

Consolidated Balance Sheets
 Kiyo Holdings, Inc. and its consolidated subsidiaries
 As of March 31, 2012 and 2011

	Millions of yen (Note 1)		Thousands of U.S. dollars (Note 1)
	2012	2011	2012
Assets:			
Cash and due from banks (Notes 3 and 23)	¥ 84,887	¥ 116,236	\$ 1,032,819
Call loans and bills bought (Note 23)	61,239	172,972	745,096
Monetary claims bought	2,830	3,497	34,443
Trading account securities (Note 4)	2,010	4,119	24,466
Securities (Notes 4, 7, 13 and 23)	1,069,148	876,262	13,008,256
Loans and bills discounted (Notes 5, 23 and 26)	2,539,253	2,498,564	30,894,915
Foreign exchange	1,865	1,858	22,698
Other assets (Note 7)	43,589	32,723	530,356
Tangible fixed assets (Note 6)	33,539	34,323	408,068
Intangible fixed assets	13,459	16,456	163,766
Deferred tax assets (Note 18)	17,053	28,788	207,490
Customers' liabilities for acceptances and guarantees (Notes 12 and 13)	15,389	16,405	187,238
Reserve for possible loan losses	(29,424)	(30,938)	(358,005)
Total assets	¥ 3,854,842	¥ 3,771,269	\$ 46,901,606
Liabilities:			
Deposits (Notes 7, 8 and 23)	3,496,013	3,442,461	42,535,747
Payables under securities lending transactions (Notes 7 and 23)	84,206	52,168	1,024,536
Borrowed money (Notes 9 and 23)	30,100	25,455	366,229
Foreign exchange	14	38	178
Bonds (Notes 10 and 23)	13,000	15,000	158,170
Other liabilities	31,994	52,662	389,280
Accrued employees' severance and retirement benefits (Note 11)	29	28	353
Accrued directors' retirement benefits	32	32	401
Reserve for reimbursement of deposits	700	636	8,520
Provision for contingent losses	327	384	3,987
Acceptances and guarantees (Notes 12 and 13)	15,389	16,405	187,238
Total liabilities	¥ 3,671,808	¥ 3,605,274	\$ 44,674,639
Net assets (Notes 14 and 15):			
Preferred and common stock	58,350	58,350	709,940
Capital surplus	64,605	64,609	786,046
Retained earnings	45,748	40,921	556,622
Less treasury stock, at cost	(847)	(1,089)	(10,306)
Total shareholders' equity	167,856	162,791	2,042,302
Net unrealized gains on available-for-sale securities (Note 4)	12,802	830	155,767
Net deferred gains on hedging instruments	125	219	1,530
Total accumulated other comprehensive income	12,928	1,050	157,297
Minority interests	2,249	2,153	27,368
Total net assets	183,034	165,994	2,226,967
Total liabilities and net assets	¥ 3,854,842	¥ 3,771,269	\$ 46,901,606

See accompanying notes.

Consolidated Income Statements
 Kiyo Holdings, Inc. and its consolidated subsidiaries
 Years ended March 31, 2012 and 2011

	Millions of yen (Note 1)		Thousands of U.S. dollars (Note 1)
	2012	2011	2012
Income:			
Interest income:			
Interest on loans and bills discounted	¥ 45,561	¥ 45,915	\$ 554,348
Interest and dividends on securities	13,438	14,946	163,508
Other interest income	304	243	3,707
Fees and commissions	11,336	10,606	137,935
Other operating income	10,517	14,095	127,969
Other income (Note 16)	4,664	3,449	56,756
Total income	85,824	89,256	1,044,223
Expenses:			
Interest expense:			
Interest on deposits	5,753	7,588	69,998
Interest on borrowings	607	782	7,385
Interest on payables under securities lending transactions	240	160	2,929
Other interest expense	419	289	5,107
Fees and commissions	3,901	3,895	47,474
Other operating expenses	8,035	10,233	97,771
General and administrative expenses	41,442	42,522	504,226
Other expenses (Note 17)	9,369	11,819	113,993
Total expenses	69,769	77,291	848,883
Income before income taxes and minority interests	16,054	11,965	195,340
Income taxes (Note 18):			
Current	458	633	5,583
Deferred	7,866	4,555	95,708
Total income taxes	8,325	5,188	101,291
Net income before minority interests	7,729	6,776	94,049
Minority interests in net income	127	139	1,548
Net income	¥ 7,602	¥ 6,637	\$ 92,501
		Yen	U.S. dollars (Note 1)
Net income per share (Note 20):			
Basic	¥ 9.67	¥ 8.29	\$ 0.118
Diluted	7.56	6.70	0.092

See accompanying notes.

Consolidated Statements of Comprehensive Income
 Kiyo Holdings, Inc. and its consolidated subsidiaries
 Years ended March 31, 2012 and 2011

	Millions of yen (Note 1)		Thousands of U.S. dollars (Note 1)
	2012	2011	2012
Net income before minority interests	¥ 7,729	¥ 6,776	\$ 94,049
Other comprehensive income (Note 19) :			
Net unrealized gains on available-for-sale securities	11,986	2,729	145,833
Net deferred (losses) gains on hedging instruments	(93)	221	(1,141)
Total other comprehensive income	11,892	2,950	144,692
Comprehensive income	¥ 19,622	¥ 9,727	\$ 238,741
Total comprehensive income attributable to:	¥ 19,622	¥ 9,727	\$ 238,741
Owners of the parent	19,480	9,587	237,021
Minority interests	141	140	1,720

See accompanying notes.

Consolidated Statements of Changes in Net Assets
 Kiyo Holdings, Inc. and its consolidated subsidiaries
 Years ended March 31, 2012 and 2011

	Millions of yen (Note 1)		Thousands of U.S. dollars (Note 1)
	2012	2011	2012
Shareholders' equity			
Preferred and common stock:			
Balance at beginning of the year	¥ 58,350	¥ 58,350	\$ 709,940
Changes during the year	-	-	-
Balance at end of the year	58,350	58,350	709,940
Capital surplus:			
Balance at beginning of the year	64,609	64,630	786,101
Changes during the year:			
Disposal of treasury stock	(4)	(20)	(55)
Total changes during the year	(4)	(20)	(55)
Balance at end of the year	64,605	64,609	786,046
Retained earnings:			
Balance at beginning of the year	40,921	37,099	497,889
Changes during the year:			
Cash dividends	(2,775)	(2,816)	(33,768)
Net income	7,602	6,637	92,501
Total changes during the year	4,827	3,821	58,733
Balance at end of the year	45,748	40,921	556,622
Treasury stock:			
Balance at beginning of the year	(1,089)	(1,288)	(13,257)
Changes during the year:			
Purchase of treasury stock	(21)	(105)	(256)
Disposal of treasury stock	263	304	3,207
Total changes during the year	242	198	2,951
Balance at end of the year	(847)	(1,089)	(10,306)
Total shareholders' equity:			
Balance at beginning of the year	162,791	158,791	1,980,673
Changes during the year:			
Cash dividends	(2,775)	(2,816)	(33,768)
Net income	7,602	6,637	92,501
Purchase of treasury stock	(21)	(105)	(256)
Disposal of treasury stock	259	284	3,152
Total changes during the year	5,065	3,999	61,629
Balance at end of the year	167,856	162,791	2,042,302
Accumulated other comprehensive income:			
Net unrealized gains (losses) on available-for-sale securities			
Balance at beginning of the year	830	(1,897)	10,106
Changes during the year:			
Net changes in items other than shareholders' equity	11,971	2,728	145,661
Total changes during the year	11,971	2,728	145,661
Balance at end of the year	12,802	830	155,767
Net deferred gains (losses) on hedging instruments			
Balance at beginning of the year	219	(1)	2,672
Changes during the year:			
Net changes in items other than shareholders' equity	(93)	221	(1,142)
Total changes during the year	(93)	221	(1,142)
Balance at end of the year	125	219	1,530
Total accumulated other comprehensive income			
Balance at beginning of the year	1,050	(1,899)	12,778
Changes during the year:			
Net changes in items other than shareholders' equity	11,878	2,949	144,519
Total changes during the year	11,878	2,949	144,519
Balance at end of the year	12,928	1,050	157,297
Minority interests			
Balance at beginning of the year	2,153	2,008	26,196
Changes during the year:			
Net changes in items other than shareholders' equity	96	144	1,172
Total changes during the year	96	144	1,172
Balance at end of the year	2,249	2,153	27,368
Total net assets:			
Balance at beginning of the year	165,994	158,900	2,019,647
Changes during the year:			
Cash dividends	(2,775)	(2,816)	(33,768)
Net income	7,602	6,637	92,501
Purchase of treasury stock	(21)	(105)	(256)
Disposal of treasury stock	259	284	3,152
Net changes in items other than shareholders' equity	11,974	3,094	145,691
Total changes during the year	17,039	7,094	207,320
Balance at end of the year	¥ 183,034	¥ 165,994	\$ 2,226,967

See accompanying notes.

