

ANNUAL REPORT

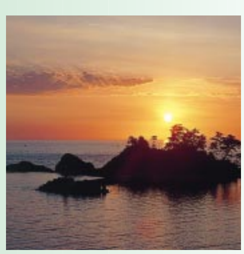
For the year ended March 31, 2005

The Bank of Kyoto, Ltd.




2005





PROFILE

Since its establishment on October 1, 1941, The Bank of Kyoto, Ltd. (hereinafter, "the Bank") and its consolidated subsidiaries (together, "the Group") have achieved steady growth as one of Kyoto Prefecture's core financial institutions. The Bank's fundamental mission is to contribute to the greater prosperity of the local community and the development of local industries. As Kyoto Prefecture's largest retail bank, the Bank of Kyoto vigorously carries out marketing activities aimed at providing customers with high-quality financial services. The Bank will work to fulfill its social mission of being the bank most trusted by customers as well as the bank with the strongest presence in the region.

- **Total Assets: ¥5,339.4 billion (13th among regional banks)**
- **Total Deposits: ¥4,695.5 billion (13th among regional banks)**
- **Loans and Bills Discounted: ¥2,908.2 billion (15th among regional banks)**
- **Unrealized Gains on Securities: ¥195.3 billion (1st among regional banks)**
- **Capital Ratio: 11.29% (domestic standards); Ref. 13.88% (BIS standards)**
- **Credit Rating: A+ (R&I)**

(Above figures are all on a non-consolidated basis.)

CONTENTS

Attention regarding forward-looking statements

The reader is advised that this report contains forward-looking statements, which are not statements of historical fact but constitute estimates or projections based on facts known to the Company's management as of the time of writing. Actual results may therefore differ substantially from such statements.

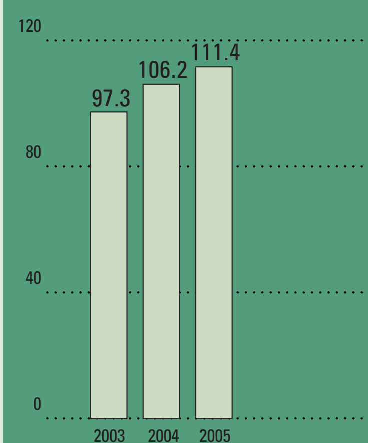
CONSOLIDATED FINANCIAL HIGHLIGHTS

Years Ended March 31, 2005, 2004 and 2003

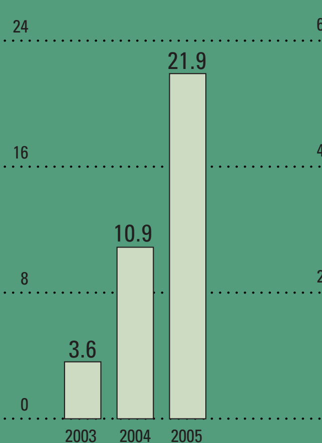
	Millions of Yen			Thousands of U.S. Dollars
	2005	2004	2003	**2005**
For The Year				
Total Income	**¥ 111,419**	¥ 106,260	¥ 97,346	**$ 1,037,526**
Total Expenses	**74,648**	87,334	89,691	**695,100**
Income before Income Taxes and Minority Interests	**36,773**	18,925	7,655	**342,425**
Net Income	**21,934**	10,918	3,651	**204,249**
At Year-end				
Total Assets	**¥ 5,348,337**	¥ 4,859,441	¥ 4,598,235	**$ 49,802,934**
Deposits	**4,687,471**	4,284,863	4,152,285	**43,649,046**
Loans and Bills Discounted	**2,894,520**	2,749,518	2,653,495	**26,953,354**
Investment Securities	**1,970,782**	1,820,086	1,663,159	**18,351,634**
Minority Interests	**4,023**	3,533	2,967	**37,467**
Common Stock	**27,152**	27,100	27,100	**252,840**
Total Stockholders' Equity	**307,711**	284,262	226,584	**2,865,364**

Notes: 1. Japanese yen figures are expressed with amounts under one million omitted. Accordingly, breakdown figures may not add up to sums.
2. U.S. dollar amounts represent translation of Japanese yen at the rate of ¥107.39 to US$1.00 on March 31, 2005, the final business day of the term.

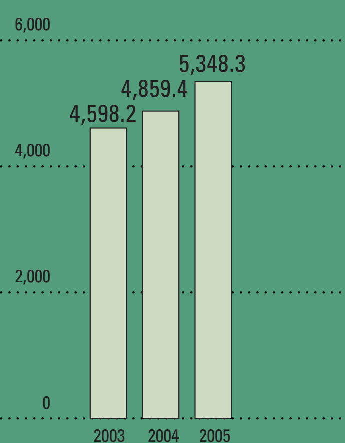
Total Income
(Billions of Yen)



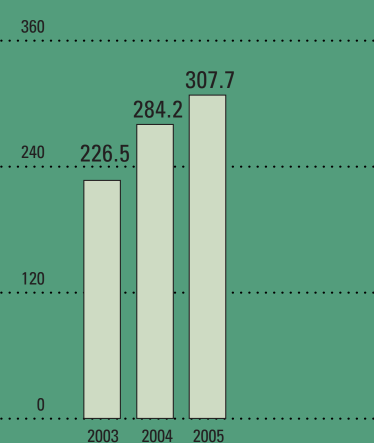
Net Income
(Billions of Yen)



Total Assets
(Billions of Yen)



Total Stockholders' Equity
(Billions of Yen)



> *"We started Scale II, our second new medium-term management plan, aiming for further growth and further increasing management stability."*

Start of Scale II: The Second New Medium-Term Management Plan

Amid changes in financial conditions and the social environment, there is increasing diversification in the needs of customers, and the Bank of Kyoto believes that the trend towards greater selectivity in the choice of financial institution has become even stronger.

Amid such conditions, the Bank nearly achieved its targets of disposing of non-performing loans, enhancing our branch network and securing a 25% share of lending in Kyoto Prefecture as designated under our previous medium-term management plan implemented over the three years from April 2002. At the same time, we were also able to make preparations for taking new steps.

KEY WORDS

Scale II

↑

Sound
Customer Satisfaction
Action
Learning
Expand

Maintaining this momentum and aiming for further growth, the Bank started Scale II, its second new medium-term management plan, in April 2005.

Scale II signifies the second stage of aiming to enhance our branch network advocated in our previous medium-term management plan as well as further increasing management stability through a growth strategy of expanding in scale and strengthening our earnings capability while seeking to improve customer satisfaction.

Management Vision
A Comprehensive Regional Bank — A Convenient Bank

The Bank of Kyoto is striving to improve convenience for customers, aggressively expanding its business into a broad market that is centered on Kyoto Prefecture and covers the four neighboring prefectures.

In other words, the fundamental concept of the Scale II plan is to expand in scale and strengthen earnings potential by reinforcing marketing capabilities in our existing business segments and extending our business area, thereby establishing a strong position as the top regional bank in the Kinki region.

Furthermore, the Scale II plan sets the following numerical targets, which the Bank aims to achieve by fiscal 2007, the final year of the plan.

(1) Deposits (including negotiable certificates of deposit) 5 trillion yen
(2) Loans outstanding: 3.2 trillion yen
(3) Share of lending in Kyoto Prefecture: 28%
(4) Gross business profit: 80.0 billion yen
(5) Net income: Over 17.5 billion yen

Basic Policies
Striving for Growth and Improving Risk Management

At the same time as stepping up our efforts for greater growth than in the past, the Bank of Kyoto will respond scrupulously to the risks that stem from this expansion, aiming for a balance between a bold offense and an impregnable defense in the expansion of its business.

> ***"We are striving to improve convenience for customers by reinforcing marketing capabilities as the top regional bank in the Kinki region."***

Basic Strategies

The Bank has established five basic strategies in order to realize its management vision and basic policies, and our employees are united in working together to achieve these strategies.

I. Expand Marketing Base

The Bank will strive to improve customer satisfaction by such means as setting up branches and enhancing channel functions, products and services in seeking to expand its marketing base.

II. Bolster Marketing Organization

The Bank will secure and train personnel with the aim of bolstering the head office sales support organization and reinforcing marketing capabilities.

III. Strengthen Earnings Capability

The Bank will aim to strengthen earnings capability by increasing corporate lending and improving lending yields, expanding personal loans and business with public sector bodies, and boosting investment in negotiable securities.

IV. Reform Administration

The bank will set up a specialist head office department and implement a thorough review of branch administration.

V. Improve Risk Management Capabilities

The Bank will strengthen its compliance organization, measures related to customer protection, and its information security management system.

Growing With the Local Community

Through the steady implementation and attainment of the Scale II plan, the Bank of Kyoto will consistently seek sustainable growth and development in conjunction with the local community by fulfilling its primary functions of delivering high value-added financial services and improving convenience for customers as a financial institution that is firmly rooted in the region.

Furthermore, we will deepen our relationship with our stakeholders, who include customers, stockholders and employees. At the same time, we will meet the social responsibilities that stem from being the bank most trusted by the local community by acting from a customer perspective and maintaining transparency and accountability.

As the Bank strives for further growth, I am confident we can meet the expectations of our stakeholders.

Y. Kashihara

Yasuo Kashihara
President

Achievement of Medium-Term Business Plan

Since April 2002, the Bank of Kyoto has been implementing NEW-Plan, its first three-year medium-term management plan implemented from April 2002 to March 2005.

Attaining Key Targets

Under its NEW-Plan, the Bank has been promoting a range of measures with the aim of attaining targets based on the following five basic policies: (1) expansion of revenue bases, (2) improvement of asset portfolios, (3) improvement of management efficiency, (4) improvement of risk management, and (5) strengthening of marketing capabilities.

NEW-Plan set the following targets, and the Bank's progress in attaining the targets as of the end of fiscal 2004 is shown below.

	NEW-Plan target	As at March 31, 2005
Capital ratio (domestic standards on a non-consolidated basis)	**10.0% or higher**	**11.29%**
Overhead ratio (ratio of expenses to gross business profit)	**63.0% or lower**	**61.46%**
ROA (ratio of profit on core banking operations to total assets)	**0.6% or higher**	**0.58%**

Note: Profit on core banking operations = net business profit (before provision for general reserve for possible loan losses) minus profit/loss on bonds.

Among the Bank's principal financial benchmarks, net operating income and net income amounted to ¥27.8 billion (US$259 million) and ¥22.3 billion (US$207 million), respectively, both of which were at an all-time high, due to a decrease in losses on bonds and on disposal of non-performing loans as well as an increase in profit for core banking operations.

Progress on Key Measures

(1) Expand Business Area

In April 2004, we opened the Takanohara Branch, the Bank's first staffed branch in Nara Prefecture. In December 2004, we set up two new branches, namely the Shin Osaka Branch in Osaka City, Osaka Prefecture, and the Amagasaki Branch in Amagasaki City, Hyogo Prefecture. With these branches operating as specialist finance centers to promote business loans and home loans over a wide area, we aim to further strengthen our loan and investment capabilities.

Moreover, in March 2005, we established the Home Loan Centers in two locations in Kyoto City in order to further step up promotion of home loans. At the same time, we launched the Net Direct Branch that allows Internet and telephone transactions as part of efforts to acquire personal loan assets nationwide.

(2) Improve Convenience for Customers

The Bank has enhanced functions at existing branches with the extension and renovation. In addition, we commenced holiday operations at the Kusatsu Branch in Kusatsu City, Shiga Prefecture, the Takanohara Branch in Nara City, Nara Prefecture, and the Fushimi Branch in Kyoto City. In this way, we are working to improve convenience for customers who are not able to visit a branch during the week for advice and other services relating to all aspects of personal loans and asset management matters.

In December 2004, the Bank established the Shanghai Representative Office to serve the needs of companies expanding into China in a timely manner with the provision of information and introductions to local companies and business partners.

(3) Solidicy Corporate Banking Business

The Bank is striving to strengthen its loan marketing capabilities while also delivering relationship-based high value-added financial services.

Our Active Corporate Support Teams, groups of specialists with expertise in identifying the capabilities of companies, are working to bolster support for and fostering of local companies in order to revitalize the regional economy. At the same time, our Venture Business Support Office endeavors to support and nurture venture businesses and facilitates our M&A business activities.

The Kyogin Business Desk promotes business financing for small business and sole proprietors through business loan sales by telephone, fax and the Internet, along with providing a diverse range of information.

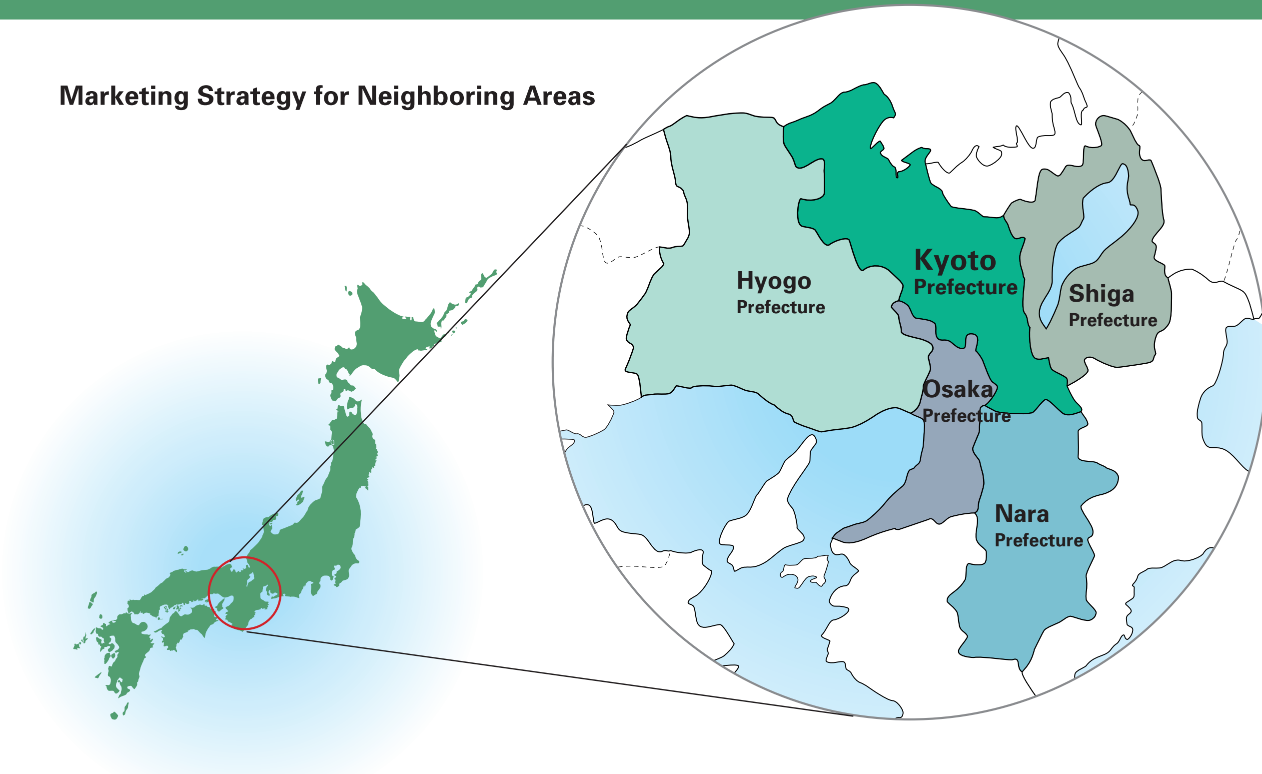
Furthermore, the Management Support Office collaborates with consulting companies and makes proposals for improving the management structure of companies, working to support corporate reconstruction.

(4) Improve Assets Deposited

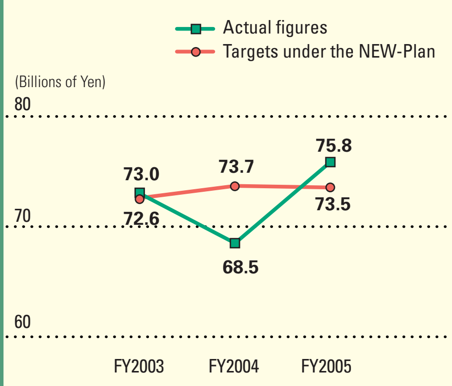
In August 2004, the Bank established asset management advisory counters in 15 branches. These counters are staffed by former employees of securities firms, who have a high level of specialist knowledge and a wealth of experience, to provide products and services tailored to the investment needs of customers.

Moreover, in addition to enhancing our lineup of products to include investment trusts, individual annuity insurance and government bonds and running a range of campaigns, we have launched a new stockbroking business.

