

- Japanese Indirect Finance system -
There is a way to make a long term profit



Deal with Shinkin Banks or Credit unions

Shinnyou Kinko

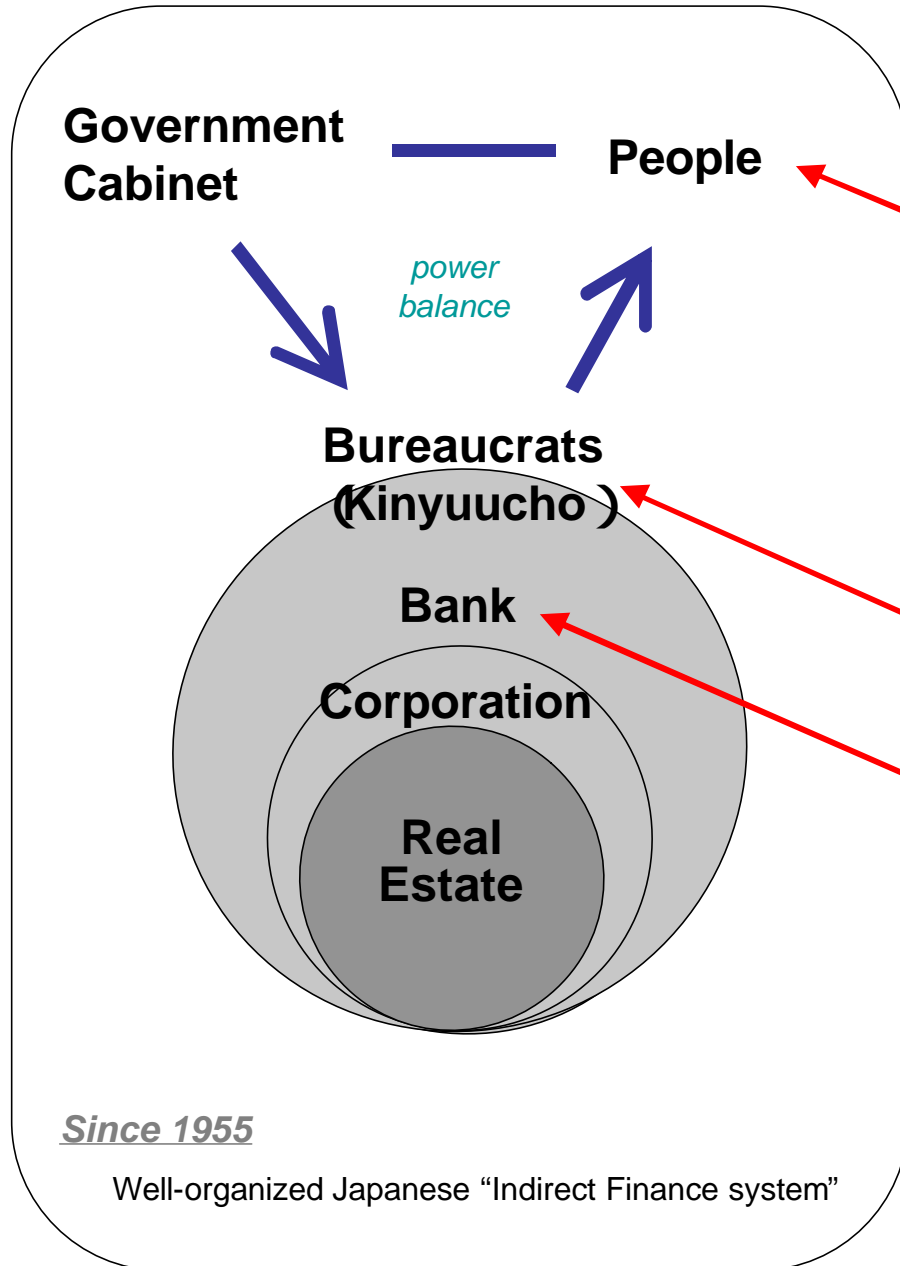
shinnyou Kumiai



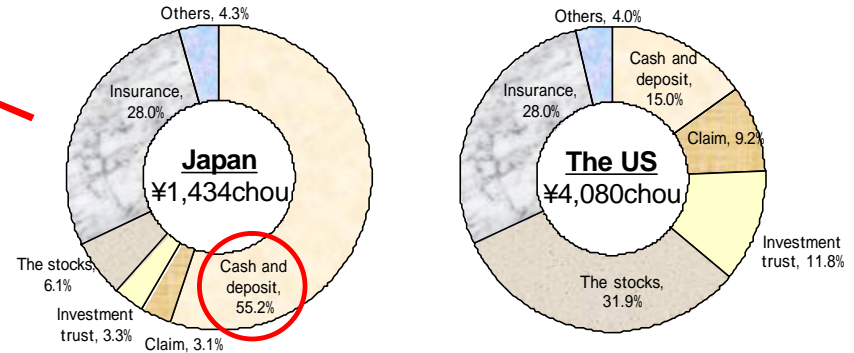
- ***Better deal than Ripplewood Holdings LLC ??***

- Again, safety ensured by Japanese “Indirect Finance system”

- ***Substantial control available ?? with radical capital In & Out***



Asset composition of Household economy (December 2008)



Major component of "Indirect Finance System"
Direct : Indirect = 2 : 8 ?

Deal with BIS Regulation

Loan to

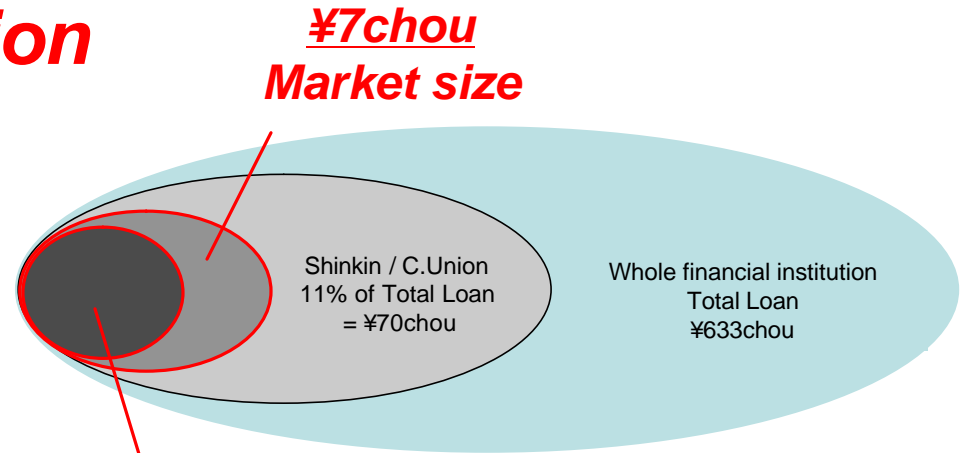
- Shinkin Bank
- Credit union

"Deal with BIS Regulation" and
