



ANNUAL REPORT 2011
For the year ended March 31, 2011

TO OUR STAKEHOLDERS

We sincerely thank you for your continued patronage of Minato Bank.

The 2011 annual report has been prepared to help you gain a deeper understanding of Minato Bank.

In this 2011 Annual Report, we seek to present Minato Bank's management policy, business overview, earnings results for fiscal 2010 (the fiscal year ended March 31, 2011), new Mid-Term Management Plan and risk management structure as clearly as possible. We hope that you will find it a useful reference.

Minato Bank will continue to address its clients' wide-ranging needs by expanding its financial services, and as a regional-based financial institution of Sumitomo Mitsui Financial Group, the Bank will seek to become a more useful and helpful bank in the region by providing financial and information services. To that end, we look forward to your continued understanding and support.

July 2011

Shunji Ono
President

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This annual report includes descriptions of future business performance. These forecasts do not guarantee future business performance and contain risks and uncertainties. Please note future business performance will change from the forecasts subject to changes in the operational environment.

CONSOLIDATED FINANCIAL HIGHLIGHTS

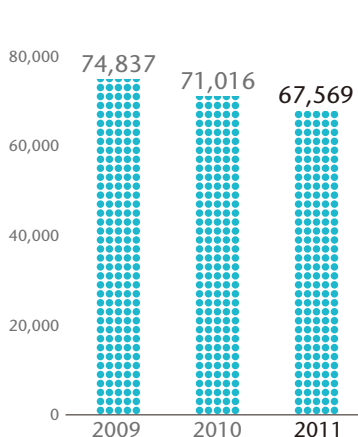
The Minato Bank, Ltd. and Subsidiaries
Years Ended March 31, 2011, 2010 and 2009

	Millions of Yen			Thousands of U.S. Dollars (Note)
	2011	2010	2009	2011
FOR THE YEAR:				
Total income	¥ 67,569	¥ 71,016	¥ 74,837	\$ 812,614
Total expenses	54,574	62,778	84,731	656,335
Income (loss) before Income taxes and minority interests	12,995	8,238	(9,894)	156,279
Net income (loss)	8,601	3,583	(9,313)	103,444
AT YEAR-END:				
Total assets	¥ 3,021,816	¥ 2,940,448	¥ 2,872,917	\$ 36,341,749
Deposits	2,736,291	2,662,887	2,621,067	32,907,887
Loans and bills discounted	2,190,230	2,197,239	2,246,432	26,340,712
Investment securities	664,562	596,593	467,716	7,992,325
Minority interests	10,633	10,568	613	127,878
Common stock	27,484	27,484	27,484	330,537
Total equity	111,481	105,262	88,722	1,340,722
Capital ratio	11.40%	10.68%	9.37%	

Note: U.S. dollar amounts represent translation of Japanese Yen at the rate of ¥83.15 to US\$1.00 on March 31, 2011, the final business day of term.

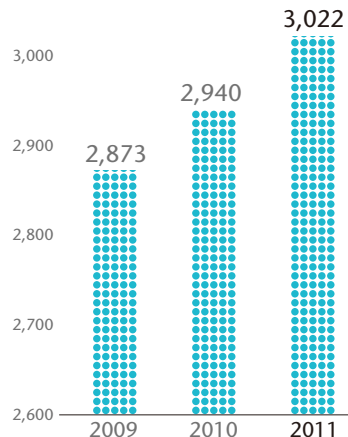
Total Income

(Millions of Yen)
100,000



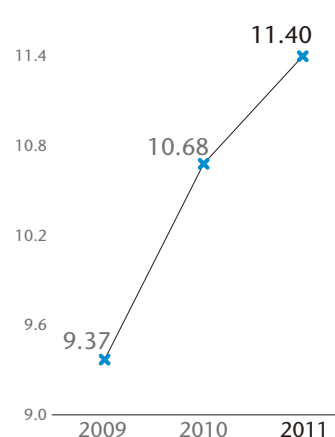
Total Assets

(Billions of Yen)
3,100



Capital Ratio

(%)
12.0



In the above table, the capital ratio is calculated on a consolidated basis based on the domestic standard and formula prescribed in the Notification of the Financial Services Agency of Japan No. 19, 2006 in compliance with the provisions of Article 14-2 of the Banking Law.



First, I would like to express my heartfelt sympathy to everyone who has suffered from the Great East Japan Earthquake. The Minato Bank, which experienced the Great Hanshin-Awaji Earthquake and received a tremendous outpouring of support from all over the country, will continue to do everything it can to help achieve an early recovery in the devastated areas and assist those who were directly or indirectly affected.

Earnings for Fiscal 2010

In fiscal 2010, with Japan's economy experiencing export growth and a generally steady market, the Bank recorded consolidated ordinary income of ¥13.6 billion and consolidated net income of ¥8.6 billion. This was due primarily to an increase in fees and commissions related to the sale of investment trusts and a substantial decrease in non-performing loan disposal costs. Further, the dividend per share was ¥5.00, a ¥1.00 increase over fiscal 2010. This was the highest ever net income and dividend payment since the new Bank was launched in April, 1999.

This was achieved thanks to the continued support of our clients, shareholders, and the people in our region, and we are deeply grateful to all of them.

Mid-Term Management Plan “MINATO 3S Up”

With Japan under pressure to respond to a wide range of difficult challenges that cannot postpone, including ongoing financial issues and the social security system, there has been a growing sense of uncertainty about the future in the wake of the Great East Japan Earthquake.

Under these circumstances, in April 2011, the Bank initiated its new Mid-Term Management Plan “MINATO 3S Up” (from fiscal 2011 through fiscal 2013), which comprises the three basic policies, 1. Status Up (increasing the Bank's market presence), 2. Satisfaction Up (improving customer satisfaction) and 3. Soundness Up (improving the Bank's financial soundness).

After taking into account such changes in Japan's economy and social structure as an aging population, the spread of information technology, and the increasing entry of SMEs into Asia, the Bank has positioned the three-year period of the Mid-Term Management Plan as a phase for developing measures to raise the Bank's market presence.

We have set our sights on becoming “Minato Bank — A Bank with Strong Presence” in the hope that we will be recognized as being indispensable to the region. All employees — from management down — will implement these measures to achieve this goal.

July 2011

A handwritten signature in blue ink that reads "Shunji Aono". The signature is written in a cursive, flowing style.

President

Mid-Term Management Plan

Slogan

"MINATO 3S Up"

Status Up

1

Speed Up

2

Satisfaction Up

3

Soundness Up

In an environment marked by an aging population, the spread of information technology, and increasing entry of companies into Asia, we have positioned this as the phase for the Bank to rapidly implementing measures to raise its market presence ("Status Up") under the slogan of "MINATO 3S Up", which combines "Satisfaction Up" and "Soundness Up," two other elements that make up the slogan, with the goal of becoming the "region's trusted core bank."

Period

April 1, 2011 through March 31, 2014

Basic Policy

Target	Major measures
1. Status Up	(1) Strengthen consulting capabilities (2) Upgrade and expand products and services (3) Rebuild our network
2. Satisfaction Up	(1) CS <i>Improve customer satisfaction</i> (2) ES <i>Build a workplace that we can be proud of</i>
3. Soundness Up (improving the Bank's financial soundness)	(1) Raise compliance awareness (2) Enhance equity capital (3) Streamline and rationalize business (4) Strengthen risk management (5) Upgrade ALM management

Key Indicators
(Non-consolidated)

Net income	3-years accumulated	¥18.0 billion or more
OHR (Note 1)	fiscal 2013	approx. 65.0%
Tier I ratio (consolidated) (Note 2)	fiscal 2013	approx. 8.0%

(Note 1) OHR = expenses ÷ core gross banking profit

(Note 2) Tier I ratio (based on Basel II) does not take into account capital policies.

Corporate Governance

Basic Concept for Corporate Governance

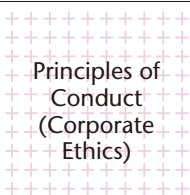
Reinforcing and enhancing corporate governance is defined as a critical management issue at our Bank and each group company. We adhere to the "Management Philosophy" and "Principles of Conduct" described

below, and strive to sustain sound operations and contribute to the sound development of regional communities.



The Bank Exists and Prospers Together with the People in the Region.

We contribute to our region through the provision of financial and information services.



Awareness of the public nature and social responsibility of the Bank

A bank should be aware of its public role, execute sound operations according to principles of self-responsibility, and contribute to the steady development of the regional economy and society through the fulfillment of its social commitments.

Fully customer-focused

We are always conscious of our "customer-first" policy, and attend to our customers with an honest, faithful and kind spirit, listening to customer requests with a sincere attitude and providing precise, prompt and customer-satisfying financial services.

Sincere and fair conduct

We abide by laws, regulations and their spirit, and always behave in a fair and faithful manner so as to not deviate from social norms.

Contributing to and harmony with regional communities

To express the Bank's management philosophy, "We contribute to our region," we make it one of our primary policies to contribute to and progress together with our region and its communities. The Bank's principles of conduct serve not only to contribute to our region, but to call for removing anti-social and anti-ethical conduct from the course of our operations with the aim of becoming closer to being an ideal "bona fide corporate citizen." To realize this, we endeavor to hold close communications with society and ensure the Bank executes corporate activities in line with social common sense and expectations.

Respect for humanity

We are committed to developing a corporate culture which ensures respect for the open and rich spirit of our employees, brimming with vitality and feelings of value for their employment at the Bank.

Corporate Governance Structure

We have a basic policy for internal control systems and the following structure designed to strengthen and improve our corporate governance so that directors, employees and corporate auditors will be able to cope with their responsibilities in an appropriate and efficient manner.

Board of Directors

Board of Director meetings are in principle held once a month to make important decisions for the Bank's management issues and oversee the execution of the Directors' responsibilities.

Board of Corporate Auditors

The Bank has adopted a corporate auditor system, and Board of Corporate Auditor meetings are in principle held once a month. Based on the audit policy and audit plan made by the Board of Corporate Auditors, the Corporate Auditors have performed their audit procedures appropriately by attending Board of Director and other important meetings, examining business operations and assets, etc.

The Office of Corporate Auditors was established to support the Corporate Auditors carry out their audit procedures.

Management Committee

The Management Committee in principle meets once a month and makes decisions on important issues related to execution of the Bank's business, based on Board of Director decisions and Management Committee policies.

Significant items related to risk management are determined by the Corporate Risk Management Committee, which is part of the Management Committee.

Committees

• Compliance Committee

The Compliance Committee in principle meets once every three months to check and confirm the progress and implementation of the initiatives and compliance programs designed to build corporate ethics focused on legal compliance, and discuss and consider preventative measures for misconduct.

• CS (Customer Satisfaction) Committee

To win solid support from the local community and continuously raise customer satisfaction standards, members of the CS Committee formulate improvement policies, set targets for the whole Bank, and discuss and review measures to improve customer satisfaction. The CS Committee meets once every three months as a rule.

• CSR Committee

The CSR Committee is tasked with formulating a CSR action plan, evaluating performance and discussing improvement measures. The Committee meets once in a year as a rule.

• Financial Facilitation Committee

The Financial Facilitation Committee was set up as a cross-sectional body to discuss how to facilitate financing for small and medium-sized companies. Committee members discuss measures, study actual issues faced by each department, and coordinate action across departments. The Committee meets once every three months as a rule.

• Credit Risk Management Committee

The Credit Risk Management Committee in principle meets once every three months to identify, review and communicate credit risk status, consider and determine policies or countermeasures for credit risks, manage credit portfolios and big customer concentrated risks, and discuss and consider operating policies.

• Asset and Liability Management (ALM) Committee

The ALM Committee in principle meets once a month to discuss and consider how to maintain a healthy balance sheet and improve profitability, strategies for proper fund operations, and unifies management of market risks (interest risk, foreign exchange risk, share price risk, etc.) and liquidity risks (cash flow risk, market liquidity risk, etc.) related to assets and liabilities.

• Operational Risk Management Committee

The Operational Risk Management Committee in principle meets once a month, and analyzes and communicates operational risk related information (improper or non-functioning internal processes, staff or systems, or risk of losses related to external occurrences), discusses and

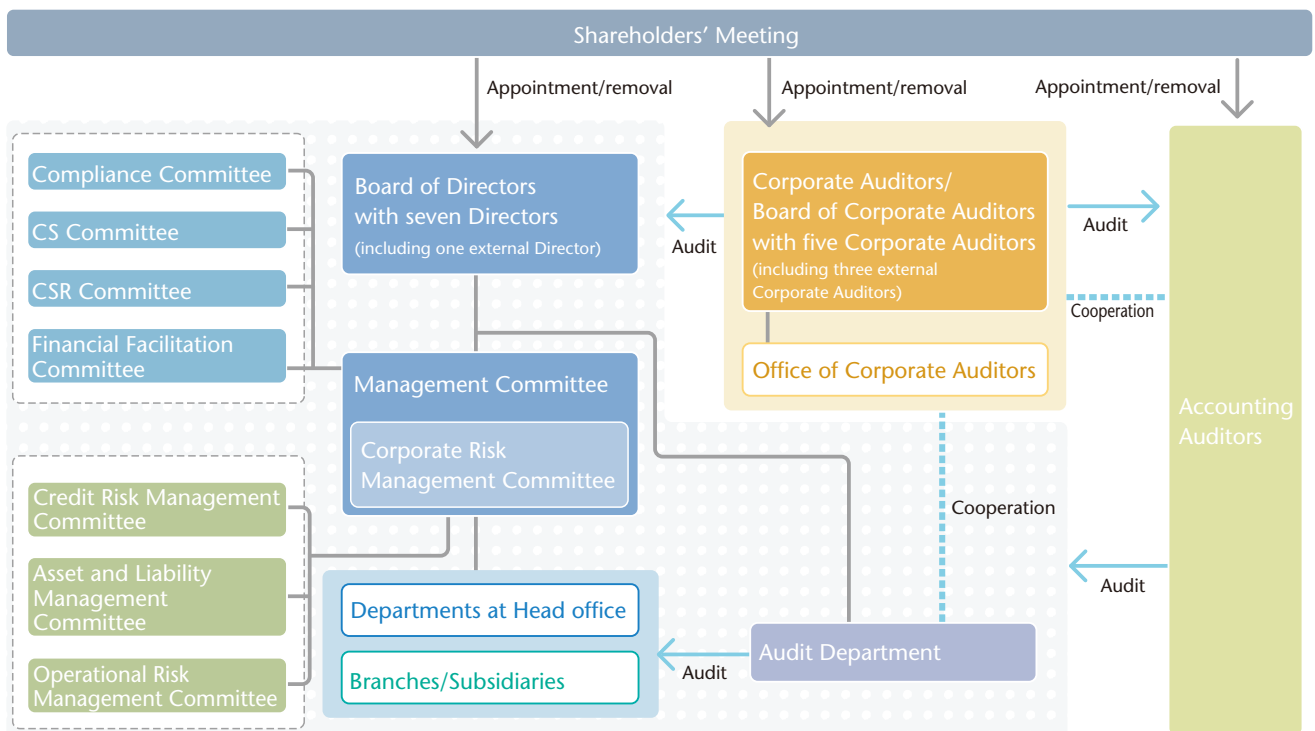
considers various measures required to reduce operational risks, analyzes the causes of operational risk exposure incidents, and discusses and considers measures to prevent the reoccurrence of such incidents and potential risk exposure.

Internal Audit

The Audit Department, an internal audit organization which is independent from other departments, engages in monitoring the status of business operations and risk management at the head office, branches and subsidiaries and issues instructions and proposals for improvement. The department’s monitoring results are reported to the Board of Directors and Board of Corporate Auditors.

There is a cooperative system among the Audit Department, Corporate Auditors and accounting auditors for exchanging information.

