Financial Highlights

Consolidated Basis

	Millions of Yen				
	2011	2010	2009	2008	2007
As of March 31					
Total Assets	**3,494,645**	3,353,702	3,176,656	3,147,644	3,144,993
Deposits and NCD	**3,063,368**	2,992,988	2,835,660	2,797,878	2,769,047
Loans and Bills Discounted	**2,121,130**	2,081,900	2,064,761	2,036,502	2,002,114
Investment Securities	**1,062,983**	999,439	916,565	927,782	936,270
Total Equity	**250,368**	248,984	227,410	233,240	245,420
Years ended March 31					
Total Income	**81,097**	80,957	85,090	92,757	84,075
Total Expenses	**68,384**	65,234	72,268	75,627	68,221
Income before Income Taxes and Minority Interests	**12,713**	15,722	12,821	17,130	15,854
Net Income	**7,135**	9,300	6,720	9,137	9,446
Capital Adequacy Ratio	**14.30%**	14.33%	13.56%	13.87%	13.71%
	Yen				
Per Share					
Net Income	**33.98**	44.28	32.00	43.52	44.98
Cash Dividends	**8.00**	9.00	8.00	8.00	7.00

Non-Consolidated Basis

	Millions of Yen				
	2011	2010	2009	2008	2007
As of March 31					
Total Assets	**3,473,490**	3,331,114	3,153,030	3,120,460	3,117,684
Deposits and NCD	**3,071,770**	3,000,818	2,842,941	2,805,681	2,775,975
Loans and Bills Discounted	**2,131,221**	2,092,524	2,075,518	2,047,089	2,012,934
Investment Securities	**1,063,018**	999,344	916,468	927,406	935,510
Total Equity	**237,770**	237,395	216,707	223,105	236,143
Years ended March 31					
Total Income	**67,135**	66,920	70,983	77,383	68,791
Total Expenses	**56,227**	52,715	59,228	61,905	54,134
Income before Income Taxes	**10,907**	14,205	11,754	15,478	14,657
Net Income	**6,823**	8,963	6,468	8,750	9,144
Capital Adequacy Ratio	**13.76%**	13.85%	13.15%	13.51%	13.38%
	Yen				
Per Share					
Net Income	**32.50**	42.68	30.80	41.68	43.54

Message from the President

President **Motohiro Kamimura**

*Photographed in *"cool biz"* style (June 2011)

Pursuing as its corporate mission the four themes of "sound management," "regional contribution," "customer-focused approach," and "improving corporate vitality," Kagoshima Bank has continued to make steady progress to date and has built a solid foundation as a main financial institution firmly rooted in its region.

Just as the Japanese economy was showing signs of recovery in exports and manufacturing, and national levels of employment and income were rising, there occurred, in March 2011, the Great East Japan Earthquake, which exerted a major economic impact. In addition, the prefectures of Kagoshima and Miyazaki, which represent Kagoshima Bank's main business base, continue to endure harsh economic conditions, in which employment and tourism-related consumer spending remain sluggish. On a brighter note, the region saw the opening in March of the entire line of the much-awaited Kagoshima Route of the Kyushu Shinkansen.

Towards rapid progress in the third year

Such is the business environment in which Kagoshima Bank has entered the third and final year of our Fourth Business Strategy Plan (the Fourth Master Plan).

Under this plan, the three years through to 2012 comprise "two years of streamlining and strengthening of our foundations, followed by rapid progress in the third year," and we are developing a threefold strategy of "enhancement of business foundations," "improvement of managerial efficiency," and "enhancement of human resources."

For “enhancement of business foundations” we are fully implementing our business model for corporate clients, Operating Profit Improvement Activities for Corporate Clients. We are also actively working in the growth fields of health service provision, agriculture, and the environment. In the personal sector, we are working to improve the merchantability of our loans and asset management facilities so that we may serve our personal customers as their main financial institution and trusted lifelong associate.

For “improvement of managerial efficiency” we are reviewing the functionality of our branches to meet market characteristics, repositioning some branches to specialize in the personal sector or as agencies. We are also working to optimize our deployment of personnel. Furthermore, with the cooperation of everyone, including our customers, we successfully completed the renewal of our enterprise system in May 2011.

For “enhancement of human resources” we have developed and are currently operating a system for training up strong personnel to deal with long-term prospects in order to provide even higher-quality services.

This year, as well as fully implementing and strengthening further our initiatives of the past two years, we are pursuing “rapid progress in the third year,” leading to further rapid progress beyond.

Movement for regional development

One theme of Kagoshima Bank’s corporate mission is “regional contribution”; and achieving mutually beneficial relations with our region is our greatest calling.

Negative factors persist in the regional economy, such as the prolonged economic slump, a rapidly aging population, and population decrease. At the same time, the opening of the completed line of the Kagoshima Route of the Kyushu Shinkansen, which extends the high-speed rail network into southern Kyushu, affords the region some economic uplift.

Given these circumstances, Kagoshima Bank will from now on serve the region not only as “financial infrastructure” but also as an active enterprise, in which all management and staff think seriously about what we can do for the region and take practical steps accordingly, our aim being to support regional development while taking full advantage of regional characteristics. In doing so we also hope that Kagoshima Bank’s thinking and example will attract the support of an increasing number of local people, causing such initiatives to spread throughout the entire region. In other words, we wish to start a “movement for regional development” and thereby revitalize the regional economy.

Accordingly, we invite you to continue to give Kagoshima Bank your kind support and patronage.

The Fourth Business Strategy Plan
(The Fourth Master Plan)

Objectives of the Plan

"Two years of streamlining and strengthening of our foundations, followed by rapid progress in the third year."

For the first two years we will focus on local growth fields, further strengthening the community-based financing we have been carrying out until now. Together with this, we are also implementing future-oriented promotion of streamlining, strengthening of our foundations, and training of personnel. These initiatives enable us to aim for rapid progress in the third year.

Conceptual Diagram (April 2009 to March 2012)

Mission

1. Sound Management
2. Regional Contribution
3. Customer-Focused Approach
4. Improving Corporate Vitality

Slogan

"I am your Kagoshima Bank."

– Help offered with a smile creates a smile. –

(Providing kindness, convenience, and trustworthiness)

The Fourth Master Plan

Basic Policies

Pursuing the S's that establish Kagoshima Bank's social significance

<Customer>	Satisfaction	Speed
<Region>	Economies of Scope	
<Shareholder>	Soundness	Sustainability
<Employee>	Smile	

The "three pillars" of The Fourth Master Plan

- Enhancement of business foundations
- Improvement of managerial efficiency
- Enhancement of human resources development

- Corporate Sector Strategy
- Personal Sector Strategy
- Operations Sector Strategy
- Market Sector Strategy
- Enhancement of Corporate Strength

Challenge Targets (Fiscal year ending March 31, 2012)

Profit Target

Gross profit	¥58.0 billion or greater (¥56.6 billion)
Core business profit	¥17.0 billion or greater (¥18.1 billion)
Net income	¥9.0 billion or greater (¥6.8 billion)

$$\text{*Tier 1 ROE} = \frac{\text{Net Income}}{\text{Shareholders' Equity (Tier 1)}}$$

Management Index Target

OHR	Under 70.0% (67.93%)
Tier 1 ROE*	4.2% or greater (3.31%)
Capital adequacy ratio	13.5% or greater (13.76%)
Tier 1 ratio	12.5% or greater (12.51%)

The figures in parentheses, ( ), denote results as of March 2011

Strategies of the Fourth Master Plan

Corporate Sector Strategy

We are striving to improve the effectiveness of our Operating Profit Improvement Activities for Corporate Clients, which also appeared in the Third Master Plan, to strengthen further our activities with regard to the sustainability and increased profitability of our clients' businesses. In this way, we are seeking to improve levels of client satisfaction, and, in turn, always to remain the bank of choice for our clients.
In addition, we are planning to improve our corporate sales strength through effective use of our Corporate Business Center for the training of personnel. We are also constructing an efficient sales system that will enable our sales branches to focus on practicing relationship banking.

Personal Sector Strategy

Kagoshima Bank is a regional financial institution. As such, we always try to be there for our customers, offering information and services tailored to our customers' life stages. Our goal is to be a bank that understands its customers and which can act as a trusted lifelong associate.
We are also working to build intimate relationships with our property investment and mortgage customers through repeated face-to-face communication at our sales branches. Our aim is to be a bank that you can consult on all matters.
Likewise, we hope to receive our customers' support by offering improved customer convenience through our effective use of direct channels.

Operations Sector Strategy

In 2008 we installed a sales-branch computer terminal called LINKER, utilization of which enables us to achieve "error-free" performance in our operations. We are also planning main-office centralization, channel shifts, and other measures to reduce further the volume of operations carried out in our branches.
With the renewal of our enterprise system, which was completed in May 2011, we have been conducting a radical review of operations carried out in our branches. We are also planning to improve our current operations flow and to expand the feature set of LINKER to ensure that "everyone can perform work without error."
Through such initiatives we are pursuing a "low-cost, high-quality" business-operations model; at the same time, we are working towards operations reform that will lead to "enhanced sales power and profitability."

Market Sector Strategy

Kagoshima Bank's stock and bond investments are designed to contribute to sound bank management through the stable acquisition of periodic income and securing of asset liquidity.
The Fourth Master Plan dictates that we aim for stable revenue results and invest mainly in bonds, even as the economy continues to stagnate and chaos reigns in the financial markets. At the same time, as well as building a simple and flexible portfolio of stocks and bonds, we can prepare ourselves to react swiftly to changes in the financial markets while increasing the sophistication of our risk management.

Enhancement of Corporate Strength

While the "Corporate Sector," "Personal Sector," "Operations Sector," and "Market Sector" each demonstrates its own strength, it is important to enhance our basic strength as a corporation in order to increase our corporate value from the standpoints of all stakeholders and make our social significance more steadfast than ever.
In the Fourth Master Plan, we are working from three perspectives—"enhancement of business foundations"; "improvement of managerial efficiency"; and "enhancement of human resources"—in order to build a strong corporate base, which will enhance our corporate strength.

