

2010

ANNUAL REPORT

For the year ended March 31, 2010



Nobuhiro Yabumoto
Chairman

Shunji Ono
President

In this 2010 Annual Report, we seek to present Minato Bank's management policy, business overview, earnings results for fiscal 2009 (the fiscal year ended March 31, 2010), risk management structure and compliance status as clearly as possible. We hope that you will find it a useful reference.

Minato Bank will continue to address its clients' wide-ranging needs by expanding its financial services, and as a regional-based financial institution of Sumitomo Mitsui Financial Group, the Bank will seek to become a more useful and helpful bank in the region by providing financial and information services. To that end, we look forward to your continued business and support.

July 2010

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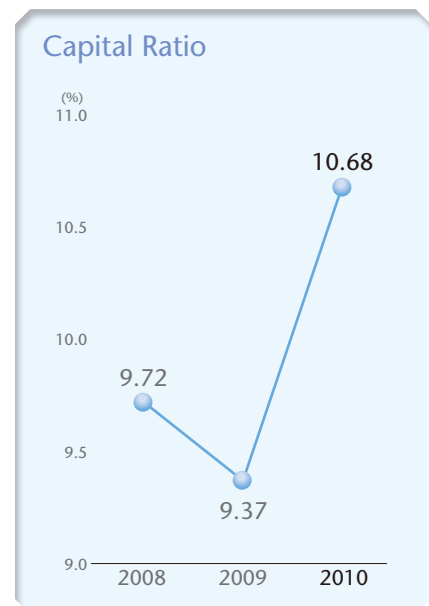
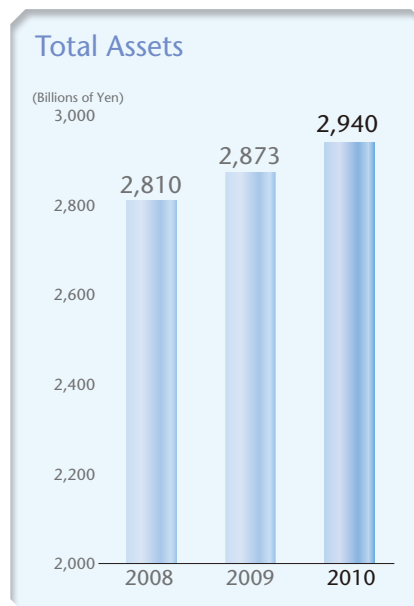
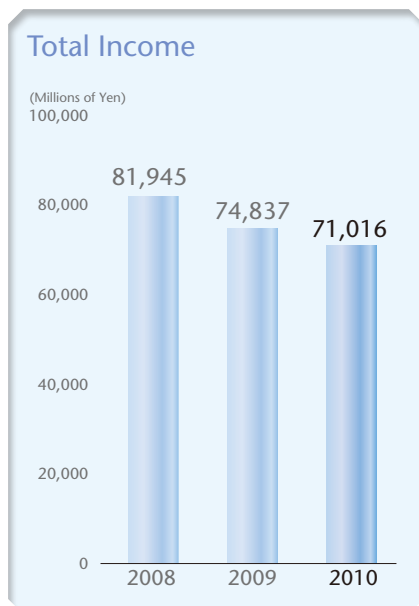
This annual report includes descriptions of future business performance. These forecasts do not guarantee future business performance and contain risks and uncertainties. Please note future business performance will change from the forecasts subject to changes in the operational environment.

CONSOLIDATED FINANCIAL HIGHLIGHTS

The Minato Bank, Ltd. and Subsidiaries
Years Ended March 31, 2010, 2009 and 2008

	Millions of Yen			Thousands of U.S. Dollars (Note)
	2010	2009	2008	2010
FOR THE YEAR:				
Total income	¥ 71,016	¥ 74,837	¥ 81,945	\$ 763,201
Total expenses	62,778	84,731	74,227	674,662
Income (loss) before Income taxes and minority interests	8,238	(9,894)	7,718	88,539
Net income (loss)	3,583	(9,313)	5,758	38,511
AT YEAR-END:				
Total assets	¥ 2,940,448	¥ 2,872,917	¥ 2,810,282	\$ 31,600,731
Deposits	2,662,887	2,621,067	2,585,398	28,617,808
Loans and bills discounted	2,197,239	2,246,432	2,232,654	23,613,534
Investment securities	596,593	467,716	380,881	6,411,527
Minority interests	10,568	613	795	113,577
Common stock	27,484	27,484	27,484	295,369
Total equity	105,262	88,722	99,853	1,131,241
Capital ratio	10.68%	9.37%	9.72%	

Note: U.S. dollar amounts represent translation of Japanese Yen at the rate of ¥93.05 to US\$1.00 on March 31, 2010, 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.



Shunji Ono
President

Earnings for Fiscal 2009

In fiscal 2009, we posted core banking profits of 17.7 billion yen (non-consolidated) and consolidated net income of 3.5 billion yen.

The year before last, in fiscal 2008, Minato Bank posted a loss and was unable to pay dividends due primarily to higher non-performing loan disposal costs during the steep economic downturn; however, we returned to profitability and resumed dividend payments all in one year. This was achieved thanks to the continued support of our clients, shareholders, and the people in our region, and we are deeply grateful to them.

Minato Bank— A Bank with Strong Presence

Japanese financial institutions have been affected by a number of changes in Japan and abroad over the last few years including a long-standing deflationary economy, a declining population, the emergence of new economic powers, the adoption of international accounting standards, and the tightening of banking regulations.

During such times of change, Minato Bank must return to its roots as a regional-based financial

institution and confidently display its presence in the region with the goal of achieving a business that is solid and closely aligned with the needs of the regions' people.

Hyogo Prefecture, our main operating base, is located in a diverse area with strong economic and social potential. Our greatest commitment is to the further enrichment and revitalization of this abundant region together with the Hyogo people.

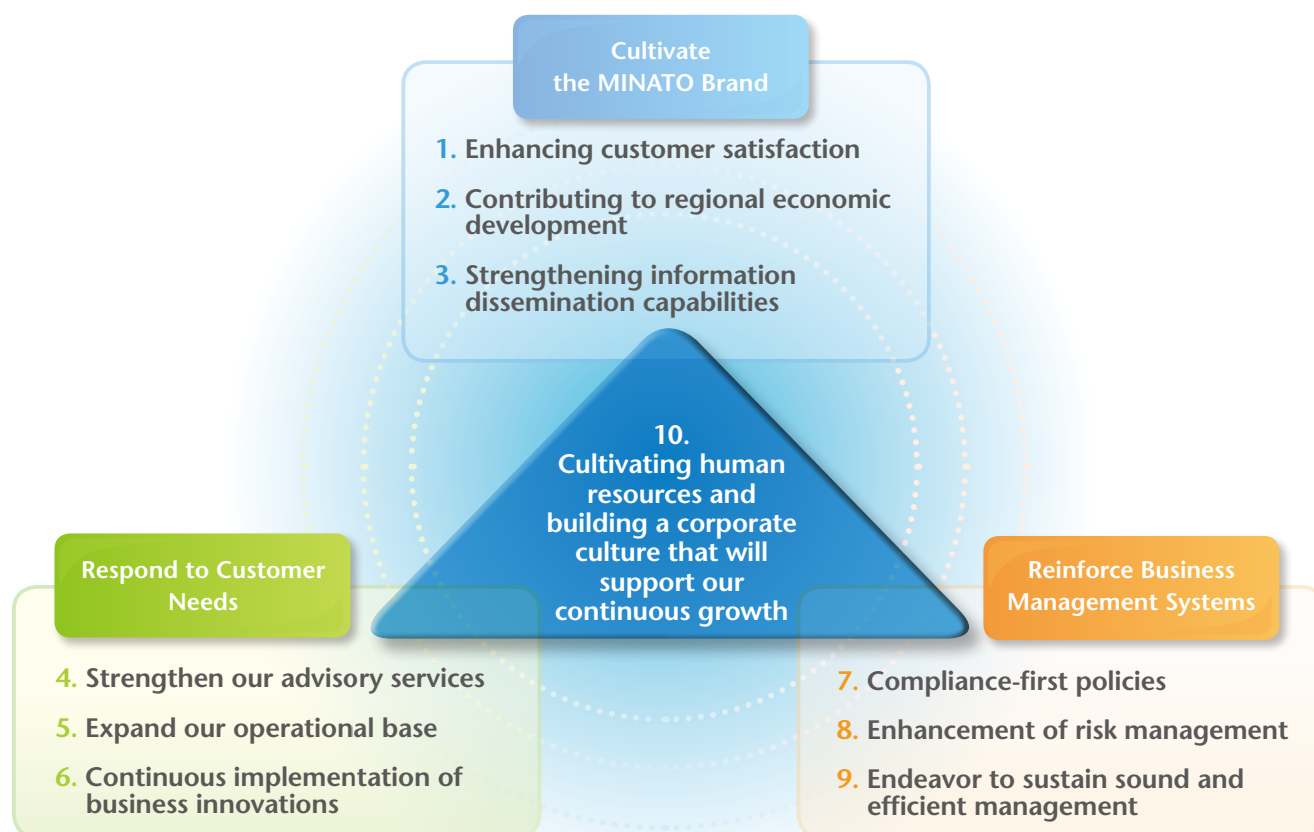
In this, the final year of our Mid-Term Management Plan "MINATO 10," we will make every effort to steadily yet speedily achieve the "10 Commitments (initiatives)" as stated in the Mid-Term Plan, thereby gaining a foothold that will serve as the basis for the next leap forward. We have set our sights on becoming "Minato Bank—A Bank with Strong Presence" in the hope that we will be recognized as being indispensable to the region. All employees—from management down—in the Minato Bank Group will continue to work toward this goal. We look forward to your further generous support as we work toward these goals.

July 2010

Shunji Ono
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	FY2010 (Actual)	FY2011 (Note 1) (Projected)
	Core banking profit	¥17.7 billion	¥24.0 billion
	Net income	¥ 3.4 billion	¥ 8.0 billion
	OHR (Note 2)	63.80%	Below 60%
	Capital ratio (consolidated) (Note 3)	10.68%	About 10%

(Note 1) Numerical targets are included in the current Mid-Term Management Plan, as of May 2008.

(Note 2) Expenses + core gross banking profit (gross banking profits excluding gains (losses) on bonds).

(Note 3) Capital policies, etc., are not considered in the Capital ratio.

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.

• CS (Customer Satisfaction) Committee

To win solid support from the local community and continuously raise customer satisfaction standards, members of the CS Committee formulate improvement policies, set targets for the whole Bank, and discuss and review measures to improve customer satisfaction. The CS Committee meets once every three months as a rule.

• CSR Committee

The CSR Committee is tasked with formulating a CSR action plan, evaluating performance and discussing improvement measures. The Committee meets once in a year as a rule.

• Financial Facilitation Committee

The Financial Facilitation Committee was set up as a cross-sectional body to discuss how to facilitate financing for small and medium-sized companies. Committee members discuss measures, study actual issues faced by each department, and coordinate action across departments. The Committee meets once a month as a rule.

