

NISHI-NIPPON CITY BANK

Annual Report 2008



THE NISHI-NIPPON CITY BANK, LTD.

Profile

The Nishi-Nippon City Bank is headquartered in Kyushu's largest city of Fukuoka, which has a population of approximately 1.4 million. The Nishi-Nippon City Bank Group, centered on the Bank, offers a wide variety of financial services, including credit guarantees and credit card operations. At the end of March 2008, the Bank had a network of 209 branches in Japan. It also maintains representative offices in Hong Kong, Seoul and Shanghai to offer powerful support to customers developing business in the East Asian region.

The Bank has drafted a new medium-term management plan: "New Stage 2008." This plan marks the first step toward a new stage for the Bank's evolution. Through the practice of relationship banking, we make top-level services available to our customers in Kyushu, and aim to become Kyushu's No. 1 bank, prospering together with our customers. In our new medium-term management plan, we are targeting sustainable growth with a priority on meeting customer needs and expanding profitability.

Consolidated Financial Highlights

The Nishi-Nippon City Bank, Ltd. and its consolidated subsidiaries Years ended March 31, 2008 and 2007

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2008	2007	2008
Total income	¥184,269	¥186,980	\$1,839,203
Total expenses	154,480	141,336	1,541,876
Income before income taxes and minority interests	29,789	45,644	297,326
Net income	14,316	25,330	142,892
	Yen		U.S. dollars
Net income per share	¥17.46	¥31.81	\$0.17

The Nishi-Nippon City Bank, Ltd. and its consolidated subsidiaries March 31, 2008 and 2007

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2008	2007	2008
Total assets	¥6,980,635	¥6,952,905	\$69,673,972
Deposits	6,168,481	6,046,748	61,567,839
Loans and bills discounted	4,911,346	4,795,703	49,020,322
Securities	1,525,026	1,514,353	15,221,347
Capital stock	85,745	85,745	855,829
Net assets * (after deduction of minority interests)	299,538	320,738	2,989,702

Notes: 1. Translation into U.S. dollars (solely for the convenience of readers outside Japan) has been made at the exchange rate of ¥100.19 to U.S.\$1.
2. In this report, Japanese yen figures are rounded down to the nearest million yen.

Contents

Message from the President ... 1
Towards a Sounder Financial Position... 4
Risk Management ... 5
Board of Directors and Corporate Auditors ... 6

Financial Section ... 7
Organization Chart ... 46
Corporate Data ... 47
International Network ... 47





Isao Kubota,
President

Providing top-level services in Kyushu, aiming to become the No. 1 bank in the region

The Nishi-Nippon City Bank launched its new medium-term management plan “New Stage 2008” in April 2008. We would like to take this opportunity to report on our earnings performance in fiscal 2007 and provide an overview of our new medium-term management plan.

Review of Operations

The Japanese economy continued to grow at a moderate pace in the first half of the reporting period. In the second half, however, the economic outlook became increasingly unclear owing to the impact on corporate earnings of volatility in the world’s financial markets in the wake of the U.S. subprime mortgage loan crisis, as well as soaring raw materials prices accompanying a surge in the price of crude oil and LNG.

In the financial sector, the business environment has changed significantly. The Financial Instruments and Exchange Law, which went into effect in September 2007, mandates adequate information disclosure and the enforcement of stricter penalties for violations of the law. In

October, the financial operations of Japan Post were privatized. In addition, new competitors entered the banking industry from other industries.

In this business environment, the Nishi-Nippon City Bank Group continued efforts to upgrade its asset portfolio and improve its earnings performance.

Turning to performance (on a consolidated basis), total income rose 1.5% year-on-year to ¥184,269 million (\$1,839 million), reflecting increases in interest on loans and discounts, and gains on the trading of bonds, principally JGBs. However, rising fund procurement costs — centered primarily on interest on deposits and higher credit costs — caused income before income taxes and minority interests to decline 34.7% to ¥29,789 million (\$297 million). Net income also declined 43.5% to ¥14,316 million (\$142 million).

Support for the regional economy

The Bank bolstered its efforts to further the development of the regional economy and to more effectively fulfill its core function as a financial institution – providing support for its customers at all stages of their lives.

The balance of loans at the end of the term stood at ¥4,677.1 billion (\$46,682 million), up ¥12.6 billion year-on-year. Loans to customers within Kyushu accounted for 93.0%, or ¥4,352.4 billion (\$43,441 million). Loans to small and medium-sized enterprises (SMEs) and individuals accounted for 83.9% of total loans.

The term-end balance of deposits (including certificates of deposit) rose ¥111.1 billion year-on-year to ¥5,917 billion (\$5,905 million), primarily centered on the deposits of individual customers. Of this total, 96.1%, with a total value of ¥5,688.7 billion, belonged to customers in Kyushu.

With regard to products and services, we have begun to undertake intermediary services for commodity derivatives to help minimize the price fluctuation risk associated with rapid changes in raw materials prices. We have also started undertaking private placements of bonds to finance environmental preservation projects, which target companies that make environmental initiatives a priority.

In addition, we are providing support to our corporate customers in the foodstuffs sector by hosting food safety seminars, at which experts are invited to answer various questions relating to food production safety and the appropriate identification of additives and ingredients on product packaging.

In the future, we will continue to work together as a group to achieve sustainable growth, adequately fulfill our role as a regional financial institution, and energize the local economy.



New medium-term management plan

Since the merger of Nishi-Nippon Bank and Fukuoka City Bank in October 2004, we have been working to realize the benefits of the merger as quickly as possible while also strengthening our financial position through the disposal of our NPLs. We have nearly achieved these goals, and building on these achievements, in October 2006 we switched to an aggressive management stance. We are making steady progress, largely thanks to extensive efforts to bolster our marketing capabilities.

Meanwhile, Japan's financial sector and economy are making some progress in the move toward normalization. However, competition in the financial sector is becoming even fiercer amid rising uncertainty regarding the future outlook of the global economy.

In our new medium-term management plan — “New Stage 2008” — we have drawn up our blueprint for the future and have devised growth strategies for execution during this critical transition period.

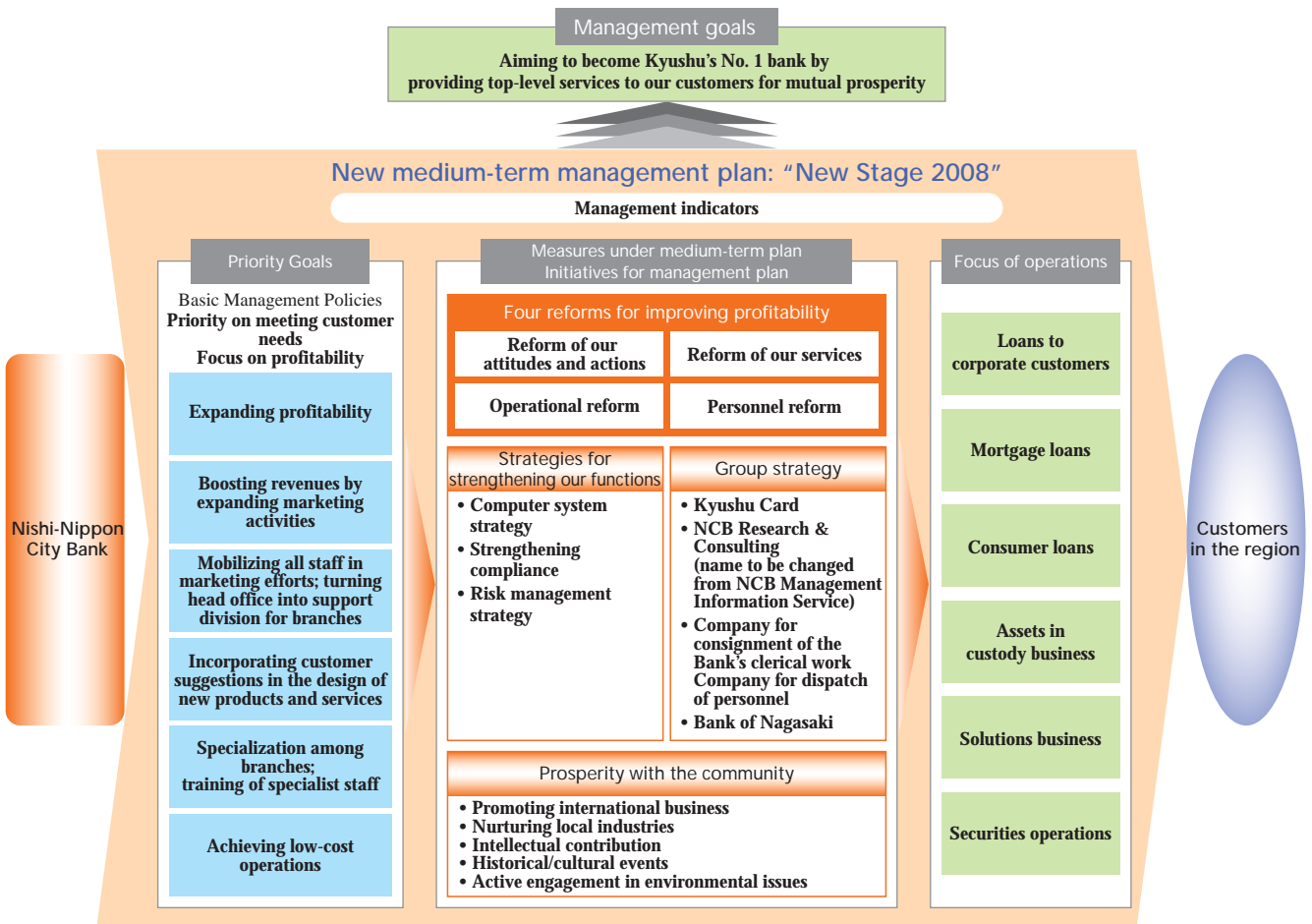
Making top-level services available to the local community

We have set management goals to provide sophisticated solutions incorporating cutting-edge financial services to bolster our system for supporting local companies in their overseas expansion of operations, and to enhance our think-tank capabilities to contribute more substantially to the development of the local economy. Moreover, we are taking part in economic revitalization activities, and are putting greater emphasis on CSR to make a more substantial social contribution to the local community. Based on the recognition that our Group's prosperity is contingent on the prosperity of the region, we aim to grow in tandem with the region, and ultimately become No. 1 in Kyushu.

Four initiatives for improving profitability

We are undertaking: 1) the reform of our attitudes and actions to raise awareness about the need to put the customer first; 2) a reform of our services, so that our services will precisely meet customer needs; 3) operational reform, through which operations are streamlined to ensure maximum contact with

Framework for “New Stage 2008”



the customer; and 4) personnel reform, to afford female staff opportunities for promotion, and to optimize the allocation of staff with specialized skills.

Strategies for strengthening our functions

To support these four reforms, we intend to strengthen our core management infrastructure. We plan to formulate a “system strategy” for building our next core computer system. We will also strengthen compliance, which we have positioned as a priority management issue, and will devise a risk management strategy to enable the Bank’s sound management and ensure a sufficient level of profit.

Further enhancement of the Group’s overall capabilities

We aim to improve the overall capabilities of the Group by further strengthening the business functions of Group companies, which engage in such fields as credit card operations, consulting and think tank services, the consignment of the Bank’s clerical work, and the dispatch of personnel.

Focus of operations

We have designated the following business fields as the priority focus of our operations: loans to corporate customers, mortgage loans to individuals, consumer loans, assets in custody, including investment trusts and personal pension insurance plans, a solutions business, and securities operations. Through these business activities, we will endeavor to raise our profile as a regional financial institution and raise the profitability of our business operations.

Strengthening our internal control system and compliance with laws and regulations

The Bank has positioned adequate corporate governance as a top management priority, and is consequently working to increase management soundness and transparency, speed up decision-making, and smooth out the implementation of operations. A review of the internal controls system was undertaken at a Board of Directors meeting held in April

2008, and steps are being taken to expand this system and enhance its effectiveness.

In addition, the Compliance Committee, as well as others, are working to create a corporate culture that places a priority on compliance with all laws and regulations, and has top management communicate its resolute stance on upholding legal compliance.

The Bank is also undertaking strict management of personal information, and has outlined a policy on the solicitation of financial products. In this way, we are working to creating a marketing system that will maintain the trust of our customers.

Toward enhanced competitiveness and profitability

With regard to forecasts for the current fiscal year, we anticipate a return to the moderate recovery track from the second half onward, despite the sluggish condition of the Japanese economy amid concerns of an economic recession in the U.S. and soaring crude oil prices.

On the other hand, the Japan Post Bank will be moving to expand its scope of operations, and thus the operating environment for regional banks is expected to become increasingly severe. Against this backdrop, the Bank will steadily implement the new medium-term management plan introduced in April 2008, and work to raise its competitiveness and profitability to meet the expectations of its shareholders and investors.

I hope that our shareholders and other stakeholders will continue to favor the Nishi-Nippon City Bank Group with their support and goodwill.



Isao Kubota,
President

Numerical targets of the Medium-Term Management Plan

Earnings	Year ended March 2008	Year ending March 2011
Gross business profit	¥121.2 billion	¥134 billion
Expenses	¥73.7 billion	¥74 billion
Core banking profit	¥47.4 billion	¥60.0 billion
Net income	¥19.3 billion	¥30.0 billion

* Non-consolidated basis

Management indicators	Year ended March 2008	Year ending March 2011
ROE (net income basis)	7.82%	approx. 9%
OHR (Core gross business profit basis)	60.36%	approx. 55%
Capital ratio (consolidated)	9.23%	approx. 9.5%
Tier I ratio (consolidated)	5.89%	approx. 6.5%

Towards a Sounder Financial Position

One of the most important management priorities in the creation of a sounder financial position is the reduction of non-performing loans (NPLs) and the improvement of our capital adequacy.

NPL ratio

The Bank took a stricter stance on bad debt write-offs and provisions to reserves to more faithfully reflect the Bank's self-assessment of assets. As of the end of March 2008, the balance of loans subject to mandatory disclosure under the Financial Reconstruction Law rose ¥6.3 billion year-on-year to ¥216.4 billion. The NPL ratio increased 3 basis points to 4.52%.

