Annual Securities Report

"Yukashoken Hokokusho"

(Excerpt)

For the fiscal years ended March 31, 2012 and 2011

FIDEA HOLDINGS CO. LTD.

FIDEA Holdings Co. Ltd.

and Subsidiaries

FIDEA Holdings Co. Ltd. and Subsidiaries

Consolidated Balance Sheets
March 31, 2012 and 2011

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2012	2011	2012
Assets:			
Cash and due from banks (Notes 18 and 23)	¥ 56,811	¥ 86,352	$ 691,636
Call loans and bills bought (Note 23)	21,000	40,831	255,661
Monetary claims bought (Note 23)	5,448	5,072	66,325
Trading account securities (Notes 5 and 23)	191	770	2,325
Money held in trust (Notes 6 and 23)	1,956	969	23,813
Securities (Notes 5, 6, 11, 14 and 23)	700,982	586,296	8,533,990
Loans and bills discounted (Notes 7, 22 and 23)	1,519,421	1,446,861	18,497,942
Foreign exchange assets (Note 23)	1,933	2,137	23,532
Tangible fixed assets (Note 8):			
Buildings	9,096	10,034	110,737
Land	10,961	11,359	133,442
Lease assets	273	328	3,323
Construction in progress	52	79	633
Other tangible fixed assets	1,538	2,015	18,724
Intangible fixed assets:			
Software	794	813	9,666
Goodwill	371	512	4,516
Other intangible fixed assets	138	140	1,680
Deferred tax assets (Note 20)	12,120	15,427	147,552
Customers' liabilities for acceptances and guarantees	13,909	14,792	169,332
Other assets (Note 11)	12,418	10,103	151,180
Allowance for loan losses (Notes 7 and 23)	(17,143)	(21,304)	(208,704)
Total assets	¥ 2,352,274	¥ 2,213,596	$ 28,637,375

(Continued)

FIDEA Holdings Co. Ltd. and Subsidiaries

Consolidated Balance Sheets
March 31, 2012 and 2011

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2012	2011	2012
Liabilities:			
Deposits (Note 23)	¥ 2,054,860	¥ 1,950,216	$ 25,016,557
Negotiable certificates of deposit (Note 23)	113,569	64,326	1,382,627
Call money and bills sold (Notes 11 and 23)	40,218	16,000	489,627
Borrowed money (Notes 10, 11 and 23)	40,430	75,614	492,208
Foreign exchange liabilities (Note 23)	42	17	511
Bonds payable (Notes 12 and 23)	5,000	10,000	60,871
Provision for bonuses	368	355	4,480
Provision for retirement benefits (Note 13)	1,676	2,194	20,404
Provision for reimbursement of deposits	381	369	4,638
Provision for contingent loss	333	314	4,054
Other provisions	60	62	730
Deferred tax liabilities (Notes 6 and 20)	17	24	206
Deferred tax liabilities for land revaluation (Note 9)	666	762	8,108
Acceptances and guarantees	13,909	14,792	169,332
Other liabilities (Note 10)	18,219	22,211	221,804
Total liabilities	2,289,754	2,157,263	27,876,235
Net assets (Note 15):			
Common stock	15,000	15,000	182,615
Capital surplus	24,744	24,744	301,241
Retained earnings	19,344	16,764	235,500
Treasury stock	(1)	(0)	(12)
Total shareholders' equity	59,087	56,508	719,345
Accumulated other comprehensive income:			
Unrealized gain (loss) on available-for-sale securities (Note 6)	998	(3,318)	12,149
Deferred loss on derivatives under hedge accounting	(16)	(17)	(194)
Revaluation reserve for land (Note 9)	1,119	1,024	13,623
Total accumulated other comprehensive income	2,101	(2,311)	25,578
Minority interests	1,331	2,136	16,204
Total net assets	62,520	56,333	761,139
Total liabilities and net assets	¥ 2,352,274	¥ 2,213,596	$ 28,637,375

See notes to consolidated financial statements.

(Concluded)

FIDEA Holdings Co. Ltd. and Subsidiaries

Consolidated Statements of Income
Years Ended March 31, 2012 and 2011

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2012	2011	2012
Income:			
Interest income:			
Interest on loans and discounts	¥ 28,756	¥ 29,602	$ 350,085
Interest and dividends on securities	4,824	4,915	58,728
Other	94	102	1,144
Fees and commissions	8,544	9,037	104,017
Other operating income	4,140	6,009	50,401
Other income (Note 16)	3,357	3,448	40,869
Total income	49,718	53,117	605,283
Expenses:			
Interest expenses:			
Interest on deposits	2,627	3,187	31,981
Interest on borrowings and rediscounts	145	152	1,765
Interest on bonds payable	227	345	2,763
Other	27	26	328
Fees and commissions	2,624	2,684	31,945
Other operating expenses	1,957	4,280	23,825
General and administrative expenses	29,180	29,264	355,247
Provision of allowance for loan losses	2,546	5,311	30,995
Other expenses (Note 16)	2,450	2,667	29,827
Total expenses	41,790	47,922	508,765
Income before income taxes and minority interests	7,928	5,194	96,518
Income taxes (Note 20):			
Current	229	168	2,787
Deferred	3,315	1,868	40,357
Total income taxes	3,544	2,037	43,145
Net income before minority interests	4,383	3,157	53,360
Minority interests in net income (loss)	140	(516)	1,704
Net income	¥ 4,243	¥ 3,674	$ 51,655

	Yen		U.S. dollars
Per share of common stock (Note 25):			
Basic net income	¥ 28.55	¥ 24.51	$ 0.3475
Diluted net income	22.83	18.03	0.2779
Cash dividends applicable to the year	5.00	5.00	0.0608

See notes to consolidated financial statements.

FIDEA Holdings Co. Ltd. and Subsidiaries

Consolidated Statements of Comprehensive Income
Years Ended March 31, 2012 and 2011

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2012	2011	2012
Net income before minority interests	¥ 4,383	¥ 3,157	$ 53,360
Other comprehensive income (Note 17):			
Unrealized gain (loss) on available-for-sale securities	4,317	(2,181)	52,556
Deferred gain on derivatives under hedge accounting	0	0	0
Revaluation reserve for land (Note 9)	95	-	1,156
Total other comprehensive income (loss)	4,413	(2,181)	53,725
Comprehensive income	¥ 8,797	¥ 976	$ 107,097
Total comprehensive income attributable to:			
Owners of the parent	¥ 8,657	¥ 1,493	$ 105,393
Minority interests	140	(517)	1,704

See notes to consolidated financial statements.

FIDEA Holdings Co. Ltd. and Subsidiaries

Consolidated Statements of Changes in Net Assets
Years Ended March 31, 2012 and 2011

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2012	2011	2012
Shareholders' equity			
Common stock:			
Balance at the beginning of year	¥ 15,000	¥ 15,000	$ 182,615
Balance at the end of year	15,000	15,000	182,615
Capital surplus:			
Balance at the beginning of year	24,744	34,712	301,241
Sale of treasury stock	0	0	0
Retirement of preferred shares	-	(9,968)	-
Balance at the end of year	24,744	24,744	301,241
Retained earnings:			
Balance at the beginning of year	16,764	13,743	204,090
Cash dividends	(875)	(717)	(10,652)
Net income	4,243	3,674	51,655
Reversal of revaluation reserve for land	1	2	12
Increase due to a merger of consolidated subsidiaries	1	-	12
Decrease due to a decrease in number of consolidated subsidiaries	-	(1)	-
Increase (decrease) due to a change in interests	(790)	64	(9,617)
Balance at the end of year	19,344	16,764	235,500
Treasury stock:			
Balance at the beginning of year	(0)	(9,972)	(0)
Acquisition of treasury stock	(0)	(0)	(0)
Sale of treasury stock	0	3	0
Retirement of preferred shares	-	9,968	-
Balance at the end of year	(1)	(0)	(12)
Total shareholders' equity:			
Balance at the beginning of year	56,508	53,484	687,947
Cash dividends	(875)	(717)	(10,652)
Net income	4,243	3,674	51,655
Acquisition of treasury stock	(0)	(0)	(0)
Sale of treasury stock	0	3	0
Retirement of preferred shares	-	-	-
Reversal of revaluation reserve for land	1	2	12
Increase due to a merger of consolidated subsidiaries	1	-	12
Decrease due to a decrease in number of consolidated subsidiaries	-	(1)	-
Increase (decrease) due to a change in interests	(790)	64	(9,617)
Balance at the end of year	¥ 59,087	¥ 56,508	$ 719,345

(Continued)

FIDEA Holdings Co. Ltd. and Subsidiaries

Consolidated Statements of Changes in Net Assets
Years Ended March 31, 2012 and 2011

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2012	2011	2012
Accumulated other comprehensive income:			
Unrealized gain (loss) on available-for-sale securities:			
Balance at the beginning of year	¥ (3,318)	¥(1,149)	$ (40,394)
Net changes of items other than shareholders' equity	4,317	(2,169)	52,556
Balance at the end of year	998	(3,318)	12,149
Deferred loss on derivatives under hedge accounting:			
Balance at the beginning of year	(17)	(18)	(206)
Net changes of items other than shareholders' equity	0	0	0
Balance at the end of year	(16)	(17)	(194)
Revaluation reserve for land:			
Balance at the beginning of year	1,024	1,027	12,466
Net changes of items other than shareholders' equity	94	(2)	1,144
Balance at the end of year	1,119	1,024	13,623
Total accumulated other comprehensive income:			
Balance at the beginning of year	(2,311)	(140)	(28,134)
Net changes of items other than shareholders' equity	4,412	(2,171)	53,713
Balance at the end of year	2,101	(2,311)	25,578
Minority interests:			
Balance at the beginning of year	2,136	2,694	26,004
Net changes of items other than shareholders' equity	(805)	(558)	(9,800)
Balance at the end of year	1,331	2,136	16,204
Total net assets:			
Balance at the beginning of year	56,333	56,038	685,816
Cash dividends	(875)	(717)	(10,652)
Net income	4,243	3,674	51,655
Acquisition of treasury stock	(0)	(0)	(0)
Sale of treasury stock	0	3	0
Reversal of revaluation reserve for land	1	2	12
Increase due to a merger of consolidated subsidiaries	1	-	12
Decrease due to a decrease in number of consolidated subsidiaries	-	(1)	-
Increase (decrease) due to a change in interests	(790)	64	(9,617)
Net changes of items other than shareholders' equity	3,607	(2,729)	43,912
Balance at the end of year	¥ 62,520	¥ 56,333	$ 761,139

See notes to consolidated financial statements.

