



**THE JUROKU BANK, LTD.**  
**Annual Report 2008**

# PROFILE

The Juroku Bank, Ltd., has its business base in Gifu and Aichi prefectures, the industrial center of the Chubu region of Japan. In October, 2007, the Bank celebrated its 130th anniversary. In the 13 decades since 1877, it has played a pivotal role as a leading financial institution in its area.

We will continue to follow our philosophy of “serving our community by fulfilling our social mission as a financial institution.” We will also pursue reforms by staying open-minded, managing our operations rationally and steadily, creating a strong management style through stronger earnings power, and improving our personnel and organization.

The head office of the Bank is located in Gifu Prefecture. The Bank has 148 domestic branch offices, mainly in Gifu and Aichi prefectures, as well as overseas operations in Hong Kong and Shanghai. On a consolidated basis, as of the end of March 2008, the Bank had total deposits of ¥3,630.2 billion (US\$36,233 million), total assets of ¥4,141.6 billion (US\$41,337 million), and a capital ratio of 10.69% according to domestic standards.



*Head office*

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### Forward-looking Statement

This annual report contains certain forward-looking statements. Those forward-looking statements are subject to risks and uncertainties, and Juroku Bank's actual results may differ from those described in the forward-looking statements. We are under no obligation, and expressly disclaim any obligation, to update or alter our forward-looking statements, whether as a result of new information, future events, or otherwise.

## Financial Highlights (Consolidated)

The Juroku Bank, Ltd. and Subsidiaries  
Years Ended March 31, 2008 and 2007

	Millions of Yen		Thousands of U.S. Dollars
	2008	2007	2008
<b>For the Fiscal Year</b>			
Total income	¥ 141,934	¥ 118,719	\$ 1,416,648
Total expenses	123,050	93,550	1,228,166
Net income	10,314	13,845	102,944
Cash dividends	2,916	2,553	29,104
<b>At Year-End</b>			
Total assets	¥ 4,141,588	¥ 4,186,041	\$ 41,337,339
Loans and bills discounted	2,892,737	2,806,651	28,872,512
Securities	853,864	1,008,739	8,522,447
Deposits	3,630,156	3,616,105	36,232,718
Total equity	241,709	287,164	2,412,506
<b>Cash Flows</b>			
Net cash used in operating activities	¥ (74,067)	¥ (9,178)	\$ (739,265)
Net cash provided by investing activities	71,005	71,597	708,703
Net cash provided by financing activities	2,961	12,331	29,554
Cash and cash equivalents, end of year	193,853	193,976	1,934,854

Note: Amounts stated in United States dollars have been computed, solely for convenience, at the rate of ¥100.19 = US\$1, the approximate rate of exchange at March 31, 2008.





# Seeking to Enhance Corporate Value

Nobuo Kojima  
*President*

The environment surrounding financial institutions is changing with increasing rapidity. New competitors have emerged, including Japan Post Bank and companies that have entered the financial sector from other fields. There have also been business mergers among regional financial institutions.

In this environment, our challenges are to boost our presence as a regional financial institution, to succeed in a fiercely competitive market while enhancing our earnings strength, and to improve our corporate soundness. To respond appropriately to the increasingly diverse and sophisticated needs of customers, we must bolster our internal control structure.

In response to these challenges, based on the 10th Medium-Term Management Plan, and as part of our aim of becoming a financial services institution that can provide genuine satisfaction to our customers, the Bank is striving to improve the quality of all of its

operations. These include services, administration, and compliance, and we are pursuing initiatives that will make the Bank the most trusted and popular financial institution in the region, with sustained profitability and financial soundness. In particular, we are strengthening our internal control structure, to establish a reliable compliance structure that is the basis for earning the trust of customers.

Through these initiatives, we will seek to achieve sustainable development and will improve our enterprise value.

We hope that the Bank may continue to rely on your support.

Nobuo Kojima  
*President*

A handwritten signature in black ink that reads "N. Kojima". The signature is written in a cursive, flowing style.

# Management Strategy

## Final year of 10th Medium-Term Management Plan: becoming leaders in trust

In April 2006, the Bank launched its current three-year Medium-Term Management Plan, which focuses on improving its reputation for trustworthiness. Under this three-year plan, we have taken a number of steps to improve the quality of a wide range of our operations, including services, administration and compliance. By so doing, we will become a financial services institution that can fully satisfy customers. We will work to enhance profitability and financial soundness, and by these means, to become the most-trusted bank in our home region.

Numerical Targets	To be achieved by fiscal 2008
Outstanding balance of loans	¥3 trillion
ROE (Return on Equity; equity = net assets attributable to shareholders):	6.5% or higher
OHR (Overhead Ratio; expenses as a percentage of gross business profit):	Less than 60%
Tier I capital ratio (basic components of regulatory capital divided by risk-adjusted assets):	8% or higher
Net income	¥18 billion

## Basic Strategy

### Quality First Policy (For the Customers)

To thrive in an environment of increasing competition, we will rigorously pursue quality improvement in the services we provide, and ensure security and accuracy based on our key phrase, "Quality First." We will work to enhance our competitiveness both in service quality and cost, and to establish a structure that leads to a virtuous circle of improving brand value and market share.

### Strengthening Retail Functions

To improve competitiveness in both service quality and cost, we must strengthen our retail functions. As retail functions consist of relationship banking functions and risk-taking functions, we will endeavor to bolster our activities in both fields.

### Improving Organizational Ability and Personnel Development

The steady achievement of our strategy depends upon our organizational ability and our human resources. With regard to our organizational ability, we will establish a structure that can promptly meet customer needs, although the present organizational structure will be basically maintained. At the same time, we will strengthen our internal control systems. With regard to human resources, considering the expansion and sophistication of operations, we will endeavor to further improve the skills of our staff. Moreover, given the stronger demand for customer data protection, due to the number of crimes committed in the financial markets, we will further strengthen our compliance structure and nurture higher ethical standards.

## Market Strategy

In Gifu Prefecture, we aim to establish more accessible marketing channels and take steps to support the revitalization of the regional economy so that we will earn the strong trust of the communities in which we operate, and particularly of our customers, to an even greater extent than at present. We will position Aichi Prefecture as a main market on a par with Gifu Prefecture, and will aggressively conduct business operations including the further improvement of our marketing channel network, primarily branch offices.

### Strategies to Strengthen Fees and Commissions

Fees and commissions have become the second-largest revenue source for the Bank after loan and deposit operations. By fully utilizing the expertise of our financial advisors, whose number increased during our 9th Medium-Term Management Plan (April 2003- March 2006) to 200, we will endeavor to accurately meet customer needs and requirements by providing services such as fund management advisory services and consulting services. In this way, we have good hopes of further increasing revenues from fees and commissions.

## Corporate Governance

### \* Basic policy

At Juroku Bank, we believe that retaining the trust of our stakeholders by conducting all of our activities in a sound manner is vital to our role as a financial institution. Therefore, we place the highest priority on building a solid organizational structure and establishing systems that continually reinforce corporate governance.

In association with the enforcement of the Corporate Law, we established a Basic Policy related to the Establishment of an Internal Control System at a meeting of the Board of Directors held on May 24, 2006. A Board meeting held on September 20, 2007 adopted a resolution to amend the policy. In this way, we have developed a system to ensure the appropriate execution of our business and have refined our system. Under this basic policy, we will pursue initiatives to enhance corporate governance.

### \* Progress thus far

The Board of Directors comprises 11 members who deliberate and decide matters stipulated in laws and regulations and important management issues, and monitor the conduct of business operations by each director.

Under the Executive Committee structure, authorized by the Board of Directors, the president, senior managing directors and managing directors are able to quickly decide on important matters affecting the daily conduct of business operations.

The Bank employs the conventional statutory auditor system stipulated by the Corporation Law. The Board of Corporate Auditors comprises four statutory auditors, including two outside auditors and two standing auditors. To support the statutory auditors, we have established the Corporate Auditors' Office, which monitors the execution of business operations objectively

and ensures appropriate auditing functions. There are no conflicts of interest between the outside auditors and the Bank that need to be disclosed.

With regard to internal controls, the Audit & Inspection Division conducts internal audits, and at least once per year seeks outside opinions regarding the development and management of the internal control system. Based on these objective opinions, we work to further improve the internal control system. Moreover, to reinforce the compliance system, we have established a whistleblower hotline which provides a reporting mechanism for both internal use and for use by outside lawyers.

With respect to the risk control system, we have established the ALM Committee and Compliance Committee. These committees discuss risk management issues both on a regular basis and when necessary. At these meetings, the appropriateness of operations is reviewed and risk management is applied to minimize loss due to unforeseen circumstances. We have also signed consultation agreements with three lawyers, who provide advice on legal matters and perform a variety of legal checks when necessary.

The Bank's accounts are audited by the independent auditing firm Deloitte Touche Tohmatsu. This firm provides accurate audits on the basis of appropriate information disclosure.

Going forward, we will work to further enhance our corporate governance standards and ensure the soundness of our ethical conduct and financial position.

## Compliance System

Recognizing that the survival of financial institutions depends on trust, we put top priority on earning the firm trust of the general public. To this end, we embrace high corporate ethical standards and promote extensive awareness of the importance of legal compliance.

We are carrying out an initiative to further strengthen the compliance system under our current 10th Medium-Term Management Plan, which prescribes compliance policies that are designed to:

- 1) earn the firm trust of the general public through the maintenance of high corporate ethical standards and awareness of the importance of legal compliance;
- 2) promote awareness of the crucial importance of compliance among our staff; and
- 3) protect customer information in compliance with the Personal Information Protection Law.

To further enhance the compliance system that we have built to date, we formulate and implement a compliance program each fiscal year. All departments hold monthly study meetings to foster knowledge of legal issues and increase compliance-related awareness. We have also prepared curriculums related to compliance for individual training programs in order to boost the knowledge and awareness of compliance among our employees. In addition, each department conducts periodic self-checks according to its specific responsibilities. This is part of our initiative to ingrain a compliance-oriented corporate culture.

## \* Organizational Structure

### Compliance Committee

Chaired by the managing director in charge of the Risk Management Division and consisting of standing corporate auditors and general managers from relevant divisions, the Compliance Committee examines, discusses, and issues directives concerning matters of compliance.

### Risk Management Division

As the entity responsible for overseeing compliance, the Risk Management Division promotes compliance programs and serves as the secretariat for the Compliance Committee.

### Inspection Section (Audit and Inspection Division)

The section conducts inspections, checks, and other investigations related to the compliance conditions in each division, and reports the results to the Risk Management Division.

### Compliance at Each Division

Compliance officers are appointed in each of the divisions to check the day-to-day compliance of those divisions.

## Customer Protection Management System

The Bank set up a Customer Protection Management Policy in September 2007 to develop and establish a system to ensure customer protection. Under the Customer Protection Management Policy, we have clearly stated protection measures that we had taken as part of compliance and risk management. We are focusing more heavily on customer-oriented management. The purpose of the policy is to improve the protection and convenience of customers through the following initiatives:

- (i) Providing appropriate information and explanations on products and services for customers
- (ii) Responding properly to requests, consultation, inquiries and complaints from customers
- (iii) Appropriately managing customer information
- (iv) Properly managing outsourced operations

## \* Information Security, Management of Customer Information

In line with the top priority that we assign to ensuring the confidentiality of our customers' personal data, information security risk is addressed by the Bank's Information Security Management Rules. We have publicly announced our Declaration of Personal Information Protection (Privacy Policy).

As stipulated in the aforementioned Security Management Rules, we have also appointed a chief information officer at the Bank's headquarters and an information officer in each department and branch. We are making every effort to educate employees to bolster their awareness of security issues so that we can ensure the maximum degree of protection for customer data in daily operations.

## Risk Management

The importance of risk management has grown as the risks confronting financial institutions have become more complex and diverse. Recognizing risk management as crucial for safe and sound operations, we have implemented compliance measures in the Risk Management Policies contained in our 10th Medium-Term Management Plan. In addition, we have established Comprehensive Risk Management Policies and other policies and rules relating to risk management that enable an appropriate and prompt response to various types of risk. We have established the Risk Management Division to step up our commitment in this area. We aim to further strengthen our risk management system through use of the PDCA cycle, by laying down policy (planning), creating internal rules and organizations (doing), assessing results of these measures (checking) and making improvements where needed (acting).

### Risk Management Policies (10th Medium-Term Management Plan)

- 1 Implement appropriate risk management to ensure that risk taking is handled in line with the Bank's financial strength.
- 2 Enhance the ability of risk analysis to support appropriate risk-taking.
- 3 Establish a risk management system in accordance with new capital adequacy requirements (Basel II).
- 4 Minimize risk related to the joint operation of the core computer systems.

## \* Comprehensive Risk Management

The Bank carries out comprehensive risk management to secure sound operations. Each risk is managed by related divisions individually, and, taken one step further, by quantifying risk statistically to limit exposure to a certain level of regulatory capital (within Tier 1 thresholds).

## \* Credit Risk

We manage credit risk according to our Credit Risk Management Policies as a credit risk management system, and our Credit Risk Management Rules, Credit Portfolio Management Rules and our Credit Policy Rules as specific rules.

We have clearly separated the sales promotion and credit screening functions and undertake strict reviews and management under a policy of screening by borrower business sector. Individual cases are screened by verifying various aspects including the use of funds, income and expenditure plans, and investment outcomes, and by carefully examining a borrower's resources and plans for repayment. We have introduced a credit rating system to objectively determine a borrower company's credit level and to standardize credit extension criteria. We endeavor to maintain a sound asset base by implementing our own assessment of loan assets and by making appropriate write-offs and provisions for possible loan losses. In our portfolio management, we will ensure a sufficient level of earnings to absorb credit costs, thereby improving the credit portfolio.

