Notes to Consolidated Financial Statements

Kiyo Holdings, Inc. and its consolidated subsidiaries
Years ended March 31, 2010 and 2009

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 have been made 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, 2010, which was ¥93.04 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 7 subsidiaries (the "Group"). At the previous year-end, the Company had 9 subsidiaries. All significant intercompany transactions and unrealized profits have been eliminated. Goodwill is expensed over ten years on a straight-line basis, and negative goodwill is fully charged to income when incurred. 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 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 moving average cost.

Available-for-sale securities for which the fair market value is extremely difficult to determine are stated at moving average 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 ¥20,988 million ($225,581 thousand) and ¥41,410 million as of March 31, 2010 and 2009, respectively. At that time, these securities remained undisposed of and in the possession of the subsidiaries.

In view of recent market conditions, current market prices of Japanese Government Bonds (JGBs) with variable interest rates cannot be regarded as the fair value in many cases. Consequently, the Company has adopted a system of estimation based on a "theoretical price."

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 consideration of its 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 declining balance method. However, buildings (excluding attached facilities) acquired on or after April 1, 1998 are depreciated using the straight-line method. The useful lives of tangible fixed assets range from 6 to 50 years for buildings and 5 to 20 years for equipment.
Tangible fixed assets, excluding lease assets, held by other consolidated subsidiaries are mainly depreciated using the declining balance 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:
Depreciation and amortization of lease assets, including both "Tangible fixed assets" and "Intangible fixed assets," under leasing transactions that are not deemed to transfer ownership of the leased property to the lessee are computed by the straight-line method over the lease period, with a residual value of zero.

(f) Reserve for possible loan losses — Based on its own self-assessment rules, the banking subsidiary makes provisions for possible loan losses. For loans to insolvent customers who are undergoing bankruptcy or other collection proceedings or who are in a similar financial condition, the reserve for possible loan losses is provided in the full amount of such loans, excluding the portion that is estimated to be recoverable due to the 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 certain 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, 2010 and 2009, the deducted amounts were ¥94,724 million ($1,018,104 thousand) and ¥96,327 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 lump-sum payments 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 the estimated amounts of retirement benefit obligations and the value of pension plan 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 9 years, which is shorter than the average remaining service period of the employees, beginning with the term following that when the differences are generated. Because the average remaining service period decreased, the Company changed the number of years over which the differences are allocated from 10 years to 9 years effective from the year ended March 31, 2010. As a result of this change, income before income taxes and minority interests was ¥218 million ($2,353 thousand) less than the amount that would have been calculated without the change.

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

Effective from the year ended March 31, 2010, the Company has applied ASBJ Statement No. 19, "Partial Amendments to Accounting Standard for Retirement Benefits (Part 3)," issued on July 31, 2008. The new standard requires the companies to use the discount rate determined by reference to market yields at the end of the fiscal year on high quality bonds such as long-term Japanese government bonds, government agency bonds and high quality corporate bonds. Since the Company has been using the same discount rate as required by the standard, the application has had no effect on the accompanying consolidated financial statements.

(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 the future losses on claims on dormant accounts based on the historical refund record.

(j) Provision for contingent loss — A provision is made for 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.

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 and 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 used to determine balance-sheet amounts of lease investment assets as of April 1, 2008.

(n) Financial Instruments and related disclosures

The Company applied ASBJ Statement No. 10, "Accounting Standard for Financial Instruments," and ASBJ Guidance No. 19, "Guidance on Disclosures about Fair Value of Financial Instruments," issued by the ASBJ on March 10, 2008.

Compared with amounts that would have been reported under the previous accounting standards, "Securities," "Deferred tax liabilities," "Net unrealized losses on available-for-sale securities" and "Income before income taxes and minority interests" were ¥67 million ($729 thousand), ¥31 million ($341 thousand), ¥47 million ($515 thousand) and ¥63 million ($678 thousand) more respectively, than the amounts that would have been reported without the new standard.

(o) Employee stock ownership plan

At the Board of Directors' meeting held on February 1, 2010, the Company resolved to introduce a trust-type employee stock ownership plan (the "Plan") to improve employees' performance by increasing their awareness of participating in management by granting stock incentives to employees to promote the Company's middle- and long-term enterprise value. The Plan is a stock incentive plan covering all the employees who participate in "Kiyo Financial Group Employee Stock Ownership Group" (the "Stock Ownership Group"). Under the Plan, the Company establishes "Trust Exclusive for Kiyo Financial Group Employee Stock Ownership Group" (the "Stock Ownership Trust"), which will acquire the Company's shares in advance in an amount equivalent to the volume which the Stock Ownership Group will acquire over a period of five years. And then, at a certain point in time, the Company's shares owned by the Stock Ownership Trust will be transferred to the Stock Ownership Group. If the fund equivalent to the gain on the sales of these shares were accumulated upon the completion of the transfer, such a fund as remaining assets will be distributed to the eligible employees as beneficiaries. Since the Company guarantees the loans of the Stock Ownership Trust used to purchase the Company's shares, the Company will pay the remaining liabilities based on the guarantee agreement if any losses on the sales of shares are accumulated in the Stock Ownership Trust due to a decline in the price of the Company's shares.

Considering the economic substance of the plan from a conservative viewpoint, the Stock Ownership Trust is accounted for as if it were a part of the Company since the Company guarantees its liabilities in acquiring or disposing of the shares. Accordingly, the Company's shares owned by the trust, as well as the assets, liabilities, expenses and income of the trust, are reflected in the accompanying consolidated balance sheets, consolidated statements of income, consolidated statements of changes in nets assets and consolidated statements of cash flows. The number of the Company's shares owned by the Stock Ownership Trust as of March 31, 2010 is 10,034,000 shares.

(p) 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.