Consolidated Statements of Cash Flows
 Kiyo Holdings, Inc. and its consolidated subsidiaries
 Years ended March 31, 2012 and 2011

	Millions of yen (Note 1)		Thousands of U.S. dollars (Note 1)
	2012	2011	2012
Cash flows from operating activities:			
Income before income taxes and minority interests	¥ 16,054	¥ 11,965	\$ 195,340
Depreciation	4,233	4,115	51,508
Impairment loss on fixed assets	37	894	459
Amortization of goodwill	1,681	1,679	20,455
Decrease in reserve for possible loan losses	(1,514)	(2,032)	(18,424)
Increase in accrued employees' severance and retirement benefits	0	3	3
Decrease in accrued directors' retirement benefits	-	(7)	-
Increase in reserve for reimbursement of deposits	63	46	775
Decrease in provision for contingent loss	(56)	(19)	(693)
Interest income	(59,305)	(61,105)	(721,564)
Interest expense	7,020	8,820	85,420
Losses on securities transactions	1,865	886	22,692
Losses on foreign exchange transactions	94	6,392	1,153
Losses on disposal of fixed assets	50	175	609
Net decrease in trading account securities	2,108	1,208	25,653
Net increase in loans and bills discounted	(40,688)	(53,035)	(495,050)
Net increase in deposits	53,551	44,930	651,554
Net increase (decrease) in borrowed money (excluding subordinated loans)	4,644	(4,292)	56,509
Net decrease (increase) in call loans	112,399	(86,380)	1,367,562
Net decrease in pledged money for securities borrowing transactions	-	20,877	-
Net increase in payables under securities lending transactions	32,038	25,022	389,809
Net increase in foreign exchange assets	(6)	(277)	(83)
Net (decrease) increase in foreign exchange liabilities	(23)	16	(285)
Interest received	58,419	61,654	710,788
Interest paid	(9,351)	(7,283)	(113,775)
Other, net	(8,860)	13,653	(107,800)
Subtotal	174,457	(12,089)	2,122,615
Income taxes paid	(590)	(678)	(7,179)
Net cash provided by (used in) operating activities	173,867	(12,767)	2,115,436
Cash flows from investing activities:			
Purchases of securities	(602,540)	(544,183)	(7,331,069)
Proceeds from sales of securities	248,229	503,133	3,020,190
Redemption of securities	155,798	112,488	1,895,593
Purchases of tangible fixed assets	(1,356)	(2,713)	(16,507)
Proceeds from sales of tangible fixed assets	53	-	645
Purchases of intangible fixed assets	(847)	(1,121)	(10,306)
Expenses on execution of asset retirement obligations	(5)	(38)	(65)
Net cash (used in) provided by investing activities	(200,668)	67,564	(2,441,519)
Cash flows from financing activities:			
Increase in subordinated loans	3,000	5,000	36,501
Repayment of subordinated loans	(3,000)	(10,000)	(36,501)
Proceeds from issuance of subordinated bonds	3,000	7,000	36,501
Redemption of subordinated bonds	(5,000)	-	(60,835)
Payment of cash dividends	(2,775)	(2,816)	(33,768)
Payment of cash dividends to minority interests	(4)	(4)	(56)
Purchases of treasury stock	(21)	(105)	(257)
Proceeds from sales of treasury stock	259	284	3,153
Net cash used in financing activities	(4,542)	(642)	(55,262)
Foreign currency translation adjustments for cash and cash equivalents	(6)	(39)	(76)
Net (decrease) increase in cash and cash equivalents	(31,349)	54,114	(381,421)
Cash and cash equivalents at beginning of year	116,236	62,121	1,414,240
Cash and cash equivalents at end of year (Note 3)	¥ 84,887	¥ 116,236	\$ 1,032,819

See accompanying notes.

Notes to Consolidated Financial Statements

Kiyo Holdings, Inc. and its consolidated subsidiaries
Years ended March 31, 2012 and 2011

1. Basis of presenting consolidated financial statements

Kiyo Holdings, Inc. (the “Company”) and its consolidated subsidiaries (the “Group”) 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 30, 2012, which was ¥82.19 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”) years ended March 31, 2012 and 2011. At the previous year-end, the Company had 7 subsidiaries. All significant intercompany transactions and unrealized profits have been eliminated. 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 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 ¥399 million as of March 31, 2011.

(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 and 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. As for accounting pertaining to risks stemming from stock price fluctuation, the Company employs an approach that defers gains and losses arising from the stock price fluctuations until the related losses and

gains on the hedged items are recognized. Since correlation between the hedging instruments and hedged items is assured, assessing hedge effectiveness is not required.

(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 life of tangible fixed assets ranges 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. Goodwill is amortized over ten years on a straight-line basis, and negative goodwill is fully charged to income when incurred.

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, 2012 and 2011, the deducted amounts were ¥50,053 million (\$609,003 thousand) and ¥86,505 million, respectively.

(g) Accrued employees’ severance and retirement benefits — The banking subsidiary 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 an employee’s retirement. The banking subsidiary has also established 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 the 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.

The banking subsidiary has revised its pension plans and transferred from qualified pension plans to defined benefit corporate pension plans on April 1, 2011 and applied “Accounting Treatment for Transfer between Retirement Benefit Plans” (Guidance No. 1, issued by the Accounting Standards Board of Japan (“ASBJ”) to this transfer. As a result, projected benefit obligations decreased by ¥1,476 million (\$17,961 thousand) and the same amount of obligation for prior service cost was recognized. This obligation for prior service cost was fully charged to income and gain on revision of retirement benefit plans was recognized for the year ended March 31, 2012 in accordance with the accounting policies of Kiyo Bank.

(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 has been made for accrued retirement benefits of directors and auditors in an amount deemed necessary based on a formula stipulated in the internal regulations when the previous system was abolished.

(i) Reserve for reimbursement of deposits — A provision is made for future losses from 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-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 — As lessor, revenues and cost of finance leases 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 that 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) Statements of cash flows — Cash and deposits with the Bank of Japan that are included in the consolidated balance sheets under 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. Diluted earnings per share reflect the potential dilution that could occur if preferred stock were converted into common stock.

(p) Accounting Standard for Accounting Changes and Error Corrections—On December 4, 2009, the ASBJ issued ASBJ Statement No. 24, “Accounting Standard for Accounting Changes and Error Corrections” and ASBJ Guidance No. 24, “Guidance on Accounting Standard for Accounting Changes and Error Corrections”. The new accounting standard has defined the accounting treatment for retrospective applications to past financial statements when changes in accounting policies, changes in presentations and corrections of prior period errors are made as well as the treatment for changes in accounting estimates. Effective April 1, 2011, the Company adopted this new accounting standard.

3. Cash and cash equivalents

As of March 31, 2012 and 2011, the amounts of cash and cash equivalents at the end of year in the consolidated statements of cash flows were in agreement with the amounts of cash and due from banks in the consolidated balance sheets.

4. Trading account securities and other securities

The balance sheet amounts of trading account securities as of March 31, 2012 and 2011 were ¥2,010 million (\$24,466 thousand) and ¥4,119 million, respectively. Net valuation gains and losses from trading account securities for the years ended March 31, 2012 and 2011 amounted to ¥5 million (\$69 thousand) and ¥26 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, 2012 and 2011 were as follows:

(a) Held-to-maturity debt securities

Type	Millions of yen		
	Carrying amount	Fair value	Difference
Held-to-maturity securities whose fair value exceeds carrying amount:			
Bonds			
Japanese government bonds	¥ 76,578	¥ 77,341	¥ 762
Local government bonds	14,385	14,606	220
Corporate bonds	6,686	6,776	89
Other			
Foreign bonds	821	852	30
Subtotal	¥ 98,472	¥ 99,575	¥ 1,102
Held-to-maturity securities whose fair value does not exceed carrying amount:			
Japanese government bonds	¥ 57,038	¥ 56,234	¥ (803)
Total	¥ 155,510	¥ 155,809	¥ 299

Type	Millions of yen		
	Carrying amount	Fair value	Difference
Held-to-maturity securities whose fair value exceeds carrying amount:			
Bonds			
Japanese government bonds	¥ 133,999	¥ 135,392	¥ 1,393
Local government bonds	14,378	14,681	302
Corporate bonds	16,662	16,837	174
Other			
Foreign bonds	5,999	6,007	7
Subtotal	¥ 171,040	¥ 172,918	¥ 1,877
Held-to-maturity securities whose fair value does not exceed carrying amount:			
Other			
Foreign bonds	¥ 2,848	¥ 2,828	¥ (20)
Total	¥ 173,889	¥ 175,746	¥ 1,857

