

Consolidated Balance Sheets  
Kiyo Holdings, Inc. and its consolidated subsidiaries  
As of March 31, 2011 and 2010

	Millions of yen (Note 1)		Thousands of U.S. dollars (Note 1)
	2011	2010	2011
<b>Assets:</b>			
Cash and due from banks (Notes 19 and 26)	¥ 116,236	¥ 62,121	\$ 1,397,912
Call loans and bills bought (Note 19)	172,972	85,808	2,080,244
Pledged money for securities borrowing transactions	-	20,877	-
Monetary claims bought (Note 3)	3,497	4,273	42,058
Trading account securities (Note 3)	4,119	5,328	49,540
Securities (Notes 3, 6, 18 and 19)	876,262	945,776	10,538,336
Loans and bills discounted (Notes 4, 19 and 23)	2,498,564	2,445,529	30,048,887
Foreign exchanges (Note 4)	1,858	1,580	22,354
Other assets (Note 6)	32,723	29,010	393,546
Tangible fixed assets (Note 5)	34,323	34,343	412,786
Intangible fixed assets	16,456	19,739	197,915
Deferred tax assets (Note 13)	28,788	33,339	346,224
Customers' liabilities for acceptances and guarantees (Notes 17 and 18)	16,405	18,315	197,297
Reserve for possible loan losses	(30,938)	(32,971)	(372,083)
<b>Total assets</b>	<b>¥ 3,771,269</b>	<b>¥ 3,673,074</b>	<b>\$ 45,355,016</b>
<b>Liabilities:</b>			
Deposits (Notes 6, 7 and 19)	3,442,461	3,397,531	41,400,624
Payable under securities lending transactions (Notes 6 and 19)	52,168	27,145	627,399
Borrowed money (Notes 6, 9 and 19)	25,455	34,748	306,143
Foreign exchanges	38	21	458
Bonds (Notes 10 and 19)	15,000	8,000	180,397
Other liabilities	52,662	27,349	633,345
Accrued employees' severance and retirement benefits (Note 14)	28	25	347
Accrued directors' retirement benefits	32	40	396
Reserve for reimbursement of deposits	636	590	7,655
Provision for contingent loss	384	404	4,626
Acceptances and guarantees (Notes 17 and 18)	16,405	18,315	197,297
<b>Total liabilities</b>	<b>¥ 3,605,274</b>	<b>¥ 3,514,173</b>	<b>\$ 43,358,687</b>
<b>Net assets:</b>			
Preferred and common stock	58,350	58,350	701,744
Capital surplus	64,609	64,630	777,024
Retained earnings	40,921	37,099	492,141
Less treasury stock, at cost (Note 15)	(1,089)	(1,288)	(13,104)
Total shareholders' equity (Note 15)	162,791	158,791	1,957,805
Net unrealized gains (losses) on available-for-sale securities (Note 3)	830	(1,897)	9,989
Net deferred gains (losses) on hedging instruments	219	(1)	2,641
Total accumulated other comprehensive income	1,050	(1,899)	12,630
Minority interests	2,153	2,008	25,894
<b>Total net assets</b>	<b>165,994</b>	<b>158,900</b>	<b>1,996,329</b>
<b>Total liabilities and net assets</b>	<b>¥ 3,771,269</b>	<b>¥ 3,673,074</b>	<b>\$ 45,355,016</b>

See accompanying notes.

Consolidated Statements of Income  
 Kiyo Holdings, Inc. and its consolidated subsidiaries  
 Years ended March 31, 2011 and 2010

	Millions of yen (Note 1)		Thousands of U.S. dollars (Note 1)
	2011	2010	2011
<b>Income:</b>			
Interest income:			
Interest on loans and bills discounted	¥ 45,915	¥ 48,084	\$ 552,201
Interest and dividends on securities	14,946	13,044	179,748
Other interest income	243	284	2,933
Fees and commissions	10,606	10,710	127,556
Other operating income	14,095	10,312	169,514
Other income (Note 11)	3,449	6,061	41,490
<b>Total income</b>	<b>89,256</b>	<b>88,498</b>	<b>1,073,442</b>
<b>Expenses:</b>			
Interest expenses:			
Interest on deposits	7,588	9,048	91,267
Interest on borrowings	782	746	9,406
Interest on payables under securities lending transactions	160	40	1,932
Other interest expenses	289	441	3,478
Fees and commissions	3,895	3,924	46,851
Other operating expenses	10,233	5,289	123,068
General and administrative expenses	42,522	40,439	511,391
Other expenses (Note 12)	11,819	19,718	142,150
<b>Total expenses</b>	<b>77,291</b>	<b>79,648</b>	<b>929,543</b>
<b>Income before income taxes and minority interests</b>	<b>11,965</b>	<b>8,850</b>	<b>143,899</b>
<b>Income taxes (Note 13):</b>			
Current	633	701	7,613
Deferred	4,555	2,198	54,783
<b>Total income taxes</b>	<b>5,188</b>	<b>2,899</b>	<b>62,396</b>
<b>Net income before minority interests</b>	<b>6,776</b>	<b>-</b>	<b>81,503</b>
<b>Minority interests in net income</b>	<b>139</b>	<b>114</b>	<b>1,673</b>
<b>Net income</b>	<b>¥ 6,637</b>	<b>¥ 5,836</b>	<b>\$ 79,830</b>
U.S. dollars (Note 1)			
Yen			
<b>Net income per share (Note 16):</b>			
Basic	¥ 8.29	¥ 7.06	\$ 0.100
Diluted	6.70	5.83	0.081

See accompanying notes.

Consolidated Statements of Comprehensive Income  
 Kiyo Holdings, Inc. and its consolidated subsidiaries  
 Years ended March 31, 2011 and 2010

	Millions of yen (Note 1)		Thousands of U.S. dollars (Note 1)
	2011	2010	2011
<b>Net income before minority interests</b>	¥ 6,776	¥ -	\$ 81,503
Other comprehensive income (Note 27) :			
Net unrealized gains on available-for-sale securities	2,729	-	32,825
Net deferred gains on hedging instruments	221	-	2,664
<u>Total other comprehensive income (Note 27)</u>	<u>2,950</u>	<u>-</u>	<u>35,489</u>
<b>Comprehensive income</b>	¥ <b>9,727</b>	¥ -	\$ <b>116,992</b>
<u>Total comprehensive income attributable to (Note 27):</u>	¥ <u>9,727</u>	¥ -	\$ <u>116,992</u>
Owners of the parent	9,587	-	115,303
Minority interests	140	-	1,689

Consolidated Statements of Changes in Net Assets  
 Kiyoh Holdings, Inc. and its consolidated subsidiaries  
 Years ended March 31, 2011 and 2010