Board of Directors and Corporate Auditors

Tomihiro Kikunaga　Masafumi Hidaka　Youichi Uenohara　Akihisa Kooriyama
Motohiro Kamimura　Fumiharu Nagata　Sumihiro Matsuyama

*Photographed in *"cool biz"* style (June 2011)

Chairman
Fumiharu Nagata

President
Motohiro Kamimura

Senior Managing Director
Sumihiro Matsuyama

Managing Directors
Masafumi Hidaka
Youichi Uenohara
Tomihiro Kikunaga
Akihisa Kooriyama

Directors
Toshihiro Maeda
Shinichi Kato
Seizaburo Higashi
Shinichi Ohtsubo
Tsutomu Higuchi
Tsutomu Nakamura
Satoru Imaizumi
Hideto Tago

Standing Corporate Auditors
Masaharu Tanaka
Koji Tsumagari

Corporate Auditors
Kyoichi Iwamoto
Yutaka Tokuda
Takejiro Sueyoshi

Organization Chart

- General Meeting of Shareholders
  - Corporate Auditors
  - Board of Directors
  - Chairman
  - President
  - Senior Managing Director
  - Managing Directors
    - (President, Senior Managing Director, Managing Directors): **Board of Managing Directors**
  - Business Strategy Division
  - Business Development Division
  - Business Supporting Division
  - Direct Banking Division
  - Business Management Division
  - Credit Planning Division
  - Credit Supervision Division
  - Financial Markets Division
  - Operations Management Division
  - Systems Division
  - Head Office
  - Branches
  - Integrated Planning Division
  - Personnel Division
  - General Affairs Division
  - Secretariat Section
  - Management Supervision Division
  - Audit Division

Bank Data

ESTABLISHED:
October 1879

PAID-IN CAPITAL:
¥18,130,760,235

HEAD OFFICE:
6-6, Kinsei-cho,
Kagoshima 892-0828, Japan
Phone: (099) 225-3111

FINANCIAL MARKETS DIVISION:
TOKYO MONEY MARKET CENTER
3-15-2, Nihombashi,
Chuo-ku, Tokyo 103-0027
Phone: (03) 3272-3196
SWIFT: KAGOJPJT
Fax: (03) 3272-3180

SHANGHAI REPRESENTATIVE OFFICE:
Room 141, 27F, HSBC Tower,
No.1000, Lujiazui Ring Road,
Pudong New Area,
Shanghai, P.R. China
Phone: 010-86-21-6841-5185
(established July 13, 2007)

NUMBER OF BRANCHES:
161, plus 273 off-branch automatic teller machines

CORRESPONDENT BANKS:
313 branches of 48 banks,
in 160 cities of 30 countries

NUMBER OF EMPLOYEES:
2,588

NUMBER OF SHARES:
Issued —
210,403,655
Authorized —
800,000,000

NUMBER OF SHAREHOLDERS:
6,567

RATING:
Long-term counterparty credit rating from
Standard & Poor's **A**

(as of end March 2011)

GROUP COMPANIES AT A GLANCE

Name of Company	Address	Capital (Millions of Yen)	Voting Share	Voting Share of Other Group Companies	Established	Line of Business
The Kagin Office ※ Business Co., Ltd.	1-10, Yamanokuchi-cho, Kagoshima 892-0844 Phone: 099-216-5080	30	100.0%		July 12, 1991	Collateral evaluation, Personnel dispatch service, Job placement service, etc.
The Kagin Accounting Service Co., Ltd.	3-10, Gofuku-machi, Kagoshima 892-0826 Phone: 099-239-9756	20	100.0%		April 1, 2004	Accounting service for the consolidated subsidiaries
The Kagin Agency Co., Ltd.	3-10, Gofuku-machi, Kagoshima 892-0826 Phone: 099-239-9822	50	100.0%		November 28, 2008	Bank agency services
The Kagoshima Regional Economic Research Institute Co., Ltd.	3-10, Gofuku-machi, Kagoshima 892-0826 Phone: 099-225-7491	20	45.0%	50.0%	April 16, 1990	Surveys and research in industry, economics, finance and regional development Management Consulting
The Kagoshima Card Co., Ltd.	1-10, Yamanokuchi-cho, Kagoshima 892-0844 Phone: 099-223-2011	50	30.0%	38.0%	March 1, 1983	Credit card business, loan guarantee financing, etc.
The Kagoshima Lease Co., Ltd.	1-10, Yamanokuchi-cho, Kagoshima 892-0844 Phone: 099-225-2455	66	5.0%	48.5%	September 25, 1974	Leasing, factoring, securities investment, etc.
The Kagoshima Guarantee Service Co., Ltd.	1-10, Yamanokuchi-cho, Kagoshima 892-0844 Phone: 099-224-2760	20	49.1%	11.4%	June 23, 1977	Loan guarantees for housing and consumer loans

※The Kagin Office Business Co., Ltd. was founded as a result of a merger between Kagin Business Service Co., Ltd. and the Kagin Office Service Co., Ltd. on April 1st, 2011.

(as of end June 2011)

Consolidated Balance Sheets

THE KAGOSHIMA BANK, LTD. and Consolidated Subsidiaries
March 31, 2011 and 2010

	Millions of Yen		Thousands of U.S. Dollars
	2011	2010	**2011**
Assets			
Cash and due from banks (Notes 3 and 17)	**¥ 119,061**	¥ 130,157	**$ 1,431,887**
Call loans and bills purchased (Note 17)	**54,978**	8,374	**661,191**
Monetary receivables bought	**8,066**	8,866	**97,011**
Trading securities (Notes 4 and 17)	**232**	187	**2,787**
Money held in trust (Note 5)	**12,442**	9,896	**149,628**
Investment securities (Notes 4, 10 and 17)	**1,062,983**	999,439	**12,783,923**
Loans and bills discounted(Notes 6, 16 and 17)	**2,121,130**	2,081,900	**25,509,682**
Foreign exchange (Note 7)	**1,516**	1,378	**18,228**
Lease receivables and investments in leases(Note 10)	**19,605**	21,179	**235,784**
Other assets (Note 10)	**28,641**	25,884	**344,427**
Tangible fixed assets (Notes 2(f), 8 and 9)	**55,646**	56,149	**669,227**
Intangible fixed assets (Note 8)	**12,603**	9,748	**151,574**
Deferred tax assets (Note 19)	**2,595**	1,138	**31,208**
Customers' liabilities for acceptances and guarantees (Note 14)	**26,178**	27,024	**314,832**
Reserve for possible loan losses (Note 17)	**(31,030)**	(27,617)	**(373,179)**
Total assets	**¥ 3,494,646**	¥ 3,353,702	**$ 42,028,210**
Liabilities and Equity			
Liabilities:			
Deposits (Notes 10, 11 and 17)	**¥ 3,015,936**	¥ 2,951,792	**$ 36,271,022**
Negotiable certificates of deposit (Note 17)	**47,433**	41,197	**570,450**
Call money and bills sold (Notes 17)	**30,267**	27,912	**364,000**
Payables under repurchase transactions(Notes 10 and 17)	**41,752**	5,423	**502,133**
Borrowed money (Notes 10, 12 and 17)	**47,198**	11,152	**567,621**
Foreign exchange (Note 7)	**54**	61	**644**
Other liabilities (Note 12)	**22,927**	24,870	**275,756**
Accrued bonuses to directors and corporate auditors	**51**	50	**610**
Reserve for employee retirement benefits (Note 13)	**825**	686	**9,917**
Reserve for directors' and corporate auditors' retirement benefits (Note 2(l))	**670**	870	**8,063**
Reserve for reimbursement of derecognized deposits	**903**	887	**10,858**
Reserve for contingent losses	**221**	187	**2,657**
Deferred tax liabilities		2,732	
Deferred tax liabilities for land revaluation (Note 2(f))	**9,862**	9,874	**118,604**
Acceptances and guarantees (Note 14)	**26,178**	27,024	**314,832**
Total liabilities	**3,244,277**	3,104,717	**39,017,167**
Equity (Notes 15 and 22):			
Common stock, no par value; Authorized: 800,000,000 shares Issued: 210,403,655 shares in 2011 and 2010	**18,131**	18,131	**218,049**
Capital surplus	**11,217**	11,221	**134,895**
Retained earnings	**184,139**	178,667	**2,214,545**
Less, Treasury stock, at cost, 492,096 shares in 2011 and 421,681 shares in 2010	**(332)**	(300)	**(3,990)**
Accumulated other comprehensive income (loss)			
Unrealized gains (losses) on available-for-sale securities (Note 4)	**14,963**	19,746	**179,951**
Deferred gains (losses) on derivatives under hedge accounting	**(408)**	(453)	**(4,912)**
Land revaluation surplus (Note 2(f))	**13,612**	13,629	**163,705**
Total	**241,322**	240,641	**2,902,243**
Minority interests	**9,047**	8,344	**108,800**
Total equity	**250,369**	248,985	**3,011,043**
Total liabilities and equity	**¥ 3,494,646**	¥ 3,353,702	**$ 42,028,210**

See accompanying Notes to Consolidated Financial Statements.

Consolidated Statements of Income

THE KAGOSHIMA BANK, LTD. and Consolidated Subsidiaries
For the Years Ended March 31, 2011 and 2010

	Millions of Yen		Thousands of U.S. Dollars
	2011	2010	**2011**
Income:			
Interest income and dividends:			
Interest on loans and discounts	**¥ 41,019**	¥ 42,647	**$ 493,317**
Interest and dividends on securities	**11,964**	11,317	**143,882**
Other interest income	**81**	75	**968**
Total interest income and dividends	**53,064**	54,039	**638,167**
Fees and commissions	**11,207**	10,930	**134,777**
Other operating income	**14,979**	14,088	**180,138**
Other income	**1,848**	1,900	**22,234**
Total income	**81,098**	80,957	**975,316**
Expenses:			
Interest expenses:			
Interest on deposits	**2,361**	4,328	**28,393**
Interest on borrowings and rediscounts	**247**	275	**2,967**
Interest on repurchase transactions	**76**	26	**915**
Other interest expenses	**1,217**	1,340	**14,642**
Total interest expenses	**3,901**	5,969	**46,917**
Fees and commissions	**2,874**	2,991	**34,559**
Other operating expenses	**12,814**	11,743	**154,106**
General and administrative expenses	**40,729**	41,574	**489,826**
Transfer to reserve for possible loan losses	**5,093**	985	**61,246**
Other expenses	**2,973**	1,972	**35,765**
Total expenses	**68,384**	65,234	**822,419**
Income before income taxes and minority interests	**12,714**	15,723	**152,897**
Income taxes:			
Current	**6,152**	5,167	**73,982**
Deferred	**(1,301)**	703	**(15,642)**
Total income taxes (Note 19)	**4,851**	5,870	**58,340**
Net income before minority interests	**7,863**		**94,557**
Minority interests in net income	**727**	553	**8,737**
Net income	**¥ 7,136**	¥ 9,300	**$ 85,820**
	Yen		U.S. Dollars
Per share information:			
Net income-basic (Note 21)	**¥ 33.98**	¥ 44.28	**$ 0.41**
Cash dividends applicable to the year	**8.00**	9.00	**0.10**

See accompanying Notes to Consolidated Financial Statements.

Consolidated Statement of Comprehensive Income

THE KAGOSHIMA BANK, LTD. and Consolidated Subsidiaries
For the Year Ended March 31, 2011

	Millions of Yen	Thousands of U.S. Dollars
	2011	2011
NET INCOME BEFORE MINORITY INTERESTS	¥ 7,863	$ 94,557
OTHER COMPREHENSIVE INCOME (Note 20):		
Unrealized gains (losses) on available-for-sale securities	(4,800)	(57,720)
Deferred gains (losses) on derivatives under hedge accounting	45	537
Total other comprehensive income	(4,755)	(57,183)
COMPREHENSIVE INCOME (Note 20)	¥ 3,108	$ 37,374
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO (Note 20):		
Owners of the parent	¥ 2,398	$ 28,832
Minority interests	710	8,542

See accompanying Notes to Consolidated Financial Statements.