(q) 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 other securities

The balance sheet amounts of trading account securities as of March 31, 2010 and 2009 were ¥5,328 million ($57,267 thousand) and ¥5,011 million, respectively. Net valuation gains and losses from trading account securities for the years ended March 31, 2010 and 2009 amounted to ¥41 million ($441 thousand) and ¥27 million, respectively. Fair values and unrealized gains and losses on held-to-maturity debt securities and available-for-sale securities with available fair values as of March 31, 2010 and 2009 were as follows:

(a) Held-to-maturity debt securities

	Millions of yen					
	2010			2009		
	Carrying amount	Fair value	Unrealized gains (losses)	Carrying amount	Fair value	Unrealized gains (losses)
Bonds	**¥182,178**	**¥183,647**	**¥1,469**	¥190,627	¥188,144	¥(2,482)
Other	**26,186**	**26,170**	**(15)**	34,447	32,700	(1,747)
Total	**¥208,365**	**¥209,818**	**¥1,453**	¥225,075	¥220,845	¥(4,229)

	Thousands of U.S. dollars		
	2010		
	Carrying amount	Fair value	Unrealized gains (losses)
Bonds	**$1,958,063**	**$1,973,855**	**$15,792**
Other	**281,459**	**281,288**	**(171)**
Total	**$2,239,522**	**$2,255,143**	**$15,621**

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

	Millions of yen					
	2010			2009		
	Carrying amount	Acquisition cost	Unrealized gains (losses)	Carrying amount	Acquisition cost	Unrealized gains (losses)
Stocks	**¥44,062**	**¥42,005**	**¥2,056**	¥42,350	¥53,327	¥(10,976)
Bonds	**449,678**	**448,535**	**1,143**	314,358	319,635	(5,277)
Other	**243,223**	**252,278**	**(9,055)**	208,099	237,484	(29,385)
Total	**¥736,964**	**¥742,819**	**¥(5,854)**	¥564,808	¥610,447	¥(45,639)

	Thousands of U.S. dollars		
	2010		
	Carrying amount	Acquisition cost	Unrealized gains (losses)
Stocks	**$473,588**	**$451,480**	**$22,108**
Bonds	**4,833,177**	**4,820,885**	**12,292**
Other	**2,614,181**	**2,711,509**	**(97,328)**
Total	**$7,920,946**	**$7,983,874**	**$(62,928)**

Available-for-sale securities with fair value that has declined significantly from the acquisition cost and for which there is deemed to be no likelihood of the fair value recovering to the acquisition cost level are recorded on the balance sheet at the said fair value. In addition, the difference between acquisition cost and fair 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, 2010 was ¥6,695 million ($71,965 thousand), of which, equity shares accounted for ¥6,683 million ($71,838 thousand) and bonds for ¥11 million ($127 thousand). The impairment loss for the year ended March 31, 2009 was ¥20,558 million, of which, equity shares accounted for ¥9,049 million, foreign bonds for ¥7,992 million, and other financial instruments for ¥3,515 million.

The fair 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 fair value has fallen below 70%

but not below 50%, 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 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 ended March 31, 2009 were as follows:

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

The above refers to bonds sold by issuing Companies' whose creditworthiness has deteriorated markedly.
There were no bonds sold during the year ended March 31, 2010.

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

The following available-for-sale securities were reclassified into held-to-maturity securities due to a change in the purpose for which they were held for the years ended March 31, 2010 and 2009:

	Millions of yen					
	2010			2009		
	Fair value	Carrying amount	Unrealized gains	Fair Value	Carrying amount	Unrealized losses
Japanese government bonds	**¥135,077**	**¥134,381**	**¥3,917**	¥132,133	¥134,764	¥7,226

	Thousands of U.S. dollars		
	2010		
	Fair value	Carrying amount	Unrealized gains
Japanese government bonds	**$1,451,823**	**$1,444,344**	**$42,110**

These changes were made to correspond to the 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 over 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 purpose for which these bonds were held in view of the fact that: a) the bonds bore no credit risk, b) the bonds were significantly resistant to interest rate fluctuations, and c) the bonds were deemed to be highly suitable as assets to be held to maturity.

(e) Total sales of available-for-sale securities in the years ended March 31, 2010 and 2009 amounted to ¥460,300 million ($4,947,338 thousand) and ¥476,654 million, respectively. The related gains and losses for the year ended March 31, 2010 amounted to ¥6,987 million ($75,099 thousand) and ¥3,693 million ($39,695 thousand), respectively. For the year ended March 31, 2009, the related gains and losses were ¥3,640 million and ¥4,150 million, respectively.

(f) Net unrealized gains and losses on available-for-sale securities as of March 31, 2010 and 2009 were as follows.

	Millions of yen		Thousands of U.S. dollars
As reported in the consolidated balance sheets:	**2010**	2009	**2010**
Difference between acquisition cost and fair value:			
Available-for-sale securities	**¥683**	¥(38,413)	**$7,343**
Deferred tax assets (liabilities)...	**(2,557)**	4,086	**(27,489)**
Difference between acquisition cost and fair value (prior to adjustment for minority interests)	**(1,874)**	(33,607)	**(20,146)**
Amount corresponding to minority interests	**(23)**	(4)	**(248)**
Net unrealized gains (losses) on available-for-sale securities……..	**¥(1,897)**	¥(33,611)	**$(20,394)**

4. Loans and bills discounted

Loans and bills discounted at March 31, 2010 and 2009 included the following:

	Millions of yen		Thousands of U.S. dollars
	2010	2009	**2010**
Loans to borrowers legally bankrupt	**¥6,024**	¥8,239	**$64,756**
Other delinquent loans	**78,289**	78,061	**841,466**
Loans past due over 3 months	**424**	709	**4,558**
Restructured loans	**11,418**	7,783	**122,723**
Total	**¥96,157**	¥94,793	**$1,033,503**

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 for which the recognition of accrued interest has been suspended after a assessment of the loan's quality. Loans past due over 3 months are loans for which principal and/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 the 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 ¥28,922 million ($310,856 thousand) and ¥35,233 million at March 31, 2010 and 2009, respectively.

5. Accumulated depreciation for tangible fixed assets

Accumulated depreciation for tangible fixed assets at March 31, 2010 and 2009 was ¥41,783 million ($449,094 thousand) and ¥40,457 million, respectively. Advanced depreciation for tangible fixed assets amounted to ¥4,294 million ($46,161 thousand) and ¥4,294 million at March 2010 and 2009, respectively.

