ANNUAL REPORT 2 0 1 2

ANNUAL REPORT 2012

77 BANK

THE 77 BANK, LTD.

ANNUAL REPORT

2012

Profile

The 77 Bank, Ltd., was founded in 1878 as Japan's 77th national bank. Headquartered in Sendai—the capital of Miyagi Prefecture—the Bank is the largest in the Tohoku region, with a branch network covering the northern part of Honshu, Japan's largest island.

Based on its philosophy, The 77 Bank continues to strengthen its business foundation and enhance its management quality in order to be the "Best creative bank" that creates a new era together with the region. As of March 31, 2012, The 77 Bank had capital of ¥24.7 billion, 141 domestic branches and 2,898 employees.

Contents

77 BANK

Consolidated Financial Highlights

THE 77 BANK, LTD. AND SUBSIDIARIES
As of March 31

	Millions of Yen		Thousands of U.S. Dollars
	2012	2011	**2012**
For the fiscal year			
Net interest income	**¥ 72,785**	¥ 73,483	**$ 885,570**
Net fees and commission	**11,165**	10,852	**135,843**
Net other operating income	**2,945**	3,250	**35,831**
Net income (loss)	**10,690**	(30,458)	**130,064**
At the fiscal year-end			
Total assets	**¥7,616,779**	¥6,217,663	**$92,672,819**
Deposits	**7,170,216**	5,633,396	**87,239,518**
Loans and bills discounted	**3,639,528**	3,495,671	**44,281,883**
Trading account securities and investment securities	**2,890,083**	2,152,996	**35,163,438**
Equity	**318,013**	306,499	**3,869,242**
Common stock	**24,658**	24,658	**300,012**

	Yen		U.S. Dollars
	2012	2011	**2012**
Per share of common stock			
Basic net income (loss)	**¥ 28.60**	¥ (80.35)	**$ 0.347**
Diluted net income	**28.53**		**0.347**
Equity	**826.80**	793.64	**10.059**
Cash dividends applicable to the year	**7.00**	6.00	**0.085**
Capital adequacy ratio (%)			
Domestic standard	**12.57**	11.69	

Note: Throughout this report, U.S. dollar amounts are translated, for convenience only, at the rate of ¥82.19 = US$1, the exchange rate prevailing on March 31, 2012.

Message from the President

The 77 Bank aims to be the "Best creative bank" that creates a new era together with the region.


Teruhiko Ujiie, President

Despite the risk of a downswing due to factors associated with the European debt crisis including the economic slowdown overseas and the fluctuating exchange rate, the Japanese economy is recovering gradually, thanks to improvements in exports, production, and capital investment backed by emerging demand related to reconstruction, as well as an upturn in personal consumption owing to the effects of economic stimulus.

In addition, the economy in Miyagi Prefecture, the primary base of operations for The 77 Bank, has shown an overall tendency toward recovery, despite the lingering effects of damage from the disaster. Production and housing are picking up, in addition to which public investment is on the rise as disaster reconstruction projects come online, and personal consumption is making a comeback due to continuing demand related to replacement purchases.

The disaster caused massive damage in terms of human casualties as well as damage to social and lifestyle infrastructure in Northeast Japan, including Miyagi Prefecture, which is our primary base of operations. Even now, after one year has passed since the disaster, the coastal region is still facing many challenges with regard to restoration of the region's economic foundation and social infrastructure. Town revitalization efforts that take into account disaster prevention, including measures to deal with land subsidence, are still in progress. In addition, there is a growing risk of deterioration of the regional economy as the accident at the nuclear power plant in Fukushima Prefecture drags on, causing direct and indirect damage to the mainstay primary industries of Miyagi Prefecture and Northeast Japan as well.

With regard to our outlook for the future, while facing risk factors such as concerns about the downturn in the global economy, fluctuations in financial capital markets, and the effects of deflation, financial institutions are called upon to act as economic leaders, providing back-up support for real economy and enterprises.

In addition, regional financial institutions need to sustain and expand their own business foundations by contributing to regional economic and social development through further enhanced and strengthened consulting functions such as providing customers with support for management improvement or overseas expansion. For The 77 Bank in particular, as a financial institution working with the local region, it is necessary to fulfill our function as a financial intermediary by offering strong support in terms of funding for revitalization and development of the areas that suffered massive damage in the disaster.

In order to deal proactively with these issues, the Bank initiated a three-year medium-term management plan in April of this year, entitled "'POWER for the Future' – 36 Months of Renewal and Growth –." Based on this plan, we will further deepen our business relationship with people of the region and continue doing business anchored in the first and final mission of regional financial institutions, that is, to contribute to the revitalization and development of regional society and economy.

Outline of Medium-term Management Plan: "POWER for the Future" – 36 Months of Renewal and Growth –

In order to respond proactively to changes in the business environment, The 77 Bank launched its medium-term management plan for the period of three years from April 2012 to March 2015, entitled "'POWER for the Future' – 36 Months of Renewal and Growth –."

Under the plan "'POWER for the Future' – 36 Months of Renewal and Growth –," we will strive to become the "Best creative bank" that creates a new era together with the region through efforts guided by three basic policies: "support earthquake recovery and revitalize the regional economy," "strengthen loan and consulting capabilities," and "further improve productivity."

Bank Image Sought by The 77 Bank	"Best creative bank" that creates a new era together with the region
Name	Medium-term Management Plan: **"POWER for the Future" – 36 Months of Renewal and Growth –** "POWER" will be a key word in the ongoing reconstruction and development of the regional economy, and development of the Bank, meaning that we will exert our "power" for the sake of regional reconstruction, and that each and every employee of the Bank will build up his or her "power."
Period	The three-year period April 1, 2012 to March 31, 2015
Basic Policies	1. Support earthquake recovery and revitalize the regional economy 2. Strengthen loan and consulting capabilities 3. Further improve productivity
Basic Objectives	• Balance of retail loans and bills discounted (as of Mar 31. 2015 (final year of the Plan))(*1) — JPY 2.15 trillion or more Balance of retail loans and bills discounted in Miyagi Pref. (as of Mar 31. 2015 (final year of the Plan))(*2) — JPY 2 trillion or more *1. Balance of loans and bills discounted excluding local government and other public authorities, Tokyo, Osaka and Nagoya areas branches as well as head office accounts *2. Balance of loans and bills discounted excluding local government and other public authorities as well as head office accounts • Sales of investment trust, insurance and public bond sales (cumulative total for the period of the Medium-term Management plan) — JPY 450.0 billion or more • Net income (FY2013 and FY2014, respectively) — JPY 11.0 billion or more (FY2015, final year of the Plan) — JPY 13.0 billion or more • Core OHR (FY2015) — Less than 67%
Priorities	**1. Support earthquake recovery and revitalize the regional economy** 1) Fulfill our financial intermediary function 2) Strengthen support for business rehabilitation and management improvement 3) Contribute to reconstruction and development of the region **2. Strengthen loan and consulting capabilities** 1) Expand investment in human resources development 2) Strengthen lending and expand customer base **3. Further improve productivity** 1) Improve capacity to conduct business 2) Implement low-cost operations from top to bottom 3) Prepare for conversion to shared systems **4. Continue to develop the financial services platform** 1) Enhance branch network and sales platform 2) Strengthen services for seniors and youth 3) Strengthen management of securities 4) Disaster prevention and safety measures 5) Compliance with laws and regulations, enhancement of internal management 6) Bolster the 77 brand

Bank Creed as a Code of Conduct

The Bank Creed has been deeply engrained as a code of conduct among the Bank's executives and employees to this day, since its establishment as the basic principle of management in 1961. The Bank Creed declares our commitment to "contribute to the local community while achieving a harmonious balance between self-interest and public interest." In this context, it gives top priority to "elevating the spirit of voluntary service" and advocates a service-minded approach to bring about prosperity in the local community.

Bank Creed

The Bank's mission is to absorb funds and create credit by exercising its own creativity based on the principle of self-responsibility, in a spirit of maintaining orderly credit conditions and protecting depositors, and thereby contribute to the growth of the national economy. In light of such public mission, the Bank shall contribute to the local community while seeking a harmonious balance between self-interest and public interest as a regional bank.

Based on the aforementioned principles, the code of conduct to be observed by any and all persons employed by the Bank is set forth as follows.

1. Elevate the Spirit of Voluntary Service

Acknowledge that the Bank's progress goes hand in hand with prosperity in the local community, and seek to elevate the spirit of voluntary service at all times.

2. Improve Creditworthiness

Bear in mind that credit is the Bank's lifeblood, and endeavor to improve credit at all times.

3. Nurture the Spirit of Harmony

Recognize that the spirit of harmony is fundamental to the execution of duties, and strive to nurture such spirit at all times.

Based on such basic principles, the Bank aspires to become an enterprise in harmony with the local community by demonstrating its leadership and fulfilling its social responsibility for the sustained growth of the local community.

Specifically, our activities include supplying the region with funds smoothly, offering products and services tailored to customers' needs and providing support to corporate activities as well as various information. We also continually engage in activities that contribute to society, from the standpoint of a good corporate citizen.

In order to fulfill the principles set forth in our Bank Creed, we will continue to proactively contribute to the local community and make efforts so that they are fully understood by local residents.

(Note) For the Bank, "region" first and foremost means "Miyagi Prefecture," the Bank's primary base of operations.

Corporate Governance Status

The 77 Bank has always emphasized management priorities that serve to build a better business administration structure. In particular, we have devoted considerable efforts toward strengthening the capabilities of the Board of Directors, reinforcing auditing activities by inviting outside statutory auditors to sit on the Board of Statutory Auditors, and enriching our compliance and risk management systems.

