KANTO TSUKUBA BANK

Annual Report 2008

Year Ended March 31, 2008

The Kanto Tsukuba Bank, Limited

Profile

The Kanto Tsukuba Bank is a regional financial institution operating mainly in Ibaraki Prefecture. The Bank offers high-quality financial products and services with the twin aims of achieving an excellent level of customer satisfaction and playing a valuable role in the development of the economy and society of its home region.

We aim to grow together with the community in which we operate by providing services carefully tailored to the specific needs of local customers, and by earning their trust through consistent reliability. In parallel, we will fulfill our responsibility to our shareholders by providing adequate returns, and aim to make the Kanto Tsukuba Bank an indispensable element in the socioeconomic life of Ibaraki Prefecture and surrounding areas.

As of the end of March 2008 the Bank had 75 offices, including both its head office and branches, in addition to 10 sub-branch offices, and our network of ATMs numbered 246.

Contents

Forward-looking statements

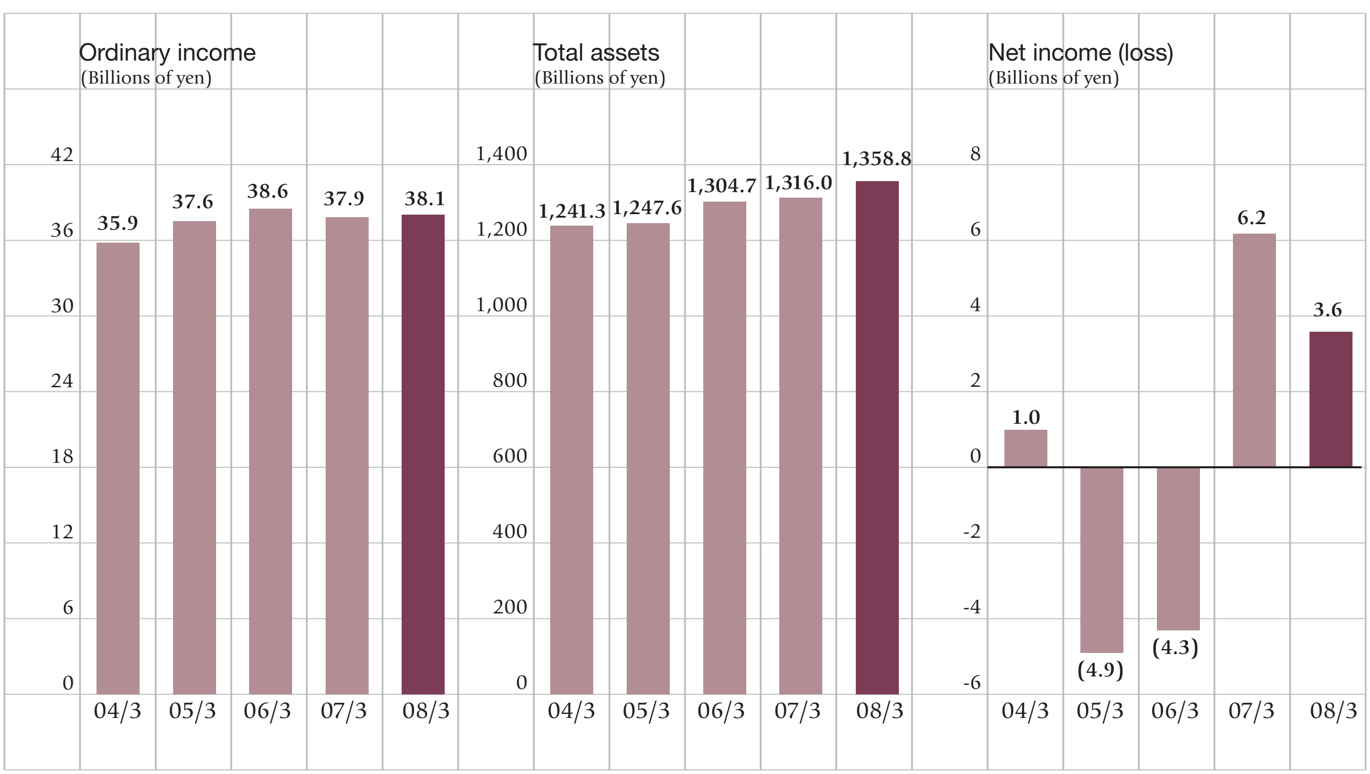
Statements contained in this report regarding the Bank's future performance do not constitute statements of historical fact, and are thus subject to a number of risks and uncertainties. Readers are therefore cautioned not to place undue reliance on forward-looking statements, as factors beyond the Bank's control and outside its ability to predict, including general economic conditions and market fluctuations, could cause results to diverge materially from the Company's projections.

The Bank's annual report published in English is a translation of the original in the Japanese language which was independently audited. The English version it self, however, has not been audited.

Consolidated Financial Highlights

The Kanto Tsukuba Bank, Limited and Consolidated Subsidiaries
Years Ended March 31, 2007 and 2008

	Millions of yen	
	2007	**2008**
For the year:		
Ordinary income	¥ 37,914	**¥ 38,165**
Ordinary expenses	32,852	**34,402**
Income before income taxes and minority interests	5,593	**3,622**
Net income	6,259	**3,668**
At year-end:		
Deposits	¥1,183,202	**¥1,207,483**
Loans and bills discounted	903,021	**919,055**
Securities	234,118	**260,439**
Total assets	1,316,033	**1,358,812**
Net assets	52,000	**48,783**



Message from the President

Kozo Kimura, *President*

NEW STAGE 2011 medium-term management plan started

Five years have now passed since the merger of Kanto Bank and Tsukuba Bank in April 2003 to form the present Kanto Tsukuba Bank. The Bank's operating environment has changed at a dizzying pace over those five years. In line with government policy, the merger was carried out as a means of strengthening the two banks' operating base, and two medium-term management plans and one short-term plan were drawn up and implemented in pursuit of this goal. As a result, the Bank has made steady progress in solidifying its position in the local financial services market while simultaneously strengthening its financial position and expanding its earnings base.

Against the background of these achievements, to set the stage for further swift progress we have drawn up and commenced our third medium-term management plan, under the name of NEW STAGE 2011. The basic policy of this new plan is to increase stakeholder satisfaction by raising the Bank's shareholder value and providing a working environment where talented and hardworking employees can realize their full potential. In this way, we will contribute substantially to the development of the local economy and help to ensure sustainable growth both for the Bank and the community.

It goes without saying that we are working to realize still more rigorous legal compliance and risk management. At the same time, by maximally leveraging the capabilities of our talented staff, we are confident of opening up a new era of growth.

Targets under NEW STAGE 2011 (Billions of yen)

	FY2007	FY2010	Change	% change
Gross profit	¥ 26.6	¥ 30.2	¥ 3.6	13.53
Expenses	18.9	19.6	0.7	3.70
Core banking profit	6.7	10.6	3.9	58.20
Net income	3.5	6.3	2.8	80.0
Loan balance	921.5	1,000.0	78.5	8.51
Balance of deposits	1,215.1	1,300.0	84.9	6.98
Balance of assets in custody	144.1	272.3	128.2	88.96
ROE (%)	6.63	10.26	3.63	54.75
OHR (%)	71.09	64.78	(6.31)	(8.87)
Capital ratio (non-consolidated) (%)	9.53	10.86	1.33	13.95

Note: Figures in parentheses are expected decreases over the three-year plan period.

Management focus on corporate social responsibility

At Kanto Tsukuba Bank, we aim to build on our reputation for trust among customers in our home region to raise our presence in the local market. To make this possible, we have adopted a management policy of placing high priority on efforts to help realize a prosperous and vibrant community. In line with this, as a financial services company with a strong public character, we take our responsibilities to society very seriously. We have therefore positioned the fulfillment of the Bank's corporate social responsibility (CSR) as one of our top-priority management issues. In line with the principles laid down in our corporate philosophy, we practice rigorous legal compliance and uphold high standards of corporate behavioral ethics, as befits a company with an important public mission. While supporting the health of the regional economy through our banking activities, we are also committed to preserving the natural environment and making more intangible contributions to the cultural and spiritual life of the community of which we are a part.

