JOYO BANK

Annual Report 2012

PROFILE

The Joyo Bank, Ltd., was established in 1935 out of the merger of the Tokiwa Bank and Goju Bank (both founded in 1878), and celebrated its 130th year in business.

As a leading financial institution in Ibaraki Prefecture and surrounding regions, the Bank, with the philosophy of "Practicing sound management, creation of values, and partnership with the home region," is contributing to the growth of its home region by providing stable and comprehensive financial services.

Management Philosophy

"Sound management, creation of value, and partnership with the home region"

(1) Focusing on retail banking as our core business, Joyo Bank will pursue sound management and steady banking activities.

(2) Joyo Bank will create high-value business together with our customers, regional communities, and shareholders.

(3) By providing financial services in our base territory of Ibaraki Prefecture and adjacent areas, Joyo Bank will contribute to social and economic progress in the home region.

Action Guidelines

We will

— Provide the most appropriate products and services based on a keen understanding of our customers.

— Undertake steady banking activities and grow together with our customers.

— Seek to further improve our financial skills.

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FINANCIAL HIGHLIGHTS

Consolidated

THE JOYO BANK, LTD. and Consolidated Subsidiaries

Years Ended March 31	Millions of yen 2012	2011	Thousands of U.S. dollars 2012
For the Year Ended			
Total Income	¥ 153,691	¥ 156,955	$ 1,869,951
Total Expenses	121,105	135,119	1,473,481
Income before Income Taxes and Minority Interests	32,585	21,835	369,469
Net Income	18,134	13,990	220,644
At the Year End			
Total Assets	¥8,005,275	¥7,438,307	$97,399,634
Deposits	7,277,708	6,816,825	88,547,375
Loans and Bills Discounted	4,952,771	4,769,896	60,260,021
Securities	2,187,773	2,187,773	26,311,169
Net Assets	446,615	424,997	5,433,941
Capital Ratio		12.77%	
For the Year Ended			
Net Cash Provided by (Used in) Operating Activities	¥ 415,419	¥ 211,708	$ 5,054,377
Net Cash (Used in) Provided by Investing Activities	(269,118)	(93,459)	(3,274,342)
Net Cash Used in Financing Activities	(12,884)	(18,342)	(156,765)
Net Decrease (Increase) in Cash and Cash Equivalents	133,411	109,885	1,623,212
Cash and Cash Equivalents at End of Year	373,098	239,686	4,539,459

Notes: 1. Japanese yen amounts are rounded down to the nearest million yen.
2. U.S. dollar amounts represent translation of Japanese yen at the exchange rate of ¥82.19 to US$1.00 on March 31, 2012.

Non-Consolidated

THE JOYO BANK, LTD.

Years Ended March 31	Millions of yen 2012	2011	Thousands of U.S. dollars 2012
For the Year Ended			
Total Income	¥ 134,938	¥ 137,412	$ 1,641,781
Total Expenses	105,694	117,650	1,285,971
Income before Income Taxes and Minority Interests	29,243	19,761	355,797
Net Income	16,795	12,912	204,343
At the Year End			
Total Assets	¥7,982,027	¥7,421,342	$97,116,766
Deposits	7,287,588	6,830,476	88,667,575
Loans and Bills Discounted	4,982,564	4,800,612	60,622,508
Securities	2,452,292	2,185,635	29,836,865
Net Assets	437,596	417,816	5,324,200

Notes: 1. Japanese yen amounts are rounded down to the nearest million yen.
2. U.S. dollar amounts represent translation of Japanese yen at the exchange rate of ¥82.19 to US$1.00 on March 31, 2012.

MESSAGE FROM THE PRESIDENT

We will Contribute to the Reconstruction and Growth of our Customers and the Region by Giving our Full Support to the Joyo Regional Reconstruction Project "Bording"

Looking Back on Fiscal 2011

The Japanese economy showed signs of recovery mainly in production activities in fiscal 2011 due to the restoration of the supply chain, which had been disrupted by the Great East Japan Earthquake, and other factors. Nevertheless, the recovery was modest owing to such factors as electric power supply restrictions and the financial crisis in Europe.

The economy in Ibaraki Prefecture, in addition to a modest recovery in exports, production, and personal consumption, recovery was well underway for post-disaster reconstruction and damage repair in the second half of fiscal 2011. However, amid the effects of the overseas economic slowdown and the appreciating yen, the recovery lacked momentum due to a partial easing of exports and production.

In this difficult business environment, beginning in April 2011, the Bank began its 11th Medium-Term Business Plan (running from fiscal 2011 through fiscal 2013), which seeks to create "The best partner bank that grows with its customers in the home region." In fiscal 2011, the first year of the plan, to contribute to the reconstruction and growth of our customers and the region, we gave our full support to the Joyo Regional Reconstruction Project "Bonding," which is founded on three pillars, 1) To provide easily-accessible financial functions, 2) To reconstruct and revitalize the region's economy, and 3) To contribute regionally.

Implementation of Joyo Regional Reconstruction Project "Bonding"

With respect to the first pillar, "To provide easily-accessible financial functions," in addition to taking aggressive advantage of the earthquake disaster recovery funds of each prefecture, the Bank constructively responded to the financing needs of its customers by creating the Joyo Regional Reconstruction Project "Bonding" (targeted at business owners and retail customers), a financing product originally developed by the Bank.

In addition, together with the Development Bank of Japan, Inc., the Bank formed the "Ibaraki Bonding Fund," thereby diversifying its methods of financing corporate banking customers. The Bank also opened the Iwaki Loan Plaza in Iwaki City in Fukushima Prefecture, an area substantially affected by the earthquake disaster. With the new Iwaki Loan Plaza, the Bank has strengthened its ability to handle various inquiries including those about home rebuilding from retail banking customers.

Further, the Bank offered "Power of Bonding," a joint management specified money trust, which is a subordinated loan, into which mainly invested assets are placed. It is the first such initiative of its kind in Japan for customer money management. With the issuance of prepaid unsecured callable subordinated bonds (subordinated bonds) and other financial products, we have met the diverse money management needs of our customers.

As for the second pillar, "To reconstruct and revitalize the region's economy," with the cooperation of major automakers, the Bank sponsored a proposal-based technology forum for local manufacturing companies, and also sponsored food fairs in Utsunomiya and Mito, thereby helping food-related businesses expand their distribution channels. Moreover, in Tokyo's Nihonbashi, as well as Kairakuen Park in Mito, the Bank sponsored "GANBA-PPE! IBARAKI/FUKUSHIMA ¥100 Food Tasting Store," a food tasting and marketing event to introduce popular local foods to general consumers and to dispel harmful rumors about foods from this region that was devastated by the earthquake disaster.

To help local companies strengthen their management capabilities, the Bank held "The Joyo Manufacturing Forum" as a venue for business matching. Students from local universities attended, providing an opportunity for academic and industry interaction. The Bank also took stronger steps to respond to customer needs for solutions to problems by holding various seminars including the "Energy Saving and Environmental Management Seminar" and "Risk Management and BCP Planning Seminar." In addition, the Bank held the "Joyo Overseas Market Entry Support Seminar" focused on China and Thailand, and formed business partnerships with the Bangkok Bank and Kasikorn Bank of Thailand, thereby enabling it to better meet the overseas market entry needs of its customers.

To further enhance these efforts, in December 2011, the Bank concluded a comprehensive partnership agreement for regional economic revitalization with Ibaraki Prefecture, laying the framework to further advance efforts to reconstruct and revitalize the local economy.

And for the third pillar, "To contribute regionally," the Bank has helped to disseminate information about the status of the regions valuable cultural assets and reconstruction efforts in the wake of the earthquake disaster. The Bank also contributed to developing human resources who will bear responsibility for the regions future by subsidizing a scholarship system administered by Ibaraki Prefecture from a portion of the profits earned through sales efforts related to the clients' assets product of the Bank.

Against this backdrop, in fiscal 2011, the Bank achieved ordinary income of ¥29.9 billion, up ¥11.0 billion year on year, and net income of ¥16.7 billion, up ¥3.8 billion. This was mainly attributable to active efforts to provide financial support for earthquake disaster reconstruction, improved credit costs, and expense reductions, despite lower interest income due to falling interest rates and other factors. Further, the capital ratio, a key indicator of the Bank's financial soundness, was maintained at a high level of 12.78% (on a consolidated basis).

● Issues for the Bank to Address

With a dwindling population, an aging society, and the spread and globalization of economic activities, Japan's social and economic structural changes are fully underway. In addition, the Great East Japan Earthquake has had a major impact on a number of fronts including company production and distribution, as well as on personal consumption and home investment. Above all, the impact on the region's economy, especially disaster-stricken areas, has been substantial, and a full-scale recovery will likely require time.

Therefore, the Bank will continue to promote the Joyo Regional Reconstruction Project "Bonding," which will go a long way to helping customers and the region to grow again. The Bank will give its full support to helping people get their lives back in order and to the reconstruction and growth of business by providing comprehensive financial services.

At the same time, we launched J-Cube, our 11th Medium-Term Business Plan, which started in fiscal 2011, with the goal of being the best partner bank that grows with its customers. Based on its three basic strategies for achieving this goal, namely, 1) Contribute to regional reconstruction and growth with a focus on expanding our customer base, 2) Build a strong management base with a focus on improving employee on-the-job capabilities, and 3) Build a stronger organization with a focus on raising human resource capabilities, the Bank will make greater efforts to achieve its management goals under its medium-term business plan.

We will expand the customer base by providing appropriate financial products and services based on cooperation with Group companies, while strengthening investment capabilities and providing easily-accessible financial functions. Moreover, we will enhance our efforts in growth fields and growth businesses including customer reconstruction support and work on regional economic revitalization.

To vigorously support these efforts, we will implement reforms throughout our entire operation by streamlining all branch operations and raise employee on-the-job capabilities by improving the quality of customer care.

We will further optimize sales channels in response to changes in the social and economic structure, and improve our risk-taking ability based on our enhanced risk management system.

We will also raise human resource capabilities so that each and every employee can achieve self-sustainable growth by developing human resources who are best suited for delivering comprehensive financial services and by increasing the opportunities for them to succeed. We will increase human resources who are capable of responding to the expectations of customers and the region.

Everyone in the Joyo Bank group is committed to meeting the expectations of our customers, our shareholders, and the region. I hope you will all continue to support us in the future.

Kazuyoshi Terakado
President

Kazuyoshi Terakado
President
July 2012

MANAGEMENT POLICY

11th Medium-Term Business Plan to Build a Sound Management Base (FY2011 – FY 2013)

Social and economic structural changes, such as declining population, the decrease of the working-age population, and the spreading of economic activities, are well underway. Moreover, the Great East Japan Earthquake caused tremendous devastation to our customers and to the region and completely transformed the business environment in which the Bank operates.

Against this backdrop, in J-Cube, our 11th Medium-Term Business Plan for building a sound management base, which covers the three-year period from fiscal 2011 through fiscal 2013, we set the goal of "becoming the best partner bank that grows with its customers in the home region" in order to vigorously promote efforts to rebuild the lives of customers and the region and to support business reconstruction and improvement.

Our Goal

To be the best partner bank that grows with its customers

Contribute to the development and the growth of customers and the region by providing comprehensive financial services.

Basic strategies

◆ Contribute to regional reconstruction and growth by expanding the customer base

Seek sustained growth that is capable of responding flexibly and with precision to the changing social and economic structure by focusing efforts on customer and regional recovery and expanding the customer base in the Ibaraki area.

◆ Build a stable and sound management base by focusing on strong employee on-the-job performance

Enhance the ability of branches, which have the closest relationship with customers, to solidly execute their business in terms of both operations and administration, in order to contribute to regional reconstruction and growth and increase the Bank's earnings capacity.

◆ Strengthen the organization as a whole by improving human resource capabilities

Strengthen the organization by improving employees' ability to achieve self-sustaining growth through their contributions to customer and regional growth and revitalization and by developing each and every employees' knowledge and their job performance capabilities as financial professionals.

Business targets: Strengthen earning capacity (on consolidated basis)

Fiscal 2013 Targets

Core gross business profit	¥120.0 billion or more
Core business profit	¥ 50.0 billion or more
Net income	¥ 25.0 billion or more
Consolidated net income	¥ 27.0 billion or more
OHR *1	mid 50% range
ROE *2	mid 5% range
Tier I ratio including common stock *3	approx. 12%

*1. OHR is a leading indicator of management efficiency and indicates the amount of expenses incurred to obtain one unit of gross business profit.

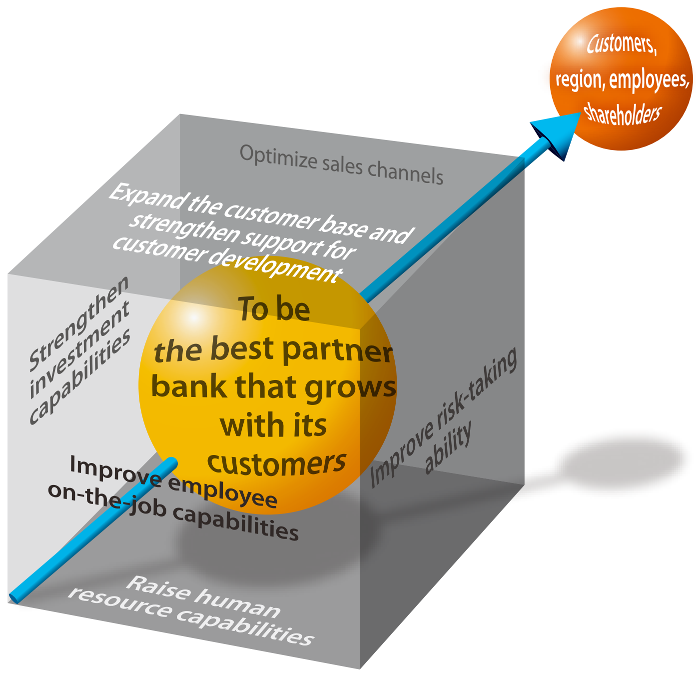
*2. ROE is a leading indicator of capital efficiency and indicates how much profit was obtained using shareholders' equity.

*3. Tier I ratio including common stock is an indicator of financial soundness and indicates how much core capital is comprised of common stock and retained earnings versus risk assets such as loans and securities.

Building a Strong Management Base: J-Cube

The six sides of a cube represent key strategies for achieving our goal of becoming the best partner bank that grows with its customers in the home region.

Through the execution of these strategies, we will share our growth with stakeholders including customers, the community, employees and shareholders. Because we express this growth as the three dimensions of a cube, we established J-Cube, our 11th Medium-Term Business Plan to build a sound management base.



The Six Key Strategies of J-Cube

1. Expand the customer base and strengthen support for customer development

Expand the customer base by expanding the Bank's presence and promoting a wider range of transactions with each customer. Help customers rebuild their lives and businesses and grow based on the strong customer base.

2. Strengthen investment capabilities

Increase earnings by strengthening investment capabilities of funds procured through expanded customer base and stronger portfolio management capabilities for more stable profitability.

3. Improve employee on-the-job capabilities

Raise business efficiency and streamline headquarters through drastic business reforms. Improve employee on-the-job capabilities through more efficient use of the workforce and time.

4. Optimize sales channels

Meet the diverse needs of customers by optimizing the sales network, building stronger collaboration between channels and strengthening online banking.

5. Improve risk-taking ability

Improve risk-taking ability based on enhanced risk management system to build a strong management base.

6. Raise human resource capabilities

Support employee growth and increase opportunities for success by getting the right person for the right job.

RELATIONSHIP BANKING

Relationship Banking Policies

The local economy is the bedrock of the operations of a regional bank. Our mission is to contribute to the development of local society and economy by providing communities with reliable financial services.

To fulfill this mission, the Bank has adopted the following three priority policies:

Priorities

- Strengthen support for customer companies tailored to their stage of corporate growth
- Develop new financing options for SMEs
- Contribute to a sustainable growth of local economy

Main Initiatives and Fiscal 2011 Business Performance

Strengthen support for customer companies tailored to their stage of corporate growth

Support for start-ups and launch of new businesses

The Business Promotion Division's Integrated Finance Service Office is taking a leadership role in collaborating with Joyo Bank Group companies and outside institutions and assisting in company formation and capital policies.

In fiscal 2011, the Bank assisted in the formation of new companies and business of 26 customer companies and helped companies develop sales channels and go public.

Support for business succession

With the aging of management, the number of companies facing business succession issues is increasing; therefore, the Bank is assisting companies with business succession to help customers solve management problems.

In fiscal 2011, the Bank collaborated with outside experts including tax accountants and CPAs to consult with 70 companies to help them achieve a smooth business succession.

Management improvement and business revitalization support

Sales branches and the head office (the Business Promotion Division's Corporate Management Group and the Credit Examination Division's Company Management Support Office) are integrated and their activities go beyond financial restructuring to supporting management improvement and business restructuring throughout the entire business extending into sales and systems.

The sales branches and head office support the drafting of business improvement plans for companies and have already drafted business improvement plans for 1,132 customers. In addition, leveraging the Small and Medium Size Business Rehabilitation Support Co-operative, assistance was provided to 19 customers, while two customers were assisted through the use of the Reconstruction Fund, and four customers were helped through DDS. Of those customers who received management improvement support, 253 of them had their debtor classification ratings upgraded. In addition, there were 532 business matching contracts signed through support provided to agribusiness and manufacturing companies, which led to customer sales channel expansion.

Develop new financing options for SMEs

● Financing methods that are not overly dependent on real estate collateral or personal guarantees and complete financing using diverse methods

In order to aggressively meet the funding needs for earthquake disaster reconstruction, the Bank developed the Joyo Earthquake Disaster Reconstruction Support Loan “Bonding.” The Bank also created the Ibaraki Bonding Fund with the Development Bank of Japan Inc.

Since it began handling the Joyo Earthquake Disaster Reconstruction Support Loan “Bonding” in July of 2011, 2,366 loans totaling ¥49.4 billion have been extended, while two Ibaraki Bonding Fund loans totaling ¥0.2 billion were extended.

Moreover, as a facilitator, the Bank has met the diverse needs of its customers by arranging three syndicate loans, 35 private placements, and seven loans using an environmental rating assessment system.

● Improving the ability to recognize business value in client companies

By constantly improving its internal loan-related training, strengthening its information gathering capabilities to understand industry trends, and sharing information across the organization, the Bank improves its ability to recognize business value in client companies in order to facilitate financing to SMEs and to revitalize businesses. Moreover, we have taken steps to improve the screening skills through the use of a certification program for loan officers, which we introduced in 2008.

Contributing to a sustainable growth of local economy

● Initiatives to revitalize the region and simultaneously integrate to rejuvenate the region with an eye on sustained growth

As the region’s potential is attracting attention due to the upgrading of the transportation infrastructure, the Bank has teamed up with Ibaraki Prefecture to promote an organized campaign for industrial siting. Through a range of activities including the co-sponsorship of an industrial siting study tour and the dispatching of representatives to Ibaraki Prefecture’s headquarters’ for industrial siting promotion in Tokyo, the Bank has provided financing to six companies that have entered Ibaraki Prefecture.

The Bank co-sponsored the Commercial Food Fair, the Regional Bank Food Selection and other events for agricultural businesses, which resulted in the signing of 328 business contracts. We also helped one company obtain certification for business involved in programs for utilizing regional resources, and contributed to agricultural produce branding and increased value-added.

In addition, we organized manufacturing companies and continued to provide Manufacturing Company Support, whose main pillar is business matching for technology-user companies, including major corporations, and local manufacturing companies. Through its sponsorship of the 4th Joyo Manufacturing Forum in Tsukuba (attended by 210 companies), the Bank was able to achieve 71 matchings.

With the incentive to enter overseas markets growing, the sales branches and head office (Markets Administration and International Division’s International Business Office and the Business Promotion Division’s Integrated Finance Service Office) are collaborating and have assisted 139 customers entering foreign markets by providing them with relevant information and helping them with foreign exchange transactions. We also moved aggressively to set up a market entry support system by collaborating with overseas financial institutions including Kasikorn Bank and Bangkok Bank of Thailand.

Efforts to Facilitate Financing

Amid continuing difficult economic conditions, the Great East Japan Earthquake that struck in March 2011 caused tremendous damage to the regional economy. Consequently, efforts to facilitate financing, including the smooth flow of funds to the regions, are increasingly growing in importance. To quickly advise and properly respond to changes in borrowing conditions, the Bank established the Financial Facilitation Engagement Policy. At the same time, it set up a system for verifying the status of efforts to facilitate financing, thereby clearly demonstrating its financial intermediary functions.

In addition, the Bank established an inquiry counter open on holidays for facilitating the flow of funds at year-end and fiscal year-end, as well as an emergency inquiry counter for the repayment of mortgage loans for mortgage loan customers. In this way, we are aggressively dealing with financing and repayment inquiries from customers.

BUSINESS HIGHLIGHTS (NON-CONSOLIDATED BASIS)

Revenues and Earnings

Core Business Profit/Business Profit

Business profit came to ¥41.9 billion, largely unchanged from the previous fiscal year. This was mainly due to aggressive marketing of the Earthquake Disaster Reconstruction Support Loan and flexible portfolio management, as well as a decrease in the general provision for possible loan losses and expense reductions, despite a decline in interest income caused by a drop in interest rates. Core business profit came to ¥39.4 billion, a year-on-year decrease of ¥2.2 billion.

Ordinary Income

Ordinary income was ¥29.9 billion, up ¥11.0 billion, due to a decrease in non-performing loans.

Net Income

Net income increased ¥3.8 billion, to ¥16.7 billion, despite a ¥2.4 billion reversal of deferred tax assets following a change in the corporate tax rate.

*Core business profit = Business profit + General provisions for possible loan losses – gains and losses on bond trading

Deposits, Loans and Securities

Deposits (excluding CDs) increased ¥449.1 billion year on year, to ¥7,266.6 billion. The deposit balance for retail, corporate, and public sector increased due to an increase in cash reserves and earthquake insurance payments received as a result of the earthquake disaster.

Loans increased ¥181.9 billion, to ¥4,982.5 billion. Loans to individuals, especially mortgage loans, increased ¥22.7 billion, while loans to corporations increased ¥95.3 billion as a result of our constructive response to earthquake disaster reconstruction.

Securities holdings increased ¥266.6 billion, to ¥2,452.2 billion. Due to continuing efforts to manage our portfolio with an eye to ensuring stable earnings, the outstanding balance of Japanese government bonds rose ¥283.3 billion, to ¥1,388.9 billion.

Clients' Assets, and Housing Loans

Clients' assets remained unchanged at the ¥1,000.0 billion mark due to steady increases in pension insurance and whole life insurance.

Housing mortgage loans remained firm, with housing loans rising ¥28.7 billion, to ¥1,037.2 billion. Loans for the building of apartments increased ¥32.4 billion, to ¥368.3 billion.

Capital Ratio

The capital ratio is one of the key indicators of a bank's financial soundness.

The Bank's capital ratio remained at a high level. On the consolidated basis, at the reporting term-end, it stood at 12.78% (Tier I ratio*: 12.11%), while the ratio on a non-consolidated basis stood at 12.43% (Tier I ratio*: 11.89%). The minimum level required for banks complying with domestic standards is 4%.

Regarding the method of calculation of the capital ratio at the Joyo Bank, to more accurately calculate risk-weighted assets, since the end of March 2008, we have been applying the Basic Internal Credit Rating Method, a method of calculating credit risk that more accurately reflects the risk posed by borrowers and raises the overall level of the Bank's credit risk management. For operational risk calculations, we consistently apply the standardized approach (TSA).

*Tier I capital: This is a bank's core equity capital and mainly consists of capital, legal reserve, and retained earnings.

Consolidated Accounts

The Bank currently has nine consolidated subsidiaries

On a consolidated basis, ordinary revenues decreased ¥0.7 billion, to ¥153.6 billion, mainly due to a decrease in interest income from lower interest on loans and discounts. Ordinary expenses declined ¥13.7 billion, to ¥119.8 billion, primarily due to a decrease in interest expenses caused by a decline in interest on deposits, a reduction in ordinary expenses, and improved credit costs. As a result, ordinary income increased ¥13.0 billion, to ¥33.8 billion. Net income climbed ¥4.1 billion, to ¥18.1 billion, owing mainly to an increase in ordinary income, despite the reversal of deferred tax assets following a change in the corporate tax rate.

