



Since its establishment in 1879, The Akita Bank, Ltd., has worked diligently to extend comprehensive financial services geared to the funding requirements of clients in Akita Prefecture. These efforts are underpinned by a philosophy that seeks to contribute to regional prosperity and help the Bank achieve growth as a financial institution in tune with the economic development of the community. The Akita Bank Group, which comprises the Bank and seven consolidated subsidiaries, maintains a full line of financial services and provides guarantee and leasing services hinging on the banking business. Several issues that characterize our operating environment are expanding in scope and taking on a greater urgency in terms of management responses. The key priority is well-balanced approach to expand the profitability of the Bank, and to secure common interest of regional clients. Based on the current medium-term management plan, Akigin Evolution, the Bank will execute its role as a regional bank, which its network covers the area in eastern Honshu, Japan's largest island, and expand our financial services including international operations emphasizing relations with regional clients.

In this annual report, statements other than historical facts are forward-looking statements that reflect our plans and expectations. These forward-looking statements involve risks, uncertainties and other factors that may cause our actual results and achievements to differ materially from those anticipated in these statements.

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Consolidated Financial Highlight

The Akita Bank, Ltd. and subsidiaries
Years ended March 31, 2008 and 2007

For the years ended March 31	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2008	2007	2008
Total income	¥ 58,494	¥ 53,432	\$ 583,828
Total expenses	51,022	43,569	509,247
Income before income taxes and minority interests	7,472	9,863	74,581
Net income	3,515	4,953	35,080

	Yen		U.S. Dollars
Net income per share	¥ 18.11	¥ 25.35	\$ 0.181

As of March 31	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2008	2007	2008
Total assets	¥2,222,038	¥2,238,249	\$22,178,238
Trading account securities and securities	742,891	741,945	7,341,545
Loans and bills discounted	1,306,522	1,287,415	13,040,446
Deposits	1,997,163	1,992,279	19,933,755
Total net assets	132,340	146,185	1,320,889

Note: U.S. dollar amounts are translated, for convenience only, at ¥100.19= U.S.\$1.00, the exchange rate prevailing as of March 31, 2008.

Consolidated Five-Year Summary

The Akita Bank, Ltd. and subsidiaries
For the years ended March 31

Millions of Yen

	2008	2007	2006	2005	2004
Total income	¥58,494	¥53,432	¥51,959	¥48,346	¥48,928
Net income	3,515	4,953	4,777	3,889	4,604

Yen

Net income per share	¥18.11	¥25.35	¥24.24	¥19.52	¥23.11
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Percent

	2008	2007	2006	2005	2004
Income ratio					
Net income to total assets	0.15%	0.22%	0.21%	0.16%	0.19%
Net income to owned capital (Note 2)	2.6	3.57	3.61	3.07	3.84

Capital adequacy ratio

Domestic guidelines	12.43	12.34	12.02	11.67	11.62
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Notes: (1) The Bank's capital adequacy ratio is calculated in accordance with guidelines established by the Ministry of Finance and the Financial Service Agency.

(2) Owned capital=Net assets/Stockholders' equity – Minority interests in consolidated subsidiaries

Consolidated Balance Sheets

The Akita Bank, Ltd. and subsidiaries
As of March 31, 2008 and 2007

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2008	2007	2008
ASSETS			
Cash and due from banks (Note 35)	¥ 44,231	¥ 43,128	\$ 441,473
Call loans and bills bought	63,042	96,341	629,222
Commercial paper and other debt purchased	22,314	26,047	222,714
Trading account securities (Note 4)	24	70	242
Money held in trust (Note 5)	3,794	4,002	37,865
Securities (Notes 6 and 12)	742,867	741,875	7,414,580
Loans and bills discounted (Note 7)	1,306,522	1,287,415	13,040,446
Foreign exchanges (Note 8)	223	291	2,225
Other assets (Notes 9 and 12)	18,918	25,205	188,822
Premises and equipment (Notes 10 and 30)	30,979	32,584	309,203
Intangible fixed assets (Note 11)	1,806	1,420	18,021
Deferred tax assets (Note 14)	3,775	610	37,682
Customers' liabilities for acceptances and guarantees (Note 13)	10,933	11,109	109,122
Reserve for possible loan losses	(27,390)	(31,848)	(273,379)
Total assets	¥2,222,038	¥2,238,249	\$22,178,238

See notes to consolidated financial statements.

Consolidated Balance Sheets

The Akita Bank, Ltd. and subsidiaries
As of March 31, 2008 and 2007

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2008	2007	2008
LIABILITIES			
Deposits (Note 15)	¥1,997,163	¥1,992,279	\$19,933,755
Negotiable certificates of deposits	40,921	39,850	408,434
Call moneys and bills sold (Note 12)	—	3,509	—
Payable under securities lending transactions (Note 12)	7,498	8,464	74,841
Borrowed money (Note 16)	7,506	10,264	74,914
Foreign exchanges (Note 17)	113	36	1,125
Other liabilities (Note 18)	16,228	12,153	161,976
Accrued bonuses to directors and statutory auditors	18	20	180
Reserve for employees' retirement benefits (Note 19)	5,738	5,834	57,269
Reserve for retirement benefits to directors and statutory auditors	250	—	2,503
Reserve for repayments on dormant deposits	243	—	2,425
Reserve for contingent losses	189	—	1,883
Deferred tax liabilities (Note 14)	—	5,567	—
Deferred tax liability on land revaluation (Note 20)	2,898	2,979	28,922
Acceptances and guarantees (Note 13)	10,933	11,109	109,122
Total liabilities	2,089,698	2,092,064	20,857,349
NET ASSETS			
Common stock	14,101	14,101	140,741
Capital surplus	6,271	6,275	62,595
Retained earnings (Notes 34 and 39)	92,300	90,077	921,245
Treasury stock	(336)	(343)	(3,354)
Total stockholders' equity	112,336	110,110	1,121,227
Net unrealized holding gain on other securities (Note 21)	13,584	28,298	135,589
Deferred hedge losses	(587)	(29)	(5,863)
Land revaluation excess (Note 20)	3,087	3,076	30,814
Total valuation and translation adjustments	16,084	31,345	160,540
Minority interests in consolidated subsidiaries	3,920	4,730	39,122
Total net assets	132,340	146,185	1,320,889
Total liabilities and net assets	¥2,222,038	¥2,238,249	\$22,178,238

See notes to consolidated financial statements.

Consolidated Statements of Income

The Akita Bank, Ltd. and subsidiaries
For the years ended March 31, 2008 and 2007

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2008	2007	2008
Income			
Interest income			
Interest on loans and discounts	¥29,095	¥26,002	\$290,394
Interest and dividends on securities	11,357	10,912	113,353
Other interest income (Note 22)	401	247	4,002
Fees and commissions (Note 23)	7,210	7,310	71,961
Other operating income (Note 24)	7,570	5,703	75,559
Other income (Note 25)	2,861	3,258	28,559
Total income	58,494	53,432	583,828
Expenses			
Interest expenses			
Interest on deposits	5,149	1,955	51,388
Interest on borrowings and rediscounts	204	221	2,034
Other interest expenses (Note 26)	2,456	2,168	24,512
Fees and commissions (Note 27)	2,062	1,779	20,585
Other operating expenses (Note 28)	7,838	8,079	78,228
General and administrative expenses	26,840	25,961	267,893
Other expenses (Note 29)	6,473	3,406	64,607
Total expenses	51,022	43,569	509,247
Income before income taxes and minority interests	7,472	9,863	74,581
Income taxes (Note 14)			
Current	1,876	496	18,723
Deferred	1,833	4,334	18,297
Minority interests in net income	248	80	2,481
Net income	¥ 3,515	¥ 4,953	\$ 35,080
	Yen		U.S. dollars (Note 1)
Net income per share (Note 38)	¥ 18.11	¥ 25.35	\$ 0.181

See notes to consolidated financial statements.

