JOYO BANK

Annual Report 2008

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 130th 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.

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FINANCIAL HIGHLIGHTS

Consolidated

THE JOYO BANK, LTD. and Consolidated Subsidiaries

	Millions of yen		Thousands of U.S. dollars
Years Ended March 31	**2008**	2007	**2008**
For the Year Ended			
Total Income	**¥ 229,078**	¥ 197,653	**$ 2,286,441**
Total Expenses	**202,909**	143,967	**2,025,244**
Income before Income Taxes and Minority Interests	**26,169**	53,685	**261,197**
Net Income	**13,924**	26,319	**138,982**
At the Year End			
Total Assets	**¥7,384,570**	¥7,444,736	**$73,705,659**
Deposits	**6,385,531**	6,309,618	**63,734,215**
Loans and Bills Discounted	**4,635,216**	4,402,579	**46,264,262**
Securities	**2,301,379**	2,605,232	**22,970,148**
Net Assets	**432,016**	518,810	**4,311,969**
Capital Ratio	**13.22%**	11.98%	
For the Year Ended			
Net Cash (Used in) Provided by Operating Activities	**¥ (55,787)**	¥ 92,097	**$ (556,814)**
Net Cash Provided by (Used in) Investing Activities	**75,531**	(58,690)	**753,886**
Net Cash Used in Financing Activities	**(22,368)**	(34,724)	**(223,263)**
Net Decrease in Cash and Cash Equivalents	**(2,653)**	(1,314)	**(26,489)**
Cash and Cash Equivalents at End of Year	**113,725**	116,379	**1,135,100**

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 ¥100.19 to US$1.00 on March 31, 2008.

Non-Consolidated

THE JOYO BANK, LTD.

	Millions of yen		Thousands of U.S. dollars
Years Ended March 31	**2008**	2007	**2008**
For the Year Ended			
Total Income	**¥ 207,479**	¥ 175,963	**$ 2,070,858**
Total Expenses	**182,935**	122,956	**1,825,889**
Income before Income Taxes	**24,543**	53,007	**244,968**
Net Income	**12,940**	26,186	**129,157**
At the Year End			
Total Assets	**¥7,371,265**	¥7,430,806	**$73,572,869**
Deposits	**6,405,962**	6,326,301	**63,938,140**
Loans and Bills Discounted	**4,669,468**	4,438,855	**46,606,132**
Securities	**2,306,788**	2,607,267	**23,024,137**
Net Assets	**427,662**	515,631	**4,268,515**

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 ¥100.19 to US$1.00 on March 31, 2008.

MESSAGE FROM THE PRESIDENT

"For the Best 'Partner Bank' in a New Financial Era."

Deepening Relations of Trust with Our Customers

Launch of 10th Medium-Term Business Plan

Our business environment continues to change, as competitive pressures intensify amid ongoing economic and social structural reform, changing customer preferences and new entrants moving into the financial sector such as Japan Post Bank. At the same time, a new finance-industry regulatory architecture is emerging in Japan under the Basel II regulation and the Financial Instruments and Exchange Act.

Against this backdrop, the Joyo Bank launched its 10th Medium-Term Business Plan, which will run for three fiscal years starting in April 2008.

In the plan, the Bank relaunched itself as "the 'best partner' bank in a new financial era." To contribute to the development of the local community and economy, we are committed to providing the best in financial products and services and deepening relationships of mutual trust between the customer and the Bank, by better understanding customer needs. To fully serve as "best partner," we have set targets for strengthening profitability on a consolidated basis, risk control systems and management resources.

In the plan, we take measures to strengthen our Groupwide consolidated earnings capabilities through expansion of business domains developed under the previous medium-term business plan. In addition to strengthening our ability to provide comprehensive financial services to our customers on a Groupwide basis, we are further improving our consultation functions and putting business relations with our customers on a firmer footing. We aim to further broaden our business catchment area based on expansion of the local economy triggered by infrastructure projects such as a new expressway linking Ibaraki with its neighboring prefectures.

Furthermore, ahead of our establishment of upgraded risk-management mechanisms, which will form the basis of future earnings growth, we are positioning ourselves to better meet Basel II capital adequacy and new financial reporting requirements. We are also sophisticating our management organization through more effective use of IT and creation of robust and efficient operational framework.

Employee's ability, which underpins the quality of our financial services, is a vital management resource. We will step up efforts to strengthen investments in personnel development, while continuing our rigorous commitment to compliance, which we regard as the *sine qua non* for assuring customers trust. We will also ensure that our customers are supported by adequate briefing and information regarding financial products, and that confidential information is appropriately managed.

Responding to Diversified Customer Needs

In fiscal 2007, the final fiscal year of the previous medium-term business plan, we took the following measures to meet diversifying customer needs.

For corporate customers, we provided a more diversified range of financing channels, including underwriting of private placement bonds and syndicated loans. We launched loan products available for movable collateral. In addition, we bolstered business-matching support, for example through round-table sessions and "Food Selection 2007," a joint event involving eight regional banks, for agricultural producers and companies in processing, restaurant and retailing sectors.

For individual customers, we dept convenience by overhauling some of our mortgage loan products, increasing our lineup of asset management vehicles, and by initiating QUICPay settlement acceptance services for small sums using mobile phones.

In branch network activities, we opened a comprehensive loan center in Nagareyama-shi, Chiba Prefecture, an full-range financial center for individual customers intended to cover their financial needs from mortgage loans through asset consultation. At the same time, we established a wholesale hub at the same premises as a specialized office for exploring new customers for business loans. In April 2008, we opened another loan center within the Moriya branch in Ibaraki Prefecture, and in May another wholesale outlet in Soka-shi in Saitama Prefecture.

Turning to Group companies, in November 2007, we established a wholly owned subsidiary, The Joyo Securities Co., Ltd. In May 2008, we completed a framework for integrated supply of products and services after opening the first jointly operated office of both the Bank and Joyo Securities at the Bank's head office.

Soundness, Cooperation, and Partnership with the Community

The Bank contributes to the development of the local community and economy under its management philosophy of "soundness, cooperation and partnership with the community." As a "best partner bank in a new financial era," we regard the creation of true satisfaction for customers and compliance-based management as first priorities, and are committed to putting the customer first and providing high-quality financial services.

Kunio Onizawa
President

Every executive and employee of the Joyo Bank will work together meet the expectations of customers, regional partners and shareholders. I would ask our stakeholders for their continued support in this endeavor.

Kunio Onizawa
President
July 2008

MANAGEMENT POLICY

10th Medium-Term Business Plan

"For the 'Best Partner' Bank in a New Financial Era"

Amid ongoing economic and social structural reform, diversifying customer preferences, and with new finance-industry regulatory architecture emerging in Japan under the Basel II regulation for capital adequacy and the Financial Instruments and Exchange Law, the Bank faces a new era in its operating environment.

The Bank implements measures under the 10th Medium-Term Business Plan to further strengthen its customer base, to earn the trust of customers, shareholders and local community members.

The 10th Medium-Term Business Plan

(April 2008 to March 2011)

Goal

To make Joyo Bank "the 'Best Partner' Bank in a New Financial Era"

By "For the 'Best Partner' Bank in a New Financial Era" we aim to remain an indispensable part of our customers' living, while promptly and flexibly grasping the new business chances created by change.

- The Three Cs for the Realization of the "Best Partner"

Consultation: Accurately understand customer needs and advise accordingly
Convenience: Increase convenience from the customer's viewpoint
Compliance: Build trust by complying with laws and regulations

Basic Aims

Strengthen profitability on a consolidated basis

Build on management resources

Strengthen management organization

To be a "'Best Partner' Bank in a new financial era" flexible enough to achieve sustainable growth, we have set targets for all of the above three aims. We will also build trust through rigorous compliance, and offer customer support through briefing and information regarding financial products, while ensuring that confidential information is appropriately managed.

BUSINESS HIGHLIGHTS (NON-CONSOLIDATED BASIS)

Revenues and Earnings

Business profit declined ¥24.4 billion, or 46.2% year-on-year to ¥28.4 billion. Growth in interest income resulting from higher interest payments on loans was more than offset by a decline in fees and commissions, particularly for investment trusts, as well as impairment losses resulting from a plunge in the prices of securities and a loss on the sale of investments. Core business profit, the main indicator of the Bank's profitability, increased by ¥100 million, or 0.2%, to ¥52.3 billion.

Ordinary profit declined ¥22.8 billion, or 47.9%, to ¥24.8 billion, due to a rise in the total credit cost resulting from an additional provision for possible loan losses, as well as the decline in business profit.

Net income decreased by ¥13.2 billion, or 50.5%, to ¥12.9 billion.

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

Deposits, Loans and Securities

During the term, deposits increased ¥70.5 billion for a term-end balance of ¥6,355.8 billion. Of this total, ordinary deposits increased by ¥2.7 billion to a term-end balance of ¥3,302.1 billion, and time deposits increased ¥85.6 billion to ¥2,655.7 billion.

Loans increased by ¥230.6 billion during the term, to ¥4,669.4 billion, on growth in loans to corporate clients and mortgage loans. Lending to individuals, especially mortgage loans, increased ¥34.6 billion to ¥1,039.7 billion. In addition, lending to SMEs grew by ¥33.2 billion to ¥1,958.4 billion.

Securities holdings decreased by ¥300.4 billion to ¥2,306.7 billion. Of this total, Japanese government bonds increased by ¥117.0 billion to ¥877.2 billion at the end of term, owing primarily to portfolio management taking into account domestic and overseas interest rate fluctuations and market trends. The balance of other securities declined by ¥365.3 billion to ¥437.9 billion, primarily due to the selling off of foreign securities and the posting of impairment losses caused by a decline in the price of securitized products.

Assets under custody grew ¥19.2 billion to ¥1,086.6 billion as a result of growth in sales of government bonds issued solely for individual investors, as well as in pension insurance. This more than offset a decline in sales of investment trusts in response to sluggish fund price movements.

Mortgage and other housing loans continued to show a strong performance. Mortgage loans increased by ¥41.1 billion to ¥911.7 billion, while loans to apartment building owners rose ¥19.2 billion to ¥302.8 billion.

Capital Ratio

Our capital ratio on a consolidated basis, stood at 13.22% (Tier I ratio: 12.07%), while the ratio on a non-consolidated basis also kept at a high level of 13.11% (Tier I ratio: 12.06%).

The capital ratio (domestic standard) has been calculated in accordance with the criteria for judging whether a financial institution's regulatory capital is sufficient in light of the assets held, etc. under the provisions of Article 14-2 of the Banking Law (Notification No. 19 of 2006, the Financial Services Agency).

It should be noted that the minimum level required for banks complying with domestic standards is 4%.

Consolidated Accounts

The Bank currently has ten consolidated subsidiaries. On a consolidated basis, ordinary income for the year increased by ¥34.7 billion to ¥226.7 billion. Ordinary expenses for the year increased by ¥58.2 billion to ¥200.5 billion. Ordinary profit decreased to ¥26.2 billion, and net income also posted a year-on-year decline, to ¥13.9 billion.

Turning to cash flows in the year, net cash used in operating activities totaled ¥55.7 billion due primarily to an increase in loans. Net cash provided by investing activities amounted to ¥75.5 billion due to proceeds from securities transactions. Net cash used in financing activities totaled ¥22.3 billion as a result of repayment of subordinated debt and purchases of own shares. As a result of the above, cash and cash equivalents at the end of the term decreased by ¥2.6 billion to ¥113.7 billion.

Asset Soundness

Results of Processing Non-Performing Loans in Fiscal 2007

We have calculated write-offs and reserve amounts for non-performing loans based on results from asset self-assessments and established rules on write-offs and provision of reserves. Credit costs for non-performing loans processed in fiscal 2007 totaled ¥15.2 billion. Below is a breakdown.

In fiscal 2007, a growing number of customers showed deterioration in their earnings performance, affected by the surging price of crude oil and amendments to the Building Standards Law. Given this background, we employed stricter standards for asset self-assessments, with the aim of minimizing loan losses in the future. As a result, total credit costs in fiscal 2007 rose ¥8.3 billion year-on-year.

In the previous fiscal year, the provision to the specific reserve for possible loan losses, at ¥1,754 million, was more than offset by the amount of the reversal of the general reserve for possible loan losses. This elimination is indicated in the table below by a dash in the specific reserve column.

	Millions of Yen		
March 31	**2008**	2007	Change
Write-off of claims	**¥10,689**	¥6,036	¥4,652
Net provision for specific reserves	**3,438**	—	3,438
Provision for specific foreign borrowers	**—**	—	—
Losses on bulk sale of loans	**165**	372	(207)
Provision for other contingent losses	**911**	400	510
Other	**—**	—	—
Total	**¥15,205**	¥6,810	8,395

Reserve for Possible Loan Losses

For debtors deemed to be in a state of bankruptcy or substantially bankrupt 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 the 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 in an amount equivalent to 55.83% of the value of claims at risk of being unrecoverable. As a result, compared to the ¥33.9 billion total of non-performing loans for which there is a risk of no recovery, we have provided specific reserves for bad debts totaling ¥18.9 billion, a reserve ratio of 55.85%.

Claims deemed to be unrecoverable or valueless (¥38.3 billion) based on self-assessment have been executed on a "partial direct charge-offs" basis, and have been deducted in the balance sheet asset amounts. For the general reserve for possible loan losses, we have conducted an appropriate reserve provision following the guidelines of the Financial Inspection Manual prepared by the Financial Services Agency. For borrowers requiring caution, we have divided these into three categories to include debtors requiring management, and have provided reserves after consideration of the historical loan-loss ratio of each category.

