

THE DAISHI BANK, LTD.

DAISHI
REPORT
2004

Year ended March 31, 2004

DAISHI BANK

Profile (Non-Consolidated)

Based in Niigata Prefecture on the western coast of Japan's main island, Honshu, Daishi Bank is the oldest bank in Japan and the most influential institution in the prefecture. It was founded in 1873 as the Fourth National Bank of Japan.

As of March 2004, the Bank's deposits totaled ¥3,594 billion (US\$34,012 million) and it operated a domestic network of 130 offices in Niigata Prefecture, Tokyo, and other prefectures.

Daishi Bank is committed to the further economic and social development and prosperity of Niigata Prefecture, while responding to changes in the business environment and diversifying needs of its customers.

Our Targeted Market, Niigata.

About Niigata Prefecture as the targeted market of the Daishi Bank

Aria	12,582 km ²	(5th/47pref.)
Population	2,473 thousands	(14th/47pref.)
GDP	¥9,519.8 billion	(14th/47pref.)
# of companies	8,649	(10th/47pref.)
#of merchants	41,295	(13th/47pref.)

Access to Niigata Prefecture

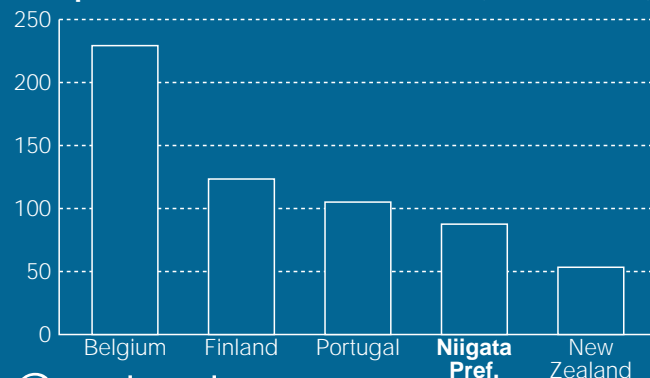
Located near the center of the Japan, Niigata prefecture has international and domestic hub ports (Niigata port is the only international hub port on the coast of the sea of Japan)

Access of major cities

Overseas : Seoul(135min), Shang-hai(375min), Harbin(115min), Vladivostok(80min), Irkutsk(270min), Guam(115min), Hawaii(385min)

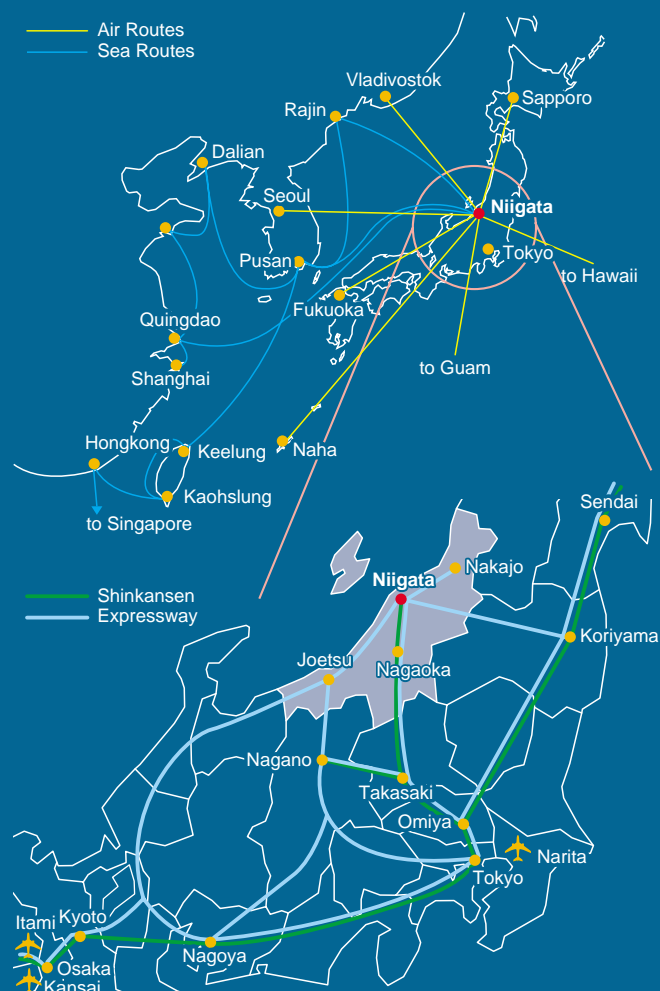
Domestic :Tokyo(100min)

Comparison of GDP (FY2000 \$billion)



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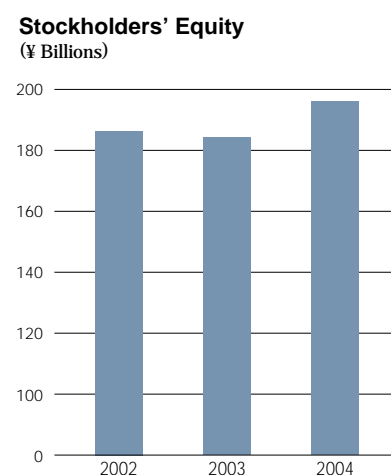
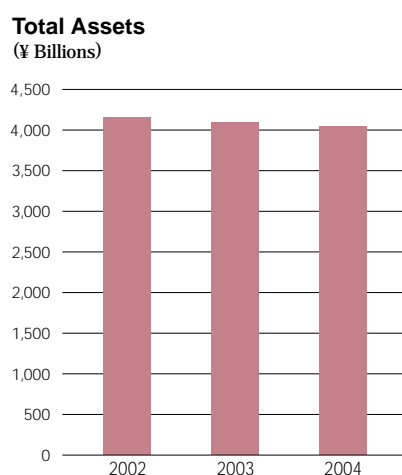
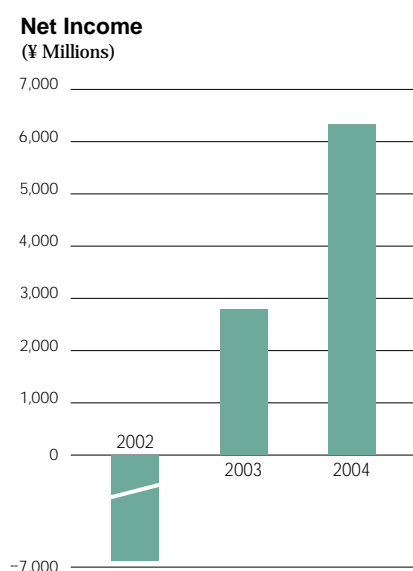


Financial Highlights

(For the Years ended March 31)	Millions of Yen			Thousands of U.S. Dollars
	2002	2003	2004	2004
Income				
Interest on Loans and Discounts.....	¥ 47,824	¥ 44,738	¥ 44,608	\$ 422,073
Interest and Dividends on Securities.....	21,744	21,444	19,710	186,496
Total Income.....	108,030	105,605	105,475	997,971
Expenses				
Interest on Deposits.....	3,883	1,672	1,179	11,156
General and Administrative Expenses.....	49,622	48,447	48,379	457,749
Total Expenses.....	120,009	98,946	91,933	869,843
Income (Loss) before Income Taxes and minority interests.....	(11,979)	6,659	13,541	128,127
Net Income (Loss).....	(6,933)	2,876	6,254	59,173
Assets				
Loans and Bills Discounted.....	2,360,550	2,377,628	2,304,493	21,804,267
Securities.....	1,224,338	1,247,133	1,256,466	11,888,226
Foreign Exchanges.....	2,581	3,382	2,355	22,286
Total Assets.....	4,086,003	4,081,858	4,080,634	38,609,468
Liabilities				
Deposits.....	3,604,381	3,576,973	3,593,125	33,996,836
Foreign Exchanges.....	116	127	222	2,109
Total Liabilities.....	3,895,595	3,894,300	3,876,108	36,674,317
Stockholders' Equity				
Common Stock.....	32,776	32,776	32,776	310,123
Capital surplus.....	18,635	18,635	18,636	176,334
Retained Earnings.....	102,751	104,106	108,774	1,029,184
Net unrealized holding gains on securities available for sale.....	20,260	16,932	28,883	273,285
Total Stockholders' Equity.....	183,508	181,693	197,971	1,873,138

Notes: (1) In this annual report, Japanese yen in millions are indicated with fractions omitted.

(2) U.S. dollar amounts represent translations of Japanese yen at the exchange rate of ¥105.69=US\$1.00, the rate prevailing on March 31, 2004.



Message
from the
President

Building Enterprise Value from the Perspective of Our Stakeholders

In November 2003 the Daishi Bank, Ltd. celebrated the 130th anniversary of its foundation. This remarkable milestone could not have been achieved without the steadfast encouragement and support of the Bank's many customers and shareholders.

The Bank's 130th anniversary marks not only an achievement but a new beginning as well. In the 2003 fiscal year (year ending March 31, 2004), Daishi Bank launched a phase of innovative reform, aiming to build new enterprise value from the standpoint of its wide range of stakeholders. The entire Daishi Bank Group is harnessing its combined capabilities as never before, to galvanize a fresh contribution to the socioeconomic development of Niigata Prefecture.



K. Kojima

Kunito Kojima
President



Business Environment and Issues

Fiscal 2003 was a term of modest economic recovery for Japan. Personal consumption quickened, while corporate earnings demonstrated a distinct improving trend.

Conditions in Niigata Prefecture, however, failed to mirror the positive developments at the national level. Corporate manufacturing activity and capital investment remained hesitant in an overall picture that betrayed few signs of recovery.

Fortunately for the region, new trends in other quarters offered prospects for a fresh beginning. For example, close collaboration among industry, government and academia resulted in the formation of a new framework for stimulating the regional economy.

In March 2003, the Financial Services Agency announced an "Action Program concerning enhancement of Relationship Banking Functions" Targeting the period to March 2005 as a period of concentrated improvement, the program is characterized by concerted efforts to fortify management and strengthen profitability while energizing the regional economy and society. The action program calls for support for

new businesses and operations; management consulting for corporate clients; rapid revitalization of business; and new avenues of financing for small and medium-sized enterprises (SMEs). Daishi Bank is expected to play a leading role in this program as a regional financial institution, and plans to commit significant institutional resources to what will surely emerge as a vital management issue in the months and years ahead.

Casting an eye on recent trends in the financial world, many banks are coming to grips with the lingering problem of bad loans, which has bedeviled the sector since the collapse of the asset-inflation bubble of the late 1980s-early 1990s. A new, forward-looking stance is taking hold in Japan's financial institutions. At Daishi Bank, we are also tackling our bad-loan issues aggressively. The Bank has positioned fiscal 2004 as the year we switch over to the offensive on this pressing matter. Aiming for harmonious coexistence with the community it serves, Daishi Bank is implementing its long-term management plan, *NextStage 130*, with a keen sense of urgency.



Operations of Daishi Bank

Message
from the
President

Long-term Management Plan : *Nextstage 130*

Daishi Bank's current long-term management plan, *NextStage 130*, aims to position the Bank as a "relationship bank in harmony with the region." This transformation will enable Daishi Bank to prevail as a regional financial institution and serve the Niigata community better than ever.

The needs of corporate customers remain one of our highest priorities. To bolster the prefectural economy, the Bank is moving quickly to provide effective support to corporate clients on all fronts, deploying consulting capabilities across all Bank locations as a problem-solving bank.

Fiscal 2003 saw Daishi Bank put a number of innovative solutions into play for its corporate customers. At general meeting of the Daishi Managers Club, a discussion forum composed of our corporate clients, the Bank provided space for exhibitions introducing various regional companies. In addition, a series of presentations promoted business matching in the region. The Bank looks forward to further extending and amplifying these initiatives in fiscal 2004.

In financing, Daishi Bank arranged syndicate loans and transfer trade receivable without

recourse, providing advanced investment-banking services using the

latest financing techniques. This innovative approach exemplifies the Bank's commitment to high value-added services.

