

# Financial Results for the Interim Year of 2006 (Non-Consolidated Date)

November 2, 2006

**Company Name:** Seven Bank, Ltd.

(URL <http://www.sevenbank.co.jp/> )

Location of Head Office: Tokyo

**Representative:** Takashi Anzai, President

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**Inquiries:**

**Position/ Director, Executive Officer and General Manager of Planning Division** Kensuke Futagoishi

**Date of board meeting for interim financial results:** November 2, 2006

**System of interim dividends:** Yes

**Commencement date of interim dividend payout:** Not applicable

**Adoption of unit stock system:** None

## 1. Financial Results/Financial Position for the Six Months ended September 30, 2006 (April 1, 2006 to September 30, 2006)

### (1) Financial Results

(Note: Amounts less than one million yen are omitted)

	Ordinary Income		Ordinary Profit		Interim (Current) Net Income		Interim (Current) Net Income per share
	Million yen	%	Million yen	%	Million yen	%	Yen
<b>1<sup>st</sup> Half of FY 2006</b>	37,234	20.2	12,919	32.0	7,524	24.4	6,305 . 06
<b>1<sup>st</sup> Half of FY 2005</b>	30,967	38.7	9,782	124.6	6,046	(5.5)	4,955 . 82
<b>FY 2006</b>	64,612	34.7	19,409	92.6	10,590	(2.3)	8,680 . 89

(Note) (1) Average number of shares during the period: 1<sup>st</sup> Half of FY 2006: 1,193,442 shares,  
1<sup>st</sup> Half of FY 2005: 1,220,000 shares  
FY 2006: 1,220,000 shares

(2) Changes in accounting treatments: None

(3) Percentages under Ordinary Income, Ordinary Profit, Interim (Current) Net Income indicate the rates of change from the previous interim period.

### (2) Changes in the Financial Position

	Total Assets	Net Assets	Net assets to total assets ratio (Note 1)	Net assets per share	Non-consolidated capital adequacy ratio (domestic standard) (Note 2)
	Million yen	Million yen	%	Yen	%
<b>1<sup>st</sup> Half of FY 2006</b>	440,703	68,670	15.5	58,894 . 16	(Preliminary)161.88
<b>1<sup>st</sup> Half of FY 2005</b>	334,684	62,550	18.6	51,270 . 72	222.28
<b>FY 2006</b>	361,338	67,080	18.5	54,984 . 18	233.49

Note) Number of outstanding shares at the end of the period:

1<sup>st</sup> Half of FY 2006 1,166,000 shares  
1<sup>st</sup> Half of FY 2005 1,220,000 shares  
FY 2006 1,220,000 shares

Number of treasury stocks at the end of the period:

1<sup>st</sup> Half of FY 2006 54,000 shares  
1<sup>st</sup> Half of FY 2005 -  
FY 2006 -

(1) Net assets to total assets ratio = Total net assets / Total assets

(2) The Non-consolidated capital adequacy ratio (domestic standard) has been calculated in accordance with "Standards for capital ratio pursuant to Article 14-2 of the Banking Law" (Ordinance No. 55 issued by the Ministry of Finance, 1993).

## 2. Forecast for the Fiscal Year ending March 31, 2007 (April 1, 2006 – March 31, 2007)

	Ordinary income	Ordinary profit	Current net income
	Million yen	Million yen	Million yen
<b>Full year</b>	75,500	22,700	12,300

(Cf.) Projected net income per share (full year) ¥10,548.88

### 3. Dividends

#### • Cash dividends

	Full year dividend per share (Yen)		
	End of 1 <sup>st</sup> Half	End of full year	Full year
FY 2006	—	—	—
FY 2007 (Actual)	—	—	—
FY 2007 (Forecast)	—	—	

\*The above forecast contains assumptions and prospects based on the information available at the issuing date of this report. Accordingly, the final results may vary due to various factors.

## I. Business

### 1. Overview

Seven Bank, Ltd. (The Bank) was incorporated on April 10, 2001 through equity investments by Ito-Yokado Co., Ltd. and Seven-Eleven Japan Co., Ltd., and commenced operations on May 7 of the same year.

Currently, the Bank provides customers of its correspondent financial institutions, which include banks, Shinkin banks, credit unions, labor banks, JA Bank, JF Marinebank, Japan Post, securities companies, life insurance companies, credit card companies, etc., with services such as deposit and withdrawal services through its highly convenient network of ATMs located throughout the Seven-Elevens, Ito-Yokado and other Seven & i Holdings-affiliated retail premises. In addition to these ATM services, the Bank is also engaged in the *Financial Service Business*, which provides a comprehensive and convenient bank account service that combines all forms of *Remote Banking* (a general term referring to *Internet banking* on the web, *Mobile Banking* over mobilephones and *Telephone Banking* through phones).

### 2. Management Policy

#### (1) Management Philosophy

1. The Bank strives to become a trusted bank by accurately grasping the needs of its customers.
2. Each employee of the Bank will make efforts in self-transformation by readily adapting to the products of technological innovations.
3. The Bank will contribute to the stability and expansion of the nation's financial system through the provision of its safe and efficient settlement infrastructure.

#### (2) Basic Management Policy

The Bank, by utilizing the extensive infrastructure of the more than 11,000 retail premises of Seven-Eleven and other affiliates of Seven & i Holdings and by building up an ATM network accessible 24 hours of the day, 365 days of the year, strives to provide deeply customer-oriented bank services that serve as virtual wallets for its

customers in a “safe, sure and prompt” way.

Additionally, the Bank, by offering the services of its convenient ATM network to other financial institutions and contributing to their improvement of customer service and business efficiency, intends to realize services based on the principle of co-existence and co-prosperity.

Furthermore, by actively providing financial services sought by the customers of Seven & i Holdings retailers, the Bank will endeavor to attract a wide range of customers to its stores, while at the same time, pursuing the synergistic effect of improved earnings for Seven & i Holdings.

### (3) Medium- to Long-term Management Strategies

In the ATM business, the Bank will continue to focus on expanding the area of ATM installation, as well as improve on its installation density in already-developed areas, by cooperating with local financial institutions, mainly in locations represented by the Seven & i Holdings retail premises. Furthermore, in order to enable safe and secure usage of the ATM network by its customers, the Bank will further strive to improve the quality of its ATM services, by such means as enhancement of customer safety and convenience and the reinforcement of security measures, thereby consistently and continuously fulfilling its mission to society.

Additionally, the Bank has commenced services such as its administrative intermediation and agency services through its manned outlets that rely on the relationships with its correspondent financial institutions, which have been nurtured through its ATM business, in addition to enhancing its financial services to its retail customers by utilizing the infrastructure and customer base of Seven & i Holdings. In this way, the Bank is endeavoring to create a new business model, while at the same time, striving to establish a more secure profit structure.

## 3. Financial Results and Financial Position

### (1) Status of the ATM business

#### 1. Status of correspondent relationships and regional expansion

During the period under review, Towa Bank (April 2006), Sendai Bank, Daisan Bank (May 2006), and Mizuho Bank (July 2006) have become correspondent financial institutions of the Bank, enabling ATM access to an even greater number of customers.

Additionally, the Bank has vigorously promoted efforts to conclude ATM service agreements with institutions other than commercial and regional banks, including shinkin banks, credit unions, securities firms, life insurance companies, consumer finance companies, credit companies for businesses, etc.

As a result of these efforts, a total of 23 financial institutions, i.e. four banks, eight Shinkin banks<sup>(Note 1)</sup>, five credit unions<sup>(Note 2)</sup>, two securities firms, one insurance company, and three other financial institutions have been added to the Bank’s network of correspondent financial institutions, bringing the total number of correspondent financial institutions to 535<sup>(Note 3)</sup> as of September 30, 2006.

Moreover, as of September 30, 2006, the Bank’s ATMs have been installed in the 30 prefectures of Tokyo, Shizuoka, Saitama, Osaka, Hyogo, Kanagawa, Chiba, Tochigi, Aichi, Kyoto, Nagano, Shiga, Fukuoka, Ibaraki, Hiroshima, Fukushima, Niigata, Kumamoto, Yamagata, Hokkaido, Yamaguchi, Gunma, Nagasaki, Okayama, Miyazaki, Yamanashi, Gifu, Saga, Mie and Miyagi (in order of their installation).

By improving the installation density of ATMs, the total number of ATMs installed reached 11,726 as of September 30, 2006, an increase of 242 ATMs from the total of 11,484 as of the end of March of the same year.

(Note 1) The number of correspondent Shinkin banks as of March 31, 2005 was 255. The number later increased to 263 as of September 30, 2006.

(Note 2) The number of correspondent credit unions as of March 31, 2005 was 118. There were additions to the number of correspondent credit unions as well as mergers among the institutions bringing the total number of correspondent credit unions to 126 as of September 30, 2006.

