HIROSHIMA BANK

ANNUAL REPORT 2005

Hiroshima City and Seto-inland Sea

Profile

Founded in 1878, the Hiroshima Bank, Ltd. (the "Bank") has put down deep roots in Hiroshima Prefecture, which has continually served as an economic, political and cultural center of the Chugoku and Shikoku regions. By operating its main business of commercial banking in Hiroshima Prefecture and its surrounding area as a leading regional bank, the Bank has cultivated close ties to the local community and has made an ongoing effort to serve the region's economic and social development. Based on its management principles to be a reliable bank, the Bank is now providing a variety of financial services and products, including investment banking services and private banking services, to meet increasingly diversified financial needs of its customers through its operating networks and consolidated group companies. As of March 31, 2005, the Bank has offices in 177 locations and assets totaling ¥5,953 billion (US$55,434 millions) on a consolidated basis, securing it a place as one of the largest regional banks in Japan.

Head Office — Hiroshima City

Contents

The Hiroshima Bank, Ltd. and consolidated subsidiaries

Consolidated Financial Highlights

March 31,	Millions of yen 2004	Millions of yen 2005	Millions of U.S. dollars 2005
For the Year:			
Total Income	¥ 141,358	**¥ 149,763**	**$ 1,395**
Total Expenses	116,802	**123,918**	**1,154**
Income before Income Taxes	24,556	**25,844**	**241**
Net Income	14,452	**15,441**	**144**
At Year-end:			
Total Assets	¥ 5,840,514	**¥ 5,953,068**	**$55,434**
Deposits	5,114,739	**5,207,246**	**48,489**
Loans and Bills Discounted	3,850,665	**3,885,115**	**36,178**
Securities	1,501,440	**1,602,371**	**14,921**
Stockholders' Equity	228,484	**249,401**	**2,322**

Note: The U.S. dollar amounts represent translation of Japanese yen at the exchenge rate of ¥107.39 to U.S.$1.00 on March 31, 2005.

The Hiroshima Bank, Ltd.

Non-consolidated Five-Year Summary

March 31,	Millions of yen 2001	2002	2003	2004	2005
For the Year:					
Total Income	¥ 165,689	¥ 143,806	¥ 138,231	¥ 140,989	**¥ 148,973**
Total Expenses	153,283	215,804	118,214	116,559	**123,470**
Income (Loss) before Income Taxes	12,406	(71,998)	20,016	24,430	**25,503**
Net Income (Loss)	7,597	(41,534)	10,259	14,381	**15,215**
At Year-end:					
Total Assets	¥ 5,620,520	¥ 5,747,585	¥ 5,726,750	¥ 5,860,378	**¥ 5,971,822**
Deposits	4,842,515	4,973,305	4,977,734	5,115,325	**5,207,937**
Loans and Bills Discounted	3,873,731	3,861,924	3,803,327	3,850,665	**3,885,115**
Securities	1,137,906	1,192,467	1,400,495	1,501,928	**1,602,797**
Common Stock	52,347	53,906	53,981	54,573	**54,573**
Stockholders' Equity	228,654	188,674	193,405	228,092	**248,782**
Number of Offices	221	217	208	194	**177**
Number of Employees	3,712	3,550	3,410	3,251	**3,137**

Note: "Number of Offices" includes sub-branch offices.

Sho Takahashi
President

Message from the Management

For the past three years, in the midst of increasing competition and a sequence of financial deregulation, we have achieved several goals set up under the Fourth Midterm Management Plan (covering Fiscal 2002 to Fiscal 2004), such as improvement of our profitability and completion of a new mainframe system developed jointly with The Bank of Fukuoka, Ltd.. Reinforcement of fee-earning power derived from highly-advanced financial products and services including investment banking and private banking as well as promotion of cost reduction drove the improvement of our profitability as shown in increasing the Bank's core banking profit. The jointly-developed mainframe system has enabled the Bank not only to provide a variety of financial services and products that meet a wider range of the Bank's customers' financial and banking needs but also to improve the efficiency of the Bank's overall business operations. The Bank has also made best efforts to commit to empowering the local economy through a range of initiatives, including financial support for start-ups and managerial assistance for corporate restructuring and revitalization.

Based on a number of measures in accordance with the Fourth Midterm Management Plan, the Bank's core banking profit for Fiscal 2004 set a new record for the seventh year in a row, demonstrating solid progress in the attainment of the goals set out in the Fourth Midterm Management Plan, specifically increasing profitability and reinforcing financial base for operations.

Fiscal 2005 will mark the first year of the Fifth Midterm Management Plan, covering a new three-year period.

The new plan is designed to harness the diverse capabilities of Hiroshima Bank Group under a policy of strict compliance with applicable laws and regulations and to provide the high-quality financial services and products required by its customers. It also calls for active involvement in environmental protection activities, active contribution to society, and a solid commitment to corporate social responsibility (CSR), with the objective of demonstrating that we are in every way a trustworthy financial institution.

Basic management policy

As set out in our "Reliance 21" long-term management plan and as expressed by our management vision of "building a reliable bank united by the trusting relations with the community", the Hiroshima Bank Group has adopted four management policies designed to contribute to the sound development of the regional community:

(1)Promote management and services that reflect the needs of the regional community,

(2)Devote ourselves to sound banking principles and solid operations,

(3)Provide comprehensive, cutting-edge financial services, and

(4)Promote the creation of a cheerful, rewarding workplace.

Dividend policy

The Bank is committed to fulfilling its public service mission as a leading bank in the region. Reflecting this commitment, the Bank is strengthening its financial position by increasing retained earnings while returning stable dividends to stockholders. Cash dividends have therefore been maintained at ·5.00 per share for the fiscal year.

Medium- and long-term management strategy

Under the Reliance 21 long-term management plan (from

Fiscal 1998 to Fiscal 2007), the Bank is currently advancing its Fifth Midterm Management Plan, which covers the three-year period from Fiscal 2005 to Fiscal 2007.

As we continue to work toward achieving the goal of the Reliance 21 long-term management plan to make a good reputation as a high-quality financial institution from our customers, shareholders and financial markets, we have inaugurated the Fifth Midterm Management plan, which includes the two key guiding management principles for our business operation, establishing a strong financial position through stable profitability based on our extending earning power, and gaining our customers' confidence through our professional and trustworthy behavior. Based on the two key guiding management principles, we will promote our business in accordance with the following four basic principles:

(1) establishing a regime of strict compliance with laws and regulations as well as making stronger contribution to the local communities with a solid commitment to corporate social responsibility (CSR),

(2) implementing a thorough, segment-based customer strategy and providing a wider range of high-quality financial services and products on a consolidated group basis,

(3) enhancing business promoting systems while pursuing cost reduction by means of strategic utilization of information technology and effective business process reengineering, and

(4) building up an integrated internal management system through enhancing capabilities of managing diversified and complicated risks associated with business operations.

Through the Fifth Midterm Management Plan, the Bank will further enhance its corporate value and forge strong bonds of trust with the communities it serves.

Management objectives

The Fifth Midterm Management Plan defines the following major performance targets for Fiscal 2007, the final year it covers:

Consolidated core banking profit : ·51 billion or more,

Consolidated net income : ·20.5 billion or more,

Consolidated overhead ratio (OHR) : between 50% and 55%

Consolidated capital adequacy ratio : between 10% and 10.5%

Consolidated Tier 1 capital adequacy ratio : between 6.5% and 7.0%

Consolidated ROE : mid 7%

Moody s rating : A2 or better

Basic corporate governance policy and policy implementation

〈Basic corporate governance policy〉

To achieve its goals of improving management efficiency and maintaining the trust of both its customers and stockholders, the Bank has highlighted enhanced corporate governance as a key issue for management. Toward this end we are engaged in the following three activities:

(1)Thorough investigation and faster decision-making of issues at board meetings

(2)Strengthened compliance efforts and internal management policies and procedures

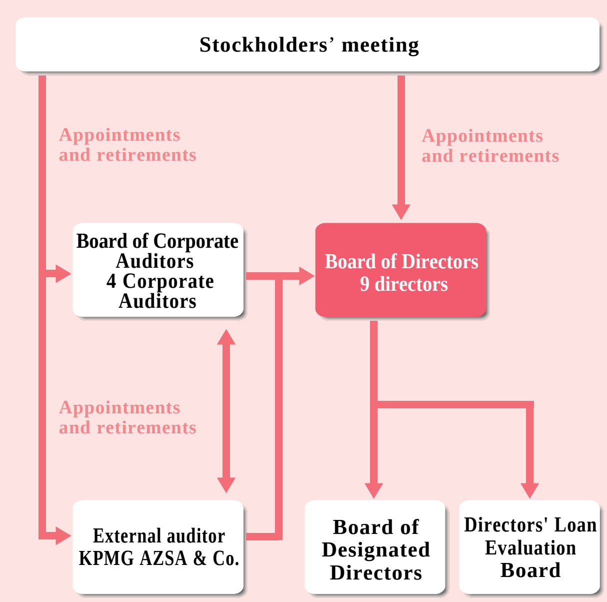
(3)Highly transparent disclosures coupled with active investor relations

〈Implementation of corporate governance policy〉

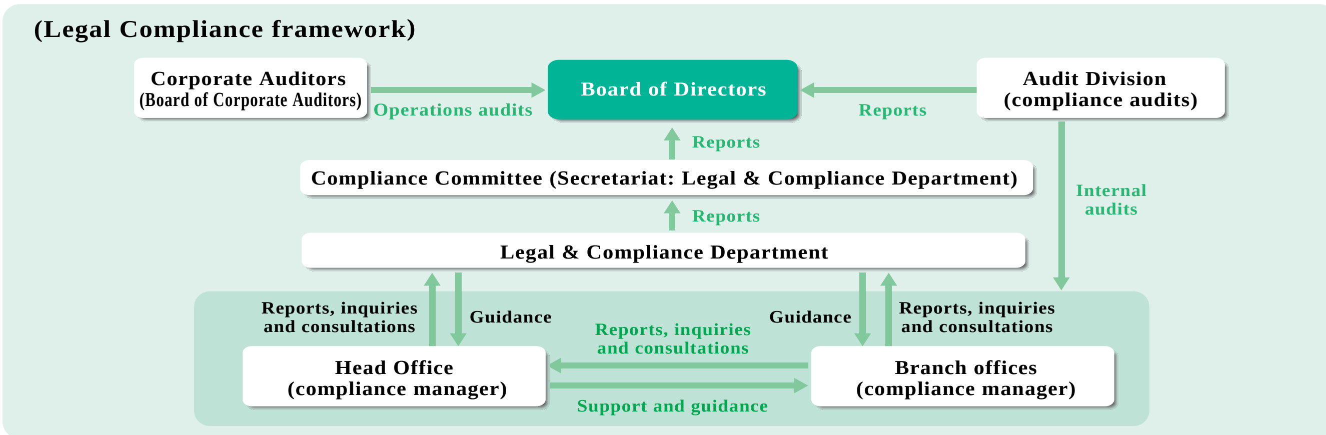
①Management organization for corporate governance (corporate decision-making, implementation and monitoring)

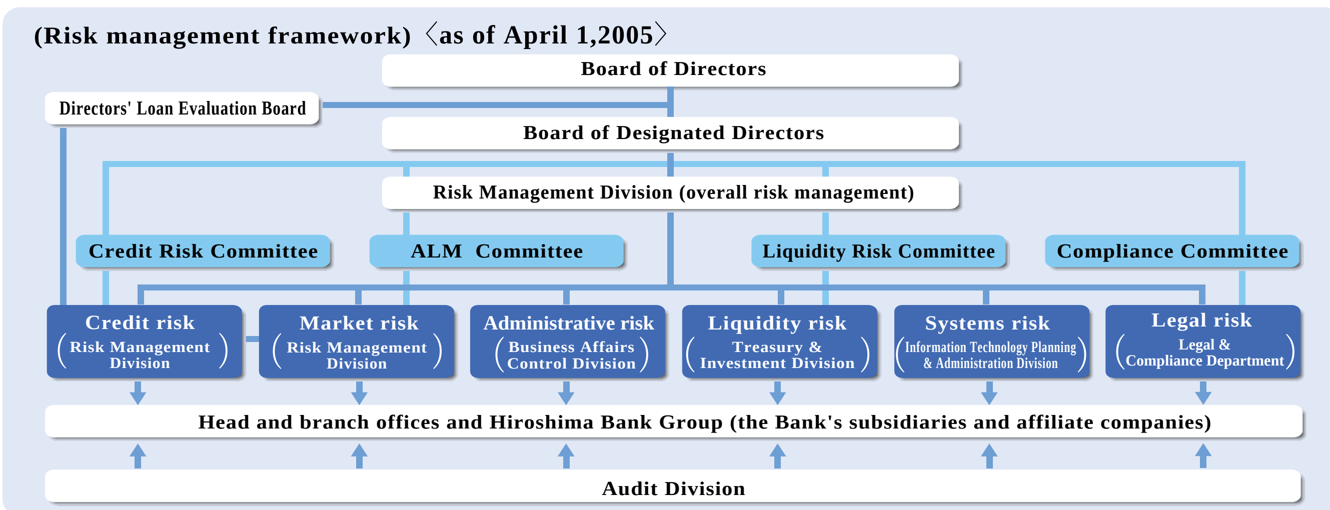
(Operations and management monitoring framework)

< as of March 31,2005 >



※In addition, six Executive Officers are elected by the Board of Directors responsible for operations.





(Appointment of Directors)

The Bank has 9 directors, who are first designated as candidates by the Board of Directors and then formally confirmed at the Stockholders' Meeting.

The Board of Directors makes decisions on such critical management issues as basic management policy and legal and regulatory matters. At the same time, the Board monitors the performance of the directors. It meets on average twice a month to fulfill its responsibilities.

Under the Board of Directors is the Board of Designated Directors, consisting of the Representative Director(s), Senior Managing Director(s), Managing Director(s) and Departmental Directors designated by the President. The Board of Designated Directors is responsible for making general management decisions in accordance with the policies set down by the Board of Directors and meets once a week.

(Appointment of Corporate Auditors)

The Bank has four Corporate Auditors, two internal to the Bank and two external. Candidate Corporate Auditors are selected by the Board of Corporate Auditors and then formally confirmed at the Stockholders' Meeting.

The Board of Corporate Auditors meets once a month and otherwise as required. The corporate auditors attend meetings of the Board of Directors, providing information and expert advice for use in management decision-making.

(External auditors)

In addition to auditing the Bank s financial reports KPMG AZSA & Co., an external auditor, inspects the Bank's internal self-assessment of its loans and other assets and audits disposition of loans and provision of reserve for possible loan losses based on the relevant inspection.

To address system risks arising from the outsourcing of the development and operation of the mainframe system shared with the Bank of Fukuoka, Ltd., we are further strengthening our risk management capabilities, such as through the introduction of external audit inspection.

(Compliance)

The Board of Directors approves and implements a compliance program each fiscal year. To ensure full compliance with applicable laws and regulations and to further strengthen corporate ethics, the Compliance Committee, under the Representative Senior Managing Director as chairman, investigates compliance-related issues, working to prevent compliance-related violations.

(Disclosure)

To make management activities even more transparent, the Bank holds a public information meeting every six months for institutional investors from Japan and overseas, supported by a variety of investor relations information material designed to address the needs of the increasingly diverse range of stockholders.

Periodic documentation and other disclosures are made public in a timely fashion, including extensive information provided on the corporate Web site. We recognize the importance of continued disclosure and are working to further improve the content and transparency of our managerial and financial information.

②Overview of personal, capital and other relationships between the Bank and external directors and auditors

The Bank has no external directors.

Two of the Bank's four Corporate Auditors are external auditors, and neither is nor has been employed by the Bank or its subsidiaries and affiliate companies.

③Activities to strengthen corporate governance

In Fiscal 2004, the Board of Directors met 25 times to discuss key management issues. The Board of Designated Directors met 50 times to discuss general management issues, while the Directors' Loan Evaluation Board met 30 times to discuss and evaluate major loans.

The Board of Corporate Auditors met 15 times during the fiscal year to discuss audit policy and plans. Individual Corporate Auditors attended meetings of the Board of Directors providing expert advice and information for corporate decision-making and to audit director performance.

The Credit Risk Committee met twice, the ALM Committee seven times, the Liquidity Risk Committee six times, and the Compliance Committee twice.

Challenges ahead

With the completion of Japan's deregulation of deposit protection in April 2005, customers of financial institutions have become increasingly selective about where they deposit their funds. The same deregulation, however, has provided banks with new business opportunities in securities, insurance, trust banking and other areas, transforming the environment surrounding financial institutions today. Within this environment, we have formulated the Fifth Midterm Management Plan, covering the three-year period from Fiscal 2005 to 2007, as mentioned above.

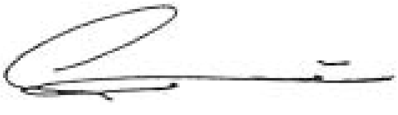
The Fifth Midterm Management Plan calls for a powerful combination of establishing a strong financial position through stable profitability and gaining our customers' confidence, as the two key guiding management principles for our operations.

More specifically, the Bank will leverage its financing service functions as well as provide new financial services such as investment banking services and private banking services designed to meet customer needs, with the goals of improving profitability and solidifying its management foundation.

We have highlighted compliance with applicable laws and regulations as a key management issue, and all our employees are working together to expand our contribution to regional society through our financial operations, actively participate in environmental protection and social contribution initiatives, and fulfill our corporate social responsibility (CSR) to earn the complete trust of the communities we serve.

We will continue to provide products and services of significant benefit to our customers and the community, repaying their trust through friendly, comprehensive service. We will continue to make steady progress toward our goal of becoming the "First Call Bank," the bank that clients turn to first for all their financial needs.

