are separately presented in the above table.

*3. Derivative transactions recorded in "Other assets" and "Other liabilities" are aggregated and shown herein. Assets and liabilities attributable to the derivative transactions are totally offset and the net liability position as a consequence of offsetting would be represented with brackets.

(Note 1) Method Used for Determining the Fair Value of Financial Instruments

Assets

(1) Cash and due from banks

For due from banks without maturity, fair value is the value closest to acquisition cost or amortized cost method value. For due from banks with maturity, the contract period is short (less than one year) and fair value is the value closest to acquisition cost or amortized cost method value.

(2) Trading securities

The fair values of securities such as bonds held for trading are determined by reference to quoted market prices on stock exchanges or prices offered by correspondent financial institutions.

(3) Securities

The fair values of shares are determined by reference to quoted market prices on stock exchanges. The fair values of bonds are determined by reference to quoted market prices or prices offered by correspondent financial institutions. Investment trusts are determined by reference to their publicly available unit prices. The fair values of bonds, such as unlisted corporate bonds, whose quoted market prices or prices offered by correspondent financial institutions are not available, are their present values that are estimated for each classification based on the issuers' internal rating and terms and by discounting the future cash flows of the principal and interest using the market interest rates plus credit cost rates in accordance with internal ratings and expense rates.

(4) Loans and bills discounted

As floating-rate loans and bills discounted reflect market interest rates over short periods, unless the credit standing of the borrower is significantly different after the loan was made or the bill was drawn, the fair value approximates the carrying value. The fair value is therefore deemed equal to the carrying value.

The fair values of fixed-rate loans and bills discounted are their present values that are estimated for each classification based on their type, internal rating, status of collateral and guarantee, and terms, and by discounting the future cash flows of the principal and interest using the rates at which similar new loans would be made or market interest rates plus credit cost rates in accordance with internal ratings and expense rates. The fair values of fixed-rate loans and bills discounted whose terms are short (within one year) approximating their carrying values and are therefore deemed equal to the carrying values.

Losses from loans to borrowers in legal bankruptcy, in virtual bankruptcy and in possible bankruptcy are computed based on estimated recoverable amounts. Then the fair values of those loans approximate the consolidated balance sheet amounts at the closing date minus the currently estimated losses and are therefore deemed equal to the amounts.

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

Liabilities

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

The fair values of demand deposits are deemed equal to the amounts that would be paid (carrying values) if the payments were demanded at the balance sheet date. The fair values of time deposits and negotiable certificates of deposit, which are classified in accordance with their periods, are their present values that are estimated by discounting the future cash flows using the rates that would be offered for new deposits to be received.

The fair values of deposits and negotiable certificates of deposit with short deposit terms (within one year) or with variable interest rates approximate their carrying values and are deemed equal to their carrying values.

(3) Borrowed money

Borrowed money that attracts a floating rate of interest accurately reflects market rates of interest over the short term. In addition, the credit standing of the Bank and its consolidated subsidiaries has not largely changed since the subject borrowed money was drawn down and the fair value of the subject borrowed money is approximately equal to the book value. Taking these factors into consideration, the book value is deemed as the fair value. For borrowed money that attracts a fixed rate of interest, fair values are calculated by discounting the total amount of the principal and interest of the subject borrowed money at interest rates considered to be applicable to similar loans. Moreover, for short-term periods where the contract term is less than one year, the book value is used as the fair value reflecting the closeness between each.

Derivatives

The derivative transactions are related to the currency transactions (forward exchange contract). The fair values are determined based on quotations by the level such as the markets between the inter-bank and the dealers.

(Note 2) Financial instruments whose fair values are extremely difficult to be determined recorded on the consolidated balance sheet are as follows. The following instruments are not included in 'Assets (3) Securities' in the above table showing the fair values of financial instruments as of March 31, 2013.

(Millions of yen)

	Carrying amount
Unlisted equity securities (*1) (*2)	¥369
Contributions to unions (*1) (*3)	95
Total	¥464

*1. They are excluded from disclosure because they do not have a market price and their fair values are extremely difficult to determine.

*2. Classified as available-for-sale securities; in the previous consolidated fiscal year, an impairment loss of ¥1 million was recognized.
Classified as available-for-sale securities; in the consolidated fiscal year under review, no impairment loss was recognized.

