The Aomori Bank, Ltd.

Non-Consolidated Financial Statements

March 31, 2007 and 2006

Non-Consolidated Balance Sheets
The Aomori Bank, Ltd.
As of March 31, 2007 and 2006

	Millions of Yen (Note 1) 2007	2006	Thousands of U.S. dollars (Note 1) 2007
Assets			
Cash and due from banks	¥57,870	¥45,405	$490,213
Call loans	80,000	60,000	677,679
Trading account securities	468	581	3,960
Investment securities (Note 3, 7)	621,255	597,286	5,262,648
Loans and bills discounted (Note 4, 7)	1,330,200	1,360,445	11,268,107
Foreign exchanges	1,658	1,332	14,047
Other assets	14,837	19,201	125,684
Premises and equipment (Note 5)	-	27,543	-
Tangible fixed assets (Note 5)	25,611	-	216,953
Intangible fixed assets	2,119	-	17,951
Deferred income taxes (Note 11)	5,268	9,917	44,627
Customers' liabilities for acceptances and guarantees (Note 9)	26,122	33,113	221,278
Reserve for possible loan losses	(18,025)	(20,340)	(152,690)
Total assets	¥2,147,383	¥2,134,485	$18,190,457
Liabilities and shareholders' equity			
Liabilities			
Deposits (Note 6, 7)	¥1,981,075	¥1,984,511	$16,781,663
Call money	10,270	11,747	87,000
Borrowed funds	9,500	9,606	80,474
Foreign exchanges	27	12	228
Corporate bond	20,000	-	169,420
Other liabilities (Note 7)	7,240	5,498	61,332
Reserve for employee's bonus	679	690	5,752
Retirement benefits for directors and corporate auditors	596	-	5,049
Reserve for employee's retirement benefit	-	1,727	-
Deferred tax liabilities on land revaluation (Note 8)	2,853	2,913	24,165
Acceptances and guarantees (Note 9)	26,122	33,113	221,278
Total liabilities	2,058,362	2,049,819	17,436,361
Shareholders' equity			
Common stock (Note 10)	-	15,221	-
Capital surplus (Note 10)	-	8,576	-
Legal reserve	-	5,641	-
Appropriated retained earnings	-	42,200	-
Unappropriated retained earnings	-	3,701	-
Revaluation reserve for land (Note 8)	-	2,452	-
Net unrealized gains on securities	-	7,007	-
Treasury stock	-	(135)	-
Total shareholders'equity	-	84,665	-
Total liabilities and shareholders'equity	￥-	¥2,134,485	$-
Net assets			
Shareholder's equity			
Common stock (Note 10)	15,221	-	128,939
Capital surplus (Note 10)	8,575	-	72,640
Total retained earnings	53,033	-	449,240
Legal reserve	5,829	-	49,375
Appropriated retained earnings	43,700	-	370,182
Unappropriated retained earnings	3,504	-	29,683
Treasury stock	(382)	-	(3,235)
Total shareholder's equity	76,447		647,584
Valuation and translation adjustments			
Net unrealized gains on securities	10,197	-	86,378
Net deferred gains (losses) on hedging instruments	0	-	3
Revaluation reserve for land (Note 8)	2,377	-	20,131
Total Vauluation and translation adjustments	12,574	-	106,511
Total net assets	89,021	-	754,096
Total liabilities and net assets	¥2,147,383	￥-	$18,190,457

See accompanying notes to non-consolidated financial statements.

