Notes to Consolidated Financial Statements

THE 77 BANK, LTD. AND SUBSIDIARIES
Years ended March 31, 2006 and 2005

1. Basis of Presenting Consolidated Financial Statements

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

In preparing these consolidated financial statements, certain reclassifications and rearrangements have been made to the consolidated financial statements issued domestically in order to present them in a form which is more familiar to readers outside Japan. In addition, certain reclassifications and rearrangements have been made in the 2005 financial statements to conform to the classifications and presentations in 2006.

In conformity with the Japanese Commercial Code (the "Code") and the other relevant regulations, all Japanese yen figures in the consolidated financial statements have been rounded down to the nearest million yen, except for per share data. Accordingly, the total of each account may not be equal to the combined total of individual items.

The consolidated financial statements are stated in Japanese yen, the currency of the country in which The 77 Bank, Ltd. (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 ¥117.47 to U.S.$1, the approximate rate of exchange at March 31, 2006. Such translation should not be construed as 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. Consolidation—The consolidated financial statements include the accounts of the Bank and its subsidiaries (together, the "Companies"). The number of consolidated subsidiaries as of March 31, 2006 and 2005 was seven companies.

Under the control or influence concept, those companies in which the Bank, directly or indirectly, is able to exercise control over operations are fully consolidated, and those companies over which the Companies have the ability to exercise significant influence are accounted for by the equity method.

All significant intercompany balances and transactions have been eliminated in consolidation. All material unrealised profits and losses resulting from transactions within the Companies are eliminated.

b. Cash and Cash Equivalents—For the purpose of the consolidated statements of cash flows, cash and cash equivalents represent cash and amounts due from the Bank of Japan.

c. Trading Account Securities, Investment Securities and Money Held in Trust—Securities other than investments in affiliates are classified into three categories, based principally on the Companies' intent, as follows:

(1) trading account securities which are held for the purpose of earning capital gains in the near term are reported at fair value, and the related unrealized gains and losses are included in earnings,
(2) held-to-maturity debt securities, which are expected to be held to maturity with the positive intent and ability to hold to maturity are reported at amortized cost, and
(3) available-for-sale securities, which are not classified as either of the aforementioned securities, are reported at fair value, with unrealized gains and losses, net of applicable taxes, reported in a separate component of stockholders' equity.

The cost of trading account securities and available-for-sale securities sold is determined based on the moving-average method.

Non-marketable available-for-sale securities are reported at cost or amortized cost determined by the moving-average method.

For other than temporary declines in fair value, investment securities are reduced to net realizable value by a charge to income.

Securities included in money held in trust are also classified and accounted for by the same method as above.

The components of trust assets are accounted for based on the standard appropriate for each asset type. Instruments held in trust for trading purposes are recorded at fair value and unrealized gains and losses are recorded in other income/expenses. Instruments held in trust classified as available-for-sale are recorded at fair value with the corresponding unrealized gains/losses recorded directly in a separate component of stockholders' equity. Instruments held in trust classified as held to maturity are carried at amortized cost.

d. Lease Assets—Lease assets included in other assets are stated at cost less accumulated depreciation. Depreciation of lease assets is mainly computed by the straight-line method over lease periods.

e. Premises and Equipment—Premises and equipment are stated at cost less accumulated depreciation and gains deferred on the sale and replacement of certain assets. Depreciation of premises and equipment is mainly computed by the declining-balance method at rates based on the estimated useful lives of the assets. The range of useful lives is principally from five to 31 years for buildings, and from five to 20 years for equipment.

f. Fixed Assets—In August 2002, the Business Accounting Council (the "BAC") issued a Statement of Opinion, "Accounting for Impairment of Fixed Assets," and in October 2003 the Accounting Standards Board of Japan (the "ASBJ") issued ASBJ Guidance No. 6, "Guidance for Accounting Standard for Impairment of Fixed Assets." These new pronouncements were effective for fiscal years beginning on or after April 1, 2005 with early adoption permitted for fiscal years ending on or after March 31, 2004.

In our banking operations, amounts equivalent to accumulated impairment losses are directly charged to assets employed for the operations in accordance with the relevant regulations (Enforcement Regulations to the Banking Law (1982, Ministry of Finance Order No. 10)).

The Companies adopted the new accounting standard for impairment of fixed assets as of April 1, 2005. The Companies reviews its fixed assets for impairment whenever events or changes in circumstances indicate that 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.

The effect of adoption of the new accounting standard for impairment of fixed assets was to decrease income before income taxes and minority interests for the year ended March 31, 2006 by ¥834 million ($7,160 thousand).

g. Software—Capitalized cost of computer software developed/obtained for internal use is amortized by the straight-line method over the estimated useful lives of five years.

h. Foreign Currency Items—Assets and liabilities denominated in foreign currencies held by the Bank at the year end are translated into Japanese yen at the current exchange rates in effect at each balance sheet date. Exchange gains and losses are recognized in the fiscal periods in which they occur.

i. Reserve for Possible Loan Losses—The Bank determines the amount of the reserve for possible loan losses by means of management's judgment and assessment of future losses based on a self-assessment system. This system reflects past experience of credit losses, possible credit losses, business and economic conditions, the character, quality and performance of the portfolio, and other pertinent indicators.

The Bank implemented the self-assessment system for its asset quality. The quality of all loans is assessed by branches and the credit supervisory division with a subsequent audit by the Bank's asset review and inspection division in accordance with the Bank's policy and rules for self-assessment of asset quality.

The Bank has established a credit rating system under which its customers are classified into five categories. The credit rating system is used for self-assessment of asset quality. All loans are classified into five categories for self-assessment purposes such as "normal," "caution," "possible bankruptcy," "virtual bankruptcy" and "legal bankruptcy."

