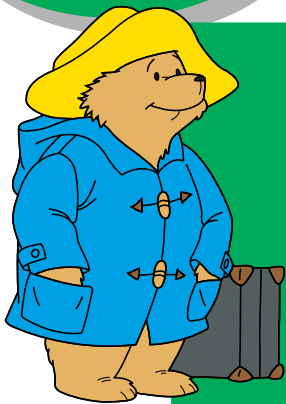


OGAKI KYORITSU



Paddington Bear™

PADDINGTON BEAR™
© Paddington and Company Ltd 2004
Licensed by ©wright Group



THE OGAKI KYORITSU BANK, LTD.

ANNUAL REPORT 2004

TRY!! BEST FIT BANK



Profile

The Ogaki Kyoritsu Bank, founded in 1896, is a regional financial institution headquartered in Gifu Prefecture, close to the center of the Japanese archipelago. Since its establishment, the Bank has made a valuable contribution to the economic development of the Tokai region, which plays a pivotal role in the national economy.

The Bank's network embraces 147 branches in Japan and 3 overseas offices. While continuing to perform its traditional banking role, amidst the ongoing reform of Japan's financial system, the Ogaki Kyoritsu Bank Group continues to concentrate the strengths of all its members in providing a comprehensive range of financial services to meet the increasingly diverse and sophisticated needs of its customers.

As of March 31, 2004, the Bank's capitalization was ¥24,516 million (US\$231 million). Total assets amounted to ¥3,445 billion (US\$32,599 million), and total deposits were ¥3,026 billion (US\$28,638 million). The Bank's capital adequacy ratio according to domestic standards was 8.89%.

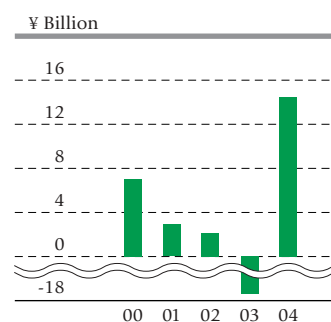


Financial Highlights

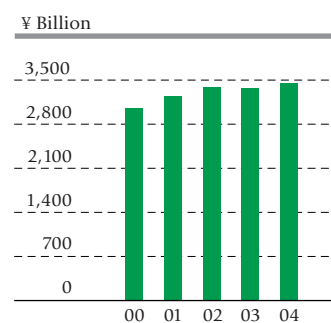
Years ended March 31	Consolidated		
	Millions of Yen		Thousands of U.S. Dollars
	2004	2003	2004
For the Year			
Total Income	¥ 115,387	¥ 103,812	\$ 1,091,749
Total Expenses	85,181	130,130	805,951
Income (Loss) before Income Taxes.....	30,205	(26,318)	285,788
Net Income (Loss)	14,434	(16,792)	136,569
At Year-End			
Deposits	¥3,026,854	¥2,994,105	\$28,638,981
Loans and Bills Discounted...	2,070,484	2,170,170	19,590,159
Securities.....	1,082,485	856,809	10,242,075
Total Assets	3,445,444	3,347,564	32,599,526
Stockholders' Equity	131,101	105,964	1,240,429
Common Stock	24,516	24,516	231,961

- Notes: 1. In this annual report, the Japanese yen in millions are indicated with fractions omitted.
2. Figures stated in U.S. dollars in this annual report are translated from Japanese yen, solely for convenience, at the rate of ¥105.69 per U.S.\$1.00, the rate prevailing at March 31, 2004.

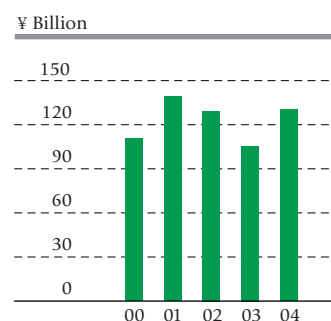
Net Income (Loss)



Total Assets



Stockholders' Equity



● A MESSAGE FROM THE PRESIDENT

Operating Environment

In the year ended March 31, 2004, prospects for the Japanese economy were darkened in the first half by the situation in Iraq and the SARS crisis. But later in the year steady signs of recovery emerged amid an increase in capital investment due to rising exports and a pickup in corporate earnings, on the back of recovery in the U.S. and strong growth in China.

