

Notes to Consolidated Financial Statements

THE 77 BANK, LTD. AND SUBSIDIARIES
Years Ended March 31, 2007 and 2006

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 ("Japanese GAAP"), which are different in certain respects as to application and disclosure requirements of International Financial Reporting Standards.

On December 27, 2005, the Accounting Standard Board of Japan (ASBJ) published a new accounting standard for the statement of changes in equity, which is effective for fiscal years ending on or after May 1, 2006. The consolidated statement of stockholders' equity, which was previously voluntarily prepared in line with the international accounting practices, is now required under Japanese GAAP and has been renamed "the consolidated statement of changes in equity" in the current fiscal year.

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 2006 consolidated financial statements to conform to the classifications and presentations in 2007.

In conformity with a new corporate law of Japan (the "Corporate Law") 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 translations of Japanese yen amounts into U.S. dollar amounts are included solely for the convenience of readers outside Japan and have been made at the rate of ¥118.05 to U.S.\$1, the approximate rate of exchange at March 31, 2007. Such translations should not be construed as representations that the Japanese yen amounts could be converted into U.S. dollars at that or any other rate.

2. Summary of Significant Accounting Policies

a. Consolidation—The consolidated financial statements include the accounts of the Bank and its subsidiaries (together, the "Companies"). The number of consolidated subsidiaries as of March 31, 2007 and 2006 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 unrealized 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 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 equity. Instruments held in trust classified as held to maturity are carried at amortized cost.

d. Tangible fixed assets—Tangible fixed assets are stated at cost less accumulated depreciation and gains deferred on the sale and replacement of certain assets. Depreciation of tangible fixed assets 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 5 to 31 years for buildings and from 4 to 20 years for equipment. Depreciation of lease assets included in tangible fixed assets is mainly computed by the straight-line method over lease periods.

e. Intangible fixed assets—The amortization of intangible fixed assets is calculated by the straight-line method. Capitalized cost of computer software developed/obtained for internal use is amortized by the straight-line method over the estimated useful lives of 5 years. The amortization of lease assets included in intangible fixed assets is mainly computed by the straight-line method over lease periods.

f. Long-lived Assets—The Companies reviews its long-lived assets for impairment whenever events or changes in circumstance 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.

g. 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.

h. 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.

i. 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.

Retirement benefits to directors and corporate auditors are provided at the amount which would be required if all directors and corporate auditors retired at the balance sheet date (see Note 3).

j. Presentation of Equity—On December 9, 2005, the ASBJ published a new accounting standard for the presentation of equity. Under this accounting standard, certain items which were previously presented as liabilities are now presented as components of equity. Such items include stock acquisition rights, minority interests, and any deferred gain or loss on derivatives accounted for under hedge accounting. This standard is effective for fiscal years ending on or after May 1, 2006. The consolidated balance sheet as of March 31, 2007 is presented in line with this new accounting standard.

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 ¥10,261 million (\$86,927 thousand) and 379,882 thousand shares for 2007 and ¥9,363 million and 380,051 thousand shares for 2006, 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 Pronouncement

Lease Accounting—On March 30, 2007, the ASBJ issued ASBJ Statement No.13, "Accounting Standard for Lease Transactions", which revised the existing accounting standard for lease transactions issued on June 17, 1993.

Under the existing accounting standard, finance leases that deem to transfer ownership of the leased property to the lessee are to be capitalized, however, other finance leases are permitted to be accounted for as operating lease transactions if certain "as if

capitalized" information is disclosed in the note to the lessee's financial statements.

The revised accounting standard requires that all finance lease transactions should be capitalized. 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.

3. Accounting Changes

a. Retirement Benefit to Directors and Corporate Auditors—Prior to April 1, 2006, no provisions were recorded for retirement benefits to be paid to the Bank's directors and corporate auditors. Effective April 1, 2006, the Bank changed its method of accounting for such retirement benefits to the accrual basis. The effect of this change was to decrease income before income taxes and minority interests for the year ended March 31, 2007 by ¥1,053 million (\$8,926 thousand), which included a cumulative effect of ¥897 million (\$7,606 thousand) at March 31, 2006. This cumulative effect was included in other expenses in the 2007 consolidated statement of income.

b. Lease Assets—The Enforcement Ordinance of the Banking Law and related guidelines were revised in May 2006 and became applicable from the fiscal year beginning on April 1, 2006. Accordingly, lease assets which had been included in "Other assets" in consolidated balance sheets were reclassified into "Tangible fixed assets" and "Intangible fixed assets." This reclassifications have been made in the 2006 consolidated balance sheets to conform to the classifications in 2007.

In connection with the change in presentation of lease assets in the consolidated balance sheets, purchases of lease assets and proceeds from sales of lease assets which had been included in "Other-net" in cash flows from operating activities in the consolidated statements of cash flows, were reclassified into "Purchases of tangible fixed assets," "Proceeds from sales of tangible fixed assets" and "Purchases of intangible fixed assets" in cash flows from investing activities for the year ended March 31, 2007. The effect of this change was to decrease "Net cash used in operating activities" for the year ended March 31, 2007 by ¥10,544 million (\$89,318 thousand) and to decrease "Net cash provided by investing activities" by the equal amounts.