Type	Thousands of U.S. dollars		
	Carrying amount	Fair value	Difference
Held-to-maturity securities whose fair value exceeds carrying amount:			
Bonds			
Japanese government bonds	\$ 931,722	\$ 941,003	\$ 9,281
Local government bonds	175,030	177,712	2,682
Corporate bonds	81,358	82,446	1,088
Other			
Foreign bonds	10,000	10,367	367
Subtotal	\$ 1,198,110	\$ 1,211,528	\$ 13,418
Held-to-maturity securities whose fair value does not exceed carrying amount:			
Japanese government bonds	\$ 693,979	\$ 684,199	\$ (9,780)
Total	\$ 1,892,089	\$ 1,895,727	\$ 3,638

(b) Available-for-sale securities with available fair values, including beneficial interests in trusts and trading account securities, which are included in “Monetary claims bought,” were as follows:

Type	Millions of yen		
	2012		
	Carrying amount	Acquisition cost	Difference
Available-for-sale securities whose carrying amount exceeds acquisition cost:			
Stocks	¥ 14,334	¥ 10,637	¥ 3,696
Bonds	601,272	588,960	12,312
Japanese government bonds	319,206	314,949	4,257
Local government bonds	168,696	162,322	6,374
Corporate bonds	113,369	111,689	1,680
Other	151,636	145,602	6,033
Foreign bonds	149,752	143,733	6,018
Other	1,884	1,869	15
Subtotal	¥767,243	¥745,200	¥ 22,042
Available-for-sale securities whose carrying amount does not exceed acquisition cost:			
Stocks	¥ 18,374	¥ 20,762	¥ (2,388)
Bonds	20,715	20,759	(44)
Local government bonds	11,844	11,851	(7)
Corporate bonds	8,870	8,907	(37)
Other	105,654	111,240	(5,586)
Foreign bonds	91,364	94,907	(3,542)
Other	14,289	16,332	(2,043)
Subtotal	¥144,743	¥152,762	¥ (8,018)
Total	¥911,986	¥897,962	¥ 14,023

Type	Millions of yen		
	2011		
	Carrying amount	Acquisition cost	Difference
Available-for-sale securities whose carrying amount exceeds acquisition cost:			
Stocks	¥ 12,751	¥ 9,922	¥ 2,828
Bonds	290,218	284,387	5,831
Japanese government bonds	81,869	80,734	1,134
Local government bonds	157,891	154,171	3,720
Corporate bonds	50,457	49,481	976
Other	100,486	98,752	1,734
Foreign bonds	98,581	97,117	1,464
Other	1,904	1,634	269
Subtotal	¥403,456	¥393,061	¥10,394
Available-for-sale securities whose carrying amount does not exceed acquisition cost:			
Stocks	¥ 23,304	¥ 27,590	¥ (4,286)
Bonds	141,806	142,708	(902)
Japanese government bonds	72,698	72,864	(166)
Local government bonds	31,052	31,399	(347)
Corporate bonds	38,055	38,443	(387)
Other	132,330	140,128	(7,797)
Foreign bonds	118,808	123,752	(4,943)
Other	13,521	16,375	(2,854)
Subtotal	¥297,440	¥310,426	¥ (12,986)
Total	¥700,897	¥703,488	¥ (2,591)

Type	Thousands of U.S. dollars		
	2012		
	Carrying amount	Acquisition cost	Difference
Available-for-sale securities whose carrying amount exceeds acquisition cost:			
Stocks	\$ 174,406	\$ 129,427	\$ 44,979
Bonds	7,315,639	7,165,838	149,801
Japanese government bonds	3,883,761	3,831,963	51,798
Local government bonds	2,052,518	1,974,961	77,557
Corporate bonds	1,379,360	1,358,914	20,446
Other	1,844,948	1,771,537	73,411
Foreign bonds	1,822,022	1,748,795	73,227
Other	22,926	22,742	184
Subtotal	\$9,334,993	\$9,066,802	\$268,191
Available-for-sale securities whose carrying amount does not exceed acquisition cost:			
Stocks	\$ 223,560	\$ 252,618	\$ (29,058)
Bonds	252,039	252,579	(540)
Local government bonds	144,115	144,202	(87)
Corporate bonds	107,924	108,377	(453)
Other	1,285,485	1,353,450	(67,965)
Foreign bonds	1,111,631	1,154,736	(43,105)
Other	173,854	198,714	(24,860)
Subtotal	\$ 1,761,084	\$ 1,858,647	\$ (97,563)
Total	\$11,096,077	\$10,925,449	\$ 170,628

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 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 (this process is known as “impairment accounting”). The impairment loss for the year ended March 31, 2012 was ¥2,921 million (\$35,546 thousand), which was composed of ¥2,301 million (\$28,000 thousand) in stocks, ¥368 million (\$4,482 thousand) of other, ¥224 million (\$2,735 thousand) of foreign bonds and ¥27 million (\$329 thousand) of corporate bonds. The impairment loss for the year ended March 31, 2011 was ¥964 million, of which equity shares composed the entirety.

The fair value of a security is classified as having fallen “significantly” from the acquisition cost when it falls below 70% of the acquisition cost. Of securities that have fallen below their acquisition cost, impairment accounting is implemented with respect to 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 is implemented with respect to those whose market price is deemed unlikely to recover to the acquisition cost level 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) There were no bonds classified as held-to-maturity sold during the years ended March 31, 2012 and 2011.

(d) Total sales of available-for-sale securities in the years ended March 31, 2012 and 2011 amounted to ¥256,503 million (\$3,120,855 thousand) and ¥505,163 million, respectively. The related gains and losses for the year ended March 31, 2012 amounted to ¥5,033 million (\$61,247 thousand) and ¥3,977 million (\$48,393 thousand), respectively. For the year ended March 31, 2011, the related gains and losses were ¥8,294 million and ¥8,215 million, respectively.

(e) Net unrealized gains (losses) on available-for-sale securities as of March 31, 2012 and 2011 were as follows.

	Millions of yen		Thousands of U.S. dollars
	2012	2011	2012
Difference between acquisition cost and fair value:			
Available-for-sale securities	¥19,185	¥3,258	\$233,430
Deferred tax liabilities	(6,344)	(2,403)	(77,194)
Difference between acquisition cost and fair value (prior to adjustment for minority interests)			
	12,841	854	156,236
Amount corresponding to minority interests	(38)	(24)	(469)
Net unrealized gains on available-for-sale securities	¥12,802	¥830	\$155,767

5. Loans and bills discounted

Loans and bills discounted at March 31, 2012 and 2011 included the following:

	Millions of yen		Thousands of U.S. dollars
	2012	2011	2012
Loans to borrowers legally bankrupt	¥2,732	¥3,953	\$33,248
Other delinquent loans	82,361	82,790	1,002,085
Loans past due over 3 months	-	54	-
Restructured loans	10,707	12,909	130,280
Total	¥95,801	¥99,708	\$1,165,613

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 an 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/or waivers of claims to allow borrowers to restructure or to provide 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 which were acquired at a discount amounted to ¥32,458 million (\$394,920 thousand) and ¥28,743 million at March 31, 2012 and 2011, respectively.

6. Accumulated depreciation for tangible fixed assets

Accumulated depreciation for tangible fixed assets at March 31, 2012 and 2011 was ¥43,463 million (\$528,816 thousand) and ¥42,044 million, respectively. The amount deducted from the acquisition cost of tangible fixed assets were ¥4,294 million (\$52,255 thousand) and ¥4,294 million at March 2012 and 2011, respectively.

7. Assets pledged as collateral

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

	Millions of yen		Thousands of U.S. dollars
	2012	2011	2012
Securities	¥194,401	¥151,923	\$2,365,276
Other assets	173	159	2,106
Total	¥194,575	¥152,082	\$2,367,382

The above pledged assets secured the following liabilities:

	Millions of yen		Thousands of U.S. dollars
	2012	2011	2012
Deposits	¥6,555	¥9,919	\$79,763
Payable under securities lending transactions	80,920	48,882	984,558
Total	¥87,476	¥58,801	\$1,064,321

In addition to the above pledged assets, securities pledged as collateral for transaction guarantees of foreign exchange and forward exchange at March 31, 2012 and 2011 were ¥70,146 million (\$853,471 thousand) and ¥70,210 million, respectively. Other assets included guarantee and leasehold deposits of ¥1,341 million (\$16,319 thousand) and ¥1,448 million at March 31, 2012 and 2011, respectively.