(Concluded)

FIDEA Holdings Co. Ltd. and Subsidiaries

Consolidated Statements of Cash Flows
Years Ended March 31, 2012 and 2011

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2012	2011	2012
Operating activities:			
Income before income taxes and minority interests	¥ 7,928	¥ 5,194	$ 96,518
Adjustments for:			
Income taxes—paid	(152)	(376)	(1,850)
Depreciation and amortization	2,092	2,346	25,468
Loss on impairment—fixed assets	83	77	1,010
Amortization of goodwill	141	132	1,716
Amortization of negative goodwill	(924)	(921)	(11,249)
Change in allowance for loan losses	(4,160)	(6,158)	(50,645)
Change in provision for bonuses	13	107	158
Change in provision for retirement benefits	(517)	(763)	(6,294)
Change in provision for reimbursement of deposits	11	136	133
Change in provision for contingent loss	19	163	231
Change in other provisions	(2)	(3)	(24)
Interest income	(33,676)	(34,622)	(409,982)
Interest expenses	3,030	3,712	36,888
Loss on securities—net	5	141	60
Loss on money held in trust—net	61	45	742
Foreign exchange losses—net	1	8	12
Loss on sale and disposal of fixed assets—net	10	169	121
Net change in loans and bills discounted	(72,559)	(40,178)	(883,357)
Net change in deposits	104,644	54,827	1,273,971
Net change in negotiable certificates of deposit	49,242	14,843	599,488
Net change in trading account securities	578	(82)	7,036
Net change in borrowed money, excluding subordinated borrowings	(35,184)	33,097	(428,341)
Net change in due from banks, excluding due from Bank of Japan	(931)	1,306	(11,334)
Net change in call loans and bills bought	19,455	24,634	236,851
Net change in call money and bills sold	24,218	10,597	294,838
Net change in foreign exchange assets	204	(711)	2,483
Net change in foreign exchange liabilities	24	17	292
Interest received	32,887	34,561	400,377
Interest paid	(3,365)	(4,248)	(40,966)
Other—net	(1,871)	1,380	(22,778)
Total adjustments	83,381	94,244	1,015,108
Net cash provided by operating activities—(Forward)	¥ 91,309	¥ 99,438	$ 1,111,626

(Continued)

FIDEA Holdings Co. Ltd. and Subsidiaries

Consolidated Statements of Cash Flows
Years Ended March 31, 2012 and 2011

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2012	2011	2012
Net cash provided by operating activities—(Forward)	¥ 91,309	¥ 99,438	$ 1,111,626
Investing activities:			
Purchase of securities	(374,736)	(359,812)	(4,562,162)
Proceeds from sales of securities	201,325	276,569	2,450,998
Proceeds from maturity of securities	60,809	41,850	740,309
Increase in money held in trust	(1,030)	(3,000)	(12,539)
Decrease in money held in trust	-	3,000	-
Purchase of tangible fixed assets	(847)	(1,183)	(10,311)
Proceeds from sales of tangible fixed assets	759	134	9,240
Purchase of intangible fixed assets	(327)	(284)	(3,981)
Proceeds from sales of shares in a subsidiary	1	2	12
Net cash used in investing activities	(114,045)	(42,723)	(1,388,422)
Financing activities:			
Proceeds from issuance of subordinated bonds	-	4,950	-
Payment for redemption of subordinated bonds	(5,000)	(15,700)	(60,871)
Repayment of lease obligations	(123)	(131)	(1,497)
Dividends paid	(874)	(713)	(10,640)
Proceeds from stock issuance to minority shareholders	2	-	24
Dividends paid to minority shareholders	(52)	(53)	(633)
Purchase of treasury stock	(0)	(0)	(0)
Proceeds from sales of treasury stock	0	3	0
Purchase of treasury stock of subsidiaries in consolidation	(1,685)	-	(20,513)
Net cash used in financing activities	(7,733)	(11,644)	(94,144)
Effect of exchange rate change on cash and cash equivalents	(1)	(8)	(12)
Net (decrease) increase in cash and cash equivalents	(30,471)	45,062	(370,964)
Cash and cash equivalents at the beginning of year	81,965	36,903	997,869
Cash and cash equivalents at the end of year (Note 18)	¥ 51,494	¥ 81,965	$ 626,905

See notes to consolidated financial statements.

(Concluded)

1. Basis of Presentation

FIDEA Holdings Co. Ltd. (the "Company") is a holding company and conducts its operations through its subsidiaries and affiliates. The Company was established as a joint holding company between The Shonai Bank, Ltd. ("Shonai") and The Hokuto Bank, Ltd. ("Hokuto") on October 1, 2009 by way of a transfer of shares.

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

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

In preparing the accompanying consolidated financial statements, Japanese yen amounts are presented in millions of yen by rounding down figures to the nearest million. As a result, the totals in yen in the accompanying consolidated financial statements do not necessarily agree with the sums of the individual amounts.

The translation of yen amounts into U.S. dollar amounts is included solely for the convenience of readers outside Japan and has been made at ¥82.14 = U.S.$1.00, the exchange rate prevailing on March 30, 2012. This translation should not be construed as a representation that yen can be converted into U.S. dollars at the above or any other rate.

2. Principles of Consolidation

The consolidated financial statements include the accounts of the Company and its 12 subsidiaries (collectively the "Group") as of March 31, 2012 (14 subsidiaries as of March 31, 2011).

Under the control of influence concept, those companies in which the Company, directly or indirectly, is able to exercise control over operations are fully consolidated, and there is no unconsolidated subsidiary.

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

The excess of the acquisition cost over the underlying equity in the net assets of the consolidated subsidiaries measured at fair value at their respective dates of acquisition is presented as "goodwill" and is amortized by the straight-line method over a period of five years. Insignificant amounts of goodwill are fully charged to income in the fiscal year when it is incurred. Negative goodwill incurred on or before March 31, 2010 is amortized using the straight-line method over a period of five years. Negative goodwill incurred after April 1, 2010 is recognized as a gain when incurred.

The balance sheet dates of 10 subsidiaries and 2 subsidiaries are March 31 and December 31, respectively. The subsidiaries with balance sheet date as of December 31 are consolidated on that date and necessary adjustments are made in the consolidated financial statements to reflect the significant transactions occurred during the period between December 31 and March 31.

Those companies over which the Company has the ability to exercise significant influence, but does not control are accounted for using the equity method. However, the Company has no affiliates to be accounted for using the equity method.

3. Significant Accounting Policies

(1) Trading account securities

Trading account securities are stated at fair value as of the balance sheet date and cost of trading account securities sold is determined principally using the moving average method.

(2) Securities

Non-trading securities are classified into two categories: held-to-maturity debt securities and available-for-sale securities. Held-to-maturity debt securities are carried at amortized cost being determined by the moving average method. Available-for-sale securities whose fair values are available are stated at fair value determined based on the quoted market price as of the balance sheet date, except for equity securities which are stated at fair value determined based on the average market price during one month before the balance sheet date. Cost of sales of theses available-for sale securities is principally determined using the moving average method. Available-for-sale securities, for which it is extremely difficult to determine the fair value, are stated at cost determined by the moving-average method.
Unrealized gain or loss on available-for-sale securities is recorded under net assets, net of income taxes.

(3) Securities held in money trusts

Securities that are part of trust assets in independently managed money trusts with the primary purpose to manage securities are stated at fair value as of the balance sheet date.

(4) Derivatives

Derivatives are stated at fair value.

(5) Tangible fixed assets

Depreciation of tangible fixed assets of the Company and consolidated banking subsidiaries, except for lease assets, is calculated by the declining-balance method, while the straight-line method is applied to buildings (excluding building attachments) acquired on or after April 1, 1998. The principal useful lives are as follows:

Buildings---6 to 50 years
Others--4 to 20 years

Depreciation of tangible fixed assets of other consolidated subsidiaries is calculated principally by the straight-line method based on the estimated useful lives.

Lease assets under finance lease arrangements which do not transfer ownership of the lease assets to the lessee are depreciated over the respective lease contract periods using the straight-line method with salvage values defined in the lease contracts, otherwise with no residual value.

(6) Intangible fixed assets

Intangible fixed assets, except for lease assets, are amortized by the straight-line method. Amortization of the cost of software intended for internal use is calculated by the straight-line method based on a useful life (principally 5 years) determined by the Company and its consolidated subsidiaries.

(7) Allowance for loan losses

Allowance for loan losses is provided by the consolidated banking subsidiaries and other major consolidated subsidiaries in accordance with the prescribed standards. For claims on borrowers who have declared bankruptcy or have commenced special liquidation proceedings or similar legal proceedings ("bankrupt borrowers"), or borrowers who are not legally or formally insolvent but are regarded as substantially in the same situation ("virtually bankrupt borrowers"), an allowance is provided based on the book value of the claims, after the write-off stated below, net of the expected amount recoverable from collateral and guarantees.
For claims on borrowers who are not currently bankrupt but are likely to become bankrupt ("potentially bankrupt borrowers"), an allowance is provided at the amount deemed necessary based on the overall solvency assessment of the borrowers and the amount of the claims, net of the expected amount recoverable from collateral and guarantees.

For other claims, an allowance is provided based on the historical loan-loss ratio computed from past experiences during a certain period after categorizing into definite types.

All claims are assessed for the quality by the Asset Assessment Department with the cooperation by operating offices in accordance with the Standards for Asset Self-Assessment and then audited by the Asset Audit Department which is independent from the Asset Assessment Department. Based on the results of these assessments, an appropriate allowance is provided for the possible losses arising from doubtful assets.

For collateralized or guaranteed claims on bankrupt borrowers and virtually bankrupt borrowers of Hokuto and certain major consolidated subsidiaries, the amount of the claims exceeding the estimated value of collateral and guarantees is deemed to be uncollectible and is charged off against the total amount of the outstanding claims. These write-offs amounted to ¥18,967 million ($230,910 thousand) and ¥18,992 million for the years ended March 31, 2012 and 2011, respectively.

Allowances for loan losses of other consolidated subsidiaries are provided based on the historical loan loss ratio.

(8) Provision for bonuses

Provision for bonuses is recorded at an estimated amount of bonuses to be paid to employees based on their services for the fiscal period.

(9) Provision for retirement benefits

Provision for retirement benefits is recorded at a necessary amount based on the retirement benefit obligation and the pension plan assets as of the balance sheet date to provide for employees' retirement benefits.

Prior service cost at Shonai is amortized by the straight-line method over a period of 5 years within the average remaining years of service of the eligible employees upon occurrence. Prior service cost at Hokuto is charged to income when it is incurred.

Actuarial gain or loss is amortized from the year following the year in which the gain or loss is recognized by the straight-line method over a certain period of 10 to 15 years within the average remaining years of service of the eligible employees upon occurrence.

Unrecognized transitional obligation incurred at the time of the accounting change in the amount of ¥2,710 million ($32,992 thousand) is amortized over a period of 15 years.

(10) Provision for reimbursement of deposits

Provision for reimbursement of deposits is provided at an estimated amount of the future payments to be made for reimbursement claims on deposits which were derecognized and credited from liability to income.

(11) Provision for contingent loss

Provision for contingent loss is provided at an estimated amount of the future payments to be made for a burden charge to the Credit Guarantee Corporations in connection with the responsibility-sharing system.

(12) Other provisions

Other provisions include provision for point service program, provision for losses on interest repayment claims and provision for losses on gift card claims.

Provision for point service program relating to credit business engaged by consolidated subsidiaries is provided for the future burdens when the service will be used at the necessary amount based on the reasonably estimated amount to be used in future.

Provision for losses on interest repayment claims is provided at an amount reasonably estimated considering the historical repayment experiences to provide for repayment claims on interest on loans made by consolidated subsidiaries exceeding the maximum interest rate stipulated by the Interest Rate Restriction Act.

Provision for losses on gift card claims is provided at a reasonably estimated amount for uncollected gift cards which were recognized as income after the elapse of a certain period of time to provide for future losses when they are collected in future.

(13) Foreign currency translation

The assets and liabilities denominated in foreign currencies of the consolidated subsidiaries are translated into Japanese yen at the exchange rates in effect at the balance sheet date.

(14) Leases

Finance leases which commenced prior to April 1, 2008 and do not transfer ownership of the lease assets to the lessee are accounted for as operating leases.

