Notes to Consolidated Financial Statements

THE 77 BANK, LTD. AND SUBSIDIARIES
Year Ended March 31, 2012

1. Basis Of Presenting Consolidated Financial Statements

The accompanying consolidated financial statements have been prepared in accordance with the provisions set forth in the Japanese Financial Instruments and Exchange Act and its related accounting regulations and the Enforcement Regulation for the Banking Law of Japan (the "Banking Law"), and in conformity with accounting principles generally accepted in Japan ("Japanese GAAP"), which are different in certain respects as to the application and disclosure requirements of International Financial Reporting Standards.

In preparing these consolidated financial statements, certain reclassifications and rearrangements have been made to the consolidated financial statements issued domestically in order to present them in a form which is more familiar to readers outside Japan. In addition, certain reclassifications have been made in the 2011 consolidated financial statements to conform to the classifications used in 2012.

In conformity with the Companies Act of Japan (the "Companies Act") and other relevant regulations, all Japanese yen figures in the consolidated financial statements have been rounded down to the nearest million yen, except for per share data. Accordingly, the total of each account may not be equal to the combined total of individual items. Also, U.S. dollar amounts have been rounded down to the nearest thousand dollars.

The consolidated financial statements are stated in Japanese yen, the currency of the country in which The 77 Bank, Ltd. (the "Bank") is incorporated and operates. 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 ¥82.19 to U.S.$1, the approximate rate of exchange at March 30, 2012. Such translations should not be construed as representations that the Japanese yen amounts could be converted into U.S. dollars at that or any other rate.

2. Summary Of Significant Accounting Policies

a. Consolidation—The consolidated financial statements include the accounts of the Bank and its subsidiaries (together, the "Companies"). There were seven consolidated subsidiaries as of March 31, 2012 and 2011.

Under the control or influence concept, those companies in which the Bank, directly or indirectly, is able to exercise control over operations are fully consolidated.

All significant intercompany balances and transactions have been eliminated in consolidation. All material unrealized profits included in assets resulting from transactions within the Companies are eliminated.

b. Cash and Cash Equivalents—For the purpose of the consolidated statement of cash flows, cash and cash equivalents represent cash and amounts due from the Bank of Japan.

c. Trading Account Securities, Investment Securities and Money Held in Trust—Securities other than investments in affiliates are classified into three categories, based principally on the Companies' intent, as follows: (1) trading account securities, which are held for the purpose of earning capital gains in the near term, are reported at fair value and the related unrealized gains and losses are included in earnings, (2) held-to-maturity debt securities, which are expected to be held to maturity with the positive intent and ability to hold to maturity, are reported at amortized cost, and (3) 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.

The cost of trading account securities and available-for-sale securities sold is determined based on the moving-average method.

Available-for-sale securities for which fair value is extremely difficult to identify are reported at cost determined by the moving-average method.

For other than temporary declines in fair value, investment securities are reduced to net realizable value by a charge to income.

Securities included in money held in trust are also classified and accounted for by the same method as above.

The components of trust assets are accounted for based on the standard appropriate for each asset type. Instruments held in trust for trading purposes are recorded at fair value and unrealized gains and losses are recorded in other income/expenses. Instruments held in trust classified as available-for-sale are recorded at fair value with the corresponding unrealized gains/losses recorded directly in a separate component of equity. Instruments held in trust classified as held to maturity are carried at amortized cost.

d. Tangible Fixed Assets—Tangible fixed assets are stated at cost less accumulated depreciation and gains deferred on the sale and replacement of certain assets. Depreciation of tangible fixed assets, except for lease assets, is mainly computed by the declining-balance method at rates based on the estimated useful lives of the assets. The range of useful lives is principally from 5 to 31 years for buildings and from 4 to 20 years for equipment. Lease assets under finance lease transactions, in which substantial ownership is not deemed to have been transferred, are depreciated by the straight-line method over the lease term. The salvage value is zero or the guaranteed amounts if specified in the lease contracts (see Note 2.o).

e. Intangible Fixed Assets—The amortization of intangible fixed assets is calculated by the straight-line method. Capitalized costs of computer software developed/obtained for internal use are amortized by the straight-line method over the estimated useful lives of five years.

f. Long-Assets—The Companies review their long-lived assets for impairment whenever events or changes in circumstances indicate the carrying amount of an asset or asset group may not be recoverable. An impairment loss would be recognized if the carrying amount of an asset or asset group exceeds the sum of the undiscounted future cash flows expected to result from the continued use and eventual disposition of the asset or asset group. The impairment loss would be measured as the amount by which the carrying amount of the asset exceeds its recoverable amount, which is the higher of the discounted cash flows from the continued use and eventual disposition of the asset or the net selling price at disposition.

g. Foreign Currency Items—Assets and liabilities denominated in foreign currencies held by the Bank at year-end are translated into Japanese yen at the current exchange rates in effect at each balance sheet date. Exchange gains and losses are recognized in the fiscal periods in which they occur.

h. Reserve for Possible Loan Losses—The Bank determines the amount of the reserve for possible loan losses by means of management's judgment and assessment of future losses based on a self-assessment system. This system reflects past experience of credit losses, possible future credit losses, business and economic conditions, the character, quality and performance of the portfolio, and other pertinent indicators.

As part of the Bank's self-assessment system, the quality of all loans is assessed by branches and the credit supervisory division with a subsequent audit by the Bank's asset review and inspection division in accordance with the Bank's policy and rules for self-assessment of asset quality.

The Bank has established a credit rating system under which its debtors are classified into five categories. The credit rating system is used in the self-assessment of asset quality. All loans are classified into one of the following five categories for self-assessment purposes: "normal," "caution," "possible bankruptcy," "virtual bankruptcy" and "legal bankruptcy."

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

The subsidiaries determine the reserve for possible loan losses by a similar self-assessment system as that of the Bank.

The Bank and a certain subsidiary were damaged by the Great East Japan Earthquake on March 11, 2011, which affected a wide area along the Pacific coast in Northeast Japan including Miyagi Prefecture, which is our primary base of operations. For the year ended March 31, 2011, the Bank and the subsidiary recorded a reserve for possible loan losses with respect to loans amounting to ¥184,828 million to debtors (except for those classified as "possible bankruptcy" and lower categories) who are located in the regions which were severely damaged by the Great East Japan Earthquake and resulting tsunami. A reserve in an amount of ¥48,818 million was provided based on reasonable estimates on possible loan losses to be expected in the future by grouping these assets separately from the assessment results from the self-assessment system.

i. Reserve for Reimbursement of Deposits—Reserve for reimbursement of deposits which were derecognized as liabilities is provided for the future estimated payments for reimbursement claims on sleeping deposit accounts based on the historical reimbursement experience.

j. Reserve for Contingent Losses—Reserve for contingent losses is provided for the future estimated payments of burden money to the Credit Guarantee Corporations based on the historical experience of subrogation.

k. Reserve for Disaster Losses—Reserve for disaster losses is provided for the future estimated payments of repairs required for restoration of the branches damaged by the Great East Japan Earthquake based on reasonable estimates.

l. Employees' Retirement and Pension Plans—The Bank and certain subsidiaries have contributory funded pension plans and unfunded retirement benefit plans for employees which cover approximately 75% and 25%, respectively, of their benefits. Other subsidiaries have unfunded retirement benefit plans.

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

Prior service cost is charged to income when incurred. Unrecognized actuarial differences are amortized by the straight-line method from the following fiscal year after the fiscal year when they were incurred over a definite period (10 years) with the employees' average remaining service period when incurred.

On November 1, 2011, the Bank obtained an approval from the Ministry of Health, Labour and Welfare regarding past pension obligations of a substitute portion of the welfare pension fund. The effect of this return on profit or loss was ¥11,367 million ($138,301 thousand), which was recorded under "Other income" for the year ended March 31, 2012.

m. Asset Retirement Obligations—The asset retirement obligation is recognized as the sum of the discounted cash flows required for the future asset retirement and is recorded in the period in which the obligation is incurred if a reasonable estimate can be made. If a reasonable estimate of the asset retirement obligation cannot be made in the period the asset retirement obligation is incurred, the liability should be recognized when a reasonable estimate of the asset retirement obligation can be made. Upon initial recognition of a liability for an asset retirement obligation, an asset retirement cost is capitalized by increasing the carrying amount of the related fixed asset by the amount of the liability. The asset retirement cost is subsequently allocated to expense through depreciation over the remaining useful life of the asset. Over time, the liability is accreted to its present value each period. Any subsequent revisions to the timing or the amount of the original estimate of undiscounted cash flows are reflected as an increase or a decrease in the carrying amount of the liability and the capitalized amount of the related asset retirement cost.

n. Stock Options— In December 2005, the Accounting Standards Board of Japan (the "ASBJ") issued ASBJ Statement No. 8, "Accounting Standard for Stock Options," and related guidance. The new standard and guidance are applicable to stock options newly granted on and after May 1, 2006. This standard requires companies to recognize compensation expense for employee stock options based on the fair value at the date of grant and over the vesting period as consideration for receiving goods or services. The standard also requires companies to account for stock options granted to non-employees based on the fair value of either the stock option or the goods or services received. In the balance sheet, the stock option is presented as a stock acquisition right as a separate component of equity until exercised. The standard covers equity-settled, share-based payment transactions, but does not cover cash-settled, share-based payment transactions. The Bank has applied this accounting standard for stock options to those granted on and after May 1, 2006.

o. Leases—In March 2007, the ASBJ issued ASBJ Statement No. 13, "Accounting Standard for Lease Transactions," which revised the previous accounting standard for lease transactions issued in June 1993. The revised accounting standard for lease transactions was effective for fiscal years beginning on or after April 1, 2008.

As a lessee

Under the previous accounting standard, finance leases that were deemed to transfer ownership of the leased property to the lessee were capitalized. However, other finance leases were permitted to be accounted for as operating lease transactions if certain "as if capitalized" information was disclosed in the notes to the lessee's financial statements. The revised accounting standard requires that all finance lease transactions be capitalized to recognize lease assets and lease obligations in the balance sheet.

In addition, the accounting standard permits leases which existed at the transition date and do not transfer ownership of the leased property to the lessee to continue to be accounted for as operating lease transactions.

The Bank applied the revised accounting standard effective April 1, 2008. In addition, the Bank continues to account for leases which existed at the transition date and do not transfer ownership of the leased property to the lessee as operating lease transactions.

As a lessor

Under the previous accounting standard, finance leases that were deemed to transfer ownership of the leased property to the lessee were to be treated as sales.