Consolidated Statements of Changes in Equity

THE KAGOSHIMA BANK, LTD. and Consolidated Subsidiaries
For the Years Ended March 31, 2011 and 2010

		Millions of Yen									
						Accumulated other comprehensive income					
	Outstanding Number of Shares of Common Stock	Common Stock	Capital Surplus	Retained Earnings	Treasury Stock	Unrealized Gains (Losses) on Available for-sale Securities	Deferred Gains (Losses) on Derivatives under Hedge Accounting	Land Revaluation Surplus	Total	Minority Interests	Total Equity
BALANCE, APRIL 1, 2009	210,403,655	¥18,131	¥11,221	¥171,395	¥(276)	¥6,085	¥(432)	¥13,491	¥219,615	¥7,796	¥227,411
Net income				9,300					9,300		9,300
Cash dividends, ¥9.00 per share				(1,890)					(1,890)		(1,890)
Purchases of treasury stock (39,531 shares)					(27)				(27)		(27)
Disposals of treasury stock (3,748 shares)			(0)		3				3		3
Reversal of land revaluation surplus				(138)				138			
Net change in the year						13,661	(21)		13,640	548	14,188
BALANCE, MARCH 31, 2010	210,403,655	18,131	11,221	178,667	(300)	19,746	(453)	13,629	240,641	8,344	248,985
Net income				7,136					7,136		7,136
Cash dividends, ¥8.00 per share				(1,680)					(1,680)		(1,680)
Purchases of treasury stock (105,024 shares)					(55)				(55)		(55)
Disposals of treasury stock (34,609 shares)			(4)	(1)	23				18		18
Reversal of land revaluation surplus				17				(17)			
Net change in the year						(4,783)	45		(4,738)	703	(4,035)
BALANCE, MARCH 31, 2011	210,403,655	¥18,131	¥11,217	¥184,139	¥(332)	¥14,963	¥(408)	¥13,612	¥241,322	¥9,047	¥250,369

	Thousands of U.S. Dollars									
BALANCE, MARCH 31, 2010	$218,049	$134,952	$2,148,725	$(3,610)	$237,475	$(5,449)	$163,914	$2,894,056	$100,346	$2,994,402
Net income			85,820					85,820		85,820
Cash dividends, $0.09 per share			(20,202)					(20,202)		(20,202)
Purchases of treasury stock (105,024 shares)				(667)				(667)		(667)
Disposals of treasury stock (34,609 shares)		(57)	(7)	287				223		223
Reversal of land revaluation surplus			209				(209)			
Net change in the year					(57,524)	537		(56,987)	8,454	(48,533)
BALANCE, MARCH 31, 2011	$218,049	$134,895	$2,214,545	$(3,990)	$179,951	$(4,912)	$163,705	$2,902,243	$108,800	$3,011,043

See accompanying Notes to Consolidated Financial Statements.

Consolidated Statements of Cash Flows

THE KAGOSHIMA BANK, LTD. and Consolidated Subsidiaries
For the Years Ended March 31, 2011 and 2010

	Millions of Yen		Thousands of U.S. Dollars
	2011	2010	**2011**
Cash flows from operating activities:			
Income before income taxes and minority interests	**¥ 12,714**	¥ 15,723	**$ 152,897**
Adjustments for:			
Depreciation	**4,172**	4,315	**50,180**
Losses on impairment of fixed assets		255	
Increase in reserve for possible loan losses	**3,413**	396	**41,048**
Interest income and dividends recognized on statements of income	**(53,064)**	(54,039)	**(638,167)**
Interest expense recognized on statements of income	**3,901**	5,969	**46,917**
Net loss on sales or maturities of investment securities	**1,170**	517	**14,075**
(Increase) in loans and bills discounted	**(39,230)**	(17,139)	**(471,796)**
Increase in deposits	**64,143**	158,608	**771,419**
Increase (decrease) in negotiable certificates of deposit	**6,236**	(1,280)	**74,998**
Increase (decrease) in borrowed money	**36,046**	(11,548)	**433,505**
Decrease (increase) in due from banks	**751**	(705)	**9,032**
(Increase) in call loans and bills purchased	**(45,805)**	(8,035)	**(550,869)**
Increase in call money and bills sold	**2,355**	5,142	**28,317**
Increase in payables under repurchase transactions	**36,329**	600	**436,914**
Interest income and dividends received	**54,304**	54,566	**653,082**
Interest expenses paid	**(4,684)**	(6,400)	**(56,329)**
Decrease in lease receivables and investments in leases	**1,574**	525	**18,931**
Other, net	**803**	3,253	**9,631**
Subtotal	**85,128**	150,723	**1,023,785**
Income taxes paid	**(6,363)**	(2,922)	**(76,525)**
Net cash provided by operating activities	**78,765**	147,801	**947,260**
Cash flows from investing activities:			
Purchases of investment securities	**(424,154)**	(307,019)	**(5,101,071)**
Proceeds from sales or maturities of investment securities	**346,158**	241,977	**4,163,050**
Net change in money held in trust	**(2,604)**	(110)	**(31,320)**
Purchases of tangible fixed assets	**(2,688)**	(3,172)	**(32,325)**
Proceeds from sales of tangible fixed assets	**420**	184	**5,047**
Purchases of intangible fixed assets	**(4,508)**	(4,387)	**(54,205)**
Net cash used in investing activities	**(87,376)**	(72,527)	**(1,050,824)**
Cash flows from financing activities:			
Dividends paid	**(1,677)**	(1,886)	**(20,171)**
Other, net	**(45)**	(30)	**(543)**
Net cash used in financing activities	**(1,722)**	(1,916)	**(20,714)**
Effect of exchange rate changes on cash and cash equivalents	**(12)**	(1)	**(142)**
Net increase (decrease) in cash and cash equivalents	**(10,345)**	73,357	**(124,420)**
Cash and cash equivalents at beginning of year	**128,226**	54,869	**1,542,110**
Cash and cash equivalents at end of year	**¥ 117,881**	¥128,226	**$1,417,690**

See accompanying Notes to Consolidated Financial Statements.

Notes to Consolidated Financial Statements

THE KAGOSHIMA BANK, LTD. and Consolidated Subsidiaries

1. Basis of Presenting Consolidated Financial Statements

The accompanying consolidated financial statements of THE KAGOSHIMA BANK, LTD. (the "Bank") and consolidated subsidiaries (together, the "Group") have been prepared in accordance with the provisions set forth in the Japanese Financial Instruments and Exchange Act and its related accounting regulations and the Enforcement Regulation for the Banking Law of Japan, 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.

Under Japanese GAAP, a consolidated statement of comprehensive income is required from the fiscal year ended March 31, 2011 and has been presented herein. Accordingly, accumulated other comprehensive income is presented in the consolidated balance sheet and the consolidated statement of changes in equity. Information with respect to other comprehensive income for the year ended March 31, 2010 is disclosed in Note 20. In addition, "net income before minority interests" is disclosed in the consolidated statement of income from the year ended March 31, 2011.

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 addition, certain reclassifications have been made in the 2010 financial statements to conform to the classifications used in 2011.

The consolidated financial statements are stated in Japanese yen, the currency of the country in which the Bank is incorporated and operates. The translation of Japanese yen amounts into U.S. dollar amounts is included solely for the convenience of readers outside Japan and has been made at the rate of ¥83.15 to $1, the approximate rate of exchange at March 31, 2011. Such translation should not be construed as a representation 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) Principles of consolidation

The accompanying consolidated financial statements included the accounts of the Bank and its eight significant subsidiaries at March 2011 and 2010. All intercompany transactions and accounts have been eliminated.

The scope of consolidation is determined based on the Bank's judgment as to its control and influence over the decision making body of investees as well as its ownership of voting shares in the investees. Though the Bank had nine subsidiaries engaged in a wide range of financial services to customers as at March 31, 2011 and 2010, the accounts of one of the subsidiaries were excluded from consolidation as the majority of operating profit from that subsidiary was not retained by the subsidiary (paid out to investors). The securities in the unconsolidated subsidiary amounting to ¥0 million ($8 thousand) at March 31, 2011 and 2010 are stated at cost, and were included in investment securities. The Bank had no affiliates as at March 31, 2011 and 2010.

(b) Cash and cash equivalents

Cash and cash equivalents in the consolidated statements of cash flows are comprised of cash on hand and due from The Bank of Japan.

(c) Trading securities

Trading securities are stated at fair value at the fiscal year-ends. Related gains or losses, both realized and unrealized, are included in current earnings. Accrued interest on trading securities is included in other assets.

(d) Investment securities

Debt securities for which the Group has ability to hold to maturity are stated at amortized cost. Marketable securities are carried at fair value as available-for-sale securities, with the net unrealized gains or losses reported as a separate component of shareholders' equity, net of applicable income taxes. Available-for-sale securities whose fair values cannot be reliably determined are stated at the moving average cost or amortized cost. The carrying amounts of individual investment securities are reduced, if necessary, through write-downs to reflect other-than-temporary impairments in value. Gains and losses on the disposal of investment securities are principally reduced to net realizable value by a charge to income. Accrued interest on securities is included in other assets. Funds entrusted to trust banks for securities (included in "Money held in trust") of the Bank are stated at fair value.

(e) Derivatives and hedge accounting

The Bank uses swaps, forward and option contracts, and other types of derivative contracts. These derivative instruments are used for trading purposes to generate revenues and fee income, and to hedge exposures due to fluctuations in interest and foreign exchange rates.

Derivatives are carried at fair value, with the unrealized and realized gains and losses recorded in current earnings.

(1) Hedging against interest rate changes

The Bank applies deferred hedge accounting to the derivative transactions used to hedge the interest rate risk arising from financial assets and liabilities.

In addition to the current hedge accounting method, the Bank applies a different hedge accounting method due to the exceptional treatments permitted for interest rate swaps.

(2) Hedging against currency fluctuations

The Bank applies deferred hedge accounting stipulated in the treatment of the Industry Audit Committee Report No.25, "Treatment of Accounting and Auditing Concerning Accounting for Foreign Currency Transactions in the Banking Industry" issued by the Japanese Institute of Certified Public Accountants (the "JICPA") (the JICPA Industry Audit Committee Report No.25) to funding swap transactions and currency swap transactions related to lending or borrowing in different currencies.

Pursuant to the JICPA Industry Auditing Committee Report No.25, the Bank assesses the effectiveness of funding swap transactions and currency swap transactions executed for the purpose of offsetting the risk of changes in currency exchange rates by verifying that there are foreign-currency monetary claims and debts corresponding to the foreign-currency positions.

(f) Tangible fixed assets

(1)Tangible fixed assets are stated at cost less accumulated depreciation.

Tangible fixed assets of the Bank are depreciated using the declining-balance method over the following estimated useful lives of the assets, except for buildings acquired on or after April 1, 1998 which have been depreciated using the straight-line method.

Buildings	19 years to 50 years
Equipment	2 years to 20 years

Tangible fixed assets of the consolidated subsidiaries are principally depreciated by the straight-line method over the estimated useful lives of the assets.

(2)Land revaluation

Under the "Law of Land Revaluation", 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, 1999. The resulting land revaluation surplus is stated as a component of equity, and represents the total of unrealized appreciation of land, net of income taxes, and unrealized loss on land. There was no effect on the statements 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, 2011 and 2010, the difference in the carrying values of land used for the banking business after reassessment of the current fair value of such land at the respective year-ends amounted to ¥13,429 million ($161,503 thousand) and ¥12,979 million, respectively.

(g) Intangible fixed assets

Intangible fixed assets mainly consisted of computer software developed or obtained for internal use and are amortized using the straight-line method over the estimated useful lives, mainly five years.

(h) Long-lived assets

The Group reviews their 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. An impairment loss would be recognized if the carrying amount of an asset or asset group exceeds the sum of the undiscounted future cash flows expected to result from the continued use and eventual disposition of the asset or asset group. The impairment loss would be measured as the amount by which the carrying amount of the asset exceeds its recoverable amount, which is the higher of the discounted cash flows from the continued use and eventual disposition of the asset or the net selling price at disposition.

(i) Reserve for possible loan losses

The reserve for possible loan losses of the Bank is established to cover future credit losses in accordance with the internal rules for self-assessment of asset quality and providing reserves for possible loan losses.

Such a reserve is made based on the Bank's internal rules for providing for possible loan losses in accordance with Report No.4 of the Ad Hoc Committee for Audits of Banks, "Practical Guideline for Valuation of Assets and Audits of Write-off of Bad Loans and Allowance for Doubtful Loans of Banks and Similar Financial Institutions" issued by the JICPA.

