Annual Report 2011

NISHI-NIPPON CITY BANK

THE NISHI-NIPPON CITY BANK, LTD.

Profile

The Nishi-Nippon City Bank Group, headquartered in the city of Fukuoka (population 1.47 million) the largest urban center in Kyushu, comprises the parent bank, 12 consolidated subsidiaries, and one affiliate. While banking services are its prime focus, the Group also provides a full range of financial services, including securities, credit guarantees and credit card services, as well as credit management and business consulting services.

In our core banking services, we have provided community-oriented financial services to a customer base comprised mainly of individuals and small and medium-sized enterprises (SME) in the Kyushu Region. As of March 31, 2011, the Bank has a network of 208 branches including sub-branches in Japan. It also maintains representative offices in Hong Kong, Seoul, and Shanghai. The Bank supports the overseas business expansion of local companies through its service alliances with overseas financial institutions, mainly in China, South Korea, Vietnam, Thailand, and Indonesia.

Consolidated Financial Highlights

The Nishi-Nippon City Bank, Ltd. and its consolidated subsidiaries
Years ended March 31, 2011 and 2010

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2011	2010	2011
Total income	¥172,830	¥173,537	$2,078,538
Total expenses	138,594	135,702	1,666,801
Income before income taxes and minority interests	34,235	37,834	411,737
Net income	53,384	21,800	642,020
	Yen		U.S. dollars
Net income per share	¥66.98	¥26.88	$0.80

The Nishi-Nippon City Bank, Ltd. and its consolidated subsidiaries
March 31, 2011 and 2010

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2011	2010	2011
Total assets	¥7,401,749	¥7,287,892	$89,016,833
Deposits	6,592,902	6,469,642	79,289,261
Loans and bills discounted	5,229,084	5,147,505	62,887,366
Securities	1,635,176	1,597,140	19,665,379
Capital stock	85,745	85,745	1,031,215
Net assets (after deduction of minority interests)	351,480	336,661	4,227,067

Notes: 1. Translation into U.S. dollars (solely for the convenience of readers outside Japan) has been made at the exchange rate of ¥83.15 to U.S.$1.
2. In this report, Japanese yen figures are rounded down to the nearest million yen.

Contents

Message from the President

New medium-term business plan aims to transform the Bank into a comprehensive financial services institution capable of adapting to the changing world

In the following message, I describe the business performance of the Nishi-Nippon City Bank for the fiscal year ended March 2011, and introduce New Stage 2011, our new medium-term (three-year) business plan.

Isao Kubota, *President*

Business conditions in the fiscal year ended March 31, 2011

Against the background of recovering overseas economies and the impact of economic stimulation measures taken by the government, hopes for a recovery of the Japanese economy were growing stronger in early 2011. However, the Great East Japan Earthquake of March 11 had a major adverse effect on the livelihoods of the Japanese people, as well as on production activities, and the outlook for the economy has been growing increasingly uncertain.

Regarding the economy of the Bank's operational base of Kyushu, production staged an upbeat during the reporting term, mainly fueled by dynamic demand from emerging markets in Asia. In addition, there were at least two items of good news for the Kyushu economy. The entire 257 kilometers of the Kagoshima Route of the Kyushu Shinkansen (which connects Fukuoka in the north of Kyushu with Kagoshima in the south) was opened in March, and JR Hakata City, Japan's largest in-station shopping mall, also opened during the term.

In these circumstances, in line with the goal set forth in our New Stage 2008 three-year medium-term business plan — "Aiming to be the No. 1 bank in Kyushu by providing top-level products and services to our customers for mutual prosperity" — the Nishi-Nippon City Bank Group has been tackling a range of reforms based on putting the customer first and a prime emphasis on earnings.

As a result, consolidated operating income fell ¥5,742 million year on year, to ¥165,123 million ($1,985 million), owing to a decline in revenue mainly caused by a narrowing margin spread in response to the falling market interest rates. Income before income taxes and minority interests came to ¥34,235 million ($411 million), a decrease of ¥3,598 million from the previous fiscal year. Net income increased by ¥31,583 million over the previous fiscal year, to ¥53,384 million ($642 million), as a result of the posting of deferred tax assets accompanying the dissolution of a subsidiary.

Public funds paid off, growth recorded in balances of loans and deposits

The Bank's biggest achievement in fiscal 2010, the final year of the New Stage 2008 medium-term business plan, was the completion of repayment of all outstanding public funds borrowed. With this, we realized a healthy financial position and secured a certain degree of latitude for the Bank's management.

As of the end of fiscal 2010, the Bank had total loan assets of ¥5,016.4 billion ($60,329 million) on a non-consolidated basis, for a year on year increase of ¥84.8 billion. Loans to customers in Kyushu accounted for ¥4,603.8 billion ($55,367 million), or 91.7% of the total. Loans to SMEs and individuals accounted for 78.8% of all loans, underlying our commitment to actively meeting the diverse financing needs of local customers.

The corresponding year-end balance of deposits, including certificates of deposit, increased by ¥122.2 billion to ¥6,426.0 billion ($77,282 million), primarily due to growth in deposits from individuals. Kyushu-area customers accounted for ¥6,201.6 billion ($74,583 million) in deposits, or 96.5% of the total balance.

Support for local companies' move into Asian markets

We are supporting our corporate clients moving into Asian markets by utilizing our network of representative offices and alliance partners. In China, we are currently strengthening our collaboration with the Bank of China, headquartered in Beijing, with which we already have a business cooperation agreement, and have set up a system for the mutual exchange of trainees. During the reporting term we sent two trainees to the Bank of China in order for them to brush up their expertise in banking operations, particularly financial products and services.

We held seminars on business opportunities in China, with a particular emphasis on East China, centered on Shanghai, which is the region of greatest interest for our corporate customers.

In collaboration with Bangkok Bank, we helped our clients with subsidiaries in Thailand to procure funds in Thai baht. In January 2011 Nishi-Nippon City Bank purchased bonds, nicknamed "Water Bonds," issued by the Asian Development Bank (ADB) to finance a project to improve the water environment in developing countries in Asia.

Cooperation in regional development efforts, and enhancement of the Bank's comprehensive financial products and services

As part of the Bank's efforts to revitalize the regional economy, in December 2010 we took advantage of the opening of the Kyushu Shinkansen and of the JR Hakata City shopping mall to host the Kyushu Japan Railway Trading Business Meeting jointly with other Kyushu-based financial institutions. This event was aimed at promoting the development of local industries by helping businesses to discover products and commodities manufactured or produced in Kyushu. Taking advantage of a subsidy program operated by the Ministry of the Environment, we became the first Kyushu-based regional financial institution to make loans to finance the construction of eco-friendly facilities at Sojo University's campus in Kumamoto Prefecture.

In other activities on the environmental front, we expanded the installation of eco-friendly equipment at our branches, including photovoltaic power generation systems and LED lighting, and incorporated universal design elements into our branches to make them more convenient and welcoming for elderly customers and people with disabilities.

As of the end of July 2011, our securities brokerage subsidiary Nishi-Nippon City Tokai Tokyo Securities Co., Ltd. (established in May 2010) had a total of six business premises, including its head office in Hakata-ku, Fukuoka. The company offers specialist consulting expertise to meet customers' increasingly diverse and sophisticated asset management needs, and is currently focusing efforts on expanding its array of financial products and services in addition to its branch network.

In January 2011 the Bank opened a dedicated indemnity insurance consultation office — the NCB Insurance Plaza — and we expanded our network in June with the opening of two new offices in our NCB Loan Plaza network, which offers consultation services relating to housing loans and consumer loans. These initiatives are part of the Bank's strategy of enhancing its comprehensive financial services.

New medium-term business plan "New Stage 2011 — Act with Vigor!"

The Bank recently initiated its latest three-year medium-term business plan (from April 1, 2011 to March 31, 2014), under the name "New Stage 2011 — Act with Vigor!" Amid a domestic economic situation characterized by stagnant production activity and consumer spending, and increasingly uncertain future prospects, we drew up this plan in recognition of the need for a management strategy that lays the groundwork for the Bank's future growth.

The principal underlying theme of the new plan remains the same as that for our previous three-year plan — to become the No.1 bank in Kyushu by providing top-level products and services to our customers for mutual prosperity. Regarding the direction in which we aim to develop from here on, we believe we must overcome the difficulties of the business environment and create a strong management base that will enable the Bank to cope effectively with the demands of the age of globalization. For this purpose, we must simultaneously maximize the Bank's earnings opportunities and cut down operating cost.

On this basis, we laid out two specific goals: to evolve into a comprehensive financial services institution, and to realize a radical improvement in productivity. We will aim to offer optimal financial products and services that are designed with our customers' needs in mind and that fulfill their diverse requirements at every stage of their lives. By becoming a comprehensive financial services provider, we aim to provide all-round support to our customers, both corporations and individuals. At the same time, we make our future target to raise the productivity of our operations by improving service quality and management efficiency, and to build a strong management base.

We have also appended the subtitle "Act with Vigor!" to the name of our current medium-term plan. We believe that if all the executives and employees of the Bank work vigorously to implement the plan, the Bank will be able to make the seamless transition to a higher level of operations. This will enable us to satisfy the expectations of our shareholders and business partners, as well as the entire regional community.

The Nishi-Nippon City Bank's main playing field is geographically close to the fast-growing markets of East Asia, and the recent full opening of the Kyushu Shinkansen is expected to stimulate energetic activity in the economy of our local Fukuoka and Kyushu district. It is our sincere hope that this vibrant local economy will act as a valuable driving force for the economy of the whole country, and that this will provide encouragement for the residents of the region devastated by the earthquake and tsunami of March 11, 2011.

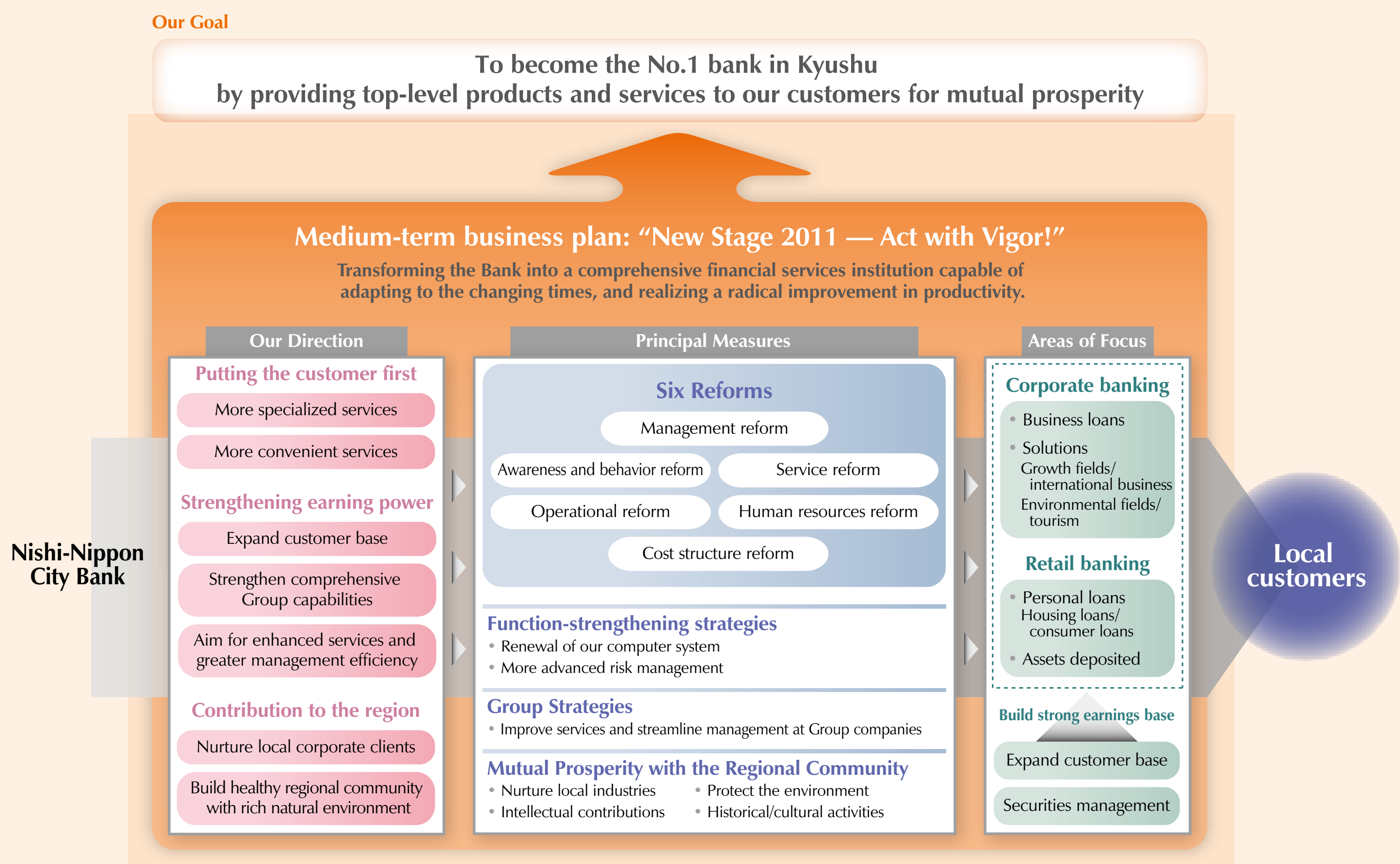
Henceforward, the executives and employees of the Bank must have the same recognition that without a revitalization of the local economy, the Bank will not progress. We will all work together for the further development and prosperity of the regional community.

I would like to take this opportunity to thank you for your continued understanding and support of the Nishi-Nippon City Bank Group in its future endeavors.

Isao Kubota,
President

Outline of the Bank's medium-term business plan: "New Stage 2011–Act with Vigor!"

Plan period: Three years from April 2011 to March 2014



Toward a Sounder Financial Position

The pursuit of a sounder financial position is ranked as one of the Bank's key priorities. Therefore, we are strengthening our capital adequacy and reducing non-performing loans (NPL).

NPL Ratio declines by 0.77 percentage points to 2.81%

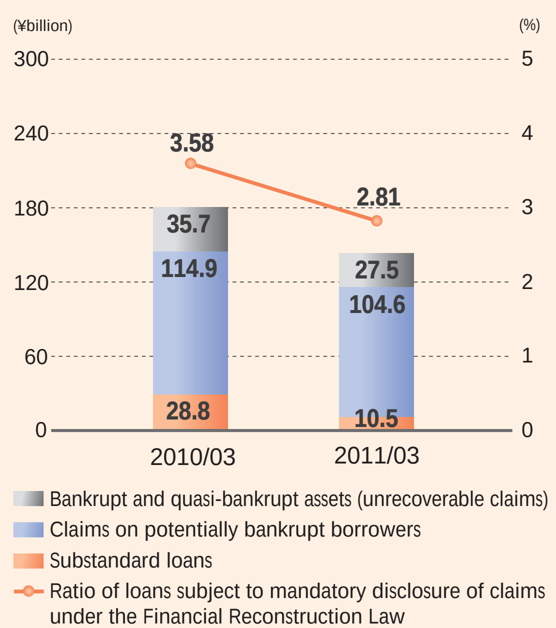
The Bank carries out write-offs and provision of reserves for our NPLs according to strict standards, based on self-assessment of assets. As of March 31, 2011, the Bank's NPL balance (subject to mandatory disclosure of claims under the Financial Reconstruction Law, including claims held by a subsidiary established for asset management purposes) decreased by ¥36.6 billion year on year, to ¥142.8 billion. As a result, the NPL ratio decreased to 2.81%, down 0.77 percentage points year on year compared with 3.58% for previous fiscal year-end. The coverage ratio for loans subject to mandatory disclosure of claims under the Financial Reconstruction Law is 88.53% through collateral, guarantees, and the reserve for possible loan losses. Coverage ratio for bankrupt and quasi-bankrupt assets is 100%.

Capital Ratio (consolidated) is 10.61%

The capital ratio as of March 31, 2011 stood at 10.32% (a decrease of 0.08 of a percentage point year on year) on a non-consolidated basis and 10.61% (an increase of 0.19 of a percentage point year on year) on a consolidated basis. These high figures are significantly higher than the minimum level of 4% required for banks operating in Japan.

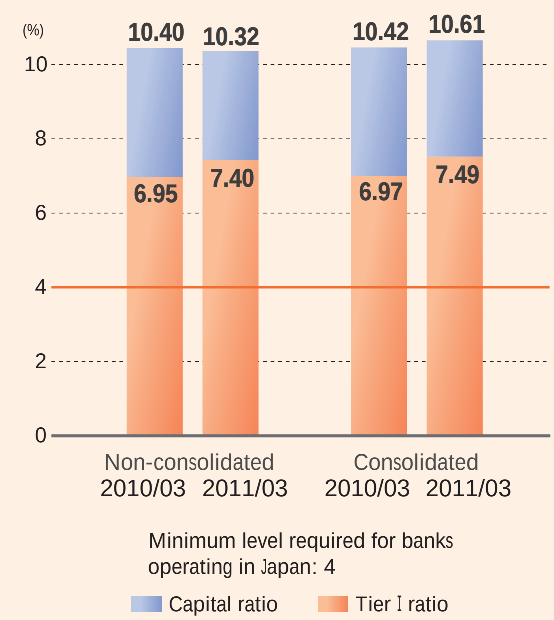
The core Tier I ratio stood at 7.40% on a non-consolidated basis and 7.49% on a consolidated basis, with both figures exceeding the levels of the previous fiscal year. We will be implementing measures to further strengthen our capital adequacy and raise the capital ratio.

Balance of NPLs and ratio of loans subject to mandatory disclosure of claims under the Financial Reconstruction Law



*"NPL including claims held by a subsidiary established for asset management purposes"
= the Bank (parent) + NCB Turnaround Co., Ltd.

Capital ratio



Risk Management Systems

While business opportunities are increasing with financial deregulation, globalization and the development of financial technologies, the risks attendant on financial services are becoming more complex and diverse. Against this backdrop, the Bank is strengthening its risk management systems with the goal of establishing a sound management foundation and ensuring stable revenues.

Integrated Risk Management: The Risk Management Rules and Regulations were established pursuant to our Basic Policy on Risk Management. Additionally, we have developed a risk management system in which the Management Administration Division is responsible for handling risk management across the Bank's entire operations. We classify the risk inherent in financial operations into four categories — credit, market, liquidity and operational risk and tailor our measures to manage by each risk category. Quantifiable risk is kept within certain parameters. To ensure that an appropriate balance is struck between earnings and risk, risk is quantified using a statistical approach employing the VaR (Value at Risk) method, with economic capital allocated to cover potential risk. Earnings are measured and valued on a risk-adjusted basis. Risks that are difficult to quantify are subject to precautionary measures to minimize their realization.

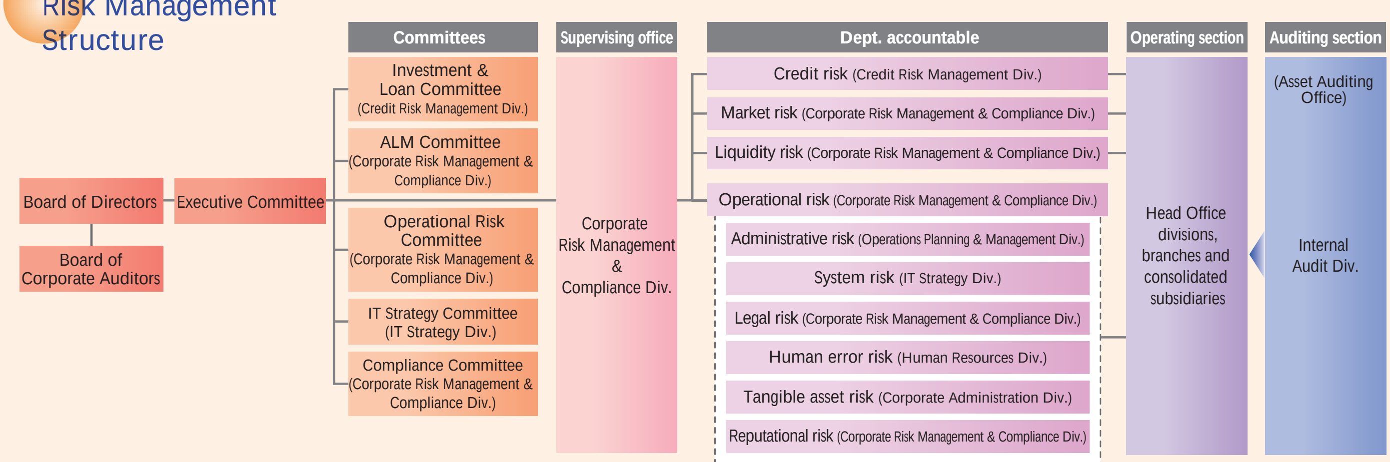
Credit Risk Management: Credit risk is ranked as the top-priority risk category, and we are working to exert even tighter control over the Bank's credit risk. This is done in accordance with the Bank's Credit Risk Management Policy and Credit Policy. Strict standards are applied to the screening of each individual case, and cases that exceed a certain specified standard are screened again by specialized staff in our Credit Examination Division. In this way, we are working hard to maintain the soundness of our assets. In our loan portfolio, we also try to diversify risk and ensure there is no concentration of any particular industrial sector or customer. We do this using a system of sector-based credit risk quantification and portfolio management, based on our credit rating system. We also carry out asset self-assessment and constantly monitor the procedures. Based on the outcomes, we monitor write-offs and provisions for loan-loss reserves.