In the future, we will continue to improve our credit risk management system, and will conduct appropriate write-offs, provide reserves in a sufficient amount, and work toward improving the soundness of our asset portfolio.

Reserve Based on Self-Assessment

	Billions of Yen			
March 31, 2008	Potentially bankrupt borrowers	Substantially bankrupt borrowers	Legally bankrupt borrowers	Total
Claims of balance (i)	¥83.3	¥13.1	¥7.4	¥103.8
Claims secured by collateral (ii)	49.3	13.1	7.3	69.8
Claims with uncertain collectibility (A)=(i)-(ii)	33.9	0	0	33.9
Specific reserve (B)	18.9	0	0	18.9
Reserve ratio (B)/(A)	55.83%	100.00%	100.00%	55.85%

Reserve for Possible Loan Losses

	Billions of Yen		
March 31	**2008**	2007	Change
General loan loss reserve	**¥15.1**	¥16.8	¥(1.6)
Specific reserve	**19.1**	22.7	(3.6)
Reserve for specific foreign borrowers	**—**	—	—
Reserve for possible loan losses	**34.2**	39.5	(5.2)
Reserve for assistance to specific borrowers	**—**	—	—
Reserve for possible losses on sale of loans	**—**	—	—
Reserve for other contingent losses	**1.0**	0.5	0.5

Enhanced Managerial and Financial Support for Businesses

To raise the quality of assets, not only must we aggressively undertake the disposal of non-performing loans, we must also strengthen our efforts to resolve problems on the debtor side, such as deterioration in performance resulting from changes in the economic climate or industrial structure, and weakened financial positions resulting from declining 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 been cooperating closely 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 partnerships with external organizations, such as the SME Rehabilitation Support Association. Through these activities, we are providing support for rehabilitation and operational improvement of our corporate customers.

In fiscal 2007, we saw improvements in the borrower classifications of 28 of our debtors (debtors' credit rating based on upon the financial positions of the companies in question). We will maintain 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 priority management issue, and in addition to working toward the disposal of non-performing loans and increasing the health of our assets, we will endeavor to make disclosure of all pertinent information.

Risk-Monitored Claims under 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 (those which have been delinquent for three months or more) are "loans past due with respect to interest payments for more than three months." Loans to debtors whom we support through interest reduction or waiver of loan repayment are "restructured loans."

Reflecting our efforts to strengthen corporate rehabilitation programs, the amount of bad debts subject to mandatory disclosure increased ¥9.1 billion to ¥155.6 billion, which represented 3.33% of the total loan balance. We have kept a high coverage ratio of 68.26%.

Risk-Monitored Assets under the Banking Law

(Non-consolidated) Billions of Yen

March 31	2008	2007	Change
Loans in bankruptcy and dishonored bills	¥ 7.2	¥ 5.7	¥ 1.4
Delinquent loans	95.8	89.1	6.7
Loans past due with respect to interest payments for more than three months	1.2	2.0	(0.8)
Restructured loans	51.2	49.5	1.6
Total (a)	¥ 155.6	¥ 146.5	¥ 9.1
Loans and bills discounted (b)	¥4,669.4	¥4,438.8	¥230.6
Ratio of risk-monitored assets to loans outstanding (a)/(b)	3.33%	3.30%	0.03%
Portion covered by collateral and guarantees (c)	¥ 106.2	¥ 103.9	2.3
Coverage ratio (c)/(a)	68.26%	70.91%	(2.65%)

(Consolidated) Billions of Yen

March 31	2008	2007	Change
Loans in bankruptcy and dishonored bills	¥ 7.4	¥ 5.9	¥1.5
Delinquent loans	97.1	90.0	7.0
Loans past due with respect to interest payments for more than three months	1.4	2.1	(0.7)
Restructured loans	51.3	49.7	1.6
Total	¥157.3	¥147.9	¥9.4

Claims Subject to Mandatory Disclosure under 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 self-assessment to be loans to legally or substantially bankrupt companies as "bankrupt and quasi-bankrupt assets." Loans to potentially bankrupt companies are "doubtful assets." Loans past due (three months or more) and restructured loans are "substandard loans."

Claims subject to disclosure under the Financial Revitalization Law during fiscal 2007 increased by ¥8.9 billion year-on-year, to ¥156.4 billion, accounting for 3.30% of all claims, nearly unchanged from the previous year's level. Furthermore, the ¥0.8 billion differential between the ¥156.4 billion in claims for disclosure under the Financial Revitalization Law, which excludes normal claims, and the ¥155.6 billion in claims (loans and bills discounted only) for mandatory disclosure in accordance with the 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	2008	2007	Change
Bankrupt and quasi-bankrupt assets (a)	**¥ 20.6**	¥ 17.4	¥ 3.2
Doubtful assets (b)	**83.3**	78.5	4.9
Substandard loans (c)	**52.5**	51.6	0.9
Problem assets (A)=(a)+(b)+(c)	**156.4**	147.4	8.9
Normal assets (d)	**4,569.2**	4,350.7	218.5
Total (B)=(A)+(d)	**¥4,725.6**	¥4,498.2	¥227.4
Ratio of problem assets (A)/(B)	**3.30%**	3.27%	0.03%

Coverage Status at Fiscal 2007 Year-End

Billions of Yen

March 31, 2008	Bankrupt and quasi-bankrupt assets	Doubtful assets	Substandard loans	Total
Problem assets (a)	¥20.6	¥83.3	¥52.5	¥156.4
Assets secured by collateral and guarantees (b)	20.5	49.4	11.6	81.5
Reserve for possible loan losses (c)	0	19.0	6.3	25.3
Coverage ratio {(b)+(c)}/(a)	100.00%	81.99%	34.04%	68.26%

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)

Self-Assessment Classification of Borrowers	Problem Assets under Financial Revitalization Law		Risk-Monitored Assets under the Banking Law
Legally Bankrupt	Bankrupt and Quasi-Bankrupt Assets 20.6	Legally Bankrupt 7.4	Loans in Bankruptcy and Dishonored Bills 7.2
Substantially Bankrupt		Substantially Bankrupt 13.2	Delinquent Loans 95.8
Potentially Bankrupt	Doubtful Assets 83.3		
Borrowers Requiring Caution	Substandard Loans 52.5		Loans Past Due with Respect to Interest Payments for More than Three Months 1.2
			Restructured Loans 51.2
	Subtotal 156.4		Subtotal 155.6
Normal Borrowers	Normal Loans 4,569.2		

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 SOCIAL RESPONSIBILITY (CSR)

Relationship Banking Policies

The local economy is the bedrock of the operations of a regional bank. Our mission is to contribute to the development of local society and economy by providing communities with reliable financial services.

To fulfill this mission, the Bank has adopted the following three priority policies:

(1) Strengthen support for customer companies tailored to their stage of corporate growth

(2) Develop new financing options for SMEs

(3) Contribute to a sustainable growth of regional economy

In addition to continuing to improve customer convenience and providing greater safeguards to protect to customer interests, we will continue to contribute to regional prosperity by providing optimized financial products and services to our customers while deepening our local roots.

Key Initiatives

(1) Strengthen support for customer companies tailored to their stage of corporate growth

1) Support for start-ups and launch of new businesses
   > Support new ventures, Organize forums for dialog among businesses
2) Support for business succession and M&A activities
   > Meet business succession needs, Propose M&A solutions when companies cannot find a successor at the helm
3) Support customers' management reform and business revitalization programs
   > Offer support for corporate rehabilitation, Raise skill levels among bank's staff involved in management reform and business revitalization

(2) Develop new financing options for SMEs

1) Promote funding methods that do not depend excessively on real estate collateral or personal guarantees
   > Increase loan products using a quick "scoring system" (in which points are allotted for creditworthiness in preset categories), Expand loan products guaranteed by external organizations
2) Improve ability to rapidly and accurately assess enterprise value of customer companies
   > Improve credit-screening abilities, and ability to understand situations faced by companies from their perspective
3) Rigorously diversify funding channels
   > Promote syndicated loans, private placement bonds and lump-sum factoring, etc., Leverage asset-backed loan

(3) Contribute to a sustainable regional economy

1) Contribute to the revitalization of the region in the broad sense, without focusing solely on companies under rehabilitation
   > Business support for customers using public information services promoting regional development and establishment of new factories or logistics facilities
   > Contribute to regional development by better meeting funding and PFI needs of local public organizations and corporations
   > Develop a manufacturing business support organization to serve as a platform for business matching for manufacturers and technology-driven companies

Contributions to the Regional Community

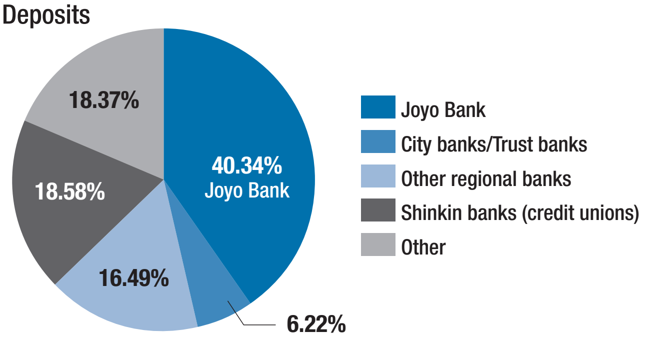
In line with our philosophy of “Soundness, Corporation, Partnership with the Community,” we will continue to contribute to the development of the local community and economy through a robust business performance under a sound management, enabling us to provide local customers with comprehensive, high-quality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

Supply of financial services for the region is our mission. Disclosure of information relating to that contribution is our duty.

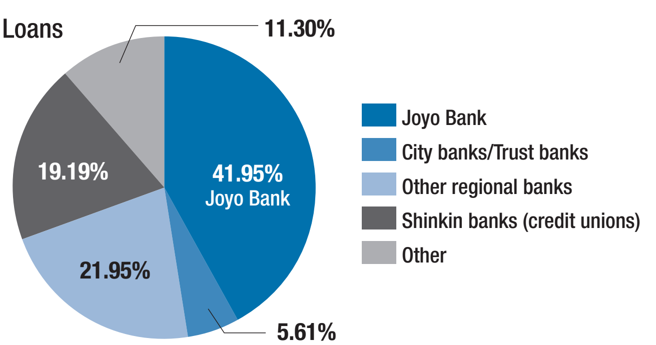
“Region” refers to Ibaraki Prefecture and neighboring areas forming the main catchment area (by location of main branches) of the Bank: Fukushima, Tochigi, Saitama, Chiba and Miyagi prefectures.

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 areas mentioned above 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.

Lending to Local Customers

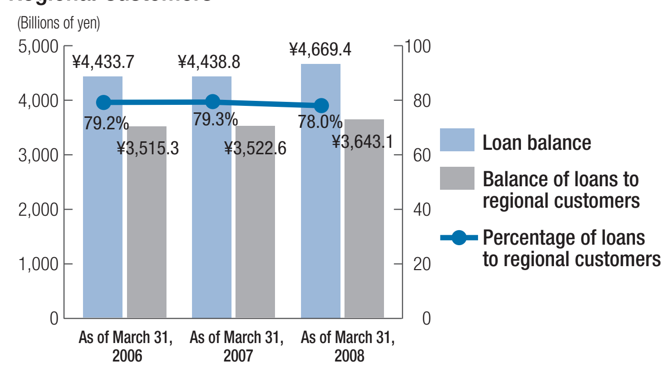
Regional and SME Lending

Loans to customers in our region totaled ¥3,643.1 billion, and accounted for 78% of all loans made by Joyo Bank.

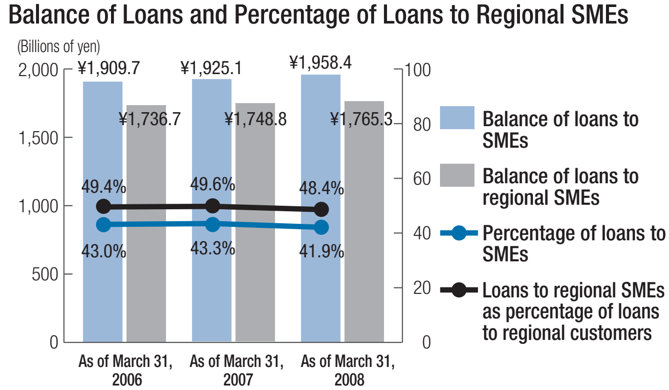
Loans to SMEs totaled ¥1,958.4 billion, and accounted for 41.9% of all loans. Of all regional lending, 48.4% went to local SMEs.

The total number of SME borrowers is 33,454, of which 98.4% are local companies.

