Annual Securities Report

"Yukashoken Hokokusho"

(Excerpt)

For the fiscal year ended March 31, 2010

FIDEA HOLDINGS CO. LTD.

FIDEA Holdings Co. Ltd. and Subsidiaries

Consolidated Balance Sheet
March 31, 2010

	Millions of yen	Thousands of U.S. dollars (Note 1)
Assets:		
Cash and due from banks (Notes 17 and 23)	¥ 42,596	$ 457,824
Call loans and bills bought (Note 23)	65,500	703,998
Monetary claims bought (Note 23)	5,038	54,148
Trading account securities (Notes 5 and 23)	687	7,383
Money held in trust (Notes 6 and 23)	1,000	10,748
Securities (Notes 5, 6, 11, 14 and 23)	547,609	5,885,737
Loans and bills discounted (Notes 7, 22 and 23)	1,406,683	15,119,120
Foreign exchange assets (Note 23)	1,426	15,326
Tangible fixed assets (Note 8):		
Buildings	10,259	110,264
Land	11,380	122,312
Lease assets	400	4,299
Construction in progress	1	10
Other tangible fixed assets	2,812	30,223
Intangible fixed assets:		
Software	982	10,554
Goodwill	548	5,889
Other intangible fixed assets	142	1,526
Deferred tax assets (Note 20)	16,823	180,814
Customers' liabilities for acceptances and guarantees	16,814	180,717
Other assets (Note 11)	12,678	136,263
Allowance for loan losses (Notes 7 and 23)	(27,462)	(295,163)
Total assets	¥ 2,115,924	$ 22,742,089

(Continued)

FIDEA Holdings Co. Ltd. and Subsidiaries

Consolidated Balance Sheet
March 31, 2010

	Millions of yen	Thousands of U.S. dollars (Note 1)
Liabilities:		
Deposits (Note 23)	¥ 1,895,388	$ 20,371,754
Negotiable certificates of deposit (Note 23)	49,483	531,846
Call money and bills sold (Notes 11 and 23)	5,402	58,061
Borrowed money (Notes 10, 11 and 23)	42,516	456,964
Foreign exchange liabilities (Note 23)	0	0
Bonds payable (Notes12 and 23)	20,700	222,484
Provision for bonuses	247	2,654
Provision for retirement benefits (Note 13)	2,958	31,792
Provision for reimbursement of deposits	233	2,504
Provision for contingent loss	150	1,612
Other provisions	66	709
Deferred tax liabilities (Notes 6 and 20)	11	118
Deferred tax liabilities for land revaluation (Note 9)	764	8,211
Negative goodwill	4,142	44,518
Acceptances and guarantees	16,814	180,717
Other liabilities (Note 10)	21,005	225,763
Total liabilities	2,059,885	22,139,778
Net assets (Note 15):		
Common stock	15,000	161,220
Capital surplus	34,712	373,086
Retained earnings	13,743	147,710
Treasury stock	(9,972)	(107,179)
Total shareholders' equity	53,484	574,849
Unrealized loss on available-for-sale securities (Note 6)	(1,149)	(12,349)
Deferred loss on derivatives under hedge accounting	(18)	(193)
Revaluation reserve for land (Note 9)	1,027	11,038
Total valuation and translation adjustments	(140)	(1,504)
Minority interests	2,694	28,955
Total net assets	56,038	602,300
Total liabilities and net assets	¥ 2,115,924	$ 22,742,089

See notes to consolidated financial statements.

(Concluded)

FIDEA Holdings Co. Ltd. and Subsidiaries

Consolidated Statement of Income
Year Ended March 31, 2010

	Millions of yen	Thousands of U.S. dollars (Note 1)
Income:		
Interest income:		
Interest on loans and discounts	¥ 23,036	$ 247,592
Interest and dividends on securities	3,112	33,447
Other	71	763
Fees and commissions	6,620	71,152
Other operating income	3,612	38,822
Other income	2,118	22,764
Total income	38,573	414,585
Expenses:		
Interest expenses:		
Interest on deposits	3,237	34,791
Interest on borrowings and rediscounts	147	1,579
Interest on bonds payable	290	3,116
Other	27	290
Fees and commissions	2,365	25,419
Other operating expenses	759	8,157
General and administrative expenses	22,227	238,897
Provision of allowance for loan losses	3,212	34,522
Other expenses (Note 16)	1,791	19,249
Total expenses	34,060	366,079
Income before income taxes and minority interests	4,513	48,506
Income taxes (Note 20):		
Current	179	1,923
Deferred	1,286	13,822
Total income taxes	1,466	15,756
Minority interests in net earnings	179	1,923
Net income	¥ 2,868	$ 30,825

	Yen	U.S. dollars
Per share of common stock (Note 25):		
Basic net income	¥ 21.66	$ 0.2328
Diluted net income	21.64	0.2325
Cash dividends applicable to the year	5.00	0.0537

See notes to consolidated financial statements.

FIDEA Holdings Co. Ltd. and Subsidiaries

Consolidated Statement of Changes in Net Assets
Year Ended March 31, 2010

	Millions of yen	Thousands of U.S. dollars (Note 1)
Common stock:		
Balance at the beginning of year	¥ 14,200	$ 152,622
Decrease due to transfer of shares	(4,200)	(45,141)
Issuance of preferred shares	5,000	53,740
Balance at the end of year	15,000	161,220
Capital surplus:		
Balance at the beginning of year	12,056	129,578
Increase due to transfer of shares	18,114	194,690
Issuance of preferred shares	5,000	53,740
Sale of treasury stock	(0)	(0)
Cancellation of treasury stock	(457)	(4,911)
Balance at the end of year	34,712	373,086
Retained earnings:		
Balance at the beginning of year	10,844	116,552
Net income	2,868	30,825
Reversal of revaluation reserve for land	31	333
Balance at the end of year	13,743	147,710
Treasury stock:		
Balance at the beginning of year	(444)	(4,772)
Increase due to transfer of shares	(9,971)	(107,168)
Acquisition of treasury stock	(15)	(161)
Sale of treasury stock	1	10
Cancellation of treasury stock	457	4,911
Balance at the end of year	(9,972)	(107,179)
Total shareholders' equity:		
Balance at the beginning of year	36,656	393,981
Increase due to transfer of shares	3,942	42,368
Issuance of preferred shares	10,000	107,480
Net income	2,868	30,825
Acquisition of treasury stock	(15)	(161)
Sale of treasury stock	0	0
Cancellation of treasury stock	—	—
Reversal of revaluation reserve for land	31	333
Balance at the end of year	53,484	574,849
Unrealized loss on available-for-sale securities:		
Balance at the beginning of year	(9,693)	(104,180)
Net change in the year	8,544	91,831
Balance at the end of year	(1,149)	(12,349)
Deferred loss on derivatives under hedge accounting:		
Balance at the beginning of year	(16)	(171)
Net change in the year	(1)	(10)
Balance at the end of year	(18)	(193)

(Continued)

FIDEA Holdings Co. Ltd. and Subsidiaries

Consolidated Statement of Changes in Net Assets
Year Ended March 31, 2010

	Millions of yen	Thousands of U.S. dollars (Note 1)
Revaluation reserve for land:		
Balance at the beginning of year	¥ 1,058	$ 11,371
Net change	(31)	(333)
Balance at the end of year	1,027	11,038
Total valuation and translation adjustments:		
Balance at the beginning of year	(8,652)	(92,992)
Net change in the year	8,512	91,487
Balance at the end of year	(140)	(1,504)
Minority interests:		
Balance at the beginning of year	670	7,201
Net change in the year	2,024	21,754
Balance at the end of year	2,694	28,955
Total net assets:		
Balance at the beginning of year	28,674	308,190
Increase due to transfer of shares	3,942	42,368
Issuance of preferred shares	10,000	107,480
Net income	2,868	30,825
Acquisition of treasury stock	(15)	(161)
Sale of treasury stock	0	0
Reversal of revaluation reserve for land	31	333
Net change in the year	10,537	113,252
Balance at the end of year	¥ 56,038	$ 602,300

See notes to consolidated financial statements.

(Concluded)

FIDEA Holdings Co. Ltd. and Subsidiaries

Consolidated Statement of Cash Flows
Year Ended March 31, 2010

	Millions of yen	Thousands of U.S. dollars (Note 1)
Operating activities:		
Income before income taxes and minority interests	¥ 4,513	$ 48,506
Adjustments for:		
Income taxes—refund	217	2,332
Depreciation and amortization	1,843	19,808
Loss on impairment fixed assets	71	763
Amortization of goodwill	60	644
Amortization of negative goodwill	(465)	(4,997)
Change in allowance for loan losses	1,654	17,777
Change in provision for bonuses	122	1,311
Change in provision for retirement benefits	(597)	(6,416)
Change in provision for reimbursement of deposits	1	10
Change in provision for loss on guarantees	(593)	(6,373)
Change in provision for contingent loss	13	139
Change in other provisions	5	53
Interest income	(26,221)	(281,825)
Interest expenses	3,705	39,821
Gain on securities—net	(1,568)	(16,852)
Gains on money held in trust—net	(5)	(53)
Foreign exchange losses—net	14	150
Loss on sale and disposal of fixed assets—net	149	1,601
Net change in loans and bills discounted	(1,804)	(19,389)
Net change in deposits	60,324	648,366
Net change in negotiable certificates of deposit	(33,809)	(363,381)
Net change in trading account securities	(214)	(2,300)
Net change in borrowed money, excluding subordinated borrowings	36,677	394,206
Net change in due from banks, excluding due from the BoJ	(58)	(623)
Net change in call loans and bills bought	(19,025)	(204,481)
Net change in call money	(25,538)	(274,484)
Net change in foreign exchange assets	530	5,696
Net change in foreign exchange liabilities	(0)	(0)
Interest received	26,003	279,481
Interest paid	(4,397)	(47,259)
Other—net	2,598	27,923
Total adjustments	19,693	211,661
Net cash provided by operating activities—(Forward)	¥ 24,206	$ 260,167

(Continued)

FIDEA Holdings Co. Ltd. and Subsidiaries

Consolidated Statement of Cash Flows
Year Ended March 31, 2010

	Millions of yen	Thousands of U.S. dollars (Note 1)
Net cash provided by operating activities—(Forward)	¥ 24,206	$ 260,167
Investing activities:		
Purchase of securities	(260,124)	(2,795,829)
Proceeds from sales of securities	177,684	1,909,759
Proceeds from maturity of investment securities	41,009	440,767
Increase in money held in trust	(3,035)	(32,620)
Decrease in money held in trust	3,003	32,276
Purchase of tangible fixed assets	(1,139)	(12,242)
Proceeds from sales of tangible fixed assets	50	537
Purchase of intangible fixed assets	(237)	(2,547)
Net cash used in investing activities	(42,789)	(459,898)
Financing activities:		
Proceeds from issuance of common stock	10,000	107,480
Payment for stock issuance costs	(35)	(376)
Repayment of lease obligations	(92)	(988)
Dividends paid	(0)	(0)
Purchase of treasury stock	(15)	(161)
Proceeds from sales of treasury stock	0	0
Net cash provided by financing activities	9,857	105,943
Foreign currency translation adjustments on cash and cash equivalents	10	107
Net decrease in cash and cash equivalents	(8,714)	(93,658)
Cash and cash equivalents, beginning of year	21,984	236,285
Net increase in cash and cash equivalents due to transfer of shares	23,633	254,009
Cash and cash equivalents, end of year (Note 17)	¥ 36,903	$ 396,635

See notes to consolidated financial statements.

