




The Bank of Kyoto, Ltd.

Annual Report 2010

For the year ended March 31, 2010

Profile

Since its establishment on October 1, 1941, The Bank of Kyoto, Ltd. (hereinafter, "the Bank") and its consolidated subsidiaries have achieved steady growth as one of Kyoto Prefecture's core financial institutions. The Bank's fundamental mission is to contribute to the greater prosperity of the local community and the development of local industries. As Kyoto Prefecture's largest retail bank, the Bank of Kyoto vigorously carries out marketing activities aimed at providing customers with high-quality financial services. The Bank will work to fulfill its social mission of being the bank most trusted by customers as well as the bank with the strongest presence in the region.

Kyoto Bank's role in the "Kinki Region"

The city of Kyoto, which is the Bank's principal business base, has a history of over twelve-hundred years. At the same time, the city is located in an area of land stretching to the northern part of the city of Osaka that has been dubbed the "Keihan Valley" in imitation of California's Silicon Valley, as it boasts a large collection of thriving high-tech enterprises and venture companies. The Bank of Kyoto is playing a crucial role in providing financial support to these companies.

Non-Consolidated Basis

Total Assets:
¥7,104.1 billion
(6th among regional banks)

Total Deposits:
¥6,311.7 billion
(6th among regional banks)

Loans and Bills Discounted:
¥3,843.4 billion
(11th among regional banks)

Unrealized Gains on Securities:
¥312.2 billion
(1st among regional banks)

Capital Ratio: 12.04%
(domestic standards)
Ref. 14.94%
(BIS standards)

Credit Rating:
A+ (R&I)
A (S&P)

Contents

Attention regarding forward-looking statements

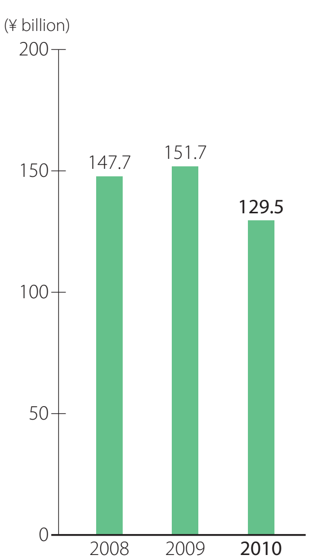
Readers are advised that this report contains forward-looking statements, which are not statements of historical fact but constitute estimates or projections based on facts known to the Company's management as of the time of writing. Actual results may therefore differ substantially from such statements.

Consolidated Financial Highlights

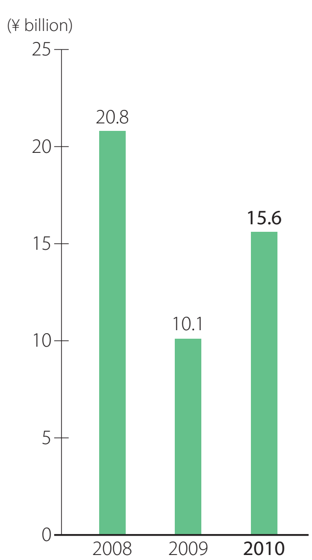
	Millions of Yen			Thousands of U.S. Dollars
	2010	2009	2008	2010
For The Year				
Total Income	¥ 129,588	¥ 151,724	¥ 147,781	$ 1,392,823
Total Expenses	103,022	137,383	114,379	1,107,292
Income before Income Taxes and Minority Interests	26,565	14,341	33,401	285,531
Net Income	15,668	10,148	20,881	168,410
At Year-end				
Total Assets	¥7,115,290	¥6,684,532	¥6,637,353	$76,475,609
Deposits	6,299,610	6,008,300	5,709,464	67,708,625
Loans and Bills Discounted	3,834,750	3,619,829	3,441,006	41,216,152
Investment Securities	2,716,645	2,297,877	2,735,174	29,198,687
Minority Interests	7,030	6,322	5,701	75,566
Common Stock	42,103	37,825	36,556	452,533
Total Equity	485,706	365,160	497,953	5,220,402
Capital Ratio				
Domestic Standards	12.33%	12.03%	11.67%	
BIS Standards	15.19%	13.37%	14.75%	

Notes: 1. Japanese yen figures are expressed with amounts of under one million omitted. Accordingly breakdown figures may not add up to sums.
2. U.S. dollar amounts represent translation of Japanese yen at the rate of ¥93.04 to US$1.00 on March 31, 2010, the final business day of the term.

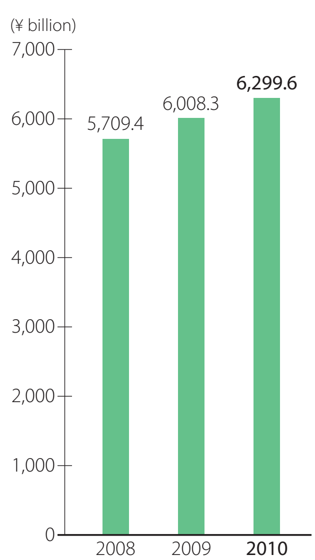
Total Income



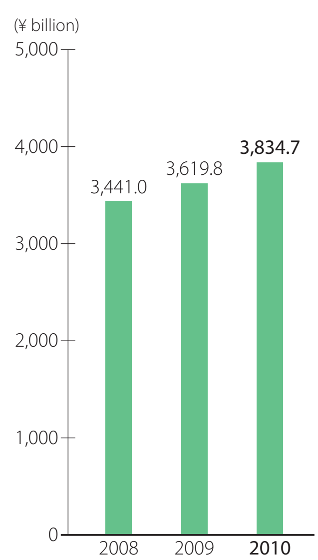
Net Income



Deposits (including NCDs)



Loans and Bills Discounted



Message from the President

Hideo Takasaki

President
The Bank of Kyoto, Ltd.

More convenience and greater trust in our role as a comprehensive regional bank

I officially took over duties as the seventh president of the Bank of Kyoto, Ltd. in June 2010. I truly appreciate the weight of these responsibilities. Rendering service for the benefit of the local community is our management philosophy, and we will spare no effort to be of use to everyone in the communities we serve. I ask for your continued patronage and support as we pursue our mission.

As defined in our third medium-term management plan (FY2008 through FY2010) — "SHI·N·KA" — our management vision is to be "A Comprehensive Regional Bank — A Convenient Bank." We are actively expanding our network of branches in the Kinki region (Kyoto, Shiga, Osaka, Nara and Hyogo Prefectures) to bring more convenience to our customers.

One of our priorities is to foster personnel who can exercise empathy and professionalism in responding to the concerns and needs of our customers. Coupled with high-quality financial services, we meet and exceed the expectations of our customers, earning their trust and doing our part to contribute to the success of the local community.

Our stable financial foundation is one of our strengths as a banking institution. We will continue to focus on these initiatives, while evolving in our role as a bank that offers convenience and inspires trust in.

Strategies to ensure sustained growth

Japan's industries have faced a tremendous challenge in finding a path to recovery since the Lehman Shock and the ensuing financial crisis. It goes without saying that financial institutions are being swept along by a whirlwind of changes as they try to respond to the demands of the Act on Provisional Measures for the Facilitation of Financing to Small and Medium-Sized Businesses ("Moratorium Act").

Regardless of the challenges, we at the Bank of Kyoto will respond to the changes and demands of the times with a sense of urgency and flexibility. We will avoid the trap of contracted equilibrium management, choosing rather to pursue a strategy of growth as a comprehensive regional bank.

An expanding branch network

For the first time in nine years, we opened a new branch within the city limits of Kyoto during FY2009. The Nagaoka Imazato Branch was accompanied by the opening of the Otsu and Ishiyama Branches in Shiga Prefecture, the Suita Branch in Osaka, the Ikoma Branch in Nara Prefecture, and JR Amagasaki Station Branch in Hyogo Prefecture. With these new additions, we now operate 150 branches throughout our service area.

We also relocated several branches that were in the upper floors of office buildings. Now, the Kadoma, Higashi Osaka, and Nara Branches are located on the street-level location, each working hard to provide even better services to our customers.

We are dedicated to bringing even more convenience to our customers by continuing to expand our branch network and offer more value-added services.

Finance facilitation initiatives

The Bank has established detailed support programs according to the needs and business conditions of our customers.
Our priority is to facilitate loans at the local level, pursuing a community-focused financing model.

More specifically, we have been active in collaborating with outside consultants to provide customers with venture/new business support (through the Kyogin Venture Business Support Program) and management improvement/business restructuring support (through regional rehabilitation support networks), offering high-quality financial services to businesses in the community.

We were one of the first banks to begin compliance with the provisions of the Act on Provisional Measures for the Facilitation of Financing to Small and Medium-Sized Businesses ("Moratorium Act"), establishing a cross-organizational structure to facilitate loans. At present, we have identified the main objectives of this Moratorium Act, believing that it is important for us to be a leader in taking specific action. In other words, rather than simply granting repayment extensions, we will work to uncover new possibilities together with our clients — how we should be dealing with our clients and what goals we should target. We recognize the need, now more than ever, to create new paths toward mutual prosperity. By offering detailed management guidance and consulting based on this type of Bank-customer communications, we are able to get an accurate picture of the facts, providing support to our customers — a mission in which each and every one of our employees and officers believes.

Employee education

As an institution concerned about the professional development of our employees, in April 2010 we inaugurated "Kyoto Banking College" — an in-house educational program. At the same time, we also unveiled a new curriculum. This is part of our effort to instill a corporate culture in which employees take advantage of self-directed study covering the advanced knowledge expected of banking professionals, and making use of this knowledge to provide stellar services to our clients.

The College is about more than finance-related knowledge and skills. We also want to help our employees build characters with the insight and ethics worthy of being a leader in the local community. In producing employees with technical skills and strength of character, we will perform beyond our client's expectations, contributing to the further growth of the local communities that we serve.

For the advancement of the local community

These are just some of our efforts in improving customer service and meeting the diverse needs of our clients. These are ways that we will contribute to local growth, performing above expectations, earning trust, and inspiring confidence as the leading banking institution in the communities we serve.

Management Plan

In April 2008, the Bank of Kyoto launched its Third New Medium-Term Management Plan "SHI·N·KA."

The new plan puts forth the basic policy of "Improving Corporate Value, Empathizing and Coexisting with Our Local Communities" under our management vision of becoming "A Comprehensive Regional Bank — A Convenient Bank." We will strive to improve the true value of the corporation (corporate value) by pursuing the economies of scale that derive from our status as a comprehensive regional bank and by advancing a three-part of "SHI·N·KA."

SHI·N·KA: The Third New Medium-Term Management Plan

(April 1, 2008 to March 31, 2011)

Plan name

SHI·N·KA

Management vision

A Comprehensive Regional Bank
A Convenient Bank

Basic policy

Improving Corporate Real Value, Empathizing and Coexisting with Our Local Communities

Targets

Balance of Loans	¥3,900.0 billion	Gross Operating Profit	At least ¥100.0 billion
Balance of Deposit/NCDs	¥6,200.0 billion	Net Profit	At least ¥25.0 billion
Non-Deposit Products + Total Amount of Personal Annuity Insurance Sales			¥1,000.0 billion

Three keywords

(1) Expanding our network (2) Activating information (3) Enhancing our products and services

Evolving our management vision

Expanding our network
- Leveraging an overwhelming presence in the Kinki region
- Putting into practice business activities with strong roots in our local communities

Deepening our management strategy

Activating information
- Enhancing solution-based business that leverage our regional network
- Improving our relationships with customers

Providing new value

Enhancing our products and services
- Developing products and services that meet customer needs
- Providing high value-added services

Strengthening our infrastructure

Improving customer satisfaction, undertaking initiatives to take on environmental issues, adopting more sophisticated risk management, and implementing more thorough compliance

At the same time, we will seek to empathize and coexist with our local communities through an active involvement in social contribution activities such as efforts to address environmental issues.

Basic strategies and priority measures

Basic strategies	Priority measures
Profit growth strategy	● Expanding gross business profit ● Realizing an optimal cost distribution for maximizing profit
Network expansion strategy	● Promoting operations as a comprehensive regional bank ● Establishing a business structure that reflects region-specific strategies
Information activation strategy	● Enhancing solution-based business
	● Promoting community-based finance Basic policy: Contribute to the revitalization of the regional economy by strengthening partnerships with support organizations and providing high-quality financial services. • Strengthening lifecycle-based support for business customers • Thoroughly implementing means for supplying capital in a way that meets the needs of small and medium-sized businesses, for example through financial services founded on an accurate assessment of business value • Contributing to a sustainable regional economy by utilizing the region's accumulated information resources
	● Incorporating customer feedback into products and services
Products and services enhancement strategy	● Developing a more extensive line of products and enhancing our service functions ● Training personnel to support our growth path (building a human resources development program that makes use of the Training Committee) ● Reforming our operations by making use of education, support, and state-of-the-art information technology

Strategies for improving customer satisfaction and protecting the environment	Strategies for enhancing our management posture
● Goal: To become the Japanese bank with the highest level of customer satisfaction ● Improving customer satisfaction skills, enhancing activities to improve customer satisfaction, and putting into practice environmentally responsible corporate activities	● Establishing a comprehensive risk management posture ● Enhancing our management posture in customer protection and other areas ● Practicing appropriate management of working hours ● Validating our risk management posture through audits ● Implementing thorough compliance ● Preventing incidents

Corporate Governance and Compliance Structures

Corporate Governance

The Bank of Kyoto is working ensure that its corporate governance structure is founded on sound, transparent management practices by monitoring directors' execution of business through surveillance by the Board of Directors and auditors and through the use of an auditing system.

The Bank has built a structure for quick management decision making, under which decision-making authority is delegated in an appropriate manner, with the Board of Directors acting as the highest-ranking decision-making body. Moreover, the Bank is strengthening its auditing functions through internal audits based on risk analysis and through external auditing of its financial statements and comprehensive risk management system.

In order to ensure that operations are carried out in a sound and appropriate manner, the Bank has adopted a series of Management (Governance) Guidelines with the goal of functioning as a financial intermediary, complying with laws and other legal requirements, aggressively protecting customer interests, and precisely managing various types of risk through appropriate management (Governance).

The Management (Governance) Guidelines serve to unify our postures with regard to finance facilitation administration, compliance, management of customer interest protection, and integrated risk management.

Board of Directors

The Board of Directors has decision-making responsibility for basic policies and important matters related to the execution of Bank business. Members of the Board of Directors also engage in reciprocal surveillance and monitoring.

Executive Committee

The Executive Committee is a structure designed to facilitate streamlined decision-making by representative directors and managing directors, who have been delegated decision-making authority by the Board of Directors, on important matters related to daily Bank operations.

Board of Corporate Auditors

The Board of Corporate Auditors consists of four auditors, including two external auditors. Appropriate auditing is implemented in accordance with auditing policies and plans approved by the Board of Corporate Auditors.

Election of Corporate Officers and Terms of Office

Directors and auditors are elected at the General Meeting of Stockholders after being approved as candidates by resolution of the Board of Directors or approved by the Board of Corporate Auditors, respectively.

To further invigorate the Board of Directors and to flexibly build an optimal management structure capable of responding effectively to changes in the business environment, the term of office for directors is one year.

The Bank has adopted a corporate auditor system in which at least half of the corporate auditors are external corporate auditors who have no potential conflicts of interests with general shareholders. Two external corporate auditors have been designated as independent directors in filings with the Tokyo Stock Exchanges and Osaka Securities Exchange.

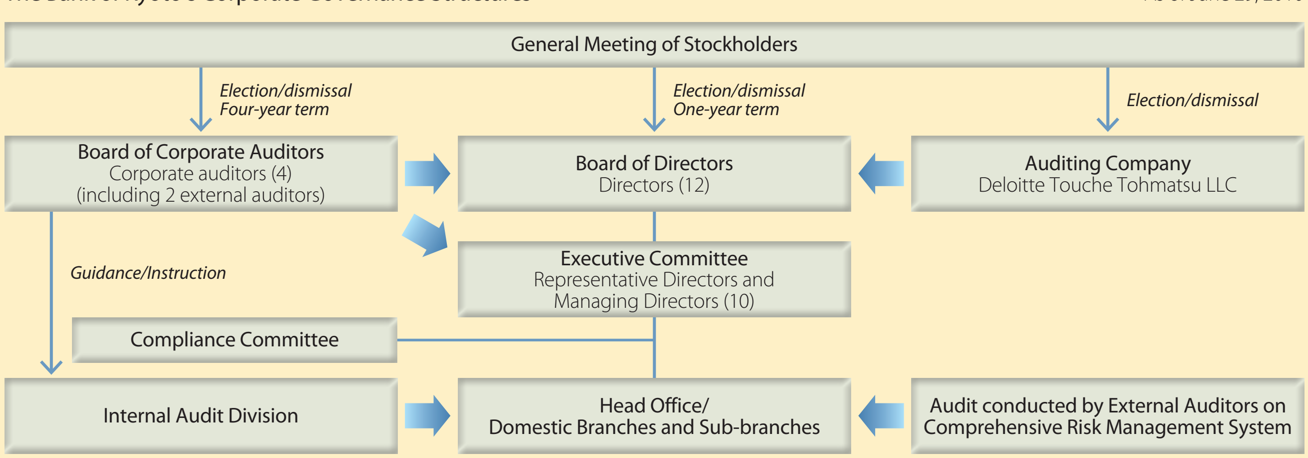
Corporate auditors attend meetings of the Board of Directors; standing auditors also attend meetings of the Executive Committee. Corporate auditors attend these meetings to monitor decision-making processes and the execution of Bank business. Internal Bank rules have clearly provided that the corporate auditors/Board of Corporate Auditors establish and maintain an audit environment that ensures objectivity and independence in management audits. Accordingly the current structure supports a strict audit control function.

Adoption of Employee Stock Options (ESO) System

As part of an overall management reform initiative, the Bank has revised its compensation package for directors. The directors' retirement

The Bank of Kyoto's Corporate Governance Structures

As of June 29, 2010



compensation payment system has been terminated, and an ESO (employee stock option) system for directors has been introduced to reward directors more concretely for their contribution to improving business performance and raising the enterprise value of the Bank. We believe this system will make the Bank's management more strongly focused on shareholder value.

Finance Facilitation Program

Historically, the Bank has facilitated lending and management improvement/business restructuring services based on a complete understanding of the facts and characteristics of the client. To serve an even more active role in finance facilitation, we have established a policy and standards for finance facilitation management. This program is backed by the full support of the Bank and its employees, who conscientiously promote the availability of the program.

