



NISHI-NIPPON CITY BANK

# Annual Report

# 2012



THE NISHI-NIPPON CITY BANK, LTD.



# Profile

The Nishi-Nippon City Bank Group, headquartered in the city of Fukuoka (population 1.49 million) the largest urban center in Kyushu, a gateway to Asia, comprises the parent bank, 10 consolidated subsidiaries, and one affiliate. While banking services are its prime focus, the Group also provides a full range of financial services, including securities, credit guarantees and credit card services, as well as credit management and business consulting services.

In our core banking services, we have provided community-oriented financial services to a customer base comprised mainly of individuals and small and medium-sized enterprises (SME) in the Kyushu Region in Japan. As of March 31, 2012, the Bank has a network of 206 branches including head office and sub-branches. It also maintains representative offices in Hong Kong, Seoul, and Shanghai. The Bank supports the overseas business expansion of local companies through its service alliances with overseas financial institutions, mainly in China, South Korea, Vietnam, Thailand, and Indonesia.

## Consolidated Financial Highlights

The Nishi-Nippon City Bank, Ltd. and its consolidated subsidiaries  
Years ended March 31, 2012 and 2011

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2012	2011	2012
Total income	¥164,616	¥172,830	\$2,002,872
Total expenses	123,271	138,594	1,499,835
Income before income taxes and minority interests	41,344	34,235	503,036
Net income	17,972	53,384	218,667
Yen			U.S. dollars
Net income per share	¥22.60	¥66.98	\$0.27

The Nishi-Nippon City Bank, Ltd. and its consolidated subsidiaries  
March 31, 2012 and 2011

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2012	2011	2012
Total assets	¥7,670,937	¥7,401,749	\$93,331,756
Deposits	6,665,687	6,592,902	81,100,953
Loans and bills discounted	5,389,886	5,229,084	65,578,376
Securities	1,722,791	1,635,176	20,961,079
Capital stock	85,745	85,745	1,043,260
Total net assets	373,541	351,480	4,544,857

Notes: 1. Translation into U.S. dollars (solely for the convenience of readers outside Japan) has been made at the exchange rate of ¥82.19 to U.S.\$1.  
2. In this report, Japanese yen figures are rounded down to the nearest million yen.

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# Message from the President

**Aiming to be the leading bank in Kyushu, providing customer-focused comprehensive financial services while simultaneously strengthening profitability**

I would like to thank you, our shareholders, for your continued loyal support of the Nishi-Nippon City Bank Group. In the following message, I describe the business performance of the Nishi-Nippon City Bank for the fiscal year ended March 2012.



Isao Kubota, *President*

## Business conditions in the fiscal year ended March 31, 2012

In fiscal 2011, the Japanese economy was severely affected by the Great East Japan Earthquake and nuclear power plants' accident, and resulting power supply issues. However, there were also signs of recovery as production activity was restored along with the re-establishment of supply chains, and various government measures took effect. Nonetheless, the recovery only proceeded at a gradual pace due to fears of a global economic slowdown prompted by the European financial crisis, the strong yen, the adverse impact of the Thai floods on corporate results, and other factors, and economic prospects remain uncertain.

The economy of the Bank's operational base of Kyushu performed strongly during the reporting term, supported by its growing role as a corporate production base following the redistribution of industrial operations around Japan after the earthquake, and by solid exports to the United States and emerging markets. In particular, the region felt the economic benefits of the opening of the Kagoshima Route of the Kyushu Shinkansen (which connects Fukuoka in the north of Kyushu with Kagoshima in the south), and the opening of JR Hakata City, Japan's largest in-station shopping mall.

In these circumstances, the Nishi-Nippon City Bank Group has been engaged in providing comprehensive financial services with a high level of expertise and user-friendliness, and in further enhancing business efficiency through exhaustive cost savings, based on the Bank's new medium-term business plan "New Stage 2011 — Act with Vigor!" (from April 1, 2011 to March 31, 2014).

In the consolidated fiscal year ended March 31, 2012, total income fell ¥8,214 million year on year to ¥164,616 million (\$2,002 million). Income before income taxes and minority interests came to ¥41,344 million (\$503 million), a solid increase of ¥7,108 million year on year. Net income fell ¥35,411 million year on year to ¥17,972 million (\$218 million).

## Growth recorded in balances of loans and deposits

As of the end of fiscal 2011, the Bank had total loan assets of ¥5,177.9 billion (\$62,999 million) on a non-consolidated basis, an increase of ¥161.4 billion during the year, as a result of efforts to provide consistent funding to local customers. Loans to customers in Kyushu accounted for ¥4,735.3



billion (\$57,615 million), or 91.4% of the total. Loans to SMEs and individuals accounted for 77.2% of all loans, underlying our commitment to actively meeting the diverse financing needs of local SMEs and individual customers.

The corresponding year-end balance of deposits, including Certificates of Deposit, increased by ¥35.5 billion to ¥6,461.5 billion (\$78,617 million), primarily due to growth in deposits from individuals. Kyushu-area customers accounted for ¥6,279.3 billion (\$76,400 million), or 97.1% of the total balance.

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### Proactive support for local companies' development and their overseas business

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The Bank proactively supports local companies in a diversity of areas. In March 2012, we held a forum to support our local customers in expanding their sales channels, to which a large company developing general merchandise stores in the Kanto area was invited as a buyer. We also held a Sales Channel Development Seminar during the year, to which we invited lecturers with extensive experience in the retail sector.

We also held a healthcare seminar to support the management of healthcare institutions, as well as a seminar tailored to food security and safety requirements, targeting managers and quality control personnel in the food sector.

Concerning our support for clients' overseas business, in April 2012 an International Consulting Office was set up at Group company NCB Research & Consulting. Staff with in-depth knowledge of business conditions in China and the ASEAN countries provide comprehensive concierge-style solutions, including various consultations on moving into overseas markets and doing business with overseas companies, and the provision of a wide range of information.

In addition, as a means of supporting development of the infrastructure necessary for local companies' overseas activities, we were the first regional bank to participate in a syndicated loan for a hydropower plant construction project in Vietnam involving private sector companies. With this loan, credit and other risks have been minimized, including a 100% guarantee by the Vietnamese government

with regard to repayment of the principal and interest.

Concerning China-related business, in February 2012 we dispatched a trainee to the Dalian Development Zone branch of the Bank of China, having previously sent trainees to the Shanghai branch of the same bank, reflecting our focus on these cities as growth areas. In December 2011, we co-hosted a China Seminar with the Bank of China, to provide information for local SMEs to assist with their China business.

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### Working in partnership with individual customers and the region

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Nishi-Nippon City Bank is also working to strengthen its service lineup to meet the varying needs that arise at the different life-stages of its individual customers, including personalized consultations by Money Advisors. The Nishi-Nippon City Bank's Daimyo Branch Building is a dedicated base for home loans, life insurance, asset management, and pension benefits, and is open on weekends and after 15:00 on weekdays for the convenience of our customers. In July 2012, our securities brokerage subsidiary, Nishi-Nippon City Tokai Tokyo Securities Co., Ltd., established the Shingu Branch, its seventh branch, within Nishi-Nippon City Bank's Shingu Branch.

Meanwhile, as part of our CSR activities, we are actively introducing a customer-friendly universal design at our new branches, with barrier-free facilities and environmentally-friendly eco facilities. This was introduced at three branches in fiscal 2011, and at one branch in April 2012. Furthermore, all of our branches are equipped with at least one ATM designed for visually impaired persons.

Going forward, we will continue with our efforts to create easy-to-use branches for all of our customers.

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### Steady implementation of new medium-term business plan

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Given the continued stagnation and growing sense of uncertainty surrounding the Japanese economy, we expect



business conditions to remain challenging next year.

In these circumstances, the Nishi-Nippon City Bank Group is pushing forward to become the No.1 bank in Kyushu by providing our customers with top-level products and services, for mutual prosperity, as set out in our new medium-term plan “New Stage 2011 — Act with Vigor!” launched in fiscal 2011.

Based on the recognition that regional banks have no future without the revitalization of the regions, we remain committed to contributing to the development of the local economy through the implementation of this business plan, “acting with vigor,” by all of our board members and

employees, while also enhancing our business performance by bolstering our earning power.

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



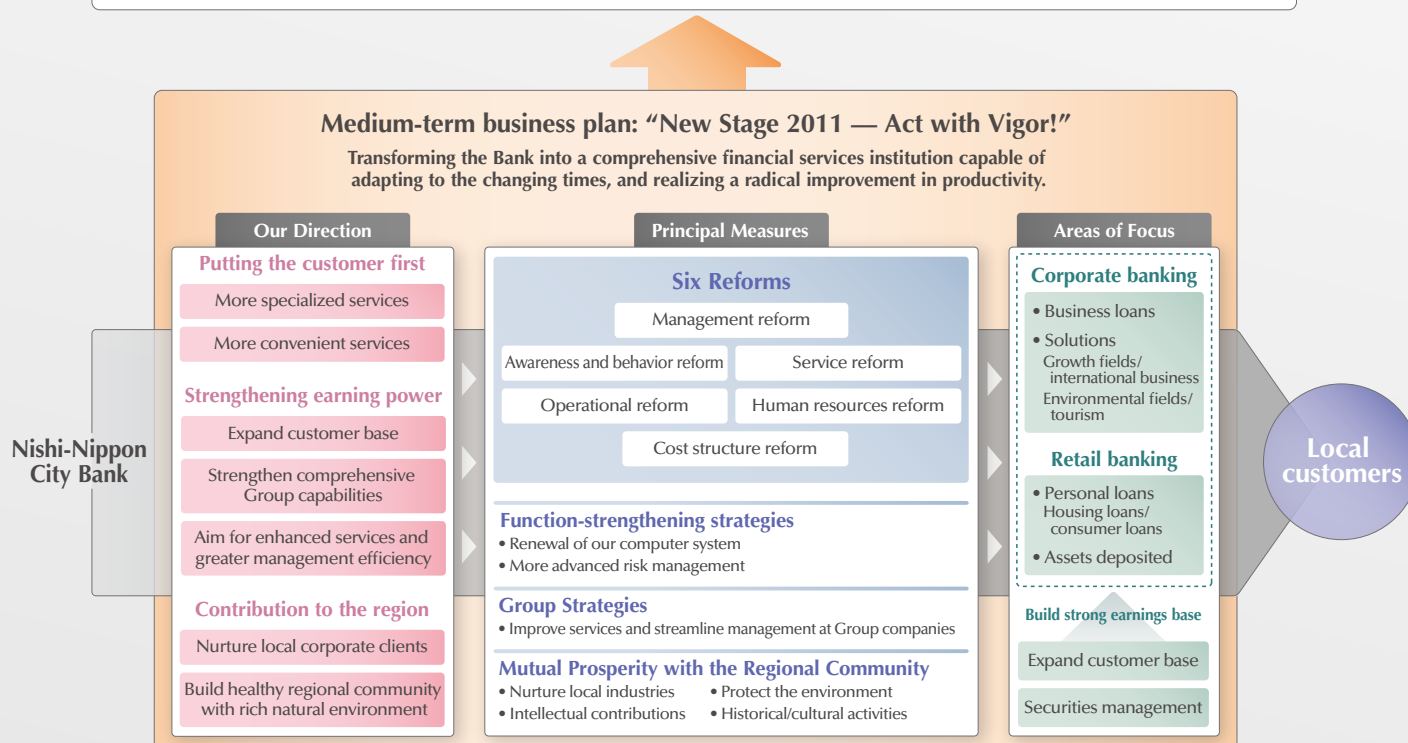
Isao Kubota,  
President

## Outline of the Bank's medium-term business plan: “New Stage 2011 — Act with Vigor!”

Plan period: Three years from April 2011 to March 2014

### Our Goal

**To become the No.1 bank in Kyushu  
by providing top-level products and services to our customers for mutual prosperity**





# Toward a Sounder Financial Position

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

## NPL Ratio increases by 0.39 percentage points to 3.20%

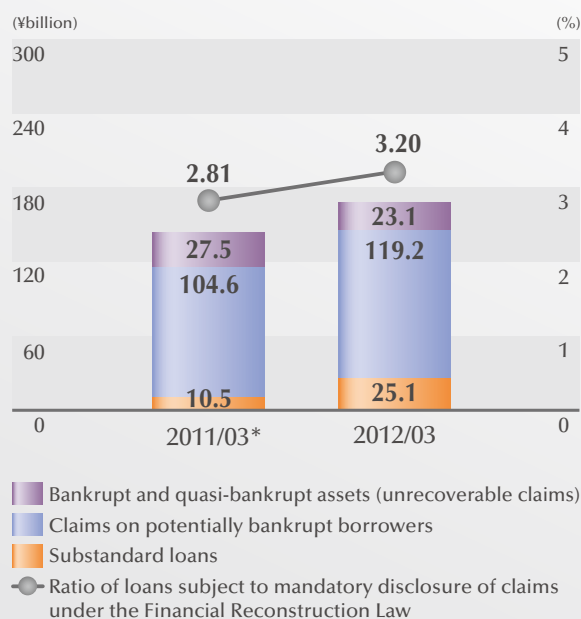
The Bank carries out write-offs and provision of reserves for its NPLs according to strict standards, based on self-assessment of assets. As of March 31, 2012, the Bank's NPL balance (subject to mandatory disclosure of claims under the Financial Reconstruction Law, non-consolidated basis) increased by ¥24.7 billion year on year, to ¥167.5 billion. As a result, the NPL ratio increased to 3.20%, up 0.39 percentage points year on year compared with 2.81% for previous fiscal year-end. The coverage ratio for loans subject to mandatory disclosure of claims under the Financial Reconstruction Law is 84.77% through collateral, guarantees, and the reserve for possible loan losses. Coverage ratio for bankrupt and quasi-bankrupt assets is 100%.

## Capital Ratio (consolidated) is 10.67%

The capital ratio as of March 31, 2012 stood at 10.45% (an increase of 0.13 of a percentage point year on year) on a non-consolidated basis and 10.67% (an increase of 0.06 of a percentage point year on year) on a consolidated basis. These figures are significantly higher than the minimum level of 4% required for banks operating in Japan.

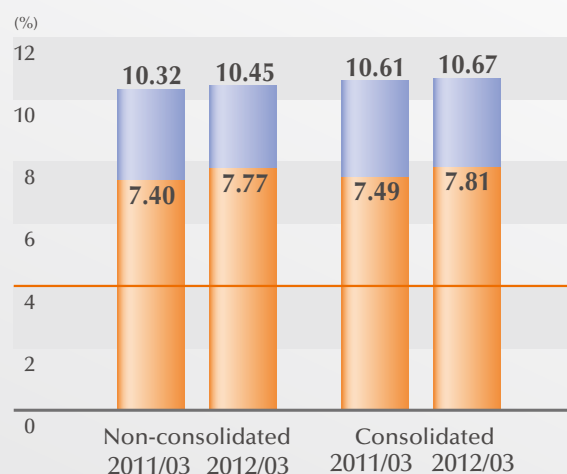
The core Tier I ratio stood at 7.77% on a non-consolidated basis and 7.81% on a consolidated basis, with both figures exceeding the levels of the previous fiscal year. We will be implementing measures to further strengthen our capital adequacy and raise the capital ratio.