• 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

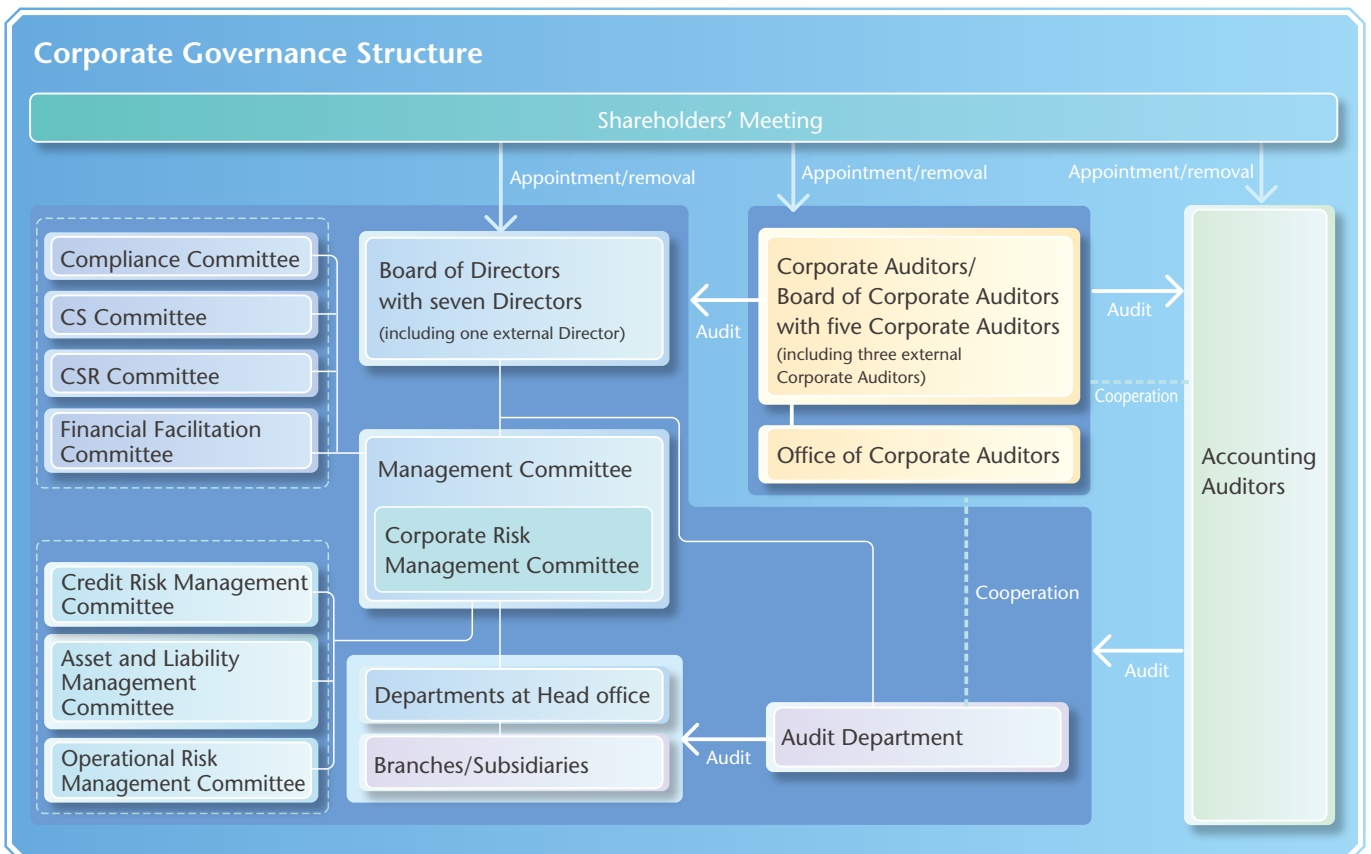
The Operational Risk Management Committee in principle meets once a month, and analyzes and communicates operational risk related information (improper or non-functioning internal processes, staff or systems, or risk of losses related to external occurrences), discusses and considers various measures 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 subsidiaries 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 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

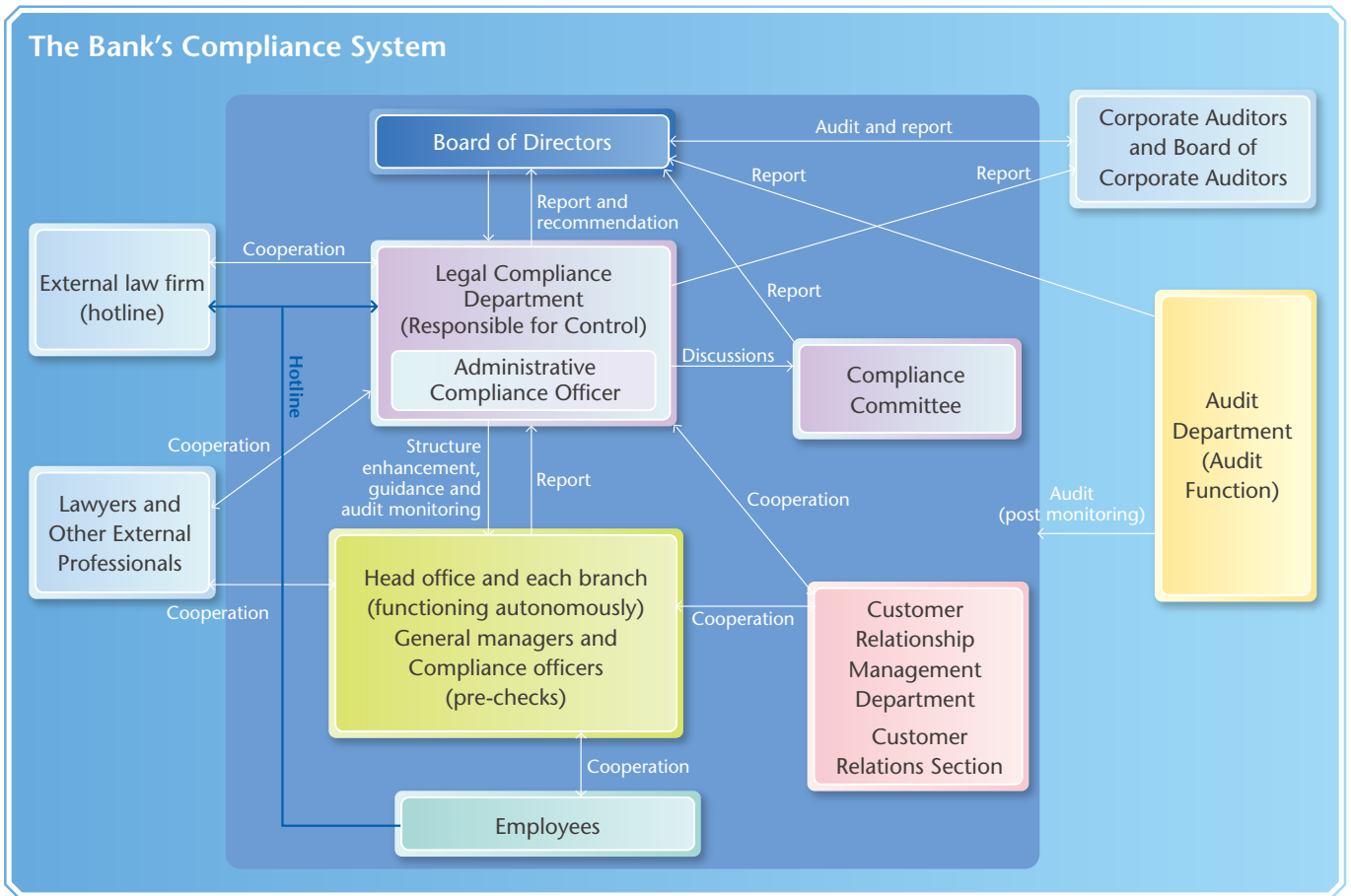
General managers of the head office and each branch are fully responsible to manage and execute assigned operations in conformity with compliance policies.

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.



■ 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

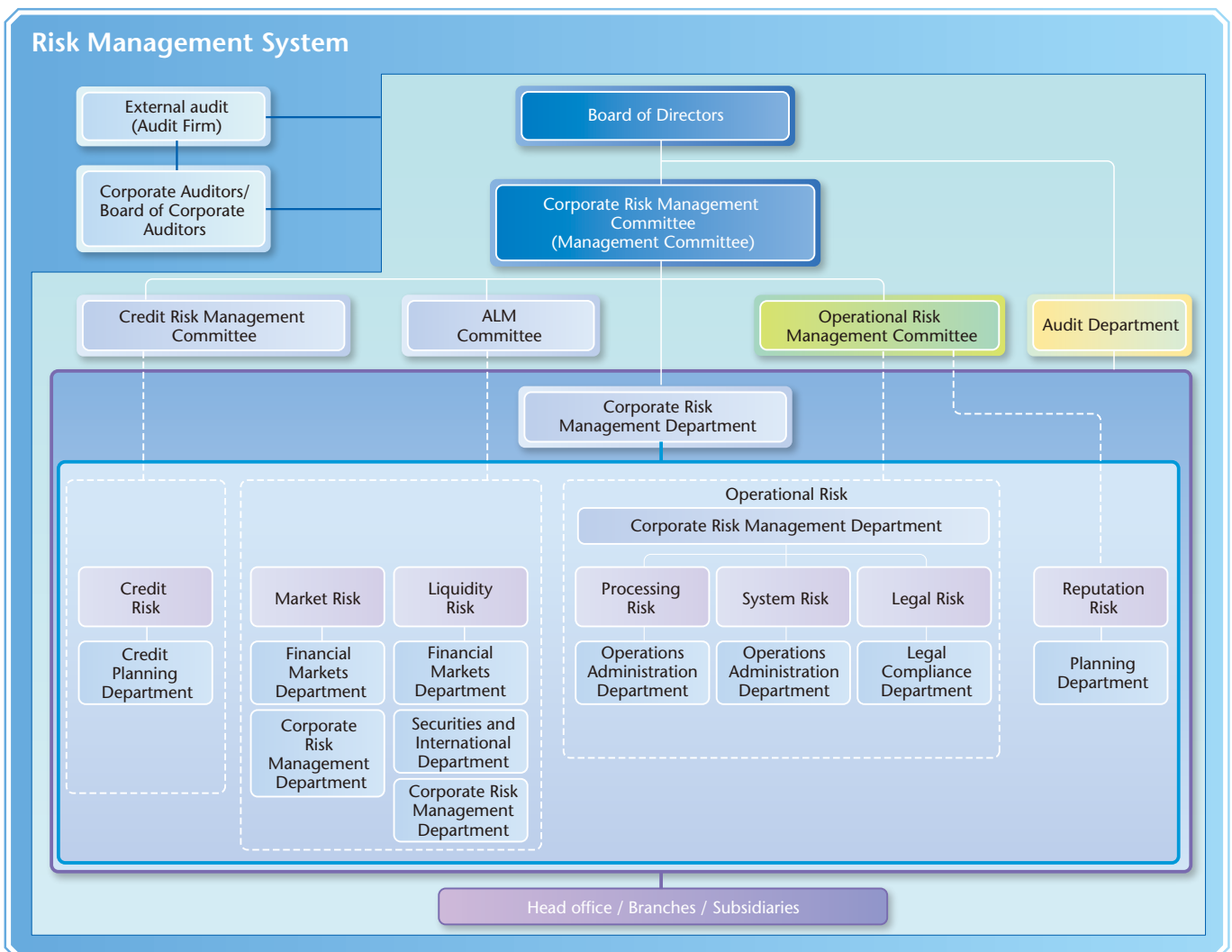
Banks are facing increasingly diversified and complicated risks due to their expanding scope of operations and financial technology innovations. It is therefore of utmost importance to accurately monitor and properly control these risks to maintain and improve sound banking management.

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.



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, the Audit Department, which operates independently from the credit related departments, checks 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.

