Consolidated Balance Sheets

Kiyo Holdings, Inc. and its consolidated subsidiaries
As of March 31, 2009 and 2008

	Millions of yen (Note 1)		Thousands of U.S. dollars (Note 1)
	2009	2008	**2009**
Assets:			
Cash and due from banks (Note 25)	**¥ 60,991**	¥ 67,332	**$ 620,908**
Call loans and bills bought	**31,422**	20,751	**319,883**
Pledged money for securities borrowing transactions	**41,760**	103,081	**425,127**
Commercial paper and other debt purchased (Note 3)	**5,211**	6,395	**53,051**
Trading account securities (Note 3)	**5,011**	2,860	**51,020**
Securities (Notes 3, 6 and 18)	**801,474**	923,880	**8,159,158**
Loans and bills discounted (Notes 4 and 22)	**2,378,516**	2,264,622	**24,213,744**
Foreign exchanges (Note 4)	**3,980**	1,512	**40,524**
Other assets (Note 6)	**26,627**	49,808	**271,072**
Tangible fixed assets (Note 5)	**34,054**	40,079	**346,684**
Intangible fixed assets	**18,686**	16,924	**190,227**
Deferred tax assets (Note 13)	**42,900**	32,049	**436,739**
Customers' liabilities for acceptances and guarantees (Note 17)	**21,341**	25,355	**217,261**
Reserve for possible loan losses	**(34,362)**	(41,622)	**(349,813)**
Total assets	**¥3,437,616**	¥3,513,031	**$34,995,585**
Liabilities:			
Deposits (Notes 6 and 7)	**¥3,197,906**	¥3,227,230	**$32,555,297**
Call money and bills sold	**—**	2,304	**—**
Deposits received for securities lending transactions (Note 6)	**—**	18,287	**—**
Borrowed money (Notes 6 and 9)	**42,617**	22,466	**433,858**
Foreign exchanges	**130**	62	**1,331**
Bonds (Note 10)	**13,800**	16,000	**140,487**
Other liabilities (Note 6)	**35,077**	52,940	**357,097**
Accrued employees' severance and retirement benefits (Note 14)	**456**	1,621	**4,649**
Accrued directors' retirement benefits	**72**	84	**739**
Reserve for reimbursement of deposits	**604**	552	**6,157**
Provision for contingent loss	**272**	77	**2,770**
Acceptances and guarantees (Note 17)	**21,341**	25,355	**217,261**
Total liabilities	**3,312,280**	3,366,982	**33,719,646**
Net assets:			
Preferred and common stock	**58,350**	58,350	**594,014**
Capital surplus	**64,630**	64,632	**657,956**
Retained earnings	**34,204**	35,662	**348,207**
Less: treasury stock, at cost (Note 15)	**(132)**	(111)	**(1,346)**
Total shareholders' equity (Note 15)	**157,053**	158,533	**1,598,831**
Net unrealized losses on available-for-sale securities (Note 3)	**(33,611)**	(14,317)	**(342,170)**
Net deferred losses on hedging instruments	**(0)**	(0)	**(9)**
Total valuation and translation adjustments	**(33,612)**	(14,318)	**(342,179)**
Minority interests	**1,894**	1,834	**19,287**
Total net assets	**125,335**	146,049	**1,275,939**
Total liabilities and net assets	**¥3,437,616**	¥3,513,031	**$34,995,585**

See accompanying notes.

Consolidated Statements of Income

Kiyo Holdings, Inc. and its consolidated subsidiaries
Years ended March 31, 2009 and 2008

	Millions of yen (Note 1)		Thousands of U.S. dollars (Note 1)
	2009	2008	**2009**
Income:			
Interest income:			
Interest on loans and discounts	**¥51,200**	¥49,699	**$521,234**
Interest and dividends on securities	**13,145**	12,317	**133,822**
Other interest income	**551**	1,377	**5,610**
Fees and commissions	**12,275**	13,073	**124,964**
Other operating income	**9,307**	10,001	**94,757**
Other income (Note 11)	**6,433**	6,276	**65,497**
Total income	**92,914**	92,745	**945,884**
Expenses:			
Interest expenses:			
Interest on deposits	**10,352**	9,588	**105,393**
Interest on borrowings	**686**	647	**6,994**
Interest on payables under securities lending transactions	**29**	368	**304**
Other interest expenses	**547**	785	**5,576**
Fees and commissions	**3,956**	4,038	**40,278**
Other operating expenses	**18,705**	8,232	**190,422**
General and administrative expenses	**39,254**	38,994	**399,622**
Other expenses (Note 12)	**23,231**	17,069	**236,505**
Total expenses	**96,765**	79,725	**985,094**
Income (loss) before income taxes and minority interests	**(3,851)**	13,019	**(39,210)**
Income taxes (Note 13):			
Current	**652**	819	**6,640**
Deferred	**(6,006)**	(1,231)	**(61,151)**
Minority interests in net income	**63**	72	**643**
Net income	**¥ 1,439**	¥13,359	**$ 14,658**

	Yen		U.S. dollars (Note 1)
Net income per share (Note 16):			
Basic	**¥0.97**	¥17.19	**$0.010**
Diluted	**—**	15.02	**—**

See accompanying notes.

Consolidated Statements of Changes in Net Assets

Kiyo Holdings, Inc. and its consolidated subsidiaries
Years ended March 31, 2009 and 2008

	Millions of yen (Note 1)		Thousands of U.S. dollars (Note 1)
	2009	2008	**2009**
Shareholders' equity			
Preferred and common stock:			
Balance at end of previous year	**¥ 58,350**	¥ 58,350	**$ 594,014**
Changes during year	**—**	—	**—**
Balance at end of year	**¥ 58,350**	¥ 58,350	**$ 594,014**
Capital surplus:			
Balance at end of previous year	**¥ 64,632**	¥ 77,128	**$ 657,970**
Changes during year:			
Disposal of treasury stock	**(1)**	(1)	**(14)**
Cancellation of treasury stock	**—**	(12,494)	**—**
Total changes during year	**(1)**	(12,495)	**(14)**
Balance at end of year	**¥ 64,630**	¥ 64,632	**$ 657,956**
Retained earnings:			
Balance at end of previous year	**¥ 35,662**	¥ 24,398	**$ 363,055**
Changes during year:			
Cash dividends	**(2,898)**	(2,095)	**(29,506)**
Net income	**1,439**	13,359	**14,658**
Total changes during year	**(1,458)**	11,264	**(14,848)**
Balance at end of year	**¥ 34,204**	¥ 35,662	**$ 348,207**
Treasury stock:			
Balance at end of previous year	**¥ (111)**	¥ (12,566)	**$ (1,137)**
Changes during year:			
Purchase of treasury stock	**(29)**	(23)	**(299)**
Disposal of treasury stock	**8**	6	**90**
Cancellation of treasury stock	**—**	12,494	**—**
Increase due to changes in the Company's equity in subsidiaries	**—**	(21)	**—**
Total changes during year	**(20)**	12,455	**(209)**
Balance at end of year	**¥ (132)**	¥ (111)	**$ (1,346)**
Total shareholders' equity:			
Balance at end of previous year	**¥158,533**	¥147,309	**$1,613,902**
Changes during year:			
Cash dividends	**(2,898)**	(2,095)	**(29,506)**
Net income	**1,439**	13,359	**14,658**
Purchase of treasury stock	**(29)**	(23)	**(299)**
Disposal of treasury stock	**7**	4	**76**
Cancellation of treasury stock	**—**	—	**—**
Increase due to changes in the Company's equity in subsidiaries	**—**	(21)	**—**
Total changes during year	**(1,480)**	11,223	**(15,071)**
Balance at end of year	**¥157,053**	¥158,533	**$1,598,831**

See accompanying notes.