## \* Market Risk

We manage market risk through the Bank's Market Risk Management Policies and, as specific rules, Market Risk Management Rules.

The Risk Management Division manages



interest rate risk related to deposits and loans, as well as the risk associated with securities, derivatives and other markets. Our current positions, unrealized gains/losses and risk indicators such as BPV and VaR are measured and evaluated on a daily or monthly basis and reported to management. From the perspective of managing assets and liabilities together, we hold monthly ALM Committee meetings, forecast interest rates, stock prices and exchange rates, as a set of measures to enable an appropriate response to risk.

### \* Liquidity Risk

We manage liquidity risk through our Liquidity Risk Management Policies and Liquidity Risk Management Rules and regard stable cash flows as the primary objective. Moreover, we have established a contingency plan for unforeseen circumstances and have put a system in place that can respond to a wide variety of circumstances promptly and appropriately.

### \* Operational Risk

We have drawn up an Operational Risk Management Policies and Operational Risk Management Rules, with separate provisions for administrative risk, system risk, legal risk, personnel risk, fixed asset risk and reputational risk. For the important categories of administrative and system risk, we have drawn up the following sub-policies and procedures.

#### <Administrative Risk>

We manage administrative risk through our own Administrative Risk Management Policies and Administrative Risk Management Rules. While adapting to the growing diversification and complexity of banking operations, our administration has become more rigorous in an effort to retain and strengthen the trust of our customers.

#### <System Risk>

System risk is managed through the Bank's System Risk Management Policies and System Risk Management Rules. We have established a framework that swiftly responds to system failure through our Computer System Failure Action Rules and Center Failure Rules. We are also developing a risk management system to continue our business in unforeseen situations.

### \* Risk Auditing System

To further reinforce and strengthen our risk management system, we must verify that our risk control systems are functioning effectively. The Audit and Inspection Division works independently of the sections that it inspects (headquarters, branches, and consolidated subsidiaries) and rigorously examines control procedures by conducting regular, planned, on-site inspections. The headquarters and branches also conduct their own regular self-inspections. We are working to enhance our system of mutual supervision and self-checks, improve risk management and prevent potential accidents. Moreover, independent auditors conduct audits of our risk management system, usually once per year, to ensure the effectiveness of the system.

At Juroku Bank, we recognize the importance of integrated risk management, and we will continue working to enhance the sophistication of our risk management system.

# Non-Performing Loans

The Bank provides information about the status of its assets in three different ways. First, we conduct self-assessment to calculate appropriate write-offs and reserves by classifying borrowers according to their financial soundness. Second, disclosure based on

“The Financial Reconstruction Law” is used to classify problem assets. Third, we disclose the value of Risk-Monitored Loans based on the Banking Law, which excludes non-loan assets such as foreign exchange, accrued interest and advance payments.

## Asset Self-Assessment / Assets Disclosed under the Financial Reconstruction Law / Risk-Monitored Loans under the Banking Law

(Non-consolidated)

Asset Self-Assessment For all assets				
Borrower category Balances of credits	Classification			
	I	II	III	IV
Legally bankrupt borrowers 7.0 [3.0]	5.7	1.2	— (0.4)	— (3.9)
Virtually bankrupt borrowers 15.3 [7.3]	11.6	3.7	— (1.2)	— (8.0)
Potentially bankrupt borrowers 70.3	35.2	19.0	16.1 (16.0)	
Borrowers requiring caution				
Substandard borrowers 52.4	4.6	47.7		
Others*1 561.3	179.3	382.0		
Normal borrowers 2,289.7	2,289.7			
Total 2,996.0 [2,984.0]	2,526.2	453.7	16.1 (17.6)	— (12.0)

\*1 Borrowers requiring caution, excluding substandard borrowers

\*2 Portion of claims secured by collateral or guarantees

Assets disclosed under the Financial Reconstruction Law and coverage of the claims For all claims			
Classification Balances of claims	Portion of claims secured*2	Reserves	Coverage ratio
Bankrupt and quasi-bankrupt assets 22.3 [10.3]	8.7	13.6	100.0%
Doubtful assets 70.3	38.3	16.0	77.1%
Substandard loans*3 38.8	9.2	7.6	43.3%
Sub-total 131.4 [119.5]	56.2	37.2	71.0%
Normal assets 2,864.5		4.3% [4.0%]	
Total 2,996.0 [2,984.0]			

\*3 Substandard claims consist of loans only.

Risk-monitored loans Loans only (no other type of credit included)	
Classification	Loan balances
Bankrupt loans	6.7 [2.9]
Non-accrual loans	85.5 [77.5]
Past due loans (3 months or more)	0.6
Restructured loans	38.1
Total	131.1 [119.3]

Ratio of risk-monitored loans to total loans

Figures in brackets are those after application of partial charge-offs (direct deduction).

4.5%

[4.1%]

Notes:

1. Amounts in asset self-assessment and claims disclosed under the Financial Reconstruction Law and the coverage of claims are rounded to the nearest 100 million yen. Amounts in risk-monitored loans are rounded down to the nearest 100 million yen. Figures for ratios are rounded down to the first decimal place.
2. All credit items = Loans + Customers' liabilities for acceptances and guarantees + Bonds issued through private placements covered by guarantees of the Bank + Foreign

exchanges + Suspense payments with a similar nature to loans + Accrued interest.

3. Amounts in asset self-assessment are those after deduction of specific reserves for possible loan losses, and the amounts in parentheses are specific reserves for each classification.
4. The Bank does not implement partial charge-offs (direct deduction). If partial charge-offs were implemented, relevant figures would decline to the figures shown in brackets.

# Contribution to the Regional Economy and Community

## Activities to Revitalize the Regional Economy

### \* Support for management improvements and business reconstruction

To revitalize the regional economy, the Bank carries out activities designed to facilitate management improvements, such as appropriate analysis of the financial situation, recommendations for improving the financial position, and advice for developing business improvement plans, while valuing relationships with its customers. In cooperation with external organizations, including SME Revitalization Support Committees and corporate reconstruction funds, we support business reconstruction by providing consulting and proposals about reconstruction schemes.

### \* Community-Based Finance Promotion Plan

The Bank has developed a Community-Based Finance Promotion Plan for fiscal 2007 and fiscal 2008 and has introduced business inauguration support, business reconstruction support, and the expansion of products for the diversification of financing methods.

We will continue to position the Community-Based Finance Promotion Plan as the core of our management and to promote initiatives primarily in the following three fields: bolstering the support for corporate customers in accordance with their life cycle, pursuing fund supply methods suitable for small and medium-sized enterprises, including financing methods based on an assessment of business value, and making sustainable contributions to the regional economy using a pool of regional data.

### \* Business information exchange for Japanese companies operating in Hong Kong and South China

The Bank organized a business information exchange meeting for Japanese Companies in Shenzhen jointly with 16 regional banks based in Hong Kong in June 2007. This was the first time that regional banks based in Hong Kong had jointly organized a meeting for exchanging information with Japanese companies that do not normally interact with each other, and for discovering new business opportunities. Over 220 people participated in the meeting to actively exchange information.

### \* Handling eco-friendly financial products

The Bank believes that a commitment to dealing with environmental issues is necessary for the sustainable development of local communities. Based on this concept, we provide proactive support to customers, addressing environmental issues through the handling of eco-friendly financial products. These products include Every Support 21 and Juroku Eco Loan.

# Board of Directors and Corporate Auditors

The Juroku Bank, Ltd. (as of June 30, 2008)

*President*

**Nobuo Kojima**

*Senior Managing Director*

**Hakumi Horie**

*Managing Directors*

**Yukio Murase**

**Hajime Muramatsu**

*Directors*

**Toshiro Hori**

**Tomio Kawamura**

**Yoji Matsuura**

**Yutaka Sugiyama**

**Eiji Yamada**

**Tetsuya Miyaura**

**Naoki Ikeda**

*Standing Corporate Auditors*

**Tatsuharu Ando**

**Kunitaka Okamoto**

*Corporate Auditors*

**Hisashi Yura**

**Katsuhiko Kumazaki**



**Nobuo Kojima**  
*President*



**Hakumi Horie**  
*Senior Managing Director*



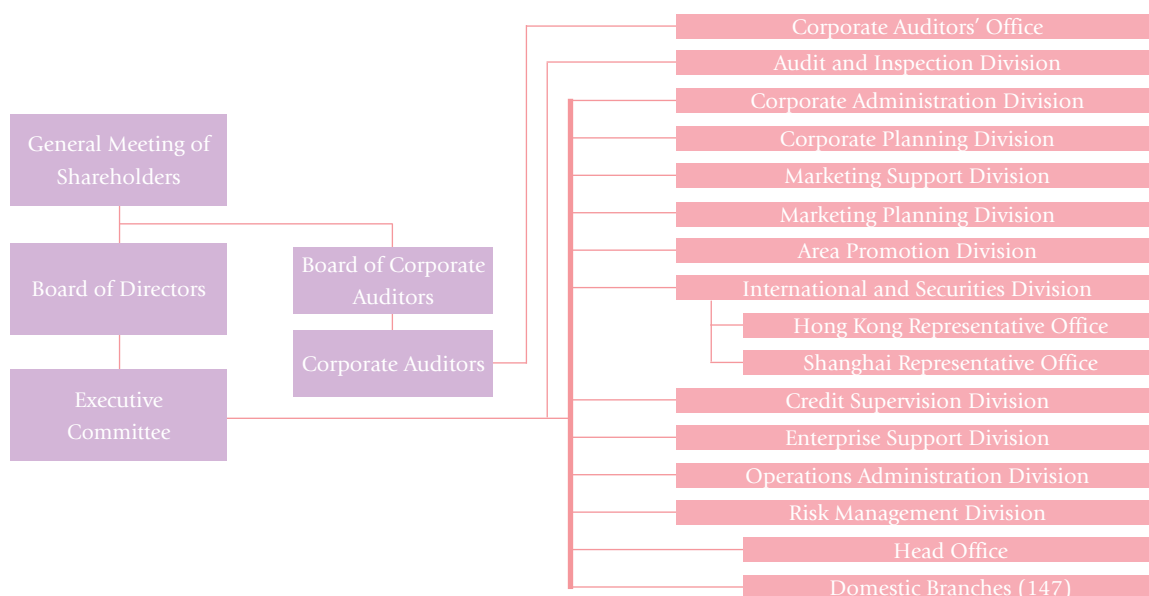
**Yukio Murase**  
*Managing Director*



**Hajime Muramatsu**  
*Managing Director*

# Organization Chart

The Juroku Bank, Ltd. (as of June 30, 2008)





# Financial Review

## Performance

The Japanese economy expanded in the fiscal year under review, fueled by strong exports and firm capital expenditure. However, the economy slowed in the second half, reflecting instability in the financial markets triggered by the U.S. subprime mortgage crisis, soaring crude oil and raw material prices, and a decline in housing starts in association with the introduction of the revised Building Standards Law.

In our territory, which consists primarily of Gifu Prefecture and Aichi Prefecture, the economy improved overall, although the situation differed depending on the area and the industry. However, the improvement slowed in the latter half.

As a consequence, consolidated results in the fiscal year were as follows:

Ordinary income from banking operations rose ¥21,123 million year on year, to ¥116,312 million (US\$1,161 million), attributable to a rise in interest income because of increasing yields on loans and an increase in gains from the sale of securities. Ordinary expenses increased ¥25,132 million, to ¥97,250 million (US\$971 million), reflecting a rise in funding costs due to rising higher deposit interest rates, and an increase in provision for possible loan losses. As a consequence, ordinary profit declined ¥4,009 million, to ¥19,062 million (US\$190 million).

In the leasing business, as a result of proactive marketing, ordinary income rose ¥2,202 million, to ¥21,887 million (US\$218 million). Ordinary expenses increased ¥3,049 million, to ¥21,372 million (US\$213 million). Ordinary profit fell ¥847 million, to ¥515 million (US\$5 million).

In other businesses, including the credit card business and credit guarantee business, ordinary income declined ¥300 million, to ¥5,724 million (US\$57 million). Ordinary expenses rose ¥96 million, to ¥4,738 million (US\$47 million). Ordinary profit fell ¥396 million, to ¥986 million (US\$10 million).

As a result, ordinary income on a consolidated basis rose ¥23,195 million year on year, to ¥141,810 million (US\$1,415 million). Ordinary expenses increased

¥28,409 million, to ¥121,459 million (US\$1,212 million). Consequently, ordinary profit fell ¥5,214 million from the previous year, to ¥20,351 million (US\$203 million). Net income declined ¥3,531 million, to ¥10,314 million (US\$103 million).

## \* Financial Position

To achieve steady and low-cost funding through campaigns and other sales initiatives we carried out aggressive marketing for deposits. Moreover, to respond to the diversification of our customers' asset management needs appropriately and actively, we sought to bolster investment-type products especially for individuals, including investment trusts, public bonds, pension insurance, and whole life insurance. As a result, the balance of deposits increased ¥14,051 million year on year, to ¥3,630.2 billion (US\$36,233 million).

We also responded proactively to the funding needs of local enterprises and individuals, principally mortgage loans, and sought opportunities to extend loans to local municipal entities. Consequently, the balance of loans rose ¥86,086 million, to ¥2,892.7 billion (US\$28,873 million).