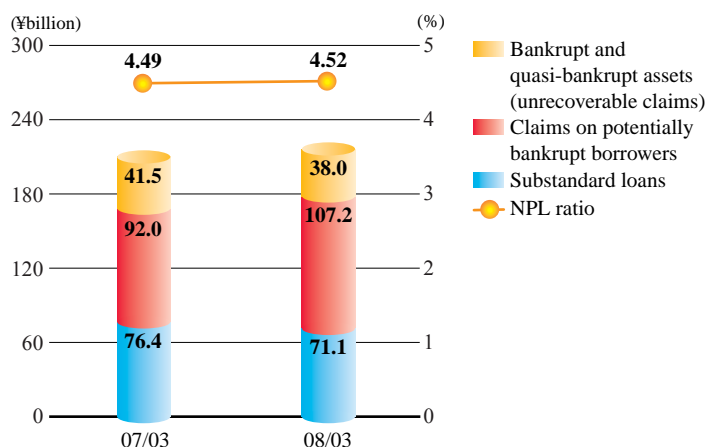
The coverage ratio for loans subject to mandatory disclosure is 80.58%, through collateral, guarantees and the reserve for possible loan losses. Coverage for bankrupt and quasi-bankrupt assets is 100%.

Capital ratio

As of March 31, 2008, our capital ratio stood at 9.23% on both a consolidated and non-consolidated basis. This figure marks a decline of 2 basis points on a non-consolidated basis, and a decrease of 7 basis points on a consolidated basis, but the level is far above the 4.0% capital adequacy requirement for banks operating solely in Japan. Under our new medium-term management plan, we are targeting the mid-9% range.

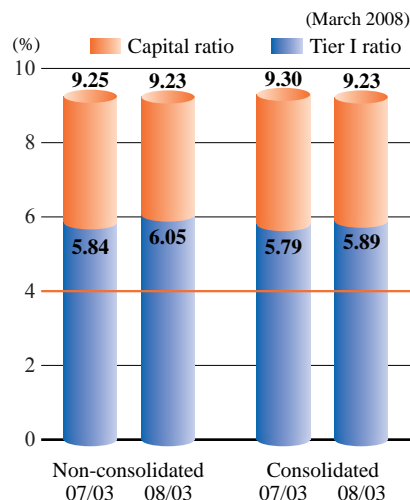
Our core Tier I ratio stood at 6.05% on a non-consolidated basis, and 5.89% on a consolidated basis, with both figures marking improvements over the previous fiscal year. From fiscal 2008 onward, we are taking steps to further improve our capital adequacy and raise our capital ratio.

Balance of NPLs and ratio of loans subject to mandatory disclosure under the Financial Reconstruction Law



*Including claims held by new subsidiaries created to undertake the disposal of bad debt

Capital ratios



Risk Management

At the Bank, we are strengthening and upgrading our risk management mechanisms to build a sounder operating base and enable the stable generation of earnings.

General Risk Management

The Management Administration Department is responsible for handling risk management across the Bank's entire operations. We classify risk inherent in financial operations into four categories: credit, market, liquidity and operational risk. We tailor our measures to each risk category, and quantifiable risk is kept within certain parameters. To ensure that an appropriate balance is struck between earnings and risk, risk is quantified using a statistical approach employing the VaR (Value at Risk) method, with allocation of economic capital to cover potential risk. Earnings are measured and valued on a risk-adjusted basis, and risks that are difficult to quantify are subject to precautionary measures to minimize their realization.

Credit Risk Management

We have positioned credit risk as the most important type of risk, and are strengthening our management based on our credit risk management policy and credit policy. We subject loans to stringent screening on a case-by-case basis. Cases that exceed a certain specified standard are screened again by specialized staff in our Credit Supervision Department. In this way, we are working to maintain the soundness of our assets. In our loan portfolio, we also try to spread risk and ensure there is no bias toward any particular industrial sector or customer, through our systems of credit risk quantification and portfolio management by sector, underpinned by our credit rating system. We make provisions for possible loan losses based on self-assessment of

assets, and write off bad debts as deemed necessary.

**In addition to the above measures, we rigorously manage market liquidity and operational risk through a system that facilitates cross-checking.*

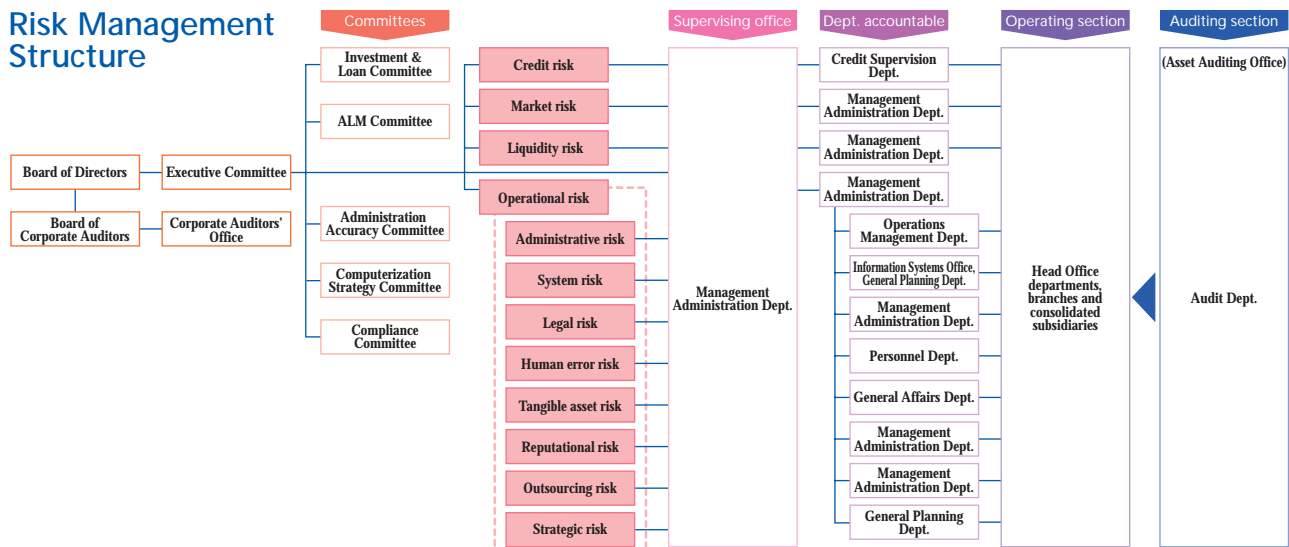
The ALM System

The ALM committee, consisting of top management members, meets monthly to decide on fund investment and procurement policy based on projections of economic trends and capital market interest rates. It also quantifies risk in areas such as deposits and loans, bonds, shares and investment trusts using the VaR (Value at Risk) method, and conducts strategic management through measures such as deciding important policy on market risk after analysis of gaps generated by the difference in contract periods for fund investment and procurement, to ascertain the relationship between risk and profit.

Internal Audit System

The Audit Department, directly under the control of management, carries out internal audits as an independent entity without involvement in banking operations. The Audit Department undertakes audits of the head office departments, branches and subsidiaries in line with our Basic Policy on Internal Audits, which is decided on for each fiscal year at a meeting of the Board of Directors. Audit findings and problems are reported directly to top management by audit department staff members. In addition, the Audit Department is authorized to give instructions for implementing remedial measures.

Risk Management Structure



Board of Directors and Corporate Auditors



Masahiro Honda
Chairman



Isao Kubota
President



Katsumi Sasaki
Deputy President

Chairman	Masahiro Honda	Directors	Sadamasa Okamura
President	Isao Kubota		Kiyota Takata
Deputy President	Katsumi Sasaki		Soichi Kawamoto
Executive Directors	Hirofumi Fujimoto		Mitsuru Kawatani
	Kazushige Higuchi	Corporate Auditors	Yasuyuki Ishida
Managing Directors	Seiji Isoyama		Hiroaki Okui
	Tomoyuki Fujita		Akira Matsushita
	Tuyoshi Ohba		Ryoichi Ozawa
	Akira Mitsutomi		Masahiro Sakata
	Shigeru Urayama		Hiroki Ogawa
			Susumu Ishihara

(as of June 30, 2008)

Financial Section

Contents

Consolidated Balance Sheets ...	8
Consolidated Statements of Income...	9
Consolidated Statement of Changes in Net Assets...	10
Consolidated Statements of Cash Flows ...	13
Notes to Consolidated Financial Statements ...	15
Non-Consolidated Balance Sheets ...	39
Non-Consolidated Statements of Income ...	40
Non-Consolidated Statement of Changes in Net Assets ...	41
Notes to Non-Consolidated Financial Statements ...	44
Report of Independent Auditors ...	45

Consolidated Balance Sheets

The Nishi-Nippon City Bank, Ltd. and Subsidiaries 31st March, 2008 and 2007

	Millions of yen		Thousands of U.S. dollars(Note 1)
	2008	2007	2008
Assets:			
Cash and due from banks (Notes 7 and 34)	¥217,719	¥288,195	\$2,173,061
Call loans and bills bought	6,184	4,250	61,723
Commercial paper and other debt purchased	35,613	37,817	355,461
Trading account assets (Notes 4 and 27)	4,115	1,252	41,073
Money held in trust (Note 27)	7,872	19,725	78,577
Securities (Notes 5, 7 and 27)	1,525,026	1,514,353	15,221,347
Loans and bills discounted (Notes 6 and 8)	4,911,346	4,795,703	49,020,322
Foreign exchange assets (Note 9)	1,262	1,292	12,603
Other assets (Note 10)	40,800	37,024	407,231
Tangible fixed assets (Notes 11 and 18)	122,228	122,141	1,219,968
Intangible fixed assets	4,077	4,688	40,693
Deferred tax assets (Note 31)	69,323	66,453	691,916
Customers' liabilities for acceptances and guarantees	110,734	134,492	1,105,244
Reserve for possible loan losses (Note 6)	(75,025)	(73,803)	(748,836)
Reserve for devaluation of securities	(642)	(680)	(6,416)
Total assets	¥6,980,635	¥6,952,905	\$69,673,972
Liabilities and net assets:			
Liabilities:			
Deposits (Notes 7 and 12)	¥6,168,481	¥6,046,748	\$61,567,839
Call money and bills sold (Note 7)	101,960	34,391	1,017,676
Guarantee deposits received under securities lending transactions (Note 7)	76,586	185,367	764,407
Borrowed money (Notes 7 and 14)	37,825	52,734	377,535
Foreign exchange liabilities (Note 9)	117	87	1,176
Bonds (Note 13)	97,000	97,000	968,160
Other liabilities (Note 15)	51,222	43,832	511,256
Reserve for employee retirement benefits (Note 30)	12,165	13,251	121,423
Reserve for retirement benefits for directors and corporate auditors	962	1,034	9,602
Reserve for reimbursement of deposits (Note 3)	793	—	7,920
Reserve for other contingent losses	419	—	4,185
Deferred tax liabilities on revaluation of premises (Note 18)	22,826	23,226	227,833
Acceptances and guarantees	110,734	134,492	1,105,244
Total liabilities	6,681,096	6,632,166	66,684,263
Net assets:			
Capital stock (Note 16)	85,745	85,745	855,829
Capital surplus	90,301	90,301	901,299
Earned surplus	71,033	59,733	708,986
Treasury stock (Note 17)	(597)	(540)	(5,964)
Total shareholders' equity	246,482	235,239	2,460,151
Net unrealized (losses) gains on securities available for sale, net of taxes (Note 27)	(986)	25,926	(9,843)
Net deferred losses on hedging instruments, net of taxes	(2)	(43)	(20)
Revaluation of premises, net of taxes (Note 18)	28,428	29,018	283,750
Cumulative translation adjustments	0	(0)	(2)
Total valuation and translation adjustments	27,440	54,901	273,883
Minority interests	25,615	30,597	255,674
Total net assets	299,538	320,738	2,989,709
Total liabilities and net assets	¥6,980,635	¥6,952,905	\$69,673,972

See accompanying Notes to Consolidated Financial Statements.

Consolidated Statements of Income

The Nishi-Nippon City Bank, Ltd. and Subsidiaries Years ended 31st March, 2008 and 2007

	Millions of yen		Thousands of U.S. dollars(Note 1)
	2008	2007	2008
Income:			
Interest and dividend income:			
Interest on loans and discounts	¥118,193	¥115,001	\$1,179,690
Interest and dividends on securities	22,577	23,310	225,351
Other interest income (Note 19)	1,470	947	14,672
Fees and commissions	30,761	32,759	307,027
Trading income	118	214	1,178
Other operating income (Note 20)	3,167	1,510	31,610
Other income (Note 21)	7,982	13,236	79,673
Total income	184,269	186,980	1,839,203
Expenses:			
Interest expenses:			
Interest on deposits	17,983	7,205	179,495
Interest on call money and bills sold	1,509	1,866	15,069
Interest on borrowings	439	513	4,383
Other interest expenses (Note 22)	6,496	7,216	64,841
Fees and commissions	9,876	10,125	98,579
Other operating expenses (Note 23)	2,881	2,051	28,755
General and administrative expenses (Note 24)	83,609	84,963	834,513
Other expenses (Note 25)	31,683	27,394	316,237
Total expenses	154,480	141,336	1,541,876
Income before income taxes and minority interests	29,789	45,644	297,326
Income taxes (Note 31)			
Current	334	626	3,333
Deferred	14,449	18,189	144,225
	14,783	18,816	147,559
Minority interests in net income	688	1,497	6,874
Net income (Note 35)	¥14,316	¥25,330	\$142,892

See accompanying Notes to Consolidated Financial Statements.

Consolidated Statement of Changes in Net Assets

The Nishi-Nippon City Bank, Ltd. and Subsidiaries Year ended 31st March, 2008

	Millions of yen				
	2008				
	Shareholders' equity				Total shareholders' equity
Capital stock (Note 16)	Capital surplus	Earned surplus	Treasury stock (Note 17)		
Balance as of 31st March, 2007	¥85,745	¥90,301	¥59,733	(¥540)	¥235,239
Changes during the year					
Cash dividends paid (Note 36)	—	—	(3,602)	—	(3,602)
Net income	—	—	14,316	—	14,316
Acquisition of treasury stock	—	—	—	(69)	(69)
Sale of treasury stock	—	—	(3)	13	9
Reversal of revaluation of premises	—	—	589	—	589
Net changes in items other than shareholders' equity	—	—	—	—	—
Total changes during the year	—	—	11,300	(56)	11,243
Balance as of 31st March, 2008	¥85,745	¥90,301	¥71,033	(¥597)	¥246,482

	Millions of yen						
	2008						
	Valuation and translation adjustments					Minority interests	Total net assets
Net unrealized gains (losses) on securities available for sale, net of taxes	Net deferred losses on hedging instruments, net of taxes	Revaluation of premises, net of taxes	Cumulative translation adjustments	Total valuation and translation adjustments			
Balance as of 31st March, 2007	¥25,926	(¥43)	¥29,018	(¥0)	¥54,901	¥30,597	¥320,738
Changes during the year							
Cash dividends paid	—	—	—	—	—	—	(3,602)
Net income	—	—	—	—	—	—	14,316
Acquisition of treasury stock	—	—	—	—	—	—	(69)
Sale of treasury stock	—	—	—	—	—	—	9
Reversal of revaluation of premises	—	—	—	—	—	—	589
Net changes in items other than shareholders' equity	(26,913)	41	(589)	(0)	(27,461)	(4,981)	(32,442)
Total changes during the year	(26,913)	41	(589)	(0)	(27,461)	(4,981)	(21,199)
Balance as of 31st March, 2008	(¥986)	(¥2)	¥28,428	(¥0)	¥27,440	¥25,615	¥299,538

See accompanying Notes to Consolidated Financial Statements.

