

## Notes to Consolidated Financial Statements

March 31, 2007 and 2006

### 1. Basis of presentation of consolidated financial statements

The accompanying consolidated financial statements have been prepared based on the accounts maintained by THE SHIGA BANK, LTD. (“The Bank”) and its subsidiaries (together “the Companies”) in accordance with the provisions set forth in the Commercial Code of Japan, the Securities and Exchange Law, and the Japanese Banking Law and in conformity with accounting principles and practices generally accepted in Japan, which are different in certain respects as to application and disclosure requirements of International Financial Reporting Standards.

Certain items presented in the consolidated financial statements submitted to the Director of Kanto Finance Bureau in Japan have been reclassified in these accounts for the convenience of readers outside Japan.

The consolidated financial statements are not intended to present the consolidated financial position, results of

operations and cash flows in accordance with accounting principles and practices generally accepted in countries and jurisdictions other than Japan.

Amounts in yen of respective accounts included in the accompanying consolidated financial statements and notes thereto are stated in millions of yen by discarding fractional amounts less than ¥1 million. Therefore, total or subtotal amounts do not necessarily tie in with the aggregation of such account balances.

Amounts in U.S. dollars are included solely for the convenience of readers outside Japan. The rate of ¥118.05 to U.S.\$1, the rate of exchange at March 31, 2007 has been used in translation. The inclusion of such amounts are not intended to imply that Japanese yen have been or could be readily converted, realized or settled in U.S. dollars at this rate or any other rates.

### 2. Summary of significant accounting policies

#### (a) Principles of consolidation

The accompanying consolidated financial statements for the years ended March 31, 2007 and 2006 include the accounts of the Bank and the following 15 consolidated subsidiaries, respectively.

The Shigagin Business Service Co., Ltd.

The Shiga Kashiwabara Agency Co., Ltd.

The Shigagin Real Estate Co., Ltd.

The Shiga Yogo Agency Co., Ltd.

The Shigagin Cash Service Co., Ltd.

The Shigagin Assistant Service Co., Ltd.

The Shigagin Computer Service Co., Ltd.

The Shiga Home Loan Guarantee Service Co., Ltd.

The Shigagin Economic & Cultural Center Co., Ltd.

The Shiga DC Card Co., Ltd.

The Shigagin Lease Capital Co., Ltd.

The Shigagin JCB Co., Ltd.

The Shiga Kutsuki Agency Co., Ltd.

The Shiga Nishiazai Agency Co., Ltd.

Shiga Preferred Capital Cayman Limited (established in 2007)

The above 15 subsidiaries’ fiscal period is from April 1 to March 31.

Assets and liabilities of the consolidated subsidiaries at the time of investment are all valued at fair value. The goodwill or negative goodwill (formerly represented as consolidated goodwill) is amortized evenly over a 5-year period.

The Bank had 3 other subsidiaries as of March 31, 2007, which are not consolidated due to their insignificance.

#### (b) Trading account securities

Trading account securities held by the Bank are stated at market value at the fiscal year-end (cost of sales, in principle, is computed by the moving-average method).

#### (c) Securities

i. Marketable securities held for trading purposes are stated at market value (cost of sales, in principle, is computed by the moving-average method).

Securities held to maturity are stated at amortized cost (straight-line method) using the moving-average method. Securities available for sale for which current value can be estimated are stated at market value at fiscal year-end. Securities available for sale of which current value cannot be estimated are stated at cost or amortized cost using the moving-average method. Valuation gains/losses on securities available for sale are included in net assets, net of income taxes (cost of sales, in principle, is computed by the moving-average method).

ii. Marketable securities included in money held in trust by the Bank are treated as trust assets and are stated at market value at fiscal year-end. Marketable securities included in money held in trust by consolidated subsidiaries are treated as trust assets and are stated using the same methods described in (i) above.

iii. Beneficiary rights included in ‘call loans and bills bought’ are stated using the same methods described in (i) above.

#### (d) Derivatives

Under the Accounting Standards for Financial Instruments, derivatives are stated at fair value unless derivatives are

used for hedging purposes.

(e) Hedge accounting

i. Interest rate risk hedge

As for the hedge accounting method applied to hedging transactions against interest rate risk arising from financial assets and liabilities, the Bank applies deferred hedge accounting. The Bank assesses the effectiveness of the hedges in offsetting fluctuation of the fair value caused by changes in interest rates by grouping the hedged items such as deposits and loans and the hedging instruments such as interest rate swaps by their maturity. As to cash flow fixing hedges, the Bank assesses their effectiveness by verifying the correlation between the hedged items and the hedging instruments.

ii. Currency exchange risk hedge

As for the hedge accounting method applied to hedging transactions against currency exchange risk arising from assets and liabilities in foreign currencies, the Bank applies deferred hedge accounting stipulated in 'Accounting and Auditing Concerning Accounting for Foreign Currency Transactions in Banking Industry' (JICPA Industry Audit Committee Report No.25).

The Bank assesses the effectiveness of exchange swaps executed for reducing the risk of changes in currency exchange rates with fund swap transactions by verifying that there exist foreign currency positions of the hedging instruments corresponding to the foreign currency monetary claims and debts to be hedged.

Fund swap transactions are foreign exchange transactions that are contracted for the purpose of lending or borrowing funds in different currencies. These transactions consist of spot foreign exchange either bought or sold and forward foreign exchange either bought or sold.

In addition to these hedge accounting methods, the Bank uses exceptional treatments permitted for interest rate swaps for part of its assets.