(Note 3) JA Bank and JF Marinebank are considered to be one from the standpoint of business category.

## 2. Status of ATM transactions

At the Bank's ATMs, not only are the customers able to use the Bank's cashcards for withdrawals, deposits, bank transfers and balance inquiries, but are also able to use the cashcards of the correspondent financial institutions for similar teller services such as withdrawals and balance inquiries (the available services, operating hours, fees, etc. for the use of cashcards of other financial institutions will vary by each correspondent financial institution). During the period under view, all ATMs were made compatible with IC cards beginning in April and as of September 30, the Bank's ATMs were compatible with the IC cards of 15 banks, including the Bank's, and the number is expected to increase in the future. Furthermore, the Bank, in order to promote a more detailed understanding of the cards that may be used and the available services, has been putting up notices and engaging in other advertisement activities, in line with the characteristics of each region, in cooperation with Seven & i Holdings and the correspondent financial institutions. As a result of these activities, the average daily ATM transaction volume has increased beyond all expectations by constantly surpassing the one million mark each month during the period from April to September, while the total ATM transaction volume for September 25 (payday) reached a record breaking 1.76 million. Consequently, during the current interim period, the total ATM transaction volume reached 204 million for a daily average transaction volume of 97 per ATM for the period.

### (2) Status of the financial services business

As of September 30, 2006, the Bank had 433,000 deposit accounts with total deposits of 197,100 million yen (excluding negotiable certificates of deposits). Of the total number of accounts, ordinary deposits for individuals, the Bank's main target, accounted for 414,000 accounts with total deposits of 62,600 million yen and these numbers are increasing steadily. Individual time deposits, which the Bank began to accept from March 20, 2006, amounted to 9,200 million yen as of September 30, 2006.

The Bank's manned branches, *Minna no Ginkou Madoguchi* ("Everyone's Bank Teller Window"), which have been established experimentally at the Ito-Yokado retail premises have increased to five (Soga, Yachiyo, Kawaguchi, Kasai and Kameari Stores) as of September 30, 2006. Three of these outlets out of the five are engaged in agency services as of the end of September: the Soga Store (agency services for Chiba Bank), the Kawaguchi Store (agency services for Sumitomo Mitsui Banking corporation and Saitama Resona Bank) and the Kameari Store (agency services for Resona Bank).

### (3) Financial results

During the 1<sup>st</sup> half of the fiscal year ending March 31, 2007, the 6<sup>th</sup> fiscal period for the Bank, ordinary income was 37,234 million yen, ordinary profit was 12,919 million yen, and net income was 7,524 million yen. The increase in

ordinary income was due mainly to the steady growth of ATM transaction volume, which resulted from the increase in correspondent financial institutions and installed ATMs, as well as stepped-up advertising activities.

#### (4) Financial condition

##### 《 Assets 》

The Bank's assets amounted to 440,703 million yen, of which the major part, or 258,739 million yen, was taken up by cash and due from banks necessary for ATM operations. Assets also included securities (Japanese government bonds, government guaranteed bonds) in the amount of 71,473 million yen pledged as collateral for exchange settlements and overdraft transactions with the Bank of Japan, and system development assets (software and software-related temporary accounts) in the amount of 11,759 million yen, which accounted for the greater part of fixed assets.

##### 《 Liabilities 》

The Bank's liabilities amounted to 372,033 million yen. Deposits (excluding negotiable certificates of deposits) in the amount of 197,147 million yen, which made up the greater part of liabilities, consisted of 53,444 million yen in individual ordinary deposits and 9,220 million yen in time deposits.

##### 《 Net assets 》

Although retained earnings grew to 13,613 million yen as a result of recording an interim net income of 7,524 million yen, net assets came to 68,670 million yen, as the Bank executed a stock repurchase in the amount of 5,940 million yen during the current interim period. Also during the current term, a capital reduction of 30,500 million yen was executed and the entire amount was transferred to capital reserve. The Bank's capital adequacy ratio (domestic standards) was 161.88% (on a preliminary basis).

#### (5) Forecast for the full year

In the latter half of 2006, the Bank will continue to expand and improve its operating bases in the ATM and financial services businesses.

In the ATM business, plans are underway to expand into Nara prefecture (through the correspondent relationship with Nanto Bank) and Iwate prefecture (through the correspondent relationship with Iwate Bank) in October, while expansion into Aomori prefecture (through the correspondent relationship with Aomori Bank) is planned for March 2007. In terms of improving installation density in already developed areas, the number of ATMs installed is expected to reach approximately 12,100, which will fall short of initial projections, due mainly to the installation plans for Wakayama and Oita prefecture being delayed until next year. The Bank also plans to further increase the number of its correspondent banks by concluding ATM service agreements with regional banks in areas where Seven-Eleven stores are not represented. Additionally, the Bank intends to actively engage in promotion activities tailor-made to each locality and customer base to raise the awareness of the Bank's ATM services and encourage greater use. By implementing such measures, the Bank anticipates the total ATM transaction volume for fiscal year 2006 to surpass initial projections and reach approximately 415 million transactions (+ 73 million transactions year-on-year), and the daily average ATM transaction volume to reach approximately 97 transactions per ATM (+ 9

transactions year-on-year).

In the financial services business, the Bank, in order to answer to a wide range of customer needs, will commence lending loans to individuals from the spring of 2007. The Bank's manned branches, *Minna no Ginkou Madoguchi* ("Everyone's Bank Teller Window"), which are located in select Ito-Yokado stores, will continue to reinforce the Bank's correspondent relationships through the provision of agency and administrative agency services and endeavor to construct a new business model.

The Bank, in order to establish an even more robust management base, will engage in aggressive investments, which will be diverted to the replacement to second generation ATMs, the ongoing process of increasing financial institutions compatible with IC cards and cards issued overseas, as well to the upgrade of financial services such as the provision of loans to individual borrowers. Additionally, the ATMs, which had previously been procured under lease agreements, will eventually be switched over to proprietary ATMs, which, in turn, will result in the increase in depreciation costs. In view of the above, the Bank anticipates ordinary expenses to increase and consequently has recorded an extraordinary loss of 2,000 million yen in penalties for the cancellation of leases on ATM, accompanying the renewal of ATM's before the expiry of their leases.

On the other hand, ATM transaction volume is also expected to steadily increase as a result of the Bank's efforts enumerated above. As a result, financial results for the fiscal year ending March 31, 2007, are expected to surpass initial projections as ordinary income reaches 75,500 million yen (+ 16.8% year-on-year), ordinary profit reaches 22,700 million yen (+ 17.0% year-on-year) and net income reaches 12,300 million yen (+ 17.1% year-on-year).

\*The above forecast contains assumptions and prospects based on the information available at the issuing date of this report. Accordingly, the final results may vary due to various factors.

## Interim Balance Sheet for 6<sup>th</sup> Fiscal Year (As of September 30, 2006)

(In millions of yen)

Category	Amount	Category	Amount
<b>(Assets)</b>		<b>(Liabilities)</b>	
Cash and due from banks	258,739	Deposits	197,147
Call loans	19,400	Negotiable certificates of deposits	68,110
Securities	71,473	Borrowed money	65,000
Prepaid pension cost	69	Bonds	15,000
Accrued income	6,162	ATM-related temporary advances	16,468
ATM-related temporary payments	67,572	Other liabilities	9,905
Other assets	646	Reserve for bonuses	191
Tangible fixed assets	3,970	Reserve for retirement benefits for directors	209
Intangible fixed assets	11,776	<b>Total liabilities</b>	<b>372,033</b>
Deferred tax assets	979	<b>(Net assets)</b>	
Allowance for credit losses	(86)	Capital stock	30,500
		Capital surplus	30,500
		Capital reserve	30,500
		Retained earnings	13,613
		Other retained earnings	13,613
		Retained earnings brought forward	13,613
		Treasury stock	(5,940)
		Total stockholders' equity	68,673
		Net unrealized gain on available-for-sales	(3)
		Total valuation and translation adjustments	(3)
		<b>Total net assets</b>	<b>68,670</b>
<b>Total assets</b>	<b>440,703</b>	<b>Total liabilities and net assets</b>	<b>440,703</b>

- Notes 1.** The amounts are presented in millions of yen and amounts of less than one million yen are omitted.
2. Securities are carried at their quarter-end fair market value (cost of securities sold is calculated using primarily the moving-average method). Net unrealized gains or losses on these securities are included in net assets, the net of income taxes.
  3. Derivative transactions are carried at fair value.
  4. Tangible fixed assets are depreciated using the declining balance method over the estimated useful lives of the assets. However, buildings, other than the fixtures attached to them, are depreciated using the straight-line method. The useful lives of major assets are as follows:
 

Buildings	6 years to 18 years
Equipment	2 years to 20 years
  5. Software for internal use is depreciated over the estimated useful life if used internally (5 years), using the straight-line method.
  6. An allowance for credit losses is provided as detailed below, in accordance with the Bank's internal standards for write-offs and provisions.
 