July 2005



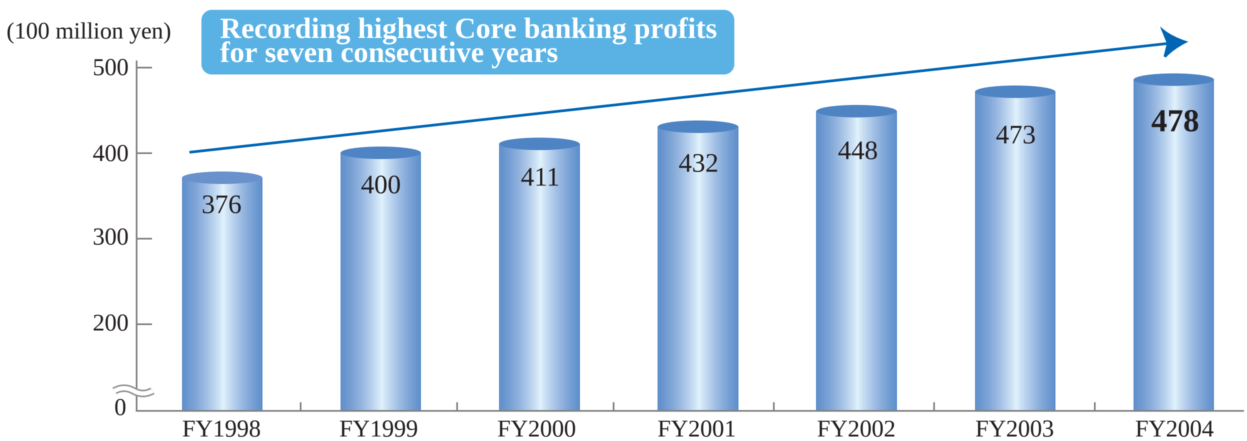
Sho Takahashi
President

Performance highlights

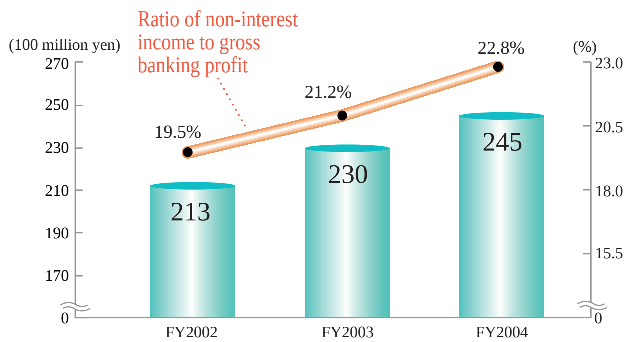
Core banking profit sets a new record for the 7th year in a row

Core banking profit, a key indicator of a bank's true profitability, set a new record again in Fiscal 2004 (the seventh consecutive year), increasing by ·0.5 billion from the previous year to reach ·47.8 billion, resulting from ongoing restructuring and rigorous cost reduction in addition to the growth of non-interest income.

Trends in Core banking profit

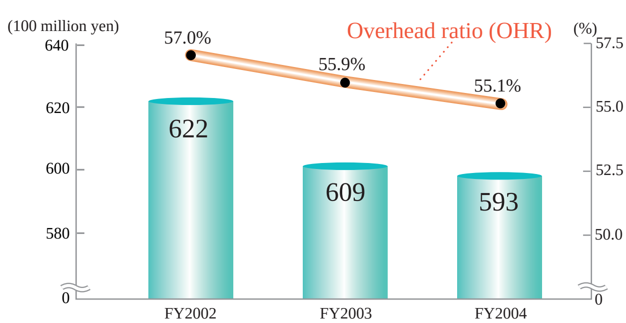


Trends in Non-interest Income



Non-interest income (income from fees and commissions, trading income and other operating income, excluding gains on sales of bouds) increased primarily as a result of sale of National government bonds for individuals and derivatives such as currency swaps, growing by ·1.5 billion to reach ·24.5 billion.

Trends in Expenses and Overhead ratio (OHR)

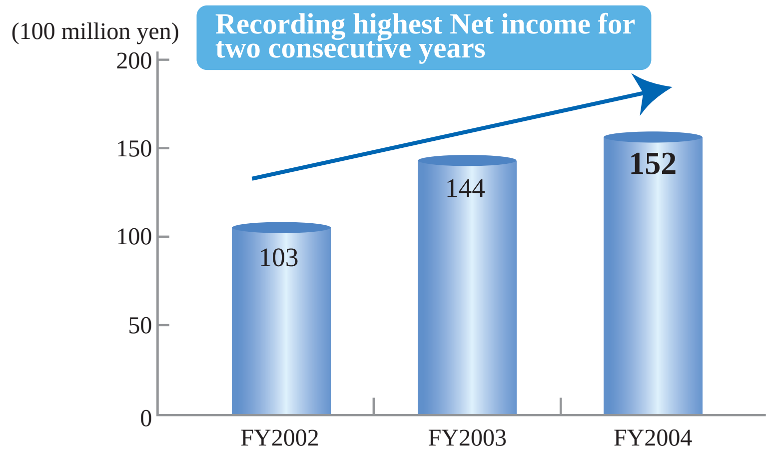


Lowered personnel expenses resulting from ongoing restructuring and rigorous cost control reduced expenses by \1.6 billion from the previons year, to \59.3 billion. OHR was 55.1%, improved by 0.8 percentage point from the previous year.

Net income sets a new record

Operating profits for the fiscal year rose by · 0.5 billion to ·24.8 billion, mainly due to the increased core banking profit and improvement of gains and losses on equity securities. Net income for the fiscal year also rose by · 0.8 billion to ·15.2 billion, consisting of gains related to reorganization of the Bank’s employees’ severance and retirement benefit plan and impairment losses of fixed assets resulted from one year early adoption of new accounting standards for impairment of fixed assets.

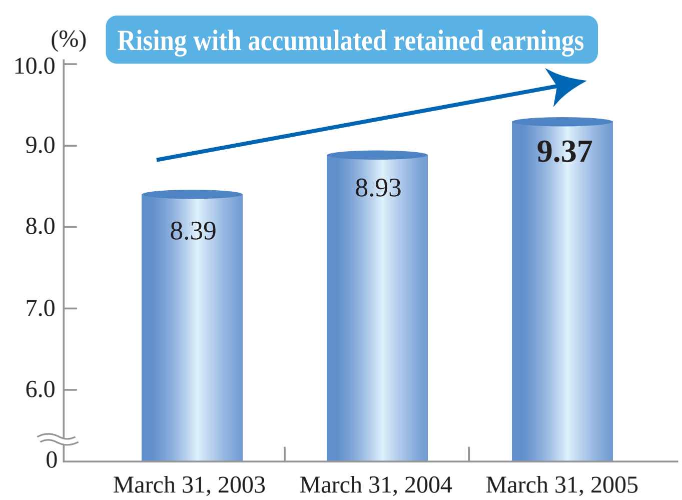
Trends in Net income



Capital adequacy ratio rose with accumulated retained earnings

The consolidated capital adequacy ratio rose 0.44 percentage point from the previous year to 9.37%.
The Japanese government has established a standard of 4% for domestic banks. Hiroshima Bank continues to maintain a ratio above 8%, the international standard for capital adequacy.

Capital adequacy ratio (Consolidated)



Glossary: Core banking profit

Core banking profit is the profit from banking operations, less non-operating losses or gains, such as from debt securities, and credit costs, such as transfer to general reserve for possible loan losses. It is a measure of a bank’s profitability from all core banking operations, including deposits, loans and exchange transactions, and is equivalent to the operating profit for corporations except in a banking industry.

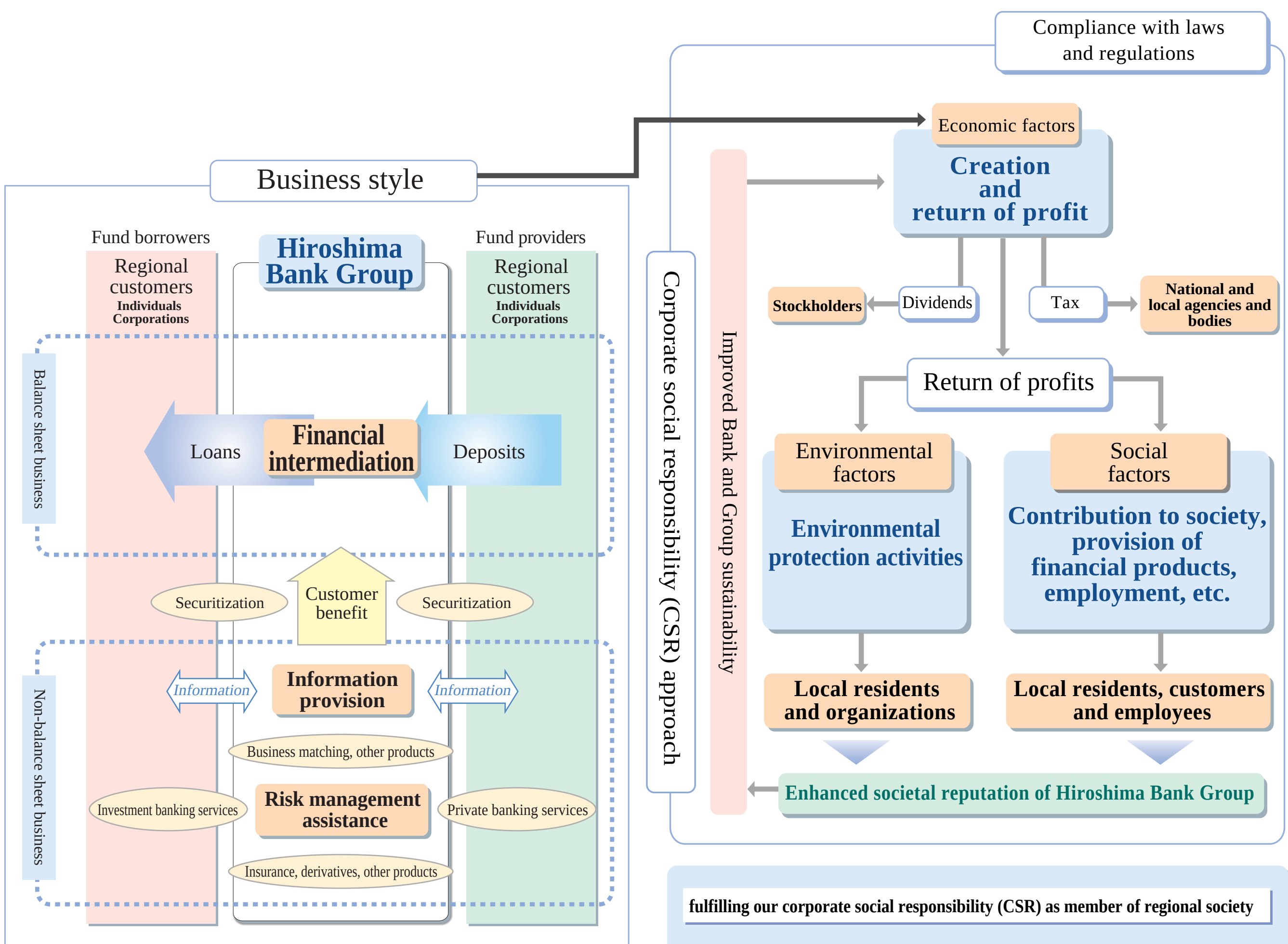
Formulation of the Fifth Midterm Management Plan

With the completion of Japan's deregulation of deposit protection in April 2005 and the enactment of the Law concerning the Protection of Personal Information, customers of financial institutions have become increasingly selective about where they deposit their funds. Other deregulation, however, has provided Japan's banks with new business opportunities in securities, insurance, trust banking and other areas, transforming the environment surrounding financial institutions today.

The Fifth Midterm Management Plan was formulated to address the challenges posed by this new environment.

Business approach

To continue to accurately respond to customer needs that are increasingly diversified and sophisticated and to contribute to the development of the regional economy, the Bank is harnessing its capabilities to provide three key functions and provide customers with products and services offering significant benefit. These three functions are financial intermediation, information provision and risk management assistance.



fulfilling our corporate social responsibility (CSR) as member of regional society

From our basic position of full compliance with applicable laws and regulations, the Bank will actively engage in environmental protection and social contribution activities, contributing to the regional economy mainly through banking operations.

Basic approach to the Fifth Midterm Management Plan

To clearly define our goal of establishing ourselves as the "First Call Bank," the Fifth Midterm Management Plan has been given the subtitle "An Action Plan to Win and Keep the Trust of Regional Society." The plan is based on the implementation of two key guiding management principles, establishing a strong financial position through stable profitability based on our extending earning power, and gaining our customers' confidence through our professional and trustworthy behavior.

Fifth Midterm Management Plan (FY2005 through FY2007)

An Action Plan to Win and Keep the Trust of Regional Society

〜Becoming and remaining the"First Call Bank"〜

Key management principles

- **Gaining customers' confidence through professional and trustworthy behavior**
- **Establishing a strong financial position through stable profitability**

Basic principles

The Fifth Midterm Management Plan is based on **the following four basic principles.**

(1)establishing a regime of strict compliance and strengthening contribution to the local community

- making stronger efforts to protect personal information and prevent financial crimes in compliance with laws and regulations
- making stronger commitment to corporate social responsibilities (CSR) in promoting environment protection activities and social contribution activities

(2)implementing a thorough, segment-based customer strategy and developing comprehensive financial services on a consolidated basis

- providing high-quality comprehensive financial services to meet customer needs through implementation of a thorough, segment-based strategy and aggregated strength of the Bank Group

(3)reinforcing business promotion systems and promoting cost reduction

- reinforcing business promotion systems while pursuing operation efficiency through establishing effective sales focus and training of professionals
- promoting cost reduction through strategic utilization of information technology and effective business process reengineering

(4)building up an integrated internal management systems

- building up a management system of effectively balancing the capital, risk level and profitability through enhancing capabilities of managing various risks
- establishing error-free operation systems as well as improving internal audit capabilities

Targets for fiscai 2007

	Target
Consolidated Core banking profit	·51 billion or more
Consolidated net profit	·20.5 billion or more
Consolidated OHR	between 50% and 55%
Consolidated ROE	mid 7%
Consolidated Capital adequacy ratio	between 10% and 10.5%
Consolidated Tier l ratio	between 6.5% and 7.0%

Contribution to the regional community

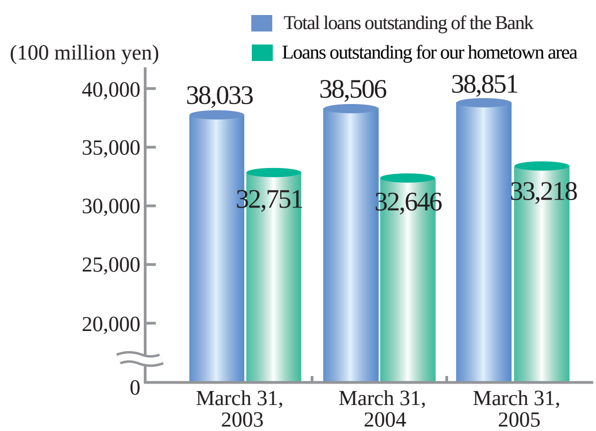
Although our head office is located in Hiroshima Prefecture, we have made continuous efforts to contribute to regional communities not only of Hiroshima Prefecture but also of adjacent three prefectures including Yamaguchi, Okayama and Ehime prefectures, as we consider that the four prefectures to be our beloved hometown.
As a regional bank, we recognize that we must not only fulfill our social and public missions as a financial institution through banking operations and functions, but also work to achieve an affluent and forward-looking regional society through realizing our management vision of building a reliable bank united by the trusting relations with the community.

Fulfilling customer needs for financing

We develop financial products and services to respond to the needs of our customers and provide them through our network of branches and business offices. We are also actively responding to the region's financing needs through our business loan centers, housing loan centers and other special-service functions.

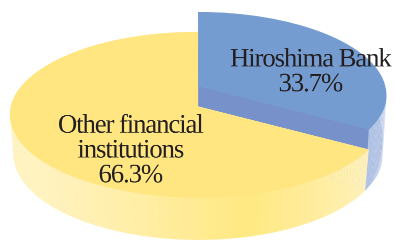
Overview of Loans outstanding (for our hometown area)

● Trends in Loans outstanding



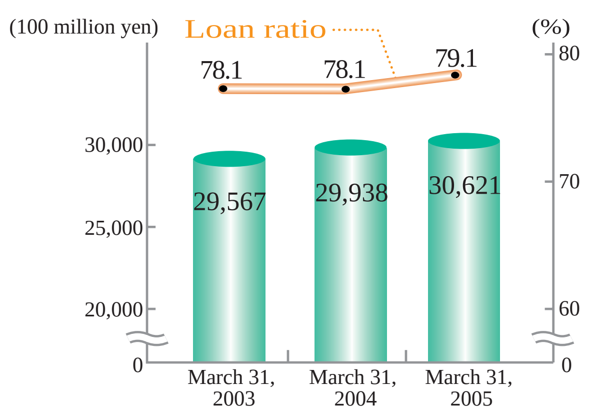
note : Loans outstanding include bills discounted.

● Share of Loans outstanding in Hiroshima Prefecture
(as of March 31, 2005)



Financing for small-and medium-sized businesses and individuals

● Trend in Loans outstanding to small-and medium-sized businesses and individuals, and its ratio to the total loans outstanding



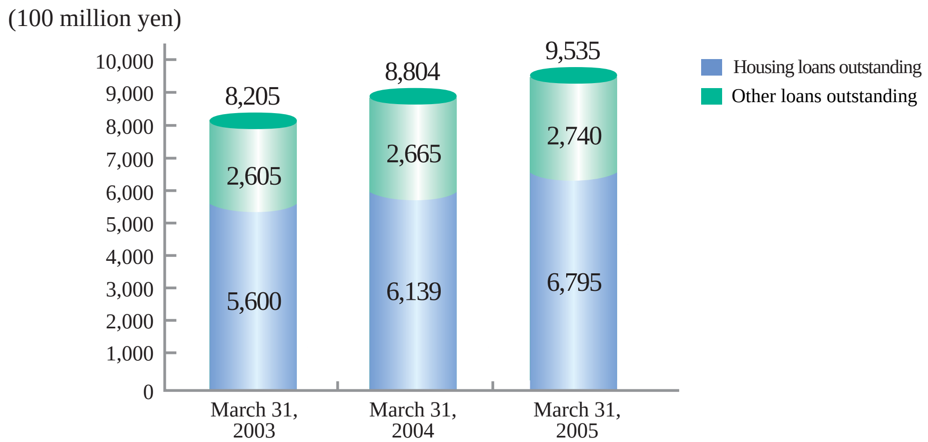
*Small-and medium-sized businesses and individuals loan ratio excludes Special International Transaction Accounts.

note : Loans outstanding include bills discounted.