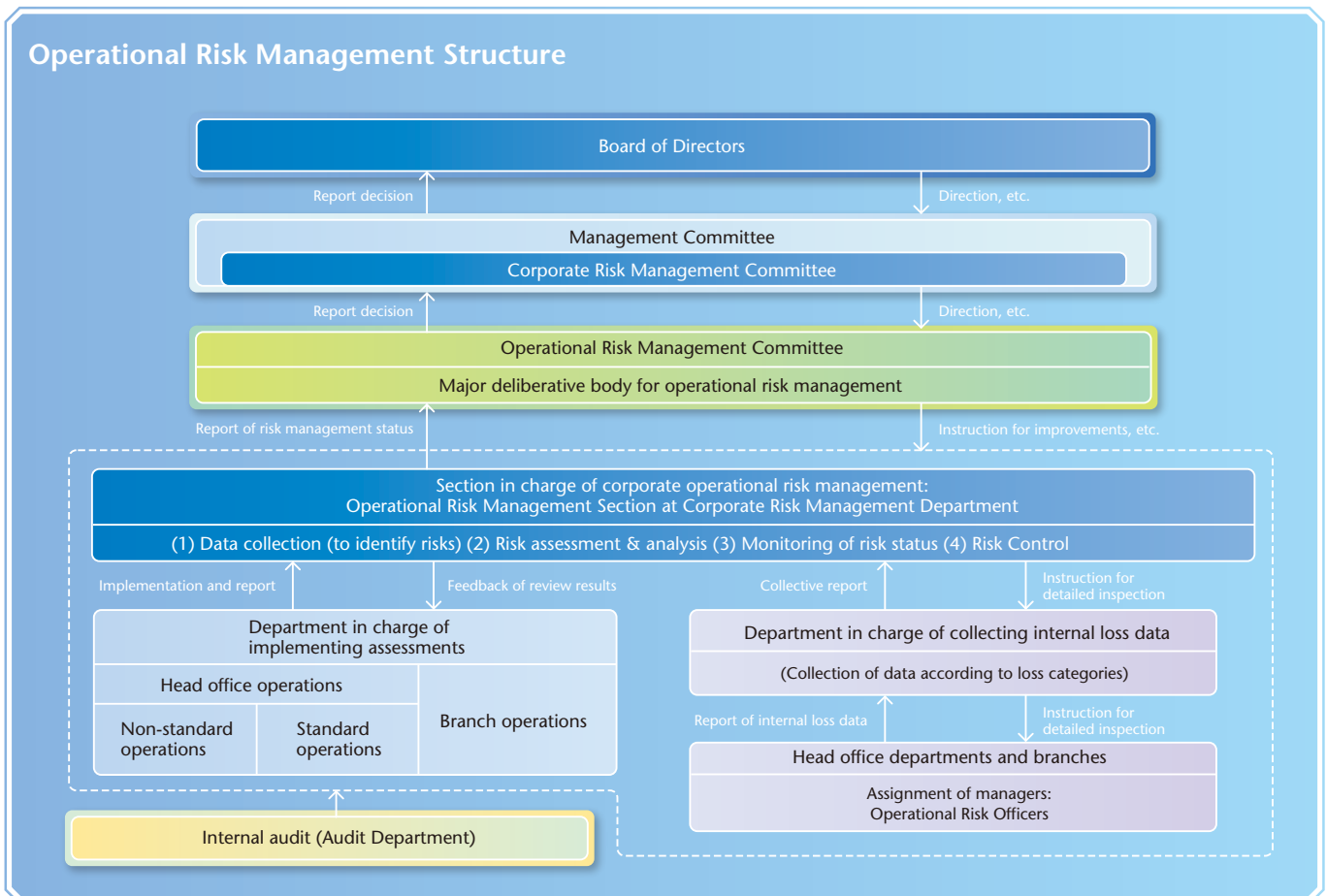
We promote streamlining and head-office centralized processing operations, and provide group training and on-site guidance offered by the Operations Administration Department to reduce processing risks and improve the level of processing ability. Moreover, the Audit Department periodically conducts branch 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.



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.”

Management Philosophy

The Bank exists and prospers together with the people in the region.

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

CSR Definitions

In the course of our business, by providing higher values to:

- i) customers,
- ii) shareholders and investors,
- iii) society and the environment, and
- iv) employees,

we contribute to the sustained development of regional communities.

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

Basic policies for Regional-Oriented Financing Promotion Plan

Regional-oriented financing activities are one of our concrete initiatives to practice the Bank’s Management Philosophy and will be strengthened in accordance with the Management Philosophy and the 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.

FINANCIAL REVIEW (CONSOLIDATED BASIS)

CONSOLIDATED BALANCE SHEETS

The Minato Bank, Ltd. and Subsidiaries
As of March 31, 2010 and 2009

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2010	2009	2010
ASSETS:			
Cash and due from banks (Notes 3 and 28)	¥ 45,463	¥ 43,514	\$ 488,584
Call loans and bills bought (Note 28)	20,003	28,323	214,967
Monetary claims bought	5,604	6,138	60,222
Trading account securities (Notes 24 and 28)	960	513	10,314
Securities (Notes 4, 10, 24 and 28)	596,593	467,716	6,411,527
Loans and bills discounted (Notes 5, 11 and 28)	2,197,239	2,246,432	23,613,534
Foreign exchange (Note 6)	5,112	5,565	54,944
Lease receivables and investment assets	7,082	6,855	76,112
Other assets (Notes 7 and 10)	30,412	30,536	326,835
Tangible fixed assets (Note 8)	34,187	35,039	367,408
Intangible fixed assets	4,272	3,756	45,907
Deferred tax assets (Note 23)	14,682	19,154	157,782
Customers' liabilities for acceptances and guarantees (Note 16)	16,759	18,103	180,113
Allowance for loan losses (Note 28)	(37,920)	(38,727)	(407,518)
Total assets	¥2,940,448	¥2,872,917	\$31,600,731
LIABILITIES:			
Deposits (Notes 10, 12, 26 and 28)	¥2,662,887	¥2,621,067	\$28,617,808
Call money and bills sold (Note 10)	—	1,000	—
Payables under securities lending transactions (Notes 10 and 28)	69,373	16,096	745,542
Borrowed money (Notes 13 and 28)	47,258	57,595	507,876
Foreign exchange (Note 6)	72	105	776
Bonds payable (Notes 14 and 28)	5,000	5,000	53,735
Other liabilities (Notes 10 and 15)	27,955	59,785	300,428
Provision for bonuses	910	791	9,780
Provision for retirement benefits (Note 22)	4,061	3,842	43,649
Provision for directors' retirement benefits	193	235	2,077
Provision for reimbursement of deposits	717	576	7,706
Acceptances and guarantees (Note 16)	16,759	18,103	180,113
Total liabilities	2,835,186	2,784,195	30,469,490
EQUITY (Note 17):			
Capital stock, authorized, 900,000,000 shares; issued, 410,940,977 shares as March of 31, 2010 and 2009	27,484	27,484	295,369
Capital surplus	49,484	49,484	531,797
Retained earnings	15,287	11,704	164,297
Valuation difference on available-for-sale securities	2,448	(512)	26,307
Deferred gains or losses on hedges	113	70	1,211
Treasury stock-at cost 461,798 shares and 449,973 shares as of March 31, 2010 and 2009, respectively	(122)	(121)	(1,317)
Total	94,694	88,109	1,017,664
Minority interests	10,568	613	113,577
Total net assets	105,262	88,722	1,131,241
Total liabilities and net assets	¥2,940,448	¥2,872,917	\$31,600,731

See Notes to Consolidated Financial Statements.

■ CONSOLIDATED STATEMENTS OF INCOME

The Minato Bank, Ltd. and Subsidiaries
Years Ended March 31, 2010 and 2009

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2010	2009	2010
ORDINARY INCOME:			
Interest income:			
Interest on loans and discounts	¥44,045	¥49,788	\$473,345
Interest and dividends on securities	5,219	4,580	56,091
Other interest income	822	1,022	8,837
Fees and commissions	11,707	12,138	125,814
Other ordinary income (Note 18)	6,513	5,538	69,990
Other income (Note 19)	2,710	1,771	29,124
Total income	71,016	74,837	763,201
ORDINARY EXPENSES:			
Financing expenses:			
Interest on deposits	4,758	6,630	51,134
Interest on borrowings and rediscounts	1,500	1,682	16,120
Other financing expenses	145	332	1,559
Fees and commissions payments	3,150	3,209	33,856
Other ordinary expenses (Note 20)	2,002	2,604	21,509
General and administrative expenses	34,797	35,242	373,958
Other expenses (Notes 9 and 21)	16,426	35,032	176,526
Total expenses	62,778	84,731	674,662
INCOME (LOSS) BEFORE INCOME TAXES AND MINORITY INTERESTS	8,238	(9,894)	88,539
INCOME TAXES (Note 23):			
Current	2,216	175	23,812
Deferred	2,403	(593)	25,828
MINORITY INTERESTS IN INCOME (LOSS)	36	(163)	388
NET INCOME (LOSS)	¥ 3,583	¥ (9,313)	\$ 38,511

	Yen		U.S. Dollars
	2010	2009	2010
PER SHARE INFORMATION (Note 27):			
Basic net income (loss)	¥8.72	¥(22.68)	\$0.09
Cash dividends applicable to the year	4.00	—	0.04

See Notes to Consolidated Financial Statements.

■ CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS

The Minato Bank, Ltd. and Subsidiaries
Years Ended March 31, 2010 and 2009

	Thousands	Millions of Yen								
	Outstanding number of shares of capital stock	Capital stock	Capital surplus	Retained earnings	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Treasury stock	Total	Minority interests	Total net assets
Balance as of March 31, 2008	410,528	¥27,484	¥49,484	¥22,659	¥ (403)	¥ (51)	¥(115)	¥99,058	¥ 795	¥ 99,853
Net loss				(9,313)				(9,313)		(9,313)
Dividends from surplus				(1,642)				(1,642)		(1,642)
Purchase of treasury stock	(37)						(6)	(6)		(6)
Total changes of items during the period					(109)	121		12	(182)	(170)
Balance as of March 31, 2009	410,491	27,484	49,484	11,704	(512)	70	(121)	88,109	613	88,722
Net income				3,583				3,583		3,583
Purchase of treasury stock	(12)						(1)	(1)		(1)
Total changes of items during the period					2,960	43		3,003	9,955	12,958
Balance as of March 31, 2010	410,479	¥27,484	¥49,484	¥15,287	¥2,448	¥113	¥(122)	¥94,694	¥10,568	¥105,262

	Thousands of U.S. Dollars (Note 1)								
	Capital stock	Capital surplus	Retained earnings	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Treasury stock	Total	Minority interests	Total net assets
Balance as of March 31, 2009	\$295,369	\$531,797	\$125,786	\$ (5,506)	\$ 747	\$(1,301)	\$ 946,892	\$ 6,589	\$ 953,481
Net income			38,511				38,511		38,511
Purchase of treasury stock						(16)	(16)		(16)
Total changes of items during the period				31,813	464		32,277	106,988	139,265
Balance as of March 31, 2010	\$295,369	\$531,797	\$164,297	\$26,307	\$1,211	\$(1,317)	\$1,017,664	\$113,577	\$1,131,241

See Notes to Consolidated Financial Statements.