Corporate production was also strong in the Tokai region, the main business territory of the Ogaki Kyoritsu Bank, with output at automakers (a leading local industry) remaining at high levels and, at electronics parts and devices companies, continuing to post increases. Against this backdrop, the Bank worked to ensure stable fund procurement and sound management, recording the following results.

Performance

The balance of loans and bills discounted (non-consolidated) declined ¥98.1 billion during the term under review, to ¥2,079.5 billion (US\$19,675 million), despite vigorous demand for funding from local businesses and for housing loans from individuals. The balance of deposits increased ¥27.6 billion to ¥2,957.3 billion (US\$27,980 million), and negotiable CDs increased ¥8.5 billion to ¥83.6 billion. The balance of securities rose ¥225.8 billion to ¥1,080.2 billion, reflecting our closer emphasis on interest-rate trends in capital markets.

Ordinary income totaled ¥19.860 billion (US\$187 million), and net income was ¥14.222 billion (US\$134 million), reflecting efficient asset management and fund procurement, rationalization across all operations, and a major decline in non-performing loans due to improved loan assets, despite a harsh earnings environment. The capital ratio stood at 8.89% on a consolidated basis (8.91% on a non-consolidated basis).

The balance of loans under risk management (non-consolidated) stood at ¥147.6 billion, or 7.09% of loans and bills discounted. Loans disclosed under Financial Revitalization Law standards totaled ¥149.1 billion. These were covered by the reserve for possible loan losses, and collateral or guarantees to the value of ¥128.6 billion, for a coverage ratio of 86.27%.

Dividend Policy

The Bank regards it as a public mission to maintain stable operations over the long term. Accordingly, we follow a basic policy of strengthening our financial base from retained earnings, while promoting sound management and assuring a stable dividend for all shareholders. In the term under review, we declared a cash dividend for the year of ¥5.00 per share (¥2.50 at interim and term-end respectively).

The NEW Century Medium-Term Management Plan “Try!! Best FIT Bank”

Under the Medium-Term Management Plan, Frontier 21, concerted efforts enabled the Bank to remove much bad debt from the balance sheet and achieve a V-shaped recovery in earnings, despite harsh operating conditions due to protracted deflation and a low interest-rate policy. Inspired by this success, we launched the New Century Medium-Term Management Plan “Try!! Best FIT Bank” in April 2004.

Since its founding, the Bank’s basic vision has been to become a bank that is loved and trusted by the local community. With a Companywide commitment to supporting and revitalizing the local economy and increasing customer satisfaction, we are gearing our strategies to “fit” the needs of the customer and the times exactly. Revitalizing the local economy is a crucial factor as we go about revitalizing the Group’s operations, and we are making concerted efforts involving every Group employee to achieve the goals of the plan.

Through these efforts, we aim to simultaneously strengthen earnings power and increase financial soundness, earning unshakable trust from our customers, shareholders, employees, and the markets.

New Century Medium-Term Management Plan

TRY!! BEST FIT BANK

Aiming to be the bank best suited to local needs

Two main policies in the plan

(The letters FIT refer to Frontier 21 (management plan), Innovation, and Trust)
Build on the achievements of Frontier 21, harness Innovation, and earn unshakeable Trust by constructing a firm operating base

Supply a high level of financial services that closely FIT the needs of customers in our region by strengthening Relationship Banking functions

Business environment

Protracted stagnation of regional economic environment

Responses to system reform

Lifting of remaining unlimited guarantees on deposits

Progress in deregulation

Corporate banking strategy

Develop full-fledged solution-style business
Strengthen business of facilitating corporate turnarounds
Promote financing for small businesses and micro-businesses
Strengthen support functions for startups and customers' entry into new businesses

Personal banking strategy

Strengthen loan business for individuals
Increase income from fees and commissions through strengthened business in assets under custody
Create products and services optimally tailored to customer needs