The Board of Directors is responsible for decisions on key issues related to operations. The Executive Committee, a separate authority, discusses important business matters and determines courses of action within the power granted to it by the Board of Directors. The Bank maintains a statutory auditor system under which three of the five statutory auditors on the Board of Statutory Auditors are outside statutory auditors, a structure that raises the level of impartiality of internal audits. Statutory Auditors check that the actions of directors are constructive and appropriate by attending Board of Directors' meetings and issuing opinion statements on discussions and decisions made at those meetings.

In regard to compliance, The 77 Bank emphasizes clarity and integrity, a position underpinned by Compliance Policies, drafted by the Board of Directors. With regard to risk management, the Bank applies its Basic Policy for Risk Management, also drafted by the Board of Directors, to maintain a sound structure that promotes stable, long-lasting growth as a regional bank.

Teruhiko Ujiie
President

The Great East Japan Earthquake and Measures Taken by the Bank for Reconstruction and Revitalization

Disaster Reconstruction Committee

In response to the massive damage caused by the Great East Japan Earthquake, we set up the "Disaster Reconstruction Committee" headed by the president at the Head Office in May 2011, for the purpose of working to quickly normalize customer transactions and the financial infrastructure, promoting efforts for the further improvement of our financial intermediary function, and contributing to reconstruction and development of regional society and economy.

The Disaster Reconstruction Committee held 15 meetings as of the end of June 2012. The Committee has been assessing the effects of the disaster, dealing with damaged branches for the foreseeable future, and studying policies and other measures related to disaster reconstruction support for the region and for customers.

Reconstruction Support Policy

In December 2011, The 77 Bank formulated its "Reconstruction Support Policy" for the revitalization and development of the regional economy. The policy was written with a view to fulfilling our obligation as a financial institution working with the local region, by providing financial support for reconstruction efforts by the region and customers who suffered massive damage as a result of the Great East Japan Earthquake.

Guided by the "Reconstruction support policy," all executives and employees of the Bank will work to support the region and its customers, grappling proactively with various challenges in order to restore the Miyagi and Tohoku region with flourishing vitality, abundance, and overflowing kindness.

Reconstruction Support Policy

-To restore the Miyagi and Tohoku region with flourishing vitality, abundance, and overflowing kindness-

1. Fulfill our financial intermediation function

As a financial institution working with the local region, we are striving to meet funding needs related to reconstruction and revitalization efforts. We are working sincerely to resolve the problems of customers who were affected by the disaster through altering lending conditions and resolving double mortgages for customers who are working proactively for rebuilding.

2. Contribute to reconstruction and further development for the region

We will further enhance our consulting and judgment capabilities, and provide swift and optimal solutions to customers with reconstruction needs that were identified through vigorous customer visiting. At the same time, we will participate actively in initiatives for regional rehabilitation and industrial revitalization through enhanced collaboration with the municipal governments that are taking the lead in implementing reconstruction measures in the region. In this way, we will contribute to reconstruction and further development of the region.

Additionally, we will work to improve the branch network and sales platform in an effort to help enhance customer convenience and to fully assist efforts to achieve regional revitalization and rehabilitation through stable provision of financial services.

3. Assist efforts to achieve a disaster prevention-aware, safe and environmentally-friendly society

In light of the massive damage caused by the earthquake, we will pay even closer attention to disaster prevention and mitigation, as well as safety. In addition, we will take measures to bolster the business continuity framework in order to provide continuous financial services in disasters and other emergencies.

Furthermore, we will make long-term and sustainable contributions to the local community through initiatives to enhance energy conservation and environmental friendliness in anticipation of an environmentally-friendly society in the region after reconstruction.

Use of Public Funds

In order to actively and sufficiently fulfill our financial intermediary function for disaster recovery in our base of Miyagi Prefecture, we received ¥20.0 billion in public funds (subordinated loans based on the earthquake-related special provision of the Act on Special Measures for Strengthening Financial Functions) in December 2011. The purpose of the injection of funds was to make full preparations for future growth in risk assets and increases in credit costs, in addition to compensating for capital adequacy that was damaged as a result of the earthquake. As a financial institution working with the local region, we are working in collaboration with the Japanese government to ensure a sufficient supply of funding, and to fulfill our financial intermediary function.

Toward a Firmer Business Position

Toward a Firmer Business Position

Some of the key indicators of sound financial management are “capital adequacy ratio” and “ratings.” The Bank has always concentrated on the improvement of financial soundness and kept these indicators at favorable levels.

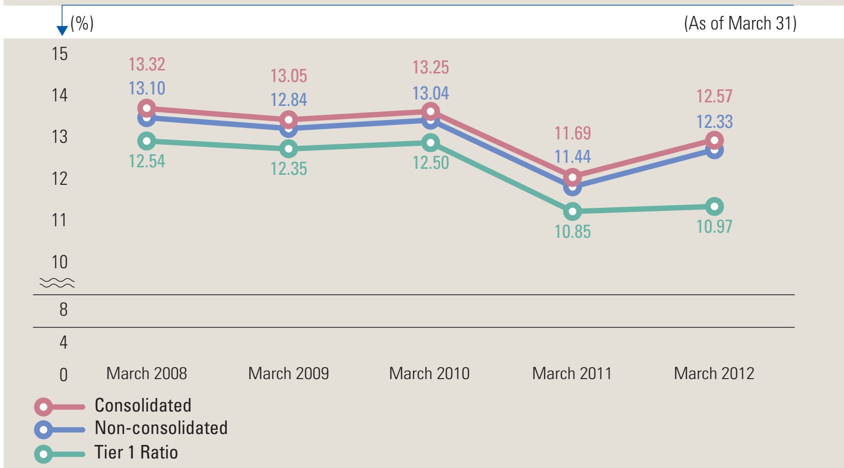
Capital Adequacy Ratio

Capital adequacy ratio refers to the ratio of capital relative to assets calculated according to risks (risk assets). It is one of the major barometers of a bank’s financial soundness. Banks that have no overseas bases are required to maintain their capital adequacy ratio of at least 4% under domestic standards. The 77 Bank currently applies domestic standards, and has a capital adequacy ratio of 12.33% for the fiscal year ended March 31, 2012, well above the required level.

In December 2011, we received ¥20.0 billion in public funds (subordinated loan based on the earthquake-related special provision of the Act on Special Measures for Strengthening Financial Functions), as a result of which our capital adequacy ratio rose 0.77 points as of the end of March 2012.

The Tier 1 capital ratio is ratio calculated only with respect to Tier 1, which excludes supplementary items such as subordinated loans from the current components that are used to determine the capital adequacy ratio, and therefore, better represents the financial soundness of a bank. As a result, the Bank’s Tier 1 ratio has been stable at a high level.

Trends in Capital Adequacy Ratio *(domestic standard)*



Ratings

“Rating” is an indicator of the certainty of the principal, interest, etc. of bonds issued by companies and other entities and those of bank deposits being paid in accordance with predetermined terms and conditions, and is denoted by such symbols as alphabets. As a third-party rating agency assesses the financial position, etc. and discloses the results to the market, ratings are used as an indicator of a bank’s credit worthiness and security.

The 77 Bank has acquired ratings from three domestic and overseas rating agencies that are among the highest of any Japanese financial institution.

The 77 Bank’s Ratings

(As of June 30, 2012)

Solid debt-repayment capabilities

AAA
AA
A
BBB
BB
B
CCC
CC
C
D

Rating Agency	Category	Rating	Definition
Japan Credit Rating Agency, Ltd. (JCR)	Long-term preferred debt rating	AA	Highest certainty of fulfillment of obligations
Rating and Investment Information, Inc. (R&I)	Issuer credit rating	A+	Higher credibility and partially superior performance
Standard & Poor’s Corp. (S&P)	Issuer credit rating	A	Strong capacity to meet its financial commitments

Notes:
1. Some rating agencies do not use D.
2. Ratings from level AA to level CCC (including level B by some agencies) are further qualified with the use of a + or – sign.