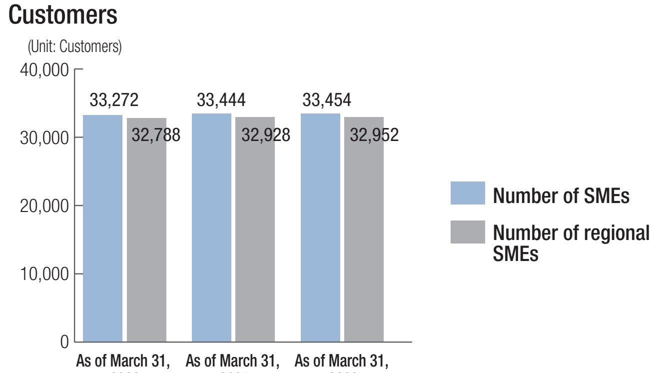
Balance of Loans, Balance of Loans and Percentage of Loans to Regional Customers



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



Number of SME Customers & Number of Regional SME Customers



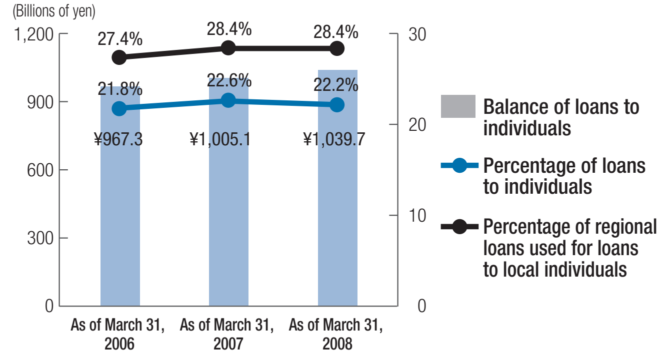
Loans to Individuals

Loans to individual customers have grown to ¥1,039.7 billion, with mortgages performing well. Of these, ¥1,038 billion or 99.8% are loans to local individuals. Loans to individuals are 22.2% of all loans, and loans to local individuals are 28.4% of all regional loans.

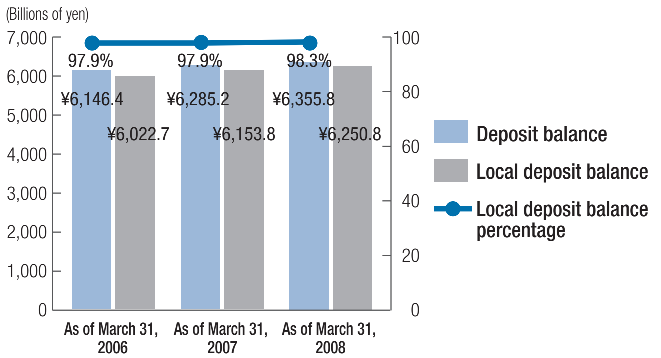
Optimal Financial Services for Local Customers

98.3% of deposits, in an amount of ¥6,250.8 billion, are from local customers, and 99.5% of assets in custody are from local customers. Japanese government bonds issued to individual investors and pension insurance premiums have shown strong increases.

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



Deposit Balance, Local Deposit



Initiatives for Stimulating the Local Economy

Measures to Develop New Ventures

Investment 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 help to revitalize the local economy.

Working with Agri-Business

The Bank's core market is also an agricultural region, and agribusiness 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 in Ibaraki and Fukushima prefectures, and "regional bank food selection 2007" events in partnership with other regional banks, to develop marketing channels from production to processing.

Tie-ups with External Institutions

We foster and support new ventures and established companies beginning new businesses with entities such as the Advanced Industrial Science and Technology institute, the Organization for Small & Medium Enterprises and Regional Innovation, Ibaraki Corporation for Small and Medium Enterprise Promotion, 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.

Invitation of Companies to the Area

For corporate customers investigating to locate in Joyo Bank's operating area, we introduce suitable sites, give briefings on each, and take other measures to invite companies to our area. We also offer financing support to companies that have decided to set up operations in our catchment area, and help with development support in areas such as information services regarding local business sectors based on our expertise and networks.

Since the enactment in June 2007 of the Business Location Promotion Law, the Bank has been a member of Local Industry Revitalization Associations set up in six Ibaraki Prefecture localities to attract business to the area and boost its economy.

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

Joyo Area Research Center

With the aim of contributing to the comprehensive promotion of the region, we conduct research into the economy, industry and social change in Ibaraki Prefecture, and provide information needed by industries and for other strategic activities. The Joyo Area Research Center developed out of the Foundation for Industrial Research founded in March 1969.

This foundation cooperates with various economic associations and research institutions, performing various tasks that contribute to the regional community and economy. The Center researches into and publishes data on economic industry trends and regional development, holding lectures and sending speakers to local SMEs.

Joyo Industrial Research Institute

The Joyo Industrial Research Institute is a regional think-tank that was established as part of Joyo Bank's 60th anniversary in April 1995. It is a membership-based organization.

The Institute comprises an industrial research department, which offers local private businesses consultancy services in areas such as support for restructuring and ISO certification, a regional research department for investigations and research for local planning and development projects by local authorities, and a training department which holds lectures and practical seminars.

It also provides information and promotes exchange among members through its JIR News newsletter and the Joyo Village business website.

With a team of specialist staff, including SME consultants, ISO examiners, first-class registered architects and certified engineers, who can respond to diversified customer needs, we help communities solve the various problems they face.

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, to the development and prosperity of local society, and to the preservation of the local environment.

In fiscal 2007, we contributed grants totaling ¥4.92 million to 48 organizations. Since the fund's establishment in 1992, it has contributed ¥45.83 million to 353 schools and groups.

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). Group company 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.

Registration under the Ibaraki Eco-Business Plan

In March 2007, our nine business offices were officially approved as Ibaraki Eco-Businesses by the prefectural government. The registration recognizes our measures to combat serious environmental problems such as global warming. We will continue our environmental activities in years ahead.

Resource and Energy Saving

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. The entire bank strives to save resources and energy, planning to reduce the use of energy, water and fuel.

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.

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 in principle to deal with decision-making by the management and supervision. We have set up an Executive Officer Committee to discuss and determine 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 in principle to draft and implement on specific policies.

Special committees (Compliance Committee, General Budget Committee, ALM Committee, Risk Management Committee and Sound Asset Committee) have been established to determine the major themes for management audits. Reports are compiled regarding the discussions and decisions of these committees for perusal of the Board of Directors.

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).

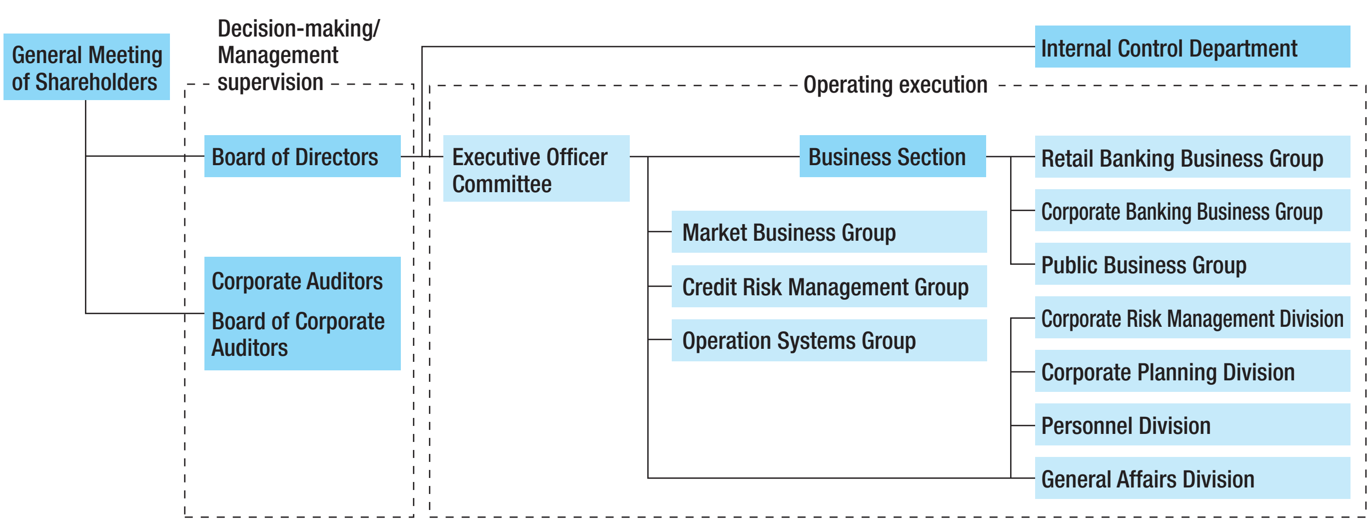
With regard to internal auditing, the Corporate Audit Division (the auditing office) monitors internal management in terms of appropriateness and effectiveness of conduct, and suggests improvements when problem areas are identified. Results of the audits are regularly submitted in a report to the Board of Directors.

In addition to strengthening internal auditing, we have created a Compliance Audit Committee comprising four outside experts including lawyers and CPAs to ensure greater expert input and objectivity.

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.
Respecting the Individual Rights of our Employees
We will provide a work environment that respects individuality and protects the rights of all employees.
Environmental Initiatives
We will reduce environmental impact, and help the environment through core banking activities.
Community Contribution Activities
We are committed to contributing to the community we serve, as good corporate citizen that marches in step with local society.

Internal Controls and Risk Management

Compliance

Based upon our philosophy of soundness, cooperation and partnership with the home region, we attach great importance to compliance in our management. We have established a corporate ethics guideline and a code of conduct. 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 Audit 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.

We will resolutely take action to prevent transactions with criminal bodies that threaten public order and security or disrupt economic development.

Risk Management Standards and other Controls

In addition to establishing risk management standards for appropriate management of all categories of risk, it is our aim to build a comprehensive internal risk management structure to ensure a sound financial position and stable earnings in the future by creating frameworks for comprehensive understanding and control of risk. 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 inhouse 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, in case of transfer of the staff, the executive director in charge of all personnel transfers should inform the corporate auditors in advance. 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 report 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, representative directors and accounting auditors each meet regularly with corporate auditors and exchange opinions on the issues related to the audits.

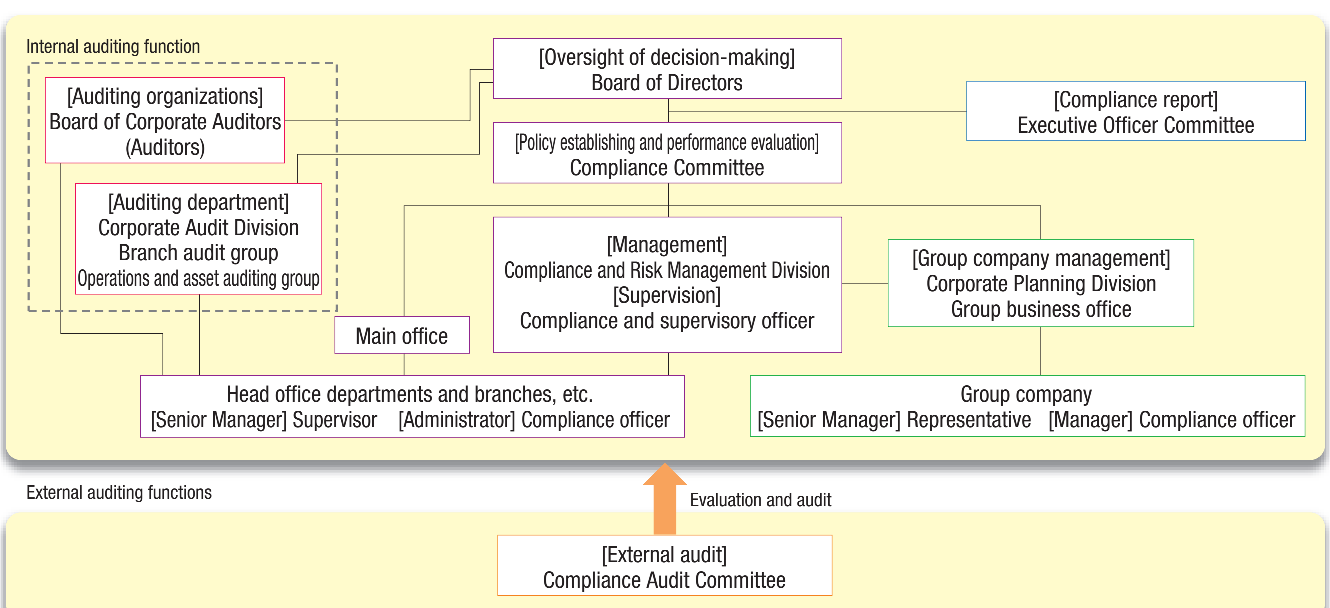
Compliance System

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 establishes 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.



Code of Conduct

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 the Law Concerning the Sale of Financial Products, our solicitations for products are based on the following policies.

1. Financial product solicitation is based on tailoring products to the level of understanding, 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 sound operations which is one of the most vital issues facing management.