For credits to obligors classified as "normal obligors" or "watch obligors" according to the *Operational Guidelines for Verification of Internal Control for Self-Assessment of Assets in Banks and Other Financial Institutions* (JICPA Bank Auditing Special Committee Report No. 4), credits are classified into certain categories and the allowance for credit losses is provided based on the Bank's estimated rate of credit losses. For credits to obligors classified as "bankruptcy risk obligors," the allowance for credit losses is provided for the amount deemed necessary for the

amount remaining after deductions have been made for the estimated recoverable amount from available security interests and guarantees. For credits to obligors classified as “substantially bankrupt obligors” or “bankrupt obligors,” the allowance for credit losses is provided in the full amounts of such credits, after deductions have been made for the estimated recoverable amount from available security interests and guarantees. Furthermore, the Internal Audit Division, which is independent from the divisions concerned, audits the evaluation results.

The Bank’s Risk Management Office, which is independent from the Bank’s banking-related divisions, evaluates all credits, with the cooperation of the banking-related divisions, in accordance with its internal rules for self-assessment of assets, and the allowance is provided based on the results of these assessments.

7. In order to prepare for the payment of employee bonuses, the Bank records a reserve for bonuses in the amount of estimated bonuses attributed to the interim period.

8. In order to prepare for the payment of retirement benefits to employees, the Bank records a reserve for employees’ retirement benefits in the amount deemed accrued at the interim period-end, based on the projected retirement benefit obligation and the estimated amount of pension plan assets at the fiscal-year-end.

During the current interim period, as the estimated amount of pension plan assets exceeded the balance of projected retirement benefit obligations, which have been adjusted for unrecognized prior service costs and unrecognized net actuarial difference, the Bank appropriated the surplus to “prepaid pension cost.” Unrecognized prior service costs and unrecognized net actuarial differences are expensed using the following methods:

Unrecognized prior service cost is amortized using the straight-line method over 10 years within the employees’ average remaining service period at the time of incurrence.

Unrecognized prior actuarial difference is amortized using the straight-line method over 10 years within the employees’ average remaining service period, commencing from the next fiscal year of incurrence.

9. In order to prepare for the payment of retirement benefits to directors and statutory auditors, the Bank records a reserve in the amount required at the current interim period-end in accordance with its internal rules.

10. Financing leases, which do not transfer ownership to the lessees, are accounted for in the same manner as operating leases.

11. Special interest rate swap treatment is applied to certain assets/liabilities. Hedge targets are individually identified and interest rate swaps are used as hedging transactions to offset market changes in variable interest rates.

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

13. Accumulated depreciation of premises and equipment totaled ¥888 million.

14. Securities in the amount of 69,973 million yen were pledged as collateral for exchange settlements and overdraft transactions with the Bank of Japan.

Additionally, other assets include 387 million yen which is a security deposit.

15. Net assets per share are 58,894.16 yen

On January 31, 2006, the ASBJ revised its *Guidance on Accounting Standard for Earnings Per Share* (ASBJ Guidance No. 4, issued on September 25, 2002) and the revised guidance was applicable from the fiscal year ending on or after the enactment date of the Company Law. The Bank has applied the revised guidance, effective from the current interim period. The adoption of this revised guidance did not have any impact on the financial statements.

16. Market value of securities, unrealized gain/loss and other related matters are as below.

Available-for-sale securities that have market prices or reasonably determinable prices

	Acquisition cost (in millions of yen)	Balance sheet amount (in millions of yen)	Net unrealized gains/losses (in millions of yen)
Bonds	71,478	71,473	(5)
Japanese government bonds	68,478	68,473	(5)
Government guaranteed bonds	2,999	3,000	0
Total	71,478	71,473	(5)

The above “net unrealized gains/losses” and the deferred tax assets of 2 million yen, whose total of (3 million yen) is stated as “Net unrealized gains (losses) on securities available-for-sale, net of taxes.”



**17. Significant components of deferred tax assets and liabilities are as follows:**

Deferred tax assets	
Enterprise tax unpaid	411 Million yen
Tax disallowance of depreciation	385
Tax disallowance of reserve for retirement benefits for directors and statutory auditors	85
Tax disallowance of reserve for bonuses	78
Tax disallowance of reserve for credit losses	35
Others	11
Total deferred tax assets	1,007
Deferred tax liabilities	
Prepaid expenses	28
Total deferred tax liabilities	28
Net deferred tax assets	979 Million yen

**18.** As a result of the application of the *Accounting Standards for Presentation of Net Assets in the Balance Sheet* (Statement No. 5, Accounting Standards of Board of Japan (“ASBJ”), December 9, 2005) and the *Guidance on Accounting Standards for Presentation of Net Assets in the Balance Sheet* (Guidance No. 8, ASBJ, December 9, 2005), from the fiscal year ending on or after the enactment date of the Company Law, the appended form of the *Enforcement Ordinance concerning the Banking Law* (Ministry of Finance Ordinance No. 10, 1982) was revised and replaced with the *Cabinet Office Ordinance Partially Revising Detailed Regulations on Mutual Loan Business Law* (Cabinet Office Ordinance No. 60, April 28, 2006), and has been applied from the fiscal year commencing on and after April 1, 2006. In view of the above, the following changes in the presentation of the Balance Sheet have been made starting from the current interim period:

(1) Under this new accounting standard, “Stockholders’ equity” is “Net assets”, presented in “Stockholders’ equity” and “Valuation and translation adjustments.”

The amount, which was previously presented as “Stockholders’ equity” for the current interim period, totals 68,670 million yen.

(2) “Accumulated earnings,” which had been included under “Retained earnings,” were presented as “Retained earnings brought forward” under “Other retained earnings.”

(3) “Valuation difference on stocks” is presented as “Net unrealized gains (losses) on available-for-sale securities, net of taxes.”

(4) “Premises and equipment” are separately presented as “Tangible fixed assets”, “Intangible fixed assets”, and “Other assets”.

(5) “Software” (10,265 million yen) and “Software-related temporary accounts” (1,494 million yen) are included in “intangible fixed assets”.

**19.** Accompanying the partial revisions to *Accounting Standards for Treasury Shares and Appropriation of Legal Reserve* (ASBJ Statement No. 1, February 21, 2002) and *Guidance on Accounting Standards for Treasury Shares and Appropriation of Legal Reserve* (ASBJ Guidance No. 2, February 21, 2002), which became effective on December 27, 2005 and August 11, 2006, respectively, and their application to procedures stipulated by the Company Law, the Bank has adopted these revised standards and guidance from the current interim period. The adoption of these standards and guidance did not have any impact on the financial statements.

**20.** Accompanying the partial revisions to *Accounting Standards for Financial Instruments* (ASBJ Statement No. 10, August 11, 2006), which became effective from the fiscal year ending on or after the announcement date of the revisions, the Bank has adopted these revised standards from the current interim period. The adoption of these standards did not have any impact on the financial statements.

**21.** The Bank has concluded commitment contracts with four banks. The unused amount under the commitment lines was as follows:

Total amount of commitment line	30,000 million yen
Amount borrowed under the commitment line	—
Unused amount	30,000 million yen

**22.** At the Board of Directors meeting held on November 2, 2006, a resolution was passed to issue an unsecured domestic public bond (total amount under 60,000 million yen).

## Interim Statement of Income for the 6<sup>th</sup> Fiscal Year (April 1, 2006 to September 30, 2006)

(In millions of yen)

Category	A m o u n t	
<b>Ordinary income</b>		37,234
Interest income	122	
Of which Interest and dividends on securities	107	
Fees and commissions income	37,055	
Of which ATM-related fee income	36,046	
Other ordinary income	55	
<b>Ordinary expenses</b>		24,314
Interest expenses	529	
Of which Interest on deposits	76	
Fees and commission expenses	2,829	
Of which ATM placement fee expenses	2,666	
Of which ATM-related fee expenses	75	
Of which Other operating expenses	367	
General and administrative expenses	20,464	
Other ordinary expenses	122	
<b>Ordinary profit</b>		12,919
<b>Extraordinary losses</b>		571
<b>Interim net income before income taxes</b>		12,347
<b>Current income taxes</b>		4,885
<b>Deferred income taxes</b>		(62)
<b>Interim net income</b>		7,524

- Notes 1.** The amounts are presented in millions of yen and amounts of less than one million yen are omitted.
2. Interim net income per share is 6305.06 yen
  3. There were no potentially dilutive stocks.
  4. Other ordinary expenses include the “Transfer amount to allowance for credit losses” of 40 million yen.
  5. Extraordinary losses consist of losses for the disposal of fixed assets of 45 million yen and expenses for cancellation of leases of 526 million yen.