(Concluded)

Notes to Consolidated Financial Statements

FIDEA Holdings Co. Ltd. and Subsidiaries
Year Ended March 31, 2010

1. Basis of Presentation

FIDEA Holdings Co. Ltd. (the "Company") is a holding company and conducts its operations through its subsidiaries and affiliates. The Company was established as a joint holding company between The Shonai Bank, Ltd. ("Shonai") and The Hokuto Bank, Ltd. ("Hokuto") on October 1, 2009 by way of a transfer of shares. The accompanying consolidated financial statements include operating results of Shonai and Hokuto for the year ended March 31, 2010.

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

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

In preparing the accompanying consolidated financial statements, Japanese yen amounts are presented in millions of yen by rounding down figures below one million. As a result, the totals in yen in the accompanying consolidated financial statements do not necessarily agree with the sums of the individual amounts.

The translation of yen amounts into U.S. dollar amounts is included solely for the convenience of readers outside Japan and has been made at ¥93.04 = U.S.$1.00, the exchange rate prevailing on March 31, 2010. This translation should not be construed as a representation that yen can be converted into U.S. dollars at the above or any other rate.

2. Principles of Consolidation

The consolidated financial statements include the accounts of the Company and its 14 subsidiaries (collectively the "Group").

Under the control of influence concept, those companies in which the Company, directly or indirectly, is able to exercise control over operations are fully consolidated, and there is no unconsolidated subsidiary.

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

The difference between the cost and the underlying equity in the net assets of the consolidated subsidiaries measured at fair value at their respective dates of acquisition is presented as "goodwill" or "negative goodwill" and is amortized by the straight-line method over a period of five years. If such difference is immaterial, it is fully charged or credited to income when incurred.

The balance sheet dates of 13 subsidiaries and a subsidiary are March 31 and December 31, respectively. The subsidiary with balance sheet date as of December 31 is consolidated on that date and necessary adjustments are made in the consolidated financial statements to reflect the significant transactions occurred during the period between December 31 and March 31.

Those companies over which the Company has the ability to exercise significant influence, but does not control will be accounted for using the equity method. However, the Company has no affiliates to be accounted for using the equity method.

3. Significant Accounting Policies

(1) Trading account securities

Trading account securities are stated at fair value as of the balance sheet date and cost of trading account securities sold is determined principally using the moving average method.

(2) Securities

Non-trading securities are classified into two categories: held-to-maturity debt securities and available-for-sale securities. Held-to-maturity debt securities are carried at amortized cost being determined by the moving average method. Available-for-sale securities whose fair values are available are stated at fair value determined based on the quoted market price as of the balance sheet date, except for equity securities which are stated at fair value determined based on the average market price during one month before the balance sheet date. Cost of sales of theses available-for sale securities is determined using the moving average method. Available-for-sale securities, for which it is extremely difficult to obtain the fair value, are stated at cost determined by the moving-average method.

Unrealized gain or loss on available-for-sale securities is recorded under net assets, net of income taxes.

(3) Investment securities held in money trusts

Investment securities that are part of trust assets in independently managed money trusts with the primary purpose to manage securities are stated at fair value as of the balance sheet date.

(4) Derivatives

Derivatives are stated at fair value.

(5) Tangible fixed assets

Depreciation of tangible fixed assets of the Company and banking consolidated subsidiaries, except for lease assets, is calculated principally by the declining-balance method, while the straight-line method is applied to buildings (excluding building attachments) acquired on or after April 1, 1998. The principal useful lives are as follows:

Buildings--6 to 50 years
Others---4 to 20 years

Depreciation of tangible fixed assets of other subsidiaries is calculated principally by the straight-line method based on the estimated useful lives.

Lease assets under finance lease arrangements which do not transfer ownership of the lease assets to the lessee are depreciated over the respective lease contract periods using the straight-line method with salvage values defined in the lease contracts, otherwise without salvage values.

(6) Intangible fixed assets

Intangible fixed assets, except for lease assets, are amortized by the straight-line method. Amortization of the cost of software intended for internal use is calculated by the straight-line method based on a useful life (principally 5 years) determined by the consolidated subsidiaries.

(7) Deferred charges

Deferred charges including preopening expenses, business opening expenses and stock issuance costs are fully charged to expenses when paid.

(8) Allowance for loan losses

Allowance for loan losses is provided by the banking consolidated subsidiaries and other major consolidated subsidiaries in accordance with the prescribed standards. For claims on borrowers who have declared bankruptcy or have commenced special liquidation proceedings or similar legal proceedings ("bankrupt borrowers"), or borrowers who are not legally or formally insolvent but are regarded as substantially in the same situation ("virtually bankrupt borrowers"), an allowance is provided based on the book value of the claims, after the write-off stated below, net of the expected amount recoverable from collateral and guarantees.

For claims on borrowers who are not currently bankrupt but are likely to become bankrupt ("potentially bankrupt borrowers"), an allowance is provided at the amount deemed necessary based on the overall solvency assessment of the borrowers and the amount of the claims, net of the expected amount recoverable from collateral and guarantees.

For other claims, an allowance is provided based on the historical loan-loss ratio computed from past experiences during the certain period after categorizing into definite types.

All claims are assessed for the quality by the Asset Assessment Department with the cooperation by operating offices in accordance with the Standards for Asset Self-Assessment and then audited by the Asset Audit Department which is independent from the Asset Assessment Department. Based on the results of these assessments, an appropriate allowance is provided for the possible losses arising from doubtful assets.

For collateralized or guaranteed claims on bankrupt borrowers and virtually bankrupt borrowers of Hokuto and certain consolidated subsidiaries, the amount of the claims exceeding the estimated value of collateral and guarantees is deemed to be uncollectible and is charged off against the total amount of the outstanding claims. These write-offs amounted to ¥13,332 million ($143,293 thousand) for the year ended March 31, 2010.

Allowances for loan losses of other consolidated subsidiaries are provided based on the historical loan loss ratio.

(9) Allowance for investment loss

Allowance for investment loss is recorded at an amount considered to be necessary, taking into consideration the financial positions of the issuers of the securities to provide for investment loss.

(10) Provision for bonuses

Provision for bonuses is recorded at an estimated amount of bonuses to be paid to employees based on their services for the current fiscal period.

(11) Provision for retirement benefits

Provision for retirement benefits is recorded at an estimated amount based on the retirement benefit obligation and the pension plan assets as of the balance sheet date to provide for employees' retirement benefits.

Prior service cost is amortized by the straight-line method over a certain period of 0 to 5 years within the average estimated remaining years of service of the eligible employees upon occurrence.

Actuarial gain or loss is amortized commencing the year following the year in which the gain or loss is recognized by the straight-line method principally over a certain period of 10 to 15 years within the average estimated remaining years of service of the eligible employees upon occurrence.

Unrecognized transitional obligation incurred at the time of the accounting change in the amount of ¥2,710 million ($29,127 thousand) is amortized over a period of 15 years.

On July 31, 2008, the Accounting Standard Board of Japan ("ASBJ") issued ASBJ Statement No. 19 "Partial Amendments to Accounting Standard for Retirement Benefits (Part 3)", which requires the companies to use the discount rate determined by reference to market yields at the end of the fiscal year on high quality bonds such as long-term Japanese government bonds, government agency bonds and high quality corporate bonds. The Company adopted this amendment for the year ended March 31, 2010.

(12) Provision for reimbursement of deposits

Provision for reimbursement of deposits is provided at an estimated amount of the future payments to be made for reimbursement claims on deposits which were derecognized and credited from liability to income.

(13) Provision for contingent loss

Provision for contingent loss is provided at an estimated amount of the future payments to be made for a burden charge to the Credit Guarantee Corporations.

(14) Other provisions

Other provisions include provision for point service program, provision for losses on interest repayment claims and provision for losses on gift card claims.

Provision for point service program relating to credit business engaged by a consolidated subsidiary is provided at an amount computed based on the historical point utilization rate during the past one year.

Provision for losses on interest repayment claims is provided at an amount reasonably estimated considering the historical repayment experiences to provide for repayment claims on interest on loans

made by consolidated subsidiaries exceeding the maximum interest rate stipulated by the Interest Rate Restriction Act.
In addition, provision for losses on gift cards is provided for the reasonable estimated future losses to be incurred when gift cards were collected after derecognizing the related liability based on the historical experiences.

(15) Foreign currency transactions
The assets and liabilities denominated in foreign currencies of the consolidated subsidiaries are translated into Japanese yen at the exchange rates in effect at the balance sheet date.

(16) Leases
Finance leases which commenced prior to April 1, 2008, except for those substantially requiring the transfer of ownership of the leased assets to the lessee, are accounted for as operating leases.

(17) Hedge accounting
Interest rate risk hedging
With respect to hedge accounting for the interest rate risk arising from financial assets and liabilities of the banking consolidated subsidiaries, the Group applies deferral hedge accounting, under which gains or losses on derivatives are deferred until maturity of the hedged transactions, as stipulated in the Japanese Institute of Certified Public Accountants (JICPA) Industry Audit Committee Report No. 24. With respect to hedging transactions to offset fluctuations of the market price, the effectiveness of hedging transactions is assessed by specifying the hedged items such as deposits and loans and hedging instruments such as interest rate swaps and grouping these items by definite remaining maturity. With respect to hedging transactions to fix cash flows, the effectiveness of hedging is assessed by verifying the correlation of interest floating factors of hedged items and hedging instruments.

