

ANNUAL REPORT

For the year ended March 31, 2009



MINATO BANK 2009



MINATO BANK

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CORPORATE DATA

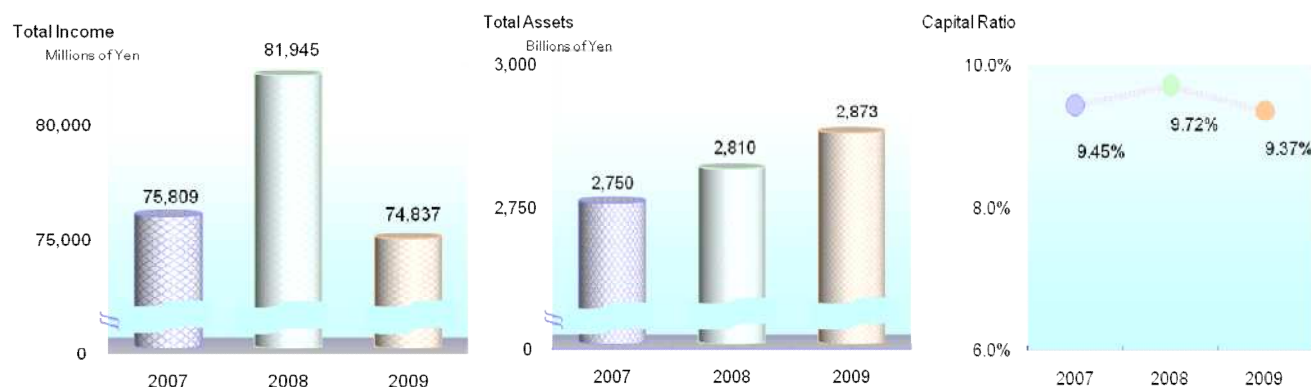
Company Name:	The Minato Bank, Ltd.
Head Office:	1-1, Sannomiya-cho 2-chome, Chuo-ku, Kobe, Hyogo, 651-0193, Japan Phone: 078-331-8141 URL: http://www.minatobk.co.jp
Authorized Shares:	1,000 million shares
Outstanding Shares:	410,940 thousand shares
Stated Capital:	27.4 billion yen
Number of Shareholders:	10,236
Date of Incorporation:	September 1949 (Company name was changed to The Minato Bank, Ltd. in April 1999.)
Domestic Network:	108 locations (Hyogo:103, Osaka:4, Tokyo:1)
Number of Employees:	2,020
Stock Listings:	The 1st sections of the Tokyo Stock Exchange and the Osaka Securities Exchange
Credit Rating:	Long-term senior debt rating: A - (Japan Credit Rating Agency, Ltd.) Moody's long-term deposit rating: Aa2 (Moody's Investors Service)

CONSOLIDATED FINANCIAL HIGHLIGHTS

The Minato Bank, Ltd. and Subsidiaries
Years Ended March 31, 2009, 2008 and 2007

	Millions of Yen			Thousands of U.S. Dollars (Note 1)
	2009	2008	2007	2009
FOR THE YEAR:				
Total income	¥ 74,837	¥ 81,945	¥ 75,809	\$ 761,855
Total expenses	84,731	74,227	64,224	862,578
Income (loss) before Income taxes and minority interests	(9,894)	7,718	11,585	(100,723)
Net income (loss)	(9,313)	5,758	6,949	(94,808)
AT YEAR-END:				
Total assets	¥ 2,872,917	¥ 2,810,282	¥ 2,749,716	\$ 29,246,839
Deposits	2,621,067	2,585,398	2,535,197	26,682,958
Loans and bills discounted	2,246,432	2,232,654	2,164,684	22,869,103
Investment securities	467,716	380,881	397,056	4,761,437
Minority interests	613	795	977	6,241
Common stock	27,484	27,484	27,484	279,792
Total equity	88,722	99,853	100,074	903,207
Capital ratio	9.37%	9.72%	9.45%	

Note1: U.S. dollar amounts represent translation of Japanese Yen at the rate of ¥98.23 to US\$1.00 on March 31, 2009, the final business day of term.



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

Celebrating Our 10th Anniversary with Gratitude Together with the Region for the Years to Come



Nobuhiro Yabumoto, President

Celebrating Our 10th Anniversary with Gratitude

On April 1, 2009, Minato Bank celebrated its 10th anniversary of its inception. We wish to express our sincere gratitude and appreciation for the patronage and support of our customers, the people in the region, shareholders and many others, to which we owe this achievement.

During the year ended March 31, 2009, the financial crisis which originated in the U.S. and Europe spread to Japan, and the Japanese economy suffered a steep downturn in the second half of the year. Under such circumstances, while we were able to maintain our core banking profits at more than 20 billion yen, supported by steady increases in housing and other loans and deposits, we recorded a net loss of 8.8 billion yen, mainly due to an increase in credit related costs caused by the deteriorated business conditions of our customers.

Based on these result, we have not only started reinforcement of our credit review system and further review of costs, but also have been implementing various measures including further development of new corporate customers, reinforcement of our solution-based sales system, enhancement of our product portfolios for loans and trustee assets of individual customers. Through these measures, we will strive for an early recovery of our business performance, to reinforce our revenue and financial foundations, to fulfill the expectations of everyone.

Looking Toward a New Decade - To the Next Stage -

In our Mid-term Management Plan "MINATO 10" started in the year ended March 31, 2009, we have made the three-year period covered by the Plan as "a foundation-building period for our Bank to be truly regarded as the 'Region's Trusted Core Bank' for our customers, the people in our region, shareholders and employees."

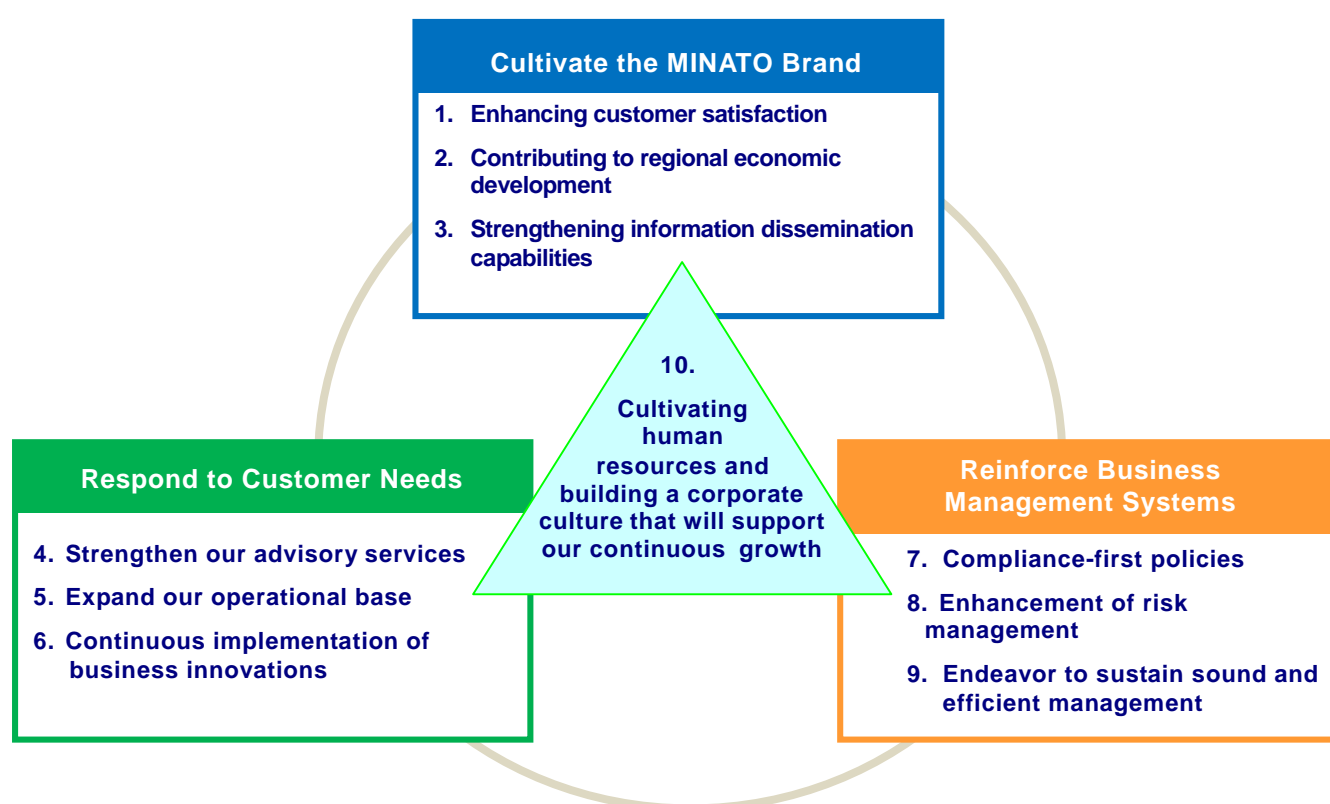
With the business environment expected to remain challenging for some time, we realize such an environment provides a good opportunity to enhance our relationship of trust with our customers. With such recognition, we return to our management philosophy "The Bank Exists and Prospers Together with the People in the Region" and continue to steadily implement the "10 Commitments (initiatives)" stated in the Plan.

Looking toward a new decade, we will strive with the collective force of management and employees not only of our Bank but also of our Group companies to make Minato Bank regarded as a "Bank indispensable to our region" by as many customers as possible.

Nobuhiro Yabumoto, President

Mid-Term Management Plan "MINATO 10"

Slogan	"MINATO 10" - To the Next Stage
Period	April 1, 2008 to March 31, 2011
Description	"Three years to build the foundation for becoming the 'Region's Trusted Bank' by customers, the region, shareholders and employees."
Major Goals	"Three Major Goals" and "10 Commitments (major Initiatives)" for their implementation



Key Planning Indicators (Non-consolidated)

Category	FY 2009 (Actual)	FY 2011 (Projected)
Core banking profit	¥ 20.4 billion	¥ 24.0 billion
Net income (loss)	(¥ 8.8 billion)	¥ 8.0 billion
OHR (Note 1)	61.44%	Below 60%
Capital ratio (consolidated) (Note 2)	9.37%	About 10%

(Note1) Expenses ÷ core gross banking profit
(gross banking profits excluding gains (losses) on bonds).

(Note2) Capital policies, etc., are not considered in the Capital ratio.

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

Corporate Governance

Basic Concept for Corporate Governance

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

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

Management Philosophy

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

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

Principles of Conduct (Corporate Ethics)

Awareness of the public nature and social responsibility of the Bank

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

Fully customer-focused

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

Sincere and fair conduct

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

Contributing to and harmony with regional communities

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

Respect for humanity

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

Corporate Governance Structure

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

Board of Directors

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

Board of Corporate Auditors

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

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

Management Committee

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

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

Committees

Compliance Committee

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

Credit Risk Management Committee

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

Asset and Liability Management (ALM) Committee

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

Operational Risk Management Committee

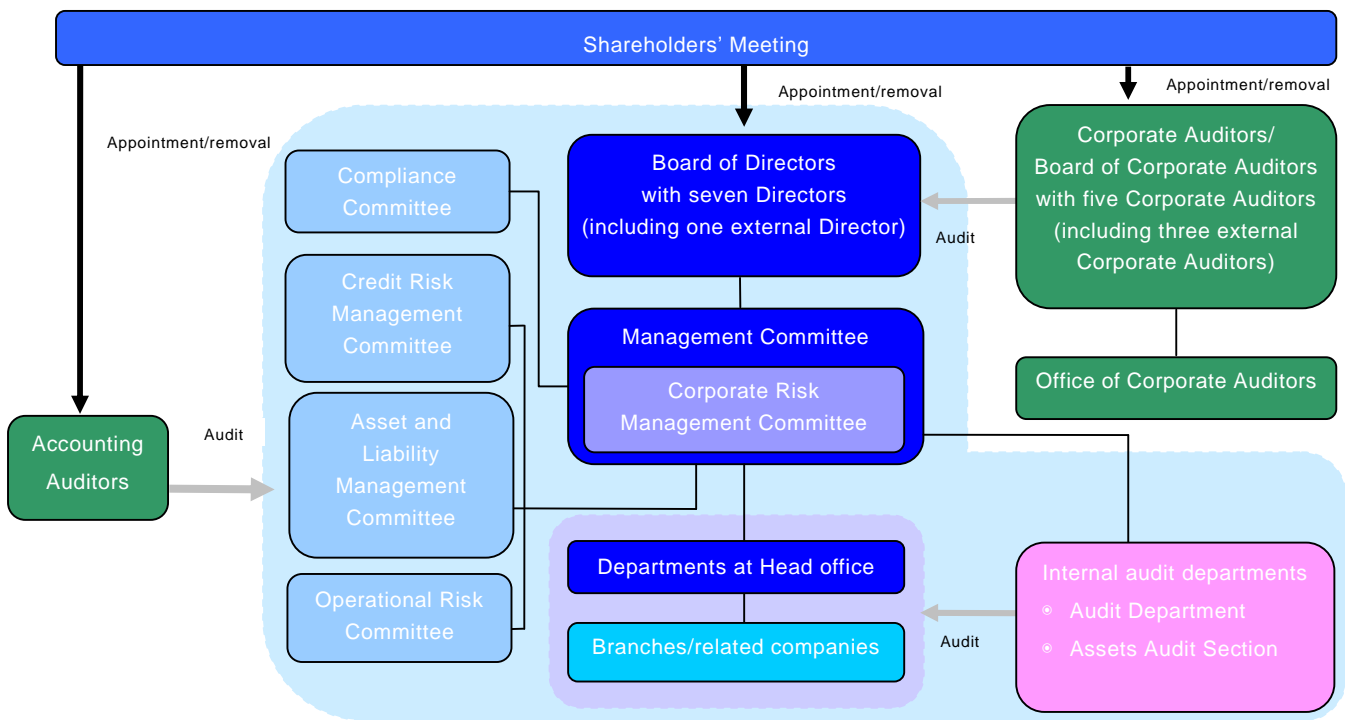
The Operational Risk Management Committee in principle meets once a month, and analyzes and communicates operational risk related information (improper or non-functioning internal processes, staff or systems, or risk of losses related to external occurrences), discusses and considers various measures required to reduce operational risks, analyzes the causes of operational risk exposure incidents, and discusses and considers measures to prevent the reoccurrence of such incidents and potential risk exposure.