The Bank is vigorously working to support management improvement for corporate customers struggling to rebuild and restructure their operations. To revitalize the economy of Niigata Prefecture from a long-term perspective, Daishi Bank is providing active support for the emergence of venture businesses and other new businesses.

Our individual customers benefit from this progressive approach as well. By providing a range of channels to fit each customer's life style, we are enhancing convenience for customers. The Bank's broadened range of financial instruments ably serves customers' increasingly diverse needs, while pronounced improvements in investment and other advisory services enable Daishi Bank to offer individual customers the high quality of service they demand and deserve.

Even as it deploys this sweeping range of improvements to customer service, Daishi Bank is moving relentlessly to rationalize and streamline its management across the board. The Bank is confident that these forward-looking efforts will yield significant gains in profitability and sound management structure.



Ensuring a Sound Management Platform

With the complete introduction of caps on bank-deposit guarantees in April 2005, financial institutions are under more pressure than ever to ensure that their operations are founded on a solid economic base. At Daishi Bank, we are carrying this imperative one step further, expanding on our traditionally sound management platform to make sound organizational health a central focus at all levels, with particular emphasis on corporate governance.

Recognizing that the trust of the community is a bank's greatest asset, the Bank is working hard to build a management framework firmly

rooted in compliance. To this end, Daishi Bank is vigorously implementing a program of education and training to instill in all directors a spirit of individual responsibility guided by an unswerving ethical outlook. This commitment extends not only to compliance with the law but to respect for a range of community standards as well.

Reinforcing these efforts is the timely and accurate implementation of internal auditing procedures in all operations, as well as sophisticated risk management drawing on a range of techniques.

Transparency with a Clear Stakeholder Focus

Daishi Bank is pressing unerringly ahead in the implementation of NextStage 130, in its bid to boost profitability and secure a sound financial base. We recognize that these tasks point the surest way forward in creating enterprise value for all of our stakeholders, including shareholders, customers and the communities in which we do business.

Similarly, clear communication of the Bank's activities and financial situation is essential to securing the trust of stakeholders. Daishi Bank is therefore working hard to improve transparency in many ways. Once a year, the Bank hosts investor relations (IR) forums for institu-

tional investors. We also hold road shows for individual investors, deploying IR efforts in every part of Niigata Prefecture. In February 2004, to reach out to foreign investors, Daishi Bank held its first-ever overseas IR events, timed to coincide with the Bank's sale of treasury stock in January. This list of measures attests to Daishi Bank's sincere and active commitment to disclosure.

Daishi Bank is determined to satisfy and exceed stakeholder expectations by continuing to refine and extend its disclosure activities on an ongoing basis.

Conclusion

The people of Niigata Prefecture unequivocally require new business models for the regional banks that serve them, capable of lending greater support than ever to the socioeconomic development of this dynamic region. At Daishi Bank, the directors are united in their urgency in carrying out sweeping organizational reforms. We, the directors of the Bank, are marshaling our individual strengths and capabilities

to create new value for stakeholders. As our efforts to stimulate regional economic development bear fruit, we are confident that the Bank will benefit from renewed public confidence as a Bank that puts its ideas into action.

As we work toward these ambitious goals, we ask once more for your continued support, understanding and encouragement.

Operations of Daishi Bank

Long-term
Management
Plan :
Nextstage
130

Daishi Bank is committed both to increasing our earning power and the level of our co-operation with the Niigata region. Toward this end, the Bank is developing a new business model that features radically retooled operating and organizational structures.

Action Policies to Achieve Goals within Three Years

1. Restructure customer relationships

Bolster the relationship of trust with customers by responding closely to their true needs and enhancing the quality of its services.

2. Secure a Sound structure

Maintain a solid earnings base and sound financial structure then engage in renewed risk-taking operations that will support the expansion of the regional economy.

3. Improve problem-solving capability

Build up specialized knowledge resources to bring the fullest capabilities to bear on solving the problems, concerns and issues of the regional community.

<Non-Consolidated>	Fiscal 2005 Targets	Fiscal 2003
Tier I ROE:	3% or more	3.93%
Tier I ratio:	8% or more	7.98%
Capital adequacy ratio:	10% or more	10.08%
Core gross operating income overhead ratio [OHR]:	67% or less	65.56%
Core net operating income:	¥20 billion or more	¥23 billion

Strengthening Corporate Operations (solution-based business activities)

For its corporate clients, Daishi Bank will continue to provide high-value-added service through an intensive face-to-face business style. As the region's main bank, Daishi Bank is committed to supporting long-term, mutually satisfactory business relationships and offering a full range of financial services. As customer needs grow increasingly varied and complex, Daishi Bank will always stand ready with the resources to meet those needs.

(1) Business matching

Daishi Bank enthusiastically supports the expansion of profitable business opportunities for its clients. By introducing our clients to prospective customers, we help corporate clients solve their business problems in the area of sales by providing the chance to create new business opportunities and expand their business horizons.

(2) Financial services

By expanding aggressively into the investment-banking sector, Daishi Bank offers broad support for corporate clients' financing efforts. The Bank is strengthening these operations by train-

ing its personnel in the specialized skills and practical expertise they need to serve as professionals in this field. Also, the Financial Service Division provides valuable reinforcement for Head Office sales functions in this area.

(3) Venture business support

As part of its ongoing program of support for venture business in Niigata Prefecture and beyond, Daishi Bank has invested ¥ 300 million in the " NIIGATA INDUSTRIAL CREATION FUND NO.1 VC INVESTMENT LTD. PARTNERSHIP " , and participates in enterprise assessment operations. For companies that offer new technologies and expertise or a uniquely

compelling business model, the Bank is strengthening its support through the provision of various financial products.

(4) Activities to support improvements in business management

Daishi Bank marshals Bank-wide resources to help corporate clients improve their business

results. In addition to training employees in techniques for achieving business turn around, the Bank is reinforcing the backup structures provided by the Loan Examination Division. We are responding to our customers' business management needs with the urgency these issues deserve.

Strengthening our Personal Banking Business

Individual customers have a wide range of banking needs. Daishi Bank is responding by deploying more personnel with specialized skills in areas that need them, and offering an extensive lineup of products and high-quality services.

(1) Expanding the responsibilities of Loan Centers

To answer the regional community's needs for housing loans and other lending services, the Bank pursues a number of innovative, customer-focused approaches. Loan Centers in every area of Niigata Prefecture, staffed by specialists in consumer loan consultations, bring the lending process closer to the customer's door. We are also building a framework to allow loan negotiations even outside of normal bank operating hours, and enabling quick response through the implementation of a self-assessment system.

(2) Responding to investment needs

As clients' investment needs continue to diversify, Daishi Bank is responding with a broader,

revamped palette of financial products and more value-added advisory services. The Bank is deploying individual AFPs at key branches throughout the prefecture and designating "promotional leaders" at every branch. These prescient moves have the double utility of boosting sales of mutual funds, public bonds, personal annuities and other instruments, while contributing to the development of an operational framework firmly based in compliance.

(3) Direct banking

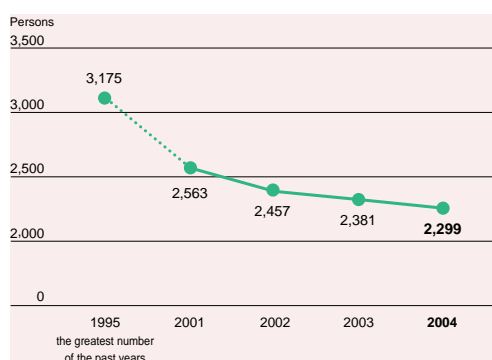
Daishi Bank offers a range of convenient direct-banking channels, so customers can use the Bank's services 24 hours a day, 365 days a year, according to their own schedules and life styles.

Raising Management Efficiency

The Bank is pressing forward with measures to raise the efficiency of its operations, to build an even more resilient management base.

(1) Reducing the clerical payroll

By centralizing its business operations and putting IT resources to effective use, the Bank is



Reductions in the personnel plan

radically revising its clerical processes, promoting more efficient, streamlined operations. Between April 2003 and March 2006, the Bank expects to reduce its clerical payroll by 220 positions.

(2) Non-personnel expenses

A cost-control project has succeeded in dramatically reducing non-personnel expenses. Over the previous two years, this project yielded reductions of ¥2.3 billion in non-personnel expenses, enabling Daishi Bank to slash administrative expenditures by ¥1 billion.

Corporate Governance and Risk Management

(1) Basic Approach

At this bank, together with striving for sound business management and to improve profitability, we are working hard to achieve thorough compliance and substance in our auditing and supervisory functions in all areas of our business management, together with improving the transparency of our business operations. NextStage 130, the Bank's long-term management plan, identifies "a sound organization" as one of Daishi Bank's core themes, testifying to the importance of corporate governance for the Bank as a management issue.

Closely related to corporate governance is risk management. Daishi Bank is working tirelessly to strengthen our risk-management platform to ensure that it is prudent and consistent, and capable of the accurate assessment, careful analysis and appropriate control of a wide spectrum of risks.

(2) Status of Implementation

Daishi Bank has adopted a system of auditors, in which auditors supervise and audit directors' execution of their duties. The auditors (two internal auditors and two external auditors) attend every meeting of the Board of Directors and in principle convene the Board of Corporate Auditors once a month, closely monitoring the state of the Bank's management at all times. Moreover, statutory auditors attend all meetings of the Board of Directors and all other important meetings, to regularly audit and monitor all management-related issues. Every year, the Board of Corporate Auditors submits to the Board of Directors a general audit report, and the Board of Directors deliberates carefully on the findings and views expressed therein before determining its policy response and providing answers to the Board of Corporate Auditors. To afford an outside-auditor function, the Bank also establishes full support for the auditing duties of the external auditors.

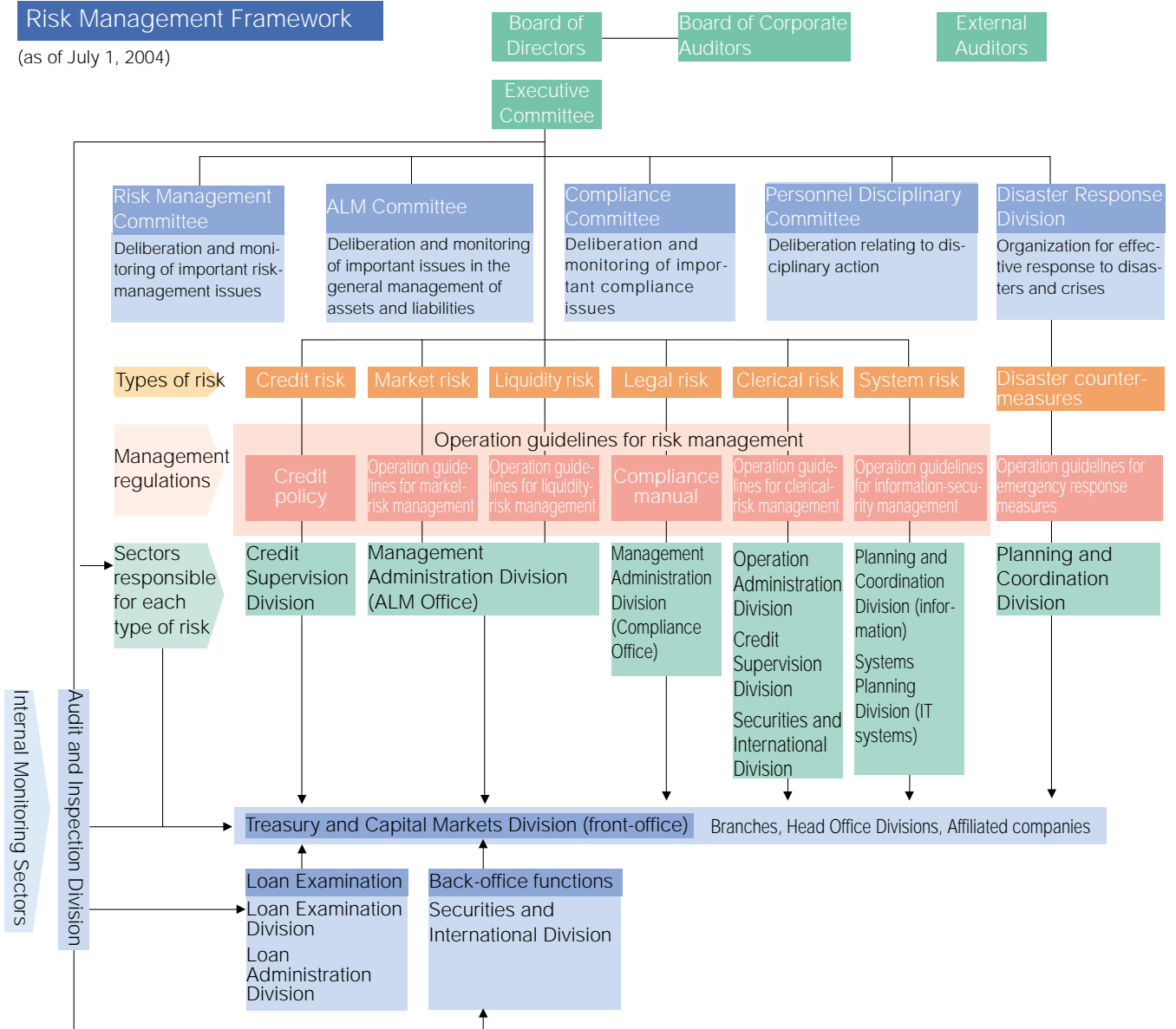
To assist in the conduct of the Bank's operations, Daishi Bank has put in place a number of committees to act as advisory bodies. The Risk Management Committee oversees Bank-wide risk management and promotes related organizational development, measuring and analyzing risk to restrain it to appropriate levels. The ALM Committee controls risk and earnings while working to strike an optimum balance of assets and liabilities. Finally, the Compliance Committee examines operations to ensure strict compliance with all applicable laws and regulations, aiming to erect a robust framework for rule-governed operations. Each of these committees normally meets once a month and reports its deliberations to the Board of Directors.