Foreign exchange rate risk hedging
With respect to the hedge accounting for the foreign exchange risk arising from financial assets and liabilities denominated in foreign currencies of the banking consolidated subsidiaries, the Group adopted deferral hedge accounting, under which gains or losses on derivatives are deferred until maturity of the hedged transactions, as stipulated in the JICPA Industry Audit Committee Report No. 25. The Group assesses the effectiveness of its currency swaps and foreign exchange swaps entered into in order to hedge the risk of fluctuation in foreign exchange rates by comparing the foreign-currency amount of each underlying hedged item with the corresponding foreign-currency amount of the respective hedge.
In addition, the fair value hedge is applied as portfolio hedging on the condition that spot or future liabilities exceeding the acquisition costs of the foreign currency denominated securities on a basis of foreign currency exist, designating the issues of foreign currency denominated securities to be hedged in advance.

(18) Consumption taxes
Transactions are principally stated exclusive of national and municipal consumption taxes.

(19) Cash and cash equivalents
In preparing the consolidated statement of cash flows, cash and deposits with The Bank of Japan (“BoJ”) are considered to be cash and cash equivalents.

4. Business Combination
The Company was established by way of a transfer of shares between The Shonai Bank, Ltd. (Shonai) and The Hokuto Bank, Ltd. (Hokuto) on October 1, 2009. In accounting for the transfer of shares, the purchase method of accounting was applied, as defined in the accounting standard for business combination, for Shonai as an acquirer and Hokuto as an acquiree.

1. Name of the acquiree, its businesses, major reason for business combination, date of the business combination, legal form of the business combination and name of the company after business combination
   (1) Name of the acquiree and its businesses
   The Hokuto Bank, Ltd., which is engaged in banking business.
   (2) Major reason for business combination
   Both banks integrated their management by establishing a joint holding company, “FIDEA Holdings Co. Ltd.” through a transfer of shares effective October 1, 2009, because the management believed that it is essential to incorporate a regional banking holding company as an open platform owning middle and

back office function jointly, strengthening each own brand image in the respective operating areas of both banks in order to aim contribution to furthermore development of regional economy and enhancement of management efficiency.

(3) Date of business combination
October 1, 2009

(4) Legal form of business combination
Incorporation of a joint holding company through a transfer of shares

(5) Name of the company after business combination
FIDEA Holdings Co. Ltd.

(6) Ownership of voting rights acquired:
100%

2. Operating results of the acquiree included in the consolidated financial statements
October 1, 2009 through March 31, 2010

3. Acquisition cost of the acquiree and its component
The acquisition cost of the acquiree amounted to ¥13,914 million ($149,548 thousand), which mainly corresponds to the value of shares issued to the shareholders of the acquiree.

4. Share transfer ratio by type of shares, computation method of the share transfer ratio, number of shares issued, and the fair value

Share transfer ratio by type of shares:

- One share of common stock of the Company for one share of common stock of Shonai
- 0.15 shares of A class preferred stock of the Company for one share of A class preferred stock of Hokuto
- 0.15 shares of common stock of the Company for one share of common stock of Hokuto

Computation method of the share transfer ratio:

To determine the share transfer ratio of common stock, Shonai and Hokuto designated Recof Corporation ("Recof") and Mizuho Corporate Advisory Co., Ltd. ("Mizuho") as a financial advisor, respectively. Recof made analyses on the value of common stock of Shonai using methods of average share analysis, comparative analysis of similar companies, modified net asset analysis and discounted dividend models, and Mizuho made analyses on the value of common stock of Hokuto using methods of comparative analyses of similar companies and discounted dividend models based on various assumptions and reserved items. Furthermore, they conducted comparative analyses on net income per share of the Company and Shonai and presented the results of their analyses to both banks. Both banks obtained their professional reports about their due diligence which was mutually conducted for the other party. With reference to these results of detailed examination on significant management status including the financial positions of both banks and professional reports from the financial advisors, both banks reached an agreement on the share transfer ratio based on the overall judgment, considering the latest financial results and status of equity of both banks and the fact that future performances and share prices of both banks and the level of future interest rates are opaque, since many financial institutions domestic and abroad have announced significant decline of operating results or losses, and also making much of the analysis result of modified net assets.

Note that Shonai and Hokuto have received professional opinions that the share transfer ratio is fair from the financial viewpoint from Recof and Mizuho, respectively.

Number of shares issued and its fair value:

The number of shares of common stock and preferred stock issued was 143,464,890 shares and 20,206,500 shares, respectively.

The value of common stock was measured using the average share price (¥178.20 ($1.91)) during five days before the date when the major conditions on the business combination were agreed and published. Preferred stock was measured using the carrying value.

5. Negative goodwill incurred, its cause and amortization method and period

Amount of negative goodwill: ¥3,664 million ($39,380 thousand)

Cause: Since the acquisition cost of the acquiree, which was calculated based on the share price during five days before the announcement date on agreement on the share transfer, was lower than the fair value of net assets measured on the date of business combination, the related difference was recognized as negative goodwill.

Amortization method and period: Negative goodwill is being amortized over five years on a straight-line basis.

6. Major components of assets and liabilities accepted on the date of business combination:

	Millions of yen	Thousands of U.S. dollars
Assets:		
Total assets	¥ 1,142,725	$ 12,282,082
O/w, loans	696,270	7,483,555
O/w, securities	352,725	3,791,111
O/w, allowance for loan losses	(9,525)	(102,375)
Liabilities:		
Total liabilities	¥ 1,125,145	$ 12,093,131
O/w, deposits	1,037,296	11,148,925

7. Estimated impact on the consolidated financial statements for the year, assuming that the business combination were completed at the beginning of the fiscal year:

	Millions of yen	Thousands of U.S. dollars
Ordinary income	¥ 13,669	$ 146,915
Ordinary profit	1,450	15,584
Net income	1,035	11,124

The above amount of impact was calculated from the consolidated statement of income from April 1, 2009 through September 30, 2009 of Hokuto, which is an acquiree, with certain adjustments including amortization of negative goodwill.

These figures have never been audited by the external accounting auditor, Ernst & Young ShinNihon LLC.

5. Securities

Unrealized loss from revaluation of trading account securities amounted to ¥ 7 million ($75thousand) for the year ended March 31, 2010.

Securities at March 31, 2010 consisted of the following:

	Millions of yen		
	Carrying amount	Acquisition cost	Unrealized gain(loss)
Securities whose carrying amount exceeds acquisition cost:			
Held-to-maturity	¥ —	¥ —	¥ —
Available-for-sale:			
Equity securities	¥ 11,236	¥ 9,378	¥ 1,858
Debt securities:	348,281	345,298	2,982
Japanese government bonds	201,372	199,599	1,773
Municipal bonds	79,957	79,364	592
Corporate bonds	66,951	66,334	616
Other	43,272	40,753	2,519
Subtotal	¥ 402,790	¥ 395,430	¥ 7,360
Securities whose acquisition cost exceeds acquisition cost:			
Held-to-maturity	¥ —	¥ —	¥ —
Available-for-sale:			
Equity securities	¥ 6,826	¥ 7,727	¥ (900)
Debt securities:	94,444	94,949	(505)
Japanese government bonds	50,076	50,323	(247)
Municipal bonds	29,390	29,605	(214)
Corporate bonds	14,977	15,020	(42)
Other	39,396	45,430	(6,034)
Subtotal	¥ 140,667	¥ 148,107	¥ (7,439)
Total	¥ 543,457	¥ 543,537	¥ (79)

	Thousands of U.S. dollars		
	Carrying amount	Acquisition cost	Unrealized gain (loss)
Securities whose carrying amount exceeds acquisition cost:			
Held-to-maturity:	$ —	$ —	$ —
Available-for-sale:			
Equity securities	$ 120,765	$ 100,795	$ 19,969
Debt securities:	3,743,346	3,711,285	32,050
Japanese government bonds	2,164,359	2,145,303	19,056
Municipal bonds	859,383	853,009	6,362
Corporate bonds	719,593	712,962	6,620
Other	465,090	438,015	27,074
Subtotal	$ 4,329,213	$ 4,250,107	$ 79,105
Securities whose acquisition cost exceeds acquisition cost:			
Held-to-maturity	$ —	$ —	$ —
Available-for-sale:			
Equity securities	$ 73,366	$ 83,050	$ (9,673)
Debt securities:	1,015,090	1,020,518	(5,427)
Japanese government bonds	538,220	540,874	(2,654)
Municipal bonds	315,885	318,196	(2,300)
Corporate bonds	160,973	161,435	(451)
Other	423,430	488,284	(64,853)
Subtotal	$ 1,511,898	$ 1,591,863	$ (79,954)
Total	$ 5,841,111	$ 5,841,971	$ (849)

Available-for-sale securities sold for the year ended March 31, 2010 were as follows:

	Millions of yen		
	Sales proceeds	Realized gain	Realized loss
Equity securities	¥ 6,670	¥ 603	¥ 212
Debt securities:	149,831	606	178
Japanese government bonds	116,667	466	175
Municipal bonds	33,133	139	3
Corporate bonds	30	0	—
Other	21,573	1,196	39
Total	¥ 178,075	¥ 2,407	¥ 431

	Thousands of U.S. dollars		
	Sales proceeds	Realized gain	Realized loss
Equity securities	$ 71,689	$ 6,481	$ 2,278
Debt securities:	1,610,393	6,513	1,913
Japanese government bonds	1,253,944	5,008	1,880
Municipal bonds	356,115	1,493	32
Corporate bonds	322	0	—
Other	231,868	12,854	419
Total	$ 1,913,961	$ 25,870	$ 4,632

Impairment loss recognized on securities

Available-for-sale securities with fair value, whose fair value significantly declined compared with the acquisition cost, and is not considered to be able to recover their acquisition cost, are written down to the respective fair value which is recorded as the carrying amount on the consolidation balance sheet. The related loss on revaluation is charged to income for the year.