6. Assets pledged as collateral

At March 31, 2010 and 2009, assets pledged as collateral were as follows:

	Millions of yen		Thousands of U.S. dollars
	2010	2009	**2010**
Securities	**¥135,523**	¥102,000	**$1,456,611**
Other assets	**57**	58	**614**
Total	**¥135,580**	¥102,059	**$1,457,225**

The above pledged assets secured the following liabilities:

	Millions of yen		Thousands of U.S. dollars
	2010	2009	**2010**
Deposits	**¥20,153**	¥10,167	**$216,607**
Borrowed money	**4,000**	17,200	**42,992**
Deposits received for securities lending transactions	**25,755**	-	**276,820**
Total	**¥49,908**	¥27,367	**$536,419**

In addition to the above pledged assets, securities pledged as collateral for transaction guarantees of foreign exchange and forward exchange at March 31, 2010 and 2009 were ¥69,419 million ($746,127 thousand) and ¥73,415 million, respectively. Other assets included guarantee and leasehold deposits of ¥1,545 million ($16,611 thousand) and ¥1,636 million at March 31, 2010 and 2009, respectively.

7. Deposits

At March 31, 2010 and 2009, deposits were as follows:

	Millions of yen		Thousands of U.S. dollars
	2010	2009	**2010**
Liquid deposits	**¥1,363,011**	¥1,319,926	**$14,649,734**
Fixed-term deposits	**1,820,214**	1,726,741	**19,563,789**
Other deposits	**86,973**	64,545	**934,795**
Negotiable certificates of deposit	**127,332**	86,693	**1,368,574**
Total	**¥3,397,531**	¥3,197,906	**$36,516,892**

8. Lease transactions

(1) Financing leases

As lessee

The Company accounts for finance leases which commenced prior to April 1, 2008 and did not transfer ownership of the lease assets to the lessee as operating lease transactions as permitted by the new accounting standard. The following pro forma amounts represent the acquisition costs, accumulated depreciation and net book value of the lease assets as of March 31, 2010 and 2009 that would have been applied to the finance leases under which the Company and its subsidiaries were lessees and are currently accounted for as operating leases:

	Millions of yen		Thousands of U.S. dollars
	2010	2009	**2010**
Acquisition cost	**¥3,131**	¥3,164	**$33,662**
Accumulated depreciation	**1,517**	1,151	**16,308**
Net book value	**¥1,614**	¥2,012	**$17,354**

	Millions of yen		Thousands of U.S. dollars
	2010	2009	**2010**
Original lease obligations (including finance charges)	**¥3,131**	¥3,164	**$33,662**
Payments remaining:			
Payments due within one year	**¥395**	¥397	**$4,253**
Payments due after one year	**1,218**	1,614	**13,101**
Total	**¥1,614**	¥2,012	**$17,354**

Lease payments under such leases for the years ended March 31, 2010 and 2009 were ¥397 million ($4,278 thousand) and ¥414 million, respectively.

(2) Operating leases

Future lease payments receivable, excluding interest, as of March 31, 2010 and 2009 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2010	2009	**2010**
Due within one year	**¥7**	¥8	**$85**
Due after one year	**22**	6	**239**
Total	**¥30**	¥14	**$324**

9. Borrowed money

The weighted average interest rate on the term-end balance of borrowed money was 2.30%. Borrowed money consisted of loans from other financial institutions. As of March 31, 2010, subordinated loans in the amount of ¥29,000 million ($311,694 thousand) were included in borrowed money. Annual maturities of borrowed money and lease obligations as of March 31, 2010 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
2011	**¥4,160**	**$44,715**	**¥26**	**$289**
2012	**145**	**1,558**	**26**	**289**
2013	**111**	**1,202**	**25**	**279**
2014	**81**	**872**	**10**	**110**
2015	**1,249**	**13,434**	**-**	**-**
2016 and thereafter	**29,000**	**311,694**	**-**	**-**
Total	**¥34,748**	**$373,475**	**¥89**	**$967**

10. Bonds

As of March 31, 2010, Kiyo Bank had issued unsecured subordinated bonds as follows:

Issued	Due	Rate	Millions of yen	Thousands of U.S. dollars
March 2007	March 2017	3.03%	¥ 5,000	$ 53,741
October 2009	October 2017	3.00%	3,000	32,244
Total	-	-	¥8,000	$85,985

11. Other income

For the years ended March 31, 2010 and 2009, other income included the collection of written-off claims in the amount of ¥2,285 million ($24,564 thousand) and ¥1,842 million, respectively.

12. Other expenses

For the years ended March 31, 2010 and 2009, other expenses included losses on the devaluation of stocks and other securities in the amount of ¥6,683 million ($71,838 thousand) and ¥9,205 million, respectively, losses on loans written off amounting to ¥5,286 million ($56,823 thousand) and ¥9,353 million, respectively, and losses on transfer/sale of loan obligations amounting to ¥536 million ($5,763 thousand) and ¥1,185 million, respectively.

The Bank reduced the book value to the amounts deemed recoverable and posted the reduced amount of ¥7 million ($82 thousand) and ¥415 million for the years ended March 31, 2010 and 2009, respectively. Details were as follows:

			Impairment loss		
			Millions of yen		Thousands of U.S. dollars
Location	Major use	Asset category	**2010**	2009	**2010**
Kiyo Bank:					
Wakayama Prefecture	Branches	Land	**¥4**	¥12	**$50**
Osaka Prefecture	Branches	Mainly land	**-**	392	**-**
Wakayama Prefecture	Idle assets	Land and buildings	**3**	11	**32**
Total	-	-	**¥7**	¥415	**$82**

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 years ended March 31, 2010 and 2009. The table below 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, 2010. 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.

