JOYO BANK

Annual Report 2007

PROFILE

The Joyo Bank, Ltd., was established in 1935 out of the merger of the Tokiwa Bank and Goju Bank (both founded in 1878), and celebrating its 125th year in Business.

As a leading financial institution in Ibaraki Prefecture and surrounding regions, the Bank, with the philosophy of "Practicing sound management, creation of values, and partnership with the home region," is contributing to the growth of its home region by providing stable and comprehensive financial services.

Management Philosophy

"Sound management, creation of value, and partnership with the home region"

(1) Focusing on retail banking as our core business, Joyo Bank will pursue sound management and steady banking activities.

(2) Joyo Bank will create high-value business together with our customers, regional communities, and shareholders.

(3) By providing financial services in our base territory of Ibaraki Prefecture and adjacent areas, Joyo Bank will contribute to social and economic progress in the home region.

Action Guidelines

We will

— Provide the most appropriate products and services based on a keen understanding of our customers.

— Undertake steady banking activities and grow together with our customers.

— Seek to further improve our financial skills.

CONTENTS

FINANCIAL HIGHLIGHTS

Consolidated

THE JOYO BANK, LTD. and Consolidated Subsidiaries

	Millions of yen		Thousands of U.S. dollars
Years Ended March 31	**2007**	2006	**2007**
For the Year Ended			
Total Income	**¥ 197,653**	¥ 182,781	**$ 1,674,316**
Total Expenses	**143,967**	138,874	**1,219,550**
Income before Income Taxes and Minority Interests	**53,685**	43,907	**454,766**
Net Income	**26,319**	24,815	**222,948**
At the Year End			
Total Assets	**¥7,444,736**	¥7,352,922	**$63,064,265**
Deposits	**6,309,618**	6,166,008	**53,448,696**
Loans and Bills Discounted	**4,402,579**	4,391,666	**37,294,196**
Securities	**2,605,232**	2,489,550	**22,068,894**
Net Assets	**518,810**	—	**4,394,834**
Shareholders' Equity	**—**	488,809	**—**
Capital Ratio	**11.98%**	12.01%	
For the Year Ended			
Net Cash Provided by (Used in) Operating Activities	**¥ 92,097**	¥ (73,506)	**$ 780,153**
Net Cash (Used in) Provided by Investing Activities	**(58,690)**	11,692	**(497,169)**
Net Cash Used in Financing Activities	**(34,724)**	(12,527)	**(294,150)**
Net Decrease in Cash and Cash Equivalents	**(1,314)**	(74,322)	**(11,136)**
Cash and Cash Equivalents at End of Year	**116,379**	117,694	**985,851**

Notes: 1. Japanese yen amounts are rounded down to the nearest million yen.
2. U.S. dollar amounts represent translation of Japanese yen at the exchange rate of ¥118.05 to US$1.00 on March 31, 2007.

Non-Consolidated

THE JOYO BANK, LTD.

	Millions of yen		Thousands of U.S. dollars
Years Ended March 31	**2007**	2006	**2007**
For the Year Ended			
Total Income	**¥ 175,963**	¥ 160,079	**$ 1,490,587**
Total Expenses	**122,956**	118,093	**1,041,562**
Income before Income Taxes	**53,007**	41,986	**449,024**
Net Income	**26,186**	24,721	**221,826**
At the Year End			
Total Assets	**¥7,430,806**	¥7,340,658	**$62,946,267**
Deposits	**6,326,301**	6,181,063	**53,590,019**
Loans and Bills Discounted	**4,438,855**	4,433,701	**37,601,487**
Securities	**2,607,267**	2,489,359	**22,086,128**
Net Assets	**515,631**	—	**4,367,909**
Shareholders' Equity	**—**	488,207	**—**

Notes: 1. Japanese yen amounts are rounded down to the nearest million yen.
2. U.S. dollar amounts represent translation of Japanese yen at the exchange rate of ¥118.05 to US$1.00 on March 31, 2007.

MESSAGE FROM THE PRESIDENT

Evolving into a comprehensive supplier of high-quality financial services

Providing comprehensive, high-quality financial services

Deregulation has enabled the Bank to significantly broaden its business domains, although there has also been a strong increase in competition from service providers in other sectors. The business environment for banks is changing greatly with the establishment of the Financial Instruments and Exchange Law and application of the new Basel Capital Accord (Basel II).

Here at Joyo Bank, in order to provide comprehensive high-quality financial services and strengthen our customers' trust, we are focusing on the three basic targets set out in our ninth medium-term management plan (FY2005 to FY2007): improving profitability (increased gross profits), improving operations management, and increased organizational vitality. In the ninth medium-term management plan, we positioned the customer at the heart of all our activities, and view compliance with all laws and regulations as management's most important task. We have worked hard to follow these principles.

In line with our Regionally-Based Financing Promotion Program (FY2005 to FY2006), intended to spur the development of the regional community and economy through consistently reliable financial services, we are strengthening support for new business creation, management consulting, and business revitalization in our home region.

Responding to diverse customer needs

Keeping the focus on the customer, and understanding the customer and their needs form the fundamentals of the financial services business. At Joyo Bank we seek to satisfy our customers by providing high-quality financial services that meet their needs.

In corporate banking business, we actively meet the financing needs of local small-to medium corporate customers through diverse fund-raising methods ranging from syndicated loans to private placements. As part of our comprehensive financial services, we have strengthened our capabilities in proposing business succession and matchmaking solutions. On the PR front, we have highlighted the bright future and development potential of Ibaraki Prefecture. We have organized inspection tours for industrial sites in cooperation with the Ibaraki Prefecture government to attract corporations from outside the prefecture, and held business-partnering meetings for the agricultural production and food-processing, restaurant and retail industries, aimed at expanding sales channels.

For individual customers, we have enriched our line-up of mortgage products, and started offering products such as a housing loan for which repayments are suspended if the customer suffers cancer, a stroke or a heart attack. We also offer card, car and education loans and other loans tailored to customer age-group.

In response to our customers' diversifying needs, we are expanding our range of asset management products, for example with the launch of our new investment trust product, through which funds are evenly spread among bonds, stocks and REITs, and building out our securities brokerage network from two locations to seven.

To respond quickly and appropriately to the broadening of our business domains and to changes in operational systems and technologies, we developed a joint computer system with three other regional banks. The system, in operation since January 2007, will enable us to reduce system costs and develop products and services to meet customer needs promptly.

Stability, Cooperation, Partnership with the home region

Based on our management philosophy of stability, cooperation, partnership with the home region, we believe our mission is to contribute to the development of the regional community and economy, as a financially stable, soundly managed provider of reliable financial services and functions.

In addition to that mission, we are working to increase customer satisfaction by improving customer convenience and taking various measures against damage to customers' interests, and by building enterprise value through improved profitability and sound business management. This is our road to providing comprehensive, high-quality financial services.

Through strict adherence to compliance and rigorous risk management, we aim to provide financial services that build trust and peace of mind for customers in the region.

Kunio Onizawa
President

From the top down, we as a bank are fully committed to meeting the expectations of our customers, community and shareholders. I offer my sincere gratitude for your continued support for our endeavors.

Kunio Onizawa

Kunio Onizawa
President
July 2007

Revenues and Earnings

Business profit declined ¥2.4 billion or 4.3% year-on-year to ¥52.9 billion (US$448 million). Continuing robust sales of mortgage loans and investment trusts were more than outweighed by increased costs of procurement of foreign-currency denominated funds due to rising short-term interest rates in overseas markets. Core business profit, the main indicator of the Bank's profitability, also slipped ¥1.5 billion or 2.7% year-on-year to ¥52.2 billion (US$442 million).

Ordinary profit increased ¥6.5 billion or 16.0% year-on-year to ¥47.6 billion (US$403 million) on the back of a significant decline in the amount of bad-debt disposal.

Net income increased by ¥1.4 billion or 5.9% year-on-year to ¥26.1 billion (US$221 million).

*Core business profit is the amount of business profit adjusted for gains and losses on bond trading and general provisions for possible loan losses.

Deposits, Loans and Securities

Deposits for the term increased by ¥138.7 billion to a term-end balance of ¥6,285.2 billion (US$53,241 million). Of this total, ordinary accounts increased by ¥123.0 billion to a term-end balance of ¥3,299.3 billion (US$27,948 million), and time deposits increased ¥24.8 billion to a term-end balance of ¥2,570.0 billion (US$21,770 million).

Loans in the term increased by ¥5.1 billion to a term-end balance of ¥4,438.8 billion (US$37,601 million). Loans to the public sector declined, but lending to individuals, especially mortgage loans, increased ¥37.7 billion, to end the term at ¥1,005.1 billion (US$8,514 million). In addition, lending to SMEs increased by ¥15.5 billion to ¥1,925.1 billion (US$16,307 million) at the end of the term. Securities holdings increased ¥117.9 billion, to end the term at ¥2,607.2 billion (US$22,085 million). Of this total, government bonds increased by ¥30.0 billion to ¥760.2 billion (US$6,439 million) at the end of the term. The balance of corporate bonds increased ¥60.8 billion to ¥402.0 billion (US$3,405 million) at the term-end.

Assets under custody increased by ¥215.5 billion year-on-year to ¥1,067.4 billion (US$9,041 million), passing the trillion yen mark. In addition to a significant increase in investment trusts, sales of government bonds and pension insurance to individual customers also increased significantly.

Mortgage and housing loans had another good year. Mortgage loans increased by ¥54.6 billion year-on-year to ¥870.6 billion (US$7,374 million), while loans to apartment building owners increased to ¥10.4 billion to ¥283.5 billion (US$2,401 million).

Capital Ratio

The capital ratio is an important indicator for assessing the soundness of the Bank's operations.

Our capital ratio, on a consolidated basis, stood at 11.98% (Tier I ratio: 10.20%), while our capital ratio on a non-consolidated basis also remained at a high level of 11.88% (Tier I ratio: 10.21%).

In line with the new Basel II international standards for capital adequacy introduced in Japan, the Bank now calculates credit risk using the Standardized Approach (SA), and operational risk using the Standardized Approach (SA) established by BIS from the term ended March 2007.

It should be noted that the level required for banks complained to domestic standards is 4% or greater.

Consolidated Accounts

The Bank currently has nine consolidated subsidiaries. On a consolidated basis, ordinary income for the year increased by ¥11.9 billion, to ¥192.0 billion (US$1,626 million). Ordinary expenses increased by ¥4.9 billion to ¥142.2 billion (US$1,204 million). As a result of the above, ordinary profit was ¥49.7 billion (US$421 million) and net income was ¥26.3 billion (US$222 million), in both cases a year-on-year increase.

Turning to cash flow in the year (consolidated basis), net cash provided by operating activities totaled ¥92.0 billion (US$779 million), due mainly to an increase in deposits, but net cash used in investing activities totaled ¥58.6 billion (US$496 million), due mainly to a decline in cash inflows from securities trading. Net cash used in financing activities totaled ¥34.7 billion (US$293 million) due chiefly to repayment of subordinated debt and acquisition of own shares.

As a result of the above, cash and cash equivalents at the end of the term decreased by ¥1.3 billion to ¥116.3 billion (US$985 million).

9th Medium-Term Management Plan "Leaping toward a New Growth Stage"

With the application of the new Basel Capital Accord (Basel II) and the government's shift of focus from savings to investments, the financial environment in Japan is undergoing great change. Also, with competition from outside the region increasing and other sectors offering financial services, the Bank's competitive environment has become even tougher.

As Joyo Bank's management environment has greatly changed, we are implementing the ninth medium-term management plan to win further trust from our customers, community and shareholders, and to build an even stronger management base.

9th Medium-Term Management Plan

(April 1, 2005 - March 31, 2008)

Our Goal

To be a high-quality, comprehensive financial services provider

Through our 9th medium-term management plan, our goal is to be a comprehensive supplier of high-quality financial services to support the reality of regional and business development and bountiful household finances.

- Understanding of our customers' needs and acting on these sensitively (Increasing customer satisfaction)
- Increasing profitability and stability and achieving increased shareholder value (Raising shareholder satisfaction)
- Working toward individual growth and improving organizational vitality (Raising employee satisfaction)

Basic Goals

Improved profitability (increased gross profits)

Increased organizational vitality

Improved operations management

We are carrying out a wide range of policies to accomplish our basic goals of improving profitability (increasing gross profits), operational management and organizational vitality, to realize our ambition of being a comprehensive supplier of high-quality financial services, the pathway to sustainable growth and higher enterprise value. As a company working in the services industry, where everything starts with trust, we are stepping up our commitment to more secure financial transactions and greater compliance.

Asset Soundness

Results of Processing Non-Performing Loans in FY2006

We have calculated write-offs and reserve amounts for non-performing loans based on results from self-assessment and established rules on write-offs and provision of reserves. Credit costs for nonperforming loans processed in FY2006 totaled ¥6.8 billion (US$57 million). Below is a breakdown. Total disposals in fiscal 2006 declined by ¥9.3 billion year-on-year. This was mainly due to reclassification of borrowers whose businesses are now picking up again as a result of corporate rehabilitation support measures, and to a reversal of poor business conditions at troubled companies.

	Millions of Yen		
March 31	**2007**	2006	Change
Write-off of claims	**¥6,036**	¥ 8,182	¥(2,146)
Net provision for specific reserves	**—**	7,454	(7,454)
Provision for specific foreign borrowers	**—**	—	—
Losses on bulk sale of loans	**372**	226	146
Provision for other contingent losses	**400**	290	110
Other	**—**	—	—
Total	**¥6,810**	¥16,153	(9,343)

Reserve for Possible Loan Losses

For debtors deemed to be in a state of bankruptcy and quasi-bankruptcy based on self-assessment, we deducted the value of collateral amounts from the loan amounts. After that, we provided reserves in an amount of 100% of the amount of claims thought to be unrecoverable. Furthermore, for loans to debtors who are at risk, we provided reserves based on the Bank's historical loan-loss ratio to the value of 64.17% for claims at risk of being unrecoverable. As a result, compared to the ¥35.3 billion total of non-performing loans for which there is a risk of no recovery, we have provided specific reserves for bad debts totaling ¥22.6 billion (US$191 million), a reserve ratio of 64.18%.

Claims deemed to be unrecoverable or valueless (¥41.2 billion) based on self-assessment have been executed on a "partial direct write-offs" basis and have been deducted within the balance sheet.

For the general reserve for bad debts, we have conducted an appropriate reserve provision following the guidelines of the Financial Inspection Manual prepared by the Financial Services Agency. For debtors requiring attention, we have divided these into three categories to include debtors requiring management, and have provided reserves after consideration of the historical default ratio of each category.

Moving forward, we will continue to improve our credit risk management system, and conduct appropriate write-offs and provide reserves, and work toward improving the health and stability of our assets.

Reserve Based on Self-Assessment

	Billions of Yen			
March 31, 2007	Potentially bankrupt borrowers	Substantially bankrupt borrowers	Legally bankrupt borrowers	Total
Claims of balance (i)	¥ 78.4	¥ 11.4	¥ 5.8	¥ 95.8
Claims secured by collateral (ii)	43.1	11.4	5.8	60.4
Claims with uncertain collectibility (A)=(i)-(ii)	35.3	0	0	35.3
Specific reserve (B)	22.6	0	0	22.6
Reserve ratio (B)/(A)	64.17%	100.00%	100.00%	64.18%

Reserve for Possible Loan Losses

	Billions of Yen		
March 31	**2007**	2006	Change
General loan loss reserve	**¥16.8**	¥20.9	¥ (4.1)
Specific reserve	**22.7**	30.2	(7.5)
Reserve for specific foreign borrowers	**—**	—	—
Reserve for possible loan losses	**39.5**	51.2	(11.6)
Reserve for assistance to specific borrowers	**—**	—	—
Reserve for possible losses on sale of loans	**—**	—	—
Reserve for other contingent losses	**0.5**	0.4	1

Enhanced Managerial and Financial Support for Businesses

To increase the quality of assets, not only must we aggressively proceed with the disposal of non-performing loans, but also strengthen our efforts to resolve problems on the debtor side such as declining performance resulting from changes in the economic climate or industrial structure and declining financial positions resulting from falling asset values. This is the vital role we are expected to fulfill in the revitalization and development of the local economy and it is something that the entire Bank is working toward.

Specifically, the Company Management Support Office has closely cooperated with our branch staff to provide management analysis, advice on improvement strategies, support for the drafting of operational reform plans and, where necessary, support based on external partnerships such as the Small to Medium-Enterprise Rehabilitation Support Association. Through these activities, we are working toward supporting the corporate rehabilitation and operational improvement of our corporate customers.

As a result of strengthening our support activities since FY2005, based on the Regionally-Based Financing Promotion Program, we have seen improvements in the borrower classifications for 75 of our debtors (debtors' credit ratings based upon the financial positions of the companies in question). We will continue our commitment to supporting the managements of troubled companies, with the aim of revitalizing the regional economy.

Disclosure of the Bank's Assets

We continue to view the improvement of asset quality as a major management issue and in addition to working toward the disposal of non-performing loans and increasing the health of our assets, we endeavor to provide disclosure of all information.

Risk-Monitored Claims Following the Banking Law

For loans subject to risk management under the Banking Law, Joyo Bank has adopted four classifications for disclosure purposes: loans to debtors in bankruptcy based on self-assessment are "loans in bankruptcy and dishonored bills," loans to debtors who are substantially or potentially in bankruptcy are "delinquent loans," loans to companies requiring caution that have been delinquent for 3 months or more are "loans past due with respect to interest payments for more than three months," and loans to debtors who we support through interest reduction and waiver or repayment are "restructured loans."

As a result of asset improvement due to the support of company management, and by progressing to final closure, the amount of bad loans subject to mandatory disclosure declined by ¥52.2 billion to ¥146.5 billion (US$ 1,240 billion). Furthermore, we have kept a high coverage ratio of 70.91%.