*3. It is an investment in non-consolidated subsidiaries.

(Note 3) Maturity analysis for monetary claims and securities with contractual maturities

(Millions of yen)

	1 year or less	Over 1 year less 3 years	Over 3 years less 5 years	Over 5 years less 7 years	Over 7 years less 10 years	Over 10 years
Due from banks	¥69,257	¥—	¥—	¥—	¥—	¥—
Securities	143,689	446,475	401,424	80,254	120,592	45,000
Held-to-maturity	1,044	611	617	34	—	—
Corporate bonds	1,044	611	617	34	—	—
Available-for-sale securities that have maturities	142,645	445,863	400,807	80,219	120,592	45,000
Japanese government bonds	82,586	270,884	287,500	40,000	81,100	45,000
Municipal bond	27,383	52,529	57,437	30,981	30,246	—
Corporate bonds	32,205	120,568	54,459	9,238	9,246	—
Others	470	1,881	1,410	—	—	—
Loans and bills discounted (*)	320,627	303,366	256,698	122,970	132,944	207,558
Total	¥533,574	¥749,842	¥658,123	¥203,224	¥253,537	¥252,558

* Of loans and bills discounted, the portion whose timing of collection is unforeseeable, such as loans to borrowers in legal bankruptcy, in virtual bankruptcy and in possible bankruptcy, amounting to ¥50,948 million, is not included in the above table. Loans that do not have contractual maturities, amounting to ¥104,445 million are not included either.

(Note 4) Maturity analysis for interest-bearing debt

(Millions of yen)

	1 year or less	Over 1 year less 3 years	Over 3 years less 5 years	Over 5 years less 7 years	Over 7 years less 10 years	Over 10 years
Deposits (*)	¥2,141,990	¥194,914	¥131,239	¥—	¥—	¥—
Negotiable certificates of deposits	132,279	1,515	—	—	—	—
Borrowed money	105,287	371	166	—	—	—
Total	¥2,379,558	¥196,802	¥131,405	¥—	¥—	¥—

* Non-interest-bearing deposits such as checking accounts are excluded. Demand deposits are included in “1 year or less.”

(Relating to securities)

1. Trading securities

(Millions of yen)

	Unrealized gains/losses recognized as income
Trading securities	¥0

2. Held-to-maturity debt securities

(Millions of yen)

		Carrying amount	Fair value	Differences
Fair value exceeded carrying amount:	Corporate bonds	¥1,586	¥1,591	¥5
Fair value not exceeded carrying amount:	Corporate bonds	721	711	(9)
Total		¥2,307	¥2,303	¥(4)

3. Available-for-sale securities

(Millions of yen)

		Fair value	Cost	Valuation differences
Fair value exceeded cost:	Japanese stocks	¥56,877	¥33,223	¥23,653
	Bonds total	1,254,887	1,228,906	25,980
	Japanese Government bonds	825,713	813,161	12,552
	Japanese municipal bonds	196,207	188,839	7,368
	Japanese corporate bonds	232,966	226,906	6,060
	Other securities	28,397	19,190	9,207
	Sub-total	1,340,162	1,281,320	58,841
Fair value not exceeded cost:	Japanese stocks	5,894	6,575	(680)
	Bonds total	14,815	14,851	(36)
	Japanese Government bonds	5,010	5,010	(0)
	Japanese municipal bonds	9,594	9,630	(35)
	Japanese corporate bonds	210	211	(0)
	Other securities	6,918	6,961	(43)
	Sub-total	27,628	28,388	(759)
Total		¥1,367,791	¥1,309,708	¥58,082

Note: Unlisted stocks that have a fair value and cost of ¥369 million, respectively, are excluded from the table above since there are no market prices and their fair values are extremely difficult to be determined.

4. Held-to-maturity debt securities sold

Not applicable.

5. Available-for-sale securities sold

(Millions of yen)

Type	Sales costs	Gross realized gains	Gross realized losses
Japanese stocks	¥5,121	¥648	¥499
Bonds total	149,895	2,316	133
Japanese Government bonds	144,233	2,254	133
Japanese municipal bonds	5,060	60	—
Japanese corporate bonds	601	1	—
Other securities	3,323	76	892
Total	¥158,340	¥3,042	¥1,525

6. Securities recognized for revaluation loss

Among securities other than securities for trading purposes (except securities for which the fair value is extremely difficult to ascertain), for securities that are not recognized as having prospects of recovery after their fair value fell sharply compared with the acquisition costs, fair value is recognized in the consolidated balance sheets, and valuation difference is treated as an impairment loss ("revaluation loss") in the consolidated year under review.

