

Financial Section

Consolidated Financial Statements

Consolidated Balance Sheets

The Chugoku Bank, Limited and Consolidated Subsidiaries
March 31, 2011 and 2010

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2011	2010	2011
ASSETS:			
Cash and due from banks (Note 21)	¥ 119,889	¥ 107,378	\$ 1,441,840
Call loans	61,333	90,978	737,618
Other debt purchased (Notes 3 and 7)	34,604	42,150	416,163
Trading account securities (Notes 10 and 18)	3,948	4,098	47,480
Money trusts (Notes 4 and 18)	21,890	21,182	263,259
Securities (Notes 3, 5, 10 and 18)	2,533,972	2,356,992	30,474,708
Loans and bills discounted (Notes 6, 7 and 18)	3,318,275	3,339,708	39,907,095
Foreign exchange	31,434	5,864	378,039
Lease receivables and investments in leased assets (Note 10)	19,161	21,751	230,438
Other assets (Notes 10 and 18)	67,153	59,954	807,612
Tangible fixed assets (Note 8)	46,504	44,059	559,278
Intangible fixed assets (Note 9)	168	178	2,020
Deferred tax assets (Note 11)	38,988	23,789	468,887
Customers' liabilities for acceptances and guarantees (Note 15)	25,110	27,651	301,984
Reserve for possible loan losses	(101,441)	(79,100)	(1,219,975)
Total assets	¥6,220,997	¥6,066,632	\$74,816,560
LIABILITIES AND NET ASSETS:			
Liabilities:			
Deposits (Notes 10 and 18)	¥5,375,692	¥5,285,518	\$64,650,535
Call money (Note 10)	115,065	69,614	1,383,824
Payables under securities lending transactions (Note 10)	172,045	160,765	2,069,092
Borrowed money (Notes 10 and 12)	49,469	23,716	594,936
Foreign exchange	77	51	926
Other liabilities (Note 18)	79,673	84,400	958,184
Accrued employees' bonuses	1,618	1,747	19,458
Accrued directors' bonuses	13	16	156
Reserve for directors' retirement benefits	52	41	625
Reserve for reimbursement of deposits	1,373	483	16,512
Reserve for point program	192	171	2,309
Liability for employees' severance and retirement benefits (Note 13)	14,518	14,698	174,600
Deferred tax liability (Note 11)	—	145	—
Negative goodwill	644	1,097	7,745
Reserves under the special laws	3	4	36
Acceptances and guarantees (Note 15)	25,110	27,651	301,984
Total liabilities	¥5,835,551	¥5,670,117	\$70,181,010
Net assets (Note 20):			
Shareholders' equity			
Common stock			
Authorized shares: 391,000,000 shares in 2011 and 2010			
Issued shares: 231,272,106 shares in 2011 and 233,272,106			
shares in 2010	15,149	15,149	182,188
Capital surplus	6,351	6,351	76,380
Retained earnings	341,133	342,297	4,102,621
Less treasury stock, at cost			
1,088,657 shares in 2011 and 2,052,764 shares in 2010	(1,427)	(3,061)	(17,161)
Accumulated other comprehensive income:			
Net unrealized gains on other securities (Note 5)	17,386	29,174	209,092
Net deferred losses on hedging instruments	(3,036)	(2,695)	(36,512)
Total	14,350	26,479	172,579
Subscription rights to shares (Note 24)	113	49	1,358
Minority interests	9,775	9,251	117,558
Total net assets	385,445	396,515	4,635,538
Total liabilities and net assets	¥6,220,997	¥6,066,632	\$74,816,560

See accompanying Notes to Consolidated Financial Statements.

Consolidated Statements of Income

The Chugoku Bank, Limited and Consolidated Subsidiaries
For the Years Ended March 31, 2011 and 2010

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2011	2010	2011
Income:			
Interest and dividends on:			
Loans and discounts	¥ 55,476	¥ 60,081	\$ 667,179
Securities	29,107	26,696	350,054
Other	812	1,642	9,765
Fees and commissions	17,215	17,402	207,035
Other operating income	24,622	24,783	296,115
Other income	9,096	5,052	109,392
Total income	136,329	135,656	1,639,555
Expenses:			
Interest on:			
Deposits	5,282	8,223	63,523
Borrowings	176	176	2,116
Other	3,153	2,715	37,919
Fees and commissions	3,900	3,819	46,903
Other operating expenses	15,985	17,211	192,242
General and administrative expenses	60,449	58,756	726,987
Reserve for possible loan losses	30,707	15,501	369,296
Losses on impairment of fixed assets (Note 8)	331	290	3,980
Other expenses	8,761	10,989	105,363
Total expenses	128,749	117,680	1,548,394
Income before income taxes and minority interests	7,580	17,976	91,160
Income taxes (Note 11):			
Current	9,654	10,448	116,103
Deferred	(7,004)	(3,238)	(84,233)
	2,650	7,210	31,870
Net income before minority interests	4,929	—	59,278
Minority interests in net income	568	511	6,831
Net income	¥ 4,361	¥ 10,255	\$ 52,447

	Yen		U.S. Dollars (Note 1)
	2011	2010	2011
Per share of common stock			
Basic net income	¥ 18.89	¥ 44.35	\$ 0.22
Diluted net income	18.88	44.34	0.22
Cash dividends applicable to the year (Note 20)	13.00	12.00	0.15

See accompanying Notes to Consolidated Financial Statements.

Consolidated Statement of Comprehensive Income

The Chugoku Bank, Limited and Consolidated Subsidiaries
For the Year Ended March 31, 2011

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2011	2010	2011
Net income before minority interests	¥ 4,929	\$ 59,278	
Other comprehensive income (Note 17):			
Net unrealized losses on other securities	(11,826)	(142,224)	
Net deferred losses on hedging instruments	(341)	(4,101)	
Total other comprehensive income	(12,167)	(146,325)	
Comprehensive income (Note 17)	¥ (7,238)	\$ (87,047)	
Comprehensive income attributable to (Note 17):			
Owners of the parent	¥ (7,767)	\$ (93,409)	
Minority interests	529	6,361	

See accompanying Notes to Consolidated Financial Statements.

Consolidated Statements of Changes in Net Assets

The Chugoku Bank, Limited and Consolidated Subsidiaries
For the Years Ended March 31, 2011 and 2010

	Millions of Yen									
	Common stock	Capital surplus	Retained earnings	Treasury stock	Accumulated other comprehensive income			Subscription rights to shares	Minority interests	Total
					Unrealized gains (losses) on securities, net of taxes	Unrealized gains (losses) on hedging derivatives, net of taxes	Total			
Balance at March 31, 2009	¥15,149	¥6,347	¥335,050	¥(3,019)	¥(11,975)	¥(3,148)	¥(15,123)	¥ —	¥8,635	¥347,039
Net income	—	—	10,255	—	—	—	—	—	—	10,255
Cash dividends	—	—	(3,006)	—	—	—	—	—	—	(3,006)
Purchases of treasury stock	—	—	—	(62)	—	—	—	—	—	(62)
Disposals of treasury stock	—	4	(2)	20	—	—	—	—	—	22
Net changes in items other than shareholders' equity	—	—	—	—	41,149	453	41,602	49	616	42,267
Net changes during the year	—	4	7,247	(42)	41,149	453	41,602	49	616	49,476
Balance at March 31, 2010	¥15,149	¥6,351	¥342,297	¥(3,061)	¥ 29,174	¥(2,695)	¥ 26,479	¥ 49	¥9,251	¥396,515
Net income	—	—	4,361	—	—	—	—	—	—	4,361
Cash dividends	—	—	(2,890)	—	—	—	—	—	—	(2,890)
Purchases of treasury stock	—	—	—	(1,005)	—	—	—	—	—	(1,005)
Disposals of treasury stock	—	—	(1)	6	—	—	—	—	—	4
Cancellation of treasury stock	—	—	(2,633)	2,633	—	—	—	—	—	—
Net changes in items other than shareholders' equity	—	—	—	—	(11,788)	(341)	(12,129)	64	524	(11,540)
Net changes during the year	—	—	(1,163)	1,633	(11,788)	(341)	(12,129)	64	524	(11,070)
Balance at March 31, 2011	¥15,149	¥6,351	¥341,133	¥(1,427)	¥ 17,386	¥(3,036)	¥ 14,350	¥113	¥9,775	¥385,445

See accompanying Notes to Consolidated Financial Statements.

	Thousands of U.S. Dollars (Note 1)									
	Common stock	Capital surplus	Retained earnings	Treasury stock	Accumulated other comprehensive income			Subscription rights to shares	Minority interests	Total
					Unrealized gains (losses) on securities, net of taxes	Unrealized losses on hedging derivatives, net of taxes	Total			
Balance at March 31, 2010	\$182,188	\$76,380	\$4,116,620	\$(36,812)	\$350,859	\$(32,411)	\$318,448	\$ 589	\$111,256	\$4,768,671
Net income	—	—	52,447	—	—	—	—	—	—	52,447
Cash dividends	—	—	(34,756)	—	—	—	—	—	—	(34,756)
Purchases of treasury stock	—	—	—	(12,086)	—	—	—	—	—	(12,086)
Disposals of treasury stock	—	—	(12)	72	—	—	—	—	—	48
Cancellation of treasury stock	—	—	(31,665)	31,665	—	—	—	—	—	—
Net changes in items other than shareholders' equity	—	—	—	—	(141,767)	(4,101)	(145,868)	769	6,301	(138,785)
Net changes during the year	—	—	(13,986)	19,639	(141,767)	(4,101)	(145,868)	769	6,301	(133,132)
Balance at March 31, 2011	\$182,188	\$76,380	\$4,102,621	\$(17,161)	\$209,092	\$(36,512)	\$172,579	\$1,358	\$117,558	\$4,635,538

See accompanying Notes to Consolidated Financial Statements.

Consolidated Statements of Cash Flows

The Chugoku Bank, Limited and Consolidated Subsidiaries
For the Years Ended March 31, 2011 and 2010

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2011	2010	2011
Cash flows from operating activities			
Income before income taxes and minority interests	¥ 7,580	¥ 17,976	\$ 91,160
Depreciation	3,635	4,115	43,716
Losses on impairment of fixed assets	331	290	3,980
Losses on application of accounting standard for asset retirement obligations	7	—	84
Share-based compensation expenses	64	49	769
Amortization of negative goodwill	(453)	(437)	(5,447)
Increase in reserve for possible loan losses	30,707	15,501	369,296
Increase in reserve for point program	22	21	264
Increase (decrease) in reserve for directors' retirement benefits	11	(392)	132
Decrease in accrued employees' bonuses	(128)	(17)	(1,539)
Decrease in accrued directors' bonuses	(1)	(16)	(12)
Increase (decrease) in liability for employees' severance and retirement benefits	(179)	175	(2,152)
Increase in reserve for reimbursement of deposits	890	31	10,703
Interest and dividend income	(85,395)	(88,419)	(1,026,999)
Interest expense	8,613	11,114	103,583
Gains (losses) on sales of securities, net	(1,679)	2,762	(20,192)
Loss on money trusts, net	233	8	2,802
Foreign exchange losses, net	25,738	11,098	309,536
Losses on disposals of fixed assets, net	186	107	2,236
Decrease (increase) in trading account securities, excluding foreign exchange contracts	150	(1,197)	1,803
Decrease (increase) in call loans and other debt purchased	37,188	(74,545)	447,239
Decrease (increase) in due from banks, excluding the Bank of Japan	(25,633)	75,888	(308,274)
Decrease (increase) in foreign exchange assets	(25,570)	1,104	(307,516)
Decrease in loans and bills discounted	13,066	80,491	157,137
Decrease (increase) in other assets	4,918	(790)	59,146
Increase in deposits, call money and borrowed money	161,380	169,932	1,940,829
Increase in foreign exchange liabilities	27	10	324
Increase (decrease) in other liabilities	11,704	(45,447)	140,757
Interest and dividends received	92,139	91,312	1,108,105
Interest paid	(8,618)	(10,739)	(103,644)
Other	(7)	—	(84)
Subtotal	250,929	259,985	3,017,787
Income taxes paid	(13,196)	(3,504)	(158,701)
Refunded income taxes	139	778	1,671
Net cash provided by operating activities	237,872	257,259	2,860,757
Cash flows from investing activities			
Purchases of securities	(1,801,948)	(1,370,723)	(21,671,052)
Proceeds from sales of securities	1,286,396	937,148	15,470,787
Proceeds from redemption of securities	271,917	198,197	3,270,198
Purchases of money trusts	(5,831)	(76)	(70,126)
Proceeds from money trusts	4,889	67	58,797
Purchases of tangible fixed assets	(2,590)	(3,412)	(31,148)
Purchases of intangible fixed assets	(3)	(36)	(36)
Proceeds from sales of tangible fixed assets	169	322	2,032
Purchases of equity of consolidated subsidiary (Note 23)	—	(1,102)	—
Net cash used in investing activities	(247,000)	(239,615)	(2,970,535)
Cash flows from financing activities			
Cash dividends paid	(2,890)	(3,008)	(34,756)
Cash dividends paid to minority shareholders	(4)	(3)	(48)
Purchases of treasury stock	(1,005)	(54)	(12,086)
Proceeds from sales of treasury stock	4	22	48
Repayments on lease obligations	(124)	—	(1,491)
Net cash used in financing activities	(4,020)	(3,043)	(48,346)
Effect of exchange rate changes on cash and cash equivalents	27	8	324
Net decrease (increase) in cash and cash equivalents	(13,121)	14,609	(157,799)
Cash and cash equivalents at beginning of year	87,537	72,928	1,052,760
Cash and cash equivalents at end of year (Note 21)	¥ 74,415	¥ 87,537	\$ 894,948

See accompanying Notes to Consolidated Financial Statements.

Notes to Consolidated Financial Statements

The Chugoku Bank, Limited and Consolidated Subsidiaries

1. Basis of Presenting Consolidated Financial Statements

The accompanying consolidated financial statements of The Chugoku Bank, Limited (the "Bank") and its consolidated subsidiaries (collectively, the "Group") have been prepared in accordance with the provisions set forth in the Japanese Financial Instruments and Exchange Act and its related accounting regulations and in conformity with accounting principles generally accepted in Japan ("Japanese GAAP"), which are different in certain respects as to application and disclosure requirements from International Financial Reporting Standards.

As described in Note 2(t), the consolidated balance sheet and the consolidated statement of changes in net assets as of and for the fiscal year ended March 31, 2010 have been modified to conform with the new presentation rules of 2011. In addition, the Bank has presented a consolidated statement of comprehensive income for the fiscal year ended March 31, 2010 as well as for the fiscal year ended March 31, 2011 in Note 17.

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

As permitted by the Financial Instruments and Exchange Law, amounts of less than one million yen in the financial statements at March 31, 2011 and for the year then ended have been rounded down. Amounts in the financial statements at March 31, 2010 and for the year then ended were rounded off (up or down to the nearest million). As a result, the totals shown in the accompanying consolidated financial statements (both in yen and U.S. dollars) do not necessarily agree with the sums of the individual amounts.

The translations of the Japanese yen amounts into U.S. dollar amounts were included solely for the convenience of readers outside Japan, using the prevailing exchange rate at March 31, 2011, which was ¥83.15 to US\$1.00. The translations should not be construed as representations that the Japanese yen amounts have been, could have been or could in the future be converted into U.S. dollars at this or any other rate of exchange.

2. Significant Accounting Policies

(a) Principals of Consolidation

Scope of Consolidated Subsidiaries and Affiliates Accounted for by the Equity Method

The consolidated financial statements include the accounts of the Bank and its seven significant subsidiaries after elimination of all significant intercompany transactions, balances and unrealized profits.

Two investment partnerships of which the Bank owns a majority of voting rights were excluded from the scope of consolidation for the years ended March 31, 2011 and 2010 because the total amounts of their assets, net income and retained earnings were so immaterial that their exclusion from the scope of consolidation would not hinder a rational judgment regarding the consolidated financial position or results of operations.

Investments in the above mentioned two investment partnerships and an affiliated company (two in 2010) were not accounted for by the equity method for the years ended March 31, 2011 and 2010 because their exclusion had no significant effect on the consolidated financial statements.

Balance Sheet Date of Subsidiaries

The balance sheet date of all consolidated subsidiaries is March 31, the same as that of the Bank.

Goodwill and Negative Goodwill

Goodwill and negative goodwill are being amortized using the straight-line method over a period of five years. Goodwill and negative goodwill which are immaterial in the amount are fully charged to income when incurred.

On December 26, 2010, the Accounting Standards Board of Japan ("ASBJ") issued a revised accounting standard for business combinations, ASBJ Statement No. 21, "Accounting Standard for Business Combinations," and revised ASBJ Guidance No. 10, "Guidance for Accounting Standard for Business Combinations and Business Divestitures." The Bank adopted the revised accounting standard and guidance effective April 1, 2010. The revised accounting standard requires the recognition of negative goodwill (bargain purchase) as gain upon the acquisition. However, as a transitional measure prescribed by the revised standard, negative goodwill recognized prior to April 1, 2010 continues to be amortized using the straight-line method over a period of five years.