"Sufficient liquidity supply to the Banks" simultaneously,
leads to "Long term profit under substantial control"

Shinkin bank / Credit union

- Market can be Created

Regulation	Time of Making Public	Risk Coverage	Capital Adequacy Ratio
BIS Regulation	1988	Credit Risk	8%
Market risk Regulation	1996	Credit Risk, Market Risk	8%
NEW BIS Regulation	1998	Credit Risk, Market Risk, Operational Risk	8%
NEW BIS Regulation	2006	Application begins in Japan	8%
NEW BIS Regulation	2012	Application review in Japan	?? %



Initial Target: ¥7000oku
10% share of Market

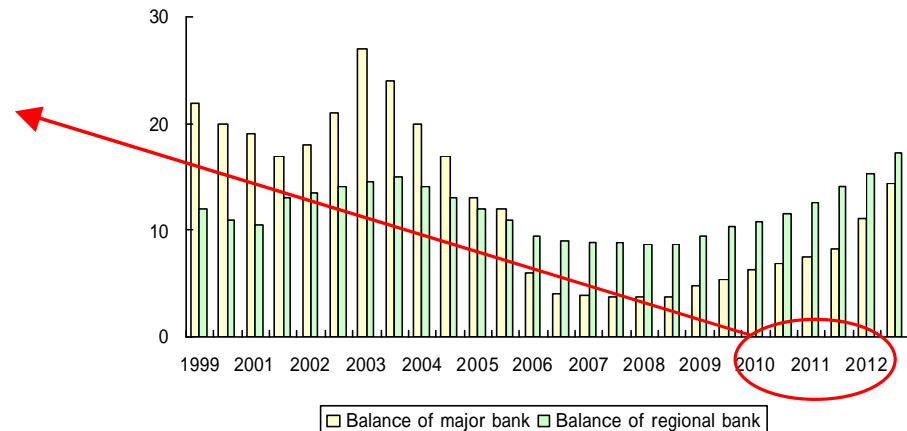
$$\frac{\text{“Net Capital”}}{\text{“Risk Assets”}} = \text{Capital Adequacy Rate}$$