	Millions of yen (Note 1)		Thousands of U.S. dollars (Note 1)
	2009	2008	**2009**
Valuation and translation adjustments			
Net unrealized gains (losses) on available-for-sale securities			
Balance at end of previous year	**¥(14,317)**	¥ 5,545	**$ (145,759)**
Changes during year:			
Net changes in items other than shareholders' equity	**(19,293)**	(19,863)	**(196,411)**
Total changes during year	**(19,293)**	(19,863)	**(196,411)**
Balance at end of year	**¥(33,611)**	¥(14,317)	**$ (342,170)**
Net deferred losses on hedging instruments			
Balance at end of previous year	**¥ (0)**	¥ (3)	**$ (8)**
Changes during year:			
Net changes in items other than shareholders' equity	**(0)**	2	**(1)**
Total changes during year	**(0)**	2	**(1)**
Balance at end of year	**¥ (0)**	¥ (0)	**$ (9)**
Total valuation and translation adjustments			
Balance at end of previous year	**¥(14,318)**	¥ 5,542	**$ (145,767)**
Changes during year:			
Net changes in items other than shareholders' equity	**(19,293)**	(19,860)	**(196,412)**
Total changes during year	**(19,293)**	(19,860)	**(196,412)**
Balance at end of year	**¥(33,612)**	¥(14,318)	**$ (342,179)**
Minority interests			
Balance at end of previous year	**¥ 1,834**	¥ 1,792	**$ 18,675**
Changes during year:			
Net changes in items other than shareholders' equity	**60**	41	**612**
Total changes during year	**60**	41	**612**
Balance at end of year	**¥ 1,894**	¥ 1,834	**$ 19,287**
Total net assets			
Balance at end of previous year	**¥146,049**	¥154,644	**$1,486,810**
Changes during year:			
Cash dividends	**(2,898)**	(2,095)	**(29,506)**
Net income	**1,439**	13,359	**14,658**
Purchase of treasury stock	**(29)**	(23)	**(299)**
Disposal of treasury stock	**7**	4	**76**
Cancellation of treasury stock	**—**	—	**—**
Increase due to changes in the Company's equity in subsidiaries	**—**	(21)	**—**
Net changes in items other than shareholders' equity	**(19,233)**	(19,818)	**(195,800)**
Total changes during year	**(20,713)**	(8,595)	**(210,871)**
Balance at end of year	**¥125,335**	¥146,049	**$1,275,939**

See accompanying notes.

Consolidated Statements of Cash Flows

Kiyo Holdings, Inc. and its consolidated subsidiaries
Years ended March 31, 2009 and 2008

	Millions of yen (Note 1)		Thousands of U.S. dollars (Note 1)
	2009	2008	**2009**
Cash flows from operating activities:			
Income (loss) before income taxes and minority interests	**¥ (3,851)**	¥ 13,019	**$ (39,210)**
Depreciation	**2,915**	5,048	**29,675**
Impairment loss on fixed assets	**415**	173	**4,232**
Amortization of goodwill	**1,679**	1,679	**17,101**
Amortization of negative goodwill	**—**	(24)	**—**
Decrease in reserve for possible loan losses	**(7,259)**	(4,278)	**(73,908)**
Decrease in accrued employees' severance and retirement benefits	**(1,164)**	(1,467)	**(11,859)**
Increase (decrease) in accrued directors' retirement benefits	**(11)**	84	**(118)**
Increase in reserve for reimbursement of deposits	**52**	552	**532**
Increase in provision for contingent loss	**194**	77	**1,976**
Interest income	**(64,897)**	(63,393)	**(660,666)**
Interest expenses	**11,617**	11,389	**118,267**
Losses on securities transactions	**21,252**	2,040	**216,353**
Losses on foreign exchange transactions	**886**	1,356	**9,027**
Losses (gains) on disposal of fixed assets	**(29)**	67	**(303)**
Net decrease (increase) in trading account securities	**(2,151)**	10,052	**(21,900)**
Net increase in loans and bills discounted	**(113,893)**	(161,178)	**(1,159,454)**
Net increase (decrease) in deposits	**(29,323)**	151,709	**(298,521)**
Net increase in borrowed money (excluding subordinated loans)	**17,151**	(29)	**174,610**
Net decrease (increase) in call loans	**(9,506)**	76,031	**(96,776)**
Net decrease in pledged money for securities borrowing transactions	**61,321**	40,985	**624,262**
Net increase (decrease) in call money	**(2,304)**	2,304	**(23,459)**
Net increase (decrease) in deposits received for securities lending transactions	**(18,287)**	13,959	**(186,168)**
Net decrease (increase) in foreign exchange assets	**(2,468)**	713	**(25,129)**
Net increase in foreign exchange liabilities	**68**	42	**695**
Interest received	**64,357**	64,841	**655,175**
Interest paid	**(9,239)**	(8,163)	**(94,062)**
Other, net	**1,630**	(3,494)	**16,600**
Subtotal	**(80,846)**	154,101	**(823,028)**
Income taxes paid	**(716)**	(1,140)	**(7,294)**
Net cash provided by (used in) operating activities	**(81,562)**	152,961	**(830,322)**

	Millions of yen (Note 1)		Thousands of U.S. dollars (Note 1)
	2009	2008	**2009**
Cash flows from investing activities:			
Purchases of securitie	**(559,280)**	(564,610)	**(5,693,586)**
Proceeds from sales of securities	**503,667**	348,765	**5,127,426**
Redemption of securities	**139,858**	76,213	**1,423,786**
Purchases of tangible fixed assets	**(2,065)**	(2,213)	**(21,029)**
Proceeds from sales of tangible fixed assets	**266**	50	**2,708**
Purchases of intangible fixed asseets	**(5,063)**	(1,877)	**(51,545)**
Net cash provided by (used in) investing activities	**77,381**	(143,672)	**787,760**
Cash flows from financing activities:			
Increase in subordinated loans	**3,000**	—	**30,540**
Redemption of subordinated bonds	**(2,200)**	—	**(22,396)**
Payment of cash dividends	**(2,898)**	(2,095)	**(29,506)**
Payment of cash dividends to minority interests	**(4)**	(4)	**(46)**
Purchases of treasury stock	**(29)**	(23)	**(299)**
Proceeds from sales of treasury stock	**7**	4	**76**
Net cash used in financing activities	**(2,124)**	(2,118)	**(21,631)**
Foreign currency translation adjustments of cash and cash equivalent	**(35)**	(63)	**(360)**
Net increase (decrease) in cash and cash equivalents	**(6,340)**	7,107	**(64,553)**
Cash and cash equivalents at beginning of year	**63,332**	56,225	**644,740**
Cash and cash equivalents at end of year (Note 25)	**¥ 56,991**	¥ 63,332	**$ 580,187**

See accompanying notes.

Notes to Consolidated Financial Statements

Kiyo Holdings, Inc. and its consolidated subsidiaries
Years ended March 31, 2009 and 2008

1. Basis of presenting consolidated financial statements

Kiyo Holdings, Inc. (the “Company”) and its consolidated subsidiaries maintain their official accounting records in Japanese yen, in accordance with the provisions set forth in the Japanese Corporate Law and the Japanese Banking Law, in general conformity with the Japanese regulatory authorities and in conformity with accounting principles and practices generally accepted in Japan, which are different in certain respects from the application and disclosure requirements of International Financial Reporting Standards. The accompanying consolidated financial statements have been restructured and translated into English, with some expanded descriptions, from the consolidated financial statements of the Company prepared in accordance with Japanese GAAP and filed with the appropriate Local Finance Bureau of the Ministry of Finance as required by the Financial Instruments and Exchange Law. Some supplementary information included in the statutory Japanese language consolidated financial statements, but not required for fair presentation, is not presented in the accompanying consolidated financial statements.

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

The translations of the Japanese yen amounts into U.S. dollar amounts are included solely for the convenience of the readers outside Japan, using the prevailing exchange rate at March 31, 2009, which was ¥98.23 to US$1.00. The translations should not be construed as representations that the Japanese yen amounts have been, could have been or could in the future be converted into U.S. dollars at this or any other rate of exchange. Amounts of less than one million yen have been rounded down. As a result, the totals shown in the financial statements do not necessarily agree with the sum of the individual amounts.

2. Significant accounting policies

(a) Consolidation — The consolidated financial statements include the accounts of the Company and 9 subsidiaries (the “Group”). At the previous year-end, the Company also had 9 subsidiaries.

All significant intercompany transactions and unrealized profits have been eliminated.

Goodwill is expensed over ten years on a straight-line basis.

In the elimination of investments in subsidiaries, the assets and liabilities of the subsidiaries, including the portion attributable to minority shareholders, are evaluated using the fair value at the time when the Company acquired de facto control of the respective subsidiary.

(b) Trading account securities — Trading account securities are stated at fair market value. Gains and losses realized on the sale of such securities and unrealized gains and losses from market value fluctuations are recognized as gains or losses in the period of the change. Realized gains and losses on the sale of such securities are computed using moving average cost.

(c) Securities — The Company and its consolidated subsidiaries classify securities as (a) debt securities intended to be held to maturity (“held-to-maturity debt securities”), (b) equity securities issued by subsidiaries and affiliated companies, and (c) all other securities that are not classified in any of the above categories (“available-for-sale securities”).