(b) Securities and Money Trusts

Trading account securities are stated at fair market value. Gains and losses realized on disposal and unrealized gains and losses from market value fluctuations of these securities are recognized as gains and losses in the period of the change. Held-to-maturity debt securities are stated at amortized cost. Available-for-sale securities with available fair market values are stated at fair market value. Unrealized gains and losses on these securities, net of applicable income taxes, are reported as a separate component of net assets. Realized gains and losses on the sale of such securities are computed using moving average cost.

Other securities for which the fair value is extremely difficult to determine are stated at moving average cost.

(c) Derivatives and Hedge Accounting

The Bank applies the deferral method of hedge accounting for transactions entered into to hedge the interest rate risks associated with various financial assets and liabilities, as stipulated in "Accounting and Auditing Treatment of Accounting Standards for Financial Instruments in the Banking Industry" (Industry Audit Committee Report No. 24) issued by the Japanese Institute of Certified Public Accountants ("JICPA"). The effectiveness of the hedges is assessed for each identified group of hedged loans and the corresponding group of hedging instruments, such as interest rate swaps, in the same maturity bucket.

The Bank applies the deferral method of hedge accounting for transactions entered into to hedge foreign exchange risks associated with various foreign currency denominated monetary assets and liabilities, as stipulated in "Accounting and Auditing Concerning Accounting for Foreign Currency Transactions in Banking Industry" (JICPA Industry Audit Committee Report No. 25). The effectiveness of the currency swap transactions, exchange swap transactions and similar transactions that hedge the foreign exchange risks of monetary assets and liabilities denominated in foreign currencies is assessed based on a comparison of the foreign currency position of the hedged monetary assets and liabilities and the hedging instruments.

In addition to the above methods, the Bank applies the fair value hedge method to portfolio hedges for foreign exchange risks associated with foreign securities, except for bonds, identified as hedged items in advance, as long as the amount of foreign currency payables of spot and forward foreign exchange contracts exceeds the acquisition cost of the hedged foreign securities in foreign currency.

(d) Tangible Fixed Assets

Tangible fixed assets owned by the Bank and its consolidated subsidiaries are generally stated at cost less accumulated depreciation. Depreciation is computed by the declining balance method over the estimated useful life of the respective asset.

For the Bank, estimated useful lives are mainly as follows:

Buildings.....	4 to 40 years
Equipment.....	2 to 20 years

For consolidated subsidiaries, the useful life of an asset is based on the Corporation Tax Law of Japan.

Lease assets with respect to finance leases that do not transfer ownership of the lease assets and that are recorded in "Tangible fixed assets" are depreciated using the straight-line method over the term of the lease, assumed to be the useful life, with a salvage value of zero or the guaranteed amount.

(e) Intangible Fixed Assets

Intangible fixed assets are depreciated using the straight-line method.

(f) Accounting for Impairment of Fixed Assets

(Additional Information)

Prior to the year ended March 31, 2010, the Bank's policy on grouping of "Losses on impairment of fixed assets" of sales offices was to keep track of gains and losses on an individual basis while grouping them together on a branch basis. However, starting with fiscal 2010, in addition to the usual branch based grouping, the Bank is reporting these figures on a group office (multiple office) basis for branches included in the group sales system. This reclassification clarifies the roles of the core sales office, which handles corporate accounts, and the satellite branches, which handle most of the individual accounts, in regions where the group sales system has been introduced.

In addition, in promoting sales expansion in the region and taking the opportunity provided by the completion of the set up of the group sales system in April 2009, the Bank changed its grouping classification to the minimum units for determining cash flow, group sales offices, to enable sales offices to complement each other in the reallocation of staff to appropriate sales offices, the transfer of customer accounts, and the conducting of similar transactions.

(g) Foreign Currency Translation

The Bank's assets and liabilities denominated in foreign currencies are translated into Japanese yen at the exchange rates prevailing at the end of the fiscal year.

(h) Reserve for Possible Loan Losses

The Bank writes off loans and makes provisions for possible loan losses. For loans to insolvent customers who are undergoing bankruptcy or other collection proceedings or who are in a similar financial condition, the reserve for possible loan losses is provided in the full amount of such loans, excluding the portion estimated to be recoverable due to security interests or guarantees. For the unsecured and unguaranteed portions of loans to customers not presently in these circumstances, but who face a high probability of so becoming, the reserve for possible loan losses is provided for the estimated unrecoverable amounts determined after an evaluation of the customer's overall financial condition. For other loans such as normal loans and loans requiring special attention, the reserve for possible loan losses is provided based on the Bank's actual rate of loan losses in the past. A specific reserve for loans to borrowers in certain countries has been established in accordance with the regulations of the Ministry of Finance to cover potential losses from specific overseas loans.

An assessment and classification is conducted by each business department and credit supervision department and is audited by the Risk Management Department, an independent department. The reserve for possible loan losses is provided based on such auditing results.

Reserves for possible loan losses of consolidated subsidiaries are provided for general claims in the amount deemed necessary based on historical loan-loss

ratios and for certain doubtful claims in the amount deemed uncollectable based on individual assessments.

(i) Accrued Employees' Bonuses

Accrued employees' bonuses are provided for the future payment of bonuses to employees in the amounts of the estimated bonuses attributable to the current fiscal year.

(j) Accrued Directors' Bonuses

Accrued directors' bonuses of the Bank's consolidated subsidiaries are provided for the payment of bonuses to directors and corporate auditors based on an estimated amount.

The Bank decided to abolish directors' bonuses at the General Meeting of Shareholders held on June 24, 2009.

(k) Liability for Employees' Severance and Retirement Benefits

The Bank provides an unfunded lump-sum payment plan, a funded noncontributory pension plan and a cash balance pension plan to provide for employees' severance and retirement benefits. Consolidated subsidiaries provide unfunded lump-sum payment plans. The Bank contributed some of its marketable equity securities to an employees' retirement benefit trust.

The Bank and its consolidated subsidiaries provide for employees' severance and retirement benefits based on the estimated amounts of projected benefit obligations and the fair value of plan assets. Actuarial gains and losses are recognized as expenses using the straight-line method over ten years, which is within the average of the estimated remaining service years, commencing with the following period. Prior service costs of cash balance pension plans are recognized as expenses using the straight-line method over ten years, which is within the average of the estimated remaining service years, commencing with the period in which they arise.

(l) Reserve for Directors' Retirement Benefits

(Additional Information)

The Bank's consolidated subsidiaries provide for severance and retirement benefit payments to directors and corporate auditors based on the required amounts determined by in-house regulations.

The Bank decided to abolish the directors' retirement benefits system at the General Meeting of Shareholders held on June 24, 2009. The payment of retirement benefits after termination of the system based on the length of service of relevant directors and corporate auditors will be made after the time each director's or corporate auditor's retirement. Until the complete termination of the system, severance and retirement benefit payments to directors and corporate auditors will be booked in "Accrued expenses" and shown on the balance sheet in other liabilities.

(m) Reserve for Reimbursement of Deposits

A reserve for reimbursement of deposits is provided for reimbursement of deposits that were derecognized from liabilities and credited to income. The amount is determined based on the Bank's historical reimbursement ratio for such accounts.

(Additional Information)

In previous years, accounts which had no activity for more than 10 years were derecognized from liabilities. However, effective from the fiscal year ended March 31, 2011, accounts which have no activity for more than 5 years are derecognized from liabilities. As a result of this change, income before income taxes and minority interests was ¥1,756 million (\$21,118 thousand) more for the

fiscal year ended March 31, 2011 than the amount that would have been recorded without the change.

(n) Reserve for Point Program

A reserve for the point program is provided for the accumulation of points granted to credit card holders. The amount of reserve is determined based on the past usage ratio of points by cardholders.

(o) Reserve under Special Laws

A reserve under special laws is provided for contingent liabilities from financial instruments and exchange. This is a reserve pursuant to Article 46-5 of the Financial Instruments and Exchange Act and Article 175 of Cabinet Office Ordinance on the Financial Instruments Business to indemnify losses incurred in connection with the purchase and sale of securities and derivatives and other transactions.

(p) Leases

As lessee:

Finance leases are capitalized to recognize lease assets and lease obligations in the balance sheet. However, finance leases which commenced prior to April 1, 2008 and do not transfer ownership of the leased property to the lessee are accounted for as operating lease transactions as permitted by the accounting standard for lease transactions (ASBJ Statement No. 13).

As lessor:

Income from finance leases and related leasing costs are recognized when lease payments are received.

(q) Income Taxes

Deferred income taxes are recognized for loss carryforwards and taxable temporary differences between carrying amounts for financial reporting purposes and tax bases. In Japan, income taxes applicable to the Bank and its consolidated subsidiaries consist of corporation tax (national), inhabitant taxes (local) and enterprise taxes (local). The statutory tax rate used for calculating deferred tax assets and liabilities at March 31, 2011 and 2010 was 40.4%.

(r) Per Share Information

Basic net income per share is based on the weighted average number of shares of common stock outstanding during the year, excluding treasury stock. Diluted net income per share reflects the potential dilution that could occur if outstanding stock options were exercised. Diluted net income per share of common stock assumes the full exercise of any outstanding stock options at the beginning of the year (or at the time of the grant).

(s) Stock Options

ASBJ Statements No. 8, "Accounting Standard for Stock Options," and the related guidance require companies to recognize compensation expense for employee stock options based on the fair value at the date of the 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 goods or services received. In the balance sheet, stock options are presented as subscription rights to shares as a 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.

(t) Presentation of Comprehensive Income

Effective March 31, 2011, the Bank adopted "Accounting Standard for Presentation of Comprehensive Income" (Accounting Standard Board of Japan ("ASBJ") Statement No. 25, issued on June 30, 2010) and "Revised Accounting Standard for Consolidated Financial Statements" (ASBJ Statement No. 22, revised on June 20, 2010). As a result of the adoption of these standards, the Bank presented a consolidated statement of comprehensive income in the consolidated financial statements for the fiscal year ended March 31, 2011.

(u) Asset Retirement Obligations

Effective April 1, 2010, the Bank and its consolidated domestic subsidiaries adopted "Accounting Standards for Asset Retirement Obligations" (Accounting Standards Board of Japan ("ASBJ") Statement No. 18, issued on March 31, 2008) and "Guidance on Accounting Standards for Assets Retirement Obligations" (ASBJ Guidance No. 21, issued on March 31, 2008). The change had no material impact on the consolidated financial statements.

3. Securities

Securities include equity securities of unconsolidated subsidiaries and affiliates in the amount of ¥11 million at March 31, 2010 and investments in interests of unconsolidated subsidiaries and affiliates in the amount of ¥298 million (\$3,583 thousand) and ¥351 million at March 31, 2011 and 2010, respectively.

The amounts shown in the following tables include trust certificates classified as "Other debt purchased," in addition to "Securities" stated in the consolidated balance sheet.

(1) The following tables summarize acquisition costs and carrying amounts (fair value) of available-for-sale securities with available fair values as of March 31, 2011 and 2010:

Type	Millions of Yen		
	2011		
	Carrying amount	Acquisition cost	Difference
Available-for-sale securities whose fair value exceeds acquisition cost:			
Equity securities	¥ 51,761	¥ 38,346	¥13,414
Bonds	1,667,099	1,639,381	27,717
Japanese government bonds	640,434	631,980	8,454
Japanese municipal bonds	577,465	565,345	12,119
Japanese corporate bonds	449,199	442,055	7,143
Other	226,384	221,646	4,737
Foreign bonds	194,686	191,190	3,495
Other	31,698	30,456	1,242
Subtotal	¥1,945,245	¥1,899,374	¥45,870

Available-for-sale securities whose fair value exceeds acquisition cost:			
Equity securities	¥ 47,919	¥ 55,622	¥ (7,702)
Bonds	364,549	366,676	(2,126)
Japanese government bonds	190,123	191,521	(1,398)
Japanese municipal bonds	77,424	77,639	(215)
Japanese corporate bonds	97,001	97,514	(513)
Other	165,975	172,611	(6,635)
Foreign bonds	130,576	135,116	(4,540)
Other	35,399	37,494	(2,094)
Subtotal	578,444	594,909	(16,464)
Total	¥2,523,690	¥2,494,284	¥29,405

Type	Thousands of U.S. Dollars		
	2011		
	Carrying amount	Acquisition cost	Difference
Available-for-sale securities whose fair value exceeds acquisition cost:			
Equity securities	\$ 622,501	\$ 461,166	\$161,322
Bonds	20,049,296	19,715,947	333,337
Japanese government bonds	7,702,152	7,600,481	101,671
Japanese municipal bonds	6,944,858	6,799,098	145,748
Japanese corporate bonds	5,402,273	5,316,355	85,904
Other	2,722,597	2,665,616	56,969
Foreign bonds	2,341,383	2,299,338	42,032
Other	381,214	366,277	14,936
Subtotal	\$23,394,407	\$22,842,742	\$551,653

Available-for-sale securities whose fair value exceeds acquisition cost:			
Equity securities	\$ 576,295	\$ 668,935	\$ (92,627)
Bonds	4,384,233	4,409,813	(25,568)
Japanese government bonds	2,286,506	2,303,319	(16,812)
Japanese municipal bonds	931,136	933,722	(2,585)
Japanese corporate bonds	1,166,578	1,172,748	(6,169)
Other	1,996,091	2,075,898	(79,795)
Foreign bonds	1,570,366	1,624,966	(54,600)
Other	425,724	450,920	(25,183)
Subtotal	6,956,632	7,154,648	(198,003)
Total	\$30,351,052	\$29,997,402	\$353,638

Type	Millions of yen		
	2010		
	Carrying amount	Acquisition cost	Difference
Available-for-sale securities whose fair value exceeds acquisition cost:			
Equity securities	¥ 87,510	¥ 64,997	¥22,513
Bonds	1,725,103	1,694,421	30,682
Japanese government bonds	750,516	741,911	8,605
Japanese municipal bonds	441,533	429,307	12,226
Japanese corporate bonds	533,054	523,203	9,851
Other	260,687	253,299	7,388
Foreign bonds	224,139	218,526	5,613
Other	36,548	34,773	1,775
Subtotal	¥2,073,300	¥2,012,717	¥60,583
Available-for-sale securities whose fair value exceeds acquisition cost:			
Equity securities	¥ 34,947	¥ 39,668	¥ (4,721)
Bonds	133,315	133,765	(450)
Japanese government bonds	92,781	93,013	(232)
Japanese municipal bonds	7,633	7,648	(15)
Japanese corporate bonds	32,901	33,104	(203)
Other	113,355	119,426	(6,071)
Foreign bonds	68,762	70,891	(2,129)
Other	44,593	48,535	(3,942)
Subtotal	281,617	292,859	(11,242)
Total	¥2,354,917	¥2,305,576	¥49,341

(2) The following tables summarize carrying amounts and fair values of held-to-maturity debt securities with available fair values as of March 31, 2011 and 2010:

Held-to-maturity securities

Type	Millions of Yen		
	2011		
	Carrying amount	Acquisition cost	Difference
Held-to-maturity securities whose fair value exceeds carrying amount:			
Japanese government bonds	¥11,556	¥12,409	¥ 852
Japanese municipal bonds	8,177	8,500	323
Japanese corporate bonds	1,997	2,097	100
Total	¥21,731	¥23,008	¥1,277

Type	Thousands of U.S. Dollars		
	2011		
	Carrying amount	Acquisition cost	Difference
Held-to-maturity securities whose fair value exceeds carrying amount:			
Japanese government bonds	\$138,977	\$149,236	\$10,246
Japanese municipal bonds	98,340	102,224	3,884
Japanese corporate bonds	24,016	25,219	1,202
Total	\$261,346	\$276,704	\$15,357

Type	Millions of Yen		
	2010		
	Carrying amount	Acquisition cost	Difference
Held-to-maturity securities whose fair value exceeds carrying amount:			
Japanese government bonds	¥11,489	¥12,440	¥ 951
Japanese municipal bonds	8,769	9,155	386
Japanese corporate bonds	1,995	2,115	120
Total	¥22,253	¥23,710	¥1,457

(3) Impairment losses of ¥376 million (\$4,521 thousand) and ¥66 million for shares included in available-for-sale securities were recognized in the year ended March 31, 2011 and 2010, respectively.

Impairment loss is recognized for the full amount of the loss when the loss is 50% or more of the acquisition cost. For loss of 30% to 50% of acquisition cost, the impairment is determined by the possibility of recovery, with consideration for the trends in market values during the past year.