Expires

- Kinyuu ennkatsuka houan (April 2011)
- Kinyuu kinou kyoukahou (April 2012)
- Tier 1, net worth rate, Danryokuka act (April 2012)
- IFRS (December 2012)

Substantial control available??
with
Radical capital in and out

Transition of Non Performing Loan

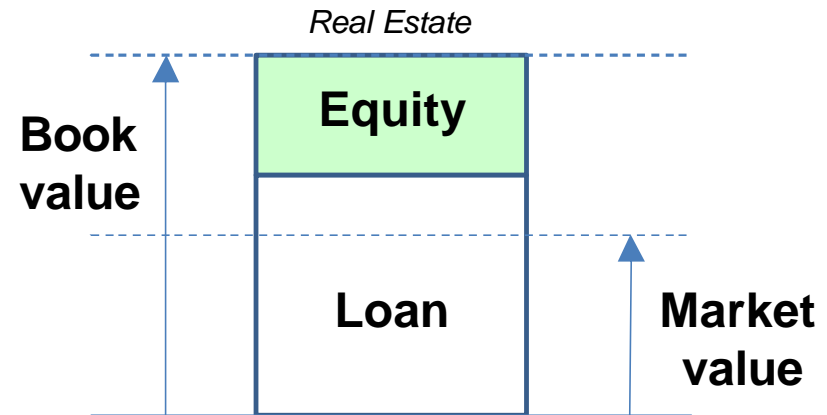


Same situation as year 1990-2000

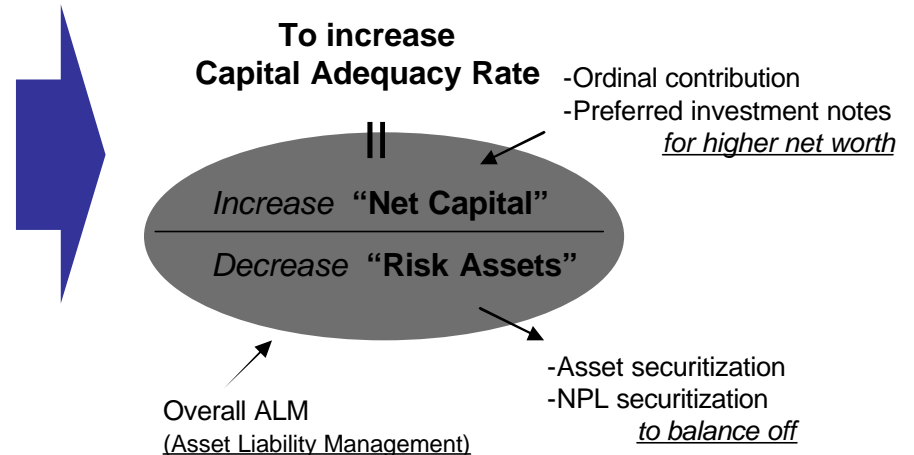
Not only Proprietor's Market value is lower than Book value, but Loan creditor's Market value is also lower than Book value

Buyer wants to buy
Lower price

Seller wants to sell
Higher price



Imitate a "Financial Policy"
as year 2001



Value add

Hana Shinyo Kumiai / Credit Union

Balance Sheet (Assets Section) (Unit: Thousand Yen (Sen Yen))