We use the phrase "CSR activities" to describe these various efforts and initiates. Because the concept of CSR permeates our entire spectrum of business operations, we have established a CSR Committee, chaired by the president of the Bank, to ensure that all units of the Bank share information on CSR issues. As a matter of long-term policy, we will continue to place high priority on the fulfillment of the Bank's social responsibilities, to ensure that we never lose the strong public trust we enjoy today.

Development together with the region

Ibaraki Prefecture, which constitutes the Bank's central operating area, is very close to Tokyo. The prefecture consists mainly of a fertile coastal plain, and is renowned for its extensive unspoiled natural environment. Ibaraki is blessed with a relatively low incidence of serious earthquakes, and is also largely free from flooding or other damage from typhoons and so on.

This extensive coastal plain is served by an excellent road network. The section of the North Kanto Expressway within the prefecture has already been opened for traffic, while construction work on other important highways connecting Ibaraki with the Tokyo area is making steady progress. On top of this, Ibaraki Airport is scheduled to open within fiscal 2009. The Tsukuba Express, a high-speed train service linking Tsukuba City with the nation's capital, commenced service in 2005. In fiscal 2007 this service carried an average of 230,000 passengers per day, for an increase of 19% over the previous year. The number of passengers embarking at stations within Ibaraki Prefecture also rose by 19%. Both these increases were well in excess of initial projections.

Thanks largely to this steady expansion of Ibaraki's transportation infrastructure, the total area on which new factories were constructed over the ten years to 2006 reached 1,068 hectares, the highest among Japan's 47 prefectures.

At Kanto Tsukuba Bank, we view this vigorous development of the prefecture's economy as a golden opportunity for the Bank to achieve growth in tandem with the community. Despite the present difficult business environment, the management and staff of the Bank are working as one to lay the groundwork for future growth and prosperity, and I look forward to the continued support of our shareholders and all other stakeholders.

K. Kimura

President
Kozo Kimura

Our Operating Area

Profile of Ibaraki Prefecture

Ibaraki Prefecture is close to the nation's capital: the city of Moriya in the south of the prefecture is a mere 40 kilometers from the center of Tokyo, with Tsuchiura City, where the Bank's head office is located, only 60 kilometers away.

Ibaraki ranks fourth among Japanese prefectures in terms of land usable for housing, industry, or commerce, and second in terms of the length of its road network. The population ranks 11th at 2,970,000 and the value of manufactured goods shipments is 8th at ¥11.4 trillion. Work to improve the transportation network has been continuing, with the area of land occupied by newly-built factories in the decade up to 2006 reaching 1,068 hectares for the number one position.

In addition to Ibaraki Prefecture, Kanto Tsukuba Bank also has branches in the neighboring prefectures of Chiba, Saitama, and Tochigi for a total network of 86 branches, 77 within Ibaraki. The Bank's head office is located in Tsuchiura City in the south of the prefecture.

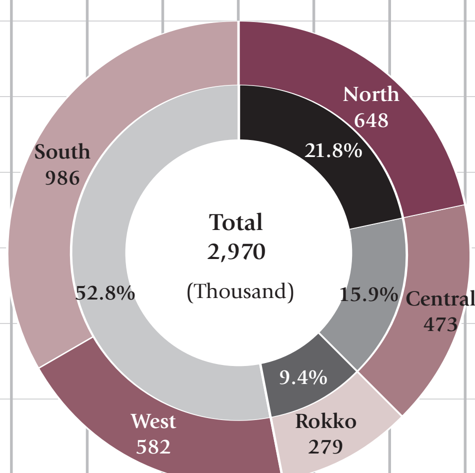
Branch network and ATM strategy

Roughly eighty percent of the Bank's branches in Ibaraki are concentrated in the south and west of the prefecture — which contain around 50 percent of Ibaraki's total population — in line with our policy of focused allocation of management resources for greater efficiency.

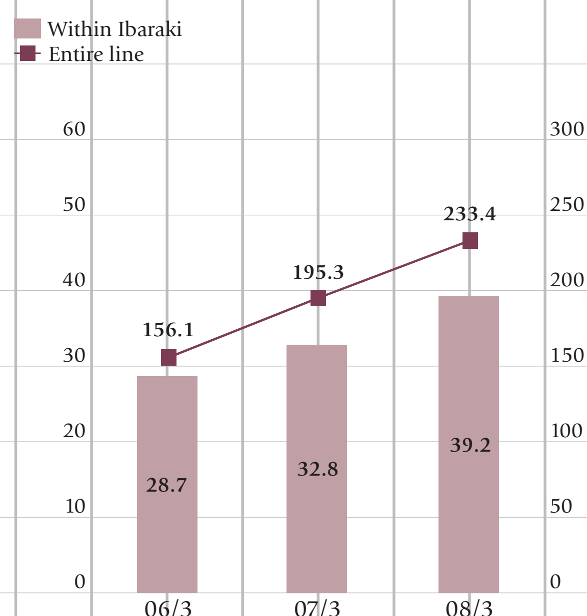
The Bank operates ATM booths inside four stations on the Tsukuba Express railway line within the designated area for industrial and residential development in Ibaraki Prefecture. These ATMs were installed in the stations from the start, and ATMs were also subsequently installed in Moriya Station.

In August 2008 the Bank also began operating ATMs under a joint arrangement with four other regional banks — Tokyo Tomin Bank, Chiba Bank, Musashino Bank, and Yokohama Bank. This collaboration allows customers of each of these regional banks to access services at 1,475 ATMs in the Tokyo area at no extra charge.

Ibaraki Prefecture: permanent population by area
(As of March 2008)



Average passengers per day on Tsukuba Express
(Thousand)



Demographics of Ibaraki Prefecture

The population of Ibaraki peaked at 2,990,000 in 1999, since when it has continued to decline gradually, falling to 2,970,000 in March 2008. This population decline has been most marked in the central part of the prefecture, at 4.42% down from the 1999 peak, followed by a decline of 1.93% in the northern part of Ibaraki. These two minus figure account for the population decrease in the prefecture as a whole. In contrast, the population of western Ibaraki increased by 1.35%, that of the Rokko area by 0.83%, and that of the southern area by 0.26%. The Bank is pursuing a policy of focusing branch openings on these areas with population growth to maximize marketing efficiency.

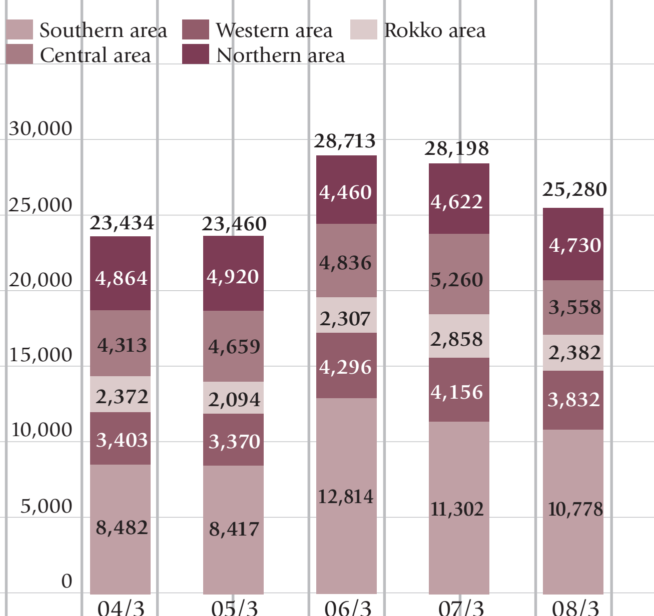
New mortgage loan demand worth ¥800 billion expected in area served by Tsukuba Express

New communities are being built at a rapid pace in the area designated for industrial and residential development, which is served by the Tsukuba Express. According to the Bank's estimates, these developments will result in 40,000 new residences with a population of 102,000, which, together with the existing population of the communities served by the Tsukuba Express Line, will bring the area's total population to 400,000. Combined with the population of the nearby southern area of Ibaraki, which is served by the Joban Line, this will give a total area population of 500,000, creating a new large conurbation.