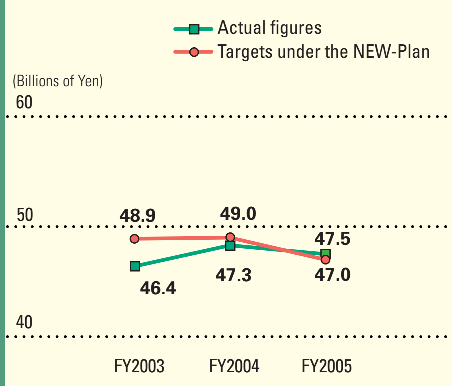
Marketing Strategy for Neighboring Areas



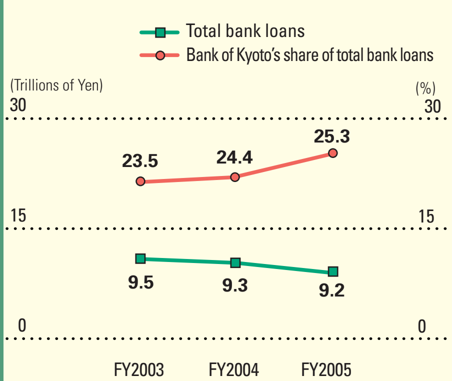
Gross Business Profit/Comparison with Targets under the NEW-Plan



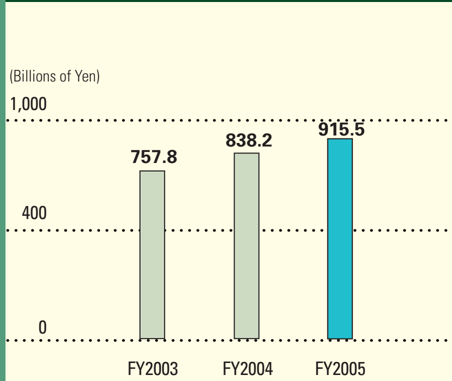
Expenses/Comparison with Targets under the NEW-Plan



Market Share of Loans in Kyoto Prefecture



Housing Loan Balance



Results from Plan for Enhancing Relationship Banking Functions

The Bank of Kyoto implemented its Relationship Banking Function Enhancement Plan based on the Financial Services Agency's Action Program concerning Enhancement of Relationship Banking Functions, which was targeted at regional and small- and medium-sized financial institutions. Our basic approach to relationship banking is consistent with the key objectives of our NEW-Plan medium-term business plan.

—Maintain and improve relationships with local companies by emphasizing face-to-face interaction.
—Respond quickly to the funding needs of local companies.
—Provide highly focused information, functions and services of value to local companies in carrying out their business activities.

The Bank's Relationship Banking Function Enhancement Plan, which basically parallels the above strategies and directions, is being undertaken and is based on two overall themes: to "implement proactive support measures for easier financing" and "adopt business-reviving measures to contribute to prompt disposal of non-performing loans." Our Relationship Banking Function Enhancement Plan further consists of four main pillars: to establish and deploy Active Corporate Support Teams, strengthen functions of the Management Support Office within the Credit Supervision Division, aggressively develop new products and services for small- and medium-sized enterprises and augment personnel training programs.

(1) Establishment and deployment of Active Corporate Support Teams

In August 2003, we formed eight Active Corporate Support Teams covering 10 industry segments, and we set up an environment for sharing and utilizing information throughout the Bank by creating the Industry Segment Database, which includes industry and company-related information and business transaction know-how accumulated by the individual Active Corporate Support Teams. In addition, these teams provide prompt and high-quality marketing support by publishing regular news updates that furnish branches with timely information.

As a result of the deployment of Active Corporate Support Teams, we concluded 414 loan contracts worth ¥30.0 billion from April 2004 through March 2005, making a cumulative total of 573 loan contracts worth ¥44.4 billion compared with the previous fiscal year.

We attribute these results to our effective use of marketing information from branch offices and the organic combination of this information with the Active Corporate Support Team's marketing know-how in each industry.

The activities of the Active Corporate Support Teams have also yielded a dramatic increase in the volume of marketing information related to business matching, financing and real estate, while helping to raise the level of our proposal-based marketing capabilities and contributing to easier financing for local small- and medium-sized businesses.

(2) Strengthening of functions for the Management Support Section of the Credit Supervision Division

In July 2003, we upgraded the Corporate Management Support Section, established in the Credit Supervision Division in February 2002, to the Management Support Office and increased the number of staff. At the same time, we sought to increase the number of businesses to which we provide support by fortifying our relationships with consulting companies with which we maintain business affiliations.

As of March 31, 2005, 162 businesses in 99 corporate groups received management support from the Management Support Office, and 168 companies were being targeted by our branches in order to raise credit classifications.

As a result of these efforts, we achieved upgrades in the credit classifications of three companies in the first half of fiscal 2003, 13 companies in the second half of fiscal 2003, 28 companies in the first half of fiscal 2004 and 21 companies in the second half of fiscal 2004, making a total of 65 companies. Furthermore, the Bank established the Kyoto Corporate Reconstruction Fund with the aim of revitalizing local small- and medium-sized businesses, and has subsequently implemented reconstruction projects utilizing debt-debt swaps (DDS)*.

As a result of its support for improvements in management, the Bank has steadily yielded results as the reduction in reserves for possible loan losses translates into improved profits in a highly efficient manner.

*Note: Debt-debt swap (DDS): conversion of debts into subordinated borrowings for capital purposes.

(3) Aggressive development of new products and services for small- and medium-sized enterprises

The Bank has expanded its lineup of unsecured loans without a need for a guarantor into seven product categories, which include loans using a credit scoring system, in order to respond quickly to the financing needs of local small- and medium-sized enterprises.

As of March 31, 2005, the loan balance for these new loan products was ¥38.3 billion, up 171% from March 31, 2004, clear evidence that our new loans are contributing to easier financing for local small- and medium-sized companies.

Moreover, the Venture Business Support Office, established within the Corporate Banking Division in October 2003, is functioning effectively in supporting and nurturing venture business and M&A business activities. Besides gathering and exchanging information with branches, this office collaborates with external organizations such as the Small and Medium Enterprise Agency and other government agencies, as well as with government-affiliated financial institutions, including the Development Bank of Japan, National Life Finance Corporation, Finance Corporation for Small and Medium Enterprises and the Shoko Chukin Bank. The office also maintains ties with universities through participation in seminars and exchanges.

In addition to strengthening its network of relationships with industry, academia and government organizations, the Bank aggressively invested in venture funds, with the total amount invested standing at ¥2.1 billion as of March 31, 2005. The Bank has also concluded contracts for projects in the promotion of its M&A business.

(4) Enrichment of personnel training programs

Through training, the Bank aims to cultivate personnel capable of accurately assessing the future potential and technological capabilities of companies, improve employees' skills for supporting small- and medium-sized enterprises, and foster personnel for supporting corporate rehabilitation. The Bank continuously conducts training courses for managers to strengthen top-level sales capabilities, and seeks to enhance internal and external in-service training programs for lower-level managers and employees in charge, striving to cultivate personnel with strong practical capabilities.

We believe that the outcome of this training has benefited our performance in the marketing activities we described earlier.

Update on Attainment of the Plan and Challenges for the Future

The Bank has unequivocally attained all of the three numerical targets upon the completion of the “intensive improvement period” during our previous management plan.

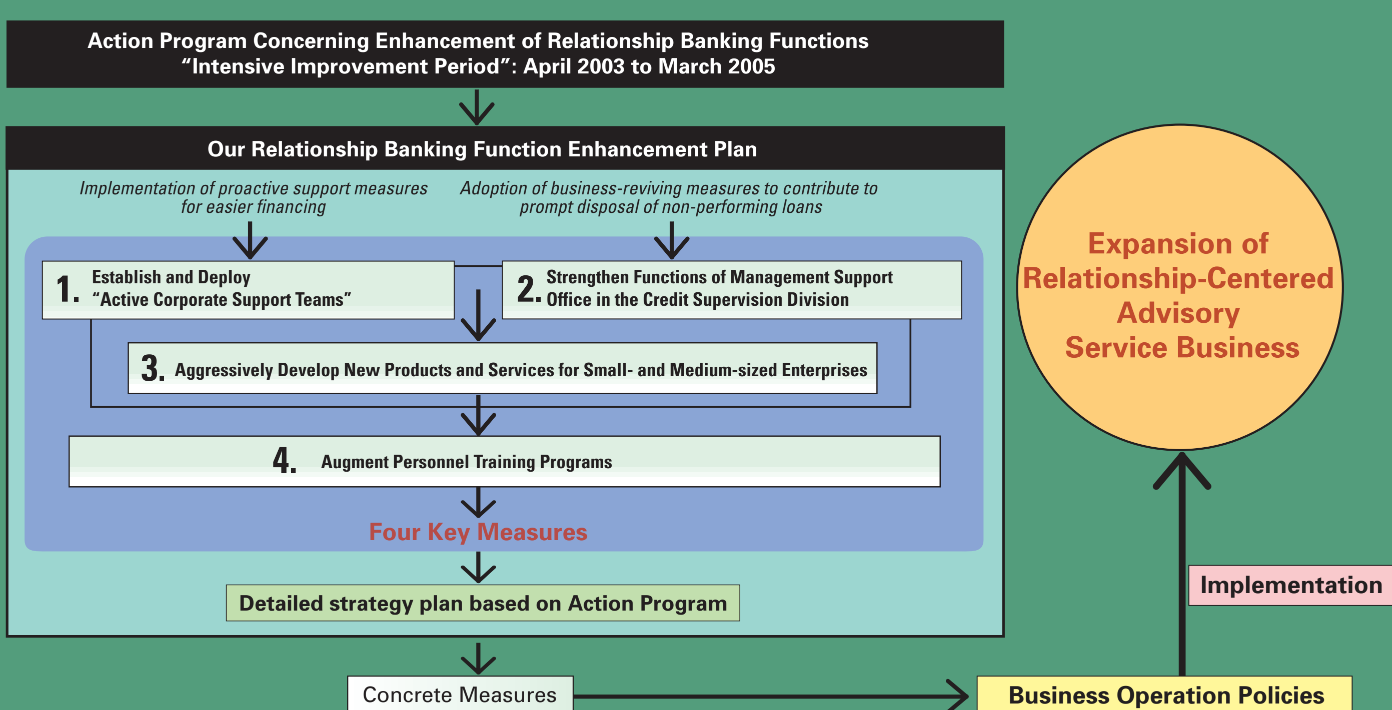
(1) We have steadily expanded our share of lending in Kyoto Prefecture.

(2) We have succeeded in maintaining financial soundness with the capital ratio operating at a high 11% level.

(3) We have succeeded in improving the soundness of assets through strengthened measures for corporate reconstruction.

Based in Kyoto Prefecture, the Bank is successfully increasing its business in neighboring prefectures, and most of its business is with personal and small- and medium-sized business clients. As a regional financial institution, we believe that we have fulfilled a good part of our responsibility to provide higher value-added financial services to everyone in the region, and we are being rated in a positive manner. Looking ahead, we hope to achieve even greater success in corporate reconstruction and revenue expansion as we strive to deliver high value-added services and create a strong earnings structure that is competitive in areas other than cost alone.

Outline of Relationship Banking Function Enhancement Plan



Building a Strong Financial Structure

The Bank of Kyoto is aggressively disposing of non-performing loans and raising its capital ratio by bolstering its internal reserves in order to secure a strong financial structure.

Self-Assessment of Assets and Write-offs and Provision of Reserves

The Bank of Kyoto recognizes that maintaining a sound asset portfolio is its most crucial management objective. Accordingly, the Bank carries out semiannual self-assessment of assets to accurately monitor the state of its asset quality and takes an active stance toward the disposal of non-performing loans.

To facilitate these efforts, we have finished compiling a set of regulations covering self-assessment of assets, write-offs and provisions of reserves, and are disposing of all currently anticipated non-performing loans. These regulations are based on a financial inspection manual published by the Financial Services Agency and a report by the Japanese Institute of Certified Public Accountants on verifying internal regulations governing the self-assessment of assets by banks and other financial institutions, as well as practical guidelines for auditing defaulted loan write-offs and reserves for possible loan losses.

Disclosure of Asset Portfolio

Disclosure of Asset Assessment Based on the Financial Reconstruction Law

The Financial Reconstruction Law requires disclosure of self-assessed assets to be classified into four categories: unrecoverable or valueless, risk, special attention and non-classified (normal).

At the end of fiscal 2004, the Bank’s total disclosed assets, excluding non-classified assets, amounted to ¥114.6 billion (US$1,067 million) as we achieved further progress toward enhancing the soundness of our loan portfolio. The average reserve ratio for these assets, excluding the portion covered by collateral and guarantees, was 60.7%. When adding the portion secured by collateral and guarantees to the reserve, the coverage ratio was 80.8%, which we consider a sufficient level.

The aforementioned assets have steadily decreased. Assuming partial charge-offs, the ratio of these assets to total assets fell below 4% to 3.6% at the fiscal year-end.

Risk Management Loans under the Banking Law

The Banking Law in Japan mandates that banks disclose their risk management loans both on a consolidated and non-consolidated basis. These loans are classified into four categories: loans in legal bankruptcy, nonaccrual loans, accruing loans contractually past due three months or more and restructured loans.

At the end of fiscal 2004, the Bank's balance of risk management loans amounted to ¥114.5 billion (US$1,066 million) on a non-consolidated basis and ¥117.1 billion (US$1,091 million) on a consolidated basis.

It should be noted, however, that not all the disclosed loans will incur losses, since these figures include loans that are recoverable by disposing of collateral or redeeming guarantees.

Capital Ratio

As March 31, 2005, the Bank's capital ratio on a consolidated basis was 11.45% based on domestic standards and 14.10% based on BIS standards.

Regarding capital, which constitutes the numerator in calculating the capital ratio (domestic standard on a consolidated basis), Tier I capital rose ¥20.5 billion to ¥193.9 billion (US$1,806 million) because of an increase in retained earnings. Tier II capital increased ¥14.7 billion to ¥93.7 billion (US$873 million) due to an increase in subordinated loans.

Risk adjusted assets, which represent the denominator in calculating the capital ratio, rose ¥168.7 billion to ¥2,510.0 billion (US$23,373 million), mainly due to an increase in loans, as well as increased investment in securities.

The Bank’s capital ratio significantly exceeds the minimum levels prescribed by domestic standards (4%) and BIS standards (8%).

We will continue working to increase retained earnings to raise our capital ratio.

Net Unrealized Gains on Available-for-Sale Securities

The Bank’s stock portfolio consists of stocks of globally renowned high-technology companies that are headquartered in Kyoto, and the Bank acquired these stocks at the inception of these companies or soon after. Consequently, net unrealized gains on available-for-sale securities on a consolidated basis increased by ¥6.0 billion to ¥196.1 billion (US$1,826 million), which represents a record high.

The Financial Reconstruction Law Standard (Non-Consolidated)

(Billions of Yen)

	2005/3		2004/3
		Change from Mar. 31, 2004	
Unrecoverable or Valueless	¥ 12.8	¥ (7.5)	¥ 20.3
Risk	50.5	(7.3)	57.9
Special Attention	51.2	(3.6)	54.8
Sub-Total (A)	114.6	(18.5)	133.2
Non-Classified	2,831.1	163.9	2,667.2
Total	¥ 2,945.7	¥ 145.3	¥ 2,800.4

1. Loans or corresponding obligations of debtors that are bankrupt under such conditions as bankruptcy procedures, corporate reorganization, or civil rehabilitation.
2. Loans of debtors not yet in bankruptcy but which are experiencing worsening financial conditions and business results and for which principal and interest is highly unlikely to be repaid under the terms of the loan agreement.
3. Within the self-assessment classification of "debtors requiring caution," loans that are delinquent for three months or more or loans for which lending conditions have been restructured.

Coverage in Accordance with the Financial Reconstruction Law Standard (Non-Consolidated)

(Billions of Yen)

	2005/3		2004/3
		Change from Mar. 31, 2004	
Reserve for Possible Loan Losses	¥ 33.9	¥ (10.9)	¥ 44.8
Amounts Recoverable Due to Guarantees, Collateral and Others	58.7	(5.5)	64.2
Total (B)	¥ 92.6	¥ (16.4)	¥109.1
Coverage Ratio (B)/(A)	80.8%	(1.1)%	81.9%

Risk Management Loans (Consolidated)

(Billions of Yen)

	2005/3		2004/3
		Change from Mar. 31, 2004	
Loans in Legal Bankruptcy	¥ 4.7	¥ (2.5)	¥ 7.3
Nonaccrural Loans	61.1	(12.6)	73.7
Accruing Loans Contractually Past Due Three Months or More	0.4	(0.3)	0.7
Restructured Loans	50.8	(3.3)	54.1
Total	¥ 117.1	¥ (18.8)	¥ 136.0
Total Loans Outstanding (term-end balance)	¥ 2,894.5	¥ 145.0	¥ 2,749.5

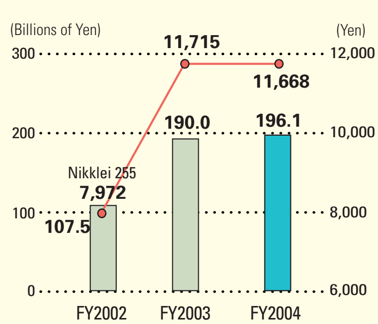
Note: Refer to page 22, note 4 regarding the above categories.

