

Financial Results for the Second Quarter of Fiscal 2008

Six months ended September 30, 2008 (Non-Consolidated Data)

November 6, 2008

Company Name: Seven Bank, Ltd.

Stock Code: 8410

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Stock exchange listing: JASDAQ

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Filing date of quarterly financial report (scheduled): November 26, 2008

Date of payment of interim dividends: December 1, 2008

Trading accounts: Not established

(Amounts of less than one million yen and one decimal point are rounded down)

1. Financial Highlights for the Second Quarter (Interim period) of Fiscal 2008 (April 1, 2008 - September 30, 2008)

(1) Operating Results

(% represents the change from the previous interim period.)

	Ordinary income		Ordinary profit		Net income	
	million yen	%	million yen	%	million yen	%
Six Months ended September 30, 2008	45,234	9.9	15,282	30.0	9,059	45.5
Six Months ended September 30, 2007	41,139	10.4	11,755	(9.0)	6,226	(17.2)

	Net income per share		Diluted net income per share	
	yen		yen	
Six Months ended September 30, 2008	7,425.82		7,425.49	
Six Months ended September 30, 2007	5,337.94		—	

(2) Financial Position

	Total assets	Total net assets	Net assets to total assets ratio (Note1)	Total net assets per common share	Non-Consolidated Capital Adequacy Ratio (Domestic Standard) (Note 2)
	million yen	million yen	%	yen	%
Six Months ended September 30, 2008	545,065	92,990	17.0	76,181.89	40.99
Fiscal Year ended March 31, 2008	488,137	88,974	18.2	72,930.25	43.89

[Reference] Capital: Six Months ended September 30, 2008: 92,941 million yen Fiscal Year ended March 31, 2008: 88,974 million yen

(Note 1) "Net assets to total assets ratio" was calculated as follows: (Total net assets – Stock acquisition rights) / Total assets

(Note 2) "Non-Consolidated Capital Adequacy Ratio (Domestic Standard)" is calculated according to the formula set to determine whether a bank has adequate capital in light of its assets etc. (Financial Services Agency Notification No.19, 2006) pursuant to "Article 14, paragraph 2 of the Banking Law."

2. Dividends on Common Stock

(Record date)	Dividends per share				
	First Quarter	Interim	Third Quarter	Year end	Annual
	yen	yen	yen	yen	yen
Fiscal Year ended March 31, 2008	—	0.00	—	4,200.00	4,200.00
Fiscal Year ending March 31, 2009	—	2,100.00	—	2,100.00	4,200.00
Fiscal Year ending March 31, 2009 (Forecasts)	—	2,100.00	—	2,100.00	4,200.00

Note: Revision to the dividend forecast during the current quarter: None

3. Performance forecasts for Fiscal 2008

(April 1, 2008 – March 31, 2009)

(% represents change from the previous fiscal year)

	Ordinary income		Ordinary profit		Net income		Net income per share
	million yen	%	million yen	%	million yen	%	yen
Fiscal Year ending March 31, 2009	90,500	8.1	27,700	12.3	16,400	18.5	13,442.62

Note: Revision during the current quarter to the performance forecasts: Yes

4. Others

(1) Changes in accounting principles, procedures and presentation methods, relating to the preparation of the interim consolidated financial statements (items stated under changes in significant assumptions underlying the preparation of the interim financial statements)

(a) Changes arising from revised accounting standards etc.: Yes

(b) Changes other than (a) above: None

Note: For details, please refer to 4. Others of Qualitative Information / Financial Statements on page 5.

(2) Number of shares (common stock)

(a) Number of shares in issue

As of September 30, 2008: 1,220,000 shares

As of March 31, 2008: 1,220,000 shares

(b) Number of treasury stocks

As of September 30, 2008 — shares

As of March 31, 2008 — shares

(c) Average number of shares for the interim period (Six months ended September 30, 2008)

September 30, 2008: 1,220,000 shares

September 30, 2007: 1,166,407 shares

* Cautionary statement with respect to earnings forecasts, and disclaimer

- Since the Company qualifies as a specified corporation (a company that conducts business as provided in Article 17, paragraph 15, section 2 of the Cabinet Ordinance on Disclosure of Corporate Information etc.), it has prepared the interim financial statements for the current second quarter.
- This report contains earnings projections and other forward-looking statements which are based on currently available information and certain assumptions that the company considers to be reasonable. Various factors may cause actual results to be materially different from projections in these forward-looking statements.