Corporate Governance Structure



Corporate Social Responsibility (CSR)

CSR Initiatives

Basic Policy for CSR

The Bank's management philosophy is "we contribute to our region through the provision of financial and information services." We endeavor to provide financial and information services with the aim of contributing to the development of regional communities.

The Bank and its group companies define CSR as contributing to the sustainable development of regional communities through providing higher values to (i) our customers, (ii) our shareholders and markets, (iii) society and environment and (iv) our employees in the course of our business operations.

Principles of Conduct at the Bank consisting of five items, "awareness of the public nature and social responsibility of the Bank," "fully customer-focused," "fair and faithful conduct," "contributing to and harmony with regional communities" and "respect for humanity" are established as the common philosophy for the Bank and its group companies.

Focal Point for CSR Initiatives

We will reinforce the management system to a greater extent by enhancing the corporate governance structure, internal audit structure, compliance structure and risk management structure. We will also accurately identify each stakeholder's expectations and provide higher value to them.

- We will provide our customers with products and services of higher value and develop together with our customers.
- We will endeavor to sustain sound operations and increase shareholder value, through appropriate information disclosure and organized internal controls.
- We will be continuously and proactively be involved in social contribution and environmental activities which contribute to regional communities and restore the global environment.
- We will pay respect to people and grow a corporate culture which allows our employees to fully utilize their own skills and talents.

Through these activities, we will support the sustained development of our regional communities.

Compliance System

Based on its management policy, the Bank's basic legal compliance related policy is for the Bank's officers and employees to recognize the significance of the Bank's social responsibilities and public commitments, and strictly comply with laws and rules with an emphasis on corporate ethics, thereby contributing to the region.

All officers and employees are required to recognize the importance of legal compliance and behave in the most appropriate manner with constant awareness in the execution of day-to-day operations.

1. Establishment of the Legal Compliance Department

The Legal Compliance Department was established to manage and control overall compliance related issues.

The Legal Compliance Department is responsible for educating and encouraging officers and employees to comply with laws, regulations and social norms, placing its highest priority on the prevention of illegal conduct.

2. Appointment of Administrative Compliance Officer

General managers of the head office and each branch are fully responsible to manage and execute assigned operations in conformity with compliance policies.

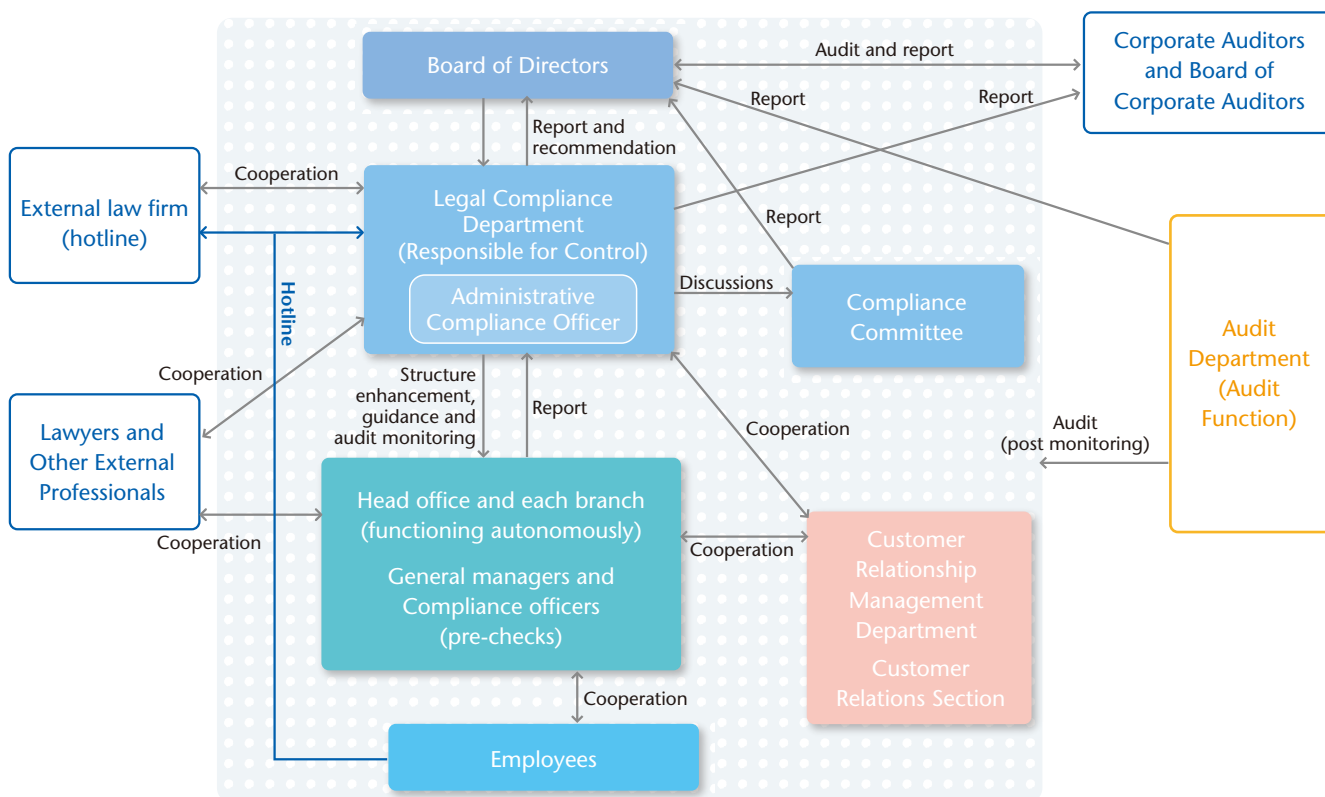
A compliance officer has been appointed for each of the above locations, and is required to prevent anti-compliance conduct and detect the occurrence of such conduct in its early stages.

In addition, an administrative compliance officer is assigned to the Legal Compliance Department, to direct and supervise the compliance officers and responsible individuals of the above locations, investigate compliance conditions at each location, and provide education and guidance.

3. Establishment of the Compliance Committee

The Compliance Committee was established to strengthen the legal compliance system and incident-preventing measures. This Committee deliberates upon various measures necessary to build corporate ethics focused on legal compliance and the implementation status of compliance programs.

The Bank's Compliance System



Implementing Compliance at the Bank

The Bank requires all officers and employees to recognize the public mission and social responsibilities to be fulfilled by the Bank and to behave in line with the highest moral standards. Accordingly, we must comply with social norms as well as laws and regulations and behave fairly with a determined sense of ethics. The Bank has established the following concrete regulations to put these matters into practice: the Code of Conduct provides principles and guidance for all officers and employees to comply with; the Compliance Policy comprehensively describes overall compliance related matters (structure, system, roles, procedures, etc.); and the Detailed Operating Policies for Conduct Management are compiled in the form of a case study guidebook.

These three items are compiled into a booklet called the "Compliance Manual." This booklet has been provided to each officer and employee in our effort to achieve complete compliance.

Principles of Conduct at the Bank

1. Awareness of the public nature and social responsibility of the Bank
2. Fully customer-focused
3. Sincere and fair conduct
4. Contributing to and harmony with regional communities
5. Respect for humanity

Guidance of Conduct for Officers and Employees

- Compliance with laws, regulations and rules
- Prohibition of unfair competition
- Duty of confidentiality
- Prohibition of illegal use of information
- Obligation to explain products and services
- Internal reporting requirements, etc.

1. Credit Risk Management

Credit risk is the possibility of loss arising from financial deterioration, changes in a customer's financial condition, which causes the asset value of loans receivables, etc. to become impaired or worthless.

The Bank strictly complies with the Credit Policy that explicitly prescribes our lending operation rules to achieve sound and proper business operations. We work to maintain and improve the soundness of assets and profitability through proper controls over credit risks and effective credit review operations according to degrees of credit risk based on the Credit Risk Management Policy which prescribes basic policies for credit risk management.

As a basis of such risk management, we have adopted a credit rating system. A credit rating is a borrower classification ranked according to the probability of loan performance, and is used as an objective indicator to measure the degree of risk pertaining to a borrower. Classifying borrowers according to the degree of risk promotes effective credit review operations.

In concrete terms, we established a credit approval policy for lending contracts based on credit ratings as well as lending approval authorizing standards, etc. to perform focused (efficient) credit screenings according to degrees of risk. At the same time, we monitor credit status on a constant basis to detect early signs of credit issues, and adjust the depth and efficiency of management based on the extent of such issues.

In addition, we perform self-assessments of our assets to maintain soundness of assets, prepare financial statements properly reflecting asset condition, and account for appropriate levels of write-offs and reserves. Self-assessments are designed to classify assets held by the Bank according to degrees of risk pertaining to collectibility or value deterioration, and play a significant role as a means of managing credit risks. Based on the results of self-assessments, we accurately and timely estimate future potential losses of loans, etc. in consideration of bad debt conditions, and account for write-offs and reserves based on estimates to maintain the asset soundness.

We utilize credit ratings and self-assessments to quantitatively grasp and manage credit risks to maintain control over the degree of credit risk for our overall credit portfolio and any risk concentration on specific industries and large accounts, and report findings to management. As appropriate, we establish and implement remedial measures for our credit portfolio including proper risk controls, risk diversification and reduction of troubled credit, etc.

As for concrete measures to enforce our monitoring system, we have set up a section in the monitoring department, which deals with specific industries and large accounts, and manages doubtful receivables, etc.

In our effort to maintain soundness of assets, the

Audit Department, which operates independently from the credit related departments, checks the accuracy of the credit ratings and self-assessments as well as the condition of credit review operations.

For loan arrangements, the Bank may require collateral or guarantees to mitigate credit risks with comprehensive determination of matters related to the financial position of the borrower, intended purpose of financing, loan collectibility, etc. We properly handle collateral and guarantees in accordance with Internal Operational Policies of Collateral and Guarantees and Operational Procedures that prescribe classifications according to types of collateral or qualifications of guarantors as well as methods for their management, valuation, etc. Particularly, we have detailed rules for mortgage collateral, comprising the majority of collateral, to perform impartial collateral valuations in a timely and proper manner.

2. Operational Risk Management

Operational risk is the possibility of losses arising from inadequate or failed internal processes, personnel and systems or external events.

The fundamental policy of the Bank is to establish the Operational Risk Management Policy prescribing basic matters concerning operational risk management and maintenance of an effective framework for identification, valuation, control and monitoring procedures according to characteristics of operations and risks. We manage operational risks on an individual basis classified into processing risks, system risks and legal risks, and have established a department responsible for overall management of operational risks in an integrated and centralized manner. To increase the effectiveness of risk management, operational risk officers are appointed for each department and section and are required to cooperate with the section in charge of corporate operational risk management so individual operational risks can be managed in an integrated fashion within a common framework. Also, the Operational Risk Management Committee, a cross-sectional in-house organization, is in place as a highly effective system to overview and examine various risk conditions from a companywide viewpoint and deliberate and determine policies and measures on a regular basis.

We compile a database of internal loss data incurred by each department and section and analyze this data on a regular basis for use in risk management. All departments and sections are required to provide all possible risk scenarios assumed in the course of their operating processes. A risk and control assessment (self-assessment of risk and effectiveness of controls) is performed for such risk scenarios to estimate the frequency and amount of losses attributable to each scenario.

Such risk scenarios, being important data to

recognize risk conditions, are compiled as a database and constantly updated based on collected internal and external loss data and objective information such as operating environment and internal control factors. We strive to reflect various information to the database appropriately and ensure those scenarios are comprehensive and appropriate for conducting risk and control assessments on a regular basis.

In this way, we compile a database of the scenarios reflecting the Bank's risk profile. Each scenario is assessed for the degree of risk impact. For scenarios with a high degree of risk impact, each department and section considers and implements a risk reduction plan. Using this risk quantification system, we are able to manage operational risks efficiently and effectively.

Processing and Systems Risk Management

Processing risk is the possibility of losses arising from negligent processing by employees, accidents, or unauthorized activities.

We promote streamlining and head-office centralized processing operations, and provide group training and

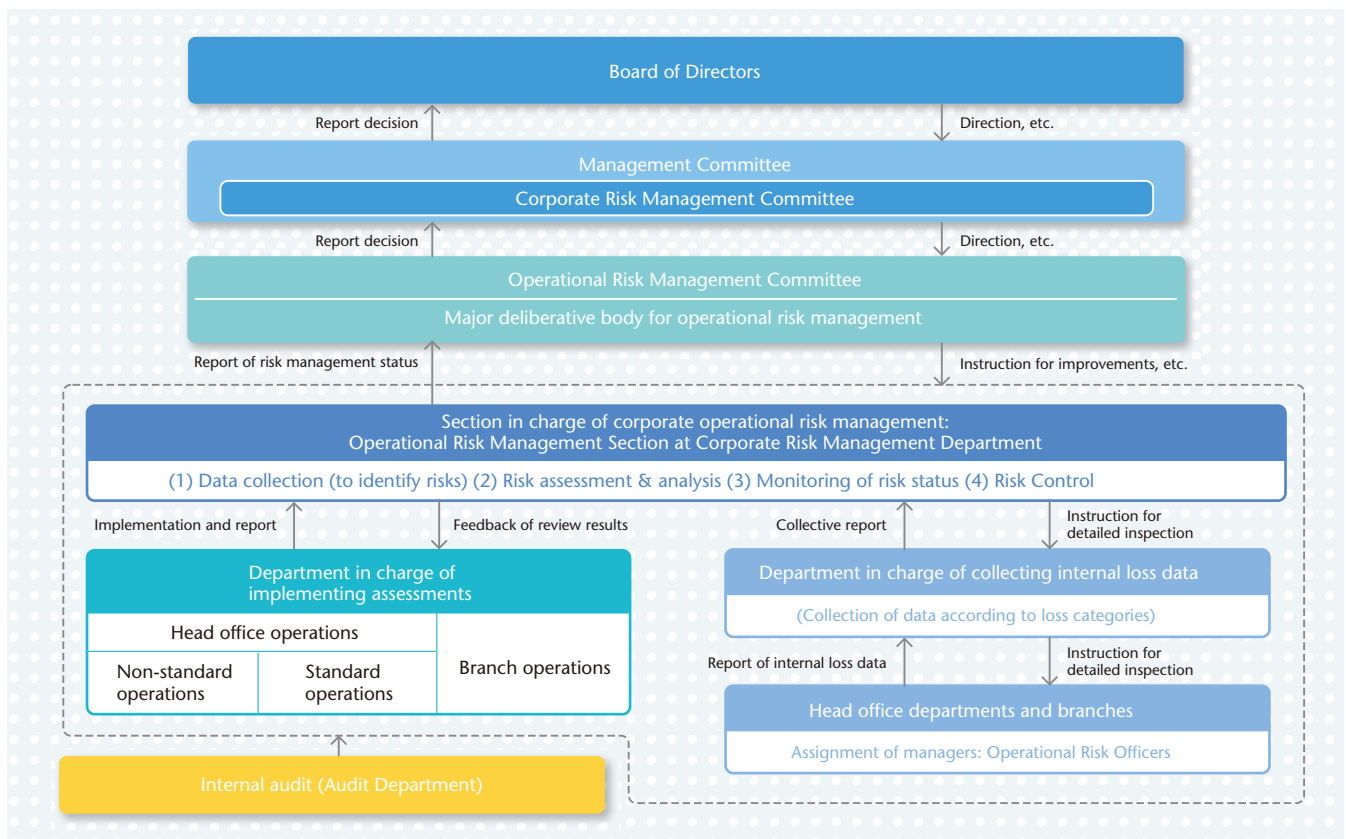
on-site guidance offered by the Operations Administration Department to reduce processing risks and improve the level of processing ability. Moreover, the Audit Department periodically conducts branch field audits while head office and branches perform self-inspections to prevent accidents and fraud from occurring.

Systems risk is the possibility of losses arising from the failure, malfunction, unauthorized use of or data leakage from computer systems.