To ensure that the Bank's operations are conducted on a sound basis, an Audit and Inspection Division was established to provide a check on Bank operations independent from other sectors. In addition to overall auditing of operations, the Audit and Inspection Division implements target-guided compliance auditing and systems auditing, buttressing the management structure of Daishi Bank with a comprehensive internal auditing function.

When a decision on legal matters is required, Daishi Bank calls on the services of advisory legal attorneys. As well as providing advice, these attorneys also sometimes serve in an educational capacity, teaching legal seminars to raise awareness of compliance matters among head-office personnel. Finally, external account auditors audit the Bank's accounts to provide regular proposals for the improvement of Bank operations.

Risk Management Framework

(as of July 1, 2004)



(1) Credit risk

Credit risk is the risk that a company or individual to whom a bank has lent money may fail to repay some or all of the principal and interest owed to the bank, usually due to bankruptcy or other deterioration of financial circumstances, resulting in a loss incurred by the bank.

At Daishi Bank, we manage credit risk based on our Credit Policy. This basic policy for the Bank's financial operations was drafted according to the fundamental principles of strict adherence to the law and contributing to the prosperity of the regional community.

Tasked with general supervision of credit risk is the Credit Supervision Division, which sets the bank's rules for credit risk management and criteria for autonomous assessment of assets.

Daishi Bank has gone to great lengths to ensure appropriate handling of credit issues. A key feature of the Bank's credit risk management framework is the complete separation of the Audit and Inspection Division from the business promotion section, ensuring prudent credit examination. We have also established a Corporate Support Office, which improves the soundness of our asset base through activities to

Operations of Daishi Bank

Corporate Governance and Risk Management

support corporates' management restructuring efforts. In June 2003 the Loan Administration Division was made wholly separate from the Loan Examination Division, bolstering the Bank's credit examination capabilities and enhancing the effectiveness of each Division.

To foster strict and accurate credit examination, autonomous assessment of lending is carried out at two levels, with local branches and the Loan Examination Division each conducting separate investigations. The Audit and Inspection Division then gives the results of these examinations a final review, to ensure the accuracy and appropriateness of the autonomous assessments.

Daishi Bank is currently working to strengthen and enhance its credit risk management functions by quantifying of credit risk* and introducing more precise systems for grading risk.

* Quantification of credit risk

The expression of the degree of risk in quantitative form, based on statistical treatment of data from various rating services

(2) Market risk

Market risk is the risk that assets held by a bank may fall in value due to fluctuations in market factors, causing the bank to incur a loss. Such market factors include domestic and foreign interest rates, valuations on securities and foreign exchange rates.

Each fiscal year Daishi Bank establishes an asset liability management (ALM) policy, to establish the quantitative level of risk that the Bank deems acceptable and ensure stable earnings. Based on this policy, we set risk-taking and loss limits. In addition, an ALM Committee meets once a month, in principle, to discuss important issues in market risk management. If the market sections encounter a serious incident, this framework ensures that the details are reported to management immediately.

The handling of market transactions is separated between market administration (the Treasury and Capital Markets Division), office administration (the Securities and International Division) and integrated risk administration (the Management Administration Division). We are also constructing a framework of checks and

balances, to ensure that the auditing section can operate with maximum efficacy.

The Bank is constantly working to strengthen and enhance its management of market risks. For example, the Bank conducts daily VaR* measurements to ensure quick and accurate assessment and analysis of risks associated with financial-market fluctuations.

*VaR: Value at Risk

A risk-management technique in which statistical methods are used to calculate the maximum loss that can occur within a given period

(3) Liquidity risk

Liquidity risk is the risk of cash shortfall caused by mismatches in the timing of cash procurement and investment, unforeseen expenditures, or market congestion that prevents the prompt processing of market transactions.

At Daishi Bank, we take every precaution to ensure a sound financial basis, knowing full well that the most important factor in reducing liquidity risk is to enjoy the confidence of customers and financial markets. The Securities and International Division, which handles cash-flow issues for the Bank, carefully manages cash positions and liquidity preparations, while the Management Administration Division, the Bank's risk management arm, conducts daily monitoring of cash-flow status. Through the activities of these divisions, Daishi Bank works to maintain smooth cash flow.

In addition, the Bank stipulates actions to be taken when any of a set of Liquidity Risk Management Rules is breached, and takes measures to buttress the Bank's ability to maintain stable cash flow.

(4) Administrative risk

Administrative risk is the risk of loss to a bank due to incidents arising from errors or illegal acts in the course of administering bank processes such as deposit-taking, money orders and credit services.

For each type of transaction, the Bank has established a dedicated division to ensure that clerical processing is handled correctly and efficiently. The Operation Administration Division

handles deposits and money orders; the Credit Supervision Division oversees lending activity; and the Securities and International Division handles foreign exchange transactions. By overhauling the various regulations concerned with clerical and administrative work and conducting a variety of training programs, the Bank is taking measured steps to raise the quality of its clerical and administrative processes and thereby reduce the attendant risk.

When customers agree to use Daishi Bank's services, Bank employees take great care to explain the details of each financial instrument and contract. By patiently and fully explaining each item, Daishi Bank reassures customers with a full understanding of the implications of each undertaking.

Daishi Bank also employs a rigorous system of checks and balances. The Audit and Inspection Division audits each Branch Office, Division, and Bank affiliate at least once a year. In addition, each branch office conducts its own self-assessment on a monthly basis.

(5) System risk

System risk is the risk that a bank will incur a financial loss as a result of a shut down or malfunction of its computer system caused by an accident or failure, or as a result of unlawful use of its computer system.

As a precaution against accidents or illegal access to computer systems, the Bank is implementing duplication of computer devices and circuits and establishing backup systems in locations outside Niigata Prefecture. Daishi Bank is confident that these measures will enable it to mount a rapid and effective response in the event of fire or other accidents.

The Bank also conducts regular bank-wide drills to prepare for a disaster or system failure. Each Division runs repeated drills to prepare for emergencies and conducts training in the operation of backup systems.

To protect the integrity of information assets, the Bank has adopted a set of Information Security Management Rules. These rules provide for the construction of a strict management and operational framework to prevent the disclosure of confidential information.

The Audit and Inspection Division conducts regular tests of the effectiveness of the Bank's risk management structures through its audits of each branch office and division. In areas where specialized expertise is required, Daishi Bank obtains the services of external auditors.

Operations of Daishi Bank

Compliance

Daishi Bank clearly recognizes that trust is the most valuable asset a bank can have, and that solid rules for compliance are the bedrock of sound management and earning the goodwill of the community. We position compliance as a management issue of the utmost importance. To establish a management structure that is firmly founded on a spirit of strict compliance, every one of the Bank's directors takes an active role in ensuring that the following four basic principles of compliance are scrupulously observed in all aspects of Bank operations.

Four basic principles of compliance

(1) The Bank will establish a compliance system supported by scrupulous corporate ethics and careful coverage of legal risk, and prepare an action plan to execute the new system.

(2) All employees will have a thorough understanding of the letter and spirit of the Bank's Code of Ethics, a common beacon of light for all management. Bank all directors and employees will thoroughly understand the Code and put it into practice as their common guiding policy.

(3) Through training and educational activities, the Bank will nurture and establish a deep ethical outlook and spirit of compliance. The Bank

will also promote a system of checks and balances to prevent unlawful actions.

(4) The Bank will regularly check, report on and evaluate the progress of implementation and compliance, identifying issues and tackling them at an early stage. The Bank will also establish effective measures for correcting problems and preventing any recurrence.

Compliance System

(1) Divisions

The Compliance Committee, whose activities are linked closely with everyday operations, meets in principle once a month to discuss the status of compliance and to examine important compliance issues. Complementing the work of the Compliance Committee is the Compliance Office, which is the Bank's nerve center for compliance management. The Compliance Office plans compliance measures, provides valuable support to each division and offers guidance on compliance issues to each branch.

(2) Branches

Every branch manager serves as that branch's compliance officer, and each branch's assistant manager is responsible for checking on legal issues. Moreover, each branch has its own Compliance Committee, which examines conditions and implements measures to prevent compliance problems from arising, discover any problems at an early stage, and prevent any problems from recurring.

(3) Training and Education

The Compliance Manual is a set of standards distributed to all of the Bank's executives. This manual forms the basis for a wide range of education and training activities to extend and deepen awareness of compliance issues throughout the Bank. Some of the efforts conducted toward this end include joint training exercises and compliance seminars at each branch.

Financial Review

Financial Review

During the period under review, the Japanese economy continued to grind out a modest economic recovery. Despite a rebound in personal consumption, the employment and income pictures remained stubbornly bearish. Residential-housing and public sector investment were both weak. On a brighter note, corporate earnings rose, together with an expansion in capital investment.

On the prefectural level, signs of a recovering trend were scarce. Although production in some sectors, led by export-related industries, pointed toward a recovery, public sector and residential-housing investment continued to be sluggish, while personal consumption also fluctuated.

In the financial sector, the Bank of Japan reacted to the lackluster economic environment by continuing with its cheap-money policy, leaving interest rates barely above 0%. Nikkei Index reflected rising corporate earnings and recovery at the national level by advancing strongly over the period, from near ¥ 8,000 level in April 2003 to over ¥ 11,000 by March 2004.

This economic and financial picture formed the backdrop for Daishi Bank's introduction in April 2003 of NextStage 130, the Bank's current long-term management plan. Following this plan, Daishi Bank made determined efforts to respond quickly and accurately to the wide-ranging needs of the Niigata prefecture and its customers, to boost business results and strengthen its management constitution. Operating results in the period under review were as follows.