Capital Ratio (Consolidated)

(Millions of Yen)

	2005/3	2004/3	2005/3
(Consolidated)	(Domestic)	(Domestic)	(BIS)
Total Capital Ratio	11.45%	10.77%	14.10%
Tier I Capital	¥ 193,967	¥ 173,467	¥ 193,967
Tier II Capital	93,767	79,056	185,860
45% of Unrealized Gains of Securities			88,267
General Reserve for Possible Loan Losses	15,687	14,633	19,513
45% of Land Revaluation Surplus	163	422	163
Qualifying Subordinated Debt	77,916	64,000	77,916
Deducted Items	202	202	202
Total Capital	¥ 287,532	¥ 252,321	¥ 379,625
Risk Adjusted Assets	¥ 2,510,043	¥ 2,341,301	¥ 2,691,512

Net Unrealized Gains on Securities (Consolidated)



Bolstering Our Risk Management Structure

Ongoing liberalization and globalization of Japan's financial markets, coupled with tremendous advances in financial and information technology, have spawned increased business opportunities for financial companies. Conversely, these developments have led to a greater complexity and diversity of risks. The following sections describe the Bank's approach to risk management and compliance.

Strengthening Our Risk Management Structure

The Bank has designated effective risk management as a crucial management issue for maintaining the stability and soundness of its operations. To respond accurately and promptly to an assortment of risks, supervisory divisions designated by risk type undertake cross-sectional and systematic management of relevant risks, while each division also manages risks within their respective operations.

As part of its solid risk management structure, the Bank has also established the Management Administration Office within the Corporate Planning Division to realize totally integrated management of risks incurred by the Bank, as well as prescribed basic risk management items in the Comprehensive Risk Management Regulations.

Credit Risk Management

Giving due consideration to its management policies, the Bank is striving to strengthen its credit risk management under our credit policy that clearly explains the Bank's basic approach to credit screening.

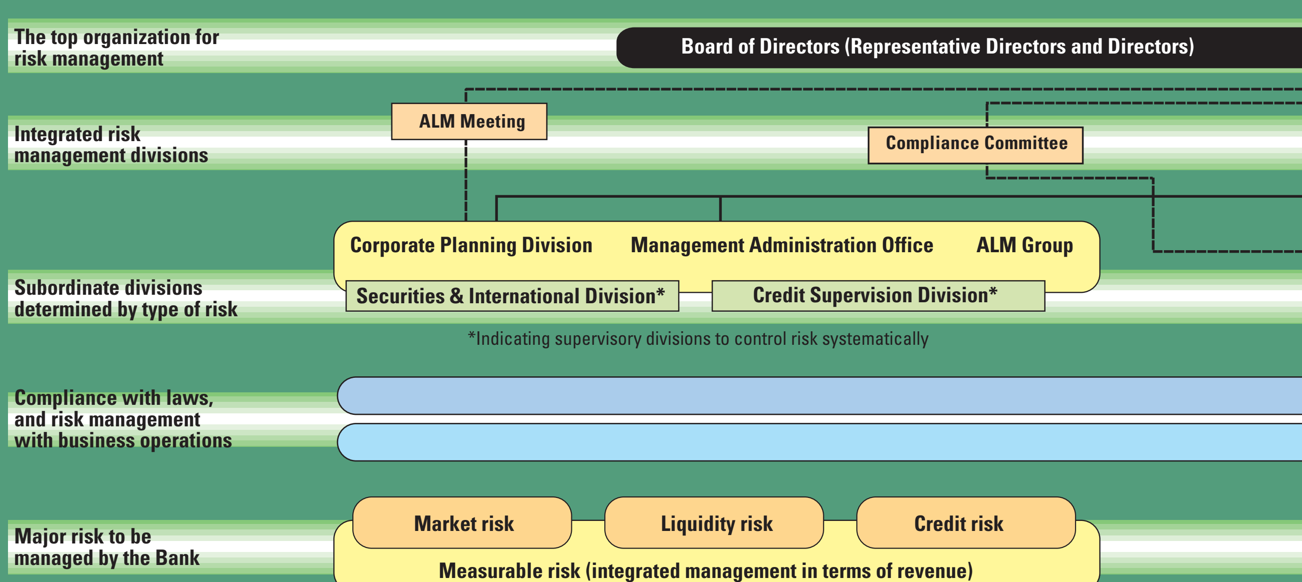
The Bank is also striving to strengthen its organizational structure by maintaining the independence of the Credit Supervision Division from marketing sections and adhering to more-stringent credit screening guidelines. The Bank has also established a section for managing credit risk to strengthen its organizational structure and enable quantitative analysis and monitoring of risk. Moreover, the Bank also works to strengthen its credit screening capabilities by providing training for staff engaged in loan operations at all levels of the Bank.

The Bank undertakes self-assessment of assets to adequately write off non-performing loans and make provisions for possible loan losses. To maintain and improve the soundness of our assets, we established the Asset Audit Office as a specialized section within the Operations Auditing Division. This division examines the validity of write-offs and reserve provisions based on self-assessment of assets. These matters also undergo auditing by a certified public auditing company.

Moreover, the Bank is strengthening risk management by formulating solution plans for borrowers encountering financial difficulties, taking into consideration the results of its self-assessments. In addition, the section within the Credit Supervision Division that had been in charge of corporate customer management support was upgraded to the status of the Management Support Office. By helping borrowers improve their business conditions and performance in this manner, the Bank is working to enhance the soundness of its loan asset portfolio.

Market Risk Management

The Bank established the Asset Liability Management (ALM) Group within the Management Administration Office in the Corporate Planning Division to uniformly manage market risks with credit and other risks, and to adequately control risk within the scope of the Bank's capital to secure stable earnings. The ALM Group strives to raise the sophistication of its risk management methods and utilizes the most-advanced analysis techniques including VaR and EaR. In addition, the Bank strategically addresses risk management by holding ALM meetings attended by directors in charge of market risk management, and utilizing the ALM Committee, a subordinate organization consisting of relevant general managers, as well as by considering necessary measures such as the appropriate composition of assets and liabilities and risk hedges.



Liquidity Risk Management

Through careful projection and verification of fundraising and fund-management balances, the Bank appropriately controls its funding position. Utilizing a system that continually monitors the amount of funds available to the Bank in the market, the Bank is always prepared for the occurrence of liquidity risk.

Clerical Risk Management

Aware that gaining the trust of customers begins with accurate clerical processes, the Bank has established and continues to abide by regulations governing clerical procedures. Moreover, the Bank is building a clerical system that minimizes the occurrence of human error by centralizing clerical processes and utilizing computers to bolster its checking functions. The Bank is also raising the level of clerical procedure compliance through personal guidance by specialist officers, group training courses and the use of an e-learning system.

To strengthen clerical risk management, the Operations Auditing Division carries out regular annual auditing of head office departments and branches to ensure that clerical procedures are strictly and correctly executed and to prevent any occurrence of errors.

System Risk Management

Computer systems have become indispensable in banking operations, which are not only growing more diverse and sophisticated, but are encompassing large increases in transaction volumes. Accordingly, safety measures to avoid system risks are extremely crucial for providing customers with high-quality services. From January 2004, the Bank transitioned its core computer system to a new system with the most advanced functions at the NTT Data Banking Center for Regional Banks. This center has established solid safety measures that include the adoption of a mutual backup system using its two centers in eastern and western Japan. The Bank takes all possible measures against system risks through utilization of a program that specifies detailed responses in case of system failure and internal rules for preventing computer crimes and malfunctions.

The Bank also employs external audits of its system risk management. By undergoing strict checking of our system risk management by an independent institution, we are further ensuring that our risk management is maintained at the highest level while increasing the sophistication of our system risk management.

Reputation Risk Management

The Bank institutes measures to control and minimize reputation risk. These include formulating reputation risk management regulations that specify means for reducing and preventing reputation risk, as well as measures to be taken should such problems arise.

Information Security Risk Management

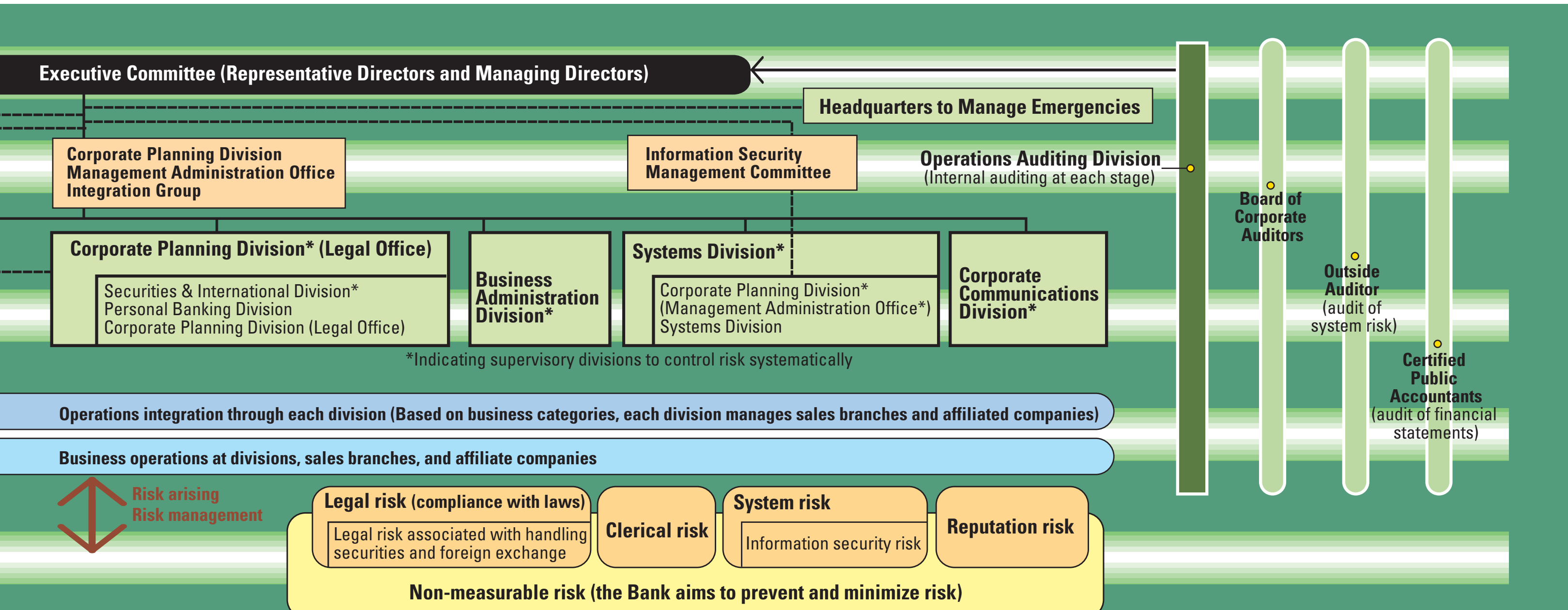
Recent advances in IT have led to a rapid increase in and diversification of information-processing environments and objectives, including the use of the Bank's internal LAN and connection to the Internet. Therefore, strengthening the management system to maintain information security against system threats such as information leakage, unauthorized changes and destruction of information is becoming extremely crucial.

To respond to these circumstances, the Bank formulated an Information Security Policy as a basic policy on safety measures concerning the protection of information assets (information and information systems). The Bank has also formulated Information Security Standards as its specific safety standards for information security.

In addition, in February 2005, the Bank formulated new Regulations on the Handling of Personal Information and established a Privacy Policy (a statement on protection of personal information), while seeking to further reinforce its systems for adequately protecting personal information in line with the enactment of the Personal Information Protection Act as of April 1, 2005.

Contingency Plan

The Bank has formulated its Contingency Plan that outlines specific procedures for responding to an array of unforeseen circumstances including crimes, natural disasters such as fires or earthquakes, computer system malfunctions, financial crises, information security risks, and market and other risks. We strengthen our response structure by carrying out drills based on this plan and review this plan on a regular basis.



Corporate Governance

The Bank of Kyoto works continually to enhance its corporate governance with the fundamental aim of raising the transparency and soundness of its management by monitoring the execution of business by directors through surveillance by the Board of Directors and auditors and the adoption of an auditing system.

The Bank has built a structure for quick management decision making, under which it appropriately delegates decision-making authority, with the Board of Directors being the highest-ranking decision-making body. Moreover, the Bank is strengthening its auditing functions through internal audits based on risk analysis and through external auditing of its financial statements and system risk management.

Board of Directors

The Board of Directors is composed of 13 directors and decides on basic policies and important matters related to the execution of business. Members of the Board of Directors also engage in reciprocal surveillance and monitoring.

Executive Committee

The Executive Committee is a structure for quick decision making by representative directors and managing directors—who have been delegated decision-making authority by the Board of Directors—on important matters related to daily business operations.

Board of Corporate Auditors

The Board of Corporate Auditors consists of four auditors, including two external auditors. Appropriate auditing is implemented in accordance with auditing policies and plans approved by the Board of Corporate Auditors. In addition, all auditors attend the Meeting of the Board of Directors and standing auditors attend the Executive Committee meetings to monitor decision-making processes and the execution of business affairs.

Election of Corporate Officers and Terms of Office

Directors are elected at the General Meeting of Stockholders after being approved as director candidates based on a resolution by the Board of Directors. Auditors are also elected at the General Meeting of Stockholders upon obtaining the consent of the Board of Corporate Auditors. Approval for fixed-limit remuneration for directors and auditors is approved at the General Meeting of Stockholders.

To further invigorate the Board of Directors and to flexibly build an optimal management structure that responds effectively to changes in the business environment, the term of office for directors is one year.

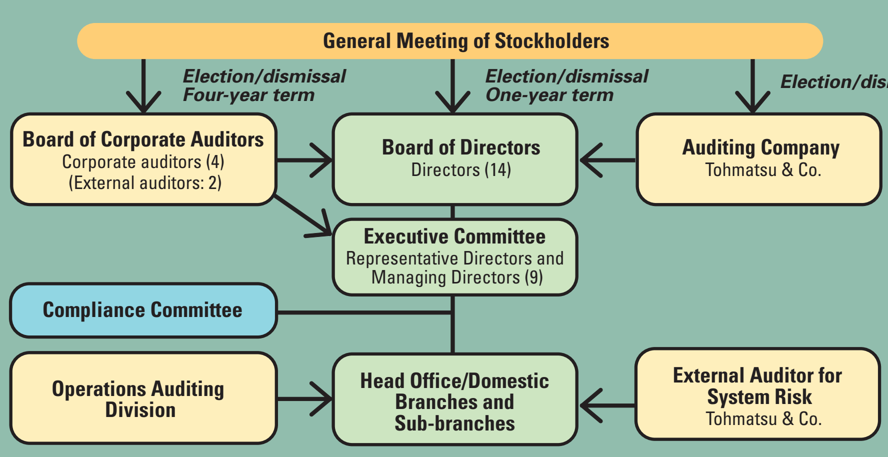
Compliance Structure

Given the public nature of banks, compliance is a constant cornerstone of management. Strongly aware of this fundamental importance, the Bank has designated compliance as a crucial management strategy and has been working to upgrade its compliance structure to ensure that the actions of executives and employees will enable the Bank to earn the support of and build strong bonds of trust with the local community and allow it to maintain its reputation as "an appealing bank that provides customers with reassurance and satisfaction in banking transactions."

In fiscal 2004, the Bank prepared for the enactment of the Personal Information Protection Act and strengthened customer information protection by establishing its position on the provision of information to customers regarding loans and other transactions. At the same time, we further solidified our compliance structure by working to eliminate illegal transactions, including measures to prevent payments using forged credit cards and measures to prevent bank transfer fraud.

In fiscal 2005, based on the compliance program determined by the Board of Directors, we will work to further strengthen compliance, maintain sound management and strengthen our protection of customer information by providing appropriate training for employees and emphasizing leadership by example from management.