Due to the significance of potential impact, we recognize our social responsibility to maintain stable computer system operations and proper management for customer information. We established systems risk management policies and practical management standards, including the Security Policy, and strictly adhere to these policies in operating and managing our systems. To prepare for unforeseeable circumstances, we developed contingency plans and provide simulation training on a regular basis.

We provide internal and external audits for periodic system evaluation and upgrades, and strive for the more secure computer system operations and strict data controls.

Operational Risk Management Structure



3. Market and Liquidity Risk Management

Market risk is the possibility that fluctuations in interest rates, foreign exchange rates, or stock prices will change the value of financial assets and liabilities, leading to losses.

Liquidity risk is the possibility of encountering cash-flow problems due to differing fund source and usage periods or unexpected fund outflows, or losses caused by being forced to raise funds at interest rates markedly higher than ordinary interest rates.

We segregate front, middle and back office operations systematically to secure mutual check and balance functions, and established a system for the audit department to examine the appropriateness of risk management processes, etc.

With respect to market risk, we review market forecasts, operational policies for ALM and marketable securities as well as financial strength on a biannual basis to determine allowable ranges of market risk exposure and set individual risk limits for risk capital limits (*1), loss limits, VaR limits (*2) and position limits. Based on these procedures, we work to maintain management and operations within predetermined ranges of risk exposure (risk limits).

Each department handling transactions (the front office sections) endeavors to improve profitability within these limits, while the middle office sections measure valuation gain/loss, realized gain/loss and VaRs for equity risks and loan interest rate risks on a daily basis, and interest rate risks for all assets and liabilities on a monthly basis.

With respect to liquidity risk, we place the highest priority on cash-flow security, and periodically set and manage funding gap limits (*3). We developed the Contingency Plan for Liquidity Emergency prescribing an emergency action plan, and take all possible measures for maintaining a system that ensures our operating transactions are not hindered in the event of market confusion, by holding sufficient assets easily convertible to cash, such as government bonds.

We hold ALM Committee meetings every month to prepare forecasted economic, interest rate, stock price, and foreign exchange rate trends and report profit conditions. The Committee also prepares reports and analyses of the status of compliance with market and liquidity risk limits, and discusses and considers market risk controls, fund sourcing and fund operations to develop an asset and liability structure that ensures stable profitability.

(*1) Risk capital limit

A portion of the Bank's capital allocated to provide for the Bank's ability to cover within the scope of its resources, losses realized in the period, valuation losses currently being incurred and probable future maximum loss estimates.

(*2) Value at Risk (VaR)

The probable future maximum loss statistically calculated using existing assets and liabilities and historical market fluctuation data.

(*3) Funding gap

The estimated amount of future financing requirements arising from the mismatch of periods between fund sourcing and fund operations.

4. Reputation Risk Management

Reputation risk is the possibility of tangible and intangible losses due to damage to the Bank's reputation attributable to rumors about various risk incidents related to our operating activities or the dissemination of false rumors or slander.

We endeavor to disclose information to our stakeholders such as customers, regional communities, shareholders investors and employees in a timely and appropriate manner through constant and active promotion of public and investor relation activities and increased management transparency to minimize reputation risk exposure.

We also monitor and assess rumors on a regular basis, and have prepared a system to take countermeasures promptly when reputation risk exposure becomes apparent.

Basic Policy for the Promotion of Regional-Oriented Financing

Under its “Management Philosophy” and “CSR Definitions,” Minato Bank is promoting regional-oriented management.

In its new Mid-Term Management Plan that started

in fiscal 2011, the Bank has been actively promoting regional-oriented financing under the key measures of strengthening its consulting capabilities and rebuilding its network.

Management Philosophy

The Bank exists and prospers together with the people in the region.

— We contribute to the region through the provision of financial and information services —

CSR Definitions

In the course of our business, by

providing higher values to:

- i) customers,**
- ii) shareholders and investors,**
- iii) society and the environment, and**
- iv) employees,**

we contribute to the sustained development of regional communities.

Essence for Regional-Oriented Financing = the Bank’s “Management Philosophy” and “CSR Definitions”

Basic policies for Regional-Oriented Financing Promotion Plan

Regional-oriented financing activities are one of our concrete initiatives to practice the Bank’s Management Philosophy and will be strengthened in accordance with the Management Philosophy and the CSR Definitions.

Specific Measures

1. Demonstrate our consulting capabilities to corporate customers

- (1) Support new enterprises and businesses
- (2) Support during growth stages
- (3) Operational improvement and business revitalization
- (4) Business succession

2. Actively participate in full revitalization of region

- (1) Train and utilize personnel with specialized knowledge and know-how
- (2) Gather and accumulate know-how and various local information

3. Actively disseminate information to the region and to customers

- (1) Publicly disclose status of efforts to promote regional-oriented financing
- (2) Actively issue press release announcements/completely revise website

FINANCIAL REVIEW (CONSOLIDATED BASIS)

CONSOLIDATED BALANCE SHEETS

The Minato Bank, Ltd. and Subsidiaries
As of March 31, 2011 and 2010

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2011	2010	2011
ASSETS:			
Cash and due from banks (Notes 3 and 28)	¥ 49,761	¥ 45,463	\$ 598,447
Call loans and bills bought (Note 28)	37,080	20,003	445,946
Monetary claims bought	4,821	5,604	57,977
Trading account securities (Notes 24 and 28)	597	960	7,184
Securities (Notes 4, 10, 24 and 28)	664,562	596,593	7,992,324
Loans and bills discounted (Notes 5, 11 and 28)	2,190,230	2,197,239	26,340,712
Foreign exchange (Note 6)	4,129	5,112	49,662
Lease receivables and investment assets	7,023	7,082	84,459
Other assets (Notes 7 and 10)	29,987	30,412	360,638
Tangible fixed assets (Note 8)	35,749	34,187	429,932
Intangible fixed assets	5,180	4,272	62,292
Deferred tax assets (Note 23)	12,487	14,682	150,177
Customers' liabilities for acceptances and guarantees (Note 16)	15,613	16,759	187,770
Allowance for loan losses (Note 28)	(35,403)	(37,920)	(425,771)
Total assets	¥3,021,816	¥2,940,448	\$36,341,749
LIABILITIES:			
Deposits (Notes 10, 12, 26 and 28)	¥2,736,291	¥2,662,887	\$32,907,887
Payables under securities lending transactions (Notes 10 and 28)	66,936	69,373	805,006
Borrowed money (Notes 13 and 28)	43,260	47,258	520,268
Foreign exchange (Note 6)	101	72	1,208
Bonds payable (Notes 14 and 28)	14,700	5,000	176,789
Other liabilities (Notes 10 and 15)	27,119	27,955	326,146
Provision for bonuses	950	910	11,428
Provision for retirement benefits (Note 22)	4,451	4,061	53,530
Provision for directors' retirement benefits	273	193	3,286
Provision for reimbursement of deposits	641	717	7,709
Acceptances and guarantees (Note 16)	15,613	16,759	187,770
Total liabilities	2,910,335	2,835,186	35,001,027
EQUITY (Note 17):			
Capital stock, authorized, 900,000,000 shares; issued, 410,940,977 shares as March of 31, 2011 and 2010	27,484	27,484	330,537
Capital surplus	49,484	49,484	595,128
Retained earnings	22,248	15,287	267,556
Treasury stock — at cost 7,808,000 shares and 461,798 shares as of March 31, 2011 and 2010, respectively	(1,107)	(122)	(13,320)
Total shareholders' equity	98,109	92,133	1,179,901
Valuation difference on available-for-sale securities	2,687	2,448	32,317
Deferred gains or losses on hedges	52	113	626
Total accumulated other comprehensive income	2,739	2,561	32,943
Minority interests	10,633	10,568	127,878
Total net assets	111,481	105,262	1,340,722
Total liabilities and net assets	¥3,021,816	¥2,940,448	\$36,341,749

See Notes to Consolidated Financial Statements.

CONSOLIDATED STATEMENTS OF INCOME

The Minato Bank, Ltd. and Subsidiaries
Years Ended March 31, 2011 and 2010

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2011	2010	2011
ORDINARY INCOME:			
Interest income:			
Interest on loans and discounts	¥39,709	¥44,045	\$477,561
Interest and dividends on securities	5,483	5,219	65,940
Other interest income	998	822	12,001
Fees and commissions	12,480	11,707	150,089
Other ordinary income (Note 18)	6,651	6,513	79,988
Other income (Note 19)	2,248	2,710	27,035
Total income	67,569	71,016	812,614
ORDINARY EXPENSES:			
Financing expenses:			
Interest on deposits	2,502	4,758	30,094
Interest on borrowings and rediscounts	1,260	1,500	15,151
Other financing expenses	202	145	2,432
Fees and commissions payments	3,305	3,150	39,744
Other ordinary expenses (Note 20)	3,101	2,002	37,297
General and administrative expenses	35,286	34,797	424,360
Other expenses (Notes 9 and 21)	8,918	16,426	107,257
Total expenses	54,574	62,778	656,335
INCOME BEFORE INCOME TAXES AND MINORITY INTERESTS	12,995	8,238	156,279
INCOME TAXES (Note 23):			
Current	1,759	2,216	21,146
Deferred	2,064	2,403	24,821
INCOME BEFORE MINORITY INTERESTS	9,172		110,312
MINORITY INTERESTS IN INCOME	571	36	6,868
NET INCOME	¥ 8,601	¥ 3,583	\$103,444

	Yen		U.S. Dollars
	2011	2010	2011
PER SHARE INFORMATION (Note 27):			
Basic net income	¥21.07	¥8.72	\$0.25
Cash dividends applicable to the year	5.00	4.00	0.06

See Notes to Consolidated Financial Statements.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

The Minato Bank, Ltd. and Subsidiaries
Years Ended March 31, 2011 and 2010

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2011	2010	2011
INCOME BEFORE MINORITY INTERESTS:	¥9,172	—	\$110,312
Other comprehensive income:			
Unrealized (losses) gains on available-for-sale securities	233	—	2,806
Deferred losses on hedging instruments, net of taxes	(60)	—	(729)
Comprehensive income	9,345	—	112,389
(Attributable to)			
Shareholders of parent	8,780	—	105,592
Minority interests	565	—	6,797

See Notes to Consolidated Financial Statements.

CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS

The Minato Bank, Ltd. and Subsidiaries
Years Ended March 31, 2011 and 2010

	Thousands		Millions of Yen								
	Outstanding Number of Shares of Capital Stock	Capital Stock	Capital Surplus	Retained Earnings	Treasury Stock	Total Shareholders' Equity	Valuation Difference on Available-for-sale Securities	Deferred Gains or Losses on Hedges	Total Accumulated Other Comprehensive Income	Minority Interests	Total Net Assets
Balance as of March 31, 2009	410,491	¥27,484	¥49,484	¥11,704	¥ (121)	¥88,551	¥ (512)	¥ 70	¥ (442)	¥ 613	¥ 88,722
Net income				3,583		3,583					3,583
Purchase of treasury stock	(12)				(1)	(1)					(1)
Total changes of items during the period							2,960	43	3,003	9,955	12,958
Balance as of March 31, 2010	410,479	27,484	49,484	15,287	(122)	92,133	2,448	113	2,561	10,568	105,262
Net income				8,601		8,601					8,601
Dividends from surplus				(1,640)		(1,640)					(1,640)
Purchase of treasury stock	(7,464)				(1,002)	(1,002)					(1,002)
Disposal of treasury stock	118		0		17	17					17
Total changes of items during the period							239	(61)	178	65	243
Balance as of March 31, 2011	403,133	¥27,484	¥49,484	¥22,248	¥(1,107)	¥98,109	¥2,687	¥ 52	¥2,739	¥10,633	¥111,481

Thousands of U.S. Dollars (Note 1)

	Thousands of U.S. Dollars		Thousands of U.S. Dollars							
	Capital Stock	Capital Surplus	Retained Earnings	Treasury Stock	Total Shareholders' Equity	Valuation Difference on Available-for-sale Securities	Deferred Gains or Losses on Hedges	Total Accumulated Other Comprehensive Income	Minority Interests	Total Net Assets
Balance as of March 31, 2010	\$330,537	\$595,114	\$183,858	\$ (1,474)	\$1,108,035	\$29,439	\$1,355	\$30,794	\$127,100	\$1,265,929
Net income			103,444		103,444					103,444
Dividends from surplus			(19,746)		(19,746)					(19,746)
Purchase of treasury stock				(12,047)	(12,047)					(12,047)
Disposal of treasury stock			14	201	215					215
Total changes of items during the period						2,878	(729)	2,149	778	2,927
Balance as of March 31, 2011	\$330,537	\$595,128	\$267,556	\$(13,320)	\$1,179,901	\$32,317	\$ 626	\$32,943	\$127,878	\$1,340,722

See Notes to Consolidated Financial Statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

The Minato Bank, Ltd. and Subsidiaries
Years Ended March 31, 2011 and 2010

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2011	2010	2011
OPERATING ACTIVITIES:			
Income before income taxes and minority interests	¥ 12,995	¥ 8,238	\$ 156,278
Depreciation and amortization	3,093	2,799	37,199
Impairment loss	296	636	3,558
Increase (decrease) in allowance for loan losses	4,969	13,406	59,753
Increase (decrease) in provision for bonuses	40	119	484
Increase (decrease) in provision for retirement benefits	390	219	4,685
Decrease (increase) in prepaid pension costs	212	(1,217)	2,554
Increase (decrease) in provision for directors' retirement benefits	80	(41)	962
Increase (decrease) in provision for reimbursement of deposits	(76)	141	(914)
Gain on fund management	(46,190)	(50,086)	(555,501)
Financing expenses	3,964	6,403	47,678
Loss (gain) related to securities	(1,536)	(3,146)	(18,476)
Foreign exchange (gain) losses	802	194	9,648
Loss (gain) on disposal of noncurrent assets	239	117	2,869
Net decrease (increase) in trading account securities	361	(447)	4,340
Net decrease (increase) in loans and bills discounted	(18)	34,192	(214)
Net increase (decrease) in deposit	73,961	42,469	889,492
Net increase (decrease) in borrowed money (excluding subordinated borrowings)	1,002	(337)	12,055
Net decrease (increase) in interest-bearing deposit	9,905	(9,966)	119,119
Net decrease (increase) in call loans	(16,295)	8,855	(195,970)
Net increase (decrease) in call money	—	(1,000)	—
Net increase (decrease) in payables under securities lending transactions	(2,436)	53,277	(29,302)
Net decrease (increase) in foreign exchanges-assets	983	452	11,824
Net increase (decrease) in foreign exchanges-liabilities	28	(33)	340
Net decrease (increase) in lease receivables and investment assets	59	(227)	715
Proceeds from fund management	47,290	50,562	568,725
Payments for finance	(4,860)	(6,624)	(58,444)
Other, net	(1,154)	(1,597)	(13,877)
Sub-total	88,104	147,358	1,059,580
Income taxes paid	(3,111)	(211)	(37,419)
Income taxes refund	50	668	599
Net cash provided by operating activities	85,043	147,815	1,022,760
INVESTING ACTIVITIES:			
Purchases of securities	(312,048)	(645,351)	(3,752,830)
Proceeds from sales of securities	184,778	384,968	2,222,221
Proceeds from redemptions of securities	59,842	107,726	719,685
Purchases of tangible fixed assets	(2,631)	(1,617)	(31,645)
Proceeds from sales of tangible fixed assets	—	55	—
Purchase of intangible fixed assets	(2,189)	(1,601)	(26,328)
Other	(31)	—	(368)
Net cash used in investing activities	(72,279)	(155,820)	(869,265)
FINANCING ACTIVITIES:			
Repayment of subordinated bonds	(5,000)	(10,000)	(60,132)
Proceeds from issuance of subordinated bonds	9,700	—	116,656
Proceeds from contributions paid by minority interests	—	10,000	—
Cash dividends paid	(1,641)	(2)	(19,732)
Cash dividends paid to minority interests	(511)	—	(6,145)
Repayment of lease obligations	(134)	—	(1,611)
Purchase of treasury stock	(1,002)	(2)	(12,047)
Proceeds from sales of treasury stock	17	—	201
Net cash provided by (used in) financing activities	1,429	(4)	17,190
EFFECT OF EXCHANGE RATE CHANGE ON CASH AND CASH EQUIVALENTS	10	(8)	126
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	14,203	(8,017)	170,811
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	35,344	43,361	425,062
CASH AND CASH EQUIVALENTS AT END OF PERIOD (Note 3)	¥ 49,547	¥ 35,344	\$ 595,873

See Notes to Consolidated Financial Statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

The Minato Bank, Ltd. and Subsidiaries
Years Ended March 31, 2011 and 2010

1. BASIS OF PRESENTING CONSOLIDATED FINANCIAL STATEMENTS

The accompanying consolidated financial statements of The Minato Bank, Ltd. (the "Bank") and its subsidiaries have been prepared in accordance with the provisions set forth in the Japanese Financial Instruments and Exchange Act and its related accounting regulations and the Enforcement Regulation for the Banking 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.