* In addition to the above, we rigorously manage market, liquidity, operational and other risks through a cross-checking system.

The ALM System: The ALM committee, consisting of top management members, meets monthly to decide on asset and liability management and procurement policy based on projections of economic trends and capital market interest rates. The committee also quantifies risk in areas such as deposits and loans, bonds, stocks and investment trusts using the VaR (Value at Risk) method. It also conducts strategic management by determining key policies on market risk and by other means. This is done after gaps generated by the difference in contract terms for asset and liability management and procurement are analyzed to ascertain the relationship between risk and profit.

The Internal Audit System: The Audit Division, which is directly under management control, carries out internal audits as an independent entity that has no involvement in banking operations. The division undertakes audits of the head office divisions, branches and subsidiaries in line with our Basic Policy on Internal Audits. This policy is determined for each fiscal year at a meeting of the Board of Directors. Audit findings and problems are reported directly to top management by audit division staff members at the monthly Board of Directors' Meeting and at other opportunities. The Audit Division also issues instructions for implementing remedial measures.

Risk Management Structure



Board of Directors and Corporate Auditors

Masahiro Honda
Chairman

Isao Kubota
President

Kazushige Higuchi
Deputy President

Chairman	Masahiro Honda
President	Isao Kubota
Deputy President	Kazushige Higuchi
Executive Directors	Seiji Isoyama
	Akira Mitsutomi
	Hiromichi Tanigawa
	Shigeru Urayama
Managing Directors	Sadamasa Okamura
	Kiyota Takata
	Soichi Kawamoto
	Yasuyuki Ishida
	Hiroyuki Irie

Director (outside)	Yasumichi Hinago
Corporate Auditors	Ryoichi Ozawa
	Tomoaki Kawakami
(outside)	Masahiro Sakata
(outside)	Yuji Tanaka
(outside)	Hirohiko Okumura

(as of June 30, 2011)

Financial Section

Contents

Consolidated Balance Sheets

The Nishi-Nippon City Bank, Ltd. and Subsidiaries 31st March, 2011 and 2010

	Millions of yen		Thousands of U.S. dollars(Note 1)
	2011	2010	**2011**
Assets:			
Cash and due from banks (Notes 9, 30 and 40)	**¥224,843**	¥275,718	**$2,704,066**
Call loans and bills bought	**10,735**	1,193	**129,113**
Commercial paper and other debt purchased (Notes 9 and 30)	**25,425**	36,050	**305,782**
Trading account assets (Notes 6 and 31)	**3,297**	863	**39,652**
Money held in trust (Note 32)	**2,942**	3,000	**35,388**
Securities (Notes 7, 9, 30 and 31)	**1,635,176**	1,597,140	**19,665,379**
Loans and bills discounted (Notes 8, 10 and 30)	**5,229,084**	5,147,505	**62,887,366**
Foreign exchange assets (Note 11)	**10,441**	2,972	**125,571**
Other assets (Notes 9 and 12)	**49,711**	43,375	**597,848**
Tangible xed assets (Notes 13 and 20)	**120,936**	121,689	**1,454,435**
Intangible xed assets	**4,257**	3,150	**51,197**
Deferred tax assets (Note 35)	**67,723**	44,878	**814,478**
Customers' liabilities for acceptances and guarantees	**61,673**	74,781	**741,712**
Reserve for possible loan losses (Note 30)	**(43,498)**	(63,756)	**(523,136)**
Reserve for devaluation of securities	**(999)**	(671)	**(12,020)**
Total assets	**¥7,401,749**	¥7,287,892	**$89,016,833**
Liabilities and net assets:			
Liabilities:			
Deposits (Notes 9, 14 and 30)	**¥6,592,902**	¥6,469,642	**$79,289,261**
Call money and bills sold (Notes 9 and 30)	**134,379**	100,341	**1,616,111**
Guarantee deposits received under securities lending transactions (Note 9)	**44,459**	29,554	**534,689**
Borrowed money (Notes 9, 16 and 30)	**45,970**	80,410	**552,864**
Foreign exchange liabilities (Note 11)	**101**	241	**1,222**
Bonds (Notes 15 and 30)	**78,300**	103,500	**941,671**
Other liabilities (Note 17)	**55,395**	55,029	**666,211**
Reserve for bonuses to directors and corporate auditors	**49**	―	**589**
Reserve for employee retirement bene ts (Note 34)	**10,805**	11,558	**129,952**
Reserve for retirement bene ts for directors and corporate auditors	**758**	1,104	**9,117**
Reserve for reimbursement of deposits	**1,047**	1,034	**12,599**
Reserve for other contingent losses	**2,115**	1,524	**25,445**
Reserve under the special laws	**0**	―	**1**
Deferred tax liabilities on revaluation of premises (Note 20)	**22,310**	22,507	**268,316**
Acceptances and guarantees	**61,673**	74,781	**741,712**
Total liabilities	**7,050,269**	6,951,231	**84,789,766**
Net assets:			
Capital stock (Note 18)	**85,745**	85,745	**1,031,215**
Capital surplus	**90,301**	90,301	**1,086,003**
Earned surplus	**116,300**	100,681	**1,398,688**
Treasury stock (Note 19)	**(661)**	(643)	**(7,949)**
Total shareholders' equity	**291,686**	276,085	**3,507,957**
Net unrealized gains on securities available for sale, net of taxes (Note 31)	**3,408**	5,720	**40,986**
Net deferred losses on hedging instruments, net of taxes	**(0)**	(1)	**(4)**
Revaluation of premises, net of taxes (Note 20)	**27,989**	27,970	**336,613**
Cumulative translation adjustments	**(0)**	(0)	**(4)**
Total accumulated other comprehensive income	**31,396**	33,688	**377,590**
Minority interests	**28,397**	26,887	**341,519**
Total net assets (Note 41)	**351,480**	336,661	**4,227,067**
Total liabilities and net assets	**¥7,401,749**	¥7,287,892	**$89,016,833**

See accompanying Notes to Consolidated Financial Statements.

Consolidated Statements of Income

The Nishi-Nippon City Bank, Ltd. and Subsidiaries Years ended 31st March, 2011 and 2010

	Millions of yen		Thousands of U.S. dollars(Note 1)
	2011	2010	**2011**
Income:			
Interest and dividend income:			
Interest on loans and discounts	**¥107,567**	¥112,743	**$1,293,653**
Interest and dividends on securities	**19,072**	19,035	**229,380**
Other interest income (Note 21)	**744**	869	**8,949**
Fees and commissions	**29,627**	29,186	**356,309**
Trading income	**193**	67	**2,326**
Other operating income (Note 22)	**4,613**	4,904	**55,480**
Other income (Note 23)	**11,012**	6,729	**132,438**
Total income	**172,830**	173,537	**2,078,538**
Expenses:			
Interest expenses:			
Interest on deposits	**9,207**	14,852	**110,737**
Interest on call money and bills sold	**288**	260	**3,468**
Interest on borrowings	**650**	702	**7,819**
Other interest expenses (Note 24)	**2,329**	2,423	**28,018**
Fees and commissions	**9,343**	9,590	**112,373**
Trading expenses	**0**	—	**2**
Other operating expenses (Note 25)	**4,459**	3,268	**53,628**
General and administrative expenses (Note 26)	**87,861**	84,835	**1,056,657**
Other expenses (Note 27)	**24,453**	19,770	**294,094**
Total expenses	**138,594**	135,702	**1,666,801**
Income before income taxes and minority interests	**34,235**	37,834	**411,737**
Income taxes (Note 35):			
Current	**656**	159	**7,900**
Deferred	**(21,674)**	14,230	**(260,664)**
Total income taxes	**(21,017)**	14,390	**(252,763)**
Income before minority interests	**55,253**	—	**664,501**
Minority interests in net income	**1,869**	1,643	**22,480**
Net income (Note 41)	**¥53,384**	¥21,800	**$642,020**

See accompanying Notes to Consolidated Financial Statements.

Consolidated Statement of Comprehensive Income

The Nishi-Nippon City Bank, Ltd. and Subsidiaries Year ended 31st March, 2011

	Millions of yen	Thousands of U.S. dollars(Note 1)
	2011	**2011**
Income before minority interests	**¥55,253**	**$664,501**
Other comprehensive income:		
Net unrealized losses on securities available for sale	**(2,071)**	**(24,918)**
Net deferred gains on hedging instruments	**1**	**14**
Translation adjustments	**(0)**	**(1)**
Gains on change in shares in consolidated subsidiaries	**979**	**11,781**
Share of other comprehensive income of af liates accounted for by the equity method	**(0)**	**(4)**
Total Other comprehensive income (Note 28)	**(¥1,091)**	**($13,127)**
Comprehensive income (Note 28)	**¥54,161**	**$651,373**
Comprehensive income attributable to shareholders of the parent	**¥52,052**	**$626,004**
Comprehensive income attributable to minority interests	**¥2,109**	**$25,368**

See accompanying Notes to Consolidated Financial Statements.

Consolidated Statements of Changes in Net Assets

The Nishi-Nippon City Bank, Ltd. and Subsidiaries Years ended 31st March, 2011 and 2010

	Millions of yen		Thousands of U.S. dollars(Note 1)
	2011	2010	**2011**
Shareholders' equity			
Capital stock (Note 18)			
Balance at end of the previous year	**¥85,745**	¥85,745	**$1,031,215**
Changes during the year			
Total changes during the year	**—**	—	**—**
Balance at end of the current year	**¥85,745**	¥85,745	**$1,031,215**
Capital surplus			
Balance at end of the previous year	**¥90,301**	¥90,301	**$1,086,003**
Changes during the year			
Total changes during the year	**—**	—	**—**
Balance at end of the current year	**¥90,301**	¥90,301	**$1,086,003**
Earned surplus			
Balance at end of the previous year	**¥100,681**	¥82,349	**$1,210,843**
Changes during the year			
Cash dividends paid (Note 42)	**(3,600)**	(3,601)	**(43,305)**
Net income	**53,384**	21,800	**642,020**
Sale of treasury stock	**(3)**	(9)	**(43)**
Retirement of treasury stock	**(35,120)**	—	**(422,379)**
Reversal of revaluation of premises	**(19)**	142	**(229)**
Increase in earned surplus due to change in shares in consolidated subsidiaries	**979**	—	**11,781**
Total changes during the year	**15,619**	18,332	**187,844**
Balance at end of the current year	**¥116,300**	¥100,681	**$1,398,688**
Treasury stock (Note 19)			
Balance at end of the previous year	**(¥643)**	(¥615)	**($7,733)**
Changes during the year			
Acquisition of treasury stock	**(35,147)**	(49)	**(422,701)**
Sale of treasury stock	**8**	21	**106**
Retirement of treasury stock	**35,120**	—	**422,379**
Total changes during the year	**(17)**	(27)	**(216)**
Balance at end of the current year	**(¥661)**	(¥643)	**($7,949)**
Total shareholders' equity			
Balance at end of the previous year	**¥276,085**	¥257,780	**$3,320,329**
Changes during the year			
Cash dividends paid (Note 42)	**(3,600)**	(3,601)	**(43,305)**
Net income	**53,384**	21,800	**642,020**
Acquisition of treasury stock	**(35,147)**	(49)	**(422,701)**
Sale of treasury stock	**5**	11	**62**
Retirement of treasury stock	**—**	—	**—**
Reversal of revaluation of premises	**(19)**	142	**(229)**
Increase in earned surplus due to change in shares in consolidated subsidiaries	**979**	—	**11,781**
Total changes during the year	**15,601**	18,304	**187,628**
Balance at end of the current year	**¥291,686**	¥276,085	**$3,507,957**

The Nishi-Nippon City Bank, Ltd. and Subsidiaries Years ended 31st March, 2011 and 2010

	Millions of yen		Thousands of U.S. dollars(Note 1)
	2011	2010	**2011**
Accumulated other comprehensive income			
Net unrealized gains (losses) on securities available for sale, net of taxes			
Balance at end of the previous year	**¥5,720**	(¥21,411)	**$68,796**
Changes during the year			
Net changes in items other than shareholders' equity	**(2,312)**	27,131	**(27,810)**
Total changes during the year	**(2,312)**	27,131	**(27,810)**
Balance at end of the current year	**¥3,408**	¥5,720	**$40,986**
Net deferred losses on hedging instruments, net of taxes			
Balance at end of the previous year	**(¥1)**	(¥2)	**($19)**
Changes during the year			
Net changes in items other than shareholders' equity	**1**	0	**14**
Total changes during the year	**1**	0	**14**
Balance at end of the current year	**(¥0)**	(¥1)	**($4)**
Revaluation of premises, net of taxes			
Balance at end of the previous year	**¥27,970**	¥28,112	**$336,384**
Changes during the year			
Net changes in items other than shareholders' equity	**19**	(142)	**229**
Total changes during the year	**19**	(142)	**229**
Balance at end of the current year	**¥27,989**	¥27,970	**$336,613**
Cumulative translation adjustments			
Balance at end of the previous year	**(¥0)**	(¥0)	**($3)**
Changes during the year			
Net changes in items other than shareholders' equity	**(0)**	(0)	**(1)**
Total changes during the year	**(0)**	(0)	**(1)**
Balance at end of the current year	**(¥0)**	(¥0)	**($4)**
Total accumulated other comprehensive income			
Balance at end of the previous year	**¥33,688**	¥6,698	**$405,158**
Changes during the year			
Net changes in items other than shareholders' equity	**(2,292)**	26,990	**(27,567)**
Total changes during the year	**(2,292)**	26,990	**(27,567)**
Balance at end of the current year	**¥31,396**	¥33,688	**$377,590**
Minority interests			
Balance at end of the previous year	**¥26,887**	¥25,253	**$323,358**
Changes during the year			
Net changes in items other than shareholders' equity	**1,510**	1,633	**18,160**
Total changes during the year	**1,510**	1,633	**18,160**
Balance at end of the current year	**¥28,397**	¥26,887	**$341,519**
Total net assets			
Balance at end of the previous year	**¥336,661**	¥289,733	**$4,048,846**
Changes during the year			
Cash dividends paid (Note 42)	**(3,600)**	(3,601)	**(43,305)**
Net income	**53,384**	21,800	**642,020**
Acquisition of treasury stock	**(35,147)**	(49)	**(422,701)**
Sale of treasury stock	**5**	11	**62**
Reversal of revaluation of premises	**(19)**	142	**(229)**
Increase in earned surplus due to change in shares in consolidated subsidiaries	**979**	—	**11,781**
Net changes in items other than shareholders' equity	**(782)**	28,623	**(9,407)**
Total changes during the year	**14,819**	46,928	**178,220**
Balance at end of the current year	**¥351,480**	¥336,661	**$4,227,067**

See accompanying Notes to Consolidated Financial Statements.

Consolidated Statements of Cash Flows

The Nishi-Nippon City Bank, Ltd. and Subsidiaries Years ended 31st March, 2011 and 2010

	Millions of yen		Thousands of U.S. dollars(Note 1)
	2011	2010	**2011**
Ⅰ.Cash flows from operating activities:			
Income before income taxes and minority interests	**¥34,235**	¥37,834	**$411,737**
Adjustments to reconcile income before income taxes and minority interests to net cash provided by operating activities:			
Depreciation	**5,112**	5,110	**61,490**
Losses on impairment of fixed assets	**1,125**	387	**13,530**
Amortization of goodwill	**130**	9	**1,565**
Equity in losses of nonconsolidated subsidiaries and affiliate	**40**	103	**481**
Decrease in reserve for possible loan losses	**(20,257)**	(2,671)	**(243,623)**
Increase (decrease) in reserve for devaluation of securities	**328**	(721)	**3,950**
Increase in reserve for bonuses to directors and corporate auditors	**49**	—	**589**
Decrease in reserve for employee retirement benefits	**(753)**	(16)	**(9,056)**
(Decrease) increase in reserve for retirement benefits for directors and corporate auditors	**(346)**	88	**(4,166)**
Increase in reserve for reimbursement of deposits	**12**	315	**152**
Increase in reserve for other contingent losses	**591**	358	**7,111**
Income from lending activities	**(127,384)**	(132,648)	**(1,531,983)**
Funding costs	**12,476**	18,238	**150,044**
Losses on securities	**4,396**	3,603	**52,873**
Losses (gains) on money held in trust	**55**	(10)	**663**
Net foreign exchange gains	**(768)**	(858)	**(9,237)**
Losses on sale of tangible fixed assets	**293**	653	**3,524**
Net (increase) decrease in trading account assets	**(2,433)**	588	**(29,270)**
Net increase in loans and bills discounted	**(81,579)**	(74,642)	**(981,111)**
Net increase in deposits	**130,645**	116,117	**1,571,198**
Net (decrease) increase in certificates of deposit	**(7,291)**	39,196	**(87,692)**
Net decrease in borrowed money, exclusive of subordinated borrowings	**(34,467)**	(87,078)	**(414,520)**
Net decrease in due from banks, exclusive of central bank	**1,237**	19,009	**14,877**
Net decrease in call loans	**1,166**	1,291	**14,028**
Net increase (decrease) in call money	**34,038**	(9,044)	**409,357**
Net increase (decrease) in guarantee deposits received under securities lending transactions	**14,904**	(18,511)	**179,252**
Net increase in foreign exchange assets	**(7,468)**	(505)	**(89,817)**
Net (decrease) increase in foreign exchange liabilities	**(139)**	172	**(1,678)**
Interest and dividends received	**129,771**	134,523	**1,560,692**
Interest paid	**(15,177)**	(19,313)	**(182,526)**
Others	**15,353**	6,468	**184,654**
Subtotal	**87,897**	38,047	**1,057,091**
Income taxes paid	**(142)**	(173)	**(1,712)**
Net cash provided by operating activities	**¥87,754**	¥37,874	**$1,055,379**

Consolidated Statements of Cash Flows

The Nishi-Nippon City Bank, Ltd. and Subsidiaries Years ended 31st March, 2011 and 2010

	Millions of yen		Thousands of U.S. dollars(Note 1)
	2011	2010	**2011**
Ⅱ.Cash ows from investing activities:			
Payments for purchase of securities	**(¥484,118)**	(¥537,727)	**($5,822,232)**
Proceeds from sale of securities	**220,227**	310,753	**2,648,554**
Proceeds from redemption of securities	**196,305**	231,218	**2,360,856**
Payments for purchase of money held in trust	—	(1,008)	—
Payments for purchase of tangible xed assets	**(4,281)**	(3,908)	**(51,490)**
Proceeds from sale of tangible xed assets	**219**	422	**2,636**
Payments for purchase of intangible xed assets	**(1,396)**	(1,905)	**(16,790)**
Effect of purchase of stock of subsidiaries (affecting the scope of consolidation)	**0**	—	**1**
Net cash used in investing activities	**(¥73,044)**	(¥2,155)	**($878,463)**
Ⅲ.Cash ows from nancing activities:			
Issuance of subordinated bonds and bonds with stock subscription rights	**¥8,800**	¥15,000	**$105,832**
Redemption of subordinated bonds and bonds with stock subscription rights	**(34,000)**	(5,000)	**(408,899)**
Dividends paid	**(3,600)**	(3,600)	**(43,298)**
Dividends paid to monority shareholders	**(889)**	(690)	**(10,692)**
Payments for acquisition of treasury stock	**(35,147)**	(49)	**(422,701)**
Proceeds from sale of treasury stock	**5**	11	**62**
Net cash (used in) provided by nancing activities	**(¥64,831)**	¥5,671	**($779,696)**
Ⅳ.Effects of changes in exchange rates on cash and cash equivalents	**(¥17)**	(¥6)	**($204)**
Ⅴ.Net (decrease) increase in cash and cash equivalents	**(¥50,138)**	¥41,383	**($602,985)**
Ⅵ.Cash and cash equivalents at beginning of the year	**¥267,897**	¥226,513	**$3,221,853**
Ⅶ.Cash and cash equivalents at end of the year (Note 40)	**¥217,758**	¥267,897	**$2,618,867**

See accompanying Notes to Consolidated Financial Statements.

Notes to Consolidated Financial Statements

The Nishi-Nippon City Bank, Ltd. and Subsidiaries

1. Basis of Presentation of Consolidated Financial Statements

The accompanying consolidated financial statements of The Nishi-Nippon City Bank, Ltd. (the “Bank”), formerly The Nishi-Nippon Bank, Ltd., and its consolidated subsidiaries have been prepared in conformity with accounting principles generally accepted in Japan, which are different in certain respects as to the application and disclosure requirements of International Financial Reporting Standards, and are compiled from the consolidated financial statements prepared by the Bank as required by the Financial Instruments and Exchange Law of Japan.

In addition, the notes to the consolidated financial statements include information which is not required under accounting principles generally accepted in Japan but is presented herein as additional information.

Solely for the convenience of readers outside Japan, certain items in the original financial statements have been reclassified for presentation.

As permitted by the Financial Instruments and Exchange Law, amounts of less than one million yen have been omitted by the Bank.

Consequently, the totals shown in the accompanying consolidated financial statements (both in yen and U.S. dollars) do not necessarily agree with the sum of the individual amounts.

The amounts in U.S. dollars are included solely for the convenience of readers outside Japan. A rate of ¥83.15= U.S.$ 1.00, the exchange rate on 31st March, 2011, has been used in translation.

In the consolidated financial statements, "－" is used to denote "nil" and "0" is used to denote rounding down to zero.

2. Summary of Significant Accounting Policies

(a) Scope of Consolidation

The consolidated financial statements include the accounts of the Bank and its consolidated subsidiaries.