(15) Hedge accounting

Interest rate risk hedging

With respect to hedge accounting for the interest rate risk arising from financial assets and liabilities of the consolidated banking subsidiaries, the Group applies deferral hedge accounting, under which gains or losses on derivatives are deferred until maturity of the hedged transactions, as stipulated in the Japanese Institute of Certified Public Accountants (JICPA) Industry Audit Committee Report No. 24. With respect to hedging transactions to offset fluctuations of the market price, the effectiveness of hedging transactions is assessed by specifying the hedged items such as deposits and loans and bills discounted and hedging instruments such as interest rate swaps and grouping these items by definite remaining maturity. With respect to hedging transactions to fix cash flows, the effectiveness of hedging is assessed by verifying the correlation of interest floating factors of hedged items and hedging instruments.

Foreign exchange risk hedging

With respect to the hedge accounting for the foreign exchange risk arising from financial assets and liabilities denominated in foreign currencies of the consolidated banking subsidiaries, the Group applies deferral hedge accounting, under which gains or losses on derivatives are deferred until maturity of the hedged transactions, as stipulated in the JICPA Industry Audit Committee Report No. 25. The Group assesses the effectiveness of its currency swaps and foreign exchange swaps entered into in order to hedge the risk of fluctuation in foreign exchange rates by comparing the foreign-currency amount of each underlying hedged item with the corresponding foreign-currency amount of the respective hedging instruments.

In addition, in order to hedge foreign exchange risk of available-for-sale securities denominated in foreign currencies except for debt securities, the fair value hedge is applied as portfolio hedging on the condition that liabilities of spot and forward foreign exchange contracts exceeding the acquisition costs of the foreign currency denominated securities on a basis of foreign currency exist, designating the issues of foreign currency denominated securities to be hedged in advance.

(16) Cash and cash equivalents

In preparing the consolidated statements of cash flows, of cash and due from banks in the consolidated balance sheets, cash and due from Bank of Japan (“BoJ”) are considered to be cash and cash equivalents.

(17) Consumption taxes

Transactions are principally stated exclusive of national and municipal consumption taxes.

(18) Accounting changes and error corrections

The “Accounting Standard for Accounting Changes and Error Corrections” (Accounting Standards Board of Japan (“ASBJ”) Statement No. 24, issued on December 4, 2009) and the “Guidance on Accounting Standard for Accounting Changes and Error Corrections” (ASBJ Guidance No. 24, issued on December 4, 2009) have been applied to the accounting changes and corrections of prior period errors which are made after the beginning of the fiscal year ended March 31, 2012.

4. Business Combination

Transaction under common control

Merger:

1. Names of the acquirer and the acquiree, their businesses, date of the business combination, legal form of the business combination, name of the company after the business combination, and outline of the transaction including purposes of the transaction

(1) Names of the acquirer and the acquiree, and their businesses
a. The acquirer
Company name: The FIDEA Research Institute Corporation
Business: Investigation and research services and information services
b. The acquiree
Company name: ISB Consulting Co., Ltd.
Business: Consulting services
(2) Date of the business combination
April 1, 2011
(3) Legal form of the business combination
Absorption-type merger
(4) Name of the company after the business combination
The FIDEA Research Institute Corporation
(5) Outline of the transaction including purposes of the transaction
The FIDEA Research Institute Corporation, a consolidated subsidiary of the Company, absorbed ISB Consulting Co., Ltd., which was also a consolidated subsidiary, on April 1, 2011 in order to improve business efficiency by the merger through integrating consulting services that were dispersed between them. There was no increase in common stock upon the merger.

2. Outline of the accounting treatment
Since this business combination was a transaction under common control, the transactions were eliminated as internal transactions in the consolidated financial statements.

5. Securities

Unrealized loss from revaluation of trading account securities amounted to ¥0 million ($0 thousand) and ¥2 million for the years ended March 31, 2012 and 2011, respectively.

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

	Millions of yen		
March 31, 2012	Carrying amount	Acquisition cost	Unrealized gain (loss)
Securities whose carrying amount exceeds their acquisition cost:			
Held-to-maturity debt securities	¥ -	¥ -	¥ -
Available-for-sale securities:			
Equity securities	¥ 7,844	¥ 6,617	¥ 1,226
Debt securities:	564,200	558,671	5,529
Japanese government bonds	273,636	271,173	2,462
Municipal bonds	143,176	141,544	1,632
Corporate bonds	147,387	145,953	1,433
Other	34,984	33,381	1,602
Subtotal	¥ 607,029	¥ 598,670	¥ 8,359
Securities whose carrying amount does not exceed their acquisition cost:			
Held-to-maturity debt securities	¥ -	¥ -	¥ -
Available-for-sale securities:			
Equity securities	¥ 10,191	¥ 11,813	¥ (1,622)
Debt securities:	31,244	31,332	(87)
Japanese government bonds	7,077	7,088	(10)
Municipal bonds	16,845	16,912	(67)
Corporate bonds	7,321	7,331	(9)
Other	49,593	54,665	(5,072)
Subtotal	¥ 91,029	¥ 97,811	¥ (6,782)
Total	¥ 698,058	¥ 696,481	¥ 1,576

March 31, 2011	Millions of yen		
	Carrying amount	Acquisition cost	Unrealized gain (loss)
Securities whose carrying amount exceeds their acquisition cost:			
Held-to-maturity debt securities	¥ -	¥ -	¥ -
Available-for-sale securities:			
Equity securities	¥ 5,660	¥ 4,616	¥ 1,043
Debt securities:	362,869	359,136	3,732
Japanese government bonds	167,897	166,026	1,870
Municipal bonds	104,769	103,719	1,050
Corporate bonds	90,202	89,390	811
Other	26,024	24,831	1,193
Subtotal	¥ 394,553	¥ 388,584	¥ 5,969
Securities whose carrying amount does not exceed their acquisition cost:			
Held-to-maturity debt securities	¥ -	¥ -	¥ -
Available-for-sale securities:			
Equity securities	¥ 10,937	¥ 12,405	¥ (1,468)
Debt securities:	130,571	132,093	(1,521)
Japanese government bonds	64,420	65,180	(759)
Municipal bonds	24,960	25,362	(402)
Corporate bonds	41,190	41,550	(359)
Other	46,353	52,054	(5,701)
Subtotal	¥ 187,862	¥ 196,553	¥ (8,691)
Total	¥ 582,415	¥ 585,137	¥ (2,721)

March 31, 2012	Thousands of U.S. dollars		
	Carrying amount	Acquisition cost	Unrealized gain (loss)
Securities whose carrying amount exceeds their acquisition cost:			
Held-to-maturity debt securities	$ -	$ -	$ -
Available-for-sale securities:			
Equity securities	$ 95,495	$ 80,557	$ 14,925
Debt securities:	6,868,760	6,801,448	67,311
Japanese government bonds	3,331,336	3,301,351	29,973
Municipal bonds	1,743,072	1,723,204	19,868
Corporate bonds	1,794,338	1,776,880	17,445
Other	425,906	406,391	19,503
Subtotal	$ 7,390,175	$ 7,288,410	$ 101,765
Securities whose carrying amount does not exceed their acquisition cost:			
Held-to-maturity debt securities	$ -	$ -	$ -
Available-for-sale securities:			
Equity securities	$ 124,068	$ 143,815	$ (19,746)
Debt securities:	380,374	381,446	(1,059)
Japanese government bonds	86,157	86,291	(121)
Municipal bonds	205,076	205,892	(815)
Corporate bonds	89,128	89,250	(109)
Other	603,761	665,510	(61,748)
Subtotal	$ 1,108,217	$ 1,190,784	$ (82,566)
Total	$ 8,498,392	$ 8,479,194	$ 19,186

Available-for-sale securities sold for the years ended March 31, 2012 and 2011 were as follows:

	Millions of yen		
March 31, 2012	Sales proceeds	Realized gain	Realized loss
Equity securities	¥ 8,860	¥ 521	¥ 781
Debt securities:	187,428	2,055	20
Japanese government bonds	148,951	870	12
Municipal bonds	25,965	1,034	-
Corporate bonds	12,511	150	7
Other	6,825	196	550
Total	¥ 203,113	¥ 2,774	¥ 1,352

	Millions of yen		
March 31, 2011	Sales proceeds	Realized gain	Realized loss
Equity securities	¥ 6,745	¥ 808	¥ 430
Debt securities:	249,627	3,526	97
Japanese government bonds	227,909	2,919	97
Municipal bonds	20,552	594	-
Corporate bonds	1,165	12	-
Other	16,719	1,228	735
Total	¥ 273,093	¥ 5,562	¥ 1,263

	Thousands of U.S. dollars		
March 31, 2012	Sales proceeds	Realized gain	Realized loss
Equity securities	$ 107,864	$ 6,342	$ 9,508
Debt securities:	2,281,811	25,018	243
Japanese government bonds	1,813,379	10,591	146
Municipal bonds	316,106	12,588	-
Corporate bonds	152,313	1,826	85
Other	83,089	2,386	6,695
Total	$2,472,766	$ 33,771	$ 16,459

Write-down of securities

Available-for-sale securities with fair value, whose fair value significantly declined compared with their acquisition cost and is not considered to be able to recover their acquisition cost, are written down to the respective fair value which is recorded as the carrying amount on the consolidation balance sheet. The related loss on revaluation is charged to income for the year.

Write-down of the above available-for-sale securities in the amount of ¥3 million ($36 thousand), all of which are equity securities, and ¥2,939 million, consisting of ¥155 million of equity securities and ¥2,784 million of others, was recognized for the years ended March 31, 2012 and March 31, 2011, respectively.

The criteria for determining whether the fair value is “significantly declined” are as follows:
If the amount computed based on the average market price of each issue during one month before the balance sheet date for equity securities or the fair value as of the balance sheet date for other securities declines more than 50% compared to their acquisition cost, the difference is recognized as write-down of securities. If they decline by more than 30% but less than 50% compared to their acquisition cost, write-down of securities is recognized for the securities whose fair value is not recoverable after considering the business condition of the issuer and past trend of the market value for a certain period.

6. Unrealized gain (loss) on available-for-sale securities

Unrealized gain (loss) on available-for-sale securities at March 31, 2012 and 2011 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2012	2011	2012
Unrealized gain (loss):	¥ 1,576	¥ (2,721)	$ 19,186
Available-for-sale securities	1,576	(2,721)	19,186
Money held in trust	-	-	-
Deferred tax liabilities	(573)	(592)	(6,975)
Unrealized gain (loss) on available-for-sale securities before adjustments by equity interest	1,003	(3,314)	12,210
Minority interests	(4)	(4)	(48)
Unrealized gain (loss) on available-for-sale securities	¥ 998	¥ (3,318)	$ 12,149

7. Loans and Bills Discounted and Risk Monitored Loans

Loans and bills discounted

Bills discounted are accounted for as financial transactions rather than as purchased bills in accordance with JICPA Industry Audit Committee Report No. 24 "Treatment for Accounting and Auditing of Application of Accounting Standard for Financial Instruments in Banking Industry." The Group has the right to sell or pledge such bills without any restrictions. These include commercial bills discounted and foreign exchange bills purchased. The total face value of such financial transactions at March 31, 2012 and 2011 amounted to ¥7,744 million ($94,278 thousand) and ¥7,291 million, respectively.

The principal of loans and bills discounted transferred to a trust bank due to securitization of home mortgage loans by Hokuto amounted to ¥8,913 million ($108,509 thousand) and ¥11,184 million at March 31, 2012 and 2011, respectively. Hokuto held the related subordinated beneficiary right in the amount of ¥7,092 million ($86,340 thousand) and ¥7,269 million, of which ¥5,992 million ($72,948 thousand) and ¥6,169 million were included in "Loans and bills discounted" and ¥1,100 million ($13,391 thousand) and ¥1,100 million were included in "Cash and due from banks" as of March 31, 2012 and 2011, respectively.