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



\*Included in figures for 2011/03 are figures for a split-off subsidiary liquidated in the first quarter of 2012/03.

### Capital ratio



Minimum level required for banks operating in Japan: 4

■ Capital ratio ■ Tier I ratio



# Risk Management Systems

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

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

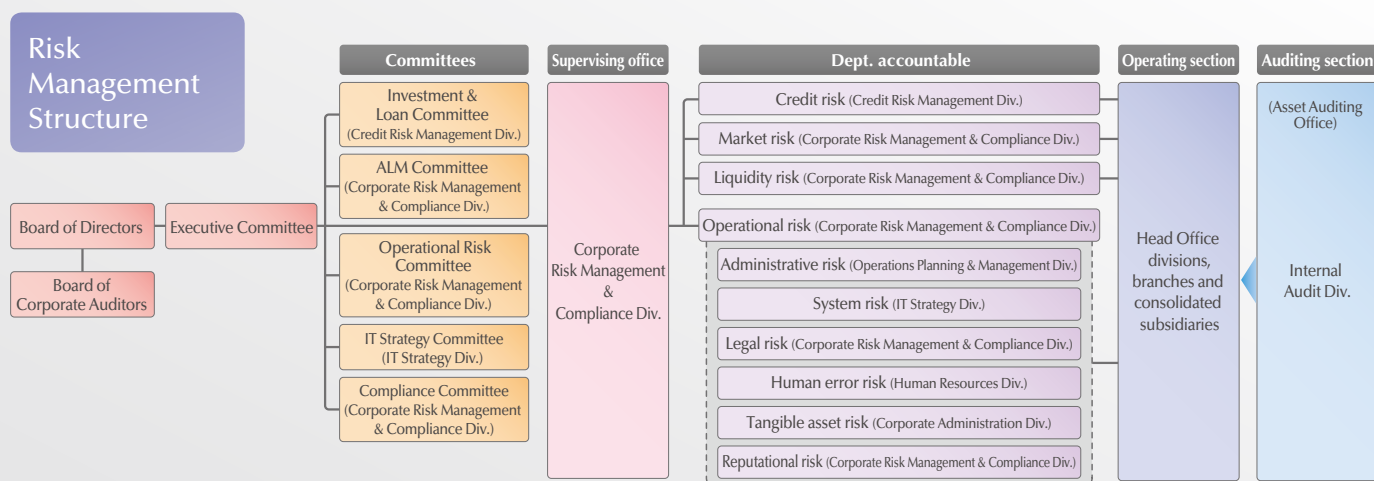
**Credit Risk Management:** Credit risk is ranked as the top priority risk category, and we are working to exert even tighter control over the Bank's credit risk. This is done in accordance with the Bank's Credit Risk Management Policy and Credit Policy. Strict standards are applied to the screening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

and based on the outcomes, we audit the appropriateness of write-offs and provisions for loan-loss reserves.

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

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

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





# Board of Directors and Corporate Auditors



**Masahiro Honda**  
*Chairman*



**Isao Kubota**  
*President*



**Kazushige Higuchi**  
*Deputy President*

Chairman	Masahiro Honda
President	Isao Kubota
Deputy President	Kazushige Higuchi
Representative Executive Directors	Seiji Isoyama Hiromichi Tanigawa
Executive Directors	Shigeru Urayama Kiyota Takata Souichi Kawamoto
Managing Directors	Sadamasa Okamura Yasuyuki Ishida Hiroyuki Irie Michiharu Kitazaki

Director (outside)	Yasumichi Hinago
Corporate Auditors	
(Senior Corporate Auditor)	Akira Mitsutomi
(outside)	Tomoaki Kawakami
(outside)	Masahiro Sakata
(outside)	Yuji Tanaka
	Hirohiko Okumura

(as of June 30, 2012)





# Financial Section

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# Consolidated Balance Sheets

The Nishi-Nippon City Bank, Ltd. and Subsidiaries 31st March, 2012 and 2011

	Millions of yen		Thousands of U.S. dollars(Note 1)
	2012	2011	2012
<b>Assets:</b>			
Cash and due from banks (Notes 7, 28 and 37)	¥283,453	¥224,843	\$3,448,762
Call loans and bills bought	9,099	10,735	110,708
Commercial paper and other debt purchased (Notes 7 and 28)	27,962	25,425	340,216
Trading account assets (Notes 4 and 29)	1,275	3,297	15,524
Money held in trust (Note 30)	2,981	2,942	36,272
Securities (Notes 5, 7, 28 and 29)	1,722,791	1,635,176	20,961,079
Loans and bills discounted (Notes 6, 8 and 28)	5,389,886	5,229,084	65,578,376
Foreign exchange assets (Note 9)	7,665	10,441	93,268
Other assets (Notes 7 and 10)	46,708	49,711	568,297
Tangible fixed assets (Notes 11 and 18)	120,029	120,936	1,460,388
Intangible fixed assets	3,950	4,257	48,066
Deferred tax assets (Note 33)	43,019	67,723	523,415
Customers' liabilities for acceptances and guarantees	53,308	61,673	648,605
Reserve for possible loan losses (Note 28)	(40,174)	(43,498)	(488,802)
Reserve for devaluation of securities	(1,021)	(999)	(12,422)
Total assets	¥7,670,937	¥7,401,749	\$93,331,756
<b>Liabilities and net assets:</b>			
<b>Liabilities:</b>			
Deposits (Notes 7, 12 and 28)	¥6,665,687	¥6,592,902	\$81,100,953
Call money and bills sold (Notes 7 and 28)	277,877	134,379	3,380,916
Guarantee deposits received under securities lending transactions (Note 7)	72,160	44,459	877,977
Borrowed money (Notes 7, 14 and 28)	52,467	45,970	638,367
Foreign exchange liabilities (Note 9)	83	101	1,020
Bonds (Notes 13 and 28)	88,300	78,300	1,074,339
Other liabilities (Note 15)	51,773	55,395	629,919
Reserve for bonuses to directors and corporate auditors	—	49	—
Reserve for employee retirement benefits (Note 32)	10,851	10,805	132,027
Reserve for retirement benefits for directors and corporate auditors	152	758	1,852
Reserve for reimbursement of deposits	2,673	1,047	32,524
Reserve for other contingent losses	2,506	2,115	30,495
Reserve under the special laws	0	0	4
Deferred tax liabilities on revaluation of premises (Note 18)	19,552	22,310	237,895
Acceptances and guarantees	53,308	61,673	648,605
Total liabilities	7,297,395	7,050,269	88,786,898
<b>Net assets:</b>			
Capital stock (Note 16)	85,745	85,745	1,043,260
Capital surplus	90,301	90,301	1,098,688
Earned surplus	128,247	116,300	1,560,380
Treasury stock (Note 17)	(668)	(661)	(8,135)
Total shareholders' equity	303,625	291,686	3,694,193
Net unrealized gains on securities available for sale, net of taxes (Note 29)	11,032	3,408	134,228
Net deferred losses on hedging instruments, net of taxes	(0)	(0)	(2)
Revaluation of premises, net of taxes (Note 18)	30,751	27,989	374,154
Cumulative translation adjustments	—	(0)	—
Total accumulated other comprehensive income	41,783	31,396	508,379
Minority interests	28,132	28,397	342,283
Total net assets (Note 38)	373,541	351,480	4,544,857
Total liabilities and net assets	¥7,670,937	¥7,401,749	\$93,331,756

See accompanying Notes to Consolidated Financial Statements.



# Consolidated Statements of Income

The Nishi-Nippon City Bank, Ltd. and Subsidiaries Years ended 31st March, 2012 and 2011

	Millions of yen		Thousands of U.S. dollars(Note 1)
	2012	2011	2012
<b>Income:</b>			
Interest and dividend income:			
Interest on loans and discounts	¥101,601	¥107,567	\$1,236,182
Interest and dividends on securities	18,899	19,072	229,946
Other interest income (Note 19)	878	744	10,690
Fees and commissions	30,672	29,627	373,189
Trading income	188	193	2,295
Other operating income (Note 20)	2,611	4,613	31,779
Other income (Note 21)	9,763	11,012	118,788
Total income	164,616	172,830	2,002,872
<b>Expenses:</b>			
Interest expenses:			
Interest on deposits	6,467	9,207	78,688
Interest on call money and bills sold	374	288	4,555
Interest on borrowings	561	650	6,827
Other interest expenses (Note 22)	2,183	2,329	26,571
Fees and commissions	9,331	9,343	113,529
Trading expenses	—	0	—
Other operating expenses (Note 23)	706	4,459	8,600
General and administrative expenses (Note 24)	85,175	87,861	1,036,326
Other expenses (Note 25)	18,470	24,453	224,734
Total expenses	123,271	138,594	1,499,835
Income before income taxes and minority interests	41,344	34,235	503,036
Income taxes (Note 33)			
Current	993	656	12,091
Deferred	20,816	(21,674)	253,275
Total income taxes	21,810	(21,017)	265,367
Income before minority interests	19,534	55,253	237,669
Minority interests in net income	1,561	1,869	19,002
Net income (Note 38)	¥17,972	¥53,384	\$218,667

See accompanying Notes to Consolidated Financial Statements.



# Consolidated Statements of Comprehensive Income

The Nishi-Nippon City Bank, Ltd. and Subsidiaries Years ended 31st March, 2012 and 2011

	Millions of yen	Millions of yen	Thousands of U.S. dollars(Note 1)
	2012	2011	2012
Income before minority interests	<b>¥19,534</b>	¥55,253	<b>\$237,669</b>
Other comprehensive income:			
Net unrealized gains (losses) on securities available for sale	<b>7,638</b>	(2,071)	<b>92,934</b>
Net deferred gains on hedging instruments	<b>0</b>	1	<b>2</b>
Gains on revaluation of premises	<b>2,697</b>	—	<b>32,817</b>
Translation adjustments	<b>0</b>	(0)	<b>4</b>
Gains on change in shares in consolidated subsidiaries	<b>6</b>	979	<b>81</b>
Share of other comprehensive income of affiliates accounted for by the equity method	<b>(0)</b>	(0)	<b>(0)</b>
Total other comprehensive income (Note 26)	<b>¥10,342</b>	(¥1,091)	<b>\$125,839</b>
Comprehensive income	<b>¥29,876</b>	¥54,161	<b>\$363,508</b>
Comprehensive income attributable to shareholders of the parent	<b>¥28,300</b>	¥52,052	<b>\$344,336</b>
Comprehensive income attributable to minority interests	<b>¥1,575</b>	¥2,109	<b>\$19,172</b>

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, 2012 and 2011

	Millions of yen		Thousands of U.S. dollars(Note 1)
	2012	2011	2012
<b>Shareholders' equity</b>			
Capital stock (Note 16)			
Balance at beginning of the year	¥85,745	¥85,745	\$1,043,260
Changes during the year			
Total changes during the year	—	—	—
Balance at end of the year	¥85,745	¥85,745	\$1,043,260
Capital surplus			
Balance at beginning of the year	¥90,301	¥90,301	\$1,098,688
Changes during the year			
Total changes during the year	—	—	—
Balance at end of the year	¥90,301	¥90,301	\$1,098,688
Earned surplus			
Balance at beginning of the year	¥116,300	¥100,681	\$1,415,025
Changes during the year			
Cash dividends paid (Note 39)	(5,963)	(3,600)	(72,556)
Net income	17,972	53,384	218,667
Transfer to reserve for deferred capital gains	0	—	3
Sale of treasury stock	(4)	(3)	(48)
Retirement of treasury stock	—	(35,120)	—
Reversal of revaluation of premises	(64)	(19)	(790)
Increase in earned surplus due to change in shares in consolidated subsidiaries	6	979	81
Total changes during the year	11,946	15,619	145,355
Balance at end of the year	¥128,247	¥116,300	\$1,560,380
Treasury stock (Note 17)			
Balance at beginning of the year	(¥661)	(¥643)	(\$8,042)
Changes during the year			
Acquisition of treasury stock	(16)	(35,147)	(205)
Sale of treasury stock	9	8	112
Retirement of treasury stock	—	35,120	—
Total changes during the year	(7)	(17)	(93)
Balance at end of the year	(¥668)	(¥661)	(\$8,135)
Total shareholders' equity			
Balance at beginning of the year	¥291,686	¥276,085	\$3,548,931
Changes during the year			
Cash dividends paid (Note 39)	(5,963)	(3,600)	(72,556)
Net income	17,972	53,384	218,667
Transfer to reserve for deferred capital gains	0	—	3
Acquisition of treasury stock	(16)	(35,147)	(205)
Sale of treasury stock	5	5	63
Retirement of treasury stock	—	—	—
Reversal of revaluation of premises	(64)	(19)	(790)
Increase in earned surplus due to change in shares in consolidated subsidiaries	6	979	81
Total changes during the year	11,939	15,601	145,262
Balance at end of the year	¥303,625	¥291,686	\$3,694,193



# Consolidated Statements of Changes in Net Assets

The Nishi-Nippon City Bank, Ltd. and Subsidiaries Years ended 31st March, 2012 and 2011

	Millions of yen		Thousands of U.S. dollars(Note 1)
	2012	2011	2012
<b>Accumulated other comprehensive income</b>			
Net unrealized gains on securities available for sale, net of taxes			
Balance at beginning of the year	¥3,408	¥5,720	\$41,465
Changes during the year			
Net changes in items other than shareholders' equity	7,624	(2,312)	92,763
Total changes during the year	7,624	(2,312)	92,763
Balance at end of the year	¥11,032	¥3,408	\$134,228
Net deferred losses on hedging instruments, net of taxes			
Balance at beginning of the year	(¥0)	(¥1)	(\$4)
Changes during the year			
Net changes in items other than shareholders' equity	0	1	2
Total changes during the year	0	1	2
Balance at end of the year	(¥0)	(¥0)	(\$2)
Revaluation of premises, net of taxes			
Balance at beginning of the year	¥27,989	¥27,970	\$340,545
Changes during the year			
Net changes in items other than shareholders' equity	2,762	19	33,608
Total changes during the year	2,762	19	33,608
Balance at end of the year	¥30,751	¥27,989	\$374,154
Cumulative translation adjustments			
Balance at beginning of the year	(¥0)	(¥0)	(\$4)
Changes during the year			
Net changes in items other than shareholders' equity	0	(0)	4
Total changes during the year	0	(0)	4
Balance at end of the year	¥ —	(¥0)	\$ —
Total accumulated other comprehensive income			
Balance at beginning of the year	¥31,396	¥33,688	\$382,000
Changes during the year			
Net changes in items other than shareholders' equity	10,387	(2,292)	126,378
Total changes during the year	10,387	(2,292)	126,378
Balance at end of the year	¥41,783	¥31,396	\$508,379
<b>Minority interests</b>			
Balance at beginning of the year	¥28,397	¥26,887	\$345,508
Changes during the year			
Net changes in items other than shareholders' equity	(265)	1,510	(3,224)
Total changes during the year	(265)	1,510	(3,224)
Balance at end of the year	¥28,132	¥28,397	\$342,283
<b>Total net assets</b>			
Balance at beginning of the year	¥351,480	¥336,661	\$4,276,440
Changes during the year			
Cash dividends paid (Note 39)	(5,963)	(3,600)	(72,556)
Net income	17,972	53,384	218,667
Transfer to reserve for deferred capital gain	0	—	3
Acquisition of treasury stock	(16)	(35,147)	(205)
Sale of treasury stock	5	5	63
Reversal of revaluation of premises	(64)	(19)	(790)
Increase in earned surplus due to change in shares in consolidated subsidiaries	6	979	81
Net changes in items other than shareholders' equity	10,122	(782)	123,154
Total changes during the year	22,061	14,819	268,416
Balance at end of the year	¥373,541	¥351,480	\$4,544,857

See accompanying Notes to Consolidated Financial Statements.