Asset Soundness

Strengthened support for customers' restructuring and management improvement

The Bank plays a vital role in the revitalization of the regional economy and in supporting the development of the regional community through its support of corporate restructuring and management improvement services. We therefore take an active approach to these services as a pillar of our community-based banking activities. In particular, the entire Bank is doing everything it can to support customers who were devastated by the Great East Japan Earthquake.

Specifically, our Business Promotion Division's Corporate Management Group and Credit Examination Division's Company Management Support Office are working with our sales branches to provide corporate customers with advice on management analysis and related improvement measures and support for the making of full scale management improvement plans. When necessary, we also collaborate with external organizations such as the SME Restructuring Support Council operated by the government's Small and Medium Enterprise Agency.

In these ways, we offer consultation and guidance on management improvement for our SME customers. As a result of our activities in this field in fiscal 2011, we realized an improvement in the borrower categorization (which depends on the financial position of the borrower) of 253 enterprises. We will continue to exert every possible effort toward supporting our customers' management, so as to contribute to the revitalization of the regional economy.

Results of Processing Non-performing Loans in Fiscal 2011

We have calculated write-off and reserve amounts for possible loan losses based on results of asset self assessment in line with established internal rules. Credit costs for non-performing loans processed in fiscal 2011 totaled ¥10.4 billion as shown below;

	Millions of Yen		
March 31	**2012**	2011	Change
Write-off of claims	**¥ 4,689**	¥ 5,067	¥ (378)
Net provision for specific reserves	**4,471**	12,551	(8,079)
Losses on bulk sale of loans	**331**	108	223
Provision for contingent losses	**98**	387	(288)
Other	**855**	606	249
Total	**¥10,446**	¥18,720	¥(8,274)

Reserve for Possible Loan Losses

For debtors in a state of legally or substantially bankrupt based on self-assessment, we reserved for possible loan losses for an amount of 100% of the amount of the claims thought to be uncollectible after we deducted the value of collateral amounts from the loan amounts. Furthermore, for a state of substantially bankrupt, we provided reserves for 59.60% of uncollectible loans based on the Bank's historical rate of loan-loss. As a result, compared to the ¥39.2 billion total of uncollectible loans, our specific reserves for possible loan losses amount to ¥23.4 billion, a reserve for possible loan losses ratio of 59.64%. The Claims we deemed to be uncollectible or valueless (¥26.7 billion) based on self-assessment have been conducted on a "partial direct write-off" basis, and have been deducted in the balance sheet asset amounts. For the general reserve for possible loan losses, we have conducted an appropriate reserve provision following the guidelines of the Financial Inspection Manual prepared by the Financial Services Agency. For borrowers requiring caution, we have divided them into three categories to include debtors requiring management, and have provided reserves for possible loan losses based on the Bank's historical loan-loss ratio.

In the future, we will continue to improve our credit risk management system, conduct appropriate write-offs, provide reserves for possible loan losses in a sufficient amount, and work toward improving the soundness of our asset portfolio.

Reserve Based on Self-Assessment

	Billions of Yen			
March 31, 2012	Potentially bankrupt borrowers	Substantially bankrupt borrowers	Legally bankrupt borrowers	Total
Claims of balance (i)	**¥101.4**	**¥9.5**	**¥2.0**	**¥113.0**
Claims secured by collateral (ii)	**62.1**	**9.5**	**2.0**	**73.7**
Claims with uncertain collectibility (A)=(i)-(ii)	**39.2**	**0**	**0**	**39.2**
Specific reserve (B)	**23.3**	**0**	**0**	**23.4**
Reserve ratio (B)/(A)	**59.60%**	**100.00%**	**100.00%**	**59.64%**

Reserve for Possible Loan Losses

	Billions of Yen		
March 31	**2012**	2011	Change
General loan loss reserve	**¥20.5**	¥18.7	¥1.7
Specific reserve	**23.4**	25.2	(1.8)
Reserve for possible loan losses total	**43.9**	44.0	(0)
Reserve for assistance to specific borrowers	**—**	—	—
Reserve for possible losses on sale of loans	**—**	—	—
Reserve for other contingent losses	**1.7**	¥ 1.8	(0.1)

Disclosure of the Bank's Assets

We continue to view the improvement of asset quality as apriority management issue, work toward the disposal of bad debt and ensure the soundness of our assets, with full disclosure of all pertinent information.

Risk-Monitored Claims under the Banking Law

For loans subject to risk management under the Banking Law, we have adopted four classifications for disclosure purposes. Loans to debtors in legally bankrupt based on self-assessment are "loans in bankruptcy and dishonored bills." Loans to debtors who are substantially or potentially in bankruptcy are "delinquent loans." Loans to companies requiring caution (those which have been delinquent for three months or more) are "loans past due with respect to interest payments for more than three months." Loans to debtors whom we support through interest reduction or waiver of loan repayment are "restructured loans."

Risk-monitored loans increased ¥7.8 billion, to ¥159.3 billion. The Bank maintained a coverage ratio of 73.05%.

Risk-Monitored Assets under the Banking Law

(Non-consolidated)	Billions of Yen		
March 31	**2012**	2011	Change
Loans in bankruptcy and dishonored bills	¥ **1.9**	¥ 4.5	¥ (2.6)
Delinquent loans	**110.6**	113.7	(3.0)
Loans past due with respect to interest payments for more than three months	**0.7**	1.5	(0.7)
Restructured loans	**45.9**	31.5	14.3
Total (a)	¥ **159.3**	¥ 151.4	¥ 7.8
Loans and bills discounted (b)	**¥4,982.5**	¥4,800.6	¥181.9
Ratio of risk-monitored assets to loans outstanding (a)/(b)	**3.19%**	3.15%	0.04%
Portion covered by collateral and guarantees (c)	¥ **116.3**	¥ 115.9	¥ 0.4
Coverage ratio (c)/(a)	**73.05%**	76.56%	(3.51)%

(Consolidated)	Billions of Yen		
March 31	**2012**	2011	Change
Loans in bankruptcy and dishonored bills	¥ **2.0**	¥ 4.6	¥ (2.6)
Delinquent loans	**111.1**	114.3	(3.1)
Loans past due with respect to interest payments for more than three months	**0.7**	1.5	(0.7)
Restructured loans	**45.9**	31.5	14.3
Total	**¥159.9**	¥152.1	¥ 7.8

Claims Subject to Mandatory Disclosure under the Financial Revitalization Law

Disclosure of the results of an asset assessment is required under the Financial Revitalization Law. Under the law, the Bank regards non-performing loans determined through self-assessment to be loans to legally or substantially bankrupt companies as "bankrupt and quasi-bankrupt assets." Loans to potentially bankrupt companies are "doubtful assets." Loans past due (three months or more) and restructured loans are "substandard loans."

Claims subject to disclosure under the Financial Revitalization Law during fiscal 2011 increased by ¥7.8 billion year-on-year, to ¥159.7 billion, accounting for 3.18% of all claims. Furthermore, the ¥0.4 billion differential between the ¥159.7 billion in claims for disclosure under the Financial Revitalization Law, which excludes normal claims, and the ¥159.3 billion in claims (loans and bills discounted only) for mandatory disclosure in accordance with the Banking Law represents non-loan claims including customers' liabilities for acceptances and guarantees, accrued interest and suspense payments.

Problem Assets under the Financial Revitalization Law

	Billions of Yen		
March 31	**2012**	2011	Change
Bankrupt and quasi-bankrupt assets (a)	¥ **11.6**	¥ 16.2	¥ (4.6)
Doubtful assets (b)	**101.4**	102.6	(1.2)
Substandard loans (c)	**46.7**	33.1	13.6
Problem assets (A)=(a)+(b)+(c)	**159.7**	151.9	7.8
Normal assets (d)	**4,860.5**	4,690.6	169.9
Total (B)=(A)+(d)	**¥5,020.2**	¥4,842.5	¥177.7
Ratio of problem assets (A)/(B)	**3.18%**	3.13%	0.04%

Coverage Status at Fiscal 2011 Year-End

	Billions of Yen			
March 31, 2012	Bankrupt and quasi-bankrupt assets	Doubtful assets	Substandard loans	Total
Problem assets (a)	**¥11.6**	**¥101.4**	**¥46.7**	**¥159.7**
Assets secured by collateral and guarantees (b)	**11.6**	**62.2**	**12.0**	**85.7**
Reserve for possible loan losses (c)	**0**	**23.4**	**7.6**	**31.1**
Coverage ratio {(b)+(c)}/(a)	**100.00%**	**84.37%**	**41.93%**	**73.09%**

The disclosure-based assets for each borrower classification of self-assessment are summarized below.

Self-Assessment: Classification of Borrowers and Disclosure-Based Assets (Billions of Yen)

Self-Assessment Classification of Borrowers	Problem Assets under Financial Revitalization Law		Risk-Monitored Assets under the Banking Law
Legally Bankrupt	Bankrupt and Quasi-Bankrupt Assets 11.6	Legally Bankrupt 2.0	Loans in Bankruptcy and Dishonored Bills 1.9
Substantially Bankrupt		Substantially Bankrupt 9.6	Delinquent Loans 110.6
Potentially Bankrupt	Doubtful Assets 101.4		
Borrowers Requiring Caution	Substandard Loans 46.7		Loans Past Due with Respect to Interest Payments for More than Three Months 0.7
			Restructured Loans 45.9
	Subtotal 159.7		Subtotal 159.3
Normal Borrowers	Normal Loans 4,860.5		

Note: Assets Covered by Disclosure Standards

Financial Revitalization Law:

Loans, securities lending, foreign exchange, interest receivable, suspense payments, and customers' liabilities for acceptance and guarantees

Banking Law:

Loans and bills discounted

Note: Categorization of Disclosure Standards

Financial Revitalization Law:

Categorized by borrower basis, in accordance with self-assessment results. (As an exception, Substandard Loans are categorized on individual loan basis.)

Banking Law:

Loans to Legally Bankrupt Borrowers, Substantially Bankrupt Borrowers, and Potentially Bankrupt Borrowers are categorized on an individual borrower basis, in accordance with self-assessment results. Loans to Borrowers Requiring Caution are disclosed on an individual loan basis.

Contributions to the Regional Community

Under the management philosophy, "sound management, creation of value, and partnership with the home region," we will continue to contribute to the development of the regional community and economy by providing regional customers with comprehensive high-quality financial services, based on a robust business performance under a sound management.

We regard supply of financial services for the region as our mission. We will continue to ensure due disclosure of diverse information relating to our contribution to the regional economy.

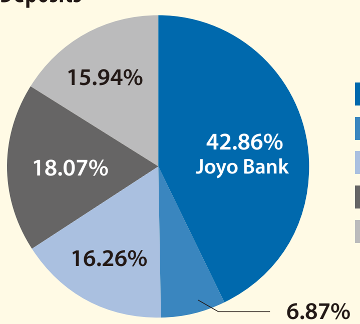
"Region" refers to Ibaraki Prefecture and neighboring areas forming the main catchment area (by location of main branches) of the Bank: Fukushima, Tochigi, Saitama, Chiba and Miyagi prefectures.

Loans to customers outside the local region are mainly limited to loans to corporate customers in Tokyo or Osaka who have factories or offices in the areas mentioned above and who have a deep relationship with regional business.

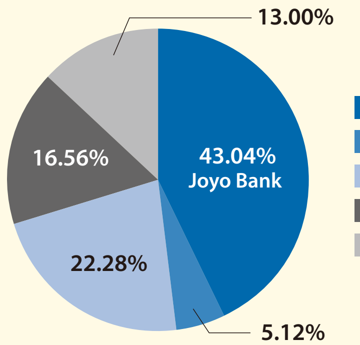
Market share within Ibaraki Prefecture (as of Sept. 30, 2011)

The Bank maintained a high market share for total deposits and loans within Ibaraki Prefecture, at over 40% each.

Deposits



Loans



Note: Figures for share exclude public sector.

Loans to Regional Customers

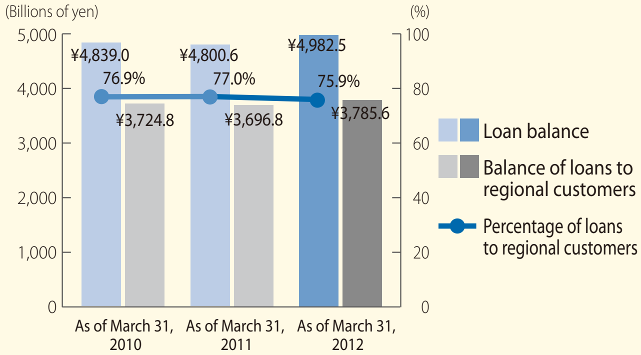
Regional and SME Loans

Loans to customers in our region totaled ¥3,785.6 billion, and accounted for 75.9% of all loans made by the Bank.

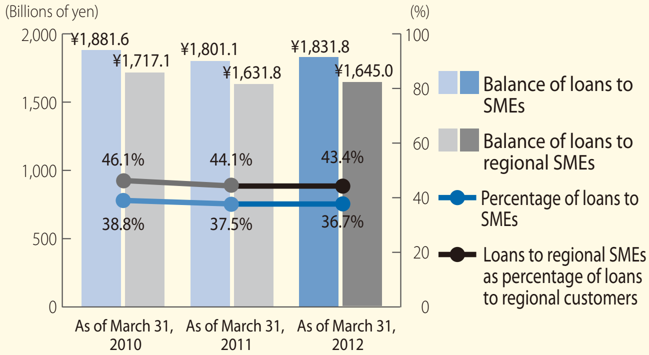
Loans to SMEs totaled ¥1,831.8 billion, and accounted for 36.7% of all loans. Of all regional loans, 43.4% went to SMEs.

The total number of SMEs is 32,994 of which 98.6% are local.

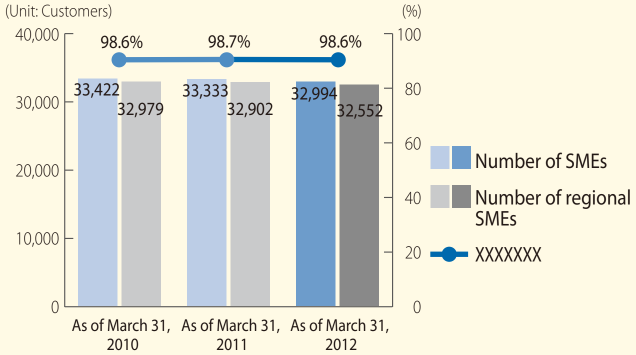
Balance of Loans, Balance of Loans and Percentage of Loans to Regional Customers



Balance of Loans and Percentage of Loans to SMEs, and Balance of Loans and Percentage of Loans to Regional SMEs



Number of SME Customers and Number of Regional SME Customers



Loans to Individuals

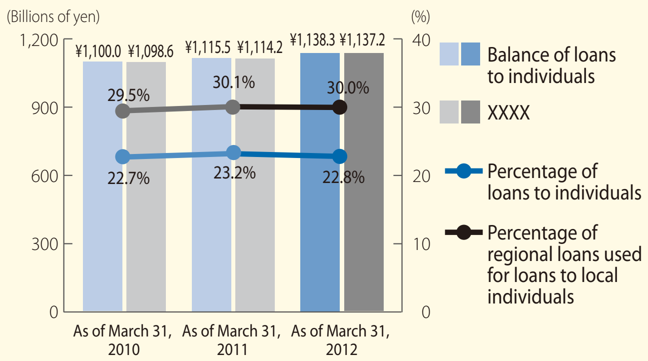
Loans to individuals have increased to ¥1,138.3 billion, with mortgage loans performing well. Of these, ¥1,137.2 billion or 99.9% are loans to individuals in the region.

Loans to individuals are 22.8% of all loans, and loans to individuals in the region are 30.0% of all regional loans.

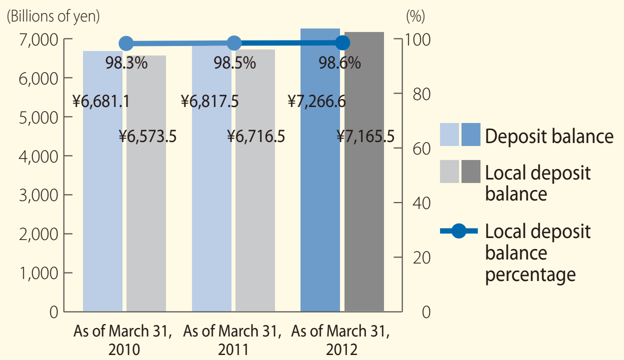
Optimal Financial Services for Local Customers

98.6% of deposits, in an amount of ¥7,165.5 billion, are from regional customers, and 99.6% of assets in custody are from regional customers.

Balance of Loans and Percentage of Loans to Individuals, Percentage of Regional Loans used for Loans to Local Individuals



Deposit Balance, Local Deposit



Initiatives for Stimulating the Local Economy

Working with Agri-Business

We operate in a predominantly agricultural area, and are actively engaged in agri-business. We aim to contribute to regional industrial and economic revitalization by fostering and supporting ambitious farmers and agribusinesses.

To meet diverse needs for business financing support, we offer three series of "Daichi" multi-purpose loans, all guaranteed by Ibaraki Agriculture Credit Guarantee Fund Association. For firms specializing in cattle breeders, we have developed financing support that utilizes the Asset-Based Lending (ABL) system as a new method for providing finance using fattening cattle as collateral. By backing ambitious farmers and food producer companies we also aim to support the development of new products and services in our region. To that end, we are proactively promoting alliances between farmers, commerce and industry. This means not only support for compilation of planning approval documents for applications for various kinds of subsidy, but also support using affiliate companies' consulting, leasing and IT services, leveraging the Bank's networks. To support development of marketing channels needed by food producers and processors, we continuously hold food-themed business forum and organize the Regional Bank Food Selection events in partnership with regional banks all over Japan, as well as offering support for business contract signings through business matching and follow-up activities connected with these events.

Support for Manufacturers of Excellence

Our business area comprises Ibaraki, Tochigi and Fukushima prefectures. Due to their proximity to Tokyo and their good transportation infrastructure, many major companies have set up plants in these prefectures, and a need has arisen to secure high-quality SMEs to act as suppliers. As a key player in regional revitalization, we support highly capable manufacturing businesses in meeting these needs.

We create effective platforms for business talks by holding events such as the "Joyo Manufacturing Forum" and a proposal-based technology business forum through which we support development of marketing channels by bringing major manufacturers and local manufacturing SMEs together through business-matching.

We also proactively provide financial support to meet a wide range of business funding needs. These include support for upgrading of technological capabilities, where we help through technology workshops arranged in partnership with major manufacturing companies, and for raising quality management standards under the ISO certification program..

Tie-ups with External Institutions

Including tie-ups with University of Tsukuba and University of Ibaraki, we foster and support new ventures and established companies beginning new businesses with entities such as National Institute of Advanced Industrial Science and Technology (AIST), the Organization for Small & Medium Enterprises and Regional Innovation, Ibaraki Corporation for Small and Medium Enterprise Promotion, the Development Bank of Japan, Joyo Industrial Research Institute Ltd., and other partners in industry, academia and regional government.

Invitation of Companies to the Area

The business environment in Ibaraki Prefecture has been upgraded through creation of infrastructure for wide-area transportation networks typified by the now-completed Kita-Kanto Expressway. Leveraging these strengths, we are working to attract companies that can invigorate the regional economy.

We provide companies that are interested in initiating business in our operational areas with advice on the ideal location and conditions. For companies that have already decided to newly move into our business area, we provide needed funding support and business-related information gathered through our branch networks.

The Bank has been working to attract companies in cooperation with Ibaraki Prefecture and its municipalities down to the village level. In addition to cooperating in Ibaraki-Prefecture-organized tours and seminars for attracting companies, the Bank is also a member of a Council for Regional Industrial Development established to attract businesses and boost industry by eight areas of the Ibaraki prefecture.

Joyo Area Research Center

This foundation cooperates with various economic associations and research institutions, performing various tasks that contribute to the regional community and economy. The Center researches into and publishes data on economic industry trends and regional development, holding lectures and sending speakers to regional organizations and events.

Joyo Industrial Research Institute

Joyo Industrial Research Institute was established as part of activities to commemorate the 60th anniversary of the founding of the Bank, in April 1995 as a regional think tank. The Institute consists of three departments: 1) the Industrial Research Department, which provides consulting services, mainly to private-sector enterprises, that include support for management structural reforms and acquisition of ISO certification; 2) the Regional Research Department, which conducts surveys and analysis of the regional community to assist local governments in drawing up regional plans and community development projects; and 3) the Training

Department, which holds lectures, practical seminars and other training events.

The Institute also publishes the JIR News, a newsletter, and has created the Joyo Village website on which it posts information for members to read to and provides forums for members to exchange information and communicate with each other.

The Institute's staff includes a large number of experts in various fields to meet the diverse needs of its corporate customers. These experts include certified SMEs management consultants, ISO auditors, first-class registered architects, and engineers that offer effective solutions to the wide range of issues faced by our customers in the region.

Environmental Preservation Activities

Through its environmental preservation activities, the Bank seeks to reduce the environmental impact of its business operations and provide support for customers tackling the task of environmental preservation. These activities are part of the Bank's efforts undertaken in collaboration with numerous partners in the region to realize a sustainable community in Ibaraki Prefecture and neighboring areas.

Environmental Principles and Policies

Environmental Principles

The main operational base of the Joyo Bank Group is Ibaraki Prefecture, an area blessed with beautiful natural scenery, including abundant greenery and water resources. We believe it is the Bank's social mission to help protect and nurture this rich and varied natural environment while realizing a sustainable society in our local region. To this end, we work hand in hand with a diverse range of partners in preserving the natural environment of our home –Ibaraki on a continuous basis.

Environmental Policies

— Building a regional community that contributes to the global environment —

1. Reduce the environmental load of the Bank's business operations through resource conservation, energy conservation, and recycling
2. Support customers' environmental preservation activities by providing eco-friendly financial products and services
3. Ensure that all executives and employees of the Group are fully aware of these policies and actively participate in their implementation

Forest Preservation Activities

The Bank is a member of Save The Forest In Japan, an organization established by regional banks all over the country dedicated to ensuring healthily-growing forest, central to the next generation.

We have also signed a "forestry partnership agreement" with Ibaraki Prefecture and Ibaraki forestry support center. In Naka City, we established the Joyo Furusato Forest. Through activities such as thinning and tree planting, we are establishing mixed forests based on local species.

In March 2012, as a memorial to local reconstruction and the region's growth, we planted seedlings of cherry trees in Miharu Town in Fukushima Prefecture and plum trees, the tree of Ibaraki Prefecture.

Expanding lineup of environment-related financial products and services

New eco-friendly products

We are contributing to the preservation of the region's environment with the aim of achieving a sustainable society and we are actively assisting companies working on environmental preservation.

Environmental Rating and Evaluation System

The Bank evaluates companies' environmental measures using a wide range of yardsticks. Ratings and details of initiatives are made public, and preferential interest rates are offered for companies with high ratings.

Joyo Eco Select Loan

The Bank gives preferential loan interest rates for capital investments related to the environmental preservation efforts of companies. Moreover, having been designated by the Ministry of the Environment as a financial institution that provides "interest subsidies for environment-friendly business promotion projects," the Bank is preparing the Joyo Eco Select Loan Ministry of the Environment Interest Subsidy Plan (environmental rating loan), an interest subsidy that can be obtained by companies that are working to preserve the environment.

The "Daichi" Series of Loans for Farmers

This loan has been approved by each prefecture and offers preferential interest rates to eco-friendly farmers registrants who run eco-friendly farms and registered farmers approved by municipalities.

Eco-Related Loans

These loans offer preferential interest rates and are for environmental preservation such as for the purchase of all electric equipment for houses and apartments, solar power generation systems, and hybrid cars.

Support for acquisition of ISO certification

Our affiliated company, the Joyo Industrial Research Institute, Ltd., holds explanatory seminars on how to acquire ISO 14001 internationally recognized certification for environmental management systems, and also provides consulting on an individual-company basis to help corporate customers acquire this important certification.

