NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Shinsei Bank, Limited, and Consolidated Subsidiaries
For the fiscal years ended March 31, 2008 and 2007

1. BASIS OF PRESENTATION

CONSOLIDATED

The accompanying consolidated financial statements of Shinsei Bank, Limited (the "Bank") and its consolidated subsidiaries (collectively, the "Group"), stated in Japanese yen, have been prepared on the basis of generally accepted accounting principles in Japan ("Japanese GAAP") and in conformity with the Banking Law of Japan (the "Banking Law"), and compiled from the consolidated financial statements prepared under the provisions set forth in the Accounting Standards for Consolidated Financial Statements (the Business Accounting Council, June 24, 1975) and the standards of the Financial Instruments and Exchange Law of Japan, which are different in certain respects as to application and disclosure requirements of International Financial Reporting Standards.

Certain reclassifications and rearrangements have been made to the consolidated financial statements issued domestically in order to present them in a form which is more familiar to readers outside Japan. In addition, the accompanying notes include information that is not required under Japanese GAAP, but is presented herein for the convenience of readers.

The preparation of consolidated financial statements in conformity with Japanese GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

As permitted by the Financial Instruments and Exchange Law of Japan, yen amounts, except for per share amounts, are presented in millions of yen and are rounded down to the nearest million. As a result, the totals do not necessarily agree with the sum of the individual amounts.

The consolidated financial statements are stated in Japanese yen, the currency of the country in which the Bank is incorporated and operates. The translation of Japanese yen amounts into U.S. dollar amounts is included solely for the convenience of readers outside Japan and has been made at the rate of ¥99.73 to U.S.$1.00, the rate of exchange prevailing on the Tokyo Foreign Exchange Market on March 31, 2008. Such translations should not be construed as representations that the Japanese yen amounts could be converted into U.S. dollars at that or any other rate.

The Bank was placed under temporary nationalization by the Prime Minister of Japan on October 23, 1998, under Section 1 of Article 36 of the Financial Revitalization Law of Japan, and continued its operations in accordance with Articles 47 and 48 of the same law. The Bank's temporary nationalization status was terminated on March 1, 2000, when all common shares of the Bank held by the Deposit Insurance Corporation of Japan (the "DIC") were transferred to New LTCB Partners C.V. in accordance with the Share Purchase Agreement, dated February 9, 2000 (the "Share Purchase Agreement").

In the fiscal year ended March 31, 2004, the Bank completed an initial public offering (IPO) of its shares and became listed on the First Section of the Tokyo Stock Exchange on February 19, 2004. The Bank's then controlling shareholder, New LTCB Partners C.V., offered the shares sold in the IPO. Following the IPO, the Bank also completed a secondary share offering on February 17, 2005. Prior to the secondary offering, the Bank's controlling shareholder, New LTCB Partners C.V., distributed most of its shareholdings to its investors. The investors, in turn, sold an aggregate of 36.9% of the Bank's outstanding common shares in the secondary offering.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

CONSOLIDATED

(A) PRINCIPLES OF CONSOLIDATION

The Group applies its consolidation scope using the control and influence concept. Under the control and influence concept, those companies in which the Bank, directly or indirectly, is able to exercise control over operations are fully consolidated and those companies in which the Bank, directly or indirectly, is able to exercise significant influence over operations are accounted for by the equity method.

The number of consolidated subsidiaries and affiliates as of March 31, 2008 and 2007 was as follows:

	2008	2007
Consolidated subsidiaries	104	95
Unconsolidated subsidiaries	100	90
Affiliates accounted for by the equity method	30	27

Unconsolidated subsidiaries are mainly operating companies that undertake leasing business based on the *Tokumei Kumiai* system (silent partnerships). *Tokumei Kumiai*'s assets, liabilities, profit and loss virtually belong to each silent partner, and the Group does not have any material transactions with these subsidiaries. Therefore, these subsidiaries are excluded from consolidation in order to avoid any material misunderstanding by the Bank's stakeholders.

Other unconsolidated subsidiaries are excluded from consolidation because they are not material to the financial condition or results of operations of the Group.

Major consolidated subsidiaries as of March 31, 2008 were as listed below:

Name	Location	Percentage ownership
APLUS Co., Ltd.	Japan	74.0%
Showa Leasing Co., Ltd.	Japan	96.4%
Shinki Co., Ltd.	Japan	67.7%
Shinsei Trust & Banking Co., Ltd.	Japan	100.0%
Shinsei Securities Co., Ltd.	Japan	100.0%

All significant inter-company transactions, related account balances and unrealized gains and losses have been eliminated in consolidation. As of March 31, 2008, the fiscal year ending dates are March 31 for 66 subsidiaries and December 31 for 38 subsidiaries. Those consolidated subsidiaries whose fiscal years end at dates other than March 31 are consolidated using their fiscal year-end financial statements with appropriate adjustments made for significant transactions during the period from the ending dates of their fiscal years to the date of the Group's consolidated financial statements, except that 5 subsidiaries whose fiscal years end at December 31 are consolidated using their March 31 financial statements.

Major affiliates accounted for by the equity method as of March 31, 2008 were as listed below:

Name	Location	Percentage ownership
Hillcot Holdings Limited	Bermuda	33.7%
Jih Sun Financial Holding Company Limited	Taiwan	32.9%

(B) GOODWILL AND OTHER INTANGIBLE ASSETS

The Bank recognized certain identifiable intangible assets in connection with the acquisition of APLUS Co., Ltd. ("APLUS"), Showa Leasing Co., Ltd. ("Showa Leasing"), and Shinki Co., Ltd. ("Shinki"), because they arose from contractual or other legal rights, or were separable. The identified intangible assets with amortization method and period are as listed below:

APLUS CO., LTD.

Identified intangible assets	Amortization method	Amortization period
Trade name and trademarks	Straight-line	10 years
Customer relationship	Sum-of-the-years digits	10 years
Merchant relationship	Sum-of-the-years digits	20 years

SHOWA LEASING CO., LTD.

Identified intangible assets	Amortization method	Amortization period
Trade name	Straight-line	10 years
Customer relationship	Sum-of-the-years digits	20 years
Maintenance component contracts	Straight-line	Subject to the remaining contract years
Sublease contracts	Straight-line	Subject to the remaining contract years

SHINKI CO., LTD.

Identified intangible assets	Amortization method	Amortization period
Trade name	Straight-line	10 years
Customer relationship	Sum-of-the-years digits	10 years

The excess of the purchase price over the fair value of the net assets acquired, including identified intangible assets, was recorded as goodwill and is amortized on a straight-line basis over 20 years. The amortization period is the maximum period allowed under Japanese GAAP and was determined based upon the Bank's business strategy. The unamortized balances of identified intangible assets and goodwill are subject to impairment testing.

When the purchase price is lower than the fair value of the net assets acquired, including identified intangible assets, the difference is recorded as negative goodwill and amortized on a straight-line basis over 20 years, which is the maximum period allowed under Japanese GAAP.

(C) IMPAIRMENT OF GOODWILL AND OTHER INTANGIBLE ASSETS

The Bank conducts impairment testing for goodwill and other intangible assets semi-annually as a result of certain triggering events such as:

– An expectation of an operating loss or negative cash flow for two consecutive years
– Impairment of underlying investment securities is recognized
– A significant adverse change in the environment surrounding the business operations of the subsidiary, such as a change in law which significantly impacts the business in a negative way, the suspension of business due to sanction or adverse changes in the interest rate laws

As the first step of the impairment test, we estimate the undiscounted future cash flow value of the business as a grouping unit. If the value of the non-discounted future cash flows is less than the book value of the net assets, including goodwill and other intangible assets, of the business, it is determined that impairment exists and the next step of the impairment test is performed to measure the amount of impairment loss, if any.

The next step of the impairment test compares the "value in use," which is calculated as the discounted value of future cash flows of the business, and the net asset book value which includes unamortized balances of goodwill and other intangible assets. Impairment loss for the total of goodwill and other intangible assets (A) is recognized as an amount by which the net asset book value exceeds the "value in use." The fair value of other intangible assets (and any other assets) will be determined in the same manner used to apply purchase accounting at the time of the initial acquisition, and the impairment loss of other intangible assets (B) is determined as the difference between the fair value and book value. Finally, the impairment loss of goodwill is calculated as the residual calculated as (A) less (B) above.

(D) TRANSLATION OF FOREIGN CURRENCY FINANCIAL STATEMENTS AND TRANSACTIONS

(i) The financial statements of consolidated foreign subsidiaries are translated into Japanese yen at exchange rates as of their respective balance sheet dates, except for equity, which is translated at historical exchange rates. Differences arising from such translation are shown as "Foreign currency translation adjustments" in a separate component of equity in the accompanying consolidated balance sheets.

(ii) Foreign currency accounts held by consolidated foreign subsidiaries are translated into the currency of the subsidiary at the respective period-end exchange rates.

(iii) Foreign currency-denominated assets and liabilities and the accounts of overseas branches of the Bank and consolidated domestic subsidiaries are translated into Japanese yen at the exchange rates prevailing at the balance sheet date, except for investments in unconsolidated subsidiaries and affiliates which are translated at the relevant historical exchange rates.

(E) CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of cash on hand and non-interest-bearing deposits.

(F) OTHER MONETARY CLAIMS PURCHASED

The components of other monetary claims purchased are principally loans held for trading purposes. Other monetary claims purchased held for trading purposes are recorded at fair value and unrealized gains and losses are recorded in other business income, net.

(G) VALUATION OF TRADING ACCOUNT ACTIVITIES

Trading account positions entered into to generate gains arising from short-term changes in interest rates, currency exchange rates or market prices of securities and other market-related indices, or from price differences among markets, are included in trading assets and trading liabilities on a trade date basis.

Trading securities and monetary claims purchased for trading purposes are stated at market value and derivative financial instruments related to trading positions are stated at fair value based on estimated amounts that would be settled in cash if such positions were terminated at the end of the fiscal year, which reflects liquidation and credit risks.

Trading revenue and trading expenses include interest received and paid during the fiscal year and unrealized gains and losses resulting from the change in the value of securities, monetary claims purchased, and derivatives between the balance sheet dates.

(H) MONETARY ASSETS HELD IN TRUST

The components of trust assets are accounted for based on the standard appropriate for each asset type. Instruments held in trust for trading purposes are recorded at fair value and unrealized gains and losses are recorded in other business income, net. Instruments held in trust classified as available-for-sale are recorded at fair value with the corresponding unrealized gains and losses recorded directly in a separate component of equity.

Instruments held in trust classified as available-for-sale for which fair value is not readily determinable are carried at cost.

(I) SECURITIES

Securities other than investments in unconsolidated subsidiaries and affiliates are classified into three categories, based principally on the Group's intent, as follows:

Trading securities are securities held in anticipation of gains arising from short-term changes in market value and/or held for resale to customers. Trading securities are carried at fair value with corresponding unrealized gains and losses recorded in income.

Securities being held to maturity are debt securities for which the Group has both the positive intent and ability to hold until maturity. Securities being held to maturity are carried at amortized cost determined by the moving average method.

Securities available-for-sale are securities other than trading securities and securities being held to maturity. Securities available-for-sale are carried at fair value with the corresponding unrealized gains and losses recorded directly in a separate component of equity. The cost of these securities upon sale is determined by the moving average method. Securities available-for-sale for which fair value is not readily determinable are carried at moving average cost or amortized cost determined by the moving average method.

In addition, investments in unconsolidated subsidiaries that are not accounted for by the equity method are carried at cost determined by the moving average method.

Individual securities are written down when a decline in fair value below the cost of such securities is deemed to be other than temporary.

(J) PREMISES AND EQUIPMENT

Premises and equipment are stated at cost less accumulated depreciation.

Depreciation of the Group's buildings and the Bank's computer equipment (including ATMs) other than personal computers is computed principally using the straight-line method, and depreciation of other equipment is computed principally using the declining-balance method. Principal estimated useful lives of buildings and equipment as of March 31, 2008 were as follows:

Buildings .... 3 years to 50 years
Equipment .... 2 years to 15 years

(K) SOFTWARE

Capitalized software for internal use is depreciated using the straight-line method based on the Group's estimated useful lives (mainly 5 or 8 years).

(L) IMPAIRMENT OF LONG-LIVED ASSETS

Long-lived assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of assets may not be recoverable. An impairment loss is recognized if the carrying amount of assets exceeds the sum of the undiscounted future cash flows expected to result from the continued use and eventual disposition of the assets. The impairment loss is measured as the amount by which the carrying amount of an asset exceeds its recoverable amount, which is the higher of the discounted cash flows from the continued use and eventual disposition of the asset or the net selling price at disposition. For the fiscal year ended March 31, 2008, mainly due to the decision to close some of the Bank's BankSpots and ATM sites, an impairment loss was recognized as other loss for the group of assets to be disposed by their total carrying amounts of ¥919 million (U.S.$9,223 thousand), assuming their recoverable amount is zero. No significant impairment loss was recognized for the fiscal year ended March 31, 2007.

(M) DEFERRED CHARGES

Stock issuance costs of the Bank are charged to income as incurred.

Deferred issuance expenses for debentures and the Bank's corporate bonds issued after April 1, 2006 are amortized using the straight-line method over the term of the debentures and corporate bonds.

Deferred issuance expenses for debentures and the Bank's corporate bonds issued before March 31, 2006 are amortized using the straight-line method over the shorter of the terms of the debentures and corporate bonds or the maximum three-year period stipulated in the former Japanese Commercial Code and its regulations.

Consolidated subsidiaries' deferred issuance expenses for corporate bonds are amortized using the straight-line method over the terms of the corporate bonds.

Formation costs and stock issuance costs of consolidated subsidiaries are charged to income as incurred.

(N) RESERVE FOR CREDIT LOSSES

The reserve for loan losses of the Bank and the consolidated domestic trust and banking subsidiary has been established as described below based on the Bank's internal rules for establishing the reserve.

For claims to obligors who are legally bankrupt (due to bankruptcy, special liquidation, etc.) or virtually bankrupt, a specific reserve is provided based on the amount of claims, after the charge-off stated below, net of amounts expected to be collected through the disposal of collateral or execution of guarantees.

For claims to obligors who are possibly bankrupt, a specific reserve is provided for the amount considered to be necessary based on an overall solvency assessment performed for the amount of claims net of amounts expected to be collected through the disposal of collateral or execution of guarantees.