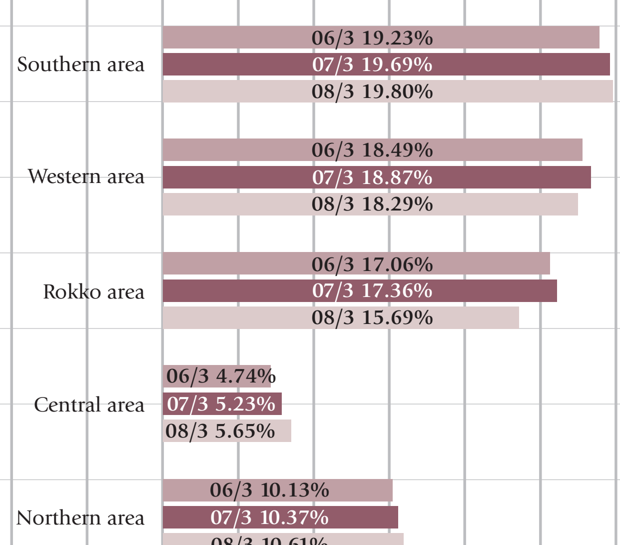
The Bank estimates that these developments combined will result in about 40,000 new housing construction starts, leading to demand for mortgage loans in the amount of ¥800 billion.

Kanto Tsukuba Bank will continue to focus its marketing efforts on the area served by the Tsukuba Express.

New housing starts in Ibaraki Prefecture: breakdown by area
(Number of housing units)



The Bank's share of the loan market in Ibaraki Prefecture: broken down by area



Consolidated Balance Sheets

The Kanto Tsukuba Bank, Limited and Consolidated Subsidiaries
As of March 31, 2007 and 2008

	Millions of yen	
	2007	2008
Assets		
Cash and due from banks	¥ 118,045	¥ 56,202
Call loans and bills bought	—	65,000
Commercial paper and other claims purchased	1,810	1,511
Trading securities	79	165
Money held in trust	2,000	1,959
Securities	234,118	260,439
Loans and bills discounted	903,021	919,055
Foreign exchanges	506	1,039
Other assets	6,001	5,622
Tangible fixed assets	7,845	7,893
Buildings	2,313	2,211
Land	4,449	4,645
Construction in progress	—	10
Other tangible fixed assets	1,082	1,026
Intangible fixed assets	2,301	3,154
Software	1,024	2,509
Other intangible fixed assets	1,277	645
Lease assets	6,702	5,966
Deferred tax assets	9,984	13,929
Customers' liabilities for acceptances and guarantees	49,236	42,046
Reserve for possible loan losses	(25,620)	(25,173)
Total assets	¥1,316,033	¥1,358,812
Liabilities		
Deposits	¥1,183,202	¥1,207,483
Payables under securities lending transactions	—	20,000
Borrowed money	16,475	18,235
Foreign exchanges	37	18
Other liabilities	10,767	17,228
Reserve for employees' bonuses	473	507
Reserve for employees' retirement benefits	3,080	3,261
Executives' accrued severance indemnities	—	179
Reserve for claims on dormant accounts	—	124
Reserve for contingent loss	—	185
Deferred tax liabilities for land revaluation	757	756
Negative goodwill	2	1
Acceptances and guarantees	49,236	42,046
Total liabilities	1,264,032	1,310,029
Net assets		
Common stock	31,368	31,368
Capital surplus	10,758	10,758
Retained earnings	6,454	9,802
Treasury stock	(252)	(259)
Owners' equity	48,330	51,669
Net unrealized gains on available-for-sale securities	3,115	(3,311)
Net deferred losses on hedging instruments, net of taxes	(20)	(174)
Gain on land revaluation	294	361
Total valuation and translation adjustments	3,390	(3,124)
Minority interests	280	237
Total net assets	52,000	48,783
Total liabilities and net assets	¥1,316,033	¥1,358,812

Consolidated Statements of Income

The Kanto Tsukuba Bank, Limited and Consolidated Subsidiaries
For the Years Ended March 31, 2007 and 2008

	Millions of yen	
	2007	**2008**
Ordinary income	¥37,914	**¥38,165**
Interest income	26,311	**26,846**
Interest on loans and discounts	21,107	**21,939**
Interest and dividends on securities	3,563	**3,238**
Interest on call loans and bills purchased	47	**340**
Interest on securities lending transactions	7	**28**
Interest on deposits with banks	498	**361**
Other interest income	1,087	**938**
Fees and commissions	7,216	**5,780**
Other operating income	414	**1,591**
Other ordinary income	3,972	**3,946**
Ordinary expenses	32,852	**34,402**
Interest expenses	1,915	**4,157**
Interest on deposits	1,442	**3,463**
Interest on call money and bills sold	—	**0**
Interest on payables under securities lending transactions	3	**54**
Interest on borrowings and rediscount	441	**558**
Other interest expenses	28	**80**
Fees and commissions	1,639	**1,541**
Other operating expenses	1,542	**1,310**
General and administrative expenses	18,469	**19,344**
Other ordinary expenses	9,286	**8,047**
Reserve for doubtful accounts	2,729	**3,275**
Other ordinary expenses	6,557	**4,771**
Ordinary profit	5,062	**3,763**
Extraordinary income	1,068	**756**
Gain on disposal of non-current fixed assets	13	**—**
Gain on recovery of write-off claims	1,055	**756**
Extraordinary losses	537	**897**
Loss on disposal of non-current assets	95	**37**
Loss on impairment of long-lived assets	392	**111**
Other extraordinary losses	48	**748**
Income before income taxes and minority interests	5,593	**3,622**
Income taxes - current	88	**121**
Income taxes - deferred	(789)	**(163)**
Minority interests	36	**(4)**
Net income	¥ 6,259	**¥ 3,668**

Consolidated Statements of Changes in Net Assets

The Kanto Tsukuba Bank, Limited and Consolidated Subsidiaries
For the Years Ended March 31, 2007 and 2008

	Millions of yen				
	Owners' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock	Owners' equity
Balance at March 31, 2006	¥23,862	¥ 7,796	¥ (4,330)	¥(233)	¥27,094
Changes during the term					
Share issuance due to exercise of share warrants	7,506	7,493			14,999
Net income			6,259		6,259
Acquisition of own shares				(19)	(19)
Disposal of shares in treasury		(0)	(0)	1	0
Transfer of additional paid-in capital		(4,531)	4,531		—
Transfer of land revaluation reserve			(5)		(5)
Other changes					
Total increase (decrease)	7,506	2,962	10,784	(18)	21,235
Balance at March 31, 2007	31,368	10,758	6,454	(252)	48,330
Changes during the term					
Dividends from surplus			**(631)**		**(631)**
Changes in equity stakes due to capital increase			**377**		**377**
Net income			**3,668**		**3,668**
Acquisition of own shares				**(9)**	**(9)**
Disposal of shares in treasury			**(0)**	**1**	**0**
Transfer of land revaluation reserve			**(67)**		**(67)**
Other changes					
Total increase (decrease)	**—**	**—**	**3,347**	**(7)**	**3,339**
Balance at March 31, 2008	**¥31,368**	**¥10,758**	**¥ 9,802**	**¥(259)**	**¥51,669**