Qualitative Information / Financial Statements

1. Qualitative information on operating results

Japan's economic growth during the interim period of the current fiscal year has been sluggish due to the effects of increases in energy and materials prices and weaker growth in exports. Corporate profits have continued to decrease due to such as the deterioration in the terms of trade, and business fixed investment has also declined somewhat. In the meantime, housing investment has more or less remained flat, and public investment has also been sluggish. Under these circumstances, private consumption has been relatively weak, mainly due to sluggish growth in household income and the increase in prices of energy and food.

As corporate demand for funds remained low, the banking industry faced increasingly austere management conditions resulting primarily from the effects of the turmoil in the global financial markets in the wake of failures and rescues of U.S. and European financial institutions and consequently must now address the tasks of further improving operational efficiency and reinforcing its competitive edge.

(Operating results for the current period)

Ordinary income during the interim period of the current fiscal year increased by 4,095 million yen to 45,234 million yen (up 9.9% year-on-year), thanks to the increase of ATM-related fee income accompanying greater ATM usage. Ordinary expenses, on the other hand, increased by 567 million yen to 29,951 million yen (up 1.9% year-on-year) as a result of increases in depreciation expenses accompanying the rollover to second generation ATMs and the number of installed ATMs.

As a result of the above, ordinary profit increased by 3,527 million yen to 15,282 million yen (up 30.0% year-on-year) and net income for the interim period of the current fiscal year increased by 2,833 million yen to 9,059 million yen (up 45.5% year-on-year).

(ATM Services)

During the interim period of the current fiscal year, the Bank made a number of efforts to enhance the convenience of its ATMs, including expanding its partnerships, upgrading its services and installing ATMs outside of the Seven and i Holdings group.

The Bank, during the period under review, established partnerships with Chukyo Bank, Ltd. and Korea Exchange Bank (April 2008), and Jibun Bank Corporation (in July 2008), in addition to five credit cooperatives, bringing the total number of partners at the end of September 2008 to 560 financial institutions (Note 1), including 95 banks, 258 shinkin banks (Note 2), 127 credit cooperatives, 13 labour banks, 1 JA Bank, 1 JF Marine Bank, 8 securities companies, 8 life insurance companies, and 49 other financial institutions, which represents an increase of six financial institutions compared to the end of March 2008.

In terms of service upgrades, the Bank expanded its audio guidance service for vision-impaired customers and increased the number of ATMs compatible with IC cards. The bank expanded its audio guidance service for vision-impaired customers to shinkin banks, credit cooperatives, labour banks, JA Bank, JF Marine Bank and securities companies in April, and to the Japan Post Bank in May, thereby bringing the number of financial institutions offering such services to over 500 including the Bank and its partner banks. The Bank also expanded the number of financial institutions with ATMs compatible with IC cards to 58 institutions in four business categories.

In terms of ATM installation, the Bank continued to install a second ATM in high-usage Seven-Eleven stores (as of September 30, 2008, there were 455 stores with two ATMs), in addition to newly installing ATMs at Seven and i Holdings group facilities including the Seibu department stores Ltd., the Sogo Co., Ltd., the Loft Co., Ltd., etc. The Bank, on the other hand, also installed new ATMs at facilities outside of the group such as airports, hotels, hospitals, shopping centers, service areas, and in May was commissioned to operate and maintain the ATMs within the branches of Nikko Cordial Securities Inc. Furthermore, the Bank has been expanding and upgrading the locations of the ATMs and the types of installations and in September installed its ATM at the Shinsei Bank ATM Area in Roppongi Hills, making it a joint ATM Services Area. As a result, the number of installed ATMs totaled 13,307, representing an increase of 275 ATMs compared to the end of March. The rollover to second generation ATMs was completed by the end of September and all ATMs of the Bank are now second generation ATMs.

As a result of these efforts, during the interim period of the current fiscal year, the average daily usage per ATM rose steadily to 114.6 (up 5.4 transactions year-on-year) and total ATM usage steadily increased to 275 million transactions (up 31 million transactions year-on-year).

(Note 1) JA Bank and JF Marine Bank count as separate banks according to their respective business categories.

(Note 2) As of March 31, 2008 the number of partner shinkin banks stood at 260. Since then a merger has taken place and the number has been changed to 258 as of September 30, 2008.