(4) Total sales of available-for-sale securities for the year ended March 31, 2011 and 2010 were as follows:

	Millions of Yen		
	2011		
	Proceeds from Sales	Gains on Sales	Losses on Sales
Equity securities	¥ 77,942	¥ 3,620	¥4,771
Bonds	1,000,996	5,328	979
Japanese government bonds	906,662	4,434	979
Japanese municipal bonds	9,826	158	—
Japanese corporate bonds	84,508	735	—
Other	211,745	2,231	3,041
Foreign bonds	153,697	1,757	1,767
Other	58,048	474	1,274
Total	¥1,290,684	¥11,180	¥8,791

	Thousands of U.S. Dollars		
	2011		
	Proceeds from Sales	Gains on Sales	Losses on Sales
Equity securities	\$ 937,366	\$ 43,535	\$ 57,378
Bonds	12,038,436	64,076	11,773
Japanese government bonds ...	10,903,932	53,325	11,773
Japanese municipal bonds	118,171	1,900	—
Japanese corporate bonds	1,016,331	8,839	—
Other	2,546,542	26,831	36,572
Foreign bonds	1,848,430	21,130	21,250
Other	698,111	5,700	15,321
Total	\$15,522,357	\$134,455	\$105,724

(2) Money trusts, other than for investment purposes or held to maturity purposes at March 31, 2011 and 2010 were as follows:

	Millions of Yen				
	2011				
	Carrying amount	Acquisition cost	Difference	Difference for money trusts for which the carrying amount exceeds acquisition cost	Difference for money trusts for which the carrying amount does not exceed acquisition cost
Money trust	¥ 1,500	¥ 1,500	¥ —	¥ —	¥ —

	Thousands of U.S. Dollars				
	2011				
	Carrying amount	Acquisition cost	Difference	Difference for money trusts for which the carrying amount exceeds acquisition cost	Difference for money trusts for which the carrying amount does not exceed acquisition cost
Money trust	\$ 18,039	\$ 18,039	\$ —	\$ —	\$ —

	Millions of Yen		
	2010		
	Proceeds from Sales	Gains on Sales	Losses on Sales
Equity securities	¥ 51,210	¥ 3,074	¥8,002
Bonds	744,634	6,787	395
Japanese government bonds	585,693	4,686	376
Japanese municipal bonds	83,653	1,155	8
Japanese corporate bonds	75,288	946	11
Other	122,018	1,148	722
Foreign bonds	74,555	935	354
Other	47,463	213	368
Total	¥917,862	¥11,009	¥9,119

4. Money Trusts

(1) Money trusts as a type of trading account security at March 31, 2011 and 2010 were as follows:

	Millions of yen		Thousands of U.S. Dollars
	2011	2010	2011
Carrying amount (fair value)	¥20,390	¥20,382	\$245,219
Net unrealized gains (losses) recognized in the income statements	—	—	—

	Millions of Yen					
	2010					
	Carrying amount	Acquisition cost	Difference	Difference for money trusts for which the carrying amount exceeds acquisition cost	Difference for money trusts for which the carrying amount does not exceed acquisition cost	
Money trust	¥ 800	¥ 800	¥ —	¥ —	¥ —	

5. Net Unrealized Holding Gains and Losses on Available-for-sale Securities

Net unrealized gains and losses on available-for-sale securities at March 31, 2011 and 2010 were as follows:

	Millions of yen		Thousands of U.S. Dollars
	2011	2010	2011
Net unrealized holding gains on available-for-sale securities	¥29,405	¥49,341	\$353,638
Deferred tax liabilities	11,812	19,922	142,056
Net unrealized gains on available-for-sale securities, net of taxes before adjustment for minority interests	17,592	29,419	211,569
Minority interests	206	245	2,477
Net unrealized gains on available-for-sale securities, net of taxes	17,386	29,174	209,092

6. Loans and Bills Discounted

Loans and bills discounted at March 31, 2011 and 2010 included the following:

	Millions of yen		Thousands of U.S. Dollars
	2011	2010	2011
Loans to bankrupt customers	¥ 66,748	¥ 23,767	\$ 802,742
Loans past due six months or more	80,439	82,754	967,396
Loans past due three months or more but less than six months ..	2,339	780	28,129
Restructured loans	6,769	7,395	81,407
Total	¥156,297	¥114,696	\$1,879,699

Loans to bankrupt customers are loans to customers undergoing bankruptcy or similar proceedings or who are in a similar financial condition. Interest is not being accrued on these loans as the principal and interest will eventually be uncollectible.

Loans past due six months or more are loans not included in the above category or in restructured loans for which payments are past due six months or more. Interest is not being accrued on these loans.

Loans past due three months or more are loans not included in the above categories or in restructured loans for which payments are past due three months or more.

Restructured loans are loans not included in the above categories for which the Bank has granted concessions, such as reduced interest rates or the deferral or waiver of interest or principal payments, in support of customers in financial difficulties.

Bills discounted, such as commercial bills discounted and foreign exchanges bought, are accounted for as financial transactions in accordance with the "Treatment for Accounting and Auditing for the Application of the Accounting Standard for Financial Instruments in Banking Industry" (Industry Audit Committee Report No. 24), issued by the JICPA. The Bank has the right to sell or pledge commercial bills discounted and foreign exchange bought without restriction. The total face amount of such instruments at March 31, 2011 and 2010 was ¥43,580 million (\$524,113 thousand) and ¥43,222 million, respectively.

7. Commitment Lines

Commitment line agreements are loan agreements which oblige the Bank and its consolidated subsidiaries to lend funds up to certain limits agreed to in advance. The Bank and its consolidated subsidiaries make loans upon the request of an obligor to draw down funds under such agreements, as long as there is no breach of the various terms and conditions stipulated in the relevant agreement. The unused commitment balance relating to these agreements at March 31, 2011 and 2010 amounted to ¥1,273,149 million (\$15,311,473 thousand) and ¥1,322,826 million, respectively. Of these amounts, ¥1,218,339 million (\$14,652,303 thousand) for 2011 and ¥1,279,695 million for 2010 related to loans in which the term of the agreement was one year or less or for which the unconditional cancellation of the agreement was allowed at any time.

With many of these commitment line agreements, the term of the agreement runs its course without the loan ever being drawn down. Therefore, the unused loan commitment does not necessarily affect future cash flows. In certain loan agreements, conditions are included which allow the Bank and its consolidated subsidiaries either to decline the request to drawdown the loan or to reduce the agreed upon limit when there is cause to do so, such as when there is a change in financial condition or when it is necessary to protect the Bank and its consolidated subsidiaries' credit. The Bank and its consolidated subsidiaries take various measures to protect their credit, including having the obligor pledge collateral such as real estate or securities when signing loan agreements or confirming the obligor's financial condition at regular intervals in accordance with the Bank and its consolidated subsidiaries' established internal procedures.

8. Tangible Fixed Assets

Tangible fixed assets at March 31, 2011 and 2010 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2011	2010	2011
Land	¥20,559	¥20,673	\$247,251
Buildings	16,316	17,251	196,223
Construction in progress	130	131	1,563
Lease assets	4,038	40	48,562
Other tangible fixed assets	5,459	5,964	65,652
	¥46,504	¥44,059	\$559,278

Accumulated depreciation at March 31, 2011 and 2010 was ¥75,656 million (\$909,873 thousand) and ¥74,966 million, respectively.

The differences between the recoverable amount and the book value of the assets below were recognized as "Losses on impairment of fixed assets" for the years ended March 31, 2011 and 2010 as follows:

(Millions of Yen)		2011		
Area	Purpose of Use	Type	Impairment Loss	
Okayama	Branches	5 branches	Land, buildings and movable properties	¥100
	Idle assets	3 items		
Other	Branches	5 branches	Land and buildings	231
	Idle assets	1 item		

(Thousands of U.S. Dollars)		2011		
Area	Purpose of Use	Type	Impairment Loss	
Okayama	Branches	5 branches	Land, buildings and movable properties	\$1,202
	Idle assets	3 items		
Other	Branches	5 branches	Land and buildings	2,778
	Idle assets	1 item		

(Millions of Yen)		2010		
Area	Purpose of Use	Type	Impairment Loss	
Okayama	Branches	2 branches	Land, buildings, movable properties and software	¥111
	Idle assets	2 items		
Other	Branches	4 branches	Land and buildings	179

Within the Bank, it is the Group office or branch that manages and determines income and expenses, and it is the Group office or branch that is the smallest unit of an asset group for recognition and measurement of impairment loss. Fixed assets which do not have identifiable cash flows, such as corporate headquarter's facilities, the computer center and recreational facilities, are grouped with other assets. As for idle assets and assets to be disposed of, impairment loss on each asset is measured individually. With regard to the consolidated subsidiaries, each subsidiary is considered as the smallest grouping unit.

For assets in which investments were not expected to be recovered, the Bank and its consolidated subsidiaries reduced the carrying amount for branches, idle assets and assets to be disposed of to the recoverable amount and recognized a corresponding loss of ¥331 million (\$3,980 thousand) and ¥290 million as "Losses on impairment of fixed assets" for the years ended March 31, 2011 and 2010, respectively.

The recoverable amount for branches, idle assets and assets to be disposed of was the higher amounts of the net realizable value and the value in use. The net realizable value was based on the appraisal value in accordance with Real Estate Appraisal Standards. The value in use was used to estimate the recoverable amount, and future cash flow was discounted by 4%.

9. Intangible Fixed Assets

Intangible fixed assets at March 31, 2011 and 2010 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2011	2010	2011
Software	¥ 8	¥ 14	\$ 96
Other intangible fixed assets	160	164	1,924
	¥168	¥178	\$2,020

10. Pledged Assets

Pledged assets at March 31, 2011 and 2010 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2011	2010	2011
Securities	¥220,811	¥168,450	\$2,655,574
Other assets	81	277	974
Lease receivables and investment in leased assets	3,330	5,371	40,048
Total	¥224,223	¥174,098	\$2,696,608

Liabilities secured by the above were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2011	2010	2011
Deposits	¥ 34,147	¥ 29,912	\$ 410,667
Call money	12,970	3,667	155,983
Payables under securities lending transactions	172,045	160,765	2,069,092
Borrowed money	31,016	5,185	373,012
Total	¥250,180	¥199,529	\$3,008,779

At March 31, 2011, certain trading account securities in the aggregate amount of ¥40 million (\$481 thousand) and certain other securities in the aggregate amount of ¥293,436 million (\$3,528,995 thousand) were pledged as collateral for settlement of exchange at the Bank of Japan and for other purposes.

At March 31, 2010, certain trading account securities in the aggregate amount of ¥45 million and certain other securities in the aggregate amount of ¥290,433 million were pledged as collateral for settlement of exchange at the Bank of Japan and for other purposes.

Other assets included guarantee deposits of ¥838 million (\$10,078 thousand) and ¥740 million at March 31, 2011 and 2010, respectively. Other assets also included initial margins for futures markets in the amount of ¥72 million (\$865 thousand) and ¥78 million at March 31, 2011 and 2010, respectively.

11. Deferred Tax Assets (Liabilities)

Significant components of deferred taxes assets and liabilities at March 31, 2011 and 2010 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2011	2010	2011
Deferred tax assets:			
Reserve for possible loan losses	¥31,238	¥26,394	\$375,682
Severance and retirement benefits	7,119	7,128	85,616
Unrealized holding losses on securities	6,658	4,542	80,072
Depreciation	5,680	6,104	68,310
Deferred losses on hedges	2,067	1,860	24,858
Write-down of securities	1,058	857	12,723
Accrued employees' bonuses ...	728	780	8,755
Other	5,763	3,834	69,308
Subtotal	60,316	51,499	725,387
Valuation allowance	(2,402)	(2,301)	(28,887)
Total deferred tax assets	57,913	49,198	696,488
Deferred tax liabilities:			
Unrealized holding gains on securities	18,372	24,365	220,950
Prepaid pension cost	272	805	3,271
Reserve for advanced depreciation of tangible fixed assets	261	259	3,138
Deferred gains on hedges	9	33	108
Other	8	92	96
Total deferred tax liabilities	18,924	25,554	227,588
Net deferred tax assets	¥38,988	¥23,644	\$468,887

The difference between the statutory tax rate and the effective tax rate was not required to be disclosed for the year ended March 31, 2010 since the difference was less than 5 percent of the statutory tax rate.

For the year ended March 31, 2011, the difference between the statutory tax rate and the effective tax rate was as follows:

	2011
Statutory tax rate	40.4%
Increase (decrease) in taxes resulting from:	
Permanently nontaxable dividends received	(10.1)
Permanently nondeductible expenses	0.8
Valuation allowance	2.1
Per capita inhabitants taxes	1.5
Other	0.2
Effective income tax rate	34.9%

12. Borrowed Money

Borrowed money classified by maturity at March 31, 2011 and 2010 was as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2011	2010	2011
Less than one year	¥34,521	¥ 7,752	\$415,165
From one to two years	5,296	5,348	63,692
From two to three years	3,908	4,254	46,999
From three to four years	2,730	2,866	32,832
From four to five years	1,303	1,587	15,670
Over five years	1,709	1,909	20,553
Total borrowed money	¥49,469	¥23,716	\$594,936

13. Liability for Employees' Severance and Retirement Benefits

The liability for employees' severance and retirement benefits included in the liability section of 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
Projected benefit obligation	¥46,193	¥45,255	\$555,538
Less fair value of pension assets ...	(25,260)	(26,274)	(303,788)
Unrecognized actuarial differences	(8,125)	(7,609)	(97,714)
Unrecognized prior service cost ...	1,037	1,334	12,471
Prepaid pension costs	673	1,992	8,093
Liability for severance and retirement benefits	¥14,518	¥14,698	\$174,600

Included in the consolidated statements of income for the years ended March 31, 2011 and 2010 were severance and retirement benefit expenses that comprised the following:

	Millions of Yen		Thousands of U.S. Dollars
	2011	2010	2011
Service costs - benefits earned during the year	¥1,756	¥1,733	\$21,118
Interest cost on projected benefit obligation	901	888	10,835
Expected return on plan assets	(158)	(903)	(1,900)
Amortization of prior service cost ..	(296)	(296)	(3,559)
Amortization of net actuarial loss ...	1,624	1,825	19,530
Severance and retirement benefit expenses	¥3,827	¥3,247	\$46,025

The discount rate used by the Bank at March 31, 2011 and 2010 was 2.0%. The rates of expected return on plan assets used by the Bank at March 31, 2011 and 2010 were as follows:

	2011	2010
Non-contributory pension plan	5.026%	5.148%
Cash balance pension plan	0.000%	4.416%
Employee retirement benefit trust	2.222%	2.486%

The estimated amount of all retirement benefits to be paid at future retirement dates is allocated equally to each service year using the estimated total number of service years. Actuarial gains and losses are recognized in expenses using the straight-line method over ten years, which is within the average of the estimated remaining service years, commencing with the following period. Prior service costs of cash balance pension plans are recognized in expenses using the straight-line method over ten years, which is within the average of the estimated remaining service years, commencing with the period when they arise.

14. Derivative Transactions

Derivative transactions at March 31, 2011 and 2010 were as follows:

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

Regarding derivatives transactions to which hedge accounting is not applied, the contract amount or corresponding principal amount stipulated by the contract, fair value, recognized gains (losses) and calculation method for the relevant fair value by each type of transaction as of the consolidated balance sheet date are set forth in the tables below. The actual contract amounts do not indicate market risk for the derivative transactions themselves.

Interest Rate Derivatives:

Type	Millions of Yen			
	2011			
	Contract Amount	Over 1 Year	Fair Value	Recognized Gains (Losses)
Over-the-counter transactions				
Interest rate swaps				
Pay fixed/				
receive floating	¥9,493	¥9,493	¥(298)	¥(298)
Pay floating/				
receive fixed	9,493	9,493	374	374
Total			¥ 76	¥ 76

Type	Thousands of U.S. Dollars			
	2011			
	Contract Amount	Over 1 Year	Fair Value	Recognized Gains (Losses)
Over-the-counter transactions				
Interest rate swaps				
Pay fixed/				
receive floating	\$114,167	\$114,167	\$(3,583)	\$(3,583)
Pay floating/				
receive fixed	114,167	114,167	4,497	4,497
Total			\$ 914	\$ 914

Type	Millions of Yen			
	2010			
	Contract Amount	Over 1 Year	Fair Value	Recognized Gains (Losses)
Over-the-counter transactions				
Interest rate swaps				
Pay fixed/				
receive floating	¥9,859	¥9,547	¥(270)	¥(270)
Pay floating/				
receive fixed	9,859	9,547	359	359
Total			¥ 89	¥ 89

Notes: 1. The above transactions were stated at fair value, and gains or losses were recognized in the consolidated statements of income.

2. Fair values were determined based on the discounted value of future cash flows and other factors.

Currency Derivatives:

Type	Millions of Yen			
	2011			
	Contract Amount	Over 1 Year	Fair Value	Recognized Gains (Losses)
Over-the-counter transactions				
Currency swaps	¥443,011	¥376,718	¥ 140	¥ 140
Forward foreign exchange				
Sold	105,721	124	(1,936)	(1,936)
Bought	17,548	124	(62)	(62)
Currency options				
Sold	151,964	105,899	15,746	(2,478)
Bought	151,964	105,899	13,736	3,179
NDF				
Sold	239	136	25	25
Bought	223	127	(10)	(10)
Total			¥27,641	¥(1,140)

Type	Thousands of U.S. Dollars			
	2011			
	Contract Amount	Over 1 Year	Fair Value	Recognized Gains (Losses)
Over-the-counter transactions				
Currency swaps	\$5,327,853	\$4,530,583	\$ 1,683	\$ 1,683
Forward foreign exchange				
Sold	1,271,449	1,491	(23,283)	(23,283)
Bought	211,040	1,491	(745)	(745)
Currency options				
Sold	1,827,588	1,273,589	189,368	(29,801)
Bought	1,827,588	1,273,589	165,195	38,232
NDF				
Sold	2,874	1,635	300	300
Bought	2,681	1,527	(120)	(120)
Total			\$332,423	\$(13,710)

Type	Millions of Yen			
	2010			
	Contract Amount	Over 1 Year	Fair Value	Recognized Gains (Losses)
Over-the-counter transactions				
Currency swaps	¥390,315	¥295,229	¥ 429	¥ 429
Forward foreign exchange				
Sold	86,065	1,758	(1,416)	(1,416)
Bought	11,752	1,780	(41)	(41)
Currency options				
Sold	182,899	131,929	14,134	58
Bought	182,899	131,929	14,081	2,358
NDF				
Sold	71	24	(2)	(2)
Bought	68	23	6	6
Total			¥27,191	¥1,392

Notes: 1. The above transactions were stated at fair value, and gains or losses were recognized in the consolidated statements of income.