	Millions of yen (Note 1)		Thousands of U.S. dollars (Note 1)
	2011	2010	2011
<b>Shareholders' equity</b>			
<b>Preferred and common stock:</b>			
Balance at end of previous year	¥ 58,350	¥ 58,350	\$ 701,744
Changes during the year	-	-	-
Balance at end of the year	58,350	58,350	701,744
<b>Capital surplus:</b>			
Balance at end of previous year	64,630	64,630	777,273
Changes during the year:			
Disposal of treasury stock	(20)	(0)	(249)
Cancellation of treasury stock	-	-	-
Total changes during the year	(20)	(0)	(249)
Balance at end of the year	64,609	64,630	777,024
<b>Retained earnings:</b>			
Balance at end of previous year	37,099	34,204	446,180
Changes during the year:			
Cash dividends	(2,816)	(2,940)	(33,869)
Net income (loss)	6,637	5,836	79,830
Total changes during the year	3,821	2,895	45,961
Balance at end of the year	40,921	37,099	492,141
<b>Treasury stock:</b>			
Balance at end of previous year	(1,288)	(132)	(15,497)
Changes during the year:			
Purchase of treasury stock	(105)	(1,161)	(1,273)
Disposal of treasury stock	304	2	3,666
Increase due to changes in the Company's equity in subsidiaries	-	2	-
Total changes during the year	198	(1,156)	2,393
Balance at end of the year	(1,089)	(1,288)	(13,104)
<b>Total shareholders' equity:</b>			
Balance at end of previous year	158,791	157,053	1,909,700
Changes during the year:			
Cash dividends	(2,816)	(2,940)	(33,869)
Net income (loss)	6,637	5,836	79,830
Purchase of treasury stock	(105)	(1,161)	(1,273)
Disposal of treasury stock	284	1	3,417
Increase due to changes in the Company's equity in subsidiaries	-	2	-
Total changes during the year	3,999	1,738	48,105
Balance at end of the year	162,791	158,791	1,957,805
<b>Accumulated other comprehensive income:</b>			
Net unrealized gains (losses) on available-for-sale securities			
Balance at end of previous year	(1,897)	(33,611)	(22,820)
Changes during the year:			
Net changes in items other than shareholders' equity	2,728	31,713	32,809
Total changes during the year	2,728	31,713	32,809
Balance at end of the year	830	(1,897)	9,989
Net deferred gains (losses) on hedging instruments			
Balance at end of previous year	(1)	(0)	(23)
Changes during the year:			
Net changes in items other than shareholders' equity	221	(1)	2,664
Total changes during the year	221	(1)	2,664
Balance at end of the year	219	(1)	2,641
Total accumulated other comprehensive income			
Balance at end of previous year	(1,899)	(33,612)	(22,843)
Changes during the year:			
Net changes in items other than shareholders' equity	2,949	31,712	35,473
Total changes during the year	2,949	31,712	35,473
Balance at end of the year	1,050	(1,899)	12,630
<b>Minority interests</b>			
Balance at end of previous year	2,008	1,894	24,151
Changes during the year:			
Net changes in items other than shareholders' equity	144	113	1,743
Total changes during the year	144	113	1,743
Balance at end of the year	2,153	2,008	25,894
<b>Total net assets:</b>			
Balance at end of previous year	158,900	125,335	1,911,008
Changes during the year:			
Cash dividends	(2,816)	(2,940)	(33,869)
Net income (loss)	6,637	5,836	79,830
Purchase of treasury stock	(105)	(1,161)	(1,273)
Disposal of treasury stock	284	1	3,417
Increase due to changes in the Company's equity in subsidiaries	-	2	-
Net changes in items other than shareholders' equity	3,094	31,826	37,216
Total changes during the year	7,094	33,564	85,321
Balance at end of the year	¥ 165,994	¥ 158,900	\$ 1,996,329

See accompanying notes.

Consolidated Statements of Cash Flows  
Kiyo Holdings, Inc. and its consolidated subsidiaries  
Years ended March 31, 2011 and 2010

	Millions of yen (Note 1)		Thousands of U.S. dollars (Note 1)
	2011	2010	2011
<b>Cash flows from operating activities:</b>			
Income before income taxes and minority interests	¥ 11,965	¥ 8,850	\$ 143,899
Depreciation	4,115	2,742	49,497
Impairment loss on fixed assets	894	7	10,755
Amortization of goodwill	1,679	1,679	20,203
Amortization of negative goodwill	-	(26)	-
Decrease in reserve for possible loan losses	(2,032)	(1,391)	(24,443)
Increase (decrease) in accrued employees' severance and retirement benefits	3	(430)	37
Decrease in accrued directors' retirement benefits	(7)	(31)	(96)
Increase (decrease) in reserve for reimbursement of deposit	46	(14)	557
(Decrease) increase in provision for contingent loss	(19)	132	(234)
Interest income	(61,105)	(61,414)	(734,883)
Interest expense	8,820	10,276	106,083
Losses on securities transactions	886	3,401	10,660
Losses on foreign exchange transactions	6,392	1,222	76,881
Losses on disposal of fixed assets	175	53	2,115
Net decrease (increase) in trading account securities	1,208	(316)	14,538
Net increase in loans and bills discounted	(53,035)	(67,013)	(637,824)
Net increase in deposits	44,930	199,624	540,352
Net decrease in borrowed money (excluding subordinated loans)	(4,292)	(11,869)	(51,621)
Net increase in due from banks (excluding cash equivalents)	-	4,000	-
Net increase in call loans	(86,380)	(53,436)	(1,038,846)
Net decrease in pledged money for securities borrowing transactions	20,877	20,882	251,085
Net increase in payable under securities lending transactions	25,022	27,145	300,935
Net (increase) decrease in foreign exchange assets	(277)	2,399	(3,343)
Net increase (decrease) in foreign exchange liabilities	16	(108)	195
Interest received	61,654	61,311	741,490
Interest paid	(7,283)	(8,104)	(87,594)
Other, net	13,653	(1,747)	164,210
Subtotal	(12,089)	137,825	(145,392)
Income taxes paid	(678)	(654)	(8,155)
Net cash provided by (used in) operating activities	(12,767)	137,171	(153,547)
<b>Cash flows from investing activities:</b>			
Purchases of securities	(544,183)	(709,906)	(6,544,597)
Proceeds from sales of securities	503,133	458,895	6,050,911
Redemption of securities	112,488	130,767	1,352,833
Purchases of tangible fixed assets	(2,713)	(2,487)	(32,639)
Proceeds from sales of tangible fixed assets	-	48	-
Purchases of intangible fixed assets	(1,121)	(3,442)	(13,486)
Expenses on execution of asset retirement obligations	(38)	-	(466)
Net cash provided by (used in) investing activities	67,564	(126,125)	812,556
<b>Cash flows from financing activities:</b>			
Increase in subordinated loans	5,000	12,000	60,132
Repayment of subordinated loans	(10,000)	(8,000)	(120,264)
Proceeds from issuance of subordinated bonds	7,000	3,000	84,185
Redemption of subordinated bonds	-	(8,800)	-
Payment of cash dividends	(2,816)	(2,940)	(33,868)
Payment of cash dividends to minority interests	(4)	(4)	(56)
Purchases of treasury stock	(105)	(1,161)	(1,273)
Proceeds from sales of treasury stock	284	1	3,417
Net cash used in financing activities	(642)	(5,905)	(7,727)
Foreign currency translation adjustments for cash and cash equivalents	(39)	(10)	(476)
Net increase in cash and cash equivalents	54,114	5,130	650,806
Cash and cash equivalents at beginning of year	62,121	56,991	747,106
Cash and cash equivalents at end of year (Note 26)	¥ 116,236	¥ 62,121	\$ 1,397,912

See accompanying notes.

# Notes to Consolidated Financial Statements

Kiyo Holdings, Inc. and its consolidated subsidiaries  
Years ended March 31, 2011 and 2010

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## 1. Basis of presenting consolidated financial statements

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

The translations of the Japanese yen amounts into U.S. dollar amounts are included solely for the convenience of the readers outside Japan, using the prevailing exchange rate at March 31, 2011, which was ¥83.15 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.

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## 2. Significant accounting policies

**(a) Consolidation** — The consolidated financial statements include the accounts of the Company and 7 subsidiaries (the “Group”). At the previous year-end, the Company had 7 subsidiaries. All significant intercompany transactions and unrealized profits have been eliminated. Goodwill is expensed over ten years on a straight-line basis, and negative goodwill is fully charged to income when incurred. In the elimination of investments in subsidiaries, the assets and liabilities of the subsidiaries, including the portion attributable to minority shareholders, are evaluated using the fair value at the time when the Company acquired control of the respective subsidiary.