(Financial services)

As of September 30, 2008, deposit accounts for individual account holders increased by 55,000 accounts from the end of March 31, 2008 to 636,000 accounts with total deposits of 104.6 billion yen, representing an increase of 12.2 billion yen. Of the total deposits, ordinary deposits accounted for 72.4 billion yen, representing an increase of 5.6 billion yen, while time deposits accounted for 32.1 billion yen, an increase of 6.5 billion yen from the end of March 31, 2008.

In the agency and intermediary services, the Bank has been aiming to upgrade and expand its products and services through its staffed "Everyone's Bank Teller Window" found inside the Ito Yokado Co., Ltd. stores and its "Everyone's Money Site" on the Internet. Additionally, the Bank from April 2008 has commenced the "Saku-saku Investment Trust Search" service on its "Everyone's Money Site," which enables the customer to search over 500 investment trusts handled by various securities investment trust sales companies.

2. Qualitative information on financial position

(Assets)

Total assets increased by 56,927 million yen from the end of the previous fiscal year to 545,065 million yen.

Cash and due from banks, required to run ATMs, increased 15,966 million yen year-on-year to 283,243 million yen, accounting for the greater part of total assets. In other areas, the balance of securities mainly held as collateral for exchange settlement and Bank of Japan current account overdraft transactions decreased by 8,992 million yen year-on-year to 88,856 million yen; ATM-related temporary payments, consisting of temporary advances to partner financial institutions increased by 1,899 million yen year-on-year to 55,179 million yen and the balance of tangible fixed assets, mainly consisting of ATMs, increased by 2,187 million yen year-on-year to 19,400 million yen.

(Liabilities)

Total liabilities increased by 52,912 million yen from the end of the previous fiscal year to 452,074 million yen.

Most of these were deposits (excluding negotiable certificates of deposit), the balance of which increased by 48,862 million yen from the end of the previous fiscal year to 219,411 million yen, while the balance of negotiable certificates of deposit increased by 9,260 million yen from the previous fiscal year to 57,850 million yen.

(Net assets)

Net assets increased by 4,015 million yen from the end of the previous fiscal year to 92,990 million yen.

This was due to the 3,935 million yen increase in retained earnings, mainly as a result of the posting of interim net income and the distribution of retained earnings.

3. Qualitative information on forecasts

In light of the results for the interim period of the current fiscal year, we are revising upward the total ATM usage during the period and the average daily usage per ATM to approximately 555 million transactions (up 56 million transactions from the previous fiscal year) and approximately 114.2 transactions (up 5.2 transactions from the previous fiscal year), respectively. The total number of ATMs will be revised downward to 13,750 as of March 31, 2009.

As a result, the performance forecasts for the fiscal year ending March 31, 2009 will be revised upward to ¥90.5 billion in ordinary income (up 8.1% year-on-year), 27.7 billion yen in ordinary profit (up 12.3% year-on-year), and 16.4 billion yen in net income (up 18.5% year-on-year).

[Reference]

(Millions of yen)

	Ordinary income	Ordinary profit	Net income
Previously announced forecast (A)	89,200	25,300	14,900
Revised forecast (B)	90,500	27,700	16,400
Change (B - A)	1,300	2,400	1,500
Results for fiscal year ended March 31, 2008	83,663	24,650	13,830

4. Others

- (1) Changes in accounting principles, procedures, presentation methods, relating to the preparation of the interim financial statements

(Accounting Standards for Lease Transactions)

Finances leases which do not transfer ownership of the leased assets to lessees were previously accounted for as operating leases. However, as application of the “Accounting Standards for Lease Transactions” (ASBJ Statement No. 13, March 30, 2007’) and the “Guidance on Accounting Standard for Lease Transactions” (ASBJ Guidance No. 16, the same date as the Statement), has begun from the fiscal term starting on and after April 1, 2008, the Bank has adopted these Accounting Standards and Guidance starting from the interim period of the current fiscal year.

Since there were no new finances leases which did not transfer ownership of the leased assets to the lessees during the interim period of the current fiscal year, there were no effects of this change on the interim financial statements.

- (2) Presentation of amounts

Amounts of less than one million yen were omitted from the interim financial statements.