However, other finance leases were permitted to be accounted for as operating lease transactions if certain "as if sold" information was disclosed in the notes to the lessor's financial statements. The revised accounting standard requires that all finance leases that are deemed to transfer ownership of the leased property to the lessee should be recognized as lease receivables, and all finance leases that are deemed not to transfer ownership of the leased property to the lessee should be recognized as investments in leases.

p. Income Taxes—The provision for income taxes is computed based on the pretax income included in the consolidated statement of operations. The asset and liability approach is used to recognize deferred tax assets and liabilities for the expected future tax consequences of temporary differences between the carrying amounts and the tax bases of assets and liabilities. Deferred taxes are measured by applying currently enacted tax laws to the temporary differences.

q. Derivatives and Hedging Activities—It is the Bank's policy to use derivative financial instruments ("derivatives") primarily for the purpose of reducing market risks associated with its assets and liabilities. The Bank also utilizes derivatives to meet the needs of its clients while entering into derivatives as a part of its trading activities. The Bank enters into interest rate swaps and interest rate caps as a means of hedging its interest rate risk on certain loans and investment securities. The Bank also enters into currency swaps, foreign exchange forward contracts and currency options to hedge foreign currency exchange risk associated with its assets and liabilities denominated in foreign currencies and to meet the needs of its clients. Furthermore, the Bank enters into interest rate futures, bond futures, bond future options and foreign exchange forward contracts for a short term as part of its trading activities.

Derivatives are recognized as either assets or liabilities and measured at fair value. Gains or losses on derivative transactions are recognized in the consolidated statement of operations. If derivatives qualify for hedge accounting because of high correlation and effectiveness between the hedging instruments and the hedged items, the gains or losses on derivatives are deferred until maturity of the hedged transactions.

The interest rate swaps which qualify for hedge accounting and meet specific matching criteria are not remeasured at market value, but the differential paid or received under the swap agreements is recognized and included in interest expense or income.

***r. Per Share Information*—**Basic net income/loss per share is computed by dividing net income/loss available to common stockholders by the weighted-average number of common shares outstanding for the period, retroactively adjusted for stock splits.

Diluted net income per share reflects the potential dilution that could occur if securities were exercised or converted into common stock. Diluted net income per share of common stock assumes full conversion of the outstanding convertible notes and bonds at the beginning of the year (or at the time of issuance) with an applicable adjustment for related interest expense, net of tax, and full exercise of outstanding warrants.

Cash dividends per share presented in the consolidated statement of operations are dividends applicable to the respective years including dividends to be paid after the end of the year.

***s. Accounting Changes and Error Corrections*—**In December 2009, the ASBJ issued ASBJ Statement No. 24, "Accounting Standard for Accounting Changes and Error Corrections," and ASBJ Guidance No. 24, "Guidance on Accounting Standard for Accounting Changes and Error Corrections." Accounting treatments under this standard and guidance are as follows:

(1) Changes in accounting policies

When a new accounting policy is applied due to a revision of accounting standards, the new policy is applied retrospectively unless the revised accounting standards include specific transitional provisions. When the revised accounting standards include specific transitional provisions, an entity shall comply with the specific transitional provisions.

(2) Changes in presentation

When the presentation of financial statements is changed, prior period financial statements are reclassified in accordance with the new presentation.

(3) Changes in accounting estimates

A change in an accounting estimate is accounted for in the period of the change if the change affects that period only and is accounted for prospectively if the change affects both the period of the change and future periods.

(4) Corrections of prior period errors

When an error in prior period financial statements is discovered, those statements are restated.

This accounting standard and the guidance are applicable to accounting changes and corrections of prior period errors which are made from the beginning of the fiscal year that begins on or after April 1, 2011.

t. New Accounting Pronouncements

***Accounting Standard for Retirement Benefits*—**On May 17, 2012, the ASBJ issued ASBJ Statement No. 26, "Accounting Standard for Retirement Benefits" and ASBJ Guidance No. 25, "Guidance on Accounting Standard for Retirement Benefits," which replaced the Accounting Standard for Retirement Benefits that had been issued by the Business Accounting Council in 1998 with effective date of April 1, 2000 and the other related practical guidances, being followed by partial amendments from time to time through 2009.

Major changes are as follows:

(a) Treatment in the balance sheet

Under the current requirements, actuarial gains and losses and past service costs that are yet to be recognized in profit or loss are not recognized in the balance sheet, and the difference between retirement benefit obligations and plan assets (hereinafter, "deficit or surplus"), adjusted by such unrecognized amounts, are recognized as a liability or asset. Under the revised accounting standard, actuarial gains and losses and past service costs that are yet to be recognized in profit or loss shall be recognized within equity (accumulated other comprehensive income), after adjusting for tax effects, and the deficit or surplus shall be recognized as a liability (liability for retirement benefits) or asset (asset for retirement benefits).

(b) Treatment in the statement of income and the statement of comprehensive income (or the statement of income and comprehensive income)

The revised accounting standard would not change how to recognize actuarial gains and losses and past service costs in profit or loss. Those amounts would be recognized in profit or loss over a certain period no longer than the expected average remaining working lives of the employees. However, actuarial gains and losses and past service costs that arose in the current period and yet to be recognized in profit or loss shall be included in other comprehensive income and actuarial gains and losses and past service costs that were recognized in other comprehensive income in prior periods and then recognized in profit or loss in the current period shall be treated as reclassification adjustments.

This accounting standard and the guidance are effective for the end of annual periods beginning on or after April 1, 2013 with earlier application being permitted from the beginning of annual periods beginning on or after April 1, 2013. However, no retrospective application of this accounting standard to consolidated financial statements in prior periods is required.

3. Cash And Cash Equivalents

The reconciliation of cash and cash equivalents at the end of the fiscal year and cash and due from banks in the consolidated balance sheets as of March 31, 2012 and 2011 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2012	2011	**2012**
Cash and due from banks	**¥777,084**	¥443,607	**$9,454,726**
Due from banks, excluding due from the Bank of Japan	**(1,687)**	(1,320)	**(20,525)**
Cash and cash equivalents at the end of year	**¥775,396**	¥442,287	**$9,434,189**

4. Trading Account Securities And Investment Securities

Trading account securities as of March 31, 2012 and 2011 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2012	2011	**2012**
National government bonds	**¥ 1,482**	¥ 2,095	**$ 18,031**
Local government bonds	**3,608**	1,814	**43,898**
Other securities	**23,995**	19,997	**291,945**
Total	**¥29,087**	¥23,906	**$353,899**

Investment securities as of March 31, 2012 and 2011 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2012	2011	**2012**
National government bonds	**¥1,582,710**	¥ 870,868	**$19,256,722**
Local government bonds	**87,998**	112,851	**1,070,665**
Corporate bonds	**865,671**	760,728	**10,532,558**
Equity securities	**85,318**	93,975	**1,038,058**
Other securities	**239,298**	290,665	**2,911,522**
Total	**¥2,860,996**	¥2,129,090	**$34,809,538**

The carrying amounts and aggregate fair values of securities at March 31, 2012 and 2011 were as follows:

Securities below include trading account securities, investment securities and other debt purchased:

	Millions of Yen			
	2012			
	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Securities classified as:				
Trading				¥ 29,087
Available-for-sale:				
Equity securities*	¥ 63,918	¥24,196	¥ 5,879	82,235
Debt securities	2,488,741	38,186	1,955	2,524,972
Other securities*	254,805	568	16,893	238,480
Held-to-maturity	11,407	82		11,490

	Millions of Yen			
	2011			
	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Securities classified as:				
Trading				¥ 23,906
Available-for-sale:				
Equity securities*	¥ 67,148	¥28,300	¥ 4,705	90,743
Debt securities	1,701,978	33,417	1,858	1,733,537
Other securities*	310,396	1,547	21,520	290,422
Held-to-maturity	11,098	96	14	11,181

	Thousands of U.S. Dollars			
	2012			
	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Securities classified as:				
Trading				$ 353,899
Available-for-sale:				
Equity securities*	$ 777,685	$294,391	$ 71,529	1,000,547
Debt securities	30,280,338	464,606	23,786	30,721,158
Other securities*	3,100,194	6,910	205,535	2,901,569
Held-to-maturity	138,788	997		139,798

* Unlisted equity securities for which fair value is extremely difficult to identify are not included.

Available-for-sale securities with fair value, whose fair value significantly declined compared with the acquisition cost and whose fair value is not considered likely to recover to their acquisition cost, are written down to the respective fair value. The related losses on revaluation are charged to income for the fiscal year.

Impairment losses were recognized for available-for-sale securities in the amounts of ¥1,699 million ($20,671 thousand) and ¥603 million for the years ended March 31, 2012 and 2011, respectively.

The criteria for determining whether the fair value has “significantly declined” are defined based on the asset classification of the issuer in the internal standards for asset quality self-assessment as follows:

(a) Normal issuer: Fair value declined by 50% or more of the acquisition cost or fair value declined between 30% and 50% and average fair value during the past one month declined by 50% or more (30% or more for issuers who have credit risk more than a certain level).

(b) Caution issuers: Fair value declined by 30% or more of the acquisition cost.

(c) Legal bankrupt, virtually bankrupt and possibly bankrupt issuers: Fair value is lower than the acquisition cost.

Proceeds from sales of available-for-sale securities for the years ended March 31, 2012 and 2011 were ¥181,995 million ($2,214,320 thousand) and ¥126,528 million, respectively. Gross realized gains and losses on these sales, computed on the moving average cost basis, were ¥4,153 million ($50,529 thousand) and ¥685 million ($8,334 thousand), respectively, for the year ended March 31, 2012 and ¥2,063 million and ¥31 million, respectively, for the year ended March 31, 2011.

Unrealized gains on available-for-sale securities for the years ended March 31, 2012 and 2011 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2012	2011	2012
Valuation differences:			
Available-for-sale securities	¥ 38,222	¥ 35,180	$ 465,044
Available-for-sale money held in trust	(1,417)	(1,546)	(17,240)
Deferred tax liabilities	(12,815)	(13,076)	(155,919)
Minority interests	(97)	(59)	(1,180)
Unrealized gains on available-for-sale securities	¥ 23,892	¥ 20,497	$ 290,692

5. Money Held In Trust

The carrying amounts and aggregate fair values of money held in trust at March 31, 2012 and 2011 were as follows:

	Millions of Yen			
	2012			
	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Money held in trust classified as:				
Trading				¥24,010
Available-for-sale	¥22,135		¥1,417	20,718
Total	¥22,135		¥1,417	¥44,728

	Millions of Yen			
	2011			
	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Money held in trust classified as:				
Trading				¥24,842
Available-for-sale	¥22,135		¥1,546	20,588
Total	¥22,135		¥1,546	¥45,431

	Thousands of U.S. Dollars			
	2012			
	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Money held in trust classified as:				
Trading				$292,127
Available-for-sale	$269,315		$17,240	252,074
Total	$269,315		$17,240	$544,202

Available-for-sale securities held in trust with fair value, whose fair value significantly declined compared with the acquisition cost and whose fair value is not considered likely to recover to their acquisition cost, are written down to the respective fair value. The related losses on revaluation are charged to income for the fiscal year.

