Annual Report 2011

Year ended March 31, 2011

八十二銀行

THE HACHIJUNI BANK, LTD.

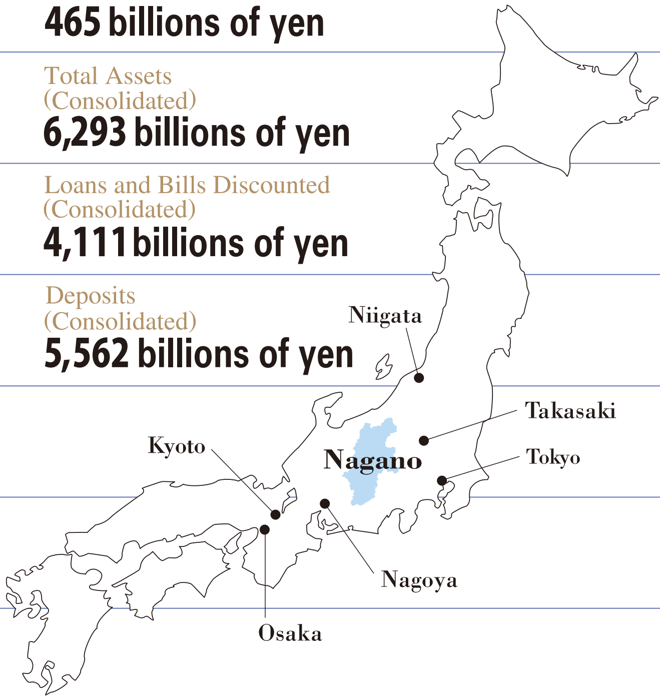
Corporate Outline

Equity
(Consolidated)
465 billions of yen

Total Assets
(Consolidated)
6,293 billions of yen

Loans and Bills Discounted
(Consolidated)
4,111 billions of yen

Deposits
(Consolidated)
5,562 billions of yen



Number of Employees
3,380

Risk Adjusted Capital Ratio
(Consolidated)
15.87% (BIS standards)

Network
155 Domestic Branches (Japan)
1 Overseas Branch (Hong Kong)
4 Representative Offices
(Singapore, Shanghai, Bangkok & Dalian)

Credit Rating (Long-Term)
Rating and Investment Information, Inc.
A+

Standard & Poor's
A

as of March 31, 2011

The Hachijuni Bank, Ltd. is one of the leading regional banks in Japan. We are mainly based in Nagano Prefecture, which is located in the center of Japan and noted for the coexistence of beautiful nature and advanced industries.

Since its establishment in 1931 in Nagano City, Hachijuni Bank has consistently maintained sound management policies, and is now playing a leading role as one of the largest regional banks in Japan.

Branches of Hachijuni Bank can be found in Nagano, Gunma, Saitama, Niigata and Gifu prefectures, as well as in Tokyo, Osaka and Nagoya metropolitan areas. We also have an overseas branch in Hong Kong, as well as, the Singapore Representative Office, the Shanghai Representative Office, the Bangkok Representative office, the Dalian Representative Office and Hachijuni Asia Limited, a subsidiary in Hong Kong.

CONTENTS

Yoshiyuki Yamaura,
President

Message from the President

August 2011

We would like to express our thanks for your patronage.

We wish to express our deepest sympathy and sincere condolences to everyone who has suffered as a result of the Great East Japan Earthquake and the Nagano Prefecture's North Area Earthquake.

Since its establishment in 1931, and in tandem with the development of the regional economy, Hachijuni Bank ("the Bank") has grown and become well established as a main financial institution in its community. This is in large part due to the long-lasting support and patronage of our shareholders, our customers, and the community, for which we are very grateful.

We have prepared our "Annual Report 2011" to present our earnings results and details of businesses for the fiscal year which ended on March 31, 2011 in an easy-to understand format. We sincerely hope that you will use this report to increase your understanding of the Bank.

The economy of Nagano Prefecture – the Bank's primary business territory – has shown signs of picking up, mainly in the manufacturing sector in the 1st half of FY2010, but the recovery has been subdued in the 2nd half. Furthermore, the Great East Japan Earthquake and Nagano Prefecture's North Area Earthquake seriously damaged broad areas of the economy of Nagano Prefecture.

Following these earthquakes, the Bank has reaffirmed the functionality of all of its operating systems, especially our vital computer systems, and continues to provide not only financial support but also consulting services regarding management matters to customers directly and indirectly affected by these disasters.

Since the "Act concerning Temporary Measures to Facilitate Financing for SMEs" was extended, the Bank is cooperating with our customers more closely than ever to find a strategic solution. From the perspective of the future of Nagano's economy and the Bank's business base, the Bank thinks it is necessary to create new industries, or select types of industries, suited for this area so as to restructure Nagano's economy. The Bank will play a positive role as opinion leader through the opportunities in the cooperation of industry-academy-government-bank and in the participation to the association of business leaders.

As for human resources in the Bank, the Bank continues to make great efforts in implementing appropriate training for our employees as well as encouraging them to acquire official qualifications – all in an effort to raise the quality of each of our business operations. The Bank will continue to emphasize the importance of personnel training given its large importance in managing various challenging situations and especially considering the drastic changes taking place in the business world today.

We kindly ask for your continued support and patronage.

Sincerely yours,

Y. Yamaura

Yoshiyuki Yamaura
President

Management Policies

Management Philosophy

“Stick firmly to the sound banking principles, thereby contributing to the development of the regional community”

Corporate Vision: “Shining at the center of Japan” — 8 “shines”

Strong trustworthiness from the people and the region of Nagano	Entirely sound, constant & steady earning power	Agreeable correspondence to the request of our customers	Business promotion from our customers’ viewpoint
High awareness of compliance	Every staff’s speedy, lively & responsible action	Trustworthy, efficient & assured operational system and condition	Advanced and confident computer system

The 28th Long-Term Management Plan

The Bank started the 28th Long-Term Management Plan (for 3 years) from April 1, 2009.

Positioning of the Long-Term Management Plan

Management Philosophy ▶ Corporate Vision ▶ [The 28th Long-Term Plan: Theme ▶ 4 Focus ▶ Main Measures] ▶ [Short-Term Plan: Concrete Plan]

Plan’s Theme

“Act for customers, Start from scratch”

The Bank’s starting point is equal to the above-mentioned management philosophy. The Bank and its group companies cooperate in a body to support customers facing serious situation.

4 Focus

Actions supporting to customers

1. focus for corporate customers
   Support to local companies by making maximum use of group’s resources
2. focus for individual customers
   Realize a lifelong bank to walk with customers

Actions reforming the Bank’s group

3. focus
   Perform business operations correctly and speedy
4. focus
   Every one acts lively and contributes to local society

Target Figures

Target figures for the end of FY2011

Tier 1 risk adjusted capital ratio (non-consolidated)	**above 11 %**
Number of loan clients with business fund (Nagano, Niigata and Nakatsugawa)	**above 26,000**
Number of cases supporting to restructuring business and strengthening of management base by companies	**above 3,300**
Nonperforming loans ratio	**below 5 %**
Number of main individual customers	**increase by 26,000 or more**

Business Performance and Financial Standings

Financial Highlights (Consolidated)

	Millions of Yen		Thousands of U.S. Dollars
	2011	2010	2011
For the year:			
Total income	163,062	171,321	1,961,061
Total expenses	123,497	140,082	1,485,233
Income before income taxes and minority interests	39,565	31,238	475,827
Net income	20,210	16,904	243,055
Net income per share	¥ 38.82	¥ 32.19	$ 0.46
At year-end:			
Deposits	5,562,413	5,431,188	66,896,128
Loans and bills discounted	4,111,895	4,051,797	49,451,543
Securities	1,677,408	1,558,220	20,173,285
Total assets	6,293,845	6,159,242	75,692,668
Equity	465,045	467,258	5,592,846
Risk adjusted capital ratio (BIS Standards)	15.87%	14.29%	

Notes: 1. Yen figures have been rounded down to the nearest million yen.
2. The United States dollar amounts represent translations of Japanese yen at the exchange rate of ¥83.15 to US$1.00 on March 31, 2011.
3. Net income per share is based on the weighted average number of shares of common stock outstanding during each year.

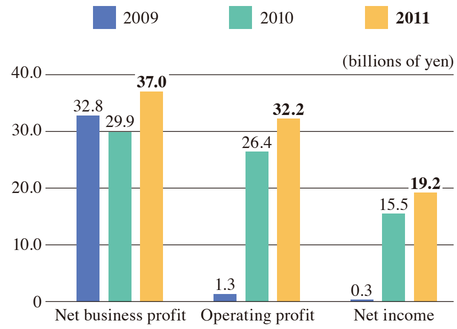
Summary of Business Performance

Consolidated Business Results

Operating profit increased ¥7,057 million from the previous year to ¥38,722 million and net income increased ¥3,305 million to ¥20,210 million.

Non-consolidated Business Results

Operating income was ¥117,827 million, down ¥5,849 million from a year earlier, due to decreases in interest income including interest on loans on the back of interest rate decline as well as in "other income" including gains on sales of equity securities despite an increase in fees and commissions such as commission on sales of insurance products.
Operating expenses decreased ¥11,614 million from a year earlier to ¥85,611 million due to decreases in "other operating expenses" such as loss on redemption of bonds and in provision for credit losses along with a decrease in interest expenses such as interest on deposits.
As a result, operating profit increased ¥5,765 million from the previous year to ¥32,216 million.
Extraordinary gains increased ¥1,007 million from a year earlier to ¥1,040 million mainly due to reversal of allowance for loan losses and extraordinary losses decreased ¥229 million to ¥250 million.
As a result, net income was ¥19,253 million, up ¥3,682 million from the previous fiscal year.



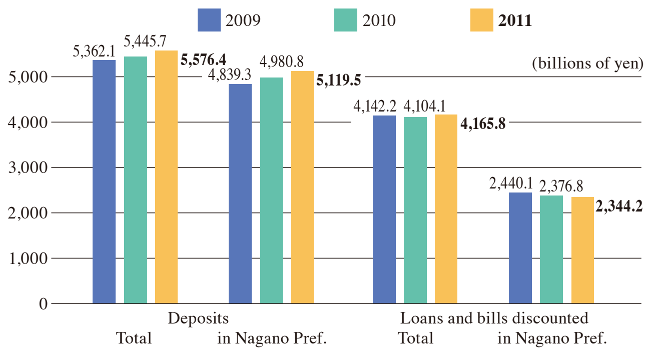
Summary of Financial Standings

Results of Consolidated Main Accounts

Outstanding balance of deposits increased ¥131.2 billion to ¥5,562.4 billion from a year earlier owing to increases in deposits from general corporations and from individuals.
Outstanding balance of loans and bills discounted increased ¥60.0 billion to ¥4,111.8 billion due to increases in loans for individual customers and in business fund loans for enterprises outside the Prefecture despite a decrease in demand for business fund loans inside the Prefecture.
Outstanding balance of securities increased ¥119.1 billion to ¥1,677.4 billion due to an increase in the balance of bonds that aim at a stable profit.

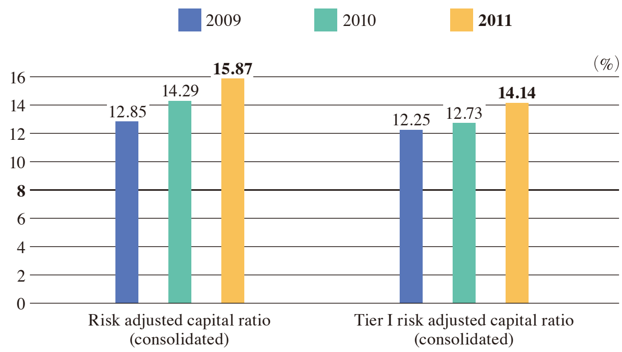
Results of Non-Consolidated Main Accounts

Outstanding balance of deposits increased ¥130.6 billion from a year earlier to ¥5,576.4 billion.
Outstanding balance of loans and bills discounted increased ¥61.6 billion to ¥4,165.8 billion.
Outstanding balance of securities increased ¥119.4 billion to ¥1,669.2 billion.
Outstanding balance of public bonds, including Japanese government bonds for retail investors deposited with the Bank decreased ¥33.6 billion to ¥401.2 billion and investment trusts decreased ¥13.0 billion to ¥187.1 billion.



Risk Adjusted Capital Ratio (BIS standards)

Risk adjusted capital ratio was 15.87% on a consolidated basis and 15.18% on a non-consolidated basis.
Consolidated and non-consolidated capital ratio rose by 1.58% and 1.51% respectively from the previous fiscal year.



Basic Policies on Profit Sharing

The Bank has linked its dividend payment to the size of its profit focusing on business performance aiming toward enhanced profit distribution to shareholders.

[Policy regarding dividend payment]
The Bank has set a goal to achieve a dividend ratio of approximately 20% against net income of ¥20.0 billion or lower, and if net income exceeds the ¥20.0 billion mark, it will aim to add 30% of a portion of net income in excess of such amount to the foregoing 20% (lower limit of dividend per share: ¥5.0 a year).

With respect to year-end dividends for the fiscal year ended March 31, 2011, the Bank decided to pay ¥5.0 per share, an increase of ¥1.5 compared with dividends for the previous fiscal year end (which, together with the interim dividend, shall result in a total of ¥8.0, an increase of ¥2.0 from a year earlier).

Corporate Governance

Corporate Governance Principle

- The Bank defines Corporate Governance Principle as the basic policy which regulates all of the Bank's business activities, keeps the group's sustainability, enhances corporate value and carries out its social responsibility to realize the Bank's philosophy.
- Corporate Governance Principle includes basic attitudes to "customers" "shareholders" "employees" "regional community", and basic policies relating to corporate governance, observation of laws, corporate ethics and disclosure of information.

Organization Structure

- The Bank adopts a corporate auditor system based on the recognition that business oversight function should be separated from business execution function. While Board of Directors decides and implements business operation, Board of Corporate Auditors oversees business operation.