The number of consolidated and non-consolidated subsidiaries for the years ended 31st March, 2011 and 2010 is as follows:

	2011	2010
i) Number of consolidated subsidiaries:	**12**	11
ii) Number of non-consolidated subsidiaries:	**1**	2

i) NCB Management & Information Service Co.,Ltd. changed its name to NCB Research & Consulting Co.,Ltd. in 2010.
Nishi-Nippon City Tokai Tokyo Securities Co.,Ltd was included in consolidation as a result of Bank's investment in the company in 2011.
NCB Turnaround Co.,Ltd. was liquidated on 13th May, 2011, based on the resolution of the shareholders' meeting held on 30th September, 2010.

ii) The Nishi-Nippon Challenge 1, Limited Partnership was excluded from consolidation due to its insignificance in 2010.
The Nishi-Nippon Challenge 2, Limited Partnership was excluded from consolidation due to its insignificance in 2011 and 2010.

(b) Application of Equity Method

The number of non-consolidated subsidiaries and affiliates, which are accounted for by the equity method, for the years ended 31st March, 2011 and 2010 is as follows:

	2011	2010
i) Number of non-consolidated subsidiaies accounted for by the equity method:	**0**	0
ii) Number of affiliates accounted for by the equity method:	**1**	1
iii) Number of non-consolidated subsidiaries not accounted for by the equity method:	**1**	2
iv) Number of affiliates not accounted for by the equity method:	**0**	0

(c) Fiscal Years of Consolidated Subsiduaries

The closing dates of consolidated subsidiaries in 2011 and 2010 are as follows:

	2011	2010
January 14 *	1	1
March 31	11	10

*A subsidiary with the closing date of January 14 is consolidated based on the nancial statements at the provisional closing of accounts performed as of 31st March. Other subsidiaries are consolidated based on the nancial statements at their respective closing dates.

(d) Trading Account Assets and Liabilities

Transactions that seek gains on short-term uctuations and arbitrage in interest rates, currency prices, market prices of nancial instruments (trading transactions) are recognized on a trade date basis. They are recorded as trading assets or trading liabilities on the consolidated balance sheets and gains or losses on these transactions are recorded in trading income or trading expenses on the consolidated statements of income.

The Bank values securities, monetary claims, etc. held for trading purpose at the market price prevailing at the balance sheet date. Derivatives, such as futures and option transactions, are stated at the amount assuming that they were terminated or settled at the balance sheet date.

Trading income and expenses include interest income or expenses as well as changes in unrealized gains or losses on securities, monetary claims and derivative nancial products during the scal year.

(e) Securities

Securities held to maturity are carried at amortized cost using the straight-line method with cost determined by the moving average method. Investments in non-consolidated subsidiaries not accounted for by the equity method are valued at cost determined by the moving average method. Marketable securities available for sale are carried at fair value with cost of sales determined by the moving average method, and those, for which it is extremely dif cult to determine the fair value, are valued at cost determined by the moving average method.

The difference between the acquisition cost and the carrying amount of securities available for sale, representing unrealized gains and losses, is recognized as unrealized gains (losses) on securities available for sale, net of taxes, and included directly in net assets.

Securities held as components of individually managed money trusts whose principal objective is investments in securities are stated at fair value.

(f) Derivatives

Derivatives held or written are stated at fair value.

(g) Tangible Fixed Assets (excluding leased assets)

The Bank uses the declining-balance method for depreciation of tangible xed assets other than buildings acquired on and after 1st April, 1998 which are depreciated by the straight-line method. The useful lives for buildings and equipment are as follows:

Buildings: 3 to 60 years
Equipment: 2 to 20 years

Tangible xed assets of consolidated subsidiaries are depreciated mainly using the declining-balance method.

(h) Intangible Fixed Assets (excluding leased assets)

Intangible xed assets are amortized using the straight-line method. Software for internal use is amortized based on the estimated useful life determined by the Bank and its consolidated subsidiaries (generally 5 years).

(i) Leased Assets

The tangible and intangible xed assets capitalized under the nance lease transactions entered into on and after 1st April, 2008 where ownership of leased assets is not transferred to lessees are depreciated by the straight-line method over the lease term with their residual value of zero.

(j) Reserve for Possible Loan Losses

For loans to insolvent customers who are undergoing bankruptcy or special liquidation, etc. (hereinafter, “borrowers under bankruptcy proceedings”) or who are in a similar financial condition although not yet in bankruptcy (hereinafter, “borrowers substantially in bankruptcy”), the reserve for possible loan losses is provided at the full amount of the book value of such loans after deducting the amount of direct write-offs (as defined below), and excluding the amounts deemed collectible from sale of the collateral pledged and the guarantees that are deemed recoverable.

For the unsecured and unguaranteed portion of loans to customers not presently in the above circumstances, but with a high probability of becoming so (hereinafter “customers with high probability of becoming insolvent”), the reserve for possible loan losses is provided at the amounts deemed necessary after deduction of the estimated realizable value of collateral and guarantees based on the customer's overall financial condition.

For other loans, the reserve for possible loan losses is provided at an amount based on the anticipated loss rates calculated from the actual losses for a certain period.

Regarding each loan, the Credit Review Office, which is independent of the operating divisions, reviews the operating divisions' evaluation of each loan for collectibility based on self-assessment standards. The provision for possible loan losses is based on the results of these reviews.

For loans to borrowers under bankruptcy proceedings and borrowers substantially in bankruptcy that are secured by collateral and guarantees, the unrecoverable portion of such loans is determined by subtracting the estimated recoverable amounts from the disposal of the collateral and the amounts deemed recoverable from the guarantors. The unrecoverable amount is written off directly against the value of the loan (“direct write-off”). The amounts of such direct write-offs at 31st March, 2011 and 2010 were ¥38,842 million ($467,137 thousand), and ¥34,148 million, respectively.

For loans to borrowers with a rescheduled or restructuring plan, which exceed a certain amount, the discounted cash flow (DCF) method is applied to provide for doubtful accounts, if cash flows from collection of principal and receipts of interest can be reasonably estimated. Under the DCF method a reserve for possible loan losses is provided at the difference between the cash flows discounted by the original interest rate and the carrying value of the loan.

Consolidated subsidiaries record a general reserve for possible loan losses by applying the historical loan-loss ratio observed over specific periods, and record a specific reserve for certain loans at the estimated uncollectible amount based on assessment of each borrower’s ability to repay.

(k) Reserve for Devaluation of Securities

In order to provide for a loss on investments, the Bank estimates the amount deemed necessary based on a review of financial position, etc. of the companies issuing securities or golf club membership.

(l) Reserve for Bonuses to Directors and Corporate Auditors

The reserve for bonuses to directors and corporate auditors is provided at the estimated amount of bonus payments to directors and corporate auditors that are attributable to the reporting fiscal year.

(m) Reserve for Employee Retirement Benefits

Reserve for employee retirement benefits is provided based on the projected retirement benefit obligation and the pension plan assets at the balance sheet date.

Actuarial gain/loss is amortized using the straight-line method mainly over a period of 10 years following the year it arises, which is within the average remaining years of service of the current employees.

(n) Reserve for Retirement Benefits for Directors and Corporate Auditors

Reserve for retirement benefits for directors and corporate auditors is provided at the amount that would be paid in accordance with the internally established rule at the balance sheet date if they were retired on that date.

(o) Reserve for Reimbursement of Deposits

Reserve for reimbursement of deposits is provided for possible losses on the future claims for withdrawal of the deposits, which was derecognized, at an amount deemed necessary based on the estimates of the Bank.

(p) Reserve for Other Contingent Losses

Reserve for other contingent losses is provided for possible losses on loans under the shared responsibility system with the Credit Guarantee Corporation as well as for possible losses resulting from other contingencies not covered by the other reserves, at an amount deemed necessary based on the estimates of the future possible payments by the Bank.

(q) Reserve under the Special Laws

Reserve under the special laws is a legal reserve for financial instruments exchange, which is provided for possible losses arising from the purchase or sale of securities or other securities-related trading activities by the Bank's consolidated subsidiaries in Japan at an amount estimated pursuant to Article 46, item 5 of the Financial Instruments and Exchange Law as well as Article 175 of the Cabinet Office Ordinance relating to the financial instruments business.

(r) Foreign Currency Translation

Foreign currency-denominated assets and liabilities are translated into Japanese yen primarily at the exchange rate prevailing at the balance sheet date.

(s) Accounting for Leases

Finance lease transactions which were initially engaged by the Bank and its consolidated subsidiaries prior to 1st April, 2008 where there is no transfer of ownership are accounted for by the same method as applicable to ordinary operating lease contracts.

(t) Hedge Accounting

① Hedge accounting for interest rate risk

The effective hedge of interest rate risk of assets and liabilities of the Bank is accounted for by the deferral method in accordance with "Accounting and Auditing Treatment for Application of Accounting Standard for Financial Instruments in Banking Industry" (JICPA Industry Audit Committee Report No.24). The effectiveness of hedge to mitigate market variability is assessed by grouping and identifying hedged loans and hedging derivatives, such as interest rate swaps, into certain time buckets.

② Hedge accounting for foreign exchange rate risk

The Bank applies the deferred method as hedge accounting for foreign exchange risks of various foreign currency-denominated financial assets and liabilities in accordance with "Accounting and Auditing Treatment for Accounting for Foreign Currency Transactions in Banking Industry" (JICPA Industry Audit Committee Report No. 25).

The Bank treats foreign exchange swap transactions as hedging instruments for the purpose of the hedge of foreign currency-denominated financial assets and liabilities, and the Bank tests hedge effectiveness by matching the foreign currency swap position as hedging instruments with the related foreign currency-denominated financial assets and liabilities as hedged items.

③ Internal contract

For internal contracts, the Bank manages the foreign currency swaps that are designated as hedging instruments in accordance with the strict criteria for external transactions stipulated in the JICPA Industry Audit Committee Report No. 25. Therefore, the Bank either recognizes gains or losses that arise from such currency swaps as earnings or defers them, rather than eliminating them.

Special treatments for interest rate swaps are applied to certain assets and liabilities.

(u) Amortization of Goodwill

Goodwill is amortized using the straight-line method over five years.

(v) Cash and Cash Equivalents in the Consolidated Statements of Cash Flows

Cash and Cash Equivalents in the consolidated statements of cash flows are composed of cash and due from central bank.

(w) Valuation of Assets and Liabilities of Consolidated Subsidiaries

All the assets and liabilities of entities acquired are valuated at their fair value at the time of acquisition.

(x) Per Share Information

Net income per share is computed based on the weighted average number of shares of common stock outstanding during each year.

3. Changes in Accounting Policies

(a) Accounting Standard for Asset Retirement Obligations

Effective the year ended 31st March, 2011, the Bank has applied "Accounting Standard for Asset Retirement Obligations" (ASBJ Statement No. 18, issued on 31st March, 2008) and "Guidance on Accounting Standard for Asset Retirement Obligations" (ASBJ Guidance No. 21, issued on 31st March, 2008).

As a result, compared with the corresponding amount calculated using the previous method, income before income taxes and minority interests decreased by ¥685 million ($8,238 thousand).

(b) Accounting Standard for Retirement Benefits

Effective the year ended 31st March, 2010, the Bank has applied "Partial Amendments to Accounting Standard for Retirement Benefits (Part 3)" (ASBJ Statement No. 19, issued on 31st July, 2008). This change has no material effect on the consolidated financial statements for the year ended 31st March, 2010, as the same discount rate has been used as was previously used.

(c) Accounting Standard for Financial Instruments

Effective the year ended 31st March, 2010, the Bank has applied "Accounting Standard for Financial Instruments" (ASBJ Statement No. 10, issued on 10th March, 2008) and "Guidance on Disclosure of Fair Value of Financial Instruments" (ASBJ Guidance No. 19, issued on 10th March, 2008).

As a result, compared with the corresponding amounts calculated using the previous method, commercial paper and other debt purchased decreased by ¥83 million, securities increased by ¥252 million, deferred tax assets decreased by ¥68 million, net unrealized gains on securities available for sale increased by ¥100 million and income before income taxes and minority interests increased by ¥35 million.

4. Changes in Presentation of Consolidated Financial Statements

Consolidated Statements of Income

With the application of "Cabinet Office Ordinance Partially Revising Regulation on Terminology, Forms and Preparation of Financial Statements" (Cabinet Office Ordinance No. 5, issued on 24th March, 2009) based on "Accounting Standard for Consolidated Financial Statements" (ASBJ Statement No. 22, issued on 26th December, 2008), effective the year ended 31st March, 2011, "Income before minority interests" is presented in the consolidated statements of income.

5. Additional Information

Effective the year ended 31st March, 2011, the Bank has applied "Accounting Standard for Presentation of Comprehensive Income" (ASBJ Statement No. 25, issued on 30th June, 2010). However, the amounts presented as "Accumulated other comprehensive income" and "Total accumulated other comprehensive income" for in the consolidated balance sheets as of and the consolidated statements of changes in net assets for the year ended 31st March, 2010 represent those of "Valuation and translation adjustments" and "Total valuation and translation adjustments," respectively.

In accordance with this new standard, the consolidated statement of comprehensive income for the year ended 31st March, 2010 was not presented. The comparative information for the year ended 31st March, 2010 was disclosed in Note 28.

6. Trading Account Assets

Trading account assets at 31st March, 2011 and 2010 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2011	2010	**2011**
Trading securities	**¥1,298**	¥863	**$15,614**
Other trading assets*	**1,998**	—	**24,037**
Total	**¥3,297**	¥863	**$39,652**

* Other trading assets consisted of commercial papers.

7. Securities

Securities at 31st March, 2011 and 2010 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2011	2010	**2011**
Japanese government bonds	**¥606,543**	¥538,613	**$7,294,572**
Japanese municipal bonds	**213,374**	192,372	**2,566,140**
Corporate bonds (including government-guaranteed bonds)*	**453,702**	466,414	**5,456,439**
Stock**	**100,199**	115,004	**1,205,039**
Other securities***	**261,355**	284,735	**3,143,186**
Total	**¥1,635,176**	¥1,597,140	**$19,665,379**

* Corporate bonds included bonds offered through private placement. The Bank's guarantee obligation for such private placement bonds at 31st March, 2011 and 2010 were ¥9,748 million ($117,239 thousand) and ¥13,774 million, respectively.

** Stock included stock of af liates of ¥119 million ($1,441 thousand) and ¥160 million at 31st March, 2011 and 2010, respectively.

*** Other securities included investments in non-consolidated subsidiaries of ¥319 million ($3,841 thousand) and ¥498 million at 31st March, 2011 and 2010, respectively.

8. Loans and Bills Discounted

Loans and bills discounted at 31st March, 2011 and 2010 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2011	2010	**2011**
Bills discounted*	**¥35,393**	¥41,979	**$425,657**
Loans on notes	**186,429**	209,085	**2,242,083**
Loans on deed	**4,520,454**	4,395,723	**54,365,055**
Overdraft	**486,807**	500,716	**5,854,569**
Total	**¥5,229,084**	¥5,147,505	**$62,887,366**

* Bills discounted are recorded as cash lending / borrowing transactions in accordance with "Accounting and Auditing Treatments for Application of Accounting Standard for Financial Instruments in Banking Industry" (JICPA Industry Audit Committee Report No. 24). The Bank has a right to sell or collateralize such bills at its discretion. Total face value of commercial bills and bills of exchange acquired through discounting amounted to ¥35,505 million ($427,000 thousand) and ¥42,190 million at 31st March, 2011 and 2010, respectively.

Non-performing loans included in the loans at 31st March, 2011 and 2010 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2011	2010	**2011**
Loans to legally bankrupt entities**	**¥6,531**	¥11,615	**$78,554**
Delinquent loans***	**139,302**	154,837	**1,675,321**
Loans past due for three months or more****	**262**	109	**3,162**
Loans with altered lending conditions*****	**10,448**	28,819	**125,655**
Total	**¥156,545**	¥195,381	**$1,882,693**

** Loans to legally bankrupt entities are loans on which interest is placed on a non-accrual status ("non-accrual loans"), excluding loans written off, as principal or interest has not been paid for a substantial period or for other reasons and there are no prospects for recovery or repayment of principal or interest, and to which certain circumstances apply as stated in the Implementation Ordinances for the Corporation Tax Law.

*** Delinquent loans are non-accrual loans other than (i) loans to legally bankrupt entities and (ii) loans for which interest payments have been rescheduled in order to assist the restructuring of these borrowers.

**** Loans past due for three months or more are loans for which principal or interest has not been paid for a period of three months or more from the next business day of the last due date, and that are not included in loans to legally bankrupt entities or delinquent loans.

***** Loans with altered lending conditions are loans restructured to provide relief to borrowers, such as reducing interest rates, rescheduling interest and principal payment, or waiving the claims, in order to assist the restructuring of these borrowers. Such loans exclude loans to legally bankrupt entities, delinquent loans, and loans past due for three months or more.

9. Assets Pledged as Collateral

Assets pledged as collateral by the Bank and its consolidated subsidiaries at 31st March, 2011 and 2010 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2011	2010	**2011**
Assets pledged as collateral			
Cash and due from banks	**¥67**	¥48	**$816**
Commercial paper and other debt purchased	**1,377**	1,839	**16,567**
Securities	**368,418**	328,230	**4,430,767**
Liabilities secured by the above assets			
Deposits	**¥18,282**	¥19,676	**$219,869**
Call money and bills sold	**69,600**	50,100	**837,041**
Guarantee deposits received under securities lending transactions	**44,459**	29,554	**534,689**
Borrowed money	**23,197**	52,996	**278,987**

Other than the items shown above, cash and due from banks of ¥2 million ($24 thousand) and securities of ¥213,373 million ($2,566,123 thousand) were pledged as collateral for foreign exchange transactions and/or as substitutes for initial margin on futures at 31st March, 2011. Cash and due from banks of ¥2 million and securities of ¥176,082 million were pledged for the same purpose at 31st March, 2010.
Other assets included deposits of ¥3,512 million ($42,246 thousand) and ¥3,683 million at 31st March, 2011 and 2010, respectively.

10. Contracts for Commitment Lines of Credit

Contracts for commitment lines of credit related to overdraft agreements and loan credit facilities represent a promise on a lending bank at a speci ed credit limit, to a customer upon request for funds, unless there is a violation of the contractual conditions. At 31st March, 2011, the aggregate amount under commitment contracts not yet drawn down was ¥1,760,706 million ($21,175,068 thousand). Of this amount, those with original maturity of less than one year or cancellable at any time without penalty amounted to ¥1,744,582 million ($20,981,154 thousand).

As many of these contracts expire without the right to extend the loans being exercised, the aggregate total of the undrawn amount does not necessarily affect the future cash ows of the Bank and its consolidated subsidiaries. Many of these contracts have stipulations that allow the Bank and its consolidated subsidiaries to turn down a loan request or reduce the amount of the credit line if there is a change in nancial conditions, a need to secure their credit, or other similar reasons. In addition to obtaining necessary collateral (real estate, securities, etc.) at the time the contract is entered into, the Bank and its consolidated subsidiaries assess the condition of the customer's business operations, and analyze other information, based on internal procedures and standards. If necessary, the contract is reviewed and revised, or additional steps are taken to secure the credit extended to the customer.

11. Foreign Exchange

Foreign exchange assets and liabilities at 31st March, 2011 and 2010 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2011	2010	**2011**
Assets:			
Foreign exchange bills bought	**¥111**	¥211	**$1,342**
Foreign exchange bills receivable	**387**	442	**4,657**
Due from foreign banks	**9,942**	2,319	**119,571**
Total	**¥10,441**	¥2,972	**$125,571**
Liabilities:			
Foreign exchange bills sold	**¥7**	¥5	**$95**
Foreign exchange bills payable	**93**	235	**1,127**
Total	**¥101**	¥241	**$1,222**

12. Other Assets

Other assets at 31st March, 2011 and 2010 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2011	2010	**2011**
Domestic exchange settlement account*	**¥1,017**	¥944	**$12,235**
Accrued income	**9,103**	8,539	**109,483**
Prepaid expenses	**66**	75	**805**
Financial derivative products	**10,566**	8,494	**127,082**
Other	**28,956**	25,320	**348,242**
Total	**¥49,711**	¥43,375	**$597,848**

* Domestic exchange settlement account represents unsettled debit balances arising from inter-bank domestic exchange transfers.

13. Tangible Fixed Assets

Tangible xed assets at 31st March, 2011 and 2010 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2011	2010	**2011**
Land	**¥82,571**	¥83,934	**$993,045**
Buildings	**72,461**	72,376	**871,453**
Construction in progress	**151**	82	**1,822**
Leased assets	**677**	564	**8,152**
Other tangible xed assets	**37,233**	34,594	**447,786**
	193,096	191,553	**2,322,261**
Less accumulated depreciation	**(72,159)**	(69,863)	**(867,825)**
Total	**¥120,936**	¥121,689	**$1,454,435**

Note: The accelerated depreciation entry for tangible xed assets amounted to ¥8,363 million ($100,578 thousand) and ¥8,323 million at 31st March, 2011 and 2010, respectively.