The accompanying consolidated financial statements are stated in Japanese yen, the currency of the country in which the Bank is incorporated and operates. The translations of Japanese yen amounts into U.S. dollar amounts are included solely for the convenience of readers outside Japan and have been made at the rate of ¥83.15 to \$1, the approximate rate of exchange at March 31, 2011, the final business day of the term. Such translations should not be construed as representations that the Japanese yen amounts could be converted into U.S. dollars at that or any other rate.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Consolidation

The consolidated financial statements include the accounts of the Bank and all (14 subsidiaries in 2011 and 13 in 2010) of its subsidiaries (together, the "Group"). Under the control concept, those companies in which the Bank, directly or indirectly, is able to exercise control over operations are fully consolidated. All significant intercompany balances and transactions have been eliminated in consolidation. All material unrealized profit included in assets resulting from transactions within the Group is eliminated.

Assets and liabilities of consolidated subsidiaries including the portion attributable to the minority shareholders are valued for consolidation at fair value when the Bank acquired control.

b. Consolidated subsidiaries' fiscal year-end

Fiscal years of 7 consolidated subsidiaries ended on March 31, 2011 and 2010, while 6 and 5 others ended on December 31, 2011 and 2010 and one consolidated subsidiary ended on January 24, 2011. Significant transactions between December 31 or January 24 and March 31 are adjusted in consolidation.

c. Cash equivalents

For purposes of the consolidated statements of cash flows, the Group considers noninterest-bearing deposits included in "Cash and due from banks" in the consolidated balance sheets to be cash equivalents.

d. Trading account securities

Trading account securities, which are held for the purpose of earning capital gains in the near term are reported at fair value, and the related unrealized gains and losses are included in the consolidated statements of income.

e. Securities

Securities with readily obtainable fair values are reported at fair value, with unrealized gains and losses, net of applicable taxes, reported in a separate component of equity. The cost of securities sold is determined based on the moving-average method.

Available-for-sale securities, the fair values of which are extremely difficult to calculate are stated at cost determined by the moving-average method.

For other than temporary declines in fair value, Securities are reduced to net realizable value by a charge to income.

f. Derivative transactions

In accordance with the Industry Audit Committee Report No.24, "Treatment for Accounting and Auditing of Application of Accounting Standard for Financial Instruments in Banking Industry." Issued by the Japanese Institute of Certified Public Accountants ("JICPA"), the Bank applies hedge accounting to manage its exposures to fluctuations in interest rates associated with certain assets and liabilities. The Bank enters into derivative financial instruments, such as interest rate swaps, currency options

and foreign exchange contracts. Subsidiaries do not perform any derivative transactions.

The Bank enters into derivatives principally as a means of managing its interest rate and foreign exchange rate exposures on certain assets. In addition, the Bank uses derivatives actively to meet its customers' needs for new financial instruments.

Derivative financial instruments are classified and accounted for as follows: a) all derivatives are recognized as either assets or liabilities and measured at fair value, and gains or losses on derivative transactions are recognized in the consolidated statements of income and b) for derivatives used for hedging purposes, if derivatives qualify for hedge accounting because of high correlation and effectiveness between the hedging instruments and the hedged items, gains or losses on derivatives are deferred until maturity of the hedged transactions. Net unrealized losses related to hedging are classified as deferred unrealized losses on hedges in equity.

g. Bills discounted

Bills discounted are accounted for as financial transactions 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 Bank has rights to sell or pledge bank acceptance bought, commercial bills discounted, documentary bills and foreign exchanges bought without restrictions. The total face values at March 31, 2011 and 2010 were ¥30,489 million (\$366,671 thousand) and ¥27,971 million, respectively.

h. Tangible fixed assets

Tangible Fixed Assets are stated at cost less accumulated depreciation. Depreciation of Tangible Fixed Assets and equipment of the Bank is computed using the declining-balance method while the straight-line method is applied to buildings at rates based on the estimated useful lives of the assets. The range of useful lives is principally from 8 to 50 years for buildings and from 2 to 20 years for equipment. Depreciation of tangible fixed assets owned by subsidiaries is computed principally using the straight-line method over the estimated useful lives of the assets. Under certain conditions such as exchanges of fixed assets of similar kinds and sales and purchases resulting from expropriation, Japanese tax laws permit companies to defer the profit arising from such transactions by reducing the cost of the assets acquired or by providing special reserve in the equity section. The Bank adopted the former treatment and reduced the cost of the assets acquired by ¥81 million (\$979 thousand) as of March 31, 2011 and 2010.

i. Long-lived assets

The Group reviews its long-lived assets for impairment whenever events or changes in circumstance indicate the carrying amount of an asset or asset group may not be recoverable. An impairment

loss would be recognized if the carrying amount of an asset or asset group exceeds the sum of the undiscounted future cash flows expected to result from the continued use and eventual disposition of the asset or asset group. The impairment loss would be measured as the amount by which the carrying amount of the asset exceeds its recoverable amount, which is the higher of the discounted cash flows from the continued use and eventual disposition of the asset or the net selling price at disposition. Accumulated impairment loss is directly deducted from the respective tangible fixed assets.

j. Software

Software costs for internal use are capitalized (included in other assets) and amortized by the straight-line method over the estimated useful life of 5 years.

k. Allowance for loan losses

The amount of the Allowance for loan losses is determined based on management's judgment and assessment of future losses based on the self-assessment system. This system reflects past experience of credit losses, possible credit losses, business and economic conditions, the character, quality and performance of the portfolio and other pertinent indicators. The Bank implemented the self-assessment system for asset quality. The quality of all loans is assessed by branches and the Credit Administration Division with a subsequent audit by the Credit Review and Audit Division in accordance with the Bank's policy and rules for self-assessment of asset quality. The Bank has established a credit rating system under which its customers are classified into five categories. The credit rating system is used for self-assessment of asset quality. All loans are classified into five categories for self-assessment purposes such as "normal," "caution," "possible bankruptcy," "virtual bankruptcy" and "legal bankruptcy." For claims to debtors classified as legal bankruptcy or virtual bankruptcy, an allowance is provided for the remaining amount of claims after deduction of the amounts collectible through the disposal of collateral or execution of guarantees. For claims to debtors classified as possible bankruptcy, who are currently neither legally nor virtually bankrupt but are likely to become bankrupt, an allowance is provided at the amounts deemed necessary based on an overall solvency assessment performed for remaining claims after deduction of the amounts collectible through the disposal of collateral or execution of guarantees. For other claims, an allowance is provided based on historical loan loss experience. Subsidiaries provide an allowance for general claims based on historical loan loss experience and for specific claims at the amounts individually estimated to be uncollectible.

l. Provision for bonuses

The Provision for bonuses is provided for the payment of employees' bonuses based on estimated amounts of the future payments attributed to the current fiscal year.

m. Provision for retirement benefits

The Bank has a contributory funded pension plan and an unfunded lump-sum severance payment plan. Additional benefits may be granted in cases where certain requirements are met when employees retire. In addition, the Bank contributed some of its marketable equity securities to employee retirement benefit trusts. The Bank provides for the Provision for retirement benefits based on projected benefit obligations and plan assets at the balance sheet date. Subsidiaries provide for the liability for employees' severance payments based on amounts which would be required to be paid if all eligible employees voluntarily terminated their employment at the balance sheet date.

In July 2008, the Accounting Standards Board of Japan ("ASBJ") issued ASBJ Statement No.19, "Partial Amendments to Accounting Standard for Retirement Benefits (Part 3)." The Group applied the revised accounting standard effective April 1, 2009. This accounting change had no material impact on consolidated financial statements.

n. Provision for directors' retirement benefits

Retirement allowances for directors and corporate auditors are recorded to state the liability at the amount that would be required if all directors (including executive officer) and corporate auditors retired at each balance sheet date.

o. Provision for reimbursement of deposits

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

p. Foreign currency transactions

Foreign currency denominated assets and liabilities are translated into Japanese yen at the exchange rates prevailing at the balance sheet date. The foreign exchange gains and losses from translation are recognized in the consolidated statements of income.

q. Leases

In March 2007, the ASBJ issued ASBJ Statement No.13, "Accounting Standard for Lease Transactions," which revised the previous accounting standard for lease transactions issued in June 1993. The revised accounting standard for lease transactions was effective for fiscal years beginning on or after April 1, 2008 with early adoption permitted for fiscal years beginning on or after April 1, 2007. Under the previous accounting standard, finance leases that were deemed to transfer ownership of the leased property to the lessee were treated as sales. However, other finance leases were permitted to be accounted for as operating lease transactions if certain "as if sold" information was disclosed in the note to the lessor's financial statements. The revised accounting standard requires that all finance leases that deem to transfer ownership of the leased property to the lessee recognized as lease receivables, and all finance leases that deem not to transfer ownership of the leased property to the lessee should be recognized as lease investment assets. Income for finance leases is recognized by allocating interest equivalents to applicable fiscal years instead of recording sale of lease assets. And income for finance leases is measured at total of interest equivalents, instead of the amount of lease transactions. Leased properties on finance lease transactions that do not transfer ownership are depreciated over the useful life of assets, equal to the lease term, by the straight-line method to a residual value of zero or residual value on the lease contract.

r. Income taxes

The provision for income taxes is computed based on the pretax income included in the consolidated statements of income. The asset and liability approach is used to recognize deferred tax assets and liabilities for the expected future tax consequences of temporary differences between the carrying amounts and the tax bases of assets and liabilities. Deferred taxes are measured by applying currently enacted tax laws to the temporary differences.

s. Appropriations of retained earnings

Appropriations of retained earnings are reflected in the consolidated financial statements for the following year upon shareholders' approval.

t. Per share information

Basic net income per share is computed by dividing net income available to Capital shareholders by the weighted-average number of common shares outstanding for the period, retroactively adjusted for stock splits. Diluted net income per share is not disclosed because no dilutive securities are outstanding. Cash dividends per share presented in the accompanying consolidated statements of income are dividends applicable to the respective years including dividends to be paid after the end of the year.

u. Asset retirement obligations (accounting change)

On March 31, 2008, the ASBJ published a new accounting standard for asset retirement obligations, ASBJ Statement No.18 "Accounting Standard for Asset Retirement Obligations" and ASBJ Guidance No.21 "Guidance on Accounting Standard for Asset

Retirement Obligations.” The Group applied the new accounting standard effective April 1, 2011. The effect of this change was to decrease income before income taxes and minority interests ¥134 million (\$1,607 thousands).

v. Presentation of comprehensive income (accounting change)
Effective from the year ended March 31, 2011, the Companies applied “Accounting Standards for Presentation of Comprehensive

Income” (ASBJ Statement No.25, June 30, 2010). The amount of accumulated other comprehensive income and total accumulated other comprehensive income in the consolidated statements of changes in net assets for the year ended March 31, 2010 are previously stated as valuation and translation adjustments and total of valuation and translation adjustments in the consolidated balance sheet for the year ended March 31, 2010, respectively.

3. CASH AND CASH EQUIVALENTS

The reconciliation of “Cash and cash equivalents” and “Cash and due from banks” in the consolidated balance sheets at March 31, 2011 and 2010 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2011	2010	2011
Cash and due from banks	¥49,761	¥45,463	\$598,447
Interest-bearing deposits included in due from banks	(214)	(10,119)	(2,574)
Cash and cash equivalents	¥49,547	¥35,344	\$595,873

4. SECURITIES

The fair values of floating rate Japanese government bonds were previously measured at their market prices. However, after consideration of Practice Issues Task Force No.25, “Practical Solution on Measurement of Fair Value for Financial Assets,” issued by the ASBJ and the recent market environment, management has concluded that current market prices are no longer indicative of the fair values.

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

	Millions of Yen		Thousands of U.S. Dollars
	2011	2010	2011
Japanese government bonds	¥295,274	¥242,613	\$3,551,099
Japanese local government bonds	224,908	192,416	2,704,847
Japanese corporate bonds	79,819	105,668	959,941
Corporate stocks	17,388	16,542	209,114
Other securities	47,173	39,354	567,324
Total	¥664,562	¥596,593	\$7,992,325

5. LOANS AND BILLS DISCOUNTED

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

	Millions of Yen		Thousands of U.S. Dollars
	2011	2010	2011
Bills discounted	¥ 29,948	¥ 27,412	\$ 360,170
Loans on bills	97,171	130,451	1,168,621
Loans on deeds	1,901,142	1,865,534	22,864,004
Overdrafts	161,969	173,842	1,947,917
Total	¥2,190,230	¥2,197,239	\$26,340,712

Loans in legal bankruptcy totaled ¥9,356 million (\$112,518 thousand) and ¥11,774 million as of March 31, 2011 and 2010, respectively. Nonaccrual loans totaled ¥56,331 million (\$677,467 thousand) and ¥55,067 million as of March 31, 2011 and 2010, respectively. Loans in legal bankruptcy are loans for which the interest accrual has been discontinued (excluding the portion recognized as bad debts), based on management’s judgment as to the collectability of principal or interest resulting from the delay in payments of interest or principal for a considerable period of time and other factors. Nonaccrual loans are loans in which the interest accrual is discontinued, other than loans in legal bankruptcy and loans granting deferral of interest payment to the debtors in financial difficulties to assist them in their recovery. Accruing loans contractually past due three months or more as to principal

or interest payments totaled ¥397 million (\$4,775 thousand) and ¥366 million as of March 31, 2011 and 2010, respectively. Loans classified as loans in legal bankruptcy and past due loans are excluded. Restructured loans totaled ¥1,970 million (\$23,691 thousand) and ¥609 million as of March 31, 2011 and 2010, respectively. Such restructured loans are loans on which creditors grant concessions (e.g., reduction of the stated interest rate, deferral of interest payment, extension of maturity date, waiver of the face amount, or other concessive measures) to the debtors to assist them to recover from their financial difficulties and eventually be able to pay creditors. Loans classified as loans in legal bankruptcy, nonaccrual loans and accruing contractually past due three months or more are excluded from these restructured loans.