Endeavors to finance small-and medium-sized busiuesses with collateral-free loans.

Through an agreement with the Hiroshima Credit Guarantee Association, we began offering collateral-free loans "Hirogin Quick Business Loan Partner" in October 2003, helping small- and medium-sized businesses in our service area stabilize their cash flows. In November 2004, we began providing a new type of collateral-free loans to small- and medium-sized businesses "Bridge" as well. Financing through the "Hirogin Quick Business Loan Partner" program, featuring loans with no collateral, no guarantors and fast credit rating evaluation, became easier than ever for our business customers to make use of. In that same month we entered into an agreement with the Chugoku Association of Tax Accountants to provide reduced interest rates to local customers, followed by a similar agreement in April 2005 with Hiroshima Chamber of Commerce and Industry.

Trends in Individual loans outstanding



Housing loan operations

In October 2004, we offered the Hirogin Housing Loan 1% Campaign," running through March 31, 2005, which fixed interest on the first three years of the loan at only 1%. In April 2005, we launched the "Hirogin Housing Loan Interest Advantage Campaign," running through September 30, 2005. This campaign is designed to meet customer needs by offering a low initial interest rate, followed by additional interest benefits throughout the remaining term of the loan.

"Individual Loan BPR System" launched

In December 2004, the "Individual Loan BPR System," jointly developed with the Bank of Fukuoka, Ltd. began operation, providing paperless credit rating evaluation to replace the previous paper-based loan evaluation method. The entire process from application reception to final response is automated, significantly speeding up the processing of loan applications. The system improves credit rating evaluation efficiency, and new products are being developed to take advantage of it. We will continue our efforts to provide individual loan products and services that highlight our policy of "speedier to respond, more convenient and easier to apply"

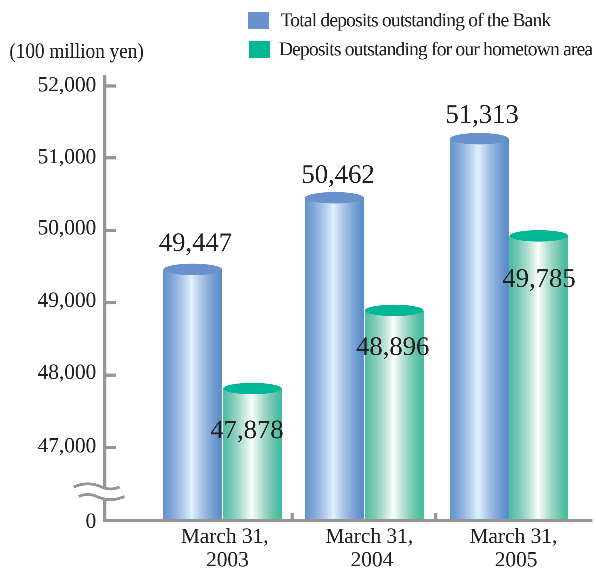
Contribution to the regional community

Further increasing customers' convenience

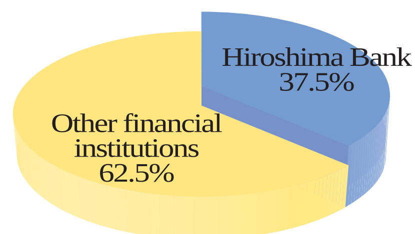
Deposits and Individual Custody Assets for our hometown area

Resulting from strong marketing efforts focusing on the needs of the local region, deposits rose by ·85.1 billion from the previous year to reach ·5,131.3 billion mainly due to growth in corporate deposits. There was continued steady growth in individual deposits as well, rising by ·3.9 billion from the previous year to ·3,429.5 billion.

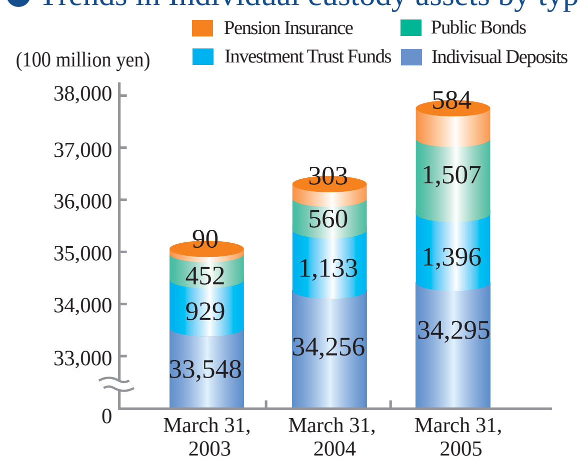
● Trends in Deposits outstanding



● Share of Deposits in Hiroshima Prefecture
(as of March 31, 2005)



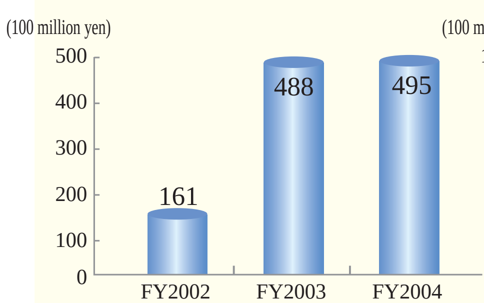
● Trends in Individual custody assets by type



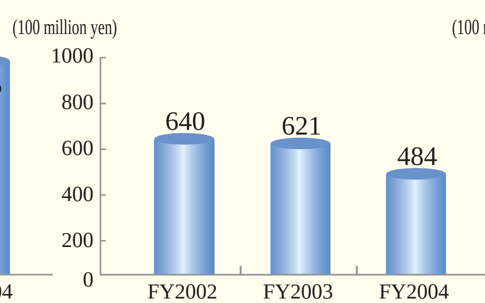
Developing new financial services

● Trends in Financial products offered

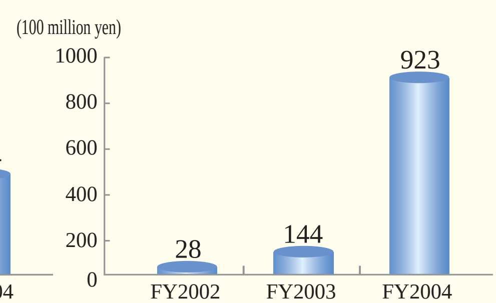
◆ Foreign currency deposits (individual accounts)



◆ Investment trust funds offered

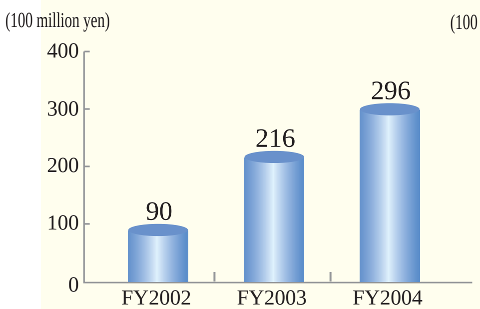


◆ National Government bond sales to individuals

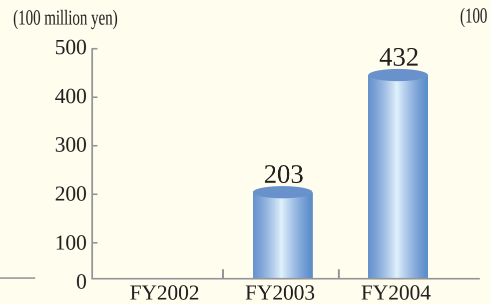


Trends in Financial products offered

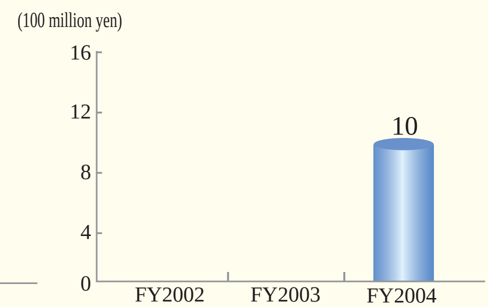
Pension insurance offered



Jointly managed special trust fund custody assets

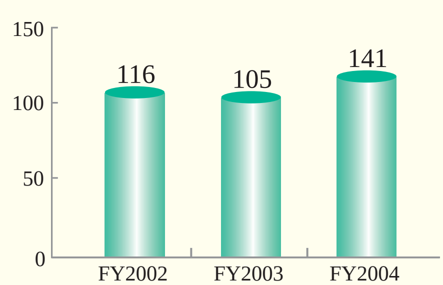


Foreign bond and derivative bond sales (securities intermediary service)

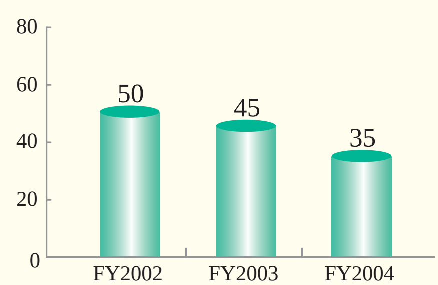


Trends in Investment banking business

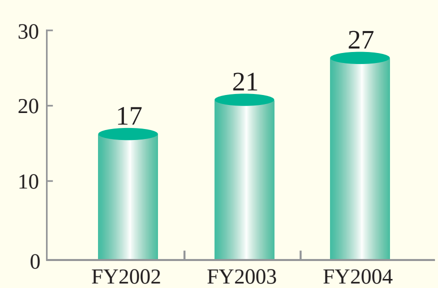
Derivative transactions handled



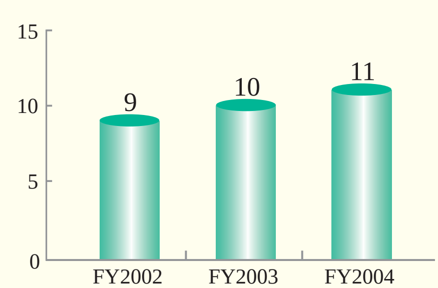
Corporate bonds issued



Syndicate loans handled



M&As handled



Contribution to the regional community

Further increasing customer convenience

■ Sale of securities products through securities intermediary service

To continue to meet increasingly diverse and sophisticated customer requirements for asset management, we entered into a partnership with Mizuho Securities Co.,Ltd. in December 2004 to provide customers with a range of foreign bonds, derivative bonds and other investments that until then had been available only through securities firms. Now these products are available through the Bank offices, handled by the Head Office, Fukuyama office and Financial Products Division (as of July 30, 2005).

Note: New accounts to open must meet Mizuho Securities Co.,Ltd. standards.

■ Inheritance trust management and inheritance affairs services

To better meet indivisual customer needs relating to inheritances, in April 2005 the Bank became one of the first regional banks in Japan to begin providing inheritance services by becoming an agent for The Mitsubishi Trust and Banking Corporation and The Sumitomo Trust & Banking Co.,Ltd. This fusion of the Bank’s office network with specialized expertise in inheritance, business succession and trust banking has made it possible to provide its customers with a wide range of sophisticated services.

Personnel with specialized training in inheritance and business succession are available at 18 major offices in Hiroshima Prefecture and the Head Office.

Head Office Sales Department
"Hirogin Money Consultation Desk"

■ Web-based foreign currency services

In January 2005, we began offering Internet-based services to allow both corporate and individual businesses to not only request currency transfers to overseas accounts and open or revise import letters of credit, but also access information on accounts, international transfers and import documentation online from their own personal computers.

The service is available weekdays from 8:00 to 21:00, with the Bank processing requests received during the month immediately before the date of the transaction.

There is no set-up fee, and monthly fees are lower than those charged at the teller window. All data communication between the Bank and the customer is encrypted to protect confidential information.

Cash Management Service (CMS)

Recent changes of Japan’s accounting standards have brought a pronounced shift toward group financial management by corporations, and CMS is attracting increased attention as an invaluable tool to optimize cash management for the entire corporate group.

The Bank began offering CMS services in March 2005, as the first regional bank in the Chugoku service area, helping customers lower their operating capital requirements, improve their balance of payments, more efficiently manage their capital, improve their financial soundness and streamline their business processes.

"Hirogin Value One" multipurpose card

To continue to meet increasingly diverse and sophisticated indivisual customer needs, in April 2005 the Bank began offering the "Hirogin Value One" multipurpose card. The card combines cash card, credit card and card loan functions to provide more customer convenience than ever, with no annual membership fee or after-hours fee for ATM services for the initial year. Our advanced "palm recognition" security technology can be used to protect all cash card transactions.

CSR fund operations

Customers’ investment management requirements are rapidly evolving, and in April 2005 the Bank began handling the "AIG/Hirogin Japanese CSR Fund," an investment trust specializing in the stocks of Japanese companies with active CSR programs. A portion of the trust’s management fees are donated to non-profit organizations contributing to society and to public trusts.

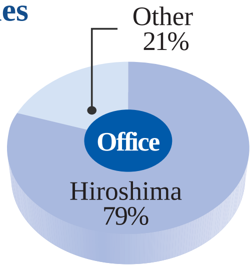
This fund is exclusively handled by the Bank, as part of its enhanced CSR efforts under the Fifth Midterm Management Plan.

Further increasing customers' convenience

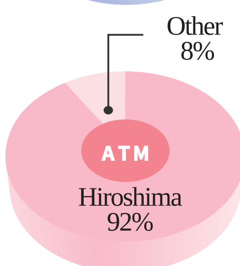
Business offices (as of March 31, 2005)

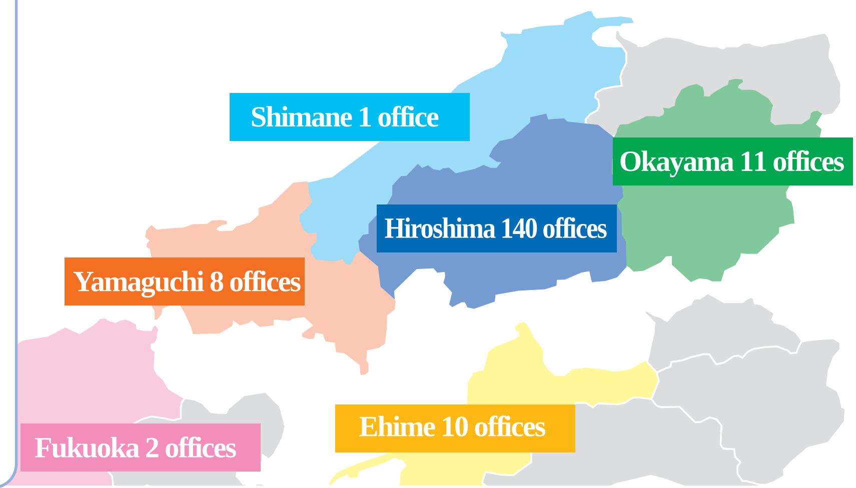
The Bank's facilities

177 offices
(140 in Hiroshima Pref.)



833 ATMs
(763 in Hiroshima Pref.)





Hyogo 2 offices | Osaka 1 office | Aichi 1 office | Tokyo 1 office | (Overseas 1 office)

Expanded ATM network

Fee-free ATM service network

Approx.
2,900 ATMs
(approx. 1,300 in Hiroshima Pref.)

HIROSHIMA NET SERVICE

All of regional banks, Shinkin (credit association) banks and JA (Japan agricultural cooperative) banks, headquartered in Hiroshima prefecture.

Other networked financial institutions

- The Bank of Fukuoka, Ltd.
- THE SAIKYO BANK,LTD.
- TOMATO BANK,LTD.
- The Iwashin Bank
- The Hiroshimashi Credit Cooperative

Convenience store ATM network

Approx.
18,800 ATMs in Japan
(approx. 460 in Hiroshima Pref.)

Managing company and bank	E-net Co.,Ltd.	IY Bank Co.,Ltd.	LAWSON,INC. (LAWSON ATM Networks)
Convenience stores in Hiroshima Pref.	Poplar Co.,Ltd. Family Mart Co.,Ltd. SUNKUS&ASSOCIATES INC. Daily YAMAZAKI Co.,Ltd. HALOWS Co.,LTD.	7-ELEVEN JAPAN Co.,LTD. Ito-Yokado Co.,Ltd.	Lawson,INC. Don Quijote Co.,Ltd.

ATM online access to JAPANPOST financial network

Approx.
26,500 ATMs in Japan
(approx. 770 in Hiroshima Pref.)

郵便貯金

Efforts to revitalize the local economy

■ Friendship agreement signed with Wuxi City, China

Supported by rapid economic development and globalization, China's role is evolving from that of the world's factory to that of a major market. Today it has become one of the most attractive markets our customers seek to enter.

In recognition of these developments, we established our "China Desk" in May 2004, and it has since played a pivotal role in facilitating cooperation between our Shanghai Representative Office and Head Office, as well as tapping the resources of an extensive network of organizations in that country. In December 2004, we signed a friendship agreement with the government of Wuxi City, in Jiangsu Province, China, making it possible to receive local information and onsite support from the Chinese people's government. The Bank is continuing to strengthen its functions and its network to support customers entering the Chinese market, assisting them with a range of high-quality services.

■ Corporate restructuring and revitalization

"The Corporate Finance (CF) Section" is the hub of the Bank's efforts to assist corporations with their restructuring and revitalization, selecting and implementing the best method for each case such as DES (Debt-Equity Swap), DIP finance and active utilization of corporate revitalizing funds.

In July 2004, together with the Development Bank of Japan, the Bank provided exit financing to assist the transfer of ownership of business under corporate civil-rehabilitation event by applying "Hiroshima Corporate Revitalizing Funds" established in November 2003.

In addition, in January 2005, Shimanami Servicing Co., Ltd., a consolidated subsidiary of the Bank, founded "the Seto Mirai Recovery Fund" in cooperation with the Bank, local financial institutions and the Development Bank of Japan. A number of financial institutions in the local region have cooperated with external experts and local servicing agencies to use this recovery fund in a new initiative unparalleled in Japan, and one with great promise for the future.

