



The Tochigi Bank, Ltd.

*Financial
statements
2006*

ODASHIROGAHARA(NIKKO)

Introducing

During the 64 years since its establishment in 1942, Tochigi Bank and its subsidiaries (the Bank) has endeavored to fulfill its mission as a regional financial institution, working closely with the people of the community. Tochigi prefecture, the Bank's main market, is located about 100 km north of Tokyo, the Bank is committed to a focused management philosophy of "Contributing to the Creation of a Prosperous Regional Society".

Tochigi Prefecture has developed steadily as one of Japan's landlocked industrial prefectures and a vibrant production center for agricultural and forestry products. The prefecture benefits from beautiful and abundant natural surroundings such as Nikko and Nasu, which are among the best found anywhere, as well as a superb legacy of world heritage sights rich in history and tradition. Moreover, it enjoys the geographical advantage of proximity to the National Capital Region.

Blessed with this environment, the Bank has achieved a stable record of solid business results, and its financial soundness and profitability have earned it a position in the upper echelons of Japan's financial institutions.

Profile (As of March 31,2006)

Total Assets:	¥ 2,245,179 million
Total Stockholders' Equity:	¥ 115,403 million
Employees:	1,577
Domestic Offices:	94
Unstaffed ATM Offices:	207

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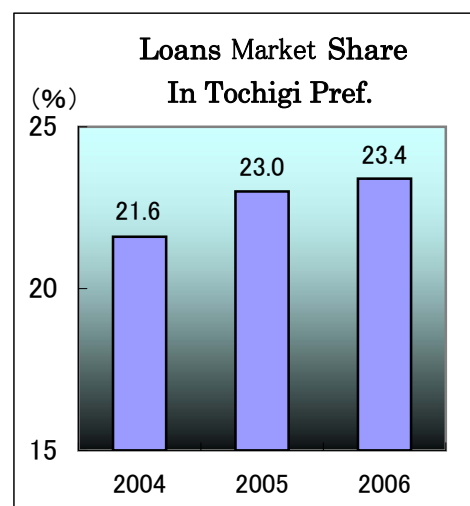
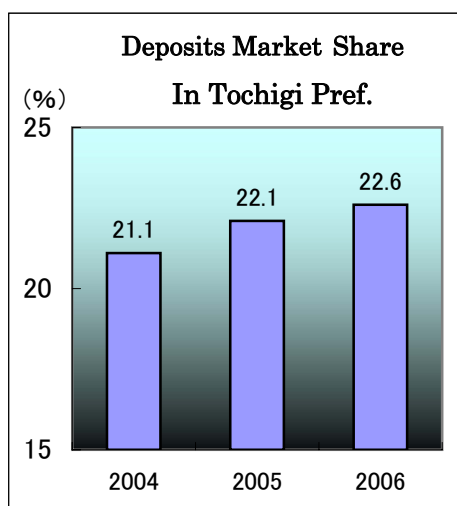
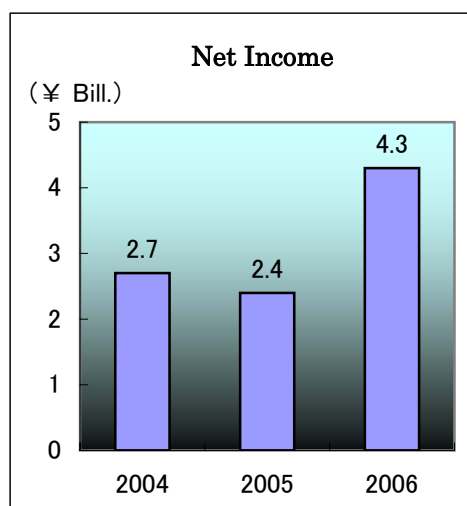
Dear Customer

We appreciate your continued loyalty and patronage to Tochigi bank. Since our bank was established in 1942, we have consistently managed the bank with an innovative and forward thinking strategy. It is our goal to help make the community we do business in more prosperous and successful. Over the years we have grown with the community while also maintaining our traditional culture. Our services have expanded to provide you with a full-service bank that serves all your needs. Thank you very much for being a part of our success. We greatly appreciate your continued business. We have provided the Tochigi 2006 financial statements which explains more details on our performance for the year. We appreciate your interest in learning more about us.