5. Non-consolidated Financial Statements for the six months ended September 30, 2008**(1) Non-consolidated Balance Sheet**

	(Millions of yen)	
	As of September 30, 2008	As of March 31, 2008 (Selected items)
Assets		
Cash and due from banks	283,243	267,277
Call loans	73,900	28,000
Securities	88,856	97,849
Prepaid pension cost	115	118
Accrued income	7,434	7,246
ATM-related temporary payments	55,179	53,280
Other	1,048	1,051
Tangible fixed assets	19,400	17,212
Intangible fixed assets	14,574	14,794
Deferred tax assets	1,379	1,373
Allowance for credit losses	(67)	(67)
Total assets	545,065	488,137
Liabilities		
Deposits	219,411	170,548
Negotiable certificates of deposits	57,850	48,590
Call money	—	1,700
Borrowed money	65,000	65,000
Bonds	75,000	75,000
ATM-related temporary advances	22,157	21,238
Other	12,155	15,240
Income taxes payable	6,098	4,106
Other liabilities	6,057	—
Reserve for bonuses	255	245
Reserve for retirement benefits for directors and statutory auditors	—	270
Reserve for losses on cancellation of leases	243	1,328
Total liabilities	452,074	399,162
Net assets		
Common stock	30,500	30,500
Capital surplus	31,739	31,739
Capital reserve	30,500	30,500
Other capital surplus	1,239	1,239
Retained earnings	30,691	26,755
Other retained earnings	30,691	26,755
Retained earnings brought forward	30,691	26,755
Total stockholders' equity	92,930	88,994
Net unrealized losses on available-for-sale securities, net of taxes	11	(19)
Total valuation and translation adjustments	11	(19)
Stock acquisition rights	48	—
Total net assets	92,990	88,974
Total liabilities and net assets	545,065	488,137

(2) Non-consolidated Statement of Income

(Millions of yen)

	For the six months ended September 30, 2007	For the six months ended September 30, 2008
Ordinary income	41,139	45,234
Interest income	493	469
Interest and dividends on securities	254	319
Fees and commissions income	40,416	44,656
ATM-related fee income	39,552	43,045
Other operating income	53	19
Other ordinary income	175	89
Ordinary expenses	29,383	29,951
Interest expenses	1,357	1,426
Interest on deposits	203	274
Fees and commissions expenses	4,057	4,576
ATM placement fee expenses	3,813	4,229
ATM-related fee expenses	135	180
Other operating expenses	65	80
General and administrative expenses	23,823	23,823
Other ordinary expenses	79	44
Ordinary profit	11,755	15,282
Extraordinary losses	1,230	11
Interim income before income taxes	10,525	15,271
Current income taxes	3,941	6,238
Deferred income taxes	357	(27)
Total income taxes, etc.	—	6,211
Interim net income	6,226	9,059

(3) Non-consolidated Statement of Changes in Net Assets

(Millions of yen)

	For the six months ended September 30, 2007	For the six months ended September 30, 2008
Stockholders' equity		
Common stock		
Balance at the end of previous fiscal year	30,500	30,500
Changes in the interim period		
Net changes in the interim period	—	—
Balance at the end of the interim period	30,500	30,500
Capital surplus		
Capital reserve		
Balance at the end of previous fiscal year	30,500	30,500
Changes in the interim period		
Net changes in the interim period	—	—
Balance at the end of the interim period	30,500	30,500
Other capital surplus		
Balance at the end of previous fiscal year	5	1,239
Changes in the interim period		
Disposal of treasury stock	6	—
Net changes in the interim period	6	—
Balance at the end of the interim period	12	1,239
Total capital surplus		
Balance at the end of previous fiscal year	30,505	31,739
Changes in the interim period		
Disposal of treasury stock	6	—
Net changes in the interim period	6	—
Balance at the end of the interim period	30,512	31,739
Retained earnings		
Other retained earnings		
Retained earnings brought forward		
Balance at the end of previous fiscal year	18,756	26,755
Changes in the interim period		
Dividends from surplus	(5,831)	(5,124)
Interim income	6,226	9,059
Net changes in the interim period	394	3,935
Balance at the end of the interim period	19,151	30,691
Treasury stock		
Balance at the end of previous fiscal year	(5,901)	—
Changes in the interim period		
Disposal of treasury stock	33	—
Net changes in the interim period	33	—
Balance at the end of the interim period	(5,868)	—
Total stockholders' equity		
Balance at the end of previous fiscal year	73,861	88,994
Changes in the interim period		
Dividends from surplus	(5,831)	(5,124)
Interim income	6,226	9,059
Disposal of treasury stock	39	—
Net changes in the interim period	433	3,935
Balance at the end of the interim period	74,295	92,930