14. Deposits

Deposits at 31st March, 2011 and 2010 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2011	2010	**2011**
Current deposits	**¥248,255**	¥240,265	**$2,985,634**
Ordinary deposits	**2,908,622**	2,746,195	**34,980,432**
Deposits at notice	**13,766**	20,906	**165,558**
Time deposits	**3,112,149**	3,145,586	**37,428,141**
Negotiable certi cates of deposit	**141,495**	148,787	**1,701,694**
Other deposits	**168,611**	167,900	**2,027,800**
Total	**¥6,592,902**	¥6,469,642	**$79,289,261**

15. Bonds

Bonds at 31st March, 2011 and 2010 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2011	2010	**2011**
Bonds:			
3.20% Japanese yen subordinated bonds due 2014	**¥15,000**	¥15,000	**$180,396**
2.78% Japanese yen subordinated bonds due 2015	**14,500**	14,500	**174,383**
1.78% Japanese yen callable subordinated bonds due 2015	**—**	12,500	**—**
1.71% Japanese yen callable subordinated bonds due 2015	**—**	10,000	**—**
2.10% Japanese yen callable subordinated bonds due 2017	**15,000**	15,000	**180,396**
2.70% Japanese yen subordinated bonds due 2017	**10,000**	10,000	**120,264**
1.70% Japanese yen callable subordinated bonds due 2020	**15,000**	15,000	**180,396**
1.55% Japanese yen callable subordinated bonds due 2021	**8,800**	—	**105,832**
6 month Yen LIBOR + 1.95% Euro yen undated subordinated bonds with subordinated guarantee, issued by Nishi-Nippon Finance (Cayman) Ltd.	**—**	11,500	**—**
Total	**¥78,300**	¥103,500	**$941,671**

16. Borrowed Money

Borrowed money included subordinated borrowings of ¥16,000 million ($192,423 thousand) and ¥16,000 million at 31st March, 2011 and 2010, respectively.

The weighted average interest rates on borrowed money at 31st March, 2011 and 2010 are 1.30 % and 0.90 %, respectively.

The aggregate annual maturity amounts within ve years of borrowed money after 31st March, 2011 are as follows:

	Millions of yen	Thousands of U.S. dollars
Year ending 31st March		
2012	¥28,065	$337,531
2013	760	9,144
2014	568	6,840
2015	296	3,569
2016	164	1,973

17. Other Liabilities

Other liabilities at 31st March, 2011 and 2010 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2011	2010	**2011**
Domestic exchange settlement account	**¥1,452**	¥1,313	**$17,474**
Accrued income taxes	**887**	499	**10,675**
Accrued expenses	**14,586**	16,458	**175,418**
Unearned income	**3,718**	4,285	**44,714**
Due to trust accounts	**7**	15	**87**
Financial derivative products	**10,083**	8,543	**121,273**
Lease obligations	**489**	496	**5,888**
Asset retirement obligations	**865**	—	**10,402**
Others	**23,304**	23,417	**280,274**
Total	**¥55,395**	¥55,029	**$666,211**

18. Capital Stock

Capital stock during the year ended 31st March, 2011 consisted of the following:

	Common stock		Preferred stock*		Capital stock	
	Authorized shares	Issued shares	Authorized shares	Issued shares	Millions of yen	Thousands of U.S. dollars
31st March, 2010	1,500,000,000	796,732,552	300,000,000	35,000,000	¥85,745	$1,031,215
Increase	—	—	—	—	—	—
Decrease	—	—	—	35,000,000	—	—
31st March, 2011	1,500,000,000	796,732,552	300,000,000	—	¥85,745	$1,031,215

* Preferred stock

A holder of preferred stock, wholly held by The Resolution and Collection Corporation, is entitled to receive cash dividends of ¥12 per year in priority to holders of common stock. The holder has no voting rights as far as the dividends are paid. The holder is entitled to convert its preferred stock to common stock at the market price prevailing on 31st January, 2007, during the period from that date to 31st January, 2012.

A decrease in issued shares for the year ended 31st March, 2011 was caused by retirement of treasury stock based on the resolution of the boad of directors in accordance with the Corporation Law.

Capital stock during the year ended 31st March, 2010 consisted of the following:

	Common stock		Preferred stock		Capital stock
	Authorized shares	Issued shares	Authorized shares	Issued shares	Millions of yen
31st March, 2009	1,500,000,000	796,732,552	300,000,000	35,000,000	¥85,745
Increase	—	—	—	—	—
Decrease	—	—	—	—	—
31st March, 2010	1,500,000,000	796,732,552	300,000,000	35,000,000	¥85,745

19. Treasury Stock

Treasury stock at 31st March, 2011 consisted of the following:

	Number of shares of		Treasury stock	
	Common stock*	Preferred stock**	Millions of yen	Thousands of U.S. dollars
31st March, 2010	1,517,404	—	(¥643)	($7,733)
Increase	106,718	35,000,000	(35,147)	(422,701)
Decrease	21,040	35,000,000	35,129	422,485
31st March, 2011	1,603,082	—	(¥661)	($7,949)

* Common stock

An increase for the year ended 31st March, 2011 was caused by purchase of fractional shares, and a decrease was caused by sale of fractional shares.

** Preferred stock

An increase for the year ended 31st March, 2011 was caused by acquisition of treasury stock based on the resolution at the general shareholders' meeting held on 29th June, 2010, and a decrease was caused by retirement of treasury stock based on the resolution of the board of directors in accordance with Corporation Law.

Treasury stock at 31st March, 2010 consisted of the following:

	Number of shares of		Treasury stock
	Common stock**	Preferred stock	Millions of yen
31st March, 2009	1,357,538	—	(¥615)
Increase	209,497	—	(49)
Decrease	49,631	—	21
31st March, 2010	1,517,404	—	(¥643)

** Common stock

An increase for the year ended 31st March, 2010 was caused by purchase of fractional shares and purchase of shares from dissenting shareholders in accordance with the Corporation Law, and a decrease was caused by sale of fractional shares.

20. Revaluation of Premises Account

Based on the Law Concerning Land Revaluation (Law No. 34, promulgated on 31st March, 1998), the Bank has revalued its land used for business purposes. The deferred taxes on revaluation differences are presented in the account, "Deferred tax liabilities on revaluation of premises" in the liabilities of the consolidated balance sheet. The amount of revaluation differences, net of tax, is presented as "Revaluation of premises, net of taxes" in net assets.

At 31st March, 2011, the excess of the aggregate market value of land for business use revalued in accordance with Article 10 of the Law Concerning Land Revaluation over the book value after revaluation is ¥35,206 million ($423,405 thousand).

21. Other Interest Income

Other interest income for the years ended 31st March, 2011 and 2010 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2011	2010	**2011**
Interest on call loans and bills bought	**¥116**	¥67	**$1,402**
Interest on deposits with banks	**70**	85	**845**
Others	**557**	716	**6,701**
Total	**¥744**	¥869	**$8,949**

22. Other Operating Income

Other operating income for the years ended 31st March, 2011 and 2010 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2011	2010	**2011**
Gains on foeign exchange transactions	**¥768**	¥863	**$9,237**
Gains on sale of bonds	**2,903**	3,200	**34,914**
Gains on redemption of bonds	**—**	1	**—**
Trust fees	**6**	8	**83**
Income from derivatives other than trading derivatives	**252**	447	**3,032**
Others	**682**	383	**8,211**
Total	**¥4,613**	¥4,904	**$55,480**

23. Other Income

Other income for the years ended 31st March, 2011 and 2010 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2011	2010	**2011**
Gains on sale of stock and other securities	**¥1,634**	¥1,624	**$19,652**
Gains on money held in trust	**2**	10	**25**
Gains on disposition of xed assets	**86**	29	**1,040**
Reversal of reserve for possible loan losses	**6,209**	—	**74,680**
Recoveries of written-off claims	**1,410**	1,935	**16,962**
Rental income on land and buildings	**394**	382	**4,744**
Others	**1,274**	2,747	**15,332**
Total	**¥11,012**	¥6,729	**$132,438**

24. Other Interest Expenses

Other interest expenses for the years ended 31st March, 2011 and 2010 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2011	2010	**2011**
Bonds	**¥2,087**	¥2,227	**$25,103**
Securities lending transactions	**123**	95	**1,487**
Others	**118**	100	**1,427**
Total	**¥2,329**	¥2,423	**$28,018**

25. Other Operating Expenses

Other operating expenses for the years ended 31st March, 2011 and 2010 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2011	2010	**2011**
Losses on sale of bonds	**¥1,932**	¥2,131	**$23,236**
Losses on redemption of bonds	**2,424**	1,136	**29,160**
Losses on devaluation of bonds	**15**	—	**184**
Others	**87**	0	**1,047**
Total	**¥4,459**	¥3,268	**$53,628**

26. General and Administrative Expenses

General and administrative expenses for the years ended 31st March, 2011 and 2010 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2011	2010	**2011**
Salaries and allowances	**¥35,604**	¥35,006	**$428,193**
Employee retirement bene ts	**4,504**	4,345	**54,172**
Retirement bene ts for directors and corporate auditors	**157**	169	**1,888**
Bonuses to directors and corporate auditors	**49**	—	**589**
Depreciation	**5,112**	5,110	**61,490**
Rental expenses	**4,873**	4,788	**58,607**
Amortization of goodwill	**130**	9	**1,565**
Taxes	**4,598**	4,672	**55,306**
Others	**32,831**	30,733	**394,842**
Total	**¥87,861**	¥84,835	**$1,056,657**

27. Other Expenses

Other expenses for the years ended 31st March, 2011 and 2010 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2011	2010	**2011**
Provision for possible loan losses	**¥ —**	¥1,681	**$ —**
Losses on write-offs of claims	**10,544**	9,077	**126,809**
Losses on sale of stock and other securities	**2,084**	1,775	**25,065**
Losses on devaluation of stock and other securities	**2,477**	3,385	**29,792**
Equity in losses of af liates	**40**	103	**481**
Losses on money held in trust	**57**	—	**689**
Losses on disposition of tangible xed assets	**379**	682	**4,565**
Impairment losses	**1,125**	387	**13,530**
Losses on sale of loans	**2,859**	452	**34,391**
Losses on devaluation of liquidated loans	**1,688**	—	**20,301**
Effect of adoption of accounting standard for asset retirement obligations	**686**	—	**8,259**
Others	**2,511**	2,222	**30,207**
Total	**¥24,453**	¥19,770	**$294,094**

28. Comprehensive Income

Comprehensive income for the year ended 31st March, 2010 is as follows:

	Millions of yen
	2010
Net unrealized losses on securities available for sale	¥27,851
Net deferred gains on hedging instruments	0
Translation adjustments	(0)
Share of other comprehensive income of af liates accounted for by the equity method	0
Other comprehensive income	¥27,852
Comprehensive income attributable to shareholders of the parent	¥48,933
Comprehensive income attributable to minority interests	2,363
Comprehensive income	¥51,297

29. Lease Transactions

(1)Finance leases

Finance lease transactions entered into prior to 1st April, 2008 where ownership of leased assets is not transferred are accounted for as operating leases. Information on such   nance lease transactions at 31st March, 2011 and 2010 are summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2011	2010	**2011**
Amounts equivalent to acquisition cost			
Tangible xed assets	**¥6,847**	¥7,411	**$82,356**
Intangible xed assets	**26**	26	**318**
Total	**¥6,874**	¥7,437	**$82,674**
Amounts equivalent to accumulated depreciation			
Tangible xed assets	**¥4,968**	¥5,011	**$59,753**
Intangible xed assets	**25**	20	**307**
Total	**¥4,994**	¥5,031	**$60,061**
Amounts equivalent to carrying value			
Tangible xed assets	**¥1,879**	¥2,399	**$22,602**
Intangible xed assets	**0**	6	**10**
Total	**¥1,880**	¥2,405	**$22,613**

Note: The amount equivalent to acquisition cost includes an interest element in the determination of the total future   nance lease payments as the total future   nance lease payments are not signi cant to the balance of tangible   xed assets at the end of the year.

Future lease payments of   nance leases which are accounted for operating leases at 31st March, 2011 and 2010 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2011	2010	**2011**
Future nance lease payments			
Due within one year	**¥450**	¥521	**$5,420**
Due after one year	**1,429**	1,883	**17,192**
Total	**¥1,880**	¥2,405	**$22,613**

Note: The amount of the future   nance lease payments at the end of the year includes an interest element as the total future   nance lease payments are not signi cant to the balance of tangible   xed assets at the end of the year.

Total lease payments during the year and the amount equivalent to depreciation expenses were ¥522 million ($6,285 thousand) for the year ended 31st March, 2011 and ¥569 million for the year ended 31st March, 2010.

The amount equivalent to depreciation expenses was calculated using the straight-line method with no residual value over the lease term.

(2)Operating leases

Future lease payments required under operating leases that are non-cancelable at 31st March, 2011 and 2010 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2011	2010	**2011**
Future operating lease payments			
Due within one year	**¥341**	¥324	**$4,106**
Due after one year	**549**	720	**6,602**
Total	**¥890**	¥1,044	**$10,709**

30. Financial Instruments

(1) Matters related to status of financial instruments

1. Policies for financial instruments

The Nishi-Nippon City Bank Group (the "Group") is engaged in the financial service business, with a primary focus on banking businesses such as deposits, loans, securities, and domestic and foreign currency exchange businesses. The Group manages and raises funds, taking into account market conditions and balancing duration. To conduct these businesses, the Bank comprehends the risks arising from all of its assets and liabilities, including off-balance-sheet transactions, through the proper controls over these risks, and builds reasonable and effective portfolios. Thus the Bank operates a comprehensive asset and liabilitiy management (ALM) system with the aim of maximizing and stabilizing its profits.

In addition, some of the Bank's consolidated subsidiaries are engaged in banking, credit card, credit guarantee services, credit management, restructuring support services, claims servicing businesses and financial instruments and exchange services.

2. Types of financial instruments and related risks

Loans, which comprise 70% of the Group's total assets, are primarily made to domestic corporations and individuals and are exposed to credit risks resulting from contractual default. Should the creditworthiness of major borrowers deteriorate, the value of collateral sharply decline, or other unanticipated problems arise, it could cause an increase in the cost of credit such as an unexpected write-off or rise in reserve for possible loan losses. Moreover, considering the relative weight of the invested assets, the impact of any such problems could be substantial and could have a negative effect on the financial position and performance of the Group.

Securities are mainly stocks, debt securities, and investment trusts and are exposed to the credit risk of each issuer and the risk of interest rate fluctuation. Stocks that are marketable are exposed to price volatility risks that a decline in their market prices cause impairment losses and valuation losses on the stocks. Debt securities are also subject to price volatility risks that an increase in the market interest rates following economic recovery may cause valuation losses on the securities.

Borrowed money and bonds are exposed to liquidity risks that, if some problems arise in cash management due to deterioration in financial positions at the Group, the Group is forced to raise funds at higher interest rates than usual, market transactions are suspended as a result of market turmoil, or it is forced to make transactions at a drastically unfavorable price than usual, it could impact future operations of the Group.

Derivative transactions include interest rate swaps, forward exchange transactions, currency swaps, and currency options. These derivatives are utilized primarily as hedging instruments to manage and mitigate the market risks of on-balance-sheet assets and liabilities. In addition, some of the derivative transactions in trading operations are used for the purpose of making profits through short-term fluctuations in the market rates, arbitrage transactions and others. Hedge transactions consist mainly of interest rate swaps as a hedge against interest rate fluctuation risks arising from loans with fixed interest rates and callable time deposits, and forward exchange transactions and currency options as a hedge against exchange rate fluctuation risks arising from foreign currency-denominated assets and liabilities. The Bank assesses the hedge effectiveness based on the difference between accumulated changes in cash flows of hedged items and hedging instruments. However, no evaluation is performed for the hedge effectiveness of qualifying interest rate swaps accounted for by the special treatment under the Accounting Standard for Financial Instruments, as it is reviewed that such derivatives continually meet the criteria for special treatment. Risks related to these derivatives transactions include the market risk of a potential loss in the fair value of financial instruments or portfolios resulting from fluctuations in interest rates, foreign exchange rates, stock prices and other factors as well as the credit risk of a potential loss in the value of a transaction due to default by counterparties to the contracts.

3. Risk management system for   nancial instruments

① Credit risk management

Recognizing the credit risk as our highest priority, the Group is workikg on strengthening controls over the credit risk in accordance with the Group's credit risk management policy and credit policy.

The Group applies its strict standards to the screening of individual credit extention, and credits that exeed certain thresholds are reviewed further by specialized staff in its Credit Supervision Division. In this way, the Group is working to maintain the soundness of its assets.

Regarding its loan portfolios, the Group tries to diversify risks to ensure that there is no concentration on any particular industrial sectors or customers, through its systems of credit risk quanti cation and portfolio management by sector based on the credit rating system.

In addition, each related division carries out self-assessment of its assets for calculating the appropriate level of write-offs and provisions. The asset audit of ce in the Internal Audit Division of the Bank constantly monitors the status of the self-assessment procedures and adequacy of the write-offs and provisions.

② Market risk management

The Group clearly separates the department responsible for conducting market transactions (front of ce) from the department responsible for business administration (back of ce). Furthermore, the Corporate Risk Management & Compliance Division of the Bank, which is independent from the market divisions, has been put in charge of risk management (middle of ce) to monitor conditions of the market transactions and their compliance with the market risk-related regulations. The Group thus has a system of mutual controls among of ces.

In addition, the Group is working to achieve stable pro ts by improving its management methods through a variety of techniques for measuring risks such as VaR (Value at Risk) and BPV(Basis Point Value) methods, and by establishing a maximum acceptable level for market risks and controlling the risks within the certain acceptable range.

(Quantitative information on market risks)

As of 31st March, 2011, the measured quantity of market risks of the Group as a whole was ¥37,058 million ($445,683 thousand).

The Bank's   nancial instruments which are subject to the measurement include loans, deposits, securities and derivatives. The Bank measures market risks using historical VaR method with an observation period of   ve years, a con dence interval of 99% and a holding period of 6 months. As of 31st March, 2011, the quantity of market risks of the Bank was ¥35,379 million ($425,491 thousand).

The Bank performs backtesting, which compares VaR calculated by the model with actual performance (gain or loss). Based on the results of the testing, we believe that the risk measurement model which we use captures market risks with suf cient accuracy. However, since VaR measures market risks at a certain probability which is statistically calculated, it is not always possible for the model to capture market risks in situations where market conditions change drastically.

③ Liquidity risk management

The Group recognizes the liquidity risk as one of the most signi cant risks, because there are concerns over potential business failures and systemic risks when the liquidity risk rises. The Group provides against the liquidity risks by ensuring an adequate reserve for outstanding claims and developing a contingency plan that assumes various scenarios.

As for the day-to-day cash management of the Bank, a system of mutual controls among divisions has been put into place. As a part of this system, the Treasury & Securities Transaction Division and Treasury & Portfolio Investment Division, which are responsible for the Bank's day-to-day cash management, raise and manage marketable funds, while the Corporate Risk Management & Compliance Division, which is responsible for managing the liquidity risk, monitors the Bank's cash position. In this way, the Bank maintains a   uid and stable cash position.

④ Risk management for derivative transactions

The Bank's derivative transactions are entered into using operational rules prepared in accordance with the Bank's internal regulations. The rules stipulate the scope of derivative usage, authorization, responsibility, procedure, credit line, loss-cut rule, and reporting system. Each business line is responsible for each relevant risk management and for reporting to management, including the ALM Committee, on a monthly basis.

4. Supplementary explanation of the estimated fair value of   nancial instruments

The fair value of   nancial instruments includes the value based on the market price as well as a reasonably estimated value in case there is no market price. Because various assumptions are used in the estimation of the fair value, the fair value may vary when different assumptions are used.

(2) Estimated fair value of nancial instruments

<At 31st March, 2011>

Carrying value of nancial instruments in the consolidated balance sheet at 31st March, 2011 and their fair values and valuation differences are as follows. Non-listed stocks and others whose fair value is extremely dif cult to be estimated are excluded from the table below (refer to Note 2).

	Millions of yen		
	Carrying value	Fair value	Valuation differences
Assets:			
(1) Cash and due from banks	**¥224,843**	**¥224,843**	**¥ —**
(2) Securities:			
Held-to-maturity securities	**77,034**	**79,570**	**2,535**
Available-for-sale securities	**1,538,303**	**1,538,303**	**—**
(3) Loans and bills discounted	**5,229,084**		
Reserve for possible loan losses*	**(39,780)**		
	5,189,304	**5,291,832**	**102,528**
Total assets	**¥7,029,485**	**¥7,134,548**	**¥105,063**
Liabilities:			
(1) Deposits	**¥6,592,902**	**¥6,595,546**	**¥2,644**
(2) Call money and bills sold	**134,379**	**134,379**	**—**
(3) Borrowed money	**45,970**	**46,815**	**845**
(4) Bonds	**78,300**	**80,885**	**2,585**
Total liabilities	**¥6,851,552**	**¥6,857,627**	**¥6,075**
Derivatives**			
Hedge accounting not applied	**¥629**	**¥629**	**¥ —**
Hedge accounting applied	**(146)**	**(146)**	**—**
Total derivatives	**¥483**	**¥483**	**¥ —**

	Thousands of U.S. dollars		
	Carrying value	Fair value	Valuation differences
Assets:			
(1) Cash and due from banks	**$2,704,066**	**$2,704,066**	**$ —**
(2) Securities:			
Held-to-maturity securities	**926,457**	**956,945**	**30,487**
Available-for-sale securities	**18,500,342**	**18,500,342**	**—**
(3) Loans and bills discounted	**62,887,366**		
Reserve for possible loan losses*	**(478,417)**		
	62,408,949	**63,641,998**	**1,233,049**
Total assets	**$84,539,815**	**$85,803,353**	**$1,263,537**
Liabilities:			
(1) Deposits	**$79,289,261**	**$79,321,067**	**$31,805**
(2) Call money and bills sold	**1,616,111**	**1,616,111**	**—**
(3) Borrowed money	**552,864**	**563,027**	**10,162**
(4) Bonds	**941,671**	**972,766**	**31,095**
Total liabilities	**$82,399,909**	**$82,472,972**	**$73,063**
Derivatives**			
Hedge accounting not applied	**$7,568**	**$7,568**	**$ —**
Hedge accounting applied	**(1,759)**	**(1,759)**	**—**
Total derivatives	**$5,809**	**$5,809**	**$ —**

* The general reserve for possible loan losses and the speci c reserve for possible loan losses, which cprrespond to loans and bills discounted, have been deducted.