	Thousands of U.S. dollars (Note 1)				
	2008				
	Shareholders' equity				
	Capital stock (Note 16)	Capital surplus	Earned surplus	Treasury stock (Note 17)	Total shareholders' equity
Balance as of 31st March, 2007	\$855,829	\$901,299	\$596,200	(\$5,398)	\$2,347,930
Changes during the year					
Cash dividends paid (Note 36)	—	—	(35,957)	—	(35,957)
Net income	—	—	142,892	—	142,892
Acquisition of treasury stock	—	—	—	(696)	(696)
Sale of treasury stock	—	—	(35)	130	94
Reversal of revaluation of premises	—	—	5,886	—	5,886
Net changes in items other than shareholders' equity	—	—	—	—	—
Total changes during the year	—	—	112,786	(565)	112,220
Balance as of 31st March, 2008	\$855,829	\$901,299	\$708,986	(\$5,964)	\$2,460,151

	Thousands of U.S. dollars (Note 1)						
	2008						
	Valuation and translation adjustments						
	Net unrealized gains (losses) on securities available for sale, net of taxes	Net deferred losses on hedging instruments, net of taxes	Revaluation of premises, net of taxes	Cumulative translation adjustments	Total valuation and translation adjustments	Minority interests	Total net assets
Balance as of 31st March, 2007	\$258,777	(\$435)	\$289,637	(\$0)	\$547,978	\$305,392	\$3,201,302
Changes during the year							
Cash dividends paid	—	—	—	—	—	—	(35,957)
Net income	—	—	—	—	—	—	142,892
Acquisition of treasury stock	—	—	—	—	—	—	(696)
Sale of treasury stock	—	—	—	—	—	—	94
Reversal of revaluation of premises	—	—	—	—	—	—	5,886
Net changes in items other than shareholders' equity	(268,620)	414	(5,886)	(1)	(274,094)	(49,718)	(323,813)
Total changes during the year	(268,620)	414	(5,886)	(1)	(274,094)	(49,718)	(211,593)
Balance as of 31st March, 2008	(\$9,843)	(\$20)	\$283,750	(\$2)	\$273,883	\$255,674	\$2,989,709

See accompanying Notes to Consolidated Financial Statements.

	Millions of yen				
	2007				
	Shareholders' equity				
	Capital stock (Note 16)	Capital surplus	Earned surplus	Treasury stock (Note 17)	Total shareholders' equity
Balance as of 31st March, 2006	¥63,517	¥103,733	¥41,073	(¥425)	¥207,900
Changes during the year					
Conversion of bonds with stock subscription rights	22,227	22,172	—	—	44,400
Cash dividends paid (Note 36)	—	—	(3,666)	—	(3,666)
Net income	—	—	25,330	—	25,330
Changes in investments in equity of subsidiaries	—	—	(222)	—	(222)
Acquisition of treasury stock	—	—	—	(41,285)	(41,285)
Sale of treasury stock	—	0	—	7	7
Retirement of treasury stock	—	(35,605)	(5,557)	41,162	—
Reversal of revaluation of premises	—	—	2,775	—	2,775
Net changes in items other than shareholders' equity	—	—	—	—	—
Total changes during the year	22,227	(13,432)	18,659	(115)	27,339
Balance as of 31st March, 2007	¥85,745	¥90,301	¥59,733	(¥540)	¥235,239

	Millions of yen						
	2007						
	Valuation and translation adjustments						
	Net unrealized gains on securities available for sale, net of taxes	Net deferred losses on hedging instruments, net of taxes	Revaluation of premises, net of taxes	Cumulative translation adjustments	Total valuation and translation adjustments	Minority interests	Total net assets
Balance as of 31st March, 2006	¥22,602	—	¥31,794	(0)	¥54,396	¥39,466	¥301,763
Changes during the year							
Conversion of bonds with stock subscription rights	—	—	—	—	—	—	44,400
Cash dividends paid	—	—	—	—	—	—	(3,666)
Net income	—	—	—	—	—	—	25,330
Changes in investments in equity of subsidiaries	—	—	—	—	—	—	(222)
Acquisition of treasury stock	—	—	—	—	—	—	(41,285)
Sale of treasury stock	—	—	—	—	—	—	7
Retirement of treasury stock	—	—	—	—	—	—	—
Reversal of revaluation of premises	—	—	—	—	—	—	2,775
Net changes in items other than shareholders' equity	3,324	(43)	(2,775)	0	505	(8,869)	(8,363)
Total changes during the year	3,324	(43)	(2,775)	0	505	(8,869)	18,975
Balance as of 31st March, 2007	¥25,926	(¥43)	¥29,018	(¥0)	¥54,901	¥30,597	¥320,738

See accompanying Notes to Consolidated Financial Statements.

Consolidated Statements of Cash Flows

The Nishi-Nippon City Bank, Ltd. and Subsidiaries Years ended 31st March, 2008 and 2007

	Millions of yen		Thousands of
	2008	2007	U.S. dollars(Note 1)
I. Cash flows from operating activities:			2008
Income before income taxes and minority interests	¥29,789	¥45,644	\$297,326
Adjustments to reconcile income before income taxes and minority interests to net cash provided by operating activities:			
Depreciation	5,376	5,092	53,660
Losses on impairment of fixed assets	2,938	5,742	29,330
Amortization of goodwill	359	295	3,584
Equity in (earnings) losses of nonconsolidated subsidiaries and affiliate	(44)	0	(448)
Increase (decrease) in reserve for possible loan losses	1,222	(16,893)	12,198
(Decrease) increase in reserve for devaluation of securities	(9)	65	(96)
Decrease in reserve for employee retirement benefits	(1,085)	(1,737)	(10,839)
(Decrease) increase in reserve for retirement benefits for directors and corporate auditors	(72)	962	(725)
Increase in reserve for reimbursement of deposits	793	—	7,920
Increase in reserve for other contingent losses	419	—	4,185
Income from lending activities	(142,241)	(139,259)	(1,419,715)
Funding costs	26,429	16,801	263,790
Losses on securities	1,265	762	12,630
Losses on money held in trust	572	385	5,712
Net foreign exchange gains	(841)	(509)	(8,395)
Losses on sale of tangible fixed assets	1,010	1,271	10,087
Net (increase) decrease in trading account assets	(2,862)	201	(28,568)
Net increase in loans and bills discounted	(115,672)	(26,995)	(1,154,535)
Net increase in deposits	152,242	10,847	1,519,541
Net (decrease) increase in certificates of deposit	(29,806)	87,102	(297,495)
Net (decrease) increase in borrowed money, exclusive of subordinated borrowings	(9,909)	25,503	(98,905)
Net decrease in due from banks, exclusive of central bank	3,500	15,358	34,936
Net (increase) decrease in call loans	(211)	677	(2,112)
Net increase (decrease) in call money	72,710	(95,257)	725,729
Net (decrease) increase in guarantee deposits received under securities lending transactions	(102,335)	37,514	(1,021,412)
Net (increase) decrease in foreign exchange assets	(87)	291	(873)
Net increase (decrease) in foreign exchange liabilities	31	(68)	319
Interest and dividends received	144,054	137,818	1,437,816
Interest paid	(21,888)	(14,881)	(218,471)
Others	2,766	(987)	27,610
Subtotal	18,413	95,749	183,783
Income taxes paid	(590)	(650)	(5,890)
Net cash provided by operating activities	17,823	95,098	177,893

	Millions of yen		Thousands of U.S. dollars(Note 1)
	2008	2007	2008
II. Cash flows from investing activities:			
Payments for purchase of securities	(540,047)	(346,883)	(5,390,235)
Proceeds from sale of securities	205,166	141,630	2,047,777
Proceeds from redemption of securities	261,612	140,927	2,611,161
Payments for purchase of money held in trust	(1,274)	(4,000)	(12,720)
Proceeds from sale of money held in trust	12,555	3,888	125,312
Payments for purchase of tangible fixed assets	(6,449)	(5,594)	(64,374)
Proceeds from sale of tangible fixed assets	1,190	1,863	11,879
Payments for purchase of intangible fixed assets	(1,029)	—	(10,273)
Payments for purchase of stock of subsidiaries	—	(4)	—
Proceeds from sale of stock of subsidiaries	—	45	—
Proceeds from sale of stock of subsidiaries (affecting the scope of consolidation)	—	367	—
Net cash used in investing activities	(68,276)	(67,760)	(681,474)
III. Cash flows from financing activities			
Increase in subordinated borrowed money	—	3,000	—
Repayments of subordinated borrowed money	(5,000)	(4,000)	(49,905)
Issuance of subordinated bonds and bonds with stock subscription rights	—	25,000	—
Redemption of subordinated bonds and bonds with stock subscription rights	—	(7,300)	—
Proceeds from issuance of stock to minority shareholders	4,003	1	39,956
Payments for acquisition of stock from minority shareholders	(7,199)	(10,764)	(71,863)
Issuance of preferred capital certificates	17,000	—	169,677
Redemption of preferred stock	(20,800)	—	(207,605)
Dividends paid	(3,602)	(3,666)	(35,960)
Dividends paid to minority shareholders	(837)	(853)	(8,357)
Payments for acquisition of treasury stock	(69)	(41,285)	(696)
Proceeds from sale of treasury stock	9	7	94
Proceeds from sale of treasury stock by consolidated subsidiary	—	54	—
Net cash used in financing activities	(16,497)	(39,806)	(164,659)
IV. Effects of changes in exchange rates on cash and cash equivalents	(24)	2	(243)
V. Net decrease in cash and cash equivalents	(66,975)	(12,466)	(668,485)
VI. Cash and cash equivalents at beginning of year	234,630	247,096	2,341,852
VII. Cash and cash equivalents at end of year (Note 34)	¥167,654	¥234,630	\$1,673,367

See accompanying Notes to Consolidated Financial Statements.

1. Basis of Presentation of Consolidated Financial Statements The accompanying consolidated financial statements of The Nishi-Nippon City Bank, Ltd. (the "Bank"), formerly The Nishi-Nippon Bank, Ltd., and its consolidated subsidiaries have been prepared in conformity with accounting principles generally accepted in Japan, which are different in certain respects as to the application and disclosure requirements of International Financial Reporting Standards, and are compiled from the consolidated financial statements prepared by the Bank as required by the Securities and Exchange Law and the Financial Instruments and Exchange Law of Japan.

In addition, the notes to the consolidated financial statements include information which is not required under accounting principles generally accepted in Japan but is presented herein as additional information.

Solely for the convenience of readers outside Japan, certain items in the original financial statements have been reclassified for presentation.

As permitted by the Securities and Exchange Law and the Financial Instruments and Exchange Law, amounts of less than one million yen have been omitted by the Bank.

Consequently, the totals shown in the accompanying consolidated financial statements (both in yen and U.S. dollars) do not necessarily agree with the sum of the individual amounts.

The amounts in U.S. dollars are included solely for the convenience of readers outside Japan. A rate of ¥100.19= U.S.\$ 1.00, the exchange rate on 31st March, 2008, has been used in translation.

2. Summary of Significant Accounting Policies

(a) Scope of Consolidation

The consolidated financial statements include the accounts of the Bank and its consolidated subsidiaries.

The number of consolidated and non-consolidated subsidiaries for the years ended 31st March, 2008 and 2007 is as follows:

	2008	2007
i) Number of consolidated subsidiaries:	11	11
ii) Number of non-consolidated subsidiaries:	1	1

i) Nishi-Nippon City Preferred Capital (Cayman) Limited was newly established and included in consolidation in 2008.

Nishi-Nippon Preferred Capital (Cayman) Limited was liquidated and excluded from consolidation in 2008.

ii) The Nishi-Nippon Challenge 1, Limited Partnership was excluded from consolidation due to its insignificance in 2007 and 2008.

(b) Application of Equity Method

The number of non-consolidated subsidiaries and affiliates, which are accounted for by the equity method, for the years ended 31st March, 2008 and 2007 is as follows:

	2008	2007
i) Number of non-consolidated subsidiaries accounted for by the equity method:	0	0
ii) Number of affiliates accounted for by the equity method:	1	1
iii) Number of non-consolidated subsidiaries not accounted for by the equity method:	1	1
iv) Number of affiliates not accounted for by the equity method:	0	0



(c) *Trading Account Assets and Liabilities*

Transactions that seek gains on short-term fluctuations and arbitrage in interest rates, currency prices, market prices of securities and related indices (trading transactions) are recognized on a trade date basis. They are recorded as trading assets or trading liabilities on the consolidated balance sheets and gains or losses on these transactions are recorded in trading income or trading expenses on the consolidated statements of income.

The Bank values securities, monetary claims, etc. held for trading purpose at the market price prevailing at the balance sheet date. Derivatives, such as futures and option transactions, are stated at the amount assuming that they were terminated or settled at the balance sheet date.

Trading income and expenses include interest income or expenses as well as changes in unrealized gains or losses on securities, monetary claims and derivative financial products during the fiscal year.

(d) *Securities*

Securities classified as held-to-maturity are carried at amortized cost using the straight-line method with cost determined by the moving average method. Investments in non-consolidated subsidiaries not accounted for by the equity method are valued at cost determined by the moving average method. Securities available-for-sale with market value are carried at market value with cost of sales determined by the moving average method and those with no market value are valued at cost determined by the moving average method or at amortized cost.