Non-Consolidated Income
The Aomori Bank, Ltd.
Years ended March 31, 2007 and 2006

	Millions of Yen (Note 1)		Thousands of U.S. dollars (Note 1)
	2007	2006	2007
Income			
Interest on;			
Loans and discounts	¥27,755	¥27,826	$235,108
Securities	7,769	7,252	65,811
Other	1,655	1,650	14,019
	37,179	36,728	314,938
Fees and commissions	6,230	6,162	52,776
Other income	3,081	4,721	26,099
Total income	46,490	47,612	393,813
Expenses			
Interest on;			
Deposits	2,035	742	17,239
Borrowings and rediscounts	245	231	2,072
Corporate bond	347	-	2,938
Other	1,887	2,218	15,989
	4,514	3,191	38,238
Fees and commissions	3,125	2,843	26,472
General and administrative expenses	27,457	27,719	232,589
Other expenses	3,248	6,141	27,513
Loss on impairment of fixed assets	140	403	1,188
Total expenses	38,484	40,298	326,000
Income before income taxes	8,006	7,314	67,813
Income taxes			
Current income taxes (Note 11)	843	1,914	7,137
Deferred income taxes (Note 11)	2,419	1,239	20,491
Total income taxes	3,262	3,153	27,628
Net income	¥4,744	¥4,160	$40,185

	Yen		Cents
Net income per share	¥26.43	¥22.71	¢ 22.39

See accompanying notes to non-consolidated financial statements.

Non-Consolidated Statements of Changes In Net Assets
The Aomori Bank, Ltd.
As of March 31, 2007 and 2006

Millions of yen

	Shareholder's equity							
			Retained earnings					
	Common stock	Capital surplus	Legal reserve	Appropriated retained earnings	Unappropriated retained earnings	Total retained earnings	Treasury stock	Total
Balances as of March 31,2006	¥15,221	¥8,576	¥5,641	¥42,200	¥3,701	¥51,543	(¥135)	¥75,205
Changes during the accounting period								
Dividends from surplus			187		(1,091)	(904)		(904)
Bonuses to directors					(30)	(30)		(30)
Appropriated retained earnings				1,500	(1,500)	-		-
Net Income					4,744	4,744		4,744
Purchase of treasury stock							(2,652)	(2,652)
Disposal of treasury stock		0					8	8
Erasure of treasury stock		(1)			(2,396)	(2,396)	2,397	-
Reversal of land revaluation excess					76	76		76
Changes other than Shareholders' equity (net)								
Total changes during the accounting period	-	0	187	1,500	(197)	1,489	(246)	1,242
Balances as of March 31,2007	¥15,221	¥8,575	¥5,829	¥43,700	¥3,504	¥53,033	(¥382)	¥76,447

Thousands of US. dollars

	Shareholder's equity							
			Retained earnings					
	Common stock	Capital surplus	Legal reserve	Appropriated retained earnings	Unappropriated retained earnings	Total retained earnings	Treasury stock	Total
Balances as of March 31,2006	$128,939	$72,648	$47,789	$357,476	$31,358	$436,622	($1,149)	$637,060
Changes during the accounting period								
Dividends from surplus			1,586		(9,246)	(7,660)		(7,660)
Bonuses to directors					(254)	(254)		(254)
Appropriated retained earnings				12,706	(12,706)	-		-
Net Income					40,186	40,186		40,186
Purchase of treasury stock							(22,463)	(22,463)
Disposal of treasury stock		1					66	67
Erasure of treasury stock		(9)			(20,302)	(20,302)	20,311	-
Reversal of land revaluation excess					648	648		648
Changes other than Shareholders' equity (net)								
Total changes during the accounting period		(8)	1,586	12,706	(1,675)	12,618	(2,086)	10,524
Balances as of March 31,2007	$128,939	$72,640	$49,375	$370,182	$29,683	$449,240	($3,235)	$647,584

Non-Consolidated Statements of Changes In Net Assets
The Aomori Bank, Ltd.
As of March 31, 2007 and 2006

Millions of yen

	Valuation and translation adjustments				
	Net unrealized fains(losses) on securities	Deferred fains(losses) on hedging instruments	Revaluation reserve for land	Total	Total net assets
Balances as of March 31,2006	¥7,007	¥ -	¥2,452	¥9,460	¥84,665
Changes during the accounting period					
Dividends from surplus					(904)
Bonuses to directors					(30)
Appropriated retained earnings					-
Net Income					4,744
Purchase of treasury stock					(2,652)
Disposal of treasury stock					8
Erasure of treasury stock					-
Reversal of land revaluation excess					76
Changes other than Shareholders' equity (net)	3,190	0	(76)	3,113	3,113
Total changes during the accounting period	3,190	0	(76)	3,113	4,356
Balances as of March 31,2007	¥10,197	¥0	¥2,377	¥12,574	¥89,021

