



# SHOKO CHUKIN BANK

**Financial Report**

**2008**

Year Ended March 31, 2008

*The Shoko Chukin Bank will adopt this new corporate logo in October 2008.*

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## ECONOMIC AND FINANCIAL CONDITIONS

During Fiscal 2007, ended March 31, 2008, the ongoing global economic recovery was marred by signs that a slowdown was gaining ground. While the Chinese economy and other new economies continued to expand, the U.S. and European economies slowed through the second half of the fiscal year in response to the chaos in the financial markets triggered by the subprime loan problem.

The Japanese economy continued to enjoy a modest recovery, but in reaction to these global economic developments, it increasingly slowed through the second half of the fiscal year. The upturn in exports stalled somewhat, particular for exports to the United States, and industrial production lost its upward momentum and fell flat. Capital investment also softened on growing concerns over the economic outlook. After a sharp fall after the revised Building Standards Law took effect, housing investment showed signs of recovering, but then remained low. In the household sector, personal spending remained steady overall, attributable to modest improvements in the employment and income environment. During this period, consumer price growth expanded on the back of a jump in the price of raw materials such as crude oil and grains.

Economic sentiment continued to deteriorate for small and medium-sized enterprises (SMEs), and conditions became increasingly difficult for some industries relying on domestic demand. According to the Shoko Chukin Bank's "Monthly Survey of SME Business Sentiment," sales remained on an uptrend, but there were signs in some areas that demand had peaked. Moreover, the rise in input prices resulting from skyrocketing raw material prices was not fully passed on to sales prices, which continued to pressure profits. The SME Business Sentiment Index undercut the boom-or-bust threshold of 50 throughout the fiscal year. Given these conditions, the number of SME bankruptcies continued to increase.

On the financial front, the Bank of Japan (BOJ) held its policy rate steady in Fiscal 2007 in light of the chaos buffeting financial markets since summer and the heightened uncertainty over the economy's outlook. Long-term interest rates (newly issued 10-year Japanese government bond yields) rose to the mid 1.9% range at one point on heightened expectations in summer 2007 that the BOJ would raise policy rates. However, yields subsequently dropped and fell to around 1.3% at the end of the fiscal year.

The yen weakened against the dollar in summer 2007 as US long-term interest rates rose. However, the yen began to appreciate thereafter as investors unwound their yen carry trades, and in March 2008 the exchange rate briefly touched the ¥95/USD rate, the highest level in more than 12 years.

Stock prices rose from the start of the fiscal year through the summer, and set new highs for the year in early July. However, subsequently the stock market began to drop on growing concerns of a credit crunch in the U.S. financial market and worries that the strong yen would hurt corporate earnings, pushing the Nikkei Stock Average below the ¥12,000 range at one point in March 2008.

During this period, the Japanese government worked to ensure a smooth flow of funds and promote diversification in funding sources for SMEs—specifically, financing methods that were not overly dependent on collateral and personal guarantees. In addition, the government continued to support new business development by SMEs utilizing local resources as well as SMEs in the manufacturing sector taking advantage of advanced technology.

# SUMMARY OF RESULTS

## Loans

The balance of outstanding loans as of the end of Fiscal 2007 declined ¥240.2 billion, to ¥9,114.9 billion at year-end. The balance of loans through agencies, including credit cooperatives, totaled ¥9.7 billion. There were 150 agencies at fiscal year-end.

## Debentures

Interest-bearing debentures decreased ¥227.0 billion compared with the previous year and discount debentures decreased ¥179.9 billion, for an overall decrease in the balance of debentures of ¥407.0 billion. As a result, the balance of debentures at year-end totaled ¥6,821.9 billion, a figure that includes ¥30.0 billion underwritten by the government.

## Deposits and Negotiable Certificates of Deposit

The balance of deposits increased ¥115.1 billion, to ¥2,655.0 billion at the end of Fiscal 2007. Negotiable certificates of deposit decreased ¥2.7 billion compared with the previous year-end, to ¥9.9 billion.

## Securities

Over-the-counter sales of government bonds and other securities amounted to ¥0.5 billion. Dealings in government bonds and other securities totaled ¥52.9 billion. The balance of trading securities at the end of Fiscal 2007 was less than ¥100 million.

## Domestic and Foreign Exchange

Domestic exchange transactions in Fiscal 2007 totaled ¥24,317.5 billion. Foreign exchange transactions totaled US\$4,275 million.

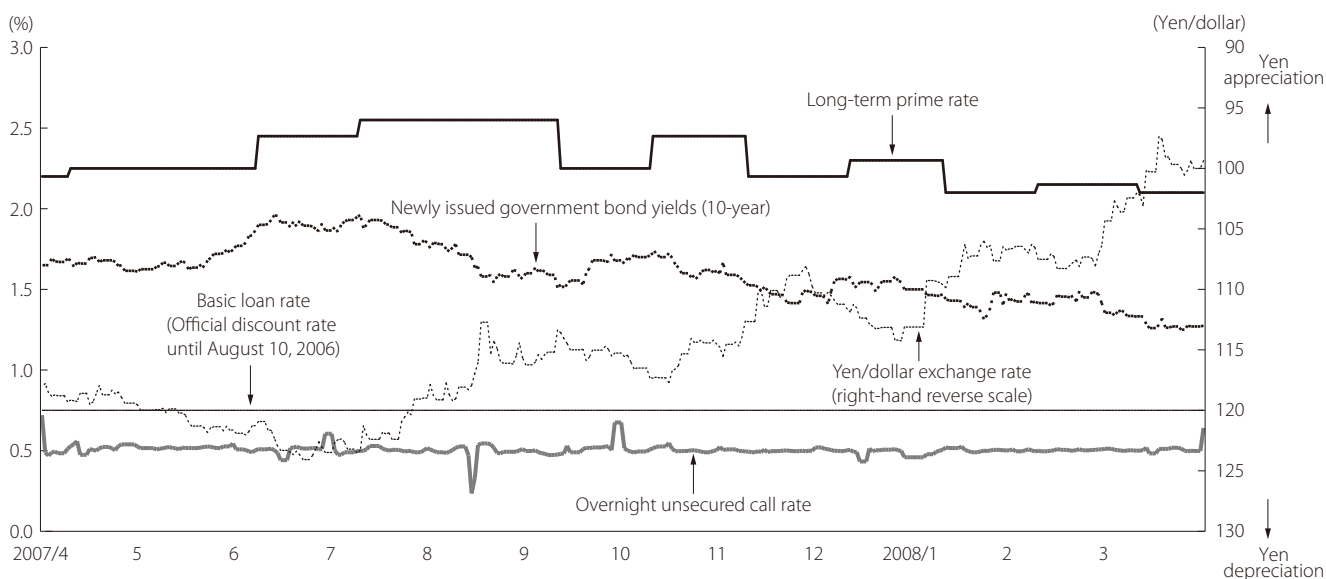
## Income and Expenditures

Total operating income amounted to ¥209.4 billion, while operating expenses totaled ¥192.1 billion, resulting in income before income taxes and others of ¥17.2 billion. Other gains amounted to ¥0.3 billion and other losses totaled ¥3.7 billion. Provision for income taxes amounted to ¥0.3 billion, and adjustment for income taxes totaled ¥8.4 billion. As a result, net income for the fiscal year amounted to ¥21.8 billion.

## Issues to Address

With the aim of reciprocating its clients' trust and actively contributing to the growth and development of SMEs, the Bank strives to ensure that SMEs have smooth access to financing. The Bank also believes in the importance of reinforcing its business structure.

Consequently, the Bank will provide a stable supply of funds based on a long-term transaction stance and will serve as a safety net to counteract changes in SMEs' financial and economic environment, and will further enhance its efforts to revitalize companies by utilizing diverse recovery methods through new methods and cooperation with external organizations. In addition, the Bank will help raise its clients' corporate value by providing high-quality solutions for their management problems. The Bank will actively endeavor to augment its fund-raising base and build a solid management foundation, and will ensure thorough compliance and raise the sophistication of its internal management system to improve customer satisfaction and solidify the trust it has earned from society and its clients ahead of the transition to the privatization.



# Trends in Principal Financial Indicators

|   | Billions of yen      |                      |                      |                      |                      |
|---|----------------------|----------------------|----------------------|----------------------|----------------------|
|   | Fiscal 2007          | Fiscal 2006          | Fiscal 2005          | Fiscal 2004          | Fiscal 2003          |
| Total Operating Income                                | 209.4                | 192.2                | 186.1                | 189.4                | 207.5                |
| Income before Income Taxes and Others                 | 17.2                 | 28.2                 | 28.5                 | 15.3                 | 4.7                  |
| Net Income  | 21.8                 | 14.2                 | 12.8                 | 9.2                  | 8.6                  |
| Capital<br>(Total Subscription in Thousands of Units) | 522.7<br>(5,227,650) | 522.7<br>(5,227,650) | 519.7<br>(5,197,650) | 517.2<br>(5,172,650) | 514.2<br>(5,142,650) |
| Total Capital Funds                                   | 694.8                | 678.6                | 664.7                | 652.8                | 635.5                |
| Total Assets  | 10,722.9             | 10,996.8             | 11,495.4             | 11,584.8             | 12,001.8             |
| Outstanding Deposits                                  | 2,655.0              | 2,539.9              | 2,420.0              | 2,390.0              | 2,356.8              |
| Outstanding Debentures                                | 6,821.9              | 7,228.9              | 7,832.6              | 7,811.2              | 8,244.3              |
| Outstanding Loans                                     | 9,114.9              | 9,355.2              | 9,427.6              | 9,588.8              | 9,824.4              |
| Balance of Investment Securities                      | 1,463.4              | 1,532.0              | 1,770.7              | 1,610.3              | 1,504.4              |
| Capital Ratio (%)                                     | 8.80                 | 8.31                 | 8.01                 | 7.78                 | 7.70                 |
| Dividend per Cooperative Subscription Unit (Yen)      | 3.00                 | 3.00                 | 3.00                 | 3.00                 | 3.00                 |
| Dividend Payment Ratio (%)                            | 16.10                | 24.10                | 26.19                | 35.27                | 36.62                |
| Number of Employees                                   | 4,240                | 4,320                | 4,424                | 4,480                | 4,571                |

Note: Reserve for Possible Loan Losses is deducted as a single amount at the end of the Assets section of the Balance Sheets.

# Balance Sheets

The Shoko Chukin Bank As of March 31, 2008 and 2007

|   | Millions of yen |             | Millions of U.S. dollars |
|---|-----------------|-------------|--------------------------|
|   | 2008            | 2007        | 2008                     |
| <b>ASSETS</b>   |                 |             |                          |
| <b>Loans</b>  | ¥ 9,114,977     | ¥ 9,355,271 | \$ 90,976                |
| Loans on Deeds  | 6,221,262       | 6,340,718   | 62,094                   |
| Loans on Notes  | 897,016         | 997,032     | 8,953                    |
| Overdrafts  | 1,475,817       | 1,386,860   | 14,730                   |
| Bills Discounted  | 520,881         | 630,660     | 5,198                    |
| <b>Foreign Exchange</b>                                       | 7,243           | 6,780       | 72                       |
| Foreign Exchange Bills Purchased                              | 1,010           | 666         | 10                       |
| Foreign Exchange Bills Receivable                             | 2,118           | 2,767       | 21                       |
| Due from Foreign Banks  | 4,114           | 3,346       | 41                       |
| <b>Investment Securities</b>                                  | 1,463,473       | 1,532,084   | 14,606                   |
| Government Bonds  | 924,830         | 931,658     | 9,230                    |
| Local Government Bonds  | 37,065          | 38,917      | 369                      |
| Corporate Bonds   | 410,496         | 438,143     | 4,097                    |
| Stocks  | 23,559          | 28,766      | 235                      |
| Other Securities  | 67,520          | 94,599      | 673                      |
| <b>Trading Assets</b>   | 13,580          | 8,875       | 135                      |
| Trading Securities  | 99              | 206         | 0                        |
| Trading-related Marketable Securities Derivative Transactions | —               | 0           | —                        |
| Trading-related Financial Derivative Transactions             | 13,480          | 8,669       | 134                      |
| <b>Monetary Claims Purchased</b>                              | 37,549          | 49,165      | 374                      |
| <b>Call Loans</b>   | 15,429          | 7,201       | 153                      |
| <b>Cash and Due from Banks</b>                                | 74,118          | 72,874      | 739                      |
| Cash  | 31,276          | 34,481      | 312                      |
| Due from Banks  | 42,842          | 38,393      | 427                      |
| <b>Other Assets</b>   | 29,196          | 27,969      | 291                      |
| Settlements Receivable  | 3               | 10          | 0                        |
| Prepaid Expenses  | 19              | 40          | 0                        |
| Accrued Income  | 6,549           | 8,023       | 65                       |
| Financial Derivative Transactions                             | 2,057           | 1,264       | 20                       |
| Other Assets  | 20,566          | 18,630      | 205                      |
| <b>Tangible Fixed Assets</b>                                  | 41,940          | 42,983      | 418                      |
| Buildings   | 16,514          | 17,264      | 164                      |
| Land  | 24,303          | 24,425      | 242                      |
| Other Tangible Fixed Assets                                   | 1,122           | 1,293       | 11                       |
| <b>Intangible Fixed Assets</b>                                | 6,491           | 5,865       | 64                       |
| Software  | 5,535           | 4,589       | 55                       |
| Other Intangible Fixed Assets                                 | 956             | 1,275       | 9                        |
| <b>Deferred Income Taxes</b>                                  | 68,486          | 59,068      | 683                      |
| <b>Customers' Liabilities for Acceptances and Guarantees</b>  | 71,867          | 75,700      | 717                      |
| Customers' Liabilities for Acceptances and Guarantees         | 68,230          | 71,658      | 681                      |
| Customers' Liabilities for Guaranteeing Agency Loans          | 3,636           | 4,041       | 36                       |
| <b>Reserve for Possible Loan Losses</b>                       | (221,404)       | (247,021)   | (2,209)                  |
| <b>Total Assets</b>   | ¥10,722,950     | ¥10,996,819 | \$107,026                |

|   | Millions of yen |             | Millions of U.S. dollars |
|---|-----------------|-------------|--------------------------|
|   | 2008            | 2007        | 2008                     |
| <b>LIABILITIES</b>                                    |                 |             |                          |
| <b>Shoko Chukin Bank Debentures</b>                   | ¥ 6,821,949     | ¥ 7,228,966 | \$ 68,090                |
| Shoko Chukin Bank Debentures Issued                   | 6,821,949       | 7,228,966   | 68,090                   |
| <b>Deposits</b>                                       | 2,655,067       | 2,539,914   | 26,500                   |
| Time Deposits   | 1,424,987       | 1,192,013   | 14,222                   |
| Deposits at Notice                                    | 59,399          | 70,865      | 592                      |
| Ordinary Deposits                                     | 639,251         | 680,302     | 6,380                    |
| Current Deposits                                      | 449,636         | 534,520     | 4,487                    |
| Government Deposits                                   | 18,186          | 17,569      | 181                      |
| Other Deposits  | 63,605          | 44,642      | 634                      |
| <b>Negotiable Certificates of Deposit</b>             | 9,917           | 12,660      | 98                       |
| <b>Borrowed Money</b>                                 | 67,719          | 40,814      | 675                      |
| Borrowings  | 67,719          | 40,814      | 675                      |
| <b>Trading Liabilities</b>                            | 9,108           | 5,089       | 90                       |
| Trading-related Financial Derivatives                 | 9,108           | 5,089       | 90                       |
| <b>Call Money</b>                                     | 24,547          | 10,247      | 245                      |
| <b>Payables under Repurchase Agreements</b>           | 39,896          | 40,602      | 398                      |
| <b>Foreign Exchange</b>                               | 75              | 59          | 0                        |
| Foreign Exchange Bills Sold                           | 12              | 23          | 0                        |
| Borrowings from Foreign Banks                         | 62              | 36          | 0                        |
| <b>Other Liabilities</b>                              | 299,365         | 338,449     | 2,987                    |
| Settlements Payable                                   | 0               | 4           | 0                        |
| Accrued Expenses                                      | 18,533          | 13,997      | 184                      |
| Corporate Taxes Payable                               | 300             | 964         | 2                        |
| Unearned Income                                       | 18,361          | 16,304      | 183                      |
| Deposits by Employees                                 | 7,821           | 8,043       | 78                       |
| Forward Contract Deposits Receivable                  | —               | 0           | —                        |
| Financial Derivative Transactions                     | 1,170           | 1,723       | 11                       |
| Debenture Principal Payable                           | 249,680         | 294,823     | 2,492                    |
| Other Liabilities                                     | 3,497           | 2,586       | 34                       |
| <b>Reserve for Bonuses</b>                            | 4,520           | 4,650       | 45                       |
| <b>Reserve for Retirement Benefit</b>                 | 20,285          | 21,023      | 202                      |
| <b>Reserve for Retirement Benefits for Directors</b>  | 92              | —           | 0                        |
| <b>Reserve for Losses on Refund for Dormant Bonds</b> | 3,684           | —           | 36                       |
| <b>Acceptances and Guarantees</b>                     | 71,867          | 75,700      | 717                      |
| Acceptances and Guarantees                            | 68,230          | 71,658      | 681                      |
| Guarantees for Agency Loans                           | 3,636           | 4,041       | 36                       |
| <b>Total Liabilities</b>                              | 10,028,097      | 10,318,178  | 100,090                  |
| <b>NET ASSETS</b>                                     |                 |             |                          |
| <b>Capital</b>  | 522,765         | 522,765     | 5,217                    |
| Government Subscription                               | 405,367         | 405,367     | 4,045                    |
| Cooperative Subscription                              | 117,397         | 117,397     | 1,171                    |
| <b>Retained Earnings</b>                              | 169,312         | 150,871     | 1,689                    |
| Earnings Reserve                                      | 30,210          | 28,710      | 301                      |
| Other Retained Earnings                               | 139,101         | 122,161     | 1,388                    |
| General Reserves                                      | 113,633         | 104,433     | 1,134                    |
| Reserve for Particular Purposes                       | 113,169         | 103,969     | 1,129                    |
| Reserve for Retirement Allowance Funds                | 464             | 464         | 4                        |
| Unappropriated Earnings                               | 25,467          | 17,727      | 254                      |
| <b>Total Capital Subscribers' Funds</b>               | 692,077         | 673,636     | 6,907                    |
| <b>Unrealized Gains on Securities</b>                 | 2,776           | 5,031       | 27                       |
| <b>Deferred Hedge Losses</b>                          | (0)             | (26)        | (0)                      |
| <b>Total Valuation and Translation Adjustments</b>    | 2,775           | 5,004       | 27                       |
| <b>Total Net Assets</b>                               | 694,852         | 678,641     | 6,935                    |
| <b>Total Liabilities and Net Assets</b>               | ¥10,722,950     | ¥10,996,819 | \$107,026                |

# Statements of Income

The Shoko Chukin Bank For the years ended March 31, 2008 and 2007

|   | Millions of yen |          | Millions of U.S. dollars |
|---|-----------------|----------|--------------------------|
|   | 2008            | 2007     | 2008                     |
| <b>Operating Income</b>   | ¥209,411        | ¥192,240 | \$2,090                  |
| Interest Income   | 191,373         | 175,952  | 1,910                    |
| Interest on Loans   | 170,170         | 156,801  | 1,698                    |
| Interest and Dividends on Securities                                    | 16,844          | 15,235   | 168                      |
| Interest on Bills Purchased   | 5               | 5        | 0                        |
| Interest on Call Loans  | 884             | 535      | 8                        |
| Interest on Resale Agreements   | 5               | 2        | 0                        |
| Interest on Deposits  | 282             | 320      | 2                        |
| Other Interest Income   | 3,180           | 3,051    | 31                       |
| Fees and Commissions  | 10,227          | 9,588    | 102                      |
| Domestic and Foreign Exchange Commissions                               | 1,760           | 1,841    | 17                       |
| Other Fees and Commissions  | 8,466           | 7,746    | 84                       |
| Trading Revenue   | 2,645           | 2,057    | 26                       |
| Trading Securities Revenue  | 2               | 2        | 0                        |
| Revenue from Securities and Derivatives related to Trading Transactions | —               | 7        | —                        |
| Revenue from Trading-related Financial Derivatives                      | 2,539           | 1,877    | 25                       |
| Other Trading Revenue   | 102             | 169      | 1                        |
| Other Operating Income  | 1,818           | 769      | 18                       |
| Revenue from Foreign Exchange Trading                                   | 876             | 766      | 8                        |
| Revenue from Sales of Government and Other Bonds                        | 930             | 3        | 9                        |
| Revenue from Financial Derivatives                                      | 11              | —        | 0                        |
| Other Income  | 3,347           | 3,873    | 33                       |
| Revenue from Sales of Stocks and Other Securities                       | 180             | 465      | 1                        |
| Other Income  | 3,166           | 3,408    | 31                       |
| <b>Operating Expenses</b>   | 192,158         | 164,000  | 1,917                    |
| Interest Expense  | 61,616          | 39,652   | 614                      |
| Interest on Debentures  | 47,954          | 30,404   | 478                      |
| Interest on Deposits  | 11,181          | 7,138    | 111                      |
| Interest on Negotiable Certificates of Deposit                          | 568             | 1,046    | 5                        |
| Interest on Short-term Debentures                                       | 45              | 161      | 0                        |
| Interest on Borrowed Money  | 742             | 188      | 7                        |
| Interest on Bills Sold  | —               | 0        | —                        |
| Interest on Loan Transactions   | 95              | 2        | 0                        |
| Interest on Call Money  | 775             | 366      | 7                        |
| Interest on Resale Agreements   | 106             | 92       | 1                        |
| Interest on Interest Swap Transactions                                  | 37              | 151      | 0                        |
| Other Interest Expenses   | 108             | 99       | 1                        |
| Fees and Commissions  | 676             | 673      | 6                        |
| Domestic and Foreign Exchange Commissions                               | 380             | 418      | 3                        |
| Other Fees and Commissions  | 296             | 255      | 2                        |
| Trading Expenses  | 6               | —        | 0                        |
| Expenses on Securities and Derivatives related to Trading Transactions  | 6               | —        | 0                        |
| Other Operating Expenses  | 2,795           | 219      | 27                       |
| Amortization of Debenture Issue Expenses                                | 89              | 106      | 0                        |
| Losses on Sales of Government and Other Bonds                           | 2,579           | 0        | 25                       |
| Financial Derivatives Expenses  | —               | 11       | —                        |
| Other Operating Expenses  | 125             | 100      | 1                        |
| General and Administrative Expenses                                     | 73,577          | 73,676   | 734                      |

|  | Millions of yen |                 | Millions of U.S. dollars |
|--|-----------------|-----------------|--------------------------|
|  | 2008            | 2007            | 2008                     |
| Other Expenses   | ¥ 53,487        | ¥ 49,779        | \$ 533                   |
| Provision for Possible Loan Losses                             | 42,379          | 38,140          | 422                      |
| Write-off of Loans   | 1,295           | 902             | 12                       |
| Loss on Sales of Stocks and Other Securities                   | 788             | 30              | 7                        |
| Write-off of Stocks  | 253             | 206             | 2                        |
| Other Expenses   | 8,770           | 10,498          | 87                       |
| <b>Income before Income Taxes and Other</b>                    | <b>17,252</b>   | <b>28,240</b>   | <b>172</b>               |
| <b>Other Gains</b>   | <b>325</b>      | <b>445</b>      | <b>3</b>                 |
| Gains on Disposal of Fixed Assets                              | 73              | 175             | 0                        |
| Collection of Written-off Claims                               | 251             | 269             | 2                        |
| <b>Other Losses</b>  | <b>3,729</b>    | <b>207</b>      | <b>37</b>                |
| Losses on Disposal of Fixed Assets                             | 181             | 88              | 1                        |
| Impairment Loss on Fixed Assets                                | 7               | 118             | 0                        |
| Other Losses   | 3,541           | —               | 35                       |
| <b>Income before Income Taxes</b>                              | <b>13,848</b>   | <b>28,478</b>   | <b>138</b>               |
| <b>Provision for Income Taxes</b>                              | <b>379</b>      | <b>608</b>      | <b>3</b>                 |
| <b>Adjustment for Income Taxes</b>                             | <b>(8,410)</b>  | <b>13,600</b>   | <b>(83)</b>              |
| <b>Net Income</b>  | <b>21,878</b>   | <b>14,269</b>   | <b>218</b>               |
| <b>Earnings Carried Forward from the Beginning of the Year</b> | <b>3,589</b>    | <b>3,457</b>    | <b>35</b>                |
| <b>Unappropriated Earnings at the End of the Year</b>          | <b>¥ 25,467</b> | <b>¥ 17,727</b> | <b>\$ 254</b>            |

## Statements of Appropriation of Earned Surplus

The Shoko Chukin Bank As of March 31, 2008 and 2007

|   | Millions of yen |                | Millions of U.S. dollars |
|---|-----------------|----------------|--------------------------|
|   | 2008            | 2007           | 2008                     |
| <b>Unappropriated Earnings at the End of the Year</b> | <b>¥25,467</b>  | <b>¥17,727</b> | <b>\$254</b>             |
| <b>Earnings Liquidated from Voluntary Reserves</b>    | <b>464</b>      | <b>—</b>       | <b>4</b>                 |
| Earnings Liquidated from Retirement Allowance Fund    | 464             | —              | 4                        |
| <b>Total</b>  | <b>¥25,932</b>  | <b>¥17,727</b> | <b>\$258</b>             |
| Will be appropriated as follows:                      |                 |                |                          |
| <b>Appropriations</b>                                 | <b>¥21,821</b>  | <b>¥14,138</b> | <b>\$217</b>             |
| Earnings Reserve                                      | 2,200           | 1,500          | 21                       |
| Reserve for Particular Purposes                       | 16,100          | 9,200          | 160                      |
| Dividends on Cooperative Subscription                 | 3,521           | 3,438          | 35                       |
| <b>Unappropriated Earnings to the Next Year</b>       | <b>¥ 4,110</b>  | <b>¥ 3,589</b> | <b>\$ 41</b>             |

All U.S. dollar figures are translated from Japanese yen amounts for convenience only, at the rate of ¥100.19=US\$1, the prevailing rate of exchange as of March 31, 2008.

