The Aichi Bank, Ltd. and Subsidiaries
Notes to Consolidated Financial Statements
For the Years Ended March 31, 2012 and 2011

1. Basis of Presenting Consolidated Financial Statements

The consolidated financial statements of The Aichi Bank, Ltd. (the "Bank") and its subsidiaries (collectively the "Group") have been prepared in accordance with the provisions set forth in the Japanese Financial Instruments and Exchange Law and its related accounting regulations 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 from International Financial Reporting Standards. The accompanying consolidated financial statements have been reformatted and translated into English, with some expanded descriptions, from the consolidated financial statements of the Bank prepared in accordance with Japanese GAAP and filed with the appropriate Local Finance Bureau of the Ministry of Finance as required by the Financial Instruments and Exchange Law. Certain supplementary information included in the statutory Japanese language consolidated financial statements is not presented in the accompanying consolidated financial statements.

The translation of the Japanese yen amounts into U.S. dollar amounts is included solely for the convenience of readers outside Japan, using the prevailing exchange rate at March 31, 2012, which was ¥82.19 to U.S. $1.00. This translation should not be construed as a representation that the Japanese yen amounts have been, could have been or could in the future be converted into U.S. dollars at this or any other rate of exchange.

The Japanese yen amounts in the accompanying consolidated financial statements are expressed in millions of Japanese yen and have been rounded down. U.S. dollar amounts in the accompanying consolidated financial statements are expressed in thousands of U.S. dollars and have been also rounded down. As a result, total amounts, expressed in either Japanese yen or U.S. dollars, appearing in the consolidated financial statements and the notes thereto may not be equal to the sum of the individual account balances.

Certain comparative figures have been reclassified to conform to the current year's presentation.

2. Summary of Significant Accounting Policies

(a) Principles of consolidation

The consolidated financial statements included the accounts of the Bank and all of its subsidiaries, which are engaged primarily in providing a wide range of financial services. At both March 31, 2012 and 2011, the Bank had four subsidiaries, but no affiliates. All intercompany transactions and accounts have been eliminated. The difference between the cost of investments in subsidiaries and the underlying equity in their net assets, adjusted based on the fair value at the time of acquisition, is deferred as goodwill and amortized over five years using the straight-line method.

(b) Cash and cash equivalents

For the purpose of the consolidated statements of cash flows, cash and cash equivalents consisted of cash and due from Bank of Japan as follows:	Millions of yen		Thousands of U.S. dollars	
	2012	2011	2012	2011
Cash and due from banks	¥ 103,244	¥ 90,639	$ 1,256,162	$ 1,102,798
Less due from banks other than Bank of Japan	(1,115)	(1,205)	(13,566)	(14,661)

Cash and cash equivalents	¥ 102,128	¥ 89,434	$ 1,242,584	$ 1,088,137

(c) Trading securities

Trading securities are stated at fair value at the end of the fiscal year. Related gains and losses, both realized and unrealized, are included in the consolidated statements of income. Accrued interest on trading securities is included in other assets.

(d) Investment securities

Debt securities for which the Group has both the intent and the ability to hold to maturity are classified as held-to-maturity debt securities and are stated at amortized cost determined by the moving average method. Available-for-sale securities which have readily determinable fair value are carried at the fair value as of the balance sheet date. Net unrealized gain and loss on these securities, net of tax, are reported as a component of accumulated other comprehensive income in net assets. Available-for-sale securities for which the fair value is extremely difficult to determine are stated at moving average cost. The carrying value of individual investment securities is reduced, if necessary, through a write-down when a decline in value is deemed other than temporary. Gain and loss on the disposal of investment securities are computed principally using the moving average method. Accrued interest on securities is included in other assets.

(e) Derivative financial instruments

Derivative financial instruments are recorded at fair value if hedge accounting is not applied, and gain and loss on the derivatives are recognized in the consolidated statements of income.

(f) Reserve for possible losses on investments

Pursuant to the internal rules of the Bank, a reserve for possible losses on investments is provided in an amount necessary to absorb future losses after considering the financial positions of the issuers of securities. A provision for possible losses on investments is included in “Other expenses” and amounted to ¥10 million ($121 thousand) and ¥6 million ($73 thousand) for the years ended March 31, 2012 and 2011, respectively.

(g) Loans and bills discounted and reserve for possible loan losses

Loans and bills discounted are stated at the amount of unpaid principal. Unearned interest and discounts are recorded as liabilities and recognized as income over the term of the loan or bill.

A reserve for possible loan losses of the Bank is provided to cover future credit losses in accordance with internal rules for self-assessment of asset quality. Loans written off are charged either to a reserve for possible loan losses and/or current income. Recoveries on loans that have been written off are recorded as other income. The reserve for possible loan losses is made based on the Bank's internal rules in accordance with Report No. 4 of the Ad Hoc Committee for Audits of Banks, “Practical Guideline for Audits of Write-off of Bad Loans and Allowance for Doubtful Loans of Banks and Similar Financial Institutions,” issued by the Japanese Institute of Certified Public Accountants (“JICPA”). For loans to borrowers that are legally or substantially bankrupt, a reserve is provided based on the amount of the claims, net of amounts expected to be collected through the disposal of collateral or the execution of guarantees. For loans to borrowers who are likely to become bankrupt, a reserve has been provided based on an overall solvency assessment, net of amounts expected to be collected through the disposal of collateral or the execution of guarantees. For loans to borrowers not mentioned above, a reserve has been provided based on the historical loss experience of the Bank for a certain past period. All claims are assessed by the Bank's operating divisions based on the Bank's internal rules for self-assessment of asset quality. The inspection division, which is independent from the operating divisions, conducts examinations of these assessments. The reserves described above are determined based on the examination results.

A reserve for possible loan losses of the subsidiaries is made for the aggregate amount of estimated credit loss based on an individual financial review of doubtful or troubled receivables and a general reserve based on historical loss experience for other receivables.

(h) Tangible fixed assets and depreciation (except for leases)

Tangible fixed assets of the Bank are stated at cost, less accumulated depreciation. Depreciation is computed using the declining balance method over the estimated useful life of the asset, except for buildings acquired on or after April 1, 1998. Such buildings, excluding facilities attached thereto, are depreciated using the straight-line method. The useful life of tangible fixed assets range from 8 to 30 years for buildings and from 3 to 20 years for other fixed assets.

Tangible fixed assets of the subsidiaries are principally depreciated by the straight-line method over the estimated useful life of the asset.

(i) Intangible fixed assets and amortization (except for leases)

Intangible fixed assets are amortized using the straight-line method. Costs of computer software developed or obtained for internal use are deferred and amortized by the straight-line method principally over the estimated useful life of five years.

(j) Leases

All finance lease transactions are accounted for in a manner similar to that used for ordinary sale and purchase transactions.

(Accounting for leases as lessee)
The Group, as lessee, capitalizes lease assets used under finance leases, except for certain immaterial or short-term finance leases which are accounted for as operating leases as permitted under the accounting standard for leases. Depreciation of the leased assets capitalized in finance lease transactions are computed by the straight-line method over the lease term, which is used as the useful life, and with the assumption of no residual value.

(Accounting for leases as lessor)
A certain subsidiary engaged primarily in leasing operations as a lessor recognizes “investments in leased assets” for finance leases that do not transfer ownership of the leased assets to the lessee in a manner similar to the accounting treatment for ordinary sales transactions. The “investment in leased assets” account is presented as other assets in the accompanying consolidated balance sheets. The total amount equivalent to interest is allocated over the lease term using the effective interest method, and the subsidiary recognizes leasing income for lease payments received from customers and related costs, net of imputed interest, when it receives the lease payments, as permitted under the accounting standard for leases.

Certain transfers of lease payments to be received are accounted for as sales transactions if the derecognition criteria under the accounting standard of financial instruments are met.

(k) Impairment loss on fixed assets

Fixed assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. If the carrying amount of an asset or a group of assets exceeds the sum of the undiscounted future cash flows expected to result from the continued use and eventual disposition of the asset or group of assets, impairment loss is recognized in the income statement by reducing the carrying amount of the impaired asset or group of assets to the recoverable amount, measured as the higher of net selling price or value in use. Fixed assets include land, buildings and other forms of property, as well as intangible assets, and are grouped at the lowest level for which there are cash flows identifiably different from those of other groups of assets. To recognize and measure an impairment loss, fixed assets are grouped into cash-generating units, such as operating business branches, other than idle or unused property. Recoverable amounts of the assets are based on value in use, calculated using the discounted future cash flows at interest rates principally of 4.5% and 5.0% for the years ended March 31, 2012 and 2011, respectively, or net selling prices, based primarily on appraisal valuations, net of estimated costs of disposal.