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

**(c) Securities** — The Company and its consolidated subsidiaries classify securities as (a) debt securities intended to be held to maturity (“held-to-maturity debt securities”), (b) equity securities issued by subsidiaries and affiliated companies, and (c) all other securities that are not classified in any of the above categories (“available-for-sale securities”). Held-to-maturity debt securities are stated at amortized cost. Held-to-maturity debt securities with no available fair market value are stated at amortized cost, net of the amount considered not collectible. Available-for-sale securities with fair market values are stated at fair market value. Unrealized gains and unrealized losses on these securities are reported, net of applicable income taxes, as a separate component of shareholders’ equity. Realized gains and losses on the sale of such securities are computed using moving average cost.

Available-for-sale securities for which the fair market value is extremely difficult to determine are stated at moving average cost or amortized cost. The value of securities acquired through repurchase agreements or securities lending transactions with cash collateral with respect to which the banking subsidiary has the right to freely dispose of by sale or by re-offering them as collateral amounted to ¥399 million (\$4,799 thousand) and ¥20,988 million as of March 31, 2011 and 2010, respectively. At that time, these securities remained undisposed of and in the possession of the subsidiaries.

In view of recent market conditions, the current market price of Japanese Government Bonds (JGBs) with variable interest rates cannot be regarded as the fair value in many cases. Consequently, the Company has adopted a system of estimation based on a “theoretical price” for the bond. The “theoretical price” used to estimate the value of variable-interest JGBs is based on an estimate of the present value of future cash flows, which are obtained using the yield on JGBs and the price of zero-floor options as predicted by the convexity method and/or the Black-Scholes option model and the discount rate based on the yield. The principal variables used in determining the JGB price are the JGB spot rate and the implied volatility of swaptions. The Company obtains this price from reliable bid-price providers and applies it after careful consideration of its applicability to the Company’s situation.

**(d) Derivatives and hedge accounting** — Derivatives are stated at fair value, except when the derivatives are used for hedging purposes. If derivatives are used for hedging purposes and meet certain hedging criteria, recognition of gains and losses resulting from changes in fair value are deferred until the related losses or gains on the hedged items are recognized. The banking subsidiary applies the basic provisions of JICPA Industry Audit Committee Report No. 25 to currency swap and foreign exchange swap transactions, which are made to convert funds raised in Japanese yen to funds invested in foreign currencies and other purposes. The banking subsidiary assesses the effectiveness of currency swap and foreign exchange swap transactions executed to offset the risk of changes in currency exchange rates by verifying that there are foreign currency positions of the hedging instruments that correspond to the foreign currency monetary claims and debts to be hedged. 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 fluctuation until the related losses or 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.

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, 2011 and 2010, the deducted amounts were ¥86,505 million (\$1,040,354 thousand) and ¥94,724 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 Kiyoo 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. Because the average remaining service period decreased, the Company changed the number of years over which the differences are allocated from 10 years to 9 years effective from the year ended March 31, 2010. As a result of this change, income before income taxes and minority interests was ¥218 million less than the amount that would have been calculated without the change.

The banking subsidiary has revised their pension plans to defined benefit corporate pension plans from qualified pension plans on April 1, 2011. As the result of the revision, projected benefit obligations decreased by ¥1,476 million (\$17,754 thousand), and the same amount of obligation for prior service cost were recognized. This obligation for prior service cost is to be charged to income for the next fiscal year in accordance with the accounting policies of Kiyoo Bank

applies. In the calculation of projected benefit obligation and plan assets, the discount rate and expected rate of return on plan assets was 2.0%, and the projected benefit is being allocated to each period by the straight-line method. Effective from the year ended March 31, 2010, the Company has applied ASBJ Statement No. 19, "Partial Amendments to Accounting Standard for Retirement Benefits (Part 3)," issued on July 31, 2008. The new standard requires the companies to use the discount rate determined by reference to market yields at the end of the fiscal year on high quality bonds such as long-term Japanese government bonds, government agency bonds and high quality corporate bonds. Since the Company has been using the same discount rate as required by the standard, the application has had no effect on the accompanying consolidated financial statements.

**(h) Accrued directors' retirement benefits** — On June 29, 2004, the banking subsidiary abolished the system for the payment of retirement allowances to retiring directors and auditors. Instead, a provision 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 the future losses on claims on dormant accounts based on the historical refund record.

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

**(k) Foreign currency translation** — Receivables and payables in foreign currencies are translated into Japanese yen at the year-end rates. Hedge accounting is outlined in the above Note 2(d).

**(l) Income taxes** — Income taxes comprise corporation, inhabitants and enterprise taxes. Deferred tax assets are recorded by the asset-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 Accounting Standards Board of Japan ("ASBJ") Practical Guidance on accounting procedures for leasing transactions, the theoretical value of assets (after deduction of accumulated depreciation expenses) as of the previous term-end is used to determine balance-sheet amounts of lease investment assets as of April 1, 2008.

**(n) Financial instruments and related disclosures**

The Company applied ASBJ Statement No. 10, "Accounting Standard for Financial Instruments," and ASBJ Guidance No. 19, "Guidance on Disclosures about Fair Value of Financial Instruments," issued by the ASBJ on March 10, 2008, which became effective as of March 31, 2010.

**(o) Employee stock ownership plan**

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

Considering the economic substance of the plan from a conservative viewpoint, the Stock Ownership Trust is accounted for as if it were a part of the Company since the Company guarantees its liabilities in acquiring or disposing of the shares. Accordingly, the Company's shares owned by the trust, as well as the assets, liabilities, expenses and income of the trust, are reflected in the accompanying consolidated balance sheets, consolidated statements of income, consolidated statements of changes in nets assets and consolidated statements of cash flows. The number of the Company's shares owned by the Stock Ownership Trust as of March 31, 2011 and 2010 were 10,366,000 shares and 10,034,000 shares, respectively.



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

**(q) Net income per share** — Net income per share is computed by deducting dividends for preferred stock from net income and dividing the balance by the weighted average number of shares of common stock, excluding treasury shares, outstanding during the reporting period. Diluted earnings per share reflects the potential dilution that could occur if preferred stock were converted into common stock.

**(r) Changes in accounting policies**

Asset Retirement Obligations

Effective the year ended March 31, 2011, the Company and its consolidated subsidiaries have adopted the “Accounting Standard for Asset Retirement Obligations” (ASBJ Statement No. 18, March 31, 2008) and “Guidance on Accounting Standard for Asset Retirement Obligations” (ASBJ Guidance No. 21, March 31, 2008). As a result of this adoption, income before income taxes and minority interests were ¥292 million (\$3,519 thousand) less than the amount that would have been reported without the new standard.

**(s) Change in presentation**

Presentation of Income before Minority Interests

Effective the year ended March 31, 2011, the Company and its consolidated subsidiaries have adopted the “Cabinet Office Ordinance for partial amendments of regulations on financial statements” (Cabinet Office Ordinance No. 5, March 24, 2009), corresponding to “Accounting Standard for consolidated financial statements” (ASBJ Statement No. 22, December 26, 2008), and “net income before minority interests” is disclosed in the consolidated statement of income from the year ended March 31, 2011.

**(t) Additional information**

Presentation of Comprehensive Income

The Company and its consolidated subsidiaries apply the “Accounting Standards for Presentation of Comprehensive Income” (ASBJ Statement No. 25, June 30, 2010) from this fiscal year. However, the amounts for “accumulated other comprehensive income” and “total accumulated other comprehensive income” in the previous fiscal year are reported in terms of “valuation and translation adjustments.”