■ Improvements in informing customers, consulting and handling complaints

In September 2003, the Bank launched the "Hiroshima Bank Image Improvement Campaign" to retrain all employees in customer service. In April 2005, this evolved into the "Campaign for Smiles and Higher Quality." Stressing customer satisfaction and peace of mind, the campaign has helped the Bank's staff provide customers with professional and friendly impression as well as more sufficient information, earning solid customer trust.

Non-performing Loans

■Disclosure under the Financial Revitalization Law (Non-Consolidated)

(100 million yen)

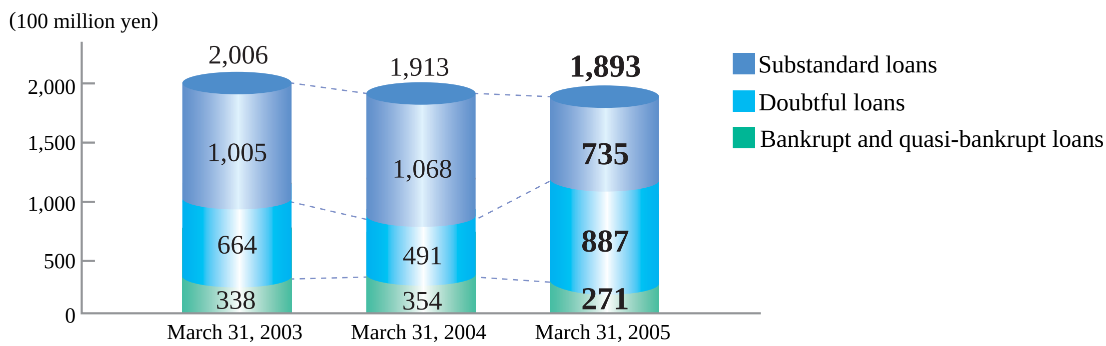
Loan classification	As of March 31, 2005
Normal loans	38,086
Substandard loans	735
Doubtful loans	887
Bankrupt and quasi-bankrupt loans	271

Amounts less than 100 million yen have been rounded.

(100 million yen)

As of March 31, 2005		Substandard loans	Doubtful loans	Bankrupt and quasi-bankrupt loans	Total disclosed amount	Change from March 31, 2004
Disclosed totals	①	735	887	271	1,893	△ 20
Portion covered by collateral	②	215	340	262	817	△ 85
Portion covered by reserve	③	153	366	9	528	126
Coverage ratio (Change from March 31, 2004)	③÷(①−②)	29.3% (+1.6%)	66.9% (△ 3.1%)	100.0% (0.0%)	49.0%	9.2%
Coverage amount	④=(②+③)	368	706	271	1,345	41
Coverage ratio to disclosed totals (Change from March 31, 2004)	④÷①	50.0% (△ 0.5%)	79.6% (△ 4.0%)	100.0% (0.0%)	71.0%	2.8%
Ratio to total loans outstanding (Change from March 31, 2004)		1.8% (△ 0.9%)	2.2% (+1.0%)	0.7% (△ 0.2%)	4.7%	△ 0.1%

■Trends in Disclosed under the Financial Revitalization Law



■Bank policy on Non-performing Loans

●Notes on asset audit for fiscal year ended March 31, 2005

① Disclosure under the Financial Revitalization Law

Although the Bank saw an increase in the value of substandard loans, its efforts to help its clients strengthen their financial positions and the ongoing disposal of non-performing loans resulted in a decrease of ·2.0 billion, to ·189.3 billion, as of March 31, 2005.

②Coverage ratio provided by collateral and reserves

The coverage ratio provided by collateral and reserves with respect to the total disclosed remained adequate and sufficient for this risk, at 71.0%.

③Ratio to total loans outstanding

Ratio of non-performing loans to total loans outstanding was decreased by 0.1 percentage point from the previous year to 4.7%.

●Policies to enhance the quality of the Bank's loan portfolio

The Bank is strengthening its efforts to enhance the quality of its loan portfolio.

●Application of a credit rating system assessing individual credit risk for use in evaluating new loan applications and managing existing ones.

●Loan application evaluation and loan management by specialists in each industry sector.

●Strict management of the upper limit for unsecured loans to each customer.

●Policies to enhance the quality of the Bank's loan portfolio

●Enhanced support for customers working to improve their financial soundness, primarily through the CF Section.

●Enhanced support for corporate restructuring through the use of regional revitalization funds and other resources.

Risk Factors

Consideration of risks arising in relation to the business of the Bank Group is crucial when making investment decisions. Some of the major risk factors for the Bank are discussed below. Note that not all of these risk factors are applicable to the Bank, but they are listed here as part of our corporate policy of disclosure to investors.

The Bank is making ongoing efforts to avoid these risks and to take prompt and effective action in the event that any of them should occur.

The section below also discusses items related to future activities, but related the Bank positions are as of the end of the current consolidated fiscal year.

(1) Non-performing loans

A number of factors may increase the amount represented by non-performing loans, including fluctuations in the global or the Japanese economy, changes in the performance of specific business sectors, fluctuations in real estate values or securities prices, and changes in the performance and status of the Bank’s loan customers.

The Bank have provided reserves for possible losses from non-performing loans based on the financial condition of the customer, the value of any collateral provided, and evaluations of the current and future economic environment. For loans to customers with large outstanding loan balances, where future cash flows can be estimated rationally for these customers, reserves also take these cash flow estimates into account based on the Discounted Cash Flow method.

Poor performance on the part of loan customers, declines in the value of collateral, and other factors can result in significant changes in the level of risk compared to what it was when the reserve for that loan was first provided, in which case the reserve is increased.

For loan customers experiencing poor performance, the Bank is able to provide a range of support, including canceling some or all of the debt or providing additional financing. It is also possible that the value of real estate or securities held as collateral may abruptly decline, making it impossible to recover the value they represented.

In the event that the above situations occur, the Bank’s credit-related costs would increase, possibly having an adverse effect on the Bank performance or financial condition.

(2) Risks related to market transactions

The Bank undertakes a range of financial operations involving market transactions, including investment in negotiable securities. These activities are subject to risk from a number of factors including fluctuations in interest rates, exchange rates and securities and bond values. In the event that any of these risks become excessive, they could have an adverse effect on the Bank performance or financial condition.

① Risks posed by declines in securities prices

The Bank holds a number of marketable securities. A decline in the value of the securities could lead to impairment or appraisal losses, which could have an adverse effect on the Bank performance or financial condition.

② Risks posed by increases in interest rates

The Bank holds a number of marketable government and other bonds. Rising interest rates could lead to a decline in the value of portfolios containing government or other bonds, which in turn could have an adverse effect on the Bank performance or financial condition.

(3) Risks related to disposal of securities held

To establish and maintain good relations with its customers, the Bank may hold shares of those customers. The disposal of these shares for reasons such as a reduction in risk assets or a decline in share price could have an adverse effect on the Bank performance or financial condition through deteriorating relations with its customers.

Similarly, corporations holding shares of the Bank may sell them, which in turn could have an adverse effect on the value and price of the Bank’s shares.

(4) Capital adequacy ratio

① Risks related to a decline in the capital adequacy ratio

The Bank does not operate any offices overseas; therefore, its consolidated and non-consolidated capital adequacy ratios must be at least 4% in accordance with "Notification NO.55 of the Ministry of Finance based on Article 14, Paragraph 2 of the Banking Law of Japan".

In the event the Bank’s capital adequacy ratio drops below the required level, the Commissioner of the Financial Services Agency could require the Bank to halt some or all of its operations.

The Bank’s capital adequacy ratio could be affected by the following factors:

・Reductions in the value of the Bank’s negotiable security portfolios, including stocks,
・Increases in credit-related costs accompanying increases in non-performing loans,
・Changes in the standards for or methods of calculating capital adequacy ratios, and
・Other disadvantageous development discussed in this section.

② Deferred income tax assets

Under current Japanese accounting standards, it is possible to record tax benefits expected to be received in the future on the financial statements as deferred income tax assets.

Current capital adequacy regulations make it possible for the value of deferred income tax assets to be included in equity capital. The calculation of deferred income tax assets involves various assumptions and estimates, including forecasts of taxable income, but actual results may differ.

In the event the Bank determines that it will be unable to recover some or all of the deferred income tax assets, the Bank will reduce the value of the deferred income tax assets. This revaluation could have an adverse effect on the Bank performance or financial condition or reduce the Bank’s capital adequacy ratio.

In addition, if changes are made to the extent or method by which deferred income tax assets are included in equity capital, these changes could result in a reduction to the Bank’s capital adequacy ratio.

③ Subordinated debts

Subordinated debts meeting a specific set of conditions may be included in Tier Ⅱ Capital (equity capital as auxiliary items) in the calculation of the capital adequacy ratio, within specified limits.

The Bank may not always be able to replace its existing subordinated debts with new debts under the same conditions when calculating its capital adequacy ratio, which could result in a reduction in the capital adequacy ratio.

(5) Risks related to rating downgrading and deterioration of credit conditions

① Risks related to rating downgrading

In the event that a ratings agency downgrades the Bank’s rating, the downgrade could adversely affect the Bank’s ability to procure equity capital and operating funds.

If the above situation were to occur, the Bank’s profitability in market transactions and other operations could decrease, possibly having an adverse effect on the Bank performance or financial condition.

② Risks related to adverse changes in credit conditions

In the event that the financial condition of Japanese banks, including the Bank, or of other financial institutions worsens, international markets could apply a risk premium to short-term borrowings by Japanese financial institutions or establish credit limits.

If the above situation were to occur, increases in capital procurement costs experienced by the Bank could result in reduced profitability, possibly having an adverse effect on the Bank performance or financial condition.

(6) Pension debts

In the event that the value of the pension assets of the Bank decreases, the interest rates earned by those assets decreases, or changes occur in the actuarial calculations and assumptions used to calculate future disbursements, losses may result. In addition, changes in the pension system could result in personnel expenses that were previously unaccounted for. Fluctuations in interest rates and other factors could also have an adverse effect on unfunded pension debt and annual funded amounts.

(7) Risk related to regulatory changes

The Bank complies with applicable laws, regulations, government policies, and business convention and interpretations in its operations. Changes in these factors and the effects of these changes could have an adverse effect on the Bank’s operations and performance, although it is difficult to predict the type or degree of such effects in advance.

(8) Other factors potentially affecting the Bank’s performance

① Risk related to financial institution soundness

Asset deterioration and other financial difficulties experienced by other financial institutions can lead to the following problems, which in turn can have an adverse effect on the Bank performance or financial condition.

- In the event that a financial institution suffering financial difficulty reduces or cancels financial support extended to borrowers, and the Bank has outstanding loans with those customers, the amount of non-performing loans could increase and result in increased credit-related costs.
- The Bank may be requested to provide financial assistance to a bankrupt financial institution.
- The Bank could be placed into direct competition with a financial institution being managed by the government as a result of that bank’s infusion with capital from public sources.
- In the event special regulatory advantages are provided to a financial institution being managed by the government, the Bank could be placed in a disadvantageous competitive position.

② Competitive advantage

The large-scale deregulation of Japan’s financial sector in recent years has led to competition across conventional industry borders. "Megabanks" and regional banks from neighboring regions are entering Hiroshima Prefecture, our core business area, which, along with mergers by local financial institutions, is intensifying competition.

The Bank’s inability to achieve or maintain a competitive advantage in this environment could have an adverse effect on the Bank performance or financial condition.

③ Risk related to failure of the Bank’s business strategies

The Bank has developed and is implementing a range of business strategies designed to improve profitability, but factors including those listed below could prevent these strategies from succeeding or lead to unexpected results.

- The value of normal loans does not increase as expected.
- The interest rate spread on outstanding loans does not increase as expected.
- Income from fees and commissions does not increase as expected.
- Strategies to rationalize operations through cost-reduction and other measures do not perform as expected.
- Managerial and financial support to customers does not perform as expected.

④ Occurrence of administrative errors

The Bank performs its administrative operations in accordance with its internal regulations and makes every reasonable effort to prevent administrative errors from occurring, but an administrative error that leads to payment of significant compensation could have a serious adverse effect on the Bank’s reputation, performance and share price.

⑤ Risk related to system management

Upholding the Bank’s system risk management regulations, the Bank makes every reasonable effort to maintain stable system operation, but it is impossible to eliminate the risk of system fault or failure due to natural disaster, power outage or other cause.

A long-term system failure could have a serious adverse effect on the Bank’s reputation, performance and share price.

⑥ Disclosure of confidential information

Due to the nature of its business, the Bank holds personal and financial information on many customers. The disclosure, loss or unauthorized use of this information could damage perceptions of the Bank’s trustworthiness and lead to claims for compensation, which could have a serious adverse effect on the Bank’s reputation, performance and share price.

⑦ Compliance

The Bank has made compliance with applicable laws and regulations a key management issue and is making every reasonable effort to improve its performance in this regard. Any noncompliance or related lawsuits against the Bank, however, could have a serious adverse effect on the Bank’s reputation, performance and share price.

⑧ Negative media coverage and reputation

Negative media coverage of the financial industry or the Bank, or negative rumors, regardless of their veracity and whether or not they are related in any way to the Bank, could have an adverse effect on the Bank’s share price.

Financial Review

■Performance and financial position

In fiscal 2004 the Japanese economy was supported by expanding exports, resulted from strong economic growth in the United States, China and elsewhere. For the first half of the fiscal year, corporate production levels kept recovering leading to increased investment in facilities and equipment, while personal spending and housing remained firm, providing a generally solid base for the economy. For the second half, however, export growth leveled off and inventory adjustments in the information technology and digital technology sectors, along with the effects of surging oil prices and an appreciating yen, led to sluggish economic performance.

The regional economy in Hiroshima prefecture, as well, was in good performance for the first half of the fiscal year, experiencing upward production level in steel, general machinery and electronic machinery industries as well as stabilization of personal consumption and housing-investment. However, for the second half, production in some industries stopped growing due to weak exports, leading to the stagnated regional economy.

In the financial sector, short-term interest rates remained low throughout the fiscal year, reflecting the monetary policies implemented by the Bank of Japan. Long-term interest rates, however, rose sharply as the economy recovered, passing 1.9% by mid-June, but gradually dropped off in the second half due to uncertainty about the future. Demand for loans remained low as corporations continued to reduce borrowing.

Amid this economic and financial environment, the Bank continued to enhance its business promotion oriented by its Hometown area and customers' needs and to provide comprehensive package of financial services and products for them.

■Performance

Continued efforts to ensure efficient procurement and utilization of funds, boost revenues from fees and commissions and rationalize all aspects of the Bank's operations resulted in a significant improvement in profitability. In addition, strict internal evaluation of loans and other assets resulted in the write-off of non-performing loans and provision of additional reserves for possible loan losses, improving the soundness of the Bank's assets. As a result, ordinary profits rose by ¥640 million from the previous year, to ¥25,161 million, and net income for the fiscal year rose by ¥989 million, to reach ¥15,441 million.

■Financial position

During the fiscal year, the Bank pursued a strategy of business activity closely tied to the region, leading to an increase in corporate and personal deposits of ¥85.1 billion, to ¥5,130.8 billion at the end of the fiscal year.

The Bank maintained its emphasis on loans to both personal and corporate clients in its service region. An increase in personal loans and loans to small-and medium-sized businesses supported growth in total loans of ¥34.5 billion, to reach ¥3,885.1 billion at the end of the fiscal year.

■Cash flows

Net cash provided by operating activities declined by ¥23.6 billion from the previous year, to ¥77.6 billion, due to lower deposits and CDs.

An increase in redemption of negotiable securities resulted in an increase in net cash obtained from investing activities by ¥16.6 billion, to ¥76 billion. Net cash used in financing activities increased by ¥11.7 billion, to minus ¥2.2 billion, due to reductions in redemption of subordinated bonds and bonds with stock subscription rights. The consolidated cash and cash equivalents at the end of the fiscal year decreased by ¥0.5 billion, to ¥242.1 billion.

Independent Auditors' Report

To the Stockholders and Board of Directors of
THE HIROSHIMA BANK, LTD.:

We have audited the accompanying consolidated balance sheets of THE HIROSHIMA BANK, LTD. and consolidated subsidiaries as of March 31, 2004 and 2005, and the related consolidated statements of operations, stockholders' equity and cash flows for the years then ended, expressed in Japanese yen. These consolidated financial statements are the responsibility of the Company s management. Our responsibility is to independently 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 HIROSHIMA BANK, LTD. and subsidiaries as of March 31, 2004 and 2005, 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.

Without qualifying our opinion, we draw attention to Note 2 to the consolidated financial statements.
Effective April 1, 2004, THE HIROSHIMA BANK, LTD. adopted accounting standards for impairment of fixed assets.

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2005 are presented solely for convenience. Our audit also included the translation of yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 1 to the consolidated financial statements.

KPMG AZSA & Co.