Held-to-maturity debt securities are stated at amortized cost. Held-to-maturity debt securities with no available fair market value are stated at amortized cost, net of the amount considered not collectible.

Available-for-sale securities with fair market values are stated at fair market value. Unrealized gains and unrealized losses on these securities are reported, net of applicable income taxes, as a separate component of shareholders’ equity. Realized gains and losses on the sale of such securities are computed using movingaverage cost.

Available-for-sale securities with no fair market values are stated at movingaverage cost or amortized cost.

The value of securities acquired through repurchase agreements or securities lending transactions with cash collateral with respect to which the banking subsidiary has the right to freely dispose of by sale or by re-offering them as collateral amounted to ¥41,410 million ($421,567 thousand) and ¥102,858 million as of March 31, 2009 and 2008, respectively. At that time, these securities remained undisposed of and in the possession of the subsidiaries.

Change in accounting policy:
On December 15, 2008 the Company applied “Tentative Solution on Reclassification of Debt Securities” (ASBJ Practical Issues Task Force Report No. 26, December 5, 2008) to certain available-for-sale securities causing them to be reclassified under held-to-maturity debt securities. As a result of this change, the value of “securities” increased by ¥2,631 million ($26,786 thousand) from the amounts that would have been recorded with the application of the previous classification. Net unrealized losses on available-for-sale securities decreased by ¥2,631 million ($26,786 thousand).

Additional information:
Changes in method of calculation of fair value of securities —

The fair value of Japanese Government Bonds (JGBs) with variable interest rates was previously stated in the consolidated balance sheets calculated by reference to current market prices. In view of recent market conditions, it has been judged that current market prices cannot be regarded as the fair value in many cases. Consequently, with effect from the reporting fiscal year, the Company has adopted a system of estimation based on a “theoretical price,” as explained below.

As a result of this change, in line with the reclassification of available-for-sale securities as held-to-maturity securities with effect from December 15, 2008, by comparison with the previous system in which the value as stated in the consolidated balance sheets was calculated using the current market value, the value of “securities” rose by ¥12,429 million ($126,533 thousand), and the net unrealized losses on “available-for-sale securities” decreased by ¥12,429 million ($126,533 thousand).

The “theoretical price” used to estimate the value of variable-interest JGBs estimates the present value of future cash flows, which are obtained using the yield on JGBs as well as the price of zero-floor options as predicted by the convexity method and/or the Black-Scholes option model, and the discount rate based on the yield. The principal variables used in determining the JGB price are the JGB spot rate and the implied volatility of swaptions. The Company obtains this price from reliable bid-price providers and applies it after careful examination of applicability to the Company’s situation.

(d) Derivatives and hedge accounting — Derivatives are stated at fair value, except when the derivatives are used for hedging purposes. If derivatives are used for hedging purposes and meet certain hedging criteria, recognition of gains and losses resulting from changes in fair value are deferred until the related losses or gains on the hedged items are recognized.

The banking subsidiary applies the basic provisions of JICPA Industry Audit Committee Report No. 25 to currency swap and foreign exchange swap transactions, which are made to convert funds raised in Japanese yen to funds invested in foreign currencies and other purposes.

The banking subsidiary assesses the effectiveness of currency swap and foreign exchange swap transactions executed to offset the risk of changes in currency exchange rates by verifying that there are foreign currency positions of the hedging instruments that correspond to the foreign currency monetary claims and debts to be hedged.

(e) Depreciation and amortization —

Tangible fixed assets (excluding lease assets):

Depreciation of tangible fixed assets held by the Company and its banking subsidiary is generally computed by the decliningbalance method. However, buildings (excluding attached facilities) acquired on or after April 1, 1998 are depreciated using the straight-line method. Useful lives of tangible fixed assets are as follows:

Buildings	6 to 50 years
Equipment	5 to 20 years

Tangible fixed assets, excluding lease assets, held by other consolidated subsidiaries are depreciated using the decliningbalance method based on the estimated useful life of the asset.

Intangible fixed assets (excluding lease assets):

Intangible fixed assets are amortized on a straight-line basis. Software developed or obtained for internal use is amortized by the straight-line method over an estimated useful life of 5 years.

Lease assets:

Lease assets employed in leasing transactions that are not deemed to transfer ownership of the leased property to the lessee - both “Tangible fixed assets” and “Intangible fixed assets” - are computed by the straight-line method over the lease period, with a residual value of zero.

Change in accounting policy:

Finance lease transactions in which there is no transfer of ownership were formerly accounted for by a method corresponding to that used for ordinary operating lease contracts. However, for financial statements relating to periods commencing on or after April 1, 2008, it is permitted to apply the “Accounting Standard for Lease Transactions” (ASBJ Statement No. 13, March 30, 2007) and the “Implemention Guidance on the Accounting Standard for Lease Transactions” (ASBJ Guidance No. 16, March 30, 2007). Accordingly, they are being duly applied as of the year ended March 31, 2009 in accordance with accounting relating to ordinary buying and selling transactions.

As lessee — Compared with amounts that would have been recorded under the application of the previous accounting standards, lease assets under the category of “Tangible fixed assets” increased by ¥74 million ($757 thousand) and those under the category of “Intangible fixed assets” increased by ¥70 million ($713 thousand), while lease obligations under the category of “Other liabilities” increased by ¥116 million ($1,190 thousand). These changes have no material effect on the Company’s consolidated financial statements. The effects of these changes on the Banking and Other businesses are recorded in segment information.

As lessor — As a result of this change, lease assets formerly recorded under “Tangible fixed assets” and “Intangible fixed assets” are now classified under lease investment assets and posted under “other assets”. For the year ended March 31, 2009, such assets in the amount of ¥5,990 million ($60,987 thousand) were recorded. This change has no material effect on the Company's consolidated financial statements. The effects of these changes on the Banking and Other businesses are recorded in segment information.

(f) Reserve for possible loan losses — Based on their own self-assessment rules, the banking subsidiary makes provisions for possible loan losses as follows:

For loans to insolvent customers who are undergoing bankruptcy or other collection proceedings or who are in a similar financial condition, the reserve for possible loan losses is provided in the full amount of such loans, excluding the portion that is estimated to be recoverable due to the fair value of any underlying collateral or guarantees.

For the unsecured and unguaranteed portions of loans to customers not presently in the above circumstances but for whom there is a high probability of so becoming, the reserve for possible loan losses is provided for the estimated unrecoverable amounts determined after an evaluation of each customer's overall financial condition. For other loans, the reserve for possible loan losses is provided based on the banking subsidiary's actual rate of loan losses in the past.

The reserves for possible loan losses of non-banking subsidiaries are provided for general claims in the amount deemed necessary based on the rate of losses in the past and for doubtful claims in the amount deemed uncollectible based on assessments of the respective claims.

For claims against "bankrupt borrowers" and "effectively bankrupt borrowers," the amount exceeding the estimated value of collateral and guarantees is deemed uncollectible and deducted directly from those claims. At March 31, 2009 and 2008, the deducted amounts were ¥96,327 million ($980,630 thousand) and ¥95,445 million, respectively.

(g) Accrued employees' severance and retirement benefits — The Kiyo Bank, Ltd. (Kiyo Bank), a subsidiary of the Company, has established a defined benefit plan under which the bank operates a private pension fund and a qualified retirement plan and makes payments in a lump-sum at the time of the employee's retirement. Kiyo Bank has also established a trust fund for pension payments.

Another subsidiary has established a defined contribution plan and jointly operates pension funds with other companies outside the Kiyo Group.

Other subsidiaries have employed lump-sum payment systems under which they make payments to their employees at the time of retirement.

Provision is made for severance and retirement benefits in an amount deemed necessary based on estimated amounts of retirement benefit obligations and the value of pension assets at the balance sheet date. Differences generated from changes in actuarial assumptions are charged to income or expenses in an amount allocated on a straight-line basis over 10 years, which is shorter than the average remaining service period of the employees, beginning with the term following that when the differences are generated.

In calculating projected benefit obligation and plan assets, the discount rate and expected rate of return on plan assets is 2.0%, and the projected benefit is allocated to each period by the straight-line method.

(h) Accrued directors' retirement benefits — On June 29, 2004 the banking subsidiary abolished the system for the payment of retirement allowances to retiring directors and auditors. Instead, a provision is made for accrued retirement benefits of directors and auditors in an amount deemed necessary based on a formula stipulated in the internal regulations at the time of the previous system was abolished.