2. Fair values were determined based on the discounted value of future cash flows and other factors.

Bond Related Derivatives

Type	Millions of Yen			
	2011			
	Contract Amount	Over 1 Year	Fair Value	Recognized Gains (Losses)
Financial products exchange transactions				
Bond futures				
Sold	¥1,399	¥—	¥1,395	¥4

Type	Thousands of U.S. Dollars			
	2011			
	Contract Amount	Over 1 Year	Fair Value	Recognized Gains (Losses)
Financial products exchange transactions				
Bond futures				
Sold	\$16,825	\$—	\$16,776	\$48

There were no bonds related derivatives outstanding at March 31, 2010.

Note: The above transactions are stated at fair value, and gains are recognized in the consolidated statements of income.

Credit Derivatives:

There were no credit derivatives outstanding at March 31, 2011

Type	Millions of Yen			
	2010			
	Contract Amount	Over 1 Year	Fair Value	Recognized Gains (Losses)
Over-the-counter transactions				
Credit default swaps sold ..	¥2,000	¥—	¥(53)	¥(53)

Note: The above transactions were stated fair value, and the gains or losses were recognized in the consolidated statements of income.

(2) Derivatives transactions to which hedge accounting is applied

Regarding derivatives transactions to which hedge accounting is applied, the contract amounts or corresponding principal amounts stipulated by the contract, fair value and calculation method for the fair value by type of transaction and hedge accounting method as of the consolidated balance sheet date are set forth in the tables below. The actual contract amounts do not indicate market risk for the derivative transactions themselves.

Interest Rate Derivatives:

Type	Hedged Item	Millions of Yen		
		2011		
		Contract Amount	Over 1 Year	Fair Value
The deferral method of hedge accounting				
Interest rate swaps				
Pay fixed/ receive floating	Loans and bills discounted	¥168,777	¥143,204	¥(5,094)
Cap		50	—	—
Total				¥(5,094)

Type	Hedged Item	Thousands of U.S. Dollars		
		2011		
		Contract Amount	Over 1 Year	Fair Value
The deferral method of hedge accounting				
Interest rate swaps				
Pay fixed/ receive floating	Loans and bills discounted	\$2,029,789	\$1,722,236	\$(61,262)
Cap		601	—	—
Total				\$(61,262)

Type	Hedged Item	Millions of Yen		
		2010		
		Contract Amount	Over 1 Year	Fair Value
The deferral method of hedge accounting				
Interest rate swaps				
Pay fixed/ receive floating	Loans and bills discounted	¥190,873	¥165,293	¥(4,518)
Cap		150	150	0
Total				¥(4,518)

Notes: 1. The above transactions were applied the deferral method of hedge accounting in accordance with the method stipulated in the "Accounting and Auditing Treatment of Accounting Standards for Financial Instruments in Banking Industry" (JICPA Industry Audit Committee Report No. 24).

2. Fair values were determined based on the discounted value of future cash flows and other factors.

Currency Derivatives:

		Millions of Yen		
		2011		
Type	Hedged Item	Contract Amount	Over 1 Year	Fair Value
The deferral method of hedge accounting				
Fund related swapsDue from overseas branches	¥480	¥—	¥(8)

		Thousands of U.S. Dollars		
		2011		
Type	Hedged Item	Contract Amount	Over 1 Year	Fair Value
The deferral method of hedge accounting				
Fund related swapsDue from overseas branches	\$5,772	\$—	\$(96)

		Millions of Yen		
		2010		
Type	Hedged Item	Contract Amount	Over 1 Year	Fair Value
The deferral method of hedge accounting				
Fund related swapsForeign currency monetary assets and other	¥10,009	¥—	¥(236)

Notes: 1. The deferral method of hedge accounting was applied for the above transactions in accordance with the method stipulated in the "Accounting and Auditing Concerning Accounting for Foreign Currency Transactions in Banking Industry" (JICPA Industry Audit Committee Report No. 25).

2. Fair values were determined based on the discounted value of future cash flows and other factors.

15. Acceptances and Guarantees (Contingent Liabilities)

All contingent liabilities arising in compliance with customers' needs in foreign trade and other transactions are included in "Acceptances and guarantees." As a contra account, "Customers' liabilities for acceptances and guarantees" is shown on the assets side, representing the Bank's contingent claim of right to indemnity from customers.

16. Lease Transactions

Information about finance leases at March 31, 2011 and 2010 was as follows:

As lessee:

(a) Pro forma information about finance leases which commenced prior to April 1, 2008 and do not transfer ownership of the leases assets to the lessee is set forth in the tables below.

These finance lease transactions are accounted for as operating lease transactions.

	Millions of Yen		Thousands of U.S. Dollars
	2011	2010	2011
Acquisition cost	¥537	¥1,038	\$6,458
Accumulated depreciation	535	970	6,434
Net book value	¥ 2	¥ 68	\$ 24

Obligations under finance leases:

Due within one year	¥ 2	¥ 65	\$ 24
Due after one year	—	3	—
Total	¥ 2	¥ 68	\$ 24

Lease payments under the above leases for the years ended March 31, 2011 and 2010 were ¥65 million (\$781 thousand) and ¥160 million, respectively.

(b) Obligations under operating leases which were not cancellable at March 31, 2011 and 2010 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2011	2010	2011
Due within one year	¥ 45	¥ 45	\$ 541
Due after one year	296	329	3,559
Total	¥342	¥374	\$4,113

17. Comprehensive Income

For the year ended March 31, 2010

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

	Millions of Yen
Other comprehensive income:	
Net unrealized gains on other securities	¥41,258
Net deferred gains on hedging instruments	454
Total other comprehensive income	¥41,712

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

	Millions of Yen
Comprehensive income attributable to:	
Owners of the parent	¥51,858
Minority interests	621
Comprehensive income	¥52,479

18. Financial Instruments

1. Information about Status of Financial Instruments

(a) Policies for using financial instruments

The Group is engaged in financial services, primarily the banking business. The Group's core business of banking is mainly financing through deposit taking operations and investing funds through its loan and securities investment operations.

The Bank engages in derivative transactions principally to stabilize its earnings by hedging the risk of future fluctuations in interest and exchange rates related to assets and liabilities held by the Bank as well as the risk of fluctuation in the market prices of bonds, stocks and other investment instruments held. In addition, the Bank provides hedging services to customers in accordance with their needs.

(b) Details of financial instruments used and the exposure to risk and how they arise

The financial assets held by the Group consist primarily of loans to corporations, local public organizations, local public corporations and individuals in Japan. The Group's loans are categorized into bills discounted, loans on bills, loans on deeds and overdrafts. These loans are subject to the "credit risk" of decline in value or loss due to changes in the financial status of those to whom credit is provided and to the "interest rate risk" of decline in value due to a change in interest rates.

Among other financial assets, the Bank holds securities, trading account securities and other debt purchased, which mainly comprise Japanese stocks and bonds and foreign bonds and trust certificates. The purposes of these instruments include holding to maturity, and investment and business development. As financial assets, they are subject to various types of risk. These include the credit risk of the issuer and interest rate risk, which is the risk that the value of assets may decline due to changes in the prices of securities or other assets ("price fluctuation risk") and the risk of loss incurred if exchange rates differ from original expectations ("exchange rate risk"). Moreover, they are subject to the risk that the Bank might not be able to make trades due to turmoil, etc. in the marketplace or be unable to avoid making trades at prices that are notably lower than usual ("liquidity risk"). Note that interest rate, price fluctuation and exchange rate risk are collectively known as "market risk."

The Bank also holds financial liabilities in the form of deposits and negotiable certificates of deposit, which are chiefly deposits held in yen or foreign currency by corporations, local public bodies, local public corporation and individuals in Japan. These deposits are categorized into current deposits, ordinary deposits, saving deposits, deposits at notice, time deposits, installment savings accounts, installment time deposits, deposits for tax payment, nonresident yen deposits, foreign currency deposits and deposits for offshore accounts. The deposits are subject to interest rate risk as well as the risk of loss arising from the Bank having difficulty in raising necessary funds or being forced to raise funds at significantly higher interest rates than usual in the event of a shortage of capital due to a mismatch in the terms of the Bank's deposits and its investment portfolio of loans and securities or an unexpected run on the Bank's deposits ("funding risk").

Derivative transactions include interest rate-related transactions (swaps, swaptions and caps), currency-related transactions (swaps, options, forward exchange contracts and non-deliverable forwards), bond-related transactions (futures, options, stock futures and stock options) and credit derivative transactions (credit default swaps). The Bank engages in derivative transactions principally to stabilize its earnings by hedging the risk of future fluctuations in interest or exchange rates related to assets or liabilities held by the Bank as well as the market prices of bonds, stocks and other investment instruments held.

The Bank also provides hedging services to customers in accordance with their needs. Although the Bank uses derivative transactions to capture short-term gains in assets for trading purposes, any possible loss on these derivative transactions is limited by maintaining a fixed position quota and capping allowed losses.

Of the above mentioned derivative transactions, those transactions used for hedging purposes are carried out in accordance with the hedging policies (reduction of interest risk, etc.) stipulated in the Bank's internal operating regulations and include such derivative transactions as interest swaps for loans and currency swaps for foreign currency denominated securities and deposits. In evaluating the effectiveness of hedges, the Bank uses the method of grouping together the loans and interest swaps used for market value hedges by the specific term (remaining) of the positions to determine performance. In some cases, the Bank also assesses effectiveness of market value hedging instruments on an individual basis. The Bank uses currency swaps and other methods to hedge exchange rate risks and evaluates the effectiveness of the

hedges by confirming that a foreign currency hedge position exists in an amount equivalent to the foreign currency denominated monetary assets or liabilities being hedged.

(c) Policies and processes for managing the risk

1) Credit Risk Management

Credit risk refers to loss incurred when the value of assets (including off-balance-sheet assets) decline or become worthless due to changes in the financial status of those to whom credit is provided.

The Bank's basic credit risk management policy is to, within the scope of its management capabilities, ensure that the Bank carries out transactions that can secure a return while appropriately managing the credit risks of the diverse transactions of each of its divisions and business sections using credit risk assessment and management methods that suit the special characteristics of each transaction in order to maintain a sound asset structure. The Bank carries out its credit risk management based on its Credit Risk Management Standards and various detailed management methods provided for in the Bank's operating regulations.

Based on this framework, the Credit Rating Center and Credit Supervision Department manage the risk of the individual loans of the operational divisions (branches and loan sales departments at the headquarters). The Risk Management Department, which is completely independent of the Credit Rating Center, Credit Supervision Department and the operational divisions, is responsible for managing overall credit risk. The Bank has also established an auditing system for credit risk, appointing a Credit Screening Supervisor in the Audit & Inspection Department who bears the responsibility for conducting internal audits for credit risk.

Specifically, credit risk management entails determining the overall condition of the customer's business through credit ratings, assessment, and other methods. This information is utilized to carry out credit screening for individual loans, administer the loans after they have been extended and determine write-offs and reserves. From the perspective of loan portfolio management, the Bank strives to strengthen control of credit risk and its ability to earn stable income by monitoring the loan balance composition and degree of credit risk and cost adjusted income, etc. In addition, risk managers verify that the calculated degree of credit risk is within the credit risk limits set under the credit risk management plan, conduct stress tests to assess the Bank's degree of capital adequacy and report results regularly to the Board of Directors and other management bodies.

Credit concentration risk is managed by setting credit limits by debtor, industry and country. The status of the credit concentration risk is reported to the Board of Directors and other management bodies on a regular basis. In addition, Large Account Credit Committee was established as a systematic measure to strengthen the credit control over large accounts.

2) Market Risk Management

Market risk refers to the risk of incurring loss from fluctuations in profits arising from assets and liabilities and the risk of incurring loss from fluctuations in the value of assets and liabilities (including off-balance-sheet assets and liabilities) due to fluctuations in market risk factors such as interest rates, exchange rates and share prices.

The Bank's basic risk management policy for market risk is to determine and analyze risk from the point of view of both present value and net interest income asset movements, as well as assessing the risk from various angles, using stress tests and other methods. The Bank carries out its market risk management based on its Market Risk Management Standards, which stipulate the framework and systems for market risk management and various detailed management methods provided for in the Bank's operating regulations.

The structure for market risk management is divided into the business operations division (front office) and the administrative division (back office). We have also established a risk management division (middle office). Together, these serve as reciprocal restraints.

Trading limits and loss limits have been set for trading operations, the goal of which is to earn trading profit from buying and selling securities in market operations. These are managed to ensure that losses in excess of a certain amount do not occur. Banking operations (investment securities) are managed for risk by taking the risk-return balance into consideration through ALM analysis, VaR analysis and other means to ensure stable profits over the medium- to long-term. We have also established a system for the flexible management of market risk as well as credit risk and liquidity risk related to market operations.

Market risk management for the entire bank, including lending and deposit services, is carried out by analyzing risk from multiple aspects, such as the calculation of interest rate risk. The ALM Committee discusses the overall management of assets and liabilities and evaluates management and lending policies each month.

Quantitative Information about Market Risk

(Financial instruments to which quantitative analysis on market risk is applied for the purpose of risk management)

The Bank measures market risk volume using Value at Risk (VaR) and monitors, analyzes, evaluates and controls risks from various aspects, implementing limit controls and stress tests.

As assumptions, the Bank adopts variance-covariance model assuming that fluctuations of prices and interest rates will follow a normal distribution and uses a five years observation period, 99.9% confidence interval, 125 business day holding period for banking business and 10 business day period for trading activities. Among financial instruments, market price fluctuation risk is measured for equity securities (excluding unlisted equity securities), investment trusts and other assets, and interest rate risk is measured for debt securities, deposits and loans, considering the correlation(*) between price fluctuation risk and interest rate risk.

Under the normal circumstances, interest rates will generally rise when the stock prices rise (prices of debt securities will decline) and interest rates will decline when the stock prices decline (prices of debt securities will rise). Thus, stock prices and interest rates are mutually related, and stock prices and prices of debt securities are oppositely related. The market risk volume of the Bank is smaller than the total of price fluctuation risk and interest rate risk since the correlation is taken into account. At a time of stress such as in times of drastic change in the market environment, there is a possibility that the above correlation does not work and another complementary system is established by different stress tests and capital allocation.

Market risk volume as of March 31, 2011 is as follows:

	Millions of Yen	Thousands of U.S. Dollars
Market risk volume	¥108,589	\$1,305,941
Banking business.....	108,458	1,304,365
(Price fluctuation risk)	(88,323)	(1,062,212)
(Interest rate risk)	(48,450)	(582,681)
(Considering correlation)	(28,315)	(340,529)
Trading activities.....	131	1,575

The Bank conducts back testing which compares VaR and profit and loss on a regular basis to verify the effectiveness of its measurement of market

risk. Profit or loss expected at the time the measurement of VaR is fixed is used for comparison. As a result of back testing, the Bank judges that there is no problem with its market risk measurement model and measurement methods.

However, since VaR is statistically computed under certain assumptions based on the historical market fluctuations, certain risk beyond the assumptions may not be fully captured. Accordingly, a complementary system is established by different stress tests and others considerations.

(Financial instruments to which quantitative analysis on market risk is not applied for the purpose of risk management)

The Bank does not apply market risk measurement to certain off-balance-sheet transactions since the effect would be immaterial.

3) Liquidity Risk Management

Liquidity risk refers to the risk of incurring losses (hereafter, "fund procurement risks") when it becomes difficult to secure the requisite funds or when funds at a much higher than normal interest rate becomes necessary due to a mismatch between the timing of use and procurement or an unexpected outflow of funds or to risks incurred when transactions cannot be conducted or must be conducted at prices that are much more disadvantageous than normal due to market disruptions or other factors (hereafter, "market liquidity risk").

The Bank recognizes fund procurement as an important management issue and its basic fund procurement risk policy is to ensure a stable supply of funds. The Bank's basic policy for managing market liquidity risk is to take into consideration the special features of markets such as market size, liquidity, and other factors and to pay careful attention to market liquidity. The Bank carries out its fund procurement risk and market liquidity risk management based on its Market Liquidity Risk Management Standards, which stipulate the framework and systems for fund procurement risk and market liquidity risk management.