For claims to borrowers in legal bankruptcy and substantial bankruptcy, a reserve has been provided based on the amounts of the claims net of the amounts expected to be collected through the disposal of collateral or from guarantees. For claims to borrowers with possibility of bankruptcy, a reserve has been provided for amounts considered necessary based on an overall solvency assessment of amounts from claims net of amounts expected to be collected through the disposal of collateral or from guarantees. For claims to borrowers with significant credit balances, to whom the Bank has relaxed lending conditions and whose loans' future cash flows could be reasonably estimated, an allowance is provided for the difference between the present value of expected future cash flows discounted at the contracted interest rate and carrying amount of the claims. For claims to borrowers with significant credit balances, whose loans' future cash flows could not be reasonably estimated, an allowance is provided based on the estimated credit losses for a certain future period within the remaining loan terms calculated by the Bank. For claims to borrowers except for those as mentioned above, a reserve has been provided based on the historical loss experience of the Bank for a certain past period.

All claims are assessed by the Bank's operating divisions based on the Bank's internal rules for the self-assessment of asset quality. The inspection division, which is independent from operating divisions, conducts audits of these assessments, and a reserve is provided based on the results of these audits.

As for consolidated subsidiaries, a specific reserve has been provided as the aggregate amount of estimated credit losses for doubtful or troubled claims and a general reserve based on the historical loss experience for other claims.

(j) Accrued bonuses to directors and corporate auditors

Bonuses to directors and corporate auditors are accrued at the year end to which such bonuses are attributable.

(k) Reserve for employee retirement benefits

The Group has defined benefit pension plans, which cover substantially all of its employees. In accordance with the accounting standard for employee retirement benefits, the Group has principally recognized retirement benefits, including the pension cost and the related liability, based on the projected benefit obligation and the pension plan assets. Unrecognized prior service cost is amortized using the straight-line method over ten years from the year in which it occurs.

Unrecognized actuarial differences, such as changes in the projected benefit obligation or pension plan assets resulting from actual experience differing from assumptions and from changes in assumptions, are determined using the declining-balance method over ten years as a certain period within the remaining years of service of employees from the year following the year in which they arise.

(l) Reserve for directors' and corporate auditors' retirement benefits

Retirement benefits to directors and corporate auditors are provided at the amount that would be required if all directors and corporate auditors retired at the balance sheet date. Retirement benefits to directors and corporate auditors are paid subject to approval of the shareholders in accordance with the Japanese Act.

(m) Reserve for reimbursement of derecognized deposits

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

(n) Reserve for contingent losses

Reserve for contingent losses is provided for possible losses from contingent events related to the enforcement of the "responsibility-sharing system", and is calculated by estimation of future burden charges and other payments to the Credit Guarantee Institution.

(o) Asset Retirement Obligations

In March 2008, the Accounting Standards Board of Japan (the "ASBJ") published the 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 the 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 was effective for fiscal years beginning on or after April 1, 2010.

The Bank applied this accounting standard effective April 1, 2010. The effect of this change was to decrease operating income by ¥9 million ($108 thousand) and income before income taxes and minority interests by ¥177 million ($ 2,128 thousand).

(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.

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 is 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 deemed not to transfer ownership of the leased property to the lessee should be recognized as investments in leases.

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

(q) Foreign currency translation

Assets and liabilities denominated in foreign currencies are translated into Japanese yen at the exchange rates prevailing at year-end. Revenues and expenses are translated at the exchange rates at transaction dates. Gains or losses resulting from foreign currency translation are included in the determination of net income.

(r) Valuation of assets and liabilities in consolidated subsidiaries

Assets and liabilities in consolidated subsidiaries are revalued to fair value when a majority interest in the subsidiaries is purchased.

(s) Per share information

The computation of basic net income per share is based on the weighted average number of shares of common stock outstanding during the year. The average number of common shares used in the computation was 209,959 thousand shares and 209,999 thousand shares for the years ended March 31, 2011 and 2010, respectively.

Diluted net income per share is not disclosed for the years ended March 31, 2011 and 2010 because there were no dilutive securities outstanding.

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

(t) 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.

(u) Appropriations of retained earnings

Appropriations of retained earnings at each year end are reflected in the consolidated financial statements for the following year upon shareholders’ approval.

(v) New Accounting Pronouncements

Accounting Changes and Error Corrections－In December 2009, the 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 due to 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 fiscal year that begins on or after April 1, 2011.

3. Cash and Cash equivalents

A reconciliation of the cash and cash equivalent balances on the consolidated statements of cash flows and the account balances on the consolidated balance sheets is as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2011	2010	**2011**
Cash and due from banks	**¥ 119,061**	¥ 130,157	**$ 1,431,887**
Less, due from banks other than The Bank of Japan	**(1,180)**	(1,931)	**(14,197)**
Cash and cash equivalents	**¥ 117,881**	¥ 128,226	**$ 1,417,690**

4. Trading Securities and Investment Securities

Trading securities consisted of national government bonds and local government bonds.

At March 31, 2011 and 2010, trading securities were as follows:

	Millions of Yen 2011	Millions of Yen 2010	Thousands of U.S. Dollars 2011
National government bonds	**¥ 47**	¥ 50	**$ 559**
Local government bonds	**185**	137	**2,228**
Total	**¥ 232**	¥ 187	**$ 2,787**

At March 31, 2011 and 2010, investment securities consisted of the following:

	Millions of Yen 2011	Millions of Yen 2010	Thousands of U.S. Dollars 2011
National government bonds	**¥ 457,036**	¥ 427,067	**$ 5,496,525**
Local government bonds	**109,960**	109,798	**1,322,424**
Corporate bonds	**358,654**	326,995	**4,313,332**
Equity securities	**56,585**	63,509	**680,516**
Other	**80,748**	72,070	**971,126**
Total	**¥1,062,983**	¥ 999,439	**$12,783,923**

At March 31, 2011 and 2010, carrying amounts of trading securities and the related net unrealized gains or losses included in current earnings were as follows:

	Millions of Yen 2011		Millions of Yen 2010		Thousands of U.S. Dollars 2011	
	Carrying amounts	Unrealized gains	Carrying amounts	Unrealized gains	Carrying amounts	Unrealized gains
Trading account securities	**¥ 232**	**¥ (1)**	¥ 187	¥ (1)	**$ 2,787**	**$ (9)**

At March 31, 2011 and 2010, gross unrealized gains and losses for available-for-sale securities with fair value are summarized as follows:

	Millions of Yen Cost	Gross unrealized gains	Gross unrealized losses	Fair value
At March 31, 2011:				
Bonds:				
National government bonds	**¥ 453,424**	**¥ 4,780**	**¥ (1,168)**	**¥ 457,036**
Local government bonds	**108,232**	**2,142**	**(414)**	**109,960**
Corporate bonds	**355,189**	**4,107**	**(642)**	**358,654**
Equity securities	**38,388**	**18,908**	**(2,917)**	**54,379**
Other	**79,208**	**295**	**(568)**	**78,935**
Total	**¥1,034,441**	**¥30,232**	**¥ (5,709)**	**¥1,058,964**

	Millions of Yen Cost	Gross unrealized gains	Gross unrealized losses	Fair value
At March 31, 2010:				
Bonds:				
National government bonds	¥425,841	¥ 3,931	¥ (2,705)	¥427,067
Local government bonds	107,247	2,551		109,798
Corporate bonds	322,037	4,979	(21)	326,995
Equity securities	37,933	24,610	(1,025)	61,518
Other	69,956	621	(686)	69,891
Total	¥963,014	¥36,692	¥ (4,437)	¥995,269

	Thousands of U.S. Dollars Cost	Gross unrealized gains	Gross unrealized losses	Fair value
At March 31, 2011:				
Bonds:				
National government bonds	**$ 5,453,092**	**$ 57,485**	**$ (14,052)**	**$ 5,496,525**
Local government bonds	**1,301,637**	**25,763**	**(4,976)**	**1,322,424**
Corporate bonds	**4,271,654**	**49,395**	**(7,717)**	**4,313,332**
Equity securities	**461,670**	**227,399**	**(35,086)**	**653,983**
Other	**952,605**	**3,550**	**(6,831)**	**949,324**
Total	**$12,440,658**	**$ 363,592**	**$ (68,662)**	**$12,735,588**

At March 31, 2011 and 2010, net unrealized gains on available-for-sale securities, net of applicable income taxes and minority interests, recorded in a separate component of shareholders' equity on the accompanying consolidated balance sheets were as follows:

	Millions of Yen 2011	Millions of Yen 2010	Thousands of U.S. Dollars 2011
Unrealized gains	**¥ 24,523**	¥ 32,253	**$ 294,931**
Less, applicable income taxes	**(9,543)**	(12,474)	**(114,774)**
Less, minority interests portion	**(17)**	(33)	**(206)**
Net unrealized gains in shareholders' equity	**¥ 14,963**	¥ 19,746	**$ 179,951**

During the years ended March 31, 2011 and 2010, the Group sold available-for-sale securities and recorded gains of ¥1,809 million ($21,760 thousand) and ¥1,007 million, respectively, and losses of ¥2,093 million ($25,176 thousand) and ¥700 million, respectively, on the accompanying consolidated statements of income.

5. Money Held in Trust

The carrying amounts and unrealized gains of money held in trust, at March 31, 2011 and 2010 were as follows:

(a) Money held in trust for investment

	Millions of Yen		Thousands of U.S. Dollars
	2011	2010	2011
Carrying amounts	¥ 12,442	¥ 9,896	$ 149,628
Unrealized gains (losses) recognized in income	(80)	514	(965)

(b) Money held in trust held to maturity

None.

(c) Other money held in trust (money held in trust other than held for investment or held to maturity)

None.

6. Loans and Bills Discounted

At March 31, 2011 and 2010, loans and bills discounted consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2011	2010	2011
Bills discounted	¥ 14,210	¥ 15,669	$ 170,899
Loans on notes	151,182	154,266	1,818,183
Loans on deeds	1,691,983	1,652,857	20,348,561
Overdrafts	263,755	259,108	3,172,039
Total	¥2,121,130	¥ 2,081,900	$25,509,682

At March 31, 2011 and 2010, non-accrual outstanding loans and bills discounted, on which interest revenue accruals have been suspended when loans are classified as claims to borrowers in bankruptcy and past due loans, in aggregate, amounted to ¥34,629 million ($416,468 thousand) and ¥34,038 million, respectively. Loans are generally placed on non-accrual status when substantial doubt is judged to exist as to the ultimate collectability of either principal or interest if they are past due for a certain period or for other reasons. Claims to borrowers in bankruptcy represent non-accrual loans, after the charge-off of claims deemed uncollectible, to borrowers who are legally bankrupt, which are defined in Article 96, Paragraph 1, Subparagraphs 3 and 4 of the Enforcement Ordinance for the Corporation Tax Law of Japan. Past due loans are non-accrual loans other than claims to borrowers in bankruptcy and loans on which interest payments are deferred in order to assist the financial recovery of borrowers in financial difficulties.

At March 31, 2011 and 2010, accruing loans for which the payment of the principal and/or interest is contractually past due by three months or more, excluding non-accrual loans, amounted to ¥895 million ($10,768 thousand) and ¥30 million, respectively.

At March 31, 2011 and 2010, restructured loans where the Bank has assisted borrowers in financial difficulties such as by a reduction of the original interest rate, forbearance of interest and/or principal payments or extension of the maturity date in order to support them in their financial recovery or restructuring, excluding non-accrual loans and accruing loans contractually past due by three months or more disclosed above, amounted to ¥28,638 million ($344,409 thousand) and ¥26,403 million, respectively.

Total nonperforming assets net of charge-offs, which consisted of non-accrual loans, accruing loans contractually past due by three months or more and restructured loans, in aggregate, amounted to ¥64,162 million ($771,645 thousand) and ¥60,471 million at March 31, 2011 and 2010, respectively.