The total amount of revaluation loss recognized during the previous consolidated fiscal year was ¥580 million (with shares accounting for the full sum).

No revaluation loss was recognized during the consolidated fiscal year under review.

The impairment accounting standards applied in cases where fair value is judged to have fallen significantly are as follows.

(1) Across-the-board impairment losses shall be booked for securities whose fair values as of the consolidated balance decline by 50% or more compared with their acquisition costs.

(2) Impairment losses shall be booked for securities whose fair values decline by 30% or more, but less than 50% where it is deemed that there is little likelihood of a recovery in value after taking into consideration fair value levels over the past year.

(3) Impairment losses shall be booked for securities whose fair values decline by less than 30% as and when deemed necessary after taking into consideration the financial standing and related factors of the issuer.

(Relating to money held in trust)

Consolidated fiscal year under review (March 31, 2013)

	Consolidated balance sheets amounts recognized (¥ million)	Acquisition cost (¥ million)	Difference (¥ million)	Of which the acquisition cost is exceeded by the amount recorded in the consolidated balance sheets (¥ million)	Of which the acquisition cost is not exceeded by the sum recorded in the consolidated balance sheets (¥ million)
Other money held in trust	311	311	—	—	—

(Relating to net unrealized gains/losses on available-for-sale securities)

Available-for-sale securities were valued at market and net unrealized gains/losses on valuation were as follows:

(Millions of yen)

	Amounts
Valuation difference	¥58,082
Deferred tax liabilities	20,288
Net unrealized gains (before minority interests)	37,793
Minority interests	4
Net unrealized gains on available-for-sale securities	¥37,789

(Relating to derivative transaction)

1 Derivative Instruments not accounted for as hedges

Regarding the derivative instruments which are not accounted for as hedge transactions, Contract Amount or Notional Amount, Fair Value and Unrealized Gain or Loss for each type of derivative transactions, respectively, at the end of the consolidated balance sheet date, and Determination of fair value are as follows. Contract Amount or Notional Amount does not show itself market risk of derivative instruments.

(1) Interest-related derivative instruments

Not applicable

(2) Currency-related derivative instruments

(Millions of yen)

		Contract Amount or Notional Amount	Over 1 Year	Fair Value	Unrealized Gain/Loss
OTC	Forward Rate Agreements				
	Sold	¥329	—	¥(16)	¥(16)
	Buy	377	—	40	40
	Total	—	—	¥23	¥23

(Notes) 1 Derivative instruments are revalued to fair value. Changes in fair value are included in the consolidated statement of operations.
2 Determination of fair value:
Fair value is determined based on the discounted net present value model.

(3) Stock-related derivative instruments

Not applicable

(4) Bond-related derivative instruments

Not applicable

(5) Commodity-related derivative instruments

Not applicable

(6) Credit derivative transactions

Not applicable

2 Derivative Instruments accounted for as hedges

Regarding the derivative instruments which are accounted for as hedge transactions, Contract Amount or Notional Amount, and Fair Value for each type of derivative transactions, respectively, at the end of the consolidated balance sheet date, and determination of fair value are as follows. Contract Amount or Notional Amount does not show itself market risk of derivative instruments.

(1) Interest-related derivative instruments

Not applicable

(2) Currency-related derivative instruments

Not applicable

(3) Stock-related derivative instruments

Not applicable

(4) Bond-related derivative instruments

Not applicable

(Relating to employees' retirement benefits)

1. Outline of the employees' retirement benefits

The Group has a non-contributory defined benefit pension plan and a lump-sum severance indemnity plan. Employees whose services with the Group are terminated are, under most circumstances, entitled to retirement and pension benefits determined by reference to basic rates of pay at the time of termination, length of service and conditions under which the termination occurs.