	For the six months ended September 30, 2007	For the six months ended September 30, 2008
Valuation and translation adjustments		
Net unrealized losses on other available-for-sale securities, net of taxes		
Balance at the end of previous fiscal year	(11)	(19)
Changes in the interim period		
Net change in the items other than stockholders' equity in the interim period	2	31
Net changes in the interim period	2	31
Balance at the end of the interim period	(9)	11
Total valuation and translation adjustments		
Balance at the end of previous fiscal year	(11)	(19)
Changes in the interim period		
Net change in items other than stockholders' equity	2	31
Net changes in the interim period	2	31
Balance at the end of the interim period	(9)	11
Stock acquisition rights		
Balance at the end of previous fiscal year	—	—
Changes in the interim period		
Net change in the items other than stockholders' equity in the interim period	—	48
Net changes in the interim period	—	48
Balance at the end of the interim period	—	48
Total net assets		
Balance at the end of previous fiscal year	73,849	88,974
Changes in the interim period		
Dividends from surplus	(5,831)	(5,124)
Interim net income	6,226	9,059
Disposal of treasury stock	39	—
Net change in the items other than stockholders' equity in the interim period	2	79
Net changes in the interim period	435	4,015
Balance at the end of the interim period	74,285	92,990

(4) Non-consolidated Statement of Cash Flows

	(Millions of yen)	
	For the six months ended September 30, 2007	For the six months ended September 30, 2008
Cash flows from operating activities		
Interim income before income taxes	10,525	15,271
Depreciation of fixed assets	4,693	7,124
Net change in allowance for credit losses (losses)	2	0
Net change in reserve for losses on cancellation of leases (losses)	27	(1,084)
Net change in reserve for losses on relocation of business establishment (losses)	(87)	—
Interest income	(493)	(469)
Interest expenses	1,357	1,426
Net losses on securities transactions (losses)	64	74
Net losses on disposal of fixed assets (losses)	62	11
Net change in deposits (losses)	23,909	48,862
Net change in negotiable certificates of deposits (losses)	6,580	9,260
Net change in call loans (losses)	6,600	(45,900)
Net change in call money (losses)	—	(1,700)
Net change in ATM-related temporary accounts (losses)	(29,830)	(979)
Interest received	429	529
Interest paid	(1,353)	(1,364)
Other-net	(75)	445
Subtotal	22,409	31,508
Income taxes paid	(7,641)	(4,258)
Net cash flows from operating activities	14,768	27,249
Cash flows from investing activities		
Purchases of securities	(232,146)	(173,101)
Proceeds from maturity of securities	237,500	176,400
Purchase of tangible fixed assets	(7,330)	(7,124)
Purchase of intangible fixed assets	(3,800)	(2,333)
Net cash used in investing activities	(5,777)	(6,159)
Cash flows from financing activities		
Dividends paid	(5,831)	(5,124)
Proceeds from disposal of treasury stock	39	—
Net cash used in financing activities	(5,792)	(5,124)
Effect of exchange rate change in cash and cash equivalents	—	—
Net increase (decrease) in cash and cash equivalents	3,197	15,966
Cash and cash equivalents at the beginning of the year	254,757	267,277
Cash and cash equivalents at the end of the interim period	257,955	283,243

Note based on the premise of a going concern

Interim period of Fiscal 2008 (April 1, 2008 – September 30, 2008)

Not applicable.

Significant matters that are the basis for the preparation of the interim financial statements**1. Valuation standards and valuation method for securities**

Securities with fair market values are carried at the fair market value on the closing date of the interim fiscal period (cost of securities sold is calculated, using primarily the moving-average method). Other securities with no available fair market values are carried at cost using the moving average method.

In this connection, all differences from valuation are included directly as a component of equity.

2. Valuation standards and valuation method for derivative transactions

Derivative transactions are carried at fair value.

3. Depreciation of fixed assets**(1) Tangible fixed assets (excluding leased assets)**

Tangible fixed assets are depreciated using the declining-balance method (however, the straight-line method is used for buildings except for facilities attached to the buildings), and depreciation cost for the period is recorded by evenly allocating the estimated depreciation cost to the interim period.