The Risk Management System

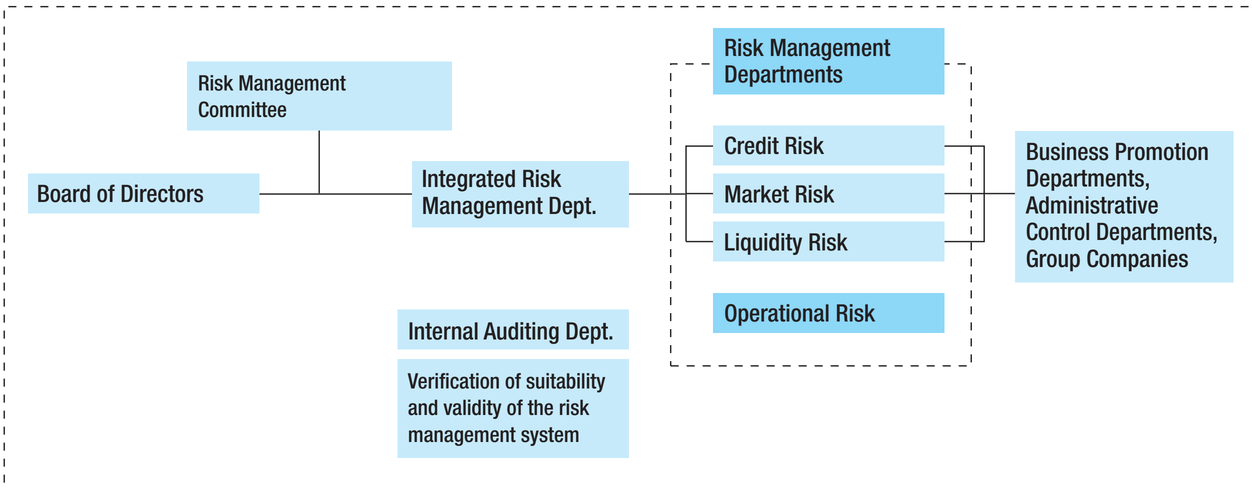
In our fundamental rules regarding risk management we have outlined our fundamental thinking and management procedures including policies regarding risk management, organizational structure, and responsibilities.

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 through the Integrated risk management department and each risk management related department, thereby increasing the effectiveness of the system.

Risk Management System



Integrated Risk Management

The Bank has adopted integrated 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 integrated approach enables the Bank to manage what extent of risk amount can be permitted relative to allocated economic capital, the indicator of financial soundness, and whether or not management resources are being deployed efficiently.

Allocation of Risk Capital

In integrated risk management, levels of economic 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 nonperforming loans and improve the soundness 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.

- **Internal Credit 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.

- **Internal credit ratings and category of borrowers under asset self-assessment**

	Borrower ratings	Borrower category under asset self-assessment
1	1	Normal borrowers
2	2	
3	3	
4	4	
5	5	
6	6	
7	8-1	Borrowers requiring caution (Substandard loans)
8	8-2	
9	8-3	
10	9	Potentially bankrupt
11	10-1	Substantially bankrupt
12	10-2	Legally bankrupt

- **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 separated. 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**

  Administrative 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, Human Resources 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.

- **Crisis Management**

  We have established a set of general emergency guidelines providing specific measures for dealing with situations such as major disasters, system failures and reputational damage, and for minimizing disruption of relations with business partners. We aim to strengthen our crisis management through continuous training and upgrading of 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.

Corresponding to Basel II capital adequacy requirements

On March 31, 2007, the Basel II capital adequacy regulations were introduced. The new regulations have three main pillars. The Bank is taking aggressive measures to improve its risk management while meeting the new requirements.

- **Pillar 1**

  Minimum capital adequacy requirements

  Under Basel II, a Japanese bank's capital adequacy must be higher than the domestic standard of 4% and the international standard of 8% after computation of risk assets (risk amount). Basel II rules increase the sophistication of credit-risk computations, and bring operational risk under new regulations. On a consolidated basis, the Joyo Bank maintains a high capital ratio of 13.22%, having computed risk amount using the Foundation Internal Ratings Based Approach for credit risk and the Standardized Approach for operational risk (with approval of authorities).

- **Pillar 2**

  Internal capital adequacy management and evaluation

  For significant risk including risks not covered by Pillar 1, financial institutions carry out their own assessment of capital adequacy needed for continuation of business, which is then verified by financial authorities. The Bank is creating a framework for independent capital adequacy management, through a comprehensive approach to risk management.

- **Pillar 3**

  Corresponding to market rules through disclosure

  By increasing disclosure through methods such as risk volume and calculation methods, financial institutions will achieve higher levels of market discipline and enhance risk management.

Protection of Confidential Private Information

The Bank has drawn up and made public a privacy policy as a response to the Law Concerning the Protection of Private Information, and has put in place over safeguards for the protection and appropriate handling of personal data.

- **Privacy Policy**

  We are working to build on the mutual trust we have with our customers, the region, and our shareholders, stress the importance of our social responsibility, and offer high-quality financial services. For the handling of personal data, we have established the following policy based on our respect for all individuals, and will put all our efforts into the protection of private information.

Policy for Protection of Personal Confidential Information

Compliance with laws and ordinances The Bank complies with all laws, ordinances and other regulations regarding confidentiality of personal information.

- **Appropriate Access**

  The Bank accesses personal information using only appropriate and legal methods, and only when necessary for conduct of business operations. Personal information is never gathered in an inappropriate way.

- **Ban on unapproved use of personal information**

  The Bank only uses personal information inasmuch as it is necessary for achievement of business objectives, and does not use such information for any other purpose. In addition, information that is registered with credit-data organizations of which the Bank is a member is used where appropriate for credit-related purposes.

- **Ban on provision of personal information to third parties**

  Except when prescribed by laws and ordinances, the Bank does not provide personal information to third parties without first obtaining the affected person's agreement. In addition, when personal information is entrusted to an outside organization under an outsourcing arrangement, the Bank requires that protection of personal information be contractually assured, and carries out checks.

- **Security management measures**

  The Bank has in place appropriate security management mechanisms to ensure prevention of leakage, loss or destruction of personal data, and other measures.

- **Appropriate response to complaints**
  When customers have questions or complaints regarding our handling of personal information, we investigate these questions or complaints and deal with them appropriately and promptly, within a reasonable period of time.
- **Continuous improvement**
  The Bank has compiled regulations for ensuring strict legal compliance and protection of personal information. In addition to ensuring that these measures are familiar to all Bank employees and other affected parties, the Bank continually upgrades them. Regular audits into acquisition, use and handling of personal information are part of our broad and thorough commitment to confidentiality.
- **Privacy Mark**
  In October 2006, the Bank was awarded Japan Information Processing Development Corporation (JIPDEC)'s "Privacy Mark" certification. We were the sixth bank or trust bank, and the first regional financial institution in the North Kanto area, to gain this accreditation.

  Based on this accreditation, the Bank meets the "requirements for management of personal information protection" (JIS Q15001) laid down by Japanese Industrial Standards Committee and now has in place mechanisms for appropriate protection of personal information.

Financial Crime Prevention

We are putting every effort into preventing crimes involving accounts held at our banks, and to protect the financial assets of our customers. We require identification when a new account is set up or for a large-amount transaction. In addition to working to prevent inappropriate transactions, when an account is used, we will cancel transactions when considered necessary and will work hard toward crime prevention. We also have implemented measures to prevent the crimes of use of forged ATM cards and online hacking.

Consolidated Balance Sheets

THE JOYO BANK, LTD. and Consolidated Subsidiaries

	Millions of yen		Thousands of U.S. dollars (Note 2)
March 31,	2008	2007	2008
Assets			
Cash and due from banks (Note 3)	¥ 136,252	¥ 140,313	$ 1,359,942
Call loans and bills purchased	3,885	3,541	38,786
Commercial paper and other debt purchased	65,725	85,237	656,007
Trading assets (Note 5)	26,063	29,170	260,145
Money held in trust	3,281	2,591	32,750
Securities (Notes 6, 8 and 25)	2,301,379	2,605,232	22,970,148
Loans and bills discounted (Notes 7, 9 and 11)	4,635,216	4,402,579	46,264,262
Foreign exchanges	1,037	984	10,357
Other assets	69,531	51,557	693,993
Tangible fixed assets	122,929	119,927	1,226,962
Intangible fixed assets	10,500	11,826	104,809
Deferred tax assets (Note 14)	19,330	2,733	192,942
Customers' liabilities for acceptances and guarantees	28,363	32,862	283,094
Reserve for possible loan losses	(38,879)	(43,748)	(388,057)
Reserve for devaluation of investment securities	(48)	(74)	(486)
Total assets	¥7,384,570	¥7,444,736	$73,705,659
Liabilities and net assets			
Liabilities:			
Deposits (Notes 8 and 15)	¥6,385,531	¥6,309,618	$63,734,215
Call money and bills sold (Note 19)	162,682	108,447	1,623,741
Payables under securities lending transactions (Note 8)	166,230	203,254	1,659,148
Trading liabilities (Note 16)	203	89	2,032
Borrowed money (Note 10)	71,445	74,550	713,095
Foreign exchanges	303	350	3,029
Bonds (Note 12)	15,000	15,000	149,715
Due to trust account	17	16	171
Other liabilities	98,483	120,259	982,965
Reserve for bonuses to directors and corporate auditors	—	50	—
Reserve for employees' retirement benefits (Note 13)	4,173	5,286	41,657
Reserve for directors' retirement benefits	650	—	6,488
Reserve for reimbursement of dormant deposits (Note 3)	1,223	—	12,213
Reserve for frequent users services (Note 3)	160	—	1,603
Reserve for losses on interest refunded	8	5	83
Reserve for other contingent losses	1,093	551	10,910
Deferred tax liabilities (Note 14)	—	38,307	—
Deferred tax liabilities for land revaluation (Notes 3 and 14)	14,061	14,196	140,343
Goodwill	2,923	3,081	29,179
Acceptances and guarantees	28,363	32,862	283,094
Total liabilities	6,952,553	6,925,926	69,393,689
Net assets:			
Common stock	85,113	85,113	849,516
Capital surplus	58,574	58,574	584,629
Retained earnings	255,255	256,069	2,547,717
Treasury stock	(21,671)	(21,174)	(216,300)
Total shareholders' equity	377,271	378,581	3,765,563
Unrealized gains on available-for-sale securities	43,833	128,938	437,506
Deferred losses on hedging instruments, net of taxes	(1,130)	(791)	(11,287)
Land revaluation excess, net of taxes (Notes 3 and 14)	10,819	10,953	107,986
Total valuation and translation adjustments	53,521	139,100	534,204
Minority interests	1,222	1,128	12,202
Total net assets	432,016	518,810	4,311,969
Total liabilities and net assets	¥7,384,570	¥7,444,736	$73,705,659

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,	**2008**	2007	**2008**
Income:			
Interest and dividend income:			
Interest on loans and discounts	**¥ 95,888**	¥ 85,237	**$ 957,070**
Interest and dividends on securities	**46,606**	47,351	**465,177**
Other interest income	**2,563**	1,527	**25,583**
Fees and commissions	**25,294**	26,378	**252,466**
Trading income (Note 18)	**474**	473	**4,733**
Other operating income	**23,148**	8,957	**231,050**
Other income (Note 20)	**35,102**	27,727	**350,359**
Total income	**229,078**	197,653	**2,286,441**
Expenses:			
Interest expenses:			
Interest on deposits	**17,174**	7,959	**171,422**
Interest on borrowings and rediscounts (Note 19)	**8,658**	8,216	**86,422**
Other interest expenses	**11,915**	12,594	**118,931**
Fees and commissions	**6,998**	6,555	**69,852**
Other operating expenses	**47,258**	7,504	**471,689**
General and administrative expenses	**71,903**	70,167	**717,672**
Other expenses (Note 21)	**38,999**	30,969	**389,253**
Total expenses	**202,909**	143,967	**2,025,244**
Income before income taxes and minority interests	**26,169**	53,685	**261,197**
Income taxes:			
Current	**13,331**	16,790	**133,064**
Deferred (Note 14)	**(1,218)**	9,840	**(12,160)**
Minority interests in net income of consolidated subsidiaries	**131**	735	**1,311**
Net income	**¥ 13,924**	¥ 26,319	**$ 138,982**
Net income per share (in yen and dollars)	**¥ 17.55**	¥ 32.31	**$ 0.17**

See accompanying notes to the consolidated financial statements.