Capital markets strategy

Strengthen capabilities in capital market trading through diversification of asset-management methods and capital allocation
Strengthen market-oriented indirect financing

Basic concept

Becoming a bank that is respected and trusted by the local community



Management strategy

Create a supple organizational structure for greater management efficiency
Create a sophisticated mechanism for overall risk and earnings management
Strengthen personnel management
Strengthen corporate governance

Strategy for system infrastructure

Strengthen the information infrastructure for integrated management of customer data
Plan for construction of next-generation system able to respond swiftly and flexibly to change in the business environment

Group strategy

Provide sophisticated total solutions through strengthened alliances within the Group
Integrate operations and raise efficiency at branches, headquarters and affiliates



Takashi Tsuchiya
President

CONSOLIDATED BALANCE SHEETS

March 31, 2004 and 2003	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2004	2003	2004
ASSETS			
Cash and Due from Banks (Note 6)	¥ 69,350	¥ 119,461	\$ 656,164
Call Loans and Bills Bought	60,180	47,553	569,401
Monetary Claims Bought	1,845	1,871	17,456
Trading Account Securities (Note 3)	2,280	7,737	21,572
Securities (Notes 3 and 6)	1,082,485	856,809	10,242,075
Loans and Bills Discounted (Notes 4, 5, 6 and 7)	2,070,484	2,170,170	19,590,159
Foreign Exchanges	3,292	4,450	31,147
Other Assets	62,361	36,922	590,036
Premises and Equipment (Note 9)	89,034	90,543	842,407
Deferred Tax Assets (Note 10)	18,466	42,179	174,718
Customers' Liabilities for Acceptances and Guarantees (Note 13)	55,477	64,141	524,903
Less Reserve for Possible Loan Losses	(69,627)	(94,097)	(658,785)
Less Reserve for Possible Investment Losses	(188)	(180)	(1,778)
Total Assets	¥3,445,444	¥3,347,564	\$32,599,526
LIABILITIES, MINORITY INTEREST AND STOCKHOLDERS' EQUITY			
LIABILITIES			
Deposits (Note 6)	¥3,026,854	¥2,994,105	\$28,638,981
Call Money and Bills Sold	9,157	6,317	86,640
Payables for Securities Lending Transactions (Note 6)	44,668	41,577	422,632
Borrowed Money (Notes 6 and 11)	85,092	90,826	805,109
Foreign Exchanges	381	373	3,604
Other Liabilities	78,483	31,927	742,577
Accrued Employees' Bonuses	1,238	762	11,713
Employees' Severance and Retirement Benefits (Note 12)	4,955	4,915	46,882
Deferred Tax Liabilities (Note 10)	117	38	1,107
Deferred Taxes on Revaluation Excess (Note 8)	3,841	2,775	36,342
Consolidation Difference	106	246	1,002
Acceptances and Guarantees (Notes 6 and 13)	55,477	64,141	524,903
Total Liabilities	3,310,375	3,238,008	31,321,553
Minority Interests	3,966	3,591	37,524
STOCKHOLDERS' EQUITY			
Common Stock			
Authorized—400,000,000 shares			
Issued —291,268,975 shares	24,516	24,516	231,961
Capital Surplus	13,790	13,789	130,475
Retained Earnings	66,591	53,522	630,059
Land Revaluation Reserve (Note 8)	3,000	4,215	28,384
Net Unrealized Holding Gains on Securities (Note 3)	23,489	10,149	222,244
Less Treasury Stock			
—438,217 shares in 2003	—	(228)	—
—526,185 shares in 2004	(285)	—	(2,696)
Total Stockholders' Equity	131,101	105,964	1,240,429
Total Liabilities, Minority Interests and Stockholders' Equity	¥3,445,444	¥3,347,564	\$32,599,526

See Notes to Consolidated Financial Statements.