Loans and bills discounted at March 31, 2012 and 2011 include a loan participation in an amount of ¥1,390 million ($16,922 thousand) and ¥501 million, respectively, accounted for as a loan to an original debtor in accordance with the JICPA Accounting System Committee Report No. 3 dated on June 1, 1995.

Contracts for overdraft facilities and loan commitments are contracts under which the Group lends money to customers up to their prescribed limits at the customers' request as long as there are no violations of any of the conditions in the contracts. The aggregate unutilized balances within the limits of these contracts totaled ¥422,667 million ($5,145,690 thousand) and ¥404,012 million at March 31, 2012 and 2011 including the contracts whose contractual periods were either less than one year or revocable at any time, in the amount of ¥421,024 million ($5,125,687 thousand) and ¥402,062 million, respectively.

Since many of these commitments expire without being fully utilized, the unutilized amounts do not necessarily represent future cash commitments. Most of these contracts include provisions which stipulate that the consolidated subsidiaries can reject customers' requests or decrease the contract limits for an appropriate reason, such as a change in financial situation and preservation of claims.

At the inception of the contracts, they obtain collateral in the form of real estate, securities, and so forth, if deemed necessary. Subsequently, they, based on its internal rules, perform periodic reviews of the customers' business results and may take necessary measures such as reconsidering the terms of the contracts and/or requiring additional collateral or guarantees.

Risk monitored loans

Risk monitored loans which were included in loans and bills discounted at March 31, 2012 and 2011 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2012	2011	2012
Loans to bankrupt borrowers	¥ 2,572	¥ 4,046	$ 31,312
Delinquent loans	26,433	33,386	321,804
Loans past due for 3 months or more	49	47	596
Restructured loans	16,445	8,188	200,206
Total	¥ 45,500	¥ 45,669	$ 553,932

Loans to bankrupt borrowers represent non-accrual loans to borrowers who are legally bankrupt as defined in Articles 96-1-3 and 96-1-4 of the Order for Enforcement of the Corporation Tax Act (Cabinet Order No. 97 of 1965).

Delinquent loans represent non-accrual loans other than (i) loans to bankrupt borrowers and (ii) loans on which interest payments have been suspended in order to facilitate or support the reconstruction of borrowers who are experiencing financial difficulties.

Loans past due for 3 months or more represent loans on which the payment of principal and/or interest has not been received for three months or more from the due date, and which are not classified as "loans to bankrupt borrowers" or "delinquent loans."

Restructured loans are loans which have been restructured to facilitate or support the reconstruction of borrowers who are experiencing financial difficulties, with the intention of ensuring the recovery of the loans by providing more flexible repayment terms for the borrowers (such as reducing the rate of interest, suspending the payment of principal/interest, forgiving debt, etc.) and loans which are not classified in any of the above categories.

The amounts presented in the table above are stated before deducting the amount of allowance for loan losses.

8. Tangible Fixed Assets

At March 31, 2012 and 2011, accumulated depreciation of tangible fixed assets was ¥32,350 million ($393,839 thousand) and ¥34,106 million, respectively.

Under the Corporation Tax Act, capital gains arising from the exchange or replacement of assets under certain conditions are permitted to be deducted from the cost of tangible fixed assets in order to obtain certain tax benefits. The amount deducted from the cost of tangible fixed assets at March 31, 2012 and 2011 was ¥20 million ($243 thousand) and ¥40 million, respectively.

9. Revaluation of Land

In accordance with the "Act on Revaluation of Land" (the "Law") (Act No. 34 of March 31, 1998), land used for business operations of Shonai was revalued as of the date indicated below. The excess of revaluation to carrying value at the time of revaluation, net of income taxes corresponding to the excess which are recognized as "Deferred tax liabilities for land revaluation," is stated as "Revaluation reserve for land" under net assets.

Date of revaluation: September 30, 1999

The method of revaluation of asset set forth in Article 3, Paragraph 3 of the "Law":

Fair values are determined based on the land price registered in the book of taxation on land stipulated in Article 2-3 of the "Order for Enforcement of Act on Revaluation of Land" (the "Ordinance") (Cabinet Order No. 119 of March 31, 1998), with price adjustments by shape and time and the appraisal value by an independent real estate appraiser as provided by Article 2-5 of the Ordinance.

The difference between the total fair values of land used for business operations revalued pursuant to Article 10 of the "Law" and book value after revaluation of the relevant land at March 31, 2012 and 2011 was ¥1,506 million ($18,334 thousand) and ¥1,443 million, respectively.

10. Borrowed Money and Lease Obligations

Borrowed money and lease obligations at March 31, 2012 and 2011 were as follows:

	Millions of yen		Thousands of U.S. dollars	Average interest rate (%)	Maturity
	2012	2011	2012		
Borrowed money	¥ 40,430	¥ 75,614	$ 492,208	0.35	Apr. 2012 through Oct. 2018
Current portion of lease obligations	113	120	1,375	3.29	
Lease obligations, less current portion	170	219	2,069	3.60	Apr. 2013 through Sep. 2018

Note: Average interest rate is computed based on the interests and the balances as of the balance sheet date by the weighted average method.

Annual maturities of borrowed money and lease obligations within five years at March 31, 2012 are as follows:

	Millions of yen				
	Due in one year or less	Due after one year through two years	Due after two years through three years	Due after three years through four years	Due after four years through five years
Borrowed money	¥ 34,630	¥ -	¥ -	¥ -	¥ -
Lease obligations	113	75	43	25	16

	Thousands of U.S. dollars				
	Due in one year or less	Due after one year through two years	Due after two years through three years	Due after three years through four years	Due after four years through five years
Borrowed money	$ 421,597	$ -	$ -	$ -	$ -
Lease obligations	1,375	913	523	304	194

Note: Lease obligations are included in "Borrowed money" and "Other liabilities" in the accompanying consolidated balance sheet.

Subordinated borrowings of ¥5,800 million ($70,611 thousand) were included in borrowed money at March 31, 2012 and 2011.

11. Assets Pledged

Assets pledged as collateral at March 31, 2012 and 2011 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2012	2011	2012
Securities	¥ 104,754	¥ 93,252	$ 1,275,310

The liabilities secured by the above pledged assets at March 31, 2012 and 2011 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2012	2011	2012
Call money	¥ 39,800	¥ 16,000	$ 484,538
Borrowed money	34,630	69,800	421,597

In addition to the pledged assets listed above, securities in the amount of ¥171,852 million ($2,092,184 thousand) and ¥104,294 million and cash and due from banks in the amount of ¥8 million ($97 thousand) and ¥8 million are pledged as collateral for domestic exchange transactions or as margins on futures contracts at March 31, 2012 and 2011, respectively. Other assets include guarantee deposits in the amount of ¥589 million ($7,170 thousand) and ¥612 million at March 31, 2012 and 2011, respectively.

12. Bonds Payable

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

Issuer/description	Issued	Millions of yen 2012	Millions of yen 2011	Thousands of U.S. dollars 2012	Coupon rate (%)	Secured/ unsecured	Due
Shonai							
3rd subordinated bonds	Feb. 23, 2007	¥ -	¥ 5,000	$ -	1.90	Unsecured	-
4th subordinated bonds	Jul. 13, 2010	5,000	5,000	60,871	2.84	Unsecured	Jul. 13, 2020
Total		¥ 5,000	¥ 10,000	$ 60,871			

13. Retirement Benefit Plans

The consolidated banking subsidiaries have defined benefit pension plans consisting of corporate pension fund and lump-sum payment plans. Shonai has introduced a corporate pension fund similar with cash balance plans, and established a defined contribution pension plan in October 2006.

Hokuto has established a retirement benefit trust. Hokuto abolished a tax qualified pension plan at the end of August 2011 and has established a defined contribution pension plan since February 2012.

The Group may pay additional retirement benefits to certain employees which are not covered by the actuarially projected retirement benefit obligation pursuant to the accounting standard for retirement benefits. Consolidated subsidiaries other than banking subsidiaries adopt principally lump-sum payment plans.

(1) The assets and liabilities of the employees' retirement benefit plans at March 31, 2012 and 2011 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2012	2011	2012
Retirement benefit obligation	¥ (13,673)	¥ (15,264)	$ (166,459)
Pension plan assets at fair value	11,451	11,993	140,504
Unfunded benefit obligation	(2,222)	(3,271)	(27,051)
Unrecognized net retirement benefit obligation at transition	542	722	6,598
Unrecognized actuarial differences	1,981	1,778	24,117
Unrecognized prior service cost	-	(84)	-
Net retirement benefit obligation	301	(855)	3,664
Prepaid pension cost	1,978	1,338	24,080
Provision for retirement benefits	¥ (1,676)	¥ (2,194)	$ (20,404)

Notes: (1) Above table does not include additional retirement benefits to be paid on a temporary base.
(2) In computing retirement benefit obligation, subsidiaries other than banking subsidiaries mainly adopt the simplified method.

(2) Retirement benefit expenses for the years ended March 31, 2012 and 2011 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2012	2011	2012
Service cost	¥ 460	¥ 484	$ 5,600
Interest cost	330	351	4,017
Expected return on plan assets	(161)	(274)	(1,960)
Amortization of prior service cost	(84)	(169)	(1,022)
Amortization of actuarial gain	241	210	2,934
Amortization of net retirement benefit obligation at transition	180	180	2,191
Additional retirement benefits and other	-	63	-
Net periodic retirement benefit expenses	¥ 967	¥ 846	$ 11,772

Retirement benefit expenses of the consolidated subsidiaries adopting the simplified method are collectively recorded in "Service cost."

(3) The assumptions used in accounting for the above plans for the years ended March 31, 2012 and 2011 were as follows:

	2012	2011
Discount rate	1.9% - 2.0%	2.0% - 2.5%
Expected rate of return on plan assets	0.02% - 1.5%	0.04% - 3.0%
Method of attributing expected benefit to periods	Straight-line basis	
Amortization period of prior service cost	Charged to income upon occurrence at Shonai on a straight-line basis over a period of 5 years within the average remaining service years of employees. Charged to income when incurred at Hokuto.	
Amortization period of actuarial difference	10-15 years (charged to income beginning from the following year after incurrence with the inter-period allocated amount on a straight-line basis over a certain period within the average remaining service years of employees upon occurrence)	
Amortization period of net retirement benefit obligation at transition	15 years	

14. Contingent Liabilities

Guarantee liabilities for corporate bonds acquired through private offering (as defined in Article 2-3 of the Financial Instruments and Exchange Act) among those classified as corporate bonds in "Securities" amounted to ¥8,487 million ($103,323 thousand) and ¥2,940 million at March 31, 2012 and 2011, respectively.

15. Shareholders' Equity

Japanese banks are required to comply with the Banking Act and the Companies Act of Japan (the "Act"). The Act stipulates that neither additional paid-in capital nor the legal reserve is available for dividends, but that both may be used to reduce or eliminate a deficit. Under the Banking Act, an amount which is at least equal to 20% of the aggregate amount of cash dividends and certain appropriations of retained earnings associated with cash outlays applicable to each fiscal period is to be appropriated to the legal reserve until the aggregate amount of the legal reserve and the capital surplus account equals 100% of the amount of share capital. The Act also provides that if the aggregate amount of additional paid-in capital and the legal reserve exceeds 100% of the amount of share capital, the excess may be distributed to the shareholders either as a return of capital or as dividends subject to the approval of the shareholders.