Financial Performance Highlights

	Millions of Yen		Thousands of U.S. Dollars
	2006	2005	2006
For The Years Ended March 31			
Total Income	¥ 57,203	¥ 53,842	\$ 486,958
Total Expenses	49,648	49,991	422,644
Income (Loss) Before Income Taxes and Minority Interests	7,554	3,851	64,305
Net Income (Loss)- (Forward)	4,345	2,434	36,988
Per Share Amounts (Yen, U.S. Dollars):Net Income (Loss)	38	21	320
Capital adequacy ratio(%)	10.62%	10.32%	10.62%
At Year-end			
Total Assets	2,245,179	2,208,086	19,112,786
Deposits	2,087,287	2,047,632	17,768,681
Loans and Bills Discounted	1,361,403	1,334,849	11,589,367
Securities	670,218	668,576	5,705,439
Total Stockholders' Equity	115,403	114,225	982,404
Number of Offices	94	94	94

Note : U.S. dollar amounts are translated, for convenience only, at the rate of ¥117.47 to \$1, the rate of exchange at March 31, 2006



**Consolidated Balance Sheets**

	Millions of Yen		Thousands of U.S. Dollars
	2006	2005	2006
ASSETS:			
Cash and due from banks	¥ 137,224	¥ 103,498	\$ 1,168,162
Call loans and bills bought	2,795	4,725	23,793
Monetary claims bought	77	80	655
Trading account securities	143	90	1,217
Money held in trust	19,272	22,949	164,058
Securities	670,218	668,576	5,705,439
Loans and bills discounted	1,361,403	1,334,849	11,589,367
Foreign exchange	614	465	5,226
Other assets	9,416	31,351	80,156
Premises and equipment	31,511	32,069	268,247
Deferred tax assets	26,834	26,112	228,432
Customers' liabilities for acceptances and guarantees	13,157	14,535	112,003
Reserve for possible loan losses	(27,489)	(31,217)	(234,008)
Total assets	2,245,179	2,208,086	19,112,786
LIABILITIES:			
Deposits	2,087,287	2,047,632	17,768,681
Borrowed money	4,405	4,656	37,498
Foreign exchange	42	51	357
Other liabilities	6,781	9,608	57,725
Reserve for employees' bonus	958	941	8,155
Reserve for employee retirement benefits	14,401	13,911	122,593
Reserve for possible losses on collateralized real estate loans sold			
Deferred tax liabilities for land revaluation	2,073	2,135	17,647
Acceptances and guarantees	13,157	14,535	112,003
Total liabilities	2,129,108	2,093,472	18,124,695
MINORITY INTEREST:	667	388	5,678
STOCKHOLDERS' EQUITY:			
Common stock—authorized, 212,000 thousand shares; Issued, 114,108 thousand shares in 2006	27,408	27,408	233,319
Capital surplus	26,150	26,150	222,610
Retained earnings	60,047	56,361	511,168
Land revaluation excess	(777)	(698)	(6,614)
Unrealized gain on available-for-sale securities	2,834	5,188	24,125
Treasury stock	(260)	(183)	(2,213)
Total stockholders' equity	115,403	114,225	982,404
Total liabilities, minority interest and stockholders' equity	2,245,179	2,208,086	19,112,786

**Consolidated Statement Of Income**

	Millions of Yen		Thousands of U.S. Dollars
	2006	2005	2006
INCOME:			
Interest on:			
Loans and discounts	¥ 31,773	¥ 32,598	\$ 270,477
Securities	7,484	6,188	63,709
Other	151	80	1,285
Fees and commissions	4,804	4,211	40,895
Gains on sales of bonds	1,769	3,948	15,059
Other operating income	54	72	459
Other income	8,484	5,641	72,222
Total income	57,203	53,842	486,958
EXPENSES:			
Interest on:			
Deposits	726	695	6,180
Borrowings	76	78	646
Other	2	1	17
Fees and commissions	2,880	2,590	24,516
loss on write-down of securities			
Other operating expenses	904	441	7,695
General and administrative expenses	24,889	24,728	211,875
Provision for possible loan losses	5,460	9,097	46,479
Other expenses	14,578	11,591	124,099
Total expenses	49,648	49,991	422,644
INCOME BEFORE INCOME TAXES AND MINORITY INTERESTS	7,554	3,851	64,305
INCOME TAXES:			
Current	2,110	3,589	17,962
Deferred	819	(1,947)	6,971
Total income taxes	2,929	1,642	24,934
MINORITY INTERESTS IN NET INCOME	279	(225)	2,375
NET INCOME —(Forward)	4,345	2,434	36,988



