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   ears ended 31st March, 2011 and 2010

	Millions of yen		Thousands of U.S. dollars(Note 1)
	2011	2010	2011
I as s e atin a ti ities:			
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 xed assets	1,125	387	13,530
Amortization of goodwill	130	9	1,565
Equity in losses of nonconsolidated subsidiaries and af liate	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 bene ts	(753)	(16)	(9,056)
(Decrease) increase in reserve for retirement bene ts 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 xed 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 certi cates 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

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 asis esentati n ns lidated inan ial tate ents

The accompanying consolidated nancial 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 apan, which are different in certain respects as to the application and disclosure requirements of International Financial Reporting Standards, and are compiled from the consolidated nancial statements prepared by the Bank as required by the Financial Instruments and Exchange Law of apan.

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

Solely for the convenience of readers outside apan, certain items in the original nancial statements have been reclassi ed 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 nancial 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 apan. A rate of ¥83.15 U.S. 1.00, the exchange rate on 31st March, 2011, has been used in translation.

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

2 a i ni ant A ntin li ies

a Scope o Consolidation

The consolidated nancial 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 artnership was excluded from consolidation due to its insigni cance in 2010.
The Nishi-Nippon Challenge 2, Limited artnership was excluded from consolidation due to its insigni cance in 2011 and 2010.

pplication o ity et od

The number of non-consolidated subsidiaries and af liates, 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 af liates 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 af liates 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
anuary 14	1	1
March 31	11	10

A subsidiary with the closing date of anuary 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 ading cco nt ssets and ia ilities

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 Sec ities

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.

e i ati es

Derivatives held or written are stated at fair value.

g angi le Fi ed ssets e cl ding 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.

ntangi le Fi ed ssets e cl ding 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 eased ssets

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 ese e o t e Contingent osses

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.

ese e nde t e Special a s

Reserve under the special laws is a legal reserve for nancial 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 apan 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 Of ce Ordinance relating to the nancial instruments business.

Fo eign C ency anslation

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

s cco nting o eases

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 edge cco nting

① edge 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 (IC A 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 edge accounting for foreign exchange rate risk

The Bank applies the deferred method as hedge accounting for foreign exchange risks of various foreign currency-denominated nancial assets and liabilities in accordance with Accounting and Auditing Treatment for Accounting for Foreign Currency Transactions in Banking Industry (IC A 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 nancial 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 nancial 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 IC A 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.

mo ti ation o ood ill

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

Cas and Cas i alents in t e Consolidated Statements o Cas Flo s

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

al ation o ssets and ia ilities o Consolidated S sidia ies

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

e S a e n o mation

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 Bene ts Effective the year ended 31st March, 2010, the Bank has applied "Partial Amendments to Accounting Standard for Retirement Bene ts (Part 3)" (ASBJ Statement No. 19, issued on 31st July, 2008). This change has no material effect on the consolidated nancial 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 Of ce Ordinance Partially Revising Regulation on Terminology, Forms and Preparation of Financial Statements" (Cabinet Of ce 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 adin A nt 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 e ities

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

	Millions of yen		Thousands of U.S. dollars
	2011	2010	2011
apanese government bonds	¥606,543	¥538,613	$7,294,572
apanese 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 L ans and ills is nted

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 (IC A 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 financial 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 quantification 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 office 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 office) from the department responsible for business administration (back office). 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 office) 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 offices.

In addition, the Group is working to achieve stable profits 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 financial 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 five years, a confidence 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 sufficient 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 significant 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 fluid 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 financial instruments

The fair value of financial 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 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) 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 nancial 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 nancial institutions. The fair value of foreign securities is based on the price quoted by the correspondent nancial institutions or the nancial information vendors.

The fair value of private placement bonds with the Bank's own guarantee is based on the present value of future cash ows 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 oating-rate JGBs is based on future cash ows 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 oating interest rates re ect 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 signi cantly since origination. Thus, the carrying value of such loans is treated as the fair value. The fair value of loans and bills discounted with xed 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 ows 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: Total	Over one year	Fair value	Unrealized 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: Total	Over one year	Fair value	Unrealized 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	Interest rate swaps	Loans and bills			
for interest rate	Receive- xed and pay- oating	discounted,	¥7,046	¥7,046	
swaps	Receive- oating and pay- xed	and deposits	184,963	184,963	(Note 2)
	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	Interest rate swaps	Loans and bills			
for interest rate	Receive- xed and pay- oating	discounted,	$84,750	$84,750	
swaps	Receive- oating and pay- xed	and deposits	2,224,452	2,224,452	(Note 2)
	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	Millions of yen: Contract value: Over one year	Millions of yen: 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	Thousands of U.S. dollars: Contract value: Over one year	Thousands of U.S. dollars: 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	Millions of yen: Contract value: Over one year	Millions of yen: Fair value	Millions of yen: 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	Millions of yen: Contract value: Over one year	Millions of yen: Fair value	Millions of yen: 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

			Millions of yen		
			Contract value		
Hedge accounting method	Type of transactions	Hedged item	Total	Over one year	Fair value
Special treatment for interest rate swaps	Interest rate swaps	Loans and bills discounted, and deposits			
	Receive-fixed and pay-floating		¥56,302	¥11,056	
	Receive-floating and pay-fixed		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 flows 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

			Millions of yen		
			Contract value		
Hedge accounting method	Type of transactions	Hedged item	Total	Over one year	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 flows and others.

34. Reserve for Employee Retirement Benefits

(1) Description of the retirement benefit plan

The Bank and its domestic consolidated subsidiaries adopt defined benefit plans such as occupational pension fund plans, tax-qualified pension plans, and lump-sum payment plans. The Bank may also pay additional retirement benefits which are not subject to actuarial calculation.

The Bank has established a retirement benefit 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-qualified 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		Thousands of U.S. dollars
	2011	2010	2011
Projected benefit obligation	(¥55,954)	(¥55,568)	($672,931)
Plan assets	42,906	42,379	516,008
Projected benefit 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 benefits	(¥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 first day of the year ended 31st March, 2011

Not applicable because the first 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 efficiency 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 financial intermediary function as a regional financial 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 offices and commercial fixed-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 offices 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 first 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 fixed assets:	¥3 million ($47 thousand)
Adjustment for passage of time:	¥16 million ($194 thousand)
Decrease due to fulfillment 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, pro t 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 pro t	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 xed 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 pro t	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 xed 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 nancial-related services for credit guarantee, credit card and nancial instruments exchange and auxiliary banking services.
3. Adjustments are as follows.
(1) The segment pro t 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.

	Millions of yen				
	Reportable segment				
<In 2010>	Banking	Other	Total	Adjustments	Consolidated
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
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	―	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	¥ ―	¥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:

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

	Thousands of U.S. dollars			
<In 2011>	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

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

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

Amortization and Balance of Goodwill

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

	Thousands of U.S. dollars		
	Reportable segment		
<In 2011>	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 xed assets	116,562	117,042	1,401,836
Intangible xed 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 bene ts	9,717	10,444	116,861
Reserve for retirement bene ts 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