The reserve for possible loan losses is calculated based on the specific actual past loss ratio for normal and caution categories, and the fair value of the collateral for collateral-dependent loans and other factors of solvency including value of future cash flows for other self-assessment categories.

The subsidiaries determine the reserve for possible loan losses by a similar self-assessment system to that of the Bank.

j. Employees' Retirement and Pension Plans—The Bank and certain subsidiaries have contributory funded pension plans and unfunded retirement benefit plans for employees which cover approximately 75% and 25%, respectively, of their benefits. Other subsidiaries have unfunded retirement benefit plans.

The liability for employees' retirement benefits is provided for the payment of employees' retirement benefits based on estimated amounts of the actuarial retirement benefit obligation and the related pension assets. Net actuarial gain (loss) is amortized using the straight-line method over 10 years commencing from the next fiscal year of incurrence.

k. Leases—All leases are accounted for as operating leases. Under Japanese accounting standards for leases, finance leases that deem to transfer ownership of the leased property to the lessee are to be capitalized, while other finance leases are permitted to be accounted for as operating lease transactions if certain "as if capitalized" information is disclosed in the notes to the consolidated financial statements.

l. 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.

m. Appropriations of Retained Earnings—Appropriations of retained earnings at each year end are reflected in the consolidated financial statements for the following year upon stockholders' approval.

n. Derivatives and Hedging Activities—It is the Bank's policy to use derivative financial instruments ("derivatives") primarily for the purpose of reducing market risks associated with its assets and liabilities. The Bank also utilizes derivatives to meet the needs of its clients while entering into derivatives as a part of its trading activities. The Bank enters into interest rate swaps and interest rate caps as a means of hedging its interest rate risk on certain loans and investment securities. The Bank also enters into foreign exchange forward contracts and currency options to hedge exchange risk associated with its assets and liabilities denominated in foreign currencies and to meet the needs of its clients. Furthermore, the Bank enters into interest rate futures, bond futures, bond future options and foreign exchange forward contracts for a short term as part of its trading activities.

Derivatives are recognized as either assets or liabilities and measured at fair value. Gains or losses on derivative transactions are recognized in the consolidated statements of income. If derivatives qualify for hedge accounting because of high correlation and effectiveness between the hedging instruments and the hedged items, gains or losses on derivatives are deferred until maturity of the hedged transactions.

The 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 are recognized and included in interest expenses or income.

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

The basic net income available to common stockholders and weighted-average number of common shares used in the computation were ¥9,363 million ($79,713 thousand) and 380,051 thousand shares for 2006 and ¥8,993 million and 380,159 thousand shares for 2005, respectively.

Diluted net income per share reflects the potential dilution that could occur if securities were exercised or converted into common stock. Diluted net income per share of common stock is not disclosed because there are no outstanding potentially dilutive securities.

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

p. New Accounting Pronouncements

Business Combination and Business Separation

In October 2003, the BAC issued a Statement of Opinion, "Accounting for Business Combinations," and on December 27, 2005 the ASBJ issued "Accounting Standard for Business Separations" and ASBJ Guidance No. 10, "Guidance for Accounting Standard for Business Combinations and Business Separations."

These new accounting pronouncements are effective for fiscal years beginning on or after April 1, 2006. The accounting standard for business combinations allows companies to apply the pooling of interests method of accounting only when certain specific criteria are met such that the business combination is essentially regarded as a uniting-of-interests. These specific criteria are as follows:

(a) the consideration for the business combination consists solely of common shares with voting rights,
(b) the ratio of voting rights of each predecessor stockholder group after the business combination is nearly equal, and
(c) there are no other factors that would indicate any control exerted by any stockholder group other than voting rights.

For business combinations that do not meet the uniting-of-interests criteria, the business combination is considered to be an acquisition and the purchase method of accounting is required. This standard also prescribes the accounting for combinations of entities under common control and for joint ventures. Goodwill, including negative goodwill, is to be systematically amortized over 20 years or less, but is also subject to an impairment test.

Under the accounting standard for business separations, in a business separation where the interests of the investor no longer continue and the investment is settled, the difference between the fair value of the consideration received for the transferred business and the book value of net assets transferred to the separated business is recognized as a gain or loss on business separation in the statement of income. In a business separation where the interests of the investor continue and the investment is not settled, no such gain or loss on business separation is recognized.

Stock options

On December 27, 2005, the ASBJ issued "Accounting Standard for Stock Options" and related guidance. The new standard and guidance are applicable to stock options newly granted on and after May 1, 2006. This standard requires companies to recognize compensation expense for employee stock options based on the fair value at the date of grant and over the vesting period as consideration for receiving goods or services. The standard also requires companies to account for stock options granted to nonemployees based on the fair value of either the stock option or the goods or services received. In the balance sheet, the stock option is presented as a stock acquisition right as a separate component of stockholders' equity until exercised. The standard covers equity-settled, share-based payment transactions, but does not cover cash-settled, share-based payment transactions. In addition, the standard allows unlisted companies to measure options at their intrinsic value if they cannot reliably estimate fair value.

Bonuses to directors and corporate auditors

Prior to the fiscal year ended March 31, 2005, bonuses to directors and corporate auditors were accounted for as a reduction of retained earnings in the fiscal year following approval at the general stockholders meeting. The ASBJ issued ASBJ Practical Issues Task Force No. 13, "Accounting treatment for Bonuses to Directors and Corporate Auditors," which encouraged companies to record bonuses to directors and corporate auditors on the accrual basis with a related charge to income, but still permitted the direct reduction of such bonuses from retained earnings after approval of the appropriation of retained earnings.