**3. Cash and cash equivalents**

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

	Millions of yen		Thousands of
	2011	2010	U.S. dollars
Cash and due from banks	<b>¥116,236</b>	¥62,121	<b>\$1,397,912</b>
Interest earning deposits in other banks	-	-	-
Cash and cash equivalents	<b>¥116,236</b>	¥62,121	<b>\$1,397,912</b>

#### 4. Trading account securities and other securities

The balance sheet amounts of trading account securities as of March 31, 2011 and 2010 were ¥4,119 million (\$49,540 thousand) and ¥5,328 million, respectively. Net valuation gains and losses from trading account securities for the years ended March 31, 2011 and 2010 amounted to ¥26 million (\$316 thousand) and ¥41 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, 2011 and 2010 were as follows:

##### (a) Held-to-maturity debt securities

	Millions of yen					
	2011			2010		
	Carrying amount	Fair value	Unrealized gains (losses)	Carrying amount	Fair value	Unrealized gains (losses)
Bonds	¥165,040	¥166,911	¥1,870	¥182,178	¥183,647	¥1,469
Japanese government bonds	133,999	135,392	1,393	134,381	135,077	695
Local government bonds	14,378	14,681	302	22,879	23,283	404
Corporate bonds	16,662	16,837	174	24,917	25,286	368
Other	8,848	8,835	(13)	26,186	26,170	(15)
<b>Total</b>	<b>¥173,889</b>	<b>¥175,746</b>	<b>¥1,857</b>	<b>¥208,365</b>	<b>¥209,818</b>	<b>¥1,453</b>

	Thousands of U.S. dollars		
	2011		
	Carrying amount	Fair value	Unrealized gains (losses)
Bonds	\$1,984,855	\$2,007,349	\$22,494
Japanese government bonds	1,611,534	1,628,290	16,756
Local government bonds	172,927	176,564	3,637
Corporate bonds	200,394	202,495	2,101
Other	106,418	106,261	(157)
<b>Total</b>	<b>\$2,091,273</b>	<b>\$2,113,610</b>	<b>\$22,337</b>

(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:

	Millions of yen					
	2011			2010		
	Carrying amount	Acquisition cost	Unrealized gains (losses)	Carrying amount	Acquisition cost	Unrealized gains (losses)
Stocks	¥36,056	¥37,513	¥(1,457)	¥44,062	¥42,005	¥2,056
Bonds	432,024	427,095	4,928	449,678	448,535	1,143
Japanese government bonds	154,567	153,599	968	222,271	224,193	(1,922)
Local government bonds	188,943	185,571	3,372	142,980	140,795	2,184
Corporate bonds	88,513	87,924	588	84,427	83,545	882
Other	232,816	238,880	(6,063)	243,223	252,278	(9,055)
<b>Total</b>	<b>¥700,897</b>	<b>¥703,488</b>	<b>¥(2,591)</b>	<b>¥736,964</b>	<b>¥742,819</b>	<b>¥(5,854)</b>

	Thousands of U.S. dollars		
	2011		
	Carrying amount	Acquisition cost	Unrealized gains (losses)
Stocks	\$433,628	\$451,153	\$(17,525)
Bonds	5,195,721	5,136,444	59,277
Japanese government bonds	1,858,897	1,847,253	11,643
Local government bonds	2,272,322	2,231,766	40,557
Corporate bonds	1,064,502	1,057,425	7,077
Other	2,799,961	2,872,882	(72,921)
<b>Total</b>	<b>\$8,429,310</b>	<b>\$8,460,479</b>	<b>\$(31,169)</b>

Available-for-sale securities with fair value that has declined significantly from the acquisition cost and for which there is deemed to be no likelihood of the fair value recovering to the acquisition cost level are recorded on the balance sheet at the said fair value. In addition, the difference between acquisition cost and fair value is posted as a loss in the consolidated accounts for the fiscal year in question (this process is known as “impairment accounting”). The impairment loss for the year ended March 31, 2011 was ¥964 million (\$11,604 thousand), of which equity shares composed the entirety. The impairment loss for the year ended March 31, 2010 was ¥6,695 million, of which equity shares accounted for ¥6,683 million and bonds ¥11 million.

The fair value of a security is classified as having fallen “significantly” from the acquisition cost when it falls below 70% of the said acquisition cost. Of securities that have fallen below their acquisition cost, impairment accounting 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, 2011 and 2010.

(d) Total sales of available-for-sale securities in the years ended March 31, 2011 and 2010 amounted to ¥505,163 million (\$6,075,322 thousand) and ¥460,300 million, respectively. The related gains and losses for the year ended March 31, 2011 amounted to ¥8,294 million (\$99,750 thousand) and ¥8,215 million (\$98,806 thousand), respectively. For the year ended March 31, 2010, the related gains and losses were ¥6,987 million and ¥3,693 million, respectively.

(e) Net unrealized gains and losses on available-for-sale securities as of March 31, 2011 and 2010 were as follows.

	Millions of yen		Thousands of U.S. dollars
	2011	2010	2011
Difference between acquisition cost and fair value:			
Available-for-sale securities	<b>¥3,258</b>	¥683	<b>\$39,184</b>
Deferred tax assets ( liabilities)	<b>(2,403)</b>	(2,557)	<b>(28,902)</b>
Difference between acquisition cost and fair value (prior to adjustment for minority interests)	<b>854</b>	(1,874)	<b>10,282</b>
Amount corresponding to minority interests	<b>(24)</b>	(23)	<b>(293)</b>
Net unrealized gains (losses) on available-for-sale securities	<b>¥830</b>	¥(1,897)	<b>\$9,989</b>

## 5. Loans and bills discounted

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

	Millions of yen		Thousands of U.S. dollars
	2011	2010	2011
Loans to borrowers legally bankrupt	¥3,953	¥6,024	\$47,547
Other delinquent loans	82,790	78,289	995,681
Loans past due over 3 months	54	424	652
Restructured loans	12,909	11,418	155,255
Total	¥99,708	¥96,157	\$1,199,135

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 ¥28,743 million (\$345,677 thousand) and ¥28,922 million at March 31, 2011 and 2010, respectively.

## 6. Accumulated depreciation for tangible fixed assets

Accumulated depreciation for tangible fixed assets at March 31, 2011 and 2010 was ¥42,044 million (\$505,642 thousand) and ¥41,783 million, respectively. The amount deducted from the acquisition cost of tangible fixed assets were ¥4,294 million (\$51,651 thousand) and ¥4,294 million at March 2011 and 2010, respectively.

## 7. Assets pledged as collateral

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

	Millions of yen		Thousands of U.S. dollars
	2011	2010	2011
Securities	¥151,923	¥135,523	\$1,827,102
Other assets	159	57	1,913
Total	¥152,082	¥135,580	\$1,829,015

The above pledged assets secured the following liabilities:

	Millions of yen		Thousands of U.S. dollars
	2011	2010	2011
Deposits	¥9,919	¥20,153	\$119,296
Borrowed money	-	4,000	-
Payable under securities lending transactions	48,882	25,755	587,883
Total.	¥58,801	¥49,908	\$707,179

In addition to the above pledged assets, securities pledged as collateral for transaction guarantees of foreign exchange and forward exchange at March 31, 2011 and 2010 were ¥70,210 million (\$844,383 thousand) and ¥69,419 million, respectively. Other assets included guarantee and leasehold deposits of ¥1,448 million (\$17,416 thousand) and ¥1,545 million at March 31, 2011 and 2010, respectively.