Risk-Monitored Assets under the Banking Law

(Non-consolidated) Billions of Yen

March 31	2007	2006	Change
Loans in bankruptcy and dishonored bills	¥ 5.7	¥ 4.8	¥ 0.9
Delinquent loans	89.1	133.4	(44.3)
Loans past due with respect to interest payments for more than three months	2.0	2.2	(0.2)
Restructured loans	49.5	58.1	(8.6)
Total (a)	¥ 146.5	¥ 198.7	¥(52.2)
Loans and bills discounted (b)	¥4,438.8	¥4,433.7	¥ 5.1
Ratio of risk-monitored assets to loans outstanding (a)/(b)	3.30%	4.48%	1.18%
Portion covered by collateral and guarantees (c)	¥ 103.9	¥ 152.8	(48.8)
Coverage ratio (c)/(a)	70.91%	76.87%	(59.5%)

(Consolidated) Billions of Yen

March 31	2007	2006	Change
Loans in bankruptcy and dishonored bills	¥ 5.9	¥ 4.9	¥ 0.9
Delinquent loans	90.0	134.9	(44.8)
Loans past due with respect to interest payments for more than three months	2.1	2.4	(0.2)
Restructured loans	49.7	58.5	(8.7)
Total	¥147.9	¥200.8	¥(52.9)

Claims Disclosed in Accordance with the Financial Revitalization Law

Disclosure of the results of an asset assessment is required under the Financial Revitalization Law. Under the Law, the Bank regards non-performing loans determined through asset self-assessment to be loans to legally or substantially bankrupt companies as “bankrupt and quasi-bankrupt assets,” loans to potentially bankrupt companies as “doubtful assets,” loans past due with respect to interest payments by more than three months and restructured loans as “substandard loans.”

Claims subject to disclosure under the Financial Revitalization Law during fiscal 2006 fell ¥51.6 billion year-on-year to ¥147.4 billion, accounting for 3.27% of all loans, down 1.15 percentage points. Furthermore, the ¥0.9 billion differential between the ¥147.4 billion in claims for disclosure under the Financial Revitalization Law, which excludes normal loans, and the ¥146.5 billion in claims for mandatory disclosure in accordance with Banking Law represents non-loan claims including customers’ liabilities for acceptances and guarantees, accrued interest and suspense payments.

Problem Assets under the Financial Revitalization Law

Billions of Yen

March 31	2007	2006	Change
Bankrupt and quasi-bankrupt assets (a)	**¥ 17.4**	¥ 16.9	¥ 0.5
Doubtful assets (b)	**78.5**	121.7	(43.3)
Substandard loans (c)	**51.6**	60.5	(8.9)
Problem assets (A)=(a)+(b)+(c)	**147.4**	199.0	(51.6)
Normal assets (d)	**4,350.7**	4,289.9	60.8
Total (B)=(A)+(d)	**¥4,498.2**	¥4,489.0	¥ 9.2
Ratio of problem assets (A)/(B)	**3.27%**	4.43%	(1.15%)

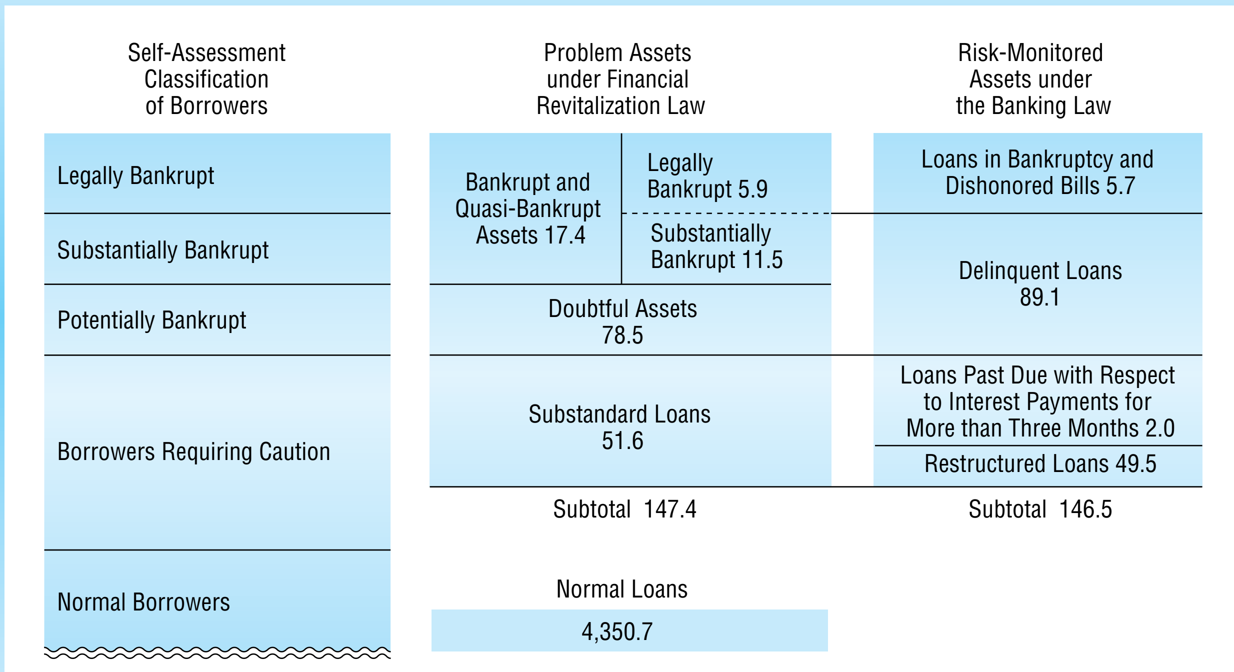
Coverage Status at Fiscal 2006 Year-End

Billions of Yen

March 31, 2007	Bankrupt and quasi-bankrupt assets	Doubtful assets	Substandard loans	Total
Problem assets (a)	¥17.4	¥78.5	¥51.6	¥147.4
Assets secured by collateral and guarantees (b)	17.4	43.1	14.9	75.4
Reserve for possible loan losses (c)	0	22.7	6.5	29.2
Coverage ratio {(b)+(c)}/(a)	100.00%	83.87%	41.48%	70.93%

The disclosure-based assets for each borrower classification of self-assessment are summarized below.

Self-Assessment: Classification of Borrowers and Disclosure-Based Assets (Billions of Yen)



Note: Assets covered by disclosure standards

Financial Revitalization Law:
Loans, securities lending, foreign exchange, interest receivable, suspense payments, and customers' liabilities for acceptance and guarantees

Banking Law:
Loans and bills discounted

Note: Categorization of Disclosure Standards

Financial Revitalization Law:
Categorized by borrower basis, in accordance with self-assessment results. (As an exception, Substandard Loans are categorized on individual loan basis.)

Banking Law:
Loans to Legally Bankrupt Borrowers, Substantially Bankrupt Borrowers, and Potentially Bankrupt Borrowers are categorized on an individual borrower basis, in accordance with self-assessment results. Loans to Borrowers Requiring Caution are disclosed on an individual loan basis.

CORPORATE GOVERNANCE AND INTERNAL CONTROL SYSTEM

To ensure a greater level of trust from customers, the local community and our shareholders, we believe it is essential that our management be efficient, sound and transparent, and firmly rooted in compliance. Constantly mindful of the importance of corporate ethics, we have established eight basic principles under which we are strengthening and expanding our corporate governance.

Corporate Governance at Joyo Bank

Joyo Bank employs the conventional Japanese statutory auditor system for corporate governance pursuant to the Corporation Law. The Bank appoints directors, statutory auditors and accounting auditors. Our corporate governance bodies are as follows: General Meetings of Shareholders, Board of Directors, and Board of Corporate Auditors (made up of statutory auditors). We have a total of 12 directors, with nine executive directors, excluding the chairman who is the Chairman of the Board, the vice chairman and a senior managing director in charge of the internal audit division. There are no outside directors. Of a total of five statutory auditors, three are outside auditors.

The Bank's Board of Directors meets twice a month to deal with decision-making by the management and supervision. We have set up an Executive Officer Committee to discuss and pass resolutions regarding major matters facing the Bank other than matters subject to a special resolution by the Board of Directors. The Executive Officer Committee meets twice a month to draft and implement on specific policies.

To determine the major themes for management audits, special committees (Compliance Committee, General Budget Committee, ALM Committee, Risk Management Committee and Sound Asset Committee) have been established and decisions are made by these committees.

In order to audit performance of duties by directors, the auditors attend important meetings such as the Board of Directors and Executive Officer Committee meetings, peruse relevant documents, and carry out business and asset status inspections, all of which are based on the auditing policies and plans outlined at Board of Corporate Auditors meetings (held once a month in principle).

The Joyo Bank Corporate Philosophy

Corporate Social Responsibly (CSR) and Public Mission

Always keep in mind the Bank's CSR and public mission, and establish greater trust through sound and open business management.

Compliance

Comply with the legal and social code and execute honest and open business activities.

Fight Against Crime

Ensure that the Bank has no relationship with organized crime.

Provide Valuable Financial Services

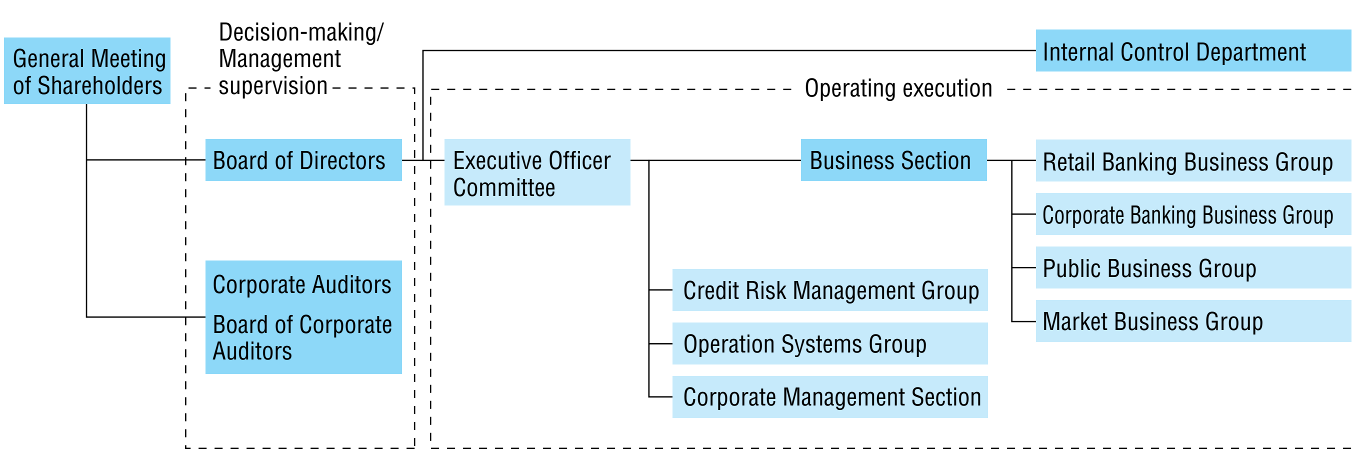
We will contribute to the development of the region in which we operate by responding to our customers' needs and providing valuable financial services, taking security issues into due consideration.

Relationship with the Local Community

We will communicate openly and freely with the community where we do our business, raising our transparency through active disclosure of corporate information.

Respecting the Individual Rights of our Employees

We will provide a work environment that respects individuality and protects the rights of all employees.



Initiatives on Environmental Issues

We will work to reduce the burden on the environment generated by our business activities, and will contribute to environmental preservation efforts by the local community through our core banking operations.

Involvement in Activities that Contribute to the Region

Our efforts to be a good corporate citizen mean that we are making a positive effort, involving ourselves in activities that contribute to the region.

Internal Control

Compliance

Based upon our philosophy of stability, cooperation and partnership with the home region, we are attaching great importance to compliance in our management. We have established a corporate ethics guideline and a code of standards. Moreover, we have established a new set of guidelines to ensure that every director and employee complies with the law and with the Bank's Articles of Incorporation. Every company within Joyo Bank Group follows the same strict guidelines. We have put standards into place to establish a compliance system across the Group as a whole.

To ensure the best standards in compliance, we have established a Compliance Office that oversees the compliance program as defined by the Board of Directors. The Office makes regular reports to the Board. Moreover, we have established a whistleblower hotline for the entire Group, called the Compliance Hotline.

In addition to the Compliance Committee, we have appointed outside experts to form Compliance Monitoring Committees, which monitor compliance issues on a regular basis.

To ensure that our internal controls perform their intended functions, our various auditing functions, which are independent from business execution departments, carry out internal audits across the Group.

Risk Management Standards and other Controls

In addition to establishing risk management standards pertaining to all categories of risk, it is our aim to build an internal risk management structure to ensure a sound financial position and stable earnings in the future. Moreover, we also have business contingency plans in place should any event disrupt our core systems, such as natural disasters or a systems failure.

The management of risk is the responsibility of various risk management departments, as set down in the in-house regulations. Comprehensive risk management is carried out by one department that oversees risk management for the entire Bank. The Board of Directors has appointed one high-ranking officer to oversee the risk management program.

We have established a Risk Management Committee to measure the extent of various risks and make decisions on risk management policies. This committee will meet regularly to ensure an accurate grasp of the situation regarding risk management issues across the Bank. The officer in charge of risk management will make regular reports to the Board of Directors on the current state of risk management and the countermeasures that the Bank is taking against risks.

System to Ensure the Effective Execution of their Duties by the Directors of Joyo Bank

We have put in place a business plan to clarify our operational targets, as well as an overall budget every year, to define specific policies.

We have determined the scope of decision-making responsibilities for each director, to achieve efficient operations.

We have established an Executive Officer Committee that consists of executive directors and executive officers to discuss important matters affecting the daily conduct of operations. We have also set up a range of committees, grouping executive directors, executive officers and division heads, who meet as and when needed.

Supporting Corporate Auditors

One able and competent staff member is assigned to assist the corporate auditors.

To ensure the independence of this assistant from the influence of the business execution departments, the executive director in charge of all personnel transfers should inform the corporate auditors of the decision. The corporate auditors are entitled to express their opinions and advice regarding the transfer of the staff member who has been being selected for the duties.

The corporate auditors attend meetings of the Executive Officer Committee and offer their opinions on the audit process and all related matters.

The directors and employees of the Bank offer any and all information the corporate auditors deem necessary to complete the audit.

In order to improve the efficiency of the audit system, the corporate auditors maintain open communication channels with all headquarters departments other than the internal audit sections.

The Chairman of the Board, President, and accounting auditors each meet regularly with corporate auditors and exchange opinions on the full range of issues related to the audits.

Compliance System

The Bank places a high priority on strengthening its compliance system to ensure sound banking operations, fulfill its social responsibility and public mission, and maintain the trust of customers, shareholders and other stakeholders.

The Bank is drafting a compliance program each year and ensure that executives are fulfilling their roles in compliance.

Creating a compliance system whose ultimate supervisory organ is the Board of Directors and place dedicated compliance officers in each major division to undertake wide-ranging inspections to address how division are addressing legal issues.

Supplementing internal compliance activities by outside audits to inject the required professional knowledge and objectivity. Accordingly, the Bank will set up a Compliance Audit Committee, consisting of outside professionals including a lawyer and a Certified Public Accountant (CPA). The Committee evaluates and audits the Bank’s compliance activities. The Bank is striving to further strengthen and improve its compliance activities.

Our Conduct Guidelines

We will

- get to know our customers and offer optimal products and services
- expand business scale and grow with our customers
- increase our financial expertise

Policy Regarding Solicitations for Financial Products

In accordance with Article 8 of the Law Concerning the Sale of Financial Products, our solicitations for products are based on the following policies.

1. Our appropriate solicitations for financial products are conducted by matching the products with the knowledge, experience, and financial status of the customer.
2. To ensure that our customers make choices based on their own judgment and at their own liability, we will provide easy-to-understand explanations so that the customer has sufficient understanding of financial products and the risks attached.
3. We assure that sales are never based on the provision of misleading or false statements or information, nor do we act in a manner leading to any misunderstanding by our customers.
4. Our solicitations will not be conducted at times or in locations that cause inconvenience.
5. We are setting up a training system within the Bank to ensure proper solicitation to our customers.

Risk Management

While the financial industry has grown due to deregulation and the advancement of financial technology, the risks carried by banks continue to diversify and become ever more complicated. In this environment, we are working to meet the highly advanced and various needs of our customers, and we also have placed emphasis on the subject of “risk management” to ensure the maintenance and improvement of healthy operations which is one of the most vital issues facing management.

The Risk Management System

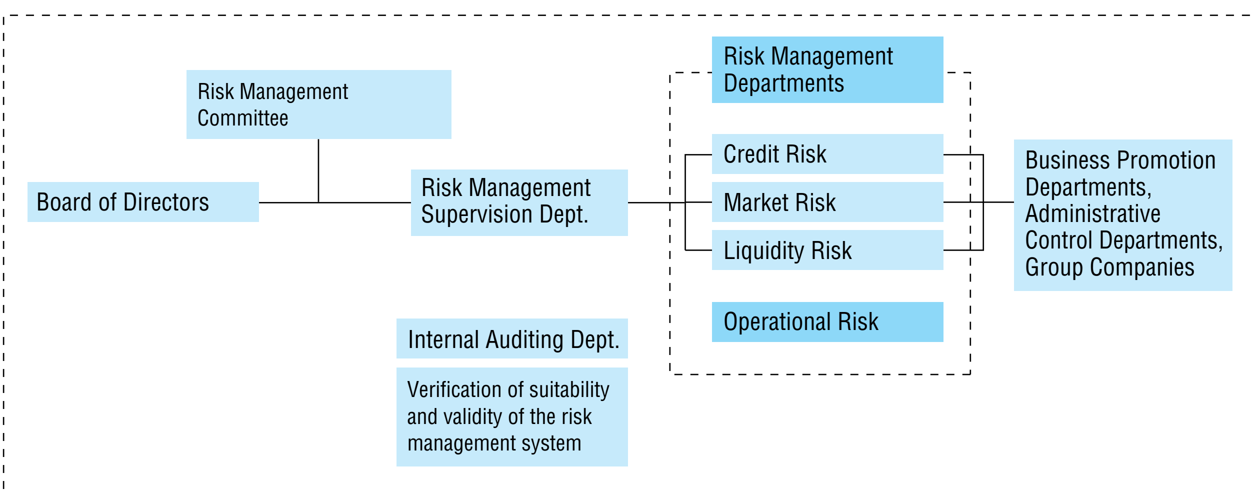
In our fundamental rules regarding risk management we have outlined our fundamental thinking and management procedures including policies regarding risk management, organizational structure, and responsibilities.

In business management, the departments that carry risks when conducting transactions (marketing departments) and the departments that internally manage the results of transactions (business administration departments) are separated, thus creating an organizational structure that allows for mutual checks and balances. The various risks that are incurred during banking operations are managed by specific risk management departments depending on the type of risk.

We also have established a risk management supervision department, which supervises the management systems for all risks, and is responsible for holding meetings of the Risk Management Committee, which is an organ for the examination of Bank-wide solutions to risks. The department also provides regular reports on the overall status of risks to the Board of Directors.