In addition to underwriting and purchasing government and municipal bonds, we engaged in bond transactions for effective fund operations, while keeping a close watch on market trends. As a consequence, the balance of securities declined ¥154,875 million, to ¥853.9 billion (US\$8,522 million). Unrealized gains on available-for-sale securities decreased ¥53,381 million year on year, to ¥32,732 million (US\$327 million) at the term-end.

Net cash used in operating activities increased ¥64,889 million year on year, to ¥74,067 million (US\$739 million), reflecting an increase in loans. Net cash provided by investment activities fell ¥592 million, to ¥71,005 million (US\$709 million), attributable to the sale and redemption of securities. Net cash provided by financing activities declined ¥9,370 million, to ¥2,961 million (US\$30 million). As a result, the balance of cash and cash equivalents at year-end fell ¥123 million during the term under review, to ¥193,853 million (US\$1,935 million).

# Consolidated Balance Sheets

The Juroku Bank, Ltd. and Consolidated Subsidiaries  
March 31, 2008 and 2007

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2008	2007	2008
<b>ASSETS:</b>			
Cash and due from banks (Note 3).....	¥ 194,199	¥ 194,295	\$ 1,938,307
Call loans and bills bought .....	158	—	1,577
Monetary receivables purchased .....	0	1	0
Trading securities (Note 4) .....	1,514	3,042	15,111
Money held in trust (Note 5).....	4,000	8,000	39,924
Securities (Notes 4, 11 and 23).....	853,864	1,008,739	8,522,447
Loans and bills discounted (Note 6).....	2,892,737	2,806,651	28,872,512
Foreign exchanges (Note 7) .....	4,613	3,361	46,043
Other assets (Notes 8 and 11) .....	79,551	46,425	794,002
Premises and equipment (Note 9).....	111,500	113,337	1,112,886
Intangible assets .....	14,306	15,537	142,789
Deferred tax assets (Note 20).....	8,645	1,788	86,286
Customers' liabilities for acceptances and guarantees (Note 10) ...	30,785	32,872	307,266
Reserve for possible loan losses .....	(54,284)	(48,007)	(541,811)
Total Assets .....	¥4,141,588	¥4,186,041	\$41,337,339
<b>LIABILITIES AND EQUITY:</b>			
<b>Liabilities:</b>			
Deposits (Notes 11 and 12) .....	¥3,630,156	¥3,616,105	\$36,232,718
Negotiable certificates of deposit .....	23,236	41,300	231,920
Call money and bills sold .....	33,063	18,888	330,003
Payables under securities lending transactions (Note 11) .....	—	23,833	—
Borrowed money (Note 13) .....	44,826	51,638	447,410
Foreign exchanges (Notes 7).....	737	738	7,356
Bonds (Note 14).....	30,000	15,000	299,431
Other liabilities (Note 15) .....	89,195	50,971	890,258
Liability for retirement benefits (Note 16).....	7,458	7,368	74,439
Deferred tax liabilities (Note 20).....	—	29,591	—
Deferred tax liabilities for land revaluation excess (Note 2.g).....	10,424	10,573	104,042
Acceptances and guarantees (Note 10) .....	30,784	32,872	307,256
Total Liabilities.....	3,899,879	3,898,877	38,924,833
<b>Commitments and Contingent Liabilities (Notes 21, 22 and 23)</b>			
<b>Equity (Notes 17 and 24) :</b>			
<b>Common stock:</b>			
authorized, 460,000,000 shares;			
issued, 366,855,449 shares in 2008 and 2007 .....	36,839	36,839	367,691
Capital surplus .....	25,362	25,362	253,139
Retained earnings.....	117,388	109,766	1,171,654
Unrealized gain on available-for-sale securities .....	32,732	86,113	326,699
Deferred loss on derivatives under hedge accounting .....	—	(37)	—
Land revaluation excess (Note 2.g).....	12,729	12,953	127,049
<b>Treasury stock—at cost:</b>			
2,423,329 shares in 2008 and 2,265,081 shares in 2007 .....	(1,250)	(1,140)	(12,476)
Total .....	223,800	269,856	2,233,756
Minority interests.....	17,909	17,308	178,750
Total equity .....	241,709	287,164	2,412,506
Total Liabilities and Equity.....	¥4,141,588	¥4,186,041	\$41,337,339

See notes to consolidated financial statements.



# Consolidated Statements of Changes in Equity

The Juroku Bank, Ltd. and Consolidated Subsidiaries  
Years Ended March 31, 2008 and 2007

	Thousands	Millions of Yen									
	Outstanding Number of Shares of Common stock	Common Stock	Capital Surplus	Retained Earnings	Unrealized Gain on Available-for-sale Securities	Deferred Loss on Derivatives under Hedge Accounting	Land Revaluation Excess	Treasury Stock	Total	Minority Interests	Total Equity
<b>Balance at April 1, 2006</b> .....	365,708	¥36,839	¥25,369	¥ 98,461	¥79,871	¥ —	¥13,011	¥ (594)	¥252,957	¥ —	¥252,957
Reclassified balances as of March 31, 2006 (Note 2.r) .....	—	—	—	—	—	—	—	—	—	15,695	15,695
Net income.....	—	—	—	13,845	—	—	—	—	13,845	—	13,845
Cash dividends, ¥7.00 per share.....	—	—	—	(2,553)	—	—	—	—	(2,553)	—	(2,553)
Bonuses to directors and corporate auditors .....	—	—	—	(45)	—	—	—	—	(45)	—	(45)
Transfer of land revaluation excess ....	—	—	—	58	—	—	(58)	—	—	—	—
Purchase of treasury stock from subsidiaries.....	(970)	—	(9)	—	—	—	—	(440)	(449)	—	(449)
Purchase of treasury stock-other.....	(164)	—	—	—	—	—	—	(115)	(115)	—	(115)
Disposal of treasury stock .....	16	—	2	—	—	—	—	9	11	—	11
Net change in the year.....	—	—	—	—	6,242	(37)	—	—	6,205	1,613	7,818
<b>Balance at March 31, 2007</b> .....	364,590	36,839	25,362	109,766	86,113	(37)	12,953	(1,140)	269,856	17,308	287,164
Net income.....	—	—	—	10,314	—	—	—	—	10,314	—	10,314
Cash dividends, ¥8.00 per share.....	—	—	—	(2,916)	—	—	—	—	(2,916)	—	(2,916)
Transfer of land revaluation excess ....	—	—	—	224	—	—	—	—	224	—	224
Purchase of treasury stock-other.....	(180)	—	—	—	—	—	—	(123)	(123)	—	(123)
Disposal of treasury stock .....	22	—	0	—	—	—	—	13	13	—	13
Net change in the year.....	—	—	—	—	(53,381)	37	(224)	—	(53,568)	601	(52,967)
<b>Balance at March 31, 2008</b> .....	364,432	¥36,839	¥25,362	¥117,388	¥32,732	¥ —	¥12,729	¥(1,250)	¥223,800	¥17,909	¥241,709

	Thousands of U.S. Dollars (Note 1)										
	Common Stock	Capital Surplus	Retained Earnings	Unrealized Gain on Available-for-sale Securities	Deferred Loss on Derivatives under Hedge Accounting	Land Revaluation Excess	Treasury Stock	Total	Minority Interests	Total Equity	
<b>Balance at March 31, 2007</b> .....	\$367,691	\$253,139	\$1,095,578	\$859,497	\$(369)	\$129,285	\$(11,378)	\$2,693,443	\$172,752	\$2,866,195	
Net income.....	—	—	102,944	—	—	—	—	102,944	—	102,944	
Cash dividends, \$0.08 per share.....	—	—	(29,104)	—	—	—	—	(29,104)	—	(29,104)	
Transfer of land revaluation excess .....	—	—	2,236	—	—	—	—	2,236	—	2,236	
Purchase of treasury stock-other.....	—	—	—	—	—	—	(1,228)	(1,228)	—	(1,228)	
Disposal of treasury stock .....	—	—	—	—	—	—	130	130	—	130	
Net change in the year.....	—	—	—	(532,798)	369	(2,236)	—	(534,665)	5,998	(528,667)	
<b>Balance at March 31, 2008</b> .....	\$367,691	\$253,139	\$1,171,654	\$326,699	\$ —	\$127,049	\$(12,476)	\$2,233,756	\$178,750	\$2,412,506	

See notes to consolidated financial statements.



# Consolidated Statements of Cash Flows

The Juroku Bank, Ltd. and Consolidated Subsidiaries  
Years Ended March 31, 2008 and 2007

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2008	2007	2008
<b>Operating Activities:</b>			
Income before income taxes and minority interests .....	¥ 18,884	¥ 25,169	\$ 188,482
Adjustments for:			
Income taxes - paid .....	(11,031)	(1,742)	(110,101)
Depreciation and amortization .....	20,006	17,406	199,681
Impairment loss on long-lived assets .....	379	165	3,783
Interest income recognized on statements of income .....	(77,638)	(70,314)	(774,907)
Interest expenses recognized on statements of income .....	13,874	7,296	138,477
Net gains on securities .....	(14,996)	(4,127)	(149,676)
Unrealized loss (gain) on derivatives .....	1,238	(671)	12,356
Net increase (decrease) in reserve for possible loan losses .....	6,278	(1,417)	62,661
Net increase (decrease) in liability for retirement benefits .....	90	(3,139)	898
Net increase in loans .....	(86,085)	(99,889)	(859,218)
Net increase in deposits .....	14,051	128,106	140,243
Net decrease in negotiable certificates of deposit .....	(18,063)	(2,541)	(180,287)
Net (increase) decrease in due from banks (excluding cash equivalents) .....	(27)	105	(270)
Net (increase) decrease in call loans and others .....	(158)	0	(1,577)
Net increase (decrease) in call money and others .....	14,175	(32,366)	141,481
Net decrease in payables under securities lending transactions .....	(23,833)	(30,033)	(237,878)
Interest income - cash basis .....	79,596	69,402	794,451
Interest expense - cash basis .....	(11,232)	(5,242)	(112,107)
Other—net .....	425	(5,346)	4,243
Total adjustments .....	(92,951)	(34,347)	(927,747)
Net cash used in operating activities .....	(74,067)	(9,178)	(739,265)
<b>Investing Activities:</b>			
Purchases of securities .....	(537,467)	(184,682)	(5,364,477)
Proceeds from sales of securities .....	478,625	131,821	4,777,173
Proceeds from maturities of securities .....	130,995	130,805	1,307,466
Purchases of premises and equipment and others .....	(1,787)	(6,568)	(17,837)
Proceeds from sales of premises and equipment .....	639	221	6,378
Net cash provided by investing activities .....	71,005	71,597	708,703
<b>Financing Activities:</b>			
Proceeds from subordinated loans .....	10,000	—	99,810
Repayment of subordinated loans .....	(19,000)	—	(189,640)
Proceeds from issuance of subordinated bonds .....	15,000	15,000	149,716
Proceeds from sales of treasury stock .....	13	11	130
Acquisition of treasury stock .....	(123)	(115)	(1,228)
Dividends paid .....	(2,929)	(2,565)	(29,234)
Net cash provided by financing activities .....	2,961	12,331	29,554
<b>Foreign Currency Translation Adjustments on Cash and Cash Equivalents .....</b>			
	(22)	4	(220)
<b>Net (Decrease) Increase in Cash and Cash Equivalents .....</b>	<b>(123)</b>	<b>74,754</b>	<b>(1,228)</b>
<b>Cash and Cash Equivalents, Beginning of Year .....</b>	<b>193,976</b>	<b>119,222</b>	<b>1,936,082</b>
<b>Cash and Cash Equivalents, End of Year (Note 3) .....</b>	<b>¥193,853</b>	<b>¥193,976</b>	<b>\$1,934,854</b>

See notes to consolidated financial statements.

# Notes to Consolidated Financial Statements

The Juroku Bank, Ltd. and Consolidated Subsidiaries  
Years Ended March 31, 2008 and 2007

## 1. Basis of Presenting Consolidated Financial Statements

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

In preparing the consolidated financial statements, certain reclassifications and rearrangements have been made to the consolidated financial statements issued domestically in order to present them in a form which is more familiar to readers outside Japan. In addition, certain reclassifications have been made in the 2007 consolidated financial statements to conform to the classifications used in 2008.

The consolidated financial statements are stated in Japanese yen, the currency of the country in which the Juroku Bank, Ltd. (the "Bank") is incorporated and operates. The translations of Japanese yen amounts into U.S. dollar amounts are included solely for the convenience of readers outside Japan and have been made at the rate of ¥100.19 to \$1, the approximate rate of exchange at 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.

## 2. Summary of Significant Accounting Policies

### a. Consolidation

The consolidated financial statements as of March 31, 2008 and 2007 include the accounts of the Bank and its seven significant subsidiaries, including Juroku Business Service Co., Ltd., Juroku DC Card Co., Ltd., Juroku JCB Co., Ltd., Juroku Lease Co., Ltd., Juroku Computer Service Co., Ltd., Juroku Credit Guarantee Co., Ltd. and Juroku Capital Co., Ltd (together, the "Group").

Under the control concept, those companies in which the Bank, directly or indirectly, is able to exercise control over operations are fully consolidated.

On September 8, 2006, the Accounting Standards Board of Japan (the "ASBJ") issued Practical Issues Task Force ("PITF") No.20, "Practical Solution on Application of Control Criteria and Influence Criteria to Investment Associations" which is effective for fiscal years ending on or after September 8, 2006. The practical solution clarifies how the control and influence concept should be practically applied to the consolidation scope of collective investment vehicles, such as limited partnerships, Tokumei-Kumiai and other entities with similar characteristics, in order to avoid such vehicles being intentionally excluded from consolidation. The Bank applied this task force in the year ended March 31, 2007, which resulted in four collective investment vehicles newly identified as subsidiaries. However, investments in these investment vehicles are stated at cost. If the equity method of accounting had been applied to the investments in these vehicles, the effect on the accompanying consolidated financial statements would not be material.