** Derivative transactions recorded in Other assets and Other liabilities are presented in total. The value of assets and liabilities arising from derivative transactions is shown at net value. The amount in parentheses represents net liability position.

(Note 1) Methods for estimating the market value of financial instruments

Assets:

(1) Cash and due from banks

Because the fair value of due from banks that does not have stated maturity approximates its carrying value, the carrying value is treated as the fair value. The fair value of due from banks that has stated maturity is based on the present value of the totals by maturity bucket discounted by the interest rate that would be applied if similar deposits were placed. As the fair value of due from banks with a short-term original contractual maturity (one year or less) approximates its carrying value, its carrying value is treated as the fair value.

(2) Securities

The fair value of stocks is based on their market price on the stock exchange, while the fair value of debt securities is based on the Reference Prices (Yields) for OTC Bond Transactions published by the Japan Securities Dealers Association, the price quoted by the correspondent financial institutions or the value reasonably calculated by the banks. The fair value of investment trusts is based on the announced reference price or the price quoted by the correspondent financial institutions. The fair value of foreign securities is based on the price quoted by the correspondent financial institutions or the financial information vendors.

The fair value of private placement bonds with the Bank's own guarantee is based on the present value of future cash flows discounted by the market interest rate adjusted for credit risk.

Floating-rate Japanese government bonds ("JGB") are valued and stated at the amounts the Bank estimated reasonably as of 31st March, 2011 since the current market prices of such bonds are not deemed reasonable fair value considering various current market factors. The effect of this was to increase securities and net unrealized gains on securities available for sale by ¥5,626 million ($67,672 thousand) and ¥3,376 million ($40,608 thousand), respectively, and to decrease deferred tax assets by ¥2,250 million ($27,063 thousand), compared with the corresponding amounts if the fair value of the bonds were stated at the market price.

The reasonably estimated fair value of floating-rate JGBs is based on future cash flows derived from JGB yield and volatilities of the underlying assets of 10-year interest rate swaptions, discounted by the respective JGB yield.

Notes concerning securities by each carrying purpose are presented in "31. Securities" of "Notes to Consolidated Finance Statements."

(3) Loans and bills discount

Because loans and bills discounted with floating interest rates reflect market interest rates in a short period of time, the fair value of such loans approximates their carrying value as long as the credit standing of the borrower has not changed significantly since origination. Thus, the carrying value of such loans is treated as the fair value. The fair value of loans and bills discounted with fixed interest rates is based on the present value of the total amount of principal and interest categorized by the type of loans, internal rating and term, discounted by the market interest rate adjusted for credit risk. Because the fair value of loans with a short-term contractual maturity (one year or less) approximates their carrying value, the carrying value is treated as the fair value.

Regarding loans to borrowers under bankruptcy proceedings, borrowers substantially in bankruptcy and customers with high probability of becoming insolvent, since the fair value of such loans approximates their carrying value after deducting the reserve for possible loan losses, which is calculated based on the present value of estimated future cash flows or the estimated amounts collectible from the sale of collateral and guarantees, the carrying value is treated as the fair value.

With respect to loans and bills discounted that have no due date because of special attributes such as limiting the borrowings to the amounts secured by collateral, because it is assumed that the fair value approximates the carrying value from the estimated repayment period and interest rate conditions, the carrying value is treated as the fair value.

Liabilities:

(1) Deposits

For demand deposits, the amount which would be paid if its repayment were demanded on the consolidated balance sheet date (carrying value) is deemed to be the fair value. The fair value of time deposits is based on the discounted present value of the future cash ows categorized by term. The discount rate is the interest rate that would be applied when new deposits were taken. Because the fair value of those with a short-term original contractual maturity (one year or less) approximates their carrying value, the carrying value is treated as the fair value.

(2) Call money and bills sold

Since call money and bills sold have short-term original contractual maturity (one year or less) and their fair value approximates the carrying value, the carrying value is treated as the fair value.

(3) Borrowed money

Because borrowed money with oating interest rates re ects market interest rates in a short period of time and the credit standing of the Bank and its consolidated subsidiaries has not changed signi cantly since the borrowing, the fair value of such borrowed money is deemed to approximate the carrying value. Therefore, the carrying value is treated as the fair value. The fair value of borrowed money with xed interest rates is based on the present value of the total amount of principal and interest of the borrowed money categorized by term, discounted by the market interest rate adjusted for credit risk. Because the fair value of borrowed money with a short-term original contractual maturity (one year or less) approximates its carrying value, the carrying value is treated as the fair value.

(4) Bonds

The fair value of bonds is based on the Reference Pricce (Yields) for OTC Bond Transactions published by the Japan Securities Dealers Association or the price quoted by the securities company. Since bonds with oating interest rates re ect market interest rates in a short period of time and the credit standing of the issuers has not changed signi cantly since the issuance, the fair value of such bonds is deemed to approximate their carrying value. Thus, the carrying value is treated as the fair value.

Derivative transactions:

Derivative transactions are presented in "33. Derivatives" of "Notes to Consolidated Finance Statements."

(Note 2) Financial instruments whose fair value is extremely dif cult to be estimated are as stated below. They are not included in "Assets: (2) Available-for-sale securities" presented in "Estimated fair value of nancial instruments."

	Millions of yen		Thousands of U.S. dollars
	2011	2010	**2011**
Non-listed stocks	**¥17,010**	¥17,316	**$204,570**
Investments in partnerships	**2,827**	2,764	**34,008**
Total	**¥19,837**	¥20,080	**$238,579**

Notes:
1. Because non-listed stocks have no market price and because it is extremely dif cult to estimate their fair value, they are not subject to the fair value disclosure.
2. In the year ended 31st March, 2011and 2010, impairment losses of ¥44 million ($529 thousand) and ¥99 million were recorded for non-listed stocks, respectively.
3. Of investments in partnerships whose fair value is extremely dif cult to be estimated because the partnership's assets are non-listed stocks, etc. are not subject to the fair value disclosure.

(Note 3) Repayment schedule for monetary claims and securities with maturity at 31st March, 2011

	Millions of yen					
	Due in 1 year or less	Due from 1 year to 3 years	Due from 3 years to 5 years	Due from 5 years to 7 years	Due from 7 years to 10 years	Due after 10 years
Due from banks	¥113,125	¥ —	¥ —	¥ —	¥ —	¥ —
Securities:						
Held-to-maturity securities	3,080	300	7,200	14,927	37,099	16,000
Government bonds	—	—	—	—	25,000	16,000
Municipal bonds	3,080	—	5,000	6,089	5,290	—
Corporate bonds	—	—	2,000	5,838	6,809	—
Others	—	300	200	3,000	—	—
Securities available for sale with maturity	133,638	316,352	439,002	321,113	152,662	25,000
Government bonds	20,000	97,690	115,094	180,800	109,700	25,000
Municipal bonds	18,814	61,087	99,860	7,000	3,550	—
Corporate bonds	75,904	101,343	144,043	87,339	22,214	—
Others	18,919	56,232	80,003	45,974	17,197	—
Loans and bills discounted	1,122,634	862,609	822,837	508,609	569,942	1,090,610
Total	¥1,372,478	¥1,179,261	¥1,269,039	¥844,650	¥759,703	¥1,131,610

	Millions of U.S. dollars					
	Due in 1 year or less	Due from 1 year to 3 years	Due from 3 years to 5 years	Due from 5 years to 7 years	Due from 7 years to 10 years	Due after 10 years
Due from banks	$1,360,503	$ —	$ —	$ —	$ —	$ —
Securities:						
Held-to-maturity securities	37,041	3,607	86,590	179,518	446,169	192,423
Government bonds	—	—	—	—	300,661	192,423
Municipal bonds	37,041	—	60,132	73,229	63,619	—
Corporate bonds	—	—	24,052	70,210	81,888	—
Others	—	3,607	2,405	36,079	—	—
Securities available for sale with maturity	1,607,198	3,804,603	5,279,643	3,861,863	1,835,991	300,661
Government bonds	240,529	1,174,864	1,384,179	2,174,383	1,319,302	300,661
Municipal bonds	226,266	734,662	1,200,964	84,185	42,693	—
Corporate bonds	912,862	1,218,797	1,732,336	1,050,381	267,164	—
Others	227,540	676,278	962,163	552,913	206,830	—
Loans and bills discounted	13,501,317	10,374,133	9,895,821	6,116,776	6,854,386	13,116,185
Total	$16,506,060	$14,182,344	$15,262,055	$10,158,158	$9,136,547	$13,609,271

Note: Excluded from Loans and bills discounted are ¥144,636 million ($1,739,463 thousand) relating to those whose repayment is not reasonably estimable because the debtors are borrowers under bankruptcy proceedings, borrowers substantially in bankruptcy, or customers with high probability of becoming insolvent and ¥107,203 million ($1,289,281 thousand) relating to those that do not have contractual maturity.

(Note 4) Repayment schedule for bonds, borrowed money and other interest-bearing debts at 31st March, 2011

	Millions of yen					
	Due in 1 year or less	Due from 1 year to 3 years	Due from 3 years to 5 years	Due from 5 years to 7 years	Due from 7 years to 10 years	Due after 10 years
Deposits	¥5,830,677	¥690,728	¥62,554	¥4,778	¥4,163	¥ —
Call money and bills sold	134,379	—	—	—	—	—
Borrowed money	28,065	1,329	460	3,073	13,041	—
Bonds	—	—	29,500	25,000	15,000	8,800
Total	¥5,993,122	¥692,057	¥92,515	¥32,852	¥32,204	¥8,800

	Millions of U.S. dollars					
	Due in 1 year or less	Due from 1 year to 3 years	Due from 3 years to 5 years	Due from 5 years to 7 years	Due from 7 years to 10 years	Due after 10 years
Deposits	$70,122,395	$8,307,016	$752,311	$57,467	$50,071	$ —
Call money and bills sold	1,616,111	—	—	—	—	—
Borrowed money	337,531	15,985	5,542	36,964	156,839	—
Bonds	—	—	354,780	300,661	180,396	105,832
Total	$72,076,038	$8,323,001	$1,112,634	$395,093	$387,307	$105,832

Note: Demand deposits are included under "Due in 1 year or less".

<At 31st March, 2010>

Carrying value of nancial instruments in the consolidated balance sheet at 31st March, 2010 and their fair values and valuation differences are as follows. Non-listed stocks and others whose fair value is extremely dif cult to be estimated are excluded from the table below (refer to Note 2).

	Millions of yen		
	Carrying value	Fair value	Valuation differences
Assets:			
(1) Cash and due from banks	¥275,718	¥275,718	¥ —
(2) Commercial paper and other debt purchased	32,758	32,974	216
(3) Securities:			
Held-to-maturity securities	69,926	71,843	1,916
Available-for-sale securities	1,507,134	1,507,134	—
(4) Loans and bills discounted	5,147,505		
Reserve for possible loan losses*	(59,643)		
	5,087,861	5,198,892	111,031
Total assets	¥6,973,398	¥7,086,563	¥113,165
Liabilities:			
(1) Deposits	¥6,469,642	¥6,472,539	¥2,896
(2) Call money and bills sold	100,341	100,341	—
(3) Borrowed money	80,410	81,226	815
(4) Bonds	103,500	104,885	1,385
Total liabilities	¥6,753,894	¥6,758,992	¥5,098
Derivatives**			
Hedge accounting not applied	¥496	¥496	¥ —
Hedge accounting applied	(545)	(545)	—
Total derivatives	(¥49)	(¥49)	¥ —

* The general reserve for possible loan losses and the speci c reserve for possible loan losses, which cprrespond to loans and bills discounted, have been deducted. Due to its immateriality, the reserve for possible losses on commercial paper and other debt purchased has been directly deducted from the carrying value of commercial paper and other debt parchased.

** Derivative transactions recorded in Other assets and Other liabilities are presented in total. The value of assets and liabilities arising from derivative transactions is shown at net value. The amount in parentheses represents net liability position.

(Note 1) Methods for estimating the market value of nancial instruments

Assets:

(1) Cash and due from banks

Because the fair value of due from banks that does not have stated maturity approximates its carrying value, the carrying value is treated as the fair value. The fair value of due from banks that has stated maturity is based on the present value of the totals by maturity bucket discounted by the interest rate that would be applied if similar deposits were placed. As the fair value of due from banks with a short-term original contractual maturity (one year or less) approximates its carrying value, its carrying value is treated as the fair value.

(2) Commercial paper and other debt purchased

Of commercial paper and other debt purchased, the fair value of the bene ciary certi cates of real estate investment trust is based on the value quoted by the correspondent nancial institutions. Since the fair value of purchased loans approximates the carring value after deducting the reserve for possible loan losses, which is calculated based on the estimated amounts collectible from collateral and guarantees, the carrying value is treated as the fair value.

(3) Securities

The fair value of stocks is based on their market price on the stock exchange, while the fair value of debt securities is based on the Reference Prices (Yields) for OTC Bond Transactions published by the Japan Securities Dealers Association, the price quoted by the correspondent financial institutions or the value reasonably calculated by the banks. The fair value of investment trusts is based on the announced reference price or the price quoted by the correspondent financial institutions. The fair value of foreign securities is based on the price quoted by the correspondent financial institutions or the financial information vendors.

The fair value of private placement bonds with the Bank's own guarantee is based on the present value of future cash flows discounted by the market interest rate adjusted for credit risk.

Previously, the fair value of floating-rate Japanese government bonds ("JGB") was stated at the market price at the balance sheet date. Since the current market prices of such bonds are not deemed reasonable fair value considering various current market factors, they are valued and stated at the amounts the Bank estimated reasonably as of 31st March, 2010. The effect of this change was to increase securities by ¥7,666 million and to decrease net unrealized losses on securities available for sale and deferred tax assets by ¥4,595 million and ¥3,070 million, respectively, compared with the corresponding amounts calculated using the previous method.

The reasonably estimated fair value of floating-rate JGBs is based on future cash flows derived from JGB yield and volatilities of the underlying assets of 10-year interest rate swaptions, discounted by the respective JGB yield.

(4) Loans and bills discount

Because loans and bills discounted with floating interest rates reflect market interest rates in a short period of time, the fair value of such loans approximates their carrying value as long as the credit standing of the borrower has not changed significantly since origination. Thus, the carrying value of such loans is treated as the fair value. The fair value of loans and bills discounted with fixed interest rates is based on the present value of the total amount of principal and interest categorized by the type of loans, internal rating and term, discounted by the market interest rate adjusted for credit risk. Because the fair value of loans with a short-term contractual maturity (one year or less) approximates their carrying value, the carrying value is treated as the fair value.

Regarding loans to borrowers under bankruptcy proceedings, borrowers substantially in bankruptcy and customers with high probability of becoming insolvent, since the fair value of such loans approximates their carrying value after deducting the reserve for possible loan losses, which is calculated based on the present value of estimated future cash flows or the estimated amounts collectible from the sale of collateral and guarantees, the carrying value is treated as the fair value.

With respect to loans and bills discounted that have no due date because of special attributes such as limiting the borrowings to the amounts secured by collateral, because it is assumed that the fair value approximates the carrying value from the estimated repayment period and interest rate conditions, the carrying value is treated as the fair value.

Liabilities:

(1) Deposits

For demand deposits, the amount which would be paid if its repayment were demanded on the consolidated balance sheet date (carrying value) is deemed to be the fair value. The fair value of time deposits is based on the discounted present value of the future cash flows categorized by term. The discount rate is the interest rate that would be applied when new deposits were taken. Because the fair value of those with a short-term original contractual maturity (one year or less) approximates their carrying value, the carrying value is treated as the fair value.

(2) Call money and bills sold

Since call money and bills sold have short-term original contractual maturity (one year or less) and their fair value approximates the carrying value, the carrying value is treated as the fair value.

(3) Borrowed money

Because borrowed money with floating interest rates reflects market interest rates in a short period of time and the credit standing of the Bank and its consolidated subsidiaries has not changed significantly since the borrowing, the fair value of such borrowed money is deemed to approximate the carrying value. Therefore, the carrying value is treated as the fair value. The fair value of borrowed money with fixed interest rates is based on the present value of the total amount of principal and interest of the borrowed money categorized by term, discounted by the market interest rate adjusted for credit risk. Because the fair value of borrowed money with a short-term original contractual maturity (one year or less) approximates its carrying value, the carrying value is treated as the fair value.

(4) Bonds

The fair value of bonds is based on the Reference Pricce (Yields) for OTC Bond Transactions published by the Japan Securities Dealers Association or the price quoted by the securities company. Since bonds with oating interest rates re ect market interest rates in a short period of time and the credit standing of the issuers has not changed signi cantly since the issuance, the fair value of such bonds is deemed to approximate their carrying value. Thus, the carrying value is treated as the fair value.

Derivative transactions:

Derivative transactions are presented in "33. Derivatives" of "Notes to Consolidated Finance Statements."

(Note 2) Financial instruments whose fair value is extremely dif cult to be estimated are as stated below. They are not included in "Assets: (3) Available-for-sale securities" presented in "Estimated fair value of nancial instruments."

	Millions of yen
	Carrying value
Non-listed stocks	¥17,316
Investments in partnerships	2,764
Total	¥20,080

Notes: 1. Because non-listed stocks have no market price and because it is extremely dif cult to estimate their fair value, they are not subject to the fair value disclosure.
2. In the year ended 31st March, 2010, impairment losses of ¥99 million were recorded for non-listed stocks.
3. Of investments in partnerships whose fair value is extremely dif cult to be estimated because the partnership's assets are non-listed stocks, etc. are not subject to the fair value disclosure.

(Note 3) Repayment schedule for monetary claims and securities with maturity at 31st March, 2010

	Millions of yen					
	Due in 1 year or less	Due from 1 year to 3 years	Due from 3 years to 5 years	Due from 5 years to 7 years	Due from 7 years to 10 years	Due after 10 years
Due from banks	¥168,885	¥ —	¥ —	¥ —	¥ —	¥ —
Commercial paper and other debt purchased	27,938	—	—	—	—	—
Securities:						
Held-to-maturity securities	—	3,080	—	7,000	30,736	31,000
Government bonds	—	—	—	—	10,000	31,000
Municipal bonds	—	3,080	—	5,000	7,089	—
Corporate bonds	—	—	—	2,000	10,647	—
Others	—	—	—	—	3,000	—
Securities available for sale with maturity	162,318	316,386	347,384	312,603	144,084	54,000
Government bonds	60,700	49,690	86,000	145,394	91,200	54,000
Municipal bonds	17,280	69,112	57,623	26,488	2,900	—
Corporate bonds	69,935	146,970	91,685	117,401	21,182	—
Others	14,403	50,613	112,075	23,319	28,801	—
Loans and bills discounted	1,102,393	872,106	787,262	525,967	517,548	1,062,191
Total	¥1,461,535	¥1,191,572	¥1,134,647	¥845,571	¥692,369	¥1,147,191

Note: Excluded from Loans and bills discounted and Commercial paper and other debt purchased are ¥174,909 million relating to those whose repayment is not reasonably estimable because the debtors are borrowers under bankruptcy proceedings, borrowers substantially in bankruptcy, or customers with high probability of becoming insolvent and ¥114,275 million relating to those that do not have contractual maturity.

(Note 4) Repayment schedule for bonds, borrowed money and other interest-bearing debts at 31st March, 2010

	Millions of yen					
	Due in 1 year or less	Due from 1 year to 3 years	Due from 3 years to 5 years	Due from 5 years to 7 years	Due from 7 years to 10 years	Due after 10 years
Deposits	¥5,722,804	¥650,121	¥62,429	¥5,103	¥3,745	¥0
Call money and bills sold	100,341	—	—	—	—	—
Borrowed money	61,429	1,797	954	3,152	13,071	6
Bonds	—	—	15,000	37,000	25,000	26,500
Total	¥5,884,575	¥651,918	¥78,383	¥45,255	¥41,816	¥26,506

Note: Demand deposits are included under "Due in 1 year or less".