The difference between the acquisition cost and the carrying amount of securities available for sale, representing unrealized gains and losses, is recognized as unrealized gains (losses) on securities available for sale, net of taxes, and included directly in net assets.

Securities held as components of individually managed money trusts whose principal objective is investments in securities are stated at market value.

(e) *Derivatives*

Derivatives held or written are stated at market value.

(f) *Tangible fixed assets*

The Bank uses the declining-balance method for depreciation of tangible fixed assets other than buildings acquired on and after 1st April, 1998 which are depreciated by the straight-line method. The useful lives for buildings and equipment are as follows:

Buildings:	3 to 60 years
Equipment:	2 to 20 years

Tangible fixed assets of consolidated subsidiaries are depreciated mainly using the declining-balance method.

(g) *Intangible Fixed Assets*

Intangible fixed assets are amortized using the straight-line method. Software for internal use is amortized, based on the estimated useful life determined by the Bank and its consolidated subsidiaries (generally 5 years).

(h) *Stock Issuance Costs*

Stock issuance costs are recognized as expenses when incurred.

(i) *Bond Issuance Costs*

Bond issuance costs are recognized as expenses when incurred.

(j) *Reserve for Possible Loan Losses*

For loans to insolvent customers who are undergoing bankruptcy or special liquidation, etc. (hereinafter, “borrowers under bankruptcy proceedings”) or who are in a similar financial condition although not yet in bankruptcy (hereinafter, “borrowers substantially in bankruptcy”), the reserve for possible loan losses is provided at the full amount of the book value of such loans after deducting the amount of direct write-offs (as defined below), and excluding the amounts deemed collectible from sale of the collateral pledged and the guarantees that are deemed recoverable.

For the unsecured and unguaranteed portion of loans to customers not presently in the above circumstances, but with a high probability of becoming so (hereinafter “customers with high probability of becoming insolvent”), the reserve for possible loan losses is provided at the amounts deemed necessary after deduction of the estimated realizable value of collateral and guarantees based on the customer's overall financial condition.

For other loans, the reserve for possible loan losses is provided at an amount based on the anticipated loss rates calculated from the actual losses for a certain period.

Regarding each loan, the Credit Review Office, which is independent of the operating divisions, reviews the operating divisions' evaluation of each loan for collectibility based on self-assessment standards. The provision for possible loan losses is based on the results of these reviews.

For loans to borrowers under bankruptcy proceedings and borrowers substantially in bankruptcy that are secured by collateral and guarantees, the unrecoverable portion of such loans is determined by subtracting the estimated recoverable amounts from the disposal of the collateral and the amounts deemed recoverable from the guarantors. The unrecoverable amount is written off directly against the value of the loan (“direct write-off”). The amounts of such direct write-offs at 31st March, 2008 and 2007 were ¥36,579 million (\$365,105 thousand), and ¥67,362 million, respectively.

For loans to borrowers with a rescheduled or restructuring plan, which exceed a certain amount, the discounted cash flow (DCF) method is applied to provide for doubtful accounts, if cash flows from collection of principal and receipts of interest can be reasonably estimated. Under the DCF method a reserve for possible loan losses is provided at the difference between the cash flows discounted by the original interest rate and the carrying value of the loan.

Consolidated subsidiaries record a general reserve for possible loan losses by applying the historical loan-loss ratio observed over specific periods, and record a specific reserve for certain loans at the estimated uncollectible amount based on assessment of each borrower's ability to repay.

(k) *Reserve for Devaluation of Securities*

In order to provide for a loss on investments, the Bank estimates the amount deemed necessary based on a review of financial position, etc. of the companies issuing securities or golf club membership.

(l) *Reserve for Employee Retirement Benefits*

Reserve for employee retirement benefits is provided based on the projected retirement benefit obligation and the pension plan assets at the balance sheet date.

Actuarial gain/loss incurred in each fiscal year is amortized from the following fiscal year using the straight-line method mainly over a period of 10 years, which is within the average remaining years of service of the current employees.

The prior service cost is amortized using the straight-line method over a period of 3 years.

(m) *Reserve for Retirement Benefits for Directors and Corporate Auditors*

Reserve for retirement benefits for directors and corporate auditors is provided at the amount that would be paid in accordance with the internally established rule at the balance sheet date if they were retired on that date.

(n) *Reserve for Reimbursement of Deposits*

Reserve for reimbursement of deposits is provided for possible losses on the future claims for withdrawal of the deposits on which gain was recognized as a result of derecognition thereof at an amount deemed necessary based on the historical reimbursement experiences.



(o) *Reserve for Other Contingent Losses*

In line with the introduction of the shared responsibility system for new financing with the Credit Guarantee Corporation effective 1st October, 2007, reserve for possible losses on loans guaranteed by the Credit Guarantee Corporation is provided at an amount deemed necessary based on the estimates of the future possible payments by the Bank.

(p) *Foreign Currency Translation*

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

(q) *Accounting for Leases*

Finance leases of the Bank and its domestic consolidated subsidiaries under which the ownership of the property is not transferred to the lessee are accounted for under the accounting principles applicable to operating leases.

(r) *Hedge Accounting*

① Hedge accounting for interest rate risk

The Bank applies the deferred hedge method as hedge accounting for the interest rate risk of various financial assets and liabilities. The effectiveness of a hedge is assessed by grouping hedged deposits, loans and similar instruments as well as hedging instruments into certain time buckets and thus identifying them in accordance with "Accounting and Auditing Treatment for Application of Accounting Standard for Financial Instruments in Banking Industry" (Japanese Institute of Certified Public Accountants ("JICPA ") Industry Audit Committee Report No.24).

② Hedge accounting for foreign exchange rate risk

The Bank applies the deferred method as hedge accounting for foreign exchange risks of various foreign currency-denominated financial assets and liabilities in accordance with "Accounting and Auditing Treatment for Accounting for Foreign Currency Transactions" (JICPA Industry Audit Committee Report No. 25).

The Bank treats foreign exchange swap transactions as hedging instruments for the purpose of the hedge of foreign currency denominated financial assets and liabilities, and the Bank tests hedge effectiveness by matching the foreign currency swap position as hedging instruments with the related foreign currency-denominated financial assets and liabilities as hedged items.

③ Internal contract

For internal contracts, the Bank manages the foreign currency swaps that are designated as hedging instruments in accordance with the strict criteria for external transactions stipulated in the JICPA Industry Audit Committee Report No. 25. Therefore, the Bank either recognizes gains or losses that arise from such currency swaps as earnings or defers them, rather than eliminating them.

Special treatments for interest rate swaps are applied to certain assets and liabilities.

One consolidated subsidiary applies special treatments for interest rate swaps to certain liabilities. The others do not apply hedge accounting.

(s) *Valuation of Assets and Liabilities of Consolidated Subsidiaries*

All the assets and liabilities of entities acquired are valued at their fair value at the time of acquisition.

(t) *Amortization of Goodwill*

Goodwill is amortized using the straight-line method over five years.

(u) *Per Share Information*

Net income per share is computed based on the weighted average number of shares of common stock outstanding during each year.

(v) *Cash and Cash Equivalents in the Consolidated Statements of Cash Flows*

Cash and Cash Equivalents in the consolidated statements of cash flows are composed of cash and due from central bank.

3. Changes in Accounting Policies

(a) *New Accounting Standards for Financial Instruments*

The provisions regarding the definition of securities stipulated in "Accounting Standards for Financial Instruments" (Business Accounting Standard No. 10) and "Practical Guidelines for Accounting for Financial Instruments" (JICPA Accounting Practice Committee Report No. 14) were partially revised on 15th June and 4th July, 2007, respectively, which became effective for the years ending on or after the implementation date of the Financial Instruments and Exchange Law. Accordingly, the Bank has adopted the revised standards and guidelines effective the year ended 31st March, 2008.

(b) *Practical Guidelines for Tax-effect Accounting in Consolidated Financial Statements*

Effective the year ended 31st March, 2008, the Bank has applied Article 30-2 of "Practical Guidelines for Tax-effect Accounting in Consolidated Financial Statements" (JICPA Accounting Practice Committee Report No.6, 29th March, 2007) to sale of investments (such as shares of subsidiaries) within the Bank and its affiliates. The effect of this change on the consolidated balance sheet is immaterial.

(c) *Reserve for Reimbursement of Deposits*

Until the year ended 31st March, 2007, expenses were recognized when reimbursement of deposits which had been derecognized from liabilities as the statute of limitations runs out was claimed in later years. In accordance with "Auditing Treatment for Reserve under Special Taxation Measures Law, Reserve under Special Laws, and Reserve for Retirement Benefits for Directors and Corporate Auditors" (JICPA Auditing and Assurance Committee Report No. 42, 13rd April, 2007), effective the year ended 31st March, 2008, reserve for reimbursement of deposits is provided at the amount estimated based on the historical experiences of such reimbursement.

The effect of this change is to decrease income before income taxes and minority interests by ¥793 million (\$7,920 thousand).

(d) *Accounting Standard for Presentation of Net Assets in the Balance Sheet*

"Accounting Standard for Presentation of Net Assets in the Balance Sheet" (Business Accounting Standard No.5, 9th December, 2005) and "Guidance on Application of Accounting Standard for Presentation of Net Asset in the Balance Sheet" (Guidance on Application of Business Accounting Standard No.8, 9th December, 2005) were adopted as the new accounting standards and guidance took effect for the year ended 31st March, 2007. The amount corresponding to former "Shareholders' equity" as of the end of the year ended 31st March, 2007 was ¥290,184 million. Net assets in the balance sheet at 31st March, 2007 were presented in accordance with the revised Financial Statements Regulations and Banking Law Enforcement Regulations.

(e) *Reserve for Retirement Benefits for Directors and Corporate Auditors*

Until the year ended 31st March, 2006, lump-sum payments for retirement of directors and corporate auditors are charged to income when paid. In accordance with "Accounting Standard for Bonus for Directors and Corporate Auditors" (Business Accounting Standard No.4, 29th November, 2006) which requires such bonus be recorded on an accrual basis and "Auditing Treatment for Reserve under Special Tax Laws and Other Laws as well as Reserve for Retirement Benefits for Directors and Corporate Auditors" (Auditing and Assurance Committee Report No. 42, 13rd April, 2007), effective the year ended 31st March, 2007, bonus for directors and corporate auditors is provided at the amount which would be paid in accordance with the internally established rule if they retired at the balance sheet date.

As a result, the Bank and its subsidiaries recorded the last year portion of ¥151 million as general and administrative expenses and recorded the cumulative effect of ¥803 million until the transition date as other expenses. The effect of this change for the year ended 31st March, 2007 was to decrease income before income taxes and minority interests by ¥954 million.

(f) *Guarantees for privately placed corporate bonds*

Effective the year ended 31st March, 2007, guarantees for privately placed corporate bonds the Bank and its consolidated subsidiaries own are not recorded on the balance sheet due to amendment to the annex forms in the Enforcement Ordinance of the Banking Law (Ministry of Finance, 1982), as amended by the Cabinet Enforcement Ordinance of the Banking Law (Cabinet Office Ordinance No. 38, 17th April, 2007). The effect of this change is to decrease acceptances and guarantees as well as customers' liabilities for acceptances and guarantees by ¥21,026 million which is the amount of the guarantees for privately placed corporate bonds the Bank and its consolidated subsidiaries own at 31st March, 2007.



4. Trading Account Assets Trading account assets at 31st March, 2008 and 2007 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2008	2007	2008
Trading securities	¥1,120	¥1,252	\$11,183
Other trading assets*	2,994	—	29,890
Total	¥4,115	¥1,252	\$41,073

* Other trading assets consisted of commercial papers

5. Securities Securities at 31st March, 2008 and 2007 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2008	2007	2008
Japanese government bonds	¥525,529	¥571,350	\$5,245,330
Japanese municipal bonds	79,369	64,719	792,194
Corporate bonds (including government-guaranteed bonds)	493,406	410,239	4,924,704
Stock	132,378	164,478	1,321,275
Other securities	294,342	303,565	2,937,842
Total	¥1,525,026	¥1,514,353	\$15,221,347

6. Loans and Bills Discounted Loans and bills discounted at 31st March, 2008 and 2007 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2008	2007	2008
Bills discounted	¥64,239	¥74,092	\$641,172
Loans on notes	253,846	268,421	2,533,646
Loans on deed	3,996,843	3,906,521	39,892,634
Overdraft	596,418	546,666	5,952,869
Total	¥4,911,346	¥4,795,703	\$49,020,322

Non-performing loans included in the loans at 31st March, 2008 and 2007 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2008	2007	2008
Loans to legally bankrupt entities*	¥15,854	¥16,922	\$158,245
Delinquent loans**	144,523	140,735	1,442,494
Loans past due for three months or more***	50	42	501
Loans with altered lending conditions****	74,488	81,021	743,468
Total	¥234,916	¥238,723	\$2,344,710

* Loans to legally bankrupt entities are loans on which interest is placed on a non-accrual status (“non-accrual loans”), excluding loans written off, as principal or interest has not been paid for a substantial period or for other reasons and there are no prospects for recovery or repayment of principal or interest, and to which certain circumstances apply as stated in the Implementation Ordinances for the Corporation Tax Law.

** Delinquent loans are non-accrual loans other than (i) loans to legally bankrupt entities and (ii) loans for which interest payments have been rescheduled in order to assist the restructuring of these borrowers.

*** Loans past due for three months or more are loans for which principal or interest has not been paid for a period of three months or more from the next business day of the last due date, and that are not included in loans to legally bankrupt entities or delinquent loans.

**** Loans with altered lending conditions are loans restructured to provide relief to borrowers, such as reducing interest rates, rescheduling interest and principal payment, or waiving the claims, in order to assist the restructuring of these borrowers. Such loans exclude loans to legally bankrupt entities, delinquent loans, and loans past due for three months or more.

7. Assets Pledged as Collateral

Assets pledged as collateral by the Bank and its consolidated subsidiaries at 31st March, 2008 and 2007 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2008	2007	2008
Assets pledged as collateral			
Due from banks	¥59	¥108	\$596
Securities	352,072	331,706	3,514,046
Liabilities secured by the above assets			
Deposits	¥21,200	¥11,539	\$211,598
Call money and bills sold	78,100	—	779,518
Guarantee deposits received under securities lending transactions	76,586	185,367	764,407
Borrowed money	22,650	3,000	226,070
Others	30	199	299

Other than the items shown above, due from banks of ¥2 million (\$19 thousand) and securities of ¥175,200 million (\$1,748,680 thousand) were pledged as collateral for foreign exchange transactions and/or as substitutes for initial margin on futures at 31st March, 2008. Cash of ¥2 million and securities of ¥128,117 million were pledged for the same purpose at 31st March, 2007.