## 8. Deposits

Deposits at March 31, 2011 and 2010 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2011	2010	2011
Liquid deposits	¥1,420,557	¥1,363,011	\$17,084,270
Fixed-term deposits	1,861,195	1,820,214	22,383,586
Other deposits	76,937	86,973	925,289
Negotiable certificates of deposit	83,771	127,332	1,007,479
Total	¥3,442,461	¥3,397,531	\$41,400,624

## 9. 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, 2011 and 2010 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
	2011	2010	2011
Acquisition cost	¥2,610	¥3,131	\$31,391
Accumulated depreciation	1,582	1,517	19,032
Net book value	¥1,027	¥1,614	\$12,359

	Millions of yen		Thousands of U.S. dollars
	2011	2010	2011
Original lease obligations (including finance charges)	¥2,610	¥3,131	\$31,391
<b>Payments remaining:</b>			
Payments due within one year	¥329	¥395	\$3,960
Payments due after one year	698	1,218	8,398
Total	¥1,027	¥1,614	\$12,358

Lease payments under such leases for the years ended March 31, 2011 and 2010 were ¥355 million (\$4,280 thousand) and ¥397 million, respectively.

### (2) Operating leases

Future lease payments receivable, excluding interest, as of March 31, 2011 and 2010 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2011	2010	2011
Due within one year	¥7	¥7	\$85
Due after one year	15	22	183
Total	¥22	¥30	\$268

## 10. Borrowed money

The weighted average interest rate on the term-end balance of borrowed money was 2.60%. Borrowed money consisted of loans from other financial institutions. As of March 31, 2011, subordinated loans in the amount of ¥24,000 million (\$288,635 thousand) were included in borrowed money. Annual maturities of borrowed money and lease obligations as of March 31, 2011 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
2012	¥173	\$2,081	¥29	\$359
2013	139	1,681	28	347
2014	109	1,312	13	158
2015	1,019	12,266	2	34
2016	1,014	12,195	-	-
2017 and thereafter	23,000	276,608	-	-
Total	¥25,455	\$306,143	¥74	\$898

## 11. Bonds

As of March 31, 2011, Kiyo Bank had issued unsecured subordinated bonds as follows:

Issued	Due	Rate	Millions of yen	Thousands of U.S. dollars
March 2007	March 2017	3.03%	¥ 5,000	\$ 60,132
October 2009	October 2017	3.00%	3,000	36,080
December 2010	December 2020	1.94%	7,000	84,185
Total	-	-	¥15,000	\$180,397

## 12. Other income

For the years ended March 31, 2011 and 2010, other income included recoveries of written-off claims in the amount of ¥2,035 million (\$24,483 thousand) and ¥2,285 million, respectively.

## 13. Other expenses

For the years ended March 31, 2011 and 2010, other expenses included losses on the devaluation of stocks and other securities in the amount of ¥964 million (\$11,604 thousand) and ¥6,683 million, respectively, losses on loans written off amounting to ¥4,422 million (\$53,184 thousand) and ¥5,286 million, respectively, and losses on transfer/sale of loan obligations amounting to ¥94 million (\$1,132 thousand) and ¥536 million, respectively.

### Impairment loss

The Bank reduced the book value to the amounts deemed recoverable and posted the reduced amount of ¥894 million (\$10,755 thousand) and ¥7 million for the years ended March 31, 2011 and 2010, respectively. Details are as follows:

Location	Major use	Asset category	Impairment loss		
			2011	2010	2011
			Millions of yen		Thousands of U.S. dollars
Kiyo Bank:					
Wakayama Prefecture	Branches	Land	¥153	¥4	\$1,844
Wakayama Prefecture	Idle assets	Land	8	3	105
Wakayama Prefecture	Idle assets	Buildings	69	-	840
Osaka Prefecture	Idle assets	Buildings	18	-	217
Wakayama Prefecture	Idle assets	Movables	7	-	92
Osaka Prefecture	Idle assets	Movables	2	-	25
Wakayama Prefecture	Business assets	Movables, software	634	-	7,632
Total	-	-	¥894	¥7	\$10,755

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.

#### 14. 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, 2011 and 2010. The table below summarizes the significant differences between the statutory tax rate and the Company's effective tax rates for financial statement purposes for the years ended March 31, 2011 and 2010.

	2011	2010
Statutory tax rate	40.4%	40.4%
Adjustments:		
Amortization of goodwill and negative goodwill	5.7	18.8
Dividend income that is not taxable for income tax purposes	(2.2)	-
Decrease in valuation allowance	-	(15.4)
Other	(0.5)	(11.0)
Effective income tax rate	43.4%	32.8%

Significant components of the Company's and its consolidated subsidiaries' deferred tax assets and liabilities as March 31, 2011 and 2010 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2011	2010	2011
<b>Deferred tax assets:</b>			
Nondeductible reserve for possible loan losses	¥29,067	¥31,482	\$349,582
Write-down of securities	9,574	10,335	115,148
Operating loss carryforwards	8,478	10,127	101,971
Retirement benefits	8,065	8,450	97,003
Unrealized gains on available-for-sale securities	1,067	2,375	12,842
Other	7,550	6,924	90,804
Subtotal	63,805	69,695	767,350
Valuation allowance	(30,354)	(31,601)	(365,053)
Deferred tax assets	33,451	38,094	402,297
Deferred tax liabilities	(4,662)	(4,754)	(56,073)
Net deferred tax assets	¥28,788	¥33,339	\$346,224

### 15. Employees' severance and retirement benefits

The liabilities for employees' severance and retirement benefits included in the liability section of the consolidated balance sheets as of March 31, 2011 and 2010 consisted of the following:

	Millions of yen		Thousands of
	2011	2010	U.S. dollars
Projected benefit obligation	<b>¥(26,101)</b>	¥(26,306)	<b>\$(313,904)</b>
Unrecognized actuarial differences	<b>878</b>	(317)	<b>10,562</b>
Fair value of pension assets	<b>28,779</b>	28,858	<b>346,114</b>
Prepaid contribution	<b>3,585</b>	2,260	<b>43,119</b>
Liability for severance and retirement benefits	<b>¥(28)</b>	¥(25)	<b>\$(347)</b>

Included in the consolidated statements of income for the years ended March 31, 2011 and 2010 were severance and retirement benefit expenses comprising the following:

	Millions of yen		Thousands of
	2011	2010	U.S. dollars
Service costs — benefits earned during the year	<b>¥928</b>	¥947	<b>\$11,161</b>
Interest cost on projected benefit obligation	<b>525</b>	537	<b>6,321</b>
Expected return on plan assets	<b>(414)</b>	(385)	<b>(4,979)</b>
Amortization of actuarial differences	<b>(223)</b>	450	<b>(2,694)</b>
Other	<b>33</b>	31	<b>398</b>
Severance and retirement benefit expenses	<b>¥848</b>	¥1,581	<b>\$10,207</b>



## 16. Shareholders' equity

### (a) Capital stock

The number of shares of the Company's capital stock as of March 31, 2011 and 2010 was as follows:

	2011	2010
<b>Number of shares:</b>		
Authorized:		
Common	1,798,381,105	1,798,381,105
Preferred (Type 1)	123,734,000	123,734,000
Preferred (Type 2)	8,119,500	8,209,500
Preferred (Type 3)	6,000,000	6,000,000
Issued and outstanding:		
Common	741,215,810	741,129,195
Preferred (Type 2)	3,949,500	4,039,500
Preferred (Fourth Series Type 1)	45,000,000	45,000,000

#### Preferred stock

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

Annual dividends per share of preferred stock (Type 2 and Fourth Series Type 1) were paid to shareholders in the amount of ¥10.00 and ¥13.00, 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.