Subject (Assets Section)	End of March 2008	End of March 2009	End of March 2010
Cash	5,964,270	6,100,335	
Due from Banks	24,343,199	21,893,928	
Call Loan			
Purchase Money Claim			
Commodity Securities	0	0	0
Commodity Government Bond	0	0	
Securities	14,450	201,900	0
Government Bond	0	0	
Municipal Bond	0	0	
Corporate Bond	0	0	
Stocks	14,450	201,900	
Other Bonds	0	0	
Loan Credit	87,093,438	89,819,972	0
Discounted Bill	238,793	186,957	
Bill Lending	7,771,583	5,210,362	
Bond Lending	78,561,825	83,925,552	
Overdraft	521,237	466,101	
Foreign Exchanges	0	0	0
Foreign Country and Others Shop Entrusting	0	0	
Foreign Country of Purchase Exchange	0	0	
Foreign Bills Receivable	0	0	
Other Assets	1,009,889	831,256	0
Open Exchange	7,180	9,907	
Reserve Bank1 of Capital Stock	0	0	
Reserve Bank2 of Capital Stock	499,700	499,700	
Shoko Chukin of Capital Stock	187,450	0	
Prepaid Expenses	14,426	13,209	
Uncollected Revenue	106,482	103,153	
Trading-related Financial Derivatives	0	0	
Other Assets	194,651	205,287	
Tangible Fixed Assets	6,496,369	6,296,324	0
Building	1,581,810	1,497,245	
Land	4,693,208	4,690,464	
Lease Asset	0	0	
Construction Suspense Account	0	11,200	
Other Tangible Fixed Assets	221,351	97,415	
Intangible Fixed Assets	78,653	77,218	0
Software	3,922	2,487	
Lease Asset	0	0	
Other Intangible Fixed Assets	74,731	74,731	
Deferred Tax Credit	196,035	243,502	
Guarantee of Obligation-per Collateral	12,784,906	11,304,030	
Loan Loss Reserve	(△ 4,710,896)	(△ 6,133,805)	
(Individual Reserve)	(△ 3,176,819)	(△ 5,184,612)	
(General Reserve)	(△ 1,534,077)	(△ 949,193)	(0)
Amount of Assets Section	133,270,313	130,634,660	0

	End of March 2008	End of March 2009	End of March 2010
Capital Adequacy Ratio	8.64%	7.81%	7.18%
Tier1 Capital Adequacy Ratio	8.01%	7.18%	6.31%
Risk Asset	86,806,000	83,227,000	83,227,000

1% up

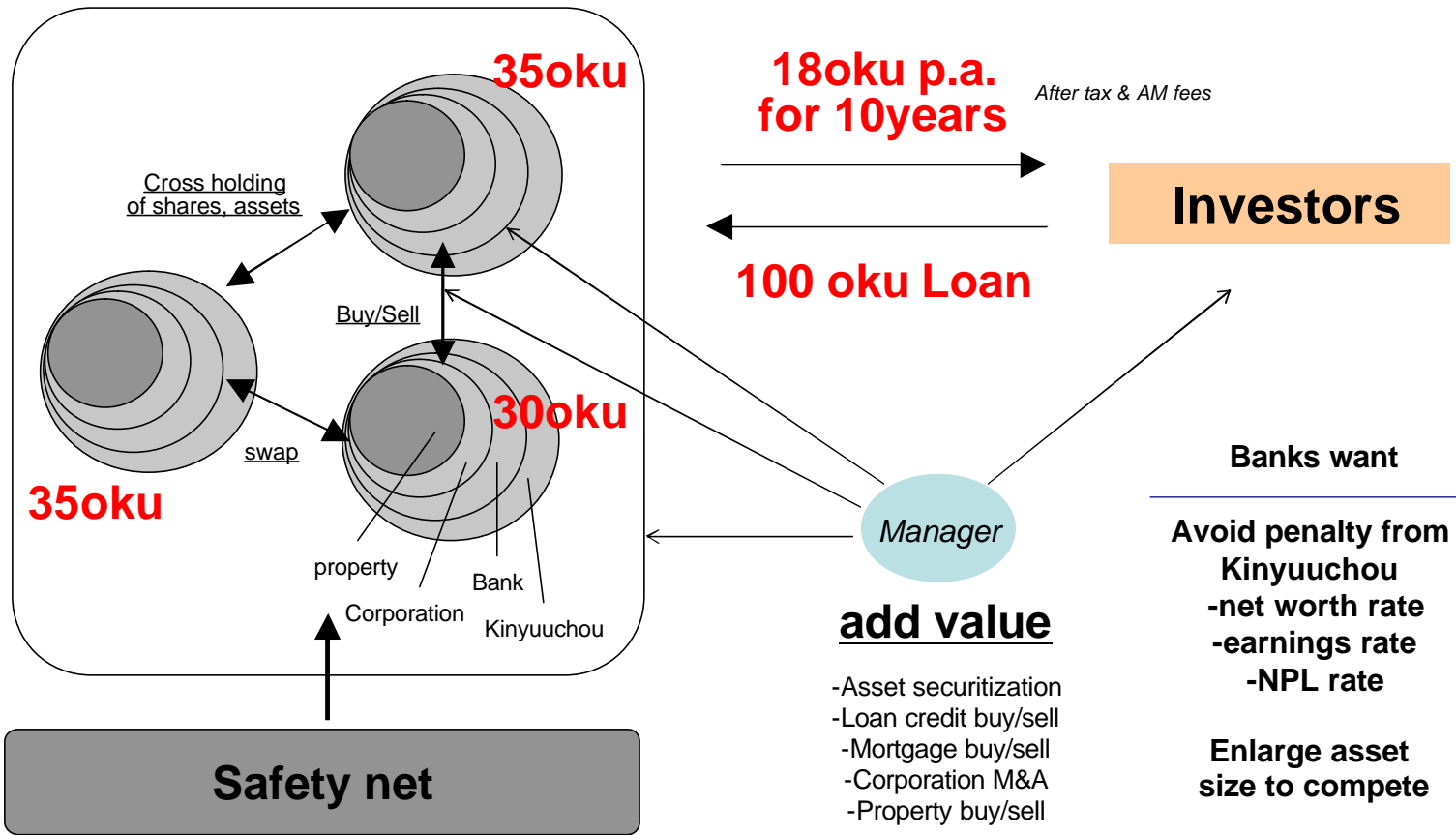
*Due from Banks : titles of account to manage the amount of money temporarily entrusted to the customer, the director, and the employee, etc.