Overview of Fiscal 2003 Consolidated Business Results

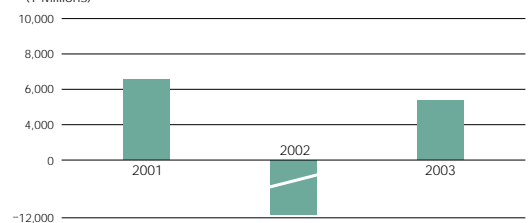
(1) Net Income

Faced with a challenging business environment, Daishi Bank made far-reaching efforts to strengthen lending activities, increase fee revenues and pare expenses in its bid to improve earnings. However, investment earnings softened, causing recurring income to slip ¥412 million from the previous fiscal year to ¥103,815 million. Recurring expenses rose ¥2,423 million from the previous fiscal year due to efforts to clear up bad loans, but the effect of the recovering stock market meant that depreciation of shares and other assets was negligible. The Bank posted recurring ordinary profit of ¥13,087 million and net income of ¥6,254 million.

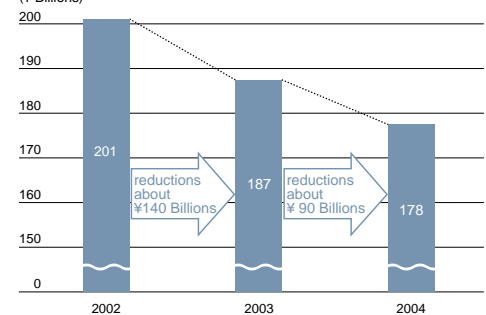
(2) Deposits

Deposits rose ¥55,072 million during the period under review to a year-end balance of ¥3,582,635 million. This figure was the top share of any financial institution in Niigata Prefecture, representing 30.0% (non-consolidated) of the prefectural total.

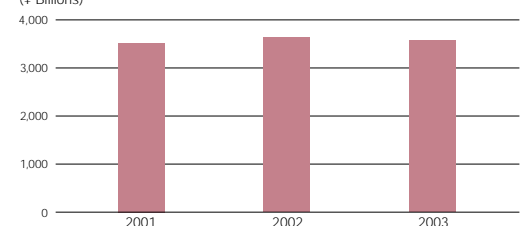
Income before Income Taxes
(¥ Millions)



Reductions in non-personnel expenses
(¥ Billions)



Deposits
(¥ Billions)



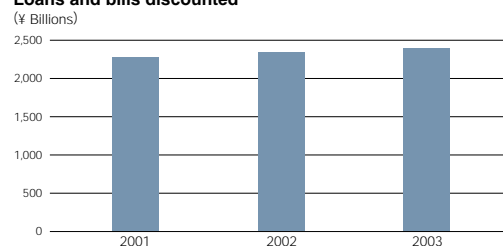
Financial Review

Financial Review

(3) Loans

In lending operations, Daishi Bank confronted a decline in demand from deposit-insurance organizations and business within the prefecture, which engendered a decline in total loans of ¥73,135 million from the previous fiscal year to ¥2,377.628 million. At 29.5% of total outstanding loans in Niigata Prefecture, this loan balance gave Daishi Bank top share in the region. Daishi Bank is committed to galvanizing its lending operations and increasing earnings by vigorously developing its investment-banking activities.

Loans and bills discounted



(4) Securities

Bank securities at the end of the fiscal year rose ¥9,333 million from the total at the end of the previous fiscal year, to a fiscal year-end balance of ¥1,256,493 million.

Consolidated Capital Adequacy Ratio

Daishi Bank's capital adequacy as of March 31, 2004 was 10.33%. If only Tier I assets (capital, legal reserves and surpluses) are included in the calculation, the ratio rises to 8.24%. In either case, the Bank's capital adequacy ratio remains comfortably above the domestic standard of 4%. The ratio of deferred tax assets to net assets was 8.94%, attesting to the Bank's solid financial base.

	Millions of yen		Thousands of U.S. dollars
	2002	2003	2003
Basic item (Tier I)	¥ 158,791	¥ 163,551	\$ 1,547,464
Supplementary item (Tier II)	42,572	42,310	400,330
Excluded items	1,065	1,065	10,082
Capital	¥ 200,298	¥ 204,796	\$ 1,937,712
Risk assets	¥1,986,226	¥1,982,458	\$18,757,290
Consolidated capital adequacy ratio	10.08%	10.33%	—
Tier I ratio	7.99%	8.24%	—

Bad Loans (consolidated)

(1) Risk management loans

As of March 31, 2004, the Bank held risk management loans of ¥160,574 million, down by ¥40,953 million from the previous fiscal year. This represented a proportion of 6.96% of all loans.

In the 2005 fiscal year, Daishi Bank will press ahead with activities to support business improvement in client businesses, deploy a variety of methods to secure an early restructuring of troubled enterprises and clear up bad loans. This approach is the clear path to long-term management stability, and Daishi Bank is fully committed to this challenging task.

	Millions of yen		Thousands of U.S. dollars
	2002	2003	2003
Non-accrual loans:			
Loans to borrowers under bankruptcy proceedings	¥ 14,196	¥ 8,201	\$ 77,596
Loans past due six months or more	138,751	98,718	934,039
Total non-accrual loans	¥ 152,948	¥ 106,919	\$ 1,011,636
Accrual loans past due over more than three months	¥ 29	¥ 140	\$ 1,326
Restructured loans - adjusted the terms in favor of borrowers for financial assistance	¥ 48,550	¥ 53,514	\$ 506,337

Contributing to the Community

Commemorating Daishi Bank's 130th anniversary

In commemoration of the Bank's 130th birthday, and to thank our customers and the people of Niigata Prefecture for their support over these many years, Daishi Bank carried out a number of special community activities.

Working in harmony with the community

Donations of tulips

Daishi Bank donated 4,130 tulip bulbs to the City of Niigata, to be planted in the flower garden at the city's Yasuragi Embankment. The tulip is the official flower of Daishi Bank.



Donations of old clothing

The Bank collected old clothes around the region and donated them to three social-welfare institutions around Niigata Prefecture for use as cleaning rags and the like.



Blood drive

The Bank held blood-donation drives in three Niigata Prefecture locations.



For the people of the Niigata region

Charity concerts

Daishi Bank sponsored a series of five concerts, each featuring performers with a special connection to Niigata Prefecture. All proceeds from the concert series were donated to three charitable organizations, including the Niigata Prefectural Branch of the Japanese Red Cross, for the benefit of people in the region.



Daishi Hall

Daishi Hall is a venue for people of all walks of life to enjoy, dedicated to the promotion of regional culture and fine arts. Since 1992 Daishi Hall has offered a regular concert series called Daishi Life Up Concert, bringing vitality to the region's musical scene and supporting talented musicians in Niigata Prefecture.

Daishi Financial Museum

Over its 130-year history of operations, Daishi Bank has amassed some precious and fascinating documents. In the pages of these documents, the history of the Bank and the changing phases of Niigata Prefecture's economic development unfold in vivid detail.



Regional soccer teams invited to J-League matches

During the 2004 season of J-League, Japan's professional soccer league, Daishi Bank carried out a program called Mezase! Mirai no Albirex Senshi ("Presenting the Albirex stars of the future!"). In this program, the Bank invited 800 children from primary and junior-high-school soccer teams around the region to attend home games of Niigata's own J-League team, Albirex Niigata. (From May 2004 onward)



Sponsorship of youth baseball tournaments

As a keen supporter of sports for the youth of Niigata Prefecture, Daishi Bank was proud to sponsor the Niigata Elimination Round of the National Junior Rubber Baseball Championship and the Niigata Junior Baseball League Chairman's Cup. (May and July 2003)



Consolidated Balance Sheets

As of March 31, 2003 and 2004

	Millions of Yen		Thousands of U.S. Dollars
	2003	2004	2004
ASSETS			
Cash and due from banks (Note 3)	¥ 156,598	¥ 106,257	\$ 1,005,371
Call loans and bills purchased	15,000	76,585	724,622
Commercial paper and other debt purchased	12,553	17,311	163,794
Trading account securities (Note 10)	14,583	17,027	161,107
Money held in trust	135,683	158,752	1,502,062
Securities (Notes 4 and 10)	1,247,133	1,256,466	11,888,226
Loans and bills discounted (Notes 7 and 10)	2,377,628	2,304,493	21,804,267
Foreign exchanges	3,382	2,355	22,286
Other assets	33,889	51,613	488,347
Premises and equipment, net (Notes 10,13 and 14)	90,237	88,394	836,357
Deferred tax assets (Note 12)	28,247	18,329	173,429
Customers' liabilities for acceptances and guarantees	26,638	30,594	289,474
Allowance for loan losses	(59,588)	(47,417)	(448,643)
Allowance for investment losses	(130)	(130)	(1,235)
Total Assets	¥ 4,081,858	¥ 4,080,634	\$ 38,609,468
LIABILITIES, MINORITY INTERESTS AND STOCKHOLDERS' EQUITY			
Liabilities:			
Deposits (Note 8)	¥ 3,576,973	¥ 3,593,125	\$ 33,996,836
Call money and bills sold	185,604	165,642	1,567,246
Borrowed money (Note 9)	31,896	30,417	287,794
Foreign exchanges	127	222	2,109
Bonds	12,020	—	—
Other liabilities	39,262	33,586	317,779
Reserve for employees' retirement benefits (Note 11)	14,360	15,353	145,271
Deferred tax liabilities (Note 12)	19	55	525
Deferred tax liabilities for land revaluation reserve (Note 13)	7,324	7,110	67,280
Difference between the acquisition cost and underlying net equity of investments	73	—	—
Acceptances and guarantees	26,638	30,594	289,474
Total Liabilities	¥ 3,894,300	¥ 3,876,108	\$ 36,674,317
Minority interests	5,863	6,554	62,012
Stockholders' equity (Note 15):			
Common stock:	¥ 32,776	¥ 32,776	\$ 310,123
Authorized-583,799 thousand shares,			
Issued-381,479 thousand shares			
Capital surplus	18,635	18,636	176,334
Retained earnings	104,106	108,774	1,029,184
Land revaluation reserve, net of tax (Note 13)	10,805	10,490	99,255
Net unrealized holding gains on securities available for sale	16,932	28,883	273,285
Treasury stock	(1,563)	(1,590)	(15,046)
Total Stockholders' equity	181,693	197,971	1,873,138
Total Liabilities, Minority interests and Stockholders' equity	¥ 4,081,858	¥ 4,080,634	\$ 38,609,468

See accompanying notes.

Consolidated Statements of Operations

Years ended March 31, 2003 and 2004

	Millions of Yen		Thousands of U.S. Dollars
	2003	2004	2004
Income			
Interest on loans and discounts	¥ 44,738	¥ 44,608	\$ 422,073
Interest and dividends on securities	21,444	19,710	186,496
Other interest income	326	297	2,811
Fees and commissions	11,766	12,360	116,949
Other operating income	2,778	1,591	15,062
Other income (Note 17)	24,551	26,906	254,576
Total Income	¥ 105,605	¥ 105,475	\$ 997,971
Expenses			
Interest on deposits	¥ 1,672	¥ 1,179	\$ 11,156
Interest on borrowings and rediscounts	929	652	6,173
Other interest expenses	2,647	3,836	36,296
Fees and commissions	2,167	2,222	21,030
Other operating expenses	463	1,742	16,487
General and administrative expenses	48,447	48,379	457,749
Provision for loan losses	5,885	1,463	13,845
Other expenses (Note 18)	36,732	32,457	307,104
Total Expenses	¥ 98,946	¥ 91,933	\$ 869,843
Income before income taxes and minority interests	6,659	13,541	128,127
Provision for income taxes:			
Current	1,616	5,252	49,698
Deferred	1,831	1,511	14,299
Net income before minority interests	3,211	6,777	64,129
Minority interests	334	523	4,956
Net Income	¥ 2,876	¥ 6,254	\$ 59,173
		Yen	U.S. Dollars
Amounts per share of common stock:			
Net income	¥ 7.50	¥ 16.44	\$ 0.15
Cash dividends	5.00	6.00	0.05

See accompanying notes.