If there is a liquidation distribution, holders of preferred stock Type 2 and Fourth Series Type 1 will receive ¥500 and ¥700 per share, respectively, and will not have the right to participate in any further liquidation distribution. The Company may, at any time, purchase and retire Type 2 preferred stock out of earnings available for distribution to the shareholders. Holders of preferred stock may request the Company to convert their preferred stock into common stock. The conversion period and conversion price of each type of preferred stock are as follows:

Type	Conversion period	Conversion price
Type 2	October 1, 2006 to September 30, 2011*	Market price at October 1, 2006**
Fourth Series Type 1	October 1, 2011 to September 30, 2016	Market price at October 1, 2011

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

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

Conversion prices are reset and adjusted pursuant to the stated rules governing the conversion of preferred stock. Any preferred stock (Type 2 and Fourth Series Type 1) for which conversion has not been requested during the conversion period shall be mandatorily converted as of the date immediately following the last day of the conversion period (the "mandatory conversion date") into the common stock. The number of shares of common stock resulting from the conversion shall be determined by dividing the amount set forth below by the average closing price per share of common stock in regular transactions at the Tokyo Stock Exchange for the 30 consecutive trading days (excluding any day on which the closing price is not available) commencing on the 45th trading day preceding the mandatory conversion date. If the average price for Type 2 and Fourth Series Type 1 preferred stock is less than ¥519.50 and 50% of the initial acquisition price (market price at October 1, 2011), the preferred stock shall be converted into shares of common stock by dividing the corresponding amount set forth below by the relevant amount described above.

Preferred stock (Type 2): ¥500 per share

Preferred stock (Fourth Series Type 1): ¥700 per share

### (b) Retained earnings

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

The Law requires that an amount equal to 10% of dividends must be appropriated as a legal reserve (a component of retained earnings) or as additional paid-in capital (a component of capital surplus) depending on the equity account

charged upon the payment of such dividends until the total of aggregate amount of legal reserve and additional paid-in capital equals 25% of the capital stock. Under the Law, the total amount of additional paid-in capital and legal reserve may be reserved without limitation. The Law also provides that capital stock, legal reserve, additional paid-in capital, other capital surplus and retained earnings can be transferred among the accounts under certain conditions upon resolution of the shareholders.

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

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

Dividends are approved by the shareholders at a meeting held subsequent to the fiscal year 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.

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## 17. Per share information

	Yen		U.S. dollars
	2011	2010	2011
Net assets per share	¥177.31	¥168.08	\$2.132
Net income per share (basic)	8.29	7.06	0.100
Net income per share (diluted)	6.70	5.83	0.081

The calculation of basic and diluted net income per share for the years ended March 31, 2011 and 2010 was as follows:

	Millions of yen		Thousands of U.S. dollars
	2011	2010	2011
<b>Earnings per share:</b>			
Net income	¥6,637	¥5,836	\$79,830
Amount not available to common shareholders	579	625	6,969
Net income available to common shareholders	6,058	5,211	72,860
Average number of common shares during the term (thousands)	731,040	738,177	-
<b>Diluted earnings per share:</b>			
Reduction in net income	540	585	6,494
Increase in number of common shares (thousands)	254,032	256,662	-
Preferred shares (thousands)	254,032	256,662	-

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## 18. 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.

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## 19. Guarantee obligations for bonds

Guarantee obligations for privately placed bonds (Article 2, Clause 3 of the Financial Instruments and Exchange Law) stood at ¥14,507 million (\$174,471 thousand) and ¥13,588 million as of March 31, 2011 and 2010, respectively.

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## 20. Financial instruments and related disclosures

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

### 1. Disclosure about Financial Instruments

#### (1) Policy on financial instruments

The Group provides comprehensive financial services such as deposit-taking and lending services, electronic computing related services, leasing operations, credit card business and others. Since the Group is exposed to the market risk of fluctuations in interest rates arising from deposit-taking, lending services and securities investment operations, the Group conducts comprehensive asset and liability management (ALM) and, as part, 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 mainly consist 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 referred to 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, payable under securities lending transactions, borrowed money and bonds. Financial instruments that are affected by price fluctuation risk consists 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 the end of the year ended March 31, 2011 was ¥14,005 million (U.S.\$168,431 thousand) for interest rate risk and ¥12,679 million (U.S.\$152,483 thousand) for price fluctuation risk. 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 of March 31, 2011 and 2010 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		
	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)		
	<u>2,471,677</u>	<u>2,486,574</u>	<u>14,897</u>
<b>Total assets</b>	<b>¥3,634,387</b>	<b>¥3,651,142</b>	<b>¥16,754</b>
Deposits	¥3,442,461	¥3,446,766	¥4,304
Payable under securities lending transactions	52,168	52,165	(2)
Borrowed money	25,455	25,750	294
Bonds	15,000	15,074	74
<b>Total liabilities</b>	<b>¥3,535,085</b>	<b>¥3,539,756</b>	<b>¥4,670</b>
Derivative transactions (*2)			
Hedge accounting not applied	¥(154)	¥(154)	¥ -
Hedge accounting applied	837	837	-
<b>Total derivative transactions</b>	<b>¥682</b>	<b>¥682</b>	<b>¥ -</b>

	Millions of yen		
	2010		
	Carrying amount	Fair value	Unrealized gains (losses)
Cash and due from banks	¥62,121	¥62,121	¥ -
Call loans and bills bought	85,808	85,808	-
Securities:			
Held-to-maturity securities	208,365	209,818	1,453
Available-for-sale securities	737,411	737,411	-
Loans and bills discounted	2,445,529		
Reserve for possible loan losses (*1)	(29,415)		
	2,416,114	2,430,774	14,659
<b>Total assets</b>	<b>¥3,509,820</b>	<b>¥3,525,933</b>	<b>¥16,113</b>
Deposits	¥3,397,531	¥3,402,908	¥5,376
Borrowed money	34,748	34,514	(233)
Bonds	8,000	8,131	131
<b>Total liabilities</b>	<b>¥3,440,279</b>	<b>¥3,445,554</b>	<b>¥5,275</b>
Derivative transactions (*2)			
Hedge accounting not applied	¥(307)	¥(307)	¥ -
Hedge accounting applied	209	209	-
<b>Total derivative transactions</b>	<b>¥(97)</b>	<b>¥(97)</b>	<b>¥ -</b>

	Thousands of U.S. dollars		
	2011		
	Carrying amount	Fair value	Unrealized gains (losses)
Cash and due from banks	\$1,397,912	\$1,397,912	\$ -
Call loans and bills bought	2,080,244	2,080,244	-
Securities:			
Held-to-maturity securities	2,091,273	2,113,610	22,337
Available-for-sale securities	8,413,857	8,413,857	-
Loans and bills discounted	30,048,887		
Reserve for possible loan losses (*1)	(323,358)		
	29,725,529	29,904,687	179,158
<b>Total assets</b>	<b>\$43,708,815</b>	<b>\$43,910,310</b>	<b>\$201,495</b>
Deposits	\$41,400,624	\$41,452,393	\$51,769
Payable under securities lending transactions	627,399	627,370	(29)
Borrowed money	306,143	309,681	3,538
Bonds	180,397	181,294	897
<b>Total liabilities</b>	<b>\$42,514,563</b>	<b>\$42,570,738</b>	<b>\$56,175</b>
Derivative transactions (*2)			
Hedge accounting not applied	\$(1,854)	\$(1,854)	\$ -
Hedge accounting applied	10,067	10,067	-
<b>Total derivative transactions</b>	<b>\$8,213</b>	<b>\$8,213</b>	<b>\$ -</b>

(\*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 variable-interest JGBs, it has been judged that current market prices cannot be regarded as the fair value, and the value calculated on a reasonable basis is treated as the fair value.

The fair value of variable-interest JGBs is determined using the discounted present value of future cash flows generated from the variable interest JGBs, taking into consideration the value of zero-floor options as predicted by the convexity method and/or the Black-Scholes option model. The principal variables used in determining the JGB price are the JGB spot rate and the implied volatility of yen swaptions. The Company obtains this price from reliable bid-price providers and applies it after careful examination of its applicability to the Company's situation.