● CONSOLIDATED STATEMENTS OF OPERATIONS

For the Years Ended March 31, 2004 and 2003	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2004	2003	2004
INCOME			
Interest and Dividends on:			
Loans and Bills Discounted	¥ 43,233	¥ 44,441	\$ 409,054
Securities	13,532	12,935	128,034
Other	314	554	2,970
Fees and Commissions	11,626	10,125	110,000
Other Operating Income	5,574	3,297	52,739
Other Income	41,105	32,459	388,920
Total Income	115,387	103,812	1,091,749
EXPENSES			
Interest on:			
Deposits	1,248	2,477	11,808
Borrowings and Rediscounts	2,277	2,016	21,544
Other	2,356	3,661	22,291
Fees and Commissions	3,111	2,635	29,435
Other Operating Expenses	5,893	2,219	55,757
General and Administrative Expenses	39,008	38,801	369,079
Other Expenses (Note 14)	31,285	78,319	296,007
Total Expenses	85,181	130,130	805,951
Income (Loss) before Income Taxes	30,205	(26,318)	285,788
Income Taxes—Current	521	1,230	4,929
—Deferred	14,918	(10,989)	141,148
Minority Interest	331	233	3,131
Net Income (Loss)	¥ 14,434	¥(16,792)	\$ 136,569
Per Share of Common Stock (in Yen and U.S. Dollars):			
Net Income (Loss)	¥ 49.50	¥(57.71)	\$0.46
Dividends	5.00	5.00	0.04
Stockholders' Equity	450.78	364.35	4.26

● CONSOLIDATED STATEMENTS OF CAPITAL SURPLUS AND RETAINED EARNINGS

For the Years Ended March 31, 2004 and 2003	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2004	2003	2004
Capital Surplus:			
Balance at Beginning of Year	¥13,789	¥13,789	\$130,466
Profits on Sales of Treasury Stock	0	—	0
Balance at End of Year	¥13,790	¥13,789	\$130,475
Retained Earnings:			
Balance at the Beginning of the Year	¥53,522	¥71,693	\$506,405
Net Income (Loss)	14,434	(16,792)	136,569
Land Revaluation	89	111	842
Appropriations:			
Cash Dividends	(1,454)	(1,455)	(13,757)
Bonuses to Directors and Statutory Auditors	—	(34)	—
Balance at End of Year	¥66,591	¥53,522	\$630,059

See Notes to Consolidated Financial Statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