6. FOREIGN EXCHANGES

Foreign exchange assets and liabilities at March 31, 2011 and 2010 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2011	2010	2011
Assets:			
Due from foreign correspondents	¥ 742	¥ 756	\$ 8,926
Foreign bills of exchange receivable	540	558	6,501
Foreign bills of exchange purchased	2,847	3,798	34,235
Total	¥4,129	¥5,112	\$49,662
Liabilities:			
Due to foreign correspondents	¥ 4	¥ 41	\$ 45
Foreign bills of exchange sold	59	28	704
Accrued foreign bills of exchange	38	3	459
Total	¥ 101	¥ 72	\$ 1,208

7. OTHER ASSETS

Other assets at March 31, 2011 and 2010 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2011	2010	2011
Prepaid expenses	¥ 39	¥ 45	\$ 467
Prepaid pension costs	3,420	3,632	41,130
Accrued income	2,963	2,897	35,634
Derivatives	4,995	6,368	60,074
Other	18,570	17,470	223,333
Total	¥29,987	¥30,412	\$360,638

8. TANGIBLE FIXED ASSETS

Accumulated depreciation on tangible fixed assets at March 31, 2011 and 2010 amounted to ¥19,260 million (\$231,634 thousand) and ¥19,995 million, respectively.

9. LONG-LIVED ASSETS

The Group recognized impairment losses for the year ended March 31, 2011 as follows:

Location	Description	Classification	Millions of Yen	Thousands of U.S. Dollars
			Impairment Losses	Impairment Losses
Hyogo prefecture	Operating retail premises	Buildings	¥ 84	\$1,007
Hyogo prefecture	Book storeroom	Land and buildings	95	1,139
Hyogo prefecture	Operating retail premises	Buildings	117	1,412
Total			¥296	\$3,558

The Group recognized impairment losses for the year ended March 31, 2010 as follows:

Location	Description	Classification	Millions of Yen
			Impairment Losses
Tokyo	Operating retail premises	Buildings	¥ 14
Osaka	Operating retail premises	Buildings	164
Hyogo prefecture	Operating retail premises	Land and buildings	351
Hyogo prefecture	Operating retail premises	Land and buildings	90
Hyogo prefecture	Idle assets	Buildings	12
Hyogo prefecture	Idle assets	Buildings	5
Total			¥636

The Bank groups operating retail premises by operating block (a group of operation branches in close relationship). Each of the subsidiaries is grouped as a single unit.

The Bank treats the head office, the computer center, the business concentration center, company condominiums and dormitories, and other, which do not generate independent cash flows, as assets in common use. Idle assets of the Group are treated as an independent unit. The Group wrote down the carrying amounts

to the recoverable amounts and recognized impairment losses of ¥296 million (\$3,558 thousand) and ¥636 million for the year ended March 31, 2011 and 2010, respectively as other expenses, since the carrying amounts of the assets held by the above branches and other exceeded the sum of the undiscounted future cash flows. The recoverable amounts of such assets were measured at their net realizable selling prices determined by quotations from real estate appraisal information less estimated costs to dispose.

10. ASSETS PLEDGED

Assets pledged as collateral and related liabilities at March 31, 2011 and 2010 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2011	2010	2011
Securities	¥99,172	¥104,127	\$1,192,691
Other assets	91	90	1,089

Related liabilities:

	Millions of Yen		Thousands of U.S. Dollars
	2011	2010	2011
Deposits	¥ 3,346	¥ 3,120	\$ 40,236
Call money and bills sold	400		4,811
Payables under securities lending transactions	66,936	69,373	805,006

In addition, Securities totaling ¥48,491 million (\$583,174 thousand) and ¥51,211 million at March 31, 2011 and 2010, respectively, and other assets totaling ¥57 million (\$686 thousand) and ¥57 million at March 31, 2011 and 2010, respectively, were pledged as collateral

for settlement of exchange, fund settlement for joint systems of the industry and derivative transactions. Other assets include guarantee deposits of ¥3,537 million (\$42,532 thousand) and ¥3,650 million at March 31, 2011 and 2010, respectively.

11. COMMITMENT LINE

Commitment line contracts on overdrafts and loans are agreements to lend to customers when they apply for borrowing, to the prescribed amount as long as there is no violation of any condition established in the contracts. At March 31, 2011 and 2010, the amount of unused commitments amounts to ¥480,768 million (\$5,781,942 thousand) and ¥478,946 million, respectively, of which commitments aggregating ¥473,146 million (\$5,690,274 thousand) and ¥468,870 million, respectively, have original contract terms that expire within one year or are unconditionally cancelable at any time. Since many of these commitments are expected to expire without being drawn upon, the total amount of

unused commitments does not necessarily represent actual future cash flow requirements. Many of these commitments have clauses that allow the Bank to reject the application from customers or reduce the contract amounts in some cases, such as change in economic conditions, the Bank need to secure their credit, or other events occur. In addition, the Bank requests customers to pledge collateral such as premises and securities at execution of the contracts, and takes necessary measures such as understanding customers' financial positions, revising contracts when the need arises and securing claims after execution of the contracts.

12. DEPOSITS

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

	Millions of Yen		Thousands of U.S. Dollars
	2011	2010	2011
Current deposits	¥ 116,058	¥ 111,645	\$ 1,395,770
Ordinary deposits	1,371,617	1,299,686	16,495,692
Savings deposits	23,719	24,730	285,257
Deposits at notice	7,089	10,098	85,251
Time deposits	1,134,464	1,160,606	13,643,581
Other deposits	42,966	45,033	516,733
Sub-total	2,695,913	2,651,798	32,422,284
Negotiable certificates of deposit	40,378	11,089	485,603
Total	¥2,736,291	¥2,662,887	\$32,907,887

13. BORROWED MONEY

At March 31, 2011 and 2010, the weighted average interest rates applicable to the borrowed money were 2.498% and 2.70%, respectively and at March 31, 2011, the weighted average interest rate applicable to the lease obligation was 5.21%. Borrowed money at March 31, 2011 and 2010 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2011	2010	2011
Borrowed money	¥43,260	¥47,258	\$520,268
Subordinated borrowings	40,000	45,000	481,059
Borrowings from banks and other	3,260	2,258	39,209
Short-term lease obligation	174		2,088
Lease obligation (other than short-term)	771		9,268

Annual maturities of borrowed money and lease obligation at March 31, 2011, were as follows:

Year Ending March 31	Millions of Yen		Thousands of U.S. Dollars	
	2011		2011	
	Borrowed money	Lease obligation	Borrowed money	Lease obligation
2012	¥ 2,099	¥174	\$25,249	\$ 2,088
2013	456	183	5,483	2,199
2014	324	193	3,892	2,317
2015	240	201	2,886	2,419
2016	108	152	1,305	1,826
2017 and thereafter	40,033	42	481,453	507
Total	¥43,260	¥945	\$520,268	\$11,356

14. BONDS PAYABLE

Bonds payable at March 31, 2011 and 2010 consisted of the following:

Description	Millions of Yen		Thousands of U.S. Dollars	Interest Rate	Due
	2011	2010	2011		
Subordinated bonds	¥5,000	¥5,000	\$ 60,132	2.51%	Sep. 2006–Sep. 2016
Subordinated bonds	9,700		116,657	2.45%	Mar. 2011–Mar. 2021

15. OTHER LIABILITIES

Other liabilities at March 31, 2011 and 2010 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2011	2010	2011
Domestic exchange settlement	¥ 240	¥ 219	\$ 2,889
Accrued income taxes	593	1,747	7,135
Accrued expenses	2,870	3,781	34,520
Unearned income	7,610	7,741	91,516
Derivatives	4,048	5,397	48,678
Other	11,758	9,070	141,408
Total	¥27,119	¥27,955	\$326,146

16. ACCEPTANCES AND GUARANTEES

All contingent liabilities arising from acceptances and guarantees are reflected in "Acceptances and guarantees." As a contra account, "Customers' liabilities for acceptances and guarantees," is shown as an asset representing the Bank's right of indemnity from the applicants. At March 31, 2011 and 2010, the amounts

of "Acceptances and guarantees" and "Customers' liabilities for acceptances and guarantees," which were set off were ¥16,069 million (\$193,254 thousand) and ¥19,999 million, because which were relevant to corporate bonds, and the guaranteed bonds were held by the Bank itself.

17. EQUITY

Since May 1, 2006, Japanese companies have been subject to the Companies Act of Japan (the "Companies Act"). The significant changes in the Companies Act that affect financial and accounting matters are summarized below:

a. Dividends

Under the Companies Act companies can pay dividends at any time during the fiscal year in addition to the year-end dividend upon resolution at the shareholders meeting. For companies that meet certain criteria such as; (1) having the Board of Directors, (2) having accounting auditors, (3) having the Board of Corporate Auditors, and (4) the term of service of the directors is prescribed as one year rather than two years of normal term by its articles of incorporation, the Board of Directors may declare dividends (except for dividends in kind) at any time during the fiscal year if the company has prescribed so in its articles of incorporation. However, the Bank cannot do so because it does not meet all the above criteria. The Companies Act permits companies to distribute dividends-in-kind (non-cash assets) to shareholders subject to a certain limitation and additional requirements. Semiannual interim dividends may also be paid once a year upon resolution by the Board of Directors if the articles of incorporation of the company so stipulate. The Companies Act provides certain limitations on the amounts available for dividends or the purchase of treasury stock. The limitation is defined as the amount available for distribution to the shareholders, but the amount of net assets after dividends must be maintained at no less than ¥3 million.

b. Increases/decreases and transfer of Capital stock, reserve and surplus

The Companies Act requires that an amount equal to 10% (20%

for banks pursuant to the Banking Law) of dividends must be appropriated as a legal reserve (a component of retained earnings) or as additional paid-in capital (a component of capital surplus) depending on the equity account charged upon the payment of such dividends until the total of aggregate amount of legal reserve and additional paid-in capital equals 25% (100% for banks pursuant to the Banking Law) of the Capital stock. Under the Companies Act, the total amount of additional paid-in capital and legal reserve may be reversed without limitation. The Companies Act also provides that Capital stock, legal reserve, additional paid-in capital, other capital surplus and retained earnings can be transferred among the accounts under certain conditions upon resolution of the shareholders.

c. Treasury stock and treasury stock acquisition rights

The Companies Act also provides for companies to purchase treasury stock and dispose of such treasury stock by resolution of the Board of Directors. The amount of treasury stock purchased cannot exceed the amount available for distribution to the shareholders which is determined by specific formula. Under the Companies Act stock acquisition rights are presented as a separate component of equity. The Companies Act also provides that companies can purchase both treasury stock acquisition rights and treasury stock. Such treasury stock acquisition rights are presented as a separate component of equity or deducted directly from stock acquisition rights. At the Shareholders' Extraordinary Meeting held on December 22, 1998, the Bank's shareholders approved amendment of the Bank's Articles of Incorporation to authorize the Bank to issue preferred stock of 100,000,000 shares. No preferred stocks have been issued.

18. OTHER ORDINARY INCOME

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

	Millions of Yen		Thousands of U.S. Dollars
	2011	2010	2011
Gains on foreign exchange transactions-net	¥ 512	¥ 492	\$ 6,153
Gains on sales of bonds	2,392	3,703	28,771
Other	3,747	2,318	45,064
Total	¥6,651	¥6,513	\$79,988

19. OTHER INCOME

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

	Millions of Yen		Thousands of U.S. Dollars
	2011	2010	2011
Gains on sales of stocks and other securities	¥ 316	¥ 25	\$ 3,795
Recovery of claims previously charged-off	26	14	313
Other	1,906	2,671	22,927
Total	¥2,248	¥2,710	\$27,035

20. OTHER ORDINARY EXPENSES

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

	Millions of Yen		Thousands of U.S. Dollars
	2011	2010	2011
Losses on sales of bonds	¥ 167	¥ 98	\$ 2,010
Other	2,934	1,904	35,287
Total	¥3,101	¥2,002	\$37,297

21. OTHER EXPENSES

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

	Millions of Yen		Thousands of U.S. Dollars
	2011	2010	2011
Provision for possible loan losses	¥4,968	¥13,406	\$ 59,753
Losses on sales of stocks and other securities	891	2	10,715
Losses on devaluation of stocks and other securities	113	475	1,366
Loss on disposal of noncurrent assets	239	118	2,869
Impairment loss	296	636	3,558
Other	2,411	1,789	28,996
Total	¥8,918	¥16,426	\$107,257

22. RETIREMENT BENEFITS

The Bank has a contributory funded pension plan and an unfunded lump-sum severance payment plan. Subsidiaries have unfunded lump-sum severance payment plans.

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

	Millions of Yen		Thousands of U.S. Dollars
	2011	2010	2011
Projected benefit obligation	¥(21,060)	¥(20,721)	\$(253,279)
Plan assets (fair value)	14,368	14,874	172,795
Unfunded projected benefit obligation	(6,692)	(5,847)	(80,484)
Unrecognized actuarial net loss	5,587	5,352	67,189
Unrecognized prior service cost	74	66	895
Prepaid pension costs	3,420	3,632	41,130
Provision for retirement benefits	¥ (4,451)	¥ (4,061)	\$ (53,530)

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

	Millions of Yen		Thousands of U.S. Dollars
	2011	2010	2011
Service cost	¥ 630	¥ 626	\$ 7,573
Interest cost	412	408	4,963
Expected return on plan assets	(278)	(194)	(3,345)
Amortization of prior service cost	(9)	(9)	(103)
Recognized actuarial net loss	1,075	1,445	12,926
Other	100	222	1,200
Net periodic retirements benefit costs	¥1,930	¥2,498	\$23,214

Assumptions used for the years ended March 31, 2011 and 2010 were set forth as follows:

	2011	2010
Discount rate	2.0%	2.0%
Expected rate of return on plan assets	0–2.5%	0–2.5%
Recognized period of actuarial gain or loss	9 years	9 years
Amortization period of prior service cost	9 years	9 years

23. INCOME TAXES

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

	Millions of Yen		Thousands of U.S. Dollars
	2011	2010	2011
Deferred tax assets:			
Allowance for loan losses	¥14,610	¥18,216	\$175,711
Provision for retirement benefits	3,440	3,259	41,374
Provision for bonuses	386	370	4,647
Accrued enterprise tax	97	213	1,168
Devaluation of stocks and other securities	958	1,062	11,520
Depreciation	272	206	3,266
Tax loss carryforwards	31	14	367
Other	1,619	1,433	19,465
Less valuation allowance	(4,899)	(6,159)	(58,913)
Total	¥16,514	¥18,614	\$198,605
Deferred tax liabilities:			
Net unrealized gains on available-for-sale securities	¥(1,861)	¥(1,689)	\$ (22,380)
Prepaid pension costs	(1,412)	(1,476)	(16,980)
Losses on securities contributed to employee retirement benefit trust	(685)	(685)	(8,244)
Deferred gains or losses on hedges	(36)	(77)	(428)
Other	(33)	(5)	(396)
Total	¥(4,027)	¥(3,932)	\$ (48,428)
Net deferred tax assets	¥12,487	¥14,682	\$150,177

A reconciliation between the normal effective statutory tax rates and the actual effective tax rates reflected in the accompanying consolidated statements of income of the years ended March 31, 2011 and 2010 were as follows.

	2011	2010
Normal effective statutory tax rate	40.6%	40.6%
Permanent differences-expenses	0.3	0.3
Permanent differences-income	(0.6)	(0.7)
Corporate inhabitant tax per capita	0.5	0.8
Valuation allowance	(9.7)	15.1
Other	(1.7)	(0.1)
Actual effective tax rate	29.4%	56.0%

24. FAIR VALUE AND OTHER INFORMATION ON SECURITIES

Fair value and other information on securities as of March 31, 2011 and 2010 were as follows:

Securities

(1) Bonds classified as trading

	Millions of Yen		Thousands of U.S. Dollars
	2011	2010	2011
	Gains (Losses) Included in Profit/Loss during the Fiscal Year	Gains (Losses) Included in Profit/Loss during the Fiscal Year	Gains (Losses) Included in Profit/Loss during the Fiscal Year
Bonds classified as trading	¥4	¥6	\$52

(2) Bonds classified as held-to-maturity securities that have fair value as of March 31, 2011 and 2010.