The Bank applies the discounted cash flow method (the "DCF method") in calculating the loan loss reserve amounts for most of the claims against obligors categorized as possibly bankrupt or substandard under the self-assessment guidelines. Under the DCF method, the loan loss reserve is determined as the difference between (a) relevant estimated cash flows discounted by the original contractual interest rate and (b) the book value of the claim. In cases where it is difficult to reasonably estimate future cash flows, the Bank sets aside, as reserves, the product of the estimated loss ratios on the claims and either (A) the balance of the claims, in the case of claims against substandard obligors, or (B) the unsecured, unguaranteed portion of the claims, in the case of claims against possibly bankrupt obligors.

For other claims, the Bank provides a general reserve based on historical loan loss experience.

The historical loan loss ratio had previously been calculated by taking the greater result from the following two calculation methods: (1) the average of three consecutive calculation periods defined to be the previous one year as from each fiscal year-end, or (2) the average of three consecutive calculation periods defined to be the previous three years as from each fiscal year-end. However, the recent actual loan loss ratio has rapidly declined, resulting in a less reliable basis for loan loss calculation. Starting from the fiscal year ended March 31, 2007, the calculation methodology has been changed to taking the greater result of the following two methods: (A) the existing methodology mentioned above, or (B) the average of all calculation periods since 1998, the period for which records for loan losses have been maintained. As a result, the reserve for credit losses as of March 31, 2007 and the loss before income taxes and minority interests for the fiscal year ended March 31, 2007 were each ¥23,205 million higher than would have been the case using the previous calculation method.

For specific foreign claims, there is a reserve for loans to restructuring countries which has been provided based on losses estimated by considering the political and economic conditions in those countries.

All claims are assessed by business divisions and branches based on the predetermined internal rules for the self-assessment of asset quality. The Credit Assessment Division, which is independent from business divisions and branches, conducts verifications of these assessments, and additional reserves may be provided based on the verification results.

The reserve for other credit losses primarily consists of reserves on amounts, included in accounts receivable, that the Bank believes the DIC is obligated to reimburse to it in accordance with certain indemnification clauses in the Share Purchase Agreement but which the DIC has not yet accepted, as well as certain litigation claims and a reserve taken on the Bank's contribution to an industry-wide fund set up to purchase and collect loans.

The consolidated subsidiaries other than the domestic trust and banking subsidiary calculate the general reserve for "normal" and "caution, including substandard" categories based on the specific actual historical loss ratio, and the specific reserve for the "possibly bankrupt," "virtually bankrupt" and "legally bankrupt" categories based on estimated losses, considering the recoverable value.

For collateralized or guaranteed claims of the Bank and certain consolidated subsidiaries to obligors who are legally bankrupt or virtually bankrupt, the amount of claims exceeding the estimated value of collateral or guarantees, which is deemed uncollectible, has been charged off and totaled ¥96,378 million (U.S.$966,395 thousand) and ¥39,758 million as of March 31, 2008 and 2007, respectively.

(O) ACCRUED BONUSES FOR EMPLOYEES AND DIRECTORS

Accrued bonuses for employees and directors are provided in the amount of the estimated bonuses which are attributable to each fiscal year.

(P) RESERVE FOR EMPLOYEES' RETIREMENT BENEFITS

The Bank, APLUS, Showa Leasing and Shinki each have a non-contributory defined benefit pension plan and certain of the consolidated domestic subsidiaries have unfunded severance indemnity plans, which cover substantially all of the Group's employees. The reserve for employees' retirement benefits is provided for the payment of employees' retirement benefits based on the estimated amounts of the actuarial retirement benefit obligation net of the estimated value of pension assets. Net actuarial gains and losses and prior service costs are amortized using the straight-line method over the average remaining service period mainly from the fiscal year of occurrence.

Effective April 1, 2000, the Bank adopted a new accounting standard for employees' retirement benefits and accounts for the liabilities for retirement benefits based on the projected benefit obligations net of plan assets at the balance sheet date. The transitional unrecognized net retirement benefit obligation for the Bank of ¥9,081 million is being amortized using the straight-line method over 15 years.

(Q) RESERVE FOR DIRECTORS' RETIREMENT BENEFITS

Prior to April 1, 2007, retirement benefits to directors were expensed when paid.

Effective April 1, 2007, retirement benefits to directors are provided at the amount that would be required if all directors retired at the balance sheet date in accordance with a Report of the Auditing and Assurance Practice Committee, "An Auditing Treatment for Retirement Benefits to Directors," which was published by the Japanese Institute of Certified Public Accountants on April 13, 2007 and is effective for fiscal years beginning on or after April 1, 2007. The effect of this change was to increase general and administrative expenses by ¥132 million ($1,329 thousand) and to decrease income before income taxes and minority interests by the same amount for the year ended March 31, 2008.

(R) RESERVE FOR LOSSES ON INTEREST REPAYMENTS

On October 13, 2006, the Japanese Institute of Certified Public Accountants (the "JICPA") issued "Audit Guidelines on Consumer Finance Companies' Provisions for Possible Losses on Reimbursements of Excess Interest Payments" (the "Audit Guidelines"). These guidelines stipulate that consumer and commercial finance companies must make certain provisions for possible losses on reimbursements of excess interest payments and loan losses related to consumer finance loans extended at interest rates in excess of the maximum interest rate prescribed in the Interest Rate Restriction Law. The amount of such reserve is calculated using the average period to maturity of the affected loans, an estimate of the percentage of such loan transactions that will be subject to a future reimbursement request based on past experience and an estimate of the average amount to be reimbursed based on past experience. The cumulative effect of the adoption of the Audit Guidelines, ¥909 million, was recorded in other gains (losses), net, for the fiscal year ended March 31, 2007.

(S) RESERVE FOR LOSSES ON DISPOSAL OF PREMISES AND EQUIPMENT

A reserve for losses on disposal of premises and equipments is established based on reasonable estimates mainly for the restoration cost associated with the planned relocation of the headquarters of the Bank and some of the consolidated subsidiaries and the planned closure of some of the BankSpots and ATM sites for retail banking.

(T) RESERVE UNDER SPECIAL LAW

The reserve under special law is provided for contingent liabilities from brokering of securities transactions in accordance with section 1 of Article 46-5 of the Financial Instruments and Exchange Law of Japan as of March 31, 2008 and with Article 51 of the former Securities and Exchange Law of Japan as of March 31, 2007.

(U) PRESENTATION OF EQUITY

On December 9, 2005, the ASBJ published a new accounting standard for presentation of equity. Under this accounting standard, certain items which were previously presented outside of shareholders' equity are now presented as components of equity. Such items include stock acquisition rights, minority interests, and any deferred gain or loss on derivatives accounted for under hedge accounting. This standard was effective for fiscal years ended on or after May 1, 2006. Reclassification of prior years was not permitted.

(V) STOCK OPTIONS

On December 27, 2005, the ASBJ issued ASBJ Statement No. 8, "Accounting Standard for Stock Options" and related guidance. The new standard and guidance are applicable to stock options newly granted on and after May 1, 2006. This standard requires companies to recognize compensation expense for employee stock options based on the fair value at the date of grant and over the vesting period as consideration for receiving goods or services. In the balance sheet, the stock option is presented as a stock acquisition right as a separate component of equity until exercised. The standard covers equity-settled, share-based payment transactions, but does not cover cash-settled, share-based payment transactions.

The Bank applied this accounting standard for stock options to those granted on and after May 1, 2006.

(W) LEASE TRANSACTIONS

Under Japanese accounting standards for leases, finance leases where the ownership of the property is deemed to transfer to the lessee are capitalized, while other finance leases can be accounted for as operating leases if certain "as if capitalized" information is disclosed in the notes to the consolidated financial statements. All leases entered into by the Bank and its consolidated domestic subsidiaries as lessee have been accounted for as operating leases.

Lease and rental income is recognized at the due date of each lease payment according to the lease contracts. Leased assets held by consolidated domestic subsidiaries as lessor are depreciated using the straight-line method over the leasing periods.

(X) INSTALLMENT SALES FINANCE AND CREDIT GUARANTEES

Fees from installment sales finance have principally been prorated over the respective number of installments, and the prorated amounts have been recognized as income either when they become due (the "sum-of-the-months digits method"), or by using the credit-balance method depending on the contract terms.

Fees from credit guarantees have been recognized either by the sum-of-the-months digits method, the straight-line method or the credit-balance method depending on the contract terms.

(Y) REVENUE RECOGNITION FOR INTEREST ON CONSUMER LENDING BUSINESS

In a consolidated subsidiary specialized in consumer lending business, accrued interest income at the balance sheet date is accrued at the lower of the amount determined using a rate permissible under the Interest Rate Restriction Law of Japan or the amount determined using rates on contracts with customers.

(Z) INCOME TAXES

Deferred income taxes relating to temporary differences between financial reporting and tax bases of assets and liabilities and tax loss carryforwards have been recognized. The asset and liability approach is used to recognize deferred income taxes.

The Bank files its corporate income tax return under the consolidated corporation tax system, which allows companies to base tax payments on the combined profits and losses of the Bank and its wholly-owned domestic subsidiaries.

A valuation allowance is recognized for any portion of the deferred tax assets where it is considered more likely than not that it will not be realized.

(AA) DERIVATIVES AND HEDGE ACCOUNTING

Derivatives are stated at fair value. Derivative transactions that meet the hedge accounting criteria are primarily accounted for using a deferral method whereby unrealized gains and losses are deferred until the gains and losses on the hedged items are realized.

(i) Hedge of interest rate risks

Derivative transactions that meet the hedge accounting criteria for mitigating interest rate risks of the Bank's financial assets and liabilities are accounted for using the deferral method. Prior to April 1, 2003, the Bank principally applied a "macro hedge" approach for interest rate derivatives used to manage interest rate risks, and its ALM activities based on the transitional treatment prescribed in Industry Audit Committee Report No. 24 issued by the JICPA. Effective April 1, 2003, the Bank adopted portfolio hedging to determine the effectiveness of its hedging instruments in accordance with Report No. 24. Under portfolio hedging, a portfolio of hedged items with common maturities such as deposits or loans is designated and matched with a group of hedging instruments such as interest rate swaps, which offset the effect of fair value fluctuations of the hedged items by identified maturities. The effectiveness of the portfolio hedging is assessed by each group.

Deferred hedge losses and deferred hedge gains previously recorded on the consolidated balance sheets as a result of macro hedge accounting before implementation of portfolio hedging are being amortized as interest expense or income over the remaining lives of the hedging instruments. The unamortized balances of deferred hedge losses attributable to macro hedge accounting, before deduction of tax benefit, as of March 31, 2008 and 2007 were ¥11 million (U.S.$116 thousand) and ¥21 million, respectively.

The interest rate swaps of certain consolidated subsidiaries which qualify for hedge accounting and meet specific matching criteria are not remeasured at fair value, but the net payments or receipts under the swap agreements are recognized and included in interest expenses or income.

(ii) Hedge of foreign exchange fluctuation risks

Fund swap and certain currency swap transactions are accounted for using either deferral hedge accounting or fair value hedge accounting in accordance with Industry Audit Committee Report No. 25 of the JICPA.

Fund swap transactions are foreign exchange swaps, and consist of spot foreign exchange contracts bought or sold and forward foreign exchange contracts bought or sold. Such transactions are contracted for the purpose of lending or borrowing in a different currency and converting the corresponding principal equivalents and foreign currency equivalents to pay and receive, whose amounts and due dates are predetermined at the time of the transactions, into forward foreign exchange contracts bought or sold.

Under deferral hedge accounting, hedged items are identified by grouping the foreign currency-denominated financial assets and liabilities by currencies and designating derivative transactions such as currency swap transactions and forward exchange contracts as hedging instruments. Hedge effectiveness is reviewed by comparing the total foreign currency position of the hedged items and hedging instruments by currency.

The Bank also applies deferral hedge accounting and fair value hedge accounting to translation gains or losses from foreign currency assets of net investments in foreign affiliates and securities available-for-sale (other than bonds denominated in foreign currencies) when such foreign currency exposures recorded as assets are hedged with offsetting foreign currency liabilities and the liabilities exceed the acquisition cost of such foreign currency assets.

(iii) Inter-company and intra-company derivative transactions
Gains and losses on inter-company and intra-company derivative hedging transactions between the trading book and the banking book are not eliminated since offsetting transactions with third parties are appropriately entered into in conformity with the non-arbitrary and strict hedging policy in accordance with Industry Audit Committee Reports No. 24 and No. 25. As a result, in the banking book, realized gains and losses on such inter-company and intra-company transactions are reported in current earnings and valuation gains and losses which meet the hedge accounting criteria are deferred. On the other hand, in the trading book, realized gains and losses and valuation gains and losses on such inter-company and intra-company transactions are substantially offset with covering contracts entered into with third parties.

(AB) PER SHARE INFORMATION

Basic net income (loss) per common share calculations represent net income (loss) available to common shareholders, divided by the weighted average number of outstanding shares of common stock during the respective fiscal year, retroactively adjusted for stock splits and reverse stock splits.

Diluted net income per common share calculations consider the dilutive effect of common stock equivalents, which include preferred shares and stock acquisition rights, assuming that all preferred shares were converted into common shares at the beginning of the fiscal year with an applicable adjustment for related dividends on preferred stock, and that stock acquisition rights were fully exercised at the time of issuance for those issued during the fiscal year and at the beginning of the fiscal year for those previously issued and outstanding at the beginning of the fiscal year.

Cash dividends per common share and per Class-A and Class-B preferred shares presented in the accompanying consolidated statements of operations are dividends applicable to the respective fiscal years, including dividends to be paid after the end of the fiscal year, which are retroactively adjusted for stock splits and reverse stock splits.

(AC) NEW ACCOUNTING PRONOUNCEMENTS

Lease Accounting—On March 30, 2007, the ASBJ issued ASBJ Statement No.13, "Accounting Standard for Lease Transactions," which revised the existing accounting standard for lease transactions issued on June 17, 1993. The revised accounting standard for lease transactions is effective for fiscal years beginning on or after April 1, 2008.

Lessee

Under the existing accounting standard, finance leases that deem to transfer ownership of the leased property to the lessee are to be capitalized, however, other finance leases are permitted to be accounted for as operating lease transactions if certain "as if capitalized" information is disclosed in the note to the lessee's financial statements. The revised accounting standard requires that all finance lease transactions shall be capitalized recognizing lease assets and lease obligations in the balance sheet.

Lessor

Under the existing accounting standard, finance leases that deem to transfer ownership of the leased property to the lessee are to be capitalized, however, other finance leases are permitted to be accounted for as operating lease transactions if certain "as if capitalized" information is disclosed in the note to the lessor's financial statements. The revised accounting standard requires that all finance leases that deem to transfer ownership of the leased property to the lessee shall be recognized as lease receivables, and all finance leases that do not deem to transfer ownership of the leased property to the lessee shall be recognized as investments in leases.