Additionally, internal auditing staff verify that risk management is functioning appropriately and effectively in Risk Management Supervision Department and each risk management related department, thereby increasing the effectiveness of the system.

Risk Management System



Comprehensive Risk Management

The Bank has adopted comprehensive risk management for quantitative understanding of risk using statistical methods for each category of risk, in order to manage not only individual risk categories but also to enable systematic risk management as the business of banking grows more diversified and complex.

This comprehensive approach enables the Bank to manage what extent of risk amount can be permitted relative to risk-adjusted capital, the indicator of financial soundness, and whether or not management resources are being deployed efficiently.

Allocation of Risk-Adjusted Capital

In comprehensive risk management, levels of risk-adjusted capital that may be allocated to cover the scale of permissible risk within Tier I (core capital) are determined. This is then allocated by risk type and category to control risk within the permitted parameters. In the case of major change which cannot be analyzed in terms of past data, we use special simulations (stress testing) to verify capital adequacy levels.

- **Credit Risk Management**

  Credit risk is the risk of not receiving principal or loan payments as promised on loans due to a decline in the credit situation of the debtor. This is seen as one of the most serious risks undertaken within banking operations.

  In order to prevent the occurrence of non-performing loans and improve the health of our assets, we undertake every effort to ensure good credit risk management.

- **Overview of Basic Policy and Procedures with Regard to Credit Risk Management**

  The Bank has compiled management guidelines for credit risk, which serve as a basic policy for appropriate management of credit risk on individual loans and management of the credit portfolio, focusing on spreading risk as its basic tool.

- **Credit Risk Management for Individual Loans**

  We have separated credit-screening departments from lending departments, and constantly work toward making screening stricter while also focusing on credit management before due date to prevent the status of a claim from deteriorating.

  The Bank has created a set of basic parameters for lending, designed to speed up decision-making in lending decisions and to ensure more rigorous risk management. We also have a system for accurately reflecting in the asset self-assessments the business performance achieved by the borrower and changes in the value of collateral.

  The Bank has also adopted an automated scoring system for small-lot loans to unify credit screening standards and improve efficiency.

- **Borrower Ratings**

  We have a 12-stage rating process including quantitative appraisal of data such as financial condition of the borrower and cash flows. In addition to serving as the basis for asset self-assessments, ratings for borrower creditworthiness are used across the full range of credit risk management, including assessment of amount of credit risk, setting of interest rates for loans and setting of decision-making powers.

- **Asset Self-Assessment**

  In asset self-assessments to evaluate the soundness of assets, a primary evaluation is carried out first, followed by a decision on credit category based on a credit rating by the individual branch concerned. Then the head office department in charge of credit screening checks this (secondary assessment) and the Corporate Audit Division audits the results of the asset self-assessment and verifies the appropriateness of procedures. Based on these results, the Bank provides appropriate reserves and writes down problem loans based on the assessments.

- **Quantification of Credit Risk Management**
  The quantification of credit risk management refers to the statistical forecasting of future losses (amount of credit risk) that can be expected from the bankruptcy or deterioration of business at borrowers. Based on our customer credit ratings, the Bank calculates credit risk for each borrower in light of its health and other factors.
- **Loan Portfolio Management**
  We treat loan assets in their entirety as a single portfolio and conduct credit risk management from a macro-perspective. Based on the quantification of credit risk, we carry out periodic monitoring to determine whether or not credit risk is concentrated in specific rating groups, sectors or corporate groups, and analyze and evaluate credit situations by rating, region and sector.

Market Risk Management

Market risk refers to fluctuation primarily in earnings caused by interest rate changes, foreign exchange rate fluctuations, and changes in the demand for funds within the financial industry. Assets such as loans and securities and liabilities such as deposits are constantly influenced by such changes.

We manage all assets and liabilities (deposits, loans, securities, and others) comprehensively based on ALM (asset and liability management) to manage market risks.

- **Market Risk Management System**
  The front and back office departments are separate. The bank has also established middle-office risk management sections to create a system of mutual checks and balances.
- **Market Risk Control**
  The scale of risks involved in assets and liabilities (deposits, loans, securities) go through a multifaceted analysis — gap analysis, basis point value (BPV), simulation of interest fluctuation, and Value at Risk (VaR) — in order to clarify the state of risks and conduct asset allocation effectively and implement risk control measures.

  The Bank engages in financial derivative transactions to meet the diverse needs of its customers and hedge its own risks arising from interest fluctuations. For the risks associated with financial derivatives, in addition to conducting daily mark-to-market valuation and BPV analyses to accurately grasp the size and nature of the risk, we also manage risk appropriately by establishing limits according to objectives.

Operational Risk Management

Administrative risk refers to the risk of losses arising from irregular procedures or employee conduct in banking operations, or inappropriate system operation or detrimental external events. The Bank divides such risk up into five categories, administrative risk, system risk, risk to tangible assets, personnel management risk, and compliance (legal) risk. The Bank has also established a management office for each risk category, as well as supervision of overall operational risk measures.

- **Administrative Risk**
  Operational risk is the risk of damages due to improper administration resulting in accidents or improprieties. The Bank has taken steps to uphold and improve the quality of its administrative operations, to ensure that customers are not inconvenienced by inappropriate administrative management and that administrative management is as error-free and prompt as possible.

  In addition to analyzing and evaluating the circumstances, causes and processes surrounding administrative mistakes, the Bank verifies the effectiveness of countermeasures after their introduction and repeats them as often as necessary to ensure that the problem is resolved. We are drawing up regulations for administrative processes, and ensuring their strict application by all staff from executives down through guidance and training. We are also verifying the effectiveness of internal audits and taking steps to preempt accidents.

- **System Risk**
  System risk is the risk of losses due to the breakdown of computer systems, erroneous computer operation, and inappropriate computer use. Measures to ensure appropriate management of such risk is based on protection of information assets and ensuring stable operation of computer systems.

Tangible Assets Risk, Personnel Management Risk and Compliance (Legal) Risk

Risk to tangible assets (inadequate precautions to prevent damage from earthquakes and management neglect of buildings), personnel management risk relating to safety and hygiene at the workplace, and compliance risk (legality of business, illegal behavior by executives and employees of the Bank) are addressed through appropriate measures after identification and evaluation using methods to gauge risk scale and features, and the effect of risk reduction measures is later assessed.

- **Emergency Measures**
  To ensure that we can continue to do business with our customers even during emergency situations, it is important to have in place precautionary measures for each kind of risk. To prepare for emergencies, we have set up, in remote locations, backup centers for core computer systems, and have compiled a set of guidelines for emergencies that clearly lay down contacts and procedures.

- **Management of Customer Information**
  In view of the importance of information retained by banks, we drafted our "rules regarding the management of important information," which clarify our fundamental policies regarding our information management system, conduct standards, functions and responsibilities.

  Furthermore, in conjunction with the full implementation of the Law Concerning the Protection of Private Information, we have enhanced our information management system and improved security for building access and building management in order to control access by external parties. In addition, we have varied the access privileges to customer information depending on the type of information and limited access to the locations where information is stored.

  Fundamentally we have banned the removal of information from the premises and have enforced transmission of faxes by internal lines and data encryption in order to create a system that prevents information from being leaked externally due to inappropriate actions or administrative errors. We plan to evaluate these measures as necessary.

Contributions to the Regional Community

In line with our philosophy of “Stability, Corporation, Partnership with the Home Region,” we will continue to contribute to the development of the local community and economy through a robust business performance under a sound management, enabling us to provide local customers with comprehensive, high-quality financial services.

We believe that remaining true to our core business of providing financial services is the best way for us to support the local region. We proactively disclose a wide range of information on our varied community support initiatives.

We continued to account for more than 40% of our deposit and loan transactions in Ibaraki Prefecture.

Lending to Local Customers

Regional and SME Lending

Loans to customers in the region* totaled ¥3,522.6 billion, representing over 80% of all loans.

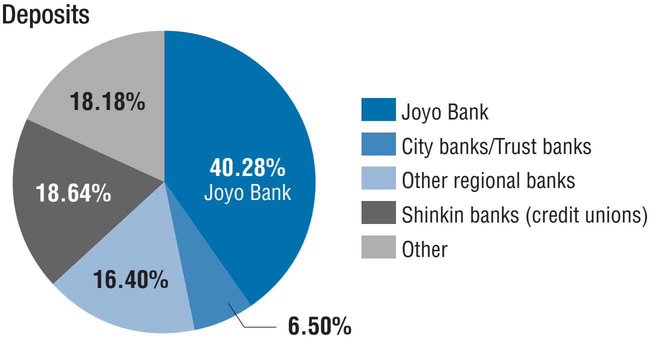
Loans to SMEs reached ¥1,925.1 billion, accounting for 43.3% of all loans. Approximately half of the loans we make to companies in the region support SMEs.

The total number of SME borrowers is 33,444, 98.4% of which are local.

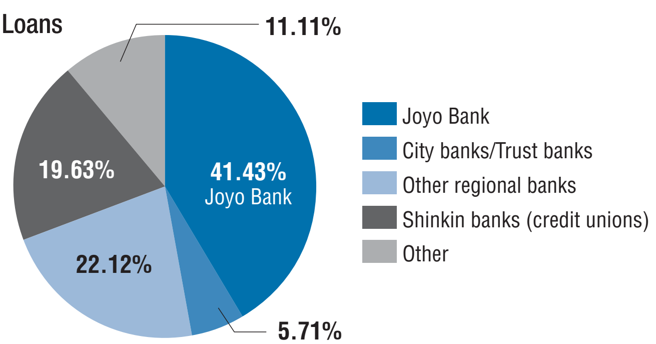
*(1) “Region” refers to Ibaraki Prefecture and neighboring areas forming the main catchment area (by location of main branches) of the Bank: Ibaraki, Fukushima, Tochigi, Saitama, Chiba and Miyagi prefectures.

(2) Lending to customers outside the local region is mainly limited to lending to corporate customers in Tokyo or Osaka who have factories or offices in the area and who have a deep relationship with local business.

Deposits

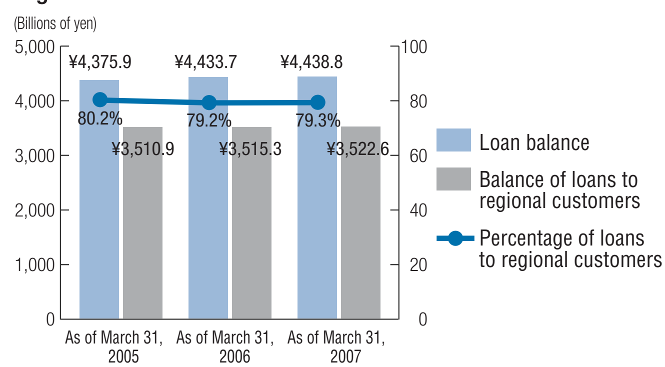


Loans

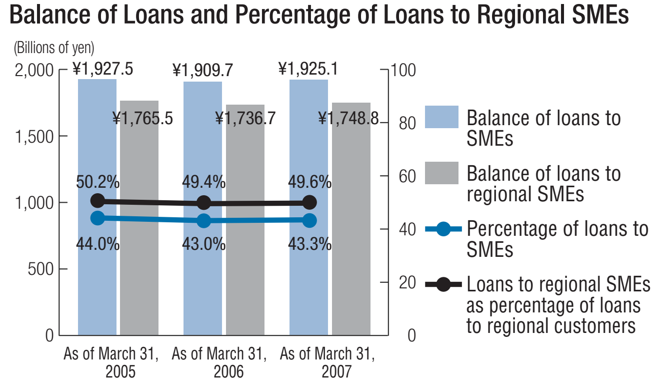


Note: Figures for share exclude postal savings, which are held in the public sector.

Balance of Loans, Balance of Loans and Percentage of Loans to Regional Customers



Balance of Loans and Percentage of Loans to SMEs, and Balance of Loans and Percentage of Loans to Regional SMEs



Loans to Individuals

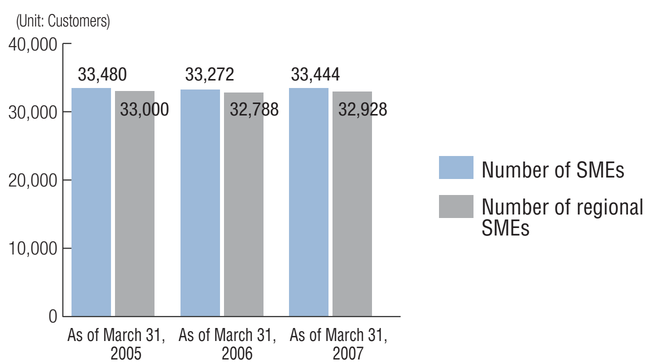
Loans to individual customers have grown to ¥1,005.1 billion, with mortgages performing well. Of these, ¥1,002.8 billion or 99.7% are loans to local individuals. Loans to individuals are 22.6% of all loans, and loans to local individuals are 28.4% of all regional loans.

Further, of the 209,710 individual loan customers, 99.6% (209,054 customers) are local individuals. Of all loans to individuals there were 82,888 loans made for housing-related purposes, our major type of loan, which is growing well.

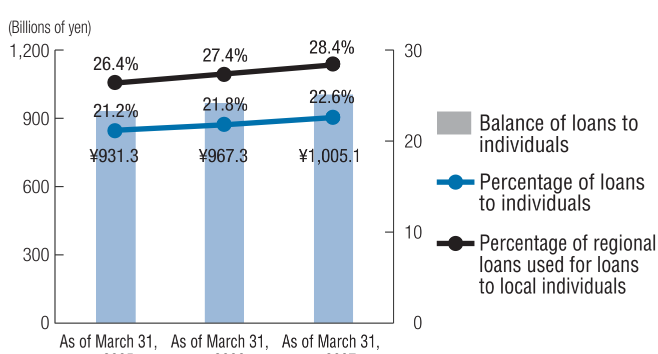
Optimal Financial Services for Local Customers

97.9% of deposits, in an amount of ¥6,153.8 billion, are from local customers, and 99.5% of assets in custody are from local customers. Investment trusts in particular have grown significantly, and government bonds and pension insurance premiums held on behalf of individuals have also shown strong increases. Many customers are also using our payment services, with 686,803 payroll accounts, 651,649 direct debit account arrangements for utilities, and 241,618 pension accounts.

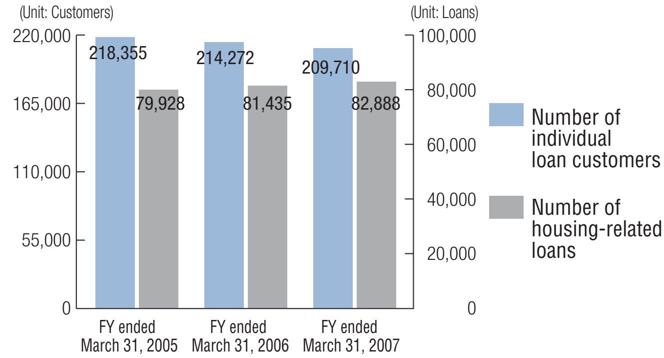
Number of SME Customers & Number of Regional SME Customers



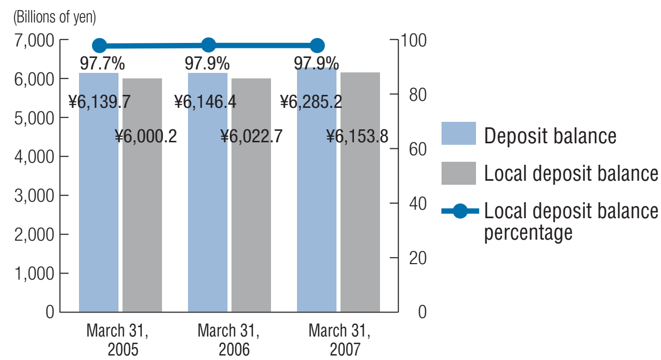
Balance of Loans and Percentage of Loans to Individuals, Percentage of Regional Loans used for Loans to Local Individuals



Number of Individual Loan Customers, Number of Housing-Related Loans



Deposit Balance, Local Deposit



Initiatives for Stimulating the Local Economy

Measures to Develop New Ventures

Funding by Joyo Bank

We provide financial support to companies developing new businesses and new ventures via the "Ibaraki Venture Business Development Partnership" and the "Nikko Region-Based Industry, Education, and Government-Partnered Investment Partnership."

As part of our efforts to support troubled companies in the Ibaraki Prefecture area, we have invested in an investment fund operated by the Organization for Small & Medium Enterprises and Regional Innovation and Ibaraki Prefecture. By providing rehabilitation support to local SMEs, we are helping to revitalize the local economy.

Working with Agri-Business

Ibaraki Prefecture is an agricultural region, and agri-business is involved in much of its economic development. We support regional industry and the regional economy by training and supporting individuals and corporations involved in agriculture. In business lending, we offer the “Daichi” loan for farmers, an unsecured product that in principle does not require a guarantor (for corporations, a representative alone will serve as guarantor). We also organize business-partner meetings for the agricultural production and food processing, restaurant and retail industries, to develop marketing channels from production to processing.

Tieups with External Institutions

We foster and support new ventures and established companies beginning new businesses with entities such as the Foundation for the Promotion of Small and Medium Enterprises, the Development Bank of Japan, the Shoko Chukin Bank, the Norinchukin Bank, the Japan Finance Corporation for Small Businesses, and other partners in industry, academia and local government.

Attracting Companies to the Area

For corporate customers investigating whether to locate in Joyo Bank’s operating area, we introduce suitable sites, give briefings on each, and take other measures to attract companies to our area.

In November 2006, we organized an industrial site inspection tour to introduce Ibaraki Prefecture sites to corporate customers from Fukushima and Chiba prefectures, and brief them on areas along the Tsukuba Express railway line and around Hitachi Naka Port. We focused on the growth potential of Ibaraki Prefecture’s economy and industry.

These are other means through which we are contributing to the revitalization of the regional economy.

Environmental Preservation Activities

“Eco Ibaraki” Charitable Trust Environmental Conservation Fund

In October 1992, we jointly invested ¥100 million along with Nippon Fire and Marine (currently NIPPONKOA Insurance) and other partners to establish the Charitable Trust “Eco Ibaraki,” an environmental conservation fund. This fund is used to support environmental conservation projects in Ibaraki Prefecture. Its purpose is to contribute to lifestyles that are in harmony with nature, and to contribute to the development and prosperity of local society.