8. Contracts for Commitment Lines of Credit

Contracts for commitment lines of credit related to overdraft agreements and loan credit facilities represent a promise on a lending bank at a specified credit limit, to a customer upon request for funds, unless there is a violation of the contractual conditions. At 31st March, 2008, the aggregate amount under commitment contracts not yet drawn down was ¥1,574,732 million (\$15,717,466 thousand). Of this amount, those with original maturity of less than one year or cancellable at any time without penalty amounted to ¥1,560,241 million (\$15,572,827 thousand).

As many of these contracts expire without the right to extend the loans being exercised, the aggregate total of the undrawn amount does not necessarily affect the future cash flows of the Bank and its consolidated subsidiaries. Many of these contracts have stipulations that allow the Bank and its consolidated subsidiaries to turn down a loan request or reduce the amount of the credit line if there is a change in financial conditions, a need to secure their credit, or other similar reasons. In addition to obtaining necessary collateral (real estate, securities, etc.) at the time the contract is entered into, the Bank and its consolidated subsidiaries assess the condition of the customer's business operations, and analyze other information, based on internal procedures and standards. If necessary, the contract is reviewed and revised, or additional steps are taken to secure the credit extended to the customer.

9. Foreign Exchange

Foreign exchange assets and liabilities at 31st March, 2008 and 2007 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2008	2007	2008
Assets:			
Foreign exchange bills bought	¥156	¥302	\$1,563
Foreign exchange bills receivable	309	412	3,093
Due from foreign banks	796	577	7,946
Total	¥1,262	¥1,292	\$12,603
Liabilities:			
Foreign exchange bills sold	¥9	¥11	\$92
Foreign exchange bills payable	108	76	1,084
Total	¥117	¥87	\$1,176

**10. Other Assets**

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

	Millions of yen		Thousands of U.S. dollars
	2008	2007	2008
Domestic exchange settlement account*	¥1,105	¥1,229	\$11,034
Accrued income	8,476	8,842	84,604
Prepaid expenses	59	69	592
Financial derivative products	5,876	2,356	58,652
Other	25,282	24,526	252,347
Total	¥40,800	¥37,024	\$407,231

* Domestic exchange settlement account represents unsettled debit balances arising from inter-bank domestic exchange transfers.

11. Tangible Fixed Assets

Tangible fixed assets at 31st March, 2008 and 2007 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2008	2007	2008
Land	¥84,119	¥85,598	\$839,602
Buildings	71,132	71,313	709,979
Construction in progress	620	269	6,189
Other tangible fixed assets	36,811	39,747	367,417
	192,684	196,929	1,923,188
Less accumulated depreciation	(70,455)	(72,787)	(703,220)
Total	¥122,228	¥124,141	\$1,219,968

12. Deposits

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

	Millions of yen		Thousands of U.S. dollars
	2008	2007	2008
Current deposits	¥242,973	¥283,448	\$2,425,128
Ordinary deposits	2,687,216	2,705,650	26,821,201
Deposits at notice	16,677	20,320	166,463
Time deposits	2,988,655	2,814,880	29,829,876
Negotiable certificates of deposit	72,217	102,023	720,805
Other deposits	160,741	120,424	1,604,363
Total	¥6,168,481	¥6,046,748	\$61,567,839

13. Bonds

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

	Millions of yen		Thousands of U.S. dollars
	2008	2007	2008
Bonds:			
3.20% Japanese yen subordinated bonds due 2014	¥15,000	¥15,000	\$149,715
6 month Yen LIBOR + 1.30% Japanese yen callable subordinated bonds	5,000	5,000	49,905
2.78% Japanese yen subordinated bonds due 2015	14,500	14,500	144,725
1.78% Japanese yen callable subordinated bonds	12,500	12,500	124,762
1.71% Japanese yen callable subordinated bonds	10,000	10,000	99,810
2.10% Japanese yen callable subordinated bonds	15,000	15,000	149,715
2.70% Japanese yen subordinated bonds due 2017	10,000	10,000	99,810
6 month Yen LIBOR + 1.95% Euro yen undated subordinated bonds with subordinated guarantee, issued by Nishi-Nippon Finance (Cayman) Ltd.	15,000	15,000	149,715
Total	¥97,000	¥97,000	\$968,160

14. Borrowed Money

The weighted average interest rates on borrowed money at 31st March, 2008 and 2007 are 1.32 % and 1.12 %, respectively.

The aggregate annual maturity amounts within five years of borrowed money after 31st March, 2008 are as follows:

Year ending 31st March	Millions of yen	Thousands of U.S. dollars
	2009	¥31,554
2010	392	3,915
2011	211	2,111
2012	133	1,329
2013	33	337

15. Other Liabilities

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

	Millions of yen		Thousands of U.S. dollars
	2008	2007	2008
Domestic exchange settlement account	¥1,542	¥1,450	\$15,391
Accrued income taxes	383	757	3,827
Accrued expenses	15,048	10,760	150,201
Unearned income	5,779	5,742	57,686
Due to trust accounts	5	5	57
Financial derivative products	5,654	3,092	56,441
Others	22,808	22,024	227,650
Total	¥51,222	¥43,832	\$511,256

16. Capital Stock

Capital stock at 31st March, 2008 consisted of the following:

	Common stock		Preferred stock*		Capital stock	
	Authorized shares	Issued shares	Authorized shares	Issued shares	Millions of yen	Thousands of U.S. dollars
31st March, 2007	1,500,000,000	796,732,552	300,000,000	35,000,000	¥85,745	\$855,829
Increase	—	—	—	—	—	—
Decrease	—	—	—	—	—	—
31st March, 2008	1,500,000,000	796,732,552	300,000,000	35,000,000	¥85,745	\$855,829

* Preferred stock

A holder of preferred stock, wholly held by The Resolution and Collection Corporation, is entitled to receive cash dividends of ¥12 per year in priority to holders of common stock. The holder has no voting rights as far as the dividends are paid. The holder is entitled to convert its preferred stock to common stock at the market price prevailing on 31st January, 2007, during the period from that date to 31st January, 2012.

Capital stock at 31st March, 2007 consisted of the following:

	Common stock**		Preferred stock***		Capital stock
	Authorized shares	Issued shares	Authorized shares	Issued shares	Millions of yen
31st March, 2006	1,500,000,000	707,498,214	300,000,000	70,000,000	¥63,517
Increase	—	89,234,338	—	—	22,227
Decrease	—	—	—	35,000,000	—
31st March, 2007	1,500,000,000	796,732,552	300,000,000	35,000,000	¥85,745

** Common stock

Increase for the year ended 31st March, 2007 was caused by conversion of bonds with stock subscription rights.

*** Preferred stock

Decrease for the year ended 31st March, 2007 was caused by retirement of treasury stock.



17. Treasury stock

Treasury stock at 31st March, 2008 consisted of the following:

	Common stock*	Preferred stock	Treasury stock	
			Millions of yen	Thousands of U.S. dollars
31st March, 2007	1,085	—	(¥540)	(\$5,398)
Increase	177	—		
Decrease	26	—	(56)	(565)
31st March, 2008	1,236	—	(¥597)	(\$5,964)

* Common stock

Increase for the year ended 31st March, 2008 was caused by purchase of fractional shares, and decrease was caused by sale of fractional shares.

Treasury stock at 31st March, 2007 consisted of the following:

	Common stock**	Preferred stock***	Treasury stock
			Millions of yen
31st March, 2006	873	—	(¥425)
Increase	227	35,000	
Decrease	15	35,000	(115)
31st March, 2007	1,085	—	(¥540)

** Common stock

Increase for the year ended 31st March, 2007 was caused by purchase of fractional shares, and decrease was caused by sale of fractional shares.

*** Preferred stock

Increase for the year ended 31st March, 2007 was caused by acquisition of treasury stock, and decrease was caused by retirement of treasury stock.

18. Revaluation of Premises Account

Based on the Law Concerning Land Revaluation (Law No. 34, promulgated on 31st March, 1998), the Bank has revalued its land used for business purposes. The deferred taxes on revaluation differences are presented in the account, "Deferred tax liabilities on revaluation of premises" in the liabilities of the consolidated balance sheet. The amount of revaluation differences, net of tax, is presented as "Revaluation of premises, net of taxes" in net assets.

At 31st March, 2008, the excess of the aggregate market value of land for business use revalued in accordance with Article 10 of the Law Concerning Land Revaluation over the book value after revaluation is ¥28,173 million (\$281,196 thousand).

19. Other Interest Income

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

	Millions of yen		Thousands of U.S. dollars
	2008	2007	2008
	Interest on call loans and bills bought	¥399	¥332
Interest on deposits with banks	322	243	3,218
Others	748	371	7,471
Total	¥1,470	¥947	\$14,672

20. Other Operating Income

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

	Millions of yen		Thousands of U.S. dollars
	2008	2007	2008
	Gains on foreign exchange transactions	¥841	¥509
Gains on sale of bonds	2,079	635	20,759
Gains on redemption of bonds	24	—	242
Trust fees	10	10	103
Income from derivatives other than trading derivatives	87	353	871
Others	124	2	1,238
Total	¥3,167	¥1,510	\$31,610

21. Other Income	Other income for the years ended 31st March, 2008 and 2007 consisted of the following:		
	Millions of yen		Thousands of U.S. dollars
	2008	2007	2008
Gains on sale of stock and other securities	¥2,157	¥4,070	\$21,532
Gains on money held in trust	96	106	963
Gains on disposition of fixed assets	27	370	277
Reversal of reserve for possible loan losses	—	789	—
Recoveries of written-off claims	3,325	6,029	33,196
Rental income on land and buildings	711	662	7,099
Others	1,663	1,207	16,602
Total	¥7,982	¥13,236	\$79,673

22. Other Interest Expenses	Other interest expenses for the years ended 31st March, 2008 and 2007 consisted of the following:		
	Millions of yen		Thousands of U.S. dollars
	2008	2007	2008
Bonds	¥2,413	¥1,718	\$24,089
Securities lending transactions	2,352	2,730	23,483
Others	1,730	2,766	17,268
Total	¥6,496	¥7,216	\$64,841

23. Other Operating Expenses	Other operating expenses for the years ended 31st March, 2008 and 2007 consisted of the following:		
	Millions of yen		Thousands of U.S. dollars
	2008	2007	2008
Losses on sale of bonds	¥1,907	¥1,979	\$19,041
Losses on redemption of bonds	92	69	926
Losses on devaluation of bonds	880	—	8,784
Others	0	2	2
Total	¥2,881	¥2,051	\$28,755

24. General and Administrative Expenses	General and administrative expenses for the years ended 31st March, 2008 and 2007 consisted of the following:		
	Millions of yen		Thousands of U.S. dollars
	2008	2007	2008
Salaries and allowances	¥35,162	¥37,021	\$350,956
Employee retirement benefits	1,485	1,689	14,830
Retirement benefits for directors and corporate auditors	154	170	1,546
Depreciation	5,376	5,092	53,660
Rental expenses	5,663	6,751	56,528
Amortization of goodwill	359	295	3,584
Taxes	4,850	5,022	48,408
Others	30,557	28,920	304,997
Total	¥83,609	¥84,963	\$834,513

25. Other Expenses

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

	Millions of yen		Thousands of U.S. dollars
	2008	2007	2008
Provision for possible loan losses	¥9,132	—	\$91,150
Losses on write-offs of claims	8,461	14,104	84,450
Losses on sale of stock and other securities	3	6	36
Losses on devaluation of stock and other securities	2,642	1,592	26,373
Losses on money held in trust	668	492	6,676
Losses on disposition of tangible fixed assets	1,038	1,642	10,365
Impairment losses	2,938	5,742	29,330
Retirement benefits for directors and corporate auditors	—	803	—
Losses on sale of loans	3,888	577	38,815
Others	2,909	2,432	29,039
Total	¥31,683	¥27,394	\$316,237

26. Lease Transactions

Finance lease transactions as a lessee in which the ownership of the leased property is not transferred to the lessee as of 31st March, 2008 and 2007 are summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2008	2007	2008
Amounts equivalent to acquisition cost			
Equipment	¥1,942	¥2,090	\$19,387
Others	—	—	—
Total	¥1,942	¥2,090	\$19,387
Amounts equivalent to accumulated depreciation			
Equipment	¥1,346	¥1,276	\$13,435
Others	—	—	—
Total	¥1,346	¥1,276	\$13,435
Amounts equivalent to carrying value			
Equipment	¥596	¥814	\$5,951
Others	—	—	—
Total	¥596	¥814	\$5,951

Note: The amount equivalent to acquisition cost includes an interest element in the determination of the total future finance lease payments as the total future finance lease payments are not significant to the balance of tangible fixed assets at the end of the year.

The balance of future finance lease payments as of 31st March, 2008 and 2007 is as follows:

	Millions of yen		Thousands of U.S. dollars
	2008	2007	2008
Future finance lease payments			
Due within one year	¥266	¥369	\$2,662
Due after one year	329	444	3,288
Total	¥596	¥814	\$5,951

Note: The amount of the future finance lease payments at the end of the year includes an interest element as the total future finance lease payments are not significant to the balance of tangible fixed assets at the end of the year.

Total lease payments during the year and the amount equivalent to depreciation expenses were ¥376 million (\$3,760 thousand) for the year ended 31st March, 2008 and ¥1,005 million for the year ended 31st March, 2007.

The amount equivalent to depreciation expenses was calculated using the straight-line method with no residual value over the lease term.