For the years ended March 31, 2012 and 2011, the Group recognized impairment losses for the property of operating business branches and idle properties, which was included in other expenses in the accompanying consolidated statements of income, as follows:

	Land		Buildings and structures		Other properties		Total	
	Millions of yen							
For the year 2012:								
Operating assets:								
Aichi Prefecture	¥	680	¥	381	¥	185	¥	1,247
Other		79		20		51		151
Idle assets:								
Aichi Prefecture		20		2		3		26
Other		19		9		-		28
Total	¥	799	¥	414	¥	240	¥	1,454
For the year 2011:								
Operating assets:								
Aichi Prefecture	¥	70	¥	24	¥	20	¥	115
Other		3		1		19		23
Idle assets:								
Aichi Prefecture		8		-		-		8
Other		14		0		-		14
Total	¥	96	¥	26	¥	39	¥	162
	Thousands of U.S. dollars							
For the year 2012:								
Operating assets:								
Aichi Prefecture	$	8,273	$	4,635	$	2,250	$	15,172
Other		961		243		620		1,837
Idle assets:								
Aichi Prefecture		243		24		36		316
Other		231		109		-		340
Total	$	9,721	$	5,037	$	2,920	$	17,690
For the year 2011:								
Operating assets:								
Aichi Prefecture	$	851	$	292	$	243	$	1,399
Other		36		12		231		279
Idle assets:								
Aichi Prefecture		97		-		-		97
Other		170		0		-		170
Total	$	1,168	$	316	$	474	$	1,971

(l) Foreign currency translation

Assets and liabilities denominated in foreign currencies are generally translated principally into Japanese yen at the exchange rate prevailing at the balance sheet date. Income and expenses are translated at the exchange rates in effect at the transaction date. Gain and loss resulting from foreign currency translation are included in the consolidated statements of income.

(m) Reserve for employee bonuses

A reserve for employee bonuses is provided based on the estimated amounts of future payments attributable to the respective fiscal year.

(n) Reserve for bonuses to directors

A reserve for bonuses to directors and corporate auditors is provided for future bonus payments to directors and corporate auditors that reflect an amount estimated to have accrued as of the consolidated balance sheet date.

(o) Employee retirement benefits

Employees who terminate their service with the Group are entitled to retirement benefits generally determined with reference to the basic salary at the time of termination, years of service and conditions under which the termination occurs.

In accordance with the accounting standard for employee retirement benefits, the Group principally recognizes retirement benefits, including pension costs and related liabilities, based on the actuarial present value of the projected benefit obligation using an actuarial appraisal approach and the value of pension plan assets available for benefits at the fiscal year-end. Unrecognized actuarial differences include changes in the projected benefit obligation or value of pension plan assets resulting from outcomes which are different from those assumed and from changes in the assumptions themselves. Unrecognized actuarial differences are amortized on a straight-line basis principally over 13 to 14 years, a period within the average remaining years of service of employees, from the fiscal year after the year the differences arise.

(p) Reserve for executive retirement benefits

A reserve for executive retirement benefits is provided for payment of retirement benefits to directors, corporate auditors and other executive officers in the amount deemed to have accrued at the consolidated balance sheet date based on the internal rules of the Group.

(q) Reserve for reimbursement of deposits

A reserve for reimbursement of deposits is provided for possible losses on the future claims of withdrawal based on historical reimbursement experience. A provision for losses on repayments of dormant bank accounts is included in “Other expenses” and amounted to ¥117 million ($1,423 thousand) and ¥65 million ($790 thousand) for the years ended March 31, 2012 and 2011, respectively.

(r) Reserve for contingencies

A provision is made in an amount deemed necessary to cover possible losses resulting from the default of loans under a responsibility sharing system with Credit Guarantee Corporation based primarily on historical default rates. A provision for losses on repayments of dormant bank accounts is included in “Other expenses” and amounted to none and ¥640 million ($7,786 thousand) for the years ended March 31, 2012 and 2011, respectively.

(s) Asset retirement obligations

(Change in Accounting Policies)
Effective from the year ended March 31, 2011, the Group has adopted the “Accounting Standard for Asset Retirement Obligations” (Accounting Standards Board of Japan (“ASBJ”) Statement No. 18) and the “Guidance on Accounting Standard for Asset Retirement Obligations” (ASBJ Guidance No. 21). This standard requires the Group to recognize a liability for asset retirement obligations, which is defined as a statutory or similar obligation with regard to the removal of tangible fixed assets and incurred when tangible fixed assets are acquired, constructed, developed or used in an ordinary way together with the removal of hazardous substances, etc., contained in tangible fixed assets, using a method stipulated by law, etc., upon the removal of the tangible fixed assets, even though there may not be any obligation concerning the removal of the tangible fixed assets themselves. As a result of the adoption of this standard and guidance, income before income taxes and minority interests was ¥102 million ($1,241 thousand) less for the year ended March 31, 2011 than the amount that would have been recorded without the change.

(t) Income taxes

Income taxes are accounted for using the asset - liability method. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the carrying amounts of existing assets and liabilities and their respective tax bases and operating loss carryforwards. Deferred tax assets and liabilities are measured using the enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to reverse. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in the period that includes the promulgation date.

(u) Appropriation of retained earnings

Cash dividends are recorded in the fiscal year when a proposed appropriation of retained earnings is approved by the shareholders.

(v) Per share data

Net income per share is computed by dividing income available to common stockholders by the weighted average number of shares of common stock outstanding during the respective year. Diluted net income per share is not disclosed as the Group had no diluted common shares for the years ended March 31, 2012 or 2011.

Cash dividends per share shown in the accompanying consolidated statements of income represent dividends declared by the Bank as applicable to the respective year.

(w) Comprehensive income

Effective March 31, 2011, the Group adopted the “Accounting Standard for Presentation of Comprehensive Income” (ASBJ Statement No. 25). As a result of the adoption of this accounting standard, the Group presented the consolidated statements of comprehensive income in the consolidated financial statements effective from the year ended March 31, 2011.

(x) New accounting standard for accounting changes and error corrections

The Group has adopted the “Accounting Standard for Accounting Changes and Error Corrections” (ASBJ Statement No. 24, issued on December 4, 2009) and the “Guidance on Accounting Standard for Accounting Changes and Error Corrections” (ASBJ Guidance No. 24, issued on December 4, 2009) for accounting changes and corrections of prior period errors made after the beginning of the fiscal year ended March 31, 2012.

3. Financial Instruments

(a) Qualitative information on financial instruments

i) Policies for using financial instruments

The Group procures funds by accepting deposits from clients and utilizes the funds for financial investments in the bond and stock markets and loans to corporate and individual clients.

The Group enters into derivative transactions in order to avoid the risk of foreign currency fluctuations on customers’ funds as well as to conduct foreign financing transactions and to avoid the risk of rising interest rates for the Bank. From an overall risk management standpoint, the Bank utilizes derivative instruments as hedging instruments in order to avoid the market risk to which financial assets and liabilities are exposed.

ii) Details of financial instruments and related risk

Financial assets of the Group consists mainly composed of loans to corporate and individual clients and are exposed to interest rate risk and credit risk resulting from any deterioration in the financial condition of the counterparty.

Investment securities comprise mainly debt and equity securities. The Group holds debt securities classified as held for sale, available for sale or held to maturity and equity securities to pursue capital gain or to maintain relationships with corporate clients. These securities are exposed to the credit risk of the issuers, interest rate risk, market risk and foreign currency risk. Deposits consist of demand deposits and time deposits. The maturities of time deposits are within five years.

Asset-liability management techniques are employed to manage financial assets and liabilities sensitive to interest rate fluctuations.

iii) Policies and processes of risk management

Credit risk management

The Bank manages credit risk of respective debtors by conducting credit examinations and management of respective debtors strictly. Additionally, the Bank analyzes the risk by credit rating and industry in chronological order and diversifies the risk of its portfolios in the entirety.

The Group manages the credit risk of respective debtors under the Credit Supervision Section, examining and assessing financial circumstances, industry trends, purposes of loans and repayment plans. Assessments are conducted to evaluate the credit standings of prospective debtors before entering into a transaction, for credit management after execution, as a self-assessment on a regular basis, and at any time when an event occurs. By the self-assessment, assets are classified depending on the degree of risk based on the debtor's classification and the existence of any collateral or guarantees. The results of self-assessments are examined by the Self-Assessment Verification Section and are reported to the Asset Assessment Committee and management.

As to the credit portfolios in the entirety, the level of concentration in the industry and large transactions are monitored by the Credit Management Section on a regular basis in order to construct portfolios that exclude concentration risk. The Section periodically reports the results to the management.

Moreover, an internal credit rating system has been introduced. The system rates and classifies debtors depending on creditworthiness, and the Bank uses the credit rating for screening and credit management of debtors as well as monitoring of the credit portfolio.

Credit risk is quantified, and enables the Bank to manage the credit risk effectively.