The ASBJ replaced the above accounting pronouncement by issuing a new accounting standard for bonuses to directors and corporate auditors on November 29, 2005. Under the new accounting standard, bonuses to directors and corporate auditors must be expensed and are no longer allowed to be directly charged to retained earnings. This accounting standard is effective for fiscal years ending on or after May 1, 2006. The companies must accrue bonuses to directors and corporate auditors at the year end to which such bonuses are attributable.

3. Cash and Cash Equivalents

The reconciliation of cash and cash equivalents at the end of the fiscal year and cash and due from banks in the consolidated balance sheets as of March 31, 2006 and 2005 was as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2006	2005	**2006**
Cash and due from banks	**¥149,492**	¥220,194	**$1,272,604**
Due from banks, excluding due from the Bank of Japan	**(970)**	(1,279)	**(8,265)**
Cash and cash equivalents at the end of year	**¥148,521**	¥218,915	**$1,264,339**

4. Trading Account Securities and Investment Securities

Trading account securities as of March 31, 2006 and 2005 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2006	2005	**2006**
National government bonds	**¥ 2,808**	¥7,681	**$ 23,909**
Local government bonds	**220**	98	**1,880**
Other securities	**16,998**		**144,707**
Total	**¥20,028**	¥7,779	**$170,498**

Investment securities as of March 31, 2006 and 2005 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2006	2005	**2006**
National government bonds	**¥1,092,935**	¥ 951,152	**$ 9,303,951**
Local government bonds	**151,347**	138,062	**1,288,392**
Corporate bonds	**381,327**	499,740	**3,246,168**
Equity securities	**202,079**	135,280	**1,720,266**
Other securities	**240,327**	198,993	**2,045,864**
Total	**¥2,068,017**	¥1,923,230	**$17,604,642**

The carrying amounts and aggregate fair values of securities at March 31, 2006 and 2005 were as follows:

Securities below include trading account securities, investment securities and commercial paper within "Commercial paper and other debt purchased":

	Millions of Yen			
	2006			
	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Securities classified as:				
Trading				**¥ 20,028**
Available-for-sale:				
Equity securities	**¥ 63,192**	**¥136,075**		**199,267**
Debt securities	**1,631,628**	**5,320**	**¥30,718**	**1,606,230**
Other securities	**234,334**	**9,385**	**3,409**	**240,309**
Held-to-maturity	**6,905**	**1**	**50**	**6,856**

	Millions of Yen			
	2005			
	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Securities classified as:				
Trading				¥ 24,779
Available-for-sale:				
Equity securities	¥ 62,112	¥69,916	¥ 159	131,869
Debt securities	1,550,931	22,962	616	1,573,277
Other securities	215,890	2,738	1,635	216,992
Held-to-maturity	5,408	23	1	5,429

	Thousands of U.S. Dollars			
	2006			
	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Securities classified as:				
Trading				$ 170,498
Available-for-sale:				
Equity securities	$ 537,946	$1,158,382		1,696,328
Debt securities	3,889,742	45,291	$261,497	13,673,536
Other securities	1,994,844	79,897	29,028	2,045,713
Held-to-maturity	58,786	11	426	58,371

Available-for-sale securities and held-to-maturity securities whose fair value is not readily determinable as of March 31, 2006 and 2005 were as follows:

	Carrying Amount		
	Millions of Yen		Thousands of U.S. Dollars
	2006	2005	2006
Available-for-sale:			
Equity securities	¥ 2,811	¥ 3,411	$ 23,937
Debt securities	12,474	10,270	106,188
Held-to-maturity	3,948	2,000	33,614
Other	17		151
Total	¥19,252	¥15,681	$163,891

Proceeds from sales of available-for-sale securities for the years ended March 31, 2006 and 2005 were ¥307,466 million ($2,617,402 thousand) and ¥48,586 million, respectively. Gross realized gains and losses on these sales, computed on the moving average cost basis, were ¥935 million ($7,959 thousand) and ¥873 million ($7,435 thousand), respectively, for the year ended March 31, 2006 and ¥794 million and ¥302 million, respectively, for the year ended March 31, 2005.

The carrying values of debt securities by contractual maturities for securities classified as available-for-sale and held-to-maturity at March 31, 2006 are as follows:

	Millions of Yen		Thousands of U.S. Dollars	
	Available for Sale	Held to Maturity	Available for Sale	Held to Maturity
Due in one year or less	¥ 299,433	¥ 990	$ 2,549,022	$ 8,434
Due after one year through five years	761,433	9,675	6,481,940	82,369
Due after five years through 10 years	504,014	187	4,290,579	1,596
Due after 10 years	266,156		2,265,739	
Total	¥1,831,037	¥10,854	$15,587,281	$92,400

Unrealized gain on available-for-sale securities for the years ended March 31, 2006 and 2005 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2006	2005	2006
Valuation differences:			
Available-for-sale securities	¥116,653	¥ 93,205	$ 993,045
Available-for-sale held in trust	11,380	3,721	96,877
Deferred tax liabilities	(50,193)	(37,850)	(427,288)
Minority interests	(55)	(43)	(474)
Unrealized gain on available-for-sale securities	¥ 77,783	¥ 59,033	$ 662,159

5. Money Held in Trust

The carrying amounts and aggregate fair values of money held in trust at March 31, 2006 and 2005, were as follows:

	Millions of Yen			
	2006			
	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Money held in trust classified as:				
Trading				¥20,440
Available-for-sale	¥17,635	¥11,380		29,015

	Millions of Yen			
	2005			
	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Money held in trust classified as:				
Trading				¥19,453
Available-for-sale	¥16,635	¥3,721		20,357

	Thousands of U.S. Dollars			
	2006			
	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Money held in trust classified as:				
Trading				$174,007
Available-for-sale	$150,126	$96,877		247,004