## Basis of presentation

The accompanying financial statements of the Shoko Chukin Bank (the "Bank") have been prepared in accordance with the provisions set forth in the Shoko Chukin Bank Act 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.

The financial statements are not intended to present the financial position and the result of operations in accordance with accounting principles and practices generally accepted in countries and jurisdictions other than Japan.

Amounts in U.S. dollars are presented solely for the convenience of readers. The exchange rate of ¥100.19=U.S.\$1.00, the approximate rate of exchange prevailing as of March 31, 2008, has been used for translation purposes. The presentation of such amounts is not intended to imply that Japanese yen amounts have been or could have been readily translated, realized or settled in U.S. dollars at that rate or any other rate.

The yen figures disclosed in the financial statements are expressed in millions of yen and have been rounded down. Consequently, differences may exist between the sum of rounded figures and the totals listed in the annual report.

## BALANCE SHEETS

1. All amounts expressed in the statements have been rounded down to the nearest million yen.
2. Transactions undertaken with a view to gains on short-term fluctuations in interest rates, currency values, market prices of securities and other indicators or differentials, etc., between markets (hereinafter referred to as "Trading Transactions") are shown in the balance sheet as "Trading Assets" or "Trading Liabilities" based on values at the time of contract.  
Trading assets and trading liabilities are valued at market prices on the balance sheet date for securities and monetary claims, etc., and at deemed settlement prices on the balance sheet date for derivative products such as swaps, futures and options.
3. The following valuation methods are applied, depending on the type of security. Bonds intended to be held until maturity are valued using the moving average, amortized cost method. Stocks for which market values are available are valued at the average market price during the month before the fiscal year end. Marketable securities with market values other than stocks are valued using the mark-to-market method based on market prices at the fiscal year end (cost of sales are primarily calculated with the moving average method). Marketable securities for which market values are not available are valued using either the cost method or the amortized cost method on the basis of a moving average. Valuation differences between the market value and the book value for all marketable securities are directly incorporated into capital. Unrealized Gains on Securities are all directly incorporated into Net Assets.
4. Derivative transactions other than trading transactions are stated using the mark-to-market method.
5. Tangible fixed assets are subject to declining balance depreciation.

As a result of revisions to the tax code in Fiscal 2007, tangible fixed assets acquired on or after April 1, 2007 are depreciated using the declining balance method in accordance with the depreciation method stipulated in the revised corporate tax law. Due to this change, Income before Income Taxes and Other and Income before Income Taxes declined ¥12 million compared to the previous method.

Beginning in this fiscal year, tangible fixed assets acquired before March 31, 2007 were depreciated equally over a period of five years using the book value after the fiscal year following the fiscal year in which the allowable limit for depreciation is reached. This had a minimal effect on the Bank's balance sheets.

6. Intangible fixed assets are amortized using the straight-line method. Software for internal use is amortized using the straight-line method over its estimated useful life determined by the Bank (5 years).
7. Treatment of deferred assets on debenture issues Debenture issue expenses are charged to income as they are incurred.
8. Assets and liabilities denominated in foreign currencies and the accounts of the Bank's overseas branches are principally translated into yen at the exchange rates prevailing as of the balance sheet date.
9. The Reserve for Possible Loan Losses is calculated in accordance with the predetermined standards for write-offs and reserve provisions as follows.

Normal loans and the loans that require special attention are defined in "Operational Guidelines for Verification of Internal Control for Self-Assessment of Assets in Banks and Other Financial Institutions" (JICPA Bank Auditing Special Committee Report No. 4). They are classified into certain categories, and reserve provisions are made on the basis of default rates over a specific period for each category.

Amounts reserved for loans to debtors at risk of bankruptcy are determined as the amounts deemed necessary on the basis of the balance remaining after deducting the estimated amounts recoverable from disposal of collateral and execution of guarantees. Amounts reserved for loans to debtors that are legally or virtually bankrupt are determined to be the balance remaining after the expected amount to be collected through disposal of collateral or execution of guarantees.

All loan assets have been assessed by the business departments and audited by the Credit Examination Division, which is independent from the business departments, to comply with the standard for self-assessment of assets. The amount of the reserve is determined based on the results of this audit.

10. The Reserve for Bonuses is set up to provide for the payment of bonuses to employees and appropriates an amount for the current period out of the amount of bonuses estimated to be paid to employees.
11. The Reserve for Retirement Benefit is set up for the payment of employees' retirement benefits. It represents the required amount calculated from estimated retirement benefit obligations and estimated pension assets at the end of this fiscal year. Unrecognized actuarial difference is amortized as follows:

Unrecognized actuarial difference: By the straight-line method over the number of years that does not exceed the average remaining service years (14 years) of employees at each fiscal year when the actuarial difference was incurred. This amortization starts from the next fiscal year.

12. The Reserve for Retirement Benefits for Directors is set up for the payment of directors' retirement benefits. It represents amounts that have accrued through the end of this fiscal year from estimated retirement benefit obligations.
 

Previously, retirement benefits for directors were recorded as expenses on payment. However, in accordance with the application of the "Auditing Treatment relating to Reserves Defined under the Special Taxation Measures Law, Reserve Defined under the Special Law and Reserves for Director and Corporate Auditor Retirement Benefits" (JICPA Auditing and Assurance Practice Committee Report No. 42, April 13, 2007; hereafter "JICPA Auditing and Assurance Practice Committee Report No. 42") for the fiscal years starting on or after April 1, 2007, the Bank has applied this report this fiscal year. As a result, General and Administrative Expenses increased ¥13 million and Other Losses increased ¥79 million, while Income before Income Taxes and Other decreased ¥13 million and Income before Income Taxes decreased ¥92 million.
13. Reserves for Losses on Refunds for Dormant Bonds are recorded for bonds that are no longer recognized as liabilities in an amount equivalent to the estimated losses arising from future demands for refunds.
 

Bonds, deposits and accrued dividends that meet certain conditions are no longer recognized as liabilities (posted as miscellaneous gains). In accordance with JICPA Audit and Assurance Practice Committee Report No. 42 effective from the fiscal year beginning on or after April 1, 2007, the Bank has adopted the report from this fiscal year. As a result, compared to the previous method, Other Expenses increased ¥222 million and Other Losses increased ¥3,462 million, while Income before Income Taxes and Other decreased ¥222 million and Income before Income Taxes decreased ¥3,684 million.
14. The accounting for financial leases, except those where the ownership title is deemed to have been transferred to the lessee, is the same as for operating lease transactions.
15. Deferred hedging is used for hedge accounting against interest rate risk arising from financial assets and liabilities. In the preceding period, a macro hedge accounting method that uses derivative transactions to control aggregate interest rate risk arising from loans, deposits and other financial assets and liabilities was adopted under the "Accounting and Auditing Treatment of the Application of Accounting Standards for Financial Instruments in the Banking Industry" (JICPA Industry Audit Committee Report No. 15 — hereinafter referred to as such) as a transitional measure, but from the current period treatment has been based on the principal provisions of said report.

Of the gains and losses from deferred hedging shown in the balance sheet at the end of the period, those that were formerly based on macro hedges have been allocated as financing costs over a period of six years from Fiscal 2003 according to the average remaining period of the hedge instruments designated as macro hedges.

As of the end of period, deferred hedge losses based on macro hedges were ¥1 million (before deduction of tax effect).

16. Deferred hedge accounting is adopted for hedges carried out to control the risk of currency fluctuations arising from foreign currency-denominated assets and liabilities, as stipulated in the "Accounting and Auditing Treatment of Accounting for Foreign Currency Transactions in the Banking Industry" (JICPA Industry Audit Committee Report No. 25). Currency swap transactions are carried out for the purpose of offsetting the risk of currency fluctuations arising from foreign currency-denominated monetary claims. The effectiveness of the hedge is evaluated by confirming the availability of an amount equivalent to the foreign currency position used to hedge the foreign currency-denominated monetary claims.
17. Interest rate swap transactions designated as hedges for those derivatives transactions that are internal transactions between special transaction accounts and other accounts (or between internal departments) were executed in conformity with external cover transaction standards for which strict hedge operations that eliminate arbitrary decision-making were recognized as possible under JICPA Industry Audit Committee Report No. 24. For this reason, earnings and expenses arising from said interest rate swap transactions have been recognized as gains and losses without being eliminated.
 

The deferral method or the special accrual method has been used for certain assets and liabilities.
18. National and local consumption taxes are accounted for with the tax exclusion method.
19. Regulations on the scope of marketable securities stipulated in "Accounting Standards for Financial Instruments" (Accounting Standards Board of Japan, statement No. 10) and the Accounting Practice Committee Report No. 14, "Practical Guidelines for Accounting for Financial Instruments" were partially revised (on June 15, 2007 and July 4, 2007, respectively) and were applied beginning with the fiscal year ending after the effective date of the Financial Instruments and Exchange Law. Accordingly, the revised accounting standards and practical guidelines were adopted beginning this fiscal year.
20. Accumulated depreciation of tangible fixed assets is ¥54,534 million.
21. Advanced depreciation of tangible fixed assets is ¥18,688 million.
22. In addition to the tangible fixed assets stated in the Balance Sheets, some computers are used under lease agreements.
23. In Loans, loans to bankrupt companies total ¥84,665 million and overdue loans total ¥240,174 million.

Loans to bankrupt companies are loans for which accrued interest is not shown in the accounts based on the assumption that principal or interest is likely to be unrecoverable because the interest or principal payments have been long overdue or for other reasons (excluding loans that have been written off, and hereinafter referred to as "loans for which accrued interest is not shown in the accounts"), where the loans in question are affected by the circumstances defined in Article 96, Clause 1, Numbers 3a-e or Number 4 of the Corporation Tax Law Enforcement Ordinance (Cabinet Ordinance No. 97 of 1965).

Overdue loans are loans for which accrued interest is not shown in the accounts, excluding loans to bankrupt companies, and loans for which the interest payments have been rescheduled to support financial restructuring of the borrowers.

24. Loans overdue by three months or longer total ¥4,062 million. Loans overdue by three months or longer are defined as loans on which principal or interest payments are overdue by three months or longer reckoning from the payment date stipulated in the contract. Loans that are classified as loans to bankrupt companies or overdue loans are excluded.
25. Rescheduled loans total ¥97,887 million. Rescheduled loans are loans for which the terms have been eased to support financial restructuring of the borrower through measures agreed in favor of the borrower, such as reduction of interest payments, postponement of interest or principal repayments and abandonment of claims, and exclude loans to bankrupt companies or overdue loans and loans overdue by three months or longer.
26. The total amount of loans to bankrupt companies, overdue loans, loans overdue by three months or longer and rescheduled loans is ¥426,790 million.

The amounts of loans stated in Notes 23 through 26 are the numbers before the deduction of possible loan loss allowance.

27. Bills Discounted are handled as financial transactions in accordance with JICPA Industry Audit Committee Report No. 24.
- Accordingly the Bank has the right to freely sell or use as collateral any accepted bank acceptance bills, trade bills, documentary bills or foreign exchange it has purchased, the aggregate face value of which is ¥521,891 million.

28. Assets provided as collateral are as follows.

Assets provided as collateral:

|   |                  |
|---|------------------|
| Securities                                      | ¥265,356 million |
| Liabilities corresponding to collateral assets: |                  |
| Deposits  | ¥ 7,128 million  |
| Borrowings                                      | ¥ 9,300 million  |
| Payables under repurchase agreements            | ¥ 39,896 million |

In addition to the above amounts, securities worth ¥208,989 million have been provided as collateral for foreign currency settlements and foreign currency-yen settlements, etc., or substituted for futures margin money, etc.

Guarantees and deposits account for ¥3,363 million of Other Assets.

29. Borrowings include loans payable under subordination covenant totaling ¥41,000 million.
30. Within Corporate Bonds, presented as a sub-item of Investment Securities, the Bank's guarantee liabilities relating to privately-offered corporate bonds (Financial Instruments and Exchange Law, Article 2, paragraph 3) amounted to ¥262,037 million.
31. Net assets per capital subscription unit amounted to ¥132.91.
32. Pursuant to Article 27-8, clause 2, of the Shoko Chukin Bank Act Enforcement Regulations, Unrealized Gains on Securities amounted to ¥2,776 million.
33. Details of fair value and unrealized gains and losses on securities are as follows. In addition to Government Bonds, Local Government Bonds, Corporate Bonds, Stocks, and Other Securities, these items also include Trading Securities and Trust Beneficiary Rights as a subset of Monetary Claims Purchased. This pertains through Note 36.
- Trading securities (As of March 31, 2008)
- |  |               |
|--|---------------|
| Book value   | ¥99 million   |
| Recognized valuation differences in this fiscal year | (¥ 0 million) |

Bonds to be held to maturity with market values (As of March 31, 2008)

|                  | Millions of yen |            |                       |                         |                          |
|------------------|-----------------|------------|-----------------------|-------------------------|--------------------------|
|                  | Book value      | Fair value | Valuation Differences | Valuation Gains Therein | Valuation Losses Therein |
| Government Bonds | 243,736         | 245,285    | 1,549                 | 1,576                   | 26                       |
| Corporate Bonds  | 7,866           | 7,873      | 7                     | 18                      | 11                       |
| Others           | 4,019           | 3,988      | (31)                  | —                       | 31                       |
| Total            | 255,622         | 257,147    | 1,524                 | 1,595                   | 70                       |

Notes: 1. Market value is based on closing market values, etc., at the fiscal year end.

2. "Valuation differences" are broken down into "valuation gains therein" and "valuation losses therein."

Other securities with market values (As of March 31, 2008)

|                        | Millions of yen  |            |                       |                         |                          |
|------------------------|------------------|------------|-----------------------|-------------------------|--------------------------|
|                        | Acquisition Cost | Book Value | Valuation Differences | Valuation Gains Therein | Valuation Losses Therein |
| Stocks                 | 12,311           | 16,069     | 3,758                 | 4,612                   | 854                      |
| Bonds                  | 850,606          | 854,532    | 3,926                 | 4,148                   | 222                      |
| Government Bonds       | 677,938          | 681,093    | 3,155                 | 3,308                   | 153                      |
| Local Government Bonds | 36,925           | 37,065     | 140                   | 156                     | 15                       |
| Corporate Bonds        | 135,742          | 136,373    | 630                   | 683                     | 52                       |
| Others                 | 65,630           | 61,976     | (3,653)               | 36                      | 3,690                    |
| Total                  | 928,548          | 932,579    | 4,030                 | 8,797                   | 4,767                    |

Notes: 1. The value of stocks posted in the balance sheets were calculated based on the average market values in the final month of the fiscal year. The value for other items was based on market values at the end of the fiscal year.

2. "Valuation differences" are broken down into "valuation gains therein" and "valuation losses therein."

34. Other marketable securities disposed of during the period are as follows. (For the year ended March 31, 2008)

|                          |                  |
|--------------------------|------------------|
| The amount disposed of   | ¥380,779 million |
| The profit from disposal | ¥ 1,111 million  |
| The loss from disposal   | ¥ 3,368 million  |

35. Major securities without market value and their book value (As of March 31, 2008)

| Items            | Book Value       |
|------------------|------------------|
| Securities       |                  |
| Unlisted stocks  | ¥ 7,490 million  |
| Bonds            | ¥266,257 million |
| Other securities | ¥ 21,255 million |

36. Following are the expected amounts to be redeemed in respect to marketable securities whose maturity dates are set, and bonds to be held to maturity. (As of March 31, 2008)

|                        | Millions of yen |                                      |  |                    |
|------------------------|-----------------|--------------------------------------|--|--------------------|
|                        | 1 year or less  | 5 years or less but more than 1 year | 10 years or less but more than 5 years | More than 10 years |
| Bonds                  | 518,126         | 847,690                              | 6,575                                  | —                  |
| Government Bonds       | 414,265         | 510,564                              | —                                      | —                  |
| Local Government Bonds | 11,774          | 25,291                               | —                                      | —                  |
| Corporate Bonds        | 92,086          | 311,834                              | 6,575                                  | —                  |
| Others                 | 29,574          | 25,686                               | 20,989                                 | 9,476              |
| Total                  | 547,700         | 873,377                              | 27,565                                 | 9,476              |

37. Overdraft contracts and commitment line contracts on loans are the agreements under which the Bank grants a loan up to a designated credit limit when the customer requests, unless there is breach of the conditions stipulated in the contract. The outstanding credit facility ready for claims under such agreements is ¥790,508 million. Of these, ¥747,303 million worth have an original contract duration of one year or less (or can be dissolved without condition at any point in time).

Most of these contracts are terminated before the amount of the credit facility determined in the agreements is fully utilized, so the outstanding credit facility itself does not always affect the Bank's future cash flows. Most of these agreements have provisions that allow the Bank to cancel the customers' claim and/or to reduce the credit limit for appropriate reasons such as changes in financial situation and protection of credit standing.

Moreover when necessary the Bank requires customers to provide property or securities as collateral when signing the contract. After the Bank enters into the agreement, it periodically (every half-year) checks customers' business condition in accordance with internally established procedures, reviews the conditions of the agreement if necessary, and takes measures to protect the Bank's assets.

38. The breakdown of deferred tax assets and deferred tax liabilities by cause of accrual is as follows.

|  | Millions of yen |
|--|-----------------|
| Deferred tax assets                      |                 |
| Accrued provisions for doubtful accounts | 62,679          |
| Accrued retirement benefit costs         | 5,691           |
| Other                                    | 8,803           |
| Subtotal—deferred tax assets             | 77,175          |
| Valuation allowance                      | (7,434)         |
| Total deferred tax assets                | 69,740          |
| Deferred tax liabilities                 |                 |
| Unrealized gains on securities           | 1,254           |
| Total deferred tax liabilities           | 1,254           |
| Net deferred tax assets                  | 68,486          |

39. The Shoko Chukin Bank Limited Act (Act No. 74 of 2007) was promulgated on June 1, 2007, and as a result the

corporate tax rate and business tax rate to be applied changed for fiscal years starting after October 1, 2008.

As a result of this change, the mandated effective tax rate for fiscal years starting after October 1, 2008 used to calculate the Bank's deferred tax assets and deferred tax liabilities changed from 31.12% to 40.40%. Net Deferred Tax Assets increased ¥11,160 million and the Adjustment for Income Taxes posted in the same period decreased by the same amount.

## STATEMENTS OF INCOME

- All amounts expressed in the statements have been rounded down to the nearest million yen.
- Net income per capital unit is ¥4.18.
- The Shoko Chukin Bank shows gains and losses on transactions undertaken for the purposes of trading transactions in the Statements of Income as Trading Revenue or Trading Expenses.  
In the Statements of Income, Trading Revenue and Trading Expenses are arrived at by adding to interest received and paid and other items during the year, amounts equivalent to the changes in valuation between the ends of the previous and current years for securities and monetary claims, etc., and amounts equivalent to changes in deemed settlements between the ends of the previous and current years for derivatives.
- The grouping of assets for the purpose of accounting for impairment of fixed assets is done on an individual branch basis. For common assets and idle assets such as the headquarters and welfare facilities, assets are accounted for on an individual building basis.  
The measurement of impairment loss on fixed assets uses the recoverable amount, which is calculated based on net disposal amount.
- Other Losses within Other Losses included ¥79 million in provisions for the Reserve for Retirement Benefits for Directors and ¥3,462 million in provisions for the Reserve for Losses on Refunds for Dormant Bonds.