Information on two special purpose entities, which are not regarded as subsidiaries pursuant to Article 8 Paragraph 7 of the Financial Statements Regulations, is not disclosed because they are immaterial. "Implementation Guidance on Disclosures about Certain Special Purpose Entities" (ASBJ Guidance No.15, issued on March 29, 2007) is effective for the year beginning on or after April 1, 2007, and the Group applied the guidance for the year ended March 31, 2008.

The difference between the cost of an acquisition and the fair value of the net assets of the acquired subsidiaries at the date of acquisition is being amortized over a period of five years.

All significant intercompany balances and transactions have been eliminated in consolidation. All material unrealized profits included in assets resulting from transactions within the Group are eliminated in consolidation.

### b. Cash and cash equivalents

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

### c. Trading securities

Trading securities are stated at fair value, and the related unrealized gains and losses are included in earnings. The cost of trading securities sold is determined based on the moving-average method.

### d. Securities

Securities other than trading securities are classified and accounted for, depending on management's intent, as follows: 1) held-to-maturity debt securities, which are expected to be held to maturity with the positive intent and ability to hold to maturity, are reported at amortized cost, and 2) available-for-sale securities, which are not classified as held-to-maturity, are reported at fair value with unrealized gains and losses, net of applicable taxes, reported in a separate component of equity. Non-marketable available-for-sale securities are stated at cost or amortized cost determined by the moving-average method.

Prior to April 1, 2006, synthetic collateralized debt obligations classified as available-for-sale securities held by the Bank were not separated into the host contract and the embedded derivative. The Bank measured the entire hybrid contract at fair value and gains or losses were recognized in the consolidated statements of income.

Effective April 1, 2006, the Bank adopted a new accounting guidance "Guidance on Accounting for Other Compound Financial Instruments (Compound Financial Instruments Other than Those with Option to Increase Paid-in Capital)" issued by the ASBJ. In accordance with the new accounting guidance, the Bank measured the entire hybrid contracts at fair value and unrealized gains or losses, net of applicable taxes, were recognized in a separate component of equity.

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

Securities included in money held in trust for trading purposes are stated at fair value, and the related unrealized gains and losses are included in earnings.

### e. Premises and equipment

Premises and equipment are stated at cost less accumulated depreciation. Depreciation of premises and equipment of the Bank except for leased assets is computed by the declining-balance method over the estimated useful lives of the assets. Depreciation of premises and equipment of the consolidated subsidiaries except for leased assets is computed principally by the same method as the Bank. Depreciation of leased assets is computed by the straight-line method over their lease periods.

The range of useful lives is principally from 15 to 50 years for buildings and from 4 to 20 years for other premises and equipment.

Under certain conditions such as exchanges of premises and equipment of similar kinds and sales and purchases resulting from expropriation, Japanese tax laws permit companies to defer the profit arising from such transactions by reducing the cost of the assets acquired or by providing a special reserve in the equity section. Deferred gain on premises and equipment deductible for tax purposes was ¥1,179 million (\$11,768 thousand) in 2008.

### f. Long-lived assets

The Group reviews its long-lived assets for impairment whenever events or changes in circumstance indicate the carrying amount of an asset or asset group may not be recoverable. An impairment loss would be

recognized if the carrying amount of an asset or asset group exceeds the sum of the undiscounted future cash flows expected to result from the continued use and eventual disposition of the asset or asset group. The impairment loss would be measured as the amount by which the carrying amount of the asset exceeds its recoverable amount, which is the higher of the discounted cash flows from the continued use and eventual disposition of the asset or the net selling price at disposition.

#### **g. Land revaluation**

Under the "Law of Land Revaluation," the Bank elected a one-time revaluation of its own-use land to a value based on real estate appraisal information as of March 31, 1998.

The resulting land revaluation excess represents unrealized appreciation of land and is stated, net of income taxes, as a component of equity. There is no effect on the consolidated statements of income. Continuous readjustment is not permitted unless the land value subsequently declines significantly such that the amount of the decline in value should be removed from the land revaluation excess account and related deferred tax liabilities.

The carrying amount of the land after the above one-time revaluation exceeded the market value by ¥16,872 million (\$168,400 thousand) as of March 31, 2008.

#### **b. Intangible assets**

Amortization of intangible assets is calculated by the straight-line method.

Amortization cost for software for internal use is calculated by the straight-line method over the estimated useful life, principally, five years.

#### **i. Reserve for possible loan losses**

The Bank implemented a self-assessment system for its asset quality. The quality of all loans is assessed by the related lending division with a subsequent audit by the asset audit division in accordance with the Bank's policies and rules for self-assessment of asset quality.

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

For normal and caution loans, the reserve for possible loan losses is provided for based on actual past loss ratios. For loans such as possible bankruptcy, the reserve for possible loan losses is provided for in an amount deemed necessary to cover possible losses on loans considering the customer's solvency and other factors, after the estimated fair value of the collateral real estate or guaranteed amount has been deducted. For loans such as virtual bankruptcy or legal bankruptcy, the reserve for possible loan losses is provided based upon the loan amount, after the estimated fair value of the collateral real estate or guaranteed amount has been deducted.

For loans to possible bankruptcy customers, if the exposure to a customer after deducting the estimated value of the collateral or guaranteed amount exceeds a certain amount, the discounted cash flow method is applied for reserve provision, under which the reserve is determined as the difference between the book value of the loan and its present value of future cash flows discounted using the contractual interest rate in the case that future cash flows of the principal and interest can be reasonably estimated.

Reserve for possible loan losses of consolidated subsidiaries is provided based on historical loan loss experience and estimated collectibility of specific claims.

The Bank applied the discounted cash flow method for reserve provision as of March 31, 2008. The effect of this treatment was to decrease income before income taxes and minority interests for the year ended March 31, 2008 by ¥3,630 million (\$36,231 thousand).

#### **j. Liability for retirement benefits**

The Bank has a contributory funded defined benefit pension plan and lump-sum payment severance plan for employees, and certain subsidiaries have lump-sum payment severance plans for employees. Also, the Bank and certain subsidiaries have severance lump-sum payment plans for directors and corporate auditors.

Prior to April 1, 2007, retirement benefits to directors and corporate auditors of the Group were expensed when paid. Effective April 1, 2007, retirement benefits to directors and corporate auditors of the Group are provided at the amount that would be required if all directors and corporate auditors retired at the balance sheet date in accordance with a Report of the Auditing and Assurance Practice Committee, "An Auditing Treatment for Retirement Benefits to Directors and Corporate Auditors," which was published by the Japanese Institute of Certified Public Accountants on April 13, 2007 and is effective for fiscal years beginning on or after April 1, 2007. The effect of this change was to decrease income before taxes and minority interests for the year ended March 31, 2008 by ¥494 million (\$4,931 thousand).

#### **k. Leases**

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

#### **l. Bonuses to directors and corporate auditors**

Bonuses to directors and corporate auditors are accrued at the year end to which such bonuses are attributable.

#### **m. Income taxes**

The provision for current income taxes is computed based on the pretax income included in the consolidated statements of income. The asset and liability approach is used to recognize deferred tax assets and liabilities for the expected future tax consequences of temporary differences between the carrying amounts and the tax bases of assets and liabilities. Deferred taxes are measured by applying currently enacted tax laws to the temporary differences.

#### **o. Foreign currency transactions**

Foreign currency assets and liabilities of the Group are translated into yen equivalents at the exchange rates prevailing at the fiscal year end.

#### **p. Derivatives and hedging activities**

The Bank uses a variety of derivative financial instruments. Derivative financial instruments are classified and accounted for as follows: a) all derivatives are recognized as either assets or liabilities and measured at fair value, and gains or losses on derivative transactions are recognized in the statements of income and b) for derivatives used for hedging purposes, if derivatives qualify for hedge accounting because of high correlation and effectiveness between the hedging instruments and the hedged items, gains or losses on derivatives are applied for hedge accounting.

Under the exceptional treatment of hedge accounting, the interest rate swaps which qualify for hedge transactions and meet specific matching criteria are not remeasured at market value but the differential paid or received under the swap agreements are recognized and included

in interest expense or income.

The Bank evaluates the effectiveness of hedges by examining whether risk exposures of derivatives, serving as the means to adjust risks, are within risk limits determined in the risk-management policy and also whether hedged interest rate risk exposure is reduced.

Prior to April 1, 2003, the Bank applied "macro hedge," the temporary treatment stipulated in "Treatment of Accounting and Auditing in Applying Accounting Standard for Financial Instruments in the Banking Industry," JICPA Industry Audit Committee Report No.24, which is the method to manage aggregate interest rate risks arising from numerous financial assets and liabilities, such as loans and deposits, by using derivatives.

Effective April 1, 2003, the Bank applied the principle treatment of JICPA Industry Audit Committee Report No.24 and unrealized gains and losses incurred during the year were included in earnings for the year ended March 31, 2004. The deferred hedge losses, which were previously accounted for under "macro hedge," were charged to other operating expenses over five years beginning April 1, 2003. Deferred loss on derivatives under macro hedge accounting, net of applicable taxes, included in the separate component of equity was nil at March 31, 2008.

#### q. Per share information

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

The weighted average number of common shares used in the computation for the years ended March 31, 2008 and 2007 was 364,496,064 shares and 365,615,783 shares, respectively.

Diluted net income per share reflects the potential dilution that could occur if securities were exercised or converted into common stock. Diluted net income per share of common stock assumes full conversion of the outstanding convertible notes and bonds at the beginning of the year (or at the time of issuance) with an applicable adjustment for related interest expense, net of tax, and full exercise of outstanding warrants. Diluted net income per share is not disclosed because there are no dilutive shares.

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

#### r. Presentation of Equity

On December 9, 2005, the ASBJ published a new accounting standard for presentation of equity. Under this accounting standard, certain items which were previously presented as liabilities or assets, as the case may be, are now presented as components of equity. Such items include stock acquisition rights, minority interests, and any deferred gain or loss on derivatives accounted for under hedge accounting. This standard was effective for fiscal years ending on or after May 1, 2006. The balances of such items as of March 31, 2006 were reclassified as separate components of equity as of April 1, 2006 in the consolidated statement of changes in equity.

### s. New Accounting Pronouncements

#### Lease Accounting

On March 30, 2007, the ASBJ issued ASBJ Statement No.13, "Accounting Standard for Lease Transactions," which revised the existing accounting standard for lease transactions issued on June 17, 1993. The revised accounting standard for lease transactions is effective for fiscal years beginning on or after April 1, 2008 with early adoption permitted for fiscal years beginning on or after April 1, 2007.

#### Lessee

Under the existing accounting standard, finance leases that deem to transfer ownership of the leased property to the lessee are to be capitalized, however, other finance leases are permitted to be accounted for as operating lease transactions if certain "as if capitalized" information is disclosed in the note to the lessee's financial statements. The revised accounting standard requires that all finance lease transactions shall be capitalized recognizing lease assets and lease obligations in the balance sheet.

#### Lessor

Under the existing accounting standard, finance lease that deem to transfer ownership of the leased property to the lessee are to be capitalized, however, other finance leases are permitted to be accounted for as operating lease transactions if certain "as if capitalized" information is disclosed in the note to the lessor's financial statements. The revised accounting standard requires that all finance leases that deem to transfer ownership of the leased property to the lessee shall be recognized as lease receivables, and all finance leases that deem not to transfer ownership of the leased property to the lessee shall be recognized as investments in lease.

### 3. Cash and Due from Banks

Cash and due from banks as of March 31, 2008 and 2007 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2008	2007	2008
Cash.....	¥ 64,330	¥ 66,191	\$ 642,080
Due from banks .....	129,869	128,104	1,296,227
Total .....	<u>¥194,199</u>	<u>¥194,295</u>	<u>\$1,938,307</u>

A reconciliation between the cash and due from banks on the consolidated balance sheets and the cash and cash equivalents on the consolidated statements of cash flows for the years ended March 31, 2008 and 2007 was as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2008	2007	2008
Cash and due from banks .....	¥194,199	¥194,295	\$1,938,307
Due from banks other than the Bank of Japan .....	(346)	(319)	(3,453)
Cash and cash equivalents .....	<u>¥193,853</u>	<u>¥193,976</u>	<u>\$1,934,854</u>



#### 4. Trading Securities and Securities

Trading securities as of March 31, 2008 and 2007 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2008	2007	2008
National government bonds .....	¥1,445	¥2,943	\$14,422
Local government bonds .....	69	99	689
	<u>¥1,514</u>	<u>¥3,042</u>	<u>\$15,111</u>

Valuation gains, which were included in other operating income for the years ended March 31, 2008 and 2007 were ¥13 million (\$130 thousand) and ¥6 million, respectively.

Valuation losses, which were included in other operating expenses for the years ended March 31, 2008 and 2007 were ¥1 million (\$10 thousand) and nil, respectively.