	2010
Statutory tax rate	40.4%
Adjustments:	
Amortization of goodwill and negative goodwill	18.8
Decrease in valuation allowance	(15.4)
Other	(11.0)
Effective income tax rate	32.8%

Significant components of the Company's and its consolidated subsidiaries' deferred tax assets and liabilities as March 31, 2010 and 2009 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2010	2009	**2010**
Deferred tax assets:			
Nondeductible reserve for possible loan losses	**¥31,482**	¥33,410	**$338,371**
Write-down of securities	**10,335**	10,124	**111,090**
Operating loss carryforwards	**10,127**	13,754	**108,853**
Retirement benefits	**8,450**	8,525	**90,822**
Unrealized gains on available-for-sale securities	**2,375**	15,528	**25,532**
Other	**6,924**	6,447	**74,429**
Subtotal	**69,695**	87,791	**749,097**
Valuation allowance	**(31,601)**	(43,025)	**(339,659)**
Deferred tax assets	**38,094**	44,765	**409,438**
Deferred tax liabilities	**(4,754)**	(1,865)	**(51,104)**
Net deferred tax assets	**¥33,339**	¥42,900	**$358,334**

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, 2010 and 2009 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2010	2009	**2010**
Projected benefit obligation	**¥(26,306)**	¥(26,882)	**$(282,742)**
Unrecognized actuarial differences	**(317)**	2,557	**(3,416)**
Fair value of pension assets	**28,858**	23,996	**310,177**
Prepaid contribution	**2,260**	128	**24,296**
Liability for severance and retirement benefits	**¥(25)**	¥(456)	**$(277)**

Included in the consolidated statements of income for the years ended March 31, 2010 and 2009 were severance and retirement benefit expenses comprising the following:

	Millions of yen		Thousands of U.S. dollars
	2010	2009	**2010**
Service costs — benefits earned during the year	**¥947**	¥940	**$10,188**
Interest cost on projected benefit obligation	**537**	540	**5,773**
Expected return on plan assets	**(385)**	(411)	**(4,144)**
Amortization of actuarial differences	**450**	(260)	**4,846**
Other	**31**	27	**340**
Severance and retirement benefit expenses	**¥1,581**	¥836	**$17,003**

15. Shareholders' equity

(a) Capital stock

The number of shares of the Company's capital stock as of March 31, 2010 and 2009 was as follows:

	2010	2009
Number of shares:		
Authorized:		
Common	**1,798,381,105**	1,798,381,105
Preferred (Type 1)	**123,734,000**	123,957,000
Preferred (Type 2)	**8,209,500**	8,723,500
Preferred (Type 3)	**6,000,000**	6,000,000
Issued and outstanding:		
Common	**741,129,195**	739,841,714
Preferred (Type 1)	**-**	223,000
Preferred (Type 2)	**4,039,500**	4,553,500
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. Preferred stock Type 1 was converted into common stock due to a request from the holders and then retired during the year ended March 31, 2010.

If there is a liquidation distribution, holders of preferred stock Type 2 and Fourth Series Type 1 will receive ¥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 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 ¥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 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 2 and Fourth Series Type 1 preferred stock is less than ¥519.50 and 50% of the initial acquisition price (market price at October 1, 2011), 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 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 consideration. 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
	2010	2009	**2010**
Net assets per share	**¥168.08**	¥120.13	**$1.807**
Net income per share (basic)	**7.06**	0.97	**0.076**
Net income per share (diluted)	**5.83**	-	**0.063**

The calculation of basic and diluted net income per share for the years ended March 31, 2010 and 2009 was as follows:

	Millions of yen		Thousands of U.S. dollars
	2010	2009	**2010**
Earnings per share:			
Net income	**¥5,836**	¥1,439	**$62,728**
Amount not available to common shareholders	**625**	723	**6,720**
Net income available to common shareholders	**5,211**	716	**56,009**
Average number of common shares during the term (thousands)	**738,177**	739,080	-
Diluted earnings per share (Note):			
Reduction in net income	**585**	-	**6,288**
Increase in number of common shares (thousands)	**256,662**	-	-
Preferred shares (thousands)	**256,662**	-	**-**

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.

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 ¥13,588 million ($146,048 thousand) and ¥11,241 million as of March 31, 2010 and 2009, respectively.

19. Financial instruments and related disclosures

As discussed in Note 2(n), the Company applied ASBJ Statement No. 10, "Accounting Standard for Financial Instruments," and ASBJ Guidance No. 19, "Guidance on Disclosures about Fair Value of Financial Instruments," issued by the ASBJ on March 10, 2008.

1. Disclosure about Financial Instruments

(1) Policy on financial instruments

The Group provides comprehensive financial services such as deposit-taking and lending services, electronic computing related services, leasing operations, credit card business and others. Since the Group is exposed to the market risk of fluctuations in interest rates arising from deposit-taking, lending services and securities investment operations, the Group conducts comprehensive asset and liability management (ALM) and, as part, employs derivative transactions.

(2) Nature and risk of financial instruments

Financial assets held by the Group mainly consist of loans to domestic customers, which are exposed to credit risk arising from customers' nonperformance of contractual obligations and also risk of interest rates fluctuations. Securities held by the Group mainly consist of debt securities, equity securities and investment trusts, which are held for the purpose of holding to maturity, net investment, strategic investment and trading purposes. These securities are exposed to the credit risk of the issuers, interest rate fluctuation risk and price fluctuation risk.

Financial liabilities mainly consist of deposits, which are exposed to liquidity risk and interest rate fluctuation risk as well as financial assets.

Major risks inherent in derivative transactions are market risk of fluctuations in interest rates, foreign exchange, stock prices and other market instruments and credit risk arising from customers' nonperformance of contractual obligations. The Group employs derivative transactions mainly to hedge risk, and the market risk of the hedged items is almost offset by the derivatives. Hedging instruments to which hedge accounting is applied are currency swaps and the corresponding hedged securities denominated in foreign currencies.

(3) Risk management system for financial instruments

Credit risk management

The Group has established a credit risk management system that includes the "Credit Risk Control Rule" and other various rules and defines the basic credit risk control policy and management system. Specifically, the Review Department conducts reviews according to the risk characteristics of the credit items by identifying the financial position, use of funds, repayment resources and other factors related to the credit customers. The Credit Control Department sets up and controls limits to avoid the concentration of credit risk and identifies the quantitative level of credit risk. The Department is also responsible for the maintenance of the credit rating system and reports the measured volume of credit risk to the Board of Directors and risk management committee so that credit risk management may be discussed within the framework of integrated risk control.