	Millions of Yen			Thousands of U.S. Dollars			
	2011			2011			
	Consolidated Balance Sheet Amount	Fair Value	Difference	Consolidated Balance Sheet Amount	Fair Value	Difference	
Unrealized Gains	Japanese local government bonds	¥67,104	¥67,529	¥425	\$721,163	\$725,726	\$4,563
	Japanese corporate bonds	10,332	10,391	59	111,039	111,672	633
	Sub-total	77,436	77,920	484	832,202	837,398	5,196
Unrealized Losses	Japanese local government bonds	11,900	11,860	(40)	127,883	127,461	(422)
	Japanese corporate bonds	1,168	1,161	(7)	12,557	12,477	(80)
	Sub-total	13,068	13,021	(47)	140,440	139,938	(502)
Total	¥90,504	¥90,941	¥437	\$972,642	\$977,336	\$4,694	

	Millions of Yen			
	2010			
	Consolidated Balance Sheet Amount	Fair Value	Difference	
Unrealized Gains	Japanese local government bonds	¥57,169	¥57,541	¥372
	Japanese corporate bonds	13,061	13,150	89
	Sub-total	70,230	70,691	461
Unrealized Losses	Japanese local government bonds	2,700	2,698	(2)
	Japanese corporate bonds			
	Sub-total	2,700	2,698	(2)
Total	¥72,930	¥73,389	¥459	

(3) Available-for-sale securities that have fair value:

	Millions of Yen			Thousands of U.S. Dollars			
	2011			2011			
	Consolidated Balance Sheet Amount	Cost	Difference	Consolidated Balance Sheet Amount	Cost	Difference	
Unrealized Gains	Stocks	¥ 9,375	¥ 6,945	¥2,430	\$ 100,752	\$ 74,640	\$26,112
	Bonds:	366,850	362,301	4,549	3,942,504	3,893,618	48,886
	Japanese government bonds	190,574	188,128	2,446	2,048,084	2,021,794	26,290
	Japanese local government bonds	114,975	113,971	1,004	1,235,628	1,224,836	10,792
	Short-term Japanese corporate bonds						
	Japanese corporate bonds	61,301	60,202	1,099	658,792	646,988	11,804
	Other	34,824	34,228	596	374,253	367,839	6,414
Sub-total	411,049	403,474	7,575	4,417,509	4,336,097	81,412	
Unrealized Losses	Stocks	5,487	7,013	(1,526)	58,964	75,371	(16,407)
	Bonds:	142,647	143,937	(1,290)	1,533,009	1,546,878	(13,869)
	Japanese government bonds	104,700	105,805	(1,105)	1,125,198	1,137,083	(11,885)
	Japanese local government bonds	30,929	31,035	(106)	332,392	333,527	(1,135)
	Short-term Japanese corporate bonds						
	Japanese corporate bonds	7,018	7,097	(79)	75,419	76,268	(849)
	Other	11,982	12,180	(198)	128,772	130,896	(2,124)
Sub-total	160,116	163,130	(3,014)	1,720,745	1,753,145	(32,400)	
Total	¥571,165	¥566,604	¥4,561	\$6,138,254	\$6,089,242	\$49,012	

		Millions of Yen		
		2010		
		Consolidated Balance Sheet Amount	Cost	Difference
Unrealized Gains	Stocks	¥ 8,738	¥ 7,175	¥1,563
	Bonds:	318,832	314,975	3,857
	Japanese government bonds	129,359	128,026	1,333
	Japanese local government bonds	105,138	103,933	1,205
	Short-term Japanese corporate bonds			
	Japanese corporate bonds	84,335	83,016	1,319
	Other	31,165	30,523	642
	Sub-total	358,735	352,673	6,062
Unrealized Losses	Stocks	5,925	7,340	(1,415)
	Bonds:	148,936	149,380	(444)
	Japanese government bonds	113,254	113,545	(291)
	Japanese local government bonds	27,410	27,463	(53)
	Short-term Japanese corporate bonds			
	Japanese corporate bonds	8,272	8,372	(100)
	Other	7,735	7,782	(47)
	Sub-total	162,596	164,502	(1,906)
	Total	¥521,331	¥517,175	¥4,156

(4) Bonds classified as held-to-maturity have not been sold.**(5) Available-for-sale securities sold:**

	Millions of Yen			Thousands of U.S. Dollars		
	2011			2011		
	Sales Amount	Gains on Sales	Losses on Sales	Sales Amount	Gains on Sales	Losses on Sales
Stocks	¥ 727	¥ 62	¥ 334	\$ 8,737	\$ 744	\$ 4,015
Bonds:	173,742	2,360	150	2,089,506	28,386	1,810
Japanese government bonds	162,945	2,207	150	1,959,657	26,544	1,810
Japanese local government bonds	5,764	49		69,320	590	
Short-term Japanese corporate bonds						
Japanese corporate bonds	5,033	104		60,529	1,252	
Other	11,328	286	574	136,240	3,436	6,899
Total	¥185,797	¥2,708	¥1,058	\$2,234,483	\$32,566	\$12,724

		Millions of Yen		
		2010		
		Sales Amount	Gains on Sales	Losses on Sales
Stocks		¥ 101	¥ 25	¥ 2
Bonds:		381,755	3,690	43
Japanese government bonds		338,220	3,293	18
Japanese local government bonds		25,819	182	23
Short-term Japanese corporate bonds				
Japanese corporate bonds		17,716	215	2
Other		3,112	13	55
Total		¥384,968	¥3,728	¥100

(6) The classification of securities has not been changed.

Net Unrealized Gains on Available-for-sale Securities

Available-for-sale Securities were valued at market and net unrealized gains on valuation were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2011	2010	2011
	Consolidated Balance Sheet Amount	Consolidated Balance Sheet Amount	Consolidated Balance Sheet Amount
Net unrealized gains on securities	¥4,561	¥4,155	\$54,847
Deferred tax assets (liabilities)	1,861	(1,689)	22,380
Net unrealized gains on valuation (before adjustment)	2,700	2,466	32,467
(Minority interests)	13	18	150
Net unrealized gains on valuation	2,687	2,448	32,317

Securities Subject to Impairment Charges

Fair values of securities other than trading securities for the year ended March 31, 2011 (certain available-for-sale securities for the year ended March 31, 2010) that have fair value have decreased significantly from the original acquisition cost.

Securities deemed to have no chance of recovering their value up to their original acquisition cost are listed on the balance sheet (consolidated basis) at their market price, and the valuation difference is booked as a loss ("impairment loss") for the consolidated fiscal year under review.

The total amount of such impairment charges for the consolidated fiscal year ended March 31, 2011 and 2010 under review was zero and ¥60 million.

Standards used to determine when a security has "decreased significantly" in value under the Bank's self-assessment system for asset quality are as follows, classified by creditworthiness category.

Issuer is in "legal bankruptcy," "virtual bankruptcy" or "possible bankruptcy:"	Fair value is below acquisition cost
Issuer requires "caution:"	Fair value is 30% or more below acquisition cost
Issuer has "normal" status:	Fair value is 50% or more below acquisition cost

Among issuers with "normal" status under the above-mentioned self-assessment asset screening, for those whose securities' fair value is between 30% and 50% below the original acquisition cost, a decision on the likelihood of recoverability up to acquisition cost is made on a case-by-case basis. Impairment charges are booked in all cases if acquisition cost is not deemed fully recoverable.

Legally bankrupt issuing companies include those that are bankrupt, and those whose businesses have legally failed and that have effectively gone in to special liquidation proceedings, under law. Virtually bankrupt companies are those facing the same circumstances as legally bankrupt companies. Companies in possible bankruptcy are companies that, though currently going concerns, are recognized as having a high probability of failure in the future. Companies requiring caution are those whose management will need monitoring.

Companies performing normally are those which fall into none of the above categories.

25. FAIR VALUE INFORMATION ON DERIVATIVE TRANSACTIONS

Derivatives are subject to market risk, which is the possibility that a loss may result from fluctuations in market conditions, and credit risk, which is the possibility that a loss may result from a counterparty's failure to perform according to the terms and conditions of the contract. Since most of the Bank's derivative transactions are conducted to hedge underlying business exposures, market gain or risk in the derivative instruments is expected to be offset by an opposite movement in the value of hedged assets or liabilities. These figures are the measures used in the calculation of risk-based capital ratios under the Japanese capital ratio guidelines. The Bank adopts the current exposure method stipulated by the guidelines in calculating the amount. As a risk control system for derivatives, the Bank has established a risk management division that operates independently from divisions executing derivative transactions. Derivative transactions entered into by the Bank have been made in accordance with internal policies which regulate the authorization and credit limit amounts. In addition, positions and related gains or losses from derivatives are reported to management on a daily basis for monitoring and evaluation purposes. The contract amounts of forward exchange contracts and option agreements do not necessarily measure the Bank's exposure to credit or market risk.

Derivative transactions to which the deferred hedge accounting method is not applied.

Contractual value, fair value, unrealized gains or losses, and computation method for fair value by types of transactions as of March 2011 and 2010 were as follows. The contract amounts do not necessarily measure the Bank's exposure to market risk:

(1) Interest-rate-related transactions

	Millions of Yen				Thousands of U.S. Dollars			
	2011				2011			
	Contractual Value	Contractual Value Due after One Year	Fair Value	Net Unrealized Gains (Losses)	Contractual Value	Contractual Value Due after One Year	Fair Value	Net Unrealized Gains (Losses)
Over-the-counter:								
Interest rate swaps:								
Receive fixed and pay floating	¥32,465	¥31,763	¥659	¥659	\$390,443	\$381,997	\$7,926	\$7,926
Receive floating and pay fixed	32,465	31,763	(201)	(201)	390,443	381,997	(2,416)	(2,416)
Others:								
Sold	5,968	5,932	(21)	74	71,768	71,336	(249)	884
Bought	5,968	5,932	21	(38)	71,768	71,336	249	(451)
Total			¥458	¥494			\$5,510	\$5,943

	Millions of Yen			
	2010			
	Contractual Value	Contractual Value Due after One Year	Fair Value	Net Unrealized Gains (Losses)
Over-the-counter:				
Interest rate swaps:				
Receive fixed and pay floating	¥9,950	¥9,890	¥226	¥226
Receive floating and pay fixed	9,950	9,890	(98)	(98)
Others:				
Sold	6,086	6,041	(21)	75
Bought	6,086	6,041	21	(38)
Total			¥128	¥165

Notes: 1. The above transactions were revalued at the end of the year and the related gain and loss were reflected in the accompanying consolidated statements of income.
2. The fair values were mainly calculated using the discounted present values.

(2) Currency-related transactions

	Millions of Yen				Thousands of U.S. Dollars			
	2011				2011			
	Contractual Value	Contractual Value Due after One Year	Fair Value	Net Unrealized Gains (Losses)	Contractual Value	Contractual Value Due after One Year	Fair Value	Net Unrealized Gains (Losses)
Over-the-counter:								
Currency swaps:	¥24,437	¥24,437	¥ 50	¥ 50	\$293,892	\$293,892	\$ 602	\$ 602
Forward exchange contracts:								
Sold	8,057	682	(141)	(141)	96,891	8,196	(1,702)	(1,702)
Bought	7,727	680	164	164	92,930	8,175	1,973	1,973
Currency options:								
Sold	22,408	9,581	(2,394)	(582)	269,491	115,221	(28,788)	(7,003)
Bought	22,408	9,581	2,723	911	269,491	115,221	32,747	10,962
Total			¥ 402	¥402			\$ 4,832	\$ 4,832

	Millions of Yen			
	2010			
	Contractual Value	Contractual Value Due after One Year	Fair Value	Net Unrealized Gains (Losses)
Over-the-counter:				
Currency swaps:	¥15,223	¥15,223	¥ 33	¥ 33
Forward exchange contracts:				
Sold	6,501		(110)	(110)
Bought	5,860		120	120
Currency options:				
Sold	47,308	27,095	(3,447)	(235)
Bought	47,308	27,095	4,050	838
Total			¥ 646	¥646

Notes: 1. The above transactions were revalued at the end of the year and the related gain and loss were reflected in the accompanying consolidated statements of income.
2. The fair values were mainly calculated using the discounted present values.

(3) Stock-related transactions are not performed.

(4) Bond-related transactions are not performed.

(5) Financial product-related transactions are not performed.

(6) Credit derivative transactions are not performed.

Derivative transactions to which the deferred hedge accounting method is applied.

Contractual value, fair value, unrealized gains or losses, and computation method for fair value by types of transactions as of March 2011 and 2010 were as follows. The contract amounts do not necessarily measure the Bank's exposure to market risk:

(1) Interest-rate-related transactions

Hedged Item		Millions of Yen			Thousands of U.S. Dollars		
		2011			2011		
		Contractual Value	Contractual Value Due after One Year	Fair Value	Contractual Value	Contractual Value Due after One Year	Fair Value
Interest rate swaps:							
Receive fixed and pay floating	Call loans and bills bought, available-for-sale-securities (bonds), borrowed money	¥20,000		¥88	\$240,529		\$1,053
Receive floating and pay fixed							
Total				¥88			\$1,053

Hedged Item		Millions of Yen		
		2010		
		Contractual Value	Contractual Value Due after One Year	Fair Value
Interest rate swaps:				
Receive fixed and pay floating	Call loans and bills bought, available-for-sale-securities (bonds), borrowed money	¥20,000	¥20,000	¥199
Receive floating and pay fixed		758		(2)
Total				¥197

Notes: 1. Pursuant to "Treatment for Accounting and Auditing of Application of Accounting Standard for Financial Instruments in Banking Industry" (JICPA Industry Audit Committee Report No.24), deferred hedge accounting is applied.

2. The fair values were mainly calculated using the discounted present values.

(2) Currency-related transactions are not performed.**(3) Stock-related transactions are not performed.****(4) Bond-related transactions are not performed.****26. RELATED PARTY TRANSACTIONS**

At March 31, 2011, Sumitomo Mitsui Banking Corporation is the parent company of the Bank.

There were no material transactions between related parties for the year ended March 31, 2011.

At March 31, 2010, Sumitomo Mitsui Banking Corporation (the "Parent Company") owns 45.10% of the Bank's voting shares directly and 1.33% of the Bank's voting shares indirectly. Transactions and balances of the Parent Company and the Associated Company (SMBC Guarantee Co., Ltd.) for the year ended March 31, 2010 were as follows:

Parent Company

	Millions of Yen
	2010
Subordinated borrowings	¥30,000

27. NET INCOME PER SHARE

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

	Millions of Yen	Thousands of Shares	Yen	U.S. Dollars
	Net Income	Weighted Average Shares	EPS	EPS
For the year ended March 31, 2011				
Basic EPS				
Net income available to capital shareholders	¥ 8,601	408,136	¥21.07	\$0.25
For the year ended March 31, 2010				
Basic EPS				
Net loss available to capital shareholders	¥ 3,583	410,483	¥ 8.72	

28. FINANCIAL INSTRUMENTS

The Group applied ASBJ Statement No.10 revised on March 10, 2008 and "Guidance on Disclosure about Fair Value of Financial Instruments" ("ASBJ" Guidance No.19 revised on March 10, 2008) on March 31, 2010.

The effect of this change was to increase securities by ¥313 million, net unrealized gains on available-for-sale securities by ¥190 million, and income before income taxes and minority interests by ¥132 million and to decrease deferred tax assets by ¥130 million.

Financial instruments

(1) Financial instrument management plan

The Group operates primarily banking and other financial service businesses related to credit cards, credit guarantees, leasing, and venture capital. To operate these businesses, the Group raises funds by accepting customer deposits while regulating the balance between market conditions and the long and short terms, by indirect financing through borrowings, and by issuing treasury bonds. Because the Group mainly holds financial assets and liabilities with fluctuating interest rates, the Bank operates its business using Asset Liability Management (ALM) to prevent an unfavorable impact caused by interest rate changes. As part of ALM, the Bank conducts derivative transactions.

Some of the consolidated subsidiaries of the Bank hold marketable securities.