(f) Depreciation

i. Tangible fixed assets (former premises and equipment)

Depreciation for buildings and equipment of the Bank is computed using the declining-balance method at rates principally based on the following estimated useful lives. However, buildings purchased on or after April 1, 1998, excluding fittings and equipment, are depreciated using the straight-line method.

Buildings: 3 to 50 years

Equipment and furniture: 3 to 20 years

Depreciation for buildings and equipment of the consolidated subsidiaries is computed principally using the declining-balance method based on the estimated useful lives.

ii. Intangible fixed assets

Intangible fixed assets are depreciated using the straight-line method.

Cost of computer software for internal use is capitalized and amortized using the straight-line method over the estimated useful lives as determined by the Companies (principally 5 years).

(g) Reserve for possible losses on loans and other credits  
Reserve for possible losses on loans and other credits of the Bank is provided as detailed below, pursuant to internal rules for write-offs and reserves.

For debtors who are legally bankrupt (bankrupt, under special liquidation, or subject to legal bankruptcy proceedings) or virtually bankrupt (in a similar situation), reserve is provided based on the amount of claims, after the write-off stated below, net of amounts expected to be collected through disposal of collateral or execution of guarantees. For loans to debtors who are likely to go bankrupt, reserve is provided for the amount considered to be necessary based on an overall solvency assessment performed for the amount of such loans, net of amounts deemed collectible through disposal of collateral or execution of guarantees. For other loans, reserve is provided based on historical loan loss experience over a certain period of time.

All loans are assessed by the branches and the operating divisions based on the Bank's internal rules for self-assessment of assets. The Asset Assessment Division, which is independent from the branches and the operating divisions, subsequently conducts audits of their assessments, and reserve is provided based on audit results.

For collateralized or guaranteed claims to debtors who are legally bankrupt or virtually bankrupt, the amount deemed unrecoverable, that is the amount of claims exceeding the estimated value of collateral or guarantees, has been written off and amounted to ¥21,332 million (U.S.\$ 180,710 thousand), ¥26,107 million as of March 31, 2007 and 2006, respectively.

Reserve for losses on loans and other credits of the Bank's consolidated subsidiaries is provided based on historical loan loss experience in addition to amounts deemed necessary based on estimation of the collectibility of specific claims.

(h) Reserve for possible losses on securities

Reserve for possible losses on securities is provided for possible future losses on securities based on self-assessment by the Bank.

(i) Accrued bonuses to directors and corporate auditors

Formerly, bonuses to directors and corporate auditors were accounted for as disposition of retained earnings when paid. According to the new accounting rule, effective from the year ended March 31, 2007, the bonuses attributable to the year are recorded as expenses. Effect of the change was to

decrease net income before income taxes and minority interests by ¥35 million (U.S.\$296 thousand) for the year ended March 31, 2007.

(j) Reserve for employee retirement and severance benefits  
Under the Accounting Standards for Retirement Benefits, reserve for employee retirement and severance benefits are provided for the payments of employees' retirement benefits based on projected benefit obligation and fair value of pension assets at fiscal year-end.

(k) Reserve for retirement benefits to directors and corporate auditors

Formerly, retirement benefits to directors and corporate auditors were charged to income at the time of payment. According to the new accounting rule, effective from the year ended March 31, 2007, reserve for retirement benefits are provided at the amount required if all such personnel retired at fiscal year-end, calculated based on the internal rules of the board of directors. Effect of the change was to decrease net income before income taxes and minority interests by ¥251 million (U.S.\$2,126 thousand) for the year ended March 31, 2007.

(l) Reserve for repayment for prescribed deposits  
Formerly, dormant accounts satisfying certain conditions were transferred to income as prescribed deposits, while repayments at depositors' claim were charged to income. According to the new accounting rule, effective from the year ended March 31, 2007, reserve for repayment for prescribed deposits is provided at the estimated amount based on payment experience. Effect of the change was to decrease net income before income taxes and minority interests by ¥418 million (U.S.\$3,549 thousand) for the year ended March 31, 2007.

(m) Reserve for losses on interest payment  
Formerly, refund of interest on loans to customers was charged to income at the time of payment. According to the new accounting rule, effective from, reserve for losses on interest payment is provided at the estimated amount based on payment experience, required to refund upon customers' claims. Effect of the change was to decrease net income before income taxes and minority interests by ¥40 million (U.S.\$344 thousand) for the year ended March 31, 2007.

(n) Foreign currency translation  
Receivables and payables in foreign currencies and foreign branch accounts are translated into Japanese yen principally at the rates prevailing at the balance sheet dates.

(o) Lease transactions  
Equipment used under finance lease agreements is accounted for as equipment leased under normal operating leases, except for leases in which the ownership of leased equipment is transferred to the lessee.

(p) Consumption taxes  
Consumption tax and local consumption taxes are excluded from transactions reported by the Bank and its consolidated subsidiaries. However, non-deductible consumption tax on premises and equipment is charged to income for the year of its occurrence.

(q) Income taxes  
Income taxes comprise corporation, enterprise and inhabitants taxes.

Deferred tax assets are recorded based on temporary differences between the financial and tax bases of assets and liabilities.

(r) Appropriation of retained earnings  
Consolidated Statements of Net Assets (formerly Consolidated Statements of Shareholders' Equity) reflect the appropriation resolved by the Shareholders' Meeting when duly resolved and paid.

(s) Statement of cash flows  
Cash and cash equivalents in the Consolidated Statements of Cash Flows represent cash and deposits with the Bank of Japan, which are included in cash and due from banks in the Consolidated Balance Sheets.

(t) Representation of net assets  
Contents of net assets on the balance sheet as of March 31, 2007 are represented under the new accounting rule, effective from the year ended March 31, 2007. Amount of shareholders' equity on that date under the former accounting rule was ¥261,251 (U.S.\$2,213,060 thousand).