Unification of Accounting Policies Applied to Foreign Subsidiaries for the Consolidated Financial Statements—Under Japanese GAAP, a company currently can use the financial statements of its foreign subsidiaries which have been prepared in accordance with generally accepted accounting principles in their respective jurisdictions for its consolidation process unless they are clearly unreasonable. On May 17, 2006, the ASBJ issued ASBJ Practical Issues Task Force (PITF) No.18, "Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for the Consolidated Financial Statements." The new standard prescribes: 1) the accounting policies and procedures applied to a parent company and its subsidiaries for similar transactions and events under similar circumstances should in principle be unified for the preparation of the consolidated financial statements, 2) financial statements prepared by foreign subsidiaries in accordance with either International Financial Reporting Standards or the generally accepted accounting principles in the United States tentatively may be used for the consolidation process, 3) however, the following items should be adjusted in the consolidation process so that net income is accounted for in accordance with Japanese GAAP unless they are not material;
(1) Amortization of goodwill

(2) Actuarial gains and losses of defined benefit plans recognized outside profit or loss
(3) Capitalization of intangible assets arising from development phases
(4) Fair value measurement of investment properties, and the revaluation model for premises and equipment, and intangible assets
(5) Retrospective application when accounting policies are changed
(6) Accounting for net income attributable to a minority interest

The new task force is effective for fiscal years beginning on or after April 1, 2008.

(AD) RECLASSIFICATIONS

Certain reclassifications have been made to the consolidated financial statements for the fiscal year ended March 31, 2007 to conform to the presentation for the fiscal year ended March 31, 2008.

3. ACQUISITION

CONSOLIDATED

Shinki Co., Ltd.

On December 13, 2007, following a full subscription to the rights offering of new shares proposed by Shinki on November 27, 2007, the Bank received 76,822 thousand new Shinki shares at a subscription price of ¥7,682 million. As a result, the Bank holds 102,430 thousand common shares of Shinki, including 25,607 thousand shares previously owned, representing approximately 67.7% of Shinki's common stock. Following the new investment, Shinki, which had previously been an equity method investee, became a consolidated subsidiary of the Bank.

In connection with the acquisition, the Bank conducted a fair value review of Shinki's assets and liabilities, including intangible assets, for the purpose of preparing the consolidated balance sheet as of October 1, 2007 (deemed acquisition date). The excess of the fair value of the net assets acquired over the cumulative purchase price, including the original equity-method investment was accounted for as negative goodwill.

The following table summarizes the fair value of the assets acquired and liabilities assumed, including intangible assets and negative goodwill as of October 1, 2007:

	Millions of yen	Thousands of U.S. dollars
Cash and due from banks	¥ 23,097	$ 231,600
Securities	676	6,776
Loans	113,940	1,142,490
Other assets	6,411	64,290
Premises and equipment	4,515	45,270
Intangible assets (Including ¥7,107 million of intangible assets recognized through fair value review)	8,648	86,714
Deferred tax assets	4,432	44,438
Total assets acquired	161,719	1,621,578
Borrowed money	(70,576)	(707,671)
Commercial paper	(8,000)	(80,217)
Corporate bonds	(19,800)	(198,536)
Other liabilities	(6,244)	(62,616)
Reserve for losses on interest repayments	(38,224)	(383,278)
Deferred tax liabilities	(3,638)	(36,479)
Total liabilities assumed	(146,482)	(1,468,797)
Minority interest	(4,909)	(49,226)
Treasury stock	4	42
Net assets acquired (cumulative)	10,331	103,597
Cumulative purchase price (see below)	3,083	30,920
Negative goodwill	(7,248)	(72,677)

Cumulative purchase price calculated as follows:

	Millions of yen	Thousands of U.S. dollars
Subscription price of the shareholder rights	¥ 7,682	$ 77,030
Net book value of the investment in Shinki prior to the deemed acquisition date	(4,598)	(46,110)
Cumulative purchase price	3,083	30,920

3. ACQUISITION (CONTINUED)

CONSOLIDATED

Proceeds from acquisition of new subsidiaries:

	Millions of yen	Thousands of U.S. dollars
Subscription price of the shareholder rights	¥ 7,682	$ 77,030
Cash and cash equivalents of Shinki	12,191	122,248
Proceeds from acquisition of new subsidiaries	4,509	45,218

4. CASH AND CASH EQUIVALENTS

CONSOLIDATED

The reconciliation of cash and cash equivalents at the end of the fiscal year and cash and due from banks in the consolidated balance sheets as of March 31, 2008 and 2007 was as follows:

	Millions of yen		Thousands of U.S. dollars
	2008	2007	**2008**
Cash and due from banks	**¥ 505,630**	¥ 448,554	**$ 5,069,995**
Interest-bearing deposits included in due from banks	**(99,703)**	(177,061)	**(999,735)**
Cash and cash equivalents at end of year	**¥ 405,926**	¥ 271,493	**$ 4,070,260**

5. OTHER MONETARY CLAIMS PURCHASED

CONSOLIDATED

(a) Other monetary claims purchased as of March 31, 2008 and 2007 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2008	2007	**2008**
Trading purposes	**¥ 280,630**	¥ 281,034	**$ 2,813,905**
Other	**188,249**	85,470	**1,887,593**
Total	**¥ 468,880**	¥ 366,505	**$ 4,701,498**

(b) The fair value and the unrealized loss of other monetary claims purchased for trading purposes as of March 31, 2008 and 2007 were as follows:

	Millions of yen				Thousands of U.S. dollars	
	2008		2007		**2008**	
	Fair value	Unrealized loss	Fair value	Unrealized loss	Fair value	Unrealized loss
Trading purposes	**¥ 280,630**	**¥ 12,697**	¥ 281,034	¥ 7,717	**$ 2,813,905**	**$ 127,314**

6. TRADING ASSETS

CONSOLIDATED

Trading assets as of March 31, 2008 and 2007 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2008	2007	**2008**
Trading securities	**¥ 13,941**	¥ 12,427	**$ 139,795**
Derivatives for trading securities	**18,042**	8,973	**180,909**
Securities held to hedge trading transactions	**65,927**	186,150	**661,064**
Derivatives for securities held to hedge trading transactions	**16,633**	3,555	**166,783**
Trading-related financial derivatives	**192,055**	91,624	**1,925,750**
Other trading assets	**8,687**	657	**87,108**
Total	**¥ 315,287**	¥ 303,389	**$ 3,161,409**

7. MONETARY ASSETS HELD IN TRUST

CONSOLIDATED

(a) Monetary assets held in trust as of March 31, 2008 and 2007 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2008	2007	**2008**
Trading purposes	**¥ 248,752**	¥ 339,097	**$ 2,494,265**
Other	**122,819**	163,235	**1,231,520**
Total	**¥ 371,572**	¥ 502,332	**$ 3,725,785**

(b) The fair value and the unrealized loss of monetary assets held in trust for trading purposes as of March 31, 2008 and 2007 were as follows:

	Millions of yen				Thousands of U.S. dollars	
	2008		2007		**2008**	
	Fair value	Unrealized loss	Fair value	Unrealized loss	Fair value	Unrealized loss
Trading purposes	**¥ 248,752**	**¥ 5,603**	¥ 339,097	¥ 5,629	**$ 2,494,265**	**$ 56,191**

(c) The acquisition cost, which is the same as the book value, of monetary assets held in trust for other than trading purposes as of March 31, 2008 and 2007 was ¥122,819 million (U.S.$1,231,520 thousand) and ¥163,235 million, respectively.

8. SECURITIES

CONSOLIDATED

(a) Securities as of March 31, 2008 and 2007 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2008	2007	**2008**
Trading securities	**¥ 63,122**	¥ 116,593	**$ 632,939**
Securities being held to maturity	**390,495**	407,000	**3,915,526**
Securities available-for-sale:			
Marketable securities, at fair value	**1,055,601**	1,016,315	**10,584,595**
Book value of securities whose fair value is not readily determinable	**421,530**	251,180	**4,226,715**
Investments in unconsolidated subsidiaries, at cost and affiliates using the equity method	**49,541**	63,593	**496,759**
Total	**¥ 1,980,292**	¥ 1,854,682	**$ 19,856,534**

The above balances do not include securities held in relation to securities borrowing transactions with or without cash collateral, securities purchased under resale agreements or securities accepted as collateral based on derivative transactions, where the Group has the right to sell or pledge such securities without restrictions. The balances of those securities as of March 31, 2008 and 2007 were ¥84,384 million (U.S.$846,128 thousand) and ¥60,379 million, respectively. In addition, ¥3,058 million ($30,662 thousand) and ¥4,604 million of those securities were further pledged as of March 31, 2008 and 2007, respectively.

The amount of guarantee obligations for privately-placed bonds (Item 3 of Article 2 of the Financial Instruments and Exchange Law as of March 31, 2008, Item 3 of Article 2 of the former Securities and Exchange Law as of March 31, 2007), out of bonds included in securities as of March 31, 2008 and 2007 were ¥78,691 million (U.S.$789,050 thousand) and ¥90,671 million, respectively.

(b) The amortized cost and the fair value of marketable securities (other than trading securities) as of March 31, 2008 and 2007 were as follows:

	Millions of yen							
	2008				2007			
	Amortized cost	Gross unrealized gain	Gross unrealized loss	Fair value	Amortized cost	Gross unrealized gain	Gross unrealized loss	Fair value
Securities being held to maturity:								
Japanese national government bonds	¥ 304,333	¥ 1,901	¥ 66	¥ 306,168	¥ 364,526	¥ 159	¥ 1,347	¥ 363,337
Japanese corporate bonds	75,138	1,381	—	76,519	42,474	8	42	42,440
Other	11,023	1,347	—	12,371	—	—	—	—
Total	¥ 390,495	¥ 4,630	¥ 66	¥ 395,059	¥ 407,000	¥ 168	¥ 1,390	¥ 405,777
Securities available-for-sale:								
Equity securities	¥ 22,300	¥ 1,068	¥ 4,226	¥ 19,142	¥ 21,395	¥ 2,372	¥ 1,366	¥ 22,402
Japanese national government bonds	344,819	378	4,148	341,048	389,570	23	3,709	385,883
Japanese local government bonds	2,205	58	—	2,264	53,262	8	19	53,251
Japanese corporate bonds	201,297	647	337	201,608	134,838	381	53	135,166
Other, mainly foreign debt securities	520,220	8,479	37,162	491,537	409,045	11,372	806	419,611
Total	¥ 1,090,844	¥ 10,631	¥ 45,874	¥ 1,055,601	¥ 1,008,112	¥ 14,159	¥ 5,956	¥ 1,016,315

	Thousands of U.S. dollars			
	2008			
	Amortized cost	Gross unrealized gain	Gross unrealized loss	Fair value
Securities being held to maturity:				
Japanese national government bonds	$ 3,051,571	$ 19,069	$ 665	$ 3,069,975
Japanese corporate bonds	753,417	13,852	—	767,269
Foreign debt securities	110,538	13,512	—	124,050
Total	$ 3,915,526	$ 46,433	$ 665	$ 3,961,294
Securities available-for-sale:				
Equity securities	$ 223,612	$ 10,712	$ 42,377	$ 191,947
Japanese national government bonds	3,457,526	3,791	41,596	3,419,721
Japanese local government bonds	22,114	589	—	22,703
Japanese corporate bonds	2,018,430	6,492	3,382	2,021,540
Other, mainly foreign debt securities	5,216,292	85,020	372,628	4,928,684
Total	$10,937,974	$ 106,604	$ 459,983	$10,584,595

Individual securities are written down when a decline in fair value below the cost of such securities is deemed to be other than temporary. The amount written down is accounted for as an impairment loss. Impairment losses on marketable securities available-for-sale for the fiscal years ended March 31, 2008 and 2007 were ¥5,454 million (U.S.$54,697 thousand) and ¥517 million, respectively.

(c) Securities available-for-sale sold during the fiscal years ended March 31, 2008 and 2007 were as follows:

	Millions of yen					
	2008			2007		
	Proceeds from sales	Total amount of gains on sales	Total amount of losses on sales	Proceeds from sales	Total amount of gains on sales	Total amount of losses on sales
Securities available-for-sale sold	¥ 536,145	¥ 6,025	¥ 1,235	¥ 207,162	¥ 9,056	¥ 2,470

	Thousands of U.S. dollars		
	2008		
	Proceeds from sales	Total amount of gains on sales	Total amount of losses on sales
Securities available-for-sale sold	$ 5,375,973	$ 60,415	$ 12,385

8. SECURITIES (CONTINUED) CONSOLIDATED

(d) The book value (amortized cost) of securities available-for-sale whose fair value was not readily determinable as of March 31, 2008 and 2007 was as follows:

	Millions of yen		Thousands of U.S. dollars
	2008	2007	**2008**
Equity securities	**¥ 14,989**	¥ 7,969	**$ 150,297**
Japanese local government bonds	**4**	4	**40**
Japanese corporate bonds	**283,743**	156,939	**2,845,114**
Foreign securities	**61,436**	69,489	**616,031**
Other	**61,357**	16,777	**615,233**
Total	**¥ 421,530**	¥ 251,180	**$ 4,226,715**

(e) Redemption schedules for securities being held to maturity and available-for-sale as of March 31, 2008 and 2007 were as follows:

	Millions of yen							
	2008				2007			
	1 year or less	Over 1 year to 5 years	Over 5 years to 10 years	Over 10 years	1 year or less	Over 1 year to 5 years	Over 5 years to 10 years	Over 10 years
Bonds:								
Japanese national government bonds	**¥ 298,680**	**¥ 300,618**	**¥ —**	**¥ 46,083**	¥ 319,016	¥ 384,422	¥ —	¥ 46,970
Japanese local government bonds	**4**	**1,738**	**525**	**—**	51,554	507	1,193	—
Japanese corporate bonds	**164,110**	**369,027**	**27,351**	**—**	139,770	169,110	25,699	—
Subtotal	**462,795**	**671,384**	**27,876**	**46,083**	510,341	554,039	26,892	46,970
Other	**26,086**	**203,360**	**165,234**	**162,753**	4,342	128,751	164,895	161,583
Total	**¥ 488,882**	**¥ 874,744**	**¥ 193,111**	**¥ 208,836**	¥ 514,684	¥ 682,791	¥ 191,787	¥ 208,554

	Thousands of U.S. dollars			
	2008			
	1 year or less	Over 1 year to 5 years	Over 5 years to 10 years	Over 10 years
Bonds:				
Japanese national government bonds	**$ 2,994,891**	**$ 3,014,321**	**$ —**	**$ 462,080**
Japanese local government bonds	**45**	**17,433**	**5,265**	**—**
Japanese corporate bonds	**1,645,552**	**3,700,266**	**274,253**	**—**
Subtotal	**4,640,488**	**6,732,020**	**279,518**	**462,080**
Other	**261,574**	**2,039,107**	**1,656,822**	**1,631,936**
Total	**$ 4,902,062**	**$ 8,771,127**	**$ 1,936,340**	**$ 2,094,016**

9. LOANS AND BILLS DISCOUNTED CONSOLIDATED

Loans and bills discounted as of March 31, 2008 and 2007 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2008	2007	**2008**
Loans on deeds	**¥ 4,717,711**	¥ 4,423,269	**$ 47,304,840**
Loans on bills	**91,849**	83,241	**920,987**
Bills discounted	**2,036**	2,423	**20,421**
Overdrafts	**810,668**	637,372	**8,128,628**
Total	**¥ 5,622,266**	¥ 5,146,306	**$ 56,374,876**

(a) Loans and bills discounted included loans to bankrupt obligors totaling ¥2,173 million (U.S.$21,798 thousand) and ¥1,748 million as of March 31, 2008 and 2007, respectively, as well as non-accrual delinquent loans totaling ¥42,528 million (U.S.$426,436 thousand) and ¥21,849 million as of March 31, 2008 and 2007, respectively.