(i) Reserve for reimbursement of deposits — A provision is made for future losses on claims on dormant accounts based on the historical refund record.

(j) Provision for contingent loss — A provision is made for the payment on loan-loss burden-sharing to credit guarantee associations in an amount estimated to be paid in the future.

(k) Foreign currency translation — Receivables and payables in foreign currencies are translated into Japanese yen at the year-end rates.

Hedge accounting is outlined in the above Note 2 (d).

(l) Income taxes — Income taxes comprise corporation, inhabitants and enterprise taxes. Deferred tax assets are recorded by the asset and liability approach based on loss carryforwards and the temporary differences between the financial statement bases and tax bases of assets and liabilities.

(m) Finance leases — Revenues and cost of revenues are recognized when lease payments are made.
Accounting procedures:
As lessee — Finance lease transactions in which ownership of the lease assets is not transferred to the lessee and for which leasing contracts commenced prior to April 1, 2008 are treated in the same manner as applied to ordinary operating lease transactions.

As lessor — With regard to finance transactions in which ownership of the lease assets is not transferred to the lessee and for which leasing contracts commenced prior to April 1, 2008, in line with stipulations in the ASBJ Practical Guidance on accounting procedures for leasing transactions, the theoretical value of assets (after deduction of accumulated depreciation expenses) as of the previous term-end is utilized for the determination of balance-sheet amounts of lease investment assets at the beginning of the reporting period. This change in accounting standards caused loss before income taxes to increase by ¥285 million ($2,908 thousand) over the amount that would have been calculated by the previous standards.

(n) Consolidated statements of cash flows — Cash and deposits with the Bank of Japan that are included in the consolidated balance sheets under the caption cash and due from banks are considered to be cash and cash equivalents in the statements of cash flows.

(o) Net income per share — Net income per share is computed by deducting dividends for preferred stock from net income and dividing the balance by the weighted average number of shares of common stock, excluding treasury shares, outstanding during the reporting period.

3. Trading account securities and securities

The balance-sheet amounts of trading account securities as of March 31, 2009 and 2008 were ¥5,011 million ($51,020 thousand) and ¥2,860 million, respectively.

Net valuation gains and losses from trading account securities for the years ended March 31, 2009 and 2008 amounted to ¥27 million ($276 thousand) and ¥27 million, respectively. Market values and unrealized gains and losses on held-to-maturity debt securities and available-for-sale securities with available fair market values as of March 31, 2009 and 2008 were as follows:

(a) Held-to-maturity debt securities

	Millions of yen					
	2009			2008		
	Book value	Market value	Unrealized gains (losses)	Book value	Market value	Unrealized gains (losses)
Bonds	**¥190,627**	**¥188,144**	**¥(2,482)**	¥36,793	¥37,093	¥ 299
Other	**34,447**	**32,700**	**(1,747)**	49,169	48,048	(1,121)
Total	**¥225,075**	**¥220,845**	**¥(4,229)**	¥85,963	¥85,142	¥ (821)

	Thousands of U.S. dollars		
	2009		
	Book value	Market value	Unrealized gains (losses)
Bonds	**$1,940,620**	**$1,915,352**	**$(25,268)**
Other	**350,687**	**332,894**	**(17,793)**
Total	**$2,291,307**	**$2,248,246**	**$(43,061)**

(b) Available-for-sale securities with available fair market values, including beneficial interests in trusts which are included in "Commercial paper and other debt purchased," were as follows:

	Millions of yen					
	2009			2008		
	Acquisition cost	Market value	Unrealized gains (losses)	Acquisition cost	Market value	Unrealized gains (losses)
Stocks	**¥ 53,327**	**¥ 42,350**	**¥(10,976)**	¥ 57,993	¥ 54,255	¥ (3,737)
Bonds	**319,635**	**314,358**	**(5,277)**	559,784	562,040	2,255
Other	**237,484**	**208,099**	**(29,385)**	220,432	207,653	(12,778)
Total	**¥610,447**	**¥564,808**	**¥(45,639)**	¥838,209	¥823,950	¥(14,259)

	Thousands of U.S. dollars		
	2009		
	Acquisition cost	Market value	Unrealized gains (losses)
Stocks	**$ 542,883**	**$ 431,136**	**$(111,747)**
Bonds	**3,253,953**	**3,200,226**	**(53,727)**
Other	**2,417,637**	**2,118,490**	**(299,147)**
Total	**$6,214,473**	**$5,749,852**	**$(464,621)**

Available-for-sale securities with market value that has declined significantly from the acquisition cost and for which there is deemed to be no likelihood of the market value recovering to the acquisition cost level are recorded on the balance sheets at the said market value. In addition, the difference between acquisition cost and market value is posted as a loss in the consolidated accounts for the fiscal year in question (this process is known as “impairment accounting”).

The impairment loss for the year ended March 31, 2009 was ¥20,558 million ($209,285 thousand), of which, equity shares accounted for ¥9,049 million ($92,126 thousand), foreign bonds for ¥7,992 million ($81,369 thousand), and other financial instruments for ¥3,515 million ($35,790 thousand). The impairment loss amount for the year ended March 31, 2008 was ¥783 million (on equity shares only).

The market value of a security is classified as having fallen “significantly” from the acquisition cost when it falls below 70% of the said acquisition cost.

Of securities that have fallen below their acquisition cost, impairment accounting shall be implemented with respect to all those that have fallen below 50% of the acquisition cost. In the case of securities whose market value has fallen below 70% but not below 50% of their acquisition cost, impairment accounting shall be implemented with respect to those whose market prices are deemed unlikely to recover to the acquisition cost level, based on our judgment and taking into account such factors, internal and external factors such as the business performance of the issuing company and market price movements with respect to all securities and the credit ratings assigned to the issuing company by external rating agencies in the case of bonds.

(c) Bonds sold at maturity during the year

	Millions of yen					
	2009			2008		
	Acquisition cost	Proceeds from sale	Gain (loss) on sale	Acquisition cost	Proceeds from sale	Gain (loss) on sale
Bonds	**¥ —**	**¥ —**	**¥ —**	¥—	¥—	¥—
Other	**1,063**	**1,043**	**(20)**	—	—	—
Total	**¥1,063**	**¥1,043**	**(20)**	¥—	¥—	¥—

	Thousands of U.S. dollars		
	2009		
	Acquisition cost	Proceeds from sale	Gain (loss) on sale
Bonds	**$ —**	**$ —**	**$ —**
Other	**10,830**	**10,626**	**(204)**
Total	**$10,830**	**$10,626**	**$(204)**

The above refers to bonds sold where the creditworthiness of the issuing company has deteriorated markedly.

(d) Changes in holding purposes of available-for-sale securities

Japanese government bonds with variable interest rates (book value of ¥127,448 million ($1,297,449 thousand)) previously held under available-for-sale securities were reclassified under held-to-maturity debt securities and were valued at a reasonably-estimated price of ¥134,876 million ($1,373,065 thousand).

This change was made to correspond to very exceptional market conditions under which the liquidity of government bonds with variable interest rates significantly declined and the sale of the said bonds at fair value became extremely difficult for a meaningful period.

At the time of acquisition, the said floating-interest government bonds were classified under available-for-sale securities as there remained a possibility that the bonds could be sold, depending on market conditions. However, the Company decided to change the holding purpose of these bonds in view of the fact that: a) the bonds bore no credit risk, b) the bonds were significantly resistant to interestrate fluctuations, and c) the bonds were deemed to be highly suitable as assets for holding to maturity.

Reclassified under held-to-maturity debt securities (as of March 31, 2009):

	Millions of yen			Thousands of U.S. dollars		
	Book value	Balance-sheet amount	Unrealized gains*	Book value	Balance-sheet amount	Unrealized gains*
Bonds	**¥132,133**	**¥134,764**	**¥7,226**	**$1,345,143**	**$1,371,928**	**$73,563**

* Unrealized gains posted on the balance sheet

(e) The following table summarizes book values of most securities with no available fair values as of March 31, 2009 and 2008.