Risk-Management Structure

Sophisticated Techniques Based on Sound Principles

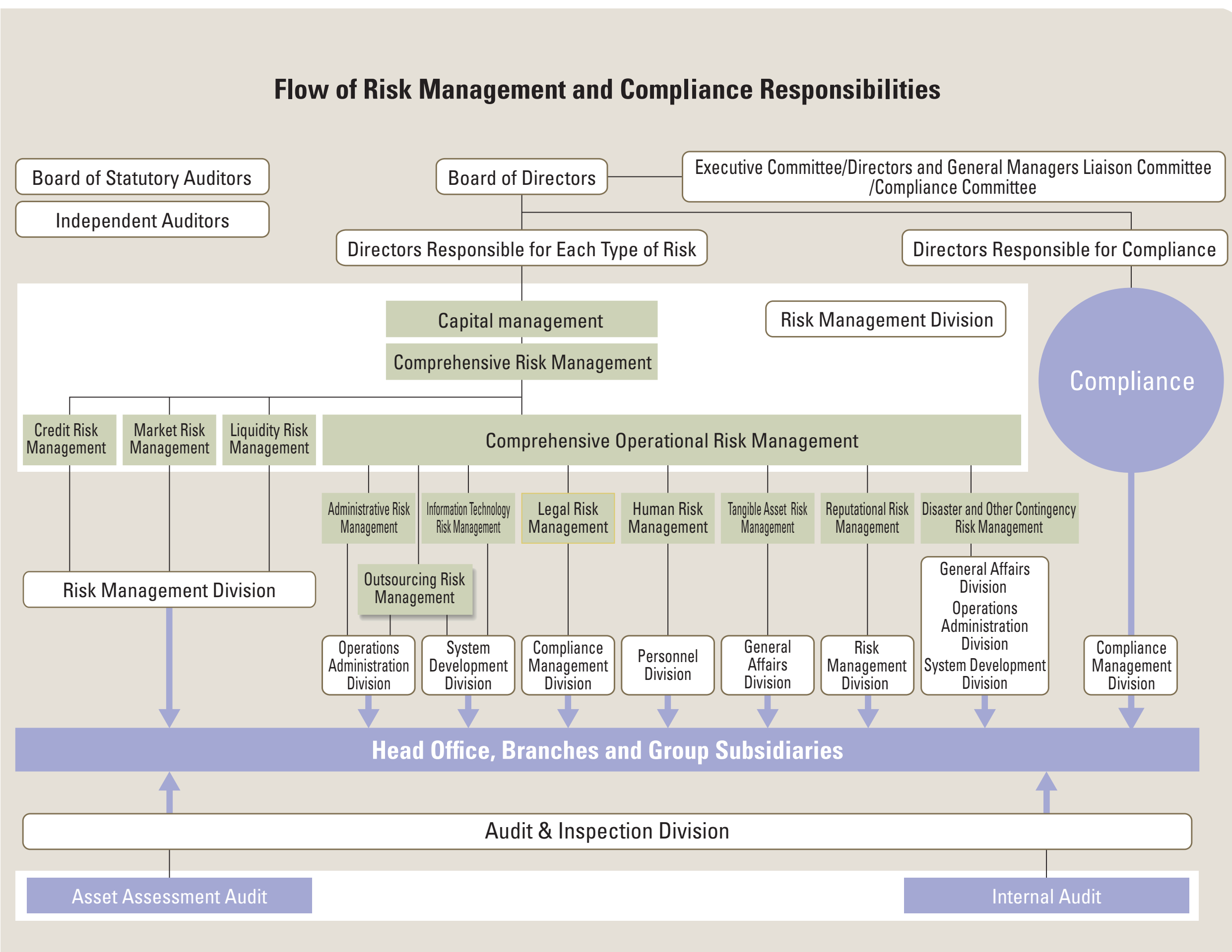
Rapidly changing conditions in the financial sector have significantly transformed the operating environment for financial institutions and caused the risk that surrounds financial institutions to become comparatively more complex than in the past. These conditions demand that financial institutions execute even more accurate identification and analysis of risks, and take appropriate control of such risks.

The 77 Bank works to reinforce comprehensive risk management with the improved soundness of business in mind. The risks the Bank faces are assessed by category and comprehensive risk management systems are established for self-control type risk management by taking an overall look at them, and comparing and contrasting with the Bank's capital. At the same time, efforts are being made to improve risk management methods by such means as the enhancement of risk measurement techniques.

We have implemented risk capital management as a specific framework for comprehensive risk management. Risk capital management is a management method where a risk capital budget, which is the risk tolerance, is allocated by risk category to each unit (domestic business units, funds and securities units, and another unit), and the measured risks of each unit are monitored to ensure that they do not exceed the respective budget. Risk capital management is also utilized to monitor whether expected profits suitable for the risks taken are being secured.

Roles of the Bank's Risk-Management Units

Various risks have been classified into four categories—credit risks, market risks, liquidity risks, and operational risks—and each risk category is overseen by dedicated divisions, in addition to comprehensive risk management by the Risk Management Division. Credit risks, market risks and liquidity



risks are managed by the Risk Management Division and the Risk Management Division supervises the comprehensive operational risk management. Of the operational risks, administrative risks are managed by the Operations Administration Division, information technology risks by the System Development Division, legal risks by the Compliance Management Division, human risks by Personnel Division, tangible assets risks by the General Affairs Division, reputational risks by the Risk Management Division, and outsourcing risks by the Operations Administration Division and System Development Division, and disaster and other contingency risks by the General Affairs Division, Operational Administration Division, and System Development Division.

The Audit & Inspection Division is independent of all business units, as it is the evaluating unit for internal processes and asset status. The Audit & Inspection Division assesses the risk-management positions of each division and branch, as well as those of group companies. The Bank conducts two types of audit: a comprehensive audit for internal management systems, including financial facilitation, compliance, customer protection, governance and management, and risk control; and physical inspection of cash and cash equivalents for the prevention of illegality. In addition, the Bank undergoes external audits, performed by outside corporate auditors, in order to further consolidate the internal management structure.

Compliance

The Bank formulated the Compliance Policies in order to clarify its stance on compliance and to ensure the effectiveness thereof. Further, the Bank established the Compliance Guidelines (Compliance Standards) to articulate specific guidelines and a code of conduct so that the executives and employees place importance on compliance, thereby ensuring the lawful conduct of business.

Compliance Guidelines

Basic Direction

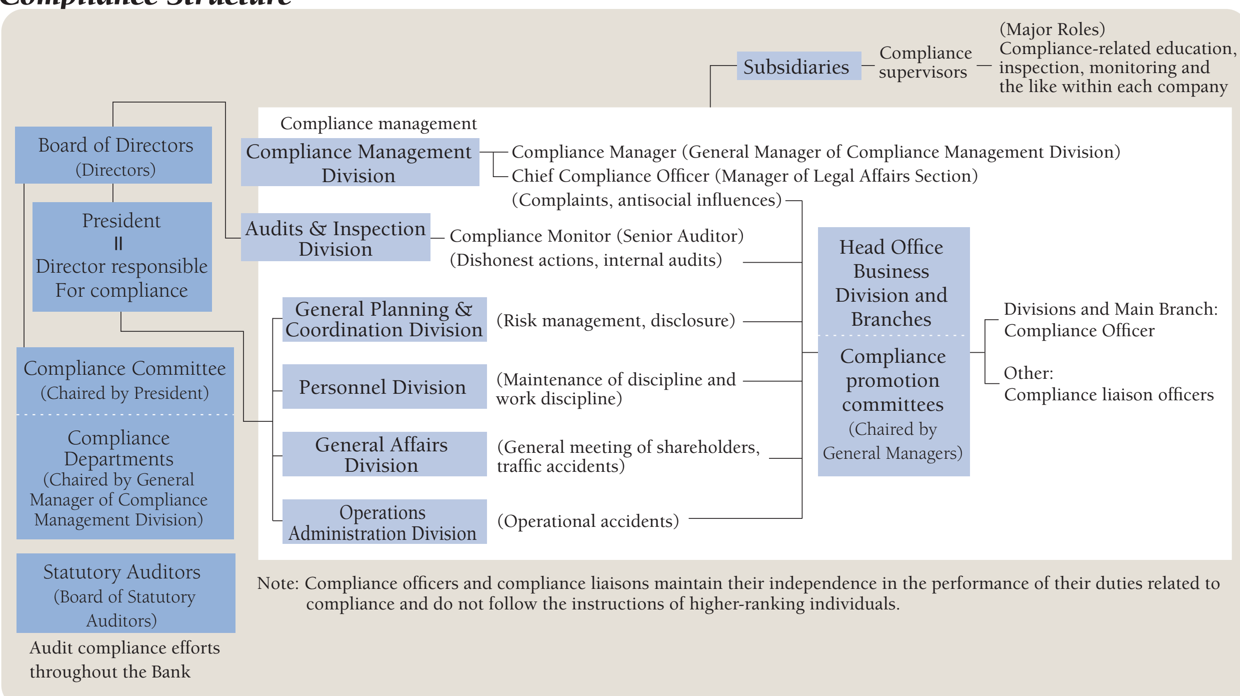
1. Ensure sound management and pay the utmost attention to sustaining the Bank's credibility and its ability to maintain smooth financing.
2. Comply with laws and the code of corporate ethics and maintain fair and honest practices.
3. Take a principled stand with regard to issues that threaten social order or public peace.
4. Provide financial services that the region, customers, and society broadly trust and endeavor to achieve sustainable development together with them as a good corporate citizen.
5. Foster a flexible and constructive working environment conducive to the well-being of all employees.

Code of Conduct

1. We will comply with laws, ordinances, the Articles of Incorporation, the Rules of Employment, and internal rules of the Bank.
2. We will not force unfair transaction on our customers.
3. We will not divulge confidential information of our customers or the Bank, or material information that has not been made public.
4. We will not neglect to provide reports required by laws, ordinances, and internal rules of the Bank, or provide false reports.
5. We recognize the public nature and the large social responsibility of the Bank and will devote ourselves to our duties.

6. We will not follow instructions or orders given by an individual that go beyond or deviate from the authorities given to said individual.
7. We will not engage in such conduct as will undermine the credibility or honor of the Bank.
8. We will not do favors for our customers in violation of law, ordinances, or internal rules of the Bank.
9. We will not seek to make unfair profits by taking advantage of our duties or position.
10. We will not borrow from or mediate for someone to borrow from our customers, other executives, or other employees without legitimate reason.
11. We will not engage in socially unacceptable entertaining or gift giving.
12. We will make efforts to maintain order in the workplace.

Compliance Structure



Note: Compliance officers and compliance liaisons maintain their independence in the performance of their duties related to compliance and do not follow the instructions of higher-ranking individuals.

Thorough compliance with laws and the code of corporate ethics is essential for a financial institution if it is to uphold its social responsibility and public duty and thus maintain the trust of the region in which it operates, customers and society at large. From this perspective, The 77 Bank established the Legal Affairs Office in 1998 to monitor legal compliance. Following subsequent organizational reforms, the authority of the Legal Affairs Office was superseded by the Legal Affairs Section of the Compliance Management Division, which now tracks the situation with respect to legal compliance.

