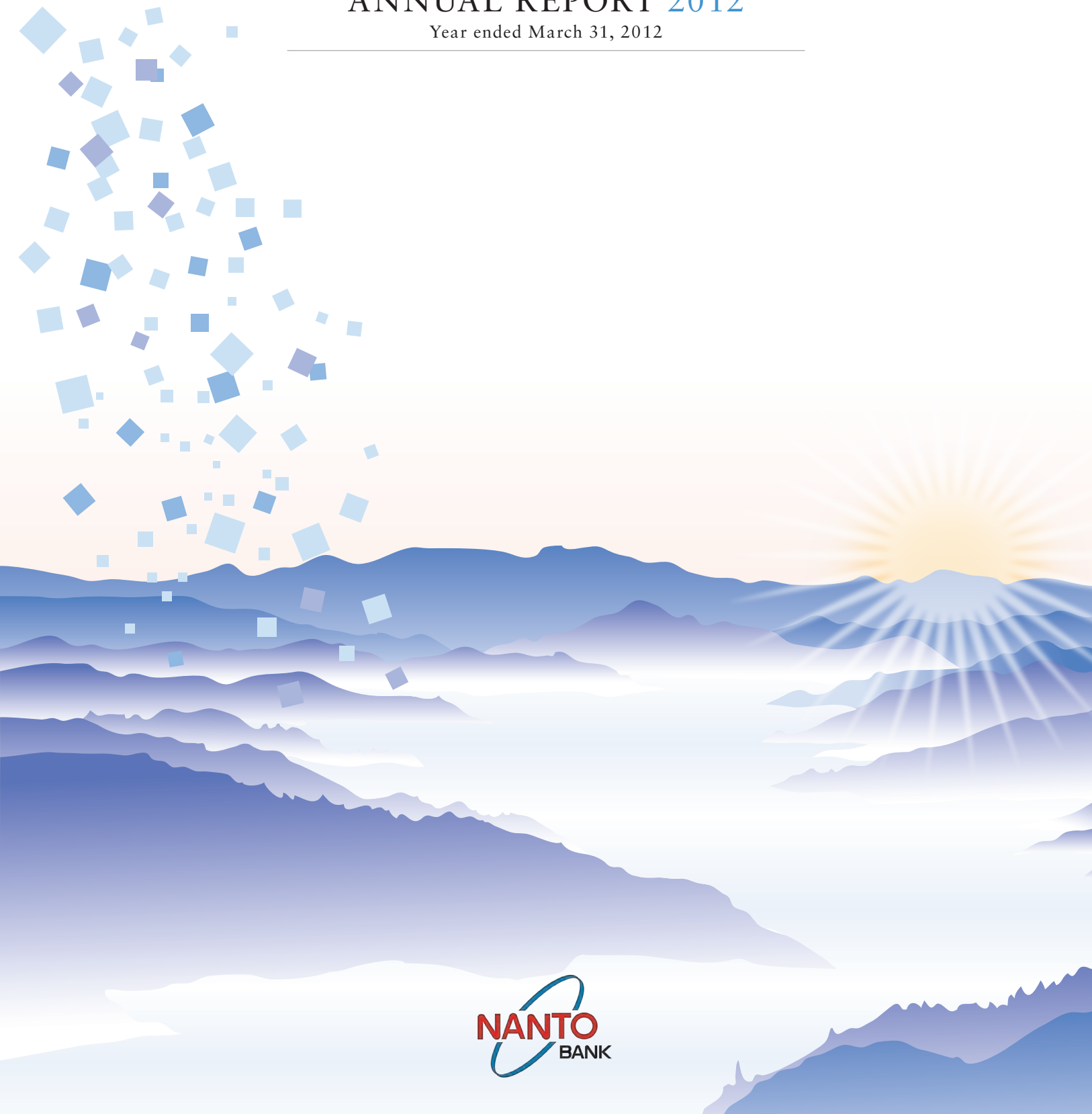
ANNUAL REPORT 2012

Year ended March 31, 2012



NANTO BANK

ANNUAL REPORT 2012

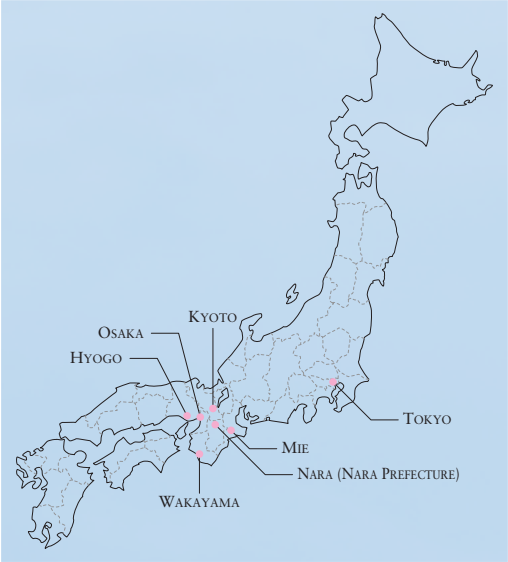
CONTENTS

PROFILE

The Nanto Bank, Ltd. (the "Bank" or "Nanto Bank") is based in Nara Prefecture, a region rich in tradition and culture dating back to its development as Japan's first capital in the early 8th century. Since its establishment in 1934, Nanto Bank has achieved steady growth in partnership with its region and continues to maintain a sound financial structure. As of March 31, 2012, Nanto Bank had deposits of ¥4,343.1 billion, loans of ¥2,785.6 billion, and total assets of ¥4,809.5 billion.

Nanto Bank's domestic network of 134 branches extends beyond Nara Prefecture to the neighboring prefectures of Osaka, Kyoto, Hyogo, Mie, Wakayama, and Tokyo. The Bank has become a trusted institution in communities throughout its region thanks to its commitment to regionally focused services designed to meet the needs of local customers.

Nanto Bank continues to make a positive contribution to regional economic development by providing a comprehensive range of financial services, including overseas services, and maintains representative offices in Hong Kong and Shanghai.



CORPORATE PHILOSOPHY

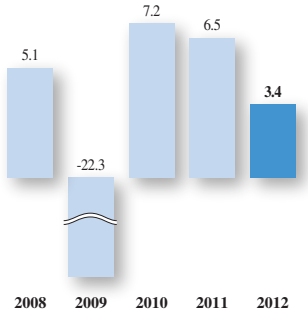
1. Pursuing sound and efficient management
2. Providing superior comprehensive financial services
3. Contributing to regional prosperity
4. Striving to become a highly reliable, friendly and attractive bank

Consolidated Financial Highlights

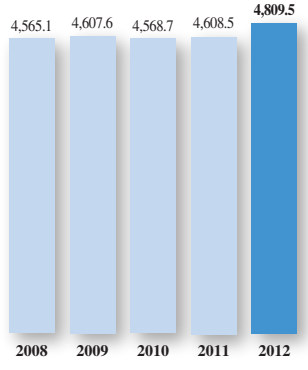
	Millions of yen					Thousands of U.S. dollars
	2012	2011	2010	2009	2008	2012
For the year:						
Total income	¥ 90,075	¥ 92,751	¥ 95,942	¥ 109,639	¥ 118,188	$ 1,095,936
Total expenses	78,843	78,711	83,145	134,276	108,262	959,277
Income (loss) before income taxes	11,231	14,039	12,796	(24,637)	9,926	136,646
Net income (loss)	3,467	6,584	7,293	(22,324)	5,170	42,182
At year-end:						
Total assets	4,809,575	4,608,561	4,568,768	4,607,649	4,565,111	58,517,763
Loans and bills discounted	2,785,671	2,709,612	2,730,540	2,854,567	2,679,469	33,893,064
Securities	1,755,495	1,668,948	1,560,110	1,425,966	1,540,174	21,358,985
Deposits and negotiable certificates of deposit	4,343,154	4,181,096	4,117,975	4,083,246	4,082,565	52,842,851
Total liabilities	4,597,334	4,401,386	4,361,672	4,445,015	4,366,001	55,935,442
Minority interests	25,971	25,125	24,621	24,447	24,852	315,987
Total net assets	212,241	207,175	207,095	162,634	199,109	2,582,321
Common stock	29,249	29,249	29,249	29,249	29,249	355,870
Per share data:			Yen			U.S. dollars
Net income (loss)	¥ 12.57	¥ 23.88	¥ 26.45	¥ (80.87)	¥ 18.67	$ 0.15
Stockholders' equity	675.42	660.24	661.81	501.09	630.66	8.21
Capital adequacy ratio (%)	11.63	11.74	12.12	10.06	10.78	

Note: U.S. dollar amounts are included solely for the convenience of readers and are calculated at the exchange rate of ¥82.19 to US$1.00, the rate prevailing on March 31, 2012.

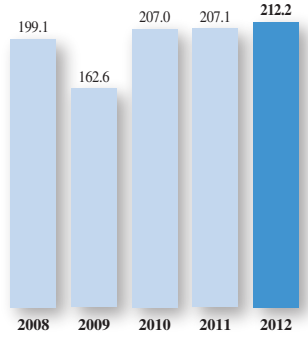
Net Income
(Billions of yen)



Total Assets
(Billions of yen)



Total Net Assets
(Billions of yen)



The purpose of this Annual Report 2012 is to disclose our performance in fiscal 2011 (the year ended March 31, 2012) and the initiatives conducted during the fiscal year. We would appreciate it if you would read through the report.

Although there are some factors that slow down the Japanese economy, including the high price of crude oil and restricted electricity supply, the economic climate is gradually improving overall. On the other hand, with regard to the regional economy centered on Nara Prefecture, although there is a sign of partial recovery, in which employment and consumer spending have been on a recovery track, production activities remain sluggish.

Against this background, the Bank plans to further promote relationship-based local banking based on our medium-term management plan, Best Value NANTO (April 2011 to March 2014), which has been launched since April last year, as well as develop face-to-face sales activities. For fiscal 2012, we will focus on improving customer satisfaction and enhancing profitability through deployment of high value-added services by developing solution-oriented marketing that enables us to increase convenience for customers in the local community and maximize various consulting functions.

We look forward to your continued support as all of our officers and employees devote their full efforts to the achievement of the medium-term management plan.

Aim for Becoming a Bank that Grows Together with the Region It Serves through Further Promotion of "Relationship-Based Local Banking"

I. Our Economic and Financial Environment

Although the Japanese economy still faces fierce conditions, it is now recovering moderately against the background of the demand for reconstruction, etc.

In the local economy centered on Nara Prefecture, although there is a sign of partial recovery, in which employment and consumer spending have been on a recovery track, production activities remain sluggish. On the other hand, in the southern part of the Prefecture, initiatives for reviving the number of tourists, which decreased severely due to the Great East Japan Earthquake and typhoon damages, are being implemented. In addition, there is a positive trend throughout the Prefecture to bring new life to the local economy, including the promotion of new plans for the commemorative events following Nara's 1,300th Anniversary.

With regard to the Bank's business environment, the profit margin of loans and deposits, etc., remains lower due to the slumping domestic stock market and monetary easing against the backdrop of the debt crisis in Europe.

Under these circumstances, all the Bank officers and employees are united in their commitment to achieve our long-term vision "aiming to further increase corporate value - a bank that grows together with the region it serves," targeting our 80th anniversary in June 2014.

We consider our medium-term management plan, Best Value NANTO, which has been launched since April last year, as the second stage for achieving this long-term vision, and will speedily and steadily carry out measures based on this plan in this fiscal year.

II. Initiatives for Achieving our Long-Term Vision

1. Promoting relationship-based local banking and enhancing our marketing base and structure

• Promoting relationship-based local banking

With recognition that it is indispensable to revitalize the local economy for growth with customers and enduring development as a regional financial institution, the Bank has been continuously promoting relationship-based local banking.

We are making efforts to improve our structure by supporting activities at branches utilizing headquarters' specialty division along with public/external institutions through precise understanding of our customers' current needs and identification of their potential needs in order to make our initiative of relationship-based local banking more fruitful for both customers and the Bank.

Specifically, we have installed professional Business Matching Navigator at headquarters as well as provided opportunities for a wide range of business meetings through holding of various fairs, including NANTO Nou-Shou-Kou (agriculture, commerce and industry) Business Fair. As for business succession, which has brought heightened attention from business owners, we aim to establish further trusted relationships with customers by providing optimal solutions.

As for international businesses, the Asia Business Support Group provides advice on overseas advance and foreign exchange transactions, and our overseas representative offices in Hong Kong and Shanghai also offer a full range of business assistance. Looking ahead, we will strengthen our support system in Southeast Asia, to which our customers' needs for expansion are growing.

The Bank considers growth industries such as medical and nursing care and environment as key fields with expectation of market expansion, and has been bolstering the collaboration between the headquarters and branches to carry out sales activities taking advantage of our expertise.

• Facilitating finance in regions

Nanto Bank believes that facilitating finance is an important mission for regional financial institutions, and expert staff members at the Corporate Finance Support Office as well as branches have been striving to support management improvement by implementing consulting functions and providing appropriate follow-ups for management improvement plans, etc.

The Act concerning Temporary Measures to Facilitate Financing for SMEs (Small and Medium-Sized Enterprises), etc., which came into effect in 2009, will expire in this fiscal year. However, the Bank considers this fiscal year as a starting line for a new stage of facilitating finance and continues to put in efforts on it to revitalize the local economy.

• Enhancing marketing base and improving branch network

The Bank is working toward establishing new operational bases and strengthening our marketing structure based on our medium-term management plan.

In the Osaka area, we aim to establish a geographically broad-based business office network, which focuses on business loans, by setting up branches in regions with deep connections based on continuity with Nara Prefecture and existing branches.

We plan to newly establish two branches, the Eiwa Branch and the Wakaeiwata Branch, along the Kintetsu Nara line in Higashiosaka City this year. We have been developing our sales activities in Higashiosaka City, a neighboring city of Nara Prefecture, since 1974 when the Ishikiri Branch was established. With four branches in the city altogether by adding these new branches, we will develop more region-based marketing activities.

In Nara Prefecture, the JR Nara Ekimae Branch and the Takada Branch were moved to temporary offices in January and March this year respectively due to reconstruction of the offices. Furthermore, in July, we moved the Yatayama Sub-branch of the Koriyama Branch to a newly constructed office, which is now called the Yataminami Sub-branch of the Koriyama Branch, as part of the gradual improvement of our branch network.

• Enhancing our products and services

The Bank strives to enhance lineup of various products and services to increase customer satisfaction.

Recently, we have introduced new services to improve convenience for our customers, such as acceptance of foreign currency deposits through ATMs, sales of investment trust products on the Internet called "NANTO Investment Trust on the Internet," a tie-up with Lawson ATM and other services.

In addition, L-Plaza at 11 locations is open also on weekends as a teller window concerning housing loans and asset management for busy customers who cannot visit us on weekdays, and has been acquiring favorable feedback. We have expanded the service lineup by introducing new services, including "L-Plaza Weekend Tax Practice Consultation Session" held on Sundays since April this year.

2. Enhancement and upgrading of internal control systems

Establishing the "enhancement and upgrading of internal control systems" as one of the basic policies of our medium-term management plan, the Bank carries out various measures with key strategies, "further enhancement of our compliance framework" and "incorporation of more advanced and enhanced risk management."

Compliance is fundamental for banks to faithfully carry out our social responsibilities and public missions. The Bank makes utmost effort to instill a compliance mindset into not only the management personnel but also every one of employees in order to establish an effective compliance framework.

In terms of risk management, we will continue to advance and enhance risk management while appropriately controlling risks and returns.

3. Streamlining headquarters and branch operations

While actively pursuing marketing strategies, such as the establishment of new operational bases and the improvement of existing branches, we have been making a great effort to effectively use our corporate resources.

In January this year, we successfully streamlined centralized operations at headquarters through the integration of two Business Support Centers responsible for centralized processing of operations at branches. In April, we established the "Inheritance Center" in order to provide consultation for customers who make inquiries about inheritance in an accurate and timely manner as well as to promote the efficiency in operations and labor saving at each branch.

We will continue to shift our staff to the sales sector by streamlining headquarters and branch operations in order to strengthen our face-to-face sales activities.

4. Contributions to the local community (CSR initiatives)

Aiming to become a bank that grows together with the region it serves, the Bank continuously works on its CSR (corporate social responsibility) initiatives, with "promotion of enduring community contributions" as one of the basic policies of its medium-term management plan. We enhance our CSR program rested on environmental conservation initiatives and social action programs while making good use of our corporate resources.

• Environmental conservation initiatives

The Bank obtained ISO14001 environmental management certification in 2002, and has steadily continued programs to conserve energy and reduce paper and other waste.

Last December, we signed the "Principles for Financial Action toward a Sustainable Society" proposed by the Ministry of the Environment. Finance will play a significant role in creating a sustainable society in the 21st century, thus the Bank plans to enhance environmental conservation initiatives which link to finance more than ever, following the signing of the principles.

During the summer and winter seasons last year, we achieved an electricity usage reduction (18.4% in summer and 12.0% in winter), which exceeded our numerical target for year-on-year reduction rate (15.0% in summer and 10.0% in winter) as a result of thorough temperature control, educed lighting and other actions at each branch lobby with cooperation from our customers.

For these efforts, we were honored as an "Excellent Business Engaging in Energy Saving" by NARA DENRYOKU RIYOU GOURIKA IINKAI.

This year, we have set a new numerical target for reduction of electricity usage again for saving electricity during summer.

• Social action programs

The Bank, as a member of society, has developed a wide variety of social action programs since its foundation, including the Small Kindness Society, which conducts cleanups and blood donation to contribute to public service activities, the Nanto Scholarship Society, which offers academic scholarships, and the Manyo Charity Walk, which provides opportunities to walk around historical sites featured in Manyoshu (a collection of Japanese poetry) in Nara Prefecture.

In addition, our hockey team, which marks its 30th anniversary since its creation this year, contributes to the promotion of sports in Nara Prefecture as well as focuses on being involved with the local community through various activities such as holding hockey schools for local students. Two players on our team have been chosen for "Sakura Japan," Japan's national team for this year's London Olympics.

We have supported the Yoshino Heart Project since 2009, whose mission is forest conservation by maintaining and recovering a sound forest cycle through tree planting and thinning backed by the vitalization of forestry and other related industries in the Yoshino region of Nara Prefecture. We have been working on activities by utilizing local networks that we have established, including business matching support related to the production and sale of wooden products and the promotion of use of Japanese-grown wood.

We also participate in the Yoshino Cherry Tree Preservation Group as a special member. The group was founded to protect the shiroyama-zakura (cherry trees famous for their blossoms), which have recently shown visible signs of deterioration such as blight, at a World Heritage site, Mount Yoshino. We actively provide cooperation in activities by sending volunteer staff to various events and make a donation through an environmentally-friendly financial product, the Yoshino Cherry Tree Time Deposit, to support conservation and growing of cherry trees in Yoshino.

Looking ahead, as a bank that grows together with the region it serves, we will continue to be involved in social action programs with people in the local community.

President Yasuo Ueno

Medium-Term Management Plan

The Medium-Term Management Plan—Best Value NANTO

The Best Value NANTO medium-term management plan (April 2011 to March 2014) represents the second stage of our long-term vision of "aiming to further increase corporate value - a bank that grows together with the region it serves," established in 2008 (a six-year vision), targeting our 80th anniversary in June 2014. This management strategy aims to maintain a balance between profitability and efficiency while seeking sustainable growth.

Specifically, this plan will be implemented based on four basic policies and eight key strategies.

I. Increase customer satisfaction and enhance profitability through relationship-based local banking

- We will devote ourselves to deployment of business together closely with the local community as we work toward creating business opportunities through improved convenience and solution-oriented marketing for the local community and customers, and strive to improve customer satisfaction and strengthen earnings ability.
- To expand the scope of operations and continue to grow in the future, we will work toward establishing new operational bases and strengthening our marketing structure while we make efforts to reinforce stable earnings ability in the market sector.

Key strategies

1. Establish a geographically broad-based business office network, which will focus on business loans, by enhancing our office network mainly in Osaka Prefecture
2. Expand personal banking business focused on assets in custody and personal loans, and maintain or increase the loan market share including business loans, mainly in Nara Prefecture; the potential markets
3. Construct a long-term and stable earnings structure by strengthening earnings ability in the market sector

Corporate philosophy

1. Pursuing sound and efficient management
2. Providing superior comprehensive financial services
3. Contributing to regional prosperity
4. Striving to become a highly reliable, friendly and attractive bank

II. Efficient use of corporate resources

- We will invest in key fields and increase the number of sales staff. To make this possible we will streamline headquarters and branch operations, and conduct a comprehensive review of business expenses in an effort to efficiently use corporate resources.
- We will actively strive to foster human resources to support these measures.

Key strategies
4. Foster human resources with high-level and practical marketing capabilities as well as management abilities for educating and motivating staff 5. Shift staff to the sales sector by streamlining headquarters and branch operations

III. Enhancement and upgrading of internal control systems

- We will strive toward further strengthening of our compliance framework to gain even more trust from stakeholders.
- For more efficient management of risks and returns, we will work toward more advanced and enhanced risk management.

Key strategies
6. Further enhancement of our compliance framework 7. More advanced and enhanced risk management

IV. Promotion of enduring community contributions

- We will employ corporate resources to make continual contributions to environmental preservation and the development of the regional society and economy in order to fulfill our corporate social responsibility.

Key strategies
8. Enhancement of CSR initiatives

Long-term vision

"Aiming to further increase corporate value — a bank that grows together with the region it serves"

◆ To maintain the balance between profitability and soundness while seeking sustainable growth, we have established a long-term business strategy target based on the outlook for future changes in the business environment and current awareness at the Bank.

Stage 2 Best Value NANTO (April 2011 to March 2014)

Four basic policies
Eight key strategies
Measures

Numerical target
Fiscal year 2013
(the year ending March 31, 2014)
Core operational net profits: over ¥20 billion

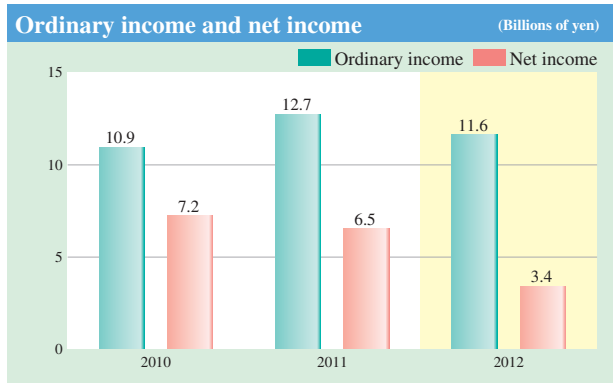
Stage 1 *More Value "NANTO"* (April 2008 to March 2011)

Business results for the year ended March 31, 2012

Earnings

Ordinary income and net income

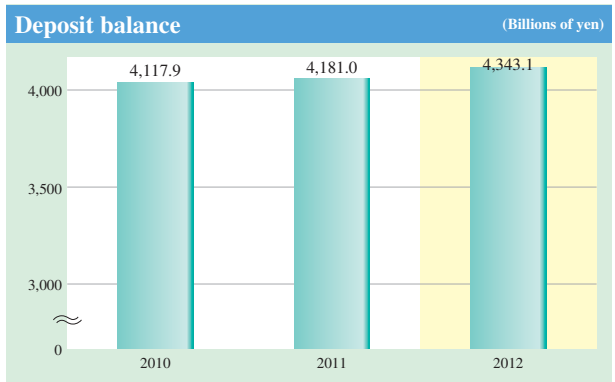
Ordinary income for the year ended March 31, 2012 decreased ¥1.1 billion from the previous fiscal year to ¥11.6 billion due to the worsening of profit and loss balance in stock value despite the decrease in credit-related expenses. Net income decreased by ¥3.1 billion from the previous fiscal year to ¥3.4 billion, largely as a result of the reversal of deferred tax assets along with a reduction in the income tax rate.