THE BANK OF KYOTO'S CORPORATE GOVERNANCE STRUCTURE



TOPIC 1

Support for Companies Expanding into China

With the growth of investment in China and increase in Japanese companies expanding into China in recent years, the Bank of Kyoto has sought to meet the needs of its regional business partners through the Hong Kong Representative Office established in November 1989. However, in view of marked corporate expansion into Eastern China, primarily Shanghai, the Bank opened its new Shanghai Representative Office in December 2004. The opening of the Shanghai Representative Office, which is the Bank's second overseas office in Asia, has facilitated more wide-ranging support including fact-finding tours and the provision of local information.

HSBC tower, in which Shanghai Representative Office is located.

TOPIC 2

Support for Invigoration of Tourism and Kyoto Brand Industries

At the Bank of Kyoto, we have implemented aggressive measures to strengthen our contribution to the local economy. In August 2003, we formed Active Corporate Support Teams composed of groups of specialists with expertise in assessing the capabilities of companies, which have been promoting business expansion in the industry categories of tourism, health care and welfare, telecommunications and software, and biotechnology, nanotechnology and the environment. In relation to these efforts, the Tourism and Kyoto Brand Promotion Team was established as the independent Tourism Support Office on April 1, 2005 in order to further enhance its operating functions, specifically the office gathers local tourism information, plans new tourist routes and promotes collaboration between industry, government and academia with regard to tourism and Kyoto brand enterprises.

TOPIC 3

Enhancement of Channel Functions

In order to improve convenience for local customers, the Bank has been promoting the enhancement of its branch network through the building of new branches and the relocation and extension of branches.

In April 2004, we opened the Takanohara Branch, the Bank's first staffed branch in Nara Prefecture. In December 2004, we set up two new branches, namely, the Shin Osaka Branch in Osaka City, Osaka Prefecture, and the Amagasaki Branch in Amagasaki City, Hyogo Prefecture. With these branches operating as specialist finance centers to promote business loans and home loans over a wide area, we aim to further strengthen our loan and investment capabilities.

We also launched the Net Direct Branch that allows Internet and telephone transactions as part of our efforts to acquire personal loan assets nationwide.

In addition, we installed ATMs at a total of 11 stations in cooperation with Keihan Electric Railway Co., Ltd., which has lines running through our business area.

Amagasaki Branch

ATMs at a train station

Management Environment and Results

The business environment during fiscal 2004 was characterized by a mixture of favorable and unfavorable factors, as the Japanese economy struggled to emerge from its lackluster state. The corporate sector initially led a steady recovery in the Japanese economy, against a backdrop of robust exports and a pickup in capital investment. During the second half of the year, however, a mild slowdown in this sector became increasingly apparent, owing to such factors as a lull in production resulting from inventory adjustments, mainly in IT-related sectors, and a slowing of new orders. Nonetheless, capital investment, including by small- and medium-sized businesses, remained brisk, mirroring favorable corporate earnings. Moreover, mild improvements in employment and income underpinned relative steadiness in the household sector, including personal income, although this sector still lacked overall strength.

The Kyoto economy was also marked by contrasting conditions as it struggled to get onto a growth track. In the corporate sector, brisk capital investment, including by small- and medium-sized companies, reflected continued favorable corporate earnings. During the second half, however, the recovery in the corporate sector lost overall momentum, with growing signs of sluggishness resulting from a lull in production due to a softening of domestic and overseas orders, mainly in IT and digital-related equipment industries. Relatively firm personal consumption accompanied a steady, albeit moderate, improvement in the employment and wage environment, but nonetheless lacked strength to lift the overall economy.

Results of Business Operations

Under these conditions, the Bank of Kyoto Group worked to raise management efficiency and improve business performance. Through these efforts, the Bank recorded the following results.

The balance of deposits increased ¥280.6 billion to ¥4,448.0 billion (US$41,419 million) during the fiscal year under review. The balance of negotiable certificates of deposit expanded by a robust ¥121.9 billion to ¥239.4 billion (US$2,229 million) as a result of aggressive financing. The balance of deposits and negotiable certificates of deposit at the end of the fiscal year totaled ¥4,687.4 billion (US$43,649 million).

Furthermore, the balance of loans increased by ¥145.0 billion during the term to stand at ¥2,894.5 billion (US$26,953 million).

On the other hand, the balance of investment securities at fiscal year-end was ¥1,970.7 billion (US$18,351 million).

Total assets at fiscal year-end amounted to ¥5,348.3 billion (US$49,802 million), and net assets at fiscal year-end stood at ¥307.7 billion (US$2,865 million).

While operating income rose by ¥5,548 million to ¥103,855 million (US$967,088 thousand), operating expenses declined by ¥11,922 million to ¥73,438 million (US$683,844 thousand). As a result, net operating income increased by ¥17,470 million compared to the end of fiscal 2003 to ¥30,417 million (US$283,244 thousand).

Net income rose by ¥11,015 million to ¥21,934 million (US$204,249 thousand), attributable in part to a reversal of ¥6,930 million (US$64,537 thousand) from the reserve for possible loan losses.

Net income per share and net assets per share were ¥66.00 (US$0.614) and ¥928.29 (US$8.644) respectively.

The capital ratio on a consolidated basis as of March 31, 2005 improved 0.68 percentage point compared to March 31, 2004 to 11.45%.

Cash Flows

Net cash provided by operating activities amounted to ¥137.7 billion (US$1,283 million) due to an increase in deposits and negotiable certificates of deposit, resulting in an increase of ¥74.5 billion compared to the end of fiscal 2003. Net cash used in investing activities amounted to ¥129.7 billion (US$1,208 million), ¥32.6 billion higher than the previous fiscal year, owing to purchases of investment securities. Net cash provided by financial activities amounted to ¥16.8 billion (US$157 million) mainly due to the issuance of subordinated debentures. This was ¥13.5 billion more than at the end of fiscal 2003. As a result, cash and cash equivalents increased ¥24.9 billion during fiscal 2004 to ¥102.6 billion (US$955 million) at the end of the year.

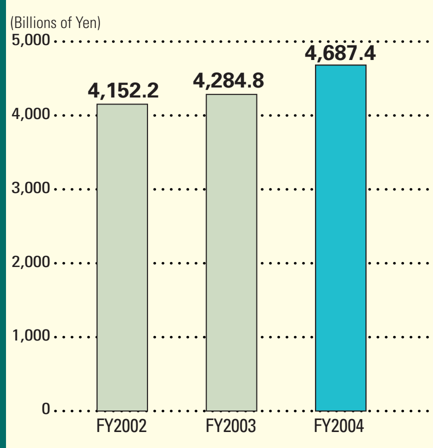
Dividend Policy

The Bank's basic policy has consistently been to maintain stable dividends while bolstering retained earnings to build an even stronger business foundation.

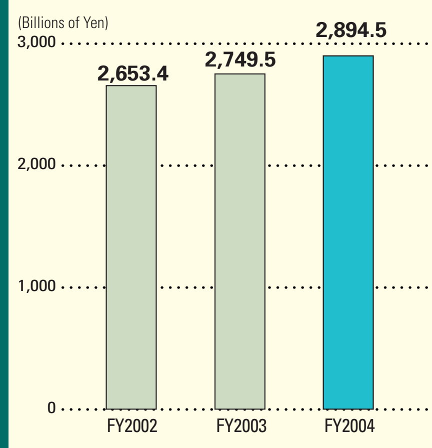
During fiscal 2004, the Bank achieved record high net income. As a measure of appreciation to stockholders for their loyal support, we thus increased our year-end cash dividends from ¥3.00 per share to ¥3.50 per share (US$0.03). As a result, total cash dividends per share during fiscal 2004 amounted to ¥6.50 (US$0.06) per share, which included interim dividends of ¥3.00 per share. This was an increase of ¥1.00 per share.

The Bank intends to utilize its retained earnings for making effective investments to respond to the diversifying needs of customers amid rapid changes in the financial environment, build a strong management structure and expand its marketing foundation.

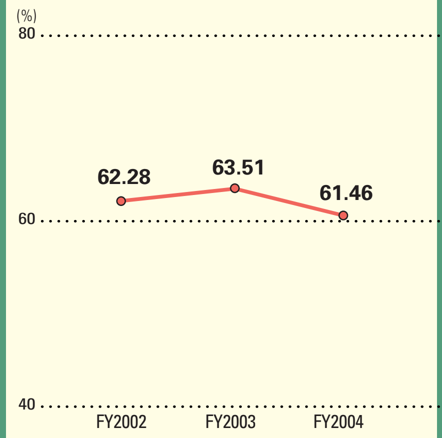
Deposits (including NCDs)



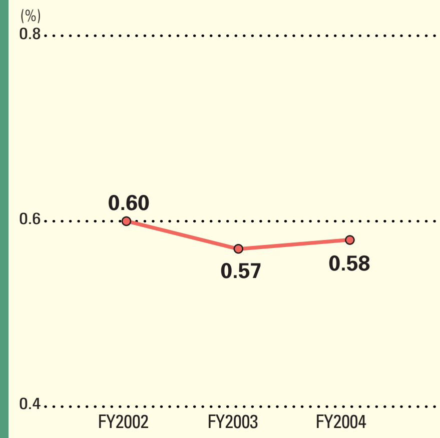
Loans and Bills Dicounted



Overhead Ratio (Non-Consolidated)



Return on Assets (Non-Consolidated)



Consolidated Balance Sheets

The Bank of Kyoto, Ltd. and Subsidiaries
As of March 31, 2005 and 2004

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2005	2004	**2005**
Assets			
Cash and Due from Bank of Japan	**¥ 102,600**	¥ 77,666	**$ 955,400**
Due from Other Banks	**284**	816	**2,653**
Call Loans and Bills Bought	**281,576**	127,561	**2,621,998**
Receivables under Resale Agreements (Note 9)	**1,099**	749	**10,242**
Commercial Paper and Other Debt Purchased	**3,375**	2,388	**31,431**
Trading Securities (Note 27)	**739**	322	**6,885**
Money Held in Trust (Note 27)	**1,994**	2,002	**18,571**
Investment Securities (Notes 3, 9 and 27)	**1,970,782**	1,820,086	**18,351,634**
Loans and Bills Discounted (Note 4)	**2,894,520**	2,749,518	**26,953,354**
Foreign Exchanges (Note 5)	**4,035**	3,277	**37,581**
Other Assets (Note 6)	**40,356**	43,339	**375,795**
Premises and Equipment, net (Notes 7 and 11)	**58,093**	59,198	**540,961**
Deferred Tax Assets (Note 26)	**2,010**	1,594	**18,724**
Customers' Liabilities for Acceptances and Guarantees (Note 17)	**33,639**	33,868	**313,245**
Reserve for Possible Loan Losses	**(46,765)**	(62,950)	**(435,472)**
Reserve for Possible Losses on Investment Securities	**(7)**		**(73)**
Total Assets	**¥5,348,337**	¥4,859,441	**$49,802,934**
Liabilities, Minority Interests and Stockholders' Equity			
Liabilities			
Deposits (Notes 9 and 12)	**¥4,687,471**	¥4,284,863	**$43,649,046**
Call Money	**30,708**	44,460	**285,952**
Payables under Repurchase Agreements (Note 9)	**1,099**	749	**10,242**
Payables under Securities Lending Transactions (Note 9)	**61,742**	38,379	**574,939**
Borrowed Money (Note 13)	**36,314**	37,121	**338,156**
Foreign Exchanges (Note 5)	**93**	101	**871**
Bonds (Note 14)	**20,000**		**186,237**
Bonds with Warrants (Note 15)	**29,895**	30,000	**278,377**
Other Liabilities (Note 16)	**73,787**	49,819	**687,098**
Reserve for Employees' Retirement Benefits (Note 25)	**12,667**	12,510	**117,957**
Deferred Tax Liabilities (Note 26)	**49,034**	39,388	**456,602**
Deferred Tax Liabilities for Land Revaluation (Note 11)	**147**	382	**1,374**
Acceptances and Guarantees (Note 17)	**33,639**	33,868	**313,245**
Total Liabilities	**5,036,602**	4,571,645	**46,900,102**
Minority Interests	**4,023**	3,533	**37,467**
Stockholders' Equity (Notes 11, 18 and 30)			
Common Stock, authorized, 500,000,000 shares;			
Issued, 331,986,875 shares in 2005 and 331,821,000 shares in 2004	**27,152**	27,100	**252,840**
Capital Surplus	**15,395**	15,342	**143,356**
Retained Earnings	**149,372**	129,144	**1,390,931**
Land Revaluation Surplus	**215**	557	**2,003**
Net Unrealized Gains on Available-for-Sale Securities, Net of Taxes	**115,921**	112,288	**1,079,441**
Treasury Stock — at Cost			
571,737 shares in 2005 and 355,709 shares in 2004	**(344)**	(170)	**(3,209)**
Total Stockholders' Equity	**307,711**	284,262	**2,865,364**
Total Liabilities, Minority Interests and Stockholders' Equity	**¥5,348,337**	¥4,859,441	**$49,802,934**

See Notes to Consolidated Financial Statements.

Consolidated Statements of Income

The Bank of Kyoto, Ltd. and Subsidiaries
Years Ended March 31, 2005 and 2004

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2005	2004	**2005**
Income			
Interest Income:			
Interest on Loans and Discounts	**¥ 53,538**	¥ 52,906	**$ 498,546**
Interest and Dividends on Securities	**22,721**	19,927	**211,579**
Other Interest Income	**3,167**	1,579	**29,498**
Fees and Commissions	**15,342**	14,395	**142,865**
Other Operating Income (Note 19)	**6,471**	6,069	**60,263**
Other Income (Note 20)	**10,177**	11,381	**94,772**
Total Income	**111,419**	106,260	**1,037,526**
Expenses			
Interest Expenses:			
Interest on Deposits	**4,526**	3,081	**42,149**
Interest on Borrowings and Rediscounts	**2,166**	1,628	**20,171**
Other Interest Expenses	**2,349**	1,591	**21,878**
Fees and Commissions	**5,276**	4,856	**49,136**
Other Operating Expenses (Note 21)	**7,410**	11,784	**69,006**
General and Administrative Expenses (Note 23)	**48,810**	48,627	**454,513**
Other Expenses (Notes 8 and 22)	**4,107**	15,766	**38,244**
Total Expenses	**74,648**	87,334	**695,100**
Income before Income Taxes and Minority Interests	**36,773**	18,925	**342,425**
Income Taxes (Note 26):			
Current	**7,813**	631	**72,757**
Deferred	**6,513**	7,210	**60,656**
Minority Interests	**511**	164	**4,762**
Net Income	**¥ 21,934**	¥ 10,918	**$ 204,249**

	Yen		U.S. Dollars
	2005	2004	**2005**
Per Share Information (Notes 2 and 29)			
Basic Net Income	**¥ 66.00**	¥ 32.75	**$ 0.614**
Dilluted Net Income	**58.66**	29.57	**0.546**
Cash Dividends Appliciable to the Year	**6.50**	5.50	**0.060**

See Notes to Consolidated Financial Statements.

Consolidated Statements of Stockholders' Equity

The Bank of Kyoto, Ltd. and Subsidiaries
Years Ended March 31, 2005 and 2004

	Thousands	Millions of Yen					
	Outstanding Number of Shares of Common Stock	Common Stock	Capital Surplus	Land Revaluation Surplus	Retained Earnings	Net Unrealized Gains on Available-for-Sale Securities	Treasury Stock
Balance at April 1, 2003	331,547	¥27,100	¥15,342	¥487	¥119,993	¥63,786	¥ (124)
Net Income					10,918		
Cash Dividends, ¥5.00 per share					(1,657)		
Bonuses to Directors and Corporate Auditors					(40)		
Repurchase of Treasury Stock	(82)						(46)
Increase in Land Revaluation Surplus from Sale of Land				70	(70)		
Net Increase in Unrealized Gains on Available-for-Sale Securities						48,502	
Balance at March 31, 2004	331,465	27,100	15,342	557	129,144	112,288	(170)
Net Income					21,934		
Cash Dividends, ¥6.00 per share					(1,988)		
Bonuses to Directors and Corporate Auditors					(60)		
Repurchase of Treasury Stock	(216)						(173)
Decrease in Land Revaluation Surplus from Sale of Land				(342)	342		
Conversion of Convertible Bonds	165	52	52				
Net Increase in Unrealized Gains on Available-for-Sale Securities						3,632	
Balance at March 31, 2005	331,415	¥27,152	¥15,395	¥215	¥149,372	¥115,921	¥(344)

	Thousands of U.S. Dollars (Note 1)					
	Common Stock	Capital Surplus	Land Revaluation Surplus	Retained Earnings	Net Unrealized Gains on Available-for-Sale Securities	Treasury Stock
Balance at March 31, 2004	$252,351	$142,868	$5,190	$1,202,571	$1,045,615	$(1,589)
Net Income				204,249		
Cash Dividends, $0.055 per share				(18,517)		
Bonuses to Directors and Corporate Auditors				(558)		
Repurchase of Treasury Stock						(1,619)
Decrease in Land Revaluation Surplus from Sale of Land			(3,187)	3,187		
Conversion of Convertible Bonds	489	488				
Net Increase in Unrealized Gains on Available-for-Sale Securities					33,826	
Balance at March 31, 2005	$252,840	$143,356	$2,003	$1,390,931	$1,079,441	$(3,209)

See Notes to Consolidated Financial Statements.