27. Market Value of Securities (1) Trading securities and commercial papers (including those included in "Trading account assets")

	Millions of yen		Thousands of U.S. dollars
	2008	2007	2008
Carrying value	¥4,115	¥1,252	\$41,073
Holding losses recognized in income	18	(0)	181

(2) Held-to-maturity securities with market value

	Millions of yen		
	31st March, 2008		
	Cost	Market value	Valuation differences
Bonds:			
Municipal bonds	¥3,089	¥3,147	¥58
	3,089	3,147	58
Others	19,000	19,244	244
Total	¥22,089	¥22,391	¥302

	Thousands of U.S. dollars		
	31st March, 2008		
	Cost	Market value	Valuation differences
Bonds:			
Municipal bonds	\$30,834	\$31,415	\$581
	30,834	31,415	581
Others	189,639	192,075	2,435
Total	\$220,473	\$223,490	\$3,017

	Millions of yen		
	31st March, 2007		
	Cost	Market value	Valuation differences
Bonds:			
Government bonds	¥10,000	¥9,954	(¥46)
Municipal bonds	3,091	3,113	21
	13,092	13,067	(24)
Others	28,000	27,648	(351)
Total	¥41,092	¥40,716	(¥375)

(2) Available-for-sale securities with market value

	Millions of yen		
	31st March, 2008		
	Cost	Market value	Valuation differences
Stocks	¥102,427	¥115,595	¥13,167
Bonds:			
Government bonds	533,736	525,529	(8,206)
Municipal bonds	76,105	76,280	175
Corporate bonds	473,248	472,959	(288)
	1,083,089	1,074,770	(8,319)
Others	282,038	273,344	(8,691)
Total	¥1,467,555	¥1,463,710	(¥3,843)

	Thousands of U.S. dollars		
	31st March, 2008		
	Cost	Market value	Valuation differences
Stocks	\$1,022,331	\$1,153,760	\$131,428
Bonds:			
Government bonds	5,327,242	5,245,330	(81,911)
Municipal bonds	759,608	761,360	1,751
Corporate bonds	4,723,508	4,720,627	(2,880)
	10,810,359	10,727,318	(83,040)
Others	2,815,037	2,728,266	(86,753)
Total	\$14,647,727	\$14,609,344	(\$38,365)

Valuation differences do not include unrealized losses of ¥1 million (\$17 thousand) on hybrid instruments, which are charged to income.

	Millions of yen		
	31st March, 2007		
	Cost	Market value	Valuation differences
Stocks	¥98,983	¥147,113	¥48,130
Bonds:			
Government bonds	572,300	561,350	(10,950)
Municipal bonds	62,067	61,627	(439)
Corporate bonds	386,127	383,683	(2,443)
	1,020,495	1,006,661	(13,834)
Others	264,979	272,025	7,049
Total	¥1,384,458	¥1,425,800	¥41,345

Valuation differences do not include unrealized losses of ¥3 million on hybrid instruments, which are charged to income.

(3) Held-to-maturity securities sold for the years ended 31st March, 2008 and 2007 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2008	2007	2008
	Cost	¥10,000	—
Proceeds from sale	10,211	—	101,921
Gains	211	—	2,110

(4) Available-for-sale securities sold for the years ended 31st March, 2008 and 2007 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2008	2007	2008
	Proceeds from sale	¥195,339	¥163,316
Gains	4,049	4,705	40,420
Losses	1,911	1,979	19,078

(5) Securities whose market value is not readily determinable

Principal items of securities whose market value is not readily determinable at 31st March, 2008 and 2007 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2008	2007	2008
Securities available for sale			
Non-listed stocks	¥16,473	¥17,096	\$164,418
Privately placed bonds	20,446	26,555	204,077
Others	1,742	3,266	17,393

(6) Repayment schedule of securities available for sale with maturity and held-to-maturity securities is as follows:

At 31st March, 2008	Millions of yen			
	Due in 1 year or less	Due from 1 year to 5 years	Due from 5 years to 10 years	Due after 10 years
Bonds:				
Government bonds	¥127,757	¥206,044	¥70,479	¥121,247
Municipal bonds	35,465	40,565	3,339	—
Corporate bonds	169,066	159,222	157,256	4,321
	332,289	405,831	231,075	125,569
Others	2,244	107,469	120,349	9,163
Total	¥334,533	¥513,301	¥351,425	¥134,733

At 31st March, 2008	Millions of U.S. dollars			
	Due in 1 year or less	Due from 1 year to 5 years	Due from 5 years to 10 years	Due after 10 years
Bonds:				
Government bonds	\$1,275,155	\$2,056,537	\$703,459	\$1,210,177
Municipal bonds	353,980	404,883	33,329	—
Corporate bonds	1,687,454	1,589,200	1,569,586	43,137
	3,316,590	4,050,622	2,306,375	1,253,315
Others	22,402	1,072,654	1,201,212	91,463
Total	\$3,338,993	\$5,123,276	\$3,507,588	\$1,344,778

(7) Money held in trust at 31st March, 2008 and 2007 is as follows:

	Millions of yen		Thousands of U.S. dollars
	2008	2007	2008
Money held in trust for investment purposes:			
Carrying value	¥6,872	¥19,725	\$68,596
Unrealized gains included in income before income taxes and minority interests	—	9	—

	Millions of yen		Thousands of U.S. dollars
	2008	2007	2008
Money held in trust for other purposes than investment purposes and held-to-maturity purposes:			
Cost	¥1,000	—	\$9,981
Carrying value	1,000	—	9,981
Unrealized gains/losses	—	—	—

(8) Unrealized gains/losses on securities available for sale

The components of the unrealized gains/losses on securities available for sale at 31st March, 2008 and 2007 are as follows:

	Millions of yen		Thousands of
	2008	2007	U.S. dollars
Revaluation difference	(¥3,843)	¥41,345	(\$38,365)
Deferred tax asset/liability	2,328	(15,419)	23,240
Revaluation difference (before minority interest adjustment), net of taxes	(1,515)	25,926	(15,124)
Amount corresponding to minority interests	529	(2)	5,281
Amount corresponding to the parent's share of net unrealized (losses) gains on available-for-sale securities owned by affiliates	(0)	2	(0)
Unrealized (losses) gains on securities available for sale, net of taxes	(¥986)	¥25,926	(¥9,843)

28. Derivatives

(1) Information on derivatives is as follows:

1. Details of transactions

Derivative transactions include interest rate-related transactions, such as interest rate swaps, currency related transactions, such as currency futures, currency swaps and currency options, and securities related transactions, such as bond futures and options and stock index futures and options.

The Bank and one of the consolidated subsidiaries apply the exceptional treatment for interest rate swaps to certain liabilities.

2. Transaction policy

The Bank has been using derivatives primarily for the purpose of risk management for its own assets and liabilities. The Bank also uses derivatives in trading activities to maximize earnings.

3. Objectives of transaction

The Bank utilizes derivatives in its banking account as a hedge to manage and reduce risks of on-balance-sheet assets and liabilities, and in its trading account to benefit from short-term price fluctuations and arbitrage transactions.

The Bank applies the hedge accounting for derivative transactions as follows:

① Hedging instrument and hedged item

The Bank uses mainly interest rate swaps as hedging instruments to reduce interest rate risks arising from loans with fixed interest rates, corporate bonds and callable deposits, and foreign currency futures and options to reduce foreign exchange risks arising from foreign currency-denominated financial assets and liabilities.

② Hedge policy

Based on "Operation rules related to hedge accounting," the Bank adopts individual hedges, and hedges interest rate and foreign exchange risks at a certain level.

③ Evaluation of hedge effectiveness

In principle, the Bank assesses the hedge effectiveness based on the difference between accumulated market value or cash flow fluctuations of hedged items and those of hedging instruments. Under the portfolio-hedge, the Bank assesses the effectiveness by grouping the hedged items (such as loans) and the hedging instruments (such as interest swaps) into certain time buckets and thus identifying them. No evaluation is performed for the hedge effectiveness of qualifying interest rate swaps accounted for by the special treatment under the Accounting Standard for Financial Instruments, as hedging measures were deemed sufficiently effective at the time such action was taken.

4. Risks for derivative transactions

① Market risk

Market risk is a potential loss in the fair value of financial instruments or portfolios resulting from fluctuations in interest rates, foreign exchange rates and stock prices.

② Credit risk

Credit risk is a potential loss in the value of a transaction due to default by counterparties to the contracts.

③ Special transaction risks

The Bank does not have derivative transactions that contain special transaction risks.

5. Risk management system for derivative transactions

The Bank's derivative transactions are entered into using operational rules prepared in accordance with the Bank's internal regulations.

The rules stipulate the scope of derivative usage, authorization, responsibility, procedure, credit line, loss-cut rule, and reporting system. Each business line is responsible for each relevant risk management and for reporting to management, including the ALM Committee, on a monthly basis.

6. Explanation about "Market value"

"Contract value" presented in the following "Market value" section does not represent market risk or credit risk of derivatives but is nominal contract value or notional principal.

(2) Market value
1. Currency related transactions

<At 31st March, 2008>

Type of transactions	Millions of yen			
	Contract value		Market value	Unrealized gain(loss)
	Total	Over one year		
Over-the-counter transactions:				
Currency swaps	¥195,965	¥182,803	¥392	¥392
Forward foreign:				
sold	3,256	—	94	94
bought	2,955	—	(17)	(17)
Currency option:				
sold	36,714	30,169	(2,802)	(940)
bought	36,714	30,169	2,802	1,396
Total	¥ —	¥ —	¥468	¥924

<At 31st March, 2008>

Type of transactions	Thousand of U.S. dollars			
	Contract value		Market value	Unrealized gain(loss)
	Total	Over one year		
Over-the-counter transactions:				
Currency swaps	\$1,955,937	\$1,824,566	\$3,915	\$3,915
Forward foreign:				
sold	32,499	—	940	940
bought	29,497	—	(176)	(176)
Currency option:				
sold	366,451	301,125	(27,969)	(9,383)
bought	366,451	301,125	27,969	13,935
Total	\$ —	\$ —	\$4,678	\$9,230

<At 31st March, 2007>

Type of transactions	Millions of yen			
	Contract value		Market value	Unrealized gain(loss)
	Total	Over one year		
Over-the-counter transactions:				
Currency swaps	¥137,553	¥131,252	¥233	¥233
Forward foreign:				
sold	1,202	354	(38)	(38)
bought	1,283	354	45	45
Currency option:				
sold	8,432	6,845	(223)	477
bought	8,432	6,845	223	(396)
Total	¥ —	¥ —	¥240	¥320

- Notes: 1. The above transactions are marked to market and unrealized gains/losses are included in the consolidated statements of income.
2. Currency swaps to which hedge accounting is applied in accordance with "Accounting and Auditing Treatment for Application of Accounting Standard for Financial Instruments in Banking Industry" (JICPA Industry Audit Committee Report No. 25) are excluded from the above table.

29. Impairment of Fixed Assets

The Bank and its consolidated subsidiaries recognized loss on impairment of fixed assets which are summarized as follows:

(1) Assets or assets group for which impairment is recognized

1. Fukuoka prefecture

①Major use

	2008	2007
i) Number of idle assets, etc:	—	2
ii) Number of Branches to be disposed of, etc:	—	17

②Type

Land and buildings

③Loss on impairment

	Millions of yen		Thousands of U.S. dollars
	2008	2007	2008
Idle assets, etc	—	¥184	—
Land thereof	—	173	—
Buildings thereof	—	10	—

	Millions of yen		Thousands of U.S. dollars
	2008	2007	2008
Assets to be disposed of, etc	—	¥1,558	—
Land thereof	—	1,340	—
Buildings thereof	—	218	—

2. Outside of Fukuoka prefecture

①Major use

	2008	2007
i) Number of idle assets, etc:	1	3
ii) Number of Branches to be disposed of, etc:	—	4
iii) Number of Branches used in business operations:	1	1

②Type

Land and buildings

③Loss on impairment

	Millions of yen		Thousands of U.S. dollars
	2008	2007	2008
Idle assets, etc	¥7	¥383	\$77
Land thereof	4	365	47
Buildings thereof	2	18	29

	Millions of yen		Thousands of U.S. dollars
	2008	2007	2008
Assets to be disposed of, etc	—	¥1,648	—
Land thereof	—	1,610	—
Buildings thereof	—	37	—

	Millions of yen		Thousands of U.S. dollars
	2008	2007	2008
Branches used in business operations	¥233	¥3	\$2,334
Land thereof	186	—	1,860
Buildings thereof	47	3	473

3. Other

① Major use

Goodwill

② Type

Goodwill related to consolidated subsidiaries

③ Loss on impairment is ¥2,697 million (\$26,918 thousand) and ¥1,962 million for the year ended 31st March, 2008 and 2007, respectively.

As the fixed assets are deemed uncollectible due to decrease in cash flows attributable to decrease in operating income, the book value is reduced to the realizable value and the reduction totaling ¥241 million (\$2,411 thousand) and ¥3,779 million was recognized as other expenses for the year ended 31st March, 2008 and 2007, respectively. Goodwill which arises from a subsidiary's acquisition of treasury stock was written off and thus an impairment loss of ¥2,697 million (\$26,918 thousand) and ¥1,962 million was recognized for the years ended 31st March, 2008 and 2007, respectively.

(2) Summary of Asset Group and Method of Grouping

1. Summary of Asset Group

① Idle assets, etc.

Branches and corporate dormitories no longer used

② Branches to be disposed of

Branches the Bank and its consolidated subsidiaries decided to dispose of

③ Branches used in business operations

Assets used in business operations

④ Goodwill

Goodwill related to consolidated subsidiaries

2. Method of Grouping

① Idle assets, etc.

Individual assets

② Branches to be disposed of

Grouping according to use after disposal

③ Branches used in business operations

In principal individual branches (in case a branch is operated in association with other branches, an asset group is such a group of branches)

④ Goodwill

Individual assets

(3) Realizable Value

Realizable value used in measurement of loss on impairment is the higher of the value in use or the net selling value which is the value determined based on the Real Estate Appraisal Standard (Ministry of Land, Infrastructure and Transport Japan), less estimated selling costs.

30. Reserve for Employee Retirement Benefits

(1) Description of the retirement benefit plan

The Bank and its domestic consolidated subsidiaries adopt defined benefit plans such as occupational pension fund plans, qualified pension plans, and lump-sum payment plans. The Bank may also pay additional retirement benefits which are not subject to actuarial calculation.

The Bank has established a retirement benefit trust.

As of 31st March, 2008, the lump-sum payment plans are adopted by seven group companies including the Bank and its domestic subsidiaries while the occupational pension fund plans have been adopted by the Bank and one consolidated subsidiary, and the qualified pension plans have been adopted by one consolidated subsidiary.