8. Deposits

Deposits at March 31, 2012 and 2011 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2012	2011	2012
Liquid deposits	¥1,514,999	¥1,420,557	\$18,432,893
Fixed-term deposits	1,840,955	1,861,195	22,398,778
Other deposits	84,069	76,937	1,022,867
Negotiable certificates of deposit	55,988	83,771	681,209
Total	¥3,496,013	¥3,442,461	\$42,535,747

9. Borrowed money

The weighted average interest rate on the term-end balance of borrowed money was 2.17%. Borrowed money consisted of loans from other financial institutions. As of March 31, 2012 and 2011, subordinated loans in the amount of ¥24,000 million (\$292,006 thousand) were included in borrowed money. Annual maturities of borrowed money and lease obligations as of March 31, 2012 were as follows:

Years ending March 31	Borrowed money		Lease obligations	
	Millions of yen	Thousands of U.S. dollars	Millions of yen	Thousands of U.S. dollars
2013	¥5,106	\$62,132	¥64	\$789
2014	144	1,758	47	574
2015	781	9,508	6	79
2016	1,049	12,768	3	44
2017	18	224	3	44
2018 and thereafter	23,000	279,839	5	73
Total	¥30,100	\$366,229	¥131	\$1,603

10. Bonds

As of March 31, 2012, Kiyo Bank had issued unsecured subordinated bonds as follows:

Issued	Due	Rate	Millions of yen	Thousands of U.S. dollars
October 2009	October 2017	3.00%	3,000	\$ 36,501
December 2010	December 2020	1.94%	7,000	85,168
September 2011	September 2021	2.21%	3,000	36,501
Total	-	-	¥13,000	\$158,170

11. Employees' severance and retirement benefits

The banking subsidiary has defined benefit pension plans consisting of a corporate pension plan and a lump-sum payment plan. As explained in Note 2(g), the Bank revised its retirement benefit plans and transferred from tax qualified pension plans to defined benefit corporate pension plans on April 1, 2011. In addition, the Bank has set up a retirement benefit trust.

A consolidated subsidiary has adopted a defined contribution pension plan and participated in general establishment type welfare pension funds. Other consolidated subsidiaries adopted lump-sum payment plans.

The liabilities for employees' severance and retirement benefits included in the liability section of the consolidated balance sheets as of March 31, 2012 and 2011 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2012	2011	2012
Projected benefit obligation	¥(24,916)	¥(26,101)	\$(303,151)
Unrecognized actuarial differences	168	878	2,047
Fair value of pension assets	30,047	28,779	365,584
Prepaid contribution	5,328	3,585	64,833
Liability for severance and retirement benefits	¥(29)	¥(28)	\$(353)

Notes:

- Some consolidated subsidiaries adopt a short-cut method in determining the projected benefit obligation.
- With respect corporate pension plans established by multi-employers, the latest funding status of the relevant pension plans is not presented due to immateriality.

Included in the consolidated statements of income for the years ended March 31, 2012 and 2011 were severance and retirement benefit expenses comprising the following:

	Millions of yen		Thousands of U.S. dollars
	2012	2011	2012
Service costs — benefits earned during the year	¥863	¥928	\$10,508
Interest cost on projected benefit obligation	491	525	5,985
Expected return on plan assets	(427)	(414)	(5,196)
Amortization of actuarial differences	(355)	(223)	(4,330)
Other (Note 2)	34	33	414
Severance and retirement benefit expenses	¥606	¥848	\$7,381
Gain on revision of retirement benefit plans (Note 3)	(1,476)	-	(17,961)
Total	¥(869)	¥848	\$(10,580)

Notes:

- Severance and retirement benefits of the consolidated subsidiaries which adopt a short-cut method and necessary amounts of contribution to the welfare pension fund jointly established by companies are included in "Service costs".
- "Other" included payment of contribution to defined contribution pension plans in the amount of ¥19 million (\$242 thousand) and ¥19 million for the year ended March 31, 2012 and 2011, respectively.
- "Gain on revision of retirement benefit plans" is recorded under "Other income" in the accompanying consolidated statements of income.

Assumptions used in determining the projected benefit obligation, etc. for the years ended March 31, 2012 and 2011 were as follows:

	2012	2011
Discount rate	2.0%	2.0%
Expected return rate on plan assets	2.0%	2.0%
Method of attributing benefits of service	Straight-line method	
Amortization period of prior service costs	1 year	-
Amortization period of actuarial differences	9 years (allocated on a straight-line method over 9 years, which is shorter than the average remaining service period of the employees, beginning with the term following the fiscal year when the differences are generated)	

12. 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.

13. Guarantee obligations for bonds

Guarantee obligations for privately placed bonds (Article 2, Clause 3 of the Financial Instruments and Exchange Law) stood at ¥13,586 million (\$165,310 thousand) and ¥14,507 million as of March 31, 2012 and 2011, respectively.

14. Shareholders' equity

(a) Capital stock

The number of shares of the Company's capital stock as of March 31, 2012 and 2011 was as follows:

	2012	2011
Number of shares:		
Authorized:		
Common	1,798,381,105	1,798,381,105
Preferred (Type 1)	123,734,000	123,734,000
Preferred (Type 2)	4,170,000	8,119,500
Preferred (Type 3)	6,000,000	6,000,000
Issued and outstanding:		
Common	745,017,053	741,215,810
Preferred (Type 2)	-	3,949,500
Preferred (Fourth Series Type 1)	45,000,000	45,000,000
Total	<u>790,017,053</u>	<u>790,165,310</u>

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 2 and Fourth Series Type 1) were paid to shareholders in the amount of ¥10.00 and ¥12.00, respectively. With regard to preferred stock of Fourth Series Type 1, annual dividends per share are determined using a formula provided by the Company's Articles of Incorporation.

Preferred stock of Type 2 was fully converted to common stock and disappeared during the year ended March 31, 2012 as noted in Note 15, "Changes in Net Assets".

If there is a liquidation distribution, holders of preferred stock of Fourth Series Type 1 will receive ¥700 per share and will not have the right to participate in any further liquidation distribution. Holders of preferred stock may request the Company convert their preferred stock to common stock. The conversion period and conversion price of preferred stock are as follows:

Type	Conversion period	Conversion price
Fourth Series Type 1	October 1, 2011 to September 30, 2016	Market price at October 1, 2011

The conversion price is reset and adjusted pursuant to the stated rules governing the conversion of preferred stock. Any preferred stock 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 of Fourth Series Type 1 preferred stock is less than 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 (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 for 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.

15. Changes in Net Assets

(a) Type and number of shares issued and treasury stock

At March 31, 2012 and 2011, the number of shares was as follows:

	Thousands of shares				
	2011	Increase	Decrease	2012	Notes
Shares issued:					
Common	741,215	3,801	-	745,017	*1
Preferred (Fourth Series Type 1)	45,000	-	-	45,000	
Preferred (Type 2)	3,949	-	3,949	-	*2
Total	790,165	3,801	3,949	790,017	
Treasury stock:					
Common	9,240	175	2,283	7,132	*3
Preferred (Type 2)	-	3,949	3,949	-	*2
Total	9,240	4,125	6,232	7,132	

*1. The increase in the number of common shares issued was due to acquisition of preferred shares in exchange for common shares (3,730 thousand shares) and requests from holders of preferred shares for the issuance of common shares (71 thousand shares) in exchange for preferred shares.

*2. The increase in the number of preferred shares (Type 2) in treasury was due to acquisition of preferred shares (3,875 thousand shares) in exchange for common shares and request from holders of preferred shares for purchase of preferred shares (74 thousand shares) in exchange for common shares. The decrease in the number of preferred shares (Type 2) issued was due to cancellation.

*3. The increase in the number of common shares in treasury was due to the purchase by the Company of common shares less than one unit. The decrease in the number of common shares in treasury was due to the sales by “Trust Exclusive for Employees Stock Ownership Group” of common shares (2,276 thousand shares) and the requests for the additional purchase of shares (7 thousand shares) less than one unit.

Thousands of shares

	2010	Increase	Decrease	2011	Notes
Shares issued:					
Common	741,129	86	-	741,215	*1
Preferred (Fourth Series Type 1)	45,000	-	-	45,000	
Preferred (Type 2)	4,039	-	90	3,949	*2
Total	790,168	86	90	790,165	
Treasury stock:					
Common	10,759	895	2,413	9,240	*3
Preferred (Type 2)	20	90	110	-	*4
Total	10,779	985	2,524	9,240	

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

*2. The decrease in the number of preferred shares (Type 2) issued was due to cancellation.

*3. The increase in the number of common shares in treasury is due to the purchase by the Company of common shares less than one unit (543 shares), acquisition of the Company's shares by "Trust Exclusive for Employees Stock Ownership Group" (332 thousand shares) and requests from the consolidated subsidiaries for the issuance of common shares in exchange for preferred shares (19 thousand shares). The decrease in the number of common shares in treasury was due to the sales by "Trust Exclusive for Employees Stock Ownership Group" of common shares (2,123 thousand shares), sales of the Company's shares by consolidated subsidiaries (244 thousand shares) and the requests for the additional purchase of shares (46 thousand shares) less than one unit.

*4. The increase in the number of preferred shares (Type 2) in treasury was due to requests for the issuance of preferred shares in exchange for common shares and the decrease is due to cancellation.

(b) Information on dividends

Dividends paid during the year ended March 31, 2012 were as follows:

	Millions of		Thousands of	
	yen	Yen	U.S. dollars	U.S. dollars
	Amount of dividends	Cash dividends per share	Amount of dividends	Cash dividends per share
Common	¥2,220	¥3.00	\$27,019	\$0.037
Preferred (Fourth Series Type 1)	540	12.00	6,570	0.146
Preferred (Type 2)	39	10.00	481	0.122

Notes: 1. Date of resolution of the ordinary general meeting of shareholders was June 29, 2011.