(u) Changes in representations on the financial statements  
In conformity with a revision of the Enforcement Regulations of the Banking Law, effective from the year ended March 31, 2007, representations on the financial statements are changed as follows:

i. Balance sheet  
Income (or loss) and valuation difference on hedging instruments, net of taxes, formerly included in other liabilities is represented as deferred hedge income (losses), net of taxes within valuation and translation adjustments of net assets.

Minority interests, formerly shown next to liabilities are included in net assets.

Former premises and equipment are separated into tangible fixed assets, intangible fixed assets and other assets.

Software, formerly included in other assets, is included in intangible fixed assets.

Consolidated goodwill in liabilities is represented as negative goodwill.

ii. Statement of income  
Amortization of consolidated goodwill, formerly included in 'other expenses,' is included in 'other operating expenses.'

iii. Statement of cash flows

'Amortization of consolidated goodwill' is represented as 'amortization of goodwill.'

In response to the above representation change on the balance sheet, 'net (gain) losses from disposition of premises and equipment' is represented as 'net (gain) losses from disposition of fixed assets.'

Also, 'purchase of premises and equipment' is represented as 'purchase of tangible fixed assets,' and 'proceeds from sale of premises and equipment' is represented as

'proceeds from sale of tangible fixed assets.'

(v) Accounting change on acceptances and guarantees  
In conformity with a revision of the Enforcement Regulations of the Banking Law, effective from the year ended March 31, 2007, 'customers' liabilities for acceptances and guarantees' and 'acceptances and guarantees' on private placement bonds are offset on the balance sheet. The effect of the change was to reduce ¥10,567 million (U.S.\$ 89,518 thousand) of both accounts as of March 31, 2007.

### 3. Trading account securities and securities

	Millions of yen		Thousands of U.S. dollars
	2007	2006	2007
Trading account securities:			
Japanese government bonds	¥ 966	¥ 316	\$ 8,185
Others	45	24	388
<b>Total</b>	<b>¥1,012</b>	<b>¥ 340</b>	<b>\$ 8,574</b>
Securities:			
Japanese government bonds	¥ 399,568	¥ 415,861	\$ 3,384,742
Japanese local government bonds	126,027	175,402	1,067,578
Debentures	235,383	234,604	1,993,927
Share stocks	209,433	215,117	1,774,105
Others	384,608	385,697	3,258,014
<b>Total</b>	<b>¥1,355,021</b>	<b>¥1,426,683</b>	<b>\$11,478,368</b>

### 4. Loans and bills discounted

	Millions of yen		Thousands of U.S. dollars
	2007	2006	2007
Bills discounted	¥ 36,262	¥ 34,672	\$ 307,175
Loans on notes	191,064	198,315	1,618,501
Loans on deeds	1,893,463	1,771,134	16,039,504
Overdraft	352,674	374,827	2,987,500
<b>Total</b>	<b>¥2,473,464</b>	<b>¥2,378,949</b>	<b>\$20,952,681</b>

Discounting bills are treated as secured lending transactions. As of March 31, 2007 and 2006, the Bank has right by contact or custom to sell or repledge bills discounted and foreign exchange bills bought and their total face was ¥36,704 million (U.S.\$310,925 thousand) and ¥35,343 million, respectively.

The amount of loans sold through senior certificates under a collateralized loan obligation (CLO) securitization totaled to ¥16,117 million (U.S.\$136,526 thousand) as of March 31, 2007, with the subordinated certificates retained by the Bank amounting to ¥2,723 million (U.S.\$23,066 thousand) as of March 31, 2007 recorded as loans.

## 5. Foreign exchange assets and liabilities

	Millions of yen		Thousands of U.S. dollars
	2007	2006	2007
Foreign exchange assets:			
Due from foreign correspondent banks	¥6,423	¥3,978	\$54,417
Foreign bills of exchange bought	102	97	864
Foreign bills of exchange receivable	1,934	1,196	16,390
<b>Total</b>	<b>¥8,460</b>	<b>¥5,272</b>	<b>\$71,671</b>
Foreign exchange liabilities:			
Foreign bills of exchange sold	¥ 58	¥ 30	\$ 498
Foreign bills of exchange payable	4	62	38
<b>Total</b>	<b>¥ 63</b>	<b>¥ 93</b>	<b>\$ 537</b>

## 6. Tangible fixed assets (former premises and equipment)

	Millions of yen		Thousands of U.S. dollars
	2007	2006	2007
Land, buildings and equipment	¥72,691	¥76,919	\$615,767
Construction in progress	3,563	946	30,188
Leasehold deposits	—	1,203	—
<b>Total</b>	<b>¥76,255</b>	<b>¥79,069</b>	<b>\$645,956</b>

Net of accumulated depreciation of ¥74,176 million (U.S.\$628,348 thousand) and ¥73,836 million for March 31, 2007 and 2006, respectively.

Leasehold deposits are included in “intangible fixed assets” or “other assets” on the balance sheet, effective from the year ended March 31, 2007.

Deferred capital gains on sales of tangible fixed assets, which are deducted from book values, amounted to ¥4,144 million (U.S.\$35,105 thousand) as of March 31, 2007.