More specifically, we have established a Finance Facilitation Promotion Committee, which assists the Bank president and is chaired by an executive director of the Bank who has overall responsibility for the finance facilitation program. The Finance Facilitation Management Office (established in the Credit Supervision Division) acts as the administrative organ for the program, providing central management over the status of finance facilitations. This framework incorporates cross-organizational implementation of policies based on reports received from branches and other finance facilitation offices.

Each branch is responsible for responding directly to customer questions and/or applications regarding term changes. Branch personnel endeavor to provide responses appropriate to the facts at hand, with the Finance Facilitation Officer assigned to each branch assessing progress and providing prompt responses.

To make the finance facilitation administration structure function more effectively, we set up a finance facilitation administration program each fiscal year, implementing various policies in compliance with the program.

As a regional banking institution, we will continue to engage in appropriate and active financial intermediary functions, providing financing and cash-management consulting services for small and medium-sized companies, as well as loan repayment plan modifications for home loan clients. We offer a variety of other consulting services, responding to our clients in a prompt, fair, and professional manner.

Compliance Structures

Given the public nature of banks, compliance will always be the cornerstone of management.

The Bank considers compliance to be one of its most important management issues and has been working to rigorously enhance its compliance structures to ensure that the actions of management and non-management employees alike will earn the trust and support of observers. This will enable us to build solid bonds of trust with the local community, and to maintain our reputation as a reliable bank that provides excellent customer satisfaction over the long term.

During the latter half of fiscal 2009, the Bank took steps to comply with the Revised Interest Rate Restriction Act and the Act on Provisional Measures for the Facilitation of Financing to Small and Medium-Sized Businesses ("Moratorium Act"), to completely eliminate any dealings with organized crime, and to continue to protect the confidentiality of client information.

During the first half of fiscal 2010, too, we are working to apply stricter compliance standards under the Compliance program decided by the Board of Directors. The Bank's management will be taking the initiative in carrying out the practical prescriptions in the Revised Interest Rate Restriction Act, the handling of ADR in conjunction with the Revised Financial Instruments and Exchange Act, and avoidance of unintentional financial support for criminal organizations, as well as stricter general legal compliance and safeguarding of client information. We will also be instituting new staff training programs to ensure that compliance at the Bank is observed even more strictly.

Customer Information Protection

The Bank is currently working to reinforce its system for the protection of customer information to ensure that its business operations pose no risk to its customers in the form of the leakage of confidential information, and that the system does not entail any complicated and inconvenient procedures.

Specifically, the Bank has established a Customer Information Protection Committee, chaired by a senior director responsible for overseeing all the operations of the Bank, and deputizing for the Bank's president. The Committee has designed a system for the protection of personal information relating to the Bank's customers, and it is responsible for implementing regular upgrading of this system and for ensuring that a corporate culture placing great importance on the protection of customer information takes firm root within the Bank. Concrete measures to upgrade the system are drawn up and implemented each year in the form of a Customer Information Protection Management Program, and a range of measures is implemented in accordance with this program.

The Bank's Customer Service Division is charged with responsibility for implementing customer information protection, and for ensuring that customers are provided with adequate explanations of products and services provided by all business units of the Bank. The division's staff also listen to customers' requests and complaints, and the division is responsible for managing outsourcing operations, ensuring that no conflicts of interest unfairly harm our customers.

In addition, with respect to lending transactions, to further strengthen the Bank's functions relating to the provision of explanations to customers and the management of customer information, an officer responsible for the supervision of lending explanations to customers has been appointed in the Credit Screening Division to ensure that customers fully understand the Bank's criteria for lending decisions, which are made after taking into consideration the customer corporation's current management circumstances and the nature of its business.

In the process of offering management consulting/management guidance and other finance facilitation services, we make sure that we provide clients with proper and complete explanations. At the same time, we have established a system whereby we can respond formally to client questions, complaints, etc.

Building Strong Financial Structures

Self-assessment of Assets and Write-offs and Allowances

Borrower Classifications

The Bank recognizes that maintaining a sound asset portfolio is its most crucial management objective. Accordingly, we carry out a semiannual self-assessment of assets to accurately monitor the state of our asset quality, and take an active stance toward the disposal of non-performing loans.

To facilitate these efforts, we have finished compiling a set of regulations covering self-assessment of assets, write-offs, and allowances based on the Financial Services Agency's Financial Inspections Manual, and we are disposing of all currently anticipated non-performing loans.

Specifically, we classify borrowers using the following six categories based on a judgment of their ability to repay their loans derived from their financial circumstances, financing, profitability, and other factors: borrowers in good standing, borrowers requiring vigilance, borrowers requiring management, borrowers in danger of bankruptcy, borrowers in de facto bankruptcy, and borrowers in legal bankruptcy. These categories are known as borrower categories.

Disclosure of Asset Portfolio

Disclosure of Asset Assessment Based on the Financial Reconstruction Law

The Financial Reconstruction Law requires disclosure of self-assessed loan assets and similar assets to be classified into four categories: unrecoverable or valueless, risk, special attention, and normal (not subject mandatory disclosure).

At the end of fiscal 2009, the Bank's total disclosed assets, excluding normal assets, amounted to ¥159.0 billion (US$1,709 million) as we achieved further progress toward enhancing the soundness of our loan portfolio. The average reserve ratio for these assets, excluding the portion covered by collateral and guarantees, was 56.6%. When adding the portion secured by collateral and guarantees to the reserves, the coverage ratio was 86.8%, which we consider to be a sufficient level.

The Financial Reconstruction Law Standard (Non-Consolidated)

(Billions of Yen)

	2010/3	Change from Mar. 31, 2009	2009/3
Unrecoverable or Valueless	¥ 22.8	¥ 5.3	¥ 17.5
Risk	128.9	33.6	95.3
Special Attention	7.2	3.2	4.0
Subtotal (A)	159.0	42.1	116.9
Non-Classified	3,735.9	168.9	3,567.0
Total	¥3,894.9	¥210.9	¥3,684.0

1. Loans or corresponding obligations of debtors that are bankrupt under such conditions as bankruptcy procedures, corporate reorganization, or civil rehabilitation.
2. Loans of debtors not yet in bankruptcy but which are experiencing worsening financial conditions and business results and for which principal and interest is highly unlikely to be repaid under the terms of the loan agreement.
3. Within the self-assessment classification of "debtors requiring caution," loans that are delinquent for three months or more or loans for which lending conditions have been restructured.

Coverage in Accordance with the Financial Reconstruction Law Standard (Non-Consolidated)

(Billions of Yen)

	2010/3	Change from Mar. 31, 2009	2009/3
Allowance for Possible Loan Losses	¥ 27.3	¥ 6.8	¥ 20.5
Amounts Recoverable Due to Guarantees, Collateral and Others	110.7	28.9	81.8
Total (B)	¥139.0	¥36.6	¥102.4
Coverage Ratio (B)/(A)	86.8%	(0.7)%	87.5%

Risk Management Loans under the Banking Law

The Banking Law in Japan mandates that banks disclose their risk management loans both on a consolidated and non-consolidated basis. These loans are classified into four categories: loans in legal bankruptcy, nonaccrual loans, accruing loans contractually past due three months or more, and restructured loans. At the end of fiscal 2009, the Bank's balance of risk management loans amounted to ¥158.4 billion (US$1,703 million) on a non-consolidated basis and ¥161.0 billion (US$1,731 million) on a consolidated basis. It should be noted, however, that not all of the disclosed loans will incur losses, since these figures include loans that are recoverable by disposing of collateral or redeeming guarantees.

Risk Management Loans (Consolidated)

(Billions of Yen)

	2010/3	Change from Mar. 31, 2009	2009/3
Loans in Legal Bankruptcy	¥ 14.8	¥ 2.8	¥ 12.0
Nonaccrual Loans	139.0	36.7	102.3
Accruing Loans			
Three Months or More	0.0	(0.1)	0.1
Restructured Loans	7.2	(3.3)	3.9
Total	¥ 161.0	¥ (42.5)	¥ 118.5
Total Loans Outstanding (term-end balance)	¥3,834.7	¥214.9	¥3,619.8

Refer to page 29, note 6 regarding the above categories.

Capital Ratio

The Bank's capital ratio on a non-consolidated basis was 12.04% based on domestic standards and 14.94% based on BIS standards. The capital ratio on a consolidated basis was 12.33% based on domestic standards and 15.19% based on BIS standards.

The Bank's capital ratio significantly exceeds the minimum levels prescribed by domestic standards (4%) and BIS standards (8%). We will continue to increase the soundness of our operations by working to raise our capital ratio.

Capital Ratio (Consolidated)

(Millions of Yen)

	2010/3 (Domestic)	2009/3 (Domestic)	2010/3 (BIS)
Total Capital Ratio	12.33%	12.03%	15.19%
Tier I Capital	¥ 299,019	¥ 278,257	¥ 299,019
Tier II Capital	98,547	110,484	239,431
45% of Unrealized Gains on Securities			140,884
General Allowance for Possible Loan Losses	18,723	17,902	18,723
45% of Land Revaluation Surplus	361	129	361
Qualifying Subordinated Debt	79,462	92,453	79,462
Deducted Items	204	205	376
Total Capital	¥ 397,362	¥ 388,536	¥ 538,073
Risk Adjusted Assets	¥3,221,492	¥3,229,231	¥3,540,696

Contributing to the Community: Empathizing and Coexisting with Our Local Communities

Our Approach to Social Contribution

At the Bank of Kyoto, the concept of doing our part for the local community has been one of our guiding corporate principles ever since our establishment. We have made it our business to be involved in various aspects of community work, including the development of industry and environmental issues.

Customer needs are diversifying in tandem with changing financial and social conditions. At the Bank, we are aware that the original purpose of regional financial institutions is to contribute to the development of the regional economy and society through our main line of business, which is, of course, banking. Working together with local communities, we strive for ongoing development for all. Further, to earn the trust and understanding of local communities, our policy is to publicly disclose the details of our activities.

Our communities

The Bank's business is deeply rooted in the community in five prefectures: Kyoto, where our headquarters is located, as well as the neighboring Shiga, Osaka, Nara, and Hyogo Prefectures.

* Bank statistics given in this section, including deposit and loan figures, are shown as totals for our Kyoto, Shiga, Osaka, Nara and Hyogo Prefecture locations.

Our Policy on Promoting Community-Based Finance

Through the reliable provision of funding to small and medium-sized corporations, even at times of low market liquidity, we help to facilitate dynamism in the regional community. We believe that this is the true purpose of community-based finance.

Working from this standpoint, our Third Medium-Term Management Plan states our fundamental approach to implementing community-based finance, which is "to do our part to facilitate dynamism in the regional community by providing high-quality financial services, and by enhancing collaboration with supporting organizations." Other important tenets of The Third Medium-Term Plan include 1) enhancing appropriate assistance to client companies at each stage of their corporate life cycle, 2) providing funds by means appropriate to small and medium-sized companies, i.e. financing that takes the value of your business into full consideration, and 3) doing our part to create a sustainable community utilizing community data resources. Through these and other measures, we are working to assist small and medium-sized companies by taking a positive approach to providing loans as well as management improvement services. Further information on the Bank's community-based finance activities can be found on our website.

Financing for Regional Customers

The balance of loans to local community members increased by ¥125.9 billion year-on-year to stand at ¥3,494.4 billion, or 90.9% of our total loans as of the end of March 31, 2010.

Loans Outstanding to Small and Medium-Sized Companies (includes individuals)

Loans to small and medium-sized companies were up by ¥61.8 billion compared with the previous term-end, amounting to ¥2,840.9 billion. The sum of ¥2,799.4 billion, or 98.5% of loans made to small and medium-sized corporations, was made to SMEs in the region.

Loans Outstanding Made to Local Public Organizations

As of the end of March 2010, loans outstanding made to local public organizations totaled ¥304.3 billion. The Bank has been designated an accredited financial institution by Kyoto Prefectures as well as the area's 23 regional cities, towns, and villages, and another way we are contributing to community development is by working with local public organizations, including trade in local bonds, and survey research commissioned to the Kyoto Economic Research Institute, one of our Group companies.

Assistance to Client Companies in Accordance with the Life Cycle

Initiatives to assist start-ups and new business

Our Venture Business Support Group assists with start-ups and other new businesses through a variety of venture funds. In addition, through "Kyogin Venture Business Support Program," we provide a variety of different means of support in addition to loans, including advanced, highly specialized problem-solving methods.

Business restructuring/management improvement support initiatives

In addition to individually tailored management consultations and assistance on management improvement strategy formulation, the Bank of Kyoto's Credit Supervision Division (Management Support Office) also collaborates with consulting companies and other external institutions to help our small and medium-sized client corporations to improve their management. To achieve our goals, we utilize various programs and methodologies.

The Bank works closely with local entities to promote economic growth. In Kyoto, the main organizations are the Kyoto Rehabilitation Network Council (including the Small and Medium-Sized Business

Rehabilitation Support Council), credit guarantee corporations, local financial institutions, and regional medical rehabilitation committees (subsidiary organization to the Council). In Shiga Prefecture, the main organization is the Shiga Prefecture Rehabilitation Support Liaison Council.

Offering Capital Procurement Methods Appropriate to Small and Medium-Size Companies and Boosting Decision-Making

Answering to diverse and sophisticated needs

The Corporate Banking Division's staff in charge of proposal-based marketing and information strategy are working to develop new financial products and services to meet customers' diverse and increasingly sophisticated needs. The Bank effectively leverages information acquired via its business network spanning five prefectures in the Kansai Region where the Bank has operations, to make possible aggressive proposal-based marketing.

Enhancing capabilities in the appraisal of customers' growth potential

The Specialized Marketing Section within the Corporate Banking Division employs the services of specialists with extensive knowledge of specific industries, who provide a range of solutions to satisfy customer needs, taking into consideration each customer's growth potential.

We have also established the Industry-Specific Specialized Research Training Group with the aim of training staff to be specialists in particular industries. Under this new system, head office departments and sales branches work together to conduct the kind of research into specific industries that is required for specialist decision-making in the provision of loans.

Doing our Part for the Local Economy

Initiatives to revitalize the tourism industry

The Tourism Promotion Office within the Corporate Banking Division actively works to infuse the local community with dynamism by revitalizing tourism and industries involved in "made-in-Kyoto" products.

We offer loans especially designed for the tourism business through our "Nigiwai" special loans. Beginning May 2009, the Bank introduced a limited-term interest rate reduction program to help the tourism industry, negatively impacted by the outbreak of the H1N1 flu.

Other Topics

Support for Trade and International Business

The Kyogin Asia Desk, located at our head office, offers a system capable of answering to the needs of customers doing business in East Asia, particularly in China, through collaboration with our Hong Kong and Shanghai representative offices as well as external organizations. We provide consultations for business customers, and hold business matching events as well as seminars on doing business in the region as part of our comprehensive system for meeting all our customers' needs.

Shanghai Business Exchange 2010

In January 2010, as part of a five-regional bank initiative, the Bank co-sponsored the Shanghai Business Exchange 2010 in Shanghai, China. The event brought together Japanese-affiliated corporations operating in the local economy.

A total of 158 companies and 267 individuals (including Bank clients) participated in the exchange, attending seminars, taking part in business discussions, and making the most of other opportunities for mutual engagement.

Environmental Protection Measures

Environmental issues such as global warming and pollution are now the focus of a great deal of public attention, and companies are being required to place a high management priority on measures to help preserve the environment, as part of their corporate social responsibility.

As a regional bank based in the city where the Kyoto Protocol was signed, we at Kyoto Bank feel particular responsibility to help implement the provisions of the Protocol. We have drawn up a Stage 1 Environmental Plan, a medium-term plan incorporating our environmental policies. All the Bank's staff are working together to achieve environmental goals, particularly to contribute to reducing emissions of greenhouse gases.

Environmental Policy

Management Improvement Assistance

With our headquarters in Kyoto, which boasts more than 1200 years of history, and operating widely in the Kinki region, a place of magnificent natural settings and rich history and culture, the Bank of Kyoto strives to achieve sustainable development together with the community in which we operate.

We make it as our social mission to pass on rich natural surroundings and these tremendous historic and cultural assets to future generations. In light of this philosophy, we consider the environment an important social issue, and all of our employees take an active stance to environmental conservation.

Action Plan

(1) Observe laws, regulations, agreements, etc. on the environment.

(2) Accurately assess the impact of our corporate activity on the environment, set goals and objectives in this regard and work toward them, and strive to continuously improve environmental conservation activities by conducting regular reviews.

(3) Promote energy and resources conservation, as well as recycling, with a view to reducing environmental stress.

(4) By offering environmentally-friendly financial products and services, assist clients with environmental conservation, and contribute to improving the local community environment.

(5) Deepen awareness of all employees, including executives, on environmental issues, and address environmental conservation initiatives in the region.

(6) Inform all employees and executives of our environmental policy and environmental initiatives, and also disclose this information to the public.

The Socially Responsible Investment Stock Price Index

FTSE Group confirms that Bank of Kyoto has been independently assessed according to the FTSE4Good criteria, and has satisfied the requirements to become a constituent of the FTSE4Good Index Series. Created by the global index company FTSE Group — a company jointly owned by the Financial Times and the London Stock Exchange — FTSE4Good is an equity index series that is designed to facilitate investment in companies that meet globally recognised corporate responsibility standards.

Environment Day Established

To help raise environmental consciousness among the Bank's staff, with effect from April 2009 we have designated the third Wednesday of each month as "Environment Day." This day is dedicated to raising awareness of environmental issues among our staff, and as a symbol of our commitment to the environment, all lights are turned off at 7:00 p.m. to help reduce carbon dioxide emissions through energy conservation.

Addressing Environmental Concerns Through Special Loan Products

Kyogin eco loan and Kyogin eco private placement bond

We offer special low interest rates on loans and special-rate fees on the issuance of bonds through private placement to corporate customers who have acquired ISO14001 environmental management systems certification, KES (Kyoto Environmental management System standards) certification, or certification under the Kyoto Timber Certification System (informally known as the "Wood Mileage CO_2 Certification System").

Kyogin mortgage loans and Kyogin eco special interest rate plans

We offer special low-interest rates on loans for environmentally friendly new home construction/ remodeling projects.

These special plans are for homes that qualify under the Kyoto Timber Certification System, homes with solar energy systems, and homes qualified under the Home Eco Point System.

The eco-car safe driving offer

The popularization of low-pollution vehicles or "eco-cars" is an important part of anti global-warming strategies. In a related development, with a view to preventing traffic accidents, emphasis on safe driving technique is rising. The Bank of Kyoto offers low interest rates for first-time car loans, for clients purchasing eco-cars, and for those with excellent driving records.

Initiatives in resource recycling

The Bank is implementing initiatives in the following areas.