6. Loans And Bills Discounted

Loans and bills discounted at March 31, 2012 and 2011 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2012	2011	2012
Bills discounted	¥ 14,038	¥ 13,481	$ 170,799
Loans on bills	175,268	191,524	2,132,473
Loans on deeds	2,864,912	2,774,115	34,857,184
Overdrafts	585,308	516,549	7,121,401
Total	¥3,639,528	¥3,495,671	$44,281,883

Bills discounted are accounted for as financial transactions in accordance with "Treatment of Accounting and Auditing of Application of Accounting Standard for Financial Instruments in the Banking Industry" (the Japanese Institute of Certified Public Accountants (the "JICPA") Industry Audit Committee Report No. 24). The Bank has rights to sell or pledge these bills discounted. The total of the face value of bills discounted was ¥14,396 million ($175,155 thousand) and ¥13,640 million at March 31, 2012 and 2011, respectively.

Loans and bills discounted at March 31, 2012 and 2011 included the following loans:

	Millions of Yen		Thousands of U.S. Dollars
	2012	2011	2012
Loans to borrowers in bankruptcy	¥ 5,100	¥ 5,979	$ 62,051
Past due loans	130,579	80,593	1,588,745
Past due loans (three months or more)	1,035	979	12,592
Restructured loans	38,937	28,081	473,743
Total	¥175,653	¥115,634	$2,137,157

Loans to borrowers in bankruptcy represent nonaccrual loans to debtors who are legally bankrupt, as defined in the Enforcement Ordinance for the Corporation Tax Law.

Past due loans are nonaccrual loans which include loans classified as "possible bankruptcy" and "virtual bankruptcy."

Nonaccrual loans are defined as loans (after the partial charge-off of claims deemed uncollectible) which the Bank has discontinued accruing interest income due to substantial doubt existing about the ultimate collection of principal and/or interest. Such loans are classified either as "possible bankruptcy" or "virtual bankruptcy" under the Bank's self-assessment guidelines.

In addition to past due loans as defined, certain other loans classified as "caution" under the Bank's self-assessment guidelines include past due loans (three months or more) which consist of loans which the principal and/or interest is three months or more past due, but exclude loans to borrowers in bankruptcy and past due loans.

Restructured loans are loans where the Bank and its subsidiaries relax lending conditions by reducing the original interest rate or by forbearing interest payments or principal repayments to support the borrower's reorganization. Restructured loans exclude loans to borrowers in bankruptcy, past due loans or past due loans (three months or more).

As explained in Note 2.h, for the year ended March 31, 2011, the Bank and a certain subsidiary recorded a reserve for possible loan losses with respect to loans amounting to ¥184,828 million to debtors who are located in regions damaged by the Great East Japan Earthquake on March 11, 2011. Since these loans are grouped separately from the assessment results based on the asset self-assessment criteria, the above risk-management loans may increase if these assets were assessed based on the self-assessment criteria.

7. Foreign Exchanges

Foreign exchange assets and liabilities at March 31, 2012 and 2011 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2012	2011	2012
Assets			
Foreign exchange bills bought	¥ 363	¥ 159	$ 4,416
Foreign exchange bills receivable	36	110	438
Due from foreign correspondent accounts	2,453	3,223	29,845
Total	¥2,853	¥3,493	$34,712
Liabilities			
Foreign exchange bills sold	¥ 71	¥12	$ 863
Foreign exchange bills payable	72	44	876
Total	¥143	¥56	$1,739

8. Tangible Fixed Assets

The accumulated depreciation of tangible fixed assets at March 31, 2012 and 2011 amounted to ¥76,591 million ($931,877 thousand) and ¥76,073 million, respectively.

As of March 31, 2012 and 2011, deferred gains for tax purposes of ¥7,857 million ($95,595 thousand) and ¥7,857 million on tangible fixed assets sold and replaced with similar assets have been deducted from the cost of newly acquired tangible fixed assets, respectively.

9. Long-Lived Assets

The Bank and a certain subsidiary recognized impairment losses of ¥1,461 million ($17,775 thousand) and ¥1,044 million on certain operating branches, business premises, branches to be closed and unused facilities for the years ended March 31, 2012 and 2011, respectively.

The impairment losses were comprised of ¥443 million ($5,389 thousand) on buildings, ¥742 million ($9,027 thousand) on land and ¥275 million ($3,345 thousand) on other fixed assets, respectively, for the year ended March 31, 2012, and ¥245 million on buildings, ¥766 million on land and ¥32 million on other fixed assets, respectively, for the year ended March 31, 2011.

For the purpose of testing for impairment, the Bank recognizes each individual branch office as a cash-generating unit for which it continues to manage and monitor identifiable cash flows. Branch offices to be closed and facilities not used in operation are individually assessed for impairment. Subsidiaries recognize each company as a cash-generating unit. An impairment loss would be recognized if the carrying amount of an asset or asset group exceeds the sum of the undiscounted future cash flows expected to result from the continued use and eventual disposition of the asset or asset group.

The impairment loss would be measured as the amount by which the carrying amount of the asset exceeds its recoverable amount, which is the higher of the discounted cash flows from the continued use and eventual disposition of the asset or the net selling price at disposition. The discounted cash flows were calculated using a discount rate of 3.5% and the net selling price was determined by quotation from a third-party vendor.

10. Customers' Liabilities For Acceptances And Guarantees

All contingent liabilities arising from acceptances and guarantees are reflected in "Acceptances and guarantees." "Customers' liabilities for acceptances and guarantees" are shown as contra assets, representing the Bank's right to receive indemnity from the applicants.

In accordance with the Cabinet Office Ordinance No. 38, "Customers' liabilities for acceptances and guarantees" and "Acceptances and guarantees" are offset.

The amount of guarantee obligations for privately-placed corporate bonds included in securities as of March 31, 2012 and 2011 was ¥9,032 million ($109,891 thousand) and ¥10,430 million, respectively.

11. Assets Pledged

Assets pledged as collateral and their relevant liabilities at March 31, 2012 and 2011 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2012	2011	2012
Assets pledged as collateral:			
Investment securities	¥220,344	¥232,301	$2,680,910
Other assets	141	141	1,715
Investments in leases		130	
Relevant liabilities to above assets:			
Deposits	41,478	26,098	504,659
Payables under securities lending transactions		817	
Borrowed money		93,590	

Additionally, investment securities amounting to ¥132,838 million ($1,616,230 thousand) and ¥139,371 million at March 31, 2012 and 2011, respectively, are pledged as collateral for transactions such as exchange settlement transactions or as substitute securities for future transaction initial margin and others.

Other assets include guarantee deposits for leased tangible fixed assets (lessee side) amounting to ¥99 million ($1,204 thousand) and ¥101 million at March 31, 2012 and 2011, respectively.

12. Loan Commitments

Contracts of overdraft facilities and loan commitments are contracts with customers to lend up to the prescribed limits in response to customers' applications for a loan, as long as there is no violation of any condition within the contracts. As of March 31, 2012, the unused amount of such contracts totals ¥1,511,101 million ($18,385,460 thousand), of which amounts with original agreement terms of less than one year were ¥1,484,526 million ($18,062,124 thousand).

Since many of the commitments expire without being drawn upon, the unused amount does not necessarily represent a future cash requirement. Most of these contracts have conditions allowing the Companies to refuse customers' applications for a loan or decrease the contract limits with proper reasons (e.g., changes in financial situation, deterioration in customers' creditworthiness). At the inception of the contracts, the Companies obtain collateral real estate, securities, etc., if considered to be necessary. Subsequently, the Companies perform a periodic review of the customers' business results based on internal rules and take necessary measures to reconsider conditions in contracts and require additional collateral and guarantees.

13. Deposits

Deposits at March 31, 2012 and 2011 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2012	2011	2012
Current deposits	¥ 196,114	¥ 185,170	$ 2,386,105
Ordinary deposits	3,848,149	2,767,506	46,820,160
Deposits at notice	16,526	7,347	201,070
Time deposits	2,221,235	2,192,584	27,025,611
Negotiable certificates of deposit	641,630	276,190	7,806,667
Other deposits	246,560	204,596	2,999,878
Total	¥7,170,216	¥5,633,396	$87,239,518

14. Borrowed Money

Borrowed money as of March 31, 2012 and 2011 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2012	2011	2012
Borrowings from banks and other	¥29,321	¥104,630	$356,746

Borrowed money as of March 31, 2012 included subordinated borrowings in an amount of ¥20,000 million ($243,338 thousand).

Annual maturities of borrowed money as of March 31, 2012 were as follows:

Year Ending March 31	Millions of Yen	Thousands of U.S. Dollars
2013	¥ 6,685	$ 81,335
2014	1,082	13,164
2015	671	8,164
2016	494	6,010
2017	271	3,297
2018 and thereafter	20,114	244,725
Total	¥29,321	$356,746

At March 31, 2012 and 2011, the weighted average annual interest rates applicable to borrowed money were 0.511% and 0.220%, respectively.

Investments in leases amounting to ¥8,052 million ($97,968 thousand) and ¥9,973 million are placed under quasi pledge arrangements for borrowings from banks and other amounting to ¥6,710 million ($81,640 thousand) and ¥8,311 million at March 31, 2012 and 2011, respectively.

15. Liability For Employees' Retirement Benefits

The Companies have severance payment plans consisting of contributory pension fund plans and non-contributory lump-sum payment plans for employees.

Under most circumstances, employees terminating their employment are entitled to retirement benefits based on the rate of pay at the time of termination, years of service and certain other factors. Such retirement benefits are made in the form of a lump-sum severance payment from the Companies and annuity payments from trustees. Employees are entitled to larger payments if the termination is involuntary, by retirement at the mandatory retirement age, by death or by voluntary retirement at certain specific ages prior to the mandatory retirement age.

The liability (asset) for employees' retirement benefits at March 31, 2012 and 2011 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2012	2011	2012
Projected benefit obligation	¥ 74,835	¥ 93,983	$ 910,512
Fair value of plan assets	(36,169)	(36,848)	(440,065)
Unrecognized net actuarial loss	(6,138)	(15,466)	(74,680)
Net liability	¥ 32,527	¥ 41,668	$ 395,753

(Notes) 1. At March 31, 2011, a substitute portion of the welfare pension fund was included in the above table. At March 31, 2012, in connection with the return of the Bank's substitute portion of the welfare pension fund, the corresponding amount of the return (minimum policy reserves) measured as of November 1, 2011, when the return was approved is included in the above table.