2. The liability for employees' retirement benefits consisted of the following:

(Millions of yen)

		End of FY2012 (March 31, 2013)
		Amounts
Projected benefit obligation	(A)	¥(24,644)
Fair value of plan assets	(B)	15,678
Funded status	(C)=(A)+(B)	(8,965)
Unrecognized actuarial loss	(D)	2,650
Unrecognized prior service cost	(E)	(284)
Net liability	(F)=(C)+(D)+(E)	(6,600)
Prepaid pension cost	(G)	1,080
Liability for employees' retirement benefits	(F)−(G)	¥(7,680)

3. The components of net periodic retirement benefit costs were as follows:

(Millions of yen)

		Consolidated FY2012 (Form April 1, 2012 to March 31, 2013)
		Amounts
Service cost	(A)	¥727
Interest cost	(B)	449
Expected return on plan assets	(C)	(196)
Amortization of actuarial loss	(D)	(87)
Amortization of prior service cost	(E)	507
Net periodic retirement benefit costs	(F)=(A)+(B)+(C)+(D)+(E)	¥1,401

4. Items to assumption used in the calculation of the liability for employees' retirement benefits

	Consolidated FY2012 (Form April 1, 2012 to March 31, 2013)
(1) Discount rate	1.4%
(2) Expected rate of return on plan assets	2.0%
(3) Method of attributing the projected benefits to periods of services	Straight-line basis
(4) Amortization period of prior service cost	10 years
(5) Amortization period of actuarial gain/loss	10 years commencing from start of the subsequent fiscal year

(Stock option and other related information)

1. Accounting line item and the amount of stock options charged as expenses

(Millions of yen)

	Consolidated FY2012 (From April 1, 2012 to March 31, 2013)
General and administrative expenses	¥39

2. Description of stock options / Changes in the size of stock options

(1) Description of stock options

	2012 Stock Options
Category and number of people to whom stock options are granted	The Bank's directors (excluding outside directors): 12
Type and number of shares granted as stock options	Common stock: 124,900 shares
Date on which stock options were granted	July 30, 2012
Vesting terms and conditions	Vesting terms and conditions have not been prescribed
Vesting period	Vesting period has not been prescribed
Exercise period	July 31, 2012 to July30, 2042

Note: The number of stock options is presented after converting to the number of shares.

(2) Changes in the size of stock options

The following describes changes in the size of stock options that existed during the fiscal year ended March 31, 2012. The number of stock options is converted into the number of shares.

① Number of stock options

	2012 Stock Options
Stock options which are not yet vested (shares):	
As of March 31, 2012	—
Granted	124,900
Forfeited	—
Vested	124,900
Balance of stock options not vested	—
Stock options which have already been vested (shares):	
As of March 31, 2012	—
Vested	124,900
Exercised	—
Forfeited	—
Balance of stock options not exercised	124,900

② Per share price information

	2012 Stock Options
Exercise price (Yen)	1
Average price per share upon exercise (Yen)	—
Fair value per share at the grant date (Yen)	314

3. Method for estimating the per share fair value of stock options

During the fiscal year ended March 31, 2013, the fair value per share with respect to 2012 stock options was estimated as follows:

(1) Evaluation technique used to estimate the fair value per share: Black-Scholes method

(2) Main numerical and estimation methods

	2012 Stock Options
Stock price volatility (Note 1)	31.6%
Projected residual period (Note 2)	16 months
Projected cash dividends (Note 3)	¥7/share
No risk interest rate (Note 4)	0.10%

Notes:
1. Stock price volatility is calculated based on the stock price performance for the period (weekly from the week of February 28, 2011 to the week of July 23, 2012) that corresponds to the projected residual period.
2. The projected residual period is estimated based on the average period in office of directors (excluding outside directors) who have retired in the past.
3. Projected cash dividends are based on cash dividend results for the fiscal year ended March 31, 2012.
4. The no risk interest rate is the yield on government bonds for the period that corresponds to the projected residual period.

4. Estimation method for the number of stock options vested

Because it is difficult to reasonably estimate the number of stock options that will be forfeited in the future, the number of stock options that has actually been forfeited is solely reflected for the stock options that have already been vested.