- Shredded office documents are collected at the Bank's Makishima Document Center in Uji City, Kyoto Prefecture, for recycling in the production of toilet paper.
- We are supplying toilet paper made from recycled materials to elementary and middle schools near the Bank's branches in Kyoto and Shiga prefectures.
- We are collecting used fluorescent lamps for the recycling of their metal components, mercury, and glass.
- We have introduced natural gas-powered vehicles for transporting Bank documents.
- Our marketing staff are supplied with briefcases made from recycled plastic bottles.
- We are supplying used female Bank staff uniforms to recycling companies.
- We collect and sell PET bottle caps to recyclers, donating the proceeds to fund vaccination programs for children in developing nations.

ISO14001 Certification

The Bank of Kyoto's Administrative Office, located in Kyoto City, attained ISO14001 (international standards for environmental management systems) certification in 2003. In addition to initiatives to reduce volumes of electric power, copy paper, and waste, the office is also engaged in local community cleanup activities. Not stopping with ISO14001, this office attained ISO9001 (international standards for quality management systems) certification at the same time as the ISO14001 certification. By continuously operating environment and quality management systems, the facility is contributing to customer satisfaction as well as to the environment.

Protecting our Magnificent Natural Environment and Cityscape

Tree planting festival ("Kyogin forest project")

Given today's social circumstances including global warming and natural disaster issues, forest planting and forest conservation are now popular topics. In this connection, we at the Bank of Kyoto have planted 4,000 trees of 51 varieties, including oak trees, in the gardens of our Arashiyama Training Hall with the help of local people including elementary school children. The event is intended as a model for disaster prevention and environmental conservation for the whole of Kyoto Prefecture.

We are currently carrying out regular weeding to ensure that the saplings' growth is unimpeded.

Participation in Kyoto model forest association activities

The Bank is an active participant in the work of the Kyoto Model Forest Association, which was established to promote the countermeasures against global warming, protection against forest fires, and improvement of the landscape of the Kyoto area. To this end, Bank staff participate actively in forest-thinning and branch trimming activities.

The Bank makes donations to the Forest Planting Fund in proportion to the amount of paper used by the Bank and the value of eco-friendly loans made.

The "little bit of kindness" project

Operated by the Kyoto Prefecture Administrative Office, this project runs the annual "Kamogawa River Clean Campaign" with the participation of bank staff and their families. The cleanup enjoys a good turnout.

Risk Management Structures

While ongoing liberalization and globalization of Japan's financial markets coupled with advances in information technology and other changes have led to increased business opportunities for financial companies, these developments are also increasing the complexity and diversity of risk. Responding to this environment, the Bank has designated risk management as a crucial management issue for maintaining the stability and soundness of its operations.

Comprehensive Risk Management

At the Bank of Kyoto, in order to accurately identify the amount of risk involved in the conduct of operations, and to ensure the stability and soundness of its management base, we have established a set of Comprehensive Risk Management Guidelines, and we maintain a self-managed risk management posture that compares aggregate risk to the Bank's capital. We are working to strengthen and enhance risk management by expanding the integrated management of the Risk Management Division to include the supervisory divisions in our head office that take responsibility for each risk type and provide cross-sectional management.

At the same time, we quantify and allocate capital to principal risks (credit risk, market risk, and operational risk). In addition to verifying that calculated risk levels fall within the allocated capital ranges, we are able to conduct comprehensive stress tests projecting the simultaneous appearance of major risks, thereby evaluating the sufficiency of our equity.

The Bank's capital allocation policy, which is determined by the Executive Committee after deliberation at the Asset Liability Management (ALM) meeting (chaired by an executive of the managing director level or above responsible for oversight of bank operations and who acts as assistant to the President), is subject to semiannual review. Specifically, Tier I capital, a primary component of regulatory capital used to calculate a bank's capital ratio, serves as the source of capital for allocation to principal risks. The amount of capital allocated is determined on the basis of forecast risk levels, which take into account past risk levels as well as the overall budget and operational policy.

The amount of allocated capital is treated as a limit for management purposes in accordance with the semiannual review of risk management policy. Calculated risk levels are reported to management at the monthly ALM meeting.

To monitor the Bank's overall risk management, we have introduced an external auditing system, under which checks are conducted to ensure the effectiveness of our risk management system. In this way, the Bank is working to further improve the quality of risk management.

Credit Risk Management

Credit risk refers to risk stemming from an inability to recover principal and interest on loans in the event that borrowers experience a deterioration in business conditions, or to the risk of losses due to a reduction in the value of securities. In particular, the risk of loss due to fluctuations in foreign exchange rates or political and economic conditions in borrowers' countries is known as country risk.

Having crafted a management posture by compiling a series of Credit Risk Management Guidelines, the Bank is working to strengthen its credit risk management regime.

In addition to planning and managing credit risk through means such as internal ratings, a self-assessment system, write-offs of non-performing loans, and provisions for possible loan losses, the Risk Management Division's Credit Planning Office is responsible for quantitatively analyzing and assessing credit risk. Additionally, because the concentration of credit in particular business partners or industries can lead to significant losses in the event of environmental changes, the Office analyzes the condition of the Bank's portfolio from a variety of perspectives and manages it to avoid any excessive concentration of credit. Credit risk levels and credit concentration conditions are reported to the monthly ALM meeting.

To maintain and improve the soundness of its assets, the Bank subjects them to a self-assessment regime that includes Group companies in order to adequately write off non-performing loans and make provisions for possible loan losses. We also established an Asset Audit Office as a specialized section within the Internal Audit Division to examine the validity of write-offs and allowances based on asset self-assessments. These matters also undergo auditing by a certified public accounting firm. In managing credit for specific borrowers, we have established a Credit Supervision Division independent of marketing sections, and we are pursuing more stringent credit screening guidelines.

Credit ratings are determined by a credit assessment officer of based on information including the applicant's financial condition, technical capabilities, and future viability. Credit ratings are assessed according to strict standards, after which the loan officer makes a final determination based on the intended usage of the funds, resources available for loan repayment, and the ability of the borrower to repay the loan.

We are also placing a special emphasis on improving the ability of our personnel to assess credit risk, providing lending services training to employees according to their level of experience.

Moreover, we have established a Management Support Office within the Credit Supervision Division and are working to keep Bank assets sound by helping customers radically transform slumping businesses via a variety of measures designed to support improvements in management. Other initiatives include strengthening risk management by formulating solution plans based on self-assessment results as policies for dealing with borrowers and taking measures in response to changing business conditions through continuous monitoring.

Market Risk Management

Market risk refers to interest risk, where the profit margin between fundraising and fund management shrinks due to fluctuations in market interest rates, and price fluctuation risk, where declines in market prices cause losses.

While fluctuations in market prices carry with them the risk of the Bank sustaining losses, they also offer profit opportunities. For this reason, it is important to maintain a management posture that not only minimizes risk but also realizes stable earnings.

Our stance on market risk has been set out in the Bank's Market Risk Guidelines, and we are taking steps to strengthen market risk management. The Securities & International Division, which is responsible for overseeing market risk management, sets the limits on acceptable risk levels, as well as position ranges and loss limits, taking into account the Bank's economic capital and net operating profit to achieve a balance between capital and profitability and effectively control market risk for stocks and other securities. For risk amount calculation regarding the Bank's securities position, the Bank regularly monitors the market value of securities and employs the value-at-risk (VaR) method and other methods to assess the amount of risk involved, and then submits a report on risk valuations at the ALM Meeting.

For stocks, the Bank calculates positions and profit and loss on a daily basis, and reports these to management in line with the risk management policy on stocks. A semiannual self-assessment provides an accurate understanding of the stocks and similar securities held by the Bank and Group companies, the results of which are subject to auditing by the Internal Audit Division and a certified public auditing company.

In addition, the Bank established the ALM Group within the Risk Management Office in the Risk Management Division to bring uniformity to the management of market risk (including for deposits and loans) with credit and other risks, and to adequately control risk within the scope of the Bank's capital to secure stable earnings. To this end, the ALM Group manages and analyzes risk by utilizing techniques such as VaR (Value at Risk) and fluctuations in the present value of assets and liabilities (interest risk level based on the outlier standard). The Bank also employs tools such as back testing and stress testing to verify the suitability and effectiveness of its metrics and management methods.

Moreover, the Bank conducts semiannual reviews of risk management policy in areas such as credit interest and liquidity by holding ALM meetings. We also work to strategically address risk management at monthly ALM meetings by reporting on calculated risk levels, examining the appropriate balance of assets and liabilities, and considering measures such as risk hedges as needed.

Liquidity Risk Management

Liquidity risk refers to the risk of losses caused by a need to resort to fundraising at costs well in excess of normal due to obstructions to financing caused by a mismatch in time between fund management and fundraising or by unexpected fund outflows or other factors, as well as to the risk of losses stemming from an inability to conduct market transactions due to factors such as market confusion or to the need to resort to transactions at prices that are significantly less favorable than usual.

The Bank maintains an appropriate funding position through careful projection and verification of fundraising and fund management balances. Utilizing a system that continuously monitors the amount of funds available in the market, the Bank is always prepared for the occurrence of liquidity risk.

Operational Risk Management

Operational risk refers to the risk of losses caused by inappropriate processes in financial institution operations, activities on the part of executives or employees, Bank systems, or external factors. The Bank categorizes operational risk into the following five components for management purposes: (1) clerical risk, (2) information security risk, (3) legal risk, (4) human risk, and (5) tangible asset risk.

The Bank's stance on operational risk management has been set out in the Operational Risk Guidelines, and the divisions with oversight for each component risk take responsibility for managing those risks from a specialist perspective. The Risk Management Division is responsible for the overall management of operational risk.

The Bank considers operational risk management to be one of its most important management challenges. The Bank has established an Operational Risk Meeting, which is chaired by an executive of the managing director level or above responsible for oversight of banking operations and who acts as assistant to the President. The meeting provides a central venue for assessing and analyzing problem areas related to operational risk and discussing policy in an organization-based manner.

In addition to implementing a program of control self-assessment (CSA) including Group companies, and working to gather and analyze loss data, the Bank is working to prevent risk from being manifest and minimizing the effects when it is manifest by establishing structures within which the PDCA (Plan, Do, Check, and Act) cycle for risk management can function through our operational risk management program, which identifies key operational risk management issues on a yearly basis.

The Internal Audit Division conducts annual audits of these management postures, and in the event that risk management problems are discovered it reports to management and works to effect strict and precise operations by issuing improvement guidance.

• *Control self-assessment: A method for identifying risk inherent in Bank operations and evaluating and verifying the effectiveness of risk controls from the dual standpoints of importance and fragility.*

Clerical Risk Management

Clerical risk refers to the risk of losses due to mistakes made in the conduct of clerical duties or as a result of inappropriate actions. Aware that gaining the trust of customers begins with accurate clerical processes, the Bank has established and continues to abide by regulations governing clerical procedures. Moreover, the Bank is working to build a clerical system that minimizes the likelihood of human error or inappropriate actions by centralizing clerical processes and utilizing computers to augment its checking functions.

In addition, to reduce clerical risk, the head office divisions conduct audits, and each branch has an inspection process as part of its internal control system. Other measures include on-site guidance through visits to branches, group training courses, and the use of an e-learning system. These are among the steps being taken to prevent clerical mistakes before they happen and improve the quality of clerical work (by enhancing both speed and accuracy).

Information Security Risk Management

Information security risk refers to the risk of losses due to an infringement of the safety (confidentiality, integrity, or availability) of information resources (information and information systems). The Bank classifies information security risks as either information risks or system risks.

•*Information security: The process of ensuring that unique organizational information and information systems are (1) protected properly (confidentiality), (2) maintained in an authentic state (integrity), and (3) available for effective use when needed (availability).*

The Bank stores a large volume of information, including customer information. We are also building a range of information systems to serve as mechanisms for acquiring and storing information and making effective use of these massive volumes of stored information. Protecting and managing these information resources in an appropriate manner is part of the Bank's social responsibility, and we take this responsibility extremely seriously from the standpoint of protecting our customers' interests and improving the convenience of our products and services.

As use of the Bank's LAN and the prevalence of Internet connectivity increase, the environment and means for processing information are expanding and growing more diverse, making it critical for us to strengthen our management structures in the face of information security threats such as unauthorized disclosure, alteration, and destruction.

To deal with these circumstances, the Bank has established an Information Security Policy to serve as the basic policy concerning safety measures designed to protect information resources as well as a set of Information Security detailing more specific safety measures. We are also working to build robust management structures, for example by appointing information security management officers at our head office and sales branches, and to implement thorough management of information related to customers.

We have also established a set of Guidelines on the Handling of Personal Information to govern the handling personal information in accordance with the Private Information Protection Law, and we are working to further strengthen structures for protecting personal information in an appropriate manner, for example by establishing a Privacy Policy.

Information Risk Management

Information risk refers to the risk of losses caused by the loss, alteration, inappropriate use, or unauthorized disclosure of information.

In order to appropriately manage the massive amount of information it stores, including customer information, the Bank is working to thoroughly implement information protection, for example by classifying information that should be protected according to its importance and determining management methods for important information according to that level of importance. In addition to encrypting data that is used and stored on the Bank LAN, we also enforce strict management of access privileges. Moreover, we are actively implementing a variety of measures designed to ensure the safe management of information risk, including by transitioning to electronic accounting ledgers as part of the adoption of a paperless workflow and introducing a Central Document Storage System for reliably storing and disposing of documents such as accounting vouchers and ledgers using IC tags.

System Risk Management

System risk refers to the risk of losses caused by information system defects such as computer system downtime and malfunctions, as well as losses caused by inappropriate use of information systems. Computer systems have become indispensable in banking operations, which not only are growing more diverse and sophisticated, but also are encompassing large increases in transaction volumes. Accordingly, safety measures to avoid system risks are crucial in providing customers with highquality services. The Bank has transitioned its core computer system to an extremely advanced system at the NTT Data Banking Center for Regional Banks. This center has established solid safety measures that include the adoption of a reciprocal backup system using two facilities in eastern and western Japan. The Bank takes all possible measures against system risks by codifying detailed responses in case of system failure and rules for preventing computer crimes and malfunctions in the form of internal guidelines and other provisions.

Legal Risk Management

Legal risk refers to the risk of losses caused by violations of the law, including losses arising from breaches of obligations to customers due to negligence or from inappropriate business or market practices (including fines, penalties for breach of contract, and damages imposed as a result of action taken following an audit or through the terms of a settlement or other agreement).

The Bank considers compliance to be one of its most important management issues, and it strives to prevent the manifestation of legal risk through measures such as establishing structures and guidelines based on basic policies and compliance programs determined by the Board of Directors and by educating employees. In the event of any manifestation of legal risk, entities such as the Compliance Committee stand ready to manage and discuss the situation so that they can take steps to minimize the effect on Bank operations.

Human Risk Management

Human risk refers to the risk of losses due to human resource management problems, an inappropriate work environment, discriminatory conduct, or other similar issues.

The Bank has established a set of Human Risk Management Guidelines in an effort to ensure that human risk is managed in an appropriate manner. We are working to maintain a healthy and comfortable work environment.

Tangible Asset Risk Management

Tangible asset risk refers to the risk of losses resulting from phenomena outside the Bank's control, including natural disasters, the breakdown of social infrastructure, and terrorism, or from damage to tangible assets sustained in the course of Bank operations.

In addition to establishing an Emergency Measures Manual and Contingency Plan outlining procedures for responding to various accidents or disasters, the Bank is working to avoid and reduce tangible asset risk through regular inspection and training regimes.

Reputation Risk Management

Reputation risk refers to the risk of losses caused by a deterioration of the Bank's reputation among customers or the market.

The Bank is working to control and minimize reputation risk by establishing a set of Reputation Risk Management Guidelines specifying measures for reducing reputation risk, preventing its manifestation, and responding to the danger of its manifestation.

Contingency Planning

The Bank has established a series of Emergency Task Force Guidelines for dealing with unforeseeable events including crimes, natural disasters such as fires or earthquakes, system malfunctions, financial crises, information security risks, and market and other risks. In the event of such an emergency, the Bank would set up an Emergency Task Force to provide unified leadership and instruction on a temporary basis. We have developed a Contingency Plan detailing specific procedures, and we are working to strengthen our response capability through regular training and reviews. We have set out in our Crisis Management Guidelines for Disasters the official procedures regarding rapid disaster recovery and a Business Continuity Plan (BCP) for implementing the minimum processes necessary to run our business in the event of a large-scale natural disaster, disease outbreak, etc. Our basic policy on business continuity, which includes the Bank's intentions to offer support in ensuring the livelihoods of local residents and to help local business enterprises resume business operations, has been set out in the Business Continuity Policy.

We have also drafted detailed manuals/guidelines taking into account the possibility of a large-scale earthquake and the outbreak of a new and highly contagious strain of influenza. In this way we are working to strengthen our crisis management system.

Financial Review

Management Environment and Results

During the fiscal year under review, the economy of Japan began to show signs of gradual improvement after hitting a low point last spring. The Lehman Shock triggered the largest economic decline in the post-war era, but subsequent large-scale government policies fueled a recovery in exports to China and other emerging nations, with Japan's auto and electrical machinery industries leading the recovery. Unfortunately, this recovery has not had a significant impact on industries fueled by domestic demand or on Japan's small and medium-sized firms. At the same time, the pace of employment and recovery in personal income has been sluggish. Except for electric vehicles, energy-saving appliances and certain other consumer durables subsidized by the government, consumer purchases remain weak. Housing starts and corporate capital investment have continued an inevitable downslide over the long term. Generally speaking, Japan experienced a recovery in export-dependent demand and deflation in purely domestic markets due to slack demand, with downward pressures on capital investment and employment. The year ended under difficult circumstances, the economy grasping for signs of independent recovery fueled by private-sector demand.

Results of Business Operations

In deposit operations, we enjoyed steady growth in both individuals' and corporate deposits. The value of total deposits grew by ¥237.4 billion during the term to ¥5,765.2 billion (US$61,965 million) at term-end. Certificates of deposits increased by ¥53.8 billion to ¥534.3 billion (US$5,742 million) owing to an increase in public-sector and financial company CDs. As a result, the total balance of deposits and CDs was ¥6,299.6 billion (US$67,708 million) at term-end.

In loan operations, loans to individuals held firm, centered on mortgage loans, while corporate loans also maintained a steady upward trend in spite of an overall decline in demand, thanks the Bank's aggressive efforts to compensate for the credit crunch affecting most banks. Loans for public-sector projects also increased. As a result, total loans and bills discounted rose by ¥214.9 billion during the term, to a balance of ¥3,834.7 billion (US$41,216 million) at term-end.