**Interim Statement of Changes in Net Assets for the 6<sup>th</sup> Fiscal Term  
(From April 1, 2006 to September 30, 2006)**

(In millions of yen)

	Stockholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock	Total stockholders' equity
		Capital reserve	Other retained earnings		
Balance as of March 31, 2006	61,000	—	6,089	—	67,089
Amount of changes during the interim period					
Transfer from common stock to capital reserve	(30,500)	30,500			—
Interim net income			7,524		7,524
Purchase of treasury stock				(5,940)	(5,940)
Net changes of items other than stockholders' equity during the interim period					—
Total amount of changes during the interim period	(30,500)	30,500	7,524	(5,940)	1,584
Balance as of September 30, 2006	30,500	30,500	13,613	(5,940)	68,673

	Valuation and translation adjustments		Total net assets
	Net unrealized gains/losses on available-for-sale securities, net of taxes	Total valuation and translation adjustments	
Balance as of March 31, 2006	(8)	(8)	67,080
Amount of changes during the interim period			
Transfer from common stock to capital reserve		—	—
Interim net income		—	7,524
Purchase of treasury stock		—	(5,940)
Net changes of items other than stockholders' equity during the interim period	5	5	5
Total amount of changes during the interim period	5	5	1,589
Balance as of September 30, 2006	(3)	(3)	68,670

**Notes 1.** The amounts are presented in millions of yen and amounts of less than one million yen are omitted.

**2.** Type and number of shares issued and treasury shares are as follows;

(In thousands of shares)

	Number of shares as of the end of the previous fiscal year	Increase in shares during the current interim period	Decrease in shares during the current interim period	Number of shares as of the end of the interim period	Remarks
Shares issued					
Common stock	1,220	—	—	1,220	
Total	1,220	—	—	1,220	
Treasury stock					
Common stock	—	54	—	54	(Note)
Total	—	54	—	54	

(Note) Increase of 54 thousand shares is due to the acquisition of own shares pursuant to a resolution of the ordinary general meeting of shareholders held on June 16, 2006.

**3.** There are no stock acquisition rights.

**4.** The Bank does not pay out dividends.

**5. "Other retained earnings" consist of the following:**

	Balance as of end of previous fiscal year	Amount of change during the interim period	Balance as of end of interim period
Retained earnings brought forward	¥6,089 million	¥7,524 million	¥13,613 million

**6.** Accompanying the application of *the Accounting Standards for Statement of Changes in Net Assets* (ASBJ Statement No. 6, December 27, 2005) and the *Guidance on Accounting Standards for Statement of Changes in Net Assets* (ASBJ Guidance No. 9, December 27, 2005) from the fiscal year ending on or after the enactment date of the Company Law, the Bank has adopted these standards and guidance from the current interim period and prepared the statement of changes in net assets, accordingly.

**Interim Statement of Cash Flows for the 6<sup>th</sup> Fiscal Term**  
**From April 1, 2006 to September 30, 2006**

(In millions of yen)

Category	Amount
I Cash flows from operating activities	
Interim income before income taxes	12,347
Depreciation of fixed assets	2,187
Net change in allowance for credit losses (loss)	40
Interest income	(122)
Interest expenses	529
Net gains/losses on security transactions (loss)	56
Net gains/losses on disposal of fixed assets (loss)	45
Net change in deposits (loss)	15,376
Net change in negotiable certificates of deposits (loss)	53,000
Net change in call loans, etc (loss)	(19,400)
Net change in ATM-related temporary accounts (loss)	(24,809)
Interest received	226
Interest paid	(485)
Other-net	(131)
Subtotal	38,862
Income taxes paid	(3,855)
<b>Net cash provided by operating activities</b>	<b>35,006</b>
II Cash flows from investing activities	
Purchases of securities	(83,558)
Proceeds from maturities of securities	65,500
Purchases of tangible fixed assets	(3,317)
Purchase of intangible fixed assets	(2,069)
<b>Net cash used in investing activities</b>	<b>(23,445)</b>
III Cash flows from financing activities	
Purchases of treasury stock	(5,940)
<b>Net cash used in financing activities</b>	<b>(5,940)</b>
IV Effect of exchange rate changes on cash and cash equivalents	—
V Net increase in cash and cash equivalents	5,621
VI Cash and cash equivalents at the beginning of the year	253,117
VII Cash and cash equivalents at the end of the interim period	258,739

- Notes 1.** The amounts are presented in millions of yen and amounts of less than one million yen have been omitted.
2. For the purpose of the interim statement of cash flow, cash and cash equivalents represent “cash and due from banks” on the balance sheet.
  3. In accordance with the revision to the appended form of the *Enforcement Ordinance concerning the Banking Law* (Ministry of Finance Ordinance No. 10, 1982) with the *Cabinet Office Ordinance Partially Revising Detailed Regulations on Mutual Loan Business Law* (Cabinet Office Ordinance No. 60, April 28, 2006), and its application from the fiscal year commencing on and after April 1, 2006, the following changes in the presentation of the Statement of Cash Flows have been made starting from the current term:
    - (1) As “Premises and equipment” in the balance sheet are separately presented as “Tangible fixed assets,” “Intangible fixed assets,” and “Other assets,” “Net gains/losses on disposal of premises and equipment (loss)” are presented as “Net gains/losses on disposal of fixed assets (loss).”
    - (2) “Purchases of premises and equipment” are presented as “Purchases of tangible fixed assets.”

**Comparative Interim Balance Sheet (Major components)**

(In millions of yen)

Category	A s of Sept. 30	As of Sept. 30.	(A - B)	As of Mar 31, 2006 (Summary) (C)	(A - C)
<b>( A s s e t s )</b>					
Cash and due from banks	258,73	261,82	(3,083)	253,117	5,622
Call loan	19,400	—	19,400	—	19,400
Securities	71,473	22,034	49,439	53,571	17,902
Prepaid pension cost	69	61	8	68	1
Accrued income	6,162	4,977	1,185	5,706	456
ATM-related temporary payments	67,572	32,194	35,378	35,127	32,445
Software	—	8,425	—	10,295	—
Software-related temporary accounts	—	3,716	—	858	—
Other assets	646	216	430	790	(144)
Premises and equipment	—	712	—	928	—
Tangible fixed assets	3,970	—	—	—	—
Intangible fixed assets	11,776	—	—	—	—
Deferred tax assets	979	577	402	920	59
Allowance for credit losses	(86)	(55)	(31)	(45)	(41)
<b>Total assets</b>	<b>440,70</b>	<b>334,68</b>	<b>106,019</b>	<b>361,338</b>	<b>79,365</b>
<b>( L i a b i l i t i e s )</b>					
Deposits	197,14	171,65	25,491	181,770	15,377
Negotiable certificates of deposits	68,110	32,120	35,990	15,110	53,000
Borrowed money	65,000	40,000	25,000	65,000	—
Bonds	15,000	15,000	—	15,000	—
ATM-related temporary advances	16,468	7,670	8,798	8,833	7,635
Other liabilities	9,905	5,441	4,464	8,267	1,638
Reserve for bonuses	191	132	59	148	43
Reserve for retirement benefits for directors and statutory auditors	209	113	96	128	81
<b>Total liabilities</b>	<b>372,03</b>	<b>272,13</b>	<b>99,900</b>	<b>294,257</b>	<b>77,776</b>
<b>(Stockholders' equity)</b>					
Common stock	—	61,000	—	61,000	—
Retained earnings	—	1,544	—	6,089	—
Interim (current) accumulated profit	—	1,544	—	6,089	—
Interim (current) net profit	—	6,046	—	10,590	—
Net unrealized gains/losses on available-for-sale	—	5	—	(8)	—
<b>Total stockholders' equity</b>	<b>—</b>	<b>62,550</b>	<b>—</b>	<b>67,080</b>	<b>—</b>
<b>Total liabilities and stockholders' equity</b>	<b>—</b>	<b>334,68</b>	<b>—</b>	<b>361,338</b>	<b>—</b>
<b>( N e t a s s e t s )</b>					
Capital stock	30,500	—	—	—	—
Capital surplus	30,500	—	—	—	—
Capital reserve	30,500	—	—	—	—
Retained earnings	13,613	—	—	—	—
Other retained earnings	13,613	—	—	—	—
Retained earnings brought forward	13,613	—	—	—	—
Treasury stocks	(5,940)	—	—	—	—
Total stockholders' equity	68,673	—	—	—	—
Net unrealized losses on available-for-sale securities	(3)	—	—	—	—
Total valuation and translation adjustments	(3)	—	—	—	—

<b>Total net assets</b>	68,670	—	—	—	—
<b>Total liabilities and net assets</b>	440,70	—	—	—	—



## Comparative Interim Statement of Income (Major Components)

(In millions of yen)