Consolidated Statements of Changes in Net Assets

THE JOYO BANK, LTD. and Consolidated Subsidiaries

	Millions of yen										
	Shareholders' equity					Valuation and translation adjustments					
Years ended March 31	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 excess, 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 excess			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
Changes during the year:											
Cash dividends			**(5,970)**		**(5,970)**						**(5,970)**
Net income			**13,924**		**13,924**						**13,924**
Purchase of treasury stock				**(9,482)**	**(9,482)**						**(9,482)**
Retirement of treasury stock		**0**		**83**	**84**						**84**
Disposal of treasury stock		**(0)**	**(8,901)**	**8,901**	**—**						**—**
Increase in retained earnings due to transfer from land revaluation excess			**134**		**134**						**134**
Net changes of items other than shareholders' equity						**(85,104)**	**(339)**	**(134)**	**(85,578)**	**94**	**(85,484)**
Total changes during the year	**—**	**—**	**(813)**	**(496)**	**(1,309)**	**(85,104)**	**(339)**	**(134)**	**(85,578)**	**94**	**(86,793)**
Balance at March 31, 2008	**¥85,113**	**¥58,574**	**¥255,255**	**¥(21,671)**	**¥377,271**	**¥ 43,833**	**¥(1,130)**	**¥10,819**	**¥ 53,521**	**¥1,222**	**¥432,016**

	Thousands of U.S. dollars (Note 2)										
	Shareholders' equity					Valuation and translation adjustments					
Year ended March 31, 2008	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 excess, net of taxes	Total valuation and translation adjustments	Minority interests	Total net assets
Balance at March 31, 2007	$849,516	$584,629	$2,555,834	$(211,346)	$3,778,633	$1,286,940	$ (7,899)	$109,327	$1,388,368	$11,260	$5,178,262
Changes during the year:											
Cash dividends			**(59,595)**		**(59,595)**						**(59,595)**
Net income			**138,982**		**138,982**						**138,982**
Purchase of treasury stock				**(94,640)**	**(94,640)**						**(94,640)**
Retirement of treasury stock		**2**		**838**	**841**						**841**
Disposal of treasury stock		**(2)**	**(88,845)**	**88,848**	**—**						**—**
Increase in retained earnings due to transfer from land revaluation excess			**1,341**		**1,341**						**1,341**
Net changes of items other than shareholders' equity						**(849,434)**	**(3,387)**	**(1,341)**	**(854,164)**	**941**	**(853,222)**
Total changes during the year	**—**	**—**	**(8,117)**	**(4,953)**	**(13,070)**	**(849,434)**	**(3,387)**	**(1,341)**	**(854,164)**	**941**	**(866,292)**
Balance at March 31, 2008	**$849,516**	**$584,629**	**$2,547,717**	**$(216,300)**	**$3,765,563**	**$ 437,506**	**$(11,287)**	**$107,986**	**$ 534,204**	**$12,202**	**$4,311,969**

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,	**2008**	2007	**2008**
Cash flows from operating activities:			
Income before income taxes and minority interests	**¥ 26,169**	¥ 53,685	**$ 261,197**
Depreciation	**17,242**	16,305	**172,097**
Impairment losses	**115**	72	**1,148**
Amortization of goodwill	**(181)**	(79)	**(1,815)**
Net decrease in reserve for possible loan losses	**(4,868)**	(11,063)	**(48,593)**
Net (decrease) increase in reserve for devaluation of investment securities	**(25)**	0	**(254)**
Net increase in reserve for directors' retirement benefits	**650**	—	**6,488**
Net increase in reserve for reimbursement of dormant deposits	**1,223**	—	**12,213**
Net increase in reserve for frequent users services	**160**	—	**1,603**
Net increase in reserve for other contingent losses	**541**	138	**5,409**
Net increase in reserve for losses on interest refunded	**3**	5	**30**
Net (decrease) increase in reserve for bonuses to directors and corporate auditors	**(50)**	50	**(499)**
Net decrease in reserve for employees' retirement benefits	**(1,112)**	(1,354)	**(11,103)**
Interest and dividend income	**(147,803)**	(138,374)	**(1,475,230)**
Interest expenses	**37,749**	28,771	**376,775**
Net losses related to securities transactions	**17,553**	3,863	**175,199**
Net gains on money held in trust	**(9)**	(1)	**(98)**
Foreign exchange losses (gains), net	**35,953**	(27,982)	**358,854**
Losses on disposal of tangible fixed assets	**365**	1,295	**3,650**
Net decrease in trading assets	**3,106**	171	**31,010**
Net increase (decrease) in trading liabilities	**114**	(28)	**1,143**
Net increase in loans and bills discounted	**(232,636)**	(10,913)	**(2,321,953)**
Net increase in deposits	**66,891**	137,168	**667,648**
Net increase in negotiable certificates of deposit	**9,020**	6,441	**90,036**
Net increase in borrowed money excluding subordinated borrowings	**3,895**	2,210	**38,876**
Net decrease in due from banks excluding cash equivalents	**1,407**	12,968	**14,046**
Net decrease in call loans and others	**19,167**	18,417	**191,307**
Net increase (decrease) in call money and bills sold	**54,235**	(48,671)	**541,321**
Net decrease in payables under securities lending transactions	**(37,023)**	(77,505)	**(369,537)**
Net (increase) decrease in foreign exchange (assets)	**(53)**	100	**(535)**
Net decrease in foreign exchange (liabilities)	**(46)**	(2,185)	**(468)**
Net increase (decrease) in due to trust account	**1**	(1)	**11**
Interest and dividends received	**150,314**	137,452	**1,500,297**
Interest paid	**(34,773)**	(26,792)	**(347,080)**
Others, net	**(19,448)**	19,232	**(194,120)**
Subtotal	**(32,153)**	93,395	**(320,921)**
Income taxes paid	**(23,634)**	(1,298)	**(235,892)**
Net cash (used in) provided by operating activities	**(55,787)**	92,097	**(556,814)**
Cash flows from investing activities:			
Purchases of securities	**(1,567,160)**	(880,914)	**(15,641,883)**
Proceeds from sale of securities	**1,388,788**	523,727	**13,861,549**
Proceeds from redemption of securities	**273,855**	316,141	**2,733,363**
Increase in money held in trust	**(1,500)**	—	**(14,971)**
Purchases of tangible fixed assets	**(18,669)**	(16,513)	**(186,345)**
Proceeds from sales of tangible fixed assets	**217**	1,194	**2,173**
Purchases of intangible fixed assets	**—**	(2,325)	**—**
Net cash provided by (used in) investing activities	**75,531**	(58,690)	**753,886**
Cash flows from financing activities:			
Proceeds from issuance of subordinated debt	**—**	10,000	**—**
Repayment of subordinated debt	**(7,000)**	(25,000)	**(69,867)**
Cash dividends paid	**(5,970)**	(5,306)	**(59,595)**
Cash dividends paid to minority interests	**(0)**	(0)	**(0)**
Purchases of treasury stock	**(9,482)**	(14,509)	**(94,640)**
Proceeds from sales of treasury stock	**84**	92	**841**
Net cash used in financing activities	**(22,368)**	(34,724)	**(223,263)**
Translation adjustment for cash and cash equivalents	**(29)**	3	**(298)**
Net decrease in cash and cash equivalents	**(2,653)**	(1,314)	**(26,489)**
Cash and cash equivalents at beginning of year	**116,379**	117,694	**1,161,590**
Cash and cash equivalents at end of year (Note 3)	**¥ 113,725**	¥116,379	**$ 1,135,100**

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 Bank as required by the Financial Instruments and Exchange Act 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 Financial Instruments and Exchange Act 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 ¥100.19 = US$1.00, the exchange rate prevailing on March 31, 2008.

3. Significant Accounting Policies

(a) Consolidation

The accompanying consolidated financial statements include the accounts of the Bank and 10 significant subsidiaries. In the fiscal year ended March 31, 2008, The Joyo Securities Co., Ltd. was established and included in the scope of consolidation.

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. Assets and liabilities held by consolidated subsidiaries are stated at fair value at a time 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).

(Change to accounting policy)
In accordance with the amendment of the income tax laws in fiscal 2007, fixed tangible assets acquired on or after April 1, 2007 are depreciated using the new depreciation method after amendment. As a result of this change, income before income taxes was lower by ¥59 million than would have been under the previous method.

(Additional information)
From the fiscal year ended March 31, 2008, residual values of tangible fixed assets acquired before April 1, 2007 are depreciated over five years using the straight line method

beginning with the year after the fiscal year in which the allowable limit for depreciation is reached. Due to this change, income before income taxes declined by ¥227 million.

(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 ¥39,953 million and ¥42,761 million as of March 31, 2008 and 2007, 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 employees' retirement benefits
Reserve for 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.

(j) Reserve directors' retirement benefits
Reserve is made for the payments of retirement allowances to directors and auditors of the Bank based on an estimate of the amount attributable for the term.

(Change to accounting method)
Previously, the Bank charged to income the expenses required for payments of allowances upon the retirement of directors and corporate auditors, when they were incurred. However, effective from the fiscal year, the Bank has made a provision for lump-sum payments of retirement allowances pursuant to the new regulations for accounting practices on the payment of retirement allowances for directors and corporate auditors (Business Accounting Standard No. 4, issued on November 29, 2006).

The publication of the Treatment of Accounting and Auditing Concerning Allowance under the Special Tax Law and Retirement Allowances for Directors and Auditors (JICPA Auditing and Assurance Report No. 42 issued on April 13, 2007) caused the Bank to adopt the method for provision in the amount deemed necessary at the fiscal year end. As a result of this change, general and administrative expenses were lower by ¥42 million, other expenses higher by ¥692 million and income before income taxes lower by ¥650 million, than would have been under the previous method.

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

(Change in accounting method)
Formerly, deposits which were derecognized as liabilities were expensed when they were actually reimbursed. However, from the fiscal year ended March 31, 2008, such reserve is provided in the estimated amount as described above in accordance with the "Treatment for Auditing of Reserve under Special Taxation Measures Law, Reserve under Special Laws and Reserve for Retirement Benefits to Directors and Corporate Auditors" (JICPA Audit and Assurance Practice Committee Report No. 42) of April 13, 2007.

As a result of this change, ordinary expenses and extraordinary losses respectively increased by ¥128 million and ¥1,094 million compared with the level under the previous method, while ordinary income and income before income taxes respectivery decreased by ¥128 million and ¥1,223 million.

(l) Reserve for frequent users services
Reserve for frequent users services, which is provided to meet future use of credits granted to credit card customers, is recorded in the amount deemed necessary based on the estimated future use of unused credits. This program applies to cards issued by the Bank and one of its subsidiaries.

(Additional information)
Loyalty award expenses from credit cards issued by the Bank and one of its consolidated subsidiaries were previously recognized at the time of payment. But from the reporting term, a reserve has been set up to meet expenses expected to arise in future based on reasonable estimates of likely future use of the programme.

As a result of this change, ordinary expenses and extraordinary losses respectively increased by ¥66 million and ¥94 million compared with the previous method, while ordinary profit and income before income taxes were respectively ¥66 million and ¥160 million lower.

(m) Reserve for losses on interest refunded
One consolidated subsidiary provides a provision 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.

(n) Reserve for other contingent losses
The Bank makes reserve for possible losses on loans guaranteed by the credit guarantee corporations in an amount deemed necessary based on estimated losses in the future, calculated using historical default rates after exclusion of contingent losses covered by reserves.

(Additional information)
In line with the introduction of the shared responsibility system for new financing with credit guarantee corporation guarantees, as of October 1, 2007, estimated amounts of future financial payments in preparation for payment in subrogation are provided in an amount deemed necessary beginning with the fiscal 2007, under the reserve for other contingent losses.

As a result of this change, ordinary profit and income before income taxes both declined by ¥182 million compared with under the former method.

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

(p) Land revaluation excess
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 excess, net of taxes.

The difference between the revalued carrying amount and the fair value of premises revalued pursuant to the Article 10 of the Law were ¥25,494 million and ¥26,454 million as of March 31, 2008 and 2007, respectively.

(q) 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.

(r) 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 hedging 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 ¥959 million and ¥2,292 million at March 31, 2008 and 2007, 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.

(s) 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.

(t) 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.

(u) 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,	**2008**	2007
Cash and due from banks	**¥136,252**	¥140,313
Deposits with banks other than the Bank of Japan	**(22,526)**	(23,934)
Cash and cash equivalents	**¥113,725**	¥116,379

4. Application of New Accounting Standards

(Accounting policy for financial instruments)

The partial amendments of ASBJ Accounting Standard No. 10 "Accounting Standard for Financial Instruments" and JICPA Accounting Committee Report No. 14, "Practical Guidelines for Accounting for Financial Instruments" (June 15 and July 4, 2007) take effect in the year after implementation of the Financial Instrument and Exchange Act with regard to securities. The Bank adopted the revised "Accounting Standard" and "Practical Guidelines" starting from the fiscal year under review.

5. Trading Assets

	Millions of yen	
March 31,	**2008**	2007
Trading securities	**¥ 2,685**	¥ 3,914
Trading securities-related financial derivatives	**—**	0
Trading-related financial derivatives	**397**	265
Other trading assets	**22,981**	24,989
Total	**¥26,063**	¥29,170

6. Securities

	Millions of yen	
March 31,	**2008**	2007
Japanese government bonds	**¥ 877,653**	¥ 761,036
Japanese local government bonds	**375,864**	320,063
Corporate bonds	**393,882**	402,016
Corporate stocks	**216,013**	318,757
Other securities	**437,964**	803,359
Total	**¥2,301,379**	¥2,605,232

Notes: 1. Securities include ¥24 million and ¥65 million of investments in nonconsolidated subsidiaries as of March 31, 2008 and 2007, respectively.

2. Corporate bonds include ¥22,460 million and ¥21,702 million of guarantee obligations for privately placed bonds (under article 2-3 of the Financial Instruments and Exchange Act) as of March 31, 2008 and 2007, respectively.

7. 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, 2008 and 2007 totaled ¥42,959 million and ¥51,217 million, respectively.

8. Pledged Assets

Assets pledged as collateral at March 31, 2008 and 2007 were as follows:

	Millions of yen	
March 31,	**2008**	2007
Pledged assets:		
Securities	**¥359,337**	¥340,120
Liabilities covered by pledged assets:		
Deposits	**31,065**	24,413
Payables under securities lending transactions	**166,230**	203,254

In addition to the above, securities amounting to ¥108,050 million and ¥67,575 million at book value were pledged as collateral in connection with exchange settlements and futures transactions as of March 31, 2008 and 2007, respectively.

One consolidated subsidiary had pledged its lease receivables amounting to ¥6,048 million and ¥6,274 million as collateral for borrowed money of ¥4,695 million and ¥4,700 million as of March 31, 2008 and 2007, respectively.

Lease deposits as of March 31, 2008 and 2007 of ¥1,452 million and ¥1,462 million, respectively, have been included in other assets. Initial margins on futures transactions as of March 31, 2008 and 2007 of ¥160 million and ¥160 million, respectively, have been included in other assets.

9. 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 ¥1,386,616 million and ¥1,403,626 million at March 31, 2008 and 2007, respectively. Of this amount, facilities/contracts which expires within one year or which are unconditionally cancelable at any time, totaled ¥1,292,252 million and ¥1,302,674 million at March 31, 2008 and 2007, 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.