* Acceptances and Guarantees Collateral : The record to clarify the contingent liability

※ Contingent Liability : The one that it is possible to become a debt fixed because a constant reason in the future is generated now though not fixed as a debt.

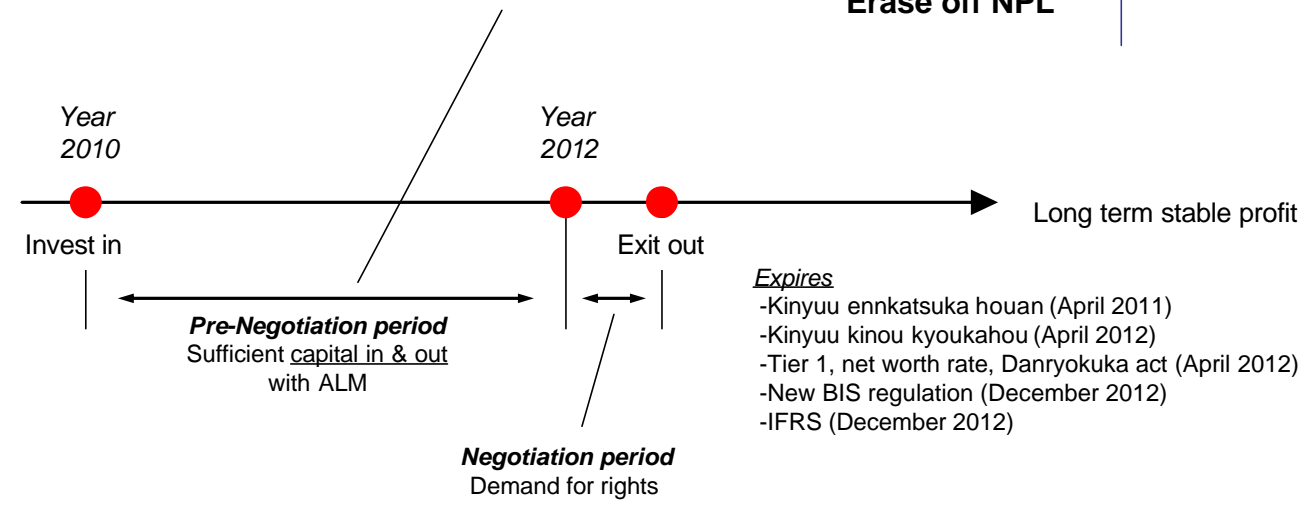
Balance Sheet (Debt & Net Assets Section) (Unit: Thousand Yen (Sen Yen))