Market risk management

In order to effectively control the level of market risk, the Risk Control Department of the Bank monitors the market risk. Specifically, the department quantifies the risk whenever possible and performs stress tests and simulation analyses to analyze the possible effects of changes in market variables such as interest rates, stock prices and exchange rates on the amount of market risk the Bank is exposed to and on the profit and loss of the Bank.

The results of the analyses are regularly reported to the Board of Directors, the Risk Management Committee and other relevant parties. The Risk Management Committee and other relevant parties confirm that the level of the risk is sufficiently limited considering the equity of the Bank and also review the policies for control of market risk.

The significant risks for the Group are interest rate risk and stock price risk. Major financial instruments which are exposed to interest rate risk are “Loans and bills discounted,” debt securities classified as available-for-sale securities under “Investment securities” and “Deposits,” Financial instruments which are exposed to stock price risk are equity securities classified as available-for-sale securities in “Investment securities.” The Group utilizes Value at Risk (“VaR”), which is calculated based on the these financial assets and liabilities categorized into “Loans and deposits,” “debt securities,” “equity securities held for investment” and “strategically held equity securities” for quantitative analysis to manage interest rate and stock price fluctuation risks. The VaR is calculated using the variance-covariance method.

As of March 31, 2012 and 2011, the total market risk exposure of the Group as estimated loss amounted to ¥41,467 ($504,526 thousand) and ¥39,480 million ($480,350 thousand), respectively. To calculate the VaR, market risk exposures based on assumptions that take into consideration risk characteristics and risk management techniques for financial instruments are summed, and the correlation between interest rate and stock price risk variables is not taken into account.

The Group ensures the reliability and accuracy of the measurement model by performing back-testing, that is, comparing the VaR amounts measured using the model and the actual amounts of profit and loss. However, the VaR reflects market risk exposures statistically calculated under certain probabilities based on historical market volatility, therefore, it may not be able to accurately reflect the risks when the market environment changes extraordinarily.

iv) Supplemental information on fair values

Fair value of financial instruments is estimated based on quoted market prices or based on reasonably calculated prices if quoted market prices are not available. Certain assumptions are used to calculate such prices. Therefore, prices may be different under different assumptions.

(b) Fair value of financial instruments

The following is a summary of the carrying values and fair values of financial instruments at March 31, 2012 and 2011:

At March 31, 2012	Carrying value	Fair value	Difference
	Millions of yen		
Financial assets:			
Cash and due from banks	¥ 103,244	¥ 103,244	¥ -
Call loans and bills purchased	23,742	23,742	-
Trading securities	289	289	-
Investment securities:			
Held-to-maturity debt securities	-	-	-
Available-for-sale securities *(*1)*	918,109	918,109	-
Loans and bills discounted:			
Loans and bills discounted	1,640,986		
Reserve for possible loan losses *(*2)*	(14,556)		
Loans and bills discounted, net	1,626,429	1,645,226	18,798
	¥ 2,671,814	¥ 2,690,611	¥ 18,798
Financial liabilities:			
Deposits	¥ 2,459,568	¥ 2,462,353	¥ 2,785
Security deposits received related to securities lending transactions	61,388	61,388	-
Borrowings	6,305	6,331	26
	¥ 2,527,261	¥ 2,530,073	¥ 2,811

At March 31, 2011	Carrying value	Fair value	Difference
	Millions of yen		
Financial assets:			
Cash and due from banks	¥ 90,639	¥ 90,639	¥ -
Call loans and bills purchased	25,151	25,151	-
Trading securities	356	356	-
Investment securities:			
Held-to-maturity debt securities	2,453	2,481	28
Available-for-sale securities *(*1)*	900,707	900,707	-
Loans and bills discounted:			
Loans and bills discounted	1,616,075		
Reserve for possible loan losses *(*2)*	(10,300)		
Loans and bills discounted, net	1,605,774	1,619,929	14,155
	¥ 2,625,082	¥ 2,639,266	¥ 14,184
Financial liabilities:			
Deposits	¥ 2,413,589	¥ 2,418,093	¥ 4,503
Security deposits received related to securities lending transactions	66,473	66,473	-
Borrowings	5,805	5,854	49
	¥ 2,485,867	¥ 2,490,420	¥ 4,552

At March 31, 2012	Carrying value	Fair value	Difference
	Thousands of U.S. dollars		
Financial assets:			
Cash and due from banks	$ 1,256,162	$ 1,256,162	$ -
Call loans and bills purchased	288,867	288,867	-
Trading securities	3,516	3,516	-
Investment securities:			
Held-to-maturity debt securities	-	-	-
Available-for-sale securities *(*1)*	11,170,568	11,170,568	-
Loans and bills discounted:			
Loans and bills discounted	19,965,762		
Reserve for possible loan losses *(*2)*	(177,101)		
Loans and bills discounted, net	19,788,648	20,017,350	228,713
	$ 32,507,774	$ 32,736,476	$ 228,713
Financial liabilities:			
Deposits	$ 29,925,392	$ 29,959,277	$ 33,884
Security deposits received related to securities lending transactions	746,903	746,903	-
Borrowings	76,712	77,028	316
	$ 30,749,008	$ 30,783,221	$ 34,201

At March 31, 2011	Carrying value	Fair value	Difference
	Thousands of U.S. dollars		
Financial assets:			
Cash and due from banks	$ 1,102,798	$ 1,102,798	$ -
Call loans and bills purchased	306,010	306,010	-
Trading securities	4,331	4,331	-
Investment securities:			
Held-to-maturity debt securities	29,845	30,186	340
Available-for-sale securities *(*1)*	10,958,839	10,958,839	-
Loans and bills discounted:			
Loans and bills discounted	19,662,671		
Reserve for possible loan losses *(*2)*	(125,319)		
Loans and bills discounted, net	19,537,340	19,709,563	172,222
	$ 31,939,189	$ 32,111,765	$ 172,575

At March 31, 2011	Carrying value	Fair value	Difference
	Thousands of U.S. dollars		
Financial liabilities:			
Deposits	$ 29,365,969	$ 29,420,768	$ 54,787
Security deposits received related to securities lending transactions	808,772	808,772	-
Borrowings	70,629	71,225	596
	$ 30,245,370	$ 30,300,766	$ 55,383

Notes:

*(*1) The following securities are excluded from the above tables because their fair values are extremely difficult to determine.*

	Millions of yen		*Thousands of U.S. dollars*	
March 31,	2012	2011	2012	2011
*Unlisted stocks**	*¥ 1,814*	*¥ 1,868*	*$ 22,070*	*$ 22,727*
Other nonmarketable securities	*499*	*545*	*6,071*	*6,630*
	¥ 2,314	*¥ 2,413*	*$ 28,154*	*$ 29,358*

** For the years ended March 31, 2012 and 2011, loss on the write-down of these securities was recognized in the amount of ¥6 million ($73 thousand) and ¥23 million ($279 thousand), respectively.*

*(*2) Reserve for possible loan losses on ordinary and specific claims corresponding to loans and bills discounted is deducted.*

The method for calculating the fair value of financial instruments is as follows:

Financial assets:

- Cash and due from banks – The fair value of due from banks without maturities approximates the carrying value. As for those with maturities, the present value calculated by the amount categorized based on the remaining term to maturity as of the consolidated balance sheet date using the risk free rate is used as the fair value. As for those with maturities less than one year as of the consolidated balance sheet date, the carrying value is used as the fair value after it is confirmed that the fair value approximates the carrying value.
- Call loans and bills purchased – The present value calculated by the amount categorized based on the remaining term to maturity as of the consolidated balance sheet date using the risk free rate is used as the fair value of call loans and bills purchased. As for those with maturities less than one year as of the consolidated balance sheet date, the carrying value is used as the fair value after it is confirmed that the fair value approximates the carrying value.
- Trading securities – The fair value of trading securities such as debt securities for dealing operations is based on the quoted market price or the price obtained from the counterparty financial institutions.
- Investment securities – The fair value of equity securities is based on the quoted market price. The fair value of debt securities is based on the quoted market price or the price obtained from the counterparty financial institutions. The fair value of investment trust funds is based on the constant value.
  The fair value of private placement bonds guaranteed by the Bank is calculated using the risk free rate to which the consideration (risk premium) to cover uncertainty inherent in cash flows (credit risk and others) which is calculated based on the amount expected to be collected according to the internal credit rating and the collateral and guarantee is added. As for transactions with maturities less than one year as of the consolidated balance sheet date, the carrying value is used as the fair value after it is confirmed that the fair value approximates the carrying value. Additional information on securities as classified by holding purpose is presented in Note 4, Trading Securities and Investment Securities.
- Loans and bills discounted – The fair value of loans and bills discounted to corporate clients is calculated using the risk free rate to which the consideration (risk premium) to cover uncertainty

inherent in cash flows (credit risk and others) which is calculated based on the amount expected to be collected according to the internal credit rating and the existence of collateral or guarantees. The fair value of those to individual clients is calculated as the total of principal and interest discounted by the rate assumed when a similar loan is executed. As for transactions whose due date is within one year as of the consolidated balance sheet date, the carrying value is used as the fair value after it is confirmed that the fair value approximates the carrying value.
As for loans to borrowers that are legally or substantially bankrupt and those who are likely to become bankrupt, the estimated loan losses are calculated based on the present value of the estimated future cash flows or the amount expected to be collected, so the fair value approximates the carrying value as of the consolidated balance sheet date minus the current estimated loan losses.