Estimated useful lives of major items are as follows:

Buildings: 6-18 years

ATMs: 5 years

Others: 2-20 years

(2) Intangible fixed assets (excluding leased assets)

Intangible fixed assets are depreciated using the straight-line method. Software utilized by the Bank is depreciated over the period in which it is expected to be utilized (5 years).

4. Reserves**(1) Allowance for credit losses**

Allowances for credit losses are set aside as detailed below, in accordance with the Bank's internal standards for write-offs and provisions.

Claims corresponding to normal and doubtful claims are classified into specific categories prescribed in the "Guideline for the Practice in relation to the Verification of the Internal Control with respect to the Self-Assessment of the Assets of Banks and Other Financial Institutions as well as the Audit of the Bad Debt Written Off and Allowance for Doubtful Accounts" (Report No. 4 of the Ad Hoc Committee for the Audit of Banks, etc. of The Japanese Institute of Certified Public Accountants), and the allowance is provided on the basis of the ratio of anticipated loss etc. For claims to potentially bankrupt customers, the Bank provides loan-loss reserves for the amount deemed necessary by deducting the amount of disposable collateral and the estimated amount of recoverable guaranteed receivables from total receivables. For claims to bankrupt debtors or virtually bankrupt debtors, an allowance is provided for the full amount of such claims, deducting the amount expected to be recovered from the disposal of collateral and the execution of guarantees.

In cooperation with marketing divisions, the Bank's Risk Management Office, which is independent from the Bank's marketing divisions, evaluates all credits in accordance with its internal rules for self-assessment of assets, and its evaluations are audited by the Internal Audit Division, which is independent from the Bank's other divisions and the Risk Management Office.

(2) Reserve for bonuses

The Bank records a reserve for bonuses to provide for employees' estimated bonuses, booked as the amount attributable to the current interim fiscal period.

(3) Reserve for employees' severance and retirement benefits

The reserve for employees' severance and retirement benefits is provided for the payment of employees' retirement benefits, booked as the amount deemed to have accrued at the end of the current interim fiscal period, based on the projected retirement benefit obligations and the fair value of pension plan assets at the fiscal year-end. Additionally, for the current interim fiscal period, the Bank appropriated a surplus in "prepaid pension cost," because projected pension plan assets exceeded the adjusted balance of "unrecognized prior service obligations" and "unrecognized net actuarial difference" under "projected benefit obligation." In this regard, the prior service obligations and net actuarial difference are charged to expenses as stated below:

Prior service obligations: The amounts are charged to income and expenses using the straight-line method over a certain number of years (10 years) within the employees' average remaining service period at accrual date.

Net actuarial difference: The amount charged to income and expenses pro rata using the straight-line method over a certain number of years (10 years) within the employees' average remaining service period, commencing from the next fiscal year following accrual.

(4) Reserve for retirement benefits for directors and statutory auditors

(Additional information)

The system for the payment of retirement benefits to directors and statutory auditors has been abolished and a resolution was passed at the ordinary general meeting of shareholders held on June 18, 2008 for the final payment of retirement benefits to directors and statutory auditors. In conjunction with the termination of the system, the entire amount of reserve for retirement benefits for directors and statutory auditors was reversed and the ¥282 million unpaid portion of the final payment has been included in "Other liabilities."

(5) Reserve for losses on cancellation of leases

Reserves are provided for the rollover to second generation ATMs to provide for losses arising on canceling leasing contracts before their expiry dates. Reserves are set aside as "Reserve for losses on cancellation of leases," according to reasonable expectations of losses, based on plans to roll over to second generation ATMs, etc.

5. Foreign-currency-denominated assets and liabilities

Foreign-currency-denominated assets and liabilities are primarily translated into yen at exchange rates prevailing at the closing date of the interim fiscal period.

6. Leases

Of the finance leases, which do not transfer ownership of the leased assets to lessees, those lease transactions that commenced in the fiscal year, which began prior to April 1, 2008, are accounted for as operating leases.

7. Hedge accounting

Interest rate of risk hedges

Special interest rate swaps are applied to some liabilities. Interest rate swap transactions are designated as the instrument for hedging in hedge positions to balance out market fluctuations in variable interest rates.

8. National and local consumption taxes

National and local consumption taxes for the Bank are accounted for using the tax-excluded method.