■ CONSOLIDATED STATEMENTS OF CASH FLOWS

The Minato Bank, Ltd. and Subsidiaries
Years Ended March 31, 2010 and 2009

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2010	2009	2010
OPERATING ACTIVITIES:			
Income (loss) before income taxes and minority interests	¥ 8,238	¥ (9,894)	\$ 88,539
Depreciation and amortization	2,799	2,840	30,079
Impairment loss	636	227	6,835
Increase (decrease) in allowance for loan losses	13,406	31,346	144,076
Increase (decrease) in provision for bonuses	119	(237)	1,284
Increase (decrease) in provision for retirement benefits	219	307	2,357
Decrease (increase) in prepaid pension costs	(1,217)	171	(13,083)
Increase (decrease) in provision for directors' retirement benefits	(41)	(56)	(444)
Increase (decrease) in provision for reimbursement of deposits	141	(74)	1,515
Gain on fund management	(50,086)	(55,391)	(538,273)
Financing expenses	6,403	8,645	68,813
Loss (gain) related to securities	(3,146)	(141)	(33,814)
Foreign exchange (gain) losses	194	(94)	2,080
Loss (gain) on disposal of noncurrent assets	117	696	1,262
Net decrease (increase) in trading account securities	(447)	(54)	(4,806)
Net decrease (increase) in loans and bills discounted	34,192	(36,903)	367,461
Net increase (decrease) in deposit	42,469	36,120	456,413
Net increase (decrease) in borrowed money (excluding subordinated borrowings)	(337)	(361)	(3,622)
Net decrease (increase) in interest-bearing deposit	(9,966)	51	(107,102)
Net decrease (increase) in call loans	8,855	22,117	95,167
Net increase (decrease) in call money	(1,000)	1,000	(10,747)
Net increase (decrease) in payables under securities lending transactions	53,277	16,096	572,560
Net decrease (increase) in foreign exchanges (assets)	452	(594)	4,859
Net increase (decrease) in foreign exchanges-liabilities	(33)	(12)	(357)
Net decrease (increase) in lease receivables and investment assets	(227)	166	(2,440)
Proceeds from fund management	50,562	55,427	543,383
Payments for finance	(6,624)	(8,352)	(71,186)
Other, net	(1,597)	1,022	(17,166)
Subtotal	147,358	64,068	1,583,643
Income taxes paid	(211)	(2,450)	(2,266)
Income taxes refund	668		7,175
Net cash provided by operating activities	147,815	61,618	1,588,552
INVESTING ACTIVITIES:			
Purchases of securities	(645,351)	(613,841)	(6,935,526)
Proceeds from sales of securities	384,968	359,464	4,137,214
Proceeds from redemptions of securities	107,726	191,367	1,157,727
Purchases of tangible fixed assets	(1,617)	(1,576)	(17,379)
Proceeds from sales of tangible fixed assets	55	380	586
Purchase of intangible fixed assets	(1,601)	(1,243)	(17,206)
Net cash used in investing activities	(155,820)	(65,449)	(1,674,584)
FINANCING ACTIVITIES:			
Repayment of subordinated bonds	(10,000)		(107,469)
Proceeds from contributions paid by minority interests	10,000		107,469
Cash dividends paid	(2)	(1,640)	(24)
Purchase of treasury stock	(2)	(6)	(17)
Net cash used in financing activities	(4)	(1,646)	(41)
EFFECT OF EXCHANGE RATE CHANGE ON CASH AND CASH EQUIVALENTS	(8)	16	(86)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(8,017)	(5,461)	(86,159)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	43,361	48,822	465,997
CASH AND CASH EQUIVALENTS AT END OF PERIOD (Note 3)	¥ 35,344	¥ 43,361	\$ 379,838

See Notes to Consolidated Financial Statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

The Minato Bank, Ltd. and Subsidiaries
Years Ended March 31, 2010 and 2009

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.

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 ¥93.05 to \$1, the approximate rate of exchange at March 31, 2010, 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Consolidation

The consolidated financial statements include the accounts of the Bank and all (13 subsidiaries in 2010 and in 2009) 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 and 7 consolidated subsidiaries ended on March 31, 2010 and 2009, while 5 others ended on December 31, 2010 and 2009 and one consolidated subsidiary ended on January 24, 2010. Significant transactions between December 31 or January 24 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 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.

Available-for-sale securities, the market values of which are extremely difficult to calculate 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, 2010 and 2009 were ¥27,971 million (\$300,604 thousand) and ¥37,015 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 (\$875 thousand) as of March 31, 2010 and 2009.

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.

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.

In July 2008, the Accounting Standards Board of Japan ("ASBJ") issued ASBJ Statement No.19, "Partial Amendments to Accounting Standard for Retirement Benefits (Part 3)." The Group applied the revised accounting standard effective April 1, 2009. This accounting change had no material impact on consolidated financial statements.

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 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. 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. 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, 2010 and 2009 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2010	2009	2010
Cash and due from banks	¥45,463	¥43,514	\$488,584
Interest-bearing deposits included in due from banks	(10,119)	(153)	(108,746)
Cash and cash equivalents	¥35,344	¥43,361	\$379,838

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 the fiscal year ended March 31, 2009, 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 and ¥2,079 million, respectively, and 'Deferred tax assets' decreased by ¥1,423 million, 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, 2010 and 2009 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2010	2009	2010
Japanese government bonds	¥242,613	¥214,272	\$2,607,336
Japanese local government bonds	192,416	105,426	2,067,883
Japanese corporate bonds	105,668	110,634	1,135,606
Corporate stocks	16,542	14,941	177,772
Other securities	39,354	22,443	422,931
Total	¥596,593	¥467,716	\$6,411,528

5. LOANS AND BILLS DISCOUNTED

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

	Millions of Yen		Thousands of U.S. Dollars
	2010	2009	2010
Bills discounted	¥ 27,412	¥ 36,315	\$ 294,599
Loans on bills	130,451	134,650	1,401,943
Loans on deeds	1,865,534	1,863,361	20,048,723
Overdrafts	173,842	212,106	1,868,269
Total	¥2,197,239	¥2,246,432	\$23,613,534

Loans in legal bankruptcy totaled ¥11,774 million (\$126,535 thousand) and ¥16,682 million as of March 31, 2010 and 2009, respectively. Nonaccrual loans totaled ¥55,067 million (\$591,801 thousand) and ¥64,876 million as of March 31, 2010 and 2009, 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 collectability 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 ¥366 million (\$3,936 thousand) and ¥499 million as of March 31, 2010 and 2009, respectively. Loans classified as loans in legal bankruptcy and past due loans are excluded. Restructured loans totaled ¥609 million (\$6,550 thousand) and ¥4,087 million as of March 31, 2010 and 2009, 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, 2010 and 2009 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2010	2009	2010
Assets:			
Due from foreign correspondents	¥ 756	¥1,243	\$ 8,125
Foreign bills of exchange receivable	558	699	6,005
Foreign bills of exchange purchased	3,798	3,623	40,814
Total	¥5,112	¥5,565	\$54,944
Liabilities:			
Due to foreign correspondents	¥ 41	¥ 85	\$ 440
Foreign bills of exchange sold	28	13	299
Accrued foreign bills of exchange	3	7	37
Total	¥ 72	¥ 105	\$ 776

7. OTHER ASSETS

Other assets at March 31, 2010 and 2009 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2010	2009	2010
Prepaid expenses	¥ 45	¥ 28	\$ 482
Prepaid pension costs	3,632	2,415	39,037
Accrued income	2,897	2,956	31,136
Derivatives	6,368	8,100	68,435
Other	17,470	17,037	187,745
Total	¥30,412	¥30,536	\$326,835

8. TANGIBLE FIXED ASSETS

Accumulated depreciation on tangible fixed assets at March 31, 2010 and 2009 amounted to ¥19,995 million (\$214,885 thousand) and ¥18,771 million, respectively.

9. LONG-LIVED ASSETS

The Group recognized impairment losses for the year ended March 31, 2010 as follows:

Location	Description	Classification	Impairment Losses	
			Millions of Yen	Thousands of U.S. Dollars
Tokyo	Operating retail premises	Buildings	¥ 14	\$ 149
Osaka	Operating retail premises	Buildings	164	1,766
Hyogo prefecture	Operating retail premises	Land and buildings	351	3,768
Hyogo prefecture	Operating retail premises	Land and buildings	90	969
Hyogo prefecture	Idle assets	Buildings	12	133
Hyogo prefecture	Idle assets	Buildings	5	50
Total			¥636	\$6,835

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

Location	Description	Classification	Impairment Losses
			Millions of Yen
Hyogo prefecture	Idle assets	Land and buildings	¥169
Hyogo prefecture	Idle assets	Buildings	58
Total			¥227

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 ¥636 million (\$6,835 thousand) and ¥227 million for the year ended March 31, 2010 and 2009, respectively 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. For fiscal 2010 the Group wrote down the carrying amounts of the assets difficult to be sold or converted to the memorandum price.

10. ASSETS PLEDGED

Assets pledged as collateral and related liabilities at March 31, 2010 and 2009 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2010	2009	2010
Securities	¥104,127	¥64,940	\$1,119,046
Other assets	90	92	971

Related liabilities:

	Millions of Yen		Thousands of U.S. Dollars
	2010	2009	2010
Deposits	¥ 3,120	¥ 5,469	\$ 33,529
Call money and bills sold		1,000	
Payables under securities lending transactions	69,373	16,096	745,542

In addition, Securities totaling ¥51,211 million (\$550,356 thousand) and ¥53,448 million at March 31, 2010 and 2009, respectively, and other assets totaling ¥57 million (\$613 thousand) and ¥57 million at March 31, 2010 and 2009, 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 ¥3,650 million (\$39,225 thousand) and ¥3,818 million at March 31, 2010 and 2009, 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, 2010 and 2009, the amount of unused commitments amounts to ¥478,946 million (\$5,147,187 thousand) and ¥487,816 million, respectively, of which commitments aggregating ¥468,870 million (\$5,038,900 thousand) and ¥479,576 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, 2010 and 2009 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2010	2009	2010
Current deposits	¥ 111,645	¥ 123,642	\$ 1,199,836
Ordinary deposits	1,299,686	1,279,927	13,967,613
Savings deposits	24,730	27,098	265,769
Deposits at notice	10,098	11,405	108,517
Time deposits	1,160,606	1,132,841	12,472,930
Other deposits	45,033	43,448	483,971
Sub-Total	2,651,798	2,618,361	28,498,636
Negotiable certificates of deposit	11,089	2,706	119,172
Total	¥2,662,887	¥2,621,067	\$28,617,808

13. BORROWED MONEY

At March 31, 2010 and 2009, the weighted average interest rates applicable to the borrowed money were 2.70% and 2.89%, respectively. Borrowed money at March 31, 2010 and 2009 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2010	2009	2010
Subordinated borrowings	¥45,000	¥55,000	\$483,610
Borrowings from banks and other	2,258	2,595	24,266
Total	¥47,258	¥57,595	\$507,876

Annual maturities of borrowed money at March 31, 2010, were as follows:

Year Ending March 31	Millions of Yen	Thousands of U.S. Dollars
2010	¥ 702	\$ 7,547
2011	604	6,489
2012	423	4,546
2013	269	2,888
2014	169	1,812
2015 and thereafter	45,091	484,594
Total	¥47,258	\$507,876

14. BONDS PAYABLE

Bonds payable at March 31, 2010 and 2009 consisted of the following:

Description	Millions of Yen		Thousands of U.S. Dollars	Interest Rate	Due
	2010	2009	2010		
Subordinated bonds	¥5,000	¥5,000	\$53,735	2.51%	Sep. 2006–Sep. 2016