# Statements of Cash Flows

The Shoko Chukin Bank For the years ended March 31, 2008 and 2007

|   | Millions of yen |             | Millions of U.S. dollars |
|---|-----------------|-------------|--------------------------|
|   | 2008            | 2007        | 2008                     |
| <b>1. Cash Flows from Operating Activities</b>                        |                 |             |                          |
| Income before Income Taxes  | ¥ 13,848        | ¥ 28,478    | \$ 138                   |
| Depreciation  | 3,644           | 3,444       | 36                       |
| Impairment Loss on Fixed Assets                                       | 7               | 118         | 0                        |
| Increase (Decrease) in Reserve for Possible Loan Losses               | (25,617)        | (45,018)    | (255)                    |
| Increase (Decrease) in Reserve for Retirement Benefits                | (737)           | (2,809)     | (7)                      |
| Increase (Decrease) in Reserve for Employee Bonuses                   | (130)           | (170)       | (1)                      |
| Increase in Reserve for Retirement Benefits for Directors             | 92              | —           | 0                        |
| Increase in Reserve for Losses on Refund for Dormant Bonds            | 3,684           | —           | 36                       |
| Income from Fund Management   | (191,373)       | (175,952)   | (1,910)                  |
| Expenses for Fund Procurement   | 61,616          | 39,652      | 614                      |
| Losses Relating to Securities   | 2,636           | (129)       | 26                       |
| Foreign Exchange Gain (Loss)  | (176)           | —           | (1)                      |
| Losses on Disposal of Fixed Assets                                    | 108             | (87)        | 1                        |
| Net (Increase) Decrease in Trading Assets                             | (4,704)         | 1,314       | (46)                     |
| Net Increase (Decrease) in Trading Liabilities                        | 4,019           | (1,132)     | 40                       |
| Net (Increase) Decrease in Loans                                      | 240,293         | 72,330      | 2,398                    |
| Net Increase (Decrease) in Debentures                                 | (407,016)       | (603,677)   | (4,062)                  |
| Net Increase (Decrease) in Deposits                                   | 115,153         | 119,831     | 1,149                    |
| Net Increase (Decrease) in Negotiable Certificates of Deposit         | (2,743)         | (9,129)     | (27)                     |
| Net Increase (Decrease) in Borrowed Money excluding Subordinated Debt | 5,904           | 6,212       | 58                       |
| Net (Increase) Decrease in Call Loans, etc.                           | 3,387           | 647         | 33                       |
| Net Increase (Decrease) in Call Money, etc.                           | 13,594          | 15,079      | 135                      |
| Net (Increase) Decrease in Due from Banks Other than the Central Bank | (6,714)         | (354)       | (67)                     |
| Net (Increase) Decrease in Foreign Currencies (Assets)                | (462)           | 455         | (4)                      |
| Net Increase (Decrease) in Foreign Currencies (Liabilities)           | 15              | 42          | 0                        |
| Income from Fund Operations   | 197,065         | 180,374     | 1,966                    |
| Expenditures for Fund Procurement                                     | (57,105)        | (36,543)    | (569)                    |
| Others  | (31,365)        | (46,867)    | (313)                    |
| Subtotal  | (63,077)        | (453,889)   | (629)                    |
| Income Taxes  | (990)           | (2,807)     | (9)                      |
| Net Cash Used in Operating Activities                                 | (64,068)        | (456,697)   | (639)                    |
| <b>2. Cash Flows from Investing Activities</b>                        |                 |             |                          |
| Payments for Purchases of Securities                                  | (3,863,891)     | (3,756,467) | (38,565)                 |
| Proceeds from Sales of Securities                                     | 378,522         | 13,762      | 3,778                    |
| Proceeds from Redemption of Securities                                | 3,529,751       | 3,977,697   | 35,230                   |
| Payments for Acquisitions of Tangible Fixed Assets                    | (841)           | (806)       | (8)                      |
| Payments for Acquisitions of Intangible Fixed Assets                  | (2,713)         | (1,903)     | (27)                     |
| Proceeds from Sales of Tangible Fixed Assets                          | 208             | 435         | 2                        |
| Net Cash Provided by Investing Activities                             | 41,036          | 232,717     | 409                      |
| <b>3. Cash Flows from Financing Activities</b>                        |                 |             |                          |
| Proceeds from Increase in Capital Contribution                        | —               | 3,000       | —                        |
| Dividends Paid  | (3,438)         | (3,362)     | (34)                     |
| Proceeds from Issuance of Subordinated Debt                           | 21,000          | 20,000      | 209                      |
| Repayment of Subordinated Debt  | —               | (3,000)     | —                        |
| Net Cash Provided by Financing Activities                             | 17,561          | 16,637      | 175                      |
| <b>4. Translation Differences of Cash and Cash Equivalents</b>        | —               | —           | —                        |
| <b>5. Increase (Decrease) in Cash and Cash Equivalents</b>            | (5,470)         | (207,342)   | (54)                     |
| <b>6. Cash and Cash Equivalents at the Beginning of the Year</b>      | 39,860          | 247,202     | 397                      |
| <b>7. Cash and Cash Equivalents at the End of the Year</b>            | ¥ 34,389        | ¥ 39,860    | \$ 343                   |

Notes: 1. The scope of funds in the Statement of Cash Flows is deposits and money deposited with the Central Bank in "Cash and Due from Banks" in the Balance Sheet.

2. Cash and Cash Equivalents at the Beginning of the Year and the amounts of items stated in the Balance Sheet are reconciled as follows:

As of March 31, 2008

|  |                        |
|--|------------------------|
| Cash and Due from Banks                    | ¥74,118 million        |
| Due from Banks other than the Central Bank | (¥39,729 million)      |
|  | <u>¥34,389 million</u> |

As of March 31, 2007

|  |                        |
|--|------------------------|
| Cash and Due from Banks                    | ¥72,874 million        |
| Due from Banks other than the Central Bank | (¥33,014 million)      |
|  | <u>¥39,860 million</u> |

3. Foreign Exchange Gain (Loss) included in "Others" under Cash Flows from Operating Activities (loss of ¥31 million in the previous fiscal year) has become increasingly important and thus has been classified separately starting this fiscal year.

# Capital Account Details

## STRUCTURE OF CAPITAL SUBSCRIPTION

(¥ million, %)

|                            | (as of March 31, 2008) | (as of March 31, 2007) |
|----------------------------|------------------------|------------------------|
| Government Subscription    | 405,367<br>(77.5)      | 405,367<br>(77.5)      |
| Cooperative's Subscription | 117,397<br>(22.5)      | 117,397<br>(22.5)      |
| Total                      | 522,765                | 522,765                |

Note: The figures in parentheses represent percentages of the total.

## STRUCTURE OF CAPITAL SUBSCRIPTION BY COOPERATIVES

(¥ thousand)

|   | (as of March 31, 2008)                                  | (as of March 31, 2007)                                  |
|---|---|---|
|   | Number of Cooperatives/<br>Capital Subscription Amounts | Number of Cooperatives/<br>Capital Subscription Amounts |
| Small and Medium Enterprise Cooperatives                    | 22,563<br>111,279,107                                   | 23,144<br>111,251,823                                   |
| Common Facility Cooperatives and Federations                | 21,567<br>103,633,729                                   | 22,124<br>103,668,263                                   |
| Small Common Facility Cooperatives                          | 2<br>100  | 2<br>100  |
| Mutual Fire Relief Cooperatives and Federations             | 44<br>1,246,060   | 45<br>1,210,060   |
| Credit Cooperatives and Federations                         | 144<br>6,060,089  | 147<br>6,039,089  |
| Business Cooperatives                                       | 806<br>339,128  | 826<br>334,310  |
| Joint Business Cooperatives                                 | 645<br>1,080,110  | 675<br>1,103,614  |
| Commercial and Industrial Cooperatives and Federations      | 1,006<br>3,389,061                                      | 1,020<br>3,406,111                                      |
| Shopping District Promotion Cooperatives and Federations    | 1,057<br>232,084  | 1,077<br>241,714  |
| Environmental Sanitation Trade Associations and Federations | 332<br>727,090  | 333<br>695,570  |
| Liquor Business Cooperatives and Federations                | 166<br>128,140  | 181<br>136,760  |
| Domestic Maritime Transport Associations and Federations    | 48<br>561,845   | 49<br>561,845   |
| Export Associations and Import Associations                 | 4<br>450  | 4<br>450  |
| Urban Redevelopment Associations                            | 1<br>10   | 1<br>10   |
| Total   | 25,822<br>117,397,900                                   | 26,484<br>117,397,900                                   |

Note: The upper figure in each row represents the number of cooperatives and the lower figure represents the amount of capital subscription.

### Cooperatives' Subscription to the Bank:

1. In order that the Bank may provide services to a wider base of customers, the number of units of contribution owned by an affiliated cooperative shall not exceed one percent of the total units of contribution to the Bank, under Article 7, Clause 3 of the Shoko Chukin Bank Act.
2. The Bank's management decision-making body is the Assembly of Representatives, and every representative has one vote regardless of the number of units of capital subscription that are held (Article 72 of the Articles of Incorporation).

**DIVIDENDS**

(Yen, %)

|   | (Fiscal 2007) | (Fiscal 2006) |
|---|---------------|---------------|
| Dividend per Unit of Cooperatives' Subscription | 3.00          | 3.00          |
| Dividend Payout Ratio (%)                       | 16.10         | 24.10         |

Note: The amount of a unit of subscription to the Bank is ¥100.

**Dividend Payments by the Bank:**

1. The dividend per subscription was ¥3, unchanged from Fiscal 2006.
2. In order to solidify the Bank's operational base and fulfill financial services for the member SMEs, the Bank is exempt from paying dividends on the government's paid-up subscription until the dividend paid to public subscribers exceeds 6% under Article 49 of the Shoko Chukin Bank Act.
3. In addition, the Bank shall not pay a dividend of more than 6% until its legal reserve amounts to one quarter of the capital under Article 3, Clause 2 of the Regulation Enforcing the Shoko Chukin Bank Act.

**CAPITAL RATIO**

(¥100 million, %)

|   |  | (as of March 31, 2008) | (as of March 31, 2007) |
|---|--|------------------------|------------------------|
| Core Capital<br>(Tier 1 Capital)          | (A)  | 6,885                  | 6,701                  |
|   | Capital  | 5,227                  | 5,227                  |
|   | 45% of Marketable Securities' Balance Sheet Value Minus Book Value | 18                     | 32                     |
| Supplementary Capital<br>(Tier 2 Capital) | General Reserve for Possible Loan Losses                           | 610                    | 628                    |
|   | Subordinated Borrowings  | 410                    | 200                    |
|   | Total  | 1,038                  | 861                    |
|   | Amount Counted as Capital (B)                                      | 1,038                  | 861                    |
| Deductions                                | Intentional Holdings of Other Financial Institutions' Capital (C)  | —                      | —                      |
| Total Capital                             | (A) + (B) - (C) (D)  | 7,924                  | 7,563                  |
| Risk-weighted Assets                      | Credit Risk-weighted Assets  |                        |                        |
|   | Assets Stated on the Balance Sheet                                 | 85,758                 | 86,946                 |
|   | Off-balance Sheet Items  | 1,411                  | 1,181                  |
|   | Total  | 87,169                 | 88,128                 |
|   | Risk-weighted Assets for Operational Risk, Divided by 8%           | 2,792                  | 2,867                  |
|   | Total (E)  | 89,962                 | 90,995                 |
| Capital Ratio (%)                         | (D)/(E)  | 8.80                   | 8.31                   |

**Total Capital:**

Total Capital increased by ¥36 billion as a result of an increase in Net Income and the introduction of subordinated borrowings.

**The Bank's Capital Ratio:**

1. The Bank is endeavoring to raise its capital ratio according to Article 30-3 of the Shoko Chukin Bank Act and notice of the Ministry of Finance and the Ministry of Economy, Trade and Industry.
2. The Bank's capital ratio is computed according to the formula stipulated in said notice. Credit Risk-weighted Assets and Risk-weighted Assets for Operational Risk are each calculated according to standard methods and basic methods stipulated in said notice.
3. The Bank receives special treatment in terms of the application of BIS international capital adequacy guidelines for financial institutions and is exempt from the Prompt Corrective Action specified under the Banking Law, etc., owing to its special status as a government-affiliated financial institution.
4. The Bank is exempt from reevaluating land under the Land Properties Revaluation Act and land is valued at the original purchase price. Supplementary Capital in the above calculation of the Bank's Capital Ratio does not include gains on land revaluation.

# Profit and Loss Details

## SUMMARY OF INCOME

(¥100 million)

|   | (Fiscal 2007) | (Fiscal 2006) |
|---|---------------|---------------|
| Gross Operating Profit  | 1,409         | 1,479         |
| Provision for the General Reserve for Possible Loan Losses                                      | (18)          | (6)           |
| General and Administrative Expenses (Excluding Nonrecurring Items)                              | 724           | 723           |
| Expenses Incurred on Debenture Issue and Redemption   | —             | 1             |
| Operating Profit  | 703           | 760           |
| Operating Profit before Deduction of Provision for the General Reserve for Possible Loan Losses | 685           | 754           |
| Nonrecurring Profit and Loss (Including Nonrecurring Expenses)                                  | (531)         | (478)         |
| Income before Income Taxes and Others   | 172           | 282           |
| Other Gains and Losses  | (34)          | 2             |
| Provision for Income Taxes — Corporate Tax, Inhabitant Tax and Enterprise Tax                   | 3             | 6             |
| Adjustment of Income Taxes  | (84)          | 136           |
| Net Income  | 218           | 142           |

Notes: 1. Operating Profit is income generated by the Bank's primary businesses and is calculated using the following formula:

(Fiscal 2006) Operating Profit = Gross Operating Profit – (Provision for the General Reserve for Possible Loan Losses + General and Administrative Expenses (Excluding Nonrecurring Items) + Expenses Incurred on Debenture Issue and Redemption)

(Fiscal 2007) Operating Profit = Gross Operating Profit – (Provision for the General Reserve for Possible Loan Losses + General and Administrative Expenses (Excluding Nonrecurring Items))

2. Expenses Incurred on Debenture Issue and Redemption were included under Gross Operating Profit (Other Operating Income) beginning in Fiscal 2007 (less than ¥100 million).

## GROSS OPERATING PROFIT

(¥100 million, %)

|                                  | (Fiscal 2007) |               |       | (Fiscal 2006) |               |       |
|----------------------------------|---------------|---------------|-------|---------------|---------------|-------|
|                                  | Domestic      | International | Total | Domestic      | International | Total |
| Net Interest Income              | 1,281         | 16            | 1,297 | 1,347         | 15            | 1,362 |
| Fees and Commissions             | 91            | 3             | 95    | 85            | 3             | 89    |
| Trading Revenue                  | 16            | 10            | 26    | 15            | 4             | 20    |
| Other Operating Income           | (4)           | (5)           | (9)   | (1)           | 7             | 6     |
| Gross Operating Profit           | 1,384         | 25            | 1,409 | 1,447         | 31            | 1,479 |
| Gross Operating Profit Ratio (%) | 1.30          | 1.19          | 1.30  | 1.31          | 1.47          | 1.32  |

Notes: 1. Domestic departments handle transactions in yen with Japanese residents through the domestic branches. International departments handle transactions with non-residents in Japan, foreign currency transactions and transactions made on special international financial accounts (transactions in the Tokyo Offshore Market) through the domestic branches and those operated through the New York branch.

2. Gross Operating Profit Ratio =  $\frac{\text{Gross Operating Profit}}{\text{Average Balance of Interest Earning Assets}} \times 100$

**ASSET PORTFOLIO ACCOUNTS, FUND RAISING ACCOUNTS, INTEREST AND YIELD**

(¥100 million, %)

|                                |                 | (Fiscal 2007) |               |         | (Fiscal 2006) |               |         |
|--------------------------------|-----------------|---------------|---------------|---------|---------------|---------------|---------|
|                                |                 | Domestic      | International | Total   | Domestic      | International | Total   |
| Asset<br>Portfolio<br>Accounts | Average Balance | 106,118       | 2,092         | 107,405 | 110,057       | 2,137         | 111,403 |
|                                | Interest Income | 1,841         | 77            | 1,913   | 1,681         | 81            | 1,759   |
|                                | Yield (%)       | 1.73          | 3.70          | 1.77    | 1.52          | 3.79          | 1.57    |
| Fund<br>Raising<br>Accounts    | Average Balance | 95,865        | 2,092         | 97,151  | 99,686        | 2,137         | 101,031 |
|                                | Interest Income | 559           | 61            | 616     | 333           | 66            | 396     |
|                                | Yield (%)       | 0.58          | 2.93          | 0.63    | 0.33          | 3.08          | 0.39    |

Note: The average balance of yen funds invested from the domestic department to the international department was ¥79.2 billion in Fiscal 2006 and ¥80.6 billion in Fiscal 2007, and the income from those investments was ¥0.2 billion in Fiscal 2006 and ¥0.5 billion in Fiscal 2007.

**ANALYSIS OF INTEREST INCOME AND EXPENSE**

(¥100 million)

|                     |                             | (Fiscal 2007) |               |       | (Fiscal 2006) |               |       |
|---------------------|-----------------------------|---------------|---------------|-------|---------------|---------------|-------|
|                     |                             | Domestic      | International | Total | Domestic      | International | Total |
| Interest<br>Income  | Change Due to Balance       | (60)          | (1)           | (63)  | (40)          | (3)           | (43)  |
|                     | Change Due to Interest Rate | 220           | (1)           | 217   | 78            | 17            | 94    |
|                     | Net Change                  | 159           | (3)           | 154   | 38            | 13            | 50    |
| Interest<br>Expense | Change Due to Balance       | (12)          | (1)           | (15)  | (4)           | (3)           | (5)   |
|                     | Change Due to Interest Rate | 239           | (3)           | 234   | 117           | 15            | 130   |
|                     | Net Change                  | 226           | (4)           | 219   | 113           | 12            | 124   |

Note: The change due to both the changes in balance and interest rates is included in Change Due to Interest Rate.

**FEES AND COMMISSIONS**

(¥100 million)

|                            |  | (Fiscal 2007) |               |       | (Fiscal 2006) |               |       |
|----------------------------|--|---------------|---------------|-------|---------------|---------------|-------|
|                            |  | Domestic      | International | Total | Domestic      | International | Total |
| Fee and Commission Income  |  | 96            | 5             | 102   | 90            | 5             | 95    |
| Fee and Commission Expense |  | 5             | 1             | 6     | 4             | 1             | 6     |

**TRADING TRANSACTIONS** (¥100 million)

|  | (Fiscal 2007) |               |       | (Fiscal 2006) |               |       |
|--|---------------|---------------|-------|---------------|---------------|-------|
|  | Domestic      | International | Total | Domestic      | International | Total |
| Trading Revenue and Expenditures   | 16            | 10            | 26    | 15            | 4             | 20    |
| Revenue and Expenditures from Trading Marketable Securities                      | 0             | —             | 0     | 0             | —             | 0     |
| Revenue and Expenditures from Trading Marketable Securities                      | (0)           | —             | (0)   | 0             | —             | 0     |
| Revenue and Expenditures from Trading-related Financial Derivatives Transactions | 15            | 10            | 25    | 13            | 4             | 18    |
| Other Trading Revenue  | 1             | —             | 1     | 1             | —             | 1     |

Notes: 1. Income and expense are netted for each item in the domestic and international departments.

2. Revenue and Expenditures from Financial Derivatives Transactions were denominated in yen in domestic departments and in foreign currencies in international departments.

**DETAILS OF OTHER OPERATING AND EXPENSES** (¥100 million)

|  | (Fiscal 2007) |               |       | (Fiscal 2006) |               |       |
|--|---------------|---------------|-------|---------------|---------------|-------|
|  | Domestic      | International | Total | Domestic      | International | Total |
| Revenue and Expenditures from Foreign Exchange Trading   | —             | 8             | 8     | —             | 7             | 7     |
| Revenue and Expenditures from Government and Other Bonds | (2)           | (14)          | (16)  | 0             | 0             | 0     |
| Revenue and Expenditures from Financial Derivatives      | (0)           | 0             | 0     | (0)           | —             | (0)   |
| Others   | (2)           | —             | (2)   | (1)           | —             | (1)   |
| Total  | (4)           | (5)           | (9)   | (1)           | 7             | 6     |

Note: Revenue and Expenditures from Financial Derivatives were denominated in yen in domestic departments and in foreign currencies in international departments.

**GENERAL AND ADMINISTRATIVE EXPENSES** (¥100 million)

|   | (Fiscal 2007) | (Fiscal 2006) |
|---|---------------|---------------|
| Salaries  | 330           | 337           |
| Welfare Expenses  | 6             | 6             |
| Depreciation  | 36            | 34            |
| Rent & Lease Expenses for Land, Buildings and Equipment | 61            | 63            |
| Taxes and Duties  | 19            | 18            |
| Others  | 280           | 275           |
| Total   | 735           | 736           |

**PROVISIONAL EXPENSES**

(¥100 million)

|   | (Fiscal 2007) | (Fiscal 2006) |
|---|---------------|---------------|
| Total Provision of Bad Debt                   | (533)         | (496)         |
| Write-offs of Loans                           | (12)          | (9)           |
| Provision for Individual Possible Loan Losses | (441)         | (387)         |
| Disposal Losses of Claims                     | (78)          | (99)          |
| Others  | 1             | 18            |
| Total   | (531)         | (478)         |

Note: Disposal losses of claims are shown after the deduction of draw down of reserves for individual possible loan losses.