Impairment loss was recognized on above available-for-sale securities (equity securities) in the amount of ¥15 million ($161 thousand) for the year ended March 31, 2010.

The criteria for determining whether the fair value is "significantly declined" are defined based on the amount computed based on the average market price for one month before the balance sheet date for equity securities. In addition, impairment loss is recognized on other securities, if the fair value declined more than 50%. If the fair value is between 50% and 70% of the acquisition cost, those securities considered to be unrecoverable considering the financial status and past trend of the market value of the issuer during the past certain period are written down to the fair value.

Measurement method of fair value

Fair value of private placement bonds held by Hokuto, which is a consolidated subsidiary, is calculated by discounting these bonds categorized by internal rating and maturity using credit risk spread and market interest rate in accordance with the Japanese Institute of Certified Public Accountants ("JICPA") Industry Audit Committee Report No. 44, "Auditing Matters Requiring Attention concerning Disclosure of Fair values of Financial Instruments in Banking Industry (Interim Report)", which Hokuto adopted effective the fiscal year ended March 31, 2010 .

6. Unrealized loss on available-for-sale securities

Unrealized loss on available-for-sale securities at March 31, 2010 consisted of the following:

	Millions of yen	Millions of U.S. dollars
Unrealized loss:	¥ (79)	$ (849)
Available-for-sale securities	(79)	(849)
Money held in trust	—	—
Deferred tax liabilities:	(1,052)	(11,306)
Unrealized loss on available-for-sale securities before adjustments by equity interest	(1,132)	(12,166)
Minority interests	(16)	(171)
Unrealized loss on available-for-sale securities	¥ (1,149)	$ (12,349)

7. Loans and Bills Discounted and Risk Monitored Loans

Loans and bills discounted

Bills discounted are accounted for as finance transactions rather than as purchased bills in accordance with the JICPA Industry Audit Committee Report No. 24. The Group has the right to sell or pledge such bills without any restrictions. These include commercial bills discounted and foreign exchange bills purchased. The total face value of such finance transactions at March 31, 2010 totaled ¥7,493million ($80,535 thousand).

The principal of loans transferred to a trust bank due to securitization of home mortgage loans by Hokuto amounted to ¥13,448 million ($144,539 thousand) at March 31, 2010. Hokuto holds the related subordinated beneficiary right in the amount of ¥7,445 million ($80,019 thousand), of which ¥6,345 million ($68,196 thousand) is included in "Loans and bills discounted" and ¥1,100 million ($11,822 thousand) is included in "Cash and deposits".

Contracts for overdraft facilities and loan commitments are contracts under which the Group lends money to customers up to their prescribed limits at the customers' request as long as there are no violations of any of the conditions in the contracts. The aggregate unutilized balances within the limits of these contracts totaled ¥417,440 million ($4,486,672 thousand) at March 31, 2010 including the contracts whose contractual periods were either less than one year or revocable at any time, in the amount of ¥382,500 million ($4,111,134 thousand).

Since many of these commitments expire without being fully utilized, the unutilized amounts do not necessarily represent future cash commitments. Most of these contracts include provisions which stipulate that the consolidated subsidiaries can reject customers' requests or decrease the contract limits for an appropriate reason, (for example, a change in financial situation or a deterioration in customers' creditworthiness).

At the inception of the contracts, they obtain collateral in the form of real estate, securities, and so forth, if deemed necessary. Subsequently, they, based on its internal rules, perform periodic reviews of the customers' business results and may take necessary measures such as reconsidering the terms of the contracts and/or requiring additional collateral or guarantees.

Risk monitored loans

Risk monitored loans which were included in loans and bills discounted at March 31, 2010 consisted of the following:

	Millions of yen	Thousands of U.S. dollars
Loans to bankrupt borrowers	¥ 7,082	$ 76,117
Delinquent loans	38,287	411,511
Loans past due for 3 months or more	245	2,633
Restructured loans	9,204	98,925
Total	¥ 54,819	$ 589,198

Loans to bankrupt borrowers represent non-accrual loans to borrowers who are legally bankrupt as defined in Articles 96-1-3 and 96-1-4 of the Corporation Tax Law Enforcement Regulations (Article 97 of the 1965 Cabinet Order).

Delinquent loans represent non-accrual loans other than (i) loans to bankrupt borrowers and (ii) loans on which interest payments have been suspended in order to assist or facilitate the restructuring of borrowers who are experiencing financial difficulties.

Loans past due for 3 months or more represent loans on which the payment of principal and/or interest has not been received for three months or more from the due date, and which are not classified as "loans to bankrupt borrowers" or "delinquent loans."

Restructured loans are loans which have been restructured to support the rehabilitation of borrowers who are encountering financial difficulties, with the intention of ensuring the recovery of the loans by providing more flexible repayment terms for the borrowers (such as reducing the rate of interest or suspending the payment of principal/interest, etc.) or loans which are not classified in any of the above categories.

The amounts presented in the table above are stated before the provision of allowance for loan losses.

8. Tangible Fixed Assets

At March 31, 2010, accumulated depreciation of tangible fixed assets was ¥33,292 million ($357,824 thousand).

Under the Corporation Tax Law, capital gains arising from the exchange or replacement of assets under certain conditions are permitted to be deducted from the cost of tangible fixed assets in order to obtain certain tax benefits. The amount deducted from the cost of tangible fixed assets at March 31, 2010 was ¥13 million ($139 thousand).

9. Revaluation of Land

In accordance with the "Act on Revaluation of Land" (the "Law") (No. 34, March 31, 1998), land used for business operations of Shonai was revalued as of the date indicated below. The excess of revaluation to carrying value at the time of revaluation, net of income taxes corresponding to the excess which are recognized as "Deferred tax liabilities for land revaluation," is stated as "Revaluation reserve for land" under net assets.

Date of revaluation: September 30, 1999
The method of revaluation of asset forth in Article 3, Paragraph 3 of the "Law":
Fair values are determined based on the land price registered in the book of taxation on land stipulated in Article 2-3of the "Order for Enforcement on Law on Revaluation of Land" ("Ordinance") (No. 119, March 31, 1998), with price adjustments by shape and time and the appraisal value by an independent Real Estate Appraiser as provided by Article 2-5 of the Ordinance.

The difference between the total fair values of land used for business operations revalued pursuant to article 10 of the "Law" at March 31, 2010 and book value after revaluation of the relevant land was ¥1,337 million ($14,370 thousand).

10. Borrowed Money and Lease Obligations

Borrowed money and lease obligations at March 31, 2010 were as follows:

	Millions of yen	Thousands of U.S. dollars	Average interest rate (%)	Maturity
Borrowed money	¥ 42,516	$ 456,964	0.38	Apr. 2010 through Oct. 2018
Current portion of lease obligations	116	1,246	3.12	
Lease obligations, less current portion	293	3,149	3.48	Apr. 2011 through Sep. 2018

Note: Average interest rate is computed by the weighted average method.

Annual maturities of borrowed money and lease obligations within five years at March 31, 2010 are as follows:

	Millions of yen				
	Due in one year or less	Due after one year through two years	Due after two years through three years	Due after three years through four years	Due after four years through five years
Borrowed money	¥ 36,702	¥ 2	¥ 2	¥ 2	¥ 2
Lease obligations	116	110	94	55	21

	Thousands of U.S. dollars				
	Due in one year or less	Due after one year through two years	Due after two years through three years	Due after three years through four years	Due after four years through five years
Borrowed money	$ 394,475	$ 21	$ 21	$ 21	$ 21
Lease obligations	1,246	1,182	1,010	591	225

Note: Lease obligations are included in "Other liabilities" in the accompanying consolidated balance sheet.

Subordinated borrowings of ¥5,800 million ($62,338 thousand) are included in borrowed money at March 31, 2010.

11. Assets Pledged

Assets pledged as collateral at March 31, 2010 consisted of the following:

	Millions of yen	Thousands of U.S. dollars
Securities	¥ 43,102	$ 463,263

The liabilities secured by the above pledged assets at March 31, 2010 consisted of the following:

	Millions of yen	Thousands of U.S. dollars
Borrowed money	¥ 36,700	$ 394,453
Call money	4,900	52,665

In addition to the pledged assets listed above, securities in the amount of ¥98,199 million ($1,055,449 thousand) and cash and due from banks in the amount of ¥8 million ($85 thousand) are pledged as collateral for domestic exchange transactions or as margins on futures contracts at March 31, 2010. Other assets include guarantee deposit in the amount of ¥627 million ($6,739 thousand) at March 31, 2010.

12. Bonds Payable

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

Issuer/ description	Issued	Millions of yen	Thousands of U.S. dollars	Coupon rate (%)	Secured/ unsecured	Due
The Shonai Bank						
2nd subordinated bonds	Sep. 27, 2005	¥ 4,500	$ 48,366	1.13	Unsecured	Sep. 27, 2015
3rd subordinated bonds	Feb. 23, 2007	5,000	53,740	1.90	Unsecured	Feb. 23, 2017
The Hokuto Bank						
1st subordinated bonds, early redeemable	Aug. 23, 2005	11,200	120,378	Note (1)	Unsecured	Aug. 24, 2015
Total		¥ 20,700	$ 222,484			

Note (1) 2.61% p.a. from Aug. 24, 2005 until Aug. 23, 2010
6 month Euro yen Libor at London interbank market + 3.40% after Aug. 23, 2010

13. Retirement Benefit Plans

The banking subsidiaries have defined benefit pension plans consisting of corporate pension plans, tax qualified pension plans and lump-sum payment plans. Shonai has introduced a corporate pension plan similar with cash balance plans, and established a defined contribution pension plan in October 2006. Hokuto has established a retirement benefit trust.

The Group may pay additional retirement benefits to certain employees which are not covered by the actuarially projected retirement benefit obligation pursuant to the accounting standard for retirement benefits. Consolidated subsidiaries other than banking subsidiaries adopt principally lump-sum payment plans.

(1) The assets and liabilities of the employees' retirement benefit plans at March 31, 2010 consisted of the following:

	Millions of yen	Thousands of U.S. dollars
Retirement benefit obligation	¥ (16,001)	$ (171,979)
Pension plan assets at fair value	12,224	131,384
Unfunded benefit obligation	(3,776)	(40,584)
Unrecognized net retirement benefit obligation at transition	903	9,705
Unrecognized actuarial differences	1,708	18,357
Unrecognized prior service cost	(253)	(2,719)
Net retirement benefit obligation	(1,418)	(15,240)
Prepaid pension cost	1,539	16,541
Provision for retirement benefits	¥ (2,958)	$ (31,792)

Notes (1) Above table does not include additional retirement benefits to be paid on a temporary base.
(2) In computing retirement benefit obligation, subsidiaries other than banking subsidiaries adopt simplified method.