Market risk management

The Group has established a market risk management system that includes the "Market Risk Control Rule" and other various rules and defines the basic market risk control policy and management system.

(i) Interest rate risk management

With respect to interest rate management, the Group regularly measures the volume of interest rate risk arising from assets and liabilities such as securities, loans and deposits, conducts interest rate gap analysis and interest rate sensitivity analysis and reports the outcome to the ALM Strategy Committee and the Risk Control Committee. The Group has also established specific limits on the level of interest rate risk.

(ii) Price fluctuation risk management

With respect to price fluctuation risk, the Group controls the level of risk on a daily basis by measuring the risk volume and setting up limits on the risk level. Securities held for net investment purposes are controlled additionally by setting up limits on transactions and losses in addition to those set up by the risk volume control. With respect to the shares held for strategic investment purposes, the Group tries to reduce the risk level by limiting the balance.

(iii) Foreign exchange risk management

The Group tries to reduce the risk by identifying the fluctuation risk of foreign exchange rates associated with the foreign currency denominated assets and liabilities, controlling the risk within the predetermined limit and employing currency swaps, etc.

(iv) Derivative transactions

Derivatives transactions are employed principally for hedging purpose, but dealing in derivatives conducted to a limited extent. An internal control system has been established by segregating the functions of executing derivative transactions, evaluating hedge effectiveness and operations control.

Liquidity risk management

The Group has established a liquidity risk management system that includes the "Liquidity Risk Control Rule" and other various rules and defines the basic liquidity risk control policy and management system. The Group tries to control liquidity risk by maintaining stable cash management, securing the highly liquid reserves and strengthening preliminary controls.

(4) Supplementary explanation about fair value of financial instruments

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

2. Fair value of financial instruments

The Carrying amount, the fair value and the related difference as of March 31, 2010 were set forth in the table below. Note that unlisted equity securities for which the fair value was extremely difficult to determine were not included in the following table (See Note 2). Also, insignificant items are omitted.

	Millions of yen		
	Carrying amount	Fair value	Unrealized gains (losses)
Cash and due from banks	¥62,121	¥62,121	¥ -
Call loans and bills bought	85,808	85,808	-
Securities:			
Held-to-maturity securities	208,365	209,818	1,453
Available-for-sale securities	737,411	737,411	-
Loans and bills discounted	2,445,529		
Reserve for possible loan losses (*1)	(29,415)		
	2,416,114	2,430,774	14,659
Total assets	¥3,509,820	¥3,525,933	¥16,113
Deposits	¥3,397,531	¥3,402,908	¥5,376
Borrowed money	34,748	34,514	(233)
Bonds	8,000	8,131	131
Total liabilities	¥3,440,279	¥3,445,554	¥5,275
Derivative transactions (*2)			
Hedge accounting not applied	¥(307)	¥(307)	¥ -
Hedge accounting applied	209	209	-
Total derivative transactions	¥(97)	¥(97)	¥ -

	Thousands of U.S. dollars		
	Carrying amount	Fair value	Unrealized gains (losses)
Cash and due from banks	$667,690	$667,690	$ -
Call loans and bills bought	922,273	922,273	-
Securities:			
Held-to-maturity securities	2,239,522	2,255,143	15,621
Available-for-sale securities	7,925,742	7,925,742	-
Loans and bills discounted	26,284,714		
Reserve for possible loan losses (*1)	(316,161)		
	25,968,553	26,126,119	157,566
Total assets	$37,723,780	$37,896,967	$173,187
Deposits	$36,516,892	$36,574,680	$57,788
Borrowed money	373,474	370,964	(2,510)
Bonds	85,985	87,403	1,418
Total liabilities	$36,976,351	$37,033,047	$56,696
Derivative transactions (*2)			
Hedge accounting not applied	$(3,300)	$(3,300)	$ -
Hedge accounting applied	2,253	2,253	-
Total derivative transactions	$(1,047)	$(1,047)	$ -

(*1) General and specific reserve for possible loan losses corresponding to loans and bills discounted are deducted.
(*2) Net receivables and payables incurred from derivative transactions are presented in net amount and net payables are presented in parentheses.

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

Assets:

Cash and due from banks

For deposits without maturity, the carrying amount is presented as the fair value since the fair value approximates the carrying amount.

Call loans and bills bought

For call loans and bills bought, the carrying amount is presented as the fair value since the fair value approximates the carrying amount because the remaining maturity is short (less than one year).

Securities

The fair value of equity securities is determined using the quoted price on exchanges, and the fair value of debt securities is determined using the price published by the industry group or offered by the financial institutions with which they are transacted. The fair value of investment trusts is determined using the published standard quotation or the price offered by the financial institutions with which they are transacted. The fair value of

non-publicly traded private placement bonds is determined using the same calculation method as that of loans.
With respect to the fair value of variable-interest JGBs, it has been judged that current market prices cannot be regarded as the fair value, and the value calculated on a reasonable basis is treated as the fair value.
The fair value of variable-interest JGBs is determined using the discounted present value of future cash flows generated from the variable interest JGBs, taking into consideration the value of zero-floor options as predicted by the convexity method and/or the Black-Scholes option model. The principal variables used in determining the JGB price are the JGB spot rate and the implied volatility of yen swaptions. The Company obtains this price from reliable bid-price providers and applies it after careful examination of its applicability to the Company's situation.
Notes concerning securities held by holding purposes are described at Note 3, "Trading account securities and securities."

Loans and bills discounted

For loans with variable interest rates, which reflect short-term interest rates, the carrying amount is presented as the fair value since the fair value approximates the carrying amount as long as the creditworthiness of the borrower has not changed significantly from the time of the loan origination. For the loans with fixed interest rates, the fair value is determined based on the aggregate value of principal and interest by categories of types of loans, internal ratings and maturities discounted using the interest rate assumed if the same loans were newly originated. For the loans with short contractual terms (less than one year), the carrying amount is presented as the fair value since the fair value approximates the carrying amount.