For the Years Ended March 31, 2004 and 2003	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2004	2003	2004
Cash Flows from Operating Activities:			
Income (Loss) before Income Taxes	¥ 30,205	¥ (26,318)	\$ 285,788
Depreciation	19,528	19,862	184,766
Amortization of Consolidated Difference.....	(140)	(140)	(1,324)
Increase (Decrease) in Reserve for Possible Loan Losses	(24,470)	21,727	(231,526)
Increase in Reserve for Investment Losses	8	180	75
Increase (Decrease) in Accrued Employees' Bonuses	476	(987)	4,503
Increase (Decrease) in Employees' Severance and Retirement Benefits	40	(84)	378
Interest and Dividend Income	(57,080)	(57,931)	(540,070)
Interest Expense	5,882	8,155	55,653
Securities Losses (Gains), net	(447)	4,811	(4,229)
Losses on Sale of Premises and Equipment, net	192	362	1,816
Net Changes in Trading Account Securities	5,456	1,686	51,622
Net Changes in Loans and Bills Discounted.....	99,684	103,200	943,173
Net Changes in Deposits	32,747	(1,097)	309,840
Net Changes in Borrowed Money	2,266	(1,560)	21,440
Net Changes in Deposits with Banks	3,405	27,040	32,216
Net Changes in Call Loans.....	(12,600)	(8,723)	(119,216)
Net Changes in Call Money.....	2,839	(19,709)	26,861
Net Changes in Payables for Securities Lending Transactions	3,091	28,330	29,245
Net Changes in Foreign Exchange Assets	1,157	(7)	10,947
Net Changes in Foreign Exchange Liabilities	8	119	75
Interest Income Received	62,203	64,966	588,541
Interest Expense Paid	(7,043)	(9,246)	(66,638)
Net Changes in Lease Assets	(16,327)	(17,025)	(154,480)
Other	10,226	3,943	96,754
Sub-Total	161,312	141,555	1,526,274
Income Taxes Paid.....	(1,071)	314	(10,133)
Net Cash Provided by Operating Activities	160,240	141,870	1,516,132
Cash Flows from Investing Activities:			
Purchases of Securities	(1,225,955)	(816,793)	(11,599,536)
Proceeds from Sales of Securities.....	833,150	452,683	7,882,959
Proceeds from Maturities of Securities	197,259	239,989	1,866,392
Purchases of Premises and Equipment	(2,296)	(815)	(21,723)
Proceeds from Sales of Premises and Equipment.....	434	9	4,106
Net Cash Used in Investing Activities	(197,407)	(124,926)	(1,867,792)
Cash Flows from Financing Activities:			
Increase in Subordinated Loans.....	8,000	2,000	75,693
Decrease in Subordinated Loans	(16,000)	—	(151,386)
Proceeds from Issuance of Capital Stock to Minority Interests	—	35	—
Cash Dividends Paid	(1,454)	(1,455)	(13,757)
Cash Dividends Paid to Minority Interests	(1)	(1)	(9)
Purchases of Treasury Stock.....	(60)	(111)	(567)
Proceeds from Sales of Treasury Stock	3	—	28
Net Cash Provided by (Used in) Financing Activities	(9,513)	467	(90,008)
Effect of Foreign Exchange Rate Changes	(25)	(18)	(236)
Net Increase (Decrease) in Cash and Cash Equivalents.....	(46,705)	17,391	(441,905)
Cash and Cash Equivalents at Beginning of Year	95,334	77,942	902,015
Cash and Cash Equivalents at End of Year (Note 15)	¥ 48,628	¥ 95,334	\$ 460,100

See Notes to Consolidated Financial Statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Years Ended March 31, 2004 and 2003

1. Basis of Presenting Consolidated Financial Statements

The accompanying consolidated financial statements 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, 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 Ogaki Kyoritsu Bank, Ltd. (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 translation of the Japanese yen amounts into U.S. dollars are included solely for the convenience of readers outside Japan, using the prevailing exchange rate at March 31, 2004, which was ¥105.69 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.

In the year ended March 31, 2004, the Bank did not adopt early the new accounting standard 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 the implementation guidance for the 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).

2. Significant Accounting Policies

(a) Consolidation

The consolidated financial statements include the accounts of the Bank and 9 significant subsidiaries. In the elimination of investments in subsidiaries, the assets and liabilities of the subsidiaries, including the portion attributable to minority stockholders, are evaluated using the fair value at the time the Bank acquired control of the respective subsidiaries.

(b) Cash Flow Statement

In preparing the consolidated statements of cash flows, cash on hand, and deposits with the Bank of Japan are considered to be cash and cash equivalents.

(c) Appropriations of Retained Earnings

Appropriations of retained earnings approved by the stockholders after the end of the year are recorded in the consolidated financial statements in the year approved.

(d) Trading Account Securities

Trading account securities of the Bank 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 and losses in the period of the change.

(e) Securities

Held-to-maturity debt securities are stated at amortized cost. Equity securities issued by subsidiaries that 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 based on carrying value on April 1, 2000 or cost at later date of purchase. Other securities with no available fair market value are stated at moving-average cost or at amortized cost.

At March 31, 2004 and 2003, securities loaned with transfer of legal title, amounting to ¥47,081 million (\$445,463 thousand) and ¥43,511 million, respectively, are included in Securities. At March 31, 2004 and 2003, securities loaned with rental contract, amounting to ¥0 million and ¥233 million, respectively, are included in Securities.

(f) Premises and Equipment

Premises and equipment are generally stated at cost less accumulated depreciation and deferred gains on sale of real estate.

Depreciation of premises and equipment is computed primarily using the declining-balance method.

The estimated useful lives are as follows:

Buildings 3 ~ 60 years

Equipment 2 ~ 20 years

Depreciation of lease assets of the consolidated subsidiaries is computed using the straight-line method based on the lease commitments.