The President is the director ultimately responsible for legal compliance. He is supported by the general manager of the Compliance Management Division, who supervises inspections, and the head of the Legal Affairs Section, who acts as a compliance officer. Each division and branch is assigned a compliance officer and other oversight personnel who undertake regular inspections to ascertain the situation with respect to compliance. The 77 Bank also advocates measures to preclude inappropriate behavior or legal errors. The Bank encourages greater awareness of laws and other compliance issues among executives and employees, and strives to foster a deeper understanding of pertinent laws.

To further strengthen the compliance structure, the Bank established the Compliance Committee chaired by the President and compliance departments as subcommittees of the Compliance Committee. Also, divisions and branches have compliance promotion committees.

Growing with the Region

The Economy of Miyagi Prefecture

Miyagi Prefecture, the primary base of operations for The 77 Bank, is located in the southeast of the Tohoku region. The prefecture is an important crossroads linking Tohoku to Tokyo, the nation's capital. In 1989, Sendai, the prefectural capital, became the 11th city in Japan specially designated by ordinance. The higher profile encouraged major national businesses and organizations, including government agencies, to set up branches and offices in Sendai, thereby positioning Sendai as the preeminent city of the Tohoku region.

In Miyagi Prefecture, the Great East Japan Earthquake damaged many houses and other buildings, mainly on the coast, and devastated infrastructure such as roads and ports, but progress is now being made toward reconstruction and revitalization.

Composition of Gross Prefectural and Gross Domestic Product (Nominal)

(%)

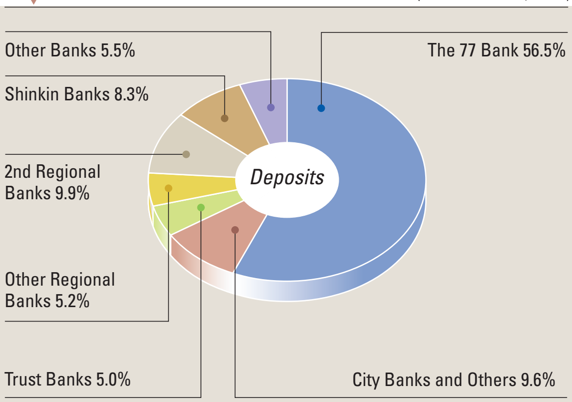
	Miyagi Prefecture	Japan
Agriculture, forestry and fishery	1.6	1.1
Manufacturing	13.6	18.5
Construction	5.5	5.0
Utilities	2.6	2.6
Wholesale and retail	13.0	12.9
Financial institutions	4.0	6.0
Real estate	16.0	14.6
Transportation and communications	9.1	6.8
Services	23.0	23.9
Municipalities and others	11.6	8.5
Total	100.0	100.0

Deposit and Loan Shares in Miyagi Prefecture

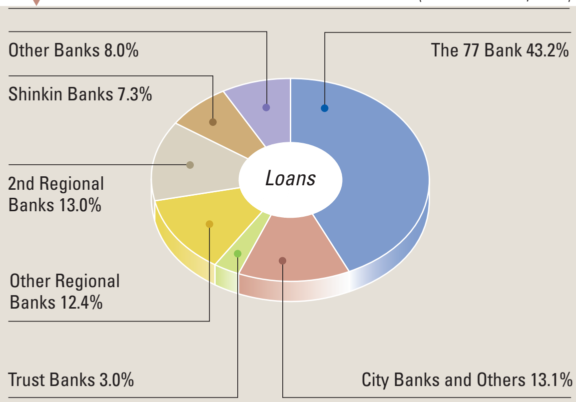
Our mission, as a regional financial institution, is to contribute to regional socioeconomic development through the timely and accurate provision of financial services geared to the needs of the region. Our efforts have earned us the support of customers, boosting our regional share of deposits and loans to the highest level among Japanese regional banks.

Deposit and Loan Shares in Miyagi Prefecture

(As of March 31, 2012)



(As of March 31, 2012)

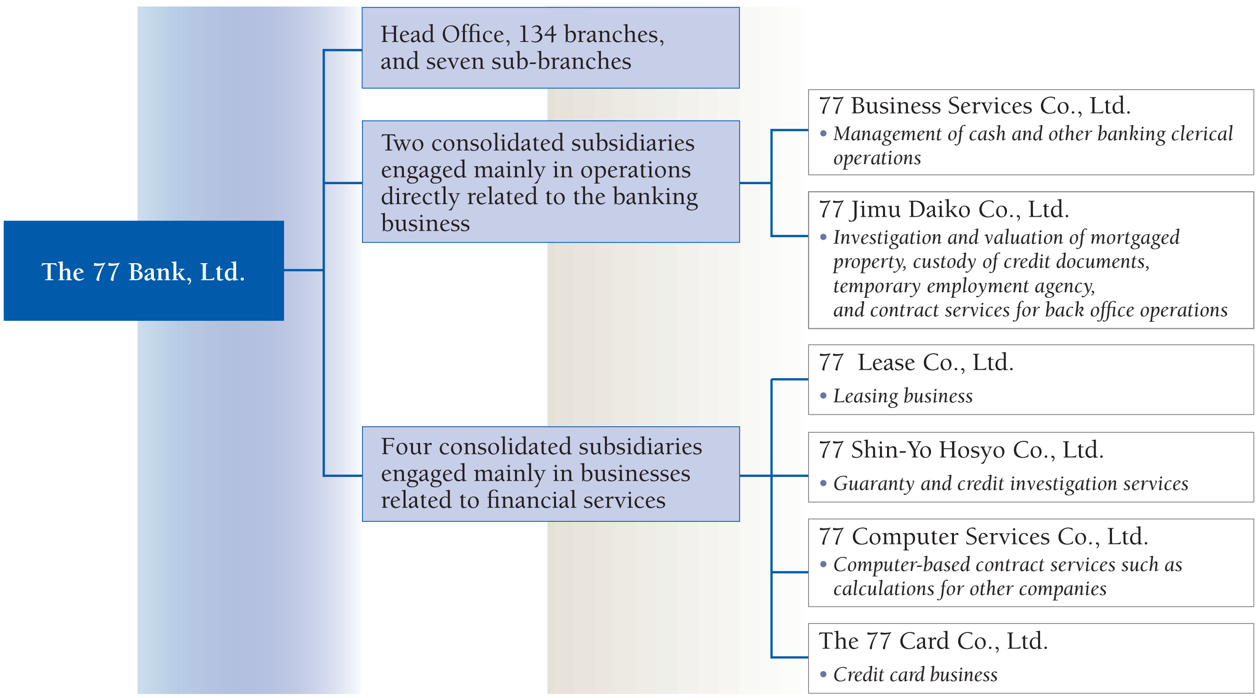


77 Bank Group

(As of July 1, 2012)

Main Business and Organization of the Bank and Subsidiaries

The 77 Bank Group is engaged in leasing, credit card and other financial businesses in addition to the banking business. The Group consists of the following:



Consolidated Subsidiaries

	Established	Paid-in capital	Percentage of parent company's voting stock	Percentage of consolidated companies' voting stock
77 Business Services Co., Ltd.	January 1980	¥ 20 million	100.00%	—
77 Jimu Daiko Co., Ltd.	October 1988	¥ 30 million	100.00%	—
77 Lease Co., Ltd.	November 1974	¥100 million	5.88%	52.94%
77 Shin-Yo Hosyo Co., Ltd.	October 1978	¥ 30 million	5.00%	45.90%
77 Computer Services Co., Ltd.	January 1982	¥ 20 million	5.00%	45.00%
The 77 Card Co., Ltd.	February 1983	¥ 64 million	6.06%	28.28%

Notes:

1. 77 Computer Services Co., Ltd., and The 77 Card Co., Ltd., are regarded as consolidated subsidiaries because institutions that have a close relationship with the Bank hold 45.00% and 45.45% of voting stock, respectively.

2. On July 1, 2012, 77 Staff Services Co., Ltd. and 77 Jimu Daiko Co., Ltd. merged, with 77 Staff Services Co., Ltd. as the surviving company, and 77 Jimu Daiko Co., Ltd. as the trade name of the new company.