15. OTHER LIABILITIES

Other liabilities at March 31, 2010 and 2009 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2010	2009	2010
Domestic exchange settlement	¥ 219	¥ 91	\$ 2,354
Accrued income taxes	1,747	102	18,771
Accrued expenses	3,781	3,802	40,634
Unearned income	7,741	8,166	83,189
Derivatives	5,397	6,982	58,003
Other	9,070	40,642	97,477
Total	¥27,955	¥59,785	\$300,428

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, 2010 and 2009, the amounts

of "Acceptances and guarantees" and "Customers' liabilities for acceptances and guarantees," which were set off were ¥19,999 million (\$214,922 thousand) and ¥22,990 million, 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, 2010 and 2009 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2010	2009	2010
Gains on foreign exchange transactions-net	¥ 492	¥ 809	\$ 5,287
Gains on sales of bonds	3,703	2,154	39,795
Other	2,318	2,575	24,908
Total	¥6,513	¥5,538	\$69,990

19. OTHER INCOME

Other income for the years ended March 31, 2010 and 2009 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2010	2009	2010
Gains on sales of stocks and other securities	¥ 25	¥ 15	\$ 269
Gains on disposal of tangible fixed assets		1	
Recovery of claims previously charged-off	14	34	156
Other	2,671	1,721	28,699
Total	¥2,710	¥1,771	\$29,124

20. OTHER ORDINARY EXPENSES

Other ordinary expenses for the years ended March 31, 2010 and 2009 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2010	2009	2010
Losses on sales of bonds	¥ 98	¥ 509	\$ 1,048
Other	1,904	2,095	20,461
Total	¥2,002	¥2,604	\$21,509

21. OTHER EXPENSES

Other expenses for the years ended March 31, 2010 and 2009 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2010	2009	2010
Provision for possible loan losses	¥13,406	¥31,346	\$144,076
Losses on sales of stocks and other securities	2	16	26
Losses on devaluation of stocks and other securities	475	1,503	5,101
Loss on disposal of noncurrent assets	118	696	1,262
Impairment loss	636	227	6,835
Other	1,789	1,244	19,226
Total	¥16,426	¥35,032	\$176,526

22. 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, 2010 and 2009 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2010	2009	2010
Projected benefit obligation	¥(20,721)	¥(20,498)	\$(222,685)
Plan assets (fair value)	14,874	10,728	159,843
Unfunded projected benefit obligation	(5,847)	(9,770)	(62,842)
Unrecognized actuarial net loss	5,352	8,286	57,522
Unrecognized prior service cost	66	57	708
Prepaid pension costs	3,632	2,415	39,037
Provision for retirement benefits	¥ (4,061)	¥ (3,842)	\$ (43,649)

The components of net periodic benefit costs for the years ended March 31, 2010 and 2009 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2010	2009	2010
Service cost	¥ 626	¥ 601	\$ 6,727
Interest cost	408	474	4,390
Expected return on plan assets	(194)	(232)	(2,088)
Amortization of prior service cost	(9)	(9)	(93)
Recognized actuarial net loss	1,445	920	15,527
Other	222	133	2,385
Net periodic retirements benefit costs	¥2,498	¥1,887	\$26,848

Assumptions used for the years ended March 31, 2010 and 2009 were set forth as follows:

	2010	2009
Discount rate	2.0%	2.0%
Expected rate of return on plan assets	0~2.5%	0~2.5%
Recognized period of actuarial gain or loss	9 years	9 years
Amortization period of prior service cost	9 years	9 years

23. INCOME TAXES

The tax effects of significant temporary differences which resulted in deferred tax assets and liabilities at March 31, 2010 and 2009 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2010	2009	2010
Deferred tax assets:			
Allowance for loan losses	¥18,216	¥19,268	\$195,769
Provision for retirement benefits	3,259	3,170	35,027
Provision for bonuses	370	322	3,977
Accrued enterprise tax	213	49	2,293
Devaluation of stocks and other securities	1,062	1,004	11,413
Depreciation	206	222	2,210
Tax loss carryforwards	14	209	149
Net unrealized losses on available-for-sale securities		350	
Other	1,433	1,232	15,393
Less valuation allowance	(6,159)	(4,910)	(66,191)
Total	¥18,614	¥20,916	\$200,040
Deferred tax liabilities:			
Net unrealized losses on available-for-sale securities	¥ (1,689)		\$ (18,150)
Gains on securities contributed to employee retirement benefit trust	(1,476)	(685)	(15,860)
Prepaid pension costs	(685)	(981)	(7,367)
Deferred gains or losses on hedges	(77)	(48)	(828)
Other	(5)	(48)	(53)
Total	¥ (3,932)	¥ (1,762)	\$ (42,258)
Net deferred tax assets	¥14,682	¥19,154	\$157,782

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, 2010 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.

	2010
Normal effective statutory tax rate	40.6%
Permanent differences-expenses	0.3
Permanent differences-income	(0.7)
Corporate inhabitant tax per capita	0.8
Valuation allowance	15.1
Other	(0.1)
Actual effective tax rate	56.0%

24. MARKET VALUE AND OTHER INFORMATION ON SECURITIES

Market value and other information on securities as of March 31, 2010 and 2009 were as follows:

Securities

(1) Bonds classified as trading

	Millions of Yen		
	2010	2009	
	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	Immaterial	¥513	Immaterial

	Thousands of U.S. Dollars	
	2010	Gains (Losses) Included in Profit/Loss during the Fiscal Year
Bonds classified as trading	Immaterial	

(2) Bonds classified as held-to-maturity securities that have market value as of March 31, 2010.

	Millions of Yen			Thousands of U.S. Dollars			
	2010			2010			
	Consolidated Balance Sheet Amount	Fair Value	Difference	Consolidated Balance Sheet Amount	Fair Value	Difference	
Unrealized Gains	Japanese local government bonds	¥57,169	¥57,541	¥372	\$614,386	\$618,388	\$4,002
	Short-term Japanese corporate bonds						
	Japanese corporate bonds	13,061	13,150	89	140,369	141,325	956
	Other						
	Sub-Total	70,230	70,691	461	754,755	759,713	4,958
Unrealized Losses	Japanese local government bonds	2,700	2,698	(2)	29,018	28,992	(26)
	Short-term Japanese corporate bonds						
	Japanese corporate bonds						
	Other						
	Sub-Total	2,700	2,698	(2)	29,018	28,992	(26)
Total	¥72,930	¥73,389	¥459	\$783,773	\$788,705	\$4,932	

No bonds classified as held-to-maturity securities that have market value have been held by the Group as of March 31, 2009.

(3) Available-for-sale securities that have market value:

	Millions of Yen			Thousands of U.S. Dollars			
	2010			2010			
	Consolidated Balance Sheet Amount	Cost	Difference	Consolidated Balance Sheet Amount	Cost	Difference	
Unrealized Gains	Stocks	¥ 8,738	¥ 7,175	¥1,563	\$ 93,903	\$ 77,108	\$16,795
	Bonds:	318,832	314,975	3,857	3,426,455	3,385,005	41,450
	Japanese government bonds	129,359	128,026	1,333	1,390,209	1,375,880	14,329
	Japanese local government bonds	105,138	103,933	1,205	1,129,909	1,116,954	12,955
	Short-term Japanese corporate bonds						
	Japanese corporate bonds	84,335	83,016	1,319	906,337	892,171	14,166
	Other	31,165	30,523	642	334,934	328,036	6,898
	Sub-Total	358,735	352,673	6,062	3,855,292	3,790,149	65,143
Unrealized Losses	Stocks	5,925	7,340	(1,415)	63,676	78,888	(15,212)
	Bonds:	148,936	149,380	(444)	1,600,597	1,605,372	(4,775)
	Japanese government bonds	113,254	113,545	(291)	1,217,126	1,220,253	(3,127)
	Japanese local government bonds	27,410	27,463	(53)	294,570	295,145	(575)
	Short-term Japanese corporate bonds						
	Japanese corporate bonds	8,272	8,372	(100)	88,901	89,974	(1,073)
	Other	7,735	7,782	(47)	83,128	83,628	(500)
	Sub-Total	162,596	164,502	(1,906)	1,747,401	1,767,888	(20,487)
Total	¥521,331	¥517,175	¥4,156	\$5,602,693	\$5,558,037	\$44,656	

	Millions of Yen				
	2009				
	Cost	Consolidated Balance Sheet Amount	Net Unrealized Gains (Losses)	Unrealized Gains	Unrealized Losses
Stocks	¥ 14,615	¥ 12,816	¥(1,799)	¥ 879	¥2,678
Bonds:	405,847	407,304	1,457	2,290	833
Japanese government bonds	213,354	214,272	918	1,515	597
Japanese local government bonds	105,167	105,426	259	384	125
Short-term Japanese corporate bonds	5,994	5,997	3	3	
Japanese corporate bonds	81,332	81,609	277	388	111
Other	21,710	21,189	(521)	21	542
Total	¥442,172	¥441,309	¥ (863)	¥3,190	¥4,053

(4) Bonds classified as held-to-maturity have not been sold.**(5) Available-for-sale securities sold:**

	Millions of Yen			Thousands of U.S. Dollars		
	2010			2010		
	Sales Amount	Gains on Sales	Losses on Sales	Sales Amount	Gains on Sales	Losses on Sales
Stocks	¥ 101	¥ 25	¥ 2	\$ 1,086	\$ 269	\$ 26
Bonds:	381,755	3,690	43	4,102,688	39,658	460
Japanese government bonds	338,220	3,293	18	3,634,823	35,394	192
Japanese local government bonds	25,819	182	23	277,473	1,952	244
Short-term Japanese corporate bonds						
Japanese corporate bonds	17,716	215	2	190,392	2,312	24
Other	3,112	13	55	33,440	137	588
Total	¥384,968	¥3,728	¥100	\$4,137,214	\$40,064	\$1,074

	Millions of Yen		
	2009		
	Sales Amount	Gains on Sales	Losses on Sales
Available-for-sale securities	¥359,464	¥2,168	¥525

(6) Securities with no readily available market value as of March 31, 2009:

	Consolidated Balance Sheet Amount
	Millions of Yen
2009	
Available-for-sale securities:	
Non-listed corporate bonds	¥23,028
Non-listed corporate stocks	2,124
Limited liability partnership	1,254

(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 as of March 31, 2009:**

	Millions of Yen			
	2009			
	1 Year or Less	1 to 5 Years	5 to 10 Years	Over 10 Years
Bonds	¥52,796	¥254,199	¥86,764	¥36,572
Japanese government bonds	—	104,533	73,167	36,572
Japanese local government bonds	24,502	75,316	5,608	
Short-term Japanese corporate bonds	5,997			
Japanese corporate bonds	22,297	74,350	7,989	
Other	2,830	18,237	784	
Total	¥55,626	¥272,436	¥87,548	¥36,572

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 Sheet Amount		
	Millions of Yen		Thousands of U.S. Dollars
	2010	2009	2010
Net unrealized gains (losses) on Securities	¥4,155	¥(862)	\$44,656
Deferred tax assets (liabilities)	(1,689)	350	(18,150)
Net unrealized gains (losses) on valuation (before adjustment)	2,466	(512)	26,506
(Minority interests)	18		199
Net unrealized losses on valuation	2,448	(512)	26,307

Securities Subject to Impairment Charges

Market values of certain available-for-sale securities that have market value have decreased significantly from the original acquisition cost. Securities deemed to have no chance of recovering their value up to their original acquisition cost are listed on the balance sheet (consolidated basis) at their market price, and the valuation difference is booked as a loss ("impairment loss") for the consolidated fiscal year under review.