Funds procurement risk management is subject to strict management controls, which are divided between the funds procurement management division, which procures funds, and the funds procurement risk management division, which monitors the status of the procurement of those funds. The funds procurement management division carefully monitors the daily status of funds procurement for market and other operations and works to limit the risk involved in the procurement of funds. The funds procurement risk management division determines the management policies for the risk of procuring funds, such as policies on holding highly liquid assets and setting limits on procurement from the market. Therefore, the funds procurement risk management division monitors developments to ensure there are no problems with the status of funds procurement in the funds procurement management division.

Deposits comprise the vast majority of the Bank's funds and the procurement of funds through deposits is stable. However, we are working to diversify the Bank's means of procurement to prepare for unforeseen circumstances by being able to procure funds from the market utilizing marketable securities held by the Bank.

(d) Supplemental information on fair values

Fair values of financial instruments include the values based on market prices and the values calculated by estimates when the financial instruments do not have market prices. Since certain assumptions are adopted and other factors considered when calculating such values, they may differ when adopting different assumptions and considering other factors.

2. Fair Values of Financial Instruments

The following are the consolidated balance sheet amounts and fair values and any differences between them as of March 31, 2011 and 2010. Non-listed equity securities and other instruments for which the fair value was extremely difficult to determine are excluded from the table below (see Note 2).

	Millions of Yen		
	2011		
	Carrying Amount	Fair Value	Difference
Assets			
(1) Trading account securities	¥ 3,948	¥ 3,948	¥ —
(2) Money trusts	21,890	21,890	—
(3) Securities			
Bonds held to maturity	21,731	23,008	1,277
Available-for-sale securities	2,503,252	2,503,252	—
(4) Loans and bills discounted	3,318,275		
Reserve for possible loan losses (*1)	(98,467)		
	3,219,808	3,280,944	61,135
Total assets	¥5,770,631	¥5,833,044	¥62,413
Liabilities			
(1) Deposits	¥5,219,948	¥5,222,262	¥ 2,313
(2) Negotiable certificates of deposit	155,744	155,762	18
Total liabilities	¥5,375,692	¥5,378,025	¥ 2,332
Derivative transactions (*2)			
Derivative transactions not qualifying for hedge accounting	¥ (3,771)	¥ (3,771)	¥ —
Derivative transactions qualifying for hedge accounting	(5,102)	(5,102)	—
Total derivative transactions	¥ (8,873)	¥ (8,873)	¥ —

	Thousands of U.S. Dollars		
	2011		
	Carrying Amount	Fair Value	Difference
Assets			
(1) Trading account securities	\$ 47,480	\$ 47,480	\$ —
(2) Money trusts	263,259	263,259	—
(3) Securities			
Bonds held to maturity	261,346	276,704	15,357
Available-for-sale securities	30,105,255	30,105,255	—
(4) Loans and bills discounted	39,907,095		
Reserve for possible loan losses (*1)	(1,184,209)		
	38,722,886	39,458,135	735,237
Total assets	\$69,400,252	\$70,150,859	\$750,607
Liabilities			
(1) Deposits	\$62,777,486	\$62,805,315	\$ 27,817
(2) Negotiable certificates of deposit	1,873,048	1,873,265	216
Total liabilities	\$64,650,535	\$64,678,592	\$ 28,045
Derivative transactions (*2)			
Derivative transactions not qualifying for hedge accounting	\$ (45,351)	\$ (45,351)	\$ —
Derivative transactions qualifying for hedge accounting	(61,358)	(61,358)	—
Total derivative transactions	\$ (106,710)	\$ (106,710)	\$ —

	Millions of Yen		
	2010		
	Carrying Amount	Fair Value	Difference
Assets			
(1) Trading account securities	¥ 4,098	¥ 4,098	¥ —
(2) Money trusts	21,182	21,182	—
(3) Securities			
Bonds held to maturity	22,253	23,710	1,457
Available-for-sale securities	2,324,999	2,324,999	—
(4) Loans and bills discounted	3,339,708	—	—
Reserve for possible loan losses (*1)	(77,463)	—	—
	3,262,245	3,319,497	57,252
Total assets	¥5,634,777	¥5,693,486	¥58,709
Liabilities			
(1) Deposits	¥5,163,819	¥5,168,148	¥ 4,329
(2) Negotiable certificates of deposit	121,699	121,751	52
Total liabilities	¥5,285,518	¥5,289,899	¥ 4,381
Derivative transactions (*2)			
Derivative transactions not qualifying for hedge accounting	¥ (1,040)	¥ (1,040)	¥ —
Derivative transactions qualifying for hedge accounting	(4,753)	(4,753)	—
Total derivative transactions	¥ (5,793)	¥ (5,793)	¥ —

Items that did not have a material impact on the consolidated balance sheets are omitted.

(*1) Included are the general reserve for possible loan losses and the specific reserve for possible loan losses.

(*2) The net claims and obligations on derivative transactions were shown on a net basis, with obligations shown on a net basis being indicated by parentheses.

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

Assets

(1) Trading Account Securities

The fair values of bonds and other securities being held for the purpose of trading are determined using published reference prices (yields) or comparative exchange values based on published reference prices (yields).

(2) Money Trusts

As to securities managed as trust assets in a directed money trust for separate investment with the management of securities as its primary purpose, the fair values of stocks are based on the prices on financial products exchanges and those of bonds are based on the prices on financial products exchanges or prices announced by the corresponding financial institutions. The notes to Money Trusts based on holding purpose are stated in Note 4, "Money Trusts."

(3) Securities

The fair values of stocks are based on the prices on financial products exchanges and those of bonds are based on published reference prices (yields), comparative exchange values based on published reference prices (yields) or prices (yields) announced by the corresponding financial institutions. The fair values of investment trusts are based on the disclosed net asset value.

The fair values of private placement bonds with direct bank guarantees are determined by discounting the total future cash flows by the risk free rate plus a premium based on the credit risk spread rate of individual in-house rating categories.

Classification of securities according to the purpose for which they are held are described are stated in Note 3, "Securities."

(Additional Information)

The fair values of floating-rate Japanese government bonds, according to our determination that current market prices cannot be deemed as the fair value, are based on the carrying amounts at March 31, 2011 and 2010. As a result, Japanese government bonds included in securities at March 31, 2011 and 2010 were ¥3,108 million (\$37,378 thousand) and ¥5,384 million more, respectively, unrealized gains on available-for-sale securities at March 31, 2011 and 2010 were ¥1,852 million (\$22,273 thousand) and ¥3,199 million more, respectively, and deferred tax assets at March 31, 2011 and 2010 were ¥1,255 million (\$15,093 thousand) and ¥2,175 million less, respectively, than the amounts that would have been reported using market prices. There was no effect on profit or loss.

In deriving the reasonably calculated price, the Bank discounted the cash flows estimated from yields of Japanese government bonds and zero-floor option prices based on the Black-Scholes model, using discounted rates determined by yields of Japanese government bonds. The price decision variables included the yield of Japanese government bonds and the volatilities of interest rate swaptions.

(4) Loans and Bills Discounted

Since the terms of loans on bills, bills discounted and overdrafts on loans and bills discounted are short, fair value of these items approximate book value. Therefore, we deem the fair value to be the book value.

The fair values for loans on deeds are determined by estimating future cash flows for individual transactions and calculating the present value. The discount rate used for commercial businesses, local public organizations and local public corporations is the risk free rate plus a premium for each in-house credit risk rating factor. For loans to individuals, the interest rate on new loans at the end of the fiscal year under review is used. In estimating future cash flows, since cash flows based on variable interest rates reflect market rates in the short-term, their terms are deemed to be the period up to the next interest rate change date.

In addition, as to claims against bankrupt obligors, substantially bankrupt obligors and intensive control obligors, since the estimated amount of bad debts is calculated based on the estimated amounts that would be able to be collected from collateral and guarantees, the fair value approximates the consolidated balance sheet amount as of the consolidated balance sheet date minus the present estimated amount of bad debt. Therefore the fair value is deemed to be this amount.

Liabilities

(1) Deposits and (2) Negotiable Certificates of Deposit

For demand deposits including current deposits and ordinary deposits, we deem the fair value to be the payment amounts required on the consolidated balance sheet date (i.e., book values). In addition, we calculate the fair values of fixed deposits, installment savings accounts and others and negotiable certificates of deposits by grouping their deposits based on their future cash flows and discounting them to present value using the interest rate on new deposits at March 31, 2010.

Derivative Transactions

Derivative transactions, including interest rate related transactions (swaps, swaptions and caps), currency related transactions (swaps, options, forward exchange contracts and non-derivative forwards), bond related transactions (futures, options and stock index futures), credit derivative transactions (credit default swaps) and others are based on the prices on financial products exchanges, discounted value of future cash flows, option pricing models, announced by correspondent financial institutions and others.

(Note 2) Financial instruments whose fair values are deemed to be extremely difficult to determine are indicated below and are not included in "Assets - (3) Securities" in the fair value information on financial instruments in the tables above.

Category	Carrying Amount		
	Millions of Yen		Thousands of U.S. Dollars
	2011	2010	2011
(1) Unlisted equity securities			
(*1) (*2)	¥5,419	¥5,732	\$ 65,171
(2) Investments in partnerships (*3)	3,568	4,007	42,910
(3) Foreign stocks in foreign currency (*1)	0	1	0
(4) Warrants (*1)	0	0	0
Total	¥8,988	¥9,740	\$108,093

(*1) We do not treat (1), (3) and (4) as subject to disclosure of fair value because there are no market prices and the fair value is deemed extremely difficult to determine.

(*2) Impairment losses on unlisted stocks were recognized in the amount of ¥332 million (\$3,992 thousand) and ¥104 million for the fiscal years ended March 31, 2011 and 2010, respectively.

(*3) Of the investments in partnerships, we do not treat those whose assets consist of unlisted stocks and other financial instruments for which the fair value is extremely difficult to determine as being subject to disclosure of fair value.

(Note 3) Maturities of monetary assets and securities with contractual maturities subsequent to the balance sheet date

	Millions of Yen					
	2011					
	Within 1 year	More than 1 year within 3 years	More than 3 years within 5 years	More than 5 years within 7 years	More than 7 years within 10 years	More than 10 years
Securities						
Bonds held to maturity	¥ —	¥ —	¥ 15,016	¥ —	¥ 6,714	¥ —
Japanese government bonds	—	—	4,842	—	6,714	—
Japanese municipal bonds	—	—	8,177	—	—	—
Corporate bonds	—	—	1,997	—	—	—
Available-for-sale securities with maturities	267,174	611,841	580,266	349,677	497,976	51,721
Japanese government bonds	70,063	191,554	196,150	130,656	232,881	9,251
Japanese municipal bonds	19,094	132,810	135,697	150,062	214,423	2,801
Corporate bonds	125,160	170,457	158,690	50,412	35,014	6,466
Other	52,856	117,018	89,728	18,546	15,657	33,201
Loans and bills discounted (*)	1,149,917	732,794	407,063	203,422	190,574	443,243
Total	¥1,417,091	¥1,344,635	¥1,002,346	¥553,100	¥695,265	¥494,965

	Thousands of U.S. Dollars					
	2011					
	Within 1 year	More than 1 year within 3 years	More than 3 years within 5 years	More than 5 years within 7 years	More than 7 years within 10 years	More than 10 years
Securities						
Bonds held to maturity	\$ —	\$ —	\$ 180,589	\$ —	\$ 80,745	\$ —
Japanese government bonds	—	—	58,232	—	80,745	—
Japanese municipal bonds	—	—	98,340	—	—	—
Corporate bonds	—	—	24,016	—	—	—
Available-for-sale securities with maturities	3,213,156	7,358,280	6,978,544	4,205,375	5,988,887	622,020
Japanese government bonds	842,609	2,303,716	2,358,989	1,571,328	2,800,733	111,256
Japanese municipal bonds	229,633	1,597,233	1,631,954	1,804,714	2,578,749	33,686
Corporate bonds	1,505,231	2,049,993	1,908,478	606,277	421,094	77,763
Other	635,670	1,407,312	1,079,110	223,042	188,298	399,290
Loans and bills discounted (*)	13,829,428	8,812,916	4,895,526	2,446,446	2,291,930	5,330,643
Total	\$17,042,585	\$16,171,196	\$12,054,672	\$6,651,834	\$8,361,575	\$5,952,675

(*) Loans due from bankrupt borrowers, virtually bankrupt borrowers and likely to become bankrupt borrowers in the amount of ¥147,188 million (\$1,770,150 thousand) and loans without contract due dates in the amount of ¥44,070 million (\$530,006 thousand) are not included in the above table.

	Millions of Yen					
	2010					
	Within 1 year	More than 1 year within 3 years	More than 3 years within 5 years	More than 5 years within 7 years	More than 7 years within 10 years	More than 10 years
Securities						
Bonds held to maturity	¥ —	¥ —	¥ 10,765	¥ 4,811	¥ 6,678	¥ —
Available-for-sale securities with maturities	298,961	664,013	583,781	207,256	348,631	51,306
Loans and bills discounted (*)	1,194,677	742,074	407,322	205,985	201,784	441,550
Total	¥1,493,638	¥1,406,087	¥1,001,868	¥418,052	¥557,093	¥492,856

(*) Loans due from bankrupt borrowers, virtually bankrupt borrowers and likely to become bankrupt borrowers in the amount of ¥106,544 million and loans without contract due dates in the amount of ¥39,772 million are not included in the above table.

(Note 4) Repayment schedule of deposits and negotiable certificates of deposit subsequent to the balance sheet date

	Millions of Yen					
	2011					
	Within 1 year	More than 1 year within 3 years	More than 3 years within 5 years	More than 5 years within 7 years	More than 7 years within 10 years	More than 10 years
Deposits (*)	¥4,749,143	¥415,822	¥54,983	¥—	¥—	¥—
Negotiable certificates of deposit	154,653	1,091	—	—	—	—
Total	¥4,903,796	¥416,913	¥54,983	¥—	¥—	¥—

	Thousands of U.S. Dollars					
	2011					
	Within 1 year	More than 1 year within 3 years	More than 3 years within 5 years	More than 5 years within 7 years	More than 7 years within 10 years	More than 10 years
Deposits (*)	\$57,115,369	\$5,000,865	\$661,250	\$—	\$—	\$—
Negotiable certificates of deposit	1,859,927	13,120	—	—	—	—
Total	\$58,975,297	\$5,013,986	\$661,250	\$—	\$—	\$—

	Millions of Yen					
	2010					
	Within 1 year	More than 1 year within 3 years	More than 3 years within 5 years	More than 5 years within 7 years	More than 7 years within 10 years	More than 10 years
Deposits (*)	¥4,535,437	¥558,686	¥69,697	¥—	¥—	¥—
Negotiable certificates of deposit	121,436	262	—	—	—	—
Total	¥4,656,873	¥558,948	¥69,697	¥—	¥—	¥—

(*) Demand deposits are included in "Within 1 year."

19. Segment Information

For the years ended March 31, 2011 and 2010
(Additional Information)

Effective April 1, 2010, the Bank adopted "Accounting Standard for Disclosures about Segments of an Enterprise and Related Information" (Accounting Standards Board of Japan ("ASBJ") Statement No. 17, issued on March 27, 2009) and "Guidance on Accounting Standard for Disclosures about Segments of an Enterprise and Related Information" (ASBJ Guidance No. 20, issued on March 21, 2008).

1. Description of reportable segments

The Group's reportable segments are components of the Group about which separate information is available and evaluated regularly by the Board of Directors in deciding how to allocate management resources and evaluating operating segment performance. Each operating segment is controlled by each consolidated subsidiary since each company provides different services.

Accordingly, the Group consists of operating segments differentiated by the services each company provides, and the reportable segments are mainly "Banking" (the Bank), "Leasing" (Chugin Lease) and "Securities" (Chugin Securities). The "Banking" segment provides diversified financial services such as deposit taking and lending. The "Leasing" segment is engaged in leasing services and installment sales of properties and goods, and the "Securities" business is provides brokerage services for financial instruments.