At March 31, 2011 and 2010, loans included bills discounted amounting to ¥14,257 million ($171,466 thousand) and ¥15,672 million, respectively. The Bank is entitled, without limitation, to dispose of these bills discounted.

7. Foreign Exchange

At March 31, 2011 and 2010, foreign exchanges consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2011	2010	2011
Assets:			
Due from banks	¥ 1,413	¥ 1,302	$ 16,990
Foreign bills of exchange purchased	47	3	567
Foreign bills of exchange receivable	56	73	671
Total	¥ 1,516	¥ 1,378	$ 18,228
Liabilities:			
Foreign bills of exchange sold	¥ 15	¥ 4	$ 182
Foreign bills of exchange payable	39	57	462
Total	¥ 54	¥ 61	$ 644

8. Tangible Fixed Assets and Intangible Fixed Assets

At March 31, 2011 and 2010, the major classifications of tangible fixed assets and intangible fixed assets were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2011	2010	2011
Tangible fixed assets			
Buildings	¥ 33,819	¥ 34,471	$ 406,721
Land	37,127	37,287	446,505
Construction in progress	501	78	6,029
Other	17,929	16,609	215,618
	89,376	88,445	1,074,873
Less, accumulated depreciation	(33,730)	(32,296)	(405,646)
Total	¥ 55,646	¥ 56,149	$ 669,227
Intangible fixed assets			
Software	¥ 12,414	¥ 9,595	$ 149,296
Other	189	153	2,278
Total	¥ 12,603	¥ 9,748	$ 151,574

9. Fixed Asset Impairment Losses

The differences between the recoverable amounts and the carrying amounts of the following assets were recognized as fixed asset impairment losses in the year ended March 31, 2010:

Year ended March 31, 2010

Purpose of use	Area	Items	Type	Millions of Yen
In use	Outside of Kagoshima	1	Land and buildings	¥ 216
Not in use	Kagoshima	7	Land and buildings	23
	Outside of Kagoshima	5	Land and buildings	16
Total				¥ 255

The Bank groups assets by branch, which is a minimum unit for managerial accounting. The Bank treats each consolidated domestic subsidiary as a unit for asset grouping.

The recoverable value is calculated based on the real estate appraisal value less the estimated cost of disposal.

10. Assets Pledged

At March 31, 2011 and 2010, assets pledged as collateral were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2011	2010	**2011**
Investment securities	**¥227,402**	¥183,234	**$ 2,734,838**
Investment in leases	**3,964**	5,965	**47,668**
Other assets	**3,337**	2,380	**40,132**

At March 31, 2011 and 2010, the liabilities related to the above pledged assets were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2011	2010	**2011**
Deposits	**¥ 19,775**	¥ 33,367	**$ 237,820**
Borrowed money	**44,140**	8,412	**530,848**
Payables under repurchase transaction	**41,752**	5,423	**502,133**

In addition, securities totaling ¥58,991 million ($709,450 thousand) and ¥59,334 million at March 31, 2011 and 2010, respectively, were pledged as collateral for the settlement of exchange, derivatives and other transactions.

11. Deposits

At March 31, 2011 and 2010, deposits consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2011	2010	**2011**
Demand deposits	**¥ 1,788,399**	¥ 1,705,952	**$ 21,508,104**
Time deposits	**1,191,205**	1,194,948	**14,325,979**
Other	**36,332**	50,892	**436,939**
Total	**¥ 3,015,936**	¥ 2,951,792	**$ 36,271,022**

12. Borrowed Money

At March 31, 2011, the annual maturities of borrowed money, which was due through March 2016 with an average interest rate of 0.33% per annum, were as follows:

Years ending March 31,	Millions of Yen	Thousands of U.S. Dollars
2012	**¥ 40,963**	**$ 492,640**
2013	**2,658**	**31,966**
2014	**1,656**	**19,916**
2015	**1,253**	**15,069**
2016	**578**	**6,951**
Total	**¥ 47,108**	**$ 566,542**

Apart from borrowed money, lease obligations are included in Other liabilities.

At March 31, 2011, the annual maturities of lease obligations, which were due through March 2016 with an average interest rate of 2.07% per annum, were as follows:

Years ending March 31	Millions of Yen	Thousands of U.S. Dollars
2012	**¥ 11**	**$ 137**
2013	**12**	**139**
2014	**12**	**142**
2015	**12**	**145**
2016	**11**	**136**
Total	**¥ 58**	**$ 699**

13. Employee Retirement Benefits

The Bank has a cash-balance type pension plan and unfunded retirement benefit plans. Consolidated subsidiaries have unfunded retirement benefit plans.

The following table reconciles the benefit liability and net periodic retirement benefit expenses as at, and for the years ended March 31, 2011 and 2010:

	Millions of Yen		Thousands of U.S. Dollars
	2011	2010	**2011**
Reconciliation of benefit liability:			
Projected benefit obligation	**¥(22,088)**	¥(21,299)	**$(265,641)**
Fair value of pension plan assets at year end	**23,779**	24,130	**285,982**
	1,691	2,831	**20,341**
Unrecognized actuarial differences	**5,489**	4,286	**66,012**
Unrecognized prior service cost of retroactive benefits granted by plan amendment	**264**	55	**3,179**
Net amounts of reserve for employee retirement benefits recognized on the consolidated balance sheets	**¥ 7,444**	¥ 7,172	**$ 89,532**
Balance Sheet Presentation			
Prepaid pension cost (Other assets)	**¥ 8,269**	¥ 7,858	**$ 99,449**
Reserve for employee retirement benefits	**¥ (825)**	¥ (686)	**$ (9,917)**

	Millions of Yen		Thousands of U.S Dollars
	2011	2010	**2011**
Components of net periodic retirement benefit expenses:			
Service cost	**¥ 773**	¥ 732	**$ 9,294**
Interest cost	**468**	435	**5,622**
Expected return on pension plan assets	**(258)**	(257)	**(3,092)**
Amortization of prior service cost	**(209)**	(209)	**(2,518)**
Amortization of actuarial differences	**883**	1,287	**10,619**
Net periodic retirement benefit expense	**¥ 1,657**	¥ 1,988	**$ 19,925**

Major assumptions used in the calculation of the above information for the years ended March 31, 2011 and 2010 were as follows:

	2011	2010
Discount rate	**2.0%**	2.2%
Expected rate of return on pension plan assets:		
Defined benefit pension plan	**0.5%**	0.5%
Trusts for retirement benefits	**2.5%**	2.5%
Amortization of prior service cost	**10 years**	10 years
Amortization of actuarial differences	**10 years**	10 years

14. Acceptances and Guarantees

The Bank provides guarantees for the liabilities of its customers for payments of loans or other liabilities to other financial institutions. As a contra account, "Customers' liabilities for acceptances and guarantees" are shown as assets on the accompanying consolidated balance sheets, indicating the Bank's right of indemnity from the customers.

15. Equity

Japanese banks are subject to the Banking Law and the Companies Act of Japan (the "Companies Act"). The significant provisions in the Banking Law and the Companies Act that affect financial and accounting matters are summarized below:

(a) Dividends

Under the Companies Act, companies can pay dividends at any time during the fiscal year in addition to the year-end dividend upon resolution at the shareholders meeting. For companies that meet certain criteria such as: (1) having 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 meets all the above criteria.

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

Semiannual interim dividends may also be paid once a year upon resolution by the Board of Directors if the articles of incorporation of the company so stipulate. The Companies Act and the Banking Law provide 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 aggregate amount of 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 capital stock, legal reserve, additional paid-in capital, other capital surplus and retained earnings can be transferred among the accounts under certain conditions upon resolution of the shareholders.

(c) Treasury stock and treasury stock acquisition rights

The Companies Act also provides for companies to purchase treasury stock and dispose of such treasury stock by resolution of the Board of Directors. The amount of treasury stock purchased cannot exceed the amount available for distribution to the shareholders which is determined by specific formula. Under the Companies Act, stock acquisition rights, which were previously presented as a liability, are now 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.

16. Commitments

Contracts for overdraft facilities and loan commitment limits are contracts that the Bank makes with customers up to the prescribed limits in response to customers' loan applications as long as there is no violation of any condition in the contracts. The amount of unused commitments at March 31, 2011 and 2010 was ¥621,304 million ($7,472,083 thousand) and ¥605,001 million, respectively, and the amount of unused commitments whose original contract terms are within one year or unconditionally cancelable at any time at March 31, 2011 and 2010 was ¥616,195 million ($7,410,644 thousand) and ¥600,770 million, respectively.

Since many of these commitments expire without being drawn down, the unused amount does not necessarily represent a future cash requirement. Most of these contracts have conditions that allow the Bank to refuse customers' loan applications or decrease the contract limits with legitimate reasons (e.g., changes in financial situation, deterioration in customers' creditworthiness). At the inception of the contracts, the Bank obtains real estate, securities, etc. as collateral if considered to be necessary. Subsequently, the Bank performs a periodic review of customers' business results based on internal rules, and takes necessary measures to reconsider conditions in the contracts and/or require additional collateral and guarantees.

17. Financial Instruments and Related Disclosures

In March 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. The Group applied the revised accounting standard and the guidance effective March 31, 2010.

(a) Policy on Financial Instruments

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

Accordingly, the Bank holds financial assets and liabilities that are subject to interest rate fluctuations and conducts Asset-Liability Management (ALM) in order to minimize any unfavorable impacts from interest rate fluctuations. The Bank also conducts derivative transactions as part of its ALM.

(b) Nature and Extent of Risks Arising from Financial Instruments

The main financial instruments that the Group has are as follows:

The Group provides loans mainly to domestic corporations and individual customers. Loans are exposed to credit risk which represents loss on default caused by deteriorated borrower's financial condition. Moreover, fixed interest rate loans are exposed to interest rate risks.

Securities which the Group has are mainly national government bonds, local government bonds, corporate bonds and equity securities. These securities are exposed to interest rate risks, market price risks, foreign exchange risks and credit risks.

The Bank handles deposits and negotiable certificates of deposit from customers. These deposits are exposed to interest rate risks.

Call money are exposed to liquidity risks, which may lead the Bank to face difficulties in raising necessary funds under certain circumstances.

Moreover, the Group conducts derivative transactions mainly to manage market risks of loans and securities, etc. and partly applies hedge accounting to them.

(c) Risk management for Financial Instruments

(1) Credit risk management

As a basis of credit risk management, the Bank periodically monitors the debtors' financial status. This checking system is called the "Monitoring System of Customers".

The Bank has established a "Lending Policy" to advance the credit risk control systems for individual accounts and to enhance the effectiveness of these credit portfolio management measures. In addition, the Bank assists the debtor, which has some problems in their financial conditions, and guides their management in financial aspects.

To enhance its risk management system, the Bank has established reciprocal control in its credit risk management operations by separating the Corporate Risk Management Department from the Credit & Investment Planning Department. In addition, in the aspects of business loans, the Corporate Risk Management Department is responsible for measuring credit risks and planning a credit rating system.

Corporate credit rates are decided by the Monitoring System of Customers with a financial support system "Key Man". The Monitoring System of Customers gives corporate credit rates with internal standards based on actual financial or non-financial conditions, and decides the credit rating classification, lending policies and lending rates according with the corporate credit rates.

The Credit Risk Management Department reports the management situation of the credit portfolio to the Risk Management Committee and the ALM Committee regularly or as needed, and the agenda is reported to the Board of Directors.

For each credit examination and lending judgments on individual transactions, the Bank establishes a "Lending Policy" which determines the basic lending policies, individual lending criterion and to prevent the concentration of lending and conducts credit examination in accordance with the policy.