	Millions of yen		Thousands of U.S. dollars
Available-for-sale securities:	**2009**	2008	**2009**
Non-listed securities	**¥13,346**	¥16,004	**$135,870**

(f) Maturities of available-for-sale securities with maturities and held-to-maturity debt securities as of March 31, 2009 and 2008 were as follows:

	Millions of yen			
2009	Due within one year	Due over one year but within five years	Due over five years but within ten years	Due over ten years
Bonds	**¥55,719**	**¥125,712**	**¥222,693**	**¥112,122**
Other	**11,680**	**131,821**	**52,240**	**33,896**
Total	**¥67,399**	**¥257,533**	**¥274,933**	**¥146,018**

	Millions of yen			
2008	Due within one year	Due over one year but within five years	Due over five years but within ten years	Due over ten years
Bonds	¥127,932	¥164,954	¥241,665	¥ 78,024
Other	14,237	138,033	52,182	39,575
Total	¥142,170	¥302,987	¥293,847	¥117,600

	Thousands of U.S. dollars			
2009	Due within one year	Due over one year but within five years	Due over five years but within ten years	Due over ten years
Bonds	**$567,236**	**$1,279,774**	**$2,267,060**	**$1,141,424**
Other	**118,908**	**1,341,966**	**531,815**	**345,069**
Total	**$686,144**	**$2,621,740**	**$2,798,875**	**$1,486,493**

(g) Total sales of available-for-sale securities in the years ended March 31, 2009 and 2008 amounted to ¥476,654 million ($4,852,432 thousand) and ¥374,521 million, respectively. The related gains and losses for the year ended March 31, 2009 amounted to ¥3,640 million ($37,060 thousand) and ¥4,150 million ($42,257 thousand), respectively. For the year ended March 31, 2008, the related gains and losses were ¥5,392 million and ¥5,428 million, respectively.

(h) Net unrealized gains and losses on available-for-sale securities as of March 31, 2009 and 2008 were as follows.

	Millions of yen		Thousands of U.S. dollars
As reported in consolidated balance sheets:	**2009**	2008	**2009**
Difference between acquisition cost and fair value:			
Available-for-sale securities	**¥(38,413)**	¥(14,259)	**$(391,058)**
Deferred tax liabilities	**4,806**	(38)	**48,929**
Difference between acquisition cost and fair value (prior to adjustment for minority interests)	**(33,607)**	(14,298)	**(342,129)**
Amount corresponding to minority interests	**(4)**	(19)	**(41)**
Net unrealized gains (losses) on available-for-sale securities	**¥(33,611)**	¥(14,317)	**$(342,170)**

4. Loans and bills discounted

Loans and bills discounted at March 31, 2009 and 2008 included the following:

	Millions of yen		Thousands of U.S. dollars
	2009	2008	**2009**
Loans to borrowers legally bankrupt	**¥ 8,239**	¥ 4,694	**$ 83,875**
Other delinquent loans	**78,061**	90,199	**794,678**
Loans past due over 3 months	**709**	1,077	**7,222**
Restructured loans	**7,783**	20,358	**79,240**
Total	**¥94,793**	¥116,329	**$965,015**

Loans to borrowers legally bankrupt are loans to customers who meet specific credit risk criteria such as undergoing bankruptcy proceedings. Interest is not accrued on these loans.

Other delinquent loans are loans other than those included in loans to borrowers legally bankrupt on which the recognition of accrued interest has been suspended after a self-assessment of the quality.

Loans past due over 3 months are loans for which principal or interest payments are past due for three months or more.

Restructured loans are loans for which the banking subsidiary has granted borrowers certain concessions such as reduced or exempted interest, suspended payments of interest, delayed repayment of principal, and waiver of claims to allow borrowers to restructure or to provide them support. This category of loans excludes loans to borrowers legally bankrupt, other delinquent loans and loans past due over 3 months.

The banking subsidiary applies “Accounting and Auditing Treatment of Accounting Standards for Financial Instruments in Banking Industry” (JICPA Industry Audit Committee Report No. 24) and accounts for bills discounted as financial transactions. The face value of bank acceptances, bills of exchange and bills of lading which were permitted to be sold or pledged without restrictions and were acquired at a discount amounted to ¥35,233 million ($358,682 thousand) and ¥38,275 million at March 31, 2009 and 2008, respectively.

5. Accumulated depreciation for tangible fixed assets

Accumulated depreciation for tangible fixed assets at March 31, 2009 and 2008 was ¥40,457 million ($411,862 thousand) and ¥48,103 million, respectively.

Advanced depreciation for tangible fixed assets amounted to ¥4,294 million ($43,722 thousand) and ¥4,300 million at March 2009 and 2008, respectively.

6. Assets pledged as collateral

At March 31, 2009 and 2008, assets pledged as collateral were as follows:

	Millions of yen		Thousands of U.S. dollars
	2009	2008	**2009**
Securities	**¥102,000**	¥80,770	**$1,038,386**
Other assets	**58**	63	**596**
Total	**¥102,059**	¥80,834	**$1,038,982**

The above pledged assets secured the following liabilities:

	Millions of yen		Thousands of U.S. dollars
	2009	2008	**2009**
Deposits	**¥10,167**	¥ 9,223	**$103,511**
Borrowed money	**17,200**	—	**175,099**
Deposits received for securities lending transactions	**—**	18,287	**—**
Other liabilities	**—**	30	**—**
Total	**¥27,367**	¥27,540	**$278,610**

In addition to the above, securities pledged as collateral for transaction guarantees of foreign exchange or forward exchange at March 31, 2009 and 2008 were ¥73,415 million ($747,385 thousand) and ¥74,315 million, respectively.

Other assets included guarantee and leasehold deposits of ¥1,636 million ($16,664 thousand) and ¥1,705 million at March 31, 2009 and 2008, respectively.

7. Deposits

At March 31, 2009 and 2008, deposits were as follows:

	Millions of yen		Thousands of U.S. dollars
	2009	2008	**2009**
Liquid deposits	**¥1,319,926**	¥1,334,359	**$13,437,098**
Fixed-term deposits	**1,726,741**	1,728,811	**17,578,555**
Other deposits	**64,545**	61,133	**657,085**
Negotiable certificates of deposit	**86,693**	102,926	**882,559**
Total	**¥3,197,906**	¥3,227,230	**$32,555,297**

8. Lease transactions

(1) Financing leases

Non-capitalized finance leases for equipment and other at March 31, 2009 and 2008 were as follows:

(The amounts for transactions at March 31, 2009 are solely in connection with finance lease transactions that commenced prior to April 1, 2008 and that are treated in the same manner as ordinary operating lease transactions.)

(a) As lessee

	Millions of yen		Thousands of U.S. dollars
	2009	2008	**2009**
Original lease obligations (including finance charges)	**¥3,164**	¥3,234	**$32,214**
Payments remaining:			
Payments due within one yea	**¥ 397**	¥ 426	**$ 4,051**
Payments due after one year	**1,614**	2,057	**16,437**
Total	**¥2,012**	¥2,484	**$20,488**

Lease payments under such leases for the years ended March 31, 2009 and 2008 were ¥414 million ($4,224 thousand) and ¥407 million, respectively.

(b) As lessor

	Millions of yen		
	2008		
	Acquisition cost	Accumulated depreciation	Net book value
Equipment	¥11,510	¥5,846	¥ 5,663
Other	976	487	489
Total	¥12,486	¥6,334	¥ 6,152

Total lease income for the year ended March 31, 2008 was ¥2,727 million. Depreciation for the year ended March 31, 2008 amounted to ¥2,339 million. The allocation of interest income over the lease term is computed using the effective interest method. Interest income for the year ended March 31, 2008 amounted to ¥385 million.

(2) Operating leases

Future lease payments receivable, excluding interests, as of March 31, 2009 and 2008 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2009	2008	**2009**
Due within one year	**¥ 8**	¥10	**$ 86**
Due after one year	**6**	14	**63**
Total	**¥14**	¥25	**$149**

9. Borrowed money

The weighted average interest rate on the term-end balance of borrowed money was 1.72%.

Borrowed money consisted of loans from other financial institutions.

As of March 31, 2009, subordinated loans in the amount of ¥25,000 million ($254,505 thousand) were included in borrowed money.

Annual maturities of borrowed money and lease obligations as of March 31, 2009 were as follows:

	Borrowed money		Lease obligations	
Years ending March 31	Millions of yen	Thousands of U.S. dollars	Millions of yen	Thousands of U.S. dollars
2010	¥17,369	$176,828	¥ 26	$ 274
2011	109	1,114	26	274
2012	78	800	26	274
2013	45	462	25	264
2014	14	149	10	104
2015 and thereafter	25,000	254,505	—	—
Total	¥42,617	$433,858	¥116	$1,190

10. Bonds

As of March 31, 2009, Kiyo Bank had issued unsecured subordinated bonds as follows:

Issued	Due	Rate	Millions of yen	Thousands of U.S. dollars
March 2005	March 2015	2.78%	¥ 8,800	$ 89,586
March 2007	March 2017	3.03%	5,000	50,901
Total	—	—	¥13,800	$140,487

11. Other income

For the year ended March 31, 2009 and 2008, other income included the collection of written-off claims in the amounted of ¥1,842 million ($18,756 thousand) and ¥3,176 million, respectively.