Consolidated Statements of Cash Flows

The Bank of Kyoto, Ltd. and Subsidiaries
Years Ended March 31, 2005 and 2004

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2005	2004	**2005**
Operating Activities:			
Income before Income Taxes and Minority Interests	**¥ 36,773**	¥ 18,925	**$ 342,425**
Depreciation	**8,801**	8,247	**81,956**
Loss on Impairment of Long-lived Assets	**884**		**8,233**
Decrease in Reserve for Possible Loan Losses	**(16,184)**	(21,163)	**(150,709)**
Increase in Reserve for Possible Losses on Investment Securities	**7**		**73**
Decrease in Reserve for Possible Losses on Collateralized Real Estate Loans Sold		(808)	
Increase (Decrease) in Reserve for Employees' Retirement Benefits	**157**	(7,257)	**1,466**
Interest Income	**(79,428)**	(74,413)	**(739,624)**
Interest Expenses	**9,042**	6,300	**84,199**
Losses on Investment Securities	**804**	4,428	**7,490**
Gains on Money Held in Trust	**(32)**	(76)	**(306)**
Foreign Exchange (Gains) Losses	**(5,925)**	15,754	**(55,174)**
(Gains) Losses on Sales of Premises and Equipment	**(243)**	1,826	**(2,266)**
Net (Increase) Decrease in Trading Securities	**(416)**	1,502	**(3,882)**
Net Increase in Loans	**(145,002)**	(96,022)	**(1,350,238)**
Net Increase in Deposits	**280,663**	97,801	**2,613,500**
Net Increase in Negotiable Certificate of Deposits	**121,943**	34,776	**1,135,522**
Net Increase (Decrease) in Borrowed Money (excluding Subordinated Loans)	**193**	(662)	**1,801**
Net Decrease (Increase) in Due from Banks (excluding Due from Bank of Japan)	**531**	(32)	**4,945**
Net Increase in Call Loans and Bills Bought	**(155,351)**	(14,610)	**(1,446,607)**
Net (Decrease) Increase in Call Money	**(13,402)**	22,332	**(124,801)**
Net Increase (Decrease) in Payables under Securities Lending Transactions	**23,363**	(10,910)	**217,553**
Net Increase in Foreign Exchanges (Assets)	**(758)**	(133)	**(7,061)**
Net (Decrease) Increase in Foreign Exchanges (Liabilities)	**(7)**	31	**(72)**
Interest Received (Cash Basis)	**81,412**	78,756	**758,099**
Interest Paid (Cash Basis)	**(8,577)**	(7,009)	**(79,875)**
Other	**(658)**	5,939	**(6,128)**
Subtotal	**138,588**	63,522	**1,290,518**
Income Taxes—Paid	**(789)**	(231)	**(7,348)**
Net Cash Provided by Operating Activities	**137,799**	63,291	**1,283,169**
Investing Activities:			
Purchases of Investment Securities	**(560,351)**	(802,305)	**(5,217,914)**
Proceeds from Sales of Investment Securities	**197,604**	401,955	**1,840,064**
Proceeds from Redemptions of Investment Securities	**236,524**	307,848	**2,202,481**
Proceeds from Sales of Money Held in Trust	**40**	1,043	**378**
Purchases of Premises and Equipment	**(5,043)**	(5,970)	**(46,968)**
Proceeds from Sales of Premises and Equipment	**1,475**	350	**13,744**
Net Cash Used in Investing Activities	**(129,750)**	(97,077)	**(1,208,215)**
Financing Activities:			
Proceeds from Borrowing of Subordinated Loans		5,000	
Repayments of Subordinated Loans	**(1,000)**		**(9,311)**
Issuance of Subordinated Straight Bonds	**19,875**		**185,073**
Dividends Paid by the Bank	**(1,988)**	(1,657)	**(18,517)**
Dividends Paid by Subsidiaries to Minority Shareholders	**(5)**	(5)	**(50)**
Net Cash Provided by Financing Activities	**16,880**	3,336	**157,192**
Foreign Currency Translation Adjustments on Cash and Cash Equivalents	**3**	(14)	**33**
Increase (Decrease) in Cash and Cash Equivalents	**24,933**	(30,464)	**232,180**
Cash and Cash Equivalents at Beginning of Year	**77,666**	108,130	**723,220**
Cash and Cash Equivalents at End of Year	**¥ 102,600**	¥ 77,666	**$ 955,400**
Noncash Financing Activities:			
Convertible Bonds Converted into Common Stock	**¥ 52**		**$ 489**
Convertible Bonds Converted into Capital Surplus	**52**		**488**

See Notes to Consolidated Financial Statements.

Notes to Consolidated Financial Statements

The Bank of Kyoto, Ltd. and Subsidiaries
Years Ended March 31, 2005 and 2004

1. BASIS OF PRESENTING CONSOLIDATED FINANCIAL STATEMENTS

The accompanying consolidated financial statements of The Bank of Kyoto, Ltd. (the “Bank”) and its subsidiaries (together, the “Group”) have been prepared in accordance with the provisions set forth in the Japanese Securities and Exchange Law and in conformity with accounting principles generally accepted in Japan, which are different in certain respects as to application and disclosure requirements of International Financial Reporting Standards.

In preparing these consolidated financial statements, certain reclassifications and rearrangements have been made to the consolidated financial statements issued domestically in order to present them in a form which is more familiar to readers outside Japan.

The accompanying consolidated financial statements are stated in Japanese yen, the currency of the country in which the Bank is incorporated and operates. All yen figures for 2005 and 2004 have been rounded down to millions of yen by dropping the final six digits.

The translation of Japanese yen amounts into U.S. dollar amounts is included solely for the convenience of readers outside Japan and has been made at the rate of ¥107.39 to $1, the approximate rate of exchange at March 31, 2005, the final business day of the term. Such translation should not be construed as representation that the Japanese yen amounts could be converted into U.S. dollars at that or any other rate.

2. SUMMARY OF SIGNIFICANT ACCOUTING POLICIES

Consolidation

The consolidated financial statements include the accounts of the Bank and all of its subsidiaries (seven in 2005 and 2004). The Group applies the control concept to its consolidation scope. Under the control concept, those companies in which the Bank, directly or indirectly, is able to exercise control over operations are fully consolidated.

Consolidation goodwill represents the excess of the cost of an acquisition over the fair value of the net assets of the acquired subsidiary at the date of acquisition.

All significant intercompany balances and transactions have been eliminated in consolidation. All material unrealized profit included in assets resulting from transactions within the Group is eliminated.

Cash Equivalents

For purposes of the consolidated statements of cash flows, the Group considers deposits with the Bank of Japan included in “Cash and Due from Bank of Japan” in the consolidated balance sheets to be cash equivalents.

Trading and Investment Securities

Trading and investment securities are classified and accounted for, depending on management’s intent, as follows: i) trading securities, which are held for the purpose of earning capital gains in the near term, are reported at fair value, and the related unrealized gains and losses are included in the consolidated statements of income, ii) held-to-maturity debt securities, which are expected to be held to maturity with the positive intent and ability to hold to maturity, are reported at amortized cost and iii) available-for-sale securities, which are not classified as either of the aforementioned securities, are reported at fair value, with unrealized gains and losses, net of applicable taxes, reported in a separate component of stockholders’ equity.

Non-marketable available-for-sale securities are stated at cost determined by the moving-average method.

For other than temporary declines in fair value, investment securities are reduced to the net realized value by a charge to income.

Money held in trust classified as trading is reported at fair value, and the related unrealized gains and losses are included in the consolidated statements of income.

Derivative Transactions

The Bank adopted the Industry Audit Committee Report No. 25, “Treatment of Accounting and Auditing Concerning Accounting for Foreign Currency Transactions in the Banking Industry”, issued by the Japanese Institute of Certified Public Accountants (the “JICPA”) on July 29, 2002. In accordance with the report, the Bank applies hedge accounting to manage its exposures to fluctuations in foreign exchange rates associated with assets and liabilities denominated in foreign currencies. The Bank enters into derivative financial instruments, such as interest rate swaps, currency swaps, currency options and foreign exchange contracts. The Bank also enters into interest futures, bond futures, bond options and others. Subsidiaries do not perform any derivative transactions.

The Bank enters into derivatives principally as a means of managing its interest rate and foreign exchange rate exposures on certain assets. In addition, the Bank uses derivatives actively to meet its customers’ needs for new financial instruments.

Derivative financial instruments are classified and accounted for as follows: a) all derivatives are recognized as either assets or liabilities and measured at fair value, and gains or losses on derivative transactions are recognized in the consolidated statements of income and b) for derivatives used for hedging purposes, if derivatives qualify for hedge accounting because of high correlation and effectiveness between the hedging instruments and the hedged items, gains or losses on derivatives are deferred until maturity of the hedged transactions.

Premises and Equipment

Premises and equipment are stated at cost less accumulated depreciation.

Depreciation for premises and equipment is computed using the declining-balance method while the straight-line method is applied to buildings acquired after April 1, 1998 at rates based on the estimated useful lives of the assets. The range of useful lives is principally from 8 to 50 years for buildings and from 5 to 20 years for furniture and fixtures.

Long-lived Assets

In August 2002, the Business Accounting Council issued a Statement of Opinion, “Accounting for Impairment of Fixed Assets”, and in October 2003 the Accounting Standards Board of Japan (“ASBJ”) issued ASBJ Guidance No.6, “Guidance for Accounting Standard for Impairment of Fixed Assets”. These new pronouncements are effective for fiscal years beginning on or after April 1, 2005 with early adoption permitted for fiscal years ending on or after March 31, 2004.

The Group adopted the new accounting standard for impairment of fixed assets as of April 1, 2004. The Group reviews its long-lived assets for impairment whenever events or changes in circumstance indicate the carrying amount of an asset or asset group may not be recoverable. An impairment loss is recognized if the carrying amount of an asset or asset group exceeds the sum of the undiscounted future cash flows expected to result from the continued use and eventual disposition of the asset or asset group. The impairment loss is measured as the amount by which the carrying amount of the asset exceeds its recoverable amount, which is the higher of the discounted cash flows from the continued use and eventual disposition of the asset or the net selling price at disposition.

The effect of adoption of the new accounting standard for impairment of fixed assets resulted in a decrease in income before income taxes and minority interests for the year ended March 31, 2005 of ¥884 million ($8,233 thousand).

Accumulated impairment loss is directly deducted from respective premises and equipment.

The effect of adoption of such new accounting standard on segment information is described in Note 31.

Software

Software costs for internal use are capitalized (presented as other assets) and amortized by the straight-line method over the estimated useful life of five years.

Reserve for Possible Loan Losses

The amount of the provision for the reserve for possible loan losses is determined based on management's judgment and assessment of future losses based on the self-assessment system. This system reflects past experience of credit losses, possible credit losses, business and economic conditions, the character, quality and performance of the portfolio and other pertinent indicators.

The Bank implemented the self-assessment system for asset quality. The quality of all loans is assessed by branches and the Credit Supervision Division with a subsequent audit by the Asset Review and Inspection Division in accordance with the Bank's policy and rules for self-assessment of asset quality.

The Bank has established a credit rating system under which its customers are classified into five categories. The credit rating system is used for self-assessment of asset quality. All loans are classified into five categories for self-assessment purposes such as "normal", "caution", "possible bankruptcy", "virtual bankruptcy" and "legal bankruptcy".

The reserve for possible loan losses is calculated based on the specific actual past loss ratio for normal and caution categories, and the fair value of the collateral for collateral-dependent loans and other factors of solvency, including value of future cash flows, for other self-assessment categories.

Reserve for Possible Losses on Investment Securities

Reserve for possible losses on investment securities provides for the estimated devaluation losses for non-marketable investment securities held by the Group.

Reserve for Employees' Retirement Benefits

The Bank has a contributory funded pension plan and an unfunded lump-sum severance payment plan. The Bank provides the reserve for employees' retirement benefits based on projected benefit obligations and plan assets at the balance sheet date. Subsidiaries provide the reserve for employees' severance payments based on amounts which would be required to be paid if all employees eligible voluntarily terminated their employment at the balance sheet date.

Foreign Currency Items

Foreign currency denominated assets and liabilities are translated into Japanese yen at the exchange rates prevailing at the balance sheet date.

Accounting for Leases

All leases are accounted for as operating leases. Under Japanese accounting standards for leases, finance leases that deem to transfer ownership of the leased property to the lessee are to be capitalized, while other finance leases are permitted to be accounted for as operating lease transactions if certain "as if capitalized" information is disclosed in the notes to the lessee's financial statements.

Income Taxes

The provision for income taxes is computed based on the pretax income included in the consolidated statements of income. The asset and liability approach is used to recognize deferred tax assets and liabilities for the expected future tax consequences of temporary differences between the carrying amounts and the tax bases of assets and liabilities. Deferred taxes are measured by applying currently enacted tax laws to the temporary differences.

Per Share Information

Basic net income per share is computed by dividing net income available to common stockholders by the weighted-average number of common shares outstanding for the period, retroactively adjusted for stock splits.

Diluted net income per share reflects the potential dilution that could occur if securities were exercised or converted into common stock. Diluted net income per share of common stock assumes full conversion of the outstanding convertible notes and bonds at the beginning of the year (or at the time of issuance) with an applicable adjustment for related interest expense, net of tax, and full exercise of outstanding warrants.

Cash dividends per share are dividends applicable to the respective years including dividends to be paid after the end of the year.

3. INVESTMENT SECURITIES

Investment securities at March 31, 2005 and 2004 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2005	2004	**2005**
Japanese government bonds	**¥ 626,502**	¥ 560,905	**$ 5,833,902**
Japanese local government bonds	**159,530**	167,281	**1,485,522**
Corporate debentures	**436,559**	438,750	**4,065,178**
Corporate stocks	**344,100**	339,252	**3,204,209**
Other securities	**404,089**	313,895	**3,762,822**
Total	**¥1,970,782**	¥1,820,086	**$18,351,634**

4. LOANS AND BILLS DISCOUNTED

Loans and bills discounted at March 31, 2005 and 2004 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2005	2004	2005
Bills discounted	**¥ 63,452**	¥ 66,710	**$ 590,857**
Loans on bills	**187,521**	201,999	**1,746,175**
Loans on deeds	**2,190,378**	2,037,869	**20,396,487**
Overdrafts	**450,376**	440,252	**4,193,835**
Other	**2,791**	2,686	**25,997**
Total	**¥2,894,520**	¥2,749,518	**$26,953,354**

Loans in legal bankruptcy totaled ¥4,762 million ($44,347 thousand) and ¥7,340 million as of March 31, 2005 and 2004, respectively. Nonaccrual loans totaled ¥61,150 million ($569,423 thousand) and ¥73,781 million as of March 31, 2005 and 2004, respectively. Loans in legal bankruptcy are loans in which the interest accrual is discontinued (excluding the portion recognized as bad debts), based on management's judgment as to the collectibility of principal or interest resulting from the delay in payments of interest or principal for a considerable period of time and other factors. Nonaccrual loans are loans in which the interest accrual is discontinued and those other than loans in legal bankruptcy and loans granting deferral of interest payment to the debtors in financial difficulties to assist them in their recovery.

Accruing loans contractually past due three months or more as to principal or interest payments totaled ¥429 million ($4,003 thousand) and ¥736 million as of March 31, 2005 and 2004, respectively. Loans classified as loans in legal bankruptcy and past due loans are excluded.

Restructured loans totaled ¥50,829 million ($473,316 thousand) and ¥54,167 million as of March 31, 2005 and 2004, respectively. Such restructured loans are loans on which creditors grant concessions (e.g., reduction of the stated interest rate, deferral of interest payment, extension of maturity date, waiver of the face amount, or other concessive measures) to the debtors to assist them to recover from the financial difficulties and eventually be able to pay the creditors. Loans classified as loans in legal bankruptcy, nonaccrual loans and accruing contractually past due three months or more are excluded.