(2) Market risk management

The Bank recognizes the importance of appropriate market risk management to attain its purpose. Therefore, its basic policy is to understand the market risk management situation precisely and to take appropriate business risks by establishing an appropriate market risk management system which enables us to manage and take certain market risks.

The Bank has separated its departments into the Market Department (front office), the Office Management Department (back office) and the Risk Management Department (middle office), and has established an effective mutual monitoring system.

Moreover, the Bank conducts strict operational management with retention limits, Value at Risk (VaR) limits and loss limits which are decided by the Executive Board on a semi-annually basis.

The middle office reports to directors on a daily basis and to the Risk Management Committee on a monthly basis on the situation of risks of market transactions such as retention limits, unrealized gains or losses, Basis Point Value (BPV) of the securities portfolio and VaR, etc. The study results of the Risk Management Committee are reported to the Board of Directors.

The ALM Committee monitors market risks including interest risk of bank accounting in terms of comprehensive management of assets and liabilities and studies hedging strategies on financial environment and market forecasts.

（Quantitative information of market risk）

1) Financial instruments held for trading purposes

Concerning trading securities and fund trusts, the Bank has set upper holding limits. As of March 31, 2011, the limits are ¥10,000 million ($120,265 thousand) for trading securities and ¥14,000 million ($168,370 thousand) for fund trusts. For trading securities, the Bank has not set an allowable potential loss amount to trade securities with customers smoothly. The Bank holds fund trusts to earn profit by taking advantage of short-term fluctuations in the market or discrepancies in interest rates, currency exchange rates, or other market indices in different markets. In order to manage risks, the Bank has set an allowable potential loss amount of ¥400 million ($4,811 thousand) for fund trusts.

2) Financial instruments held for other than trading purposes

(a)Management of Interest Rate Risks

The main financial instruments which are affected by interest rate risks in the Bank are 'Loans and bills discounted,' bonds within 'Securities,' 'Deposits,' and interest rate swaps of 'Derivative transactions'.

The Bank has computed VaR of these financial assets and liabilities with the variance-covariance method and uses that method for quantitative analysis of interest rate risk management. The assumptions for computing VaR are based on a 60-day holding period, 99% confidence level and a 5-year observation period. The amount of interest rate risks (value of estimated record of losses) as of March 31, 2011 is ¥8,600 million ($103,428 thousand) in the aggregate. The Bank conducts back testing to verify the reliability of VaR by monthly monitoring and analysis. The results support the reliability of the Bank's model which has captured interest rate risks with sufficient accuracy.

The Bank has computed interest rate risks with core deposits estimated by the core deposits measurement model. The Bank has computed the model from a shift of the lower 99th percentile of deposits decrease in the future distribution of demand deposit computed by a linear regression model and a future interest rate scenario used with explanatory variable of the 1month TIBOR.

The Bank conducts back testing to verify the reliability of the core deposits measurement model by comparing core deposits expectations and core deposits actual values which are measured with the core deposits measurement model. The results support the reliability of the Bank's model which has captured core deposits movements with sufficient accuracy.

The VaR and the core deposits measurement model represent the amount of interest rate risks and core deposits arising with a certain probability using a statistical methodology based on historical interest rate fluctuations and the relationship between interest rate fluctuations and deposit fluctuations. It may not be able to capture the interest rate risks and movements of core deposits arising under drastic market movements beyond normal estimates.

(b)Management of Market Price Risks

The Bank uses VaR for quantitative analysis on market price risk of trading securities in 'Securities'. The assumptions for computing VaR include a 60-day holding period (regarding a part of asset, for example, cross-shareholdings is 125-day), a 99% confidence level and a 1-year observation period. The VaR as of March 31, 2011 is ¥42,200 million ($507,517 thousand).

The Bank conducts research to compare VaR calculated using the model with gains or losses, which are assumed to have been incurred when the portfolio was fixed. According to the result of the research, it is believed that the measurement model we use is adequate to capture market risk. It should be noted that VaR measures the amount of market risk at certain probability levels statistically calculated based on historical market fluctuations, and therefore there may be cases where market risk cannot be captured in such situations when market conditions change dramatically beyond what was experienced historically.

(3) Liquidity risk management

The financing condition of the Bank is stable because the Bank raises most of operational funds by deposits.

The Financing Management Department which is established in the Market Financing Department monitors the Bank's financing conditions on a daily, weekly and monthly basis and conducts adequate market funding as needed.

The Risk Management Department which is independent from the Financing Management Department monitors the Bank's financing conditions on a daily basis, and endeavors to secure available funding methods such as preparation of market funding with holding securities to prepare for contingencies.

The monitoring results of financing and market liquidity risks are reported to the Risk Management Committee and the study results of the Risk Management Committee are reported to the Board of Directors.

(4) Derivative Transactions risk management

As for derivative transactions, the basic policy of the Bank is to reduce market risks of loans and securities.

Market risks and credit risks are inherent in derivative transactions used by the Bank.

Market risks include interest rate risks in interest-related derivative transactions, exchange rate risks in currency-related derivative transactions, and market price risks in security/bond-related derivative transactions.

As for credit risks, the Bank handles trades with stock exchanges and only creditable banks and securities companies, and reduces default risks appropriately by operational limits.

The Bank manages its risks mainly by checking whether the effective derivative transactions are used to reduce asset and liability risks such as fluctuations in interest rates and foreign exchange rates. The basic policy is studied at the ALM Committee, and the transactions and management are conducted by the Market Financing Department.

(d) Supplementary Explanation of Matters Relating to Fair Value of Financial Instruments and Others

Fair values of financial instruments include values based on market prices, and values deemed to be market prices obtained by a reasonable estimate when financial instruments do not have market prices. Because certain assumptions are adopted for calculating such values, values may differ when adopting different assumptions.

(e) Fair Value of Financial Instruments

The following table summarizes the carrying amount and the fair value of financial instruments as of March 31, 2011 and 2010 together with their differences. Note that the following table does not include unlisted equity securities and certain other securities for which fair value is extremely difficult to determine.

Fair value of financial instruments

	Millions of Yen		
At March 31, 2011	Carrying Amount	Fair value	Unrealized Gains/Losses
Assets			
Cash and due from banks	¥ 119,061	¥ 119,061	¥
Call loans and bills purchased	54,978	54,978	
Trading securities	232	232	
Available-for-sale securities	1,058,964	1,058,964	
Loans and bills discounted	2,121,130		
Reserve for possible loan losses (*1)	(28,683)		
	2,092,447	2,118,609	26,162
Total	¥ 3,325,682	¥ 3,351,844	¥ 26,162
Liabilities			
Deposits	3,015,936	3,017,690	1,754
Negotiable certificates of deposit	47,433	47,449	16
Call money and bills sold	30,267	30,267	
Payables under repurchase transactions	41,752	41,752	
Borrowed money	47,198	47,228	30
Total	¥ 3,182,586	¥ 3,184,386	¥ 1,800
Derivative transactions (*2)			
Hedge accounting is not applied	57	57	
Hedge accounting is applied	(684)	(684)	
Total	¥ (627)	¥ (627)	¥

At March 31, 2010	Millions of Yen Carrying Amount	Fair value	Unrealized Gains/Losses
Assets			
Cash and due from banks	¥ 130,157	¥ 130,157	¥
Call loans and bills purchased	8,374	8,374	
Trading securities	187	187	
Available-for-sale securities	995,269	995,269	
Loans and bills discounted	2,081,900		
Reserve for possible loan losses (*1)	(25,145)		
	2,056,755	2,081,261	24,506
Total	¥ 3,190,742	¥ 3,215,248	¥ 24,506
Liabilities			
Deposits	2,951,792	2,954,796	3,004
Negotiable certificates of deposit	41,197	41,236	39
Call money and bills sold	27,912	27,912	
Total	¥ 3,020,901	¥ 3,023,944	¥ 3,043
Derivative transactions (*2)			
Hedge accounting is not applied	(186)	(186)	
Hedge accounting is applied	(760)	(760)	
Total	¥ (946)	¥ (946)	¥

At March 31, 2011	Thousands of U.S.Dollars Carrying Amount	Fair value	Unrealized Gains/Losses
Assets			
Cash and due from banks	$ 1,431,887	$ 1,431,887	$
Call loans and bills purchased	661,191	661,191	
Trading securities	2,787	2,787	
Available-for-sale securities	12,735,588	12,735,588	
Loans and bills discounted	25,509,682		
Reserve for possible loan losses (*1)	(344,965)		
	25,164,717	25,479,355	314,638
Total	$39,996,170	$40,310,808	$314,638
Liabilities			
Deposits	36,271,022	36,292,128	21,106
Negotiable certificates of deposit	570,450	570,634	184
Call money and bills sold	364,000	364,000	
Payables under repurchase transactions	502,133	502,134	
Borrowed money	567,621	567,978	357
Total	$38,275,226	$38,296,874	$ 21,647
Derivative transactions (*2)			
Hedge accounting is not applied	686	686	
Hedge accounting is applied	(8,223)	(8,223)	
Total	$ (7,537)	$ (7,537)	$

(*1) Reserve for possible loan losses relevant to loans and bills discounted have been deducted.
(*2) Derivatives recorded in 'Other assets' and 'Other liabilities' are aggregated and shown herein in total. Derivative instruments are presented as net of assets and liabilities associated with derivative transactions.

(f) Method used for determining the fair value of financial instruments

Assets

(1) Cash and due from banks
Fair value of cash and due from banks which have no maturity dates are approximately equivalent to carrying amounts.
Regarding cash and due from banks with maturity dates, the fair value of certain products with short maturities (less than one year) are approximately equivalent to the carrying amounts.

(2) Call loans and bills purchased
Fair values of call loans and bills purchased are approximately equivalent to carrying amounts because of their short maturities.

(3) Trading securities
For securities such as bonds that are held for trading, fair values of these securities are measured at the quoted market prices in bond markets or the quoted prices obtained from financial institutions.

(4) Investment securities
Fair values of stocks are measured at the quoted market prices in stock markets. Fair values of bonds are mainly measured at the quoted market prices in bond markets or the quoted prices obtained from financial institutions.
Fair values of investment trusts are measured at the standard prices disclosed in public.
Information related to securities by holding purpose is mentioned in Note 4.

(5) Loans and bills discounted
Because floating rate loans are immediately affected by the movement of market rates, the fair values of these loans are equivalent to carrying amounts in cases where the credit risk of debtors has not totally changed from the execution of the loans.
Fixed-rate loans are segmented by loan type, internal rating and period, and their fair value is determined by discounting the total amount of principal and interest by the assumed interest rate on new lending of the similar type.
For loans to debtors who are legally bankrupt, virtually bankrupt and possible bankrupt, reserve for possible loan losses calculated from the current value of expected future cash flows or from the amount expected to be collected through disposal of collateral or execution of guarantees are provided. Therefore, the carrying amounts at the balance sheet date, net of reserve amounts, are regarded as the fair values.
The carrying amounts of loans and bills discounted that do not have fixed maturities due to loan characteristics, such as limited loan amounts within the value of pledged assets, approximate fair value due to their expected repayment periods and interest rate conditions.

Liabilities

(1) Deposits
Fair value of demand deposits is recognized as the payment amount required at the balance sheet date (i.e., carrying amounts). The fair value of time deposits is calculated by classifying them on the basis of their terms and by discounting future cash flows. The discount rates used in such calculations are interest rates used when accepting new deposits.

(2) Negotiable certificates of deposit
Fair value of fixed negotiable certificates of deposit is calculated by classifying them on the basis of their terms

and by discounting future cash flows. The discount rates used in such calculations are interest rates used when accepting new negotiable certificates of deposit.

(3) Call money and bills sold
Fair values of call money and bills sold are equivalent to carrying amounts because of their short maturities.