(2) Retirement benefit expenses for the year ended March 31, 2010 consisted of the following:

	Millions of yen	Thousands of U.S. dollars
Service cost	¥ 523	$ 5,621
Interest cost	358	3,847
Expected return on plan assets	(238)	(2,558)
Amortization of prior service cost	(202)	(2,171)
Amortization of actuarial gain	492	5,288
Amortization of transitional obligation	180	1,934
Additional retirement benefits and other	75	806
Net periodic retirement benefit expenses	¥ 1,190	$ 12,790

Retirement benefit expenses of the consolidated subsidiaries adopting the simplified method are collectively recorded in "Service cost".

(3) The assumptions used in accounting for the above plans for the year ended March 31, 2010 were as follows:

Discount rate	2.0%-2.5%
Expected rate of return on plan assets	0.04%-3.0%
Inter-period allocation method	Straight-line basis
Amortization period of prior service cost	0-5 years (charged to income beginning from the year ended March 31, 2010 on a straight-line basis over a definite period within the average remaining service years of employees upon occurrence)
Amortization period of actuarial gain	10-15 years (charged to income beginning from the following year after incurrence with the inter-period allocated amount on a straight-line basis over a definite period within the average remaining service years of employees upon occurrence)
Amortization period of transitional obligation	15 years

14. Contingent Liabilities

Contingent liabilities for corporate bonds acquired through private offering (as defined in Article 2-3 of the Financial Instruments and Exchange Act) among those classified as corporate bonds in "securities" amounted to ¥3,556 million ($38,220 thousand) at March 31, 2010.

15. Shareholders' Equity

Japanese banks are required to comply with the Banking Law and the Companies Act of Japan (the "Act"). The Act stipulates that neither additional paid-in capital nor the legal reserve is available for dividends, but that both may be used to reduce or eliminate a deficit. Under the Banking Law, an amount which is at least equal to 20% of the aggregate amount of cash dividends and certain appropriations of retained earnings associated with cash outlays applicable to each fiscal period is to be appropriated to the legal reserve until the aggregate amount of the legal reserve and the capital surplus account equals 100% of the amount of share capital. The Law also provides that if the aggregate amount of additional paid-in capital and the legal reserve exceeds 100% of the amount of share capital, the excess may be distributed to the shareholders either as a return of capital or as dividends subject to the approval of the shareholders.

The maximum amount which the bank can distribute as dividends is calculated based on the non-consolidated financial statements of the bank and in accordance with the Act.

Movements in common stock, preferred stock and treasury stock during the year ended March 31, 2010 are summarized as follows:

	Number of shares (in thousands)				
	April 1, 2009	Increase	Decrease	March 31, 2010	Ref.
Outstanding shares:					
Common stock	122,866	22,144	1,545	143,464	Note (1)
Preferred stock Class A	—	20,206	—	20,206	Note (1)
Preferred stock Class B	—	25,000	–	25,000	Note (2)
Total	122,866	67,350	1,545	188,671	
Treasury stock:					
Common stock	1,522	371	1,874	18	Note (3)
Preferred stock Class A	—	20,206	—	20,206	Note (1)
Preferred stock Class B	—	—	—	—	
Total	1,522	20,577	1,874	20,225	

Notes (1) Increase in number of shares is due to a transfer of shares and decrease in number of shares is due to cancellation.

(2) Increase in number of shares is due to issuance of new shares.

(3) Increase in number of shares is due to purchase request on less than one unit and decrease in number of shares is due to cancellation and additional purchase request on less than one unit.

16. Other Expenses

Other expenses for the year ended March 31, 2010 consisted of the following:

	Millions of yen	Thousands of U.S. dollars
Write-offs of loans and bills discounted	¥ 65	$ 698
Write-down of equity securities	98	1,053
Loss on disposal of fixed assets	156	1,676
Impairment loss	71	763
Other	1,400	15,047
Total	¥ 1,791	$ 19,249

17. Cash and Cash Equivalents

A reconciliation of cash and due from banks in the accompanying consolidated balance sheets to cash and cash equivalents in the accompanying consolidated statements of cash flows at March 31, 2010 is summarized as follows:

	Millions of yen	Thousands of U.S. dollars
Cash and due from banks	¥ 42,596	$ 457,824
Current deposit	(1)	(10)
Ordinary deposit	(3,688)	(39,638)
Time deposit	(14)	(150)
Other deposit	(1,989)	(21,377)
Cash and cash equivalents	¥ 36,903	$ 396,635

18. Non-cash Transactions

Major components of assets and liabilities of a subsidiary newly consolidated through an incorporation of a joint holding company by way of share transfer:

Major components of assets and liabilities other than cash and cash equivalents in an amount of ¥23,633 million ($254,009 thousand) succeeded from Hokuto which was newly consolidated by way of share transfer are as follows:

	Millions of yen	Thousands of U.S. dollars
Assets	¥1,117,936	$12,015,649
Goodwill	609	6,545
Total assets	¥1,118,545	$12,022,194
Liabilities	¥1,121,897	$12,058,222
Negative goodwill	4,607	49,516
Total liabilities	¥1,126,504	$12,107,738
Minority interests	¥ 1,806	$ 19,411

19. Leases

The Group leases certain personal computers, automated teller machines and etc. under finance lease arrangements.

The Group accounts for finance leases which commenced prior to 1st April, 2008 and do not transfer ownership of the leased assets to the lessee as operating lease transactions as permitted by the accounting standard. The following pro forma amounts represent the acquisition costs, accumulated depreciation and net book value of the leased tangible fixed assets as of March 31, 2010, which would have been reflected in the accompanying consolidated balance sheets if finance lease accounting had been applied to the finance leases under which the Group are lessees and which are currently accounted for as operating leases:

	Millions of yen		
	Tangible fixed assets	Intangible fixed asses	Total
Acquisition costs	¥ 1,370	¥ 249	¥ 1,619
Accumulated depreciation	791	168	959
Net book value	¥ 578	¥ 81	¥ 660

	Thousands of U.S. dollars		
	Tangible fixed assets	Intangible fixed asses	Total
Acquisition costs	$14,724	$ 2,676	$17,401
Accumulated depreciation	8,501	1,805	10,307
Net book value	$ 6,212	$ 870	$ 7,093

Future minimum lease payments subsequent to March 31, 2010 for finance leases accounted for as operating leases are summarized as follows:

	Millions of yen	Thousands of U.S. dollars
Due within one year	¥ 273	$ 2,934
Due after one year	442	4,750
Total	¥ 715	$ 7,684

Total lease payments related to finance leases accounted for as operating leases, depreciation expense and interest expenses, which have not been reflected in the accompanying consolidated statements of operations for the year ended March 31, 2010, are summarized as follows:

	Millions of yen	Thousands of U.S. dollars
Total lease payments	¥ 383	$ 4,116
Depreciation expense	341	3,665
Interest expenses	33	354

Depreciation expense has been computed by the straight-line method assuming the lease periods to be the useful lives of the respective assets and a nil residual value.
The difference between the total lease payments and the amounts corresponding to acquisition costs of the lease assets, which is the amount corresponding to interest expenses, is allocated over the period using the interest method.

20. Income Taxes

The tax effect of temporary differences which gave rise to significant portions of the deferred tax assets and liabilities at March 31, 2010 consisted of the following:

	Millions of yen	Thousands of U.S. dollars
Deferred tax assets:		
Allowance for loan losses	¥ 10,354	$ 111,285
Tax loss carryforwards	6,816	73,258
Allowance for investment loss	3,814	40,993
Write-down of securities	3,744	40,240
Provision for retirement benefits	2,104	22,613
Depreciation	1,445	15,530
Unrealized loss on available-for-sale securities	897	9,641
Other	1,568	16,852
Gross deferred tax assets	30,744	330,438
Valuation allowance	(11,988)	(128,847)
Total deferred tax assets	¥ 18,756	$ 201,590
Deferred tax liabilities:		
Unrealized gain on available-for-sale securities	¥ (1,052)	$ (11,306)
Other	(891)	(9,576)
Total deferred tax liabilities	(1,944)	(20,894)
Net deferred tax assets	¥ 16,812	$ 180,696

A reconciliation of the statutory tax rate to the effective tax rate for the year ended March 31, 2010 is as follows:

Normal effective statutory tax rate	40.6%
Non-deductible expenses such as entertainment expenses	0.7
Non-taxable income such as dividend income	(7.4)
Per capita inhabitant tax	1.0
Amortization of negative goodwill	(4.1)
Consolidation adjustments	1.7
Other	(0.1)
Actual effective tax rate	32.4%

21. Segment Information

(1) Business segment information

The Group is engaged in credit card business and other, in addition to its principal commercial banking business. Segment information by type of business is omitted as such other businesses constitute only an immaterial portion of the whole business segments of the Group.

(2) Geographic segment information

Segment information by geographic area is not presented as the Group had no overseas subsidiaries or branches.

(3) Ordinary income from international operations

Ordinary income from international operations is not presented as it accounts for less than 10% of the consolidated ordinary income.

22. Related Party Transactions

Transactions between the Company and its directors and major shareholders as of March 31, 2010 and for the year then ended are as follows:

Type	Name	Address	Capital (Millions of yen)	Business	Ownerships of voting rights	Transaction type	Transaction amount	Account	Balance at March 31, 2010
Director or its relatives	Masatoshi Iijima		—	Note (1)		Lending	¥42 million ($451 thousand)	Loans	¥40 million ($429 thousand)
Companies whose voting rights are owned by the director or its relatives	Fujita Shoten Co., Ltd. Note (1)	Akita city, Akita Pref.	¥10	Alcohol beverage	—	Lending	¥47 million ($505 thousand)	Loans	¥43 million ($462 thousand)
	Ugo Densetsu Kogyou Co., Ltd. Note (2)	Akita city, Akita Pref.	¥30	Electric works	0.0% directly held	Lending	¥9 million ($96 thousand)	Loans	¥100 million ($1,074 thousand)
						Guarantee for liabilities	¥20 million ($214 thousand)	Acceptances and guarantees	¥50 million ($537 thousand)
	Ugo Hatsuhenden Koji Co., Ltd. Note (2)	Akita city, Akita Pref.	¥20	Electric works	—	Lending	¥47 million ($505 thousand)	Loans	¥53 million ($569 thousand)

Notes (1) Masatoshi Iijima is a close relative of Seishichi Kakizaki, director of the Company, and owns the majority of voting rights of Fujita Shoten Co., Ltd.