Decision / Supervision of Business Execution

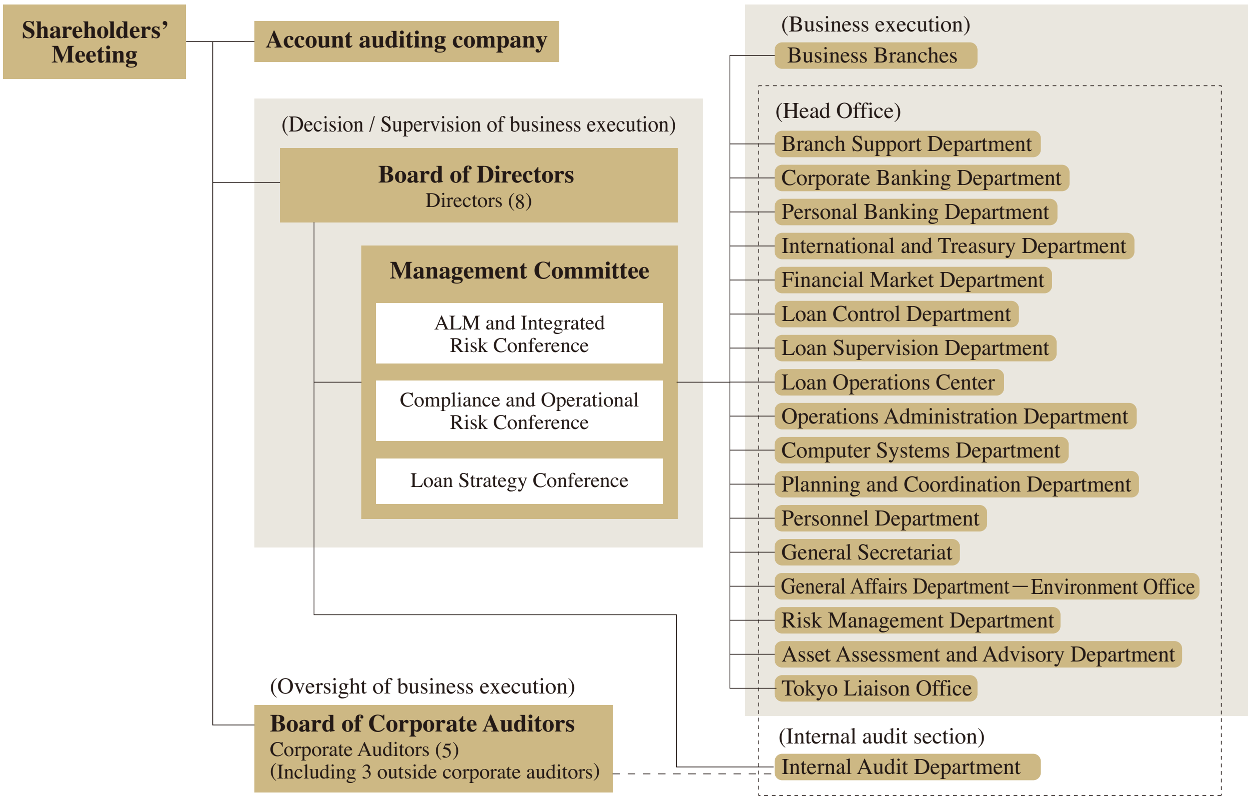
- Board of Directors is held twice in a month as principle. In this meeting, directors develop substantial discussion and supervise the status of business operation each other.
- Under the Board of Directors, Management Committee is held every week as principle. The Management Committee decides and supervises daily business operation and also discusses priority matters for the Bank's management and prepares agendas to propose to the Board of Directors. There are three special conferences: ALM and Integrated Risk Conference, Compliance and Operational Risk Conference and Loan Strategy Conference.
- The Board of Directors consists of eight (8) directors (internal directors and executive members) and the Management Committee consists of senior executives.

Oversight of Business Execution

- Board of Corporate Auditors is held every month as principle. It consists of five (5) corporate auditors including three (3) outside auditors. By attending Board of Directors and providing appropriate advices, each auditor strictly oversees the execution of duties of directors. Two corporate standing auditors may attend the Management Committee and oversee the execution of business operation through inspecting every kind of matters such as the status of internal control and branches' audit results etc. They also discuss with Representative Directors once in three months in order to feed back monitoring results to the Bank's management.

Remuneration

- As for directors' remuneration, the Bank introduces three types of remuneration: defined cash compensation, performance-linked compensation and stock-based compensation.
- Monthly amount of defined cash compensation is limited to be under ¥25 million. Performance-linked compensation is linked to the Bank's net income. The form of stock-based compensation is stock options as a reservation right to subscribe for new shares. Total amount of stock options is limited to be under ¥100 million in a year. Payment amount to each director is decided by consultation of Board of Directors.
- Corporate auditors' remuneration is defined cash compensation. Monthly amount of such remuneration is limited to be under ¥8 million and payment amount to each auditor is decided by consultation among corporate auditors.



(as of June 24, 2011)

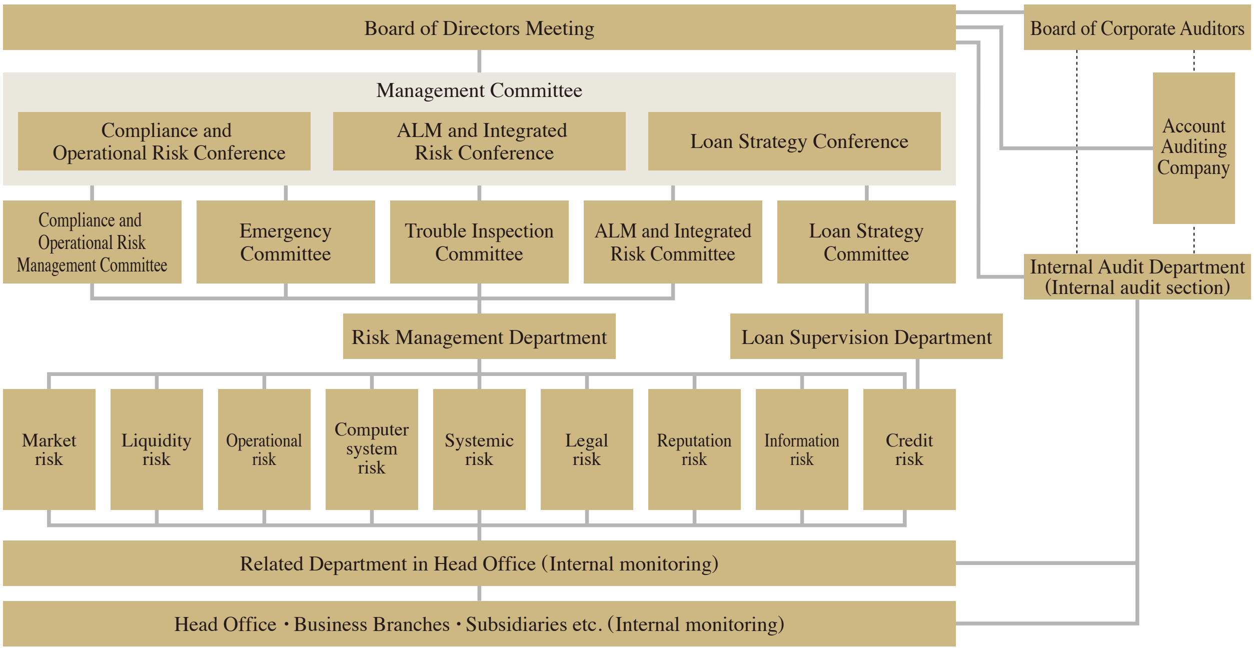
• The number of director is stipulated to be twelve or fewer in the Article of Incorporation.
• In addition, the Board of Directors appoints twelve (12) Executive Officers who assume duties of daily business execution.

Risk Management

Integrated Risk Management

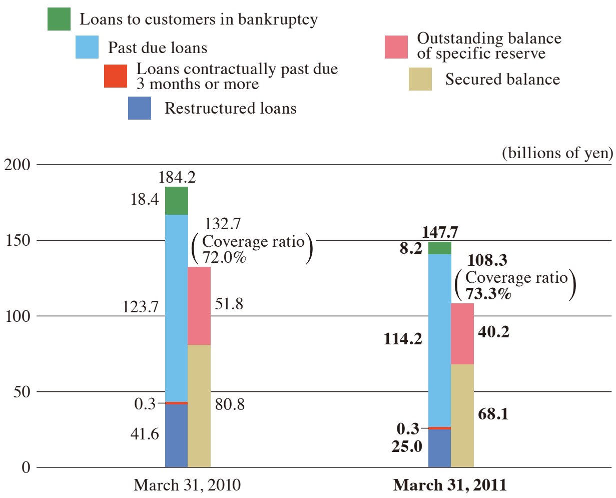
- Each department and branch properly performs risk control responsibility and independently reviews its processes by internal check system based on the Integrated Risk Management Policy. The Risk Management Department examines each department's management status for diversified risks in an integrated fashion, and finds and controls the Bank's risk exposures. Key information relating to risk management is gathered by the Risk Management Department from each department and branch, and its information is being reflected in decision-making by executives.
- ALM and Integrated Risk Conference manages market risk, credit risk and liquidity risk. Compliance and Operational Risk Conference manages operational risk, computer system risk, legal risk and other risks. Loan Strategy Conference manages more diversified credit risks.

Risk Management Organization Chart



(as of June 24, 2011)

Loans under risk management



Note : Possible amounts of recoveries through disposition of collaterals pledged to the Bank are not included in the foregoing disclosed amounts. Therefore the disclosed amounts do not necessarily represent actual future loss amounts of the Bank.

(billions of yen,%)

	March 31, 2010	**March 31, 2011**
Loans to Customers in Bankruptcy	18.4(0.45)	**8.2(0.19)**
Past Due Loans	123.7(3.01)	**114.2(2.74)**
Loans Contractually Past Due 3 months or more	0.3(0.00)	**0.3(0.00)**
Restructured Loans	41.6(1.01)	**25.0(0.60)**
Total	184.2(4.48)	**147.7(3.54)**
Outstanding Balance of loans and bills discounted	4,104.1	**4,165.8**

(Loans under risk management as a percentage of outstanding balance of loans and bills discounted)

Regarding Terminologies:

Loans to Customers in Bankruptcy
Of loans for which substantial doubt is judged to exist as to ultimate collectibility of either principal or interest because they are past due for a certain period or for other reasons, the loans to customers who are alleged to commence legal corporate rearrangement procedures under Company Rehabilitation Law, Bankruptcy Law, Civil Rehabilitation Law, Commercial Code of Japan and other related laws, and/or to customers whose transactions with banks are suspended by the rules of clearing house.

Past Due Loans
Of loans for which substantial doubt is judged to exist as to ultimate collectibility of either principal or interest because they are past due for a certain period or for other reasons, the loans to customers other than customers in bankruptcy and customers on which the Bank granted concessions such as deferral of interest payments in order to support for their management reconstruction.

Loans Contractually Past Due 3 months or more
Loans, either principal or interest payment of which is contractually past due for 3 months or more, excluding loans to customers in bankruptcy and past due loans.

Restructured Loans
Loans to customers on which the Bank granted concessions such as reduction of the stated interest rate, deferral of interest payments, extension of maturity date, debt forgiveness and other arrangements favoring customers to support for their management reconstruction, excluding loans to customers in bankruptcy, past due loans and loans contractually past due 3 months or more.

International Operations

As global activities have been commonplace in social and economic affairs now, international operations have become more frequent and important.
Nagano Prefecture, which is the major business base for the Bank, has developed as an advanced region in Japan in terms of foreign trade and international business operations. Now there are more than 1,600 bases of our customers in other countries, primarily in Asia.
Since the launch of its foreign exchange business in January 1962, the Bank has expanded its international operations to meet the growing needs of customers who operate worldwide.
Currently, the Bank has one overseas branch in Hong Kong and four representative offices in Singapore, Shanghai, Bangkok and Dalian and one local subsidiary in Hong Kong.
In October 1991, the Bank concluded a business tie-up with Standard Chartered Bank (UK). Afterwards, the Bank has expanded business tie-ups with Bank of China (China), Industrial and Commercial Bank of China (China), KASIKORNBANK (Thailand), Credit Agricole Corporate and Investment Bank (France) and Australia and New Zealand Banking Group Limited (Australia). In November 2010, domestic branches started the Renminbi-denominated transactions (deposit and remittance) to meet our customers' demand.

International and Treasury Department

◆ **Nagano Main Office**
178-8, Okada, Nagano-City 380-8682, Japan
Phone: (026)224-5806 Facsimile: (026)226-2982

◆ **Tokyo Office**
1-22, Nihonbashi Muromachi 4-chome, Chuo-ku, Tokyo 103-0022, Japan
Phone: (03)3242-0082 Facsimile: (03)3277-0146
SWIFT Address: HABK JPJT

Financial Market Department

◆ **Tokyo Office**
1-22, Nihonbashi Muromachi 4-chome, Chuo-ku, Tokyo 103-0022, Japan
Phone: (03)3277-0082 Facsimile: (03)3246-4675

Hong Kong Branch / Hachijuni Asia Limited (HAL)

Since its opening in May 1991, the Hong Kong Branch has expanded the financial services that it offers to the customers. As a result, the Bank now handles the large foreign exchange volume due to the Hong Kong Branch. Furthermore, the Hong Kong Branch offers a wide range of services such as providing various information, supporting business expansion for its customers to extend business in China and other Asian countries. In September 2010, the Hong Kong Branch started the Renminbi-denominated transactions such as deposits, transfers and loans amid a surge of our customers' needs.
Hachijuni Asia Limited (HAL), the Bank's wholly owned subsidiary in Hong Kong, is the deposit-taking company which provides equipment finance and underwriting of bonds.

Suites 1503-1504, The Hong Kong Club Building, 3A Chater Road, Central, Hong Kong
Phone: 852-2845-4188 Facsimile: 852-2537-1757 Telex: 80709 HACHK HK
SWIFT address: HABKHKHH

Singapore Representative Office / Bangkok Representative Office

Southeast Asia, together with China, has always attracted the attention of our customers as a region with strong growth potential. Currently, there are almost 425 bases of our customers in ASEAN countries.

Singapore is the distribution, financial and economic center in Southeast Asia. The Bank established its Singapore Representative Office in 1997. And in 2007, it established the Bangkok Representative Office, which is the first in Thailand among all regional banks in Japan. Both offices collect and analyze information on the rapidly changing social, financial and economic conditions in the region, and offer the latest information to local customers. In cooperation with the Bank's head office and domestic branches, both offices help customers to expand their businesses in Southeast Asia.

◆ **Singapore Representative Office**
16 Raffles Quay, #15-05 Hong Leong Building, Singapore 048581
Phone: 65-6221-1182 Facsimile: 65-6221-0556

◆ **Bangkok Representative Office**
Level 9, Zuellig House, 1 Silom Road, Silom, Bangrak, Bangkok 10500 Thailand
Phone: 66-2231-8218 Facsimile: 66-2231-8121

Shanghai Representative Office / Dalian Representative Office

Recently, China is one of countries attracting the hottest attention from all over the world. Our customers have established over 500 manufacturing and sales facilities in China, and especially their making inroads to coast area are remarkable. Since its opening in May 2002, the Shanghai Representative Office supports its customers in their making inroads to China from various aspects and tries to provide them with every kind of information from the city of Shanghai, which is the largest business city as well as a center of the economy and finance in China. In January 2008, the Bank established the Dalian Representative Office to offer careful support to customers.

◆ **Shanghai Representative Office**
8/F, Hang Seng Bank Tower, 1000 Lujiazui Ring Road, Pudong New Area, Shanghai, People's Republic of China
Phone: 86-21-6841-1882 Facsimile: 86-21-6841-2118

◆ **Dalian Representative Office**
4F, Senmao Bldg., 147 Zhongshan Road, Xigang District, Dalian, Liaoning, 116011, People's Republic of China
Phone: 86-411-3960-8266 Facsimile: 86-411-3960-8182

Corporate Social Responsibilities (CSR)

Environmental Conservation Activities

Environmental Policy

Environmental Philosophy

Hachijuni Bank positions environmental conservation activities as elements vital to corporate social responsibility and will contribute to the creation of a sustainable regional community through positive and constant improving the environment.

Action Program

1. Hachijuni Bank will try to prevent pollution by accurately determining the impact of its activities on environment, and will set, achieve, and review its environmental objectives.
2. Hachijuni Bank will comply with all laws, regulations, and agreements concerning the environment.
3. Hachijuni Bank will make efforts to conserve resources and energy toward reducing environmental burden.
4. By providing financial products, services, and information, Hachijuni Bank will aim to support its clients that are involved with environmental preservation, and that contribute to improving the local environment.
5. All employees of Hachijuni Bank, and their families, will take the initiative in activities for environmental conservation, and will enhance their awareness of environmental issues.