For receivables from bankrupt, effectively bankrupt and likely to become bankrupt borrowers, loan losses are estimated based on factors such as the present value of expected future cash flows or the expected amount to be collected from collateral and guarantees. Since the fair value of these items approximates the carrying amount, net of the currently expected loan losses, the carrying amount is presented as the fair value.

For loans which have non-defined repayment due dates because of restricting the loans within the amount of pledged assets, the carrying amount is presented as the fair value since the fair value approximates the carrying amount considering the expected repayment schedule and interest rate conditions.

Liabilities:

Deposits

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

Borrowed money and bonds

For borrowed money and bonds, the fair value is calculated as the present value of expected future cash flows discounted using the interest rate that would be applied to newly borrowed money. For borrowed money with variable interest rates linked to the short-term market interest rates, the carrying amount is presented as the fair value since the fair value approximates the carrying amount because the creditworthiness of the Company has not changed significantly after it was executed.

Derivative transactions:

Derivative transactions are mainly currency related derivatives such as currency futures, currency options, currency swaps, etc. The fair value is determined using the value calculated by the discounted present value, option pricing models, etc.

(Note 2) Financial instruments whose fair value is extremely difficult to determine are set forth in the table below. These securities are not included in "Available-for-sale securities" under "Assets" in the table "Fair value of financial instruments."

	Carrying amount	
	Millions of yen	Thousands of U.S. dollars
Unlisted equity securities (*1) (*2)	¥1,860	$19,995
Investment in partnerships (*3)	91	987
Total	¥1,952	$20,982

(*1) No market price is available for unlisted equity securities, and the fair value is not disclosed since it is extremely difficult to determine.
(*2) The Company recognized impairment loss in an amount of ¥38 million ($411 thousand) on unlisted equity securities for the year ended March 31, 2010.
(*3) The fair value of investment in partnerships whose assets consisted of securities such as unlisted equity securities whose fair value is extremely difficult to identify is not disclosed.

(Note 3) Repayment schedule of monetary receivables and securities with contract maturities subsequent to the balance sheet date

	Millions of yen					
	Due within one year	Due over one year but within three years	Due over three years but within five years	Due over five years but within seven years	Due over seven years but within ten years	Due over ten years
Cash and due from banks	¥62,121	¥ -	¥ -	¥ -	¥ -	¥ -
Call loans and bills bought	85,808	-	-	-	-	-
Securities						
Held-to-maturity debt securities	30,995	12,975	21,076	35,800	34,000	70,000
Japanese government bonds	-	-	-	26,800	34,000	70,000
Municipal bonds	8,516	-	14,396	-	-	-
Corporate bonds	8,279	9,975	6,680	-	-	-
Other	14,200	3,000	-	9,000	-	-
Foreign securities	14,200	3,000	-	9,000	-	-
Available-for-sale securities with contract maturities	26,093	107,350	70,095	58,877	286,234	128,884
Japanese government bonds	-	-	2,100	-	151,500	70,000
Municipal bonds	165	10,962	18,939	15,161	94,348	1,000
Corporate bonds	11,928	13,388	19,261	9,161	8,611	21,442
Other	14,000	83,000	29,795	34,554	31,775	36,441
Foreign securities	14,000	83,000	29,795	34,554	31,775	36,441
Loans and bills discounted (*)	643,938	456,453	313,694	186,683	202,098	505,513
Total	¥848,956	¥576,780	¥404,865	¥281,360	¥522,333	¥704,397

	Thousands of U.S. dollars					
	Due within one year	Due over one year but within three years	Due over three years but within five years	Due over five years but within seven years	Due over seven years but within ten years	Due over ten years
Cash and due from banks	$667,690	$ -	$ -	$ -	$ -	$ -
Call loans and bills bought	922,273	-	-	-	-	-
Securities						
Held-to-maturity debt securities	333,138	139,465	226,526	384,781	365,434	752,365
Japanese government bonds	-	-	-	288,048	365,434	752,365
Municipal bonds	91,531	-	154,729	-	-	-
Corporate bonds	88,984	107,221	71,797	-	-	-
Other	152,623	32,244	-	96,733	-	-
Foreign securities	152,623	32,244	-	96,733	-	-
Available-for-sale securities with contract maturities	280,452	1,153,813	753,392	632,819	3,076,469	1,385,254
Japanese government bonds	-	-	22,571	-	1,628,332	752,365
Municipal bonds	1,773	117,820	203,560	162,959	1,014,060	10,748
Corporate bonds	128,206	143,904	207,021	98,464	92,552	230,468
Other	150,473	892,089	320,240	371,396	341,525	391,673
Foreign securities	150,473	892,089	320,240	371,396	341,525	391,673
Loans and bills discounted (*)	6,921,091	4,905,993	3,371,606	2,006,483	2,172,167	5,433,296
Total	$9,124,644	$6,199,271	$4,351,524	$3,024,083	$5,614,070	$7,570,915

(*) Loans and bills discounted do not include ¥96,157 million ($1,033,503 thousand) of those due from bankrupt, effectively bankrupt or likely to become bankrupt borrowers whose repayment schedules cannot be estimated and ¥40,991 million ($440,576 thousand) of those which have non-defined the maturities.

(Note 4) Repayment schedule of bonds, borrowed money and other interest bearing liabilities subsequent to the balance sheet date

	Millions of yen					
	Due within one year	Due over one year but within three years	Due over three years but within five years	Due over five years but within seven years	Due over seven years but within ten years	Due over ten years
Deposits (*)	¥2,773,042	¥501,843	¥122,644	¥ -	¥ -	¥ -
Borrowed money	4,160	256	1,331	14,000	15,000	-
Bonds	-	-	-	5,000	3,000	-
Total	¥2,777,203	¥502,100	¥123,975	¥19,000	¥18,000	¥ -

	Thousands of U.S. dollars					
	Due within one year	Due over one year but within three years	Due over three years but within five years	Due over five years but within seven years	Due over seven years but within ten years	Due over ten years
Deposits (*)	$29,804,849	$5,393,850	$1,318,193	$ -	$ -	$ -
Borrowed money	44,715	2,760	14,306	150,473	161,221	-
Bonds	-	-	-	53,740	32,244	-
Total	$29,849,564	$5,396,610	$1,332,499	$204,213	$193,465	$ -

(*) Demand deposits are shown under "Due within one year."