(2) Shin-ichi Nanayama, corporate auditor of Hokuto which is a significant subsidiary of the Company, and his relatives own the majority of voting rights of Ugo Densetsu Kogyo Co., Ltd. Ugo Hatsuhenden Koji Co., Ltd. is a subsidiary of Ugo Densetsu Kogyou Co., Ltd.

(3) The contents of above transactions are those with Hokuto which is a significant subsidiary of the Company, and trading conditions and policies are same as other general parties. The transaction amount is shown by the average balance.

There is no other related party transaction to be disclosed.

23. Financial Instruments and Related Disclosures

The Company adopted ASBJ Statement No. 10 "Accounting Standard for Financial Instruments" and ASBJ Guidance No. 19 "Guidance on Disclosures about Fair value of Financial Instruments". The information required by the standard to be disclosed is as follows:

1. Status of Financial Instruments

(1) Policy on financial instruments

The Group is engaged in banking business such as deposit-taking and lending services and holds financial assets and liabilities exposed to the fluctuation risk of interest rates. In addition, the Group holds equity securities for the purpose of strategic investment purpose and other financial assets consisting of debt securities and investment trust for the purpose of investment which are exposed to the fluctuation risk of the market price.

In order to prevent these businesses from being negatively affected by fluctuations in interest rate and market price, the Group conducts integrated asset and liability management (ALM) and as part of such activities, enters into derivative contracts.

(2) Contents of Financial Instruments and their Risks
Financial assets held by the Group mainly consist of loans to domestic corporate and individual customers, which are exposed to credit risk arising from customers' nonperformance of contractual obligations. In addition, securities, principally consisting of equity securities, debt securities, investment trust and investment in partnerships, are held for the purposes of net investment and strategic investment. These financial assets are exposed to credit risk of issuers and fluctuation risk of interest rates and market prices.
Major financial liabilities, consisting of deposits and negotiable certificates of deposit, are principally deposits accepted from domestic corporate and individual customers. They require attentions to liquidity risk arising from concentrated cancellation of deposits, but most of those deposits are from individual customers and accordingly, the risk is dispersed to small accounts and liquidity risk is controlled by limiting the ratio of large deposit accounts to certain level.
Derivative contracts which the Group enters into consist of interest rate swaps employed as part of ALM and bond futures held in the category of available-for-sale securities, options and etc. In addition, the Group enters into synthetic financial instruments embedded with derivatives. These derivatives are not entered into for speculative purpose, but hedging purposes.

(3) Risk Management System for Financial Instruments
The Group has established "Basic Policy on Risk Management" and various risk control rules and maintains the following:

a. Credit risk management:
In accordance with "Credit Policy" and "Credit Risk Management Rule", for loans, credit control system has been established and maintained, including credit review by individual contracts, credit limit control, credit information control, internal ratings, retrospective control on self-assessment, establishment of guaranty and security, countermeasures for problem accounts, credit concentration risk management and etc. These credit controls are performed by the loan departments in addition to each operating office, being reported to and discussed at the management meetings held on a regular basis. Furthermore, the status of credit control is examined by the internal auditors.

b. Market risk management:
Market transactions are mutually controlled by independent groups consisting of front office, middle office and back office.
Interest rate risk:
The Group controls the fluctuation risk of interest rates by ALM. In accordance with the "Market Risk Control Rule", the Group measures the exposure of interest rate risk, monitoring by gap analysis and sensitivity analysis on a regular basis and reports to the management meetings on a regular basis and discuss about the future countermeasure based on the analysis of current status.
Foreign exchange risk:
The Group controls foreign exchange risk, in accordance with the "Market Risk Control Rule", by establishing total positions and loss limits or entering into hedging activities.
Price fluctuation risk control:
The Group controls price fluctuation risk in accordance with "Market Risk Control Rule". Risk exposures to securities are monitored for usage against the pre-set limit by the Risk Control Department based on Value at Risk (VaR) and other risk indexes such as 10BVP and reported to the management meetings.
Derivative transactions:
With respect to derivative transactions, the Group segregates the duties of the departments responsible for execution of transactions, verification of hedge effectiveness and operation administration and manages and controls based on the handling rules.

c. Liquidity risk management:
The Group sets limits on liquidity risk control in accordance with the "Liquidity Risk Control Rule" and reports

to the management meetings, monitoring the results on a daily basis.

(4) Supplementary explanation about fair value of financial instruments

The fair value of financial instruments include, in addition to the value determined based on the market price, a valuation calculated on a reasonable basis if no market price is available. Since certain assumptions are used in calculating the value, the result of such calculation may vary if different assumptions are used.

2. Fair value of financial instruments

The carrying amount, the fair value and their related difference as of March 31, 2010 are as follows: Note that unlisted equity securities for which fair value is difficult to determine are not included in the following table (See Note 2):

	Millions of yen		
	Carrying amount	Fair value	Difference
Cash and due from banks	¥ 42,596	¥ 42,596	¥ —
Call loans and bills bought	65,500	65,500	—
Monetary claims bought (*1)	4,993	4,993	—
Trading account securities:			
Trading securities	687	687	—
Money held in trust	1,000	1,000	—
Securities:			
Available-for-sale securities	543,457	543,457	—
Loans and bills discounted	1,406,683		
Allowance for loan losses (*1)	(26,845)		
	1,379,838	1,411,564	31,726
Foreign exchange assets (*1)	1,425	1,425	—
Total assets	¥ 2,039,498	¥ 2,071,225	¥ 31,726
Deposits	¥ 1,895,388	¥ 1,897,153	¥ 1,765
Negotiable certificates of deposit	49,483	49,483	—
Call money and bills sold	5,402	5,402	—
Borrowed money	42,516	42,273	(243)
Foreign exchange liabilities	0	0	—
Bonds payable	20,700	20,656	(43)
Total liabilities	¥ 2,013,491	¥ 2,014,969	¥ 1,477
Derivative transactions			
To which hedge accounting is not applied (*2)	¥ 318	¥ 318	—
To which hedge accounting is applied	(30)	(30)	—
Total derivative transactions	¥ 287	¥ 287	—

	Thousands of U.S. dollars		
	Carrying amount	Fair value	Difference
Cash and due from banks	$ 457,824	$ 457,824	$ —
Call loans and bills bought	703,998	703,998	—
Monetary claims bought (*1)	53,665	53,665	—
Trading account securities:			—
Trading securities	7,383	7,383	—
Money held in trust	10,748	10,748	—
Securities:			
Available-for-sale securities	5,841,111	5,841,111	—
Loans and bills discounted	15,119,120		
Allowance for loan losses (*1)	(288,531)		
	14,830,588	15,171,582	340,993
Foreign exchange assets (*1)	15,315	15,315	—
Total assets	$ 21,920,657	$ 22,261,661	$ 340,993
Deposits	$ 20,371,754	$ 20,390,724	$ 18,970
Negotiable certificates of deposit	531,846	531,846	—
Call money and bills sold	58,061	58,061	—
Borrowed money	456,964	454,352	(2,611)
Foreign exchange liabilities	0	0	—
Bonds payable	222,484	222,012	(462)
Total liabilities	$ 21,641,132	$ 21,657,018	$ 15,874
Derivative transactions			
To which hedge accounting is not applied (*2)	$ 3,417	$ 3,417	$ —
To which hedge accounting is applied	(322)	(322)	—
Total derivative transactions	$ 3,084	$ 3,084	$ —

(*1) General and specific allowances for loan losses corresponding to loans are deducted. With respect to allowance for loan losses related to monetary claims bought and foreign exchange, carrying amount is shown, net of allowance, since the amount is insignificant.

(*2) Forward foreign exchange contracts are excluded from above table, since the amount is insignificant.

(Note 1) Calculation method for the fair value of financial instruments

Assets:

Cash and due from banks

For due from banks without maturity, the carrying amount is presented as the fair value since the fair value approximates the carrying amount. For due from banks with maturity, the carrying amount is presented as the fair value since the fair value approximates the carrying amount because the remaining maturity is short (less than one year).

Call loans and bills bought

The carrying amount is presented as the fair value since the fair value approximates the carrying amount because the contractual term is short (less than one year).

Monetary claims bought

The carrying amount is presented as the fair value since the fair value approximates the carrying amount because the contractual term is short (less than one year).

Trading account securities

For securities such as debt securities held for dealing purpose, the fair value is determined using the price at the exchange or the price presented by the financial institutions with which they are transacted.

Money held in trust

For securities that are invested as part of trust assets in an independently managed money trust with the primary purpose to manage securities, the fair value of equity securities is determined using the price at the exchange and the fair value of debt securities is determined using the price at the exchange or the price presented by the financial institutions with which they are transacted.

Securities

The fair value of equity securities is determined using the price at the exchange (monthly average price during the month which belongs to the fiscal year end) and the fair value of debt securities is determined using the price at the exchange or the price presented by the financial institutions with which they are transacted. The fair value of investment trust is determined based on the published standard quotation price. For privately placed bonds, the fair value is determined by discounting the bonds categorized principal using credit risk spread by credit rating and market interest rate by classification based on the internal ratings and terms.

With respect to the floating rate Japanese government bonds, the fair value is determined using a value calculated on a reasonable basis, since the market price cannot be deemed as the fair value after studying current market environments.

The carrying amounts of “Securities” and “Net unrealized loss on available-for-sale securities” increased by ¥4,720 million ($50,730 thousand) and ¥3,177 million ($34,146 thousand), respectively, and “Deferred tax assets” decreased by ¥1,543 million ($16,584 thousand), compared to the amount that would have been reported using the market prices.

With respect to the value of floating rate Japanese government bonds computed on a reasonably basis, the fair value is computed based on the discounted present value of future cash flows which is derived from the yields of Japanese government bonds and major pricing parameters adopted in above computation are yields of Japanese government bonds and their volatilities.