**RETURN ON EQUITY AND ASSETS**

(%)

|  | (Fiscal 2007) | (Fiscal 2006) |
|--|---------------|---------------|
| Ratio of Recurring Profit to Total Assets  | 0.15          | 0.25          |
| Ratio of Recurring Profit to Capital Funds | 2.58          | 4.32          |
| Ratio of Net Income to Total Assets        | 0.20          | 0.12          |
| Ratio of Net Income to Capital Funds       | 3.27          | 2.18          |

Notes: 1. Ratio of Recurring Profit to Total Assets =  $\frac{\text{Recurring Profit}}{\text{Average Balance of Total Assets (excluding Guarantee Contra Accounts)}} \times 100$

2. Ratio of Recurring Profit to Net Assets (Capital Funds) =  $\frac{\text{Recurring Profit}}{\text{Average Balance of Net Assets}} \times 100$

**MARGIN**

(%)

|                      | (Fiscal 2007) |               |       | (Fiscal 2006) |               |       |
|----------------------|---------------|---------------|-------|---------------|---------------|-------|
|                      | Domestic      | International | Total | Domestic      | International | Total |
| Yield                | 1.73          | 3.70          | 1.77  | 1.52          | 3.79          | 1.57  |
| Cost of Funds Raised | 1.31          | 3.80          | 1.37  | 1.04          | 3.88          | 1.10  |
| Total Margin         | 0.41          | (0.10)        | 0.40  | 0.48          | (0.09)        | 0.47  |

Notes 1. Yield =  $\frac{\text{Interest Income}}{\text{Average Balance of Funds Invested}} \times 100$

2. Cost of Funds Raised

(Fiscal 2006)  $\frac{(\text{Interest Expense} + \text{General and Administrative Expense} + \text{Debenture Expense})}{\text{Average Balance of Funds Raised}} \times 100$

(Fiscal 2007)  $\frac{(\text{Interest Expense} + \text{General and Administrative Expense})}{\text{Average Balance of Funds Raised}} \times 100$

3. Total Margin = Yield - Cost of Funds Raised

## DEBENTURES AND DEPOSITS

| <b>BREAKDOWN OF FUND SOURCES</b>             |                        |                        | (¥100 million, %) |
|--|------------------------|------------------------|-------------------|
|  | (as of March 31, 2008) | (as of March 31, 2007) |                   |
| Debentures Issued:                           | 68,219<br>(71.9)       | 72,289<br>(73.9)       |                   |
| Outstanding Balance                          | 68,219<br>(71.9)       | 72,289<br>(73.9)       |                   |
| Deposits:                                    | 26,550<br>(28.0)       | 25,399<br>(26.0)       |                   |
| Cooperatives and Others                      | 26,368<br>(27.8)       | 25,223<br>(25.8)       |                   |
| Local Governments and Municipalities         | 181<br>(0.2)           | 175<br>(0.2)           |                   |
| Negotiable Certificates of Deposit           | 99<br>(0.1)            | 126<br>(0.1)           |                   |
| Total  | 94,869                 | 97,815                 |                   |
| Government Contribution of Debentures Issued | 300<br>(0.3)           | 400<br>(0.4)           |                   |

Note: The figures in parentheses represent percentages of the total.

| <b>OUTSTANDING BALANCE OF SHOKO CHUKIN BANK DEBENTURES</b> |                        |                        | (¥100 million, %) |
|--|------------------------|------------------------|-------------------|
|  | (as of March 31, 2008) | (as of March 31, 2007) |                   |
| Interest-Bearing Debentures                                | 57,049<br>(83.6)       | 59,320<br>(82.1)       |                   |
| Discount Debentures  | 11,169<br>(16.4)       | 12,969<br>(17.9)       |                   |
| Total  | 68,219                 | 72,289                 |                   |

Notes: 1. Debentures sold by public offering in the period are included.

2. The figures in parentheses represent percentages of the total.

3. The face value of Discount Debentures amounted to ¥1,299.1 billion as of March 31, 2007 and ¥1,119.4 billion as of March 31, 2008.

| <b>CLASSIFICATION BY TIME TO MATURITY OF THE OUTSTANDING BALANCE OF SHOKO CHUKIN BANK DEBENTURES</b> |                                    |                        | (¥100 million)         |
|--|------------------------------------|------------------------|------------------------|
|  | Time to Maturity                   | (as of March 31, 2008) | (as of March 31, 2007) |
| Interest-bearing Debentures  | 1 year or less                     | 16,723                 | 16,310                 |
|  | More than 1 year, 3 years or less  | 26,764                 | 26,480                 |
|  | More than 3 years, 5 years or less | 12,915                 | 15,983                 |
|  | More than 5 years, 7 years or less | —                      | 200                    |
|  | More than 7 years                  | 646                    | 346                    |
|  | Total                              |                        | 57,049                 |
| Discount Debentures  | 1 year or less                     | 11,169                 | 12,969                 |
|  | More than 1 year, 3 years or less  | —                      | —                      |
|  | More than 3 years, 5 years or less | —                      | —                      |
|  | More than 5 years, 7 years or less | —                      | —                      |
|  | More than 7 years                  | —                      | —                      |
| Total  |                                    | 11,169                 | 12,969                 |
| Total  | 1 year or less                     | 27,893                 | 29,279                 |
|  | More than 1 year, 3 years or less  | 26,764                 | 26,480                 |
|  | More than 3 years, 5 years or less | 12,915                 | 15,983                 |
|  | More than 5 years, 7 years or less | —                      | 200                    |
|  | More than 7 years                  | 646                    | 346                    |
|  | Total                              |                        | 68,219                 |

**BALANCE OF PROPERTY ACCUMULATION SAVINGS**

(¥100 million)

|  | (as of March 31, 2008) | (as of March 31, 2007) |
|--|------------------------|------------------------|
| Balance of Property Accumulation Savings | 1,055                  | 1,100                  |

**BREAKDOWN OF DEPOSIT BALANCE**

(¥100 million, %)

|                                    | (Fiscal 2007)                      |                             |                  | (Fiscal 2006)    |                  |                  |                  |                  |
|------------------------------------|------------------------------------|-----------------------------|------------------|------------------|------------------|------------------|------------------|------------------|
|                                    | Domestic                           | International               | Total            | Domestic         | International    | Total            |                  |                  |
| Year-end<br>Balance                | Time Deposits                      | 13,668<br>(53.3)            | 581<br>(62.9)    | 14,249<br>(53.7) | 10,991<br>(45.3) | 928<br>(81.2)    | 11,920<br>(46.9) |                  |
|                                    | Floating-rate Time Deposits        | —                           | —                | —                | —                | —                | —                |                  |
|                                    | Fixed-rate Time Deposits           | 13,668<br>(53.3)            | 581<br>(62.9)    | 14,249<br>(53.7) | 10,991<br>(45.3) | 928<br>(81.2)    | 11,920<br>(46.9) |                  |
|                                    | Liquid Deposits                    | 11,480<br>(44.8)            | 2<br>(0.3)       | 11,482<br>(43.2) | 12,850<br>(53.0) | 6<br>(0.5)       | 12,856<br>(50.6) |                  |
|                                    | Interest-bearing Deposits          | 6,986<br>(27.3)             | —                | 6,986<br>(26.3)  | 7,511<br>(31.0)  | —                | 7,511<br>(29.6)  |                  |
|                                    | Others                             | 478<br>(1.9)                | 339<br>(36.8)    | 817<br>(3.1)     | 412<br>(1.7)     | 209<br>(18.3)    | 622<br>(2.5)     |                  |
|                                    | Total                              | 25,627                      | 923              | 26,550           | 24,254           | 1,144            | 25,399           |                  |
|                                    | Negotiable Certificates of Deposit | 5                           | 94               | 99               | —                | 126              | 126              |                  |
|                                    | Average<br>Balance                 | Time Deposits               | 12,508<br>(52.9) | 683<br>(66.9)    | 13,192<br>(53.5) | 10,649<br>(47.8) | 750<br>(70.0)    | 11,399<br>(48.9) |
|                                    |                                    | Floating-rate Time Deposits | —                | —                | —                | —                | —                | —                |
| Fixed-rate Time Deposits           |                                    | 12,508<br>(52.9)            | 683<br>(66.9)    | 13,192<br>(53.5) | 10,649<br>(47.8) | 750<br>(70.0)    | 11,399<br>(48.9) |                  |
| Liquid Deposits                    |                                    | 10,342<br>(43.8)            | 0<br>(0.1)       | 10,343<br>(42.0) | 10,860<br>(48.8) | 1<br>(0.1)       | 10,861<br>(46.5) |                  |
| Interest-bearing Deposits          |                                    | 6,689<br>(28.3)             | —                | 6,689<br>(27.1)  | 6,975<br>(31.3)  | —                | 6,975<br>(29.9)  |                  |
| Others                             |                                    | 772<br>(3.3)                | 337<br>(33.0)    | 1,109<br>(4.5)   | 749<br>(3.4)     | 320<br>(29.9)    | 1,069<br>(4.6)   |                  |
| Total                              |                                    | 23,623                      | 1,021            | 24,645           | 22,259           | 1,072            | 23,331           |                  |
| Negotiable Certificates of Deposit |                                    | 2                           | 114              | 116              | —                | 198              | 198              |                  |

Notes: 1. Liquid Deposits = Deposits at Notice + Ordinary Deposits + Current Deposits

2. The average balance of foreign currency deposits with domestic branches stated in the International column is calculated by the monthly current method.

3. The figures in parentheses represent percentages of the total.

**CLASSIFICATION BY TIME TO MATURITY OF OUTSTANDING BALANCE OF TIME DEPOSITS** (¥100 million)

|   | Time to Maturity                     | (as of March 31, 2008) | (as of March 31, 2007) |
|---|--------------------------------------|------------------------|------------------------|
| Time Deposits                                   | 3 months or less                     | 5,976                  | 5,838                  |
|   | More than 3 months, 6 months or less | 2,142                  | 2,106                  |
|   | More than 6 months, 1 year or less   | 3,860                  | 2,771                  |
|   | More than 1 year, 2 years or less    | 1,488                  | 135                    |
|   | More than 2 years, 3 years or less   | 772                    | 1,048                  |
|   | More than 3 years                    | 9                      | 20                     |
|   | Total                                | 14,249                 | 11,920                 |
| Fixed-rate<br>Time Deposits<br>(included above) | 3 months or less                     | 5,976                  | 5,838                  |
|   | More than 3 months, 6 months or less | 2,142                  | 2,106                  |
|   | More than 6 months, 1 year or less   | 3,860                  | 2,771                  |
|   | More than 1 year, 2 years or less    | 1,488                  | 135                    |
|   | More than 2 years, 3 years or less   | 772                    | 1,048                  |
|   | More than 3 years                    | 9                      | 20                     |
|   | Total                                | 14,249                 | 11,920                 |

**CLASSIFICATION OF BALANCE BY DEPOSITORS** (¥100 million, %)

|                        | (as of March 31, 2008) | (as of March 31, 2007) |
|------------------------|------------------------|------------------------|
| Corporations           | 20,414<br>(78.7)       | 21,219<br>(86.7)       |
| Individuals            | 4,712<br>(18.2)        | 2,847<br>(11.6)        |
| Financial Institutions | 615<br>(2.4)           | 221<br>(0.9)           |
| Government Funds       | 181<br>(0.7)           | 175<br>(0.7)           |
| Total                  | 25,924                 | 24,464                 |

Notes: 1. This table does not include deposits with overseas branches, offshore account deposits and negotiable certificates of deposit.  
2. The figures in parentheses represent percentages of the total.

**BALANCE OF PUBLIC FUNDS** (¥100 million, %)

|                                      | (as of March 31, 2008) | (as of March 31, 2007) |
|--------------------------------------|------------------------|------------------------|
| Deposits of Public Funds             | 181<br>(73.0)          | 175<br>(68.2)          |
| Borrowings from Public Sources       | 4<br>(1.8)             | 3<br>(1.2)             |
| Debentures Sold to Local Governments | 62<br>(25.2)           | 78<br>(30.6)           |
| Total                                | 249                    | 257                    |

Note: The figures in parentheses represent percentages of the total.

**ANNUAL REVENUES AND PUBLIC FUNDS HANDLED** (¥100 million)

|  | (as of March 31, 2008) | (as of March 31, 2007) |
|--|------------------------|------------------------|
| Bank of Japan Revenue Agency Accounts            | 1,627                  | 1,587                  |
| Local Government Public Fund Collection Accounts | 503                    | 548                    |
| Total  | 2,130                  | 2,136                  |

# LOANS

## BALANCE OF LOANS

(¥100 million)

|                  |                  | (Fiscal 2007) |               |        | (Fiscal 2006) |               |        |
|------------------|------------------|---------------|---------------|--------|---------------|---------------|--------|
|                  |                  | Domestic      | International | Total  | Domestic      | International | Total  |
| Year-end Balance | Loans on Deeds   | 61,661        | 551           | 62,212 | 62,904        | 502           | 63,407 |
|                  | Loans on Notes   | 8,782         | 187           | 8,970  | 9,798         | 171           | 9,970  |
|                  | Overdraft        | 14,750        | 7             | 14,758 | 13,846        | 22            | 13,868 |
|                  | Bills Discounted | 5,208         | —             | 5,208  | 6,306         | —             | 6,306  |
|                  | Total            | 90,403        | 746           | 91,149 | 92,856        | 695           | 93,552 |
| Average Balance  | Loans on Deeds   | 61,489        | 548           | 62,038 | 62,619        | 470           | 63,090 |
|                  | Loans on Notes   | 9,108         | 145           | 9,253  | 10,094        | 143           | 10,237 |
|                  | Overdraft        | 13,665        | 10            | 13,676 | 12,589        | 11            | 12,600 |
|                  | Bills Discounted | 4,962         | —             | 4,962  | 5,290         | —             | 5,290  |
|                  | Total            | 89,226        | 704           | 89,931 | 90,593        | 625           | 91,219 |

Note: The average balance of foreign currency loans with domestic branches stated in the International column is calculated by the monthly current method.

## CLASSIFICATION BY TIME TO MATURITY OF OUTSTANDING BALANCE OF LOANS

(¥100 million)

|                     | Time to Maturity                   | (as of March 31, 2008) | (as of March 31, 2007) |
|---------------------|------------------------------------|------------------------|------------------------|
|                     |                                    |                        |                        |
| Loans               | 1 year or less                     | 46,893                 | 48,653                 |
|                     | More than 1 year, 3 years or less  | 23,616                 | 23,750                 |
|                     | More than 3 years, 5 years or less | 10,118                 | 10,073                 |
|                     | More than 5 years, 7 years or less | 3,592                  | 3,822                  |
|                     | More than 7 years                  | 6,601                  | 6,935                  |
|                     | Without specific term              | 326                    | 317                    |
|                     | Total                              | 91,149                 | 93,552                 |
| Fixed-rate Loans    | 1 year or less                     |                        |                        |
|                     | More than 1 year, 3 years or less  | 18,941                 | 18,971                 |
|                     | More than 3 years, 5 years or less | 8,126                  | 7,949                  |
|                     | More than 5 years, 7 years or less | 2,758                  | 3,027                  |
|                     | More than 7 years                  | 4,800                  | 5,374                  |
|                     | Without specific term              | —                      | —                      |
| Floating-rate Loans | 1 year or less                     |                        |                        |
|                     | More than 1 year, 3 years or less  | 4,675                  | 4,779                  |
|                     | More than 3 years, 5 years or less | 1,992                  | 2,124                  |
|                     | More than 5 years, 7 years or less | 834                    | 794                    |
|                     | More than 7 years                  | 1,801                  | 1,560                  |
|                     | Without specific term              | 326                    | 317                    |
| Total               |                                    |                        |                        |

Note: Loans with one year or less remaining are not classified as floating or fixed-rate loans.

**AVAILABLE FUNDS AND LENDING PER EMPLOYEE**

(¥100 million)

|                 | (as of March 31, 2008) |               |       | (as of March 31, 2007) |               |       |
|-----------------|------------------------|---------------|-------|------------------------|---------------|-------|
|                 | Domestic               | International | Total | Domestic               | International | Total |
| Available Funds | 24                     | 52            | 24    | 25                     | 81            | 25    |
| Lending Loans   | 23                     | 15            | 23    | 24                     | 13            | 24    |

Notes: 1. Available Funds = Debentures Issued + Deposits + Negotiable Certificates of Deposit  
 2. The average number of employees during the fiscal year is used in the above table.

**AVAILABLE FUNDS AND LENDING PER BRANCH**

(¥100 million)

|                 | (as of March 31, 2008) |               |       | (as of March 31, 2007) |               |       |
|-----------------|------------------------|---------------|-------|------------------------|---------------|-------|
|                 | Domestic               | International | Total | Domestic               | International | Total |
| Available Funds | 1,023                  | 677           | 1,020 | 1,051                  | 1,061         | 1,051 |
| Lending Loans   | 988                    | 202           | 980   | 1,014                  | 177           | 1,005 |

Notes: 1. Available Funds = Debentures Issued + Deposits + Negotiable Certificates of Deposit  
 2. Representative offices and sub-branches are not included in the number of branches used for the above table.

**LOANS TO MEMBERS**

(¥100 million, %)

|   | (as of March 31, 2008) | (as of March 31, 2007) |
|---|------------------------|------------------------|
| Balance of Loans to Members             | 90,271<br>(99.0)       | 92,700<br>(99.1)       |
| Balance of Loans to Non-members         | 878<br>(1.0)           | 852<br>(0.9)           |
| Financial Institutions                  | 7<br>(0.0)             | 28<br>(0.0)            |
| Holders of Shoko Chukin Bank Debentures | 30<br>(0.0)            | 32<br>(0.0)            |
| Total                                   | 91,149                 | 93,552                 |

Notes: 1. Members are the cooperatives subscribing capital to the Bank and their members.  
 2. The figures in parentheses represent percentages of the total.

**BREAKDOWN OF BALANCE BY USE**

(¥100 million, %)

|                          | (as of March 31, 2008) | (as of March 31, 2007) |
|--------------------------|------------------------|------------------------|
| Capital Investment       | 22,616<br>(24.8)       | 23,171<br>(24.8)       |
| Long-term Working Funds  | 39,185<br>(43.0)       | 39,818<br>(42.5)       |
| Short-term Working Funds | 29,348<br>(32.2)       | 30,563<br>(32.7)       |
| Total                    | 91,149                 | 93,552                 |

Note: The figures in parentheses represent percentages of the total.

**BREAKDOWN OF LOAN BALANCE BY INDUSTRY**

(¥100 million, %)

|   | (as of March 31, 2008) | (as of March 31, 2007) |
|---|------------------------|------------------------|
| Manufacturing                             | 30,708<br>(33.7)       | 31,605<br>(33.8)       |
| Machinery and Metal Product Manufacturing | 15,679<br>(17.2)       | 16,002<br>(17.1)       |
| Agriculture, Forestry and Fishery         | 153<br>(0.2)           | 148<br>(0.2)           |
| Mining                                    | 129<br>(0.1)           | 134<br>(0.1)           |
| Construction                              | 2,705<br>(3.0)         | 2,870<br>(3.1)         |
| Wholesale and Retail                      | 27,938<br>(30.7)       | 29,045<br>(31.0)       |
| Finance and Insurance                     | 1,035<br>(1.1)         | 1,050<br>(1.1)         |
| Real Estate                               | 5,654<br>(6.2)         | 5,484<br>(5.9)         |
| Transport and Communication               | 11,089<br>(12.2)       | 11,344<br>(12.1)       |
| Electricity, Gas, Water and Heat Supply   | 270<br>(0.3)           | 237<br>(0.3)           |
| Services                                  | 11,360<br>(12.4)       | 11,526<br>(12.3)       |
| Others                                    | 103<br>(0.1)           | 105<br>(0.1)           |
| Total                                     | 91,149                 | 93,552                 |

Note: The figures in parentheses represent percentages of the total.

**BREAKDOWN OF LOAN BALANCE BY COLLATERAL**

(¥100 million, %)

|                         | (as of March 31, 2008) | (as of March 31, 2007) |
|-------------------------|------------------------|------------------------|
| Deposits and Debentures | 1,849<br>(2.0)         | 2,002<br>(2.1)         |
| Securities              | 452<br>(0.5)           | 672<br>(0.7)           |
| Claims                  | 1,165<br>(1.3)         | 1,222<br>(1.3)         |
| Merchandise             | 8<br>(0.0)             | 5<br>(0.0)             |
| Real Estate             | 52,447<br>(57.5)       | 54,768<br>(58.5)       |
| Other Collateral        | 993<br>(1.1)           | 858<br>(0.9)           |
| Total                   | 56,914<br>(62.4)       | 59,530<br>(63.6)       |
| Guarantee               | 27,791<br>(30.5)       | 28,094<br>(30.0)       |
| Credit                  | 6,444<br>(7.1)         | 5,927<br>(6.3)         |
| Grand Total             | 91,149                 | 93,552                 |

Note: The figures in parentheses represent percentages of the total.

**BREAKDOWN OF CUSTOMERS' LIABILITIES FOR ACCEPTANCE AND GUARANTEES BY COLLATERAL**

(¥ million, %)

|                         | (as of March 31, 2008) | (as of March 31, 2007) |
|-------------------------|------------------------|------------------------|
| Deposits and Debentures | 7,477<br>(10.4)        | 6,702<br>(8.9)         |
| Securities              | 173<br>(0.2)           | 258<br>(0.3)           |
| Claims                  | 6<br>(0.0)             | 17<br>(0.0)            |
| Merchandise             | —                      | —                      |
| Real Estate             | 16,124<br>(22.4)       | 16,832<br>(22.2)       |
| Other Collateral        | 1,729<br>(2.4)         | 1,394<br>(1.8)         |
| Subtotal                | 25,509<br>(35.5)       | 25,203<br>(33.3)       |
| Guarantee               | 41,824<br>(58.2)       | 45,806<br>(60.5)       |
| Credit                  | 4,534<br>(6.3)         | 4,691<br>(6.2)         |
| Total                   | 71,867                 | 75,700                 |

Note: The figures in parentheses represent percentages of the total.

**TRUST FACILITY LOAN BALANCE**

(¥100 million)

|                             | (as of March 31, 2008) | (as of March 31, 2007) |
|-----------------------------|------------------------|------------------------|
| Trust Facility Loan Balance | 1,427                  | 1,291                  |

**ENTRUSTED AGENCY LOANS**

(¥ million)

|  | (as of March 31, 2008) | (as of March 31, 2007) |
|--|------------------------|------------------------|
| Japan Finance Corporation for Small and Medium Enterprise (JASME)          | —                      | 0                      |
| Social Welfare and Medical Service Corporation                             | 172                    | 185                    |
| Japan Shipbuilding Industry Foundation                                     | 181,613                | 163,760                |
| Japan Bicycle Promotion Institute  | —                      | —                      |
| Organization for Workers' Retirement Allowance Mutual Aid                  | 49                     | 61                     |
| Smaller Enterprise Retirement Allowance Mutual Aid Corporation             | 49                     | 61                     |
| Environmental Restoration and Conservation Agency of Japan                 | 328                    | 340                    |
| National Life Finance Corporation  | 577                    | 777                    |
| Organization for Small & Medium Enterprises and Regional Innovation, Japan | 336,494                | 319,723                |
| Promotion programs   | 38,029                 | 41,530                 |
| Mutual aid programs  | 298,464                | 278,192                |
| Japan Labour Health and Welfare Organization                               | 79                     | 87                     |
| Employment and Human Resources Development Organization of Japan           | —                      | 0                      |
| Okinawa Development Finance Corporation                                    | —                      | —                      |
| Development Bank of Japan  | —                      | —                      |
| Total  | 519,316                | 484,937                |

**BALANCE OF ENTRUSTED AGENCY LOANS**

(Contracts, ¥100 million)

|                    |           | (as of March 31, 2008) | (as of March 31, 2007) |
|--------------------|-----------|------------------------|------------------------|
| Capital Investment | Contracts | 994                    | 1,034                  |
|                    | Amount    | 94                     | 115                    |
| Working Funds      | Contracts | 38                     | 72                     |
|                    | Amounts   | 2                      | 6                      |
| Total              | Contracts | 1,032                  | 1,106                  |
|                    | Amounts   | 97                     | 121                    |

**RATIO OF LOANS TO DEBENTURES AND DEPOSITS**

(¥100 million, %)

|                         |                         | (as of March 31, 2008) |               |        | (as of March 31, 2007) |               |        |
|-------------------------|-------------------------|------------------------|---------------|--------|------------------------|---------------|--------|
|                         |                         | Domestic               | International | Total  | Domestic               | International | Total  |
| Loans                   | (A)                     | 90,403                 | 746           | 91,149 | 92,856                 | 695           | 93,552 |
| Debentures and Deposits | (B)                     | 93,851                 | 1,017         | 94,869 | 96,544                 | 1,271         | 97,815 |
| Ratio (%)               | (A)/(B)                 | 96.32                  | 73.36         | 96.07  | 96.18                  | 54.74         | 95.64  |
|                         | Average during the Year | 94.60                  | 62.04         | 94.21  | 92.10                  | 49.18         | 91.55  |

Note: Deposits include Negotiable Certificates of Deposit.