Category	1 <sup>st</sup> Half of FY2006 ( A )	1 <sup>st</sup> Half of FY 2 0 0 5 ( B )	( A - B )	FY2005 ( S u m m a r y )
<b>Ordinary income</b>	37,234	30,967	6,267	64,612
Interest income	122	(2)	124	78
Of which Interest and dividends on securities	107	(2)	109	78
Fees and commissions income	37,055	30,868	6,187	63,973
Of which ATM-related fee income	36,046	29,908	6,138	61,957
Other operating income	—	73	(73)	444
Other ordinary income	55	27	28	116
<b>Ordinary expenses</b>	24,314	21,184	3,130	45,203
Interest expenses	529	281	248	634
Of which Interest on deposits	76	19	57	45
Fees and commissions expenses	2,829	2,327	502	4,845
Of which ATM placement fee expenses	2,666	2,206	460	4,556
Of which ATM-related fee expenses	75	63	12	134
Other operating expenses	367	—	367	68
General and administrative expenses	20,464	18,489	1,975	39,565
Other ordinary expenses	122	86	36	88
<b>Ordinary profit</b>	12,919	9,782	3,137	19,409
<b>Extraordinary gains</b>	—	5	(5)	15
<b>Extraordinary losses</b>	571	1	570	2,823
<b>Interim income before income taxes</b>	12,347	9,787	2,560	16,601
<b>Current income taxes</b>	4,885	1,267	3,618	3,870
<b>Adjustments for income taxes</b>	(62)	2,474	(2,536)	2,141
<b>Interim net income</b>	7,524	6,046	1,478	10,590
<b>Accumulated losses</b>	—	4,501	—	4,501
<b>Interim (current) accumulated earnings</b>	—	1,544	—	6,089

## Comparative Interim Statement of Cash Flows

(In millions of yen)

Category	April 1, 2006 – Sept. 30, 2006 (A)	April 1, 2005 – Sept. 30, 2005 (B)	(A) – (B)	April 1, 2005 – March 31, 2006
<b>I Cash flows from operating activities</b>				
Interim (current) income before income taxes	12,347	9,787	2,560	16,601
Depreciation of fixed assets	2,187	2,008	179	4,311
Net change in allowance for credit losses(loss)	40	(5)	45	(15)
Interest income	(122)	2	(124)	(78)
Interest expenses	529	281	248	634
Net <b>gains</b> /losses on securities transactions (loss)	56	—	56	68
Net <b>gains</b> /losses on disposal of premises and equipment (loss)	—	1	—	47
Net gains/losses on disposal of fixed assets(loss)	45	—	—	—
Net change in deposits (loss)	15,376	46,879	(31,503)	56,993
Net change in negotiable certificates of deposit (loss)	53,000	(32,880)	85,880	(49,890)
Net change in borrowed money, etc. (loss)	—	—	—	25,000
Net change in call loans (loss)	(19,400)	—	(19,400)	—
Net change in ATM-related temporary accounts(loss)	(24,809)	(3,817)	(20,992)	(5,587)
Interest received	226	56	170	292
Interest paid	(485)	(281)	(204)	(561)
Other-net	(131)	(1,285)	1,154	(594)
Subtotal	38,862	20,746	18,116	47,223
Income taxes paid	(3,855)	(10)	(3,845)	(10)
<b>Net cash provided by operating activities</b>	<b>35,006</b>	<b>20,735</b>	<b>14,271</b>	<b>47,212</b>
<b>II Cash flows from investing activities:</b>				
Purchase of securities	(83,558)	(28,606)	(54,952)	(123,394)
Proceeds from maturity of securities	65,500	32,500	33,000	95,500
Purchases of premises and equipment	—	(97)	—	(214)
Purchases of software	—	(3,507)	—	(6,784)
Purchases of tangible fixed assets	(3,317)	—	—	—
Purchases of intangible fixed assets	(2,069)	—	—	—
<b>Net cash used in investing activities</b>	<b>(23,445)</b>	<b>288</b>	<b>(23,733)</b>	<b>(34,892)</b>
<b>III Cash flows from financing activities:</b>				
Purchases of treasury stock	(5,940)	—	(5,940)	—
<b>Net cash used in financing activities</b>	<b>(5,940)</b>	<b>—</b>	<b>(5,940)</b>	<b>—</b>
<b>IV Effects of exchange rate changes on cash and cash equivalents</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>
<b>V Net increase in cash and cash equivalents</b>	<b>5,621</b>	<b>21,024</b>	<b>(15,403)</b>	<b>12,319</b>

VI Cash and cash equivalents at the beginning of the period	253,117	240,797	12,320	240,797
VII Cash and cash equivalents at the end of the interim (year)	258,739	261,822	(3,083)	253,117

## II. Other Financial Information

Unless otherwise stated in the notes, all fractional amounts have been rounded down.

Since the Bank did not extend any loans during the interim period under review, the following information on loans will be omitted:

Average balance of loans, balance of loans by residual period, loan breakdown by collateral, loan breakdown by purpose of funds, loan breakdown by industry, loans to small and medium-sized corporations, country risk reserve, loan/deposit ratio, balance of loans to bankrupt obligors, balance of past due loans, balance of loans past due for three months or more, amount of restructured loans, write-offs of loans.

### **【Major Financial Indicators】**

(In millions of yen)

	<b>1<sup>st</sup> Half of FY 2006</b>	1 <sup>st</sup> Half of FY 2005	1 <sup>st</sup> Half of FY 2004	FY 2005	FY 2004
Ordinary income	37,234	30,967	22,321	64,612	47,967
Ordinary profit	12,919	9,782	4,355	19,409	10,075
Interim (current) net income	7,524	6,046	6,404	10,590	10,843
Common stock	30,500	61,000	61,000	61,000	61,000
Total number of issued shares	1,220,000 shares	1,220,000 shares	1,220,000 shares	1,220,000 shares	1,220,000 shares
Net assets	68,670	62,550	52,066	67,080	56,508
Total assets	440,703	334,684	294,277	361,338	313,305
Deposits	197,147	171,656	123,261	181,770	124,776
Loans	—	—	—	—	—
Securities	71,473	22,034	25,006	53,571	26,012
Non-consolidated capital ratio	(Preliminary) 161.88%	222.28%	186.63%	233.49%	182.39%
Number of employees	235	194	153	211	181

Beginning with the current interim period, the Bank has adopted the *Accounting Standards for Presentation of Net Assets* (ASBJ Statement No. 5) and accordingly has recorded the total of amounts recorded under “Net assets” in place of the former “stockholders’ equity.”

The number of employees does not include directors, temporary staff or part-time workers.

### **【Gross Profit, Net Business Profit】**

(In millions of yen)

	<b>1<sup>st</sup> Half of FY 2006</b>	1 <sup>st</sup> Half of FY 2005	Comparison	FY 2005
Net interest income	(406)	(283)	(123)	(556)
Net fees and commissions	34,226	28,540	5,686	59,127
Other operating income	(367)	73	(440)	375
Gross business profit	33,451	28,331	5,120	58,946
Gross business profit rate	55.80%	90.66%	(34.86%)	72.71%
Net business profit	12,946	9,841	3,105	19,381

There were no interest income/fees commissions from international operations. There were no trading revenues.

Gross business profit rate is calculated by dividing gross business profit by the average balance of interest-bearing assets.

**【Average Balance of Interest-earning Assets and Interest-bearing Liabilities】**

(In millions of yen, %)

		1 <sup>st</sup> Half of FY 2006	1 <sup>st</sup> Half of FY 2005	Comparison	FY 2005
Balance of interest-earning assets (Use of Funds) ①	Average balance	119,562	62,322	57,240	81,064
	Interest income/expense	122	(2)	124	78
	Return rates	0.20	(0.00)	0.20	0.09
Securities	Average balance	65,192	26,346	38,846	39,337
	Interest income/expense	107	(2)	109	78
	Return rates	0.32	(0.01)	0.33	0.19
Call loans	Average balance	9,477	—	9,477	—
	Interest income/expense	8	—	8	—
	Return rates	0.17	—	0.17	—
Deposits with banks (Excluding non-interest portion)	Average balance	44,892	35,975	8,917	41,726
	Interest income/expense	6	0	6	0
	Return rates	0.03	0.00	0.03	0.00
Balance of interest-bearing liabilities (Source of funds) ②	Average balance	324,722	274,554	50,168	290,699
	Interest income/expense	529	281	248	634
	Return rates	0.32	0.20	0.12	0.21
Deposits	Average balance	188,839	137,460	51,379	153,984
	Interest income/expense	76	19	57	45
	Return rates	0.08	0.02	0.06	0.02
Negotiable certificates of deposit	Average balance	25,071	58,896	(33,825)	42,103
	Interest income/expense	35	11	24	16
	Return rates	0.27	0.03	0.24	0.03
Call money	Average balance	30,801	23,196	7,605	33,131
	Interest income/expense	20	0	20	2
	Return rates	0.13	0.00	0.13	0.00
Borrowed money	Average balance	65,008	40,000	25,008	46,479
	Interest income/expense	331	182	149	438
	Return rates	1.01	0.91	0.10	0.94
Bonds	Average balance	15,000	15,000	—	15,000

	Interest income/expense	66	66	—	132
	Return rates	0.88	0.88	—	0.88
Net yield/interest rate (Return ① — Return ②)		(0.12)	(0.20)	0.08	(0.12)

There were no interest-earning assets/interest-bearing liabilities in international operations.