2. Record date for all type of shares was March 31, 2011.

3. Effective date for all type of shares was June 30, 2011.

Dividends applicable to the year ended March 31, 2012 and whose effective date (i.e. initial payment date) falls on a day after March 31, 2012 were as follows:

	Millions of		Thousands of	
	yen	Yen	U.S. dollars	U.S. dollars
	Amount of dividends	Cash dividends per share	Amount of Dividends	Cash dividends per share
Common	¥2,231	¥ 3.00	\$27,151	\$0.037
Preferred (Fourth Series Type 1)	495	11.00	6,023	0.134

Notes: 1. Date of resolution of the ordinary general meeting of shareholders was June 28, 2012.

2. Record date for all type of shares was March 31, 2012.

3. Effective date for all type of shares was June 29, 2012.

Dividends paid during the year ended March 31, 2011 were as follows:

	Millions of	
	yen	Yen
	Amount of dividends	Cash dividends per share
Common	¥2,221	¥3.00
Preferred (Fourth Series Type 1)	585	13.00
Preferred (Type 2)	40	10.00

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.

Dividends applicable to the year ended March 31, 2011 and whose effective date (i.e. initial payment date) falls on a day after March 31, 2011 were as follows:

	Millions of	
	yen	Yen
	Amount of Dividends	Cash dividends per share
Common	¥2,220	¥ 3.00
Preferred (Fourth Series Type 1)	540	12.00
Preferred (Type 2)	39	10.00

Notes: 1. Date of resolution of the ordinary general meeting of shareholders was June 29, 2011.

2. Record date for all type of shares was March 31, 2011.

3. Effective date for all type of shares was June 30, 2011.

16. Other income

For the years ended March 31, 2012 and 2011, other income included recoveries of written-off claims in the amount of ¥1,699 million (\$20,673 thousand) and ¥2,035 million, respectively.

17. Other expenses

For the years ended March 31, 2012 and 2011, other expenses included losses on the devaluation of stocks and other securities in the amount of ¥2,301 million (\$28,000 thousand) and ¥964 million, respectively, losses on loans written off amounting to ¥4,022 million (\$48,946 thousand) and ¥4,422 million, respectively, and losses on the transfer/sale of loan obligations amounting to ¥211 million (\$2,573 thousand) and ¥94 million, respectively.

Impairment loss

The Bank reduced the book value to the amounts deemed recoverable and posted the reduced amount of ¥37 million (\$459 thousand) and ¥894 million for the years ended March 31, 2012 and 2011, respectively. Details are as follows:

Location	Major use	Asset category	Impairment loss		
			Millions of yen		Thousands of U.S. dollars
			2012	2011	2012
Kiyoo Bank:					
Wakayama Prefecture	Branches	Land	¥ -	¥153	\$ -
Wakayama Prefecture	Idle assets	Land	-	8	-
Wakayama Prefecture	Idle assets	Buildings	-	69	-
Wakayama Prefecture	Idle assets	Land, buildings, etc.	37	-	459
Osaka Prefecture	Idle assets	Buildings	-	18	-
Wakayama Prefecture	Idle assets	Movables	-	7	-
Osaka Prefecture	Idle assets	Movables	-	2	-
Wakayama Prefecture	Business assets	Movables, software	-	634	-
Total	-	-	¥37	¥894	\$459

With respect to the calculation of impairment loss, 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 loss 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.

18. 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, 2012 and 2011. The table below summarizes the significant differences between the statutory tax rate and the Company's effective tax rate for financial statement purposes for the years ended March 31, 2012 and 2011.

	2012	2011
Statutory tax rate	40.4%	40.4%
Adjustments:		
Reduction of deferred tax assets due to tax rate changes	13.2	-
Amortization of goodwill and negative goodwill	4.3	5.7
Dividend income that is not taxable for income tax purposes	(1.5)	(2.2)
Decrease in valuation allowance	(5.2)	(1.3)
Other	0.7	0.8
Effective income tax rate	51.9%	43.4%

Significant components of the Company's and its consolidated subsidiaries' deferred tax assets and liabilities as March 31, 2012 and 2011 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2012	2011	2012
Deferred tax assets:			
Nondeductible reserve for possible loan losses	¥24,853	¥29,067	\$302,396
Write-down of securities	8,477	9,574	103,150
Retirement benefits	6,295	8,065	76,595
Operating loss carryforwards	4,211	8,478	51,244
Unrealized gains on available-for-sale securities	0	1,067	1
Other	6,340	7,550	77,141
Subtotal	50,179	63,805	610,527
Valuation allowance	(24,848)	(30,354)	(302,334)
Deferred tax assets	25,330	33,451	308,193
Deferred tax liabilities	(8,276)	(4,662)	(100,703)
Net deferred tax assets	¥17,053	¥28,788	\$207,490

On December 2, 2011, the "Act for Partial Amendment to the Income Tax Act, etc. for the purpose of Creating a Taxation System Responding to Changes in Economic and Social Structures" (Act No. 114 of 2011) and the "Act on Special Measures for Securing Financial Resources Necessary to Implement Measures for Reconstruction Following the Great East Japan Earthquake" (Act No. 117 of 2011) were promulgated. Consequently, the corporate tax rate will be reduced and a special recovery tax will be imposed from the fiscal year beginning on April 1, 2012. In accordance with this tax reform, the statutory tax rate, which is used to measure deferred tax assets and deferred tax liabilities, has been reduced from 40.4% to 37.7% for temporary differences that are expected to be eliminated during the period from April 1, 2012 through March 31, 2015 and 35.3% for temporary differences that are expected to be eliminated on or after April 1, 2015. As a result, net deferred tax assets (the amount after deducting deferred tax liabilities) decreased by ¥1,258 million (\$15,306 thousand) and net unrealized gains on available-for-sale securities, net deferred gains on hedging instruments and income taxes – deferred increased by ¥857 million (\$10,430 thousand), ¥5 million (\$66 thousand) and ¥2,123 million (\$25,839 thousand), respectively.

19. Other comprehensive income

Amounts reclassified to net income (loss) in the current period that were recognized in other comprehensive income in the current or previous periods and tax effects for each component of other comprehensive income were as follows:

	Millions of yen	Thousands of U.S. dollars
Net unrealized gains on available-for-sale securities:		
Increase during the year	¥14,729	\$179,208
Reclassification adjustments	1,198	14,580
Subtotal before tax	15,927	193,788
Tax (expense) or benefit	(3,941)	(47,955)
Net unrealized gains on available-for-sale securities	11,986	145,833
Net deferred losses on hedges		
Decreased during the year	(177)	(2,165)
Reclassification adjustments	11	139
Subtotal before tax	(166)	(2,026)
Tax (expense) or benefit	72	885
Subtotal, net of tax	(93)	(1,141)
Total other comprehensive income	¥ 11,892	\$144,692

20. Per share information

	Yen		U.S. dollars
	2012	2011	2012
Net assets per share	¥201.64	¥177.31	\$2.453
Net income per share (basic)	9.67	8.29	0.118
Net income per share (diluted)	7.56	6.70	0.092

The calculation of basic and diluted net income per share for the years ended March 31, 2012 and 2011 was as follows:

	Millions of yen		Thousands of U.S. dollars
	2012	2011	2012
Earnings per share:			
Net income	¥7,602	¥6,637	\$92,501
Amount not available to common shareholders	495	579	6,023
Net income available to common shareholders	7,107	6,058	86,479
Average number of common shares during the term (thousands)	735,161	731,040	-
Diluted earnings per share:			
Reduction in net income	495	540	6,023
Increase in number of common shares (thousands)	270,345	254,032	-
Preferred shares (thousands)	270,345	254,032	-

21. 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, 2012 and 2011 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
	2012	2011	2012
Acquisition cost	¥2,080	¥2,610	\$25,309
Accumulated depreciation	1,511	1,582	18,393
Net book value	¥568	¥1,027	\$6,916

	Millions of yen		Thousands of U.S. dollars
	2012	2011	2012
Original lease obligations (including finance charges)	¥2,080	¥2,610	\$25,309
Payments remaining:			
Payments due within one year	¥261	¥329	\$3,177
Payments due after one year	307	698	3,739
Total	¥568	¥1,027	\$6,916

Lease payments under such leases for the years ended March 31, 2012 and 2011 were ¥300 million (\$3,661 thousand) and ¥355 million, respectively.

(2) Operating leases

Future lease payments receivable, excluding interest, as of March 31, 2012 and 2011 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2012	2011	2012
Due within one year	¥5	¥7	\$67
Due after one year	9	15	118
Total	¥15	¥22	\$185

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, 2012 and 2011 amounted to ¥331,563 million (\$4,034,108 thousand) and ¥325,402 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 ¥324,959 million (\$3,953,754 thousand) and ¥317,205 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 cause to do so, such as when there is a change in the financial condition of the borrower 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.