# Consolidated Statements of Cash Flows

The Nishi-Nippon City Bank, Ltd. and Subsidiaries Years ended 31st March, 2012 and 2011

	Millions of yen		Thousands of U.S. dollars(Note 1)
	2012	2011	2012
<b>I .Cash flows from operating activities:</b>			
Income before income taxes and minority interests	<b>¥41,344</b>	¥34,235	<b>\$503,036</b>
Depreciation	<b>5,293</b>	5,112	<b>64,408</b>
Losses on impairment of fixed assets	<b>511</b>	1,125	<b>6,219</b>
Amortization of goodwill	<b>129</b>	130	<b>1,580</b>
Equity in losses of nonconsolidated subsidiaries and affiliate	<b>276</b>	40	<b>3,368</b>
Gains on negative goodwill	<b>(144)</b>	—	<b>(1,757)</b>
Decrease in reserve for possible loan losses	<b>(386)</b>	(20,257)	<b>(4,697)</b>
Increase in reserve for devaluation of securities	<b>21</b>	328	<b>261</b>
(Decrease) increase in reserve for bonuses to directors and corporate auditors	<b>(49)</b>	49	<b>(596)</b>
Increase (decrease) in reserve for employee retirement benefits	<b>45</b>	(753)	<b>557</b>
Decrease in reserve for retirement benefits for directors and corporate auditors	<b>(605)</b>	(346)	<b>(7,371)</b>
Increase in reserve for reimbursement of deposits	<b>1,625</b>	12	<b>19,777</b>
Increase in reserve for other contingent losses	<b>390</b>	591	<b>4,752</b>
Income from lending activities	<b>(121,379)</b>	(127,384)	<b>(1,476,819)</b>
Funding costs	<b>9,586</b>	12,476	<b>116,644</b>
Losses on securities	<b>2,013</b>	4,396	<b>24,495</b>
Losses on money held in trust	<b>16</b>	55	<b>198</b>
Net foreign exchange gains	<b>(514)</b>	(768)	<b>(6,254)</b>
Losses on sale of tangible fixed assets	<b>301</b>	293	<b>3,674</b>
Net decrease (increase) in trading account assets	<b>2,021</b>	(2,433)	<b>24,590</b>
Net increase in loans and bills discounted	<b>(163,740)</b>	(81,579)	<b>(1,992,215)</b>
Net increase in deposits	<b>78,112</b>	130,645	<b>950,395</b>
Net decrease in certificates of deposit	<b>(5,327)</b>	(7,291)	<b>(64,822)</b>
Net increase (decrease) in borrowed money, exclusive of subordinated borrowings	<b>9,496</b>	(34,467)	<b>115,546</b>
Net (increase) decrease in due from banks, exclusive of central bank	<b>(1,710)</b>	1,237	<b>(20,805)</b>
Net (increase) decrease in call loans	<b>(900)</b>	1,166	<b>(10,950)</b>
Net increase in call money	<b>143,497</b>	34,038	<b>1,745,928</b>
Net increase in guarantee deposits received under securities lending transactions	<b>27,701</b>	14,904	<b>337,041</b>
Net decrease (increase) in foreign exchange assets	<b>2,775</b>	(7,468)	<b>33,769</b>
Net decrease in foreign exchange liabilities	<b>(17)</b>	(139)	<b>(216)</b>
Interest and dividends received	<b>125,005</b>	129,771	<b>1,520,933</b>
Interest paid	<b>(11,510)</b>	(15,177)	<b>(140,045)</b>
Others	<b>2,557</b>	15,353	<b>31,117</b>
Subtotal	<b>146,441</b>	87,897	<b>1,781,744</b>
Income taxes paid	<b>(917)</b>	(142)	<b>(11,160)</b>
Net cash provided by operating activities	<b>¥145,524</b>	¥87,754	<b>\$1,770,583</b>



The Nishi-Nippon City Bank, Ltd. and Subsidiaries Years ended 31st March, 2012 and 2011

	Millions of yen		Thousands of U.S. dollars(Note 1)
	2012	2011	2012
<b>II .Cash flows from investing activities:</b>			
Payments for purchase of securities	(¥377,373)	(¥484,118)	(\$4,591,480)
Proceeds from sale of securities	124,066	220,227	1,509,506
Proceeds from redemption of securities	173,289	196,305	2,108,403
Payments for purchase of money held in trust	(57)	—	(699)
Payments for purchase of tangible fixed assets	(3,663)	(4,281)	(44,574)
Proceeds from sale of tangible fixed assets	70	219	853
Payments for purchase of intangible fixed assets	(4,266)	(1,396)	(51,907)
Payments for purchase of stock of subsidiaries	(826)	—	(10,055)
Effect of purchase of stock of subsidiaries (affecting the scope of consolidation)	—	0	—
Net cash used in investing activities	(¥88,761)	(¥73,044)	(\$1,079,954)
<b>III .Cash flows from financing activities:</b>			
Repayments of subordinated borrowings	(¥3,000)	—	(\$36,500)
Issuance of subordinated bonds and bonds with stock subscription rights	10,000	8,800	121,669
Redemption of subordinated bonds and bonds with stock subscription rights	—	(34,000)	—
Dividends paid	(5,957)	(3,600)	(72,486)
Dividends paid to minority shareholders	(889)	(889)	(10,817)
Payments for acquisition of treasury stock	(16)	(35,147)	(205)
Proceeds from sale of treasury stock	5	5	63
Net cash provided by (used in) financing activities	¥141	(¥64,831)	\$1,722
<b>IV .Effects of changes in exchange rates on cash and cash equivalents</b>	(¥4)	(¥17)	(\$50)
<b>V .Net increase (decrease) in cash and cash equivalents</b>	<b>¥56,900</b>	<b>(¥50,138)</b>	<b>\$692,301</b>
<b>VI .Cash and cash equivalents at beginning of the year</b>	<b>¥217,758</b>	<b>¥267,897</b>	<b>\$2,649,457</b>
<b>VII .Cash and cash equivalents at end of the year (Note 37)</b>	<b>¥274,659</b>	<b>¥217,758</b>	<b>\$3,341,758</b>

See accompanying Notes to Consolidated Financial Statements.



# Notes to Consolidated Financial Statements

The Nishi-Nippon City Bank, Ltd. and Subsidiaries

- 1. Basis of Presentation of Consolidated Financial Statements**
- The accompanying consolidated financial statements of The Nishi-Nippon City Bank, Ltd. (the "Bank"), formerly The Nishi-Nippon Bank, Ltd., and its consolidated subsidiaries have been prepared in conformity with accounting principles generally accepted in Japan, which are different in certain respects as to the application and disclosure requirements of International Financial Reporting Standards, and are compiled from the consolidated financial statements prepared by the Bank as required by the Financial Instruments and Exchange Law of Japan.
- In addition, the notes to the consolidated financial statements include information which is not required under accounting principles generally accepted in Japan but is presented herein as additional information.
- Solely for the convenience of readers outside Japan, certain items in the original Japanese financial statements have been reclassified for presentation.
- As permitted by the Financial Instruments and Exchange Law, amounts of less than one million yen have been omitted by the Bank.
- Consequently, the totals shown in the accompanying consolidated financial statements (both in yen and U.S. dollars) do not necessarily agree with the sum of the individual amounts.
- The amounts in U.S. dollars are included solely for the convenience of readers outside Japan. A rate of ¥82.19= U.S.\$ 1.00, the exchange rate on 31st March, 2012, has been used in translation.
- In the consolidated financial statements, "—" is used to denote "nil" and "0" is used to denote rounding down to zero.

- 2. Summary of Significant Accounting Policies**
- (a) *Scope of Consolidation*
- The consolidated financial statements include the accounts of the Bank and its consolidated subsidiaries.
- The number of consolidated and non-consolidated subsidiaries for the years ended 31st March, 2012 and 2011 is as follows:

	2012	2011
i) Number of consolidated subsidiaries:	10	12
ii) Number of non-consolidated subsidiaries:	1	1

- i) NCB Turnaround Co.,Ltd. and Nishi-Nippon Finance (Cayman) Limited were excluded from consolidation due to their liquidations in 2012.
- ii) The Nishi-Nippon Challenge 2, Limited Partnership was excluded from consolidation due to its insignificance in 2012 and 2011.

(b) *Application of Equity Method*

The number of non-consolidated subsidiaries and affiliates, which are accounted for by the equity method, for the years ended 31st March, 2012 and 2011 is as follows:

	2012	2011
i) Number of non-consolidated subsidiaries accounted for by the equity method:	0	0
ii) Number of affiliates accounted for by the equity method:	1	1
iii) Number of non-consolidated subsidiaries not accounted for by the equity method:	1	1
iv) Number of affiliates not accounted for by the equity method:	0	0

(c) *Fiscal Years of Consolidated Subsidiaries*

The closing dates of consolidated subsidiaries in 2012 and 2011 are as follows:

	2012	2011
January 14 *	1	1
March 31	9	11

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



(d) *Trading Account Assets and Liabilities*

Transactions that seek gains on short-term fluctuations and arbitrage in interest rates, currency prices, market prices of financial 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 financial products during the fiscal year.

(e) *Securities*

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

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

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

(f) *Derivatives*

Derivatives held or written are stated at fair value.

(g) *Tangible fixed assets (excluding leased assets)*

The Bank uses the declining-balance method for depreciation of tangible fixed 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 fixed assets of consolidated subsidiaries are depreciated mainly using the declining-balance method.

(h) *Intangible Fixed Assets (excluding leased assets)*

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

(i) *Leased Assets*

The tangible and intangible fixed assets capitalized under the finance 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, 2012 and 2011 were ¥31,147 million (\$378,969 thousand), and ¥38,842 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 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.

*(m) Reserve for Retirement Benefits for Directors and Corporate Auditors*

Reserve for retirement benefits for directors and corporate auditors is provided by some of the consolidated subsidiaries 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.

(Additional information)

At the meeting of the Board of Directors of the Bank held on 13th May, 2011, a resolution was made to terminate the Bank's retirement benefit plan for directors and corporate auditors upon completion of the general shareholders' meeting to be held on 29th June, 2011. A proposal for payments of the retirement benefits for directors and corporate auditors for the service period up to the termination of the plan was approved at the said general shareholders' meeting.

Accordingly, the entire amount of reserve for retirement benefits for directors and corporate auditors of the Bank was reversed, and ¥518 million (\$6,313 thousand), which represents the amount the Bank plans to pay upon retirement of each applicable director and corporate auditor, was posted to other liabilities.



(n) *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.

(o) *Reserve for Other Contingent Losses*

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

(p) *Reserve under the Special Laws*

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

(q) *Foreign Currency Translation*

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

(r) *Accounting for Leases*

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

(s) *Hedge Accounting*

① Hedge accounting for foreign exchange rate risk

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

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

② Internal contract

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

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

(t) *Amortization of Goodwill*

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

(u) *Cash and Cash Equivalents in the Consolidated Statements of Cash Flows*

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

(v) *Accounting treatment for consumption taxes*

The tax excluded method is used as the accounting treatment for consumption taxes and local consumption taxes for the Bank and its domestic consolidated subsidiaries.



**3. Additional Information***(a) Accounting Standard for Accounting Changes and Error Corrections*

Effective 1st April, 2011, the Bank has applied the "Accounting Standard for Accounting Changes and Error Corrections" (ASBJ Statement No. 24, issued on 4th December, 2009) and the "Guidance on Accounting Standard for Accounting Changes and Error Corrections" (ASBJ Guidance No. 24, issued on 4th December, 2009).

*(b) Reserve for Bonuses to Directors and Corporate Auditors*

In prior years, a reserve for bonus payments to directors and corporate auditors was provided at the estimated amount to be paid for services rendered in the reporting fiscal years.

Based on the resolution at the general shareholders' meeting held on 29th June, 2011, however, the plan of bonuses to directors and corporate auditors was terminated and replaced with a variable compensation plan in which the compensation amounts are determined based on the Bank's performance. As a result, the variable compensation amount expected to be paid to the Bank's directors and corporate auditors was included in other liabilities on the consolidated balance sheet at 31st March, 2012.

**4. Trading Account Assets**

Trading account assets at 31st March, 2012 and 2011 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2012	2011	2012
Trading securities	<b>¥1,275</b>	¥1,298	<b>\$15,524</b>
Other trading assets*	—	1,998	—
Total	<b>¥1,275</b>	¥3,297	<b>\$15,524</b>

\* Other trading assets consisted of commercial papers.

**5. Securities**

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

	Millions of yen		Thousands of U.S. dollars
	2012	2011	2012
Japanese government bonds	<b>¥637,612</b>	¥606,543	<b>\$7,757,783</b>
Japanese municipal bonds	<b>213,799</b>	213,374	<b>2,601,280</b>
Corporate bonds (including government-guaranteed bonds)*	<b>483,622</b>	453,702	<b>5,884,196</b>
Stock**	<b>97,584</b>	100,199	<b>1,187,305</b>
Other securities***	<b>290,172</b>	261,355	<b>3,530,512</b>
Total	<b>¥1,722,791</b>	¥1,635,176	<b>\$20,961,079</b>

\* Corporate bonds included bonds offered through private placement. The Bank's guarantee obligation for such private placement bonds at 31st March, 2012 and 2011 were ¥7,301 million (\$88,830 thousand) and ¥9,748 million, respectively.

\*\* Stock included stock of affiliates of ¥341 million (\$4,159 thousand) and ¥119 million at 31st March, 2012 and 2011, respectively.

\*\*\* Other securities included investments in non-consolidated subsidiaries of ¥312 million (\$3,799 thousand) and ¥319 million at 31st March, 2012 and 2011, respectively.