5. FOREIGN EXCHANGES

Foreign exchange assets and liabilities at March 31, 2005 and 2004 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2005	2004	2005
Assets			
Due from foreign correspondents	**¥2,191**	¥2,174	**$20,405**
Foreign bills of exchange purchased	**1,528**	816	**14,237**
Foreign bills of exchange receivable	**315**	286	**2,938**
Total	**¥4,035**	¥3,277	**$37,581**
Liabilities			
Foreign bills of exchange sold	**¥ 93**	¥ 96	**$ 871**
Foreign bills of exchange payable		5	
Total	**¥ 93**	¥ 101	**$ 871**

6. OTHER ASSETS

Other assets at March 31, 2005 and 2004 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2005	2004	2005
Prepaid expenses	**¥ 87**	¥ 137	**$ 816**
Accrued income	**7,103**	6,188	**66,146**
Other	**33,165**	37,014	**308,833**
Total	**¥40,356**	¥43,339	**$375,795**

7. PREMISES AND EQUIPMENT

Accumulated depreciation on premises and equipment at March 31, 2005 and 2004 amounted to ¥58,795 million ($547,493 thousand) and ¥57,492 million, respectively.

8. LONG-LIVED ASSETS

The Group recognized an impairment loss for the year ended March 31, 2005 as follows:

Location	Description	Classification	Impairment loss	
			Millions of Yen	Thousands of U.S. Dollars
Kyoto prefecture	Branch offices and other	Land and buildings	**¥884**	**$8,233**

The Bank groups assets by branch, which is a minimum unit for managerial accounting. Subsidiaries group their assets by unit, which periodically manages profit and loss.

The Bank wrote down the carrying amounts to the recoverable amounts and recognized an impairment loss of ¥884 million ($8,233 thousand) as other expenses, since the carrying amounts of the assets held by the above branches and other exceed the sum of the undiscounted future cash flows.

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

9. ASSETS PLEDGED

Assets pledged as collateral and related liabilities at March 31, 2005 and 2004 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2005	2004	2005
Investment securities	**¥65,249**	¥43,329	**$607,593**
Receivables under resale agreements	**¥ 1,099**	¥ 749	**$ 10,242**

Related liabilities:

	Millions of Yen		Thousands of U.S. Dollars
	2005	2004	2005
Deposits	**¥21,657**	¥18,768	**$201,670**
Payables under repurchase agreements	**¥ 1,099**	¥ 749	**$ 10,242**
Payables under securities lending transactions	**¥61,742**	¥38,379	**$574,939**

In addition, investment securities totaling ¥262,173 million ($2,441,322 thousand) were pledged as collateral for settlement of exchange and derivative transactions at March 31, 2005.

Premises and equipment include surety deposits and intangibles of ¥1,559 million ($14,518 thousand), and other assets include initial margins for futures markets of ¥10 million ($93 thousand) as of March 31, 2005.

10. COMMITMENT LINE

Commitment line contracts on overdrafts and loans are agreements to lend to customers when they apply for borrowing, to the prescribed amount as long as there is no violation of any condition established in the contracts. The amount of unused commitments amounts to ¥1,175,084 million ($10,942,215 thousand), of which ¥1,165,321 million ($10,851,300 thousand) are those whose original contract terms are within one year or unconditionally cancelable at any time. Since many of these commitments are expected to expire without being drawn upon, the total amount of unused commitments does not necessarily represent actual future cash flow requirements. Many of these commitments have clauses that the Group can reject the application from customers or reduce the contract amounts in case economic conditions change, the Bank and its subsidiaries need to secure claims or others occur. In addition, the Group requests customers to pledge collateral such as premises and securities at execution of the contracts, and takes necessary measures such as grasping customers' financial positions, revising contracts when the need arises and securing claims after execution of the contracts.

11. LAND REVALUATION

Under the "Law of Land Revaluation", promulgated on March 31, 1998 and revised on March 31, 2002 and 2001, the Bank elected a one-time revaluation of its own-use land to a value based on real estate appraisal information as of March 31, 2002.

The resulting land revaluation surplus represented unrealized appreciation of land and was stated, net of income taxes, as a component of stockholders' equity. There was no effect on the consolidated statement of income. Continuous readjustment is not permitted unless the land value subsequently declines significantly such that the amount of the decline in value should be removed from the land revaluation surplus account and related deferred tax liabilities.

At March 31, 2005, the carrying amount of the land after the above one-time revaluation was less than the market value by ¥5,428 million ($50,549 thousand).

Method of revaluation

The fair values were determined by applying appropriate adjustments for land shape and analysis on the appraisal specified in Article 2-4 of the Enforcement Ordinance of the Law of Land Revaluation effective March 31, 1998.

12. DEPOSITS

Deposits at March 31, 2005 and 2004 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2005	2004	**2005**
Current deposits	**¥ 211,308**	¥ 177,286	**$ 1,967,673**
Ordinary deposits	**1,960,955**	1,773,248	**18,260,129**
Savings deposits	**104,354**	105,680	**971,732**
Deposits at notice	**47,008**	29,367	**437,735**
Time deposits	**1,761,419**	1,775,892	**16,402,080**
Other deposits	**362,960**	305,867	**3,379,837**
Subtotal	**4,448,006**	4,167,342	**41,419,188**
Negotiable certificates of deposit	**239,464**	117,520	**2,229,858**
Total	**¥4,687,471**	¥4,284,863	**$43,649,046**

13. BORROWED MONEY

Borrowed money at March 31, 2005 and 2004 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2005	2004	**2005**
Subordinated loans	**¥34,000**	¥35,000	**$316,603**
Borrowing from banks and other	**2,314**	2,121	**21,553**
Total	**¥36,314**	¥37,121	**$338,156**

The weighted average interest rate of the above total borrowed money due serially from April 2005 through April 2014 was 1.83% for the year ended March 31, 2005.

14. BONDS

Callable unsecured subordinated straight bonds at March 31, 2005 and 2004 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2005	2004	**2005**
Straight bonds	**¥20,000**		**$186,237**

The bonds due May 14, 2014 bear interest at a rate of 1.3% per annum for the period from May 15, 2004 to May 14, 2009, and at a rate of 6 month JPY LIBOR plus 2.05% per annum subsequent to May 14, 2009.

15. BONDS WITH WARRANTS

Subordinated unsecured bonds with warrants at March 31, 2005 and 2004 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2005	2004	**2005**
Convertible bonds	**¥29,895**	¥30,000	**$278,377**

At March 31, 2005, the 1.9% subordinated unsecured bonds with warrants due September 30, 2009 were convertible into 47,227,488 shares of common stock of the Bank, at a conversion price of ¥633, subject to adjustments under certain circumstances.

16. OTHER LIABILITIES

Other liabilities at March 31, 2005 and 2004 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2005	2004	**2005**
Domestic exchange settlement	**¥ 12**	¥ 34	**$ 120**
Accrued income taxes	**7,542**	518	**70,238**
Accrued expenses	**5,851**	5,235	**54,485**
Unearned income	**7,664**	8,133	**71,369**
Other	**52,715**	35,896	**490,883**
Total	**¥73,787**	¥49,819	**$687,098**

17. ACCEPTANCES AND GUARANTEES

All contingent liabilities arising from acceptances and guarantees are reflected in “Acceptances and Guarantees”. As a contra account, “Customers’ Liabilities for Acceptances and Guarantees” are shown as assets representing the Bank’s right of indemnity from the applicants.

18. STOCKHOLDERS’ EQUITY

Japanese companies are subject to the Japanese Commercial Code (the “Code”).

The Code requires that all shares of common stock are recorded with no par value and at least 50% of the issue price of new shares is required to be recorded as common stock and the remaining net proceeds as additional paid-in capital, which is included in capital surplus. The Code permits Japanese companies, upon approval of the Board of Directors, to issue shares to existing stockholders without consideration as a stock split. Such issuance of shares generally does not give rise to changes within the stockholders’ accounts.

The Code also provides that an amount at least equal to 10% (20% for banks pursuant to the Banking Law of Japan) of the aggregate amount of cash dividends and certain other appropriations of retained earnings associated with cash outlays applicable to each period shall be appropriated as a legal reserve (a component of retained earnings) until such reserve and additional paid-in capital equals 25% (100% for banks pursuant to the Banking Law of Japan) of common stock. The amount of total additional paid-in capital and legal reserve that exceeds 25% (100% for banks pursuant to the Banking Law of Japan) of the common stock may be available for dividends by resolution of the stockholders. In addition, the Code permits the transfer of a portion of additional paid-in capital and legal reserve to the common stock by resolution of the Board of Directors.

The Code allows Japanese companies to repurchase treasury stock and dispose of such treasury stock by resolution of the Board of Directors. The repurchased amount of treasury stock cannot exceed the amount available for future dividend plus amount of common stock, additional paid-in capital or legal reserve to be reduced in the case where such reduction was resolved at the general stockholders meeting.

In addition to the provision that requires an appropriation for a legal reserve in connection with the cash payment, the Code imposes certain limitations on the amount of retained earnings available for dividends. The amount of retained earnings available for dividends under the Code was ¥149,372 million ($1,390,931 thousand) as of March 31, 2005, based on the amount recorded in the Bank’s general books of account.

Dividends are approved by the stockholders at a meeting held subsequent to the fiscal year to which the dividends are applicable. Semiannual interim dividends may also be paid upon resolution of the Board of Directors, subject to certain limitations imposed by the Code.

19. OTHER OPERATING INCOME

Other operating income for the years ended March 31, 2005 and 2004 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2005	2004	**2005**
Gains on foreign exchange transactions - net	**¥ 690**	¥ 540	**$ 6,427**
Gains on trading securities	**56**	30	**523**
Gains on sales of bonds	**250**	399	**2,335**
Gains on derivatives	**48**	46	**448**
Other	**5,426**	5,051	**50,529**
Total	**¥6,471**	¥6,069	**$60,263**

20. OTHER INCOME

Other income for the years ended March 31, 2005 and 2004 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2005	2004	**2005**
Gains on sales of stocks and other securities	**¥ 745**	¥ 1,783	**$ 6,945**
Gains on sales of premises and equipment	**568**	147	**5,290**
Recovery of claims previously charged-off	**10**	30	**93**
Gains on reversal of reserve for possible loan losses	**6,930**		**64,537**
Gain on exemption from future pension obligation of the governmental program		7,774	
Other	**1,922**	1,645	**17,906**
Total	**¥10,177**	¥11,381	**$94,772**

21. OTHER OPERATING EXPENSES

Other operating expenses for the years ended March 31, 2005 and 2004 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2005	2004	**2005**
Losses on sales of bonds	**¥1,732**	¥ 5,621	**$16,136**
Losses on redemption of bonds		825	
Other	**5,677**	5,337	**52,870**
Total	**¥7,410**	¥11,784	**$69,006**

22. OTHER EXPENSES

Other expenses for the years ended March 31, 2005 and 2004 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2005	2004	**2005**
Provision for reserve for possible loan losses		¥ 8,908	
Charge-off claims	**¥ 160**	176	**$ 1,492**
Losses on sales of stocks and other securities		37	
Losses on devaluation of stocks and other securities	**67**	121	**632**
Losses on sales of premises and equipment	**324**	1,974	**3,023**
Loss on impairment of long-lived assets	**884**		**8,233**
Other	**2,669**	4,547	**24,860**
Total	**¥4,107**	¥15,766	**$38,244**

23. ENTERPRISE TAXES

With the implementation of the "Revision of the Local Tax Law" (Legislation No. 9, March, 2003) on March 31, 2003, a part of tax basis of enterprise taxes was changed to amount of value-added and amount of capital in the fiscal year starting on April 1, 2004. The Bank has presented enterprise taxes computed based on amount of value-added and amount of capital in general and administrative expenses in the accompanying consolidated statement of income for the year ended March 31, 2005 based on the Report of Practical Issues No. 12, "Practical Treatment of Presentation in Income Statement for Enterprise Taxes through External Standards Taxation" issued by the ASBJ on February 13, 2004.

24. LEASES

Lessee

The Group leases certain equipment and other assets.

Lease payments under finance leases for the years ended March 31, 2005 and 2004 amounted to ¥92 million ($865 thousand) and ¥51 million, respectively.

Pro forma information of leased property such as acquisition cost, accumulated depreciation, obligations under finance leases, depreciation expense and interest expense for finance leases that do not transfer ownership of the leased property to the lessee on an "as if capitalized" basis for the years ended March 31, 2005 and 2004 was as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2005	2004	**2005**
Acquisition cost	**¥324**	¥392	**$3,019**
Accumulated depreciation	**216**	177	**2,016**
Net leased property	**¥107**	¥214	**$1,003**

Obligations under finance leases as of March 31, 2005 and 2004 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2005	2004	**2005**
Due within one year	**¥ 79**	¥ 84	**$ 744**
Due after one year	**123**	203	**1,153**
Total	**¥203**	¥288	**$1,897**

The imputed interest expense portion which is computed using the interest method is excluded from the above obligations under finance leases.

Depreciation expense and interest expense under finance leases:

	Millions of Yen		Thousands of U.S. Dollars
	2005	2004	**2005**
Depreciation expense	**¥101**	¥113	**$943**
Interest expense	**8**	6	**76**

Depreciation expense and interest expense, which are not reflected in the accompanying consolidated statements of income, are computed by the straight-line method and the interest method, respectively.

Lessor

One subsidiary leases certain equipment and other assets.

Lease receipts under finance leases amounted to ¥4,521 million ($42,105 thousand) and ¥4,543 million, respectively, for the years ended March 31, 2005 and 2004.

Pro forma information of leased property such as acquisition cost, accumulated depreciation, lessor's receivables under finance leases, depreciation expense and interest expense for finance leases for the years ended March 31, 2005 and 2004 was as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2005	2004	**2005**
Acquisition cost	**¥22,260**	¥22,013	**$207,282**
Accumulated depreciation	**10,345**	10,341	**96,332**
Net leased property	**¥11,914**	¥11,671	**$110,950**

Lessor's receivables under finance leases as of March 31, 2005 and 2004 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2005	2004	**2005**
Due within one year	**¥ 3,622**	¥ 3,598	**$ 33,729**
Due after one year	**8,793**	8,578	**81,884**
Total	**¥12,415**	¥12,176	**$115,614**

The imputed interest expense portion which is computed using the interest method is excluded from the above lessor's receivables under finance leases.

Depreciation expense and interest expense under finance leases:

	Millions of Yen		Thousands of U.S. Dollars
	2005	2004	**2005**
Depreciation expense	**¥3,918**	¥3,863	**$36,488**
Interest expense	**589**	587	**5,486**

The minimum future rentals to be received under noncancellable operating leases at March 31, 2005 and 2004 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2005	2004	**2005**
Due within one year	**¥169**	¥ 76	**$1,578**
Due after one year	**584**	95	**5,443**
Total	**¥754**	¥171	**$7,022**

25. EMPLOYEES' RETIREMENT BENEFITS

The Bank has a contributory funded pension plan and an unfunded lump-sum severance payment plan. Certain subsidiaries have unfunded lump-sum severance payment plans.

The reserve for employees' retirement benefits at March 31, 2005 and 2004 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2005	2004	**2005**
Projected benefit obligation	**¥(43,755)**	¥(44,024)	**$(407,443)**
Plan assets (fair value)	**18,638**	16,743	**173,556**
Unfunded projected benefit obligation	**(25,117)**	(27,281)	**(233,887)**
Unrecognized actuarial net loss	**12,449**	14,771	**115,929**
Net amount recorded on the consolidated balance sheet	**(12,667)**	(12,510)	**(117,957)**
Reserve for employees' retirement benefits	**¥(12,667)**	¥(12,510)	**$(117,957)**

The contributory funded pension plan, which is established under the Japanese Welfare Pension Insurance Law, covers a substitutional portion of the governmental pension program managed by the Bank on behalf of the government and a corporate portion established at the discretion of the Bank. In accordance with the Defined Benefit Pension Plan Law enacted in April 2002, the Bank applied for an exemption from obligation to pay benefits for future employee services related to the substitutional portion which would result in the transfer of the pension obligations and related assets to the government upon approval. The Bank obtained approval for exemption from the future obligation by the Ministry of Health, Labor and Welfare on June 20, 2003 and recognized a gain on exemption from the future pension obligation of the governmental program in the amount of ¥7,774 million for the year ended March 31, 2004.

The components of net periodic benefit costs were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2005	2004	**2005**
Service cost	**¥1,690**	¥1,974	**$15,743**
Interest cost	**439**	528	**4,092**
Expected return on plan assets	**(167)**	(179)	**(1,559)**
Amortization of prior service cost		(7)	
Recognized actuarial net loss	**1,709**	2,153	**15,914**
Other		128	
Net periodic retirements benefit costs	**3,671**	4,598	**34,191**
Gain on exemption from future pension obligation of the governmental program		(7,774)	
Total	**¥3,671**	¥(3,176)	**$34,191**

Assumptions used for the years ended March 31, 2005 and 2004 were set forth as follows:

	2005	2004
Discount rate	**1.0%**	1.0%
Expected rate of return on plan assets	**1.0%**	1.0%
Amortization period of prior service cost		1 year
Recognized period of actuarial gain or loss	**10 years**	10 years

26. INCOME TAXES

The Group is subject to Japanese national and local income taxes.