Deposits and loans

Deposits

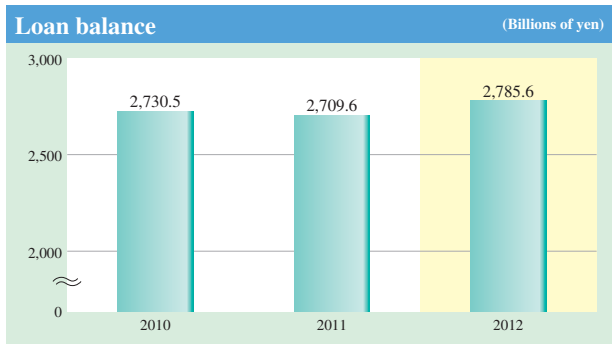
Deposits increased by ¥162.0 billion from the previous fiscal year to ¥4,343.1 billion as of March 31, 2012 as a result of the solid growth in both individual and corporate deposits. This increase reflects our efforts to improve our products and services and our continued focus on the stable of raising funds.



Loans

We focused on maintaining a regular supply of funds in a variety of forms to meet the needs of middle market enterprises as well as small and medium-sized enterprises and individual customers in an effort to promote community-focused financial services, while actively responding to the demand for funds of the local governments.

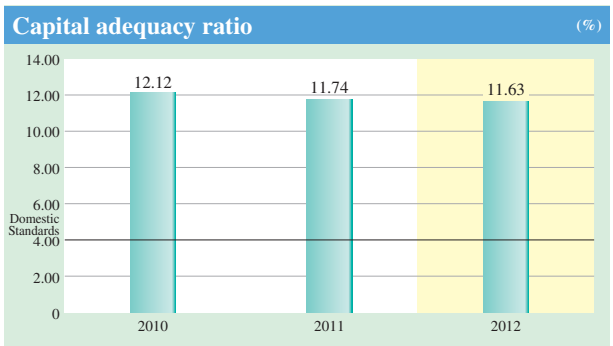
As of March 31, 2012, the balance of loans increased by ¥76.0 billion from the previous fiscal year to ¥2,785.6 billion, due to increases in loans for business enterprises and housing loans.

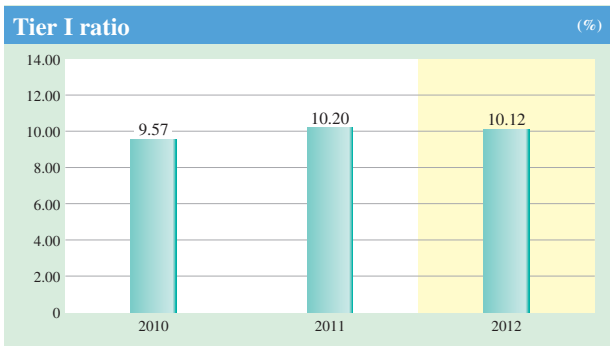


Capital adequacy ratios

As of March 31, 2012, the consolidated capital adequacy ratio was 11.63%, which was far beyond the 4% domestic standard benchmark required of banks subject to domestic standards.

Based on the Tier 1 measure, which consists of fundamental items as core capital and retained earnings, the consolidated capital ratio stood at the 10.12%, the high level.

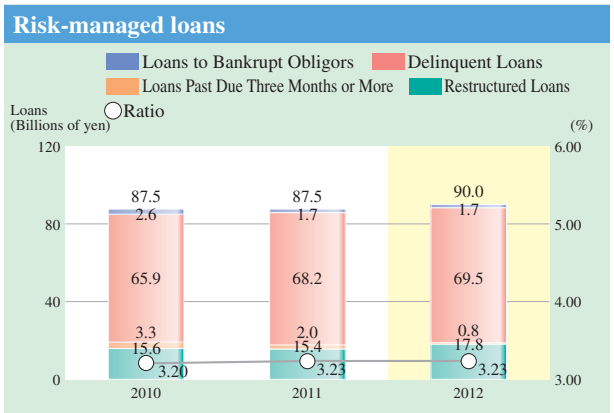




Bad debts

Risk-managed loans

Risk-managed loans, under the Banking Law, comprised of Loans to Bankrupt Obligors, Delinquent Loans, Loans Past Due Three Months or More, and Restructured Loans. They refer to loans only. As of March 31, 2012, the balance of risk-managed loans totaled ¥90.0 billion, representing 3.23% of total loans outstanding, which is the same percentage as in the previous year.



Corporate Governance

Our most important management priorities include enhancing management transparency and efficiency and realizing fair management. These priorities earn us the strong confidence of our customers, stockholders and other stakeholders, allowing us to fulfill and strengthen corporate governance. Also, they allow for continuously increasing corporate values responding to the expectations of the aforementioned parties. The main aspects of the corporate governance system are as follows (as of July 2, 2012).

Corporate Governance System

The Board of Directors, comprising 15 directors, plays a central role in our corporate governance system. The Board of Directors Regulations are strictly applied, and prompt and efficient decision making is undertaken.

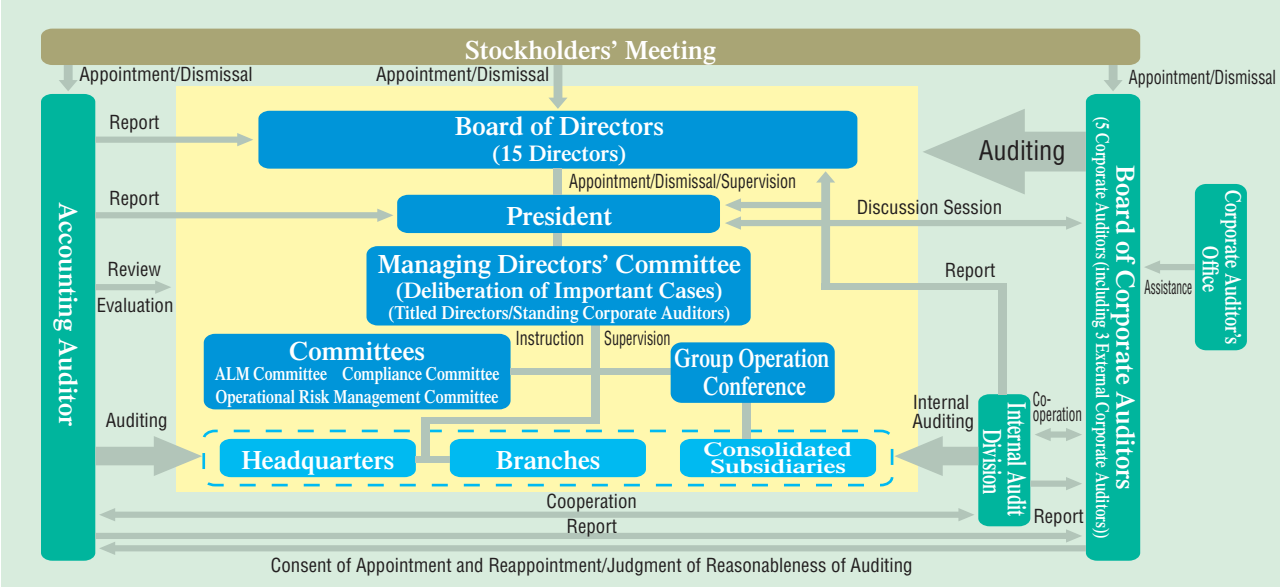
The Board of Directors holds a regular meeting once a month in principle, and it convenes extraordinary meetings as necessary. At meetings of the Board of Directors, decisions are made on important managerial matters and operational execution, and all corporate auditors attend. In addition, reports concerning operational execution and various committees are made.

Additionally, the Managing Directors' Committee Meeting, comprising the chairman, the president, the senior managing director, and the managing directors (3 persons) is held once a week in principle as a decision making institution for important matters concerning daily management. Thereby, prompt decision making is attempted.

Moreover, in order to supplement appropriate operational execution in response to diversification and advancement of operations, committees such as the ALM Committee, the Compliance Committee, and the like have been established.

Corporate Governance Structure

(As of July 2, 2012)



Matters related to Corporate Auditors and the Board of Corporate Auditors

The Bank is structured with a corporate auditor system consisting of two full-time corporate auditors with profound knowledge of bank operations, finance and accounting and three highly independent external corporate auditors (independent officers). The five corporate auditors combine their knowledge and capabilities to enhance the effectiveness and transparency of audits conducted by the corporate auditors and the Board of Corporate Auditors.

To ensure that all management decisions are fair and legal, the corporate auditors properly monitor and audit the directors in performance of their duties in various ways, including by attending meetings of the Board of Directors, the Managing Directors' Committee, and other committees, as well as presenting their opinions.

The Board of Corporate Auditors meeting is held once a month in principle and also on an ad-hoc basis as needed. The Corporate Auditor's Office assists the Board of Corporate Auditors with two full-time staff members.

Internal Audit and Corporate Auditors' Audit

The Internal Audit Division consists of 36 staff members with necessary knowledge and experience. This division is responsible for internal audits, and it preserves independence from the departments that are audited. Audit results are reported to the Managing Directors' Committee and the Board of Directors.

In regards to the corporate auditors' audits, operational audits and accounting audits are performed at the sole discretion of such auditors. Audit results are reported to the Board of Corporate Auditors, Representative Directors, and the Board of Directors.

Systems to Ensure Proper Conduct of Business

In order for the Bank to ensure the proper conduct of its business, the Board of Directors made a decision to manage the structure outlined below.

- System to ensure that execution of duties is conducted by directors and employees in conformance with laws, regulations, and articles of incorporation
- System for retention and control of information concerning directors' duties
- Rules and other systems regarding management of risk of loss
- System to ensure execution of duties is conducted by directors efficiently
- System to ensure proper conduct of business in the corporate group comprising the Bank and subsidiaries
- Matters regarding employees if corporate auditors decide to appoint the employees to assist in the corporate auditors' duties
- Matters regarding the employees' independence from directors
- System for reporting by directors and employees to corporate auditors, and other systems for reporting to corporate auditors
- Other systems to ensure effectiveness of auditing by corporate auditors

Compliance

Compliance refers to strict observance of ethics and social norms as well as laws, regulations, government ordinances, and the bank's regulations. This is essential for banks to faithfully carry out our social responsibilities and public missions.

The Bank takes the following approaches in order to increase awareness of compliance and respond to legal risks.

Thorough Execution of Compliance

- In recognition of the public missions and social responsibilities that financial institutions need to perform, the Bank regards compliance with laws and regulations as the most important management issue and has established the Charter of Corporate Behavior, which consists of Basic Policies and Code of Conduct, for all officers and employees to follow to gain trust from all stakeholders including local communities, our customers and shareholders.
- To establish a basic framework for the compliance system, we have set our compliance regulations, established rules for disciplinary action, and demonstrate fairness and transparency in the administration of disciplinary action as means of establishing a clear stance on compliance with laws and regulations.
- Deliberations and decisions in matters of compliance are the responsibility of the Compliance Committee, which is chaired by the President and operates horizontally across the bank's organization. Plans and supervision of compliance are carried out in the Compliance & Risk Management Division.
- A Compliance Program consisting of concrete plans to achieve compliance is drawn up each year and undergoes appropriate review.
- The Bank strives to properly operate a Compliance Hotline on internal reporting system that was established to prevent legal violations and misconduct before they occur, to discover them promptly if they occur and to rectify them immediately.
- To instill a compliance mindset throughout the Bank, we have compiled a Compliance Handbook, which serves as a guide for achieving compliance and has been distributed to all officers and employees, and regularly conduct seminars and other group training at the workplaces of individual workgroups.
- The Bank has established the Regulations on Response to Antisocial Forces in order to take a resolute stand against anti-social forces that pose a threat to the order and security of civil society and take strong measures to intervene and block any attempt by such forces to create any relationship with the Bank.

Management System Regarding Customer Protection

The Bank regards the increasing protection and convenience of our customers as one of the most important management priority, together with compliance. We have, therefore, put in place a management system regarding customer protection to maintain the trust that customers place in us.

Arrangement of Management System regarding Customer Protection

In order to increase the protection and convenience of our customers, the Bank has established the following five categories under the Management Policy Regarding Customer Protection.

The Solicitation Policy related to sales of financial instruments for Customer Explanation Management, the Personal Information Protection Policy related to protection and treatment of personal information for Customer Information Management, and the Management Policy on Conflicts of Interest for Management of Conflicts of Interest have been separately regulated and publicized.

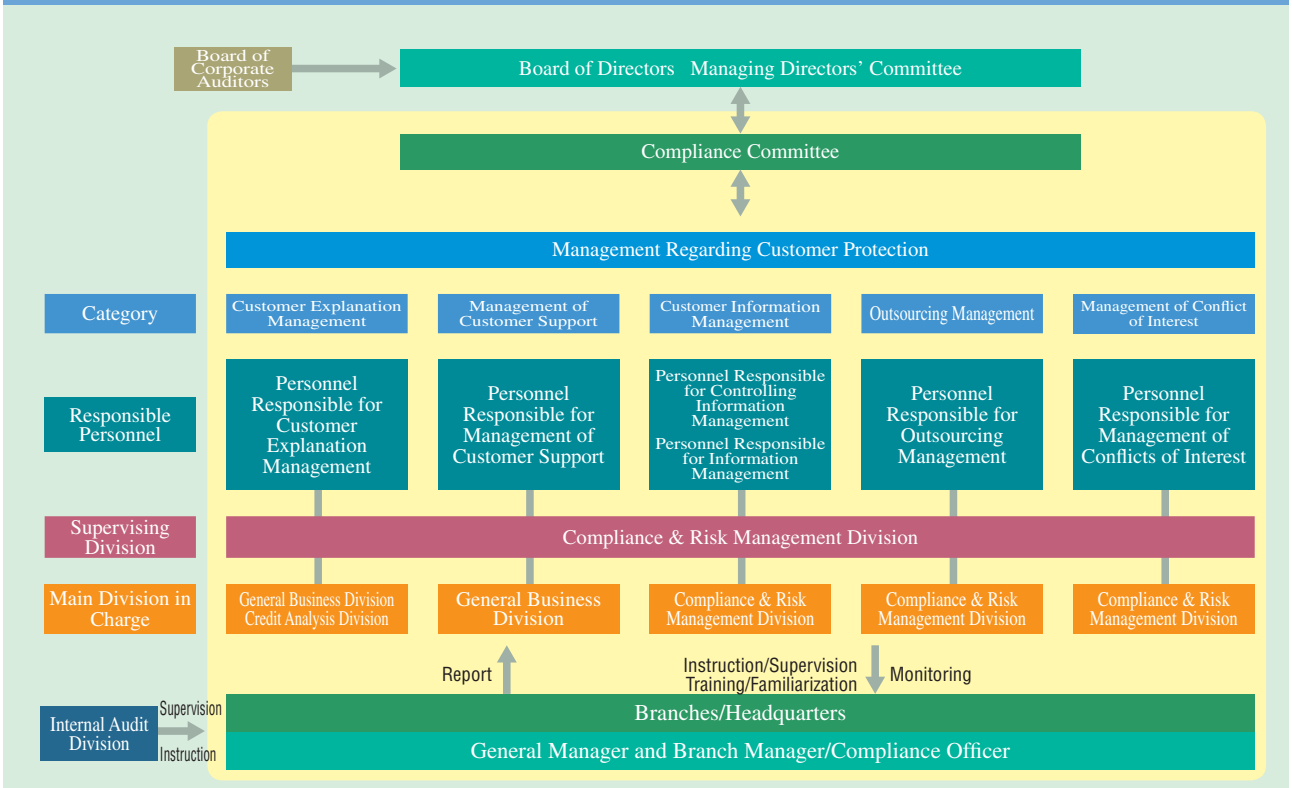
- **Customer Explanation Management**
  Appropriate and sufficient explanations for customers
- **Management of Customer Support**
  Appropriate and sufficient responses to customers' requests
- **Customer Information Management**
  Appropriate and sufficient management of customer information
- **Outsourcing Management**
  Appropriate management of outsourced operations regarding customer information and communication
- **Management of Conflicts of Interest**
  Appropriate management of transactions that have the likelihood of causing conflicts of interest in order not to illegally damage customer benefits

Based on the aforementioned Policies, the Bank has established Management Regulations Regarding Customer Protection. These have regulated a basic framework for the management system regarding customer protection. At the same time, associated rules and a manual have been established. Furthermore, responsible personnel and management divisions for each category related to customer protection have been established. Thereby, a regulation system and an organizational system have been arranged.

Additionally, measures related to management regarding customer protection have been included within the Compliance Program, such as familiarization and dissemination of the importance of management regarding customer protection for officers and employees through training implementation. Such measures are discussed and formulated at the Compliance Committee. Thereby, improvement of management system for customer protection has been continuously attempted.

As part of customer support arrangement, the Bank is subscribing to the service of the Japanese Bankers Association, which is one of the certified Alternative Dispute Resolution bodies under the Banking Act.

Management System Regarding Customer Protection



Risk Management

In recent years, the management environment surrounding financial institutions has changed drastically, and the risks they face have become more diversified and complex.

The Bank regards risk management as one of its most important management issues and aims to create an advanced risk management system, so that the Bank can maintain appropriate and sound management and provide reliable services to its customers.

Risk Management Coordination

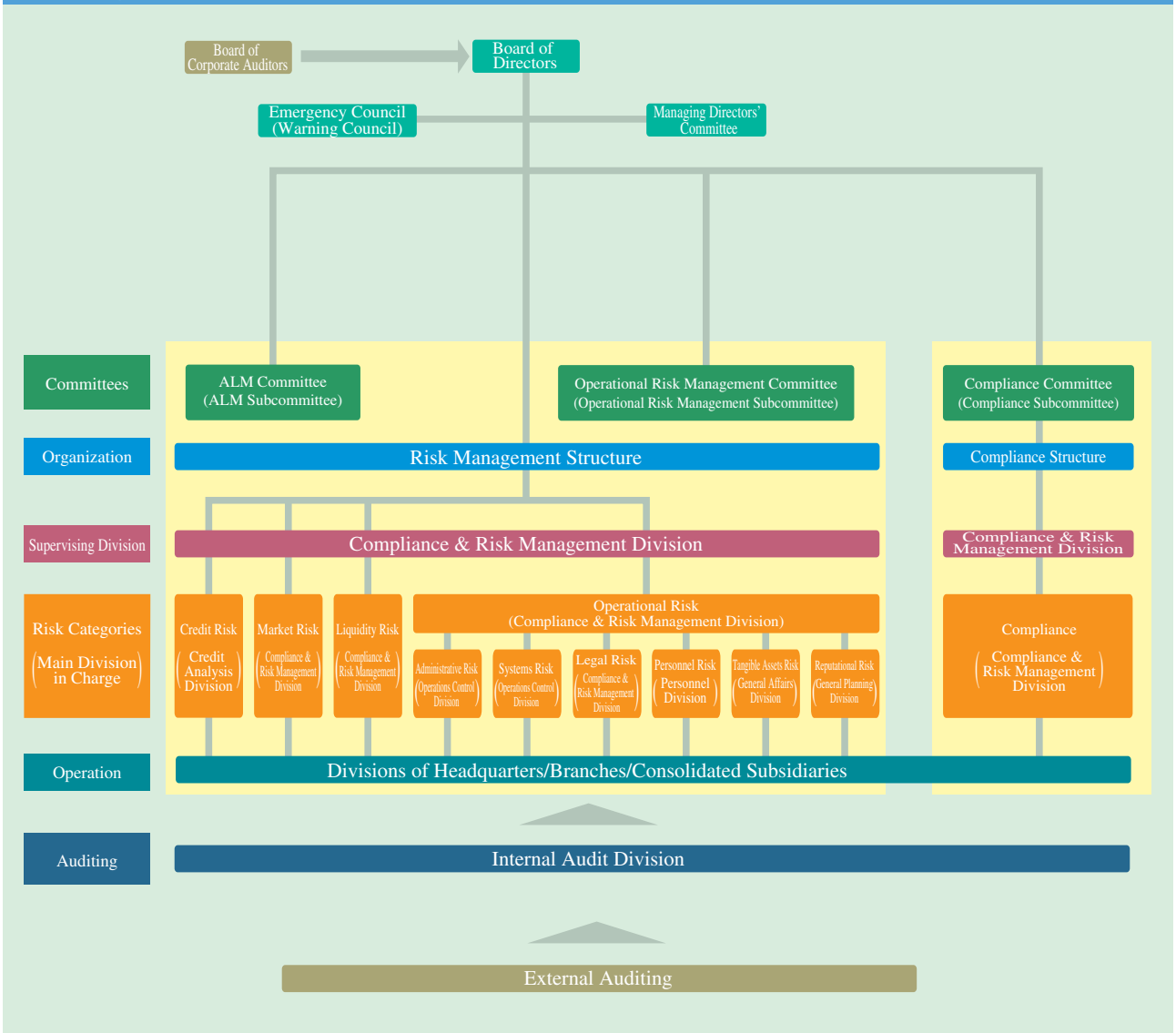
To cope with the various risks that the Bank faces in its banking business, the Bank has established specified units for each category of risk. The Bank also incorporates the Compliance & Risk Management Division responsible for risk management coordination, in order to gain a precise understanding of the nature and extent of risks and take expeditious steps toward their management.

Furthermore, the Bank defines its basic risk management policies in risk management regulations and other requirements including the Risk Management Coordination Regulations, in an effort to appropriately manage the risks.

Moreover the Bank has adopted a policy of Risk Management Coordination, under which it quantifies various risks by using the integrated risk management method, intending to keep the amount of risks and its capital adequacy at appropriate levels in the light of its management vitality. Biannually, the Bank determines risk capital (risk based amounts) for each category of risk within the scope of its capital adequacy, to limit the value of each risk (e.g. VaR) to the amount of risk capital.

The situation of each risk is evaluated at a monthly ALM Committee meeting, which decides the appropriate level of risk control to implement, aiming at conducting more effective and efficient risk and return management from the viewpoint of maintaining sound management and higher profitability alongside effective utilization of capital.

Risk Management Structure



Risk Management

• Managing Internal Capital

Managing Internal Capital refers to the implementation of measures to maintain a sufficient level of internal capital, capital adequacy assessment and computation of the capital adequacy ratio.

The Bank conducts a quarterly assessment of its internal capital adequacy by analyzing factors that cause the capital adequacy ratio and Tier I ratio to fluctuate.

We also use the integrated risk management method to quantify the various risks faced by the Bank, and we regularly compare the level of these risks with internal capital so as to control each risk and carry out the assessments of our internal capital adequacy for each risk.