31. Securities

<At 31st March, 2011>

(1) Trading securities and commercial papers (including those included in "Trading account assets")

	Millions of yen	Thousands of U.S. dollars
Holding losses recognized in income	**(¥3)**	**($39)**

(2) Held-to-maturity securities

1. Securities whose fair value exeeds their carrying value

	Millions of yen		
	Carrying value	Fair value	Valuation differences
Bonds:			
Government bonds	**¥38,665**	**¥40,667**	**¥2,001**
Municipal bonds	**15,522**	**15,773**	**251**
Corporate bonds	**14,918**	**15,227**	**308**
	69,105	**71,667**	**2,561**
Others	**494**	**501**	**6**
Total	**¥69,600**	**¥72,169**	**¥2,568**

	Thousands of U.S. dollars		
	Carrying value	Fair value	Valuation differences
Bonds:			
Government bonds	**$465,005**	**$489,079**	**$24,074**
Municipal bonds	**186,678**	**189,702**	**3,024**
Corporate bonds	**179,415**	**183,128**	**3,712**
	831,099	**861,911**	**30,811**
Others	**5,944**	**6,025**	**81**
Total	**$837,044**	**$867,937**	**$30,893**

2. Securities whose carrying value exceeds their fair value

	Millions of yen		
	Carrying value	Fair value	Valuation differences
Bonds:			
Government bonds	**¥ —**	**¥ —**	**¥ —**
Municipal bonds	**4,434**	**4,404**	**(30)**
Corporate bonds	**—**	**—**	**—**
	4,434	**4,404**	**(30)**
Others	**3,000**	**2,996**	**(3)**
Total	**¥7,434**	**¥7,401**	**(¥33)**

	Thousands of U.S. dollars		
	Carrying value	Fair value	Valuation differences
Bonds:			
Government bonds	**$ —**	**$ —**	**$ —**
Municipal bonds	**53,333**	**52,968**	**(365)**
Corporate bonds	**—**	**—**	**—**
	53,333	**52,968**	**(365)**
Others	**36,079**	**36,039**	**(39)**
Total	**$89,412**	**$89,007**	**($405)**

(3) Available-for-sale securities

1. Securities whose carrying value exceeds their acquisition cost

	Millions of yen		
	Carrying value	Acquisition cost	Valuation differences
Stocks	**¥38,342**	**¥27,049**	**¥11,293**
Bonds:			
Government bonds	**474,748**	**468,221**	**6,527**
Municipal bonds	**148,165**	**146,685**	**1,479**
Corporate bonds	**377,018**	**372,307**	**4,710**
	999,931	**987,213**	**12,717**
Others	**142,637**	**139,829**	**2,807**
Total	**¥1,180,911**	**¥1,154,092**	**¥26,819**

	Thousands of U.S. dollars		
	Carrying value	Acquisition cost	Valuation differences
Stocks	**$461,128**	**$325,305**	**$135,823**
Bonds:			
Government bonds	**5,709,540**	**5,631,040**	**78,499**
Municipal bonds	**1,781,900**	**1,764,102**	**17,798**
Corporate bonds	**4,534,194**	**4,477,542**	**56,651**
	12,025,635	**11,872,685**	**152,949**
Others	**1,715,418**	**1,681,652**	**33,765**
Total	**$14,202,183**	**$13,879,644**	**$322,538**

2. Securities whose acquisition cost exceeds their carrying value

	Millions of yen		
	Carrying value	Acquisition cost	Valuation differences
Stocks	**¥44,846**	**¥59,594**	**(¥14,748)**
Bonds:			
Government bonds	**93,130**	**94,036**	**(905)**
Municipal bonds	**45,252**	**45,603**	**(350)**
Corporate bonds	**61,766**	**62,321**	**(554)**
	200,149	**201,960**	**(1,811)**
Others	**112,396**	**117,189**	**(4,792)**
Total	**¥357,391**	**¥378,744**	**(¥21,352)**

	Thousands of U.S. dollars		
	Carrying value	Acquisition cost	Valuation differences
Stocks	**$539,340**	**$716,716**	**($177,375)**
Bonds:			
Government bonds	**1,120,026**	**1,130,922**	**(10,895)**
Municipal bonds	**544,228**	**548,443**	**(4,215)**
Corporate bonds	**742,829**	**749,501**	**(6,671)**
	2,407,083	**2,428,867**	**(21,783)**
Others	**1,351,735**	**1,409,373**	**(57,638)**
Total	**$4,298,159**	**$4,554,956**	**($256,796)**

(4) Available-for-sale securities sold for the year ended 31st March, 2011 are as follows:

	Millions of yen		
	Proceeds from sale	Gains	Losses
Stocks	**¥7,668**	**¥1,126**	**(¥1,704)**
Bonds:			
Government bonds	**90,705**	**1,444**	**—**
Municipal bonds	**21,643**	**262**	**(1)**
Corporate bonds	**14,956**	**92**	**(72)**
	127,305	**1,799**	**(74)**
Others	**92,010**	**1,610**	**(2,734)**
Total	**¥226,984**	**¥4,537**	**(¥4,513)**

	Thousands of U.S. dollars		
	Proceeds from sale	Gains	Losses
Stocks	**$92,226**	**$13,553**	**($20,503)**
Bonds:			
Government bonds	**1,090,860**	**17,376**	**—**
Municipal bonds	**260,294**	**3,154**	**(22)**
Corporate bonds	**179,877**	**1,113**	**(870)**
	1,531,032	**21,644**	**(893)**
Others	**1,106,561**	**19,368**	**(32,884)**
Total	**$2,729,821**	**$54,566**	**($54,282)**

(5) Devaluation of securities

Securities (excluding trading securities) which have readily determinable fair value are devalued to the fair value, and the difference between the acquisition cost and the fair value is treated as the loss for the scal year ("devaluation"), if the fair value (primarily the closing market price at the consolidated balance sheet date) has signi cantly deteriorated compared with the acquisition cost (including amortized cost) unless it is deemed that there is a possibility of a recovery in the fair value. The amount of devaluation was ¥2,448 million* ($29,448 thousand) for the year ended 31st March, 2011.

* stocks …… ¥2,433 million ($29,263 thousand)
corporate bonds …… ¥15 million ($184 thousand)

The criteria for determining whether the fair value of a security has "signi cantly deteriorated" are outlined as follows:

1. The fair value is 50% or less of the acqisition cost.
2. The fair value exceeds 50% but is 70% or less of the acquisition cost and the quoted market price maintains a certain level or lower.

(6) Unrealized gains/losses on securities available for sale

The components of the unrealized gains/losses on securities available for sale at 31st March, 2011 are as follows:

	Millions of yen	Thousands of U.S. dollars
Revaluation difference	**¥5,466**	**$65,742**
Deferred tax liability	**(1,973)**	**(23,732)**
Revaluation difference (before minority interest adjustment), net of taxes	**3,493**	**42,009**
Amount corresponding to minority interests	**(84)**	**(1,010)**
Amount corresponding to the parent's share of net unrealized losses on available-for-sale securities owned by af liates	**(1)**	**(12)**
Unrealized gains on securities available for sale, net of taxes	**¥3,408**	**¥40,986**

<At 31st March, 2010>

(1) Trading securities and commercial papers (including those included in "Trading account assets")

	Millions of yen
Holding losses recognized in income	¥9

(2) Held-to-maturity securities with fair value

1. Securities whose fair value exeeds their carrying value

	Millions of yen		
	Carrying value	Fair value	Valuation differences
Bonds:			
Government bonds	¥38,416	¥40,186	¥1,770
Municipal bonds	8,194	8,348	153
Corporate bonds	9,247	9,352	104
	55,858	57,887	2,029
Others	—	—	—
Total	¥55,858	¥57,887	¥2,029

2. Securities whose carrying value exceeds their fair value

	Millions of yen		
	Carrying value	Fair value	Valuation differences
Bonds:			
Government bonds	¥ —	¥ —	¥ —
Municipal bonds	7,387	7,357	(29)
Corporate bonds	3,679	3,670	(8)
	11,067	11,028	(38)
Others	3,000	2,926	(73)
Total	¥14,067	¥13,955	(¥112)

(3) Available-for-sale securities

1. Securities whose carrying value exceeds their acquisition cost

	Millions of yen		
	Carrying value	Acquisition cost	Valuation differences
Stocks	¥52,311	¥38,367	¥13,943
Bonds:			
Government bonds	457,987	451,416	6,570
Municipal bonds	166,655	164,654	2,001
Corporate bonds	399,886	395,105	4,781
	1,024,529	1,011,176	13,352
Others	155,256	152,117	3,138
Total	¥1,232,097	¥1,201,661	¥30,435

2. Securities whose acquisition cost exceeds their carrying value

	Millions of yen		
	Carrying value	Acquisition cost	Valuation differences
Stocks	¥45,376	¥56,889	(¥11,513)
Bonds:			
Government bonds	42,210	42,881	(671)
Municipal bonds	10,135	10,170	(35)
Corporate bonds	53,600	54,528	(928)
	105,946	107,581	(1,634)
Others	135,916	144,295	(8,379)
Total	¥287,238	¥308,766	(¥21,527)

(4) Available-for-sale securities sold for the year ended 31st March, 2010 are as follows:

	Millions of yen		
	Proceeds from sale	Gains	Losses
Stocks	¥11,071	¥1,059	¥1,775
Bonds:			
Government bonds	110,062	1,102	―
Municipal bonds	8,392	51	0
Corporate bonds	90,847	691	857
	209,302	1,845	857
Others	68,062	1,920	1,274
Total	¥288,436	¥4,824	¥3,907

(5) Devaluation of securities
Available-for-sale securities which have readily determinable fair value are devalued to the fair value, and the difference between the acquisition cost and the fair value is treated as the loss for the scal year ("devaluation"), if the fair value (primarily the closing market price at the consolidated balance sheet date) has signi cantly deteriorated compared with the acquisition cost (including amortized cost) unless it is deemed that there is a possibility of a recovery in the fair value. The amount of devaluation was ¥3,286 million* for the year ended 31st March, 2010.

* stocks …… ¥3,286 million

The criteria for determining whether the fair value of a security has "signi cantly deteriorated" are outlined as follows:

1. The fair value is 50% or less of the acqisition cost.
2. The fair value exceeds 50% but is 70% or less of the acquisition cost and the quoted market price maintains a certain level or lower.

(6) Unrealized gains/losses on securities available for sale
The components of the unrealized gains/losses on securities available for sale at 31st March, 2010 are as follows:

	Millions of yen
Revaluation difference	¥8,907
Deferred tax liability	(3,342)
Revaluation difference (before minority interest adjustment), net of taxes	5,564
Amount corresponding to minority interests	156
Amount corresponding to the parent's share of net unrealized losses on available-for-sale securities owned by af liates	(0)
Unrealized gains on securities available for sale, net of taxes	¥5,720

32. Money Held in Trust

Money held in trust at 31st March, 2011 and 2010 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2011	2010	**2011**
Money held in trust for investment purposes:			
Carrying value	**¥1,942**	¥2,000	**$23,361**
Unrealized gains included in income before income taxes and minority interests	—	—	—

	Millions of yen		Thousands of U.S. dollars
	2011	2010	**2011**
Money held in trust for other purposes than investment purposes and held-to-maturity purposes:			
Acquisition Cost	**¥1,000**	¥1,000	**$12,026**
Carrying value	**1,000**	1,000	**12,026**
Unrealized gains/losses	—	—	—

33. Derivatives

<At 31st March, 2011>

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

Summarized below are the contract value or the notioned principal and the fair value of the derivative transactions at 31st March, 2011, to which hedge accounting is not applied. The amounts of the contract value are not necessarily indicative of the actual market risk of derivative transactions.

1. Interest related transactions

	Millions of yen			
	Contract value			Unrealized
Type of transactions	Total	Over one year	Fair value	gain(loss)
Over-the-counter transactions:				
Interest rate swaps				
Receive- xed and pay- oating	**¥12,374**	**¥12,074**	**¥185**	**¥185**
Receive- oating and pay- xed	**12,374**	**12,074**	**(32)**	**(32)**
Total	—	—	**¥152**	**¥152**

	Thousands of U.S. dollars			
	Contract value			Unrealized
Type of transactions	Total	Over one year	Fair value	gain(loss)
Over-the-counter transactions:				
Interest rate swaps				
Receive- xed and pay- oating	**$148,825**	**$145,217**	**$2,232**	**$2,232**
Receive- oating and pay- xed	**148,825**	**145,217**	**(393)**	**(393)**
Total	—	—	**$1,839**	**$1,839**

Notes: 1. The above transactions are marked to market and unrealized gains/losses are included in the consolidated statements of income.

2. Calculation of fair value is based on the discounted cash ows and others.

2. Currency related transactions

Type of transactions	Millions of yen			
	Contract value			Unrealized
	Total	Over one year	Fair value	gain(loss)
Over-the-counter transactions:				
Currency swaps	**¥194,335**	**¥175,530**	**¥374**	**¥375**
Forward foreign:				
Sell	**2,354**	—	**103**	**103**
Buy	**1,565**	—	**(1)**	**(1)**
Currency option:				
Sell	**71,070**	**49,167**	**(5,824)**	**(1,792)**
Buy	**71,070**	**49,167**	**5,824**	**3,110**
Total	—	—	**¥476**	**¥1,795**

Type of transactions	Thousands of U.S. dollars			
	Contract value			Unrealized
	Total	Over one year	Fair value	gain(loss)
Over-the-counter transactions:				
Currency swaps	**$2,337,164**	**$2,111,009**	**$4,502**	**$4,521**
Forward foreign:				
Sell	**28,313**	—	**1,242**	**1,242**
Buy	**18,825**	—	**(15)**	**(15)**
Currency option:				
Sell	**854,726**	**591,311**	**(70,042)**	**(21,556)**
Buy	**854,726**	**591,311**	**70,042**	**37,406**
Total	—	—	**$5,729**	**$21,598**

Notes: 1. The above transactions are marked to market and unrealized gains/losses are included in the consolidated statements of income.
2. Calculation of fair value is based on the discounted cash ows and others.

(2) Derivative transactions to which hedge accounting is applied

Summarized below are the contract value or the notioned principal and the fair value of the derivative transactions at 31st March, 2011, to which hedge accounting is applied. The amounts of the contract value are not necessarily indicative of the actual market risk of derivative transactions.

1. Interest related transactions

Hedge accounting method	Type of transactions	Hedged item	Millions of yen		
			Contract value		
			Total	Over one year	Fair value
Special treatment for interest rate swaps	Interest rate swaps	Loans and bills discounted, and deposits			
	Receive- xed and pay- oating		**¥7,046**	**¥7,046**	**(Note 2)**
	Receive- oating and pay- xed		**184,963**	**184,963**	
	Interest rate options		**15,000**	**15,000**	
Total			—	—	

Hedge accounting method	Type of transactions	Hedged item	Thousands of U.S. dollars		
			Contract value		
			Total	Over one year	Fair value
Special treatment for interest rate swaps	Interest rate swaps	Loans and bills discounted, and deposits			
	Receive- xed and pay- oating		**$84,750**	**$84,750**	**(Note 2)**
	Receive- oating and pay- xed		**2,224,452**	**2,224,452**	
	Interest rate options		**180,396**	**180,396**	
Total			—	—	

Notes: 1. Calculation of fair value is based on the discounted cash ows and others.
2. Since the interest rate swaps, to which the special treatments are applied, are accounted for as one unit with loans and bills discounted and deposits, their fair value is included in the fair value of the said loans and bills discounted and deposits which are disclosed in "Financial Instruments (Note 30)."

2. Currency related transactions

Hedge accounting method	Type of transactions	Hedged item	Millions of yen Contract value Total	 Over one year	 Fair value
Principle hedge accounting method	Forward foreign	Securities denominated in foreign currencies	**¥29,744**	**¥ –**	**(¥475)**
Total			–	–	**(¥475)**

Hedge accounting method	Type of transactions	Hedged item	Thousands of U.S. dollars Contract value Total	 Over one year	 Fair value
Principle hedge accounting method	Forward foreign	Securities denominated in foreign currencies	**$357,723**	**$ –**	**($5,721)**
Total			–	–	**($5,721)**

Notes: 1. The Bank applies the deferred method as hedge accounting in accordance primarily with "Accounting and Auditing Treatment for Accounting for Foreign Currency Transactions in Banking Industry" (JICPA Industry Audit Committee Report No. 25).
2. Calculation of fair value is based on the discounted cash ows and others.

<At 31st March, 2010>

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

Summarized below are the contract value or the notioned principal and the fair value of the derivative transactions at 31st March, 2010, to which hedge accounting is not applied. The amounts of the contract value are not necessarily indicative of the actual market risk of derivative transactions.

1. Interest related transactions

Type of transactions	Millions of yen Contract value Total	 Over one year	 Fair value	 Unrealized gain(loss)
Over-the-counter transactions:				
Interest rate swaps				
Receive- xed and pay- oating	¥9,295	¥9,295	¥110	¥110
Receive- oating and pay- xed	9,295	9,295	(41)	(41)
Total	–	–	¥69	¥69

Notes: 1. The above transactions are marked to market and unrealized gains/losses are included in the consolidated statements of income.
2. Calculation of fair value is based on the discounted cash ows and others.

2. Currency related transactions

Type of transactions	Millions of yen Contract value Total	 Over one year	 Fair value	 Unrealized gain(loss)
Over-the-counter transactions:				
Currency swaps	¥215,921	¥200,994	¥456	¥456
Forward foreign:				
Sell	2,228	–	(52)	(52)
Buy	1,553	–	26	26
Currency option:				
Sell	78,234	58,620	(4,580)	(467)
Buy	78,234	58,620	4,580	1,712
Total	–	–	¥430	¥1,674

Notes: 1. The above transactions are marked to market and unrealized gains/losses are included in the consolidated statements of income.
2. Calculation of fair value is based on the discounted cash ows and others.

(2) Derivative transactions to which hedge accounting is applied

Summarized below are the contract value or the notioned principal and the fair value of the derivative transactions at 31st March, 2010, to which hedge accounting is applied. The amounts of the contract value are not necessarily indicative of the actual market risk of derivative transactions.

1. Interest related transactions

Hedge accounting method	Type of transactions	Hedged item	Millions of yen: Contract value: Total	Millions of yen: Contract value: Over one year	Millions of yen: Fair value
Special treatment for interest rate swaps	Interest rate swaps	Loans and bills discounted, and deposits			
	Receive- xed and pay- oating		¥56,302	¥11,056	
	Receive- oating and pay- xed		107,252	107,252	(Note 2)
	Interest rate options		10,000	10,000	
Total			—	—	

Notes: 1. Calculation of fair value is based on the discounted cash ows and others.

2. Since the interest rate swaps, to which the special treatments are applied, are accounted for as one unit with loans and bills discounted and deposits, their fair value is included in the fair value of the said loans and bills discounted and deposits which are disclosed in "Financial Instruments (Note 30)."

2. Currency related transactions

Hedge accounting method	Type of transactions	Hedged item	Millions of yen: Contract value: Total	Millions of yen: Contract value: Over one year	Millions of yen: Fair value
Principle hedge accounting method	Forward foreign	Securities denominated in foreign currencies	¥34,772	¥ —	(¥727)
Total			—	—	(¥727)

Notes: 1. The Bank applies the deferred method as hedge accounting in accordance primarily with "Accounting and Auditing Treatment for Accounting for Foreign Currency Transactions in Banking Industry" (JICPA Industry Audit Committee Report No. 25).

2. Calculation of fair value is based on the discounted cash ows and others.

34. Reserve for Employee Retirement Bene ts

(1) Description of the retirement bene t plan

The Bank and its domestic consolidated subsidiaries adopt de ned bene t plans such as occupational pension fund plans, tax-quali ed pension plans, and lump-sum payment plans. The Bank may also pay additional retirement bene ts which are not subject to actuarial calculation.

The Bank has established a retirement bene t trust.

As of 31st March, 2011, the lump-sum payment plans are adopted by nine group companies including the Bank and its domestic considerated subsidiaries while the corporate pension fund plans are adopted by the Bank and one consolidated subsidiary, and the tax-quali ed pension plan is adopted by one consolidated subsidiary.

(2) The funded status and amounts recognized in the consolidated balance sheets at 31st March, 2011 and 2010

	Millions of yen 2011	Millions of yen 2010	Thousands of U.S. dollars 2011
Projected bene t obligation	**(¥55,954)**	(¥55,568)	**($672,931)**
Plan assets	**42,906**	42,379	**516,008**
Projected bene t obligation in excess of plan assets	**(13,048)**	(13,188)	**(156,923)**
Unrecognized actuarial loss	**11,365**	10,232	**136,688**
Unrecognized prior service cost	**—**	—	**—**
Net liability recognized	**(1,682)**	(2,956)	**(20,234)**
Prepaid pension cost	**9,123**	8,602	**109,717**
Reserve for employee retirement bene ts	**(¥10,805)**	(¥11,558)	**($129,952)**

(3) Pension cost for the years ended 31st March, 2011 and 2010

	Millions of yen		Thousands of U.S. dollars
	2011	2010	**2011**
Service cost	**¥1,692**	¥1,681	**$20,352**
Interest cost	**1,372**	1,348	**16,502**
Expected return on plan assets for the year	**(1,391)**	(1,178)	**(16,740)**
Amortization of unrecognized prior service cost	**—**	—	**—**
Amortization of unrecognized actuarial loss	**1,895**	2,227	**22,795**
Others (additional retirement bene t payments)	**937**	264	**11,270**
Net pension bene t expense	**¥4,505**	¥4,342	**$54,179**

(4) Basic information used for calculation of the retirement bene t obligation

	2011	2010
(1) Discount rate	**2.5%(principally)**	2.5%(principally)
(2) Expected rate of return on plan assets	**3.3%(principally)**	3.3%(principally)
(3) Method of attribution of projected bene t obligation	**Straight-line method**	Straight-line method
(4) Number of years over which actuarial gains/losses are amortized	**10 years(principally)***	10 years(principally)*

* Using the straight-line method from the following scal year over a 10-year period within the average remaining years of service of employees.