(2) The funded status and amounts recognized in the consolidated balance sheets at 31st March, 2008 and 2007

	Millions of yen		Thousands of U.S. dollars
	2008	2007	2008
Projected benefit obligation	(¥54,019)	(¥53,733)	(\$539,167)
Plan assets	44,483	49,905	443,994
Projected benefit obligation in excess of plan assets	(9,535)	(3,828)	(95,173)
Unrecognized actuarial loss (gain)	5,419	(2,623)	54,096
Unrecognized prior service cost	—	(116)	—
Net liability recognized	(4,115)	(6,569)	(41,076)
Prepaid pension cost	8,049	6,682	80,347
Reserve for employees' retirement benefits	(¥12,165)	(¥13,251)	(\$121,423)

(3) Pension cost for the years ended 31st March, 2008 and 2007

	Millions of yen		Thousands of U.S. dollars
	2008	2007	2008
Service cost	¥1,797	¥1,842	\$17,941
Interest cost	1,330	1,331	13,275
Expected return on plan assets for the year	(2,229)	(2,128)	(22,252)
Amortization of unrecognized prior service cost	(116)	(233)	(1,167)
Amortization of unrecognized actuarial loss	342	256	3,420
Others (additional retirement benefit payments)	453	615	4,528
Net pension benefit expense	¥1,577	¥1,684	\$15,746

(4) Basic information used for calculation of the retirement benefit obligation

	2008	2007
(1) Discount rate	2.5%(principally)	2.5%(principally)
(2) Expected rate of return on plan assets	4.5%(principally)	4.5%(principally)
(3) Periodic allocation method of projected benefit obligation	Straight-line method	Straight-line method
(4) Number of years over which prior service cost is amortized	3 years*	3 years*
(5) Number of years over which actuarial gains/losses are amortized	10 years(principally)**	10 years(principally)**

* Using the straight-line method over a 3-year period within the average remaining years of service of employees.

** Using the straight-line method from the following fiscal year over a 10-year period within the average remaining years of service of employees.

31. Income Taxes

The tax effect of temporary differences and tax loss carryforwards that give rise to the deferred tax assets and liabilities at 31st March, 2008 and 2007 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2008	2007	2008
Deferred tax assets			
Reserve for possible loan losses	¥34,242	¥41,060	\$341,780
Reserve for retirement benefits	4,595	5,242	45,864
Accumulated depreciation	2,080	2,459	20,769
Unrealized losses on securities available for sale, net	2,855	—	28,497
Loss carryforwards for tax purposes	47,289	52,340	471,998
Others	8,618	8,763	86,025
Sub-total	99,682	109,865	994,936
Valuation allowance	(30,356)	(27,989)	(302,992)
Total deferred tax assets	69,325	81,875	691,944
Deferred tax liabilities			
Reserve fund for deferred income of fixed assets	(2)	(2)	(27)
Unrealized gains on securities available for sale, net	—	(15,419)	—
Total deferred tax liabilities	(2)	(15,422)	(27)
Net deferred tax assets	¥69,323	¥66,453	\$691,916

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

	2008
Statutory tax rate	40.4%
Adjustments:	
Expenses permanently nondeductible for income tax purposes	0.8
Dividend income deductible for income tax purposes	(1.4)
Inhabitant's per capita taxes	0.3
Increase in valuation allowance	7.9
Others, net	1.6
Effective tax rate	49.6%

A reconciliation between the statutory tax rate and the effective tax rate reflected in the accompanying consolidated statement of income for the year ended March 31, 2007 was not required under Japanese accounting standards due to immaterial difference of the tax rates.

32. Business Segment Information

For the years ended 31st March, 2008 and 2007, the Bank and its consolidated subsidiaries have two business segments, as indicated below:

Millions of yer					
<In 2008>	Banking	Other	Total	Elimination	Consolidated
I. Ordinary income					
Ordinary income from third party customers	¥172,733	¥8,180	¥180,914	—	¥180,914
Internal ordinary income among segments	651	9,603	10,254	(10,254)	—
Total ordinary income	173,384	17,783	191,168	(10,254)	180,914
Ordinary expenses	145,779	15,076	160,856	(11,114)	149,741
Ordinary profit	¥27,605	¥2,707	¥30,312	¥860	¥31,172
II. Identifiable assets, depreciation, impairment losses and capital expenditures:					
Identifiable assets	¥6,935,322	¥124,518	¥7,059,840	(¥79,205)	¥6,980,635
Depreciation	5,230	145	5,376	—	5,376
Impairment losses	241	—	241	2,697	2,938
Capital expenditures	7,533	139	7,673	—	7,673

Thousands of U.S. dollars					
<In 2008>	Banking	Other	Total	Elimination	Consolidated
I. Ordinary income					
Ordinary income from third party customers	\$1,724,061	\$81,648	\$1,805,710	—	\$1,805,710
Internal ordinary income among segments	6,499	95,850	102,350	(102,350)	—
Total ordinary income	1,730,560	177,499	1,908,060	(102,350)	1,805,710
Ordinary expenses	1,455,030	150,479	1,605,510	(110,935)	1,494,574
Ordinary profit	\$275,529	\$27,020	\$302,549	\$8,585	\$311,135
II. Identifiable assets, depreciation, impairment losses and capital expenditures:					
Identifiable assets	\$69,221,701	\$1,242,822	\$70,464,524	(\$790,552)	\$69,673,972
Depreciation	52,206	1,453	53,660	—	53,660
Impairment losses	2,411	—	2,411	26,918	29,330
Capital expenditures	75,189	1,396	76,586	—	76,586

Millions of yer					
<In 2007>	Banking	Other	Total	Elimination	Consolidated
I. Ordinary income					
Ordinary income from third party customers	¥169,006	¥10,784	¥179,790	—	¥179,790
Internal ordinary income among segments	2,331	9,000	11,331	(11,331)	—
Total ordinary income	171,337	19,784	191,122	(11,331)	179,790
Ordinary expenses	128,165	17,077	145,243	(12,273)	132,969
Ordinary profit	¥43,171	¥2,707	¥45,879	¥941	¥46,820
II. Identifiable assets, depreciation, impairment losses and capital expenditures:					
Identifiable assets	¥6,890,329	¥133,189	¥7,023,518	(¥70,613)	¥6,952,905
Depreciation	5,094	154	5,248	(155)	5,092
Impairment losses	3,779	—	3,779	1,962	5,742
Capital expenditures	6,847	150	6,997	(5)	6,991



33. Related Party Transactions Related party transactions with directors and principal individual shareholders for the year ended 31st March, 2008 are as follows:

Attribute	Name	Address	Common stock	Business/occupation	Equity ownership	Relationship	Transactions	Transaction amount	Account	Balance at end of year
Director (close family)	Sadako Isoyama	—	—	Real estate rental business	—	—	Loan	¥9 million	Loans	¥15 million

* Terms and conditions of the transactions are similar to those of others.

34. Reconciliation of Cash and Cash Equivalents The reconciliation between “Cash and cash equivalents” in the consolidated statements of cash flows and each account in the consolidated balance sheets is as follows:

	Millions of yen		Thousands of U.S. dollars
	2008	2007	2008
Cash and due from banks on the consolidated balance sheets	¥217,719	¥288,195	\$2,173,061
Ordinary deposits (due from banks)	(803)	(1,291)	(8,024)
Deposits at notice (due from banks)	—	(1,500)	—
Time deposits (due from banks)	(47,561)	(48,110)	(474,715)
Postal savings	(1,432)	(1,202)	(14,296)
Other deposits (due from banks)	(266)	(1,460)	(2,657)
Cash and cash equivalents on the consolidated statements of cash flows	¥167,654	¥234,630	\$1,673,367

35. Per Share Information

	Yen		U.S. dollars
	2008	2007	2008
Net assets per share at end of year	¥299.81	¥320.14	\$2.992
Net income per share:			
Basic	17.46	31.81	0.174
Diluted	16.58	29.30	0.165

36. Cash Dividends Cash dividends paid during the year ended 31st March, 2008, which were distribution of earned surplus on 31st March, 2007, are as follows:

Resolution	Types	Millions of yen	Thousands of U.S. dollars
June 28, 2007	Cash dividends (¥4 per share)	¥3,182	\$31,765
Ordinary General Meeting of Shareholders	Preference dividends (¥12 per share)	¥420	4,192

Cash dividends paid during the year ended 31st March, 2007, which were distribution of earned surplus on 31st March, 2006, are as follows:

Resolution	Types	Millions of yen
June 29, 2006	Cash dividends (¥4 per share)	¥2,826
Ordinary General Meeting of Shareholders	Preference dividends (¥12 per share)	¥840

37. Subsequent Event The following appropriation of earned surplus for the year ended 31st March, 2008 was approved at the shareholders' meeting held on 27th June, 2008:

Resolution	Types	Millions of yen	Thousands of U.S. dollars
June 27, 2008	Cash dividends (¥4 per share)	¥3,181	\$31,759
Ordinary General Meeting of Shareholders	Preference dividends (¥12 per share)	¥420	4,192

Non-Consolidated Balance Sheets (Unaudited)

The Nishi-Nippon City Bank, Ltd. 31st March, 2008 and 2007

	Millions of yen		Thousands of U.S. dollars
	2008	2007	2008
Assets:			
Cash and due from banks	¥185,030	¥266,962	\$1,846,799
Call loans and bills bought	6,184	4,250	61,723
Commercial paper and other debt purchased	15,666	20,050	156,363
Trading account assets	4,113	1,252	41,053
Money held in trust	7,872	19,725	78,577
Securities	1,529,225	1,517,802	15,263,258
Loans and bills discounted	4,677,165	4,551,029	46,682,956
Foreign exchange assets	1,262	1,292	12,603
Other assets	38,054	34,275	379,820
Tangible fixed assets	117,521	117,106	1,172,985
Intangible fixed assets	3,158	3,325	31,520
Deferred tax assets	64,236	60,552	641,149
Customers' liabilities for acceptances and guarantees	71,548	81,494	714,129
Reserve for possible loan losses	(57,092)	(51,889)	(569,846)
Reserve for devaluation of securities	(12,400)	(12,915)	(123,765)
Total assets	¥6,651,546	¥6,614,316	\$66,389,330
Liabilities and Net assets:			
Liabilities:			
Deposits	¥5,917,085	¥5,805,974	\$59,058,639
Call money and bills sold	101,960	34,391	1,017,676
Guarantee deposits received under securities lending transactions	76,586	185,367	764,407
Borrowed money	62,017	80,292	618,998
Foreign exchange liabilities	117	87	1,176
Bonds	82,000	82,000	818,444
Other liabilities	27,554	21,369	275,026
Reserve for employee retirement benefits	11,165	12,329	111,443
Reserve for retirement benefits for directors and corporate auditors	720	811	7,187
Reserve for reimbursement of deposits	759	—	7,580
Reserve for other contingent losses	405	—	4,046
Deferred tax liabilities on revaluation of premises	22,279	22,679	222,371
Acceptances and guarantees	71,548	81,494	714,129
Total liabilities	6,374,200	6,326,796	63,621,128
Net assets:			
Capital stock	85,745	85,745	855,829
Capital surplus	85,684	85,684	855,215
Earned surplus			
Legal reserve	61	6	614
Voluntary reserves	59,697	43,259	595,845
Unappropriated retained earnings	19,948	20,096	199,102
Treasury stock	(597)	(540)	(5,964)
Total shareholders' equity	250,539	234,250	2,500,642
Net unrealized (losses) gains on securities available for sale, net of taxes	(1,620)	24,293	(16,171)
Net deferred losses on hedging instruments, net of taxes	(2)	(43)	(20)
Revaluation of premises, net of taxes	28,428	29,018	283,750
Total valuation and translation adjustments	26,806	53,268	267,558
Total net assets	277,346	287,519	2,768,201
Total liabilities and net assets	¥6,651,546	¥6,614,316	\$66,389,330

See accompanying Notes to Non-Consolidated Financial Statements.

Non-Consolidated Statements of Income (Unaudited)

The Nishi-Nippon City Bank, Ltd. Years ended 31st March, 2008 and 2007

	Millions of yen		Thousands of U.S. dollars
	2008	2007	2008
Income:			
Interest income:			
Interest on loans and discounts	¥109,413	¥105,707	\$1,092,055
Interest and dividends on securities	21,760	22,477	217,187
Other interest income	967	908	9,661
Fees and commissions	26,382	27,742	263,327
Trading income	118	214	1,177
Other operating income	2,919	1,506	29,136
Other income	7,126	9,330	71,129
Total income	168,687	167,886	1,683,675
Expenses:			
Interest expenses:			
Interest on deposits	17,026	6,740	169,940
Interest on call money and bills sold	1,509	1,866	15,069
Interest on borrowings	1,510	1,559	15,073
Other interest expenses	6,058	6,866	60,467
Fees and commissions	11,419	11,907	113,978
Other operating expenses	2,831	2,017	28,261
General and administrative expenses	74,490	75,829	743,495
Other expenses	21,198	19,919	211,580
Total expenses	136,044	126,707	1,357,866
Income before income taxes	32,642	41,179	325,809
Income taxes			
Current	66	83	668
Deferred	13,214	18,218	131,891
	13,281	18,301	132,559
Net income	¥19,361	¥22,877	\$193,249

See accompanying Notes to Non-Consolidated Financial Statements.

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

The Nishi-Nippon City Bank, Ltd. Year ended 31st March, 2008

Millions of yen								
2008								
Shareholders' equity								
Earned surplus								
	Capital stock	Capital surplus	Legal reserve	Voluntary reserves	Unappropriated retained earnings	Total earned surplus	Treasury stock	Total shareholders' equity
Balance as of 31st March, 2007	¥85,745	¥85,684	¥6	¥43,259	¥20,096	¥63,362	(¥540)	¥234,250
Changes during the year								
Cash dividends paid	—	—	—	—	(3,602)	(3,602)	—	(3,602)
Transfer to legal reserve	—	—	55	—	(55)	—	—	—
Transfer to voluntary reserve	—	—	—	16,438	(16,438)	—	—	—
Transfer from voluntary reserve	—	—	—	(0)	0	—	—	—
Net income	—	—	—	—	19,361	19,361	—	19,361
Acquisition of treasury stock	—	—	—	—	—	—	(69)	(69)
Sale of treasury stock	—	—	—	—	(3)	(3)	13	9
Reversal of revaluation of premises	—	—	—	—	589	589	—	589
Net changes in items other than shareholders' equity	—	—	—	—	—	—	—	—
Total changes during the year	—	—	55	16,437	(148)	16,345	(56)	16,288
Balance as of 31st March, 2008	¥85,745	¥85,684	¥61	¥59,697	¥19,948	¥79,707	(¥597)	¥250,539

Millions of yen					
2008					
Valuation and translation adjustments					
	Net unrealized gains (losses) on securities available for sale, net of taxes	Net deferred losses on hedging instruments, net of taxes	Revaluation of premises, net of taxes	Total valuation and translation adjustments	Total net assets
Balance as of 31st March, 2007	¥24,293	(¥43)	¥29,018	¥53,268	¥287,519
Changes during the year					
Cash dividends paid	—	—	—	—	(3,602)
Transfer to legal reserve	—	—	—	—	—
Transfer to voluntary reserve	—	—	—	—	—
Transfer from voluntary reserve	—	—	—	—	—
Net income	—	—	—	—	19,361
Acquisition of treasury stock	—	—	—	—	(69)
Sale of treasury stock	—	—	—	—	9
Reversal of revaluation of premises	—	—	—	—	589
Net changes in items other than shareholders' equity	(25,913)	41	(589)	(26,461)	(26,461)
Total changes during the year	(25,913)	41	(589)	(26,461)	(10,173)
Balance as of 31st March, 2008	(¥1,620)	(¥2)	¥28,428	¥26,806	¥277,346

See accompanying Notes to Non-Consolidated Financial Statements.