Thousands of US. dollars

	Valuation and translation adjustments				
	Net unrealized fains(losses) on securities	Deferred fains(losses) on hedging instruments	Revaluation reserve for land	Total	Total net assets
Balances as of March 31,2006	$59,359	$-	$20,779	$80,137	$717,200
Changes during the accounting period					
Dividends from surplus					(7,660)
Bonuses to directors					(254)
Appropriated retained earnings					-
Net Income					40,186
Purchase of treasury stock					(22,463)
Disposal of treasury stock					67
Erasure of treasury stock					-
Reversal of land revaluation excess					648
Changes other than Shareholders' equity (net)	27,019	3	(648)	26,374	26,374
Total changes during the accounting period	27,019	3	(648)	26,374	36,896
Balances as of March 31,2007	$86,378	$3	$20,131	$106,511	$754,096

1. Basis of presentation of non-consolidated financial statements

(1) The accompanying non-consolidated financial statements have been prepared from the accounts maintained by The Aomori Bank ("the Bank") , Ltd. in accordance with the provisions set forth in the Japanese Commercial Code and in conformity with accounting principles and practices generally accepted in Japan, which may differ in some material respects from accounting principles and practices generally accepted in countries and jurisdictions other than Japan.

(2) In preparing the accompanying non-consolidated financial statements, certain reclassifications have been made in the non-consolidated financial statements issued domestically in order to present them in a form which is more familiar to readers outside Japan. Furthermore, the notes to the non-consolidated financial statements include information which is not required under accounting principles generally accepted in Japan but is presented herein as additional information. The figures less than millions of yen are omitted.

(3) The non-consolidated financial statements presented herein are expressed in yen and, solely for the convenience of the reader, have been translated into United States dollars at the rate of ￥118.05= U.S.$1, the prevailing rate as of March 31, 2007. This translation should not be construed as a representation that all the amounts shown could be converted into U.S. dollars.

2. Summary of significant accounting policies

(1) Trading account securities

Trading account securities are stated at the market value.

(2) Investment securities

Bonds held to maturity are stated at the moving-average amortized cost. Other securities with market value are stated at the market value at the end of the fiscal year. Other securities without market value are stated at the moving-average cost or amortized cost computed by the moving average method. Gains (losses) on valuation of other securities are all processed using the capital direct method.

(3) Derivative transactions

Derivative transactions are stated at the market value.

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

Effective from the year ended March 31,2007 , the Bank adopted the new accounting standard , "Accounting Standard for Presentation of Net Assets in the Balance Sheet "(Statement No.5 issued by the Accounting Standards Board of Japan on December 9 , 2005) and the implementation guidance for the accounting standard for presentation of net assets in the balance sheet (the Financial Accounting Standard Implementation Guidance No.8 issued by the Accounting Standards Board of Japan on December 9 ,2005),(collectively , "the New Accounting Standards").

The non-consolidated balance sheet as of March 31 , 2007 , prepared in accordance with the New Accounting Standards , comprises three sections , which are the assets , liabilities and net assets sections.

(5) Accounting Standard for Statement of Changes in Net Assets

Effective from the year ended March 31,2007 , the Bank adopted the new accounting standard , "Accounting Standard for Statement of Changes in Net Assets"(Statement No.6 issued by the Accounting Standards Board Japan on December 27 , 2005) , and the implementation guidance for the accounting for the accounting standard for statement of changes in net assets (the Financial Accounting Standard Implementation Guidance No.9 issued by the Accounting Standards Board of Japan on December 27 , 2005) , (collectively , "the Additional New Accounting Standards").