Subject (Debt Section)	End of March 2008	End of March 2009	End of March 2010
Deposit Reserve Fund	110,877,816	111,078,238	0
Current Deposits	3,910,767	4,425,744	
Ordinary Deposits	33,374,426	29,576,809	
Saving Deposits	68,303	59,836	
Deposits at Notice	26,100	10,100	
Time Deposits	62,774,881	65,766,732	
Installment Savings	10,365,769	10,772,001	
Other Deposits	357,570	467,016	
Borrowed Money	0	0	0
Borrowings from Other Banks			
Call Money			
Foreign Exchanges	0	0	0
Foreign Bills Payable	0	0	
Other Debts	1,454,621	1,006,671	0
Domestic Exchange Settlement Account	27,259	31,446	
Accrued Expenses	221,059	290,623	
Reserve for Interest on Installment Savings	16,011	25,873	
Income Taxes Payable	97,052	115,787	
Unearned Revenue	135,570	125,925	
Accrued Refundable	719,934	258,671	
Accrued Refundable Rights	0	0	
Deposit by Staffs	0	0	
Trading-related Financial Derivatives	0	0	
Lease Debt	0	0	
Other Debts	237,736	158,346	
Provision for Bonuses	89,424	77,292	
Provision for Directors' Bonuses	0	0	
Provision for Retirement Benefits	465,801	472,488	
Provision for Directors' Retirement Benefits	15,011	19,211	
Sleeping Account Loss Reserve	1,779	1,763	
Contingent Loss Reserve	0	0	
Deferred Tax Debts	0	0	
Other Reserves	894	80	
Deferred tax Debts for Land Revaluatio	0	0	
Guarantee of obligation	12,784,906	11,304,030	
Amount of Debts Section	125,690,252	123,959,773	
(Net Assets Section)			
Capital Stock	3,963,917	3,798,289	0
Ordinal Contribution	3,963,917	3,798,289	
Preferred Equity Investment Notes	0	0	
Capital Surplus	0	0	
Legal Capital Surplus	0	0	
Retained Earnings	3,616,140	2,876,595	
Legal Retained Earnings	410,000	510,000	
Other Legal Retained Earnings	3,206,140	2,366,595	
Special Reserve	2,230,000	2,230,000	
(Preferred Shares Reserve Fund)	0	0	
(10Years Anniversary Fund)	0	0	
(Reserve Fund)	0	0	
(CSR Fund)	0	0	
Unappropriated Retained Earnings	976,140	136,595	
(Net Income)	0	0	
Settlement Rights	0	0	
Amount of Shareholders' Equity	0	0	
Members' Account Total	7,580,057	6,674,884	
Valuation Difference on Available-for-sale Securities	0	0	
Deferred Gains or Losses on Hedges	0	0	
Revaluation Reserve for Land	0	0	
Amount of Valuation and Translation Adjustments	0	0	
Amount of Net Assets Section	7,580,057	6,674,884	
Amount of Debt & Net Assets Section	133,270,317	130,634,666	



Banks want	Investors want
Avoid penalty from Kinyuuchou	Stable interest return
-net worth rate	Sound mortgage
-earnings rate	Occasional profit of Corporation earnings (dividend/capital gain)
-NPL rate	-Real estate earnings (income/capital gain)
Enlarge asset size to compete	
Erase off NPL	