Thousands of U.S. dollars								
2008								
Shareholders' equity								
Earned surplus								
	Capital stock	Capital surplus	Legal reserve	Voluntary reserves	Unappropriated retained earnings	Total earned surplus	Treasury stock	Total shareholders' equity
Balance as of 31st March, 2007	\$855,829	\$855,215	\$60	\$431,778	\$200,580	\$632,418	(\$5,398)	\$2,338,065
Changes during the year								
Cash dividends paid	—	—	—	—	(35,957)	(35,957)	—	(35,957)
Transfer to legal reserve	—	—	554	—	(554)	—	—	—
Transfer to voluntary reserve	—	—	—	164,068	(164,068)	—	—	—
Transfer from voluntary reserve	—	—	—	(1)	1	—	—	—
Net income	—	—	—	—	193,249	193,249	—	193,249
Acquisition of treasury stock	—	—	—	—	—	—	(696)	(696)
Sale of treasury stock	—	—	—	—	(35)	(35)	130	94
Reversal of revaluation of premises	—	—	—	—	5,886	5,886	—	5,886
Net changes in items other than shareholders' equity	—	—	—	—	—	—	—	—
Total changes during the year	—	—	554	164,066	(1,477)	163,143	(565)	162,577
Balance as of 31st March, 2008	\$855,829	\$855,215	\$614	\$595,845	\$199,102	\$795,561	(\$5,964)	\$2,500,642

Thousands of U.S. dollars					
2008					
Valuation and translation adjustments					
	Net unrealized gains (losses) on securities available for sale, net of taxes	Net deferred losses on hedging instruments, net of taxes	Revaluation of premises, net of taxes	Total valuation and translation adjustments	Total net assets
Balance as of 31st March, 2007	\$242,472	(\$435)	\$289,637	\$531,674	\$2,869,740
Changes during the year					
Cash dividends paid	—	—	—	—	(35,957)
Transfer to legal reserve	—	—	—	—	—
Transfer to voluntary reserve	—	—	—	—	—
Transfer from voluntary reserve	—	—	—	—	—
Net income	—	—	—	—	193,249
Acquisition of treasury stock	—	—	—	—	(696)
Sale of treasury stock	—	—	—	—	94
Reversal of revaluation of premises	—	—	—	—	5,886
Net changes in items other than shareholders' equity	(258,643)	414	(5,886)	(264,116)	(264,116)
Total changes during the year	(258,643)	414	(5,886)	(264,116)	(101,539)
Balance as of 31st March, 2008	(\$16,171)	(\$20)	\$283,750	\$267,558	\$2,768,201

See accompanying Notes to Non-Consolidated Financial Statements.

Millions of yen								
2007								
Shareholders' equity								
Earned surplus								
	Capital stock	Capital surplus	Legal reserve	Voluntary reserves	Unappropriated retained earnings	Total earned surplus	Treasury stock	Total shareholders' equity
Balance as of 31st March, 2006	¥63,517	¥99,116	—	¥18,341	¥28,590	¥46,932	(¥425)	¥209,142
Changes during the year								
Conversion of bonds with stock subscription rights	22,227	22,172	—	—	—	—	—	44,400
Cash dividends paid	—	—	—	—	(3,666)	(3,666)	—	(3,666)
Transfer to legal reserve	—	—	6	—	(6)	—	—	—
Transfer to voluntary reserve	—	—	—	24,918	(24,918)	—	—	—
Transfer from voluntary reserve	—	—	—	(0)	0	—	—	—
Net income	—	—	—	—	22,877	22,877	—	22,877
Acquisition of treasury stock	—	—	—	—	—	—	(41,285)	(41,285)
Sale of treasury stock	—	0	—	—	—	—	7	7
Retirement of treasury stock	—	(35,605)	—	—	(5,557)	(5,557)	41,162	—
Reversal of revaluation of premises	—	—	—	—	2,775	2,775	—	2,775
Net changes in items other than shareholders' equity	—	—	—	—	—	—	—	—
Total changes during the year	22,227	(13,432)	6	24,917	(8,494)	16,429	(115)	25,108
Balance as of 31st March, 2007	¥85,745	¥85,684	¥6	¥43,259	¥20,096	¥63,362	(¥540)	¥234,250

Millions of yen					
2007					
Valuation and translation adjustments					
	Net unrealized gains on securities available for sale, net of taxes	Net deferred losses on hedging instruments, net of taxes	Revaluation of premises, net of taxes	Total valuation and translation adjustments	Total net assets
Balance as of 31st March, 2006	¥20,892	—	¥31,794	¥52,687	¥261,829
Changes during the year					
Conversion of bonds with stock subscription rights	—	—	—	—	44,400
Cash dividends paid	—	—	—	—	(3,666)
Transfer to legal reserve	—	—	—	—	—
Transfer to voluntary reserve	—	—	—	—	—
Transfer from voluntary reserve	—	—	—	—	—
Net income	—	—	—	—	22,877
Acquisition of treasury stock	—	—	—	—	(41,285)
Sale of treasury stock	—	—	—	—	7
Retirement of treasury stock	—	—	—	—	—
Reversal of revaluation of premises	—	—	—	—	2,775
Net changes in items other than shareholders' equity	3,400	(43)	(2,775)	580	580
Total changes during the year	3,400	(43)	(2,775)	580	25,689
Balance as of 31st March, 2007	¥24,293	(¥43)	¥29,018	¥53,268	¥287,519

See accompanying Notes to Non-Consolidated Financial Statements.

The Nishi-Nippon City Bank, Ltd. Years ended 31st March, 2008 and 2007

- 1. Basis of Presentation of Financial Statements** The accompanying non-consolidated financial statements of The Nishi-Nippon City Bank, Ltd. (the Bank) have been prepared from the accounts maintained by the Bank in accordance with the provisions set forth in the Japanese Corporation Law, the Banking Law, and accounting principles generally accepted in Japan, which may differ in some material respects from accounting principles generally accepted in countries and jurisdictions other than Japan.

- 2. Other Accounting Principles and Practices Employed by the Bank** Accounting principles employed by the Bank in preparing the accompanying non-consolidated financial statements which have significant effects thereon, are explained in Note 2 of the Notes to Consolidated Financial Statements.

The Board of Directors
The Nishi-Nippon City Bank, Ltd.

We have audited the accompanying consolidated balance sheets of The Nishi-Nippon City Bank, Ltd. and consolidated subsidiaries as of 31st March, 2008 and 2007, and the related consolidated statements of income, changes in net assets, and cash flows for the years then ended, all expressed in yen. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of The Nishi-Nippon City Bank, Ltd. and consolidated subsidiaries at 31st March, 2008 and 2007, and the consolidated results of their operations and their cash flows for the years then ended in conformity with accounting principles generally accepted in Japan.

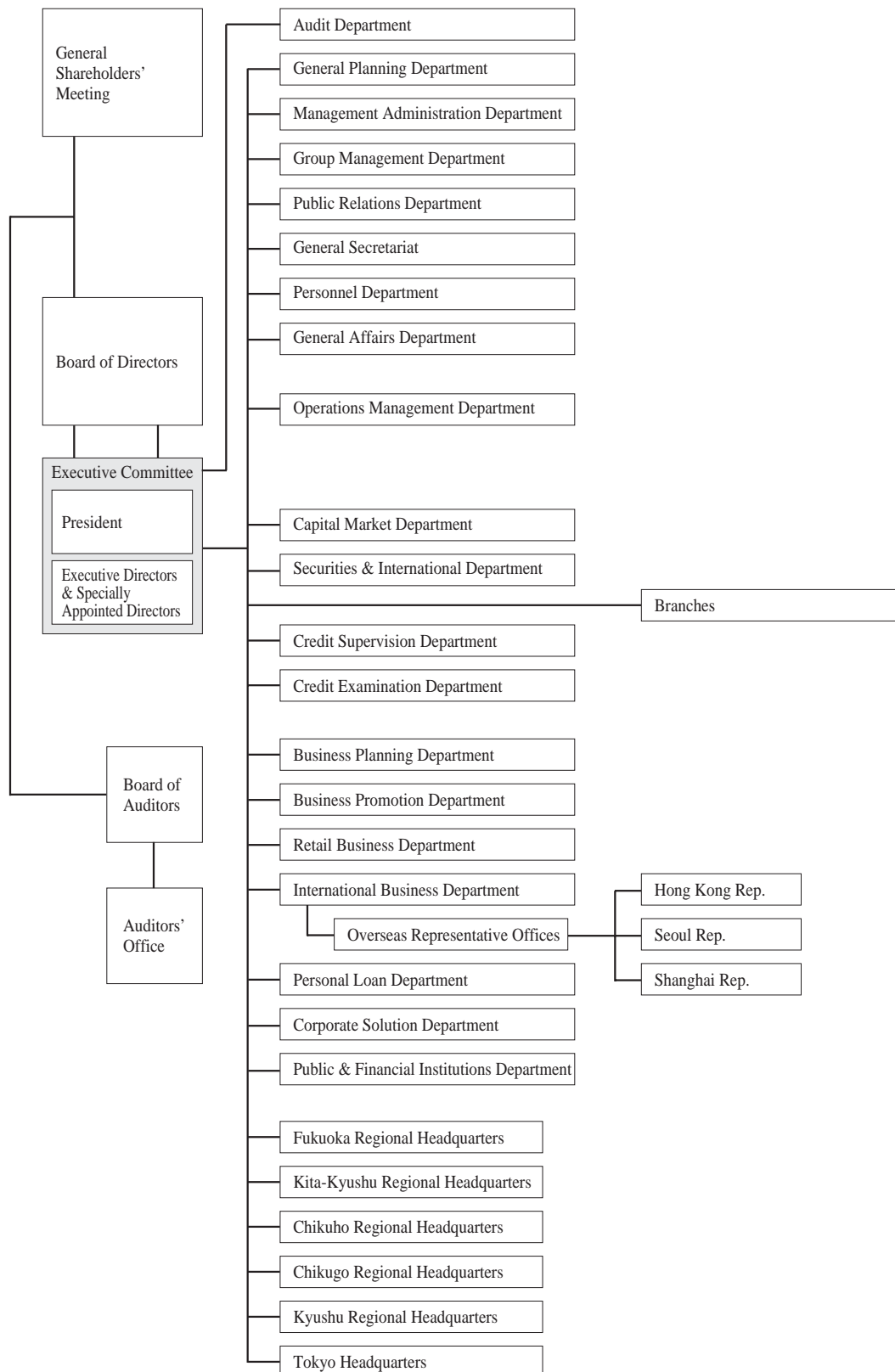
The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended 31st March, 2008 are presented solely for convenience. Our audit also included the translation of yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 1 to the consolidated financial statements.

Ernst & Young ShinNihon

Ernst & Young ShinNihon

27th June, 2008

Organization Chart



(as of June 30, 2008)

Head Office:

1-1, Hakata-ekimae 3-chome, Hakata-ku,
Fukuoka 812-0011, Japan
Phone: (092) 476-2501

Established:

December 1, 1944

Paid-up Capital:

¥85,745 million

Number of Shareholders:

Ordinary shares: 26,675
1st-issue preferred shares: 1

Number of Employees:

4,106

Number of Domestic Offices:

209

Number of Correspondent Banks:

139

Major Shareholders:

Name	Shares held (thousands)	(%)
Japan Trustee Services Bank, Ltd. (Trust Account)	85,308	10.70
Japan Trustee Service Bank, Ltd. (Trust Account No. 4)	54,386	6.82
The Master Trust Bank of Japan, Ltd. (Trust Account)	36,253	4.55
Nippon Life Insurance Company	20,477	2.57
The Fuji Fire & Marine Insurance Co., Ltd.	18,746	2.35
Tokyo Marine & Nichido Fire Insurance Co., Ltd.	14,099	1.76
Mizuho Corporate Bank, Ltd.	13,507	1.69
Resona Bank, Ltd.	11,000	1.38
Meiji Yasuda Life Insurance Company	10,945	1.37
Mitsui Leasing & Development, Ltd.	10,089	1.26

(as of March 31, 2008)

SECURITIES AND INTERNATIONAL DEPARTMENT

3-6, Hakata-ekimae 1-chome, Hakata-ku,
Fukuoka 812-0011, Japan
Phone: +81-92-476-2501
SWIFT: NISIJPJFKK
Fax: +81-92-476-2488

CAPITAL MARKET DEPARTMENT

11-8, Kyobashi 1-chome, Chuo-ku, Tokyo 104-0031, Japan
Phone: +81-3-3561-9306
SWIFT: NISIJPJT
Fax: +81-3-3561-4365

HONG KONG REPRESENTATIVE OFFICE

Suite 1006, One Pacific Place, 88 Queensway, Hong Kong
Phone: +852-2526-2259
Fax: +852-2845-9264

SEOUL REPRESENTATIVE OFFICE

6th Fl, Kolon Bldg., 45 Mugyo-dong, Chung-ku,
Seoul 100-170, Republic of Korea
Phone: +82-2-755-0670
Fax: +82-2-756-2160

SHANGHAI REPRESENTATIVE OFFICE

Room No.2209 Shanghai International Trade Center,
2201 Yan-An Road (W.), Chang Ning District,
Shanghai, People's Republic of China
Phone: +86-21-6219-0600
Fax: +86-21-6278-5940



THE NISHI-NIPPON CITY BANK, LTD.

1-1, Hakata-ekimae 3-chome, Hakata-ku,
Fukuoka, 812-0011, Japan
Phone: (092) 476-2501