2. The consolidated subsidiaries adopt a short-cut method in computing projected benefit obligation. In addition, pension plan assets related to the multi-employers' welfare pension fund plans adopted by certain consolidated subsidiaries are not included in the above plan assets.

The components of net periodic retirement benefit costs for the years ended March 31, 2012 and 2011 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2012	2011	**2012**
Service cost	**¥1,716**	¥ 2,035	**$ 20,878**
Interest cost	**1,716**	1,950	**20,878**
Expected return on plan assets	**(1,257)**	(1,327)	**(15,293)**
Amortization of prior service cost	**538**	(7,369)	**6,545**
Recognized actuarial loss	**2,609**	3,571	**31,743**
Net periodic retirement benefit costs	**¥5,324**	¥(1,140)	**$64,776**

(Notes) 1. Employees' contribution to corporate pension funds and welfare funds is deducted for the years ended March 31, 2012 and 2011, respectively.

2. Retirement benefit costs of the consolidated subsidiaries which adopt a short-cut method are included in "Service cost."

3. The amount of ¥7,369 million of "Amortization of prior service cost" for the year ended March 31, 2011 represents a decrease in projected benefit obligation due to the approval regarding exemption of future payment duties for a substitute portion of the welfare pension fund.

Assumptions used for the years ended March 31, 2012 and 2011 were set forth as follows:

	2012	2011
Discount rate	**2.0%**	2.0%
Expected rate of return on plan assets	**3.5%**	3.5%
Inter-period allocation method of estimated retirement benefits	**Straight-line method over the period**	Straight-line method over the period
Amortization period of prior service cost	**Fully charged to income when incurred**	Fully charged to income when incurred
Recognition period of actuarial gain/loss	**Ten years**	Ten years

16. Asset Retirement Obligations

Asset retirement obligations which were recognized on the consolidated balance sheets for the years ended March 31, 2012 and 2011 were as follows:

a. Overview of asset retirement obligations

Asset retirement obligations are recognized for obligations of restoring leased buildings, such as branch premises, to their original state, based on the real estate lease contracts and asbestos removal costs.

b. Calculation of asset retirement obligations

Asset retirement obligations are calculated based on the estimated available periods of 16 to 31 years depending on the expected useful lives of buildings using the discount rates from 2.008% to 2.324%.

c. The changes in asset retirement obligations for the years ended March 31, 2012 and 2011 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2012	2011	**2012**
Balance at beginning of year	**¥622**	¥610	**$7,567**
Increase due to acquisition of tangible assets	**2**		**24**
Reconciliation associated with passage of time	**12**	12	**146**
Other	**(7)**		**(85)**
Balance at end of year	**¥628**	¥622	**$7,640**

17. Equity

Japanese banks are subject to the Banking Law and to the Companies Act. The significant provisions in the Companies Act and the Banking Law that affect financial and accounting matters are summarized below:

a. Dividends

Under the Companies Act, companies can pay dividends at any time during the fiscal year in addition to the year-end dividend upon resolution at the general meeting of stockholders. For companies that meet certain criteria such as (1) having a Board of Directors, (2) having independent auditors, (3) having a Board of Corporate Auditors, and (4) the term of service of the directors is prescribed as one year rather than two years of normal term by its articles of incorporation, the Board of Directors may declare dividends (except for dividends-in-kind) at any time during the fiscal year if the company has prescribed so in its articles of incorporation. The Bank meets all the above criteria. The Companies Act permits companies to distribute dividends-in-kind (non-cash assets) to stockholders subject to certain limitations and additional requirements. Semiannual interim dividends may also be paid once a year upon resolution by the Board of Directors if the articles of incorporation of the company so stipulate. The Bank can do so because it stipulates this in its articles of incorporation. The Companies Act provides certain limitations on the amounts available for dividends or the purchase of treasury stock. The limitation is defined as the amount available for distribution to the stockholders, but the amount of net assets after dividends must be maintained at no less than ¥3 million.

b. Increases/Decreases and Transfer of Common Stock, Reserve and Surplus

The Banking Law requires that an amount equal to 20% of dividends must be appropriated as a legal reserve (a component of retained earnings) or as additional paid-in capital (a component of capital surplus) depending on the equity account charged upon the payment of such dividends until the total of the aggregate amount of the legal reserve and additional paid-in capital equals 100% of stated capital.

Under the Companies Act and the Banking Law, the aggregate amount of additional paid-in capital and the legal reserve that exceeds 100% of the stated capital may be made available for dividends by resolution of the stockholders after transferring such excess to retained earnings in accordance with the Companies Act. Under the Companies Act, the total amount of additional paid-in capital and the legal reserve may be reversed without limitation. The Companies Act also provides that stated capital, legal reserve, additional paid-in capital, other capital surplus and retained earnings can be transferred among the accounts under certain conditions upon resolution of the stockholders.

c. Treasury Stock and Treasury Stock Acquisition Rights

The Companies Act also provides for companies to purchase treasury stock and dispose of such treasury stock by resolution of the Board of Directors. The amount of treasury stock purchased cannot exceed the amount available for distribution to the stockholders which is determined by specific formula. Under the Companies Act, stock acquisition rights are presented as a separate component of equity. The Companies Act also provides that companies can purchase both treasury stock acquisition rights and treasury stock. Such treasury stock acquisition rights are presented as a separate component of equity or deducted directly from stock acquisition rights.

18. Stock Options

Expenses related to stock options in the amount of ¥155 million ($1,885 thousand) and ¥148 million are recorded under general and administrative expenses for the years ended March 31, 2012 and 2011, respectively.

The stock options outstanding as of March 31, 2012 are as follows:

Nature and extent of stock options:

	2009 Stock Option	2010 Stock Option	2011 Stock Option
Persons granted	16 directors of the Bank	16 directors of the Bank	16 directors of the Bank
Number of stock options by type of share*	281,800 shares of common stock of the Bank	357,500 shares of common stock of the Bank	498,900 shares of common stock of the Bank
Date of grant	August 3, 2009	August 2, 2010	August 1, 2011
Vesting conditions	Not defined	Not defined	Not defined
Eligible service period	Not defined	Not defined	Not defined
Exercise period	From August 4, 2009 to August 3, 2034	From August 3, 2010 to August 2, 2035	From August 2, 2011 to August 1, 2036

**Number of stock options is converted into number of shares.*

Stock option activity is as follows:

	2009 Stock Option	2010 Stock Option (Shares)	2011 Stock Option
Non-vested			
March 31, 2011—Outstanding	268,600	357,500	
Granted			498,900
Forfeited			
Vested	26,400	31,000	
March 31, 2012—Outstanding	242,200	326,500	498,900
Vested			
March 31, 2011—Outstanding			
Vested	26,400	31,000	
Exercised	26,400	31,000	
Forfeited			
March 31, 2012—Outstanding			

Unit price information is as follows:

	2009 Stock Option	2010 Stock Option	2011 Stock Option
Exercise price	¥1 ($0.01)	¥1 ($0.01)	¥1 ($0.01)
Average stock price at the time of exercise	¥355 ($4.31)	¥355 ($4.31)	
Fair value at the date of grant	¥523 ($6.36)	¥415 ($5.04)	¥317 ($3.85)

The estimation method of the fair value of the 2011 Stock Option granted in the year ended March 31, 2012 is as follows:

(1) The valuation technique used is the Black-Scholes option pricing model.

(2) Major basic factors and estimation method:

Stock price volatility (see Note 1 below)	33.158%
Expected remaining service period (see Note 2 below)	4 years and 10 months
Expected cash dividend (see Note 3 below)	¥6 per share
Risk-free interest rate (see Note 4 below)	0.384%

(Notes) 1. *Stock price volatility is computed based on past stock prices during the period from September 2004 to August 2011 corresponding to the expected remaining period.*

2. *The expected remaining service period is estimated by deducting the current service period and age from the presumed remaining service period calculated from average terms of office and retirement ages of the directors who retired within the past 10 years.*

3. *Actual cash dividends for the fiscal year ended March 31, 2011*

4. *Risk-free interest rate refers to yields of Japanese government bonds corresponding to the expected remaining period.*

The estimation method of the number of stock options to be vested:

The Bank uses the method to reflect the actual forfeited options, since it is difficult to estimate the number of stock options to be forfeited in the future on a reasonable basis.

19. Other Operating Income

Other operating income for the years ended March 31, 2012 and 2011 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2012	2011	**2012**
Gain on sales and redemption of bonds and other securities	**¥ 2,408**	¥ 1,141	**$ 29,297**
Lease receipts	**12,532**	10,668	**152,475**
Other	**3,952**	4,567	**48,083**
Total	**¥18,893**	¥16,377	**$229,869**

20. Other Income

Other income for the years ended March 31, 2012 and 2011 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2012	**2011**	**2012**
Gains on sales of stocks and other securities	**¥2,176**	¥1,076	**$26,475**
Gains on sales of money held in trust	**524**	876	**6,375**
Gains on sales of tangible fixed assets	**88**	49	**1,070**
Other	**1,628**	1,118	**19,807**
Total	**¥4,419**	¥3,121	**$53,765**

21. Other Operating Expenses

Other operating expenses for the years ended March 31, 2012 and 2011 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2012	2011	**2012**
Losses on sales, redemption and devaluation of bonds and other securities	**¥ 2,449**	¥ 685	**$ 29,796**
Lease costs	**11,931**	10,393	**145,163**
Other	**1,567**	2,048	**19,065**
Total	**¥15,948**	¥13,127	**$194,038**

22. Disaster Losses

The Companies recognized disaster losses due to the Great East Japan Earthquake amounting to ¥50,687 million for the year ended March 31, 2011. The disaster losses included a provision of reserve for possible loan losses in an amount of ¥48,847 million and fixed assets related losses in an amount of ¥1,023 million, mainly consisting of a provision of reserve for disaster losses in an amount of ¥848 million and loss on disposals of fixed assets in an amount of ¥170 million.