Non-accrual delinquent loans include loans classified as "possibly bankrupt" and "virtually bankrupt" under the Bank's self-assessment guidelines.

In addition to non-accrual delinquent loans as defined, certain other loans classified as "substandard" under the Bank's self-assessment guidelines include loans past due for three months or more.

Loans past due for three months or more consist of loans for which the principal and/or interest is three months or more past due but exclude loans to bankrupt obligors and non-accrual delinquent loans. The balances of loans past due for three months or more as of March 31, 2008 and 2007 were ¥4,792 million (U.S.$48,051 thousand) and ¥4,792 million, respectively.

Restructured loans are loans where the Group relaxes lending conditions, such as by reducing the original interest rate, or by forbearing interest payments or principal repayments to support the borrower's reorganization, but exclude loans to bankrupt obligors, non-accrual delinquent loans or loans past due for three months or more. The outstanding balances of restructured loans as of March 31, 2008 and 2007 were ¥54,980 million (U.S.$551,289 thousand) and ¥36,422 million, respectively.

(b) The total outstanding amounts deducted from the loan account for loan participations as of March 31, 2008 and 2007 were ¥61,144 million (U.S.$613,098 thousand) and ¥83,124 million, respectively. This "off-balance sheet" treatment was in accordance with guidelines issued by the JICPA. The total amounts of such loans in which the Bank participated were ¥157,021 million (U.S.$1,574,471 thousand) and ¥93,818 million as of March 31, 2008 and March 31, 2007, respectively.

(c) The amount of loans sold through senior certificates under a collateralized loan obligation ("CLO") securitization totaled ¥129,695 million as of March 31, 2007, with the subordinated certificates retained by the Bank totaling ¥43,862 million as of March 31, 2007, recorded as loans.

A reserve for credit losses was established based on the aggregate amount of the senior and subordinated certificate portions described above, taking into consideration all credit risks to be absorbed by the subordinated certificates.

(d) Bills discounted, such as bank acceptances bought, commercial bills discounted, documentary bills and foreign exchange contracts bought, are accounted for as financing transactions in accordance with Industry Audit Committee Report No. 24 issued by the JICPA, although the Group has the right to sell or pledge them without restrictions. The face values of such bills discounted held as of March 31, 2008 and 2007 were ¥2,199 million (U.S.$22,055 thousand) and ¥179 million, respectively.

10. OTHER ASSETS

CONSOLIDATED

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

	Millions of yen		Thousands of U.S. dollars
	2008	2007	**2008**
Accrued income	**¥ 42,335**	¥ 40,705	**$ 424,498**
Prepaid expenses	**6,825**	6,102	**68,436**
Fair value of derivatives	**389,006**	124,760	**3,900,600**
Financial stabilization fund contribution	**70,239**	70,239	**704,292**
Accounts receivable	**56,764**	74,357	**569,186**
Installment receivables	**421,817**	440,864	**4,229,592**
Security deposits	**17,623**	15,320	**176,717**
Suspense payments	**40,582**	46,643	**406,920**
Other	**54,957**	51,379	**551,063**
Total	**¥ 1,100,151**	¥ 870,375	**$ 11,031,304**

Installment receivables in other assets as of March 31, 2008 and 2007 included credits to bankrupt obligors totaling ¥2,635 million (U.S.$26,426 thousand) and ¥279 million, non-accrual delinquent credits totaling ¥4,908 million (U.S.$49,215 thousand) and ¥3,192 million, credits past due for three months or more of ¥1,340 million (U.S.$13,437 thousand) and ¥1,733 million, and restructured credits of ¥6,782 million (U.S.$68,009 thousand) and ¥10,271 million, respectively.

11. PREMISES AND EQUIPMENT

CONSOLIDATED

Premises and equipment as of March 31, 2008 and 2007 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2008	2007	2008
Buildings	¥ 28,299	¥ 50,409	$ 283,762
Land	10,689	41,756	107,185
Tangible leased assets	548,364	503,965	5,498,491
Other	21,819	17,425	218,788
Subtotal	609,173	613,556	6,108,226
Accumulated depreciation	(303,401)	(231,096)	(3,042,231)
Net book value	¥ 305,771	¥ 382,460	$ 3,065,995

12. INTANGIBLE ASSETS

CONSOLIDATED

Intangible assets as of March 31, 2008 and 2007 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2008	2007	2008
Software	¥ 27,499	¥ 24,221	$ 275,741
Goodwill, net			
Goodwill	149,314	158,837	1,497,189
Negative goodwill	(7,075)	(770)	(70,945)
Intangible assets acquired through acquisitions	23,676	19,826	237,407
Intangible leased assets	39,668	41,912	397,764
Other	89	127	898
Total	¥ 233,174	¥ 244,155	$ 2,338,054

13. RESERVE FOR CREDIT LOSSES

CONSOLIDATED

Reserve for credit losses as of March 31, 2008 and 2007 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2008	2007	2008
Reserve for loan losses:			
General reserve	¥ 96,650	¥ 101,268	$ 969,121
Specific reserve	23,236	13,565	232,994
Reserve for loans to restructuring countries	15	9	154
Subtotal	119,902	114,843	1,202,269
Specific reserve for other credit losses	26,064	32,432	261,351
Total	¥ 145,966	¥ 147,275	$ 1,463,620

14. DEPOSITS, INCLUDING NEGOTIABLE CERTIFICATES OF DEPOSIT

CONSOLIDATED

Deposits, including negotiable certificates of deposit, as of March 31, 2008 and 2007 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2008	2007	2008
Current	¥ 23,814	¥ 25,508	$ 238,788
Ordinary	1,377,135	1,534,788	13,808,637
Notice	20,376	37,660	204,313
Time	3,523,765	2,931,633	35,333,054
Negotiable certificates of deposit	577,189	480,199	5,787,523
Other	284,353	411,139	2,851,232
Total	¥ 5,806,634	¥ 5,420,930	$ 58,223,547

15. DEBENTURES

CONSOLIDATED

Debentures as of March 31, 2008 and 2007 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2008	2007	**2008**
Coupon debentures	**¥ 662,434**	¥ 703,298	**$ 6,642,279**

Annual maturities of debentures as of March 31, 2008 were as follows:

Year ending March 31	Millions of yen	Thousands of U.S. dollars
2009	¥ 147,695	$ 1,480,956
2010	122,656	1,229,881
2011	175,098	1,755,722
2012	111,713	1,120,162
2013 and thereafter	105,270	1,055,558
Total	¥ 662,434	$ 6,642,279

16. TRADING LIABILITIES

CONSOLIDATED

Trading liabilities as of March 31, 2008 and 2007 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2008	2007	**2008**
Derivatives for trading securities	**¥ 19,468**	¥ 16,224	**$ 195,210**
Derivatives for securities held to hedge trading transactions	**4,625**	884	**46,380**
Trading-related financial derivatives	**180,890**	82,004	**1,813,803**
Other	**27**	142	**274**
Total	**¥ 205,011**	¥ 99,255	**$ 2,055,667**

17. BORROWED MONEY

CONSOLIDATED

Borrowed money as of March 31, 2008 and 2007 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2008	2007	**2008**
Subordinated debt	**¥ 108,000**	¥ 108,000	**$ 1,082,924**
Borrowings from other financial institutions	**1,019,227**	1,014,688	**10,219,873**
Total	**¥ 1,127,227**	¥ 1,122,688	**$ 11,302,797**

The weighted average interest rate applicable to the balance of total borrowed money as of March 31, 2008 was 1.50%.

Annual maturities of borrowed money as of March 31, 2008 were as follows:

Year ending March 31	Millions of yen	Thousands of U.S. dollars
2009	¥ 472,768	$ 4,740,479
2010	183,218	1,837,143
2011	181,404	1,818,953
2012	50,348	504,845
2013 and thereafter	239,489	2,401,377
Total	¥ 1,127,227	$ 11,302,797

18. FOREIGN EXCHANGES

CONSOLIDATED

The assets and liabilities related to foreign currency trade financing activities of the Bank as of March 31, 2008 and 2007 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2008	2007	**2008**
Foreign exchange assets:			
Foreign bills bought	**¥ 162**	¥ 169	**$ 1,635**
Foreign bills receivable	**2,155**	619	**21,613**
Due from foreign banks	**15,534**	14,259	**155,763**
Total	**¥ 17,852**	¥ 15,047	**$ 179,011**
Foreign exchange liabilities:			
Foreign bills payable	**¥ 36**	¥ 116	**$ 371**
Due to foreign banks	**2**	2	**24**
Total	**¥ 39**	¥ 118	**$ 395**

19. CORPORATE BONDS

CONSOLIDATED

Corporate bonds as of March 31, 2008 and 2007 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2008	2007	**2008**
Corporate bonds	**¥ 85,043**	¥ 43,319	**$ 852,732**
Subordinated bonds	**341,243**	357,166	**3,421,676**
Total	**¥ 426,286**	¥ 400,485	**$ 4,274,408**

In February 2006, the Bank issued €1.0 billion of step-up callable subordinated notes. The issue price was 99.486% of the principal amount. The notes bear interests at the fixed rate per annum of 3.75% through February 23, 2011, and at the floating rate per annum equal to three-month EURIBOR plus 1.95% thereafter. The notes are redeemable at the Bank's option in whole but not in part on any interest payment date on or after February 23, 2011, subject to the prior approval of the Financial Services Agency of Japan.

In December 2006, the Bank issued £400 million of step-up callable perpetual subordinated notes. The issue price was 99.669% of the principal amount. The notes bear interests at the fixed rate per annum of 5.625% through December 6, 2013, and at the floating rate per annum equal to the London inter-bank offered rate for six-month deposits in British pounds plus 2.12% thereafter. The notes are redeemable at the Bank's option in whole but not in part on any interest payment date on or after December 6, 2013, subject to the prior approval of the Financial Services Agency of Japan.

Annual maturities of corporate bonds as of March 31, 2008 were as follows:

Year ending March 31	Millions of yen	Thousands of U.S. dollars
2009	¥ 21,361	$ 214,192
2010	14,989	150,302
2011	33,054	331,441
2012	1,304	13,083
2013 and thereafter	355,576	3,565,390
Total	¥ 426,286	$ 4,274,408

20. OTHER LIABILITIES

CONSOLIDATED

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

	Millions of yen		Thousands of U.S. dollars
	2008	2007	**2008**
Accrued expenses	**¥ 33,430**	¥ 47,699	**$ 335,210**
Unearned income	**2,047**	1,894	**20,529**
Income taxes payable	**5,554**	1,796	**55,700**
Fair value of derivatives	**353,722**	91,717	**3,546,799**
Matured debentures, including interest	**28,482**	32,795	**285,592**
Trust account	**4,588**	15,182	**46,014**
Accounts payable	**56,820**	81,537	**569,746**
Deferred gains on installment receivables	**37,729**	43,486	**378,317**
Deposits payable	**125,120**	113,157	**1,254,588**
Other	**61,253**	69,089	**614,192**
Total	**¥ 708,749**	¥ 498,358	**$ 7,106,687**

21. RESERVE FOR EMPLOYEES' RETIREMENT BENEFITS

CONSOLIDATED

The following table presents the funded status of the plans as of March 31, 2008 and 2007:

	Millions of yen		Thousands of U.S. dollars
	2008	2007	**2008**
Projected benefit obligation	**¥ (69,056)**	¥ (68,303)	**$ (692,439)**
Fair value of plan assets	**61,589**	69,467	**617,558**
Funded status (projected benefit obligation in excess of plan assets)	**(7,467)**	1,164	**(74,881)**
Unrecognized prior service cost	**(3,823)**	(4,295)	**(38,336)**
Unrecognized net actuarial losses	**10,070**	2,418	**100,973**
Unrecognized obligation at transition	**4,237**	4,852	**42,494**
Net amount accrued on the balance sheets	**3,016**	4,140	**30,250**
Prepaid pension cost	**7,677**	7,661	**76,981**
Reserve for retirement benefits	**¥ (4,660)**	¥ (3,521)	**$ (46,731)**

The following table provides the components of net periodic retirement benefit cost for the fiscal years ended March 31, 2008 and 2007:

	Millions of yen		Thousands of U.S. dollars
	2008	2007	**2008**
Service cost	**¥ 3,694**	¥ 3,295	**$ 37,040**
Interest cost	**1,443**	1,471	**14,471**
Expected return on plan assets	**(1,586)**	(1,597)	**(15,910)**
Amortization of prior service cost	**(419)**	(438)	**(4,202)**
Amortization of net actuarial losses	**1,268**	594	**12,722**
Amortization of unrecognized obligation at transition	**607**	610	**6,091**
Other (mainly consists of extraordinary severance benefit)	**1,235**	6,057	**12,392**
Net periodic retirement benefit cost	**¥ 6,243**	¥ 9,994	**$ 62,604**

Assumptions used in calculation of the above information were as follows:

	Millions of yen	
	2008	2007
Discount rate	**1.50-2.20%**	1.50-2.20%
Expected rate of return on plan assets	**0.75-3.50%**	1.50-3.50%
Method of attributing the projected benefits to periods of service	**Straight-line basis**	Straight-line basis
Period of amortization of prior service cost	**5.00-14.74 years**	5.00-14.74 years
Period of amortization of net actuarial losses	**5.00-14.74 years**	5.00-14.74 years
Period of amortization of unrecognized obligation at transition	**15 years**	15 years

21. RESERVE FOR EMPLOYEES' RETIREMENT BENEFITS (CONTINUED)

CONSOLIDATED

The table includes benefit obligations of consolidated subsidiaries that calculate their obligations based on the full amount due to eligible employees as of the fiscal year-end.