Registration under the Ibaraki Eco-Business Plan

The Bank applied for the Ibaraki Eco-Friendly Business Premises Registration System, operated by the Ibaraki Prefectural Government, in which business premises that engage in environment-friendly operations are listed. As a result, we received certification for the listing of all 110 Bank offices in Ibaraki Prefecture, as well as for all companies in the Joyo Bank Group.

In addition, our 10 offices in Fukushima Prefecture have signed the "Fukushima Protocol for the Prevention of Global Warming."

Addressing Revised Energy Conservation Act

Under the Revised Energy Conservation Act, companies with a total energy consumption equivalent to 1,500 kiloliters of crude oil or more must report this to the relevant authorities and be designated as a Specified Business Corporation.

In 2010, the Bank was designated a Specified Business Corporation, and has been selected as an Energy Coordinator and Energy Management Planning Promoter that reports its total energy consumption to the relevant authorities, together with medium- and long-term energy consumption and conservation plans.

The Bank has a system in place to monitor the energy consumption awareness and attitude across the organizations in the Bank in line with the "@ Energy-Minded Services" guidelines introduced in February 2009.

CORPORATE GOVERNANCE AND INTERNAL CONTROL SYSTEM

To ensure a greater trust from customers, the regional community and our shareholders, we believe it is essential that our management be efficient, sound and transparent, and firmly rooted in compliance. Constantly to be mindful of the importance of corporate ethics, we have established eight basic principles under which we are strengthening and expanding our corporate governance.

Corporate Governance at Joyo Bank

The Board of Directors meets twice a month in principle to exercise decision-making and supervisory functions. The Bank has a total of 12 directors, of whom two external directors appointed to strengthen supervisory functions by providing an outside perspective. Nine of them are executive directors, and the others a managing director (in charge of internal auditing) and two external directors. Major items relating to conduct of operations excluding those decided by the Board of Directors are handled by an Executive Officer Committee created as an assessment and decision-making body. Executive Officer Committee meetings are held twice a month to discuss and implement specific policies and proposals in the conduct of business.

Special committees (Compliance Committee, General Budget Committee, ALM Committee, Risk Management Committee and Sound Asset Committee) have been established to determine the major themes for management audits. Reports are compiled regarding the discussions and decisions of these committees for perusal of the Board of Directors.

In order to audit performance of duties by directors, the auditors attend important meetings such as the Board of Directors and Executive Officer Committee meetings, peruse relevant documents, and carry out business and asset status inspections, all of which are based on the auditing policies and plans outlined at Board of Corporate Auditors meetings (held once a month in principle).

With regard to internal auditing, the Corporate Audit Division (the auditing office) monitors internal management in terms of appropriateness and effectiveness of conduct, and suggests improvements when problem areas are identified. Results of the audits are regularly submitted in a report to the Board of Directors.

In addition to strengthening internal auditing, we have created a Compliance Audit Committee comprising four outside experts including lawyers and Certified Public Accountants (CPAs) to ensure greater expert input and objectivity.

The Joyo Bank Corporate Philosophy

Corporate Social Responsibly (CSR) and Public Mission

Always keep in mind the Bank's CSR and public mission, and deepen trust through sound and open business management.

Compliance

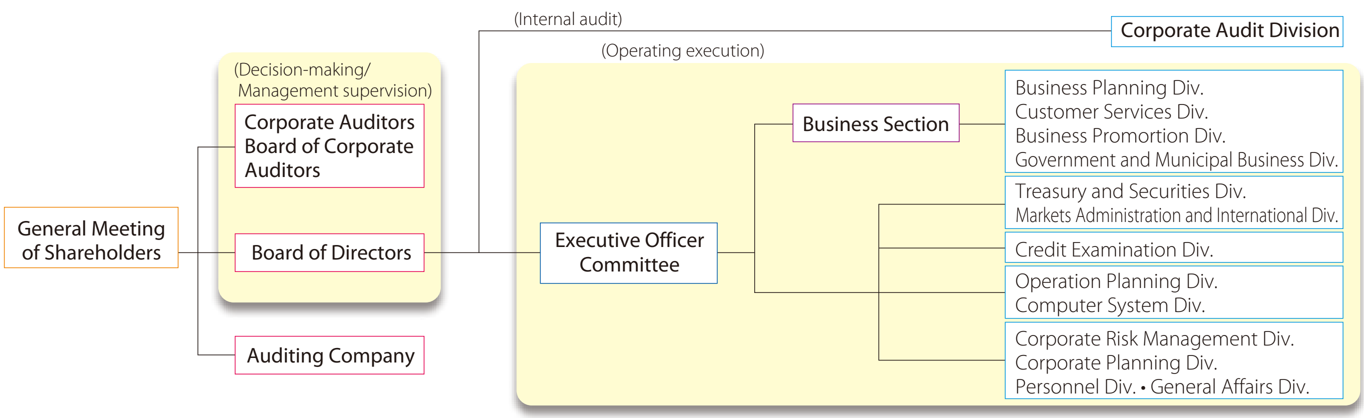
Comply with the legal and social code and execute honest and open business activities.

Fight Against Crime

Ensure that the Bank has no relationship with organized crime.

Provide Valuable Financial Services

We will contribute to the development of the region in which we operate by responding to our customers' needs and providing valuable financial services, considering the security of customers' information.



Relationship with the Regional Community
We will communicate openly and freely with the community where we do our business, raising our transparency through active disclosure of corporate information.

Respecting the Human Rights of our Employees
We will provide a work environment that respects individuality and protects the rights of all employees.

Environmental Initiatives
We will reduce environmental load, and help the environment through core banking activities.

Community Contribution Activities
We are committed to contributing to the community we serve, as a good corporate citizen that marches in step with regional society.

Internal Controls and Risk Management

Compliance

Based upon our philosophy of soundness, cooperation and partnership with the home region, we attach great importance to compliance in our management. We have established a corporate ethics guideline and a code of conduct. Moreover, we have established a new set of guidelines to ensure that every director and employee complies with the law and with the Bank's Articles of Incorporation. Every company within Joyo Bank Group follows the same strict guidelines. We have put standards into place to establish a compliance system across the Group as a whole.

To ensure the best standards in compliance, we have established a Compliance Office that oversees the compliance program as defined by the Board of Directors.

The Office makes regular reports to the Board. Moreover, we have established a whistleblower hotline for the entire Group, called the Compliance Hotline.

In addition to the Compliance Committee, we have appointed outside experts to form a Compliance Audit Committee, which monitors compliance issues on a regular basis.

To ensure that our internal controls perform their intended functions, our various auditing functions, which are independent from business execution departments, carry out internal audits across the Group. We will resolutely take action to prevent transactions with criminal bodies that threaten public order and security or disrupt economic development.

Risk Management Standards and other Controls

In addition to establishing risk management standards for appropriate management of all categories of risk, it is our mission to build a comprehensive internal risk management structure to ensure a sound financial position and stable earnings in the future by creating frameworks for comprehensive understanding and control of risk. Moreover, we also have business contingency plans in place should any event disrupt our core systems, such as natural disasters or a systems failure.

The management of risk is the responsibility of various risk management departments, as set down in the in-house regulations. Comprehensive risk management is carried out by one department that oversees risk management for the entire Bank. The Board of Directors has appointed the director to oversee the risk management program.

We have established a Risk Management Committee to measure the extent of various risks and make decisions on risk management policies. This committee will meet regularly to ensure an accurate grasp of the situation regarding risk management issues across the Bank. The officer in charge of risk management will make regular reports to the Board of Directors on the current state of risk management and the countermeasures that the Bank is taking against risks.

System to Ensure the Effective Execution of their Duties by the Directors of Joyo Bank

We have put in place business plans to clarify our operational targets, as well as an overall budget every year, to define specific policies.

We have determined the scope of decision-making responsibilities for each director, to achieve efficient operations.

We have established an Executive Officer Committee that consists of executive directors and executive officers to discuss important matters affecting the daily conduct of operations. We have also set up a range of committees, grouping executive directors, executive officers and division heads, who meet as and when needed.

Supporting Corporate Auditors

To support internal auditing, a staff who has enough knowledge and ability as an auditor is assigned to assist the corporate auditor is assigned to assist the corporate auditors.

To ensure the independence of this assistant from the influence of the business execution departments, in case of transfer of the staff, the executive director in charge of all personnel transfers should inform the corporate auditors in advance. The corporate auditors are entitled to express their opinions and advice regarding the personnel transfer of the staff.

The corporate auditors attend meetings of the Executive Officer Committee and offer their opinions on the audit process and all related matters. The directors and employees report any and all information the corporate auditors deem necessary to complete the audit.

In order to enhance the efficiency of the audit system, the corporate auditors maintain close coordination with all headquarters departments other than the internal audit sections.

The representative directors and accounting auditors each meet regularly with corporate auditors and exchange opinions on the issues related to the audits.

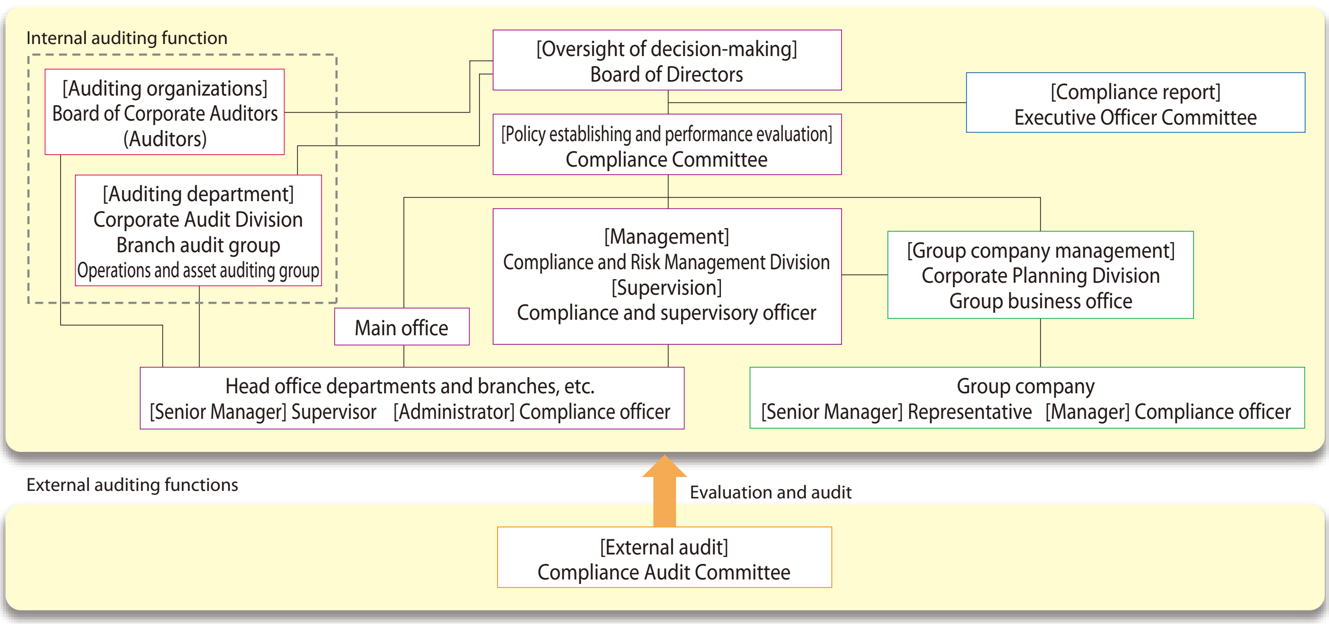
Compliance System

We place high priority on strengthening our compliance system to ensure sound banking operations, fulfill our social responsibility and public mission, and maintain the trust of customers, shareholders and other stakeholders.

We establish a compliance program each year and ensure that each executive and employee are fulfilling their roles in compliance.

We build a compliance system whose ultimate supervisory organ is the Board of Directors and place dedicated compliance officers in each major division to undertake wide-ranging inspections of legal issues in each division.

To supplement internal compliance activities by outside audits to inject the required professional knowledge and objectivity, the Bank set up a Compliance Audit Committee, consisting of outside professionals including lawyers and CPAs. The Committee evaluates and audits the Bank's compliance activities. We strive to further strengthen and improve compliance activities.



Code of Conduct

We will

- get to know our customers and offer optimal products and services
- expand business scale and grow with our customers
- increase our financial expertise

Policy Regarding Solicitations for Financial Products

In accordance with the Law Concerning the Sale of Financial Products, our solicitations for products are based on the following policies.

1. Financial product solicitation is based on tailoring products to the level of understanding, experience and financial status of the customer.
2. To ensure that our customers make choices based on their own judgment and at their own liability, we will provide easy-to-understand explanations so that the customer has sufficient understanding of financial products and the risks attached.
3. We assure that sales are never based on the provision of misleading or false statements or information, nor do we act in a manner leading to any misunderstanding by our customers.
4. Our solicitations will not be conducted at times or in locations that cause inconvenience.
5. We are setting up a training system within the Bank to ensure proper solicitation to our customers.

Risk Management

While the financial industry has grown due to deregulation and the advancement of financial technology, the risks carried by banks continue to diversify and become ever more complicated. In this environment, we are working to meet the highly advanced and various needs of our customers, and we also have placed emphasis on the subject of "risk management" to ensure the maintenance and improvement of sound operations which is one of the most vital issues facing management.

The Risk Management System

In our fundamental rules regarding risk management, we have outlined our fundamental thinking and management procedures including policies regarding risk management, organizational structure, and responsibilities.

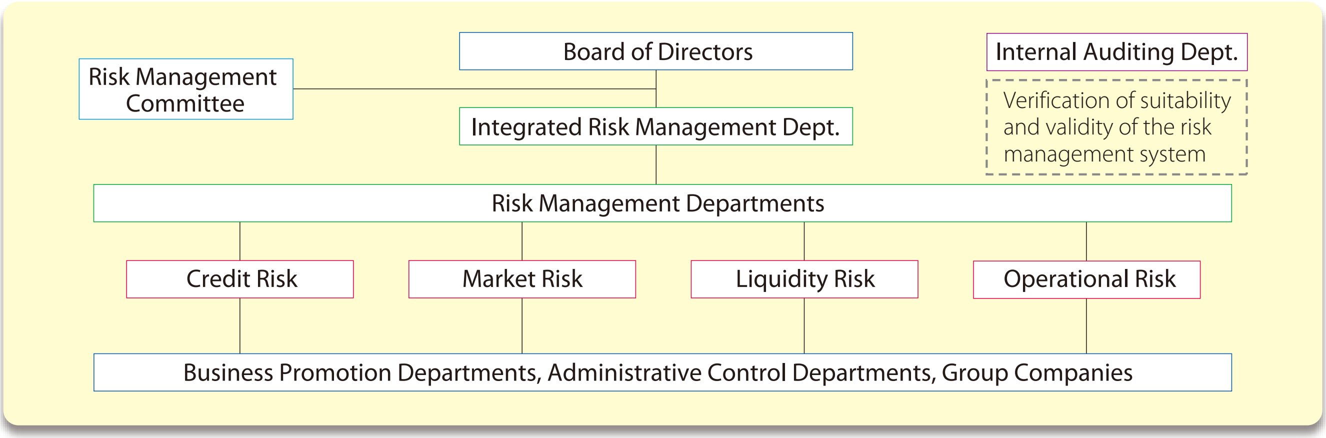
In business management, the departments that carry risks when conducting transactions (marketing departments) and the departments that internally manage the results of transactions (business administration departments) are separated, thus creating an organizational structure that allows for mutual checks and balances.

The various risks that are incurred during banking operations are managed by specific risk management departments depending on the type of risk.

We also have established a risk management supervision department, which supervises the management systems for all risks and is responsible for holding meetings of the Risk Management Committee, an organ for the examination of Bank-wide solutions to risks. The department also provides regular reports on the overall status of risks to the Board of Directors.

Additionally, internal auditing staff verify that risk management is functioning appropriately and effectively through the integrated risk management department and each risk management related department, thereby increasing the effectiveness of the system.

Risk Management System

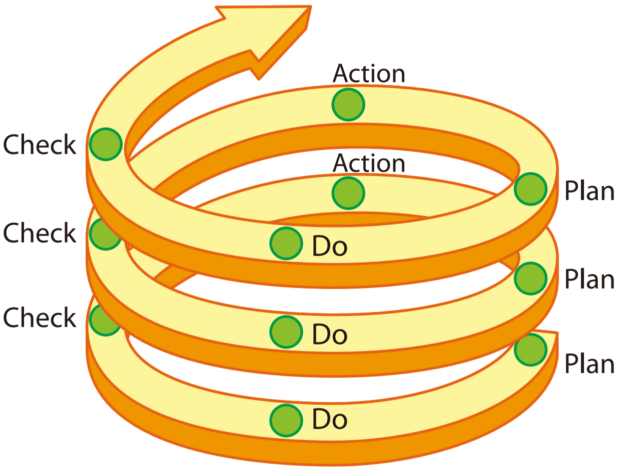


Risk Management through the PDCA Cycle

At the Joyo Bank we use the PDCA cycle described below in our risk management process. This allows continuous improvement of risk management, and conforms to our belief in the need to consistently refine the Bank's risk management methods.

- Plan: Identify and evaluate the various risks to which the Bank's operations are exposed, and draw up a plan for risk avoidance and mitigation
- Do: Put the plan into practice
- Check: Evaluate the results of the plan's implementation
- Act: Take improvement measures in the event that the avoidance and mitigation plan process is insufficient, or in the event that new problems emerge

Continuous Improvement of Risk Management



Integrated Risk Management

We have adopted integrated risk management for quantitative understanding of risk using statistical methods for each category of risk, in order not only to manage individual risk categories but also to enable systematic risk management as the business of banking grows more diversified and complex.

This integrated approach enables us to manage what extent of risk amount can be permitted relative to allocated economic capital, the indicator of financial soundness, and whether or not management resources are being deployed efficiently.

Allocation of Risk Capital

In our Comprehensive Risk Management rules, in accordance with the amount of risk tolerance, we allocate a reasonable amount of risk capital, depending on risk category and banking department, and control risk within the those parameters. With regard to risk capital allocation, we allocate suitable amounts from core Tier I capital, not counting "risk buffer" capital (reserves for risk which is difficult to quantify and for extra capital for allocation should risk exposure increase).

We carry out periodic stress-testing and assess the impact on Bank capital and earnings of losses that could arise from risk due to significant fluctuations that cannot be predicted based historical data analysis or which is difficult to quantify using statistical methods. In this way, we monitor their impact on capital and revenue to ensure capital levels are adequate.

Credit Risk Management

Credit risk is the risk of not receiving principal or loan payments as promised on loans due to a deterioration in credibility of the debtor. This is recognized as one of the most serious risks make within banking operations.

In order to prevent the occurrence of nonperforming loans and improve the soundness of our assets, we make every effort to ensure good credit risk management.

Overview of Basic Policy and Procedures with Regard to Credit Risk Management

We have compiled management guidelines for credit risk, which serve as a basic policy for appropriate management of credit risk on individual loans and management of the credit portfolio, focusing on spreading risk as its basic tool.

Credit Risk Management for Individual Loans

We have separated credit-screening departments from loan departments, and constantly work toward screening stricter while also focusing on credit management before due date to prevent the status of a claim from deteriorating.

We have created a set of basic parameters for loans, designed to speed up decision-making on loans and to ensure more rigorous risk management. We also have a system for accurately reflecting in the asset self-assessments the business performance achieved by the borrower and changes in the value of collateral.

We have also adopted an automated scoring system for small-amount loans to unify credit screening standards and improve efficiency.

Internal Credit Ratings

We classify our customers into a 12-grade rating class based on quantitative appraisal of financial condition and cash flows, and qualitative appraisal. In addition to serving as the basis for asset self-assessments, ratings for customers, credit worthiness are used across the full range of credit risk management, including monitoring of credit risk exposure, setting of lending rate and allocation of lending authority.

Asset Self-Assessment

In asset self-assessments to evaluate the soundness of assets, the branch carry out a primary evaluation by making a decision on credit category based on a credit rating. Then the head office department in charge of credit screening checks these (secondary assessment), and the Corporate Audit Division audits the results of the asset self-assessment and verifies the appropriateness of procedures. Based on these results, the Bank provides appropriate reserves and writes down problem loans based on the assessments.

Internal credit ratings and categories of borrowers under asset self-assessment

	Borrower ratings	Borrower category under asset self-assessment
1	1	Normal borrowers
2	2	
3	3	
4	4	
5	5	
6	6	
7	8-1	Borrowers requiring caution (Substandard loans)
8	8-2	
9	8-3	
10	9	Potentially bankrupt
11	10-1	Substantially bankrupt
12	10-2	Legally bankrupt

Quantification of Credit Risk Management

The quantification of credit risk management refers to the statistical forecasting of future losses (amount of credit risk) that can be expected from the bankruptcy or deterioration of business at borrowers. Based on credit ratings, we calculate credit risk for each customer in view of the security and other factors.

Loan Portfolio Management

We treat loan assets in their entirety as a single portfolio and conduct credit risk management from a macro-perspective. Based on the quantification of credit risk, we carry out periodic monitoring to determine whether or not credit risk is concentrated in specific rating groups, sectors or corporate groups, and analyze and evaluate credit situations by rating, region and sector.

Market Risk Management

Market risk refers to fluctuation primarily in earnings caused by interest rate changes, foreign exchange rate fluctuations, and changes in the demand for money within the financial market. Assets like loans and securities and liabilities like deposits are constantly influenced by such changes.

We manage all assets and liabilities (deposits, loans, securities, and others) comprehensively based on ALM (asset and liability management) to manage market risks.

Market Risk Management System

The front and back office departments are separated. We have also established middle-office risk management sections to build a mutual checks and balances system.

Market Risk Control

The scale of risks involved in assets and liabilities (deposits, loans, securities) go through a broad ranging analysis — gap analysis, basis point value (BPV), simulation of interest fluctuation, and Value at Risk (VaR) — in order to clarify the state of risks and conduct asset allocation effectively and implement risk control measures.

We engage in financial derivative transactions to meet the diverse needs of our customers and hedge our own risks arising from interest fluctuations. For the risks associated with financial derivatives, in addition to conducting daily mark-to-market valuation and BPV analyses to accurately grasp the size and nature of the risk, we also manage risk appropriately by establishing limits according to objectives.

Operational Risk Management

Operational risk refers to the risk of losses arising from irregular procedures or employee conduct in banking operations, or inappropriate system operation or detrimental external events. The Bank divides such risk into five categories: administrative risk, system risk, risk to tangible assets, personnel management risk, and compliance (legal) risk.

We have also established a management office for each risk category, as well as supervision of overall operational risk measures.

Administrative Risk

Administrative risk is the risk of damages due to improper administration resulting in accidents or improprieties. We have taken steps to uphold and improve the quality of our administrative operations, to ensure that customers are not inconvenienced by inappropriate administrative management and that administrative management is as error-free and prompt as possible.

In addition to analyzing and evaluating the circumstances, causes and processes surrounding administrative mistakes, we verify the effectiveness of countermeasures after their introduction and repeat them as often as necessary to ensure that the problem is resolved. We are drawing up regulations for administrative processes, and ensuring their strict application by all staff from executives down through guidance and training. We are also verifying the effectiveness of internal audits and taking steps to preempt accidents.

System Risk

System risk is the risk of losses due to the breakdown of computer systems, erroneous computer operation, and inappropriate computer use. Measures to ensure appropriate management of such risk is based on protection of information data and ensuring stable operation of computer systems.

Tangible Assets Risk, Human Resources Risk and Compliance (Legal) Risk

Risk to tangible assets (inadequate precautions to prevent damage from earthquakes and neglect of building management), personnel management risk relating to safety and hygiene at the workplace, and compliance risk (legality of business, illegal behavior by any executives and employees) are addressed through appropriate measures after identification and evaluation using methods to gauge risk scale and features, and the effect of risk reduction measures is later assessed.

Crisis Management

We have established a set of general emergency guidelines providing specific measures for dealing with situations such as major disasters, system failures and reputational damage, and for minimizing disruption of relations with business partners. We aim to strengthen our crisis management through continuous training and upgrading of procedures.

Customer Protection

To ensure peace of mind for our customers, the Bank established the Customer Protection Management Policy, and is developing a management system that includes the establishment of a controlling division.