	Millions of yen					
	Valuation and translation adjustments					
	Net unrealized gains on available-for-sale securities	Net deferred losses on hedging instruments, net of taxes	Gain on land revaluation	Total valuation and translation adjustments	Minority interests	Total net assets
Balance at March 31, 2006	¥ 798	¥ —	¥289	¥ 1,087	¥244	¥28,427
Changes during the term						
Share issuance due to exercise of share warrants						14,999
Net income						6,259
Acquisition of own shares						(19)
Disposal of shares in treasury						0
Transfer of additional paid-in capital						—
Transfer of land revaluation reserve						(5)
Other changes	2,317	(20)	5	2,302	35	2,338
Total increase (decrease)	2,317	(20)	5	2,302	35	23,573
Balance at March 31, 2007	3,115	(20)	294	3,390	280	52,000
Changes during the term						
Dividends from surplus						**(631)**
Changes in equity stakes due to capital increase						**377**
Net income						**3,668**
Acquisition of own shares						**(9)**
Disposal of shares in treasury						**0**
Transfer of land revaluation reserve						**(67)**
Other changes	**(6,427)**	**(154)**	**67**	**(6,514)**	**(42)**	**(6,557)**
Total increase (decrease)	**(6,427)**	**(154)**	**67**	**(6,514)**	**(42)**	**(3,217)**
Balance at March 31, 2008	**¥(3,311)**	**¥(174)**	**¥361**	**¥(3,124)**	**¥237**	**¥48,783**

Consolidated Statements of Cash Flows

The Kanto Tsukuba Bank, Limited and Consolidated Subsidiaries
For the Years Ended March 31, 2007 and 2008

	Millions of yen	
	2007	**2008**
I. Cash flows from operating activities		
Income before income taxes and minority interests	¥ 5,593	**¥ 3,622**
Depreciation	3,129	**3,477**
Loss on impairment of non-current assets	392	**111**
Amortization of goodwill	—	**468**
Amortization of negative goodwill	(1)	**(1)**
Decrease in reserve for possible loan losses	(6,559)	**(446)**
Increase (decrease) in reserve for employees' bonuses	(8)	**33**
Increase in reserve for employees' retirement benefits	188	**181**
Increase in executives' accrued severance indemnities	—	**179**
Increase in reserve for loss on claims for dormant accounts	—	**124**
Increase in reserve for loss on contingency	—	**185**
Interest and dividend income	(26,311)	**(26,846)**
Interest expenses	1,915	**4,157**
Gains related to securities transactions	(194)	**(1,223)**
Losses (gains) on money held in trust	(152)	**36**
Foreign exchange losses, net	0	**2,487**
Losses on disposal of non-current assets	82	**37**
Net increase in loans and bills discounted	(35,747)	**(16,033)**
Net increase in deposits	26,757	**24,281**
Net increase (decrease) in borrowed money excluding subordinated debt	107	**(140)**
Net decrease in due from banks excluding cash equivalents	2,944	**1,888**
Net decrease (increase) in call loans and others	886	**(64,688)**
Net increase (decrease) in payables under securities lending transactions	(17,207)	**20,000**
Net increase in lease assets	(1,948)	**(1,640)**
Net decrease (increase) in foreign exchange (assets)	237	**(533)**
Net increase (decrease) in foreign exchange (liabilities)	10	**(19)**
Net decrease (increase) in trading account securities	197	**(52)**
Interest and dividends received	26,248	**27,310**
Interest paid	(1,158)	**(2,883)**
Others, net	(616)	**(753)**
Subtotal	(21,216)	**(26,678)**
Income taxes paid	(101)	**(183)**
Net cash used in operating activities	(21,317)	**(26,861)**
II. Cash flows from investing activities		
Purchases of securities	(113,998)	**(312,645)**
Proceeds from sale of securities	36,357	**40,804**
Proceeds from redemption of securities	73,038	**239,620**
Purchases of tangible fixed assets	(461)	**(688)**
Purchases of intangible fixed assets	(996)	**(1,585)**
Proceeds from sale of tangible fixed assets	187	**3**
Proceeds from sale of intangible fixed assets	0	**136**
Net cash used in investing activities	(5,872)	**(34,354)**
III. Cash flows from financing activities		
Proceeds from issuance of subordinated debt	5,600	**3,000**
Repayment of subordinated debt	(1,700)	**(1,100)**
Dividends paid	—	**(631)**
Purchase of own shares for inclusion in treasury stock	(19)	**(9)**
Proceeds from sale of shares in treasury	0	**0**
Net cash provided by financing activities	3,881	**1,260**
IV. Translation adjustment for cash and cash equivalents	2	**0**
V. Net decrease in cash and cash equivalents	(23,305)	**(59,955)**
VI. Cash and cash equivalents at beginning of year	106,450	**83,144**
VII. Cash and cash equivalents at end of year	¥ 83,144	**¥ 23,189**

Notes to Consolidated Financial Statements

The Kanto Tsukuba Bank, Limited and Consolidated Subsidiaries
Year Ended March 31, 2008

Basis of presentation of the consolidated financial statements

1. Scope of consolidation

(1) Consolidated subsidiaries: 6
Please refer to page 21, "Subsidiaries and Affiliated Companies."

(2) Non-consolidated subsidiaries: Not applicable

2. Application of equity method

(1) Non-consolidated subsidiaries subject to the equity method: Not applicable

(2) Affiliated companies subject to the equity method: Not applicable

(3) Non-consolidated subsidiaries not subject to the equity method: Not applicable

(4) Affiliated companies not subject to the equity method: Not applicable

3. Balance-sheet date of consolidated subsidiaries

The balance-sheet date of six consolidated subsidiaries is March 31.

4. Accounting standards

(1) Trading securities
Trading securities are valued at fair market value. (Cost of trading securities sold is principally determined using the moving-average method.)

(2) Securities

a) Marketable debt securities held to maturity are stated at amortized cost using the moving-average method. Available-for-sale securities outside the scope of held-to-maturity securities of which market prices are available are stated at fair value based principally on the market prices prevailing on the balance-sheet date and cost of securities sold is principally determined using the moving-average method. Those of which fair value is not available are stated at cost or amortized cost determined by the moving-average cost method.

Unrealized gain or loss on available-for-sale securities (net of the applicable tax amounts) has been reported as a component of net assets.

b) Investments in securities held in money trusts whose investment is operated solely by the Bank on behalf of the trustors, are stated at fair value.

(3) Derivatives
Derivatives transactions are recorded at market value.

(4) Depreciation of premises and equipment

a) Tangible fixed assets
Depreciation of tangible fixed assets held by the Bank is calculated by the declining-balance method, except for buildings acquired on or after April 1, 1998 of which depreciation is calculated by the straight-line method.

The estimated useful lives are as follows:
Buildings: 15 to 47 years
Equipment: 3 to 15 years

The Bank has adopted new accounting standards for the depreciation of tangible fixed assets acquired on April 1, 2007 and after, as stipulated in the amendments to the Income Tax Law of fiscal 2007.

The adoption of new standards has caused ordinary profit and income before income taxes and minority interests to decrease by ¥17 million.

Please see relevant sections for segment details.

Regarding tangible fixed assets acquired up to and including March 31, 2007, an amount equivalent to the residual value of the assets under the previous accounting standards is depreciated on an equal-amount basis over five years, beginning with the term following that in which the book value of the assets is reduced to the residual value. The adoption of the new standards has caused ordinary profit and income before income taxes and minority interests to decrease by ¥36 million.

b) Intangible fixed assets
Intangible fixed assets are amortized on a straight-line basis. Software for internal use is amortized on a straight-line basis over the useful lives (3 to 5 years).

c) Lease assets
Lease assets are depreciated on a straight-line basis over lease contract periods.

(5) Accounting for deferred assets
Share issuance expenses are fully charged to income at the time they are incurred.

(6) Reserve for possible loan losses
The reserve for possible loan losses of the Bank is provided as detailed below, in accordance with the internal rules for providing reserves for possible loan losses:

For claims to debtors who are legally bankrupt (as a result of bankruptcy, special liquidation, etc.) or who are substantially bankrupt, a provision is made based on the amount of the claims, net of the amounts expected to be collected by the disposal of collateral or as a result of the execution of guarantees. For claims to debtors who are not currently bankrupt, but are likely to become bankrupt, a provision is made based on the amount deemed necessary based on an overall solvency assessment of the borrowers and the amount of claims net of the amounts expected to be collected by the disposal of collateral or as a result of the execution of guarantees.

For other claims, a reserve is provided based on the Bank's historical loan-loss records.

All claims are assessed by the Business Section (at the branches and the related head office divisions) based on the Bank's internal rules for the self-assessment of asset quality. The Corporate Audit Department, which is independent of the Business Section, subsequently conducts audits of such assessments, and a provision is made based on the audit results.