Internal Audit

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

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

Corporate Governance Structure



Corporate Social Responsibility (CSR)

CSR Initiatives

Basic Policy for CSR

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

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

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

Focal Point for CSR Initiatives

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

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

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

Compliance System

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

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

1. Establishment of the Legal Compliance Department

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

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

2. Appointment of Administrative Compliance Officer

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

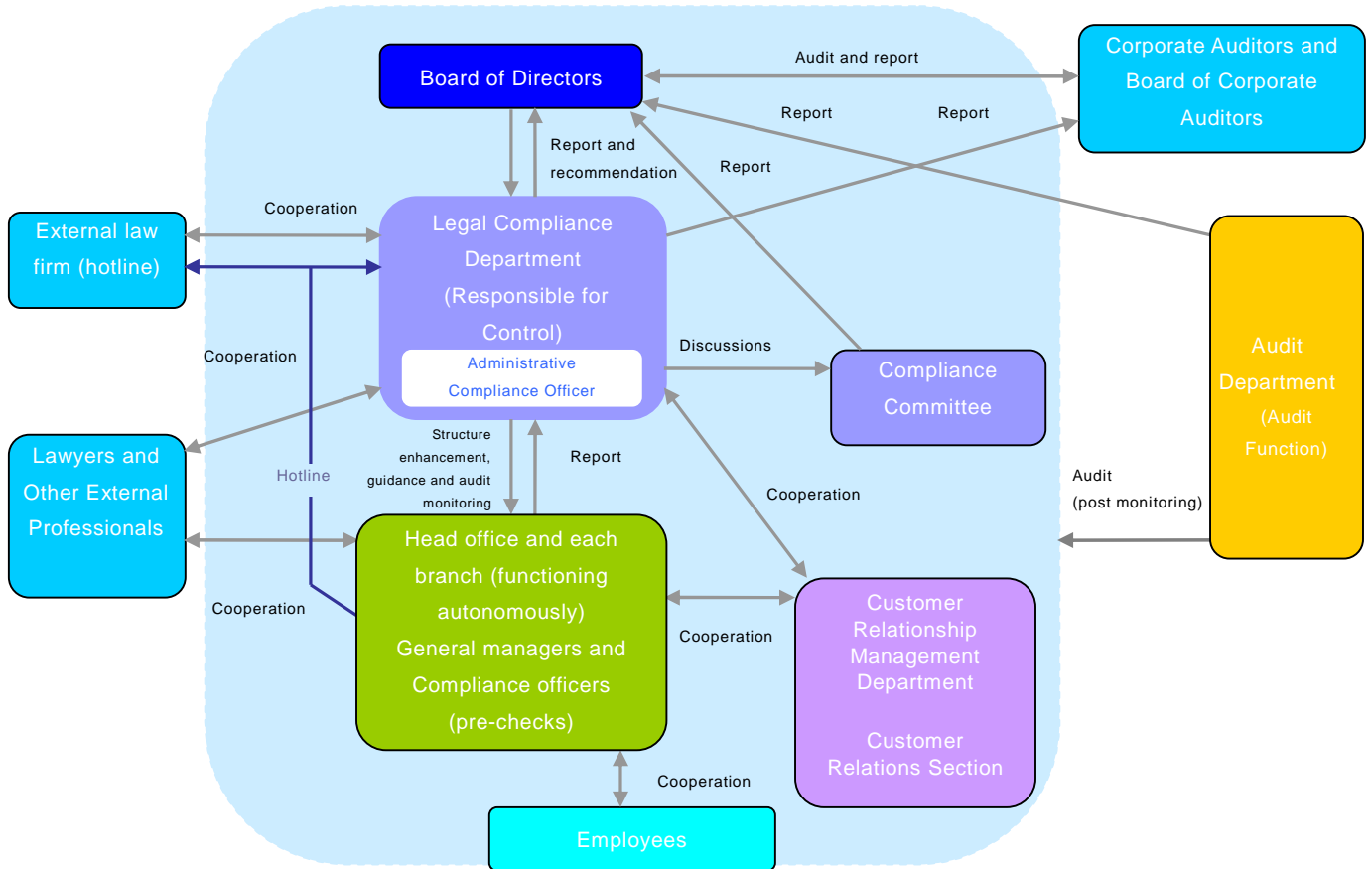
A compliance officer has been appointed for each of the above locations, and is required to prevent anti-compliance conduct and detect the occurrence of such conduct in its early stages.

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

3. Establishment of the Compliance Committee

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

The Bank's Compliance System



Implementing Compliance at the Bank

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

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

Principles of Conduct at the Bank

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

Guidance of Conduct for Officers and Employees

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

Risk Management Structure

Banks are facing increasingly diversified and complicated risks due to their expanding scope of operations and financial technology innovations. It is therefore of utmost importance to accurately monitor and properly control these risks to maintain and improve sound banking management.

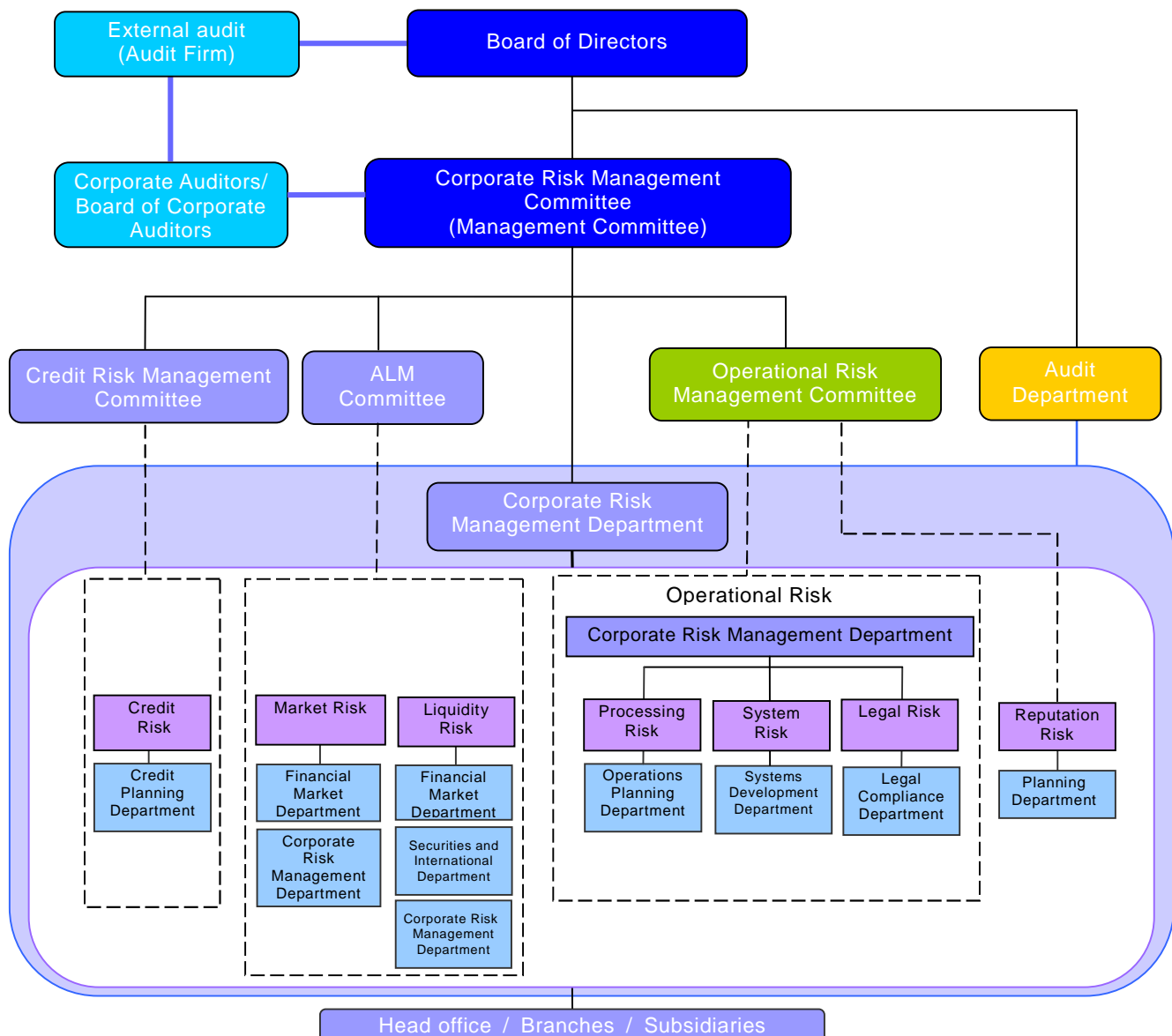
The establishment of a risk management structure is positioned as one of the most critical management issues at our Bank. We have established departments and sections in charge of risk management by risk type and monitor a range of risks in a precise manner. We also established the Corporate Risk Management Department which is responsible for overview and managing different risks in an integrated manner with the aim of reinforcing our structure to comprehensively manage and control various risks.

As organs to deliberate and determine matters related to risk management, we established the Corporate Risk

Management Committee and its three committees: the Credit Risk Management Committee, the Asset and Liability Management (ALM) Committee and the Operational Risk Management Committee. The Corporate Risk Management Committee identifies and assesses the condition of bank-wide risks and deliberates and determines countermeasures and policies, while each committee identifies and assesses each risk on a cross-sectional and uniform basis and deliberates and determines countermeasures and policies.

As an internal audit organization operating independently from other departments, the Audit Department reviews and checks the status of business operations and risk management of the head office, branches and subsidiaries. We also have an external audit system led by an independent audit firm.

Risk Management System



1. Credit Risk Management

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

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

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

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

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

consideration of bad debt conditions, and account for write-offs and reserves based on estimates to maintain the asset soundness.

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

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

In our effort to maintain soundness of assets, we installed the Credit Review and Audit Section under the Audit Department which operates independently from the credit related departments. We also established a system to check the accuracy of the credit ratings and self-assessments as well as the condition of credit review operations.

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

2. Operational Risk Management

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

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

examine various risk conditions from a companywide viewpoint and deliberate and determine policies and measures on a regular basis.