Financial liabilities:

- Deposits – The fair value of demand deposits is deemed as the amount that would be paid if demanded by the clients as of the consolidated balance sheet date (the carrying value). As for time deposits, the present value, the discounted future cash flows by the amount categorized based on a certain period, is used as the fair value. The discount rate is that used when the new deposit is accepted. As for those with maturities less than one year as of the consolidated balance sheet date, the carrying value is used as the fair value after it is confirmed that the fair value approximates the carrying value.
- Security deposits received related to securities lending transactions and Borrowings – The present value calculated by the amount categorized based on the remaining term to maturity as of the consolidated balance sheet date using the risk free rate is used as the fair value. As for transactions with maturities less than one year as of the consolidated balance sheet date, the carrying value is used as the fair value after it is confirmed that the fair value approximates the carrying value.

(c) Redemption schedule for financial instruments with maturities

The redemption schedule for financial instruments with maturities at March 31, 2012 is as follows:

	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
	Millions of yen					
Financial assets:						
Due from banks	¥ 66,537	¥ -	¥ -	¥ -	¥ -	¥ -
Call loans and bills purchased	23,742	-	-	-	-	-
Investment securities:						
Available-for-sale securities:						
Japanese government bonds	49,890	18,808	8,100	30,100	167,800	4,000
Local government bonds	2,581	18,033	11,557	10,898	42,192	-
Corporate bonds	72,684	144,067	55,344	33,884	74,821	9,072
Foreign bonds	11,657	23,763	20,602	4,821	3,400	-
Subtotal	137,318	205,598	98,925	82,557	290,553	13,072
Total investment securities	137,318	205,598	98,925	82,557	290,553	13,072
Loans and bills discounted *(*1)*	323,681	355,879	231,347	104,839	97,471	275,514
	¥ 551,280	¥ 561,477	¥ 330,273	¥ 187,397	¥ 388,024	¥ 288,586
Financial liabilities:						
Deposits *(*2)*	¥ 2,148,705	¥ 289,384	¥ 18,056	¥ -	¥ -	¥ -
Security deposits received related to securities lending transactions	61,388	-	-	-	-	-
Borrowings	3,450	1,885	970	-	-	-
	¥ 2,213,544	¥ 291,269	¥ 19,026	¥ -	¥ -	¥ -

	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
	Thousands of U.S. dollars					
Financial assets:						
Due from banks	$ 809,551	$ -	$ -	$ -	$ -	$ -
Call loans and bills purchased	288,867	-	-	-	-	-
Investment securities:						
Available-for-sale securities:						
Japanese government bonds	607,008	228,835	98,552	366,224	2,041,610	48,667
Local government bonds	31,402	219,406	140,613	132,595	513,347	-
Corporate bonds	884,341	1,752,853	673,366	412,264	910,341	110,378
Foreign bonds	141,829	289,122	250,663	58,656	41,367	-
Subtotal	1,670,738	2,501,496	1,203,613	1,004,465	3,535,138	159,046
Total investment securities	1,670,738	2,501,496	1,203,613	1,004,465	3,535,138	159,046
Loans and bills discounted *(*1)*	3,938,204	4,329,954	2,814,782	1,275,568	1,185,922	3,352,159
	$ 6,707,385	$ 6,831,451	$ 4,018,408	$ 2,280,046	$ 4,721,060	$ 3,511,205
Financial liabilities:						
Deposits *(*2)*	$ 26,143,143	$ 3,520,914	$ 219,686	$ -	$ -	$ -
Security deposits received related to securities lending transactions	746,903	-	-	-	-	-
Borrowings	41,975	22,934	11,801	-	-	-
	$ 26,932,035	$ 3,543,849	$ 231,488	$ -	$ -	$ -

Notes:

*(*1) At March 31, 2012, the total amount of loans which were not expected to be recovered, including claims to borrowers that are legally or substantially bankrupt and to those who are likely to become bankrupt amounted to ¥60,807 million ($739,834 thousand), and loans without due date in the amount of ¥191,443 million ($2,329,273 thousand) are excluded.*

*(*2) Demand deposits are included in "Due in 1 year or less."*

4. Trading Securities and Investment Securities

At March 31, 2012 and 2011, trading securities consisted of the following:

	Millions of yen		Thousands of U.S. dollars	
	2012	2011	2012	2011
Japanese government bonds	¥ 286	¥ 351	$ 3,479	$ 4,270
Local government bonds	3	5	36	60
	¥ 289	¥ 356	$ 3,516	$ 4,331

At March 31, 2012 and 2011, investment securities consisted of the following:

	Millions of yen		Thousands of U.S. dollars	
	2012	2011	2012	2011
Japanese government bonds	¥ 285,465	¥ 276,557	$ 3,473,232	$ 3,364,849
Local government bonds	88,297	83,629	1,074,303	1,017,508
Bonds and debentures	397,052	391,508	4,830,904	4,763,450
Equity securities	65,877	66,148	801,520	804,818
Other	83,730	87,730	1,018,737	1,067,404
	¥ 920,423	¥ 905,573	$ 11,198,722	$ 11,018,043

At March 31, 2012 and 2011, investment securities included Japanese government bonds of ¥20,703 million ($251,891 thousand) and ¥19,990 million ($243,216 thousand), respectively, as unsecured securities loaned for which borrowers have a right to sell or pledge.

At March 31, 2012 and 2011, liabilities for guarantees on corporate bonds included in investment securities, which were issued by private placement (Article 2, Paragraph 3 of the Financial Instruments and Exchange Law), amounted to ¥13,826 million ($168,219 thousand) and ¥15,246 million ($185,497 thousand), respectively.

Securities are classified as trading, held-to-maturity or available-for-sale. The classification determines the respective accounting method that should be used to account for these securities, as stipulated by the accounting standard for financial instruments. At March 31, 2012 and 2011, the carrying values of trading securities and the related net unrealized gains and losses included in the consolidated statements of income were as follows:

	Millions of yen				Thousands of U.S. dollars			
	2012		2011		2012		2011	
	Carrying value	Unrealized gains	Carrying value	Unrealized gains	Carrying value	Unrealized gains	Carrying value	Unrealized gains
Trading securities	¥ 289	¥ 0	¥ 356	¥ 0	$ 3,516	$ 0	$ 4,331	$ 0

At March 31, 2012, there were no gross unrealized gains or losses on held-to-maturity debt securities with fair value. At March 31, 2011, gross unrealized gains and losses on held-to-maturity debt securities with fair value were as follows:

	Carrying value		Gross unrealized gains		Gross unrealized losses		Fair value
	Millions of yen						
Held-to-maturity debt securities with fair value at March 31, 2011:							
Bonds and debentures	¥	2,453	¥	28	¥	-	¥ 2,481
	Thousands of U.S. dollars						
Held-to-maturity debt securities with fair value at March 31, 2011:							
Bonds and debentures	$	29,845	$	340	$	-	$ 30,186

At March 31, 2012 and 2011, gross unrealized gains and losses for available-for-sale securities with fair value were as follows:

		Cost		Gross unrealized gains		Gross unrealized losses		Fair and carrying value
	Millions of yen							
Available-for-sale securities with fair value at March 31, 2012:								
Japanese government bonds	¥	280,251	¥	5,215	¥	(1)	¥	285,465
Local government bonds		85,932		2,365		(0)		88,297
Bonds and debentures		390,849		6,288		(85)		397,052
Equity securities		47,751		18,008		(1,696)		64,062
Other		82,069		1,429		(267)		83,231
	¥	886,854	¥	33,307	¥	(2,052)	¥	918,109
Available-for-sale securities with fair value at March 31, 2011:								
Japanese government bonds	¥	273,910	¥	2,763	¥	(116)	¥	276,557
Local government bonds		82,515		1,287		(174)		83,629
Bonds and debentures		384,626		5,115		(686)		389,055
Equity securities		47,542		18,570		(1,832)		64,280
Other		86,850		877		(543)		87,184
	¥	875,445	¥	28,615	¥	(3,353)	¥	900,707