22. ACCEPTANCES AND GUARANTEES

CONSOLIDATED

Acceptances and guarantees as of March 31, 2008 and 2007 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2008	2007	**2008**
Guarantees	**¥ 701,717**	¥ 754,420	**$ 7,036,170**

23. ASSETS PLEDGED AS COLLATERAL

CONSOLIDATED

Assets pledged as collateral and debts collateralized as of March 31, 2008 and 2007 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2008	2007	**2008**
Assets:			
Cash and due from banks	**¥ 643**	¥ 70	**$ 6,448**
Other monetary claims purchased	**47,380**	—	**475,083**
Securities	**530,791**	240,740	**5,322,282**
Loans and bills discounted	**19,192**	2,576	**192,442**
Building	**855**	—	**8,578**
Land	**1,365**	—	**13,694**
Debts:			
Deposits, including negotiable certificates of deposit	**¥ 1,058**	¥ 568	**$ 10,613**
Call money	**180,000**	—	**1,804,873**
Collateral related to securities lending transactions	**148,421**	8,333	**1,488,232**
Borrowed money	**80,294**	20,218	**805,122**
Acceptances and guarantees	**908**	902	**9,110**

A total of ¥33,429 million (U.S.$335,202 thousand) and ¥30,862 million of unearned lease claims were pledged as collateral for the abovementioned borrowed money as of March 31, 2008 and 2007, respectively.

In addition, ¥162,420 million (U.S.$1,628,602 thousand) of securities as of March 31, 2008, and ¥141,344 million of securities as of March 31, 2007 were pledged as collateral for transactions, including exchange settlements, swap transactions and replacement of margin for future trading.

Also, ¥91 million (U.S.$917 thousand) and ¥13,432 million of margin deposits for futures transactions outstanding were included in other assets as of March 31, 2008 and 2007, respectively. In addition, ¥5,603 million (U.S.$56,191 thousand) of cash collateral pledged for derivative transactions are included in other assets.

24. PREFERRED SECURITIES ISSUED BY SUBSIDIARIES OUTSIDE JAPAN

CONSOLIDATED

In February 2006, Shinsei Finance (Cayman) Limited, the Bank's wholly-owned subsidiary, issued U.S.$775 million of step-up non-cumulative perpetual preferred securities. Dividends on the securities are payable on a non-cumulative basis annually in arrears at a rate of 6.418% until July 2016. After July 2016, dividends on the securities will be calculated at a floating rate of LIBOR plus 2.22%. On July 20, 2016 or any dividend payment date thereafter, Shinsei Finance (Cayman) Limited may redeem the securities at a price equal to the liquidation preference together with any dividends otherwise payable.

In March 2006, Shinsei Finance II (Cayman) Limited, the Bank's wholly-owned subsidiary, issued U.S.$700 million of non-cumulative perpetual preferred securities. Dividends on the securities are payable on a non-cumulative basis annually in arrears at a rate of 7.160% until July 2016. After July 2016, dividends on the securities will be calculated at a floating rate of LIBOR plus 1.87%. On July 25, 2016 and on each dividend payment date falling at ten year intervals thereafter, Shinsei Finance II (Cayman) Limited may redeem the securities at a price equal to the liquidation preference together with any dividends otherwise payable.

These preferred securities are accounted for as minority interests in the consolidated financial statements of the Bank.

25. EQUITY

CONSOLIDATED

The authorized number of shares of capital stock (common stock and preferred stock) as of March 31, 2008 was as follows:

(a) 2,500,000 thousand common shares.

(b) 674,528 thousand preferred shares, non-voting and ranking prior to common shares with respect to payment of dividends and distribution on liquidation or winding-up of the Bank. The dividend rate and redemption and conversion rights, if any, are to be determined by the Board of Directors of the Bank prior to issuance.

The following table shows changes in the number of shares of common stock, preferred stock and treasury stock.

	Thousands					
	Issued number of shares			Treasury stock		
	Common stock	Preferred Stock Class-A	Preferred Stock Class-B	Common stock	Preferred Stock Class-A	Preferred Stock Class-B
Fiscal year ended March 31, 2007:						
Beginning of year	1,358,537	74,528	600,000	17	—	—
Increase	200,033	—	—	181,624	—	300,000
Decrease	(85,000)	—	(300,000)	(85,216)	—	(300,000)
End of year	1,473,570	74,528	300,000	96,425	—	—
Fiscal year ended March 31, 2008:						
Beginning of year	1,473,570	74,528	300,000	96,425	—	—
Increase	586,775	—	—	10	74,528	300,000
Decrease	—	(74,528)	(300,000)	—	(74,528)	(300,000)
End of year	2,060,346	—	—	96,436	—	—

On July 31, 2006, the Deposit Insurance Corporation of Japan (the "DIC") accepted the Bank's proposal for the Resolution and Collection Corporation (the "RCC") to dispose of its holdings of the Bank's common shares through a market transaction, following the conversion of 300,000 thousand out of the 600,000 thousand Class-B preferred shares issued by the Bank into 200,033 thousand of the Bank's common shares. The conversion price of the preferred shares was ¥599.90. In order to respond to a subsequent sale by the RCC, the Bank's Board of Directors approved the purchase of up to 201,000 thousand common shares for a maximum amount of ¥154 billion as treasury stock. Effective August 1, 2006, the conversion price of the remaining 300,000 thousand Class-B preferred shares was revised from ¥599.90 to ¥735.

On August 16, 2006, the Bank proposed and obtained approval from the DIC for the RCC's sale of the Bank's common shares through a market transaction. In order to purchase the common shares in response to such a sale by the RCC, the Bank determined to place a purchase order at the closing price of ¥753 on the Tokyo Stock Exchange as of August 16, 2006 through ToSTNeT-2, the system of the Tokyo Stock Exchange for transactions at closing price, to be effected at 8:45 a.m. on August 17, 2006.

On August 17, 2006, following the RCC's sale of its holdings of the Bank's common shares (200,033 thousand shares) through ToSTNeT-2, the Bank placed a purchase order for the

200,033 thousand shares through ToSTNeT-2. Due to additional orders by others, the Bank's order resulted in the purchase of 175,466 thousand shares for the aggregate amount of ¥132,125 million.

The Bank purchased an additional 338 shares, the shares representing any fraction of the one unit of shares (tangen-kabu), following the request by the RCC pursuant to Article 192 of the Corporate Law.

On November 16, 2006, the Bank canceled 85,000 thousand common shares.

On August 1, 2007, pursuant to the provisions of Shinsei Bank's Articles of Incorporation concerning the mandatory acquisition of 300,000 thousand Class-B preferred shares issued by the Bank, owned entirely by the RCC, the Bank acquired all relevant preferred shares and issued 200,000 thousand of the Bank's common shares in exchange for these preferred shares. The Bank subsequently cancelled all the relevant preferred shares immediately after it obtained these shares, pursuant to Article 178 of the Law of Japan (the "Corporate Law").

On February 4, 2008, the Bank issued 117,647 thousand new common shares by third-party allotment to a group of investors which included affiliates of J. C. Flowers & Co. LLC at ¥425 per common share. The Bank raised its capital by ¥50,000 million through this allotment.

On March 31, 2008, pursuant to a request by the DIC, the Bank acquired all 74,528 thousand Class-A preferred shares and issued 269,128 thousand of the Bank's common shares in exchange for these preferred shares. The conversion price of the preferred shares was ¥360. The Bank subsequently cancelled all the relevant preferred shares immediately after it obtained these shares, pursuant to Article 178 of the Corporate Law.

Since May 1, 2006, Japanese banks have been subject to the Corporate Law, which reformed and replaced the Commercial Code of Japan and the Banking Law. The significant provisions in the Corporate Law and the Banking Law that affect financial and accounting matters are summarized below:

(a) Dividends

Under the Corporate Law, companies can pay dividends at any time during the fiscal year in addition to the year-end dividend upon resolution at the shareholders meeting, if companies meet certain criteria such as; (1) having the Board of Directors, (2) having independent auditors, (3) having the Board of Corporate Auditors, and (4) the term or service of the directors is prescribed as one year rather than two years of normal term by its articles of incorporation. The Board of Directors of such company may declare dividends (except for dividends in kind) at any time during the fiscal year if the company has prescribed so in its articles of incorporation. The Board of Directors of companies with board committees (nomination committee, compensation committee and audit committee) can also do so because such companies with board committees already, by nature, meet the above criteria under the Corporate Law, even though such companies have an audit committee instead of the Board of Corporate Auditors. The Bank is organized as a company with board committees.

The Corporate Law permits companies to distribute dividends-in-kind (non-cash assets) to shareholders subject to a certain-limitation and additional requirements.

Semi-annual interim dividends may also be paid once a year upon resolution by the Board of Directors if the articles of incorporation of the company so stipulate. The Corporate Law and the Banking Law provides certain limitations on the amounts available for dividends or the purchase of treasury stock.

(b) Increases/decreases and transfer of common stock, reserve and surplus

The Banking Law requires that an amount equal to 20% of dividends must be appropriate as a legal reserve (a component of retained earnings) or as additional paid-in capital (a component of capital surplus) depending on the equity account charged upon the payment of such dividends until the total of aggregate amount of legal reserve and additional paid-in capital equals 100% of the stated capital.

The Corporate Law also provides that stated capital, legal reserve, additional paid-in capital, other capital surplus and retained earnings can be transferred among the accounts under certain conditions upon resolution of the shareholders.

(c) Treasury stock and treasury stock acquisition rights

The Corporate Law also provides for companies to purchase treasury stock and dispose of such treasury stock by resolution of the Board of Directors. The amount of treasury stock purchased cannot exceed the amount available for distribution to the shareholders which is determined by a specific formula. Under the Corporate Law, stock acquisition rights, which were previously presented as a liability, are now presented as a separate component of equity. The Corporate Law also provides that companies can purchase both treasury stock acquisition rights and treasury stock. Such treasury stock acquisition rights are presented as a separate component of equity or deducted directly from stock acquisition rights.

The Bank issues stock acquisition rights as a stock option plan to directors, statutory executive officers and employees of the Bank and its subsidiaries as well as its senior advisors.

Stock acquisition rights provide eligible individuals (the "holders") with the right to purchase common stock of the Bank without any consideration at an exchange rate of one thousand common shares to one stock acquisition right. The amount of money to be paid upon exercising stock acquisition rights is the amount calculated by multiplying the payment amount per share (the "exercise price") and the number of common shares that can be purchased through the exercise of one stock acquisition right. Conditions are stipulated in the "Agreement on the Grant of Stock Acquisition Rights" entered into between the Bank and the holders to whom stock acquisition rights were allotted based on the resolution of the annual general meeting of shareholders and the meetings of the Board of Directors which resolves the issuance of stock acquisition rights subsequent to the shareholders' meeting.

On December 27, 2005, the ASBJ issued "Accounting Standard for Stock Options" and related guidance, which requires companies to recognize compensation expense for stock acquisition rights based on the fair value at the date of grant and over the vesting periods for stock acquisition rights newly granted on and after May 1, 2006.

Stock-based compensation expenses were ¥740 million (U.S.$7,424 thousand) and ¥517 million for the fiscal years ended March 31, 2008 and 2007.

(a) Details of stock options

Details of stock options as of March 31, 2008 and 2007 are as follows:

	Date of issuance	Total number of stock options (shares) March 31, 2007	Total number of stock options (shares) March 31, 2008	Total number of holders March 31, 2007	Total number of holders March 31, 2008	Exercise period	Exercise price
1st	July 1, 2004	9,455,000	9,455,000	2,196	2,196	July 1, 2006-June 23, 2014	¥684
2nd	October 1, 2004	161,000	161,000	3	3	July 1, 2006-June 23, 2014	¥646
3rd	December 10, 2004	25,000	25,000	1	1	July 1, 2006-June 23, 2014	¥697
4th	June 1, 2005	250,000	250,000	1	1	July 1, 2006-June 23, 2014	¥551
5th	June 27, 2005	4,922,000	4,922,000	462	462	July 1, 2007-June 23, 2015	¥601
6th	June 27, 2005	2,856,000	2,856,000	40	40	July 1, 2007-June 23, 2015	¥601
7th	June 27, 2005	1,287,000	1,287,000	135	135	July 1, 2008-June 23, 2015	¥601
8th	June 27, 2005	561,000	561,000	35	35	July 1, 2008-June 23, 2015	¥601
9th	September 28, 2005	157,000	157,000	2	2	July 1, 2007-June 23, 2015	¥697
10th	September 28, 2005	53,000	53,000	2	2	July 1, 2008-June 23, 2015	¥697
11th	March 1, 2006	50,000	50,000	2	2	July 1, 2007-June 23, 2015	¥774
12th	March 1, 2006	17,000	17,000	2	2	July 1, 2008-June 23, 2015	¥774
13th	May 25, 2006	5,342,000	5,342,000	588	588	June 1, 2008-June 23, 2015	¥825
14th	May 25, 2006	3,027,000	3,027,000	31	31	June 1, 2008-June 23, 2015	¥825
15th	May 25, 2006	1,439,000	1,439,000	171	171	June 1, 2009-June 23, 2015	¥825
16th	May 25, 2006	331,000	331,000	19	19	June 1, 2009-June 23, 2015	¥825
17th	May 25, 2007	—	3,306,000	—	135	June 1, 2009-May 8, 2017	¥555
18th	May 25, 2007	—	1,480,000	—	26	June 1, 2009-May 8, 2017	¥555
19th	July 2, 2007	—	140,000	—	32	July 1, 2009-June 19, 2017	¥527

(b) Number of stock options and movement therein

Numbers of stock options and per share price information are as follows:

	1st	2nd	3rd	4th
Fiscal year ended March 31, 2007				
Non-vested (share)				
Outstanding at the beginning of the year	7,243,000	161,000	25,000	250,000
Granted during the year	—	—	—	—
Forfeited during the year	625,000	—	—	—
Vested during the year	3,738,000	82,000	13,000	125,000
Outstanding at the end of the year	2,880,000	79,000	12,000	125,000
Vested (share)				
Outstanding at the beginning of the year	490,000	—	—	—
Vested during the year	3,738,000	82,000	13,000	125,000
Exercised during the year	156,000	60,000	—	—
Forfeited during the year	—	—	—	—
Exercisable at the end of the year	4,072,000	22,000	13,000	125,000
Exercise price (Yen)	684	646	697	551
Weighted average stock price at the date of exercise	721	739	—	—
Fiscal year ended March 31, 2008				
Non-vested (share)				
Outstanding at the beginning of the year	2,880,000	79,000	12,000	125,000
Granted during the year	—	—	—	—
Forfeited during the year	52,000	—	—	—
Vested during the year	2,828,000	79,000	12,000	125,000
Outstanding at the end of the year	—	—	—	—
Vested (share)				
Outstanding at the beginning of the year	4,072,000	22,000	13,000	125,000
Vested during the year	2,828,000	79,000	12,000	125,000
Exercised during the year	—	—	—	—
Forfeited during the year	557,000	59,000	—	—
Exercisable at the end of the year	6,343,000	42,000	25,000	250,000
Exercise price (Yen)	684	646	697	551
Weighted average stock price at the date of exercise	721	739	—	—