Consolidated Statements of Changes in Net Assets

The Akita Bank, Ltd. and subsidiaries
As of March 31, 2008 and 2007

	Millions of yen				
	Stockholders' Equity				
	Common Stock	Capital Surplus	Retained Earnings	Treasury Stock	Total
Balance at March 31, 2006	¥14,101	¥6,273	¥86,233	¥ (321)	¥106,285
Changes during the fiscal year					
Dividends from surplus (year-end)	—	—	(586)	—	(586)
Dividends from surplus (interim)	—	—	(586)	—	(586)
Bonuses to directors	—	—	(20)	—	(20)
Net income	—	—	4,953	—	4,953
Acquisition of treasury stock	—	—	—	(45)	(45)
Disposition of treasury stock	—	3	—	23	26
Reversal of land revaluation excess	—	—	82	—	82
Items other than changes in stockholders' equity (net)	—	—	—	—	—
Net changes during the fiscal year	—	3	3,843	(22)	3,824
Balance at March 31, 2007	¥14,101	¥6,275	¥90,077	¥ (343)	¥110,110
Changes during the fiscal year					
Dividends from surplus (year-end)	—	—	(586)	—	(586)
Dividends from surplus (interim)	—	—	(580)	—	(580)
Net income	—	—	3,515	—	3,515
Acquisition of treasury stock	—	—	—	(1,189)	(1,189)
Disposition of treasury stock	—	(4)	—	30	26
Elimination of treasury stock	—	(0)	(1,166)	1,166	—
Reversal of land revaluation excess	—	—	(11)	—	(11)
Change in equity in consolidated subsidiary	—	—	1,051	—	1,051
Items other than changes in stockholders' equity (net)	—	—	—	—	—
Net changes during the fiscal year	—	(4)	2,223	7	2,226
Balance at March 31, 2008	¥14,101	¥6,271	¥92,300	¥ (336)	¥112,336

	Millions of yen					
	Valuation and Translation Adjustments					
	Net Unrealized Holding Gain on Other Securities	Deferred Hedge Losses	Land Revaluation Excess	Total	Minority Interests	Total Net Assets
Balance at March 31, 2006	¥ 26,547	¥ —	¥3,158	¥ 29,705	¥4,576	¥140,566
Changes during the fiscal year						
Dividends from surplus (year-end)	—	—	—	—	—	(585)
Dividends from surplus (interim)	—	—	—	—	—	(585)
Bonuses to directors	—	—	—	—	—	(20)
Net income	—	—	—	—	—	4,952
Acquisition of treasury stock	—	—	—	—	—	(45)
Disposition of treasury stock	—	—	—	—	—	26
Reversal of land revaluation excess	—	—	—	—	—	82
Items other than changes in stockholders' equity (net)	1,750	(29)	(82)	1,639	153	1,793
Net changes during the fiscal year	1,750	(29)	(82)	1,639	153	5,617
Balance at March 31, 2007	¥ 28,298	¥ (29)	¥3,076	¥ 31,345	¥4,730	¥146,185
Changes during the fiscal year						
Dividends from surplus (year-end)	—	—	—	—	—	(586)
Dividends from surplus (interim)	—	—	—	—	—	(580)
Net income	—	—	—	—	—	3,515
Acquisition of treasury stock	—	—	—	—	—	(1,189)
Disposition of treasury stock	—	—	—	—	—	26
Elimination of treasury stock	—	—	—	—	—	0
Reversal of land revaluation excess	—	—	—	—	—	(11)
Change in equity in consolidated subsidiary	—	—	—	—	—	1,051
Items other than changes in stockholders' equity (net)	(14,714)	(558)	11	(15,261)	(810)	(16,071)
Net changes during the fiscal year	(14,714)	(558)	11	(15,261)	(810)	(13,845)
Balance at March 31, 2008	¥ 13,584	¥(587)	¥3,087	¥ 16,084	¥3,920	¥132,340

Consolidated Statements of Changes in Net Assets

The Akita Bank, Ltd. and subsidiaries
As of March 31, 2008 and 2007

Thousands of U.S. Dollars (Note 1)

	Stockholders' Equity				
	Common Stock	Capital Surplus	Retained Earnings	Treasury Stock	Total
Balance at March 31, 2007	\$140,741	\$62,638	\$899,059	(\$3,426)	\$1,099,012
Changes during the fiscal year	0	0	0	0	0
Dividends from surplus (year-end)	0	0	(5,850)	0	(5,850)
Dividends from surplus (interim)	0	0	(5,791)	0	(5,791)
Net income	0	0	35,080	0	35,080
Acquisition of treasury stock	0	0	0	(11,868)	(11,868)
Disposition of treasury stock	0	(41)	0	300	259
Elimination of treasury stock	0	(2)	(11,638)	11,640	0
Reversal of land revaluation excess	0	0	(105)	0	(105)
Change in equity in consolidated subsidiary	0	0	10,490	0	10,490
Items other than changes in stockholders' equity (net)	0	0	0	0	0
Net changes during the fiscal year	0	(43)	22,186	72	22,215
Balance at March 31, 2008	\$140,741	\$62,595	\$921,245	(\$3,354)	\$1,121,227

Thousands of U.S. Dollars (Note 1)

	Valuation and Translation Adjustments					Total Net Assets
	Net Unrealized Holding Gain on Other Securities	Deferred Hedge Losses	Land Revaluation Excess	Total	Minority Interests	
Balance at March 31, 2007	\$ 282,442	\$ (291)	\$30,709	\$ 312,860	\$47,211	\$1,459,083
Changes during the fiscal year						
Dividends from surplus (year-end)	—	—	—	—	—	(5,850)
Dividends from surplus (interim)	—	—	—	—	—	(5,791)
Net income	—	—	—	—	—	35,080
Acquisition of treasury stock	—	—	—	—	—	(11,868)
Disposition of treasury stock	—	—	—	—	—	259
Elimination of treasury stock	—	—	—	—	—	0
Reversal of land revaluation excess	—	—	—	—	—	(105)
Change in equity in consolidated subsidiary	—	—	—	—	—	10,490
Items other than changes in stockholders' equity (net)	(146,853)	(5,572)	105	(152,320)	(8,089)	(160,409)
Net changes during the fiscal year	(146,853)	(5,572)	105	(152,320)	(8,089)	(138,194)
Balance at March 31, 2008	\$ 135,589	\$(5,863)	\$30,814	\$ 160,540	\$39,122	\$1,320,889

Consolidated Statements of Cash Flows

The Akita Bank, Ltd. and subsidiaries
For the years ended March 31, 2008 and 2007

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2008	2007	2008
Cash flows from operating activities			
Income before income taxes and minority interest	¥ 7,472	¥ 9,863	\$ 74,581
Depreciation and amortization	2,062	1,820	20,585
Losses on impairment of fixed assets	343	212	3,422
Net change in reserve for possible loan losses	(4,459)	(3,361)	(44,504)
Net change in accrued bonuses to directors and statutory auditors	(2)	20	(20)
Net change in reserve for employees' retirement benefits	(96)	(123)	(958)
Net change in reserve for retirement benefits to directors and statutory auditors	251	—	2,502
Net change in other reserves	432	—	4,309
Interest income	(40,852)	(37,161)	(407,749)
Interest expenses	7,808	4,345	77,934
Net gain related to securities transactions	(483)	(176)	(4,824)
Net income from money held in trust	580	91	5,792
Net exchange gain	(52)	(111)	(522)
Net loss from disposition of premises and equipment	184	191	1,834
Net change in loans and bills discounted	(25,976)	(60,938)	(259,264)
Net change in deposits	4,884	35,982	48,743
Net change in negotiable certificates of deposit	1,071	20,372	10,691
Net change in borrowed money	(2,759)	4,438	(27,533)
Net change in due from banks (excluding due from Bank of Japan)	5,117	501	51,071
Net change in call loans, commercial paper and other debt purchased	37,122	(56,736)	370,515
Net change in call money and borrowed money	(3,509)	(49,523)	(35,020)
Net change in payable under securities lending transactions	(966)	(9,589)	(9,637)
Net change in foreign exchanges (assets)	68	613	678
Net change in foreign exchanges (liabilities)	122	98	1,217
Interest received	41,316	36,773	412,372
Interest paid	(7,035)	(3,627)	(70,215)
Net change in trading account securities	66	469	660
Other, net	13,303	(713)	132,777
Sub-total	36,012	(106,270)	359,437
Income taxes paid	(535)	(577)	(5,336)
Net cash provided by (used in) operating activities	35,477	(106,847)	354,101
Cash flows from investing activities			
Purchases of securities	(1,307,426)	(1,722,741)	(13,049,469)
Proceeds from sales of securities	131,469	92,818	1,312,192
Proceeds from maturity of securities	1,150,232	1,724,421	11,480,511
Proceeds from sales of money held in trust	167	3,025	1,667
Purchases of premises and equipment	(1,271)	(1,310)	(12,681)
Proceeds from sales of premises and equipment	397	156	3,960
Purchases of intangible fixed assets	(495)	(461)	(4,943)
Net cash provided by (used in) investing activities	(26,927)	95,908	(268,763)
Cash flows from financing activities			
Dividends of paid	(1,166)	(1,171)	(11,640)
Dividends paid for minority	(8)	(8)	(81)
Purchases of treasury stock	(1,189)	(45)	(11,868)
Proceeds from sales of treasury stock	26	26	259
Net cash used in financing activities	(2,337)	(1,198)	(23,330)
Effect of currency rate exchanges on cash and cash equivalents	7	10	71
Net increase (decrease) in cash and cash equivalents	6,220	(12,127)	62,079
Cash and cash equivalents at beginning of year	36,999	49,126	369,292
Cash and cash equivalents at end of year (Note 35)	¥ 43,219	¥ 36,999	\$ 431,371

See notes to consolidated financial statements.