35. Income Taxes

The tax effect of temporary differences and tax loss carryforwards that give rise to the deferred tax assets and liabilities at 31st March, 2011 and 2010 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2011	2010	**2011**
Deferred tax assets			
Reserve for possible loan losses	**¥25,675**	¥30,932	**$308,787**
Reserve for retirement bene ts	**4,068**	4,432	**48,933**
Accumulated depreciation	**2,648**	2,338	**31,855**
Tax effects attributable to investment in a subsidiary in the course of liquidation	**37,737**	—	**453,852**
Loss carryforwards for tax purposes	**17,036**	31,089	**204,894**
Others	**11,958**	9,981	**143,821**
Sub-total	**99,126**	78,773	**1,192,144**
Valuation allowance	**(29,228)**	(30,220)	**(351,511)**
Total deferred tax assets	**69,898**	48,553	**840,633**
Deferred tax liabilities			
Reserve fund for deferred income of xed assets	**(2)**	(2)	**(28)**
Unrealized losses on securities attributable to partition of corporation ,net	**(120)**	(330)	**(1,447)**
Asset retirement obligations	**(78)**	—	**(946)**
Unrealized gains on securities available for sale, net	**(1,973)**	(3,342)	**(23,732)**
Total deferred tax liabilities	**(2,174)**	(3,675)	**(26,155)**
Net deferred tax assets	**¥67,723**	¥44,878	**$814,478**

The effective tax rates re ected in the consolidated statements of income for the years ended 31st March, 2011 and 2010 differ from the statutory tax rates for the following reasons:

	2011	2010
Statutory tax rate	**40.4%**	40.4%
Adjustments:		
Expenses permanently nondeductible for income tax purposes	**0.6**	1.0
Dividend income deductible for income tax purposes	**(1.5)**	(1.3)
Inhabitant's per capita taxes	**0.3**	0.3
Increase in valuation allowance	**10.3**	(2.7)
Tax effects attributable to investment in a subsidiary in the course of liquidation	**(110.2)**	—
Others, net	**(1.2)**	0.3
Effective tax rate	**(61.3)%**	38.0%

36. Business Combinations

Information on business combinations for the year ended 31st March, 2011 is as follows:

Business combination by acquisition

(1) Overview of business combination

① Name and outline of business of acquired company

Name of acquired company: Nishi-Nippon City Tokai Tokyo Securities Co.,Ltd.

Outline of business: Financial instruments business

② Primary reason for business combination

Fukuoka Prefecture, the primary base area of the Bank's operations, is one of Japan's leading retail markets in terms of the nancial asset value. Therefore, the Bank seeks to have within its Group a more highly specialized securities company in order to meet a wide range of nancial needs and to widen its diversi ed nancial services by building up and expanding its sales of nancial products for retails.

③ Date of business combination

6th May, 2010

④ Legal form of business combination

Stock acquisition

⑤ Name of the company after business combination

Nishi-Nippon City Tokai Tokyo Securities Co.,Ltd.

⑥ Acquired percentage of voting rights

60%

⑦ Primary reason for decision of the company acquired

Nishi-Nippon City Tokai Tokyo Securities Co.,Ltd. was established through a joint investment of the Bank and Tokai Tokyo Financial Holdings, Inc. The Group believes that the company can leverage the extensive customer base and branch network and the strength of community-oriented brand of the Bank while introducing the advanced capabilities and know-how developed by Tokai Tokyo Securities, Co.,Ltd. as an independent and full-line securities company.

(2) Business period of acquired company included in the consolidated nancial statements

1st April, 2010 to 31st March, 2011

(3) Acquisition cost for acquired company and cost breakdown

Acquisition cost: ¥2,550 million ($30,667 thousand)

Cost for stock acquisition (cash): ¥2,550 million ($30,667 thousand)

(4) Amount of goodwill recognized, recognition factors and amortization method and period

① Amount of goodwill recognized

¥640 million ($7,702 thousand)

② Recognition factors

The amount recognized is the difference between the amount of the Bank's equity in the acquired company and the acquisition cost

③ Amortization method and period

Amortized by the straight-line method over ve years

(5) Value of assets received and liabilities assumed on business combination date and major breakdown

Assets:	¥867 million ($10,438 thousand)
(cash and due from banks thereof):	¥582 million ($7,005 thousand)
Liabilities:	¥245 million ($2,954 thousand)
(other liabilities thereof):	¥217 million ($2,621 thousand)

(6) Estimated effect on the consolidated statements of income assuming that the business combination were completed on the rst day of the year ended 31st March, 2011

Not applicable because the rst day (1st April, 2010) of the year ended 31st March, 2011 is deemed to be the acquisition date

Information on business combinations for the year ended 31st March, 2010 is as follows:

Effective as of 6th November, 2009, the Bank took over via corporate split the securities investment business from The Bank of Nagasaki, Ltd., a consolidated subsidiary of the Bank.

Transactions under common control

(1) Name of constituent companies and outline of business

① Name of acquiring company

The Nishi-Nippon City Bank, Ltd.

② Name of split company

The Bank of Nagasaki, Ltd.

③ Outline of business

Securities investment business of The Bank of Nagasaki, Ltd.

(2) Legal form of business combination

Corporate split wherein The Bank of Nagasaki, Ltd. split off its securities investment business and The Nishi-Nippon City Bank, Ltd. took over that business and became the acquiring company.

(3) Name of the company after business combination

The Nishi-Nippon City Bank, Ltd.

(4) Outline of transaction including objective

① Objective

Achieve greater ef ciency through the consolidation of the Nishi-Nippon City Bank Group businesses. Moreover, the Group's competitiveness is expected to be strengthened as The Bank of Nagasaki, Ltd. is further contributing to regional economic growth through its nancial intermediary function as a regional nancial institution.

② Transaction outline

At the boad of directors' meeting held on 28th September, 2009, The Nishi-Nippon City Bank, Ltd. and The Bank of Nagasaki, Ltd., a consolidated subsidiary of the Bank, resolved to split the securities investment business owned by The Bank of Nagasaki, Ltd. and to have The Nishi-Nippon City Bank, Ltd. take it over and become the acquiring company. On that date, the corporate split agreement was made between the two banks. On 6th November, 2009, the corporate split took effective.

(5) Outline of accounting treatment for transaction

The corporate split transaction described above was treated as a transaction under common control based on "Accounting Standard for Business Combinations" (Business Accounting Council, issued on 31th October, 2003) and "Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures" (ASBJ Guidance No.10, revised on 15th November, 2007).

37. Asset Retirement Obligations Information on asset retirement obligations at 31st March, 2011 is as follows:

Asset retirement obligations that are recorded in the consolidated balance sheets

(1) Outline of asset retirement obligations

The Bank and its consolidated subsidiaries recognize asset retirement obligations for restoration obligations resulting from real estate lease agreements such as those of the Group branch of ces and commercial xed-term leasehold agreements. The Bank and its consolidated subsidiaries also recognize asset retirement obligations pertaining to obligations to remove hazardous substances used in some of their branch of ces in accordance with the Ordinance on Prevention of Health Impairment due to Asbestos.

(2) Method for calculating the value of asset retirement obligations

An asset retirement obligation is calculated by rst estimating the period of expected use of the asset, which is the relevant building's depreciation period (principally 39 years), and then discounting the value of the relevant liability using the government bond's market rate (principally 2.304%) that matches said depreciation period as the discount rate.

(3) Changes in total asset retirement obligations for the year ended 31st March, 2011

Balance at beginning of the year: *	¥965 million ($11,609 thousand)
Increase due to acquisition of tangible xed assets:	¥3 million ($47 thousand)
Adjustment for passage of time:	¥16 million ($194 thousand)
Decrease due to ful llment of asset retirement obligation:	¥120 million ($1,448 thousand)
Balance at end of the year:	¥865 million ($10,402 thousand)

* The balance at beginning of the year was presented because, effective the year ended 31st March, 2011 the Bank has applied "Accounting Standard for Asset Retirement Obligations" (ASBJ Statement No.18, issued on 31st March, 2008) and "Guidance on Accounting Standard for Asset Retirement Obligations" (ASBJ Guidance No.21, issued on 31st March, 2008).

38. Business Segment Information

Information by business segments

For the year ended 31st March, 2010, the Bank and its consolidated subsidiaries had two business segments, as summarized below:

	Millions of yen				
<In 2010>	Banking	Other	Total	Elimination	Consolidated
Ⅰ. Ordinary income					
Ordinary income from third party customers	¥162,868	¥7,997	¥170,865	¥ —	¥170,865
Internal ordinary income among segments	585	10,586	11,171	(11,171)	—
Total ordinary income	163,453	18,584	182,037	(11,171)	170,865
Ordinary expenses	129,898	16,241	146,140	(11,508)	134,632
Ordinary profit	¥33,554	¥2,342	¥35,897	¥336	¥36,233
Ⅱ. Identifiable assets, depreciation, impairment losses and capital expenditures:					
Identifiable assets	¥7,251,502	¥122,702	¥7,374,204	(¥86,311)	¥7,287,892
Depreciation	4,887	222	5,110	—	5,110
Impairment losses	387	—	387	—	387
Capital expenditures	5,694	119	5,814	—	5,814

Segment Information

(1) Segment information summary

Financial information can be individually obtained for each of the Group's reportable segments. This information is regularly reviewed by the board of directors in order to determine how to allocate business resources and to evaluate business performance.

The Group consists of the Bank, 12 consolidated subsidiaries and 1 affiliate. The Group is engaged in the financial services business, with a primary focus on the banking business.

Thus, while the Group is composed of business segments offering different financial services, the Group's reportable segment is the "banking business" which the Bank and The Bank of Nagasaki are engaged in.

The "banking business" is a wide range of services including services for deposits, loans, demestic and foreign currency exchange, trading securities, securities investment, corporate bond trustee and registration, and trusts, and other incidental services such as proxy services.

(2) Method for calculating the amount of ordinary income, profit or loss, assets, liabilities and other items

The accounting policies of reported business segments are the same as those described in "2. Summary of Significant Accounting Policies". The segment income is reported on an ordinary income basis. In addition, internal ordinary income among segments is based on the same transaction terms as used in ordinary transactions with third parties.

(3) Ordinary income, profit or loss, assets, liabilities and other items by reportable segments

	Millions of yen				
	Reportable segment				
<In 2011>	Banking	Other	Total	Adjustments	Consolidated
Ordinary income					
Ordinary income from third party customers	**¥156,092**	**¥9,031**	**¥165,123**	**¥ —**	**¥165,123**
Internal ordinary income among segments	**699**	**9,418**	**10,118**	**(10,118)**	**—**
Total ordinary income	**156,792**	**18,449**	**175,241**	**(10,118)**	**165,123**
Segment profit	**29,270**	**1,937**	**31,207**	**(672)**	**30,535**
Segment assets	**7,368,855**	**110,252**	**7,479,107**	**(77,358)**	**7,401,749**
Segment liabilities	**7,056,716**	**42,772**	**7,099,489**	**(49,220)**	**7,050,269**
Other items					
Depreciation	**4,846**	**266**	**5,112**	**—**	**5,112**
Interest and dividend income	**125,084**	**3,496**	**128,581**	**(1,196)**	**127,384**
Interest expenses	**13,021**	**569**	**13,590**	**(1,114)**	**12,476**
Increase in tangible and intangible fixed assets	**¥5,367**	**¥309**	**¥5,677**	**¥ —**	**¥5,677**

	Thousands of U.S. dollars				
	Reportable segment				
<In 2011>	Banking	Other	Total	Adjustments	Consolidated
Ordinary income					
Ordinary income from third party customers	**$1,877,242**	**$108,612**	**$1,985,855**	**$ —**	**$1,985,855**
Internal ordinary income among segments	**8,416**	**113,267**	**121,683**	**(121,683)**	**—**
Total ordinary income	**1,885,658**	**221,880**	**2,107,538**	**(121,683)**	**1,985,855**
Segment profit	**352,021**	**23,295**	**375,317**	**(8,088)**	**367,228**
Segment assets	**88,621,236**	**1,325,942**	**89,947,178**	**(930,344)**	**89,016,833**
Segment liabilities	**84,867,310**	**514,401**	**85,381,711**	**(591,945)**	**84,789,766**
Other items					
Depreciation	**58,286**	**3,204**	**61,490**	**—**	**61,490**
Interest and dividend income	**1,504,327**	**42,049**	**1,546,377**	**(14,394)**	**1,531,983**
Interest expenses	**156,596**	**6,847**	**163,444**	**(13,400)**	**150,044**
Increase in tangible and intangible fixed assets	**$64,553**	**$3,726**	**$68,280**	**$ —**	**$68,280**

Notes:
1. Ordinary income is presented instead of net sales.
2. The category of "other" includes business segments which are not reportable segments, such as financial-related services for credit guarantee, credit card and financial instruments exchange and auxiliary banking services.
3. Adjustments are as follows.
   (1) The segment profit adjustment of (¥672) million (($8,088) thousand) consists of eliminations of internal transactions among segments of ¥1,314 million ($15,813 thousand) and reversal of allowance for doubtful accounts of (¥1,987) million (($23,901) thousand).
   (2) Adjustments for segment assets, segment liabilities, interest and dividend income, and interest expenses are primarily eliminations of internal transactions among segments.

<In 2010>	Millions of yen Reportable segment Banking	Other	Total	Adjustments	Consolidated
Ordinary income					
Ordinary income from third party customers	¥162,868	¥7,997	¥170,865	¥ ー	¥170,865
Internal ordinary income among segments	585	10,586	11,171	(11,171)	ー
Total ordinary income	163,453	18,584	182,037	(11,171)	170,865
Segment pro t	33,554	2,342	35,897	336	36,233
Segment assets	7,251,502	122,702	7,374,204	(86,311)	7,287,892
Segment liabilities	6,950,837	59,042	7,009,879	(58,648)	6,951,231
Other items					
Depreciation	4,887	222	5,110	ー	5,110
Interest and dividend income	130,026	3,903	133,930	(1,281)	132,648
Interest expenses	18,763	693	19,457	(1,219)	18,238
Increase in tangible and intangible xed assets	¥5,694	¥119	¥5,814	¥ ー	¥5,814

Notes: 1. Ordinary income is presented instead of net sales.
2. The category of "other" includes business segments which are not reportable segments, such as nancial-related services for credit guarantee, credit card and nancial instruments exchange and auxiliary banking services.
3. Adjustments for segment pro t, segment assets, segment liabilities, interest and dividend income and interest expenses are primarily eliminations of internal transactions among segments.

(Additional Information)
Effective the year ended 31st March, 2011, the Bank has applied "Accounting Standard for Segment Information Disclosure" (ASBJ Statement No.17, issued on 27th March, 2009) and "Guidance on Accounting Standard for Segment Information Disclosure" (ASBJ Guidance No.20, issued on 21th March, 2008).

Related Information

Ordinary income by services:

<In 2011>	Millions of yen Loan	Securitirs	Other	Total
Ordinary income from third party customers	**¥111,145**	**¥23,803**	**¥30,175**	**¥165,123**

<In 2011>	Thousands of U.S. dollars Loan	Securitirs	Other	Total
Ordinary income from third party customers	**$1,336,681**	**$286,273**	**$362,899**	**$1,985,855**

Note: Ordinary income is presented instead of net sales.

Impairment Losses on Tangible Fixed Assets by Reportable Segments

<In 2011>	Millions of yen Reportable segment Banking	Other	Total
Impairment losses	**¥1,125**	**¥ ー**	**¥1,125**

<In 2011>	Thousands of U.S. dollars Reportable segment Banking	Other	Total
Impairment losses	**$13,530**	**$ ー**	**$13,530**

Amortization and Balance of Goodwill

<In 2011>	Millions of yen Reportable segment Banking	Other	Total
Goodwill			
Amortization of goodwill	**¥ —**	**¥130**	**¥130**
Balance at end of the year	**¥ —**	**¥516**	**¥516**

<In 2011>	Thousands of U.S. dollars Reportable segment Banking	Other	Total
Goodwill			
Amortization of goodwill	**$ —**	**$1,565**	**$1,565**
Balance at end of the year	**$ —**	**$6,209**	**$6,209**

Note: "Other" mainly consists of services for nancial instruments exchange.

39. Related Party Transactions

(1) Related party transactions for the year ended 31st March, 2011 is as follows:

1. Transactions of the Bank with related individuals, including shareholders and directors

Attribute	Name	Address	Common stock	Business/ occupation	Equity ownership	Relationship	Transactions	Transaction amount	Account	Balance at end of year
Companies owned by the Bank's directors and their close relatives	Yamada Shoji Co.,Ltd.	Chikushino Fukuoka	¥10 (million)	Hotel business	—	Companies owned by close relatives of Bank's director (Yasuyuki Ishida)	Loan	¥148	Loans	¥232
							Guarantee	— (million)	Customer's liabilities for acceptances and guarantees	¥41 (million)

* Terms and conditions of the transactions are similar to those with unrelated parties.

2. There are no relevant transactions of the Bank's consolidated subsidiaries with related parties to report.

(2) Related party transactions for the year ended 31st March, 2010 is as follows:

1. Transactions of the Bank with related individuals, including shareholders and directors

Attribute	Name	Address	Common stock	Business/ occupation	Equity ownership	Relationship	Transactions	Transaction amount	Account	Balance at end of year
Companies owned by the Bank's directors and their close relatives	Yamada Shoji Co.,Ltd.	Chikushino Fukuoka	¥10 (million)	Hotel business	—	Companies owned by close relatives of Bank's director (Yasuyuki Ishida)	Loan	—	Loans	¥240
							Guarantee	—	Customer's liabilities for acceptances and guarantees	¥42 (million)

* Terms and conditions of the transactions are similar to those with unrelated parties.

2. There are no relevant transactions of the Bank's consolidated subsidiaries with related parties to report.

40. Reconciliation of Cash and Cash Equivalents

The reconciliation between "Cash and cash equivalents" in the consolidated statements of cash ows and each account in the consolidated balance sheets is as follows:

	Millions of yen		Thousands of U.S. dollars
	2011	2010	**2011**
Cash and due from banks on the consolidated balance sheets	**¥224,843**	¥275,718	**$2,704,066**
Ordinary deposits (due from banks)	**(1,125)**	(664)	**(13,535)**
Time deposits (due from banks)	**(3,582)**	(5,564)	**(43,083)**
Postal savings	**(1,093)**	(1,255)	**(13,147)**
Other deposits (due from banks)	**(1,283)**	(337)	**(15,430)**
Cash and cash equivalents on the consolidated statements of cash ows	**¥217,758**	¥267,897	**$2,618,867**

41. Per Share Information

	Yen		U.S. dollars
	2011	2010	**2011**
Net assets per share at end of year	**¥406.32**	¥345.00	**$4.886**
Net income per share:			
Basic	**66.98**	26.88	**0.805**
Diluted	**65.04**	24.63	**0.782**

Basis for net assets per share as of 31st March, 2011and 2010 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2011	2010	**2011**
Net assets	**¥351,480**	¥336,661	**$4,227,067**
Items to be deducted from net assets	**28,397**	62,307	**341,519**
Minority interests	**28,397**	26,887	**341,519**
Issue price of preferred stock	–	35,000	–
Preference dividend on preferred stock	–	420	–
Net assets attributable to common stock	**323,083**	274,354	**3,885,548**

	Shares	
	2011	2010
Number of shares of common stock outstanding at end of the year	**795,129,470**	795,215,148

Basis for net income per share for the years ended 31st March, 2011 and 2010 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2011	2010	**2011**
Basic:			
Net income	**¥53,384**	¥21,800	**$642,020**
Items not attributable to common stock	**120**	420	**1,453**
Preference dividend on preferred stock	**—**	420	**—**
Retirement of preferred stock	**120**	—	**1,453**
Net income attribute to common stock	**53,263**	21,380	**640,567**
	Shares		
	2011	2010	
Average number of shares of common stock outstanding during the year	**795,171,900**	795,321,921	

	Millions of yen		Thousands of U.S. dollars
	2011	2010	**2011**
Diluted:			
Adjustments to net income	**¥120**	¥420	**$1,453**
Preference dividend on preferred stock	**—**	420	**—**
Excess of repurchase cost of preferred stock retired over issue price	**120**	—	**1,453**
	Shares		
	2011	2010	
Number of shares of common stock to increase	**25,557,669**	89,697,590	
Preferred stock thereof	**25,557,669**	89,697,590	

42. Cash Dividends

Cash dividends paid during the year ended 31st March, 2011, which were distribution of earned surplus at 31st March, 2010, are as follows:

Resolution	Types	Millioms of yen	Thousands of U.S. dollars
June 29, 2010	Cash dividends (¥4 per share)	**¥3,180**	**$38,254**
Ordinary General Meeting of Shareholders	Preference dividends (¥12 per share)	**¥420**	**$5,051**

Cash dividends paid during the year ended 31st March, 2010, which were distribution of earned surplus at 31st March, 2009, are as follows:

Resolution	Types	Millioms of yen
June 26, 2009	Cash dividends (¥4 per share)	¥3,181
Ordinary General Meeting of Shareholders	Preference dividends (¥12 per share)	¥420

43. Subsequent Event

The following appropriation of earned surplus for the year ended 31st March, 2011 was approved at the shareholders' meeting held on 29th June, 2011:

Resolution	Types	Millions of yen	Thousands of U.S. dollars
June 29, 2011 Ordinary General Meeting of Shareholders	Cash dividends (¥5 per share)	**¥3,975**	**$47,812**

Quarterly Information (Unaudited)