6. Loans and Bills Discounted

Loans and bills discounted at March 31, 2006 and 2005 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2006	2005	2006
Bills discounted	¥ 28,690	¥ 31,117	$ 244,240
Loans on bills	310,402	346,558	2,642,399
Loans on deeds	2,225,038	2,256,472	18,941,330
Overdraft	502,622	568,730	4,278,727
Total	¥3,066,753	¥3,202,879	$26,106,699

Bills discounted are accounted for as financial transactions in accordance with “Treatment of Accounting and Auditing of Application of Accounting Standard for Financial Instruments in the Banking Industry” (JICPA Industry Audit Committee Report No. 24). The Bank has rights to sell or pledge these bills discounted. The total of the face value of bills discounted was

¥28,825 million ($245,388 thousand) and ¥31,117 million at March 31, 2006 and 2005, respectively.

Loans and bills discounted at March 31, 2006 and 2005 included the following loans:

	Millions of Yen		Thousands of U.S. Dollars
	2006	2005	**2006**
Loans to borrowers in bankruptcy	**¥ 14,098**	¥ 23,454	**$ 120,017**
Past due loans	**112,762**	124,844	**959,929**
Past due loans (three months or more)	**631**	519	**5,372**
Restructured loans	**45,385**	48,577	**386,358**
Total	**¥172,878**	¥197,396	**$1,471,677**

Loans to borrowers in bankruptcy represent nonaccrual loans to debtors who are legally bankrupt, as defined in the Enforcement Ordinance for the Corporation Tax Law.

Past due loans are nonaccrual loans which include loans classified as "possible bankruptcy" and "virtual bankruptcy".

Nonaccrual loans are defined as loans (after the partial charge-off of claims deemed uncollectible) which the Bank has discontinued accruing interest income due to substantial doubt existing about the ultimate collection of principal and/or interest. Such loans classified either as "possible bankruptcy" and "virtual bankruptcy" under the Bank's self-assessment guidelines.

In addition to past due loans as defined, certain other loans classified as "caution" under the Bank's self-assessment guidelines include past due loans (three months or more), which consist of loans which the principal and/or interest is three months or more past due, but exclude loans to borrowers in bankruptcy and past due loans.

Restructured loans are loans where the Bank and its subsidiaries relax lending conditions, by reducing the original interest rate or by forbearing interest payments or principal repayments to support the borrower's reorganization, restructure loans exclude loans to borrowers in bankruptcy, past due loans or past due loans (three months or more).

7. Foreign Exchanges

Foreign exchange assets and liabilities at March 31, 2006 and 2005 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2006	2005	**2006**
Assets			
Foreign exchange bills bought	**¥ 172**	¥ 11	**$ 1,465**
Foreign exchange bills receivable	**41**	74	**354**
Due from foreign correspondent accounts	**1,001**	438	**8,528**
Total	**¥1,215**	¥523	**$10,348**

	Millions of Yen		Thousands of U.S. Dollars
	2006	2005	**2006**
Liabilities			
Foreign exchange bills sold	**¥ 62**	¥ 36	**$ 530**
Foreign exchange bills payable	**118**	77	**1,009**
Total	**¥180**	¥113	**$1,539**

8. Other Assets

Other assets at March 31, 2006 and 2005 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2006	2005	**2006**
Accrued income	**¥ 8,510**	¥ 7,682	**$ 72,452**
Prepaid expenses	**56**	39	**481**
Premises and equipment for lease—net of accumulated depreciation	**30,777**	30,608	**262,001**
Account receivable	**21,082**	500	**179,467**
Other	**14,381**	14,660	**122,426**
Total	**¥74,808**	¥53,490	**$636,829**

9. Premises and Equipment

The accumulated depreciation of premises and equipment at March 31, 2006 and 2005 amounted to ¥76,271 million ($649,283 thousand) and ¥79,175 million, respectively.

10. Customers' Liabilities for Acceptances and Guarantees

All contingent liabilities arising from acceptances and guarantees are reflected in "Acceptances and guarantees." "Customers' liabilities for acceptances and guarantees" are shown as contra assets, representing the Bank's right to receive indemnity from the applicants.

11. Assets Pledged

Assets pledged as collateral and their relevant liabilities at March 31, 2006 and 2005 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2006	2005	**2006**
Assets pledged as collateral:			
Investment securities	**¥122,675**	¥132,243	**$1,044,315**
Other assets	**7**		**66**
Relevant liabilities to above assets:			
Deposits	**42,400**	44,634	**360,943**
Payables under securities lending transactions	**8,752**	18,276	**74,509**

Additionally, investment securities amounting to ¥131,685 million ($1,121,012 thousand) and ¥131,885 million are pledged as collateral for transactions such as exchange settlement transactions or as substitute securities for future transaction initial margin and others at March 31, 2006 and 2005, respectively.

Premises and equipment includes deposit for leased premises and equipment amounted to ¥919 million ($7,826 thousand) and ¥1,009 million at March 31, 2006 and 2005, respectively.

Other than the balance sheet items above, future lease receivables, which are off-balance sheet items, amounting ¥4,634 million ($39,456 thousand) and ¥4,663 million are pledged for borrowed money amounting to ¥3,325 million ($28,305 thousand) and ¥3,468 million at March 31, 2006 and 2005, respectively.

Also, another future lease receivables amounting to ¥14,217 million ($121,031 thousand) and ¥13,970 million are placed under quasi pledge arrangement for borrowed money amounting to ¥11,848 million ($100,859 thousand) and ¥11,642 million at March 31, 2006 and 2005, respectively.