(g) Software Costs

The Group includes internal use software costs in expenses in accordance with the revised "Accounting Standard for Research and Development Costs."

(h) Foreign Currency Translation

Foreign-currency-denominated assets and liabilities of consolidated banking subsidiaries (the "Banks") are translated into yen, primarily at the exchange rates on the consolidated balance sheet date.

In prior years, the Banks have adopted the transitional treatment of the "Treatment in Accounting and Auditing Concerning the Accounting Treatment of Foreign Currency Transactions in the Banking Industry" (JICPA Industry Audit Committee, Report No.25) regarding the accounting for foreign currency transactions. However, effective this period, the Banks have applied hedge accounting for "currency swap transactions" "foreign exchange swap transactions" etc., according to the principle treatment in Report No. 25, which is carried out to hedge risks of borrowing and lending in different currencies by swapping the borrowing currency for the lending currency. Description of the hedge accounting applied to these transaction is described in note 2 (n).

As a result of the application, the Banks started recording on the consolidated balance sheet at their market value "currency swap transactions," "foreign exchange swap transactions" etc., which were accounted for on an accrual basis in the prior years. "Other assets" decreased by ¥49 million (\$463 thousand) and "Other liabilities" decreased by ¥33 million (\$312 thousand), as compared to the corresponding amounts under the previous method. The Bank have applied the market price accounting for "currency swap transactions." As a result of this change, income before income tax decreased by ¥16 million (\$151 thousand).

Market values of forward foreign currency exchange contracts and similar transactions are reported on the balance sheet on a gross basis in accordance with the JICPA Industry Audit Committee, Report No. 25, as "Other Assets—Derivatives" and "Other Liabilities—Derivatives" although they were previously stated on a net basis as "Other Assets—other asset" or "Other Liabilities—other liability." As a result of this change, "Other Assets" and "Other liabilities" each increased by ¥235 million (\$2,223 thousand), compared to the corresponding amounts under the previous method.

Foreign currency denominated assets and liabilities of other consolidated subsidiaries are translated into yen at the exchange rates on the respective balance sheet date.

(i) Reserve for Possible Investment Losses

The Bank makes provisions for possible investment losses based on evaluations of investments.

(j) Reserve for Possible Loan Losses

The reserve for possible loan losses was provided according to the following write-off/reserve standards. For loans to normal borrowers and borrowers requiring special attention as stipulated in the "Practical Guidelines for the Verification of Compliance with Internal Regulations Governing Asset Self-Assessment by Banks and Other Financial Institutions and for Audits of Bad Loan Write-offs and Bad Loan Reserves" (Report No. 4 of the Special Committee for Audits of Banks and Other Financial Institutions by the Japanese Institute of Certified Public Accountants), a reserve was provided based on the loan loss ratio, which is calculated for each category of loan using the actual loan losses during a specified period in the past. For loans to borrowers threatened with bankruptcy, after deducting the portion deemed recoverable through the disposal of collateral and the enforcement of guarantees, a reserve was provided for the remainder to the amount deemed necessary. For loans to legally and essentially bankrupt borrowers, after deducting the portion deemed recoverable through the disposal of collateral and the enforcement of guarantees, a reserve was provided to cover the remainder.

Self-assessment of assets was conducted for all loans by the Bank's divisions in charge of self-assessment in cooperation with the relevant business divisions on the basis of the Bank's asset self-assessment standards, and the loans were classified in the accounts according to the results of this asset assessment.

The consolidated subsidiaries write off loans and make provisions for possible loan losses based on their actual rate of loan losses in the past. However, unrecoverable amounts of loans to customers who have high probability of becoming bankrupt are estimated and the reserve for possible loan losses is provided based on the estimation.

(k) Accrued Employees' Bonuses

Accrued employees' bonuses is provided for the payment of employees' bonuses based on estimated amounts of the future payments attributed to the current fiscal year.