**INCREASE (DECREASE) IN RESERVE FOR POSSIBLE LOAN LOSSES**

(¥100 million)

|   | (as of March 31, 2008) |          |                      |       |                | (as of March 31, 2007) |          |                      |        |                |
|---|------------------------|----------|----------------------|-------|----------------|------------------------|----------|----------------------|--------|----------------|
|   | Beginning Balance      | Increase | Decrease this Period |       | Ending Balance | Beginning Balance      | Increase | Decrease this Period |        | Ending Balance |
|   |                        |          | Purpose              | Other |                |                        |          | Purpose              | Other  |                |
| General Reserve for Possible Loan Losses            | 628                    | 610      | —                    | 628*  | 610            | 635                    | 628      | —                    | 635*   | 628            |
| General Reserve for Individual Possible Loan Losses | 1,841                  | 441      | 679                  | —     | 1,603          | 2,284                  | 1,841    | 831                  | 1,453* | 1,841          |
| Total   | 2,470                  | 1,052    | 679                  | 628   | 2,214          | 2,920                  | 2,470    | 831                  | 2,088  | 2,470          |

\*Draw down through recovery of loans or as stipulated in tax law.

The same method is used for Other in General Reserve for Individual Possible Loan Losses as of March 31, 2007.

**WRITE-OFF OF LOANS**

(¥100 million)

|                    | (Fiscal 2007) | (Fiscal 2006) |
|--------------------|---------------|---------------|
| Write-off of Loans | 12            | 9             |

**LOANS TO RESTRUCTURING COUNTRIES**

No transactions

**CREDIT-RELATED EXPENSE**

(¥100 million)

|   |                 | (Fiscal 2007) | (Fiscal 2006) |
|---|-----------------|---------------|---------------|
| Credit-related Expense                                | (A) = (B) + (C) | 514           | 490           |
| Disposal Amount of Problem Loans                      | (B)             | 533           | 496           |
| Provision to General Reserve for Possible Loan Losses | (C)             | (18)          | (6)           |

**PROBLEM LOANS**

(¥100 million, %)

|   |                           | (as of March 31, 2008) | (as of March 31, 2007) |
|---|---------------------------|------------------------|------------------------|
| Loans to Bankrupt Companies   | (A)                       | 846                    | 1,033                  |
| (Loans to Companies that May Fall into Bankruptcy other than Category IV Loans) | (B)                       | 229                    | 315                    |
| Overdue Loans   | (C)                       | 2,401                  | 2,726                  |
| (Overdue Loans other than Category IV Loans)                                    | (D)                       | 1,994                  | 2,272                  |
| Loans Overdue for 3 Months or Longer  | (E)                       | 40                     | 23                     |
| Rescheduled Loans   | (F)                       | 978                    | 1,225                  |
| Total Problem Loans   | (G) = (A)+(C) + (E) + (F) | 4,267                  | 5,008                  |
| Category IV Loans in Loans to Bankrupt Companies                                | (H)                       | 617                    | 718                    |
| Category IV Loans in Overdue Loans  | (I)                       | 407                    | 453                    |
| Problem Loans other than Category IV Loans                                      | (J) = (B)+(D) + (E) + (F) | 3,243                  | 3,837                  |
| Loans other than Category IV Loans  | (K)                       | 90,216                 | 92,486                 |
| Percentage of Loans (%)   | (J)/(K)                   | 3.6                    | 4.1                    |

Notes: 1. Loans to Bankrupt Companies are loans for which accrued interest is not shown in the accounts\* based on the assumption that principal or interest is likely to be unrecoverable (because interest or principal payments have been long overdue or for other reasons), where the loans in question are affected by the circumstances defined in Article 96, Clause 1, Numbers 3a-e or Number 4 of the Corporation Tax Law Enforcement Ordinance (Cabinet Ordinance No. 97 of 1965).

2. Overdue Loans are loans of which accrued interest is not shown in the accounts, excluding loans to bankrupt companies and loans of which the rescheduling of interest payments have been granted to support the financial restructuring of the borrowers.

3. Loans Overdue for 3 Months or Longer are defined as loans on which principal or interest payments are overdue by three months or longer reckoning from the payment date stipulated in the contract. The loans that are classified as loans to bankrupt companies and overdue loans are excluded.

4. Rescheduled Loans are loans other than in Loans to Bankrupt Companies, Overdue Loans or Loans Overdue for 3 Months or Longer for which the terms have been eased to support the financial restructuring of the borrower through measures agreed in favor of the borrower, such as reduction of interests payments, postponement of interest or principal repayments and abandonment of claims.

5. Category IV Loans are those that are classified as unrecoverable based on our self-assessment of assets. The full amount of these loans is included in the Reserve for Possible Loan Losses.

6. Problem Loans other than Category IV Loans equal the amount of problem loans minus the amount of the loans defined in Note 5. (This is equivalent to the loan balance after direct write-offs of Category IV Loans, which private financial institutions are required to disclose. The amount of Category IV Loans deducted from Problem Loan balances at the end of Fiscal 2007 was ¥102.4 billion out of the Provision for Possible Loan Losses of ¥160.3 billion and at the end of Fiscal 2006 was ¥117.1 billion out of the Provision for Possible Loan Losses of ¥184.1 billion.)

\* Loans for which accrued interest is not shown in the accounts: loans to bankrupt companies for which accrued interest is not shown in the accounts based on the assumption that principal or interest is likely to be unrecoverable because the interest or principal payments have been long overdue or for other reasons (excluding loans that have been written off).

**LOANS DISCLOSED UNDER THE FINANCIAL RECONSTRUCTION LAW**

(¥100 million, %)

|  |                         | (as of March 31, 2008) | (as of March 31, 2007) |
|--|-------------------------|------------------------|------------------------|
| Loans to Legally Bankrupt and Substantially Bankrupt Companies | (A)                     | 1,504                  | 1,746                  |
| Loans with Collection Risk                                     | (B)                     | 1,773                  | 2,033                  |
| Loans for Special Attention                                    | (C)                     | 1,019                  | 1,249                  |
| Subtotal   | (D) = (A) + (B) + (C)   | 4,297                  | 5,028                  |
| Category IV Loans  | (G)                     | 1,043                  | 1,182                  |
| (Amount after deduction of Category IV Loans)                  | (D) - (G)               | 3,254                  | 3,846                  |
| Normal Loans   |                         | 90,397                 | 89,485                 |
| Total  | (H)                     | 94,694                 | 94,514                 |
| Percentage of Loans (%)  | ((D) - (G))/((H) - (G)) | 3.5                    | 4.1                    |

## (REFERENCE) Loan Coverage after Deduction for Category IV Loans

|  |                       |       |       |
|--|-----------------------|-------|-------|
| Recoverable Amount from Collateral and Other Coverage Accounted for in (D) | (E)                   | 1,674 | 1,975 |
| Reserve for Possible Loan Losses Allocated for (D)                         | (F)                   | 1,692 | 2,007 |
| Ratio for Reserves (%)   | (F - G)/((D - G) - E) | 41.1  | 44.1  |
| Coverage Ratio (%)   | ((E + F) - G)/(D - G) | 71.4  | 72.8  |

Notes: 1. The above table shows the loans classified into the four categories of Loans to Legally Bankrupt and Substantially Bankrupt Companies, Loans with Collection Risk, Loans for Special Attention and Normal Loans, based on our self-assessment in accordance with the Financial Reconstruction Law. Although the Shoko Chukin Bank is not subject to the Law, the amounts of the loans of each category based on self-assessment in accordance with the Law are disclosed for readers' reference.

## 2. Definitions of the Loans of Each Category

- (1) Loans to Legally Bankrupt and Substantially Bankrupt Companies: Loans to companies who have already gone legally bankrupt or in the process of a court mandated reorganization, or who have not yet gone legally or formally bankrupt but are substantially in the status of business collapse.
- (2) Loans with Collection Risk: Loans for which principal and/ or interest are very likely to be unrecoverable as scheduled, since the borrowers of the loans in question are in financial and/ or management difficulties, although they may not have gone bankrupt.
- (3) Loans for Special Attention: Loans overdue for 3 months or longer and rescheduled loans, other than loans defined in (1) or (2) above.
- (4) Normal Loans: Loans classified other than (1) to (3) above, as it is judged that there is no financial or management difficulty with the borrowers' businesses.

## 3. Category IV Loans are those that are classified as unrecoverable based on our self-assessment of assets. The full amount of these loans is included in the Reserve for Possible Loan Losses.

4. Amount after deduction of Category IV Loans is equal to the total amount of loans defined in Note 2. (1) to (3) minus the amount defined in Note 3. (This is equivalent to the loan balance after direct charge-offs of Category IV Loans, which private financial institutes are required to disclose.)

5. Beginning in Fiscal 2007, privately offered corporate bonds with the Bank's guarantee (privately offered corporate bonds for which the Bank guarantees the repayment of the principal and partial or full payment of interest) were added to the scope of bonds that must be disclosed.

# SECURITIES

## AVERAGE BALANCES OF TRADING SECURITIES

(¥100 million)

|                          | (Fiscal 2007) | (Fiscal 2006) |
|--------------------------|---------------|---------------|
| Trading Government Bonds | 5             | 7             |
| Total                    | 5             | 7             |

## BREAKDOWN BALANCE OF SECURITIES

(¥100 million, %)

|                     | (Fiscal 2007)              |                 |                | (Fiscal 2006)   |                  |                |                  |
|---------------------|----------------------------|-----------------|----------------|-----------------|------------------|----------------|------------------|
|                     | Domestic                   | International   | Total          | Domestic        | International    | Total          |                  |
| Year-end<br>Balance | Government Bonds           | 9,248<br>(66.2) | —              | 9,248<br>(63.2) | 9,316<br>(64.7)  | —              | 9,316<br>(60.8)  |
|                     | Local Government Bonds     | 370<br>(2.6)    | —              | 370<br>(2.5)    | 389<br>(2.7)     | —              | 389<br>(2.5)     |
|                     | Short-term Corporate Bonds | —               | —              | —               | —                | —              | —                |
|                     | Corporate Bonds            | 4,104<br>(29.4) | —              | 4,104<br>(28.1) | 4,381<br>(30.5)  | —              | 4,381<br>(28.6)  |
|                     | Stocks                     | 235<br>(1.7)    | —              | 235<br>(1.6)    | 287<br>(2.0)     | —              | 287<br>(1.9)     |
|                     | Other Securities           | 15<br>(0.1)     | 659<br>(100.0) | 675<br>(4.6)    | 16<br>(0.1)      | 929<br>(100.0) | 945<br>(6.2)     |
|                     | Foreign Bonds              | —               | 659<br>(100.0) | 659<br>(4.5)    | —                | 929<br>(100.0) | 929<br>(6.1)     |
| Total               | 13,974                     | 659             | 14,634         | 14,391          | 929              | 15,320         |                  |
| Average<br>Balance  | Government Bonds           | 8,674<br>(57.8) | —              | 8,674<br>(54.8) | 10,001<br>(56.9) | —              | 10,001<br>(54.1) |
|                     | Local Government Bonds     | 408<br>(2.7)    | —              | 408<br>(2.6)    | 346<br>(2.0)     | —              | 346<br>(1.9)     |
|                     | Short-term Corporate Bonds | 1,422<br>(9.5)  | —              | 1,422<br>(9.0)  | 1,870<br>(10.6)  | —              | 1,870<br>(10.1)  |
|                     | Corporate Bonds            | 4,283<br>(28.5) | —              | 4,283<br>(27.0) | 5,158<br>(29.4)  | —              | 5,158<br>(27.9)  |
|                     | Stocks                     | 186<br>(1.3)    | —              | 186<br>(1.2)    | 180<br>(1.0)     | —              | 180<br>(1.0)     |
|                     | Other Securities           | 31<br>(0.2)     | 824<br>(100.0) | 855<br>(5.4)    | 15<br>(0.1)      | 915<br>(100.0) | 930<br>(5.0)     |
|                     | Foreign Bonds              | —               | 824<br>(100.0) | 824<br>(5.2)    | —                | 915<br>(100.0) | 915<br>(5.0)     |
| Total               | 15,006                     | 824             | 15,830         | 17,572          | 915              | 18,488         |                  |

Notes: 1. The average balance of foreign currency securities held by domestic branches stated in the International column is calculated by the monthly current method.

2. The figures in parentheses represent percentages of the total.

## MARKET VALUE OF SECURITIES AND RELATED INFORMATION

Details of market values of and valuation gains and losses on marketable securities are as follows. In addition to Government Bonds, Local Government Bonds, Corporate Bonds, Stocks, and Other Securities, these items also include Trading Securities and Trust Beneficiary Rights as a subset of Monetary Claims Purchased.

### 1) Trading Securities (¥100 million)

|  | (as of March 31, 2008) |
|--|------------------------|
| Book Value                                     | 0                      |
| Recognized Valuation Difference in Fiscal 2007 | (0)                    |

### 2) Held-to-Maturity Bonds with Market Values (¥100 million)

|                        | (as of March 31, 2008) |              |                      |                 |                  |
|------------------------|------------------------|--------------|----------------------|-----------------|------------------|
|                        | Book Value             | Market Value | Valuation Difference | Valuation Gains | Valuation Losses |
| Government Bonds       | 2,437                  | 2,452        | 15                   | 15              | 0                |
| Local Government Bonds | —                      | —            | —                    | —               | —                |
| Corporate Bonds        | 78                     | 78           | 0                    | 0               | 0                |
| Others                 | 40                     | 39           | (0)                  | —               | 0                |
| Total                  | 2,556                  | 2,571        | 15                   | 15              | 0                |

Note: Market values were based on closing market values, etc., at the fiscal year end.

### 3) Marketable Securities with Market Values (¥100 million)

|                        | (as of March 31, 2008) |            |                      |                 |                  |
|------------------------|------------------------|------------|----------------------|-----------------|------------------|
|                        | Acquisition Cost       | Book Value | Valuation Difference | Valuation Gains | Valuation Losses |
| Stocks                 | 123                    | 160        | 37                   | 46              | 8                |
| Bonds                  | 8,506                  | 8,545      | 39                   | 41              | 2                |
| Government Bonds       | 6,779                  | 6,810      | 31                   | 33              | 1                |
| Local Government Bonds | 369                    | 370        | 1                    | 1               | 0                |
| Corporate Bonds        | 1,357                  | 1,363      | 6                    | 6               | 0                |
| Others                 | 656                    | 619        | (36)                 | 0               | 36               |
| Total                  | 9,285                  | 9,325      | 40                   | 87              | 47               |

Note: The market values of stocks were calculated using the average market values in the final month of the fiscal year. The market values for other items were based on market values, etc., at the fiscal year end.

### 4) Principal Categories and Book Value of Securities without Market Values (¥100 million)

|                             | (as of March 31, 2008) |
|-----------------------------|------------------------|
| Held-to-Maturity Bonds      | —                      |
| Subsidiaries' Stocks        | —                      |
| Unlisted Stocks             | 74                     |
| Other Marketable Securities |                        |
| Corporate Bonds             | 2,662                  |
| Other Securities            | 212                    |

## (REFERENCE)

### MARKET VALUE OF SECURITIES AND RELATED INFORMATION (As of March 31, 2007)

Details of market values of and valuation gains and losses on securities are as follows. In addition to Government Bonds, Local Government Bonds, Corporate Bonds, Stocks, and Other Securities, these items also include Trading Securities.

#### 1) Trading Securities (¥100 million)

|  | (as of March 31, 2007) |
|--|------------------------|
| Book Value                                     | 2                      |
| Recognized Valuation Difference in Fiscal 2006 | (0)                    |

#### 2) Held-to-Maturity Bonds with Market Values (¥100 million)

|                        | (as of March 31, 2007) |              |                      |                 |                  |
|------------------------|------------------------|--------------|----------------------|-----------------|------------------|
|                        | Book Value             | Market Value | Valuation Difference | Valuation Gains | Valuation Losses |
| Government Bonds       | 3,088                  | 3,084        | (3)                  | 6               | 10               |
| Local Government Bonds | —                      | —            | —                    | —               | —                |
| Corporate Bonds        | 78                     | 77           | (1)                  | —               | 1                |
| Others                 | 88                     | 87           | (1)                  | 0               | 1                |
| Total                  | 3,256                  | 3,249        | (6)                  | 6               | 12               |

Note: Market values were based on closing market values, etc., at the fiscal year end.

#### 3) Marketable Securities with Market Values (¥100 million)

|                        | (as of March 31, 2007) |            |                      |                 |                  |
|------------------------|------------------------|------------|----------------------|-----------------|------------------|
|                        | Acquisition Cost       | Book Value | Valuation Difference | Valuation Gains | Valuation Losses |
| Stocks                 | 123                    | 229        | 106                  | 107             | 1                |
| Bonds                  | 8,421                  | 8,386      | (34)                 | 1               | 36               |
| Government Bonds       | 6,249                  | 6,228      | (21)                 | 1               | 22               |
| Local Government Bonds | 391                    | 389        | (2)                  | 0               | 2                |
| Corporate Bonds        | 1,779                  | 1,769      | (10)                 | 0               | 10               |
| Others                 | 838                    | 840        | 1                    | 1               | 0                |
| Total                  | 9,383                  | 9,456      | 73                   | 111             | 38               |

Note: The market values of stocks were calculated using the average market values in the final month of the fiscal year. The market values for other items were based on market values, etc., at the fiscal year end.

#### 4) Principal Categories and Book Value of Securities without Market Values (¥100 million)

|                             | (as of March 31, 2007) |
|-----------------------------|------------------------|
| Held-to-Maturity Bonds      | —                      |
| Subsidiaries' Stocks        | —                      |
| Unlisted Stocks             | 57                     |
| Other Marketable Securities |                        |
| Corporate Bonds             | 2,533                  |
| Other Securities            | 16                     |

## MARKET VALUE OF MONETARY TRUSTS AND RELATED INFORMATION

### 1) Monetary Trusts for Managing Purposes

No Transactions

### 2) Held-to-Maturity Monetary Trusts

No Transactions

### 3) Other Monetary Trusts (other than held for management or held-to-maturity)

No Transactions

## RATIO OF SECURITIES TO DEBENTURES AND DEPOSITS

(¥100 million, %)

|                         |                | (as of March 31, 2008) |               |        | (as of March 31, 2007) |               |        |
|-------------------------|----------------|------------------------|---------------|--------|------------------------|---------------|--------|
|                         |                | Domestic               | International | Total  | Domestic               | International | Total  |
| Marketable Securities   | (A)            | 13,974                 | 659           | 14,634 | 14,391                 | 929           | 15,320 |
| Debentures and Deposits | (B)            | 93,851                 | 1,017         | 94,869 | 96,544                 | 1,271         | 97,815 |
| Ratio (%)               | (A)/(B)        | 14.89                  | 64.85         | 15.42  | 14.90                  | 73.12         | 15.66  |
|                         | Yearly Average | 15.91                  | 72.53         | 16.58  | 17.86                  | 71.98         | 18.55  |

Note: The balance of Deposits includes Negotiable Certificates of Deposit.

## UNDERWRITING OF PUBLIC BONDS

(¥100 million)

|                           | (Fiscal 2007) | (Fiscal 2006) |
|---------------------------|---------------|---------------|
| Public Bonds Underwritten | —             | 0             |

Note: All public bonds underwritten are government bonds.

## COUNTER SALES OF PUBLIC BONDS

(¥100 million)

|                               | (Fiscal 2007) | (Fiscal 2006) |
|-------------------------------|---------------|---------------|
| Counter Sales of Public Bonds | 5             | 5             |

Note: All public bonds sold at counter are government bonds.

## PUBLIC BOND DEALING

(¥100 million)

|                 | (Fiscal 2007) | (Fiscal 2006) |
|-----------------|---------------|---------------|
| Amount of Trade | 529           | 284           |
| Average Balance | 5             | 5             |

Note: All public bonds traded are government bonds.

**CLASSIFICATION BY TIME TO MATURITY OF THE OUTSTANDING BALANCE OF SECURITIES**

(¥100 million)

|                            | (as of March 31, 2008) |                                      |  |                    |                                       | Total  |
|----------------------------|------------------------|--------------------------------------|--|--------------------|---------------------------------------|--------|
|                            | 1 year or less         | More than 1 year,<br>5 years or less | More than 5 years,<br>10 years or less | More than 10 years | Instruments<br>with no fixed maturity |        |
| Government Bonds           | 4,142                  | 5,105                                | —                                      | —                  | —                                     | 9,248  |
| Local Government Bonds     | 117                    | 252                                  | —                                      | —                  | —                                     | 370    |
| Short-term Corporate Bonds | —                      | —                                    | —                                      | —                  | —                                     | —      |
| Corporate Bonds            | 920                    | 3,118                                | 65                                     | —                  | —                                     | 4,104  |
| Stocks                     | —                      | —                                    | —                                      | —                  | 235                                   | 235    |
| Other Securities           | 105                    | 249                                  | 209                                    | 94                 | 15                                    | 675    |
| Foreign Bonds              | 105                    | 249                                  | 209                                    | 94                 | —                                     | 659    |
| Total                      | 5,286                  | 8,726                                | 275                                    | 94                 | 250                                   | 14,634 |

|                            | (as of March 31, 2007) |                                      |  |                    |                                       | Total  |
|----------------------------|------------------------|--------------------------------------|--|--------------------|---------------------------------------|--------|
|                            | 1 year or less         | More than 1 year,<br>5 years or less | More than 5 years,<br>10 years or less | More than 10 years | Instruments<br>with no fixed maturity |        |
| Government Bonds           | 3,144                  | 6,172                                | —                                      | —                  | —                                     | 9,316  |
| Local Government Bonds     | 70                     | 318                                  | —                                      | —                  | —                                     | 389    |
| Short-term Corporate Bonds | —                      | —                                    | —                                      | —                  | —                                     | —      |
| Corporate Bonds            | 1,325                  | 2,996                                | 59                                     | —                  | —                                     | 4,381  |
| Stocks                     | —                      | —                                    | —                                      | —                  | 287                                   | 287    |
| Other Securities           | 106                    | 528                                  | 279                                    | 14                 | 16                                    | 945    |
| Foreign Bonds              | 106                    | 528                                  | 279                                    | 14                 | —                                     | 929    |
| Total                      | 4,647                  | 10,015                               | 339                                    | 14                 | 304                                   | 15,320 |

Notes: The anticipated redemption amount is shown for bonds that will be held to maturity and other marketable securities with maturity dates.