For collateralized or guaranteed claims from debtors who are legally or substantially bankrupt, the amounts of the claims deemed uncollectible in excess of the estimated value of the collateral or guarantees have been written off in aggregate amounts of ¥25,479 million as of March 31, 2008.

Regarding consolidated subsidiaries, provisions are made for non-specific claims at an amount based on the actual historical loan loss rates and for specific claims (basically on potentially bankrupt borrowers) at an estimate of the amounts deemed uncollectible based on the individual assessments.

(7) Reserve for employees' bonuses

A provision is made for the accrued bonus payment based on estimates of bonuses payable to employees as of the balance-sheet date.

(8) Reserve for employees' retirement benefits

A provision is made for the preparation of retirement of employees in an amount attributable to the reporting period, based on estimated balance of retirement benefits obligations and plan assets at the fiscal year end, to cover required retirement benefits for eligible employees.

The method for the recognition of gains and losses generating from changes in actuarial assumptions is as follows.

Unrealized actuarial losses are deferred and amortized on a straight-line basis over a ten-year period commencing with the following year when recognized, which is shorter than the average remaining service period of the eligible employees.

The translation obligations, that is, difference arising from changes in accounting standards of ¥6,429 million, after deduction of the amount associated with termination of pension fund operations for the Government, are recognized and charged to income on an equal amount basis over ten years.

(9) Accrued severance indemnities for directors, corporate auditors and executive officers

A provision is made for accrued severance indemnities for directors, corporate auditors and executive officers in an amount accrued at the end of the reporting period based on internal regulations.

Previously, the Bank expensed severance indemnities for directors, corporate auditors and executive officers as they were incurred. However, due to the mandatory application of new accounting standards as stipulated in JICPA Audit and Assurance Practice Committee Report No. 42 dated April 13, 2007 for the period ended March 31, 2008 and subsequent terms, the Bank adopted the new accounting standards for the reporting period. The adoption of the new standards has caused ordinary expenses and extraordinary losses to increase by ¥41 million and ¥149 million, respectively, and ordinary profit and income before income taxes and minority interests to decrease by ¥41 million and ¥191 million, respectively.

Please see relevant sections for segment details.

(10) Reserve for losses on claims on dormant accounts

Provision is made for losses on claims on dormant accounts in the future in an amount deemed necessary taking into account the Bank's historical refund record.

Previously, the Bank removed certain deposit accounts meeting the definition of dormant accounts from liabilities, posted gains in a corresponding amount, and, upon claims on repayments of the deposits, expensed losses on repayment of deposits as they incurred. However, due to the mandatory application of the new accounting standards stipulated in JICPA Audit and Assurance Practice Committee Report No. 42 dated April 13, 2007 to the period ended March 31, 2008, the Bank has adopted the new accounting standards for the reporting period. Under the new standards, a bank is required to make a provision in an amount deemed necessary for the refund in the future based on its historical records. The adoption of the new standards has caused other ordinary expenses and extraordinary losses to increase by ¥26 million and ¥98 million, respectively, and ordinary profit and income before income taxes and minority interests to decrease by ¥26 million and ¥124 million, respectively.

(11) Reserve for loss on contingency

Provision is made in an amount deemed necessary to cover possible losses resulting from the default of loans under the system for loan-loss sharing with credit guarantee associations, primarily on the basis of historical default rates.

On October 1, 2007, a new loan-loss sharing system was established for credit guarantee associations, under which financial institutions share losses resulting from payments in subrogation by credit guarantee associations. For the period ended March 31, 2008, the Bank has made a provision in an amount deemed necessary. The adoption of the new standards has caused ordinary profit and income before income taxes and minority interests to decrease by ¥185 million.

(12) Translation of foreign currencies

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

(13) Leases

Finance leases other than those which transfer the ownership of the leased property to the Bank are accounted for as operating leases.

(14) Hedging

The deferred hedge accounting is applied to interest risks on financial assets and liabilities of the Bank. When carrying out hedging transactions, the Bank employs interest swaps and other derivatives, implementing hedge transactions on an individual basis to hedge interest risks on loans and other financial assets and liabilities. In accordance with the risk management policies of the Bank, the Bank specifies hedged items and corresponding hedge instruments and the hedge effectiveness is assessed by examining whether interest risks of the relevant hedged items are offset by the relevant hedging transactions or not.

(15) Consumption tax

Transactions are principally stated exclusive of national and municipal consumption taxes.

However, non-deductible consumption taxes on tangible fixed assets are charged to income as incurred.

5. Amortization of goodwill and reversal of negative goodwill

Negative goodwill recognized for the operations of Kanto Leasing Co., Ltd. and Kangin Computer Service Co., Ltd. is reversed on an equal-amount basis over ten years.

Goodwill recognized for the operation of Kanto Credit Guarantee Co., Ltd. is amortized in line with provisions in Article 32 of JICPA Accounting System Committee Report No. 7 (Practical Guidelines for Capital Consolidation for the Preparation of Consolidated Financial Statements).

6. The scope of cash and cash equivalents posted under consolidated statements of cash flows

Cash and cash equivalents recorded under the consolidated statements of cash flows consist of cash on hand, deposits with the Bank of Japan, current deposits and ordinary deposits, which are included in "cash and due from banks" in the consolidated balance sheets.

Change in the basis of presentation of the consolidated financial statements

Accounting standards for financial instruments

Due to the mandatory application of the new accounting standards for financial instruments (recent amendments on the scope of securities to the Accounting Standard for Financial Instruments, Business Accounting Standard No. 10, dated June 15, 2007, and Application Guidelines for the Application of Business Accounting Standard for Financial Instruments, JICPA Laws and Regulations Committee Report No. 14, dated July 4, 2007) to financial instruments effective from the period that ends after the enactment date of the Financial Instruments and Exchange Law, the Bank has adopted the new accounting standards for the period ended March 31, 2008.

Items related to the balance sheets

1. Loans to bankrupt borrowers amounted to ¥2,827 million, and delinquent loans came to ¥59,589 million.

   Loans to bankrupt borrowers represented loans (excluding charged-off amounts) stipulated in Article 96, Paragraph 1, Item 3 (a) to (e) or Item 4 of the Enforcement Regulation to Corporation Tax Law (1965 Cabinet Order No. 97) to which accrued interest receivables are not recognized as accruals for accounting purposes as no repayment of principal or payment of interest have been made for a considerable period.

   Delinquent loans represent loans with respect to which accrued interest receivables are not recognized as accruals for accounting purposes, excluding loans falling into the category of restructured loans.
2. Loans past due for 3 months or more amounted to ¥133 million.

   Loans past due for 3 months or more represent loans with respect to which repayment of principal or payment of interest are past due three months or more, excluding loans falling into the categories of loans in bankruptcy and dishonored bills or delinquent loans.
3. Restructured loans amounted to ¥9,904 million.

   Restructured loans represent loans to borrowers to whom financial support is given in the form of reduction in interest, waiver of repayment of the principal or payment of interest, or debt forgiveness with the aim of corporate rehabilitation, excluding loans falling into loan categories mentioned above.
4. Loans to bankrupt borrowers, delinquent loans, loans past due for 3 months or more, and restructured loans totaled to ¥72,455 million.

   The above amounts are stated before the provision of specific loan loss reserves.
5. Bills discounted are accounted for as financial transactions in accordance with JICPA Industry Audit Committee Report No. 24. The Bank has the rights to sell or pledge bank acceptances bought, commercial bills discounted, documentary bills and foreign exchanges bought without restrictions. The face value at March 31, 2008 totaled ¥11,743 million.