23. Financial instruments and related disclosures

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, engages in derivative transactions.

(2) Nature and risk of financial instruments

Financial assets held by the Group consist mainly of loans to domestic customers, which are exposed to credit risk arising from customers' nonperformance of contractual obligations and the risk of interest rates fluctuations. Securities held by the Group consist mainly 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 consist mainly of deposits, which are exposed to liquidity risk and interest rate fluctuation risk and other financial assets.

Major risks inherent in derivative transactions include the market risk of fluctuation in interest rates, foreign exchange, stock prices and other market instruments and the credit risk arising from customers' nonperformance of contractual obligations. The Group employs derivative transactions mainly to hedge these risks, and the market risk of the hedged items is almost offset by the derivatives. Hedging instruments to which hedge accounting is applied are mainly 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 and 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 also has 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 level of risk. Securities held for net investment purposes are controlled by setting up additional limits on transactions and losses above 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 and limitedly for hedging purposes. An internal control system has been established by segregating the functions of executing derivative transactions, evaluating hedge effectiveness and operations control.

(v) Information on volume of market risk

Major financial instruments that are affected by interest rate risk that is regarded as a major risk factor are due from banks, call loans, pledged money for securities borrowing transactions, commercial paper and other debt purchased, bonds and investment trusts included in securities, loans and bills discounted, deposits, payables under securities lending transactions, borrowed money and bonds. Financial instruments that are affected by price fluctuation risk consist of stocks and investment trusts included in securities.

The banking subsidiary calculates VaR to capture the effects of income and economic value from interest rate fluctuation and price fluctuation. VaR is made available to inner management. To calculate VaR, subsidiaries apply the variance and covariance method, using 3 to 6 months as the holding period based on risk characteristics, 99% as the confidence interval and 1 to 5 years as the observation period based on risk characteristics. The amount of risk at March 31, 2012 and 2011 was ¥2,329 million (\$28,337 thousand) and ¥14,005 million for interest rate risk and ¥10,130 million (\$123,251 thousand) and ¥12,679 million for price fluctuation risk, respectively. In addition, subsidiaries verify the effectiveness of risk measurement under the variance and covariance method by a back testing protocol that compares VaR to the actual incomes.

In calculating VaR on interest rate risk, the core deposits of liquid deposits are adjusted. Core deposits do not have specified interest rates and are demand deposits that are expected to be held for the long term without demand for withdrawal.

VaR is a statistical measure of market risk volume under a certain probability of occurrence based on the past market fluctuations. Accordingly, it may be impossible to capture the risk if the market fluctuates rapidly under extraordinary circumstances.

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 highly liquid reserves and strengthening preliminary controls.

(4) Supplementary explanation about fair value of financial instruments

In addition to the value determined based on the market price, the fair value of financial instruments includes 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 calculations may vary if different assumptions are used.

2. Fair value of financial instruments

The carrying amount, the fair value and any difference as at March 31, 2012 and 2011 are 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 were omitted.

	Millions of yen		
	2012		
	Carrying amount	Fair value	Unrealized gains (losses)
Cash and due from banks	¥84,887	¥84,887	¥ -
Call loans and bills bought	61,239	61,239	-
Securities:			
Held-to-maturity securities	155,510	155,809	299
Available-for-sale securities	910,883	910,883	-
Loans and bills discounted	2,539,253		
Reserve for possible loan losses (*1)	(25,774)		
	2,513,478	2,528,663	15,184
Total assets	¥3,725,999	¥3,741,483	¥15,483
Deposits	¥3,496,013	¥3,497,974	¥1,961
Payables under securities lending transactions	84,206	84,205	(0)
Borrowed money	30,100	30,248	147
Bonds	13,000	13,225	225
Total liabilities	¥3,623,319	¥3,625,653	¥2,333
Derivative transactions (*2)			
Hedge accounting not applied	¥(25)	¥(25)	¥ -
Hedge accounting applied	171	171	-
Total derivative transactions	¥145	¥145	¥ -

	Millions of yen		
	2011		
	Carrying amount	Fair value	Unrealized gains (losses)
Cash and due from banks	¥116,236	¥116,236	¥ -
Call loans and bills bought	172,972	172,972	-
Securities:			
Held-to-maturity securities	173,889	175,746	1,857
Available-for-sale securities	699,612	699,612	-
Loans and bills discounted	2,498,564		
Reserve for possible loan losses (*1)	(26,887)		
	2,471,677	2,486,574	14,897
Total assets	¥3,634,387	¥3,651,142	¥16,754
Deposits	¥3,442,461	¥3,446,766	¥4,304
Payables under securities lending transactions	52,168	52,165	(2)
Borrowed money	25,455	25,750	294
Bonds	15,000	15,074	74
Total liabilities	¥3,535,085	¥3,539,756	¥4,670
Derivative transactions (*2)			
Hedge accounting not applied	¥(154)	¥(154)	¥ -
Hedge accounting applied	837	837	-
Total derivative transactions	¥682	¥682	¥ -

	Thousands of U.S. dollars		
	2012		
	Carrying amount	Fair value	Unrealized gains (losses)
Cash and due from banks	\$1,032,819	\$1,032,819	\$ -
Call loans and bills bought	745,096	745,096	-
Securities:			
Held-to-maturity securities	1,892,089	1,895,727	3,638
Available-for-sale securities	11,082,654	11,082,654	-
Loans and bills discounted	30,894,915		
Reserve for possible loan losses (*1)	(313,594)		
	30,581,321	30,766,067	184,746
Total assets	\$45,333,979	45,522,363	\$188,384
Deposits	\$42,535,747	\$42,559,609	\$23,862
Payables under securities lending transactions	1,024,536	1,024,528	(8)
Borrowed money	366,229	368,029	1,800
Bonds	158,170	160,908	2,738
Total liabilities	\$44,084,682	\$44,113,074	\$28,392
Derivative transactions (*2)			
Hedge accounting not applied	\$(316)	\$(316)	\$ -
Hedge accounting applied	2,087	2,087	-
Total derivative transactions	\$1,771	\$1,771	\$ -

(*1) General and specific reserves 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 amounts, and net payables are presented in parentheses.

(Note 1) Method of calculation for 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 quoted price on exchange 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 a part 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 4, "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 amount of the loans to the amount of the 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.

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.

Payables under securities lending transactions

For payables under securities lending transactions, the fair value is calculated as the present value of expected future cash flows discounted using the interest rate that would be applied to a new transaction. For payables under securities lending transactions in which the trade term is short (less than one year), the carrying amount is presented as the fair value since the fair value approximates the carrying amount.

Derivative transactions:

Derivative transactions consist mainly of currency related derivatives such as currency futures, currency options, currency swaps and stock related derivatives such as forward transactions, etc. The fair value is determined using the value calculated by the discounted present value, option pricing models and quoted price on exchange, 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
	2012	2011	2012
Unlisted equity securities (*1) (*2)	¥2,514	¥2,536	\$30,598
Investment in partnerships (*3)	239	224	2,915
Total	¥2,754	¥2,761	\$33,513

(*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 ¥200 million on unlisted equity securities for the year ended March 31, 2011.

(*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					
	2012					
	Due within 1 year	Due within 3 years	Due within 5 years	Due within 7 years	Due within 10 years	Due over 10 years
Cash and due from banks	¥84,887	¥ -	¥ -	¥ -	¥ -	¥ -
Call loans and bills bought	61,239	-	-	-	-	-
Securities						
Held-to-maturity debt securities	-	21,072	27,995	33,919	72,522	-
Japanese government bonds	-	-	27,173	33,919	72,522	-
Municipal bonds	-	14,385	-	-	-	-
Corporate bonds	-	6,686	-	-	-	-
Other	-	-	821	-	-	-
Foreign securities	-	-	821	-	-	-
Available-for-sale securities with contract						
Maturities	85,662	151,618	214,531	85,102	267,316	58,872
Japanese government bonds	5,004	78,272	78,492	17,488	139,948	-
Municipal bonds	2,023	14,237	25,901	41,705	86,192	10,482
Corporate bonds	5,384	33,465	38,835	706	4,672	39,173
Other	73,250	25,642	71,301	25,202	36,502	9,216
Foreign securities	73,250	25,642	71,301	25,202	36,502	9,216
Loans and bills discounted (*)	655,804	479,276	340,189	176,995	220,689	548,664
Total	¥887,594	¥651,967	¥582,716	¥296,017	¥560,527	¥607,537

	Millions of yen					
	2011					
	Due within 1 year	Due within 3 years	Due within 5 years	Due within 7 years	Due within 10 years	Due over 10 years
Cash and due from banks	¥116,236	¥ -	¥ -	¥ -	¥ -	¥ -
Call loans and bills bought	172,972	-	-	-	-	-
Securities						
Held-to-maturity debt securities	12,975	21,076	1,331	64,800	45,500	25,000
Japanese government bonds	-	-	500	59,800	45,500	25,000
Municipal bonds	-	14,396	-	-	-	-
Corporate bonds	9,975	6,680	-	-	-	-
Other	3,000	-	831	5,000	-	-
Foreign securities	3,000	-	831	5,000	-	-
Available-for-sale securities with contract						
Maturities	17,055	105,730	83,869	87,248	274,022	79,341
Japanese government bonds	-	1,800	300	14,500	123,000	13,000
Municipal bonds	7,742	8,602	22,656	26,322	108,650	11,460
Corporate bonds	4,413	10,728	33,694	4,758	3,610	30,948
Other	4,900	84,600	27,218	41,667	38,762	23,932
Foreign securities	4,900	84,600	27,218	41,667	38,762	23,932
Loans and bills discounted (*)	639,950	498,150	316,685	172,324	219,993	533,844
Total	¥959,189	¥624,957	¥401,886	¥324,372	¥539,516	¥638,185

(*) Loans and bills discounted do not include ¥99,708 million of those due from bankrupt, effectively bankrupt or likely to become bankrupt borrowers whose repayment schedules cannot be estimated and ¥17,907 million of those which have non-defined maturities.