4. 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, 2007 and 2006 was as follows:

| | Millions of Yen | | Thousands of U.S. Dollars |
|--|-----------------|----------|---------------------------|
| | 2007 | 2006 | 2007 |
| Cash and due from banks | ¥90,260 | ¥149,492 | \$764,592 |
| Due from banks, excluding due from the Bank of Japan | (1,305) | (970) | (11,061) |
| Cash and cash equivalents at the end of year | ¥88,954 | ¥148,521 | \$753,530 |

5. Trading Account Securities and Investment Securities

Trading account securities as of March 31, 2007 and 2006 consisted of the following:

| | Millions of Yen | | Thousands of U.S. Dollars |
|---------------------------|-----------------|---------|---------------------------|
| | 2007 | 2006 | 2007 |
| National government bonds | ¥ 2,330 | ¥ 2,808 | \$ 19,744 |
| Local government bonds | 194 | 220 | 1,649 |
| Other securities | 30,976 | 16,998 | 262,400 |
| Total | ¥33,502 | ¥20,028 | \$283,795 |

Investment securities as of March 31, 2007 and 2006 consisted of the following:

| | Millions of Yen | | Thousands of U.S. Dollars |
|---------------------------|-----------------|------------|---------------------------|
| | 2007 | 2006 | 2007 |
| National government bonds | ¥1,054,141 | ¥1,092,935 | \$ 8,929,616 |
| Local government bonds | 101,263 | 151,347 | 857,800 |
| Corporate bonds | 480,160 | 381,327 | 4,067,436 |
| Equity securities | 202,628 | 202,079 | 1,716,459 |
| Other securities | 230,889 | 240,327 | 1,955,857 |
| Total | ¥2,069,082 | ¥2,068,017 | \$17,527,171 |

The carrying amounts and aggregate fair values of securities at March 31, 2007 and 2006 were as follows:

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

| | Millions of Yen | | | |
|---------------------------|-----------------|------------------|-------------------|------------|
| | 2007 | | | |
| | Cost | Unrealized Gains | Unrealized Losses | Fair Value |
| Securities classified as: | | | | |
| Trading | | | | ¥ 33,502 |
| Available-for-sale: | | | | |
| Equity securities | ¥ 64,551 | ¥135,452 | ¥ 65 | 199,938 |
| Debt securities | 1,626,019 | 5,234 | 17,969 | 1,613,284 |
| Other securities | 223,483 | 8,800 | 1,511 | 230,772 |
| Held-to-maturity | 8,005 | 2 | 21 | 7,987 |

| | 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 |

| | Thousands of U.S. Dollars | | | |
|---------------------------|---------------------------|------------------|-------------------|------------|
| | 2007 | | | |
| | Cost | Unrealized Gains | Unrealized Losses | Fair Value |
| Securities classified as: | | | | |
| Trading | | | | \$ 283,795 |
| Available-for-sale: | | | | |
| Equity securities | \$ 546,817 | \$1,147,416 | \$ 554 | 1,693,678 |
| Debt securities | 13,773,989 | 44,343 | 152,220 | 13,666,113 |
| Other securities | 1,893,129 | 74,546 | 12,805 | 1,954,870 |
| Held-to-maturity | 67,817 | 20 | 179 | 67,658 |

Available-for-sale securities and held-to-maturity securities whose fair value is not readily determinable as of March 31, 2007 and 2006 were as follows:

| | Carrying Amount | | |
|---------------------|-----------------|---------|---------------------------|
| | Millions of Yen | | Thousands of U.S. Dollars |
| | 2007 | 2006 | 2007 |
| Available-for-sale: | | | |
| Equity securities | ¥ 2,689 | ¥ 2,811 | \$ 22,781 |
| Debt securities | 14,275 | 12,474 | 120,923 |
| Other securities | 116 | 17 | 987 |
| Held-to-maturity | 3,458 | 3,948 | 29,297 |
| Total | ¥20,539 | ¥19,252 | \$173,990 |

Proceeds from sales of available-for-sale securities for the years ended March 31, 2007 and 2006 were ¥105,315 million (\$892,122 thousand) and ¥307,466 million, respectively. Gross realized gains and losses on these sales, computed on the moving average cost basis, were ¥1,763 million (\$14,942 thousand) and ¥606 million (\$5,135 thousand), respectively, for the year ended March 31, 2007 and ¥935 million and ¥873 million, respectively, for the year ended March 31, 2006.