**6. Loans and Bills Discounted**

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

	Millions of yen		Thousands of U.S. dollars
	2012	2011	2012
Bills discounted*	<b>¥39,719</b>	¥35,393	<b>\$483,258</b>
Loans on notes	<b>182,918</b>	186,429	<b>2,225,558</b>
Loans on deed	<b>4,684,658</b>	4,520,454	<b>56,997,912</b>
Overdraft	<b>482,590</b>	486,807	<b>5,871,645</b>
Total	<b>¥5,389,886</b>	¥5,229,084	<b>\$65,578,376</b>

\* Bills discounted are recorded as cash lending / borrowing transactions in accordance with the "Accounting and Auditing Treatments for Application of Accounting Standard for Financial Instruments in Banking Industry" (JICPA Industry Audit Committee Report No. 24). The Bank has 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 ¥40,035 million (\$487,105 thousand) and ¥35,505 million at 31st March, 2012 and 2011, respectively.



Non-performing loans included in the loans at 31st March, 2012 and 2011 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2012	2011	2012
Loans to legally bankrupt entities**	<b>¥4,290</b>	¥6,531	<b>\$52,200</b>
Delinquent loans***	<b>150,961</b>	139,302	<b>1,836,737</b>
Loans past due for three months or more****	<b>161</b>	262	<b>1,967</b>
Loans with altered lending conditions*****	<b>25,034</b>	10,448	<b>304,597</b>
Total	<b>¥180,448</b>	¥156,545	<b>\$2,195,502</b>

\*\* 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.

#### 7. Assets Pledged as Collateral

Assets pledged as collateral by the Bank and its consolidated subsidiaries at 31st March, 2012 and 2011 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2012	2011	2012
Assets pledged as collateral			
Cash and due from banks	<b>¥68</b>	¥67	<b>\$828</b>
Commercial paper and other debt purchased	<b>848</b>	1,377	<b>10,317</b>
Securities	<b>578,689</b>	368,418	<b>7,040,875</b>
Total	<b>¥579,605</b>	¥369,863	<b>\$7,052,022</b>
Liabilities secured by the above assets			
Deposits	<b>¥9,110</b>	¥18,282	<b>\$110,851</b>
Call money and bills sold	<b>198,219</b>	69,600	<b>2,411,716</b>
Guarantee deposits received under securities lending transactions	<b>72,160</b>	44,459	<b>877,977</b>
Borrowed money	<b>32,715</b>	23,197	<b>398,043</b>

Other than the items shown above, the following items were pledged as collateral for foreign exchange transactions and/or as substitutes for initial margin on futures at 31st March, 2012 and 2011:

	Millions of yen		Thousands of U.S. dollars
	2012	2011	2012
Cash and due from banks	<b>¥2</b>	¥2	<b>\$24</b>
Securities	<b>136,986</b>	213,373	<b>1,666,702</b>

The following deposits were included in other assets at 31st March, 2012 and 2011:

	Millions of yen		Thousands of U.S. dollars
	2012	2011	2012
Deposits included in other assets	<b>¥3,379</b>	¥3,512	<b>\$41,112</b>



- 8. 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 specified credit limit, to a customer upon request for funds, unless there is a violation of the contractual conditions.
- The aggregate amounts under commitment contracts not yet drawn down at 31st March, 2012 and 2011 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2012	2011	2012
Aggregate amount under commitment contracts not yet drawn down	<b>¥1,761,911</b>	¥1,760,706	<b>\$21,437,050</b>
Of the above amount, those with original maturity of less than one year or cancellable at any time without penalty	<b>1,742,764</b>	1,744,582	<b>21,204,090</b>

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 flows 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 financial 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.

- 9. Foreign Exchange** Foreign exchange assets and liabilities at 31st March, 2012 and 2011 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2012	2011	2012
<b>Assets:</b>			
Foreign exchange bills bought	<b>¥316</b>	¥111	<b>\$3,846</b>
Foreign exchange bills receivable	<b>426</b>	387	<b>5,192</b>
Due from foreign banks (their accounts)	<b>4,276</b>	—	<b>52,030</b>
Due from foreign banks (our accounts)	<b>2,646</b>	9,942	<b>32,199</b>
Total	<b>¥7,665</b>	¥10,441	<b>\$93,268</b>
<b>Liabilities:</b>			
Foreign exchange bills sold	<b>¥2</b>	¥7	<b>\$27</b>
Foreign exchange bills payable	<b>81</b>	93	<b>992</b>
Total	<b>¥83</b>	¥101	<b>\$1,020</b>

- 10. Other Assets** Other assets at 31st March, 2012 and 2011 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2012	2011	2012
Domestic exchange settlement account*	<b>¥1,346</b>	¥1,017	<b>\$16,387</b>
Accrued income	<b>9,182</b>	9,103	<b>111,718</b>
Prepaid expenses	<b>63</b>	66	<b>774</b>
Financial derivative products	<b>7,980</b>	10,566	<b>97,104</b>
Other	<b>28,134</b>	28,956	<b>342,313</b>
Total	<b>¥46,708</b>	¥49,711	<b>\$568,297</b>

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



**11. Tangible Fixed Assets**

Tangible fixed assets at 31st March, 2012 and 2011 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2012	2011	2012
Land	<b>¥82,122</b>	¥82,571	<b>\$999,172</b>
Buildings	<b>72,846</b>	72,461	<b>886,320</b>
Construction in progress	<b>177</b>	151	<b>2,158</b>
Leased assets	<b>800</b>	677	<b>9,737</b>
Other tangible fixed assets	<b>37,698</b>	37,233	<b>458,670</b>
	<b>193,644</b>	193,096	<b>2,356,060</b>
Less accumulated depreciation	<b>(73,615)</b>	(72,159)	<b>(895,671)</b>
Total	<b>¥120,029</b>	¥120,936	<b>\$1,460,388</b>

The accelerated depreciation entry amounts for tangible fixed assets at 31st March, 2012 and 2011 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2012	2011	2012
	<b>¥8,291</b>	¥8,363	<b>\$100,887</b>

**12. Deposits**

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

	Millions of yen		Thousands of U.S. dollars
	2012	2011	2012
Current deposits	<b>¥280,889</b>	¥248,255	<b>\$3,417,563</b>
Ordinary deposits	<b>3,122,138</b>	2,908,622	<b>37,986,847</b>
Deposits at notice	<b>12,657</b>	13,766	<b>153,999</b>
Time deposits	<b>2,987,638</b>	3,112,149	<b>36,350,392</b>
Negotiable certificates of deposit	<b>136,168</b>	141,495	<b>1,656,748</b>
Other deposits	<b>126,194</b>	168,611	<b>1,535,402</b>
Total	<b>¥6,665,687</b>	¥6,592,902	<b>\$81,100,953</b>

**13. Bonds**

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

	Millions of yen		Thousands of U.S. dollars
	2012	2011	2012
Bonds:			
3.20% Japanese yen subordinated bonds due 2014	<b>¥15,000</b>	¥15,000	<b>\$182,503</b>
2.78% Japanese yen subordinated bonds due 2015	<b>14,500</b>	14,500	<b>176,420</b>
2.10% Japanese yen callable subordinated bonds due 2017	<b>15,000</b>	15,000	<b>182,503</b>
2.70% Japanese yen subordinated bonds due 2017	<b>10,000</b>	10,000	<b>121,669</b>
1.70% Japanese yen callable subordinated bonds due 2020	<b>15,000</b>	15,000	<b>182,503</b>
1.55% Japanese yen callable subordinated bonds due 2021	<b>8,800</b>	8,800	<b>107,068</b>
1.37% Japanese yen callable subordinated bonds due 2021	<b>10,000</b>	—	<b>121,669</b>
Total	<b>¥88,300</b>	¥78,300	<b>\$1,074,335</b>

**14. Borrowed Money**

Borrowed money included subordinated borrowings of ¥13,000 million (\$158,170 thousand) and ¥16,000 million at 31st March, 2012 and 2011, respectively.

The weighted average interest rates on borrowed money at 31st March, 2012 and 2011 are 0.98 % and 1.30 %, respectively.

The aggregate annual maturity amounts within five years of borrowed money after 31st March, 2012 are as follows:

	Millions of yen	Thousands of U.S. dollars
Year ending 31st March		
2013	¥36,400	\$442,885
2014	1,651	20,094
2015	421	5,129
2016	713	8,685
2017	153	1,868



**15. Other Liabilities**

Other liabilities at 31st March, 2012 and 2011 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2012	2011	2012
Domestic exchange settlement account	<b>¥2,156</b>	¥1,452	<b>\$26,234</b>
Accrued income taxes	<b>738</b>	887	<b>8,985</b>
Accrued expenses	<b>12,672</b>	14,586	<b>154,181</b>
Unearned income	<b>3,034</b>	3,718	<b>36,923</b>
Due to trust accounts	—	7	—
Financial derivative products	<b>7,248</b>	10,083	<b>88,189</b>
Lease obligations	<b>461</b>	489	<b>5,611</b>
Asset retirement obligations	<b>874</b>	865	<b>10,635</b>
Others	<b>24,587</b>	23,304	<b>299,158</b>
Total	<b>¥51,773</b>	¥55,395	<b>\$629,919</b>

**16. Capital Stock**

Capital stock during the year ended 31st March, 2012 consisted of the following:

	Common stock	Preferred stock	Capital stock	
	Issued shares	Issued shares	Millions of yen	Thousands of U.S. dollars
1st April, 2011	796,732,552	—	¥85,745	\$1,043,260
Increase	—	—	—	—
Decrease	—	—	—	—
31st March, 2012	796,732,552	—	¥85,745	\$1,043,260

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

	Common stock	Preferred stock*	Capital stock
	Issued shares	Issued shares	Millions of yen
1st April, 2010	796,732,552	35,000,000	¥85,745
Increase	—	—	—
Decrease	—	35,000,000	—
31st March, 2011	796,732,552	—	¥85,745

\* 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 board of directors in accordance with the Corporation Law.



## 17. Treasury Stock

Treasury stock at 31st March, 2012 consisted of the following:

	Number of shares of		Treasury stock	
	Common stock*	Preferred stock	Millions of yen	Thousands of U.S. dollars
1st April, 2011	1,603,082	—	(¥661)	(\$8,042)
Increase	72,812	—	(16)	(205)
Decrease	22,574	—	9	112
31st March, 2012	1,653,320	—	(¥668)	(\$8,135)

\* Common stock

An increase for the year ended 31st March, 2012 was caused by purchase of fractional shares, and a decrease was caused by sale of fractional shares.

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

	Number of shares of		Treasury stock
	Common stock*	Preferred stock**	Millions of yen
1st April, 2010	1,517,404	—	(¥643)
Increase	106,718	35,000,000	(35,147)
Decrease	21,040	35,000,000	35,129
31st March, 2011	1,603,082	—	(¥661)

\* 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 the Corporation Law.

## 18. 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.

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 at 31st March, 2012 and 2011 is as follows:

Millions of yen		Thousands of U.S. dollars
2012	2011	2012
<b>¥34,995</b>	¥35,206	<b>\$425,790</b>

## 19. Other Interest Income

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

	Millions of yen		Thousands of U.S. dollars
	2012	2011	2012
Interest on call loans and bills bought	<b>¥116</b>	¥116	<b>\$1,413</b>
Interest on deposits with banks	<b>75</b>	70	<b>923</b>
Others	<b>686</b>	557	<b>8,353</b>
Total	<b>¥878</b>	¥744	<b>\$10,690</b>



**20. Other Operating Income** Other operating income for the years ended 31st March, 2012 and 2011 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2012	2011	2012
Gains on foreign exchange transactions	¥583	¥768	\$7,104
Gains on sale of bonds	1,489	2,903	18,121
Trust fees	9	6	113
Income from derivatives other than trading derivatives	14	252	181
Others	514	682	6,258
Total	¥2,611	¥4,613	\$31,779

**21. Other Income** Other income for the years ended 31st March, 2012 and 2011 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2012	2011	2012
Gains on sale of stock and other securities	¥264	¥1,634	\$3,221
Gains on money held in trust	2	2	27
Gains on disposition of fixed assets	3	86	42
Reversal of reserve for possible loan losses	—	6,209	—
Recoveries of written-off claims	2,726	1,410	33,171
Rental income on land and buildings	391	394	4,762
Gains on negative goodwill	144	—	1,757
Gains on dormant deposits*	5,010	971	60,957
Others	1,220	303	14,848
Total	¥9,763	¥11,012	\$118,788

\* The Bank separately manages certain deposits, which have been inactive for a long period of time following the last transaction date, by transferring such deposits from the deposit account, and recognizes gains at the amount of balances of those dormant deposits. Although a period of ten years was used as the criterion for such transfer in the past, starting from the first half of the year ended 31st March, 2012, a period of five years has been adopted, instead, for a portion of liquid deposits from the perspective of prevention of criminal or improper use of deposit accounts.

**22. Other Interest Expenses** Other interest expenses for the years ended 31st March, 2012 and 2011 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2012	2011	2012
Bonds	¥1,895	¥2,087	\$23,056
Securities lending transactions	169	123	2,057
Others	119	118	1,458
Total	¥2,183	¥2,329	\$26,571

**23. Other Operating Expenses** Other operating expenses for the years ended 31st March, 2012 and 2011 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2012	2011	2012
Losses on sale of bonds	¥317	¥1,932	\$3,865
Losses on redemption of bonds	384	2,424	4,673
Losses on devaluation of bonds	—	15	—
Others	4	87	60
Total	¥706	¥4,459	\$8,600



**24. General and Administrative Expenses** General and administrative expenses for the years ended 31st March, 2012 and 2011 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2012	2011	2012
Salaries and allowances	¥35,386	¥35,604	\$430,550
Employee retirement benefits	4,017	4,504	48,883
Retirement benefits for directors and corporate auditors	64	157	788
Bonuses to directors and corporate auditors	—	49	—
Depreciation	5,293	5,112	64,408
Rental expenses	4,931	4,873	60,000
Amortization of goodwill	129	130	1,580
Taxes	3,974	4,598	48,359
Others	31,376	32,831	381,754
Total	¥85,175	¥87,861	\$1,036,326

**25. Other Expenses** Other expenses for the years ended 31st March, 2012 and 2011 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2012	2011	2012
Provision for possible loan losses	¥2,563	¥ —	\$31,183
Losses on write-offs of claims	6,224	10,544	75,737
Losses on sale of stock and other securities	1,033	2,084	12,570
Losses on devaluation of stock and other securities	2,032	2,477	24,727
Equity in losses of affiliates	276	40	3,368
Losses on money held in trust	18	57	226
Losses on disposition of tangible fixed assets	305	379	3,716
Impairment losses	511	1,125	6,219
Losses on sale of loans	1,482	2,859	18,041
Provision for reserve for reimbursement of deposits	2,233	387	27,170
Losses on devaluation of liquidated loans	—	1,688	—
Effect of adoption of accounting standard for asset retirement obligations	—	686	—
Others	1,789	2,124	21,771
Total	¥18,470	¥24,453	\$224,734