(4) Payables under repurchase transactions
Fair values of payables under repurchase transactions are approximately equivalent to carrying amounts because of their short maturities.

(5) Borrowed money
The carrying amount of borrowed money with floating interest rates approximates fair value because the market rates are promptly reflected in the floating interest rate, and the credit risks of the Bank and its consolidated subsidiaries have not changed significantly after borrowing. The fair value of borrowed money with fixed interest rates is determined by discounting future cash flows at the rate that would be applied for similar new contracts. Fair values of borrowed money with maturity of less than one year are approximately equivalent to carrying amounts because of their short maturities.

Derivatives
Please see Note 18 for the fair value of derivatives.

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

	Carrying amount		
	Millions of Yen		Thousands of U.S. Dollars
	2011	2010	**2011**
Unlisted stocks (*1) (*2)	**¥ 2,206**	¥ 1,991	**$ 26,535**
Investments in investment partnerships (*3)	**1,813**	2,180	**21,800**
Total	**¥ 4,019**	¥ 4,171	**$ 48,335**

(*1) Equity securities without a readily available market price are out of the scope of the fair value disclosure because their fair values cannot be readily determined.
(*2) During this year, impairment losses on equity securities without a readily available market price of ¥7 million ($84 thousand) were recognized.
(*3) Investments in partnerships, the assets of which comprise equity securities without a readily available market price, are out of the scope of the fair value disclosure because the fair value of those investments cannot be readily determined.

(h) Maturity Analysis for Financial Assets and Securities with Contractual Maturities

	Millions of Yen		
At March 31, 2011	Due in 1 year or less	Due from 1 to 3 years	Due from 3 to 5 years
Due from banks	**¥ 77,703**	**¥**	**¥**
Call loans and bills purchased	**54,978**		
Available-for-sale securities	**156,675**	**241,323**	**300,361**
National government bonds	**38,253**	**73,180**	**131,089**
Local government bonds	**20,725**	**27,147**	**38,083**
Corporate bonds	**81,057**	**98,948**	**112,905**
Others	**16,640**	**42,048**	**18,284**
Loans and bills discounted (*)	**656,689**	**403,248**	**320,140**
Total	**¥ 946,045**	**¥ 644,571**	**¥ 620,501**

	Millions of Yen		
At March 31, 2011	Due from 5 to 7 years	Due from 7 to 10 years	Due after 10 years
Due from banks	**¥**	**¥**	**¥**
Call loans and bills purchased			
Available-for-sale securities	**66,255**	**211,737**	**29,031**
National government bonds	**43,910**	**167,578**	**3,027**
Local government bonds	**9,394**	**14,611**	
Corporate bonds	**10,192**	**29,548**	**26,004**
Others	**2,759**		
Loans and bills discounted (*)	**210,051**	**195,596**	**301,878**
Total	**¥ 276,306**	**¥ 407,333**	**¥ 330,909**

(*) Of loans and bills discounted, ¥33,528 million of loans and bills discounted to bankrupt borrowers, virtually bankrupt borrowers, and borrowers with bankrupt concerns are not included.

	Millions of Yen		
At March 31, 2010	Due in 1 year or less	Due from 1 to 3 years	Due from 3 to 5 years
Due from banks	**¥ 90,123**	**¥**	**¥**
Call loans and bills purchased	**8,374**		
Available-for-sale securities	**133,575**	**290,536**	**182,578**
National government bonds	**31,210**	**70,417**	**86,391**
Local government bonds	**13,744**	**28,967**	**38,651**
Corporate bonds	**79,032**	**149,544**	**45,326**
Others	**9,589**	**41,608**	**12,210**
Loans and bills discounted (*)	**655,247**	**409,732**	**280,678**
Total	**¥ 887,319**	**¥ 700,268**	**¥ 463,256**

	Millions of Yen		
At March 31, 2010	Due from 5 to 7 years	Due from 7 to 10 years	Due after 10 years
Due from banks	**¥**	**¥**	**¥**
Call loans and bills purchased			
Available-for-sale securities	**70,371**	**200,569**	**56,300**
National government bonds	**28,298**	**184,899**	**25,851**
Local government bonds	**28,434**		
Corporate bonds	**7,275**	**15,369**	**30,449**
Others	**6,364**	**301**	
Loans and bills discounted (*)	**191,088**	**214,570**	**297,920**
Total	**¥ 261,459**	**¥ 415,139**	**¥ 354,220**

(*) Of loans and bills discounted, ¥32,664 million of loans and bills discounted to bankrupt borrowers, virtually bankrupt borrowers, and borrowers with bankrupt concerns are not included.

At March 31, 2011	Thousands of U.S. Dollars		
	Due in 1 year or less	Due from 1 to 3 years	Due from 3 to 5 years
Due from banks	$ 934,491	$	$
Call loans and bills purchased	661,191		
Available-for-sale securities	1,884,248	2,902,257	3,612,276
National government bonds	460,047	880,099	1,576,534
Local government bonds	249,243	326,476	458,008
Corporate bonds	974,827	1,190,000	1,357,844
Others	200,131	505,682	219,890
Loans and bills discounted (*)	7,897,639	4,849,649	3,850,149
Total	$11,377,569	$7,751,906	$7,462,425

At March 31, 2011	Thousands of U.S. Dollars		
	Due from 5 to 7 years	Due from 7 to 10 years	Due after 10 years
Due from banks	$	$	$
Call loans and bills purchased			
Available-for-sale securities	796,808	2,546,441	349,142
National government bonds	528,077	2,015,365	36,404
Local government bonds	112,976	175,721	
Corporate bonds	122,568	355,355	312,738
Others	33,187		
Loans and bills discounted (*)	2,526,173	2,352,328	3,630,525
Total	$3,322,981	$4,898,769	$3,979,667

(*) Of loans and bills discounted, $403,218 thousand of loans and bills discounted to bankrupt borrowers, virtually bankrupt borrowers, and borrowers with bankrupt concerns are not included.

(i) Scheduled Repayment Amount after the Balance Sheet Date for Borrowed Money and Other Interest Bearing Liabilities

At March 31, 2011	Millions of Yen		
	Due in 1 year or less	Due from 1 to 3 years	Due from 3 to 5 years
Deposits (*)	¥2,881,314	¥ 120,828	¥ 13,793
Negotiable certificates of deposit	47,413	20	
Call money and Bills sold	30,267		
Payables under repurchase transactions	41,752		
Borrowed money	40,963	4,314	1,832
Total	¥3,041,709	¥ 125,162	¥ 15,625

At March 31, 2011	Millions of Yen		
	Due from 5 to 7 years	Due from 7 to 10 years	Due after 10 years
Deposits (*)	¥ 0	¥	¥
Negotiable certificates of deposit			
Call money and Bills sold			
Payables under repurchase transactions			
Borrowed money	75	10	4
Total	¥ 75	¥ 10	¥ 4

At March 31, 2010	Millions of Yen		
	Due in 1 year or less	Due from 1 to 3 years	Due from 3 to 5 years
Deposits (*)	¥2,819,444	¥ 114,960	¥ 17,388
Negotiable certificates of deposit	41,197		
Call money and Bills sold	27,912		
Total	¥2,888,553	¥ 114,960	¥ 17,388

At March 31, 2010	Millions of Yen	
	Due from 5 to 7 years	Due after 7 years
Deposits (*)	¥ 0	¥
Negotiable certificates of deposit		
Call money and Bills sold		
Total	¥ 0	¥

At March 31, 2011	Thousands of U.S. Dollars		
	Due in 1 year or less	Due from 1 to 3 years	Due from 3 to 5 years
Deposits (*)	$34,652,003	$ 1,453,133	$ 165,886
Negotiable certificates of deposit	570,209	241	
Call money and Bills sold	364,000		
Payables under repurchase transactions	502,133		
Borrowed money	492,640	51,882	22,028
Total	$36,580,985	$ 1,505,256	$ 187,914

At March 31, 2011	Thousands of U.S. Dollars		
	Due from 5 to 7 years	Due from 7 to 10 years	Due after 10 years
Deposits (*)	$ 0	$	$
Negotiable certificates of deposit			
Call money and Bills sold			
Payables under repurchase transactions			
Borrowed money	900	123	49
Total	$ 900	$ 123	$ 49

(*) Of deposits, demand deposits are included in deposits with maturity dates of one year or less. Please see Note 12 for annual maturities of borrowed money.

18. Derivative Instruments

The Bank has entered into various transactions involving derivative instruments in the normal course of business to meet the financing needs of its customers for risk management, the Bank's asset-liability management, and as a source of income. These derivative instruments involve, in varying degrees, elements of credit and market risk. The Bank is exposed to credit loss in the event of non-performance by third parties. However, the Bank does not expect non-performance by its counterparties because the counterparties to those derivatives are limited to major international financial institutions.

(a) Derivative transactions to which hedge accounting is not applied at March 31, 2011 and 2010

	Millions of Yen			
	Notional principal or contract amounts	Contract Amount due after one year	Fair value	Valuation gains (losses)
At March 31, 2011				
Foreign exchange contracts:				
Currency swaps	¥32,991	¥31,767	¥ 45	¥ 45
Foreign exchange forward contracts				
Forward exchange contracts written	77		(1)	(1)
Forward exchange contracts purchased	258		1	1

At March 31, 2010	Millions of Yen: Notional principal or contract amounts	Contract Amount due after one year	Fair value	Valuation gains (losses)
Foreign exchange contracts:				
Currency swaps	**¥34,668**	**¥34,668**	**¥ 52**	**¥ 52**
Foreign exchange forward contracts				
Forward exchange contracts written	**76**		**(1)**	**(1)**
Forward exchange contracts purchased	**56**		**1**	**1**
Credit derivative contracts:				
Credit default options				
Selling	**2,000**		**(7)**	**(7)**

At March 31, 2011	Thousands of U.S. Dollars: Notional principal or contract amounts	Contract Amount due after one year	Fair value	Valuation gains (losses)
Foreign exchange contracts:				
Currency swaps	**$396,759**	**$382,054**	**$ 542**	**$ 542**
Foreign exchange forward contracts				
Forward exchange contracts written	**927**		**(8)**	**(8)**
Forward exchange contracts purchased	**3,100**		**6**	**6**

(b) Derivative transactions to which hedge accounting is applied at March 31, 2011 and 2010

At March 31, 2011	Millions of Yen: Hedged item	Contract Amount	Contract Amount due after one year	Fair value
Interest rate contracts:				
Interest rate swaps-receive floating and pay fixed	**Loans and bills discounted**	**¥25,323**	**¥15,293**	**¥ (684)**

At March 31, 2011	Millions of Yen: Hedged item	Contract Amount	Contract Amount due after one year	Fair value
Foreign exchange Forward contracts	**Foreign currency call loans**	**¥ 9,990**	**¥**	**¥ (5)**

At March 31, 2010	Millions of Yen: Hedged item	Contract Amount	Contract Amount due after one year	Fair value
Interest rate contracts:				
Interest rate swaps-receive floating and pay fixed	**Loans and bills discounted**	**¥27,442**	**¥27,442**	**¥ (760)**

At March 31, 2010	Millions of Yen: Hedged item	Contract Amount	Contract Amount due after one year	Fair value
Foreign exchange Forward contracts	**Foreign currency call loans**	**¥ 8,382**	**¥**	**¥ (2)**

At March 31, 2011:	Thousands of U. S. dollars: Hedged item	Contract Amount	Contract Amount due after one year	Fair value
Interest rate contracts				
Interest rate swaps-receive floating and pay fixed	**Loans and bills discounted**	**$304,550**	**$183,924**	**$(8,223)**

At March 31, 2011:	Thousands of U. S. dollars: Hedged item	Contract Amount	Contract Amount due after one year	Fair value
Foreign exchange Forward contracts	**Foreign currency call loans**	**$120,144**	**$**	**$ (63)**

The below interest rate swaps which qualify for hedge accounting and meet specific matching criteria are not remeasured at market value but the differential paid or received under the swap agreements is recognized and included in interest expense or income. In addition, the fair value of such interest rate swaps in Note 17 is included in that of the hedged items (i.e. Loans and bills discounted).