23. Other Expenses

Other expenses for the years ended March 31, 2012 and 2011 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2012	2011	2012
Losses on devaluation of stocks and other securities	¥1,476	¥ 655	$17,958
Bad debt losses	23	22	279
Losses on dispositions of money held in trust	25	146	304
Losses on sales of loans	944	942	11,485
Losses on impairments and disposals of fixed assets	1,629	1,129	19,819
Provision for reserve for reimbursement of deposits	126	75	1,533
Provision for reserve for contingent losses		64	
Effect of applying the accounting standard for asset retirement obligations		570	
Other	1,069	383	13,006
Total	¥5,296	¥3,989	$64,436

24. Income Taxes

The Companies are subject to Japanese national and local income taxes which, in the aggregate, resulted in a normal effective statutory tax rate of approximately 40.6% for the years ended March 31, 2012 and 2011.

The tax effects of significant temporary differences which resulted in deferred tax assets and liabilities at March 31, 2012 and 2011 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2012	2011	2012
Deferred tax assets:			
Reserve for possible loan losses	¥36,261	¥39,495	$441,185
Liability for employee retirement benefits	11,715	16,850	142,535
Fixed assets (depreciation)	6,444	7,334	78,403
Losses on devaluation of stocks and other securities	1,861	1,948	22,642
Other	7,258	7,983	88,307
Less valuation allowance	(18,215)	(18,881)	(221,620)
Total	45,326	54,730	551,478
Deferred tax liabilities:			
Unrealized gains on available-for-sale securities	12,815	13,076	155,919
Fixed assets (deferred gain on sales and replacements)	421	528	5,122
Other	7	12	85
Total	13,244	13,617	161,138
Net deferred tax assets	¥32,081	¥41,112	$390,327

A reconciliation between the normal effective statutory tax rate and the actual effective tax rate reflected in the accompanying consolidated statement of operations for the year ended March 31, 2012 with the corresponding figures for 2011 was as follows:

	2012	2011
Normal effective statutory tax rate	40.6%	40.6%
Expenses not deductible for income tax purposes	0.3	(0.6)
Non-taxable dividend income	(2.1)	2.4
Inhabitants taxes	0.2	(0.2)
Valuation allowance	7.0	(55.5)
Reduction of deferred tax assets due to tax rate changes	15.7	
Other—net	0.2	(0.1)
Actual effective tax rate	61.9%	(13.4)%

Following the promulgation on December 2, 2011, of the "Act for Partial Amendment to the Income Tax Act, etc. for the purpose of Creating a Taxation System Responding to Changes in Economic and Social Structures" (Act No. 114 of 2011) and the "Act on Special Measures for Securing Financial Resources Necessary to Implement Measures for Reconstruction following the Great East Japan Earthquake" (Act No. 117 of 2011), effective from the fiscal year beginning on or after April 1, 2012, the corporate tax rate will be reduced and a special recovery tax will be imposed. In accordance with this tax reform, the effective statutory tax rate, which is used to measure deferred tax assets and deferred tax liabilities, has been reduced from 40.6% to 37.7% for temporary differences that are expected to be eliminated during the period from April 1, 2012 through March 31, 2015 and 35.3% for temporary differences to be eliminated on or after April 1, 2015. As a result, "Deferred tax assets" decreased by ¥2,552 million ($31,050 thousand) and "Unrealized gains on available-for-sale securities" and "Income taxes—deferred" increased by ¥1,851 million ($22,520 thousand) and ¥4,379 million ($53,278 thousand), respectively.

25. Other Comprehensive Income

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

	Millions of Yen	Thousands of U.S. Dollars
Unrealized gains on available-for-sale securities:		
Gain arising during the year	¥2,964	$36,062
Reclassification adjustment to profit or loss	208	2,530
Amount before income tax effect	3,172	38,593
Income tax effect	260	3,163
Total	¥3,433	$41,769
Deferred gains on derivatives under hedge accounting:		
Loss arising during the year	¥ (285)	$ (3,467)
Reclassification adjustment to profit or loss	498	6,059
Amount before income tax effect	212	2,579
Income tax effect	(111)	(1,350)
Total	¥ 100	$ 1,216
Total other comprehensive income	¥3,533	$42,985

The corresponding information for the year ended March 31, 2011 was not required under the accounting standard for presentation of comprehensive income as an exemption for the first year of adopting that standard and not disclosed herein.

26. Leases

Finance Leases

a. Lessee

The Companies lease certain machinery, computer equipment and other assets.

The Companies account for finance leases that existed prior to April 1, 2008 and do not transfer ownership of the leased property to the lessee as operating lease transactions as permitted by the revised accounting standard.

Total lease payments under finance leases for the years ended March 31, 2012 and 2011 were ¥1,307 million ($15,902 thousand) and ¥1,409 million, respectively.

Pro forma information of leased property such as acquisition cost, accumulated depreciation, obligations under finance leases, depreciation expense and interest expense of finance leases that do not transfer ownership of the leased property to the lessee on an "as if capitalized" basis for the years ended March 31, 2012 and 2011 was as follows:

	Millions of Yen		Thousands of U.S. Dollars
	Equipment and Other Assets		Equipment and Other Assets
	2012	2011	2012
Acquisition cost	¥465	¥6,757	$5,657
Accumulated depreciation	(431)	(5,544)	(5,243)
Net leased property	¥ 33	¥1,213	$ 401

Obligations under finance leases:

	Millions of Yen		Thousands of U.S. Dollars
	2012	2011	2012
Due within one year	¥38	¥1,279	$462
Due after one year	1	40	12
Total	¥39	¥1,319	$474

Depreciation expense and interest expense under finance leases:

	Millions of Yen		Thousands of U.S. Dollars
	2012	2011	2012
Depreciation expense	¥1,108	¥1,277	$13,480
Interest expense	39	71	474
Total	¥1,147	¥1,348	$13,955

Depreciation expense and interest expense, which are not reflected in the accompanying consolidated statement of operations, are computed by the straight-line method and the interest method, respectively.

b. Lessor

A subsidiary leases certain equipment and other assets to various customers.

The net investments in leases at March 31, 2012 and 2011 are summarized as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2012	2011	2012
Gross lease receivables	¥19,603	¥24,890	$238,508
Estimated residual values	1,268	1,635	15,427
Unearned interest income	(2,458)	(3,308)	(29,906)
Investments in leases	¥18,413	¥23,217	$224,029

Maturities of gross lease receivables for finance leases that are deemed to transfer ownership of the leased property to the lessee as of March 31, 2012 are as follows:

Year Ending March 31	Millions of Yen	Thousands of U.S. Dollars
2013	¥5	$60
2014		
Total	¥5	$60

Maturities of investment in leases for finance leases that are deemed not to transfer ownership of the leased property to the lessee as of March 31, 2012 are as follows:

Year Ending March 31	Millions of Yen	Thousands of U.S. Dollars
2013	¥6,918	$84,170
2014	5,154	62,708
2015	3,632	44,190
2016	2,302	28,008
2017	1,112	13,529
2018 and thereafter	484	5,888
Total	¥19,603	$238,508

The net leased property under finance leases which do not transfer ownership to the lessee and existed at March 31, 2008 was recorded as the beginning book value of the investments in leases at April 1, 2008. Interest income equivalents on such leases are allocated to the remaining lease period by the straight-line method.

As a result, income before income taxes and minority interests increased by ¥219 million ($2,664 thousand) for the year ended March 31, 2012, and loss before income taxes and minority interests decreased by ¥235 million for the year ended March 31, 2011, respectively, compared with the case where the revised accounting standard had been retroactively applied to the commencement date of such leases.

Operating Leases

As of March 31, 2012 and 2011, future lease payment receivables including interest receivables under non-cancelable operating leases were as follows:

Future Lease Payment Receivables

	Millions of Yen		Thousands of U.S. Dollars
	2012	2011	2012
Due within one year	¥15	¥16	$182
Due after one year	18	33	219
Total	¥33	¥49	$401

27. Financial Instruments And Related Disclosures

(1) Group Policy for Financial Instruments

The Companies provide financial services such as credit card business and leasing operations in addition to banking operations. In the course of these operations, the Companies raise funds principally through deposit taking and invest funds in loans, securities and others. As such, the Bank holds financial assets and liabilities which are subject to fluctuation in interest rates and conducts comprehensive Asset and Liability Management (“ALM”) to avoid unfavorable effects from interest rate fluctuations. Derivatives are also employed by the Bank as part of ALM.

(2) Nature and Extent of Risks Arising from Financial Instruments

Financial assets held by the Companies mainly consist of loans to domestic corporations, local government agencies and individual customers which are exposed to credit risk that the Companies may suffer from losses resulting from nonperformance of borrowers and interest rate risk that the Companies may suffer from losses resulting from fluctuations in interest rates.

Securities, mainly debt securities, equity securities and investment trusts are held to maturity and other purposes and also certain debt securities are held for the purpose of selling to customers. These securities are exposed to credit risk of issuers and market risks of fluctuations in interest rates and market prices. In addition, they are exposed to market liquidity risk that the Companies may suffer from losses resulting from difficulties in executing financial transactions in certain environments such as market turmoil.

Financial liabilities, mainly consisting of liquid deposits or time deposits taken from corporate and individual customers, are exposed to cash flow risk that the Bank may experience the situation where unexpected cash flows are incurred in certain environments where the credit rating of the Bank may be lowered and accordingly, necessary funding may become difficult.

Foreign currency denominated assets and liabilities are exposed to foreign exchange risk that the Bank may suffer from losses resulting from fluctuations in foreign exchange rates.

Derivatives mainly include interest rate swaps and bond futures, which are used to manage exposure to market risks from changes in interest rates of loans and debt securities, and foreign exchange forward contracts, which are used to hedge foreign exchange risk associated with foreign currency denominated assets and liabilities. Hedge accounting is applied to certain hedging activities related to loans as hedged items.

(3) Risk Management for Financial Instruments

Credit risk management

The Bank has established the “Credit Risk Control Policy” as a basic policy for credit risk management and various rules concerning credit risk management. Based on these policies and rules, the Companies clarify fundamental approaches to secure the soundness of assets and control procedures for identifying, monitoring and controlling credit risk. Additionally, the Bank utilizes the “Credit Rating System” applied to counterparties granted with credit from the viewpoint of identifying credit risk objectively and enhancing credit risk control.

In addition, as an organization responsible for credit risk management, credit risk control functions and review functions have been established to secure the effectiveness of credit risk management.

The Risk Management Division, as a credit risk control function, is engaged in identifying the level of future possible credit risk and the status of credit concentration in major borrowers through measurement of the level of credit risk and analysis of credit portfolios.

The Credit Supervision Division, as a review control function, is engaged in reviewing lending operations based on strict examination standards, system development for strengthening the daily control of loan receivables and appropriate maintenance of operational procedures.

Market risk management

a. Market Risk Management System

The Bank has established the "Market Risk Control Policy" as a basic policy for market risk management and various rules concerning market risk management. Based on these policies and rules, the Bank clarifies fundamental approaches for appropriate market risk control operations and control procedures for identifying, monitoring and controlling market risk.