After the establishment of the fund, we received many contributions from sympathetic companies and individuals. As of March 31, 2007, fund assets totaled ¥178 million. During fiscal 2006, the fund donated ¥5.0 million to 42 recipients. Through this fund, we have supported a total of 305 schools, groups and other entities to date, disbursing a total of ¥40.91 million.

Environment-Friendly Financial Products, and Support for Environmental Initiatives of Our Customers

In order to contribute to environmental conservation in the region and to actively support efforts to preserve the environment we have introduced environmental products (including the Joyo Eco Select Loan and a mortgage loan with a preferred interest rate for eco-friendly housing).

The Bank’s subsidiary, Joyo Industrial Research Center, holds explanatory meetings on the acquisition of the international environmental standards ISO14001 and offers individual consulting services, working to support our customers’ acquisition of ISO certification.

Resource and Energy Conservation

We work to reduce waste through sorting and recycling of trash, the recycling of used documents and green procurement (preferential purchasing of Green Mark products) as much as possible. We use recycled paper for 100% of our copy paper.

The entire bank strives to conserve resources and energy, planning to reduce the amount of energy, water and fuel that it uses.

Local Contributions to Environmental Conservation

As part of the Joyo Volunteer Club’s activities and individual branch contributions, we participate in clean-up operations and recycling activities in local areas, actively working with everyone in the region to preserve the environment.

Consolidated Balance Sheets

THE JOYO BANK, LTD. and Consolidated Subsidiaries

	Millions of yen		Thousands of U.S. dollars (Note 2)
March 31,	**2007**	2006	**2007**
Assets			
Cash and due from banks (Note 3)	**¥ 140,313**	¥ 154,597	**$ 1,187,597**
Call loans and bills purchased	**3,541**	11,998	**30,000**
Commercial paper and other debt purchased	**85,237**	95,197	**722,041**
Trading assets (Note 6)	**29,170**	29,342	**247,106**
Money held in trust	**2,591**	2,725	**21,954**
Securities (Notes 7, 9 and 25)	**2,605,232**	2,489,550	**22,068,894**
Loans and bills discounted (Notes 8, 10 and 12)	**4,402,579**	4,391,666	**37,294,196**
Foreign exchanges	**984**	1,084	**8,336**
Other assets	**51,557**	55,413	**436,738**
Tangible fixed assets	**119,927**	—	**1,015,900**
Intangible fixed assets	**11,826**	—	**100,184**
Premises and equipment (Notes 3 and 22)	**—**	124,628	**—**
Deferred tax assets (Note 14)	**2,733**	—	**23,151**
Customers' liabilities for acceptances and guarantees	**32,862**	51,602	**278,381**
Reserve for possible loan losses	**(43,748)**	(54,811)	**(370,589)**
Reserve for devaluation of investment securities	**(74)**	(73)	**(629)**
Total assets	**¥7,444,736**	¥7,352,922	**$63,064,265**
Liabilities, minority interests and shareholders' equity			
Liabilities:			
Deposits (Notes 7 and 15)	**¥6,309,618**	¥6,166,008	**$53,448,696**
Call money and bills sold (Notes 9 and 19)	**108,447**	157,118	**918,658**
Payables under securities lending transactions	**203,254**	280,759	**1,721,762**
Trading liabilities (Note 16)	**89**	117	**754**
Borrowed money (Note 11)	**74,550**	87,340	**631,512**
Foreign exchanges	**350**	2,536	**2,968**
Bonds	**15,000**	15,000	**127,064**
Due to trust account	**16**	17	**136**
Other liabilities	**120,259**	57,983	**1,018,719**
Reserve for bonuses to directors and corporate auditors	**50**	—	**423**
Reserve for employees' retirement benefits (Note 13)	**5,286**	6,640	**44,778**
Reserve for losses on interest refunded	**5**	—	**44**
Reserve for other contingent losses	**551**	412	**4,668**
Deferred tax liabilities (Note 14)	**38,307**	18,647	**324,504**
Deferred tax liabilities for land revaluation (Notes 3 and 14)	**14,196**	14,227	**120,256**
Goodwill	**3,081**	—	**26,101**
Acceptances and guarantees	**32,862**	51,602	**278,381**
Total liabilities	**6,925,926**	6,858,412	**58,669,431**
Minority interests	**—**	5,700	**—**
Shareholders' equity (Note 17)**:**			
Common stock:			
Authorized — 2,167,515 thousand shares			
Issued — 852,231 thousand shares	**—**	85,113	**—**
Capital surplus	**—**	58,581	**—**
Retained earnings	**—**	242,080	**—**
Land revaluation reserve, net of taxes (Notes 3 and 14)	**—**	11,000	**—**
Unrealized gain on available-for-sale securities	**—**	107,086	**—**
Less, treasury stock at cost	**—**	(15,052)	**—**
Total shareholders' equity	**—**	488,809	**—**
Total liabilities, minority interests and shareholders' equity	**¥ —**	¥7,352,922	**$ —**
Net assets:			
Common stock	**85,113**	—	**720,991**
Capital surplus	**58,574**	—	**496,179**
Retained earnings	**256,069**	—	**2,169,158**
Treasury stock	**(21,174)**	—	**(179,371)**
Total shareholders' equity	**378,581**	—	**3,206,957**
Unrealized gains on available-for-sale securities	**128,938**	—	**1,092,237**
Deferred losses on hedging instruments, net of taxes	**(791)**	—	**(6,704)**
Land revaluation reserve, net of taxes (Notes 3 and 14)	**10,953**	—	**92,787**
Total valuation and translation adjustments	**139,100**	—	**1,178,319**
Minority interests	**1,128**	—	**9,556**
Total net assets	**518,810**	—	**4,394,834**
Total liabilities and net assets	**¥7,444,736**	¥ —	**$63,064,265**

See accompanying notes to the consolidated financial statements.

Consolidated Statements of Income

THE JOYO BANK, LTD. and Consolidated Subsidiaries

	Millions of yen		Thousands of U.S. dollars (Note 2)
Years ended March 31,	**2007**	2006	**2007**
Income:			
Interest and dividend income:			
Interest on loans and discounts	**¥ 85,237**	¥ 80,963	**$ 722,042**
Interest and dividends on securities	**47,351**	43,619	**401,113**
Other interest income	**1,527**	1,144	**12,939**
Fees and commissions	**26,378**	25,013	**223,452**
Trading income (Note 18)	**473**	429	**4,011**
Other operating income	**8,957**	4,474	**75,881**
Other income (Note 20)	**27,727**	27,137	**234,875**
Total income	**197,653**	182,781	**1,674,316**
Expenses:			
Interest expenses:			
Interest on deposits	**7,959**	3,608	**67,425**
Interest on borrowings and rediscounts (Note 19)	**8,216**	5,765	**69,603**
Other interest expenses	**12,594**	9,767	**106,690**
Fees and commissions	**6,555**	6,452	**55,530**
Other operating expenses	**7,504**	2,467	**63,566**
General and administrative expenses	**70,167**	71,125	**594,387**
Other expenses (Note 21)	**30,969**	39,686	**262,346**
Total expenses	**143,967**	138,874	**1,219,550**
Income before income taxes and minority interests	**53,685**	43,907	**454,766**
Income taxes:			
Current	**16,790**	702	**142,230**
Deferred (Note 14)	**9,840**	17,462	**83,355**
Minority interests in net income of consolidated subsidiaries	**735**	926	**6,232**
Net income	**¥ 26,319**	¥ 24,815	**$ 222,948**
Net income per share (in yen and dollars)	**¥ 32.31**	¥ 29.92	**$ 0.27**

See accompanying notes to the consolidated financial statements.

Consolidated Statement of Capital Surplus and Retained Earnings

	Millions of yen
Year ended March 31,	2006
Capital surplus:	
Balance at beginning of year	¥ 58,577
Gains on disposal of treasury stock	4
Balance at end of year	¥ 58,581
Retained earnings:	
Balance at beginning of year	¥227,756
Net income	24,815
Reversal of land revaluation reserve	—
Appropriation:	
Cash dividends	(5,370)
Cancellation of shares in treasury	(4,549)
Reversal of land revaluation reserve	(521)
Bonuses to directors	(50)
Balance at end of year	¥242,080

See accompanying notes to the consolidated financial statements.

Consolidated Statement of Changes in Net Assets

THE JOYO BANK, LTD. and Consolidated Subsidiaries

	Millions of yen										
	Shareholders' equity					Valuation and translation adjustments					
Year ended March 31, 2007	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity	Unrealized gains on available-for-sale securities	Deferred losses on hedging instruments, net of taxes	Land revaluation reserve, net of taxes	Total valuation and translation adjustments	Minority interests	Total net assets
Balance at March 31, 2006	¥85,113	¥58,581	¥242,080	¥(15,052)	¥370,722	¥107,086	¥ —	¥11,000	¥118,086	¥5,700	¥494,509
Changes during the year:											
Cash dividends			(5,306)		(5,306)						(5,306)
Bonuses to directors and corporate auditors			(50)		(50)						(50)
Net income			26,319		26,319						26,319
Purchase of treasury stock			(34)	(13,207)	(13,241)						(13,241)
Disposal of treasury stock		(11)	(6,985)	6,997	—						—
Retirement of treasury stock		4		87	92						92
Increase in retained earnings due to transfer from land revaluation reserve			46		46						46
Net changes of items other than shareholders' equity						21,851	(791)	(46)	21,013	(4,572)	16,441
Total changes during the year	—	(7)	13,988	(6,121)	7,859	21,851	(791)	(46)	21,013	(4,572)	24,300
Balance at March 31, 2007	¥85,113	¥58,574	¥256,069	¥(21,174)	¥378,581	¥128,938	¥(791)	¥10,953	¥139,100	¥1,128	¥518,810

	Thousands of U.S. dollars (Note 2)										
	Shareholders' equity					Valuation and translation adjustments					
Year ended March 31, 2007	Common stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity	Unrealized gains on available-for-sale securities	Deferred losses on hedging instruments, net of taxes	Land revaluation reserve, net of taxes	Total valuation and translation adjustments	Minority interests	Total net assets
Balance at March 31, 2006	$720,991	$496,242	$2,050,661	$(127,513)	$3,140,383	$ 907,130	$ —	$93,181	$1,000,311	$48,290	$4,188,985
Changes during the year:											
Cash dividends			(44,952)		(44,952)						(44,952)
Bonuses to directors and corporate auditors			(423)		(423)						(423)
Net income			222,948		222,948						222,948
Purchase of treasury stock			(294)	(111,877)	(112,172)						(112,172)
Disposal of treasury stock		(100)	(59,174)	59,274	—						—
Retirement of treasury stock		37		743	781						781
Increase in retained earnings due to transfer from land revaluation reserve			393		393						393
Net changes of items other than shareholders' equity						185,106	(6,704)	(393)	178,007	(38,734)	139,273
Total changes during the year	—	(63)	118,496	(51,858)	66,574	185,106	(6,704)	(393)	178,007	(38,734)	205,848
Balance at March 31, 2007	$720,991	$496,179	$2,169,158	$(179,371)	$3,206,957	$1,092,237	$(6,704)	$92,787	$1,178,319	$ 9,556	$4,394,834

See accompanying notes to the consolidated financial statements.

Consolidated Statements of Cash Flows

THE JOYO BANK, LTD. and Consolidated Subsidiaries

	Millions of yen		Thousands of U.S. dollars (Note 2)
Years ended March 31,	**2007**	2006	**2007**
Cash flows from operating activities:			
Income before income taxes and minority interests	**¥ 53,685**	¥ 43,907	**$ 454,766**
Depreciation	**16,305**	16,281	**138,119**
Impairment losses	**72**	1,194	**613**
Amortization of goodwill	**(79)**	—	**(671)**
Net decrease in reserve for possible loan losses	**(11,063)**	(5,211)	**(93,717)**
Net increase (decrease) in reserve for devaluation of investment securities	**0**	(66)	**6**
Net increase in reserve for other contingent losses	**138**	70	**1,170**
Net increase in reserve for losses on interest refunded	**5**	—	**44**
Net increase in reserve for bonuses to directors and corporate auditors	**50**	—	**423**
Net decrease in reserve for employees' retirement benefits	**(1,354)**	(403)	**(11,476)**
Interest and dividend income	**(138,374)**	(132,578)	**(1,172,171)**
Interest expenses	**28,771**	19,142	**243,719**
Net losses related to securities transactions	**3,863**	5,736	**32,730**
Net gains on money held in trust	**(1)**	(153)	**(12)**
Foreign exchange (gains), net	**(27,982)**	(31,783)	**(237,038)**
Losses on disposal of tangible fixed assets	**1,295**	—	**10,973**
Losses on disposal of premises and equipment	**—**	383	**—**
Net decrease (increase) in trading assets	**171**	(13,579)	**1,452**
Net (decrease) increase in trading liabilities	**(28)**	19	**(241)**
Net increase in loans and bills discounted	**(10,913)**	(58,467)	**(92,449)**
Net increase in deposits	**137,168**	5,847	**1,161,952**
Net increase (decrease) in negotiable certificates of deposit	**6,441**	(22,387)	**54,564**
Net increase (decrease) in borrowed money excluding subordinated debt	**2,210**	(6,222)	**18,720**
Net decrease in due from banks excluding cash equivalents	**12,968**	18,162	**109,859**
Net decrease (increase) in call loans and others	**18,417**	(49,185)	**156,013**
Net decrease in receivables under securities borrowing transactions	**—**	25,959	**—**
Net decrease in call money and bills sold	**(48,671)**	(135,849)	**(412,294)**
Net (decrease) increase in payables under securities lending transactions	**(77,505)**	118,456	**(656,549)**
Net decrease in foreign exchange (assets)	**100**	28	**849**
Net (decrease) increase in foreign exchange (liabilities)	**(2,185)**	2,401	**(18,515)**
Net decrease in due to trust account	**(1)**	—	**(9)**
Interest and dividends received	**137,452**	131,211	**1,164,356**
Interest paid	**(26,792)**	(19,416)	**(226,956)**
Others, net	**19,232**	13,664	**162,916**
Subtotal	**93,395**	(72,840)	**791,150**
Income taxes paid	**(1,298)**	(666)	**10,997**
Net cash provided by (used in) operating activities	**92,097**	(73,506)	**780,153**
Cash flows from investing activities:			
Purchases of securities	**(880,914)**	(865,873)	**(7,462,214)**
Proceeds from sales of securities	**523,727**	551,278	**4,436,486**
Proceeds from redemption of securities	**316,141**	341,870	**2,678,033**
Increase in money held in trust	**—**	(1,000)	**—**
Purchases of tangible fixed assets	**(16,513)**	—	**(139,887)**
Proceeds from sales of tangible fixed assets	**1,194**	—	**10,115**
Purchases of intangible fixed assets	**(2,325)**	—	**(19,703)**
Purchases of premises and equipment	**—**	(14,653)	**—**
Proceeds from sales of premises and equipment	**—**	72	**—**
Net cash (used in) provided by investing activities	**(58,690)**	11,692	**(497,169)**
Cash flows from financing activities:			
Proceeds from issuance of subordinated debt	**10,000**	15,000	**84,709**
Repayment of subordinated debt	**(25,000)**	(15,000)	**(211,774)**
Cash dividends paid	**(5,306)**	(5,370)	**(44,952)**
Cash dividends paid to minority shareholders	**0**	(0)	**(1)**
Purchases of treasury stock	**(14,509)**	(7,223)	**(122,912)**
Proceeds from sales of treasury stock	**92**	66	**781**
Net cash used in financing activities	**(34,724)**	(12,527)	**(294,150)**
Translation adjustment for cash and cash equivalents	**3**	19	**30**
Net decrease in cash and cash equivalents	**(1,314)**	(74,322)	**(11,136)**
Cash and cash equivalents at beginning of year	**117,694**	192,016	**996,987**
Cash and cash equivalents at end of year (Note 3)	**¥116,379**	¥117,694	**$ 985,851**

See accompanying notes to the consolidated financial statements.

Notes to the Consolidated Financial Statements

THE JOYO BANK, LTD. and Consolidated Subsidiaries

1. Basis of Preparation

The accompanying consolidated financial statements of The Joyo Bank, Ltd. (the "Bank") and consolidated subsidiaries are prepared on the basis of accounting principles generally accepted in Japan, which are different in certain respects as to the application and disclosure requirements of International Financial Reporting Standards, and are compiled from the consolidated financial statements prepared by the Company as required by the Securities and Exchange Law of Japan.

For the convenience of readers outside Japan, certain items presented in the original consolidated financial statements have been reclassified and rearranged.

In addition, the notes to the consolidated financial statements include information which is not required under accounting principles generally accepted in Japan but is presented herein as additional information.

2. Japanese Yen and U.S. Dollar Amounts

As permitted by the Securities and Exchange Law of Japan, amounts of less than one million yen have been rounded off. As a result, the totals shown in the accompanying consolidated financial statements (both in yen and U.S. dollars) do not necessarily agree with the sums of the individual amounts. Solely for the convenience of the reader, the U.S. dollar amounts represent a translation of the Japanese yen amounts at ¥118.05 = US$1.00, the exchange rate prevailing on March 31, 2007.

3. Significant Accounting Policies

(a) Consolidation

The accompanying consolidated financial statements include the accounts of the Bank and 9 significant subsidiaries.

Joyo No.1 Investment Limited Partnership was excluded from the scope of consolidation because its assets, ordinary income, net income and retained earnings have no material impact on the Bank's financial position and results of operations.

All significant intercompany transactions have been eliminated in consolidation. The difference between the cost of investments and the equity in their net assets has been fully charged to income in the year of acquisition.

(b) Translation of foreign currencies

Foreign currency-denominated assets and liabilities are translated into Japanese yen at the rates prevailing at the balance sheet date.

No foreign currency-denominated assets and liabilities were held by the consolidated subsidiaries.

(c) Transactions for trading purposes

Transactions for "trading purposes" (seeking to capture gains arising from short-term changes in interest rates, currency exchange rates or market prices of securities and other market-related indices or from arbitrage between markets) are valued at market or fair value, and have been included in trading assets and trading liabilities on a trade date basis. Gain or loss on such trading transactions are reflected as trading income or trading expenses in the consolidated statements of income.

Among the trading assets and liabilities, securities and monetary claims are carried at market value as of the balance sheet date. Derivatives including swaps, futures, and options are valued assuming settlement on the balance sheet date.

Trading income or trading expenses include interest received or paid during the fiscal year. The year-on-year valuation differences of securities and monetary claims are also recorded in the above-mentioned accounts. As for the derivatives, assuming that the settlement will be made in cash, the year-on-year valuation differences are also recorded in the above-mentioned accounts.