6. The outstanding balance of the principal of loans that are entrusted through the Residential Mortgage Backed Securities (RMBS) was ¥62,462 million as of March 31, 2008. As of March 31, 2008, the Bank maintains subordinated beneficiary rights of the RMBS for ¥26,941 million, ¥24,067 million of which is included in loans and bills discounted, and ¥2,873 million of which is included in cash and due from banks as cash reserves.
7. Assets pledged as collateral at March 31, 2008 were as follows:
   Pledged assets:
   Securities: ¥55,342 million
   Liabilities covered by pledged assets:
   Deposits: ¥4,515 million
   Payables under securities lending transactions: ¥20,000 million
   Borrowed money: ¥1,515 million
   In addition to the above, securities amounting to ¥33,136 million at book value were pledged as collateral for domestic exchange or call money transactions as of March 31, 2008.
   Guarantee money amounted to ¥1,090 million as of March 31, 2008.
8. Overdraft facilities and line-of-credit contracts are agreements under which, subject to compliance with the contractual conditions, the Bank or consolidated subsidiaries pledge to provide clients with funds up to a fixed limit upon submission of a loan application to the Bank. The unused amount related to such facilities/contracts stood at ¥255,603 million on March 31, 2008. The portion whose due being within one year amounted to ¥23,226 million as of March 31, 2008.
   These agreements will expire without the clients' having utilized the financial resources available to them, and the amount of the non-executed financing will not necessarily impact on the Bank's future cash flows. Most of these facilities/contracts contain a clause which allows the Bank to reject a loan application or to reduce the upper limit requested in view of changing financial conditions, credit maintenance and other reasonable concerns. When necessary, the Bank will demand collateral such as real estate or marketable securities at the date on which an agreement is entered into. In addition, after facilities/contracts are set forth the Bank will regularly assess the business status of the clients, based on predetermined internal procedures and, when prudent, will revise the agreements or reformulate their policies to maintain creditworthiness.
9. Pursuant to stipulations in the Law concerning the Revaluation of Land issued on March 31, 1998, the Bank revaluated the land held for its operations. The net unrealized gain is presented in net assets, net of the applicable income taxes as "gain on land revaluation." The amounts equivalent to income taxes are recorded under "deferred tax liabilities for land revaluation."
   Date of land revaluation: March 31, 1998
   The difference between the total market value of land held for operations, which was revalued in accordance with the provisions stipulated in Article 10 of the above Law, as at the end of the reporting period, and the total book value of the relevant land after revaluation: (¥1,869 million than the latter)
10. Accumulated depreciation of tangible fixed assets: ¥9,906 million
    Accumulated depreciation of lease assets: ¥9,696 million
11. Accumulated advanced depreciation of tangible fixed assets: ¥369 million
    (Accumulated advanced depreciation of tangible fixed assets for the reporting term: —)
12. Borrowed money at March 31, 2008 included subordinated debt of ¥16,720 million.
    The above borrowings include ¥6,000 million extended from the Resolution and Collection Corporation on September 24, 2003 in accordance with Article 3 of the Act on Special Measures for Promotion of Organizational Restructuring of Financial Institutions.
13. Guarantee obligations on securities issued through private placements (pursuant to Article 2, Clause 3 of the Securities and Exchange Law) amounted to ¥1,950 million.

Items related to the statements of income

1. Other ordinary expenses include loan-loss write-offs of ¥944 million and write-down of equity securities of ¥168 million.
2. Other extraordinary expenses include expenses for amortization of goodwill of ¥468 million arising from application of impairment accounting to investments in consolidated subsidiaries, provision of ¥149 million for accrued severance indemnities for executives, and provision of ¥98 million for possible losses on claims on dormant accounts.
3. The Bank recorded impairment losses of ¥111 million as extraordinary losses. The above amount was the difference between the book value of the following assets, investments in which are unlikely to be recovered following the deterioration in expected cash flows from operating activities and a fall in land value, and the recoverable amount of the relevant assets.

Millions of yen

Region	Major use	Types	Impairment losses
Inside Ibaraki Prefecture	Branches 14 branches	Land and buildings	¥108 Land: 35 Buildings: 59 Other: 12
	Idle assets 6 premises	Land	2 Land: 2
Outside Ibaraki Prefecture	Idle assets 2 premises	Land and buildings	1 Land: 0 Buildings: 0

Method of grouping
The Bank's branches are regarded as a unit of banking operations, which is the smallest unit for the accounting purpose. (Sub-branches are included in their parent branches.) Valuations of idle assets are made on an individual basis. Each consolidated subsidiary is regarded as an independent unit for the accounting purpose.
Recoverable amount
Recoverable amounts which are used to measure impairment losses, are net selling prices. Net selling prices are calculated on the basis of appraisal values of real estate after deduction of the estimated cost of disposal.

Items related to the statements of changes in net assets

1. Types and total number of shares outstanding, and types and total number of outstanding shares in treasury

Thousand shares

	As of March 31, 2007	Increase	Decrease	As of March 31, 2008
Outstanding shares				
Ordinary shares (Note 1)	55,754	301	—	56,055
Preferred shares (Note 2)	1,293	—	126	1,167
Total	57,048	301	126	57,222
Treasury stocks				
Ordinary shares (Notes 3 and 4)	172	11	0	182
Preferred shares (Notes 5 and 6)	33	110	126	17
Total	205	122	127	200

Notes: 1. An increase in the total number of ordinary shares issued is attributable to an increase of 301 thousand shares as a result of the conversion of preferred shares to ordinary shares.
2. A decrease in the total number of preferred shares issued is attributable to retirement and cancellation of 126 thousand preferred shares.
3. An increase in the number of ordinary shares in treasury is attributable to purchases of the Bank's own shares in an amount less than one trading unit from shareholders.
4. A decrease in the number of ordinary shares in treasury is attributable to selling shares in an amount less than one trading unit upon request of shareholders.
5. An increase in the number of preferred shares in treasury is attributable to an increase of 110 thousand shares upon request for conversion of preferred shares to ordinary shares.
6. A decrease in the number of preferred shares in treasury is attributable to retirement and cancellation of preferred shares purchased.

2. Dividends

Resolution	Type of shares	Amount of dividends (Millions of yen)	Dividend per share (Yen)	Record date	Effective date
Ordinary General Meeting of Shareholders held on June 28, 2007	Ordinary shares of common stocks	¥555	¥10	March 31, 2007	June 29, 2007
	Class stock	75	60	March 31, 2007	June 29, 2007

Dividends, the record date of which falls within the reporting period, and the effective date of which does not arrive by the end of the period.

Resolution	Type of shares	Amount of dividends (Millions of yen)	Resource of dividends	Dividend per share (Yen)	Record date	Effective date
Ordinary General Meeting of Shareholders held on June 27, 2008	Ordinary shares of common stocks	¥558	Retained earnings	¥10	March 31, 2008	June 30, 2008
	Class stock	68	Retained earnings	60	March 31, 2008	June 30, 2008

Items related to the cash flow

Reconciliation for "cash and cash equivalents" and "cash and due from banks" in the consolidated balance sheets

As of March 31, 2008	Millions of yen
Cash and due from banks	¥56,202
Demand deposits	(17)
Time deposits	(30,003)
Other deposits	(2,992)
Cash and cash equivalents	¥23,189

Notes to lease transactions

Finance leases other than those in which ownership of the leased property is deemed to be transferred to the lessee

Lessor

* Acquisition costs, accumulated depreciation and net book value at the end of the year

As of March 31, 2008	Millions of yen
Acquisition costs	
Movable assets	¥ 9,854
Others	224
Total	¥10,079
Accumulated depreciation	
Movable assets	¥ 4,854
Others	123
Total	¥ 4,978
Net book value at the end of the year	
Movable assets	¥ 4,999
Others	101
Total	¥ 5,100
Minimum lease receipts at the end of the year	
Due within one year	¥ 1,669
Due after one year	3,736
Total	¥ 5,405
Lease revenue, depreciation, and interest income	
Lease revenue	¥ 2,224
Depreciation	1,860
Interest income	341

* Method to calculate interest income

The amount equivalent to interest income is the difference between the total lease revenue to be received and the acquisition costs of leased assets. The interest method is applied in allocating these amounts to the applicable accounting periods.

Securities holdings

The amounts below include trust beneficiary rights included in bills bought, in addition to securities and trading securities posted under the balance sheets.