	5th	6th	7th	8th
Fiscal year ended March 31, 2007				
Non-vested (share)				
Outstanding at the beginning of the year	4,070,000	2,579,000	981,000	514,000
Granted during the year	—	—	—	—
Forfeited during the year	640,000	251,000	154,000	108,000
Vested during the year	30,000	—	—	—
Outstanding at the end of the year	3,400,000	2,328,000	827,000	406,000
Vested (share)				
Outstanding at the beginning of the year	497,000	220,000	214,000	26,000
Vested during the year	30,000	—	—	—
Exercised during the year	—	—	—	—
Forfeited during the year	—	—	—	—
Exercisable at the end of the year	527,000	220,000	214,000	26,000
Exercise price (Yen)	601	601	601	601
Weighted average stock price at the date of exercise	—	—	—	—
Fiscal year ended March 31, 2008				
Non-vested (share)				
Outstanding at the beginning of the year	3,400,000	2,328,000	827,000	406,000
Granted during the year	—	—	—	—
Forfeited during the year	204,000	83,000	94,000	46,000
Vested during the year	1,898,000	1,249,000	18,000	—
Outstanding at the end of the year	1,298,000	996,000	715,000	360,000
Vested (share)				
Outstanding at the beginning of the year	527,000	220,000	214,000	26,000
Vested during the year	1,898,000	1,249,000	18,000	—
Exercised during the year	—	—	—	—
Forfeited during the year	134,000	65,000	—	—
Exercisable at the end of the year	2,291,000	1,404,000	232,000	26,000
Exercise price (Yen)	601	601	601	601
Weighted average stock price at the date of exercise	—	—	—	—

	9th	10th	11th	12th
Fiscal year ended March 31, 2007				
Non-vested (share)				
Outstanding at the beginning of the year	157,000	53,000	50,000	17,000
Granted during the year	—	—	—	—
Forfeited during the year	—	—	—	—
Vested during the year	—	—	—	—
Outstanding at the end of the year	157,000	53,000	50,000	17,000
Vested (share)				
Outstanding at the beginning of the year	—	—	—	—
Vested during the year	—	—	—	—
Exercised during the year	—	—	—	—
Forfeited during the year	—	—	—	—
Exercisable at the end of the year	—	—	—	—
Exercise price (Yen)	697	697	774	774
Weighted average stock price at the date of exercise	—	—	—	—
Fiscal year ended March 31, 2008				
Non-vested (share)				
Outstanding at the beginning of the year	157,000	53,000	50,000	17,000
Granted during the year	—	—	—	—
Forfeited during the year	—	—	4,000	3,000
Vested during the year	79,000	—	26,000	—
Outstanding at the end of the year	78,000	53,000	20,000	14,000
Vested (share)				
Outstanding at the beginning of the year	—	—	—	—
Vested during the year	79,000	—	26,000	—
Exercised during the year	—	—	—	—
Forfeited during the year	—	—	5,000	—
Exercisable at the end of the year	79,000	—	21,000	—
Exercise price (Yen)	697	697	774	774
Weighted average stock price at the date of exercise	—	—	—	—

	13th	14th	15th	16th
Fiscal year ended March 31, 2007				
Non-vested (share)				
Outstanding at the beginning of the year	—	—	—	—
Granted during the year	5,342,000	3,027,000	1,439,000	331,000
Forfeited during the year	658,000	347,000	178,000	116,000
Vested during the year	227,000	—	66,000	—
Outstanding at the end of the year	4,457,000	2,680,000	1,195,000	215,000
Vested (share)				
Outstanding at the beginning of the year	—	—	—	—
Vested during the year	227,000	—	66,000	—
Exercised during the year	—	—	—	—
Forfeited during the year	—	—	—	—
Exercisable at the end of the year	227,000	—	66,000	—
Exercise price (Yen)	825	825	825	825
Weighted average stock price at the date of exercise	—	—	—	—
Fair value of the grant date	163 or 173	163 or 173	173 or 192	173 or 192
Fiscal year ended March 31, 2008				
Non-vested (share)				
Outstanding at the beginning of the year	4,457,000	2,680,000	1,195,000	215,000
Granted during the year	—	—	—	—
Forfeited during the year	552,000	66,000	126,000	21,000
Vested during the year	69,000	5,000	14,000	2,000
Outstanding at the end of the year	3,836,000	2,609,000	1,055,000	192,000
Vested (share)				
Outstanding at the beginning of the year	227,000	—	66,000	—
Vested during the year	69,000	5,000	14,000	2,000
Exercised during the year	—	—	—	—
Forfeited during the year	—	—	—	—
Exercisable at the end of the year	296,000	5,000	80,000	2,000
Exercise price (Yen)	825	825	825	825
Weighted average stock price at the date of exercise	—	—	—	—
Fair value of the grant date	163 or 173	163 or 173	173 or 192	173 or 192

	17th	18th	19th
Fiscal year ended March 31, 2008			
Non-vested (share)			
Outstanding at the beginning of the year	—	—	—
Granted during the year	3,306,000	1,480,000	140,000
Forfeited during the year	174,000	23,000	—
Vested during the year	47,000	—	—
Outstanding at the end of the year	3,085,000	1,457,000	140,000
Vested (share)			
Outstanding at the beginning of the year	—	—	—
Vested during the year	47,000	—	—
Exercised during the year	—	—	—
Forfeited during the year	—	—	—
Exercisable at the end of the year	47,000	—	—
Exercise price (Yen)	555	555	527
Weighted average stock price at the date of exercise	—	—	—
Fair value of the grant date	131 or 143	131 or 143	121 or 132

(c) Measurement of the fair value of stock options

The following shows the assumptions used to measure the fair value of stock options granted during fiscal years ended March 31, 2008 and 2007.

a) Method used: Black-Scholes option pricing model

b) Major inputs and variables to the model

	13th		14th		15th		16th	
Exercise period	From June 1, 2008 to June 23, 2015	From June 1, 2009 to June 23, 2015	From June 1, 2008 to June 23, 2015	From June 1, 2009 to June 23, 2015	From June 1, 2009 to June 23, 2015	From June 1, 2011 to June 23, 2015	From June 1, 2009 to June 23, 2015	From June 1, 2011 to June 23, 2015
Expected volatility (Note 1)	26.30%	26.30%	26.30%	26.30%	26.30%	26.30%	26.30%	26.30%
Expected life (Note 2)	5 Years 7 Months	6 Years 1 Month	5 Years 7 Months	6 Years 1 Month	6 Years 1 Month	7 Years 1 Month	6 Years 1 Month	7 Years 1 Month
Expected dividends (Note 3)	¥2.96/Share	¥2.96/Share	¥2.96/Share	¥2.96/Share	¥2.96/Share	¥2.96/Share	¥2.96/Share	¥2.96/Share
Risk-free interest rate (Note 4)	1.46%	1.53%	1.46%	1.53%	1.53%	1.65%	1.53%	1.65%

	17th		18th		19th	
Exercise period	From June 1, 2009 to May 8, 2017	From June 1, 2011 to May 8, 2017	From June 1, 2009 to May 8, 2017	From June 1, 2011 to May 8, 2017	From July 1, 2009 to June 19, 2017	From July 1, 2011 to June 19, 2017
Expected volatility (Note 1)	26.40%	26.40%	26.40%	26.40%	25.90%	25.90%
Expected life (Note 2)	6 Years	7 Years	6 Years	7 Years	6 Years	7 Years
Expected dividends (Note 3)	¥2.66/Share	¥2.66/Share	¥2.66/Share	¥2.66/Share	¥2.66/Share	¥2.66/Share
Risk-free interest rate (Note 4)	1.42%	1.50%	1.42%	1.50%	1.59%	1.67%

Notes: (1) Measurement based on the historical stock price of the past 2 years (from May 2005 to May 2007 for the 17th and 18th, from July 2005 to July 2007 for the 19th)
(2) Estimated based on the assumptions that the option is exercised at the mid point of the exercise period.
(3) Based on the actual dividend for the fiscal year ended March 2007.
(4) Used the yield of JGB with the maturity equivalent to expected life of the option.

(d) Method of determining the vested number of stock options

Incorporated only the actual forfeited options, as the reasonable estimate of future forfeitures is difficult.

(e) On May 30, 2008, the Bank granted a total of 4,911 stock acquisition rights with an exercise price of ¥416, whose exercise period is from June 1, 2010 to May 13, 2018.

At the Board of Directors' meeting held on May 14, 2008, the Bank resolved to submit a proposal at the annual general meeting of shareholders to be held on June 25, 2008, for the granting of up to a total of 12,000 stock acquisition rights. The exercise period for the stock acquisition rights is to be from the date which is 2 years after the allocation date to May 13, 2018.

27. NET TRADING INCOME CONSOLIDATED

Net trading income for the fiscal years ended March 31, 2008 and 2007 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2008	2007	2008
Income (loss) from trading securities	¥ (608)	¥ 1,513	$ (6,106)
Income from securities held to hedge trading transactions	348	6,356	3,491
Income from trading-related financial derivatives	9,371	10,259	93,969
Other, net	(20)	(319)	(202)
Total	¥ 9,090	¥ 17,809	$ 91,152

28. OTHER BUSINESS INCOME (LOSS), NET CONSOLIDATED

"Other, net" in other business income, net, for the fiscal years ended March 31, 2008 and 2007 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2008	2007	2008
Incomes (losses) from derivatives for banking purposes, net	¥ 534	¥ (6,769)	$ 5,357
Equity in net income (loss) of affiliates	(8,350)	(12,779)	(83,728)
Gain on lease cancellation and other lease income, net	2,797	2,379	28,049
Other, net	(798)	2,397	(8,005)
Total	¥ (5,816)	¥ (14,772)	$ (58,327)

29. NET CREDIT COSTS CONSOLIDATED

Net credit costs for the fiscal years ended March 31, 2008 and 2007 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2008	2007	2008
Losses on write-off of loans	¥ 3,183	¥ 1,593	$ 31,920
Net provision (reversal) of reserve for loan losses:			
Net provision (reversal) of general reserve for loan losses	22,851	33,597	229,130
Net provision (reversal) of specific reserve for loan losses	50,476	15,639	506,136
Net provision (reversal) of reserve for loan losses to restructuring countries	6	3	62
Subtotal	73,334	49,240	735,328
Net provision (reversal) of specific reserve for other credit losses	(6,367)	(813)	(63,850)
Other credit costs relating to leasing business	3,441	1,913	34,506
Total	¥ 73,591	¥ 51,934	$ 737,904

30. OTHER GAINS (LOSSES), NET CONSOLIDATED

Other gains (losses), net, for the fiscal years ended March 31, 2008 and 2007 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2008	2007	2008
Net gain (loss) on disposal of premises and equipment	¥ 66,161	¥ 1,439	$ 663,409
Provision for loss on disposition of premises and equipment	(5,025)	—	(50,392)
Pension-related costs	(1,811)	(1,362)	(18,167)
Gain on prescription of debentures	611	348	6,130
Recoveries of written-off claims	1,057	294	10,603
Gain on sale of subsidiary's stock	20,368	11,651	204,236
Provision of reserve for losses on interest repayments	(3,732)	(8,535)	(37,421)
Impairment loss on goodwill and other intangible assets	—	(95,146)	—
Extraordinary retirement expenses	—	(4,629)	—
Other, net	(2,878)	(3,176)	(28,865)
Total	¥ 74,750	¥ (99,117)	$ 749,533

31. LEASE TRANSACTIONS

CONSOLIDATED

(a) Finance lease transactions, under which the ownership of the property is not deemed to transfer to the lessee as of March 31, 2008 and 2007 consisted of the following:

AS LESSEE

The assumed amounts of acquisition cost, accumulated depreciation and net balance of leased assets as of March 31, 2008 and 2007 were as follows:

	Millions of yen		Thousands of U.S. dollars
Leased assets	**2008**	2007	**2008**
Acquisition cost:			
Equipment	**¥ 3,638**	¥ 2,992	**$ 36,480**
Other	**373**	235	**3,741**
Total	**¥ 4,011**	¥ 3,227	**$ 40,221**
Accumulated depreciation:			
Equipment	**¥ 2,451**	¥ 1,718	**$ 24,579**
Other	**187**	146	**1,880**
Total	**¥ 2,638**	¥ 1,864	**$ 26,459**
Net balance:			
Equipment	**¥ 1,186**	¥ 1,274	**$ 11,901**
Other	**185**	88	**1,861**
Total	**¥ 1,372**	¥ 1,362	**$ 13,762**

Lease obligations as of March 31, 2008 and 2007 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2008	2007	**2008**
Obligations:			
Due within one year	**¥ 859**	¥ 785	**$ 8,616**
Due after one year	**582**	647	**5,842**
Total	**¥ 1,441**	¥ 1,432	**$ 14,458**

For the fiscal years ended March 31, 2008 and 2007, total lease payments were ¥1,301 million (U.S.$13,051 thousand) and ¥909 million, assumed depreciation expenses were ¥1,203 million (U.S.$12,064 thousand) and ¥839 million, and assumed interest expenses were ¥47 million (U.S.$475 thousand) and ¥58 million, respectively.

Assumed depreciation expense is calculated using the straight-line method over the useful life of the respective leased assets with zero residual value. The difference between total lease payments and the assumed acquisition cost of leased assets is charged to assumed interest expense and is allocated to each fiscal year using the interest method.