26. Other Comprehensive Income	Reclassification adjustments and tax effects related to other comprehensive income for the year ended 31st March, 2012 are as follows:	
	Millions of yen	Thousands of U.S. dollars
	2012	2012
Net unrealized gains on securities available for sale:		
Amount arising during the year	¥9,873	\$120,135
Reclassification adjustments	1,591	19,363
Amount before tax effect	11,465	139,498
Tax effect	(3,827)	(46,564)
Net unrealized gains on securities available for sale	¥7,638	\$92,934
Net deferred gains (losses) on hedging instruments:		
Amount arising during the year	(¥119)	(\$1,453)
Reclassification adjustments	119	1,457
Amount before tax effect	0	3
Tax effect	(0)	(1)
Net deferred gains (losses) on hedging instruments	¥0	\$2
Gains on revaluation of premises:		
Amount arising during the year	¥ —	\$ —
Reclassification adjustments	—	—
Amount before tax effect	—	—
Tax effect	2,697	32,817
Gains on revaluation of premises	¥2,697	\$32,817
Translation adjustments:		
Amount arising during the year	(¥0)	(\$0)
Reclassification adjustments	0	5
Amount before tax effect	0	4
Tax effect	—	—
Translation adjustments	¥0	\$4
Gains on change in shares in consolidated subsidiaries:		
Amount arising during the year	¥6	\$81
Reclassification adjustments	—	—
Amount before tax effect	6	81
Tax effect	—	—
Gains on change in shares in consolidated subsidiaries	¥6	\$81
Share of other comprehensive income of affiliates accounted for by the equity method:		
Amount arising during the year	(¥0)	(\$0)
Reclassification adjustments	—	—
Amount before tax effect	(0)	(0)
Tax effect	—	—
Share of other comprehensive income of affiliates accounted for by the equity method	(¥0)	(0)
Total other comprehensive income	¥10,342	\$125,839



## 27. Lease Transactions

### (1) Finance leases

Information on finance lease transactions which are accounted for as operating leases at 31st March, 2012 and 2011 is summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2012	2011	2012
Amounts equivalent to acquisition cost			
Tangible fixed assets	<b>¥6,662</b>	¥6,847	<b>\$81,062</b>
Intangible fixed assets	—	26	—
Total	<b>¥6,662</b>	¥6,874	<b>\$81,062</b>
Amounts equivalent to accumulated depreciation			
Tangible fixed assets	<b>¥5,239</b>	¥4,968	<b>\$63,752</b>
Intangible fixed assets	—	25	—
Total	<b>¥5,239</b>	¥4,994	<b>\$63,752</b>
Amounts equivalent to carrying value			
Tangible fixed assets	<b>¥1,422</b>	¥1,879	<b>\$17,309</b>
Intangible fixed assets	—	0	—
Total	<b>¥1,422</b>	¥1,880	<b>\$17,309</b>

Note: The amount equivalent to acquisition cost includes an interest element as the total future finance lease payments are not significant to the balance of tangible fixed assets at the end of the year.

Future lease payments of finance leases which are accounted for as operating leases at 31st March, 2012 and 2011 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2012	2011	2012
Future finance lease payments			
Due within one year	<b>¥387</b>	¥450	<b>\$4,715</b>
Due after one year	<b>1,035</b>	1,429	<b>12,594</b>
Total	<b>¥1,422</b>	¥1,880	<b>\$17,309</b>

Note: The amount of the future finance lease payments at the end of the year includes an interest element as the total future finance lease payments are not significant to the balance of tangible fixed assets at the end of the year.

Total lease payments during the year and the amount equivalent to depreciation expenses for the years ended 31st March, 2012 and 2011 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2012	2011	2012
Total lease payments during the year	<b>¥450</b>	¥522	<b>\$5,481</b>
The amount equivalent to depreciation expenses *	<b>450</b>	522	<b>5,481</b>

\* 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, 2012 and 2011 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2012	2011	2012
Future operating lease payments			
Due within one year	<b>¥278</b>	¥341	<b>\$3,384</b>
Due after one year	<b>325</b>	549	<b>3,965</b>
Total	<b>¥604</b>	¥890	<b>\$7,350</b>



## 28. 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 liability 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 non-performance of contracts. 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 ascertained 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 working 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 extension, and credits that exceed 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)

The measured quantity of market risks of the Group as a whole at 31st March, 2012 and 2011 were ¥27,818 million (\$338,469 thousand) and ¥37,058 million, respectively.

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. The quantity of market risks of the Bank at 31st March, 2012 and 2011 were ¥25,817 million (\$314,117 thousand) and ¥35,379 million, respectively.

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 financial instruments

Carrying value of financial instruments in the consolidated balance sheets at 31st March, 2012 and 2011 and their fair values and valuation differences are as follows. Non-listed stocks and others whose fair value is extremely difficult to be estimated are excluded from the table below (refer to Note 2).

## &lt;At 31st March, 2012&gt;

	Millions of yen		
	Carrying value	Fair value	Valuation differences
<b>Assets:</b>			
(1) Cash and due from banks	¥283,453	¥283,453	¥ —
(2) Securities:			
Held-to-maturity securities	78,997	82,667	3,669
Available-for-sale securities	1,624,170	1,624,170	—
(3) Loans and bills discounted	5,389,886		
Reserve for possible loan losses*	(36,805)		
	5,353,081	5,463,325	110,244
<b>Total assets</b>	<b>¥7,339,703</b>	<b>¥7,453,616</b>	<b>¥113,913</b>
<b>Liabilities:</b>			
(1) Deposits	¥6,665,687	¥6,667,476	¥1,789
(2) Call money and bills sold	277,877	277,877	—
(3) Borrowed money	52,467	52,899	432
(4) Bonds	88,300	90,559	2,259
<b>Total liabilities</b>	<b>¥7,084,332</b>	<b>¥7,088,813</b>	<b>¥4,480</b>
<b>Derivatives**</b>			
Hedge accounting not applied	¥692	¥692	¥ —
Hedge accounting applied	40	40	—
<b>Total derivatives</b>	<b>¥732</b>	<b>¥732</b>	<b>¥ —</b>

	Thousands of U.S. dollars		
	Carrying value	Fair value	Valuation differences
<b>Assets:</b>			
(1) Cash and due from banks	\$3,448,762	\$3,448,762	\$ —
(2) Securities:			
Held-to-maturity securities	961,163	1,005,807	44,644
Available-for-sale securities	19,761,165	19,761,165	—
(3) Loans and bills discounted	65,578,376		
Reserve for possible loan losses*	(447,810)		
	65,130,565	66,471,899	1,341,333
<b>Total assets</b>	<b>\$89,301,656</b>	<b>\$90,687,634</b>	<b>\$1,385,978</b>
<b>Liabilities:</b>			
(1) Deposits	\$81,100,953	\$81,122,723	\$21,769
(2) Call money and bills sold	3,380,916	3,380,916	—
(3) Borrowed money	638,367	643,626	5,259
(4) Bonds	1,074,339	1,101,827	27,487
<b>Total liabilities</b>	<b>\$86,194,577</b>	<b>\$86,249,094</b>	<b>\$54,516</b>
<b>Derivatives**</b>			
Hedge accounting not applied	\$8,421	\$8,421	\$ —
Hedge accounting applied	493	493	—
<b>Total derivatives</b>	<b>\$8,914</b>	<b>\$8,914</b>	<b>\$ —</b>

\* The general reserve for possible loan losses and the specific reserve for possible loan losses, which correspond 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.



<At 31st March, 2011>

	Millions of yen		Valuation differences
	Carrying value	Fair value	
<b>Assets:</b>			
(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
<b>Total assets</b>	<b>¥7,029,485</b>	<b>¥7,134,548</b>	<b>¥105,063</b>
<b>Liabilities:</b>			
(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
<b>Total liabilities</b>	<b>¥6,851,552</b>	<b>¥6,857,627</b>	<b>¥6,075</b>
<b>Derivatives**</b>			
Hedge accounting not applied	¥629	¥629	¥ —
Hedge accounting applied	(146)	(146)	—
<b>Total derivatives</b>	<b>¥483</b>	<b>¥483</b>	<b>¥ —</b>

\* The general reserve for possible loan losses and the specific reserve for possible loan losses, which correspond to loans and bills discounted, have been deducted.

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

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

**Assets:**

**(1) Cash and due from banks**

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

**(2) Securities**

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

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

Floating-rate Japanese government bonds ("JGB") are valued and stated at the amounts the Bank estimated reasonably as of 31st March, 2012 and 2011 since the current market prices of such bonds are not deemed reasonable fair value considering various current market factors. As a result, securities and net unrealized gains on securities available for sale increased by ¥2,128 million (\$25,898 thousand) and ¥1,375 million (\$16,730 thousand), respectively, and deferred tax assets decreased by ¥753 million (\$9,168 thousand) at 31st March, 2012, and securities and gains on securities available for sale increased by ¥5,626 million and ¥3,376 million, respectively, and deferred tax assets decreased by ¥2,250 million at 31st March, 2011, compared with the corresponding amounts if the fair value of the bonds were stated at the market price.



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

Notes concerning securities by each carrying purpose are presented in "29. Securities" of "Notes to Consolidated Finance Statements."

(3) Loans and bills discount

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

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

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

Liabilities:

(1) Deposits

For demand deposits, the amount which would be paid if its repayment were demanded on the consolidated balance sheet date (carrying value) is deemed to be the fair value. The fair value of time deposits is based on the discounted present value of the future cash 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 Price (Yields) for OTC Bond Transactions published by the Japan Securities Dealers Association or the price quoted by the securities company. Since bonds with floating interest rates reflect market interest rates in a short period of time and the credit standing of the issuers has not changed significantly 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 "31. Derivatives" of "Notes to Consolidated Finance Statements."



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

	Millions of yen		Thousands of U.S. dollars
	2012	2011	2012
Non-listed stocks	¥17,136	¥17,010	\$208,495
Investments in partnerships	2,486	2,827	30,255
Total	¥19,622	¥19,837	\$238,750

Notes: 1. Because non-listed stocks have no market price and because it is extremely difficult to estimate their fair value, they are not subject to the fair value disclosure.  
2. In the year ended 31st March, 2012 and 2011, impairment losses of ¥55 million (\$677 thousand) and ¥44 million were recorded for non-listed stocks, respectively.  
3. Investments in partnerships whose fair value is extremely difficult to be estimated because the partnership's assets are non-listed stocks, etc. are not subject to the fair value disclosure.

(Note 3) Repayment schedules for monetary claims and securities with stated maturity at 31st March, 2012 and 2011

<At 31st March, 2012>

	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	¥171,270	¥ —	¥ —	¥ —	¥ —	¥ —
Securities:						
Held-to-maturity securities	—	300	7,200	24,236	32,597	16,000
Government bonds	—	—	—	—	25,000	16,000
Municipal bonds	—	—	5,000	7,089	5,290	—
Corporate bonds	—	—	2,000	14,147	2,307	—
Others	—	300	200	3,000	—	—
Securities available for sale with maturity	141,815	347,183	540,156	299,380	128,322	12,000
Government bonds	29,690	103,000	182,394	135,500	116,700	12,000
Municipal bonds	35,317	71,968	70,126	12,383	2,550	—
Corporate bonds	64,100	118,997	141,172	122,403	7,564	—
Others	12,708	53,217	146,463	29,094	1,508	—
Loans and bills discounted	1,075,980	962,730	809,340	490,500	655,114	1,139,119
Total	¥1,389,066	¥1,310,213	¥1,356,696	¥814,116	¥816,034	¥1,167,119

	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	\$2,083,838	\$ —	\$ —	\$ —	\$ —	\$ —
Securities:						
Held-to-maturity securities	—	3,650	87,601	294,877	396,605	194,670
Government bonds	—	—	—	—	304,173	194,670
Municipal bonds	—	—	60,834	86,251	64,363	—
Corporate bonds	—	—	24,333	172,125	28,069	—
Others	—	3,650	2,433	36,500	—	—
Securities available for sale with maturity	1,725,465	4,224,151	6,572,042	3,642,543	1,561,294	146,003
Government bonds	361,236	1,253,193	2,219,181	1,648,619	1,419,880	146,003
Municipal bonds	429,702	875,632	853,218	150,664	31,025	—
Corporate bonds	779,900	1,447,828	1,717,631	1,489,271	92,030	—
Others	154,626	647,497	1,782,012	353,988	18,357	—
Loans and bills discounted	13,091,373	11,713,479	9,847,184	5,967,882	7,970,734	13,859,588
Total	\$16,900,677	\$15,941,281	\$16,506,829	\$9,905,303	\$9,928,633	\$14,200,263

Note: Excluded from Loans and bills discounted are ¥154,040 million (\$1,874,204 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 ¥103,060 million (\$1,253,927 thousand) relating to those that do not have contractual maturity.



&lt;At 31st March, 2011&gt;

	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

Note: Excluded from Loans and bills discounted are ¥144,636 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 ¥107,203 million relating to those that do not have contractual maturity.