1. Securities held for trading purposes

	Millions of yen	
As of March 31, 2008	Balance-sheet amount	Holding losses charged to income
Securities held for trading purposes	¥165	¥1

2. Marketable debt securities held to maturity

	Millions of yen				
As of March 31, 2008	Balance-sheet amount	Market value	Net unrealized gain (loss)	Unrealized gain	Unrealized loss
Japanese government bonds	—	—	—	—	—
Japanese local government bonds	—	—	—	—	—
Short-term corporate bonds	—	—	—	—	—
Corporate bonds	—	—	—	—	—
Others	¥9,010	¥8,785	¥(224)	¥8	¥232
Foreign bonds	9,010	8,785	(224)	8	232
Total	¥9,010	¥8,785	¥(224)	¥8	¥232

Note: Market value is determined based on the market prices prevailing on the balance-sheet date.

3. Marketable available-for-sale securities

As of March 31, 2008	Millions of yen				
	Cost	Balance-sheet amount	Net unrealized gain (loss)	Unrealized gain	Unrealized loss
Equity securities	¥ 11,307	¥ 11,143	¥ (164)	¥1,095	¥1,260
Debt securities	202,490	201,881	(608)	364	973
Japanese government bonds	104,249	103,927	(322)	250	572
Japanese local government bonds	4,009	4,007	(1)	24	25
Short-term corporate bonds	—	—	—	—	—
Corporate bonds	94,231	93,946	(284)	90	375
Others	41,675	36,447	(5,228)	91	5,319
Foreign bonds	4,501	4,467	(34)	3	37
Others	37,174	31,980	(5,194)	88	5,282
Total	¥255,474	¥249,472	¥(6,001)	¥1,552	¥7,553

Notes: 1. Book value is determined based on the market prices prevailing on the balance-sheet date.
2. The Bank has applied impairment accounting to certain listed shares and other securities included in the available-for-sale securities, and has posted impairment losses of ¥160 million and ¥340 million, respectively, for the reporting term. The Bank maintains a policy of applying impairment accounting, under which, in the event that the fair values of securities at the balance-sheet date decline by 30% or more from the acquisition costs, the said securities are subjected to impairment accounting, and differences between acquisition costs and fair values are written off, excepting for securities whose prices are deemed recoverable.

4. Marketable available-for-sale securities sold

As of March 31, 2008	Millions of yen		
	Amount	Gains	Losses
Proceeds from sale of marketable available-for-sale securities	¥40,899	¥2,419	¥615

5. Major components and balance sheet amounts of non-marketable securities

As of March 31, 2008	Millions of yen
Non-marketable available-for-sale securities:	
Unlisted equity securities	¥ 679
Bonds issued through private placements	1,950
Others	680

6. Schedule of redemption of available-for-sale securities with maturity dates and debt securities being held to maturity

As of March 31, 2008	Millions of yen			
	Due within one year	One to five years	Five to ten years	Over ten years
Debt securities	¥91,300	¥96,323	¥10,703	¥5,504
Japanese government bonds	54,901	36,103	7,418	5,504
Japanese local government bonds	7	2,594	1,405	—
Short-term corporate bonds	—	—	—	—
Corporate bonds	36,392	57,624	1,879	—
Others	501	3,113	16,640	4,352
Foreign bonds	501	974	9,001	3,000
Other	—	2,138	7,639	1,352
Total	¥91,802	¥99,436	¥27,344	¥9,856

Unrealized gain on available-for-sale securities

The breakdown of unrealized gains (losses) on available-for-sale securities included in the consolidated balance sheets are as follows:

As of March 31, 2008	Millions of yen
Unrealized gains (losses)	¥(6,001)
Available-for-sale securities	(6,001)
Other money held in trust	—
(+) Deferred tax assets	2,690
Net unrealized gains (losses) on available-for-sale securities (prior to application of the equity method)	(3,311)
(–) Minority interests	—
(+) Bank's interest in net unrealized gains on available-for-sale securities held by affiliates accounted for by the equity method	—
Unrealized gains (losses) on available-for-sale securities	¥(3,311)

Money held in trust

	Millions of yen
As of March 31, 2008	Balance-sheet amount
Money held in trust for investment	¥1,959

Derivative

1. Derivatives

(1) Details of derivative transactions

The Bank primarily engages in exchange contract transactions and interest swap transactions. In addition, under certain circumstances, it carries out other transactions, such as bond futures transactions and stock index futures transactions.

(2) Policies and purposes of derivative transactions

The Bank carries out derivatives transactions to hedge market risks associated with transactions with customers, assets and debts.

The Bank also carries out exchange contract transactions to hedge risks of exchange fluctuations, and interest swap transactions to hedge interest risks associated with financial assets and liabilities, including loans.

The Bank assesses the effectiveness of interest swap transactions that are used to hedge interest risks by examining whether interest risks associated with financial assets and liabilities, such as loans, which are the subject of hedging transactions, have been reduced by the relevant hedging transactions.

(3) Details of risks associated with derivative transactions

The principal risks associated with derivative transactions include the incurrence of losses from fluctuations in the relevant market prices (market risk), and the incurrence of losses arising from defaults by the counterparty to derivatives contracts (credit risk).

Because most of the Bank's derivatives transactions are implemented to hedge risks, valuation losses incurred from market risk are offset by valuation profits made on the relevant on-balance-sheet transactions. In addition, as counterparties are selected in accordance with preset standards, the Bank believes that it is unlikely to experience losses from credit risk.

(4) Risk control structure

Derivatives transactions are carried out in accordance with operation standards for the purpose and volume of transactions, maximum loss allowance, and reporting, all of which were established by the Bank.

The Bank has clearly separated the department that carries out transactions from the department that implement administrative operations to ensure the mutual supervision of the two departments. Furthermore, the Bank has developed a structure in which the status of transactions is reported on a daily and monthly basis.

(5) Supplementary explanation about quantitative informationContract amounts as described in the "Market value of transactions" represent the nominal amount of derivatives transactions, but they do not represent the level of market risk or credit risk.

2. Market value of derivatives

(1) Interest–rate derivatives

	Millions of yen			
As of March 31, 2008	Nominal principal or contract amount	Over 1 year	Market value	Valuation gain (loss)
Listed:				
Interest-rate futures				
Sold	—	—	—	—
Bought	—	—	—	—
Interest-rate options				
Sold	—	—	—	—
Bought	—	—	—	—
Over-the-counter transactions:				
Interest-rate forward contacts				
Sold	—	—	—	—
Bought	—	—	—	—
Interest-rate swaps				
Receive fixed rate and pay floating rate	—	—	—	—
Receive floating rate and pay fixed rate	¥2,000	¥2,000	¥(42)	¥(42)
Receive floating rate and pay floating rate	—	—	—	—
Interest-rate options				
Sold	—	—	—	—
Bought	—	—	—	—
Others				
Sold	—	—	—	—
Bought	—	—	—	—
Total	/	/	¥(42)	¥(42)

Notes: 1. The above derivatives are valued at market and valuation gain (loss) is accounted for in the consolidated statements of income. Derivatives under hedge accounting are excluded from the above tables.

2. Calculation of market value
Market value of transactions listed on exchanges has been calculated primarily on the basis of the closing prices on the Tokyo International Financial Futures Exchange. Market value of over-the-counter transactions has been calculated at their discounted current value or by utilizing calculation models for options prices.

(2) Currency derivatives

As of March 31, 2008	Nominal principal or contract amount	Over 1 year	Market value	Valuation gain (loss)
	Millions of yen			
Listed:				
Currency futures				
Sold	—	—	—	—
Bought	—	—	—	—
Currency options				
Sold	—	—	—	—
Bought	—	—	—	—
Over-the-counter transactions:				
Currency swaps	—	—	—	—
Forward foreign exchange contracts				
Sold	¥6,511	—	¥105	¥105
Bought	88	—	(0)	(0)
Currency options				
Sold	—	—	—	—
Bought	—	—	—	—
Others				
Sold	—	—	—	—
Bought	—	—	—	—
Total	/	/	¥104	¥104

Notes: 1. The above derivatives are valued at market and valuation gain (loss) is accounted for in the consolidated statements of income.
2. Calculation of market value
Market value is determined principally by the discounted cash flow methods.