The maximum amount which the bank can distribute as dividends is calculated based on the non-consolidated financial statements of the bank and in accordance with the Act.

Movements in common stock, preferred stock and treasury stock during the years ended March 31, 2012 and 2011 are summarized as follows:

	Number of shares (in thousands)				
	April 1, 2011	Increase	Decrease	March 31, 2012	Ref.
Issued shares:					
Common stock	143,464	-	-	143,464	
Preferred stock Class B	25,000	-	-	25,000	
Total	168,464	-	-	168,464	
Treasury stock:					
Common stock	4	1	0	6	Note (1)
Total	4	1	0	6	

Note (1) Increase in number of shares is due to request for purchase of less than one unit, and decrease in number of shares is due to request for sale of less than one unit.

	Number of shares (in thousands)				
	April 1, 2010	Increase	Decrease	March 31, 2011	Ref.
Issued shares:					
Common stock	143,464	-	-	143,464	
Preferred stock Class A	20,206	-	20,206	-	Note (1)
Preferred stock Class B	25,000	-	-	25,000	
Total	188,671	-	20,206	168,464	
Treasury stock:					
Common stock	18	2	16	4	Note (2)
Preferred stock Class A	20,206	-	20,206	-	Note (1)
Total	20,225	2	20,223	4	

Note (1) All the shares of preferred stock Class A were retired effective December 22, 2010. The decrease in number of shares was due to retirement by purchase.

Note (2) Increase in number of shares is due to request for purchase of less than one unit and decrease in number of shares is due to request for sale of less than one unit and sales of the Company's shares held by a consolidated subsidiary.

16. Other Income and Other Expenses

Gain on transition of defined contribution pension plan of Hokuto of ¥500 million ($6,087 thousand) is included in other income for the year ended March 31, 2012.

Other expenses for the years ended March 31, 2012 and 2011 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2012	2011	2012
Loss on sales of equity securities, etc.	¥ 1,058	¥ 547	$ 12,880
Loss on disposal of fixed assets	94	181	1,144
Impairment loss	83	77	1,010
Other	1,215	1,862	14,791
Total	¥ 2,450	¥ 2,667	$ 29,827

17. Comprehensive Income

Reclassification adjustments and income tax effect for each component of other comprehensive income for the year ended March 31, 2012 were as follows:

	Millions of yen	Thousands of U.S. dollars
	2012	2012
Unrealized gain (loss) on available-for-sale securities:		
Gain arising during the year	¥ 5,671	$ 69,040
Reclassification adjustments	(1,373)	(16,715)
Before income tax effect	4,298	52,325
Income tax effect	19	231
Unrealized gain (loss) on available-for-sale securities	4,317	52,556
Deferred loss on derivatives under hedge accounting:		
Gain arising during the year	3	36
Reclassification adjustments	-	-
Before income tax effect	3	36
Income tax effect	(2)	(24)
Deferred loss on derivatives under hedge accounting	0	0
Revaluation reserve for land:		
Gain (loss) arising during the year	-	-
Reclassification adjustments	-	-
Before income tax effect	-	-
Income tax effect	95	1,156
Revaluation reserve for land	95	1,156
Total other comprehensive income	¥ 4,413	$ 53,725

18. Cash and Cash Equivalents

A reconciliation of cash and due from banks in the accompanying consolidated balance sheets to cash and cash equivalents in the accompanying consolidated statements of cash flows at March 31, 2012 and 2011 is summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2012	2011	2012
Cash and due from banks	¥ 56,811	¥ 86,352	$ 691,636
Due from banks (excluding due from BoJ)	(5,317)	(4,386)	(64,730)
Cash and cash equivalents	¥ 51,494	¥ 81,965	$ 626,905

19. Leases

The Group leases certain personal computers, automated teller machines, etc. under finance lease arrangements. The Group accounts for finance leases which commenced prior to April 1, 2008 and do not transfer ownership of the lease assets to the lessee as operating lease transactions as permitted by the accounting standard. The following pro forma amounts represent the acquisition costs, accumulated depreciation and net book value of the leased fixed assets as of March 31, 2012 and 2011, which would have been reflected in the accompanying consolidated balance sheets if finance lease accounting had been applied to the finance leases under which the Group are lessees and which are currently accounted for as operating leases:

	Millions of yen		
March 31, 2012	Tangible fixed assets	Intangible fixed asses	Total
Acquisition costs	¥ 875	¥ 227	¥ 1,103
Accumulated depreciation	662	224	887
Net book value	¥ 213	¥ 3	¥ 216

	Millions of yen		
March 31, 2011	Tangible fixed assets	Intangible fixed asses	Total
Acquisition costs	¥ 1,203	¥ 228	¥ 1,432
Accumulated depreciation	844	187	1,031
Net book value	¥ 359	¥ 41	¥ 400

	Thousands of U.S. dollars		
March 31, 2012	Tangible fixed assets	Intangible fixed asses	Total
Acquisition costs	$ 10,652	$ 2,763	$ 13,428
Accumulated depreciation	8,059	2,727	10,798
Net book value	$ 2,593	$ 36	$ 2,629

Future minimum lease payments subsequent to March 31, 2012 for finance leases accounted for as operating leases are summarized as follows:

	Millions of yen	Thousands of U.S. dollars
Due within one year	¥ 105	$ 1,278
Due after one year	127	1,546
Total	¥ 233	$ 2,836

Total lease payments related to finance leases accounted for as operating leases, depreciation expense and interest expenses, which have not been reflected in the accompanying consolidated statements of income for the years ended March 31, 2012 and 2011, are summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2012	2011	2012
Total lease payments	¥ 264	¥ 285	$ 3,214
Depreciation expense	236	251	2,873
Interest expenses	12	21	146

Depreciation expense has been computed by the straight-line method assuming the lease periods to be the useful lives of the respective assets and a nil residual value.
The difference between the total lease payments and the amounts corresponding to acquisition costs of the lease assets, which is the amount corresponding to interest expenses, is allocated over the period using the interest method.

20. Income Taxes

The tax effect of temporary differences which gave rise to significant portions of the deferred tax assets and liabilities at March 31, 2012 and 2011 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2012	2011	2012
Deferred tax assets:			
Allowance for loan losses	¥ 8,922	¥ 10,958	$ 108,619
Tax loss carryforwards	5,003	4,940	60,908
Allowance for investment loss	3,876	4,107	47,187
Write-down of securities	1,748	3,633	21,280
Provision for retirement benefits	1,622	1,899	19,746
Unrealized loss on available-for-sale securities	88	1,671	1,071
Depreciation	1,169	1,388	14,231
Other	983	954	11,967
Gross deferred tax assets	23,414	29,553	285,049
Valuation allowance	(9,403)	(13,082)	(114,475)
Total deferred tax assets	¥ 14,011	¥ 16,471	$ 170,574
Deferred tax liabilities:			
Unrealized gain on available-for-sale securities	¥ (1,449)	¥ (677)	$ (17,640)
Other	(458)	(391)	(5,575)
Total deferred tax liabilities	(1,908)	(1,069)	(23,228)
Net deferred tax assets	¥ 12,102	¥ 15,402	$ 147,333

A reconciliation of the statutory tax rate to the effective tax rate for the year ended March 31, 2012 is as follows:

	2012
Normal effective statutory tax rate	40.6%
Non-deductible expenses such as entertainment expenses	0.4
Non-taxable income such as dividend income	(7.9)
Per capita inhabitant tax	0.7
Valuation allowance	(6.6)
Amortization of negative goodwill	(4.7)
Consolidation adjustments	6.6
Reduction of deferred tax assets due to change in income tax rates	14.7
Other	0.8
Actual effective tax rate	44.7%

The reconciliation for the year ended March 31, 2011 was omitted, since the difference was less than 5% of the effective statutory tax rate.

Following the promulgation on December 2, 2011 of the "Act for Partial Revision of the Income Tax Act, etc. for the Purpose of Creating a Taxation System Responding to Changes in Economic and Social Structures" (Act No. 114 of 2011) and the "Act on Special Measures for Securing Financial Resources Necessary to Implement Measures for Reconstruction following the Great East Japan Earthquake" (Act No. 117 of 2011), the corporate income tax rate will be reduced and the special reconstruction corporation tax, a surtax for reconstruction funding after the Great East Japan Earthquake, will be imposed for the fiscal years beginning on or after April 1, 2012. In line with these, the statutory tax rate used to calculate deferred tax assets and liabilities was changed from 40.6% to 37.9% for temporary differences expected to reverse during the periods from the fiscal year beginning on April 1, 2012 to the fiscal year beginning on April 1, 2014, and to 35.5% for temporary differences expected to reverse from the fiscal years beginning from April 1, 2015 and thereafter.
As a result of these changes, "Deferred tax assets" and "Deferred tax liabilities" decreased by ¥1,093 million ($13,306 thousand) and ¥2 million ($24 thousand), respectively, and "Unrealized gain (loss) on available-for-sale securities" and "Income taxes – Deferred" increased by ¥79 million ($961 thousand) and ¥1,169 million ($14,231 thousand), respectively. "Deferred tax liabilities for land revaluation" decreased by ¥95 million ($1,156 thousand), and "Revaluation reserve for land" increased by the same amount accordingly.

21. Segment Information

(1) Segment information

The Group has a single segment of banking business. Accordingly, segment information by type of business is omitted.

(2) Related information

Information by service

	Millions of yen			
March 31, 2012	Lending	Securities investment	Other	Total
Ordinary income from external customers	¥ 29,185	¥ 7,603	¥ 12,338	¥ 49,126

	Millions of yen			
March 31, 2011	Lending	Securities investment	Other	Total
Ordinary income from external customers	¥ 29,602	¥ 10,483	¥ 12,631	¥ 52,717

March 31, 2012	Thousands of U.S. dollars Lending	Securities investment	Other	Total
Ordinary income from external customers	$ 355,308	$ 92,561	$ 150,206	$ 598,076

"Ordinary income" is defined as income less certain special income included in the accompanying consolidated statements of income.

Geographic information

a. Ordinary income
   Information about ordinary income by geographic area for the years ended March 31, 2012 and 2011 is omitted as ordinary income from external customers in Japan was more than 90% of "Ordinary income" in the consolidated statements of income.
b. Tangible fixed assets
   Information about tangible fixed assets by geographic area as of March 31, 2012 and 2011 is omitted as tangible fixed assets in Japan was more than 90% of "Tangible fixed assets" in the consolidated balance sheets.

Information by major customer

Information by major customer for the years ended March 31, 2012 and 2011 is omitted since there was no single external customer accounting for 10% or more of the consolidated ordinary income.