Notes to Consolidated Financial Statements

The Akita Bank, Ltd. and consolidated subsidiaries
March 31, 2008

1. Basis of Presentation

The accompanying consolidated financial statements of the Akita 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 Securities and Exchange Law of Japan.

The consolidated financial statements are stated in Japanese yen, the currency of the country in which the Bank is incorporated and operates. The translation of Japanese yen amounts into U.S. dollar amounts is included solely for the convenience of readers outside Japan and have been made at the rate of ¥100.19 to \$1.00, the rate of exchange prevailing on March 31, 2008. Such translations should not be construed as representations that the Japanese yen amounts could be converted into U.S. dollars at that or any other rate.

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. Principles of Consolidation

The consolidated financial statements include the accounts of the Bank and all of its subsidiaries, except for one subsidiary which is not consolidated due to its insignificance. All significant intercompany transactions and accounts are eliminated in consolidation.

3. Summary of Significant Accounting Policies

(a) Trading account securities

Trading account securities are carried at fair value and the cost of securities sold is determined by the moving average method.

(b) Securities

Debt securities for which the Bank has ability to hold to maturity are classified as securities being held to maturity and carried at amortized cost. Debt securities that the Bank may not hold to maturity and marketable equity securities, other than those classified as trading account securities, are classified as other securities, and are carried at their fair values of the balance sheet date. The difference between fair value and cost is recognized as other securities revaluation excess, which is reported as 'net unrealized holding gain on other securities' in net assets. Nonmarketable equity securities are carried at cost or amortized cost.

Securities held in the money held in trusts, of which funds are principally invested in securities and separately managed from other beneficiaries, are carried at fair value with unrealized holding gain and losses included in earnings.

(c) Derivatives

Derivatives are carried at fair value which is based on market quote.

(d) Premises and equipment

Premises and equipment are stated at cost. Depreciation is computed using the declining balance method over the estimated useful lives of respective assets. The straight line method is applied to buildings acquired after April 1, 1998.

The estimated useful lives of major items are as follows:

Buildings : 3–50 years

Equipment : 3–20 years

Depreciation of premises and equipment owned by other consolidated subsidiaries is mainly computed using the declining balance method over the estimated useful lives of respective assets.

(Change in accounting policy)

The Bank has adopted the new depreciation method specified by the revised Japanese Tax Law to tangible fixed assets which were acquired on April 1, 2007 and after. Effect of the change was to reduce income before income taxes and minority interests by ¥58 million (\$578 thousand) for the year ended March 31, 2008.

(Supplementary information)

Based on the revised Japanese Tax Law, the Bank depreciate a difference between five percent of acquisition cost and memorandum value of the properties acquired before April 1, 2007 over five years by the straight-line method, after its book value reached down to five percent of acquisition cost, effective from the year ended March 31, 2008. Effect of the change was to reduce income before income taxes and minority interests by ¥80 million (\$798 thousand) for the year ended March 31, 2008.

(e) Intangible fixed assets

Intangible fixed assets are depreciated using the straight-line method. Depreciation of the software used for internal-use is computed using the straight line method over the estimated useful lives (mainly 5 years).

(f) Reserve for possible loan losses

Reserve for possible loan losses is provided as follows, in conformity with the internal policies regarding write-offs and reserves for possible loan losses.

The Bank has established a credit rating system in accordance with the provisions set forth in the Guidelines issued by the Japanese Institute of Certified Public Accountants under which customers are classified into five categories for self assessment purposes such as "Bankrupt Obligors", "Substantially Bankrupt Obligors", "Potential Bankrupt Obligors", "Cautious Obligors" and "Normal Obligors".

The Bank has provided reserve for possible loan losses at amount deemed necessary to cover possible losses which are estimated based on the fair value of collateral and guarantee for the bankrupt obligors' and the substantially bankrupt obligors' loans as well as other factors of solvency including borrower's future cash flows for the potentially bankrupt obligors'. For loans to all other obligors, reserves are maintained at rate derived from default experiences for a certain period in the past.

The quality of all loans is assessed by branches and the credit supervisory division with an internal audit by the asset review and inspection division in accordance with the Bank's policy and rules for self assessment of asset quality.

The consolidated subsidiaries record reserve for possible loan losses at amount deemed necessary to cover possible losses which are estimated based on the loan loss ratio, which is calculated for each ordinary loan using actual loan losses during a specified period in the past, and at estimated uncollectible amounts based on an assessment of each obligor's ability to repay.

(g) Reserve for employees' retirement benefits

Reserve for employees' retirement benefits is calculated at an amount calculated based on the projected benefit obligation and the fair value of plan assets. Unrecognized net actuarial gain or loss is amortized from the next fiscal year using the straight-line method over the average remaining service period of employees (10 years).

Prior service cost is amortized from the time of occurrence by the straight-line method over the period (one year) within the average remaining service years of the eligible employees.

(h) Accrued bonuses to directors and statutory auditors

Accrued bonuses to directors and corporate auditors are provided in the amount of the estimated bonuses which are attributable to each fiscal year.

Formerly, bonuses to directors and statutory auditors were accounted for as an appropriation of retained earnings when paid. The ASBJ issued a new accounting standard for bonuses to directors and corporate auditors on

November 29, 2005. Under the new accounting standard, bonuses to directors and corporate auditors must be expensed and no longer allowed to be directly changed to retained earnings. This accounting standard is effective for fiscal year ended on or after May 1, 2006. According to the new accounting rule, effective from the year ended March 31, 2007, the bonuses attributable to the year are recorded as expenses. Effect of the change was to decrease net income before income taxes and minority interest by ¥20 million (U.S.\$169 thousand) for the year ended March 31, 2007.

(i) Reserve for retirement benefits to directors and statutory auditors (Change in accounting policy)

Formerly retirement benefits to directors and statutory auditors were expensed when paid. Under a new accounting standard, effective from the year ended March 31, 2008, the Bank accrues 100% of obligations for retirement benefits for them based on the internal rules under the assumption that all directors and corporate auditors terminate their services at the year end. Effect of the change was to reduce income before income taxes and minority interests by ¥228 million (\$2,277 thousand) for the year ended March 31, 2008.

(j) Reserve for repayments on dormant deposits (Change in accounting policy)

Formerly dormant deposit accounts, satisfying certain conditions, were credited to income and withdrawals at depositors' claim were charged to income. The Bank provides for future claims at the amount calculated based on the past experience, effective from the year ended March 31, 2008. Effect of the change was to reduce income before income taxes and minority interests by ¥243 million (\$2,425 thousand) for the year ended March 31, 2008.

(k) Reserve for contingent losses

Upon a start of the joint responsibility system with credit guarantee corporations, the Bank provides for future payments to the corporations at the amount properly estimated, effective from the year ended March 31, 2008.

(l) Foreign currency transaction

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

(m) Hedge accounting

(1) Hedge against interest rate risk

The Bank adopted the standard treatment of the Industry Audit Committee Report No. 24, "Treatment of Accounting and Auditing of Application of Accounting Standard for Financial Instruments in the Banking Industry" ("Report No. 24") issued by the JICPA on 13th February 2002. Under the standard treatment of the Report No. 24, The Bank applies the deferred method of hedge accounting for qualifying derivative instruments to mitigate the interest rate risks arising from various financial assets and liabilities. Hedge effectiveness is assessed by specifying hedged items (such as loans) and the corresponding hedging instruments (such as interest rate swaps).