The carrying values of debt securities by contractual maturities for securities classified as available-for-sale and held-to-maturity at March 31, 2007 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 | ¥ 156,748 | ¥ 5,182 | \$ 1,327,810 | \$43,903 |
| Due after one year through five years | 843,261 | 6,281 | 7,143,253 | 53,211 |
| Due after five years through ten years | 505,929 | | 4,285,720 | |
| Due after ten years | 296,886 | | 2,514,920 | |
| Total | ¥1,802,824 | ¥11,464 | \$15,271,704 | \$97,114 |

Unrealized gain on available-for-sale securities for the years ended March 31, 2007 and 2006 consisted of the following:

| | Millions of Yen | | Thousands of U.S. Dollars |
|--|-----------------|----------|---------------------------|
| | 2007 | 2006 | 2007 |
| Valuation differences: | | | |
| Available-for-sale securities | ¥129,940 | ¥116,653 | \$1,100,725 |
| Available-for-sale held in trust | 11,765 | 11,380 | 99,667 |
| Deferred tax liabilities | (55,945) | (50,193) | (473,913) |
| Minority interests | (54) | (55) | (458) |
| Unrealized gain on available-for-sale securities | ¥ 85,706 | ¥ 77,783 | \$ 726,021 |

6. Money Held in Trust

The carrying amounts and aggregate fair values of money held in trust at March 31, 2007 and 2006 were as follows:

| | Millions of Yen | | | |
|------------------------------------|---------------------------|------------------|-------------------|------------|
| | 2007 | | | |
| | Cost | Unrealized Gains | Unrealized Losses | Fair Value |
| Money held in trust classified as: | | | | |
| Trading | | | | ¥20,367 |
| Available-for-sale | ¥18,635 | ¥11,765 | | 30,401 |
| | 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 |
| | Thousands of U.S. Dollars | | | |
| | 2007 | | | |
| | Cost | Unrealized Gains | Unrealized Losses | Fair Value |
| Money held in trust classified as: | | | | |
| Trading | | | | \$172,530 |
| Available-for-sale | \$157,860 | \$99,667 | | 257,528 |

7. Loans and Bills Discounted

Loans and bills discounted at March 31, 2007 and 2006 consisted of the following:

| | Millions of Yen | | Thousands of U.S. Dollars |
|------------------|-------------------|-------------------|---------------------------|
| | 2007 | 2006 | 2007 |
| Bills discounted | ¥ 33,768 | ¥ 28,690 | \$ 286,051 |
| Loans on bills | 249,557 | 310,402 | 2,114,002 |
| Loans on deeds | 2,327,208 | 2,225,038 | 19,713,749 |
| Overdrafts | 506,161 | 502,622 | 4,287,685 |
| Total | ¥3,116,695 | ¥3,066,753 | \$26,401,488 |

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 ¥33,768 million (\$286,051 thousand) and ¥28,825 million at March 31, 2007 and 2006, respectively.

Loans and bills discounted at March 31, 2007 and 2006 included the following loans:

| | Millions of Yen | | Thousands of U.S. Dollars |
|---------------------------------------|-----------------|-----------------|---------------------------|
| | 2007 | 2006 | 2007 |
| Loans to borrowers in bankruptcy | ¥ 4,664 | ¥ 14,098 | \$ 39,516 |
| Past due loans | 100,117 | 112,762 | 848,091 |
| Past due loans (three months or more) | 549 | 631 | 4,657 |
| Restructured loans | 46,044 | 45,385 | 390,041 |
| Total | ¥151,376 | ¥172,878 | \$1,282,307 |

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 are 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, but restructured loans exclude loans to borrowers in bankruptcy, past due loans or past due loans (three months or more).

8. Foreign Exchanges

Foreign exchange assets and liabilities at March 31, 2007 and 2006 consisted of the following:

| | Millions of Yen | | Thousands of U.S. Dollars |
|---|-----------------|---------------|------------------------------|
| | 2007 | 2006 | 2007 |
| Assets | | | |
| Foreign exchange bills bought | ¥ 16 | ¥ 172 | \$ 139 |
| Foreign exchange bills receivable | 116 | 41 | 984 |
| Due from foreign correspondent accounts | 554 | 1,001 | 4,700 |
| Total | ¥687 | ¥1,215 | \$5,824 |
| Liabilities | | | |
| Foreign exchange bills sold | ¥ 32 | ¥ 62 | \$ 276 |
| Foreign exchange bills payable | 38 | 118 | 321 |
| Total | ¥ 70 | ¥ 180 | \$ 598 |

9. Other Assets

Other assets at March 31, 2007 and 2006 consisted of the following:

| | Millions of Yen | | Thousands of U.S. Dollars |
|--------------------------------|-----------------|----------------|------------------------------|
| | 2007 | 2006 | 2007 |
| Accrued income | ¥ 9,972 | ¥ 8,510 | \$ 84,473 |
| Prepaid expenses | 55 | 56 | 467 |
| Account receivable | 5,910 | 25,393 | 50,067 |
| Installment account receivable | 6,722 | 5,727 | 56,944 |
| Other | 5,475 | 5,353 | 46,381 |
| Total | ¥28,135 | ¥45,041 | \$238,334 |

10. Tangible Fixed Assets

The accumulated depreciation of tangible fixed assets at March 31, 2007 and 2006 amounted to ¥117,051 million (\$991,539 thousand) and ¥116,311 million, respectively.