No consolidated subsidiaries have engaged in trading activities or other transactions in order to generate profit from short-term price fluctuations.

(d) Securities

Securities other than trading securities have been accounted for by the following methods:

Marketable debt securities held to maturity are stated at amortized cost by the moving-average cost method. Available-for-sale securities of which market prices are available are stated at fair value based on the market prices, etc. at the fiscal year end, whereas those of which fair value is not available are stated at cost or amortized cost by the moving-average cost method.

Unrealized gain or loss on available-for-sale securities (net of the related tax effect) has been reported as a component of net assets.

Investments in securities held in money trusts whose investment is operated solely by the Bank on behalf of the trustors, are stated at fair value.

(e) Derivatives

Derivatives positions held by the Bank (not including transactions for trading purposes) are stated at fair value.

(f) Depreciation of tangible fixed assets

Depreciation of tangible fixed assets held by the Bank is calculated by the declining-balance method, except for buildings acquired on or after April 1, 1998 of which depreciation is calculated by the straight-line method. The estimated useful lives are as follows:

Buildings: 6~50 years
Equipment: 3~20 years

Depreciation of tangible fixed assets held by the consolidated subsidiaries is calculated principally by the declining-balance method, based on the respective estimated useful lives of the assets.

Depreciation of the leased assets of a consolidated subsidiary is calculated by the straight-line method over the lease terms.

Depreciation of intangible fixed assets is calculated using the straight-line method. Software for internal use is depreciated using the straight-line method over its estimated useful life (mainly 5 years).

(g) Reserve for possible loan losses

The reserve for possible loan losses of the Bank is provided as detailed below, in accordance with the internal rules for providing reserves for possible loan losses:

For claims to debtors who are legally bankrupt (as a result of bankruptcy, special liquidation, etc.) or who are substantially bankrupt, a reserve is provided based on the amount of the claims, net of the amounts expected to be collected by the disposal of collateral or as a result of the execution of guarantees.

For claims to debtors who are not currently bankrupt, but are likely to become bankrupt, a reserve is provided based on the amount considered necessary based on an overall solvency assessment of the amount of claims net of the amounts expected to be collected by the disposal of collateral or as a result of the execution of guarantees.

For other claims, a reserve is provided based on the Bank's historical loan-loss experience.

All claims are assessed by the Business Section (at the branches and the related head office divisions) based on the Bank's internal rules for the self-assessment of asset quality. The Corporate Audit Department, which is independent of the Business Section, subsequently conducts audits of such assessments, and a reserve is provided based on the audit results.

The reserves of the consolidated subsidiaries are provided for general claims at an amount based on the actual historical rate of loan losses and for specific claims (from potentially bankrupt customers, etc.) at an estimate of the amounts deemed uncollectible based on the respective assessments.

For collateralized or guaranteed claims from debtors who are legally or substantially bankrupt, the amounts of the claims deemed uncollectible in excess of the estimated value of the collateral or guarantees have been written off in aggregate amounts of ¥42,761 million and ¥48,367 million as of March 31, 2007 and 2006, respectively.

(h) Reserve for devaluation of investment securities

A reserve for the devaluation of investment securities is provided at the amount deemed necessary to cover estimated possible losses on investments which the Bank and its consolidated subsidiaries may incur in the future.

(i) Reserve for bonuses to directors and corporate auditors

Bonuses to directors and corporate auditors previously had been treated as an appropriation of retained earnings. However, in line with changes in relevant accounting standards (Accounting Standards for Bonuses to Directors and Corporate Auditors; Business Accounting Standards No. 4), the said bonuses are treated as expenses, effective the current fiscal year.

As a result, general and administrative expenses for the year ended March 31, 2007 increase by ¥50 million and income before income taxes for the year ended March 31, 2007 decrease by ¥50 million.

(j) Reserve for employees' retirement benefits

Reserve for employees' retirement benefits of the Bank and its subsidiaries is provided for the amount deemed necessary, based on estimated pension benefits obligations and pension plan assets at the fiscal year end, to cover required retirement benefits for eligible employees.

Prior service cost is deferred and amortized using the straight-line method over certain years (10 years) within the average remaining service period of the eligible employees.

Unrealized actuarial losses are deferred and amortized using the straight-line method over a ten-year period commencing with the following year, which is shorter than the average remaining service period of the eligible employees.

Effective from April 1, 2006, the Bank has credited to expenses the amount posted under "unrecognized plan assets" resulting from changes in actuarial assumptions on retirement benefit obligations pursuant to stipulations in the "Guidelines on Implementation of Amendments to Accounting Standards for Retirement Benefits" (Guidelines on Implementation of Business Accounting Standard No.7, issued on March 16, 2005). The term "unrecognized plan assets" refers to the excess portion of pension plan assets over retirement benefit obligations held by the company in question, which resulted from changes in actuarial assumptions on plan assets or recognition of prior service obligations. Previously the Bank did not credit the amount posted under unrecognized plan assets to expenses. This change has no effect on the Bank's results of operations on a consolidated basis.

(k) Reserve for losses on interest refunded

One consolidated subsidiary provides a reserve for losses on interest refunded in an amount deemed necessary based on estimated amounts to be refunded, taking into account historical records of interest refunded on the portion of loans whose interest rates exceeded the maximum interest rate stipulated by the Interest Limitation Law.

Effective the current fiscal year, newly adopted accounting standards stipulate the provision of reserves for losses on interest refunded at consumer finance companies, in accordance with the "Auditing Treatment of Accounting Standards for Reserve for Possible Losses on Refund Claims for Interest at Consumer Finance Companies" (JICPA Industry Audit Committee Report No. 37). The changes in the accounting standards have no material effect on the Bank's income statement.

(l) Reserve for other contingent losses

The Bank provides reserve for contingent liabilities not covered by other reserves in an amount deemed necessary based on estimated losses in the future.

(m) Goodwill

Goodwill is amortized using straight-line method over 20 years.

(n) Land revaluation reserve

In accordance with the Law concerning the Revaluation of Land, the Bank revalued the land held for its operations on March 31, 1998. The net unrealized gain is presented in net assets net of the applicable income taxes as land revaluation reserve, net of taxes.

(o) Leases

Finance leases other than those which transfer the ownership of the leased property to the Bank and its consolidated subsidiaries are accounted for as operating leases.

(p) Hedging

Hedging against interest rate changes

The deferred method of hedge accounting is applied to transactions to hedge against the interest rate risks associated with monetary claims and debt in accordance with the regulations set out in the "Accounting and Auditing Treatment of Accounting Standards for Financial Instruments in the Banking Industry" (JICPA Industry Audit Committee Report No. 24).

The Bank assesses the effectiveness of such hedges in offsetting movement of the fair value with the changes in interest rates, by classifying the hedged items (loans) and the hedging instruments (interest swaps) by their maturity. As to cash flow hedges, the Bank assesses the effectiveness of such hedges in fixing cash flows by verifying the correlation between the hedged items and the hedging instruments.

In addition, a portion of deferred hedge losses and gains, which was previously under the "macro hedge," i.e., the management of interest rate risk arising from large-volume transactions in loans, deposits and other interest-earning assets, and interest-bearing liabilities as a whole using derivatives, in accordance with the regulations set out in the “Accounting and Auditing Treatment of Preliminary Accounting Standards for Financial Instruments in the Banking Industry” (JICPA Industry Audit Committee Report No. 15) is no longer subject to hedge accounting effective the year ended March 31, 2005. The deferred hedge losses and gains related to hedge instruments to which the Bank discontinued the application of hedge accounting, or applied fair value hedge accounting as a result of the change mentioned above, are periodically charged to interest expenses or interest income effective fiscal 2003 by maturity and notional principal of each hedge instrument.

Deferred hedge losses under macro hedge stood at ¥2,292 million and ¥3,632 million at March 31, 2007 and 2006, respectively.

Hedging against foreign exchange fluctuation risk

The deferred method of hedge accounting is applied to transactions to hedge against the foreign exchange fluctuation risks associated with monetary claims and liabilities denominated in foreign currencies, in accordance with the regulations set out in the “Accounting and Auditing Treatment of Accounting Standards for Foreign Currency Transactions in the Banking Industry” (JICPA Industry Audit Committee Report No. 25).

To minimize foreign exchange fluctuation risk on monetary claims and liabilities, the Bank engages in currency swaps, foreign exchange swaps, and similar transactions. The effectiveness of these transactions in the hedging of the foreign exchange risks of monetary claims and liabilities denominated in foreign currencies is assessed through comparison of the foreign currency position of the hedged monetary claims and liabilities, with that of the hedging instruments.

(q) Consumption tax

Consumption tax is excluded from transactions reported by the Bank and its consolidated subsidiaries. However, non-deductible consumption tax on tangible fixed assets is charged to income as incurred.

(r) Earnings per share

The computation of earnings per share of common stock is based on the weighted average number of shares outstanding during each year.

(s) Statements of cash flows

Cash and cash equivalents in the statements of cash flows represent cash and due from banks in the consolidated balance sheets, excluding deposits with banks other than the Bank of Japan as well as the time deposits of certain consolidated subsidiaries.

	Millions of yen	
March 31,	**2007**	2006
Cash and due from banks	**¥140,313**	¥154,597
Deposits with banks other than the Bank of Japan	**(23,934)**	(36,853)
Time deposits of the consolidated subsidiaries	**—**	(50)
Cash and cash equivalents	**¥116,379**	¥117,694

4. Application of New Accounting Standards

Effective the current fiscal year, the Bank has presented net asset items pursuant to the Enforcement Ordinance of the Banking Law in line with stipulations in “Accounting Standards for Presenting Net Assets” (Business Accounting Standards No. 5) and related practical guidelines (Practical Guidelines for Business Accounting Standards No. 8). The changes are as follows.

Former shareholders’ equity items are reclassified under net assets, which are divided into shareholders’ equity, valuation and translation adjustments, and minority interests. Under the previous accounting standard, shareholders’ equity would amount to ¥518,473 million as of the balance-sheet date.

5. Changes in Presentation

The Enforcement Ordinance of the Banking Law was revised on April 28, 2006 and applicable from the fiscal year beginning on and after April 1, 2006. Effective April 1, 2006, the Bank changed its consolidated balance sheet and consolidated statements of cash flows presentation as follows:

Consolidated balance sheets

(1) Previously, net realized and unrealized gain (loss) on hedge instruments was posted under the net deferred loss (gain), which was included in other assets (liabilities). Effective the current fiscal year, net realized and unrealized gains (losses) on hedge instruments, net of applicable income taxes, have been reported as deferred gains (losses) on hedging instruments, net of taxes in the category of valuation and translation adjustments.

(2) Previously, minority interests were presented separately, next to the liabilities section. Effective the current fiscal year, minority interests are shown in the net asset section.

(3) Premises and equipment have been reclassified as tangible fixed assets, intangible fixed assets, and other fixed assets.

Consolidated statements of cash flows

In accordance with the change in presentation of premises and equipment in the consolidated balance sheet, purchases of premises and equipment is presented as purchases of tangible fixed assets. In addition, proceeds from sales of premises and equipment is also renamed as proceeds from sales of tangible assets.

6. Trading Assets

	Millions of yen	
March 31,	**2007**	2006
Trading securities	**¥ 3,914**	¥ 2,033
Trading securities-related financial derivatives	**0**	5
Trading-related financial derivatives	**265**	304
Other trading assets	**24,989**	26,998
Total	**¥29,170**	¥29,342

7. Securities

March 31,	Millions of yen 2007	2006
Japanese government bonds	**¥ 761,036**	¥ 730,151
Japanese local government bonds	**320,063**	317,583
Corporate bonds	**402,016**	341,167
Corporate stocks	**318,757**	308,979
Other securities	**803,359**	791,668
Total	**¥2,605,232**	¥2,489,550

Note: Securities include ¥65 million and ¥66 million of investments in nonconsolidated subsidiaries as of March 31, 2007 and 2006, respectively.

8. Bills Discounted

Bills discounted are accounted for as financial transactions in accordance with JICPA Industry Audit Committee Report No. 24. The Bank has the rights to sell or pledge bank acceptances bought, commercial bills discounted, documentary bills and foreign exchanges bought without restrictions. The face value at March 31, 2007 and 2006 totaled ¥51,217 million and ¥48,468 million, respectively.

9. Pledged Assets

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

March 31,	Millions of yen 2007	2006
Pledged assets:		
Securities	**340,120**	¥422,069
Loans	**—**	52,044
Liabilities covered by pledged assets:		
Deposits	**24,413**	30,293
Call money	**—**	50,000
Payables under securities lending transactions	**203,254**	280,759

In addition to the above, securities amounting to ¥67,575 million and ¥56,550 million at book value were pledged as collateral in connection with exchange settlements and futures transactions as of March 31, 2007 and 2006, respectively.

One consolidated subsidiary had pledged its lease receivables amounting to ¥6,274 million and ¥4,652 million as collateral for borrowed money of ¥4,700 million and ¥3,390 million as of March 31, 2007 and 2006, respectively.

Lease deposits as of March 31, 2007 and 2006 of ¥1,462 million and ¥4,079 million, respectively, have been included in other assets. Initial margins on futures transactions as of March 31, 2007 and 2006 of ¥160 million and ¥160 million, respectively, have been included in other assets.

10. Commitments and Contingent Liabilities

Overdraft facilities and line-of-credit contracts are agreements under which, subject to compliance with the contractual conditions, the Bank or consolidated subsidiaries pledge to provide clients with funds up to a fixed limit upon submission of a loan application to the Bank. The unused amount related to such facilities/contracts stood at ¥1,403,626 million and ¥1,381,900 million at March 31, 2007 and 2006, respectively. Of this amount, facilities/contracts which expires within one year or which are unconditionally cancelable at any time, totaled ¥1,302,674 million and ¥1,289,385 million at March 31, 2007 and 2006, respectively.

Most of these agreements will expire without the clients' having utilized the financial resources available to them, and the amount of the nonexecuted financing will not necessarily impact on the Bank or its consolidated subsidiaries' future cash flows. Most of these facilities/contracts contain a clause which allows the Bank or its consolidated subsidiaries to reject a loan application or to reduce the upper limit requested in view of changing financial conditions, credit maintenance and other reasonable concerns.

When necessary, the Bank will demand collateral such as real estate or marketable securities at the date on which an agreement is entered into. In addition, after facilities/contracts are set forth the Bank will regularly assess the business status of the clients, based on predetermined internal procedures and, when prudent, will revise the agreements or reformulate their policies to maintain creditworthiness.

11. Borrowed Money

Borrowed money at March 31, 2007 and 2006 included subordinated debt of ¥42,000 million and ¥57,000 million, respectively.

12. Non-Performing Loans

In accordance with the disclosure requirements under the Rules for Bank Accounting in Japan, the balance of loans and bills discounted at March 31, 2007 and 2006 included the following non-performing loans:

March 31,	Millions of yen 2007	2006
Loans in bankruptcy and dishonored bills	**¥ 5,946**	¥ 4,993
Delinquent loans	**90,059**	134,921
Loans past due with respect to interest payments for more than 3 months	**2,196**	2,436
Restructured loans	**49,714**	58,512
Total	**¥147,915**	¥200,863

Notes: 1. Loans in bankruptcy and dishonored bills refers to loans (excluding charged-off amounts) stipulated in Article 96, Paragraph 1, Item 3 (a) to (e) or Item 4 of the Enforcement Regulation to Corporation Tax Law (1965 Enforcement Regulation No. 97) to which accrued interest receivables are not recognized as accruals for accounting purposes as no repayment of principal or payment of interest have been made for a considerable period.
Delinquent loans refers to loans with respect to which accrued interest receivables are not recognized as accruals for accounting purposes, excluding loans falling into the category of restructured loans.
Loans past due with respect to interest payments for more than 3 months refers to loans with respect to which repayment of principal or payment of interest are past due three months or more, excluding loans falling into the categories of loans in bankruptcy and dishonored bills or delinquent loans.
Restructured loans refers to loans to borrowers to whom financial support is given in the form of reduction in interest, waiver of repayment of the principal or payment of interest, or debt forgiveness with the aim of corporate rehabilitation, excluding loans falling into loan categories mentioned above.

2. The above amounts are stated before the deduction of the reserve for possible loan losses.

13. Employees' Retirement Benefits

(a) Outline of current retirement benefit system

The Bank and its consolidated subsidiaries have adopted defined employees' retirement benefit plans, i.e., the employees' welfare pension fund supplemented by the employees' public pension system and lump-sum retirement benefits. In addition, extra benefits may be paid on a case-by-case basis. The Bank has established an employees' retirement benefit trust. As of the end of March 31, 2007, the Bank and 9 consolidated subsidiaries have lump-sum severance payment systems for employees. The Bank and its consolidated subsidiaries have jointly established a fund under a defined benefit pension plan.

(b) The following tables set forth the changes in the net retirement benefit obligation, the plan assets and the funded status of the Bank and its consolidated subsidiaries at March 31, 2007 and 2006:

	Millions of yen	
March 31,	**2007**	2006
Retirement benefit obligation	**¥(60,673)**	¥(59,333)
Fair value of plan assets	**65,031**	64,519
Funded status	**4,358**	5,185
Unrecognized net retirement benefit obligation at transition	**—**	—
Unrecognized actuarial gain	**(5,325)**	(8,957)
Unrecognized prior service cost	**762**	860
Net retirement benefit obligation	**(204)**	(2,911)
Prepaid pension cost	**5,081**	3,728
Reserve for employees' retirement benefits	**¥ (5,286)**	¥ (6,640)

Notes: 1. The above amounts do not include any extra benefits.
2. The consolidated subsidiaries have adopted a simplified method for the calculation of their retirement benefit obligation.

(c) Cost for retirement benefits of the Bank and its consolidated subsidiaries included the following components for the years ended March 31, 2007 and 2006:

	Millions of yen	
Years ended March 31,	**2007**	2006
Service cost	**¥1,899**	¥1,917
Interest cost	**1,012**	1,000
Expected return on plan assets	**(782)**	(561)
Amortization:		
Amortization of prior service cost	**98**	98
Amortization of unrecognized actuarial (gain) loss	**(322)**	1,388
Total retirement benefit cost	**¥1,904**	¥3,843

Note: Retirement benefit cost of consolidated subsidiaries which is calculated by a simplified method has been included in "service cost" referred to above.