## INTERNATIONAL OPERATIONS

**FOREIGN EXCHANGE TRANSACTION BY TYPE**

(US\$ million)

|   | (Fiscal 2007) | (Fiscal 2006) |
|---|---------------|---------------|
| Trade-related Foreign Exchange Transactions | 2,307         | 2,190         |
| Non-trade Foreign Exchange Transactions     | 1,063         | 949           |
| Capital Transactions                        | 904           | 608           |
| Total                                       | 4,275         | 3,748         |

Note: Overseas branches are included.

**BALANCE OF FOREIGN CURRENCY ASSETS**

(US\$ million)

|   | (Fiscal 2007) | (Fiscal 2006) |
|---|---------------|---------------|
| Balance of Assets Denominated in Foreign Currencies | 1,398         | 1,251         |

Note: The above amounts include the assets denominated in foreign currencies held by domestic branches and assets held by overseas branches.

## OTHERS

### DOMESTIC EXCHANGE TRANSACTIONS

(Thousands of transactions, ¥100 million)

|                 |                      |              | (as of March 31, 2008) | (as of March 31, 2007) |
|-----------------|----------------------|--------------|------------------------|------------------------|
| Bank Remittance | To other locations   | Transactions | 1,803                  | 1,844                  |
|                 |                      | Amount       | 116,401                | 122,564                |
|                 | From other locations | Transactions | 1,482                  | 1,492                  |
|                 |                      | Amount       | 103,651                | 103,647                |
| Bank Collection | To other locations   | Transactions | 1,036                  | 1,036                  |
|                 |                      | Amount       | 22,577                 | 22,203                 |
|                 | From other locations | Transactions | 26                     | 27                     |
|                 |                      | Amount       | 544                    | 548                    |
| Total           | Transactions         | 4,348        | 4,400                  |                        |
|                 | Amount               | 243,175      | 248,963                |                        |

### OFF-BALANCE-SHEET TRANSACTIONS

Included within off-balance-sheet transactions are such derivative transactions as futures, swap contracts and options. Further details are shown below:

### FINANCIAL DERIVATIVE AND FORWARD FOREIGN EXCHANGE TRANSACTIONS

(¥100 million)

|                                  | (as of March 31, 2008)                       |                    | (as of March 31, 2007)                       |                    |
|----------------------------------|--|--------------------|--|--------------------|
|                                  | Contract Amount/ Notational Principal Amount | Credit Risk Amount | Contract Amount/ Notational Principal Amount | Credit Risk Amount |
| Interest Rate Swap               | 51,919                                       | 599                | 53,735                                       | 403                |
| Currency Swap                    | 6,799  | 465                | 4,731  | 296                |
| Forward Foreign Exchange         | 313  | 13                 | 423  | 8                  |
| Interest Rate Options (Bought)   | —  | —                  | —  | —                  |
| Currency Options (Bought)        | —  | —                  | —  | —                  |
| Other Financial Derivatives      | 3  | 0                  | —  | —                  |
| Credit Risk Reduction by Netting |  | (397)              |  | (296)              |
| Total                            | 59,035                                       | 680                | 58,891                                       | 411                |

Notes: 1. The current-exposure method is used in computing the credit risk equivalents based on capital adequacy guidelines.

2. The contract amounts and notional principal amounts of transactions carried out through public securities exchanges that are excluded from capital adequacy guidelines, and foreign exchange-related transactions for which the duration of the original contract is five business days or less, are as follows.

|                                | (¥100 million)                              |   |
|--------------------------------|---|---|
|                                | (as of March 31, 2008)                      | (as of March 31, 2007)                      |
|                                | Contract Amount/Notational Principal Amount | Contract Amount/Notational Principal Amount |
| Forward Foreign Exchange       | 62  | 37  |
| Interest Rate Options (Sold)   | 56  | 35  |
| Interest Rate Options (Bought) | —   | —   |
| Currency Options (Sold)        | —   | —   |
| Currency Options (Bought)      | —   | —   |
| Other Financial Derivatives    | —   | 1   |
| Total                          | 118   | 74  |

## **DERIVATIVE TRANSACTIONS**

The Bank's policies regarding derivative transactions and risk management relating to these transactions are outlined below.

### **PURPOSE OF DERIVATIVE TRANSACTIONS**

The majority of transactions are for the purpose of meeting to customer needs, for Asset and Liability Management (ALM) risk control and for hedging risks associated with debenture investments.

#### **•Meeting Customer Needs**

The Bank provides swaps, options and exchange contracts to meet customer needs for hedging against rising funding or purchasing costs due to market fluctuations in interest rates and exchange rates.

#### **•ALM Risk Control**

Interest swaps and other techniques provide control of interest rate risk resulting from lending, debentures and other on-balance sheet transactions.

#### **•Debenture Risk Hedging**

Currency and interest swaps to hedge interest and exchange rate risk on foreign currency debentures.

### **RISKS ASSOCIATED WITH DERIVATIVE TRANSACTIONS**

As with such on-balance-sheet transactions as lending and debentures, derivative transactions involve credit and market risk.

#### **•Credit Risk**

This is the risk of a transaction counterparty failing to fulfill the terms of the contract. The principal and interest amounts are exposed to credit risk in on-balance-sheet transactions like lending and debentures, but in derivative transactions the amount exposed to credit risk is the cost to reconstruct at market prices (current exposure) at the time a transaction is left unfulfilled.

#### **•Market Risk**

As with on-balance-sheet transactions, there is the risk with derivative transactions that the market value of the transaction will change as interest rates, exchange rates and stock prices fluctuate.

### **RISK MANAGEMENT SYSTEMS FOR EACH TYPE OF RISK**

#### **•Credit Risk**

This is managed along with lending risk for transactions with the Bank's customers. For market transactions with financial institutions, as with other market transactions, credit limits are established for each counterparty or each country, and transactions are conducted and managed within those limits.

#### **•Market Risk**

This is managed along with on-balance-sheet transactions using integrated risk indicators such as interest rate volatility indices (10 basis point value). The Market Risk Management Department monitors valuation gains and losses for derivative transactions, and reports regularly to management.

**TRANSACTIONS RELATING TO INTEREST RATES**

(¥ million)

|                                       |                              |  | (as of March 31, 2008)   |  |              |                          |
|---------------------------------------|------------------------------|--|--------------------------|--|--------------|--------------------------|
|                                       |                              |  | Contractual Amount, etc. | Maturity over 1 year (of Contractual Amount) | Market Value | Unrealized Gain and Loss |
| Traded on the Exchange                | Interest-rate Futures        | Selling Position                                 | —                        | —  | —            | —                        |
|                                       |                              | Buying Position                                  | —                        | —  | —            | —                        |
|                                       | Interest-rate Options        | Selling Position                                 | —                        | —  | —            | —                        |
|                                       |                              | Buying Position                                  | —                        | —  | —            | —                        |
| Traded on the Over-the-counter Market | Forward-rate Agreements      | Selling Position                                 | —                        | —  | —            | —                        |
|                                       |                              | Buying Position                                  | —                        | —  | —            | —                        |
|                                       | Interest-rate Swap Contracts | Fixed Rate Receiving/<br>Floating Rate Paying    | 1,431,770                | 1,037,802                                    | 11,557       | 11,557                   |
|                                       |                              | Floating Rate Receiving/<br>Fixed Rate Paying    | 1,369,713                | 910,440                                      | (9,264)      | (9,264)                  |
|                                       |                              | Floating Rate Receiving/<br>Floating Rate Paying | —                        | —  | —            | —                        |
|                                       | Interest-rate Options        | Selling Position                                 | —                        | —  | —            | —                        |
|                                       |                              | Buying Position                                  | —                        | —  | —            | —                        |
|                                       | Others                       | Selling Position                                 | 5,655                    | 4,788  | (15)         | 52                       |
| Buying Position                       |                              | —  | —                        | —  | —            |                          |
| <b>Total</b>                          |                              |  |                          |  | <b>2,277</b> | <b>2,346</b>             |

|                                       |                              |  | (as of March 31, 2007)   |  |              |                          |
|---------------------------------------|------------------------------|--|--------------------------|--|--------------|--------------------------|
|                                       |                              |  | Contractual Amount, etc. | Maturity over 1 year (of Contractual Amount) | Market Value | Unrealized Gain and Loss |
| Traded on the Exchange                | Interest-rate Futures        | Selling Position                                 | —                        | —  | —            | —                        |
|                                       |                              | Buying Position                                  | —                        | —  | —            | —                        |
|                                       | Interest-rate Options        | Selling Position                                 | —                        | —  | —            | —                        |
|                                       |                              | Buying Position                                  | —                        | —  | —            | —                        |
| Traded on the Over-the-counter Market | Forward-rate Agreements      | Selling Position                                 | —                        | —  | —            | —                        |
|                                       |                              | Buying Position                                  | —                        | —  | —            | —                        |
|                                       | Interest-rate Swap Contracts | Fixed Rate Receiving/<br>Floating Rate Paying    | 1,452,665                | 1,017,048                                    | 673          | 673                      |
|                                       |                              | Floating Rate Receiving/<br>Fixed Rate Paying    | 1,517,408                | 916,757                                      | 1,217        | 1,217                    |
|                                       |                              | Floating Rate Receiving/<br>Floating Rate Paying | —                        | —  | —            | —                        |
|                                       | Interest-rate Options        | Selling Position                                 | —                        | —  | —            | —                        |
|                                       |                              | Buying Position                                  | —                        | —  | —            | —                        |
|                                       | Others                       | Selling Position                                 | 3,570                    | 2,200  | (11)         | 18                       |
| Buying Position                       |                              | —  | —                        | —  | —            |                          |
| <b>Total</b>                          |                              |  |                          |  | <b>1,879</b> | <b>1,909</b>             |

- Notes: 1. The above transactions are valued at market prices, and valuation gains or losses are shown in the Statement of Income. In accordance with JICPA Industry Audit Committee Report No. 24, derivative transactions subject to hedge accounting are excluded from these amounts.
2. Determination of Market Value  
Closing prices on the Tokyo Financial Exchange or other exchange are used for contracts traded on exchanges. Market values for contracts traded on the over-the-counter market are calculated according to discounted present value, the option pricing model and other appropriate methods.
3. Interest Cap transactions are included in Others.

**TRANSACTIONS RELATING TO FOREIGN EXCHANGE**

(¥ million)

|                                       |                  |                  | (as of March 31, 2008) |  |              |                          | (as of March 31, 2007) |  |              |                          |
|---------------------------------------|------------------|------------------|------------------------|--|--------------|--------------------------|------------------------|--|--------------|--------------------------|
|                                       |                  |                  | Contractual Amount     | Maturity over 1 year (of Contractual Amount) | Market Value | Unrealized Gain and Loss | Contractual Amount     | Maturity over 1 year (of Contractual Amount) | Market Value | Unrealized Gain and Loss |
| Traded on the Exchange                | Currency Futures | Selling Position | —                      | —  | —            | —                        | —                      | —  | —            | —                        |
|                                       |                  | Buying Position  | —                      | —  | —            | —                        | —                      | —  | —            | —                        |
|                                       | Currency Options | Selling Position | —                      | —  | —            | —                        | —                      | —  | —            | —                        |
|                                       |                  | Buying Position  | —                      | —  | —            | —                        | —                      | —  | —            | —                        |
| Traded on the Over-the-counter Market | Currency Swaps   |                  | 679,998                | 643,128                                      | 1,784        | 1,784                    | 473,167                | 438,621                                      | 1,194        | 1,194                    |
|                                       | Currency Futures | Selling Position | 18,478                 | 50   | 933          | 933                      | 23,272                 | 118  | (69)         | (69)                     |
|                                       |                  | Buying Position  | 19,094                 | 50   | (678)        | (678)                    | 22,879                 | 118  | 138          | 138                      |
|                                       | Currency Options | Selling Position | —                      | —  | —            | —                        | —                      | —  | —            | —                        |
|                                       |                  | Buying Position  | —                      | —  | —            | —                        | —                      | —  | —            | —                        |
|                                       | Others           | Selling Position | —                      | —  | —            | —                        | —                      | —  | —            | —                        |
| Buying Position                       |                  | —                | —                      | —  | —            | —                        | —                      | —  | —            |                          |
| Total                                 |                  |                  |                        |  | 2,039        | 2,039                    |                        |  | 1,263        | 1,263                    |

Notes: 1. The above transactions are valued at market prices, and valuation gains or losses are shown in the Statement of Income. In accordance with JICPA Industry Audit Committee Report No. 25, transaction amounts relating to currency swaps subject to hedge accounting and foreign currency-denominated monetary claims that are reflected in the Balance Sheets are excluded from the above amounts.

## 2. Determination of Market Value

Market values are calculated using discounted present value or other appropriate methods.

**TRANSACTIONS RELATING TO STOCKS**

No Transactions

**TRANSACTIONS RELATING TO BONDS**

(¥ million)

|                                       |                               |                  | (as of March 31, 2008) |  |              |                          | (as of March 31, 2007) |  |              |                          |
|---------------------------------------|-------------------------------|------------------|------------------------|--|--------------|--------------------------|------------------------|--|--------------|--------------------------|
|                                       |                               |                  | Contractual Amount     | Maturity over 1 year (of Contractual Amount) | Market Value | Unrealized Gain and Loss | Contractual Amount     | Maturity over 1 year (of Contractual Amount) | Market Value | Unrealized Gain and Loss |
| Traded on the Exchange                | Bond Futures                  | Selling Position | —                      | —  | —            | —                        | 134                    | —  | 0            | 0                        |
|                                       |                               | Buying Position  | —                      | —  | —            | —                        | —                      | —  | —            | —                        |
|                                       | Bond Futures Options          | Selling Position | —                      | —  | —            | —                        | —                      | —  | —            | —                        |
|                                       |                               | Buying Position  | —                      | —  | —            | —                        | —                      | —  | —            | —                        |
| Traded on the Over-the-counter Market | Over-the-counter Bond Options | Selling Position | —                      | —  | —            | —                        | —                      | —  | —            | —                        |
|                                       |                               | Buying Position  | —                      | —  | —            | —                        | —                      | —  | —            | —                        |
|                                       | Others                        | Selling Position | —                      | —  | —            | —                        | —                      | —  | —            | —                        |
|                                       |                               | Buying Position  | —                      | —  | —            | —                        | —                      | —  | —            | —                        |
| Total                                 |                               |                  |                        |  | —            | —                        |                        |  | 0            | 0                        |

Notes: 1. The above transactions are valued at market prices, and valuation gains or losses are shown in the Statement of Income. Derivative transactions subject to hedge accounting are excluded from the above amounts.

## 2. Determination of market value

For contracts traded on a stock exchange, closing prices on the Tokyo Stock Exchange or other exchange are used.

Market values for contracts traded on the over-the-counter market are calculated according to the option pricing model and other appropriate methods.

## TRANSACTIONS RELATED TO PRODUCTS

No Transactions

## CREDIT DERIVATIVE TRANSACTIONS

No Transactions

### OTHERS

(¥ million)

|                  |                                     |                  | (as of March 31, 2008) |  |              |                          | (as of March 31, 2007) |  |              |                          |
|------------------|-------------------------------------|------------------|------------------------|--|--------------|--------------------------|------------------------|--|--------------|--------------------------|
|                  |                                     |                  | Contractual Amount     | Maturity over 1 year (of Contractual Amount) | Market Value | Unrealized Gain and Loss | Contractual Amount     | Maturity over 1 year (of Contractual Amount) | Market Value | Unrealized Gain and Loss |
| Traded on the    | Earthquake Derivatives Transactions | Selling Position | —                      | —  | —            | —                        | —                      | —  | —            | —                        |
| Over-the-counter |                                     | Buying Position  | 307                    | 307  | 14           | —                        | —                      | —  | —            | —                        |
| Market           |                                     |                  |                        |  | 14           |                          |                        |  |              |                          |
| Total            |                                     |                  |                        |  |              |                          |                        |  |              |                          |

Notes: 1. The above transactions are valued at market prices, and valuation gains or losses are shown in the Statement of Income.

2. Determination of market value

Market value is determined based on contract duration and other aspects of contracts for other relevant transactions.

# Capital Adequacy

## (Disclosure under Pillar III of Basel II)

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## 1. OVERVIEW OF METHODS OF RAISING CAPITAL

### METHODS OF RAISING CAPITAL (As of March 31, 2008)

| Methods of Raising Capital    |                                    | Overview  |
|-------------------------------|------------------------------------|---|
| Subscriptions (5,227,650,000) |                                    | Government subscriptions (4,053,671,000),<br>Cooperative subscriptions (1,173,979,000)  |
| Dated subordinated debt       | Subordinated debt<br>(¥41 billion) | ¥40 billion of this subordinated debt contains an interest rate step-up clause with term of 10–15 years (lump-sum repayment on deadline); however, loans can be repaid before the deadline, for example after the fifth year in the life of the loan. |

## 2. OVERVIEW OF METHODS FOR EVALUATING CAPITAL ADEQUACY

The Shoko Chukin Bank evaluates its capital adequacy by ascertaining its overall risk, including credit risk, market risk, and operational risk, and comparing this to its Tier 1 capital.

Specifically, the Bank calculates its risk exposure using value at risk for credit risk and market risk and using the basic method employed to calculate the capital ratio for operational risk.

In addition, the Bank regularly carries out stress tests on the assumption that its environment will change. This test performs an analysis of the extent to which environmental changes would change Tier 1.

In addition to the above risk exposure and stress test results, the Bank evaluates its capital adequacy by contrasting risk to Tier 1, taking into account risk not included in risk measurements.

## 3. ITEMS RELATED TO CREDIT RISK

### OVERVIEW OF RISK MANAGEMENT POLICIES AND PROCEDURES

#### DEFINITION OF CREDIT RISK

This is the risk of loss due to the partial or complete loss of asset value, owing to such factors as deterioration in the financial position of the borrower.

#### CREDIT RISK MANAGEMENT SYSTEM

##### (1) Credit Risk Management Department

The Credit Risk Management Division is the department responsible for coordinating credit risk management.

The Credit Risk Management Division monitors the Bank's overall credit risk, including credit risk involved in market-related operations and country risk.

Moreover, the Credit Group is the department that manages credit risk screening and is responsible for accurately ascertaining a borrower's financial status, intended use of the loan, and financial resources for repayment, managing the loans appropriately after the screening, and monitoring credit status.

##### (2) Credit Risk Management Committee

Senior management, through the Credit Risk Management Committee, analyzes the credit portfolio from various perspectives, such as by credit rating, business sector and geographical region, as it aims to diversify risk as a means of maintaining and improving the soundness of the Bank's assets.

## CREDIT RISK MANAGEMENT POLICIES

The Bank has laid out the basic issues related to credit risk management in its Basic Guidelines on Credit Risk Management as part of its effort to accurately identify credit risk and ensure appropriate management.

### (1) Basic concept

Based on its expertise in working with SMEs, the Bank's credit risk management system is designed to maintain and improve the soundness of its loan assets by setting appropriate lending criteria and ensuring that screening systems are properly applied.

### (2) Credit risk management process

The Credit Risk Management Division, which is the department responsible for coordinating credit risk management, draws up plans to control risk and monitors their implementation after appropriately ascertaining and evaluating credit risk. The Bank endeavors to control its credit risk by following this process.

#### (i) Management self-assessment and credit rating system

In order to appropriately ascertain and control credit risk, the Bank stipulates criteria for self-assessments, credit ratings, and parameters such as default rates corresponding to credit ratings, and regularly reviews their use and the criteria's suitability. The criteria are revised as necessary.

The Bank uses its credit rating system to select the optimum financial indicator to measure the creditworthiness of SMEs, and also reflects a qualitative evaluation in its credit rating.

#### Number of credit rating classification and definition of classification

| Code<br>(Credit Rating Classification) | Definition   | Borrower Classifications<br>Based on Self-assessment               |  |
|--|--|--|--|
| SS                                     | Borrowers whose certainty of debt fulfillment is extremely high and whose level of credit management is excellent.   | Normal   |  |
| SA                                     | Borrowers whose certainty of debt fulfillment is quite high and whose level of credit management is quite good.  |  |  |
| A                                      | Borrowers whose certainty of debt fulfillment is high and whose level of credit management is good.  |  |  |
| B                                      | Borrowers whose certainty of debt fulfillment poses no problem and whose level of credit management is sufficient.   |  |  |
| C                                      | Borrowers whose certainty of debt fulfillment and whose level of credit management pose no problems for the near term.   |  |  |
| D                                      | Borrowers whose current certainty of debt fulfillment poses no problems, but whose ability to resist future changes in their business environment is somewhat low.   |  |  |
| E                                      | Borrowers whose current certainty of debt fulfillment poses no problems, but whose ability to resist future changes in their business environment is low.  |  |  |
| F                                      | Borrowers who are experiencing financial problems in a formal sense, but have no real problems overall, and do not represent any significant problems in terms of certainty of debt fulfillment.   |  |  |
| G1                                     | Borrowers whose business conditions are weak or unstable or who have financial problems and will have to be carefully managed in the future, but whose problems are relatively mild.   |  | Need Special Attention<br>(Borrowers not receiving special management) |
| G2                                     | Borrowers whose business conditions are weak or unstable or who have financial problems and who will have to be carefully monitored in the future.   |  |  |
| G3                                     | G3H<br>Borrowers experiencing serious difficulties, such as problems with their loan terms, difficulties fulfilling their debt, weak or unstable business conditions or financial problems, and who will thus have to be carefully monitored in the future.  | Need Special Attention<br>(Borrowers receiving special management) |  |
|  | G3Y<br>As a sub-category, G3Y refers to borrowers holding debt requiring risk management, while the remainder are classified as G3H.   |  |  |
| H                                      | Borrowers who are not bankrupt but are experiencing business difficulties and are making little progress in improving management and thus deemed likely to fall into bankruptcy.   | Risk of Bankruptcy   |  |
| I                                      | Borrowers who are not yet legally or formally bankrupt but are substantially bankrupt because they are experiencing business difficulties and are not deemed capable of restructuring.   | Virtually Bankrupt   |  |
| J                                      | Borrowers who are legally and formally bankrupt.<br>For example, borrowers who are bankrupt because of business failure, liquidation, corporate reorganization, corporate rehabilitation, a court-mediated compromise, civil rehabilitation procedures, or disposition by suspension of business at a clearinghouse. | Legally Bankrupt   |  |

## (ii) Appropriate credit management

The Credit Group strives to maintain and enhance the health of the Bank's assets by appropriately screening and managing these assets, and has also established the Department for Business Restructuring. This division specializes in helping the Bank's clients improve and restore their management, and takes an active role in this area.

## (iii) Credit portfolio monitoring and large-lot credit management

The Bank establishes criteria to manage its credit portfolio and monitors the status of its credit portfolio and credit risk exposure with the aim of controlling credit risk appropriately and preventing the risk of excessive credit concentration. The results are regularly reported to the Credit Risk Management Committee.