9. Scope of cash in the interim statement of cash flows

Cash and cash equivalents on the interim statement of cash flows represent "Cash and due from banks" on the interim balance sheet.

Changes in significant matters that are the basis for the preparation of the interim financial statements

(Accounting Standards for Lease Transactions)

Finance leases which do not transfer ownership of the leased assets to lessees were previously accounted for as operating leases. However, as application of the "Accounting Standards for Lease Transactions" (ASBJ Statement No. 13, March 30, 2007) and the "Guidance on Accounting Standard for Lease Transactions" (ASBJ Guidance No. 16, the same date as the Statement), began from the fiscal term starting on and after April 1, 2008, the Bank has adopted these Accounting Standards and Guidance starting from the interim period of the current fiscal year.

Since there were no new finance leases that did not transfer ownership of the leased assets to the lessees during the interim period of the current fiscal year, there were no effects of this change on the interim financial statements.

Changes in presentation

(Interim balance sheet)

The attached format of the "Enforcement Ordinance of the Banking Law" (1982 Ministry of Finance Ordinance No. 10) was revised in accordance with the "Cabinet Order to Partially Revise Enforcement Regulations of the Enforcement Ordinance of the Banking Law" (Cabinet Order No. 44 issued on July 11, 2008) and became applicable from the fiscal year starting on and after April 1, 2008. Accordingly the Bank starting from the current interim fiscal period presents "Income taxes payable" and "Other liabilities" as components of "Others."

Notes

(Notes to the interim balance sheet)

- 86,562 million yen in securities have been pledged as collateral for exchange settlement and for Bank of Japan current account overdraft transactions.

In other assets, 596 million yen consists of guarantee deposits.

- Accumulated depreciation of tangible fixed assets: 14,233 million yen

(Notes to the interim statement of income)

- The actual amounts of depreciation are as follows:

Tangible fixed assets: 4,771 million yen

Intangible fixed assets: 2,352 million yen

- “Other ordinary expenses” include the reversal of allowance for credit losses of 0 million yen.

(Notes to interim statement of changes in net assets)

- The types and total amounts of shares issued by the Bank and of treasury stock are as follows:

(unit: thousand shares)

	Number of shares at the end of the previous fiscal year	Increase during the interim period of the fiscal year	Decrease during the interim period of the fiscal year	Number of shares at the end of the interim period of the fiscal year	Remarks
Stocks issued					
Common stock	1,220	—	—	1,220	
Total	1,220	—	—	1,220	

(Note) There are no treasury stocks

- Stock acquisition rights and treasury stock acquisition rights

Details of stock acquisition rights	Type of shares	Number of shares (shares)				Balance at the end of the interim period of the fiscal year (Millions of yen)	Remarks
		At the end of the previous fiscal year	Increase during the interim period of the fiscal year	Decrease during the interim period of the fiscal year	Number of shares at the end of the interim period of the fiscal year		
Stock acquisition rights as stock options			—			48	
Total			—			48	

(Note) There are no treasury stock acquisition rights.

- Dividends

(1) Dividends paid during the interim fiscal period

Resolution	Type of shares	Total amount of dividend	Amount per share	Record date	Effective date
In the Board of Directors' Meeting held on May 29, 2008	Common stock	5,124 million yen	4,200 yen	March 31, 2008	June 2, 2008

(2) Dividends with record dates during the current interim fiscal period and effective dates after June 30, 2008

Resolution	Type of shares	Total amount of dividend	Fiscal resource	Amount per share	Record date	Effective date
In the Board of Directors' Meeting held on November 6, 2008	Common stock	2,562 million yen	Retained earnings	2,100 yen	September 30, 2008	December 1, 2008

(Interim statement of cash flows)

Reconciliation between the balance of cash and cash equivalents at the end of the interim fiscal period and the interim balance sheet items

(Millions of yen)

As of September 30, 2008

Cash and due from banks 283,243Cash and cash equivalents 283,243

(Securities)

“Securities” in the interim balance sheet are as follows:

1. Bonds with Market value held to maturity (As of September 30, 2008)
Not applicable.
2. Shares in subsidiary firms, subsidiary corporations, affiliates and others with market value (As of September 30, 2008)
Not applicable.
3. Other securities with market value (As of September 30, 2008)

	Acquisition cost (Millions of yen)	Amount recorded on interim balance sheet (Millions of yen)	Net unrealized gains/losses (Millions of yen)
Bonds	86,542	86,562	19
Japanese government bonds	86,542	86,562	19
Total	86,542	86,562	19

(Note) The amount recorded on the interim balance sheet is the fair value based on the market prices on June 30, 2008.