10. Borrowed Money

Borrowed money at March 31, 2008 and 2007 included subordinated debt of ¥35,000 million and ¥42,000 million, respectively.

Borrowed money at March 2008 and 2007 consisted of the following:

Description	Millions of yen		%	Due
	2008	2007	Average interest rate	
Bills rediscounted	**¥ —**	¥ —	—	—
Other borrowings	**71,445**	74,550	1.66	April 2008 - February 2018

Notes: 1. Average interest rate represents the weight average interest rate based on the balances and rates at respective year-end.

2. The repayment schedule within five years on borrowed money at March 31, 2008 was as follows:

	2008
Within 1 year	¥ 4,310
After 1year through 2 years	1,260
After 2 years through 3 years	20,880
After 3 years through 4 years	615
After 4 years through 5 years	230

11. 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, 2008 and 2007 included the following non-performing loans:

	Millions of yen	
March 31,	**2008**	2007
Loans in bankruptcy and dishonored bills	**¥ 7,453**	¥ 5,946
Delinquent loans	**97,107**	90,059
Loans past due with respect to interest payments for more than 3 months	**1,436**	2,196
Restructured loans	**51,324**	49,714
Total	**¥157,321**	¥147,915

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.

12. Bonds

Bonds at March 31, 2008 and 2007 consisted of the following:

Issuer	Description	Date of issue	Millions of yen 2008	Millions of yen 2007	% Interest rate	Collateral	Due
The Joyo Bank, Ltd.	1st Unsecured Straight Bonds	May 24, 2000	**¥10,000**	¥10,000	2.02	—	May 24, 2010
The Joyo Bank, Ltd.	2nd Unsecured Straight Bonds	May 22, 2000	**5,000**	5,000	2.64	—	May 22, 2020
Total			**¥15,000**	¥15,000			

The redemption schedule within five years on bonds at March 31, 2008 was as follows:

	2008
Within 1 year	¥ —
After 1year through 2 years	—
After 2 years through 3 years	10,000
After 3 years through 4 years	—
After 4 years through 5 years	—

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, 2008, the Bank and 10 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, 2008 and 2007:

	Millions of yen	
March 31,	**2008**	2007
Retirement benefit obligation	**¥(61,331)**	¥(60,673)
Fair value of plan assets	**54,168**	65,031
Funded status	**(7,162)**	4,358
Unrecognized net retirement benefit obligation at transition	**—**	—
Unrecognized actuarial gain	**8,787**	(5,325)
Unrecognized prior service cost	**664**	762
Net retirement benefit obligation	**2,288**	(204)
Prepaid pension cost	**6,462**	5,081
Reserve for employees' retirement benefits	**¥ (4,173)**	¥ (5,286)

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, 2008 and 2007:

	Millions of yen	
Years ended March 31,	**2008**	2007
Service cost	**¥1,913**	¥1,899
Interest cost	**1,036**	1,012
Expected return on plan assets	**(878)**	(782)
Amortization:		
Amortization of prior service cost	**98**	98
Amortization of unrecognized actuarial (gain) loss	**(1)**	(322)
Total retirement benefit cost	**¥2,168**	¥1,904

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, 2008 and 2007 were as follows:

Years ended March 31,	**2008**	2007
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

March 31,	Millions of yen 2008	2007
Deferred tax assets:		
Reserve for possible loan losses	**¥27,767**	¥29,122
Reserve for retirement benefits	**8,497**	9,502
Devaluation of securities	**9,486**	4,746
Depreciation	**4,041**	—
Reserve for employee bonuses	**1,186**	—
Net operating loss carry forwards	**496**	829
Others	**13,101**	16,728
Valuation allowance	**(8,809)**	(6,400)
Total	**¥55,767**	¥54,528
Deferred tax liabilities:		
Unrealized gain on available-for-sale securities	**¥(26,427)**	¥(80,015)
Retirement benefit trust	**(9,495)**	(9,495)
Reversal of reserve for possible loan losses after elimination of intercompany balances	**(16)**	(18)
Others	**(497)**	(573)
Total	**(36,437)**	(90,103)
Net deferred tax assets (liabilities)	**¥ 19,330**	¥(35,574)

The effective tax rate reflected in the consolidated statements of income for the year ended March 31, 2008 and 2007 differs from the statutory tax rate for the following reasons:

	2008	2007
Statutory tax rate	**40.32%**	40.32%
Valuation allowances	**9.21%**	8.21%
Dividends exempted for income tax purposes	**(3.45)%**	—%
Other	**0.21%**	1.07%
Effective tax rate	**46.29%**	49.60%

15. Deposits

March 31,	Millions of yen 2008	2007
Current deposits	**¥3,548,007**	¥3,583,922
Time deposits	**2,646,328**	2,561,042
Negotiable certificates of deposit	**45,411**	36,390
Others	**145,783**	128,263
Total	**¥6,385,531**	¥6,309,618

16. Trading Liabilities

March 31,	Millions of yen 2008	2007
Trading securities–related financial derivatives	**¥ 5**	¥—
Trading-related financial derivatives	**198**	89
Total	**¥203**	¥89

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 capital surplus.

18. Trading Income

Years ended March 31,	Millions of yen 2008	2007
Revenue from trading securities	**¥187**	¥305
Revenue from trading-related financial derivatives	**116**	55
Other trading revenue	**170**	112
Total	**¥474**	¥473

19. Interest on Borrowings and Rediscounts

Years ended March 31,	Millions of yen 2008	2007
Call money and bills sold	**¥6,096**	¥4,683
Securities lending transactions	**1,597**	2,390
Borrowings	**964**	1,142
Total	**¥8,658**	¥8,216

20. Other Income

Years ended March 31,	Millions of yen 2008	2007
Other ordinary income	**¥32,816**	¥22,099
Gain on disposal of tangible fixed assets	**8**	248
Gains on collection of loan assets	**2,277**	3,695
Reversal of reserve for possible loan losses	**—**	1,684
Total	**¥35,102**	¥27,727

21. Other Expenses

Years ended March 31,	Millions of yen 2008	2007
Losses on disposal of tangible fixed assets	**¥ 373**	¥ 1,543
Losses on impairment	**115**	72
Write-offs of claims	**12,143**	7,460
Write down of equity shares	**322**	199
Losses on sale of claims	**206**	499
Provision for reserve for directors' retirement benefits	**692**	—
Provision for reserve for repayment for prescribed deposits	**1,094**	—
Provision for reserve for frequent users services	**94**	—
Others	**23,960**	21,196
Total	**¥38,999**	¥30,969

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, 2008 and 2007 can be broken down into the two categories of losses on land holdings in the amount of ¥113 million and ¥70 million, respectively, and losses on buildings in the amount of ¥1 million and ¥2 million, respectively.

The recoverable amounts used for the measurement of such impairment losses are net sales prices, which are calculated on the basis of appraisal values after deduction of the estimated cost of disposal.

22. Accumulated Depreciation of Tangible Fixed Assets

Accumulated depreciation on tangible fixed assets, recognized for the fiscal year ended March 31, 2008 and 2007, amounted to ¥147,029 million and ¥144,378 million, respectively.

23. Segment Information

(a) Business segment information

Segment information by type of business for the years ended March 31, 2008 and 2007 are summarized as follows:

	Millions of yen					
Year ended March 31, **2008**	Banking operations	Leasing	Other	Total	Eliminations	Consolidated
Ordinary income:						
Ordinary income from external customers	**¥ 204,949**	**¥17,250**	**¥ 4,593**	**¥ 226,793**	**¥ —**	**¥ 226,793**
Ordinary income from internal transactions	**551**	**1,961**	**5,737**	**8,251**	**(8,251)**	**—**
Total	**205,500**	**19,212**	**10,330**	**235,044**	**(8,251)**	**226,793**
Ordinary expenses	**180,678**	**18,787**	**9,471**	**208,938**	**(8,399)**	**200,538**
Ordinary income, net	**¥ 24,822**	**¥ 424**	**¥ 858**	**¥ 26,105**	**¥ 148**	**¥ 26,254**
Assets	**¥7,374,092**	**¥44,437**	**¥36,002**	**¥7,454,532**	**¥(69,962)**	**¥7,384,570**
Depreciation	**4,187**	**12,904**	**151**	**17,243**	**(0)**	**17,242**
Losses on impairment	**115**	**—**	**—**	**115**	**—**	**115**
Capital expenditures	**6,464**	**12,762**	**553**	**19,779**	**—**	**19,779**

	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

Notes: 1. Classification is made according to nature of businesses of consolidated entities. 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. In accordance with the amendment of the income tax laws in 2007, tangible fixed assets acquired on or after April 1, 2007 are depreciated based on the new depreciation method under the amended laws. Due to this change, in ordinary expenses, banking operations and leasing operations were respectively higher than would have been under the previous method by ¥57 million and ¥0 million, and other operations were ¥2 million higher. These changes correspondingly reduced ordinary income.

4. From the fiscal year ended March 31, 2008, residual values of tangible fixed assets acquired before April 1, 2007 are depreciated over five years using the straight line method beginning with the period after the fiscal year in which the allowable limit for depreciation is reached. Due to this change, in ordinary expenses, banking operations, leasing operations and other operations were respectively higher than under the previous method by ¥213 million, ¥0 million and ¥14 million, causing ordinary income to decline correspondingly.

5. Previously, the Bank charged to income the expenses required for payments of allowances upon the retirement of directors and corporate auditors, when they were incurred. However, effective from the fiscal year, the Bank has made a provision for lump-sum payments of retirement allowances pursuant to the new regulations for accounting practices on the payment of retirement allowances for directors and corporate auditors (Business Accounting Standard No. 4, issued on November 29, 2006). The publication of the Treatment of Accounting and Auditing Concerning Allowance under the Special Tax Law and Retirement Allowances for Directors and Auditors (JICPA Auditing and Assurance Report No. 42 issued on April 13, 2007) caused the Bank to adopt the method for provision in the amount deemed necessary at the fiscal year end. As a result of these changes, in ordinary expenses, banking operations, leasing operations and other operations were respectively ¥31 million, ¥1 million and ¥9 million lower than under the previous method, meaning that ordinary income rose correspondingly.

6. Formerly, deposits which were derecognized as liabilities were expensed when they were actually reimbursed. However, from the fiscal year ended March 31, 2008, such reserve is provided in the estimated amount as described above in accordance with the "Treatment for Auditing of Reserve under Special Taxation Measures Law, Reserve under Special Laws and Reserve for Retirement Benefits to Directors and Corporate Auditors" (JICPA Audit and Assurance Practice Committee Report No. 42) of April 13, 2007. As a result of this change, in ordinary expenses, banking operations were ¥128 million higher than under the previous method, causing ordinary income to fall by a corresponding sum.

7. Loyalty award expenses from credit cards issued by the Bank and one of its consolidated subsidiaries were previously recognized at the time of payment. But from the reporting term, a reserve has been set up to meet expenses expected to arise in future based on reasonable estimates of likely future use of the programme. As a result of this change, in ordinary expenses, banking operations and other operations were respectively ¥38 million and ¥28 million higher than under the previous method, causing ordinary income to decline correspondingly.

8. In line with the introduction of the shared responsibility system for new financing with credit guarantee corporation guarantees, as of October 1, 2007, estimated amounts of future financial payments in preparation for payment in subrogation are provided in an amount deemed necessary beginning with the fiscal 2007, under the reserve for other contingent losses. As a result of these changes, in operating expenses, banking operations increased by ¥182 million compared with the previous method, causing operating income, net to decline by the same amount.

(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, 2008 and 2007 are as follows:

	Millions of yen	
Years ended March 31,	**2008**	2007
Ordinary income from foreign operations (A)	**¥ 29,527**	¥ 29,295
Ordinary income (B)	**226,793**	192,025
(A)/(B)	**13.01%**	15.25%

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, 2008 and 2007 are summarized as follows:

	Millions of yen	
March 31,	**2008**	2007
Equipment	**¥38**	¥49
Accumulated depreciation	**(23)**	(25)
Total	**¥15**	¥24
Lease payments for finance leases:		
Within one year	**¥ 5**	¥11
Over one year	**9**	13
Total	**¥15**	¥24

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, 2008 and 2007 were ¥11 million and ¥14 million, respectively. Depreciation which would have been recorded under finance leases for the year ended March 31, 2008 and 2007 were ¥11 million and ¥14 million, respectively.

Finance leases, as lessor, at March 31, 2008 and 2007 are summarized as follows:

No impairment losses have been recognized on leased assets.

	Millions of yen	
March 31,	**2008**	2007
Equipment	**¥61,995**	¥63,592
Others	**4,016**	4,012
Accumulated depreciation	**(33,784)**	(34,780)
Total	**¥32,227**	¥32,823
Lease payments receivable for finance leases:		
Within one year	**¥11,655**	¥12,290
Over one year	**25,884**	25,884
Total	**¥37,539**	¥38,175

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, 2008 and 2007 were ¥13,309 million and ¥13,505 million, respectively. Depreciation under finance leases for the year ended March 31, 2008 and 2007 were ¥11,472 million and ¥11,632 million, respectively.

(b) Operating leases

Future minimum lease payments for operating leases at March 31, 2008 and 2007 were ¥499 million and ¥541 million, of which ¥37 million and ¥41 million were due within one year.