The Nishi-Nippon City Bank, Ltd. and Subsidiaries Year ended 31st March, 2011

	Millioms of yen			
	First Quarter from 1st April, 2010 to 30th June, 2010	Second Quarter from 1st July, 2010 to 30th September, 2010	Third Quarter from 1st October, 2010 to 31st December, 2010	Fourth Quarter from 1st January, 2011 to 31st March, 2011
Ordinary income	**¥42,087**	**¥41,531**	**¥40,805**	**¥40,698**
Income before income taxes and minority interests	**10,379**	**10,856**	**7,899**	**5,100**
Net income	**5,683**	**41,162**	**4,415**	**2,122**

	yen			
	First Quarter from 1st April, 2010 to 30th June, 2010	Second Quarter from 1st July, 2010 to 30th September, 2010	Third Quarter from 1st October, 2010 to 31st December, 2010	Fourth Quarter from 1st January, 2011 to 31st March, 2011
Net income per share	**¥7.14**	**¥51.61**	**¥5.55**	**¥2.66**

	Thousands of U.S. dollars			
	First Quarter from 1st April, 2010 to 30th June, 2010	Second Quarter from 1st July, 2010 to 30th September, 2010	Third Quarter from 1st October, 2010 to 31st December, 2010	Fourth Quarter from 1st January, 2011 to 31st March, 2011
Ordinary income	**$506,162**	**$499,480**	**$490,747**	**$489,464**
Income before income taxes and minority interests	**124,825**	**130,570**	**95,004**	**61,335**
Net income	**68,357**	**495,034**	**53,103**	**25,525**

	U.S. dollars			
	First Quarter from 1st April, 2010 to 30th June, 2010	Second Quarter from 1st July, 2010 to 30th September, 2010	Third Quarter from 1st October, 2010 to 31st December, 2010	Fourth Quarter from 1st January, 2011 to 31st March, 2011
Net income per share	**$0.08**	**$0.62**	**$0.06**	**$0.03**

Non-Consolidated Balance Sheets (Unaudited)

The Nishi-Nippon City Bank, Ltd. 31st March, 2011 and 2010

	Millions of yen		Thousands of U.S. dollars
	2011	2010	**2011**
Assets:			
Cash and due from banks	**¥210,645**	¥261,590	**$2,533,313**
Call loans and bills bought	**10,735**	1,193	**129,113**
Commercial paper and other debt purchased	—	12,201	—
Trading account assets	**3,294**	860	**39,615**
Money held in trust	**2,942**	3,000	**35,388**
Securities	**1,686,148**	1,642,514	**20,278,393**
Loans and bills discounted	**5,016,423**	4,931,582	**60,329,811**
Foreign exchange assets	**10,441**	2,972	**125,571**
Other assets	**46,128**	40,738	**554,764**
Tangible fixed assets	**116,562**	117,042	**1,401,836**
Intangible fixed assets	**3,184**	2,534	**38,297**
Deferred tax assets	**64,089**	40,532	**770,767**
Customers' liabilities for acceptances and guarantees	**34,350**	51,260	**413,118**
Reserve for possible loan losses	**(31,714)**	(47,451)	**(381,410)**
Reserve for devaluation of securities	**(14,056)**	(12,139)	**(169,048)**
Total assets	**¥7,159,176**	¥7,048,434	**$86,099,531**
Liabilities and Net assets:			
Liabilities:			
Deposits	**¥6,426,002**	¥6,303,800	**$77,282,045**
Call money and bills sold	**134,379**	100,341	**1,616,111**
Guarantee deposits received under securities lending transactions	**44,459**	29,554	**534,689**
Borrowed money	**56,834**	97,857	**683,518**
Foreign exchange liabilities	**101**	241	**1,222**
Bonds	**78,300**	92,000	**941,671**
Other liabilities	**31,940**	31,476	**384,125**
Reserve for bonuses to directors and corporate auditors	**49**	—	**589**
Reserve for employee retirement benefits	**9,717**	10,444	**116,861**
Reserve for retirement benefits for directors and corporate auditors	**598**	863	**7,192**
Reserve for reimbursement of deposits	**1,012**	1,003	**12,174**
Reserve for other contingent losses	**2,051**	1,455	**24,666**
Deferred tax liabilities on revaluation of premises	**21,813**	21,960	**262,337**
Acceptances and guarantees	**34,350**	51,260	**413,118**
Total liabilities	**6,841,609**	6,742,259	**82,280,326**
Net assets:			
Capital stock	**85,745**	85,745	**1,031,215**
Capital surplus	**85,684**	85,684	**1,030,475**
Earned surplus			
Legal reserve	**61**	61	**739**
Voluntary reserves	**98,303**	81,426	**1,182,245**
Unapporopriated retained earnings	**17,443**	20,478	**209,787**
Treasury stock	**(661)**	(643)	**(7,949)**
Total shareholders' equity	**286,577**	272,752	**3,446,515**
Net unrealized gains on securities available for sale, net of taxes	**3,000**	5,452	**36,079**
Net deferred losses on hedging instruments, net of taxes	**(0)**	(1)	**(4)**
Revaluation of premises, net of taxes	**27,989**	27,970	**336,613**
Total valuation and translation adjustments	**30,989**	33,421	**372,688**
Total net assets	**317,566**	306,174	**3,819,204**
Total liabilities and net assets	**¥7,159,176**	¥7,048,434	**$86,099,531**

See accompanying Notes to Non-Consolidated Financial Statements.

Non-Consolidated Statements of Income (Unaudited)

The Nishi-Nippon City Bank, Ltd. Years ended 31st March, 2011 and 2010

	Millions of yen		Thousands of U.S. dollars
	2011	2010	**2011**
Income:			
Interest income:			
Interest on loans and discounts	**¥100,702**	¥105,135	**$1,211,099**
Interest and dividends on securities	**19,144**	18,654	**230,240**
Other interest income	**211**	364	**2,548**
Fees and commissions	**23,859**	24,265	**286,947**
Trading income	**31**	67	**381**
Other operating income	**3,939**	4,503	**47,375**
Other income	**8,389**	5,995	**100,901**
Total income	**156,279**	158,985	**1,879,493**
Expenses:			
Interest expenses:			
Interest on deposits	**9,000**	14,160	**108,244**
Interest on call money and bills sold	**288**	262	**3,468**
Interest on borrowings	**1,429**	1,489	**17,187**
Other interest expenses	**2,069**	2,118	**24,892**
Fees and commissions	**10,897**	11,043	**131,057**
Trading expenses	**0**	—	**2**
Other operating expenses	**3,981**	3,149	**47,886**
General and administrative expenses	**78,380**	76,244	**942,633**
Other expenses	**19,634**	16,308	**236,134**
Total expenses	**125,681**	124,776	**1,511,508**
Income before income taxes	**30,597**	34,208	**367,985**
Income taxes:			
Current	**58**	74	**699**
Deferred	**(22,047)**	13,787	**(265,151)**
Total income taxes	**(21,989)**	13,862	**(264,452)**
Net income	**¥52,587**	¥20,345	**$632,437**

See accompanying Notes to Non-Consolidated Financial Statements.

Non-Consolidated Statements of Changes in Net Assets (Unaudited)

The Nishi-Nippon City Bank, Ltd. Years ended 31st March, 2011 and 2010

	Millions of yen		Thousands of U.S. dollars
	2011	2010	**2011**
Shareholders' equity			
Capital stock			
Balance at end of the previous year	**¥85,745**	¥85,745	**$1,031,215**
Changes during the year			
Total changes during the year	**—**	—	**—**
Balance at end of the current year	**¥85,745**	¥85,745	**$1,031,215**
Capital surplus:			
Capital reserve			
Balance at end of the previous year	**¥85,684**	¥85,684	**$1,030,475**
Changes during the year			
Total changes during the year	**—**	—	**—**
Balance at end of the current year	**¥85,684**	¥85,684	**$1,030,475**
Eaned surplus:			
Legal reserve			
Balance at end of the previous year	**¥61**	¥61	**$739**
Changes during the year			
Total changes during the year	**—**	—	**—**
Balance at end of the current year	**¥61**	¥61	**$739**
Other earned surplus:			
Reserve for deffered capital gains			
Balance at end of the previous year	**¥3**	¥3	**$44**
Changes during the year			
Transfer from reserve for deferred capital gains	**(0)**	(0)	**(1)**
Total changes during the year	**(0)**	(0)	**(1)**
Balance at end of the current year	**¥3**	¥3	**$42**
Other voluntary reserves			
Balance at end of the previous year	**¥81,422**	¥76,039	**$979,223**
Changes during the year			
Transfer to other voluntary reserves	**16,877**	5,382	**202,979**
Total changes during the year	**16,877**	5,382	**202,979**
Balance at end of the current year	**¥98,300**	¥81,422	**$1,182,203**
Unappropriated retained earnings			
Balance at end of the previous year	**¥20,478**	¥8,984	**$246,285**
Changes during the year			
Cash dividends paid	**(3,600)**	(3,601)	**(43,305)**
Transfer from reserve for deferred capital gains	**0**	0	**1**
Transfer to other voluntary reserves	**(16,877)**	(5,382)	**(202,979)**
Net income	**52,587**	20,345	**632,437**
Sale of treasury stock	**(3)**	(9)	**(43)**
Retirement of treasury stock	**(35,120)**	—	**(422,379)**
Reversal of revaluation of premises	**(19)**	142	**(229)**
Total changes during the year	**(3,034)**	11,494	**(36,497)**
Balance at end of the current year	**¥17,443**	¥20,478	**$209,787**
Total earned surplus			
Balance at end of the previous year	**¥101,966**	¥85,089	**$1,226,293**
Changes during the year			
Cash dividends paid	**(3,600)**	(3,601)	**(43,305)**
Transfer from reserve for deferred capital gains	**—**	—	**—**
Transfer to other voluntary reserves	**—**	—	**—**
Net income	**52,587**	20,345	**632,437**
Sale of treasury stock	**(3)**	(9)	**(43)**
Retirement of treasury stock	**(35,120)**	—	**(422,379)**
Reversal of revaluation of premises	**(19)**	142	**(229)**
Total changes during the year	**13,842**	16,876	**166,480**
Balance at end of the current year	**¥115,809**	¥101,966	**$1,392,773**

The Nishi-Nippon City Bank, Ltd. Years ended 31st March, 2011 and 2010

	Millions of yen		Thousands of U.S. dollars
	2011	2010	**2011**
Treasury stock			
Balance at end of the previous year	**(¥643)**	(¥615)	**($7,733)**
Changes during the year			
Acquisition of treasury stock	**(35,147)**	(49)	**(422,701)**
Sale of treasury stock	**8**	21	**106**
Retirement of treasury stock	**35,120**	—	**422,379**
Total changes during the year	**(17)**	(27)	**(216)**
Balance at end of the current year	**(¥661)**	(¥643)	**($7,949)**
Total shareholders' equity			
Balance at end of the previous year	**¥272,752**	¥255,903	**$3,280,251**
Changes during the year			
Cash dividends paid	**(3,600)**	(3,601)	**(43,305)**
Net income	**52,587**	20,345	**632,437**
Acquisition of treasury stock	**(35,147)**	(49)	**(422,701)**
Sale of treasury stock	**5**	11	**62**
Retirement of treasury stock	**—**	—	**—**
Reversal of revaluation of premises	**(19)**	142	**(229)**
Total changes during the year	**13,824**	16,849	**166,263**
Balance at end of the current year	**¥286,577**	¥272,752	**$3,446,515**
Valuation and translation adjustments			
Net unrealized gains (losses) on securities available for sale, net of taxes			
Balance at end of the previous year	**¥5,452**	(¥19,953)	**$65,579**
Changes during the year			
Net changes in items other than shareholders' equity	**(2,452)**	25,406	**(29,499)**
Total changes during the year	**(2,452)**	25,406	**(29,499)**
Balance at end of the current year	**¥3,000**	¥5,452	**$36,079**
Net deferred losses on hedging instruments, net of taxes			
Balance at end of the previous year	**(¥1)**	(¥2)	**($19)**
Changes during the year			
Net changes in items other than shareholders' equity	**1**	0	**14**
Total changes during the year	**1**	0	**14**
Balance at end of the current year	**(¥0)**	(¥1)	**($4)**
Revaluation of premises, net of taxes			
Balance at end of the previous year	**¥27,970**	¥28,112	**$336,384**
Changes during the year			
Net changes in items other than shareholders' equity	**19**	(142)	**229**
Total changes during the year	**19**	(142)	**229**
Balance at end of the current year	**¥27,989**	¥27,970	**$336,613**
Total valuation and translation adjustments			
Balance at end of the previous year	**¥33,421**	¥8,156	**$401,945**
Changes during the year			
Net changes in items other than shareholders' equity	**(2,432)**	25,264	**(29,256)**
Total changes during the year	**(2,432)**	25,264	**(29,256)**
Balance at end of the current year	**¥30,989**	¥33,421	**$372,688**
Total net assets			
Balance at end of the previous year	**¥306,174**	¥264,060	**$3,682,196**
Changes during the year			
Cash dividends paid	**(3,600)**	(3,601)	**(43,305)**
Net income	**52,587**	20,345	**632,437**
Acquisition of treasury stock	**(35,147)**	(49)	**(422,701)**
Sale of treasury stock	**5**	11	**62**
Reversal of revaluation of premises	**(19)**	142	**(229)**
Net changes in items other than shareholders' equity	**(2,432)**	25,264	**(29,256)**
Total changes during the year	**11,392**	42,114	**137,007**
Balance at end of the current year	**¥317,566**	¥306,174	**$3,819,204**

See accompanying Notes to Non-Consolidated Financial Statements.

Notes to Non-Consolidated Financial Statements (Unaudited)

The Nishi-Nippon City Bank, Ltd. Years ended 31st March, 2011 and 2010

1. Basis of Presentation of Financial Statements

The accompanying non-consolidated financial statements of The Nishi-Nippon City Bank, Ltd. (the Bank) have been prepared from the accounts maintained by the Bank in accordance with the provisions set forth in the Japanese Corporation Law, the Banking Law, and accounting principles generally accepted in Japan, which are different in certain respects as to the application and disclosure requirements of International Financial Reporting Standard.

2. Other Accounting Principles and Practices Employed by the Bank

Accounting principles employed by the Bank in preparing the accompanying non-consolidated financial statements which have significant effects thereon, are explained in Note 2 of the Notes to Consolidated Financial Statements.

Report of Independent Auditors

The Board of Directors
The Nishi-Nippon City Bank, Ltd.

We have audited the accompanying consolidated balance sheets of The Nishi-Nippon City Bank, Ltd. and consolidated subsidiaries as of March 31, 2011 and 2010, and the related consolidated statements of income, changes in net assets, and cash flows for the years then ended and consolidated statement of comprehensive income for the year ended March 31, 2011, all expressed in yen. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of The Nishi-Nippon City Bank, Ltd. and consolidated subsidiaries at March 31, 2011 and 2010, and the consolidated results of their operations and their cash flows for the years then ended in conformity with accounting principles generally accepted in Japan.

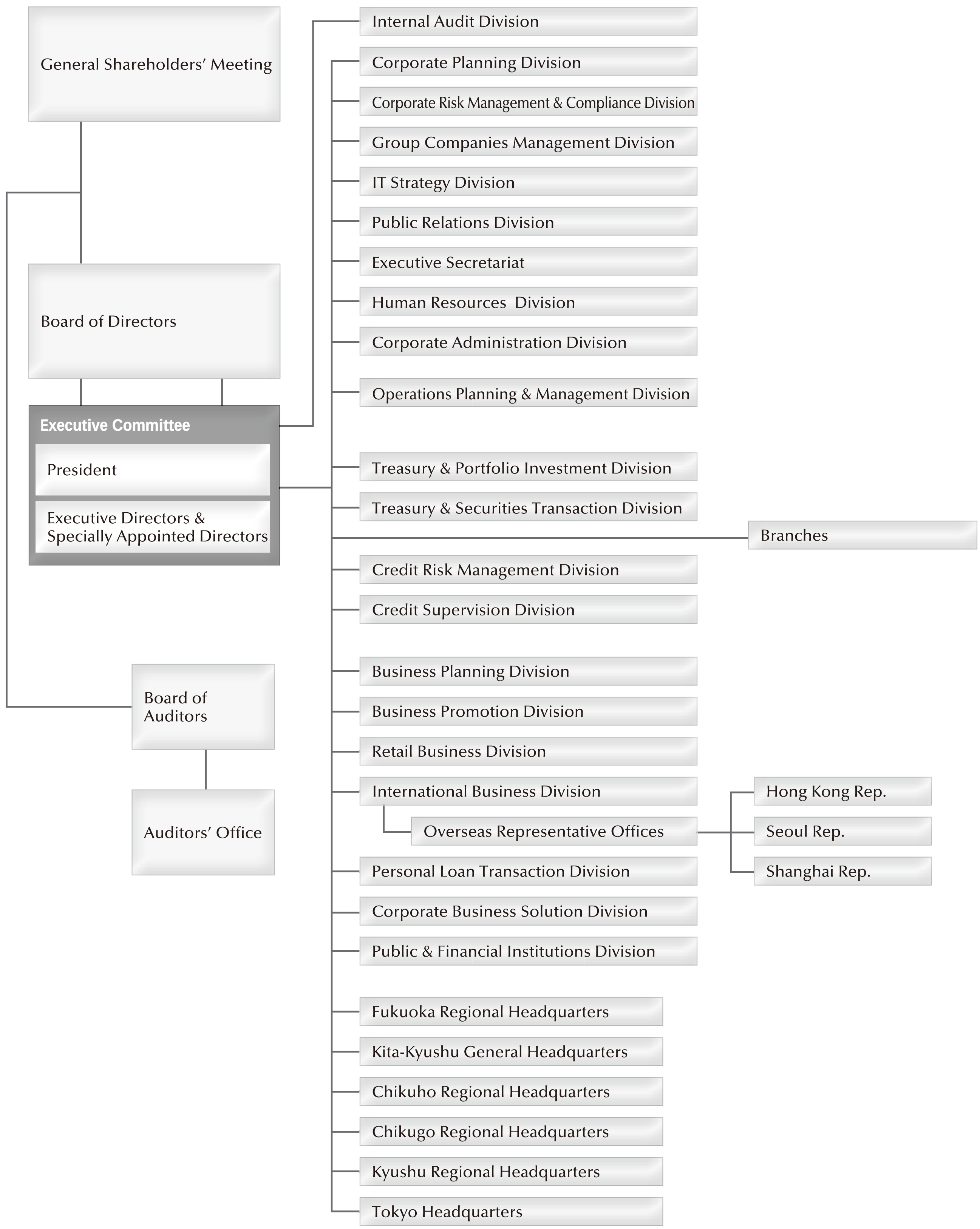
The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2011 are presented solely for convenience. Our audit also included the translation of yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 1.

Ernst & Young ShinNihon LLC

June 29, 2011

Ernst & Young ShinNihon LLC

Organization Chart



(as of June 30, 2011)

Corporate Data

Head Office:
1-1, Hakata-ekimae 3-chome, Hakata-ku,
Fukuoka 812-0011, Japan
Phone: (092) 476-2481

Established:
December 1, 1944

Paid-up Capital:
¥85,745 million

Number of Shareholders:
Ordinary shares: 13,544

Number of Employees:
3,881

Number of Domestic Offices:
208

Number of Correspondent Banks:
130

Major Shareholders (common stock):

Name	Shares held (thousands)	(%)
Japan Trustee Services Bank, Ltd. (Trust Account)	96,778	12.14
Japan Trustee Service Bank, Ltd. (Trust Account No. 4)	49,385	6.19
The Master Trust Bank of Japan, Ltd. (Trust Account)	31,848	3.99
Nippon Life Insurance Company	20,477	2.57
Tokyo Marine & Nichido Fire Insurance Co., Ltd.	12,736	1.59
Mizuho Corporate Bank, Ltd.	11,507	1.44
Resona Bank, Ltd.	11,000	1.38
Meiji Yasuda Life Insurance Company	10,945	1.37
Sumitomo Mitsui Banking Corporation	10,748	1.34
JA Mitsui Leasing, Ltd.	10,089	1.26

(as of March 31, 2011)

International Network

INTERNATIONAL BUSINESS DIVISION
3-6, Hakata-ekimae 1-chome, Hakata-ku,
Fukuoka 812-0011, Japan
Phone: +81-92-476-2481
SWIFT: NISIJPJTFKK
Fax: +81-92-476-2488

TREASURY & PORTFOLIO INVESTMENT DIVISION
11-8, Kyobashi 1-chome, Chuo-ku, Tokyo 104-0031, Japan
Phone: +81-3-3561-9306
SWIFT: NISIJPJT
Fax: +81-3-3561-4365

HONG KONG REPRESENTATIVE OFFICE
Suite 1006, One Pacific Place, 88 Queensway, Hong Kong
Phone: +852-2526-2259
Fax: +852-2845-9264

SEOUL REPRESENTATIVE OFFICE
6th Fl, The Exchange Seoul Bldg., 21 Mugyo-ro, Chung-ku,
Seoul 100-170, Republic of Korea
Phone: +82-2-755-0670
Fax: +82-2-756-2160

SHANGHAI REPRESENTATIVE OFFICE
Room No.2209 Shanghai International Trade Center,
2201 Yan-An Road (W.), Chang Ning District,
Shanghai, People's Republic of China
Phone: +86-21-6219-0600
Fax: +86-21-6278-5940

THE NISHI-NIPPON CITY BANK, LTD.

1-1, Hakata-ekimae 3-chome, Hakata-ku,
Fukuoka, 812-0011, Japan
Phone: (092) 476-2481

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Annual Report 2011

Printed in Japan