AS LESSOR

Acquisition cost, accumulated depreciation and net balance of leased assets as of March 31, 2008 and 2007 were as follows:

	Millions of yen		Thousands of U.S. dollars
Leased assets	**2008**	2007	**2008**
Acquisition cost:			
Equipment	**¥ 446,978**	¥ 437,458	**$ 4,481,889**
Other	**82,901**	78,470	**831,259**
Total	**¥ 529,880**	¥ 515,928	**$ 5,313,148**
Accumulated depreciation:			
Equipment	**¥ 201,547**	¥ 166,331	**$ 2,020,932**
Other	**37,233**	30,198	**373,345**
Total	**¥ 238,781**	¥ 196,529	**$ 2,394,277**
Net balance:			
Equipment	**¥ 245,431**	¥ 271,126	**$ 2,460,957**
Other	**45,667**	48,272	**457,914**
Total	**¥ 291,099**	¥ 319,398	**$ 2,918,871**

31. LEASE TRANSACTIONS (CONTINUED)

CONSOLIDATED

Future lease payment receivables as of March 31, 2008 and 2007 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2008	2007	**2008**
Future lease payment receivables:			
Due within one year	**¥ 103,579**	¥ 109,918	**$ 1,038,597**
Due after one year	**196,682**	224,660	**1,972,148**
Total	**¥ 300,261**	¥ 334,579	**$ 3,010,745**

For the fiscal years ended March 31, 2008 and 2007, total lease revenues were ¥131,336 million (U.S.$1,316,923 thousand) and ¥132,182 million, depreciation expenses were ¥103,103 million (U.S.$1,033,828 thousand) and ¥117,389 million, and assumed interest income was ¥14,791 million (U.S.$148,317 thousand) and ¥14,613 million, respectively.

Depreciation expense is calculated using the straight-line method over the leasing period. The difference between total lease revenues and acquisition cost of leased assets is credited to assumed interest income and is allocated to each fiscal year using the interest method.

(b) Non-cancelable operating lease obligations as lessee and future lease payment receivables as lessor as of March 31, 2008 and 2007 consisted of the following:

AS LESSEE

	Millions of yen		Thousands of U.S. dollars
	2008	2007	**2008**
Obligations:			
Due within one year	**¥ 4,025**	¥ 1,429	**$ 40,368**
Due after one year	**5,530**	4,270	**55,453**
Total	**¥ 9,556**	¥ 5,699	**$ 95,821**

AS LESSOR

	Millions of yen		Thousands of U.S. dollars
	2008	2007	**2008**
Future lease payment receivables:			
Due within one year	**¥ 8,926**	¥ 7,810	**$ 89,505**
Due after one year	**9,888**	7,704	**99,148**
Total	**¥ 18,814**	¥ 15,514	**$ 188,653**

32. SEGMENT INFORMATION

CONSOLIDATED

(A) BUSINESS SEGMENT INFORMATION

The Group is engaged in banking and other related activities such as trust, securities and other businesses. Business segment information, however, has not been presented as the percentage of the other activities is not material to the banking business.

(B) GEOGRAPHIC SEGMENT INFORMATION

Since the proportion of business that the Group conducts in Japan exceeds 90% of operating income and total assets, geographic segment information is not presented.

(C) FOREIGN OPERATING INCOME

Foreign operating income is comprised of income from transactions at overseas branches and consolidated overseas subsidiaries. The composition of the volume of such transactions for the Group did not reach 10% of its operating income, therefore foreign operating income information is not presented.

33. INCOME TAXES

CONSOLIDATED

The Group is subject to a number of taxes based on income, such as corporation tax, inhabitant tax and enterprise tax, which, in the aggregate, resulted in a normal effective statutory tax rate of approximately 40.7% for each of the fiscal years ended March 31, 2008 and 2007.

A reconciliation of the actual effective tax rate with the normal effective statutory tax rate for the fiscal years ended March 31, 2008 and 2007 was as follows:

	2008	2007
Normal effective statutory tax rate	40.7%	(40.7)%
Increase (decrease) in taxes resulting from:		
Permanently tax-exempt income	(3.5)	0.0
Amortization of goodwill	4.1	41.9
Minority interests in net income of subsidiaries	5.1	7.9
Other non-deductible expenses	0.7	0.7
Change in valuation allowance	(36.2)	(46.1)
Other	4.7	3.8
Actual effective tax rate	15.6%	(32.5)%

The tax effects of significant temporary differences and tax loss carryforwards, which resulted in deferred tax assets and liabilities, as of March 31, 2008 and 2007 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2008	2007	2008
Deferred tax assets:			
Tax loss carryforwards	¥ 132,237	¥ 160,913	$ 1,325,954
Reserve for credit losses	108,249	83,963	1,085,421
Reserve for losses on interest repayments	16,004	4,212	160,482
Net unrealized loss on securities available-for-sale	14,271	—	143,100
Securities	9,060	19,767	90,850
Deferred loss on derivatives under hedge accounting	6,170	5,181	61,868
Accrued employees' bonuses	5,929	5,172	59,454
Losses on impairment of premises and equipment	5,186	5,303	52,004
Reserve for retirement benefits	2,997	8,470	30,059
Deferred income on installment receivables	2,043	3,616	20,486
Other	30,687	40,318	307,710
Subtotal	332,837	336,915	3,337,388
Valuation allowance	(288,324)	(284,678)	(2,891,052)
Total deferred tax assets	44,513	52,236	446,336
Offset with deferred tax liabilities	(16,274)	(9,762)	(163,190)
Net deferred tax assets	¥ 28,238	¥ 42,474	$ 283,146
Deferred tax liabilities:			
Temporary differences due to application of overall fair value adjustments (mainly related to identified intangible assets)	¥ 9,871	¥ 8,692	$ 98,984
Net unrealized gain on securities available-for-sale	—	3,406	—
Deferred gain on derivatives under hedge accounting	9,428	1,670	94,544
Other	1,257	1,069	12,611
Total deferred tax liabilities	20,558	14,837	206,139
Offset with deferred tax assets	(16,274)	(9,762)	(163,190)
Net deferred tax liabilities	¥ 4,283	¥ 5,075	$ 42,949

The Bank had ¥42,318 million (U.S.$424,329 thousand) of tax loss carryforwards related to corporation tax as of March 31, 2008. The schedule of tax loss carryforwards and their expiration dates is as follows:

	Amount		
Fiscal year ended March 31	Millions of yen	Thousands of U.S. dollars	Date of expiry
2003	¥ 42,318	$ 424,329	March 31, 2010

33. INCOME TAXES (CONTINUED)

CONSOLIDATED

In addition, other significant tax loss carryforwards of major subsidiaries are as follows:

Subsidiary	Fiscal period ended	Millions of yen	Date of expiry
APLUS Co., Ltd.	March 31, 2005	¥ 157,722	March 31, 2012
	September 30, 2005	2,988	March 31, 2013
	March 31, 2006	4,663	March 31, 2013
	March 31, 2007	30,135	March 31, 2014
	March 31, 2008	10,449	March 31, 2015
	Total	¥ 205,958	
Showa Leasing Co., Ltd.	March 31, 2005	¥ 26,941	March 31, 2012
	March 31, 2007	10,018	March 31, 2014
	March 31, 2008	434	March 31, 2015
	Total	¥ 37,395	
Shinki Co., Ltd.	March 31, 2007	¥ 316	March 31, 2014
	March 31, 2008	20,044	March 31, 2015
	Total	¥ 20,360	

The Bank cannot include the tax loss carryforwards of APLUS, Showa Leasing and Shinki to its own tax loss carryforwards because they are not wholly-owned subsidiaries and, therefore, cannot be included in the Bank's consolidated corporation tax return.

34. OFF-BALANCE SHEET LENDING-RELATED FINANCIAL INSTRUMENTS

CONSOLIDATED

The Bank and certain of its consolidated subsidiaries issue commitments to extend credit and establish credit lines for overdrafts to meet the financing needs of their customers. The unfunded amounts of these commitments were ¥4,436,578 million (U.S.$44,485,894 thousand) and ¥4,456,538 million as of March 31, 2008 and 2007, out of which the amounts with original agreement terms of less than one year or which were cancelable were ¥4,064,768 million (U.S.$40,757,735 thousand) and ¥4,118,334 million as of March 31, 2008 and 2007, respectively. Since a large majority of these commitments expire without being drawn upon, the unfunded amounts do not necessarily represent future cash requirements. Many of such agreements include conditions granting the Bank and consolidated subsidiaries the right to reject the drawdown or to reduce the amount on the basis of changes in the financial circumstances of the borrower or other reasonable grounds.

In addition, the Bank obtains collateral when necessary to reduce credit risk related to these commitments.

35. RELATED PARTY TRANSACTIONS

Related party transactions for the fiscal years ended March 31, 2008 and 2007 were as follows:

			Amounts of the transactions			Balance at end of year		
			Millions of yen		Thousands of U.S. dollars	Millions of yen		Thousands of U.S. dollars
Related party	Category	Description of the transactions	2008	2007	2008	2008	2007	2008
Hillcot Re Limited(*1)	Companies in which a majority of the voting rights are owned by directors (including their subsidiaries)	Guarantee(*8)	¥ —	¥ —	$ —	¥397	¥462	$3,981
NIBC Bank Ltd(*2)	Companies in which a majority of the voting rights are owned by directors (including their subsidiaries)	Loan participation(*9)	456	139	4,572	570	139	5,715
NIBC Bank N.V.(*3)	Companies in which a majority of the voting rights are owned by directors (including their subsidiaries)	Commitment line(*10)	15,742	14,366	157,846	—	—	—
J.C. Flowers II L.P.(*4)	Companies in which a majority of the voting rights are owned by directors (including their subsidiaries)	Receipt of management fee(*11)	215	288	2,156	43	51	431
		Investment(*12)	4,172	4,423	41,833	—	—	—
		Dividend	1,686	—	16,906	—	—	—
Brampton Insurance Company Limited(*5)	Companies in which a majority of the voting rights are owned by directors (including their subsidiaries)	Redemption of investment(*13)	—	2,472	—	—	—	—
		Redemption of investment(*14)	—	1,310	—	—	—	—
Saturn I Sub (Cayman) Exempt Ltd.(*6)	Companies in which a majority of the voting rights are owned by directors (including their subsidiaries)	Third-Party Allotment(*15)	2,148	—	21,538	—	—	—
Saturn Japan II Sub C.V.(*7)	Companies in which a majority of the voting rights are owned by directors (including their subsidiaries)	Third-Party Allotment(*15)	2,334	—	23,403	—	—	—
Saturn Japan III Sub C.V.(*7)	Companies in which a majority of the voting rights are owned by directors (including their subsidiaries)	Third-Party Allotment(*15)	11,599	—	116,304	—	—	—
Saturn IV Sub LP(*7)	Companies in which a majority of the voting rights are owned by directors (including their subsidiaries)	Third-Party Allotment(*15)	33,917	—	340,088	—	—	—

Notes: (*1) The company is a wholly-owned subsidiary of Hillcot Holdings Limited which is the affiliate of the Bank accounted for by the equity method.
(*2) NIBC Holding N.V. owns 100% of voting rights, and J.C. Flowers & Co. LLC, of which a director of the Bank, J. Christopher Flowers, serves as chairman, substantially controls NIBC holding N.V.
(*3) NIBC Holding N.V. indirectly owns 100% of voting rights, and J.C. Flowers & Co. LLC, of which a director of the Bank, J. Christopher Flowers, serves as chairman, substantially controls NIBC holding N.V.
(*4) The fund is operated by J.C. Flowers & Co. LLC, of which a director of the Bank, J. Christopher Flowers, serves as chairman.
(*5) The company is a wholly owned subsidiary of Hillcot Holdings Limited, of which a director of the Bank, J. Christopher Flowers, indirectly owns majority of voting rights, and is the affiliate of the Bank accounted for by the equity method. The former name was Aioi Insurance Company of Europe Limited.
(*6) The investment vehicle represented by J. Christopher Flowers, a director of the Bank.
(*7) The investment vehicle, of which a board member of the general partner is J. Christopher Flowers, a director of the Bank.
(*8) Even after the acquisition by Hillcot Holdings Limited, the seller continues to guarantee Hillcot Re Limited against contingent liability arising from reinsurance agreements which Hillcot Re Limited assumed, and the Bank guarantees the seller against the contingent payment to be made by Hillcot Re Limited. This is part of an agreement reached at the acquisition and a guarantee fee is not specified. The remaining period of the guarantee is 2 years.
(*9) Considering the market circumstances, the transaction was concluded with the general terms and conditions that are identical to ones with independent third parties. Commitment line established is U.S.$11 million and the transaction amount indicated herein is the amount of loan outstanding.
(*10) Considering the market circumstances, the transaction was concluded with the general terms and conditions that are identical to ones with independent third parties. The transaction amounts indicated herein are established commitment line amounts.
(*11) The management fee is determined based on proportion of investment amounts by limited liability partner.
(*12) The committed investment amounts are U.S.$200 million based on the limited partnership agreement.
(*13) A part of refinance money for the purpose of merger and acquisition at Hillcot Holdings Limited was used for partial redemption of investment.
(*14) A part of investment was redeemed resulting from cancellation of treasury stocks utilizing surplus.
(*15) Terms of third-party allotment
(1) Number of common shares to be issued: 117,647,059 shares
(2) Issue price: ¥425 per share
(3) Aggregate issue price: ¥50,000,000,075
(4) Amount to be appropriated into capital: ¥25,000,000,038
(5) Offering period: February 1, 2008
(6) Payment date: February 4, 2008
(7) Delivery date of new share certificates: February 5, 2008
(8) Allottees and allotted shares:
Saturn I Sub (Cayman) Exempt Limited: 5,056,452 shares
Saturn Japan II Sub C.V.: 5,492,190 shares
Saturn Japan III Sub C.V.: 27,292,678 shares
Saturn IV Sub LP: 79,805,739 shares

PURPOSES
The Bank uses derivative financial instruments primarily to hedge risk for customers, to maximize the profit of its own trading account and to manage the potential risks in its own portfolios of assets and liabilities as a part of asset liability management.

RISK EXPOSURE
Derivative transactions may be subject to complex risk factors, including market risk, credit risk, liquidity risk, operational risk and legal risk. The Bank controls these risks under its risk management system. To manage market risk, the Bank uses Value-at-Risk ("VaR") modeling to quantify the maximum total exposure. In its internal model, the Bank measures the VaR based on one year's historical data and the assumptions of a ten-day holding period and a 99% confidence interval.

Also, to manage credit risk, the Bank utilizes the current exposure and potential exposure for derivatives, particularly for over-the-counter transactions such as swap contracts.

In addition, the fair value estimates for derivatives as of March 31, 2008 and 2007 were adjusted for credit risk by a reduction of ¥1,590 million (U.S.$15,950 thousand) and ¥1,270 million, respectively, and also adjusted for liquidity risk by a reduction of ¥3,856 million (U.S.$38,668 thousand) and ¥5,717 million, respectively, although the amounts of those risks are not reflected in the fair value shown in the tables below.