Hiroshima, Japan
June 29, 2005

Consolidated Balance Sheets

March 31, 2004 and 2005

	Millions of yen		Millions of U.S. dollars (Note 1)
	2004	2005	2005
ASSETS			
Cash and due from banks (Note 14)	¥ 244,463	¥ 247,294	$ 2,303
Call loans and bills purchased	10,794	12,561	117
Financial receivables purchased (Note 3)	6,485	9,789	91
Trading assets (Notes 2 and 3)	11,190	12,862	120
Securities (Notes 2, 3 and 5)	1,501,440	1,602,371	14,921
Loans and bills discounted (Notes 4 and 6)	3,850,665	3,885,115	36,178
Foreign exchanges (Note 2)	3,927	4,033	38
Other assets	34,867	38,155	355
Premises and equipment (Notes 2 and 5)	96,988	89,764	836
Deferred tax assets (Notes 2 and 12)	42,146	24,190	225
Customers' liabilities for acceptances and guarantees	89,498	88,034	819
Reserve for possible loan losses (Note 2)	(51,019)	(61,105)	(569)
Allowance for investment losses (Note 2)	(934)	—	—
	¥ 5,840,514	¥ 5,953,068	$55,434
LIABILITIES AND STOCKHOLDERS' EQUITY			
Liabilities:			
Deposits (Note 5)	¥ 5,114,739	¥ 5,207,246	$48,489
Call money and bills sold (Note 5)	16,340	49,252	459
Deposits received for bonds lending/borrowing transactions (Note 5)	78,074	59,999	559
Trading liabilities (Note 2)	8,049	9,992	93
Borrowed money (Note 7)	103,121	91,284	850
Foreign exchanges (Note 2)	236	177	2
Bonds (Note 8)	140,000	149,000	1,387
Due to trust account	22	32	0
Other liabilities	38,334	30,060	280
Allowance for severance and retirement benefits (Notes 2 and 9)	3,927	604	6
Deferred tax liabilities for land revaluation reserve (Note 2)	19,683	17,983	167
Acceptances and guarantees	89,498	88,034	820
Total liabilities	5,612,029	5,703,667	53,112
Stockholders' equity (Notes 2 and 11):			
Common stock :			
Authorized - 2,000,000,000 shares			
Issued - 625,266,342 shares	54,573	54,573	508
Capital surplus	30,635	30,636	285
Retained earnings	91,164	105,929	986
Land revaluation reserve, net of tax (Note 2)	28,325	25,878	241
Net unrealized holding gains on securities available for sale	23,986	32,699	305
Foreign currency translation adjustments	(0)	(0)	(0)
Common stock in treasury	(201)	(316)	(3)
Total stockholders' equity	228,484	249,401	2,322
	¥ 5,840,514	¥ 5,953,068	$55,434

See accompanying notes.

Consolidated Statements of Operations

Years ended March 31, 2004 and 2005

	Millions of yen		Millions of U.S. dollars (Note 1)
	2004	2005	2005
INCOME			
Interest income:			
Interest on loans and discounts	¥ 84,575	¥ 82,818	$ 771
Interest and dividends on securities	17,949	17,211	160
Other interest income	2,754	3,157	30
Fees and commissions	20,865	21,676	202
Other operating income	7,095	6,856	64
Other income	8,118	18,042	168
	141,358	149,763	1,395
EXPENSES			
Interest expenses:			
Interest on deposits	4,576	5,085	47
Interest on borrowings and rediscounts	6,093	6,268	58
Other interest expenses	2,423	1,378	13
Fees and commissions	7,110	7,971	74
Other operating expenses	4,928	5,099	48
General and administrative expenses	62,494	59,976	559
Other expenses	29,175	38,139	355
	116,802	123,918	1,154
Income before income taxes	24,556	25,844	241
Income taxes (Notes 2 and 12):			
Current	138	201	2
Deferred	9,965	10,201	95
Net income	¥ 14,452	¥ 15,441	$ 144

	Yen		U.S. dollars (Note 1)
Amounts per share of common stock (Note 2):			
Stockholders' equity	¥ 365.71	¥ 399.33	$ 3.72
Net income	23.18	24.71	0.23
Diluted net income	–	–	–
Cash dividends applicable to the year	5.00	5.00	0.05

See accompanying notes.

Consolidated Statements of Stockholders' Equity

Years ended March 31, 2004 and 2005

	Number of shares of common stock (thousands)	Millions of yen						
		Common stock	Capital surplus	Retained earnings	Land revaluation reserve, net of tax	Net unrealized holding gains on securities available for sale	Foreign currency translation adjustments	Common stock in treasury
Balance at March 31, 2003	622,364	¥53,981	¥30,042	¥78,323	¥29,826	¥1,710	¥(0)	¥(161)
Net income				14,452				
Exercise of stock subscription rights	2,902	591	591					
Gains on sales of treasury stocks			0					
Land revaluation reserve, net of tax				1,506	(1,501)			
Net unrealized holding gains on securities available for sale						22,275		
Foreign currency translation adjustments							(0)	
Common stock in treasury								(39)
Cash dividends paid				(3,117)				
Balance at March 31, 2004	625,266	¥54,573	¥30,635	¥91,164	¥28,325	¥23,986	¥(0)	¥(201)
Net income				15,441				
Gains on sales of treasury stocks			1					
Land revaluation reserve, net of tax				2,446	(2,446)			
Net unrealized holding gains on securities available for sale						8,712		
Foreign currency translation adjustments							0	
Common stock in treasury								(115)
Cash dividends paid				(3,123)				
Balance at March 31, 2005	**625,266**	**¥54,573**	**¥30,636**	**¥105,929**	**¥25,878**	**¥32,699**	**¥(0)**	**¥(316)**

	Millions of U.S. dollars (Note 1)						
	Common stock	Capital surplus	Retained earnings	Land revaluation reserve, net of tax	Net unrealized holding gains on securities available for sale	Foreign currency translation adjustments	Common stock in treasury
Balance at March 31, 2004	$508	$285	$849	$264	$ 224	$(0)	$(2)
Net income			144				
Gains on sales of treasury stocks		0					
Land revaluation reserve, net of tax			22	(23)			
Net unrealized holding gains on securities available for sale					81		
Foreign currency translation adjustments						0	
Common stock in treasury							(1)
Cash dividends paid			(29)				
Balance at March 31, 2005	**$508**	**$285**	**$986**	**$241**	**$305**	**$(0)**	**$(3)**

See accompanying notes.

Consolidated Statements of Cash Flows

Years ended March 31, 2004 and 2005

	Millions of yen		Millions of U.S. dollars (Note 1)
	2004	2005	2005
Cash flows from operating activities:			
Income before income taxes	\ 24,556	**\25,844**	**$ 241**
Adjustments to reconcile income before income(loss) taxes to net cash provided by operating activities:			
Depreciation of premises, equipment and others	3,040	**3,561**	**33**
Impairment losses of fixed assets	-	**4,186**	**39**
Equity in earnings of affiliates	(47)	**(61)**	**(1)**
Net change in reserve for possible loan losses	(13,247)	**10,085**	**94**
Net change in allowance for losses on sale of securities	567	**(9)**	**(0)**
Net change in reserve for possible losses on sale of loans	(4,555)	**-**	**-**
Net change in allowance for severance and retirement benefits	(2,575)	**(3,322)**	**(31)**
Interest income	(105,279)	**(103,187)**	**(961)**
Interest expenses	13,093	**12,732**	**119**
Net losses related to securities transactions	182	**(5,366)**	**(50)**
Net losses from disposal of premises and equipment	2,169	**724**	**7**
Gains on securities contributed to employee retirement benefit trust	-	**-**	**-**
The amount of securities contributed to employee retirement benefit trust	-	**(9,414)**	**(88)**
Net change in trading assets	(6,413)	**(1,672)**	**(16)**
Net change in trading liabilities	5,497	**1,942**	**18**
Net change in loans	(47,337)	**(34,449)**	**(321)**
Net change in deposits	101,818	**85,025**	**792**
Net change in negotiable certificates of deposits	36,359	**7,481**	**70**
Net change in borrowed money excluding subordinated loans	(2,123)	**(3,837)**	**(36)**
Net change in due from banks other than from the BANK OF JAPAN	15,221	**(3,420)**	**(32)**
Net change in call loans and bills bought	(10,066)	**(5,071)**	**(47)**
Net change in call money and bills sold	(51,088)	**32,911**	**306**
Net change in deposits received for bonds lending / borrowing transactions	4,934	**(18,075)**	**(168)**
Net change in foreign exchanges (assets)	(243)	**(106)**	**(1)**
Net change in foreign exchanges (liabilities)	(39)	**(59)**	**(1)**
Proceeds from issuance and maturity of ordinary bonds	20,000	**-**	**-**
Interest received	110,431	**107,940**	**1,005**
Interest paid	(14,783)	**(13,331)**	**(124)**
Other - net	21,385	**(13,242)**	**(123)**
Subtotal	76,899	**51,965**	**483**
Income taxes paid	(209)	**(144)**	**(1)**
Total adjustments	76,690	**51,821**	**482**
Net cash provided by operating activities	101,246	**77,665**	**723**
Cash flows from investing activities:			
Purchases of securities	(1,165,691)	**(1,275,588)**	**(11,878)**
Proceeds from sale of securities	913,590	**766,723**	**7,140**
Proceeds from maturity of securities	159,657	**432,977**	**4,032**
Purchases of premises and equipment	(2,459)	**(1,880)**	**(18)**
Proceeds from sale of premises and equipment	2,213	**1,728**	**16**
Net cash used in investing activities	(92,688)	**(76,039)**	**(708)**
Cash flows from financing activities:			
Proceeds from borrowing of subordinated loans	4,000	**-**	**-**
Repayments of subordinated loans	-	**(8,000)**	**(75)**
Proceeds from issuance of subordinated bonds and bonds with stock subscription rights	10,000	**12,000**	**112**
Repayments from issuance of subordinated bonds and bonds with stock subscription rights	(24,813)	**(3,000)**	**(28)**
Dividends paid	(3,113)	**(3,120)**	**(29)**
Purchases of treasury stock	(44)	**(121)**	**(1)**
Proceeds from sale of treasury stock	4	**8**	**0**
Net cash used in financing activities	(13,967)	**(2,234)**	**(21)**
Effect of exchange rate changes on cash and cash equivalents	(2)	**19**	**0**
Net change in cash and cash equivalents	(5,411)	**(588)**	**(6)**
Cash and cash equivalents at beginning of the year	248,103	**242,692**	**2,260**
Cash and cash equivalents at the end of the year (Note 14)	\242,692	**\242,103**	**$2,254**

See accompanying notes.

1. Basis of presenting consolidated financial statements

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

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 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.

The Bank maintains its accounting records in Japanese yen, the currency in which the Bank is incorporated and operates. In preparing the accompanying consolidated financial statements and notes thereto, Japanese yen figures less than one million yen have been rounded down to the nearest million yen, except for per share data, in accordance with the Securities and Exchange Law and Enforcement Regulation concerning Banking Law of Japan. Therefore, total or subtotal amounts shown in the accompanying consolidated financial statements and notes thereto do not necessarily agree with the sums of 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, 2005, which was ￥107.39 to U.S.$1.00. 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.

2. Significant accounting policies

Consolidation

The consolidated financial statements include the accounts of the Bank and all of its majority-owned subsidiaries. The Bank includes the accounts of several companies which are less than 50% owned in the accompanying financial statements in case that the Bank has control over these companies through cross-shareholdings, transfer of management, and provision of debt guarantees and loans. All significant intercompany balances and transactions have been eliminated.

Investments in 20% to 50% owned companies are carried at cost adjusted for equity in undistributed earnings or losses since acquisition (the equity method). The Bank also applies the equity method for investments in certain companies which are less than 20% owned in case that the Bank is able to exercise significant influence over these companies.

Consequently, the consolidated financial statements include the account of the Bank and its subsidiaries and affiliated companies (four subsidiaries and three affiliated companies). The affiliated companies are accounted for using the equity method.

Consolidated Statements of Cash Flows 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 assets and trading liabilities

The Bank adopted mark-to-market accounting for trading assets and trading liabilities including securities, monetary claims and financial derivatives for trading purpose. Trading assets and trading liabilities are recorded on a trade date basis, and revenues and expenses related to trading securities transactions are also recorded on a trade date basis. Securities and monetary claims for trading purpose are stated at market or fair value at the balance sheet date. Financial derivatives such as futures and option transactions are stated at a deemed settlement amount at the balance sheet date. Unrealized gains or losses incurred by the mark-to-market method are charged to income.

Securities

All companies are required to examine the intent of holding each security and classify those securities as (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 subsidiaries and affiliated companies not consolidated or accounted for by the equity method, 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.

When market values of available-for-sale securities with fair market values decline by 50% or more of the acquisition cost at the balance sheet date, the Bank writes down such securities to the fair market values and records the related write-downs as loss in its consolidated statement of operations. When market values of available-for-sale securities with fair market value decline by 30% or more but less than 50% of the acquisition cost, write-downs to the fair market values may be recognized for certain issuers based on evaluation of issuers' debtor classification. Accordingly, the Bank wrote down available-for-sale securities with fair market value by

¥364 million and recognized a loss for the same amount in the year ended March 31, 2004. But as for the year ended March 31, 2005, the Bank did not write down any available-for-sale securities to the fair market values as there were no such securities to be written down.

The allowance for investment losses is provided as a valuation account for securities on the balance sheet.

Derivatives and hedge accounting

Companies are required to state derivative financial instruments at fair value and to recognize changes in the fair value as gains or losses unless derivative financial instruments are used for hedging purposes.

(A) Hedging against interest rate fluctuations

The Bank applies deferred hedge accounting to hedge transactions such as interest rate swaps entered into to mitigate interest rate risk arising from financial assets and liabilities.

As for the year ended March 31, 2003, pursuant to the temporary treatment regulated by "Treatment for Accounting and Auditing of Application of Accounting Standard for Financial Instruments in Banking Industry (Industry Audit Committee Report No.24)" issued by JICPA, the Bank adopted the macro hedging approach, referred to as the risk adjustment approach, to control, in the aggregate, interest rate risk arising from many financial assets and liabilities, such as loans and bills discounted and borrowed money, that is set forth in the Industry Audit Committee Report No.15 "Temporary Treatment for Accounting and Auditing of Application of Accounting Standard for Financial Instruments in Banking Industry", and the Bank deferred recognition of gains or losses resulting from changes in fair value of derivative financial instruments until the related losses or gains on the hedged items were recognized. The Bank assessed the hedge's effectiveness by considering whether interest rate risk was mitigated and whether risks relating to derivatives fell within the limits placed under the risk management policy.

Effective April 1, 2003, the Bank ceased the application of the macro hedging approach and applied the hedge accounting, pursuant to the standard treatments of the Report No.24. The Bank assessed the hedge' s effectiveness by considering the adequacy of offsetting movement of the fair value by the changes in interest rates through classifying the hedged items such as loans and borrowed money and the hedging transactions such as interest rate swaps by their maturity.

The deferred hedge losses and gains related to hedging transactions resulting from the application of the macro hedging approach were recognized as "Interest income" or "Interest expenses" over one year to seven years including the year ended March 31, 2004 according to their remaining maturity.

Gross amounts of the remaining deferred hedge losses and gains on "macro hedge" were ¥1,303 million and ¥591 million respectively as of March 31, 2004, and ¥1,131 million ($11 million) and ¥209 million ($2 million) respectively as of March 31, 2005.

(B) Hedging against foreign currency fluctuations

The Bank applies deferred hedge accounting to hedging transactions such as currency swaps and foreign exchange swaps entered into to mitigate foreign exchange risk arising from foreign-currency-denominated financial assets and liabilities.

As for the year ended March 31, 2003, the Bank applied the temporary treatments prescribed in "Treatment of Accounting and Auditing Concerning Accounting for Foreign Currency Transactions in Banking Industry (JICPA Industry Audit Committee Report No.25)". But effective April 1, 2003, the Bank adopted the hedge accounting pursuant to the standard treatment of the Report No.25 to currency swap transactions and foreign exchange swap transactions for the purpose of funds lending and borrowing in different currencies. The Bank assesses the hedge's effectiveness by confirming that the positions of hedge instruments (currency swap and foreign exchange swap transactions) exceed the corresponding foreign-currency-denominated monetary claims and debts as hedged items.

(C) Exceptional Treatment
For some assets and liabilities, the Bank defers recognition of gains or losses resulting from changes in fair value of derivative financial instruments until the related losses or gains on the hedged items are recognized. Also, if interest rate swap contracts are used as hedge and meet certain hedging criteria, the net amount to be paid or received under the interest rate swap contract is added to or deducted from the interest on the assets or liabilities for which the swap contract was executed.

Premises and equipment

Premises and equipment except for land utilized for business operations are stated at cost less accumulated depreciation. Accumulated impairment losses are deducted from acquisition costs.

The Bank and its consolidated subsidiaries depreciate their premises and equipment under the declining-balance method over their estimated useful lives. Estimated useful lives are as follows:

Buildings: 22 — 50 years
Others: 3 — 20 years

Pursuant to the Law concerning Revaluation of Land (the "Law"), land for business operations as of March 31, 1998 was revalued at fair value. Due to the revaluation, the carrying value of the land was increased by ¥53,429 million to ¥71,380 million as of March 31, 1998, and the related net unrealized gain was reported in liabilities as "Land revaluation reserve". Effective March 31, 1999, the Law has been revised for presentation of the unrealized gain. According to the revised Law, net unrealized gain reported in liabilities shall be reclassified in a separate component of stockholders' equity net of applicable income taxes as "Land revaluation reserve, net of tax" as of March 31, 1999. According to the revised Law, the Bank is not permitted to revalue the land at any time even in case that the fair value of the land declines. Such unrecorded revaluation loss as of March 31, 2004 and 2005 was ¥28,335 million and ¥28,378 million ($264 million), respectively.

Impairment losses of fixed assets

In the year ended March 31, 2004, the Bank did not adopt early the new accounting standards for impairment of fixed Assets ("Opinion Concerning Establishment of Accounting Standard for Impairment of Fixed Assets" issued by the Business Accounting Deliberation Council on August 9, 2002) and "Implementation Guidance on Accounting Standard for Impairment of Fixed Assets (the Financial Accounting Standard Implementation Guidance No.6)" issued by the Accounting Standards Board of Japan on October 31, 2003). The new accounting standards permit early adoption of these standards to the financial statements for the year started April 1, 2004, and therefore the Bank adopted the new accounting standards and the implementation guidance for impairment of fixed assets. The effect of this early adoption was to decrease income before income taxes by ¥4,186 million ($39 million). In banking industry, accumulated impairment losses of fixed assets were deducted directly from their book values in accordance with the Enforcement Regulation concerning Banking Law of Japan.

For the year ended in March 31, 2005, the impairment losses of fixed assets consisted of premises of branches, the Bank-owned houses and dormitories for its employees and other facilities which had been or scheduled to be closed down or disposed of. In order to evaluate the Bank's fixed assets for the impairment losses, the Bank grouped the premises of branches based on business areas segmented by its managerial accounting and treated each piece of other idle facilities and each consolidated domestic subsidiary as one individual unit of asset grouping.