2. Methods of measurement for the amounts of ordinary income, profit or loss, assets, liabilities and other items for each reportable segment

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

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

	Millions of Yen					
	2011					
	Reportable segment				Other	Total
Banking	Leasing	Securities	Total			
Ordinary income:						
External customers	¥ 119,108	¥13,003	¥1,805	¥ 133,917	¥ 1,903	¥ 135,820
Intersegment income	937	367	350	1,655	2,718	4,373
Total	¥ 120,045	¥13,370	¥2,156	¥ 135,572	¥ 4,621	¥ 140,194
Segment profit	5,569	575	301	6,446	1,578	8,025
Segment assets	6,187,746	31,261	4,370	6,223,377	20,409	6,243,787
Segment liabilities	5,817,987	19,972	1,419	5,839,380	12,734	5,852,114
Other items:						
Depreciation	3,388	90	17	3,497	20	3,518
Interest income	85,252	22	11	85,286	266	85,552
Interest expense	8,472	271	9	8,754	6	8,760

	Thousands of U.S. Dollars					
	2011					
	Reportable segment				Other	Total
Banking	Leasing	Securities	Total			
Ordinary income:						
External customers	\$ 1,432,447	\$156,380	\$21,707	\$ 1,610,547	\$ 22,886	\$ 1,633,433
Intersegment income	11,268	4,413	4,209	19,903	32,687	52,591
Total	\$ 1,443,716	\$160,793	\$25,929	\$ 1,630,450	\$ 55,574	\$ 1,686,037
Segment profit	66,975	6,915	3,619	77,522	18,977	96,512
Segment assets	74,416,668	375,959	52,555	74,845,183	245,447	75,090,643
Segment liabilities	69,969,777	240,192	17,065	70,227,059	153,144	70,380,204
Other items:						
Depreciation	40,745	1,082	204	42,056	240	42,309
Interest income	1,025,279	264	132	1,025,688	3,199	1,028,887
Interest expense	101,888	3,259	108	105,279	72	105,351

	Millions of yen					
	2010					
	Reportable segment				Other	Total
Banking	Leasing	Securities	Total			
Ordinary income:						
External customers	¥ 119,236	¥13,542	¥ 300	¥ 133,078	¥ 1,995	¥ 135,073
Intersegment income	296	351	238	885	2,583	3,468
Total	¥ 119,532	¥13,893	¥ 538	¥ 133,963	¥ 4,578	¥ 138,541
Segment profit	16,251	832	19	17,102	1,016	18,118
Segment assets	6,029,935	34,518	2,449	6,066,902	20,183	6,087,085
Segment liabilities	5,647,455	23,501	1,028	5,671,984	13,396	5,685,380
Other items:						
Depreciation	3,772	144	7	3,923	20	3,943
Interest income	88,263	23	7	88,293	335	88,628
Interest expense	10,968	320	7	11,295	18	11,313

Notes: 1. Ordinary income and ordinary profit (segment profit) are presented in place of net sales and operating profit of non-financial industries.

Ordinary income or ordinary profit is calculated by deducting non-recurring items from total income or income before income taxes and minority interests.

2. "Other" is business segments which are not included in the reportable segments and includes credit guarantee, credit card, consignment of office work, investment management and advisory services under the Financial Instruments and Exchange Act.

4. Reconciliations between the total amount of reportable segments and the corresponding amounts in the consolidated financial statements

(1) A reconciliation of the total amount of ordinary income of reportable segments to ordinary income

	Millions of yen		Thousands of U.S. Dollars
	2011	2010	2011
Ordinary income			
Total amount of reportable segments	¥135,572	¥133,963	\$1,630,450
Ordinary income of "Other"	4,621	4,578	55,574
Amortization of negative goodwill ..	453	437	5,447
Adjustments to carrying amounts of securities	(336)	(175)	(4,040)
Elimination of intersegment transactions	(4,036)	(3,294)	(48,538)
Ordinary income	¥136,273	¥135,509	\$1,638,881

Note: "Ordinary income" is presented for local reporting purposes and can be calculated by deducting non-recurring items from "Total income" in the accompanying consolidated statements of income.

(2) A reconciliation of the total amount of segment profit of the reportable segments to ordinary profit

	Millions of yen		Thousands of U.S. Dollars
	2011	2010	2011
Segment profit			
Total amount of reportable segments	¥6,446	¥17,102	\$77,522
Segment profit of "Other"	1,578	1,016	18,977
Amortization of negative goodwill ..	453	437	5,447
Adjustments to carrying amounts of securities	(336)	(175)	(4,040)
Elimination of intersegment transactions	(22)	(24)	(264)
Ordinary profit	¥8,119	¥18,356	\$97,642

(3) A reconciliation of the total amount of segment assets to total assets in the accompanying consolidated balance sheets

	Millions of yen		Thousands of U.S. Dollars
	2011	2010	2011
Segment assets			
Total amount of reportable segments	¥6,223,377	¥6,066,902	\$74,845,183
Segment assets of "Other"	20,409	20,183	245,447
Elimination of intersegment transactions	(17,360)	(16,523)	(208,779)
Elimination of shares in consolidated subsidiaries	(5,429)	(3,930)	(65,291)
Assets	¥6,220,997	¥6,066,632	\$74,816,560

(4) A reconciliation of the total amount of segment liabilities to total liabilities in the accompanying consolidated balance sheets

	Millions of yen		Thousands of U.S. Dollars
	2011	2010	2011
Segment liabilities			
Total amount of reportable segments	¥5,839,380	¥5,671,984	\$70,227,059
Segment liabilities of "Other"	12,734	13,396	153,144
Negative goodwill recognized as a liability	644	1,097	7,745
Elimination of intersegment transactions	(17,207)	(16,360)	(206,939)
Liabilities	¥5,835,551	¥5,670,117	\$70,181,010

(5) A reconciliation of the total amount of other items to the corresponding accounts in the accompanying consolidated financial statements

Other items	Millions of Yen			Consolidated financial statements
	2011			
	Total amount of reportable segments	Other	Adjustments	
Depreciation	¥ 3,497	¥ 20	¥117	¥ 3,635
Interest income	85,286	266	(157)	85,395
Interest expenses	8,754	6	(147)	8,613

Other items	Thousands of U.S. Dollars			Consolidated financial statements
	2011			
	Total amount of reportable segments	Other	Adjustments	
Depreciation	\$ 42,056	\$ 240	\$1,407	\$ 43,716
Interest income	1,025,688	3,199	(1,888)	1,026,999
Interest expenses	105,279	72	(1,767)	103,583

Other items	Millions of Yen			Consolidated financial statements
	2010			
	Total amount of reportable segments	Other	Adjustments	
Depreciation	¥ 3,923	¥ 20	¥172	¥ 4,115
Interest income	88,293	335	(209)	88,419
Interest expenses	11,295	18	(199)	11,114

Note: Adjustments of depreciation are related to lease assets transferred between affiliates and adjustments of interest income and interest expense are related to intersegment transactions.

Related Information:
Information about services

	Millions of Yen				
	2011				
	Lending	Securities investment	Service	Other	Total
Ordinary income from external customers	¥55,476	¥40,245	¥17,207	¥22,891	¥135,820

	Thousands of U.S. Dollars				
	2011				
	Lending	Securities investment	Service	Other	Total
Ordinary income from external customers	\$667,179	\$484,004	\$206,939	\$275,297	\$1,633,433

Notes: 1. Ordinary income is presented in place of net sales of non-financial industries.

2. Amortization of negative goodwill is excluded.

Information about impairment loss on fixed assets by reportable segment

	Millions of Yen					
	2011					
	Reportable segment				Other	Total
Banking	Leasing	Securities	Total			
Impairment loss	¥325	¥—	¥6	¥331	¥—	¥331

	Thousands of U.S. Dollars					
	2011					
	Reportable segment				Other	Total
Banking	Leasing	Securities	Total			
Impairment loss	\$3,908	\$—	\$72	\$3,980	\$—	\$3,980

Information about amortization of goodwill and unamortized balance

	Millions of Yen					
	2011					
	Reportable segment				Other	Total
Banking	Leasing	Securities	Total			
Amortization for the year	¥—	¥(266)	¥ (66)	¥(332)	¥(120)	¥(453)
Unamortized balance	—	(301)	(215)	(516)	(127)	(644)

Thousands of U.S. Dollars

2011

	Reportable segment				Other	Total
	Banking	Leasing	Securities	Total		
Amortization for the year	\$—	\$(3,199)	\$ (793)	\$(3,992)	\$(1,443)	\$(5,447)
Unamortized balance	—	(3,619)	(2,585)	(6,205)	(1,527)	(7,745)

Notes: 1. () denotes negative goodwill.

2. "Other" is business segments which are not included in the reportable segments and includes credit guarantee, credit card, consignment of office work, investment management and advisory services under the Financial Instruments and Exchange Act.

For the year ended March 31, 2010

Segment information for the year ended March 31, 2010 under the previous accounting standard was as follows:

(a) Segment information by type of business

	Millions of Yen						
	2010						
	Banking	Leasing	Securities	Securities investment	Total	Elimination and Corporate	Consolidated
Ordinary income							
External customers	¥ 121,650	¥13,542	¥ 300	¥ 17	¥ 135,509	¥ —	¥ 135,509
Intersegment	216	351	63	61	691	(691)	—
	121,866	13,893	363	78	136,200	(691)	135,509
Ordinary expenses	104,200	13,062	519	59	117,840	(686)	117,154
Ordinary profit (loss)	¥ 17,666	¥ 831	¥ (156)	¥ 19	¥ 18,360	¥ (5)	¥ 18,355
Assets	¥6,046,068	¥34,477	¥2,449	¥577	¥6,083,571	¥(16,939)	¥6,066,632
Depreciation	3,964	144	7	0	4,115	—	4,115
Loss on impairment of fixed assets	273	—	16	—	289	—	289
Capital expenditure	3,337	72	39	—	3,448	—	3,448

Note: Ordinary income is calculated by deducting non-recurring items from total income. Ordinary expenses are calculated by deducting non-recurring items from total expenses.

(b) Segment information by location

Segment information by location was not disclosed because the Bank and its consolidated subsidiaries' recurring income and assets in Japan were each more than 90% of the total consolidated recurring income and the total assets.

(c) Recurring income from international operations

Recurring income from international operations was not disclosed since it was less than 10% of the consolidated recurring income.

20. Net Assets

Under Japanese laws and regulations, the entire amount paid for new shares is required to be designated as common stock. However, a company may, by a resolution of the Board of Directors, designate an amount not exceeding one half of the price of the new shares as additional paid-in capital, which is included in capital surplus.

Under the Law, in cases where a dividend distribution of surplus is made, the smaller of an amount equal to 10% of the dividend or the excess, if any, of 25% of common stock over the total of additional paid-in capital and legal earnings reserve must be set aside as additional paid-in capital or legal earnings reserve. Legal earnings reserve was included in retained earnings in the accompanying consolidated balance sheets.

The Japanese Banking Law provides that an amount equivalent to at least 20% of cash dividends and other cash appropriations of retained earnings must be appropriated to a legal reserve until the total amount of legal earnings reserve and additional paid-in capital equals the amount of the Bank's stated capital.

Under the Law, legal earnings reserve and additional paid-in capital can be used to eliminate or reduce a deficit or capitalized. These appropriations generally require a resolution of the shareholders' meeting.

Additional paid-in capital and legal earnings reserve may not be distributed as dividends. Under the Law, however, all additional paid-in capital and all legal earnings reserve may be transferred to other capital surplus and retained earnings, respectively, which are potentially available for dividends.

The movement of outstanding shares and cash dividends during the years ended March 31, 2011 and 2010 was as follows:

(a) Number of outstanding shares and treasury stock

For the year ended March 31, 2011

(Thousands of shares)					
Type of shares	Balance at beginning of year	Increase during the year	Decrease during the year	Balance at end of year	Remarks
Issued stock:					
Common stock	233,272	—	2,000	231,272	Note 1
Treasury stock:					
Common stock	2,052	1,040	2,004	1,088	Note 2

Notes: 1. The decrease in common stock (2,000 thousand shares) was due to a cancellation of common stock implemented on November 30, 2010.

2. The increase in treasury stock (1,040 thousand shares) was due to purchases of 1,000 thousand shares pursuant to the resolution made at the Board of Directors' meeting held on October 22, 2010 and due to purchases of 40 thousand shares of less than one unit. In addition, the decrease in treasury stock (2,004 thousand shares) was due to the cancellation of 2,000 thousand shares implemented on November 30, 2010 and sales of 4 thousand shares of less than one unit.

For the year ended March 31, 2010

(Thousands of shares)					
Type of shares	Balance at beginning of year	Increase during the year	Decrease during the year	Balance at end of year	Remarks
Issued stock:					
Common stock	233,272	—	—	233,272	
Treasury stock:					
Common stock	2,017	55	19	2,053	Note

Note: The increase in treasury stock was due to the acquisition of shares of less than one unit and shares in a newly consolidated subsidiary. In addition, the decrease in treasury stock was due to sales of shares of the Bank by a subsidiary and sales of shares of less than one unit.

(b) Dividends paid to the shareholders during the year:

For the year ended March 31, 2011

Date of resolution	Resolution by	Type of shares	Aggregate amount	Amount per share	Date of record	Effective date
Jun. 25, 2010	General meeting of shareholders	Common stock	¥1,387 million (\$16,680 thousand)	¥6.00 (\$0.072)	March 31, 2010	Jun. 28, 2010
Nov. 12, 2010	Board of Directors	Common stock	¥1,502 million (\$18,063 thousand)	¥6.50 (\$0.078)	Sep. 30, 2010	Dec. 10, 2010

For the year ended March 31, 2010

Date of resolution	Resolution by	Type of shares	Aggregate amount	Amount per share	Date of record	Effective date
Jun. 24, 2009	General meeting of shareholders	Common stock	¥1,619 million	¥7.00	March 31, 2009	Jun. 25, 2009
Nov. 13, 2009	Board of Directors	Common stock	¥1,387 million	¥6.00	Sep. 30, 2009	Dec. 10, 2009

Dividends applicable to the year ended March 31, 2011 but not recorded in the accompanying consolidated financial statements since the effective date is subsequent to the current fiscal year:

Date of resolution	Resolution by	Type of shares	Aggregate amount	Amount per share	Date of record	Effective date
Jun. 24, 2011	General meeting of shareholders	Common stock	¥1,496 million (\$17,991 thousand)	¥6.50 (\$0.078)	March 31, 2011	Jun. 27, 2011

(Above cash dividends are distributed from retained earnings.)

21. Cash and Cash Equivalents

The reconciliation between "cash and cash equivalents" in the consolidated statements of cash flows and "cash and due from banks" in the consolidated balance sheets was as follows:

	Millions of yen		Thousands of U.S. Dollars
	2011	2010	2011
Cash and due from banks	¥119,889	¥107,378	\$1,441,840
Due from banks, excluding the Bank of Japan	(45,474)	(19,841)	(546,891)
Cash and cash equivalents	¥ 74,415	¥ 87,537	\$ 894,948

22. Significant Non-cash Transactions

Assets and liabilities recognized from finance lease transactions during the year ended March 31, 2011 were ¥4,093 million (\$49,224 thousand), respectively.

23. Breakdown of Assets and Liabilities of Companies that Became Newly Consolidated Subsidiary Due to a Share Acquisition

Major breakdown of assets and liabilities of a newly consolidated subsidiary through acquisition of shares during the year ended March 31, 2010 is as follows:

Tsuyama Securities Co., Ltd. ("Tsuyama") As of June 1, 2009

	Millions of Yen
Assets	¥2,723
Liabilities	(1,198)
Negative goodwill	(278)
Minority interests	(212)
Subtotal	1,035
Shares held prior to acquisition of control	(76)
Acquisition cost of shares of Tsuyama	959
Cash held by Tsuyama	(16)
Expenditures for acquisition of Tsuyama	943

There was an expenditure of ¥159 million due to additional acquisition after the start of consolidation.

24. Stock Options

On August 2, 2010, the Bank granted stock options (2010 Stock Options) to its directors pursuant to the resolution made at the Board of Directors' meeting held on June 25, 2010.

Stock-based compensation expenses were ¥64 million (\$769 thousand) and ¥49 million for the fiscal years ended March 31, 2011 and 2010, respectively.

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

Stock Options	Persons granted	Number of options (Note 1) granted	Date of grant	Exercise period (Note 2)
2009 Stock Options	15 directors	54,700	Jul. 31, 2009	From Aug. 1, 2009 to Jul. 31, 2039
2010 Stock Options	15 directors	68,100	Aug. 2, 2010	From Aug. 3, 2010 to Aug. 2, 2040

Vesting conditions and applicable service periods have not been determined.

Notes: 1. Number of options is converted to number of shares.

2. Persons granted stock options can exercise stock subscription rights within 10 days after retirement.

The stock option activity was as follows:

For the year ended March 31, 2011	2009 Stock Options	2010 Stock Options
	Shares	Shares
Non-vested:		
March 31, 2010 – Outstanding	54,700	—
Granted	—	68,100
Forfeited	—	—
Vested	—	—
March 31, 2011 – Outstanding	54,700	68,100
Vested:		
March 31, 2010 – Outstanding	—	—
Vested	—	—
Exercised	—	—
Forfeited	—	—
March 31, 2011 – Outstanding	—	—

For the year ended March 31, 2010	2009 Stock Options
	Shares
Non-vested:	
March 31, 2009 – Outstanding	—
Granted	54,700
Forfeited	—
Vested	—
March 31, 2010 – Outstanding	54,700
Vested:	
March 31, 2009 – Outstanding	—
Vested	—
Exercised	—
Forfeited	—
March 31, 2010 – Outstanding	—

Price information for 2009 and 2010 stock options is as follows:

	2009 Stock Options	2010 Stock Options
	(Yen)	
Exercise price	¥ 1	¥ 1
Average share price at time of exercise ..	—	—
Fair appraisal price at date of grant	¥1,197	935

	2009 Stock Options	2010 Stock Options
	(U.S. dollars)	
Exercise price	\$ 0.01	\$ 0.01
Average share price at time of exercise ..	—	—
Fair appraisal price at date of grant	14.39	11.24

Method for estimating the fair value of stock options

The Black-Scholes option pricing model was used to measure fair value.