Three pillars

1 *Environmental conservation activities by the Bank's core business*

(Target of FY2011) Contribution to environmental improvements by customers' activities by providing environment-friendly financial products

2 *Reduction of internal environmental burdens*

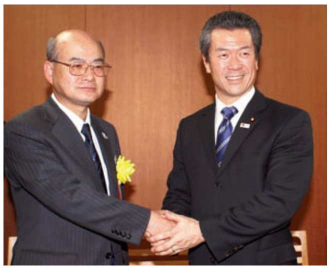
(Target of FY2011) Achievement of the reduction in both environmental burdens and the Bank's costs through energy savings and resource conservation

3 *Contribution to the regional economy and reinforcement of environmental education*

(Target of FY2011) Contribution to the regional community through environmental volunteer activities

Topics

- The Bank was chosen as a drafting committee member of "Japanese model of environmental finance activity principle" by the Ministry of the Environment, which aims to propose financial activities linking to promote environment-friendly investments and loans (environmental finance).
- In December 2010, the Bank's group was awarded "The Minister of land, Infrastructure, Transport and Tourism Prize", as the first of all financial institutions in Japan. The Bank's group was highly praised for the efforts of eco-commuting and overall environmental conservation activities in this Prize. It was the second Minister Prize for the Bank as the Bank had been awarded "The Minister of Environment Prize" in 2005.
- The Bank stipulated the " Basic Posture for Biodiversity Protection" in June 2011.

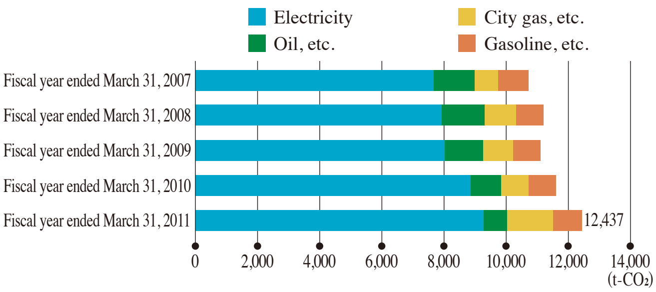


(left: Hiroshi Nakamura, Deputy President of the Bank,
right: Sumio Mabuchi, the Minister of Land, Infrastructure, Transport and Tourism (at that time))

Total Energy Consumption and Carbon Dioxide Emission

As energy use by air conditioning increased due to an unprecedented hot summer, total energy consumption and carbon dioxide emission increased 6.4% (or 18,143 giga joules) and 7.2% (or 838 tons-CO_2) respectively on a year-on-year basis.

Carbon Dioxide Emissions by Type of Energy



Environment Accounting System

The Bank has recognized both environment conservation cost and economic effect in quantitative base by the Environmental Accounting System introduced in fiscal year 2004. Hoping the disclosure of the result will help the people's understanding of the Bank's activities, the Bank will continue to develop environmental activities more effectively.

Results of Environment Accounting for the Fiscal Year 2010

Environment conservation cost

(millions of yen)

Classification	FY2009	FY2010
Business area cost	35	51
Resource circulation cost	29	28
Pollution prevention cost	0	0
Global environmental conservation cost (*1)	6	23
Administrative activity cost	56	58
Personal expenses	38	41
Disclosure of environment information and advertisement	12	11
Maintenance control of environment management system	5	5
Monitoring of environment burden	1	1
Social activity cost (*2)	17	20
Total	108	129

Economic effect by environment conservation activities

(millions of yen)

Item	FY2009	FY2010
Income	1,247	736
Income from environment related loans	1,196	685
Income from EB contracts	49	50
Income from ISO14001consultation	2	1
Cost saved (*3)	75	▲ 26
Total	1,322	710

*1 Cost for outside insulation construction in Fujimi Branch (FY10)
*2 Money of support for "Hachijuni-no-mori", donation to Nagano Environment Conservation Associations
*3 The amount of reduction in utilities expenses, supplies expenses and expenses for disposing of wastes helped by energy and resources savings efforts (Stated by simple comparison with the previous fiscal year)
A negative figure means an increase from the previous fiscal year.

Effect of environment conservation (Reduction of carbon dioxide emission)

(t-CO_2)

Classification	FY2009	FY2010
CO_2 emission reduced by Bank's internal efforts (by simple comparison from a year earlier)	▲ 494	▲ 838
CO_2 emission reduced by customers through contribution of the Bank's core businesses	235,125	184,737
CO_2 emission reduced by " Environment Activities by the Household" (estimate)	2,278	2,280
Total	236,909	186,179

ISO14001 Certification

- The Bank received ISO14001 certification for its head office in March 1999, the first of all regional banks in Japan to do so. It expanded of this certification to all domestic branches in March 2002. Total of 184 offices (155 branches, 7 regional centers, 18 headquarters, and 4 Group companies as of March 31, 2011) and nearly 5,000 employees are involved in this effort.

Contribution to the Region and Society

- The Bank has established a "Hachijuni Volunteer Club", and assigned a liaison for volunteer activities at each department and branch. The Bank provides support to the volunteer activities by encouraging its employees to participate in social-action programs at least once a year.
- The Bank has also introduced a "Special Holiday System to Encourage Volunteer Activities", to support its employees' participation in programs for the promotion of social welfare, disaster aid, sports, and other causes.
- The Bank established "Nagano Economic Research Institute" in March 1984 as a think-tank to contribute to the advancement and development of the regional community in response to its highly sophisticated needs.
- The Bank also established "Hachijuni Culture Foundation" in 1985 to contribute to the development of the regional community in the areas of its arts and culture.

Adoption of SRI Related Fund

- Due to the Bank's steady corporate activities, it has been registered as an investment target for social-responsibility investment funds, and its equity shares have been selected by a social-responsibility investment index (FTSE4Good Index).

Board of Directors

Yoshiyuki Yamaura
President

Hiroshi Nakamura
Deputy President

Fumiaki Magaribuchi
Senior Managing Director

Kazuyuki Nakajima
Managing Director

Hirotoshi Mizusawa
Managing Director

Tetsuo Komatsu
Managing Director

Kenichi Takehana
Managing Director

Syoichi Yumoto
Managing Director

Corporate Auditors

Nobuyoshi Sakai
Corporate Standing Auditor

Makoto Takizawa
Corporate Standing Auditor

Asakazu Horii
Corporate Auditor

Kenji Miyazawa
Corporate Auditor

Takeshi Kadota
Corporate Auditor

(as of June 24, 2011)

Organization

- Shareholders' Meeting
  - Corporate Auditors, Board of Corporate Auditors
- Board of Directors Meeting
  - Management Committee
    - President
    - Deputy President
    - Senior Managing Director
    - Managing Directors
      - Branch Support Department
      - Corporate Banking Department
      - Personal Banking Department
      - International and Treasury Department
      - Financial Market Department
      - Loan Control Department
      - Loan Supervision Department
      - Loan Operations Center
      - Operations Administration Department
      - Computer Systems Department
      - Planning and Coordination Department
      - Personnel Department
      - General Secretariat
      - General Affairs Department—Environment Office
      - Risk Management Department
      - Asset Assessment and Advisory Department
      - Tokyo Liaison Office
        - Overseas Branch
        - Domestic Branches and Sub-Branches
        - Regional Operation Centers
  - Internal Audit Department

(as of June 24, 2011)

Major Affiliated Companies

The Hachijuni Bank, Ltd.

Company	Date of establishment	Line of business
Companies Supporting the Bank's operations		
Hachijuni Business Service Co., Ltd.	August 1981	Collection and delivery of materials and cash, printing
Hachijuni Staff Service Co., Ltd.	September 1986	Placement of temporary working staff
Companies Operating financial-related business		
Hachijuni Securities Co., Ltd.	May 1949	Securities business
Yamabiko Services Co., Ltd.	June 2000	Credit collection and manegement
Hachijuni Lease Co., Ltd.	June 1974	Leasing
Hachijuni DC Card Co., Ltd.	August 1982	Credit card business
Hachijuni Credit Guarantee Co., Ltd.	December 1983	Guarantee to cunsumer loan
Hachijuni System Development Co., Ltd.	December 1983	Development of computer systems
Hachijuni Capital Co., Ltd.	September 1984	Venture capital for high-tech companies
Hachijuni Auto Lease Co., Ltd.	October 2005	Leasing
Overseas Subsidiary (Hong Kong)		
Hachijuni Asia Limited	Juanuary 1989	Deposit, loan, trading, underwriting of bonds

(as of June 24, 2011)

Major Shareholders

Name	Number of shares in thousands	%
The Bank of New York Mellon Corporation as depositary bank for depositary receipt holders	21,566	4.13
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	20,364	3.90
Nippon Life Insurance Company	17,000	3.26
Japan Trustee Services Bank, Ltd.(Trust Account)	16,704	3.20
Meiji Yasuda Life Insurance Company	16,417	3.15

Name	Number of shares in thousands	%
Aioi Nissay Dowa Insurance Co., Ltd.	12,822	2.46
Shin-Etsu Chemical Co., Ltd.	11,830	2.27
The Master Trust Bank of Japan, Ltd. (Trust Account)	10,822	2.07
Showa Shoji Co., Ltd.	9,901	1.90
Tokio Marine & Nichido Fire Insurance Co., Ltd.	9,598	1.84

(as of March 31, 2011)

Deloitte.

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INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying consolidated balance sheets of The Hachijuni Bank, Ltd. (the "Bank") and consolidated subsidiaries as of March 31, 2011 and 2010, and the related consolidated statements of income for the years then ended, the consolidated statement of comprehensive income for the year ended March 31, 2011, and the related consolidated statements of changes in equity and cash flows for the years then ended, all expressed in Japanese yen. These consolidated financial statements are the responsibility of the Bank's management. 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 plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

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

Our audits also comprehended the translation of Japanese yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made in conformity with the basis stated in Note 1. Such U.S. dollar amounts are presented solely for the convenience of readers outside Japan.

Deloitte Touche Tohmatsu LLC

June 17, 2011

Member of
Deloitte Touche Tohmatsu Limited

Consolidated Balance Sheets
March 31, 2011 and 2010

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2011	2010	2011
ASSETS:			
Cash and due from banks (Notes 3 and 24)	¥ 208,829	¥ 218,401	$ 2,511,482
Call loans and bills bought (Note 24)		87,365	
Receivables under resale agreements	149	399	1,803
Monetary claims bought	56,663	51,014	681,461
Trading assets (Notes 4 and 25)	36,547	32,987	439,537
Money held in trust (Note 5)	6,649	1,860	79,968
Securities (Notes 6, 11 and 24)	1,677,408	1,558,220	20,173,285
Loans and bills discounted (Notes 7, 24 and 26)	4,111,895	4,051,797	49,451,543
Foreign exchanges (Note 8)	43,237	17,261	519,990
Lease receivables and investments in leases (Notes 22 and 24)	64,876	71,843	780,235
Other assets (Note 11)	82,511	82,202	992,326
Property, plant and equipment—net (Note 9)	35,504	36,198	426,991
Intangible assets—net (Note 9)	5,664	6,025	68,129
Deferred tax assets (Note 21)	4,214	5,289	50,686
Customers' liabilities for acceptances and guarantees (Note 10)	46,737	44,280	562,082
Allowance for credit losses	(86,711)	(105,253)	(1,042,834)
Allowance for investment losses	(334)	(652)	(4,022)
TOTAL	¥ 6,293,845	¥ 6,159,242	$ 75,692,668
LIABILITIES AND EQUITY			
LIABILITIES:			
Deposits (Notes 11, 12 and 24)	¥ 5,562,413	¥ 5,431,188	$ 66,896,128
Negotiable certificates of deposit	38,211	36,253	459,543
Call money and bills sold	10,276	17,439	123,591
Payables under repurchase agreements	149	399	1,803
Payables under securities lending transactions (Note 11)	29,068	9,531	349,588
Trading liabilities (Notes 4 and 25)	8,208	9,557	98,716
Borrowed money (Note 13)	15,437	24,957	185,662
Foreign exchanges (Note 8)	1,697	1,169	20,414
Other liabilities	92,597	91,049	1,113,624
Liability for employee retirement benefits (Note 14)	14,961	15,060	179,934
Provision for reimbursement of deposits	288	325	3,472
Provision for contingent losses	761	749	9,161
Reserve under special laws	8	10	97
Deferred tax liabilities (Note 21)	7,982	9,657	95,998
Negative goodwill		352	
Acceptances and guarantees (Note 10)	46,737	44,280	562,082
Total liabilities	5,828,800	5,691,984	70,099,822
EQUITY (Notes 15 and 29):			
Common stock—authorized, 2,000,000 thousand shares; issued, 521,103 thousand shares in 2011 and 536,303 thousand shares in 2010	52,243	52,243	628,300
Capital surplus	29,674	30,232	356,874
Stock acquisition rights (Note 16)	155	100	1,865
Retained earnings	315,046	305,667	3,788,896
Treasury stock—at cost, 10,126 thousand shares in 2011 and 11,391 thousand shares in 2010	(5,230)	(6,592)	(62,905)
Accumulated other comprehensive income:			
Valuation difference on available-for-sale securities	53,595	69,537	644,565
Deferred gains on hedges	2,460	1,507	29,594
Foreign currency translation adjustments	(932)	(697)	(11,214)
Total	447,012	451,997	5,375,976
Minority interests	18,032	15,260	216,869
Total equity	465,045	467,258	5,592,846
TOTAL	¥ 6,293,845	¥ 6,159,242	$ 75,692,668

See notes to consolidated financial statements.

Consolidated Statements of Income
Years Ended March 31, 2011 and 2010

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2011	2010	2011
INCOME:			
Interest income:			
Interest on loans and discounts	¥ 67,885	¥ 73,752	$ 816,426
Interest and dividends on securities	21,526	19,235	258,883
Other interest income	1,352	2,065	16,260
Fees and commissions	20,407	20,415	245,426
Trading income	551	1,258	6,636
Other operating income (Note 17)	46,286	48,133	556,659
Other income (Note 18)	5,052	6,461	60,768
Total income	163,062	171,321	1,961,061
EXPENSES:			
Interest expenses:			
Interest on deposits	5,632	8,868	67,740
Interest on borrowings and rediscounts	360	558	4,339
Other interest expenses	2,890	1,911	34,760
Fees and commission payments	5,331	5,281	64,116
Other operating expenses (Note 19)	35,216	40,304	423,526
General and administrative expenses	67,026	68,087	806,097
Provision for credit losses		10,719	
Other expenses (Note 20)	7,038	4,350	84,652
Total expenses	123,497	140,082	1,485,233
INCOME BEFORE INCOME TAXES AND MINORITY INTERESTS	39,565	31,238	475,827
INCOME TAXES (Note 21):			
Current	7,184	9,679	86,398
Deferred	9,290	2,831	111,731
Total income taxes	16,474	12,510	198,130
NET INCOME BEFORE MINORITY INTERESTS	23,090		277,697
MINORITY INTERESTS IN NET INCOME	2,880	1,823	34,642
NET INCOME	¥ 20,210	¥ 16,904	$ 243,055
	Yen		U.S. Dollars
PER SHARE OF COMMON STOCK (Note 28):			
Basic net income	¥ 38.82	¥ 32.19	$ 0.46
Diluted net income	38.79	32.18	0.46
Cash dividends applicable to the year	6.50	5.00	0.07

See notes to consolidated financial statements.