(d) The assumptions used in accounting for the defined benefit plans for the years ended March 31, 2007 and 2006 were as follows:

Years ended March 31,	**2007**	2006
Discount rate	**2.0%**	2.0%
Expected rate of return on plan assets	**3.5%**	3.5%
Periodical allocation of estimated retirement benefits	Straight-line method	
Amortization period of prior service cost	**10 years**	10 years
Amortization period of actuarial gain/loss	**10 years**	10 years

14. Deferred Tax Assets

	Millions of yen	
March 31,	**2007**	2006
Deferred tax assets:		
Reserve for possible loan losses	**¥29,122**	¥33,621
Reserve for employees' retirement benefits	**9,502**	10,592
Devaluation of securities	**4,746**	4,898
Net operating loss carry forwards	**829**	323
Others	**16,728**	15,883
Valuation allowance	**(6,400)**	(1,990)
Total	**¥54,528**	¥63,328
Deferred tax liabilities:		
Unrealized gain on available-for-sale securities	**¥(80,015)**	¥(72,424)
Retirement benefit trust	**(9,495)**	(9,495)
Reversal of reserve for possible loan losses after elimination of intercompany balances	**(18)**	(21)
Others	**(573)**	(33)
Total	**(90,103)**	(81,975)
Net deferred tax liabilities	**¥(35,574)**	¥(18,647)

The effective tax rate reflected in the consolidated statements of income for the year ended March 31, 2007 differs from the statutory tax rate for the following reason:

Statutory tax rate	40.32%
Valuation allowances	8.21%
Other	1.07%
Effective tax rate	49.60%

Note: Description is omitted as the difference between the statutory tax rate and the effective tax rate under tax-effect accounting for the year ended March 31, 2006, is smaller than one-twentieth of the statutory tax rate.

15. Deposits

	Millions of yen	
March 31,	**2007**	2006
Current deposits	**¥3,583,922**	¥3,420,281
Time deposits	**2,561,042**	2,539,831
Negotiable certificates of deposit	**36,390**	29,949
Others	**128,263**	175,946
Total	**¥6,309,618**	¥6,166,008

16. Trading Liabilities

	Millions of yen	
March 31,	**2007**	2006
Trading-related financial derivatives	**¥89**	¥117
Total	**¥89**	¥117

17. Shareholders' Equity

In accordance with the Banking Law of Japan, the Bank has provided a legal reserve by appropriation of retained earnings, which is included in retained earnings. The Banking Law of Japan provides that an amount equivalent to at least 20% of the amount to be disbursed as distributions of earnings be appropriated to the legal reserve until the total of such reserve and the capital surplus equals 100% of the common stock.

The new Corporation Law of Japan (the "Law"), which superseded most of the provisions of the Commercial Code of Japan, went into effect on May 1, 2006. The Law provides that an amount equal to 10% of the amount to be disbursed as distributions of capital surplus (other than the capital reserve) and retained earnings (other than the legal reserve) be transferred to the capital reserve and the legal reserve, respectively, until the sum of the capital reserve and the legal reserve equals 25% of the capital stock account. Such distributions can be made at any time by resolution of the shareholders or by the Board of Directors if certain conditions are met.

Under the Law, upon the issuance and sale of new shares of common stock, the entire amount of the proceeds is required to be accounted for as common stock, although a company may, by resolution of the Board of Directors, account for an amount not exceeding one-half of the proceeds of the sale of new shares as additional paid-in capital.

18. Trading Income

	Millions of yen	
Years ended March 31,	**2007**	2006
Revenue from trading securities	**¥305**	¥302
Revenue from trading-related financial derivatives	**55**	104
Other trading revenue	**112**	21
Total	**¥473**	¥429

19. Interest on Borrowings and Rediscounts

	Millions of yen	
Years ended March 31,	**2007**	2006
Call money and bills sold	**¥4,683**	¥2,838
Securities lending transactions	**2,390**	1,668
Borrowings	**1,142**	1,257
Total	**¥8,216**	¥5,765

20. Other Income

	Millions of yen	
Years ended March 31,	**2007**	2006
Other ordinary income	**¥22,099**	¥24,414
Gain on disposal of tangible fixed assets	**248**	—
Gains on collection of loan assets	**3,695**	2,722
Reversal of reserve for possible loan losses	**1,684**	—
Total	**¥27,727**	¥27,137

21. Other Expenses

	Millions of yen	
Years ended March 31,	**2007**	2006
Losses on disposal of tangible fixed assets	**¥ 1,543**	¥ —
Losses on disposal of premises and equipment	**—**	383
Losses on impairment	**72**	1,194
Write-offs of claims	**7,460**	9,881
Write down of equity shares	**199**	135
Losses on sale of claims	**499**	226
Others	**21,196**	27,867
Total	**¥30,969**	¥39,686

Impairment losses were recorded in an aggregate amount deemed irrecoverable on idle assets, primarily located in Ibaraki Prefecture.

Impairment losses recognized on a consolidated basis for the fiscal year ended March 31, 2007 can be broken down into the two categories of losses on land holdings in the amount of ¥70 million, and losses on buildings in the amount of ¥2 million.

Impairment losses for the previous fiscal year ended March 31, 2006 also on a consolidated basis, amounted to ¥1,056 million in impairment losses on land holdings, ¥135 million in losses on buildings, and ¥2 million in losses on equipment. Concerning facilities for business, every branch is, in principle, designated by the Bank as the smallest unit for recognition and measurement of impairment loss, taking into consideration cash flows in the region in question. In the case of idle assets, individual assets are assessed as measurement units. Regarding head office buildings, operation centers, dormitories, and housing and welfare facilities, these facilities are classified as the Bank's common property, as they generate no cash flows.

22. Accumulated Depreciation of Tangible Fixed Assets

Accumulated depreciation on tangible fixed assets, recognized for the fiscal year ended March 31, 2007, amounted to ¥144,378 million. The corresponding figure for the previous fiscal year ended March 31, 2006, stated under "Premises and equipment," was ¥141,531 million.

23. Segment Information

(a) Business segment information

Segment information by type of business for the years ended March 31, 2007 and 2006 are summarized as follows:

	Millions of yen					
Year ended March 31, **2007**	Banking operations	Leasing	Other	Total	Eliminations	Consolidated
Ordinary income:						
Ordinary income from external customers	**¥ 169,547**	**¥17,671**	**¥ 4,805**	**¥ 192,025**	**¥ —**	**¥ 192,025**
Ordinary income from internal transactions	**622**	**2,167**	**6,871**	**9,662**	**(9,662)**	**—**
Total	**170,170**	**19,839**	**11,677**	**201,687**	**(9,662)**	**192,025**
Ordinary expenses	**122,518**	**19,260**	**9,878**	**151,657**	**(9,381)**	**142,276**
Ordinary income, net	**¥ 47,652**	**¥ 578**	**¥ 1,798**	**¥ 50,029**	**¥ (280)**	**¥ 49,748**
Assets	**¥7,433,633**	**¥45,676**	**¥32,135**	**¥7,511,444**	**¥(66,708)**	**¥7,444,736**
Depreciation	**2,872**	**13,289**	**143**	**16,305**	**(0)**	**16,305**
Losses on impairment	**72**	**—**	**—**	**72**	**—**	**72**
Capital expenditures	**5,746**	**11,295**	**203**	**17,245**	**—**	**17,245**

	Millions of yen					
Year ended March 31, 2006	Banking operations	Leasing	Other	Total	Eliminations	Consolidated
Ordinary income:						
Ordinary income from external customers	¥ 157,044	¥17,317	¥ 5,696	¥ 180,058	¥ —	¥ 180,058
Ordinary income from internal transactions	623	2,234	5,608	8,466	(8,466)	—
Total	157,668	19,551	11,305	188,525	(8,466)	180,058
Ordinary expenses	116,593	18,535	10,894	146,022	(8,725)	137,296
Ordinary income, net	¥ 41,074	¥ 1,016	¥ 411	¥ 42,502	¥ (259)	¥ 42,761
Assets	¥7,343,485	¥48,823	¥31,360	¥7,423,669	¥(70,746)	¥7,352,922
Depreciation	2,760	13,380	141	16,281	(0)	16,281
Losses on impairment	1,194	—	—	1,194	—	1,194
Capital expenditures	2,581	12,256	657	15,496	—	15,496

Notes: 1. Classification is made according to nature of businesses of consolidated subsidiaries. In addition, "other" includes guarantee business.

2. Instead of the net sales and the operating income of a non-financial company, ordinary income in gross and net amount is indicated,

3. Effective the year ended March 31, 2007, the Bank has adopted new accounting standards for acceptance and guarantees on guarantee obligations on securities issued by private placement (pursuant to Article 2, Clause 3 of the Securities and Exchange Law) and customers' liabilities for acceptances and guarantees in accordance with changes in Enforcement Regulations to the Banking Law (1982 Finance Ministry Order No. 10). Under the new standards, acceptances and guarantees, and customers' liabilities for acceptances and guarantees offset each other. As a result, assets held for banking operations decreased ¥21,702 million from the relevant figures calculated using the previous method.

(b) Geographic segment information

Segment information by geographic area has not been disclosed since over 90% of the total consolidated ordinary income and assets of the Bank and consolidated subsidiaries reside in Japan.

(c) Ordinary income from foreign operations

Segment information related to the Bank's foreign operations for the years ended March 31, 2007 and 2006 are as follows:

	Millions of yen	
Years ended March 31,	**2007**	2006
Ordinary income from foreign operations (A)	**¥ 29,295**	¥ 26,188
Ordinary income (B)	**192,025**	180,058
(A)/(B)	**15.25%**	14.54%

Note: Ordinary income arising from foreign operations refers to ordinary income from foreign currency-denominated transactions and yen-denominated transactions with non-residents in Japan, as well as offshore transactions (excluding inter-segment transactions).

24. Leases

(a) Finance leases

Finance leases, as lessee, at March 31, 2007 and 2006 are summarized as follows:

	Millions of yen	
March 31,	**2007**	2006
Equipment	**¥49**	¥50
Accumulated depreciation	**(25)**	(19)
Total	**¥24**	¥30
Lease payments for finance leases:		
Within one year	**¥11**	¥14
Over one year	**13**	16
Total	**¥24**	¥30

Note: Acquisition cost and minimum lease payment presented above include interest amounts calculated under the interest method, as the balances of acquisition cost and minimum lease payment are small as a percentage of the book value of total tangible fixed assets.

Total lease payments under finance leases for the year ended March 31, 2007 and 2006 were ¥14 million and ¥11 million, respectively. Depreciation which would have been recorded under finance leases for the year ended March 31, 2007 and 2006 were ¥14 million and ¥11 million, respectively.

Finance leases, as lessor, at March 31, 2007 and 2006 are summarized as follows:

	Millions of yen	
March 31,	**2007**	2006
Equipment	**¥63,592**	¥63,501
Others	**4,012**	4,212
Accumulated depreciation	**(34,780)**	(32,941)
Total	**¥32,823**	¥34,773
Lease payments receivable for finance leases:		
Within one year	**¥12,290**	¥12,476
Over one year	**25,884**	27,929
Total	**¥38,175**	¥40,406

Note: Minimum lease payment receivable presented above includes interest amounts, as the total balance at minimum lease payment receivable and residual value of leased assets is small as a percentage of the book value of receivables.

Total lease payments received under finance leases for the year ended March 31, 2007 and 2006 were ¥13,505 million and ¥13,586 million, respectively. Depreciation under finance leases for the year ended March 31, 2007 and 2006 were ¥11,632 million and ¥11,697 million, respectively.

(b) Operating leases

Future minimum lease payments for operating leases at March 31, 2007 and 2006 were ¥541 million and ¥573 million, of which ¥41 million and ¥37 million were due within one year.

No impairment losses have been recognized on leased assets.

25. Securities Information

The information includes trading account securities and commercial paper in trading assets and trust beneficiary rights in commercial paper and other debt purchased in addition to securities.

(a) Securities held for trading purposes

	Millions of yen	
March 31,	**2007**	2006
Carrying value	**¥28,904**	¥29,031
Holding gains charged to income	**37**	2

(b) Marketable debt securities held to maturity

	Millions of yen				
March 31, **2007**	Book value	Market value	Unrealized gain (net)	Unrealized gain (gross)	Unrealized loss (gross)
Japanese government bonds	**¥ —**	**¥ —**	**¥ —**	**¥ —**	**¥ —**
Japanese local government bonds	**3,404**	**3,548**	**144**	**144**	**—**
Corporate bonds	**26,452**	**26,221**	**(230)**	**67**	**297**
Others	**19,486**	**19,464**	**(21)**	**15**	**36**
Total	**¥49,342**	**¥49,234**	**¥(107)**	**¥227**	**¥334**

March 31, 2006	Millions of yen Book value	Market value	Unrealized gain (net)	Unrealized gain (gross)	Unrealized loss (gross)
Japanese government bonds	¥ —	¥ —	¥ —	¥ —	¥ —
Japanese local government bonds	5,325	5,652	326	326	—
Corporate bonds	22,819	22,275	(544)	31	576
Others	23,091	23,148	57	82	25
Total	¥51,237	¥51,076	¥(160)	¥440	¥601

Note: Market value is based on the market prices at the fiscal year end.

(c) Marketable available-for-sale securities

March 31, **2007**	Millions of yen Cost	Book value	Unrealized gain (net)	Unrealized gain (gross)	Unrealized loss (gross)
Equity securities	**¥ 124,044**	**¥ 315,147**	**¥191,103**	**¥191,624**	**¥ 521**
Debt securities:					
Japanese government bonds	**769,108**	**761,036**	**(8,071)**	**671**	**8,743**
Japanese local government bonds	**316,594**	**316,659**	**65**	**1,973**	**1,908**
Corporate bonds	**375,900**	**375,564**	**(335)**	**1,145**	**1,481**
Others	**819,200**	**844,959**	**25,758**	**29,991**	**4,232**
Total	**¥2,404,848**	**¥2,613,367**	**¥208,518**	**¥225,406**	**¥16,887**

March 31, 2006	Millions of yen Cost	Book value	Unrealized gain (net)	Unrealized gain (gross)	Unrealized loss (gross)
Equity securities	¥ 117,940	¥ 304,847	¥186,907	¥186,945	¥ 38
Debt securities:					
Japanese government bonds	748,031	730,151	(17,879)	292	18,171
Japanese local government bonds	313,699	312,257	(1,441)	2,926	4,368
Corporate bonds	320,966	318,347	(2,618)	780	3,399
Others	823,945	838,024	14,079	20,196	6,117
Total	¥2,324,582	¥2,503,629	¥179,047	¥211,141	¥32,094

Notes: 1. Book value is based on the market prices at the fiscal year end.

2. Pursuant to "Practical Guidelines for Accounting for Financial Instruments" (JICPA Accounting Committee Report No. 14, amended on July 3, 2001), the Bank recognized the impairment losses on listed equity shares whose market price at the balance sheet date declined 30% or more compared with acquisition cost, taking into consideration the recoverability. As of March 31, 2007 and 2006, the Bank devaluated the marketable available-for-sale securities and recognized as a loss of ¥9 million and ¥22 million, respectively.

(d) Marketable available-for-sale securities sold

Years ended March 31,	Millions of yen **2007**	2006
Proceeds from sales of marketable available-for-sale securities	**¥496,387**	¥504,941
Gains	**9,217**	4,294
Losses	**7,527**	2,596

(e) Major components and balance sheet amounts of non-marketable securities

March 31,	Millions of yen Book value **2007**	2006
Non-marketable debt securities held to maturity:		
Trust beneficiary rights	**¥6,017**	¥13,713
Non-marketable available-for-sale securities:		
Unlisted equity securities	**3,734**	4,131
Investments in investment partnerships	**2,147**	1,245

(f) Schedule of redemption of available-for-sale securities with maturity dates and debt securities being held to maturity

March 31, **2007**	Millions of yen One year or less	One to five years	Five to ten years	Over ten years
Debt securities:				
Japanese government bonds	**¥ 27,563**	**¥ 362,214**	**¥312,869**	**¥ 58,388**
Japanese local government bonds	**38,543**	**152,179**	**129,340**	**—**
Corporate bonds	**52,887**	**228,832**	**71,319**	**48,976**
Others	**41,461**	**289,955**	**187,193**	**263,462**
Total	**¥160,456**	**¥1,033,181**	**¥700,722**	**¥370,827**

March 31, 2006	Millions of yen One year or less	One to five years	Five to ten years	Over ten years
Debt securities:				
Japanese government bonds	¥ 92,883	¥201,432	¥320,333	¥115,501
Japanese local government bonds	27,071	153,633	136,878	—
Corporate bonds	53,328	175,705	85,042	27,092
Others	90,373	309,792	199,963	217,387
Total	¥263,656	¥840,564	¥742,217	¥359,981

(g) Money held in trust classified as available-for-sale securities

March 31,	Millions of yen **2007**	2006
Cost	**¥2,151**	¥2,152
Book value	**2,591**	2,725
Unrealized gain (net)	**440**	573
Unrealized gain (gross)	**440**	573
Unrealized loss (gross)	**—**	—

Note: Book value is based on the market prices at the fiscal year end.

(h) Unrealized gain on available-for-sale securities

March 31,	Millions of yen **2007**	2006
Unrealized gain:		
Available-for-sale securities	**¥208,518**	¥179,047
Other money held in trust	**440**	573
Deferred tax liabilities	**(80,015)**	(72,424)
Net unrealized gains on available-for-sale securities	**128,943**	107,196
Minority interests	**(5)**	(109)
Unrealized gains on available-for-sale securities	**¥128,938**	¥107,086

26. Derivatives

(a) Transactions

(1) The Bank conducts derivative transactions related to fluctuations in interest rates, currency exchanges and bond prices, which are classified into hedging and non-hedging purposes.

One of the Bank's consolidated subsidiaries engages in interest-related derivative transactions for hedging purposes.

(2) Policies: The Bank enters into derivative transactions to: (1) meet customer needs for hedging of risks involved in fluctuations in foreign exchanges and interest rates; (2) mitigate risks involved in the Bank's operations in the context of efficiently managing its overall assets and liabilities, and; (3) hedge individual transactions of the Bank. For trading in derivatives for the purpose of increasing earnings over a short-term period, the Bank has set certain position limits and loss-cut rules.

The above-mentioned consolidated subsidiary follows trading policies similar to those of the Bank.