The Credit Group reports regularly to management on its response to large-lot individual borrowers.

## (iv) Review of administration of credit risk management process

The Internal Audit Division conducts a review to determine whether the credit risk management process is carried out appropriately.

## CRITERIA FOR RECORDING RESERVES FOR POSSIBLE LOAN LOSSES

Reserves for possible loan losses are determined in accordance with write-off and reserve criteria that have already been established, and are recorded as described below.

### (1) General reserves for possible loan losses

Normal loans and special attention loans are classified into certain categories, and reserve provisions are based on the default rates over a specific period for each category.

### (2) Individual reserves for possible loan losses

Reserves for loans to borrowers at risk of bankruptcy are calculated by deducting the estimated amounts recoverable from disposal of collateral and execution of guarantees from the loan amount and setting aside that portion of the balance deemed necessary as the reserve. Reserves for loans to borrowers that are legally or virtually bankrupt are set aside in the amount remaining after deducting the estimated amounts recoverable from disposal of collateral and execution of guarantees from the loan amount.

## PORTFOLIOS APPLYING THE STANDARD METHOD

### RATING AGENCIES USED IN DETERMINING RISK WEIGHT DETERMINATION

In order to maintain consistency of internal management, the following rating agencies are used in determining risk weight for all exposures.

#### Names of Eligible Rating Agencies

- Rating and Investment Information, Inc. (R&I)
- Japan Credit Rating Agency, Ltd. (JCR)
- Standard & Poors Rating Services (S&P)
- Moody's Investors Service Inc. (Moody's)

## 4. OVERVIEW OF RISK MANAGEMENT POLICIES AND PROCEDURES FOR CREDIT RISK MITIGATION TECHNIQUES

### CREDIT RISK MITIGATION TECHNIQUES

Credit risk mitigation techniques are the collateral and guarantees that are effective in mitigating the Bank's credit risk. When calculating its capital ratio, the Bank reflects the effect of this credit risk mitigation.

The Bank uses collateral and guarantees to reinforce the security of its loans. However, it does not rely excessively on such collateral and guarantees in its credit transactions, but rather thoroughly reviews clients' financial resources, creditworthiness, intended use of loans and financial resources for repayment to ensure that the loans can be collected.

A comprehensive technique is adopted when reflecting the effect of credit risk mitigation in capital ratio calculations. This technique calculates the credit risk asset amount by conservatively reducing the collateral value to a level below market value to take into account the risk that the value of collateral would decrease due to price fluctuations, and then deducting it from the secured loan amount.

## OVERVIEW OF POLICIES AND PROCEDURES FOR EVALUATING AND MANAGING COLLATERAL

### (1) Evaluation policies

The Bank evaluates its main collateral using the following criteria to calculate the value of the collateral that the Bank could reliably acquire on its loans with this collateral in the unlikely event that the Bank would encounter difficulties in recovering its secured loans.

#### Types and evaluation of main collateral

| Type of Collateral    | Specific Description            | Criteria for Evaluation   |
|-----------------------|---------------------------------|---|
| Real estate           | Land, buildings                 | Land: In principle, the price calculated using the comparison method with the disclosed price and the standard price.<br>Buildings: In principle, the price calculated using either the repurchase cost method, the acquisition price method, or the capitalization method. |
| Time deposits         | Shoko Chukin Bank time deposits | Deposits  |
| Marketable securities | Listed shares, public bonds     | Market price  |
| Bank debenture        | Shoko Chukin Bank debentures    | Discounted debentures: Paid-in value<br>Interest-bearing debentures: Face value   |
| Other                 | Assets                          | Asset amount  |

The credit risk mitigation effect of the eligible financial asset security is reflected in calculating the capital ratio. However, the credit risk mitigation effect of some eligible financial asset securities, namely cash, Shoko Chukin Bank deposits, Shoko Chukin Bank debentures and listed shares, is reflected in calculating the capital ratio for loans.

### (2) Management policies and procedures

Collateral is strictly monitored based on contracts meeting legal mandates, and collateral, with the exception of the aforementioned "Other," which is regularly re-evaluated. Moreover, collateral is monitored to ensure that its effectiveness as collateral is secured and maintained by registering mortgages and appropriating the collateral property.

The Bank fulfills its accountability responsibilities as regards the collateral contract. A contract is explained to the client (debtor) and collateral provider, who are then given a copy.

### (3) Overview of policies and procedures for offsetting loans and Bank deposits and type and scope of transactions used

#### (i) Overview of policies and procedures for offsetting loans

The contract with the client (borrower) specifies the requirements for offsets; when these requirements are met, they are offset to recover the Bank's loan.

#### (ii) Type and scope of transactions used in offsets

Receivables involved in bank transactions, such as loans, acceptances and guarantees, and foreign currency, are eligible for offsets. The scope is a deposit in an amount equal to or less than the amount of the receivable held by the Bank.

When calculating capital ratios, the Bank's receivables eligible for offsets with deposits in credit risk mitigation techniques are limited to the loan and the accrued income generated by the loan.

### (4) Overview of policies and procedures when using legally valid bilateral netting contracts for derivatives and repo-style transactions, and type and scope of transactions used

For derivatives transactions, the credit risk mitigation effect of legally valid netting that meets certain conditions is reflected in calculating the capital ratio. Market derivatives transactions are eligible for this treatment, and the Bank attempts to mitigate credit risk through contracts such as the ISDA Master Agreement.

For repo-style transactions, the credit risk mitigation effect of legally valid netting contracts is not reflected in calculating the capital ratio.

### (5) Explanation of types of guarantors and primary types of transaction counterparties for credit derivatives and their creditworthiness

#### (i) Types of counterparties acting as guarantors

In most cases with SMEs, a representative serves as the joint guarantor in the event that the counterparty is a corporation, and the business successor is the joint guarantor in the event that the counterparty is an individual.

There are also cases with subsidiaries of corporate groups in which the parent company of this group becomes the joint guarantor.

Credit guarantee associations are the guarantors in transactions for which they guarantee business loans made to SMEs.

There are also cases in which credit enhancement organizations other than credit guarantee associations, as well as financial institutions, act as guarantor.

**(ii) Creditworthiness of guarantors**

The credit risk mitigation effect is reflected when calculating capital ratios for guarantors with external ratings that meet certain conditions, in addition to countries, municipal governments and credit guarantee associations with high credit strength.

**(iii) Credit derivatives**

The Bank no longer uses credit derivatives as of March 31, 2008.

**(6) Information on credit risk associated with the use of credit risk mitigation techniques and concentration of market risk**

A credit guarantee program is used for guarantees with the aim of supplying stable business funds to Japan's SMEs; credit guarantee associations account for a large proportion of guarantees applying credit risk mitigation techniques.

Stocks make up a large proportion of marketable security collateral. The assessment rate for collateral is set by type and by listed market, and in addition the assessment is reviewed once a month.

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## 5. OVERVIEW OF RISK MANAGEMENT POLICIES AND PROCEDURES FOR COUNTERPARTY RISK IN DERIVATIVES TRANSACTIONS AND TRANSACTIONS WITH LONG SETTLEMENT PERIODS

The credit risk posed by counterparties in derivatives transactions is managed together with on-balance sheet transactions, and a credit limit is set commensurate with the counterparty's credit risk.

The Bank uses the current exposure method to calculate the credit risk of its derivatives transactions.

The Bank concludes ISDA Credit Support Annex agreements as necessary in derivatives transactions with financial institutions to mitigate credit risk. In some cases, the Bank will provide additional collateral in this contract.

The Bank endeavors to mitigate the credit risk of derivatives transactions with branch clients by taking into account the portion covered by collateral.

In calculating reserves, the Bank posts reserves in the amount equivalent to the predetermined anticipated loss rate multiplied by category III loans and posts reserves for the full amount of the category IV loans as individual reserves for possible loan losses, based on the results of a self-assessment at the end of the benchmark period.

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## 6. ITEMS RELATED TO SECURITIZATION EXPOSURE

### OVERVIEW OF RISK MANAGEMENT POLICIES AND PROCEDURES

#### MEASURES ENSURING RELIABLE RISK AWARENESS, EVALUATION, MEASURING, AND REPORTING, AND POLICIES ON BANKS' SECURITIZATION TRANSACTIONS

**(1) Transaction details and policies**

The Bank is the originator (participant directly or indirectly involved in structuring the underlying assets in securitization transactions) in loan securitization transactions (collateralized loan obligations; CLOs) put together by local government agencies as part of their loan programs. The Bank carries out these transactions after evaluating their objective, effect and value as a financing method.

The Bank invests in securities (securitization transactions as investor) as part of its investments in marketable securities and for the purpose of supporting the securitization of its clients' loans.

This latter case raises the diversity of its clients' fund-raising methods. The Bank also develops schemes that fit its clients' needs and the particular attributes of its underlying assets.

## **(2) Risk management arrangements for transactions**

### **(i) Bank's role as originator in securitization transactions**

When planning CLO formation, the Bank identifies and recognizes risk in advance, and reviews its formation on a case-by-case basis after considering the extent of the risk that will be transferred. In the securitization transactions that the Bank participates in as originator, a credit guarantee association provides credit enhancement, or a third party retains the subordinated portion. As a result, these transactions did not leave the Bank holding any risk as of March 31, 2008.

### **(ii) Bank's role as investor in securitization transactions**

The Bank invests in securities that have been given ratings by valid rating agencies after determining the risk and return.

The Bank may also acquire securities that lack ratings as part of its efforts to support the securitization of its clients' loans. These securities are acquired after measuring their risk exposure through a simulation of the binomial probability distribution using the default data for the clients' (originators') underlying assets or a Monte Carlo simulation taking into account the credit strength of the underlying assets.

The Bank monitors credit risk and monitors risk just as it does with other marketable security investments and loans. Credit risk is managed by stipulating an upper limit according to the transaction's purpose and setting the credit limit on an individual basis within this limit. Market risk is managed by measuring risk based on prescribed risk measurement methods.

## **ROLE IN BANK SECURITIZATION TRANSACTIONS (ORIGINATOR, INVESTOR, SERVICING ENTITY, PROVIDER OF CREDIT ENHANCEMENT, ABCP SPONSOR, PROVIDER OF LIQUIDITY, PROVIDER OF SWAPS, ETC.) AND EXTENT OF INVOLVEMENT**

The Bank's primary role in securitization transactions is as an investor; it chooses high-quality investment deals in the loan transaction and market transaction sector.

Nevertheless, the Bank participates in CLO transactions as an originator and servicing entity (collecting on the loan's underlying assets and providing ancillary services).

The Bank is not the credit enhancement provider, ABCP sponsor, liquidity provider, or swaps provider in securitization transactions as of March 31, 2008.

### **NAME OF METHOD USED TO CALCULATE AMOUNT OF CREDIT RISK ASSETS WITH REGARD TO SECURITIZATION EXPOSURE**

The amount of the credit risk assets with regard to securitization exposure is calculated by multiplying the risk weight corresponding to the rating given by a valid rating agency by the exposure amount.

In the case of securities without ratings, the weighted-average risk weight of the relevant underlying asset multiplied by the exposure amount is used as the amount of the credit risk asset.

### **ACCOUNTING POLICIES FOR SECURITIZATION TRANSACTIONS**

The Banking accounts for its securities investments in accordance with "Accounting Standards for Financial Instruments," and "Operational Guidelines Concerning Accounting for Financial Instruments," published by the Japanese Institute of Certified Public Accountants (JICPA).

In cases in which the Bank serves as an originator in securitization transactions, the Bank sells the financial asset so that it is recognized as having been extinguished by transferring its control over the asset's contractual rights to another party. In the case of CLOs, the Bank transfers the relevant receivable to the trust bank at the same time as the loans are transferred, and transfers its beneficial interest in the trust to an outside party.

The Bank has not engaged in any transactions involving synthetic securitization as of March 31, 2008.

## NAMES OF VALID RATING AGENCIES USED IN DETERMINING RISK WEIGHTS FOR EACH TYPE OF SECURITIZATION EXPOSURE

The Bank uses the ratings released by the following external rating agencies in determining risk weight.

Names of valid rating agencies used in determining risk weight

- Rating and Investment Information, Inc. (R&I)
- Japan Credit Rating Agency, Ltd. (JCR)
- Standard & Poors Rating Services (S&P)
- Moody's Investors Service Inc. (Moody's)

## 7. ITEMS RELATED TO OPERATIONAL RISK

### OVERVIEW OF RISK MANAGEMENT POLICIES AND PROCEDURES

#### OPERATIONAL RISK MANAGEMENT POLICIES AND ARRANGEMENTS

Operational risk is defined as the risk of loss resulting from inadequacies in internal processes, officers or employees, and systems or from external events that take place in the course of business operations. The Bank's board of directors has established the Basic Policies for Risk Management, which define operational risk in terms of administrative risk and system risk. All officers and employees strive to minimize risk as an important management issue as part of their daily job performance.

Moreover, under a resolution by the board of directors, the Bank has established "Basic Guidelines on Operational Risk Management." As the division in charge of overseeing risk, the General Operations Planning Division also monitors administrative risk, while the Systems Planning Division manages system risk. In this way, the managing departments appropriately manage risk by identifying and assessing risks, devising plans to reduce them, carrying out these plans and monitoring the results (PDCA cycle). In addition, the Operational Risk Management Committee, made up of Bank directors at the rank of senior managing director and below, regularly discusses issues related to operation risk and reports to the President.

#### Managed operational risk

|                     |   |
|---------------------|---|
| Administrative risk | The risk of losses resulting from errors in administrative and clerical work performed by executive officers and regular employees, or other incidents and fraud (including information security risks* not categorized as a systemic risk) |
| Systemic risk       | The risk of losses resulting from system flaws such as computer breakdowns or malfunctions (including information security risks cause by system flaws and third-party system fraud)  |

\*Information security risk

The risk that important information assets would be lost as a result of threats to legitimacy and reliability (leaks, unauthorized use, operational errors, breakdowns)

#### OPERATIONAL RISK MANAGEMENT PROCEDURES

The Bank (1) compiles information on loss events and monitors such losses and also (2) conducts risk control self-assessment (RCSA) to appropriately identify, evaluate, control and monitor operational risk.

Specifically, with (1) the Bank compiles information on loss events resulting in clerical errors, system failures and other forms of risk, identifies and evaluates risks and then carries out the necessary countermeasures, and monitors the impact of such measures. The status of loss events and countermeasures are regularly reported to the Operational Risk Management Committee. Events that would have a significant impact on management are promptly reported to directors.

With (2), the Bank strives to reduce risk by having the department in charge of operations monitor loss events that occur as well as identify and evaluate inherent risks. Improvements are then made based on these evaluations. The status of risk evaluations and countermeasures are reported to the Operational Risk Management Committee.

### NAME OF METHOD USED TO CALCULATE AN AMOUNT EQUIVALENT TO OPERATIONAL RISK

The Bank uses the basic method to calculate the amount equivalent to operational risk in calculating capital ratios.

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## 8. OVERVIEW OF RISK MANAGEMENT POLICIES AND PROCEDURES FOR EXPOSURE TO INVESTMENTS IN BANKING ACCOUNTS

### OVERVIEW OF RISK MANAGEMENT POLICIES AND PROCEDURES

The Bank's exposure to investments it holds is limited to stocks, categorized as other marketable securities. Investments are classified as either policy-oriented investments or pure investments, depending on the purpose of the investment, and are managed under a suitable method with upper limits set on risk capacity based on the market risk or credit risk framework.

### IMPORTANT ACCOUNTING POLICIES

Stocks for which market value is available are valued at the average market price during the month before the fiscal year end. Stocks for which market value is not available are valued using either the cost method or the amortized cost method on the basis of a moving average.

Unrealized gains on securities are all directly incorporated into net assets.

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## 9. ITEMS RELATED TO INTEREST RATE RISK IN BANKING ACCOUNTS

### OVERVIEW OF RISK MANAGEMENT POLICIES AND PROCEDURES

The Bank has established the "Basic Guidelines on Market Risk Management" to accurately identify and monitor market risk, including interest rate risk.

In monitoring market risk, the ALM Committee, made up of management, sets position limits and loss limits for each category of operational objective. The Market Risk Management Department monitors compliance on a daily basis and reports regularly to management.

### OVERVIEW OF METHODS FOR CALCULATING INTEREST RATE RISK IN BANKING ACCOUNTS USED FOR INTERNAL MANAGEMENT

In addition to measuring 10 basis point value and value at risk (VaR), the Bank identifies the extent of the impact of interest rate fluctuations with a multi-faceted approach based on simulation analysis and stress tests assuming multiple interest rate scenarios.

The Bank measures the value at risk (VaR) of all assets, liabilities and off-balance sheet transactions that are sensitive in principle to interest rates on a daily basis using the dispersion method and covariance method.

The Bank takes core deposits into account when measuring interest rate risk. Core deposits represent the sum of current deposits, ordinary deposits, deposits at notice, deposits for taxes, and separate deposits. The core balance is the lowest amount out of the (1) minimum balance over the past five years; (2) balance of the largest annual outflow over the past five years deducted from the current balance; or (3) amount equivalent to 50% of the current balance, and the maturity is distributed equally in six-month increments over a period of 0.5 to 4.5 years.

The Bank does not take into account prepayment of loans and deposits.

# Capital Adequacy (Quantitative Disclosure Items)

## 1. ITEMS RELATED TO CONSTITUENTS OF CAPITAL

|                            |   | (¥ million)            |                        |
|----------------------------|---|------------------------|------------------------|
|                            |   | (as of March 31, 2008) | (as of March 31, 2007) |
| Basic items                | Capital   | 522,765                | 522,765                |
|                            | Surplus capital   | —                      | —                      |
|                            | Retained earnings   | 169,312                | 150,871                |
|                            | Tentative external outflow  | (3,521)                | (3,438)                |
|                            | Valuation loss on other marketable securities   | —                      | —                      |
|                            | Amount equivalent to increase in capital on securitization transactions   | —                      | —                      |
|                            | Total (A)   | 688,555                | 670,198                |
| Complementary issues       | Amount equivalent to 45% of the total book value amount deducted from the net total value of other marketable securities posted on the balance sheet                      | 1,813                  | 3,286                  |
|                            | General reserve for possible loan losses  | 61,075                 | 62,893                 |
|                            | Methods of raising debt capital, etc.   | 41,000                 | 20,000                 |
|                            | Total   | 103,888                | 86,179                 |
|                            | Included in capital (B)   | 103,888                | 86,179                 |
| Quasi-complementary issues | Short-term subordinated debt  | —                      | —                      |
|                            | Included in capital (C)   | —                      | —                      |
| Exclusions                 | Investment in the capital of other financial institutions   | —                      | —                      |
|                            | Deductions for transactions with non-simultaneous settlement, and deductions for exemptions on guarantees used as a credit risk reduction technique or credit derivatives | —                      | —                      |
|                            | Credit-enhancing I/O strips and securitization exposure deducted from capital, excluding portion deducted from basic items  | —                      | —                      |
|                            | Total (D)   | —                      | —                      |
| Capital                    | (A) + (B) + (C) – (D)   | 792,443                | 756,378                |

## 2. ITEMS RELATED TO CAPITAL ADEQUACY

### REQUIRED CAPITAL FOR CREDIT RISK

(¥ million)

#### Assets (on balance sheet)

| Items   | (Reference)<br>Risk weight specified in<br>notification (%) | Required capital       |                        |
|---|---|------------------------|------------------------|
|   |   | (as of March 31, 2008) | (as of March 31, 2007) |
| 1. Cash   | 0   | —                      | —                      |
| 2. Claims on Japanese central government and Bank of Japan        | 0   | —                      | —                      |
| 3. Claims on foreign central governments and central banks        | 0–100   | —                      | —                      |
| 4. Claims on international settlement banks                       | 0   | —                      | —                      |
| 5. Claims on Japanese local governments                           | 0   | —                      | —                      |
| 6. Claims on public sector other than foreign central governments | 20–100  | 113                    | 33                     |
| 7. Claims on international development banks                      | 0–100   | —                      | —                      |
| 8. Claims on Japan's government-affiliated institutions           | 10–20   | 177                    | 336                    |
| 9. Claims on major three local public corporations                | 20  | —                      | —                      |
| 10. Claims on financial institutions and security companies       | 20–100  | 1,854                  | 2,223                  |
| 11. Claims on corporations  | 20–100  | 585,779                | 582,828                |
| 12. Claims on SMEs and individuals                                | 75  | 56,806                 | 66,809                 |
| 13. Housing loans with mortgages                                  | 35  | —                      | —                      |
| 14. Claims on real estate acquisition businesses                  | 100   | 20,217                 | 20,602                 |
| 15. More than three months delinquent                             | 50–150  | 5,626                  | 6,657                  |

|  |        |         |         |
|--|--------|---------|---------|
| 16. Cash items in process of collection  | 20     | 0       | 0       |
| 17. Loans secured by credit guarantee association  | 10     | 1,521   | 1,786   |
| 18. Investment, etc.   | 100    | 2,006   | 2,433   |
| 19. Other than the above   | 100    | 10,638  | 9,996   |
| 20. Securitization (as originator)   | 20–100 | —       | —       |
| 21. Securitization (other than originator)   | 20–350 | 1,324   | 1,863   |
| 22. Those assets backed by multiple assets (said fund) that are difficult to break down into individual assets | —      | —       | —       |
| Total  | —      | 686,067 | 695,571 |

#### Off-balance sheet transactions

| Items   | Margin (%) | Required capital       |                        |
|---|------------|------------------------|------------------------|
|   |            | (as of March 31, 2008) | (as of March 31, 2007) |
| 1. Commitments that can be cancelled without condition at any time and commitments that can be cancelled automatically  | 0          | —                      | —                      |
| 2. Commitments with original contract periods of less than one year   | 20         | 436                    | 477                    |
| 3. Short-term trade-related contingency liabilities   | 20         | 108                    | 123                    |
| 4. Contingency liabilities for specific transactions  | 50         | 1,361                  | 1,404                  |
| 5. NIF or RUF   | 50         | —                      | —                      |
| 6. Commitments with original contract periods of more than one year   | 50         | 2,014                  | 1,443                  |
| 7. Contingency liabilities directly substituted for credit accommodation  | 100        | 4,159                  | 4,194                  |
| 8. Sales of assets with repurchase conditions, or sales of assets with right of indemnification   | —          | —                      | —                      |
| 9. Futures purchases, forward deposits, partial payment stocks, and partial payment bonds   | 100        | —                      | —                      |
| 10. Marketable securities lending, collateral provision using cash or marketable securities, or marketable security sales with repurchase conditions or purchases with re-sale conditions | 100        | —                      | —                      |
| 11. Derivatives transactions  | —          | 3,211                  | 1,812                  |
| 12. Transactions with long-term settlement period   | —          | —                      | —                      |
| 13. Open trades   | —          | —                      | —                      |
| 14. Eligible liquidity enhancement and eligible servicing entity cash advances for securitization exposure  | 0–100      | —                      | —                      |
| 15. Off-balance sheet securitization exposure other than the above  | 100        | —                      | —                      |
| Total   | —          | 11,292                 | 9,455                  |