(Relating to tax effect accounts)

1. The tax effects of significant temporary differences and tax loss carry-forwards which resulted in deferred tax assets and liabilities are as follows:

(Millions of yen)

	Consolidated FY2012 (Form April 1, 2012 to March 31, 2013)
Deferred tax assets:	
Allowance for possible loan losses	¥6,381
Losses on investment securities	4,208
Reserve for retirement benefits	1,985
Depreciation	1,914
Other	2,762
Sub-total	17,252
Valuation allowance	(8,355)
Total deferred tax assets	8,897
Deferred tax liabilities:	
Unrealized gains on available-for-sale securities	(20,288)
Other	(1,385)
Total deferred tax liabilities	(21,674)
Net deferred tax assets (figures in parentheses represent liabilities)	(12,776)

2. A reconciliation between the normal effective statutory tax rate and the actual effective tax rate reflected in the accompanying consolidated statements of income is as follows:

	Consolidated FY2012 (Form April 1, 2012 to March 31, 2013)
Normal effective statutory tax rate	—
Valuation allowance	—
Income not taxable for income tax purposes	—
Expenses not deductible for income tax purposes	—
Adjustment in consolidation due to the loss on devaluation of stocks of consolidated subsidiaries	—
Reduction in fiscal year-end deferred tax assets due to tax rate changes	—
Other—net	—
Actual effective tax rate	—

(Segment information by type of business)

【Segment information】

Segment Information is not shown in these statements, since the banking business is the only reportable segment.

【Related information】

1 Information for service segment

(Millions of yen)

	Loans	Securities investment	Other	Total
Ordinary income from customers	¥23,119	¥15,145	¥12,205	¥50,470

(Note) Instead of the net sales of a non-financial company, ordinary income in gross is indicated.

2 Information for geographic areas

Not describe.

3 Information about major customers

Not describe.

【Information about impairment loss of fixed assets in segment】

Not describe.

【Information about the amortization of goodwill and unamortized balance by reportable segment】

Not applicable.

【Information about the gain recognized on negative goodwill by reportable segment】

Not applicable.

【Related-Party Transactions】

1. Related-party transactions involving directors, corporate auditors and major stockholders (individuals only) of the Bank.

(Millions of yen)

Relationship	Name	Address	Paid-in capital	Position	Voting rights[%]	Details of business relationship	Transactions	Transaction amount	Accounting name	Year-end balance
Statutory auditor	Toshihito Furuya	—	—	Corporate auditor of the Bank, simultaneously serving as legal advisor	0.01	Lending Compensation for legal advisory services	Lending	—	Loans	175
							Interest income	4	—	—
							Legal advisory fee paid	3	—	—
Director's consort	Mayumi Nagasaka	—	—	Director's consort of the Bank	—	Lending	Lending	—	Loans	42
							Interest income	0	—	—
Director's consort	Yuko Ogiwara	—	—	Director's consort of the Bank	—	Lending	Lending	—	Loans	10
							Interest income	0	—	—

Note: The conditions as applied to general parties with which the Bank enters into transactions are applied.

(Per Share Information)

(Yen)

	Consolidated FY2012 (Form April 1, 2012 to March 31, 2013)
Net assets per share	¥1,093.22
Net income per share	35.69
Diluted net income per share	35.64

Note: The basis for calculating net income per share and diluted net income per share is presented as follows.

(Millions of yen)

	Consolidated FY2012 (Form April 1, 2012 to March 31, 2013)
Net income per share	
Net income	¥6,362
Net income attribute to common stock	¥6,362
Average balance of common stock (thousands)	¥178,242
Diluted net income per share	
Increase in the number of common stock (thousands)	226
New share subscription rights (thousands)	226

(Important subsequent events)

Not applicable.

Corporate Data

(as of March 31, 2013)

Common Stock: ¥15,400 million

Number of Shares:

Authorized 398,000,000 shares

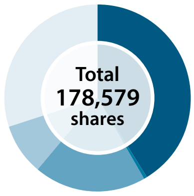
Issued 179,915,000 shares

Number of Stockholders: 6,470

Stock Listing: First Section of the Tokyo Stock Exchange

Transfer Agent: Mitsubishi UFJ Trust & Banking Corporation

Breakdown of Stockholders



Financial institutions	73,747	41.30%
Securities companies	1,114	0.62%
Other corporations	34,466	19.30%
Foreigners	15,820	8.86%
Individuals and others	53,432	29.92%