In line with this management approach, we have laid down the Customer Protection Management Policy and are working to ensure that all Bank employees, from executives down, are completely familiar with the policy. From the organizational standpoint, we have established the Customer Protection Group within the Corporate Risk Management Division as a central unit for the supervision of all customer management measures.

Adequate explanations of products and services

We always provide explanations of our financial products and services to ensure that customers understand the products or services adequately. Officers in charge of each particular facet of the Bank's operations instruct and teach details and methods for how to best explain these products to customers, and the Corporate Risk Management Division works to further improve the quality of these explanations.

Listening attentively to customer feedback

Management of customer queries, consultation, requests, complaints and disputes is undertaken on an integrated basis by the Customer Counseling Office in the customer services department. We have in place a system for discussing measures for improvement and for prevention of issues arising within the operational departments. We have also signed agreements with designated dispute settlement organizations and also work through external entities to reach settlements.

Ensuring strict confidentiality in the management of customer information

We ensure strict confidentiality in our management of customers' personal data. We have drawn up detailed in-house rules for the handling of customer information, practicing strict control of data access and office access as well as the encryption of confidential information. In these ways, we protect our customers from the leakage of their personal information to outside parties as a result of misconduct or human error. Providers of outsourced services are also required to conform to the Bank's strict customer information protection policy, and we closely monitor their performance in this area.

Protection of Confidential Private Information

We have drawn up and made public a privacy policy as a response to the Law Concerning the Protection of Private Information, and have put in place safeguards for the protection and appropriate handling of personal data.

Privacy Policy

We work to build on the mutual trust we have with our customers, the region, and our shareholders, stress the importance of our social responsibility, and offer high-quality financial services. For the protection of personal data, we have established the following policy based on our respect for all individuals, and will put all our efforts into the protection of private information.

Policy for Protection of Personal Confidential Information

- ***Strict compliance with laws and regulations***

  We comply with all laws, ordinances and other regulations regarding confidentiality of personal information.

- ***Appropriate access***

  We acquire personal information only by appropriate and legal methods, and only when necessary for business operations. Personal information is never gathered in an inappropriate way.

- ***Ban on unapproved use of personal information***

  We only use personal information inasmuch as it is necessary for achievement of business objectives, and do not use such information for any other purpose.

  In addition, information that is registered with credit-data organizations of which we are a member is used where appropriate for credit-related purposes.

- ***Ban on provision of personal information to third parties***

  Except when prescribed by laws and ordinances, we never provide personal information to third parties without first obtaining the affected person's agreement. In addition, when personal information is entrusted to an outside organization under an outsourcing arrangement, we require that protection of personal information be contractually assured, and carries out checks.

- ***Security management measures***

  We have in place appropriate security management mechanisms to ensure prevention of leakage, loss or destruction of personal data, and other measures.

- ***Appropriate response to complaints***

  When customers have questions or complaints regarding our protection of personal information, we investigate these questions or complaints and deal with them appropriately and promptly, within a reasonable period of time.

- ***Continuous improvement***

  The Bank has compiled regulations for ensuring strict legal compliance and protection of personal information.

  In addition to ensuring that these measures are familiar to all employees and other affected parties, the Bank continually upgrades them. Regular audits into acquisition, use and handling of personal information are part of our broad and thorough commitment to confidentiality.

Privacy Mark

Based on the "Privacy Mark" certification, administered by Japan Information Processing Development Corporation (JIPDEC), the Bank meets the "requirements for management of personal information protection" (JISQ15001) laid down by Japanese Industrial Standards Committee and now has in place mechanisms for appropriate protection of personal information. The Joyo Bank is the first regional financial institution in the North Kanto area to obtain this certification.

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Financial Crime Prevention

We are fully committed to preventing crimes involving accounts held at our banks, and to protecting the financial assets of our customers. We require identification when a new account is set up or for a large-amount transaction. In addition to working to prevent inappropriate transactions, when an account is used, we will cancel transactions when considered necessary and will work hard toward crime prevention. We also have implemented measures to prevent the crimes of use of forged ATM cards and online hacking.

Consolidated Balance Sheets

THE JOYO BANK, LTD. and Consolidated Subsidiaries

	Millions of yen		Thousands of U.S. dollars (Note 2)
March 31,	2012	2011	2012
Assets:			
Cash and due from banks (Note 26)	¥ 385,528	¥ 251,437	$ 4,690,698
Call loans and bills purchased	3,385	—	41,186
Commercial paper and other debt purchased	33,714	37,755	410,206
Trading assets (Notes 5 and 27)	3,776	7,675	45,950
Securities (Notes 6, 8, 26 and 27)	2,458,416	2,187,773	29,911,376
Loans and bills discounted (Notes 7, 9, 11 and 26)	4,952,771	4,769,896	60,260,021
Foreign exchanges	1,757	7,816	21,388
Lease receivables and lease investment assets (Notes 8 and 25)	28,494	28,520	346,686
Other assets (Note 8)	55,058	48,648	669,894
Tangible fixed assets (Note 22)	92,957	94,455	1,131,008
Intangible fixed assets	8,247	8,237	100,349
Deferred tax assets (Note 14)	13,892	25,857	169,027
Customers' liabilities for acceptances and guarantees	18,293	21,373	222,573
Reserve for possible loan losses	(50,706)	(50,838)	(616,947)
Reserve for devaluation of investment securities	(311)	(303)	(3,786)
Total assets	¥8,005,275	¥7,438,307	$97,399,634
Liabilities and net assets			
Liabilities:			
Deposits (Notes 8, 15 and 26)	¥7,277,708	¥6,816,825	$88,547,375
Call money and bills sold (Notes 8 and 19)	17,561	13,636	213,671
Payables under securities lending transactions (Note 8)	38,888	13,332	473,155
Trading liabilities (Note 16)	192	282	2,336
Borrowed money (Notes 8, 10 and 26)	99,309	53,188	1,208,285
Foreign exchanges	238	415	2,896
Bonds (Note 12)	15,000	5,000	182,503
Due to trust account	16	19	200
Other liabilities	68,211	64,035	829,918
Reserve for directors' bonuses	46	—	569
Reserve for employees' retirement benefits (Note 13)	5,224	5,165	63,568
Reserve for directors' retirement benefits	26	25	316
Reserve for reimbursement of dormant deposits	1,711	1,582	20,826
Reserve for frequent users services	137	129	1,675
Reserve for losses on interest refunded	10	9	131
Reserve for other contingent losses	1,740	1,883	21,173
Reserves under the special laws	1	1	15
Deferred tax liabilities for land revaluation (Note 14)	12,050	13,955	146,617
Negative goodwill	2,291	2,449	27,879
Acceptances and guarantees	18,293	21,373	222,573
Total liabilities	7,558,660	7,013,309	91,965,692
Net assets:			
Common stock	85,113	85,113	1,035,564
Capital surplus	58,574	58,574	712,665
Retained earnings	275,598	266,435	3,353,187
Treasury stock	(24,913)	(25,858)	(303,126)
Total shareholders' equity	394,371	384,264	4,798,291
Unrealized gains on available-for-sale securities	40,214	30,129	489,285
Deferred losses on hedging instruments, net of taxes	(2,705)	(2,304)	(32,916)
Land revaluation excess, net of taxes (Note 14)	12,452	10,978	151,507
Total accumulated other comprehensive income	49,961	38,803	607,877
Equity warrants	81	69	990
Minority interests	2,201	1,859	26,781
Total net assets	446,615	424,997	5,433,941
Total liabilities and net assets	¥8,005,275	¥7,438,307	$97,399,634

See accompanying notes to the consolidated financial statements.

Consolidated Statements of Income

THE JOYO BANK, LTD. and Consolidated Subsidiaries

	Millions of yen		Thousands of U.S. dollars (Note 2)
Years ended March 31,	2012	2011	2012
Income:			
Interest and dividend income:			
Interest on loans and discounts	¥ 76,781	¥ 82,451	$ 934,194
Interest and dividends on securities	23,927	23,294	291,121
Other interest income	1,104	931	13,435
Fees and commissions	22,175	22,274	269,804
Trading income (Note 18)	594	621	7,232
Other operating income	6,713	6,763	81,685
Other income (Note 20)	22,394	20,618	272,476
Total income	153,691	156,955	1,869,951
Expenses:			
Interest expenses:			
Interest on deposits	4,309	5,953	52,436
Interest on borrowings and rediscounts (Note 19)	487	687	5,937
Other interest expenses	1,406	1,299	17,110
Fees and commissions	7,089	6,984	86,263
Other operating expenses	1,215	1,574	14,785
General and administrative expenses	72,080	72,740	877,000
Other expenses (Note 21)	34,515	45,879	419,947
Total expenses	121,105	135,119	1,473,481
Income before income taxes and minority interests	32,585	21,835	396,469
Income taxes:			
Current	5,276	5,817	64,203
Deferred (Note 14)	8,832	1,786	107,462
Income before minority interests	18,476	14,230	224,804
Minority interests in net income of consolidated subsidiaries	341	240	4,159
Net income	¥ 18,134	¥ 13,990	$ 220,644
Net income per share (in yen and dollars)	¥ 23.65	¥ 18.14	$ 0.29

See accompanying notes to the consolidated financial statements.

Consolidated Statements of Comprehensive Income

THE JOYO BANK, LTD. and Consolidated Subsidiaries

	Millions of yen		Thousands of U.S. dollars (Note 2)
Years ended March 31,	2012	2011	2012
Income before minority interests	¥18,476	¥14,230	$224,804
Other comprehensive income (loss) (Note 23)	11,414	(9,040)	138,879
Unrealized (losses) gains on available-for-sale securities	10,084	(8,674)	122,702
Deferred losses on hedging instruments, net of taxes	(401)	(366)	(4,879)
Land revaluation excess, net of taxes	1,730	—	21,056
Comprehensive income	29,891	5,190	363,683
(Attributable to)			
Shareholders of parent	29,549	4,947	359,526
Minority interest	341	242	4,157

See accompanying notes to the consolidated financial statements.

Consolidated Statements of Changes in Net Assets

THE JOYO BANK, LTD. and Consolidated Subsidiaries

Years ended March 31,	Millions of yen 2012	Millions of yen 2011	Thousands of U.S. dollars (Note 2) 2012
Shareholders' equity			
Common stock			
Balance at end of the previous year	¥ 85,113	¥ 85,113	$1,035,564
Changes during the year	—	—	—
Total changes during the year	—	—	—
Balance at end of the current year	¥ 85,113	¥ 85,113	$1,035,564
Capital surplus			
Balance at end of the previous year	¥ 58,574	¥ 58,574	$ 712,665
Changes during the year	—	—	—
Total changes during the year	—	—	—
Balance at end of the current year	¥ 58,574	¥ 58,574	$ 712,665
Retained earnings			
Balance at end of the previous year	¥266,435	¥261,752	$3,241,700
Changes during the year			
Cash dividends	(6,134)	(6,182)	(74,642)
Net income	18,134	13,990	220,644
Disposal of treasury stock	(20)	(6)	(243)
Retirement of treasury stock	(3,073)	(3,140)	(37,395)
Transfer from land revaluation excess	256	22	3,124
Total changes during the year	9,163	4,682	111,486
Balance at end of the current year	¥275,598	¥266,435	$3,353,187
Treasury stock			
Balance at end of the previous year	¥ (25,858)	¥ (26,845)	$ (314,613)
Changes during the year			
Purchase of treasury stock	(2,191)	(2,174)	(26,661)
Disposal of treasury stock	61	21	753
Retirement of treasury stock	3,073	3,140	37,395
Total changes during the year	944	987	11,487
Balance at end of the current year	¥ (24,913)	¥ (25,858)	$ (303,126)
Total shareholders' equity			
Balance at end of the previous year	¥384,264	¥378,594	$4,675,317
Changes during the year			
Cash dividends	(6,134)	(6,182)	(74,642)
Net income	18,134	13,990	220,644
Purchase of treasury stock	(2,191)	(2,174)	(26,661)
Disposal of treasury stock	41	14	509
Retirement of treasury stock	—	—	—
Transfer from land revaluation excess	256	22	3,124
Total changes during the year	10,107	5,669	122,973
Balance at end of the current year	¥394,371	¥384,264	$4,798,291

Years ended March 31,	Millions of yen 2012	2011	Thousands of U.S. dollars (Note 2) 2012
Accumulated Other Comprehensive Income:			
Unrealized gains (losses) on available-for-sale securities			
Balance at end of the previous year	¥ 30,129	¥ 38,805	$ 366,580
Changes during the year			
Net changes in items other than shareholders' equity	10,085	(8,676)	122,705
Total changes during the year	10,085	(8,676)	122,705
Balance at end of the current year	¥ 40,214	¥ 30,129	$ 489,285
Deferred losses on hedging instruments, net of taxes			
Balance at end of the previous year	¥ (2,304)	¥ (1,938)	$ (28,036)
Changes during the year			
Net changes in items other than shareholders' equity	(401)	(366)	(4,879)
Total changes during the year	(401)	(366)	(4,879)
Balance at end of the current year	¥ (2,705)	¥ (2,304)	$ (32,916)
Land revaluation excess, net of taxes			
Balance at end of the previous year	¥ 10,978	¥ 11,000	$ 133,575
Changes during the year			
Net changes in items other than shareholders' equity	1,473	(22)	17,932
Total changes during the year	1,473	(22)	17,932
Balance at end of the current year	¥ 12,452	¥ 10,978	$ 151,507
Total accumulated other comprehensive income			
Balance at end of the previous year	¥ 38,803	¥ 47,868	$ 472,119
Changes during the year			
Net changes in items other than shareholders' equity	11,157	(9,064)	135,758
Total changes during the year	11,157	(9,064)	135,758
Balance at end of the current year	¥ 49,961	¥ 38,803	$ 607,877
Equity warrants			
Balance at end of the previous year	¥ 69	¥ 21	$ 849
Changes during the year			
Net changes in items other than shareholders' equity	11	48	141
Total changes during the year	11	48	141
Balance at end of the current year	¥ 81	¥ 69	$ 990
Minority interests			
Balance at end of the previous year	¥ 1,859	¥ 1,617	$ 22,627
Changes during the year			
Net changes in items other than shareholders' equity	341	242	4,154
Total changes during the year	341	242	4,154
Balance at end of the current year	¥ 2,201	¥ 1,859	$ 26,781
Total net assets			
Balance at end of the previous year	¥424,997	¥428,101	$5,170,914
Changes during the year			
Cash dividends	(6,134)	(6,182)	(74,642)
Net income	18,134	13,990	220,644
Purchase of treasury stock	(2,191)	(2,174)	(26,661)
Disposal of treasury stock	41	14	509
Transfer from land revaluation excess	256	22	3,124
Net changes in items other than shareholders' equity	11,510	(8,773)	140,053
Total changes during the year	21,618	(3,104)	263,027
Balance at end of the current year	¥446,615	¥424,997	$5,433,941

See accompanying notes to the consolidated financial statements.

Consolidated Statements of Cash Flows

THE JOYO BANK, LTD. and Consolidated Subsidiaries

Years ended March 31,	Millions of yen 2012	Millions of yen 2011	Thousands of U.S. dollars (Note 2) 2012
Cash flows from operating activities:			
Income before income taxes and minority interests	¥ 32,585	¥ 21,835	$ 396,469
Depreciation	6,290	6,566	76,536
Impairment losses	860	68	10,465
Amortization of negative goodwill	(158)	(158)	(1,922)
Net increase (decrease) in reserve for possible loan losses	(131)	11,636	(1,595)
Net increase in reserve for devaluation of investment securities	8	267	98
Net increase in reserve for directors' retirement benefits	0	2	8
Net increase in reserve for reimbursement of dormant deposits	129	123	1,571
Net increase in reserve for frequent users services	8	26	105
Net decrease in reserve for other contingent losses	(143)	(107)	(1,748)
Net increase in reserve for losses on interest refunded	1	2	13
Net increase (decrease) in reserve for bonuses to directors and corporate auditors	46	(37)	569
Net increase in reserve for employees' retirement benefits	59	324	724
Interest and dividend income	(107,432)	(111,396)	(1,307,129)
Interest expenses	6,204	7,940	75,484
Net losses related to securities transactions	4,915	3,791	59,806
Foreign exchange losses, net	2,135	8,003	25,983
Losses on disposal of tangible fixed assets	391	257	4,762
Net decrease (increase) in trading assets	3,898	(3,909)	47,434
Net (decrease) in trading liabilities	(90)	(89)	(1,096)
Net decrease in lease investment assets	26	485	318
Net decrease (increase) in loans and bills discounted	(182,874)	38,237	(2,225,018)
Net increase in deposits	452,900	140,249	5,510,411
Net increase (decrease) in negotiable certificates of deposit	7,982	(9,030)	97,117
Net increase (decrease) in borrowed money excluding subordinated borrowings	60,721	(56,302)	738,788
Net decrease in bonds	—	(10,000)	—
Net decrease (increase) in due from banks excluding cash equivalents	(679)	31,689	(8,266)
Net decrease in call loans and others	655	31,169	7,971
Net increase in call money and bills sold	3,925	13,636	47,760
Net decrease (increase) in payables under securities lending transactions	25,556	(12,701)	310,942
Net decrease (increase) in foreign exchange (assets)	6,058	(5,108)	73,717
Net decrease in foreign exchange (liabilities)	(177)	(209)	(2,158)
Net decrease (increase) in due to trust account	(2)	0	(32)
Interest and dividends received	107,002	111,709	1,301,890
Interest paid	(8,040)	(9,190)	(97,826)
Others, net	155	13,500	1,886
Subtotal	422,788	223,283	5,144,043
Income taxes paid	(7,369)	(1,574)	(89,666)
Net cash provided by operating activities	415,419	221,708	5,054,377
Cash flows from investing activities:			
Purchases of securities	(878,412)	(614,718)	(10,687,585)
Proceeds from sale of securities	334,599	314,379	4,071,050
Proceeds from redemption of securities	280,759	213,661	3,415,978
Purchases of tangible fixed assets	(3,814)	(3,687)	(46,414)
Proceeds from sales of tangible fixed assets	81	97	986
Purchases of intangible fixed assets	(2,330)	(3,191)	(28,358)
Net cash used in provided by investing activities	(269,118)	(93,459)	(3,274,342)
Cash flows from financing activities:			
Proceeds from issuance of subordinated bonds	10,000	—	121,669
Proceeds from issuance of subordinated borrowings	5,400	5,000	65,701
Repayments of subordinated borrowings	(20,000)	(15,000)	(243,338)
Cash dividends paid	(6,134)	(6,182)	(74,642)
Cash dividends paid to minority interests	(0)	(0)	(2)
Purchases of treasury stock	(2,191)	(2,174)	(26,661)
Proceeds from sales of treasury stock	41	14	509
Net cash used in financing activities	(12,884)	(18,342)	(156,765)
Translation adjustment for cash and cash equivalents	(4)	(20)	(56)
Net increase in cash and cash equivalents	133,411	109,885	1,623,212
Cash and cash equivalents at beginning of year	239,686	129,800	2,916,247
Cash and cash equivalents at end of year (Note 3)	¥373,098	¥239,686	$4,539,459

See accompanying notes to the consolidated financial statements.

Notes to the Consolidated Financial Statements

THE JOYO BANK, LTD. and Consolidated Subsidiaries

1. Basis of Preparation

The accompanying consolidated financial statements of The Joyo Bank, Ltd. (the "Bank") and consolidated subsidiaries are prepared on the basis of accounting principles generally accepted in Japan, which are different in certain respects as to the application and disclosure requirements of International Financial Reporting Standards, and are compiled from the consolidated financial statements prepared by the Bank as required by the Financial Instruments and Exchange Act of Japan.

For the convenience of readers outside Japan, certain items presented in the original consolidated financial statements have been reclassified and rearranged.

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

2. Japanese Yen and U.S. Dollar Amounts

As permitted by the Financial Instruments and Exchange Act of Japan, amounts of less than one million yen have been rounded off. 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. Solely for the convenience of the reader, the U.S. dollar amounts represent a translation of the Japanese yen amounts at ¥82.19 = US$1.00, the exchange rate prevailing on March 31, 2012.

3. Significant Accounting Policies

(a) Consolidation

The accompanying consolidated financial statements include the accounts of the Bank and nine major subsidiaries.

All significant intercompany transactions have been eliminated in consolidation. Assets and liabilities held by consolidated subsidiaries are stated at fair value at a time of acquisition.

(b) Transactions for trading purposes

Transactions for "trading purposes" (seeking to capture gains arising from short-term changes in interest rates, currency exchange rates or market prices of securities and other market-related indices or from arbitrage between markets) are valued at market or fair value, and have been included in trading assets and trading liabilities on a trade date basis. Gain or loss on such trading transactions are reflected as trading income or trading expenses in the consolidated statements of income.

Among the trading assets and liabilities, securities and monetary claims are carried at market value as of the balance sheet date. Derivatives including swaps, futures, and options are valued assuming settlement on the balance sheet date.

Trading income or trading expenses include interest received or paid during the fiscal year. The year-on-year valuation differences of securities and monetary claims are also recorded in the above-mentioned accounts. As for the derivatives, assuming that the settlement will be made in cash, the year-on-year valuation differences are also recorded in the above-mentioned accounts.

(c) Securities

Securities other than trading securities have been accounted for by the following methods:

Marketable debt securities held to maturity are stated at amortized cost by the moving-average cost method. Equity shares and investment trusts listed on Japanese markets are stated at fair value based on their average market prices over the month prior to the balance sheet date. (Acquisition cost is basically calculated by the moving-average cost method.) Other listed securities are stated at fair value based on the market prices prevailing on the balance sheet date. (Acquisition cost is basically calculated by the moving-average cost method.) Other available-for-sale securities which are extremely difficult to determine the fair value are stated at cost or amortized cost by the moving-average cost method.

Unrealized gain or loss on available-for-sale securities (net of the related tax effect) has been reported as a component of net assets.

(d) Derivatives

Derivatives positions held by the Bank (not including transactions for trading purposes) are stated at fair value.

(e) Depreciation of tangible fixed assets

Depreciation of tangible fixed assets held by the Bank is calculated by the declining-balance method, except for buildings acquired on or after April 1, 1998 of which depreciation is calculated by the straight-line method. The estimated useful lives are as follows:

Buildings: 6~50 years

Other: 3~20 years

Depreciation of tangible fixed assets held by the consolidated subsidiaries is calculated principally by the declining-balance method, based on the respective estimated useful lives of the assets.

Depreciation of intangible fixed assets is calculated using the straight-line method. Software for internal use is depreciated using the straight-line method over its estimated useful life (mainly 5 years).

(f) Reserve for possible loan losses

The reserve for possible loan losses of the Bank is provided as detailed below, in accordance with the internal rules for providing reserves for possible loan losses:

For claims to debtors who are legally bankrupt (as a result of bankruptcy, special liquidation, etc.) or who are substantially bankrupt, a reserve is provided based on the amount of the claims, net of the amounts expected to be collected by the disposal of collateral or as a result of the execution of guarantees.

For claims to debtors who are not currently bankrupt, but are likely to become bankrupt, a reserve is provided based on the amount considered necessary based on an overall solvency assessment of the amount of claims net of the amounts expected to be collected by the disposal of collateral or as a result of the execution of guarantees.

For other claims, a reserve is provided based on the Bank's historical loan-loss experience.

All claims are assessed by the Business Section (at the branches and the related head office divisions) based on the Bank's internal rules for the self-assessment of asset quality.

The Corporate Audit Department, which is independent of the Business Section, subsequently conducts audits of such assessments, and a reserve is provided based on the audit results.

The reserves of the consolidated subsidiaries are provided for general claims at an amount based on the actual historical rate of loan losses and for specific claims (from potentially bankrupt customers, etc.) at an estimate of the amounts deemed uncollectible based on the respective assessments.

For collateralized or guaranteed claims from debtors who are legally or substantially bankrupt, the amounts of the claims deemed uncollectible in excess of the estimated value of the collateral or guarantees have been written off in aggregate amounts of ¥28,660 million and ¥42,933 million as of March 31, 2012 and 2011, respectively.

(g) Reserve for devaluation of investment securities

A reserve for the devaluation of investment securities is provided at the amount deemed necessary to cover estimated possible losses on investments which the Bank and its consolidated subsidiaries may incur in the future.