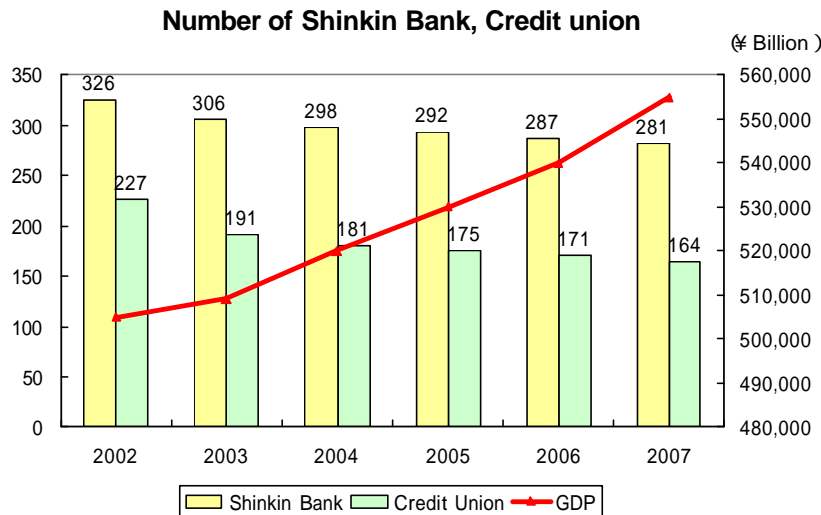
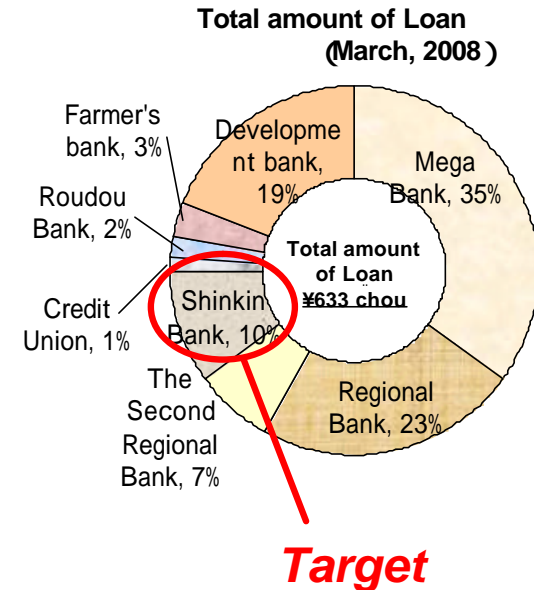
Substantial control
Capital in & out
 for
Long term profit



Why “Shinkin Bank or Credit union”? not Mega-bank?

- More administrative regulation
- Less organized to compete
- Quicker decision making
- Higher current net worth rate, but should prepare to compete against Mega-bank in advance

Regulations can be changed



M&A increase, nevertheless stable GDP growth
Demand to enlarge the amount of assets

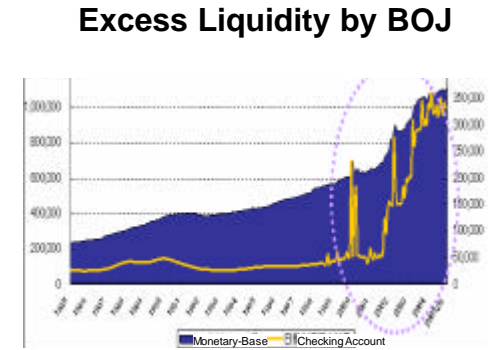
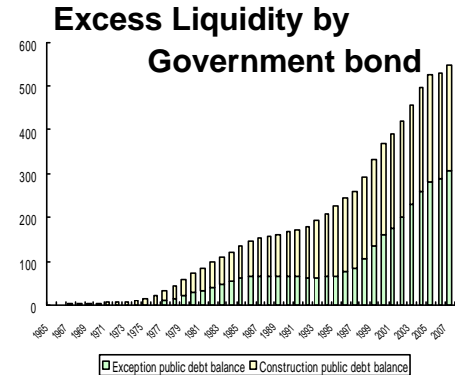
Amount of deposit (March, 2008)

Amount of deposit	Regional Bank	Second Regional Bank	Shinkin Bank	Credit union
5chou ~	10	1	8	1
2chou ~	31	7	8	2
1chou ~	17	14	16	8
5,000 oku ~	5	14	44	2
3,000 oku ~	1	7	49	8
2,000 oku ~		2	37	9
1,000 oku ~			71	32
500 oku ~			48	42
300 oku ~			8	29
100 oku ~				28
100 oku less				13

Why so safety?

“Japanese Indirect Finance System”

Sufficient reliability with multiple-layered security



A

Yokin Hoken Kikou (Deposit Insurance Agency)

- 7 independent accounts
- Article102 : “critical-phase account” to prevent financial crisis
- Cooperate with Financial Reformation law
- No bankruptcy assumed, all liabilities eventually transfer to the public Fund or merged institution

H

G

B

Reserve bank of Shinkin Bank 3 support systems

- management analysis support /strategic analysis
- management advisory support /adequate advisory
- sufficient net worth support / preferred bond accept