## 7. Deposits

	Millions of yen		Thousands of U.S. dollars
	2007	2006	2007
Current deposits	¥ 145,813	¥ 124,595	\$ 1,235,182
Ordinary deposits	1,438,403	1,385,989	12,184,698
Deposits at notice	35,633	20,205	301,853
Time deposits	1,847,673	1,828,579	15,651,618
Other deposits	118,277	142,732	1,001,929
Negotiable certificates of deposits	119,949	122,177	1,016,090
<b>Total</b>	<b>¥3,705,751</b>	<b>¥3,624,279</b>	<b>\$31,391,373</b>

## 8. Borrowed money

Borrowed money as of March 31, 2007 and 2006 includes subordinated loans, amounting to ¥14,000 million (U.S.\$118,593 thousand) and ¥32,000 million, respectively.

## 9. Assets pledged

	Millions of yen		Thousands of U.S. dollars
	2007	2006	2007
Assets pledged as collateral are as follows:			
Securities	¥142,361	¥143,481	\$1,205,945
Liabilities related to the above pledged assets are as follows:			
Deposits	8,227	13,024	69,692
Deposits received for bonds lending/borrowing transactions	38,114	40,188	322,865
Other liabilities	60	60	508

In addition, Securities totaling ¥61,541 million (U.S.\$521,317 thousand) and ¥61,372 million were pledged as collateral for the settlement of exchange and derivative transactions or as variation margin as of March 31, 2007 and 2006, respectively.

## 10. Excess of land revaluation

Pursuant to the Law concerning Revaluation of Land, land used for business operations was revalued as of March 31, 1998.

Date of the revaluation March 31, 1998

Pursuant to Article 3, paragraphs 3 of the Enforcement Ordinance for the Law concerning Revaluation of Land (the "Law"), the Bank recorded its owned land at fair value and related net unrealized gain, and applicable income tax portion was presented as "Deferred tax liabilities relating to

land revaluation" in liabilities and net of applicable income taxes was presented as "Excess of land revaluation" in Shareholders' Equity. According to the Law, the Bank is not permitted to revalue the land at any time, even in the event that the fair value of the land declines.

The difference between the revalued carrying amount and fair value of land being revalued pursuant to the Article 10 of the Law is ¥19,530 million (U.S.\$165,442 thousand) as of March 31, 2007.

## 11. Other income

Other income for the years ended March 31, 2007 and 2006 includes recoveries of written-off loans and bills discounted amounting to ¥1,139 million (U.S.\$9,656 thousand) and

¥2,635 million, respectively. Other income for the years ended March 31, 2006 also includes reversal of reserve for possible loan losses amounting to ¥3,926 million.

## 12. Other expenses

Other expenses for the years ended March 31, 2007 and 2006 have the following components:

	Millions of yen		Thousands of U.S. dollars
	2007	2006	2007
Write-off of loans and bills discounted	¥3,343	¥2,058	\$28,323
Loss on impairment of fixed assets	3,313	3,533	28,068

## 13. Income taxes

Major components of deferred tax assets and liabilities as of March 31, 2007 and 2006 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2007	2006	2007
Reserve for possible losses on loans and other credits	¥ 12,078	¥ 12,957	\$ 102,313
Valuation losses on securities	4,118	3,947	34,884
Reserve for employee retirement and severance benefits	5,029	4,497	42,603
Depreciation of fixed assets	1,074	746	9,098
Enterprise tax	373	425	3,165
Others	5,271	3,935	44,651
Valuation allowance	(7,805)	(6,587)	(66,117)
Total deferred tax assets	20,139	19,922	170,599
Deferral of capital gain recognition	(246)	(53)	(2,090)
Deferred tax liabilities on valuation of securities available for sale	(34,320)	(34,608)	(290,729)
<b>Deferred tax assets, net</b>	<b>¥(14,428)</b>	<b>¥(14,739)</b>	<b>\$(122,219)</b>

Figures for 2007 are omitted due to insignificance in total difference.

Summary of the significant differences between the statutory tax rate and the effective tax rate for financial statement purposes for the year ended March 31, 2006 is as follows:

Statutory tax rate	40.4%
Adjustment:	
Non-taxable dividend income	(1.6)
Expenses permanently non-deductible for tax purpose	0.3
Inhabitant taxes per capita	0.2
IT investment tax credit	(3.2)
Decrease in deferred tax assets at year-end	18.4
Other	(1.6)
<b>Effective tax rate</b>	<b>52.9%</b>

#### 14. Cash and cash equivalents

The reconciliation of cash and due from banks in the accompanying consolidated balance sheets is reconciled to cash and cash equivalents at end of fiscal year as follows:

	Millions of yen		Thousands of U.S. dollars
	2007	2006	2007
Cash and due from banks	¥50,322	¥55,324	\$426,279
Time deposits in other banks	(1,472)	(2,820)	(12,470)
Other deposits	(429)	(317)	(3,640)
<b>Cash and cash equivalents at end of year</b>	<b>¥48,420</b>	<b>¥52,186</b>	<b>\$410,168</b>

#### 15. Non-cash financing activities

For the years ended March 31, 2007 and 2006, there were no applicable non-cash financing activities.

#### 16. Loans subject to risk management

	Millions of yen		Thousands of U.S. dollars
	2007	2006	2007
Loans subject to risk management			
Loans to bankrupt clients	¥ 2,015	¥ 1,510	\$ 17,069
Loans in arrears	22,785	24,317	193,013
Loans in arrears for three months or longer	1,646	2,251	13,948
Loans for which repayment conditions have been eased	34,613	46,646	293,213
<b>Total</b>	<b>¥61,060</b>	<b>¥74,725</b>	<b>\$517,245</b>

## 17. Finance leases

### (1) As lessee

The Companies leases certain equipment. Total rental expenses under the finance leases for the years ended March 31, 2007 and 2006 were ¥6 million (U.S.\$57 thousand) and ¥4 million, respectively. The corresponding pro forma depreciation was ¥6 million (U.S.\$57 thousand) and ¥4 million, respectively.