**【Changes in Interest Income/Interest Expenses】**

(In millions of yen)

	1 <sup>st</sup> Half of FY 2006			1 <sup>st</sup> Half of FY 2005			FY 2005		
	Volume-related increase/decrease	Rate-related increase/decrease	Net increase/decrease	Volume-related increase/decrease	Rate-related increase/decrease	Net increase/decrease	Volume-related increase/decrease	Rate-related increase/decrease	Net increase/decrease
Interest income (Use of funds)	73	51	125	(0)	(17)	(17)	29	22	52
Securities	64	46	110	(0)	(17)	(17)	29	22	52
Call loans	8	—	8	—	—	—	—	—	—
Deposits with banks (excluding non-interest portion)	1	5	6	0	(0)	0	0	0	0
Interest expenses (Source of funds)	106	142	248	98	2	101	175	13	188
Deposits	20	35	56	3	0	3	10	0	11
Negotiable certificates of deposit	(47)	70	23	(1)	0	(0)	(9)	1	(7)
Call money	4	14	19	0	(0)	(0)	0	0	1
Borrowed money	127	20	148	95	1	97	173	10	183
Bonds	—	—	—	—	0	0	—	0	0

Changes due to a combination of volume- and rate-related increases/decreases have been calculated proportionally.

There were no interest income/interest expenses from international operations.

**【Ratios】**

(%)

	1 <sup>st</sup> Half of FY 2006	1 <sup>st</sup> Half of FY 2005	Comparison	FY 2005
Ordinary profit to total assets	6.31	5.65	0.66	5.26
Ordinary profit to equity	37.30	31.71	5.59	28.95
Interim net (current) income to total assets	3.67	3.49	0.18	2.87
Interim (current) net income to equity	21.72	19.60	2.12	15.80

Ratios for each interim period have been converted into annual ratios.

**【Average Balance of Deposit Accounts】**

(In millions of yen)

	1 <sup>st</sup> Half of FY 2006	1 <sup>st</sup> Half of FY 2005	Comparison	FY 2005
Liquid deposits	180,782	137,446	43,336	153,481
Time deposits	8,057	14	8,043	503
Negotiable certificates of deposit	25,071	58,896	(33,825)	42,103
Total	213,911	196,357	17,554	196,088

There were no deposit account balances in the international divisions.

**【Term-end Balance of Deposit Accounts】**

(In millions of yen)

	As of Sept. 30, 2006	As of Sept. 30, 2005	Comparison	As of March 31, 2006
Liquid deposits	186,443	171,622	14,821	178,047
Time deposits	10,703	33	10,670	3,723
Negotiable certificates of deposit	68,110	32,120	35,990	15,110

Total	265,257	203,776	61,481	196,880
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There were no deposit account balances in the international divisions.

### 【Balance of Time Deposits by Residual Period】

(In millions of yen)

	As of Sept. 30, 2006	As of Sept. 30, 2005	Comparison	As of March 31, 2006
Less than 3 months	2,645	—	2,645	391
3-6 months	1,097	—	1,097	313
6 months-1 year	2,163	—	2,163	831
1-2 years	508	—	508	207
2-3 years	2,389	33	2,356	1,478
More than 3 years	1,899	—	1,899	500
Total	10,703	33	10,670	3,723

### 【Breakdown of Operating Expenses】

(In millions of yen)

	1 <sup>st</sup> Half of FY 2006	1 <sup>st</sup> Half of FY 2005	Comparison	FY 2005
Operating expenses	20,464	18,489	1,975	39,565
Personnel expenses	1,468	1,077	391	2,487
Non-personnel expenses	17,550	16,332	1,218	34,752
Outsourcing expenses	6,714	6,862	(148)	14,442
Rent and lease expenses	3,614	3,597	17	7,502
Depreciation expenses	2,187	2,008	179	4,311

### 【Average Balance of Trading Securities】

Not applicable.

### 【Securities by Remaining Maturity】

As of September 30, 2006 (In millions of yen)

	Less than 1 year	1-5 years	5-10 years	More than 10 years	Total
Japanese government bonds	68,473	—	—	—	68,473
Local government bonds	—	—	—	—	—
Corporate bonds	3,000	—	—	—	3,000
Stocks	—	—	—	—	—
Others	—	—	—	—	—
Foreign bonds	—	—	—	—	—
Foreign stocks	—	—	—	—	—
Total	71,473	—	—	—	71,473

The international divisions do not hold any securities.

The Bank holds government guaranteed corporate bonds only.



As of September 30, 2005

(In millions of yen)

	Less than 1 year	1-5 years	5-10 years	More than 10 years	Total
Japanese government bonds	16,025	—	—	—	16,025
Local government bonds	—	—	—	—	—
Corporate bonds	3,005	3,003	—	—	6,008
Stocks	—	—	—	—	—
Others	—	—	—	—	—
Foreign bonds	—	—	—	—	—
Foreign stocks	—	—	—	—	—
<b>Total</b>	<b>19,031</b>	<b>3,003</b>	<b>—</b>	<b>—</b>	<b>22,034</b>

The international divisions do not hold any securities.

The Bank holds government guaranteed corporate bonds only.

As of March 31, 2006

(In millions of yen)

	Less than 1 year	1-5 years	5-10 years	More than 10 years	Total
Japanese government bonds	47,568	—	—	—	47,568
Local government bonds	—	—	—	—	—
Corporate bonds	6,002	—	—	—	6,002
Stocks	—	—	—	—	—
Others	—	—	—	—	—
Foreign bonds	—	—	—	—	—
Foreign stocks	—	—	—	—	—
<b>Total</b>	<b>53,571</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>53,571</b>

The international divisions do not hold any securities.

The Bank holds government guaranteed corporate bonds only.

**【Average Balance of Securities】**

(In millions of yen)

	<b>1<sup>st</sup> Half of FY 2 0 0 6</b>	1 <sup>st</sup> Half of FY 2 0 0 5	Comparison	F Y 2 0 0 5
Japanese government bonds	60,641	20,350	40,291	33,341
Local government bonds	—	—	—	—
Corporate bonds	4,550	5,995	(1,445)	5,995
Stocks	—	—	—	—
Others	—	—	—	—
Foreign bonds	—	—	—	—
Foreign stocks	—	—	—	—
<b>Total</b>	<b>65,192</b>	<b>26,346</b>	<b>38,846</b>	<b>39,337</b>

The international divisions do not hold any securities.

The Bank holds government guaranteed corporate bonds only.

### 【Term-end Balance of Securities】

(In millions of yen)

	As of Sept. 30, 2006	As of Sept. 30, 2005	Comparison	As of March 31, 2006
Japanese government bonds	68,473	16,025	52,448	47,568
Local government bonds	—	—	—	—
Corporate bonds	3,000	6,008	(3,008)	6,002
Stocks	—	—	—	—
Others	—	—	—	—
Foreign bonds	—	—	—	—
Foreign stocks	—	—	—	—
Total	71,473	22,034	49,439	53,571

The international divisions do not hold any securities.

The Bank holds government guaranteed corporate bonds only.

### 【Securities/Deposits Ratio】

(%)

	1 <sup>st</sup> Half of FY 2006	1 <sup>st</sup> Half of FY 2005	Comparison	FY 2005
Securities/Deposits % (year-end balance)	26.94	10.81	16.13	27.21
" (average balance)	30.47	13.41	17.06	20.06

$$\text{Securities/Deposits \%} \left( \frac{\text{Interim (term-end) (average) balance of securities}}{\text{Interim (term-end) (average) balance of deposits/bonds}} \times 100 \right)$$

### 【State of Capital Adequacy】

(In millions of yen)

		As of Sept. 30, 2006 (Preliminary)	As of Sept. 30, 2005	Comparison	As of March 31, 2005
Basic item	(A)	68,670	62,544	6,126	67,080
Supplementary items	Allowance for credit losses	83	53	30	42
	Other allowances	—	—	—	—
	Total	83	53	30	42
	Amount includable as qualifyi	83	53	30	42
	(B)				
Deduction	Intentional hold of financing method of other financial institutions	—	—	—	—
	(C)				
Total risk-adjusted capi	(A) + (B) - (C) (D)	68,753	62,597	6,156	67,123
Risk and assets	Assets(on-balance) item	42,417	28,126	14,291	28,671
	off-balance-sheet items	52	35	17	74
	(E)				
Total	(E) + (F) (G)	42,470	28,161	14,309	28,746
Capital adquacy ratio (domestic standard) = (D) / (G)		161.88%	222.28%	(60.40%)	233.49%

**【Market prices of available-for-sale securities and other information】**

As of September 30, 2006

(In millions of yen)

	Acquisition cost	Balance sheet amount	Net unrealized gains/losses	Unrealized gains	Unrealized losses
Japanese government bonds	68,478	68,473	(5)	4	10
Government guaranteed bonds	2,999	3,000	0	0	—
Total	71,478	71,473	(5)	5	10

The international divisions do not hold any securities.