11. Long-lived Assets

The Bank recognized impairment losses of ¥233 million (\$1,974 thousand) on certain operating branches and on branches to be closed and unused facilities for the year ended March 31, 2007.

The impairment losses comprised ¥42 million (\$356 thousand) on buildings, ¥138 million (\$1,175 thousand) on land, ¥28 million (\$242 thousand) on other fixed assets and ¥23 million (\$200 thousand) on other assets, respectively.

For the purpose of testing impairment, the Bank recognizes individual branch office as a cash-generating unit for which it continues to manage and monitor identifiable cash flows. Branch offices to be closed and facilities not used in operation are individually assessed for impairment. 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 discounted cash flows were calculated using discount rate of 5.0%, and the net selling price determined by quotation by third-party vendor.

12. 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.

From the fiscal year ended March 31, 2007, the Bank has applied the Cabinet Office Ordinance for the Partial Revision of the Ordinance for Enforcement of the Banking Law (Cabinet Office Ordinance No.38, April 17, 2007), through which the Ordinance for Enforcement of the Banking Law (Ministry of Finance Ordinance No.10, 1982) was revised. Accordingly, as of the fiscal year under review, "Customers' liabilities for acceptances and guarantees" and "Acceptances and guarantees" are offset.

As a result, "Customers' liabilities for acceptances and guarantees," as well as "Acceptances and guarantees," both decreased by ¥14,205 million (\$120,330 thousand) compared with the corresponding amounts under the previous method.

13. Assets Pledged

Assets pledged as collateral and their relevant liabilities at March 31, 2007 and 2006 were as follows:

| | Millions of Yen | | Thousands of U.S. Dollars |
|---|-----------------|-----------|------------------------------|
| | 2007 | 2006 | 2007 |
| Assets pledged as collateral: | | | |
| Investment securities | ¥128,663 | ¥ 122,675 | \$1,089,908 |
| Other assets | 21 | 7 | 177 |
| Relevant liabilities to above assets: | | | |
| Deposits | 20,857 | 42,400 | 176,685 |
| Payable under securities lending transactions | 13,029 | 8,752 | 110,372 |

Additionally, investment securities amounting to ¥131,606 million (\$1,114,837 thousand) and ¥131,685 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, 2007 and 2006, respectively.

Other assets includes deposit for leased tangible fixed assets (lessee side) amounted to ¥81 million (\$693 thousand) and ¥919 million at March 31, 2007 and 2006, respectively.

14. 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 ¥1,473,787 million (\$12,484,434 thousand) relating to these contracts, of which the amounts with the original agreement terms of less than one year were ¥1,442,517 million (\$12,219,549 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.

15. Deposits

Deposits at March 31, 2007 and 2006 consisted of the following:

| | Millions of Yen | | Thousands of U.S. Dollars |
|------------------------------------|-----------------|------------|------------------------------|
| | 2007 | 2006 | 2007 |
| Current deposits | ¥ 175,129 | ¥ 176,810 | \$ 1,483,515 |
| Ordinary deposits | 2,306,058 | 2,254,605 | 19,534,593 |
| Deposits at notice | 25,209 | 26,652 | 213,550 |
| Time deposits | 2,021,903 | 2,024,909 | 17,127,516 |
| Negotiable certificates of deposit | 297,500 | 226,280 | 2,520,118 |
| Other deposits | 204,337 | 238,269 | 1,730,940 |
| Total | ¥5,030,138 | ¥4,947,526 | \$42,610,236 |

16. Borrowed Money

Borrowed money as of March 31, 2007 and 2006 consisted of the following:

| | Millions of Yen | | Thousands of U.S. Dollars |
|--|-----------------|---------|------------------------------|
| | 2007 | 2006 | 2007 |
| Borrowings from banks and other | ¥14,572 | ¥15,450 | \$123,444 |
| Payable under securitized future lease receivables | 1,000 | | 8,470 |
| Total | ¥15,572 | ¥15,450 | \$131,915 |

Annual maturities of borrowed money as of March 31, 2007 were as follows:

| Year Ending March 31 | Millions of Yen | Thousands of U.S. Dollars |
|----------------------|-----------------|------------------------------|
| 2008 | ¥ 8,919 | \$ 75,557 |
| 2009 | 3,111 | 26,361 |
| 2010 | 1,652 | 13,999 |
| 2011 | 1,207 | 10,232 |
| 2012 | 583 | 4,943 |
| 2013 and thereafter | 97 | 821 |
| Total | ¥15,572 | \$131,915 |

Future lease receivables, which are off-balance-sheet items, amounting ¥5,094 million (\$43,154 thousand) and ¥4,634 million are pledged for borrowings from banks and other amounting to ¥3,678 million (\$31,156 thousand) and ¥3,325 million at March 31, 2007 and 2006, respectively.