Reserve bank of Credit Union 3 support systems

- monitoring support, -advisory support, -sufficient net worth support

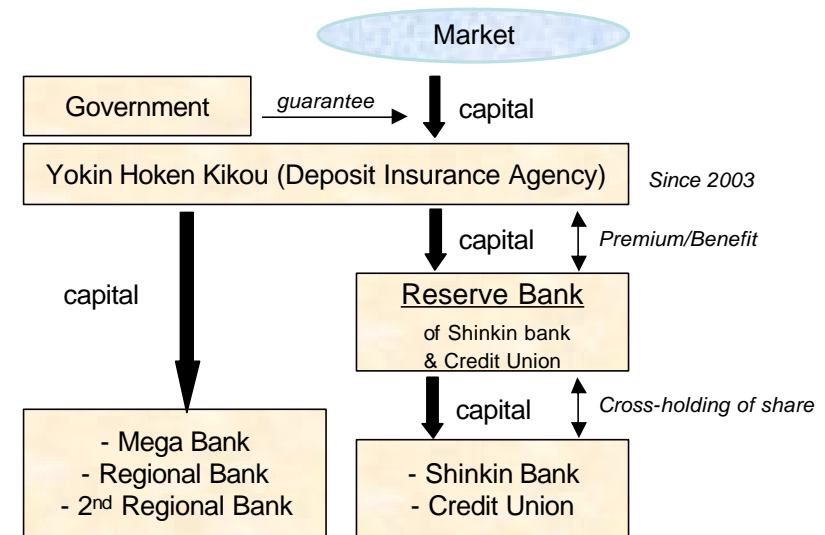
C

Cross-holding of share with Reserve bank

- Sufficient liquidity from the market

Cross-holding of share with competitor

- Mutually beneficial relationship
- Traditional safety-net



E

8% Net-worth-rate by BIS regulation

- Domestic rule of 4% currently applies
- Sufficient internal reserve**
- Profit accumulation for contingency

F

Structure of Shinkin Bank & Credit union

- Different legal scheme from Mega bank, Regional bank
- Independent law of Shinkin bank and Credit union, seeking for public benefit and regional growth

D

Current 3 legislative act- To supply sufficient Liquidity

- Kinnyuu kinou kyouka hou
- Kinnyuu enkatsuka houan
- Tier1 Danryokuka act

Practical business activities

Creditor/debtor rights and its relationship is extraordinary complex, in each levels of Real estate, Corporation, Bank and Kinyuuchou Administration.

There is a high demand for systematic organization with practical business skills for creditor/debtor rights with mutual satisfaction.

Bank

Checking the following details

Mortgage status

- Ordinal credit level
- Cautious level 1 (within 3months deferred)
- Cautious level 2 (over 3months deferred)
- Pre-bankruptcy level
- Practical bankruptcy level
- Already bankrupted level, under legal proceedings

Transferable credit, or default level on an obligation

Amount of NPL, Reserve and its administration

Chance of provisional execution

Limit date of compulsory execution

Chance of Distraint credit or asset and its schedule

Compulsive credit or asset auction

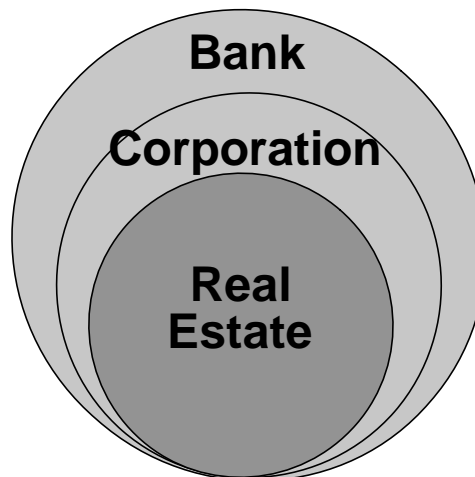
Bulk of mortgage/property auction

Out of court settlement or target to a compromise?

Expected judgment details

Seeking cross-holding of assets or credits

...and above Legal proceedings



Corporation

Checking the following details

Status of subsidiary or affiliated company

Status of stock holder/board of directors

Number of stock, preferred/ordinal stock status

Legal reformation of

-minji saisei, kaisha-kousei, or bankruptcy?

Which firm of a liquidator, a trustee in a bankruptcy?

Unlisted assets and liabilities

The clauses of a all contract

Not include a criminal lawsuit matter?

Payment of Taxes

Seeking cross-holding of shares or credits

Real Estate

Checking the following details

Ownership, occupant/lease right, surface rights and any other debits and credits with all related concerns includes deposit, insurance, guarantor and his solvency

Property Management and Building Management status

Registration status

The clauses of a all contract, No intentional significant hidden fact in agreement?

Payment of Taxes

Seeking cross-holding of assets, connection with tenants