The Bank prepared the accompanying non-consolidated statement of changes in net assets for the year ended March 31 , 2007 in accordance with the Additional New Accounting Standards.

(6) Tangible fixed assets

Tangible fixed assets are stated at cost, less accumulated depreciation. Depreciation is computed by the declining-balance method based on estimated useful lives, except for the following.
Depreciation of buildings (excluding accessory equipment) acquired from April 1, 1998 is computed by the straight-line method.
In accordance with the Additional New Accounting Standards for the year ended March 31,2007, premises and equipment are classified into tangible fixed assets, intangible fixed assets,and other assets;concession money is included in intangible fixed assets;and guarantee money is included in other assets.Under the previous presentation rules, concession money and guarantee money were included in premises and equipment.
Software is included in intangible fixed assets for the year ended March 31,2007.

(7) Software and intangible fixed assets

Intangible assets are amortized by the straight-line method.
Internal use software is amortized by the straight-line method over five years as estimated useful lives.

(8) Bonuses to directors

The Bank adopted the new accounting standard,"Accounting Standard for Directors' Bonuses" (Statement No.4 issued by the Accounting Standards Board of Japan on November 29,2005).
Under the new accounting standard , conuses to directors are recorded as expenses , and the amount imputed in this accounting period is included in other liabilities.
Under the previous presentation rules , bonuses to directors were recorded as a decrease of appropriated retained earnings.
As a result , operating expense has increased by ¥33 million ($280thousand) , and net income before income taxes has decreased by the same amount.

(9) Hedge accounting method

① Interest rate risk hedge
As for the hedge accounting for interest rate risks arising from financial assets and liabilities, the Bank applies deferred hedge accounting stipulated in the Industry Audit Committee Report No.24 "Treatment of Accounting and Auditing of Application Standard for Financial Instruments in the Banking Industry" issued by the JICPA.

With regard to hedging activities offsetting changes in interest rate, the Bank assesses the effectiveness of such by grouping the hedged items(such as deposits and loans) and the hedging instruments (such as interest swaps) by their maturities.

As forhedges to fix cash flows, the Bank assesses the effectiveness of such hedges by verifying correlation of interest fluctuation factors between the hedge items and the hedging instruments.

② Foreign exchange risk hedge
With respect to hedge accounting for exchange risk attributable to foreign-currency denominated financial assets and liabilities, the Bank applies deferred hedge accounting.

Stipulated in "Treatment of Accounting and Auditing for Foreign Currency Transactions in Banking Industry" (JICPA Industry Audit Committee Report No.25).

The bank assesses the effectiveness of such hedge by designating currency swap transactions and foreign exchange swap transactions, which are for the purpose of offsetting foreign exchange rate risks involved in these assets and liabilities, as hedging instruments, and by verifying the existence of foreign currency positions of such hedging instruments matching up to the foreign-currency-denominated assets and liabilities, the hedged items.

(10) Reserve for possible loan losses

Reserves for possible loan losses are provided as follows, in accordance with the internal policies regarding write-offs and reserves.

For loans to obligors which are classified as substantially bankrupt ("substantially bankrupt obligors") or which are bankrupt in the formal legal sense ("bankrupt obligors"), the reserve is provided based on the amount remaining after deduction of the amount of collateral value considered to be disposable and amounts recoverable under guarantees.

For loans to obligors which are not actually bankrupt in the legal sense but are experiencing serious management difficulties and whose failure is imminent, the reserve is provided based on the necessary amount considering the overall solvency assessment of the amounts remaining after deductions of the expected amounts to be collected through the disposal of collateral or though the execution of guarantees.

In the case of loans to substantially bankrupt obligors or bankrupt obligors which are collateralized or guaranteed by a third party, the amounts deemed uncollectable are charged off against the respective loan balances. The total charged-off amounts are ￥16,307 million.

(11) Reserve for employee's bonus

Reserve for employee's bonus, which is provided for the future bonus payment to employees, is maintained at the amount accrued at the end of the fiscal year, based on the estimated future payment and service periods.