	Cost	Gross unrealized gains	Gross unrealized losses	Fair and carrying value
	Thousands of U.S. dollars			
Available-for-sale securities with fair value at March 31, 2012:				
Japanese government bonds	$ 3,409,794	$ 63,450	$ (12)	$ 3,473,232
Local government bonds	1,045,528	28,774	(0)	1,074,303
Bonds and debentures	4,755,432	76,505	(1,034)	4,830,904
Equity securities	580,983	219,102	(20,635)	779,437
Other	998,527	17,386	(3,248)	1,012,665
	$ 10,790,290	$ 405,243	$ (24,966)	$ 11,170,568

	Thousands of U.S. dollars			
Available-for-sale securities with fair value at March 31, 2011:				
Japanese government bonds	$ 3,332,643	$ 33,617	$ (1,411)	$ 3,364,849
Local government bonds	1,003,954	15,658	(2,117)	1,017,508
Bonds and debentures	4,679,717	62,233	(8,346)	4,733,605
Equity securities	578,440	225,939	(22,289)	782,090
Other	1,056,697	10,670	(6,606)	1,060,761
	$ 10,651,478	$ 348,156	$ (40,795)	$ 10,958,839

During the years ended March 31, 2012 and 2011, the Group recorded losses on the write-down of available-for-sale securities with fair value due to other than temporary decline in value as follows:

	Millions of yen		Thousands of U.S. dollars	
	2012	2011	2012	2011
Equity securities	¥ 130	¥ 653	$ 1,581	$ 7,945
Bonds and debentures, including Japanese government bonds	-	1	-	12
	¥ 130	¥ 655	$ 1,581	$ 7,969

The Group recognizes the write-down of available-for-sale securities with fair value in the case of a decline in value by more than 50% below cost or an other than temporary decline ranging from 30% to 50% below cost.

At March 31, 2012 and 2011, net unrealized gains on available-for-sale securities, net of applicable income taxes and minority interests, recorded as a component of accumulated other comprehensive income in net assets on the consolidated balance sheets were as follows:

	Millions of yen		Thousands of U.S. dollars	
	2012	2011	2012	2011
Unrealized gains	¥ 31,255	¥ 25,262	$ 380,277	$ 307,360
Less applicable income taxes	(10,699)	(10,001)	(130,173)	(121,681)
Less minority interests portion	(15)	(4)	(182)	(48)
Net unrealized gains	¥ 20,540	¥ 15,255	$ 249,908	$ 185,606

During the years ended March 31, 2012 and 2011, the Group sold available-for-sale securities and recorded gains and losses on sales of these securities on the consolidated statements of income as follows:

	Millions of yen		Thousands of U.S. dollars	
	2012	2011	2012	2011
Gains on sales of:				
Equity securities	¥ 2,557	¥ 930	$ 31,110	$ 11,315
Bonds and others	1,439	1,916	17,508	23,311
	¥ 3,997	¥ 2,847	$ 48,631	$ 34,639
Losses on sales of:				
Equity securities	¥ 998	¥ 367	$ 12,142	$ 4,465
Bonds and others	1,182	1,486	14,381	18,080
	¥ 2,181	¥ 1,853	$ 26,536	$ 22,545

5. Loans and Bills Discounted

At March 31, 2012 and 2011, loans and bills discounted consisted of the following:

	Millions of yen		Thousands of U.S. dollars	
	2012	2011	2012	2011
Bills discounted	¥ 37,313	¥ 34,627	$ 453,984	$ 421,304
Loans on bills	81,776	81,702	994,962	994,062
Loans on deeds	1,326,853	1,304,047	16,143,727	15,866,248
Overdrafts	195,041	195,697	2,373,050	2,381,031
	¥ 1,640,986	¥ 1,616,075	$ 19,965,762	$ 19,662,671

Bills discounted are accounted for as financial transactions in accordance with JICPA Industry Audit Committee Report No. 24, "Accounting and Auditing Treatment of Accounting Standards for Financial Instruments in Banking Industry." The Group has the right to sell or pledge bankers' acceptances, commercial bills, documentary bills and foreign bills of exchange purchased without restrictions. The total face value of these bills amounted to ¥37,632 million ($457,865 thousand) and ¥34,981 million ($425,611 thousand) at March 31, 2012 and 2011, respectively.

Claims to borrowers in bankruptcy and past due loans amounted to ¥60,807 million ($739,834 thousand) and ¥65,134 million ($792,480 thousand) at March 31, 2012 and 2011, respectively, and are included in loans and bills discounted. Loans are generally placed on non-accrual status when substantial doubt is judged to exist as to the ultimate collectability of either principal or interest if they are past due for a certain period or for other reasons. Claims to borrowers in bankruptcy represent non-accrual loans after the charge-off of claims deemed uncollectible from borrowers who are legally bankrupt as defined in Article 96, Paragraph 1, Subparagraph 3 and 4 of the Enforcement Ordinance for the Corporation Tax Law of Japan. Past due loans are non-accrual loans other than claims to borrowers in bankruptcy and loans for which interest payments are deferred in order to assist the financial recovery of borrowers in financial difficulty.

At March 31, 2012 and 2011, delinquent loans for which the payment of principal and/or interest was contractually past due three months or more, excluding non-accrual loans, amounted to ¥723 million ($8,796 thousand) and ¥709 million ($8,626 thousand), respectively.

At March 31, 2012 and 2011, "restructured loans" for which the Bank had restructured the terms, such as a reduction of the original interest rate, forbearance of interest and/or principal payments, and/or an extension of the maturity date in order to support borrowers in their financial recovery or restructuring, excluding "claims to borrowers in bankruptcy," "past due loans" and "delinquent loans contractually past due three months or more" disclosed above, amounted to ¥10,127 million ($123,214 thousand) and

¥7,631 million ($92,845 thousand), respectively.

Total non-performing assets, net of the charge-off of claims deemed uncollectible, consisting of “claims to borrowers in bankruptcy,” “past due loans,” “delinquent loans contractually past due three months or more” and “restructured loans,” aggregated ¥71,658 million ($871,857 thousand) and ¥73,474 million ($893,953 thousand) at March 31, 2012 and 2011, respectively.

A provision for possible loan losses amounted to ¥5,685 million ($69,168 thousand) and ¥3,565 million ($43,375 thousand) for the years ended March 31, 2012 and 2011, respectively, and is included in “Other expenses” in the accompanying consolidated statements of income.

6. Foreign Exchange

At March 31, 2012 and 2011, foreign exchange consisted of the following:

	Millions of yen		Thousands of U.S. dollars	
	2012	2011	2012	2011
Assets:				
Due from banks	¥ 1,281	¥ 992	$ 15,585	$ 12,069
Foreign bills of exchange purchased	318	354	3,869	4,307
Foreign bills of exchange receivable	358	307	4,355	3,735
	¥ 1,957	¥ 1,655	$ 23,810	$ 20,136

	Millions of yen		Thousands of U.S. dollars	
	2012	2011	2012	2011
Liabilities:				
Foreign bills of exchange sold	¥ 427	¥ 527	$ 5,195	$ 6,411
Foreign bills of exchange payable	103	124	1,253	1,508
	¥ 530	¥ 651	$ 6,448	$ 7,920

7. Tangible Fixed Assets

At March 31, 2012 and 2011, tangible fixed assets consisted of the following:

	Millions of yen		Thousands of U.S. dollars	
	2012	2011	2012	2011
Land	¥ 23,099	¥ 23,800	$ 281,043	$ 289,572
Buildings and structures	5,200	5,398	63,268	65,677
Property held for lease	6	8	73	97
Construction in progress	13	13	158	158
Other tangible fixed assets	4,004	4,084	48,716	49,689
Tangible fixed assets	¥ 32,324	¥ 33,304	$ 393,283	$ 405,207

Accumulated depreciation of tangible fixed assets at March 31, 2012 and 2011 was ¥23,495 million ($285,862 thousand) and ¥23,736 million ($288,794 thousand), respectively.

As permitted by the accounting principles and practices generally accepted in Japan, deferred capital gains on sales of real property are deducted from the original acquisition cost of property newly acquired for replacement purposes in the same line of business as the property sold. At March 31, 2012 and 2011, respectively, the amount of ¥2,333 million ($28,385 thousand) was directly reduced from the acquisition cost of land.

The Bank elected the one-time revaluation of land used for the banking business effective on March 31, 1998, reflecting appropriate adjustments for land shape and other factors, based on the appraisal values issued by the Japanese National Tax Agency under the Law Concerning Revaluation of Land (the “Law”). According to the Law, the amount equivalent to the tax effect on the excess of sound reassessed values over the original book value is stated as a deferred tax liability for the revaluation account, and the rest of the excess, net of the tax effect, is disclosed as a land revaluation increment account and included in a component of accumulated other comprehensive income in net assets on the consolidated balance sheets. At March 31, 2012 and 2011, the differences in the carrying values of land used for the banking business after reassessment over the market value amounted to ¥4,489 million ($54,617 thousand) and ¥4,742 million ($57,695 thousand), respectively.