The total amount of such impairment charges for the consolidated fiscal year under review was ¥60 million.

Standards used to determine when a security has "decreased significantly" in value under the Bank's self-assessment system for asset quality are as follows, classified by creditworthiness category.

Issuer is in "legal bankruptcy," "virtual bankruptcy" or "possible bankruptcy:"
 Issuer requires "caution:"
 Issuer has "normal" status:

Market value is below acquisition cost
 Market value is 30% or more below acquisition cost
 Market value is 50% or more below acquisition cost

Among issuers with "normal" status under the above-mentioned self-assessment asset screening, for those whose securities' market value is between 30% and 50% below the original acquisition cost, a decision on the likelihood of recoverability up to acquisition cost is made on a case-by-case basis. Impairment charges are booked in all cases if acquisition cost is not deemed fully recoverable.

Legally bankrupt issuing companies include those that are bankrupt, and those whose businesses have legally failed and that have effectively gone in to special liquidation proceedings, under law. Virtually bankrupt companies are those facing the same circumstances as legally bankrupt companies. Companies in possible bankruptcy are companies that, though currently going concerns, are recognized as having a high probability of failure in the future. Companies requiring caution are those whose management will need monitoring. Companies performing normally are those which fall into none of the above categories.

25. 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.

I. Derivative information for the year ended March 31, 2010**1. Derivative transactions to which the deferred hedge accounting method is not applied**

Contractual value, fair value, unrealized gains or losses, and computation method for fair value by types of transactions as of March 2010 were as follows. The contract amounts do not necessarily measure the Bank's exposure to market risk:

(1) Interest-rate-related transactions

	Millions of Yen				Thousands of U.S. Dollars			
	2010		2010		2010		2010	
	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	¥9,950	¥9,890	¥226	¥226	\$106,936	\$106,291	\$2,429	\$2,429
Receive floating and pay fixed	9,950	9,890	(98)	(98)	106,936	106,291	(1,055)	(1,055)
Others:								
Sold	6,086	6,041	(21)	75	65,402	64,918	(225)	809
Bought	6,086	6,041	21	(38)	65,402	64,918	225	(407)
Total			¥128	¥165			\$1,374	\$1,776

Notes: 1. The above transactions were revalued at the end of the year and the related gain and loss were reflected in the accompanying consolidated statements of income.
 2. The fair values were mainly calculated using the discounted present values.

(2) Currency-related transactions

	Millions of Yen				Thousands of U.S. Dollars			
	2010				2010			
	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:								
Currency swaps:	¥15,223	¥15,223	¥ 33	¥ 33	\$163,595	\$163,595	\$ 354	\$ 354
Forward exchange contracts:								
Sold	6,501		(110)	(110)	69,866		(1,180)	(1,180)
Bought	5,860		120	120	62,974		1,284	1,284
Currency options:								
Sold	47,308	27,095	(3,447)	(235)	508,412	291,185	(37,042)	(2,521)
Bought	47,308	27,095	4,050	838	508,412	291,185	43,521	9,000
Total			¥ 646	¥646			\$ 6,937	\$6,937

Notes: 1. The above transactions were revalued at the end of the year and the related gain and loss were reflected in the accompanying consolidated statements of income.
2. The fair values were mainly calculated using the discounted present values.

(3) Stock-related transactions are not performed.**(4) Bond-related transactions are not performed.****(5) Financial product-related transactions are not performed.****(6) Credit derivative transactions are not performed.****2. Derivative transactions to which the deferred hedge accounting method is applied**

Contractual value, fair value, unrealized gains or losses, and computation method for fair value by types of transactions as of March 2010 were as follows. The contract amounts do not necessarily measure the Bank's exposure to market risk:

(1) Interest-rate-related transactions

	Hedged Item	Millions of Yen			Thousands of U.S. Dollars		
		2010			2010		
		Contractual Value	Contractual Value Due after One Year	Fair Value	Contractual Value	Contractual Value Due after One Year	Fair Value
Interest rate swaps:							
Receive fixed and pay floating	Call loans and bills bought, available-for-sale-securities (bonds), borrowed money	¥20,000	¥20,000	¥199	\$214,938	\$214,938	\$2,136
Receive floating and pay fixed		758		(2)	8,141		(16)
Total				¥197			\$2,120

Notes: 1. Pursuant to "Treatment for Accounting and Auditing of Application of Accounting Standard for Financial Instruments in Banking Industry" (JICPA Industry Audit Committee Report No.24), deferred hedge accounting is applied.
2. The fair values were mainly calculated using the discounted present values.

(2) Currency-related transactions are not performed.**(3) Stock-related transactions are not performed.****(4) Bond-related transactions are not performed.**

II. Derivative information for the year ended March 31, 2009**(1) Interest-rate-related transactions**

Interest-rate-related transactions as of March 31, 2009 were as follows.

	Millions of Yen			
	2009			
	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
Receive floating and pay fixed	2,907	2,907	(6)	(6)
Others				
Sold	3,959	3,959	(22)	49
Bought	3,959	3,959	22	(25)
Total			¥17	¥41

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 was as follows:

	Millions of Yen			
	2009			
	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)
Bought	5,934	413	105	105
Currency options:				
Sold	74,137	51,291	(4,981)	(496)
Bought	74,137	51,291	5,868	1,383
Total			¥ 912	¥ 912

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 have not been performed.

(4) Bond-related transactions have not been performed.

(5) Financial product-related transactions have not been performed.

(6) Credit derivative transactions have not been performed.

26. RELATED PARTY TRANSACTIONS

At March 31, 2010 and 2009, Sumitomo Mitsui Banking Corporation (the "Parent Company") owns 45.10% of the Bank's voting shares directly and 1.33% (1.23% at March 31, 2009) 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, 2010 and 2009 were as follows:

Parent Company

	Millions of Yen		Thousands of U.S. Dollars
	2010	2009	2010
Subordinated borrowings	¥30,000	¥37,000	\$322,407

Associated Company

	Millions of Yen		Thousands of U.S. Dollars
	2010	2009	2010
Negotiable certificates of deposit			
Balance at end of year			
Operating transactions		¥30,000	

27. NET INCOME PER SHARE

Reconciliation of net income per share ("EPS") for the years ended March 31, 2010 and 2009 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, 2010				
Basic EPS				
Net income available to Capital shareholders	¥ 3,583	410,483	¥ 8.72	\$0.09
For the year ended March 31, 2009				
Basic EPS				
Net loss available to Capital shareholders	¥(9,313)	410,510	¥(22.68)	

28. FINANCIAL INSTRUMENTS

The Group applied ASBJ Statement No.10 revised on March 10, 2008 and "Guidance on Disclosure about Fair Value of Financial Instruments" ("ASBJ" Guidance No.19 revised on March 10, 2008) on March 31, 2010.

The effect of this change was to increase securities by ¥313 million (\$3,365 thousand), net unrealized gains on available-for-sale securities by ¥190 million (\$2,042 thousand), and income before income taxes and minority interests by ¥132 million (\$1,414 thousand) and to decrease deferred tax assets by ¥130 million (\$1,414 thousand).

1. Financial instruments

(1) Financial instrument management plan

The Group operates primarily banking and other financial service businesses related to credit cards, credit guarantees, leasing, and venture capital. To operate these businesses, the Group raises funds by accepting customer deposits while regulating the balance between market conditions and the long and short terms, by indirect financing through borrowings, and by issuing treasury bonds. Because the Group mainly holds financial assets and liabilities with fluctuating interest rates, the Bank operates its business using Asset Liability Management (ALM) to prevent an unfavorable impact caused by interest rate changes. As part of ALM, the Bank conducts derivative transactions.

Some of the consolidated subsidiaries of the Bank hold marketable securities.

(2) Financial instrument attributes and risks

The financial assets held by the Group are primarily commercial loans made to businesses and individuals in Japan. These assets are subject to credit risk arising from client default on loan contracts. There is the possibility that these debts may not be fulfilled in accordance with the contract terms and conditions due to changes in the borrowers' financial conditions and particular conditions in various industries; economic and financial environmental changes in interest rates, share prices, and real estate values. Further, marketable securities and trading account securities held by the Bank are mainly comprised of stocks and bonds, held to maturity for net investment and business promotion purposes. These securities are subject to the issuer's credit risk, interest rate fluctuation risk, and market value change risk.

The Group is subject to liquidity risk in its borrowings and bonds, and should it be unable to access the markets under certain conditions, this may prevent the Bank from making payments by contractual due dates. Further, the Group makes loans with variable interest rates and is therefore subject to the risk of fluctuating interest rates.

The Bank engages in interest rate swap transactions as part of ALM. The Bank applies hedge accounting to interest rate swaps as a hedging instrument against the risk of fluctuating interest rates arising from hedged financial assets and liabilities. To evaluate hedge effectiveness, deposits and loans (hedged items) and

interest rate swap derivatives (hedging instruments) are grouped for each specified period of time, and hedges for offsetting market price fluctuations are identified from the group and assessed.

Further, the Bank also trades bond futures to offset market price fluctuations of bonds held as available-for-sale securities.

Some consolidated subsidiaries hold marketable securities, and these financial instruments are exposed to interest rate risk, market price fluctuation risk, and credit risk.

(3) Financial instrument risk management system

1. Credit risk management

The Group has established and operates a credit management system for commercial loans. The system performs credit reviews, manages credit limits and credit data, establishes internal ratings, guarantees and collateral, and deals with problem debt in accordance with the Bank's financing rules and other credit risk management rules and regulations. These credit management procedures are conducted by the relevant credit review and sales departments. In addition, the credit management status is reported at regularly-held management meetings and board of directors' meetings for deliberation, and is also subject to corporate auditor reviews.

The Corporate Risk Management Department oversees the credit risk of issuers of the marketable securities and counterparty risk of derivative transactions by periodically collecting credit information and market values.

2. Market risk management

(i) Interest risk management

The Bank conducts Asset Liability Management (ALM) to manage interest rate risk. The risk management methods and procedures are described in detail in ALM regulations and the status of their implementation is checked and verified and future actions are discussed in general risk meetings (management meetings), based on ALM policies reviewed in the ALM Committee. In practice, the Corporate Risk Management Department primarily oversees overall interest rates and terms of financial assets and liabilities and monitors them using gap and interest rate sensitivity analysis, reporting to the ALM Committee monthly. The Bank trades interest rate swaps and other derivative transactions to hedge interest rate risk.

(ii) Exchange risk management

The Group manages exchange risk on individual transactions and oversees exchange positions.

(iii) Price fluctuation risk management

The decision to hold investment instruments including marketable securities is made at general risk meetings based on the policies of the ALM Committee, and carried out following rules and regulations on market risk management. The Financial Markets Department purchases investment instruments from outside sources and mitigates price fluctuation risk by conducting preliminary reviews and setting investment limits, and through consistent monitoring. Shares managed by the Operations Planning Department are held for the purposes of

promoting business, including business and capital tie-ups, thereby allowing it to monitor the market environments and financial conditions of its business partners. This information is reported periodically to the ALM Committee and the Management Committee.

Some consolidated subsidiaries hold marketable securities, and these are managed in accordance with the subsidiaries' market and liquidity risk management rules and monitored by the Bank.

(iv) Derivative transactions

For derivative transactions, the Group has created separate divisions for derivative trading, evaluation of hedge effectiveness and business administration, thereby establishing a system of checks and balances. These divisions operate based on market

risk management rules and regulations.

3. Fund procurement liquidity risk management

The Group manages liquidity risk through timely fund management, diversified fund procurement sources and regulating the balance between long and short term funding in light of market conditions.