Notes concerning securities held by holding purposes are described at Note 3, "Trading account securities and securities."

#### **Loans and bills discounted**

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

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

For loans which have non-defined repayment due dates because of restricting the 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.

##### **Payable 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
	2011	2010	2011
Unlisted equity securities (*1) (*2)	¥2,536	¥1,860	\$30,504
Investment in partnerships (*3)	224	91	2,702
<b>Total</b>	<b>¥2,761</b>	<b>¥1,952</b>	<b>\$33,206</b>

(\*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 (\$2,416 thousand) and ¥38 million on unlisted equity securities for the years ended March 31, 2011 and 2010, respectively.

(\*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					
	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
<b>Total</b>	<b>¥959,189</b>	<b>¥624,957</b>	<b>¥401,886</b>	<b>¥324,372</b>	<b>¥539,516</b>	<b>¥638,185</b>

(\*) Loans and bills discounted do not include ¥99,708 million (\$1,199,135 thousand) of those due from bankrupt, effectively bankrupt or likely to become bankrupt borrowers whose repayment schedules cannot be estimated and ¥17,907 million (\$215,364 thousand) of those which have non-defined maturities.

	Millions of yen					
	2010					
	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	¥62,121	¥ -	¥ -	¥ -	¥ -	¥ -
Call loans and bills bought	85,808	-	-	-	-	-
Securities						
Held-to-maturity debt securities	30,995	12,975	21,076	35,800	34,000	70,000
Japanese government bonds	-	-	-	26,800	34,000	70,000
Municipal bonds	8,516	-	14,396	-	-	-
Corporate bonds	8,279	9,975	6,680	-	-	-
Other	14,200	3,000	-	9,000	-	-
Foreign securities	14,200	3,000	-	9,000	-	-
Available-for-sale securities with contract maturities	26,093	107,350	70,095	58,877	286,234	128,884
Japanese government bonds	-	-	2,100	-	151,500	70,000
Municipal bonds	165	10,962	18,939	15,161	94,348	1,000
Corporate bonds	11,928	13,388	19,261	9,161	8,611	21,442
Other	14,000	83,000	29,795	34,554	31,775	36,441
Foreign securities	14,000	83,000	29,795	34,554	31,775	36,441
Loans and bills discounted (*)	643,938	456,453	313,694	186,683	202,098	505,513
<b>Total</b>	<b>¥848,956</b>	<b>¥576,780</b>	<b>¥404,865</b>	<b>¥281,360</b>	<b>¥522,333</b>	<b>¥704,397</b>

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

	Thousands of U.S. dollars					
	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	\$1,397,912	\$ -	\$ -	\$ -	\$ -	\$ -
Call loans and bills bought	2,080,243	-	-	-	-	-
Securities						
Held-to-maturity debt securities	156,053	253,470	16,013	779,315	547,204	300,661
Japanese government bonds	-	-	6,013	719,182	547,204	300,661
Municipal bonds	-	173,133	-	-	-	-
Corporate bonds	119,974	80,337	-	-	-	-
Other	36,079	-	10,000	60,133	-	-
Foreign securities	36,079	-	10,000	60,133	-	-
Available-for-sale securities with contract maturities	205,114	1,271,567	1,008,652	1,049,287	3,295,523	954,192
Japanese government bonds	-	21,648	3,608	174,384	1,479,254	156,344
Municipal bonds	93,109	103,452	272,473	316,566	1,306,675	137,823
Corporate bonds	53,075	129,029	405,228	57,224	43,416	372,204
Other	58,930	1,017,438	327,343	501,113	466,178	287,821
Foreign securities	58,930	1,017,438	327,343	501,113	466,178	287,821
Loans and bills discounted (*)	7,696,336	5,990,983	3,808,609	2,072,452	2,645,749	6,420,258
Total	\$11,535,658	\$7,516,020	\$4,833,274	\$3,901,054	\$6,488,476	\$7,675,111

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

	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."

	Millions of yen					
	2010					
	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 (*)	¥2,773,042	¥501,843	¥122,644	¥ -	¥ -	¥ -
Borrowed money	4,160	256	1,331	14,000	15,000	-
Bonds	-	-	-	5,000	3,000	-
Total	¥2,777,203	¥502,100	¥123,975	¥19,000	¥18,000	¥ -

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

	Thousands of U.S. dollars					
	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 (*)	\$34,996,714	\$5,557,418	\$846,492	\$ -	\$ -	\$ -
Deposits received for securities lending transactions	555,734	71,665	-	-	-	-
Borrowed money	2,081	2,993	24,461	36,079	240,529	-
Bonds	-	-	-	96,212	84,185	-
Total	\$35,554,529	\$5,632,076	\$870,953	\$132,291	\$324,714	\$ -



## 21. 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 19, "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, 2011 and 2010 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							
	2011				2010			
	Contract amount		Fair value	Recognized gain (loss)	Contract amount		Fair Value	Recognized gain (loss)
Total	Over one Year	Total			Over one Year			
<b>Currency related:</b>								
Currency swaps	¥237,429	¥193,163	¥266	¥266	¥253,671	¥183,524	¥200	¥200
Forward foreign exchanges:								
Sell	24,322	-	(431)	(431)	20,505	-	(524)	(524)
Buy	2,458	-	11	11	2,329	-	16	16
Total	¥ -	¥ -	¥(154)	¥(154)	¥ -	¥ -	¥(307)	¥(307)

	Thousands of U.S. dollars			
	2011			
	Contract amount		Fair value	Recognized gain (loss)
Total	Over one year			
<b>Currency related:</b>				
Currency swaps	\$2,855,442	\$2,323,069	\$3,201	\$3,201
Forward foreign exchanges:				
Sell	292,510	-	(5,189)	(5,189)
Buy	29,567	-	134	134
Total	\$ -	\$ -	\$(1,854)	\$(1,854)

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		
			Total	Over one year	Fair value
Normal method	Currency swaps	Foreign currency denominated securities	2011		
			¥2,603	¥ -	¥467
Normal method	Currency swaps	Foreign currency denominated securities	Millions of yen		
			¥2,860	¥2,860	¥209

			Thousands of U.S. dollars		
			2011		
			Contract amount		
Hedge accounting method	Type	Major hedged item	Total	Over one year	Fair value
Normal method	Currency swaps	Foreign currency denominated securities	\$31,312	\$ -	\$5,627

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		
			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		
			2011		
			Contract amount		
Hedge accounting method	Type	Major hedged item	Total	Over one year	Fair value
Normal method	Forward transactions	Stocks	\$32,149	\$32,149	\$4,440

Fair value of the above table is based on closing market quotations on the Tokyo stock exchange at the end of the year. There were no stock related derivatives for the year ended March 31, 2010.

**22. 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 Kiyoo Bank Ltd., which operates 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 method for the reportable segments is the same as that 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 for 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, 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 of 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.