Consolidated Statement of Comprehensive Income
Year Ended March 31, 2011

	Millions of Yen	Thousands of U.S. Dollars (Note 1)
	2011	2011
NET INCOME BEFORE INCOME MINORITY INTERESTS	¥ 23,090	$ 277,697
OTHER COMPREHENSIVE INCOME (Note 27)		
Valuation difference on available-for-sale securities	(16,029)	(192,773)
Deferred gains on hedges	953	11,469
Foreign currency translation adjustments	(235)	(2,827)
TOTAL OTHER COMPREHENSIVE INCOME	(15,310)	(184,131)
COMPREHENSIVE INCOME (Note 27)	7,780	93,566
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO (Note 27):		
Owners of the parent	¥ 4,986	$ 59,968
Minority interests	2,793	33,597

See notes to consolidated financial statements.

Consolidated Statements of Changes in Equity
Years Ended March 31, 2011 and 2010

	Thousands	Millions of Yen					Accumulated other comprehensive income					
	Issued Number of Shares of Common Stock	Common Stock	Capital Surplus	Stock Acquisition Rights	Retained Earnings	Treasury Stock	Valuation Difference on Available-for-sale Securities	Deferred Gains on Hedges	Foreign Currency Translation Adjustments	Total	Minority Interests	Total Equity
BALANCE, APRIL 1, 2009	536,303	¥ 52,243	¥ 30,232	¥ 48	¥ 291,388	¥ (6,443)	¥ 26,302	¥ 41	¥ (720)	¥ 393,093	¥ 13,512	¥ 406,606
Net income					16,904					16,904		16,904
Cash dividends, ¥5.00 per share					(2,625)					(2,625)		(2,625)
Purchases of treasury stock (327 thousand shares)						(179)				(179)		(179)
Net loss from disposals of treasury stock (51 thousand shares)						30				30		30
Net increase in valuation difference on available-for-sale securities							43,235			43,235		43,235
Net change in foreign currency translation adjustments									22	22		22
Net change during the period				51				1,465		1,516	1,747	3,264
BALANCE, MARCH 31, 2010	536,303	52,243	30,232	100	305,667	(6,592)	69,537	1,507	(697)	451,997	15,260	467,258
Net income					20,210					20,210		20,210
Cash dividends, ¥6.50 per share					(3,396)					(3,396)		(3,396)
Purchases of treasury stock (13,963 thousand shares)						(6,646)				(6,646)		(6,646)
Net loss from disposals of treasury stock (28 thousand shares)			(0)			16				15		15
Retirements of treasury stock (15,200 thousand shares)	(15,200)		(557)		(7,434)	7,991						
Net decrease in valuation difference on available-for-sale securities							(15,942)			(15,942)		(15,942)
Net change in foreign currency translation adjustments									(235)	(235)		(235)
Net change during the period				54				953		1,008	2,772	3,780
BALANCE, MARCH 31, 2011	521,103	¥ 52,243	¥ 29,674	¥ 155	¥ 315,046	¥ (5,230)	¥ 53,595	¥ 2,460	¥ (932)	¥ 447,012	¥ 18,032	¥ 465,045

	Thousands of U.S. Dollars (Note 1)					Accumulated other comprehensive income					
	Common Stock	Capital Surplus	Stock Acquisition Rights	Retained Earnings	Treasury Stock	Valuation Difference on Available-for-sale Securities	Deferred Gains on Hedges	Foreign Currency Translation Adjustments	Total	Minority Interests	Total Equity
BALANCE, MARCH 31, 2010	$ 628,300	$ 363,588	$ 1,204	$ 3,676,096	$ (79,287)	$ 836,294	$ 18,124	$ (8,386)	$ 5,435,934	$ 183,532	$ 5,619,466
Net income				243,055					243,055		243,055
Cash dividends, $0.07 per share				(40,845)					(40,845)		(40,845)
Purchases of treasury stock (13,963 thousand shares)					(79,927)				(79,927)		(79,927)
Net loss from disposals of treasury stock (28 thousand shares)		(10)			195				185		185
Retirements of treasury stock (15,200 thousand shares)		(6,703)		(89,410)	96,114						
Net decrease in valuation difference on available-for-sale securities						(191,728)			(191,728)		(191,728)
Net change in foreign currency translation adjustments								(2,827)	(2,827)		(2,827)
Net change during the period			661				11,469		12,130	33,337	45,468
BALANCE, MARCH 31, 2011	$ 628,300	$ 356,874	$ 1,865	$ 3,788,896	$ (62,905)	$ 644,565	$ 29,594	$ (11,214)	$ 5,375,976	$ 216,869	$ 5,592,846

See notes to consolidated financial statements.

Consolidated Statements of Cash Flows
Years Ended March 31, 2011 and 2010

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2011	2010	2011
OPERATING ACTIVITIES:			
Income before income taxes and minority interests	¥ 39,565	¥ 31,238	$ 475,827
Income taxes paid	(13,558)	(2,222)	(163,066)
Depreciation and amortization	5,793	5,751	69,681
Impairment losses	86	339	1,043
Decrease in allowance for credit losses	(18,536)	(4,774)	(222,924)
Interest income	(90,764)	(95,053)	(1,091,569)
Interest expense	8,883	11,338	106,840
Interest received	91,499	95,548	1,100,415
Interest paid	(11,644)	(12,039)	(140,040)
Net decrease (increase) in loans and bills discounted	(60,131)	34,989	(723,163)
Net decrease in borrowed money	(9,520)	(13,004)	(114,492)
Net increase in deposits	131,684	84,124	1,583,703
Net decrease in call loans and bills bought	81,966	28,944	985,761
Net decrease in call money and bills sold	(7,412)	(31,438)	(89,148)
Net decrease in due from banks, excluding due from the Bank of Japan	50,995	78,700	613,299
Others—net	14,793	(7,720)	177,916
Net cash provided by operating activities	213,702	204,722	2,570,083
INVESTING ACTIVITIES:			
Purchases of investment securities	(607,671)	(525,774)	(7,308,135)
Proceeds from sales of investment securities	229,669	210,926	2,762,104
Proceeds from maturities of investment securities	225,443	173,129	2,711,281
Payments for increase in money held in trust	(5,438)	(1,162)	(65,402)
Proceeds from decrease in money held in trust	787	6,300	9,468
Purchases of fixed assets	(5,296)	(5,648)	(63,694)
Proceeds from sales of premises and equipment	321	308	3,867
Net cash used in investing activities	(162,184)	(141,921)	(1,950,510)
FINANCING ACTIVITIES:			
Payments to acquire treasury stock	(6,646)	(179)	(79,927)
Proceeds from sales of treasury stock	2	12	25
Dividends paid	(3,396)	(2,625)	(40,845)
Dividends paid to minority interests	(21)	(82)	(260)
Payment for capital returned to subsidiaries		(60)	
Net cash used in financing activities	(10,061)	(2,934)	(121,007)
FOREIGN CURRENCY TRANSLATION ADJUSTMENTS ON CASH AND CASH EQUIVALENTS	(29)	(14)	(352)
NET INCREASE IN CASH AND CASH EQUIVALENTS	41,426	59,852	498,213
CASH AND CASH EQUIVALENTS, BEGINNING OF FISCAL YEAR— (Note 3)	141,990	82,137	1,707,637
CASH AND CASH EQUIVALENTS, END OF FISCAL YEAR (Note 3)	¥ 183,416	¥ 141,990	$ 2,205,850

See notes to consolidated financial statements.

Notes to Consolidated Financial Statements
Years Ended March 31, 2011 and 2010

1. BASIS OF PRESENTING CONSOLIDATED FINANCIAL STATEMENTS

The accompanying consolidated financial statements have been prepared in accordance with the provisions set forth in the Japanese Financial Instruments and Exchange Act and its related accounting regulations and the Enforcement Regulation for the Banking Law, and in conformity with accounting principles generally accepted in Japan ("Japanese GAAP"), which are different in certain respects as to the application and disclosure requirements of International Financial Reporting Standards ("IFRS").

Under Japanese GAAP, a consolidated statement of comprehensive income is required from the fiscal year ended March 31, 2011 and has been presented herein. Accordingly, accumulated other comprehensive income is presented in the consolidated balance sheet and the consolidated statement of changes in equity. Information with respect to other comprehensive income for the year ended March 31, 2010 is disclosed in Note 27. In addition, "net income before minority interests" is disclosed in the consolidated statement of income from the year ended March 31, 2011.

In preparing these consolidated financial statements, certain reclassifications and rearrangements have been made to the consolidated financial statements issued domestically in order to present them in a form which is more familiar to readers outside Japan. In addition, certain reclassifications have been made in the 2010 consolidated financial statements to conform to the classifications used in 2011.

In conformity with the Companies Act of Japan (the "Companies Act") and other relevant regulations, all Japanese yen figures in the consolidated financial statements have been rounded down to the nearest million yen. Accordingly, the total of each account may not be equal to the combined total of the individual items.

The consolidated financial statements are stated in Japanese yen, the currency of the country in which The Hachijuni Bank, Ltd. (the "Bank") is incorporated and operates. The translation of Japanese yen amounts into U.S. dollar amounts is included solely for the convenience of readers outside Japan and has been made at the rate of ¥83.15 to $1, the rate of exchange at March 31, 2011. Such translation should not be construed as a representation that the Japanese yen amounts could be converted into U.S. dollars at that or any other rate.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Significant accounting policies applied in the accompanying consolidated financial statements are summarized below:

a **Consolidation –** The consolidated financial statements as of March 31, 2011 include the accounts of the Bank and its 11 significant subsidiaries (together, the "Group").

Under the control or influence concept, those companies in which the Bank, directly or indirectly, is able to exercise control over their operations are fully consolidated.

Investments in the 11 unconsolidated subsidiaries are stated at cost. If the equity method of accounting had been applied to the investments in these companies, the effect on the accompanying consolidated financial statements would not be material.

The excess of fair value of the net assets of the acquired subsidiaries over the cost of acquisition at the date of acquisition is being amortized over a period of 5 years.

All significant intercompany balances and transactions have been eliminated in consolidation. All material unrealized profit included in assets resulting from transactions within the Group is eliminated.

b **Unification of Accounting Policies Applied to Foreign Subsidiaries for the Consolidated Financial Statements –** In May 2006, the Accounting Standards Board of Japan (the "ASBJ") issued ASBJ Practical Issues Task Force ("PITF") No.18, "Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for the Consolidated Financial Statements." PITF No.18 prescribes (1) the accounting policies and procedures applied to a parent company and its subsidiaries for similar transactions and events under similar circumstances should in principle be unified for the preparation of the consolidated financial statements, (2) financial statements prepared by foreign subsidiaries in accordance with either IFRS or the generally accepted accounting principles in the United States of America tentatively may be used for the consolidation process, (3) however, the following items should be adjusted in the consolidation process so that net income is accounted for in accordance with Japanese GAAP unless they are not material: (a) amortization of goodwill; (b) scheduled amortization of actuarial gain or loss on pensions that has been directly recorded in equity; (c) expensing capitalized research and development costs ; (d) cancellation of fair value model accounting for property, plant and equipment and investment properties and incorporation of cost model accounting; (e) recording the prior years' effects of changes in accounting policies in the income statement where retrospective adjustments to financial statements have been incorporated; and (f) exclusion of minority interests from net income, if applicable.

c **Cash Equivalents –** For the purpose of reporting of cash flows, "Cash and cash equivalents" consists of "Cash" and "Due from the Bank of Japan."

d **Trading Assets and Liabilities –** Transactions for trading purposes (for purposes of seeking to capture gains arising from short-term changes in interest rates, currency exchange rates or market prices of securities and other market-related indices or from gaps among markets) are included in "Trading assets" and "Trading liabilities" on a trade date basis.

Trading securities and monetary claims bought for trading purposes are stated at fair value at the balance sheet date. Trading-related financial derivatives such as swaps, futures and options are stated at amounts that would be received or paid for settlement if such transactions were terminated at the balance sheet date.

Trading income includes interest received and paid during the fiscal year and unrealized gains and losses resulting from the change in the value of securities, monetary claims bought, and derivatives between the balance sheet dates.

e **Securities –** Securities other than investments in unconsolidated subsidiaries and affiliates are classified into three categories, based principally on the Group's intent, as follows: (a) trading securities are securities held in anticipation of gains arising from short-term changes in market value and/or held for resale to customers and are carried at fair value with corresponding unrealized gains and losses recorded in income, (b) held-to-maturity debt securities, which are expected to be held to maturity with the positive intent and ability to hold to maturity, are stated at amortized cost computed by straight-line method, and (c) securities not classified as held-to-maturity debt securities, other than trading securities, are classified as available-for-sale securities. Marketable available-for-sale securities are stated at fair value with unrealized gains and losses, net of applicable taxes, reported in a separate component of equity. Available-for-sale securities for which a fair value is not reliably determined are stated at cost computed by the moving-average method.

In addition, investments in unconsolidated subsidiaries that are not accounted for by the equity method are carried at cost determined by the moving-average method.

Individual securities are written down when a decline in fair value below the cost of such securities is deemed to be other than temporary.

f **Securities in Money Held in Trust –** Securities included in "Money held in trust" are stated at fair value.

g **Property, Plant and Equipment –** Property, plant and equipment are stated at cost less accumulated depreciation. Depreciation for buildings and equipment of the Group is computed under the declining-balance method at rates based on the estimated useful lives, which are principally from 2 to 50 years for buildings and from 2 to 20 years for equipment.

h Software – Capitalized software for internal use is depreciated using the straight-line method over its estimated useful life (principally 5 years).

i Long-Lived Assets – The Group reviews its long-lived assets for impairment whenever events or changes in circumstances indicate the carrying amount of an asset or asset group may not be recoverable. An impairment loss would be recognized if the carrying amount of an asset or asset group exceeds the sum of the undiscounted future cash flows expected to result from the continued use and eventual disposition of the asset or asset group. The impairment loss would be measured as the amount by which the carrying amount of the asset exceeds its recoverable amount, which is the higher of the discounted cash flows from the continued use and eventual disposition of the asset or the net selling price at disposition.

j Allowance for Credit Losses – An allowance for credit losses is determined based on a credit assessment made by management at each balance sheet date. A key element relating to policies and discipline used in determining the allowance for credit losses is the credit classification and the related borrower categorization process. The categorization is based on conditions that may affect the ability of borrowers to service their debt, taking into consideration current financial information, historical payment experience, credit documentation, public information, analyses of relevant industry segments and current trends. In determining the appropriate level of the allowance, the Group evaluates the probable loss by category of loan based on its type and characteristics.

The Bank performs a credit assessment of its loan asset quality. The quality of all loans is assessed by branches and the credit supervisory division with a subsequent audit by the asset review and the credit inspection division in accordance with the Bank's policies and discipline.

Under the policies and discipline, all loans are classified into five categories which are : "normal," "caution, including substandard," "possible bankrupt," "virtual bankrupt" and "legal bankrupt."

The allowance for credit losses is calculated based on the past loss ratio for normal and caution categories, and on the fair value of the collateral and other factors of solvency including value of future cash flows for possible bankrupt, virtual bankrupt, and legal bankrupt categories.

The Bank applied the "discounted cash flow method" (hereinafter referred to as the "DCF method") in calculating the loan loss reserve amounts for most of the claims against obligors categorized as possible bankrupt or substandard under the self-assessment guidelines. Under the DCF method, the loan loss allowance is determined as the difference between (a) relevant estimated cash flows discounted by the original contractual interest rate and (b) the book value of the claim. In cases where it is difficult to reasonably estimate future cash flows, the Bank sets aside an allowance based on the product of the estimated loss ratios on the claims and either (a) the balance of the claims in the case of claims against substandard borrowers or (b) the unsecured, unguaranteed portion of the claims in the case of claims against possible bankrupt borrowers.