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

As of March 31,	Millions of yen		Thousands of U.S. dollars
	2007	2006	2007
Acquisition cost	¥55	¥38	\$471
Accumulated depreciation	(17)	(10)	(152)
<b>Net leased property</b>	<b>¥37</b>	<b>¥27</b>	<b>\$319</b>
Maturities of obligations:			
Due within one year	¥ 6	¥ 5	\$ 58
Due after one year	30	22	261
<b>Total</b>	<b>¥37</b>	<b>¥27</b>	<b>\$319</b>

The depreciation is calculated on the straight-line method over lease terms without residual values. The amounts of acquisition cost and obligations include the imputed interest expense portion.

### (2) As lessor

Information on finance leases of equipment and others without transfer of ownership to lessee was as follows:

As of March 31,	Millions of yen		Thousands of U.S. dollars
	2007	2006	2007
Acquisition cost equivalent	¥28,009	¥28,716	\$237,264
Accumulated depreciation equivalent	(12,821)	(13,317)	(108,614)
Book value equivalent	¥15,187	¥15,398	\$128,650

#### Minimum future lease payments:

As of March 31,	Millions of yen		Thousands of U.S. dollars
	2007	2006	2007
Due within one year	¥ 4,698	¥ 4,606	\$ 39,797
Due over one year	11,064	11,464	93,728
<b>Total</b>	<b>¥15,762</b>	<b>¥16,071</b>	<b>\$133,525</b>

#### For the year ended March 31, Income and expenses:

As of March 31,	Millions of yen		Thousands of U.S. dollars
	2007	2006	2007
Lease revenues	¥6,178	¥6,021	\$52,338
Depreciation	5,196	5,024	44,017
Interest income equivalent	798	770	6,765

Interest income equivalent is computed by deducting acquisition cost of leased properties from the total of aggregated lease payments and estimated residual value and is distributed to respective years by the interest method.

## 18. Per share information

Net income per share and cash dividends per share for the years ended March 31, 2007 and 2006 were as follows:

	Yen		U.S. dollars
	2007	2006	2007
Net income:			
Primary	<b>¥33.41</b>	¥38.43	<b>\$0.283</b>
Fully diluted	—	—	—
Cash dividends	<b>¥ 6.00</b>	¥ 5.50	<b>\$0.050</b>

Computations of net income per share of common stock are based on the average number of shares outstanding during each period.

## 19. Commitment lines

Loan agreements and commitment line agreements are agreements that oblige the Bank to lend funds up to a certain limit agreed in advance. The Bank makes the loans upon the request of an obligor to draw down funds under such loan agreements as long as there is no breach of the various terms and conditions stipulated in the relevant loan agreements. The unused commitment balance relating to these loan agreements at March 31, 2007 and 2006 amounted to ¥836,571 million (U.S.\$7,086,588 thousand) and ¥829,326 million, respectively, and the amounts of unused commitments, whose original contract terms are within one year or unconditionally cancelable at any time, were ¥819,587 million (U.S.\$6,942,717 thousand) and ¥817,518 million at March 31, 2007 and 2006, respectively.

In many cases, the term of the agreement runs its course

without the loan ever being drawn down. Therefore, the unused loan commitment will not necessarily affect future cash flow. Conditions are included in certain loan agreements which allow the Bank to decline the request for a loan draw down or to reduce the agreed limit amount where there is due cause to do so, such as when there is a change in financial conditions or when it is necessary to do so in order to protect the Bank's credit. The Bank takes various measures to protect its credit. Such measures include having the obligor pledge collateral to the Bank in the form of real estate, securities, etc. on signing the loan agreements or, in accordance with the Bank's established internal procedures, confirming the obligor's financial condition etc. at regular intervals.

## 20. Subsequent event

On June 26, 2007, the shareholders of the Bank approved the appropriation of retained earnings as of March 31, 2007 as follows:

	Millions of yen	Thousands of U.S. dollars
	2007	2007
Cash dividends (¥3.0 per share)	<b>¥793</b>	<b>\$6,719</b>

## 21. Securities information

The following is information on trading account securities and securities on the Consolidated Balance Sheets.

### (1) Marketable securities held for trading purposes

As of March 31,	Millions of yen		Thousands of U.S. dollars
	2007	2006	2007
Book value	<b>¥17,326</b>	¥18,412	<b>\$146,771</b>
Valuation gain (loss)	<b>(394)</b>	235	<b>(3,345)</b>

## (2) Securities available for sale with quoted prices

As of March 31, 2007	Millions of yen				
	Acquisition cost	Book value	Valuation gain (loss)		
			Net	Gain	Loss
Stocks	¥ 97,755	¥ 205,917	¥108,162	¥108,602	¥ (439)
Bonds					
Japanese government bonds	405,791	399,568	(6,223)	262	(6,485)
Japanese local government bonds	126,643	126,027	(615)	360	(975)
Corporate bonds	224,982	224,439	(543)	801	(1,345)
Subtotal	757,418	750,035	(7,382)	1,424	(8,806)
Other	385,945	377,273	(8,672)	741	(9,413)
<b>Total</b>	<b>¥1,241,119</b>	<b>¥1,333,227</b>	<b>¥ 92,107</b>	<b>¥110,767</b>	<b>¥(18,659)</b>