Also, another future lease receivables amounting to ¥12,481 million (\$105,728 thousand) and ¥14,217 million are placed under quasi pledge arrangement for borrowings from banks and other amounting to ¥10,401 million (\$88,106 thousand) and ¥11,848 million at March 31, 2007 and 2006, respectively.

The balance of securitized future lease receivables, which is off-balance-sheet item, amounted to ¥1,207 million (\$10,224 thousand) at March 31, 2007.

17. Other Liabilities

Other liabilities at March 31, 2007 and 2006 consisted of the following:

| | Millions of Yen | | Thousands of U.S. Dollars |
|----------------------|-----------------|---------|------------------------------|
| | 2007 | 2006 | 2007 |
| Accrued expenses | ¥ 8,621 | ¥ 6,955 | \$ 73,032 |
| Unearned income | 9,310 | 9,377 | 78,870 |
| Income taxes payable | 2,626 | 3,797 | 22,246 |
| Accounts payable | 6,302 | 26,065 | 53,388 |
| Suspense receipt | 28,928 | 5,779 | 245,053 |
| Other | 2,058 | 3,283 | 17,440 |
| Total | ¥57,848 | ¥55,259 | \$490,032 |

18. Liability for Retirement Benefits

The Companies have severance payment plans for employees, directors and corporate auditors.

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 for retirement benefits at March 31, 2007 for directors and corporate auditors is ¥1,126 million (\$9,540 thousand). The retirement benefits for directors and corporate auditors are paid subject to the approval of the stockholders.

The liability (asset) for employees' retirement benefits at March 31, 2007 and 2006 consisted of the following:

| | Millions of Yen | | Thousands of U.S. Dollars |
|---------------------------------|-----------------|----------|------------------------------|
| | 2007 | 2006 | 2007 |
| Projected benefit obligation | ¥ 96,836 | ¥ 94,556 | \$820,301 |
| Fair value of plan assets | (46,423) | (44,130) | (393,249) |
| Unrecognized net actuarial loss | (11,378) | (12,927) | (96,386) |
| Net liability | ¥ 39,034 | ¥ 37,499 | \$330,664 |

The components of net periodic retirement benefit costs for the years ended March 31, 2007 and 2006 were as follows:

| | Millions of Yen | | Thousands of U.S. Dollars |
|---------------------------------------|-----------------|---------|------------------------------|
| | 2007 | 2006 | 2007 |
| Service cost | ¥ 2,125 | ¥ 1,903 | \$ 18,006 |
| Interest cost | 1,882 | 2,147 | 15,950 |
| Expected return on plan assets | (1,544) | (1,278) | (13,083) |
| Recognized actuarial loss | 2,089 | 1,994 | 17,698 |
| Net periodic retirement benefit costs | ¥ 4,553 | ¥ 4,766 | \$ 38,572 |

Assumptions used for the years ended March 31, 2007 and 2006 were set forth as follows:

| | 2007 | 2006 |
|---|-----------|-----------|
| Discount rate | 2.0% | 2.0% |
| Expected rate of return on plan assets | 3.5% | 3.5% |
| Recognition period of actuarial gain/loss | Ten years | Ten years |

19. Equity

On and after May 1, 2006, Japanese banks are subject to the Banking Law and to the Corporate Law, which reformed and replaced the Commercial Code of Japan with various revisions that are, for the most part, 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 Corporate Law requires that all shares of common stock be issued with no par value and at least 50% of the amount paid 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 Corporate Law 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 additional paid-in capital and legal reserve that exceeds 100% of common stock may be available for dividends by resolution of the stockholders after transferring such excess in accordance with the Corporate Law. In addition, the Corporate Law 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 Corporate Law 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 Corporate Law 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 Corporate Law and the Banking Law was ¥230,957 million (\$1,956,434 thousand) as of March 31, 2007, 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 Corporate Law.

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 certain criteria such as; (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 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. However, the Bank cannot do so because it does not meet all the above criteria. 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. The Bank can do so because it stipulates this in its articles of incorporation. The Corporate Law 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) *Increases / decreases and transfer of common stock, reserve and surplus*

The 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 Corporate Law and the 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 Corporate Law. Under the Corporate Law, the total amount of additional paid-in capital and legal reserve may be reversed without limitation. 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 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 equity or deducted directly from stock acquisition rights.