(h) Reserve for employees' retirement benefits

Reserve for retirement benefits of the Bank and its subsidiaries is provided for the amount deemed necessary, based on estimated pension benefits obligations and pension plan assets at the fiscal year end, to cover required retirement benefits for eligible employees.

Prior service cost is deferred and amortized using the straight-line method over certain years (10 years) within the average remaining service period of the eligible employees.

Unrealized actuarial losses are deferred and amortized using the straight-line method over a ten-year period commencing with the following year, which is shorter than the average remaining service period of the eligible employees.

(i) Reserve for directors' retirement benefits

Reserve is made for the payments of retirement allowances to directors and corporate auditors of the consolidated subsidiaries based on an estimate of the amount attributable to the fiscal year.

(j) Reserve for reimbursement of dormant deposits

Reserve for reimbursement of dormant deposits which were derecognized as liabilities under certain conditions is provided for possible losses on the future claims.

(k) Reserve for frequent users services

Reserve for frequent users services, which is provided to meet future use of credits granted to credit card customers, is recorded in the amount deemed necessary based on the estimated future use of unused credits. This program applies to cards issued by the Bank and one of its subsidiaries.

(l) Reserve for losses on interest refunded

One consolidated subsidiary provides a provision for losses on interest refunded in an amount deemed necessary based on estimated amounts to be refunded, taking into account historical records of interest refunded on the portion of loans whose interest rates exceeded the maximum interest rate stipulated by the Interest Limitation Law.

(m) Reserve for contingent losses

The Bank makes reserve for possible losses on loans guaranteed by the credit guarantee corporations in an amount deemed necessary based on estimated losses in the future, calculated using historical default rates after exclusion of contingent losses covered by other reserves.

(n) Reserves under special laws

The reserve under the special laws is a reserve for contingent liabilities and provided for compensation for losses from securities-related transactions or derivative transactions, pursuant to Article 46-5-1 of the Financial Instruments and Exchange Act and Article 175 of the related cabinet order.

(o) Negative goodwill

Negative goodwill is amortized using the straight-line method over 20 years.

(p) Translation of foreign currencies

Foreign currency-denominated assets and liabilities of the Bank are translated into Japanese yen at the rates prevailing at the balance sheet date. Foreign currency-denominated assets and liabilities held by consolidated subsidiaries are translated into Japanese yen principally at the rates prevailing at the respective balance sheet dates.

All consolidated subsidiaries have a fiscal year end of March 31.

(q) Leases

As for finance lease transactions that do not transfer ownership of the leased property and which commenced prior to April 1, 2008, their treatment was as follows.

As lessee

Using the same method applied to operating lease transactions.

As lessor

In line with the stipulations of Article 81 of the Guidance on Accounting Standard for Lease Transactions (ASBJ Guidance No. 16, issued on March 30, 2007), book value (after deduction of accumulated depreciation) of lease assets included in tangible fixed assets and intangible assets as of the previous balance sheet date (March 31, 2008) was recorded as the initial balance of “Lease receivables and lease investment assets.” Income before income taxes and minority interests would have increased by ¥280 million for the fiscal year ended March 31, 2012 and would have increased by ¥283 million for the fiscal year ended March 31, 2011, upon application of Article 80 of the Guidance.

(r) Hedging

Hedging against interest rate changes

The deferred method of hedge accounting is applied to transactions to hedge against the interest rate risks associated with monetary claims and debt in accordance with the regulations set out in the “Accounting and Auditing Treatment of Accounting Standards for Financial Instruments in the Banking Industry” (JICPA Industry Audit Committee Report No. 24).

The Bank assesses the effectiveness of such hedges in offsetting movement of the fair value with the changes in interest rates, by classifying the hedged items (deposits or loans) and the hedging instruments (interest swaps) by their maturity. As to cash flow hedges, the Bank assesses the effectiveness of such hedges in fixing cash flows by verifying the correlation between the hedged items and the hedging instruments.

Hedging against foreign exchange fluctuation risk

The deferred method of hedge accounting is applied to transactions to hedge against the foreign exchange fluctuation risks associated with monetary assets and liabilities denominated in foreign currencies, in accordance with the regulations set out in the “Accounting and Auditing Treatment of Accounting Standards for Foreign Currency Transactions in the Banking Industry” (JICPA Industry Audit Committee Report No. 25).

To minimize foreign exchange fluctuation risk on monetary assets and liabilities, the Bank engages in currency swaps, foreign exchange swaps, and similar transactions. The effectiveness of these transactions in the hedging of the foreign exchange risks of monetary assets and liabilities denominated in foreign currencies is assessed through comparison of the foreign currency position of the hedged monetary assets and liabilities, with that of the hedging instruments.

When certain criteria are met, exceptional accrual method for interest rate swap is applied to some assets and liabilities held by the Bank and its consolidated subsidiaries.

(s) Consumption tax

Consumption tax is excluded from transactions reported by the Bank and its consolidated subsidiaries. However, non-deductible consumption tax on tangible fixed assets is charged to income as incurred.

(t) Land revaluation excess

In accordance with the Law concerning the Revaluation of Land, the Bank revalued the land held for its operations on March 31, 1998. The net unrealized gain is presented in net assets net of the applicable income taxes as land revaluation excess, net of taxes.

The difference between the carrying amount and the fair value of premises revalued pursuant to Article 10 of the Law was ¥28,436 million and ¥27,878 million as of March 31, 2012 and 2011, respectively.

(u) Earnings per share

The computation of earnings per share of common stock is based on the weighted average number of shares outstanding during each year.

(v) Statements of cash flows

Cash and cash equivalents in the statements of cash flows represent cash and due from banks in the consolidated balance sheets, excluding deposits with banks other than the Bank of Japan as well as the time deposits of certain consolidated subsidiaries.

	Millions of yen	
March 31,	**2012**	**2011**
Cash and due from banks	**¥385,528**	¥251,437
Deposits with banks other than the Bank of Japan	**(12,430)**	(11,750)
Cash and cash equivalents	**¥373,098**	¥239,686

4. Application of New Accounting Standards

Accounting Standard for Earnings per Share

The Bank adopted the "Accounting Standard for Earnings per Share" (Accounting Standards Board of Japan (ASBJ) Statement No. 2 issued on June 30, 2010) and "Guidance on Accounting Standard for Earnings per Share" ("ASBJ" Guidance No. 4 issued on June 30, 2010) at the end of the fiscal year ended March 31, 2012.

The Bank also changed the method by which it calculates diluted earnings per share with respect to stock options. Under the new method, the Bank now includes the portion of stock options’ fair value attributable to future service when calculating the amount of payment assumed to be receivable upon exercise of the stock options.

In the event the aforementioned Accounting Standard is not applied, there is no impact on diluted earnings per share for the previous fiscal year.

Application of the Accounting Standard for Accounting Change and Error Corrections

Effective April 1, 2011, the Bank adopted the "Accounting Standard for Accounting Changes and Error Corrections" (ASBJ Statement No. 24 issued on December 4, 2009) and "Guidance on Accounting Standard for Accounting Changes and Error Corrections" (ASBJ Guidance No. 24, issued on December 4, 2009) for changes in accounting policies and corrections of figures.

In the fiscal year ended March 31, 2012, based on Practical Guidelines for Accounting for Financial Instruments (JICPA Accounting Committee Report No. 14), “Gains on collection of loan assets” was recorded in “Other ordinary income,” but in previous consolidated fiscal years it was not treated retroactively.

5. Trading Assets

	Millions of yen	
March 31,	**2012**	2011
Trading securities	**¥3,361**	¥2,173
Trading securities-related financial derivatives	**0**	—
Trading-related financial derivatives	**413**	502
Other trading assets	—	4,999
Total	**¥3,776**	¥7,675

6. Securities

March 31,	Millions of yen 2012	2011
Japanese government bonds	**¥1,400,947**	¥1,113,612
Japanese local government bonds	**298,469**	335,015
Corporate bonds	**387,344**	382,499
Corporate stocks	**166,353**	169,569
Other securities	**205,300**	187,076
Total	**¥2,458,416**	¥2,187,773

Notes: 1. Corporate bonds include ¥14,636 million and ¥15,590 million of guarantee obligations for privately placed bonds (under Article 2-3 of the Financial Instruments and Exchange Act) as of March 31, 2012 and 2011, respectively.

7. Bills Discounted

Bills discounted are accounted for as financial transactions in accordance with JICPA Industry Audit Committee Report No. 24. The Bank has the rights to sell or pledge bank acceptances bought, commercial bills discounted, documentary bills and foreign exchanges bought without restrictions. The face value at March 31, 2012 and 2011 totaled ¥27,085 million and ¥25,407 million, respectively.

8. Pledged Assets

Assets pledged as collateral at March 31, 2012 and 2011 were as follows:

March 31,	Millions of yen 2012	2011
Pledged assets:		
Securities	**¥232,879**	¥359,872
Liabilities covered by pledged assets:		
Deposits	**23,308**	23,185
Payables under securities lending transactions	**38,888**	13,332
Borrowed money	**76,610**	14,880

In addition to the above, securities amounting to ¥99,072 million and ¥97,559 million at book value were pledged as collateral in connection with bank transfer settlements and futures transactions as of March 31, 2012 and 2011, respectively.

One consolidated subsidiary had pledged its lease receivables amounting to ¥1,323 million and ¥2,385 million as of March 31, 2012 and 2011, respectively.

“Other assets” included lease deposits of ¥1,410 million and ¥1,390 million, at March 31, 2012 and 2011, respectively. “Other assets” also included Initial margins on futures transactions of ¥160 million at both March 31, 2012 and 2011.

9. Commitments and Contingent Liabilities

Overdraft facilities and line-of-credit contracts are agreements under which, subject to compliance with the contractual conditions, the Bank or consolidated subsidiaries pledge to provide clients with funds up to a fixed limit upon submission of a loan application to the Bank. The unused amount related to such facilities/contracts stood at ¥1,509,314 million and ¥1,451,218 million at March 31, 2012 and 2011, respectively. Of this amount, facilities/contracts which expire within one year or which are unconditionally cancelable at any time, totaled ¥929,457 and ¥906,626 million at March 31, 2012 and 2011, respectively.

Most of these agreements will expire without the clients' having utilized the financial resources available to them, and the amount of the non-executed financing will not necessarily impact on the Bank or its consolidated subsidiaries' future cash flows. Most of these facilities/contracts contain a clause which allows the Bank or its consolidated subsidiaries to reject a loan application or to reduce the upper limit requested in view of changing financial conditions, credit maintenance and other reasonable concerns.

When necessary, the Bank will demand collateral such as real estate or marketable securities at the date on which an agreement is entered into. In addition, after facilities/contracts are set forth the Bank will regularly assess the business status of the clients, based on predetermined internal procedures and, when prudent, will revise the agreements or reformulate their policies to maintain creditworthiness.

10. Borrowed Money

Borrowed money included subordinated debt of ¥10,400 and ¥25,000 million, at March 31, 2012 and 2011. Borrowed money at March 31, 2012 and 2011 consisted of the following:

Description	Millions of yen		%	Due
	2012	2011	Average interest rate	
Bills rediscounted	**¥ —**	¥ —	—	—
Other borrowings	**99,309**	53,188	0.39	April 2012 - September 2019

Notes: 1. Average interest rate represents the weight average interest rate based on the balances and rates at respective fiscal year-end.

2. The repayment schedule within five years on borrowed money at March 31, 2012 was as follows:

	Millions of yen
Within 1 year	¥79,534
After 1 year through 2 years	5,255
After 2 years through 3 years	5,430
After 3 years through 4 years	5,030
After 4 years through 5 years	2,030

11. Non-Performing Loans

In accordance with the disclosure requirements under the Rules for Bank Accounting in Japan, the balance of loans and bills discounted at March 31, 2012 and 2011 included the following non-performing loans:

	Millions of yen	
March 31,	**2012**	2011
Loans in bankruptcy and dishonored bills	**¥2,079**	¥4,680
Delinquent loans	**111,103**	114,303
Loans past due with respect to interest payments for more than 3 months	**789**	1,572
Restructured loans	**45,938**	31,551
Total	**¥159,910**	¥152,107

Notes: 1. Loans in bankruptcy and dishonored bills refers to loans (excluding charged-off amounts) stipulated in Article 96, Paragraph 1, Item 3 (a) to (e) or Item 4 of the Enforcement Regulation to Corporation Tax Act (1965 Enforcement Regulation No. 97) to which accrued interest receivables are not recognized as accruals for accounting purposes since no repayment of principal or payment of interest has been made for a considerable period. Delinquent loans refers to loans with respect to which accrued interest receivables are not recognized as accruals for accounting purposes, excluding loans falling into the category of restructured loans. Loans past due with respect to interest payments for more than 3 months refers to loans with respect to which repayment of principal or payment of interest are past due three months or more, excluding loans falling into the categories of loans in bankruptcy and dishonored bills or delinquent loans. Restructured loans refers to loans to borrowers to whom financial support is given in the form of reduction in interest, waiver of repayment of the principal or payment of interest, or debt forgiveness with the aim of corporate rehabilitation, excluding loans falling into loan categories mentioned above.

2. The above amounts are stated before the deduction of the reserve for possible loan losses.

12. Bonds

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

Issuer	Description	Date of issue	Millions of yen 2012	Millions of yen 2011	% Interest rate	Collateral	Due
The Joyo Bank, Ltd.	2nd Unsecured Straight Bonds	May 24, 2000	**5,000**	5,000	2.64	—	May 22, 2020
The Joyo Bank, Ltd.	1st Unsecured Subordinated Bonds with early redemption clause	January 31, 2012	**10,000**	—	1.22	—	January 31, 2022
Total			**¥15,000**	¥5,000			

Note: After the consolidated closing date, the Company had no amortization schedule for a period of five years or less.

13. Employees' Retirement Benefits

(a) Outline of current retirement benefit system

The Bank and its consolidated subsidiaries have adopted defined employees' retirement benefit plans, i.e., the employees' welfare pension fund supplemented by the employees' public pension system and lump-sum retirement benefits. In addition, extra benefits may be paid on a case-by-case basis. The Bank has established an employees' retirement benefit trust. As of the end of March 31, 2012, the Bank and nine consolidated subsidiaries have lump-sum retirement benefits for employees. The Bank and its consolidated subsidiaries have jointly established a fund under a defined benefit pension plan.

(b) The following table sets forth the changes in the retirement benefit obligation, the plan assets and the funded status of the Bank and its consolidated subsidiaries at March 31, 2012 and 2011:

March 31,	Millions of yen 2012	Millions of yen 2011
Retirement benefit obligation	**¥(63,279)**	¥(63,011)
Fair value of plan assets	**51,203**	48,027
Funded status	**(12,076)**	(14,983)
Unrecognized actuarial loss	**11,112**	14,308
Unrecognized prior service cost	**270**	368
Net retirement benefit obligation	**(693)**	(306)
Prepaid pension cost	**4,531**	4,859
Reserve for employees' retirement benefits	**¥(5,224)**	¥(5,165)

Notes: 1. The above amounts do not include any extra benefits.

2. The consolidated subsidiaries have adopted a simplified method for the calculation of their retirement benefit obligation.

(c) Cost for retirement benefits of the Bank and its consolidated subsidiaries included the following components for the fiscal years ended March 31, 2012 and 2011:

	Millions of yen	
Years ended March 31,	**2012**	2011
Service cost	**¥1,815**	¥1,827
Interest cost	**1,099**	1,076
Expected return on plan assets	**(718)**	(710)
Amortization:		
Amortization of prior service cost	**98**	98
Amortization of unrecognized actuarial loss	**2,124**	2,168
Total retirement benefit cost	**¥4,419**	¥4,459

Note: Retirement benefit cost of consolidated subsidiaries which is calculated by a simplified method has been included in "service cost" referred to above.

(d) The assumptions used in accounting for the defined benefit plans for the fiscal years ended March 31, 2012 and 2011 were as follows:

Years ended March 31,	**2012**	2011
Discount rate	**2.0%**	2.0%
Expected rate of return on plan assets	**3.0%**	3.0%
Periodic allocation of estimated retirement benefits	**Straight-line method**	Straight-line method
Amortization period of prior service cost	**10 years**	10 years
Amortization period of actuarial gain/loss	**10 years**	10 years

14. Deferred Tax Assets

March 31,	Millions of yen 2012	2011
Deferred tax assets:		
Reserve for possible loan losses	**¥23,082**	¥28,111
Reserve for retirement benefits	**8,776**	9,545
Depreciation	**2,290**	3,301
Devaluation of securities	**2,389**	3,014
Reserve for employee bonuses	**957**	1,008
Reserve for reimbursement of dormant deposits	**603**	638
Others	**8,555**	14,098
Valuation allowance	**(5,235)**	(6,719)
Total	**¥41,421**	¥52,997
Deferred tax liabilities:		
Unrealized gain on available-for-sale securities	**¥(20,606)**	¥(17,743)
Retirement benefit trust	**(5,186)**	(8,922)
Reversal of reserve for possible loan losses after elimination of intercompany balances	**(20)**	(30)
Others	**(1,715)**	(443)
Total	**(27,529)**	(27,139)
Net deferred tax assets	**¥13,892**	¥25,857

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

	2012	2011
Statutory tax rate	**40.32%**	40.32%
Effect of changes in statutory tax rate	**7.89%**	—
Valuation allowance	**(4.55)%**	(2.97)%
Permanent differences including dividends received deduction	**(2.38)%**	(3.06)%
Permanent differences including entertainment expenses	**0.30%**	—
Other	**1.71%**	0.54%
Effective tax rate	**43.29%**	34.83%

"Act on Partial Amendment to the Income Tax Act, etc. in order to Create a Tax System Responding to Structural Changes of Economy and Society" (Act No. 114, 2011) and "Act on Special Measures Concerning Securing Financial Resources Necessary for the Implementation of Measures to recover from the Great East Japan

Earthquake" (Act No. 117, 2011) were promulgated on December 2, 2011, and accordingly, the corporate income tax rate has been lowered and the special corporation tax for restoration has been imposed from the fiscal year beginning on or after April 1, 2012.

Due to these changes, the effective statutory tax rate used by the Group for the calculation of deferred tax assets and deferred tax liabilities has been revised from the previous rate of 40.32%. The rate of 37.66% has been applied to the temporary differences, expected to be either deductible, taxable or expired from the fiscal year beginning on April 1, 2012 through the fiscal year beginning on April 1, 2014, while the rate of 35.28% has been applied to the temporary differences, expected to be either deductible, taxable or expired on or after the fiscal year beginning April 1, 2015.

The effect of the changes in statutory tax rate increased deferred tax assets by ¥163 million, unrealized gains on available-for-sale securities by ¥2,946 million, deferred income taxes by ¥2,572 million and land revaluation excess, net of taxes by ¥1,730 million and decreased deferred losses on hedging instruments, net of taxes by ¥210 million and deferred tax liabilities for land revaluation by ¥1,730 million.

15. Deposits

	Millions of yen	
March 31,	**2012**	2011
Current deposits	**¥4,317,343**	¥3,888,148
Time deposits	**2,828,842**	2,799,648
Negotiable certificates of deposit	**19,852**	11,870
Others	**111,669**	117,159
Total	**¥7,277,708**	¥6,816,825

16. Trading Liabilities

	Millions of yen	
March 31,	**2012**	2011
Trading-related financial derivatives	**¥192**	¥282
Total	**¥192**	¥282

17. Shareholders' Equity

In accordance with the Banking Act of Japan, the Bank has provided a legal reserve by appropriation of retained earnings, which is included in retained earnings. The Banking Act of Japan provides that an amount equivalent to at least 20% of the amount to be disbursed as distributions of earnings be appropriated to the legal reserve until the total of such reserve and the capital surplus equals 100% of the common stock.

The Companies Act of Japan (the “Act”), provides that an amount equal to 10% of the amount to be disbursed as distributions of capital surplus (other than the capital reserve) and retained earnings (other than the legal reserve) be transferred to the capital reserve and the legal reserve, respectively, until the sum of the capital reserve and the legal reserve equals 25% of the capital stock account. Such distributions can be made at any time by resolution of the shareholders or by the Board of Directors if certain conditions are met.

Under the Act, upon the issuance and sale of new shares of common stock, the entire amount of the proceeds is required to be accounted for as common stock, although a company may, by resolution of the Board of Directors, account for an amount not exceeding one-half of the proceeds as capital surplus.

18. Trading Income

	Millions of yen	
Years ended March 31,	**2012**	2011
Revenue from trading securities	**¥475**	¥521
Revenue from trading-related financial derivatives	**117**	98
Other trading revenue	**1**	0
Total	**¥594**	¥621

19. Interest on Borrowings and Rediscounts

	Millions of yen	
Years ended March 31,	**2012**	2011
Call money and bills sold	**¥35**	¥91
Securities lending transactions	**51**	13
Borrowings	**400**	581
Total	**¥487**	¥687

20. Other Income

	Millions of yen	
Years ended March 31,	**2012**	2011
Other ordinary income	**¥22,377**	¥18,065
Gain on disposal of tangible fixed assets	—	50
Gains on collection of loan assets	—	2,502
Others	**17**	—
Total	**¥22,394**	¥20,618

21. Other Expenses

	Millions of yen	
Years ended March 31,	**2012**	2011
Losses on disposal of tangible fixed assets	**¥391**	¥307
Losses on impairment	**860**	68
Write-offs of claims	**5,582**	6,442
Write down of equity shares	**1,622**	1,734
Losses on sale of claims	**347**	313
Losses from the disaster	—	978
Others	**25,713**	36,037
Total	**¥34,515**	¥45,879

Impairment losses were recorded in an aggregate amount deemed irrecoverable on idle assets, primarily located in Ibaraki Prefecture.

Impairment losses recognized on a consolidated basis for the fiscal years ended March 31, 2012 and 2011 can be broken down into the two categories of losses on land holdings in the amount of ¥858 million and ¥68 million, respectively, and losses on buildings in the amount of ¥2 million and nill, respectively.
The recoverable amounts used for the measurement of such impairment losses are net sales prices, which are calculated on the basis of appraisal values after deduction of the estimated cost of disposal.

22. Accumulated Depreciation of Tangible Fixed Assets

Accumulated depreciation on tangible fixed assets amounted to ¥95,814 million and ¥98,940 million, as of March 31, 2012 and 2011, respectively.

23. Supplementary Information to Consolidated Statements of Comprehensive Income

	Millions of yen
Years ended March 31,	**2012**
Unrealized gains on available-for-sale securities:	
The amount arising during the period	**¥15,797**
Reclassification adjustments	**(2,835)**
Before adjustments of tax effect	**12,962**
Tax effect	**(2,877)**
Unrealized gains on available-for-sale securities	**10,084**
Deferred losses on hedging instruments, net of taxes:	
The amount arising during the period	**859**
Reclassification adjustments	**(1,179)**
Before adjustments of tax effect	**(319)**
Tax effect	**(81)**
Deferred losses on hedging instruments, net of taxes	**(401)**
Land revaluation excess, net of taxes:	
The amount arising during the period	—
Reclassification adjustments	—
Before adjustments of tax effect	—
Tax effect	**1,730**
Land revaluation excess, net of taxes	**1,730**
Total	**¥11,414**

24. Segment Information

a. Outline of the reportable segments

The reportable segments of the Company are those units for which discrete financial information can be obtained and which are regularly examined by the management meeting, which is the highest decision-making body for decisions on the allocation of management resources and for assessing business performance.

Comprised of the Bank and its nine subsidiaries, the Group's main business is banking. Other operations include leasing, credit guarantee services, banking administrative agency services, securities trading and other financial business. "Banking" and "leasing" are its reportable segments, while credit guarantee services are included in "Other."

b. Calculation method of the amount of ordinary income, segment profit, assets and other items by the reportable segment

Accounting method of the reportable segment is as described in “Significant Accounting Policies.” Ordinary income is regarded as the segment profit. Ordinary income from internal transactions is calculated based on actual market price.