Consolidated Statements of Stockholders' Equity

Years ended March 31, 2003 and 2004

Millions of Yen

	Shares of common stock (Thousands)	Common stock	Capital surplus	Retained earnings	Land revaluation reserve, net of tax	Net unreal- ized holding gains on securities available for sale	Treasury stock
Balance at March 31, 2002	381,479	¥ 32,776	¥ 18,635	¥ 102,751	¥ 10,932	¥ 20,260	¥ (1,848)
Net income	—	—	—	2,876	—	—	—
Land revaluation reserve, net of tax	—	—	—	362	(126)	—	—
Net unrealized holding gains on securities available for sale	—	—	—	—	—	(3,327)	—
Treasury stock	—	—	—	—	—	—	285
Cash dividends	—	—	—	(1,884)	—	—	—
Balance at March 31, 2003	381,479	¥ 32,776	¥ 18,635	¥ 104,106	¥ 10,805	¥ 16,932	¥ (1,563)
Net income	—	—	—	6,254	—	—	—
Land revaluation reserve, net of tax	—	—	—	315	(315)	—	—
Net unrealized holding gains on securities available for sale	—	—	—	—	—	11,951	—
Gains on sale of shares of treasury stock	—	—	1	—	—	—	—
Treasury stock	—	—	—	—	—	—	(26)
Cash dividends	—	—	—	(1,869)	—	—	—
Bonuses to directors and corporate auditors	—	—	—	(32)	—	—	—
Balance at March 31, 2004	381,479	¥ 32,776	¥ 18,636	¥ 108,774	¥ 10,490	¥ 28,883	¥ (1,590)

Thousands of U.S. Dollars

	Common stock	Capital surplus	Retained earnings	Land revaluation reserve, net of tax	Net unreal- ized holding gains on securities available for sale	Treasury stock
Balance at March 31, 2003	\$ 310,123	\$ 176,324	\$ 985,019	\$ 102,240	\$ 160,205	\$ (14,792)
Net income	—	—	59,173	—	—	—
Land revaluation reserve, net of tax	—	—	2,984	(2,984)	—	—
Net unrealized holding gains on securities available for sale	—	—	—	—	113,080	—
Gains on sale of shares of treasury stock	—	9	—	—	—	—
Treasury stock	—	—	—	—	—	(253)
Cash dividends	—	—	(17,690)	—	—	—
Bonuses to directors and corporate auditors	—	—	(302)	—	—	—
Balance at March 31, 2004	\$ 310,123	\$ 176,334	\$ 1,029,184	\$ 99,255	\$ 273,285	\$ (15,046)

See accompanying notes.

Consolidated Statements of Cash Flows

Years ended March 31, 2003 and 2004

	Millions of Yen		Thousands of U.S. Dollars	
	2003	2004	2004	
Cash flows from operating activities:				
Income before income taxes and minority interests	¥ 6,659	¥ 13,541	\$ 128,127	
Adjustments to reconcile income before provision for income taxes and minority interests to net cash provided by operating activities:				
Depreciation and amortization	13,591	13,559	128,295	
Net change in allowance for loan losses	(740)	(12,171)	(115,165)	
Net change in liability for employees' retirement benefits	795	993	9,402	
Interest and dividend income	(66,509)	(64,617)	(611,382)	
Interest expenses	5,249	5,667	53,625	
Net loss on sales and maturities of securities	7,336	(1,923)	(18,196)	
Net change in foreign exchange (assets and liabilities)	(941)	—	—	
Losses on sales of premises and equipment	815	977	9,253	
Net change in:				
Trading account securities	4,892	(2,443)	(23,120)	
Loans and bills discounted	(17,077)	73,135	691,979	
Deposits	(70,768)	55,072	521,072	
Negotiable certificate deposits	43,360	(38,920)	(368,246)	
Borrowed money (excluding subordinated loans)	(10,196)	(1,479)	(14,000)	
Due from banks except for THE BANK OF JAPAN	9,914	482	4,565	
Call loans and bills purchased	36,223	(66,343)	(627,716)	
Call money and bills sold	79,702	(19,962)	(188,873)	
Corporate Bond	—	(12,020)	(113,728)	
Interest received	71,849	69,760	660,052	
Interest paid	(6,088)	(7,484)	(70,814)	
Other - net	(4,888)	(8,970)	(84,876)	
sub-total	103,180	(3,143)	(29,739)	
Income taxes paid	(2,953)	(1,841)	(17,420)	
Total adjustments	93,567	(18,526)	(175,287)	
Net cash provided by operating activities	¥ 100,226	¥ (4,984)	\$ (47,159)	
Cash flows from investing activities:				
Purchases of securities	(419,561)	(412,543)	(3,903,333)	
Proceeds from sales of securities	189,505	198,382	1,877,022	
Proceeds from maturity of securities	183,817	205,871	1,947,882	
Proceeds from sales of money held in trust	12,494	—	—	
Purchases of money held in trust	—	(22,432)	(212,247)	
Purchases of premises and equipment	(12,071)	(13,789)	(130,472)	
Proceeds from sales of premises and equipment	1,208	1,543	14,599	
Net cash used in investing activities	¥ (44,607)	¥ (42,968)	\$ (406,549)	
Cash flows from financing activities:				
Repayments for subordinated loans	(4,000)	—	—	
Dividends paid	(1,884)	(1,869)	(17,690)	
Dividends paid to minority stockholders	(10)	(10)	(97)	
Purchases of treasury stock	(1,032)	(41)	(393)	
Proceeds from sales of treasury stock	—	15	149	
Net cash used in financing activities	¥ (6,926)	¥ (1,905)	\$ (18,032)	
Net change in cash and cash equivalents	48,692	(49,858)	(471,744)	
Cash and cash equivalents at beginning of the year	107,017	155,709	1,473,267	
Cash and cash equivalents at the end of the year	¥ 155,709	¥ 105,850	\$ 1,001,522	

See accompanying notes.

Notes to Consolidated Financial Statements

Years ended March 31, 2003 and 2004

1. Basis of presenting consolidated financial statements

The Daishi Bank, Ltd., (the "Bank") and its consolidated domestic subsidiaries maintain their official accounting records in Japanese yen in accordance with the provisions set forth in the Japanese Commercial Code, the Bank Law of Japan, and the Securities and Exchange Law, and in conformity with accounting principles and practices generally accepted in Japan ("Japanese GAAP"). Certain accounting principles and practices generally accepted in Japan are different from International Accounting Standards and standards in other countries in certain respects as to application and disclosure requirements. Accordingly, the accompanying consolidated financial statements are intended for use by those who are informed about Japanese accounting principles and practices.

The accompanying consolidated financial statements have been restructured and translated into English with some expanded descriptions and the inclusion of consolidated statements of stockholders' equity from the consolidated financial statements of the Bank which were prepared in accordance with Japanese GAAP and filed with the appropriate Local Finance Bureau of the Ministry of Finance as required by the Securities and Exchange Law. Some supplementary information included in the statutory Japanese language consolidated financial statements, but not required for fair presentation, is not presented in the accompanying consolidated financial statements.

Amounts less than one million yen have been omitted. As a result, the totals in Japanese yen shown in the financial statements do not necessarily agree with the sum of the individual amounts.

The translations of the Japanese yen amounts into U.S. dollars are included solely for the convenience of readers, using the prevailing exchange rate at March 31, 2004, which was ¥105.69 to U.S. \$1. The convenience translations should not be construed as representations that the Japanese yen amounts have been, could have been, or could in the future be, converted into U.S. dollars at this or any other rate of exchange.

Certain reclassifications have been made in the 2003 consolidated financial statements to conform to the presentation for 2004.

2. Significant accounting policies

Consolidation

The consolidated financial statements include the accounts of the Bank and all of its subsidiaries, which are majority-owned. All significant intercompany balances and transactions have been eliminated.

The differences between acquisition cost and underlying

net equity at the time of acquisition are generally amortized on the straight-line basis over five years.

Cash and cash equivalents

In preparing the consolidated statements of cash flows, cash and due from THE BANK OF JAPAN are considered to be cash and cash equivalents.

Trading account securities

The Bank's trading account securities are stated at fair market value, and unrealized gain or losses are recognized in the consolidated statements of income. Realized gains or losses on sale of such securities are computed using primarily the moving-average cost.

Securities

According to the Japanese Accounting Standards for Financial Instruments, securities are classified as follows based on their intention of holdings: (a) securities held for trading purposes (hereafter, "trading securities"), (b) debt securities intended to be held to maturity (hereafter, "held-to-maturity debt securities"), (c) equity securities issued by subsidiaries and affiliated companies, and (d) for all other securities that are not classified in any of the above categories (hereafter, "available-for-sale securities")

Trading securities are stated at fair market value. Gains and losses realized on disposal and unrealized gains and losses from market value fluctuations are recognized as gains or losses in the period of the change.

Held-to-maturity debt securities are stated at amortized cost.

Equity securities issued by subsidiaries and affiliated companies which are not consolidated or accounted for using the equity method are stated at moving-average cost.

Available-for-sale securities with available fair market values are stated at fair market value. Unrealized gains and unrealized losses on these securities are reported, net of applicable income taxes, as a separate component of stockholders' equity. Realized gains and losses on sale of such securities are computed using moving-average cost.

Debt securities with no available fair market value are stated at amortized cost, net of the amount considered not collectible. Other securities with no available fair market value are stated at moving-average cost.

If the market value of held-to-maturity debt securities, equity securities issued by unconsolidated subsidiaries and affiliated companies, and available-for-sale securities, declines significantly, such securities are stated at fair market value and the difference between fair market value and the carrying amount is recognized as loss in the period of the decline. If the fair market value of equity securities issued by unconsolidated subsidiaries and affiliated companies not on the equity method is not readily available, such securities should

be written down to net asset value with a corresponding charge in the income statement in the event net asset value declines significantly. In these cases, such fair market value or the net asset value will be the carrying amount of the securities at the beginning of the next year.

Securities included in money held in trust account are stated in the same manner for securities mentioned above.

Derivatives

Derivative financial instruments are stated at fair value and changes in the fair value are recognized as gains or losses unless derivative financial instruments are used for hedging purposes.

Premises and equipment

Premises and equipment are stated at cost less accumulated depreciation except for certain revalued land used for business operations as explained in Note 13. Depreciation of premises and equipment is computed using the declining-balance method at rates based on the estimated useful lives of respective assets. The estimated useful lives of major items are as follows:

Buildings; 10 - 50 years
Others; 2 - 20 years

Software cost

Software for internal use is amortized on a straight-line basis over its estimated useful life (principally 5 years).

Foreign currency translation

Assets and liabilities denominated in foreign currencies are translated into Japanese yen at the exchange rates prevailing at the balance sheet date.

In the previous fiscal year, the Bank has applied the "Treatment of Accounting and Auditing Concerning Accounting for Foreign Currency Transactions in Banking Industry(the "Report No.25") issued by Industry Audit Committee of JICPA as of July 29, 2002.

In the current fiscal year, however currency swap transactions and foreign exchange swap transactions for the purpose of funds borrowing or lending in differences currencies applied hedge accounting in accordance with the standard treatments of the Report No. 25 .

In the previous fiscal year, although the currency swap transactions and foreign currency swap transactions which had been accounted for on an accrual basis, such swap transactions are stated at fair market value and net assets and liabilities are recorded on the balance sheet. As a result , Other assets and Other liabilities decreased by ¥360 million, respectively. This change had no effects on the result of operations.

The translation adjustments of forward exchange transactions were reported as other in Other assets or other in Other liabilities on a net basis. In the current fiscal year, they

were reported as derivative financial instruments in Other assets and Other liabilities on a gross basis in accordance with the standard treatments of the Report No. 25 . As a result , Other assets and Other liabilities increased by ¥461 million.

Allowance for loan losses

For loans to insolvent customers who are undergoing bankruptcy or other collection proceeding or in a similar financial condition, allowance for loan losses is provided in the full amount of such loans, excluding the portion that is estimated to be recoverable due to available security interests or guarantees.

For the unsecured and unguaranteed portions of loans to customers not presently in the above circumstances but for which there is a high probability of so becoming, the allowance for loan losses is provided for estimated unrecoverable amounts determined after evaluating the customer's overall financial conditions.