The assumptions and methods used to estimate the fair value of 2009 and 2010 stock options were as follows:

	2009 Stock Options	2010 Stock Options
Volatility of stock prices (Note 1)	25.33%	25.02%
Estimated remaining outstanding period (Note 2)	6 years and 8 months	6 years and 1 month
Estimated dividend (Note 3)	¥12 per share	¥13 per share
Interest rate with risk free (Note 4)	0.92%	0.50%

Notes: 1. The volatility of stock prices is computed based on the actual stock prices during the period (November 2002 through July 2009 for 2009 stock options and June 2004 through August 2010 for 2010 stock options) corresponding to the estimated remaining outstanding period.

2. The remaining outstanding period is estimated based on historical data.

3. The expected dividend for the year ended March 31, 2010 and 2011, respectively.

4. The yield on Japanese government bonds corresponding to the estimated remaining outstanding period.

Method for estimating the number of stock options

The Bank adopted a method to reflect only the actual forfeited number of stock options since it is difficult to estimate the number to be forfeited in future on a reasonable basis.



Independent Auditors' Report

To the Board of Directors of The Chugoku Bank, Limited:

We have audited the accompanying consolidated balance sheets of The Chugoku Bank, Limited (the "Bank") and its consolidated subsidiaries as of March 31, 2011 and 2010, the related consolidated statements of income and comprehensive income for the year ended March 31, 2011, statement of income for the year ended March 31, 2010, and statements of changes in net assets and cash flows for each of the years then ended expressed in Japanese yen. These consolidated financial statements are the responsibility of the Bank's management. Our responsibility is to independently 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 financial position of The Chugoku Bank, Limited and its consolidated subsidiaries as of March 31, 2011 and 2010, and the results of their operations and their cash flows for the years then ended, in conformity with accounting principles generally accepted in Japan.

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

KPMG AZSA LLC

Okayama, Japan
June 24, 2011

KPMG AZSA LLC, a limited liability audit corporation incorporated under the Japanese Certified Public Accountants Law and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.

Non-Consolidated Financial Statements

Non-Consolidated Balance Sheets

The Chugoku Bank, Limited
March 31, 2011 and 2010

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2011	2010	2011
ASSETS:			
Cash and due from banks	¥ 119,667	¥ 106,866	\$ 1,439,170
Call loans	61,333	90,978	737,618
Other debt purchased (Note 6)	32,718	40,204	393,481
Trading account securities (Notes 3 and 7)	3,948	4,098	47,480
Money trusts	20,000	20,000	240,529
Securities (Notes 4 and 7)	2,526,175	2,347,058	30,380,938
Loans and bills discounted (Notes 5 and 6)	3,323,478	3,345,961	39,969,669
Foreign exchange	31,434	5,864	378,039
Other assets (Note 7)	56,894	49,309	684,233
Tangible fixed assets (Note 8)	46,127	43,536	554,744
Intangible fixed assets (Note 9)	151	155	1,815
Deferred tax assets (Note 10)	35,762	20,979	430,090
Customers' liabilities for acceptances and guarantees (Note 13)	25,110	27,651	301,984
Reserve for possible loan losses	(95,055)	(72,725)	(1,143,174)
Total assets	¥6,187,746	¥6,029,934	\$74,416,668
LIABILITIES AND NET ASSETS:			
Liabilities:			
Deposits (Notes 7 and 11)	¥5,380,828	¥5,288,178	\$64,712,303
Call money (Note 7)	115,065	69,614	1,383,824
Payables under securities lending transactions (Note 7)	172,045	160,765	2,069,092
Borrowed money (Notes 7 and 12)	40,030	12,700	481,419
Foreign exchange	77	51	926
Other liabilities	67,402	71,631	810,607
Liability for employees' severance and retirement benefits	14,389	14,592	173,048
Accrued employees' bonuses	1,508	1,658	18,135
Reserve for reimbursement of deposits	1,373	483	16,512
Reserve for point program	156	132	1,876
Acceptances and guarantees (Note 13)	25,110	27,651	301,984
Total liabilities	¥5,817,987	¥5,647,455	\$69,969,777
Net assets (Note 15):			
Shareholders' equity			
Common stock	15,149	15,149	182,188
Capital surplus	6,286	6,287	75,598
Retained earnings	335,419	337,744	4,033,902
Less treasury stock, at cost	(1,427)	(3,061)	(17,161)
Accumulated other comprehensive income:			
Unrealized gains on securities, net of taxes	17,253	29,006	207,492
Unrealized losses on hedging derivatives, net of taxes	(3,036)	(2,695)	(36,512)
Subscription rights to shares	113	49	1,358
Total net assets	369,758	382,479	4,446,879
Total liabilities and net assets	¥6,187,746	¥6,029,934	\$74,416,668

See accompanying Notes to Non-Consolidated Financial Statements.

Non-Consolidated Statements of Changes in Net Assets

The Chugoku Bank, Limited
For the Years Ended March 31, 2011 and 2010

	Millions of Yen							
	Common stock	Capital surplus	Retained earnings	Treasury stock	Unrealized gains (losses) on securities, net of taxes	Unrealized gains (losses) on hedging derivatives, net of taxes	Subscription rights to shares	Total
Balance at March 31, 2009	¥15,149	¥6,287	¥331,353	¥(3,019)	¥(12,046)	¥(3,148)	¥ —	¥334,576
Net income	—	—	9,400	—	—	—	—	9,400
Cash dividends	—	—	(3,007)	—	—	—	—	(3,007)
Purchases of treasury stock	—	—	—	(53)	—	—	—	(53)
Disposals of treasury stock	—	—	(2)	11	—	—	—	9
Net changes in items other than shareholders' equity	—	—	—	—	41,052	453	49	41,554
Net changes during the year	—	—	6,391	(42)	41,052	453	49	47,903
Balance at March 31, 2010	¥15,149	¥6,287	¥337,744	¥(3,061)	¥ 29,006	¥(2,695)	¥ 49	¥382,479
Net income	—	—	3,199	—	—	—	—	3,199
Cash dividends	—	—	(2,890)	—	—	—	—	(2,890)
Purchases of treasury stock	—	—	—	(1,005)	—	—	—	(1,005)
Disposals of treasury stock	—	—	(1)	6	—	—	—	4
Cancellation of treasury stock	—	—	(2,633)	2,633	—	—	—	—
Net changes in items other than shareholders' equity	—	—	—	—	(11,752)	(341)	64	(12,029)
Net changes during the year	—	—	(2,325)	1,633	(11,752)	(341)	64	(12,720)
Balance at March 31, 2011	¥15,149	¥6,286	¥335,419	¥(1,427)	¥ 17,253	¥(3,036)	¥113	¥369,758

See accompanying Notes to Non-Consolidated Financial Statements.

	Thousands of U.S. Dollars (Note 1)							
	Common stock	Capital surplus	Retained earnings	Treasury stock	Unrealized gains (losses) on securities, net of taxes	Unrealized losses on hedging derivatives, net of taxes	Subscription rights to shares	Total
Balance at March 31, 2010	\$182,188	\$75,610	\$4,061,864	\$(36,812)	\$348,839	\$(32,411)	\$ 589	\$4,599,867
Net income	—	—	38,472	—	—	—	—	38,472
Cash dividends	—	—	(34,756)	—	—	—	—	(34,756)
Purchases of treasury stock	—	—	—	(12,086)	—	—	—	(12,086)
Disposals of treasury stock	—	—	(12)	72	—	—	—	48
Cancellation of treasury stock	—	—	(31,665)	31,665	—	—	—	—
Net changes in items other than shareholders' equity	—	—	—	—	(141,334)	(4,101)	769	(144,666)
Net changes during the year	—	—	(27,961)	19,639	(141,334)	(4,101)	769	(152,976)
Balance at March 31, 2011	\$182,188	\$75,598	\$4,033,902	\$(17,161)	\$207,492	\$(36,512)	\$1,358	\$4,446,879

See accompanying Notes to Non-Consolidated Financial Statements.

Notes to Non-Consolidated Financial Statements

The Chugoku Bank, Limited

1. Basis of Presenting Non-Consolidated Financial Statements

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

The accompanying non-consolidated financial statements have been reformatted and translated into English with some expanded descriptions from the non-consolidated financial statements of the Bank prepared in accordance with Japanese GAAP and filed with the appropriate Local Finance Bureau of the Ministry of Finance as required by the Financial Instruments and Exchange Act. Certain supplementary information included in the statutory Japanese language non-consolidated financial statements is not presented in the accompanying non-consolidated financial statements.

As permitted by the Financial Instruments and Exchange Law, amounts of less than one million yen have been rounded down in the financial statements at March 31, 2011 and for the year then ended, while amounts in the financial statements at March 31, 2010 and for the year then ended were rounded off (up or down to the nearest million). As a result, the totals shown in the accompanying non-consolidated financial statements (both in yen and U.S. dollars) do not necessarily agree with the sums of the individual amounts.

The translations of the Japanese yen amounts into U.S. dollars amounts were included solely for the convenience of readers outside Japan, using the prevailing exchange rate at March 31, 2011, which was ¥83.15 to U.S. \$1.00. The translations should not be construed as representations that the Japanese yen amounts have been, could have been or could in the future be converted into U.S. dollars at this or any other rate of exchange.

2. Significant Accounting Policies

(a) Securities and Money Trusts

Trading account securities are stated at fair market value. Gains and losses realized on disposal and unrealized gains and losses from market value fluctuations of these securities are recognized as gains and losses in the period of the change. Held-to-maturity debt securities are stated at amortized cost. Equity securities issued by subsidiaries are stated at moving average cost. Available-for-sale securities with available fair market values are stated at fair market value. Unrealized gains and losses on these securities, net of applicable income taxes, are reported as a separate component of net assets. Realized gains and losses on the sale of such securities are computed using moving average cost.

Other Securities for which the fair value is extremely difficult to determine are stated at moving average cost.

The fair values of floating-rate Japanese government bonds, according to our determination that current market prices cannot be deemed as the fair value, are based on the carrying amounts at March 31, 2011 and 2010. As a result, Japanese government bonds included in securities at March 31, 2011 and 2010 were ¥3,108 million (\$3,378 thousand) and ¥5,341 million more, respectively, unrealized gains on available-for-sale securities at March 31, 2011 and 2010 were ¥1,852 million (\$2,273 thousand) and ¥3,183 million more, respectively, and deferred tax assets at March 31, 2011 and 2010 were ¥1,255 million (\$1,093 thousand) and ¥2,158 million less, respectively, than the amounts that would have been reported using market prices. There was no effect on profit or loss.

In deriving the reasonably calculated price, the Bank discounted the cash flows estimated from yields of Japanese government bonds and zero-floor option prices

based on the Black-Scholes model, using discounted rates determined by yields of Japanese government bonds. The price decision variables included the yield of Japanese government bonds and the volatilities of interest rate swaptions.

(b) Derivatives and Hedge Accounting

The Bank applies the deferred method of hedge accounting for transactions entered into to hedge the interest rate risks associated with various financial assets and liabilities, as stipulated in "Accounting and Auditing Treatment of Accounting Standards for Financial Instruments in the Banking Industry" (JICPA Industry Audit Committee Report No. 24). The effectiveness of the hedges is assessed for each identified group of hedged loans and the corresponding group of hedging instruments, such as interest rate swaps, in the same maturity bucket.

The Bank applies the deferral method of hedge accounting for transactions entered into to hedge foreign exchange risks associated with various foreign currency denominated monetary assets and liabilities, as stipulated in "Accounting and Auditing Concerning Accounting for Foreign Currency Transactions in the Banking Industry" (JICPA Industry Audit Committee Report No. 25). The effectiveness of the currency swap transactions, exchange swap transactions and similar transactions that hedge the foreign exchange risks of monetary assets and liabilities denominated in foreign currencies is assessed based on a comparison of the foreign currency position of the hedged monetary assets and liabilities and the hedging instruments.

In addition to the above methods, the Bank applies the fair value hedge method to portfolio hedges for foreign exchange risks associated with foreign securities, except for bonds, identified as hedged items in advance, as long as the amount of foreign currency payables of spot and forward foreign exchange contracts exceeds the acquisition cost of the hedged foreign securities in foreign currency.

(c) Tangible Fixed Assets

Tangible fixed assets are generally stated at cost less accumulated depreciation. Depreciation is computed by the declining balance method over the estimated useful life of the respective asset.

Estimated useful lives are mainly as follows:

Buildings.....	4 to 40 years
Equipment.....	2 to 20 years

Lease assets with respect to finance leases that do not transfer ownership of the lease assets and that are recorded in "Tangible fixed assets" are depreciated using the straight-line method over the term of the lease, assumed to be the useful life, with a salvage value of zero or the guaranteed amount.

(d) Intangible Fixed Assets

Intangible fixed assets are depreciated using the straight-line method.

(e) Accounting for Impairment of Fixed Assets

(Additional Information)

Prior to the year ended March 31, 2010, the Bank's policy on grouping of "Losses on impairment of fixed assets" of sales offices was to keep track of gains and losses on an individual basis while grouping them together on a branch basis. However, starting with fiscal 2010, in addition to the usual branch based grouping, the Bank is reporting these figures on a group office (multiple office) basis for branches included in the group sales system. This reclassification clarifies the roles of the core sales office, which handles corporate accounts, and the satellite branches, which handle most of the individual accounts, in regions where the group sales system has been introduced.

In addition, in promoting sales expansion in the region and taking the opportunity provided by the completion of the set up of the group sales system in April 2009, the Bank changed its grouping classification to the minimum units for determining cash flow, group sales offices, to enable sales offices to complement each other in the reallocation of staff to appropriate sales offices, the transfer of customer accounts, and the conducting similar transactions.

(f) Foreign Currency Translation

Assets and liabilities denominated in foreign currencies are translated into Japanese yen at the exchange rates prevailing at the end of the fiscal year.

(g) Reserve for Possible Loan Losses

The Bank writes off loans and makes provisions for possible loan losses. For loans to insolvent customers who are undergoing bankruptcy or other collection proceedings or who are in a similar financial condition, the reserve for possible loan losses is provided in the full amount of such loans, excluding the portion that is estimated to be recoverable due to the existence of security interests or guarantees. For the unsecured and unguaranteed portions of loans to customers not presently in these circumstances, but who face a high probability of so becoming, the reserve for possible loan losses is provided for the estimated unrecoverable amounts determined after an evaluation of the customer's overall financial condition. For other loans such as normal loans and loans requiring special attention, the reserve for possible loan losses is provided based on the Bank's actual rate of loan losses in the past. A specific reserve for loans to borrowers in certain countries has been established in accordance with the regulations of the Ministry of Finance to cover potential losses from specific overseas loans.

An assessment and classification is conducted by each business department and credit supervision department and is audited by the Risk Management Department, an independent department. The reserve for possible loan losses is provided based on such auditing results.

(h) Accrued Employees' Bonuses

Accrued employees' bonuses are provided for the future payment of bonuses to employees in the amount of the estimated bonuses attributable to the current fiscal year.

(i) Liability for Employees' Severance and Retirement Benefits

The Bank provides an unfunded lump-sum payment plan, a funded non-contributory pension plan and a cash balance pension plan to provide for employees' severance and retirement benefits. The Bank contributed some of its marketable equity securities to an employees' retirement benefit trust.

The Bank provides for employees' severance and retirement benefits based on the estimated amounts of projected benefit obligations and the fair value of plan assets. Actuarial gains and losses are recognized as expenses using the straight-line method over ten years, which is within the average of the estimated remaining service years, commencing with the following period. Prior service costs of the cash balance pension plan are recognized as expenses using the straight-line method over ten years, which is within the average of the estimated remaining service years, commencing with the period in which they arise.

(j) Reserve for Directors' Retirement Benefits

(Additional Information)

The Bank decided to abolish the directors' retirement benefits system at the General Meeting of Shareholders held on June 24, 2009. The payment of retirement benefits after the termination of the system based on the length of service of relevant directors and corporate auditors will be made after the time of

each relevant director's or corporate auditor's retirement. Until the complete termination of the system, severance and retirement benefit payments to directors and corporate auditors will be booked in accrued expenses and shown on the balance sheet in other liabilities.

(k) Reserve for Reimbursement of Deposits

A reserve for reimbursement of deposits is provided for reimbursement of deposits that were derecognized from liabilities and credited to income. The amount is determined based on the Bank's historical reimbursement ratio for such accounts.

(Additional Information)

In previous years, accounts which had no activity for more than 10 years were derecognized from liabilities. However, effective from the fiscal year ended March 31, 2011, accounts which have no activity for more than 5 years are derecognized from liabilities. As a result of this change, income before income taxes was ¥1,756 million (\$21,118 thousand) more for the fiscal year ended March 31, 2011 than the amount that would have been recorded without the change.

(l) Reserve for Point Program

A reserve for the point program is provided for the accumulation of points granted to credit card holders. The reserve amount is determined based on the past usage ratio of points by cardholders.