As for the capital adequacy assessment, the Bank positions itself to be able to review the allocation of its internal capital, discuss necessary internal capital strategies and other necessary actions through the monthly-held ALM Committee meeting. We intend to maintain a sound management with the help of appropriate risk control practices and increase profitability through the effective utilization of our internal capital, by fully operating this internal capital management structure.

• Managing Credit Risk

To ensure the continuing soundness of its assets, the Bank manages credit risk under a credit screening structure that operates independently of marketing operations.

We have established the Credit Analysis Division as a risk management body that is responsible for examining the credit standing of customers, loan screening and the management of claims.

The Credit Analysis Division consists of the Credit Analysis Group, which handles general screening and industry-specific screening; the Management Group, which intensively supervises borrowers whose business performance has deteriorated; and the Corporate Finance Support Office, which was established to assist borrowers with business restructuring and recovery initiatives. Together these units form a structure that supports flexible risk management tailored to the specific circumstances of each customer.

Our credit analysis and risk management measures include rigorous self-assessment, credit rating which is consistent with the borrower classifications used in self-assessment and other methods, with which the Bank subjectively recognizes and manages each customer's credit capability. In addition, we have a policy of setting an interest rate (Pricing) to be applied to individual customers according to their rating-based creditworthiness. Through this, we take measures to strengthen our credit risk management and increase profitability.

The Bank regularly and appropriately reviews transaction terms, and establishes credit limits to the borrowers with debt exceeding a certain amount, with a view to reducing credit risk by conducting strict credit control.

For the management of overall loan portfolios, the Bank has worked on more efficient assessment support system by using several systems, including segment analysis, e.g. industry-based or rating group-based analysis, a real estate collateral evaluation system, designed to refine the quantified collateral evaluation of credit risk which calculates possible losses in future by using statistical methods, etc.

• Managing Asset Appraisals

Asset Appraisals are for the review of individual assets held by a financial institutions in order to comprehend the accurate status of the institution's assets. It is an important method of credit risk management and a preliminary procedure to appropriately determine the amount of depreciation and allowances. Asset assessment conducted by the financial institution itself is referred to as a self-assessment.

The Bank carries out the following assessment of its assets. Actual assessments are conducted by its operating branches, in conformity to the Regulations on Self-Assessment of Assets. Assessment results are then subjected to a rigorous verification process, where the results are examined by the Credit Analysis Division further audited by the Internal Audit Division. According to the audit results, the Bank determines appropriate amounts of depreciation and allowances. In this way, it strives to perform appropriate asset assessment practices and maintain and improve the soundness of assets.

• Managing Market Risk

The Bank controls its market operations under a system of reciprocal checks and balances based on a clear demarcation between front office units, which implement transactions, and back office units, which carry out administrative processing. The middle office unit responsible for risk management is the Compliance & Risk Management Division, which develops risk management systems, checks compliance with risk management regulations and other requirements and monitors the positions and profit performance of market units. The Compliance & Risk Management Division also carries out wide-ranging analyses to quantify the risk levels of assets and liabilities, including deposits, loans and securi-

ties. In its analyses, the division uses a variety of analytical techniques, including the value at risk (VaR) and basis point value (BPV) methods and interest rate fluctuation simulations. The results of this work are used to provide timely reports to management.

Allowable risk limits are measured based on VaR and determined by the Bank's ALM Committee biannually, in consideration of its capital status, market conditions and other factors. Market operation staff members make efforts to gain profits while complying with these allowable risk limits. Every month, ALM Committee obtains actual risk and revenue results from each market operation and discusses appropriate ways to control risks and generate earnings efficiently by taking account of the market prospects and other conditions. In addition to this, the Bank conducts stress tests by using scenarios that capture the characteristics of market environments and its portfolios in order to understand the impact of markets' extreme fluctuations exceeding VaR projections, bracing up for contingency events.

• Managing Liquidity Risk

Liquidity risk, known as fund-raising risk, is defined as the risk of the Bank making a loss, due to the possibility of encountering an obstacle in raising the required funds either because of a mismatch between the use and procurement of funds or an unexpected outflow of funds; or being forced to borrow at higher interest rates than usual.

According to monthly fund management plans formulated by the ALM Committee, the Securities and International Division closely manages the Bank's cash flow position on a day-to-day basis and the Compliance & Risk Management Division monitors the management conditions. The ALM Committee is also responsible for overall monitoring and management of cash flow risk, including the monitoring of assets available for liquidation and the amount of funds that the Bank can procure.

The cash flow situation is classified into one of three levels according to financial situations: "regular phase," "concern phase" and "crisis phase." The Bank has developed management systems that can be flexibly implemented in each of these situations.

• Managing Operational Risks

Operational risk is the risk of the Bank management resulting in the Bank making a loss, due to inadequate or failed processes of banking operations, activities of executives and employees (including part-time and temporary and other similarly classified workers) or systems, as well as external events.

At the Bank, departments in charge of operational risks apply the perspectives of specialists to the management of administrative risk, systems risk, legal risk, personnel risk, tangible assets risk and reputational risk.

In addition, information about loss from operational accidents and results of potential risk analysis, etc. are collectively reported to the Operational Risk Management Committee, which understands and manages each risk comprehensively. This enables the Bank to preferentially deal with major risks and minimize effects of the risks.

• Managing Administrative Risk

Administrative risk refers to the risk of loss-making as a result of neglecting accurate administrative processes alongside occurrences of accidents or fraud.

The Bank reinforces the provisions of Administrative regulations and requires strict staff compliance with the regulations to achieve customer confidence in its accurate and strict administration. At the same time, the Bank aims to raise executives and employees administrative work standards by conducting regular training programs or temporary office work guidance. Separately, the Bank intends to establish more accurate and efficient administrative operations by facilitating the systemization and centralization of administrative processes.

• Managing System Risk

System risk refers to failures or malfunctions of the computer system and loss incurred associated with inadequate system, etc. Furthermore, system risk includes the risk of loss from unauthorized use of computers.

The Bank incorporates a system which copes with unexpected system failures or network errors and swiftly resumes operations. It is prepared for these events with stand-by equipment for each of the existing equipment in the network system and dual communication lines. Also, the Bank has formulated a manual which directs necessary action as defined by its contingency plan in the event of a large scale disaster, developed a decentralized data administration system and "back-up center".

With a view to conducting strict control of customer data and other confidential information, the Bank takes various measures to prevent unauthorized use of the computer system or leakage of information. It addresses the provision of safer and more assured services by establishing security measures such as the formulation of handling regulations for classified data, encryption of computer data and important information, e.g. security codes, and others.

Risk Management

• Managing Legal Risk

The term "legal risk" refers to risk of incurring loss or damage arising from violation of obligations resulting from negligence concerning customers and inappropriate business and/or market practice.

The Bank has attempted to avoid and mitigate legal risks via legal examination by external experts, such as corporate lawyers, and the Compliance & Risk Management Division.

• Managing Personnel Risk

Personnel risk refers to the risk of loss and damages the Bank suffers due to unfairness/unjustness in terms of personnel management concerning compensation, benefits, dismissal and acts of discrimination, such as sexual harassment, etc.

The Bank recognizes that economic loss, loss in confidence, etc. due to the materialization of personnel risk can have a major impact on the Bank's management and business operations and strives to minimize the risk through appropriate management of such risk.

• Managing Tangible Assets Risk

Tangible assets risk involves the risk of loss from impairment or damage to tangible assets due to disaster or other unforeseeable events.

The Bank recognizes that economic loss, loss in confidence, etc. due to the materialization of tangible asset risk can have a major impact on the Bank's management and business operations and strives to minimize the tangible assets risk through appropriate management of such risk.

• Managing Reputational Risk

Reputational risk refers to the risk of loss or damage incurred if an organization has fallen into discredit due to the deterioration of its reputation or through damaging rumors, etc.

The Bank recognizes that economic loss, loss in confidence, etc. due to the materialization of reputational risk can have a major impact on the Bank's management and business operations and strives to minimize that risk through appropriate management. In the event of the spread of damaging rumors about the Bank, it will take appropriate and swift action to curtail them and revitalize its reputation.

Internal Audit Posture

For the enhancement and reinforcement of risk management, it is necessary to verify the effective function of the internal control and improve problems as needed.

The Internal Audit Division, an internal auditing organization, promotes risk management and strives to ensure the soundness of management and the appropriateness of business by ascertaining the risk management situation at the division and branch levels, evaluating and verifying that internal control is appropriately maintained and functioning effectively, and providing advice as necessary.

Crisis Management Posture

Along with the above risk management, it is necessary to respond suitably to the occurrence and materialization of crises related to business operations such as a large-scale natural disaster or systems malfunction. The Bank is appropriately positioned to manage these crises by having formulated a Crisis Management Plan and response manuals to tackle each type of crisis and examining their effectiveness through risk management training provided every year.

Taking into account damages caused by the Great East Japan Earthquake and Typhoon No. 12 which occurred in March and September 2011 respectively, the Bank, as an organization responsible for social function maintenance, take measures to continuously provide customer services by reviewing our response manuals and improving facilities to continue our business operations in the event of disasters or other events.

When a crisis occurs, the Bank responds by having Response Headquarters or Response Teams gather information and engage in centralized supervision and command to minimize the impact of the crisis on its business operations.

Together with the Local Community

Support Programs for Local Business

Venture Business Support Office

In addition to support for financing for venture companies during their founding and business development stages, we conduct business consultations in collaboration with research institutions, including public institutions and universities.

- Business venture financing program
- Investment through investment funds
- Support for IPOs (market driven services)

Corporate Solutions Team

The expert staff at our Value Creation Division's Support and Sales Group conducts solution oriented marketing and sales that respond accurately to the challenges that our customers are facing by offering a wide variety of financing and consultation services, including business matching, succession support, M&A advice, derivatives products and syndicate loans.

- Business matching
- Business succession supports
- M&A advisory
- Derivative products
- Syndicate loans
- Collaboration with academic institutions

Asia Business Support Group

We have created an Asia Business Support Group in order to support the overseas business of local companies, with a focus on Asia. It provides information specific to expanding overseas as well as business assistances, such as procuring financing at overseas sites and foreign exchange transactions.

Our overseas representative offices in Hong Kong and Shanghai also offer business assistance in local areas and organize business fairs, exchanges and seminars in collaboration with regional banks.

- **Business Assistance Provided by the Asia Business Support Group**

Details	2009	2010	2011
Provision of and advice for overseas-related information	121	125	154
Support by representative offices in local areas	229	260	323
Support for foreign exchange transactions through overseas branches	27	88	180
Total	377	473	657

39% increase from the previous year

- Support and advice for expanding overseas
- Provision of overseas information
- Support for procuring financing at overseas sites
- Holding of overseas strategy seminars
- Implementation of overseas inspection missions
- Overseas business matching

Overseas Seminars and Business Exchanges

Responding to increasing importance of overseas risk management surrounding local subsidiaries of Japanese companies, the Bank has set up a partnership with Tokio Marine & Nichido Fire Insurance Co., Ltd. for overseas business support operations in January, 2012, to provide new business assistance in this field. This collaboration co-hosted an "Overseas Risk Management Seminar in China" in Shanghai, and Shenzhen, Guangdong Province in March, 2012, for Japanese managers and representatives of local subsidiaries. This was the first seminar of its kind to be held by a regional bank.

In addition, the Bank hosted "the Fourth Hong Kong and South China Business Exchange for Japanese Companies," jointly with regional banks (17 banks including the Bank), which have subsidiaries in Hong Kong, in May, 2012. A great number of business partners of host banks joined the exchange. In the first part, a seminar was provided by Japan External Trade Organization (JETRO) and in the second part, a business exchange was held as an opportunity for Japanese companies to exchange information and conduct business negotiations.

Overseas Risk Management Seminar in China

The Fourth Hong Kong and South China Business Exchange for Japanese Companies

Contributions to the Local Community (CSR Initiatives)

About our CSR

At Nanto Bank, one element of our business philosophy is contributing to regional prosperity. Since our establishment, we have provided a smooth flow of funds and business improvement support to local corporations and actively pursued financing that is strongly tied to the region. We have also fulfilled our community and public roles as a regional financial institution in various areas, including environmental preservation and contribution to society.

One of the basic policies in our medium-term management plan is promotion of enduring community contributions and we strive to enhance our CSR program.

We will fulfill our social responsibilities by making good use of the Bank's corporate resources to take an active role in efforts to develop the local community and economy, and environmental conservation in the region.

- **Promotion of environmental conservation initiatives**
- **Promotion of Social Action Program**
- **Initiatives for Promotion of Forestry in the Yoshino Area**

Outside Recognition of Nanto Bank's CSR Activities

● UK FTSE Group	The Bank's stock included in constituents of FTSE4Good, an SRI stock index (2008)
● Kinki Local Finance Bureau	Award toward 'Support and assistance for the Yoshino Heart Project' (2009)
● Kinki Regional Agricultural Administration Office	Director-General Award in Corporate Lunch Menu Contest for Promotion of Kinki Local Production for Local Consumption (2010)
● Nara Prefecture (Governor)	Letter of Appreciation to Nanto Nara Support Group, a volunteer group organized by former employees of the Bank, acting as a tour guide (2010)
● The Minister of Agriculture, Forestry and Fisheries	Letter of Appreciation toward proactive dissemination and awareness raising efforts regarding Kizukai Activities (2011)
● Nara Prefecture (Governor)	Letter of Appreciation toward contributions to social welfare services (2011)
● NARA DENRYOKU RIYOU GOURIKA IINKAI	Award of "Commendation for Excellent Business Engaged in Energy Saving" (2012)

Promotion of environmental conservation initiatives

Commitment to Environmental Conservation

• Commitment to ISO Environmental Standard

The Bank obtained ISO 14001 environmental management certification at its headquarters and Business Support Center in 2002. In January 2009, it also obtained certifications for four new locations including its Recycling Center and Training Center.

The certified divisions continue to work to preserve the environment in accordance with the ISO standard. The entire Nanto Group is united in its commitment to environmental conservation even at branches and subsidiaries not covered by the standard, and has adopted practices such as wearing cooler attire in summer and incorporating greener practices into day-to-day operations.

In addition to the introduction of electric vehicles as company cars in 2011 and plug-in hybrid vehicles in 2012, we have also started new initiatives, including bond investment through the purchase of US$20 million in Green Bonds newly issued by the World Bank in 2011 to contribute to measures against global warming.

This summer's cooler attire program started at all branches on May 7. Indoor temperature should be set at 28 degrees Celsius.

• The "Growing a Forest" Project

In April 2004, the Bank carried out a tree-planting project on the hillsides of Asuka-mura (Takaichi Gun, Nara) as an environmental conservation initiative commemorating the 70th anniversary of the Bank's establishment.

Since then, volunteers from the Bank go each year to clear underbrush and plant additional trees.

*Plants featured in Manyoshu (plum, cherry, bush clover, oriental paperbush, Thunberg's meadowsweet, Japanese kerria, etc.) have been planted.

• Recycling Center

A Recycling Center was set up in June 2007 for the purpose of maintaining the confidentiality of documents whose storage term had expired, and also serving as a recycling facility.

Paper is cut up in a large shredder and then taken to a paper mill where it is recycled as toilet paper, notepads, and other products. The amount of paper recycled during the fiscal year ended March 31, 2012 reached 252 tons.

Going forward, we will continue to reduce the amount of paper garbage produced and will contribute to the recycling of paper resources.

Promotion of Social Action Program

Initiatives for Promotion of Forestry

Seventy-seven percent of Nara Prefecture is forested, which is above the national average for Japan, and many of its forests are located in the Yoshino area. In the past, forestry was a booming industry in Nara Prefecture, but in recent years lower prices for wood and materials produced overseas have led to continuing stagnation. The Bank supports the revitalization of forestry in Nara Prefecture with a focus on the Yoshino area by using our unique corporate resources and collection of information to expand sales channels for materials produced in Nara, mainly Yoshino wood.

• Yoshino Heart Project

The Bank supports the Yoshino Heart Project as part of our CSR commitment. The project's goal is to stimulate demand for goods and materials produced in Yoshino, by popularizing the Yoshino Heart brand for wood products made using cedar, cypress, and other types of wood grown in the Yoshino forest.

The project's ultimate aims are:

1. Vitalizing the forestry and related industries in Yoshino
2. Protecting the global environment by absorbing CO_2 through forestation

A part of the proceeds from this project goes toward forest development and management, including tree planting and thinning.

In December 2009, the Bank received an award for this project from the Director-General, Kinki Local Finance Bureau, as an outstanding initiative to "contribute to the creation of a sustainable local economy using local information assets (local restoration)" in relationship-based local banking.

The Bank has strived to raise awareness of the need for forest conservation and forestry revitalization through its Kizukai Activities (the Wood Movement), by distributing disposable chopsticks made of Yoshino wood, and using posters and pamphlets made of Yoshino 3.9 paper produced from thinned trees.

We aim to gain more supporters for Yoshino wood and develop further demand for wood materials by collaborating with Nara Prefecture and other organizations to support business matching related to the development, production, and sale of wooden products like tools used in everyday life and toys that reach the consumer directly, and by introducing promotional items made from Yoshino wood for distribution at shops.

Example of promotional items made from Yoshino wood for distribution at shops

- **Bookmark**
  Initiative that leads to restoration from the Great East Japan Earthquake and employment creation in affected areas, by ordering processing of thinned Yoshino cedar to companies in Minamisanriku-cho, Miyagi Prefecture.
- **Wooden envelope**
  Envelope made of thinly-sliced "wooden paper," produced from thinned Yoshino cedar.


Wooden envelope (on the left), bookmark (on the right)

Wooden toy, "PaPaCo YOSHINO" series

"PaPaCo YOSHINO" is released through a collaborative project by a major advertising agency and NPO organization, Yoshino Heart, a parent organization of Yoshino Heart Project. They aim to establish a wooden toy brand made of thinned Yoshino wood.

The Bank cooperated in establishing a mass production system by providing opportunities for business matching with wood processing companies in Nara Prefecture to realize the design for some products created by the designer group.

Building blocks

Animal domino

Kizukai Activities (the Wood Movement) and Yoshino Heart Project

The Wood Movement is restoring Japan's forests to a sound cycle, by making active use of Japanese-grown wood, through tree planting, thinning, and other activities, and creating healthy forests that will absorb plenty of CO_2. The goal is to reduce two thirds of the reduction target (-6%) of greenhouse gas prescribed in the Kyoto Protocol through absorption by improved domestic forests. In November 2008, the Bank became the first member of the banking industry to be authorized to use the Kizukai Activities logo promoted by Japan's Forestry Agency.

As part of its support for the Yoshino Heart Project, the Bank highlights the importance of using wood for the environment by distributing environmentally friendly wood products, and using Yoshino 3.9 Paper, and these activities are also linked to the Wood Movement.

Yoshino Heart logo

B-(3)-080031
Thank You Green Style logo

In October, 2011, the Bank received a letter of appreciation from the Minister of Agriculture, Forestry and Fisheries for its engagement, which has led to remarkably effective PR campaigns for Kizukai Activities.

Contributions to the Local Community (CSR Initiatives)

Nanto Bank Hockey Team

On the occasion of the 1982 "Wakakusa" National Sports Festival, we created a women's hockey team, contributing to the promotion of sports in Nara prefecture, "the Hockey Kingdom," by producing excellent players, including those representing Japan in the Olympic Games.

In addition, we make an effort to be involved with the local community through various activities such as inviting elementary and junior high school students to hockey schools organized by the Bank.

For the London Olympics to be held this year, two Bank staff members were chosen for "Sakura Japan", Japan's field hockey team.

Hockey School

Small Kindness Movement

The Nanto Bank's Small Kindness Society carries out a wide variety of public service activities, such as cleanups and blood donations with the aim of creating a cheerful local community.

Blood donations

Nanto Scholarship

In order to assist with fostering human resources in the local community, academic scholarship is provided for high school and university students of outstanding character and academic ability, who reside in Nara Prefecture.

As of April 2012, there are 70 students currently on scholarship, and the total number of graduates is 1,271.

Interview session for informally appointed scholars

Meeting the Needs of the Visually Impaired

For all ATMs installed (including those outside branches), the Bank has adopted universal design specifications with features making them accessible to the elderly, the visually impaired, and those in wheelchairs. In addition, at the request of customers, we provide account balance and transaction records in Braille, and make bank book cases and card cases with the account name and number in Braille.

*Special features of our ATMs
- Large, easy-to-read letters (enlarged display also available)
- Easy-to-operate Voice Guidance System
- Easy access to the display screen for wheelchair users

Enhancing the Barrier-Free Environment at Branches

We strive for barrier-free construction in our branches so that the elderly, children, and people with disabilities can use our branches at ease.

In addition, we promote use of equipment which reduces the environmental burden, such as LED (light emitting diode) lighting and rooftop gardens.

*Special features of our barrier-free branches
- Reserved parking spaces for wheelchair users
- Textured paving blocks to guide the visually impaired
- Eliminating steps and bumps

Rooftop gardens (the Ishikiri Branch)

Board of Directors and Corporate Auditors

(As of July 2, 2012)

Hiromune Nishiguchi
CHAIRMAN
(Representative Director)

Yasuo Ueno
PRESIDENT
(Representative Director)

Yasuo Shimakawa
SENIOR MANAGING DIRECTOR
(Representative Director)

Masaaki Hashimoto
MANAGING DIRECTOR

Hiroki Matsuoka
MANAGING DIRECTOR

Takashi Hashimoto
MANAGING DIRECTOR
(Osaka Regional Headquarter)

Kohsaku Yoshida
MANAGING DIRECTOR
(Osaka Chuo Office)

Yoshihiko Kita
MANAGING DIRECTOR
(Tokyo Branch and Tokyo Liaison Office)

CHAIRMAN
Hiromune Nishiguchi

PRESIDENT
Yasuo Ueno

SENIOR MANAGING DIRECTOR
Yasuo Shimakawa

MANAGING DIRECTORS
Masaaki Hashimoto
Hiroki Matsuoka
Takashi Hashimoto
(Osaka Regional Headquarter)

Kohsaku Yoshida
(Osaka Chuo Office)

Yoshihiko Kita
(Tokyo Branch and Tokyo Liaison Office)

DIRECTORS AND GENERAL MANAGERS
Hideaki Mitsuhashi
(Head Office)

Naoki Minowa
(Credit Analysis Division)

Takeyoshi Tamura
(Value Creation Division)

Hideaki Nishimoto
(Operations Control Division)

Yoshiaki Morita
(General Business Division)

Toru Hagihara
(General Planning Division)

Kiyohide Sawamura
(Personnel Division)

CORPORATE AUDITORS
Yasuo Horiuchi
Taro Hayama
Hiroyuki Sakai
Akihiko Minato
Mitsuhiko Noguchi

Note: Hiroyuki Sakai, Akihiko Minato and Mitsuhiko Noguchi are outside corporate auditors pursuant to Item 16, Article 2 of the Company Law.