Loans and bills discounted

For the loans with short contractual terms (less than one year), the carrying amount is presented as the fair value since the fair value approximates the carrying amount. For the loans without predetermined maturity because of characteristics such as the loans being limited within the amount of the pledged assets, the carrying amount is presented as the fair value since the fair value is considered to approximate the carrying amount considering the expected repayment term and interest rate conditions.

The fair value of the loans with fixed interest rates categorized by type of loans, internal rating and term is computed by discounting the loans using credit risk spread by credit rating and market interest rate. The fair value of the loans with floating interest rate, categorized by type of loans, internal rating and term, is also computed by discounting the loans using credit risk spread by credit rating and market interest rate as well as the loans with fixed interest rates. Credit risk spread is calculated by remaining term belt based on accumulated default rate and loss rate by debtor classification.

The fair value of engineered loans is computed by the Monte Carlo simulation approach using future interest rate calculated by the interest rate estimation model and credit risk spread by credit rating of the loans.

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

Foreign exchange assets

Foreign exchange assets consist of foreign currency deposits with other banks (due from other foreign banks), short-term loans related to foreign exchanges (due from other foreign banks), export bills and traveler’s checks, etc, (purchased foreign bills) and loans on notes using import bills (foreign bills receivable). For these items, the carrying amount is presented as the fair value, since the fair value approximates the carrying amount because they are deposit without maturity or have short-term contract terms (less than one year).

Liabilities:

Deposits and certificates of deposit

For demand deposits, the amount payable on demand as of the balance sheet date (i.e., the carrying amount) is considered to be the fair value. The fair value of time deposit is determined using the discounted present value of future cash flows, grouping by certain maturity lengths. The discount rate used is the interest rate that would be applied to newly accepted deposits. For deposits whose remaining maturity is short (less than one year), the carrying amount is presented as the fair value since the fair value approximates the carrying amount.

Call money and bills sold

The carrying amount is presented as the fair value since the fair value approximates the carrying amount because the remaining maturity is short (less than one year).

Borrowed money

For floating rate borrowed money, the carrying amount is presented as the fair value since the fair value approximates the carrying amount because the maturity is short and it reflects the market interest rate and also the creditworthiness of the Company and the consolidated subsidiaries has not significantly changed. For fixed rate borrowed money, the fair value is calculated as the present value of expected future cash flows from the aggregated value of principal and interest classified by definite maturity using the interest rate applicable to the similar borrowings.

Foreign exchange liabilities

Among foreign exchange liabilities, foreign currency deposits taken from other banks and nonresidents' yen deposits are deposits without maturity and short-term borrowings related to foreign exchange (due to other foreign banks) have the short remaining maturity (less than one year). The carrying amount is presented as the fair value since the fair value of these liabilities approximates the carrying amount.

Bonds

The fair value of bonds issued by the major consolidated subsidiaries of the Company is computed by discounting the expected future cash flows to the present value. Transaction interest rate is used for such discount rate.

Derivative transactions:

Please see note 24.

(Note 2) Financial instruments whose fair value is extremely difficult to identify are as follows: These securities are not included in "Securities" under "Assets" of the fair value information of financial instruments.

	Millions of yen	Thousands of U.S. dollars
Unlisted equity securities (*1) (*2)	¥ 1,702	$ 18,293
Investment in partnerships (*3)	2,449	26,322
Total	¥ 4,151	$ 44,615

(*1) No market price is available for unlisted equity securities and the fair value is not disclosed since it is extremely difficult to identify the fair value.

(*2) The Company recognized impairment loss on unlisted equity securities in an amount of ¥82 million ($881 thousand) for the year ended March 31, 2010.

(*3) The fair value of investment in partnerships whose assets consist of securities such as unlisted equity securities whose fair value is extremely difficult to identify is not disclosed.

(Note 3) Repayment schedule of monetary receivables and securities with contractual maturities

	Millions of yen					
	Due in one year or less	Due after one year through three years	Due after three years through five years	Due after five years through seven years	Due after seven years through ten years	Due after ten years
Due from banks (*1)	¥ 7,266	¥ —	¥ —	¥ —	¥ —	¥ —
Call loans and bills bought	65,500	—	—	—	—	—
Securities:						
Available-for-sale securities with maturity:	20,251	68,842	160,538	24,967	154,004	48,399
Japanese government bonds	5,006	28,266	68,110	17,977	101,352	25,779
Municipal bonds	266	8,052	52,231	2,000	41,802	4,000
Corporate bonds	11,818	23,072	37,729	2,798	5,717	—
Other	3,159	9,449	2,466	2,191	5,132	18,620
Loans and bills discounted (* 2)	308,008	178,109	162,941	110,964	164,456	438,490
Total	¥ 401,025	¥ 246,951	¥ 323,479	¥ 135,932	¥ 318,461	¥ 486,890

	Thousands of U.S. dollars					
	Due in one year or less	Due after one year through three years	Due after three years through five years	Due after five years through seven years	Due after seven years through ten years	Due after ten years
Due from banks (*1)	$ 78,095	$ —	$ —	$ —	$ —	$ —
Call loans and bills bought	703,998	—	—	—	—	—
Securities:						
Available-for-sale securities with maturity:	217,659	739,918	1,725,472	268,346	1,655,245	520,195
Japanese government bonds	53,804	303,804	732,050	193,217	1,089,337	277,074
Municipal bonds	2,858	86,543	561,382	21,496	449,290	42,992
Corporate bonds	127,020	247,979	405,513	30,073	61,446	—
Other	33,953	101,558	26,504	23,549	55,159	200,128
Loans and bills discounted (* 2)	3,310,490	1,914,327	1,751,300	1,192,648	1,767,583	4,712,919
Total	$4,310,242	$2,654,245	$3,476,773	$1,461,006	$3,422,839	$5,233,125

(*1) Due from banks without maturity is shown under "Due in one year or less".

(*2) Loans and bills discounted do not include ¥43,712 million ($469,819 thousand) of receivables such as those due from bankrupt, virtually bankrupt or likely to become bankrupt borrowers, since it is not certain when they can be collected or redeemed.

(Note 4)

Repayment schedule of bonds, borrowed money and other interest bearing liabilities

	Millions of yen					
March 31, 2010	Due in one year or less	Due after one year through three years	Due after three years through five years	Due after five years through seven years	Due after seven years through ten years	Due after ten years
Deposits (*)	¥ 1,594,314	¥ 150,281	¥ 34,737	¥ —	¥ —	¥ —
Negotiable certificates of deposits	48,483	—	1,000	—	—	—
Call money and bills sold	5,402	—	—	—	—	—
Borrowed money	36,702	4	4	4	5,800	—
Bonds	—	—	—	20,700	—	—
Total	¥ 1,684,903	¥ 150,285	¥ 35,742	¥ 20,704	¥ 5,800	¥ —

March 31, 2010	Thousands of U.S. dollars Due in one year or less	Due after one year through three years	Due after three years through five years	Due after five years through seven years	Due after seven years through ten years	Due after ten years
Deposits (*)	$ 17,135,791	$ 1,615,230	$ 373,355	$ —	$ —	$ —
Negotiable certificates of deposits	521,098	—	10,748	—	—	—
Call money and bills sold	58,061	—	—	—	—	—
Borrowed money	394,475	42	42	42	62,338	—
Bonds	—	—	—	222,484	—	—
Total	$ 18,109,447	$ 1,615,273	$ 384,157	$ 222,527	$ 62,338	$ —

(*) Demand deposits are shown under "Due in one year or less" of deposits.

24. Derivatives

Derivative transactions to which hedge accounting is not applied

With respect to derivatives to which hedge accounting is not applied, contract amount or notional principal, fair value and related valuation gain or loss and computation method of fair value are as follows: Note that contract amounts do not represent the market risk exposure associated with the derivative transactions.

(1) Currency related derivatives at March 31, 2010

	Millions of yen Contract amount Total	Over one year	Fair value	Valuation gain (loss)
OTC transactions:				
Forward foreign exchange contracts:				
Sold	¥ 759	¥ 513	¥ 39	¥ 39
Bought	2,332	507	(23)	(23)
Total			¥ 15	¥ 15

	Thousands of U.S. dollars Contract amount Total	Over one year	Fair value	Valuation gain (loss)
OTC transactions:				
Forward foreign exchange contracts:				
Sold	$ 8,157	$ 5,513	$ 419	$ 419
Bought	25,064	5,449	(247)	(247)
Total			$ 161	$ 161

Notes:

(1) Above transactions are stated at the fair value and the related valuation gain (loss) are reported in the consolidated statement of income.

(2) The fair value is calculated using the discounted present value.

(2) Composite financial instruments at March 31, 2010

		Millions of yen Contract amount	Fair value	Valuation gain (loss)
Transactions other than market	Composite financial instruments (loans)	¥ 23,000	¥ 318	¥ 318

		Thousands of U.S. dollars Contract amount	Fair value	Valuation gain (loss)
Transactions other than market	Composite financial instruments (loans)	$ 247,205	$ 3,417	$ 3,417

Notes:

(1) The fair value is calculated using the discounted present value.

(2) The fair value is related to the portion of embedded derivatives and the valuation gain (loss) is reported in the consolidated statement of income.

(3) Contract amount represents the notional amount of the composite financial instruments (loans).

Derivative transactions to which hedge accounting is applied

With respect to derivatives to which hedge accounting is applied, contract amount or notional principal and fair value at the balance sheet date by transaction type and hedge accounting method and computation method of the fair value are as follows: Note that contract amount or notional principal does not represent the market risk exposure associated with derivatives.

(1) Interest related derivatives at March 31, 2010

			Millions of yen		
Hedge accounting method	Transaction type	Major hedged item	Contract amount	Contract amount due after one year	Fair value
Note 3	Interest rate swaps				
	Receivable floating rate/ Payable fixed rate	Loans and bills discounted	¥ 744	¥ 744	¥ (30)
	Total				¥ (30)

			Thousands of U.S. dollars		
Hedge accounting method	Transaction type	Major hedged item	Contract amount	Contract amount due after one year	Fair value
Note 3	Interest rate swaps				
	Receivable floating rate/ Payable fixed rate	Loans and bills discounted	$ 7,996	$ 7,996	$ (322)
	Total				$ (322)

Notes:

(1) These derivatives are mainly accounted for by deferred hedge accounting in accordance with JICPA Industry Audit Committee Report No.24 “Accounting and Auditing Treatment Relating to the Adoption of the Accounting Standard for Financial Instruments for Banks”.