12. Other expenses

For the year ended March 31, 2009 and 2008, other expenses included losses on the devaluation of stocks and other securities in the amount of ¥9,205 million ($93,709 thousand) and ¥1,352 million, losses on loans written off amounting to ¥9,353 million ($95,217 thousand) and ¥6,997 million, and losses on transfer/sale of loan obligations amounting to ¥1,185 million ($12,072 thousand) and ¥625 million, respectively.

The Bank reduced the book value to the amounts deemed recoverable and posted the reduced amount of ¥415 million ($4,232 thousand) and ¥173 million, respectively. Details were as follows:

			Impairment loss		
			Millions of yen		Thousands of U.S. dollars
Location	Major use	Asset category	**2009**	2008	**2009**
Kiyo Bank:					
Wakayama Prefecture	Branches	Land	**¥ 12**	¥ 47	**$ 124**
Osaka Prefecture	Branches	Mainly land	**392**	—	**3,991**
Wakayama Prefecture	Idle assets	Land and buildings	**11**	125	**117**
Total	—	—	**¥415**	¥173	**$4,232**

With respect to the calculation of impairment losses, the minimum operational unit recognized for management accounting purposes by the banking subsidiary is the single bank branch. However, where a number of branches operate as a group at the managerial level, the accounting unit is the group rather than the individual branch. Each unit of idle assets (one "unit" is defined as one plot of land or one building) is treated as a separate and individual unit for accounting purposes. Because the head office, administration center and Company-provided housing and dormitories for the staff of the banking subsidiary do not independently generate any cash flows, they are treated as assets held in common by the banking subsidiary for accounting purposes.

With respect to other consolidated subsidiaries, in principle, each company is treated as a separate and individual unit for impairment accounting purposes.

In calculating impairment losses for the reporting period, the amount deemed recoverable, i.e. the net proceeds from sale, was estimated by deducting the cost of disposal from the real estate appraisal value, based on official appraisal standards.

13. Income taxes

The Company is subject to a number of taxes based on income, which, in the aggregate, indicate a statutory rate in Japan of approximately 40.4% for the year ended March 31, 2008.

The following table summarizes the significant differences between the statutory tax rate and the Company's effective tax rates for financial statement purposes for the year ended March 31, 2008.

For the year ended March 31, 2009, description was omitted due to the fact that the Company posted a loss before income taxes and minority interests.

	2008
Statutory tax rate	40.4%
Adjustments:	
Decrease in valuation allowance	(33.0)
Consolidation adjustments for loss on sale of shares of the Company by a consolidated subsidiary of the Company	(16.0)
Amortization of goodwill and negative goodwill	5.1
Other	0.3
Tax rate after the application of tax effect accounting	(3.2)%

Significant components of the Company's and its consolidated subsidiaries' deferred tax assets and liabilities as March 31, 2009 and 2008 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2009	2008	**2009**
Deferred tax assets:			
Nondeductible reserve for possible loan losses	**¥33,410**	¥36,490	**$340,125**
Unrealized gains on available-for-sale securities	**15,528**	5,801	**158,079**
Operating loss carryforwards	**13,754**	14,025	**140,022**
Write-down of securities	**10,124**	5,192	**103,072**
Retirement benefits	**8,525**	8,893	**86,791**
Other	**6,447**	5,556	**65,642**
Subtotal	**87,791**	75,960	**893,731**
Valuation allowance	**(43,025)**	(41,274)	**(438,005)**
Deferred tax assets	**44,765**	34,685	**455,726**
Deferred tax liabilities	**(1,865)**	(2,636)	**(18,987)**
Net deferred tax assets	**¥42,900**	¥32,049	**$436,739**

14. Employees' severance and retirement benefits

The liabilities for employees' severance and retirement benefits included in the liability section of the consolidated balance sheets as of March 31, 2009 and 2008 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2009	2008	**2009**
Projected benefit obligation	**¥(26,882)**	¥(27,061)	**$(273,668)**
Unrecognized actuarial differences	**2,557**	(2,624)	**26,040**
Fair value of pension assets	**23,996**	28,262	**244,287**
Prepaid contribution	**128**	198	**1,308**
Liability for severance and retirement benefits	**¥ (456)**	¥ (1,621)	**$ (4,649)**

Included in the consolidated statements of income for the years ended March 31, 2009 and 2008 were severance and retirement benefit expenses comprising the following:

	Millions of yen		Thousands of U.S. dollars
	2009	2008	**2009**
Service costs — benefits earned during the year	**¥940**	¥944	**$9,573**
Interest cost on projected benefit obligation	**540**	543	**5,505**
Expected return on plan assets	**(411)**	(346)	**(4,193)**
Amortization of actuarial differences	**(260)**	(651)	**(2,649)**
Other	**27**	23	**282**
Severance and retirement benefit expenses	**¥836**	¥514	**$8,518**

15. Shareholders' equity

(a) Capital stock

The number of shares of the Company's capital stock as of March 31, 2009 and 2008 was as follows:

	2009	2008
Number of shares:		
Authorized:		
Common	**1,798,381,105**	1,798,381,105
Preferred (Type 1)	**123,957,000**	124,000,000
Preferred (Type 2)	**8,723,500**	8,997,500
Preferred (Type 3)	**6,000,000**	6,000,000
Issued and outstanding:		
Common	**739,841,714**	739,425,155
Preferred (Type 1)	**223,000**	266,000
Preferred (Type 2)	**4,553,500**	4,827,500
Preferred (Fourth series Type 1)	**45,000,000**	45,000,000

Preferred stock

Preferred stock is noncumulative and nonparticipating for dividend payments, and holders of preferred stock are not entitled to vote at a general meeting of shareholders except when the proposal to pay the prescribed dividends to shareholders is not submitted to or is rejected at the general meeting of shareholders.

Annual dividends per share of preferred stock (Type 1, Type 2 and Fourth series Type 1) were paid to shareholders in the amount of ¥14.00, ¥10.00 and ¥15.00, respectively. With regard to preferred stock of Fourth series Type 1, annual dividends per share shall be determined using a formula provided by the Company's Articles of Incorporation to calculate annual dividends on preferred stock.

If there is a liquidation distribution, holders of preferred stock Type 1, Type 2 and Fourth series Type 1 will receive ¥700, ¥500 and ¥700 per share, respectively, and will not have the right to participate in any further liquidation distribution.

The Company may, at any time, purchase and retire Type 2 preferred stock out of earnings available for distribution to the shareholders.

Holders of preferred stock may request the Company to convert their preferred stock into common stock. The conversion period and conversion price* of each type of preferred stock are as follows:

Type	Conversion period	Conversion price
Type 1	February 1, 2006 to January 30, 2010*	Market price at establishment**
Type 2	October 1, 2006 to September 30, 2011*	Market price at October 1, 2006***
Fourth series Type 1	October 1, 2011 to September 30, 2016	Market price at October 1, 2011

* In the event that the base date to finalize eligible shareholders is determined, the conversion shall be suspended for the period between the day following the base date and the date on which the general meeting of shareholders in question ends.

** In the event that the market price of a single share of the Company's stock is less than ¥196.90, ¥196.90 shall be deemed the initial conversion price.

*** In the event that the market price of a single share of the Company's stock is less than ¥519.50, ¥519.50 shall be deemed the initial conversion price.

Conversion prices are reset and adjusted pursuant to the stated rules governing the conversion of preferred stock.

Any preferred stock (Type 1, Type 2 and Fourth series Type 1) for which conversion has not been requested during the conversion period shall be mandatorily converted as of the date immediately following the last day of the conversion period (the "mandatory conversion date") into the common stock. The number of shares of common stock resulting from

the conversion shall be determined by dividing the amount set forth below by the average closing price per share of common stock in regular transactions at the Tokyo Stock Exchange for the 30 consecutive trading days (excluding any day on which the closing price is not available) commencing on the 45th trading day preceding the mandatory conversion date. If the average price for Type 1, Type 2 and Fourth series Type 1 preferred stock is less than ¥200, ¥519.50, and 50% of initial acquisition price (market price at October 1, 2011) respectively, the preferred stock shall be converted into shares of common stock by dividing the corresponding amount set forth below by the relevant amount described above.
Preferred stock (Type 1): ¥700 per share
Preferred stock (Type 2): ¥500 per share
Preferred stock (Fourth series Type 1): ¥700 per share

(b) Retained earnings

Japanese banks are subject to the Company Law of Japan (the "Law") and the Banking Law.