Consolidated Financial Statements

Consolidated Balance Sheets

The Nanto Bank, Ltd. and Consolidated Subsidiaries as of March 31, 2012 and 2011

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2012	2011	2012
Assets:			
Cash and due from banks (Notes 5 and 6)	**¥ 131,459**	¥ 91,151	**$ 1,599,452**
Call loans and bills bought (Note 6)	**12,080**	3,429	**146,976**
Debt purchased (Note 6)	**4,075**	4,716	**49,580**
Trading account securities (Notes 6 and 7)	**400**	786	**4,866**
Money held in trust (Notes 6 and 7)	**25,000**	24,500	**304,173**
Securities (Notes 6, 7, 12 and 14)	**1,755,495**	1,668,948	**21,358,985**
Loans and bills discounted(Notes 6, 15 and 20)	**2,785,671**	2,709,612	**33,893,064**
Foreign exchanges (Note 20)	**1,310**	1,434	**15,938**
Lease receivables and lease investment assets	**15,052**	15,472	**183,136**
Other assets (Note 14)	**21,447**	21,468	**260,944**
Tangible fixed assets (Note 8)	**40,574**	41,999	**493,661**
Building	**11,794**	12,264	**143,496**
Land	**24,629**	24,798	**299,659**
Construction in progress	**102**	307	**1,241**
Other tangible fixed assets	**4,047**	4,629	**49,239**
Intangible fixed assets (Note 14)	**8,171**	10,168	**99,415**
Software	**6,703**	9,083	**81,554**
Other intangible fixed assets	**1,468**	1,084	**17,861**
Deferred tax assets (Note 9)	**24,088**	31,086	**293,077**
Customers' liabilities for acceptances and guarantees	**13,278**	15,410	**161,552**
Reserve for possible loan losses (Notes 6 and 10)	**(28,531)**	(31,624)	**(347,134)**
Total assets	**¥4,809,575**	¥4,608,561	**$58,517,763**
Liabilities and net assets:			
Liabilities:			
Deposits and negotiable certificates of deposit (Notes 6 and 14)	**4,343,154**	4,181,096	**52,842,851**
Payable under securities lending transactions (Notes 6 and 14)	**104,266**	116,109	**1,268,597**
Borrowed money (Notes 6 and 14)	**63,783**	27,369	**776,043**
Foreign exchanges	**148**	150	**1,800**
Bonds/subordinated bonds, payable in yen (Note 6)	**20,000**	20,000	**243,338**
Other liabilities	**38,729**	27,497	**471,213**
Reserve for employee retirement benefits (Note 11)	**12,207**	11,477	**148,521**
Reserve for reimbursement of deposits	**131**	121	**1,593**
Reserve for contingent loss	**1,633**	2,153	**19,868**
Acceptances and guarantees	**13,278**	15,410	**161,552**
Total liabilities	**¥4,597,334**	¥4,401,386	**$55,935,442**
Net assets:			
Common stock: Authorized 640,000 thousand shares and issued 281,756 thousand shares	**29,249**	29,249	**355,870**
Capital surplus	**18,829**	18,830	**229,091**
Retained earnings	**122,907**	121,094	**1,495,400**
Less treasury stock: Issued 6,072 thousand shares in 2012 and 6,073 thousand shares in 2011	**(2,987)**	(2,990)	**(36,342)**
Total stockholders' equity	**167,999**	166,184	**2,044,032**
Net valuation difference on available-for-sale securities (Note 7)	**19,057**	16,540	**231,865**
Net deferred gains or losses on hedges	**(850)**	(706)	**(10,341)**
Total accumulated other comprehensive income	**18,206**	15,834	**221,511**
Stock acquisition rights	**64**	31	**778**
Minority interests	**25,971**	25,125	**315,987**
Total net assets	**212,241**	207,175	**2,582,321**
Total liabilities and net assets	**¥4,809,575**	¥4,608,561	**$58,517,763**

See Notes to Consolidated Financial Statements.

Consolidated Statements of Income

The Nanto Bank, Ltd. and Consolidated Subsidiaries for the Years Ended March 31, 2012 and 2011

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2012	2011	2012
Income:			
Interest income:			
Interest on loans and bills discounted	**¥ 43,499**	¥ 46,236	**$ 529,249**
Interest and dividends on securities	**17,936**	18,646	**218,226**
Other interest income	**426**	393	**5,183**
Fees and commissions	**18,205**	18,860	**221,498**
Gains on sales and redemption of bonds	**4,825**	4,992	**58,705**
Other income (Note 16)	**5,181**	3,622	**63,036**
Total income	**90,075**	92,751	**1,095,936**
Expenses:			
Interest expense:			
Interest on deposits	**4,399**	5,777	**53,522**
Interest on borrowings and rediscounts	**468**	481	**5,694**
Interest on subordinated bonds	**344**	410	**4,185**
Other interest expense	**472**	472	**5,742**
Fees and commissions	**9,141**	9,172	**111,217**
Losses on sales and redemption of bonds	**1,943**	1,785	**23,640**
General and administrative expenses	**52,503**	53,006	**638,800**
Other expenses (Note 17)	**9,569**	7,603	**116,425**
Total expenses	**78,843**	78,711	**959,277**
Income before income taxes	**11,231**	14,039	**136,646**
Income taxes:			
Current	**72**	517	**876**
Deferred	**6,201**	5,755	**75,447**
Total income taxes	**6,274**	6,273	**76,335**
Net income before minority interests	**4,956**	7,766	**60,299**
Minority interests	**1,489**	1,181	**18,116**
Net income	**¥ 3,467**	¥ 6,584	**$ 42,182**
	Yen		U.S. dollars (Note 1)
Per share of common stock: (Note 23)			
Net income - basic	**¥12.57**	¥23.88	**$0.15**
Net income - diluted	**12.57**	23.87	**0.15**
Dividends	**6.00**	6.00	**0.07**

See Notes to Consolidated Financial Statements.

Consolidated Statements of Comprehensive Income

The Nanto Bank, Ltd. and Consolidated Subsidiaries for the Years Ended March 31, 2012 and 2011

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2012	2011	2012
Net income before minority interests	**¥ 4,956**	¥ 7,766	**$ 60,299**
Other comprehensive income (Note 19):			
Net valuation difference on available-for-sale securities	**2,548**	(5,201)	**31,001**
Net deferred gains or losses on hedges	**(144)**	(170)	**(1,752)**
Total other comprehensive income	**2,403**	(5,371)	**29,237**
Total comprehensive income for the year	**¥ 7,360**	¥ 2,395	**$ 89,548**
Total comprehensive income attributable to:			
Owners of the parent	**¥ 5,839**	¥ 1,215	**$ 71,042**
Minority interests	**1,521**	1,179	**18,505**

See Notes to Consolidated Financial Statements.

Consolidated Financial Statements

Consolidated Statements of Stockholders' Equity

The Nanto Bank, Ltd. and Consolidated Subsidiaries for the Years Ended March 31, 2012 and 2011

		Millions of yen								
	Number of shares of common stock (thousands)	Common stock	Capital surplus	Retained earnings	Less treasury stock	Net valuation difference on available-for-sale securities	Net deferred gains or losses on hedges	Stock acquisition rights	Minority interests	Total net assets
Balance at April 1, 2010	281,756	¥29,249	¥18,830	¥116,163	¥(2,973)	¥21,739	¥(536)	—	¥24,621	¥207,095
Cash dividends	—	—	—	(1,654)	—	—	—	—	—	(1,654)
Net Income	—	—	—	6,584	—	—	—	—	—	6,584
Purchase of treasury stock	—	—	—	—	(18)	—	—	—	—	(18)
Disposition of treasury stock	—	—	(0)	—	2	—	—	—	—	2
Net changes in the items other than stockholders' equity	—	—	—	—	—	(5,198)	(170)	31	504	(4,833)
Balance at March 31, 2011	281,756	¥29,249	¥18,830	¥121,094	¥(2,990)	¥16,540	¥(706)	¥31	¥25,125	¥207,175
Cash dividends	—	—	—	(1,654)	—	—	—	—	—	(1,654)
Net income	—	—	—	3,467	—	—	—	—	—	3,467
Purchase of treasury stock	—	—	—	—	(7)	—	—	—	—	(7)
Disposition of treasury stock	—	—	(0)	—	9	—	—	—	—	8
Net changes in the items other than stockholders' equity	—	—	—	—	—	2,516	(144)	33	845	3,250
Balance at March 31, 2012 (Note 4)	**281,756**	**¥29,249**	**¥18,829**	**¥122,907**	**¥(2,987)**	**¥19,057**	**¥(850)**	**¥64**	**¥25,971**	**¥212,241**

	Thousands of U.S. dollars (Note 1)								
	Common stock	Capital surplus	Retained earnings	Less treasury stock	Net valuation difference on available-for-sale securities	Net deferred gains or losses on hedges	Stock acquisition rights	Minority interests	Total net assets
Balance at April 1, 2011	$355,870	$229,103	$1,473,342	$(36,379)	$201,241	$(8,589)	$377	$305,694	$2,520,683
Cash dividends	—	—	(20,124)	—	—	—	—	—	(20,124)
Net income	—	—	42,182	—	—	—	—	—	42,182
Purchase of treasury stock	—	—	—	(85)	—	—	—	—	(85)
Disposition of treasury stock	—	(0)	—	109	—	—	—	—	97
Net changes in the items other than stockholders' equity	—	—	—	—	30,611	(1,752)	401	10,281	39,542
Balance at March 31, 2012	**$355,870**	**$229,091**	**$1,495,400**	**$(36,342)**	**$231,865**	**$(10,341)**	**$778**	**$315,987**	**$2,582,321**

See Notes to Consolidated Financial Statements.

Consolidated Statements of Cash Flows

The Nanto Bank, Ltd. and Consolidated Subsidiaries for the Years Ended March 31, 2012 and 2011

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2012	2011	2012
Cash flows from operating activities			
Income before income taxes	¥ 11,231	¥ 14,039	$ 136,646
Depreciation	6,154	6,206	74,875
Loss on impairment of fixed assets	320	98	3,893
Decrease in reserve for possible loan losses	(3,093)	(3,875)	(37,632)
Increase in reserve for retirement benefits	730	968	8,881
Decrease in reserve for executive retirement benefits	—	(454)	—
Increase in reserve for reimbursement of deposits	10	27	121
(Decrease) increase in reserve for contingent loss	(520)	47	(6,326)
Interest income	(61,862)	(65,276)	(752,670)
Interest expense	5,685	7,143	69,168
Loss (gain) on investment securities	1,039	(2,347)	12,641
Loss on money held in trust	52	98	632
Foreign exchange losses	3,912	13,177	47,597
Losses on disposal of fixed assets	106	17	1,289
Loss on adjustment for changes of accounting standard for asset retirement obligations	—	325	—
Net decrease in due from banks	1,194	2,745	14,527
Net (increase) decrease in loans and bills discounted	(76,058)	20,927	(925,392)
Net increase in deposits	160,321	80,306	1,950,614
Net increase (decrease) in negotiable certificates of deposit	1,736	(17,185)	21,121
Net increase in call loans and bills bought	(7,991)	(1,395)	(97,225)
Net increase (decrease) in borrowed money	36,414	(35,521)	443,046
Net decrease (increase) in foreign exchange assets	123	(193)	1,496
Net decrease in foreign exchange liabilities	(1)	(103)	(12)
Net (decrease) increase in payables under securities lending transactions	(11,843)	32,536	(144,092)
Net decrease in lease receivables and lease investment assets	120	892	1,460
Interest received	65,773	67,422	800,255
Interest paid	(7,782)	(7,389)	(94,683)
Other	1,485	9,395	18,067
Subtotal	127,260	122,635	1,548,363
Income taxes paid	(566)	(322)	(6,886)
Net cash provided by operating activities	126,693	122,312	1,541,464
Cash flows from investing activities			
Purchases of securities	(462,591)	(477,226)	(5,628,312)
Proceeds from sales of securities	284,745	217,173	3,464,472
Proceeds from maturities of securities	98,476	129,654	1,198,150
Increase in money held in trust	(1,093)	(163)	(13,298)
Decrease in money held in trust	540	3,523	6,570
Purchase of tangible fixed assets	(1,378)	(2,283)	(16,766)
Proceeds from sales of tangible fixed assets	20	67	243
Purchase of intangible fixed assets	(1,541)	(1,584)	(18,749)
Other	(36)	(37)	(438)
Net cash used in investing activities	(82,859)	(130,874)	(1,008,139)
Cash flows from financing activities			
Payment for redemption of subordinated bonds	—	(20,000)	—
Dividends paid	(1,652)	(1,650)	(20,099)
Dividends paid by subsidiaries to minority stockholders	(675)	(675)	(8,212)
Purchases of treasury stock	(7)	(18)	(85)
Other	0	2	0
Net cash used in financing activities	(2,335)	(22,342)	(28,409)
Effect of exchange rate changes on cash and cash equivalents	4	(20)	48
Net increase (decrease) in cash and cash equivalents	41,503	(30,924)	504,964
Cash and cash equivalents at beginning of year	68,103	99,027	828,604
Cash and cash equivalents at end of year (Note 5)	¥ 109,606	¥ 68,103	$ 1,333,568

See Notes to Consolidated Financial Statements.

Notes to Consolidated Financial Statements

The Nanto Bank, Ltd. and Consolidated Subsidiaries

1. BASIS OF PRESENTATION

The accompanying consolidated financial statements of The Nanto Bank, Ltd. (the "Bank") and its consolidated subsidiaries (together, the "Companies") have been prepared in accordance with the provision set forth in the Japanese Financial Instruments and Exchange Act, its related accounting regulations, Ordinance for Enforcement of the Banking Law and in conformity with accounting principles generally accepted in Japan, which are different in certain respects from the application and disclosure requirements of International Financial Reporting Standards.

The accompanying consolidated financial statements have been restructured and translated into English, with some expanded descriptions from the consolidated financial statements of the Bank prepared in accordance with Japanese GAAP and filed with the appropriate Local Finance Bureau of the Ministry of Finance as required by the Financial Instruments and Exchange Act. Some supplemental information included in the statutory Japanese language consolidated financial statements, but not required for fair presentation, is not presented in the accompanying consolidated financial statements.

As permitted by the Financial Instruments and Exchange Act of Japan, amounts less than one million yen have been omitted. As a result, the totals shown in the financial statements do not necessarily agree with the sum of the individual amounts.

The translation of the Japanese yen amounts into U.S. dollar amounts is included solely for the convenience of the readers outside Japan, using the prevailing exchange rate at March 30, 2012, which were ¥82.19 to US$1.00. The translations should not be construed as representations that the Japanese yen amounts have been, could have been, or could in the future be converted into U.S. dollars at this or any other rate of exchange.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Principles of consolidation

The accompanying consolidated financial statements include the accounts of the Bank and its all twelve subsidiaries at March 31, 2012 and 2011, respectively. The Bank has no affiliates over which it has the ability to exercise significant influence over operating and financial policies.

All consolidated subsidiaries except for Nanto Preferred Capital Cayman Limited have fiscal years ending on March 31. The fiscal year closing date of Nanto Preferred Capital Cayman Limited is January 31 and therefore, the pro forma financial statements as of March 31 are prepared for the consolidation purpose. All significant intercompany accounts, transactions and unrealized profits on transactions are eliminated.

b. Cash and cash equivalents

In preparing the consolidated statements of cash flows, cash and cash equivalents represents cash and deposits with the Bank of Japan.

c. Finance leases

As lessor:

Finance leases are accounted for in a similar manner with ordinary sale transactions. Revenue from finance lease transactions and related cost are recognized upon receipt of lease payments. Finance leases which transfer ownership of the lease assets to the lessee are recognized as lease receivables, and all finance leases which do not transfer ownership of the leased assets to the lessee are recognized as lease investment assets.

As for finance leases which commenced before April 1, 2008 and do not transfer ownership of the leased assets to the lessee, the appropriate book value (net of accumulated depreciation and amortization) of tangible and intangible fixed assets as of March 31, 2008 was recorded as the beginning balance of "Lease receivables and lease investment assets" and the total amount of interest equivalent for the remaining lease term after the adoption of "Accounting Standard for Lease Transactions" Accounting Standards Board of Japan ("ASBJ"), (ASBJ Statement No. 13, issued on March 30, 2007) is allocated over the remaining lease term using the straight-line method.

Differences between income before income taxes for the fiscal year ending March 31, 2012 and 2011, and income before income taxes calculated if accounting treatment for the ordinary sale transaction would have been applied to the finance leases which do not transfer ownership of the leased assets to the lessee are not material.

d. Securities

Trading securities are stated at fair value. Gains and losses realized on disposal and unrealized gains and losses from market value fluctuations are recognized as gains or losses in the period of the disposal or the change. Held-to-maturity debt securities are stated at amortized cost, net of the amount considered not collectible. Available-for-sale securities with available fair values are stated at fair value. Unrealized gains and losses on these securities are reported, net of applicable income taxes, as a separate component of accumulated other comprehensive income. Available-for-sale securities with no available fair value are stated at moving average cost.

If the fair value of held-to-maturity debt securities or available-for-sale securities declines significantly, such securities are stated at fair value, and the difference between fair value and the carrying amount is recognized as a loss in the period of the decline. The fair value will be the carrying amount of the securities at the beginning of the next fiscal year.

Money held in trust for trading purposes is reported at fair value.

e. Derivatives and hedge accounting

To account for hedging transactions in connection with interest rate risk arising from financial assets and liabilities, the Bank applies the deferred hedge accounting method stipulated in "Treatment for Accounting and Auditing of Application of Accounting Standard for Financial Instruments in the Banking Industry" (JICPA Industry Audit Committee Report No. 24). The Bank assesses the effectiveness of such hedge in offsetting movement in the fair value from changes in interest rates by classifying the hedged items, such as deposits and loans, and the hedging instruments, such as interest rate swaps, by their maturity. Regarding cash flow hedges, the Bank assesses the effectiveness through verifying the correlation of the hedged items with the hedging instruments.

A portion of the deferred hedge losses and gains that was previously accounted for under the "macro hedge method," which had been applied in order to manage interest rate risk arising from large volume transactions in loans, deposits and other interest earning assets and interest bearing liabilities as a whole using derivatives pursuant to "Temporary Treatment for Accounting and Auditing of Application of Accounting Standard for Financial Instruments in Banking Industry" (JICPA Industry Audit Committee Report No. 15), is no longer subject to hedge accounting. The deferred hedge losses and gains are being charged to "Interest income" or "Interest expenses" over a 15-year period (maximum) from March 31, 2004 according to their maturity and notional principal amount. The total amount of deferred hedge loss under the "macro hedge method" was ¥12 million ($146 thousand) in 2012 and ¥29 million in 2011.

In order to hedge risk arising from the volatility of exchange rates for securities (excluding bonds) denominated in foreign currencies, the Bank applies fair value hedge accounting on the conditions that the hedged securities are designated in advance and that sufficient on balance (actual) or off-balance (forward) liability exposure exists to cover the cost of the hedged securities denominated in the same foreign currency.

f. Tangible fixed assets

Depreciation of tangible fixed assets of the Bank is computed by the declining balance method. The estimated useful lives of major items are as follows:

Buildings	6 to 50 years
Others	3 to 20 years

Depreciation of the assets of the consolidated subsidiaries is principally provided on the declining balance method over the estimated useful life of the asset.

g. Reserve for possible loan losses

The reserve for possible loan losses is provided according to predetermined standards. For loans to insolvent customers who are undergoing bankruptcy or other special liquidation ("bankrupt borrowers") or who are in a similar financial condition ("effectively bankrupt borrowers"), the reserve for possible loan losses is provided based on the amount of the claims net of the amount expected to be recovered from collateral and guarantees and net of the deducted amount mentioned below. For the unsecured and unguaranteed portions of loans to customers not presently in the above circumstances, but for whom there is a high probability of so becoming ("likely to become bankrupt borrowers"), the reserve for possible loan losses is provided for the estimated unrecoverable amounts determined after an evaluation of the customer's overall financial condition. For other loans, the reserve for possible loan losses is provided for based on the Bank's actual rate of loan losses in the past.

For claims against "bankrupt borrowers" and "effectively bankrupt borrowers," the amount exceeding the estimated value of collateral and guarantees is deemed uncollectible and deducted directly from those claims. At March 31, 2012 and 2011, the deducted amounts were ¥17,150 million ($208,662 thousand) and ¥21,985 million, respectively. The reserve for possible loan losses of the consolidated subsidiaries is provided for general claims by the amount deemed necessary based on the historical loan-loss ratio and for certain doubtful claims by the amount deemed uncollectible based on an assessment of each claim.

h. Employee retirement benefits

The reserve for retirement benefits, which is provided for future pension payments to employees, is recorded based on the projected benefit obligation and the estimated value of pension plan assets at the end of the fiscal year.

Prior service costs are recognized as profit or loss at the time of occurrence, and actuarial gains or losses are recognized in gains or expenses in equal amounts from the following fiscal year by the straight-line method over ten years, which is within the average remaining service years of the current employees.

i. Income taxes

Deferred income taxes are recorded to reflect the tax effects of temporary differences between the carrying amounts of assets and liabilities for tax and financial reporting purposes.

The asset and liability approach is used to recognize deferred tax assets and liabilities for the expected future tax consequences of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts for income tax purposes.

j. Intangible fixed assets

Amortization of intangible fixed assets is computed by the straight-line method. Acquisition costs of software to be used internally are capitalized and amortized by the straight-line method primarily over a useful life of five years.

k. Lease assets

Lease assets with respect to finance leases that do not transfer ownership of tangible fixed assets and intangible fixed assets are depreciated or amortized using the straight-line method with the assumption that the term of the lease is the useful life. Residual values of leased assets are the guaranteed values determined in the lease contracts or zero for assets without such guaranteed value.

l. Foreign currency translations

Foreign currency assets and liabilities are translated at fiscal year-end exchange rates.

m. Recognition criteria for lease income and costs

Lease income and costs are recognized at the time of receiving lease fees.

n. Reserve for reimbursement of deposits

A reserve for reimbursement of deposits which were derecognized as liabilities under certain conditions is provided for possible losses on the future claims of withdrawal based on historical reimbursement experience.

o. Reserve for contingent loss

Providing for the payment of contribution to the Credit Guarantee Corporation, the Bank provides a reserve for contingent liabilities not covered by other reserves in an amount deemed necessary based on estimated losses in the future.

p. Consumption taxes

Transactions subject to national and local consumption taxes are recorded at amounts exclusive of consumption taxes.

q. Accounting changes and error corrections

On December 4, 2009, the ASBJ issued ASBJ Statement No. 24, "Accounting Standard for Accounting Changes and Error Corrections" and ASBJ Guidance No. 24, "Guidance on Accounting Standard for Accounting Changes and Error Corrections." The new accounting standard has defined the accounting treatment for retrospective applications to past financial statements when changes in accounting policies, changes in presentations and corrections of prior period errors are made as well as the treatment for changes in accounting estimates. The Bank applied the new accounting standard to accounting changes and error corrections made on or after April 1, 2011.

3. SEGMENT AND RELATED INFORMATION

(1) Overview of the Reportable Segments

The Bank's reportable segments are determined on the basis that separate financial information for such segments is available and examined periodically by the Board of Directors to make decisions regarding the allocation of management resources and assess the business performances of such segments within the Group. The Group's main operations is banking. The Bank also provides securities services and operates credit guarantee business and leasing and credit card businesses. The Group has divided its business operations into the two reportable segments of "Banking and Securities" and "Leasing." Banking and Securities includes banking and the security business, and Leasing includes leasing.

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

The accounting method used for reportable business segments is presented in accordance with "Summary of significant accounting policies." The reportable segment profit figures are based on operating profit. Intersegment internal rates of return and the amounts transferred are presented based on current market prices at the time of this report.