20. Derivative transactions

Information regarding derivative transactions, such as the types of derivatives, the policies and purpose for using derivatives, the risks and risk control systems for derivatives, are described in Note 19, "Financial instruments and related disclosures."

At March 31, 2010 and 2009, outstanding derivative contracts, which were revalued at fair value, and the gains and losses recognized in the consolidated statements of income were as follows:

Derivatives to which hedge accounting is not applied:
With respect to derivatives to which hedge accounting is not applied, contract amount, fair value and recognized gain (loss) at the balance sheet date by transaction type and calculation method of fair value are set forth in the table below. Note that the contract amounts do not reflect the market risk exposure associated with derivatives themselves.

	Millions of yen							
	2010				2009			
	Contract amount				Contract amount			
	Total	Over one Year	Fair value	Recognized gain (loss)	Total	Over one Year	Fair Value	Recognized gain (loss)
Currency related:								
Currency swaps.......................	**¥253,671**	**¥183,524**	**¥200**	**¥200**	¥245,773	¥210,639	¥218	¥218
Forward foreign exchanges:								
Sell.......................................	**20,505**	-	**(524)**	**(524)**	5,216	-	(165)	(165)
Buy......................................	**2,329**	-	**16**	**16**	28	-	0	0
Total	-	-	**¥(307)**	**¥(307)**	-	-	¥53	¥53

	Thousands of U.S. dollars			
	2010			
	Contract amount			
	Total	Over one year	Fair value	Recognized gain (loss)
Currency related:				
Currency swaps.......................	**$2,726,479**	**$1,972,534**	**$2,157**	**$2,157**
Forward foreign exchanges:				
Sell.......................................	**220,393**	-	**(5,634)**	**(5,634)**
Buy......................................	**25,043**	-	**177**	**177**
Total	-	-	**$(3,300)**	**$(3,300)**

The transactions were valued at market value, and valuation gains and losses were credited or charged to income. Fair value was determined using the value calculated by the discounted present value.

Derivatives to which hedge accounting is applied:
With respect to derivatives to which hedge accounting is applied, the contract amount and fair value at the balance sheet date by transaction type and by hedge accounting method and calculation method of fair value are set forth in the table below. Note that the contract amounts do not reflect the market risk exposure associated with derivatives themselves.

Currency related:

			Millions of yen		
			2010		
			Contract amount		
Hedge accounting method	Type	Major hedged item	Total	Over one year	Fair value
Normal method	Currency swaps	Foreign currency denominated securities	**¥2,860**	**¥2,860**	**¥209**

			Thousands of U.S. dollars		
			2010		
			Contract amount		
Hedge accounting method	Type	Major hedged item	Total	Over one year	Fair value
Normal method	Currency swaps	Foreign currency denominated securities	**$30,741**	**$30,741**	**$2,253**

Currency related derivatives are accounted for by the deferred hedge accounting method in accordance with JICPA Industry Committee Report No. 25, “Treatment of Accounting and Auditing concerning Accounting for Foreign Currency Transactions in the Banking Industry.” Fair value was determined using the value calculated by the discounted present value.

21. Segment information
(a) Business segment information

2010	Banking business	Other business	Total	Elimination	Consolidated
	Millions of yen				
Ordinary income:					
Outside customers	**¥79,063**	**¥7,149**	**¥86,213**	**¥ -**	**¥86,213**
Intersegment	**370**	**3,594**	**3,964**	**(3,964)**	**-**
Total	**79,434**	**10,744**	**90,178**	**(3,964)**	**86,213**
Ordinary expenses	**73,280**	**10,067**	**83,348**	**(3,761)**	**79,587**
Ordinary profit	**¥6,153**	**¥676**	**¥6,830**	**¥(203)**	**¥6,626**
Assets......................................	**¥3,668,277**	**¥18,818**	**¥3,687,096**	**¥(14,022)**	**¥3,673,074**
Depreciation............................	**2,460**	**282**	**2,742**	**-**	**2,742**
Impairment loss	**7**	**-**	**7**	**-**	**7**
Capital expenditure................	**5,779**	**123**	**5,902**	**-**	**5,902**

2009	Banking business	Computing business	Clerical work agency industry	Leasing business	Other business	Total	Elimination	Consolidated
	Millions of yen							
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

2010	Banking business	Other business	Total	Elimination	Consolidated
	Thousands of U.S. dollars				
Ordinary income:					
Outside customers	**$849,783**	**$76,846**	**$926,629**	**$ -**	**$926,629**
Intersegment	**3,981**	**38,632**	**42,613**	**(42,613)**	**-**
Total	**853,764**	**115,478**	**969,242**	**(42,613)**	**926,629**
Ordinary expenses	**787,624**	**108,208**	**895,832**	**(40,424)**	**855,408**
Ordinary profit	**$66,140**	**$7,270**	**$73,410**	**$(2,189)**	**$71,221**
Assets......................................	**$39,426,888**	**$202,267**	**$39,629,155**	**$(150,715)**	**$39,478,440**
Depreciation............................	**26,445**	**3,034**	**29,480**	**-**	**29,480**
Impairment loss	**82**	**-**	**82**	**-**	**82**
Capital expenditure.................	**62,115**	**1,331**	**63,446**	**-**	**63,446**

For the year ended March 31, 2010

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 the Banking business and Other business (computing business, clerical work agency business, leasing business, venture capital services, credit card services, etc.).

3. As discussed at Note 2(n), the Company applied ASBJ Statement No. 10, "Accounting Standard for Financial Instruments," and ASBJ Guidance No. 19, "Guidance on Disclosures about Fair Value of Financial Instruments," issued by the ASBJ on Mach 10, 2008. Compared with those amounts which would have been reported under the previous accounting standard, assets and ordinary profit of the "Banking business" increased by ¥67 million ($729 thousand) and ¥63 million ($678 thousand), respectively.

4. "Computing business," "Clerical work agency business" and "Leasing business" that had been reported separately in the previous fiscal year

are included in “Other business” for the year ended March 31, 2010, since the ordinary profit of each segment decreased to less than 10% of the total amount of ordinary profit and became immaterial.