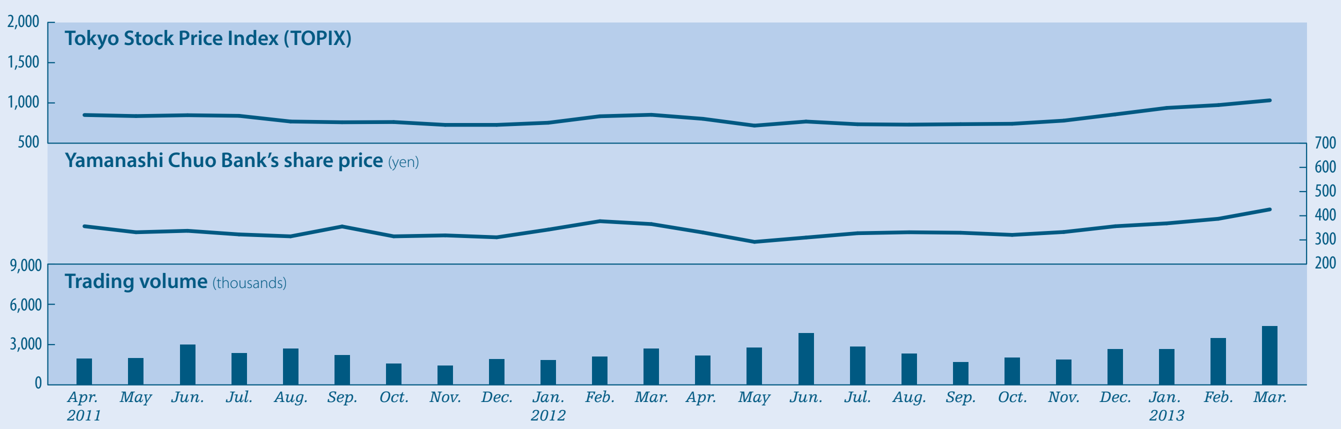
*Shares (1 trading unit: 1,000 shares)

Note: The category "Individuals and others" contains treasury stock in the number of 4,067 trading units of shares.

Major Stockholders

Name	Number of shares held (thousands)	Percentage of all shares issued (%)
Japan Trustee Services Bank, Ltd. (Trustee Account)	10,577	5.87
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	7,169	3.98
Meiji Yasuda Life Insurance Company	6,047	3.36
The Yamanashi Chuo Bank, Ltd. Employees' Stockholdings	5,949	3.30
The Master Trust Bank of Japan, Ltd. (Trustee Account)	3,757	2.08
Tokio Marine & Nichido Fire Insurance Co., Ltd.	3,000	1.66
Fukoku Mutual Life Insurance Company	3,000	1.66
Teikyo University	2,977	1.65
CBNY DFA INTL SMALL CAP VALUE PORTFOLIO	2,972	1.65
FUJI KYUKO CO., LTD.	2,657	1.47
Total	48,107	26.73

Yamanashi Chuo Bank's Share Price and Trading Volume on the Tokyo Stock Exchange



Consolidated Subsidiaries

Name	Capital (Millions of yen)	Yamanashi Chuo Bank's share (%)	Lines of business
Yamanashi Chuo Guarantee Co., Ltd.	20	99.8	Loan guarantees
Yamanashi Chugin Lease Co., Ltd.	20	61.0	Leasing
Yamanashi Chugin DC Card Co., Ltd.	20	67.5	Credit cards
Yamanashi Chugin Management Consulting Co., Ltd.	200	85.0	Consulting, economic research

Board of Directors and Corporate Auditors

(as of July 1, 2013)