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

Segment information for the years ended March 31, 2012 and 2011 is summarized as follows:

Millions of yen

	2012						
	Reportable segments						
	Banking and Securities	Leasing	Total	Other	Total	Adjustment	Consolidated
Ordinary income:							
Outside customers	¥ 79,928	¥ 6,469	¥ 86,397	¥ 2,080	¥ 88,478	¥ 1,597	¥ 90,075
Intersegment income	475	1,638	2,114	4,366	6,480	(6,480)	—
Total	80,404	8,107	88,512	6,446	94,958	(4,883)	90,075
Segment profit	9,178	(138)	9,040	2,450	11,490	185	11,676
Segment assets	4,799,083	22,071	4,821,155	36,790	4,857,946	(48,370)	4,809,575
Segment liabilities	4,615,454	19,479	4,634,934	9,398	4,644,332	(46,998)	4,597,334
Other item							
Depreciation	5,107	274	5,381	85	5,466	687	6,154
Interest income	61,945	1	61,946	807	62,754	(891)	61,862
Interest expense	6,371	247	6,619	20	6,639	(954)	5,685
Extraordinary gain	—	—	—	—	—	—	—
Extraordinary loss	444	0	444	0	444	—	444
Tax expense	5,418	(36)	5,382	1,061	6,444	(169)	6,274
Increase in tangible and intangible fixed assets	2,833	374	3,207	37	3,244	(324)	2,920

Notes:
1. "Other" includes business segments except the reporting segments, which includes credit guarantees, real estate leasing and management, software development and credit cards.
2. Adjustments to each segment item are due to the elimination of transactions among reportable segments, except for the adjustment to increase in tangible fixed assets and intangible fixed assets which arose from transactions among reportable segments.
3. Adjustments are as below:
   (1) Adjustment of ordinary income for outside customers of ¥1,597 million is mainly the reversal of allowance for loan losses and recovery of written off claims included in "other."
   (2) Adjustment of segment profit of ¥185 million is the elimination of intersegment transactions.
   (3) Adjustment of segment assets of negative ¥48,370 million is the elimination of intersegment transactions.
   (4) Adjustment of segment debt of negative ¥46,998 million is the elimination of intersegment transactions.
   (5) Adjustment of depreciation of ¥687 million is the elimination of intersegment transactions.
   (6) Adjustment of interest income of negative ¥891 million is the elimination of intersegment transactions.
   (7) Adjustment of interest expenses of negative ¥954 million is the elimination of intersegment transactions.
   (8) Adjustment of tax expenses of negative ¥169 million is the elimination of intersegment transactions.
   (9) Adjustment of increase in tangible fixed assets and intangible fixed assets of negative ¥324 million is the elimination of intersegment transactions.
4. Segment profit is reconciled to net income in the consolidated statements of income.

Millions of yen

	2011						
	Reportable segments						
	Banking and Securities	Leasing	Total	Other	Total	Adjustment	Consolidated
Ordinary income:							
Outside customers	¥ 82,370	¥ 6,653	¥ 89,023	¥ 1,957	¥ 90,981	¥ —	¥ 90,981
Intersegment income	493	1,838	2,332	4,679	7,011	(7,011)	—
Total	82,863	8,492	91,355	6,637	97,993	(7,011)	90,981
Segment profit	11,445	255	11,701	980	12,681	100	12,781
Segment assets	4,597,833	23,059	4,620,893	35,918	4,656,812	(48,250)	4,608,561
Segment liabilities	4,418,267	20,365	4,438,632	9,272	4,447,905	(46,519)	4,401,386
Other item							
Depreciation	4,710	279	4,990	80	5,070	1,136	6,206
Interest income	65,362	1	65,364	839	66,203	(927)	65,276
Interest expense	7,784	303	8,088	31	8,119	(976)	7,143
Extraordinary gain	1,480	34	1,514	255	1,770	—	1,770
Extraordinary loss	469	0	469	42	512	—	512
Tax expense	5,871	119	5,991	239	6,231	41	6,273
Increase in tangible and intangible fixed assets	3,672	22	3,695	80	3,775	91	3,867

Notes: 1. "Other" includes business segments except the reporting segments, which includes credit guarantees, real estate leasing and management, software development and credit cards.
2. Adjustments to each segment item are due to the elimination of transactions among reportable segments, except for the adjustment to increase in tangible fixed assets and intangible fixed assets which arose from transactions among reportable segments.
3. Adjustments are as below:
(1) Adjustment of segment profit of ¥100 million is the elimination of intersegment transactions.
(2) Adjustment of segment assets of negative ¥48,250 million is the elimination of intersegment transactions.
(3) Adjustment of segment debt of negative ¥46,519 million is the elimination of intersegment transactions.
(4) Adjustment of depreciation of ¥1,136 million is the elimination of intersegment transactions.
(5) Adjustment of interest income of negative ¥927 million is the elimination of intersegment transactions.
(6) Adjustment of interest expenses of negative ¥976 million is the elimination of intersegment transactions.
(7) Adjustment of tax expenses of ¥41 million is the elimination of intersegment transactions.
(8) Adjustment of increase in tangible fixed assets and intangible fixed assets of ¥91 million is the elimination of intersegment transactions.
4. Segment profit is reconciled to net income in the consolidated statements of income.

Thousands of U.S. dollars

	2012						
	Reportable segments						
	Banking and Securities	Leasing	Total	Other	Total	Adjustment	Consolidated
Ordinary income:							
Outside customers	**$ 972,478**	**$ 78,707**	**$ 1,051,186**	**$ 25,307**	**$ 1,076,505**	**$ 19,430**	**$ 1,095,936**
Intersegment income	**5,779**	**19,929**	**25,720**	**53,120**	**78,841**	**(78,841)**	**—**
Total	**978,269**	**98,637**	**1,076,919**	**78,428**	**1,155,347**	**(59,411)**	**1,095,936**
Segment profit	**111,668**	**(1,679)**	**109,989**	**29,808**	**139,798**	**2,250**	**142,061**
Segment assets	**58,390,108**	**268,536**	**58,658,656**	**447,621**	**59,106,290**	**(588,514)**	**58,517,763**
Segment liabilities	**56,155,907**	**236,999**	**56,392,918**	**114,344**	**56,507,263**	**(571,821)**	**55,935,442**
Other item							
Depreciation	**62,136**	**3,333**	**65,470**	**1,034**	**66,504**	**8,358**	**74,875**
Interest income	**753,680**	**12**	**753,692**	**9,818**	**763,523**	**(10,840)**	**752,670**
Interest expense	**77,515**	**3,005**	**80,532**	**243**	**80,776**	**(11,607)**	**69,168**
Extraordinary gain	**—**	**—**	**—**	**—**	**—**	**—**	**—**
Extraordinary loss	**5,402**	**0**	**5,402**	**0**	**5,402**	**—**	**5,402**
Tax expense	**65,920**	**(438)**	**65,482**	**12,909**	**78,403**	**(2,056)**	**76,335**
Increase in tangible and intangible fixed assets	**34,468**	**4,550**	**39,019**	**450**	**39,469**	**(3,942)**	**35,527**

Notes: 1. "Other" includes business segments except the reporting segments, which includes credit guarantees, real estate leasing and management, software development and credit cards.
2. Adjustments to each segment item are due to the elimination of transactions among reportable segments, except for the adjustment to increase in tangible fixed assets and intangible fixed assets which arose from transactions among reportable segments.
3. Adjustments are as below:
(1) Adjustment of ordinary income for outside customers of $19,430 thousand is mainly the reversal of allowance for loan losses and recovery of written off claims included in "other."
(2) Adjustment of segment profit of $2,250 thousand is the elimination of intersegment transactions.
(3) Adjustment of segment assets of negative $588,514 thousand is the elimination of intersegment transactions.
(4) Adjustment of segment debt of negative $571,821 thousand is the elimination of intersegment transactions.
(5) Adjustment of depreciation of $8,358 thousand is the elimination of intersegment transactions.
(6) Adjustment of interest income of negative $10,840 thousand is the elimination of intersegment transactions.
(7) Adjustment of interest expenses of negative $11,607 thousand is the elimination of intersegment transactions.
(8) Adjustment of tax expenses of negative $2,056 thousand is the elimination of intersegment transactions.
(9) Adjustment of increase in tangible fixed assets and intangible fixed assets of negative $3,942 thousand is the elimination of intersegment transactions.
4. Segment profit is reconciled to net income in the consolidated statements of income.

(4) Information about services

	Millions of yen				
	2012				
	Banking	Securities and investments	Leasing	Others	Total
Ordinary income from outside customers	¥ 43,507	¥ 22,775	¥ 6,469	¥ 17,323	¥ 90,075

	Millions of yen				
	2011				
	Banking	Securities and investments	Leasing	Others	Total
Ordinary income from outside customers	¥ 46,214	¥ 23,993	¥ 6,653	¥ 14,119	¥ 90,981

	Thousands of U.S. dollars				
	2012				
	Banking	Securities and investments	Leasing	Others	Total
Ordinary income from outside customers	$ 529,346	$ 277,101	$ 78,707	$ 210,767	$ 1,095,936

Note: Ordinary income is stated as in sales of general enterprises.

(5) Information about geographic areas

a. Ordinary income

The ratio of ordinary income from outside customers within Japan to the total ordinary income in the consolidated statement of income exceeded 90% for the both fiscal years ended March 31, 2012 and 2011; therefore, no information about geographic areas is required to be disclosed.

b. Tangible fixed assets

The ratio of tangible fixed assets located in Japan to the total tangible fixed assets in the consolidated balance sheet exceeded 90% for the both fiscal years ended March 31, 2012 and 2011; therefore, no information about geographic areas is required to be disclosed.

(6) Information about major customers

Ordinary income from a specific customer exceeding 10% of the total consolidated ordinary income did not exist for either fiscal year ended March 31, 2012 or 2011. Therefore, information about major customers is not required to be disclosed.

(7) Information on Impairment of Fixed Assets for Each Reportable Segment

	Millions of yen				
	2012				
	Reportable segments				
	Banking and Securities	Leasing	Total	Others	Total
Impairment	¥ 320	—	¥ 320	—	¥ 320

	Millions of yen				
	2011				
	Reportable segments				
	Banking and Securities	Leasing	Total	Others	Total
Impairment	¥ 98	—	¥ 98	—	¥ 98

	Thousands of U.S. dollars				
	2012				
	Reportable segments				
	Banking and Securities	Leasing	Total	Others	Total
Impairment	$ 3,893	—	$ 3,893	—	$ 3,893

(8) Information on amortization of goodwill and its remaining balance for each reportable segment

There is no information to be reported on amortization of goodwill and its remaining balance.

(9) Information on gain on negative goodwill for each reportable segment

There is no information to be reported on gain on negative goodwill.

4. CHANGES IN NET ASSETS

(1) Type and numbers of shares issued and treasury stock for the fiscal years ended March 31, 2012 and 2011 are as follows:

(Thousands of shares)

	2012			
	March 31, 2011	Increase	Decrease	March 31,2012
Shares issued				
Common stock	**281,756**	**—**	**—**	**281,756**
Total	**281,756**	**—**	**—**	**281,756**
Treasury stock				
Common stock	**6,073**	**17**	**19**	**6,072**
Total	**6,073**	**17**	**19**	**6,072**

Note: Increase/decrease in number of shares of treasury stock is due to the purchase/sale of fractional shares and shares less than one unit.

(Thousands of shares)

	2011			
	March 31, 2010	Increase	Decrease	March 31,2011
Shares issued				
Common stock	281,756	—	—	281,756
Total	281,756	—	—	281,756
Treasury stock				
Common stock	6,037	41	4	6,073
Total	6,037	41	4	6,073

Note: Increase/decrease in number of shares of treasury stock is due to the purchase/sale of fractional shares and shares less than one unit.

(2) Matters concerning Stock Acquisition Rights

For the year ended March 31, 2012

Classification	Breakdown	Shares expected to be acquired upon exercise of stock acquisition rights				Balance at the end of current fiscal year (Millions of yen)	(Thousands of U.S. dollars)
		Number of shares					
		March 31, 2011	Increase	Decrease	March 31, 2012		
The Bank	2012 stock acquisition rights granted as stock options	—	—	—	—	¥64	$778
	Total	—	—	—	—	¥64	$778

(3) Information on dividends is as follows:

(a) Dividends paid in the fiscal year ended March 31, 2012

	Millions of yen, except per share amount				
Resolution	Type of shares	Aggregate amount of dividends	Cash dividends per share	Record date	Effective date
Annual shareholders meeting held on June 29, 2011	Common stock	¥827	¥3.00	March 31, 2011	June 30, 2011
Board of Directors meeting held on November 11, 2011	Common stock	¥827	¥3.00	September 30, 2011	December 9, 2011

Dividends paid in the fiscal year ended March 31, 2011

	Millions of yen, except per share amount				
Resolution	Type of shares	Aggregate amount of dividends	Cash dividends per share	Record date	Effective date
Annual shareholders meeting held on June 29, 2010	Common stock	¥827	¥3.00	March 31, 2010	June 30, 2010
Board of Directors meeting held on November 12, 2010	Common stock	¥827	¥3.00	September 30, 2010	December 10, 2010

(b) Dividends to be paid in the fiscal year ending March 31, 2013

	Millions of yen, except per share amount					
Resolution	Type of shares	Aggregate amount of dividends	Source of dividends	Cash dividends per share	Record date	Effective date
Annual shareholders meeting held on June 28, 2012	Common stock	¥827	Retained earnings	¥3.00	March 31, 2012	June 29, 2012

5. STATEMENTS OF CASH FLOWS

The reconciliation between cash and due from banks in the consolidated balance sheets at March 31, 2012 and 2011 and cash and cash equivalents in the consolidated statements of cash flows for the years then ended are as follows:

	Millions of yen		Thousands of U.S. dollars
	2012	2011	2012
Cash and due from banks on the consolidated balance sheet	**¥131,459**	¥91,151	**$1,599,452**
Time deposits due from banks	**(21,015)**	(21,000)	**(255,688)**
Other due from banks	**(838)**	(2,048)	**(10,195)**
Cash and cash equivalents on the consolidated statements of cash flows	**¥109,606**	¥68,103	**$1,333,568**

6. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

a. Matters relating to the status of financial instruments

(1) Policy on financial instruments

The Group (the Bank and its subsidiaries) is composed of the Bank and twelve consolidated subsidiaries, and provides financial services such as banking, securities, credit guarantee and leasing businesses.

Major banking business includes (i) acceptance of deposit, lending services, bills discounting and remittance, and (ii) guarantee of debt, acceptance of bills, and other services related to banking business. Securities business includes underwriting and dealing securities, over-the-counter derivative transaction, and other related services including security index future transactions in accordance with Financial Instruments and Exchange Act.

On the other hand, the Bank, in addition to being money lender and borrower in the interbank market to adjust the surplus funds, raises the funds by loans and bonds with considering the balance of financial market conditions and length.

The Bank conducts asset and liability management (ALM) and manages the risks identifying various types of risk exposures associated with the banking business, since the Bank holds financial assets and liabilities exposed to the market risk associated with the fluctuation of interest rates. As part of its risk management, the Bank utilizes derivative transactions such as interest rate swaps. The Bank also enters into derivative transaction for trading purposes with certain position limits.

(2) Contents and risk of financial instruments

Financial assets held by the Group are composed mainly of loans to corporate and individual customers which are exposed to credit risk arising from nonperformance of the customers. In addition, the loan balances are significantly concentrated to Nara prefecture where the head office of the Bank is located. Accordingly, changes in the economic circumstances of the region may have a great impact on the credit risk.

Securities principally consist of Japanese government bonds, Japanese local government bonds, equity securities, foreign securities, investment trusts that are classified as other securities (available-for-sale), private bonds guaranteed by the Bank that are classified as held-to-maturity debt securities and Japanese government bonds classified as trading purpose securities. These securities are exposed to the credit risk of issuers and the market risk of fluctuation in interest rates and market prices. In addition, since financial assets denominated in foreign currencies are exposed to exchange rate risk, currency related derivative transactions are used to balance the amount of each currency to reduce the risk.

In the banking business, financial liabilities consist principally of deposits from retail clients in Japan and are exposed to interest rate risk. In addition, foreign currency deposits are exposed to exchange rate risk. With respect to borrowed money and bonds, the Group may be forced to raise funds under unfavorable conditions and accordingly, significantly exposed to liquidity risk if the fund raising capacity of the Group significantly declined and failed to repay under circumstances such as the significant deterioration of the financial position of the Group. Furthermore, borrowed money with floating interest rates is exposed to interest rate risk.

Derivative transactions include interest rate swaps for interest rate related transactions, currency swaps, and forward foreign exchange transactions for currency related transactions and bond future transactions for bond related transactions. In addition, certain credit derivatives are embedded in the financial instruments. The Bank utilizes those derivative transactions in order to hedge the position of the customers as well as to capture various risks associated with transactions with customers and control those risks properly. The Bank also uses derivatives for trading purposes with certain position limits. The Bank applies the deferred hedge accounting method for derivative transactions when used as hedging instruments. Interest rate swaps are used as hedging instruments to avoid interest rate risks of the hedged items such as loans with fixed interest rates and deposits with fixed interest rates. Deferred hedge accounting has been applied to derivatives used as hedging instruments.

The Bank assesses the effectiveness of hedges in offsetting movement in the fair value from changes in interest rates by classifying the hedged items such as deposits and loans and the hedging instruments such as interest rate swaps by their maturity. For cash flow hedges, the Bank assesses the effectiveness by verifying the correlation between the hedged items and the hedging instruments. Transactions which do not meet the requirements of hedge accounting and derivative transactions for trading purposes are exposed to interest rate risk, currency risk, price fluctuation risk and credit risk.

(3) Risk management system for financial instruments

Credit risk management:

The Group establishes a framework for credit control which includes credit review by individual transaction, credit limit, credit information management, internal credit rating, guarantees and collateral and self-assessment in accordance with the Group's "Rules on credit risk management" and "Rules on self-assessment of assets." These credit controls are performed by each branch and the Credit Analysis Division, and the independent Audit Department audits the status of credit risk controls and its results. The status of credit risk controls are periodically evaluated and reported to the managing directors' committee and board meeting.

Credit risks associated with the issuers of securities are managed by Securities & International Division and Compliance & Risk Management Division. With respect to the credit risks associated with the issuer of the securities and counterparty risk associated with derivative transactions, related credit information and fair values of the securities are periodically checked to monitor those risks.

Market risk management:

(a) Interest rate risk

From the perspective of ALM, the Group manages market risk such as interest rate risk associated with assets and liabilities, including loans, deposits and securities comprehensively. The Group's "Rules on Market Risk Management" articulates that the Bank make efforts to manage the market sector effectively, taking risk and reward into account as well as avoiding excessive risk taking by setting appropriate risk limits based on the Group's ability to take risk and identifying market risk properly.

The ALM Committee, the decision making entity on the management of market risks, sets certain semiannual risk limits determined by VaR based upon the Bank's capital adequacy and market conditions. The Bank pursues profit opportunity within the risk limits above. The Compliance & Risk Management Division assesses interest rate risk by VaR, reports to the ALM Committee on a monthly basis and properly monitors its operation. Other methodologies such as BPV and the simulation of the interest rate fluctuation are also used so that the Bank can capture and analyze risk from a broader point of view.

(b) Foreign currency risk

With regard to foreign currency risk associated with operations and procurement of financial instruments denominated in foreign currency, the Group manages risk by balancing the amount of funding and amount of operations for each currency. In addition, as for foreign currency exchange transactions for investment purposes, the Compliance & Risk Management Division assesses the foreign currency risk by VaR, reports to the ALM committee on a monthly basis and properly monitors its operations.

(c) Price fluctuation risk

With regard to investments in securities, the Group prepares its asset management plan semiannually and makes investment decisions at the ALM Committee based upon expected returns and correlations between investment items and related market fluctuation risk. The Securities & International Division plays a part in investment for investment purposes, and the General Business Division plays a part in investments for the purpose of business alliances and capital affiliation. Continuous monitoring of market conditions and restrictions on riskier assets such as securitized instruments help to avoid unnecessary price fluctuation risk.

The Compliance & Risk Management Division assesses the price fluctuation risk of equity securities, etc. by VaR, reports monthly to the ALM Committee about compliance with risk limits and properly manages the risk.

(d) Derivative transactions

With respect to derivative transactions for hedging purposes, the Group establishes internal rules defining the authority and hedge policies which are governed by The Compliance & Risk Management Division. With respect to derivative transactions for the trading purposes, certain trading limits and loss limit rules are set semiannually by the ALM Committee. The Compliance & Risk Management Division, which serves as the middle office, monitors compliance and calculates the total amount of risk. The Securities & International Division, which serves as the back office, checks each derivative transaction, marked-to-market position, and evaluates the profit and loss from the transactions on a daily basis. Combined with those functions, the related divisions check each other so as not to exceed the limit on loss.

The directors of the Bank are reported to from both the middle office and back office and monitor the risk associated with the Bank's portfolio as a whole, including loans, deposits and securities at the ALM Committee.

(e) Quantitative information relating to market risk

The Group manages the quantity of market risk for financial instruments such as loans, deposits, securities and derivatives by VaR. To calculate VaR, the historical method (confidence level of 99%, observation period of 1,250 business days, holding period of 60 business days [holding period for the shares other than net investment purposes are 120 business days] and correlation of risk categories are not considered.) is adopted.

At March 31, 2012, the Group's total market risk (decrease in estimated economic value) was ¥51,731 million ($629,407 thousand) (¥57,576 million in 2011). In addition, the Group conducted back test to compare actual income with the VaR calculated by the model. According to back tests conducted in 2011, the measurement model captured the quantity of market risk with sufficient accuracy. However, VaR is a statistical measure of market risk based on past fluctuations in the market and certain probability of occurrence. It may not be possible to capture the risk if the market fluctuates rapidly under extraordinary circumstances.

Management of liquidity risk associated with financing activities

The Securities & International Division manages the Bank's cash position based upon the monthly funding plan designed by the ALM Committee, while The Compliance & Risk Management Division monitors the situation. The ALM Committee manages financing risk comprehensively by understanding the amount of cash for which the Bank can liquidate and also can raise funds from the market on a regular basis.

In addition the Group categorizes its financing situation into "Regular Phase," "Concern Phase" and "Crisis Phase," and prepares appropriate management structures for each phase so that the Group can take proper action accordingly.

(4) Supplementary explanation on the fair value of financial instruments

The fair values of financial instruments comprise the values determined based on the quoted market prices and the values calculated on a reasonable basis when no market price is available. Certain assumptions are used for the calculation of such amounts, and, accordingly, the result of such calculations may vary if different assumptions are used.

b. Fair value of financial instruments

The following table summarizes the carrying amounts, fair values and differences of financial instruments as of March 31, 2012 and 2011:

Note that equity securities whose fair values are extremely difficult to estimate and immaterial accounts are not included in the table (see Note 2 below).