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

	Millions of Yen		Thousands of U.S. Dollars
	2008	2007	2008
Stock shares .....	¥164,710	¥ 238,229	\$1,643,977
National government bonds .....	301,083	371,533	3,005,120
Local government bonds .....	149,798	128,782	1,495,139
Corporate bonds .....	162,613	169,903	1,623,046
Other securities .....	75,660	100,292	755,165
Total .....	<u>¥853,864</u>	<u>¥1,008,739</u>	<u>\$8,522,447</u>

Information regarding available-for-sale and held-to-maturity securities as of March 31, 2008 and 2007 was as follows:

2008	Millions of Yen			
	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Securities classified as:				
Available-for-sale:				
Equity securities .....	¥102,618	¥60,494	¥5,944	¥157,168
Debt securities .....	555,048	4,440	1,343	558,145
Other .....	75,707	233	7,152	68,788
Held-to-maturity:				
Debt securities .....	1,864	41	0	1,905

2007	Millions of Yen			
	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Securities classified as:				
Available-for-sale:				
Equity securities .....	¥ 93,981	¥136,443	¥ 337	¥230,087
Debt securities .....	618,593	2,549	2,110	619,032
Other .....	96,949	2,370	710	98,609
Held-to-maturity:				
Debt securities .....	2,375	46	0	2,421

2008	Thousands of U.S. Dollars			
	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Securities classified as:				
Available-for-sale:				
Equity securities .....	\$1,024,234	\$603,793	\$59,327	\$1,568,700
Debt securities .....	5,539,954	44,316	13,405	5,570,865
Other .....	755,634	2,326	71,384	686,576
Held-to-maturity:				
Debt securities .....	18,605	409	0	19,014

Available-for-sale securities and held-to-maturity securities whose fair value was not readily determinable as of March 31, 2008 and 2007 were as follows:

	Carrying Amount		
	Millions of Yen		Thousands of U.S. Dollars
	2008	2007	2008
Available-for-sale:			
Equity securities .....	¥ 7,543	¥ 8,142	\$ 75,287
Investment vehicles and others .....	5,153	—	51,432
Held-to-maturity:			
Debt securities .....	53,485	48,810	533,836
Total .....	<u>¥66,181</u>	<u>¥56,952</u>	<u>\$660,555</u>

Investments in non-consolidated subsidiaries included in "Securities" in the accompanying consolidated balance sheet at March 31, 2008 and 2007 were ¥1,718 million (\$17,147 thousand) and ¥1,684 million, respectively.

Proceeds from sales of available-for-sale securities for the years ended March 31, 2008 and 2007 were ¥499,451 million (\$4,985,038 thousand) and ¥114,505 million, respectively. Gross realized gains and losses on these sales, computed on the moving average cost basis, were ¥21,831 million (\$217,896 thousand) and ¥3,525 million (\$35,183 thousand), respectively, for the year ended March 31, 2008, and ¥6,351 million and ¥1,963 million, respectively, for the year ended March 31, 2007.

The carrying values of debt securities and other investments by contractual maturities for securities classified as available-for-sale and held-to-maturity as of March 31, 2008 were as follows:

	Millions of Yen		Thousands of U.S. Dollars	
	Available-for-Sale	Held-to-Maturity	Available-for-Sale	Held-to-Maturity
Due in one year or less .....	¥ 76,829	¥ 8,851	\$ 766,833	\$ 88,343
Due after one year				
through five years .....	284,655	37,488	2,841,152	374,169
Due after five years				
through ten years .....	202,549	9,010	2,021,649	89,929
Due after ten years .....	62,190	—	620,720	—
Total .....	<u>¥626,223</u>	<u>¥55,349</u>	<u>\$6,250,354</u>	<u>\$552,441</u>

#### 5. Money Held in Trust

Information regarding money held in trust for trading purposes as of March 31, 2008 and 2007 was as follows:

	Carrying Amount		
	Millions of Yen		Thousands of U.S. Dollars
	2008	2007	2008
Amounts per the balance sheet .....	¥4,000	¥8,000	\$39,924
Net valuation loss included in the consolidated statements of income .....	—	(298)	—

## 6. Loans and Bills Discounted

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

	Millions of Yen		Thousands of U.S. Dollars
	2008	2007	2008
Bills discounted .....	¥ 49,280	¥ 60,247	\$ 491,865
Loans on bills .....	234,307	257,881	2,338,627
Loans on deeds .....	2,148,571	2,015,061	21,444,965
Overdrafts .....	454,535	467,119	4,536,730
Others .....	6,044	6,343	60,325
Total .....	<u>¥2,892,737</u>	<u>¥2,806,651</u>	<u>\$28,872,512</u>

Nonaccrual loans, which include loans to borrowers in bankruptcy and past due loans, are defined as loans upon which the Bank has discontinued the accrual of interest income. Borrowers are generally placed on nonaccrual status when substantial doubt is deemed to exist as to ultimate collectibility of either the principal or interest, and if the loans are past due for certain period or for other reasons.

“Loans to borrowers in bankruptcy” represent nonaccrual loans to debtors who are legally bankrupt, which are defined in Article 96, Paragraph 1, Subparagraphs 3 and 4 of Enforcement Ordinance for the Corporate Tax Law. Loans to borrowers in legal bankruptcy as of March 31, 2008 and 2007 were ¥7,609 million (\$75,946 thousand) and ¥6,481 million, respectively.

“Past due loans” are nonaccrual loans other than loans to borrowers in bankruptcy and loans of which interest payments are deferred in order to assist the financial recovery of a debtor in financial difficulties. Past due loans as of March 31, 2008 and 2007 were ¥87,058 million (\$868,929 thousand) and ¥83,090 million, respectively.

“Accruing loans past due three months or more” are defined as loans on which principal or interest is past due more than three months. Loans classified as loans to borrowers in bankruptcy and past due loans are excluded from accruing loans past due three months or more. Accruing loans past due three months or more as of March 31, 2008 and 2007 were ¥672 million (\$6,707 thousand) and ¥2,174 million, respectively.

“Restructured loans” are defined as loans which the lender is providing financial support to a borrower by a reduction of the interest rate, deferral of interest payment, extension of maturity date, or reduction of the face or maturity amount of the debt or accrued interest. Loans classified as loans to borrowers in bankruptcy, past due loans and accruing loans past due three months or more are excluded from restructured loans. Restructured loans as of March 31, 2008 and 2007 were ¥38,221 million (\$381,485 thousand) and ¥23,159 million, respectively.

The total amount of loans to borrowers in bankruptcy, past due loans, accruing loans past due three months or more and restructured loans as of March 31, 2008 and 2007 was ¥133,560 million (\$1,333,067 thousand) and ¥114,904 million, respectively.

Bills discounted are accounted for as financing transactions in accordance with “Treatment of Accounting and Auditing in Applying Accounting Standard for Financial Instruments in the Banking Industry” issued by the JICPA. The Bank has rights to sell or pledge accepted commercial bills discounted and foreign bills of exchange bought without restrictions. The total face value of commercial bills discounted and foreign bills of exchange bought included in foreign exchanges as of March 31, 2008 and 2007 was ¥50,825 million (\$507,286 thousand) and ¥61,633 million, respectively.

## 7. Foreign Exchanges

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

	Millions of Yen		Thousands of U.S. Dollars
	2008	2007	2008
<b>Assets:</b>			
Due from foreign			
correspondent account .....	¥2,321	¥1,127	\$23,166
Foreign bills of			
exchange bought .....	1,544	1,387	15,411
Foreign bills of			
exchange receivable .....	748	847	7,466
Total .....	<u>¥4,613</u>	<u>¥3,361</u>	<u>\$46,043</u>
<b>Liabilities:</b>			
Due to foreign			
correspondent account .....	¥ 447	¥ 737	\$ 4,462
Foreign bills of			
exchange payable .....	290	1	2,894
Total .....	<u>¥ 737</u>	<u>¥ 738</u>	<u>\$ 7,356</u>

## 8. Other Assets

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

	Millions of Yen		Thousands of U.S. Dollars
	2008	2007	2008
Accrued income .....	¥ 5,409	¥ 5,818	\$ 53,988
Accounts receivable .....	31,649	9,182	315,890
Installment receivable .....	7,061	6,452	70,476
Derivative assets .....	21,108	13,489	210,680
Other .....	14,324	11,484	142,968
Total .....	<u>¥79,551</u>	<u>¥46,425</u>	<u>\$794,002</u>

## 9. Premises and Equipment

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

	Millions of Yen		Thousands of U.S. Dollars
	2008	2007	2008
Land .....	¥ 47,215	¥ 48,091	\$ 471,255
Building .....	15,287	16,677	152,580
Construction in progress .....	65	—	649
Other .....	48,933	48,569	488,402
Total .....	<u>¥111,500</u>	<u>¥113,337</u>	<u>\$1,112,886</u>

The accumulated depreciation of premises and equipment as of March 31, 2008 and 2007 amounted to ¥113,766 million (\$1,135,503 thousand) and ¥112,923 million, respectively.

### 10. Customers' Liabilities for Acceptances and Guarantees

All contingent liabilities arising from acceptances and guarantees are reflected in acceptances and guarantees. As a contra account, the customers' liabilities for acceptances and guarantees are presented as assets, representing the Bank's right of indemnity from applicants.

The Enforcement Ordinance of the Banking Law was revised on April 17, 2007 and effective from the fiscal years beginning on and after April 1, 2006. The Bank offset customer's liabilities for acceptance and guarantees with acceptance and guarantees of ¥51,670 million (\$515,720 thousand) and ¥46,150 arising from guarantees of private placement securities as of March 31, 2008 and 2007, respectively.

### 11. Assets Pledged

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

	Millions of Yen		Thousands of U.S. Dollars
	2008	2007	2008
Assets pledged as collateral:			
Securities .....	¥93,237	¥116,132	\$930,602
Other assets .....	79	80	788
Total .....	¥93,316	¥116,212	\$931,390
Relevant liabilities to above assets:			
Deposits .....	¥93,283	¥ 73,710	\$931,061
Payables under securities lending transactions .....	—	23,833	—
Total .....	¥93,283	¥ 97,543	\$931,061

In addition, the following assets were pledged or deposited with respect to foreign exchange settlements and derivatives as of March 31, 2008 and 2007.

	Millions of Yen		Thousands of U.S. Dollars
	2008	2007	2008
Securities .....	¥79,895	¥74,099	\$797,435
Other assets .....	8	8	80
Total .....	¥79,903	¥74,107	\$797,515

Deposits included in other assets as of March 31, 2008 and 2007 were ¥1,893 million (\$18,894 thousand) and ¥1,951 million, respectively.

### 12. Deposits

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

	Millions of Yen		Thousands of U.S. Dollars
	2008	2007	2008
Current deposits .....	¥ 215,181	¥ 247,374	\$ 2,147,729
Ordinary deposits .....	1,489,656	1,464,095	14,868,310
Deposits at notice .....	25,536	26,913	254,876
Time deposits .....	1,694,259	1,672,324	16,910,460
Other deposits .....	205,524	205,399	2,051,343
Total .....	¥3,630,156	¥3,616,105	\$36,232,718

### 13. Borrowed Money

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

	Millions of Yen		Thousands of U.S. Dollars
	2008	2007	2008
Borrowings due serially to April 2018 with weighted average interest rates of 1.66% in 2008 and 1.69% in 2007 .....	¥44,826	¥51,638	\$447,410

Annual maturities of borrowings as of March 31, 2008 were as follows:

Year Ending March 31,	Millions of Yen	Thousands of U.S. Dollars
2009 .....	¥15,250	\$152,211
2010 .....	4,239	42,309
2011 .....	3,458	34,514
2012 .....	2,229	22,248
2013 .....	1,650	16,469
2014 and thereafter .....	18,000	179,659
Total .....	¥44,826	\$447,410

Borrowings include subordinated borrowings of the Bank, which amounted to ¥18,000 million (\$179,659 thousand) and ¥27,000 million as of March 31, 2008 and 2007, respectively.

### 14. Bonds

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

	Millions of Yen		Thousands of U.S. Dollars
	2008	2007	2008
Unsecured Yen subordinated bonds due March 2017 (a) .....	¥15,000	¥15,000	\$149,716
Unsecured Yen subordinated bonds due September 2017 (b) .....	15,000	—	149,715
Total .....	¥30,000	¥15,000	\$299,431

- (a) The interest rates of the bonds are 1.75% for the period from March 23, 2007 to March 22, 2012 and six-month Euroyen Libor plus 1.92% for the period from March 23, 2012 to March 22, 2017.
- (b) The interest rates of the bonds are 1.92% for the period from September 19, 2007 to September 18, 2012 and six-month Euroyen Libor plus 2.03% for the period from September 19, 2012 to September 15, 2017.

## 15. Other Liabilities

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

	Millions of Yen		Thousands of U.S. Dollars
	2008	2007	2008
Domestic exchange settlement account, credit* .....	¥ 99	¥ 143	\$ 988
Income taxes payables .....	7,537	7,227	75,227
Accrued expenses .....	6,599	3,928	65,865
Unearned income .....	9,505	7,616	94,870
Employees' deposits .....	2,209	2,207	22,048
Derivative liabilities.....	20,256	13,839	202,176
Accounts payable .....	33,560	5,272	334,963
Other.....	9,430	10,379	94,121
Total .....	¥89,195	¥50,971	\$890,258

\*The domestic exchange settlement account consisted of outstanding remittance bills from other banks and/or collection bills for which the Bank has received notices for payment from other banks which have not been settled.

## 16. Retirement and Pension Plans

The Bank and certain subsidiaries have severance payment plans for employees, directors and corporate auditors. Under most circumstances, employees terminating their employment are entitled to retirement benefits determined based on the rate of pay at the time of termination, years of service and certain other factors. If the termination is involuntary, caused by retirement at the mandatory retirement age or death, or certain other causes, the employee is entitled to greater payment than in the case of voluntary termination.