12. Loan Commitments

Contracts of overdraft facilities and loan commitments are contracts with customers to lend up to the prescribed limits in response to customers' application of loan, as long as there is no violation of any condition within the contracts. The unused amount of such contracts totals ¥1,421,639 million ($12,102,151 thousand) relating to these contracts, of which the amounts with the original agreement terms of less than one year were ¥1,399,979 million ($11,917,763 thousand).

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

13. Deposits

Deposits at March 31, 2006 and 2005 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2006	2005	2006
Current deposits	¥ 176,810	¥ 186,606	$ 1,505,154
Ordinary deposits	2,254,605	2,156,873	19,193,029
Deposits at notice	26,652	24,604	226,885
Time deposits	2,024,909	2,184,380	17,237,669
Negotiable certificates of deposit	226,280	241,610	1,926,279
Other deposits	238,269	249,578	2,028,344
Total	¥4,947,526	¥5,043,654	$42,117,363

14. Other Liabilities

Other liabilities at March 31, 2006 and 2005 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2006	2005	2006
Accrued expenses	¥ 6,955	¥ 6,514	$ 59,210
Unearned income	9,377	9,542	79,828
Income taxes payable	3,797	9,760	32,327
Accounts payable	25,733	4,193	219,063
Suspense receipt	5,779	9,932	49,203
Other	3,701	4,219	31,507
Total	¥55,344	¥44,162	$471,140

15. Liability for Employees' Retirement Benefits

The Companies have severance payment plans for employees.

Under most circumstances, employees terminating their employment are entitled to retirement benefits based on the rate of pay at the time of termination, years of service and certain other factors. Such retirement benefits are made in the form of a lump-sum severance payment from the Companies and annuity payments from trustees. Employees are entitled to larger payments if the termination is involuntary, by retirement at the mandatory retirement age, by death or by voluntary retirement at certain specific ages prior to the mandatory retirement age.

The liability (asset) for employees' retirement benefits at March 31, 2006 and 2005 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2006	2005	2006
Projected benefit obligation	¥ 94,556	¥ 86,311	$ 804,943
Fair value of plan assets	(44,130)	(36,523)	(375,670)
Unrecognized net actuarial loss	(12,927)	(13,971)	(110,048)
Net liability	¥ 37,499	¥ 35,816	$ 319,223

The components of net periodic retirement benefit costs for the years ended March 31, 2006 and 2005 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2006	2005	2006
Service cost	¥ 1,903	¥ 2,032	$ 16,204
Interest cost	2,147	2,113	18,278
Expected return on plan assets	(1,278)	(1,208)	(10,882)
Recognized actuarial loss	1,994	2,026	16,977
Net periodic retirement benefit costs	¥ 4,766	¥ 4,964	$ 40,578

Assumptions used for the years ended March 31, 2006 and 2005 were set forth as follows:

	2006	2005
Discount rate	2.0%	2.5%
Expected rate of return on plan assets	3.5%	3.5%
Recognition period of actuarial gain/loss	10 years	10 years

16. Stockholders' Equity

Japanese banks are subject to the Code and to the Banking Law.

The Code requires that all shares of common stock be issued with no par value and at least 50% of the issue price of new shares is required to be recorded as common stock and the remaining net proceeds as additional paid-in capital, which is included in capital surplus. The Code permits Japanese companies, upon approval of the Board of Directors, to issue shares to existing stockholders without consideration by way of a stock split. Such issuance of shares generally does not give rise to changes within the stockholders' accounts.

The Banking Law provides that an amount at least 20% of the aggregate amount of cash dividends and certain other appropriations of retained earnings associated with cash outlays applicable to each period shall be appropriated as a legal reserve (a component of retained earnings) until such reserve and additional paid-in capital equals 100% of common stock. The amount of total legal reserve and additional paid-in capital that exceeds 100% of common stock may be available for dividends by resolution of the stockholders after transferring such excess in accordance with the Code. In addition, the Code permits the transfer of a portion of additional paid-in capital and legal reserve to the common stock by resolution of the Board of Directors.

The Code allows Japanese companies to purchase treasury stock and dispose of such treasury stock upon resolution of the Board of Directors. The aggregate purchased amount of treasury stock cannot exceed the amount available for future dividends plus the amount of common stock, additional paid-in capital or legal reserve that could be transferred to retained earnings or other capital surplus other than additional paid-in capital upon approval of such transfer at the annual general meeting of stockholders.

In addition to the provision that requires an appropriation for a legal reserve in connection with the cash payment, the Code imposes certain limitations on the amount of capital surplus and retained earnings available for dividends. The amount of capital surplus and retained earnings available for dividends under the Code and the Banking Law was ¥222,218 million ($1,891,704 thousand) as of March 31, 2006, based on the amount recorded in the Bank's general books of account.

Dividends are approved by the stockholders at a meeting held subsequent to the fiscal year to which the dividends are applicable. Interim dividends may also be paid upon resolution of the Board of Directors, subject to certain limitations imposed by the Code.

On May 1, 2006, a new corporate law (the "Corporate Law") became effective, which reformed and replaced the Code with various revisions that would, for the most part, be applicable to events or transactions which occur on or after May 1, 2006 and for the fiscal years ending on or after May 1, 2006. The significant changes in the Corporate Law that affect financial and accounting matters are summarized below;

(a) Dividends

Under the Corporate Law, companies can pay dividends at any time during the fiscal year in addition to the year-end dividend upon resolution at the stockholders meeting. For companies that meet four criteria, (1) having the Board of Directors, (2) having independent auditors, (3) having the Board of Corporate Auditors, and (4) the term of service of the directors prescribed as one year rather than two years of normal term by its articles of incorporation, the Board of Directors can declare dividends (except for dividends-in-kind) as far as the company has prescribed so in its articles of incorporation.