The consolidated subsidiaries provide an "Allowance for credit losses" at the amount deemed necessary to cover such losses, principally based on past experience and management's assessment of the loan portfolio.

k Allowance for Investment Losses – An allowance for investment losses is provided at an amount deemed necessary based on the estimate of possible future losses.

l Liability for Employee Retirement Benefits – The Bank and its domestic consolidated subsidiaries have a contributory funded pension plan and non-contributory unfunded retirement benefit plans, together covering substantially all of their employees.

The Bank accounts for the liability for retirement benefits based on projected benefit obligations and plan assets at the balance sheet date.

m Provision for Reimbursement of Deposits – A provision for reimbursement of deposits, which were derecognized as liabilities under certain conditions, is provided for possible losses on future claims of withdrawal based on historical reimbursement experience.

n Provision for Contingent Losses – A provision for contingent losses is provided for the contribution to the National Federation of Credit Guarantee Corporations' liability sharing program and is recorded in the amount of estimated future contributions based on subrogate performance, etc.

o Reserve under Special Laws – A reserve under special laws is provided for contingent liabilities from brokering of securities or derivative transactions in accordance with Article 46-5 of the Financial Instruments and Exchange Act.

p Asset Retirement Obligations – In March 2008, the ASBJ published a new accounting standard for asset retirement obligations, ASBJ Statement No.18, "Accounting Standard for Asset Retirement Obligations," and ASBJ Guidance No.21, "Guidance on Accounting Standard for Asset Retirement Obligations." Under this accounting standard, an asset retirement obligation is defined as a legal obligation imposed either by law or contract that results from the acquisition, construction, development and the normal operation of a tangible fixed asset and is associated with the retirement of such tangible fixed asset.

The asset retirement obligation is recognized as the sum of the discounted cash flows required for the future asset retirement and is recorded in the period in which the obligation is incurred if a reasonable estimate can be made. If a reasonable estimate of the asset retirement obligation cannot be made in the period the asset retirement obligation is incurred, the liability should be recognized when a reasonable estimate of asset retirement obligation can be made. Upon initial recognition of a liability for an asset retirement obligation, an asset retirement cost is capitalized by increasing the carrying amount of the related fixed asset by the amount of the liability. The asset retirement cost is subsequently allocated to expense through depreciation over the remaining useful life of the asset. Over time, the liability is accreted to its present value each period. Any subsequent revisions to the timing or the amount of the original estimate of undiscounted cash flows are reflected as an increase or a decrease in the carrying amount of the liability and the capitalized amount of the related asset retirement cost. This standard was effective for fiscal years beginning on or after April 1, 2010. The Group applied this standard effective April 1,2010. The effect of this change was immaterial.

q Stock Options – In December 2005, the ASBJ issued ASBJ Statement No.8, "Accounting Standard for Stock Options," and related guidance which require companies to recognize compensation expense for employee stock options based on the fair value at the date of grant and over the vesting period as consideration for receiving goods or services. The standard also requires companies to account for stock options granted to non-employees based on the fair value of either the stock option or the goods or services received. In the balance sheet, the stock option is presented as a stock acquisition right as separate component of equity until exercised. The standard covers equity-settled, share-based payment transactions, but does not cover cash-settled, share-based payment transactions.

r Leases – In March 2007, the ASBJ issued ASBJ Statement No.13, "Accounting Standard for Lease Transactions," which revised the previous accounting standard for lease transactions issued in June 1993. The revised accounting standard for lease transactions was effective for fiscal years beginning on or after April 1, 2008.

Under the previous accounting standard, finance leases that were deemed to transfer ownership of the leased property to the lessee were to be treated as sales. However, other finance leases were permitted to be accounted for as operating lease transactions if certain "as if sold" information is disclosed in the notes to the lessor's financial statements. The revised accounting standard requires that all finance leases that are deemed to transfer ownership of the leased property to the lessee should be recognized as lease receivables and all finance leases that are deemed not to transfer ownership of the leased property to the lessee should be recognized as investments in leases.

The Group applied the revised accounting standard effective April 1, 2008. All other leases are accounted for as operating leases.

s Income Taxes – The provision for income taxes is computed based on the pretax income included in the consolidated statements of income. 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 and the tax bases of assets and liabilities. Deferred taxes are measured by applying currently enacted tax laws to the temporary differences.

t **Foreign Currency Transactions –** Assets and liabilities denominated in foreign currencies held domestically and the accounts of the Bank's overseas branch are translated into Japanese yen generally at the exchange rates prevailing on the balance sheet date.

u **Foreign Currency Financial Statements –** The balance sheet, revenue and expense accounts of the consolidated overseas subsidiaries are translated into Japanese yen at the current exchange rates as of the balance sheet date except for equity, which is translated at the historical exchange rate.

v **Derivatives and Hedging Activities –** Derivatives are stated at fair value. Derivative transactions that meet hedge accounting criteria are primarily accounted for under the deferral method whereby unrealized gains and losses are assets or liabilities until the profits and losses on the hedged items are realized.

The hedging derivative instruments must be highly effective in achieving offsetting changes in fair values or variable cash flows from the hedged items attributable to the risk being hedged.

The Bank adopted portfolio hedging in accordance with Industry Audit Committee Report No. 24 issued by the Japanese Institute of Certified Public Accountants (the "JICPA") . Under portfolio hedging, a portfolio of hedged items such as deposits or loans with common maturities is matched with a group of hedging instruments such as interest rate swaps, which offset the effect of fair value fluctuations of the hedged items by identified maturities. The effectiveness of the portfolio hedge is accessed by each group.

Currency swap and foreign exchange swap transactions are accounted for using deferral hedge accounting by fully applying Industry Audit Committee Report No. 25 issued by the JICPA. Under deferral hedge accounting, hedged items are identified by grouping the foreign currency-denominated financial assets and liabilities by currencies and designating derivative transactions such as currency swap transactions and forward exchange contracts as hedging instruments. Hedge effectiveness is reviewed by comparing the total foreign currency position of the hedged items and hedging instruments by currency.

With respect to derivative transactions between consolidated subsidiaries or internal transactions between trading accounts and other accounts, the Bank manages interest rate swap and currency swap transactions designated as hedging instruments in conformity with the strict hedging criteria for external mirror transactions stipulated the Industry Audit Committee Reports No. 24 and No. 25. Therefore, the Bank accounts for the gains and losses on these swap transactions in its earnings or deferred as assets or liabilities without elimination.

The interest rate swaps which qualify for hedge accounting and meet specific matching criteria are not measured at fair value but the net payments or receipts under the swap agreements are recognized and included in interest expense or income.

w **Per Share Information –** Basic net income per share is computed by dividing net income available to common shareholders by the weighted-average number of common shares outstanding for the period, retroactively adjusted for stock splits.

Diluted net income per share reflects the potential dilution that could occur if securities were exercised or converted into common stock. Diluted net income per share of common stock assumes full conversion of the outstanding convertible notes and bonds at the beginning of the year (or at the time of issuance) with an applicable adjustment for related interest expense, net of tax, and full exercise of outstanding warrants.

Cash dividends per share presented in the accompanying consolidated statements of income are dividends applicable to the respective years including dividends to be paid after the end of the fiscal year.

x **New Accounting Pronouncements**

Accounting Changes and Error Corrections – In December 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." Accounting treatments under this standard and guidance are as follows:

(1) Changes in Accounting Policies

When a new accounting policy is applied due to a revision of accounting standards, the new policy is applied retrospectively unless the revised accounting standards include specific transitional provisions. When the revised accounting standards include specific transitional provisions, an entity shall comply with the specific transitional provisions.

(2) Changes in presentation

When the presentation of financial statements is changed, prior period financial statements are reclassified in accordance with the new presentation.

(3) Changes in accounting estimates

A change in an accounting estimate is accounted for in the period of the change if the change affects that period only and is accounted for prospectively if the change affects both the period of the change and future periods.

(4) Corrections of prior period errors

When an error in prior period financial statements is discovered, those statements are restated.

This accounting standard and the guidance are applicable to accounting changes and corrections of prior period errors which are made from the beginning of the fiscal year that begins on or after April 1, 2011.

3. CASH AND DUE FROM BANKS

Cash and due from banks on the consolidated balance sheets as of March 31, 2011 and 2010 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2011	2010	2011
Cash and cash equivalents	¥ 183,416	¥ 141,990	$ 2,205,850
Due from banks, excluding amounts due from the Bank of Japan	25,413	76,411	305,631
Cash and due from banks	¥ 208,829	¥ 218,401	$ 2,511,482

4. TRADING ASSETS AND LIABILITIES

Trading assets and liabilities as of March 31, 2011 and 2010 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2011	2010	2011
Trading assets:			
Trading securities	¥ 6,737	¥ 2,817	$ 81,025
Financial derivatives	8,817	10,174	106,042
Other trading assets	20,992	19,994	252,469
Total	¥ 36,547	¥ 32,987	$ 439,537
Trading liabilities —Financial derivatives	¥ 8,208	¥ 9,557	$ 98,716

5. MONEY HELD IN TRUST

The aggregate fair value of money held in trust which is listed on stock exchanges or over-the-counter markets as of March 31, 2011 and 2010 is as follows:

	Fair Value		
	Millions of Yen		Thousands of U.S. Dollars
	2011	2010	2011
Money held in trust - Trading	¥ 6,649	¥ 1,860	$ 79,968

6. SECURITIES

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

	Millions of Yen		Thousands of U.S. Dollars
	2011	2010	2011
Securities:			
National government bonds	¥ 883,959	¥ 752,706	$ 10,630,905
Local government bonds	82,998	94,896	998,177
Corporate bonds	253,469	240,718	3,048,339
Equity securities	192,527	225,271	2,315,421
Other securities	264,453	244,626	3,180,442
Total	¥ 1,677,408	¥ 1,558,220	$ 20,173,285

In the following description, in addition to "Securities" in the consolidated balance sheets, also presented are beneficial interests in trust investments within the item "Monetary claims bought."

The carrying amounts and aggregate fair value of the securities as of March 31, 2011 and 2010 are as follows:

	Millions of Yen			
March 31, 2011	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Securities classified as:				
Available-for-sale:				
Equity securities	¥ 102,630	¥ 82,228	¥ 2,310	¥ 182,548
Debt securities	1,203,419	14,952	3,911	1,214,461
Other securities	258,886	4,235	5,271	257,850
Held-to-maturity	5,966	11	70	5,907
March 31, 2010				
Securities classified as:				
Available-for-sale:				
Equity securities	¥ 105,889	¥ 112,780	¥ 3,653	¥ 215,017
Debt securities	1,074,783	11,397	2,878	1,083,302
Other securities	241,139	5,052	6,210	239,980
Held-to-maturity	5,019	6	6	5,020

	Thousands of U.S. Dollars			
March 31, 2011	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Securities classified as:				
Available-for-sale:				
Equity securities	$ 1,234,285	$ 988,916	$ 27,785	$ 2,195,415
Debt securities	14,472,872	179,830	47,035	14,605,668
Other securities	3,113,486	50,942	63,401	3,101,028
Held-to-maturity	71,754	140	846	71,048

Proceeds from sales of available-for-sale securities for the years ended March 31, 2011 and 2010 were ¥225,398 million ($2,710,746 thousand) and ¥165,516 million, respectively. Gross realized gains and losses on these sales, computed on the moving average cost basis, were ¥7,580 million ($91,165 thousand) and ¥2,239 million ($26,936 thousand), respectively, for the year ended March 31, 2011 and ¥5,899 million and ¥1,175 million, respectively, for the year ended March 31, 2010.

7. LOANS AND BILLS DISCOUNTED

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

	Millions of Yen		Thousands of U.S. Dollars
	2011	2010	2011
Bills discounted	¥ 24,528	¥ 22,538	$ 294,988
Loans on bills	262,571	291,042	3,157,801
Loans on deeds	3,162,661	3,049,190	38,035,619
Overdrafts	662,134	689,026	7,963,133
Total	¥ 4,111,895	¥ 4,051,797	$ 49,451,543

Of total loans, loans to customers in bankruptcy which represent nonaccrual loans and which were included in loans and bills discounted, amounted to ¥8,308 million ($99,917 thousand) and ¥18,575 million as of March 31, 2011 and 2010, respectively; past due loans which represent nonaccrual loans other than loans to customers in bankruptcy amounted to ¥114,953 million ($1,382,482 thousand) and ¥124,657 million as of March 31, 2011 and 2010, respectively.

Of total loans, accruing loans contractually past due three months or more amounted to ¥303 million ($3,653 thousand) and ¥369 million as of March 31, 2011 and 2010, respectively.

Of total loans, restructured loans amounted to ¥25,175 million ($302,773 thousand) and ¥41,618 million as of March 31, 2011 and 2010, respectively. Restructured loans, designed to assist in the recovery of the financial health of debtors, were loans on which the Bank granted concessions (e.g., reduction of the stated interest rate, deferral of interest payment, extension of maturity date, reduction of the face amount). Loans classified as nonaccrual loans or accruing loans contractually past due three months or more were excluded from restructured loans.

8. FOREIGN EXCHANGES

Foreign exchanges as of March 31, 2011 and 2010 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2011	2010	2011
Assets:			
Due from foreign banks	¥ 33,819	¥ 8,434	$ 406,731
Foreign exchange bills bought	6,316	6,133	75,963
Foreign exchange bills receivable	3,101	2,693	37,295
Total	¥ 43,237	¥ 17,261	$ 519,990
Liabilities:			
Overdrafts from foreign banks	¥ 41	¥ 231	$ 499
Foreign exchange bills sold	684	420	8,231
Foreign exchange bills payable	970	517	11,676
Total	¥ 1,697	¥ 1,169	$ 20,414

9. PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS

Property, plant and equipment as of March 31, 2011 and 2010, net of accumulated depreciation of ¥66,771 million ($803,026 thousand) and ¥67,568 million, respectively, consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2011	2010	2011
Land	¥ 15,706	¥ 15,716	$ 188,889
Buildings	11,410	11,970	137,228
Construction in progress	15	13	185
Other tangible fixed assets	8,372	8,496	100,688
Software	5,004	5,358	60,184
Other intangible fixed assets	660	666	7,945
Total	¥ 41,169	¥ 42,223	$ 495,121

As of March 31, 2011 and 2010, deferred gains for tax purposes of ¥8,618 million ($103,652 thousand) and ¥8,642 million, respectively, on property, plant and equipment sold and replaced with similar assets have been deducted from the cost of newly acquired property, plant and equipment.

10. ACCEPTANCES AND GUARANTEES

Acceptances and guarantees include all contingent liabilities associated with the issuance of letters of credit, acceptances of bills and issuances of guarantees, etc. The contra account included on the assets side of the consolidated balance sheets represents the Bank's potential claim against applicants.

11. ASSETS PLEDGED

Assets pledged as collateral as of March 31, 2011 and 2010 are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2011	2010	2011
Assets pledged:			
Cash (other assets)	¥ 399	¥ 400	$ 4,804
Securities	240,908	269,107	2,897,281
Total	¥ 241,308	¥ 269,508	$ 2,902,086
Related liabilities:			
Deposits	¥ 35,899	¥ 35,373	$ 431,741
Payables under securities lending transactions	29,068	9,531	349,588
Total	¥ 64,967	¥ 44,904	$ 781,329

In addition to the above, securities of ¥115,003 million ($1,383,084 thousand) and ¥114,543 million as of March 31, 2011 and 2010, respectively, were pledged as collateral for settlement of exchange and derivative transactions or as substitutes for futures transaction margins. Lease receivables to be received as collateral for borrowed money were ¥9,827 million ($118,191 thousand) and ¥12,056 million as of March 31, 2011 and 2010.