(Note 4) Repayment schedules for bonds, borrowed money and other interest-bearing debts at 31st March, 2012 and 2011

&lt;At 31st March, 2012&gt;

	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	¥6,010,785	¥592,927	¥51,876	¥5,076	¥5,020	¥ —
Call money and bills sold	277,877	—	—	—	—	—
Borrowed money	36,400	2,073	867	3,081	10,044	—
Bonds	—	15,000	14,500	25,000	33,800	—
Total	¥6,325,064	¥610,000	¥67,244	¥33,157	¥48,865	¥ —

	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	\$73,132,813	\$7,214,110	\$631,183	\$61,760	\$61,085	\$ —
Call money and bills sold	3,380,916	—	—	—	—	—
Borrowed money	442,885	25,224	10,554	37,491	122,211	—
Bonds	—	182,503	176,420	304,173	411,242	—
Total	\$76,956,615	\$7,421,838	\$818,157	\$403,425	\$594,539	\$ —

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

&lt;At 31st March, 2011&gt;

	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

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



## 29. Securities

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

	Millions of yen		Thousands of U.S. dollars
	2012	2011	2012
Holding losses recognized in income	(¥0)	(¥3)	(\$3)

(2) Held-to-maturity securities

1. Securities whose fair value exceeds their carrying value

<At 31st March, 2012>

	Millions of yen		Valuation differences
	Carrying value	Fair value	
Bonds:			
Government bonds	¥38,915	¥41,358	¥2,442
Municipal bonds	17,822	18,373	551
Corporate bonds	18,766	19,432	666
	75,503	79,164	3,660
Others	3,494	3,502	8
Total	¥78,997	¥82,667	¥3,669

	Thousands of U.S. dollars		Valuation differences
	Carrying value	Fair value	
Bonds:			
Government bonds	\$473,476	\$503,199	\$29,723
Municipal bonds	216,841	223,552	6,710
Corporate bonds	228,330	236,435	8,104
	918,648	963,187	44,539
Others	42,514	42,620	105
Total	\$961,163	\$1,005,807	\$44,644

<At 31st March, 2011>

	Millions of yen		Valuation differences
	Carrying value	Fair value	
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



## 2. Securities whose carrying value exceeds their fair value

&lt;At 31st March, 2012&gt;

	Millions of yen		
	Carrying value	Fair value	Valuation differences
Bonds:			
Government bonds	¥ —	¥ —	¥ —
Municipal bonds	—	—	—
Corporate bonds	—	—	—
Others	—	—	—
Total	—	—	—

	Thousands of U.S. dollars		
	Carrying value	Fair value	Valuation differences
Bonds:			
Government bonds	\$ —	\$ —	\$ —
Municipal bonds	—	—	—
Corporate bonds	—	—	—
Others	—	—	—
Total	—	—	—

&lt;At 31st March, 2011&gt;

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

## (3) Available-for-sale securities

## 1. Securities whose carrying value exceeds their acquisition cost

&lt;At 31st March, 2012&gt;

	Millions of yen		
	Carrying value	Acquisition cost	Valuation differences
Stocks	¥38,672	¥25,174	¥13,497
Bonds:			
Government bonds	556,326	549,265	7,060
Municipal bonds	190,385	188,558	1,826
Corporate bonds	453,163	447,255	5,907
Others	227,033	219,847	7,186
Total	¥1,465,581	¥1,430,102	¥35,479

	Thousands of U.S. dollars		
	Carrying value	Acquisition cost	Valuation differences
Stocks	\$470,525	\$306,298	\$164,227
Bonds:			
Government bonds	6,768,782	6,682,879	85,902
Municipal bonds	2,316,407	2,294,181	22,226
Corporate bonds	5,513,604	5,441,727	71,876
Others	2,762,306	2,674,865	87,440
Total	\$17,831,626	\$17,399,952	\$431,673



<At 31st March, 2011>

	Millions of yen		Valuation differences
	Carrying value	Acquisition cost	
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

2. Securities whose acquisition cost exceeds their carrying value

<At 31st March, 2012>

	Millions of yen		Valuation differences
	Carrying value	Acquisition cost	
Stocks	¥41,775	¥56,519	(¥14,743)
Bonds:			
Government bonds	42,371	42,607	(236)
Municipal bonds	5,591	5,599	(7)
Corporate bonds	11,692	11,787	(95)
	59,654	59,994	(339)
Others	57,157	60,622	(3,464)
Total	¥158,588	¥177,136	(¥18,547)

	Thousands of U.S. dollars		Valuation differences
	Carrying value	Acquisition cost	
Stocks	\$508,284	\$687,668	(\$179,383)
Bonds:			
Government bonds	515,525	518,399	(2,874)
Municipal bonds	68,031	68,127	(95)
Corporate bonds	142,261	143,418	(1,156)
	725,818	729,945	(4,127)
Others	695,436	737,590	(42,153)
Total	\$1,929,539	\$2,155,203	(\$225,664)

<At 31st March, 2011>

	Millions of yen		Valuation differences
	Carrying value	Acquisition cost	
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)



(4) Available-for-sale securities sold for the years ended 31st March, 2012 and 2011 are as follows:

<At 31st March, 2012>

	Millions of yen		
	Proceeds from sale	Gains	Losses
Stocks	¥3,518	¥217	(¥1,033)
Bonds:			
Government bonds	50,609	396	—
Municipal bonds	3,348	26	—
Corporate bonds	10,175	66	(2)
	64,133	489	(2)
Others	35,702	1,046	(315)
Total	¥103,355	¥1,754	(¥1,350)

	Thousands of U.S. dollars		
	Proceeds from sale	Gains	Losses
Stocks	\$42,815	\$2,651	(\$12,570)
Bonds:			
Government bonds	615,764	4,826	—
Municipal bonds	40,741	322	—
Corporate bonds	123,801	804	(29)
	780,307	5,953	(29)
Others	434,390	12,737	(3,836)
Total	\$1,257,514	\$21,342	(\$16,436)

<At 31st March, 2011>

	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)

(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 fiscal year ("devaluation"), if the fair value (primarily the closing market price at the consolidated balance sheet date) has significantly 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 amounts of devaluation were ¥1,976 million\* (\$24,049 thousand) and ¥2,448 million\*\* for the years ended 31st March, 2012 and 2011, respectively.

\* stocks ..... ¥1,976 million (\$24,049 thousand)

\*\* stocks ..... ¥2,433 million  
corporate bonds ..... ¥15 million

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

1. The fair value is 50% or less of the acquisition 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, 2012 and 2011 are as follows:

<At 31st March, 2012>

	Millions of yen	Thousands of U.S. dollars
Revaluation difference	<b>¥16,931</b>	<b>\$206,009</b>
Deferred tax liability	<b>(5,800)</b>	<b>(70,574)</b>
Revaluation difference (before minority interest adjustment), net of taxes	<b>11,131</b>	<b>135,434</b>
Amount corresponding to minority interests	<b>(98)</b>	<b>(1,193)</b>
Amount corresponding to the parent's share of net unrealized losses on available-for-sale securities owned by affiliates	<b>(1)</b>	<b>(13)</b>
Unrealized gains on securities available for sale, net of taxes	<b>¥11,032</b>	<b>¥134,228</b>

<At 31st March, 2011>

	Millions of yen
Revaluation difference	¥5,466
Deferred tax liability	(1,973)
Revaluation difference (before minority interest adjustment), net of taxes	3,493
Amount corresponding to minority interests	(84)
Amount corresponding to the parent's share of net unrealized losses on available-for-sale securities owned by affiliates	(1)
Unrealized gains on securities available for sale, net of taxes	¥3,408



**30. Money Held in Trust**

Money held in trust at 31st March, 2012 and 2011 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2012	2011	2012
Money held in trust for investment purposes:			
Carrying value	<b>¥1,981</b>	¥1,942	<b>\$24,105</b>
Unrealized gains included in income before income taxes and minority interests	—	—	—
	Millions of yen		Thousands of U.S. dollars
	2012	2011	2012
Money held in trust for other purposes than investment purposes and held-to-maturity purposes:			
Acquisition Cost	<b>¥1,000</b>	¥1,000	<b>\$12,166</b>
Carrying value	<b>1,000</b>	1,000	<b>12,166</b>
Unrealized gains/losses	—	—	—

**31. Derivatives**

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

Summarized below are the contract value or the notional principal and the fair value of the derivative transactions at 31st March, 2012 and 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*

&lt;At 31st March, 2012&gt;

	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-fixed and pay-floating	¥11,408	¥10,165	¥226	¥226
Receive-floating and pay-fixed	11,408	10,165	(93)	(93)
Total	—	—	¥133	¥133

	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-fixed and pay-floating	\$138,810	\$123,686	\$2,761	\$2,761
Receive-floating and pay-fixed	138,810	123,686	(1,131)	(1,131)
Total	—	—	\$1,629	\$1,629

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 flows and others.

&lt;At 31st March, 2011&gt;

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

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 flows and others.



2. Currency related transactions  
<At 31st March, 2012>

Type of transactions	Millions of yen			
	Contract value		Fair value	Unrealized gain(loss)
	Total	Over one year		
Over-the-counter transactions:				
Currency swaps	¥170,869	¥158,712	¥285	¥286
Forward foreign:				
Sell	3,268	—	255	255
Buy	1,372	—	16	16
Currency option:				
Sell	55,765	34,625	(3,801)	(474)
Buy	55,765	34,625	3,801	1,596
Total	—	—	¥558	¥1,680

Type of transactions	Thousands of U.S. dollars			
	Contract value		Fair value	Unrealized gain(loss)
	Total	Over one year		
Over-the-counter transactions:				
Currency swaps	\$2,078,960	\$1,931,046	\$3,479	\$3,485
Forward foreign:				
Sell	39,768	—	3,109	3,109
Buy	16,696	—	203	203
Currency option:				
Sell	678,500	421,287	(46,249)	(5,777)
Buy	678,500	421,287	46,249	19,424
Total	—	—	\$6,791	\$20,443

- 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 flows and others.

<At 31st March, 2011>

Type of transactions	Millions of yen			
	Contract value		Fair value	Unrealized gain(loss)
	Total	Over one year		
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

- 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 flows and others.



## (2) Derivative transactions to which hedge accounting is applied

Summarized below are the contract value or the notional principal and the fair value of the derivative transactions at 31st March, 2012 and 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

## &lt;At 31st March, 2012&gt;

			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,			
	Receive-fixed and pay-floating	and deposits	¥5,600	¥5,100	
	Receive-floating and pay-fixed		261,592	258,878	(Note 2)
	Interest rate options		15,000	15,000	
Total			—	—	

			Thousands of U.S. dollars		
			Contract value		
method	Type of transactions	Hedged item	Total	Over one year	Fair value
Special treatment	Interest rate swaps	Loans and bills			
for interest rate	Receive-fixed and pay-floating	discounted,	\$68,134	\$62,051	
swaps	Receive-floating and pay-fixed	and deposits	3,182,781	3,149,760	(Note 2)
	Interest rate options		182,503	182,503	
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 synthetic products composed of 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 28)". The balance of unamortized premium for interest rate options is ¥267 million (\$3,249 thousand).

## &lt;At 31st March, 2011&gt;

			Millions of yen		
			Contract value		
method	Type of transactions	Hedged item	Total	Over one year	Fair value
Special treatment	Interest rate swaps	Loans and bills			
for interest rate	Receive-fixed and pay-floating	discounted,	¥7,046	¥7,046	
swaps	Receive-floating and pay-fixed	and deposits	184,963	184,963	(Note 2)
	Interest rate options		15,000	15,000	
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 synthetic products composed of 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 28)". The balance of unamortized premium for interest rate options is ¥329 million.



## 2. Currency related transactions

<At 31st March, 2012>

			Millions of yen		
			Contract value		
method	Type of transactions	Hedged item	Total	Over one year	Fair value
Principle hedge		Securities			
accounting method	Forward foreign	denominated in foreign currencies	¥20,986	¥ —	(¥226)
Total			—	—	(¥226)

			Thousands of U.S. dollars		
			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	\$255,342	\$ —	(\$2,755)
Total			—	—	(\$2,755)

- 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.

<At 31st March, 2011>

			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	¥29,744	¥ —	(¥475)
Total			—	—	(¥475)

- 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.

## 32. 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 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, 2012, the lump-sum payment plans are adopted by nine group companies including the Bank and its domestic consolidated subsidiaries while the corporate pension fund plans are adopted by the Bank and one consolidated subsidiary.

### (2) The funded status and amounts recognized in the consolidated balance sheets at 31st March, 2012 and 2011

	Millions of yen		Thousands of U.S. dollars
	2012	2011	2012
Projected benefit obligation	(¥56,641)	(¥55,954)	(\$689,158)
Plan assets	47,342	42,906	576,008
Projected benefit obligation in excess of plan assets	(9,299)	(13,048)	(113,150)
Unrecognized actuarial loss	7,954	11,365	96,786
Unrecognized prior service cost	—	—	—
Net liability recognized	(1,345)	(1,682)	(16,364)
Prepaid pension cost	9,506	9,123	115,662
Reserve for employee retirement benefits	(¥10,851)	(¥10,805)	(\$132,027)



## (3) Pension cost for the years ended 31st March, 2012 and 2011

	Millions of yen		Thousands of U.S. dollars
	2012	2011	2012
Service cost	<b>¥1,691</b>	¥1,692	<b>\$20,583</b>
Interest cost	<b>1,380</b>	1,372	<b>16,800</b>
Expected return on plan assets for the year	<b>(1,408)</b>	(1,391)	<b>(17,142)</b>
Amortization of unrecognized prior service cost	—	—	—
Amortization of unrecognized actuarial loss	<b>2,004</b>	1,895	<b>24,392</b>
Others (additional retirement benefit payments)	<b>349</b>	937	<b>4,249</b>
Net pension benefit expense	<b>¥4,017</b>	¥4,505	<b>\$48,884</b>

## (4) Basic information used for calculation of the retirement benefit obligation

	2012	2011
(1) Discount rate	<b>2.5%(principally)</b>	2.5%(principally)
(2) Expected rate of return on plan assets	<b>3.3%(principally)</b>	3.3%(principally)
(3) Method of attribution of projected benefit obligation	<b>Straight-line method</b>	Straight-line method
(4) Number of years over which actuarial gains/losses are amortized	<b>10 years(principally)*</b>	10 years(principally)*

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

**33. 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, 2012 and 2011 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2012	2011	2012
Deferred tax assets			
Reserve for possible loan losses	<b>¥20,266</b>	¥25,675	<b>\$246,580</b>
Reserve for retirement benefits	<b>3,682</b>	4,068	<b>44,805</b>
Accumulated depreciation	<b>2,351</b>	2,648	<b>28,611</b>
Tax effects attributable to investment in a subsidiary in the course of liquidation	—	37,737	—
Loss carryforwards for tax purposes	<b>28,701</b>	17,036	<b>349,205</b>
Others	<b>12,633</b>	11,958	<b>153,705</b>
Sub-total	<b>67,634</b>	99,126	<b>822,907</b>
Valuation allowance	<b>(18,644)</b>	(29,228)	<b>(226,845)</b>
Total deferred tax assets	<b>48,990</b>	69,898	<b>596,062</b>
Deferred tax liabilities			
Reserve fund for deferred income of fixed assets	<b>(2)</b>	(2)	<b>(24)</b>
Unrealized losses on securities attributable to partition of corporation, net	<b>(102)</b>	(120)	<b>(1,249)</b>
Asset retirement obligations	<b>(65)</b>	(78)	<b>(797)</b>
Unrealized gains on securities available for sale, net	<b>(5,800)</b>	(1,973)	<b>(70,574)</b>
Total deferred tax liabilities	<b>(5,970)</b>	(2,174)	<b>(72,646)</b>
Net deferred tax assets	<b>¥43,019</b>	¥67,723	<b>\$523,415</b>



The effective tax rates reflected in the consolidated statements of income for the years ended 31st March, 2012 and 2011 differ from the statutory tax rates for the following reasons:

	2012	2011
Statutory tax rate	40.4%	40.4%
Adjustments:		
Expenses permanently nondeductible for income tax purposes	0.5	0.6
Dividend income deductible for income tax purposes	(1.3)	(1.5)
Inhabitant's per capita taxes	0.2	0.3
Increase in valuation allowance	3.4	10.3
Tax effects attributable to investment in a subsidiary in the course of liquidation	—	(110.2)
Adjustment in deferred tax assets due to a change in statutory tax rate	9.7	—
Others, net	(0.2)	(1.2)
Effective tax rate	52.7%	(61.3)%

*(Adjustment in deferred tax assets and liabilities due to a change in the statutory corporate tax rate)*

The "Act for Partial Revision of the Income Tax Act, etc., to Construct a Tax System Addressing Changes in the Socio-Economic Structure" (Act No.114, 2011) and the "Act on Special Measures for Securing Necessary Financial Resources to Implement Measures for Restoration following the Great East Japan Earthquake" (Act No.117, 2011) were promulgated on 2nd December, 2011. As a result, the corporate tax rate will be lowered and a special corporate tax for reconstruction will be levied for the fiscal years beginning on or after 1st April, 2012. Due to this change, the statutory tax rate used for the calculation of deferred tax assets and liabilities has been reduced from 40.4% to 37.8% for temporary differences expected to reverse during the periods from the fiscal year beginning on 1st April, 2012 through the fiscal year beginning on 1st April, 2014; and to 35.4% for temporary differences expected to reverse from the fiscal year beginning on 1st April, 2015 onwards.