4. Major components of securities not stated at market value and their respective amounts recorded on the interim balance sheet (As of September 30, 2008)

	Amount (Millions of yen)
Other securities	
Unlisted equities	2,294

(Money held in trust)

Not applicable.

(Net unrealized losses on other securities)

- Net unrealized losses on other securities (As of September 30, 2008)

The breakdown of unrealized gains/losses on other securities recorded in the interim balance sheet is as follows:

	Amount (Millions of yen)
Unrealized gains (losses)	19
Other securities	19
(losses) Deferred tax assets	(7)
Net unrealized losses on other securities	11

(Fair value of Derivative Transactions)

- (1) Interest rate related transactions (As of September 30, 2008)

Category	Item	Contract amounts (Millions of yen)	Market value (Millions of yen)	Gains (losses) from valuation (Millions of yen)
OTC	Interest rate swaps	30,000	34	34
	Total	—	34	34

(Note) In terms of the above transactions, the gains/losses from valuation have been recorded after estimating their market prices.

Pursuant to “The Treatment of Accounting and Auditing of Application of Accounting Standard for Financial Instruments in the Banking Industry” Report No. 24 issued by the JIPCA, derivative transactions subject to hedge accounting are excluded from the above.

- (2) Currency derivatives (As of September 30, 2008)
Not applicable
- (3) Stock derivatives (As of September 30, 2008)
Not applicable
- (4) Bond derivatives (As of September 30, 2008)
Not applicable
- (5) Commodity derivatives (As of September 30, 2008)
Not applicable
- (6) Credit derivatives transactions (As of September 30, 2008)
Not applicable

(Stock options etc.)

- Account title and amount of expenses relating to stock options to be recorded in the interim fiscal period
Operating expenses 48 million yen
- Details of stock options granted during the interim fiscal period

	1st – (1) Stock acquisition rights (Stock compensation-type stock options)	1 st – (2) Stock acquisition rights (Stock compensation-type stock options)
Title and number of grantees	5 Directors of the Bank	3 Executive Officers of the Bank
Number of stock options by type of stock (Note 1)	Common stock: 184 shares	Common stock: 21 shares
Grant date	August 12, 2008	Same as the column on the left
Condition for vesting	Holders of stock acquisition rights may only exercise their stock acquisition rights within 10 days of the date following the day on which the holder's position as Director is forfeited.	Holders of stock acquisition rights may only exercise their stock acquisition rights within 10 days of the date following the day on which the holder's position as Executive Officer is forfeited (in cases, where the holder has taken the position of Director, then the date on which the position of Director is forfeited.)
Requisite service period	Not specified.	Same as the column on the left.
Exercise period	30 years (August 13, 2008 – August 12, 2038)	Same as the column on the left.
Exercise price	1yen per share	1yen per share
Fair value at the grant date (Note 2)	236,480 yen per stock acquisition right	236,480 yen per stock acquisition right

(Note 1) The number of stock options are stated as converted into number of shares.

(Note 2) The number of shares subject to the stock acquisition right is 1 share of common per stock acquisition right.

(Investment profit/loss on equity method)

Not applicable

(Per share information)

		Interim period of FY 2008 (April 1, 2008 – September 30, 2008)
Net assets per share	yen	76,181.89
Interim net income per share	yen	7,425.82
Diluted net income per share	yen	7,425.49

(Note) Net income per share and diluted net income per share are calculated based on the following:

		Interim period of FY 2008 (April 1, 2008 – September 30, 2008)
Interim net income per share		
Interim net income	Million yen	9,059
Amount not attributable to common stock holders	Million yen	—
Interim net income attributable to common stock	Million yen	9,059
Average number of common stocks during the period	Thousand shares	1,220
Diluted interim net income per share		
Adjustment for interim net income	Million yen	—
Increase in number of common stock	Thousand shares	0
Stock acquisition rights	Thousand shares	0
Outline of dilutive securities which are not included in the calculation of "Diluted net income per share" because they do not have dilutive effects.		—

(Subsequent events of importance)

Not applicable