Segment information as of and for the fiscal year ended March 31, 2010 restated in conformity with the requirements of the current standard is as follows

	Millions of yen				
	2010				
	Banking business	Other business	Total	Reconciliation	Consolidated
<b>Ordinary income:</b>					
Outside customers	¥78,133	¥8,079	¥86,213	¥ -	¥86,213
Intersegment	476	4,492	4,969	(4,969)	-
<b>Total</b>	<b>78,610</b>	<b>12,572</b>	<b>91,183</b>	<b>(4,969)</b>	<b>86,213</b>
Segment profit	6,388	432	6,821	(194)	6,626
Segment assets	3,671,033	24,703	3,695,737	(22,663)	3,673,074
Segment liabilities	3,516,203	17,942	3,534,145	¥(19,972)	¥3,514,173
<b>Others</b>					
Depreciation	¥2,447	¥294	¥2,742	¥ -	¥2,742
Interest income	61,168	450	61,619	(205)	61,414
Interest expenses	10,290	188	10,478	(201)	10,276
Recoveries of written-off claims	1,803	482	2,285	-	2,285
Loss on disposal of fixed assets	51	2	53	-	53
Impairment loss	7	-	7	-	7
Income taxes	2,600	299	2,899	-	2,899
Increase in tangible and intangible fixed assets	5,774	128	5,902	-	5,902

For the year ended March 31, 2010

- 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				
	2011				
	Banking business	Other business	Total	Reconciliation	Consolidated
<b>Ordinary income:</b>					
Outside customers	\$951,076	\$97,883	\$1,048,959	\$ -	\$1,048,959
Intersegment	5,442	33,579	39,021	(39,021)	-
<b>Total</b>	<b>956,518</b>	<b>131,462</b>	<b>1,087,980</b>	<b>(39,021)</b>	<b>1,048,959</b>
Segment profit	130,292	5,282	135,574	(286)	135,288
Segment assets	45,343,232	303,413	45,646,645	(291,629)	45,355,016
Segment liabilities	43,403,305	215,475	43,618,780	(260,093)	43,358,687
<b>Others</b>					
Depreciation	\$47,197	\$2,300	\$49,497	\$ -	\$49,497
Interest income	732,340	4,604	736,944	(2,061)	734,883
Interest expenses	106,189	1,908	108,097	(2,014)	106,083
Recoveries of written-off claims	16,528	7,955	24,483	-	24,483
Loss on disposal of fixed assets	2,109	6	2,115	-	2,115
Impairment loss	10,755	-	10,755	-	10,755
Loss on adjustment for changes of accounting standard for asset retirement obligations	3,002	-	3,002	-	3,002
Income taxes	55,926	6,470	62,396	-	62,396
Increase in tangible and intangible fixed assets	39,624	7,946	47,570	-	47,570

(Additional information)

Effective April 1, 2010, the Company adopted “Accounting Standard for Disclosures about Segments of an Enterprise and Related Information” (ASBJ Statement No. 17, March 27, 2009) and “Guidance on Accounting Standard for Disclosures about Segments of an Enterprise and Related Information” (ASBJ Guidance No. 20, March 21, 2008).

**(d) Information about services**

	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			
	2011			
	Loan services	Securities investment	Other	Total
Ordinary income:				
Outside customers	\$555,541	\$280,094	\$213,324	\$1,048,959

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		
	2011		
	Reportable segment	Other	Total
Impairment loss	¥ 894	¥ -	¥ 894

	Thousands of U.S. dollars		
	2011		
	Reportable segment	Other	Total
Impairment loss	\$10,755	\$ -	\$10,755

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

Millions of yen

**2011**

	Reportable segment	Other	Total
Amortization for the year	¥ 1,679	¥ -	¥ 1,679
Unamortized portion	8,119	-	8,119

Thousands of U.S. dollars

**2011**

	Reportable segment	Other	Total
Amortization for the year	\$ 20,203	\$ -	\$ 20,203
Unamortized portion	97,647	-	97,647

**23. Related party transactions**

Significant transactions with the directors of the Company or related parties for the years ended March 31, 2011 and 2010 were as follows:

## Year ended March 31, 2011

Type	Name:	Occupation	Ownerships	Relationship	Transactions	Transaction amount (millions of yen)	Account	Outstanding balance (millions of yen)
*1	Hiroshi Nishi	Real estate leasing	0.01%, directly	Loans	Loan (Note 1)	¥-	Loans and bills discounted	¥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, 2010

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

## Year ended March 31, 2011

Type	Name:	Occupation	Ownerships	Relationship	Transactions	Transaction amount (thousands of U.S. dollars)	Account	Outstanding balance (thousands of U.S. dollars)
*1	Hiroshi Nishi	Real estate business	0.01%, directly	Loans	Loan (Note 1)	\$-	Loans and bills discounted	\$445
*2	Masahiro Ueno	Office worker	None	Loans	Loan (Note 1)	-	Loans and bills discounted	214
*3	Konda Kensetsu Co., Ltd.	Civil engineering	None	Loans	Loan (Note 1)	-	Loans and bills discounted	372

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

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

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

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

## 24. 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, 2011 and 2010 amounted to ¥325,402 million (\$3,913,445 thousand) and ¥306,332 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 ¥317,205 million (\$3,814,858 thousand) and ¥299,184 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.

## 25. Change in Net Assets

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

At March 31, 2011 and 2010, the number of shares was as follows:

	Thousands of shares				Notes
	2010	Increase	Decrease	2011	
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 is 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 is 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 (543 thousand shares) less than one unit, the purchase by "Trust Exclusive for Employee Stock Ownership Group" (332 thousand shares) and the requests from the consolidated subsidiaries for the purchase of common shares in exchange for preferred shares of the Company (19 thousand shares). The decrease in the number of common shares in treasury is due to the sales by "Trust Exclusive for Employees Stock Ownership Group" of common shares (2,123 thousand shares), the sales of the shares (244 thousand shares) by the consolidated subsidiaries 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 is due to the requests for the purchase of common shares in exchange for preferred shares and the decrease is due to the cancellation of shares.

### (b) Information on dividends

Dividends paid during the reporting term were as follows:

	Millions of	Yen	Thousands of	U.S. dollars
	yen	Cash dividends	U.S. dollars	U.S. dollars
	Amount of	per share	Amount of	Cash dividends
	dividends		dividends	per share
Common	¥2,221	¥ 3.00	\$26,721	\$0.036
Preferred (Fourth Series Type 1)	585	13.00	7,035	0.156
Preferred (Type 2)	40	10.00	486	0.120

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 reporting term and whose effective date (i.e. initial payment date) falls on a day after March 31, 2011 were as follows:

	Millions of	Yen	Thousands of	U.S. dollars
	yen		U.S. dollars	U.S. dollars
	Amount of	Cash dividends	Amount of	Cash dividends
	dividends	per share	dividends	per share
Common	<b>¥2,220</b>	<b>¥ 3.00</b>	<b>\$26,707</b>	<b>\$0.036</b>
Preferred (Fourth Series Type 1)	<b>540</b>	<b>12.00</b>	<b>6,494</b>	<b>0.144</b>
Preferred (Type 2)	<b>39</b>	<b>10.00</b>	<b>475</b>	<b>0.120</b>

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.

## 26. Comprehensive income

For the year ended March 31, 2010, other comprehensive income and comprehensive income were as follows:

	Millions of yen
	2010
Other comprehensive income:	
Net unrealized gains on available-for-sale securities	¥ 31,732
Net deferred losses on hedging instruments	(1)
Total other comprehensive income	¥ 31,731
Total comprehensive income attributable to:	¥ 37,682
Owners of the parent	37,549
Minority interests	133



## Independent Auditors' Report

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

We have audited the accompanying consolidated balance sheets of Kiyo Holdings, Inc. and its consolidated subsidiaries as of March 31, 2011 and 2010, the related consolidated statements of income and comprehensive income for the year ended March 31, 2011, statement of income for the year ended March 31, 2010, and statements of changes in net assets and cash flows for each of the years then ended expressed in Japanese yen. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to independently express an opinion on these consolidated financial statements based on our audits.

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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Kiyo Holdings, Inc. and its consolidated subsidiaries as of March 31, 2011 and 2010, and the results of their operations and their cash flows for the years then ended, in conformity with accounting principles generally accepted in Japan.

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2011 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*

*(KPMG AZSA LLC)*  
Osaka, Japan  
June 27, 2011