(12) Reserve for employee's retirement benefit

Reserve for employee's retirement benefit is provided based on the pension liability and the estimated pension asset amount at the end of the fiscal year.

Variance for accounting standard changes is amortized using the straight-line method based on 10 years.

Prior service cost is amortized using the straigght-line method over 3 years.

Actuarial gains or losses are recognized as income or expenses from the following fiscal year under the straight-line method over the average remaining service period of the current employees.

(13) Finance leases

Lease payments under finance leases are charged to expenses in conformity with the accounting standard for leases in Japan.

(14) Exchange rate

Foreign currency receivable and payable are translated at the exchange rate prevailing on the balance sheet date.

(15) Accounting standard for Retirement benefits for directors and corporate auditors

Conventionally, the retirement benefits for directors and corporate auditors of the Bank were charged to expenses at the time of the retirement.

Retirement benefits for directors and corporate auditors are provided for at an amount based upon internal rules at the balance sheet date.

Due to this change , ¥596 million ($ 5,049 thousand) , which represents the retirement benefits for directors and corporate auditors is recorded as other expenses.

As a result, income before income taxes decreased by ¥596 million ($ 5,049 thousand) compared with what would have been reported using the previous method.

(16) Legal reserve and cash dividends

Under the Law and the Banking Law, in cases where adividend distribution of surplus is made, the smaller of an amount equal to 20% of dividend or the excess , if any , of 100% of common stock over the total of additional paid - in capital and legal earnings must be set aside as additional paid - in capital or legal earnings reserve.

Legal earnings reserve is included in retained earnings in the accompanying consolidated balance sheets.

Under the Code and Banking Law, companies were required to set aside an amount equal to at least 20% of the aggregate amount of cash dividends and other cash appropriations as legal earnings reserve until the total of legal earnings reserve and additional paid - in capital equaled 100% of common stock.

(17) Net assets per share

"Guidance on Accounting Standard for Earnings per Share"(Accounting Board of Japan (ASBJ) Guidance No. 4 issued on September 25 , 2002) was revised on January 31 , 2006 , and it became applicable from the consolidated fiscal year ending on or after the enactment date Company Law.

Effective from this fiscal year , the Bank applied the revised Guidance and calculated net assets per share by including "Gains (losses) on deferred hedging instruments.

3. Investment securities

	Millions of Yen	
	2007	2006
Government bonds	¥ 192,930	¥ 172,623
Local government bonds	110,165	137,810
Corporate bonds	158,533	149,358
Stocks	57,213	54,298
Other securities	102,412	83,195
Total	¥ 621,255	¥ 597,286

4. Loans and bills discounted

	Millions of Yen	
	2007	2006
Bills discounted	¥ 11,665	¥ 11,943
Loans on bills	122,694	139,203
Loans on deeds	1,028,059	1,000,408
Overdrafts	167,779	208,889
Total	¥ 1,330,199	¥ 1,360,445

"Loans and bills discounted" includes bad loans as follows:

	Millions of Yen	
	2007	2006
(a) Loans to bankrupt borrowers	¥ 3,131	¥ 2,976
(b) Loans past due six months or more	53,565	51,564
(c) Loans past due more than three months but less than six months	-	4
(d) Loans with renegotiated conditions	15,371	19,476
Total	¥ 72,068	¥ 74,022

5. Tangible fixed assets

The accumulated depreciation as of March 31, 2007 and 2006 was ¥ 30,572 and ¥ 29,780 millions, respectively.

6. Deposits

	Millions of Yen	
	2007	2006
Current deposits	¥ 67,285	¥ 64,153
Ordinary deposits	821,257	806,132
Savings accounts	42,032	44,315
Deposits at notice	3,956	4,794
Time deposits	967,216	941,648
Other deposits	24,936	55,407
Negotiable certificates of deposit	54,390	68,060
Total	¥ 1,981,075	¥ 1,984,510

7. Assets pledged as collateral by the Bank

	Millions of Yen	
	2007	2006
Assets pledged as collateral:		
Securities	¥ 56,460	¥ 46,117
Debt relating to assets pledged as collateral:		
Deposits	¥ 12,090	¥ 16,538
Other liabilities	¥ 546	¥ 1,381

In addition to the above, the amounts of Securities pledged as collateral in connection with exchange settlement transaction or as a substitute for margin payments as of March 31, 2007 and 2006 was ¥70,402 and ¥70,245 millions, respectively.