20. Other Operating Income

Other operating income for the years ended March 31, 2007 and 2006 consisted of the following:

| | Millions of Yen | | Thousands of |
|--|-----------------|----------------|------------------|
| | 2007 | 2006 | U.S. Dollars |
| Gain on sales and redemption of bonds and other securities | ¥ 375 | ¥ 841 | \$ 3,183 |
| Lease receipt | 12,389 | 12,581 | 104,955 |
| Other | 5,971 | 4,399 | 50,588 |
| Total | ¥18,737 | ¥17,822 | \$158,726 |

21. Other Income

Other income for the years ended March 31, 2007 and 2006 consisted of the following:

| | Millions of Yen | | Thousands of |
|---|-----------------|---------------|-----------------|
| | 2007 | 2006 | U.S. Dollars |
| Gains on sales of stocks and other securities | ¥1,681 | ¥ 206 | \$14,244 |
| Gains on sales of money held in trust | 2,511 | 1,909 | 21,275 |
| Gains on sales of tangible fixed assets | 86 | 622 | 735 |
| Other | 761 | 918 | 6,448 |
| Total | ¥5,041 | ¥3,657 | \$42,703 |

22. Other Operating Expenses

Other operating expenses for the years ended March 31, 2007 and 2006 consisted of the following:

| | Millions of Yen | | Thousands of |
|---|-----------------|----------------|------------------|
| | 2007 | 2006 | U.S. Dollars |
| Losses on sales, redemption and devaluation of bonds and other securities | ¥ 1,114 | ¥ 989 | \$ 9,443 |
| Lease cost | 11,528 | 11,569 | 97,661 |
| Other | 6,250 | 4,884 | 52,951 |
| Total | ¥18,894 | ¥17,443 | \$160,057 |

23. Other Expenses

Other expenses for the years ended March 31, 2007 and 2006 consisted of the following:

| | Millions of Yen | | Thousands of U.S. Dollars |
|--|-----------------|--------|------------------------------|
| | 2007 | 2006 | 2007 |
| Losses on devaluation of stocks and other securities | ¥ 209 | ¥ 18 | \$ 1,774 |
| Bad debt losses | 136 | 233 | 1,159 |
| Losses on dispositions of money held in trust | 65 | 11 | 555 |
| Losses on sales of loans | 4,205 | 3,116 | 35,620 |
| Losses on impairment of fixed assets | 233 | 841 | 1,974 |
| Cumulative effect of accounting change for retirement benefits to directors and corporate auditors | 897 | | 7,606 |
| Other | 519 | 396 | 4,402 |
| Total | ¥6,267 | ¥4,617 | \$53,090 |

24. 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 40.4% and 40.3% for the years ended March 31, 2007 and 2006, respectively.

The tax effects of significant temporary differences which resulted in deferred tax assets and liabilities at March 31, 2007 and 2006 were as follows:

| | Millions of Yen | | Thousands of U.S. Dollars |
|---|-----------------|---------|------------------------------|
| | 2007 | 2006 | 2007 |
| Deferred tax assets: | | | |
| Reserve for possible loan losses | ¥21,423 | ¥24,371 | \$181,477 |
| Liability for retirement benefits | 16,213 | 15,131 | 137,340 |
| Unrealized loss on available-for-sale securities | | 13,753 | |
| Fixed assets (depreciation) | 7,465 | 6,400 | 63,238 |
| Losses on devaluation of stocks and other securities | 2,723 | 3,576 | 23,069 |
| Other | 4,453 | 4,254 | 37,726 |
| Less valuation allowance | (3,291) | (2,570) | (27,885) |
| Total | 48,986 | 64,918 | 414,967 |
| Deferred tax liabilities: | | | |
| Unrealized gain on available-for-sale securities | 55,945 | 63,947 | 473,913 |
| Fixed assets (deferral gain on sales and replacement) | 621 | 637 | 5,262 |
| Other | 6 | | 53 |
| Total | 56,573 | 64,584 | 479,229 |
| Net deferred tax (liabilities) assets | ¥ (7,586) | ¥ 333 | \$ (64,262) |

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, 2007 and 2006 is not disclosed because the each difference was immaterial (less than 5% of the normal statutory tax rate).

25. 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, 2007 and 2006 were ¥1,116 million (\$9,453 thousand) and ¥158 million, respectively.

Pro forma information of leased property such as acquisition cost, accumulated depreciation, obligations under finance leases, depreciation expense and interest expense of finance leases that do not transfer ownership of the leased property to the lessee on an "as if capitalized" basis for the years ended March 31, 2007 and 2006 was as follows:

| | Millions of Yen | | Thousands of U.S. Dollars |
|--------------------------|-------------------------------|-------------------------------|-------------------------------|
| | Equipment and Other Assets | Equipment and Other Assets | Equipment and Other Assets |
| | 2007 | 2006 | 2007 |
| Acquisition cost | ¥ 6,035 | ¥5,488 | \$51,130 |
| Accumulated depreciation | (1,157) | (167) | (9,807) |
| Net leased property | ¥ 4,878 | ¥5,321 | \$41,322 |

Obligations under finance leases:

| | Millions of Yen | | Thousands of U.S. Dollars |
|---------------------|-----------------|--------|------------------------------|
| | 2007 | 2006 | 2007 |
| Due within one year | ¥ 992 | ¥ 884 | \$ 8,404 |
| Due after one year | 3,959 | 4,439 | 33,537 |
| Total | ¥4,951 | ¥5,323 | \$41,942 |