As an organization responsible for market risk management, a market risk control function (middle office) has been established and furthermore, an operating function (front office) and an administration function (back office) have been separated. Additionally, market risk control function staff are assigned to the operating function to secure the effectiveness of market risk management.

The Risk Management Division, as a market risk control function, measures the level of market risk of the Bank as a whole using Value-at-Risk ("VaR") approach models and other models and regularly monitors the compliance status with position limits and loss limits established according to the type and characteristics of transactions to control the level of market risk within a certain range.

In addition, an ALM and Income Control Committee was established for the purpose of studying flexible investment strategies in order to prevent risks resulting from fluctuations in interest rates and market prices, while forecasting future interest rates, market prices and trends of fund and business conditions. The committee is also responsible for securing the soundness of management and also improving profitability at the same time based on appropriate asset and liability management through the unification of risk management and earnings control.

b. Quantitative Information about Market Risk

The Bank adopts the variance-covariance method (holding period: 125 business days for strategic equity securities and 60 business days for others, confidence interval: 99.0%, observation period: 250 business days) in computing the VaR with respect to securities, Japanese yen deposits and loans and Japanese yen money market funds. The volume of market risk (estimated losses) that the Bank is exposed to as of March 31, 2012 amounts to ¥61,797 million ($751,879 thousand) (¥99,668 million in 2011) as a whole. However, the risk under certain abnormal market fluctuations may not be captured, since under the VaR method, the market risk volume under a definite probability of incidence statistically computed is measured based on historical market fluctuations.

The Bank implements backtesting to compare the VaR computed by the model with actual profit and loss in the securities and confirms that the measurement model in use captures the market risk with sufficient precision.

Liquidity risk management

The Bank has established the "Liquidity Risk Control Policy" as a basic policy for liquidity risk management and various rules concerning liquidity risk management. Based on these policies and rules, the Bank clarifies fundamental approaches for stable funding operations and control procedures for identifying, monitoring and controlling liquidity risk. In addition, the Bank has established the "Contingency Plan for Liquidity" to enable it to make quick and correct responses to unexpected events.

Furthermore, as an organization responsible for liquidity risk management, the liquidity risk control function has been established and a cash management function and a settlement control function have been established to control daily cash management and settlement related to cash and securities.

The Risk Management Division, as a liquidity risk control function, manages the liquidity risk of the Bank as a whole by identifying, monitoring and controlling liquidity risk.

The Treasury Administration and International Division, as a cash management control function and settlement control function, prepares daily or monthly cash flow projections and conducts cash management by identifying possible funds and liquidity of assets and verifying the concentration of settlement of major account funds to certain date. The Division also controls settlement by identifying the status of settlement through systems such as the BOJ-NET and among financial institutions.

Risk management system of subsidiaries

The subsidiaries have a similar risk management system with the Bank.

(4) Supplementary Explanation about Fair Values of Financial Instruments

The fair values of financial instruments include, in addition to the value determined based on market prices, valuations calculated on a reasonable basis if no market prices are available. Since certain assumptions are used in calculating the value, the outcome of such calculation may vary if different assumptions are used.

(5) Fair Values of Financial Instruments

The carrying amount, the fair value and their related differences as of March 31, 2012 and 2011 are disclosed below. Note that unlisted equity securities for which fair value is extremely difficult to identify are not included in the following table (see Note 2 below) and insignificant accounts in terms of the carrying amount are omitted:

	Millions of Yen		
March 31, 2012	Carrying Amount	Fair Value	Difference
(1) Cash and due from banks	¥ 777,084	¥ 777,084	
(2) Call loans and bills bought	211,256	211,256	
(3) Investment securities	2,857,096	2,857,178	¥ 82
Held-to-maturity securities	11,407	11,490	82
Available-for-sale securities	2,845,688	2,845,688	
(4) Loans and bills discounted	3,639,528		
Reserve for possible loan losses*	(105,983)		
	3,533,544	3,587,711	54,167
Total assets	¥7,378,981	¥7,433,231	¥54,249
(1) Deposits	¥7,170,216	¥7,174,422	¥ 4,206
Total liabilities	¥7,170,216	¥7,174,422	¥ 4,206

	Millions of Yen		
March 31, 2011	Carrying Amount	Fair Value	Difference
(1) Cash and due from banks	¥ 443,607	¥ 443,607	
(2) Call loans and bills bought	992	992	
(3) Investment securities	2,125,614	2,125,697	¥ 82
Held-to-maturity securities	10,911	10,994	82
Available-for-sale securities	2,114,703	2,114,703	
(4) Loans and bills discounted	3,495,671		
Reserve for possible loan losses*	(100,618)		
	3,395,053	3,451,006	55,952
Total assets	¥5,965,267	¥6,021,303	¥56,035
(1) Deposits	¥5,633,396	¥5,640,415	¥ 7,018
(2) Call money	64,441	64,441	
(3) Borrowed money	104,630	104,605	(25)
Total liabilities	¥5,802,468	¥5,809,462	¥ 6,993

	Thousands of U.S. Dollars		
March 31, 2012	Carrying Amount	Fair Value	Difference
(1) Cash and due from banks	$ 9,454,726	$ 9,454,726	
(2) Call loans and bills bought	2,570,337	2,570,337	
(3) Investment securities	34,762,087	34,763,085	$ 997
Held-to-maturity securities	138,788	139,798	997
Available-for-sale securities	34,623,287	34,623,287	
(4) Loans and bills discounted	44,281,883		
Reserve for possible loan losses*	(1,289,487)		
	42,992,383	43,651,429	659,046
Total assets	$89,779,547	$90,439,603	$660,043
(1) Deposits	$87,239,518	$87,290,692	$ 51,174
Total liabilities	$87,239,518	$87,290,692	$ 51,174

*General and specific reserves for possible loan losses corresponding to loans and bills discounted are deducted.

Notes:
1. Calculation method for the fair value of financial instruments
Assets:
(1) Cash and due from banks
For due from banks, the carrying amount is presented as the fair value since the fair value approximates the carrying amount.
(2) Call loans and bills bought
For call loans and bills bought, the carrying amount is presented as the fair value since the fair value approximates the carrying amount.
(3) Investment securities
The fair values of equity securities and debt securities are determined using the quoted price of the stock exchange, Japan Securities Dealers Association or the price calculated by financial institutions. The fair value of investment trust is determined using the published standard quotation or the standard quotation offered by the securities investment advisors.

With respect to privately placed guaranteed bonds, the fair value is determined using the future cash flows (coupons, redemption of principal, guarantee fees) discounted at an interest rate considering the market interest rates and issuers' credit risk. For floating rate Japanese government bonds, the Bank values them at an amount calculated on a reasonable basis according to Practical Issues Task Force No. 25, "Practical Solution on Measurement of Fair Value for Financial Assets," issued by the ASBJ on October 28, 2008 if the market prices of these securities as of the balance sheet date cannot be regarded as the fair value. As a result, "Investment securities" and "Unrealized gains on available-for-sale securities" increased by ¥5,169 million ($62,890 thousand) and ¥3,344 million ($40,686 thousand) at March 31, 2012, and ¥16,655 million and ¥9,893 million at March 31, 2011, respectively, and "Deferred tax assets" decreased by ¥1,824 million ($22,192 thousand) and ¥6,762 million, respectively, at March 31, 2012 and 2011, compared with those which would have been valued based on the market price.

The value of floating rate Japanese government bonds calculated on a reasonable basis is determined by discounting the expected future cash flows estimated based on factors such as the yield of government bonds and volatility of interest rate swaptions. Accordingly, the yield of government bonds and volatility of interest rate swaptions are major parameters determining the price.
(4) Loans and bills discounted
With respect to loans with floating interest rates, the carrying amount is presented as the fair value since the fair value approximates the carrying amount as they reflect the market interest rates in a short period, unless the creditworthiness of the borrower has changed significantly since the loan origination. With respect to loans with fixed interest rates, for each category of loans based on the type of loan, internal ratings and maturity length, the fair value is determined based on the present value of expected cash flows of aggregated principal and interest discounted at a rate which is the rate assumed if a new loan were made, or market interest rate, which is adjusted by the standard spread (including overhead ratio) by credit rating. The carrying amount is presented as the fair value if the maturity is within a short time period (less than one year) and the fair value approximates the carrying amount.

For receivables from "legal bankrupt," "virtually bankrupt" and "possibly bankrupt" borrowers, possible loan losses are estimated based on factors such as the expected amounts to be collected from collateral and guarantees. Since the fair value of these items approximates the carrying amount, net of the currently expected loan losses, such carrying amount is presented as the fair value.

For loans for which the repayment due date is not defined because of the characteristics that the loan amount is limited within the pledged assets, the carrying amount is presented as the fair value since the fair value is assumed to approximate the carrying amount considering the expected repayment schedule and terms on the interest rates.

Liabilities:
(1) Deposits
Regarding demand deposits, the amount payable as of the balance sheet date (i.e., the carrying amount) is considered to be the fair value. Time deposits and negotiable certificates of deposit are grouped by maturity length and the fair value is determined using the present value of the aggregate amounts of principal and interest discounted at an interest rate that would be applied to newly accepted deposits. For deposits with maturities within a short time period (less than one year) and whose fair value approximates the carrying amount, the carrying amount is presented as the fair value.
(2) Call money
For call money, the carrying amount is presented as the fair value since the fair value approximates the carrying amount.
(3) Borrowed money
For short-term borrowed money, the carrying amount is presented as the fair value since the fair value approximates the carrying amount. For long-term borrowed money of the consolidated subsidiaries from other banks, the fair value is determined by discounting the amount grouped by the term using the interest rate adding the standard spread (including overhead ratio) to the market interest rate depending on the credit ratings granted by the Bank to the consolidated subsidiaries.

For other long-term borrowed money, the carrying amount is presented as the fair value due to the immateriality of the amount recorded in the consolidated balance sheet.

2. The financial instruments whose fair value is extremely difficult to identify are as follows. These items are not included in (3) "Available-for-sale securities" under "Assets" in the aforementioned table of fair value information of financial instruments.