At March 31, 2011:	Millions of Yen: Hedged item	Contract Amount	Contract Amount due after one year	Fair value
Interest rate contracts:				
Interest rate swaps-receive floating and pay fixed	**Loans and bills discounted**	**¥76,068**	**¥66,401**	**¥**

At March 31, 2010:	Millions of Yen: Hedged item	Contract Amount	Contract Amount due after one year	Fair value
Interest rate contracts:				
Interest rate swaps-receive floating and pay fixed	**Loans and bills discounted**	**¥100,365**	**¥91,919**	**¥**

At March 31, 2011:	Thousands of U. S. dollars: Hedged item	Contract Amount	Contract Amount due after one year	Fair value
Interest rate contracts:				
Interest rate swaps-receive floating and pay fixed	**Loans and bills discounted**	**$914,825**	**$798,566**	**$**

Note. Fair values are calculated based on the discounted cash flow method or another valuation method.

19. Income Taxes

The tax effects of temporary differences that give rise to a significant portion of deferred tax assets and liabilities at March 31, 2011 and 2010 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2011	2010	**2011**
Deferred tax assets:			
Reserve for possible loan losses	**¥ 10,734**	¥ 9,566	**$ 129,095**
Reserve for employee retirement benefits	**333**	277	**4,010**
Reserve for directors' and corporate auditors' retirement benefits	**271**	352	**3,264**
Reserve for reimbursement of derecognized deposits	**365**	358	**4,387**
Depreciation	**443**	497	**5,332**
Write-downs of investment securities	**1,286**	1,507	**15,462**
Unrealized losses on available-for-sale securities	**2,307**	1,793	**27,742**
Losses on impairment of fixed assets	**2,649**	2,728	**31,862**
Other	**2,531**	2,146	**30,436**
Less, valuation allowance	**(4,213)**	(4,409)	**(50,672)**
Subtotal	**16,706**	14,815	**200,918**
Deferred tax liabilities:			
Unrealized gains on available-for-sale securities	**(11,850)**	(14,267)	**(142,516)**
Other	**(2,261)**	(2,142)	**(27,195)**
Subtotal	**(14,111)**	(16,409)	**(169,711)**
Net deferred tax assets (liabilities)	**¥ 2,595**	¥ (1,594)	**$ 31,207**

A reconciliation of the differences between the Japanese statutory effective tax rate and the actual effective tax rate on pretax income reflected in the accompanying consolidated statement of income for the year ended March 31, 2011 and 2010 is as follows:

	Percentage of pretax income	
	2011	2010
Japanese statutory effective tax rate	**40.4 %**	40.4 %
Increase (decrease) due to:		
Non-deductible expenses	**0.8**	0.7
Non-taxable income	**(2.7)**	(1.6)
Resident tax per capital levy	**0.4**	0.3
Increase in valuation allowance	**(1.2)**	(1.0)
Other	**0.4**	(1.5)
Actual effective income tax rate	**38.1 %**	37.3 %

20. Comprehensive Income

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

	2010
Other comprehensive income:	
Unrealized gains on available-for-sale securities	**¥ 13,661**
Deferred gains (losses) on derivatives under hedge accounting	**(21)**
Total other comprehensive income	**¥ 13,640**

Total comprehensive income for the year ended March 31, 2010 was the following:

	2010
Total comprehensive income attributable to:	
Owners of the parent	**¥ 22,940**
Minority interests	**553**
Total comprehensive income	**¥ 23,493**

21. Per Share Information

Net income per share, as presented Consolidated Statements of Income, is based on the weighted average number of shares of common stock outstanding during each year. The weighted average number of shares of common stock outstanding for the year ended March 31, 2011 was 209,959 thousand shares.

22. Subsequent Event

Appropriation of retained earnings

The shareholders of the Bank approved the following appropriations of retained earnings at the annual general meeting on June 28, 2011:

	Millions of Yen	Thousands of U.S. Dollars
Cash dividends	**¥ 840**	**$ 10,102**

23. Segment Information

For the years ended March 31, 2011 and 2010

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.
The segment information for the year ended March 31, 2010 under the revised accounting standard is also disclosed hereunder as required.

1. Description of reportable segments
The Group's reportable segments are those for which separately financial information is available and regular evaluation by the Board of Directors is being performed in order to decide how resources are allocated among the Group.
The Bank concentrates on the banking business, and also conduct other financial services including the leasing business. Therefore, the Group's reportable segments consist of Banking and Leasing.
Banking consists of deposit business, loan business, foreign (domestic) exchange business, securities business.
Leasing consists of leasing business.

2. Methods of measurement for the amounts of ordinary income, profit (loss), assets and other items for each reportable segment
The accounting policies of each reportable segment are consistent to those disclosed in Note 2, "Summary of Significant Accounting Policies".

3. Information about ordinary income, profit (loss), assets and other items is as follows.

	Millions of Yen						
	2011						
	Reportable segment						
	Banking	Leasing	Total	Other	Total	Reconciliations	Consolidated
Ordinary income:							
Outside customers	¥ 66,801	¥ 12,685	¥ 79,486	¥ 1,592	¥ 81,078	¥	¥ 81,078
Inter segment	295	1,348	1,643	572	2,215	(2,215)	
Total	67,096	14,033	81,129	2,164	83,293	(2,215)	81,078
Segment profit	11,299	890	12,189	767	12,956	199	13,155
Segment assets	3,473,486	31,632	3,505,118	13,430	3,518,548	(23,902)	3,494,646
Other:							
Depreciation	¥ 3,748	¥ 412	¥ 4,160	¥ 12	¥ 4,172	¥	¥ 4,172
Interest income and dividends	52,921	86	53,007	245	53,252	(188)	53,064
Interest expenses	3,913	275	4,188	7	4,195	(294)	3,901

	Millions of Yen						
	2010						
	Reportable segment						
	Banking	Leasing	Total	Other	Total	Reconciliations	Consolidated
Ordinary income:							
Outside customers	¥ 66,641	¥ 12,648	¥ 79,289	¥ 1,643	¥ 80,932	¥	¥ 80,932
Inter segment	304	1,141	1,445	586	2,031	(2,031)	
Total	66,945	13,789	80,734	2,229	82,963	(2,031)	80,932
Segment profit	14,644	768	15,412	532	15,944	161	16,105
Segment assets	3,331,079	32,969	3,364,048	13,712	3,377,760	(24,058)	3,353,702
Other:							
Depreciation	¥ 3,723	¥ 582	¥ 4,305	¥ 10	¥ 4,315	¥	¥ 4,315
Interest income and dividends	53,897	28	53,925	306	54,231	(192)	54,039
Interest expenses	5,928	320	6,248	10	6,258	(289)	5,969

	Thousands of U.S. Dollars						
	2011						
	Reportable segment						
	Banking	Leasing	Total	Other	Total	Reconciliations	Consolidated
Ordinary income:							
Outside customers	$803,377	$ 152,556	$955,933	$ 19,153	$ 975,086	$	$975,086
Inter segment	3,549	16,215	19,764	6,874	26,638	(26,638)	
Total	806,926	168,771	975,697	26,027	1,001,724	(26,638)	975,086
Segment profit	135,887	10,702	146,589	9,219	155,808	2,394	158,202
Segment assets	41,773,737	380,426	42,154,163	161,513	42,315,676	(287,466)	42,028,210
Other:							
Depreciation	$ 45,080	$ 4,958	$ 50,038	$ 142	$ 50,180	$	$ 50,180
Interest income and dividends	636,449	1,031	637,480	2,956	640,436	(2,269)	638,167
Interest expenses	47,061	3,309	50,370	80	50,450	(3,533)	46,917

Note: 1. The "Other" segment contains business that is not included in these reportable segments, such as the guarantee and credit card business.
2. Adjustment for the years ended March 31, 2011 and 2010 amounts are as follows:
(1) Reconciliations of segment profit of ¥ (43) million ($ (525) thousand) and ¥ (7) million was made by eliminate intersegment transactions.
(2) Reconciliations of segment profit of ¥242million ($ 2,917thousand) and ¥169million were made by adjustment for reserve for possible loan losses.
(3) Reconciliations of segment assets and other were made by eliminate intersegment transactions.
3. Segment profit represents profit which is deducted certain special income and loss from income before income taxes and minority interests in the accompanying consolidated statements of income.

For the year ended March 31, 2010

A summary of information classified by lines of business of the Group for the years ended March 31, 2010 was as follows:

	Banking	Leasing	Other	Total	Eliminations	Consolidated
	Millions of Yen					
For the year ended March 31, 2010:						
Ordinary income:						
Outside customers	¥ 66,641	¥ 12,648	¥ 1,643	¥ 80,932	¥	¥ 80,932
Inter-segment	304	1,141	586	2,031	(2,031)	
	66,945	13,789	2,229	82,963	(2,031)	80,932
Ordinary expenses	52,301	13,021	1,697	67,019	(2,192)	64,827
Ordinary profit	¥ 14,644	¥ 768	¥ 532	¥ 15,944	¥ 161	¥ 16,105
Identifiable assets	¥3,331,079	¥ 32,969	¥ 13,712	¥3,377,760	¥(24,058)	¥3,353,702
Depreciation	3,723	582	10	4,315		4,315
Losses on impairment of fixed assets	255			255		255
Capital expenditures	7,507	25	27	7,559		7,559

Note: (1) "Ordinary income" represents total income less certain special income included in other income on the accompanying consolidated statements of income. "Ordinary expenses" represents total expenses less certain special expenses, such as losses on impairment of fixed assets and prior expenses of reserve for directors' and corporate auditors' retirement benefits and reserve for reimbursement of derecognized deposits, included in other expenses. "Ordinary profit" represents ordinary income less ordinary expenses.
"Other" business segment includes guarantee and credit card operations.
(2) Information of geographic segment and income from foreign operations is not presented; as such amounts were not material to be disclosed.
(3) As mentioned in Note 2. (O),"Accounting Standard for Lease Transactions"(ASBJ Statement No.13, issued on March 30, 2007) and " Implementation Guidance on Accounting Standard for Lease Transactions " (ASBJ Guidance NO.16, issued on March 30, 2007) became effective from the fiscal year beginning on and after April 1, 2008,and the Group has applied them from the fiscal year ended March 31, 2009.

Related Information for the year ended March 31, 2011

Segment Information by services

	Millions of Yen				
	2011				
	Loan Business	Securities Investment Business	Leasing Business	Other	Total
Ordinary income from external customers	¥ 40,863	¥ 13,920	¥ 12,517	¥ 13,778	¥ 81,078

	Thousands of U.S.Dollars				
	2011				
	Loan Business	Securities Investment Business	Leasing Business	Other	Total
Ordinary income from external customers	$491,448	$167,412	$150,542	$165,685	$975,087

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
The KAGOSHIMA Bank, Ltd.:

We have audited the accompanying consolidated balance sheets of The KAGOSHIMA Bank, Ltd. and consolidated subsidiaries as of March 31, 2011 and 2010, and the related consolidated statements of income for the years then ended, the consolidated statement of comprehensive income for the year ended March 31, 2011, and the related consolidated statements of 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 Company'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 KAGOSHIMA Bank, Ltd. and consolidated subsidiaries as of March 31, 2011 and 2010, 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 28, 2011