Consolidated Statements Of Cash Flows

	Millions of Yen		Thousands of U.S. Dollars
	2006	2005	2006
I OPERATING ACTIVITIES:			
Income (loss) before income taxes and minority interests	¥ 7,554	¥ 3,851	\$ 64,306
Depreciation and amortization	3,725	3,668	31,710
Loss on impairment of fixed assets	58	-	494
Increase (Decrease) in reserve for possible loan losses	(3,727)	248	(31,727)
Increase (Decrease) in reserve for possible losses on collateralized real estate loans sold	-	-	-
Increase (Decrease) in liability for employees' retirement benefits	489	1,658	4,163
Interest income recognized on statement of operations and earned surplus	(39,408)	(38,866)	(335,473)
Interest expenses recognized on statement of operations and earned surplus	804	774	6,844
Securities losses—net	(3,691)	(3,757)	(31,421)
Loss (gain) on monetary trust funds	(43)	-	(366)
Foreign exchange losses (gains)—net	(0)	(0)	(0)
Losses on disposal of premises and equipment—net	64	141	545
Net decrease (increase) in loans	(26,553)	6,491	(226,041)
Net increase (decrease) in deposits	39,654	93,189	337,567
Net increase (decrease) in borrowed money	(250)	244	(2,128)
Net decrease (increase) in due from banks (excluding cash equivalents)	991	(121)	8,436
Net decrease (increase) in call loans	1,932	(884)	16,447
Net decrease (increase) in foreign exchange assets	(149)	(130)	(1,268)
Net increase (decrease) in foreign exchange liabilities	(9)	18	(77)
Interest income (cash basis)	39,193	38,642	333,643
Interest expenses (cash basis)	(832)	(746)	(7,083)
Other	240	(219)	2,043
Subtotal	20,043	104,201	170,622
Income tax paid	(4,598)	(1,708)	(39,142)
Income tax refunded	-	-	-
Net cash provided by (used in) operating activities—(Forward)	15,444	102,493	131,472



Consolidated Statements Of Cash Flows

	Millions of Yen		Thousands of U.S. Dollars
	2006	2005	2006
II INVESTING ACTIVITIES:			
Purchases of securities	(403,534)	(633,549)	(3,435,209)
Proceeds from sales of securities	348,670	436,811	2,968,162
Proceeds from maturities of securities	74,250	119,280	632,076
Payments for increase in Money Held in Trust	-	(22,949)	-
Proceeds from monetary trust funds	3,720	-	31,668
Purchases of premises and equipment	(3,162)	(3,918)	(26,918)
Proceeds from sales of premises and equipment	88	106	749
Proceeds from transfer of business	-	-	-
Net cash used in investing activities	20,032	(104,218)	170,529
III FINANCING ACTIVITIES:			
Proceeds from issuance of stocks	-	-	-
Dividends paid	(682)	(683)	(5,806)
Dividends paid to minority interests (stockholders)	-	-	-
Purchase of treasury stock	(77)	(56)	(655)
Proceeds from sales of treasury stock	-	-	-
Net cash provided by (used in) financing activities	(759)	(739)	(6,461)
IV NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	0	0	0
V FOREIGN CURRENCY TRANSLATION ADJUSTMENTS ON CASH AND CASH EQUIVALENTS	34,717	(2,464)	295,539
VI CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	100,550	103,015	855,963
VII CASH AND CASH EQUIVALENTS, END OF YEAR	135,268	100,550	1,151,511

Note: The translations of Japanese yen amounts into U.S.dollar amounts are included solely for the convenience of readers outside Japan and have been made at the rate of ¥117.47 to \$1, the rate of exchange at March ,2006. Such translations should not be construed as representations that the Japanese yen amounts could be converted into U.S.dollars at that or any other rate.