(2) Hedge against foreign exchange risk

For foreign exchange risks arising from financial assets and liabilities denominated in foreign currencies, the Bank adopted the standard treatment prescribed in the Industry Audit Committee Report No. 25, "Accounting and Auditing Treatment relating to Adoption of Accounting Standards for Foreign Currency Transactions for Banks". Under that treatment, the Bank applies the deferred method of hedged accounting. The Bank enters into currency-swaps and foreign exchange swaps to mitigate the foreign exchange risks arising from financial assets and liabilities denominated in foreign currencies and assesses, both at the hedge's inception and on an ongoing basis, whether these derivatives are highly effective in offsetting changes in cash flows of hedged items (financial assets and liabilities). Hedge effectiveness is assessed for designating currency swaps and foreign exchange swaps, etc., which offset foreign exchange risks of claim and debt in foreign currency as hedging instruments, and testing the existence of foreign position in hedge instruments which are corresponded to claim and debt in foreign currency.

(n) Lease transactions

Finance lease transactions, except for those which meet the conditions that the ownership of the leased assets is substantially transferred to the lessee, are accounted for as operating leases.

(o) Consumption taxes

Transactions are recorded at the amounts not including consumption taxes.

(p) Cash flows

Cash and cash equivalents in the consolidated statements of cash flows consists of cash and deposit with the Bank of Japan.

(q) Goodwill on consolidation

Goodwill on consolidation is charged to expense as incurred.

(r) Income taxes

Deferred tax assets and liabilities are recorded based on the temporary differences between the tax basis of assets and liabilities and their reported amounts in the financial statements using the enacted tax rates in effect for the year in which the temporary differences are expected to be settled. Deferred tax assets are also recognized for the estimated future tax effects attributable to operating loss carryforward. A valuation allowance is recorded to reduce deferred tax assets if it is more likely than not that some or all the deferred tax assets will not be realized.

4. Trading Account Securities

Trading account securities as of March 31, 2008 and 2007 consisted of national government bonds as follows:

	Millions of yen		Thousands of U.S. dollar (Note 1)
	2008	2007	2008
Amount in the balance sheet	¥24	¥70	\$242
Valuation gain (loss) included in income for the year	0	0	0

5. Money Held In Trust

Money held in trust as of March 31, 2008 and 2007 was held for trading purposes and related information was as follows:

	Millions of yen		Thousands of U.S. dollar (Note 1)
	2008	2007	2008
Amount in the balance sheet	¥3,794	¥4,002	\$37,865
Valuation gain (loss) included in income for the year	(41)	(139)	(415)

6. Securities

Securities as of March 31, 2008 and 2007 consisted of the followings:

	Millions of yen		Thousands of U.S. dollar (Note 1)
	2008	2007	2008
National government bonds	¥192,557	¥ 183,615	\$1,921,919
Local government bonds	185,127	177,508	1,847,765
Short term bonds	18,881	20,094	188,448
Corporate bonds	227,872	223,738	2,274,404
Share stocks	58,782	79,294	586,702
Other securities	59,647	57,626	595,342
Total	¥742,867	¥ 741,875	\$7,414,580

Market value and valuation differences of securities, negotiable certificates of due from banks included in cash and due from banks, commercial paper and others as of March 31, 2008 and 2007 and other related information were as follows:

(a) Held-to-maturity marketable bonds

The Bank's and consolidated subsidiaries' investments in held-to-maturity bonds as of March 31, 2008 and 2007 were summarized as follows:

Millions of yen					
2008					
	Carrying value	Market value	Differences	Gain	Loss
National government bonds	¥499	¥502	¥ 3	¥3	¥—
Millions of yen					
2007					
	Carrying value	Market value	Differences	Gain	Loss
National government bonds	¥499	¥495	¥(3)	¥—	¥(3)

Thousands of U.S. dollar					
2008					
	Carrying value	Market value	Differences	Gain	Loss
National government bonds	\$4,980	\$5,010	\$(29)	\$(29)	\$—

(b) Other marketable securities

The Bank and consolidated subsidiaries' investments in other securities as of March 31, 2008 and 2007 were summarized as follows:

Millions of yen					
2008					
	Cost	Carrying value	Valuation differences	Gain	Loss
Stocks	¥ 32,558	¥ 57,363	¥24,804	¥25,648	¥ 843
Bonds:					
National government bonds	194,017	192,057	(1,959)	2,036	3,996
Local government bonds	182,896	185,127	2,232	2,410	178
Short-term bonds	18,880	18,881	0	0	0
Corporate bonds	223,345	224,748	1,403	1,860	457
Subtotal	619,138	620,813	1,676	6,306	4,631
Other	70,776	66,794	(3,982)	1,067	5,049
Total	¥722,472	¥744,970	¥22,498	¥33,021	¥10,523

Millions of yen					
2007					
	Cost	Carrying value	Valuation differences	Gain	Loss
Stocks	¥ 33,313	¥ 79,294	¥45,981	¥46,360	¥ (378)
Bonds:					
National government bonds	185,776	183,615	(2,160)	606	(2,766)
Local government bonds	178,230	177,508	(722)	455	(1,177)
Short-term bonds	20,094	20,094	0	0	0
Corporate bonds	220,783	220,263	(520)	446	(967)
Subtotal	604,883	601,480	(3,402)	1,507	(4,910)
Other	63,869	68,770	4,901	5,439	(538)
Total	¥702,065	¥749,544	¥47,480	¥53,306	¥(5,826)

Thousands of U.S. dollar					
2008					
	Cost	Carrying value	Valuation differences	Gain	Loss
Stocks	\$324,966	\$ 572,538	\$247,572	\$ 255,992	\$ 8,420
Bonds:					
National government bonds	1,936,489	1,916,932	(19,557)	20,323	39,880
Local government bonds	1,825,491	1,847,765	22,274	24,052	1,778
Short-term bonds	188,445	188,448	3	4	1
Corporate bonds	2,229,208	2,243,214	14,006	18,565	4,559
Subtotal	6,179,633	6,196,359	16,726	62,944	46,218
Other	706,419	666,677	(39,742)	10,654	50,396
Total	\$ 7,211,018	\$ 7,435,574	\$ 224,556	\$ 329,590	\$ 105,034

(c) Other securities sold

Other securities sold and gains and losses of those securities for the years ended March 31, 2008 and 2007 were as follows:

	Millions of yen		Thousands of U.S. dollar (Note 1)
	2008	2007	2008
Proceeds from sales	¥126,763	¥ 92,286	\$1,265,230
Gains	4,005	2,682	39,976
Losses	496	(2,268)	4,953

(d) Securities whose fair value is not readily determinable

Securities whose fair value is not readily determinable are not included in the above tables of (a) and (b). Principle items of these securities and their carrying value as of March 31, 2008 and 2007 were as follows:

	Millions of yen		Thousands of U.S. dollar (Note 1)
	2008	2007	2008
Other securities			
Non-listed stocks	¥1,419	¥ 1,414	\$14,164
Non-listed corporate bonds	3,125	3,475	31,191
Trust beneficiary	73	328	732
Others	5	44	54

(e) The redemption schedules for securities with maturity dates classified as other securities or held-to-maturity bonds as of March 31, 2008 and 2007 were as follows:

	Millions of yen			
	2008			
	Due in 1 year or less	Due from 1 year to 5 years	Due from 5 year to 10 years	Due after 10 years
Bonds:				
National government bonds	¥ 21,717	¥ 56,746	¥ 64,227	¥ 49,866
Local government bonds	35,899	49,332	99,896	—
Short-term bonds	18,881	—	—	—
Corporate bonds	48,150	136,427	43,296	—
Subtotal	124,647	242,505	207,419	49,866
Other	7,051	18,953	13,656	7,781
Total	¥ 131,698	¥ 261,458	¥ 221,075	¥ 57,647

	Millions of yen			
	2007			
	Due in 1 year or less	Due from 1 year to 5 years	Due from 5 year to 10 years	Due after 10 years
Bonds:				
National government bonds	¥ 15,890	¥ 57,903	¥ 37,954	¥72,368
Local government bonds	5,001	90,311	82,196	—
Short-term bonds	20,094	—	—	—
Corporate bonds	47,213	135,624	40,900	—
Subtotal	88,198	283,838	161,050	72,368
Other	12,819	16,325	11,892	8,676
Total	¥101,017	¥300,163	¥172,942	¥81,044
	Thousands of U.S. dollar			
	2008			
	Due in 1 year or less	Due from 1 year to 5 years	Due from 5 year to 10 years	Due after 10 years
Bonds:				
National government bonds	\$ 216,759	\$ 566,388	\$ 641,055	\$497,717
Local government bonds	358,313	492,385	997,067	—
Short-term bonds	188,448	—	—	—
Corporate bonds	480,591	1,361,677	432,136	—
Subtotal	1,244,111	2,420,450	2,070,258	497,717
Other	70,371	189,174	136,296	77,656
Total	\$ 1,314,482	\$2,609,624	\$2,206,554	\$575,373

7. Loans and Bills Discounted

(a) Loans and bills discounted as of March 31, 2008 and 2007 consisted of the following:

	Millions of yen		Thousands of U.S. dollar (Note 1)
	2008	2007	2008
Bills discounted	¥ 11,999	¥ 15,030	\$ 119,767
Loans on notes	101,970	116,610	1,017,765
Loans on deeds	1,001,039	963,926	9,991,410
Overdrafts	191,514	191,849	1,911,504
Total	¥1,306,522	¥1,287,415	\$13,040,446

(b) Loans and bills discounted at March 31, 2008 and 2007 included the following items:

Balance of loans to borrowers under bankruptcy procedures as of 31st March, 2008 and 2007 were ¥5,690 million (U.S.\$56,789 thousand) and ¥6,277 million, respectively.