The liability for retirement benefits for directors and corporate auditors as of March 31, 2008 was ¥494 million (\$4,931 thousand). The retirement benefits for directors and corporate auditors are paid subject to the approval of the shareholders.

The liability for retirement benefits for employees as of March 31, 2008 and 2007 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2008	2007	2008
Projected benefit obligation .....	¥44,999	¥44,579	\$449,137
Fair value of plan assets .....	(32,393)	(37,137)	(323,316)
Unrecognized actuarial loss .....	(6,303)	(74)	(62,910)
Prepaid pension cost .....	661	—	6,597
Net liability .....	¥ 6,964	¥ 7,368	\$ 69,508

The components of net periodic retirement benefit costs for the years ended March 31, 2008 and 2007 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2008	2007	2008
Service cost .....	¥1,282	¥1,233	\$12,796
Interest cost .....	891	884	8,893
Expected return on plan assets.....	(994)	(907)	(9,921)
Amortization of prior service benefit.....	—	(2,271)	—
Recognized actuarial loss.....	675	807	6,737
Net periodic retirement (benefit) costs .....	¥1,854	¥ (254)	\$18,505

Assumptions used for the years ended March 31, 2008 and 2007 were set forth as follows:

	2008	2007
Periodic recognition of projected benefit obligation	Straight-line method	Straight-line method
Discount rate	2.0%	2.0%
Expected rate of return on plan assets	3.5%	3.5%
Amortization period of prior service benefit/cost	—	3 years
Recognition period of actuarial gain/loss	10 years	10 years

## 17. Equity

Since May 1, 2006, Japanese banks have been subject to the Corporate Law of Japan (the "Corporate Law"), which reformed and replaced the Commercial Code of Japan. The significant provisions in the Corporate Law that affect financial and accounting matters are summarized below:

### (a) Dividends

Under the Corporate Law, companies can pay dividends at any time during the fiscal year in addition to the year-end dividend upon resolution at the shareholders meeting. For companies that meet certain criteria such as; (1) having the Board of Directors, (2) having independent auditors, (3) having the Board of Corporate Auditors, and (4) the term of service of the directors is prescribed as one year rather than two years of normal term by its articles of incorporation, the Board of Directors may declare dividends (except for dividends in kind) at any time during the fiscal year if the company has prescribed so in its articles of incorporation. However, the Bank cannot do so because it does not meet all the above criteria. Semiannual interim dividends may also be paid once a year upon resolution by the Board of Directors if the articles of incorporation of the company so stipulate. The Corporate Law provides certain limitations on the amounts available for dividends or the purchase of treasury stock. The limitation is defined as the amount available for distribution to the shareholders, but the amount of net assets after dividends must be maintained at no less than ¥3 million.

### (b) Treasury stock and treasury stock acquisition rights

The Corporate Law also provides for companies to purchase treasury stock and dispose of such treasury stock by resolution of the Board of Directors. The amount of treasury stock purchased cannot exceed the amount available for distribution to the shareholders which is determined by specific formula. Under the Corporate Law, stock acquisition rights, which were previously presented as a liability, are now presented as a separate component of equity. The Corporate Law also provides that companies can purchase both treasury stock acquisition rights and treasury stock. Such treasury stock acquisition rights are presented as a separate component of equity or deducted directly from stock acquisition rights.

Other than above, the Japanese Banking Law provided that an amount at least equal to 20% of the aggregate amount of cash dividends and certain other cash payments which are made as an appropriation of retained earnings applicable to each fiscal period shall be set aside as a legal reserve until the total additional paid-in capital and legal reserve equals 100% of stated capital. The amount of total additional paid-in capital and legal reserve which exceeds 100% of stated capital can be transferred to retained earnings by resolution of the shareholders, which may be available for dividends. The Bank's legal reserve amount, which is included in retained earnings, totals ¥20,155 million (\$201,168 thousand) as of March 31, 2008 and 2007.

## 18. Other Income

Other income for the years ended March 31, 2008 and 2007 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2008	2007	2008
Gain on money held in trust .....	¥ 63	¥ 23	\$ 629
Other .....	1,738	3,087	17,347
Total .....	<u>¥1,801</u>	<u>¥3,110</u>	<u>\$17,976</u>

## 19. Other Expenses

Other expenses for the years ended March 31, 2008 and 2007 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2008	2007	2008
Write-down of stocks and other securities .....	¥ 1,715	¥ 261	\$ 17,117
Loss on sales of stocks and other securities .....	387	259	3,863
Write-down of loans .....	36	26	359
Loss on sales of loans .....	6,276	2,031	62,641
Loss on dispositions of premises and equipment .....	258	300	2,575
Other .....	2,806	889	28,007
Total .....	<u>¥11,478</u>	<u>¥3,766</u>	<u>\$114,562</u>

## 20. Income Taxes

The Bank and its subsidiaries are subject to Japanese national and local income taxes which, in the aggregate, resulted in normal effective statutory tax rates of approximately 40% for the years ended March 31, 2008 and 2007.

The tax effects of significant temporary differences and tax loss carryforwards, which result in deferred tax assets and liabilities as of March 31, 2008 and 2007 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2008	2007	2008
Deferred tax assets:			
Reserve for possible loan losses ....	¥18,934	¥ 16,464	\$188,981
Tax loss carryforwards .....	38	22	379
Liability for retirement benefits ...	4,846	5,227	48,368
Write-down of securities .....	5,723	4,488	57,122
Depreciation .....	2,097	2,560	20,930
Other .....	3,332	2,216	33,257
Less: Valuation allowance .....	(6,236)	(5,585)	(62,242)
Total .....	<u>28,734</u>	<u>25,392</u>	<u>286,795</u>
Deferred tax liabilities:			
Unrealized gain on available-for-sale securities .....	(18,736)	(51,842)	(187,005)
Gain on contribution of available-for-sale securities to employees' retirement benefit trusts .....	(1,353)	(1,353)	(13,504)
Total .....	<u>(20,089)</u>	<u>(53,195)</u>	<u>(200,509)</u>
Net deferred tax assets (liabilities) .....	<u>¥ 8,645</u>	<u>¥(27,803)</u>	<u>\$ 86,286</u>

A reconciliation between the normal effective statutory tax rate and the actual effective tax rate reflected in the accompanying consolidated statements of income for the year ended March 31, 2008 and 2007 was not disclosed because the difference was not material.

## 21. Leases

### Finance lease

(Lessee)

A subsidiary leases certain equipment. Total rental expenses under the finance leases for the years ended March 31, 2008 and 2007 were ¥0 million (\$0 thousand).

Pro forma information of leased property such as acquisition cost, accumulated depreciation, obligation under finance leases and depreciation expense of finance leases that do not transfer ownership of the leased property to the lessee on an "as if capitalized" basis as of March 31, 2008 and 2007 was as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2008	2007	2008
Acquisition cost .....	¥3	¥ 4	\$30
Accumulated depreciation .....	0	(4)	0
Net leased property .....	<u>¥3</u>	<u>¥—</u>	<u>\$30</u>

Obligations under finance leases as of March 31, 2008 and 2007 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2008	2007	2008
Due within one year .....	¥1	¥ —	\$10
Due after one year .....	2	—	20
Total .....	<u>¥3</u>	<u>¥ —</u>	<u>\$30</u>

\*The amounts of obligations under finance leases include the imputed interest expense portion.

Depreciation expense, which was not reflected in the accompanying consolidated statements of income, was computed by the straight-line method with useful lives being equal to the lease period and all residual values at zero. Depreciation expense for the years ended March 31, 2008 and 2007 was ¥0 million (\$0 thousand).

(Lessor)

A subsidiary leases certain equipment and other assets. Total rental revenues under finance leases for the years ended March 31, 2008 and 2007 were ¥16,828 million (\$167,961 thousand) and ¥16,098 million, respectively.

Leased property of finance leases that do not transfer ownership of the leased property to the lessee, which were stated as a component of assets on the consolidated balance sheets as of March 31, 2008 and 2007 were as follows:

2008	Millions of Yen		
	Equipment	Other	Total
Acquisition cost .....	¥80,188	¥6,369	¥86,557
Accumulated depreciation ...	(36,575)	(3,193)	(39,768)
Net leased property .....	<u>¥43,613</u>	<u>¥3,176</u>	<u>¥46,789</u>

2007	Millions of Yen		
	Equipment	Other	Total
Acquisition cost .....	¥76,583	¥6,454	¥83,037
Accumulated depreciation ...	(34,812)	(3,062)	(37,874)
Net leased property .....	<u>¥41,771</u>	<u>¥3,392</u>	<u>¥45,163</u>

2008	Thousands of U.S. Dollars		
	Equipment	Other	Total
Acquisition cost .....	\$800,359	\$63,569	\$863,928
Accumulated depreciation ...	(365,056)	(31,869)	(396,926)
Net leased property .....	<u>\$435,303</u>	<u>\$31,700</u>	<u>\$467,003</u>



Expected future rental revenues under finance leases as of March 31, 2008 and 2007 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2008	2007	2008
Due within one year.....	¥13,876	¥13,272	\$138,497
Due after one year.....	33,763	32,983	336,990
Total.....	<u>¥47,639</u>	<u>¥46,255</u>	<u>\$475,487</u>

Depreciation expense for the years ended March 31, 2008 and 2007 was ¥13,021 million (\$129,963 thousand) and ¥13,679 million, respectively. Interest income for the years ended March 31, 2008 and 2007 were ¥2,036 million (\$20,321 thousand) and ¥1,938 million, respectively.

Expected future rental revenues under operating leases as of March 31, 2008 and 2007 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2008	2007	2008
Due within one year.....	¥ 47	¥178	\$ 469
Due after one year.....	55	518	549
Total.....	<u>¥102</u>	<u>¥696</u>	<u>\$1,018</u>

## 22. Commitments and Contingent Liabilities

Commitment line contracts on overdrafts and loans are agreements to make loans to customers when they apply for borrowing up to a prescribed amount, as long as there is no violation of any condition of the contracts.

The total amounts of unused open commitments as of March 31, 2008 and 2007 were ¥1,197,872 million (\$11,956,004 thousand) and ¥1,156,890 million, respectively. Multi-purpose accounts included in the unused open commitments as of March 31, 2008 and 2007 were ¥506,351 million (\$5,053,908 thousand) and ¥500,179 million, respectively. The amounts of unused commitments whose original contract terms were within one year or unconditionally cancelable at any time as of March 31, 2008 and 2007 were ¥1,185,495 million (\$11,832,468 thousand) and ¥1,137,067 million, respectively.

Since many of these commitments are expected to expire without being drawn upon, the total amount of unused commitments does not necessarily represent actual future cash flow requirements. Many of these commitments have clauses enabling the Bank and certain subsidiaries to reject the loans to customers or reduce the contract amounts of commitment, in the event monetary conditions have changed and the Bank and certain subsidiaries need to secure claims, or other considerable events have occurred.

In addition, if necessary, the Bank and certain subsidiaries request the customers to pledge collateral such as premises and securities at the execution of the contracts. After the execution, the Bank and certain subsidiaries periodically evaluate the customers' financial positions based upon the internal policy, and take necessary measures to manage the credit exposures, such as revising the terms of contracts or securing the claims.

## 23. Derivative Information

The Bank enters into swap, future, cap and floor agreements related to interest rates, foreign exchange forward contracts, swap and option contracts related to currencies, bond futures, bond futures options, over-the-counter bond options, stock futures, stock futures options and stock option contracts related to securities. In addition, the Bank has credit derivatives embedded in compound instruments.

The Bank principally enters into derivative transactions to meet the needs of the Bank and its customers and to hedge risks of assets and liabilities held, which are related to interest rates, price fluctuations and foreign exchanges. The Bank also enters into derivative transactions for trading purposes under certain risk limitations for speculative purposes.

Derivatives are subject to market risk and credit risk. Market risk is the exposure created by potential fluctuation in market conditions, including interest rate, foreign exchange and price. The Bank mitigates market risks by conducting effective covering transactions against derivative transactions to meet the needs of the Bank's customers and establishing the permitted risk amount in advance before entering into derivative transactions for trading purposes. Credit risk is defined as the risk that counterparties will not be able to fulfill their obligations to the Group. Because the Bank conducts its derivative with trading business to major financial institutions and enterprises, the Bank considers credit risk to be minimal.

Derivative transactions entered into by the Bank have been made in accordance with internal policies. The dealing section is responsible for executing and controlling derivative transactions, mark-to-market of positions, determining related gains and losses and the outstanding exposures of balances.

The dealing section is also responsible for periodically reporting to management and the Risk Management Division, which deals with risk control. In order to achieve an appropriate segregation of duties relating to derivative transactions, the ALM office reviews outstanding derivative transactions executed by the international dealing section. Each derivative transaction is reported to management. Management evaluates the risks concerning the whole portfolio including deposits, loans and securities, and discusses the hedging policies at ALM committee meetings periodically.