Board of Directors and Statutory Auditors
(As of June 30, 2012)

From left: Teruhiko Ujiie, President; Hiroshi Kamata, Chairman; and Yoshiaki Nagayama, Deputy President

Chairman
Hiroshi Kamata

President
Teruhiko Ujiie

Deputy President
Yoshiaki Nagayama

Senior Managing Director
Kimitsugu Nagao

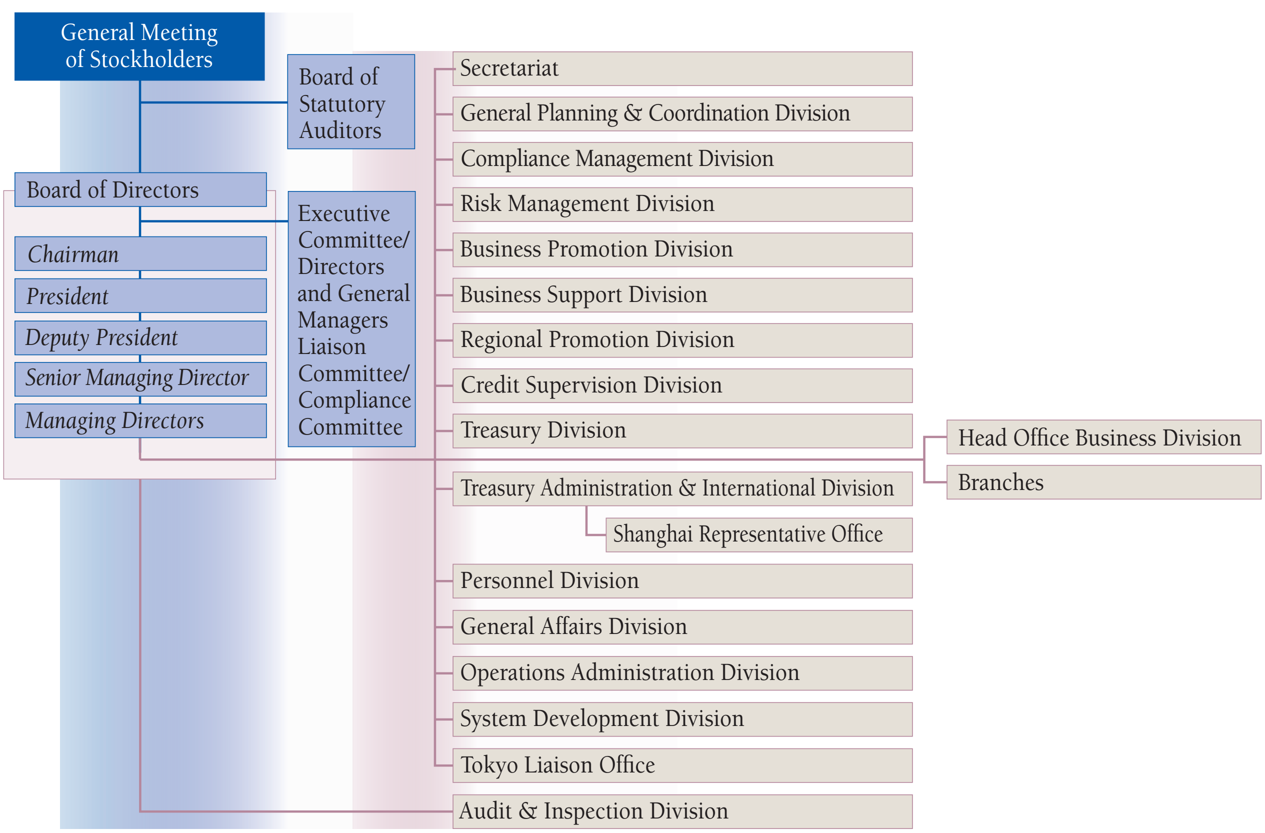
Managing Directors
Masayuki Yamada
Mitsutaka Kambe
Tetsuya Fujishiro
Isamu Suzuki

Directors
Masatake Hase
Toshio Ishizaki
Makoto Igarashi
Hidefumi Kobayashi
Takeshi Takahashi
Masakatsu Tsuda
Toshimi Homareda
Hirofumi Sawano

Standing Statutory Auditors
Toshinori Hayasaka
Shuji Nakamura

Statutory Auditors
Masahiro Sugita
Ken Nakamura
Masaaki Shoji

Organization
(As of June 30, 2012)



Financial Section

Consolidated Five-Year Summary

THE 77 BANK, LTD. AND SUBSIDIARIES
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Cash dividends	**7.00**	6.00	7.00	7.00	7.00
Capita adequacy ratio (%)					
Domestic standard	**12.57**	11.69	13.25	13.05	13.32

Notes: 1. The national consumption tax and the local consumption tax are excluded from transaction amounts.

2. The Bank's capital adequacy ratio on the domestic standard is accompanied by the revision of Article 14, Paragraph 2, of the Banking Law of Japan, in line with enforcement of the related law for financial system reform.

Consolidated Performance for Fiscal 2012

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

Financial and Economic Conditions

In fiscal 2012, the year ended March 31, 2012, the tempo of manufacturing slowed markedly in the aftermath of the Great East Japan Earthquake. However, along with the restoration of disrupted supply chains, there were signs of a modest improvement across the Japanese economy. Meanwhile, in Miyagi Prefecture, the heartland of The 77 Bank, there were indications of a modest uptick in the economy following the sharp decline in the immediate aftermath of the Great East Japan Earthquake as restoration projects got under way. On the other hand, economic activities in the devastated area along the Pacific coast continued to be sluggish. Overall, the challenging economic situation in Miyagi Prefecture persisted.

In these circumstances, long-term interest rates trended downward from early fiscal 2012 and were around 1% in the second half of the fiscal year. Short-term interest rates remained extremely low partly due to the Bank of Japan's strengthening of its accommodative monetary policies. Although anxiety about the slowing of the world economy caused share prices to trend downward, they subsequently recovered owing to expectations of improved corporate performance and were generally higher at the end of the fiscal year than they had been at the beginning. Meanwhile, in foreign exchange markets, the yen remained strong against the backdrop of the European sovereign debt crisis, reaching a record-high against the dollar.

In view of the massive damage caused by the Great East Japan Earthquake of March 11, 2011, the Bank strove to maintain the provision of financial services and fulfill its financial intermediation function.

Immediately following the earthquake, the operation of many branches had to be suspended. As part of efforts to promptly restore the provision of financial services, in the case of damaged branches where the security of customers could not be ensured, the Bank used space within neighboring branches to restart operations or relocated branches to new premises in the neighborhood. As a result of these efforts, all of the Bank's branches had resumed business operations by July 2011. The Bank resumed operation of ATMs in line with the progress of recovery in the disaster-stricken area.

In terms of customer support, in order to respond to the need for consultations and inquiries from customers affected by the earthquake, a dedicated toll-free number was set up at the Head Office. Moreover, the Bank opened temporary counters to handle repayment of deposits using simplified treatment for customers who had lost their bankbooks or personal seals, reissuing of bankbooks, and provision of support for inheritance procedures.

In terms of loans, the Bank established a Finance Consultation Counters for Reconstruction and Restoration and Financial Facilitation at all branches to respond to finance-related inquiries from customers. The Bank provided support to customers facing difficulties in continuing business or making loan repayments because of the impact of the natural disaster through financial facilitation initiatives, including proactive responses to requests for postponement of loan repayments, change of loan terms and conditions, and support for restoration of businesses. In addition, the Bank responded flexibly in terms of treatment of notes and checks in order to facilitate settlement.

In December 2011, the Bank received public funds for restoring capital adequacy undermined by the earthquake and to fully prepare for future growth in risk assets and increases in credit costs. Our aim is to fulfill our financial intermediation function in order to support restoration and reconstruction of Miyagi Prefecture where we are based. As a financial institution serving the needs of the region, we strive to meet funding needs, working in concert with the Japanese government.

Consolidated Business Results

Deposits, including negotiable deposits, amounted to ¥7,170.2 billion at the end of the year under review, having increased by ¥1,536.8 billion.

Loans and bills discounted increased by ¥143.8 billion to ¥3,639.5 billion at the end of the year. Investment securities increased by ¥731.9 billion to ¥2,860.9 billion at the end of the year.

Total assets stood at ¥7,616.7 billion at the end of the year under review, having increased by ¥1,399.1 billion.

With regard to profit and loss, total income increased by ¥1,361 million from the previous year to ¥116,736 million owing to an increase in proceeds from sales of investment securities and an increase in revenues of consolidated subsidiaries despite a decrease in interest income as a result of the decreased interest on loans and discounts. Despite the Bank's effort to reduce expenses, total expenses increased by ¥1,524 million from the previous year to ¥98,742 million owing to impairment of investment securities and an increase in provision of reserve for possible loan losses. As a result, ordinary income decreased by ¥162 million from the previous year to ¥17,994 million. Whereas the Bank recorded a net loss for the previous year because of the extraordinary loss owing to the Great East Japan Earthquake, net income of ¥10,690 million was posted for the year under review due partly to the recording of a gain on transfer of a substitutional portion of the government pension program fund as extraordinary income. Net income per share was ¥28.60.

The Bank's capital adequacy ratio according to the domestic standard was 12.57%, up 0.88 percentage points compared with the end of the previous year.

Regarding performance by business segment, banking operations' total income decreased by ¥27 million from the previous year to ¥99,129 million, and segment income increased by ¥553 million to ¥16,811 million. Leasing operations' total income increased by ¥1,478 million from the previous year to ¥16,566 million, and segment income decreased by ¥667 million to ¥253 million. In other operations, total income decreased by ¥302 million from the previous year to ¥4,672 million, while segment income decreased by ¥29 million to ¥1,004 million.

Cash Flows

Net cash provided by operating activities amounted to ¥1,051,524 million, an increase of ¥704,497 million from the previous year, owing to an increase in deposits, etc.

Net cash used in investing activities totaled ¥735,640 million, a decrease of ¥512,738 million from the previous year, mainly due to the purchase of investment securities.

Net cash provided by financing activities amounted to ¥17,238 million, an increase of ¥21,932 million from the previous year, mainly due to an increase in subordinated borrowings.

Consequently, cash and cash equivalents at March 31, 2012 amounted to ¥775,396 million, having increased by ¥333,108 million from the previous year.