These changes in the statutory tax rate resulted in a ¥3,224 million (\$39,226 thousand) decrease in deferred tax assets, a ¥0 million (\$0 thousand) increase in net deferred losses on hedging instruments, net of taxes, a ¥0 million (\$3 thousand) increase in reserve for deferred capital gains, a ¥805 million (\$9,800 thousand) increase in net unrealized gains on securities available for sale, net of taxes, and a ¥4,029 million (\$49,030 thousand) increase in deferred income taxes, as of and for the year ended 31st March, 2012. In addition, deferred tax liabilities on revaluation of premises decreased by ¥2,697 million (\$32,818 thousand) and revaluation of premises, net of taxes increased by the same amount.

#### 34. Asset retirement obligations Information on asset retirement obligations 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 years ended 31st March, 2012 and 2011

	Millions of yen		Thousands of U.S. dollars
	2012	2011	2012
Balance at beginning of the year *	¥865	¥965	\$10,524
Increase due to acquisition of tangible fixed assets	6	3	74
Adjustment for passage of time	16	16	199
Decrease due to fulfillment of asset retirement obligation	13	120	163
Balance at end of the year	¥874	¥865	\$10,635

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

### 35. Business Segment Information

#### 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, 10 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, securities investment, domestic and foreign currency exchange, and other incidental services.

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

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

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

#### <In 2012>

	Millions of yen				
	Reportable segment		Total	Adjustments	Consolidated
	Banking	Other			
Ordinary income					
Ordinary income from third party customers	¥155,056	¥9,412	¥164,468	¥ —	¥164,468
Internal ordinary income among segments	863	7,757	8,620	(8,620)	—
Total ordinary income	155,919	17,169	173,089	(8,620)	164,468
Segment profit	38,325	4,164	42,489	(476)	42,013
Segment assets	7,613,334	77,725	7,691,060	(20,123)	7,670,937
Segment liabilities	7,279,766	41,118	7,320,885	(23,490)	7,297,395
Other items					
Depreciation	5,035	258	5,293	—	5,293
Interest and dividend income	119,341	2,942	122,283	(903)	121,379
Interest expenses	10,202	227	10,430	(843)	9,586
Increase in tangible and intangible fixed assets	¥7,787	¥142	¥7,929	¥ —	¥7,929



	Thousands of U.S. dollars				
	Reportable segment Banking	Other	Total	Adjustments	Consolidated
Ordinary income					
Ordinary income from third party customers	\$1,886,556	\$114,515	\$2,001,072	\$ —	\$2,001,072
Internal ordinary income among segments	10,501	94,389	104,890	(104,890)	—
Total ordinary income	1,897,058	208,904	2,105,963	(104,890)	2,001,072
Segment profit	466,305	50,666	516,971	(5,795)	511,176
Segment assets	92,630,908	945,682	93,576,591	(244,835)	93,331,756
Segment liabilities	88,572,416	500,288	89,072,705	(285,806)	88,786,898
Other items					
Depreciation	61,268	3,139	64,408	—	64,408
Interest and dividend income	1,452,020	35,796	1,487,816	(10,997)	1,476,819
Interest expenses	124,128	2,773	126,902	(10,257)	116,644
Increase in tangible and intangible fixed assets	\$94,747	\$1,735	\$96,482	\$ —	\$96,482

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

<In 2011>

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

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



*Related Information*

## Ordinary income by services:

## &lt;In 2012&gt;

	Millions of yen			
	Loan	Securities	Other	Total
Ordinary income from third party customers	<b>¥108,501</b>	<b>¥20,842</b>	<b>¥35,124</b>	<b>¥164,468</b>

	Thousands of U.S. dollars			
	Loan	Securities	Other	Total
Ordinary income from third party customers	<b>\$1,320,133</b>	<b>\$253,584</b>	<b>\$427,354</b>	<b>\$2,001,072</b>

Note: Ordinary income is presented instead of net sales.

## &lt;In 2011&gt;

	Millions of yen			
	Loan	Securities	Other	Total
Ordinary income from third party customers	¥111,145	¥23,803	¥30,175	¥165,123

Note: Ordinary income is presented instead of net sales.

*Impairment Losses on Tangible Fixed Assets by Reportable Segments*

## &lt;In 2012&gt;

	Millions of yen		
	Reportable segment Banking	Other	Total
Impairment losses	<b>¥511</b>	<b>¥ —</b>	<b>¥511</b>

	Thousands of U.S. dollars		
	Reportable segment Banking	Other	Total
Impairment losses	<b>\$6,219</b>	<b>\$ —</b>	<b>\$6,219</b>

## &lt;In 2011&gt;

	Millions of yen		
	Reportable segment Banking	Other	Total
Impairment losses	¥1,125	¥ —	¥1,125



### Amortization and Balance of Goodwill by Reportable Segments

#### <In 2012>

	Millions of yen		
	Reportable segment		Total
	Banking	Other	
<b>Goodwill</b>			
Amortization of goodwill	¥ —	¥129	¥129
Balance at end of the year	¥ —	¥386	¥386

	Thousands of U.S. dollars		
	Reportable segment		Total
	Banking	Other	
<b>Goodwill</b>			
Amortization of goodwill	\$ —	\$1,580	\$1,580
Balance at end of the year	—	—	\$4,702

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

#### <In 2011>

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

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

### Information on Gains on Negative Goodwill by Reportable Segments

In connection with the Bank's acquisition of additional shares of its consolidated subsidiary, The Kyushu Card Co., Ltd., the acquisition price of the subsidiary's shares which were acquired from minority shareholders was below the amount of reduction in the minority interests. As a result, negative goodwill was incurred in "other" segment, and gain of ¥144 million (\$1,758 thousand) on negative goodwill was recognized for the year ended 31st March, 2012.

## 36. Related Party Transactions

Related party transactions for the years ended 31st March, 2012 and 2011 are as follows:

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

#### <In 2012>

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	Chikushino	¥10 (million)	Hotel	—	Companies owned by close relatives of Bank's director	Loan	—	Loans	¥232
	Shoji	Fukuoka		business	—	(Yasuyuki Ishida)	Guarantee	—	Customer's liabilities for acceptances and guarantee	¥40 (million)
	Co.,Ltd.									

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

#### <In 2011>

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	Chikushino	¥10 (million)	Hotel	—	Companies owned by close relatives of Bank's director	Loan	¥148 (million)	Loans	¥232
	Shoji	Fukuoka		business	—	(Yasuyuki Ishida)	Guarantee	—	Customer's liabilities for acceptances and guarantee	¥41 (million)
	Co.,Ltd.									

\* 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.



**37. Reconciliation of Cash and Cash Equivalents**

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

	Millions of yen		Thousands of U.S. dollars
	2012	2011	2012
Cash and due from banks on the consolidated balance sheets	<b>¥283,453</b>	¥224,843	<b>\$3,448,762</b>
Due from banks, exclusive of central bank	<b>(8,794)</b>	(7,084)	<b>(107,004)</b>
Cash and cash equivalents on the consolidated statements of cash flows	<b>¥274,659</b>	¥217,758	<b>\$3,341,758</b>

**38. Per Share Information**

	Yen		U.S. dollars
	2012	2011	2012
Net assets per share at end of the year	<b>¥434.43</b>	¥406.32	<b>\$5.285</b>
Net income per share:			
Basic	<b>22.60</b>	66.98	<b>0.274</b>
Diluted *	—	65.04	—

Basis for net assets per share as of 31st March, 2012 and 2011 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2012	2011	2012
Net assets	<b>¥373,541</b>	¥351,480	<b>\$4,544,857</b>
Items to be deducted from net assets	<b>28,132</b>	28,397	<b>342,283</b>
Minority interests	<b>28,132</b>	28,397	<b>342,283</b>
Net assets attributable to common stock	<b>345,409</b>	323,083	<b>4,202,573</b>
Shares			
	2012	2011	
Number of shares of common stock outstanding at end of the year	<b>795,079,232</b>	795,129,470	

Basis for net income per share for the years ended 31st March, 2012 and 2011 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2012	2011	2012
Basic:			
Net income	<b>¥17,972</b>	¥53,384	<b>\$218,667</b>
Items not attributable to common stock	—	120	—
Retirement of preferred stock	—	120	—
Net income attributable to common stock	<b>17,972</b>	53,263	<b>218,667</b>
Shares			
	2012	2011	
Average number of shares of common stock outstanding during the year	<b>795,102,858</b>	795,171,900	
Diluted:			
Adjustments to net income			
Excess of repurchase cost of preferred stock retired over issue price	—	120	—
	—	120	—
Shares			
	2012	2011	
Number of shares of common stock to increase	—	25,557,669	
Preferred stock thereof	—	25,557,669	

\* Net income per share, diluted, for the year ended 31st March, 2012 was not presented, because the Bank and its consolidated subsidiaries had no dilutive shares during the year.



**39. Cash Dividends**

Cash dividends paid during the year ended 31st March, 2012, which were distribution of earned surplus at 31st March, 2011, are as follows:

Resolution	Types	Millions of yen	Thousands of U.S. dollars
June 29, 2011 Ordinary General Meeting of Shareholders	Cash dividends (¥5 per share)	<b>¥3,975</b>	<b>\$48,371</b>
November 11, 2011 Meeting of Board of Directors	Cash dividends (¥2.5 per share)	<b>¥1,987</b>	<b>\$24,185</b>

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	Millions of yen
June 29, 2010	Cash dividends (¥4 per share)	¥3,180
Ordinary General Meeting of Shareholders	Preference dividends (¥12 per share)	¥420

**40. Subsequent Event**

The following appropriation of earned surplus for the year ended 31st March, 2012 was approved at the shareholders' meeting held on 28th June, 2012:

Resolution	Types	Millions of yen	Thousands of U.S. dollars
June 28, 2012 Ordinary General Meeting of Shareholders	Cash dividends (¥2.5 per share)	<b>¥1,987</b>	<b>\$24,184</b>



# Quarterly Information (Unaudited)

The Nishi-Nippon City Bank, Ltd. and Subsidiaries Year ended 31st March, 2012

	Millions of yen			
	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
	from 1st April, 2011 to 30th June, 2011	from 1st April, 2011 to 30th September, 2011	from 1st April, 2011 to 31st December, 2011	from 1st April, 2011 to 31st March, 2012
Ordinary income	<b>¥40,530</b>	<b>¥85,080</b>	<b>¥125,162</b>	<b>¥164,468</b>
Income before income taxes and minority interests	<b>8,138</b>	<b>23,905</b>	<b>33,968</b>	<b>41,344</b>
Net income	<b>4,514</b>	<b>11,842</b>	<b>14,837</b>	<b>17,972</b>
	yen			
	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
	from 1st April, 2011 to 30th June, 2011	from 1st April, 2011 to 30th September, 2011	from 1st April, 2011 to 31st December, 2011	from 1st April, 2011 to 31st March, 2012
Net income per share	<b>¥5.67</b>	<b>¥14.89</b>	<b>¥18.66</b>	<b>¥22.60</b>
	yen			
	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
	from 1st April, 2011 to 30th June, 2011	from 1st July, 2011 to 30th September, 2011	from 1st October, 2011 to 31st December, 2011	from 1st January, 2012 to 31st March, 2012
Net income per share	<b>¥5.67</b>	<b>¥9.21</b>	<b>¥3.76</b>	<b>¥3.94</b>
	Thousands of U.S. dollars			
	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
	from 1st April, 2011 to 30th June, 2011	from 1st April, 2011 to 30th September, 2011	from 1st April, 2011 to 31st December, 2011	from 1st April, 2011 to 31st March, 2012
Ordinary income	<b>\$493,135</b>	<b>\$1,035,166</b>	<b>\$1,522,844</b>	<b>\$2,001,072</b>
Income before income taxes and minority interests	<b>99,024</b>	<b>290,851</b>	<b>413,286</b>	<b>503,036</b>
Net income	<b>54,933</b>	<b>144,088</b>	<b>180,527</b>	<b>218,667</b>
	U.S. dollars			
	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
	from 1st April, 2011 to 30th June, 2011	from 1st April, 2011 to 30th September, 2011	from 1st April, 2011 to 31st December, 2011	from 1st April, 2011 to 31st March, 2012
Net income per share	<b>\$0.06</b>	<b>\$0.18</b>	<b>\$0.22</b>	<b>\$0.27</b>
	U.S. dollars			
	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
	from 1st April, 2011 to 30th June, 2011	from 1st July, 2011 to 30th September, 2011	from 1st October, 2011 to 31st December, 2011	from 1st January, 2012 to 31st March, 2012
Net income per share	<b>\$0.06</b>	<b>\$0.11</b>	<b>\$0.04</b>	<b>\$0.04</b>



# Non-Consolidated Balance Sheets (Unaudited)

The Nishi-Nippon City Bank, Ltd.

31st March, 2012 and 2011

	Millions of yen		Thousands of U.S. dollars
	2012	2011	2012
<b>Assets:</b>			
Cash and due from banks	¥266,316	¥210,645	\$3,240,257
Call loans and bills bought	9,099	10,735	110,708
Commercial paper and other debt purchased	—	—	—
Trading account assets	1,272	3,294	15,487
Money held in trust	2,981	2,942	36,272
Securities	1,728,211	1,686,148	21,027,024
Loans and bills discounted	5,177,913	5,016,423	62,999,317
Foreign exchange assets	7,665	10,441	93,268
Other assets	43,291	46,128	526,720
Tangible fixed assets	115,843	116,562	1,409,464
Intangible fixed assets	3,332	3,184	40,551
Deferred tax assets	40,305	64,089	490,390
Customers' liabilities for acceptances and guarantees	31,757	34,350	386,395
Reserve for possible loan losses	(29,866)	(31,714)	(363,381)
Reserve for devaluation of securities	(890)	(14,056)	(10,828)
<b>Total assets</b>	<b>¥7,397,235</b>	<b>¥7,159,176</b>	<b>\$90,001,647</b>
<b>Liabilities and Net assets:</b>			
<b>Liabilities:</b>			
Deposits	¥6,461,574	¥6,426,002	\$78,617,524
Call money and bills sold	277,877	134,379	3,380,916
Guarantee deposits received under securities lending transactions	72,160	44,459	877,977
Borrowed money	64,351	56,834	782,962
Foreign exchange liabilities	83	101	1,020
Bonds	88,300	78,300	1,074,339
Other liabilities	28,213	31,940	343,272
Reserve for bonuses to directors and corporate auditors	—	49	—
Reserve for employee retirement benefits	9,841	9,717	119,742
Reserve for retirement benefits for directors and corporate auditors	—	598	—
Reserve for reimbursement of deposits	2,642	1,012	32,156
Reserve for other contingent losses	2,434	2,051	29,614
Deferred tax liabilities on revaluation of premises	19,096	21,813	232,349
Acceptances and guarantees	31,757	34,350	386,395
<b>Total liabilities</b>	<b>7,058,335</b>	<b>6,841,609</b>	<b>85,878,272</b>
<b>Net assets:</b>			
Capital stock	85,745	85,745	1,043,260
Capital surplus	85,684	85,684	1,042,511
Earned surplus			
Legal reserve	61	61	748
Voluntary reserves	109,703	98,303	1,334,759
Unappropriated retained earnings	17,104	17,443	208,109
Treasury stock	(668)	(661)	(8,135)
<b>Total shareholders' equity</b>	<b>297,630</b>	<b>286,577</b>	<b>3,621,254</b>
Net unrealized gains on securities available for sale, net of taxes	10,517	3,000	127,969
Net deferred losses on hedging instruments, net of taxes	(0)	(0)	(2)
Revaluation of premises, net of taxes	30,751	27,989	374,154
<b>Total valuation and translation adjustments</b>	<b>41,269</b>	<b>30,989</b>	<b>502,121</b>
<b>Total net assets</b>	<b>338,900</b>	<b>317,566</b>	<b>4,123,375</b>
<b>Total liabilities and net assets</b>	<b>¥7,397,235</b>	<b>¥7,159,176</b>	<b>\$90,001,647</b>

See accompanying Notes to Non-Consolidated Financial Statements.