8. Pledged Assets

At March 31, 2012 and 2011, investment securities totaling ¥61,416 million ($747,244 thousand) and ¥66,330 million ($807,032 thousand), respectively, were pledged as collateral for security deposits received in connection with securities lending transactions of ¥61,388 million ($746,903 thousand) and ¥66,473 million ($808,772 thousand), respectively.

At March 31, 2012 and 2011, investment securities totaling ¥25,865 million ($314,697 thousand) and ¥42,179 million ($513,188 thousand), respectively, were pledged as collateral for the settlement of exchange, derivatives and other transactions.

9. Deposits

At March 31, 2012 and 2011, deposits consisted of the following:

	Millions of yen		Thousands of U.S. dollars	
	2012	2011	2012	2011
Demand deposits	¥ 1,199,171	¥ 1,146,486	$ 14,590,229	$ 13,949,215
Time deposits	1,221,211	1,224,800	14,858,389	14,902,056
Other	39,185	42,302	476,761	514,685
	¥ 2,459,568	¥ 2,413,589	$ 29,925,392	$ 29,365,969

10. Borrowings and Lease Obligations

At March 31, 2012 and 2011, borrowings, which consisted of the borrowings from other financial institutions, amounted to ¥6,305 million ($76,712 thousand) and ¥5,805 million ($70,629 thousand), respectively. At March 31, 2012, the annual maturities of borrowings due through February 2017 at an average interest rate of 0.79% per annum were as follows:

Year ending March 31,	Millions of yen	Thousands of U.S. dollars
2013	¥ 3,450	$ 41,975
2014	1,165	14,174
2015	720	8,760
2016	630	7,665
2017	340	4,136
	¥ 6,305	$ 76,712

At March 31, 2012 and 2011, other liabilities included lease obligations of ¥72 million ($876 thousand) and ¥100 million ($1,216 thousand) respectively. At March 31, 2012, the annual maturities of lease obligations due through August 2014 at an average interest rate of 3.36% per annum were as follows:

Year ending March 31,	Millions of yen	Thousands of U.S. dollars
2013	¥ 29	$ 352
2014	30	365
2015	12	146
	¥ 72	$ 876

11. Employee Retirement Benefits

The Group has corporate pension fund plans and lump-sum retirement benefit plans as defined benefit pension plans that cover substantially all employees.

The reserve for employee retirement benefits as of March 31, 2012 and 2011 was as follows:

	Millions of yen		Thousands of U.S. dollars	
	2012	2011	2012	2011
Projected benefit obligation	¥ 19,556	¥ 19,395	$ 237,936	$ 235,977
Less fair value of pension plan assets at end of year	(17,544)	(17,450)	(213,456)	(212,312)
Projected benefit obligation in excess of pension plan assets	2,012	1,945	24,479	23,664
Less unrecognized actuarial differences	(5,618)	(6,337)	(68,353)	(77,101)
Net amount recorded on the consolidated balance sheets	(3,605)	(4,392)	(43,861)	(53,437)
Prepaid pension cost	6,719	7,636	81,749	92,906
Balance of reserve for employee retirement benefits recognized on the consolidated balance sheets	¥ 3,114	¥ 3,243	$ 37,887	$ 39,457

Net periodic retirement benefit expense for the years ended March 31, 2012 and 2011 was as follows:

	Millions of yen		Thousands of U.S. dollars	
	2012	2011	2012	2011
Components of net periodic retirement benefit expense:				
Service cost	¥ 586	¥ 586	$ 7,129	$ 7,129
Interest cost	387	389	4,708	4,732
Expected return on pension plan assets	(245)	(267)	(2,980)	(3,248)
Amortization of actuarial differences	891	812	10,840	9,879
Other	35	22	425	267
Net periodic retirement benefit expense	¥ 1,654	¥ 1,544	$ 20,124	$ 18,785

Major assumptions used in the calculation of the above information for the years ended March 31, 2012 and 2011 were as follows:

	2012	2011
Method attributing the projected benefits to periods of services	Straight-line method	Straight-line method
Discount rate	2.0%	2.0%
Expected rate of return on pension plan assets	2.0%	2.0%
Amortization of actuarial differences	13 to 14 years	13 to 14 years
Amortization of prior service cost	1 year	1 year

12. Acceptances and Guarantees

The Bank provides guarantees for liabilities of its customers for payments on loans from other financial institutions. A contra account, customers' liabilities for acceptances and guarantees, is classified as an asset in the consolidated balance sheets, indicating the Bank's right of indemnity from customers.

Guarantees are provided on certain privately placed bonds included in investment securities in accordance with Paragraph 3 of Article 2 of the Financial Instrument and Exchange Law of Japan. The guarantees amounted to ¥13,826 million ($168,219 thousand) and ¥15,246 million ($185,497 thousand) at March 31, 2012 and 2011, respectively.

13. Net Assets

At March 31, 2012 and 2011, the authorized number of shares of common stock without par value was 30 million, and the number of shares of common stock issued was 10,943,240 shares. At March 31, 2012 and 2011, the number of shares of treasury stock held by the Group was 85,081 and 66,537 shares, respectively.

At March 31, 2012 and 2011, capital surplus consisted principally of additional paid-in capital. Included in retained earnings was the legal reserve of the Bank in the amount of ¥5,392 million ($65,604 thousand) at both March 31, 2012 and 2011. The Japanese Banking Law provides that an amount equivalent to at least 20% of the cash payments as appropriations of retained earnings shall be appropriated as the legal reserve until the total amount of additional paid-in capital and such reserve equals the common stock. The legal reserve is not available for distributions as dividends, but may be used to reduce a deficit or may be transferred to common stock by proper action of the Board of Directors and/or the shareholders.

In November 2011, the Board of Directors of the Bank resolved to pay interim dividends of ¥380 million ($4,623 thousand) at ¥35 per share ($0.42 per share). The shareholders of the Bank approved the following appropriation of retained earnings at the annual general meeting on June 22, 2012:

	Millions of yen	Thousands of U.S. dollars
Cash dividends, ¥35 per share ($0.42 per share)	¥ 380	$ 4,623

14. Commitments

(a) Loan commitments

Contracts related to overdraft facilities and loan commitment lines are agreements that allow customers to extend overdrafts or loans up to prescribed limits as long as there is no violation of any condition in the contract. At March 31, 2012 and 2011, the unused amounts within the limits of these contracts, which expire within one year or are revocable by the Bank at any time without any conditions, aggregated ¥533,393 million ($6,489,755 thousand) and ¥513,462 million ($6,247,256 thousand), respectively.

Since many of these commitments expire without being drawn down, the unused amount does not necessarily represent a future cash flow. In addition, most of these contracts have conditions that the Group can refuse customer applications or decrease the contract limits for appropriate reasons such as changes in the financial situation or deterioration in creditworthiness of the customer. At the inception of the contract, the Bank obtains real estate, securities, etc., as collateral if considered necessary. Subsequently, the Bank performs periodic reviews of the customer’s business performance in accordance with the Bank’s internal rules and takes necessary measures, such as requiring additional collateral and/or guarantees, to prevent losses.

(b) Lease commitments

The Group has entered into various lease agreements as a lessee principally for land for office space. These leases are generally cancelable with a few months advance notice and are accounted for as operating leases. The Group has also entered into non-cancelable operating lease agreements. The future minimum lease payments under these non-cancellable operating leases as of March 31, 2012 and 2011 were as follows:

	Millions of yen		Thousands of U.S. dollars	
	2012	2011	2012	2011
Due within one year	¥ 105	¥ 111	$ 1,277	$ 1,350
Due after one year	981	874	11,935	10,633
	¥ 1,087	¥ 985	$ 13,225	$ 11,984

In addition, a subsidiary engaged in the leasing business as a lessor entered into various long-term, non-cancelable lease agreements with third parties that were categorized as finance leases. Information concerning future minimum lease payments to be received as of March 31, 2012 and 2011 for finance leases which do not transfer ownership of the leased assets to the lessee was as follows:

	Millions of yen		Thousands of U.S. dollars	
	2012	2011	2012	2011
Total future minimum lease payments to be received	¥ 11,249	¥ 11,758	$ 136,865	$ 143,058
Estimated residual value of leased assets	893	1,003	10,865	12,203
Imputed interest	(1,071)	(1,260)	(13,030)	(15,330)

The aggregate annual maturities of future minimum lease payments to be received as of March 31, 2012 were as follows:

Year ending March 31,	Millions of yen	Thousands of U.S. dollars
2013	¥ 3,590	$ 43,679
2014	2,782	33,848
2015	2,026	24,650
2016	1,317	16,023
2017	806	9,806
2018 and thereafter	725	8,821
	¥ 11,249	$ 136,865

As permitted by the accounting standard for lease transactions with respect to finance leases entered into before April 1, 2008, the appropriate carrying value, net of accumulated depreciation, of the underlying assets at March 31, 2008 is recognized as the value of the investment in the leased assets, and the total amount equivalent to interest income on these transactions is allocated over the lease term using the straight-line method, instead of using the effective interest method as the principal method of the accounting standard. As a result, income before income taxes and minority interests for the years ended March 31, 2012 and 2011 were ¥39 million ($474 thousand) and ¥60 million ($730 thousand) more, respectively, than the amounts that would have been recorded under the effective interest method based on lease payments receivable.