On March 31, 2003, a tax reform law was enacted in Japan which changed the normal effective statutory tax rate from 42.0% to 40.6%, effective for years beginning after March 31, 2004.

The tax effects of significant temporary differences and loss carryforwards which resulted in deferred tax assets and liabilities at March 31, 2005 and 2004 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2005	2004	**2005**
Deferred tax assets:			
Reserve for possible loan losses	**¥16,797**	¥23,198	**$156,417**
Devaluation of stocks and other securities	**5,074**		**47,255**
Reserve for employees' retirement benefits	**4,950**	4,686	**46,094**
Tax loss carryforwards		2,905	
Depreciation	**1,211**		**11,279**
Other	**4,827**	9,048	**44,949**
Less valuation allowance	**(23)**		**(219)**
Total	**¥32,837**	¥39,837	**$305,775**
Deferred tax liabilities:			
Net unrealized gain on available-for-sale securities	**¥79,853**	¥77,343	**$743,580**
Reserve for deduction of cost of fixed assets	**7**	289	**73**
Total	**¥79,860**	¥77,632	**$743,653**
Net deferred tax assets	**¥ 2,010**	¥ 1,594	**$ 18,724**
Net deferred tax liabilities	**¥49,034**	¥39,388	**$456,602**

Since the difference between the normal effective statutory tax rate and the actual effective tax rate reflected in the accompanying consolidated statements of income is not more than 5 %, the information for the years ended March 31, 2005 and 2004 is not required to be disclosed.

27. MARKET VALUE AND OTHER INFORMATION ON SECURITIES

Market value and other information on securities as of March 31, 2005 and 2004 were as follows:

Securities

(1) Bonds classified as trading

	Millions of Yen			
	2005		2004	
	Consolidated balance sheet amount	Gains (losses) included in profit/loss during this fiscal year	Consolidated balance sheet amount	Gains (losses) included in profit/loss during this fiscal year
Bonds classified as trading	**¥739**		¥322	

	Thousands of U.S. Dollars	
	2005	
	Consolidated balance sheet amount	Gains (losses) included in profit/loss during this fiscal year
Bonds classified as trading	**$6,885**	

(2) Held-to-maturity securities that have market value.

	Millions of Yen									
	2005					2004				
	Consolidated balance sheet amount	Fair value	Net unrealized gains (losses)	Unrealized gains	Unrealized losses	Consolidated balance sheet amount	Fair value	Net unrealized gains (losses)	Unrealized gains	Unrealized losses
Japanese government bonds	**¥803**	**¥804**	**¥1**	**¥1**						
Japanese local government bonds										
Japanese corporate bonds										
Other										
Total	**¥803**	**¥804**	**¥1**	**¥1**						

	Thousands of U.S. Dollars				
	2005				
	Consolidated balance sheet amount	Fair value	Net unrealized gains (losses)	Unrealized gains	Unrealized losses
Japanese government bonds	**$7,481**	**$7,494**	**$13**	**$13**	
Japanese local government bonds					
Japanese corporate bonds					
Other					
Total	**$7,481**	**$7,494**	**$13**	**$13**	

Note: Market value is calculated by using the market prices at the fiscal year end as for stocks, bonds and other.

(3) Available-for-sale securities that have market value

	Millions of Yen									
	2005					2004				
	Cost	Consolidated balance sheet amount	Net unrealized gains (losses)	Unrealized gains	Unrealized losses	Cost	Consolidated balance sheet amount	Net unrealized gains (losses)	Unrealized gains	Unrealized losses
Stocks	**¥ 165,751**	**¥ 341,097**	**¥175,346**	**¥175,564**	**¥ 218**	¥ 158,662	¥ 336,069	¥177,407	¥177,928	¥ 521
Bonds:	**1,191,672**	**1,207,973**	**16,300**	**16,414**	**114**	1,150,526	1,157,292	6,766	9,189	2,422
Japanese government bonds	**616,340**	**625,699**	**9,358**	**9,383**	**25**	557,270	560,905	3,635	4,409	774
Japanese local government bonds	**156,472**	**159,530**	**3,058**	**3,128**	**69**	165,215	167,281	2,066	2,684	617
Japanese corporate bonds	**418,859**	**422,743**	**3,883**	**3,902**	**18**	428,041	429,105	1,064	2,095	1,030
Other	**396,801**	**401,306**	**4,504**	**6,461**	**1,956**	305,520	311,400	5,879	6,153	273
Total	**¥1,754,226**	**¥1,950,377**	**¥196,150**	**¥198,440**	**¥2,289**	¥1,614,708	¥1,804,762	¥190,053	¥193,270	¥3,216

	Thousands of U.S. Dollars				
	2005				
	Cost	Consolidated balance sheet amount	Net unrealized gains (losses)	Unrealized gains	Unrealized losses
Stocks	**$ 1,543,452**	**$ 3,176,253**	**$1,632,801**	**$1,634,834**	**$ 2,033**
Bonds:	**11,096,684**	**11,248,468**	**151,783**	**152,848**	**1,064**
Japanese government bonds	**5,739,277**	**5,826,421**	**87,144**	**87,382**	**238**
Japanese local government bonds	**1,457,044**	**1,485,522**	**28,477**	**29,127**	**649**
Japanese corporate bonds	**3,900,362**	**3,936,524**	**36,161**	**36,338**	**176**
Other	**3,694,960**	**3,736,904**	**41,943**	**60,166**	**18,223**
Total	**$16,335,097**	**$18,161,626**	**$1,826,528**	**$1,847,849**	**$21,320**

Note: Market value is calculated by using the market prices at the fiscal year end as for stocks, bonds and other.

(4) Bonds classified as held-to-maturity were not sold during the fiscal year

(5) Available-for-sale securities sold during the fiscal year

	Millions of Yen					
	2005			2004		
	Sales amount	Gains on sales	Losses on sales	Sales amount	Gains on sales	Losses on sales
Available-for-sale securities	**¥197,783**	**¥996**	**¥1,733**	¥402,057	¥2,182	¥5,658

	Thousands of U.S. Dollars		
	2005		
	Sales amount	Gains on sales	Losses on sales
Available-for-sale securities	**$1,841,729**	**$9,280**	**$16,137**

(6) Securities with no readily available market value

	Millions of Yen		Thousands of U.S. Dollars
	2005	2004	2005
	Consolidated balance sheet amount	Consolidated balance sheet amount	Consolidated balance sheet amount
Available-for-sale securities:			
Non-listed bonds	**¥13,816**	¥9,645	**$128,653**
Non-listed stocks (except OTC stocks)	**3,002**	3,183	**27,955**
Other	**2,783**	2,494	**25,918**

(7) The classification of securities has not been changed.

(8) Redemption schedule on available-for-sale securities that have maturities and bonds classified as held-to-maturity was as follows:

	Millions of Yen							
	2005				2004			
	1 year or less	1 to 5 years	5 to 10 years	Over 10 years	1 year or less	1 to 5 years	5 to 10 years	Over 10 years
Bonds:	**¥204,650**	**¥591,161**	**¥213,866**	**¥212,914**	¥157,129	¥691,673	¥200,479	¥117,656
Japanese government bonds	**132,361**	**191,154**	**92,084**	**210,901**	52,137	287,433	103,676	117,656
Japanese local government bonds	**3,214**	**103,985**	**52,330**		20,051	94,676	52,553	
Japanese corporate bonds	**69,074**	**296,020**	**69,451**	**2,012**	84,939	309,562	44,248	
Other	**14,251**	**203,691**	**107,037**	**48,725**	12,121	124,529	89,520	61,199
Total	**¥218,901**	**¥794,852**	**¥320,903**	**¥261,640**	¥169,250	¥816,202	¥289,999	¥178,856

	Thousands of U.S. Dollars			
	2005			
	1 year or less	1 to 5 years	5 to 10 years	Over 10 years
Bonds:	**$1,905,675**	**$5,504,805**	**$1,991,494**	**$1,982,627**
Japanese government bonds	**1,232,535**	**1,780,002**	**857,478**	**1,963,886**
Japanese local government bonds	**29,930**	**968,300**	**487,291**	
Japanese corporate bonds	**643,210**	**2,756,502**	**646,724**	**18,741**
Other	**132,703**	**1,896,744**	**996,714**	**453,727**
Total	**$2,038,379**	**$7,401,550**	**$2,988,209**	**$2,436,355**

Money Held in Trust

(1) Money held in trust classified as trading

	Millions of Yen			
	2005		2004	
	Consolidated balance sheet amount	Gain (losses) included in profit/loss during this fiscal year	Consolidated balance sheet amount	Gain (losses) included in profit/loss during this fiscal year
Money held in trust classified as trading	**¥1,994**		¥2,002	¥(1)

	Thousands of U.S. Dollars	
	2005	
	Consolidated balance sheet amount	Gain (losses) included in profit/loss during this fiscal year
Money held in trust classified as trading	**$18,571**	

(2) No money held in trust was classified as held-to-maturity.

(3) No money held in trust was classified as available-for-sale. (Money held in trust that is classified neither as trading nor as held-to-maturity)

Net Unrealized Gains/Losses on Available-for-sale Securities

Available-for-sale securities were valued at market and net unrealized gains/losses on valuation were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2005	2004	2005
	Consolidated balance sheet amount	Consolidated balance sheet amount	Consolidated balance sheet amount
Net unrealized gains on investment securities	**¥196,150**	¥190,053	**$1,826,528**
(Deferred tax liabilities)	**(79,823)**	(77,343)	**(743,307)**
Net unrealized gains on valuation (before adjustment)	**116,327**	112,710	**1,083,220**
(Minority interests)	**(405)**	(421)	**(3,778)**
Net unrealized gains on valuation	**¥115,921**	¥112,288	**$1,079,441**

28. MARKET VALUE INFORMATION ON DERIVATIVE TRANSACTIONS

Derivatives are subject to market risk, which is the exposure created by potential fluctuations in market conditions, and credit risk, which is the possibility that a loss may result from a counterpart's failure to perform according to the terms and conditions of the contract.

Since most of the Bank's derivative transactions are conducted to hedge underlying business exposures, market gain or risk in the derivative instruments is expected to be offset by an opposite movement in the value of hedged assets or liabilities. Credit risk at March 31, 2005 and 2004 amounted to ¥7,278 million ($67,780 thousand) and ¥11,045 million, respectively. These figures are the measures used in the calculation of risk-based capital ratios under the Japanese capital ratio guidelines. The Bank adopts the current exposure method stipulated by the guidelines in calculating the amount.

As a risk control system for derivatives, the Bank has established a risk management division that operates independently from divisions executing derivative transactions. Derivative transactions entered into by the Bank have been made in accordance with internal policies which regulate the authorization and credit limit amounts. In addition, positions and related gains or losses from derivatives are reported to management on a daily basis for monitoring and evaluation purposes.

The notional amounts of swap agreements and the contract amounts of forward exchange contracts, option agreements and other derivatives do not necessarily measure the Bank's exposure to credit or market risk.

(1) Interest-rate-related transactions

Interest-rate-related transactions as of March 31, 2005 and 2004 are excluded from disclosure because all the interest-rate-related transactions the Bank has entered into qualify for hedge-accounting.

(2) Currency-related transactions

Market value information on revalued currency-related derivatives as of March 31, 2005 and 2004 was as follows:

	Millions of Yen				Millions of Yen			
	2005				2004			
	Contractual value	Contractual value due after one year	Fair value	Net unrealized gains (losses)	Contractual value	Contractual value due after one year	Fair value	Net unrealized gains (losses)
Over-the-counter:								
Forward exchange contracts:	**¥55,375**	**¥15,101**	**¥(130)**	**¥(130)**	¥106,054	¥2,219	¥(2,827)	¥(2,827)
Sold	**32,152**	**7,550**	**(293)**	**(293)**	17,754	1,109	548	548
Bought	**23,223**	**7,550**	**162**	**162**	88,300	1,109	(3,376)	(3,376)
Currency options:	**5,715**	**4,097**	**298**	**32**	881			
Sold	**2,857**	**2,048**	**149**	**34**	440		(3)	
Bought	**2,857**	**2,048**	**149**	**(1)**	440		3	
Total			**¥167**	**¥ (98)**			¥(2,827)	¥(2,827)

	Thousands of U.S. Dollars			
	2005			
	Contractual value	Contractual value due after one year	Fair value	Net unrealized gains (losses)
Over-the-counter:				
Forward exchange contracts:	**$515,652**	**$140,620**	**$(1,219)**	**$(1,219)**
Sold	**299,398**	**70,310**	**(2,733)**	**(2,733)**
Bought	**216,254**	**70,310**	**1,513**	**1,513**
Currency options:	**53,221**	**38,151**	**2,775**	**303**
Sold	**26,610**	**19,075**	**1,387**	**320**
Bought	**26,610**	**19,075**	**1,387**	**(16)**
Total			**$1,556**	**$ (915)**

Notes: 1. The above transactions were revalued at the end of the years and the related gain and loss figures are reflected in the accompanying consolidated statements of income. Derivative transactions to which hedge-accounting method is applied are excluded from the above amounts.

2. Forward exchange contracts, currency options and others were revalued at the end of the years. Currency swaps are excluded from the above information pursuant to the Industry Audit Committee Report No.25, "Treatment of Accounting and Auditing Concerning Accounting for Foreign Currency Transactions in the Banking Industry", issued by the JICPA.

(3) Stock-related transactions are not performed.

(4) Bond-related transactions are not performed.

(5) Financial product-related transactions are not performed.

(6) Credit derivative transactions are not performed.

29.NET INCOME PER SHARE

Reconciliation of the differences between basic and diluted net income per share ("EPS") for the years ended March 31, 2005 and 2004 is as follows:

	Yen in millions	Thousands of shares	Yen	U.S. Dollars
	Net income	Weighted average shares	EPS	
For the year ended March 31, 2005				
Basic EPS				
Net income available to common stockholders	**¥21,874**	**331,384**	**¥66.00**	**$0.614**
Effect of dilutive securities				
Bonds with warrants	**345**	**47,392**		
Diluted EPS				
Net income for computation	**¥22,219**	**378,776**	**¥58.66**	**$0.546**
For the year ended March 31, 2004				
Basic EPS				
Net income available to common stockholders	¥10,858	331,507	¥32.75	
Effect of dilutive securities				
Bonds with warrants	346	47,393		
Diluted EPS				
Net income for computation	¥11,204	378,900	¥29.57	

30. SUBSEQUENT EVENTS

Appropriations of Retained Earnings

The following appropriations of retained earnings at March 31, 2005 were approved at the Bank's general stockholders' meeting held on June 29, 2005:

	Millions of Yen	Thousands of U.S. Dollars
Year-end cash dividends, ¥3.50 ($0.032) per share	**¥1,159**	**$10,801**
Bonuses to directors and corporate auditors	**60**	**558**

31. SEGMENT INFORMATION

i) Business Segment Information

Information about industry segments of the Bank and its subsidiaries as of and for the years ended March 31, 2005 and 2004 is as follows:

a. Operating income

	Millions of Yen				
	2005				
	Banking	Other	Total	Eliminations/Corporate	Consolidated
Operating Income:					
Outside customers	**¥94,625**	**¥ 9,230**	**¥103,855**		**¥103,855**
Intersegment income	**473**	**3,336**	**3,809**	**¥(3,809)**	
Total	**95,098**	**12,566**	**107,664**	**(3,809)**	**103,855**
Operating expenses	**67,218**	**10,020**	**77,239**	**(3,801)**	**73,438**
Net income for computation	**¥27,879**	**¥ 2,546**	**¥ 30,425**	**¥ (7)**	**¥ 30,417**

b. Total assets, depreciation, impairment loss and capital expenditures

	Millions of Yen				
	2005				
	Banking	Other	Total	Eliminations/Corporate	Consolidated
Total assets	**¥5,339,485**	**¥33,753**	**¥5,373,239**	**¥(24,902)**	**¥5,348,337**
Depreciation	**3,914**	**4,886**	**8,801**		**8,801**
Impairment loss	**142**	**741**	**884**		**884**
Capital expenditures	**5,501**	**5,189**	**10,690**		**10,690**

a. Operating income

	Thousands of U.S. Dollars				
	2005				
	Banking	Other	Total	Eliminations/Corporate	Consolidated
Operating Income:					
Outside customers	**$881,134**	**$ 85,953**	**$ 967,088**		**$967,088**
Intersegment income	**4,406**	**31,065**	**35,472**	**$(35,472)**	
Total	**885,541**	**117,018**	**1,002,560**	**(35,472)**	**967,088**
Operating expenses	**625,931**	**93,310**	**719,241**	**(35,397)**	**683,844**
Net income for computation	**$259,610**	**$ 23,707**	**$ 283,318**	**$ (74)**	**$283,244**

b. Total assets, depreciation, impairment loss and capital expenditures

	Thousands of U.S. Dollars				
	2005				
	Banking	Other	Total	Eliminations/Corporate	Consolidated
Total assets	**$49,720,513**	**$314,310**	**$50,034,824**	**$(231,889)**	**$49,802,934**
Depreciation	**36,454**	**45,501**	**81,956**		**81,956**
Impairment loss	**1,328**	**6,904**	**8,233**		**8,233**
Capital expenditures	**51,224**	**48,325**	**99,549**		**99,549**

a. Operating income

	Millions of Yen				
	2004				
	Banking	Other	Total	Eliminations/Corporate	Consolidated
Operating Income:					
Outside customers	¥89,739	¥8,567	¥ 98,307		¥98,307
Intersegment income	362	3,269	3,631	¥(3,631)	
Total	90,102	11,836	101,939	(3,631)	98,307
Operating expenses	77,677	11,309	88,986	(3,626)	85,360
Net income for computation	¥12,425	¥ 527	¥ 12,952	¥ (5)	¥12,947

b. Total assets, depreciation and capital expenditures

	Millions of Yen				
	2004				
	Banking	Other	Total	Eliminations/Corporate	Consolidated
Total assets	¥4,850,305	¥34,259	¥4,884,564	¥(25,123)	¥4,859,441
Depreciation	3,540	4,707	8,247		8,247
Capital expenditures	7,701	4,834	12,535		12,535

Note: "Other" includes business in leasing and other banking related activities such as credit guarantee, venture capital and other.

ii) Segment Information by Geographic Area

The Group does not operate outside Japan. Accordingly, segment information by geographic area is not presented herein for the years ended March 31, 2005 and 2004.

iii) Operating Income from International Operations

Operating income arising from international operations for the year ended March 31, 2005 was as follows.