As of March 31, 2006	Millions of yen				
	Acquisition cost	Book value	Valuation gain (loss)		
			Net	Gain	Loss
Stocks	¥ 100,696	¥ 211,659	¥110,969	¥111,102	¥ 133
Bonds					
Japanese government bonds	425,838	415,861	(9,976)	108	10,085
Japanese local government bonds	177,240	175,402	(1,837)	955	2,792
Corporate bonds	221,480	219,261	(2,218)	347	2,566
Subtotal	824,558	810,525	(14,033)	1,411	15,444
Other	388,945	377,600	(11,345)	721	12,066
<b>Total</b>	<b>¥1,314,194</b>	<b>¥1,399,785</b>	<b>¥ 85,591</b>	<b>¥113,235</b>	<b>¥27,644</b>

As of March 31, 2007	Thousands of U.S. dollars				
	Acquisition cost	Book value	Valuation gain (loss)		
			Net	Gain	Loss
Stocks	\$ 828,084	\$ 1,744,327	\$916,242	\$919,968	\$ (3,725)
Bonds					
Japanese government bonds	3,437,458	3,384,742	(52,716)	2,222	(54,938)
Japanese local government bonds	1,072,792	1,067,578	(5,214)	3,049	(8,264)
Corporate bonds	1,905,827	1,901,222	(4,604)	6,791	(11,396)
Subtotal	6,416,078	6,353,543	(62,535)	12,063	(74,599)
Other	3,269,340	3,195,879	(73,461)	6,279	(79,741)
<b>Total</b>	<b>\$10,513,504</b>	<b>\$11,293,750</b>	<b>\$780,245</b>	<b>\$938,312</b>	<b>\$(158,066)</b>

(Note) Amounts posted on the Consolidated Balance Sheets are stated at fair value using the market prices at the fiscal year-end.

## (3) Securities available for sale sold off during this fiscal year

For the years ended March 31,	Millions of yen		Thousands of U.S. dollars
	2007	2006	2007
Sales amount	¥246,612	¥172,905	\$2,089,052
Total gains on sale	4,249	2,767	35,994
Total losses on sale	1,265	2,892	10,716

## (4) Securities without quoted prices and amounts posted on the Consolidated Balance Sheets

As of March 31,	Millions of yen		Thousands of U.S. dollars
	2007	2006	2007
Securities held to maturity	¥ —	¥ —	\$ —
Securities available for sale			
Unlisted stocks (excluding stocks traded over the counter)	3,515	3,457	29,778
Unlisted domestic securities excluding publicly offered securities	10,943	15,343	92,705

## (5) Redemption schedule for securities available for sale with maturity

As of March 31, 2007	Millions of yen			
	1 year or less	Over 1 year, less than 5 years	Over 5 years, less than 10 years	Over 10 years
<b>Bonds</b>				
Japanese government bonds	¥47,431	¥160,417	¥150,387	<b>¥ 41,331</b>
Japanese local government bonds	8,777	48,729	68,520	—
Corporate bonds	35,269	151,195	28,951	<b>19,967</b>
Subtotal	91,478	360,342	247,859	<b>61,299</b>
Other	1,089	120,416	154,089	<b>46,515</b>
<b>Total</b>	<b>¥92,567</b>	<b>¥480,759</b>	<b>¥401,948</b>	<b>¥107,814</b>

As of March 31, 2006	Millions of yen			
	1 year or less	Over 1 year, less than 5 years	Over 5 years, less than 10 years	Over 10 years
<b>Bonds</b>				
Japanese government bonds	¥ 15,046	¥214,741	¥ 85,200	¥100,873
Japanese local government bonds	14,042	81,231	80,128	—
Corporate bonds	65,673	138,311	18,790	11,828
Subtotal	94,762	434,284	184,119	112,701
Other	13,673	67,731	193,196	52,056
<b>Total</b>	<b>¥108,436</b>	<b>¥502,015</b>	<b>¥377,316</b>	<b>¥164,758</b>

As of March 31, 2007	Thousands of U.S. dollars			
	1 year or less	Over 1 year, less than 5 years	Over 5 years, less than 10 years	Over 10 years
<b>Bonds</b>				
Japanese government bonds	\$401,790	\$1,358,895	\$1,273,934	<b>\$350,121</b>
Japanese local government bonds	74,357	412,787	580,434	—
Corporate bonds	298,764	1,280,777	245,244	<b>169,141</b>
Subtotal	774,911	3,052,459	2,099,613	<b>519,263</b>
Other	9,226	1,020,050	1,305,289	<b>394,028</b>
<b>Total</b>	<b>\$784,137</b>	<b>\$4,072,510</b>	<b>\$3,404,902</b>	<b>\$913,292</b>

**22. Money held in trust**

## (1) Money held in trust for trading purposes

As of March 31,	Millions of yen		Thousands of U.S. dollars
	2007	2006	2007
Book value	<b>¥10,993</b>	¥10,800	<b>\$93,128</b>
Valuation gain (loss)	—	—	—

## (2) Other money held in trust (other than money held in trust for trading purposes and money held in trust held to maturity)

As of March 31,	Millions of yen		Thousands of U.S. dollars
	2007	2006	2007
Acquisition cost	<b>¥3,013</b>	¥3,011	<b>\$25,529</b>
Book value	<b>3,005</b>	3,007	<b>25,462</b>
Valuation gain			
Net	<b>(7)</b>	(3)	<b>(66)</b>
Gain	—	2	—
(Loss)	<b>(7)</b>	(5)	<b>(66)</b>

### 23. Unrealized gains (losses) on securities available for sale, net of taxes

A breakdown of unrealized gains (losses) on securities available for sale, net of taxes posted on the Consolidated Balance Sheets is as follows:

As of March 31,	Millions of yen		Thousands of U.S. dollars
	2007	2006	2007
Valuation gains (losses)			
Specified marketable securities	<b>¥92,107</b>	¥85,591	<b>\$780,245</b>
Other money held in trust	<b>(7)</b>	(3)	<b>(66)</b>
Deferred tax liabilities	<b>(34,320)</b>	(34,608)	<b>(290,729)</b>
Unrealized gains on specified marketable securities (before equity stake adjustment)	<b>57,779</b>	50,979	<b>489,449</b>
Amount equivalent to minority interests	<b>(143)</b>	(174)	<b>(1,218)</b>
<b>Unrealized gains on securities available for sale, net of taxes</b>	<b>¥57,635</b>	¥50,804	<b>\$488,230</b>

### 24. Derivatives transactions

#### (1) Policies and objectives of derivatives transactions

Derivative instruments which the Bank utilizes are interest rate swaps, currency swaps, currency options, forward foreign exchanges, bond futures, bond options and stock-price index futures.