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

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

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

Processing and Systems Risk Management

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

We promote streamlining and head-office centralized processing operations, and provide group training and on-site guidance offered by the Operations Planning Department to reduce processing risks and improve the level of processing ability. Moreover, the Audit Department periodically conducts branch field audits while head office and branches perform self-inspections to prevent accidents

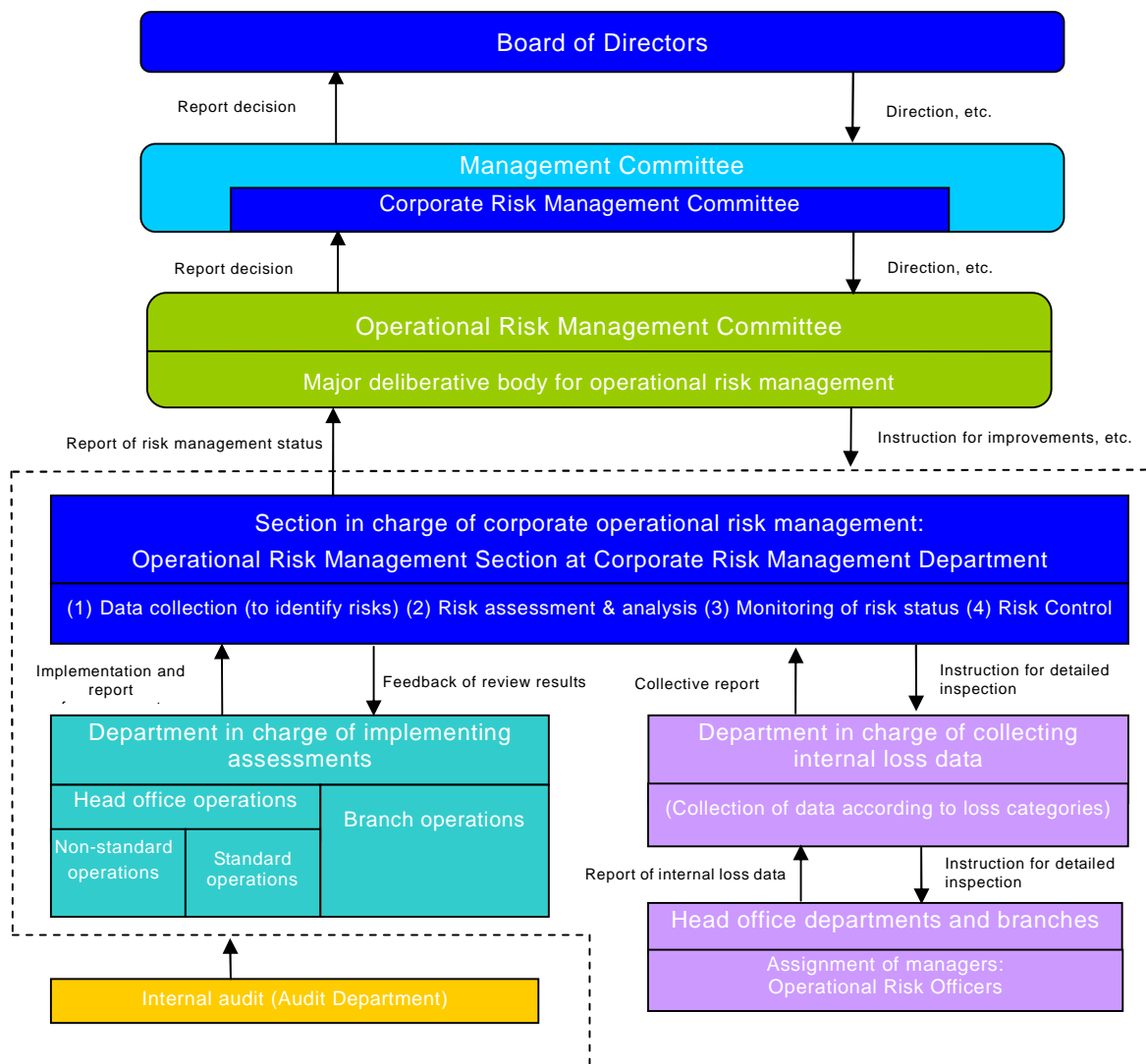
and fraud from occurring.

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

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

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

Operational Risk Management Structure



3. Market and Liquidity Risk Management

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

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

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

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

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

With respect to liquidity risk, we place the highest priority on cash-flow security, and periodically set and manage funding gap limits^{(*)3}. We developed the Contingency Plan for Liquidity Emergency prescribing an emergency action plan, and take all possible measures for maintaining a system that ensures our operating transactions are not

hindered in the event of market confusion, by holding sufficient assets easily convertible to cash, such as government bonds.

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

Issues and results considered and discussed by the ALM Committee are regularly reported to the Corporate Risk Management Committee.

(*1) Risk capital limit

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

(*2) Value at Risk (VaR)

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

(*3) Funding gap

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

4. Reputation Risk Management

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

We endeavor to disclose information to our stakeholders such as customers, regional communities, shareholders,

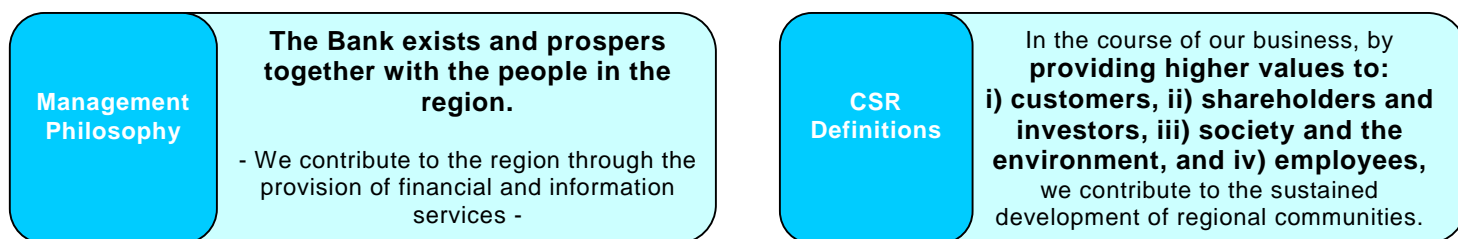
investors and employees in a timely and appropriate manner through constant and active promotion of public and investor relation activities and increased management transparency to minimize reputation risk exposure.

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

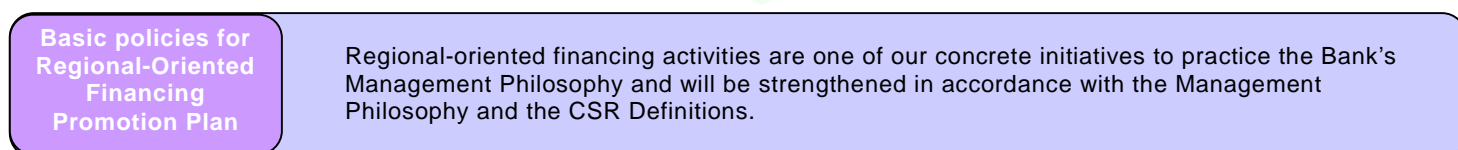
Basic Policy for the Promotion of Regional-Oriented Financing

We established the “Basic Policy for Regional-Oriented Financing Promotion Plan” and three focal points: 1) to strengthen customer support matched to corporate customer life cycles, 2) application of financial methods based on determined business value and financing methods suitable for small and medium enterprises and 3) contributing to sustainable development of the regional economy by using accumulated regional information, and have been advancing the promotion of regional-oriented financing.

Also, our Mid-term Management Plan (April 2008 through March 2011) established last year with the slogan “MINATO 10 - To the Next Stage,” we listed “contributing to regional economic development” as one of our “10 Commitments (major initiatives)” to accomplish the Three Major Goals of “Cultivate the MINATO brand,” “Respond to Customer Needs,” and “Reinforce Business Management Systems” and intend to proactively advance the “Promotion of Regional-Oriented Financing.”



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



Focal Points

To make contributions continuously to regional communities, we will strengthen our regional-oriented financing activities with an emphasis on the three categories described below:

1. To strengthen customer support matched to corporate customer life cycles

Support matched to our corporate customer life cycles is an essential factor for regional-oriented financing activities.

We will strengthen our support in connection with new enterprises and businesses, operational improvement, business revitalization and business succession.

2. Application of financial methods based on determined business value and financing methods suitable for small and medium enterprises

To provide loans based on determined business values of corporate customers is a basic policy in pursuing regional-based financing.

We will promote financing without excessive reliance on real-estate collateral and personal guarantees, and use a variety of methods for providing funds.

3. Contributing to sustainable development of the regional economy by using our accumulated regional information

To stimulate the whole regional economy and sustain growth, "individual" cases of business revitalization is insufficient; simultaneous integrated "region-wide" business revitalization is needed.

We will work hard for the regional economy, not only by serving as a fund provider but also with our sights set on stimulating the entire region.

CONSOLIDATED BALANCE SHEETS

The Minato Bank, Ltd. and Subsidiaries
As of March 31, 2009 and 2008

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2009	2008	2009
ASSETS:			
Cash and due from banks (Note 3)	¥ 43,514	¥ 49,025	\$ 442,981
Call loans and bills bought	28,323	9,948	288,334
Receivables under securities borrowing transactions		39,875	
Monetary claims bought	6,138	6,755	62,486
Trading account securities (Note 25)	513	459	5,222
Securities (Notes 4, 10 and 25)	467,716	380,881	4,761,437
Loans and bills discounted (Notes 5 and 11)	2,246,432	2,232,654	22,869,103
Foreign exchanges (Note 6)	5,565	4,971	56,653
Lease receivables and investment assets	6,855		69,785
Other assets (Notes 7 and 10)	30,536	30,697	310,862
Tangible fixed assets (Note 8)	35,039	41,984	356,704
Intangible fixed assets	3,756	4,472	38,237
Deferred tax assets (Note 24)	19,154	18,555	194,991
Customers' liabilities for acceptances and guarantees (Note 16)	18,103	20,755	184,292
Allowance for loan losses	(38,727)	(30,749)	(394,248)
TOTAL ASSETS	¥ 2,872,917	¥ 2,810,282	\$ 29,246,839
LIABILITIES:			
Deposits (Notes 10, 12 and 27)	¥ 2,621,067	¥ 2,585,398	\$ 26,682,958
Call money and bills sold (Note 10)	1,000		10,180
Payables under securities lending transactions (Note 10)	16,096		163,860
Borrowed money (Notes 13 and 27)	57,595	57,956	586,328
Foreign exchanges (Note 6)	105	117	1,069
Bonds payable (Note 14)	5,000	5,000	50,901
Other liabilities (Notes 10 and 15)	59,785	35,700	608,623
Provision for bonuses	791	1,028	8,053
Provision for retirement benefits (Note 23)	3,842	3,535	39,112
Provision for directors' retirement benefits	235	290	2,392
Provision for reimbursement of deposits	576	650	5,864
Acceptances and guarantees (Note 16)	18,103	20,755	184,292
Total liabilities	2,784,195	2,710,429	28,343,632
EQUITY (Note 17):			
Capital stock, authorized, 900,000,000 shares; issued, 410,940,977 shares as of March 31, 2009 and 2008	27,484	27,484	279,792
Capital surplus	49,484	49,484	503,756
Retained earnings	11,704	22,659	119,149
Valuation difference on available-for-sale securities	(512)	(403)	(5,212)
Deferred gains or losses on hedges	70	(51)	713
Treasury stock - at cost 449,973 shares and 412,954 shares as of March 31, 2009 and 2008, respectively	(121)	(115)	(1,232)
Total	88,109	99,058	896,966
Minority interests	613	795	6,241
Total net assets	88,722	99,853	903,207
TOTAL LIABILITIES AND NET ASSETS	¥ 2,872,917	¥ 2,810,282	\$ 29,246,839

See Notes to Consolidated Financial Statements.

CONSOLIDATED STATEMENTS OF INCOME

The Minato Bank, Ltd. and Subsidiaries
Years Ended March 31, 2009 and 2008

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2009	2008	2009
ORDINARY INCOME :			
Interest income:			
Interest on loans and discounts	¥ 49,788	¥ 50,410	\$ 506,852
Interest and dividends on securities	4,580	3,541	46,625
Other interest income	1,022	1,002	10,404
Fees and commissions	12,138	15,095	123,567
Other ordinary income (Note 18)	5,538	7,647	56,378
Other income (Note 19)	1,771	4,250	18,029
Total income	74,837	81,945	761,855
ORDINARY EXPENSES :			
Financing expenses:			
Interest on deposits	6,630	6,489	67,495
Interest on borrowings and rediscounts	1,682	1,490	17,123
Other Financing expenses	332	309	3,380
Fees and commissions payments	3,209	2,990	32,668
Other ordinary expenses (Note 20)	2,604	6,703	26,509
General and administrative expenses	35,242	34,327	358,771
Other expenses (Notes 9 and 21)	35,032	21,919	356,632
Total expenses	84,731	74,227	862,578
INCOME(LOSS) BEFORE INCOME TAXES AND MINORITY INTERESTS	(9,894)	7,718	(100,723)
INCOME TAXES (Note 24):			
Current	175	1,768	1,781
Deferred	(593)	330	(6,037)
MINORITY INTERESTS IN LOSS	(163)	(138)	(1,659)
NET INCOME(LOSS)	¥ (9,313)	¥ 5,758	\$ (94,808)

	Yen		U.S. Dollars
	2009	2008	2009
PER SHARE INFORMATION (Note 28):			
Basic net income (loss)	¥ (22.68)	¥ 14.02	\$ (0.23)
Cash dividends applicable to the year	-	4.00	-

See Notes to Consolidated Financial Statements.

CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS

The Minato Bank, Ltd. and Subsidiaries
Years Ended March 31, 2009 and 2008

	Thousands	Millions of Yen			
	Outstanding Number of Shares of Capital stock	Capital stock	Capital Surplus	Retained Earnings	Valuation difference on available-for-sale securities
Balance as of April 1, 2007	410,552	¥ 27,484	¥ 49,484	¥ 18,544	¥ 4,014
Net income				5,758	
Dividends from surplus				(1,643)	
Purchase of treasury stock	(24)				
Total changes of items during the period					(4,417)
Balance as of March 31, 2008	410,528	27,484	49,484	22,659	(403)
Net loss				(9,313)	
Dividends from surplus				(1,642)	
Purchase of treasury stock	(37)				
Total changes of items during the period					(109)
Balance as of March 31, 2009	410,491	¥ 27,484	¥ 49,484	¥ 11,704	¥ (512)

	Millions of Yen				
	Deferred gains or losses on hedges	Treasury Stock	Total	Minority Interests	Total net assets
Balance as of April 1, 2007	¥ (320)	¥ (109)	¥ 99,097	¥ 977	¥ 100,074
Net income			5,758		5,758
Dividends from surplus			(1,643)		(1,643)
Purchase of treasury stock		(6)	(6)		(6)
Total changes of items during the period	269		(4,148)	(182)	(4,330)
Balance as of March 31, 2008	(51)	(115)	99,058	795	99,853
Net loss			(9,313)		(9,313)
Dividends from surplus			(1,642)		(1,642)
Purchase of treasury stock		(6)	(6)		(6)
Total changes of items during the period	121		12	(182)	(170)
Balance as of March 31, 2009	¥ 70	¥ (121)	¥ 88,109	¥ 613	¥ 88,722

See Notes to Consolidated Financial Statements.

CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS

The Minato Bank, Ltd. and Subsidiaries
Years Ended March 31, 2009 and 2008

	Thousands of U.S. Dollars (Note 1)			
	Capital stock	Capital Surplus	Retained Earnings	Valuation difference on available-for-sale securities
Balance as of March 31, 2008	\$ 279,792	\$ 503,756	\$ 230,673	\$ (4,102)
Net loss			(94,808)	
Dividends from surplus			(16,716)	
Purchase of treasury stock				
Total changes of items during the period				(1,110)
Balance as of March 31, 2009	\$ 279,792	\$ 503,756	\$ 119,149	\$ (5,212)

	Thousands of U.S. Dollars (Note 1)				
	Deferred gains or losses on hedges	Treasury Stock	Total	Minority Interests	Total net assets
Balance as of March 31, 2008	\$ (519)	\$ (1,171)	\$ 1,008,429	\$ 8,093	\$ 1,016,522
Net loss			(94,808)		(94,808)
Dividends from surplus			(16,716)		(16,716)
Purchase of treasury stock		(61)	(61)		(61)
Total changes of items during the period	1,232		122	(1,852)	(1,730)
Balance as of March 31, 2009	\$ 713	\$ (1,232)	\$ 896,966	\$ 6,241	\$ 903,207

See Notes to Consolidated Financial Statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

The Minato Bank, Ltd. and Subsidiaries
Years Ended March 31, 2009 and 2008

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2009	2008	2009
OPERATING ACTIVITIES:			
Income (loss) before income taxes and minority interests	¥ (9,894)	¥ 7,718	\$ (100,723)
Depreciation and amortization	2,840	5,436	28,912
Impairment loss	227		2,311
Increase (decrease) in Allowance for loan losses	31,346	17,632	319,108
Increase (decrease) in Provision for bonuses	(237)	83	(2,413)
Increase (decrease) in Provision for retirement benefits	307	385	3,125
Decrease (increase) in prepaid pension costs	171	(400)	1,741
Increase (decrease) in Provision for directors' retirement benefits	(56)	74	(570)
Increase (decrease) in Provision for reimbursement of deposits	(74)	650	(753)
Gain on fund management	(55,391)	(54,952)	(563,891)
Financing expenses	8,645	8,288	88,008
Loss (gain) related to securities	(141)	(637)	(1,435)
Foreign exchange (gains) losses	(94)	229	(957)
Loss (gain) on disposal of noncurrent assets	696	591	7,085
Net decrease (increase) in Trading account securities	(54)	244	(550)
Net decrease (increase) in loans and bills discounted	(36,903)	(79,311)	(375,680)
Net increase (decrease) in deposit	36,120	50,629	367,708
Net increase (decrease) in borrowed money (excluding subordinated borrowings)	(361)	204	(3,675)
Net decrease (increase) in interest-bearing deposit	51	87	519
Net decrease (increase) in call loans	22,117	(27,323)	225,155
Net increase (decrease) in call money	1,000		10,180
Net increase (decrease) in payables under securities lending transactions	16,096		163,860
Net decrease (increase) in foreign exchanges (assets)	(594)	756	(6,047)
Net increase (decrease) in foreign exchanges-liabilities	(12)	61	(122)
Net decrease (increase) in lease receivables and investment assets	166		1,690
Proceeds from fund management	55,427	56,113	564,257
Payments for finance	(8,352)	(7,029)	(85,025)
Other, net	1,022	(482)	10,406
Subtotal	64,068	(20,954)	652,224
Income taxes paid	(2,450)	(319)	(24,941)
Net cash provided by (used in) operating activities	61,618	(21,273)	627,283
INVESTING ACTIVITIES:			
Purchases of Securities	(613,841)	(757,532)	(6,249,018)
Proceeds from sales of Securities	359,464	241,965	3,659,412
Proceeds from redemptions of Securities	191,367	529,350	1,948,152
Purchase of tangible fixed assets	(1,576)	(3,556)	(16,044)
Proceeds from sales of tangible fixed assets	380	1,496	3,869
Purchase of intangible fixed assets	(1,243)	(1,621)	(12,654)
Net cash (used in) provided by investing activities	(65,449)	10,102	(666,283)
FINANCING ACTIVITIES:			
Cash dividends paid	(1,640)	(1,640)	(16,696)
Purchase of treasury stock	(6)	(6)	(61)
Net cash used in financing activities	(1,646)	(1,646)	(16,757)
EFFECT OF EXCHANGE RATE CHANGE ON CASH AND CASH EQUIVALENTS			
	16	(13)	163
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(5,461)	(12,830)	(55,594)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	48,822	61,652	497,017
CASH AND CASH EQUIVALENTS AT END OF PERIOD (Note 3)	¥ 43,361	¥ 48,822	\$ 441,423

See Notes to Consolidated Financial Statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

The Minato Bank, Ltd. and Subsidiaries
Years Ended March 31, 2009 and 2008

1. BASIS OF PRESENTING CONSOLIDATED FINANCIAL STATEMENTS

The accompanying consolidated financial statements of The Minato Bank, Ltd. (the "Bank") and its subsidiaries have been prepared in accordance with the provisions set forth in the Japanese Financial Instruments and Exchange Act and its related accounting regulations and the Enforcement Regulation for the Banking Act and in conformity with accounting principles generally accepted in Japan, which are different in certain respects as to application and disclosure requirements of International Financial Reporting Standards.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**a. Consolidation**

The consolidated financial statements include the accounts of the Bank and all (13 subsidiaries in 2009 and in 2008) of its subsidiaries (together, the "Group"). Under the control concept, those companies in which the Bank, directly or indirectly, is able to exercise control over operations are fully consolidated.

All significant intercompany balances and transactions have been eliminated in consolidation. All material unrealized profit included in assets resulting from transactions within the Group is eliminated.

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

b. Consolidated Subsidiaries' Fiscal Year-End

Fiscal years of 8 consolidated subsidiaries ended on March 31, 2009 and 2008, while 5 others ended on December 31, 2009 and 2008. Significant transactions between December 31 and March 31 are adjusted in consolidation.

c. Cash Equivalents

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

d. Trading account securities

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

The accompanying consolidated financial statements are stated in Japanese yen, the currency of the country in which the Bank is incorporated and operates.

The translations of Japanese yen amounts into U.S. dollar amounts are included solely for the convenience of readers outside Japan and have been made at the rate of ¥98.23 to \$1, the approximate rate of exchange at March 31, 2009, the final business day of the term. Such translations should not be construed as representations that the Japanese yen amounts could be converted into U.S. dollars at that or any other rate.

consolidated statements of income.

e. Securities

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

Non-marketable securities are stated at cost determined by the moving-average method.

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

f. Derivative Transactions

In accordance with the Industry Audit Committee Report No. 24, "Treatment for Accounting and Auditing of Application of Accounting Standard for Financial Instruments in Banking Industry." Issued by the Japanese Institute of Certified Public Accountants ("JICPA"), the Bank applies hedge accounting to manage its exposures to fluctuations in interest rates associated with certain assets and liabilities. The Bank enters into derivative financial instruments, such as interest rate swaps, currency options and foreign exchange contracts. Subsidiaries do not perform any derivative transactions.

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

Derivative financial instruments are classified and accounted

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

g. Bills Discounted

Bills discounted are accounted for as financial transactions in accordance with JICPA Industry Audit Committee Report No. 24, "Treatment for Accounting and Auditing of Application of Accounting Standard for Financial Instruments in Banking Industry." The Bank has rights to sell or pledge bank acceptance bought, commercial bills discounted, documentary bills and foreign exchanges bought without restrictions. The total face values at March 31, 2009 and 2008 were ¥37,015 million (\$376,820 thousand) and ¥53,571 million, respectively.

h. Tangible Fixed Assets

Tangible Fixed Assets are stated at cost less accumulated depreciation.

Depreciation of Tangible Fixed Assets and equipment of the Bank is computed using the declining-balance method while the straight-line method is applied to buildings at rates based on the estimated useful lives of the assets. The range of useful lives is principally from 8 to 50 years for buildings and from 2 to 20 years for equipment.

Depreciation of tangible fixed assets owned by subsidiaries is computed principally using the straight-line method over the estimated useful lives of the assets.

Under certain conditions such as exchanges of fixed assets of similar kinds and sales and purchases resulting from expropriation, Japanese tax laws permit companies to defer the profit arising from such transactions by reducing the cost of the assets acquired or by providing special reserve in the equity section. The Bank adopted the former treatment and reduced the cost of the assets acquired by ¥81 million (\$824 thousand) as of March 31, 2009 and 2008.

i. Long-lived Assets

The Group reviews its long-lived assets for impairment whenever events or changes in circumstance indicate the carrying amount of an asset or asset group may not be recoverable. An impairment loss would be recognized if the carrying amount of an asset or asset group exceeds the sum of the undiscounted future cash flows expected to result from the continued use and eventual disposition of the asset or asset group. The impairment loss would be measured as the amount by which the carrying amount of the asset exceeds its recoverable amount, which is the higher of the discounted cash flows from the continued use and eventual disposition of the

asset or the net selling price at disposition.

Accumulated impairment loss is directly deducted from the respective tangible fixed assets.

Additionally, the effect of adoption of such accounting standard on segment information is described in Note 29.

j. Software

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

k. Allowance for loan losses

The amount of the Allowance for loan losses is determined based on management's judgment and assessment of future losses based on the self-assessment system. This system reflects past experience of credit losses, possible credit losses, business and economic conditions, the character, quality and performance of the portfolio and other pertinent indicators.

The Bank implemented the self-assessment system for asset quality. The quality of all loans is assessed by branches and the Credit Administration Division with a subsequent audit by the Credit Review and Audit Division in accordance with the Bank's policy and rules for self-assessment of asset quality.

The Bank has established a credit rating system under which its customers are classified into five categories. The credit rating system is used for self-assessment of asset quality. All loans are classified into five categories for self-assessment purposes such as "normal," "caution," "possible bankruptcy," "virtual bankruptcy" and "legal bankruptcy."

For claims to debtors classified as legal bankruptcy or virtual bankruptcy, an allowance is provided for the remaining amount of claims after deduction of the amounts collectible through the disposal of collateral or execution of guarantees.

For claims to debtors classified as possible bankruptcy, who are currently neither legally nor virtually bankrupt but are likely to become bankrupt, an allowance is provided at the amounts deemed necessary based on an overall solvency assessment performed for remaining claims after deduction of the amounts collectible through the disposal of collateral or execution of guarantees.

For other claims, an allowance is provided based on historical loan loss experience.