(4) Additional information on the fair value of financial instruments, etc.

The fair values of financial instruments include values based on market values and reasonably calculated values when the market value is not available. As said values are calculated using certain assumptions, these values may vary when different assumptions are used.

2. Financial instruments' fair values

Consolidated balance sheet amount, market value, and unrealized gains or losses as of March 31, 2010 were as follows. Unlisted securities, the market values of which were extremely difficult to calculate were excluded from the table below:

	Millions of Yen			Thousands of U.S. Dollars		
	2010			2010		
	Consolidated Balance Sheet Amount	Fair Value	Difference	Consolidated Balance Sheet Amount	Fair Value	Difference
Cash and due from banks	¥ 45,463	¥ 45,463		\$ 488,584	\$ 488,584	
Call loans and bills bought	20,003	20,003		214,967	214,967	
Trading account securities:						
Trading securities	959	959		10,314	10,314	
Securities:						
Held-to-maturity securities	72,930	73,389	¥ 459	783,773	788,705	\$ 4,932
Available-for-sale securities	521,293	521,293		5,602,291	5,602,291	
Loans and bills discounted:	2,197,239			23,613,534		
Allowance for possible loan losses	(35,379)			(380,218)		
	2,161,860	2,164,380	2,520	23,233,316	23,260,393	27,077
Assets total	2,822,508	2,825,487	2,979	30,333,245	30,365,254	32,009
Deposits	2,651,798	2,653,132	(1,334)	28,498,636	28,512,973	(14,337)
Negotiable certificate of deposits	11,089	11,090	(1)	119,172	119,179	(7)
Payables under securities lending transactions	69,373	69,373		745,542	745,542	
Borrowed money	47,258	46,359	899	507,876	498,219	9,657
Bonds payable	5,000	4,209	791	53,735	45,232	8,503
Liabilities total	2,784,518	2,784,163	¥ 355	29,924,961	29,921,145	\$ 3,816
Derivative transactions:						
Deferred hedge accounting is applied	774	774		8,311	8,311	
Deferred hedge accounting is not applied	197	197		2,120	2,120	
Derivative transactions total	¥ 971	¥ 971		\$ 10,431	\$ 10,431	

Notes: 1. Allowance for possible loan losses to loans and bills discounted are excluded

2. Derivative transactions recorded in Other assets and Other liabilities are presented as a lump sum. Net claims and debts that arose from derivative transactions are presented on a net basis.

(Note 1) Calculating method for the fair values of financial instruments were as follows:

Assets

(1) Cash and due from banks

The fair values of non-term deposits approximate the book values, therefore said book values shall be the fair values. For term deposits, present values are calculated for each category based on the deposit term, discounting by the applicable interest rate assumed for any new deposit transaction.

(2) Call loans and bills bought

These transactions have short remaining contract terms (six months or less), and as their fair values approximate the book values, said book values shall be the fair values.

(3) Trading account securities

Values of marketable securities such as bonds held for dealing are based on their securities exchange prices.

(4) Securities

Stock prices are based on their stock exchange prices, while bond prices are based either on their stock exchange prices or on the prices provided by the correspondent financial institutions. Investment trust prices are based on the standard prices publicly released. The fair values of each privately placed bond group, categorized by internal rating and term period, are calculated by discounting the total principal and interest at an interest rate that reflects the risk free rate, estimated default probability based on the internal ratings of the bond issue, and the estimated

uncollectibility rate at default based on guarantees.

Fair values of floating rate Japanese government bonds held as available-for-sale securities are booked on the consolidated balance sheet based upon realistically-calculated valuations made at the end of the consolidated accounting year. This is presumably because market values do not reflect fair assessment values since there are very few actual transactions. Thus, "Securities" increased by ¥3,210 million, "Deferred tax assets" fell by ¥1,304 million, and "Valuation difference on available-for-sale-securities" rose by ¥1,906 million compared to the market value-based figures on the consolidated balance sheets.

The reasonably estimated values were calculated by discounting the cash flows based mainly on the yields of Japanese government bonds. The main variables are the yields of Japanese government bonds and volatility of those yields.

Comments regarding available-for-sale securities for each holding category are noted in the "Securities" section.

(5) Loans

Market values of loans categorized by internal rating and term are calculated by discounting the total principal and interest at an interest rate that reflects the risk free rate, estimated default probability based on the internal ratings of the borrower, and the estimated uncollectibility rate at default based on collateral and guarantees.

Further, loans to borrowers in legal bankruptcy, virtual bankruptcy and possible bankruptcy are calculated based upon the estimated loan losses using the probable recoverable amount based upon collateral and guarantee amounts. Thus, the market value is approximately the amount on the consolidated balance sheet as of the consolidated settlement date, minus the current

loan loss estimate. This figure is used as the market price.

Note that where the repayment period has not been stipulated, like some overdraft facilities, the market price is assumed to approximate the book value from the probable repayment period or the interest rate terms. Therefore, the book value shall be the market price.

Liabilities

(1) Deposits, and (2) Negotiable certificates of deposits

The market value of demand deposits is considered to be the payment amount (book value) sought on the consolidated settlement date. Time deposits and negotiable certificates of deposit are categorized by given term periods, and their present values are calculated discounting their future cash flow. This discount rate is based upon the rate used when new deposits are accepted.

(3) Payables under securities lending transactions

Book values are used for market values because these products have short remaining contract terms (six months or less) and the market prices approximate the book values.

(4) Borrowed money

The present value is calculated by discounting the total principal and interest of said borrowings, which have been categorized by specific term periods, at an assumed interest rate for similar borrowings.

(5) Bonds payable

The present value is calculated by discounting the total principal and interest of said bonds payable, which have been categorized by specific time periods, at an assumed interest rate when similar bonds payable are issued.

(Note 2) Financial Instruments, the fair values of which were extremely difficult to calculate were as follows:

	Millions of Yen	Thousands of U.S. Dollars
	2010	2010
	Consolidated Balance Sheet Amount	1 Year or Less
Unlisted stocks	¥1,879	\$20,193
Limited partnership for investment	453	4,869
Total	¥2,332	\$25,062

Notes: 1. Unlisted stocks are excluded as there are no market prices and extremely difficult to calculate fair values.

2. For the year ended March 31, 2010, impairment losses for unlisted stocks amounted to ¥291 million (\$3,128 thousand).

3. Limited partnership for investment made up of unlisted securities, the market values of which are extremely difficult to calculate are excluded from the table.

(Note 3) Maturities of money claims and securities that have maturities were as follows:

	Millions of Yen					
	2010					
	1 Year or Less	1 to 3 Years	3 to 5 Years	5 to 7 Years	7 to 10 Years	Over 10 Years
Call loans and bills bought	¥ 20,003					
Securities:	59,756	¥142,520	¥218,021	¥ 18,499	¥119,251	¥ 11,000
Held-to-maturity securities:	4,572	25,429	42,052			
Japanese government bonds						
Japanese local government bonds	1,596	18,979	38,552			
Japanese corporate bonds	2,976	6,450	3,500			
Available-for-sale securities:	55,184	117,091	175,969	18,499	119,251	11,000
Japanese government bonds		11,000	93,000	6,000	118,000	11,000
Japanese local government bonds	18,698	54,822	44,568	11,761	52	
Japanese corporate bonds	30,388	37,418	21,994	738	792	
Others	6,098	13,851	16,407		407	
Loans and bills discounted	570,948	404,193	296,549	171,838	189,250	476,847
Total	¥650,707	¥546,713	¥514,570	¥190,337	¥308,501	¥487,847

	Thousands of U.S. Dollars					
	2010					
	1 Year or Less	1 to 3 Years	3 to 5 Years	5 to 7 Years	7 to 10 Years	Over 10 Years
Call loans and bills bought	\$ 214,967					
Securities:	642,190	\$1,531,644	\$2,343,047	\$ 198,813	\$1,281,579	\$ 118,216
Held-to-maturity securities:	49,130	273,283	451,927			
Japanese government bonds						
Japanese local government bonds	17,147	203,965	414,313			
Japanese corporate bonds	31,983	69,318	37,614			
Available-for-sale securities:	593,060	1,258,361	1,891,120	198,813	1,281,579	118,216
Japanese government bonds		118,216	999,463	64,482	1,268,135	118,216
Japanese local government bonds	200,951	589,160	478,972	126,400	559	
Japanese corporate bonds	326,580	402,130	236,361	7,931	8,512	
Others	65,529	148,855	176,324		4,373	
Loans and bills discounted	6,135,928	4,343,828	3,186,992	1,846,725	2,033,851	5,124,635
Total	\$6,993,085	\$5,875,472	\$5,530,039	\$2,045,538	\$3,315,430	\$5,242,851

Note: Loans in legal bankruptcy, virtual bankruptcy and potential bankruptcy amounting to ¥66,606 million (\$715,812 thousand) and loans and bills discounted without maturities amounting to ¥21,007 million (\$225,762 thousand) were excluded from the table above.

(Note 4) Maturities of borrowed money and others were as follows:

	Millions of Yen					
	2010					
	1 Year or Less	1 to 3 Years	3 to 5 Years	5 to 7 Years	7 to 10 Years	Over 10 Years
Deposits	¥2,517,793	¥109,828	¥24,177			
Negotiable certificate of deposits	11,089					
Payables under securities lending transactions	69,373					
Borrowed money	702	1,027	437	¥25,065	¥17	¥10
Corporate bonds				5,000		
Total	¥2,598,957	¥110,855	¥24,614	¥30,065	¥17	¥10

	Thousands of U.S. Dollars					
	2010					
	1 Year or Less	1 to 3 Years	3 to 5 Years	5 to 7 Years	7 to 10 Years	Over 10 Years
Deposits	\$27,058,501	\$1,180,313	\$259,822			
Negotiable certificate of deposits	119,171					
Payables under securities lending transactions	745,542					
Borrowed money	7,548	11,035	4,700	\$269,366	\$187	\$103
Corporate bonds				53,734		
Total	\$27,930,762	\$1,191,348	\$264,522	\$323,100	\$187	\$103

Notes: 1. Negotiable certificate of deposits were included in "1 Year or Less."

2. Borrowed money without maturities amounting to ¥20,000 million (\$214,938 thousand) are excluded from the table.

29. SEGMENT INFORMATION

i) Business Segment Information

Information about business segments of the Group for the years ended March 31, 2010 and 2009 were as follows:

a. Operating Income

	Millions of Yen				
	2010				
	Banking	Other	Total	Eliminations/ Corporate	Consolidated
Operating income:					
Outside customers	¥66,730	¥4,271	¥71,001		¥71,001
Intersegment income	357	291	648	¥(648)	
Total	67,087	4,562	71,649	(648)	71,001
Operating expenses	57,948	4,698	62,646	(622)	62,024
Net losses for computation	¥ 9,139	¥ (136)	¥ 9,003	¥ (26)	¥ 8,977

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

	Millions of Yen				
	2010			Eliminations/Corporate	Consolidated
	Banking	Other	Total		
Total assets	¥2,932,174	¥26,093	¥2,958,267	¥(17,819)	¥2,940,448
Depreciation	2,745	38	2,783		2,783
Impairment loss	636		636		636
Capital expenditures	3,154	32	3,186		3,186

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)

b. Total Assets, Depreciation and Capital Expenditures

	Millions of Yen				
	2009			Eliminations/Corporate	Consolidated
	Banking	Other	Total		
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

	Thousands of U.S. Dollars				
	2010			Eliminations/Corporate	Consolidated
	Banking	Other	Total		
Operating income:					
Outside customers	\$717,146	\$45,899	\$763,045		\$763,045
Intersegment income	3,832	3,134	6,966	\$(6,966)	
Total	720,978	49,033	770,011	(6,966)	763,045
Operating expenses	622,764	50,494	673,258	(6,692)	666,566
Net losses for computation	\$ 98,214	\$(1,461)	\$ 96,753	\$ (274)	\$ 96,479

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

	Thousands of U.S. Dollars				
	2010			Eliminations/Corporate	Consolidated
	Banking	Other	Total		
Total assets	\$31,511,810	\$280,415	\$31,792,225	\$(191,494)	\$31,600,731
Depreciation	29,501	410	29,911		29,911
Impairment loss	6,835		6,835		6,835
Capital expenditures	33,893	351	34,244		34,244

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, 2010 and 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, ¥11 million, ¥16,248 million, ¥14 million and ¥44 million, respectively.