In addition, ordinary profit is operating income plus non-operating revenue (including interest income, dividend income and gain/loss on sale of securities), after deduction of non-operating expenses (including interest expenses, gain/loss on sale of securities, and securities valuation gains/losses).

c. Information related to ordinary income, segment profit, assets and other items by the reportable segment

	Millions of yen						
	The reportable segment						
Year ended March 31, 2012	Banking operations	Leasing	Total	Other	Total	Adjustments	Consolidated
Ordinary income:							
From external customers	**¥133,669**	**¥15,270**	**¥148,940**	**¥4,733**	**¥153,673**	**¥ —**	**¥153,673**
From internal transactions	**1,269**	**1,035**	**2,304**	**4,755**	**7,059**	**(7,059)**	**—**
Total	**134,938**	**16,305**	**151,244**	**9,489**	**160,733**	**(7,059)*1**	**153,673**
Segment profit	**29,979**	**1,870**	**31,849**	**1,928**	**33,778**	**44**	**33,822**
Assets	**7,984,854**	**41,612**	**8,026,467**	**37,782**	**8,064,249**	**(58,973)**	**8,005,275**
Liabilities	**7,545,571**	**35,132**	**7,580,703**	**25,439**	**7,606,142**	**(47,482)**	**7,558,660**
Depreciation	**5,939**	**55**	**5,995**	**263**	**6,259**	**31**	**6,290**
Interest income	**101,940**	**57**	**101,998**	**227**	**102,225**	**(412)**	**101,813**
Interest expenses	**6,146**	**297**	**6,443**	**173**	**6,617**	**(413)**	**6,204**
Other extraordinary gain	—	**—**	—	**17**	**17**	**—**	**17**
Losses on disposal of tangible fixed assets	**345**	**—**	**345**	**45**	**391**	**—**	**391**
Losses on impairment	**389**	**—**	**389**	**732**	**1,122**	**(262)**	**860**
Provision for reserves under special law	**—**	**—**	**—**	**0**	**0**	**—**	**0**
Other extraordinary loss*	—	**—**	—	**2**	**2**	**—**	**2**
Tax expenses	**12,448**	**761**	**13,210**	**908**	**14,119**	**(10)**	**14,109**
Increase in tangible and intangible fixed assets	**5,694**	**0**	**5,694**	**451**	**6,145**	**—**	**6,145**

* Other extraordinary loss refers to loss on disposal of noncurrent assets and impairment loss.

Notes: 1. Ordinary income is presented as the counterpart of sales of a non-banking company. Adjustments refer to differences between ordinary income and ordinary income posted in Consolidated Statements of Income.

2. Adjustments are as follows:

a) *1 Include intersegment transactions of ¥7,217 million.

b) Adjustments in assets of ¥58,973 million include elimination of intersegment transactions of ¥49,568 million.

c) Adjustments in liabilities of ¥47,482 million include elimination of intersegment transactions of ¥46,575 million.

d) Adjustments in depreciation of ¥31 million include depreciation of lease assets presented as tangible fixed assets on the consolidated financial statements of ¥32 million.

e) Adjustments in Interest income of ¥412 million include intersegment interests of ¥364 million.

f) Adjustments in interest expenses of ¥413 million include intersegment interest of ¥364 million.

g) Adjustments in losses on impairment of ¥262 million are those between consolidated balance sheet amount and non-consolidated balance sheet amount.

h) Adjustments in tax expenses of ¥10 million include deferred income taxes of ¥10 million due to eliminations of intersegment reserve for possible loan losses.

	Millions of yen						
	The reportable segment						
Year ended March 31, 2011	Banking operations	Leasing	Total	Other	Total	Adjustments	Consolidated
Ordinary income:							
From external customers	¥133,988	¥15,459	¥149,447	¥4,954	¥154,402	¥ —	¥154,402
From internal transactions	1,207	1,267	2,474	4,656	7,130	(7,130)	—
Total	135,196	16,726	151,922	9,610	161,532	(7,130)*1	154,402
Segment profit	18,926	1,209	20,135	894	21,030	(238)	20,791
Assets	7,424,168	40,876	7,465,044	36,706	7,501,751	(63,444)	7,438,307
Liabilities	7,004,665	35,511	7,040,176	24,526	7,064,703	(51,393)	7,013,309
Depreciation	5,857	50	5,907	293	6.201	365	6,566
Interest income	106,833	63	106,897	273	107,170	(492)	106,677
Interest expenses	7,871	370	8,241	191	8,433	(492)	7,940
Gain on disposal of tangible fixed assets	50	—	50	—	50	—	50
Gains on collection of loan assets	2,165	23	2,189	313	2,502	—	2,502
Losses on disposal of tangible fixed assets	278	0	278	29	307	—	307
Losses on impairment	68	—	68	—	68	—	68
Provision for reserves under special law	—	—	—	0	0	—	0
Losses from the disaster	879	—	879	99	978	—	978
Other extraordinary loss*	154	—	154	—	154	—	154
Tax expenses	6,849	507	7,356	249	7,606	(2)	7,604
Increase in tangible and intangible fixed assets	6,589	54	6,643	236	6,879	—	6,879

* Other extraordinary loss refers to loss on disposal of noncurrent assets and impairment loss.

Notes: 1. Ordinary income is presented as the counterpart of sales of a non-banking company. Adjustments refer to differences between ordinary income and ordinary income posted in Consolidated Statements of Income.

2. Adjustments are as follows:

a) *1 Include intersegment transactions of ¥7,288 million.

b) Adjustments in assets of ¥63,444 million include elimination of intersegment transactions of ¥53,867 million.

c) Adjustments in liabilities of ¥51,393 million include elimination of intersegment transactions of ¥50,848 million.

d) Adjustments in depreciation of ¥365 million include depreciation of lease assets presented as tangible fixed assets on the consolidated financial statements of ¥365 million.

e) Adjustments in Interest income of ¥492 million include intersegment interests of ¥444 million.

f) Adjustments in interest expenses of ¥492 million include intersegment interest of ¥444 million.

g) Adjustments in tax expenses of ¥2 million include deferred income taxes of ¥2 million due to eliminations of intersegment reserve for possible loan losses.

Related Information

a. Information by service

	Millions of yen				
Year ended March 31, 2012	Lending	Investment in securities	Leasing	Other	Total
Ordinary income from external customers:	**¥76,624**	**¥31,365**	**¥15,270**	**¥30,413**	**¥153,673**

Note: 1. Ordinary income is presented as the counterpart of sales of a non-banking company. Adjustments refer to differences between ordinary income and ordinary income posted in Consolidated Statements of Income.

	Millions of yen				
Year ended March 31, 2011	Lending	Investment in securities	Leasing	Other	Total
Ordinary income from external customers:	¥82,418	¥29,620	¥15,459	¥26,904	¥154,402

Note: 1. Ordinary income is presented as the counterpart of sales of a non-banking company. Adjustments refer to differences between ordinary income and ordinary income posted in Consolidated Statements of Income.

b. Information by geographic area

Segment information by geographic area is not disclosed since over 90% of the total consolidated ordinary income and tangible fixed assets of the Bank and its consolidated subsidiaries resides in Japan.

c. Information by customer

Segment information by customer has not been disclosed since no single customer represented 10% or more of total ordinary income.

Impairment loss information by the reportable segments

Year ended March 31, 2012	The reportable segment (Millions of yen)				
	Banking operations	Leasing	Total	Other	Total
Impairment loss:	**¥389**	**¥—**	**¥389**	**¥470**	**¥860**

Year ended March 31, 2011	The reportable segment (Millions of yen)				
	Banking operations	Leasing	Total	Other	Total
Impairment loss:	¥68	¥—	¥68	¥—	¥68

Amortization and unamortized balance of goodwill

Year ended March 31, 2012	The reportable segment (Millions of yen)				
	Banking operations	Leasing	Total	Other	Total
Negative goodwill:					
Amortization	**¥158**	**—**	**¥158**	**—**	**¥158**
Unamortized balance	**2,291**	**—**	**2,291**	**—**	**2,291**

Year ended March 31, 2011	The reportable segment (Millions of yen)				
	Banking operations	Leasing	Total	Other	Total
Negative goodwill:					
Amortization	¥158	—	¥158	—	¥158
Unamortized balance	2,449	—	2,449	—	2,449

25. Leases

(a) Finance leases

Finance lease transactions in which ownership of leased property is not transferred to the lessee are accounted for as operating leases (please see 3(q) "In line with the stipulations of Article 81 of the Guidance on Accounting Standard for Lease Transactions (ASBJ Guidance No. 16, issued on March 30, 2007), book value (after deduction of accumulated depreciation) of lease assets included in tangible fixed assets and intangible assets as of the previous balance sheet date (March 31, 2008) was recorded as the initial balance of "Lease receivables and lease investment assets."), as follows:

As lessee

Acquisition cost, aggregate depreciation expenses, and book value at March 31, 2012

Acquisition cost

Tangible fixed assets:	¥5 million
Total:	¥5 million

Accumulated Depreciation expenses

Tangible fixed assets:	¥2 million
Total:	¥2 million

Book value at term-end

Tangible fixed assets:	¥2 million
Total:	¥2 million

Note: The acquisition cost presented above is inclusive of interest amounts, as the balance of acquisition cost and minimum lease payment is small as a percentage of the total book value of tangible fixed assets.

Lease payments that would have been required for finance leases:

Within one year:	¥0 million
Over one year:	¥2 million
Total:	¥2 million

Note: Lease payments presented above is inclusive of interest amounts, as the balance of acquisition cost and minimum lease payment is small as a percentage of the total book value of tangible fixed assets.

Lease fees paid and depreciation expenses that would have been incurred under finance leases:

Lease fees:	¥0 million
Depreciation expenses:	¥0 million

Note: Method of calculation of depreciation expenses

The lease assets are depreciated by the straight-line method on the assumption that the lease term is the useful life and the residual value is zero.

(b) Operating leases

As lessee

Future lease payments under non-cancellable operating lease transactions were as follows:

Within one year:	¥41 million
Over one year:	¥313 million
Total:	¥355 million

As lessor

Future lease payments under non-cancellable operating lease transactions were as follows:

Within one year:	¥18 million
Over one year:	¥22 million
Total:	¥40 million

No losses are recognized for the impairment of lease assets.

26. Financial Instruments

(1) Status of Financial Instruments

a. Policy on Financial Instruments

The Bank and its nine consolidated subsidiaries (the "Group") provide financial services such as leasing, agent of banking administrative work and securities business, and centering on banking service.

The Group raises funds by acceptance of the deposits, and invests the funds in loans and securities. We have financial assets and liabilities of which the values fluctuate with changes in interest rates, foreign exchange rates and market prices. To avoid adverse effects from such fluctuations, the Group performs integrated assets and liabilities management (the "ALM") in each company.

Moreover, we are engaged in derivatives transactions, such as those related to interest rates, currencies and bonds, for hedging and non-hedging purposes. Some consolidated subsidiaries are also engaged in interest rate related derivatives in connection with investments in securities and for hedging purposes.

b. Financial Instruments and Risks

The financial assets held by the Group consist primarily of securities and loans. Loans are subject to credit risk which could cause financial losses to the Group from non-performance of obligations by borrowers. With regard to securities, the Group is exposed to credit risk of issuers, interest-rate risk, and market price volatility risk.

The deposits include current deposits and savings deposits without maturities, and time deposits with maturities. These deposits expose the Group to liquidity risk that could be caused by concentrated withdrawals by customers.

The Group has liquidity risk with the borrowed money and bonds that it would become impossible to execute payments at the due dates when the Group lost access to the financial markets. Although the floating-rate borrowings expose us to the interest rate risk, we mitigate this risk using interest rate swaps partially.

We are engaged in derivatives transactions to meet customers' demands to hedge exchange-rate and interest-rate risks and to appropriately manage the Bank's market risks. Moreover, we utilize derivatives transactions for efficient ALM and hedging of individual transactions.

Derivatives transactions have market risk that losses could arise from market changes including those in interest rates and exchange rates. Additionally, derivatives transactions have credit risk that transactions are not fulfilled as provided by the contracts due to an event such as a failure of the counterparty.

Regarding hedging transactions to offset fluctuations in interest rates, the hedged items (e.g., loans) and the hedging instruments (e.g., interest rate swaps) are grouped by maturity to assess the effectiveness. As for cash flow hedges, we examine interest-rate correlation between the hedged items and the hedging instruments. Moreover, to assess the effectiveness of hedging transactions for foreign exchange risk, we designate transactions such as currency swaps and foreign exchange swaps as the hedging instruments and verify that we hold foreign currency positions of those hedging instruments that match the hedged items including monetary claims and obligations denominated in foreign currencies. We also perform "after-the-fact test" to confirm certain interest rate swaps continuously meet the requirements for exceptional accrual method.

We have set position limits and loss limits for trading transactions involving short-term purchases and sales of financial instruments.

c. Risk Management for Financial Instruments

(a) Integrated Risk Management

The Bank holistically controls risks from various financial assets and liabilities and risks related to banking business through integrated risk management. The Bank calculates apportionable risk capital using Tier I capital and allocates by risk category and by department. The Bank periodically quantities risks it takes and controls such risks within the allocated capital. The Bank assesses unquantifiable risks using stress test and other measures.

(b) Credit Risk Management

The Group has enacted "Guidelines for Credit Risk Management," which provides for basic policies comprising appropriate credit exposure management on individual and portfolio bases. The portfolio-based credit exposure management involves diversification of risk. Credit Risk Management Group has been segregated from the divisions under Business Headquarters to achieve rigorous credit review, and conducts thorough monitoring borrower's financial condition to prevent deterioration of loans.

In the self-assessments that evaluate the quality of assets, the business offices categorize the borrowers based on the credit ratings, which is then reviewed by Credit Examination Division in the Headquarters.

Furthermore, Corporate Audit Division examines results and processes of the self-assessments for accuracy and adequacy. As for credit risk of the issuers of securities, Treasury and Securities Division monitors credit information and market prices and gives the issuers credit ratings as well as carries out self-assessments of the issuers like for general borrowers.

(c) Market Risk Management

(i) Interest-rate Risk Management

The Group has set risk limits corresponding to the Group’s financial strength to interest-rate risk in the banking account, and applies and monitors the limits rigorously through the ALM. In order to control the interest-rate risk appropriately:

ï The Group has established “Risk Management Basic Rules,” “Integrated Risk Management Rules,” and “ALM Guidance.”

ï The Board of Directors (the “Board”) establishes risk tolerance limits for interest-rate risk within the allocable capital range after discussions at the General Budget Committee every half year.

The ALM Committee discusses and reports to the Board detail plans to address interest-rate risk every month.

Interest-rate risk is measured using value at risk (“VaR”). The ALM Committee sets alarm points somewhat below the risk limits and monitors the points as well as the limits on a monthly basis.

Moreover, the Group analyzes interest-rate risk from various aspects using tools such as basis-point value (“BPV”), the scenario analysis (simulation method) and the interest rate sensitivity analysis in addition to VaR, and controls the risk within a tolerable range reflective of the Group’s financial strength.

(ii) Foreign Exchange Risk Management

The Group controls foreign exchange risk by using hedging instruments such as currency swaps and foreign exchange swaps. In addition, the Group also enters into offsetting transactions in financial markets on an individual or aggregate basis, in order to reverse out foreign exchange risk arising from foreign exchange transactions offered by customers. Additionally, the Group converts into yen an amount equivalent to monthly interest income denominated in foreign currencies every month, in order to mitigate foreign exchange risk arising from foreign-currency denominated revenues.

(iii) Price Fluctuation Risk Management

The Group has set risk limits corresponding to the Group’s financial strength to price-fluctuation risk arising from financial instruments such as stocks and investment trusts, and applies and monitors the limits rigorously through the ALM.

The Board establishes risk tolerance limits for price-fluctuation risk within the allocable capital range after discussions at the General Budget Committee every half year.

Price-fluctuation risk is measured using VaR. The ALM Committee sets alarm points somewhat below the risk limits and monitors the points as well as the limits on a monthly basis. To prevent unrealized losses from being accumulated, the Group monitors and manages unrealized gains and losses under certain policies on a daily basis.

(iv) Derivatives Transactions

The Group utilizes derivatives transactions chiefly as hedging instruments for interest-rate and foreign exchange risks. The Group controls counterparty credit risk in derivatives transactions by setting credit limits.

For derivatives transactions with financial institutions, the Group sets an individual credit line and manages credit exposures on a daily basis in accordance with “Credit Line Management Rule for Banking and Security Companies.”

For derivatives transactions with customers, the Group also sets an individual credit line to reflect factors such as the creditworthiness and outstanding transactions, just like for financing transactions, and manages the credit exposures together with those arising from other transactions on an individual basis.

(v) Trading Transactions

The Group primarily trades bonds, foreign exchanges and derivatives transactions for trading purposes. We set utilize certain measures such as position limits, risk tolerance limits and loss limits in accordance with “Trading and Risk Management Rules.”

(vi) Quantitative Information related to Market Risk

1. Banking Account

(1) Interest rate risk

The Bank adopts the variance-covariance method as measurement method (a holding period of 6 months, a confidence interval 99%, and observation period of 5 years) for calculating VaR related to interest rate risk of interest rate swaps in loans and bills discounted, domestic bonds, deposits, borrowed money, corporate bonds and derivatives. The bank adopts the historical simulation method (a holding period of 6 months, a confidence interval 99%, and observation period of 5 years) for calculating VaR related to interest rate risk of interest rate swaps and currency swaps in foreign bonds, trust beneficiary right, market fund transactions and derivatives. As of March 31, 2012 VaR related to interest rate risk was ¥ 32,136 million.

(2) Price fluctuation risk

The Bank adopts the historical simulation method (a holding period of 6 months, a confidence interval 99%, and observation period of 5 years) for calculating VaR related to price fluctuation risk of listed equities and mutual funds. As of March 31, 2012 VaR related to price fluctuation risk was ¥ 72,750 million. Correlation between interest rate risk and price fluctuation risk has not been considered.

2. Trading Account

The Bank adopts the historical simulation method (a holding period of 1 day, a confidence interval 99%, and observation period of 5 years) for calculating VaR related trading securities, trading purpose foreign exchange transactions and derivatives such as forward transactions and option transactions. As of March 31, 2012, VaR related to trading account was ¥ 3million.

3. Validity of VaR

The Bank performs back testing to compare VaR calculated by its internal model against actual profit and loss to confirm the measurement model used captures market risk with sufficient accuracy. However, VaR statistically quantifies market risk calculated based on past market movements. Therefore, there could be cases in which VaR cannot capture risk under sudden and dramatic changes in market conditions beyond normal circumstances.

(d) Management of Liquidity Risk in Funding

To manage liquidity risk under “Market and Liquidity Risk Management Rules,” the Bank:

ï Conducts financing activities after fully analyzing its cash flows.

ï Pays continuous attention to the balance sheet structure, lines of credit provided to the Group, collateral management and costs to maintain the liquidity.

ï Strives to maintain the diversity and stability of funding sources.

In addition, the liquidity risk borne by the Group is reported to the Board and the ALM Committee on a monthly basis.

d. Supplementary Explanation Concerning Matters Related to Fair Value of Financial Instruments

Fair value of financial instruments includes a value based on market prices as well as a reasonably calculated value when no market price is available. Because certain assumptions are used in the fair value calculation, such value may vary when different assumptions are used.

(2) Disclosures Regarding Fair Value of Financial Instruments and Other Items

The table below sets forth fair values of financial instruments at March 31, 2012 and 2011 except for those whose fair values are extremely difficult to determine (see (Note2)). In addition, those financial instruments which are immaterial are not below listed.

	Millions of yen		
March 31, 2012	Consolidated balance sheet amount	Fair value	Difference
(1) Cash and due from banks	**¥385,528**	**¥385,528**	**¥—**
(2) Securities			
Held-to-maturity debt securities	**30,937**	**31,115**	**178**
Available-for-sale securities	**2,417,781**	**2,417,781**	**—**
(3) Loans and bills discounted	**4,952,771**		
Reserve for possible loan losses (*1)	**(43,917)**		
Sub-total	**4,908,854**	**4,982,409**	**73,555**
Total assets	**7,743,100**	**7,816,834**	**73,733**
(1) Deposits	**7,257,856**	**7,259,521**	**(1,664)**
Negotiable certificates of deposit	**19,852**	**19,852**	**—**
(2) Borrowed money	**99,309**	**99,693**	**(384)**
Total liabilities	**7,377,017**	**7,379,066**	**(2,048)**
Derivatives transactions (*2)			
Transactions not accounted for as hedging instruments	**675**	**675**	**—**
Transactions accounted for as hedging instruments	**(4,916)**	**(4,916)**	**—**
Total derivatives transactions	**(4,241)**	**(4,241)**	**—**

(*1) General and individual reserves for possible loan losses are deducted from loans and bills discounted.

(*2) Derivatives transactions recorded in other assets and other liabilities are presented in a lump sum. Net claims and debts that arose from derivatives transactions are presented on a net basis.

March 31, 2011	Millions of yen Consolidated balance sheet amount	Fair value	Difference
(1) Cash and due from banks	¥251,437	¥251,437	¥—
(2) Securities			
Held-to-maturity debt securities	28,064	28,200	135
Available-for-sale securities	2,150,656	2,150,656	—
(3) Loans and bills discounted	4,769,896		
Reserve for possible loan losses (*1)	(43,863)		
Sub-total	4,726,033	4,795,725	69,691
Total assets	7,156,192	7,226,019	69,827
(1) Deposits	6,804,955	6,808,161	(3.205)
Negotiable certificates of deposit	11,870	11,870	—
(2) Borrowed money	53,188	53,641	(453)
Total liabilities	6,870,013	6,873,673	(3,659)
Derivatives transactions (*2)			
Transactions not accounted for as hedging instruments	752	752	—
Transactions accounted for as hedging instruments	(4,760)	(4,760)	—
Total derivatives transactions	(4,007)	(4,007)	—

(*1) General and individual reserves for possible loan losses are deducted from loans and bills discounted.

(*2) Derivatives transactions recorded in other assets and other liabilities are presented in a lump sum. Net claims and debts that arose from derivatives transactions are presented on a net basis.

(Note 1) Calculation Methods for Fair Value of Financial Instruments

Assets

(1) Cash and Due from Banks

Since fair value of these items approximates the book value, we deem the carrying value to be the fair value.

(2) Securities

Fair value of shares is determined by reference to quoted market prices on stock exchanges. Fair value of bonds is determined by reference to quoted market prices or prices offered by financial institutions, or based on the price best estimated. Fair value of investment trusts is determined by reference to their publicly available net asset value per unit. Fair value of privately placed bonds guaranteed by the Bank is determined by the discounted cash flow method. The discount rates used in the calculation were calculated based on the bankruptcy probability by credit rating and the coverage ratio of an individual claim.

In the reporting term, the reasonably estimated value of Japanese Government Bonds (JGBs) with variable interest rates that have widely fluctuating differences between market price and theoretical price was set as the fair value. The reasonably estimated value is calculated based on the discounted cash flow method or other pricing methods using JGB yields and the volatility of swaptions as primary pricing variables. In the previous term, the reasonably estimated value of JGBs with variable interest rates was set as the fair value. The reasonably estimated value is calculated based on the discounted cash flow method or other pricing methods using JGB yields and the volatility of swaptions as primary pricing variables.

We used a reasonably estimated value as the fair value of securitized products (e.g., collateralized loan obligations), except those subject to impairment, of which external credit rating is not downgraded, of which collateral asset pools are not deteriorated, and which the Group intends to continue to hold. The reasonably estimated price was calculated by the discounted cash flow method or other pricing methods using the default rate, recovery rate, pre-payment rate and discount rate as primary pricing variables.

Please see “27. Securities Information” for details of securities in each purpose of holding.

(3) Loans and bills discounted

Since floating-rate loans and bills discounted reflect market interest rates in a short period, the fair value approximates the carrying value unless the credit standing of the borrower is not significantly different after the loan was made or the bill was drawn. The fair value is therefore deemed equal to the carrying value.

Fair value of fixed-rate loans and bills discounted are determined as the total of principal and interest discounted by the type, internal credit rating and maturities. Discount rates used in the calculation were interest rates which would be applied when similar loans were newly extended. Fair value of fixed-rate loans and bills discounted whose terms are short (i.e., within one year) approximates their carrying value and is therefore deemed equal to the carrying value.