22. Related Party Transactions

Transactions between the Company and its directors and major shareholders as of March 31, 2012 and 2011 and for the years then ended are as follows:

2012

Type	Name	Address	Capital (Millions of yen)	Business	Ownerships of voting rights (%)	Transaction type	Transaction amount	Account	Balance at March 31, 2012
Companies whose voting rights are owned by the director or his/her relatives	Ishii Shoji Co., Ltd. Note (1)	Akita city, Akita Pref.	¥10	Real estate rental	0.0% directly held	Lending	¥73 million ($888 thousand)	Loans and bills discounted	¥62 million ($754 thousand)
	Netz Toyota Akita Co., Ltd. Note (2)	Akita city, Akita Pref.	¥40	Car distributor	0.0% directly held	Lending	¥472 million ($5,746 thousand)	Loans and bills discounted	¥400 million ($4,869 thousand)
	Akita Kubota Co., Ltd. Note (1)	Akita city, Akita Pref.	¥60	Agricultural machines distributor	0.0% directly held	Lending	¥243 million ($2,958 thousand)	Loans and bills discounted	¥420 million ($5,113 thousand)
	Toyota Renta Lease Akita Co., Ltd. Note (2)	Akita city, Akita Pref.	¥36	Rental and lease of vehicles	0.0% directly held	Lending	¥212 million ($2,580 thousand)	Loans and bills discounted	¥300 million ($3,652 thousand)
	Ugo Setsubi Co., Ltd. Note (3)	Akita city, Akita Pref.	¥20	Pipe works	0.0% directly held	Lending	¥270 million ($3,287 thousand)	Loans and bills discounted	¥317 million ($3,859 thousand)
						Guarantee for liabilities	¥20 million ($243 thousand)	Customers' liabilities for acceptance and guarantees	¥23 million ($280 thousand)
	Ugo Densetsu Kogyo Co., Ltd. Note (4)	Akita city, Akita Pref.	¥30	Electric works	0.0% directly held	Lending	¥8 million ($97 thousand)	Loans and bills discounted	-
						Guarantee for liabilities	¥75 million ($913 thousand)	Customers' liabilities for acceptances and guarantees	¥59 million ($718 thousand)
	Ugo Hatsuhenden Koji Co., Ltd. Note (4)	Akita city, Akita Pref.	¥20	Electric works	-	Lending	¥51 million ($620 thousand)	Loans and bills discounted	¥41 million ($499 thousand)
						Guarantee for liabilities	¥0 million ($0 thousand)	Customers' liabilities for acceptances and guarantees	¥0 million ($0 thousand)

2011

Type	Name	Address	Capital (Millions of yen)	Business	Ownerships of voting rights (%)	Transaction type	Transaction amount	Account	Balance at March 31, 2011
Companies whose voting rights are owned by the director or his/her relatives	Ishii Shoji Co., Ltd. Note (1)	Akita city, Akita Pref.	¥10	Real estate rental	0.0% directly held	Lending	¥93 million	Loans and bills discounted	¥85 million
	Netz Toyota Akita Co., Ltd. Note (2)	Akita city, Akita Pref.	¥40	Car distributor	0.0% directly held	Lending	¥532 million	Loans and bills discounted	¥775 million
	Akita Kubota Co., Ltd. Note (1)	Akita city, Akita Pref.	¥60	Agricultural machines distributor	0.0% directly held	Lending	¥345 million	Loans and bills discounted	¥550 million
	Toyota Renta Lease Akita Co., Ltd. Note (2)	Akita city, Akita Pref.	¥36	Rental and lease of vehicles	0.0% directly held	Lending	¥183 million	Loans and bills discounted	¥120 million
	Ugo Setsubi Co., Ltd. Note (3)	Akita city, Akita Pref.	¥20	Pipe works	0.0% directly held	Lending	¥232 million	Loans and bills discounted	¥306 million
						Guarantee for liabilities	¥20 million	Customers' liabilities for acceptances and guarantees	¥12 million
	Ugo Densetsu Kogyo Co., Ltd. Note (4)	Akita city, Akita Pref.	¥30	Electric works	0.0% directly held	Lending	¥25 million	Loans and bills discounted	¥50 million
						Guarantee for liabilities	¥72 million	Customers' liabilities for acceptances and guarantees	¥45 million
	Ugo Hatsuhenden Koji Co., Ltd. Note (4)	Akita city, Akita Pref.	¥20	Electric works	-	Lending	¥54 million	Loans and bills discounted	¥47 million

Notes: (1) Tadanari Ishii, who is a director of Hokuto which is a significant consolidated subsidiary of the Company, and his relatives own the majority of voting rights of Ishii Shoji Co., Ltd. Akita Kubota Co., Ltd. is a subsidiary of Ishii Shoji Co., Ltd.

(2) Tadanari Ishii, who is a director of Hokuto which is a significant consolidated subsidiary of the Company, and his relatives and Ishii Shoji Co., Ltd. own the majority of voting rights of Netz Toyota Akita Co., Ltd. Toyota Renta Lease Akita Co., Ltd. is a subsidiary of Netz Toyota Akita Co., Ltd.

(3) Hiroyuki Sato, who is a director of Hokuto which is a significant consolidated subsidiary of the Company, and his relatives own the majority of voting rights of Ugo Setsubi Co., Ltd.

(4) Shin-ichi Nanayama, a corporate auditor of Hokuto which is a significant consolidated subsidiary of the Company, and his relatives own the majority of voting rights of Ugo Densetsu Kogyo Co., Ltd. Ugo Hatsuhenden Koji Co., Ltd. is a subsidiary of Ugo Densetsu Kogyo Co., Ltd.

(5) The trading conditions and policies are the same as those of the transactions with general parties.

(6) The transaction amount is shown by the average balance.

There is no other related party transaction to be disclosed for the years ended March 31, 2012 and 2011.

23. Financial Instruments and Related Disclosures

1. Status of Financial Instruments

(1) Policy on financial instruments

The Group is engaged in financial information services centering on banking business such as deposit-taking and lending services for domestic corporate and individual customers and management of securities such as debt and equity securities and investment trusts. The Group accepts risk as long as it remains financially healthy and intends to improve its earning power in order to continue to conduct these services.

The Group holds financial assets and liabilities exposed to the fluctuation risk of interest rates. Accordingly, the Group conducts asset and liability management (ALM) and enters into derivative transactions if necessary in order to avoid adverse effect by the interest-rate fluctuation.

(2) Contents of financial instruments and their risks

Financial assets held by the Group mainly consist of loans and bills discounted to domestic corporate and individual customers, which are exposed to credit risk arising from customers' nonperformance of contractual obligations. In addition, securities, principally consisting of equity securities, debt securities, investment trusts and investment in partnerships, are held for the purposes of net investment and strategic investment. These

financial assets are exposed to credit risk of issuers and fluctuation risk of interest rates and market prices.
Major financial liabilities, consisting of deposits and negotiable certificates of deposit, are principally deposits accepted from domestic corporate and individual customers. They require attentions to liquidity risk arising from concentrated cancellation of deposits, but most of those deposits are from individual customers and accordingly, the risk is dispersed to small accounts and liquidity risk is controlled by limiting the ratio of large deposit accounts to a certain level.
Derivative contracts which the Group enters into consist of interest rate swaps employed as part of ALM and futures of debt securities held in the category of available-for-sale securities, options, etc. In addition, the Group enters into hybrid financial instruments embedded with derivatives. These derivatives are not entered into for speculative purpose but mainly for hedging purposes.

(3) Risk management system for financial instruments
The Group has established the “Basic Policy on Risk Management” and various risk control rules and a system to conduct the risk management as follows:

a. Credit risk management:
In accordance with the “Credit Policy” and “Credit Risk Management Rule,” for loans and bills discounted, a credit control system has been established and maintained, including credit review by individual contract, credit limit control, credit information control, internal ratings, retrospective control on self-assessment, establishment of guaranty and security, countermeasures for problem accounts, credit concentration risk management, etc. These credit controls are performed by the loan departments in addition to each operating office, being reported to and discussed at the management meetings on a regular basis. Furthermore, the status of credit control is examined by the internal audit department.

b. Market risk management:
For market transactions, front office, middle office and back office, each of which is independent of others, are mutually controlled.

Interest rate risk management:
The Group manages the fluctuation risk of interest rates by ALM. In accordance with the “Market Risk Management Rule,” the Group measures the exposure of interest rate risk, monitoring by gap analysis and sensitivity analysis on a regular basis, and reports to the management meetings on a regular basis and discuss the future countermeasure based on the analysis of current status.

Foreign exchange risk management:
The Group manages foreign exchange risk, in accordance with the “Market Risk Management Rule,” by establishing total positions and loss limits or entering into hedging activities.

Price fluctuation risk management:
The Group manages price fluctuation risk in accordance with “Market Risk Management Rule.” Risk exposures to securities are monitored for usage against the pre-set limit by the Risk Control Department on a daily basis based on Value at Risk (VaR) and other risk indexes such as 10BVP and reported to the management meetings.

Derivative transactions:
With respect to derivative transactions, the Group segregates the duties of the departments responsible for execution of transactions, verification of hedge effectiveness, and operation administration and conducts transactions under the management and control based on the handling rules.

Quantitative information about market risk:
Financial instruments not for trading purposes
The Group identifies and manages the market risk volume using VaR on a daily basis, since the Group holds many financial instruments whose fair values fluctuate on a daily basis and such fluctuation amount is greater than other risk categories. The market risk volume of the Group is controlled as the total amounts of market risk volume of Shonai and Hokuto which are the subsidiaries.
Market risk volume of the banking business of the Group at March 31, 2012 and 2011 and for the years then ended was as follows:

	Billions of yen			
	2012			
	Average	Maximum	Minimum	As of the fiscal year-end
Due from banks, loans and bills discounted and others	¥ 1.9	¥ 6.5	¥ 0.6	¥ 0.6
Securities:	18.2	19.7	15.2	15.3
Debt securities	7.4	8.7	5.5	5.5
Equity securities	5.8	6.5	5.0	5.0
Other	8.5	9.5	7.4	7.6

	Billions of yen			
	2011			
	Average	Maximum	Minimum	As of the fiscal year-end
Due from banks, loans and bills discounted and others	¥ 3.3	¥ 4.4	¥ 2.7	¥ 4.4
Securities:	18.2	20.1	16.7	19.6
Debt securities	6.9	8.5	5.6	7.7
Equity securities	5.0	6.1	4.5	5.9
Other	9.2	10.4	8.4	9.5

	Millions of U.S. dollars			
	2012			
	Average	Maximum	Minimum	As of the fiscal year-end
Due from banks, loans and bills discounted and others	$ 23.1	$ 79.1	$ 7.3	$ 7.3
Securities:	221.5	239.8	185.0	186.2
Debt securities	90.0	105.9	66.9	66.9
Equity securities	70.6	79.1	60.8	60.8
Other	103.4	115.6	90.0	92.5

(*1) VaR is measured in principle using the variance/co-variance method, but certain financial instruments such as structured bonds are measured using other different methods including the Monte Carlo Simulation method.

(*2) Holding period is assumed to be 60 business days for higher market liquidity financial instruments such as Japanese government bonds, municipal bonds, listed equity securities (excluding strategic investments), etc., and 125 business days for less market liquidity financial instruments, due from banks, loans and bills discounted, etc.

(*3) 99 % is used for confidence interval, and 250 business days are used as extraction period of market data to measure volatility.

(*4) The total amount does not agree since correlation between the risks of debt securities and equity securities is taken into account.

Within the Group, each banking subsidiary implements back tests comparing the VaR of one day holding period measured by the model and actual losses, in order to verify the accuracy of the measurement model of the market risk volume concerning the VaR of securities.

As a result of back tests implemented in the fiscal year ended March 31, 2012, actual losses of certain assets exceeded the VaR, but any banking subsidiary does not consider it necessary to review the measurement model considering the number of times. The measurement models currently in use are considered to be capturing the market risk on the proper accuracy.

In implementing the risk management using the VaR, the following particular points are paid attention to:

(i) Quantitative information such as VaR of market risk is determined based on the statistical assumptions and may result in different value depending on the different assumptions and computation methods.