Consolidated Balance Sheet

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

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2012	2011	**2012**
Assets:			
Cash and due from banks (Notes 3 and 27)	**¥ 777,084**	¥ 443,607	**$ 9,454,726**
Call loans and bills bought (Note 27)	**211,256**	992	**2,570,337**
Debt purchased (Note 4)	**20,040**	19,981	**243,825**
Trading account securities (Note 4)	**29,087**	23,906	**353,899**
Money held in trust (Note 5)	**44,728**	45,431	**544,202**
Investment securities (Notes 4, 10, 11, 27 and 29)	**2,860,996**	2,129,090	**34,809,538**
Loans and bills discounted (Notes 6, 12, 27, 28 and 29)	**3,639,528**	3,495,671	**44,281,883**
Foreign exchange assets (Note 7)	**2,853**	3,493	**34,712**
Lease receivables and investments in leases (Notes 11, 14 and 26)	**18,418**	23,240	**224,090**
Tangible fixed assets (Notes 8, 9, 16 and 22):			
Buildings	**9,787**	11,591	**119,077**
Land	**20,564**	21,423	**250,200**
Lease assets	**150**	195	**1,825**
Construction in progress	**297**		**3,613**
Other tangible fixed assets	**4,178**	3,988	**50,833**
Intangible fixed assets:			
Software	**241**	529	**2,932**
Other intangible fixed assets	**350**	386	**4,258**
Deferred tax assets (Note 24)	**32,081**	41,112	**390,327**
Customers' liabilities for acceptances and guarantees (Notes 10 and 29)	**25,039**	27,804	**304,647**
Other assets (Note 11)	**32,526**	31,697	**395,741**
Reserve for possible loan losses (Note 22)	**(112,432)**	(106,481)	**(1,367,952)**
Total	**¥7,616,779**	¥6,217,663	**$92,672,819**
Liabilities:			
Deposits (Notes 11, 13 and 27)	**¥7,170,216**	¥5,633,396	**$87,239,518**
Call money (Note 27)		64,441	
Payables under securities lending transactions (Note 11)		817	
Borrowed money (Notes 11, 14 and 27)	**29,321**	104,630	**356,746**
Foreign exchange liabilities (Note 7)	**143**	56	**1,739**
Liability for employees' retirement benefits (Note 15)	**32,527**	41,668	**395,753**
Reserve for reimbursement of deposits	**221**	218	**2,688**
Reserve for contingent losses	**1,180**	1,315	**14,356**
Reserve for disaster losses (Note 22)	**143**	848	**1,739**
Acceptances and guarantees (Note 10)	**25,039**	27,804	**304,647**
Other liabilities	**39,973**	35,965	**486,348**
Total liabilities	**7,298,765**	5,911,163	**88,803,564**
Equity (Notes 17 and 32):			
Common stock—authorized, 1,344,000,000 shares; issued, 383,278,734 shares in 2012 and 2011	**24,658**	24,658	**300,012**
Capital surplus	**7,840**	7,842	**95,388**
Stock acquisition rights (Note 18)	**380**	251	**4,623**
Retained earnings	**257,573**	249,128	**3,133,872**
Less: treasury stock—at cost, 9,505,021 shares in 2012 and 8,318,554 shares in 2011	**(4,613)**	(4,131)	**(56,126)**
Accumulated other comprehensive income:			
Unrealized gains on available-for-sale securities (Note 4)	**23,892**	20,497	**290,692**
Deferred losses on derivatives under hedge accounting	**(311)**	(412)	**(3,783)**
Total	**309,419**	297,835	**3,764,679**
Minority interests	**8,594**	8,663	**104,562**
Total equity	**318,013**	306,499	**3,869,242**
Total	**¥7,616,779**	¥6,217,663	**$92,672,819**

See notes to consolidated financial statements.

Consolidated Statement of Operations

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

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2012	2011	2012
Income:			
Interest income:			
Interest on loans and discounts	¥ 53,183	¥ 56,607	$ 647,073
Interest and dividends on trading account and investment securities	23,571	23,024	286,786
Other	503	185	6,119
Fees and commissions	16,254	16,109	197,761
Other operating income (Note 19)	18,893	16,377	229,869
Gain on transfer of a substitutional portion of the government pension program fund (Note 15)	11,367	7,369	138,301
Other income (Note 20)	4,419	3,121	53,765
Total income	128,193	122,796	1,559,715
Expenses:			
Interest expense:			
Interest on deposits	3,740	5,287	45,504
Interest on borrowings and rediscounts	263	423	3,199
Other	468	622	5,694
Fees and commissions	5,089	5,257	61,917
Other operating expenses (Note 21)	15,948	13,127	194,038
General and administrative expenses	59,683	61,594	726,158
Provision of reserve for possible loan losses	9,880	8,613	120,209
Disaster losses (Note 22)		50,687	
Other expenses (Note 23)	5,296	3,989	64,436
Total expenses	100,371	149,605	1,221,206
Income (loss) before income taxes and minority interests	27,821	(26,808)	338,496
Income taxes (Note 24):			
Current	8,051	9,459	97,955
Deferred	9,180	(5,877)	111,692
Total income taxes	17,231	3,582	209,648
Net income (loss) before minority interests	10,590	(30,391)	128,847
Minority interests in net loss (income)	100	(66)	1,216
Net income (loss)	¥ 10,690	¥ (30,458)	$ 130,064

	Yen		U.S. Dollars
Per share of common stock (Note 31):			
Basic net income (loss)	¥28.60	¥(80.35)	$0.347
Diluted net income	28.53		0.347
Cash dividends applicable to the year	7.00	6.00	0.085

See notes to consolidated financial statements.

Consolidated Statement of Comprehensive Income

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

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2012	2011	2012
Net income (loss) before minority interests	¥10,590	¥(30,391)	$128,847
Other comprehensive income (Note 25):			
Unrealized gains (losses) on available-for-sale securities	3,433	(14,978)	41,769
Deferred gains on derivatives under hedge accounting	100	145	1,216
Total other comprehensive income	3,533	(14,832)	42,985
Comprehensive income	¥14,124	¥(45,224)	$171,845
Total comprehensive income attributable to:			
Owners of the parent	¥14,186	¥(45,301)	$172,600
Minority interests	(62)	76	(754)

See notes to consolidated financial statements.

Consolidated Statement of Changes in Equity

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

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2012	2011	**2012**
Common stock:			
Balance at the beginning of year	**¥ 24,658**	¥ 24,658	**$ 300,012**
Balance at the end of year	**¥ 24,658**	¥ 24,658	**$ 300,012**
Capital surplus:			
Balance at the beginning of year	**¥ 7,842**	¥ 7,843	**$ 95,413**
Sales of treasury stock	**(2)**		**(24)**
Balance at the end of year	**¥ 7,840**	¥ 7,842	**$ 95,388**
Stock acquisition rights:			
Balance at the beginning of year	**¥ 251**	¥ 110	**$ 3,053**
Net change in the year	**129**	141	**1,569**
Balance at the end of year	**¥ 380**	¥ 251	**$ 4,623**
Retained earnings:			
Balance at the beginning of year	**¥249,128**	¥282,241	**$3,031,123**
Net income (loss)	**10,690**	(30,458)	**130,064**
Cash dividends	**(2,245)**	(2,655)	**(27,314)**
Balance at the end of year	**¥257,573**	¥249,128	**$3,133,872**
Treasury stock:			
Balance at the beginning of year	**¥ (4,131)**	¥ (2,106)	**$ (50,261)**
Purchases of treasury stock	**(514)**	(2,034)	**(6,253)**
Sales of treasury stock	**31**	9	**377**
Balance at the end of year	**¥ (4,613)**	¥ (4,131)	**$ (56,126)**
Accumulated other comprehensive income:			
Unrealized gains on available-for-sale securities:			
Balance at the beginning of year	**¥ 20,497**	¥ 35,485	**$ 249,385**
Net change in the year	**3,394**	(14,988)	**41,294**
Balance at the end of year	**¥ 23,892**	¥ 20,497	**$ 290,692**
Deferred losses on derivatives under hedge accounting:			
Balance at the beginning of year	**¥ (412)**	¥ (557)	**$ (5,012)**
Net change in the year	**100**	145	**1,216**
Balance at the end of year	**¥ (311)**	¥ (412)	**$ (3,783)**
Total:			
Balance at the beginning of year	**¥297,835**	¥347,676	**$3,623,737**
Net income (loss)	**10,690**	(30,458)	**130,064**
Cash dividends	**(2,245)**	(2,655)	**(27,314)**
Purchases of treasury stock	**(514)**	(2,034)	**(6,253)**
Sales of treasury stock	**29**	8	**352**
Net change in the year	**3,624**	(14,702)	**44,092**
Balance at the end of year	**¥309,419**	¥297,835	**$3,764,679**
Minority interests:			
Balance at the beginning of year	**¥ 8,663**	¥ 8,595	**$ 105,402**
Net change in the year	**(69)**	68	**(839)**
Balance at the end of year	**¥ 8,594**	¥ 8,663	**$ 104,562**
Total Equity:			
Balance at the beginning of year	**¥306,499**	¥356,271	**$3,729,151**
Net income (loss)	**10,690**	(30,458)	**130,064**
Cash dividends	**(2,245)**	(2,655)	**(27,314)**
Purchases of treasury stock	**(514)**	(2,034)	**(6,253)**
Sales of treasury stock	**29**	8	**352**
Net change in the year	**3,554**	(14,633)	**43,241**
Balance at the end of year	**¥318,013**	¥306,499	**$3,869,242**

See notes to consolidated financial statements.