(2) Financial instrument attributes and risks

The financial assets held by the Group are primarily commercial loans made to businesses and individuals in Japan. These assets are subject to credit risk arising from client default on loan contracts. There is the possibility that these debts may not be fulfilled in accordance with the contract terms and conditions due to changes in the borrowers' financial conditions and particular conditions in various industries; economic and financial environmental changes in interest rates, share prices, and real estate values. Further, marketable securities and trading account securities held by the Bank are mainly comprised of stocks and bonds, held-to-maturity for net investment and business promotion purposes. These securities are subject to the issuer's credit risk, interest rate fluctuation risk, and fair value change risk.

The Group is subject to liquidity risk in its borrowings and bonds, and should it be unable to access the markets under certain conditions, this may prevent the Bank from making payments by contractual due dates. Further, the Group makes loans with variable interest rates and is therefore subject to the risk of fluctuating interest rates.

The Bank engages in interest rate swap transactions as part of ALM. The Bank applies hedge accounting to interest rate swaps as a hedging instrument against the risk of fluctuating interest rates arising from hedged financial assets and liabilities. To evaluate hedge effectiveness, deposits and loans (hedged items) and interest rate swap derivatives (hedging instruments) are grouped for each specified period of time, and hedges for offsetting market price fluctuations are identified from the group and assessed.

Further, the Bank also trades bond futures to offset market price fluctuations of bonds held as available-for-sale securities.

Some consolidated subsidiaries hold marketable securities, and these financial instruments are exposed to interest rate risk, market price fluctuation risk, and credit risk.

(3) Financial instrument risk management system

1. Credit risk management

The Group has established and operates a credit management system for commercial loans. The system performs credit reviews, manages credit limits and credit data, establishes internal ratings, guarantees and collateral, and deals with problem debt in accordance with the Bank's financing rules and other credit risk management rules and regulations. These credit management procedures are conducted by the relevant credit review and sales departments. In addition, the credit management status is reported at regularly-held management meetings and board of directors' meetings for deliberation, and is also subject to corporate auditor reviews.

The Corporate Risk Management Department oversees the credit risk of issuers of the marketable securities and counterparty risk of derivative transactions by periodically collecting credit information and fair values.

2. Market risk management

(i) Interest risk management

The Bank conducts Asset Liability Management (ALM) to manage interest rate risk. The risk management methods and procedures are described in detail in ALM regulations and the status of their implementation is checked and verified and future actions are discussed in general risk meetings (management meetings), based on ALM policies reviewed in the ALM Committee. In practice, the Corporate Risk Management Department primarily oversees overall interest rates and terms of financial assets and liabilities and monitors them using gap and interest rate sensitivity analysis, reporting to the ALM Committee monthly. The Bank trades interest rate swaps and other derivative transactions to hedge interest rate risk.

(ii) Exchange risk management

The Group manages exchange risk on individual transactions and oversees exchange positions.

(iii) Price fluctuation risk management

The decision to hold investment instruments including marketable securities is made at general risk meetings based on the policies of the ALM Committee, and carried out following rules and regulations on market risk management. The Financial Markets Department purchases investment instruments from outside sources and mitigates price fluctuation risk by conducting preliminary reviews and setting investment limits, and through consistent monitoring. Shares managed by the Operations Planning Department are held for the purposes of promoting business, including business and capital tie-ups, thereby allowing it to monitor the market environments and financial conditions of its business partners. This information is reported periodically to the ALM Committee and the Management Committee.

Some consolidated subsidiaries hold marketable securities, and these are managed in accordance with the subsidiaries' market and liquidity risk management rules and monitored by the Bank.

(iv) Derivative transactions

For derivative transactions, the Group has created separate divisions for derivative trading, evaluation of hedge effectiveness and business administration, thereby establishing a system of checks and balances. These divisions operate based on market risk management rules and regulations.

(v) Quantitative information related to market risk

In the Bank, financial instruments influenced by interest risk which is a main risk variable number in the banking accounts are loans and bills discounted, bonds classified as available-for-sale securities, deposits, borrowed money, bonds payable, interest rate swap in derivatives. The Bank uses the variance-covariance method for the measurement of VaR (a holding period of one day, an observation period of one day and a confidence interval of 99%).

As of March 31, 2011, the market risk amount (estimated value of latent loss) of the main financial instruments in banking account was ¥1,177 million (\$14,161 thousand).

The Bank considers that the measurement model used captures market risks with sufficient accuracy. However, VaR measures the amount of market risk by certain occurrence probabilities which are statistically calculated based on past market movements. Therefore, there are cases in which VaR cannot capture risk under sudden and dramatic changes in market beyond normal circumstances.

3. Fund procurement liquidity risk management

The Group manages liquidity risk through timely fund management, diversified fund procurement sources and regulating the balance between long and short term funding in light of market conditions.

(4) Additional information on the fair value of financial instruments, etc.

The fair values of financial instruments include values based on fair values and reasonably calculated values when the fair value is not available. As said values are calculated using certain assumptions, these values may vary when different assumptions are used.

Financial instruments' fair values

Consolidated balance sheet amount, fair value, and unrealized gains or losses as of March 31, 2011 and 2010 were as follows. Unlisted securities, the fair values of which were extremely difficult to calculate were excluded from the table below:

	Millions of Yen			Thousands of U.S. Dollars		
	2011			2011		
	Consolidated Balance Sheet Amount	Fair Value	Difference	Consolidated Balance Sheet Amount	Fair Value	Difference
Cash and due from banks	¥ 49,761	¥ 49,761		\$ 598,447	\$ 598,447	
Call loans and bills bought	37,081	37,081		445,946	445,946	
Trading account securities:						
Trading securities	597	597		7,184	7,184	
Securities:						
Held-to-maturity securities	90,504	90,941	¥ 437	1,088,447	1,093,699	\$ 5,252
Available-for-sale securities	571,165	571,165		6,869,087	6,869,087	
Loans and bills discounted:						
Allowance for possible loan losses	2,190,230	(33,639)		26,340,712	(404,560)	
	2,156,591	2,159,476	2,885	25,936,152	25,970,846	34,694
Assets total	2,905,699	2,909,021	3,322	34,945,263	34,985,209	39,946
Deposits	2,695,913	2,697,001	(1,088)	32,422,284	32,435,373	(13,089)
Negotiable certificate of deposits	40,378	40,379	(1)	485,603	485,615	(12)
Payables under securities lending transactions	66,936	66,936		805,006	805,006	
Borrowed money	43,260	42,965	295	520,268	516,709	3,559
Bonds payable	14,700	12,766	1,934	176,789	153,532	23,257
Liabilities total	2,861,187	2,860,047	¥1,140	34,409,950	34,396,235	\$13,715
Derivative transactions:						
Deferred hedge accounting is applied	860	860		10,343	10,343	
Deferred hedge accounting is not applied	88	88		1,053	1,053	
Derivative transactions total	¥ 948	¥ 948		\$ 11,396	\$ 11,396	

	Millions of Yen		
	2010		
	Consolidated Balance Sheet Amount	Fair Value	Difference
Cash and due from banks	¥ 45,463	¥ 45,463	
Call loans and bills bought	20,003	20,003	
Trading account securities:			
Trading securities	959	959	
Securities:			
Held-to-maturity securities	72,930	73,389	¥ 459
Available-for-sale securities	521,293	521,293	
Loans and bills discounted:	2,197,239		
Allowance for possible loan losses	(35,379)		
	2,161,860	2,164,380	2,520
Assets total	2,822,508	2,825,487	2,979
Deposits	2,651,798	2,653,132	(1,334)
Negotiable certificate of deposits	11,089	11,090	(1)
Payables under securities lending transactions	69,373	69,373	
Borrowed money	47,258	46,359	899
Bonds payable	5,000	4,209	791
Liabilities total	2,784,518	2,784,163	¥ 355
Derivative transactions:			
Deferred hedge accounting is applied	774	774	
Deferred hedge accounting is not applied	197	197	
Derivative transactions total	¥ 971	¥ 971	

Notes: 1. Allowance for possible loan losses to loans and bills discounted are excluded.

2. Derivative transactions recorded in Other assets and Other liabilities are presented as a lump sum. Net claims and debts that arose from derivative transactions are presented on a net basis.

(Note 1) Calculating method for the fair values of financial instruments were as follows:

Assets

(1) Cash and due from banks

The fair values of non-term deposits approximate the book values, therefore said book values shall be the fair values. For term deposits, present values are calculated for each category based on the deposit term, discounting by the applicable interest rate assumed for any new deposit transaction.

(2) Call loans and bills bought

These transactions have short remaining contract terms (six months or less), and as their fair values approximate the book values, said book values shall be the fair values.

(3) Trading account securities

Values of marketable securities such as bonds held for dealing are based on their securities exchange prices.

(4) Securities

Stock prices are based on their stock exchange prices, while bond prices are based either on their stock exchange prices or on the prices provided by the correspondent financial institutions. Investment trust prices are based on the standard prices publicly released. The fair values of each privately placed bond group, categorized by internal rating and term period, are calculated by discounting the total principal and interest at an interest rate that reflects the risk free rate, estimated default probability based on the internal ratings of the bond issuer, and the estimated uncollectibility rate at default based on guarantees.

Fair values of floating rate Japanese government bonds held as available-for-sale securities are booked on the consolidated balance sheet based upon realistically-calculated valuations made at the end of the consolidated accounting year. This is presumably

because fair values do not reflect fair assessment values since there are very few actual transactions. Thus, "Securities" increased by ¥3,210 million, "Deferred tax assets" fell by ¥1,304 million, and "Valuation difference on available-for-sale-securities" rose by ¥1,906 million compared to the fair value-based figures on the consolidated balance sheets.

The reasonably estimated values were calculated by discounting the cash flows based mainly on the yields of Japanese government bonds. The main variables are the yields of Japanese government bonds and volatility of those yields.

Comments regarding available-for-sale securities for each holding category are noted in the "Securities" section.

(5) Loans

Fair values of loans categorized by internal rating and term are calculated by discounting the total principal and interest at an interest rate that reflects the risk free rate, estimated default probability based on the internal ratings of the borrower, and the estimated uncollectibility rate at default based on collateral and guarantees.

Further, loans to borrowers in legal bankruptcy, virtual bankruptcy and possible bankruptcy are calculated based upon the estimated loan losses using the probable recoverable amount based upon collateral and guarantee amounts. Thus, the fair value is approximately the amount on the consolidated balance sheet as of the consolidated settlement date, minus the current loan loss estimate. This figure is used as the market price.

Note that where the repayment period has not been stipulated, like some overdraft facilities, the market price is assumed to approximate the book value from the probable repayment period or the interest rate terms. Therefore, the book value shall be the market price.

Liabilities**(1) Deposits, and (2) Negotiable certificates of deposits**

The fair value of demand deposits is considered to be the payment amount (book value) sought on the consolidated settlement date. Time deposits and negotiable certificates of deposit are categorized by given term periods, and their present values are calculated discounting their future cash flow. This discount rate is based upon the rate used when new deposits are accepted.

(3) Payables under securities lending transactions

Book values are used for fair values because these products have short remaining contract terms (six months or less) and the market prices approximate the book values.

(4) Borrowed money

The present value is calculated by discounting the total principal and interest of said borrowings, which have been categorized by specific term periods, at an assumed interest rate for similar borrowings.

(5) Bonds payable

The present value is calculated by discounting the total principal and interest of said bonds payable, which have been categorized by specific time periods, at an assumed interest rate when similar bonds payable are issued.

(Note 2) Financial Instruments, the fair values of which were extremely difficult to calculate were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2011	2010	2011
	Consolidated Balance Sheet Amount	Consolidated Balance Sheet Amount	Consolidated Balance Sheet Amount
Unlisted stocks	¥2,526	¥1,879	\$30,382
Limited partnership for investment	367	453	4,409
Total	¥2,893	¥2,332	\$34,791

Notes: 1. Unlisted stocks are excluded as there are no market prices and extremely difficult to calculate fair values.

2. For the years ended March 31, 2011 and 2010, impairment losses for unlisted stocks amounted to ¥114 million (\$1,365 thousand) and ¥291 million.

3. Limited partnership for investment made up of unlisted securities, the fair values of which are extremely difficult to calculate are excluded from the table.

(Note 3) Maturities of money claims and securities that have maturities were as follows:

	Millions of Yen					
	2011					
	1 Year or Less	1 to 3 Years	3 to 5 Years	5 to 7 Years	7 to 10 Years	Over 10 Years
Call loans and bills bought	¥ 37,080					
Securities:	39,986	¥149,942	¥269,149	¥ 50,128	¥127,461	
Held-to-maturity securities:	9,782	29,341	50,524	100		
Japanese government bonds						
Japanese local government bonds	5,032	24,141	49,037	100		
Japanese corporate bonds	4,750	5,200	1,487			
Available-for-sale securities:	30,204	120,601	218,625	50,028	127,461	
Japanese government bonds		8,000	121,000	36,000	126,000	
Japanese local government bonds	13,734	59,402	56,390	13,335	50	
Japanese corporate bonds	10,657	38,618	16,834	386	796	
Others	5,813	14,581	24,401	307	615	
Loans and bills discounted	534,626	421,306	283,736	187,388	195,087	¥483,644
Total	¥611,692	¥571,248	¥552,885	¥237,516	¥322,548	¥483,644

	Thousands of U.S. Dollars					
	2011					
	1 Year or Less	1 to 3 Years	3 to 5 Years	5 to 7 Years	7 to 10 Years	Over 10 Years
Call loans and bills bought	\$ 445,946					
Securities:	480,885	\$1,803,274	\$3,236,915	\$ 602,870	\$1,532,908	
Held-to-maturity securities:	117,644	352,874	607,632	1,203		
Japanese government bonds						
Japanese local government bonds	60,518	290,336	589,748	1,203		
Japanese corporate bonds	57,126	62,538	17,884			
Available-for-sale securities:	363,241	1,450,400	2,629,283	601,667	1,532,908	
Japanese government bonds		96,212	1,455,201	432,952	1,515,334	
Japanese local government bonds	165,164	714,400	678,169	160,381	601	
Japanese corporate bonds	128,170	464,437	202,458	4,642	9,573	
Others	69,907	175,351	293,455	3,692	7,400	
Loans and bills discounted	6,429,657	5,066,819	3,412,337	2,253,610	2,346,206	\$5,816,529
Total	\$7,356,488	\$6,870,093	\$6,649,252	\$2,856,480	\$3,879,114	\$5,816,529

	Millions of Yen					
	2010					
	1 Year or Less	1 to 3 Years	3 to 5 Years	5 to 7 Years	7 to 10 Years	Over 10 Years
Call loans and bills bought	¥ 20,003					
Securities:	59,756	¥142,520	¥218,021	¥ 18,499	¥119,251	¥ 11,000
Held-to-maturity securities:	4,572	25,429	42,052			
Japanese government bonds						
Japanese local government bonds	1,596	18,979	38,552			
Japanese corporate bonds	2,976	6,450	3,500			
Available-for-sale securities:	55,184	117,091	175,969	18,499	119,251	11,000
Japanese government bonds		11,000	93,000	6,000	118,000	11,000
Japanese local government bonds	18,698	54,822	44,568	11,761	52	
Japanese corporate bonds	30,388	37,418	21,994	738	792	
Others	6,098	13,851	16,407		407	
Loans and bills discounted	570,948	404,193	296,549	171,838	189,250	476,847
Total	¥650,707	¥546,713	¥514,570	¥190,337	¥308,501	¥487,847

Note: Loans in legal bankruptcy, virtual bankruptcy and potential bankruptcy amounting to ¥65,067 million (\$782,524 thousand) and ¥66,606 million and loans and bills discounted without maturities amounting to ¥19,376 million (\$233,029 thousand) and ¥21,007 million were excluded from the table above as of March 31, 2011 and 2010.