For the year ended March 31, 2009

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 the Banking business, the Computing business, the Clerical work agency industry, the Leasing business, and Other businesses (venture capital services, credit card services).

3. 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) and capital expenditures decreased by ¥2,241 million ($22,819 thousand). The effect on ordinary income of the changes in accounting standards was 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.

22. Related party transactions

Significant transactions with the directors of the Company or their related parties for the years ended March 31, 2010 and 2009 were as follows:

Year ended March 31, 2010

Type	Name:	Occupation	Ownerships	Relationship	Transactions	Transaction amount (millions of Yen)	Account	Outstanding balance (millions of Yen)
*1	Hiroshi Nishi	Real estate leasing	0.01%, directly	Loans	Loan (Note 1)	¥-	Loans and bills discounted	¥38
*2	Masahiro Ueno	Office worker	None	Loans	Loan (Note 1)	-	Loans and bills discounted	19
*3	Konda Kensetsu Co., Ltd.	Civil engineering	None	Loans	Loan (Note 1) Repayment of loan	28 29	Loans and bills discounted	29

Year ended March 31, 2009

Type	Name:	Occupation	Ownerships	Relationship	Transactions	Transaction amount (millions of Yen)	Account	Outstanding balance (millions of Yen)
*1	Satoshi Sumioka	Office worker	None	Loans	Loan (Note 1)	¥-	Loans and bills discounted	¥10
*1	Hiroshi Nishi	Real estate leasing	0.01%, directly	Loans	Loan (Note 1)	-	Loans and bills discounted	40
*1	Kazushige Ohigashi	Real estate leasing	None	Loans	Loan (Note 1)	-	Loans and bills discounted	33 10
*2	Masahiro Ueno	Office worker	None	Loans	Loan (Note 1)	-	Loans and bills discounted	20
*3	Konda Kensetsu Co., Ltd.	Civil engineering	None	Loans	Loan (Note 1)	-	Loans and bills discounted	31
*3	Akai Fudosan Kaihatsu Co., Ltd.	Real estate business	0.01% directly	Loans	Loan (Note 1)	-	Loans and bills discounted	17

Year ended March 31, 2010

Type	Name:	Occupation	Ownerships	Relationship	Transactions	Transaction amount (thousands of U.S. dollars)	Account	Outstanding balance (thousands of U.S. dollars)
*1	Hiroshi Nishi	Real estate business	0.01%, directly	Loans	Loan (Note 1)	$-	Loans and bills discounted	$415
*2	Masahiro Ueno	Office worker	None	Loans	Loan (Note 1)	-	Loans and bills discounted	211
*3	Konda Kensetsu Co., Ltd.	Civil engineering	None	Loans	Loan (Note 1) Repayment of loan	301 313	Loans and bills discounted	322

*1 A director of the Company or his or her relative

*2 A director of a significant subsidiary or his or her relative

*3 A company in which a director or his or her relative owns a majority interest

Note: 1. The terms and conditions of the transactions were the same as those applied to general parties with which the Company enters into transactions.

23. 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, 2010 and 2009 amounted to ¥306,332 million ($3,292,483 thousand) and ¥326,741 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 totaled ¥299,184 million ($3,215,660 thousand) and ¥318,062 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 its 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.

24. Type and number of shares issued and treasury shares

At March 31, 2010 and 2009, the number of shares was as follows:

	Thousands of shares				
	2009	Increase	Decrease	**2010**	Notes
Shares issued:					
Common	739,841	1,287	-	**741,129**	1
Preferred (Type 1)	223	-	223	-	2
Preferred (Fourth Series Type 1)	45,000	-	-	**45,000**	
Preferred (Type 2)	4,553	-	514	**4,039**	3
Total	789,618	1,287	737	**790,168**	
Treasury shares:					
Common *3	685	10,099	25	**10,759**	4
Preferred (Type 1) *2	-	223	223	-	2
Preferred (Type 2) *2	21	514	515	**20**	5
Total	706	10,836	763	**10,779**	

Notes:

1. The increase in the number of common shares issued is due 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 (Type 1) in treasury is due 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 due to the cancellation of the said shares.
3. The decrease in the number of preferred shares (Type 2) issued is due to cancellation.
4. The increase in the number of common shares in treasury is due to the purchase by the Company of common shares (65 thousand shares) less than one unit and the purchase by "Trust Exclusive for Employee Stock Ownership Group" (10,034 thousand shares). The decrease in the number of common shares in treasury is due to the requests for the purchase of shares (13 thousand shares) less than one unit and changes in ownership of consolidated subsidiaries (11 thousand shares).
5. The increase in the number of preferred shares (Type 2) in treasury is due to the requests from holders of preferred shares for the issuance of common shares in exchange for preferred shares and the decrease is due to the cancellation of shares (514 thousand shares) and changes in ownership of consolidated subsidiaries (1 thousand shares).

25. 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	¥2,218	¥ 3.00	$23,841	$0.032
Preferred (Type 1)	3	14.00	34	0.150
Preferred (Fourth Series Type 1)	675	15.00	7,255	0.161
Preferred (Type 2)	45	10.00	489	0.107

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.

Dividends which were paid for the reporting term and whose effective date (i.e. initial payment date) falls on a day after March 31, 2010 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	**¥2,221**	**¥ 3.00**	**$23,881**	**$0.032**
Preferred (Fourth Series Type 1)	**585**	**13.00**	**6,288**	**0.140**
Preferred (Type 2)	**40**	**10.00**	**434**	**0.107**

Notes: 1. Date of resolution of the ordinary general meeting of shareholders was June 29, 2010.
2. Record date for all type of shares was March 31, 2010.
3. Effective date for all type of shares was June 30, 2010.

26. Cash and cash equivalents

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

	Millions of yen		Thousands of U.S. dollars
	2010	2009	**2010**
Cash and due from banks	**¥62,121**	¥ 60,991	**$667,690**
Interest earning deposits in other banks	-	(4,000)	-
Cash and cash equivalents	**¥62,121**	¥56,991	**$667,690**

27. Subsequent events

Not applicable