For loans to customers who are not yet legally and formally bankrupt but who are substantially bankrupt or customers whose credit terms are rescheduled or reconditioned and exceed the certain threshold, the Discounted Cash Flow Method are applied if cash flows on repayment of principals and collection of interest of the loan can be reasonably estimated. The Discounted Cash Flow Method(the DCF Method)requires that the difference between the cash flows discounted by the original interest rate and the carrying value of the loan be provided as a reserve for possible loan losses.

For other loans, allowance for loan losses are provided based on the rate of the Bank's actual loan losses in the past.

All branches and other business related section evaluate all loans in accordance with the self-assessment rule, and their evaluations are audited by the asset audit section, which is independent from branches and other business related section, and the evaluations are revised as required based on the audits.

Effective the year ended March 31,2004,the Bank has applied above said the DCF Method and use of the default ratio considering "Consideration in the audit when the DCF Method is applied to provide the reserve for possible loan losses by the banks and financial institutions" issued by the JICPA on February 24,2003. As a result of this application, net income decreased by ¥2,098 million (\$19,857 thousand) compared to the case that the previous method were used.

Also, consolidated subsidiaries provide for allowance for loan losses. It consists of the estimated uncollectible amount with respect to identified doubtful accounts and an amount calculated using mainly the rate of actual loan losses in the past.

Loans to insolvent customers who are undergoing bankruptcy or other collection proceedings or in a similar financial condition are stated net of estimated uncollectible

Notes to Consolidated Financial Statements

Years ended March 31, 2003 and 2004

amount equal to the full amount of such loans less the portion that is estimated to be recoverable due to available security interests or guarantees. Such estimated uncollectible amount directly deducted from receivables amounted to ¥19,584 million and ¥32,024 million (\$303,005 thousand) at March 31, 2003 and 2004, respectively.

Reserve for employees' retirement benefits

The Bank and its consolidated subsidiaries provide two types of post-employment benefit plans, funded lump-sum payment plans and funded non-contributory pension plans, under which all eligible employees are entitled to benefits based on the level of wages and salaries at the time of retirement or termination, length of service and certain other factors.

The Bank contributed certain marketable equity securities to an employee retirement benefit trust.

Liabilities and expenses for employees' retirement benefits are determined based on the amounts actuarially calculated using certain assumptions. The Bank and its consolidated subsidiaries provide reserve for employees' severance and retirement benefits based on the estimated amounts of projected benefit obligation at the balance sheet date and the fair value of the plan assets at that date.

Prior service cost are recognized in profit and loss using the straight-line method over 10 years commencing with the year incurred.

Actuarial gains and losses are recognized in expenses using the straight-line method over 10 years commencing with the following period.

Allowance for investment losses

Allowance for investment losses is provided for the estimated losses on investments based on the evaluation of the financial conditions of the investees.

Accounting for certain lease transactions

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

Hedge accounting

(1) Hedge accounting for interest rate risk

(Additional information)

As for the hedge accounting method applied to hedging transactions for interest rate risk arising from financial assets and liabilities, the Bank applies deferred hedge accounting. In the previous year, the Bank applied the temporary treatment stipulated in the Treatment for Accounting and Auditing of Application of Accounting Standard for Financial Instruments in the Banking Industry (JICPA Industry Audit Committee Report No.24) to the macro hedge which is the management of interest rate risk arising from huge transactions in loans, deposits and other interest-earning assets and interest-liabilities as a whole using derivatives. From the current fiscal year, the Bank applies the full treatment of JICPA

Industry Audit Committee Report No.24 assesses the effectiveness of such hedge for offsetting changes in interest rate, by classifying the hedge items (such as deposits and loans) and the hedge instruments (such as interest rate swaps) by their maturity the Bank assesses the effectiveness of such hedges for fixing cash flows by verifying the correlation between items and the hedging instruments.

(2) Hedge accounting for exchange rate risk

As for the hedge accounting method applied to hedging transactions for exchange rate risk arising from foreign-currency-denominated financial assets and liabilities, the Bank applies deferred hedge accounting. In the previous fiscal year, the Bank adopted the transitional treatments prescribed in the Industry Audit Committee Report No.25.

In the current fiscal year, however currency swap transactions and foreign exchange swap transactions for the purpose of funds borrowing/lending in different currencies applied hedge accounting in accordance with standard treatments of the Industry Audit Committee Report No.25. The Bank treats currency swap transactions and foreign exchange swap transactions for the purpose of hedge against foreign exchange risks arising from foreign-currency-denominated financial assets and liabilities as hedge instruments, and the Bank tested the hedge effectiveness by foreign-currency-position as hedge instruments which corresponds to foreign-currency-denominated assets and liabilities as hedge items.

Amounts per share

Computation of net income per share is based on the weighted-average number of common shares outstanding during each year.

Diluted net income per share is not presented, since the Bank had no diluted common shares as of March 31, 2003, and has no diluted common shares and the potential dilution as of March 31, 2004, for the exercise price of the stock option plan exceeds the market price of treasury stock then.

Cash dividends per share represent the actual amounts declared as applicable to the respective years.

3. Cash and cash equivalents

The reconciliation of cash and due from banks in the consolidated balance sheets and cash and cash equivalents in the consolidated statements of cash flows for 2003 and 2004, is as follows:

	Millions of yen		Thousands of U.S. dollars
	2003	2004	2004
Cash and due from banks	¥ 156,598	¥ 106,257	\$ 1,005,371
Saving deposits in other banks	(370)	—	—
Other	(519)	(406)	(3,849)
Cash and cash equivalents	¥ 155,709	¥ 105,850	\$ 1,001,522

4. Securities

(A) The following tables summarize acquisition costs, book values, fair value and other information of securities with available fair values as of March 31, 2003 and 2004:

(1) Trading securities

	Millions of yen		Thousands of U.S. dollars
	2003	2004	2004
Book value	¥ 14,583	¥ 17,027	\$ 161,107
Amount of net unrealized gains Included in the income statement	36	12	116

(2) Held-to-maturity debt securities

	Millions of yen		Thousands of U.S. dollars
	2003	2004	2004
Book value	¥ 83,022	¥ 74,203	\$ 702,082
Fair value	88,481	77,439	732,705
Difference	5,459	3,236	30,623

(3) Available-for-sale securities

	Millions of yen		
	2003		
	Acquisition cost	Book value	Difference
Equity securities	¥ 75,698	¥ 77,192	¥ 1,493
Bonds	800,179	820,899	20,719
Other than equity securities and bonds	251,065	257,295	6,229
Total	¥ 1,126,943	¥ 1,155,386	¥ 28,443

	Millions of yen		
	2004		
	Acquisition cost	Book value	Difference
Equity securities	¥ 76,653	¥ 113,872	¥ 37,219
Bonds	751,271	757,565	6,293
Other than equity securities and bonds	293,567	298,872	5,304
Total	¥ 1,121,492	¥ 1,170,310	¥ 48,818

	Thousands of U.S. dollars		
	2004		
	Acquisition cost	Book value	Difference
Equity securities	\$ 725,265	\$ 1,077,423	\$ 352,157
Bonds	7,108,259	7,167,807	59,548
Other than equity securities and bonds	2,777,626	2,827,819	50,193
Total	\$ 10,611,151	\$ 11,073,050	\$ 461,898

(B) The following tables summarize book values of securities with no available fair values as of March 31, 2003 and 2004:

	Millions of yen		Thousands of U.S. dollars
	2003	2004	2004
Held-to-maturity debt securities:			
Non-listed corporate bonds	¥ 6,071	¥ 7,352	\$ 69,562
Available-for-sale securities:			
Non-listed equity securities	¥ 3,532	¥ 3,399	\$ 32,161
Non-listed corporate bonds	700	6,390	60,459

(C) Available-for-sale securities with maturities and held-to-maturity debt securities are as of March 31, 2003 and 2004:

	Millions of yen			
	2003			
	Within one year	One to five years	Five to ten years	Over ten years
Japanese government bonds	¥ 31,220	¥ 158,436	¥ 117,948	¥ 138,010
Japanese local government bonds	32,153	94,257	125,958	—
Corporate bonds	61,406	111,686	39,615	—
Others	24,881	184,945	28,493	—
Total	¥ 149,661	¥ 549,325	¥ 312,016	¥ 138,010

	Millions of yen			
	2004			
	Within one year	One to five years	Five to ten years	Over ten years
Japanese government bonds	¥ 56,413	¥ 134,314	¥ 86,279	¥ 162,279
Japanese local government bonds	22,387	87,770	105,714	—
Corporate bonds	41,422	104,995	43,934	—
Others	34,593	195,345	40,219	—
Total	¥ 154,816	¥ 522,425	¥ 276,147	¥ 162,279

	Thousands of U.S. dollars			
	2004			
	Within one year	One to five years	Five to ten years	Over ten years
Japanese government bonds	\$ 533,767	\$ 1,270,833	\$ 816,344	\$ 1,535,424
Japanese local government bonds	211,821	830,448	1,000,233	—
Corporate bonds	391,919	993,429	415,689	—
Others	327,310	1,848,288	380,540	—
Total	\$ 1,464,818	\$ 4,942,999	\$ 2,612,808	\$ 1,535,424

(D) Held-to-maturity debt securities sold in the year ended March 31, 2003 were ¥ 988million and the related gain was ¥ 80million. There was no such sales in 2004.

Notes to Consolidated Financial Statements

Years ended March 31, 2003 and 2004

(E) Net unrealized holding gains on available-for-sale securities at March 31, 2003 and 2004 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2003	2004	2004
Unrealized holding gains on Available-for-sale securities	¥ 28,463	¥ 48,819	\$ 461,914
Deferred tax liability	(11,499)	(19,728)	(186,660)
sub-total	16,963	29,091	275,253
Minority Interests	(31)	(207)	(1,967)
Net unrealized holding gains on Available-for-sale securities	¥ 16,932	¥ 28,883	\$ 273,285

(F) Total sales of available-for-sale securities sold in the year ended March 31, 2003 amounted to ¥ 168,771 million and the related gains and losses amounted to ¥ 3,253 million and ¥ 588 million, respectively, and those sales in the year ended March 31, 2004 amounted to ¥ 174,203 million (\$ 1,648,248 thousand) and the related gains and losses amounted to ¥ 3,851 million (\$ 36,443 thousand) and ¥ 1,762 million (\$ 16,675 thousand), respectively.

5. Derivative financial instruments

The Bank engages in derivative transactions to mitigate interest rate risk and liquidity risk of foreign currencies in the normal course of asset-liability management (ALM), and to meet customers' needs. The Bank established the ALM committee and Risk Control Team to assess derivative transactions and market risks surrounding these transactions according to the Bank's policy regarding derivative transactions. The Risk Control Team analyzes risks related to derivative transactions and reports to the ALM committee for review every month.

The Bank's consolidated subsidiaries did not engage in any derivative transactions for the years ended March 31, 2003 and 2004.

The following tables summarized the underlying notional principal amounts and fair values for outstanding derivative financial instruments by risk category and instrument type at March 31, 2003 and 2004:

(1) Interest rate-related transaction

	Millions of yen			
	2003			
	Notional principal amount		Fair value	
Swap:				
Receive variable-pay fixed rate	¥ 4,125		¥ (254)	

	Millions of yen		Thousands of U.S. dollars	
	2004			
	Notional principal amount	Fair value	Notional principal amount	Fair value
Swap:				
Receive variable-pay fixed rate	¥ 2,056	¥ (56)	\$ 19,461	\$(530)

(2) Foreign exchange-related transactions

	Millions of yen		Thousands of U.S. dollars	
	2004			
	Notional principal amount	Fair value	Notional principal amount	Fair value
Foreign exchange contract:				
Sell	¥ 60,625	¥ 1,234	\$ 573,611	\$ 11,682
Buy	9,978	(252)	94,409	(2,389)
Currency options				
Sell	16,912	(675)	160,019	(6,392)
Buy	16,923	675	160,120	6,392

Fair values of interest rate and currency swap contracts are estimated based on discounted cash flow method.