	Thousands of U.S. dollars					
	2012					
	Due within 1 year	Due within 3 years	Due within 5 years	Due within 7 years	Due within 10 years	Due over 10 years
Cash and due from banks	\$1,032,819	\$ -	\$ -	\$ -	\$ -	\$ -
Call loans and bills bought	745,096	-	-	-	-	-
Securities						
Held-to-maturity debt securities	-	256,388	340,624	412,699	882,378	-
Japanese government bonds	-	-	330,624	412,699	882,378	-
Municipal bonds	-	175,030	-	-	-	-
Corporate bonds	-	81,358	-	-	-	-
Other	-	-	10,000	-	-	-
Foreign securities	-	-	10,000	-	-	-
Available-for-sale securities with contract						
Maturities	1,042,255	1,844,734	2,610,184	1,035,440	3,252,419	716,300
Japanese government bonds	60,889	952,341	955,008	212,779	1,702,743	-
Municipal bonds	24,617	173,221	315,144	507,422	1,048,694	127,536
Corporate bonds	65,519	407,177	472,513	8,598	56,854	476,623
Other	891,230	311,995	867,519	306,641	444,128	112,141
Foreign securities	891,230	311,995	867,519	306,641	444,128	112,141
Loans and bills discounted (*)	7,979,128	5,831,320	4,139,064	2,153,491	2,685,108	6,675,567
Total	\$10,799,298	\$7,932,442	\$7,089,872	\$3,601,630	\$6,819,905	\$7,391,867

(*) Loans and bills discounted do not include ¥84,090 million (\$1,023,128 thousand) of those due from bankrupt, effectively bankrupt or likely to become bankrupt borrowers whose repayment schedules cannot be estimated and ¥33,542 million (\$408,109 thousand) of those which have non-defined maturities.

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

	Millions of yen					
	2012					
	Due within 1 year	Due within 3 years	Due within 5 years	Due within 7 years	Due within 10 years	Due over 10 years
Deposits (*)	¥3,053,440	¥374,194	¥68,377	¥ -	¥ -	¥ -
Deposits received for securities lending transactions	81,533	2,673	-	-	-	-
Borrowed money	5,106	925	1,067	3,000	20,000	-
Bonds	-	-	-	3,000	10,000	-
Total	¥3,140,080	¥377,793	¥69,445	¥6,000	¥30,000	¥ -

	Millions of yen					
	2011					
	Due within 1 year	Due within 3 years	Due within 5 years	Due within 7 years	Due within 10 years	Due over 10 years
Deposits (*)	¥2,909,976	¥462,099	¥70,385	¥ -	¥ -	¥ -
Deposits received for securities lending transactions	46,209	5,958	-	-	-	-
Borrowed money	173	248	2,033	3,000	20,000	-
Bonds	-	-	-	8,000	7,000	-
Total	¥2,956,359	¥468,307	¥72,419	¥11,000	¥27,000	¥ -

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

	Thousands of U.S. dollars					
	2012					
	Due within 1 year	Due within 3 years	Due within 5 years	Due within 7 years	Due within 10 years	Due over 10 years
Deposits (*)	\$37,150,999	\$4,552,801	\$831,947	\$ -	\$ -	\$ -
Deposits received for securities lending transactions	992,012	32,524	-	-	-	-
Borrowed money	62,132	11,266	12,991	36,501	243,339	-
Bonds	-	-	-	36,501	121,669	-
Total	\$38,205,143	\$4,596,591	\$844,938	\$73,002	\$365,008	\$ -

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

24. Derivative transactions

Information regarding derivative transactions, such as the types of derivatives, the policies and purpose for using derivatives and the risks and risk control systems for derivatives are described in Note 23, "Financial instruments and related disclosures."

Outstanding derivative contracts which were revalued at fair value and the gains and losses recognized in the consolidated statements of income as of March 31, 2012 and 2011 are set forth in the tables below.

Derivatives to which hedge accounting is not applied:

With respect to derivatives to which hedge accounting is not applied, the contract amount, fair value and recognized gain (loss) at the balance sheet date designated by transaction type and method of calculating 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							
	2012				2011			
	Contract amount		Fair value	Recognized gain (loss)	Contract amount		Fair Value	Recognized gain (loss)
Total	Over one Year	Total			Over one Year			
Currency related:								
Currency swaps	¥209,371	¥152,635	¥234	¥234	¥237,429	¥193,163	¥266	¥266
Forward foreign exchanges:								
Sell	7,997	-	(260)	(260)	24,322	-	(431)	(431)
Buy	113	-	(0)	(0)	2,458	-	11	11
Total	¥ -	¥ -	¥(25)	¥(25)	¥ -	¥ -	¥(154)	¥(154)

	Thousands of U.S. dollars			
	2012			
	Contract amount		Fair value	Recognized gain (loss)
Total	Over one year			
Currency related:				
Currency swaps	\$2,547,407	\$1,857,105	\$2,859	\$2,859
Forward foreign exchanges:				
Sell	97,305	-	(3,165)	(3,165)
Buy	1,385	-	(10)	(10)
Total	\$ -	\$ -	\$(316)	\$(316)

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 method of calculating 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:

Hedge accounting method	Type	Major hedged item	Millions of yen		
			2012		
			Contract amount		
			Total	Over one year	Fair value
Normal method	Currency swaps	Foreign currency denominated securities	¥1,098	¥ -	¥(29)
Hedge accounting method	Type	Major hedged item	Millions of yen		
			2011		
			Contract amount		
			Total	Over one year	Fair value
Normal method	Currency swaps	Foreign currency denominated securities	¥2,603	¥ -	¥467

			Thousands of U.S. dollars		
			2012		
			Contract amount		
Hedge accounting method	Type	Major hedged item	Total	Over one year	Fair value
Normal method	Currency swaps	Foreign currency denominated securities	\$13,359	\$ -	\$(361)

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.

Stock related:

			Millions of yen		
			2012		
			Contract amount		
Hedge accounting method	Type	Major hedged item	Total	Over one year	Fair value
Normal method	Forward transactions	Stocks	¥2,673	¥2,673	¥201

			Millions of yen		
			2011		
			Contract amount		
Hedge accounting method	Type	Major hedged item	Total	Over one year	Fair value
Normal method	Forward transactions	Stocks	¥2,673	¥2,673	¥369

			Thousands of U.S. dollars		
			2012		
			Contract amount		
Hedge accounting method	Type	Major hedged item	Total	Over one year	Fair value
Normal method	Forward transactions	Stocks	\$32,524	\$32,524	\$2,448

Fair value of the above table is based on closing market quotations on the Tokyo stock exchange at the end of the year.

25. Segment information

(a) General information about reportable segments

The Group's reportable segment is defined as an operating segment for which discrete financial information is available and examined by the Board of Directors regularly in order to make decisions about resources to be allocated to the segment and assess its performance. The Group engages mainly in the banking business, and financial information is controlled based on figures provided by the Kiyobank Ltd., which operates the banking business. So, the Group defines banking business as a reportable segment.

(b) Basis of measurement about reported segment profit and loss, segment assets, segment liabilities and other material items

The accounting methods for the reportable segments are the same as those used for the preparation for the consolidated financial statements. Profits for reportable segments are ordinary profit. Ordinary profit is profit derived from regular business activities, including wages, dividends and interest. Profits and transfer sums of intersegment transactions within the Group are based on market prices.