	Millions of Yen	Thousands of U.S. Dollars
	2005	
Operating income from international operations (A)	**¥ 12,308**	**$114,617**
Consolidated operating income (B)	**103,855**	**967,088**
(A) / (B)	**11.8%**	**11.8%**

Operating income arising from international operations for the year ended March 31, 2004 was less than 10% of the total income. Accordingly, the presentation of operating income from international operations for the fiscal year is not required under the related regulations.

Independent Auditors' Report

The Bank of Kyoto, Ltd.

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To the Board of Directors and Stockholders of The Bank of Kyoto, Ltd.:

We have audited the accompanying consolidated balance sheets of The Bank of Kyoto, Ltd (the"Bank"). and subsidiaries as of March 31, 2005 and 2004, and the related consolidated statements of income, stockholders' equity, and cash flows for the years then ended, all expressed in Japanese yen. These consolidated financial statements are the responsibility of the Bank's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of The Bank and subsidiaries as of March 31, 2005 and 2004, and the consolidated results of their operations and their cash flows for the years then ended in conformity with accounting principles generally accepted in Japan.

As discussed in Note 2, "Long-lived Assets" to the consolidated financial statements, The Bank and subsidiaries adopted the new accounting standard for impairment of fixed assets as of April 1, 2004.

Our audits also comprehended the translation of Japanese yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made in conformity with the basis stated in Note 1. Such U.S. dollar amounts are presented solely for the convenience of readers outside Japan.

Deloitte Touche Tohmatsu

June 29, 2005

Member of
Deloitte Touche Tohmatsu

Non-Consolidated Five-Year Summary

The Bank of Kyoto, Ltd.
Years Ended March 31, 2005, 2004, 2003, 2002 and 2001

	Millions of Yen					Thousands of U.S. Dollars
	2005	2004	2003	2002	2001	**2005**
For the Year						
Total Income	**¥ 104,195**	¥ 98,043	¥ 89,277	¥ 100,248	¥ 110,476	**$ 970,256**
Interest on Loans and Discounts	**53,286**	52,678	54,164	57,194	61,066	**496,196**
Interest and Dividends on Securities	**22,696**	19,904	19,501	20,997	22,151	**211,345**
Fees and Commissions	**12,543**	11,578	10,685	10,014	9,498	**116,799**
Total Expenses	**67,685**	79,494	81,729	94,273	103,250	**630,277**
Interest on Deposits	**4,528**	3,083	4,775	7,706	13,735	**42,167**
Interest on Borrowings and Rediscounts	**2,125**	1,599	1,874	1,186	935	**19,789**
Fees and Commissions	**6,106**	5,471	4,679	4,244	4,096	**56,862**
General and Administrative Expenses	**47,709**	47,569	46,804	48,827	48,895	**444,266**
Income before Income Taxes	**36,510**	18,548	7,547	5,975	7,226	**339,979**
Net Income	**22,327**	10,863	3,715	4,085	4,621	**207,906**
Cash Dividends	**1,988**	1,657	1,658	1,990	1,659	**18,517**
At Year-End						
Total Assets	**¥5,339,485**	¥4,850,305	¥4,589,565	¥4,671,283	¥4,561,366	**$49,720,513**
Cash and Due from Banks	**102,846**	78,442	108,838	68,681	77,148	**957,693**
Call Loans and Bills Bought	**281,576**	127,561	114,023	191,917	140,370	**2,621,998**
Investment Securities	**1,968,051**	1,818,018	1,661,771	1,698,251	1,630,427	**18,326,203**
Loans and Bills Discounted	**2,908,214**	2,763,407	2,667,720	2,688,236	2,692,966	**27,080,873**
Total Liabilities	**5,033,263**	4,567,928	4,364,771	4,366,943	4,231,122	**46,869,034**
Deposits	**4,695,561**	4,293,106	4,160,640	4,111,313	3,965,561	**43,724,383**
Call Money	**30,708**	44,460	21,828	24,558	13,654	**285,952**
Borrowed Money	**34,004**	35,013	30,022	30,040	36,064	**316,645**
Total Stockholders' Equity	**306,220**	282,376	224,794	304,339	330,244	**2,851,478**
Common Stock	**27,152**	27,100	27,100	27,100	27,100	**252,840**
	Yen					U.S. Dollars
Per Share						
Net Assets	**¥923.79**	¥851.72	¥677.89	¥917.31	¥995.24	**$8.602**
Net Income	**67.19**	32.58	11.08	12.31	13.92	**0.625**
Cash Dividends Applicable to the Year	**6.50**	5.50	5.00	6.00	5.00	**0.060**
	Millions of U.S. Dollars					
Other Data						
Foreign Exchange Transactions	**$4,438**	$3,635	$3,163	$3,622	$4,810	
Foreign Currency Assets	**4,037**	2,400	2,369	1,098	1,416	
Number of Offices	**128**	124	123	121	118	
Number of Employees	**2,628**	2,609	2,660	2,702	2,776	

Notes:
1. Japanese yen figures are expressed with amounts under one million omitted. Accordingly, breakdown figures may not add up to sums.
2. U.S. dollar amounts represent translation of Japanese yen at the rate of ¥107.39 to US$1.00 on March 31, 2005, the final business day of the term.
3. "Net Income Per Share" for the years ended March 31, 2005, 2004 and 2003 is computed in accordance with a new accounting standard for earnings per share of common stock issued by the Accounting Standards Board of Japan.
4. "Number of Offices" includes sub-branch offices.

Non-Consolidated Balance Sheets (unaudited)

The Bank of Kyoto, Ltd.
As of March 31, 2005 and 2004

	Millions of Yen		Thousands of U.S. Dollars
	2005	2004	2005
Assets			
Cash and Due from Banks	¥ 102,846	¥ 78,442	$ 957,693
Call Loans	275,976	76,561	2,569,852
Receivables under Resale Agreements	1,099	749	10,242
Bills Bought	5,600	51,000	52,146
Commercial Paper and Other Debt Purchased	3,375	2,388	31,431
Trading Securities	739	322	6,885
Money Held in Trust	1,994	2,002	18,571
Investment Securities	1,968,051	1,818,018	18,326,203
Loans and Bills Discounted	2,908,214	2,763,407	27,080,873
Foreign Exchanges	4,035	3,277	37,581
Other Assets	18,298	22,270	170,388
Premises and Equipment, net	56,765	56,409	528,591
Customers' Liabilities for Acceptances and Guarantees	33,639	33,868	313,245
Reserve for Possible Loan Losses	(41,151)	(58,416)	(383,194)
Total Assets	¥5,339,485	¥4,850,305	$49,720,513
Liabilities and Stockholders' Equity			
Liabilities			
Deposits	¥4,695,561	¥4,293,106	$43,724,383
Call Money	30,708	44,460	285,952
Payables under Repurchase Agreements	1,099	749	10,242
Payables under Securities Lending Transactions	61,742	38,379	574,939
Borrowed Money	34,004	35,013	316,645
Foreign Exchanges	93	101	871
Bonds	20,000		186,237
Bonds with Warrants	29,895	30,000	278,377
Other Liabilities	64,826	40,501	603,658
Reserve for Employees' Retirement Benefits	12,595	12,438	117,283
Deferred Tax Liabilities	48,950	38,925	455,821
Deferred Tax Liabilities for Land Revaluation	147	382	1,374
Acceptances and Guarantees	33,639	33,868	313,245
Total Liabilities	5,033,265	4,567,928	46,869,034
Stockholders' Equity			
Common Stock	27,152	27,100	252,840
Capital Surplus	15,395	15,342	143,356
Retained Earnings	147,921	127,300	1,377,419
Land Revaluation Surplus	215	557	2,003
Net Unrealized Gains on Investment Securities, Net of Taxes	115,881	112,246	1,079,067
Treasury Stock — at Cost	(344)	(170)	(3,209)
Total Stockholders' Equity	306,220	282,376	2,851,478
Total Liabilities and Stockholders' Equity	¥5,339,485	¥4,850,305	$49,720,513

Notes:
1. Japanese yen figures are expressed with amounts under one million omitted. Accordingly, breakdown figures may not add up to sums.
2. U.S. dollar amounts represent translation of Japanese yen at the rate of ¥107.39 to US$1.00 on March 31, 2005, the final business day of the term.

Non-Consolidated Statements of Income (unaudited)

The Bank of Kyoto, Ltd.
Years Ended March 31, 2005 and 2004

	Millions of Yen		Thousands of U.S. Dollars
	2005	2004	**2005**
Income			
Interest Income:			
Interest on Loans and Discounts	**¥ 53,286**	¥52,678	**$496,196**
Interest and Dividends on Securities	**22,696**	19,904	**211,345**
Other Interest Income	**3,148**	1,564	**29,315**
Fees and Commissions	**12,543**	11,578	**116,799**
Other Operating Income	**1,045**	1,017	**9,735**
Other Income	**11,475**	11,300	**106,861**
Total Income	**104,195**	98,043	**970,256**
Expenses			
Interest Expenses:			
Interest on Deposits	**4,528**	3,083	**42,167**
Interest on Borrowings and Rediscounts	**2,125**	1,599	**19,789**
Other Interest Expenses	**2,336**	1,582	**21,757**
Fees and Commissions	**6,106**	5,471	**56,862**
Other Operating Expenses	**1,732**	6,446	**16,136**
General and Administrative Expenses	**47,709**	47,569	**444,266**
Other Expenses	**3,146**	13,742	**29,297**
Total Expenses	**67,685**	79,494	**630,277**
Income before Income Taxes	**36,510**	18,548	**339,979**
Income Taxes:			
Current	**6,886**	79	**64,124**
Deferred	**7,296**	7,605	**67,948**
Net Income	**¥ 22,327**	¥10,863	**$207,906**
	Yen		U.S. Dollars
Per Share:			
Basic EPS	**¥ 67.19**	¥ 32.58	**$ 0.625**
Diluted EPS	**59.69**	29.42	**0.555**
Cash Dividends Applicable to the Year	**6.50**	5.50	**0.060**

Notes:
1. Japanese yen figures are expressed with amounts under one million omitted. Accordingly, breakdown figures may not add up to sums.
2. U.S. dollar amounts represent translation of Japanese yen at the rate of ¥107.39 to US$1.00 on March 31, 2005, the final business day of the term.

Non-Consolidated Statements of Retained Earnings (unaudited)

	Millions of Yen		Thousands of U.S. Dollars
	2005	2004	**2005**
Balance at Beginning of Year	**¥127,300**	¥118,204	**$1,185,401**
Reversal of Land Revaluation Surplus	**342**	(70)	**3,187**
Appropriations:			
Cash Dividends	**1,988**	1,657	**18,517**
Bonuses to Directors and Corporate Auditors	**60**	40	**558**
Total Appropriations	**2,048**	1,697	**19,076**
Net Income	**22,327**	10,863	**207,906**
Balance at End of Year	**¥147,921**	¥127,300	**$1,377,419**

Notes:
1. Japanese yen figures are expressed with amounts under one million omitted. Accordingly, breakdown figures may not add up to sums.
2. U.S. dollar amounts represent translation of Japanese yen at the rate of ¥107.39 to US$1.00 on March 31, 2005, the final business day of the term.

The Bank's Organization

As of July 1, 2005

- General Meeting of Stockholders
  - Board of Corporate Auditors
    - Corporate Auditors
- Board of Directors
- Executive Committee
  - President
  - Senior Managing Directors
  - Managing Directors
- Directors

- Corporate Planning Division
- Corporate Communications Division
- Business Promotion Division
- Corporate Banking Division
- Personal Banking Division
- Personal Loan Division
- Public Institutions Division
- Credit Supervision Division
- Head Office Business Department
- Domestic Branches and Sub-branches (127 Offices)
- Treasury & Investment Division
- Securities & International Division
  - Hong Kong Representative Office
  - Shanghai Representative Office
- General Secretariat
- Personnel Division
- General Affairs Division
- Business Administration Division
  - Business Operations Center
- Systems Division
- Operations Auditing Division
- Tokyo Liaison Office
- Business Reform Promotion Unit

Board of Directors and Corporate Auditors

As of June 29, 2005

President

Yasuo Kashihara

Senior Managing Directors

Yukitoshi Yasumura
Yoshiki Kizaki

Managing Directors

Hideo Takasaki
Yuji Shimiya
Masanori Murase
Masahiro Morise
Shigeo Ohi
Junichi Katsuta

Directors

Tsutomu Tsutsumi
Issei Daido
Hisayoshi Nakamura
Yoshio Nishi
Katsuyuki Toyobe

Corporate Auditors

Akio Kimura (Standing)
Takashi Ohtsuki
Kaneyoshi Jinde
Shinichi Nakama

Date of Establishment

October 1, 1941

Number of Employees

2,628

Number of Authorized Shares

500,000,000

Number of Issued Shares

331,986,875

Capital (Paid-in)

¥ 27,152 million

Major Stockholders (Number of shares in thousands)

Japan Trustee Services Bank, Ltd. (trust account)	**19,345**	**(5.82%)**
Nippon Life Insurance Company	**16,589**	**(4.99%)**
The Tokio Marine & Nichido Fire Insurance Co., Ltd.	**13,676**	**(4.11%)**
The Master Trust Bank of Japan, Ltd. (trust account)	**11,233**	**(3.38%)**
Mizuho Corporate Bank, Ltd.	**10,500**	**(3.16%)**
Gunze Ltd.	**10,458**	**(3.15%)**
Meiji Yasuda Life Insurance Company	**10,001**	**(3.01%)**
Sompo Japan Insurance Inc.	**8,912**	**(2.68%)**
The Bank of Kyoto Employees' Shareholding Association	**8,222**	**(2.47%)**
Kyocera Corporation	**7,980**	**(2.40%)**

R&I Rating*

A+

*Rating and Investment Information, Inc.

International Service Network

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Consolidated Subsidiaries

Name	Establishment	Capital	Line of business
Karasuma Shoji Co., Ltd.	October 1958	¥ 10 million	Managing real estate services for the Bank of Kyoto
Kyogin Business Service Co., Ltd.	July 1983	10	Centralized processing of clerical operations for the Bank
Kyoto Guaranty Service Co., Ltd.	October 1979	30	Credit guarantee services
Kyogin Lease & Capital Co., Ltd.	June 1985	100	Leasing, investment and financial services
Kyoto Credit Service Co., Ltd.	November 1982	50	Credit card services
Kyogin Card Service Co., Ltd.	September 1989	50	Credit card services
Kyoto Research Institute, Inc.	April 1987	30	Research and business consulting services

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Bank of Kyoto

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