Among the above fixed assets, the book values were reduced to the recoverable amounts in case, due to alternation of usage or significant decrease of fair market value, carrying amount of a fixed asset or a fixed asset group exceeds the sum of undiscounted future cash flows expected to derive from the continued use and eventual disposition of the fixed asset or the fixed asset group. As a result, the Bank recognized the reduced value as impairment losses of fixed assets in other expenses, totaling ¥4,186 million ($39 million), which comprises ¥2,984 million ($28 million) for land, ¥1,025 million ($9 million) for equipment, and ¥176 million ($2 million) for others. The recoverable amounts were determined by net realizable value calculated based on real estate appraisal values less estimated disposal costs.

Software cost

Software utilized by the Bank is amortized using the straight-line method over the period in which it is expected to be utilized (mainly five or ten years in 2004 and 2005).

Foreign currency translation

The consolidated financial statements of the Bank are maintained in Japanese yen. Assets and liabilities denominated in foreign currencies are translated into Japanese yen at the exchange rates prevailing at the balance sheet dates.

For the year ended March 31, 2003, the Bank applied the temporary treatments prescribed in "Treatment of Accounting and Auditing Concerning Accounting for Foreign Currency Transactions in Banking Industry (JICPA Industry Audit Committee Report No.25)". But, effective April 1, 2003, the Bank applied the hedge accounting pursuant to the standard rule of the Report No.25 to currency swap transactions and foreign exchange swap transactions for the purpose of funds lending and borrowing denominated in different currencies, as mentioned in the above "Derivatives and hedge accounting".

Accordingly, as of March 31, 2004, the Bank evaluated currency swap and foreign exchange swap transactions, gains and losses of which were previously charged to income by periodical allocation, at fair value and booked the net amounts of their fair values as assets and liabilities on the consolidated balance sheet. Consequently, "Foreign exchange assets" increased by ¥181 million, "Other assets" increased by ¥223 million, and "Other liabilities" increased by ¥404 million. However, the change of accounting method had no impact at all on gains and losses for the year ended March 31, 2004.

As to foreign currency translation differences resulted from forward foreign exchange transactions were formerly accounted for as either "Other assets" or "Other liabilities" on a net basis after offsetting, but from the year ended March 31, 2004, they has been accounted for as "Derivatives" under the accounts of either "Other assets" or "Other liabilities" on a gross basis, pursuant to the Report No.25. As a result, "Other assets" and "Other liabilities" increased by ¥308 million each as of March 31, 2004.

Assets and liabilities of the consolidated subsidiaries denominated in foreign currencies are translated into Japanese yen at the exchange rate prevailing at their respective balance sheet dates.

Reserve for possible loan losses

For loans to insolvent customers who are undergoing bankruptcy or other collection proceedings or in a similar financial condition, the reserve for possible 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 reserve for possible loan losses is provided for estimated unrecoverable amounts determined after evaluating the customer's overall financial conditions.

Effective April 1, 2003, in order to estimate a reserve for possible loan losses in cases where the Bank is able to rationally evaluate cash flows from collection of principals and interests of the relevant loans, the Bank introduced the Discounted Cash Flow method ("the DCF method") for claims on borrowers whose loans are classified as "Restructured loans, including loans to supported companies" as referred in Note 4 and whose total loans outstanding exceeds a certain threshold. Under the DCF method, the difference between the cash flows discounted by the original interest rate and the book value of the loan is provided as a reserve for possible loan losses.

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

Consolidated subsidiaries provide the reserve for possible loan losses mainly based on the actual rate of loan losses in the past.

All branches and the credit supervision department 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 credit supervision department, and the evaluations are revised as required based on the audits.

Secured and guaranteed loans which are for insolvent borrowers or in a similar financial condition are disclosed based on the amount of loans net of amounts estimated not to be collected through disposition of collateral or through execution of guarantees. Such amounts directly set off against those loans at March 31, 2004 and 2005 were ¥ 73,800 million and ¥54,131 million ($504 million), respectively.

As mentioned above, the Bank applied the DCF method effective April 1, 2003, based on the report of "Important Notices on Auditing the Discounting Cash Flow method applied to the Reserves for Possible Loan Losses by Banking Industry" issued by JICPA. Due to the impact of the application of the DCF method, "Income before income taxes" decreased by ¥2,799 million for the year ended March 31, 2004.

Employees' severance and retirement benefits

Prior to April 1, 2004, the Bank provided three types of post-employment benefit plans as defined benefit pension plans, a funded contributory pension plan, a funded non-contributory pension plan and an unfunded lump-sum payment plan under which all eligible employees have been 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's domestic consolidated subsidiaries have had unfunded lump-sum payment plans.

Effective April 1, 2004, the post-employment benefit plans of the Bank have been reorganized to an unfunded lump-sum payment plan, a defined benefit corporate pension plan and a defined contribution pension plan. The defined contribution pension plan was introduced in place of a part of the unfunded lump-sum payment plan with adopting "Accounting Treatment regarding Transition Obligations of Employees' Severance and Retirement Benefits (Financial Accounting Standards Implementation Guidance No.1)", as the Defined Contribution Pension Plan Law was inaugurated. As a result of the introduction of the defined contribution pension plan, a related gain of ￥1,735 million ($16 million) was realized for the year ended in March 31, 2005.

The liabilities and expenses for severance and retirement benefits were determined based on the amounts actuarially calculated using certain assumptions.

The Bank and its consolidated subsidiaries provided allowance for employees' severance and retirement benefits at March 31, 2004 and 2005 based on the estimated amounts of projected benefit obligation and the fair value of the plan assets at those dates. Actuarial gains and losses were recognized in expenses using the straight-line method over fourteen years, which was not longer than the average of the estimated remaining service lives, commencing with the following period. Prior service costs were recognized in the consolidated statements of operations as incurred.

The funded contributory pension plan of the Bank, established under the Welfare Pension Insurance Law, covered a substitutional portion of the Japanese government pension program managed by the Bank on behalf of the Japanese government. As the Defined Benefit Corporate Pension Plan Law was enacted, the Bank applied for an exemption from future obligation to pay the Bank's contributions for the substitutional portion, and obtained an approval of the exemption from the Ministry of Health, Labor and Welfare on May 15, 2003. Following the approval of May 15, 2003, the Bank obtained an approval from the Ministry on April 1, 2004 for an exemption from the obligation of paying benefits for employees' prior services related to the substitutional portion, and the Bank transferred the pension assets of the substitutional portion of the funded contributory pension plan back to the Japanese government pension program on September 21, 2004 and recognized a related gain of ￥912 million ($8 million) for the year ended in March 31, 2005.

Income taxes

Income taxes consist of corporation, enterprise and inhabitants taxes. The provision for income taxes is computed based on the pretax income of the Bank and each of its consolidated subsidiaries with certain adjustments required for consolidation and tax purposes. The asset and liability approach is used to recognize deferred tax assets and liabilities for loss carryforwards and the expected future tax consequences of temporary differences between the carrying amounts and the tax bases of assets and liabilities.

Valuation allowances are recorded to reduce deferred tax assets based on the assessment of the realizability of the tax benefits.

External Based-Corporate Enterprise Taxes

Due to introduction of "Size-Based Corporation Tax System" for the enterprise tax, the Accounting Standards Board of Japan issued Practical Solutions Report No.12, "Practical Solution on Presentation for Size-Based Components of Corporate Enterprise Tax on the Income Statement" on February 13, 2004 (the "Report"), which prescribes new accounting standards for enterprise tax. In compliance with the Report, the value-added and the capital components of the enterprise tax are included in "General and administrative expenses" from the year ended March 31, 2005.

Accounting for certain lease transactions

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

Amounts per share

Stockholders' equity per share is calculated by dividing stockholders' equity by the average number of common stocks outstanding during the year (excluding "treasury stock").

Net income per share is calculated by dividing net income attributable to the stockholders by the average number of common stocks outstanding during the year (excluding "treasury stock").

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

Reclassifications

Certain amounts in the 2004 consolidated financial statements have been reclassified to conform with the 2005 presentation.

3. Securities

A. Trading account securities included in "Trading assets", certificate of deposits with banks included in 'Cash and due from banks", and trust beneficiary rights included in "Financial receivables purchased", which are separately reported from "Securities" in the consolidated balance sheets, are included in this section.

B. The following tables summarize acquisition costs, book values and fair value of securities with available fair values as of March 31, 2004 and 2005:

(a)Trading securities :

	Millions of yen		Millions of U.S. dollars
	2004	**2005**	**2005**
Book value	\ 2,110	**\ 1,058**	**$10**
Amount of net unrealized gains (losses) included in the income statement	(6)	3	0

(b)Available-for-sale securities :

At March 31, 2004

	Millions of yen				
Type	Acquisition cost	Book value	Difference	Unrealized holding gains	Unrealized holding losses
Equity Securities	\ 94,991	\ 127,615	\ 32,623	\ 35,463	\ 2,839
Bonds:	1,061,359	1,060,685	(673)	5,297	5,970
National government bonds	630,959	627,672	(3,287)	1,981	5,268
Local government bonds	125,803	126,337	534	858	324
Corporate bonds	304,596	306,676	2,079	2,457	378
Others	299,242	307,941	8,699	9,779	1,080
Total	\ 1,455,593	\ 1,496,242	\ 40,648	\ 50,540	\ 9,891

At March 31, 2005	Millions of yen				
Type	Acquisition cost	Book value	Difference	Unrealized holding gains	Unrealized holding losses
Equity Securities	\ 100,591	\ 138,618	\ 38,026	\ 40,814	\ 2,787
Bonds:	1,116,231	1,128,301	12,070	12,146	76
National government bonds	763,445	771,362	7,916	7,965	48
Local government bonds	121,498	123,115	1,617	1,625	8
Corporate bonds	231,287	233,823	2,536	2,555	18
Others	324,035	329,353	5,317	7,568	2,250
Total	\ 1,540,859	\ 1,596,273	\ 55,414	\ 60,529	\ 5,114

At March 31, 2005	Millions of U.S. dollars				
Type	Acquisition cost	Book value	Difference	Unrealized holding gains	Unrealized holding losses
Equity Securities	$ 937	$ 1,291	$354	$380	$26
Bonds:	10,394	10,506	112	113	1
National government bonds	7,109	7,183	74	75	1
Local government bonds	1,131	1,146	15	15	0
Corporate bonds	2,154	2,177	23	23	0
Others	3,017	3,067	50	71	21
Total	$14,348	$14,864	$516	$564	$48

C. The following tables summarize book values of securities with no available fair values as of March 31, 2004 and 2005:

	Book value		
	Millions of yen		Millions of U.S. dollars
Type	2004	**2005**	**2005**
Available-for-sale securities :			
Unlisted stocks except for those traded over the counter	\ 4,774	**\ 5,612**	**$ 52**
Local government bonds	—	—	—
Asset backed securities	—	—	—
Certificate of deposits with banks	—	—	—
Financial receivables purchased	6,137	**9,464**	**88**
Total	\ 10,911	**\ 15,076**	**$140**

D. Available-for-sale securities with maturities and held-to-maturity debt securities are as follows:

At March 31, 2004	Millions of yen			
Type	Within one year	Over one year but within five years	Over five years but within ten years	Over ten years
Bonds:	\ 156,479	\ 440,853	\ 166,772	\ 296,579
National government bonds	90,410	158,432	84,179	294,649
Local government bonds	25,467	52,292	48,577	-
Corporate bonds	40,601	230,128	34,015	1,929
Others	7,015	166,674	55,643	41,043
Total	\ 163,494	\ 607,528	\ 222,416	\ 337,623

At March 31, 2005	Millions of yen			
Type	Within one year	Over one year but within five years	Over five years but within ten years	Over ten years
Bonds:	\ 140,652	\ 551,279	\ 110,164	\ 326,205
National government bonds	71,600	304,916	69,646	325,198
Local government bonds	251	106,425	16,438	-
Corporate bonds	68,799	139,938	24,078	1,007
Others	30,160	84,437	64,042	109,703
Total	\ 170,813	\ 635,717	\ 174,207	\ 435,909

At March 31, 2005	Millions of U.S. dollars			
Type	Within one year	Over one year but within five years	Over five years but within ten years	Over ten years
Bonds:	$1,310	$5,134	$1,026	$3,037
National government bonds	667	2,840	649	3,028
Local government bonds	2	991	153	-
Corporate bonds	641	1,303	224	9
Others	281	786	596	1,022
Total	$1,591	$5,920	$1,622	$4,059

E. Total sales of available-for-sale securities sold in the years ended March 31, 2004 and 2005 amounted to ¥912,829 million and ¥761,247 million ($7,089 million), respectively, the related gains in the years ended March 31, 2004 and 2005 amounted to ¥8,487 million and ¥11,520 million ($107 million), respectively, and the related losses in the years ended March 31, 2004 and 2005 amounted to ¥7,096 million and ¥6,397 million ($60 million), respectively.

4. Loans and bills discounted

A. Doubtful loans of loans and bills discounted at March 31, 2004 and 2005 were as follows:

	Millions of yen		Millions of U.S. dollars
	2004	**2005**	**2005**
Non-accrual loans:			
Loans to borrowers under bankruptcy proceedings	\ 11,984	**\ 5,230**	**$49**
Other delinquent loans	71,733	**109,144**	**1,016**
Accrual loans past due three months or more	5,434	**5,384**	**50**
Restructured loans, including loans to supported companies	101,337	**68,086**	**634**

The Bank does not accrue interest on loans to borrowers under bankruptcy proceeding and other delinquent loans, which are classified based on the results of self-assessment.

B. Bills discounted are accounted for as financial transactions in accordance with "Treatment for Accounting and Auditing of Application of Accounting Standard for Financial Instruments in Banking Industry (Industry Audit Committee Report No.24)", issued by JICPA. The Bank and its consolidated banking subsidiaries have rights to sell or pledge commercial bills discounted and foreign exchanges bought without restrictions, and their total face amounts were ¥83,504 million and ¥71,519 million ($666 million) at March 31, 2004 and 2005, respectively.

5. Assets pledged

At March 31, 2004 and 2005, the following assets were pledged as collateral for certain liabilities of the Bank and subsidiaries.

	Millions of yen		Millions of U.S. dollars
	2004	2005	2005
Securities	\ 86,412	**\ 67,278**	**$626**

The collateral was pledged to secure:

	Millions of yen		Millions of U.S. dollars
	2004	2005	2005
Deposits	\ 3,694	**\ 3,406**	**$ 32**
Deposits received for bonds lending / borrowing transactions	78,074	**59,999**	**559**

In addition, securities not included in the above schedules were pledged as collateral for operating transactions, such as exchange settlements. These securities amounted to ￥349,234 million and ￥335,645 million ($3,125 million) at March 31, 2004 and 2005, respectively.

Guaranty money deposited, included in premises and equipment, amounted to ￥5,357 million and ￥4,667 million ($43 million) at March 31, 2004 and 2005, respectively.

Bills rediscounted are accounted for as financial transactions in accordance with "Treatment for Accounting and Auditing of Application of Accounting Standard for Financial Instruments in Banking Industry (Industry Audit Committee Report No.24), issued by JICPA", and the total face amount of commercial bills discounted and foreign exchanges bought that have been pledged were ￥48 million and ·8 million ($0 million) at March 31, 2004 and 2005, respectively.

6. Commitment line

Commitment line contracts on overdrafts and loans are the contracts, under which the Bank lends to customers up to the prescribed limits in response to customers' application of loan as long as there is no violation of any condition in the contracts. The unused amount within the limits total ·1,499,784 million and ·1,616,364 million ($15,051 million) relating to these contracts at March 31, 2004 and 2005, respectively. All contracts are under condition that the terms of the contract are within one year or the Bank and its consolidated subsidiaries can revoke these contracts voluntarily.

Since many of these commitments expire without being drawn down, the unused amount does not necessarily represent a future cash requirement. Most of these contracts have conditions that the Bank and its consolidated subsidiaries can refuse customers' application for loan or decrease the contract limits with proper reasons (e.g., changes in financial situation, deterioration in customers' creditworthiness). At the inception of contracts, the Bank and its consolidated subsidiaries obtain real estate, securities, etc. as collateral if considered to be necessary. Subsequently, the Bank and its consolidated subsidiaries perform periodic review of the customers' business results based on internal rules, and takes necessary measures to reconsider conditions in contracts and require additional collateral and guarantees.

7. Borrowed money

Borrowed money included subordinated loans totaling ￥82,000 million and ￥74,000 million ($689 million) at March 31, 2004 and 2005, respectively.

8. Bonds

Bonds included subordinated bonds totaling ￥40,000 million and ￥49,000 million ($456 million) at March 31, 2004 and 2005, respectively.

9. Employees' severance and retirement benefits

Under the new accounting standard for employees' severance and retirement benefits adopted, the liabilities and expenses for severance and retirement benefits are determined based on the amounts obtained by actuarial calculations.

The allowance for severance and retirement benefits included in the liability section of the consolidated balance sheets as of March 31, 2004 and 2005 consists of the following:

	Millions of yen		Millions of U.S. dollars
	2004	**2005**	**2005**
Projected benefit obligation	\(68,960)	**\(39,481)**	**$ (368)**
Less fair value of pension assets	62,538	**36,918**	**344**
Less unrecognized actuarial differences	3,667	**5,341**	**49**
	(2,754)	**2,778**	**25**
Prepaid pension expenses	1,173	**3,382**	**31**
Allowance for severance and retirement benefits	\(3,927)	**\ (604)**	**$(6)**

Included in the consolidated statements of income for the years ended March 31, 2004 and 2005 are severance and retirement benefit expenses comprised of the following:

	Millions of yen		Millions of U.S. dollars
	2004	**2005**	**2005**
Service costs - benefits earned during the year	\1,252	**\902**	**$ 8**
Interest cost on projected benefit obligation	1,983	**1,092**	**10**
Expected return on plan assets	(2,103)	**(1,777)**	**(17)**
Prior service costs recognized as expense	(2,886)	**-**	**-**
Amortization of actuarial differences	1,068	**434**	**4**
Gain related to transfer to a defined contribution pension plan	-	**(1,735)**	**(16)**
Gain related to transfer of the substitutional portion of the funded contributory pension plan	-	**(912)**	**(8)**
Other	198	**-**	**-**
Severance and retirement benefit expenses	\ (487)	**\ (1,997)**	**$ (19)**

The discount rates used by the Bank in 2004 and 2005 were 2.8 %. The rates of expected return on plan assets used by the Bank in 2004 and 2005 were 4.0 %. The estimated amount of all retirement benefits to be paid at the future retirement date is allocated equally to each service year using the estimated number of total service years.