As of September 30, 2005

(In millions of yen)

	Acquisition cost	Balance sheet amount	Net unrealized gains/losses	Unrealized gains	Unrealized losses
Japanese government bonds	16,027	16,025	(2)	0	2
Government guaranteed bonds	5,997	6,008	11	11	—
Total	22,025	22,034	9	11	2

The international divisions do not hold any securities.

As of March 31, 2006

(In millions of yen)

	Acquisition cost	Balance sheet amount	Net unrealized gains/losses	Unrealized gains	Unrealized losses
Japanese government bonds	47,587	47,568	(18)	—	18
Government guaranteed bonds	5,998	6,002	3	3	—
Total	53,585	53,571	(14)	3	18

The international divisions do not hold any securities.

**【Market prices of money in trust and other information】**

Not applicable

**【Fair value of derivative transactions and other information】**

1. Interest rate derivatives

As of September 30, 2006

(In millions of yen)

Category	Type		Contract amounts		Fair value	Net unrealized gains/losses
				Over one year		
Over-the-counter	Interest rate swaps	Receive variable/pay fixed	35,000	35,000	(65)	(65)
Total			35,000	35,000	(65)	(65)

The above transactions are valued at market value and the unrealized gains/losses are accounted for in the statement of income.

Calculation of fair value: The fair value of transactions is calculated using the discounted percent value model.

Derivative transactions to which special treatment is applied are not included in the amounts above.

As of September 30, 2005

(In millions of yen)

Category	Nature		Contract amounts		Fair value	Net unrealized gains/losses
				Over one year		
Over-the-counter	Interest rate swaps	Receive variable/pay fixed	35,000	35,000	(378)	(378)
Total			35,000	35,000	(378)	(378)

The above transactions are valued at market value and the unrealized gains/losses are accounted for in the statement of income.

Calculation of fair value: The fair value of transactions is calculated using the discounted presentvalue model.

As of March 31, 2006

(In millions of yen)

Category	Nature		Contract amounts		Fair value	Net unrealized gains/losses
				Over one year		
Over-the-counter	Interest rate swaps	Receive variable/pay fixed	35,000	35,000	121	121
Total			35,000	35,000	121	121

The above transactions are valued at market value and the unrealized gains/losses are accounted for in the statement of income.

Calculation of fair value: The fair value of transactions is calculated using the discounted present value model.

Derivative transactions to which special treatment is applied are not included in the amounts above.

## 2. Currency derivatives

Not applicable

### 【Term-end Balance of Allowance for Credit Losses】

(In millions of yen)

	As of Sept. 30, 2006	As of Sept. 30, 2005	Comparison	As of March 31, 2006
General allowance	83	53	30	42
Specific allowance	3	2	1	3
Allowance for receivables of specific overseas countries	—	—	—	—
Total	86	55	31	45

General allowances for temporary payments that continuously occur over the course of operations are recorded according to internal rules.

### 【Changes in Allowance for Credit Losses during the Term】

(In millions of yen)

	1 <sup>st</sup> Half of FY 2006	1 <sup>st</sup> Half of FY 2005	FY 2005
General allowance	40	(7)	(18)
Specific allowance	0	2	3
Allowance for receivables of specific overseas countries	—	—	—
Total	40	(5)	(15)

**【Self-assessments of Assets】**

(Unit: In millions of yen)

Type of claims	As of Sept. 30, 2006	As of Sept. 30, 2005	Comparison	As of March 31, 2005
Unrecoverable or valueless claims	—	—	—	—
Doubtful claims	—	—	—	—
Claims in need of special attention	—	—	—	—
Normal borrowers	67,604	32,248	35,356	35,201
<b>Total</b>	<b>67,604</b>	<b>32,248</b>	<b>35,356</b>	<b>35,201</b>

The above is based on The Law concerning Emergency Measures for the Revitalization of the Financial Functions.

**【Bonds】**

Issue	Issue date	Total issue amount	Issue price	Balance as of beginning of year	Increase during the year	Decrease during the year	Balance as of Sept. 30, 2006 (With maturity date within 1 year)	Interest rate	Maturity date
First Debenture Bonds (limited to qualified institutional investors)	Month, date, year Dec 10, 2003	15,000	Yen 100.00	15,000	—	—	15,000 ( — )	% 0.88	Month, date, year Dec 10, 2008

### III. Other Information

**【Outline of the Bank】** As of September 30, 2006

1. Name Seven Bank, Ltd.
2. Location of Head Office 1-6-1 Marunouchi, Chiyoda-ku, Tokyo
3. President Takashi Anzai
4. Established April 10, 2001
5. Commenced Business May 7, 2001
6. Capital stock ¥30,500 million
7. Number of issued shares 1,220,000 shares
8. Principal shareholders

<u>Shareholder</u>	<u>Number of shares held</u>	<u>Percentage of voting rights</u>
Seven-Eleven Japan Co., Ltd.	303,639shares	26.04%
Ito-Yokado, Ltd.	196,961shares	16.89%
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	60,000shares	5.15%
Corporate Value-up Fund Investment LPS	55,400shares	4.75%
York-Benimaru Co., Ltd.	52,400shares	4.49%
Sumitomo Mitsui Banking Corporation	30,000shares	2.57%
Resona Bank, Limited	30,000shares	2.57%
The Dai-ichi Mutual Life Insurance Company	30,000shares	2.57%
Life Foods Co., Ltd.	30,000shares	2.57%
Meiji Yasuda Life Insurance Company	20,000shares	1.72%
Nippon Life Insurance Company	20,000shares	1.72%
Mitsui Sumitomo Insurance Company, Limited	20,000shares	1.72%
Nomura Research Institute, Ltd.	20,000shares	1.72%
Nomura Holdings, Inc.	20,000shares	1.72%
Nikko Cordial Corporation	20,000shares	1.72%
Hitachi, Ltd.	20,000shares	1.72%
NEC Corporation	20,000shares	1.72%

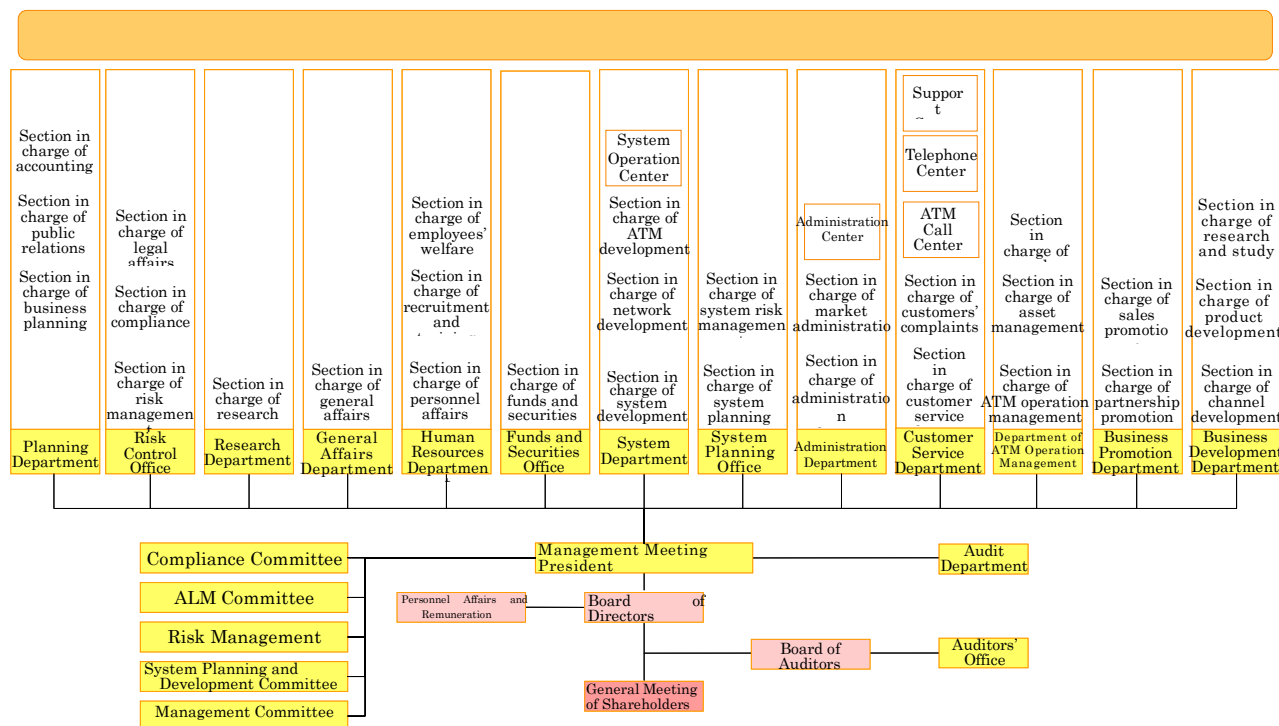
\*Rounded down to nearest one-one hundredth of one per cent

\*Seven Bank holds 54,000 shares of treasury stock.