Balance of delinquent loans as of March 31, 2008 and 2007 were ¥52,822 million (U.S.\$527,218 thousand) and ¥56,398 million, respectively.

Loans to borrowers under bankruptcy procedures consist of non-accrual loans on which the payment of principal or interest is well past due or there is no prospect of recovery of the principal or interest from the borrower (does not include the written-down portion of the loan). This category also includes the loans cited in Article 96-1-3 and 96-1-4 of the Corporation Tax Law (Government Ordinance No. 97 of 1965).

Delinquent loans are non-accrual loans, which do not fall under the classifications of loans to bankrupt borrowers or financial assistance loans where interest has suspended for the purpose of business rehabilitation or debtor assistance.

(c) There was no balance of loans past due for 3 months or more as of March 31, 2006 and 2007.

Loans past due for 3 months or more are classified in this category when 3 months or more have elapsed since the due date without the payment of principal or interest. The balance of loans to borrowers under bankruptcy procedures and the balance of delinquent loans are not included in this category.

(d) The balance of restructured loans as of March 31, 2008 and 2007 were ¥7,389million (U.S.\$73,757 thousand) and ¥5,940 million, respectively.

Restructured loans include loans which have been restructured to support the rehabilitation of certain borrowers who are encountering financial difficulties, with the intention of ensuring recovery of the loans by providing easier repayment terms for the borrowers (such as by reducing the rate of interest or by providing a grace period for the payment of principal/interest, etc.). Excluded from this balance are the balance of loans to borrowers under bankruptcy procedures, the balance of delinquent loans and the balance of loans past due for 3 months or more.

(e) The total balance of loans to borrowers under bankruptcy procedures, delinquent loans, loans past due for 3 months or more and restructured loans as of March 31, 2008 and 2007 were ¥65,902 million (U.S.\$657,773 thousand) and ¥68,614 million, respectively.

(f) Bills discounted are accounted for as financial transactions in accordance with the JICPA Report No. 24. The Bank has rights to sell or pledge bank acceptance bought, commercial bills discounted, foreign exchange bought without restrictions. Their total face value as of March 31, 2008 and 2007 were ¥12,002 million (U.S. \$119,793 thousand) and ¥15,033 million respectively.

Contracts of overdraft facilities and loan commitment limits are the contracts that the Bank lends to customers up to the prescribed limits in response to customers' application of loan as long as there is no violation of any condition in the contracts. The unused amount within the limits was ¥415,889 million (U.S.\$ 4,151,008 thousand) relating to these contracts, including¥415,889 million (U.S.\$ 4,151,008 thousand)of which the term of contracts is less than one year or revocable at any time as of March 31, 2008.

The respective amounts were ¥390,886 million and ¥390,886 million as of March 31, 2008.

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

8. Foreign Exchange Assets

	Millions of yen		Thousands of U.S. dollar (Note 1)
	2008	2007	2008
Due from foreign banks	¥220	¥289	\$2,199
Foreign exchange bills bought	3	2	26
Total	¥223	¥291	\$2,225

9. Other Assets

Other assets as of March 31, 2008 and 2007 consisted of the following:

	Millions of yen		Thousands of U.S. dollar (Note 1)
	2008	2007	2008
Domestic exchange settlement	¥ 2	¥ 48	\$ 22
Prepaid expenses	20	22	198
Accrued income	5,928	5,052	59,171
Translation Gain	—	2,483	—
Others	12,968	17,600	129,431
Total	¥18,918	¥25,205	\$188,822

10. Premises and Equipment

Premises and equipment as of March 31, 2008 and 2007 consisted of the following:

	Millions of yen		Thousands of U.S. dollar (Note 1)
	2008	2007	2008
Buildings	¥ 7,796	¥ 8,398	\$ 77,807
Land	13,210	13,729	131,847
Construction in Progress	42	3	423
Other	9,931	10,454	99,126
Total	¥30,979	¥32,584	\$309,203

The accumulated depreciation of premises and equipment as of March 31, 2008 and 2007 amounted to ¥33,773 million (U.S.\$337,094 thousand) and ¥34,043 million, respectively.

The Bank has deducted acquisition cost (Asshuku-kicho) to defer recognition of capital gain by ¥2,403 million (U.S.\$23,988 thousand) as of March 31, 2008.

11. Intangible Fixed Assets

Intangible fixed assets as of March 31, 2008 and 2007 consisted of the following:

	Millions of yen		Thousands of U.S. dollar (Note 1)
	2008	2007	2008
Software	¥ 261	¥ 324	\$ 2,602
Other	1,545	1,096	15,419
Total	¥1,806	¥1,420	\$18,021

12. Assets Pledged

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

	Millions of yen		Thousands of U.S. dollar (Note 1)
	2008	2007	2008
Securities	¥12,152	¥39,073	\$121,290
Lease receivable for future period	1,840	1,093	18,365
Other assets	51	—	518

Liabilities related to above pledged assets as of March 31, 2008 and 2007 were as follows:

	Millions of yen		Thousands of U.S. dollar (Note 1)
	2008	2007	2008
Deposits	¥15,665	¥11,392	\$156,358
Call money	—	2,100	—
Payable under securities lending transactions	7,498	8,464	74,840
Borrowed money	2,690	733	26,849

In addition, the following are pledged as collateral for settlements of exchange or margins for futures transactions as of March 31, 2008 and 2007, respectively.

	Millions of yen		Thousands of U.S. dollar (Note 1)
	2008	2007	2008
Securities	¥75,346	¥75,024	\$752,031

Leased deposits of ¥289 million (U.S.\$2,889 thousand) and ¥301 million are included in other assets as of March 31, 2008 and 2007, respectively.

13. Acceptances and Guarantees

The Bank provides guarantees for liabilities of its customers for payment of loans from other financial institutions. As a contra account, "Customers' Liabilities for Acceptances and Guarantees" are shown on the assets side, indicating the Bank's right of indemnity from the applicants.

14. Income Taxes

Income taxes applicable to the Bank and consolidated subsidiaries include corporate tax, inhabitants' tax and enterprise tax, which, in aggregate, results in a statutory rate of approximately 40.4% for the years ended March 31, 2008 and 2007.

(1) Significant component of deferred tax assets and liabilities at March 31, 2008 and 2007 were as follows:

	Millions of yen		Thousands of U.S. dollar (Note 1)
	2008	2007	2008
Deferred tax assets:			
Net operating loss carryforward	¥ —	¥ 333	\$ —
Reserve for employees' retirement benefits	3,757	4,072	37,496
Reserve for possible loan losses	10,222	11,482	102,025
Securities	1,327	—	13,253
Depreciation	1,173	1,111	11,712
Deferred assets	4	4	40
Enterprise taxes payable	134	33	1,337
Others	1,764	1,527	17,608
Total deferred tax assets	18,381	18,562	183,471
Valuation allowance	(3,658)	(2,288)	(36,517)
Total deferred tax assets, net	14,723	16,274	146,954
Deferred tax liabilities:			
Net unrealized holding gain on other securities	(8,914)	(19,182)	(88,968)
Profit from establishment of the trust for employees' retirement benefits	(1,885)	(1,898)	(18,816)
Reserve for deduction of acquisition cost of fixed assets to defer recognition of capital gain	(149)	(148)	(1,488)
Other	—	(3)	—
Total deferred tax liabilities	(10,948)	(21,231)	(109,272)
Net deferred tax assets	¥ 3,775	¥ (4,957)	\$ 37,682

A reconciliation between the effective income tax rate applied to the consolidated financial statements and the statutory tax rate for the year ended March 31, 2008 and 2007 were as follows:

	2008	2007
Statutory tax rate	40.4%	40.4%
Expenses not deductible for income tax purposes	0.4%	0.3%
Dividend income deductible for income tax purpose	(3.3)%	(3.5)%
Change in valuation allowance	12.0%	9.0%
Prior year's taxes	—%	1.9%
Others	0.1%	0.9%
Actual effective tax rate	49.6%	49.0%

15. Deposits

An analysis of deposits as of March 31, 2008 and 2007 were as follows:

	Millions of yen		Thousands of U.S. dollar (Note 1)
	2008	2007	2008
Current deposits	¥ 61,156	¥ 81,703	\$ 610,401
Ordinary deposits	801,023	815,067	7,995,035
Deposits at notice	12,292	12,487	122,684
Time deposits	1,027,516	995,516	10,255,675
Other deposits	95,176	87,506	949,960
Sub-total	1,997,163	1,992,279	19,933,755
Negotiable certificates	40,921	39,850	408,434
Total	¥2,038,084	¥2,032,129	\$20,342,189

16. Borrowed Money

Borrowed money as of March 31, 2008 and 2007 consisted of the following:

	Millions of yen		Thousands of U.S. dollar (Note 1)
	2008	2007	2008
Loans from banks	¥7,506	¥10,264	\$74,914

The average interest rate of the loans was 1,255 % as of March 31, 2008. The aggregate annual maturities of the loans from banks subsequent to March 31, 2008 are summarized as follows:

Years ending March 31,	Millions of yen	Thousands of U.S. dollar (Note 1)
2009	¥3,563	\$35,560
2010	1,609	16,061
2011	1,144	11,415
2012	795	7,935
2013	395	3,943
Total	¥7,506	\$74,914

17. Foreign Exchanges Liabilities

Foreign exchange liabilities as of March 31, 2008 and 2007 consisted of the following:

	Millions of yen		Thousands of U.S. dollar (Note 1)
	2008	2007	2008
Foreign exchange bills sold	¥112	¥33	\$1,116
Foreign exchange bills payable	1	3	9
Total	¥113	¥36	\$1,125

18. Other Liabilities

Other liabilities as of March 31, 2008 and 2007 consisted of the following:

	Millions of yen		Thousands of U.S. dollar (Note 1)
	2008	2007	2008
Domestic exchange settlement	¥ 133	¥ 147	\$ 1,328
Income tax payable	1,573	231	15,697
Accrued expenses	3,697	2,680	36,896
Unearned income	4,311	4,012	43,032
Others	6,514	5,083	65,023
Total	¥16,228	¥12,153	\$161,976

19. Reserve for Employees' Retirement Benefits

The Bank and consolidated subsidiaries have defined benefit pension plans, i.e., Employees' Pension Fund plans ("EPFs"), and lump-sum retirement plans. Under these defined benefit pension plans, employees are generally entitled to lump-sum payments and/or pension payments, the amounts of which are determined by reference to their basic salary, length of service, and the conditions under which termination occurs.

a) Retirement benefits obligation

The following table sets forth the funded status of the defined benefit plans, and the amounts recognized in the consolidated balance sheets at March 31, 2008 and 2007 for the Bank and consolidated subsidiaries:

	Millions of yen		Thousands of U.S. dollar (Note 1)
	2008	2007	2008
Projected benefit obligation	¥(21,719)	¥(21,663)	\$ (216,782)
Plan assets at fair value	16,576	20,647	165,453
Unfunded retirement benefit obligation	(5,143)	(1,016)	(51,329)
Unrecognized actuarial gain (loss)	2,440	(2,469)	(24,355)
Net retirement benefit	(2,703)	(3,485)	(26,974)
Prepaid pension cost	3,035	2,349	30,295
Reserve for employees' retirement benefits	¥ (5,738)	¥ (5,834)	\$ (57,269)

b) Retirement benefit cost

The components of employees' retirement benefit cost for the years ended March 31, 2008 and 2007 were as follows:

	Millions of yen		Thousands of U.S. dollar (Note 1)
	2008	2007	2008
Service cost	¥ 733	¥ 767	\$ 7,316
Interest cost	432	437	4,314
Expected return on plan assets	(537)	(401)	(5,358)
Amortization of prior service cost	—	(31)	—
Amortization of actuarial loss	(58)	(90)	(585)
Net periodic retirement benefit cost	¥ 570	¥ 682	\$ 5,687

c) Actuarial Assumptions used to determine retirement benefit cost and obligation for the years ended March 31, 2008 and 2007 were as follows:

	2008	2007
a. Discount rate	2.0%	2.0%
b. Expected rate of return on plan assets	4.5%	3.5%
Expected rate of return on retirement provision trust	1.1%	0.9%
c. Term allocation method of expected retirement benefits	Straight line method over the period	Straight line method over the period
d. Amortization of prior service cost	—	1 year
e. Amortization period of actuarial gain/loss	10 years	10 years

20. Land Revaluation Excess

Pursuant to the Law Concerning Land Revaluation (Law No.34, promulgated on March 31, 1998), the Bank recorded their owned land at the fair value and related unrealized gain, net of applicable income tax effect were reported as "Land revaluation excess" in stockholders' equity.

Revaluation date: March 31, 2000 Revaluation method stated in Article 3, Section 3 of the Law Concerning Land Revaluation:

The value of land is based on the official notice prices calculated as directed by the public notification of the Commissioner of the National Tax Administration and as provided for in the Law Concerning Public Notification of Land Prices, as stipulated in Article 2, Section 4 of the Ordinance Implementing the Law Concerning Land Revaluation (Government Ordinance No. 119, promulgated on March 31, 1998), after making reasonable adjustments, such as for location and quality of sites.

Difference between the fair value and the carrying value were: ¥5,142 million (U.S.\$51,320 thousand) and ¥4,822 million as of March 31, 2008 and 2007, respectively.

21. Net Unrealized Holding Gains on Other Securities

The components of net unrealized holding gain on other securities as of March 31, 2008 and 2007 were as follows:

	Millions of yen		Thousands of U.S. dollar (Note 1)
	2008	2007	2008
Valuation differences			
Other securities	¥22,498	¥ 47,480	\$224,556
Deferred tax liabilities	(8,914)	(19,182)	(88,967)
Net unrealized holding gains on securities	¥13,584	¥28,298	\$135,589

22. Other Interest Income

The composition of other interest income for the years ended March 31, 2008 and 2007 was as follows:

	Millions of yen		Thousands of U.S. dollar (Note 1)
	2008	2007	2008
Interest on deposits with banks	¥ 79	¥ 19	\$ 792
Others	322	228	3,210
Total	¥401	¥247	\$4,002

23. Fees and Commissions—Income

The composition of fees and commission income for the years ended March 31, 2008 and 2007 was as follows:

	Millions of yen		Thousands of U.S. dollar (Note 1)
	2008	2007	2008
Domestic and foreign exchange	¥2,235	¥2,282	\$22,310
Others	4,975	5,028	49,651
Total	¥7,210	¥7,310	\$71,961

24. Other Operating Income

The composition of other operating income for the years ended March 31, 2008 and 2007 was as follows:

	Millions of yen		Thousands of U.S. dollar (Note 1)
	2008	2007	2008
Gains on trading account securities	¥ 21	¥ 16	\$ 206
Gains on sales of bonds	1,867	166	18,638
Gains on foreign exchange transactions	52	111	522
Revenue on leasing	3,977	4,842	39,693
Others	1,653	568	16,500
Total	¥7,570	¥5,703	\$75,559

25. Other Income

The composition of other income for the years ended March 31, 2008 and 2007 was as follows:

	Millions of yen		Thousands of U.S. dollar (Note 1)
	2008	2007	2008
Gains on sales of stocks and other securities	¥2,138	¥2,542	\$21,338
Gains on money held in trust	1	82	7
Gains on depositions of fixed assets	5	18	55
Others	717	616	7,159
Total	¥2,861	¥3,258	\$28,559

26. Other Interest Expenses

The composition of other interest expenses for the years ended March 31, 2008 and 2007 was as follows:

	Millions of yen		Thousands of U.S. dollar (Note 1)
	2008	2007	2008
Interest swap	¥ 219	¥ 358	\$ 2,180
Others	2,237	1,810	22,332
Total	¥2,456	¥2,168	\$24,512

27. Fees and Commissions—Expenses

The composition of fees and commissions expenses for the years ended March 31, 2008 and 2007 was as follows:

	Millions of yen		Thousands of U.S. dollar (Note 1)
	2008	2007	2008
Domestic and foreign exchange	¥ 391	¥ 381	\$ 3,905
Others	1,671	1,398	16,680
Total	¥2,062	¥1,779	\$20,585