RISK MANAGEMENT SYSTEM
The Market Risk Management Division, which is independent of the front office, has the responsibility to manage the risk of the Group. This division controls the measurement of market risk on a daily basis, monitors the market risk status on both the banking and trading divisions and reports periodically to the management. Credit risk is also controlled by the unified credit line and major derivative products are dealt with within the established limits. Credit exposure is monitored accordingly and the Bank may require such things as collateral to reduce credit risk on a case-by-case basis.

It should be noted that the nominal contract value or notional principal amount is used in determining the value of receipts or payments of interest and as an indicator representative of the volume of transactions, but those values do not necessarily reflect such things as market risk or credit risk.

(A) INTEREST RATE-RELATED TRANSACTIONS

Interest rate-related transactions as of March 31, 2008 and 2007 were as follows:

	Millions of yen							
	2008				2007			
	Contract/Notional principal				Contract/Notional principal			
	Total	Maturity over one year	Fair value	Unrealized gain (loss)	Total	Maturity over one year	Fair value	Unrealized gain (loss)
Future contracts (listed):								
Sold	**¥ 21,230**	**¥ —**	**¥ (2)**	**¥ (2)**	¥ 66,572	¥ 673	¥ 2	¥ 2
Bought	**20,159**	**—**	**54**	**54**	48,334	—	14	14
Interest rate options (listed):								
Sold	**—**	**—**	**—**	**—**	—	—	—	—
Bought	**—**	**—**	**—**	**—**	—	—	—	—
Interest rate swaps (over-the-counter):								
Receive fixed and pay floating	**5,856,476**	**5,221,639**	**100,670**	**100,670**	5,454,666	4,857,923	(10,310)	(10,310)
Receive floating and pay fixed	**4,316,438**	**3,498,017**	**(62,627)**	**(62,627)**	4,085,929	3,086,394	(789)	(789)
Receive floating and pay floating	**554,314**	**497,389**	**1,523**	**1,523**	496,769	278,105	2,785	2,785
Receive fixed and pay fixed	**—**	**—**	**—**	**—**	—	—	—	—
Interest rate swaptions (over-the-counter):								
Sold	**2,300,955**	**2,086,391**	**(23,860)**	**644**	2,024,726	1,935,214	(18,169)	4,628
Bought	**2,680,731**	**2,479,847**	**(3,401)**	**(16,261)**	2,692,636	2,478,374	38,764	28,651
Interest rate options (over-the-counter):								
Sold	**118,604**	**101,500**	**(292)**	**1,762**	210,364	181,413	(261)	2,528
Bought	**144,731**	**104,826**	**129**	**(1,305)**	249,709	152,321	221	(1,230)
Total			**¥ 12,191**	**¥ 24,458**			¥ 12,257	¥ 26,280

	Thousands of U.S. dollars			
	2008			
	Contract/Notional principal			
	Total	Maturity over one year	Fair value	Unrealized gain (loss)
Future contracts (listed):				
Sold	**$ 212,878**	**$ —**	**$ (29)**	**$ (29)**
Bought	**202,142**	**—**	**544**	**544**
Interest rate options (listed):				
Sold	**—**	**—**	**—**	**—**
Bought	**—**	**—**	**—**	**—**
Interest rate swaps (over-the-counter):				
Receive fixed and pay floating	**58,723,321**	**52,357,763**	**1,009,426**	**1,009,426**
Receive floating and pay fixed	**43,281,247**	**35,074,875**	**(627,970)**	**(627,970)**
Receive floating and pay floating	**5,558,149**	**4,987,358**	**15,278**	**15,278**
Receive fixed and pay fixed	**—**	**—**	**—**	**—**
Interest rate swaptions (over-the-counter):				
Sold	**23,071,850**	**20,920,395**	**(239,253)**	**6,463**
Bought	**26,879,891**	**24,865,616**	**(34,112)**	**(163,056)**
Interest rate options (over-the-counter):				
Sold	**1,189,256**	**1,017,753**	**(2,937)**	**17,677**
Bought	**1,451,237**	**1,051,102**	**1,295**	**(13,089)**
Total			**$ 122,242**	**$ 245,244**

(1) Derivatives included in the table above were measured at fair value and the unrealized gains and losses were recognized in income. Derivatives for which hedge accounting was adopted were excluded from the table above.

(2) Fair Values:
The fair values of listed transactions represent the closing price on the Tokyo Financial Exchange and other exchanges at the consolidated balance sheet date. The fair values of over-the-counter transactions are calculated mainly by using the discounted present values or option pricing models.

(B) CURRENCY-RELATED TRANSACTIONS

Currency-related transactions as of March 31, 2008 and 2007 were as follows:

	Millions of yen							
	2008				2007			
	Contract/Notional principal				Contract/Notional principal			
	Total	Maturity over one year	Fair value	Unrealized gain (loss)	Total	Maturity over one year	Fair value	Unrealized gain (loss)
Currency swaps (over-the-counter)	**¥ 1,396,215**	**¥ 1,080,349**	**¥ 48**	**¥ 48**	¥ 1,162,620	¥ 990,613	¥ 22,633	¥ 22,633
Forward foreign exchange contracts (over-the-counter):								
Sold	**1,943,511**	**487,086**	**69,279**	**69,279**	1,064,019	234,304	(16,593)	(16,593)
Bought	**1,144,628**	**571,340**	**(58,823)**	**(58,823)**	622,873	333,651	22,283	22,283
Currency options (over-the-counter):								
Sold	**7,512,269**	**2,843,495**	**(224,691)**	**(68,213)**	2,230,954	985,096	(51,526)	3,852
Bought	**7,834,728**	**3,464,147**	**241,793**	**93,213**	2,564,734	1,157,296	49,334	4,945
Total			**¥ 27,606**	**¥ 35,505**			¥ 26,130	¥ 37,121

	Thousands of U.S. dollars			
	2008			
	Contract/Notional principal			
	Total	Maturity over one year	Fair value	Unrealized gain (loss)
Currency swaps (over-the-counter)	**$ 13,999,952**	**$ 10,832,745**	**$ 488**	**$ 488**
Forward foreign exchange contracts (over-the-counter):				
Sold	**19,487,734**	**4,884,053**	**694,673**	**694,673**
Bought	**11,477,273**	**5,728,869**	**(589,825)**	**(589,825)**
Currency options (over-the-counter):				
Sold	**75,326,072**	**28,511,935**	**(2,252,998)**	**(683,982)**
Bought	**78,559,400**	**34,735,256**	**2,424,476**	**934,663**
Total			**$ 276,814**	**$ 356,017**

(1) Derivatives included in the table above were measured at fair value and the unrealized gains and losses were recognized in income. Fund swap transactions and currency swap transactions for which hedge accounting was adopted in accordance with Industry Audit Committee Report No. 25 of the JICPA were excluded from the table above.

(2) Fair Values:
The fair values are calculated mainly by using the discounted present values or option pricing models.

(C) EQUITY-RELATED TRANSACTIONS

Equity-related transactions as of March 31, 2008 and 2007 were as follows:

	Millions of yen							
	2008				2007			
	Contract/Notional principal				Contract/Notional principal			
	Total	Maturity over one year	Fair value	Unrealized gain (loss)	Total	Maturity over one year	Fair value	Unrealized gain (loss)
Equity index futures (listed):								
Sold	¥ 20,238	¥ —	¥ (893)	¥ (893)	¥ 1,924	¥ —	¥ (31)	¥ (31)
Bought	—	—	—	—	65,740	—	444	444
Equity index options (listed):								
Sold	—	—	—	—	—	—	—	—
Bought	52	—	34	(17)	3,353	—	43	26
Equity options (over-the-counter):								
Sold	281,014	69,306	(18,574)	(3,307)	230,724	42,848	(16,587)	(4,216)
Bought	245,675	68,872	19,660	1,571	108,836	25,052	11,930	4,548
Equity index swaps (over-the-counter):								
Receive index and pay floating	—	—	—	—	—	—	—	—
Receive floating and pay index	1,000	1,000	95	95	1,000	1,000	52	52
Other (over-the-counter):								
Sold	24,999	24,999	(4,587)	(4,587)	21,418	21,418	(728)	(728)
Bought	162,484	160,321	19,718	19,696	163,711	162,139	3,687	3,563
Total			¥ 15,453	¥ 12,557			¥ (1,190)	¥ 3,658

	Thousands of U.S. dollars			
	2008			
	Contract/Notional principal			
	Total	Maturity over one year	Fair value	Unrealized gain (loss)
Equity index futures (listed):				
Sold	$ 202,938	$ —	$ (8,959)	$ (8,959)
Bought	—	—	—	—
Equity index options (listed):				
Sold	—	—	—	—
Bought	524	—	347	(178)
Equity options (over-the-counter):				
Sold	2,817,752	694,940	(186,251)	(33,160)
Bought	2,463,404	690,586	197,137	15,762
Equity index swaps (over-the-counter):				
Receive index and pay floating	—	—	—	—
Receive floating and pay index	10,027	10,027	955	955
Other (over-the-counter):				
Sold	250,674	250,674	(45,999)	(45,999)
Bought	1,629,244	1,607,551	197,723	197,498
Total			$ 154,953	$ 125,919

(1) Derivatives included in the table above were measured at fair value and the unrealized gains and losses were recognized in income. Derivatives for which hedge accounting was adopted were excluded from the table above.

(2) Fair Values:
The fair values of listed transactions represent the closing price on the Tokyo Stock Exchange and other exchanges at the consolidated balance sheet date. The fair values of over-the-counter transactions are calculated mainly by using the discounted present values or option pricing models.

(D) BOND-RELATED TRANSACTIONS

Bond-related transactions as of March 31, 2008 and 2007 were as follows:

	Millions of yen							
	2008				2007			
	Contract/Notional principal				Contract/Notional principal			
	Total	Maturity over one year	Fair value	Unrealized gain (loss)	Total	Maturity over one year	Fair value	Unrealized gain (loss)
Bond futures (listed):								
Sold	¥ 3,997	¥ —	¥ 3	¥ 3	¥ 3,622	¥ —	¥ 0	¥ 0
Bought	4,583	—	29	29	8,422	—	(6)	(6)
Bond futures options (listed):								
Sold	—	—	—	—	—	—	—	—
Bought	—	—	—	—	13,400	—	57	3
Total			¥ 32	¥ 32			¥ 51	¥ (2)

	Thousands of U.S. dollars			
	2008			
	Contract/Notional principal			
	Total	Maturity over one year	Fair value	Unrealized gain (loss)
Bond futures (listed):				
Sold	$ 40,083	$ —	$ 33	$ 33
Bought	45,959	—	291	291
Bond futures options (listed):				
Sold	—	—	—	—
Bought	—	—	—	—
Total			$ 324	$ 324

(1) Derivatives included in the table above were measured at fair value and the unrealized gains and losses were recognized in income. Derivatives for which hedge accounting was adopted were excluded from the table above.

(2) Fair Values:
The fair values of listed transactions represent the closing price on the Tokyo Stock Exchange and other exchanges at the consolidated balance sheet date.

(E) CREDIT DERIVATIVES TRANSACTIONS

Credit derivatives transactions as of March 31, 2008 and 2007 were as follows:

	Millions of yen							
	2008				2007			
	Contract/Notional principal				Contract/Notional principal			
	Total	Maturity over one year	Fair value	Unrealized gain (loss)	Total	Maturity over one year	Fair value	Unrealized gain (loss)
Credit default option (over-the-counter):								
Sold	¥ 1,554,106	¥ 1,479,096	¥ (33,142)	¥ (49,042)	¥ 1,026,477	¥ 997,004	¥ 21,457	¥ 3,239
Bought	1,516,835	1,365,653	57,261	57,261	1,075,426	1,047,060	(4,351)	(4,351)
Total			¥ 24,119	¥ 8,219			¥ 17,106	¥ (1,112)

	Thousands of U.S. dollars			
	2008			
	Contract/Notional principal			
	Total	Maturity over one year	Fair value	Unrealized gain (loss)
Credit default option (over-the-counter):				
Sold	$ 15,583,135	$ 14,831,009	$ (332,318)	$ (491,752)
Bought	15,209,422	13,693,505	574,167	574,167
Total			$ 241,849	$ 82,415

36. DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED) CONSOLIDATED

(1) Derivatives included in the table above were measured at fair value and the unrealized gains and losses were recognized in income. Derivatives for which hedge accounting was adopted were excluded from the table above.

(2) Fair Values:
The fair values are calculated by using the discounted present values or other models.

(3) "Sold" stands for accepting credit risk and "Bought" stands for transferring credit risk.

37. NET INCOME PER COMMON SHARE CONSOLIDATED

A reconciliation of the differences between basic and diluted net income per common share ("EPS") for the fiscal year ended March 31, 2008 is as follows:

	Net income (Millions of yen)	Weighted average shares (Thousands)	EPS (Yen)	EPS (U.S. dollars)
For the fiscal year ended March 31, 2008:				
Basic EPS				
Net income available to common shareholders	**¥ 59,624**	**1,529,530**	**¥ 38.98**	**$ 0.39**
Effect of dilutive securities				
Preferred stock	**484**	**322,815**		
Diluted EPS				
Net income for computation	**¥ 60,108**	**1,852,346**	**¥ 32.44**	**$ 0.33**

Diluted net income per share for the fiscal year ended March 31, 2007 was not disclosed because of the Group's net loss position.

38. SUBSEQUENT EVENTS CONSOLIDATED

(A) SALE OF PROPERTY OWNED BY A SUBSIDIARY

On May 14, 2008 the Bank agreed to sell its Meguro Production Center together with the land for ¥19,200 million ($192,520 thousand). The Bank has entered into a lease contract with the purchaser, an affiliate of the Lone Star Real Estate Fund, which will allow it to remain in the building until March 2011.

This sale, which closed on May 30, 2008, allows the Bank to carry out its intention to relocate the Production center as a part of the Bank's ongoing effort to realign its operations and improve efficiency.

A gain on disposal of premises and equipment of approximately ¥10,200 million (U.S.$102,276 thousand) will be recognized in the fiscal year ending March 31, 2009. In addition, restoration and other costs associated with the future relocation will be estimated and recognized.

(B) DIVIDENDS

The following appropriation of retained earnings of the Bank for the fiscal year ended March 31, 2008 was approved at the Board of Directors meeting held on May 14, 2008:

	Millions of yen	Thousands of U.S. dollars
Common share (¥2.94 per share)	**¥ 5,773**	**$ 57,895**

(C) SHARES

At the Board of Directors' meeting held on May 14, 2008, the Bank resolved to submit a proposal at the annual general meeting of shareholders to be held on June 25, 2008, to amend the Articles of Incorporation to increase the aggregate number of common shares which the Bank shall have the authority to issue to 4,000,000 thousand shares.