Possible losses on legally bankrupt loans, substantially bankrupt loans and potentially bankrupt loans are computed based on recoverable amounts estimated as the present value of future cash flows or the collectible amounts from collaterals and guarantees. Then the fair value of those loans approximates the consolidated balance sheet amount at the closing date minus the currently estimated losses, and is therefore deemed equal to the amounts.

Fair value of loans and bills discounted for which repayment terms are not set because of their attributes (e.g., loans are limited to the amounts of assets pledged as collateral) is assumed to approximate their carrying value, considering the expected repayment periods and interest rate conditions, and are deemed equal to the carrying value.

Liabilities

(1) Deposits and (2) Negotiable certificates of deposit

For demand deposits, we deem the amount that the Group would require to pay on the consolidated

Millions of yen

balance sheet date (i.e., carrying value) to be the fair value.

With respect to time deposits with long deposit terms (i.e., one year or longer), we used the present value of future cash flows calculated by time band as the fair value. The discount rates used in the calculation were the interest rates that would apply to newly accepted deposits.

(3) Borrowed money

We used as the fair value the present value of future cash flows calculated by borrowing period. The discount rates used in the calculation were interest rate that would applied to new borrowings. Fair value of borrowings for a short term (i.e., within one year) approximates the carrying value and is deemed equal to the carrying value.

Derivatives Instruments

See "28. Derivatives."

(Note 2) The following table summarizes financial instruments, of which fair value is extremely difficult to determine:

Fair value of available-for-sale securities in the above table excludes the following items at March 31, 2012 and 2011.

	Millions of yen
March 31, 2012	Consolidated balance sheet amounts
Unlisted stocks (*1) (*2)	**¥5,374**
Investments in partnerships and others (*3)	**4,323**
Total	**¥9,697**

(*1) Unlisted stocks are excluded from "Disclosures Regarding Fair Value of Financial Instruments and Other Items" since no market price is available and their fair value is extremely difficult to determine.

(*2) Impairment losses on unlisted stocks were ¥21 million.

(*3) Out of investments in partnerships and others, certain partnerships holding assets whose fair value was extremely difficult to determine are excluded from "Disclosures Regarding Fair Value of Financial Instruments and Other Items."

March 31, 2011	Consolidated balance sheet amounts
Unlisted stocks (*1)(*2)	¥5,397
Investments in partnerships and others (*3)	3,655
Total	¥9,053

(*1) Unlisted stocks are excluded from "Disclosures Regarding Fair Value of Financial Instruments and Other Items" since no market price is available and their fair value is extremely difficult to determine.

(*2) Impairment losses on unlisted stocks were ¥89 million.

(*3) Out of investments in partnerships and others, certain partnerships holding assets whose fair value was extremely difficult to determine are excluded from "Disclosures Regarding Fair Value of Financial Instruments and Other Items."

(Note 3) Redemption schedule of money claims and securities with stated maturities after the consolidated balance sheet date is as follows:

	Millions of yen					
March 31, 2012	1 year or less	1-3 years	3-5 years	5-7 years	7-10 years	Over 10 years
Cash and due from banks	**¥385,528**	**¥—**	**¥—**	**¥—**	**¥—**	**¥—**
Securities						
Held-to-maturity debt securities	**17,375**	**6,344**	**7,417**	**—**	**—**	**—**
Japanese government bonds	**12,000**	**—**	**—**	**—**	**—**	**—**
Municipal bonds	**—**	**—**	**—**	**—**	**—**	**—**
Corporate bonds	**5,375**	**6,344**	**7,417**	**—**	**—**	**—**
Available-for-sale securities with maturities	**239,135**	**491,107**	**534,752**	**392,395**	**424,546**	**79,204**
Japanese government bonds	**129,000**	**241,700**	**346,100**	**332,200**	**300,000**	**—**
Municipal bonds	**67,392**	**107,888**	**93,906**	**355**	**23,258**	**—**
Corporate bonds	**31,362**	**105,027**	**45,680**	**38,137**	**96,629**	**41,865**
Foreign bonds	**11,265**	**33,469**	**46,027**	**21,023**	**2,360**	**36,027**
Other	**114**	**3,022**	**3,038**	**680**	**2,298**	**1,311**
Loans and bills discounted (*)	**1,415,532**	**1,057,362**	**695,606**	**399,234**	**386,278**	**815,797**
Total	**¥2,057,571**	**¥1,554,813**	**¥1,237,776**	**¥791,630**	**¥810,825**	**¥895,001**

(*) Legally bankrupt loans, substantially bankrupt loans and potentially bankrupt loans amounting to ¥113,183 million, and loans and bills discounted without maturities amounting to ¥69,776million were excluded from the table above.

	Millions of yen					
March 31, 2011	1 year or less	1-3 years	3-5 years	5-7 years	7-10 years	Over 10 years
Cash and due from banks	¥251,437	¥—	¥—	¥—	¥—	¥—
Securities						
Held-to-maturity debt securities	10,315	10,281	7,337	158	—	—
Japanese government bonds	7,000	1,000	—	—	—	—
Municipal bonds	1	—	—	—	—	—
Corporate bonds	3,314	9,281	7,337	158	—	—
Available-for-sale securities with maturities	235,386	475,731	465,089	273,547	387,912	82,700
Japanese government bonds	89,000	230,000	206,100	235,900	312,000	—
Municipal bonds	29,805	109,280	160,159	10,594	19,509	—
Corporate bonds	75,721	99,221	64,758	15,895	51,909	48,908
Foreign bonds	40,857	34,245	28,891	8,481	3,540	33,791
Other	1	2,983	5,180	2,677	953	—
Loans and bills discounted (*)	2,809,919	710,141	432,612	181,090	270,214	171,573
Total	¥3,307,059	¥1,196,153	¥905,039	¥454,795	¥658,127	¥254,274

(*) Legally bankrupt loans, substantially bankrupt loans and potentially bankrupt loans amounting to ¥118,983 million, and loans and bills discounted without maturities amounting to ¥75,361million were excluded from the table above.

(Note 4) Redemption schedule of borrowed money and other interest-bearing liabilities after the consolidated balance sheet date at March 31, 2012 and 2011 is as follows:

	Millions of yen					
March 31, 2012	1 year or less	1-3 years	3-5 years	5-7 years	7-10 years	Over 10 years
Deposits (*)	**¥6,571,224**	**¥592,393**	**¥88,440**	**¥1,760**	**¥4,037**	**¥—**
Negotiable certificates of deposit	**19,852**	**—**	**—**	**—**	**—**	**—**
Borrowed money	**79,534**	**10,685**	**7,060**	**2,030**	**—**	**—**
Total	**¥6,670,610**	**¥603,078**	**¥95,500**	**¥3,790**	**¥4,037**	**¥—**

(*) Demand deposits were included in “1 year or less.”

	Millions of yen					
March 31, 2011	1 year or less	1-3 years	3-5 years	5-7 years	7-10 years	Over 10 years
Deposits (*)	¥6,104,138	¥621,476	¥74,090	¥1,389	¥3,861	¥—
Negotiable certificates of deposit	11,870	—	—	—	—	—
Borrowed money	38,289	5,779	5,060	4,060	—	—
Total	¥6,154,297	¥627,255	¥79,150	¥5,449	¥3,861	¥—

(*) Demand deposits were included in “1 year or less.”

27. Securities Information

Year ended March 31, 2012

(a) Trading Securities

	Millions of yen
March 31, 2012	Unrealized gain recognized as income
Trading securities	**¥7**

(b) Held-to-maturity debt securities

March 31, 2012	Type	Consolidated balance sheet amount (Millions of yen)	Fair value (Millions of yen)	Difference (Millions of yen)
Securities with fair value exceeding consolidated balance sheet amount	Bonds:	**¥26,238**	**¥26,445**	**¥207**
	Japanese government bond	**11,501**	**11,503**	**2**
	Municipal bonds	**—**	**—**	**—**
	Corporate bonds	**14,737**	**14,941**	**204**
	Other:	**—**	**—**	**—**
	Foreign bonds	**—**	**—**	**—**
	Other	**—**	**—**	**—**
	Sub-total	**26,238**	**26,445**	**207**
Securities with fair value not exceeding consolidated balance sheet amount	Bonds	**4,699**	**4,670**	**(29)**
	Japanese government bond	**500**	**500**	**(0)**
	Municipal bonds	**—**	**—**	**—**
	Corporate bond	**4,199**	**4,169**	**(29)**
	Other:	**2,235**	**2,229**	**(5)**
	Foreign bonds	**—**	**—**	**—**
	Other	**2,235**	**2,229**	**(5)**
	Sub-total	**6,934**	**6,899**	**(34)**
Total		**¥33,172**	**¥33,345**	**¥172**

(c) Available-for-sale securities

March 31, 2012	Type	Millions of yen Consolidated balance sheet amount	Acquisition cost	Difference
Securities with consolidated balance sheet amount exceeding acquisition cost	Stocks	**¥110,902**	**¥74,191**	**¥36,710**
	Bonds	**1,926,122**	**1,898,828**	**27,293**
	Japanese government bonds	**1,287,289**	**1,271,590**	**15,698**
	Municipal bonds	**289,880**	**284,359**	**5,520**
	Corporate bonds	**348,951**	**342,877**	**6,073**
	Other	**119,178**	**113,323**	**5,855**
	Foreign bonds	**86,166**	**83,455**	**2,711**
	Other	**33,012**	**29,867**	**3,144**
	Sub-total	**2,156,203**	**2,086,343**	**69,859**
Securities with consolidated balance sheet amount not exceeding acquisition cost	Stocks	**50,077**	**57,853**	**(7,776)**
	Bonds	**129,702**	**129,929**	**(226)**
	Japanese government bonds	**101,656**	**101,777**	**(121)**
	Municipal bonds	**8,588**	**8,592**	**(3)**
	Corporate bonds	**19,457**	**19,559**	**(102)**
	Other	**95,625**	**97,276**	**(1,650)**
	Foreign bonds	**69,838**	**70,488**	**(650)**
	Other	**25,787**	**26,788**	**(1,000)**
	Sub-total	**275,405**	**285,058**	**(9,653)**
Total		**¥2,431,609**	**¥2,371,402**	**¥60,206**

(d) Held-to-maturity debt securities sold during the fiscal year

No held-to-maturity debt securities were sold during the fiscal year ended March 31, 2012.

(e) Available-for-sale securities sold during the fiscal year

	Millions of yen		
Year ended March 31, 2012	Sales proceeds	Gains on sales	Losses on sales
Stocks	**¥13,168**	**¥1,943**	**¥2,022**
Bonds	**294,244**	**4,922**	**1**
Japanese government bonds	**265,774**	**4,464**	**—**
Municipal bonds	**10,110**	**110**	**—**
Corporate bonds	**18,360**	**348**	**1**
Other	**19,549**	**495**	**989**
Foreign bonds	**11,288**	**209**	**—**
Other	**8,260**	**285**	**989**
Total	**¥326,963**	**¥7,361**	**¥3,013**

(f) Securities Recognized for Impairment Loss

For available-for-sale securities with market values, in cases where the market value has fallen substantially from the acquisition price and it is considered there is little likelihood of recovery to the acquisition price level, the securities are stated at market value on the consolidated balance sheets and the difference between the market value and the acquisition price is posted as a loss (“impairment loss”).

Impairment losses for the fiscal year amounted to ¥1,824 million, comprising ¥1,600 million from stocks and ¥223 million from bonds.

Pursuant to “Practical Guidelines for Accounting for Financial Instruments” (JICPA Accounting Committee Report No. 14), the Bank recognized the impairment losses on listed equity shares whose average market price over the one-month period immediately prior to the balance sheet date declined by 30% or more compared with acquisition cost, and other securities whose market price at the balance-sheet date also declined by 30% or more compared with acquisition cost.

(g) Money held in trust classified as available-for-sale securities

Not applicable as of March 31, 2012.

(h) Unrealized gain on available-for-sale securities

March 31, 2012	Millions of yen
Unrealized (losses) gains:	
Available-for-sale securities	**¥60,835**
Other money held in trust	**—**
Deferred tax assets (liabilities)	**(20,620)**
Net unrealized gains on available-for-sale securities	**40,214**
Less minority interests	**(0)**
Unrealized gains on available-for-sale securities	**¥40,214**

Note: The total unrealized losses include an unrealized gain of ¥628 million on available-for-sale securities, which constitute the property of related associations.

Year ended March 31, 2011
(a) Trading Securities

	Millions of yen
March 31, 2011	Unrealized gain recognized as income
Trading securities	¥1

(b) Held-to-maturity debt securities

		Millions of yen		
March 31, 2011	Type	Consolidated balance sheet amount	Fair value	Difference
Securities with fair value exceeding consolidated balance sheet amount	Bonds:	¥18,560	¥18,816	¥256
	Japanese government bond	500	500	0
	Municipal bonds	—	—	—
	Corporate bonds	18,060	18,316	256
	Other:	299	299	0
	Foreign bonds	—	—	—
	Other	299	299	0
	Sub-total	18,859	19,115	256
Securities with fair value not exceeding consolidated balance sheet amount	Bonds	9,504	9,383	(120)
	Japanese government bond	7,496	7,494	(1)
	Municipal bonds	1	1	0
	Corporate bond	2,006	1,887	(118)
	Other:	3,843	3,831	(12)
	Foreign bonds	—	—	—
	Other	3,843	3,831	(12)
	Sub-total	13,348	13,215	(132)
Total		¥32,207	¥32,330	¥123

(c) Available-for-sale securities

March 31, 2011	Type	Consolidated balance sheet amount	Acquisition cost	Difference
		Millions of yen		
Securities with consolidated balance sheet amount exceeding acquisition cost	Stocks	¥124,110	¥84,503	¥39,606
	Bonds	1,539,119	1,515,589	23,529
	Japanese government bonds	914,457	900,730	13,726
	Municipal bonds	314,894	309,370	5,523
	Corporate bonds	309,768	305,489	4,278
	Other	72,010	70,312	1,697
	Foreign bonds	57,918	56,795	1,122
	Other	14,091	13,516	574
	Sub-total	1,735,239	1,670,405	64,834
Securities with consolidated balance sheet amount not exceeding acquisition cost	Stocks	40,061	49,471	(9,409)
	Bonds	263,944	265,924	(1,980)
	Japanese government bonds	191,158	192,510	(1,352)
	Municipal bonds	20,119	20,238	(118)
	Corporate bonds	52,665	53,175	(509)
	Other	129,638	135,680	(6,042)
	Foreign bonds	92,943	95,300	(2,356)
	Other	36,694	40,380	(3,685)
	Sub-total	433,643	451,076	(17,432)
Total		¥2,168,883	¥2,121,482	¥47,401

(d) Held-to-maturity debt securities sold during the fiscal year

No held-to-maturity debt securities were sold during the fiscal year ended March 31, 2011.

(e) Available-for-sale securities sold during the fiscal year

	Millions of yen		
Year ended March 31, 2011	Sales proceeds	Gains on sales	Losses on sales
Stocks	¥6,451	¥356	¥1,756
Bonds	282,795	5,569	234
Japanese government bonds	157,192	2,020	234
Municipal bonds	106,942	2,789	—
Corporate bonds	18,660	759	—
Other	16,731	400	624
Foreign bonds	14,168	38	624
Other	2,562	361	—
Total	¥305,978	¥6,325	¥2,615

(f) Securities Recognized for Impairment Loss

For available-for-sale securities with market values, in cases where the market value has fallen substantially from the acquisition price and it is considered there is little likelihood of recovery to the acquisition price level, the securities are stated at market value on the consolidated balance sheets and the difference between the market value and the acquisition price is posted as a loss (“impairment loss”).

Impairment losses for the fiscal year amounted to ¥2,290 million, comprising ¥1,644 million from stocks and ¥645 million from bonds.

Pursuant to “Practical Guidelines for Accounting for Financial Instruments” (JICPA Accounting Committee Report No. 14), the Bank recognized the impairment losses on listed equity shares whose average market price over the one-month period immediately prior to the balance sheet date declined by 30% or more compared with acquisition cost, and other securities whose market price at the balance-sheet date also declined by 30% or more compared with acquisition cost.

(g) Money held in trust classified as available-for-sale securities

Not applicable as of March 31, 2011.

(h) Unrealized gain on available-for-sale securities

March 31, 2011	Millions of yen
Unrealized (losses) gains:	
Available-for-sale securities	¥47,872
Other money held in trust	—
Deferred tax assets (liabilities)	(17,743)
Net unrealized gains on available-for-sale securities	30,129
Less minority interests	(0)
Unrealized gains on available-for-sale securities	¥30,129

Note: The total unrealized losses include an unrealized gain of ¥471 million on available-for-sale securities, which constitute the property of related associations.

28. Derivatives

Year ended March 31, 2012

1. Derivative instruments not accounted for as hedges

Regarding the derivative instruments to which hedge accounting is not applied, the following tables summarize contract amount, market value and unrealized gain or loss for each type of derivative transactions, respectively, at the end of the consolidated balance sheet date, as well as determination of fair value.

Contract amount does not represent itself market risk of derivative instruments.

(1) Interest-rate Derivatives

March 31, 2012	Millions of yen Contract amount	Over 1 year	Fair value	Unrealized gain (loss)
Transactions listed on exchanges:				
Interest-rate futures:				
Sold	**¥—**	**¥—**	**¥—**	**¥—**
Bought	**—**	**—**	**—**	**—**
Interest-rate options:				
Sold	**—**	**—**	**—**	**—**
Bought	**—**	**—**	**—**	**—**
Over-the-counter transactions:				
Forward rate agreements:				
Sold	**—**	**—**	**—**	**—**
Bought	**—**	**—**	**—**	**—**
Interest-rate swaps:				
Receivable fixed / payable floating	**120,314**	**26,421**	**301**	**301**
Receivable floating / payable fixed	**120,314**	**26,421**	**(79)**	**(79)**
Receivable floating / payable floating	**—**	**—**	**—**	**—**
Interest-rate options:				
Sold	**—**	**—**	**—**	**—**
Bought	**—**	**—**	**—**	**—**
Caps:				
Sold	**997**	**547**	**(0)**	**53**
Bought	**997**	**547**	**0**	**(23)**
Swaption:				
Sold	**45,125**	**3,230**	**(119)**	**28**
Bought	**45,125**	**3,230**	**119**	**119**
Others:				
Sold	**—**	**—**	**—**	**—**
Bought	**—**	**—**	**—**	**—**
Total	**¥—**	**¥—**	**¥221**	**¥399**

Notes: 1. The transactions in this table have been revalued at the market rate prevailing on the balance sheet date, and unrealized gain (loss) is accounted for in the consolidated statements of income.

2. Calculation of fair value

The fair value of transactions listed on exchanges has been calculated on the basis of the closing prices on the Tokyo International Financial Exchange, etc. The fair value of over-the-counter transactions has been calculated at their discounted future cash flows or by utilizing option pricing models.

(2) Currency Derivatives

	Millions of yen			
March 31, 2012	Contract amount	Over 1 year	Fair value	Unrealized gain (loss)
Transactions listed on exchanges:				
Currency futures:				
Sold	**¥—**	**¥—**	**¥—**	**¥—**
Bought	**—**	**—**	**—**	**—**
Currency options:				
Sold	**—**	**—**	**—**	**—**
Bought	**—**	**—**	**—**	**—**
Over-the-counter transactions:				
Currency swaps	**723,880**	**499,982**	**386**	**386**
Forward foreign exchange contracts:				
Sold	**4,843**	**215**	**(21)**	**(21)**
Bought	**3,106**	**—**	**84**	**84**
Currency options:				
Sold	**15,461**	**3,787**	**(453)**	**(59)**
Bought	**15,681**	**3,787**	**457**	**182**
Others:				
Sold	**—**	**—**	**—**	**—**
Bought	**—**	**—**	**—**	**—**
Total	**¥—**	**¥—**	**¥453**	**¥573**

Notes: 1. The transactions in this table have been revalued at the market rate prevailing on the balance sheet date, and unrealized gain (loss) is accounted for in the consolidated statements of income.

2. Calculation of fair value

Fair value is calculated at discounted future cash flows, etc.

(3) Stock Derivatives

Not applicable as of March 31, 2012.

(4) Bond Derivatives

	Millions of yen			
March 31, 2012	Contract amount	Over 1 year	Fair value	Unrealized gain (loss)
Transactions listed on exchanges:				
Bond futures:				
Sold	**¥426**	**¥—**	**¥0**	**¥0**
Bought	**—**	**—**	**—**	**—**
Bond future options:				
Sold	**—**	**—**	**—**	**—**
Bought	**—**	**—**	**—**	**—**
Over-the-counter transactions:				
Bond options:				
Sold	**—**	**—**	**—**	**—**
Bought	**—**	**—**	**—**	**—**
Others:				
Sold	**—**	**—**	**—**	**—**
Bought	**—**	**—**	**—**	**—**
Total	**¥—**	**¥—**	**¥0**	**¥0**

Notes: 1. The transactions in this table have been revalued at the market rate prevailing on the balance sheet date, and unrealized gain (loss) is accounted for in the consolidated statements of income.

2. Calculation of fair value

The fair value of transactions listed on exchanges has been calculated on the basis of the closing prices on the Tokyo International Financial Exchange, etc. The fair value of over-the-counter transactions has been calculated at their discounted future cash flows or by option pricing models.

(5) Commodity Derivatives

Not applicable as of March 31, 2012.

(6) Credit Derivatives

Not applicable as of March 31, 2012.

2. Derivative Instruments accounted for as hedges

Regarding the derivative instruments to which hedge accounting is applied, the following tables summarize contract amount, market value and unrealized gain or loss for each type of derivative transactions, respectively, at the end of the consolidated balance sheet date, as well as determination of fair value. Contract amount does not represent itself market risk of derivative instruments.

(1) Interest-rate Derivatives

March 31, 2012

Method of hedge	Type	Hedged items	Millions of yen		
			Contract amounts	Over 1 year	Fair value
Deferred method	Interest rate swap	Interest bearing financial assets and liabilities including loans, available-for-sale securities, deposits and negotiable certificates of deposit, etc.			
	Receivable fixed / payable floating		¥ —	¥ —	¥ —
	Receivable floating / payable fixed		**60,000**	**60,000**	**(4,335)**
	Interest rate futures		—	—	—
	Interest rate options		—	—	—
	Other		—	—	—
Exceptional accrual method for interest rate swap	Interest rate swap	Loans, borrowed money			
	Receivable fixed / payable floating		**9,000**	**9,000**	**597**
	Receivable floating / payable fixed		**42,489**	**37,307**	**(2,818)**
Total		———	———	———	**¥ (6,556)**

Notes: 1. Primarily, the Bank applies the deferred method of hedge accounting which is described in “Accounting and Auditing Treatment relating to the Adoption of ‘Accounting for Financial Instruments’ for Banks,” issued by the Japanese Institute of Certified Public Accountants (“JICPA”), (JICPA Industry Audit Committee Report No. 24).

2. Determination of fair value:

The fair value of exchange-traded derivative instruments is based on closing prices at the Tokyo Financial Exchange or other relevant exchanges. The fair value of over-the-counter traded derivative instruments is determined based on a discounted cash flows model, an option pricing model or other models as appropriate.

3. The exceptional accrual method of hedge accounting, as specifically permitted for certain interest rate swaps, is valued with the hedged items as a whole, so that the fair value is included in the fair value of Loans and Bills Discounted and other items (See: 31. Financial Instruments (2) Disclosures Regarding the Fair Value of Financial Instruments and Other Items).

(2) Currency Derivatives

March 31, 2012

Method of hedge	Type	Hedged items	Millions of yen		
			Contract amounts	Over 1 year	Fair value
Deferred method	Currency swaps	Foreign currency-denominated loans, securities, deposits and foreign exchanges, etc.	**¥17,953**	**¥—**	**(¥394)**
	Forward foreign exchange contracts		**—**	**—**	**—**
	Foreign exchange swaps		**4,936**	**—**	**(186)**
	Other		**—**	**—**	**—**
Treatment for forward foreign exchange contracts, etc.	Currency swap		**—**	**—**	**—**
	Forward foreign exchange contracts		**—**	**—**	**—**
Total		—	**¥—**	**¥—**	**¥(580)**

Notes: 1. Primarily, the Bank applies the deferred method of hedge accounting which is described in “Accounting and Auditing Treatment relating to Accounting for Foreign Currency Transactions in the Banking Industry” (JICPA Industry Audit Committee Report No. 25).