Millions of yen

	2012		
	Carrying amount	Fair value	Difference
Cash and due from banks	¥ 131,459	¥ 131,459	¥ —
Call loans and bills bought	12,080	12,080	—
Debt purchased	4,075	4,075	—
Trading account securities:			
Trading securities	400	400	—
Money held in trust	25,000	25,000	—
Securities			
Held-to-maturity debt securities	3,945	3,979	34
Available-for-sale securities	1,748,774	1,748,774	—
Loans and bills discounted	2,785,671		
Reserve for possible loan losses (*1)	(27,888)		
	2,757,782	2,776,977	19,194
Total assets	¥4,683,518	¥4,702,748	¥19,229
Deposits	¥4,277,409	¥4,279,936	¥ 2,527
Negotiable certificates of deposit	65,744	65,744	—
Payable under securities lending transactions	104,266	104,266	—
Borrowed money	63,783	63,728	(54)
Bonds	20,000	20,342	342
Total liabilities	¥4,531,204	¥4,534,018	¥ 2,814
Derivative transactions (*2)			
To which hedge accounting is not applied	(1,590)	(1,590)	—
To which hedge accounting is applied	(1,489)	(1,498)	(9)
Total derivative transactions	¥ (3,079)	¥ (3,088)	¥ (9)

Millions of yen

	2011		
	Carrying amount	Fair value	Difference
Cash and due from banks	¥ 91,151	¥ 91,151	¥ —
Call loans and bills bought	3,429	3,429	—
Debt purchased	4,716	4,716	—
Trading account securities:			
Trading securities	786	786	—
Money held in trust	24,500	24,500	—
Securities			
Held-to-maturity debt securities	4,756	4,804	47
Available-for-sale securities	1,661,168	1,661,168	—
Loans and bills discounted	2,709,612		
Reserve for possible loan losses (*1)	(31,079)		
	2,678,533	2,690,252	11,718
Total assets	¥4,469,043	¥4,480,810	¥11,766
Deposits	¥4,117,087	¥4,120,691	¥ 3,603
Negotiable certificates of deposit	64,008	64,008	—
Payable under securities lending transactions	116,109	116,109	—
Borrowed money	27,369	27,417	48
Bonds	20,000	20,221	221
Total liabilities	¥4,344,575	¥4,348,448	¥ 3,873
Derivative transactions (*2)			
To which hedge accounting is not applied	(1,192)	(1,192)	—
To which hedge accounting is applied	(1,296)	(1,316)	(19)
Total derivative transactions	¥ (2,489)	¥ (2,509)	¥ (19)

Thousands of U.S. dollars

	2012		
	Carrying amount	Fair value	Difference
Cash and due from banks	$ 1,599,452	$ 1,599,452	$ —
Call loans and bills bought	146,976	146,976	—
Debt purchased	49,580	49,580	—
Trading account securities			
Trading securities	4,866	4,866	—
Money held in trust	304,173	304,173	—
Securities:			
Held-to-maturity debt securities	47,998	48,412	413
Available-for-sale securities	21,277,211	21,277,211	—
Loans and bills discounted	33,893,064		
Reserve for possible loan losses (*1)	(339,311)		
	33,553,741	33,787,285	233,532
Total assets	$56,984,036	$57,218,007	$ 233,957
Deposits	$52,042,937	$52,073,682	$ 30,745
Negotiable certificates of deposits	799,902	799,902	—
Payable under securities lending transactions	1,268,597	1,268,597	—
Borrowed money	776,043	775,374	(657)
Bonds	243,338	247,499	4,161
Total liabilities	$55,130,843	$55,165,080	$ 34,237
Derivative transactions (*2)			
To which hedge accounting is not applied	(19,345)	(19,345)	—
To which hedge accounting is applied	(18,116)	(18,226)	(109)
Total derivative transactions	$ (37,461)	$ (37,571)	$ (109)

(*1) General reserve for possible loan losses and specific reserve for possible loan losses corresponding to loans are deducted.
(*2) Derivative transactions recorded under other assets and other liabilities are presented on a net basis, and total amounts of net liabilities are presented in parentheses.

(Note 1) Computation method for fair value of financial instruments

Assets

Cash and due from banks:

With respect to due from banks without maturities, the carrying amount is presented as the fair value as the fair value approximates the carrying amount. With respect to due from banks with maturities, the fair value is calculated, by discounting its cash flow at the interest rate assumed if the same due from banks were newly executed, for each category of maturities. The fair value of the derivative embedded due from banks is determined based on the prices presented by the financial institutions with which they are transacted.

Call loans and bills bought:

The carrying amount is presented as the fair value as the residual maturity is less than one year and the fair value approximates the carrying amount.

Debt purchased:

The carrying amount of the lump sum factoring receivables is presented as the fair value as the residual maturity is less than one year and the fair value approximates the carrying amount.

Trading account securities:

The fair values of the securities held for the trading purpose are determined based on the quoted market prices, or the values calculated on a reasonable basis if no market price is available.

Money held in trust:

The fair values of the securities held in a stand-alone trust for the asset management purpose are determined based on the values presented by the trust bank. For additional information on money held in trust by holding purpose, please see Note 7 “Securities and Money held in trust.”

Securities:

The fair values of equity securities are determined using the market price at the exchanges. The fair values of debt securities are determined based on the market prices or the values calculated on a reasonable basis if no market price is available. The fair values of listed investment trusts are determined using the market price at the exchanges and other investment trusts are determined using standard prices published by the Investment Trust Association, Japan or presented from the financial institutions with which they are transacted. The fair values of the private bonds guaranteed by the Bank are calculated, by discounting the aggregate value of principle and interest at the interest rate assumed if the same bond were newly issued, for each category of type of terms, redemption method, and guarantees. With respect to the private bonds guaranteed by the Bank issued by “bankrupt borrowers,” “effectively bankrupt borrowers” and “likely to become bankrupt borrowers,” the possible amounts of loan loss are computed based on the present value of estimated future cash flow or the recoverable amounts from collaterals and guarantees; therefore, the fair value approximates the carrying amount, net of reserve for possible loan losses and such amount is presented as the fair value.

With regard to floating rate Japanese government bonds held as “securities,” the market value is unlikely to indicate the fair value due to extraordinary few trading case of such bonds, and determined such bonds have been carried at their reasonably estimated amounts in this fiscal year end. As a result, “Japanese Government Bond” included in “Securities” and “Net unrealized gains on securities available for sale, net of tax” increased by ¥8,308 million ($101,082 thousand) and ¥5,367 million ($65,299 thousand) at March 31, 2012, and ¥15,932 million and ¥9,495 million at March 31, 2011, respectively, and “deferred tax assets” decreased by ¥2,941 million ($35,782 thousand) at March 31, 2012, and ¥6,436 million at March 31, 2011, compared with the result using the market price.

Reasonably estimated amounts of floating-rate Japanese government bonds consists of the net value of discounted cash flow adjusting convexity from the floating-rate Japanese government bonds and the net value of

discounted cash flow of zero-floor options calculated by the Black-Sholes option pricing model. The main variables of pricing decision for the above calculations are the Japanese government bond spot rate as market-yield and yen swaption volatility as forward rate volatility. The theoretical prices of parties of each series of floating-rate Japanese government bonds are determined from the quotes of venders and verified for their adequacy by the Bank.

For additional information on securities by holding purpose, please see Note 7 "Securities and Money held in trust."

Loans and bills discounted:
The fair value of loans with floating interest rates is presented using the carrying amount as the fair value approximates the carrying amount, as long as the credit situation of the borrowers does not vary significantly after executing the loans, since they reflect the market interest rates due to their short-term nature. The fair value of loans with fixed rates is computed, by discounting the aggregate value of principal and interest at the interest rate assumed if the same loans were newly executed, for each category of type of loans, internal ratings and maturities. As for the loans whose maturity is less than one year, the carrying amount is presented as the fair value as the fair value approximates the carrying amount.

With respect to receivables from "bankrupt borrowers," "effectively bankrupt borrowers" and "likely to become bankrupt borrowers," the possible amounts of loan loss are computed based on the present values of the estimated future cash flow or the recoverable amounts from collaterals and guarantees; therefore, the fair value approximates the carrying amount, net of reserve for possible loan losses and such amount is presented as the fair value.

The fair value of loans without predetermined repayment date due to their characteristics which the lending amounts are limited within the values of the applicable collaterals is presented using the carrying amount, as the fair value is deemed to approximate the carrying amounts considering the estimated repayment term and interest rates. The fair value of embedded derivative loans is presented using market prices at financial institutions.

Liabilities
Deposits and negotiable certificates of deposits:
With respect to on-demand deposits, the payment obligation when demanded at the balance sheet date, which is the carrying amount, is deemed to be the fair value. The fair value of time deposits is computed using the present value by discounting future cash flows for each category of certain period. The interest rate to be applied when a new deposit is taken is used as the discount rate. Deposits whose residual maturity is less than one year, the carrying amount is presented as the fair value as the fair value approximates the carrying amount.

Payables under securities lending transactions:
The carrying amount is presented as the fair value as the residual maturity is less than one year and the fair value approximate the carrying amount.

Borrowed money:
The fair value of borrowed money with floating interest rate is presented using the carrying amount as the fair value approximates the carrying amount since the interest rates reflect the market interest rate due to their short-term nature and the credit situation of the Bank and its consolidated subsidiaries does not vary significantly after the executing the borrowing. The fair value of borrowed money with fixed interest rate is computed, by discounting the aggregate value of principal and interest at the interest rate assumed if the same borrowing were newly executed, for each category of type of maturities. As for the borrowed money whose maturity is less than one year, the carrying amount is presented as the fair value as the fair value approximates the carrying amount.

Bonds:
The bonds issued by the Bank are all unsecured and subordinated bonds. The fair value of such bonds is determined using market price.

Derivative transactions
For the derivative transactions, please see Note 21 "Derivative Transactions."

(Note 2) The following table summarizes financial instruments whose fair value is extremely difficult to estimate: Note that these instruments are not included in the aforementioned table regarding the fair value of financial instruments.

	Carrying amount		
	Millions of yen		Thousands of U.S. dollars
	2012	2011	2012
Unlisted equity securities (*1) (*2)	**¥2,333**	¥2,270	**$28,385**
Investment in Partnership (*3)	**441**	752	**5,365**
Total	**¥2,775**	¥3,023	**$33,763**

(*1) The fair value of unlisted equity securities is not disclosed, since there is no market price and it is extremely difficult to estimate the fair value.
(*2) The Bank recognized loss on impairment of ¥6 million on unlisted equity securities for the year ended March 31, 2011. No impairment loss was recognized for the year ended March 31, 2012.
(*3) The fair value of unlisted equity securities among the investment in partnership is not disclosed, since there is no market price and it is extremely difficult to estimate the fair value.

(Note 3) Redemption schedule of monetary claims and securities with maturities

Millions of yen

	2012					
	Due within one year or less	Due after one year through three years	Due after three years through five years	Due after five years through seven years	Due after seven years through ten years	Due after ten years
Due from banks	¥ 89,315	¥ —	¥ —	¥ —	¥ —	¥ —
Call loans and bills bought	12,080	—	—	—	—	—
Debt purchased	4,075	—	—	—	—	—
Securities	134,589	305,264	365,487	330,474	463,640	30,000
Held-to-maturity debt securities	440	1,822	1,435	248	—	—
Bonds	440	1,822	1,435	248	—	—
Available-for-sale securities with contractual maturities:	134,149	303,442	364,052	330,226	463,640	30,000
Japanese government bonds	69,300	167,800	244,000	282,500	332,000	—
Japanese local government bonds	5,203	35,338	60,336	34,492	62,946	—
Corporate bonds	14,468	22,261	14,232	6,508	12,694	—
Other	45,177	78,042	45,483	6,725	56,000	30,000
Loans and bills discounted (*)	849,900	377,645	253,489	181,237	210,171	529,840
Total	¥1,089,960	¥682,909	¥618,976	¥511,711	¥673,812	¥559,840

Millions of yen

	2011					
	Due within one year or less	Due after one year through three years	Due after three years through five years	Due after five years through seven years	Due after seven years through ten years	Due after ten years
Due from banks	¥ 41,182	¥ —	¥ —	¥ —	¥ —	¥ —
Call loans and bills bought	3,429	—	—	—	—	—
Debt purchased	4,523	—	192	—	—	—
Securities:	95,179	289,596	322,615	192,450	565,140	72,500
Held-to-maturity debt securities:	580	1,636	1,951	588	—	—
Bonds	580	1,636	1,951	588	—	—
Available-for-sale securities with contractual maturities:	94,599	287,959	320,663	191,861	565,140	72,500
Japanese government bonds	62,100	162,600	161,500	150,000	442,500	42,500
Japanese local government bonds	4,132	19,315	72,543	28,456	58,626	—
Corporate bonds	9,590	22,910	8,405	1,405	8,014	—
Other	18,776	83,133	78,214	12,000	56,000	30,000
Loans and bills discounted (*)	783,764	391,149	258,114	168,232	211,531	514,582
Total	¥928,080	¥680,745	¥580,922	¥360,682	¥776,671	¥587,082

Thousands of U.S. dollars

	2012					
	Due within one year or less	Due after one year through three years	Due after three years through five years	Due after five years through seven years	Due after seven years through ten years	Due after ten years
Due from banks	$ 1,086,689	$ —	$ —	$ —	$ —	$ —
Call loans and bills bought	146,976	—	—	—	—	—
Debt purchased	49,580	—	—	—	—	—
Securities:	1,637,534	3,714,125	4,446,854	4,020,854	5,641,075	365,007
Held-to-maturity debt securities:	5,353	22,168	17,459	3,017	—	—
Bonds	5,353	22,168	17,459	3,017	—	—
Available-for-sale securities with contractual maturities:	1,632,181	3,691,957	4,429,395	4,017,836	5,641,075	365,007
Japanese government bonds	843,168	2,041,610	2,968,730	3,437,157	4,039,420	—
Japanese local government bonds	63,304	429,954	734,103	419,661	765,859	—
Corporate bonds	176,031	270,848	173,159	79,182	154,447	—
Other	549,665	949,531	553,388	81,822	681,348	365,007
Loans and bills discounted (*)	10,340,674	4,594,780	3,084,182	2,205,097	2,557,135	6,446,526
Total	$13,261,467	$8,308,906	$7,531,037	$6,225,952	$8,198,223	$6,811,534

(*) Loans from "bankrupt," "effectively bankrupt" and "likely to become bankrupt" borrowers, which are not expected to be repaid, amounting to ¥86,896 million ($1,057,257 thousand) and ¥65,064 million at March 31, 2012 and 2011, are not included respectively.
Loans, whose payment term is not determined, amounting to ¥312,413 million ($3,801,107 thousand) and ¥338,225 million at March 31, 2012 and 2011, are not included respectively.

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(Note 4) Redemption schedule of bonds, borrowed money and interest bearing liabilities

Millions of yen

	2012					
	Due within one year or less	Due after one year through three years	Due after three years through five years	Due after five years through seven years	Due after seven years through ten years	Due after ten years
Deposits (*)	**¥3,631,418**	**¥533,376**	**¥112,613**	**¥—**	**¥ —**	**¥—**
Negotiable certificates of deposits	**65,744**	**—**	**—**	**—**	**—**	**—**
Payables under securities lending transactions	**104,266**	**—**	**—**	**—**	**—**	**—**
Borrowed money	**59,151**	**3,547**	**1,085**	**—**	**—**	**—**
Bonds	**—**	**—**	**—**	**—**	**20,000**	**—**
Total	**¥3,860,581**	**¥536,923**	**¥113,698**	**¥—**	**¥20,000**	**¥—**

Millions of yen

	2011					
	Due within one year or less	Due after one year through three years	Due after three years through five years	Due after five years through seven years	Due after seven years through ten years	Due after ten years
Deposits (*)	¥3,532,229	¥476,374	¥108,484	¥—	¥ —	¥—
Negotiable certificates of deposits	64,008	—	—	—	—	—
Payables under securities lending transactions	116,109	—	—	—	—	—
Borrowed money	22,829	3,265	1,275	—	—	—
Bonds	—	—	—	—	20,000	—
Total	¥3,735,176	¥479,639	¥109,759	¥—	¥20,000	¥—

Thousands of U.S. dollars

	2012					
	Due within one year or less	Due after one year through three years	Due after three years through five years	Due after five years through seven years	Due after seven years through ten years	Due after ten years
Deposits (*)	**$44,183,209**	**$6,489,548**	**$1,370,154**	**$—**	**$ —**	**$—**
Negotiable certificates of deposits	**799,902**	**—**	**—**	**—**	**—**	**—**
Payables under securities lending transaction	**1,268,597**	**—**	**—**	**—**	**—**	**—**
Borrowed money	**719,686**	**43,156**	**13,201**	**—**	**—**	**—**
Bonds	**—**	**—**	**—**	**—**	**243,338**	**—**
Total	**$46,971,419**	**$6,532,704**	**$1,383,355**	**$—**	**$243,338**	**$—**

(*) Demand deposits are included in "Due within one year or less."

7. SECURITIES AND MONEY HELD IN TRUST

The securities in this note include the "securities" and "trading securities" classified on the consolidated balance sheet.

(1) Information on trading account securities and securities with available market prices at March 31, 2012 and 2011 was as follows:

(a) Trading securities

	Millions of yen		Thousands of U.S. dollars
	2012	2011	2012
Carrying amount (fair value)	**¥400**	¥786	**$4,866**
Amount of net unrealized gains (losses) included in the statements of income	**0**	0	**—**

(b) Held-to-maturity debt securities

The carrying amount and fair value of held-to-maturity debt securities which have a readily determinable fair value and the related unrealized gain and loss at March 31, 2012 and 2011 was as follows:

Millions of yen

	2012				
	Carrying amount	Fair value	Difference	Gain	Loss
Corporate bonds	**¥3,945**	**¥3,979**	**¥34**	**¥34**	**¥—**

Millions of yen

	2011				
	Carrying amount	Fair value	Difference	Gain	Loss
Corporate bonds	¥4,756	¥4,804	¥47	¥54	¥6

Thousands of U.S. dollars

	2012				
	Carrying amount	Fair value	Difference	Gain	Loss
Corporate bonds	**$47,998**	**$48,412**	**$413**	**$413**	**$—**

(c) Available-for-sale securities

	Millions of yen		
	2012		
	Carrying amount	Acquisition cost	Unrealized gains (losses)
Carrying amount exceeding acquisition cost:			
Stocks	**¥ 49,058**	**¥ 37,582**	**¥ 11,476**
Bonds	**1,355,600**	**1,324,237**	**31,363**
Japanese government bonds	**1,096,265**	**1,072,121**	**24,144**
Japanese local government bonds	**204,080**	**197,426**	**6,653**
Japanese corporate bonds	**55,255**	**54,689**	**566**
Others	**169,820**	**166,259**	**3,560**
Foreign securities included	**157,425**	**154,545**	**2,880**
Subtotal	**¥1,574,479**	**¥1,528,079**	**¥ 46,400**
Carrying amount not exceeding acquisition cost:			
Stocks	**¥ 21,903**	**¥ 24,703**	**¥ (2,799)**
Bonds	**54,493**	**54,949**	**(455)**
Japanese government bonds	**34,890**	**34,900**	**(10)**
Japanese local government bonds	**1,306**	**1,308**	**(1)**
Japanese corporate bonds	**18,297**	**18,740**	**(443)**
Others	**97,897**	**114,921**	**(17,023)**
Foreign securities included	**90,587**	**106,978**	**(16,390)**
Subtotal	**¥ 174,294**	**¥ 194,573**	**¥(20,278)**
Total	**¥1,748,774**	**¥1,722,652**	**¥ 26,121**

	Millions of yen		
	2011		
	Carrying amount	Acquisition cost	Unrealized gains (losses)
Carrying amount exceeding acquisition cost:			
Stocks	¥ 47,443	¥ 35,948	¥ 11,494
Bonds	1,078,037	1,050,127	27,910
Japanese government bonds	874,400	852,137	22,263
Japanese local government bonds	172,050	166,989	5,060
Japanese corporate bonds	31,586	31,000	586
Others	110,203	106,675	3,527
Foreign securities included	102,277	99,272	3,004
Subtotal	¥1,235,684	¥1,192,751	¥ 42,933
Carrying amount not exceeding acquisition cost:			
Stocks	¥ 29,580	¥ 33,813	¥ (4,232)
Bonds	222,986	224,137	(1,150)
Japanese government bonds	184,584	185,325	(741)
Japanese local government bonds	16,399	16,484	(85)
Japanese corporate bonds	22,002	22,326	(323)
Others	173,110	187,929	(14,819)
Foreign securities included	163,231	177,473	(14,241)
Subtotal	¥ 425,677	¥ 445,880	¥(20,203)
Total	¥1,661,361	¥1,638,631	¥ 22,729

	Thousands of U.S. dollars		
	2012		
	Carrying amount	Acquisition cost	Unrealized gains (losses)
Carrying amount exceeding acquisition cost:			
Stocks	$ 596,885	$ 457,257	$ 139,627
Bonds	16,493,490	16,111,899	381,591
Japanese government bonds	13,338,179	13,044,421	293,758
Japanese local government bonds	2,483,027	2,402,068	80,946
Japanese corporate bonds	672,283	665,397	6,886
Others	2,066,188	2,022,861	43,314
Foreign securities included	1,915,378	1,880,338	35,040
Subtotal	$19,156,576	$18,592,030	$ 564,545
Carrying amount not exceeding acquisition cost:			
Stocks	$ 266,492	$ 300,559	$ (34,055)
Bonds	663,012	668,560	(5,535)
Japanese government bonds	424,504	424,625	(121)
Japanese local government bonds	15,890	15,914	(12)
Japanese corporate bonds	222,618	228,008	(5,389)
Others	1,191,105	1,398,235	(207,117)
Foreign securities included	1,102,165	1,301,593	(199,415)
Subtotal	$ 2,120,622	$ 2,367,356	$(246,721)
Total	$21,277,211	$20,959,386	$ 317,812

(2) Held-to-maturity debt securities sold for the years ended March 31, 2012 and 2011:

	Millions of yen		
	2012		
	Sales amount	Cost of sales	Gains (losses) on sales
Corporate bonds	¥100	¥100	¥0

	Thousands of U.S. dollars		
	2012		
	Sales amount	Cost of sales	Gains (losses) on sales
Corporate bonds	$1,126	$1,216	$0

Sales of corporate bonds were due to retirement of private placement bonds.

There were no sales of held-to-maturity debt securities for the year ended March 31, 2011.