Depreciation expense and interest expense under finance leases:

| | Millions of Yen | | Thousands of U.S. Dollars |
|----------------------|-----------------|------|------------------------------|
| | 2007 | 2006 | 2007 |
| Depreciation expense | ¥1,005 | ¥155 | \$ 8,521 |
| Interest expense | 195 | 5 | 1,655 |
| Total | ¥1,201 | ¥160 | \$10,177 |

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, 2007 and 2006 were ¥11,894 million (\$100,759 thousand) and ¥12,158 million, respectively.

| | Millions of Yen | | Thousands of U.S. Dollars |
|--------------------------|-------------------------------|-------------------------------|-------------------------------|
| | Equipment and Other Assets | Equipment and Other Assets | Equipment and Other Assets |
| | 2007 | 2006 | 2007 |
| Acquisition cost | ¥ 73,573 | ¥ 73,744 | \$ 623,243 |
| Accumulated depreciation | (43,479) | (43,239) | (368,316) |
| Net leased property | ¥ 30,094 | ¥ 30,505 | \$ 254,927 |

Future lease payments receivables under finance leases:

| | Millions of Yen | | Thousands of U.S. Dollars |
|---------------------|-----------------|---------|------------------------------|
| | 2007 | 2006 | 2007 |
| Receivables: | | | |
| Due within one year | ¥ 9,738 | ¥ 9,624 | \$ 82,494 |
| Due after one year | 21,102 | 21,712 | 178,760 |
| Total | ¥30,841 | ¥31,337 | \$261,255 |

Depreciation expense and interest income under finance leases:

| | Millions of Yen | | Thousands of U.S. Dollars |
|----------------------|-----------------|---------|------------------------------|
| | 2007 | 2006 | 2007 |
| Depreciation expense | ¥10,327 | ¥10,522 | \$87,484 |
| Interest income | 1,445 | 1,490 | 12,248 |

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, 2007 and 2006, 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 |
|---------------------|-----------------|------|------------------------------|
| | 2007 | 2006 | 2007 |
| Due within one year | ¥ 60 | ¥ 62 | \$ 515 |
| Due after one year | 59 | 102 | 504 |
| Total | ¥120 | ¥165 | \$1,019 |

26. 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, interest rate swaption, bond futures and bond future options as a means of hedging its interest rate risk on certain loans, deposits and investment securities while entering into interest rate swaps and interest rate caps to meet the needs of its clients.

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 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.

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, 2007 and 2006:

| | Millions of Yen | | | | | | Thousands of U.S. Dollars | | |
|-------------------------------------|-----------------------------------|---------------|-------------------------|-----------------------------------|---------------|-------------------------|-----------------------------------|---------------|-------------------------|
| | 2007 | | | 2006 | | | 2007 | | |
| | 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 | ¥ 7,150 | ¥ 32 | ¥ 32 | ¥10,525 | ¥ 47 | ¥ 47 | \$ 60,567 | \$ 277 | \$ 277 |
| Interest rate swaption: | | | | | | | | | |
| Selling | 5,160 | (12) | (12) | | | | 43,710 | (102) | (102) |
| Buying | 5,160 | 12 | 12 | | | | 43,710 | 102 | 102 |
| Others: | | | | | | | | | |
| Selling | 472 | (3) | 8 | | | | 4,001 | (28) | 71 |
| Buying | 472 | 3 | (2) | | | | 4,001 | 28 | (19) |
| Currency-related transaction: | | | | | | | | | |
| Currency swaps | 15,283 | 35 | 35 | 1,877 | 3 | 3 | 129,470 | 304 | 304 |
| Foreign exchange forward contracts: | | | | | | | | | |
| Selling | 19,849 | (96) | (96) | 85,932 | (919) | (919) | 168,140 | (815) | (815) |
| Buying | 4,129 | 36 | 36 | 1,552 | 3 | 3 | 34,980 | 307 | 307 |

Unrealized gains (losses) for the years ended March 31, 2007 and 2006 were recognized in the consolidated statements of income.

Derivatives which qualify for hedge accounting for the years ended March 31, 2007 and 2006 were not included in 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.