(m) Leases

As lessee:

Finance leases are capitalized to recognize leases assets and lease obligations in the balance sheet. However, finance leases which commenced prior to April 1, 2008 and do not transfer ownership of the leased property to the lessee are accounted for as operating lease transactions as permitted by the accounting standard for lease transactions (ASBJ Statement No. 13).

(n) Asset Retirement Obligations

Effective April 1, 2010, the Bank adopted "Accounting Standards for Asset Retirement Obligations" (Accounting Standards Board of Japan ("ASBJ") Statement No. 18, issued on March 31, 2008) and "Guidance on Accounting Standards for Assets Retirement Obligations" (ASBJ Guidance No. 21, issued on March 31, 2008). The change had no material impact on the non-consolidated financial statements.

(o) Income Taxes

Deferred income taxes are recognized for loss carryforwards and taxable temporary differences between carrying amounts for financial reporting purposes and tax bases. In Japan, income taxes applicable to the Bank consist of corporation tax (national), inhabitant taxes (local) and enterprise taxes (local). The statutory tax rate used for calculating deferred tax assets and liabilities at March 31, 2011 and 2010 was 40.4%.

(p) Per Share Information

Basic net income per share is based on the weighted average number of shares of common stock outstanding during the year, excluding treasury stock.

Diluted net income per share reflects the potential dilution that could occur if outstanding stock options were exercised. Diluted net income per share of common stock assumes full exercise of the outstanding stock options at the beginning of the year (or at the time of grant).

3. Trading Account Securities

Trading account securities at March 31, 2011 and 2010 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2011	2010	2011
Japanese government bonds	¥2,872	¥3,724	\$34,539
Japanese municipal bonds	1,075	374	12,928
Total	¥3,948	¥4,098	\$47,480

4. Securities

Securities at March 31, 2011 and 2010 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2011	2010	2011
Japanese government bonds	¥ 832,047	¥ 844,774	\$10,006,578
Japanese municipal bonds	662,915	457,785	7,972,519
Japanese corporate bonds	548,198	567,951	6,592,880
Equity securities	108,076	129,163	1,299,771
Other securities	374,937	347,385	4,509,164
Total	¥2,526,175	¥2,347,058	\$30,380,938

The amounts of liabilities for guarantees on corporate bonds included in securities issued by private placement (Article 2, Paragraph 3 of the Financial Instrument and Exchange Law) at March 31, 2011 and 2010 were ¥24,307 million (\$292,327 thousand) and ¥22,620 million, respectively.

5. Loans and Bills Discounted

Loans and bills discounted at March 31, 2011 and 2010 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2011	2010	2011
Bills discounted	¥ 43,495	¥ 43,062	\$ 523,090
Loans on bills	168,166	178,995	2,022,441
Loans on deeds	2,654,850	2,637,808	31,928,442
Overdrafts	456,966	486,096	5,495,682
Total	¥3,323,478	¥3,345,961	\$39,969,669

Loans and bills discounted at March 31, 2011 and 2010 included the following:

	Millions of Yen		Thousands of U.S. Dollars
	2011	2010	2011
Loans to bankrupt customers	¥ 66,347	¥ 23,034	\$ 797,919
Loans past due six months or more ..	78,915	81,216	949,067
Loans past due three months or more but less than six months ..	2,339	780	28,129
Restructured loans	6,769	7,395	81,407
Total	¥154,372	¥112,425	\$1,856,548

Loans to bankrupt customers are loans to customers undergoing bankruptcy or similar proceedings or who are in a similar financial condition. Interest is not being accrued on these loans as the principal and interest will eventually be uncollectible. Loans past due six months or more are loans not included in the above category or in restructured loans for which payments are past due six months or more. Interest is not being accrued on these loans.

Loans past due three months or more are loans not included in the above categories or in restructured loans for which payments are past due three months or more.

Restructured loans are loans not included in the above categories for which the Bank has granted concessions, such as reduced interest rates or the deferral or waiver of interest or principal payments, in support of customers in financial difficulties.

Bills discounted, such as commercial bills discounted and foreign exchanges bought, are accounted for as financial transactions in accordance with the "Treatment for Accounting and Auditing for the Application of the Accounting Standard for Financial Instruments in Banking Industry" (Industry Audit Committee Report No. 24), issued by the JICPA. The bank has the right to sell or pledge commercial bills discounted and foreign exchange bought without restriction.

The total face amount of such instruments at March 31, 2011 and 2010 was ¥43,580 million (\$524,113 thousand) and ¥43,222 million, respectively.

6. Commitment Lines

Commitment line agreements are loan agreements which oblige the Bank to lend funds up to certain limits agreed to in advance. The Bank makes the loans upon the request of an obligor to draw down funds under such agreements, as long as there is no breach of the various terms and conditions stipulated in the relevant agreement. The unused commitment balance relating to these agreements at March 31, 2011 and 2010 amounted to ¥1,258,019 million (\$15,129,512 thousand) and ¥1,303,495 million, respectively. Of these amounts, ¥1,203,208 million (\$14,470,330 thousand) for 2011 and ¥1,260,364 million for 2010 related to loans in which the term of the agreement was one year or less or for which the unconditional cancellation of the agreement was allowed at any time.

With many of commitment line agreements, the term of the agreement runs its course without the loan ever being drawn down. Therefore, the unused loan commitment does not necessarily affect future cash flows. In certain loan agreements, conditions are included which allow the Bank either to decline the request for a loan drawdown or to reduce the agreed limit amount when there is cause to do so, such as when there is a change in financial conditions or when it is necessary to protect the Bank's credit. The Bank takes various measures to protect its credit, including having the obligor pledge collateral such as real estate or securities when signing the loan agreement or confirming the obligor's financial condition at regular intervals in accordance with the Bank's established internal procedures.

7. Pledged Assets

Pledged assets at March 31, 2011 and 2010 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2011	2010	2011
Securities	¥220,811	¥168,450	\$2,655,574
Other assets	81	80	974
Total	¥220,892	¥168,530	\$2,656,548

Liabilities secured by the above were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2011	2010	2011
Deposits	¥ 34,147	¥ 29,912	\$ 410,667
Call money	12,970	3,667	155,983
Payables under securities			
lending transactions	172,045	160,765	2,069,092
Borrowed money	28,000	—	336,740
Total	¥247,163	¥194,344	\$2,972,495

At March 31, 2011, certain trading account securities in the aggregate amount of ¥40 million (\$481 thousand) and certain other securities in the aggregate amount of ¥293,436 million (\$3,528,995 thousand) were pledged as collateral for settlement of exchange at the Bank of Japan and for other purposes. Other assets included guarantee deposits of ¥554 million (\$6,662 thousand).

At March 31, 2010, certain trading account securities in the aggregate amount of ¥45 million and certain other securities in the aggregate amount of ¥290,433 million were pledged as collateral for settlement of exchange at the Bank of Japan and for other purposes. Other assets included guarantee deposits of ¥513 million.

8. Tangible Fixed Assets

Tangible fixed assets at March 31, 2011 and 2010 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2011	2010	2011
Land	¥20,579	¥20,693	\$247,492
Buildings	16,276	17,198	195,742
Lease assets	4,464	337	53,686
Construction in progress	130	131	1,563
Other tangible fixed assets	4,676	5,177	56,235
Total	¥46,127	¥43,536	\$554,744

Accumulated depreciation at March 31, 2011 and 2010 was ¥72,115 million (\$867,288 thousand) and ¥71,238 million, respectively.

The differences between the recoverable amount and the book value of the assets below were recognized as "Losses on impairment of fixed assets" for the years ended March 31, 2011 and 2010 as follows:

(Millions of Yen)		2011		
Area	Purpose of Use	Type	Impairment Loss	
Okayama	Branches	4 branches	Land and buildings	¥ 93
	Idle assets	3 items		
Other	Branches	5 branches	Land and buildings	231
	Idle assets	1 item		

(Thousands of U.S. Dollars)		2011		
Area	Purpose of Use	Type	Impairment Loss	
Okayama	Branches	4 branches	Land and buildings	\$1,118
	Idle assets	3 items		
Other	Branches	5 branches	Land and buildings	2,778
	Idle assets	1 item		

(Millions of Yen)		2010		
Area	Purpose of Use	Type	Impairment Loss	
Okayama	Branches	2 branches	Land and buildings	¥ 94
	Idle assets	2 items		
Other	Branches	4 branches	Land and buildings	179

Within the Bank, it is the Group office or branch that manages and determines income and expenses, and it is the Group office or branch that is the smallest unit of an asset group for recognition and measurement of impairment loss. Fixed

assets which do not have identifiable cash flows, such as corporate headquarter's facilities, the computer center and recreational facilities, are grouped with other assets. As for idle assets and assets to be disposed of, impairment loss on each asset is measured individually.

For assets in which investments were not expected to be recovered, the Bank reduced the carrying amount for branches, idle assets and assets to be disposed of to the recoverable amount and recognized a corresponding loss of ¥325 million (\$3,908 thousand) and ¥273 million as "Losses on impairment of fixed assets" for the years ended March 31, 2011 and 2010, respectively.

The recoverable amount of branches, idle assets and assets to be disposed of was the higher amounts of the net realizable value and the value in use. The net realizable value was based on the appraisal value in accordance with the Real Estate Appraisal Standard. The value in use was used to estimate the recoverable amount, and future cash flow was discounted by 4%.

9. Intangible Fixed Assets

Intangible fixed assets at March 31, 2011 and 2010 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2011	2010	2011
Other intangible fixed assets	¥151	¥155	\$1,815

10. Deferred Tax Assets (Liabilities)

Significant components of deferred tax assets and liabilities at March 31, 2011 and 2010 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2011	2010	2011
Deferred tax assets:			
Reserve for possible loan losses	¥28,813	¥24,023	\$346,518
Severance and retirement benefits	7,066	7,094	84,978
Unrealized holding losses on securities	6,635	4,522	79,795
Depreciation	5,667	6,067	68,153
Deferred losses on hedges	2,067	1,860	24,858
Losses on impairment of fixed assets	1,064	—	12,796
Write-down of securities	1,047	842	12,591
Accrued employees' bonuses ...	683	750	8,214
Other	3,708	3,160	44,594
Subtotal	56,754	48,318	682,549
Valuation allowance	(2,332)	(2,237)	(28,045)
Total deferred tax assets	54,421	46,081	654,491
Deferred tax liabilities:			
Unrealized holding gains on securities	18,107	23,913	217,763
Prepaid pension cost	272	805	3,271
Reserve for advanced depreciation of tangible fixed assets	261	259	3,138
Deferred gains on hedges	9	33	108
Other	8	92	96
Total deferred tax liabilities	18,659	25,102	224,401
Net deferred tax assets	¥35,762	¥20,979	\$430,090

The difference between the statutory tax rate and the effective tax rate was not required to be disclosed for the year ended March 31, 2010 since the difference was less than 5 percent of the statutory tax rate.

For the year ended March 31, 2011, the difference between the statutory tax rate and the effective tax rate was as follows:

	2011
Statutory tax rate	40.4%
Increase (decrease) in taxes resulting from:	
Permanently nontaxable dividends received	(10.1)
Permanently nondeductible expenses	0.8
Valuation allowance	3.0
Per capita inhabitant taxes	1.6
Other	0.8
Effective income tax rate	36.5%

11. Deposits

Deposits at March 31, 2011 and 2010 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2011	2010	2011
Current deposits	¥ 179,121	¥ 181,507	\$ 2,154,191
Ordinary deposits	2,600,528	2,541,599	31,275,141
Saving deposits	162,495	173,768	1,954,239
Deposits at notice	30,732	34,393	369,597
Time deposits	2,115,525	2,119,513	25,442,273
Installment time deposits	6,010	6,597	72,279
Other deposits	130,309	108,802	1,567,155
Subtotal	5,224,724	5,166,179	62,834,924
Negotiable certificates of deposit ...	156,104	121,999	1,877,378
Total	¥5,380,828	¥5,288,178	\$64,712,303

12. Borrowed Money

Borrowed money at March 31, 2011 and 2010 was as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2011	2010	2011
Loans from banks and insurance companies	¥40,030	¥12,700	\$481,419

13. Acceptances and Guarantees (Contingent Liabilities)

All contingent liabilities arising in compliance with customers' needs in foreign trade and other transactions were included in "Acceptances and guarantees." As a contra account, "Customers' liabilities for acceptances and guarantees" was shown on the assets side, representing the Bank's contingent claim of the right to indemnity from customers.

14. Lease Transactions

Information about finance leases at March 31, 2011 and 2010 was as follows:

As lessee:

(a) Pro forma information about finance leases which commenced prior to April 1, 2008 and do not transfer ownership of the leases assets to the lessee is set forth in the tables below. These finance lease transactions are accounted for as operating lease transactions.

	Millions of Yen		Thousands of U.S. Dollars
	2011	2010	2011
Acquisition cost	¥1,514	¥2,123	\$18,208
Accumulated depreciation	1,350	1,709	16,235
Net book value	¥ 163	¥ 414	\$ 1,960

Obligations under finance leases:

Due within one year	¥ 107	¥ 250	\$ 1,286
Due after one year	56	164	673
Total	¥ 163	¥ 414	\$ 1,960

Lease payments under the above leases for the years ended March 31, 2011 and 2010 were ¥249 million (\$2,994 thousand) and ¥372 million, respectively.

(b) Obligations under operating leases which are not cancellable at March 31, 2011 and 2010 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2011	2010	2011
Due within one year	¥ 31	¥ 34	\$ 372
Due after one year	295	329	3,547
Total	¥327	¥363	\$3,932

15. Net Assets

Under Japanese laws and regulations, the entire amount paid for new shares is required to be designated as common stock. However, a company may, by a resolution of the Board of Directors, designate an amount not exceeding one half of the price of the new shares as additional paid-in capital, which is included in capital surplus.

Under the Law, in cases where a dividend distribution of surplus is made, the smaller of an amount equal to 10% of the dividend or the excess, if any, of 25% of common stock over the total of additional paid-in capital and legal earnings reserve must be set aside as additional paid-in capital or legal earnings reserve. Legal earnings reserve was included in retained earnings in the accompanying non-consolidated balance sheets.

The Japanese Banking Law provides that an amount equivalent to at least 20% of cash dividends and other cash appropriations of retained earnings must be appropriated to a legal reserve until the total amount of legal earnings reserve and additional paid-in capital equals the amount of the Bank's stated capital. Under the Law, legal earnings reserve and additional paid-in capital can be used to eliminate or reduce a deficit or capitalized. These appropriations generally require a resolution of the shareholders' meeting.

Additional paid-in capital and legal earnings reserve may not be distributed as dividends. Under the Law, however, all additional paid-in capital and all legal earnings reserve may be transferred to other capital surplus and retained earnings, respectively, which are potentially available for dividends.

The movements of outstanding shares and cash dividends during the years ended March 31, 2011 and 2010 were as follows:

(a) Number of outstanding shares and treasury stock

For the year ended March 31, 2011

					(Thousands of shares)
Type of shares	Balance at beginning of year	Increase during the year	Decrease during the year	Balance at end of year	Remarks
Treasury stock:					
Common stock	2,052	1,040	2,004	1,088	Note

Note: The increase in treasury stock (1,040 thousand shares) was due to purchases of 1,000 thousand shares pursuant to the resolution made at the Board of Directors' meeting held on October 22, 2010 and purchases of 40 thousand shares less than one unit. In addition, the decrease in treasury stock (2,004 thousand shares) was due to the cancellation of 2,000 thousand shares implemented on November 30, 2010 and sales of 4 thousand shares less than one unit.

For the year ended March 31, 2010

					(Thousands of shares)
Type of shares	Balance at beginning of year	Increase during the year	Decrease during the year	Balance at end of year	Remarks
Treasury stock:					
Common stock	2,017	43	7	2,053	Note

Note: The increase in treasury stock was due to acquisition of shares of less than one unit and shares in a newly consolidated subsidiary. In addition, the decrease in treasury stock was due to sales of shares of the Bank by a subsidiary and sales of shares of less than one unit.

16. Subsequent Events

Along with the full-scale start of the business expansion of Tsuyama Securities Co., Ltd., the Bank changed the subsidiary's name to Chugin Securities Co., Ltd. and increased its capital by ¥1,500 million on May 6, 2010.



Independent Auditors' Report

To the Board of Directors of The Chugoku Bank, Limited:

We have audited the accompanying non-consolidated balance sheets of The Chugoku Bank, Limited (the "Bank") as of March 31, 2011 and 2010, and the related non-consolidated statements of income and statements of changes in net assets for the years then ended expressed in Japanese yen. These non-consolidated financial statements are the responsibility of the Bank's management. Our responsibility is to independently express an opinion on these non-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 non-consolidated financial statements referred to above present fairly, in all material respects, the non-consolidated financial position of The Chugoku Bank, Limited as of March 31, 2011 and 2010 and the non-consolidated results of its operations for the years then ended, in conformity with accounting principles generally accepted in Japan.

Without qualifying our opinion, we draw attention to the following:

As described in Note 16 of the Notes to the Non-consolidated Financial Statements, effective May 6, 2010, the Bank increased the capital of Chugin Securities Co., Ltd., (previously Tsuyama Securities Co., Ltd.).

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

KPMG AZSA LLC

Okayama, Japan
June 24, 2011

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