(3) Available-for-sale securities sold for the years ended March 31, 2012 and 2011:

	Millions of yen		
	2012		
	Sales amount	Gains on sales	Losses on sales
Stocks	¥ 6,231	¥ 120	¥1,476
Bonds	211,644	2,034	1,263
Japanese government bonds	202,769	1,815	1,257
Japanese local government bonds	6,252	192	—
Japanese corporate bonds	2,622	26	5
Others	62,959	2,617	220
Foreign securities included	60,639	2,498	73
Total	¥280,836	¥4,772	¥2,960

	Millions of yen		
	2011		
	Sales amount	Gains on sales	Losses on sales
Stocks	¥ 4,317	¥ 471	¥ 516
Bonds	185,887	2,809	1,240
Japanese government bonds	127,040	1,549	1,199
Japanese local government bonds	53,473	1,188	40
Japanese corporate bonds	5,372	72	—
Others	25,102	1,752	263
Foreign securities included	23,926	1,719	17
Total	¥215,307	¥5,034	¥2,019

	Thousands of U.S. dollars		
	2012		
	Sales amount	Gains on sales	Losses on sales
Stocks	$ 75,812	$ 1,460	$17,958
Bonds	2,575,057	24,747	15,366
Japanese government bonds	2,467,076	22,082	15,293
Japanese local government bonds	76,067	2,336	—
Japanese corporate bonds	31,901	316	60
Others	766,017	31,840	2,676
Foreign securities included	737,790	30,392	888
Total	$3,416,912	$58,060	$36,014

(4) Information on money held in trust at March 31, 2012 and 2011 was as follows:

Money held in trust

	Millions of yen		Thousands of U.S. dollars
	2012	2011	2012
Carrying amount (fair value)	¥25,000	¥24,500	$304,173
Amount of net unrealized gains (losses) included in the statement of income	11	(6)	133

(5) The components of net unrealized gains on securities available for sale, net of taxes recorded under net assets at March 31, 2012 and 2011 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2012	2011	2012
Unrealized gains on securities available for sale	¥26,121	¥22,729	$317,812
Deferred tax liabilities	(6,971)	(6,128)	(84,815)
Unrealized gains on securities available for sale (before adjustments of minority interests)	¥19,149	¥16,601	$232,984
Minority interests	(92)	(60)	(1,119)
Net unrealized gains on securities available for sale, net of taxes	¥19,057	¥16,540	$231,865

(6) Securities reclassified for the years ended March 31, 2012 and 2011:

Not applicable.

(7) Impairment loss on the securities

In the event that the fair value of securities, excepting trading securities, with available fair values declines significantly compared with the acquisition cost and the fair value is not expected to recover, such securities are stated at fair value, and the difference between fair value and the acquisition cost is recognized as loss in the period of the decline ("impairment loss").

Impairment losses for equity securities and other securities incurred were ¥2,897 million ($35,247 thousand) and ¥0 million ($0 thousand) for the fiscal year ended March 31, 2012, respectively, and ¥1,078 million and ¥224 million for the fiscal year ended March 31, 2011, respectively.

The fair value is regarded as "significantly declined" when (i) the fair value as of the end of the fiscal year declines by more than 50% of the acquisition cost or (ii) the fair value as of the end of the fiscal year declines by more than 30% but less than 50% of the acquisition cost, and is not expected to recover within one year.

8. TANGIBLE FIXED ASSETS

Accumulated depreciation of tangible fixed assets was ¥44,357 million ($539,688 thousand) and ¥42,886 million at March 31, 2012 and 2011, respectively. Accumulated capital gains directly offset against the acquisition cost of tangible fixed assets to obtain tax benefits were ¥718 million ($8,735 thousand) and ¥739 million at March 31, 2012 and 2011, respectively.

9. INCOME TAXES

The Companies are subject to a number of taxes based on the income, which, in the aggregate, indicate a statutory rate in Japan of approximately 40.4% for the years ended March 31, 2012 and 2011.

The following table summarizes the significant difference between the statutory tax rate and the Companies' effective tax rate for financial statement purposes for the years ended March 31, 2012 and 2011:

	2012	2011
Statutory tax rate	**40.4%**	40.4%
Valuation allowance	**0.0%**	7.9%
Expense not qualifying for deduction	**0.6%**	0.5%
Non-taxable dividend income	**(2.9%)**	(2.2%)
Tax rate difference for Special Purpose Company	**(2.4%)**	(1.9%)
Adjustment of deferred tax assets for enacted changes in tax laws and rates	**21.7%**	—%
Other	**(1.6%)**	0.0%
Effective tax rate	**55.8%**	44.6%

Significant components of the Companies' deferred tax assets and liabilities as of March 31, 2012 and 2011 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2012	2011	2012
Deferred tax assets:			
Excess bad debt expenses	**¥15,092**	¥18,754	**$183,623**
Retirement benefits	**6,970**	7,314	**84,803**
Depreciation	**1,081**	1,062	**13,152**
Write-down of land	**4,107**	4,687	**49,969**
Loss on impairment of fixed assets	**1,616**	1,734	**19,661**
Valuation loss on securities	**6,934**	8,843	**84,365**
Tax loss carryforwards	**5,124**	5,793	**62,343**
Net deferred gains on hedging instruments	**525**	478	**6,387**
Other	**3,201**	4,055	**38,946**
Subtotal deferred tax assets:	**44,655**	52,725	**543,314**
Valuation allowance	**(13,539)**	(15,443)	**(164,728)**
Total deferred tax assets	**31,115**	37,282	**378,574**
Deferred tax liabilities:			
Net unrealized gain on securities available for sale	**(6,971)**	(6,128)	**(84,815)**
Other	**(55)**	(67)	**(669)**
Total deferred tax liabilities	**(7,027)**	(6,195)	**(85,497)**
Net deferred tax assets	**¥24,088**	¥31,086	**$293,077**

Adjustment of deferred tax assets and liabilities for enacted changes in tax laws and rates:
On December 2, 2011, the "Act on Partial Amendment to the Income Tax Act, etc. for the purpose of Creating a Taxation System Responding to Changes in Economic and Social Structures" (Act No. 114 of 2011) and the "Act on Special Measures for Securing Financial Resources Necessary to Implement Measures for Reconstruction Following the Great East Japan Earthquake" (Act No. 117 of 2011) were promulgated. Consequently, the corporate tax rate will be reduced and a special recovery tax will be imposed. In accordance with this tax reform, the effective statutory tax rate, which is used to measure deferred tax assets and deferred tax liabilities, has been reduced from 40.4% to 38.2 % for temporary differences that are expected to be eliminated during the period from April 1, 2012 through March 31, 2015 and 35.4% for temporary differences to be eliminated on or after April 1, 2015. As a result, deferred tax assets decreased by ¥1,590 million ($19,345 thousand) and net unrealized gain on securities available for sale, net of taxes and income taxes – deferred increased by ¥879 million ($10,694 thousand) and ¥2,439 million ($29,675 thousand), respectively.

10. LOAN LOSS PROVISIONS

Loan loss provisions at March 31, 2012 and 2011 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2012	2011	2012
General provision	**¥12,013**	¥15,678	**$146,161**
Specific provision	**16,517**	15,946	**200,961**
Total	**¥28,531**	¥31,624	**$347,134**

11. RETIREMENT BENEFIT OBLIGATIONS

(1) Outline of employees' retirement allowance

The Bank has a contributory defined benefit pension plan and a non-contributory unfunded lump-sum retirement allowance plan. The Bank grants additional retirement benefits occasionally. The Bank has employer retirement benefits trusts.

Eleven consolidated subsidiaries have non-contributory unfunded lump-sum retirement allowance plans.

(2) Information about retirement benefit obligations

	Millions of yen		Thousands of U.S. dollars
	2012	2011	2012
Projected benefit obligation	**¥(49,277)**	¥(49,077)	**$(599,549)**
Plan assets	**28,800**	27,445	**350,407**
Unfunded projected benefit obligation	**(20,476)**	(21,632)	**(249,130)**
Unrecognized actuarial differences	**8,269**	10,155	**100,608**
	(12,207)	(11,477)	**(148,521)**
Prepaid pension costs	**—**	—	**—**
Reserve for employee retirement benefits	**¥(12,207)**	¥(11,477)	**$(148,521)**

Note: 1. Consolidated subsidiaries adopt the simple method in calculating the projected benefit obligations.
2. The principal assumptions used in determining benefit obligation and pension expenses at March 31, 2012 and 2011 and for the years then ended were as follows:
(a) Discount rate: 2.0% in 2012 and 2011.
(b) Expected rate of return on plan assets: 2.0% in 2012 and 2011.

(3) Information relating to retirement benefit expense

	Millions of yen		Thousands of U.S. dollars
	2012	2011	2012
Service cost	**¥1,689**	¥1,652	**$20,549**
Interest cost on projected benefit obligation	**977**	947	**11,887**
Expected return on plan assets	**(450)**	(436)	**(5,475)**
Amortization of actuarial differences	**2,163**	2,335	**26,317**
Other	**—**	—	**—**
Total	**¥4,379**	¥4,498	**$53,278**

Note: Retirement benefit expenses of consolidated subsidiaries which adopt the simple method are included in "Service cost."

12. GUARANTEES

The amount guaranteed by the Bank for privately-placed bonds (stipulated by Article 2-3 of the Financial Instruments Exchange Act), which are included in "Bonds" of "Securities," was ¥3,745 million ($45,565 thousand) and ¥4,556 million at March 31, 2012 and 2011, respectively.

13. STOCKHOLDERS' EQUITY

Under the Banking Law of Japan and the Company law, the entire amount of the issue price of shares is required to be accounted for as capital, although the Bank may, by resolution of its Board of Directors, account for an amount not exceeding one half of the issue price of the new shares as additional paid-in capital, which is included in capital surplus.

The Banking Law provides that an amount equal to at least 20% of cash dividends and other cash appropriations shall be appropriated and set aside as legal earnings reserve until the total amount of legal earnings reserve and additional paid-in capital equals 100% of common stock. The total amount of legal earnings reserve and additional paid-in capital of the Bank has reached 100% of common stock. Therefore, the Bank is not required to provide any more legal earnings reserve.

The legal earnings reserve and additional paid-in capital may be used to eliminate or reduce a deficit by resolution of the stockholders' meeting or may be capitalized by resolution of the Board of Directors. On condition that the total amount of legal earnings reserve and additional paid-in capital remains equal to or more than 100% of common stock, they are available for distribution by resolution of the stockholders' meeting. Legal earnings reserve is included in retained earnings in the accompanying financial statements.

The maximum amount that the Bank can distribute as dividends is calculated based on the nonconsolidated financial statements of the Bank in accordance with the Company Law.

14. PLEDGED ASSETS

At March 31, 2012 and 2011, securities of ¥413,699 million ($5,033,446 thousand) and ¥428,015 million, respectively, were pledged as collateral for deposits and negotiable certificates of deposit of ¥32,786 million ($398,904 thousand) and ¥19,801 million, respectively, payables under securities lending transactions of ¥104,266 million ($1,268,597 thousand) and ¥116,109 million, respectively, and borrowed money of ¥56,510 million ($687,553 thousand) and ¥20,400 million, respectively.

Securities of ¥72,119 million ($877,466 thousand) and ¥72,031 million were pledged for transaction guarantees at March 31, 2012 and 2011, respectively.

Unexpired lease contract claims of ¥6,352 million ($77,284 thousand) and ¥6,806 million were pledged as collateral for borrowed money at March 31, 2012 and 2011, respectively.

At March 31, 2012 and 2011, other assets included initial margins of futures markets of ¥34 million ($413 thousand) and ¥36 million, respectively, guarantees of ¥1,542 million ($18,761 thousand) and ¥1,587 million, respectively, and other intangible fixed assets included surety deposits and intangibles of ¥573 million ($6,971 thousand) and ¥574 million, respectively.

15. LOAN COMMITMENTS

Commitment line contracts on overdrafts and loans are agreements to lend to customers when they apply for borrowing up to prescribed amount as long as there is no violation of any condition established in the contract. The amounts of unused commitments at March 31, 2012 and 2011 were ¥908,128 million ($11,049,130 thousand) and ¥885,641 million, respectively, and the amount of unused commitments whose original contract terms were within one year or unconditionally cancelable at any time at March 31, 2012 and 2011 were ¥892,643 million ($10,860,725 thousand) and ¥867,512 million, respectively.

Since many of these commitment line contracts are expected to expire without being drawn upon, the total amount of unused commitments does not necessarily represent actual future cash flow requirements.

Many of these commitments line contracts have clauses that allow the Bank and its consolidated subsidiaries to reject the application from customers or reduce the contract amounts if economic conditions change. In addition, the Bank and its consolidated subsidiaries may request that customers pledge collateral such as premises and securities or take other necessary measures such as scrutinizing customers' financial positions and revising contracts when need arises to secure claims.

16. OTHER INCOME

For the fiscal years ended 2012 and 2011, other income consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2012	2011	2012
Gains on sales of stocks and other securities	¥ 214	¥ 526	$ 2,603
Reversal of reserve for possible loan losses	1,966	—	23,920
Recoveries of written off claims	1,656	1,709	20,148
Other	1,344	1,387	16,352
Total	¥5,181	¥3,622	$63,036

17. OTHER EXPENSES

For the fiscal years ended 2012 and 2011, other expenses consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2012	2011	2012
Loss on devaluation of stocks and other securities	¥2,897	¥1,085	$ 35,247
Write-offs of loans	3,581	3,942	43,569
Loss on sales of stocks and other securities	1,537	—	18,700
Other	1,553	2,576	18,895
Total	¥9,569	¥7,603	$116,425

18. LEASE TRANSACTIONS

Operating leases

As lessee:

Future minimum lease payments under operating leases which are not cancelable at March 2012 and 2011 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2012	2011	2012
Due within one year	¥ 98	¥ 99	$ 1,192
Due after one year	726	668	8,833
Total	¥825	¥768	$10,037

As lessor:

Future minimum lease payments under operating leases which are not cancelable at March 2012 and 2011 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2012	2011	2012
Due within one year	¥ 3	¥ 3	$ 36
Due after one year	9	13	109
Total	¥13	¥16	$158

19. OTHER COMPREHENSIVE INCOME

The components of other comprehensive income for the year ended March 31, 2012 were as follows:

	Millions of yen	Thousands of U.S. dollars
Net valuation difference on available-for-sale securities:		
Gains incurred during the year	¥2,306	$28,056
Reclassification adjustments to net income	1,084	13,188
Amount before tax effect	3,391	41,258
Tax effect	(843)	(10,256)
Net valuation difference on available-for-sale securities	2,548	31,001
Net deferred gains or losses on hedges		
Losses incurred during the year	(657)	(7,993)
Reclassification adjustments to net income	465	5,657
Amount before tax effect	(191)	(2,323)
Tax effect	47	571
Net deferred gains or losses on hedges	(144)	(1,752)
Total other comprehensive income	¥2,403	$29,237

The corresponding information for the year ended March 31, 2011 was not required under the accounting standard for presentation of comprehensive income because of an exemption for the first year of adoption of this accounting standard.

20. NON PERFORMING LOANS

Nonperforming loans at March 31, 2012 and 2011 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2012	2011	2012
Loans to bankrupt companies	¥ 1,735	¥ 1,732	$ 21,109
Past due loans	69,542	68,263	846,112
Loans past due three months or more	872	2,076	10,609
Loans with altered lending conditions	17,893	15,459	217,702
Total	¥90,043	¥87,531	$1,095,546

Bills discounted are accounted for as financing transactions in accordance with the JICPA Industry Audit Committee Report No. 24. This accounting treatment allows the Bank the right to sell or pledge them without restrictions. The total face value of commercial bills and purchased foreign exchange bills obtained as a result of discounting was ¥23,657 million ($287,833 thousand) and ¥21,225 million at March 31, 2012 and 2011, respectively.

21. DERIVATIVE TRANSACTIONS

(1) Derivative contracts to which hedge accounting is not applied:

With respect to derivatives to which hedge accounting is not applied, the contract amount or notional principal amount defined in the contract, fair value, unrealized gains (losses) and calculation method of fair value by transaction type as of March 31, 2012 and 2011 were as follows:

Note that the contract amount does not represent the market risk exposure of the derivative transactions themselves.

(a)Interest rate related transactions

	Millions of yen			Thousands of U.S. dollars
	2012			2012
	Contract amount or notional principal amount			
	Total	Maturities over one year	Unrealized gains (losses)	Unrealized gains (losses)
Over-the-counter transactions				
Interest rate swaps:				
Receive fixed rate, pay floating rate	¥ 585	¥ 585	¥ 39	$ 474
Receive floating rate, pay fixed rate	5,585	5,585	(159)	(1,934)
Total	¥ —	¥ —	¥(120)	$(1,460)

	Millions of yen		
	2011		
	Contract amount or notional principal amount		
	Total	Maturities over one year	Unrealized gains (losses)
Over-the-counter transactions			
Interest rate swaps:			
Receive fixed rate, pay floating rate	¥1,151	¥ 651	¥44
Receive floating rate, pay fixed rate	6,151	5,651	(5)
Total	¥ —	¥ —	¥39

Notes: 1. Unrealized gains (losses) are recognized in the consolidated statements of income.
2. Market values of over-the counter transactions are based on the discounted cash flow method, option pricing model, etc.

(b) Currency related transactions

	Millions of yen			Thousands of U.S. dollars
	2012			2012
	Contract amount or notional principal amount			
	Total	Maturities over one year	Unrealized gain (loss)	Unrealized gain (loss)
Over-the-counter transactions				
Currency swaps	¥124,754	¥77,378	¥(1,443)	$(17,556)
Forward foreign exchange contracts:				
Sold	1,286	—	(28)	(340)
Bought	1,190	—	2	24
Total	¥ —	¥ —	¥(1,469)	$(17,873)

	Millions of yen		
	2011		
	Contract amount or notional principal amount		
	Total	Maturities over one year	Unrealized gain (loss)
Over-the-counter transactions			
Currency swaps	¥84,346	¥39,607	¥(1,201)
Forward foreign exchange contracts:			
Sold	1,343	—	(32)
Bought	374	—	1
Total	¥ —	¥ —	¥(1,232)

Notes: 1. Unrealized gains (losses) are recognized in the consolidated statements of income.
2. Market values of over-the counter transactions are based on the discounted cash flow method.

(c) Stock related transactions

None

(d) Bond derivatives

None

(e) Commodity derivatives

None

(f) Credit derivative transactions

There were no outstanding credit derivative transactions at March 31, 2012.

	Millions of yen		
	2011		
	Contract amount or notional principal amount		
	Total	Maturities over one year	Unrealized gain (loss)
Over-the-counter transactions			
Credit default swaps:			
Sold	¥500	¥—	¥(116)

Notes: 1. Unrealized gains (losses) are recognized in the consolidated statements of income.
2. Market values are calculated using market prices at security corporations, etc.
3. "Sold" means the underwriting of credit risk and "Bought" means the transferring of credit risk.

(2) Derivative contracts to which hedge accounting is applied:

With respect to derivatives to which hedge accounting is applied, contract amount or notional principal amount defined in the contract, fair value and calculation method of fair value by transaction type and by hedge accounting method as of March 31, 2012 and 2011 were as follows:

Note that the contract amount does not represent the market risk exposure of the derivative transactions themselves.

(a) Interest rate related

			Millions of yen		
			2012		
Hedge accounting method	Transaction type	Major hedged item	Contract amount	Contract amount due after one year	Fair value
Fundamental method	Interest rate swaps:	Interest bearing assets and liabilities such as loans and deposits			
	Receive fixed rate/pay floating rate		—	—	—
	Receive floating rate/pay fixed rate		**¥48,551**	**¥45,673**	**¥(1,489)**
	Interest rate futures		—	—	—
	Interest rate options		—	—	—
	Other		—	—	—
Exceptional accounting method for interest rate swaps	Interest rate swaps	Borrowed money			
	Receive fixed rate/pay floating rate		—	—	—
	Receive floating rate/pay fixed rate		**¥ 1,360**	**¥ 1,145**	**¥ (9)**
Total					**¥(1,498)**

			Millions of yen		
			2011		
Hedge accounting method	Transaction type	Major hedged item	Contract amount	Contract amount due after one year	Fair value
Fundamental method	Interest rate swaps:	Interest bearing assets and liabilities such as loans and deposits			
	Receive fixed rate/pay floating rate		—	—	—
	Receive floating rate/pay fixed rate		¥52,596	¥51,246	¥(1,296)
	Interest rate futures		—	—	—
	Interest rate options		—	—	—
	Other		—	—	—
Exceptional accounting method for interest rate swaps	Interest rate swaps	Borrowed money			
	Receive fixed rate/pay floating rate		—	—	—
	Receive floating rate/pay fixed rate		¥ 2,280	¥ 2,140	¥ (19)
Total					¥(1,316)

			Thousands of U.S. dollars		
			2012		
Hedge accounting method	Transaction type	Major hedged item	Contract amount	Contract amount due after one year	Fair value
Fundamental method	Interest rate swaps:	Interest bearing assets and liabilities such as loans and deposits			
	Receive fixed rate/pay floating rate		**—**	**—**	**—**
	Receive floating rate/pay fixed rate		**$590,716**	**$555,700**	**$(18,116)**
	Interest rate futures		**—**	**—**	**—**
	Interest rate options		**—**	**—**	**—**
	Other		**—**	**—**	**—**
Exceptional accounting method for interest rate swaps	Interest rate swaps	Borrowed money			
	Receive fixed rate/pay floating rate		**—**	**—**	**—**
	Receive floating rate/pay fixed rate		**$ 16,547**	**$ 13,931**	**$ (109)**
Total					**$(18,226)**

Notes: 1. Gain/loss on the above contacts is deferred until maturity of the hedged items as the fundamental method in accordance with the "Treatment for Accounting and Auditing of Application of Accounting Standard for Financial Instruments in the Banking Industry" (JICPA Industry Audit Committee Report No. 24).
2. For transactions on exchanges, the fair value is the closing price of the Tokyo International Exchange, etc. For over-the-counter transaction, the fair value is determined using the discounted cash flow method and option pricing model, etc.

(b) Currency related transactions

None

(c) Stock related transactions

None

(d) Bond related transactions

None

22. RELATED PARTY TRANSACTIONS

For the year ended March 31, 2012, related party transactions were as follows:

Relationship with the Bank	Name	Location	Paid-in capital (millions of yen)	Business line	Voting rights ownership (%)	Relationship of related parties	Details of transactions	Transaction amount (millions of yen)	Accounting title	Year-end balance (millions of yen)	Year-end Balance (thousands of U.S. dollars)
Relatives of a director of the Bank	Hirokatsu Horiuchi	—	—	Public officer	—	Oldest son of Yasuo Horiuchi (Corporate Auditor) Loans	Lending of money *2 Interest receivable	— 0	Loans —	13 —	158 —
	Takashi Horiuchi	—	—	Office worker	—	Second son of Yasuo Horiuchi (Corporate Auditor) Loans	Lending of money *2 Interest receivable	— 0	Loans —	22 —	267 —
A company in which majority voting rights are held by relatives of a director of the Bank	Nikken Blast Kogyo Co., Ltd. *3	Daito City Osaka	10	Metal processing	—	Loans	Lending of money Interest receivable	— 1	Loans —	84 —	1,022 —

Policies regarding and terms and conditions of the transaction

Notes:
1. Terms and conditions of loans are determined on an arm's length basis.
2. Real estate is accepted as a pledge of collateral for loan transactions.
3. Relatives of Naoki Minowa (Director of the Bank) have 50.6% of voting rights of this company directly.
4. Tadashi Kasei retired from the position of a director of the Bank on June 29, 2011. The Bank has loans to his daughter's husband, Atsushi Nakatani, in an amount of ¥15 million ($182 thousand) and his daughter, Naomi Nakatani, in an amount of ¥15 million ($182 thousand).