Chairman
Toshihisa Ashizawa

President
Nakaba Shindo

Senior Managing Director
Mitsuyoshi Seki

Managing Directors
Masanobu Tanaka
Tadashi Kato
Kimihisa Tanabe

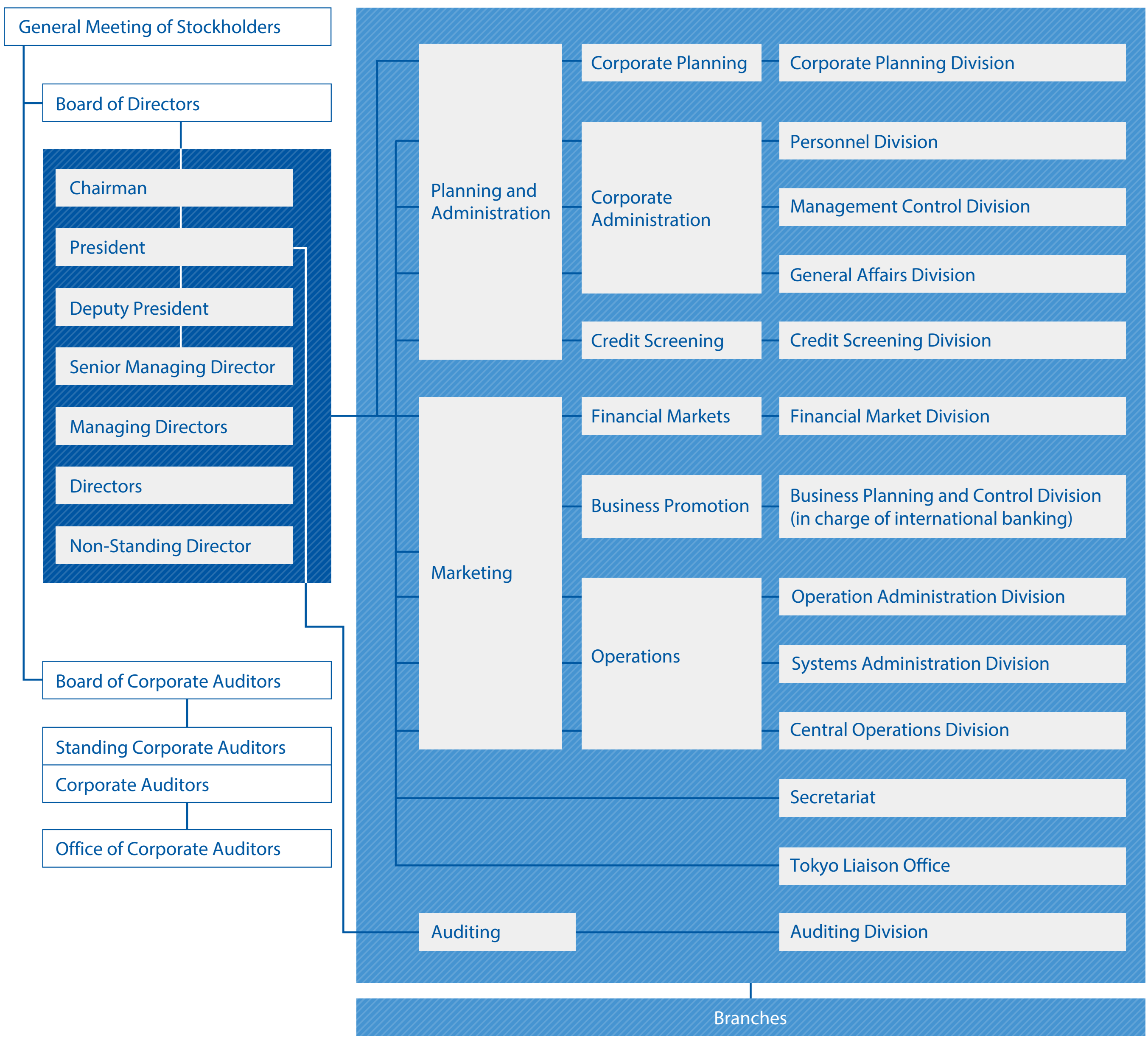
Directors
Akio Hosoda
Masayuki Ogihara
Takehiro Hirose
Tatsuyuki Miyake
Fumiaki Asakawa
Kunihito Inoue
Masaki Saito

Standing Corporate Auditors
Takehiko Sano
Yoshinori Iwama

Corporate Auditors
Magozaemon Takano
Toshihito Furuya
Koichiro Horiuchi

Organization

(as of July 1, 2013)