The Law requires that all shares of common stock be recorded with no par value and that at least 50% of the issue price of new shares be recorded as common stock and the remaining net proceeds as additional paid-in capital, which is included in capital surplus. The Law permits Japanese companies, upon approval of their Boards of Directors, to issue shares to existing shareholders without considerating the issuance a stock split. Such issuance of shares generally does not give rise to changes within the shareholders' accounts.

The Law requires that an amount equal to 10% of dividends must be appropriated as a legal reserve (a component of retained earnings) or as additional paid-in capital (a component of capital surplus) depending on the equity account charged upon the payment of such dividends until the total of aggregate amount of legal reserve and additional paid-in capital equals 25% of the capital stock. Under the Law, the total amount of additional paid-in capital and legal reserve may be reserved without limitation. The Law 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.

The Law allows Japanese companies to repurchase treasury stock and dispose of such treasury stock by resolution of the Board of Directors. The repurchased amount of treasury stock cannot exceed the amount available for future dividends plus the amount of stated capital, additional paid-in capital or legal reserve to be reduced in cases in which a reduction was resolved at the shareholders' meeting.

In addition to requiring an appropriation for a legal reserve in connection with cash payments, the Law imposes certain limitations on the amount of retained earnings available for dividends.

Dividends are approved by the shareholders at a meeting held subsequent to the fiscal year to which the dividends are applicable. Semiannual interim dividends may also be paid upon resolution of the Board of Directors, subject to certain limitations imposed by the Law.

16. Per share information

	Yen		U.S. dollars
	2009	2008	**2009**
Net assets per share	**¥120.13**	¥148.12	**$1.223**
Net income per share (basic)	**0.97**	17.19	**0.010**
Net income per share (diluted)	**—**	15.02	**—**

The calculation of basic and diluted net income per share for the years ended March 31, 2009 and 2008 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2009	2008	**2009**
Earnings per share:			
Net income	**¥ 1,439**	¥ 13,359	**$14,657**
Amount not available to common shareholders	**723**	681	**7,365**
Net income available to common shareholders	**716**	12,677	**7,293**
Average number of common shares during the term (thousands)	**739,080**	737,638	**—**
Diluted earnings per share (Note):			
Reduction in net income	**—**	681	**—**
Increase in number of common shares (thousands)	**—**	151,994	**—**
Preferred shares (thousands)	**—**	151,994	**—**

Note: For the year ended March 31, 2009 no calculation of diluted net income per share was made due to the fact that the Company posted a net loss figure.

17. Acceptances and guarantees

All contingent liabilities, including letters of credit and acceptances and guarantees, are reflected in acceptances and guarantees. Customers' liabilities for acceptances and guarantees are shown as a contra account on the asset side and represent the Bank's right of indemnity from customers.

18. Guarantee obligations for bonds

Guarantee obligations for privately placed bonds (Article 2, Clause 3 of the Financial Instruments and Exchange Law) stood at ¥11,241 million ($114,438 thousand) and ¥13,713 million as of March 31, 2009 and 2008, respectuvely.

19. Derivative transactions

The banking subsidiariy enters into various contracts, including swaps, options, forwards and futures covering interest rates, foreign currencies and stocks and bonds, in order to meet customers' needs and manage risk of market fluctuations related to the banking subsidiary's assets, liabilities and interest rates. The banking subsidiary also uses interest futures, bond futures and options, and foreign currency options for limited dealing purposes.

The banking subsidiary has established procedures and controls to minimize market and credit risk that include limits on transaction levels, hedging exposed positions, reporting to management, and the outside review of trading department activities.

At March 31, 2009 and 2008, outstanding derivative contracts, which were revalued at market value, and the gains and losses recognized in the consolidated statements of income were as follows:

	Millions of yen							
	2009				2008			
	Contract amount	Over one year	Market value	Recognized gain (loss)	Contract amount	Over one year	Market value	Recognized gain (loss)
Currency related								
Currency swaps	**¥245,773**	**¥210,639**	**¥218**	**¥218**	¥213,697	¥204,859	¥245	¥245
Forward foreign exchanges:								
Sell	**5,216**	**—**	**(165)**	**(165)**	4,204	—	85	85
Buy	**28**	**—**	**0**	**0**	263	—	1	1
Total	**—**	**—**	**¥ 53**	**¥ 53**	—	—	¥332	¥332

	Thousands of U.S. dollars			
	2009			
	Contract amount	Over one year	Market value	Recognized gain (loss)
Currency related				
Currency swaps	**$2,502,022**	**$2,144,347**	**$2,227**	**$2,227**
Forward foreign exchanges:				
Sell	**53,106**	**—**	**(1,685)**	**(1,685)**
Buy	**286**	**—**	**4**	**4**
Total	**—**	**—**	**$ 546**	**$ 546**

The transactions were valued at market value and valuation gains and losses were credited or charged to income. Derivative transactions to which deferred hedge accounting was applied were not included in the above amounts.

20. Segment information
(a) Business segment information

2009 (Millions of yen)	Banking business	Computing business	Clerical work agency industry	Leasing business	Other business	Total	Elimination	Consolidated
Ordinary income:								
Outside customers	**¥ 80,436**	**¥2,448**	**¥ 12**	**¥2,857**	**¥2,010**	**¥ 87,764**	**¥ —**	**¥ 87,764**
Intersegment	**475**	**1,420**	**1,768**	**504**	**27**	**4,196**	**(4,196)**	**—**
Total	**80,911**	**3,868**	**1,780**	**3,361**	**2,038**	**91,960**	**(4,196)**	**87,764**
Ordinary expenses	**89,930**	**3,461**	**1,666**	**3,274**	**2,032**	**100,365**	**(4,086)**	**96,278**
Ordinary profit (loss)	**¥ (9,019)**	**¥ 406**	**¥ 114**	**¥ 87**	**¥ 6**	**¥ (8,404)**	**¥ (110)**	**¥ (8,514)**
Assets	**¥3,432,786**	**¥3,665**	**¥ 772**	**¥6,438**	**¥8,604**	**¥3,452,268**	**¥(14,652)**	**¥3,437,616**
Depreciation	**2,349**	**133**	**2**	**418**	**12**	**2,915**	**—**	**2,915**
Impairment loss	**415**	**—**	**—**	**—**	**—**	**415**	**—**	**415**
Capital expenditure	**7,054**	**88**	**1**	**98**	**2**	**7,245**	**—**	**7,245**

2008 (Millions of yen)	Banking business	Computing business	Clerical work agency industry	Leasing business	Other business	Total	Elimination	Consolidated
Ordinary income:								
Outside customers	¥ 81,434	¥2,799	¥ 13	¥3,075	¥2,235	¥ 89,558	¥ —	¥ 89,558
Intersegment	492	1,285	1,685	510	81	4,056	(4,056)	—
Total	81,927	4,084	1,699	3,585	2,316	93,614	(4,056)	89,558
Ordinary expenses	71,638	3,615	1,678	3,716	2,315	82,963	(4,022)	78,941
Ordinary profit (loss)	¥ 10,289	¥ 469	¥ 21	¥ (131)	¥ 1	¥ 10,650	¥ (33)	¥ 10,617
Assets	¥3,506,880	¥3,687	¥ 612	¥7,185	¥9,613	¥3,527,978	¥(14,946)	¥3,513,031
Depreciation	2,247	103	2	2,680	15	5,048	—	5,048
Impairment loss	173	—	—	—	—	173	—	173
Capital expenditure	4,010	63	0	2,634	2	6,712	—	6,712

2009 (Thousands of U.S. dollars)	Banking business	Computing business	Clerical work agency industry	Leasing business	Other business	Total	Elimination	Consolidated
Ordinary income:								
Outside customers	**$ 818,856**	**$24,922**	**$ 125**	**$29,086**	**$20,471**	**$ 893,460**	**$ —**	**$ 893,460**
Intersegment	**4,837**	**14,458**	**18,005**	**5,139**	**281**	**42,720**	**(42,720)**	**—**
Total	**823,693**	**39,380**	**18,130**	**34,225**	**20,752**	**936,180**	**(42,720)**	**893,460**
Ordinary expenses	**915,513**	**35,243**	**16,961**	**33,331**	**20,688**	**1,021,736**	**(41,600)**	**980,136**
Ordinary profit (loss)	**$ (91,820)**	**$ 4,137**	**$ 1,169**	**$ 894**	**$ 64**	**$ (85,556)**	**$ (1,120)**	**$ (86,676)**
Assets	**$34,946,420**	**$37,318**	**$ 7,862**	**$65,550**	**$87,596**	**$35,144,746**	**$(149,161)**	**$34,995,585**
Depreciation	**23,915**	**1,356**	**25**	**4,256**	**123**	**29,675**	**—**	**29,675**
Impairment loss	**4,232**	**—**	**—**	**—**	**—**	**4,232**	**—**	**4,232**
Capital expenditure	**71,820**	**905**	**18**	**998**	**23**	**73,764**	**—**	**73,764**

Notes: 1. Ordinary income represents total income less certain special income, and ordinary expenses represents total expenses less certain special expenses.