Consolidated Statement of Cash Flows

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

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2012	2011	**2012**
Operating activities:			
Income (loss) before income taxes and minority interests	**¥ 27,821**	¥ (26,808)	**$ 338,496**
Adjustments for:			
Income taxes—paid	**(11,151)**	(4,818)	**(135,673)**
Depreciation and amortization	**3,591**	3,996	**43,691**
Losses on impairment of fixed assets	**1,461**	1,044	**17,775**
Effect of applying the accounting standard for asset retirement obligations		570	
Net change in reserve for possible loan losses	**5,950**	53,825	**72,393**
Net change in reserve for reimbursement of deposits	**3**	4	**36**
Net change in reserve for contingent losses	**(135)**	655	**(1,642)**
Net change in reserve for disaster losses	**(705)**	848	**(8,577)**
Net change in liability for employees' retirement benefits	**(9,140)**	(3,930)	**(111,205)**
Interest income	**(77,258)**	(79,818)	**(939,992)**
Interest expense	**4,472**	6,335	**54,410**
Losses (gains) on investment securities—net	**16**	(791)	**194**
Gains on money held in trust—net	**(499)**	(730)	**(6,071)**
Foreign exchange losses—net	**3,313**	11,763	**40,309**
Losses on sales and disposals of fixed assets—net	**79**	35	**961**
Net change in loans and bills discounted	**(143,856)**	(56,989)	**(1,750,285)**
Net change in deposits	**1,536,819**	271,616	**18,698,369**
Net change in borrowed money (except for subordinated loans)	**(95,309)**	90,998	**(1,159,617)**
Net change in due from banks	**(367)**	406	**(4,465)**
Net change in call loans and bills bought	**(210,323)**	(619)	**(2,558,985)**
Net change in call money	**(64,441)**	23,038	**(784,049)**
Net change in payables under securities lending transactions	**(817)**	(17,202)	**(9,940)**
Net change in trading account securities	**(5,180)**	4,427	**(63,024)**
Net change in foreign exchange assets	**639**	(2,284)	**7,774**
Net change in foreign exchange liabilities	**86**	(42)	**1,046**
Net change in lease receivables and investments in leases	**4,822**	3,444	**58,668**
Interest received	**80,259**	80,958	**976,505**
Interest paid	**(6,036)**	(7,167)	**(73,439)**
Other—net	**7,407**	(5,735)	**90,120**
Total adjustments	**1,023,703**	373,835	**12,455,323**
Net cash provided by operating activities—(Forward)	**¥ 1,051,524**	¥ 347,027	**$ 12,793,819**
Investing activities:			
Purchases of investment securities	**(1,162,939)**	(577,594)	**(14,149,397)**
Proceeds from sales of investment securities	**178,925**	128,992	**2,176,968**
Proceeds from maturity of investment securities	**249,522**	226,335	**3,035,916**
Investment in money held in trust		(2,000)	
Proceeds from dispositions of money held in trust	**1,331**	2,701	**16,194**
Purchases of tangible fixed assets	**(2,749)**	(1,422)	**(33,446)**
Proceeds from sales of tangible fixed assets	**282**	110	**3,431**
Purchases of intangible fixed assets	**(13)**	(25)	**(158)**
Net cash used in investing activities	**(735,640)**	(222,902)	**(8,950,480)**
Financing activities:			
Proceeds from subordinated loans	**20,000**		**243,338**
Purchases of treasury stock	**(514)**	(2,034)	**(6,253)**
Proceeds from sales of treasury stock	**2**	1	**24**
Dividends paid	**(2,241)**	(2,652)	**(27,266)**
Dividends paid for minority interest stockholders	**(7)**	(8)	**(85)**
Net cash provided by (used in) financing activities	**17,238**	(4,694)	**209,733**
Foreign currency translation adjustments on cash and cash equivalents	**(13)**	(40)	**(158)**
Net increase in cash and cash equivalents	**333,108**	119,390	**4,052,901**
Cash and cash equivalents, beginning of year	**442,287**	322,897	**5,381,275**
Cash and cash equivalents, end of year (Note 3)	**¥ 775,396**	¥ 442,287	**$ 9,434,189**

See notes to consolidated financial statements.

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**

Independent Auditors' Report

Deloitte.

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of The 77 Bank, Ltd.:

We have audited the accompanying consolidated balance sheet of The 77 Bank, Ltd. and subsidiaries as of March 31, 2012, and the related consolidated statements of operations, comprehensive income, changes in equity, and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information, all expressed in Japanese yen.

Management's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of The 77 Bank, Ltd. and subsidiaries as of March 31, 2012, and the consolidated results of their operations and their cash flows for the year then ended in conformity with accounting principles generally accepted in Japan.

Convenience Translation

Our audit also comprehended the translation of Japanese yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made in conformity with the basis stated in Note 1. Such U.S. dollar amounts are presented solely for the convenience of readers outside Japan.

Deloitte Touche Tohmatsu LLC

June 28, 2012

Member of
Deloitte Touche Tohmatsu Limited

Capital Adequacy Ratios

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

Consolidated (Domestic standard)

		Millions of Yen 2012	Millions of Yen 2011	Millions of U.S. Dollars 2012
Tier I capital:	Common stock	¥ 24,658	¥ 24,658	$ 300,012
	Capital surplus	7,840	7,842	95,388
	Retained earnings	256,258	248,183	3,117,873
	Minority interests	8,496	8,604	103,370
	Stock acquisition rights	380	251	4,623
	Treasury stock	(4,613)	(4,131)	(56,126)
	Subtotal (A)	293,019	285,409	3,565,141
Tier II capital:	General reserve for possible loan losses	64,179	77,073	780,861
	Dated subordinated debt instruments	20,000	—	243,338
	Subtotal	84,179	77,073	1,024,200
	Position included in stockholders' equity (B)	36,321	16,061	441,915
Deductions:	Deduction (C)	998	1,038	12,142
Total capital:	(A) + (B) – (C) = (D)	328,343	300,433	3,994,926
Risk-adjusted assets:	On-balance sheet	2,406,663	2,360,603	29,281,700
	Off-balance-sheet	41,762	44,301	508,115
	Operational risk equivalent amount	163,077	164,967	1,984,146
	Subtotal (E)	2,611,503	2,569,871	31,773,974
Capital adequacy ratio (Domestic standard) = (D)/(E) x 100 (%)		12.57	11.69	

Non-Consolidated (Domestic standard)

		Millions of Yen 2012	Millions of Yen 2011	Millions of U.S. Dollars 2012
Tier I capital:	Common stock	¥ 24,658	¥ 24,658	$ 300,012
	Capital surplus	7,840	7,842	95,388
	Retained earnings	254,863	246,882	3,100,900
	Stock acquisition rights	380	251	4,623
	Treasury stock	(4,639)	(4,157)	(56,442)
	Subtotal (A)	283,104	275,479	3,444,506
Tier II capital:	General reserve for possible loan losses	58,789	72,068	715,281
	Dated subordinated debt instruments	20,000	—	243,338
	Subtotal	78,789	72,068	958,620
	Position included in stockholders' equity (B)	36,123	15,858	439,506
Deductions:	Deductions (C)	998	998	12,142
Total capital:	(A) + (B) – (C) = (D)	318,229	290,340	3,871,870
Risk-adjusted assets:	On-balance sheet	2,383,797	2,336,445	29,003,491
	Off-balance-sheet	41,762	44,301	508,115
	Operational risk equivalent amount	154,216	156,690	1,876,335
	Subtotal (E)	2,579,776	2,537,437	31,387,954
Capital adequacy ratio (Domestic standard) = (D)/(E) x 100 (%)		12.33	11.44	

Non-Consolidated Balance Sheet (Parent Company)

THE 77 BANK, LTD.
March 31, 2012

	Millions of Yen		Thousands of U.S. Dollars
	2012	2011	**2012**
Assets:			
Cash and due from banks	**¥ 776,987**	¥ 443,521	**$ 9,453,546**
Call loans and bills bought	**211,256**	992	**2,570,337**
Debt purchased	**20,040**	19,981	**243,825**
Trading account securities	**29,087**	23,906	**353,899**
Money held in trust	**44,728**	45,431	**544,202**
Investment securities	**2,849,428**	2,118,075	**34,668,791**
Loans and bills discounted	**3,649,096**	3,505,752	**44,398,296**
Foreign exchange assets	**2,853**	3,493	**34,712**
Tangible fixed assets:			
Buildings	**9,765**	11,569	**118,810**
Land	**20,564**	21,423	**250,200**
Lease assets	**915**	771	**11,132**
Construction in progress	**297**	—	**3,613**
Other tangible fixed assets	**2,924**	2,758	**35,576**
Intangible fixed assets	**344**	380	**4,185**
Deferred tax assets	**28,397**	37,052	**345,504**
Customers' liabilities for acceptance and guarantees	**25,039**	27,804	**304,647**
Other assets	**18,472**	21,698	**224,747**
Reserve for possible loan losses	**(100,724)**	(95,639)	**(1,225,501)**
Total	**¥7,589,478**	¥6,188,974	**$ 92,340,649**
Liabilities:			
Deposits	**¥7,174,163**	¥5,636,439	**$ 87,287,541**
Call money	**—**	64,441	**—**
Payables under securities lending transaction	**—**	817	**—**
Borrowed money	**20,161**	93,704	**245,297**
Foreign exchange liabilities	**143**	56	**1,739**
Liability for retirement benefits	**32,141**	41,266	**391,057**
Reserve for reimbursement of deposits	**221**	218	**2,688**
Reserve for contingent losses	**1,180**	1,315	**14,356**
Acceptances and guarantees	**25,039**	27,804	**304,647**
Reserve for disaster losses	**143**	838	**1,739**
Other liabilities	**28,301**	25,576	**344,336**
Total liabilities	**7,281,496**	5,892,479	**88,593,454**
Equity:			
Common stock	**24,658**	24,658	**300,012**
Capital surplus	**7,840**	7,842	**95,388**
Retained earnings	**256,172**	247,820	**3,116,826**
Treasury stock	**(4,639)**	(4,157)	**(56,442)**
Total stockholders' equity	**284,031**	276,164	**3,455,785**
Unrealized gain on available-for-sale securities	**23,881**	20,491	**290,558**
Deferred losses on derivatives under hedge accounting	**(311)**	(412)	**(3,783)**
Total valuation adjustments	**23,569**	20,078	**286,762**
Stock acquisition rights	**380**	251	**4,623**
Total equity	**307,981**	296,495	**3,747,183**
Total	**¥7,589,478**	¥6,188,974	**$ 92,340,649**