Regarding the Bank's securities holdings, we exercised prudent monitoring of the market in making our investments. As a result, the value of securities increased by ¥418.7 billion, to a balance of ¥2,716.6 billion (US$29,198 million) at term-end.

The earnings environment remained very difficult during the reporting term. Ordinary profit experienced a year-on-year decline of ¥22.049 billion due to a decrease in investment revenues, mainly in marketable securities interest and dividends. As a result, operating income for the term amounted to ¥129.564 billion. Our clients experienced deteriorating earnings, resulting in an increase of loan-loss reserves and write-offs of bad debt; however, the recovery in the stock market led to significant decreases in impairments, resulting in ordinary expenses of ¥102.827 billion, representing a decrease of ¥34.182 billion compared to the prior fiscal year. As a result, ordinary profit for the term amounted to ¥26.737 billion, a significant year-on-year increase of ¥12.133 billion. Net income likewise increased year-on-year (¥5.520 billion increase) to ¥15.668 billion, a strong result despite the difficult operating environment.

Earnings per share came to ¥42.13 (US$0.45), while equity per share stood at ¥1,266.31 (US$13.61).

Our consolidated capital adequacy ratio for the fiscal year ended March 2010 calculated to the Japanese Domestic Standard amounted to 12.33%, representing a 0.30% year-on-year improvement. Calculated to the BIS International Standard, consolidated capital adequacy ratio came in at 15.19%, an improvement of 1.82%.

Turning to a review of business performance by segment, in banking operations, which constitute the core operations of the Kyoto Bank Group, ordinary income decreased by ¥21,336 million year-on-year, to ¥121,166 million (US$1,302 million), ordinary expenses also decreased, by ¥33,717 million to ¥95,587 million (US$1,027 million). As a result, ordinary profit on banking operations posted a year-on-year increase of ¥12,380 million, to ¥25,578 million (US$274 million).

In other businesses, ordinary income recorded a decrease of ¥733 million from the previous term, to ¥11,461 million, while ordinary expenses also declined year-on-year, by ¥494 million to ¥10,297 million. Ordinary profit posted a decrease of ¥238 million to ¥1,164 million (US$12 million).

Cash Flows

Cash and cash equivalents as of the reporting term-end stood at ¥221,570 million (US$2,381 million), a decrease of ¥271,106 million from the previous term-end.

Cash Flows from Operating Activities

Net cash provided by operating activities for the previous fiscal year, on a consolidated basis, amounted to ¥253,185 million as a result of an increase in deposits, as well as a decline in short-term investment funds such as call loans. While deposits and negotiable certificates of deposit increased steadily, loans, call loans and other investments increased, resulting in a cash inflow of ¥12,992 million (US$139 million). As a result, cash flows from operating activities decreased by ¥240,193 million year-on-year.

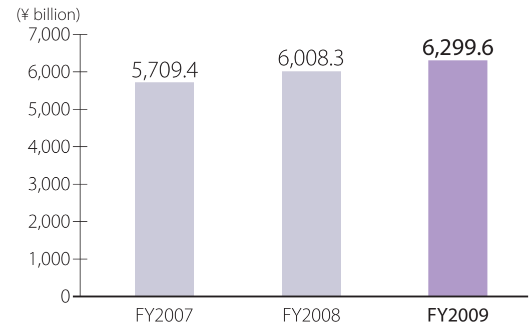
Cash Flows from Investing Activities

Net cash from investing activities for the previous fiscal year amounted to ¥145,703 million, largely as a result of the sales and redemptions of investment securities. For the reporting period, we posted net cash used in the amount of ¥273,291 million (US$2,937 million) due to the purchase of securities. This represents a year-on-year decrease of ¥418,994 million.

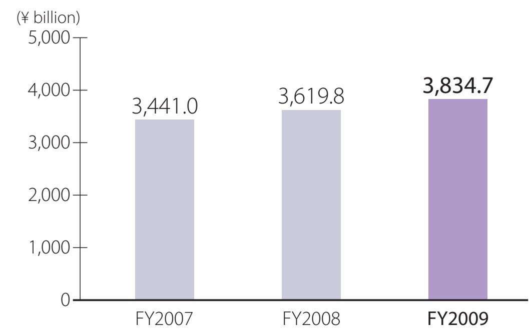
Cash Flows from Financing Activities

During the prior consolidated fiscal year, net cash used in financing activities amounted to ¥617 million, mainly due to dividend payments. For the term under review, repayments of subordinated bonds and dividend payments resulted in net cash used of ¥10,801 million (US$116 million), representing a year-on-year decrease of ¥10,184 million.

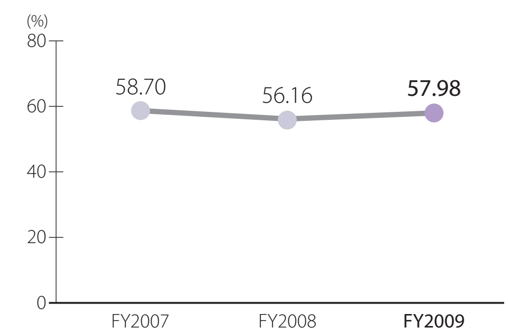
Deposits (including NCDs)



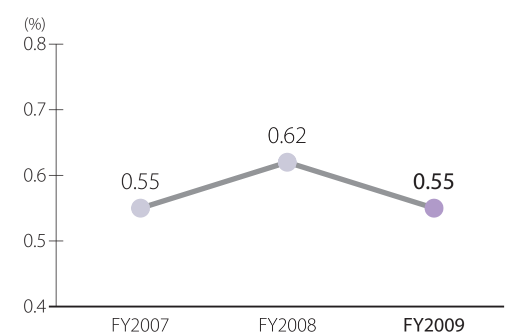
Loans and Bills Discounted



Overhead Ratio (Non-Consolidated)



Return on Assets (Non-Consolidated)



Consolidated Balance Sheets

The Bank of Kyoto, Ltd. and Consolidated Subsidiaries March 31, 2010 and 2009

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2010	2009	2010
Assets:			
Cash and due from Bank of Japan (note 28)	¥ 221,570	¥ 492,676	$ 2,381,457
Due from other banks (note 28)	1,131	557	12,157
Call loans and bills bought (note 28)	236,768	152,023	2,544,800
Receivables under resale agreements (note 10)	5,074	3,341	54,539
Monetary claims bought	11,055	11,006	118,820
Trading securities	282	223	3,039
Money held in trust (note 4)	1,959	1,961	21,065
Securities (notes 3, 10, 18 and 28)	2,716,645	2,297,877	29,198,687
Loans and bills discounted (notes 6, 11 and 28)	3,834,750	3,619,829	41,216,152
Foreign exchanges (note 7)	3,508	2,497	37,709
Lease receivables and investment assets (notes 2.*p* and 25)	9,415	10,957	101,193
Other assets (notes 8 and 10)	32,211	42,247	346,213
Tangible fixed assets (note 9)	72,338	70,514	777,495
Buildings	25,890	24,030	278,268
Land (note 12)	38,615	37,775	415,038
Construction in progress	344	1,123	3,701
Other tangible fixed assets	7,488	7,584	80,487
Intangible fixed assets	2,574	3,228	27,670
Software	2,287	2,942	24,585
Other intangible fixed assets	287	286	3,085
Deferred tax assets (note 27)	3,128	3,044	33,620
Customers' liabilities for acceptances and guarantees (note 18)	12,288	14,114	132,073
Allowance for possible loan losses	(49,412)	(41,566)	(531,086)
Allowance for possible investment losses		(2)	
Total assets	¥7,115,290	¥6,684,532	$76,475,609
Liabilities and Equity			
Liabilities:			
Deposits (notes 10, 13 and 28)	¥6,299,610	¥6,008,300	$67,708,625
Call money	23,897	47,432	256,852
Payables under repurchase agreements (note 10)	5,074	3,341	54,539
Payables under securities lending transactions (note 10)	21,461	10,292	230,674
Borrowed money (notes 10 and 14)	42,540	64,285	457,223
Foreign exchanges (note 7)	185	139	1,996
Bonds (note 15)	15,000	20,000	161,220
Convertible bonds (note 16)	29,953	38,582	321,936
Other liabilities (note 17)	63,924	66,598	687,068
Liability for employees' retirement benefits (note 26)	23,152	20,461	248,840
Liability for reimbursement of deposits losses (note 2. *l*)	233	206	2,504
Liability for contingent losses (note 2. *m*)	943	670	10,135
Deferred tax liabilities (note 27)	90,993	24,830	978,003
Deferred tax liabilities for land revaluation (note 12)	326	116	3,511
Acceptances and guarantees (note 18)	12,288	14,114	132,073
Total liabilities	6,629,584	6,319,372	71,255,207
Equity (notes 19, 20 and 31):			
Common stock, authorized, 1,000,000,000 shares; issued, 379,203,441 shares in 2010 and 365,663,722 shares in 2009	42,103	37,825	452,533
Capital surplus	30,301	26,035	325,685
Stock acquisition rights	151	63	1,625
Retained earnings	222,640	210,989	2,392,954
Net unrealized gains on available-for-sale securities (note 5)	185,193	85,970	1,990,476
Deferred losses on derivatives under hedge accounting	(969)	(1,051)	(10,423)
Land revaluation surplus (note 12)	476	170	5,117
Treasury stock — at cost, 1,315,875 shares in 2010 and 1,247,735 shares in 2009	(1,222)	(1,165)	(13,135)
Total	478,675	358,838	5,144,835
Minority Interests	7,030	6,322	75,566
Total equity	485,706	365,160	5,220,402
Total liabilities and equity	¥7,115,290	¥6,684,532	$76,475,609

See notes to consolidated financial statements.

Consolidated Statements of Income

The Bank of Kyoto, Ltd. and Consolidated Subsidiaries   Years Ended March 31, 2010 and 2009

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2010	2009	2010
Income:			
Interest income:			
Interest on loans and discounts	¥ 65,768	¥ 68,070	$ 706,882
Interest and dividends on securities	32,438	45,107	348,652
Other interest income	1,401	4,828	15,059
Fees and commissions	15,941	16,488	171,342
Other operating income (note 21)	11,934	9,920	128,277
Other income (note 22)	2,103	7,309	22,609
Total income	129,588	151,724	1,392,823
Expenses:			
Interest expense:			
Interest on deposits	14,395	24,062	154,721
Interest on borrowings and rediscounts	1,025	3,457	11,027
Other interest expense	1,558	2,650	16,748
Fees and commissions	6,912	6,876	74,293
Other operating expenses (note 23)	5,583	12,056	60,008
General and administrative expenses	55,756	54,951	599,276
Provision for allowance for possible loan losses	13,527	11,803	145,395
Other expenses (note 24)	4,263	21,523	45,824
Total expenses	103,022	137,383	1,107,292
Income Before Income Taxes and Minority Interests	26,565	14,341	285,531
Income Taxes (note 27):			
Current	12,206	9,968	131,193
Deferred	(1,916)	(6,464)	(20,601)
Minority interests	607	688	6,528
Net Income	¥ 15,668	¥ 10,148	$ 168,410

	Yen		U.S. Dollars
	2010	2009	2010
Per Share Information (notes 2.*r* and 30):			
Basic net income	¥42.13	¥28.02	$0.45
Diluted net income	38.77	25.38	0.41
Cash dividends applicable to the year	10.00	10.00	0.10

See notes to consolidated financial statements.

Consolidated Statements of Changes in Equity

The Bank of Kyoto, Ltd. and Consolidated Subsidiaries Years Ended March 31, 2010 and 2009

	Thousands	Millions of Yen										
	Outstanding number of shares of common stock	Common stock	Capital surplus	Stock acquisition rights	Retained earnings	Unrealized gains on available-for-sale securities	Deferred losses on derivatives under hedge accounting	Land revaluation surplus	Treasury stock	Total	Minority interests	Total equity
Balance at April 1, 2008	360,574	¥36,556	¥24,770		¥204,470	¥228,234	¥ (944)	¥152	¥ (988)	¥492,251	¥5,701	¥497,953
Net income					10,148					10,148		10,148
Cash dividends, ¥10.00 per share					(3,611)					(3,611)		(3,611)
Purchase of treasury stock	(171)								(176)	(176)		(176)
Disposal of land revaluation surplus					(17)					(17)		(17)
Conversion of convertible bonds	4,012	1,268	1,264							2,532		2,532
Net change in the year				¥ 63		(142,263)	(106)	17		(142,288)	620	(141,668)
Balance at March 31, 2009	364,415	37,825	26,035	63	210,989	85,970	(1,051)	170	(1,165)	358,838	6,322	365,160
Net income					15,668					15,668		15,668
Cash dividends, ¥10.00 Per share					(3,711)					(3,711)		(3,711)
Purchase of treasury stock	(68)								(58)	(58)		(58)
Disposal of land revaluation surplus					(306)					(306)		(306)
Conversion of convertible bonds	13,539	4,278	4,266							8,544		8,544
Exercise of stock option									1	1		1
Net change in the year				87		99,223	81	306		99,698	708	100,406
Balance at March 31, 2010	377,887	¥42,103	¥30,301	¥151	¥222,640	¥185,193	¥ (969)	¥476	¥(1,222)	¥478,675	¥7,030	¥485,706

	Thousands of U.S. Dollars (Note 1)										
	Common stock	Capital surplus	Stock acquisition rights	Retained earnings	Unrealized gains on available-for-sale securities	Deferred losses on derivatives under hedge accounting	Land revaluation surplus	Treasury stock	Total	Minority interests	Total equity
Balance at March 31, 2009	$406,547	$279,829	$ 686	$2,267,725	$ 924,017	$(11,297)	$1,828	$(12,523)	$3,856,814	$67,952	$3,924,767
Net income				168,410					168,410		168,410
Cash dividends, $0.10 per share				(39,892)					(39,892)		(39,892)
Purchase of treasury stock								(626)	(626)		(626)
Disposal of land revaluation surplus				(3,289)					(3,289)		(3,289)
Conversion of convertible bonds	45,986	45,855							91,842		91,842
Exercise of stock option								15	15		15
Net change in the year			939		1,066,458	873	3,289		1,071,560	7,613	1,079,174
Balance at March 31, 2010	$452,533	$325,685	$1,625	$2,392,954	$1,990,476	$(10,423)	$5,117	$(13,135)	$5,144,835	$75,566	$5,220,402

See notes to consolidated financial statements.

Consolidated Statements of Cash Flows

The Bank of Kyoto, Ltd. and Consolidated Subsidiaries Years Ended March 31, 2010 and 2009

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2010	2009	2010
Operating Activities:			
Income before income taxes and minority interests	¥ 26,565	¥ 14,341	$ 285,531
Depreciation	4,978	5,007	53,514
Losses on impairment of long-lived assets	12	58	136
Increase in allowance for possible loan losses	7,845	8,778	84,324
Decrease in allowance for possible investment losses	(2)	(5)	(27)
Increase in liability for employees' retirement benefits	2,690	2,465	28,917
Decrease in liability for directors' retirement benefits		(1,213)	
Increase (decrease) in liability for reimbursement of deposit losses	27	(17)	290
Increase in liability for contingent losses	273	341	2,934
Interest income	(99,608)	(118,006)	(1,070,594)
Interest expense	16,979	30,171	182,497
(Gains) losses on securities	(4,298)	16,591	(46,199)
(Gains) losses on money held in trust	(2)	32	(23)
Foreign exchange losses	13,288	9,461	142,828
Losses on sales of fixed assets	114	204	1,235
Net (increase) decrease in trading securities	(59)	81	(635)
Net increase in loans	(214,920)	(178,823)	(2,309,984)
Net increase in deposits	237,417	496,557	2,551,773
Net increase (decrease) in negotiable certificates of deposit	53,892	(197,721)	579,241
Net (decrease) increase in borrowed money (excluding subordinated loans)	(19,745)	19,645	(212,224)
Net (increase) decrease in due from banks (excluding due from Bank of Japan)	(573)	182	(6,162)
Net (increase) decrease in call loans and bills bought	(86,525)	81,697	(929,985)
Net decrease in call money	(21,802)	(18,093)	(234,330)
Net increase (decrease) in payables under securities lending transactions	11,169	(3,457)	120,054
Net (increase) decrease in foreign exchanges (assets)	(1,011)	1,288	(10,871)
Net increase (decrease) in foreign exchanges (liabilities)	45	(82)	493
Net decrease (increase) in lease receivables and investment assets	1,542	(10,957)	16,582
Interest and dividends received (cash basis)	102,627	118,821	1,103,052
Interest paid (cash basis)	(17,928)	(30,448)	(192,701)
Other, net	8,171	19,893	87,827
Subtotal	21,166	266,796	227,497
Income taxes — paid	(8,173)	(13,611)	(87,850)
Net cash provided by operating activities	12,992	253,185	139,644
Investing Activities:			
Purchases of securities	(1,569,695)	(989,649)	(16,871,189)
Proceeds from sales of securities	639,319	635,711	6,871,444
Proceeds from redemption securities	663,233	509,584	7,128,481
Decrease in money held in trust	3		34
Purchases of tangible fixed assets	(5,898)	(8,980)	(63,394)
Proceeds from sales of tangible fixed assets	136	181	1,462
Purchases of intangible fixed assets	(389)	(1,145)	(4,190)
Net cash (used in) provided by investing activities	(273,291)	145,703	(2,937,351)
Financing Activities:			
Proceeds from borrowing of subordinated loans	3,000	3,000	32,244
Repayments of subordinated loans	(5,000)		(53,740)
Proceeds from issuance of subordinated bonds	15,000		161,220
Payments for redemption of bonds and convertible bonds	(20,084)		(215,864)
Dividends paid by the Bank	(3,711)	(3,611)	(39,892)
Dividends paid by subsidiaries to minority shareholders	(5)	(5)	(58)
Net cash used in financing activities	(10,801)	(617)	(116,090)
Foreign Currency Translation Adjustments on Cash and Cash Equivalents	(5)	(9)	(58)
Net (Decrease) Increase in Cash and Cash Equivalents	(271,105)	398,262	(2,913,856)
Cash and Cash Equivalents at Beginning of Year	492,676	94,413	5,295,314
Cash and Cash Equivalents at End of Year	¥ 221,570	¥492,676	$ 2,381,457
Noncash Financing Activities:			
Convertible bonds converted into common stock	¥ 4,278	¥ 1,268	$ 45,986
Convertible bonds converted into capital surplus	4,266	1,264	45,855

See notes to consolidated financial statements.