15. Derivative Financial Instruments

Derivative financial instruments which were traded on the over-the-counter market, stated at fair value and recognized as valuation gains and losses in the consolidated statements of income, other than those to which hedge accounting was applied as of March 31, 2012 and 2011 are summarized as follows:

	Notional principal or contract amounts			
	Total	Over one year	Fair value*	Valuation gains(losses)
	Millions of yen			
Foreign exchange forward contracts:				
At March 31, 2012	¥ 16,072	¥ 913	¥ (605)	¥ (605)
At March 31, 2011	23,428	2,119	(86)	(86)
	Thousands of U.S. dollars			
Foreign exchange forward contracts:				
At March 31, 2012	$ 195,546	$ 11,108	$ (7,360)	$ (7,360)
At March 31, 2011	285,046	25,781	(1,046)	(1,046)

*Note: * Fair value was based on the discounted cash flow method.*

There were no outstanding derivative financial instruments to which hedge accounting was applied as of March 31, 2012 and 2011.

16. Income Taxes

Income tax expenses (benefits) for the years ended March 31, 2012 and 2011 consisted of the following:

	Millions of yen		Thousands of U.S. dollars	
	2012	2011	2012	2011
Income tax expenses (benefits):				
Current	¥ 3,066	¥ 577	$ 37,303	$ 7,020
Deferred	(1,193)	(883)	(14,515)	(10,743)
	¥ 1,872	¥ (305)	$ 22,776	$ (3,710)

The tax effects of temporary differences that gave rise to a significant portion of 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	2011
Deferred tax assets:				
Reserve for possible loan losses	¥ 4,965	¥ 3,866	$ 60,408	$ 47,037
Reserve for employee retirement benefits	3,233	3,424	39,335	41,659
Investment securities	1,684	2,425	20,489	29,504
Other	4,629	4,739	56,320	57,659
	14,513	14,455	176,578	175,872
Less valuation allowance	(2,052)	(2,414)	(24,966)	(29,370)
	12,460	12,040	151,599	146,489
Deferred tax liabilities:				
Unrealized gains on available-for-sale securities	(10,699)	(10,001)	(130,173)	(121,681)
Gains on transfer of investment securities for trusts for retirement benefit plans	(3,520)	(4,040)	(42,827)	(49,154)
Deferred gains on sale of property and other	(218)	(251)	(2,652)	(3,053)
	(14,437)	(14,293)	(175,653)	(173,901)
Net deferred tax liabilities	¥ (1,976)	¥ (2,253)	$ (24,041)	$ (27,412)

At March 31, 2012 and 2011, deferred tax assets and liabilities reported on the accompanying consolidated balance sheets were as follows:

	Millions of yen		Thousands of U.S. dollars	
	2012	2011	2012	2011
Deferred tax assets	¥ 725	¥ 762	$ 8,821	$ 9,271
Deferred tax liabilities	2,702	3,015	32,875	36,683

In assessing the realizability of deferred tax assets, management of the Group considers whether some portion or all of the deferred tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible. At March 31, 2012 and 2011, a valuation allowance was provided to reduce deferred tax assets to the extent that the management believed that the deferred tax assets were not realizable.

Reconciliations of the Japanese statutory tax rate and the effective income tax rate on pre-tax income reflected in the accompanying consolidated statements of income for the years ended March 31, 2012 and 2011 were as follows:

	Percentage of pre-tax income	
	2012	2011
Japanese combined statutory income tax rate	40.55%	40.55%
Increase (decrease) due to:		
Permanently non-deductible expenses	2.67	1.49
Tax exempt income	(9.37)	(5.84)
Change in valuation allowance	(3.58)	(42.35)
Effect of changes in income tax rates	25.08	-
Other	1.06	(0.11)
Actual effective income tax rate	56.42%	(6.26)%

Following the promulgation on December 2, 2011 of the “Act for Partial Revision of 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), Japanese corporate income tax rates will be lowered and the special restoration surtax will be imposed for the fiscal years beginning on or after April 1, 2012. In line with these revisions, the statutory tax rate to calculate deferred tax assets and liabilities was changed from 40.55% to 37.70% for temporary differences which are expected to reverse during the period from the fiscal year beginning on April 1, 2012 to the fiscal year beginning on April 1, 2014 and to 35.33% for temporary differences which are expected to reverse from the fiscal years beginning on or after April 1, 2015. As a result of these changes, deferred tax assets and liabilities decreased by ¥62 million ($754 thousand) and ¥800 million ($9,733 thousand), respectively, and net unrealized gains on available-for-sale securities increased by ¥1,570 million ($19,102 thousand) at March 31, 2012. Deferred income taxes increased by ¥832 million ($10,122 thousand) for the year ended March 31, 2012. In addition, deferred tax liabilities for revaluation decreased by ¥828 million ($10,074 thousand) and land revaluation increment increased by the same amount at March 31, 2012.

17. Segment Information

(a) General information about reportable segments

The Group defines a reportable segment as a component of the Group for which discrete financial information is available and whose operating results are regularly reviewed by the Board of Directors to make decisions about resources to be allocated to the segment and assess its performance.

The Group engages in a wide range of financial services to customers primarily in the areas of banking and leasing businesses. The reportable segments of the Group are based on operating segments as follows:

"Banking"
- Deposits and loans
- Foreign exchange transactions
- Over-the-counter sales of investment trusts and life insurance products
- Securities business

"Leasing"
- Leasing business

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

The measurement basis for operating segment information follows the accounting principles used in the consolidated financial statements as described in Note 2, "Summary of Significant Accounting Policies." The measure of segment profit is "Ordinary income," which is defined as total income less certain special income included in the accompanying consolidated statements of income, and intersegment profit is accounted for based on prices in ordinary transactions with independent third parties.

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

Segment information as of and for the year ended March 31, 2012 was as follows:

	Reported segment					Reconciliation	
	Banking	Leasing	Total	Other *(*2)*	Total	*(*3)*	Consolidated
	Millions of yen						
For the year 2012:							
Ordinary income *(*1)*:							
External customers	¥ 47,463	¥ 5,151	¥ 52,615	¥ 1,055	¥ 53,671	¥ -	¥ 53,671
Intersegment	105	315	420	629	1,050	(1,050)	-
	47,569	5,467	53,036	1,685	54,722	(1,050)	53,671
Segment profit *(*4)*	4,274	319	4,594	310	4,904	(4)	4,900
Segment assets	2,747,860	13,611	2,761,472	5,173	2,766,645	(6,353)	2,760,292
Segment liabilities	2,584,675	9,159	2,593,835	1,006	2,594,842	(6,361)	2,588,480
Other material items:							
Depreciation	¥ 1,343	¥ 185	¥ 1,528	¥ 42	¥ 1,570	¥ -	¥ 1,570
Interest and dividend income	36,605	9	36,615	110	36,725	(46)	36,678
Interest expense	2,630	103	2,734	4	2,738	(109)	2,628
Provision of reserve for possible loan losses	5,640	12	5,653	30	5,684	1	5,685
Impairment loss on securities	130	-	130	-	130	-	130
Increase in tangible fixed assets and intangible fixed assets	1,792	0	1,793	110	1,904	-	1,904

	Reported segment					Reconciliation	Consolidated
	Banking	Leasing	Total	Other *(*2)*	Total	*(*3)*	
	Thousands of U.S. dollars						
For the year 2012:							
Ordinary income *(*1)*:							
External customers	$ 577,479	$ 62,671	$ 640,163	$ 12,836	$ 653,011	$ -	$ 653,011
Intersegment	1,277	3,832	5,110	7,652	12,775	(12,775)	-
	578,768	66,516	645,285	20,501	665,798	(12,775)	653,011
Segment profit *(*4)*	52,001	3,881	55,894	3,771	59,666	(48)	59,617
Segment assets	33,433,021	165,604	33,598,637	62,939	33,661,576	(77,296)	33,584,280
Segment liabilities	31,447,560	111,436	31,559,009	12,239	31,571,261	(77,393)	31,493,855
Other material items:							
Depreciation	$ 16,340	$ 2,250	$ 18,591	$ 511	$ 19,102	$ -	$ 19,102
Interest and dividend income	445,370	109	445,492	1,338	446,830	(559)	446,258
Interest expense	31,999	1,253	33,264	48	33,313	(1,326)	31,974
Provision of reserve for possible loan losses	68,621	146	68,779	365	69,156	12	69,168
Impairment loss on securities	1,581	-	1,581	-	1,581	-	1,581
Increase in tangible fixed assets and intangible fixed assets	21,803	0	21,815	1,338	23,165	-	23,165