10. Other guarantee

The Bank and The Bank of Fukuoka, Ltd. leased computers jointly and mutually guaranteed the other party's lease obligations amounting to ￥3,103 million and ￥2,225 million ($21 million) at March 31, 2004 and 2005, respectively, in accordance with the agreement regarding joint development of a mainframe system and joint lease of electronic calculating machine.

11. Stockholders' equity

Under the Commercial Code of Japan, 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 Banking Law of Japan provides 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 distributions or certain other purposes 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 unconsolidated financial statements of the Bank in accordance with the Commercial Code of Japan.

In accordance with the customary practice in Japan, the appropriations are not accrued in the financial statements for the period to which they relate, but are recorded in the subsequent accounting period in which the stockholders' approval has been obtained. Retained earnings at March 31, 2005 include the amount representing the year-end cash dividend of ￥1,561 million ($15 million), ￥2.50 ($0.02) per share, which was approved at the stockholders' meeting held on June 29, 2005.

12. Income taxes

Income taxes in the consolidated statements of income consist of corporation tax, inhabitant taxes and enterprise tax. The statutory tax rate was approximately 41%, and there were no significant differences between the statutory tax rate and the Bank's effective tax rate for the years ended March 31, 2004 and 2005.

Significant components of deferred tax assets as of March 31, 2004 and 2005 were as follows:

	Millions of yen		Millions of U.S. dollars
	2004	2005	2005
Deferred tax assets :			
Reserve for possible loan losses	\36,401	\39,767	$370
Net operating losses carry forward	10,142	-	29
Allowance for severance and retirement benefits	4,993	2,373	22
Write-down of securities	4,287	3,072	-
Depreciation	-	1,459	14
Other	4,606	2,957	27
Total deferred tax assets	60,430	49,630	462
Deferred tax liabilities :			
Gain on securities contributed to employee retirement benefit trust	(1,618)	(2,719)	(25)
Net unrealized holding gains on securities available for sale	(16,666)	(22,720)	(212)
Total deferred tax liabilities	(18,284)	(25,439)	(237)
Net deferred tax assets	\42,146	\24,190	$225

13. Related party transactions

The Bank has loans receivable from Hiroshima Museum of Art, of which one of the Bank's directors serves as a chief director, amounting to ¥930 million and ¥700 million ($7 million) as of March 31, 2004 and 2005, respectively.

The Bank disbursed legal advisory fees to one of its external corporate auditors and his relative, the amounts of which were ¥54 million and ¥5 million respectively for the year ended March 31, 2004, and ¥28 million ($0 million) and ¥5 million ($0 million) respectively for the year ended March 31, 2005.

14. 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 at March 31, 2004 and 2005, were as follows:

	Millions of yen		Millions of U.S. dollars
	2004	**2005**	**2005**
Cash and due from banks	\ 244,463	**\ 247,294**	**$2,303**
Foreign currency deposits with bank	(1,000)	**(3,000)**	**(28)**
Other deposits with banks	(771)	**(2,191)**	**(21)**
Cash and cash equivalents	\ 242,692	**\ 242,103**	**$2,254**

Non-cash transactions considered to be material are as follows:

	Millions of yen		Millions of U.S. dollars
	2004	**2005**	**2005**
Increase in common stock from conversion of convertible bonds or exercise of stock subscription rights	\ 591	**¥ -**	**$ -**
Increase in capital surplus from conversion of convertible bonds or exercise of stock subscription rights	591	-	-
	\ 1,184	**¥ -**	**$ -**

15. Lease Transactions

(a) Finance Leases :

A summary of assumed amounts of acquisition cost, accumulated depreciation and net book value for financing leases without transfer of ownership at March 31, 2004 and 2005 were as follows:

March 31, 2004	**Millions of yen**		
	Acquisition cost	**Accumulated depreciation**	**Net book value**
Equipment	\ 16,020	\ 8,009	\ 8,010
Total	\ 16,020	\ 8,009	\ 8,010

March 31, 2005	**Millions of yen**		
	Acquisition cost	**Accumulated depreciation**	**Net book value**
Equipment	¥ 12,492	¥ 7,886	¥ 4,605
Others	1,819	1,287	532
Total	¥ 14,312	¥ 9,174	¥ 5,137

March 31, 2005	Millions of U.S. Dollars		
	Acquisition cost	Accumulated depreciation	Net book value
Equipment	$ 116	$ 73	$ 43
Others	17	12	5
Total	$ 133	$ 85	$ 48

Future minimum lease payments excluding interests at March 31, 2004 and 2005 were as follows:

	Millions of yen		Millions of U.S. dollars
	2004	**2005**	**2005**
Due within one year	¥ 2,824	**¥ 2,481**	**$ 23**
Due after one year	5,747	**3,110**	**29**
Total	¥ 8,572	**¥ 5,592**	**$ 52**

Total lease expenses for the year ended March 31, 2004 and 2005 were ¥3,720 and ¥3,050 million ($28 million), respectively.

Assumed depreciation expenses for the year ended March 31, 2004 and 2005 amounted to ¥3,167 million and ¥2,609 million ($24 million), respectively. Assumed depreciation is calculated using the straight-line method over the lease term of the respective assets.

The difference between the minimum lease payments and the acquisition costs of the lease assets represents interest expenses. The allocation of such interest expenses over the lease term is computed using the effective interest method. Interest expenses for the year ended March 31, 2004 and 2005 amounted to ¥560 million and ¥360 million ($3 million), respectively.

(b)Operating leases :
Operating leases at March 31, 2004 and 2005 consisted of the following:

Future minimum lease payments at March 31, 2004 and 2005 were as follows:

	Millions of yen		Millions of U.S. dollars
	2004	**2005**	**2005**
Due within one year	¥ 12	**¥ -**	**$ -**
Due after one year	31	-	-
Total	¥ 43	**¥ -**	**$ -**

16. Derivative transactions

The Bank actively enters into derivative transactions to mitigate interest rate risk and liquidity risk of foreign currencies in the normal course of asset-liability management.

The Bank also deals with forward exchange contracts, currency swaps and interest rate swaps to meet customers' needs in the inter-bank markets. The Bank does not have large outstanding positions related to customers' deals. The Bank engages in derivatives such as forward currency exchange contracts and interest rate futures for its proprietary trading activity, considering risk management. The Bank does not trade high-risk products such as leveraged transactions.

Derivative transactions are accompanied by losses arising from credit risk and losses resulting from market risk. Credit risk represents the potential loss arising from the transaction partner’s breaching the contract. Market risk represents the potential loss arising from fluctuations in interest and exchange rate. To cope with increasing risks, the Bank is strengthening its credit reviewing system, monitoring position limits, and establishing effective internal control organization.

The notional principal amount and unrealized gains or losses of financial derivatives at March 31, 2004 and 2005 were as follows:

Interest related :
Year ended March 31, 2004

		Millions of yen			
	Type	Contracted amount	Over one year	Market value	Unrealized gains (losses)
Items not traded on exchanges	Interest rate swap (* 1) :				
	Receive fixed, pay variable	\ 42,180	\ 36,897	¥ 581	¥ 581
	Receive variable, pay fixed	42,180	36,897	(199)	(199)
	Receive variable, pay variable	200	200	0	0
	Other contracts (* 1) :				
	Sell	300	300	(1)	4
	Buy	300	300	1	(3)
	Total	-	-	\ 383	\ 384

Interest related :
Year ended March 31, 2005

		Millions of yen			
	Type	Contracted amount	Over one year	Market value	Unrealized gains (losses)
Items not traded on exchanges	Interest rate swap (* 1) :				
	Receive fixed, pay variable	\ 39,242	¥ 35,056	\ 755	\ 755
	Receive variable, pay fixed	39,242	35,056	(376)	(376)
	Receive variable, pay variable	6,300	6,300	95	95
	Other contracts (* 1) :				
	Sell	300	300	(0)	6
	Buy	300	300	0	(4)
	Total	-	-	\ 473	\ 475

Interest related :
Year ended March 31, 2005

		Millions of U.S. dollars			
	Type	Contracted amount	Over one year	Market value	Unrealized gains (losses)
Items not traded on exchanges	Interest rate swap (* 1) :				
	Receive fixed, pay variable	$365	$326	$7	$7
	Receive variable, pay fixed	365	326	(4)	(4)
	Receive variable, pay variable	59	59	1	1
	Other contracts (* 1) :				
	Sell	3	3	(0)	0
	Buy	3	3	0	(0)
	Total	-	-	$4	$4

(*1): The unrealized gains or losses on interest rate swap and other contracts are recognized in the consolidated statements of operations.

Currency related :
Year ended March 31, 2004

	Type	Millions of yen: Contracted amount	Over one year	Market value	Unrealized gains (losses)
Items not traded on exchanges	Currency swap (* 2)	¥927,917	¥896,520	¥1,714	¥1,714
	Forward foreign exchange contracts (* 2) :				
	Sell	22,722	2,481	321	321
	Buy	19,823	2,467	(207)	(207)
	Currency option (* 2) :				
	Sell	14,318	-	(136)	58
	Buy	14,318	-	136	(38)
	Total	-	-	¥1,828	¥1,848

Currency related :
Year ended March 31, 2005

	Type	Millions of yen: Contracted amount	Over one year	Market value	Unrealized gains (losses)
Items not traded on exchanges	Currency swap (* 2)	¥1,337,210	¥1,303,392	¥2,728	¥2,728
	Forward foreign exchange contracts (* 2) :				
	Sell	32,039	2,589	(150)	(150)
	Buy	14,167	2,539	187	187
	Currency option (* 2) :				
	Sell	17,590	-	(217)	(130)
	Buy	17,590	-	217	124
	Total	-	-	¥2,765	¥2,759

Currency related :
Year ended March 31, 2004

	Type	Millions of U.S. dollars: Contracted amount	Over one year	Market value	Unrealized gains (losses)
Items not traded on exchanges	Currency swap (* 2)	$12,452	$12,137	$25	$25
	Forward foreign exchange contracts (* 2) :				
	Sell	298	24	(1)	(1)
	Buy	132	24	2	2
	Currency option (* 2) :				
	Sell	164	-	(2)	(1)
	Buy	164	-	2	1
	Total	-	-	$26	$26

(*2): The unrealized gains or losses on currency swap, forward foreign exchange contracts and currency option are recognized in the consolidated statements of operations.

Stock related :
Year ended March 31, 2005

	Type	Millions of yen: Contracted amount	Over one year	Market value	Unrealized gains (losses)
Items not traded on exchanges	Stock index futures (* 3) :				
	Sell	¥978	-	¥10	¥10
	Buy	-	-	-	-
	Stock index options (* 3) :				
	Sell	-	-	-	-
	Buy	-	-	-	-
	Total	-	-	¥10	¥10

Stock related :
Year ended March 31, 2005

	Type	Millions of U.S. dollars			
		Contracted amount	Over one year	Market value	Unrealized gains (losses)
Items not traded on exchanges	Stock index futures (* 3) :				
	Sell	-	-	-	-
	Buy	$9	-	$0	$0
	Stock index options (* 3) :				
	Sell	-	-	-	-
	Buy	-	-	-	-
	Total	-	-	$0	$0

There were no stock related derivative transactions at the year ended March 31, 2004.

(*3): The unrealized gains or losses on stock index futures and options are recognized in the consolidated statements of operations.

Credit derivative related :
Year ended March 31, 2004

	Type	Millions of yen			
		Contracted amount	Over one year	Market value	Unrealized gains (losses)
Items not traded on exchanges	Credit Default Option(*4):				
	Sell	-	-	-	-
	Buy	\ 9,777	\ 9,777	\ (2)	\ (2)
	Other contracts(*4):				
	Sell	28,000	14,000	103	103
	Buy	-	-	-	-
	Total	-	-	\ 100	\ 100

Credit derivative related :
Year ended March 31, 2005

	Type	Millions of yen			
		Contracted amount	Over one year	Market value	Unrealized gains (losses)
Items not traded on exchanges	Credit Default Option(*4):				
	Sell	-	-	-	-
	Buy	\ 14,777	\ 14,777	\ 10	\ 10
	Other contracts(*4):				
	Sell	16,000	8,000	40	40
	Buy	-	-	-	-
	Total	-	-	\ 50	\ 50

Credit derivative related :
Year ended March 31, 2005

	Type	Millions of U.S. dollars			
		Contracted amount	Over one year	Market value	Unrealized gains (losses)
Items not traded on exchanges	Credit Default Option(*4):				
	Sell	-	-	-	-
	Buy	$138	$138	$0	$0
	Other contracts(*4):				
	Sell	149	74	0	0
	Buy	-	-	-	-
	Total	-	-	$0	$0

(* 4) : The unrealized gains or losses on other contracts are recognized in the consolidated statements of operations. "Sell" represents acceptance of credit risks, and "Buy" represents release of credit risk.

17. Segment Information

A. Business Segment Information

Operation of the Bank and its consolidated subsidiaries include appraisal of collateral premises and land, servicing businesses and other businesses in addition to banking business. As such operations are immaterial, separate segment information is not required to disclose for the years ended March 31, 2004 and 2005.

B. Geographic Segment Information

The disclosure of geographical segment information has been omitted as operating income and total assets of the foreign operations constituted less than 10% of the consolidated totals for the years ended March 31, 2004 and 2005.

C. Income from International Operations

	Millions of yen		Millions of U.S. dollars
	2004	**2005**	**2005**
Income from international operations	\ 15,758	\ **16,033**	**$ 149**
Consolidated operating income	138,155	**143,926**	**1,340**

The ratios of income from international operations to consolidated operating income for the years ended March 31, 2004 and 2005 were 11.4% and 11.1%, respectively.

Non-Consolidated Balance Sheets (Unaudited Supplementary Information)

March 31, 2004 and 2005

	Millions of yen		Millions of U.S. dollars
	2004	2005	2005
ASSETS			
Cash and due from banks (Note 1)	¥ 244,463	¥ 247,294	$ 2,303
Call loans and bills purchased	10,794	12,561	117
Financial receivables purchased	6,485	9,789	91
Trading assets (Note 2)	11,190	12,862	120
Securities (Note 3)	1,501,928	1,602,797	14,925
Loans and bills discounted (Note 4)	3,850,665	3,885,115	36,178
Foreign exchanges (Note 5)	3,927	4,033	38
Other assets (Note 6)	34,394	37,629	350
Premises and equipment (Note 7)	96,929	89,698	835
Deferred tax assets	42,055	24,106	224
Customers' liabilities for acceptances and guarantees	109,498	107,034	997
Reserve for possible loan losses	(51,019)	(61,101)	(569)
Allowance for investment losses	(934)	—	—
	¥5,860,378	¥5,971,822	$55,609
LIABILITIES AND STOCKHOLDERS' EQUITY			
Liabilities:			
Deposits (Note 8)	¥5,115,325	¥5,207,937	$48,495
Call money and bills sold	16,340	49,252	459
Deposits received for bonds lending/borrowing transactions	78,074	59,999	559
Trading liabilities (Note 9)	8,049	9,992	93
Borrowed money (Note 10)	123,121	110,284	1,027
Foreign exchanges (Note 5)	236	177	2
Bonds (Note 11)	120,000	130,000	1,211
Due to trust account	22	32	0
Other liabilities (Note 12)	38,075	29,814	277
Allowance for severance and retirement benefits	3,857	531	5
Deferred tax liabilities for land revaluation reserve	19,683	17,983	167
Acceptances and guarantees	109,498	107,034	997
Total liabilities	5,632,285	5,723,040	53,292
Stockholders' equity :			
Common stock:			
Authorized - 2,000,000,000 shares			
Issued - 625,266,342 shares	54,573	54,573	508
Capital surplus	30,634	30,636	285
Retained earnings	90,771	105,309	981
Land revaluation reserve, net of tax	28,325	25,878	241
Net unrealized holding gains on securities available for sale	23,982	32,694	305
Common stock in treasury	(195)	(310)	(3)
Total stockholders' equity	228,092	248,782	2,317
	¥5,860,378	¥5,971,822	$55,609

(1) See accompanying notes.

(2) Japanese yen amounts less than one million yen have been omitted.

(3) U.S. dollar amounts represent translation of Japanese yen at the exchange rate of ¥107.39 to U.S.$1.00 on March 31, 2005.

Non-Consolidated Statements of Operations (Unaudited Supplementary Information)

Years ended March 31, 2004 and 2005

	Millions of yen		Millions of U.S. dollars
	2004	2005	2005
INCOME			
Interest income:			
Interest on loans and discounts	¥ 84,575	**¥ 82,818**	**$ 771**
Interest and dividends on securities	17,951	**17,212**	**160**
Other interest income	2,754	**3,157**	**29**
Fees and commissions	20,545	**20,949**	**195**
Other operating income (Note 13)	7,095	**6,856**	**64**
Other income (Note 14)	8,068	**17,978**	**168**
	140,989	**148,973**	**1,387**
EXPENSES			
Interest expenses:			
Interest on deposits	4,576	**5,085**	**47**
Interest on borrowings and rediscounts	6,133	**6,309**	**59**
Other interest expenses	2,423	**1,378**	**13**
Fees and commissions	6,964	**7,567**	**70**
Other operating expenses (Note 15)	4,928	**5,099**	**47**
General and administrative expenses (Note 16)	62,410	**59,920**	**558**
Other expenses (Note 17)	29,122	**38,109**	**355**
	116,559	**123,470**	**1,149**
Income before income taxes	24,430	**25,503**	**238**
Income taxes :			
Current	89	**92**	**1**
Deferred	9,958	**10,195**	**95**
Net income	¥ 14,381	**¥ 15,215**	**$ 142**

	Yen		U.S. dollars
Amounts per share of common stock :			
Stockholders' equity	¥ 365.07	**¥ 398.33**	**$ 3.71**
Net income	23.06	**24.35**	**0.23**
Diluted net income	—	**—**	**—**
Cash dividends applicable to the year	5.00	**5.00**	**0.05**

(1) See accompanying notes.
(2) Japanese yen amounts less than one million yen have been omitted, except for per share data.
(3) U.S. dollar amounts represent translation of Japanese yen at the exchange rate of ·107.39 to U.S.$1.00 on March 31, 2005.