# Non-Consolidated Statements of Income (Unaudited)

The Nishi-Nippon City Bank, Ltd. Years ended 31st March, 2012 and 2011

	Millions of yen		Thousands of U.S. dollars
	2012	2011	2012
<b>Income:</b>			
Interest income:			
Interest on loans and discounts	¥95,575	¥100,702	\$1,162,858
Interest and dividends on securities	18,940	19,144	230,445
Other interest income	230	211	2,806
Fees and commissions	24,380	23,859	296,635
Trading income	63	31	773
Other operating income	2,113	3,939	25,709
Other income	9,138	8,389	111,183
Total income	150,441	156,279	1,830,413
<b>Expenses:</b>			
Interest expenses:			
Interest on deposits	6,293	9,000	76,576
Interest on call money and bills sold	374	288	4,555
Interest on borrowings	1,168	1,429	14,218
Other interest expenses	2,183	2,069	26,571
Fees and commissions	11,200	10,897	136,273
Trading expenses	—	0	—
Other operating expenses	706	3,981	8,599
General and administrative expenses	75,332	78,380	916,568
Other expenses	16,001	19,634	194,691
Total expenses	113,262	125,681	1,378,055
Income before income taxes	37,179	30,597	452,357
Income taxes			
Current	66	58	814
Deferred	20,019	(22,047)	243,575
Total income taxes	20,086	(21,989)	244,389
Net income	¥17,092	¥52,587	\$207,968

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, 2012 and 2011

	Millions of yen		Thousands of U.S. dollars
	2012	2011	2012
<b>Shareholders' equity</b>			
Capital stock			
Balance at beginning of the year	¥85,745	¥85,745	\$1,043,260
Changes during the year			
Total changes during the year	—	—	—
Balance at end of the year	¥85,745	¥85,745	\$1,043,260
Capital surplus:			
Capital reserve			
Balance at beginning of the year	¥85,684	¥85,684	\$1,042,511
Changes during the year			
Total changes during the year	—	—	—
Balance at end of the year	¥85,684	¥85,684	\$1,042,511
Earned surplus:			
Legal reserve			
Balance at beginning of the year	¥61	¥61	\$748
Changes during the year			
Total changes during the year	—	—	—
Balance at end of the year	¥61	¥61	\$748
Other earned surplus:			
Reserve for deferred capital gains			
Balance at beginning of the year	¥3	¥3	\$43
Changes during the year			
Transfer from reserve for deferred capital gains	(0)	(0)	(1)
Transfer to reserve for deferred capital gains	0	—	3
Total changes during the year	0	(0)	1
Balance at end of the year	¥3	¥3	\$44
Other voluntary reserves			
Balance at beginning of the year	¥98,300	¥81,422	\$1,196,011
Changes during the year			
Transfer to other voluntary reserves	11,400	16,877	138,703
Total changes during the year	11,400	16,877	138,703
Balance at end of the year	¥109,700	¥98,300	\$1,334,714
Unappropriated retained earnings			
Balance at beginning of the year	¥17,443	¥20,478	\$212,238
Changes during the year			
Cash dividends paid	(5,963)	(3,600)	(72,556)
Transfer from reserve for deferred capital gains	0	0	1
Transfer to other voluntary reserves	(11,400)	(16,877)	(138,703)
Net income	17,092	52,587	207,968
Sale of treasury stock	(4)	(3)	(48)
Retirement of treasury stock	—	(35,120)	—
Reversal of revaluation of premises	(64)	(19)	(790)
Total changes during the year	(339)	(3,034)	(4,128)
Balance at end of the year	¥17,104	¥17,443	\$208,109
Total earned surplus			
Balance at beginning of the year	¥115,809	¥101,966	\$1,409,041
Changes during the year			
Cash dividends paid	(5,963)	(3,600)	(72,556)
Transfer from reserve for deferred capital gains	—	—	—
Transfer to reserve for deferred capital gains	0	—	3
Transfer to other voluntary reserves	—	—	—
Net income	17,092	52,587	207,968
Sale of treasury stock	(4)	(3)	(48)
Retirement of treasury stock	—	(35,120)	—
Reversal of revaluation of premises	(64)	(19)	(790)
Total changes during the year	11,060	13,842	134,575
Balance at end of the year	¥126,869	¥115,809	\$1,543,617



	Millions of yen		Thousands of U.S. dollars
	2012	2011	2012
<b>Treasury stock</b>			
Balance at beginning of the year	(¥661)	(¥643)	(\$8,042)
Changes during the year			
Acquisition of treasury stock	(16)	(35,147)	(205)
Sale of treasury stock	9	8	112
Retirement of treasury stock	—	35,120	—
Total changes during the year	(7)	(17)	(93)
Balance at end of the year	(¥668)	(¥661)	(\$8,135)
<b>Total shareholders' equity</b>			
Balance at beginning of the year	¥286,577	¥272,752	\$3,486,771
Changes during the year			
Cash dividends paid	(5,963)	(3,600)	(72,556)
Net income	17,092	52,587	207,968
Transfer to reserve for deferred capital gains	0	—	3
Acquisition of treasury stock	(16)	(35,147)	(205)
Sale of treasury stock	5	5	63
Retirement of treasury stock	—	—	—
Reversal of revaluation of premises	(64)	(19)	(790)
Total changes during the year	11,053	13,824	134,482
Balance at end of the year	¥297,630	¥286,577	\$3,621,254
<b>Valuation and translation adjustments</b>			
Net unrealized gains on securities available for sale, net of taxes			
Balance at beginning of the year	¥3,000	¥5,452	\$36,501
Changes during the year			
Net changes in items other than shareholders' equity	7,517	(2,452)	91,468
Total changes during the year	7,517	(2,452)	91,468
Balance at end of the year	¥10,517	¥3,000	\$127,969
Net deferred losses on hedging instruments, net of taxes			
Balance at beginning of the year	(¥0)	(¥1)	(\$4)
Changes during the year			
Net changes in items other than shareholders' equity	0	1	2
Total changes during the year	0	1	2
Balance at end of the year	(¥0)	(¥0)	(\$2)
Revaluation of premises, net of taxes			
Balance at beginning of the year	¥27,989	¥27,970	\$340,545
Changes during the year			
Net changes in items other than shareholders' equity	2,762	19	33,608
Total changes during the year	2,762	19	33,608
Balance at end of the year	¥30,751	¥27,989	\$374,154
<b>Total valuation and translation adjustments</b>			
Balance at beginning of the year	¥30,989	¥33,421	\$377,042
Changes during the year			
Net changes in items other than shareholders' equity	10,280	(2,432)	125,078
Total changes during the year	10,280	(2,432)	125,078
Balance at end of the year	¥41,269	¥30,989	\$502,121
<b>Total net assets</b>			
Balance at beginning of the year	¥317,566	¥306,174	\$3,863,813
Changes during the year			
Cash dividends paid	(5,963)	(3,600)	(72,556)
Net income	17,092	52,587	207,968
Transfer to reserve for deferred capital gains	0	—	3
Acquisition of treasury stock	(16)	(35,147)	(205)
Sale of treasury stock	5	5	63
Reversal of revaluation of premises	(64)	(19)	(790)
Net changes in items other than shareholders' equity	10,280	(2,432)	125,078
Total changes during the year	21,333	11,392	259,561
Balance at end of the year	¥338,900	¥317,566	\$4,123,375

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, 2012 and 2011

- 
- |   |   |
|---|---|
| <b>1. Basis of Presentation of Financial Statements</b> | 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. |
|---|---|
- 
- |  |   |
|--|---|
| <b>2. Other Accounting Principles and Practices Employed by the Bank</b> | 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. |
|--|---|
-



## Independent Auditor's Report

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

We have audited the accompanying consolidated financial statements of The Nishi-Nippon City Bank, Ltd. and its consolidated subsidiaries, which comprise the consolidated balance sheet as at March 31, 2012, and the consolidated statements of income, comprehensive income, changes in net assets, and cash flows for the year then ended and a summary of significant accounting policies and other explanatory information, all expressed in Japanese yen.

### *Management's Responsibility for the Consolidated Financial Statements*

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

### *Auditor's Responsibility*

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in 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 consolidated financial statements are free from material misstatement.

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

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

### *Opinion*

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

### *Convenience Translation*

We have reviewed the translation of these consolidated financial statements into U.S. dollars, presented for the convenience of readers, and, in our opinion, the accompanying consolidated financial statements have been properly translated on the basis described in Note 1.

*Ernst & Young ShinNihon LLC*

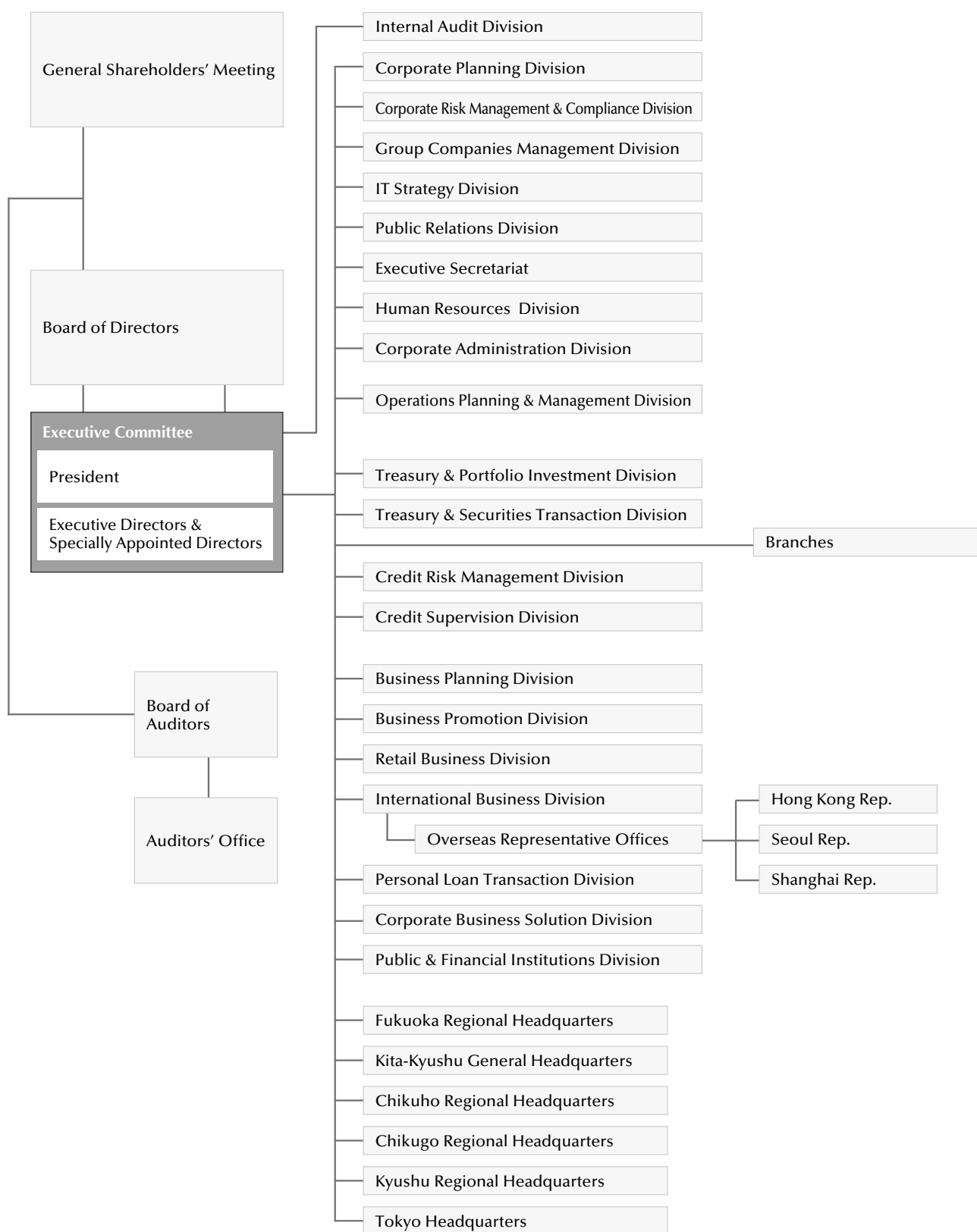
Ernst & Young ShinNihon LLC

June 28, 2012  
Fukuoka, Japan

A member firm of Ernst & Young Global Limited



## Organization Chart



(as of June 30, 2012)



## Corporate Data

### Head Office:

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

### Established:

December 1, 1944

### Paid-up Capital:

¥85,745 million

### Number of Shareholders:

Ordinary shares: 12,828

### Number of Employees:

3,782

### Number of Domestic Offices:

206

### Number of Correspondent Banks:

130

### Major Shareholders (common stock):

Name	Shares held (thousands)	(%)
Japan Trustee Services Bank, Ltd. (Trust Account)	98,214	12.32
Japan Trustee Service Bank, Ltd. (Trust Account No. 4)	46,186	5.79
The Master Trust Bank of Japan, Ltd. (Trust Account)	32,412	4.06
Nippon Life Insurance Company	20,477	2.57
Japan Trustee Services Bank, Ltd. (Trust Account No. 9)	15,492	1.94
Mizuho Corporate Bank, Ltd.	11,507	1.44
Tokio Marine & Nichido Fire Insurance Co., Ltd.	11,280	1.41
Resona Bank, Ltd.	11,000	1.38
Meiji Yasuda Life Insurance Company	10,945	1.37
Sumitomo Mitsui Banking Corporation	10,748	1.34

(as of March 31, 2012)

## International Network

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