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,	**2008**	2007
Carrying value	**¥25,666**	¥28,904
Holding gains charged to income	**53**	37

(b) Marketable debt securities held to maturity

	Millions of yen				
March 31, **2008**	Book value	Market value	Unrealized gain (net)	Unrealized gain (gross)	Unrealized loss (gross)
Japanese government bonds	**¥ —**	**¥ —**	**¥ —**	**¥ —**	**¥ —**
Japanese local government bonds	**1,803**	**1,853**	**49**	**49**	**—**
Corporate bonds	**29,210**	**29,097**	**(112)**	**78**	**191**
Others	**11,813**	**11,547**	**(265)**	**6**	**272**
Total	**¥42,827**	**¥42,498**	**¥(328)**	**¥134**	**¥463**

	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

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

(c) Marketable available-for-sale securities

	Millions of yen				
March 31, **2008**	Cost	Book value	Unrealized gain (net)	Unrealized gain (gross)	Unrealized loss (gross)
Equity securities	**¥ 125,372**	**¥ 212,323**	**¥86,950**	**¥ 92,765**	**¥ 5,815**
Debt securities:					
Japanese government bonds	**882,788**	**877,653**	**(5,134)**	**3,916**	**9,051**
Japanese local government bonds	**369,257**	**374,060**	**4,802**	**4,907**	**105**
Corporate bonds	**362,920**	**364,672**	**1,752**	**1,911**	**159**
Others	**489,802**	**472,065**	**(17,736)**	**2,452**	**20,189**
Total	**¥2,230,141**	**¥2,300,775**	**¥70,634**	**¥105,954**	**¥35,320**

	Millions of yen				
March 31, 2007	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

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, 2008 and 2007, the Bank devaluated the marketable available-for-sale securities and recognized as a loss of ¥307 million and ¥9 million, respectively.

(d) Marketable available-for-sale securities sold

Years ended March 31,	Millions of yen 2008	2007
Proceeds from sales of marketable available-for-sale securities	**¥1,370,112**	¥496,387
Gains	**32,371**	9,217
Losses	**31,236**	7,527

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

March 31,	Millions of yen Book value 2008	2007
Non-marketable debt securities held to maturity:		
Trust beneficiary rights	**¥ —**	¥6,017
Non-marketable available-for-sale securities:		
Unlisted equity securities	**3,690**	3,734
Investments in investment partnerships	**2,092**	2,147

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

March 31, **2008**	Millions of yen One year or less	One to five years	Five to ten years	Over ten years
Debt securities:				
Japanese government bonds	**¥138,390**	**¥ 517,473**	**¥183,507**	**¥ 38,282**
Japanese local government bonds	**58,939**	**171,161**	**145,762**	**—**
Corporate bonds	**49,335**	**202,123**	**80,946**	**61,476**
Others	**25,579**	**165,467**	**82,010**	**183,985**
Total	**¥272,245**	**¥1,056,226**	**¥492,227**	**¥283,744**

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

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

March 31,	Millions of yen 2008	2007
Cost	**¥3,656**	¥2,151
Book value	**3,281**	2,591
Unrealized gain (net)	**(375)**	440
Unrealized gain (gross)	**—**	440
Unrealized loss (gross)	**375**	—

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 2008	2007
Unrealized gain:		
Available-for-sale securities	**¥70,634**	¥208,518
Other money held in trust	**(375)**	440
Deferred tax liabilities	**(26,422)**	(80,015)
Net unrealized gains on available-for-sale securities	**43,836**	128,943
Minority interests	**(2)**	(5)
Unrealized gains on available-for-sale securities	**¥43,833**	¥128,938

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, **2008**	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	**103,942**	**35,749**	**163**	**163**
Receivable floating/ payable fixed	**103,942**	**35,749**	**35**	**35**
Receivable floating/ payable floating	**—**	**—**	**—**	**—**
Interest-rate options:				
Sold	**—**	**—**	**—**	**—**
Bought	**—**	**—**	**—**	**—**
Caps:				
Sold	**4,601**	**3,231**	**(12)**	**110**
Bought	**4,601**	**3,231**	**12**	**(49)**
Swaption:				
Sold	**36,100**	**4,483**	**(104)**	**102**
Bought	**36,100**	**4,483**	**103**	**103**
Others:				
Sold	**—**	**—**	**—**	**—**
Bought	**—**	**—**	**—**	**—**
Total	**¥ —**	**¥ —**	**¥198**	**¥467**

	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

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 Exchange, etc. The market value of over-the-counter transactions has been calculated at their discounted present value or by utilizing calculation models for options prices.

(c) Currency Derivatives

	Millions of yen			
	Contract amounts		Market	Unrealized
March 31, **2008**	Total	Over 1 year	value	gain (loss)
Listed:				
Currency futures:				
Sold	**¥ —**	**¥ —**	**¥ —**	**¥ —**
Bought	**—**	**—**	**—**	**—**
Currency options:				
Sold	**—**	**—**	**—**	**—**
Bought	**—**	**—**	**—**	**—**
Over-the-counter transactions:				
Currency swaps	**657,902**	**635,524**	**1,404**	**1,404**
Forward foreign exchange contracts:				
Sold	**12,180**	**2,763**	**(156)**	**(156)**
Bought	**16,168**	**2,358**	**157**	**157**
Currency options:				
Sold	**7,156**	**2,672**	**(264)**	**(113)**
Bought	**7,156**	**2,672**	**265**	**166**
Others:				
Sold	**—**	**—**	**—**	**—**
Bought	**—**	**—**	**—**	**—**
Total	**¥ —**	**¥ —**	**¥1,405**	**¥ 1,458**

	Millions of yen			
	Contract amounts		Market	Unrealized
March 31, 2007	Total	Over 1 year	value	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

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, 2008 and 2007.

(e) Bond Derivatives

	Millions of yen			
	Contract amounts		Market	Unrealized
March 31, **2008**	Total	Over 1 year	value	gain (loss)
Listed:				
Bond futures:				
Sold	**¥556**	**¥—**	**¥ (5)**	**¥ (5)**
Bought	**—**	**—**	**—**	**—**
Bond future options:				
Sold	**—**	**—**	**—**	**—**
Bought	**—**	**—**	**—**	**—**
Over-the-counter transactions:				
Bond options:				
Sold	**—**	**—**	**—**	**—**
Bought	**—**	**—**	**—**	**—**
Others:				
Sold	**—**	**—**	**—**	**—**
Bought	**—**	**—**	**—**	**—**
Total	**¥ —**	**¥—**	**¥ (5)**	**¥ (5)**

	Millions of yen			
	Contract amounts		Market	Unrealized
March 31, 2007	Total	Over 1 year	value	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

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, 2008 and 2007.

(g) Credit Derivatives

Not applicable as of March 31, 2008 and 2007.

27. Stock Options

No expenses related to the exercise of stock options were recorded for the fiscal year ended March 31, 2008.

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
Exercised 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, 2008, 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	—	Loans receivable	10
								Guarantees	1	Acceptances and guarantees	1

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	4

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, 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.

Note: For the year ended March 31, 2008 and 2007 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

	Yen	
March 31,	**2008**	2007
Net assets per share	**¥549.34**	¥647.60
Earnings per share-basic	**17.55**	32.31
Earnings per share-diluted	**17.54**	32.31

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

	Millions of yen	
March 31,	**2008**	2007
Earnings per share		
Net income	**¥ 13,924**	¥ 26,319
Earnings not available to common shareholders	**—**	—
Net income after deduction of the portion described above	**13,924**	26,319
Weighted average number of common shares for the fiscal year (in thousands)	**793,419**	814,389
Diluted earnings per share		
Adjustment to net income	**—**	—
Increase in common shares (in thousands)	**29**	169
Of which, acquisition of own shares under stock option pursuant to provisions in Article 210-2, Paragraph 2 of the Commercial Code (in thousands)	**29**	169
Share warrants that have no dilutive effects on earnings per share	**—**	—

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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, 2008 and 2007, and the related consolidated statements of income, changes in net assets and cash flows for the years then ended, 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, 2008 and 2007, 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, 2008 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 19, 2008

A MEMBER OF ERNST & YOUNG GLOBAL

Non-Consolidated Balance Sheets (Unaudited)

THE JOYO BANK, LTD.

	Millions of yen		Thousands of U.S. dollars
March 31,	**2008**	2007	**2008**
Assets			
Cash and due from banks	**¥ 136,038**	¥ 140,106	**$ 1,357,802**
Call loans and bills purchased	**3,885**	3,541	**38,786**
Commercial paper and other debt purchased	**65,725**	85,237	**656,007**
Trading assets	**26,063**	29,170	**260,145**
Money held in trust	**3,281**	2,591	**32,750**
Securities	**2,306,788**	2,607,267	**23,024,137**
Loans and bills discounted	**4,669,468**	4,438,855	**46,606,132**
Foreign exchanges	**1,037**	984	**10,357**
Other assets	**58,775**	40,332	**586,643**
Tangible fixed assets	**82,892**	79,821	**827,351**
Intangible fixed assets	**8,150**	9,657	**81,352**
Deferred tax assets	**15,135**	—	**151,065**
Customers' liabilities for acceptances and guarantees	**28,363**	32,862	**283,101**
Reserve for possible loan losses	**(34,293)**	(39,569)	**(342,279)**
Reserve for devaluation of investment securities	**(48)**	(53)	**(486)**
Total assets	**¥7,371,265**	¥7,430,806	**$73,572,869**
Liabilities and shareholders' equity			
Liabilities:			
Deposits	**¥6,405,962**	¥6,326,301	**$63,938,140**
Call money and bills sold	**162,682**	108,447	**1,623,741**
Payables under securities lending transactions	**166,230**	203,254	**1,659,148**
Trading liabilities	**203**	89	**2,032**
Borrowed money	**64,000**	67,000	**638,786**
Foreign exchanges	**303**	350	**3,029**
Bonds	**15,000**	15,000	**149,715**
Due to trust account	**17**	16	**171**
Other liabilities	**81,072**	103,449	**809,190**
Reserve for bonuses to directors and corporate auditors	**635**	50	**6,342**
Reserve for employees' retirement benefits	**3,831**	4,968	**38,243**
Reserve for reimbursement of dormant deposits	**1,223**	—	**12,213**
Reserve for frequent users services	**61**	—	**617**
Reserve for other contingent losses	**1,093**	551	**10,910**
Deferred tax liabilities	**—**	39,777	**—**
Deferred tax liabilities for land revaluation	**12,921**	13,056	**128,968**
Acceptances and guarantees	**28,363**	32,862	**283,101**
Total liabilities	**6,943,603**	6,915,175	**69,304,354**
Net assets:			
Common stock	**85,113**	85,113	**849,516**
Capital surplus	**58,574**	58,574	**584,629**
Retained earnings	**255,169**	256,967	**2,546,855**
Treasury stock	**(22,899)**	(22,403)	**(228,559)**
Total shareholders' equity	**375,957**	378,251	**3,752,442**
Unrealized gains on other securities	**43,704**	128,905	**436,211**
Deferred losses on hedging instruments, net of taxes	**(1,130)**	(791)	**(11,287)**
Land revaluation excess	**9,132**	9,266	**91,148**
Total valuation and translation adjustments	**51,705**	137,380	**516,072**
Total net assets	**427,662**	515,631	**4,268,515**
Total liabilities and net assets	**¥7,371,265**	¥7,430,806	**$73,572,869**

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 ¥100.19 to US$1.00 on March 31, 2008.

Non-Consolidated Statements of Income (Unaudited)

THE JOYO BANK, LTD.

	Millions of yen		Thousands of U.S. dollars
Years ended March 31,	**2008**	2007	**2008**
Income:			
Interest income:			
Interest on loans and discounts	**¥ 96,117**	¥ 85,407	**$ 959,349**
Interest and dividends on securities	**46,589**	47,339	**465,012**
Other interest income	**2,603**	1,567	**25,980**
Fees and commissions	**22,320**	23,296	**222,782**
Trading income	**474**	473	**4,733**
Other operating income	**23,148**	8,957	**231,050**
Other income	**16,225**	8,921	**161,949**
Total income	**207,479**	175,963	**2,070,858**
Expenses:			
Interest expenses:			
Interest on deposits	**17,232**	7,974	**172,001**
Interest on borrowings and rediscounts	**8,658**	8,216	**86,422**
Other interest expenses	**11,780**	12,469	**117,578**
Fees and commissions	**7,707**	7,293	**76,925**
Other operating expenses	**47,258**	7,504	**471,689**
General and administrative expenses	**72,087**	70,559	**719,511**
Other expenses	**18,210**	8,938	**181,760**
Total expenses	**182,935**	122,956	**1,825,889**
Income before income taxes	**24,543**	53,007	**244,968**
Income taxes:			
Current	**12,859**	16,368	**128,351**
Deferred	**(1,256)**	10,451	**(12,540)**
Net income	**¥ 12,940**	¥ 26,186	**$ 129,157**
Per share (in yen and dollars)**:**			
Net income	**¥16.30**	¥32.12	**$0.162**
Cash dividends applicable to the year	**8.00**	7.00	**0.079**

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 ¥100.19 to US$1.00 on March 31, 2008.

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

THE JOYO BANK, LTD.