Guarantee deposits on office space are included in other assets in the amount of ¥1,027 million ($12,359 thousand) and ¥1,101 million as of March 31, 2011 and 2010. Margin money on futures trading is included in other assets in the amount of ¥15 million as of March 31, 2010.

12. DEPOSITS

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

	Millions of Yen		Thousands of U.S. Dollars
	2011	2010	2011
Current deposits	¥ 187,306	¥ 186,040	$ 2,252,628
Ordinary deposits	2,666,057	2,523,893	32,063,227
Savings deposits	67,025	69,365	806,075
Deposits at notice	18,001	18,010	216,489
Time deposits	2,486,187	2,504,497	29,900,024
Other deposits	137,836	129,380	1,657,682
Total	¥ 5,562,413	¥ 5,431,188	$ 66,896,128

13. BORROWED MONEY

Borrowed money as of March 31, 2011 and 2010 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2011	2010	2011
Borrowings from banks and other	¥ 15,437	¥ 24,957	$ 185,662

14. LIABILITY FOR EMPLOYEE RETIREMENT BENEFITS

The Bank and its domestic consolidated subsidiaries have a contributory funded pension plan and non-contributory unfunded retirement benefit plans.

Employees whose service with the Bank or domestic consolidated subsidiaries is terminated are, under most circumstances, entitled to retirement and pension benefits determined by reference to basic rates of pay at the time of termination, length of service and conditions under which the termination occurs. If the termination is involuntary, caused by retirement at the mandatory retirement age or caused by death, the employee is typically entitled to a larger payment than in the case of voluntary termination.

The liabilities for employee retirement benefits at March 31, 2011 and 2010 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2011	2010	2011
Projected benefit obligation	¥ 55,070	¥ 54,897	$ 662,303
Fair value of plan assets	(46,482)	(50,968)	(559,022)
Projected benefit obligation in excess of plan assets	8,587	3,928	103,281
Unrecognized net actuarial loss	(10,429)	(7,765)	(125,432)
Net recognized	(1,841)	(3,836)	(22,151)
Prepaid pension cost	16,803	18,897	202,085
Liability for employee retirement benefits	¥ 14,961	¥ 15,060	$ 179,934

The components of net periodic benefit costs for the years ended March 31, 2011 and 2010 are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2011	2010	2011
Service cost	¥ 1,155	¥ 1,900	$ 13,900
Interest cost	982	984	11,811
Expected return on plan assets	(756)	(674)	(9,094)
Amortization of net actuarial loss	1,642	2,141	19,755
Other cost	111	168	1,340
Net periodic benefit costs	¥ 3,135	¥ 4,520	$ 37,713

Assumptions used for the years ended March 31, 2011 and 2010 are as follows:

	2011	2010
Discount rate	2.0%	2.0%
Expected rate of return on plan assets	1.0%–2.0%	1.0%–2.0%
Amortization period of actuarial gain/loss	10 years	10 years

Prior service cost is charged to income as incurred.

15. EQUITY

The significant provisions in the Banking Law and the Companies Act that affect financial and accounting matters are summarized below:

a Dividends

Under the Companies Act, companies can pay dividends at any time during the fiscal year in addition to the year-end dividend upon resolution at the shareholders meeting. For companies that meet certain criteria such as: (1) having a Board of Directors, (2) having independent auditors, (3) having a Board of Corporate Auditors, and (4) the term of service of the directors is prescribed as one year rather than two years of normal term by its articles of incorporation, the Board of Directors may declare dividends (except for dividends-in-kind) at any time during the fiscal year if the company has prescribed so in its articles of incorporation. The Bank meets all the above criteria.

Semiannual interim dividends may also be paid once a year upon resolution by the Board of Directors if the articles of incorporation of the company so stipulate. The Companies Act provides certain limitations on the amounts available for dividends or the purchase of treasury stock. The limitation is defined as the amount available for distribution to the shareholders, but the amount of net assets after dividends must be maintained at no less than ¥3 million.

b Increases/Decreases and Transfer of Common Stock, Reserve and Surplus

The Companies Act requires that an amount equal to 10% of dividends must be appropriated as a legal reserve (a component of retained earnings) or as additional paid-in capital (a component of capital surplus) depending on the equity account charged upon the payment of such dividends until the total of the aggregate amount of the legal reserve and additional paid-in capital equals 25% of common stock. Under the Companies Act, the total amount of additional paid-in capital and legal reserve may be reversed without limitation. The Companies Act also provides that common stock, legal reserve, additional paid-in capital, other capital surplus and retained earnings can be transferred among the accounts under certain conditions upon resolution of the shareholders.

c Treasury Stock and Treasury Stock Acquisition Rights

The Companies Act also provides for companies to purchase treasury stock and dispose of such treasury stock by resolution of the Board of Directors. The amount of treasury stock purchased cannot exceed the amount available for distribution to the shareholders which is determined by a specific formula.

Under the Companies Act, stock acquisition rights are presented as a separate component of equity.

The Companies Act also provides that companies can purchase both treasury stock acquisition rights and treasury stock. Such treasury stock acquisition rights are presented as a separate component of equity or deducted directly from stock acquisition rights.

The Banking Law provides that an amount at least equal to 20% of the aggregate amount of cash dividends and certain other appropriations of retained earnings associated with cash outlays applicable to each period shall be appropriated as a legal reserve (a component of retained earnings) until the total of such reserve and additional paid-in capital equals 100% of common stock. The amount of total additional paid-in capital and legal reserve that exceeds 100% of common stock may be available for dividends by resolution of the shareholders. In addition, the Companies Act permits the transfer of a portion of additional paid-in capital and legal reserves to common stock by resolution of the Board of Directors.

16. STOCK ACQUISITION RIGHTS

Stock-based compensation expense was ¥68 million ($820 thousand) for the fiscal year ended March 31, 2011.

The stock options outstanding as of March 31, 2011 are as follows:

	2008 Stock Option	2009 Stock Option	2010 Stock Option
Persons Granted	9 directors	8 directors	8 directors
Number of Options Granted	105,700 shares	135,900 shares	150,000 shares
Date of Grant	2008.7.28	2009.7.27	2010.8.2
Exercise Price	¥1 ($0.01)	¥1 ($0.01)	¥1 ($0.01)
Exercise Period	From July 29, 2008 to July 28, 2033	From July 28, 2009 to July 27, 2034	From August 3, 2010 to August 2, 2035

	2008 Stock Option	2009 Stock Option	2010 Stock Option
		(shares)	
Year ended March 31, 2010			
Non-vested			
March 31, 2009— Outstanding	105,700		
Granted		135,900	
Canceled			
Vested	28,000		
March 31, 2010— Outstanding	77,700	135,900	
Vested			
March 31, 2009— Outstanding			
Vested	28,000		
Exercised	28,000		
Canceled			
March 31, 2010— Outstanding			
Year ended March 31, 2011			
Non-vested			
March 31, 2010— Outstanding	77,700	135,900	
Granted			150,000
Canceled			
Vested	10,300	13,500	
March 31, 2011— Outstanding	67,400	122,400	150,000
Vested			
March 31, 2010— Outstanding			
Vested	10,300	13,500	
Exercised	10,300	13,500	
Canceled			
March 31, 2011— Outstanding			
Exercise price	¥1 ($ 0.01)	¥1 ($ 0.01)	¥1 ($ 0.01)
Average stock price at exercise	¥507 ($ 6.09)	¥507 ($ 6.09)	
Fair value price at grant date	¥617 ($ 7.42)	¥512 ($ 6.15)	¥452 ($ 5.43)

The Assumptions Used to Measure Fair Value of 2010 Stock Option Grant
Estimate method:Black-Scholes option pricing model
Volatility of stock price:31.03%
Estimated remaining outstanding period:Four years and one month
Estimated dividend:¥ 6 per share
Interest rate with risk free:0.27%

17. OTHER OPERATING INCOME

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

	Millions of Yen		Thousands of U.S. Dollars
	2011	2010	2011
Gains on foreign exchange transactions	¥ 1,022	¥ 968	$ 12,301
Gains on sales of bonds	5,591	5,300	67,240
Other	39,672	41,864	477,117
Total	¥ 46,286	¥ 48,133	$ 556,659

18. OTHER INCOME

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

	Millions of Yen		Thousands of U.S. Dollars
	2011	2010	2011
Gains on sales of equity securities	¥ 794	¥ 2,105	$ 9,549
Gains on money held in trust	149	16	1,792
Other	4,109	4,338	49,426
Total	¥ 5,052	¥ 6,461	$ 60,768

19. OTHER OPERATING EXPENSES

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

	Millions of Yen		Thousands of U.S. Dollars
	2011	2010	2011
Loss on redemption of bonds		¥ 2,949	
Loss on sales of bonds	¥ 603	370	$ 7,259
Valuation losses on bonds	366	1,404	4,410
Other	34,245	35,579	411,857
Total	¥ 35,216	¥ 40,304	$ 423,526

20. OTHER EXPENSES

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

	Millions of Yen		Thousands of U.S. Dollars
	2011	2010	2011
Write-off of loans	¥ 139	¥ 42	$ 1,671
Losses on sales of equity securities	1,656	812	19,923
Valuation losses on equity securities	3,511	746	42,233
Loss on money held in trust	11		136
Loss on sales of real estate	181	142	2,179
Impairment losses	86	339	1,043
Other	1,452	2,266	17,463
Total	¥ 7,038	¥ 4,350	$ 84,652

21. INCOME TAXES

The Bank and its domestic consolidated subsidiaries are subject to Japanese national and local income taxes which, in the aggregate, resulted in a normal effective statutory tax rate of approximately 40.28% for the years ended March 31, 2011 and 2010.

The tax effects of significant temporary differences which resulted in deferred tax assets and liabilities as of March 31, 2011 and 2010 are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2011	2010	2011
Deferred tax assets:			
Allowance for credit losses	¥ 25,956	¥ 34,912	$ 312,169
Liability for employee retirement benefits	6,284	6,103	75,574
Valuation difference on available-for-sale securities	4,478	5,091	53,858
Deferred losses on hedges	1,169	1,096	14,064
Valuation losses on equity securities	4,064	2,930	48,879
Depreciation	4,426	4,935	53,239
Accrued enterprise tax	261	671	3,149
Others	4,497	4,543	54,089
Less – valuation allowance	(6,327)	(5,151)	(76,091)
Total	44,812	55,134	538,933
Deferred tax liabilities:			
Valuation difference on available-for-sale securities	40,409	51,557	485,983
Gain on contribution of securities to employee retirement benefit trust	2,985	2,985	35,907
Deferred gains on hedges	2,829	2,112	34,024
Others	2,355	2,846	28,329
Total	48,580	59,502	584,245
Net deferred tax assets (liabilities)	¥ (3,767)	¥ (4,367)	$ (45,312)

Reconciliation is not presented for the years ended March 31, 2011 and 2010 because the difference was immaterial (less than 5% of the normal statutory tax rate).

22. LEASES

Lessor

The net investments in leases are summarized as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2011	2010	2011
Gross lease receivables	¥ 73,392	¥ 82,957	$ 882,654
Estimated residual values	2,307	2,480	27,753
Estimated maintenance cost	(3,311)	(3,582)	(39,819)
Unearned interest income	(8,314)	(10,460)	(99,989)
Investments in leases	¥ 64,075	¥ 71,394	$ 770,598

Maturities of lease receivables for finance leases that are deemed to transfer ownership of the leased property to the lessee are as follows:

	Millions of Yen		Thousands of U.S. Dollars
March 31	2011	2010	2011
Due in 1 year or less	¥ 196	¥ 105	$ 2,358
Due from 1 to 2 years	195	103	2,351
Due from 2 to 3 years	185	102	2,225
Due from 3 to 4 years	158	92	1,903
Due from 4 to 5 years	59	67	710
Due after 5 years	51	1	621
Total	¥ 845	¥ 474	$ 10,170

Maturities of investments in leases for finance leases that are deemed not to transfer ownership of the leased property to the lessee are as follows:

March 31	Millions of Yen		Thousands of U.S. Dollars
	2011	2010	2011
Due in 1 year or less	¥ 25,864	¥ 26,047	$ 311,056
Due from 1 to 2 years	18,636	21,583	224,133
Due from 2 to 3 years	13,171	14,923	158,404
Due from 3 to 4 years	8,507	9,647	102,309
Due from 4 to 5 years	4,562	5,444	54,864
Due after 5 years	2,651	5,311	31,885
Total	¥ 73,392	¥ 82,957	$ 882,654

The minimum rental commitments under noncancelable operating leases as of March 31, 2011 and 2010 are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2011	2010	2011
Due within one year	¥ 1,981	¥ 1,876	$ 23,826
Due after one year	1,733	1,523	20,850
Total	¥ 3,714	¥ 3,400	$ 44,676

23. RELATED PARTY TRANSACTIONS

Related party transactions for the fiscal years ended March 31, 2011 and 2010 are as follows:

2011

Related Party	Category	Description of the Transaction	Amounts of Transactions		Balance at End of the Year	
			Millions of Yen	Thousands of U.S. Dollars	Millions of Yen	Thousands of U.S. Dollars
Takeshi Kadota	Corporate auditor	Loan	(Average amounts) ¥ 24	$ 299	¥ 24	$ 290

2010

Related Party	Category	Description of the Transaction	Amounts of Transactions	Balance at End of the Year
			Millions of Yen	Millions of Yen
Takeshi Kadota	Corporate auditor	Loan	(Average amounts) ¥ 26	¥ 25

24. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

On March 10, 2008, the ASBJ revised ASBJ Statement No.10 "Accounting Standard for Financial Instruments," and issued ASBJ Guidance No.19 "Guidance on Accounting Standard for Financial Instruments and Related Disclosures." This accounting standard and the guidance are applicable to financial instruments and related disclosures at the end of the fiscal years ending on or after March 31, 2010. The Group applied the revised accounting standard and the new guidance effective March 31, 2010.

(1) Group Policy for Financial Instruments

The Group offers financial services such as providing loans and sales of investment products to customers. In performing these operations, the Bank uses funds received as deposits from customers or by borrowing money from the market in consideration of market conditions and the balance in funding periods between the short-term and the long-term.

As the Bank holds financial assets and liabilities affected by interest rate movements, it carries out Asset Liability Management (ALM) to avoid negative effects of interest movements. In managing interest rate movements, the Bank deals with derivatives.

The Bank and some consolidated subsidiaries also hold securities for sale to customers.

(2) Nature and Extent of Risks Arising from Financial Instruments

(a) Loans

The Bank provides loans mainly to domestic customers but does not focus on specific groups of companies. These loans are exposed to credit risk in the case of the customers' breach of the contract. In all domestic loans, the percentage of loans in Nagano Prefecture, the Banks' main business area, is approximately 60%. So the Bank's credit risk is likely to deteriorate due to changes in the economy in Nagano Prefecture.

(b) Securities

Securities are mainly bonds, stocks, investment trusts and corporative funds. These securities are classified into categories such as (1) securities held-to-maturity, (2) available-for-sales, and (3) securities for trading purposes to sell to customers. All securities are exposed to the credit risk of the securities' issuers or interest rate risk, market price risk, foreign exchange risk and liquidity risk.

(c) Deposits

The Bank receives deposits from customers. These deposits are exposed to interest rate risk, foreign exchange risk and liquidity risk.