The Corporate Law permits companies to distribute dividends-in-kind (non-cash assets) to stockholders subject to a certain limitation and additional requirements.

Semiannual interim dividends may also be paid once a year upon resolution by the Board of Directors if the articles of incorporation of the company so stipulate. Under the Code, certain limitations were imposed on the amount of capital surplus and retained earnings available for dividends. The Corporate Law also provides certain limitations on the amounts available for dividends or the purchase of treasury stock. The limitation is defined as the amount available for distribution to the stockholders, but the amount of net assets after dividends must be maintained at no less than ¥3 million.

(b) Increase, Decrease and Transfer of Stated Capital, Reserve and Surplus

The revised Banking Law which was amended on November 2, 2005 and effective on May 1, 2006 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 stated capital.

Under the Code and the amended Banking Law, the aggregate amount of additional paid-in capital and legal reserve that exceeds 100% of the stated capital may be made available for dividends by resolution of the stockholders after transferring such excess to the retained earnings in accordance with the Code. Under the Corporate Law, the total amount of additional paid-in capital and legal reserve may be reversed without limitation of such threshold. The Corporate Law also provides that stated capital, legal reserve, additional paid-in capital, other capital surplus and retained earnings can be transferred among the accounts under certain conditions upon resolution of the stockholders.

(c) Treasury stock and treasury stock acquisition rights

The Corporate Law also provides for companies to purchase treasury stock and dispose of such treasury stock by resolution of the Board of Directors. The amount of treasury stock purchased cannot exceed the amount available for distribution to the stockholders which is determined by specific formula.

Under the Corporate Law, stock acquisition rights, which were previously presented as a liability, are now presented as a separate component of stockholders' equity.

The Corporate Law 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 stockholders' equity or deducted directly from stock acquisition rights.

On December 9, 2005, the ASBJ published a new accounting standard for presentation of stockholders' equity. Under this accounting standard, certain items which were previously presented as liabilities are now presented as components of stockholders' equity. Such items include stock acquisition rights, minority interest and any deferred gain or loss on derivatives qualified for hedge accounting. This standard is effective for fiscal years ending on or after May 1, 2006.

17. Other Operating Income

Other operating income for the years ended March 31, 2006 and 2005 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2006	2005	**2006**
Gain on sales and redemption of bonds and other securities	**¥ 841**	¥ 820	**$ 7,162**
Lease receipt	**12,581**	12,752	**107,101**
Other	**4,399**	4,099	**37,455**
Total	**¥17,822**	¥17,671	**$151,719**

18. Other Income

Other income for the years ended March 31, 2006 and 2005 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2006	2005	**2006**
Gains on sales of stocks and other securities	**¥ 206**	¥ 79	**$ 1,760**
Gains on sales of money held in trust	**1,909**	623	**16,257**
Gains on sales of premises and equipment	**622**	136	**5,297**
Other	**918**	1,081	**7,818**
Total	**¥3,657**	¥1,921	**$31,133**

19. Other Operating Expenses

Other operating expenses for the years ended March 31, 2006 and 2005 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2006	2005	**2006**
Losses on sales, redemption and devaluation of bonds and other securities	**¥ 989**	¥ 920	**$ 8,424**
Lease cost	**11,569**	11,587	**98,488**
Other	**4,884**	2,924	**41,577**
Total	**¥17,443**	¥15,431	**$148,490**

20. Other Expenses

Other expenses for the years ended March 31, 2006 and 2005 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2006	2005	2006
Losses on devaluation of stocks and other securities	¥ 18	¥ 124	$ 156
Bad debt losses	233	980	1,983
Losses on dispositions of money held in trust	11		102
Losses on sales of loans	3,116	1,239	26,530
Write down of premises		1,395	
Losses on impairment of fixed assets	841		7,160
Other	396	521	3,372
Total	¥4,617	¥4,260	$39,304

21. Income Taxes

The Companies are subject to Japanese national and local income taxes which, in the aggregate, resulted in a normal effective statutory tax rate of approximately 40.3% for the years ended March 31, 2006 and 2005.

The tax effects of significant temporary differences which resulted in deferred tax assets and liabilities at March 31, 2006 and 2005 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2006	2005	2006
Deferred tax assets:			
Reserve for possible loan losses	¥24,371	¥27,404	$207,473
Liability for employees' retirement benefits	15,095	14,163	128,504
Unrealized loss on available-for-sale securities	13,753	961	117,081
Premises and equipment (depreciation)	6,400	5,511	54,487
Losses on devaluation of stocks and other securities	3,576	3,891	30,448
Other	4,289	4,195	36,519
Less valuation allowance	(2,570)	(2,179)	(21,878)
Total	64,918	53,948	552,635
Deferred tax liabilities:			
Unrealized gain on available-for-sale securities	63,947	38,812	544,370
Premises and equipment (deferral gain on sales and replacement)	637	519	5,429
Total	64,584	39,331	549,799
Net deferred tax assets	¥ 333	¥14,617	$ 2,835

A reconciliation between the normal effective statutory tax rate and the actual effective tax rate reflected in the accompanying consolidated statements of income for the years ended March 31, 2006 and 2005 is not disclosed because the each difference was immaterial (less than 5% of the normal statutory tax rate).

22. Leases

a. Lessee

Finance leases

The companies lease certain machinery, computer equipment and other assets.

Total lease payments under finance leases for the years ended March 31, 2006 and 2005 were ¥158 million ($1,346 thousand) and ¥5 million, respectively.