In addition , the guaranty money is ¥136 million among other assets.

8. Land revaluation

In accordance with the Land Revaluation Laws (Proclamation No.34 dated March 31, 1998), land used for the Bank's business activities was revalued at March 31, 2001.

The taxable portion of Revaluation reserve for land is included in Deferred tax Liabilities on land revaluation, and the remainder, net of the taxable portion is stated as Revaluation reserve for land, Net of taxes in Shareholders' equity.

The excess of the aggregate amount of fair value of land for the Bank's business activities at the end of the fiscal year, over the total amount of book value after revaluation of the land, is ¥4,463 million.

9. Acceptances and guarantees

All contingent liabilities including guarantees, letter of credit and acceptance reflected in “Acceptances and guarantees.”

As a contra account, “Customers' liabilities for acceptances and guarantees” are shown on the assetes side, which represents the Bank's right of indemnity from the applicants.

The amount guaranteed by the Bank to privately - placed corporate bonds (Article 2 , Section 3 of Securities Exchange Law) included in Securities was ￥ 5,760 million.

The appendix forms of the "Banking Law Enforcement Regulations (Ministry of Finance Ordinance No.10 , 1982)" have been revised by the "Cabinet Office Ordinance to Amend Part of Enforcement Regulation of Banking Law , etc ."(Cabinet Office Ordinance No.38 , April 17 , 2007) and became applicable from fiscal year beginning on or after April , 2006 .

In accordance with this revision , Acceptances and guarantees and Customer's liabilities for acceptances and guarantees are offset beginning from the current fiscal year. As a result both Acceptances and guarantees and Customer's liabilities for acceptances and guarantees decreased ￥5,760 million respectively as compared with those stated under the former method.

10.Common stock and capital surplus

The authorized number of shares of common stock was 294 and 294 million as of March 31, 2007 and 2006 with a par value of ￥50 per share.

The information relating to common stock and capital surplus is as follows:

	Millions of Yen	
	2007	2006
Common stock:		
Balance at beginning of year	¥ 15,221	¥ 15,221
Balance at end of year	¥ 15,221	¥ 15,221
(Shares issued and outstanding at end of year)―thousands of shares	(176,621)	(181,621)
Capital surplus:		
Capital reserve		
Balance at beginning of year	¥ 8,576	¥ 8,575
Balance at end of year	¥ 8,575	¥ 8,576
Other capital surplus		
Balance at beginning of year	¥ 0	¥ -
Gains on sale of common stock	(0)	0
Balance at end of year	¥ -	¥ 0

11.Income taxes

The Bank is subject to a number of taxes based on income which, in the aggregate, result in a normal tax rate of approximately 40% .

Deferred income taxes arising from temporary differences between taxable income and income for financial statement purposes are recognized.

12. Losses on Impairment of Fixed Assets

For measuring the amount of the impairment loss, fixed assets are grouped at the minimum level of operation branch for which are manageable.

Idle assets are grouped individually and headquarters, operation centers, the corporate dormitory, welfare facilities are recognized as common assets as there are not identifiable cash flows that are generated independently.

Because of the decrease in cash flows by decline of an operating profit and the continuous falling land prices, the book value was reduced to the recoverable amounts, recognizing impairment losses of ￥88 million (U.S.$ 753 thousand) for land and ￥51 million (U.S. $ 435 thousand) for buildings.

The impairment losses are included in other expenses.

The recoverable amounts of such assets were measured at their net realizable selling prices determined by quotations from real estate appraisal information less estimated expenses for disposing.