9. Directors and Statutory Auditors

President and Representative Director	Takashi Anzai
Director, Senior Managing Executive Officer	Masatoshi Wakasugi
Director, Managing Executive Officer	Toshiaki Ikeda
Director, Executive Officer	Kensuke Futagoishi
Director (part-time)	Takahide Sakurai*
Director (part-time)	Nobutake Sato*
Director (part-time)	Tadahiko Ujiie*
Director (part-time)	Isamu Hirai
Statutory Auditor	Hideo Tanaka
Statutory Auditor (part-time)	Masaharu Hino*
Statutory Auditor (part-time)	Sachiko Kishimoto*
Statutory Auditor (part-time)	Masayuki Sato*
Executive Officer	Nobuo Shirai
Executive Officer	Yasuaki Funatake

\*indicates outside directors or outside statutory auditors  
The representative director also serves as the executive officer.

**[Organization Chart]** (As of October 31, 2006)

## 《Heads of each division》

Head of Audit Division	Yuji Akita
Head of Planning Division	Kensuke Futagoishi (Director, Executive Officer)
Head of Risk Management Office	Masatoshi Wakasugi (Director, Senior Managing Executive Officer)
Head of Reserch Division	Akiyuki Inao
Head of General Affairs Division	Nobuo Shirai (Executive Officer)
Head of Human Resource Division	Nobuo Shirai*serving concurrently
Head of Treasury Office	Shinji Mogi
Head of Systems Development Division	Toshiaki Ikeda (Director, Managing Executive Officer)
Head of Systems Planning Office	Yoshitaka Koshi
Head of Operations Division	Kazuhiko Matsushita
Head of Customer Services Division	Naoki Yamazaki
Head of ATM Administration Division	Tsutomu Yamazaki
Head of Business Promotion Division	Yasuaki Funatake (Executive Officer)
Head of Business Development Division	Hisanao Kawada

## **【The Bank's Risk Management Structure】**

The Bank, in order to ensure the soundness and efficiency of operations, has established a risk management structure that recognizes and properly manages the various risks inherent in operations. The *Fundamental Risk Management Policy*, which has been determined by the Board of Directors sets forth the policy on the management of company-level risks, the basic policy on the management of various risks, and risk management organization/structure; and the Executive Committee, based on this basic policy, determines the various rules for risk management.

As part of the risk management organization, the Risk Management Division at the Risk Management Office has been established as the division responsible for the management of company-level risks, while the Internal Audit Division has been established as the division responsible for the management of various risks and the performance of internal audits. Furthermore, the Risk Management Committee and the ALM Committee have been set up as advisory panels on matters involving risk management for the Executive Committee.

### **■ Credit Risk Management**

As basic policies for the management of credit risk, the Bank has established the *Credit Risk Rules* as subordinate rules to the *Fundamental Risk Management Policy* and complies with them. Currently, the Bank conducts operations with minimal credit risks, with risks being limited to ATM settlement operations and deposits, interbank lendings, and suspense payments to prime financial institutions relating to ALM operations. The Bank's credit risk management also includes the implementation of appropriate self-assessments of assets and the provision of allowances for credit losses based on self-assessment standards, standards for the allowance of credit losses, and rules for self-assessment/allowance.

### **■ Market Risk Management**

As basic policies for the management of market risk, the Bank has established the *Market Risk Rules* as subordinate rules to the *Fundamental Risk Management Policy* and complies with them. The *Market Risk Rules* set forth the risk ceiling, the position ceiling and the allowable maximum amount of loss; and the Risk Management Division of the Risk Management Office measures/monitors the said amounts and reports them to management on a daily basis. At the ALM Committee held once a month, risk conditions and interest rate projections are reported and the administration policies for the management of market risks are determined.

### **■ Liquidity Risk Management**

As basic policies for the management of liquidity risk, the Bank has established the *Liquidity Risk Rules* as subordinate rules to the *Fundamental Risk Management Policy* and complies with them. The *Liquidity Risk Rules* stipulates the setting of the limit on the gap occurring as a result of the differences in the fund lending and borrowing periods; and the Risk Management Division of the Risk Management Office measures/monitors the said amounts and reports them to management on a daily basis. All possible means to ensure the liquidity of funds are taken by preparing measures beforehand specific to each scenario so that appropriate actions may be taken promptly and flexibly on a company-wide level in the event of a fund shortage. The Bank has also made efforts to ensure liquidity in times of emergency, by managing funds through Japanese government bonds and deposits, which are readily converted into cash and by setting commitment lines.



## ■ Operational Risk Management

Since the Bank is mainly engaged in ATM-based, non-face-to-face transactions, it has established a set of basic policies on operational risks reflecting the particularity of such transactions in the *Operational Risk Rules*. The *Operational Risk Management Rules* are included in the *Fundamental Risk Management Policy* as subordinate rules; and by complying with such rules the Bank has been ensuring the accuracy and appropriateness of operational processing. Furthermore, the Bank conducts self-assessments of all its divisions, departments and centers and internal audits by the Internal Audit Division and strives to prevent operational errors and internal fraud. The Bank also performs customer identification procedures pursuant to the *Law Concerning Identification by Financial Institutions* when customers open new bank accounts and has also developed a unique system in preventing fraudulent accounts and money laundering. Customer inquiries, on the other hand, are being dealt with, seven days a week by the ATM call center and telephone centers, while customer complaints are promptly dealt with jointly by the operational divisions and the related business divisions and the particularly important cases are reported to management.

## ■ System Risk Management

The Bank has set forth its basic concepts of system risk in the System Risk Rules and by performing system development and administration accordingly has striven to ensure the effective development, improvement of quality and safe administration of its systems. The Bank's systems, which make optimum use of the latest in IT (information technology) have duplex/multiplexed its networks/hardware and taken various measures in preparation for disasters/failures, including switching over operations at backup centers. Backups for the file/program libraries have been made in accordance with their degree of importance and stored in remote data facilities in order to prepare for any contingencies. Meticulous attention is also paid to data management, in the form of firewalls to prevent hackers into the Bank's systems, 24 hours a day, 365 days a year access monitoring, encrypted communications with customers, the introduction of virus checking programs, etc. Moreover, in order for the customers to utilize the Bank's service with a sense of security, the Bank has prepared contingency plans against natural disasters/failures and conducts emergency drills on a regular basis.

## 【The Bank's Compliance System】

The Bank considers compliance with acceptable social norms including relevant laws and regulations to be the prerequisite for winning the trust of society. Moreover, the Bank, in recognition of the gravity of its public mission and its societal responsibilities is making the following efforts in order to fully enforce compliance as its most urgent management task at hand.

## ■ Compliance Structure

The Bank has appointed a Compliance Officer to each division to thoroughly enforce compliance, as well as provide consultation on problematic cases, at the division to which he/she has been assigned. The Bank has also established a structure where under the company-wide control of the executive officer in charge of the Risk Management Office, the Risk Management Office, as the controlling office over the entire bank, exercises self-assessment functions independently, on its own responsibility and through mutual supervision. The Internal Audit Division is also equipped with independent internal audit functions over the company-wide compliance

structure. Furthermore, material matters concerning all aspects of compliance are discussed and assessed by the Compliance Committee, which is an advisory panel to the Executive Committee.

### ■ **Compliance Program**

Every business year, the Bank formulates a *Compliance Program*, which constitutes the specific action plan for compliance. The Bank's specific compliance activities are conducted in accordance with this *Compliance Program*. The Board of Directors monitors and assesses the progression and implementation status of the program every year and based on those results, determines the program for the following year.

### ■ **Compliance Manual**

In order to fully enforce compliance, the Bank has prepared and distributed compliance manuals to all its employees. The contents of this manual are revised as needed to reflect the revisions/eliminations to the relevant laws and regulations. Moreover, repeated efforts are made to reinforce the contents of this compliance manual, by conducting compliance training at each of the divisions, in accordance with the compliance manual.