Subsidiaries provide an allowance for general claims based on historical loan loss experience and for specific claims at the amounts individually estimated to be uncollectible.

l. Provision for bonuses

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

m. Provision for retirement benefits

The Bank has a contributory funded pension plan and an unfunded lump-sum severance payment plan. Additional benefits may be granted in cases where certain requirements are met when employees retire. In addition, the Bank

contributed some of its marketable equity securities to employee retirement benefit trusts.

The Bank provides for the Provision for retirement benefits based on projected benefit obligations and plan assets at the balance sheet date. Subsidiaries provide for the liability for employees' severance payments based on amounts which would be required to be paid if all eligible employees voluntarily terminated their employment at the balance sheet date.

n. Provision for directors' retirement benefits

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

o. Provision for reimbursement of deposits

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

p. Foreign Currency Transactions

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

q. Leases

In March 2007, the Accounting Standards Board of Japan ("ASBJ") issued ASBJ Statement No. 13, "Accounting Standard for Lease Transactions," which revised the previous accounting standard for lease transactions issued in June 1993. The revised accounting standard for lease transactions was effective for fiscal years beginning on or after April 1, 2008 with early adoption permitted for fiscal years beginning on or after April 1, 2007.

Under the previous accounting standard, finance leases that were deemed to transfer ownership of the leased property to the lessee were treated as sales. However, other finance leases were permitted to be accounted for as operating lease transactions if certain "as if sold" information was disclosed in the note to the lessor's financial statements. The revised accounting standard requires that all finance leases that deem to transfer ownership of the leased property to the lessee recognized as lease receivables, and all finance leases that deem not to transfer ownership of the leased property to the lessee should be recognized as lease investment assets.

Income for finance leases is recognized by allocating interest equivalents to applicable fiscal years instead of recording sale of lease assets. And income for finance leases is measured at total of interest equivalents, instead of the amount of lease transactions.

The Bank applied the revised accounting standard effective April 1, 2008. The effect of this change was to decrease operating income and operating expense by ¥2,604 million

(\$26,509 thousand).

With regard to finance leases entered into prior to April 1, 2008 that deem not to transfer ownership of the property to the lessee, leased investments assets are recognized at the book value of leased assets as of March 31, 2008.

The Bank applied the revised accounting standard effective April 1, 2008. The effect of this change was to increase lease investments assets by ¥6,572 million (\$66,904 thousand). The effect of this change to loss before income taxes and minority interests for the fiscal year ended March 31, 2009 was not material.

r. Income Taxes

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

s. Appropriations of Retained Earnings

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

t. Per Share Information

Basic net income per share is computed by dividing net income available to Capital shareholders by the weighted-average number of common shares outstanding for the period, retroactively adjusted for stock splits.

Diluted net income per share is not disclosed because no dilutive securities are outstanding.

Cash dividends per share presented in the accompanying consolidated statements of income are dividends applicable to the respective years including dividends to be paid after the end of the year.

u. New Accounting Pronouncements

Business Combinations - On December 26, 2008, the ASBJ issued a revised accounting standard for business combinations, ASBJ Statement No. 21, "Accounting Standard for Business Combinations." Major accounting changes under this accounting standard are as follows;

- (1) The current accounting standard for business combinations allows companies to apply the pooling of interests method of accounting when certain specific criteria are met such that the business combination is essentially regarded as a uniting-of-interests. The revised standard requires to account for such business combination by the purchase method and the pooling of interests method of accounting is no longer allowed.
- (2) The current accounting standard accounts for the research and development costs to be charged to income as incurred. Under the revised standard an in-process research and development (IPR&D) acquired by the business combination

are capitalized as an intangible asset.

(3) The current accounting standard accounts for a bargain purchase gain (negative goodwill) to be systematically amortized within 20 years. Under the revised standard, the acquirer recognizes a bargain purchase gain in profit or loss on the acquisition date after reassessing whether it has correctly identified all of the assets acquired and all of the liabilities assumed with a review of such procedures used.

This standard is applicable to business combinations undertaken on or after April 1, 2010 with early adoption permitted for fiscal years beginning on or after April 1, 2009.

Asset Retirement Obligations - On March 31, 2008, the ASBJ published a new accounting standard for asset retirement obligations, ASBJ Statement No. 18 "Accounting Standard for Asset Retirement Obligations" and ASBJ Guidance No. 21 "Guidance on Accounting Standard for Asset Retirement Obligations." Under this accounting standard, an asset retirement obligation is defined as a legal obligation imposed either by law or contract that results from the acquisition, construction, development and the normal operation of a tangible fixed asset and is associated with the retirement of such tangible fixed asset.

The asset retirement obligation is recognized as the sum of the discounted cash flows required for the future asset retirement and is recorded in the period in which the obligation is incurred if a reasonable estimate can be made. If a reasonable estimate of the asset retirement obligation cannot be made in the period the asset retirement obligation is incurred, the liability should be recognized when a reasonable estimate of asset retirement obligation can be made. Upon initial recognition of a liability for an asset retirement obligation, an asset retirement cost is capitalized by increasing the carrying amount of the related fixed asset by the amount of the liability.

The asset retirement cost is subsequently allocated to expense through depreciation over the remaining useful life of the asset. Over time, the liability is accreted to its present value each period. Any subsequent revisions to the timing or the amount of the original estimate of undiscounted cash flows are reflected as an increase or a decrease in the carrying amount of the liability and the capitalized amount of the related asset retirement cost.

This standard is effective for fiscal years beginning on or after April 1, 2010 with early adoption permitted for fiscal years beginning on or before March 31, 2010.

3. CASH AND CASH EQUIVALENTS

The reconciliation of "Cash and cash equivalents" and "Cash and due from banks" in the consolidated balance sheets at March 31, 2009 and 2008 were as follows:

	Millions of Yen		Thousands of
	2009	2008	U.S. Dollars
Cash and due from banks	¥ 43,514	¥ 49,025	\$ 442,981
Interest-bearing deposits included in due from banks	(153)	(203)	(1,558)
Cash and cash equivalents	¥ 43,361	¥ 48,822	\$ 441,423

4. SECURITIES

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

At the end of this fiscal year, the values of these bonds were determined based on the values reasonably estimated. As a result, 'Securities' and 'Valuation difference on

available-for-sale securities' increased by ¥3,503 million (\$35,661 thousand) and ¥2,079 million (\$21,165 thousand), respectively, and 'Deferred tax assets' decreased by ¥1,423 million (\$14,486 thousand), compared to the valuation based on the market price.

The reasonably estimated values were computed as the discounted cash flows based on mainly the interests of Japanese government bonds. Major variables in that measurement methodology were yield of Japanese government bonds and volatility of those yields.

Securities at March 31, 2009 and 2008 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2009	2008	2009
Japanese government bonds	¥ 214,272	¥ 130,287	\$ 2,181,329
Japanese local government bonds	105,426	103,472	1,073,257
Japanese corporate bonds	110,634	117,180	1,126,275
Corporate stocks	14,941	19,416	152,102
Other securities	22,443	10,526	228,474
Total	¥ 467,716	¥ 380,881	\$ 4,761,437

5. LOANS AND BILLS DISCOUNTED

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

	Millions of Yen		Thousands of U.S. Dollars
	2009	2008	2009
Bills discounted	¥ 36,315	¥ 52,734	\$ 369,694
Loans on bills	134,650	160,329	1,370,762
Loans on deeds	1,863,361	1,800,479	18,969,368
Overdrafts	212,106	219,112	2,159,279
Total	¥ 2,246,432	¥ 2,232,654	\$ 22,869,103

Loans in legal bankruptcy totaled ¥16,682 million (\$169,826 thousand) and ¥6,412 million as of March 31, 2009 and 2008, respectively. Nonaccrual loans totaled ¥64,876 million (\$660,450 thousand) and ¥39,851 million as of March 31, 2009 and 2008, respectively. Loans in legal bankruptcy are loans for which the interest accrual has been discontinued (excluding the portion recognized as bad debts), based on management's judgment as to the collectibility of principal or interest resulting from the delay in payments of interest or principal for a considerable period of time and other factors. Nonaccrual loans are loans in which the interest accrual is discontinued, other than loans in legal bankruptcy and loans granting deferral of interest payment to the debtors in financial difficulties to assist them in their recovery.

Accruing loans contractually past due three months or more as to principal or interest payments totaled ¥499 million (\$5,080 thousand) and ¥301 million as of March 31, 2009 and 2008, respectively. Loans classified as loans in legal bankruptcy and past due loans are excluded.

Restructured loans totaled ¥4,087 million (\$41,606 thousand) and ¥17,067 million as of March 31, 2009 and 2008, respectively. Such restructured loans are loans on which creditors grant concessions (e.g., reduction of the stated interest rate, deferral of interest payment, extension of maturity date, waiver of the face amount, or other concessive measures) to the debtors to assist them to recover from their financial difficulties and eventually be able to pay creditors. Loans classified as loans in legal bankruptcy, nonaccrual loans and accruing contractually past due three months or more are excluded from these restructured loans.

6. FOREIGN EXCHANGES

Foreign exchange assets and liabilities at March 31, 2009 and 2008 consisted of the following:

	Millions of Yen		Thousands of
	2009	2008	U.S. Dollars
Assets:			
Due from foreign correspondents	¥ 1,243	¥ 650	\$ 12,654
Foreign bills of exchange receivable	699	837	7,116
Foreign bills of exchange purchased	3,623	3,484	36,883
Total	¥ 5,565	¥ 4,971	\$ 56,653
Liabilities:			
Due to foreign correspondents	¥ 85	¥ 6	\$ 865
Foreign bills of exchange sold	13	93	132
Accrued foreign bills of exchange	7	18	71
Total	¥ 105	¥ 117	\$ 1,069

7. OTHER ASSETS

Other assets at March 31, 2009 and 2008 consisted of the following:

	Millions of Yen		Thousands of
	2009	2008	U.S. Dollars
Prepaid expenses	¥ 28	¥ 34	\$ 285
Prepaid pension costs	2,415	2,586	24,585
Accrued income	2,956	2,984	30,093
Derivatives	8,100	7,998	82,459
Other	17,037	17,095	173,440
Total	¥ 30,536	¥ 30,697	\$ 310,862

8. TANGIBLE FIXED ASSETS

Accumulated depreciation on tangible fixed assets at March 31, 2009 and 2008 amounted to ¥18,771 million (\$191,092 thousand) and ¥24,429 million, respectively.

9. LONG-LIVED ASSETS

The Group recognized impairment losses for the year ended March 31, 2009 as follows:

Location	Description	Classification	Impairment Losses	
			Millions of Yen	Thousands of U.S. Dollars (Note 1)
Hyogo prefecture	Idle assets	Land and buildings	¥ 169	\$ 1,721
Hyogo prefecture	Idle assets	Buildings	58	590
Total			¥ 227	\$ 2,311

The Bank groups operating retail premises by operating block (a group of operation branches in close relationship).

Each of the subsidiaries is grouped as a single unit.

The Bank treats the head office, the computer center, the business concentration center, company condominiums and dormitories, and other, which do not generate independent cash flows, as assets in common use.

Idle assets of the Group are treated as an independent unit.

The Group wrote down the carrying amounts to the

recoverable amounts and recognized impairment losses of ¥227 million (\$2,311 thousand) for the year ended March 31, 2009 as other expenses, since the carrying amounts of the assets held by the above branches and other exceeded the sum of the undiscounted future cash flows.

The recoverable amounts of such assets were measured at their net realizable selling prices determined by quotations from real estate appraisal information less estimated costs to dispose.

10. ASSETS PLEDGED

Assets pledged as collateral and related liabilities at March 31, 2009 and 2008 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2009	2008	2009
Securities	¥ 64,940	¥ 35,127	\$ 661,101
Other assets	92	92	937

Related liabilities:

	Millions of Yen		Thousands of U.S. Dollars
	2009	2008	2009
Deposits	¥ 5,469	¥ 4,813	\$ 55,675
Call money and bills sold	1,000		10,180
Payables under securities lending transactions	16,096	50	163,860

In addition, Securities totaling ¥53,448 million (\$544,111 thousand) and ¥48,615 million at March 31, 2009 and 2008, respectively, and other assets totaling ¥57 million (\$580 thousand) and ¥57 million at March 31, 2009 and 2008, respectively, were pledged as collateral for settlement of

exchange, fund settlement for joint systems of the industry and derivative transactions.

Other assets include guarantee deposits of ¥3,814 million (\$38,827 thousand) and ¥4,014 million at March 31, 2009 and 2008, respectively.