Pro forma information of leased property such as acquisition cost, accumulated depreciation, obligations under finance lease, depreciation expense and interest expense of finance lease that do not transfer ownership of the leased property to the lessee on an "as if capitalized" basis for the years ended March 31, 2006 and 2005 was as follows:

	Millions of Yen		Thousands of U.S. Dollars
	Equipment and Other Assets		Equipment and Other Assets
	2006	2005	2006
Acquisition cost	¥5,488	¥ 15	$46,723
Accumulated depreciation	(167)	(12)	(1,425)
Net leased property	¥5,321	¥ 3	$45,297

Obligations under finance leases:

	Millions of Yen		Thousands of U.S. Dollars
	2006	2005	2006
Due within one year	¥ 884	¥3	$ 7,529
Due after one year	4,439		37,790
Total	¥5,323	¥3	$45,320

Depreciation expense and interest expense under finance leases:

	Millions of Yen		Thousands of U.S. Dollars
	2006	2005	2006
Depreciation expense	¥155	¥5	$1,321
Interest expense	5		48
Total	¥160	¥5	$1,369

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

b. Lessor

Finance leases

A subsidiary leases certain equipment and other assets to various customers.

Total lease receipts under finance leases for the years ended March 31, 2006 and 2005 were ¥12,158 million ($103,499 thousand) and ¥12,377 million, respectively.

	Millions of Yen		Thousands of U.S. Dollars
	Equipment and Other Assets		Equipment and Other Assets
	2006	2005	2006
Acquisition cost	¥ 73,744	¥ 72,623	$ 627,770
Accumulated depreciation	(43,239)	(42,034)	(368,086)
Net leased property	¥ 30,505	¥ 30,589	$ 259,683

Future lease payments receivables under finance leases:

	Millions of Yen		Thousands of U.S. Dollars
	2006	2005	**2006**
Receivables:			
Due within one year	**¥ 9,624**	¥ 9,688	**$ 81,935**
Due after one year	**21,712**	21,279	**184,838**
Total	**¥31,337**	¥30,968	**$266,773**

Depreciation expense and interest income under finance leases:

	Millions of Yen		Thousands of U.S. Dollars
	2006	2005	**2006**
Depreciation expense	**¥10,522**	¥10,724	**$89,575**
Interest income	**1,490**	1,509	**12,687**

The imputed interest income portion which is computed using the interest method is excluded from receivable under finance leases.

Operating leases

As of March 31, 2006 and 2005, future lease receivables including interest receivables under non-cancelable operating leases were as follows:

Future lease payment receivables:

	Millions of Yen		Thousands of U.S. Dollars
	2006	2005	**2006**
Due within one year	**¥ 62**	¥18	**$ 535**
Due after one year	**102**	35	**875**
Total	**¥165**	¥54	**$1,410**

23. Derivatives

It is the Bank's policy to use derivatives primarily for the purpose of reducing market risks associated with its assets and liabilities. The Bank also utilizes derivatives to meet the needs of its clients while entering into derivatives as a part of its trading activities.

The Bank enters into interest rate swaps and interest rate caps as a means of hedging its interest rate risk on certain loans and investment securities.

The Bank also enters into foreign exchange forward contracts and currency options to hedge foreign exchange risk associated with its assets and liabilities denominated in foreign currencies and to meet the needs of its clients.

Furthermore, the Bank enters into interest rate futures, bond futures, bond future options and foreign exchange forward contracts for a short term as part of its trading activities.

Derivatives are subject to market risk and credit risk. Market risk is the exposure created by potential fluctuations of market conditions, including interest or foreign exchange rates. Credit risk is the possibility that a loss may result from a counterparty's failure to perform its obligations under a contract.

The Bank sets limits to credit risk by limiting the counterparties to those derivatives to major financial institutions and securities companies, and establishing maximum risk exposures to the counterparties.

In accordance with the Banking Law requirements of the capital adequacy ratio, credit risk equivalent which was measured using the current exposure method amounted to ¥3,796 million ($32,321 thousand) and ¥1,598 million at March 31, 2006 and 2005, respectively.

The Bank has established a standard of risk management including management approaches to each type of risks. Derivative transactions entered into by the Bank have been made in accordance with internal policies which regulate trading activities and credit risk management including maximum risk exposures and loss-cutting rules. Concerning risk management associated with derivative transactions, the front and back offices of the trading divisions are clearly separated, and risk managers are assigned to the trading divisions, while the Risk Management Division synthetically manages the Bank's market risks. In this manner, an internal control system is effectively secured.

The Bank's positions, gain-and-loss, risk amount and other conditions are periodically reported to the executive committee.

The Bank has the following derivatives contracts outstanding at March 31, 2006 and 2005:

	Millions of Yen						Thousands of U.S. Dollars		
	2006			2005			**2006**		
	Contract or Notional Amount	Fair Value	Unrealized Gain/Loss	Contract or Notional Amount	Fair Value	Unrealized Gain/Loss	Contract or Notional Amount	Fair Value	Unrealized Gain/Loss
Interest rate-related transaction—									
Interest rate swaps—floating rate receipt, fixed rate payment	**¥10,525**	**¥ 47**	**¥ 47**	¥13,975	¥ (80)	¥ (80)	**$ 89,597**	**$ 402**	**$ 402**
Currency-related transaction:									
Currency swaps	**1,877**	**3**	**3**				**15,983**	**33**	**33**
Foreign exchange forward contracts:									
Selling	**85,932**	**(919)**	**(919)**	57,689	(1,801)	(1,801)	**731,529**	**(7,823)**	**(7,823)**
Buying	**1,552**	**3**	**3**	898	9	9	**13,212**	**28**	**28**
Currency options:									
Selling				108	(1)				
Buying				108	1				

Unrealized gains (losses) for the years ended March 31, 2006 and 2005 were recognized in the consolidated statements of income.

Derivatives which qualify for hedge accounting for the years ended March 31, 2006 and 2005 were not included the above table.