Notes to Consolidated Financial Statements

The Bank of Kyoto, Ltd. and Consolidated Subsidiaries Years Ended March 31, 2010 and 2009

1. BASIS OF PRESENTING CONSOLIDATED FINANCIAL STATEMENTS

The accompanying consolidated financial statements of The Bank of Kyoto, Ltd. (the "Bank") and consolidated subsidiaries have been prepared in accordance with the provisions set forth in the Japanese Financial Instruments and Exchange Act and its related accounting regulation and the Enforcement Regulation for the Banking Law and in conformity with accounting principles generally accepted in Japan ("Japanese GAAP"), which are different in certain respects as to the 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. All yen figures for 2010 and 2009 have been rounded down to millions of yen by dropping the final six digits.

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 ¥93.04 to $1, the approximate rate of exchange at March 31, 2010. 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 its significant 7 subsidiaries (together, the "Group") in 2010 and 2009. Consolidation of the remaining 5 unconsolidated subsidiaries would not have a material effect on the accompanying consolidated financial statements. Under the control or influence concept, those companies in which the Bank, directly or indirectly, is able to exercise control over operations are fully consolidated.

Investments in unconsolidated subsidiaries and associated companies are accounted for on the cost basis. The effect on the consolidated financial statements of not applying the equity method is immaterial.

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.

b. *Cash Equivalents* — For purposes of the consolidated statements of cash flows, the Group considers deposits with the Bank of Japan included in "Cash and due from Bank of Japan" in the consolidated balance sheets to be cash equivalents.

c. *Trading Securities* — Trading securities, which are held for the purpose of primarily earning capital gains in the short term, are reported at fair value and the related unrealized gains and losses are included in the consolidated statements of income.

d. *Securities* — Securities are classified and accounted for, depending on management's intent, as follows: (1) held-to-maturity debt securities, which are expected to be held to maturity with the positive intent and ability to hold to maturity, are reported at amortized cost and (2) available-for-sale securities, which are not classified as held-to-maturity debt securities, are reported at fair value, with unrealized gains and losses, net of applicable taxes, reported in a separate component of equity. Securities whose fair value cannot be reliably determined 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. Money held in trust classified as trading is reported at fair value and the related unrealized gains and losses are included in the consolidated statements of income.

e. *Derivatives and Hedging Activities* — Derivatives are classified and accounted for as follows: (a) all derivatives (other than those used for hedging purposes) are recognized as either assets or liabilities and measured at fair value at the end of the fiscal year and the related gains or losses are recognized in the accompanying 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, the gains or losses on the derivatives are deferred until maturity of the hedged transactions.

To manage interest rate risk associated with financial assets and liabilities, the Bank applies hedge accounting by matching specific items to be hedged with specific hedging instruments or deferral hedge accounting (or cash flow hedge) based on the rules of the Japanese Institute of Certified Public Accountants (the "JICPA") Industry Audit Committee Report No. 24.

The Bank applies deferral hedge accounting based on the rules of the JICPA Industry Audit Committee Report No. 25, "Treatment of Accounting and Auditing Concerning Accounting for Foreign Currency Transactions in the Banking Industry," to manage its exposures to fluctuations in foreign exchange rates associated with assets and liabilities denominated in foreign currencies.

f. *Tangible Fixed Assets* — Tangible fixed assets are stated at cost less accumulated depreciation.

Depreciation of tangible fixed assets of the Bank is computed using the declining-balance method while the straight-line method is applied to buildings acquired by the Bank after April 1, 1998 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 5 to 50 years for other tangible fixed assets. Depreciation of tangible fixed assets of the Bank's consolidated subsidiaries is computed substantially by the declining-balance method at rates based on the estimated useful lives of the assets.

g. *Long-lived Assets* — The Group reviews its long-lived assets for impairment whenever events or changes in circumstances indicate the carrying amount of an asset or asset group may not be recoverable. Impairment losses 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 losses 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 losses are directly deducted from the respective tangible fixed assets.

h. *Intangible Fixed Assets* — Depreciation of intangible fixed assets is computed using the straight-line method. Software costs for internal use are capitalized and amortized by the straight-line method over the estimated useful life of five years.

i. *Allowance for Possible Loan Losses* — The amount of the allowance for possible loan losses is determined based on management's judgment and assessment of future losses based on the Bank's self-assessment system. This system reflects past experience of credit losses, possible future 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 Supervision Division with a subsequent audit by the Asset Review and Inspection 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 at the 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 amount of claims after deduction of the amounts collectible through the disposal of collateral or execution of guarantees. The discounted cash flow method ("DCF method") is applied to claims whose estimated uncollectible amounts exceeded the pre-established threshold and future cash flows could reasonably be estimated. Under the DCF method, an allowance is provided for the difference between the present value of expected future cash flows discounted at the contracted interest rates and the carrying value of the claims.

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

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

j. *Allowance for Possible Investment Losses* — Allowance for possible investment losses provides for the estimated devaluation losses for non-marketable securities held by the Group.

k. *Liability for Employees' Retirement Benefits* — The Bank has a contributory funded pension plan and an unfunded lump-sum severance payment plan. The Bank provides for the liability for employees' 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.

l. *Liability for Reimbursement of Deposit Losses* — Liability for reimbursement of deposits which were derecognized as liabilities is provided for estimated losses on future claims of withdrawal from depositors of inactive accounts.

m. *Liability for Contingent Losses* — Reserve for contingent losses is provided for possible losses from contingent events related to the enforcement of the "responsibility-sharing system" on October 1, 2007, and is calculated by estimation of future burden charges and other payments to the Credit Guarantee Corporation.

n. *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.

o. *Stock Options* — In December 2005, the Accounting Standards Board of Japan (the "ASBJ") issued ASBJ Statement No. 8, "Accounting Standard for Stock Options" and related guidance. The new standard and guidance are applicable to stock options newly granted on and after May 1, 2006. This standard requires companies to recognize compensation expense for employee stock options based on the fair value at the date of grant and over the vesting period as consideration for receiving goods or services. The standard also requires companies to account for stock options granted to non-employees based on the fair value of either the stock option or the goods or services received. In the balance sheet, the stock option is presented as stock acquisition rights as a separate component of equity until exercised. The standard covers equity-settled, share-based payment transactions, but does not cover cash-settled, share-based payment transactions. In addition, the standard allows unlisted companies to measure options at their intrinsic value if they cannot reliably estimate fair value. The Bank has applied this accounting standard for stock options to those options granted on and after May 1, 2006.

p. *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 is 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.

Lessee

Under the previous accounting standard, finance leases that were deemed to transfer ownership of the leased property to the lessee were to be capitalized. However, other finance leases were permitted to be accounted for as operating lease transactions if certain "as if capitalized" information was disclosed in the notes to the lessee's financial statements. The revised accounting standard requires that all finance lease transactions should be capitalized to recognize lease assets and lease obligations in the balance sheet. In addition, the accounting standard permits leases which existed at the transition date and do not transfer ownership of the leased property to the lessee to be accounted for as operating lease transactions.

The Group applied the revised accounting standard effective April 1, 2008. In addition, the Group accounted for leases which existed at the transition date and do not transfer ownership of the leased property to the lessee as operating lease transactions.

Lessor

Under the previous accounting standard, finance leases that were deemed to transfer ownership of the leased property to the lessee were to be 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 notes to the lessor's financial statements. The revised accounting standard requires that all finance leases that are deemed to transfer ownership of the leased property to the lessee should be recognized as lease receivables and all finance leases that are not deemed not to transfer ownership of the leased property to the lessee should be recognized as investments in leases.

With regard to finance lease transactions entered into prior to April 1, 2008 that were not deemed to transfer ownership of the property to the lessee, leased investment assets are recognized at the book values of those leased assets at the transaction date.

The Group applied the revised accounting standard effective April 1, 2008.

All other leases are accounted for as operating leases.

q. *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.

r. *Per Share Information* — Basic net income per share is computed by dividing net income available to common stockholders by the weighted-average number of common shares outstanding for the period, retroactively adjusted for stock splits.

Diluted net income per share reflects the potential dilution that could occur if securities were exercised or converted into common stock. Diluted net income per share of common stock assumes full conversion of the outstanding convertible notes and bonds at the beginning of the year (or at the time of issuance) with an applicable adjustment for related interest expense, net of tax, and full exercise of outstanding warrants.

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.

s. *Accounting Standard for Financial Instruments* — The ASBJ revised ASBJ Statement No. 10 "Accounting Standard for Financial Instruments" and issued ASBJ Guidance No. 19 "Guidance on Accounting Standard for Financial Instruments and Related Disclosures." The Group applied the revised accounting standard and the new guidance from the year ended March 31, 2010.

As a result, "Securities" increased by ¥104 million ($1,119 thousand), "Deferred tax liabilities" increased by ¥42 million ($455 thousand), "Net unrealized gains on available-for-sale securities" increased by ¥61 million ($663 thousand), and "Income before income taxes and minority interest" increased by ¥184 million ($1,984 thousand), respectively, in comparison to previous treatments.

t. *New Accounting Pronouncements*

Business Combinations — In 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 the revised 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 companies account for such business combinations by the purchase method and the pooling of interests method of accounting is no longer allowed.

(2) The current accounting standard accounts for research and development costs to be charged to income as incurred. Under the revised standard, in-process research and development (IPR&D) acquired by the business combination is 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 the statement of income 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 — In 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.

Accounting Changes and Error Corrections — In December 2009, ASBJ issued ASBJ Statement No. 24 "Accounting Standard for Accounting Changes and Error Corrections" and ASBJ Guidance No. 24 "Guidance on Accounting Standard for Accounting Changes and Error Corrections." Accounting treatments under this standard and guidance are as follows:

(1) Changes in Accounting Policies
When a new accounting policy is applied with a revision of accounting standards, the new policy is applied retrospectively unless the revised accounting standards include specific transitional provisions. When the revised accounting standards include specific transitional provisions, an entity shall comply with the specific transitional provisions.

(2) Changes in Presentation
When the presentation of financial statements is changed, prior period financial statements are reclassified in accordance with the new presentation.

(3) Changes in Accounting Estimates
A change in an accounting estimate is accounted for in the period of the change if the change affects that period only, and is accounted for prospectively if the change affects both the period of the change and future periods.

(4) Corrections of Prior Period Errors
When an error in prior period financial statements is discovered, those statements are restated.

This accounting standard and the guidance are applicable to accounting changes and corrections of prior period errors which are made from the beginning of the fiscal year that begins on or after April 1, 2011.

Segment Information Disclosures — In March 2008, the ASBJ revised ASBJ Statement No. 17 "Accounting Standard for Segment Information Disclosures" and issued ASBJ Guidance No. 20 "Guidance on Accounting Standard for Segment Information Disclosures." Under the standard and guidance, an entity is required to report financial and descriptive information about its reportable segments. Reportable segments are operating segments or aggregations of operating segments that meet specified criteria. Operating segments are components of an entity about which separate financial information is available and such information is evaluated regularly by the chief operating decision maker in deciding how to allocate resources and in assessing performance. Generally, segment information is required to be reported on the same basis as is used internally for evaluating operating segment performance and deciding how to allocate resources to operating segments. This accounting standard and the guidance are applicable to segment information disclosures for the fiscal years beginning on or after April 1, 2010.

3. SECURITIES

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	¥1,003,901	¥ 615,938	$10,789,994
Japanese local government bonds	107,325	111,542	1,153,544
Japanese corporate bonds	727,336	720,451	7,817,456
Japanese corporate stocks	494,728	382,667	5,317,373
Other securities	383,354	467,278	4,120,317
Total	¥2,716,645	¥2,297,877	$29,198,687

Securities include investments in unconsolidated subsidiaries of ¥920 million ($9,892 thousand) and ¥1,271 million at March 31, 2010 and 2009, respectively.

Held-to-maturity debt securities as of March 31, 2010 and 2009 were as follows:

	Millions of Yen									
	2010					2009				
	Carrying amount	Fair value	Net unrealized gains (losses)	Unrealized gains	Unrealized losses	Carrying amount	Fair value	Net unrealized gains (losses)	Unrealized gains	Unrealized losses
Japanese government bonds	¥3,316	¥3,341	¥25	¥28	¥3	¥3,017	¥3,040	¥22	¥24	¥2

	Thousands of U.S. Dollars				
	2010				
	Carrying amount	Fair value	Net unrealized gains (losses)	Unrealized gains	Unrealized losses
Japanese government bonds	$35,647	$35,919	$272	$306	$33

The cost and aggregate fair value of available-for-sale securities as March 31, 2010 and 2009 were as follows:

	Millions of Yen									
	2010					2009				
	Cost	Carrying amount	Net unrealized gains (losses)	Unrealized gains	Unrealized losses	Cost	Carrying amount	Net unrealized gains (losses)	Unrealized gains	Unrealized losses
Japanese corporate stocks	¥ 178,495	¥ 490,595	¥312,099	¥314,909	¥ 2,809	¥ 178,093	¥ 378,642	¥200,549	¥208,186	¥ 7,636
Japanese government bonds	1,004,415	1,000,584	(3,831)	2,699	6,530	627,069	612,920	(14,149)	1,694	15,843
Japanese local government bonds	106,102	107,325	1,223	1,299	76	110,892	111,542	649	747	97
Japanese corporate bonds	720,730	727,336	6,605	8,119	1,514	700,917	685,263	(15,654)	1,365	17,019
Japanese bonds – total	1,831,249	1,835,246	3,997	12,118	8,121	1,438,879	1,409,725	(29,153)	3,806	32,960
Foreign bonds	325,057	325,682	624	2,682	2,057	418,476	405,053	(13,422)	1,222	14,645
Other	59,989	55,673	(4,315)	755	5,071	71,691	58,644	(13,047)	114	13,162
Other – total	385,046	381,355	(3,691)	3,437	7,128	490,167	463,697	(26,470)	1,337	27,807
Total	¥2,394,791	¥2,707,197	¥312,406	¥330,465	¥18,059	¥2,107,140	¥2,252,066	¥144,925	¥213,330	¥68,404

	Thousands of U.S. Dollars				
	2010				
	Cost	Carrying amount	Net unrealized gains (losses)	Unrealized gains	Unrealized losses
Japanese corporate stocks	$ 1,918,483	$ 5,272,952	$3,354,468	$3,384,666	$ 30,197
Japanese government bonds	10,795,527	10,754,347	(41,180)	29,013	70,193
Japanese local government bonds	1,140,395	1,153,544	13,148	13,970	822
Japanese corporate bonds	7,746,462	7,817,456	70,994	87,269	16,275
Japanese bonds – total	19,682,386	19,725,349	42,962	130,253	87,290
Foreign bonds	3,493,741	3,500,457	6,716	28,828	22,111
Other	644,768	598,380	(46,387)	8,115	54,503
Other – total	4,138,510	4,098,838	(39,671)	36,944	76,615
Total	$25,739,380	$29,097,140	$3,357,760	$3,551,864	$194,104

Bonds classified as held-to-maturity were not sold during the fiscal years ended March 31, 2010 and 2009.

Available-for-sale securities sold during the fiscal year:

	Millions of Yen					
	2010			2009		
	Sales amount	Gains on sales	Losses on sales	Sales amount	Gains on sales	Losses on sales
Available-for-sale securities	¥636,700	¥5,906	¥860	¥637,605	¥7,428	¥2,738

	Thousands of U.S. Dollars		
	2010		
	Sales amount	Gains on sales	Losses on sales
Available-for-sale securities	$6,843,303	$63,485	$9,249

The classification of securities was not changed in the year ended March 31, 2010 and 2009

Individual securities are written down when a decline in fair value below the cost is "deemed to be other than temporary." Where the market value has declined by equal to or more than 50% from their acquisition costs, such decline in fair value is "deemed to be other than temporary." If the market value has declined by equal to or more than 30% and less than 50% from their acquisition costs, and the average market price of the past 12 months has declined by equal to or more than 30%, such decline in fair value is "deemed to be other than temporary." Credit risk and other factors are also taken into account when determining whether the decline in fair value of those securities is "deemed to be other than temporary." The amount written down is accounted for as losses on devaluation. The total losses on devaluation of available-for-sale securities (other than securities whose fair value cannot be reliably determined) amounted to ¥713 million ($7,668 thousand) and ¥20,822 million, respectively, for the years ended March 31, 2010 and 2009.

4. MONEY HELD IN TRUST

(1) Money held in trust classified as trading:

	Millions of Yen	
	2010	
	Carrying amount	Gains (losses) included in profit/loss during this fiscal year
Money held in trust classified as trading	¥1,959	

	Millions of Yen	
	2009	
	Carrying amount	Gains (losses) included in profit/loss during this fiscal year
Money held in trust classified as trading	¥1,961	

	Thousands of U.S. Dollars	
	2010	
	Carrying amount	Gains (losses) included in profit/loss during this fiscal year
Money held in trust classified as trading	$21,065	

(2) No money held in trust was classified as held-to-maturity at March 31, 2010 and 2009.

(3) No money held in trust was classified as available-for-sale (money held in trust that is classified neither as trading nor as held-to-maturity) at March 31, 2010 and 2009.

5. NET UNREALIZED GAINS/LOSSES ON AVAILABLE-FOR-SALE SECURITIES

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

	Carrying amount		
	Millions of Yen		Thousands of U.S. Dollars
	2010	2009	2010
Net unrealized gains on available-for-sale securities	¥312,406	¥144,925	$3,357,760
Deferred tax liabilities	(127,120)	(58,969)	(1,366,296)
Net unrealized gains on valuation (before adjustment)	185,285	85,956	1,991,463
Minority interests	(91)	14	(987)
Net unrealized gains on valuation	¥185,193	¥ 85,970	$1,990,476

6. 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	¥ 32,446	¥ 38,082	$ 348,731
Loans on bills	141,188	139,666	1,517,502
Loans on deeds	3,137,679	2,894,637	33,723,986
Overdrafts	523,436	547,444	5,625,930
Total	¥3,834,750	¥3,619,829	$41,216,152

Loans in legal bankruptcy totaled ¥14,826 million ($159,359 thousand) and ¥12,092 million as of March 31, 2010 and 2009, respectively. Nonaccrual loans totaled ¥139,020 million ($1,494,202 thousand) and ¥102,386 million as of March 31, 2010 and 2009, respectively. Loans in legal bankruptcy are loans in which interest accrual is discontinued (excluding the portion recognized as bad debt), 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 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 ¥15 million ($171 thousand) and ¥133 million as of March 31, 2010 and 2009, respectively. Loans classified as loans in legal bankruptcy and nonaccrual loans are excluded.

Restructured loans totaled ¥7,204 million ($77,439 thousand) and ¥3,966 million as of March 31, 2010 and 2009, respectively. Such restructured loans are loans on which the Bank 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 measures) to the debtors to assist them to recover from financial difficulties and eventually be able to pay creditors. Loans classified as loans in legal bankruptcy, nonaccrual loans and accruing loans contractually past due three months or more are excluded.