(d) Derivatives

The purpose of using derivatives is to provide customers various hedging instruments, to hedge the Bank's portfolio under ALM and to enhance the Bank's profit. Derivatives include interest rate swaps, interest-cap transactions and currency exchange swaps, etc. Using these derivatives as hedging instruments for loans and securities, the Bank applies hedge accounting to derivative transactions and assesses the effectiveness between the hedged items and hedging instruments from the start of hedging. These derivative transactions are exposed to market risk and credit risk.

Derivative transactions used for hedging purposes are carried out in accordance with the Bank's annual hedging policy.

(3) Risk Management for Financial Instruments

(a) Credit risk management

In accordance with internal rules of credit risk management, the Bank examines every loan, manages loans according to credit lines for each debtor, addresses troubled loans, reviews each debtor's credit rating and manages the Bank's loan portfolio. Regarding the loan examination structure, the loan promotion section is separated from the loan examination section in the Head Office. These two sections monitor and check each other. Every loan from the business branches is examined in many stages from loan application to the Bank's final decision. The Bank reviews each debtor's credit rating on a regular basis to identify troubled loans in a timely manner. In addition, the Bank uses examination results in order to reduce credit risk and to manage the Bank's loan portfolio.

To address the credit risk of securities' issuers, the Bank carries out its business under credit line limits for each debtor. Such limits are defined by the Risk Management Department on a semiannual basis.

(b) Market risk management (interest rate risk, foreign exchange risk, market price risk)

The Group stipulates internal rules of market risk management and controls market risk so as to maintain management soundness and profitability.

Considering market conditions and the Bank's ability, the Bank defines the Market Risk Management Policy on a semiannual basis to maintain an appropriate balance between risk and return and to adjust the volume of risk. Furthermore, the Management Committee confirms the risk limit and loss limit by each transaction type for each customer according to the Market Risk Management Policy. The Bank defines the limit of investment, limit of holding and limit of valuation losses as necessary. It also defines the threshold which should limit market risk and losses to certain amounts. Each section should carry out its business within risk limits as well as report the risk status to an executive officer on a daily basis.

Regarding management of business operations, the front office is separated from the back office. The middle office which controls and manages risk is also separated from these two offices. These three offices monitor and check each other.

Management of Interest Rate Risk

To manage risk caused by interest rate fluctuations, the Bank uses Value at Risk "(VaR)" for the change of economic value and uses ALM for the change of interest rate in gap analysis. The "ALM and Integrated Risk Conference" monitors the Group's risk status and discusses various measures corresponding to risks. As stated above, the Bank uses some derivatives transactions under ALM.

Management of Foreign Exchange Risk

The Bank manages the change of economic value arising from fluctuations in foreign exchange rates by VaR. To avoid excessive foreign exchange risk, the Bank defines the upper holding limit in its Market Risk Management Policy.

Management of Market Price Risk

The Bank manages the change of economic value arising from fluctuations in market prices by VaR. The Board of Directors define the upper limit of risk on a semiannual basis by taking into account the Bank's capital status and market conditions. Some consolidated subsidiaries report market values of holding securities to the Bank's Board of Directors on a regular basis.

The Principles of Derivative Transactions

The Bank establishes internal rules for derivative transactions and manages the Group's risk in an integrated fashion including derivative transactions made by consolidated subsidiaries. Regarding derivatives, the Risk Management Department reports the total positions, market values and market risk amounts to both executive officers and the "ALM and Integrated Risk Conference" on a regular basis.

To manage risk arising from derivative transactions, the middle office, which checks and controls risk, is separated from the front office so as to monitor the front office's transactions.

Quantitative Information on Market Risk

The Bank principally uses VaR for quantitative analysis of the market risk of all financial instruments. For in calculating VaR, the historical simulation method (confidence interval of 99%, observation period of 1,250 days, and holding period of 10 days for Bank's trading business and of 120 days for Bank's banking business) has been adopted.
The VaR in the Bank's trading business is ¥65 million ($792 thousand) and the VaR in the Bank's banking business is ¥147,459 million ($1,773,420 thousand) as of March 31, 2011. The Bank conducts back testing to compare the VaR calculated using the model with actual loss amounts. According to the bank testing results, it is believed that the measurement model the Bank uses is adequate to capture market risk. It should be noted that VaR measures the amount of market risk at certain probability levels statistically calculated based on historical market fluctuations, and therefore there may be cases where market risk cannot be captured in such situations as when market conditions change dramatically beyond what has been experienced historically.

(c) Liquidity risk management

The Bank manages liquidity risk through diversification of funding and adjustment of funding periods between long-term and short-term under ALM.

(4) Fair Value of Financial Instruments

Fair values of financial instruments are based on quoted prices in active markets. If quoted prices are not available, other rational valuation techniques are used instead. Please see Note 25 for the detail of the fair value of derivatives.

(a) Fair value of financial instruments

	Millions of Yen		
March 31, 2011	Carrying Amount	Fair Value	Unrealized Gains/Losses
Cash and due from banks	¥ 208,829	¥ 208,829	
Securities:			
Held-to-maturity	5,966	5,907	¥ (58)
Available-for-sale	1,654,860	1,654,860	
Loans and bills discounted	4,111,895		
Allowance for credit losses	(75,113)		
Subtotal	4,036,782	4,094,180	57,397
Lease receivables and investments in leases	61,118	62,475	1,356
Total	¥5,967,557	¥6,026,253	¥ 58,695
Deposits	¥5,562,413	¥5,564,642	¥ 2,229
Derivative transactions:			
Hedge accounting not applied	¥ 1,010	¥ 1,010	
Hedge accounting applied	3,438	3,438	
Total	¥ 4,449	¥ 4,449	

	Millions of Yen		
March 31, 2010	Carrying Amount	Fair Value	Unrealized Gains/Losses
Cash and due from banks	¥ 218,401	¥ 218,401	
Call loans and bills bought	87,365	87,365	
Securities:			
Held-to-maturity	5,019	5,020	
Available-for-sale	1,536,398	1,536,398	
Loans and bills discounted	4,051,797		
Allowance for credit losses	(91,968)		
Subtotal	3,959,829	4,019,370	¥ 59,541
Lease receivables and investments in leases	66,998	71,037	4,038
Total	¥5,874,012	¥5,937,592	¥ 63,579
Deposits	¥5,431,188	¥5,434,753	¥ 3,565
Derivative transactions:			
Hedge accounting not applied	¥ 571	¥ 571	
Hedge accounting applied	2,048	2,048	
Total	¥ 2,620	¥ 2,620	

	Thousands of U.S.Dollars		
March 31, 2011	Carrying Amount	Fair Value	Unrealized Gains/Losses
Cash and due from banks	$2,511,482	$2,511,482	
Securities:			
Held-to-maturity	71,754	71,048	$ (705)
Available-for-sale	19,902,111	19,902,111	
Loans and bills discounted	49,451,543		
Allowance for credit losses	(903,347)		
Subtotal	48,548,196	49,238,487	690,291
Lease receivables and investments in leases	735,038	751,356	16,318
Total	$71,768,581	$72,474,486	$ 705,904
Deposits	$66,896,128	$66,922,935	$ 26,807
Derivative transactions:			
Hedge accounting not applied	$ 12,155	$ 12,155	
Hedge accounting applied	41,354	41,354	
Total	$ 53,509	$ 53,509	

Cash and Due from Banks

Fair values of cash and due from banks which have no maturity dates are approximately equivalent to book values.

Regarding due from banks with maturity dates, the fair values of products with short maturities (less than one year) are equivalent to the book values.

Call Loans and Bills Bought

Fair values of call loans and bills bought are equivalent to book values because of their short maturities.

Securities

Fair values of stocks are measured at the quoted market prices in stock markets. Fair values of bonds are measured at the quoted market prices in bond markets or the quoted prices obtained from financial institutions.

Fair values of investment trusts are measured at the standard prices disclosed in public.

Fair values of private placement bonds with guarantees are measured at the total amounts of the principal and interest discounted at market rates plus spreads. The spreads are defined in internal guidelines.

Information relating to securities by holding purpose is included in Note 6.

Loans

Because floating rate loans are immediately affected by the movement of market rates, the fair values of these loans are equivalent to book values in cases where the credit risk of debtors has not totally changed from the execution of the loans.

As for fixed rate loans used to fund business, fair values are determined by discounting the total amounts of the principal and interest at market rates plus spreads. The spreads are defined in internal guidelines.

As for fixed rate loans other than business funds, fair values are determined by discounting the total amounts of the principal and interest at expected rates if the Bank newly executes similar loans to customers. Such expected rates are determined according to the loans' type and period. The fair values of fixed rate loans other than business funds with short maturity (less than one year) are equivalent to the book values.

For loans to debtors who are legally bankrupt, virtually bankrupt and possible bankrupt, a reserve for possible loan losses calculated from the current value of expected future cash flows or from the amount expected to be collected through disposal of collateral or execution of guarantees is provided. Therefore, the book values at the balance sheet date, net of reserve amounts, are regarded as the fair values.

Specific loans in which the loan amount can be increased or decreased within the collateral amount have no maturity dates. The fair values of such loans are assumed to be equivalent to the book values because of the loans' period and conditions.

Lease Receivables and Investments in Leases

Fair values of lease receivables and investments in leases are determined by discounting the receivable amounts from lease contracts, net of expected residual value and maintenance costs, at the average of the latest interest rates.

Deposits

Fair values of demand deposits are measured at the expected amount to be paid to depositors from the Bank at the balance sheet date (book values). As for time deposits, according to each period, fair values are measured at the total amount of the principal and interest discounted at the rate that the Bank applies to new deposits.

Derivatives

Information on the fair value of derivatives is included in Note 25.

(b) Financial instruments whose fair value cannot be reliably determined

March 31	Millions of Yen 2011	Millions of Yen 2010	Thousands of U.S. Dollars 2011
Investments in equity instruments that do not have a quoted market price in an active market	¥ 16,578	¥ 16,799	$199,384

(5) Maturity Analysis for Financial Assets and Securities with Contractual Maturities

Millions of Yen

March 31, 2011	Due in 1 year or less	Due from 1 to 3 years	Due from 3 to 5 years	Due from 5 to 7 years	Due from 7 to 10 years	Due after 10 years
Due from banks	¥ 142,413					
Securities	213,414	¥ 236,537	¥ 239,779	¥ 167,136	¥ 351,159	¥ 235,760
Held-to-maturity			5,900			
National government bonds			5,000			
Corporate bonds			900			
Available-for-sale	213,414	236,537	233,879	167,136	351,159	235,760
National government bonds	67,000	70,000	106,000	132,500	288,500	205,000
Local government bonds	3,410	13,404	20,021	12,083	31,745	
Corporate bonds	74,523	94,194	65,252	1,463	15,629	
Loans and bills discounted	873,608	916,720	611,979	270,177	290,560	449,799
Lease receivables and investments in leases	26,060	32,188	13,286	2,549	153	
Total	¥ 1,255,496	¥ 1,185,447	¥ 865,045	¥ 439,862	¥ 641,873	¥ 685,560

March 31, 2010	Due in 1 year or less	Due from 1 to 3 years	Due from 3 to 5 years	Due from 5 to 7 years	Due from 7 to 10 years	Due after 10 years
Due from banks	¥ 153,946					
Call loans and bills bought	87,365					
Securities	201,569	¥ 344,164	¥ 135,500	¥ 104,030	¥ 317,985	¥ 198,033
Held-to-maturity	2,000		3,000			
National government bonds	2,000		3,000			
Available-for-sale	199,569	344,164	132,500	104,030	317,985	198,033
National government bonds	105,000	101,000	26,000	88,000	248,000	174,000
Local government bonds	17,185	13,958	19,826	5,252	36,472	
Corporate bonds	37,342	147,659	40,903	918	11,508	
Loans and bills discounted	879,436	859,152	643,181	267,677	254,723	458,599
Lease receivables and investments in leases	26,153	36,712	15,252	3,867	1,446	
Total	¥ 1,348,470	¥ 1,240,029	¥ 793,934	¥ 375,575	¥ 574,155	¥ 656,632

March 31, 2011	Thousands of U.S. Dollars					
	Due in 1 year or less	Due from 1 to 3 years	Due from 3 to 5 years	Due from 5 to 7 years	Due from 7 to 10 years	Due after 10 years
Due from banks	$ 1,712,731					
Securities	2,566,617	$ 2,844,711	$ 2,883,694	$ 2,010,055	$ 4,223,206	$ 2,835,364
Held-to-maturity			70,956			
National government bonds			60,132			
Corporate bonds			10,823			
Available-for-sale	2,566,617	2,844,711	2,812,738	2,010,055	4,223,206	2,835,364
National government bonds	805,772	841,852	1,274,804	1,593,505	3,469,633	2,465,423
Local government bonds	41,019	161,208	240,784	145,325	381,785	
Corporate bonds	896,252	1,132,827	784,760	17,594	187,961	
Loans and bills discounted	10,506,414	11,024,904	7,359,948	3,249,273	3,494,412	5,409,499
Lease receivables and investments in leases	313,415	387,113	159,788	30,655	1,851	
Total	$ 15,099,179	$ 14,256,730	$ 10,403,430	$ 5,289,984	$ 7,719,470	$ 8,244,863

(6) Scheduled Repayment Amount after the Balance Sheet Date for Borrowed Money and Other Interest bearing Liabilities

	Millions of Yen					
March 31, 2011	Due in 1 year or less	Due from 1 to 3 years	Due from 3 to 5 years	Due from 5 to 7 years	Due from 7 to 10 years	Due after 10 years
Deposits	¥ 4,752,258	¥ 773,241	¥ 27,022	¥ 3,236	¥ 6,653	
March 31, 2010						
Deposits	¥ 4,665,042	¥ 724,427	¥ 33,544	¥ 2,945	¥ 5,227	

	Thousands of U.S.Dollars					
March 31, 2011	Due in 1 year or less	Due from 1 to 3 years	Due from 3 to 5 years	Due from 5 to 7 years	Due from 7 to 10 years	Due after 10 years
Deposits	$ 57,152,840	$ 9,299,353	$ 324,988	$ 38,923	$ 80,022	

25. DERIVATIVES

Derivatives which the Bank and certain consolidated subsidiaries use are as follows:

Interest rate-related transactions:	Interest rate futures, forward rate agreements, interest rate swaps and interest rate options
Currency-related transactions:	Currency swaps, currency futures, currency options and forward foreign exchange contracts
Stock-related transactions:	Stock index futures and stock index future options
Bond-related transactions:	Bond futures, bond future options and over-the-counter bond options
Others:	Credit derivatives

The Bank and certain subsidiaries use derivatives primarily to hedge risks for customers, to maximize the profit of its own trading account and to manage the potential risks in its own portfolio as a part of ALM.

Derivatives are subject to market risk and credit risk. Market risk is the exposure created by potential fluctuations in market conditions, including interest rates, foreign exchange rates or prices of bonds. Credit risk is the possibility that a loss may result from a counterparty's failure to perform according to the terms and conditions of the contract.

The Bank comprehensively controls derivative risks of the Bank and certain consolidated subsidiaries in accordance with its Risk Management Regulations and Market Risk Management Regulations. The position amounts, market values and market risks are reported periodically to the responsible executive officers and to the ALM Committee, where evaluations and analyses of derivatives are made.

Risk control of derivatives is the responsibility of the Risk Management Department independent from the front office. The Risk Management Department is in charge of controlling market risks in order to make the risk control system work effectively.

On the other hand, concerning credit risk management, the Bank sets up credit limits of customers according to their credit standings and manages it strictly not to exceed each credit ceiling of customers.