2. The principal business lines engaged in by the Company's subsidiaries are as follows:
Banking business
Computing business
Clerical work agency industry
Leasing business
Other businesses (venture capital services, credit card services)

3. As stated in Note 2(e), new accounting standards for leasing transactions have been mandatorily applied with effect from the fiscal year ended March 31, 2009. As a result, compared with the amounts that would have been recorded with the application of the previous accounting standards, depreciation expenses for the Company's leasing business decreased by ¥2,270 million ($23,114 thousand) while capital expenditures decreased by ¥2,241 million ($22,819 thousand). The effect on ordinary income of the changes in accounting standards is not material, as operating expenses other than depreciation expenses increased correspondingly.

(b) Geographic segment information

Geographic segment information is not disclosed because the banking subsidiary has no foreign subsidiaries or branches.

(c) Operating income from international operations information

Operating income from international operations is not disclosed because operating income from international operations was less than 10% of consolidated operating income.

21. Related party transactions

The accounting treatment stipulated in "Accounting Standards for Related Party Disclosures" (ASBJ Statement No. 11, October 17, 2006) and "Guidance on Application of Accounting Standards for Related Party Disclosures" (ASBJ Guidance No. 13, October 17, 2006) have been applied with effect from the year ended March 31, 2009.

Significant related party transactions in the year ended March 31, 2009 were as follows:

				Year-end balance	
Name	Business	Description of transactions	Account	Millions of yen	Thousands of U.S. dollars
Satoshi Sumioka	Office worker	Loan lending	Loans	¥10	$102
Hiroshi Nishi	Real estate leasing	Loan lending	Loans	40	408
Kazushige Ohigashi	Real estate leasing	Loan lending	Loans	33	337
Masahiro Ueno	Office worker	Loan lending	Loans	20	206
Konda Kensetsu Co., Ltd.	Civil engineering	Loan lending	Loans	31	317
Akai Fudousankaihatsu Co., Ltd.	Real estate business	Loan lending	Loans	17	173

Notes: 1. The conditions as applied to general parties with which the Company enters into transactions are applied.

2. There were no significant related party transactions in the year ended March 31, 2008.

22. Commitment lines

Loan agreements and commitment line agreements are agreements which oblige the banking subsidiary to lend funds up to a certain limit agreed to in advance. The banking subsidiary makes the loans upon a borrower's request to draw down funds under such agreements, as long as there is no breach of the various terms and conditions stipulated in the agreements. The unused commitment balances relating to these agreements at March 31, 2009 and 2008 amounted to ¥326,741 million ($3,326,286 thousand) and ¥331,764 million, respectively. Of this amount, the unused commitment balances relating to agreements with terms of one year or less or that were unconditionally cancelable at any time totalled ¥318,062 million ($3,237,941 thousand) and ¥327,206 million, respectively.

In many cases, the term of the agreement runs its course without the loan ever being drawn down. Therefore, unused loan commitment balances will not necessarily affect future cash flows. Conditions are included in certain loan agreements which allow the banking subsidiary to decline a request to draw down funds or to reduce the agreed limit amount when there is due cause to do so, such as when there is a change in financial condition or when it is necessary to protect the subsidiary's credit. The banking subsidiary makes various measures to protect their credit, including having the obligor pledge collateral in the form of real estate, securities etc. on signing the loan agreement or confirming the obligor's financial condition in accordance with the subsidiary's established internal procedures.

23. Type and number of shares issued and treasury shares

At March 31, 2009 and 2008, the number of shares were as follows:

	Thousands of shares			
	2009	2008	Increase	Decrease
Shares issued:				
Common [*1]	**739,841**	739,425	416	—
Preferred (Type 1) [*2]	**223**	266	—	43
Preferred (Fourth series Type 1)	**45,000**	45,000	—	—
Preferred (Type 2) [*2]	**4,553**	4,827	—	274
Total	**789,618**	789,518	416	317
Treasury shares:				
Common [*3]	**685**	539	195	49
Preferred (Type 1) [*2]	**—**	—	43	43
Preferred (Type 2) [*2]	**21**	21	274	274
Total	**706**	560	512	366

*1. The increase in the number of common shares issued is attributable to requests from holders of preferred shares for the issuance of common shares in exchange for preferred shares.

*2. The increase in the number of preferred shares in treasury is attributable to the requests from holders of preferred shares for the issuance of common shares in exchange for preferred shares. The decrease in the number of preferred shares issued and in treasury is attributable to the cancellation of the said shares.

*3. The increase in the number of common shares in treasury is attributable to the purchase by the Company of common shares in amounts less than one trading unit. The decrease in the number of common shares in treasury is attributable to the requests for the purchase of shares in amounts less than one trading unit.

24. Information on dividends

Dividends paid for the reporting term were as follows:

	Millions of yen	Yen	Thousands of U.S. dollars	U.S. dollars
	Amount of dividends	Cash dividends per share	Amount of dividends	Cash dividends per share
Common	¥2,217	¥ 3.00	$22,573	$0.031
Preferred (Type 1)	3	14.00	38	0.143
Preferred (Fourth series Type 1)	630	14.00	6,414	0.143
Preferred (Type 2)	48	10.00	491	0.102

Notes: 1. Date of resolution of the ordinary general meeting of shareholders was June 27, 2008.
2. Record date for all type of shares was March 31, 2008.
3. Effective date for all type of shares was June 30, 2008.

Dividends which were paid for the reporting term and whose effective date, (i.e. initial payment date,) falls on a day after March 31, 2009 were as follows:

	Millions of yen	Yen	Thousands of U.S. dollars	U.S. dollars
	Amount of dividends	Cash dividends per share	Amount of dividends	Cash dividends per share
Common	**¥2,218**	**¥ 3.00**	**$22,581**	**$0.031**
Preferred (Type 1)	**3**	**14.00**	**32**	**0.143**
Preferred (Fourth series Type 1)	**675**	**15.00**	**6,872**	**0.153**
Preferred (Type 2)	**45**	**10.00**	**464**	**0.102**

Notes: 1. Date of resolution of the ordinary general meeting of shareholders was June 26, 2009.
2. Record date for all type of shares was March 31, 2009.
3. Effective date for all type of shares was June 29, 2009.

25. Cash and cash equivalents

Correlation of cash and cash equivalents and items posted under the balance sheet was as follows:

	Millions of yen		Thousands of U.S. dollars
	2009	2008	**2009**
Cash and due from banks	**¥60,991**	¥67,332	**$620,908**
Interest-earning deposits in other banks	**(4,000)**	(4,000)	**(40,721)**
Cash and cash equivalents	**¥56,991**	¥63,332	**$580,187**

26. Subsequent events

Not applicable

Independent Auditors' Report

To the Board of Directors of Kiyo Holdings, Inc.:

We have audited the accompanying consolidated balance sheets of Kiyo Holdings, Inc. and its consolidated subsidiaries as of March 31, 2009 and 2008, and the related consolidated statements of income, changes in net assets and cash flows for the years then ended expressed in Japanese yen. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to independently express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Kiyo Holdings, Inc. and subsidiaries as of March 31, 2009 and 2008, and the results of their operations and their cash flows for the years then ended, in conformity with accounting principles generally accepted in Japan.

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

As discussed in Note 2(c) to the consolidated financial statements, on December 15, 2008 the Company applied "Tentative Solution on Reclassification of Debt Securities" (ASBJ Practical Issues Task Force report No. 26 issued on December 5, 2008) to certain available-for-sale securities, causing them to be reclassified under held-to maturity securities.

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2009 are presented solely for convenience. Our audit also included the translation of yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 1 to the consolidated financial statements.

KPMG AZSA & Co.

KPMG AZSA & Co.
Osaka, Japan
June 26, 2009