Non-Consolidated Statement of Income (Parent Company)

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

	Millions of Yen		Thousands of U.S. Dollars
	2012	2011	**2012**
Income:			
Interest income:			
Interest on loans and discounts	**¥ 52,906**	¥ 56,183	**$ 643,703**
Interest on dividends on trading account and investment securities	**23,479**	22,930	**285,667**
Other	**503**	185	**6,119**
Fees and commissions	**15,306**	15,162	**186,227**
Other operating income	**2,459**	1,428	**29,918**
Other income	**15,957**	10,670	**194,147**
Total income	**110,611**	106,561	**1,345,796**
Expenses:			
Interest expense:			
Interest on deposits	**3,741**	5,287	**45,516**
Interest on call money	**125**	270	**1,520**
Other	**536**	664	**6,521**
Fees and commissions	**5,756**	6,010	**70,032**
Other operating expenses	**2,491**	700	**30,307**
General and administrative expenses	**58,465**	60,401	**711,339**
Provision of reserve for possible loan losses	**7,911**	7,582	**96,252**
Other expenses	**5,195**	53,244	**63,207**
Total expenses	**84,222**	134,163	**1,024,723**
Income (loss) before income taxes	**26,389**	(27,601)	**321,073**
Income taxes:			
Current	**6,974**	8,578	**84,852**
Deferred	**8,817**	(5,546)	**107,275**
Total income taxes	**15,791**	3,032	**192,127**
Net income (loss)	**¥ 10,597**	¥ (30,634)	**$ 128,932**

	Yen		U.S. Dollars
Per share of common stock:			
Basic net income (loss)	**¥28.35**	¥(80.81)	**$ 0.34**
Diluted net income	**28.28**	—	**0.34**
Cash dividends applicable to the year	**7.00**	6.00	**0.085**

Loan Portfolio

Loan Portfolio by Industry	Billions of Yen 2012	Millions of U.S. Dollars 2012
Domestic offices *(Excluding Japan offshore banking accounts)*	¥3,649	$44,398
Manufacturing	394	4,804
Agriculture and forestry	3	39
Fisheries	4	58
Mining and quarrying of stone and gravel	1	13
Construction	132	1,610
Electricity, gas, heat supply and water	82	1,000
Information and communications	38	472
Transport and postal activities	73	896
Wholesale and retail trade	350	4,270
Finance and insurance	288	3,515
Real estate and goods rental and leasing	546	6,649
Services, N.E.C.	257	3,133
Government, except elsewhere classified	705	8,587
Other	768	9,346
Japan's offshore banking accounts		
Financial institutions	—	—
Total	¥3,649	$44,398

Loan Portfolio by Industry	Billions of Yen 2011
Domestic offices *(Excluding Japan offshore banking accounts)*	¥3,505
Manufacturing	347
Agriculture and forestry	2
Fisheries	4
Mining and quarrying of stone and gravel	1
Construction	138
Electricity, gas, heat supply and water	71
Information and communications	40
Transport and postal activities	63
Wholesale and retail trade	336
Finance and insurance	277
Real estate and goods rental and leasing	530
Services, N.E.C.	254
Government, except elsewhere classified	649
Other	785
Japan's offshore banking accounts	
Financial institutions	—
Total	¥3,505

Loans by Collateral	Billions of Yen 2012	Billions of Yen 2011	Millions of U.S. Dollars 2012
Securities	¥ 0	¥ 0	$ 6
Commercial claims	27	33	328
Real estate	541	545	6,590
Subtotal	569	579	6,934
Guaranteed	1,208	1,187	14,706
Unsecured	1,870	1,738	22,757
Total [Subordinated loans]	¥3,649 [4]	¥3,505 [4]	$44,398 [54]

Reserve for Loan Losses	Billions of Yen 2012	Billions of Yen 2011	Millions of U.S. Dollars 2012
General reserve for loan losses	¥ 57	¥70	$ 700
Specific reserve for estimated loan losses on certain doubtful loans	43	24	524
Reserve for losses on specific overseas loans	—	—	—
Total	¥100	¥95	$1,225

Risk-Monitored Loans	Billions of Yen 2012	Percentage of total	Billions of Yen 2011	Percentage of total	Millions of U.S. Dollars 2012
Loans to borrowers under bankruptcy	¥ 4.5	0.12%	¥ 5.2	0.14%	$ 54
Past due loans	128.7	3.52	78.2	2.23	1,566
Accruing loans contractually past due three months or more	1.0	0.02	0.9	0.02	12
Restructured loans	38.8	1.06	28.0	0.79	473
Total	173.2	4.74	112.4	3.20	2,107
Balance of total loans	3,649.0	100.00%	¥3,505.7	100.00%	$44,398

Bank Data

THE 77 BANK, LTD.
As of March 31, 2012

Head Office

3-20, Chuo 3-chome, Aoba-ku, Sendai,
Miyagi 980-8777, Japan
Phone: +81-22-267-1111
http://www.77bank.co.jp/

Founded

December 1878

Number of Branches

141

Number of Employees

2,898

Treasury Administration & International Division

Planning & Business Department
3-20, Chuo 3-chome, Aoba-ku, Sendai,
Miyagi 980-8777, Japan
Phone: +81-22-211-9914
Facsimile: +81-22-211-9916
SWIFT Address: BOSSJPJT

Paid-in Capital

¥24,658 million (US$300 million)

Number of Stockholders

10,114

Shares Outstanding

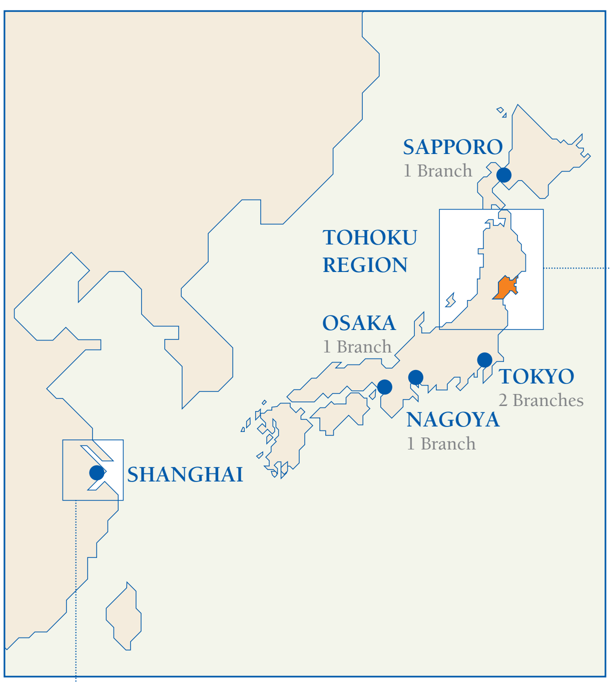
383,278 thousand

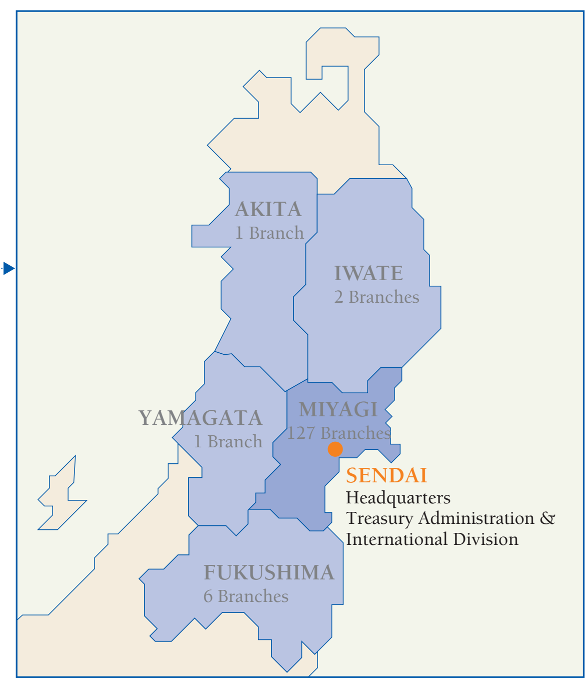
Major Stockholders

	Number of Shares (Thousands)	%
Meiji Yasuda Life Insurance Company	18,928	4.93
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	16,219	4.23
Nippon Life Insurance Company	15,431	4.02
Sumitomo Life Insurance Company	15,412	4.02
Japan Trustee Services Bank, Limited (Trust Account)	13,219	3.44
The Dai-ichi Life Insurance Company, Limited	12,275	3.20
The Master Trust Bank of Japan, Limited (Trust Account)	11,384	2.97
Aioi Nissay Dowa Insurance Co., Ltd.	9,657	2.51
Tohoku Electric Power Co., Inc.	8,478	2.21
Japan Trustee Services Bank, Limited (Trust Account 4)	7,851	2.04

Service Network

As of June 30, 2012





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