#### REQUIRED CAPITAL FOR OPERATIONAL RISK AND, OF THESE, AMOUNTS FOR EACH TECHNIQUE USED BY THE BANK LISTED BELOW (¥ million)

|   | (as of March 31, 2008) | (as of March 31, 2007) |
|---|------------------------|------------------------|
| Capital requirements for operational risk | 22,340                 | 22,938                 |
| Basic methods                             | 22,340                 | 22,938                 |
| Gross profit allocation methods           | —                      | —                      |
| Advanced calculation methods              | —                      | —                      |

**CAPITAL RATIO, RATIO OF BASIC ITEMS, AND CAPITAL REQUIREMENTS**

(¥ million)

|   | (as of March 31, 2008) | (as of March 31, 2007) |
|---|------------------------|------------------------|
| Capital                                       | 792,443                | 756,378                |
| Basic items                                   | 688,555                | 670,198                |
| Credit risk assets                            | 8,716,992              | 8,812,837              |
| Assets (on balance sheet)                     | 8,575,841              | 8,694,649              |
| Off-balance sheet transactions                | 141,151                | 118,187                |
| Amount equivalent to operational risk less 8% | 279,257                | 286,725                |
| Total risk assets                             | 8,996,250              | 9,099,563              |
| Capital ratio                                 | 8.80%                  | 8.31%                  |
| Ratio of basic items                          | 7.65%                  | 7.36%                  |
| Capital requirements                          | 719,700                | 727,965                |

### 3. ITEMS RELATED TO CREDIT RISK (EXCLUDING SECURITIZATION EXPOSURE)

**FISCAL YEAR-END BALANCE OF CREDIT RISK EXPOSURE**

(¥ million)

Fiscal year-end balance of exposure by region, industry, and time to maturity

|   | (as of March 31, 2008) |           |                          |            |
|---|------------------------|-----------|--------------------------|------------|
|   | Loans, etc.            | Bonds     | Derivatives transactions | Total      |
| Domestic total                          | 9,348,188              | 1,375,506 | 67,983                   | 10,791,678 |
| Overseas total                          | 28,137                 | 65,304    | —                        | 93,442     |
| Total by region                         | 9,376,326              | 1,440,811 | 67,983                   | 10,885,120 |
| Manufacturing                           | 3,092,902              | 117,412   | 11,381                   | 3,221,696  |
| Agriculture, forestry and fishery       | 15,086                 | 460       | 27                       | 15,575     |
| Mining                                  | 12,069                 | —         | 4                        | 12,073     |
| Construction                            | 262,335                | 7,479     | 167                      | 269,981    |
| Wholesale                               | 1,933,588              | 62,379    | 14,098                   | 2,010,066  |
| Retail                                  | 958,152                | 29,987    | 2,873                    | 991,012    |
| Finance and insurance                   | 183,965                | 54,302    | 34,225                   | 272,493    |
| Real Estate                             | 558,252                | 4,702     | 745                      | 563,700    |
| Transport and communication             | 1,057,006              | 27,750    | 3,360                    | 1,088,117  |
| Electricity, gas, water and heat supply | 29,362                 | 1,461     | 41                       | 30,864     |
| Services                                | 1,041,903              | 22,559    | 1,058                    | 1,065,521  |
| National and local public government    | 42,621                 | 967,776   | —                        | 1,010,397  |
| Others                                  | 189,080                | 144,539   | —                        | 333,619    |
| Total by industry                       | 9,376,326              | 1,440,811 | 67,983                   | 10,885,120 |
| 1 year or less                          | 3,606,370              | 529,440   | 18,565                   | 4,154,376  |
| More than 1 year, 3 years or less       | 1,609,372              | 438,098   | 19,447                   | 2,066,918  |
| More than 3 years, 5 years or less      | 2,025,268              | 436,079   | 13,365                   | 2,474,713  |
| More than 5 years, 7 years or less      | 583,909                | 17,016    | 9,845                    | 610,771    |
| More than 7 years, 10 years or less     | 602,989                | 10,690    | 5,433                    | 619,113    |
| More than 10 years                      | 735,170                | 9,485     | 1,325                    | 745,981    |
| Without specific term                   | 213,245                | —         | —                        | 213,245    |
| Total by time to maturity               | 9,376,326              | 1,440,811 | 67,983                   | 10,885,120 |

Notes: 1. The "fiscal year-end balance" is the current exposure amount after netting (EAD after netting) of those derivatives transactions with netting contracts; the remainder is the balance before taking the credit risk reduction effect into account and before deducting individual reserves for possible loan losses.

2. Excluding securitization exposure.

3. An exposure whose source cannot be identified is posted as "domestic," "others" or "without specific term."

4. For exposure by region, exposure to foreign derivatives is netted from the total for domestic derivatives with the amount after netting posted as domestic exposure.

|   | (as of March 31, 2007) |           |                          |            |
|---|------------------------|-----------|--------------------------|------------|
|   | Loans, etc.            | Bonds     | Derivatives transactions | Total      |
| Domestic total                          | 9,542,474              | 1,408,825 | 41,127                   | 10,992,427 |
| Overseas total                          | 18,889                 | 92,941    | —                        | 111,831    |
| Total by region                         | 9,561,363              | 1,501,766 | 41,127                   | 11,104,258 |
| Manufacturing                           | 3,174,773              | 112,769   | 7,344                    | 3,294,887  |
| Agriculture, forestry and fishery       | 14,716                 | 130       | 28                       | 14,875     |
| Mining                                  | 13,436                 | —         | 3                        | 13,440     |
| Construction                            | 278,597                | 7,860     | 150                      | 286,607    |
| Wholesale                               | 2,026,669              | 56,353    | 5,919                    | 2,088,942  |
| Retail                                  | 987,164                | 28,275    | 2,160                    | 1,017,599  |
| Finance and insurance                   | 175,118                | 94,622    | 23,123                   | 292,864    |
| Real Estate                             | 536,230                | 5,420     | 281                      | 541,931    |
| Transport and communication             | 1,061,767              | 25,549    | 1,592                    | 1,088,910  |
| Electricity, gas, water and heat supply | 26,108                 | 619       | 21                       | 26,749     |
| Services                                | 1,039,036              | 22,360    | 502                      | 1,061,899  |
| National and local public government    | 40,711                 | 1,108,657 | —                        | 1,149,368  |
| Others                                  | 187,032                | 39,148    | —                        | 226,181    |
| Total by industry                       | 9,561,363              | 1,501,766 | 41,127                   | 11,104,258 |
| 1 year or less                          | 3,725,541              | 464,677   | 9,745                    | 4,199,964  |
| More than 1 year, 3 years or less       | 1,627,433              | 665,345   | 12,386                   | 2,305,165  |
| More than 3 years, 5 years or less      | 2,002,489              | 336,301   | 11,450                   | 2,350,241  |
| More than 5 years, 7 years or less      | 640,444                | 12,835    | 4,943                    | 658,223    |
| More than 7 years, 10 years or less     | 633,019                | 21,137    | 1,875                    | 656,032    |
| More than 10 years                      | 721,054                | 1,469     | 726                      | 723,249    |
| Without specific term                   | 211,380                | —         | —                        | 211,380    |
| Total by time to maturity               | 9,561,363              | 1,501,766 | 41,127                   | 11,104,258 |

Notes: 1. The "fiscal year-end balance" is the current exposure amount after netting (EAD after netting) of those derivatives transactions with netting contracts; the remainder is the balance before taking the credit risk reduction effect into account and before deducting individual reserves for possible loan losses.

2. Excluding securitization exposure.

3. An exposure whose source cannot be identified is posted as "domestic," "others" or "without specific term."

4. For exposure by region, exposure to foreign derivatives is netted from the total for domestic derivatives with the amount after netting posted as domestic exposure.

#### FISCAL YEAR-END BALANCE OF EXPOSURE TO LOANS MORE THAN THREE MONTHS DELINQUENT

(¥ million)

#### Fiscal year-end balance of exposure to delinquent loans by region and industry

|   | (as of March 31, 2008) | (as of March 31, 2007) |
|---|------------------------|------------------------|
| Domestic total                          | 174,583                | 213,911                |
| Overseas total                          | —                      | —                      |
| Total by region                         | 174,583                | 213,911                |
| Manufacturing                           | 47,316                 | 62,533                 |
| Agriculture, forestry and fishery       | 220                    | 82                     |
| Mining                                  | 856                    | 19                     |
| Construction                            | 8,792                  | 8,772                  |
| Wholesale                               | 29,090                 | 23,810                 |
| Retail                                  | 27,344                 | 31,730                 |
| Finance and insurance                   | 917                    | 271                    |
| Real Estate                             | 11,061                 | 14,850                 |
| Transport and communication             | 11,276                 | 17,296                 |
| Electricity, gas, water and heat supply | —                      | —                      |
| Services                                | 37,580                 | 54,249                 |
| National and local public government    | —                      | —                      |
| Others                                  | 127                    | 295                    |
| Total by industry                       | 174,583                | 213,911                |

Notes: 1. The "fiscal year-end balance" is the balance before taking the credit risk reduction effect into account and before deducting individual reserves for possible loan losses.

2. Excluding securitization exposure.

**FISCAL YEAR-END BALANCE AND FLUCTUATIONS DURING FISCAL PERIOD IN GENERAL RESERVE FOR POSSIBLE LOAN LOSSES, GENERAL RESERVE FOR INDIVIDUAL POSSIBLE LOAN LOSSES, AND RESERVE ACCOUNT FOR SPECIFIC FOREIGN LOANS**

(¥ million)

|   | (Fiscal 2007)            |                                   |                    |
|---|--------------------------|-----------------------------------|--------------------|
|   | Beginning of fiscal year | Fluctuations during fiscal period | End of fiscal year |
| General reserve for possible loan losses            | 62,893                   | (1,818)                           | 61,075             |
| General reserve for individual possible loan losses | 184,128                  | (23,799)                          | 160,329            |
| Reserve account for specific foreign loans          | —                        | —                                 | —                  |
| Total   | 247,021                  | (25,617)                          | 221,404            |

|   | (Fiscal 2006)            |                                   |                    |
|---|--------------------------|-----------------------------------|--------------------|
|   | Beginning of fiscal year | Fluctuations during fiscal period | End of fiscal year |
| General reserve for possible loan losses            | 63,541                   | (648)                             | 62,893             |
| General reserve for individual possible loan losses | 228,499                  | (44,370)                          | 184,128            |
| Reserve account for specific foreign loans          | —                        | —                                 | —                  |
| Total   | 292,040                  | (45,018)                          | 247,021            |

**Breakdown of Individual Reserves for Possible Loan Losses by Region and Industry**

(¥ million)

|   | (as of March 31, 2008) | (as of March 31, 2007) |
|---|------------------------|------------------------|
| Domestic total                          | 160,329                | 184,128                |
| Overseas total                          | —                      | —                      |
| Total by region                         | 160,329                | 184,128                |
| Manufacturing                           | 44,267                 | 54,169                 |
| Agriculture, forestry and fishery       | 257                    | 206                    |
| Mining                                  | 181                    | 12                     |
| Construction                            | 5,297                  | 5,822                  |
| Wholesale                               | 32,096                 | 28,262                 |
| Retail                                  | 22,948                 | 27,748                 |
| Finance and insurance                   | 4,302                  | 275                    |
| Real Estate                             | 4,852                  | 8,966                  |
| Transport and communication             | 8,789                  | 13,554                 |
| Electricity, gas, water and heat supply | 59                     | 26                     |
| Services                                | 37,204                 | 44,953                 |
| Individuals                             | 71                     | 116                    |
| Others                                  | 1                      | 12                     |
| Total by industry                       | 160,329                | 184,128                |

**LOAN WRITE-OFF AMOUNT BY INDUSTRY**

(¥ million)

|   | (Fiscal 2007) | (Fiscal 2006) |
|---|---------------|---------------|
| Manufacturing                           | 224           | 456           |
| Agriculture, forestry and fishery       | 0             | 3             |
| Mining                                  | 0             | 0             |
| Construction                            | 314           | 87            |
| Wholesale and retail                    | 333           | 288           |
| Finance and insurance                   | 0             | 0             |
| Real Estate                             | 0             | 1             |
| Transport and communication             | 9             | 5             |
| Electricity, gas, water and heat supply | 0             | 0             |
| Services                                | 415           | 62            |
| Individuals                             | 0             | 0             |
| Total by industry                       | 1,295         | 903           |

**FOR EXPOSURE ADOPTED STANDARD METHODS, BALANCE AFTER TAKING INTO ACCOUNT THE CREDIT RISK REDUCTION EFFECT FOR EACH RISK WEIGHT CATEGORY AND AMOUNTS AFTER DEDUCTING CAPITAL**

(¥ million)

**Exposure by Risk Weight Category**

| Risk weight <sup>*1</sup> | (Exposure as of March 31, 2008)    |   | (Exposure as of March 31, 2007)    |   |
|---------------------------|------------------------------------|---|------------------------------------|---|
|                           | With external rating <sup>*2</sup> | Without external rating <sup>*2,3</sup> | With external rating <sup>*2</sup> | Without external rating <sup>*2,3</sup> |
| 0%                        | 2,471                              | 1,125,804                               | —                                  | 1,150,744                               |
| 10%                       | —                                  | 229,412                                 | —                                  | 283,998                                 |
| 20%                       | 8,697                              | 161,099                                 | 9,950                              | 169,847                                 |
| 50%                       | 33,885                             | 18,435                                  | 15,604                             | 28,939                                  |
| 75%                       | —                                  | 958,532                                 | —                                  | 1,100,388                               |
| 100%                      | 13,321                             | 7,843,180                               | 268                                | 7,806,188                               |
| 150%                      | —                                  | 28,103                                  | —                                  | 32,278                                  |
| Capital exclusion         | —                                  | —                                       | —                                  | —                                       |
| Total                     | 58,375                             | 10,364,568                              | 25,823                             | 10,572,383                              |

Notes: \*1. Risk weight is categorized as the risk weight after taking the credit risk reduction effect into account.

\*2. External rating availability is categorized based on whether the original borrower has an external rating.

\*3. Exposure classified without regard to whether the original borrower has an external rating (Japanese government, Bank of Japan, local public governments, eligible international development banks, government-affiliated institutions, financial institutions, securities companies, SMEs, business real estate) is classified as "without external rating."

\*4. Excluding securitization exposure.

## 4. ITEMS RELATED TO CREDIT RISK REDUCTION METHODS

**Exposure Due to Adopting Credit Risk Reduction Methods**

(¥ million)

| Category   | Exposure due to adopting credit risk reduction methods |                        |
|--|--|------------------------|
|  | (as of March 31, 2008)                                 | (as of March 31, 2007) |
| Cash and Shoko Chukin Bank deposits (including Shoko Chukin Bank debentures) | 184,495  | 197,586                |
| Gold   | —  | —                      |
| Eligible bonds   | —  | —                      |
| Eligible shares  | 19,969   | 29,389                 |
| Eligible investment trusts, etc.   | —  | —                      |
| Total eligible financial asset collateral                                    | 204,465  | 226,975                |
| Eligible guarantees  | 347,865  | 398,976                |
| Eligible credit derivatives  | —  | —                      |
| Total eligible guarantees  | 347,865  | 398,976                |

Note: The exposure amount before taking into account the credit risk reduction method, which is equivalent to the principal benefiting from the effect of the aforementioned collateral and guarantee, is posted as "exposure due to adopting credit risk reduction methods."

## 5. ITEMS RELATED TO COUNTERPARTY RISK IN DERIVATIVES TRANSACTIONS AND LONG-TERM SETTLEMENT TRANSACTIONS

### METHODS USED IN CALCULATING CREDIT EQUIVALENT AMOUNT

The credit equivalent amount is calculated using the current exposure method.

### TOTAL GROSS REPLACEMENT COSTS

(¥ million)

|  | (as of March 31, 2008) | (as of March 31, 2007) |
|--|------------------------|------------------------|
|  | 44,226                 | 22,097                 |

### CREDIT EQUIVALENT AMOUNT BY TRANSACTION CATEGORY

(¥ million)

| Type and transaction categories  | (Credit equivalent amount as of March 31, 2008) | (Credit equivalent amount as of March 31, 2007) |
|--|---|---|
| Credit equivalent amount before taking netting and collateral into account                           | 107,858   | 70,753  |
| Foreign exchange-related transactions and gold-related transactions                                  | 47,876  | 30,493  |
| Interest rate transactions   | 59,930  | 40,259  |
| Stock transactions   | —   | —   |
| Precious metal transactions (excluding gold transactions)  | —   | —   |
| Other commodities transactions   | 50  | —   |
| Credit derivatives   | —   | —   |
| Reduction effect by netting  | (39,874)  | (29,625)  |
| Credit equivalent amount after taking netting into account and before taking collateral into account | 67,983  | 41,127  |
| Reduction effect of collateral   | —   | —   |
| Cash collateral  | —   | —   |
| Marketable securities collateral   | —   | —   |
| Credit equivalent amount taking collateral into account  | 67,983  | 41,127  |

Note: The credit equivalent amounts for foreign exchange-related transactions for which the duration of the original contract is five business days or less are excluded from the above amount.

### AMOUNT OF NOTIONAL PRINCIPLE OF THE CREDIT DERIVATIVE USED TO CALCULATE THE CREDIT EQUIVALENT AMOUNT CATEGORIZED BY TYPE OF CREDIT DERIVATIVE AND ACCORDING TO PURCHASE OR PROVISION OF PROTECTIONS

(¥ million)

|       | (as of March 31, 2008) |           | (as of March 31, 2007) |           |
|-------|------------------------|-----------|------------------------|-----------|
|       | Purchase               | Provision | Purchase               | Provision |
| Total | —                      | —         | —                      | —         |

### NOTIONAL PRINCIPAL OF CREDIT DERIVATIVES USED TO TAKE INTO ACCOUNT THE EFFECT OF CREDIT RISK REDUCTION METHODS

(¥ million)

|  | (as of March 31, 2008) | (as of March 31, 2007) |
|--|------------------------|------------------------|
|  | —                      | —                      |

## 6. ITEMS RELATED TO SECURITIZATION EXPOSURE

### ITEMS RELATED TO SECURITIZATION EXPOSURE FOR WHICH THE BANK WAS THE ORIGINATOR

No Transactions

### ITEMS RELATED TO AMOUNT OF SECURITIZATION EXPOSURE FOR WHICH THE BANK ACTED AS INVESTOR

(¥ million)

Breakdown of primary underlying assets by type

| Underlying assets   | Exposure amount        |                        |
|---------------------|------------------------|------------------------|
|                     | (as of March 31, 2008) | (as of March 31, 2007) |
| Trade receivables   | 16,555                 | 22,992                 |
| Leasing receivables | 926                    | 2,294                  |
| Loan receivables    | 207                    | 830                    |
| Total               | 17,689                 | 26,117                 |

Balance by risk weight category and required capital

| Risk weight category | (as of March 31, 2008) |                     | (as of March 31, 2007) |                     |
|----------------------|------------------------|---------------------|------------------------|---------------------|
|                      | Exposure amount        | Capital requirement | Exposure amount        | Capital requirement |
| 0–20%                | —                      | —                   | —                      | —                   |
| 20–50%               | 1,414                  | 22                  | 3,534                  | 56                  |
| 50–100%              | —                      | —                   | —                      | —                   |
| 100–350%             | 16,275                 | 1,302               | 22,582                 | 1,806               |
| 350–650%             | —                      | —                   | —                      | —                   |
| Capital exclusions   | —                      | —                   | —                      | —                   |
| Total                | 17,689                 | 1,324               | 26,117                 | 1,863               |

Amount of securitization exposure deducted from capital and breakdown of primary underlying assets by type

No Transactions

Credit risk asset amount calculated by applying Appendix Article 15 of the Notification of Capital Adequacy Ratio

No Transactions

## 7. ITEMS RELATED TO EQUITY EXPOSURE IN THE BANKING ACCOUNTS

### AMOUNTS ON THE BALANCE SHEET, MARKET VALUE AND AMOUNTS ON BALANCE SHEET INVOLVING ITEMS

(¥ million)

|  | (as of March 31, 2008)      |              | (as of March 31, 2007)      |              |
|--|-----------------------------|--------------|-----------------------------|--------------|
|  | Amount on the balance sheet | Market value | Amount on the balance sheet | Market value |
| Amount on the balance sheet for exposure to publicly traded equity and privately held equity               | 16,069                      |              | 22,986                      |              |
| Amount on the balance sheet for equity exposure not relevant to above or exposure to privately held equity | 9,014                       |              | 7,437                       |              |
| Total  | 25,084                      | 25,084       | 30,424                      | 30,424       |

### AMOUNT OF GAIN (LOSS) DUE TO SALE OR WRITE-OFF OF EQUITY EXPOSURE

(¥ million)

|                     | (Fiscal 2007) | (Fiscal 2006) |
|---------------------|---------------|---------------|
| Gain (loss) on sale | (607)         | 434           |
| Write-offs          | 379           | 307           |

### AMOUNT OF VALUATION GAIN (LOSS) RECOGNIZED ON THE BALANCE SHEET AND NOT RECOGNIZED IN THE INCOME STATEMENT

(¥ million)

|  | (as of March 31, 2008) | (as of March 31, 2007) |
|--|------------------------|------------------------|
|  | 3,758                  | 10,638                 |

### AMOUNT OF VALUATION GAIN (LOSS) NOT RECOGNIZED ON THE BALANCE SHEET OR THE INCOME STATEMENT

No Transactions

### AMOUNT INCLUDED IN SUPPLEMENTARY CAPITAL AS STIPULATED IN THE NOTIFICATION OF CAPITAL ADEQUACY RATIO, ARTICLE 6-1-1

(¥ million)

|  | (as of March 31, 2008) | (as of March 31, 2007) |
|--|------------------------|------------------------|
|  | 1,691                  | 4,787                  |

## 8. GAIN OR LOSS FROM INTEREST RATE SHOCKS OR THE INCREASE OR DECREASE IN ECONOMIC VALUE USED FOR INTERNAL MANAGEMENT PURPOSES REGARDING INTEREST RATE RISK IN THE BANKING ACCOUNTS

(¥ million)

|  | (Fiscal 2007) | (Fiscal 2006) |
|--|---------------|---------------|
| Yen interest rate risk                 | 10,626        | 14,319        |
| Interest rate risk in other currencies | 415           | 27            |
| Total                                  | 11,042        | 14,347        |

Note: VaR (one-month holding period, 99% confidence interval) is used to measure risk.

As the Bank has not adopted market risk regulations to calculate its capital ratio, interest rate risk in specific trading accounts is added to interest rate risk in banking accounts in the above table.



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