(ii) Quantitative information such as VaR of market risk is a statistical value computed based on the assumptions and not intended to estimate the amount of maximum losses. Profit or loss is assumed to exceed VaR on the frequency corresponding to the confidence interval.

(iii) Future market conditions may differ significantly from the past.

Financial instruments for trading purposes are excluded from the scope of disclosure, since the outstanding balance at any banking subsidiary is very insignificant and the materiality of effect on the management is quite limited.

c. Liquidity risk management:
The Group sets limits on liquidity risk management and reports to the management meetings, monitoring the results on a daily basis in accordance with the "Liquidity Risk Management Rule."

(4) Supplementary explanation about fair value of financial instruments

The fair value of financial instruments includes, in addition to the value determined based on the market price, a valuation calculated on a reasonable basis, such as theoretical price if no market price is available. Since certain assumptions are used in calculating the value, the result of such calculation may vary if different assumptions are used.

2. Fair value of financial instruments

The carrying amount, the fair value and their related difference as of March 31, 2012 and 2011 were as follows. Note that unlisted equity securities for which fair value is extremely difficult to determine are not included in the following table (See Note 2 below).

	Millions of yen		
March 31, 2012	Carrying amount	Fair value	Difference
Cash and due from banks	¥ 56,811	¥ 56,811	¥ -
Call loans and bills bought	21,000	21,000	-
Monetary claims bought (*1)	5,390	5,390	-
Trading account securities:			
Trading securities	191	191	-
Money held in trust	1,956	1,956	-
Securities:			
Available-for-sale securities	698,058	698,058	-
Loans and bills discounted	1,519,421		
Allowance for loan losses (*1)	(16,588)		
	1,502,832	1,543,046	40,213
Foreign exchange assets (*1)	1,932	1,932	-
Total assets	¥ 2,288,174	¥ 2,328,387	¥ 40,213
Deposits	¥ 2,054,860	¥ 2,055,145	¥ 285
Negotiable certificates of deposit	113,569	113,569	-
Call money and bills sold	40,218	40,218	-
Borrowed money	40,430	40,431	1
Foreign exchange liabilities	42	42	-
Bonds payable	5,000	5,102	102
Total liabilities	¥ 2,254,121	¥ 2,254,510	¥ 389
Derivative transactions (*2)			
To which hedge accounting is not applied	¥ 128	¥ 128	-
To which hedge accounting is applied	(25)	(25)	-
Total derivative transactions	¥ 102	¥ 102	-

March 31, 2011	Millions of yen Carrying amount	Fair value	Difference
Cash and due from banks	¥ 86,352	¥ 86,352	¥ -
Call loans and bills bought	40,831	40,831	-
Monetary claims bought (*1)	5,017	5,017	-
Trading account securities:			
Trading securities	770	770	-
Money held in trust	969	969	-
Securities:			
Available-for-sale securities	582,415	582,415	-
Loans and bills discounted	1,446,861		
Allowance for loan losses (*1)	(19,228)		
	1,427,633	1,466,717	39,083
Foreign exchange assets (*1)	2,135	2,135	-
Total assets	¥ 2,146,125	¥ 2,185,209	¥ 39,083
Deposits	¥ 1,950,216	¥ 1,950,667	¥ 451
Negotiable certificates of deposit	64,326	64,326	-
Call money and bills sold	16,000	16,000	-
Borrowed money	75,614	75,670	55
Foreign exchange liabilities	17	17	-
Bonds payable	10,000	10,141	141
Total liabilities	¥ 2,116,175	¥ 2,116,823	¥ 648
Derivative transactions (*2)			
To which hedge accounting is not applied	¥ 531	¥ 531	-
To which hedge accounting is applied	(29)	(29)	-
Total derivative transactions	¥ 502	¥ 502	-

March 31, 2012	Thousands of U.S. dollars Carrying amount	 Fair value	 Difference
Cash and due from banks	$ 691,636	$ 691,636	$ -
Call loans and bills bought	255,661	255,661	-
Monetary claims bought (*1)	65,619	65,619	-
Trading account securities:			
Trading securities	2,325	2,325	-
Money held in trust	23,813	23,813	-
Securities:			
Available-for-sale securities	8,498,392	8,498,392	-
Loans and bills discounted	18,497,942		
Allowance for loan losses (*1)	(201,947)		
	18,295,982	18,785,561	489,566
Foreign exchange assets (*1)	23,520	23,520	-
Total assets	$ 27,857,000	$ 28,346,566	$ 489,566
Deposits	$ 25,016,557	$ 25,020,026	$ 3,469
Negotiable certificates of deposit	1,382,627	1,382,627	-
Call money and bills sold	489,627	489,627	-
Borrowed money	492,208	492,220	12
Foreign exchange liabilities	511	511	-
Bonds payable	60,871	62,113	1,241
Total liabilities	$ 27,442,427	$ 27,447,163	$ 4,735
Derivative transactions (*2)			
To which hedge accounting is not applied	$ 1,558	$ 1,558	-
To which hedge accounting is applied	(304)	(304)	-
Total derivative transactions	$ 1,241	$ 1,241	-

(*1) General and specific allowances for loan losses corresponding to loans and bills discounted are deducted. With respect to allowance for loan losses related to monetary claims bought and foreign exchange, carrying amount is shown, net of allowance, since the amount is insignificant.

(*2) Assets and liabilities arising from derivative transactions are presented in net amounts, and net liabilities are shown in parenthesis.

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

Assets:

Cash and due from banks

For due from banks without maturity, the carrying amount is presented as the fair value since the fair value approximates the carrying amount. For due from banks with maturity, the carrying amount is presented as the fair value since the fair value approximates the carrying amount because the remaining maturity is mostly short (less than one year).

Call loans and bills bought

The carrying amount is presented as the fair value since the fair value approximates the carrying amount because the remaining term is short (less than one year).

Monetary claims bought

The carrying amount is presented as the fair value since the fair value approximates the carrying amount because the remaining term is short (less than one year).

Trading account securities

For securities such as debt securities held for dealing purpose, the fair value is determined using the price at the exchange or the price presented by the financial institutions with which they are transacted.

Money held in trust

For securities that are invested as part of trust assets in an independently managed money trust with the primary purpose of managing securities, the fair value of equity securities is determined using the price at the exchange and the fair value of debt securities is determined using the price at the exchange or the price presented by the financial institutions with which they are transacted.

Securities

The fair value of equity securities is determined using the price at the exchange (average market price during one month before the fiscal year-end) and the fair value of debt securities is determined using the price at the exchange or the price presented by the financial institutions with which they are transacted. The fair value of investment trust is determined based on the published standard quotation price. For privately placed bonds, the fair value is determined by discounting the future cash flows of bonds categorized based on the internal ratings and terms using credit risk spread by credit rating and market interest rate.

With respect to the floating rate Japanese government bonds, the fair value is determined using a value calculated on a reasonable basis, since the market price cannot be deemed as the fair value after considering current market environments. The carrying amounts of “Securities” and “Unrealized gain (loss) on available-for-sale securities” as of March 31, 2012 increased by ¥1,832 million ($22,303 thousand) and ¥1,184 million ($14,414 thousand), respectively, and “Deferred tax assets” decreased by ¥648 million ($7,888 thousand), compared to the amount that would have been reported using the market prices. The carrying amounts of “Securities” and “Unrealized gain (loss) on available-for-sale securities” as of March 31, 2011 increased by ¥3,844 million and ¥2,614 million, respectively, and “Deferred tax assets” decreased by ¥1,229 million, compared to the amount that would have been reported using the market prices.

With respect to the value of floating rate Japanese government bonds computed on a reasonably basis, the fair value is computed based on the discounted present value of future cash flows which is derived from the yields of Japanese government bonds, and major pricing parameters adopted in above computation are yields of Japanese government bonds and their volatilities.

Loans and bills discounted

For the loans and bills discounted with short remaining terms (less than one year), the carrying amount is presented as the fair value since the fair value approximates the carrying amount. For the loans and bills discounted without predetermined maturity because of characteristics such as the loans and bills discounted being limited within the amount of the pledged assets, the carrying amount is presented as the fair value since the fair value is considered to approximate the carrying amount considering the expected repayment term and interest rate conditions.

The fair value of the loans and bills discounted with fixed interest rates categorized by type of loans and bills discounted, internal rating and term is computed by discounting the total of principal and interest using credit risk spread by credit rating and market interest rate. The fair value of the loans and bills discounted with floating interest rate, categorized by internal rating and term, is also computed by discounting the total of principal and interest using credit risk spread by credit rating and market interest rate as is the case with the loans and bills discounted with fixed interest rates. Credit risk spread is calculated by remaining term based on accumulated default rate and loss rate by debtor classification.

The fair value of structured loans is computed by the Monte Carlo Simulation approach using future interest rate calculated by the interest rate estimation model and credit risk spread by credit rating of the loans and bills discounted.

For loans and bills discounted due from bankrupt, virtually bankrupt or potentially bankrupt borrowers, loan losses are estimated based on factors such as the present value of expected future cash flows or the expected amount to be collected from collaterals and guarantees. Since the fair value of these items approximates the carrying amount, net of the currently expected loan losses, such carrying amount is presented as the fair value.

Foreign exchange assets
Foreign exchange assets consist of foreign currency deposits with other banks (due from other foreign banks), export bills and traveler's checks, etc, (foreign bills bought) and loans on bills using import bills (foreign bills receivable). For these items, the carrying amount is presented as the fair value, since the fair value approximates the carrying amount because they are deposit without maturity or have short-term remaining terms (less than one year).

Liabilities:
Deposits and Negotiable certificates of deposit
For demand deposits, the amount payable on demand as of the balance sheet date (i.e., the carrying amount) is considered to be the fair value. The fair value of time deposit is determined using the discounted present value of future cash flows, grouping by certain maturity lengths. The discount rate used is the interest rate that would be applied to newly accepted deposits. For deposits whose remaining term is short (less than one year), the carrying amount is presented as the fair value since the fair value approximates the carrying amount.

Call money and bills sold
The carrying amount is presented as the fair value since the fair value approximates the carrying amount because the remaining term is short (less than one year).

Borrowed money
For borrowed money whose remaining term is short (less than one year), the carrying amount is presented as the fair value since the fair value approximates the carrying amount. For subordinated borrowed money whose remaining term is more than one year and which is subject to call option giving a right to redeem before maturity and step-up clause, the fair value is calculated by discounting the estimated cash flows after taking into consideration the possibility of redemption before maturity by the interest rate corresponding to the estimated period after taking into consideration credit risk of the consolidated subsidiaries.

Foreign exchange liabilities
The carrying amount is presented as the fair value, since the fair value of these liabilities approximates the carrying amount because they are settled within a short period of time.

Bonds payable
For subordinated bonds payable which is subject to call option giving a right to redeem before maturity and step-up clause, the fair value is calculated by discounting the estimated cash flows after taking into consideration the possibility of redemption before maturity by the interest rate corresponding to the estimated period after taking into consideration credit risk of the related subsidiary.

Derivative transactions:
Please see note 24.

(Note 2) Financial instruments whose fair value is extremely difficult to determine are as follows. These financial instruments are not included in "Securities" under "Assets" of the fair value information of financial instruments.

	Millions of yen		Thousands of U.S. dollars
	2012	2011	2012
Unlisted equity securities (*1) (*2)	¥ 1,722	¥ 1,833	$ 20,964
Investment in partnerships (*3)	1,200	2,047	14,609
Total	¥ 2,923	¥ 3,880	$ 35,585

(*1) The fair value of unlisted equity securities is not disclosed since no market price is available and it is extremely difficult to determine the fair value.
(*2) The Company recognized write-down of unlisted equity securities in an amount of ¥83 million ($1,010 thousand) and ¥229

million for the years ended March 31, 2012 and 2011.