(3) Stock derivatives
Not applicable
(4) Bond derivatives
Not applicable
(5) Commodity derivatives
Not applicable
(6) Credit derivatives
Not applicable

Employees' Retirement Benefits

1. Outline of current retirement benefit system

The Bank has adopted defined benefit pension plans (based on the cash balance plan) and lump-sum retirement payment systems.

The Bank's consolidated subsidiaries have adopted lump-sum retirement payment systems.

2. Retirement benefit obligation

As of March 31, 2008	Millions of yen
Retirement benefit obligation (A)	¥(10,919)
Fair value of plan assets (B)	5,285
Unfunded retirement benefit obligation (C) = (A) + (B)	(5,634)
Unrecognized net retirement benefit obligation at transition (D)	705
Unrecognized actuarial loss (E)	1,666
Unrecognized prior service cost (F)	—
Net retirement benefit obligation (G) = (C) + (D) + (E) + (F)	(3,261)
Reserve for employees' retirement benefits (H) = (G)	¥ (3,261)

Note: The consolidated subsidiaries have adopted a simplified method for the calculation of their retirement benefit obligation.

3. Retirement benefit cost

Year ended March 31, 2008	Millions of yen
Service cost	¥292
Interest cost	215
Expected return on plan assets	(213)
Amortization of prior service cost	—
Amortization of unrecognized actuarial loss	195
Unrecognized net retirement benefit obligation at transition	352
Other (including additional payments under early retirement plans)	17
Total retirement benefit cost	¥860

Note: Retirement benefit cost of consolidated subsidiaries which is calculated by simplified method has been included in "service cost" referred to above.

4. Basis for calculation of retirement benefit obligations
(1) Discount rate: 2.0%
(2) Expected rate of return on plan assets: 3.5%
(3) Periodical allocation of estimated retirement benefits: Straight-line method
(4) Amortization period of prior service cost: 1 year
(5) Amortization period of actuarial gain/loss: 10 years (unrealized actuarial losses are deferred and amortized using the straight-line method over a ten-year period commencing with the following year, which is shorter than the average remaining service period of the eligible employees.)
(6) Period for amortization of unrecognized retirement obligations at transition: 10 years

Tax-effect accounting

1. Deferred tax assets

As of March 31, 2008	Millions of yen
Deferred tax assets	
Reserve for possible loan losses	¥20,070
Operating loss carry forwards	67
Write-offs of securities	1,655
Reserve for employees' retirement benefits	1,406
Unrealized gains on available-for-sale securities	3,051
Depreciation	432
Reserve for employees' bonuses	205
Unrecorded accrued interest receivable	90
Others	978
Subtotal of deferred tax assets	27,958
Valuation allowance	(13,666)
Total	¥14,291
Deferred tax liabilities	
Unrealized gain on available-for-sale securities	¥ (361)
Total	¥ (361)
Net deferred tax assets	¥13,929

2. The following table shows the major items responsible for the difference between the statutory tax rate and the effective tax rate after application of tax-effect accounting.

Year ended March 31, 2008	
Statutory income tax rate	40.4 %
Adjustments	
Non-deductible expenses, including entertainment expenses	0.7
Untaxable income including dividend income	(1.5)
Per-capita resident tax	1.1
Valuation allowance	(41.4)
Others	(0.5)
Effective income tax rate under tax-effect accounting	(1.2)%

3. The Bank has recorded deferred tax assets in an amount deemed appropriate based on the Bank's long-term earnings projection over five years as of the balance-sheet date.

Per-share data

As of March 31, 2008	Yen
Net assets per share	¥805.87
Net income per share (basic)	64.61
Net income per share (diluted)	62.16

Notes: 1. Bases for calculation of net assets per share are as follows:

As of March 31, 2008	Millions of yen
Total net assets	¥48,783
Exclusion from net assets	3,756
Of which, payments for the acquisition of preferred shares	3,449
Of which, minority interests	237
Of which, dividends on preferred shares	68
Net assets available to common shareholders at term-end	45,026
Number of common shares outstanding at term-end (in thousands)	55,873

2. Bases for calculation of net income per share (basic and diluted) are as follows:

As of March 31, 2008	Millions of yen
Net income per share (basic)	
Net income	¥ 3,668
Earnings not available to common shareholders	68
Of which, dividends on preferred shares	68
Net income after deduction of the portion described above	3,599
Weighted average number of common shares for the fiscal year (in thousands)	55,706
Net income per share (diluted)	
Adjustment to net income	68
Of which, dividends on preferred shares	68
Increase in number of common shares (in thousands)	3,306
Of which, preferred shares (in thousands)	3,306

Directory

(As of April 1, 2008)

Organization Chart

- General Meeting of Shareholders
  - *Board of Auditors*
    - Standing Corporate Auditors
    - Corporate Auditors
    - Auditors Office
  - Board of Directors
    - *Executive Committee*
      - President
        - Senior Managing Directors
          - Managing Directors
            - Businesss Headquarters
              - Business Supervisory Division — Marketing Planning Group; Branch Support Group; Customer Consultation Group
              - Corporate Banking Division — Individuals Group
                - Public Institution Marketing Office
              - Personal Banking Division — Personal Loan Promotion Group; Personal Loan Management Group
                - Asset Management Office
            - Loan Business Headquarters
              - Loan Control Division — Loan Planning Group; Credit Screening Group
              - Loan Supervision Division — Examination Group; Assets Assessment Group; Corporate Support Group; Credit Management Group
            - Securities and International Division — Operations Promotion Group; Fund Operations Group; Operations Administration Group
              - Market Operations Office
            - Sales Branches
            - Operations and Systems Administration Division — Operations Administration Group; Operations Instruction Group; Systems Planning Group; Systems Operation Group
            - General Planning Division — Management Planning Group; Accounting Group
              - Public and Investor Relations Group
              - Computer Systems Joint Development Office
              - Tokyo Office
            - Management Control Division — Risk Management Group; Legal Affairs Group
              - Compliance Promotion Office
              - Internal Control Office for Financial Reporting
            - Personnel Division — Personnel Management Group; Personnel Development Group
            - General Affairs Division — General Affairs Group; Architecture and Equipment Management Group
            - Deliberation Division
            - Secretariat
            - Audit Division — Audit Planning Group; Supervisory Group

Board of Directors, Corporate Auditors and Executive Officers

President
Kozo Kimura

Senior Managing Directors
Mitsuhiro Sasanuma
Masami Fujikawa

Managing Directors
Motoo Sakayori
Kazuo Hayashi

Directors
Shinji Takano
Yoshio Saku
Nobuyuki Takahashi

Corporate Auditors
Noriyoshi Sometani (standing)
Akira Ichiba (standing)
Osamu Matsumoto
Toshiaki Ono
Masao Kanazawa

Managing Executive Officer
Takao Kasajima

Senior Executive Officers
Toru Okada
Yasushi Yanai
Masao Osawa
Masami Kurosawa

Executive Officers
Ken Morita
Toshio Ogura
Kazurou Kawamata
Hiroshi Kishiro
Yasuyuki Kinoshita

Subsidiaries and Affiliated Companies

Name	Line of Business
Kangin Business Service Co., Ltd.	Cash handling; cash collection and delivery; printing and binding; management of equipment
Kangin Real Estate Survey Co., Ltd.	Appraisal of collateral real estate; management of documents on claims
Kangin Office Service Co., Ltd.	Centralized operations for public money, utility fees, and bills exchange; staff dispatching
Kanto Credit Guarantee Co., Ltd.	Guarantee provisions (mortgage loans, consumer loans, credit card-based loans and so on)
Kangin Computer Service Co., Ltd.	Software and computer systems development; management of ATMs
Kanto Leasing Co., Ltd.	Leasing of machinery used in a wide range of industries; pollution prevention facilities; commercial and office equipment; and medical equipment

The Kanto Tsukuba Bank, Limited

11-7, Chuo 2-chome, Tsuchiura-shi, Ibaraki, Japan

Printed in Japan