2. Determination of fair value:

Fair value is determined based on the discounted cash flows model.

(3) Stock Derivatives

Not applicable as of March 31, 2012.

(4) Bond Derivatives

Not applicable as of March 31, 2012.

Year ended March 31, 2011

1. Derivative instruments not accounted for as hedges

Regarding the derivative instruments to which hedge accounting is not applied, the following tables summarize contract amount, market value and unrealized gain or loss for each type of derivative transactions, respectively, at the end of the consolidated balance sheet date, as well as determination of fair value.

Contract amount does not represent itself market risk of derivative instruments.

(1) Interest-rate Derivatives

	Millions of yen			
March 31, 2011	Contract amount	Over 1 year	Fair value	Unrealized gain (loss)
Transactions listed on exchanges:				
Interest-rate futures:				
Sold	¥—	¥—	¥—	¥—
Bought	—	—	—	—
Interest-rate options:				
Sold	—	—	—	—
Bought	—	—	—	—
Over-the-counter transactions:				
Forward rate agreements:				
Sold	—	—	—	—
Bought	—	—	—	—
Interest-rate swaps:				
Receivable fixed / payable floating	102,386	25,832	433	433
Receivable floating / payable fixed	102,386	25,832	(211)	(211)
Receivable floating / payable floating	—	—	—	—
Interest-rate options:				
Sold	—	—	—	—
Bought	—	—	—	—
Caps:				
Sold	1,137	707	(0)	64
Bought	1,137	707	0	(27)

Swaption:				
Sold	35,410	1,450	(103)	33
Bought	35,410	1,450	103	103
Others:				
Sold	—	—	—	—
Bought	—	—	—	—
Total	¥—	¥—	¥221	¥395

Notes: 1. The transactions in this table have been revalued at the market rate prevailing on the balance sheet date, and unrealized gain (loss) is accounted for in the consolidated statements of income.

2. Calculation of fair value

The fair value of transactions listed on exchanges has been calculated on the basis of the closing prices on the Tokyo International Financial Exchange, etc. The fair value of over-the-counter transactions has been calculated at their discounted future cash flows or by utilizing option pricing models.

(2) Currency Derivatives

	Millions of yen			
March 31, 2011	Contract amount	Over 1 year	Fair value	Unrealized gain (loss)
Transactions listed on exchanges:				
Currency futures:				
Sold	¥—	¥—	¥—	¥—
Bought	—	—	—	—
Currency options:				
Sold	—	—	—	—
Bought	—	—	—	—
Over-the-counter transactions:				
Currency swaps	920,449	742,353	461	461
Forward foreign exchange contracts:				
Sold	4,374	2,776	(71)	(71)
Bought	3,653	1,411	141	141
Currency options:				
Sold	10,239	2,107	(427)	(173)
Bought	10,239	2,107	428	261
Others:				
Sold	—	—	—	—

Bought	—	—	—	—
Total	¥—	¥—	¥531	¥618

Notes: 1. The transactions in this table have been revalued at the market rate prevailing on the balance sheet date, and unrealized gain (loss) is accounted for in the consolidated statements of income.

2. Calculation of fair value

Fair value is calculated at discounted future cash flows, etc.

(3) Stock Derivatives

Not applicable as of March 31, 2011.

(4) Bond Derivatives

	Millions of yen			
March 31, 2011	Contract amount	Over 1 year	Fair value	Unrealized gain (loss)
Transactions listed on exchanges:				
Bond futures:				
Sold	¥277	¥—	¥(1)	¥(1)
Bought	—	—	—	—
Bond future options:				
Sold	—	—	—	—
Bought	—	—	—	—
Over-the-counter transactions:				
Bond options:				
Sold	—	—	—	—
Bought	—	—	—	—
Others:				
Sold	—	—	—	—
Bought	—	—	—	—
Total	¥—	¥—	¥(1)	¥(1)

Notes: 1. The transactions in this table have been revalued at the market rate prevailing on the balance sheet date, and unrealized gain (loss) is accounted for in the consolidated statements of income.

2. Calculation of fair value

The fair value of transactions listed on exchanges has been calculated on the basis of the closing prices on the Tokyo International Financial Exchange, etc. The fair value of over-the-counter transactions has been calculated at their discounted future cash flows or by option pricing models.

(5) Commodity Derivatives

Not applicable as of March 31, 2011.

(6) Credit Derivatives

Not applicable as of March 31, 2011.

2. Derivative Instruments accounted for as hedges

Regarding the derivative instruments to which hedge accounting is applied, the following tables summarize contract amount, market value and unrealized gain or loss for each type of derivative transactions, respectively, at the end of the consolidated balance sheet date, as well as determination of fair value.

Contract amount does not represent itself market risk of derivative instruments.

(1) Interest-rate Derivatives

March 31, 2011

			Millions of yen		
Method of hedge	Type	Hedged items	Contract amounts	Over 1 year	Fair value
Deferred method	Interest rate swap	Interest bearing financial assets and liabilities including loans, available-for-sale securities, deposits and negotiable certificates of deposit, etc.			
	Receivable fixed / payable floating		¥ —	¥ —	¥ —
	Receivable floating / payable fixed		60,000	60,000	(3,958)
	Interest rate futures		—	—	—
	Interest rate options		—	—	—
	Other		—	—	—
Exceptional accrual method for interest rate swap	Interest rate swap	Loans, borrowed money			
	Receivable fixed / payable floating		9,000	9,000	623
	Receivable floating / payable fixed		48,021	42,489	(2,931)
Total		———	———	———	¥ (6,266)

Notes: 1. Primarily, the Bank applies the deferred method of hedge accounting which is described in "Accounting and Auditing Treatment relating to the Adoption of 'Accounting for Financial Instruments' for Banks," issued by the Japanese Institute of Certified Public Accountants ("JICPA"), (JICPA Industry Audit Committee Report No. 24).

2. Determination of fair value:

The fair value of exchange-traded derivative instruments is based on closing prices at the Tokyo Financial Exchange or other relevant exchanges. The fair value of over-the-counter traded derivative instruments is determined based on a discounted cash flows model, an option pricing model or other models as appropriate.

3. The exceptional accrual method of hedge accounting, as specifically permitted for certain interest rate swaps, is valued with the hedged items as a whole, so that the fair value is included in the fair value of Loans and Bills Discounted and other items (See: 31. Financial Instruments (2) Disclosures Regarding the Fair Value of Financial Instruments and Other Items).

(2) Currency Derivatives

March 31, 2011

			Millions of yen		
Method of hedge	Type	Hedged items	Contract amounts	Over 1 year	Fair value
Deferred method	Currency swaps	Foreign currency-denominated loans, securities, deposits and foreign exchanges, etc.	¥30,373	¥10,393	(¥659)
	Forward foreign exchange contracts		—	—	—
	Foreign exchange swaps		15,989	—	(142)
	Other		—	—	—
Treatment for forward foreign exchange contracts, etc.	Currency swap		—	—	—
	Forward foreign exchange contracts		—	—	—
Total		—	¥—	¥—	¥(802)

Notes: 1. Primarily, the Bank applies the deferred method of hedge accounting which is described in "Accounting and Auditing Treatment relating to Accounting for Foreign Currency Transactions in the Banking Industry" (JICPA Industry Audit Committee Report No. 25).

2. Determination of fair value:

Fair value is determined based on the discounted cash flows model.

(3) Stock Derivatives

Not applicable as of March 31, 2011.

(4) Bond Derivatives

Not applicable as of March 31, 2011.

29. Stock Options

(a) The Bank recorded stock option expenses in "General and administrative expenses" of ¥46 million and ¥49 million for the fiscal years ended March 31, 2012 and 2011.

(b) Outline of stock options, size and changes

(1) Outline of stock options

March 31, 2012	1st equity warrant	2nd equity warrant
Persons to whom stock options are granted	Directors of the Bank: 10	Executive officers of the Bank: 12
Type and number of shares (*)	Common shares: 56,698	Common shares: 41,546
Grant date	August 24, 2009	August 24, 2009
Condition for vesting	Not applicable	Not applicable
Eligible service period	Not applicable	Not applicable
Period for exercise of stock options	From August 25, 2009 to August 24, 2039	From August 25, 2009 to August 24, 2039

March 31, 2012	3rd equity warrant	4th equity warrant
Persons to whom stock options are granted	Directors of the Bank: 10	Executive officers of the Bank: 13
Type and number of shares (*)	Common shares: 79,606	Common shares: 61,881
Grant date	July 21, 2010	July 21, 2010
Condition for vesting	Not applicable	Not applicable
Eligible service period	Not applicable	Not applicable
Period for exercise of stock options	From July 22, 2010 to July 21, 2040	From July 22, 2010 to July 21, 2040

March 31, 2012	5th equity warrant	6th equity warrant
Persons to whom stock options are granted	Directors of the Bank: 10	Executive officers of the Bank: 13
Type and number of shares (*)	Common shares: 78,720	Common shares: 60,999
Grant date	July 20, 2011	July 20, 2011
Condition for vesting	Not applicable	Not applicable
Eligible service period	Not applicable	Not applicable
Period for exercise of stock options	From July 21, 2011 to July 20, 2041	From July 21, 2011 to July 20, 2041

(*) The table above presents the number of common shares converted from the number of stock options.

(2) Size and changes of stock options

a. Number of stock options in the fiscal years ended March 31, 2012 and 2011

March 31, 2012	1st equity warrant	2nd equity warrant	3rd equity warrant	4th equity warrant	5th equity warrant	6th equity warrant
Non-vested:						
Previous fiscal year-end outstanding	**56,698**	**38,266**	**79,606**	**61,881**	—	—
Granted	—	—	—	—	**78,720**	**60,999**
Forfeited	—	—	—	—	—	—
Vested	**19,290**	**21,210**	**27,085**	**29,280**	—	—
Outstanding on March 31, 2012	**37,408**	**17,056**	**52,521**	**32,601**	**78,720**	**60,999**
Vested:						
Previous fiscal year-end outstanding	—	—	—	—	—	—
Vested	**19,290**	**21,210**	**27,085**	**29,280**	—	—
Exercised	**19,290**	**21,210**	**27,085**	**29,280**	—	—
Forfeited	—	—	—	—	—	—
Exercisable	—	—	—	—	—	—

b. Price information

March 31, 2012	Yen					
	1st equity warrant	2nd equity warrant	3rd equity warrant	4th equity warrant	5th equity warrant	6th equity warrant
Exercise price	**1**	**1**	**1**	**1**	**1**	**1**
Average share price at exercise	**340**	**340**	**340**	**340**	—	—
Fair value at the grate date	**417**	**439**	**297**	**318**	**300**	**321**

(c) Valuation technique for fair value of stock options

Stock options granted during the fiscal year ended March 31, 2012 were valued using the Black-Scholes option pricing model and the following principal parameters:

	5th equity warrant	6th equity warrant
Expected volatility (*1)	34.16%	35.28%
Average expected life (*2)	6 years	3 years
Expected dividends (*3)	¥8 per share	¥8 per share
Risk-free interest rate (*4)	0.48%	0.20%

(*1) Expected volatility is calculated based on the actual stock prices at the following period corresponding to the average expected life.

5th equity warrant: From July 20, 2005 to July 19, 2011

6th equity warrant: From July 22, 2008 to July 19, 2011

(*2) The average tenure of the directors and the executive officers who retired in the past is used as the average expected life in the above table.

(*3) Actual dividends on common stock for the fiscal year ended March 31, 2011.

(*4) Japanese government bond yield corresponding to the average expected life.

(d) Method of estimating number of stock options vested

Only the actual number of forfeited stock options is reflected because it is difficult to reasonably estimate the number of stock options that will be forfeited in the future.

30. Related-Party Transactions

Transactions occurred with related-party for the fiscal years ended March 31, 2012 are as follows:

Category	Name	Location	Description of transactions	Transaction amount	Account	Balance
Company majority held by relatives of director	Ito dentist	Oarai town, Ibaraki prefecture	Loan lending	—	Loans and bills discounted	¥10 million

No material transactions occurred with related-party for the fiscal years ended March 31, 2011.

31. Per-share Data

	Yen	
March 31,	**2012**	2011
Net assets per share	**¥583.98**	¥551.72
Earnings per share-basic	**23.66**	18.14
Earnings per share-diluted	**23.65**	18.14

Note: Bases for calculation of earnings per share (basic and diluted) are as follows:

	Millions of yen	
March 31,	**2012**	2011
Earnings per share		
Net income	**¥18,134**	¥13,990
Earnings not available to common shareholders	**—**	—
Net income after deduction of the portion described above	**18,134**	13,990
Weighted average number of common shares for the fiscal year (in thousands)	**766,344**	770,891
Diluted earnings per share		
Adjustment to net income	**—**	—
Increase in common shares (in thousands)	**228**	194
Attributable to equity warrants	**228**	194
Equity warrants that have no dilutive effects on earnings per share	**—**	—

Ernst & Young ShinNihon LLC
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Chiyoda-ku, Tokyo, Japan 100-0011

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Independent Auditor's Report

The Board of Directors
The Joyo Bank, Ltd.

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

Management's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

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

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

Opinion

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

Convenience Translation

We have reviewed the translation of these consolidated financial statements into U.S. dollars, presented for the convenience of readers, and, in our opinion, the accompanying consolidated financial statements have been properly translated on the basis described in Note 2.

Ernst & Young ShinNihon LLC

June 27, 2012
Tokyo, Japan

Organization

As of June 27, 2012

The JOYO BANK, LTD.

- General Meeting of Shareholders
  - Board of Corporate Auditors
  - Corporate Auditors
  - Board of Directors
  - Executive Officer Committee

- Internal Administration Group
  - Corporate Audit Division
- Corporate Management Group
  - Corporate Risk Management Division
    - Credit Risk Management Office
    - Legal and Compliance Office
  - Corporate Planning Division
    - Group Management Office
    - Publicity Office
    - IT Strategy Office
    - Tokyo Sub-Headquarters
  - Personnel Division
    - Staff Counseling Office
    - Executive Secretariat
  - General Affairs Division
- Credit Risk Management Group
  - Credit Examination Division
    - Loan Supervision Office
    - Company Management Support Office
- Operation Systems Group
  - Operation Planning Division
    - Data Processing Center
    - Area Data Processing Center
  - Computer System Division
- Business Headquarters
  - Area Management Office
  - Business Planning Division
  - Customer Services Division
    - Customer Counceling Office
  - Business Promotion Division
    - Asset Management Promotion Office
    - Integrated Finance Service Office
    - Direct Banking Center
    - Living and Business Consulting Center
    - Pension Business Promotion Center
  - Government and Municipal Business Division
- International Market Business Group
  - Treasury and Securities Division
  - Markets Administration and International Division
    - Securities Business Office
    - International Business Office
    - International Operations Office
    - Overseas Representative Office

Head Office
Tokyo Business Division (Tokyo Main Office)
146 Branches, 28 Sub-branches

Board of Directors and Corporate Auditors

As of June 27, 2012

Chairman
Kunio Onizawa

President
Kazuyoshi Terakado

Senior Managing Directors
Mikio Kawamata
Toru Hakata

Managing Directors
Toshihisa Suzuki
Katsumi Tomita
Shigeru Ichimura
Hideo Sakamoto
Katsuhiko Ito
Yoshiyuki Suzuki

Directors
Toshihiko Kawamura (outside)
Ryuzaburo Kikuchi (outside)

Corporate Auditors
Yoshiaki Terakado (standing)
Hideo Torihata (standing)
Akira Yasu
Sanenori Hitomi
Toshio Mizushima

Market Business Group and Overseas Offices

As of June 27, 2012

Head Office
5-5, Minami-machi 2-chome, Mito,
Ibaraki 310-0021, Japan
Phone: 029-231-2151

Market Operations
Senior Managing Director
Toru Hakata

Markets Administration and International Division
7-2, Yaesu 2-chome, Chuo-ku,
Tokyo 104-0028, Japan
Phone: 03-3273-1741

General Manager
Shigeru Hirose

Deputy General Manager
Osamu Midorikawa

Advisory Officer
Osato Aizawa

• Operations Group (Tokyo)
Senior Manager
Hiroki Otaka

International Business Office
5-5 Minami-machi 2-chome, Mito,
Ibaraki 310-0021, Japan
Phone: 029-300-2727

Deputy General Manager
Hideto Kashimura

Chief Officer
Masayuki Ogawa

International Operations Office
3-3, Shinhara 1-chome, Mito,
Ibaraki 310-0045, Japan
Phone: 029-255-6671
Telex: J23278 JOYOBANK
3632105 JOYOBK
Swift: JOYOJPJT

General Manager
Akihiko Hashimoto

Treasury and Securities Division
7-2, Yaesu 2-chome, Chuo-ku,
Tokyo 104-0028, Japan
Phone: 03-3273-5245

General Manager
Fuminori Nakajima

Deputy General Manager
Masahide Takauchi

• Investment Group
Senior Manager
Shuichi Kodama

• Business Promotion Group
Manager
Hiroshi Iijima

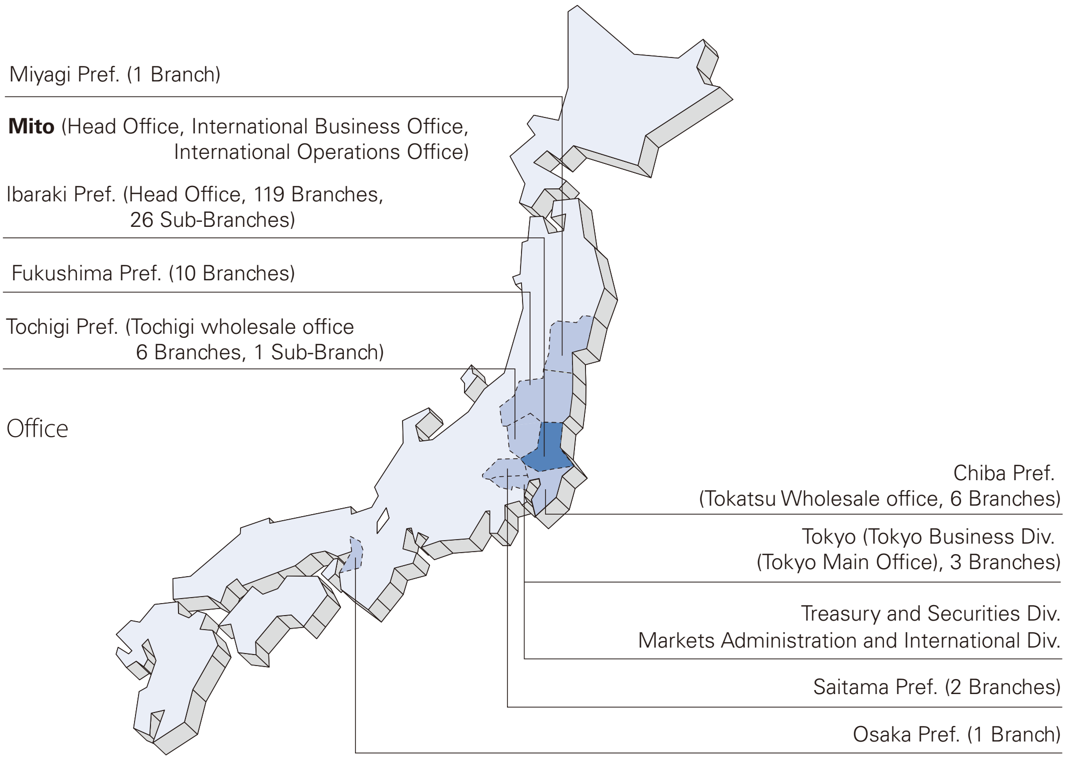
Shanghai Representative Office (Business Planning Division)
Room 1901, Shanghai International
Trade Centre, 2201 Yan An Road
(West), Shanghai 200336 P.R. of China
Phone: 86-21-6209-0258

Chief Representative
Hitoshi Gotou

Deputy Chief Representative
Tomonori Nakamura
Hiroshi Kodaira

Service Network

As of June 27, 2012



Overseas:
Shanghai Representative Office

Affiliated Companies

As of March 31, 2012

The Joyo Computer Service Co., Ltd.

16-25, Nishihara 2-chome, Mito, Ibaraki
Established: 1973
Capital Stock: ¥47.5 million
Share of Voting Rights: 5%
Sale of software and contract of calculation businesses

The Joyo Lease Co., Ltd.

4-12, Minami-machi 3-chome, Mito, Ibaraki
Established: 1974
Capital Stock: ¥100 million
Share of Voting Rights: 5%
Leasing of machinery and equipment, claim acquisition

The Joyo Credit Guarantee Co., Ltd.

4-12, Minami-machi 3-chome, Mito, Ibaraki
Established: 1978
Capital Stock: ¥30 million
Share of Voting Rights: 5%
Credit guarantee of housing loans from the Bank

The Joyo Credit Co., Ltd.

4-12, Minami-machi 3-chome, Mito, Ibaraki
Established: 1982
Capital Stock: ¥100 million
Share of Voting Rights: 5%
Credit card services

The Joyo Business Service Co., Ltd.

8-1, Sasano-machi 1-chome, Hitachinaka, Ibaraki
Established: 1984
Capital Stock: ¥100 million
Share of Voting Rights: 100%
Agent in charge of administrative work for the Bank

The Joyo Industrial Research Institute, Ltd.

5-18, Sannomaru 1-chome, Mito, Ibaraki
Established: 1995
Capital Stock: ¥100 million
Share of Voting Rights: 5%
Consulting, investigation and research

The Joyo Equipment Management Co., Ltd.

5-5, Minami-machi 2-chome, Mito, Ibaraki
Established: 1999
Capital Stock: ¥100 million
Share of Voting Rights: 100%
Maintenance and management of operational properties and equipment of the Bank

The Joyo Cash Service Co., Ltd.

3-3, Jonan 1-chome, Mito, Ibaraki
Established: 1999
Capital Stock: ¥50 million
Share of Voting Rights: 100%
Management and maintenance of ATMs and CDs

The Joyo Securities Co., Ltd.

4-12, Minami-machi 3-chome, Mito, Ibaraki
Established: 2007
Capital Stock: ¥3,000 million
Share of Voting Rights: 100%
Dealing of securities, mediation, commission and substitution of trading of securities

Corporate Data

As of March 31, 2012

■ Date of Establishment	July 30, 1935
■ Head Office	5-5, Minami-machi 2-chome, Mito, Ibaraki 310-0021, Japan Phone: 029-231-2151 URL: http://www.joyobank.co.jp/ http://www.joyobank.co.jp/joyobank/eng/ (English Page)
■ Domestic Network	Head Office, Tokyo Business Division (Tokyo Main Office), and 146 Branches, 28 Sub-branches
■ Overseas Network	1 Representative Office: Shanghai
■ Number of Employees	3,745
■ Stock Exchange Listing	Tokyo Stock Exchange
■ Paid-in Capital	¥85,113 million
■ Number of Shares (as of March 31, 2012)	Authorized 2,167,515 thousand Issued and Outstanding 810,231 thousand
■ Number of Shareholders (1 trading unit = 1,000 shares)	29,736

■ Principal Shareholders

The 10 largest shareholders of the Bank and their respective shareholdings at March 31, 2012 were as follows:

	Number of Shares Held (Thousands)	Percentage of Total Shares Outstanding (%)
Northern Trust Company (AVFC) Sub Account American Client	40,069	4.94%
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	28,992	3.57
NIPPONKOA Insurance Company, Ltd.	28,973	3.57
Japan Trustee Services Bank, Ltd. (Trust Account)	28,266	3.48
Nippon Life Insurance Company	28,003	3.45
The Dai-ichi Mutual Life Insurance Company	17,049	2.10
Sumitomo Life Insurance Company	16,448	2.03
The Master Trust Bank of Japan, Ltd. (Trust Account)	16,180	1.99
Northern Trust Company (AVFC) US Tax Exempted Pension Funds	16,073	1.98
Meiji Yasuda Life Insurance Company	9,722	1.20
Total	229,777	28.35%

For further information,please contact to:
Markets Administration and International Division, The Joyo Bank, Ltd.
7-2, Yaesu 2-chome, Chuo-ku, Tokyo 104-0028, Japan