The Bank had the following derivative contracts outstanding as of March 31, 2008 and 2007:

2008	Millions of Yen		
	Contract or Notional Amount	Fair Value	Unrealized Gains/(Losses)
Over-the-counter interest-related contracts:			
Interest rate swap:			
Fixed rate receipt, floating rate payment .....	¥ 7,040	¥ 62	¥ 62
Floating rate receipt, fixed rate payment .....	7,040	(37)	(37)
Over-the-counter currency-related contracts:			
Currency swap .....	399,684	639	639
Foreign exchange forward:			
Sell .....	12,639	725	725
Buy .....	34,457	(533)	(533)
Currency option:			
Sell .....	227,265	(18,393)	(2,120)
Buy .....	223,054	18,390	4,328
Over-the-counter credit derivative contracts:			
Credit default option:			
Sell .....	3,000	(1,379)	(1,379)

2007	Millions of Yen		
	Contract or Notional Amount	Fair Value	Unrealized Gains/(Losses)
Over-the-counter interest-related contracts:			
Interest rate swap:			
Fixed rate receipt, floating rate payment .....	¥ 8,245	¥ 2	¥ 2
Floating rate receipt, fixed rate payment .....	12,749	(19)	(19)
Over-the-counter currency-related contracts:			
Currency swap .....	462,042	539	539
Foreign exchange forward:			
Sell .....	9,269	(214)	(214)
Buy .....	12,664	320	320
Currency option:			
Sell .....	212,689	(10,063)	4,155
Buy .....	218,186	10,056	(2,311)

2008	Thousands of U.S. Dollars		
	Contract or Notional Amount	Fair Value	Unrealized Gains/(Losses)
Over-the-counter interest-related contracts:			
Interest rate swap:			
Fixed rate receipt, floating rate payment .....	\$ 70,266	\$ 619	\$ 619
Floating rate receipt, fixed rate payment .....	70,266	(369)	(369)
Over-the-counter currency-related contracts:			
Currency swap .....	3,989,260	6,378	6,378
Foreign exchange forward:			
Sell .....	126,150	7,236	7,236
Buy .....	343,917	(5,320)	(5,320)
Currency option:			
Sell .....	2,268,340	(183,581)	(21,160)
Buy .....	2,226,310	183,551	43,198
Over-the-counter credit derivative contracts:			
Credit default option:			
Sell .....	29,943	(13,764)	(13,764)

Notes:

1. Derivative transactions are valued at market and the gains/(losses) are recognized in the consolidated statements of income.
2. Market values of exchange-traded transactions are based on closing prices on the Tokyo International Financial Future Exchange, etc. Market values of over-the-counter contracts are based on the discounted cash flow method and the option pricing calculation models, etc.
3. The contract or notional amounts of derivatives, which are shown in the above table, do not represent the amounts exchanged by parties and do not measure the Group's exposure to credit or market risk.

#### 24. Subsequent Event

On June 20, 2008, the Bank's shareholders authorized the appropriation of retained earnings as follows:

	Millions of Yen	Thousands of U.S. Dollars
Year-end cash dividends,		
¥3.50 (\$0.03) per share .....	¥1,276	\$12,736

## 25. Segment Information

Information about operations in business segments for the years ended March 31, 2008 and 2007 was as follows:

2008	Millions of Yen					
	Banking	Lease	Other*	Total	Elimination/Corporate	Consolidated
<b>(a) Income</b>						
Ordinary income:						
(1) Outside customers .....	¥115,491	¥21,524	¥4,795	¥141,810	¥ —	¥141,810
(2) Intersegment transactions .....	821	363	929	2,113	(2,113)	—
Total .....	116,312	21,887	5,724	143,923	(2,113)	141,810
Ordinary expenses .....	97,250	21,372	4,738	123,360	(1,901)	121,459
Ordinary profit .....	¥ 19,062	¥ 515	¥ 986	¥ 20,563	¥ (212)	20,351
Other income and expenses—net .....						(1,467)
Income before income taxes and minority interests ...						¥ 18,884

### **(b) Assets, depreciation and capital expenditures:**

2008	Millions of Yen					
	Banking	Lease	Other*	Total	Elimination/Corporate	Consolidated
Assets .....	¥4,090,667	¥58,933	¥30,551	¥4,180,151	¥(38,563)	¥4,141,588
Depreciation .....	4,932	15,042	51	20,025	(19)	20,006
Impairment loss on long-lived assets .....	356	—	23	379	—	379
Capital expenditures .....	2,312	16,453	24	18,789	(15)	18,774

2007	Millions of Yen					
	Banking	Lease	Other*	Total	Elimination/Corporate	Consolidated
<b>(a) Income</b>						
Ordinary income:						
(1) Outside customers .....	¥ 94,664	¥19,074	¥4,877	¥118,615	¥ —	¥118,615
(2) Intersegment transactions .....	525	611	1,147	2,283	(2,283)	—
Total .....	95,189	19,685	6,024	120,898	(2,283)	118,615
Ordinary expenses .....	72,118	18,323	4,642	95,083	(2,033)	93,050
Ordinary profit .....	¥ 23,071	¥ 1,362	¥1,382	¥ 25,815	¥ (250)	25,565
Other income and expenses—net .....						(396)
Income before income taxes and minority interests ...						¥ 25,169

### **(b) Assets, depreciation and capital expenditures:**

2007	Millions of Yen					
	Banking	Lease	Other*	Total	Elimination/Corporate	Consolidated
Assets .....	¥4,135,485	¥57,967	¥31,399	¥4,224,851	¥(38,810)	¥4,186,041
Depreciation .....	3,421	13,919	86	17,426	(20)	17,406
Impairment loss on long-lived assets .....	78	—	87	165	—	165
Capital expenditures .....	6,258	21,453	32	27,743	(26)	27,717

2008	Thousands of U.S. Dollars					
	Banking	Lease	Other*	Total	Elimination/Corporate	Consolidated
<b>(a) Income</b>						
Ordinary income:						
(1) Outside customers .....	\$1,152,720	\$214,832	\$47,859	\$1,415,411	\$ —	\$1,415,411
(2) Intersegment transactions .....	8,195	3,623	9,272	21,090	(21,090)	—
Total .....	1,160,915	218,455	57,131	1,436,501	(21,090)	1,415,411
Ordinary expenses .....	970,656	213,315	47,290	1,231,261	(18,974)	1,212,287
Ordinary profit .....	\$ 190,259	\$ 5,140	\$ 9,841	\$ 205,240	\$ (2,116)	203,124
Other income and expenses—net .....						(14,642)
Income before income taxes and minority interests ...						\$ 188,482

### **(b) Assets, depreciation and capital expenditures:**

2008	Thousands of U.S. Dollars					
	Banking	Lease	Other*	Total	Elimination/Corporate	Consolidated
Assets .....	\$40,829,095	\$588,212	\$304,931	\$41,722,238	\$(384,899)	\$41,337,339
Depreciation .....	49,227	150,135	509	199,871	(190)	199,681
Impairment loss on long-lived assets .....	3,553	—	230	3,783	—	3,783
Capital expenditures .....	23,076	164,218	240	187,534	(150)	187,384

\* Other includes business segments of credit cards, computer services and credit guarantees.

As discussed in Note 2.i, the Bank applied the discounted cash flow method for reserve provision as of March 31, 2008. The effect of this treatment was to decrease ordinary profit of Banking by ¥3,630 million (\$36,231 thousand) for the year ended March 31, 2008.

As discussed in Note 2.j, effective April 1, 2007, the Group changed its accounting method of liability for retirement benefits for directors and corporate auditors. The effect of this change was to decrease ordinary profit of Banking by ¥58 million (\$579 thousand), Lease by ¥1 million (\$10 thousand) and Other by ¥1 million (\$10 thousand), respectively, for the year ended March 31, 2008.

Ordinary income represents total income less certain special income included in other income in the accompanying consolidated statements of income.

Ordinary expenses represent total expenses less certain special expenses included in other expenses in the accompanying consolidated statements of income.

The Bank and its subsidiaries operate only in Japan for the years ended March 31, 2008 and 2007.

Accordingly, the figures for ordinary income and assets by geographical segment for the Bank and its subsidiaries were not presented.

Ordinary income from overseas operations was not presented herein as it was less than 10% of consolidated ordinary income for the years ended March 31, 2008 and 2007.

# Non-Consolidated Six-Year Summary (Unaudit)

The Juroku Bank, Ltd.  
Years Ended March 31  
(Supplemental Information)

	Millions of Yen					
	2008	2007	2006	2005	2004	2003
<b>For the Year</b>						
Total income.....	¥ 116,391	¥ 95,288	¥ 89,491	¥ 83,542	¥ 86,690	¥ 87,100
Total expenses.....	98,819	72,522	65,600	62,513	69,396	135,345
Income (loss) before income taxes....	17,572	22,766	23,891	21,029	17,294	(48,245)
Total income taxes.....	7,214	9,089	8,439	9,467	7,294	(15,041)
Net income (loss).....	¥ 10,358	¥ 13,677	¥ 15,452	¥ 11,562	¥ 10,000	¥ (33,204)
<b>At Year-End</b>						
<b>Assets:</b>						
Trading securities.....	¥ 1,514	¥ 3,042	¥ 2,898	¥ 2,031	¥ 1,947	¥ 2,395
Securities.....	852,504	1,008,292	1,075,252	966,978	976,246	901,006
Loans and bills discounted.....	2,909,033	2,822,570	2,724,546	2,640,424	2,564,532	2,601,102
Foreign exchanges.....	4,613	3,361	11,305	3,829	3,375	3,514
Other.....	322,892	298,191	261,179	332,309	370,755	402,381
Total assets.....	¥4,090,556	¥4,135,456	¥4,075,180	¥3,945,571	¥3,916,855	¥3,910,398
<b>Liabilities:</b>						
Deposits.....	¥3,639,608	¥3,624,885	¥3,497,563	¥3,534,395	¥3,511,491	¥3,543,831
Foreign exchanges.....	737	738	560	948	298	366
Other.....	228,491	242,111	325,796	212,087	219,792	206,205
Total liabilities.....	3,868,836	3,867,734	3,823,919	3,747,430	3,731,581	3,750,402
<b>Equity:</b>						
Common stock.....	36,839	36,839	36,839	36,839	36,839	36,839
Capital surplus and earnings.....	184,881	230,883	214,422	161,302	148,435	123,157
Total equity.....	221,720	267,722	251,261	198,141	185,274	159,996
Total liabilities and equity....	¥4,090,556	¥4,135,456	¥4,075,180	¥3,945,571	¥3,916,855	¥3,910,398

# Non-Consolidated Balance Sheets

The Juroku Bank, Ltd.  
March 31, 2008 and 2007  
(Supplemental Information)

	Millions of Yen		Thousands of U.S. Dollars
	2008	2007	2008
<b>ASSETS:</b>			
Cash and due from banks.....	¥ 194,060	¥ 194,152	\$ 1,936,920
Call loans .....	158	—	1,577
Monetary receivables purchased.....	0	1	0
Trading securities .....	1,514	3,042	15,111
Money held in trust.....	4,000	8,000	39,924
Securities .....	852,504	1,008,292	8,508,873
Loans and bills discounted .....	2,909,033	2,822,570	29,035,163
Other assets .....	67,365	33,152	672,373
Premises and equipment.....	65,371	67,729	652,470
Intangible assets .....	10,817	11,755	107,965
Deferred tax assets.....	6,968	—	69,548
Customers' liabilities for acceptances and guarantees .....	29,088	30,797	290,329
Reserve for possible loan losses.....	(50,322)	(44,034)	(502,266)
Total Assets .....	¥4,090,556	¥ 4,135,456	\$40,827,987
<b>LIABILITIES AND EQUITY:</b>			
<b>Liabilities:</b>			
Deposits .....	¥3,639,608	¥3,624,885	\$36,327,059
Negotiable certificates of deposit.....	28,237	46,300	281,834
Call money .....	33,063	18,888	330,003
Payables under securities lending transactions .....	—	23,833	—
Borrowed money .....	18,000	27,000	179,659
Bonds.....	30,000	15,000	299,431
Other liabilities .....	71,564	32,130	714,283
Accrued bonuses.....	1,438	1,409	14,353
Liability for retirement benefits.....	7,414	7,342	74,000
Deferred tax liabilities .....	—	29,577	—
Deferred tax liabilities for land revaluation excess .....	10,424	10,573	104,042
Acceptances and guarantees.....	29,088	30,797	290,328
Total Liabilities .....	3,868,836	3,867,734	38,614,992
<b>Commitments and Contingent Liabilities</b>			
<b>Equity:</b>			
Common stock .....	36,839	36,839	367,691
<b>Capital surplus:</b>			
Additional paid-in capital .....	25,367	25,367	253,189
Other capital surplus.....	5	4	50
<b>Retained earnings:</b>			
Legal reserve .....	20,155	20,155	201,168
Unappropriated.....	95,398	87,733	952,171
Unrealized gain on available-for-sale securities .....	32,716	86,087	326,539
Deferred loss on derivatives under hedge accounting .....	—	(37)	—
Land revaluation excess.....	12,729	12,953	127,049
Treasury stock—at cost .....	(1,489)	(1,379)	(14,862)
Total Equity .....	221,720	267,722	2,212,995
Total Liabilities and Equity .....	¥4,090,556	¥4,135,456	\$40,827,987



# Non-Consolidated Statements of Income

The Juroku Bank, Ltd.  
Years Ended March 31, 2008 and 2007  
(Supplemental Information)