(*3) The fair value of investment in partnerships whose assets consist of securities such as unlisted equity securities whose fair value is extremely difficult to determine is not disclosed.

(Note 3) Repayment schedule of monetary receivables and securities with contractual maturities subsequent to March 31, 2012

	Millions of yen					
March 31, 2012	Due in one year or less	Due after one year through three years	Due after three years through five years	Due after five years through seven years	Due after seven years through ten years	Due after ten years
Due from banks (*1)	¥ 19,037	¥ -	¥ -	¥ -	¥ -	¥ -
Call loans and bills bought	21,000	-	-	-	-	-
Monetary claims bought	5,448	-	-	-	-	-
Securities:						
Available-for-sale securities with maturity:	44,463	128,463	178,480	135,329	67,742	87,305
Japanese government bonds	2,000	11,000	92,000	101,000	42,000	25,000
Municipal bonds	12,678	63,889	18,673	19,909	17,233	24,331
Corporate bonds	17,957	48,481	48,860	9,704	5,202	22,683
Other	11,827	5,092	18,945	4,715	3,306	15,290
Loans and bills discounted (* 2)	207,635	191,789	225,948	126,505	233,117	427,563
Total	¥ 297,584	¥ 320,253	¥ 404,429	¥ 261,834	¥ 300,859	¥ 514,869

	Thousands of U.S. dollars					
March 31, 2012	Due in one year or less	Due after one year through three years	Due after three years through five years	Due after five years through seven years	Due after seven years through ten years	Due after ten years
Due from banks (*1)	$ 231,762	$ -	$ -	$ -	$ -	$ -
Call loans and bills bought	255,661	-	-	-	-	-
Monetary claims bought	66,325	-	-	-	-	-
Securities:						
Available-for-sale securities with maturity:	541,307	1,563,951	2,172,875	1,647,540	824,713	1,062,880
Japanese government bonds	24,348	133,917	1,120,038	1,229,607	511,322	304,358
Municipal bonds	154,346	777,806	227,331	242,378	209,800	296,213
Corporate bonds	218,614	590,224	594,838	118,139	63,330	276,150
Other	143,985	61,991	230,642	57,401	40,248	186,145
Loans and bills discounted (* 2)	2,527,818	2,334,903	2,750,766	1,540,114	2,838,044	5,205,295
Total	$ 3,622,887	$ 3,898,867	$ 4,923,654	$ 3,187,655	$ 3,662,758	$ 6,268,188

(*1) Due from banks without maturity is shown under “Due in one year or less.”

(*2) Loans and bills discounted as of March 31, 2012 do not include ¥29,005 million ($353,116 thousand) of receivables such as those due from bankrupt, virtually bankrupt or potentially bankrupt borrowers since these are not certain when they can be collected or redeemed and ¥80,486 million ($979,863 thousand) of receivables without maturity.

(Note 4) Repayment schedule of bonds payable, borrowed money and other interest bearing liabilities subsequent to March 31, 2012

March 31, 2012	Millions of yen Due in one year or less	Due after one year through three years	Due after three years through five years	Due after five years through seven years	Due after seven years through ten years	Due after ten years
Deposits (*)	¥ 1,743,554	¥ 158,665	¥ 17,048	¥ 15	¥ 42	¥ -
Negotiable certificates of deposits	111,919	1,650	-	-	-	-
Call money and bills sold	40,218	-	-	-	-	-
Borrowed money	34,630	-	-	5,800	-	-
Bonds payable	-	-	-	-	5,000	-
Total	¥ 1,930,322	¥ 160,315	¥ 17,048	¥ 5,815	¥ 5,042	¥ -

March 31, 2012	Thousands of U.S. dollars Due in one year or less	Due after one year through three years	Due after three years through five years	Due after five years through seven years	Due after seven years through ten years	Due after ten years
Deposits (*)	$ 21,226,613	$ 1,931,641	$ 207,548	$ 182	$ 511	$ -
Negotiable certificates of deposits	1,362,539	20,087	-	-	-	-
Call money and bills sold	489,627	-	-	-	-	-
Borrowed money	421,597	-	-	70,611	-	-
Bonds payable	-	-	-	-	60,871	-
Total	$ 23,500,389	$ 1,951,728	$ 207,548	$ 70,793	$ 61,383	$ -

(*) Demand deposits are shown under "Due in one year or less" of deposits.

24. Derivatives

Derivative transactions to which hedge accounting is not applied

With respect to derivatives to which hedge accounting is not applied, contract amount or notional principal, fair value and related valuation gain or loss and computation method of fair value by transaction type at the balance sheet date were as follows. Note that contract amounts do not represent the market risk exposure associated with the derivative transactions.

(1) Currency related derivatives at March 31, 2012 and 2011

	Millions of yen Contract amount			
March 31, 2012	Total	Over one year	Fair value	Valuation gain (loss)
OTC transactions:				
Forward foreign exchange contracts:				
Sold	¥ 3,828	¥ 269	¥ 55	¥ 55
Bought	922	265	(25)	(25)
Total			¥ 30	¥ 30

March 31, 2011	Millions of yen			
	Contract amount			
	Total	Over one year	Fair value	Valuation gain (loss)
OTC transactions:				
Forward foreign exchange contracts:				
Sold	¥ 4,296	¥ 299	¥ 26	¥ 26
Bought	1,666	296	(42)	(42)
Total			¥ (16)	¥ (16)

March 31, 2012	Thousands of U.S. dollars			
	Contract amount			
	Total	Over one year	Fair value	Valuation gain (loss)
OTC transactions:				
Forward foreign exchange contracts:				
Sold	$ 46,603	$ 3,274	$ 669	$ 669
Bought	11,224	3,226	(304)	(304)
Total			$ 365	$ 365

Notes: (1) Above transactions are stated at the fair value, and the related valuation gain (loss) are reported in the consolidated statements of income.
(2) The fair value is calculated using the discounted present value.

(2) Hybrid financial instruments at March 31, 2012 and 2011

March 31, 2012		Millions of yen		
		Contract amount	Fair value	Valuation gain (loss)
Transactions other than market	Hybrid financial instruments (loans and bills discounted)	¥ 13,000	¥ 98	¥ 98

March 31, 2011		Millions of yen		
		Contract amount	Fair value	Valuation gain (loss)
Transactions other than market	Hybrid financial instruments (loans and bills discounted)	¥ 21,000	¥ 548	¥ 548

March 31, 2012		Thousands of U.S. dollars		
		Contract amount	Fair value	Valuation gain (loss)
Transactions other than market	Hybrid financial instruments (loans and bills discounted)	$ 158,266	$ 1,193	$ 1,193

Notes: (1) The fair value is calculated using the discounted present value.
(2) The fair value is related to the portion of embedded derivatives, and the valuation gain (loss) is reported in the consolidated statements of income.
(3) Contract amount represents the notional amount of the hybrid financial instruments (loans and bills discounted).

Derivative transactions to which hedge accounting is applied

With respect to derivatives to which hedge accounting is applied, contract amount or notional principal and fair value at the balance sheet date by transaction type and hedge accounting method and computation method of the fair value were as follows. Note that contract amount or notional principal does not represent the market risk exposure associated with derivatives.

(1) Interest related derivatives at March 31, 2012 and 2011

March 31, 2012			Millions of yen		
Hedge accounting method	Transaction type	Major hedged item	Contract amount	Contract amount due after one year	Fair value
Deferral hedge accounting	Interest rate swaps Receivable floating rate/ Payable fixed rate	Loans and bills discounted	¥ 608	¥ 608	¥ (25)
	Total				¥ (25)

March 31, 2011			Millions of yen		
Hedge accounting method	Transaction type	Major hedged item	Contract amount	Contract amount due after one year	Fair value
Deferral hedge accounting	Interest rate swaps Receivable floating rate/ Payable fixed rate	Loans and bills discounted	¥ 676	¥ 676	¥ (29)
	Total				¥ (29)

March 31, 2012			Thousands of U.S. dollars		
Hedge accounting method	Transaction type	Major hedged item	Contract amount	Contract amount due after one year	Fair value
Deferral hedge accounting	Interest rate swaps Receivable floating rate/ Payable fixed rate	Loans and bills discounted	$ 7,401	$ 7,401	$ (304)
	Total				$ (304)

Notes: (1) These derivatives are mainly accounted for by deferral hedge accounting in accordance with JICPA Industry Audit Committee Report No. 24 “Treatment for Accounting and Auditing of Application of Accounting Standard for Financial Instruments in Banking Industry.”

(2) The fair value is determined using the discounted present value.

25. Amounts per Share

Amounts per share at March 31, 2012 and 2011 and for the years then ended are summarized as follows:

	Yen		U.S. dollars
	2012	2011	2012
Net assets	¥ 355.79	¥ 306.97	$ 4.3315
Net income:			
Basic	28.55	24.51	0.3475
Diluted	22.83	18.03	0.2779

Net income per share—Basic and net income per share—diluted for the years ended March 31, 2012 and 2011 were computed based on the following information:

	Millions of yen		Thousands of U.S. dollars
	2012	2011	2012
Net income for the year	¥ 4,243	¥ 3,674	$ 51,655
Amounts not attributed to common stock shareholders	147	158	1,789
O/W, dividends for preferred stock based on the resolution at the Board of Directors’ meeting	147	158	1,789
Net income attributable to common stock	¥ 4,096	¥ 3,515	$ 49,866
Average outstanding number of shares of common stock (Unit: thousand shares)	143,459	143,446	
Net income per share—diluted:			
Adjustments to net income	¥ 147	¥ 158	$ 1,789
O/W, dividends for preferred stock class B	147	158	1,789
Increase in number of shares of common stock (Unit: thousand shares)	42,372	60,240	
O/W, preferred stock class B	42,372	60,240	

Net assets per share at March 31, 2012 and 2011 was computed based on the following information:

	Millions of yen		Thousands of U.S. dollars
	2012	2011	2012
Total net assets	¥ 62,520	¥ 56,333	$ 761,139
Amounts to be deducted from total net assets	(11,478)	(12,294)	(139,737)
O/W, payment for preferred stock	(10,000)	(10,000)	(121,743)
O/W, dividends for preferred stock	(147)	(158)	(1,789)
O/W, minority interests	(1,331)	(2,136)	(16,204)
Net assets attributable to common stock as of March 31, 2012 and 2011	¥ 51,041	¥ 44,038	$ 621,390
Number of shares of common stock as of March 31, 2012 and 2011 used to compute net assets per share (Unit: thousand shares)	143,458	143,460	

26. Subsequent Event

The Shogin Card Co., Ltd., a consolidated subsidiary of the Company, as the surviving company, merged Hokuto Card Service, Ltd., a consolidated subsidiary of the Company, as the absorbed company, and changed its name to Fidea Card Co., Ltd. effective April 1, 2012.

The following cash dividends to be paid out of retained earnings were resolved at the Board of Directors' meeting held on May 11, 2012:

Type of shares	Aggregate amount of dividends	Dividend per share	Record date	Effective date
Common stock	¥717 million ($8,728 thousand)	¥5.00 ($0.0608)	March 31, 2012	June 27, 2012
Preferred stock Class B	¥147 million ($1,789 thousand)	¥5.88 ($0.0715)	March 31, 2012	June 27, 2012