(3) Purposes: The Bank conducts derivatives transactions in accordance with the above-mentioned policies. The Bank employs hedge accounting in some of its derivatives transactions.

a. Methods of hedge accounting

The Bank has adopted ordinary treatment for deferred hedges and special treatment for interest-rate swaps.

b. Policies and implementation of hedging transactions

The Bank uses hedging transactions to mitigate its exposure to interest rate risk, risk involving fluctuations in foreign exchange rates and stock prices, and credit risk, in accordance with its internal rules (Rules on Transactions under Hedge Accounting) based on the Practical Guidelines on Accounting for Financial Instruments.

During the prior and current years, hedge accounting has been applied to the following financial instruments and assets and liabilities hedged:

Hedging instruments: Interest-rate swaps, currency swaps and foreign exchange swaps

Assets and liabilities hedged:

(Yen-denominated) Loans and bills discounted, deposits, and borrowed money

(Foreign-currency denominated) Bonds and deposits

c. Assessment of hedging effectiveness

The effectiveness of hedging was assessed in accordance with Rules on Transactions under Hedge Accounting. As for hedging against interest rate changes by means of offsetting fluctuations in fair value arising from changes in interest rates, the Bank assesses the hedge effectiveness by correlating a group of hedged items (i.e. loans) with hedging instruments (such as interest rate swaps) classified by remaining maturity bucket. As for cash flow hedges, the Bank assesses the effectiveness of such hedges in fixing cash flows by verifying the correlation between the hedged items and hedging instruments. As for hedging foreign exchange fluctuations, the Bank assesses the effectiveness of utilizing currency and exchange swap transactions as hedging instruments through confirmation of the fact that there exists a sufficient balance of hedging instruments in the form of foreign exchanges, corresponding to the hedged items in the form of monetary claims and obligations denominated in foreign currencies.

In addition, the Bank confirmed that its hedging methods for its special treatment of interest-rate swaps met the required criteria.

(4) Nature of Risks: Derivative transactions involve market risk and credit risk. Market risk refers to the risk of losses from fluctuations in interest rates and currency exchanges, etc. Credit risk is the risk that a position cannot be settled according to the original contract terms due to the bankruptcy or insolvency of the counterparty.

(5) Risk Management System: The Board of Directors (the "Board") is responsible for determining policies on the basis of in-house regulations on risk management, taking due account of the maximum transaction volumes, the maximum allowable loss amounts, and loss-cutting rules on derivative transactions, which are reported to the Board on a regular basis. For credit risk management, the current exposure method is applied for risk control, by setting credit lines by counterparty.

Regarding the organizational structure, the Bank clearly segregates back-office work from front-office work. Furthermore, the Bank has established middle-office sections to ensure that the system of checks and balances works effectively.

(6) Supplementary Explanation of Quantitative Information: The contract amounts presented are the notional contract amounts or the principal for calculation purpose. Accordingly, they do not represent the actual market risk exposure relating to all derivative positions.

(b) Interest-rate derivatives

	Millions of yen			
	Contract amounts		Market	Unrealized
March 31, **2007**	Total	Over 1 year	value	gain (loss)
Transactions listed on exchanges:				
Interest-rate futures:				
Sold	¥ —	¥ —	¥ —	¥ —
Bought	—	—	—	—
Interest-rate options:				
Sold	—	—	—	—
Bought	—	—	—	—
Over-the-counter transactions:				
Forward rate agreements:				
Sold	—	—	—	—
Bought	—	—	—	—
Interest-rate swaps:				
Receivable fixed/ payable floating	70,434	26,650	54	54
Receivable floating/ payable fixed	70,434	26,650	122	122
Receivable floating/ payable floating	—	—	—	—
Interest-rate options:				
Sold	—	—	—	—
Bought	—	—	—	—
Caps:				
Sold	3,258	2,781	(20)	65
Bought	3,258	2,781	20	(29)
Swaption:				
Sold	32,876	4,010	(224)	51
Bought	32,876	4,010	224	224
Others:				
Sold	—	—	—	—
Bought	—	—	—	—
Total	¥ —	¥ —	¥176	¥489

March 31, 2006	Millions of yen Contract amounts Total	 Over 1 year	 Market value	 Unrealized gain (loss)
Transactions listed on exchanges:				
Interest-rate futures:				
Sold	¥ —	¥ —	¥ —	¥ —
Bought	—	—	—	—
Interest-rate options:				
Sold	—	—	—	—
Bought	—	—	—	—
Over-the-counter transactions:				
Forward rate agreements:				
Sold	—	—	—	—
Bought	—	—	—	—
Interest-rate swaps:				
Receivable fixed/ payable floating	30,350	17,437	11	11
Receivable floating/ payable fixed	30,350	17,437	175	175
Receivable floating/ payable floating	—	—	—	—
Interest-rate options:				
Sold	—	—	—	—
Bought	—	—	—	—
Caps:				
Sold	3,174	3,058	(52)	23
Bought	3,174	3,058	52	5
Swaption:				
Sold	17,130	5,320	(378)	(172)
Bought	17,130	5,320	378	378
Others:				
Sold	—	—	—	—
Bought	—	—	—	—
Total	¥ —	¥ —	¥186	¥421

Notes: 1. The above derivatives are valued at market and unrealized gain (loss) is accounted for in the consolidated statements of income. Derivatives to which hedge accounting is applied have not been included in the above table.

2. Calculation of market value
The market value of transactions listed on exchanges has been calculated on the basis of the closing prices on the Tokyo International Financial Futures Exchange, etc. The market value of over-the-counter transactions has been calculated at their discounted current value or by utilizing calculation models for options prices.

(c) Currency Derivatives

March 31, **2007**	Millions of yen Contract amounts Total	 Over 1 year	 Market value	 Unrealized gain (loss)
Listed:				
Currency futures:				
Sold	**¥ —**	**¥ —**	**¥ —**	**¥ —**
Bought	**—**	**—**	**—**	**—**
Currency options:				
Sold	**—**	**—**	**—**	**—**
Bought	**—**	**—**	**—**	**—**
Over-the-counter transactions:				
Currency swaps	**552,195**	**520,582**	**1,309**	**1,309**
Forward foreign exchange contracts:				
Sold	**10,374**	**4,424**	**(292)**	**(292)**
Bought	**8,841**	**4,410**	**292**	**292**
Currency options:				
Sold	**17,405**	**—**	**(205)**	**(53)**
Bought	**17,405**	**—**	**206**	**30**
Others:				
Sold	**—**	**—**	**—**	**—**
Bought	**—**	**—**	**—**	**—**
Total	**¥ —**	**¥ —**	**¥1,310**	**¥1,285**

March 31, 2006	Millions of yen Contract amounts Total	 Over 1 year	 Market value	 Unrealized gain (loss)
Listed:				
Currency futures:				
Sold	¥ —	¥ —	¥ —	¥ —
Bought	—	—	—	—
Currency options:				
Sold	—	—	—	—
Bought	—	—	—	—
Over-the-counter transactions:				
Currency swaps	334,268	324,375	909	909
Forward foreign exchange contracts:				
Sold	4,093	332	(108)	(108)
Bought	3,223	228	82	82
Currency options:				
Sold	26,560	—	(318)	(24)
Bought	26,560	—	320	4
Others:				
Sold	—	—	—	—
Bought	—	—	—	—
Total	¥ —	¥ —	¥885	¥863

Notes: 1. The transactions in this table have been revalued at the market rate prevailing on the balance sheet date, and unrealized gain (loss) is accounted for in the consolidated statements of income. Derivatives which qualify as hedges have been excluded from this table.

2. Calculation of market value
Market value is calculated at discounted present value, etc.

(d) Stock Derivatives

Not applicable as of March 31, 2007 and 2006.

(e) Bond Derivatives

March 31, **2007**	Contract amounts (Millions of yen) Total	Over 1 year	Market value	Unrealized gain (loss)
Listed:				
Bond futures:				
Sold	**¥537**	**¥—**	**¥ 0**	**¥ 0**
Bought	**—**	**—**	**—**	**—**
Bond future options:				
Sold	**—**	**—**	**—**	**—**
Bought	**—**	**—**	**—**	**—**
Over-the-counter transactions:				
Bond options:				
Sold	**—**	**—**	**—**	**—**
Bought	**—**	**—**	**—**	**—**
Others:				
Sold	**—**	**—**	**—**	**—**
Bought	**—**	**—**	**—**	**—**
Total	**¥ —**	**¥—**	**¥ 0**	**¥ 0**

March 31, 2006	Contract amounts (Millions of yen) Total	Over 1 year	Market value	Unrealized gain (loss)
Listed:				
Bond futures:				
Sold	¥539	¥—	¥ 5	¥ 5
Bought	—	—	—	—
Bond future options:				
Sold	—	—	—	—
Bought	—	—	—	—
Over-the-counter transactions:				
Bond options:				
Sold	—	—	—	—
Bought	—	—	—	—
Others:				
Sold	—	—	—	—
Bought	—	—	—	—
Total	¥ —	¥—	¥ 5	¥ 5

Notes: 1. The transactions described above are marked to market, and the unrealized gains and losses are charged to income. Derivatives under hedge accounting are excluded from the above tables.

2. Calculation of fair market value
Financial derivatives listed on securities exchanges are stated using the closing prices on the Tokyo Stock Exchange as of the balance-sheet date, and those traded over the counter are stated using discounted present value or option price calculation models.

(f) Commodity Derivatives

Not applicable as of March 31, 2007 and 2006.

(g) Credit Derivatives

Not applicable as of March 31, 2007 and 2006.

27. Stock Options

No expenses related to the exercise of stock options were recorded for the fiscal year ended March 31, 2007.

Changes to the nature and scale of stock options are listed below.

	2000	2001
Persons to whom stock options are granted	Directors of the Bank: 10 Employees of the Bank: 10	Directors of the Bank: 10 Employees of the Bank: 8
Type and number of shares	Common shares: 175,000	Common shares: 268,000
Date of rights granted	August 1, 2000	August 1, 2001
Terms and conditions	Not applicable	Not applicable
Eligible service period	Not applicable	Not applicable
Period for exercise of stock options	From July 1, 2002 to June 30, 2007	From July 1, 2003 to June 30, 2008
Exercise price	¥411	¥375
Balance of stock options outstanding at beginning of year	67,000	175,000
Exercise of options	60,000	140,000
Expired options	7,000	0
Balance of outstanding options at end of year	0	35,000

28. Related-Party Transactions

For the year ended March 31, 2007, material transactions with major individual shareholders are as follows:

Relationship with the Bank	Name	Location	Paid-in capital (Millions of yen)	Business line	Voting rights ownership (%)	Nature of relationship: Directors and statutory auditors	Nature of relationship: Business tie-ups	Details of transaction	Transaction amount (Millions of yen)	Accounting title	Year-end balance (Millions of yen)
A company in which majority voting rights are held by relatives of a director of the Bank	Usui Setsubi Kogyo Co. Ltd.	Hitachi-Omiya, Ibaraki Pref.	10	Hygiene facility installation for water supply and waste water treatment	—	Not applicable	Not applicable	Lending of money	10	Loans receivable	13
								Guarantees	2	Acceptances and guarantees	2

Policies on and terms and conditions of the transaction
Interest is reasonably determined in a manner similar to ordinary transactions, taking into account the prevailing market interest rates. The loan period shall not exceed 5 years. Repayment of principal shall be made on a straight-line basis every month or in lump-sum on the due date. However, repayment before the due date shall be allowed.

Relationship with the Bank	Name	Location	Paid-in capital (Millions of yen)	Business line	Voting rights ownership (%)	Nature of relationship: Directors and statutory auditors	Nature of relationship: Business tie-ups	Details of transaction	Transaction amount (Millions of yen)	Accounting title	Year-end balance (Millions of yen)
A company in which majority voting rights are held by relatives of a director of the Bank	Rarara Ltd.	Mito, Ibaraki Pref.	3	Beauty salon	—	Not applicable	Not applicable	Lending of money	—	Loans receivable	6

Policies regarding, and terms and conditions of, the transaction
Interest is reasonably determined in a manner similar to ordinary transactions, taking into account the prevailing market interest rates. The loan period is 5 years. Repayment of principal shall be made on a straight-line basis every month.

For the year ended March 31, 2006, material transactions with major individual shareholders are as follows:

Relationship with the Bank	Name	Location	Paid-in capital (Millions of yen)	Business line	Voting rights ownership (%)	Nature of relationship: Directors and statutory auditors	Nature of relationship: Business tie-ups	Details of transaction	Transaction amount (Millions of yen)	Accounting title	Year-end balance (Millions of yen)
A company in which majority voting rights are held by relatives of a director of the Bank	Usui Setsubi Kogyo Co. Ltd.	Hitachi-Omiya, Ibaraki Pref.	10	Hygiene facility installation for water supply and waste water treatment	—	Not applicable	Not applicable	Lending of money	2	Loans receivable	9

Policies on and terms and conditions of the transaction
Interest is reasonably determined in a manner similar to ordinary transactions, taking into account the prevailing market interest rates. The loan period shall not exceed 5 years. Repayment of principal shall be made on a straight-line basis every month or in lump-sum on the due date. However, repayment before the due date shall be allowed.

Relationship with the Bank	Name	Location	Paid-in capital (Millions of yen)	Business line	Voting rights ownership (%)	Nature of relationship: Directors and statutory auditors	Nature of relationship: Business tie-ups	Details of transaction	Transaction amount (Millions of yen)	Accounting title	Year-end balance (Millions of yen)
A company in which majority voting rights are held by relatives of a director of the Bank	Rarara Ltd.	Mito, Ibaraki Pref.	3	Beauty salon	—	Not applicable	Not applicable	Lending of money	10	Loans receivable	8

Policies regarding, and terms and conditions of, the transaction
Interest is reasonably determined in a manner similar to ordinary transactions, taking into account the prevailing market interest rates. The loan period is 5 years. Repayment of principal shall be made on a straight-line basis every month.

Note: For the year ended March 31, 2007 and 2006 the Bank has made no related-party transactions with parties falling into categories of parent, subsidiary and sister companies, and major corporate shareholders.

29. Per-share Data

March 31,	Yen 2007	Yen 2006
Net assets per share	**¥647.60**	¥596.22
Earnings per share-basic	**32.31**	29.92
Earnings per share-diluted	**32.31**	29.91

Note: Bases for calculation of earnings per share (basic and diluted) are as follows:

March 31,	Millions of yen 2007	Millions of yen 2006
Earnings per share		
Net income	**¥ 26,319**	¥ 24,815
Earnings not available to common shareholders	**—**	50
Of which, bonuses for directors and auditors	**—**	50
Net income after deduction of the portion described above	**26,319**	24,765
Weighted average number of common shares for the fiscal year (in thousands)	**814,389**	827,618
Diluted earnings per share		
Adjustment to net income	**—**	—
Increase in common shares (in thousands)	**169**	353
Of which, acquisition of own shares under stock option pursuant to provisions in Article 210-2, Paragraph 2 of the Commercial Code (in thousands)	**169**	353
Share warrants that have no dilutive effects on earnings per share	**—**	—

ERNST & YOUNG SHINNIHON

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Tel : 03 3503 1100
Fax : 03 3503 1197

Report of Independent Auditors

The Board of Directors
The Joyo Bank, Ltd.

We have audited the accompanying consolidated balance sheets of The Joyo Bank, Ltd. and consolidated subsidiaries as of March 31, 2007 and 2006, and the related consolidated statements of income and cash flows for the years then ended, changes in net assets for the year ended March 31, 2007 and capital surplus and retained earnings for the year ended March 31, 2006, all expressed in yen. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of The Joyo Bank, Ltd. and consolidated subsidiaries at March 31, 2007 and 2006, and the consolidated results of their operations and their cash flows for the years then ended in conformity with accounting principles generally accepted in Japan.

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2007 are presented solely for convenience. Our audit also included the translation of yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 2.

Ernst & Young ShinNihon

June 28, 2007

Non-Consolidated Balance Sheets (Unaudited)

THE JOYO BANK, LTD.

	Millions of yen		Thousands of U.S. dollars
March 31,	**2007**	2006	**2007**
Assets			
Cash and due from banks	**¥ 140,106**	¥ 154,302	**$ 1,186,843**
Call loans and bills purchased	**3,541**	11,998	**30,000**
Commercial paper and other debt purchased	**85,237**	95,197	**722,041**
Trading assets	**29,170**	29,342	**247,106**
Money held in trust	**2,591**	2,725	**21,954**
Securities	**2,607,267**	2,489,359	**22,086,128**
Loans and bills discounted	**4,438,855**	4,433,701	**37,601,487**
Foreign exchanges	**984**	1,084	**8,336**
Other assets	**40,332**	39,929	**341,652**
Tangible fixed assets	**79,821**	—	**676,171**
Intangible fixed assets	**9,657**	—	**81,806**
Premises and equipment	**—**	82,702	**—**
Customers' liabilities for acceptances and guarantees	**32,862**	51,602	**278,381**
Reserve for possible loan losses	**(39,569)**	(51,236)	**(335,191)**
Reserve for devaluation of investment securities	**(53)**	(52)	**(451)**
Total assets	**¥7,430,806**	¥7,340,658	**$62,946,267**

March 31,	Millions of yen 2007	Millions of yen 2006	Thousands of U.S. dollars 2007
Liabilities and shareholders' equity			
Liabilities:			
Deposits	**¥6,326,301**	¥6,181,063	**$53,590,019**
Call money and bills sold	**108,447**	157,118	**918,658**
Payables under securities lending transactions	**203,254**	280,759	**1,721,762**
Trading liabilities	**89**	117	**754**
Borrowed money	**67,000**	80,000	**567,556**
Foreign exchanges	**350**	2,536	**2,968**
Bonds	**15,000**	15,000	**127,064**
Due to trust account	**16**	17	**136**
Other liabilities	**103,449**	42,219	**876,317**
Reserve for bonuses to directors and corporate auditors	**50**	—	**423**
Reserve for employees' retirement benefits	**4,968**	6,331	**42,091**
Reserve for other contingent losses	**551**	412	**4,668**
Deferred tax liabilities	**39,777**	22,182	**336,953**
Deferred tax liabilities for land revaluation	**13,056**	13,088	**110,602**
Acceptances and guarantees	**32,862**	51,602	**303,794**
Total liabilities	**6,915,175**	6,852,451	**58,578,358**
Shareholders' equity:			
Common stock:			
Authorized — 2,167,515 thousand shares			
Issued — 852,231 thousand shares	**—**	85,113	**—**
Capital surplus	**—**	58,581	**—**
Legal reserve	**—**	55,317	**—**
Voluntary reserve	**—**	163,432	**—**
Retained earnings	**—**	24,349	**—**
Land revaluation reserve, net of taxes	**—**	9,313	**—**
Unrealized gain on available-for-sale securities	**—**	107,079	**—**
Less, treasury stock at cost	**—**	(14,978)	**—**
Total shareholders' equity	**—**	488,207	**—**
Total liabilities and shareholders' equity	**¥ —**	¥7,340,658	**$ —**
Net assets:			
Common stock	**85,113**	—	**720,991**
Capital surplus	**58,574**	—	**496,179**
Retained earnings	**256,967**	—	**2,176,765**
Treasury stock	**(22,403)**	—	**(189,775)**
Total shareholders' equity	**378,251**	—	**3,204,160**
Unrealized gains on other securities	**128,905**	—	**1,091,955**
Deferred losses on hedging instruments, net of taxes	**(791)**	—	**(6,704)**
Land revaluation excess	**9,266**	—	**78,497**
Total valuation and translation adjustments	**137,380**	—	**1,163,748**
Total net assets	**515,631**	—	**4,367,909**
Total liabilities and net assets	**¥7,430,806**	¥ —	**$62,946,267**

Notes: 1. Japanese yen amounts are rounded down to the nearest million yen.
2. U.S. dollar amounts represent translation of Japanese yen at the exchange rate of ¥118.05 to US$1.00 on March 31, 2007.