It should be noted that the nominal contract value or notional principal amount is used in determining the value of receipts or payments of interest and as an indicator representative of the volume of transactions, but those values do not necessarily reflect such things as market risk or credit risk.

As noted in Note 24, the Group applied ASBJ Statement No. 10 "Accounting Standard for Financial Instruments," and ASBJ Guidance No.19 "Guidance on Accounting Standard for Financial Instruments and Related Disclosures." The accounting standard and the guidance are applicable to financial instruments and related disclosures at the end of the fiscal years ending on or after March 31, 2010.

Derivative Transactions to Which Hedge Accounting Is Not Applied at March 31, 2011

	Millions of Yen				Thousands of U.S. Dollars			
	Contract or Notional Amount	Contract Amount due after one year	Fair Value	Unrealized Gains/Losses	Contract or Notional Amount	Contract Amount due after one year	Fair Value	Unrealized Gains/Losses
Interest Rate-related Transactions								
Over-the-counter—Interest rate swaps:								
Receipt fixed—payments floating	¥ 88,040	¥ 84,322	¥ 1,292	¥ 1,292	$ 1,058,820	$ 1,014,101	$ 15,541	$ 15,541
Receipt floating—payments fixed	87,574	83,856	(690)	(690)	1,053,216	1,008,496	(8,300)	(8,300)
Over-the-counter—Interest rate options:								
Selling	3,538	1,246	(6)	66	42,555	14,994	(77)	794
Buying	3,538	1,246	6	(45)	42,555	14,994	77	(548)
Currency-related Transactions								
Over-the-counter—Currency swaps	5,469	3,492	6	6	65,772	42,000	72	72
Over-the-counter—Currency futures:								
Selling	30,792	7,104	(268)	(268)	370,328	85,437	(3,235)	(3,235)
Buying	26,735	7,137	984	984	321,527	85,837	11,835	11,835
Over-the-counter—Currency options:								
Selling	60,886	42,423	(7,770)	(429)	732,243	510,205	(93,454)	(5,169)
Buying	60,886	42,423	7,770	2,737	732,243	510,205	93,454	32,926
Credit Derivative								
Over-the-counter—Credit default options	5,415	2,000	(312)	(292)	65,132	24,052	(3,759)	(3,514)

The contract or notional amounts of derivatives which are shown in the above table do not represent the amounts exchanged by the parties and do not measure the Group's exposure to credit or market risk.

Derivative Transactions to Which Hedge Accounting Is Applied at March 31, 2011

		Millions of Yen			Thousands of U.S. Dollars		
	Hedged item	Contract or Notional Amount	Contract Amount due after one year	Fair Value	Contract or Notional Amount	Contract Amount due after one year	Fair Value
Interest Rate-related Transactions							
Interest rate swaps—							
Receipt floating—payments fixed	Loans and bills discounted, available-for-sale securities, and other financial assets and liabilities	¥ 258,969	¥ 250,278	¥ (217)	$ 3,114,482	$ 3,009,960	$ (2,612)
Currency-related Transactions							
Currency swaps	Foreign bonds	9,496	5,812	3,463	114,211	69,900	41,654
Foreign exchange swaps	Foreign currency loans and deposits	16,937		192	203,699		2,312

The contract or notional amounts of derivatives which are shown in the above table do not represent the amounts exchanged by the parties and do not measure the Group's exposure to credit or market risk.

The below interest rate swaps which qualify for hedge accounting and meet specific matching criteria are not remeasured at market value but the differential paid or received under the swap agreements is recognized and included in interest expense or income.

		Millions of Yen			Thousands of U.S. Dollars		
	Hedged item	Contract or Notional Amount	Contract Amount due after one year	Fair Value	Contract or Notional Amount	Contract Amount due after one year	Fair Value
Interest Rate-related Transactions							
Interest rate swaps—							
Receipt floating—payments fixed	Loans and bills discounted, and borrowed money	¥ 11,507	¥ 11,507		$ 138,398	$ 138,398	

Derivative Transactions to Which Hedge Accounting Is Not Applied at March 31, 2010:

	Millions of Yen			
	Contract or Notional Amount	Contract Amount due after one year	Fair Value	Unrealized Gains/Losses
Interest Rate-related Transactions				
Listed—interest rate futures:				
Selling	¥ 298			
Buying	99			
Over-the-counter—Interest rate swaps:				
Receipt fixed—payments floating	71,083	¥ 67,717	¥ 1,278	¥ 1,278
Receipt floating—payments fixed	71,846	68,481	(746)	(746)
Over-the-counter—Interest rate options:				
Selling	6,443	4,116	(19)	141
Buying	6,443	4,116	19	(92)
Currency-related Transactions				
Over-the-counter—Currency swaps	14,995	10,808	31	31
Over-the-counter—Currency futures:				
Selling	34,792	7,495	78	78
Buying	33,489	7,495	(105)	(105)
Over-the-counter—Currency options:				
Selling	79,977	60,321	(7,701)	859
Buying	79,977	60,321	7,701	1,730
Bond-related Transactions				
Listed—Bond futures—selling	139		1	1
Credit Derivative				
Over-the-counter—Credit default options	6,465	5,465	34	63

Derivative Transactions to Which Hedge Accounting Is Applied at March 31, 2010:

		Millions of Yen		
	Hedged item	Contract or Notional Amount	Contract Amount due after one year	Fair Value
Interest Rate-related Transactions				
Interest rate swaps—Receipt floating—payments fixed	Loans and bills discounted, available-for-sale securities, and other financial assets and liabilities	¥ 185,809	¥ 177,110	¥ (802)
Currency-related Transactions				
Currency swaps	Foreign bonds	14,794	10,573	3,051
Foreign exchange swaps	Foreign currency loans and deposits	13,697		(199)

The below interest rate swaps which qualify for hedge accounting and meet specific matching criteria are not remeasured at market value, but the differential paid or received under the swap agreements is recognized and included in interest expense or income.

		Millions of Yen		
	Hedged item	Contract or Notional Amount	Contract Amount due after one year	Fair Value
Interest Rate-related Transactions				
Interest rate swaps—Receipt floating—payments fixed	Loans and bills discounted, and borrowed money	¥ 6,805	¥ 6,805	

The contract or notional amounts of derivatives which are shown in the above tables do not represent the Bank's exposure to credit or market risk.

26. LOAN COMMITMENTS

The Bank and consolidated subsidiaries issue commitments to extend credit and establish credit lines for overdrafts to meet the financing needs of their customers. Unfunded amounts relating to these contracts totaled ¥1,344,583 million ($16,170,577 thousand) and ¥1,297,711 million as of March 31, 2011 and 2010, respectively.

Since a large majority of these commitments expire without being drawn down upon, the unfunded amounts do not necessarily represent future cash requirements. Many of these agreements include conditions granting the Bank the right to reject the drawdown or to reduce the amount on the basis of changes in the financial circumstances of the borrower or other reasonable grounds.

In addition, the Bank obtains collateral when necessary to reduce credit risk related to these commitments.

27. COMPREHENSIVE INCOME

For the year ended March 31, 2010

Total comprehensive income for the year ended March 31, 2010 was as follows:

	Millions of Yen
	2010
Total comprehensive income attributable to:	
Owners of the parent	¥ 61,628
Minority interests	1,925
Total comprehensive income	¥ 63,553

Other comprehensive income for the year ended March 31, 2010 consisted of the following:

	Millions of Yen
	2010
Other comprehensive income:	
Valuation difference on available-for-sale securities	¥ 43,337
Deferred gains on hedges	1,465
Foreign currency translation adjustments	22
Total other comprehensive income	¥ 44,825

28. NET INCOME PER SHARE

Basic net income per share ("EPS") for the years ended March 31, 2011 and 2010 are as follows:

	Millions of Yen	Thousands of Shares	Yen	U.S. Dollars
Year Ended March 31, 2011	Net Income	Weighted-Average Shares	EPS	
Basic EPS—Net income available to common shareholders	¥ 20,210	520,601	¥ 38.82	$ 0.46
Effect of dilutive—Warrants		294		
Diluted EPS—Net income for computation	¥ 20,210	520,896	¥ 38.79	$ 0.46
Year Ended March 31, 2010				
Basic EPS—Net income available to common shareholders	¥ 16,904	525,122	¥ 32.19	
Effect of dilutive—Warrants		176		
Diluted EPS—Net income for computation	¥ 16,904	525,299	¥ 32.18	

29. SUBSEQUENT EVENT

The following appropriations of retained earnings at March 31, 2011 will be approved at the Bank's shareholders meeting to be held on June 24, 2011:

	Millions of Yen	Thousands of U.S. Dollars
Cash dividends, ¥5.00 ($0.06) per share	¥ 2,554	$ 30,726

30. SEGMENT INFORMATION

For the years ended March 31, 2011 and 2010

In March 2008, the ASBJ revised ASBJ Statement No. 17, "Accounting Standard for Segment Information Disclosures," and issued ASBJ Guidance No.20, "Guidance on Accounting Standard for Segment Information Disclosures." Under the standard and guidance, an entity is required to report financial and descriptive information about its reportable segments. Reportable segments are operating segments or aggregations of operating segments that meet specified criteria. Operating segments are components of an entity about which separate financial information is available and such information is evaluated regularly by the chief operating decision maker in deciding how to allocate resources and in assessing performance. Generally, segment information is required to be reported on the same basis as is used internally for evaluating operating segment performance and deciding how to allocate resources to operating segments. This accounting standard and the guidance are applicable to segment information disclosures for the fiscal years beginning on or after April 1, 2010. The segment information for the year ended March 31, 2010 under the revised accounting standard is also disclosed hereunder as required.

(1) Description of reportable segments

The Group's reportable segments are those for which separately financial information is available and regular evaluation by the Bank's management is performed in order to decide how resources are allocated among the Group. The Group consists of the industry banking and industry leasing segments. Industry banking consists of banking and credit card business. Industry leasing consists of leasing business.

(2) Methods of measurement for sales, profit (loss), assets, liabilities and other items for each reportable segment

The accounting policies of each reportable segment are consistent with those disclosed in Note 2, "Summary of Significant Accounting Policies."

(3) Information about ordinary income, profit (loss), assets, liabilities and other items is as follows:

	Millions of Yen						
	2011						
	Reportable segment						
	Banking	Leasing	Total	Other	Total	Recon-ciliations	Consoli-dated
Ordinary income							
Outside customers	¥ 121,909	¥ 38,383	¥ 160,292	¥ 1,652	¥ 161,945		¥ 161,945
Intersegment	751	759	1,510	58	1,569	¥(1,569)	
Total	122,660	39,142	161,803	1,711	163,514	(1,569)	161,945
Segment profit (loss)	35,318	4,011	39,330	(35)	39,294	(571)	38,722
Segment assets	6,254,013	88,812	6,342,826	8,477	6,351,304	(57,458)	6,293,845
Segment liabilities	5,806,407	72,944	5,879,351	6,857	5,886,208	(57,408)	5,828,800
Other:							
Depreciation	4,754	985	5,740	53	5,793		5,793
Amortization of negative goodwill				352	352		352
Interest income	91,074	109	91,184	129	91,313	(549)	90,764
Interest expense	8,683	693	9,377	56	9,434	(550)	8,883
Income taxes	14,812	1,663	16,476	2	16,478	(4)	16,474
Increase in property, plant and equipment and intangible assets	3,563	1,684	5,248	62	5,310		5,310

	Millions of Yen						
	2010						
	Reportable segment						
	Banking	Leasing	Total	Other	Total	Recon-ciliations	Consoli-dated
Ordinary income							
Outside customers	¥ 128,610	¥ 40,382	¥ 168,993	¥ 2,271	¥ 171,264		¥ 171,264
Intersegment	877	956	1,833	51	1,885	¥(1,885)	
Total	129,487	41,339	170,826	2,323	173,149	(1,885)	171,264
Segment profit	28,173	2,427	30,600	455	31,055	608	31,664
Segment assets	6,111,420	94,472	6,205,892	9,393	6,215,285	(56,043)	6,159,242
Segment liabilities	5,658,933	80,961	5,739,895	7,576	5,747,471	(55,487)	5,691,984
Other:							
Depreciation	4,753	942	5,696	54	5,751		5,751
Amortization of negative goodwill				352	352		352
Interest income	95,563	111	95,675	122	95,797	(744)	95,053
Interest expense	10,978	976	11,954	70	12,024	(685)	11,338
Income taxes	11,495	986	12,481	27	12,508	1	12,510
Increase in property, plant and equipment and intangible assets	4,709	908	5,618	30	5,648		5,648

	Thousands of U.S. Dollars						
	2011						
	Reportable segment						
	Banking	Leasing	Total	Other	Total	Recon-ciliations	Consoli-dated
Ordinary income							
Outside customers	$ 1,466,140	$ 461,612	$1,927,753	$ 19,878	$ 1,947,632		$ 1,947,632
Intersegment	9,033	9,131	18,165	705	18,870	$ (18,870)	
Total	1,475,174	470,744	1,945,918	20,584	1,966,503	(18,870)	1,947,632
Segment profit (loss)	424,757	48,245	473,003	(430)	472,572	(6,876)	465,695
Segment assets	75,213,635	1,068,100	76,281,735	101,958	76,383,694	(691,025)	75,692,668
Segment liabilities	69,830,512	877,262	70,707,774	82,471	70,790,245	(690,423)	70,099,822
Other:							
Depreciation	57,176	11,857	69,033	647	69,681		69,681
Amortization of negative goodwill				4,238	4,238		4,238
Interest income	1,095,304	1,321	1,096,626	1,557	1,098,183	(6,614)	1,091,569
Interest expense	104,434	8,346	112,781	681	113,462	(6,622)	106,840
Income taxes	178,141	20,011	198,152	25	198,178	(48)	198,130
Increase in property, plant and equipment and intangible assets	42,862	20,260	63,122	747	63,870		63,870

For the year ended March 31, 2010

The Bank and consolidated subsidiaries operate in the banking, leasing and other industry segments. Main businesses in each industry segment are as follows:

Banking—banking and credit card business
Leasing—leasing business
Other—venture capital investment management business and securities business

Information about industry segments of the Bank and consolidated subsidiaries for the year ended March 31, 2010 is as follows:

Industry Segments

a. Ordinary Income

	Millions of Yen				
	2010				
	Banking	Leasing	Other	Eliminations/ Corporate	Consolidated
Ordinary income:					
Outside customers	¥ 128,610	¥ 40,382	¥ 2,271		¥ 171,264
Intersegment	877	956	51	¥ (1,885)	
Total	129,487	41,339	2,323	(1,885)	171,264
Ordinary expenses	101,314	38,911	1,868	(2,494)	139,599
Ordinary income	¥ 28,173	¥ 2,427	¥ 455	¥ 608	¥ 31,664

b. Assets, Depreciation, Impairment Losses and Capital Expenditures

	Millions of Yen				
	2010				
	Banking	Leasing	Other	Eliminations/ Corporate	Consolidated
Assets	¥ 6,111,420	¥ 94,472	¥ 9,393	¥ (56,043)	¥ 6,159,242
Depreciation	4,753	942	54		5,751
Impairment losses	339				339
Capital expenditures	4,709	908	30		5,648

The domestic shares of both ordinary income and total assets exceed 90% of total ordinary income and total assets, respectively. Thus, segment information by geographic area is omitted.

The share of ordinary income from overseas operations is under 10% of total ordinary income. Thus, ordinary income from overseas operations is omitted.

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