7. 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	¥2,062	¥1,356	$22,170
Foreign bills of exchange purchased	1,009	866	10,848
Foreign bills of exchange receivable	436	273	4,691
Total	¥3,508	¥2,497	$37,709
Liabilities:			
Foreign bills of exchange sold	¥ 185	¥ 138	$ 1,996
Foreign bills of exchange payable		1	
Total	¥ 185	¥ 139	$ 1,996

8. 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
Accrued income	¥ 7,662	¥ 7,759	$ 82,354
Derivatives	11,750	18,390	126,298
Other	12,798	16,097	137,560
Total	¥32,211	¥42,247	$346,213

9. TANGIBLE FIXED ASSETS

Accumulated depreciation on tangible fixed assets at March 31, 2010 and 2009 amounted to ¥66,909 million ($719,147 thousand) and ¥64,139 million, respectively.

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	¥26,383	¥39,349	$283,569
Receivables under resale agreements	5,074	3,341	54,539

Collateralized liabilities:

	Millions of Yen		Thousands of U.S. Dollars
	2010	2009	2010
Deposits	¥27,896	¥10,887	$299,834
Payables under securities lending transactions	21,461	10,292	230,674
Payables under repurchase agreements	5,074	3,341	54,539
Borrowed money		19,646	

In addition, securities totaling ¥323,811 million ($3,480,349 thousand) and ¥334,294 million at March 31, 2010 and 2009, respectively, were pledged as collateral for settlement of exchange and derivative transactions.

Other assets include surety deposits of ¥1,565 million ($16,825 thousand) and ¥1,572 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 up to the prescribed amounts as long as there is no violation of any condition established in the contracts. At March 31, 2010 and 2009, the amount of unutilized commitments balance amounted to ¥1,146,670 million ($12,324,492 thousand) and ¥1,128,365 million, respectively, of which ¥1,104,108 million ($11,867,029 thousand) and ¥1,092,406 million, respectively, were those whose original contract maturity were within one year or unconditionally cancelable at any time. Since many of these commitments are expected to expire without being drawn upon, the total amount of unutilized commitments does not necessarily represent actual future cash flow requirements. Many of these commitments have clauses that the Group can reject the application from customers or reduce the contract amounts in case economic conditions change, there is a deterioration in the customer's creditworthiness or other events occur. In addition, the Group requests customers to pledge collateral, such as buildings, land 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. LAND REVALUATION

Under the "Law of Land Revaluation," promulgated on March 31, 1998 (final revised on May 30, 2003), the Bank elected a one-time revaluation of its own-use land to a value based on real estate appraisal information as of March 31, 2002.

The resulting land revaluation surplus represented unrealized appreciation of land and was stated, net of income taxes, as a component of equity. There was no effect on the consolidated statement of income. Continuous readjustment is not permitted unless the land value subsequently declines significantly such that the amount of the decline in value should be removed from the land revaluation surplus account and related deferred tax liabilities.

At March 31, 2010, the carrying amount of the land after the above one-time revaluation was less than the fair value by ¥2,611 million ($28,066 thousand).

Method of Revaluation

The fair value was determined by applying appropriate adjustments for land shape and analysis on the appraisal specified in Article 2-4 of the Enforcement Ordinance of the Law of Land Revaluation effective March 31, 1998.

13. 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	¥ 252,082	¥ 230,627	$ 2,709,402
Ordinary deposits	2,401,063	2,261,549	25,806,785
Savings deposits	88,557	90,183	951,818
Deposits at notice	26,264	28,847	282,292
Time deposits	2,565,452	2,537,645	27,573,648
Other deposits	431,873	379,024	4,641,809
Subtotal	5,765,294	5,527,877	61,965,758
Negotiable certificates of deposit	534,316	480,423	5,742,867
Total	¥6,299,610	¥6,008,300	$67,708,625

14. BORROWED MONEY

Borrowed money at March 31, 2010 and 2009 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2010	2009	2010
Subordinated loans	¥40,500	¥42,500	$435,296
Borrowing from banks and other	2,040	21,785	21,927
Total	¥42,540	¥64,285	$457,223

At March 31, 2010 and 2009, the weighted average interest rates applicable to borrowed money were 1.88% and 1.71%, respectively.

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

Year Ending March 31	Millions of Yen	Thousands of U.S. Dollars
2011	¥ 1,100	$ 11,822
2012		
2013	833	8,958
2014	66	711
2015	40	434
2016 and thereafter	40,500	435,296
Total	¥42,540	$457,223

15. BONDS

Callable unsecured subordinated straight bonds at March 31, 2010 and 2009 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2010	2009	2010
Straight bonds	¥15,000	¥20,000	$161,220

16. CONVERTIBLE BONDS

Unsecured subordinated convertible bonds at March 31, 2010 and 2009 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2010	2009	2010
Unsecured subordinated convertible bonds, due February 2009, 1.90% interest		¥ 8,629	
Callable unsecured subordinated convertible bonds, due March 2014, non interest (*1)	¥29,953	29,953	$321,936
Total	¥29,953	¥38,582	$321,936

(*1) At March 31, 2010, the callable unsecured subordinated convertible bonds were convertible into 26,159,825 shares of common stock of the Bank at a conversion price of ¥1,145.0, subject to adjustments under certain circumstances.

17. 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
Accrued income taxes	¥ 7,228	¥ 3,063	$ 77,693
Accrued expenses	11,030	11,404	118,553
Unearned income	11,402	10,876	122,559
Derivatives	7,892	9,231	84,825
Other	26,371	32,021	283,438
Total	¥63,924	¥66,598	$687,068

18. 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.

Among corporate bonds included in securities, guarantee liabilities on privately offered corporate bonds (Article 2-3 of the Financial Instruments and Exchange Act) amounted to ¥34,322 million ($368,903 thousand) as of March 31, 2010.

19. EQUITY

Japanese Banks are subject to the Companies Act of Japan (the "Companies Act") and the Banking Law. The significant provisions in the Companies Act and the Banking Law 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 yea-end dividend upon resolution at the stockholders meeting. For companies that meet certain criteria such as: (1) having a Board of Directors, (2) having independent auditors, (3) having a 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. The Bank, however, shall not pay such dividends by resolution of the Board of Directors, since it has not prescribed so in its articles of incorporation. On the other hand, semiannual interim dividends may 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 and the Banking Law provides certain limitations on the amounts available for dividends or the purchase of treasury stock.

b. *Increases/Decreases and Transfer of Common Stock, Reserve and Surplus*

The Banking Law requires that an amount equal to 20% 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 the aggregate amount of the legal reserve and additional paid-in capital equals 100% of 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 common 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 stockholders.

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 stockholders 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.

20. STOCK OPTIONS

Stock-based compensation expenses were ¥88 million ($955 thousand) and ¥63 million for the years ended March 31, 2010 and 2009, respectively.

The stock options outstanding as of March 31, 2010 are as follows:

Stock option	Persons granted	Number of options granted	Date of grant	Exercise price	Exercise period
2008 Stock option	12 directors and 6 executive officers of the Bank	87,100 shares	July 29, 2008	¥ 1 ($0.01)	From July 30, 2008 To July 29, 2038
2009 Stock option	12 directors and 5 executive officers of the Bank	111,900 shares	July 29, 2009	¥ 1 ($0.01)	From July 30, 2009 To July 29, 2039

The stock options activity is as follows:

	2008 Stock option	2009 Stock option
For the year ended March31, 2009		
Non-vested		
March 31, 2008 — Outstanding		
Granted	87,100	
Canceled		
Vested		
March 31, 2009 — Outstanding	87,100	
Vested		
March 31, 2008 — Outstanding		
Vested		
Exercised		
Canceled		
March 31, 2009 — Outstanding		

	2008 Stock option	2009 Stock option
For the year ended March31, 2010		
Non-vested		
March 31, 2009 — Outstanding	87,100	
Granted		111,900
Canceled		
Vested	(87,100)	
March 31, 2010 — Outstanding		111,900
Vested		
March 31, 2009 — Outstanding		
Vested	87,100	
Exercised	(1,500)	
Canceled		
March 31, 2009 — Outstanding	85,600	
Exercise price	¥ 1 ($0.01)	¥ 1 ($0.01)
Average stock price at exercise	¥ 882 ($ 9)	
Fair value price at grant date	¥ 978 ($ 10)	¥ 805 ($ 8)

The fair value of stock options granted in 2010 was measured on the date of grant using the Black-Scholes option pricing model with the following assumptions:

Volatility of stock price:	32.4%
Estimated remaining outstanding period:	Four years and 11 months
Estimated dividend:	¥10 per share
Risk free interest rate:	0.68%

21. OTHER OPERATING INCOME

Other operating 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	¥ 996	¥1,576	$ 10,707
Gains on trading securities	26	36	281
Gains on sales of bonds	5,560	2,638	59,761
Other	5,352	5,668	57,527
Total	¥11,934	¥9,920	$128,277

22. 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	¥ 346	¥4,790	$ 3,723
Gains on sales of tangible fixed assets	5	56	56
Recovery of claims previously charged-off	18	54	197
Other	1,733	2,408	18,631
Total	¥2,103	¥7,309	$22,609

23. OTHER OPERATING EXPENSES

Other operating 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	¥ 740	¥ 1,983	$ 7,963
Other	4,842	10,073	52,044
Total	¥5,583	¥12,056	$60,008

24. 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
Charge-off claims	¥ 271	¥ 324	$ 2,916
Losses on sales of stocks and other securities	119	755	1,286
Losses on devaluation of stocks and other securities	364	16,600	3,921
Losses on sales of tangible fixed assets	181	314	1,951
Losses on impairment of long-lived assets	12	58	136
Other	3,313	3,468	35,611
Total	¥4,263	¥21,523	$45,824

25. LEASES

Lessee

The Group leases certain equipment.

Lease payments under finance leases for the years ended March 31, 2010 and 2009 amounted to ¥1 million ($13 thousand) and ¥1 million, respectively.

Pro forma information of leased property whose lease inception was before March 31, 2008

ASBJ Statement No. 13, "Accounting Standard for Lease Transactions" requires that all finance lease transactions should be capitalized to recognize lease assets and lease obligations in the balance sheet. However, the ASBJ Statement No. 13 permits leases without ownership transfer of the leased property to the lessee whose lease inception was before March 31, 2008 to be accounted for as operating lease transactions if certain "as if capitalized" information is disclosed in the notes to the financial statements. The Group applied the ASBJ Statement No. 13 effective April 1, 2008 and accounted for such leases as operating lease transactions. Pro forma information of leased property whose lease inception was before March 31, 2008 such as acquisition cost, accumulated depreciation, accumulated impairment losses, obligations under finance leases, depreciation expense, interest expense and other information of finance leases that do not transfer ownership of the leased property to the lessee on an "as if capitalized" basis was as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2010	2009	2010
Equipment:			
Acquisition cost	¥6	¥6	$68
Accumulated depreciation	3	2	41
Net leased property	¥2	¥3	$26

Obligations under finance leases as of March 31, 2010 and 2009 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2010	2009	2010
Due within one year	¥1	¥1	$11
Due after one year	1	2	17
Total	¥2	¥3	$28

The imputed interest expense portion, which is computed using the interest method, is excluded from the above obligations under finance leases.

Depreciation expense and interest expense under finance leases:

	Millions of Yen		Thousands of U.S. Dollars
	2010	2009	2010
Depreciation expense	¥1	¥1	$12

Depreciation expense and interest expense, which are not reflected in the accompanying consolidated statements of income, are computed by the straight-line method and the interest method, respectively.

The minimum rental commitments under noncancellable operating leases at March 31, 2010 and 2009 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2010	2009	2010
Due within one year	¥ 83	¥ 89	$ 901
Due after one year	608	689	6,540
Total	¥692	¥778	$7,442

Lessor

A consolidated subsidiary leases other assets.

The net leased investment assets are summarized as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2010	2009	2010
Gross leased investment assets	¥10,680	¥12,520	$114,791
Unearned interest income	(1,408)	(1,730)	(15,137)
Leased investment assets	¥ 9,271	¥10,789	$ 99,654

Maturities of lease receivables and investment assets for finance leases that are deemed to transfer ownership of the leased property to the lessee are as follows:

	Lease receivables		Leased investment assets	
	Millions of Yen	Thousands of U.S. Dollars	Millions of Yen	Thousands of U.S. Dollars
Year Ending March 31	2010	2010	2010	2010
2011	¥ 42	$ 452	¥ 3,667	$ 39,419
2012	42	452	2,823	30,347
2013	42	452	2,071	22,268
2014	22	241	1,305	14,030
2015	1	18	571	6,142
2016 and thereafter		2	240	2,583
Total	¥150	$1,620	¥10,680	$114,791

The minimum future rentals to be received under noncancellable operating leases at March 31, 2010 and 2009 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2010	2009	2010
Due within one year	¥257	¥ 47	$2,771
Due after one year	62	95	666
Total	¥319	¥142	$3,438

26. EMPLOYEES' RETIREMENT BENEFITS

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

The liability for employees' 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	¥(42,269)	¥(46,460)	$(454,313)
Fair value of plan assets	15,089	13,726	162,181
Unfunded projected benefit obligation	(27,179)	(32,733)	(292,132)
Unrecognized actuarial net loss	4,027	12,272	43,291
Liability for employees' retirement benefits	¥(23,152)	¥(20,461)	$(248,840)

The components of net periodic benefit costs were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2010	2009	2010
Service cost	¥1,724	¥1,690	$18,535
Interest cost	463	458	4,983
Expected return on plan assets	(137)	(178)	(1,475)
Recognized actuarial net loss	2,275	1,870	24,458
Net periodic retirements benefit costs	¥4,326	¥3,840	$46,502

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

	2010	2009
Discount rate	1.5%	1.0%
Expected rate of return on plan assets	1.5%	1.0%
Recognition period of actuarial gain or loss	10 years	10 years

27. INCOME TAXES

The Group is subject to Japanese national and local income taxes which, in the aggregate, resulted in normal effective statutory tax rates of approximately 40.6% for the years ended March 31, 2010 and 2009.

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 possible loan losses	¥ 15,702	¥13,408	$ 168,769
Liability for employees' retirement benefits	9,419	8,323	101,239
Devaluation of stocks and other securities	7,942	8,642	85,366
Depreciation	768	848	8,262
Other	7,504	6,631	80,657
Less valuation allowance	(2,045)	(632)	(21,982)
Total	¥ 39,292	¥37,221	$ 422,313
Deferred tax liabilities:			
Net unrealized gains on available-for-sale securities	¥127,149	¥58,999	$1,366,611
Allowance for deduction of cost of fixed assets	7	7	84
Total	¥127,157	¥59,007	$1,366,696
Net deferred tax assets	¥ 3,128	¥ 3,044	$ 33,620
Net deferred tax liabilities	90,993	24,830	978,003

A reconciliation between the normal effective statutory tax rate and the actual effective tax rate reflected in the accompanying consolidated statements of income for the year ended March 31, 2009 is as follows:

	2009
Normal effective statutory tax rate	40.6%
Expenses not deductible for income tax purposes	0.6
Income not taxable for income tax purposes	(21.3)
Per capita inhabitant tax	0.6
Other – net	3.9
Actual effective tax rate	24.4%

As the difference between the normal effective statutory tax rate and the actual effective tax rate reflected in the accompanying consolidated statement of income for the year ended March 31, 2010 is not more than 5% of the normal effective statutory tax rate, a reconciliation has not been disclosed.

28. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

On March 10, 2008, the ASBJ revised ASBJ Statement No. 10 "Accounting Standard for Financial Instruments" and issued ASBJ Guidance No. 19 "Guidance on Accounting Standard for Financial Instruments and Related Disclosures." This accounting standard and the guidance are applicable to financial instruments and related disclosures at the end of the fiscal years ending on or after March 31, 2010 with early adoption permitted from the beginning of the fiscal years ending before March 31, 2010. The Group applied the revised accounting standard and the new guidance effective March 31, 2010.

(1) Basic policy for financial instruments

The main business of the Group is banking operations, which consists of deposit-taking and lending services, trading of securities, securities investment, domestic exchange services, foreign exchange services, etc. Additionally, the Group provides other financial services, such as credit guarantee services, leasing and credit card services.

The Group's fundamental mission is to contribute to the greater prosperity of the local community and the development of local industries. The Group maintains and improves the soundness of its management, providing small and medium-sized companies with various financial services such as deposits and loans, etc. and investing securities.

(2) Nature and extent of risks arising from financial instruments

Financial assets held by the Group are mainly comprised of loans to local businesses and individual customers. Loans are subject to credit risk stemming from inability to recover principal and interest on loans due to events such as the deterioration in the financial condition of the borrower.

Securities held by the Group primarily consist of bonds and stocks, which are subject to various risks, such as the credit risk of issuer, interest rate fluctuation risk, and market price fluctuation risk.

The Group raises funds by deposits which have relatively shorter maturities than those of investments in loans and securities. Therefore, the Group is exposed to liquidity risks such as the risk of losses caused by the necessity to execute transactions at extremely high funding costs when unexpected outflows of funds occur, and by the inability to execute market transactions or by the necessity to execute transactions at extremely unfavorable prices as result of market turbulence.

The Bank enters into derivative financial instruments, such as interest rate swaps, interest rate caps, currency swaps, currency options and foreign exchange forward contracts. The Bank also enters into interest futures, bond futures, bond options and other derivatives. There is no derivative balance at March 31, 2010. Subsidiaries do not enter into any 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.

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

Derivatives are classified and accounted for as follows:

① 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.

② The hedge items are the interest rate swaps and currency swaps. The hedged instruments are fixed rate loans, time deposits and foreign currency denominated available-for-sale securities.

③ The Bank assesses the effectiveness of the interest rate swaps and currency swaps.

(3) Risk management for financial instruments

① Credit risk management

Having established a management posture by compiling a series of Credit Risk Management Guidelines, the Bank is working to strengthen its credit risk management. In addition to planning and managing credit risk through means such as credit ratings, a self-assessment system, write-offs of nonperforming loans, and provisions for possible loan losses, the Risk Management Division's Credit Planning Office (the "Office") is responsible for quantitatively analyzing and assessing credit risk. Because the concentration of credit in particular business partners or industries can lead to significant losses in the event of environmental changes, the Office analyzes the Bank's portfolio from a variety of perspectives to avoid any excessive concentration of credit. Quantitative analyses of credit risk and credit concentration conditions are reported at the monthly asset and liability management ("ALM") meeting.