The Bank enters into derivative transactions to provide customers with financial instruments to hedge their risks on interest rate and foreign exchanges as well as to control the Bank's own market risks properly. The Bank also enters into short-term trading transactions within the predetermined limits of positions and resulting losses which the Bank has established. Speculative transactions utilizing excessive leverage effect are against of its policies.

#### (2) Fair value of derivatives transactions

##### (i) Interest-rate related transactions

There were no applicable transactions as of March 31, 2007 and 2006.

##### (ii) Foreign exchange related transactions

Forward foreign exchange contracts and currency options and cross currency swap are valued on the Consolidated Balance Sheet date, and the relevant valuation gains/losses are posted on the Income Statements. Contract amounts of currency derivatives valued on the Balance Sheet date are as follows:

As of March 31,	Millions of yen		Thousands of U.S. dollars
	2007	2006	2007
Over-the-counter transactions:			
Cross currency swap contracts	<b>¥203,858</b>	¥155,859	<b>\$1,726,883</b>
Forward foreign exchange contracts:			
Sold	<b>¥ 5,647</b>	¥ 4,176	<b>\$ 47,841</b>
Bought	<b>5,368</b>	3,858	<b>45,480</b>
Currency options:			
Sold	<b>¥ 1,895</b>	¥ 1,501	<b>\$ 16,054</b>
Bought	<b>1,895</b>	1,501	<b>16,054</b>

(Note) Derivatives transactions under hedge accounting are not included.

## 25. Retirement benefit accounting

### (1) Outline of current retirement benefit systems

The Bank has an unfunded lump-sum severance payment plan in accordance with the in-house regulations and a defined-benefit pension plan. A retirement benefit trust was established during the year ended March 31, 2001.

### (2) The reserve for retirement benefits as of March 31, 2007 and 2006, are as follows:

As of March 31,	Millions of yen		Thousands of U.S. dollars
	2007	2006	2007
Projected benefit obligations (A)	¥(39,857)	¥(39,717)	\$(337,631)
Fair value of plan assets (B)	26,234	25,695	222,231
Projected benefit obligation in excess of plan assets (C) = (A) + (B)	(13,622)	(14,021)	(115,400)
Unrecognized net obligation at transition (D)	—	—	—
Unrecognized net actuarial losses (E)	6,895	8,550	58,413
Unrecognized prior service costs (F)	(119)	(135)	(1,010)
Net liability recognized (G) = (C) + (D) + (E) + (F)	(6,846)	(5,606)	(57,997)
Prepaid pension costs (H)	—	2,473	—
Reserve for employee retirement and severance benefits (G) - (H)	¥ (6,846)	¥ (8,079)	\$ (57,997)

(Note) Consolidated subsidiaries have adopted the simplified method for calculation of projected benefit obligations.

### (3) Retirement benefit costs

For the years ended March 31,	Millions of yen		Thousands of U.S. dollars
	2007	2006	2007
Service cost	¥1,521	¥1,564	\$12,884
Interest cost	793	804	6,718
Expected return on assets	(327)	(314)	(2,772)
Amortization of prior service costs	(16)	(16)	(137)
Amortization of net actuarial losses	1,601	1,898	13,569
Total	¥3,572	¥3,937	\$30,262

(Note) Retirement benefit costs for consolidated subsidiaries are included in the above service cost.

### (4) Assumptions used in the above calculation for projected benefit obligations are as follows:

As of March 31, 2007	
Discount rate:	2.0%
Expected return on assets rate:	2.0%
Periodical distribution of estimated amount of retirement benefits:	Evenly amortized over the period
Period of recognition of prior service obligation	Principally 10 years (using the straight-line method over a predetermined period within the average remaining service period of the employees)
Period of recognition of actuarial differences	Principally 10 years (using the straight-line method over a predetermined period within the average remaining service period of the employees, beginning with the next year of occurrence of the difference)

## 26. Segment information

Information about industry segments of the Bank and its consolidated subsidiaries for the years ended March 31, 2007 and 2006 is as follows:

Year ended March 31, 2007	Millions of yen					
	Banking	Leasing & investing	Other	Total	Elimination or corporate	Consolidated
Revenues and operating income:						
Revenues from customers	¥84,283	¥ 9,718	¥2,633	¥96,635	¥ —	¥96,635
Intersegment revenues	475	482	2,053	3,011	(3,011)	—
Total revenues	84,758	10,201	4,687	99,646	(3,011)	96,635
Operating expenses	69,813	9,606	4,141	83,561	(2,988)	80,573
Operating income	¥14,945	¥ 594	¥ 545	¥16,084	¥ (23)	¥16,061

Assets, depreciation,

Loss on impairment of premise and equipment and capital expenditures:

Assets at year end	¥4,163,923	¥42,451	¥11,846	¥4,218,222	¥(38,886)	¥4,179,335
Depreciation	3,684	5,157	26	8,868	—	8,868
Impairment losses	3,313	—	—	3,313	—	3,313
Capital expenditures	8,763	7,199	35	15,998	—	15,998

Year ended March 31, 2006	Millions of yen					
	Banking	Leasing & investing	Other	Total	Elimination or corporate	Consolidated
Revenues and operating income:						
Revenues from customers	¥83,199	¥7,703	¥2,442	¥93,345	¥ —	¥93,345
Intersegment revenues	469	236	1,896	2,602	(2,602)	—
Total revenues	83,669	7,940	4,338	95,948	(2,602)	93,345
Operating expenses	65,007	7,770	3,911	76,688	(2,713)	73,975
Operating income	¥18,662	¥ 169	¥ 427	¥19,259	¥ 110	¥19,370

Assets, depreciation,

Loss on impairment of premise and equipment and capital expenditures:

Assets at year end	¥4,070,229	¥22,296	¥9,631	¥4,102,157	¥(19,245)	¥4,082,911
Depreciation	4,391	5,097	21	9,510	—	9,510
Impairment losses	3,533	—	—	3,533	—	3,533
Capital expenditures	3,629	5,572	59	9,261	—	9,261

Year ended March 31, 2007	Thousands of U.S. dollars					
	Banking	Leasing & investing	Other	Total	Elimination or corporate	Consolidated
Revenues and operating income:						
Revenues from customers	\$713,960	\$82,329	\$22,305	\$818,595	\$ —	\$818,595
Intersegment revenues	4,024	4,086	17,398	25,509	(25,509)	—
Total revenues	717,985	86,415	39,703	844,105	(25,509)	818,595
Operating expenses	591,385	81,379	35,085	707,850	(25,312)	682,537
Operating income	\$126,600	\$ 5,036	\$ 4,618	\$136,255	\$ (197)	\$136,057

Assets, depreciation,

Loss on impairment of premises and equipment and capital expenditures:

Assets at year end	\$35,272,545	\$359,610	\$100,349	\$35,732,504	\$(329,405)	\$35,403,099
Depreciation	31,213	43,687	224	75,125	—	75,125
Impairment losses	28,068	—	—	28,068	—	28,068
Capital expenditures	74,232	60,989	298	135,519	—	135,519

(Notes) 1. Leasing and investing segment comprises leasing business and venture capital business.

2. Other segment comprises credit card business and data processing business.

3. The above revenues and operating income do not comprise extra-ordinary items which are included in other income or other expenses on the consolidated statements of income.

## 27. Loss on impairment fixed assets

As the Bank does not expect recovery of investment due to continuous declines in land price and in operating cash flows, book values of the following assets were reduced to recoverable amounts. Loss on impairment of premises and equipment amounted to ¥3,313 (U.S.\$28,068 thousand) and ¥3,533 million for the years ended March 31, 2007 and 2006, respectively.

	Millions of yen				Thousands of U.S. dollars	
	2007		2006		2007	
	Operating assets	Idle assets	Operating assets	Idle assets	Operating assets	Idle assets
Land, buildings and equipment:						
Shiga Prefecture	¥1,137	¥ —	¥ 264	¥1,215	\$ 9,634	\$ —
Other	2,176	—	2,053	—	18,433	—
Total	¥3,313	¥ —	¥2,317	¥1,215	\$28,068	\$ —

## 28. Related party transactions

Transactions with directors and principal individual shareholders for the years ended March 31, 2007 and 2006 were as follows:

For the year ended March 31, 2007:

Attribute	Name	Address	Capital Stock (in millions)	Operations or occupation	Holding equity of the Bank (%)	Concurrent director	Transactions	Transaction amount (in millions)	Account	Balance at year-end (in millions)
Director & relative	Chiyoko Yamakage	—	—	Real estate leasing	—	—	Lending	¥(7)	Loans	¥186
							Interest receiving	¥4	Accrued income	¥0
Companies, majority held by director & relative	Nishikawa Sangyo Co., Ltd.	Tokyo	¥901	Bedclothes wholesale	0.04	1	Lending	¥295	Loans	¥1,145
							Interest receiving	¥10	Unearned income	¥0
	Nishikawa Living Inc.	Osaka	¥400	Bedclothes wholesale	0.36	1	Lending	¥(277)	Loans	¥1,459
							Payment guarantee	¥(86)	Guarantees	¥178
							Interest receiving	¥15	Accrued income	¥2
									Unearned income	¥0

For the year ended March 31, 2006:

Attribute	Name	Address	Capital Stock (in millions)	Operations or occupation	Holding equity of the Bank (%)	Concurrent director	Transactions	Transaction amount (in millions)	Account	Balance at year-end (in millions)
Director & relative	Chiyoko Yamakage	—	—	Real estate leasing	—	—	Interest receiving	¥4	Loans	¥193
									Accrued income	¥0
	Toshiko Nakakita	—	—	Retail	—	—	Lending	¥4	Loans	¥4
							Interest receiving	¥0		
Companies, majority held by director & relative	Nishikawa Sangyo Co., Ltd.	Tokyo	¥901	Bedclothes wholesale	0.04	1	Lending	¥12,814	Loans	¥850
							Interest receiving	¥8	Unearned income	¥0
	Nishikawa Living Inc.	Osaka	¥400	Bedclothes wholesale	0.36	1	Lending	¥2,900	Loans	¥1,736
							Payment guarantee	¥707	Guarantees	¥257
							Foreign exchanges	¥7	Foreign exchanges	¥7
							Interest receiving	¥23	Accrued income	¥0
								Unearned income	¥0	