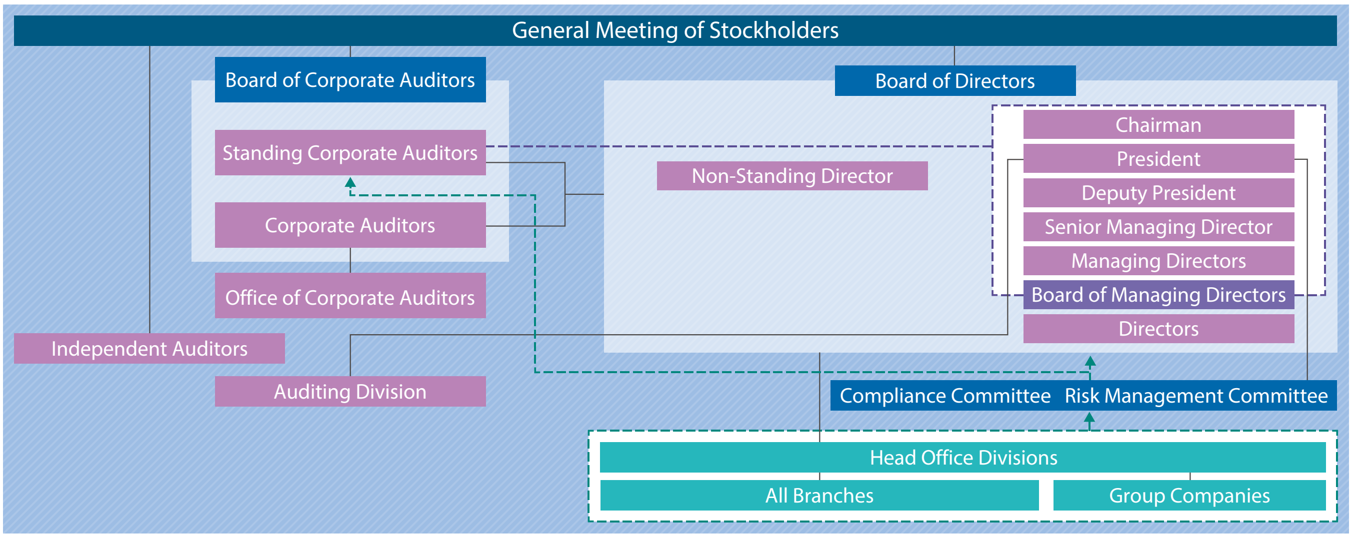
Internal Control and Risk Management

Enhancing corporate governance

Yamanashi Chuo Bank is very aware of its social responsibility as a banking institution and its public-service mission in that role. Accordingly, it aims to secure the trust of the community it serves by such means as maintaining sound management and assuring transparency of management, seeking constantly to contribute to the prosperity of the local region and the development of its economy.

To fulfill its mission, the Bank has built a stronger internal control system and organizational structure to improve its management efficiency. All staff are committed to maintaining high ethical standards, and to enhancing corporate governance through ongoing initiatives and the active disclosure of corporate activities.

The structure of the internal control system



Risk Management

The operating environment for financial institutions is changing constantly, and banks consequently face a diversifying array of increasingly complex risks. To secure a steady earnings stream into the future, it is therefore essential for the Bank to accurately ascertain the monetary value of the various risks involved in the conduct of its banking operations, and then to continuously monitor and manage those risks.

The risks to which the Bank is exposed are broadly categorized for management purposes as credit risk, market risk, liquidity risk and operational risk. To ensure integrated risk appraisal and analysis, the Bank's ALM committee and the Risk Management Committee assess the possible impact of risk materialization on the Bank's operations and work out countermeasures. The Bank uses a system of risk-adjusted capital allocation to ensure the soundness of banking operations and effective use of capital.

Compliance

With regard to compliance, we believe that our duty is not solely to abide by the law, but also to ensure the strict observance of social norms, to meet the demands and expectations of the broader community. We are committed to ensuring protection of customer rights and enhancement of user convenience.

At the Yamanashi Chuo Bank, we assign a high management priority to compliance. To maintain and reinforce the relationship of trust we enjoy with our customers, we have set up a compliance management system headed by the Compliance Committee, and we work constantly to further strengthen our compliance stance. To supervise and monitor compliance-related matters at all the Bank's offices, Compliance Officers have been appointed in each department at the Bank's Head Office and at each branch. We conduct Compliance Program every fiscal year to establish an effective compliance framework.

The program lays out concrete steps to realize compliance with the provisions of particular laws and regulations, as well as compliance training courses. The staff at the Bank's Head Office departments and its branch offices are working together to ensure adequate compliance throughout the Bank. We intend to further reinforce our compliance stance in the coming years.

THE YAMANASHI CHUO BANK, LTD.

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