	Carrying Amount		
	Millions of Yen		Thousands of U.S. Dollars
Category	2012	2011	2012
Unlisted equity securities*1,*2	¥3,082	¥3,232	$37,498
Capital subscription in investment business partnerships*3	817	243	9,940
Total	¥3,900	¥3,475	$47,451

*1 *Unlisted equity securities are not treated as instruments whose fair value is required to be disclosed since there is no market price and it is extremely difficult to identify the fair value.*

*2 *Impairment losses in the amount of ¥149 million ($1,812 thousand) and ¥51 million were recognized for unlisted equity securities for the years ended March 31, 2012 and 2011, respectively.*

*3 *Capital subscription in investment business partnerships, whose assets (i.e., unlisted equity securities) consist of those whose fair values are extremely difficult to identify, is not treated as instruments whose fair value is required to be disclosed.*

3. Maturity analysis for financial assets and securities with contractual maturities as of March 31, 2012

	Millions of Yen					
	Due in 1 Year or Less	Due after 1 Year through 3 Years	Due after 3 Years through 5 Years	Due after 5 Years through 7 Years	Due after 7 Years through 10 Years	Due after 10 Years
Due from banks	¥ 724,787					
Call loans and bills bought	211,256					
Investment securities	161,670	¥ 693,508	¥ 902,941	¥323,075	¥537,394	¥ 34,316
Held-to-maturity securities	3,800	3,700	3,900			
National government bonds	2,100	2,300	1,200			
Local government bonds	1,700	1,400	2,700			
Available-for-sale securities with contractual maturities	157,870	689,808	899,041	323,075	537,394	34,316
National government bonds	48,900	342,100	604,300	191,300	330,000	30,000
Local government bonds	8,456	51,791	20,147			
Corporate bonds	74,675	241,045	242,303	122,511	162,558	
Other	25,839	54,871	32,291	9,264	44,836	4,316
Loans and bills discounted*	986,384	800,781	674,654	224,084	233,379	465,847
Total	¥2,084,099	¥1,494,289	¥1,577,596	¥547,159	¥770,774	¥500,164

	Thousands of U.S. Dollars					
	Due in 1 Year or Less	Due after 1 Year through 3 Years	Due after 3 Years through 5 Years	Due after 5 Years through 7 Years	Due after 7 Years through 10 Years	Due after 10 Years
Due from banks	$ 8,818,432					
Call loans and bills bought	2,570,337					
Investment securities	1,967,027	$ 8,437,863	$10,986,020	$3,930,831	$6,538,435	$ 417,520
Held-to-maturity securities	46,234	45,017	47,451			
National government bonds	25,550	27,983	14,600			
Local government bonds	20,683	17,033	32,850			
Available-for-sale securities with contractual maturities	1,920,793	8,392,845	10,938,569	3,930,831	6,538,435	417,520
National government bonds	594,962	4,162,306	7,352,475	2,327,533	4,015,086	365,007
Local government bonds	102,883	630,137	245,127			
Corporate bonds	908,565	2,932,777	2,948,083	1,490,582	1,977,831	
Other	314,381	667,611	392,882	112,714	545,516	52,512
Loans and bills discounted*	12,001,265	9,743,046	8,208,468	2,726,414	2,839,506	5,667,927
Total	$25,357,087	$18,180,910	$19,194,500	$6,657,245	$9,377,953	$6,085,460

** Of loans and bills discounted, the portion whose timing of collection is unforeseeable, such as loans to "Legally bankrupt" borrowers, loans to "Virtually bankrupt" borrowers, and loans to "Possibly bankrupt" borrowers, amounting to ¥135,679 million ($1,650,796 thousand) are not included in the above table. Loans that do not have a contractual maturity, amounting to ¥118,715 million ($1,444,397 thousand), are not included either.*

4. Repayment schedule of bonds, borrowed money and other interest bearing liabilities subsequent to March 31, 2012

	Millions of Yen					
	Due in 1 Year or Less	Due after 1 Year through 3 Years	Due after 3 Years through 5 Years	Due after 5 Years through 7 Years	Due after 7 Years through 10 Years	Due after 10 Years
Deposits*	¥6,611,133	¥476,064	¥83,018			

	Thousands of U.S. Dollars					
	Due in 1 Year or Less	Due after 1 Year through 3 Years	Due after 3 Years through 5 Years	Due after 5 Years through 7 Years	Due after 7 Years through 10 Years	Due after 10 Years
Deposits*	$80,437,194	$5,792,237	$1,010,074			

** Demand deposits included in deposits are presented under "Due in 1 year or less."*

28. Derivatives

It is the Bank's policy to use derivatives primarily for the purpose of reducing market risks associated with its assets and liabilities. The Bank also utilizes derivatives to meet the needs of its clients while entering into derivatives as a part of its trading activities.

The Bank enters into interest rate swaps, interest rate swaptions, bond futures and bond future options as a means of hedging its interest rate risk on certain loans, deposits and investment securities while entering into interest rate swaps and interest rate caps to meet the needs of its clients.

The Bank also enters into foreign exchange forward contracts and currency options to hedge foreign exchange risk associated with its assets and liabilities denominated in foreign currencies and to meet the needs of its clients.

Furthermore, the Bank enters into bond futures, bond future options and foreign exchange forward contracts for a short term as part of its trading activities.

Derivatives are subject to market risk and credit risk. Market risk is the exposure created by potential fluctuations of market conditions, including interest or foreign exchange rates. Credit risk is the possibility that a loss may result from a counterparty's failure to perform its obligations under a contract.

The Bank sets limits to credit risk on those derivatives by limiting the counterparties to major financial institutions and securities companies and establishing maximum risk exposures to the counterparties.

The Bank has established a standard of risk management including management approaches for each type of risks. Derivative transactions entered into by the Bank have been made in accordance with internal policies which regulate trading activities and credit risk management including maximum risk exposures and loss-cutting rules. Concerning risk management associated with derivative transactions, the front and back offices of the trading divisions are clearly separated and risk managers are assigned to the trading divisions, while the Risk Management Division synthetically manages the Bank's market risks. In this manner, an internal control system is effectively secured.

The Bank's positions, gain-and-loss, risk amount and other conditions are periodically reported to the executive committee.

The Bank has the following derivatives contracts outstanding at March 31, 2012 and 2011:

Derivative Transactions to Which Hedge Accounting Is Not Applied

With respect to derivatives to which hedge accounting is not applied, contract or notional amount, fair value and unrealized gains/losses and the calculation method of fair value are as shown below. Note that the contract or notional amounts of the derivatives which are shown in the table do not represent the amounts of the Bank's exposure to credit or market risk.

	Millions of Yen								Thousands of U.S. Dollars			
	2012				2011				**2012**			
	Contract or Notional Amount				Contract or Notional Amount				Contract or Notional Amount			
	Total	Due after One Year	Fair Value	Unrealized Gains/ Losses	Total	Due after One Year	Fair Value	Unrealized Gains/ Losses	Total	Due after One Year	Fair Value	Unrealized Gains/ Losses
Interest rate-related OTC transactions:												
Interest rate swaps:												
Floating rate receipt/ fixed rate payment	¥11,695	¥9,012	¥(43)	¥(43)	¥12,345	¥8,585	¥(71)	¥(71)	$142,292	$109,648	$(523)	$(523)
Floating rate payment/ fixed rate receipt	6,680	4,720	(3)	(3)	5,520	1,960	32	32	81,275	57,427	(36)	(36)
Interest rate swaption:												
Selling	10,840		(26)	(26)	12,180		(37)	(37)	131,889		(316)	(316)
Buying	10,840		26	26	12,180		37	37	131,889		316	316
Others:												
Selling					141							
Buying					141							
Currency-related OTC transactions:												
Currency swaps	41,531	40,126	81	81	44,073	42,514	92	92	505,304	488,210	985	985
Foreign exchange forward contracts:												
Selling	76,418		(3,165)	(3,165)	52,383		(484)	(484)	929,772		(38,508)	(38,508)
Buying	4,352		4	4	5,544		6	6	52,950		48	48
Currency option:												
Selling	19,062	12,614	(1,289)	321	21,938	15,646	(1,993)	(62)	231,926	153,473	(15,683)	3,905
Buying	19,062	12,614	1,289	(80)	21,938	15,646	1,993	466	231,926	153,473	15,683	(973)

Notes:

1. Above transactions are stated at fair value and unrealized gains (losses) for the years ended March 31, 2012 and 2011 were recognized in the consolidated statement of operations.
2. The fair value of interest rate-related OTC transactions is determined using the discounted present value or option pricing models and the fair value of currency-related OTC transactions is determined using the discounted present value.

Derivative Transactions to Which Hedge Accounting Is Applied
With respect to derivatives to which hedge accounting is applied, contract or notional amount, fair value and the calculation method of fair value are as shown below. Note that the contract or notional amounts of the derivatives which are shown in the table do not represent the amounts of the Bank's exposure to market risk.

At March 31, 2012			Millions of Yen		
			Contract or Notional Amount		
Hedge Accounting Method	Type of Derivatives	Major Hedged Item	Total	Due after One Year	Fair Value
Normal method	Interest rate swaps– Floating rate receipt/ fixed rate payment	Loans	¥ 20,226	¥ 19,458	¥ (517)
Special matching criteria	Interest rate swaps– Floating rate receipt/ fixed rate payment	Loans	191,358	156,380	(2,584)
Total					¥(3,102)

At March 31, 2011			Millions of Yen		
			Contract or Notional Amount		
Hedge Accounting Method	Type of Derivatives	Major Hedged Item	Total	Due after One Year	Fair Value
Normal method	Interest rate swaps– Floating rate receipt/ fixed rate payment	Loans	¥ 62,296	¥ 19,017	¥ (854)
Special matching criteria	Interest rate swaps– Floating rate receipt/ fixed rate payment	Loans	194,229	182,225	(2,790)
Total					¥(3,644)

At March 31, 2012			Thousands of U.S. Dollars		
			Contract or Notional Amount		
Hedge Accounting Method	Type of Derivatives	Major Hedged Item	Total	Due after One Year	Fair Value
Normal method	Interest rate swaps– Floating rate receipt/ fixed rate payment	Loans	$ 246,088	$ 236,744	$ (6,290)
Special matching criteria	Interest rate swaps– Floating rate receipt/ fixed rate payment	Loans	2,328,239	1,902,664	(31,439)
Total					$(37,741)

Notes:
1. These are principally accounted for under the deferral hedge method in accordance with JICPA Industry Audit Committee Report No. 24, "Treatment of Accounting and Auditing of Application of Accounting Standard for Financial Instruments in the Banking Industry."
2. Fair value is determined using the discounted present value.