The contracts or notional amounts of derivatives which are shown in the above table do not represent the amounts exchanged by the parties and do not measure the Bank's exposure to credit or market risk.

24. Related Party Transactions

Related party transactions for the years ended March 31, 2006 and 2005 were as follows:

		Balance at End of Year		
		Millions of Yen		Thousands of U.S. Dollars
Related Party	Account Classification	**2006**	2005	**2006**
HIGASHI NIHONKOGYOH CO., LTD*1	Loans and bills discounted	**¥4,016**	¥4,277	**$34,194**
Department Store Fujisaki Co., Ltd.*2	Loans and bills discounted	**6,042**	9,092	**51,442**
Fuji Styling Co., Ltd.*2	Loans and bills discounted	**373**	390	**3,179**
Fujisoken Co., Ltd.*2	Loans and bills discounted	**1**	1	**11**
Ikijariten Co., Ltd.*2	Loans and bills discounted	**235**	229	**2,002**
	Customers' liabilities for acceptances and guarantees	**70**	70	**595**

Notes: *1 *HIGASHI NIHONKOGYOH CO., LTD. of which a corporate auditor of the Bank, Yuzuru Aoki, serves as chairman.*
*2 *Company whose majority of voting rights is owned by a director or his close relatives (including subsidiaries of such company).*
*3 *Terms are substantially the same as for similar transactions with third parties.*

25. Segment Information

(1) Business Segment Information

Information about operations in different business segments of the Companies for the years ended March 31, 2006 and 2005 was as follows:

a. Ordinary income

	Millions of Yen					
	2006					
	Banking Operations	Lease Operations	Other Operations	Total	Eliminations	Consolidated
Income from customers	¥99,010	¥15,383	¥3,722	¥118,115		¥118,115
Intersegment income	491	1,784	1,642	3,917	¥(3,917)	
Total income	99,501	17,167	5,364	122,033	(3,917)	118,115
Ordinary expenses	83,346	15,944	4,665	103,956	(3,905)	100,050
Ordinary income	¥16,154	¥ 1,223	¥ 699	¥ 18,077	¥ (12)	¥ 18,065

b. Assets, depreciation, impairment loss and capital expenditures

	Millions of Yen					
	2006					
	Banking Operations	Lease Operations	Other Operations	Total	Eliminations	Consolidated
Assets	¥5,519,425	¥39,450	¥21,871	¥5,580,746	¥(28,811)	¥5,551,935
Depreciation	3,305	11,791	26	15,124		15,124
Impairment loss	841			841		841
Capital expenditures	2,257	11,722	6	13,987	(93)	13,893

a. Ordinary income

	Thousands of U.S. Dollars					
	2006					
	Banking Operations	Lease Operations	Other Operations	Total	Eliminations	Consolidated
Income from customers	$842,853	$130,956	$31,684	$1,005,495		$1,005,495
Intersegment income	4,180	15,189	13,982	33,353	$(33,353)	
Total income	847,034	146,146	45,667	1,038,848	(33,353)	1,005,495
Ordinary expenses	709,514	135,728	39,717	884,959	(33,250)	851,709
Ordinary income	$137,520	$ 10,417	$ 5,950	$ 153,888	$ (102)	$ 153,785

b. Assets, depreciation, impairment loss and capital expenditures

	Thousands of U.S. Dollars					
	2006					
	Banking Operations	Lease Operations	Other Operations	Total	Eliminations	Consolidated
Assets	**$46,985,828**	**$335,830**	**$186,185**	**$47,507,844**	**$(245,266)**	**$47,262,578**
Depreciation	**28,140**	**100,382**	**226**	**128,748**		**128,748**
Impairment loss	**7,159**			**7,159**		**7,160**
Capital expenditures	**19,218**	**99,793**	**56**	**119,069**	**(794)**	**118,275**

a. Ordinary income

	Millions of Yen					
	2005					
	Banking Operations	Lease Operations	Other Operations	Total	Eliminations	Consolidated
Income from customers	¥93,820	¥15,286	¥3,683	¥112,790		¥112,790
Intersegment income	512	1,702	1,592	3,807	¥(3,807)	
Total income	94,332	16,988	5,276	116,597	(3,807)	112,790
Ordinary expenses	77,452	16,078	4,832	98,363	(3,761)	94,602
Ordinary income	¥16,879	¥ 909	¥ 443	¥ 18,233	¥ (45)	¥ 18,188

b. Assets, depreciation and capital expenditures

	Millions of Yen					
	2005					
	Banking Operations	Lease Operations	Other Operations	Total	Eliminations	Consolidated
Assets	¥5,585,575	¥41,259	¥21,537	¥5,648,373	¥(32,148)	¥5,616,224
Depreciation	3,843	12,023	26	15,893		15,893
Capital expenditures	2,463	12,867	20	15,352	(46)	15,305

Notes: 1. Other operations consist of credit card transactions and others.
2. Ordinary income represents total income less certain special income included in other income in the accompanying consolidated statements of income.
3. Ordinary expenses represent total expenses less certain special expenses included in other expenses in the accompanying consolidated statements of income.

(2) Geographic Segment Information

Segment information by geographic area was not presented because the Companies conduct banking and other related activities in Japan without having foreign subsidiaries or foreign branches.

(3) Operating Income from International Operations

As the operating income from international operations was not significant compared to the consolidated income, the information about the operating income from international operations was not presented.

26. Subsequent Event

At the Bank's general stockholders meeting held on June 29, 2006, the Bank's stockholders approved the following:

Appropriations of retained earnings

	Millions of Yen	Thousands of U.S. Dollars
Year-end cash dividends, ¥3.00 ($0.025) per share	**¥1,140**	**$9,705**
Bonuses to directors and corporate auditors	**29**	**246**