	Millions of yen											
	Shareholders' equity											
		Capital surplus			Retained earnings							
						Other retained earnings						
Years ended March 31,	Common stock	Capital reserve	Other capital surplus	Total capital surplus	Legal reserve	Reserve for dispositions of fixed assets	Special reserve for dispositiongs of fixed assets	Voluntary reserves	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 excess									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
Changes during the year:												
Cash dividends									**(5,970)**	**(5,970)**		**(5,970)**
Net income									**12,940**	**12,940**		**12,940**
Special reserve for dispositions of fixed assets							**140**		**(140)**	**—**		**—**
Voluntary reserves								**12,000**	**(12,000)**	**—**		**—**
Purchase of treasury stock										**—**	**(9,482)**	**(9,482)**
Disposal of treasury stock			**0**	**0**						**—**	**83**	**84**
Retirement of treasury stock			**0**	**0**					**(8,901)**	**(8,901)**	**8,901**	**—**
Increase in retained earnings due to transfer from land revaluation excess									**134**	**134**		**134**
Net changes of items other than shareholders' equity												
Total changes during the year	**—**	**—**	**—**	**—**	**—**	**—**	**140**	**12,000**	**(13,938)**	**(1,797)**	**(496)**	**(2,293)**
Balance at March 31, 2008	**¥85,113**	**¥58,574**	**¥—**	**¥58,574**	**¥55,317**	**¥115**	**¥140**	**¥185,432**	**¥14,163**	**¥255,169**	**¥(22,899)**	**¥375,957**

	Millions of yen				
	Valuation and translation adjustment				
	Unrealized (losses) gains on available-for-sale securities	Deferred losses on hedging instrument, net of taxes	Land revaluation excess, 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 excess					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
Changes during the year:					
Cash dividends					**(5,970)**
Net income					**12,940**
Special reserve for dispositions of fixed assets					**—**
Voluntary reserves					**—**
Purchase of treasury stock					**(9,482)**
Disposal of treasury stock					**84**
Retirement of treasury stock					**—**
Increase in retained earnings due to transfer from land revaluation excess					**134**
Net changes of items other than shareholders' equity	**(85,201)**	**(339)**	**(134)**	**(85,675)**	**(85,675)**
Total changes during the year	**(85,201)**	**(339)**	**(134)**	**(85,675)**	**(87,969)**
Balance at March 31, 2008	**¥ 43,704**	**¥(1,130)**	**¥9,132**	**¥51,705**	**¥427,662**

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.

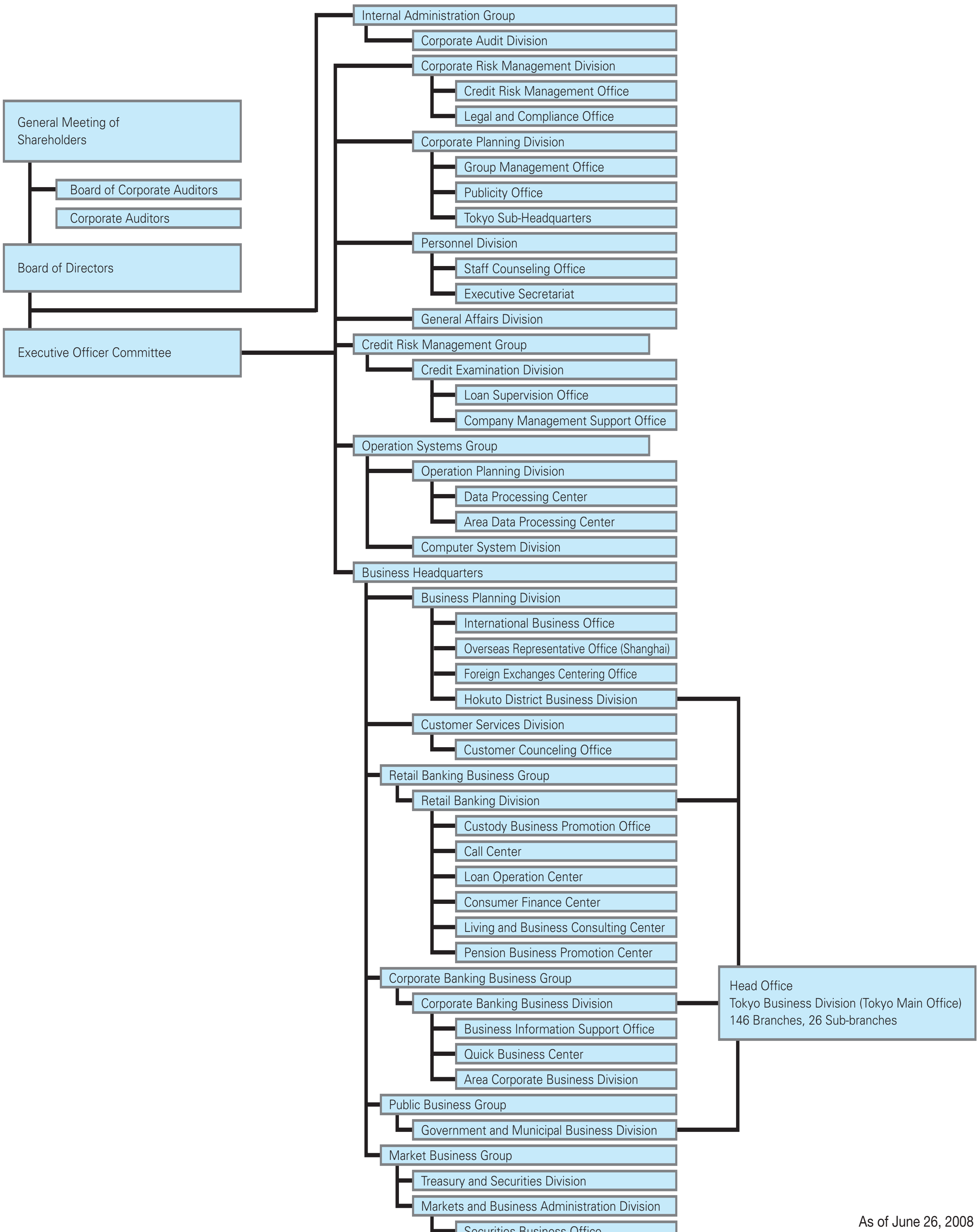
	Thousands of U.S. dollars (Note)											
	Shareholders' equity											
		Capital surplus			Retained earnings							
						Other retained earnings						
Year ended March 31,	Common stock	Capital reserve	Other capital surplus	Total capital surplus	Legal reserve	Reserve for dispositions of fixed assets	Special reserve for dispositiongs of fixed assets	Voluntary reserves	Earned surplus brought forward	Total retained earnings	Treasury stock	Total shareholders' equity
Balance at March 31, 2007	$849,516	$584,629	$—	$584,629	$552,121	$1,156	$ —	$1,731,031	$280,488	$2,564,798	$(223,605)	$3,775,338
Changes during the year:												
Cash dividends									(59,595)	(59,595)		(59,595)
Net income									129,157	129,157		129,157
Special reserve for dispositions of fixed assets							1,406		(1,406)	—		—
Voluntary reserves								119,772	(119,772)	—		—
Purchase of treasury stock										—	(94,640)	(94,640)
Disposal of treasury stock			0	0						—	838	841
Retirement of treasury stock			0	0					(88,854)	(88,854)	88,854	—
Increase in retained earnings due to transfer from land revaluation excess									1,341	1,341		1,341
Net changes of items other than shareholders' equity												
Total changes during the year	—	—	—	—	—	—	1,406	119,772	(139,115)	(17,935)	(4,950)	(22,886)
Balance at March 31, 2008	$849,516	$584,629	$—	$584,629	$552,121	$1,156	$1,406	$1,850,803	$141,367	$2,546,855	$(228,559)	$3,752,442

	Thousands of U.S. dollars (Note)				
	Valuation and translation adjustment				
	Unrealized gains on available-for-sale securities	Deferred losses on hedging instrument, net of taxes	Land revaluation excess, net of taxes	Total valuation and translation adjustments	Total net assets
Balance at March 31, 2007	$1,286,609	$ (7,899)	$92,490	$1,371,199	$5,146,538
Changes during the year:					
Cash dividends					(59,595)
Net income					129,157
Special reserve for dispositions of fixed assets					—
Voluntary reserves					—
Purchase of treasury stock					(94,640)
Disposal of treasury stock					841
Retirement of treasury stock					—
Increase in retained earnings due to transfer from land revaluation excess					1,341
Net changes of items other than shareholders' equity	(850,397)	(3,387)	(1,341)	(855,125)	(855,125)
Total changes during the year	(850,397)	(3,387)	(1,341)	(855,125)	(878,021)
Balance at March 31, 2008	$ 436,211	$(11,287)	$91,148	$ 516,072	$4,268,515

Note: U.S. dollar amounts represent translation of Japanese yen at the exchange rate of ¥100.19 to US$1.00 on March 31, 2008.

Organization

THE JOYO BANK, LTD.



As of June 26, 2008

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
Kyohei Tomita (standing)
Yoshiaki Terakado (standing)
Akira Yasu
Toshihiko Kawamura
Sanenori Hitomi

As of June 26, 2008

Market Business Group and Overseas Office

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Phone: 029-231-2151

Market Business Group
Managing Director
Toru Hakata

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Tokyo 104-0028, Japan
Phone: 03-3273-1741
General Manager
Jun Kawauchi
Deputy General Manager
Osato Aizawa

• Operations Group (Tokyo)
Senior Manager
Hitoshi Gotou

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Telex: J23278 JOYOBANK
3632105 JOYOBK
Swift: JOYOJPJT
General Manager
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Phone: 03-3273-5245
General Manager
Ritsuo Sasajima
Deputy General Manager
Osamu Midorikawa

• Investment Group
Senior Manager
Masahide Takauchi

• Business Promotion Group
Manager
Hiroshi Iijima

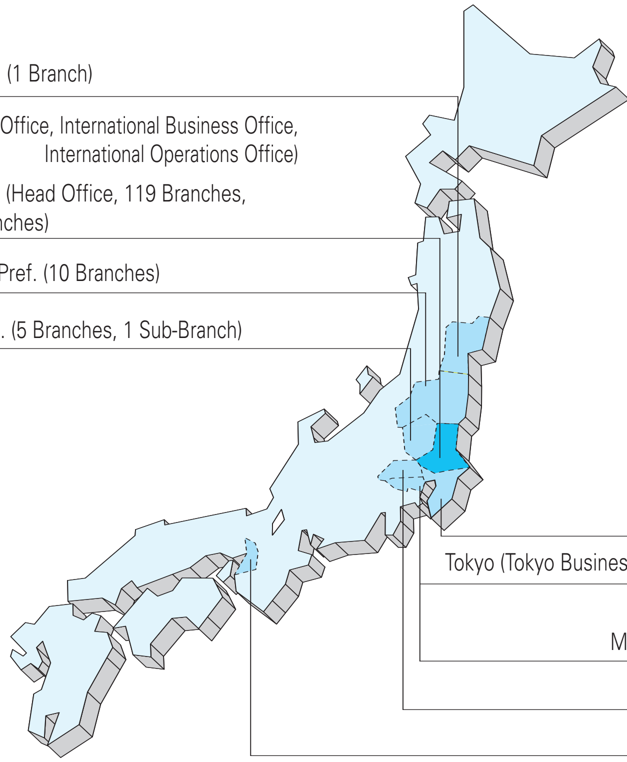
Shanghai Representative Office (Business Planning Division)
Room 1901, Shanghai International Trade Centre, 2201 Yan An Road (West),
Shanghai 200335 P.R. of China
Phone: 86-21-6209-0258
Chief Representative
Katsunori Suzuki
Deputy Chief Representative
Hisanori Sonobe

Service Network

Overseas:

Shanghai Representative Office

As of March 31, 2008



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

■ The Joyo Securities Co., Ltd.

4-12, Minami-machi 3-chome, Mito, Ibaraki
Established 2007, Capital Stock: ¥3,000 million
Share of Voting Rights: 100%
Dealing of securities, mediation, commission and substitution of trading of securities

As of March 31, 2008

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, 26 Sub-branches
■ **Overseas Network**	1 Representative Office: Shanghai
■ **Number of Employees**	3,586
■ **Stock Exchange Listing**	Tokyo Stock Exchange
■ **Paid-in Capital**	¥85,113 million
■ **Number of Shares** (as of March 31, 2008)	Authorized 2,167,515 thousand Issued and Outstanding 822,231 thousand
■ **Number of Shareholders** (1 trading unit = 1,000 shares)	33,223
■ **Principal Shareholders**	The 10 largest shareholders of the Bank and their respective shareholdings at March 31, 2008 were as follows:

	Number of Shares Held (Thousands)	Percentage of Total Shares Outstanding (%)
Northern Trust Company (AVFC) Sub Account American Client	62,077	7.54%
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	37,992	4.62
NIPPONKOA Insurance Company, Ltd.	37,973	4.61
Nippon Life Insurance Company	28,003	3.40
Japan Trustee Services Bank, Ltd. (Trust Account)	18,091	2.20
The Dai-ichi Mutual Life Insurance Company	17,049	2.07
The Master Trust Bank of Japan, Ltd. (Trust Account)	16,485	2.00
Sumitomo Life Insurance Company	16,448	2.00
The Gunma Bank, Ltd.	10,465	1.27
Meiji Yasuda Life Insurance Company	9,722	1.18
Total	254,308	30.92%

As of March 31, 2008

For further information, please write to:
Markets and Business Administration Division,
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7-2, Yaesu 2-chome,
Chuo-ku, Tokyo
104-0028, Japan