To maintain and improve the soundness of its assets, the Group subjects its assets to a self-assessment system in order to adequately write off non-performing loans and make provisions for possible loan losses. The Bank also established an Asset Audit Office as a specialized section within the Internal Audit Division to examine the validity of write-offs and allowances based on asset self-assessments. Asset self-assessments are also audited by the independent auditor. In managing credit for specific borrowers, the Bank has established a Credit Supervision Division independent from business divisions, and the Bank is implementing strict credit screening. Credit ratings are determined based on information including the applicant's financial condition, technical capabilities, and future viability by the Credit Supervision Division. Comprehensive judgments of repayment ability are provided considering the purpose of the loan and borrowers' repayment resources, when customers apply for borrowing. The Bank is also working to strengthen its credit screening capabilities by providing training for staff engaged in loan operations at all levels of the Bank.

Moreover, the Bank has established a Management Support Office within the Credit Supervision Division and is working to keep the Bank's assets sound by helping customers radically transform slumping businesses via a variety of measures designed to support improvements in management. Other initiatives include strengthening risk management by formulating plans based on self-assessment results and taking measures in response to changes in business conditions through continuous monitoring.

② Market risk management

The Bank's stance on market risk has been set out in the Market Risk Guidelines and the Bank is taking steps to strengthen market risk management. The Securities & International Division, which is responsible for conducting market risk management, sets the limits on acceptable risk levels, as well as position ranges and loss limits, taking into account the Bank's economic capital and net operating profit to achieve a balance between capital and profitability and effectively control market risk for stocks and other securities. For quantitative analysis of the risk associated with the Bank's investment in securities, the Bank regularly monitors the market value of securities and employs the value-at-risk (VaR) method and other methods to assess the amount of risk involved, and submits a report on risk valuations at the ALM meeting.

For stock, the Bank measures its positions and profit and loss on a daily basis and reports these to management in line with the risk management policy on stock. A semiannual self-assessment provides an accurate understanding of the investments in stock and similar securities held by the Group, the results of which are subject to audit by the Internal Audit Division and the independent auditor. In addition, the Bank established the ALM Group within the Risk Management Office in the Risk Management Division to unify the management of market risk (including risk for deposits and loans), credit risk and other risks, and to adequately control risks within the scope of the Bank's capital to secure stable earnings. To this end, the ALM Group manages and assesses risks by utilizing techniques such as VaR method and analysis of fluctuations in the present value of assets and liabilities (interest risk level based on the outlier standard). The Bank also employs tools such as back testing and stress testing to verify the suitability and effectiveness of its metrics and management methods.

Moreover, the Bank conducts semiannual reviews of risk management policy in areas such as credit, interest and liquidity by holding ALM meetings. The Bank also works to strategically address risk management at monthly ALM meetings by reporting on calculated risk levels, examining the appropriate balance of assets and liabilities, and considering measures such as risk hedges as needed.

③ Liquidity risk management

The Bank maintains an appropriate funding position through careful projections and verification of fundraising and fund management balances. The Bank manages its liquidity risk by utilizing a system that continuously monitors the amount of funds available in the market.

(4) Supplementary explanation on fair value of financial instruments

The fair value of financial instruments includes market prices as well as reasonably calculated prices in cases where there are no market prices available. Since the calculations of the latter prices are implemented under certain conditions and assumptions, the result of calculations could differ if calculations are made under different conditions and assumptions.

(5) Fair value of financial instruments

Accounts that have immaterial amounts on the consolidated balance sheet are not included in the following table. Instruments, such as non-listed stocks, whose fair value cannot be reliably determined are not included in the following table (see (b)).

	Millions of Yen		
March 31, 2010	Carrying amount	Fair value	Unrealized gain/loss
Cash and due from Bank of Japan	¥ 221,570	¥ 221,570	
Due from other banks	1,131	1,131	
Call loans and bills bought	236,768	236,768	
Securities:			
Held-to-maturity bonds	3,316	3,341	¥ 25
Available-for-sale securities	2,707,197	2,707,197	
Loans and bills discounted	3,834,750		
Allowance for possible loan losses (*1)	(46,926)		
	3,787,824	3,823,340	35,516
Total	¥6,957,808	¥6,993,350	¥35,541
Deposits (other than negotiable certificates of deposit)	¥5,765,294	¥5,771,713	¥ 6,419
Negotiable certificates of deposit	534,316	534,364	47
Total	¥6,299,610	¥6,306,077	¥ 6,466
Derivatives (*2):			
Hedge accounting not applied	¥ 1,229	¥ 1,229	
Hedge accounting applied	2,629	2,629	
Total	¥ 3,858	¥ 3,858	

	Thousands of U.S. Dollars		
March 31, 2010	Carrying amount	Fair value	Unrealized gain/loss
Cash and due from Bank of Japan	$ 2,381,457	$ 2,381,457	
Due from other banks	12,157	12,157	
Call loans and bills bought	2,544,800	2,544,800	
Securities:			
Held-to-maturity bonds	35,647	35,919	$ 272
Available-for-sale securities	29,097,140	29,097,140	
Loans and bills discounted	41,216,152		
Allowance for possible loan losses (*1)	(504,369)		
	40,711,783	41,093,512	381,729
Total	$74,782,985	$75,164,987	$382,001
Deposits (other than negotiable certificates of deposit)	$61,965,758	$62,034,750	$ 68,991
Negotiable certificates of deposit	5,742,867	5,743,380	512
Total	$67,708,625	$67,778,130	$ 69,504
Derivatives (*2):			
Hedge accounting not applied	$ 13,210	$ 13,210	
Hedge accounting applied	28,263	28,263	
Total	$ 41,473	$ 41,473	

(*1) General and specific allowance for possible loan losses corresponding to "Loans and bills discounted" are deducted.

(*2) Derivative transactions recorded in "Other assets" and "Other liabilities" are included and shown in total. Assets or liabilities are presented on a net basis.

(a) Valuation method of financial instruments

Assets

Cash and due from banks

For deposits without maturity, the carrying amount is presented as the fair value as the fair value approximates such carrying amount. For deposits with maturity, the carrying amount is presented as the fair value, as the fair value approximates such carrying amount because of their short maturities (within one year).

Call loans and bills bought

The carrying amount is presented as the fair value, as the fair value approximates such carrying amount because of their short maturities (within one year).

Securities

The fair value of stocks is determined based on the prices quoted by the exchange and the fair value of bonds is determined based on the prices quoted by the exchange or the financial institutions from which they are purchased. The fair value of investment trusts is determined based on the publicly available price.

The fair value of private placement bonds is calculated by discounting the total amount of principal and interest at the interest rates considered to be applicable to similar bonds by categories according to internal ratings and terms of the bonds. Information on securities by classification is included in Note 3.

Loans and bills discounted

For floating rate loans, the carrying amount is presented as the fair value as the fair value approximates such carrying amount, unless the creditworthiness of the borrower has changed significantly since the loan origination.

The fair value of fixed rate loans is calculated by discounting the total amount of principal and interest at the interest rates considered to be applicable to similar loans by categories according to the types, internal ratings and terms of the loans.

As for loans in legal bankruptcy, virtual bankruptcy and possible bankruptcy, credit loss is estimated based on factors such as the present value of expected future cash flow or the expected amount to be collected from collateral and guarantees. Since the fair value of these items approximates the carrying amount net of the currently expected credit loss amount, such carrying amount is presented as the fair value.

Of the loans, for those without a fixed maturity due to loan characteristics such as limiting loans to within the value of collateral, the carrying amount is deemed to be the fair value since fair value is expected to approximate carrying amount based on the estimated loan periods, interest rates and other conditions.

Liabilities

Deposits and negotiable certificates of deposit

Fair value of deposits on demand is deemed as payment amount if demanded on the consolidated balance sheet date (i.e., carrying amount).

Time deposits are grouped by certain maturity lengths. The fair value of such deposits is the present value of expected future cash flow discounted. The discount rate used is the interest rate that would be applied to newly accepted deposits.

Derivatives

Information on the fair value of derivatives is included in Note 29.

(b) Financial instruments whose fair value cannot be reliably determined

The following instruments are not included in "Assets Available-for-sales securities" in the above table showing the fair value of financial instruments.

	Carrying amount	
March 31, 2010	Millions of Yen	Thousands of U.S. Dollars
Non-listed stocks (*1) (*2)	¥4,132	$44,421
Investments in venture funds (*3)	1,998	21,479
Total	¥6,131	$65,900

(*1) Non-listed stocks do not have a quoted market price in an active market and their fair values cannot be reliably determined, so they are not subject to fair value disclosure.

(*2) With respect to non-listed stocks, losses on devaluation of ¥34 million ($368 thousand) were recorded for the year ended March 31, 2010.

(*3) Fair value of investments in venture funds cannot be reliably determined, so they are not subject to market disclosure.

(c) Maturity analysis for financial assets and securities with contractual maturities

	Millions of Yen					
March 31, 2010	1 year or less	1 to 3 years	3 to 5 years	5 to 7 years	7 to 10 years	Over 10 years
Due from banks	¥ 150,236					
Call loans and bills bought	236,768					
Securities:						
Held-to-maturity bonds:						
Japanese government bonds	600	¥ 1,900	¥ 800			
Available-for-sale securities:						
Japanese government bonds	167,630	133,409	125,099	¥ 95,700	¥285,500	¥ 184,800
Japanese local government bonds	10,236	21,106	51,451	10,216	12,904	
Japanese corporate bonds	138,944	294,358	119,980	109,315	56,440	
Other	36,246	62,973	44,257	53,242	27,306	120,352
Loans and bills discounted (*)	1,086,051	690,559	525,393	279,200	285,263	788,958
Total	¥1,826,713	¥1,204,305	¥866,983	¥547,675	¥667,415	¥1,094,110

	Thousands of U.S. Dollars					
March 31, 2010	1 year or less	1 to 3 years	3 to 5 years	5 to 7 years	7 to 10 years	Over 10 years
Due from banks	$ 1,614,748					
Call loans and bills bought	2,544,800					
Securities:						
Held-to-maturity bonds:						
Japanese government bonds	6,448	$ 20,421	$ 8,598			
Available-for-sale securities:						
Japanese government bonds	1,801,698	1,433,888	1,344,574	$1,028,589	$3,068,572	$ 1,986,242
Japanese local government bonds	110,021	226,849	553,009	109,811	138,703	
Japanese corporate bonds	1,493,387	3,163,785	1,289,561	1,174,925	606,628	
Other	389,581	676,839	475,685	572,258	293,494	1,293,555
Loans and bills discounted (*)	11,672,954	7,422,173	5,646,966	3,000,865	3,066,025	8,479,776
Total	$19,633,640	$12,943,958	$9,318,396	$5,886,450	$7,173,424	$11,759,574

(*) Loans and bills discounted of ¥153,847 million ($1,653,560 thousand) whose amount of collection is undeterminable, such as loans in legal bankruptcy, loans in virtual bankruptcy and loans in possible bankruptcy, are not included in the table. Loans and bills discounted of ¥25,477 million ($273,829 thousand) that do not have fixed maturities are not included as well.

(d) Maturity analysis for interest bearing liabilities

	Millions of Yen		
March 31, 2010	1 year or less	1 to 3 years	3 to 5 years
Deposits (other than negotiable certificates of deposit)	¥5,353,609	¥366,835	¥44,848
Negotiable certificates of deposit	534,316		
Total	¥5,887,925	¥366,835	¥44,848

	Thousands of U.S. Dollars		
March 31, 2010	1 year or less	1 to 3 years	3 to 5 years
Deposits (other than negotiable certificates of deposit)	$57,540,943	$3,942,775	$482,039
Negotiable certificates of deposit	5,742,867		
Total	$63,283,810	$3,942,775	$482,039

Deposits on demand (current deposits, ordinary deposits and deposits at notice) are included in "1 year or less."

29. DERIVATIVES

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

Derivative transactions to which hedge accounting is not applied

The following is the fair value information for derivative transactions to which hedge accounting is not applied at March 31, 2010.

(1) Interest-rate-related transactions

	Millions of Yen				Thousands of U.S. Dollars			
	2010				2010			
	Contractual value	Contractual value due after one year	Fair value	Unrealized gains (losses)	Contractual value	Contractual value due after one year	Fair value	Unrealized gains (losses)
Interest rate swaps:								
Receive fixed and pay floating	¥40,729	¥37,852	¥771	¥771	$437,765	$406,838	$8,287	$8,287
Receive floating and pay fixed	40,729	37,852	(409)	(409)	437,765	406,838	(4,396)	(4,396)
Other:								
Sold	2,794	1,624	(3)	109	30,035	17,460	(36)	1,172
Bought	¥ 2,794	¥ 1,624	3	(64)	$ 30,035	$ 17,460	36	(698)
Total			¥362	¥406			$3,891	$4,366

Notes: 1. The above transactions were measured at fair value at the end of the fiscal year and the related gains or losses were recognized in the accompanying consolidated statement of income.

2. The fair values of above derivatives are principally based on discounted values of future cash flows or option pricing models.

(2) Currency-related transactions

	Millions of Yen				Thousands of U.S. Dollars			
	2010				2010			
	Contractual value	Contractual value due after one year	Fair value	Unrealized gains (losses)	Contractual value	Contractual value due after one year	Fair value	Unrealized gains (losses)
Forward exchange contracts:								
Sold	¥37,677	¥16,586	¥2,359	¥2,359	$404,956	$178,271	$25,355	$25,355
Bought	32,398	15,829	(1,493)	(1,493)	348,219	170,132	(16,049)	(16,049)
Currency options:								
Sold	44,311	30,499	(3,665)	160	476,262	327,809	(39,399)	1,721
Bought	¥44,311	¥30,499	3,666	596	$476,262	$327,809	39,411	6,415
Total			¥ 867	¥1,622			$ 9,318	$17,443

Notes: 1. The above transactions were measured at the fair value at the end of the fiscal years and the related gains or losses were recognized in the accompanying consolidated statements of income.

2. The fair values of above derivatives are principally based on discounted values of future cash flows.

Derivative transactions to which hedge accounting is applied

The following is the fair value information for derivative transactions to which hedge accounting is applied at March 31, 2010.

(1) Interest-rate-related transactions

	Millions of Yen			Thousands of U.S. Dollars		
	2010			2010		
	Contractual amount	Contractual value due after one year	Fair value	Contractual amount	Contractual value due after one year	Fair value
Interest rate swaps:						
Receive floating and pay fixed	¥53,703	¥53,703	¥ (1,486)	$577,203	$577,203	$ (15,975)

Notes: 1. The Bank applies hedge accounting by matching specific items to be hedged with specific hedging instruments or deferral hedge accounting (or cash flow hedge) based on the rules of the JICPA Industry Audit Committee Report No. 24.

2. The fair values of the above derivatives are principally based on quoted market prices, such as those of Tokyo Financial Exchange Inc., or discounted values of future cash flows.

3. The hedged items for interest rate swaps are fixed rate loans and time deposits.

(2) Currency-related transactions

	Millions of Yen			Thousands of U.S. Dollars		
	2010			2010		
	Contractual amount	Contractual value due after one year	Fair value	Contractual amount	Contractual value due after one year	Fair value
Currency swaps	¥50,267	¥17,703	¥4,115	$540,279	$190,279	$44,238

Notes: 1. The Bank applies deferral hedge accounting principally based on the rules of the JICPA Industry Audit Committee Report No. 25.
2. The fair values of the above derivatives are principally based on discounted values of future cash flows.
3. The hedged items for currency swaps are foreign currency denominated available-for-sale securities.

The following is the fair value information for derivative transactions to which hedge accounting is not applied at March 31, 2009. Derivative transactions which qualify for hedge accounting are excluded from the information below.

(1) Interest-rate-related transactions

	Millions of Yen			
	2009			
	Contractual value	Contractual value due after one year	Fair value	Unrealized gains (losses)
Interest rate swaps:				
Receive fixed and pay floating	¥31,896	¥31,164	¥579	¥579
Receive floating and pay fixed	31,896	31,164	(285)	(285)
Other:				
Sold	3,354	2,854	(13)	112
Bought	¥ 3,354	¥ 2,854	13	(62)
Total			¥293	¥344

Notes: 1. The above transactions were measured at the fair value at the end of the fiscal year and the related gains or losses were recognized in the accompanying consolidated statement of income.
2. The fair values of the above derivatives are principally based on the discounted values of future cash flows or option pricing models.

(2) Currency-related transactions

	Millions of Yen			
	2009			
	Contractual value	Contractual value due after one year	Fair value	Unrealized gains (losses)
Forward exchange contracts:				
Sold	¥48,529	¥23,772	¥1,474	¥1,474
Bought	72,283	22,967	(1,978)	(1,978)
Currency options:				
Sold	51,489	38,284	(4,215)	(32)
Bought	¥51,489	¥38,284	4,216	897
Total			¥ (503)	¥ 360

Notes: 1. The above transactions were measured at the fair value at the end of the fiscal year and the related gains or losses were recognized in the accompanying consolidated statement of income.
2. The fair values of the above derivatives are principally based on the discounted values of future cash flows.