Non-Consolidated Statements of Income (Unaudited)

THE JOYO BANK, LTD.

	Millions of yen		Thousands of U.S. dollars
Years ended March 31,	**2007**	2006	**2007**
Income:			
Interest income:			
Interest on loans and discounts	**¥ 85,407**	¥ 81,040	**$ 723,486**
Interest and dividends on securities	**47,339**	43,592	**401,012**
Other interest income	**1,567**	1,183	**13,276**
Fees and commissions	**23,296**	21,932	**197,346**
Trading income	**473**	429	**4,011**
Other operating income	**8,957**	4,474	**83,505**
Other income	**8,921**	7,425	**67,290**
Total income	**175,963**	160,079	**1,490,587**
Expenses:			
Interest expenses:			
Interest on deposits	**7,974**	3,612	**67,555**
Interest on borrowings and rediscounts	**8,216**	5,765	**69,603**
Other interest expenses	**12,469**	9,659	**105,625**
Fees and commissions	**7,293**	7,200	**61,786**
Other operating expenses	**7,504**	2,467	**50,145**
General and administrative expenses	**70,559**	71,327	**597,706**
Other expenses	**8,938**	18,061	**75,717**
Total expenses	**122,956**	118,093	**1,041,562**
Income before income taxes	**53,007**	41,986	**449,024**
Income taxes:			
Current	**16,368**	149	**138,661**
Deferred	**10,451**	17,115	**88,537**
Net income	**¥ 26,186**	¥ 24,721	**$ 221,826**
Per share (in yen and dollars)**:**			
Net income	**¥32.12**	¥29.80	**$0.272**
Cash dividends applicable to the year	**7.00**	6.00	**0.059**

Notes: 1. Japanese yen amounts are rounded down to the nearest million yen.
2. U.S. dollar amounts represent translation of Japanese yen at the exchange rate of ¥118.05 to US$1.00 on March 31, 2007.

Non-Consolidated Statement of Retained Earnings (Unaudited)

	Millions of yen
Years ended March 31,	2006
Retained earnings:	
Balance at beginning of year	¥30,142
Net income	24,721
Reversal of land revaluation reserve	(521)
Appropriations:	
Cancellation of shares in treasury	(4,549)
Cash dividends	(5,393)
Bonuses to directors	(50)
Transfer to voluntary reserve	(20,000)
Balance at end of year	¥24,349

Notes: 1. Japanese yen amounts are rounded down to the nearest million yen.
2. U.S. dollar amounts represent translation of Japanese yen at the exchange rate of ¥118.05 to US$1.00 on March 31, 2007.

Non-Consolidated Statement of Changes in Net Assets (Unaudited)

THE JOYO BANK, LTD.

	Millions of yen										
	Shareholders' equity										
		Capital surplus				Other retained earnings					
Year ended March 31, 2007	Common stock	Capital reserve	Other capital surplus	Total capital surplus	Legal reserve	Reserve for dispositions of fixed assets	Voluntary reserve	Earned surplus brought forward	Total retained earnings	Treasury stock	Total shareholders' equity
Balance at March 31, 2006	¥85,113	¥58,574	¥ 7	¥58,581	¥55,317	¥ —	¥163,432	¥24,349	¥243,099	¥(14,978)	¥371,815
Changes during the year:											
Cash dividends								(5,329)	(5,329)		(5,329)
Bonuses to directors and corporate auditors								(50)	(50)		(50)
Net income								26,186	26,186		26,186
Reserve for dispositions of fixed assets						115		(115)	—		—
Voluntary reserves							10,000	(10,000)	—		—
Purchase of treasury stock									—	(14,509)	(14,509)
Retirement of treasury stock			4	4					—	87	92
Disposal of treasury stock			(11)	(11)				(6,985)	(6,985)	6,997	—
Increase in retained earnings due to transfer from land revaluation reserve								46	46		46
Net changes of items other than shareholders' equity											
Total changes during the year	—	—	(7)	(7)	—	115	10,000	3,752	13,868	(7,424)	6,435
Balance at March 31, 2007	¥85,113	¥58,574	¥ —	¥58,574	¥55,317	¥115	¥173,432	¥28,102	¥256,967	¥(22,403)	¥378,251

	Millions of yen				
	Valuation and translation adjustment				
Year ended March 31, 2007	Unrealized gains on available-for-sale securities	Deferred losses on hedging instrument, net of taxes	Land revaluation reserve, net of taxes	Total valuation and translation adjustments	Total net assets
Balance at March 31, 2006	¥107,079	¥ —	¥9,313	¥116,392	¥488,207
Changes during the year:					
Cash dividends					(5,329)
Bonuses to directors and corporate auditors					(50)
Net income					26,186
Reserve for dispositions of fixed assets					—
Voluntary reserves					—
Purchase of treasury stock					(14,509)
Retirement of treasury stock					92
Disposal of treasury stock					—
Increase in retained earnings due to transfer from land revaluation reserve					46
Net changes of items other than shareholders' equity	21,826	(791)	(46)	20,988	20,988
Total changes during the year	21,826	(791)	(46)	20,988	27,424
Balance at March 31, 2007	¥128,905	¥(791)	¥9,266	¥137,380	¥515,631

Note: Japanese yen amounts are rounded down to the nearest million yen.

Non-Consolidated Statement of Changes in Net Assets (Unaudited)

THE JOYO BANK, LTD.

	Thousands of U.S. dollars (Note)										
	Shareholders' equity										
		Capital surplus				Other retained earnings					
Year ended March 31, 2007	Common stock	Capital reserve	Other capital surplus	Total capital surplus	Legal reserve	Reserve for dispositions of fixed assets	Voluntary reserve	Earned surplus brought forward	Total retained earnings	Treasury stock	Total shareholders' equity
Balance at March 31, 2006	$720,991	$496,179	$ 63	$496,242	$468,590	$ —	$1,384,430	$206,268	$2,059,289	$ 126,882	$3,149,641
Changes during the year:											
Cash dividends								(45,146)	(45,146)		(45,146)
Bonuses to directors and corporate auditors								(423)	(423)		(423)
Net income								221,826	221,826		221,826
Reserve for dispositions of fixed assets								(981)	—		—
Voluntary reserves							84,709	(84,709)	—		—
Purchase of treasury stock									—	(122,912)	(122,912)
Retirement of treasury stock			37	37					—	743	781
Disposal of treasury stock			(100)	(100)				(59,174)	(59,174)	59,274	—
Increase in retained earnings due to transfer from land revaluation reserve								393	393		393
Net changes of items other than shareholders' equity											
Total changes during the year	—	—	(63)	(63)	—	981	84,709	31,784	117,475	(62,893)	54,518
Balance at March 31, 2007	$720,991	$496,179	$ —	$496,179	$468,590	$981	$1,469,100	$238,053	$2,176,765	$(189,775)	$3,204,160

	Thousands of U.S. dollars (Note)				
	Valuation and translation adjustment				
Year ended March 31, 2007	Unrealized gains on available-for-sale securities	Deferred losses on hedging instrument, net of taxes	Land revaluation reserve, net of taxes	Total valuation and translation adjustments	Total net assets
Balance at March 31, 2006	$ 907,064	$ —	$78,891	$ 985,956	$4,135,598
Changes during the year:					
Cash dividends					(45,146)
Bonuses to directors and corporate auditors					(423)
Net income					221,826
Reserve for dispositions of fixed assets					—
Voluntary reserves					—
Purchase of treasury stock					(122,912)
Retirement of treasury stock					781
Disposal of treasury stock					—
Increase in retained earnings due to transfer from land revaluation reserve					393
Net changes of items other than shareholders' equity	184,890	(6,704)	(393)	177,792	177,792
Total changes during the year	184,890	(6,704)	(393)	177,792	232,310
Balance at March 31, 2007	$1,091,955	$(6,704)	$78,497	$1,163,748	$4,367,909

Note: U.S. dollar amounts represent translation of Japanese yen at the exchange rate of ¥118.05 to US$1.00 on March 31, 2007.

Organization

THE JOYO BANK, LTD.

- General Meeting of Shareholders
  - Board of Corporate Auditors
  - Corporate Auditors
- Board of Directors
  - Internal Administration Group
    - Corporate Audit Division
- Executive Officer Committee
  - Corporate Management Section
    - Corporate Risk Management Division
      - Credit Risk Management Office
      - Legal and Compliance Office
    - Corporate Planning Division
      - Group Management Office
      - Publicity Office
      - Tokyo Sub-Headquarters
    - Personnel Division
      - Staff Counseling Office
      - Executive Secretariat
    - General Affairs Division
  - Credit Risk Management Group
    - Credit Examination Division
      - Loan Supervision Office
      - Company Management Support Office
  - Operation Systems Group
    - Operation Planning Division
      - Data Processing Center
      - Area Data Processing Center
      - Joint Systems Promotion Office
    - Computer System Division
  - Business Section
    - Business Planning Division
      - Customer Counceling Office
      - International Operations Office
      - Overseas Representative Office (Shanghai)
      - Foreign Exchanges Centering Office
      - Hokuto District Business Division
    - Retail Banking Business Group
      - Retail Banking Division
        - Custody Business Promotion Office
        - Call Center
        - Loan Operation Center
        - Consumer Finance Center
        - Living and Business Consulting Center
        - Pension Business Promotion Center
    - Corporate Banking Business Group
      - Corporate Banking Business Division
        - Business Information Support Office
        - Quick Business Center
        - Area Corporate Business Division
    - Public Business Group
      - Government and Municipal Business Division
    - Market Business Group
      - Treasury and Securities Division
      - Markets and Business Administration Division
        - Securities Business Office

Head Office
Tokyo Business Division (Tokyo Main Office)
146 Branches, 25 Sub-branches

As of June 28, 2007

Board of Directors and Corporate Auditors

Chairman
Isao Shibuya

Deputy Chairman
Yuto Kawahara

President
Kunio Onizawa

Senior Managing Director
Tsutomu Tohyama

Managing Directors
Takenori Hotate
Yoshiyuki Miyanaga
Kazuyoshi Terakado
Takao Tateno
Kazuo Komuro
Mikio Kawamata
Toru Hakata
Etsuo Hiraoka

Corporate Auditors
Takashi Iwakami (standing)
Kyohei Tomita (standing)
Akira Yasu
Toshihiko Kawamura
Sanenori Hitomi

As of June 28, 2007

Market Business Group and Overseas Office

■ Head Office
5-5, Minami-machi 2-chome, Mito,
Ibaraki 310-0021, Japan
Phone: 029-231-2151

■ Market Business Group
Managing Director
Kazuo Komuro

■ Markets and Business Administration Division
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Tokyo 104-0028, Japan
Phone: 03-3273-1741
General Manager
Jun Kawauchi
Deputy General Manager
Hirohiko Sato

• Operations Group (Tokyo)
Senior Manager
Osato Aizawa

● International Operations Office
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Phone: 029-255-6671
Telex: J23278 JOYOBANK
3632105 JOYOBK
Swift: JOYOJPJT
General Manager
Akihiko Hashimoto

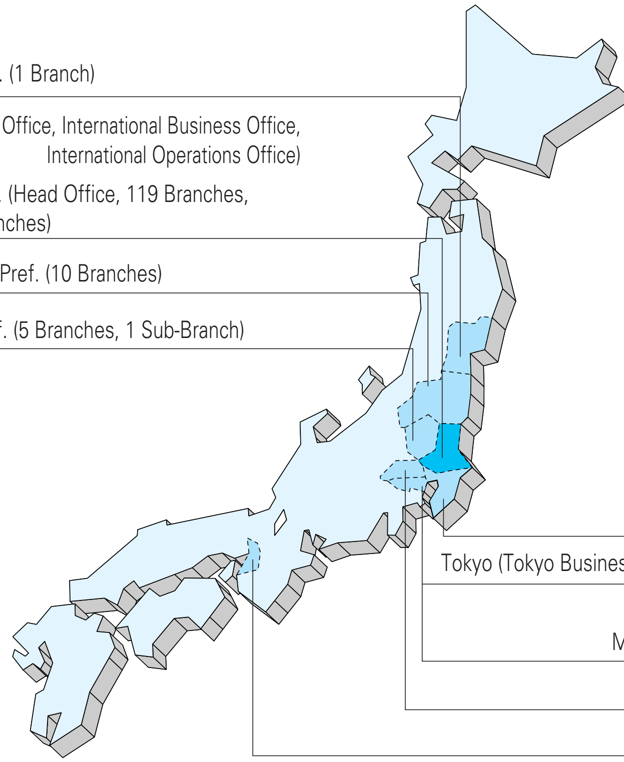
■ Treasury and Securities Division
7-2, Yaesu 2-chome, Chuo-ku,
Tokyo 104-0028, Japan
Phone: 03-3273-5245
General Manager
Shigeki Morita
Deputy General Manager
Osamu Midorikawa

• Investment Group
Senior Manager
Masahide Takauchi

• Business Promotion Group
Manager
Hiroshi Iijima

■ Shanghai Representative Office (Business Planning Division)
Room 1901, Shanghai International Trade
Centre, 2201 Yan An Road (West),
Shanghai 200335 P.R. of China
Phone: 86-21-6209-0258
Chief Representative
Katsunori Suzuki
Deputy Chief Representative
Kenji Kikuchi

Service Network



Overseas:

Shanghai Representative Office

As of March 31, 2007

Affiliated Companies

■ The Joyo Computer Service Co., Ltd.

16-25, Nishihara 2-chome, Mito, Ibaraki
Established 1973, Capital Stock: ¥47.5 million
Share of Voting Rights: 5%
Sale of software and contract of calculation businesses

■ The Joyo Lease Co., Ltd.

4-12, Minami-machi 3-chome, Mito, Ibaraki
Established 1974, Capital Stock: ¥100 million
Share of Voting Rights: 5%
Leasing of machinery and equipment, claim acquisition

■ The Joyo Credit Guarantee Co., Ltd.

4-12, Minami-machi 3-chome, Mito, Ibaraki
Established 1978, Capital Stock: ¥30 million
Share of Voting Rights: 5%
Credit guarantee of housing loans from the Bank

■ The Joyo Credit Co., Ltd.

4-12, Minami-machi 3-chome, Mito, Ibaraki
Established 1982, Capital Stock: ¥100 million
Share of Voting Rights: 5%
Credit card services

■ The Joyo Business Service Co., Ltd.

8-1, Sasano-machi 1-chome, Hitachinaka, Ibaraki
Established 1984, Capital Stock: ¥100 million
Share of Voting Rights: 100%
Agent in charge of administrative work for the Bank

■ The Joyo Staff Service Co., Ltd.

4-12, Minami-machi 3-chome, Mito, Ibaraki
Established 1991, Capital Stock: ¥30 million
Share of Voting Rights: 100%
Temporary staffing business for the Bank

■ The Joyo Industrial Research Institute, Ltd.

5-18, Sannomaru 1-chome, Mito, Ibaraki
Established 1995, Capital Stock: ¥100 million
Share of Voting Rights: 5%
Consulting, investigation and research

■ The Joyo Equipment Management Co., Ltd.

5-5, Minami-machi 2-chome, Mito, Ibaraki
Established 1999, Capital Stock: ¥100 million
Share of Voting Rights: 100%
Maintenance and management of operational properties and equipment of the Bank

■ The Joyo Cash Service Co., Ltd.

3-3, Jonan 1-chome, Mito, Ibaraki
Established 1999, Capital Stock: 50 million
Share of Voting Rights: 100%
Management and maintenance of ATMs and CDs

As of March 31, 2007

Corporate Data

■ Date of Establishment
July 30, 1935

■ Head Office
5-5, Minami-machi 2-chome, Mito, Ibaraki 310-0021, Japan
Phone: 029-231-2151
URL: http://www.joyobank.co.jp/
http://www.joyobank.co.jp/joyobank/eng/ (English Page)

■ Domestic Network
Head Office, Tokyo Business Division (Tokyo Main Office), and 146 Branches, 25 Sub-branches

■ Overseas Network
1 Representative Office: Shanghai

■ Number of Employees
3,494

■ Stock Exchange Listing
Tokyo Stock Exchange

■ Paid-in Capital
¥85,113 million

■ Number of Shares
(as of March 31, 2007)
Authorized 2,167,515 thousand
Issued and Outstanding 837,231 thousand

■ Number of Shareholders
(1 trading unit = 1,000 shares)
22,989

■ Principal Shareholders
The 10 largest shareholders of the Bank and their respective shareholdings at March 31, 2007 were as follows:

	Number of Shares Held (Thousands)	Percentage of Total Shares Outstanding (%)
NIPPONKOA Insurance Company, Ltd.	40,973	4.89%
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	39,992	4.65
Nippon Life Insurance Company	28,003	3.34
Northern Trust Company (AVFC) Sub Account American Client	24,944	2.97
Japan Trustee Services Bank, Ltd. (Trust Account)	17,547	2.09
The Dai-ichi Mutual Life Insurance Company	17,049	2.03
Sumitomo Life Insurance Company	16,448	1.96
The Master Trust Bank of Japan, Ltd. (Trust Account)	15,687	1.87
UBS Securities, LLC. Customer Segregated Account	10,829	1.29
The Gunma Bank, Ltd.	10,465	1.25
Total	220,939	26.38%

As of March 31, 2007

For further information, please write to:
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