There was no such foreign exchange-related. Because the Bank adopted the transitional treatments prescribed in the Industry Audit Committee Report N0.25.

(3) Bond-related transactions

	Millions of yen		Thousands of U.S. dollars	
	2004			
	Notional principal amount	Fair value	Notional principal amount	Fair value
Futures:				
Sell	¥ 2,765	¥ 14	\$ 26,161	\$ 140

There was no such bond-related in 2003.

Derivative transactions for which hedge accounting is applied are excluded from the table above.

6. Information for certain lease transactions

Lessee:

The Bank and its consolidated subsidiaries lease certain equipment under noncancellable finance and operating leases. Finance leases that do not transfer ownership to lessees are not capitalized and are accounted for in the same manner as operating leases. Certain information for such non-capitalized finance leases for the years ended March 31, 2003 and 2004 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2003	2004	2004
Equivalent amount:			
Acquisition cost	¥ 102	¥ 98	\$ 935
Accumulated depreciation	(62)	(78)	(742)
Estimated net book value	¥ 39	¥ 20	\$ 193
	Millions of yen		Thousands of U.S. dollars
	2003	2004	2004
Lease payments	¥ 30	¥ 21	\$ 199
Equivalent of depreciation expense	28	18	179
Equivalent of interest expense	1	0	6

Equivalent of depreciation expense is computed using the straight-line method over the lease terms assuming no residual value. Equivalent of interest expense is computed using interest rate method over the lease terms for the difference between acquisition cost and total lease payments.

Future minimum lease payments under the non-cancelable finance and operating leases having remaining terms in excess of one year at March 31, 2004 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2004		
Due within one year	¥ 20		\$ 195
Due after one year	1		16
Total minimum lease payments	¥ 22		\$ 211

Lessor:

Certain equipment of the Bank and its consolidated subsidiaries are leased under finance leases. For the years ended March 31, 2003 and 2004 the amounts of equipment for leased assets, lease income, depreciation expense and estimated interest income were summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2003	2004	2004
Acquisition cost	¥ 78,257	¥ 81,207	\$ 768,356
Accumulated depreciation	(48,043)	(49,926)	(472,387)
Net book value	¥ 30,214	¥ 31,280	\$ 259,968

	Millions of yen		Thousands of U.S. dollars
	2003	2004	2004
Lease income	¥ 11,642	¥ 11,734	\$ 111,025
Depreciation expense	10,125	10,204	96,555
Estimated interest income	1,071	1,052	9,956

Estimated interest income is computed using interest rate method over the lease terms for the difference between acquisition cost and total lease receipts. Future minimum lease receipts under these non-cancelable finance and operating lease arrangements at March 31, 2004 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2004		
Due within one year	¥ 9,570		\$ 90,554
Due after one year	20,319		192,251
Total future minimum lease receipts	¥ 29,889		\$ 282,805

7. Loans and bills discounted

Loans and bills discounted at March 31, 2003 and 2004 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2003	2004	2004
Loans on notes	¥ 265,677	¥ 222,089	\$ 2,101,324
Loans on deeds	1,568,713	1,624,068	15,366,338
Bills discounted	66,443	56,816	537,578
Overdrafts	470,471	395,642	3,743,426
Other	6,321	5,876	55,598
Total	¥ 2,377,628	¥ 2,304,493	\$ 21,804,267

Non-accrual loans, accrual loans past due over more than three months and restructured loans at March 31, 2003 and 2004 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2003	2004	2004
Non-accrual loans:			
Loans to borrowers under bankruptcy proceedings	¥ 14,196	¥ 8,201	\$ 77,596
Loans past due six months or more	138,751	98,718	934,039
Total non-accrual loans	¥ 152,948	¥ 106,919	\$ 1,011,636
Accrual loans past due over more than three months	¥ 29	¥ 140	\$ 1,326
Restructured loans - adjusted the terms in favor of borrowers for financial assistance	¥ 48,550	¥ 53,514	\$ 506,337

Notes to Consolidated Financial Statements

Years ended March 31, 2003 and 2004

8. Deposits

Deposits at March 31, 2003 and 2004 consisted of the following:

	Millions of yen		Thousands of U.S. dollars	
	2003	2004	2003	2004
Current deposits	¥ 135,301	¥ 152,774	\$ 1,445,493	
Ordinary deposits	1,387,672	1,447,013	13,691,109	
Negotiable certificates of deposits	49,410	10,490	99,252	
Savings deposits	46,753	43,647	412,976	
Deposits at notice	21,839	27,699	262,078	
Time deposits	1,747,474	1,755,243	16,607,465	
Other deposits	188,521	156,258	1,478,459	
Total	¥ 3,576,973	¥ 3,593,125	\$ 33,996,836	

9. Borrowed money

Borrowed money included subordinated loans totaling ¥22,000 million and ¥22,000 million (\$208,155 thousand) at March 31, 2003 and 2004, respectively.

10. Pledged Assets

At March 31, 2004, the following assets were pledged as collateral for settlement of exchange, short-term financial transaction, and forward exchange contracts.

	Millions of yen		Thousands of U.S. dollars	
	2003	2004	2003	2004
Trading account securities	¥ 521		\$ 4,938	
Securities	351,344		3,324,288	
Loans	109,239		1,033,579	
Total	¥ 461,105		\$ 4,362,806	

In addition to the above, future lease payments to be received were pledged as collateral for borrowed money in the amount of ¥6,572 million (\$62,181 thousand) at March 31, 2004.

Guaranty money deposited was included in premises and equipment, and amounted to ¥ 585 million (\$ 5,537 thousand) at March 31, 2004.

11. Employees' severance and pension benefits

The liabilities for severance and retirement benefits included in the liability section of the consolidated balance sheets as of March 31, 2003 and 2004 consisted of the following:

	Millions of yen		Thousands of U.S. dollars	
	2003	2004	2003	2004
Projected benefit obligation	¥ 70,124	¥ 78,914	\$ 746,657	
Pension assets	(36,757)	(42,321)	(400,434)	
Unrecognized actuarial differences	(23,263)	(25,015)	(236,688)	
Unrecognized prior service cost	4,256	3,777	35,737	
Liability for severance and retirement benefits	¥ 14,360	¥ 15,353	\$ 145,271	

Included in the consolidated statements of operations for the years ended March 31, 2003 and 2004 are severance and retirement benefit expenses comprised of the following:

	Millions of yen		Thousands of U.S. dollars	
	2003	2004	2003	2004
Service costs - benefits earned during the year	¥ 1,727	¥ 1,566	\$ 14,820	
Interest cost on projected benefit obligation	1,765	1,745	16,512	
Expected return on plan assets	(1,318)	(1,208)	(11,431)	
Amortization of prior service cost	(186)	(440)	(4,166)	
Amortization of actuarial differences	1,847	2,564	24,260	
Other	179	281	2,661	
Severance and retirement benefit expenses	¥ 4,014	¥ 4,508	\$ 42,657	

Basic assumptions of employees' retirement benefits calculation:

	2003	2004
Discount rate	2.5%	2.0%
Expected return rate of assets	0~3.5%	0~3.5%
Allocation basis of expected retirement benefits	Fixed	Fixed
Amortization term of unrecognized prior service cost	10 years	10 years
Amortization term of unrecognized actuarial differences	10 years	10 years

12. Income taxes

The Bank is subject to a number of taxes levied on income, which, in the aggregate, indicate a statutory rate in Japan of approximately 41.7 % for the years ended March 31, 2003 and 2004. The following table summarizes the significant differences between the statutory tax rate and the Bank's effective tax rate for financial statement purposes for the year ended March 31, 2004:

	2003	2004
Statutory tax rate	41.7%	41.7%
Effect of tax rate reduction	11.9	—
Increase of valuation allowance	—	8.8
Non-taxable income(Dividend income etc)	(3.9)	(2.2)
Non-deductible expenses	1.0	0.5
Inhabitants tax	0.9	0.4
Other	(0.1)	0.7
Effective tax rate	51.7%	49.9%

Significant components of deferred tax assets and liabilities at March 31, 2003 and 2004 were as follows:

	Millions of yen		Thousands of
	2003	2004	U.S. dollars
Deferred tax assets:			
Allowance for loan losses and write-off claims	¥ 28,364	¥ 26,764	\$ 253,234
Retirement benefits	6,880	7,469	70,670
Depreciation of premise and equipment	2,062	2,121	20,071
Other	3,964	4,260	40,314
Less valuation allowance	(74)	(1,219)	(11,541)
Total deferred income tax assets	41,197	39,395	372,749
Deferred tax liabilities:			
Unrealized gains on securities available for sale	(11,499)	(19,728)	(186,660)
Gain on contribution of securities to employee retirement benefit trust	(1,154)	(1,066)	(10,091)
Other	(315)	(326)	(3,091)
Total deferred income tax liabilities	(12,969)	(21,121)	(199,844)
Net deferred tax assets	¥ 28,227	¥ 18,274	\$ 172,904

13. Land revaluation reserve, net of tax

Pursuant to the Law concerning Revaluation of Land (the "Law"), land used for business operations was revalued at fair value at March 31, 1998. Due to the revaluation, land was appreciated by ¥21,889 million to ¥41,412 million at March 31, 1998. Net unrealized gain was classified in a separate component of stockholders' equity, net of applicable income taxes, as "Land revaluation reserve, net of tax" and in liabilities as "Deferred tax liabilities for land revaluation reserve" in the accompanying consolidated balance sheets. Under the Law, once after the Bank revalued the land, it is not permitted to revalue the land. Such unrealized revaluation loss at March 31, 2004 was ¥15,637 million (\$147,960 thousand).

14. Accumulated depreciation of Premises and equipment

Accumulated depreciation of premises and equipment were ¥104,496 million as of March 31, 2003 and ¥103,532 million (\$979,582 thousand) as of March 31, 2004.

Notes to Consolidated Financial Statements

Years ended March 31, 2003 and 2004

15. Stockholders' equity

Under the Commercial Code of Japan (the "Code") and the Banking law of Japan, the followings are provided:

Under the Code, the entire amount of the issue price of shares is required to be accounted for as capital, although a company may, by resolution of its board of directors, account for an amount not exceeding one-half of the issue price of the new shares as additional paid-in capital, which is included in capital surplus.

The Code and Banking Law provide that an amount equal to at least 20% of cash dividends and other cash appropriations shall be appropriated and set aside as a legal earnings reserve until the total amount of legal earnings reserve and additional paid-in capital equals 100% of common stock. The legal earnings reserve and additional paid-in capital may be used to eliminate or reduce a deficit by resolution of the stockholders' meeting or may be capitalized by resolution of the Board of Directors. On condition that the total amount of legal earnings reserve and additional paid-in capital remains being equal to or exceeding 100% of common stock, they are available for distribution by the resolution of stockholders' meeting. Legal earnings reserve is included in retained earnings in the accompanying financial statements.

The maximum amount that the Bank can distribute as dividends is calculated based on the non-consolidated financial statements of the Bank in accordance with the Code.

The stockholders' meeting in June 2000 approved a stock option plan. The Bank granted stock options to key officers and employees for 1,235,000 common shares. The stock purchase rights are to be exercised at a price of ¥399 per share in the period from June 30, 2002 to June 30, 2005.