11. COMMITMENT LINE

Commitment line contracts on overdrafts and loans are agreements to lend to customers when they apply for borrowing, to the prescribed amount as long as there is no violation of any condition established in the contracts. At March 31, 2009 and 2008, the amount of unused commitments amounts to ¥487,816 million (\$4,966,059 thousand) and ¥486,739 million, respectively, of which commitments aggregating ¥479,576 million (\$4,882,174 thousand) and ¥474,800 million, respectively, have original contract terms that expire within one year or are unconditionally cancelable at any time. Since many of these commitments are expected to expire without being

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

12. DEPOSITS

Deposits at March 31, 2009 and 2008 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2009	2008	2009
Current deposits	¥ 123,642	¥ 118,928	\$ 1,258,699
Ordinary deposits	1,279,927	1,287,520	13,029,899
Savings deposits	27,098	30,261	275,863
Deposits at notice	11,405	11,716	116,105
Time deposits	1,132,841	1,062,204	11,532,536
Other deposits	43,448	42,601	442,309
Subtotal	2,618,361	2,553,230	26,655,411
Negotiable certificates of deposit	2,706	32,168	27,547
Total	¥ 2,621,067	¥ 2,585,398	\$ 26,682,958

13. BORROWED MONEY

At March 31, 2009 and 2008, the weighted average interest rates applicable to the borrowed money were 2.89% and 2.92%, respectively.

Borrowed money at March 31, 2009 and 2008 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2009	2008	2009
Subordinated borrowings	¥ 55,000	¥ 55,000	\$ 559,910
Borrowing from banks and other	2,595	2,956	26,418
Total	¥ 57,595	¥ 57,956	\$ 586,328

Annual maturities of borrowed money at March 31, 2009, were as follows:

Year Ending March 31	Millions of Yen	Thousands of U.S. Dollars
2010	¥ 747	\$ 7,605
2011	641	6,526
2012	513	5,222
2013	333	3,390
2014	178	1,812
2015 and thereafter	55,183	561,773
Total	¥ 57,595	\$ 586,328

14. BONDS PAYABLE

Bonds payable at March 31, 2009 and 2008 consisted of the following:

Description	Millions of Yen		Thousands of U.S. Dollars	Interest Rate	Due
	2009	2008	2009		
Subordinated bonds	¥ 5,000	¥ 5,000	\$ 50,901	2.51%	Sep. 2006 - Sep. 2016

15. OTHER LIABILITIES

Other liabilities at March 31, 2009 and 2008 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2009	2008	2009
Domestic exchange settlement	¥ 91	¥ 103	\$ 927
Accrued income taxes	102	1,352	1,038
Accrued expenses	3,802	3,504	38,705
Unearned income	8,166	8,759	83,132
Derivatives	6,982	6,911	71,078
Other	40,642	15,071	413,743
Total	¥ 59,785	¥ 35,700	\$ 608,623

16. ACCEPTANCES AND GUARANTEES

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

At March 31, 2009, the amounts of "Acceptances and guarantees" and "Customers' liabilities for acceptances and guarantees," which were set off were ¥22,990 million (\$234,043 thousand), because which were relevant to corporate bonds, and the guaranteed bonds were held by the Bank itself.

17. EQUITY

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

(a) Dividends

Under the Companies Act companies can pay dividends at any time during the fiscal year in addition to the year-end dividend upon resolution at the shareholders meeting. For companies that meet certain criteria such as; (1) having the Board of Directors, (2) having accounting auditors, (3) having the Board of Corporate Auditors, and (4) the term of service of the directors is prescribed as one year rather than two years of normal term by its articles of incorporation, the Board of Directors may declare dividends (except for dividends in kind) at any time during the fiscal year if the company has prescribed so in its articles of incorporation. However, the Bank cannot do so because it does not meet all the above criteria.

The Companies Act permits companies to distribute dividends-in-kind (non-cash assets) to shareholders subject to a certain limitation and additional requirements.

Semiannual interim dividends may also be paid once a year upon resolution by the Board of Directors if the articles of incorporation of the company so stipulate. The Companies Act provides certain limitations on the amounts available for dividends or the purchase of treasury stock. The limitation is defined as the amount available for distribution to the shareholders, but the amount of net assets after dividends must be maintained at no less than ¥3 million.

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

The Companies Act requires that an amount equal to 10% (20% for banks pursuant to the Banking Law) of dividends must be appropriated as a legal reserve (a component of retained earnings) or as additional paid-in capital (a component of capital surplus) depending on the equity account charged upon the payment of such dividends until the total of aggregate amount of legal reserve and additional paid-in capital equals 25% (100% for banks pursuant to the Banking Law) of the Capital stock. Under the Companies Act, the total amount of additional paid-in capital and legal reserve may be reversed without limitation. The Companies Act also provides that Capital stock, legal reserve, additional paid-in capital, other capital surplus and retained earnings can be transferred among the accounts under certain conditions upon resolution of the shareholders.

(c) Treasury stock and treasury stock acquisition rights

The Companies Act also provides for companies to purchase treasury stock and dispose of such treasury stock by resolution of the Board of Directors. The amount of treasury stock purchased cannot exceed the amount available for distribution to the shareholders which is determined by specific formula.

Under the Companies Act stock acquisition rights are presented as a separate component of equity. The Companies Act also provides that companies can purchase both treasury stock acquisition rights and treasury stock. Such treasury stock acquisition rights are presented as a separate component of equity or deducted directly from stock acquisition rights.

At the Shareholders' Extraordinary Meeting held on December 22, 1998, the Bank's shareholders approved amendment of the Bank's Articles of Incorporation to authorize the Bank to issue preferred stock of 100,000,000 shares. No preferred stocks have been issued.

18. OTHER ORDINARY INCOME

Other ordinary income for the years ended March 31, 2009 and 2008 consisted of the following:

	Millions of Yen		Thousands of
	2009	2008	U.S. Dollars
Gains on foreign exchange transactions - net	¥ 809	¥ 1,003	\$ 8,236
Gains on sales of bonds	2,154	1,362	21,928
Lease-related income		2,909	
Other	2,575	2,373	26,214
Total	¥ 5,538	¥ 7,647	\$ 56,378

19. OTHER INCOME

Other income for the years ended March 31, 2009 and 2008 consisted of the following:

	Millions of Yen		Thousands of
	2009	2008	U.S. Dollars
Gains on sales of stocks and other securities	¥ 15	¥ 1,881	\$ 153
Gains on disposal of tangible fixed assets	1	297	10
Recovery of claims previously charged-off	34	37	346
Other	1,721	2,035	17,520
Total	¥ 1,771	¥ 4,250	\$ 18,029

20. OTHER ORDINARY EXPENSES

Other ordinary expenses for the years ended March 31, 2009 and 2008 consisted of the following:

	Millions of Yen		Thousands of
	2009	2008	U.S. Dollars
Losses on sales of bonds	¥ 509	¥ 909	\$ 5,182
Losses on repayment of bonds		237	
Other	2,095	5,557	21,327
Total	¥ 2,604	¥ 6,703	\$ 26,509

21. OTHER EXPENSES

Other expenses for the years ended March 31, 2009 and 2008 consisted of the following:

	Millions of Yen		Thousands of
	2009	2008	U.S. Dollars
Provision for possible loan losses	¥ 31,346	¥ 17,632	\$ 319,108
Losses on sales of stocks and other securities	16	808	163
Losses on devaluation of stocks and other securities	1,503	653	15,301
Loss (gain) on disposal of noncurrent assets	696	706	7,085
Impairment loss	227		2,311
Other	1,244	2,120	12,664
Total	¥ 35,032	¥ 21,919	\$ 356,632

22. LEASES

Note that the finance lease transactions originating prior to April 1, 2008, continue to be accounted for based on the former standards.

Lessor

Lease receipts under finance leases amounted to ¥2,909 million, for the year ended March 31, 2008.

Information of leased property including acquisition cost, accumulated depreciation, lessor's receivables under finance leases and depreciation expense for the year ended March 31, 2008 was as follows:

	Millions of Yen		
	2008		
	Equipment	Other Assets	Total
Acquisition cost	¥ 11,503	¥ 1,621	¥ 13,124
Accumulated depreciation	5,857	798	6,655
Net leased property	¥ 5,646	¥ 823	¥ 6,469

Lessor's receivables under finance leases as of March 31, 2008 were as follows:

	Millions of Yen
	2008
Due within one year	¥ 2,587
Due after one year	4,725
Total	¥ 7,312

The imputed interest income portion is included in the above lessor's receivables under finance leases, since the total of lessor's receivables under finance leases and estimated residual value accounted for a small proportion of operating receivables at the balance sheet date.

Depreciation expense under finance leases:

	Millions of Yen
	2008
Depreciation expense	¥ 2,521

23. RETIREMENT BENEFITS

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

The Provision for retirement benefits at March 31, 2009 and 2008 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2009	2008	2009
Projected benefit obligation	¥ (20,498)	¥ (19,028)	\$ (208,673)
Plan assets (fair value)	10,728	13,546	109,213
Unfunded projected benefit obligation	(9,770)	(5,482)	(99,460)
Unrecognized actuarial net loss	8,286	4,484	84,353
Unrecognized prior service cost	57	49	580
Prepaid pension costs	2,415	2,586	24,585
Provision for retirement benefits	¥ (3,842)	¥ (3,535)	\$ (39,112)

The components of net periodic benefit costs for the years ended March 31, 2009 and 2008 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2009	2008	2009
Service cost	¥ 601	¥ 599	\$ 6,118
Interest cost	474	463	4,825
Expected return on plan assets	(232)	(348)	(2,362)
Amortization of prior service cost	(9)	(9)	(91)
Recognized actuarial net loss	920	535	9,366
Other	133	122	1,354
Net periodic retirements benefit costs	¥ 1,887	¥ 1,362	\$ 19,210

Assumptions used for the years ended March 31, 2009 and 2008 were set forth as follows:

	2009	2008
Discount rate	2.0%	2.5%
Expected rate of return on plan assets	0 ~ 2.5%	0 ~ 3.5%
Recognized period of actuarial gain or loss	9 years	9 years
Amortization period of prior service cost	9 years	9 years

24. INCOME TAXES

The tax effects of significant temporary differences which resulted in deferred tax assets and liabilities at March 31, 2009 and 2008 were as follows:

	Millions of Yen		Thousands of
	2009	2008	U.S. Dollars
Deferred tax assets:			
Allowance for loan losses	¥ 19,268	¥ 15,418	\$ 196,152
Provision for retirement benefits	3,170	3,044	32,271
Provision for bonuses	322	418	3,278
Accrued enterprise tax	49	169	499
Devaluation of stocks and other securities	1,004	1,185	10,221
Depreciation	222	153	2,260
Tax loss carryforwards	209	22	2,128
Deferred gains or losses on hedges		35	
Net unrealized losses on available-for-sale securities	350	262	3,563
Other	1,232	1,094	12,542
Less valuation allowance	(4,910)	(1,510)	(49,985)
Total	¥ 20,916	¥ 20,290	\$ 212,929
Deferred tax liabilities:			
Gains on securities contributed to employee retirement benefit trust	¥ (685)	¥ (685)	\$ (6,973)
Prepaid pension costs	(981)	(1,050)	(9,987)
Deferred gains or losses on hedges	(48)		(489)
Other	(48)		(489)
Total	¥ (1,762)	¥ (1,735)	\$ (17,938)
Net deferred tax assets	¥ 19,154	¥ 18,555	\$ 194,991

A reconciliation between the normal effective statutory tax rates and the actual effective tax rates reflected in the accompanying consolidated statements of income of the year ended March 31, 2008 is as follows. The corresponding reconciliation for the year ended March 31, 2009 has been omitted since loss before income taxes and minority interests was recorded.