Notes:

*(*1) "Ordinary income" represents total income less certain special income included in other income in the accompanying consolidated statements of income. Total income of ¥53,690 million ($653,242 thousand) in the accompanying consolidated statement of income is derived from ordinary income of ¥53,671million ($653,011) through adding certain special income of ¥18 million ($219 thousand).*

*(*2) The "Other" business segment in the table above represents operating departments not included in the reported segments and includes credit card business, administrative outsourcing business and information technology management operations.*

*(*3) Reconciliation represents the eliminations of intersegment transactions.*

*(*4) Segment profit is reconciled to ordinary profit, which represents ordinary income less ordinary expenses. Ordinary expenses represent total expenses of ¥50,371 million ($612,860 thousand) less certain special expenses of ¥1,599 million ($19,454 thousand) included in other expenses in the accompanying consolidated statements of income. Therefore, total amount of the segment profit, which shows ordinary profit of ¥4,900 million ($59,617 thousand), is reconciled to income before income taxes and minority interests of ¥3,319 million ($40,382 thousand) through adding/deducting certain special income/ (expenses), net.*

Segment information as of and for the year ended March 31, 2011 was as follows:

	Reported segment						
	Banking	Leasing	Total	Other (*2)	Total	Reconciliation (*3)	Consolidated
	Millions of yen						
For the year 2011:							
Ordinary income (*1):							
External customers	¥ 46,700	¥ 5,561	¥ 52,262	¥ 1,099	¥ 53,361	¥ -	¥ 53,361
Intersegment	116	300	417	659	1,076	(1,076)	-
	46,816	5,862	52,679	1,758	54,438	(1,076)	53,361
Segment profit(*4)	4,591	285	4,877	300	5,178	(3)	5,174
Segment assets	2,709,783	13,864	2,723,647	4,904	2,728,552	(5,732)	2,722,819
Segment liabilities	2,552,962	9,599	2,562,562	907	2,563,469	(5,738)	2,557,730
Other material items							
Depreciation	¥ 1,292	¥ 170	¥ 1,463	¥ 35	¥ 1,498	¥ -	¥ 1,498
Interest and dividend income	37,537	9	37,546	135	37,682	(57)	37,625
Interest expense	3,421	143	3,565	5	3,570	(118)	3,451
Provision of reserve for possible loan losses	3,285	145	3,431	132	3,564	0	3,565
Impairment loss on securities	648	7	655	-	655	-	655
Increase in tangible fixed assets and intangible fixed assets	1,925	0	1,925	44	1,969	-	1,969

	Reported segment						
	Banking	Leasing	Total	Other (*2)	Total	Reconciliation (*3)	Consolidated
	Thousands of U.S. dollars						
For the year 2011:							
Ordinary income (*1):							
External customers	$ 568,195	$ 67,660	$ 635,868	$ 13,371	$ 649,239	$ -	$ 649,239
Intersegment	1,411	3,650	5,073	8,018	13,091	(13,091)	-
	569,607	71,322	640,941	21,389	662,343	(13,091)	649,239
Segment profit (*4)	55,858	3,467	59,338	3,650	63,000	(36)	62,951
Segment assets	32,969,740	168,682	33,138,423	59,666	33,198,101	(69,740)	33,128,348
Segment liabilities	31,061,710	116,790	31,178,513	11,035	31,189,548	(69,813)	31,119,722
Other material items							
Depreciation	$ 15,719	$ 2,068	$ 17,800	$ 425	$ 18,226	$ -	$ 18,226
Interest and dividend income	456,710	109	456,819	1,642	458,474	(693)	457,780
Interest expense	41,623	1,739	43,375	60	43,435	(1,435)	41,988
Provision of reserve for possible loan losses	39,968	1,764	41,744	1,606	43,362	0	43,375
Impairment loss on securities	7,884	85	7,969	-	7,969	-	7,969
Increase in tangible fixed assets and intangible fixed assets	23,421	0	23,421	535	23,956	-	23,956

Notes:

*(*1) "Ordinary income" represents total income less certain special income included in other income in the accompanying consolidated statements of income. Total income of ¥53,366 million ($649,300 thousand) in the accompanying consolidated statement of income is derived from ordinary income of 53,361 million ($649,239 thousand) through adding certain special income of ¥5 million ($60 thousand).*

*(*2) The "Other" business segment in the table above represents operating departments not included in the reported segments and includes credit card business, administrative outsourcing business and information technology management operations.*

*(*3) Reconciliation represents the eliminations of intersegment transactions.*

*(*4) Segment profit is reconciled to ordinary profit, which represents ordinary income less ordinary expenses. Ordinary expenses represent total expenses of ¥48,497 million ($61,309 thousand) less certain special expenses of ¥310 million ($3,771 thousand) included in other expenses in the accompanying consolidated statements of income. Total amount of the segment profit, which shows ordinary profit of ¥5,174 million ($62,951 thousand), is reconciled to income before income taxes and minority interests of ¥4,869 million ($59,240 thousand) through adding/deducting certain special income/(expenses), net.*

(d) Other information

i) Information about services

	Service categories				
	Loans	Security investments	Leasing	Other	Total
	Millions of yen				
Ordinary income from external customers:					
For the year ended March 31, 2012	¥ 25,421	¥ 15,290	¥ 5,151	¥ 7,807	¥ 53,671
For the year ended March 31, 2011	26,148	14,289	5,561	7,361	53,361
	Thousands of U.S. dollars				
Ordinary income from external customers:					
For the year ended March 31, 2012	$ 309,295	$ 186,032	$ 62,671	$ 94,987	$ 653,011
For the year ended March 31, 2011	318,140	173,853	67,660	89,560	649,239

ii) Information about geographical areas for the years ended March 31, 2012 and 2011 is omitted since income in Japan accounted for more than 90% of the total consolidated income and all tangible fixed assets were located in Japan.

iii) Information about major customers for the years ended March 31, 2012 and 2011 is omitted since there was no single external customer accounting for 10% or more of the consolidated ordinary income.

(e) Information about impairment loss on fixed assets in reported segments

	Reported segment				
	Banking	Leasing	Total	Other	Total
	Millions of yen				
Impairment loss					
For the year ended March 31, 2012	¥ 1,454	¥ –	¥ 1,454	¥ –	¥ 1,454
For the year ended March 31, 2011	162	–	162	–	162
	Thousands of U.S. dollars				
Impairment loss					
For the year ended March 31, 2012	$ 17,690	$ –	$ 17,690	$ –	$ 17,690
For the year ended March 31, 2011	1,971	–	1,971	–	1,971

(f) Information with regard to goodwill in reported segments: None.

18. Transactions with Related Parties

Significant transactions with the related parties of the Group for the years ended March 31, 2012 and 2011 were as follows:

Name	Business	Description of the Bank's transaction	Transaction amounts: Millions of yen	Transaction amounts: Thousands of U.S. dollars	Account	Balances: Millions of yen	Balances: Thousands of U.S. dollars
Transactions with relatives of the Bank's directors:							
For the year ended March 31, 2012:							
Toshiyuki Miyaji	Real estate leasing business	Loan lending	(Average balance during period) ¥ 173	$ 2,104	Loans and bills discounted	¥ 168	$ 2,044
			(Interest income) ¥ 4	$ 48			
For the year ended March 31, 2011:							
Takashi Yokoi	Office worker	Loan lending	(Average balance during period) ¥ 47	$ 571	Loans and bills discounted	¥ 47	$ 571
			(Interest income) ¥ 0	$ 0			
Toshiyuki Miyaji	Real estate leasing business	Loan lending	(Average balance during period) ¥ 185	$2,250	Loans and bills discounted	¥ 179	$ 2,177
			(Interest income) ¥ 4	$ 48			

Note: Terms and conditions of loan lending are determined in the same manner as general loan lending transactions with third parities.

19. Comprehensive Income

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

	Millions of yen	Thousands of U.S. dollars
Net unrealized gains on available-for-sale securities:		
Increase during the year	¥ 6,759	$ 82,236
Reclassification adjustments	(766)	(9,319)
Pre-tax amount	5,992	72,904
Tax effect amount	(697)	(8,480)
Net unrealized gains on available-for-sale securities, net of tax	5,295	64,423
Land revaluation increment:		
Increase during the year	-	-
Reclassification adjustments	-	-
Pre-tax amount	-	-
Tax effect amount	828	10,074
Land revaluation increment, net of tax	828	10,074
Total other comprehensive income	¥ 6,123	$ 74,498