29. Related Party Transactions

Related party transactions for the years ended March 31, 2012 and 2011 were as follows:
a. Transactions between the Bank and Its Related Parties

		Transactions for the Year*4			Balance at End of Year		
		Millions of Yen		Thousands of U.S. Dollars	Millions of Yen		Thousands of U.S. Dollars
Related Party	Account Classification *3	2012	2011	2012	2012	2011	2012
Department Store Fujisaki Co., Ltd. *1	Loans and bills discounted	¥4,399	¥4,144	$53,522	¥4,604	¥4,353	$56,016
	Investment securities	82	182	997	50	150	608
	Customers' liabilities for acceptances and guarantees	200	200	2,433	200	200	2,433
Fuji Styling Co., Ltd. *1	Loans and bills discounted	295	292	3,589	285	286	3,467
Fujisaki Agency Co., Ltd. *1	Customers' liabilities for acceptances and guarantees	700	572	8,516	700	700	8,516
Medical Corp. Shoukeikai *1	Loans and bills discounted	26	25	316	24	24	292
Mr. Junichi Matsuoka *2	Loans and bills discounted	14	16	170	14	15	170
Mr. Minokichi Akaizawa *2	Loans and bills discounted	74		900	72		876

Notes: *1 *Company whose voting rights are majority owned by a director or his close relatives (including subsidiaries of such company).*
*2 *Mr. Junichi Matsuoka and Mr. Minokichi Akaizawa are close relatives of directors.*
*3 *Terms are substantially the same as for similar transactions with third parties.*
*4 *Amounts of transactions were reported at the average balance for the period.*

b. Transactions between a Consolidated Subsidiary and Its Related Party

		Transactions for the Year			Balance at End of Year		
		Millions of Yen		Thousands of U.S. Dollars	Millions of Yen		Thousands of U.S. Dollars
Related Party	Account Classification *2	2012	2011	2012	2012	2011	2012
Department Store Fujisaki Co., Ltd. *1	Fees and commissions	¥11	¥13	$133			

Notes: *1 *Company whose voting rights are majority owned by a director or his close relatives (including subsidiaries of such company).*
*2 *Terms are substantially the same as for similar transactions with third parties.*

30. Segment Information

(1) Description of Reportable Segments
The reportable segments of the Bank are subject to periodic review by the chief operating decision maker to determine the allocation of management resources and assess performance and from the viewpoint of the nature of its major financial instruments and services. The Bank is composed of the operating segments of "Banking" and "Leasing" activities as the reportable segments.

"Banking" segment provides customers with banking operations including deposit taking, lending and exchange businesses as well as scrutinizing of cash as a banking related service.

"Leasing" segment provides customers with leasing business.

Financial segment information is for those segments about which separate financial information is available.

(2) Methods of Measurement of Sales, Profit (Loss), Assets and Other Items for Each Reportable Segment
Accounting policies adopted by the reportable segments are almost the same as those described in Note 2, "Summary of Significant Accounting Policies." Segment profit of the reportable segments is based on the figures of ordinary profit and intersegment income is based on an arm's length transaction basis.

(3) Reportable Segment Information concerning Income, Profit (Loss), Assets and Other Items

	Millions of Yen						
	2012						
	Reportable Segments						
	Banking	Leasing	Total	Other	Total	Reconciliations	Consolidated
Ordinary income:							
External customers	¥ 98,792	¥ 14,937	¥ 113,730	¥ 3,005	¥ 116,736		¥ 116,736
Intersegment income	336	1,628	1,964	1,666	3,631	¥ (3,631)	
Total	¥ 99,129	¥ 16,566	¥ 115,695	¥ 4,672	¥ 120,367	¥ (3,631)	¥ 116,736
Segment profit	¥ 16,811	¥ 253	¥ 17,064	¥ 1,004	¥ 18,069	¥ (74)	¥ 17,994
Segment assets	7,589,581	25,390	7,614,972	20,391	7,635,363	(18,583)	7,616,779
Other information:							
Depreciation	3,476	93	3,569	22	3,591		3,591
Interest income	76,925	5	76,931	507	77,439	(181)	77,258
Interest expense	4,357	249	4,607	38	4,646	(173)	4,472
Increase in tangible and intangible fixed assets	2,611	93	2,704	25	2,730		2,730

Notes: 1. Segment profit is reconciled with ordinary profit. Ordinary profits, ordinary income and ordinary expenses are defined as follows:
"Ordinary profits" means "Ordinary income" less "Ordinary expenses."
"Ordinary income" represents total income less certain special income included in other income in the accompanying consolidated statement of operations.
"Ordinary expenses" represent total expenses less certain special expenses included in other expenses in the accompanying consolidated statement of operations.
2. "Other" is a business segment which does not belong to reportable segments and consists of credit guarantee business, credit card business, etc.
3. "Reconciliations" of segment profit of ¥(74) million, segment assets of ¥(18,583) million, interest income of ¥(181) million and interest expense of ¥(173) million are eliminations of intersegment transactions.

	Millions of Yen						
	2011						
	Reportable Segments						
	Banking	Leasing	Total	Other	Total	Reconciliations	Consolidated
Ordinary income:							
External customers	¥ 98,726	¥ 13,436	¥ 112,162	¥ 3,212	¥ 115,375		¥ 115,375
Intersegment income	430	1,651	2,082	1,761	3,843	¥ (3,843)	
Total	¥ 99,156	¥ 15,088	¥ 114,244	¥ 4,974	¥ 119,218	¥ (3,843)	¥ 115,375
Segment profit	¥ 16,258	¥ 920	¥ 17,178	¥ 1,033	¥ 18,212	¥ (55)	¥ 18,156
Segment assets	6,189,069	29,429	6,218,498	19,084	6,237,583	(19,920)	6,217,663
Other information:							
Depreciation	3,846	116	3,963	33	3,996		3,996
Interest income	79,355	5	79,361	704	80,066	(247)	79,818
Interest expense	6,188	326	6,514	58	6,572	(237)	6,335
Increase in tangible and intangible fixed assets	1,385	96	1,481	17	1,499	(4)	1,495

Notes: 1. Segment profit is reconciled with ordinary profit. Ordinary profits, ordinary income and ordinary expenses are defined as follows:
"Ordinary profits" means "Ordinary income" less "Ordinary expenses."
"Ordinary income" represents total income less certain special income included in other income in the accompanying consolidated statement of operations.
"Ordinary expenses" represent total expenses less certain special expenses included in other expenses in the accompanying consolidated statement of operations.
2. "Other" is a business segment which does not belong to reportable segments and consists of credit guarantee business, credit card business, etc.
3. "Reconciliations" of segment profit of ¥(55) million, segment assets of ¥(19,920) million, interest income of ¥(247) million and interest expense of ¥(237) million are eliminations of intersegment transactions.

	Thousands of U.S. Dollars						
	2012						
	Reportable Segments						
	Banking	Leasing	Total	Other	Total	Reconciliations	Consolidated
Ordinary income:							
External customers	$ 1,201,995	$181,737	$ 1,383,744	$ 36,561	$ 1,420,318		$ 1,420,318
Intersegment income	4,088	19,807	23,895	20,270	44,178	$ (44,178)	
Total	$ 1,206,095	$201,557	$ 1,407,652	$ 56,843	$ 1,464,496	$ (44,178)	$ 1,420,318
Segment profit	$ 204,538	$ 3,078	$ 207,616	$ 12,215	$ 219,844	$ (900)	$ 218,931
Segment assets	92,341,902	308,918	92,650,833	248,095	92,898,929	(226,098)	92,672,819
Other information:							
Depreciation	42,292	1,131	43,423	267	43,691		43,691
Interest income	935,941	60	936,014	6,168	942,194	(2,202)	939,992
Interest expense	53,011	3,029	56,053	462	56,527	(2,104)	54,410
Increase in tangible and intangible fixed assets	31,767	1,131	32,899	304	33,215		33,215

Notes: 1. Segment profit is reconciled with ordinary profit. Ordinary profits, ordinary income and ordinary expenses are defined as follows:
"Ordinary profits" means "Ordinary income" less "Ordinary expenses."
"Ordinary income" represents total income less certain special income included in other income in the accompanying consolidated statement of operations.
"Ordinary expenses" represent total expenses less certain special expenses included in other expenses in the accompanying consolidated statement of operations.
2. "Other" is a business segment which does not belong to reportable segments and consists of credit guarantee business, credit card business, etc.
3. "Reconciliations" of segment profit of $(900) thousand, segment assets of $(226,098) thousand, interest income of $(2,202) thousand and interest expense of $(2,104) thousand are eliminations of intersegment transactions.

Related Information for the Years Ended March 31, 2012 and 2011
Information by Service Line

	Millions of Yen				
	2012				
	Loan	Securities Investment	Lease	Other	Total
External customers	¥52,957	¥28,649	¥14,937	¥20,191	¥116,736

	Millions of Yen				
	2011				
	Loan	Securities Investment	Lease	Other	Total
External customers	¥56,531	¥26,041	¥13,436	¥19,365	¥115,375

	Thousands of U.S. Dollars				
	2012				
	Loan	Securities Investment	Lease	Other	Total
External customers	$644,324	$348,570	$181,737	$245,662	$1,420,318

Information about assets impairment losses

	Millions of Yen				
	2012				
	Reportable Segments				
	Banking	Leasing	Total	Other	Total
Impairment losses	¥1,461		¥1,461		¥1,461

	Millions of Yen				
	2011				
	Reportable Segments				
	Banking	Leasing	Total	Other	Total
Impairment losses	¥1,044		¥1,044		¥1,044

	Thousands of U.S. Dollars				
	2012				
	Reportable Segments				
	Banking	Leasing	Total	Other	Total
Impairment losses	$17,775		$17,775		$17,775

Information about geographical areas is omitted because the Companies conduct banking and other related activities in Japan without having foreign subsidiaries or foreign branches.
Information about major customers is not presented because there are no customers having over a 10% share of ordinary income.

31. Net Income (Loss) Per Share

Basic and diluted net income (loss) per share ("EPS (LPS)") for the years ended March 31, 2012 and 2011 is as follows:

	Millions of Yen	Thousands of Shares	Yen	U.S. Dollars
Year Ended March 31, 2012	Net Income (Loss)	Weighted-Average Shares	EPS (LPS)	
Basic EPS—Net income attributable to common stockholders	¥10,690	373,792	¥28.60	$0.34
Effect of dilutive securities—Stock acquisition rights		832		
Diluted EPS—Net income for computation	¥10,690	374,624	¥28.53	$0.34
Year Ended March 31, 2011				
Basic LPS—Net loss attributable to common stockholders	¥(30,458)	379,057	¥(80.35)	

Note: Diluted EPS for 2011 is not disclosed because the Bank recorded a net loss.

32. Subsequent Event

At the Bank's general meeting of stockholders held on June 28, 2012, the Bank's stockholders approved the following:

Appropriations of Retained Earnings

	Millions of Yen	Thousands of U.S. Dollars
Year-end cash dividends, ¥3.50 ($0.042) per share	**¥1,308**	**$15,914**