	2008
Normal effective statutory tax rate	40.6%
Permanent differences - expenses	0.4
Permanent differences - income	(0.9)
Corporate inhabitant tax per capita	0.8
Valuation allowance	(12.2)
Consolidation adjustments	(3.5)
Other	1.9
Actual effective tax rate	27.1%

25. MARKET VALUE AND OTHER INFORMATION ON SECURITIES

Market value and other information on securities as of March 31, 2009 and 2008 were as follows:

Securities
(1) Bonds classified as trading

	Millions of Yen			
	2009		2008	
	Consolidated Balance Sheet Amount	Gains (Losses) Included in Profit/Loss during the Fiscal Year	Consolidated Balance Sheet Amount	Gains (Losses) Included in Profit/Loss during the Fiscal Year
Bonds classified as trading	¥ 513	Immaterial	¥ 459	Immaterial

	Thousands of U.S. Dollars	
	2009	
	Consolidated Balance Sheet Amount	Gains (Losses) Included in Profit/Loss during the Fiscal Year
Bonds classified as trading	\$ 5,222	Immaterial

(2) No bonds classified as held-to-maturity securities that have market value has been held by the Group.
(3) Available-for-sale securities that have market value:

	Millions of Yen									
	Cost	2009				Cost	2008			
		Consolidated Balance Sheet Amount	Net Unrealized Gains (Losses)	Unrealized Gains	Unrealized Losses		Consolidated Balance Sheet Amount	Net Unrealized Gains (Losses)	Unrealized Gains	Unrealized Losses
Stocks	¥ 14,615	¥ 12,816	¥ (1,799)	¥ 879	¥ 2,678	¥ 13,305	¥ 17,033	¥ 3,728	¥ 4,620	¥ 892
Bonds	405,847	407,304	1,457	2,290	833	324,770	320,594	(4,176)	353	4,530
Japanese government bonds	213,354	214,272	918	1,515	597	134,408	130,287	(4,121)	238	4,359
Japanese local government bonds	105,167	105,426	259	384	125	103,506	103,472	(34)	78	112
Short-term Japanese corporate bonds	5,994	5,997	3	3						
Japanese corporate bonds	81,332	81,609	277	388	111	86,856	86,835	(21)	37	59
Other	21,710	21,189	(521)	21	542	9,626	9,429	(197)	90	286
Total	¥442,172	¥441,309	¥ (863)	¥ 3,190	¥ 4,053	¥347,701	¥ 347,056	¥ (645)	¥ 5,063	¥ 5,708

	Thousands of U.S. Dollars				
	Cost	2009			
		Consolidated Balance Sheet Amount	Net Unrealized Gains (Losses)	Unrealized Gains	Unrealized Losses
Stocks	\$ 148,783	\$ 130,469	\$ (18,314)	\$ 8,948	\$ 27,262
Bonds	4,131,599	4,146,433	14,834	23,313	8,479
Japanese government bonds	2,171,984	2,181,330	9,346	15,423	6,077
Japanese local government bonds	1,070,620	1,073,257	2,637	3,909	1,272
Short-term Japanese corporate bonds	61,020	61,051	31	31	
Japanese corporate bonds	827,975	830,795	2,820	3,950	1,130
Other	221,012	215,708	(5,304)	214	5,518
Total	\$ 4,501,394	\$ 4,492,610	\$ (8,784)	\$ 32,475	\$ 41,259

Notes: 1. Market value is calculated by using the market prices at the fiscal year end for bonds and other, except that of stocks, which is calculated by average market prices for previous month of the fiscal year end.

2. At the end of fiscal year 2009, the values of certain Japanese government bonds were determined based on the values reasonably estimated. These reasonably estimated values were computed as the discounted cash flows based on mainly the interests of Japanese government bonds. Major variables in that measurement methodology were yield of Japanese government bonds and volatility of those yields.

(4) Bonds classified as held-to-maturity has not been sold.

(5) Available-for-sale securities sold:

	Millions of Yen					
	2009			2008		
	Sales Amount	Gains on Sales	Losses on Sales	Sales Amount	Gains on Sales	Losses on Sales
Available-for-sale securities	¥ 359,464	¥ 2,168	¥ 525	¥ 241,965	¥ 3,243	¥ 1,717

	Thousands of U.S. Dollars		
	2009		
	Sales Amount	Gains on Sales	Losses on Sales
Available-for-sale securities	\$ 3,659,412	\$ 22,071	\$ 5,345

(6) Securities with no readily available market value:

	Consolidated Balance Sheet Amount		
	Millions of Yen		Thousands of U.S. Dollars
	2009	2008	2009
Available-for-sale securities:			
Non-listed corporate bonds	¥ 23,028	¥ 30,346	\$ 234,429
Non-listed stocks	2,124	2,383	21,623
Limited liability partnership	1,254	1,097	12,766

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

(8) Redemption schedule on available-for-sale securities that have maturities and bonds classified as held-to-maturity was as follows:

	Millions of Yen							
	2009				2008			
	1 Year or Less	1 to 5 Years	5 to 10 Years	Over 10 Years	1 Year or Less	1 to 5 Years	5 to 10 Years	Over 10 Years
Bonds	¥ 52,796	¥ 254,199	¥ 86,764	¥ 36,572	¥ 224,898	¥ 62,113	¥ 22,159	¥ 41,619
Japanese government bonds		104,533	73,167	36,572	58,031	10,026	20,611	41,619
Japanese local government bonds	24,502	75,316	5,608		76,058	26,941	473	
Short-term Japanese corporate bonds	5,997							
Japanese corporate bonds	22,297	74,350	7,989		90,809	25,146	1,075	
Other	2,830	18,237	784		1,496	7,313	1,082	
Total	¥ 55,626	¥ 272,436	¥ 87,548	¥ 36,572	¥ 226,394	¥ 69,426	¥ 23,241	¥ 41,619

	Thousands of U.S. Dollars			
	2009			
	1 Year or Less	1 to 5 Years	5 to 10 Years	Over 10 Years
Bonds	\$ 537,473	\$ 2,587,794	\$ 883,274	\$ 372,310
Japanese government bonds		1,064,166	744,854	372,310
Japanese local government bonds	249,435	766,731	57,090	
Short-term Japanese corporate bonds	61,050			
Japanese corporate bonds	226,988	756,897	81,330	
Other	28,810	185,656	7,981	
Total	\$ 566,283	\$ 2,773,450	\$ 891,255	\$ 372,310

Net Unrealized Losses on Available-for-sale Securities

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

	Consolidated Balance Sheets Amount		
	Millions of Yen		Thousands of U.S. Dollars
	2009	2008	2009
Net unrealized losses on Securities	¥ (862)	¥ (645)	\$ (8,775)
(Deferred tax assets)	350	262	3,563
Net unrealized losses on valuation (before adjustment)	(512)	(383)	(5,212)
(Minority interests)		(20)	
Net unrealized losses on valuation	(512)	(403)	(5,212)

26. MARKET VALUE INFORMATION ON DERIVATIVE TRANSACTIONS

Derivatives are subject to market risk, which is the possibility that a loss may result from fluctuations in market conditions, and credit risk, which is the possibility that a loss may result from a counterparty's failure to perform according to the terms and conditions of the contract.

Since most of the Bank's derivative transactions are conducted to hedge underlying business exposures, market gain or risk in the derivative instruments is expected to be offset by an opposite movement in the value of hedged assets or liabilities. These figures are the measures used in the calculation of risk-based capital ratios under the Japanese capital ratio guidelines. The Bank adopts the current exposure method stipulated by the guidelines in calculating the amount.

As a risk control system for derivatives, the Bank has

established a risk management division that operates independently from divisions executing derivative transactions. Derivative transactions entered into by the Bank have been made in accordance with internal policies which regulate the authorization and credit limit amounts. In addition, positions and related gains or losses from derivatives are reported to management on a daily basis for monitoring and evaluation purposes.

The contract amounts of forward exchange contracts and option agreements do not necessarily measure the Bank's exposure to credit or market risk.

(1) Interest-rate-related transactions

Interest-rate-related transactions as of March 31, 2009 were as follows. There were no such transactions at March of 31, 2008.

	2009							
	Millions of Yen				Thousands of U.S. Dollars			
	Contractual Value	Contractual Value Due after One Year	Fair Value	Net Unrealized Gains (Losses)	Contractual Value	Contractual Value Due after One Year	Fair Value	Net Unrealized Gains (Losses)
Over-the-counter:								
Interest rate swaps								
Receive fixed and pay floating	¥ 2,907	¥ 2,907	¥ 23	¥ 23	\$ 29,594	\$ 29,594	\$ 234	\$ 234
Receive floating and pay fixed	2,907	2,907	(6)	(6)	29,594	29,594	(61)	(61)
Others								
Sold	3,959	3,959	(22)	49	40,303	40,303	(224)	499
Bought	3,959	3,959	22	(25)	40,303	40,303	224	(255)
Total			¥ 17	¥ 41			\$ 173	\$ 417

Notes: 1. The above transactions were revalued at the end of each of the years and the related gain and loss are reflected in the accompanying consolidated statements of income.
 2. Derivatives for which hedge accounting was adopted were excluded from the above table.
 3. The fair values were calculated mainly by using the discounted present values.

(2) Currency-related transactions

Market value information on revalued currency-related derivatives as of March 31, 2009 and 2008 was as follows:

	Millions of Yen							
	2009				2008			
	Contractual Value	Contractual Value Due after One Year	Fair Value	Net Unrealized Gains (Losses)	Contractual Value	Contractual Value Due after One Year	Fair Value	Net Unrealized Gains (Losses)
Over-the-counter:								
Forward exchange contracts:								
Sold	¥ 6,581	¥ 300	¥ (80)	¥ (80)	¥ 12,102	¥ 1,295	¥ 755	¥ 755
Bought	5,934	413	105	105	11,746	1,476	(659)	(659)
Currency options:								
Sold	74,137	51,291	(4,981)	(496)	74,956	55,630	4,604	(684)
Bought	74,137	51,291	5,868	1,383	74,956	55,630	5,457	1,537
Total			¥ 912	¥ 912			¥ 10,157	¥ 949

	Thousands of U.S. Dollars			
	2009			
	Contractual Value	Contractual Value Due after One Year	Fair Value	Net Unrealized Gains (Losses)
Over-the-counter:				
Forward exchange contracts:				
Sold	\$ 66,996	\$ 3,054	\$ (814)	\$ (814)
Bought	60,409	4,204	1,069	1,069
Currency options:				
Sold	754,729	522,152	(50,708)	(5,050)
Bought	754,729	522,152	59,737	14,079
Total			\$ 9,284	\$ 9,284

- Notes: 1. The above transactions were revalued at the end of each year and the related gain and loss was reflected in the accompanying consolidated statements of income.
 2. Derivative transactions under hedge accounting, transactions reflected in financial assets and liabilities denominated in currencies and recognized in the consolidated balance sheets, or transactions denominated in foreign currencies which have been eliminated in the consolidation have been excluded from the above table.
 3. The fair values were calculated mainly by using the discounted present values.

- (3) Stock-related transactions has not been performed.**
(4) Bond-related transactions has not been performed.
(5) Financial product-related transactions has not been performed.
(6) Credit derivative transactions has not been performed.

27. RELATED PARTY TRANSACTIONS

At March 31, 2009 and 2008, Sumitomo Mitsui Banking Corporation (the "Parent Company") owns 45.10% of the Bank's voting shares directly and 1.23% of the Bank's voting shares indirectly.

Transactions and balances of the Parent Company and the Associated Company (SMBC Guarantee Co., Ltd.) for the years ended March 31, 2009 and 2008 were as follows:

Parent Company	Millions of Yen		Thousands of U.S. Dollars	
	2009	2008	2009	
Subordinated borrowings	¥ 37,000	¥ 37,000	\$ 376,667	

Associated Company	Millions of Yen		Thousands of U.S. Dollars	
	2009	2008	2009	
Negotiable certificates of deposit				
Balance at end of year		¥ 30,000		
Operating transactions	¥ 30,000	30,000	\$ 305,406	

28. NET INCOME PER SHARE

Reconciliation of net income per share ("EPS") for the years ended March 31, 2009 and 2008 were as follows:

	Millions of Yen	Thousands of Shares	Yen	U.S. Dollars
	Net Income (Loss)	Weighted Average Shares	EPS	
For the year ended March 31, 2009				
Basic EPS				
Net loss available to Capital shareholders	¥ (9,313)	410,510	¥ (22.68)	\$ (0.23)
For the year ended March 31, 2008				
Basic EPS				
Net income available to Capital shareholders	¥ 5,758	410,539	¥ 14.02	

29. SEGMENT INFORMATION

i) Business Segment Information

Information about business segments of the Group for the years ended March 31, 2009 and 2008 were as follows:

a. Operating Income

	Millions of Yen				
	2009			Eliminations/ Corporate	Consolidated
Banking	Other	Total			
Operating income:					
Outside customers	¥ 70,240	¥ 4,562	¥ 74,802		¥ 74,802
Intersegment income	401	326	727	¥ (727)	
Total	70,641	4,888	75,529	(727)	74,802
Operating expenses	79,386	5,095	84,481	(672)	83,809
Net losses for computation	¥ (8,745)	¥ (207)	¥ (8,952)	¥ (55)	¥ (9,007)

FINANCIAL REVIEW (CONSOLIDATED BASIS)