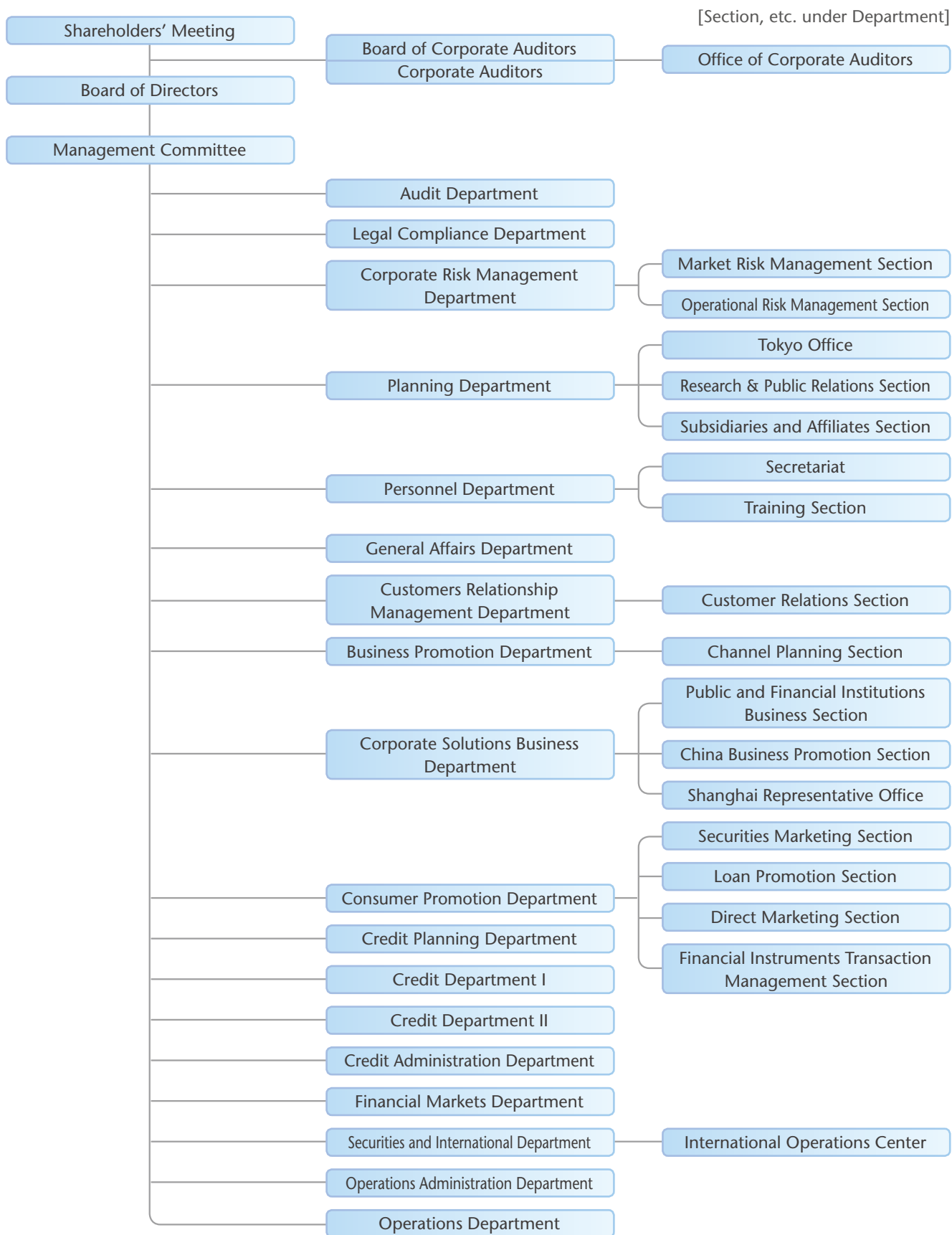
ii) Segment Information by Geographic Area

Segment information by geographic area has not been presented herein for the years ended March 31, 2010 and 2009, 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, 2010 and 2009 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, 2010)



■ CORPORATE OFFICERS (As of June 29, 2010)

Directors, Corporate Auditors and Executive Officers

*Chairman of the Board (Representative Director)***Nobuhiro Yabumoto***President (Representative Director)***Shunji Ono****Senior Managing Directors***Seiji Masaki*** (*Representative Director*)**Kaoru Mori*** (*Representative Director*)*Managing Directors***Shirou Inoue*****Seiji Goto****Director***Toshiro Ohta** (*external*)*Corporate Auditors***Masataka Imahashi** (*full-time*)**Akira Sukata** (*full-time*)**Shingo Okada** (*external*)**Tsutomu Nagate** (*external*)**Katsuyuki Watanabe** (*external*)

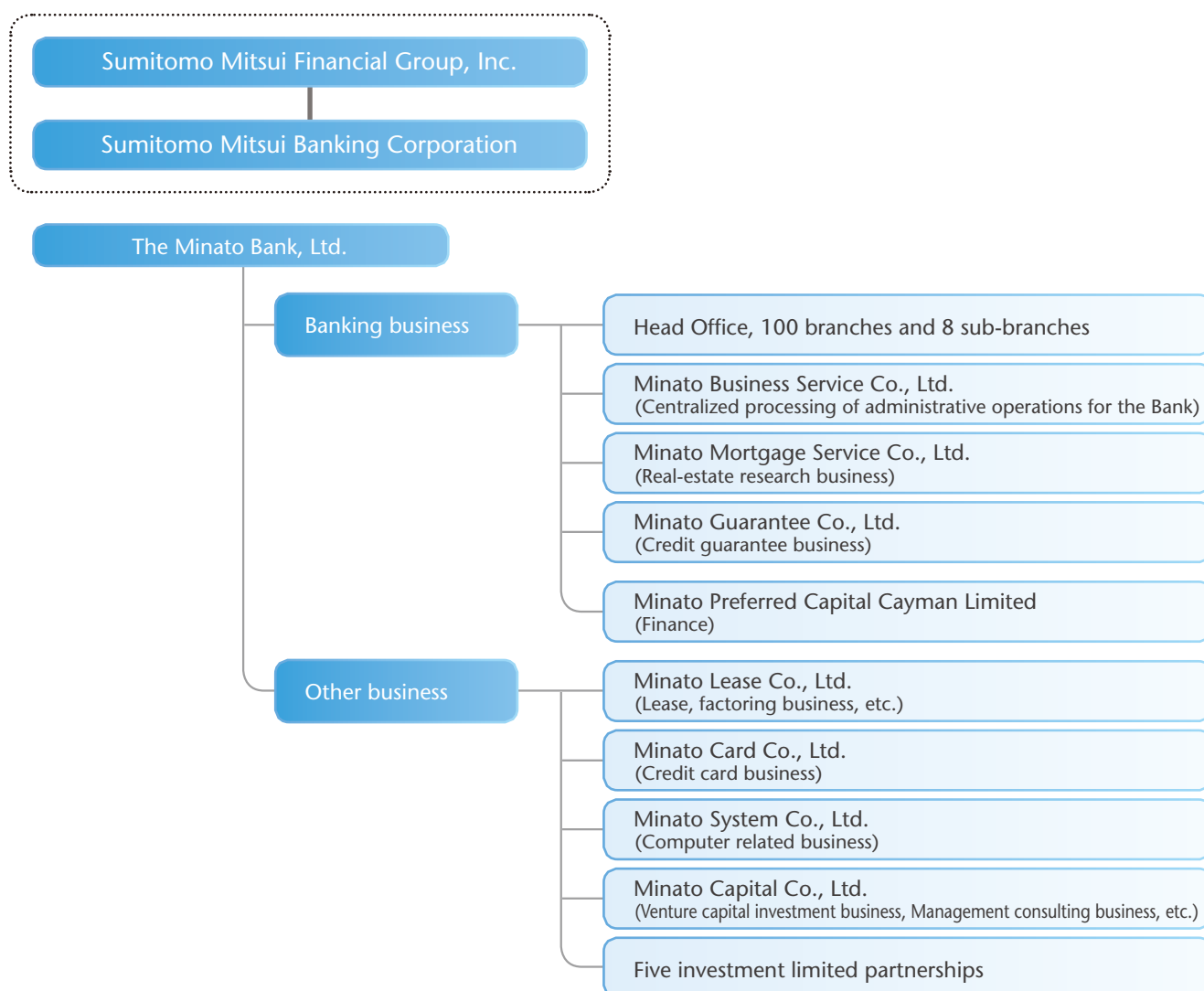
* Executive Officers

*Executive Officers***Yoshiki Okada***(General Manager of Operations Administration Department)***Takashi Yasukuni***(General Manager of Head Office Business Promotion)***Noriyuki Saen***(Manager of Osaka Branch)***Tetsuo Osujou***(Manager of Umeda Branch)***Shizuya Kajitani***(General Manager of Consumer Promotion Department)***Takaharu Kojima***(Manager of Himeji Branch)***Mitsuyoshi Mizuno***(General Manager of Credit Planning Department)***Akiyoshi Matsui***(General Manager of Audit Department)***Shinya Kimura***(General Manager of Financial Markets Department)***Riei Miyasaka***(Manager of Tokyo Branch and Manager of Tokyo Office, Planning Department)***Atsushi Hisamatsu***(General Manager of Business Promotion Department)***Tetsuji Maeda***(General Manager of General Affairs Department)***Takeishi Morimoto***(General Manager of Planning Department)***Tomohiko Kondo***(General Manager of Personnel Department)*

■ CORPORATE DATA (As of March 31, 2010)

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:	10,376
Date of Incorporation:	September 1949 (Company name was changed to The Minato Bank, Ltd. in April 1999.)
Domestic Network:	109 locations (Hyogo: 104, Osaka: 4, Tokyo: 1)
Number of Employees:	2,038
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)

GROUP STRUCTURE (As of March 31, 2010)



MAJOR SHAREHOLDERS (As of March 31, 2010)

Name	Number of Shares (Thousands)	Percentage (%)
Sumitomo Mitsui Banking Corporation	184,828	45.02
Minato Bank Kyoueikai	22,418	5.46
Nippon Life Insurance Company	12,001	2.92
Japan Trustee Services Bank, Ltd. (trust accounts)	7,194	1.75
Minato Bank Employees' Shareholding Association	6,716	1.63
Nissay Dowa General Insurance Co., Ltd.	6,661	1.62
Mitsui Sumitomo Insurance Co., Ltd.	6,220	1.51
Sumitomo Life Insurance Company	5,203	1.26
The Higashi-Nippon Bank, Limited	4,872	1.18
The Master Trust Bank of Japan, Ltd. (trust accounts)	4,079	0.99



The Minato Bank, Ltd.

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