	Millions of Yen		Thousands of U.S. Dollars
	2008	2007	2008
<b>Income:</b>			
<b>Interest on:</b>			
Loans and discounts.....	¥ 60,728	¥54,254	\$ 606,128
Securities.....	16,091	15,086	160,605
Other .....	223	198	2,226
Fees and commissions .....	13,531	14,324	135,054
Other operating income.....	9,949	3,543	99,301
Gain on sales of securities .....	14,095	4,785	140,683
Other income .....	1,774	3,098	17,706
Total Income.....	116,391	95,288	1,161,703
<b>Expenses:</b>			
<b>Interest on:</b>			
Deposits .....	10,156	4,785	101,367
Borrowings and re-discounts .....	2,724	1,436	27,188
Other .....	668	849	6,667
Fees and commissions .....	4,460	4,225	44,516
Other operating expenses.....	6,226	3,083	62,142
General and administrative expenses .....	49,538	46,309	494,441
Impairment loss on long-lived assets .....	1,301	78	12,985
Other expenses .....	23,746	11,757	237,010
Total Expenses .....	98,819	72,522	986,316
Income before Income Taxes.....	17,572	22,766	175,387
<b>Income Taxes:</b>			
Current .....	10,863	7,172	108,424
Deferred .....	(3,649)	1,917	(36,421)
Total Income Taxes .....	7,214	9,089	72,003
Net Income.....	¥ 10,358	¥13,677	\$ 103,384

# Non-Consolidated Statements of Changes in Equity

The Juroku Bank, Ltd.  
Years Ended March 31, 2008 and 2007  
(Supplemental Information)

	Thousands	Millions of Yen									
	Outstanding Number of Shares of Common Stock	Common Stock	Capital surplus		Retained earnings		Unrealized Gain on Available-for-sale Securities	Deferred Loss on Derivatives under Hedge Accounting	Land Revaluation Excess	Treasury Stock	Total Equity
			Additional Paid-in Capital	Other Capital Surplus	Legal Reserve	Unappropriated					
<b>Balance at April 1, 2006</b> .....	365,808	¥36,839	¥25,367	¥2	¥20,155	¥76,599	¥79,837	¥ —	¥13,011	¥ (549)	¥251,261
Net income.....	—	—	—	—	—	13,677	—	—	—	—	13,677
Cash dividends, ¥7.00 per share.....	—	—	—	—	—	(2,561)	—	—	—	—	(2,561)
Bonuses to directors and corporate auditors .....	—	—	—	—	—	(40)	—	—	—	—	(40)
Transfer of land revaluation excess ....	—	—	—	—	—	58	—	—	(58)	—	—
Purchase of treasury stock .....	(1,234)	—	—	—	—	—	—	—	—	(839)	(839)
Disposal of treasury stock .....	16	—	—	2	—	—	—	—	—	9	11
Net change in the year.....	—	—	—	—	—	—	6,250	(37)	—	—	6,213
<b>Balance at March 31, 2007</b> .....	364,590	36,839	25,367	4	20,155	87,733	86,087	(37)	12,953	(1,379)	267,722
Net income.....	—	—	—	—	—	10,358	—	—	—	—	10,358
Cash dividends, ¥8.00 per share.....	—	—	—	—	—	(2,917)	—	—	—	—	(2,917)
Transfer of land revaluation excess ....	—	—	—	—	—	224	—	—	—	—	224
Purchase of treasury stock .....	(180)	—	—	—	—	—	—	—	—	(123)	(123)
Disposal of treasury stock .....	22	—	—	1	—	—	—	—	—	13	14
Net change in the year.....	—	—	—	—	—	—	(53,371)	37	(224)	—	(53,558)
<b>Balance at March 31, 2008</b> .....	364,432	¥36,839	¥25,367	¥5	¥20,155	¥95,398	¥32,716	¥ —	¥12,729	¥(1,489)	¥221,720

	Thousands of U.S. Dollars									
	Common Stock	Capital surplus		Retained earnings		Unrealized Gain on Available-for-sale Securities	Deferred Loss on Derivatives under Hedge Accounting	Land Revaluation Excess	Treasury Stock	Total Equity
		Additional Paid-in Capital	Other Capital Surplus	Legal Reserve	Unappropriated					
<b>Balance at March 31, 2007</b> .....	\$367,691	\$253,189	\$40	\$201,168	\$875,666	\$859,237	\$(369)	\$129,285	\$(13,764)	\$2,672,143
Net income.....	—	—	—	—	103,384	—	—	—	—	103,384
Cash dividends, \$0.08 per share.....	—	—	—	—	(29,115)	—	—	—	—	(29,115)
Transfer of land revaluation excess .....	—	—	—	—	2,236	—	—	—	—	2,236
Purchase of treasury stock .....	—	—	—	—	—	—	—	—	(1,228)	(1,228)
Disposal of treasury stock .....	—	—	10	—	—	—	—	—	130	140
Net change in the year.....	—	—	—	—	—	(532,698)	369	(2,236)	—	(534,565)
<b>Balance at March 31, 2008</b> .....	\$367,691	\$253,189	\$50	\$201,168	\$952,171	\$326,539	\$ —	\$127,049	\$(14,862)	\$2,212,995

# Independent Auditors' Report



## INDEPENDENT AUDITORS' REPORT

To the Board of Directors of The Juroku Bank, Ltd.:

Deloitte Touche Tohmatsu  
Nagoya Daiya Building 3-goukan  
13-5, Meieki 3-chome,  
Nakamura-ku, Nagoya,  
Aichi 450-8530, Japan  
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Fax: +81 (52) 569 1394  
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We have audited the accompanying consolidated balance sheet of The Juroku Bank, Ltd. (the "Bank") and consolidated subsidiaries as of March 31, 2008, and the related consolidated statements of income, changes in equity, and cash flows for the year then ended, all expressed in Japanese yen. These consolidated financial statements are the responsibility of the Bank's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit. The consolidated financial statements of the Bank and consolidated subsidiaries for the year ended March 31, 2007 were jointly audited by us and other auditors whose report, dated June 22, 2007, expressed an unqualified opinion on those statements and included an explanatory paragraph that described adoption of the accounting standard for presentation of equity for the year ended March 31, 2007.

We conducted our audit 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 consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of the Bank and consolidated subsidiaries as of March 31, 2008, and the consolidated results of their operations and their cash flows for the year then ended in conformity with accounting principles generally accepted in Japan.

Our audit was conducted for the purpose of forming an opinion on the basic 2008 consolidated financial statements taken as a whole. The supplemental non-consolidated financial information which includes a non-consolidated balance sheet as of March 31, 2008, and non-consolidated statements of income and changes in equity for the year then ended and omits related footnote disclosure, is presented for the purpose of additional analysis and is not a required part of the basic consolidated financial statements. The non-consolidated financial information is the responsibility of the Bank's management. Such non-consolidated financial information for the year ended March 31, 2008 has been subjected to our audit of the basic consolidated financial statements for the year then ended and, in our opinion, is fairly stated in all material respects when considered in relation to the basic consolidated financial statements taken as a whole. The report issued jointly by us and other auditors, dated June 22, 2007, described non-consolidated financial information for the year ended March 31, 2007 was fairly stated in all materials respects when considered in relation to the basic consolidated financial statements taken as a whole.

Our audits also comprehended the translation of Japanese yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made in conformity with the basis stated in Note 1. Such U.S. dollar amounts are presented solely for the convenience of readers outside Japan.

June 20, 2008

Member of  
Deloitte Touche Tohmatsu

## Corporate Data

(as of March 31, 2008)

### Date of Establishment:

October 10, 1877

### Authorized Shares:

460,000 thousand shares

### Shares of Common Stock Issued and

### Outstanding:

366,855 thousand shares

### Stock Listed:

First Sections of the Tokyo and  
Nagoya Stock Exchanges

### Paid-in Capital:

¥36,839 million

### Number of Shareholders:

11,065

### Number of Employees:

2,775

### 10 Principal Shareholders:

The Bank of Tokyo-Mitsubishi UFJ, Ltd.

NIPPONKOA Insurance Co., Ltd.

Meiji Yasuda Life Insurance Company

Japan Trustee Services Bank, Ltd.

Tokio Marine and Nichido Fire Insurance Co., Ltd.

State Street Bank and Trust Company

Fuji Baking Co., Ltd.

Mizuho Corporate Bank, Ltd.

The Juroku Bank Employee Shareholders'  
Association

The Master Trust Bank of Japan, Ltd.

## Affiliates

(as of March 31, 2008)

Name	Business Lines	Established	Capital (¥ Millions)	Equity stake*
Juroku Business Service Co., Ltd.	Clerical work service	Jan. 1979	10	100
Juroku DC Card Co., Ltd.	Credit card flotation service	Aug. 1982	50	5
Juroku JCB Co., Ltd.	Credit card flotation service	Nov. 1994	50	5
Juroku Lease Co., Ltd.	Leasing service	Mar. 1975	102	5
Juroku Computer Service Co., Ltd.	Computer system development service	Aug. 1985	245	5
Juroku Credit Guarantee Co., Ltd.	Credit guaranty service	May 1979	50	3
Juroku Capital Co., Ltd.	Investment and finance service	Apr. 1984	108	5

\* Voting rights held by the Bank as a percentage of total voting rights

# Directory

(as of June 30, 2008)

## Head Office

8-26, Kandamachi, Gifu-shi,  
Gifu 500-8516, Japan  
Telephone: +81-58-265-2111

## International and Securities Division

8-26, Kandamachi, Gifu-shi,  
Gifu 500-8516, Japan P.O. Box 40  
Telephone: +81-58-265-2111  
Facsimile: +81-58-266-1698  
SWIFT Address: JUROJPJ T  
General Manager  
Akinori Sasaki

## Overseas Network

### Hong Kong Representative Office

Suite 1505, One Exchange Square,  
8 Connaught Place, Central,  
Hong Kong  
Telephone: +852-2526-5716  
Facsimile: +852-2810-6261  
Chief Representative  
Yoshitaka Masuda

### Shanghai Representative Office

18th Floor, HSBC Tower, 1000 Lujiazui  
Ring Road, Pudong New Area, Shanghai,  
People's Republic of China  
Telephone: +86-21-6841-1600  
Facsimile: +86-21-6841-1881  
Chief Representative  
Masahiro Furuike

## Branches Handling Foreign Exchange Business

(18 Offices)

### Head Office

8-26, Kandamachi, Gifu-shi, Gifu  
Telephone: +81-58-265-2111

### Nagara Branch

1643-5, Nagarafukumitsu,  
Gifu-shi, Gifu  
Telephone: +81-58-232-1611

### Yanagase Branch

3-10-2, Kandamachi,  
Gifu-shi, Gifu  
Telephone: +81-58-265-2521

### Toiyamachi Branch

3-38, Toiyamachi, Gifu-shi, Gifu  
Telephone: +81-58-262-2111

### Kakamigahara Branch

1, Higashinakacho,  
Naka, Kakamigahara-shi, Gifu  
Telephone: +81-58-383-1600

### Ogaki Branch

1-26, Takayacho, Ogaki-shi, Gifu  
Telephone: +81-584-78-2161

### Seki Branch

1-4, Honmachi, Seki-shi, Gifu  
Telephone: +81-575-22-2016

### Tajimi Branch

5-34, Honmachi, Tajimi-shi, Gifu  
Telephone: +81-572-22-1301

### Nakatsugawa Branch

2-5-1, Ootamachi, Nakatsugawa-shi, Gifu  
Telephone: +81-573-65-3116

## Takayama Branch

136, Shimosannomachi,  
Takayama-shi, Gifu  
Telephone: +81-577-32-1600

## Ichinomiya Branch

1-2-5, Sakae,  
Ichinomiya-shi, Aichi  
Telephone: +81-586-73-5116

## Nagoya Ekimae Branch

3-28-12, Meieki,  
Nakamura-ku, Nagoya-shi, Aichi  
Telephone: +81-52-561-5431

## Nagoya Branch

3-1-1, Nishiki, Naka-ku,  
Nagoya-shi, Aichi  
Telephone: +81-52-961-8111

## Ozone Branch

1-19-16, Ozone, Kita-ku,  
Nagoya-shi, Aichi  
Telephone: +81-52-911-6116

## Atsuta Branch

3-1-1, Shin-Otou, Atsuta-ku,  
Nagoya-shi, Aichi  
Telephone: +81-52-671-4116

## Kariya Branch

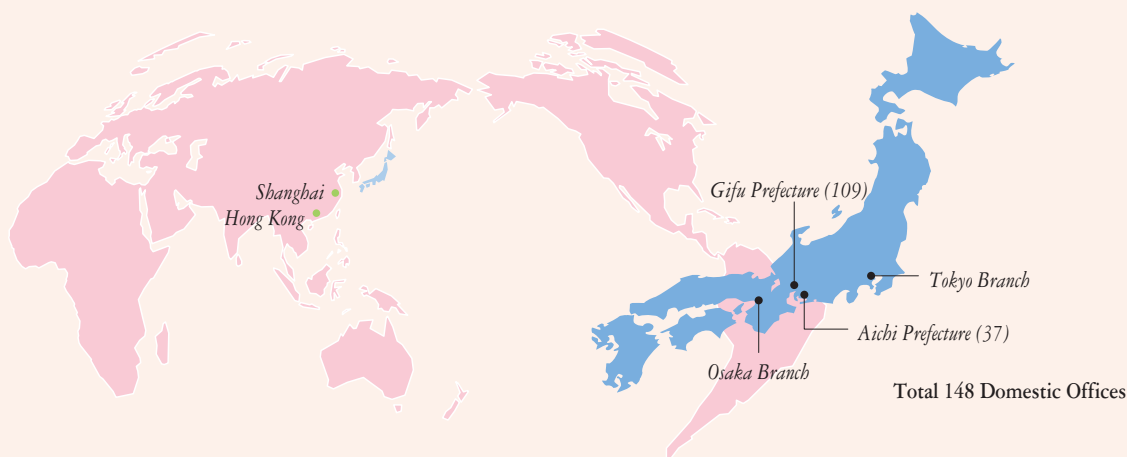
3-20, Toyochou, Kariya-shi, Aichi  
Telephone: +81-566-21-1611

## Osaka Branch

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