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

	Millions of Yen				
	2009				
	Banking	Other	Total	Eliminations/ Corporate	Consolidated
Total assets	¥ 2,864,593	¥ 26,362	¥ 2,890,955	¥ (18,039)	¥ 2,872,916
Depreciation	2,800	33	2,833		2,833
Impairment loss	227		227		227
Capital expenditures	2,935	116	3,051		3,051

a. Operating Income

	Millions of Yen					
	2008					
	Banking	Leasing	Other	Total	Eliminations/ Corporate	Consolidated
Operating income:						
Outside customers	¥ 74,319	¥ 4,816	¥ 2,475	¥ 81,610		¥ 81,610
Intersegment income	447	495	203	1,145	¥ (1,145)	
Total	74,766	5,311	2,678	82,755	(1,145)	81,610
Operating expenses	65,737	5,221	3,027	73,985	(1,145)	72,840
Net income (losses) for computation	¥ 9,029	¥ 90	¥ (349)	¥ 8,770		¥ 8,770

b. Total Assets, Depreciation and Capital Expenditures

	Millions of Yen					
	2008					
	Banking	Leasing	Other	Total	Eliminations/ Corporate	Consolidated
Total assets	¥ 2,800,598	¥ 17,194	¥ 11,769	¥ 2,829,561	¥ (19,279)	¥ 2,810,282
Depreciation	2,530	488	14	3,032		3,032
Capital expenditures	3,191	1,981	5	5,177		5,177

a. Operating Income

	Thousands of U.S. Dollars				
	2009				
	Banking	Other	Total	Eliminations/ Corporate	Consolidated
Operating income:					
Outside customers	\$ 715,057	\$ 46,442	\$ 761,499		\$ 761,499
Intersegment income	4,082	3,319	7,401	\$ (7,401)	
Total	719,139	49,761	768,900	(7,401)	761,499
Operating expenses	808,165	51,868	860,033	(6,841)	853,192
Net losses for computation	\$ (89,026)	\$ (2,107)	\$ (91,133)	\$ (560)	\$ (91,693)

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

	Thousands of U.S. Dollars				
	2009				
	Banking	Other	Total	Eliminations/ Corporate	Consolidated
Total assets	\$ 29,162,099	\$ 268,370	\$ 29,430,469	\$ (183,640)	\$ 29,246,829
Depreciation	28,505	336	28,841		28,841
Impairment loss	2,311		2,311		2,311
Capital expenditures	29,879	1,181	31,060		31,060

- Notes: 1. "Other" consists of other banking related activities such as credit guarantee, venture capital and entrusted account ,and it consists "Leasing" for the year ended March 31,2009.
2. Operating income means total income less certain special income included in other income in the accompanying consolidated statements of income.
3. Operating expenses mean total expenses less certain special expenses included in other expenses in the accompanying consolidated statements of income.
4. Effective April 1, 2008, the Group changed its industry segmentation from "Banking", "Leasing" and "Other" to "Banking" and "Other" because "Leasing" no longer occupied a significant ratio to the whole.
The effect of the change was to increase operating income, net loss for computation, total assets, depreciation and capital expenditures of "Other" by ¥2,413 million (\$24,565 thousand), ¥11 million (\$112 thousand), ¥16,248 million (\$165,408 thousand), ¥14 million (\$143 thousand) and ¥44 million (\$448 thousand), respectively.

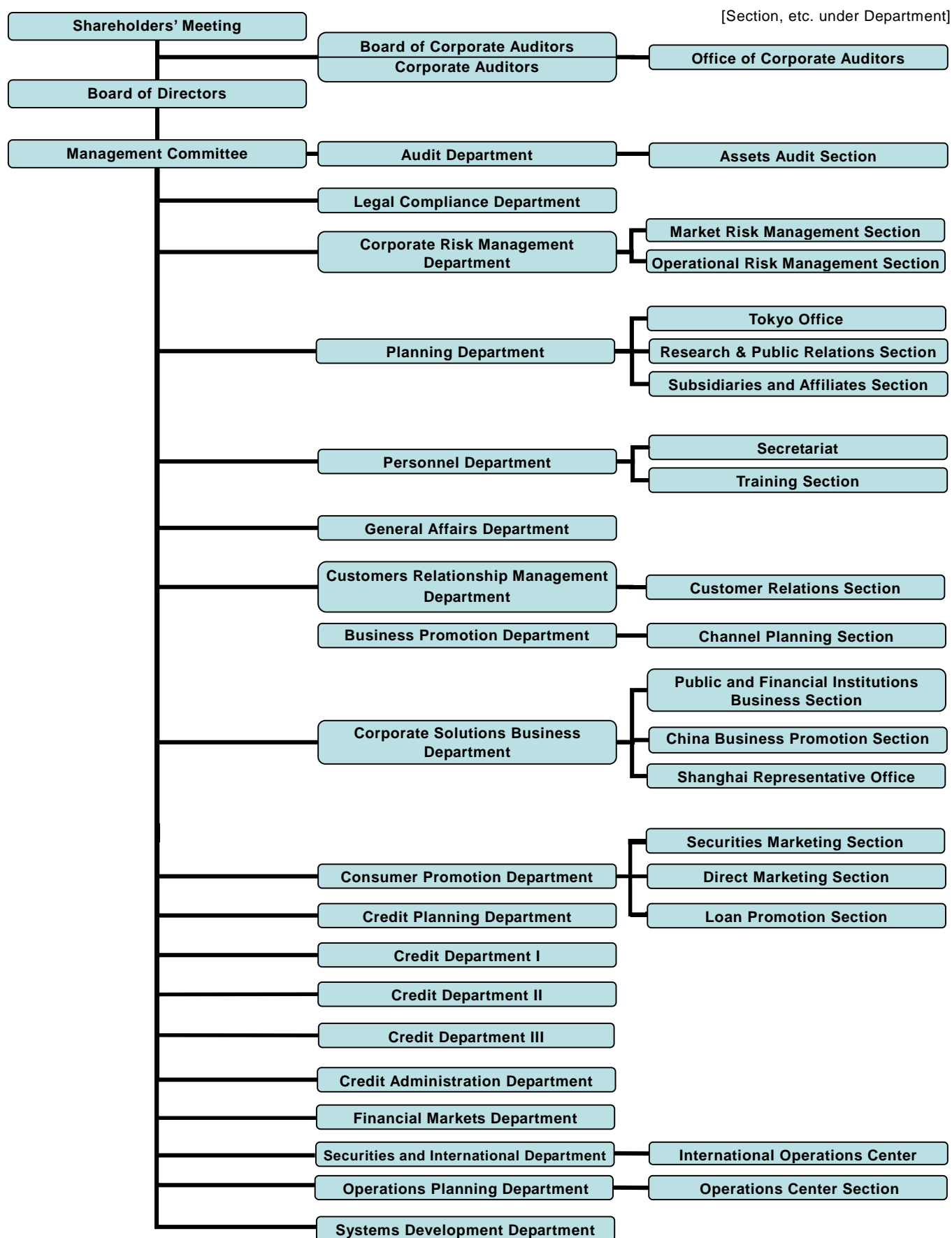
ii) Segment Information by Geographic Area

Segment information by geographic area has not been presented herein for the years ended March 31, 2009 and 2008, as such information is permitted not to be disclosed if domestic share of both total income and total assets exceeds 90%.

iii) Operating Income from International Operations

Disclosure of operating income arising from international operations for the years ended March 31, 2009 and 2008 has not been presented herein, as such information is permitted not to be disclosed if operating income arising from international operations is less than 10% of consolidated operating income.

CORPORATE ORGANIZATION (As of April 1, 2009)



CORPORATE OFFICERS

(As of June 26, 2009)

Directors, Corporate Auditors and Executive Officers

President (Representative Director)

Nobuhiro Yabumoto*

Senior Executive OfficersHiromi Yoshida
(General Manager of Business Promotion Department)**Deputy President (Representative Director)**

Shunji Ono *

Executive OfficersAkira Sukata
(Manager of Himeji Branch and Himeji Chuo Branch)Shingo Watanabe
(General Manager of Credit Department II)**Managing Director**

Shirou Inoue*

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

Seiji Masaki*

Yoshiki Okada
(General Manager of System Department)

Kaoru Mori*

Takashi Yasukuni
(General Manager of Head Office Business Promotion)

Seiji Goto*

Noriyuki Saen
(Manager of Osaka Branch)**Director**

Toshiro Ohta (external)

Tetsuo Osujou
(Manager of Umeda Branch)Shizuya Kajitani
(General Manager of Personal Promotion Department)**Corporate Auditors**

Keigo Ihara (full-time)

Masataka Imahashi (full-time)

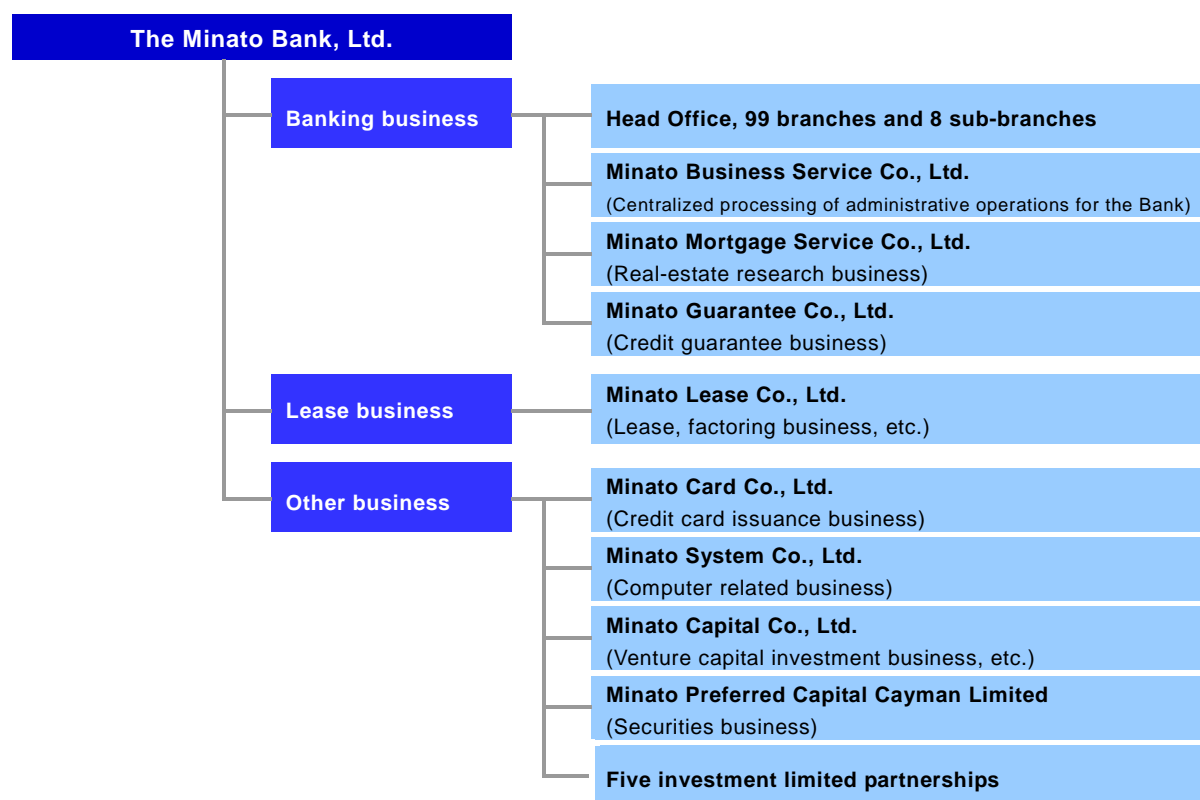
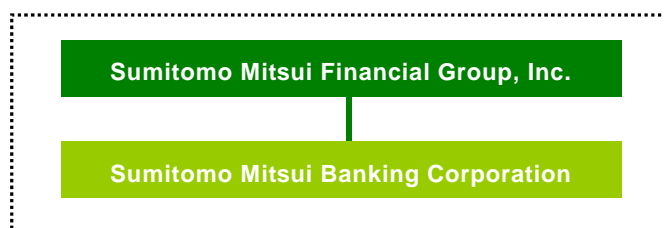
Shingo Okada (external)

Sadayuki Tsuda (external)

Tsutomu Nagate (external)

* Executive Officers

GROUP STRUCTURE (As of March 31, 2009)



MAJOR SHAREHOLDERS (As of March 31, 2009)

Name	Number of Shares (Thousands)	Percentage (%)
Sumitomo Mitsui Banking Corporation	184,828	44.97
Minato Bank Kyoeikai	19,233	4.68
Nippon Life Insurance Company	10,501	2.55
Japan Trustee Services Bank, Ltd. (trust accounts 4G)	9,667	2.35
Japan Trustee Services Bank, Ltd. (trust accounts)	6,745	1.64
Nissay Dowa General Insurance Co., Ltd.	6,661	1.62
Mitsui Sumitomo Insurance Co., Ltd.	6,220	1.51
Minato Bank Employees' Shareholding Association	5,756	1.40
Sumitomo Life Insurance Company	5,203	1.26
The Master Trust Bank of Japan, Ltd. (trust accounts)	5,080	1.23