28. Other Operating Expenses

The composition of other operating expenses for the years ended March 31, 2008 and 2007 was as follows:

	Millions of yen		Thousands of U.S. dollar (Note 1)
	2008	2007	2008
Losses on redemption of bonds	¥ 21	¥ 76	\$ 213
Losses on sales of bonds	481	2,222	4,806
Costs of leasing	3,753	3,747	37,450
Written-off Bonds	1,583	10	15,805
Others	2,000	2,024	19,954
Total	¥7,838	¥8,079	\$78,228

29. Other Expenses

The composition of other expenses for the years ended March 31, 2008 and 2007 was as follows:

	Millions of yen		Thousands of U.S. dollar (Note 1)
	2008	2007	2008
Provision of reserve for possible loan losses	¥1,762	¥1,258	\$17,588
Written-off claims	472	175	4,715
Losses on sales of stocks and other securities	15	46	148
Losses on devaluation of stocks and other securities	1,421	179	14,181
Losses on money held in trust	581	173	5,798
Losses on dispositions of premises and equipment	189	209	1,888
Losses on sales of bad debts	780	472	7,785
Losses on impairment of fixed assets	382	212	3,812
Others	871	682	8,692
Total	¥6,473	¥ 3,406	\$64,607

30. Losses on Impairment of Fixed Assets

The Bank recognized losses on impairment of following fixed assets for the years ended March 31, 2008 and 2007.

For the year ended March 31, 2008 (Millions of yen)

Area	Main purpose	Variety	Losses on impairment of fixed assets
Akita Prefecture	Branch Buildings	Land and Buildings; two Places	¥148
	Idle Assets	Land and Buildings; 14 Places	¥118
Out of Akita Prefecture	Branch Buildings	Land and Buildings; one Place	¥ 77
Total			¥343

Components of impairment losses

Land	¥335
Building	7

For the year ended March 31, 2007 (Millions of yen)

Area	Main purpose	Variety	Losses on impairment of fixed assets
Akita Prefecture	Branch Buildings	Land and Buildings; two Places	¥ 3
	Idle Assets	Land and Buildings; 10 Places	¥201
Out of Akita Prefecture	Branch Buildings	Land and Buildings; one Place	¥ 7
	Idle Assets	Land and Buildings; one Place	¥ 2
Total			¥212

Components of impairment losses

Land	¥130
Building	80
Lease deposits	2

For the purpose of identifying impaired assets, the assets of individual branch are grouped as a unit.

The recoverable amounts of such assets were measured at their net realizable selling prices which are determined by quotations for real estate appraisal issued by Ministry of Lands, Infrastructure and Transport, less estimated costs to dispose.

31. Lease Transactions (As Lessor)

The acquisition cost, accumulated depreciation, carrying amount as of March 31, 2008 and 2007 relating to finance lease transactions accounted for as operating leases were summarized as follows:

	Millions of yen		
	2008		
	Tangibles	Intangibles	Total
Acquisition cost	¥22,124	¥1,874	¥23,998
Less accumulated depreciation	15,155	784	15,939
Balance	¥ 6,969	¥1,090	¥ 8,059

	Millions of yen		
	2007		
	Tangibles	Intangibles	Total
Acquisition cost	¥21,955	¥1,585	¥23,540
Less accumulated depreciation	14,651	757	15,408
Balance	¥ 7,304	¥ 828	¥ 8,132

	Thousands of U.S. dollar (Note 1)		
	2008		
	Tangibles	Intangibles	Total
Acquisition cost	\$220,819	\$18,710	\$239,529
Less accumulated depreciation	151,259	7,832	159,091
Balance	\$ 69,560	\$10,878	\$ 80,438

Future lease payments to be received subsequent to March 31, 2008 for finance leases accounted for as operating leases (including the interest portion thereon) were summarized as follows:

	Millions of yen	Thousand of U.S. dollars (Note 1)
	2008	2008
Within one year	¥3,372	\$33,662
Over one year	6,368	63,556
Total	¥9,740	\$97,218

Lease income relating to finance leases accounted for as operating leases amounted to ¥3,976 million (U.S.\$39,684 thousand) and ¥3,918 million for the years ended March 31, 2008 and 2007, respectively. The related depreciation amounted to ¥3,418 million (U.S.\$34,115 thousand) and ¥3,438million for the years ended March 31, 2008 and 2007, respectively.

32. Derivative Financial Instruments Transaction

(a) Information related to the transaction circumstances

The Bank engages in derivative activities involving interest rate swaps, forward exchange contracts and currency options. Derivatives are used to hedge the interest rate risk or currency exchange risk.

Of derivatives the bank engages, interest rate swap transactions are aimed to hedge against fluctuation in interest rate occurred by on-balance transactions. The effectiveness of hedging instruments is assessed by confirming whether risk amount of hedge instruments is within a limit of accepted risk amount under risk management policy and the hedging derivative instruments achieve offsetting the fluctuating risk of interest rates from the hedged items. On the other hand, forward exchange contract and currency option transactions are aimed to manage to hedge the fluctuation in foreign exchange rate.

Risks that interest rate swap and forward exchange contract transactions have are credit risk. It is the possibility that the counterparty won't fulfill the contract. Of course, interest rate swap transaction have risk of fluctuating interest rates and, forward exchange contract and currency option transactions have risk of fluctuating exchange rates. However since these derivatives are used to hedge the on-balance transactions, these risk will be offset by risk that on-balance transactions have.

The amount of risk that is included in the Bank's transactions is listed below:

	Amount Equivalent to Credit Risk		
	Millions of yen		Thousands of U.S. dollar (Note 1)
	2008	2007	2008
Interest rate swaps	¥ 780	¥ 958	\$ 7,785
Forward exchange contracts	292	827	2,916
Currency options	23	61	230
Total	¥1,095	¥1,846	\$10,931

* The above amounts are calculated by using "current exposure method" which is defined by Bank of International Settlement.

As stated above, derivative financial instruments contain some risks. To manage these risks, necessity of hedging transactions and the situation of derivative transactions are continuously monitored at the managing directors' meeting.

(b) Fair values of derivatives

Contract amounts, fair value and valuation gains/losses of derivatives outstanding as of March 31, 2008 and 2007 were as follow:

(1) Interest Rate Related Transactions

	Millions of yen			
	2008			
	Contract amounts	Due after one year	Fair value	Gain/losses
As of March 31				
Interest rate swaps				
Receipts floating payment fixed	¥22,000	¥22,000	¥(46)	¥(46)
Total	¥ —	¥ —	¥(46)	¥(46)

	Millions of yen			
	2007			
	Contract amounts	Due after one year	Fair value	Gain/losses
As of March 31				
Interest rate swaps				
Receipts floating payment fixed	¥37,000	¥37,000	¥317	¥317
Total	¥37,000	¥37,000	¥317	¥317

	Thousands of U.S. dollars			
	2008			
	Contract amounts	Due after one year	Fair value	Gain/losses
As of March 31				
Interest rate swaps				
Receipts floating payment fixed	\$219,583	\$219,583	\$(458)	\$(458)
Total	\$ —	\$ —	\$(458)	\$(458)

Changes in fair value of the above interest related derivatives are recognized through the consolidated statements of income. Derivatives which qualify for hedge-accounting are not included in the above table.

(2) Foreign Exchange Related Transactions

	Millions of yen			
	2008			
	Contract amounts total	Due after one year	Fair value	Gain/losses
For the year ended March 31				
Forward exchange contracts:				
Written	¥ 0	¥—	¥ 0	¥ 0
Purchased	12	-	0	0
Currency options:				
Written	¥20	¥—	¥15	¥15
Purchased	16	—	(1)	(1)
Total	¥—	¥—	¥14	¥14

	Millions of yen			
	2007			
	Contract amounts total	Due after one year	Fair value	Gain/losses
For the year ended March 31				
Forward exchange contracts:				
Written	¥—	¥—	¥—	¥—
Purchased	99	—	0	0
Currency options:				
Written	¥28	¥—	¥19	¥19
Purchased	33	—	1	1
Total	¥—	¥—	¥20	¥20

	Thousands of U.S. dollar (Note 1)			
	2008			
	Contract amounts total	Due after one year	Fair value	Gain/losses
For the year ended March 31				
Forward exchange contracts:				
Written	\$ 0	\$—	\$ 0	\$ 0
Purchased	120	—	0	0
Currency options:				
Written	\$196	\$—	\$155	\$155
Purchased	161	—	(14)	(14)
Total	\$ —	\$—	\$141	\$141

Changes in fair value of the above foreign exchange related derivatives are recognized through the consolidated statements of income.