16. Segment information

Segment information for the years ended March 31, 2003 and 2004 is shown in the tables below:

(1) Business segment information

	Millions of Yen					
	2003					
	Banking	Leasing	Other	Total	Elimination or Corporate	Consolidated
Operating income:						
External customers	¥ 83,913	¥ 17,429	¥ 2,884	¥ 104,227	¥ —	¥ 104,227
Intersegment	704	885	3,408	4,998	(4,998)	—
Total	84,618	18,314	6,292	109,226	(4,998)	104,227
Operating expenses	79,244	18,126	5,987	103,358	(5,239)	98,119
Operating profit	¥ 5,373	¥ 188	¥ 305	¥ 5,867	¥ 240	¥ 6,108
Assets	¥ 4,058,997	¥ 48,543	¥ 13,239	¥ 4,120,780	¥ (38,922)	¥ 4,081,858
Depreciation and amortization	2,666	10,928	4	13,599	(7)	13,591
Capital expenditures	1,268	10,882	1	12,152	—	12,152

	Millions of Yen					
	2004					
	Banking	Leasing	Other	Total	Elimination or corporate	Consolidated
Operating income:						
External customers	¥ 83,388	¥ 17,509	¥ 2,918	¥ 103,815	¥ —	¥ 103,815
Intersegment	692	655	3,280	4,628	(4,628)	—
Total	84,081	18,164	6,199	108,444	(4,628)	103,815
Operating expenses	72,181	17,744	5,578	95,504	(4,775)	90,728
Operating profit	¥ 11,899	¥ 419	¥ 620	¥ 12,940	¥ 147	¥ 13,087
Assets	¥ 4,057,509	¥ 49,542	¥ 13,661	¥ 4,120,713	¥ (40,079)	¥ 4,080,634
Depreciation and amortization	2,496	11,063	3	13,562	(3)	13,559
Capital expenditures	2,113	14,312	0	16,425	—	16,425

	Thousands of U.S. Dollars					
	2004					
	Banking	Leasing	Other	Total	Elimination or corporate	Consolidated
Operating income:						
External customers	\$ 788,989	\$ 165,665	\$ 27,613	\$ 982,268	\$ —	\$ 982,268
Intersegment	6,554	6,201	31,039	43,795	(43,795)	—
Total	795,544	171,866	58,652	1,026,064	(43,795)	982,268
Operating expenses	682,952	167,895	52,777	903,625	(45,188)	858,437
Operating profit	\$ 112,591	\$ 3,971	\$ 5,874	\$ 122,438	\$ 1,392	\$ 123,830
Assets	\$ 38,390,662	\$ 468,756	\$ 129,262	\$ 38,988,681	\$ (379,213)	\$ 38,609,468
Depreciation and amortization	23,621	104,676	28	128,325	29	128,295
Capital expenditures	19,996	135,415	0	155,412	—	155,412

Notes:

1. Yen amounts are rounded down to the nearest million yen.
2. The business segmentation is determined based on the Bank's internal administrative purposes.
3. Operating income represents total income excluding gains on sale of shares and other securities, collection of bad debt recovered, gains on sales of premises and equipment and other extraordinary income. Operating expenses represent total expenses excluding write-off claims, losses on sales of premises and equipment, losses on devaluation of shares and other securities and other extraordinary expense.
4. Segmentation is based on each consolidated company's line of business. "Others" represents non-banking business, credit card business and so forth.

(2) Segment information by location

Since the operating income and assets is only "Japan" segment, segment information by location for the years ended March 31, 2003 and 2004 is not disclosed.

(3) International operating Income

Since international operating income is less than 10% of the total operating income for the years ended March 31, 2003 and 2004, such information is not disclosed.

Notes to Consolidated Financial Statements

Years ended March 31, 2003 and 2004

17. Other income

Other income for the years ended March 31, 2003 and 2004 consisted of the following:

	Millions of yen		Thousands of
	2003	2004	U.S. dollars
Gain on sale of shares and other securities	¥ 907	¥ 2,819	\$ 26,679
Bad debt recovered	569	1,650	15,612
Gain on sale of premises and equipment	8	9	91
Other	23,066	22,426	212,194
Total	¥ 24,551	¥ 26,906	\$ 254,576

18. Other expenses

Other income for the years ended March 31, 2003 and 2004 consisted of the following:

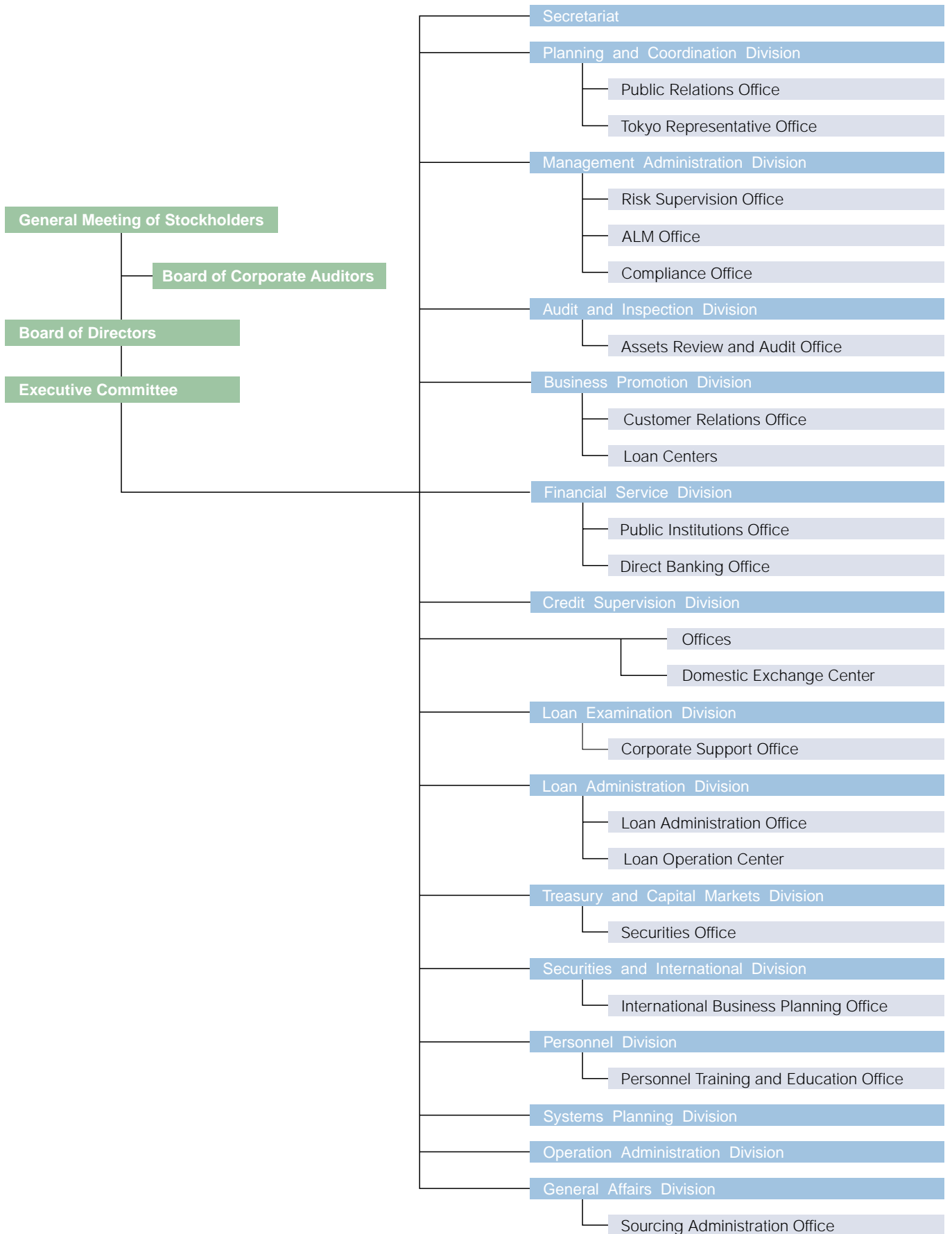
	Millions of yen		Thousands of
	2003	2004	U.S. dollars
Write-off of claim	¥ 7,338	¥ 9,712	\$ 91,898
Losses on sales of premises and equipment	625	1,092	10,339
Losses on devaluation of shares and other securities	10,096	177	1,675
Other	18,670	21,475	203,190
Total	¥ 36,732	¥ 32,457	\$ 307,104

19. Subsequent events

At the general meeting held on June 29, 2004, the stockholders approved a cash dividend totaling ¥1,321 million (\$12,500 thousand) or ¥3.50 (including the memorial cash dividend ¥1.00) per share.

Corporate Organization Directory Chart

(As of July 1, 2004)



Board of Directors and Corporate Auditors

Board of Directors

Chairman

Katsuei Iino

President

Kunito Kojima

Senior Managing Director

Takashi Onishi

Managing Directors

Haruki Kobayashi

Masayuki Obara

Kenichi Yazawa

Directors

Masatoshi Komiya

Kenichi Ito

Hisao Sasagawa

Shigeru Watanabe

Setsuo Uchiyama

Yoshihito Saito

Kiyofumi Tamaki

Standing Corporate Auditors

Yoshiaki Ono

Eiichi Takahashi

Corporate Auditors

Gen Hoshino

Tadashi Maruyama

Securities and International Division (International Division)

General Manager

Tetsuro Takeuchi

(As of July 1, 2004)

Service Network

Head Office

1071-1, Higashiborimae-dori

7-bancho, Niigata 950-8746

Telephone: (025) 222-4111

Internet Home Page:

<http://www.daishi-bank.co.jp/>

Securities and International Division (International Division) Headquarters

Address: same as above.

Telephone: (025) 222-4111

Fax: (025) 225-2331

SWIFT: DAIS JPJT

Number of Offices by Area

Niigata District	121
Tokyo District	2
Other Districts	7
Total	130

(As of July 1, 2004)

Major stockholders (10 largest)

As of March 31, 2004	Number of Shares (Thousand)	Percent
1. Nippon Life Insurance Company	13,058	3.42
2. Meiji Mutual Life Insurance Company	9,659	2.53
3. Employees' stockholdings	9,596	2.51
4. NIPPONKOA Insurance Co., Ltd.	9,464	2.48
5. Japan Trustee Service Bank, Ltd. (Trust Account)	8,331	2.18
6. The Master Trust Bank of Japan, Ltd. (Trust Account)	8,136	2.13
7. Mizuho Corporate Bank, Ltd.	7,999	2.09
8. The Bank of Tokyo-Mitsubishi, Ltd.	7,386	1.93
9. The Dai-ichi Mutual Life Insurance Company	7,140	1.87
10. The Tokio Marine and Fire Insurance Co., Ltd.	6,120	1.60

Subsidiaries

Company	Major business	Incorporation	Capital	Ratio of shareholder voting rights held by the Daishi Bank
The Daishi Business Service Co., Ltd. 1-20, Horinouchi Minami 3-chome, Niigata 950-0982	Assessment of secured property	May 26, 1978	10 million yen	100%
The Daishi Staff Service Co., Ltd. 224-1, Honcho-dori 5-bancho, Niigata 951-8067	Supply of temporary staff	Oct. 28, 1988	20 million yen	100%
The Daishi Cash Business Co., Ltd. 1-20, Horinouchi Minami 3-chome, Niigata 950-0982	Cash settlements and processing services	Sept. 11, 1996	10 million yen	100%
The Daishi Jimu Shuchu Co., Ltd. 1-17, Abumi 1-chome, Niigata 950-0913	Consignment of clerical services	Mar. 15, 2000	10 million yen	100%
The Daishi Lease Co., Ltd. 2-10, Akashi 2-chome, Niigata 950-0084	General leasing business	Nov. 11, 1974	100 million yen	5%
The Daishi Computer Service Co., Ltd. 1-17, Abumi 1-chome, Niigata 950-0913	Computer-related services	May 10, 1976	15 million yen	5%
The Daishi Guaranty Co., Ltd. 224-1, Honcho-dori 5-bancho, Niigata 951-8067	Credit guaranty business	Oct. 26, 1978	50 million yen	5%
The Daishi JCB Card Co., Ltd. 1-18, Higashi-odori 2-chome, Niigata 950-0087	Credit card and credit guaranty businesses	Nov. 12, 1982	30 million yen	5%
The Daishi Capital Co., Ltd. 1-18, Higashi-odori 2-chome, Niigata 950-0087	Venture capital	June 8, 1984	20 million yen	5%
The Daishi DC Card Co., Ltd. 1-18, Higashi-odori 2-chome, Niigata 950-0087	Credit card business	March 1, 1990	30 million yen	5%