30. NET INCOME PER SHARE

Reconciliation of the differences between basic and diluted net income per share ("EPS") for the years ended March 31, 2010 and 2009 is as follows:

	Millions of Yen	Thousands of Shares	Yen	U.S. Dollars
	Net income	Weighted-average shares	EPS	EPS
For the year ended March 31, 2010				
Basic EPS – Net income available to common stockholders	¥15,668	371,864	¥42.13	$0.45
Effect of dilutive securities – Convertible bonds and Stock acquisition rights	7	32,441		
Diluted EPS – Net income for computation	¥15,676	404,306	¥38.77	$0.41
For the year ended March 31, 2009				
Basic EPS – Net income available to common stockholders	¥10,148	362,149	¥28.02	
Effect of dilutive securities – Convertible bonds	116	42,199		
Diluted EPS – Net income for computation	¥10,264	404,348	¥25.38	

31. SUBSEQUENT EVENTS

Appropriations of retained earnings

The following appropriations of retained earnings at March 31, 2010 were approved at the Bank's general meeting of stockholders held on June 29, 2010:

	Millions of Yen	Thousands of U.S. Dollars
Year-end cash dividends, ¥5.00 ($0.05) per share	¥1,889	$20,307

32. SEGMENT INFORMATION

(1) Business Segment Information

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

a. Operating income

	Millions of Yen				
	2010				
	Banking	Other	Total	Eliminations/Corporate	Consolidated
Operating income:					
Outside customers	¥120,678	¥ 8,885	¥129,564		¥129,564
Intersegment income	488	2,575	3,063	¥(3,063)	
Total	121,166	11,461	132,628	(3,063)	129,564
Operating expenses	95,587	10,297	105,885	(3,057)	102,827
Net operating income	¥ 25,578	¥ 1,164	¥ 26,743	¥ (5)	¥ 26,737

b. Total assets, depreciation and capital expenditures

	Millions of Yen				
	2010				
	Banking	Other	Total	Eliminations/Corporate	Consolidated
Total assets	¥7,104,140	¥35,015	¥7,139,156	¥(23,865)	¥7,115,290
Depreciation	4,853	125	4,978		4,978
Losses on impairment of long-lived assets	12		12		12
Capital expenditures	6,379	45	6,425		6,425

a. Operating income

	Thousands of U.S. Dollars				
	2010				
	Banking	Other	Total	Eliminations/Corporate	Consolidated
Operating Income:					
Outside customers	$1,297,062	$ 95,506	$1,392,569		$1,392,569
Intersegment income	5,247	27,682	32,929	$(32,929)	
Total	1,302,310	123,189	1,425,499	(32,929)	1,392,569
Operating expenses	1,027,385	110,675	1,138,060	(32,865)	1,105,195
Net operating income	$ 274,924	$ 12,514	$ 287,439	$ (64)	$ 287,374

b. Total assets, depreciation and capital expenditures

	Thousands of U.S. Dollars				
	2010				
	Banking	Other	Total	Eliminations/Corporate	Consolidated
Total assets	$76,355,768	$376,344	$76,732,113	$(256,503)	$76,475,609
Depreciation	52,167	1,346	53,514		53,514
Losses on impairment of long-lived assets	136		136		136
Capital expenditures	68,563	493	69,056		69,056

a. Operating income

	Millions of Yen				
	2009				
	Banking	Other	Total	Eliminations/Corporate	Consolidated
Operating income:					
Outside customers	¥141,967	¥ 9,646	¥151,613		¥151,613
Intersegment income	536	2,548	3,085	¥(3,085)	
Total	142,503	12,195	154,699	(3,085)	151,613
Operating expenses	129,305	10,792	140,097	(3,087)	137,009
Net operating income	¥ 13,198	¥ 1,403	¥ 14,601	¥ 2	¥ 14,604

b. Total assets, depreciation and capital expenditures

	Millions of Yen				
	2009				
	Banking	Other	Total	Eliminations/Corporate	Consolidated
Total assets	¥6,673,160	¥35,757	¥6,708,918	¥(24,385)	¥6,684,532
Depreciation	4,896	111	5,007		5,007
Losses on impairment of long-lived assets	58		58		58
Capital expenditures	10,013	232	10,245		10,245

Notes: 1. "Other" includes business in leasing and other banking related activities such as credit guarantee, venture capital and other.
2. "Net operating income" does not include certain other income and expenses, income taxes, and minority interests.

(2) Segment Information by Geographic Area

The Group has neither an overseas branch nor the foreign subsidiary. Accordingly, segment information by geographic area is not presented herein for the years ended March 31, 2010 and 2009.

(3) Operating Income from International Operations

Operating income arising from international operations for the years ended March 31, 2010 and 2009 was as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2010	2009	2010
Operating income from international operations (A)	¥ 7,751	¥ 17,902	$ 83,317
Consolidated operating income (B)	129,564	151,613	1,392,569
(A) / (B)	6.0%	11.8%	6.0%

Independent Auditors' Report

Deloitte.

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors and Stockholders of The Bank of Kyoto, Ltd.:

We have audited the accompanying consolidated balance sheets of The Bank of Kyoto, Ltd. (the "Bank") and consolidated subsidiaries as of March 31, 2010 and 2009, and the related consolidated statements of income, changes in equity, and cash flows for the years then ended, all expressed in Japanese yen. These consolidated financial statements are the responsibility of the Bank's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of The Bank of Kyoto, Ltd. and consolidated subsidiaries as of March 31, 2010 and 2009, and the consolidated results of their operations and their cash flows for the years then ended in conformity with accounting principles generally accepted in Japan.

Our audits also comprehended the translation of Japanese yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made in conformity with the basis stated in Note 1. Such U.S. dollar amounts are presented solely for the convenience of readers outside Japan.

Deloitte Touche Tohmatsu LLC

June 29, 2010

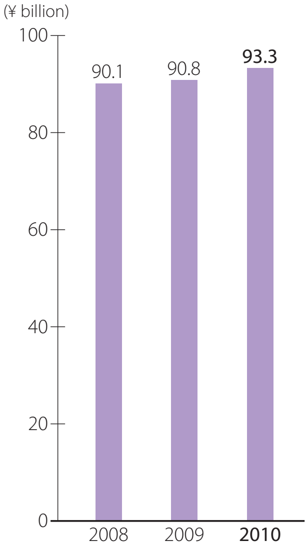
Member of
Deloitte Touche Tohmatsu

Non-Consolidated Financial Highlights

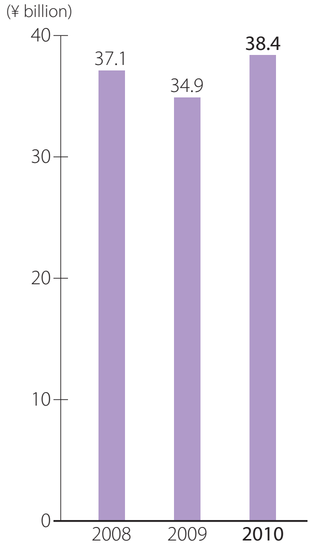
	Millions of Yen			Thousands of U.S. Dollars
	2010	2009	2008	2010
For The Year				
Gross Business Profit	¥ 93,369	¥ 90,838	¥ 90,109	$ 1,003,541
Net Interest Income	82,378	87,552	78,324	885,406
Net Fee and Commissions	5,198	5,932	8,515	55,878
Net Other Operating Income (expenses)	5,792	(2,646)	3,269	62,256
Net Business Profit	38,425	34,982	37,100	412,995
Core Net Business Profit	34,779	41,580	36,456	373,814
Ordinary Profit	25,578	13,198	33,895	274,924
Net Income	15,588	10,030	20,811	167,546
Capital Ratio				
Domestic Standards	12.04%	11.75%	11.42%	
BIS Standards	14.94%	13.12%	14.42%	
At Year-end				
Deposits	¥6,311,756	¥6,019,005	¥5,719,478	$67,839,167
Loans and Bills Discounted	3,843,439	3,630,164	3,452,781	41,309,541
Securities	2,712,081	2,293,862	2,732,104	29,149,627

Notes: 1. Japanese yen figures are expressed with amounts of under one million omitted. Accordingly breakdown figures may not add up to sums.
2. U.S. dollar amounts represent translation of Japanese yen at the rate of ¥93.04 to US$1.00 on March 31, 2010, the final business day of the term.

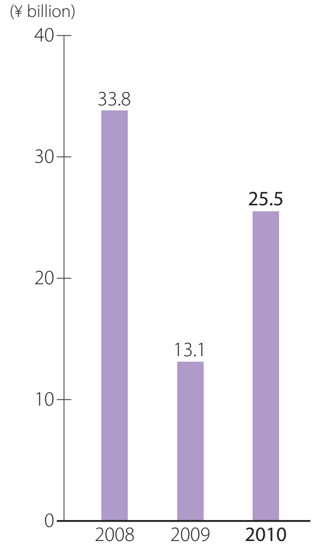
Gross Business Profit



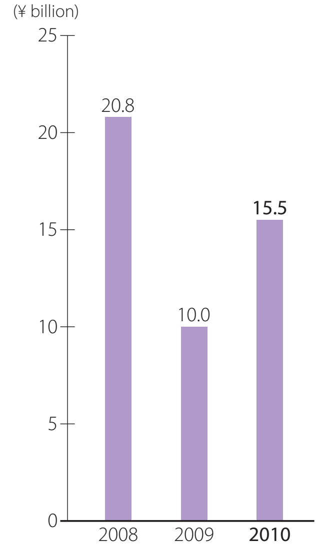
Net Business Profit



Ordinary Profit



Net Income



Non-Consolidated Balance Sheets (Unaudited)

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

	Millions of Yen		Thousands of U.S. Dollars
	2010	2009	2010
Assets:			
Cash and due from banks	¥ 222,614	¥ 493,122	$ 2,392,671
Call loans and bills bought	236,768	152,023	2,544,800
Receivables under resale agreements	5,074	3,341	54,539
Monetary claims bought	6,371	6,370	68,478
Trading securities	282	223	3,039
Money held in trust	1,959	1,961	21,065
Securities	2,712,081	2,293,862	29,149,627
Loans and bills discounted	3,843,439	3,630,164	41,309,541
Foreign exchanges	3,508	2,497	37,709
Other assets	27,916	37,436	300,044
Tangible fixed assets	71,871	70,031	772,482
Buildings	25,806	23,938	277,367
Land	38,269	37,429	411,322
Construction in progress	339	1,123	3,645
Other tangible fixed assets	7,456	7,539	80,147
Intangible fixed assets	2,443	3,072	26,257
Software	2,162	2,792	23,240
Other intangible fixed assets	280	280	3,017
Customers' liabilities for acceptances and guarantees	12,288	14,114	132,073
Allowance for possible loan losses	(42,478)	(35,060)	(456,563)
Total assets	¥7,104,140	¥6,673,160	$76,355,768
Liabilities and Equity			
Liabilities:			
Deposits	¥6,311,756	¥6,019,005	$67,839,167
Call money	23,897	47,432	256,852
Payables under repurchase agreements	5,074	3,341	54,539
Payables under securities lending transactions	21,461	10,292	230,674
Borrowed money	40,940	62,675	440,026
Foreign exchanges	185	139	1,996
Bonds	15,000	20,000	161,220
Convertible bonds	29,953	38,582	321,936
Other liabilities	51,256	54,362	550,913
Liability for employees' retirement benefits	23,063	20,370	247,885
Liability for reimbursement of deposits losses	233	206	2,504
Liability for contingent losses	943	670	10,135
Deferred tax liabilities	90,985	24,822	977,914
Deferred tax liabilities for land revaluation	326	116	3,511
Acceptances and guarantees	12,288	14,114	132,073
Total liabilities	6,627,365	6,316,131	71,231,352
Equity:			
Common stock	42,103	37,825	452,533
Capital surplus	30,301	26,035	325,685
Stock acquisition rights	151	63	1,625
Retained earnings	220,749	209,178	2,372,633
Treasury stock — at cost	(1,222)	(1,165)	(13,135)
Net unrealized gains on available-for-sale securities	185,184	85,972	1,990,378
Deferred losses on derivatives under hedge accounting	(969)	(1,051)	(10,423)
Land revaluation surplus	476	170	5,117
Total equity	476,775	357,029	5,124,416
Total liabilities and equity	¥7,104,140	¥6,673,160	$76,355,768

Notes: 1. Japanese yen figures are expressed with amounts under one million omitted. Accordingly, breakdown figures may not add up to sums.

2. U.S. dollar amounts represent translation of Japanese yen at the rate of ¥93.04 to US$1.00 on March 31, 2010, the final business day of the term.

Non-Consolidated Statements of Income (Unaudited)

The Bank of Kyoto, Ltd. Years Ended March 31, 2010 and 2009

	Millions of Yen		Thousands of U.S. Dollars
	2010	2009	2010
Income			
Interest income:			
Interest on loans and discounts	¥ 65,542	¥ 67,816	$ 704,460
Interest and dividends on securities	32,398	45,062	348,225
Other interest income	1,397	4,824	15,024
Fees and commissions	12,795	13,403	137,528
Other operating income	6,907	4,251	74,238
Other income	2,130	7,235	22,896
Total income	121,172	142,593	1,302,373
Expenses			
Interest expenses:			
Interest on deposits	14,423	24,096	155,022
Interest on borrowings and rediscounts	999	3,428	10,737
Other interest expenses	1,544	2,632	16,596
Fees and commissions	7,596	7,471	81,649
Other operating expenses	1,114	6,897	11,982
General and administrative expenses	54,144	53,318	581,947
Other expenses	15,959	31,814	171,536
Total expenses	95,782	129,660	1,029,471
Income before income taxes	25,390	12,933	272,901
Income taxes:			
Current	11,550	9,136	124,150
Deferred	(1,748)	(6,233)	(18,795)
Net income	¥ 15,588	¥ 10,030	$ 167,546

	Yen		U.S. Dollars
	2010	2009	2010
Per Share Information:			
Basic net income	¥41.91	¥27.69	$0.450
Diluted net income	38.57	25.09	0.414
Cash dividends applicable to the year	10.00	10.00	0.107

Notes: 1. Japanese yen figures are expressed with amounts under one million omitted. Accordingly, breakdown figures may not add up to sums.
2. U.S. dollar amounts represent translation of Japanese yen at the rate of ¥93.04 to US$1.00 on March 31, 2010, the final business day of the term.

Non-Consolidated Statements of Changes in Equity (Unaudited)

The Bank of Kyoto, Ltd. Years Ended March 31, 2010 and 2009

	Millions of Yen								
	Common stock	Capital surplus	Stock acquisition rights	Retained earnings	Unrealized gain on available-for-sale securities	Deferred gain on derivatives under hedge accounting	Land revaluation surplus	Treasury stock	Total equity
Balance at March 31, 2009	¥37,825	¥26,035	¥ 63	¥209,178	¥ 85,972	¥(1,051)	¥170	¥(1,165)	¥357,029
Net income				15,588					15,588
Cash dividends, ¥10.00 per share				(3,711)					(3,711)
Purchase of treasury stock								(58)	(58)
Disposal of land revaluation surplus				(306)					(306)
Conversion of convertible bonds	4,278	4,266						1	8,546
Net change in the year			87		99,212	81	306		99,687
Balance at March 31, 2010	¥42,103	¥30,301	¥151	¥220,749	¥185,184	¥ (969)	¥476	¥(1,222)	¥476,775

	Thousands of U.S. Dollars								
	Common stock	Capital surplus	Stock acquisition rights	Retained earnings	Unrealized gain on available-for-sale securities	Deferred gain on derivatives under hedge accounting	Land revaluation surplus	Treasury stock	Total equity
Balance at March 31, 2009	$406,547	$279,829	$ 686	$2,248,268	$ 924,033	$(11,297)	$1,828	$(12,523)	$3,837,372
Net income				167,546					167,546
Cash dividends, $0.107 per share				(39,892)					(39,892)
Purchase of treasury stock								(626)	(626)
Disposal of land revaluation surplus				(3,289)					(3,289)
Conversion of convertible bonds	45,986	45,855						15	91,857
Net change in the year			939		1,066,345	873	3,289		1,071,447
Balance at March 31, 2010	$452,533	$325,685	$1,625	$2,372,633	$1,990,378	$(10,423)	$5,117	$(13,135)	$5,124,416

Notes: 1. Japanese yen figures are expressed with amounts under one million omitted. Accordingly, breakdown figures may not add up to sums.
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The Bank's Organization

As of June 29, 2010

- General Meeting of Stockholders
  - Board of Corporate Auditors
    Corporate Auditors
- Board of Directors
- Executive Committee
  Chairman
  President
  - Senior Managing Director
  - Managing Directors

- Corporate Planning Division
- Risk Management Division
- Corporate Communications Division
- Business Promotion Division
  - Hanshin Business Headquarters
  - Shiga Business Headquarters
- Customer Service Division
- Corporate Banking Division
- Personal Banking Division
- Public Institutions Division
- Credit Supervision Division
- Treasury & Investment Division
- Securities & International Division
  - Hong Kong Representative Office
  - Shanghai Representative Office
- General Secretariat
- Personnel Division
- Kyoto Banking College
- General Affairs Division
- Business Administration Division
  - Business Operations Center
- Systems Division
- Internal Audit Division
- Tokyo Liaison Office

- Head Office Business Department
- Domestic Branches and Sub-branches (150 Offices)

Board of Directors and Corporate Auditors

As of June 29, 2010

Chairman
Yasuo Kashihara

President
Hideo Takasaki

Senior Managing Director
Masahiro Morise

Managing Directors
Issei Daido
Hisayoshi Nakamura
Yoshio Nishi
Katsuyuki Toyobe
Masayuki Kobayashi
Junji Inoguchi
Nobuhiro Doi

Standing Corporate Auditor
Tsutomu Tsutsumi

Corporate Auditors
Kazuo Saito
Kaneyoshi Jinde (external)
Shinichi Nakama (external)

Directors
Takayuki Matsumura
Sadao Miyamura

Managing Executive Officers
Hiroshi Okuno
Yojiro Nagayasu
Yuji Kitayama

Executive Officers
Hideya Naka
Yasufumi Kurita
Haruo Tanaka
Ko Nishizawa

Corporate Data

As of March 31, 2010

Date of Establishment
October 1, 1941

Number of Employees
3,141

Number of Authorized Shares
1,000,000,000

Number of Issued Shares
379,203,441

Capital (Paid-in)
42,103 million

R&I* Rating *Rating and Investment Information, Inc.
A+
S&P* Rating *Standard & Poor's.
A

Major Stockholders (Number of shares in thousands and percentage)

Japan Trustee Services Bank, Ltd. (trust account)	17,375	(4.58%)
Nippon Life Insurance Company	16,589	(4.37%)
The Tokio Marine & Nichido Fire Insurance Co., Ltd.	14,098	(3.71%)
Gunze Ltd.	10,458	(2.75%)
Meiji Yasuda Life Insurance Company	10,001	(2.63%)
Sompo Japan Insurance Inc.	8,912	(2.35%)
The Master Trust Bank of Japan, Ltd. (trust account)	8,334	(2.19%)
Kyocera Corporation	7,980	(2.10%)
Mizuho Corporate Bank, Ltd.	7,500	(1.97%)
NORTHERN TRUST Co. (AVFC) SUB A/C AMERICAN CLIENTS	7,398	(1.95%)

International Service Network

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the People's Republic of China
Phone: +86-21-6841-0575
Fax: +86-21-6841-1771

Consolidated Subsidiaries

Name	Establishment	Capital	Line of business
Karasuma Shoji Co., Ltd.	October 1958	¥ 10 million	Managing real estate services for the Bank of Kyoto
Kyogin Business Service Co., Ltd.	July 1983	10	Centralized processing of clerical operations for the Bank
Kyoto Guaranty Service Co., Ltd.	October 1979	30	Credit guarantee services
Kyogin Lease & Capital Co., Ltd.	June 1985	100	Leasing, investment and financial services
Kyoto Credit Service Co., Ltd.	November 1982	50	Credit card services
Kyogin Card Service Co., Ltd.	September 1989	50	Credit card services
Kyoto Research Institute, Inc.	April 1987	30	Research and business consulting services

Bank of Kyoto

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