(Note 4) Maturities of borrowed money and others were as follows:

	Millions of Yen					
	2011					
	1 Year or Less	1 to 3 Years	3 to 5 Years	5 to 7 Years	7 to 10 Years	Over 10 Years
Deposits	¥2,572,261	¥104,668	¥18,984			
Negotiable certificate of deposits	40,049	¥329				
Payables under securities lending transactions	66,936					
Borrowed money	2,099	780	348	¥25,012	¥ 17	¥4
Corporate bonds				5,000	9,700	
Total	¥2,681,345	¥105,777	¥19,332	¥30,012	¥9,717	¥4

	Thousands of U.S. Dollars					
	2011					
	1 Year or Less	1 to 3 Years	3 to 5 Years	5 to 7 Years	7 to 10 Years	Over 10 Years
Deposits	\$30,935,184	\$1,258,791	\$228,309			
Negotiable certificate of deposits	481,648	3,956				
Payables under securities lending transactions	805,006					
Borrowed money	25,249	9,375	4,191	\$300,801	\$ 209	\$46
Corporate bonds				60,132	116,657	
Total	\$32,247,087	\$1,272,122	\$232,500	\$360,933	\$116,866	\$46

	Millions of Yen					
	2010					
	1 Year or Less	1 to 3 Years	3 to 5 Years	5 to 7 Years	7 to 10 Years	Over 10 Years
Deposits	¥2,517,793	¥109,828	¥24,177			
Negotiable certificate of deposits	11,089					
Payables under securities lending transactions	69,373					
Borrowed money	702	1,027	437	¥25,065	¥17	¥10
Corporate bonds				5,000		
Total	¥2,598,957	¥110,855	¥24,614	¥30,065	¥17	¥10

Notes: 1. Negotiable certificate of deposits were included in "1 Year or Less."

2. Borrowed money without maturities amounting to ¥15,000 million (\$180,379 thousand) and ¥20,000 million excluded from the table as of March 31, 2011 and 2010.

29. SEGMENT INFORMATION

(1) Business Segment Information

Information about business segments of the Group for the year ended March 31, 2010 was as follows:

a. Operating Income

	Millions of Yen				
	2010				
	Banking	Other	Total	Eliminations/Corporate	Consolidated
Operating income:					
Outside customers	¥66,730	¥4,271	¥71,001		¥71,001
Intersegment income	357	291	648	¥(648)	
Total	67,087	4,562	71,649	(648)	71,001
Operating expenses	57,948	4,698	62,646	(622)	62,024
Net losses for computation	9,139	(136)	9,003	(26)	8,977

b. Total Assets, Depreciation, Impairment Loss and Capital Expenditures

	Millions of Yen				
	2010				
	Banking	Other	Total	Eliminations/Corporate	Consolidated
Total assets	¥2,932,174	¥26,093	¥2,958,267	¥(17,819)	¥2,940,448
Depreciation	2,745	38	2,783		2,783
Impairment loss	636		636		636
Capital expenditures	3,154	32	3,186		3,186

Notes: 1. "Other" consists of other banking related activities such as credit guarantee, venture capital and entrusted account, and it consists "Leasing" for the year ended March 31, 2010.

2. Operating income means total income less certain special income included in other income in the accompanying consolidated statements of income.

3. Operating expenses mean total expenses less certain special expenses included in other expenses in the accompanying consolidated statements of income.

(2) Segment Information by Geographic Area

Segment information by geographic area has not been presented herein for the year ended March 31, 2010, as such information is permitted not to be disclosed if domestic share of both total income and total assets exceeds 90%.

(3) Operating Income from International Operations

Disclosure of operating income arising from international operations for the year ended March 31, 2010 has not been presented herein, as such information is permitted not to be disclosed if operating income arising from international operations is less than 10% of consolidated operating income.

Segment Information

(1) Outline of the reported segments

The reported segments of the Company are those units for which separate financial statements can be obtained and which are regularly examined by the management meeting for decisions on the allocation of management resources and for assessing business performance.

The Group engages in financial services such as credit card operations, credit guarantee operations, lease operations, agent for office functions, venture capital centering on banking operations.

As the banking operations accounts for the large portion of the Group, the reported segment of the Group is only "Banking Operations Segment" conducted by the Bank and other operations conducted by the consolidated subsidiaries are included in "Other."

(2) Calculation method of the amount of ordinary income, segment profit, assets and other items by the reported segment

Accounting method of the reported segment is almost the same to the mention in "Significant Accounting Policies." Business conditions of the transactions between the reported segment and "Other" and transactions in "Other" are same as general trade.

Differences between total of the segment profit and other and the profit on the consolidated statement of income and the segment asset and "Other" asset and asset on the consolidated balance sheet are described in (3).

(3) Information related to operating income, segment profit, assets and other items by the reported segment

For the year ended March 31, 2011

	Millions of Yen				
	2011				
	Reported Segment		Total	Adjustments	Consolidated
Banking	Other				
Operating income:					
Outside customers	¥ 61,123	¥ 6,420	¥ 67,543		¥ 67,543
Intersegment income	254	3,124	3,378	¥ (3,378)	
Total	61,377	9,544	70,921	(3,378)	67,543
Segment profit	11,641	1,862	13,503	123	13,626
Segment asset	3,011,325	625,864	3,637,189	(615,373)	3,021,816
Other items:					
Depreciation	3,067	54	3,121	(53)	3,068
Interest income	45,250	1,704	46,954	(764)	46,190
Financing expenses	4,495	193	4,688	(724)	3,964
Increase in tangible and intangible fixed assets	5,849	133	5,982		5,982

	Thousands of U.S. dollars				
	2011				
	Reported Segment		Total	Adjustments	Consolidated
Banking	Other				
Operating income:					
Outside customers	\$ 735,088	\$ 77,213	\$ 812,301		\$ 812,301
Intersegment income	3,052	37,575	40,627	\$ (40,627)	
Total	738,140	114,788	852,928	(40,627)	812,301
Segment profit	139,996	22,392	162,388	1,488	163,876
Segment asset	36,215,569	7,526,932	43,742,501	(7,400,752)	36,341,749
Other items:					
Depreciation	36,892	647	37,539	(637)	36,902
Interest income	544,195	20,496	564,691	(9,190)	555,501
Financing expenses	54,058	2,316	56,374	(8,696)	47,678
Increase in tangible and intangible fixed assets	70,348	1,594	71,942		71,942

- Notes: 1. Operating income means total income less certain special income included in other income in the accompanying consolidated statements of income.
2. "Other" consists of other banking related activities such as credit card operations, credit guarantee, leasing operations, entrusted account and venture capital.
3. Adjustments include items below.
a. Segment profit adjustments ¥123 million (\$1,488 thousand) are adjustment in consolidation accounting.
b. Segment assets adjustments –¥615,373 million (\$7,400,752 thousand) are adjustment in consolidation accounting.
c. Depreciation adjustments –¥53 million (\$637 thousand), interest income adjustments –¥764 million (\$9,190 thousand), financing expenses –¥724 million (\$8,696 thousand) are adjustment in consolidation accounting.
4. Segment profit is adjusted to ordinary income on the consolidated statements of income.

For the year ended March 31, 2010

	Millions of Yen				
	2010				
	Reported Segment		Total	Adjustments	Consolidated
Banking	Other				
Operating income:					
Outside customers	¥ 65,493	¥ 5,508	¥ 71,001		¥ 71,001
Intersegment income	308	3,038	3,346	¥ (3,346)	
Total	65,801	8,546	74,347	(3,346)	71,001
Segment profit	8,587	160	8,747	230	8,977
Segment asset	2,928,421	614,287	3,542,708	(602,260)	2,940,448
Other items:					
Depreciation	2,775	57	2,832	(49)	2,783
Interest income	49,004	1,500	50,504	(418)	50,086
Financing expenses	6,516	223	6,739	(336)	6,403
Increase in tangible and intangible fixed assets	3,151	35	3,186		3,186

- Notes: 1. Operating income means total income less certain special income included in other income in the accompanying consolidated statements of income.
2. "Other" consists of other banking related activities such as credit card operations, credit guarantee, leasing operations, entrusted account and venture capital.
3. Adjustments include items below.
a. Segment profit adjustments ¥230 million are adjustment in consolidation accounting.
b. Segment assets adjustments –¥602,260 million are adjustment in consolidation accounting.
c. Depreciation adjustments –¥49 million, interest income adjustments –¥418 million, financing expenses –¥336 million are adjustment in consolidation accounting.
4. Segment profit is adjusted to ordinary income on the consolidated statements of income.

CORPORATE ORGANIZATION (As of April 1, 2011)

[Section, etc. under Department]



CORPORATE OFFICERS (As of June 29, 2011)

Directors, Corporate Auditors and Executive Officers

President (Representative Director)

Shunji Ono*

Senior Managing Directors

Seiji Masaki* (Representative Director)

Kaoru Mori* (Representative Director)

Managing Directors

Seiji Goto*

Shigeru Sadakari*

Hisashi Yasukuni *

Director

Toshiro Ohta (external)

Corporate Auditors

Akira Sukata (full-time)

Masayasu Kikuchi (full-time)

Shingo Okada (external)

Tsutomu Nagate (external)

Katsuyuki Watanabe (external)

* Executive Officers

Managing Executive Officers

Shizuya Kajitani

(General Manager of Consumer Promotion Department)

Shinya Kimura

(General Manager of Financial Markets Department)

Executive Officers

Takaharu Kojima

(Manager of Himeji Branch)

Mitsuhiro Mizuno

(General Manager of Audit Department)

Riei Miyasaka

(General Manager of Head Office Business Promotion)

Atsushi Hisamatsu

(General Manager of Branch Support Department)

Tetsuji Maeda

(General Manager of General Affairs Department)

Takeshi Morimoto

(Manager of Tokyo Branch and Manager of Tokyo Office, Planning Department)

Tomohiko Kondo

(General Manager of Planning Department)

Yoshihisa Kishimoto

(Manager of Credit Department I)

Takatsugu Nishimura

(Manager of Osaka Branch)

Motoo Nakai

(Manager of Umeda Branch)

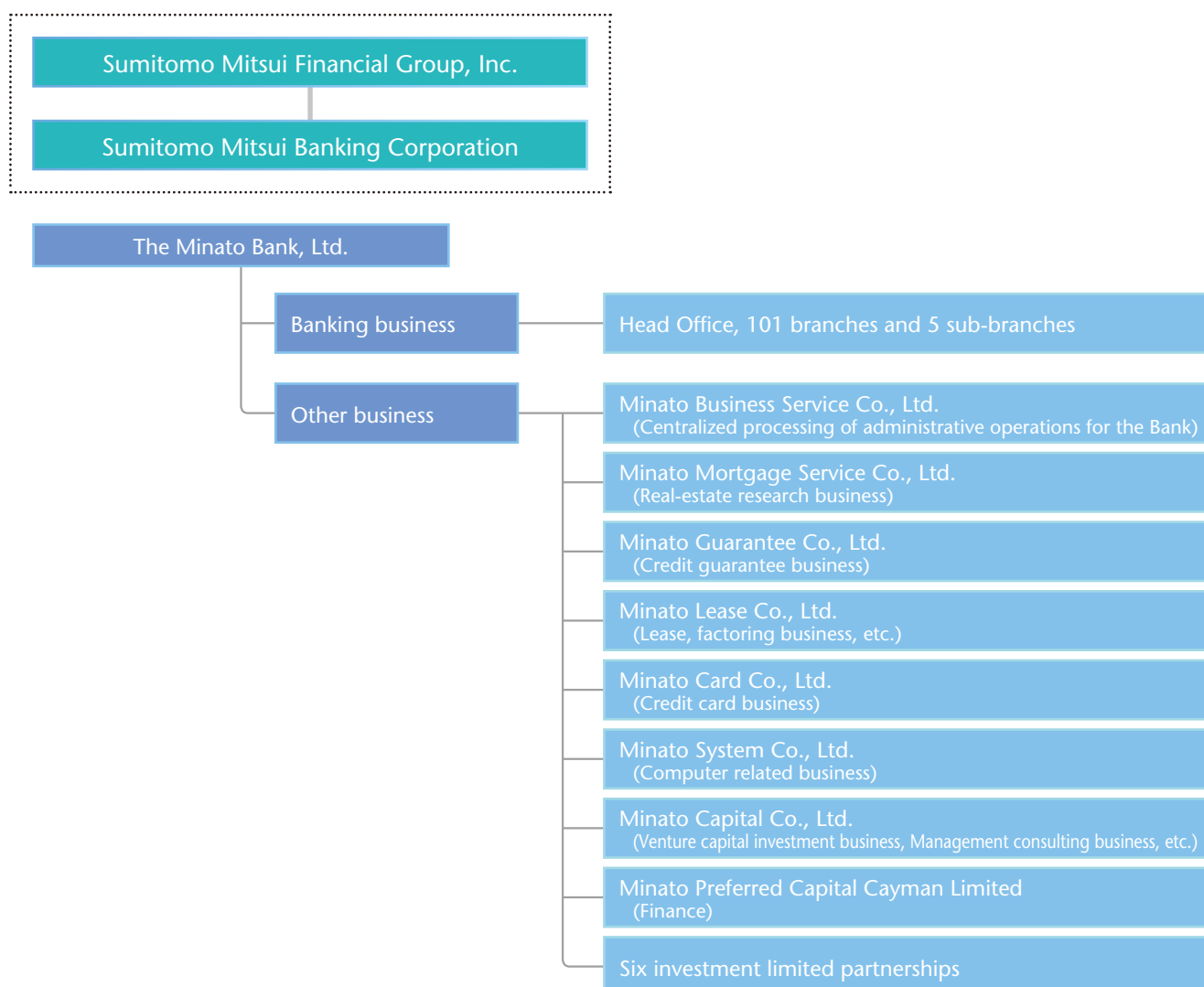
Yoshio Sonoo

(General Manager of Operations Administration Department)

CORPORATE DATA (As of March 31, 2011)

Company Name:	The Minato Bank, Ltd.
Head Office:	1-1, Sannomiya-cho 2-chome, Chuo-ku, Kobe, Hyogo, 651-0193, Japan Phone: 078-331-8141 URL: http://www.minatobk.co.jp
Authorized Shares:	1,000 million shares
Outstanding Shares:	410,940 thousand shares
Stated Capital:	27.4 billion yen
Number of Shareholders:	9,937
Date of Incorporation:	September 1949 (Company name was changed to The Minato Bank, Ltd. in April 1999.)
Domestic Network:	107 locations (Hyogo: 102, Osaka: 4, Tokyo: 1)
Number of Employees:	2,086
Stock Listings:	The 1st sections of the Tokyo Stock Exchange and the Osaka Securities Exchange
Credit Rating:	Long-term senior debt rating: A- (Japan Credit Rating Agency, Ltd.) Moody's long-term deposit rating: Aa2 (Moody's Investors Service)

GROUP STRUCTURE (As of March 31, 2011)



MAJOR SHAREHOLDERS (As of March 31, 2011)

Name	Number of Shares (Thousands)	Percentage (%)
Sumitomo Mitsui Banking Corporation	184,828	45.02
Minato Bank Kyoueikai	25,451	6.20
Nippon Life Insurance Company	12,001	2.92
Japan Trustee Services Bank, Ltd. (trust accounts)	11,946	2.91
Minato Bank Employees' Shareholding Association	7,625	1.85
Sumitomo Mitsui Banking Corporation (trust accounts)	7,332	1.78
Aioi Nissay Dowa Insurance Co., Ltd.	5,661	1.37
Mitsui Sumitomo Insurance Co., Ltd.	5,220	1.27
Sumitomo Life Insurance Company	5,203	1.26
Tokio Marine & Nichido Fire Insurance Co., Ltd.	3,840	0.93



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Phone: 078-331-8141

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