For the year ended March 31, 2011, related party transactions were as follows:

Relationship with the Bank	Name	Location	Paid-in capital (millions of yen)	Business line	Voting rights ownership (%)	Relationship of related parties	Details of transactions	Transaction amount (millions of yen)	Accounting title	Year-end balance (millions of yen)
Relatives of a director of the Bank	Atsushi Nakatani	—	—	Office worker	—	Husband of daughter of Tadashi Kasei (Senior Managing Director) Loans	Lending of money *2 Interest receivable	— 0	Loans —	15 —
	Naomi Nakatani	—	—	Officer	—	Oldest daughter of Tadashi Kasei (Senior Managing Director) Loans	Lending of money *2 Interest receivable	— 0	Loans —	15 —
	Hirokatsu Horiuchi	—	—	Officer	—	Oldest son of Yasuo Horiuchi (Senior Managing Director) Loans	Lending of money*2 Interest receivable	— 0	Loans —	14 —
	Takashi Horiuchi	—	—	Office worker	—	Second son of Yasuo Horiuchi (Senior Managing Director) Loans	Lending of money *2 Interest receivable	— 0	Loans —	23 —
	Shuichi Nomura	—	—	Member of the Board of Directors	—	Younger brother in law of Yasuo Shimakawa (Managing Director) Loans	Lending of money *2 Interest receivable	— 0	Loans —	24 —
	Toshiko Nomura	—	—	Member of the Board of Directors	—	Younger sister of Yasuo Shimakawa (Managing Director) Loans	Lending of money *2 Interest receivable	— 0	Loans —	24 —
A company in which majority voting rights are held by relatives of a director of the Bank	Miyako Hotel Co., Ltd. *3	Nara city Nara Pref.	10	Parking management	—	Loans	Lending of money*2 Interest receivable	— 26	Bad and doubtful loans *4 —	431 —
	Nikken Blast Kogyo Co., Ltd. *5	Daito City Osaka	10	Metal processing	—	Loans	Lending of money Interest receivable	— 1	Loans —	109 —

Policies regarding and terms and conditions of the transaction

Notes:
1. Terms and conditions of loans are determined on an arm's length basis.
2. Real estate is accepted as a pledge of collateral for loan transactions.
3. Relatives of Masaaki Hashimoto (Managing Director of the Bank) have 84.0% of voting rights of this company directly.
4. Reserve for possible loans loss of ¥135 million was appropriated to bad and doubtful loans.
   Provision for possible loans losses of ¥135 million and loan amortization of ¥150 million was appropriated at this consolidated financial year end.
5. Relatives of Naoki Minowa (Director of the Bank) have 50.6% of voting rights of this company directly.

23. PER SHARE INFORMATION

Net assets per share at March 31, 2012 and 2011 and net income per share for the years then ended were as follows:

	Yen		U.S. dollars
	2012	2011	2012
Net assets per share	**¥675.42**	¥660.24	**$8.21**
Net income per share-basic	**12.57**	23.88	**0.15**
Diluted net income per share	**12.57**	23.87	**0.15**

Basic information in computing above per share data was as follows:

	Millions of yen		Thousands of U.S. dollars
	2012	2011	2012
(Net assets per share)			
Net assets	**¥212,241**	¥207,175	**$2,582,321**
Amounts to be deducted from net assets	**26,035**	25,156	**316,766**
Acquisition Rights	**(64)**	(31)	**(778)**
Minority interests	**(25,971)**	(25,125)	**(315,987)**
Net assets attributed to common stock	**186,205**	182,018	**2,265,543**
Outstanding number of common stock at end of year (unit: thousand shares)	**275,684**	275,682	
(Net income per share and Diluted net income per share)			
Net income	**¥ 3,467**	¥ 6,584	**$ 42,182**
Net income to be attributed to common stock	**3,467**	6,584	**42,182**
Average outstanding number of shares during the year (unit: thousands of shares)	**275,690**	275,703	
Adjustment in net income	**—**	—	**—**
Increase in number of common stock	**136**	63	**—**
Acquisition rights	**(136)**	(63)	**—**
Convertible securities not diluting earnings per common share	**—**	—	**—**

24. STOCK OPTIONS

(a) Item and amount expensed in the current fiscal year related to stock options was as follows:

	Millions of yen		Thousands of U.S. dollars
	2012	2011	2012
General and administrative expenses	**¥42**	¥31	**$ 511**

(b) Stock options outstanding at March 31, 2012 were as follows:

a. Outline of the stock options

Beneficiaries qualified for stock option rights are entitled to acquire common stock upon exercise of the right. The following table summarizes the number of shares upon exercise of the stock option rights granted by the Bank outstanding at March 31, 2012:

Stock option	Persons granted	Number of options granted	Date of grant	Exercise price	Exercise period	Vesting conditions	Target of service period
2010 Stock Option	15 directors of the Bank	Common stock 94,400 shares	July 29, 2010	¥1 ($0.01)	From July 30, 2010 To July 29, 2040	Not defined	Not defined
2011 Stock Option	14 directors of the Bank	Common stock 109,400 shares	July 29, 2011	¥1 ($0.01)	From July 30, 2011 To July 29, 2041	Not defined	Not defined

b. Stock option activity:

1) Number of stock options

	Number of shares	
	2010 Stock Option	2011 Stock Option
Non-vested		
March 31, 2011 – Outstanding	23,600	—
Granted	—	109,400
Forfeited	—	—
Vested	23,600	82,050
Unvested	—	27,350
Vested		
March 31, 2011 – Outstanding	70,800	—
Vested	23,600	82,050
Exercised	19,500	—
Forfeited	—	—
March 31, 2012 – Outstanding	74,900	82,050

2) Price information

	Yen		U.S. dollars	
	2010 Stock option	2011 Stock option	2010 Stock option	2011 Stock option
Exercise price	¥ 1	¥ 1	$0.01	$0.01
Average stock price at exercise date	408	—	4.96	—
Fair value price at grant date	441	386	5.36	4.69

(c) Assumptions used to measure the fair value of stock options

The assumptions used to measure the fair value of the stock options granted in the year ended March 31, 2012 were as follows:

1) The Black-Scholes option pricing model was used as a measurement method.
2) Assumptions used for the Black-Scholes option pricing model:
   1. Volatility of stock price: 30.73%, calculated using the market price of the Bank's stock from October 2007 to July 2011.
   2. Estimated remaining outstanding period: 3.8 years, which was the average remaining tenure of the Board of Directors at the date of issue, determined by the average time from appointment to retirement and time from appointment to the date of issue.
   3. Estimated dividend: ¥6 per share, which was calculated based on the actual amount of dividends for the fiscal year ended March 31, 2011.
   4. Risk-free interest rate: 0.27%, determined using the yield of national bonds equivalent to the estimated remaining outstanding period.

(d) Estimation method for the total number of vested stock option rights

The total number of stock option rights issued is deemed to reflect the actual number of stock option rights expired due to difficulties in estimating reasonably the number of stock option rights that will expire in future.

25. SUBSEQUENT EVENTS

(a) Redemption of preferred capital securities

Nanto Preferred Capital Cayman Limited, which is a consolidated subsidiary, redeemed the full amount of preferred capital securities. The redemption was as detailed below.

Issuer:	Nanto Preferred Capital Cayman Limited
Type of securities issued:	Non-cumulative dividend undated preferred capital securities in Japanese yen
Total amount of redemption:	¥20,000 million ($243,338 thousand)
Date of redemption:	July 25, 2012
Reason for redemption:	Due to maturity of voluntary due date of redemption

(b) Repurchase of treasury stock

The Bank announced that its Board of Directors at its meeting on August 3, 2012 approved the repurchase of treasury stock, based on Paragraph 3, Article 165, of Japan's Companies Act, as interpreted in light of Article 156 of said Act. The repurchase was carried out as detailed below.

1) Contents of resolution

Reason for the repurchase:	The repurchase was approved to increase returns to shareholders and to give the Bank greater flexibility in capital policy in light of a changed business environment.
Type of shares to be purchased:	Common stock
Number of shares to be purchased:	6,000,000 shares (maximum)
Total value of purchase:	¥2,400 million (maximum) ($29,200 thousand)
Term of repurchase:	From August 6, 2012 to August 31, 2012

2) Results of repurchase

Number of common stocks to be purchased:	5,837,000 shares
Purchased price:	¥2,013 million ($24,492 thousand)
Date of repurchase:	August 8, 2012

Independent Auditors' Report

KPMG

Independent Auditor's Report

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

We have audited the accompanying consolidated financial statements of The Nanto Bank, Ltd. (the"Bank") and its consolidated subsidiaries, which comprise the consolidated balance sheets as at March 31, 2012 and 2011, and the consolidated statements of income and comprehensive income, statements of changes in net assets and statements of cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

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 such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatements, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in Japan. Those standards require that we comply with ethical requirements and 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 our judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, while the objective of the financial statement audit is not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of The Nanto Bank, Ltd. and its consolidated subsidiaries as at March 31, 2012 and 2011, and their financial performance and cash flows for the years then ended in accordance with accounting principles generally accepted in Japan.

Emphasis of Matter

Without qualifying our opinion, we draw attention to Note 25 to the consolidated financial statements.
(1) As discussed in Note 25(a), Nanto Preferred Capital Cayman Limited ,which is a consolidated subsidiary of the Bank, redeemed the full amount of preferred capital securities.
(2) As discussed in Note 25(b), the Bank repurchased the treasury stock in accordance with the decision of its Board of Directors on August 3, 2012.

Convenience Translation

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2012 are presented solely for convenience. Our audit also included the translation of yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 1 to the consolidated financial statements.

KPMG AZSA LLC

KPMG AZSA LLC
September 18, 2012
Osaka, Japan

Capital Management

Consolidated Capital Adequacy Ratio

As of March 31, 2012

Millions of yen

	2012	2011	2010	2009	2008
Tier I:					
Capital	¥ 192,745	¥ 190,328	¥ 184,878	¥ 179,138	¥ 198,398
Tax effect amount	—	—	—	—	—
Tier I total (A)	192,745	190,328	184,878	179,138	198,398
Tier II:					
General provision	12,512	11,655	12,073	12,966	13,152
Qualifying subordinated debt	20,000	20,000	40,000	20,000	20,000
Tier II total	32,512	31,655	52,073	32,966	33,152
Of which, added to capital (B)	31,897	31,655	52,073	32,966	33,152
Deductions from capital (internal holding for other financial institutions' fund raising purposes) (C)	3,109	2,976	2,665	3,269	4,516
[Total capital (A)+(B)-(C)] (D)	¥ 221,534	¥ 219,007	¥ 234,286	¥ 208,835	¥ 227,034
Risk-weighted assets					
On-balance-sheet risk-weighted assets	1,749,790	1,706,948	1,771,998	1,909,271	1,933,785
Off-balance-sheet risk-weighted assets	27,476	28,904	29,566	35,449	41,735
Total (E)	¥1,777,267	¥1,735,852	¥1,801,565	¥1,944,720	¥1,975,520
Operational risk equivalent ((G)/8%) (F)	126,340	129,077	130,157	129,880	128,825
(For reference) amount related to operational risk (G)	10,107	10,326	10,412	10,390	10,306
[Total (E)+(F)] (H)	¥1,903,607	¥1,864,930	¥1,931,722	¥2,074,601	¥2,104,345
Capital adequacy ratio					
(Based on domestic standards) (D)/(H)x100(%)	11.63%	11.74%	12.12%	10.06%	10.78%
Tier I ratio = (A)/(H)x100(%)	10.12%	10.20%	9.57%	8.63%	9.42%

Note: The capital adequacy ratio was calculated on the basis of the formula provided by the Ministry of Finance under Provision 14, Clause 2 of the Banking Law.

Nonconsolidated Capital Adequacy Ratio

As of March 31, 2012

Millions of yen

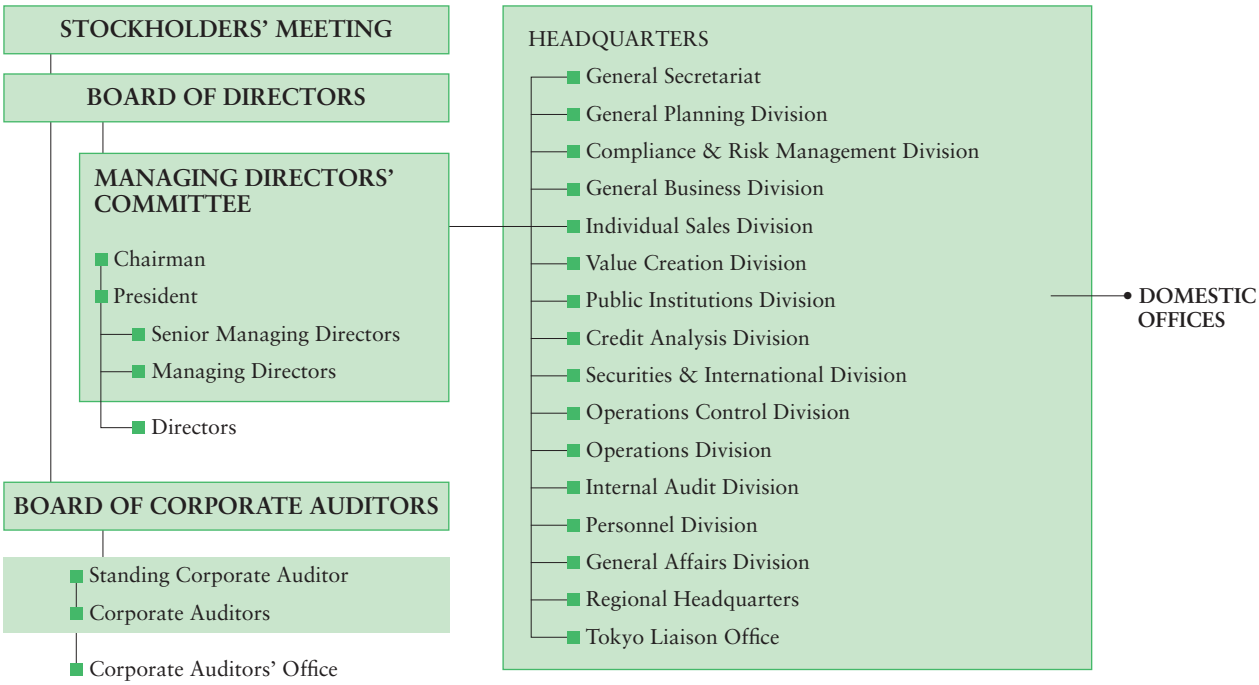
	2012	2011	2010	2009	2008
Tier I:					
Capital	¥ 184,611	¥ 182,915	¥ 177,971	¥ 172,326	¥ 191,215
Tax effect amount	—	—	—	—	—
Tier I total (A)	184,611	182,915	177,971	172,326	191,215
Tier II:					
General provision	10,173	11,529	11,951	12,847	13,030
Qualifying subordinated debt	20,000	20,000	40,000	20,000	20,000
Tier II total	30,173	31,529	51,951	32,847	33,030
Of which, added to capital (B)	30,173	31,529	51,951	32,847	33,030
Deductions from capital (internal holding for other financial institutions' fund raising purposes) (C)	3,109	2,976	2,665	3,269	4,516
[Total capital (A)+(B)-(C)] (D)	¥ 211,675	¥ 211,468	¥ 227,257	¥ 201,904	¥ 219,728
Risk-weighted assets					
On-balance-sheet risk-weighted assets	1,737,204	1,693,588	1,758,780	1,895,642	1,918,719
Off-balance-sheet risk-weighted assets	27,475	28,902	29,564	35,446	41,731
Total (E)	¥1,764,680	¥1,722,491	¥1,788,344	¥1,931,089	¥1,960,450
Operational risk equivalent ((G)/8%) (F)	118,852	122,271	123,903	124,515	124,411
(For reference) amount related to operational risk (G)	9,508	9,781	9,912	9,961	9,952
[Total (E)+(F)] (H)	¥1,883,532	¥1,844,762	¥1,912,248	¥2,055,604	¥2,084,862
Capital adequacy ratio					
(Based on domestic standards) (D)/(H)x100(%)	11.23%	11.46%	11.88%	9.82%	10.53%
Tier I ratio = (A)/(H)x100(%)	9.80%	9.91%	9.30%	8.38%	9.17%

Note: The capital adequacy ratio was calculated on the basis of the formula provided by the Ministry of Finance under Provision 14, Clause 2 of the Banking Law.

Organization, Group Network

(As of July 2, 2012)

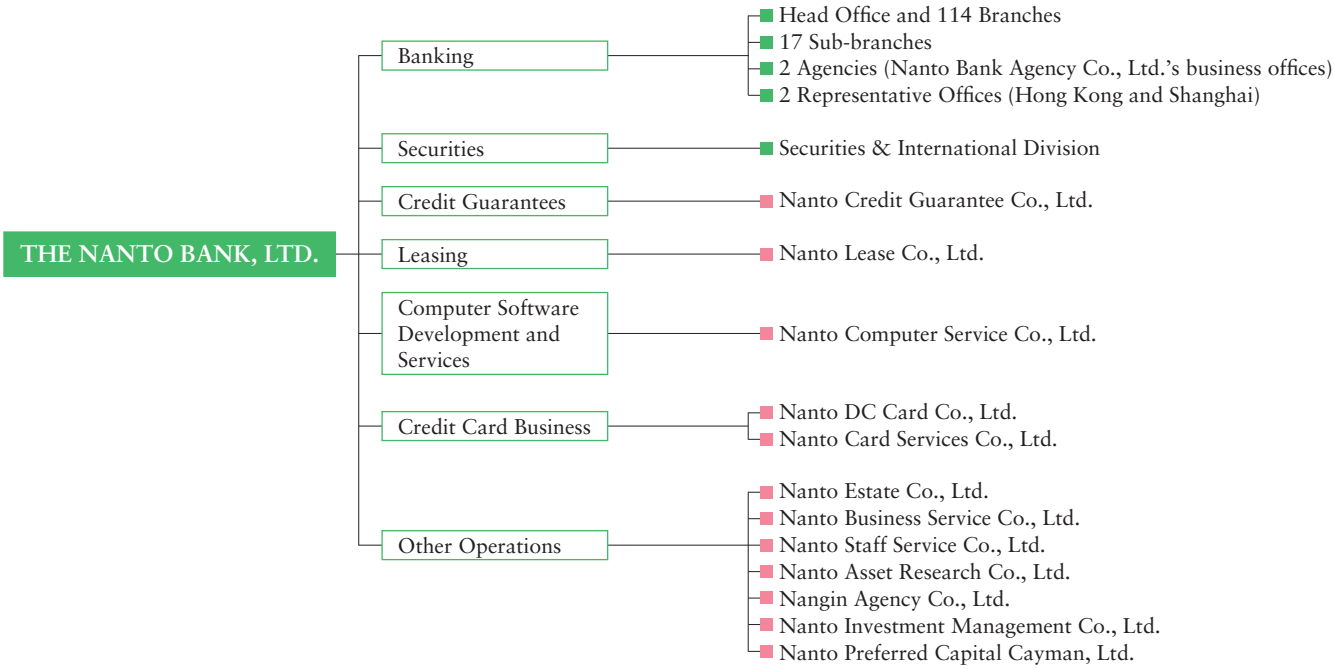
ORGANIZATION



NANTO BANK GROUP

(As of July 2, 2012)

The Nanto Group, which consists of the Nanto Bank and its 12 consolidated subsidiaries, offers financial services related to securities, credit guarantee and leasing as well as its primary business, banking services.



Companies indicated with a pink square are consolidated subsidiaries.

Affiliates and Subsidiaries, Bank Data

(As of July 2, 2012)

Outline of Consolidated Subsidiaries

Subsidiaries	Address	Established	Capital (millions of yen)	Direct holdings of the Bank (%)	Indirect holdings through subsidiaries (%)	Business line
Nanto Credit Guarantee Co., Ltd.	2-1, Saidaiji-Kunimi-cho 1-chome Nara City, Nara, Japan	October 9, 1984	¥10	3%	69%	Credit guarantee
Nanto Lease Co., Ltd.	52-1, Omori-cho Nara City, Nara, Japan	December 22, 1984	50	5	65	Leasing
Nanto Computer Service Co., Ltd.	93-2, Minami-Kyobate-cho 1-chome, Nara City, Nara, Japan	July 1, 1986	10	5	69	Computer software development and services
Nanto DC Card Co., Ltd.	61-7, Higashi-Ikoma 1-chome, Ikoma City, Nara, Japan	October 12, 1990	50	5	71	Credit card business
Nanto Card Services Co., Ltd.	61-7, Higashi-Ikoma 1-chome, Ikoma City, Nara, Japan	December 10, 1990	50	5	71	Credit card business
Nanto Estate Co., Ltd.	16, Hashimoto-cho Nara City, Nara, Japan	November 8, 1969	30	100	—	Leasing and management of real estate
Nanto Business Service Co., Ltd.	93-2, Minami-Kyobate-cho 1-chome, Nara City, Nara, Japan	June 1, 1984	10	100	—	Centralized processing of clerical operations for the Bank
Nanto Staff Service Co., Ltd.	2-1, Omiya-cho 6-chome Nara City, Nara, Japan	March 18, 1991	20	100	—	Dispatch of temporary staff
Nanto Asset Research Co., Ltd.(*1)	16, Hashimoto-cho Nara City, Nara, Japan	July 4, 2005	20	100	—	Research and appraisal of real estate
Nangin Agency Co., Ltd.	16, Hashimoto-cho Nara City, Nara, Japan	October 6, 2009	50	100	—	Bank agency service
Nanto Investment Management Co., Ltd.	2-1, Omiya-cho 6-chome Nara City, Nara, Japan	November 21, 1986	120	5	68	Investment advisory service
Nanto Preferred Capital Cayman, Ltd.	PO Box 309GT, Ugland House, South Church St., George Town, Grand Cayman, Cayman Islands	January 29, 2007	20,600 (*2)	100	—	Issue of preferred securities

*1: It was relocated to 211-9, Minamikoriyama-cho, Yamatokoriyama City, Nara Prefecture on July 17, 2012.
*2: The capital was changed to ¥0.6 billion due to the redemption of the full amount of preferred securities amounting to ¥20.0 billion, in July 25, 2012.

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CORPORATE DATA

Authorized shares:	640,000,000
Outstanding shares:	281,756 thousand
Stated capital:	29,249 million
Number of stockholders:	11,000
Date of incorporation:	June 1934
Domestic network:	134 offices
Overseas network:	2 representative offices
Number of employees:	2,928
Ordinary stockholders' meeting:	June 28, 2012
Stock listings:	Tokyo Stock exchange Osaka Securities exchange

MAJOR STOCKHOLDERS (As of March 31, 2012)

	Number of shares (thousands)	Percentage (%)
Japan Trustee Services Bank, Ltd.	10,542	3.74
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	10,283	3.64
Nippon Life Insurance Co.	8,531	3.02
Meiji Yasuda Life Insurance Co. (standing proxy: Trust & Custody Services Bank, Ltd.)	8,430	2.99
The Nanto Bank Employees' Shareholders Association	8,310	2.94
Tokio Marine & Nichido Fire Insurance Co., Ltd.	6,247	2.21
Sumitomo Life Insurance Co. (standing proxy: Japan Trustee Services Bank, Ltd.)	5,420	1.92
Mori Seiki Co., Ltd.	4,766	1.69
Kitamura Forestry Co., Ltd.	4,063	1.44
Daiichi Life Insurance Co. (standing proxy: Trust & Custody Services Bank, Ltd.)	4,060	1.44
Total	70,655	25.07

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