1. Cash and due from banks

Cash and due from banks at March 31, 2004 and 2005 were as follows:

	Millions of yen		Millions of U.S. dollars
	2004	2005	2005
Cash	\ 73,817	\ 111,198	$1,036
Due from banks	170,645	136,096	1,267
	\ 244,463	\ 247,294	$2,303

2. Trading assets

Trading assets at March 31, 2004 and 2005 were as follows:

	Millions of yen		Millions of U.S. dollars
	2004	2005	2005
Trading securities	\ 1,110	\ 1,058	$ 10
Trading-related financial derivatives	9,080	11,804	110
Other trading assets	999	—	—
	\ 11,190	\ 12,862	$120

3. Securities

Securities at March 31, 2004 and 2005 were as follows:

	Millions of yen		Millions of U.S. dollars
	2004	2005	2005
National government bonds	\ 627,672	\ 771,362	$ 7,183
Local government bonds	126,337	123,115	1,146
Corporate bonds	306,676	233,823	2,177
Shares	133,301	145,142	1,352
Other securities	307,941	329,353	3,067
	\ 1,501,928	\ 1,602,797	$14,925

4. Loans and bills discounted

Loans and bills discounted at March 31, 2004 and 2005 were as follows:

	Millions of yen		Millions of U.S. dollars
	2004	2005	2005
Bills discounted	\ 83,038	\ 70,116	$ 653
Loans on notes	469,070	421,675	3,927
Loans on deeds	2,743,438	2,812,527	26,190
Overdrafts	555,117	580,796	5,408
	\ 3,850,665	\ 3,885,115	$36,178

5. Foreign exchanges

Foreign exchange assets and liabilities at March 31, 2004 and 2005 were as follows:

	Millions of yen		Millions of U.S. dollars
	2004	2005	2005
Assets:			
Due from foreign banks	\ 1,961	\ **1,163**	**$11**
Foreign exchange bills bought	966	**1,414**	**13**
Foreign exchange bills receivable	998	**1,456**	**14**
	\ 3,927	\ **4,033**	**$38**
Liabilities:			
Due to foreign banks	\ 6	\ **6**	**$0**
Foreign exchange bills sold	230	**156**	**2**
Foreign exchange bills payable	0	**15**	**0**
	\ 236	\ **177**	**$2**

6. Other assets

Other assets at March 31, 2004 and 2005 were as follows:

	Millions of yen		Millions of U.S. dollars
	2004	2005	2005
Domestic exchange settlement account	\ 184	\ **77**	**$ 1**
Prepaid expenses	121	**114**	**1**
Accrued income	6,865	**6,458**	**60**
Derivatives other than for trading	1,505	**2,430**	**23**
Deferred loss on hedging instruments	1,125	**1,358**	**12**
Others	24,591	**27,189**	**253**
	\ 34,394	\ **37,629**	**$350**

7. Premises and equipment

Premises and equipment at March 31, 2004 and 2005 were as follows:

	Millions of yen		Millions of U.S. dollars
	2004	2005	2005
Land, buildings and equipment*	\ 91,346	\ **84,836**	**$790**
Construction in progress	243	**216**	**2**
Guaranty money deposited	5,339	**4,645**	**43**
	\ 96,929	\ **89,698**	**$835**

*Figures represent amounts outstanding less accumulated depreciation of ¥38,225 million for at March 31, 2004, and ¥36,829 million ($343 million) for at March 31, 2005, respectively.

8. Deposits

Deposits at March 31, 2004 and 2005 were as follows:

	Millions of yen		Millions of U.S. dollars
	2004	2005	2005
Current deposits	\ 213,679	\ **261,351**	**$ 2,434**
Ordinary deposits	2,040,479	**2,169,543**	**20,203**
Savings deposits	107,392	**102,163**	**951**
Deposits at notice	44,548	**34,926**	**325**
Time deposits	2,278,756	**2,165,023**	**20,160**
Installment savings	407	**324**	**3**
Other deposits	361,002	**397,994**	**3,706**
	5,046,265	**5,131,326**	**47,782**
Negotiable certificates of deposits	69,059	**76,611**	**713**
	\ 5,115,325	**\ 5,207,937**	**$48,495**

9. Trading liabilities

Trading liabilities at March 31, 2004 and 2005 were as follows:

	Millions of yen		Millions of U.S. dollars
	2004	2005	2005
Trading-related financial derivatives	\ 8,049	\ 9,992	$93
	\ 8,049	\ 9,992	$93

10. Borrowed money

Borrowed money included subordinated loans totaling ·102,000 million and ·93,000 million ($866 million) at March 31, 2004 and 2005, respectively.

11. Bonds

Bonds included subordinated bonds totaling ·20,000 million and ·30,000 million ($279 million) at March 31, 2004 and 2005, respectively.

12. Other liabilities

Other liabilities at March 31, 2004 and 2005 were as follows:

	Millions of yen		Millions of U.S. dollars
	2004	2005	2005
Domestic exchange settlement account	\ 559	\ **1,153**	**$ 11**
Income taxes payable	163	**570**	**5**
Accrued expenses	9,876	**9,501**	**88**
Unearned income	4,208	**4,263**	**40**
Employees saving deposits	316	**322**	**3**
Reserve for interest on installment savings	6	**5**	**0**
Derivatives other than for trading	2,310	**2,161**	**20**
Others	20,633	**11,836**	**110**
	\ 38,075	**\ 29,814**	**$277**

13. Other operating income

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

	Millions of yen		Millions of U.S. dollars
	2004	2005	2005
Gains on sales and maturities of government bonds	\5,555	\5,320	$50
Foreign exchange gain	1,448	1,497	14
Others	91	38	0
	\7,095	\6,856	$64

14. Other income

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

	Millions of yen		Millions of U.S. dollars
	2004	2005	2005
Trading income	\ 934	\ 1,994	$ 19
Gains on sales of stock and other securities	2,931	6,199	58
Gains on sales of premises	301	213	2
Gains on securities contributed to employee retirement benefits	—	2,951	28
Amortization of prior service costs of employee retirement benefits	2,886	—	—
Gains related to transfer to a defined contributory pension plan	—	1,735	16
Gain on exemption of the substitutional portion of the government pension plan	—	912	8
Others	1,016	3,969	37
	\8,068	\17,978	$168

15. Other operating expenses

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

	Millions of yen		Millions of U.S. dollars
	2004	2005	2005
Loss on sales and maturities of government bonds	\4,928	\4,834	$45
Other	0	264	2
	\4,928	\5,099	$47

16. General and administrative expenses

General and administrative expenses for the year ended March 31, 2004 and 2005 consisted of the following:

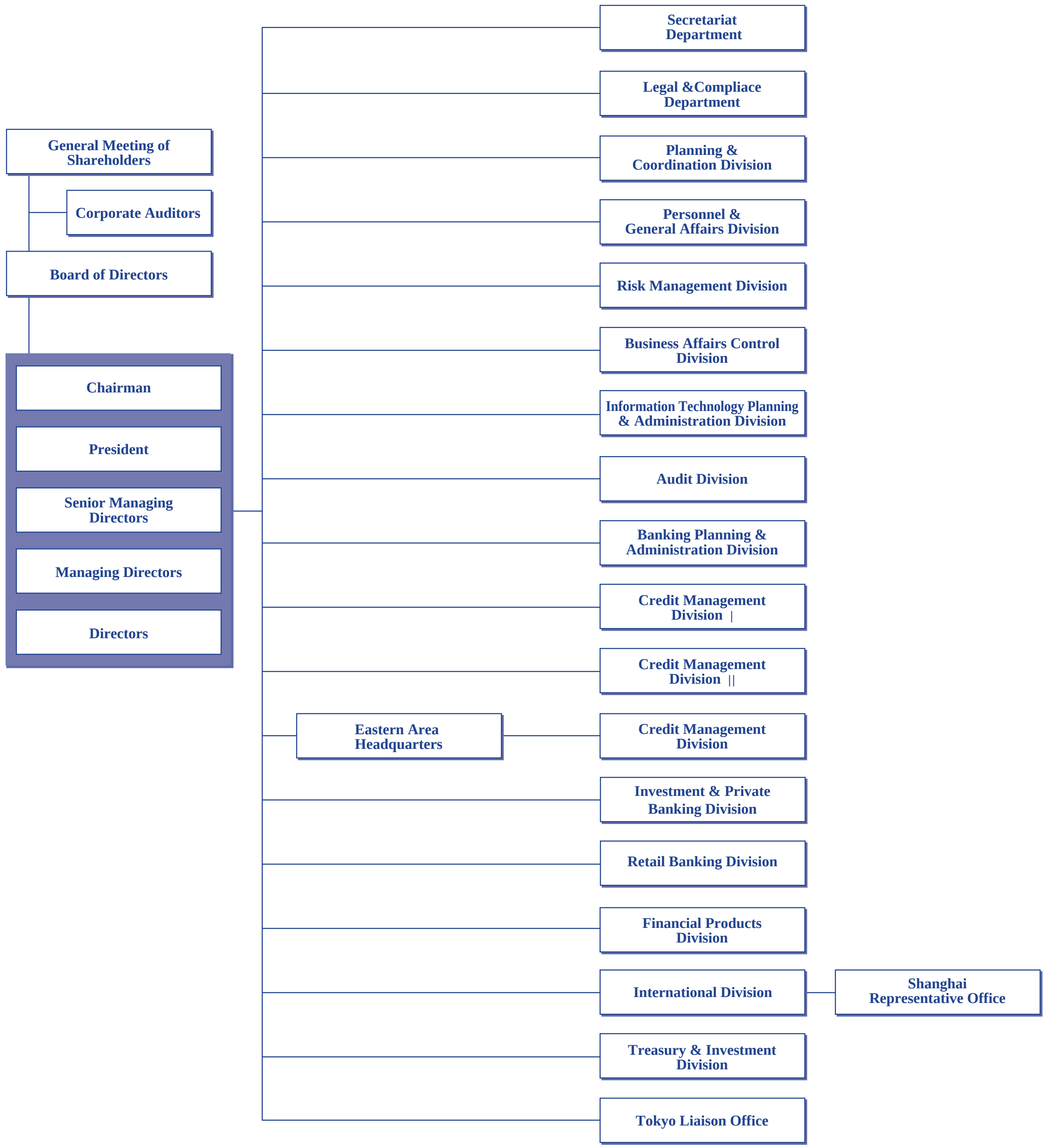
	Millions of yen		Millions of U.S. dollars
	2004	2005	2005
Salaries and allowance	\ 23,705	\ 23,154	$216
Retirement allowance cost	2,168	890	8
Welfare	150	135	1
Depreciation	3,046	3,556	33
Rent of premises and equipment	6,652	5,883	55
Repairing expenses for building and equipment	142	111	1
Office supplies	848	887	8
Utilities	596	587	5
Allowance for business trips	217	224	2
Telephone, cables and other communication	1,781	1,555	15
Advertisement	519	461	4
Taxes	3,016	3,197	30
Others	19,564	19,274	180
	\ 62,410	\ 59,920	$558

17. Other expenses

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

	Millions of yen		Millions of U.S. dollars
	2004	2005	2005
Losses of sales of stocks and other securities	\ 2,168	\ 1,562	$ 15
Devaluation of securities	595	75	1
Provision for possible loan losses	3,092	20,410	190
Write-off of claims	16,110	6,979	65
Losses on disposition of premises and equipment	2,470	938	9
Loss on impairment of fixed assets	—	4,186	39
Others	4,684	3,957	36
	\ 29,122	\ 38,109	$355

Organization
(As of June 30, 2005)



Subsidiaries
- Hirogin Business Support Co.,Ltd.
- Hirogin Mortgage Service Co.,Ltd.
- Shimanami Servicing Co.,Ltd.
- Hiroshima Finance (Cayman) Limitd

Affiliated Companies
- Hirogin Guarantee Co.,Ltd.
- Hirogin Lease Co.,Ltd.
- Hirogin Auto Lease Co.,Ltd.
- Hirogin DC Card Co.,Ltd.
- Hirogin Capital Co.,Ltd.

Directory
(As of June 30, 2005)

Head Office
3-8 Kamiya-cho 1-chome, Nakaku, Hiroshiima
730-0031, Japan
Telephone: 81-82-247-5151 Fax: 81-82-240-5759

Date of Founding: November 1878
Paid-in Capital: ·54,574 million
URL http://www.hirogin.co.jp/

International Division
3-8 Kamiya-cho 1-chome, Nakaku, Hiroshima
730-0031, Japan
Telephone:81-82-247-5151 Fax: 81-82-240-5759
SWIFT Address: HIRO JP JT

Shanghai Representative Office
Room 1713 Shanghai International Trade Center,
2201 Yan-an (West) Road, Shanghai
People s Republic of China
Telephone: 86-21-6275-2755 Fax: 86-21-6275-2702

Board of Directors and Corporate Auditors
(As of June 30, 2005)

Chairman
Makoto Uda

President
Sho Takahashi

Senior Managing Directors
Koji Oda
Isao Sumihiro

Managing Directors
Hiromi Mori
Masushi Okito
Toru Takahashi

Directors
Atsuo Kambayashi
Hitoshi Takahashi
Tomotoki Kawahira

Standing Corporate Auditors
Toshiyuki Shimizu
Yuji Imada

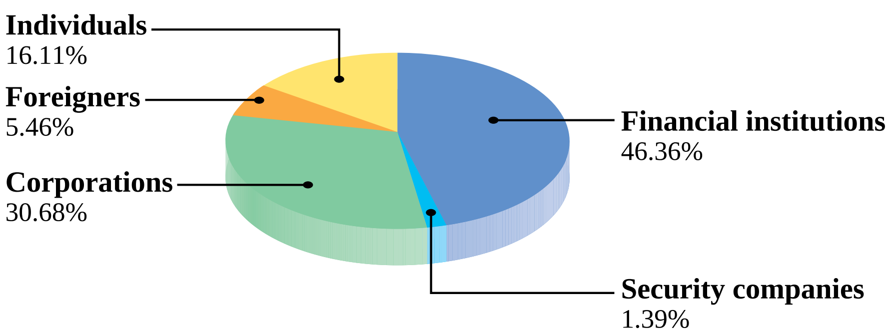
External Corporate Auditors
Kazuya Nitta
Haruo Ejima

Chugoku-Shikoku Region

Stock Information

■The ratio of shareholders

As of March 31, 2005

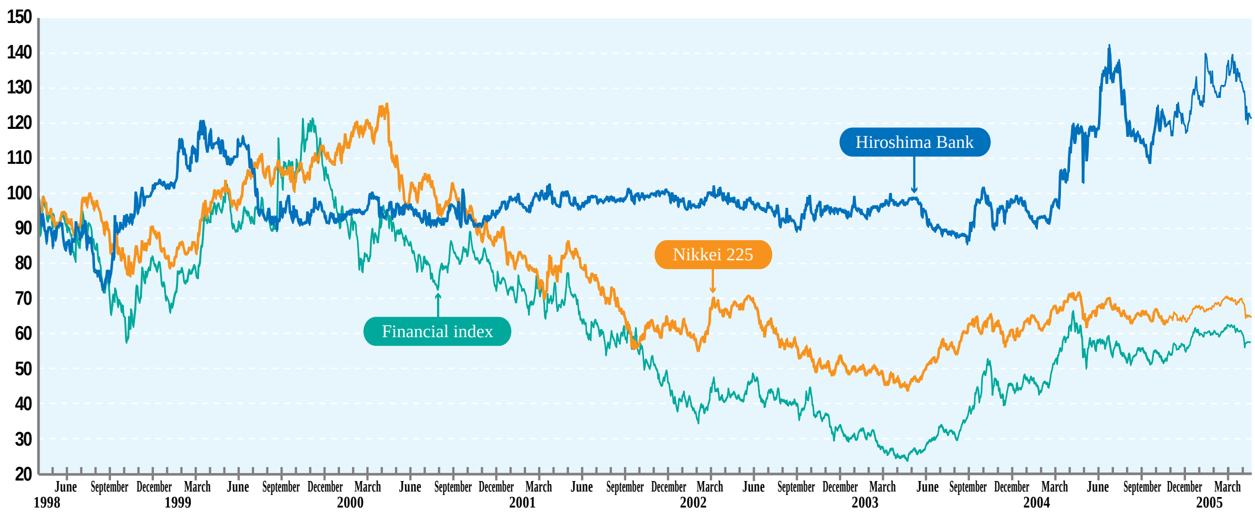


■Shareholders:Top10

As of March 31, 2005

The name of shareholders	The number of equity(a) (thousand)	The ratio (a)/Total number of issued equity(%)
Japan Trustee Services Bank, Ltd.(Trust Account)	38,909	6.22
Japan Trustee Services Bank, Ltd.(Trust Account 4)	22,209	3.55
The Bank of Tokyo-Mitsubishi, Ltd.	20,735	3.31
Mizuho Corporate Bank, Ltd.	20,002	3.19
Meiji Yasuda Life Insurance Company	19,009	3.04
The Master Trust Bank of Japan, Ltd.	17,104	2.73
NIPPONKOA Insurance Co., Ltd.	16,687	2.66
Nippon Life Insurance Company	13,915	2.22
Hiroshima Bank Mochikabu-kai	11,224	1.79
Sumitomo Life Insurance Company	11,076	1.77

■Trend of the stocks



THE HIROSHIMA BANK, LTD.

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