(c) Information about reported segment profit or loss, segment assets, segment liabilities and other items

Segment information as of and for the fiscal year ended March 31, 2012 is as follows

	Millions of yen				
	2012				
	Banking business	Other business	Total	Reconciliation	Consolidated
Ordinary income:					
Outside customers	¥75,939	¥8,387	¥84,327	¥ -	¥84,327
Intersegment	434	2,697	3,132	(3,132)	-
Total	76,374	11,085	87,459	(3,132)	84,327
Segment profit	13,257	1,352	14,609	56	14,666
Segment assets	3,854,001	26,246	3,880,248	(25,405)	3,854,842
Segment liabilities	3,676,479	18,183	3,694,663	(22,854)	3,671,808
Others					
Depreciation	¥4,017	¥215	¥4,233	¥ -	¥4,233
Interest income	59,204	240	59,444	(138)	59,305
Interest expenses	7,022	135	7,157	(137)	7,020
Gain on disposal of fixed assets	20	0	20	-	20
Gain on revision of retirement benefit plans	1,476	-	1,476	-	1,476
Loss on disposal of fixed assets	64	6	70	-	70
Impairment loss	37	-	37	-	37
Income taxes	7,777	575	8,352	(27)	8,325
Increase in tangible and intangible fixed assets	1,605	680	2,286	-	2,286

For the year ended March 31, 2012

- Notes:
1. Ordinary income represents total income less certain specific income.
 2. The "Other" category incorporates operations not included in the reportable segment reported, including the credit assurance business, computing business, clerical work agency industry, leasing business, venture capital services and credit card services.
 3. Segment profit is reconciled to net income in the consolidated statement of income.

Segment information as of and for the fiscal year ended March 31, 2011 is as follows

Millions of yen					
2011					
	Banking business	Other business	Total	Reconciliation	Consolidated
Ordinary income:					
Outside customers	¥79,081	¥8,138	¥87,220	¥ -	¥87,220
Intersegment	452	2,792	3,244	(3,244)	-
Total	79,534	10,931	90,465	(3,244)	87,220
Segment profit	10,833	439	11,272	(23)	11,249
Segment assets	3,770,289	25,228	3,795,518	(24,248)	3,771,269
Segment liabilities	3,608,984	17,916	3,626,901	(21,626)	3,605,274
Others					
Depreciation	¥3,924	¥191	¥4,115	¥ -	¥4,115
Interest income	60,894	382	61,276	(171)	61,105
Interest expenses	8,829	158	8,988	(167)	8,820
Recoveries of written-off claims	1,374	661	2,035	-	2,035
Loss on disposal of fixed assets	175	0	175	-	175
Impairment loss	894	-	894	-	894
Loss on adjustment for changes in accounting standard for asset retirement obligations	249	-	249	-	249
Income taxes	4,650	537	5,188	-	5,188
Increase in tangible and intangible fixed assets	3,294	660	3,955	-	3,955

For the year ended March 31, 2011

- Notes:
1. Ordinary income represents total income less certain specific income.
 2. The "Other" category incorporates operations not included in the reportable segment reported, including the credit assurance business, computing business, clerical work agency industry, leasing business, venture capital services and credit card services.
 3. Segment profit is reconciled to net income in the consolidated statement of income.

Thousands of U.S. dollars					
2012					
	Banking business	Other business	Total	Reconciliation	Consolidated
Ordinary income:					
Outside customers	\$923,955	\$102,055	\$1,026,010	\$ -	\$1,026,010
Intersegment	5,285	32,825	38,110	(38,110)	-
Total	929,240	134,880	1,064,120	(38,110)	1,026,010
Segment profit	161,301	16,456	177,757	690	178,447
Segment assets	46,891,371	319,338	47,210,709	(309,103)	46,901,606
Segment liabilities	44,731,476	221,233	44,952,709	(278,070)	44,674,639
Others					
Depreciation	48,885	2,623	51,508	-	51,508
Interest income	720,334	2,921	723,255	(1,691)	721,564
Interest expenses	85,439	1,649	87,088	(1,668)	85,420
Gain on disposal of fixed assets	251	1	252	-	252
Gain on revision of retirement benefit plans	17,961	-	17,961	-	17,961
Loss on disposal of fixed assets	782	80	862	-	862
Impairment loss	459	-	459	-	459
Income taxes	94,623	7,004	101,627	(336)	101,291
Increase in tangible and intangible fixed assets	19,534	8,284	27,818	-	27,818

(d) Information about services

Millions of yen				
2012				
	Loan services	Securities investment	Other	Total
Ordinary income:				
Outside customers	¥47,068	¥18,600	¥18,658	¥84,327

Millions of yen				
2011				
	Loan services	Securities investment	Other	Total
Ordinary income:				
Outside customers	¥46,193	¥23,289	¥17,737	¥87,220

Thousands of U.S. dollars				
2012				
	Loan services	Securities investment	Other	Total
Ordinary income:				
Outside customers	\$572,683	\$226,308	\$227,019	\$1,026,010

Note: Ordinary income represents total income less certain specific income.

(e) Information about geographic areas

The information is not required to be disclosed because the amounts of ordinary income and tangible fixed assets in Japan exceeded 90% of the respective total amount for all segments.

(f) Information about major customers

The information is not required to be disclosed because ordinary income from any particular outside customer represented less than 10% of consolidated ordinary income.

(g) Segment information for impairment loss on fixed assets by reportable segment

Millions of yen			
2012			
	Banking business	Other business	Total
Impairment loss	¥37	¥ -	¥37

Millions of yen			
2011			
	Banking business	Other business	Total
Impairment loss	¥894	¥ -	¥894

Thousands of U.S. dollars			
2012			
	Banking business	Other business	Total
Impairment loss	\$459	\$ -	\$459

(h) Segment information on amortization and unamortized portion of goodwill by reportable segment

	Millions of yen		
	2012		
	Banking business	Other business	Total
Amortization for the year	¥ 1,679	¥ 1	¥ 1,681
Unamortized portion	6,439	-	6,439

	Millions of yen		
	2011		
	Banking business	Other business	Total
Amortization for the year	¥ 1,679	¥ -	¥ 1,679
Unamortized portion	8,119	-	8,119

	Thousands of U.S. dollars		
	2012		
	Banking business	Other business	Total
Amortization for the year	\$20,439	\$ 16	\$20,455
Unamortized portion	78,349	-	78,349

26. Related party transactions

Significant transactions with the directors of the Company or related parties for the years ended March 31, 2012 and 2011 were as follows:

Year ended March 31, 2012

Type	Name:	Occupation	Ownership	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	¥35
*2	Masahiro Ueno	Office worker	None	Loans	Loan (Note 1)	-	Loans and bills discounted	17
*3	Konda Kensetsu Co., Ltd.	Civil engineering	None	Loans	Loan (Note 1)	-	Loans and bills discounted	33

Year ended March 31, 2011

Type	Name:	Occupation	Ownership	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	¥36
*2	Masahiro Ueno	Office worker	None	Loans	Loan (Note 1)	-	Loans and bills discounted	17
*3	Konda Kensetsu Co., Ltd.	Civil engineering	None	Loans	Loan (Note 1)	-	Loans and bills discounted	30

Year ended March 31, 2012

Type	Name:	Occupation	Ownership	Relationship	Transactions	Transaction amount (thousands of U.S. dollars)	Account	Outstanding balance (thousands of U.S. dollars)
*1	Hiroshi Nishi	Real estate leasing	0.01%, directly	Loans	Loan (Note 1)	\$-	Loans and bills discounted	\$430
*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)	-	Loans and bills discounted	410

*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. During the year ended March 31, 2012, the company has ceased to be a related party since the relative's ownership became less than the majority. Accordingly, the above outstanding balance is stated at the amount as of the date when the company ceased to be a related party.

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.

27. Subsequent events

Acquisition and retirement of Fourth Series Type 1 preferred stock (the "Preferred Stock", the public fund preferred stock)

In connection with the Preferred Stock, the Company resolved the acquisition and cancellation of treasury stock at the Board of Directors' meeting held on September 3, 2012, and subsequently enforced it on September 6, 2012. Due to the retirement, capital surplus decreased by ¥16,659 million (\$202,698 thousand).

Details of acquisition and retirement:

Type of shares to be acquired	Fourth Series Type 1 preferred stock
Total number of shares to be acquired	22,000,000 shares
Consideration	Cash
Acquisition price per share	¥757.26 (\$9.21)
Total acquisition amount	¥16,659,720,000 (\$202,698 thousand)
Seller	Resolution and Collection Corporation ("RCC")
Date of the acquisition and cancellation	September 6, 2012 (Thursday)

Independent Auditor's Report

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

We have audited the accompanying consolidated financial statements of Kiyō Holdings, Inc. and its consolidated subsidiaries, which comprise the consolidated balance sheets as at March 31, 2012 and 2011, and the consolidated income statements, statements of comprehensive income, statements of changes in net assets and statements of cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

Our responsibility is to 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 comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Kiyō Holdings, Inc., Ltd. and its consolidated subsidiaries as at March 31, 2012 and 2011, and their financial performance and cash flows for the years then ended in accordance with accounting principles generally accepted in Japan.

Emphasis of matter

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

As discussed in Note 27 to the consolidated financial statements, the Company resolved the acquisition and retirement of treasury stock at the Board of Directors' meeting held on September 3, 2012 and subsequently enforced it on September 6, 2012.

Convenience Translation

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2012 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 LLC

Oct 17, 2012
Osaka, Japan