27. Related Party Transactions

Related party transactions for the years ended March 31, 2007 and 2006 were as follows:

| Related Party | Account Classification | Balance at End of Year | | |
|---|---|------------------------|--------|---------------------------|
| | | Millions of Yen | | Thousands of U.S. Dollars |
| | | 2007 | 2006 | 2007 |
| HIGASHI NIHONKOGYOH CO., LTD.* ¹ | Loans and bills discounted | ¥3,219 | ¥4,016 | \$27,271 |
| Department Store Fujisaki Co., Ltd.* ² | Loans and bills discounted | 4,065 | 6,042 | 34,436 |
| Fuji Styling Co., Ltd.* ² | Loans and bills discounted | 351 | 373 | 2,980 |
| Fujisaki Agency Co., Ltd.* ² | Customers' liabilities for acceptances and guarantees | 300 | | 2,541 |
| Fujisoken Co., Ltd.* ² | Loans and bills discounted | | 1 | |
| Ikijariten Co., Ltd.* ² | Loans and bills discounted | 219 | 235 | 1,860 |
| | Customers' liabilities for acceptances and guarantees | 70 | 70 | 592 |
| Medical Corp. Shoukeikai* ² | Loans and bills discounted | 38 | | 327 |
| Sendai Chamber of Commerce* ³ | Loans and bills discounted | 20 | | 169 |

Notes: *¹ HIGASHI NIHONKOGYOH CO., LTD. of which a corporate auditor of the Bank, Yuzuru Aoki, serves as chairman.

*² Company whose voting rights are majority owned by a director or his close relatives (including subsidiaries of such company).

*³ Sendai Chamber of Commerce of which a director of the Bank, Chugo Marumori, serves as chairman.

*⁴ Terms are substantially the same as for similar transactions with third parties.

28. Segment Information

(1) Business Segment Information

Information about operations in different business segments of the Companies for the years ended March 31, 2007 and 2006 was as follows:

a. Ordinary Income

| | Millions of Yen | | | | | |
|-----------------------|--------------------|------------------|------------------|----------|--------------|--------------|
| | 2007 | | | | | |
| | Banking Operations | Lease Operations | Other Operations | Total | Eliminations | Consolidated |
| Income from customers | ¥108,896 | ¥16,587 | ¥3,768 | ¥129,252 | | ¥129,252 |
| Intersegment income | 512 | 1,312 | 1,901 | 3,726 | ¥(3,726) | |
| Total income | 109,408 | 17,899 | 5,670 | 132,978 | (3,726) | 129,252 |
| Ordinary expenses | 91,110 | 16,954 | 5,405 | 113,470 | (3,714) | 109,755 |
| Ordinary income | ¥ 18,298 | ¥ 944 | ¥ 265 | ¥ 19,508 | ¥ (11) | ¥ 19,496 |

b. Assets, Depreciation, Impairment Loss and Capital Expenditures

| | Millions of Yen | | | | | |
|----------------------|--------------------|------------------|------------------|------------|--------------|--------------|
| | 2007 | | | | | |
| | Banking Operations | Lease Operations | Other Operations | Total | Eliminations | Consolidated |
| Assets | ¥5,613,609 | ¥39,189 | ¥21,960 | ¥5,674,759 | ¥(26,989) | ¥5,647,770 |
| Depreciation | 3,163 | 11,164 | 23 | 14,351 | | 14,351 |
| Impairment loss | 233 | | | 233 | | 233 |
| Capital expenditures | 2,647 | 12,435 | 6 | 15,090 | (10) | 15,079 |

a. Ordinary Income

| | Thousands of U.S. Dollars | | | | | |
|-----------------------|---------------------------|------------------|------------------|-------------|--------------|--------------|
| | 2007 | | | | | |
| | Banking Operations | Lease Operations | Other Operations | Total | Eliminations | Consolidated |
| Income from customers | \$922,459 | \$140,508 | \$31,924 | \$1,094,892 | | \$1,094,892 |
| Intersegment income | 4,341 | 11,114 | 16,111 | 31,567 | \$(31,567) | |
| Total income | 926,801 | 151,622 | 48,035 | 1,126,459 | (31,567) | 1,094,892 |
| Ordinary expenses | 771,792 | 143,622 | 45,788 | 961,203 | (31,467) | 929,735 |
| Ordinary income | \$155,009 | \$ 8,000 | \$ 2,247 | \$ 165,256 | \$ (99) | \$ 165,156 |

b. Assets, Depreciation, Impairment Loss and Capital Expenditures

Thousands of U.S. Dollars

| | 2007 | | | | | |
|----------------------|--------------------|------------------|------------------|--------------|--------------|--------------|
| | Banking Operations | Lease Operations | Other Operations | Total | Eliminations | Consolidated |
| Assets | \$47,552,814 | \$331,973 | \$186,026 | \$48,070,815 | \$(228,625) | \$47,842,189 |
| Depreciation | 26,794 | 94,571 | 201 | 121,567 | | 121,567 |
| Impairment loss | 1,974 | | | 1,974 | | 1,974 |
| Capital expenditures | 22,429 | 105,340 | 58 | 127,829 | (89) | 127,739 |

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 |

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) Ordinary Income from International Operations

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

29. Subsequent Event

At the Bank's general stockholders meeting held on June 28, 2007, the Bank's stockholders approved the following:

Appropriations of Retained Earnings

| | Millions of Yen | Thousands of U.S. Dollars |
|--|-----------------|---------------------------|
| Year-end cash dividends, ¥4.00 (\$0.033) per share | ¥1,517 | \$12,858 |