(2) The fair value is determined using the discounted present value.

(3) The interest rate swaps which qualify for hedge accounting and meet specific matching criteria are not measured at market value but the differential paid or received under the swap agreements are recognized and included in interest expenses ore income.

25. Amounts per Share

Amounts per share at March 31, 2010 and for the year then ended are summarized as follows:

	Yen	U.S. dollars
Net assets	¥ 232.66	$ 2.5006
Net income:		
Basic	21.66	0.2328
Diluted	21.64	0.2325

Net income per share and net income per share after dilution for the year ended March 31, 2010 is computed based on the following information:

	Millions of yen	Thousands of U.S. dollars
Net income for the year	¥ 2,868	$ 30,825
Amounts not attributed to common stock shareholders	(0)	(0)
O/w, dividends for preferred stock based on the resolution at the Board of Directors’ meeting	(0)	(0)
Net income attributable to common stock	2,868	30,825
Average outstanding number of shares of common stock (Unit: thousand shares)	132,362	
Net income per shares after dilution:		
Adjustments to net income	0	0
O/w, dividends for B class preferred stock	0	0
Increase in number of common stock (Unit: thousand shares)	163	
O/w, B class preferred stock	163	

Net assets per share at March 31, 2010 is computed based on the following information:

	Millions of yen	Thousands of U.S. dollars
Total net assets	¥ 56,038	$ 602,300
Amounts to be deducted from total net assets	(22,663)	(243,583)
O/w, payment for preferred stock	(19,968)	(214,617)
O/w, dividends for preferred stock	(0)	(0)
O/w, minority interests	(2,694)	(28,955)
Net assets attributable to common stock as of March 31, 2010	¥ 33,374	$ 358,705
Number of shares of common stock as of March 31, 2010 used to compute net assets per share (Unit: thousand shares)	143,446	

26. Subsequent Event

The following cash dividends to be paid out of retained earnings were resolved at the Board of Directors' meeting held on May 14, 2010:

Type of shares	Aggregate amount of dividend	Dividend per share	Base date	Effective date
Common stock	¥717 million ($7,706 thousand)	¥5.00 ($0.0537)	March 31, 2010	June 28, 2010
B class Preferred stock	0	¥0.01 ($0.0001)	March 31, 2010	June 28, 2010

27. Non-consolidated financial statements of Shonai and Hokuto as of March 31, 2010 and 2009 and for the year then ended

The Shonai Bank, Ltd.

Non-consolidated Balance Sheets
March 31, 2010 and 2009

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2010	2009	2010
Assets:			
Cash and due from banks	¥ 23,376	¥ 26,251	$ 251,246
Call loans and bills bought	22,000	10,687	236,457
Money claims bought	1,007	1,068	10,823
Trading account securities	72	155	773
Money held in trust	1,000	964	10,748
Securities	203,205	160,234	2,184,060
Loans and bills discounted	720,979	693,108	7,749,129
Foreign exchange assets	1,035	1,530	11,124
Tangible fixed assets:			
Buildings	5,367	5,415	57,684
Land	6,439	6,314	69,206
Lease assets	284	320	3,052
Construction in progress	—	0	—
Other tangible fixed assets	548	615	5,889
Intangible fixed assets:			
Software	797	1,110	8,566
Other intangible fixed assets	68	69	730
Deferred tax assets	7,290	8,315	78,353
Customers' liabilities for acceptances and guarantees	6,331	7,438	68,046
Other assets	3,634	3,880	39,058
Allowance for loan losses	(7,808)	(7,578)	(83,920)
Total	¥ 995,630	¥ 919,904	$ 10,701,096

(Continued)

The Shonai Bank, Ltd.

Non-consolidated Balance Sheets
March 31, 2010 and 2009

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2010	2009	2010
Liabilities:			
Deposits	¥ 864,233	¥ 801,708	$ 9,288,832
Negotiable certificates of deposit	22,190	27,767	238,499
Call money and bills sold	5,402	30,940	58,061
Borrowed money	42,500	5,800	456,792
Foreign exchange liabilities	0	—	0
Bonds payable	9,500	9,500	102,106
Provision for retirement benefits	1,078	1,420	11,586
Provision for reimbursement of deposits	67	69	720
Provision for contingent loss	19	—	204
Deferred tax liabilities for land revaluation	764	785	8,211
Acceptances and guarantees	6,331	7,438	68,046
Other liabilities	8,138	6,428	87,467
Total liabilities	960,226	891,859	10,320,571
Net assets:			
Common stock	7,000	14,200	75,236
Capital surplus	18,808	12,056	202,149
Retained earnings	11,167	10,886	120,023
Treasury stock	—	(444)	—
Total shareholders' equity	36,976	36,698	397,420
Unrealized loss on available-for-sale securities	(2,581)	(9,693)	(27,740)
Deferred loss on derivatives under hedge accounting	(18)	(16)	(193)
Revaluation reserve for land	1,027	1,058	11,038
Total valuation and translation adjustments	(1,572)	(8,652)	(16,895)
Total net assets	35,403	28,045	380,513
Total	¥ 995,630	¥ 919,904	$ 10,701,096

(Concluded)

The Shonai Bank, Ltd.

Non-consolidated Statements of Income
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	¥ 15,222	¥ 15,198	$ 163,607
Interest and dividends on securities	1,640	1,524	17,626
Other	35	83	376
Fees and commissions	3,767	3,913	40,487
Other operating income	755	1,524	8,114
Other income	940	521	10,103
Total income	22,362	22,767	240,348
Expenses:			
Interest expense:			
Interest on deposits	2,095	2,465	22,517
Interest on negotiable certificates of deposit	128	148	1,375
Interest on borrowings and rediscounts	147	82	1,579
Interest on bonds payable	145	145	1,558
Other	23	38	247
Fees and commissions	2,030	2,203	21,818
Other operating expenses	189	4,794	2,031
General and administrative expenses	13,673	14,035	146,958
Provision of allowance for loan losses	1,209	2,817	12,994
Other expenses	1,022	8,646	10,984
Total expenses	20,665	35,377	222,108
Income (loss) before income taxes	1,697	(12,609)	18,239
Income taxes:			
Current	42	57	451
Deferred	676	(5,130)	7,265
Total income taxes	718	(5,072)	7,717
Net income	¥ 978	¥ (7,536)	$ 10,511

The Hokuto Bank, Ltd.

Non-consolidated Balance Sheets
March 31, 2010 and 2009

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2010	2009	2010
Assets:			
Cash and due from banks	¥ 19,209	¥ 34,408	$ 206,459
Call loans and bills bought	43,500	56,500	467,540
Money claims bought	1,016	661	10,920
Trading account securities	615	269	6,610
Securities	364,153	274,980	3,913,940
Loans and bills discounted	673,836	680,053	7,242,433
Foreign exchange assets	391	393	4,202
Tangible fixed assets:			
Buildings	3,968	4,120	42,648
Land	8,991	9,168	96,635
Lease assets	15	16	161
Construction in progress	1	110	10
Other tangible fixed assets	2,081	2,694	22,366
Intangible fixed assets:			
Software	128	—	1,375
Other intangible fixed assets	67	69	720
Deferred tax assets	8,440	10,542	90,713
Customers' liabilities for acceptances and guarantees	10,515	11,313	113,015
Other assets	7,872	6,921	84,608
Allowance for loan losses	(10,934)	(9,634)	(117,519)
Allowance for investment loss	(584)	(580)	(6,276)
Total	¥ 1,133,285	¥ 1,082,008	$ 12,180,621

(Continued)

The Hokuto Bank, Ltd.

Non-consolidated Balance Sheets
March 31, 2010 and 2009

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2010	2009	2010
Liabilities:			
Deposits	¥ 1,037,178	¥ 1,016,608	$ 11,147,656
Negotiable certificates of deposit	28,892	20,527	310,533
Foreign exchange liabilities	—	0	—
Bonds payable	11,900	12,000	127,901
Provision for bonuses	195	114	2,095
Provision for retirement benefits	6	6	64
Provision for reimbursement of deposits	166	199	1,784
Provision for contingent loss	131	122	1,407
Deferred tax liabilities for land revaluation	1,773	1,845	19,056
Acceptances and guarantees	10,515	11,313	113,015
Other liabilities	6,451	5,029	69,335
Total liabilities	1,097,210	1,067,767	11,792,884
Net assets:			
Common stock	11,000	17,653	118,228
Capital surplus	18,499	13,039	198,828
Retained earnings	1,119	(11,197)	12,027
Treasury stock	—	0	—
Total shareholders' equity	30,619	19,494	329,095
Unrealized gain (loss) on available-for-sale securities	3,279	(7,536)	35,242
Revaluation reserve for land	2,175	2,283	23,377
Total valuation and translation adjustments	5,454	(5,253)	58,619
Total net assets	36,074	14,241	387,725
Total	¥ 1,133,285	¥ 1,082,008	$ 12,180,621

(Concluded)

The Hokuto Bank, Ltd.

Non-consolidated Statements of Income
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	¥ 14,557	¥ 15,896	$ 156,459
Interest and dividends on securities	3,611	2,762	38,811
Other	87	461	935
Fees and commissions	3,750	3,448	40,305
Other operating income	1,868	377	20,077
Other income	1,142	855	12,274
Total income	25,019	23,802	268,905
Expenses:			
Interest expense:			
Interest on deposits	2,070	2,875	22,248
Interest on negotiable certificates of deposit	108	105	1,160
Interest on bonds payable	311	312	3,342
Other	0	0	0
Fees and commissions	1,079	1,087	11,597
Other operating expenses	497	7,390	5,341
General and administrative expenses	15,474	16,502	166,315
Provision of allowance for loan losses	3,040	6,065	32,674
Other expenses	648	8,669	6,964
Total expenses	23,231	43,010	249,688
Income (loss) before income taxes	1,788	(19,207)	19,217
Income taxes:			
Current	28	21	300
Deferred	726	(1,250)	7,803
Total income taxes	754	(1,228)	8,104
Net income	¥ 1,033	¥ (17,978)	$ 11,102