(3) Equity Related Transactions	Nil (as of March 31, 2008)
(4) Bond Related Transactions	Nil (as of March 31, 2008)
(5) Commodity Related Transactions	Nil (as of March 31, 2008)
(6) Credit Derivatives	Nil (as of March 31, 2008)

(c) Additional information on interest rate swaps

Hypothetical notional amount of interest rate swap transactions and the average interest rate

	Millions of yen		
	As of March 31, 2008		
Remained period	Within 1 year	After 1 year through 3 years	After 3 year through 5 years
Payer side			
Hypothetical notional amount of fixed swap	¥ — (¥15,000)	¥13,000 (¥13,000)	¥53,000 (¥40,000)
Average fixed interest expense rate (%)	— (0.33)	0.82 (0.82)	1.43 (1.43)
Average floating interest income rate (%)	— (0.70)	1.00 (0.56)	1.01 (0.58)
Average floating interest income rate (%)	¥ — (¥15,000)	¥13,000 (¥13,000)	¥53,000 (¥40,000)

* Figures in parentheses are those as of March 31, 2007.

33. Common Stock

The number of the Bank's authorized shares was 687,455,000 both as of March 31, 2008 and 2007.

The number of shares in issue as of March 31, 2008 and 2007 was as follows:

	Number of Shares	
	2008	2007
Shares in issues	195,936,439	195,936,439

The number of treasury shares held by the Bank was 576 thousand and 582 thousand as of March 31, 2008 and 2007, respectively.

34. Retained Earnings

Japanese banks, including the Bank, are required to comply with the Banking Law. In accordance with the Commercial Code, the Bank has provided a legal reserve which is included in retained earnings. The Code stipulates that neither additional paid-in capital nor the legal reserve is available for dividends, but that both may be used to reduce or eliminate a deficit. Under the Banking Law, an amount which is at least equal to 20% of the aggregate amount of cash dividends and certain appropriations of retained earnings associated with cash outlays applicable to each fiscal period is to be appropriated as a legal reserve until the aggregate amount of the legal reserve and the capital surplus account

equals 100% of the common stock account. The Code also provides that if the total amount of additional paid-in capital and the legal reserve exceeds 100% of the amount of common stock, the excess may be distributed to the shareholders either as a return of capital or as dividends subject to the approval of the shareholders.

The maximum amount which the Bank can distribute as dividends is calculated based on the non-consolidated financial statements of the Bank in accordance with the Commercial Code.

35. Cash and Cash Equivalents

Reconciliation between cash and due from banks in the consolidated balance sheets, and cash and cash equivalents in the statements of cash flows at March 31, 2008 and 2007 were as follows:

	Millions of yen		Thousands of U.S. dollar (Note 1)
	2008	2007	2008
Cash and due from banks	¥44,231	¥ 43,128	\$441,473
Due from banks without interest	(265)	(352)	(2,649)
Ordinary due from banks	(697)	(667)	(6,954)
Fixed due from banks	(50)	(110)	(499)
Negotiable due from banks	—	(5,000)	—
Cash and cash equivalents	¥43,219	¥36,999	\$431,371

36. Segment Information

(a) Business segment information

Segment information by category of business for the years ended or as of March 31, 2008 and 2007 is summarized as follows:

Year ended March 31, 2008	Millions of yen					
	Banking business	Leasing	Other	Total	Eliminated and unallocated corporate assets	Consolidated
I. Ordinary income						
(1) External customers	¥ 51,074	¥ 5,577	¥ 1,740	¥ 58,391	¥ —	¥ 58,391
(2) Intersegment	153	454	1,411	2,018	(2,018)	—
Total	51,227	6,031	3,151	60,409	(2,018)	58,391
Ordinary expenses	43,603	5,773	2,865	52,241	(2,099)	50,142
Ordinary profit	¥ 7,624	¥ 258	¥ 286	¥ 8,168	¥ 81	¥ 8,249
II. Assets, depreciation and capital expenditure						
Assets	¥2,211,560	¥13,113	¥10,215	¥2,234,888	¥(12,850)	¥2,222,038
Depreciation	2,042	16	4	2,062	—	2,062
Losses on impairment of fixed assets	343	—	—	343	—	343
Capital expenditure	754	92	(4)	842	—	842

Notes: 1. "Other" includes credit card business, computer service and so on.

2. Instead of "Sales amount" and "Operating profit", "Ordinary income" and "Ordinary profit" are presented.

Year ended March 31, 2007	Millions of yen					
	Banking business	Leasing	Other	Total	Eliminated and unallocated corporate assets	Consolidated
I. Ordinary income						
(1) External customers	¥ 46,194	¥ 5,416	¥1,797	¥ 53,407	¥ —	¥ 53,408
(2) Intersegment	121	466	1,432	2,019	(2,019)	—
Total	46,315	5,882	3,229	55,426	(2,019)	53,407
Ordinary expenses	36,822	5,711	2,909	45,442	(2,294)	43,148
Ordinary profit	¥ 9,493	¥ 171	¥ 320	¥ 9,984	¥ 275	¥ 10,259
II. Assets, depreciation and capital expenditure						
Assets	¥2,227,941	¥12,016	¥9,709	¥2,249,665	¥(11,416)	¥2,238,248
Depreciation	1,804	8	9	1,820	—	1,820
Losses on impairment of fixed assets	212	—	—	212	—	212
Capital expenditure	1,639	7,845	0	9,484	—	9,484

Notes: 1. "Other" includes credit card business, computer service and so on.

2. Instead of "Sales amount" and "Operating profit", "Ordinary income" and "Ordinary profit" are presented.

3. Leasing business is separately shown from "Other", effective from the year ended March 31, 2007, due to increase in its significance.

Year ended March 31, 2008	Thousands of U.S. dollar (Note 1)					
	Banking business	Leasing	Other	Total	Eliminated and unallocated corporate assets	Consolidated
I. Ordinary income						
(1) External customers	\$ 509,775	\$ 55,659	\$ 17,369	\$ 582,803	\$ —	\$ 582,803
(2) Intersegment	1,523	4,539	14,081	20,143	(20,143)	—
Total	511,298	60,198	31,450	602,946	(20,143)	582,803
Ordinary expenses	435,207	57,619	28,595	521,421	(20,949)	500,472
Ordinary profit	\$ 76,091	\$ 2,579	\$ 2,855	\$ 81,525	\$ 806	\$ 82,331
II. Assets, depreciation and capital expenditure						
Assets	\$22,073,655	\$130,881	\$101,960	\$22,306,496	\$(128,258)	\$22,178,238
Depreciation	20,382	161	42	20,585	—	20,585
Losses on impairment of fixed assets	3,422	—	—	3,422	—	3,422
Capital expenditure	7,527	921	(39)	8,409	—	8,409

(b) Geographic segment information

Geographic segment information is omitted because the ratios of "total domestic ordinary income" and "total domestic assets" to "total income of all segment" and "total assets of all segment" are both over 90%.

(c) Ordinary income from overseas operations

Ordinary income from overseas operations is omitted because the ratio of "ordinary income from overseas operations" to "consolidated ordinary income" is less than 10%.

37. Related Party Transactions

Related party transactions for the years ended March 31, 2008 and 2007 and related information were as follows:

Related party	Account Category	Classification	Amounts of the transactions		Balance at end of year			
			Millions of yen	Thousands of U.S. dollars (Note 1)	Millions of yen	Thousands of U.S. dollars (Note 1)	2008	
Yasuhiko Watanabe	Director	Loan	¥—	¥—	\$—	¥40	¥44	\$389

The conditions of the above transactions were same as arm-length transactions.

38. Net Income Per Share

Consolidated net income per share for the years ended March 31, 2008 and 2007 and related information were as follows:

	Yen		U.S. dollar (Note 1)
	2008	2007	2008
Net assets per share	¥664.15	¥724.0	\$6.63
Net income per share	18.11	25.35	0.18

	Millions of yen		Thousands of U.S. dollar (Note 1)
	2008	2007	2008
Net income	¥3,515	¥4,953	\$35,080
Net income not attributable to common stock holders	—	—	—
Net income attributable to common stockholders	3,515	4,953	35,080
Average number of common stock	194,004 shares	195,363 shares	

39. Subsequent Event

The following appropriation of retained earnings applicable to the year ended March 31, 2008 was approved at the stockholders' meeting of the Bank held on June 27, 2008.

	Millions of yen
Year-end cash dividends (Three yen per share)	¥580

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