(l) Employees' Severance and Retirement Benefits

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

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

The Bank and the consolidated subsidiaries provided for employees' severance and retirement benefits based on the estimated amounts of projected benefit obligation and the fair value of the plan assets.

The remaining net transition obligation amounting to ¥5,736 million is being recognized in expenses in equal amounts primarily over 5 years commencing with the year ended March 31, 2001. The release from the substitutional portion of the government's Welfare Pension Insurance Scheme, the remaining ¥1,181 million (\$11,174 thousand) is recognized in expenses using the straight-line method over 2 years.

Prior service costs are recognized in expenses using the straight-line method over 5 years, and actuarial differences are recognized as expense using the straight-line method, within the estimated average remaining service life, over 15 years commencing from the following period.

Based on the newly enacted Defined Benefit Corporate Pension Law, the Bank decided to restructure their Employees' Pension Fund and were permitted by the Minister of Health, Labor and Welfare on January 17, 2003 to be released from their future obligation for payments for the substitutional portion of the Welfare Pension Insurance Scheme.

The Bank applied the transitional provisions as prescribed in paragraph 47-2 of the JICPA Accounting Committee Report No. 13, "Practical Guideline for Accounting of Retirement Benefits (Interim Report)," and the effect of transferring the substitutional portion was recognized on the date permission was received from the Ministry of Health, Labor and Welfare. As the result, in the year ended March 31, 2003, the Bank recorded losses on the release from the substitutional portion of the government's Welfare Pension Insurance Scheme amounting to ¥3,375 million.

(m) Accounting for Leases

Finance leases that do not transfer ownership are accounted for in the same manner as operating leases under Japanese GAAP.

(n) Derivatives and Hedge Accounting

(1) Hedge of interest risk

Certain of the Banks apply deferred hedge accounting to hedge of interest risk associated with their financial assets and liabilities. In the prior fiscal years, the hedge accounting was applied to "macro-hedge," under which derivatives were designated to hedge net interest risk of numerous financial assets and liabilities, such as loans and deposits, in accordance with the transitional treatment stipulated in the "Accounting and Auditing Treatments on the Application of Accounting Standards for Financial Instruments in the Banking Industry" (JICPA Industry Audit Committee, Report No. 24). However effective this period, the principle treatment in the JICPA Industry Audit Committee Report No. 24 is adopted.

In assessing effectiveness of cashflow hedges the correlation of the interest sensitivities of the hedged instruments and the hedging instruments are examined.

Deferred hedge losses recorded on the consolidated balance sheet based on the previous macro-hedge approach are allocated over years as interest expense based on the specified remaining term of 10 years. Deferred hedge losses based on the macro-hedge approach on the consolidated balance sheet date is ¥3,523 million (\$33,333 thousand) at March 31, 2004.

(2) Hedge of foreign currency risk

Certain consolidated banking subsidiaries apply the deferred hedge accounting to hedge of the foreign currency risk associated with their foreign-currency-dominated financial assets and liabilities. For the prior fiscal years, the transitional treatment stipulated in the JICPA Industry Audit Committee Report No. 25 was applied; however effective in the current period, the principle treatment of hedge accounting in the same report is applied to foreign exchange swaps, etc. intended to hedge foreign exchange risks of borrowing and lending in different currencies by swapping the borrowing currency for the lending currency.

Assessment of the effectiveness of these hedge transactions is conducted by confirming whether notional amounts of hedging foreign exchange swaps, etc. corresponds to hedged foreign currency denominated receivables or payables.

The hedging of certain assets and liabilities is accounted for by fair value hedge accounting or special treatment of interest rate swaps.

Certain other consolidated subsidiaries adopt the special treatment of interest rate swap.

(o) Stockholders' Equity

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.

3. Market Value Information for Securities

Securities

A. The following tables summarize acquisition costs, book values and fair values of securities with available fair values as of March 31, 2004 and 2003:

(a) Trading securities

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2004	2003	2004
Book Value (Fair Value)	¥2,280	¥7,737	\$21,572
Amount of Net Unrealized Gains or Losses Included in the Statement of Operations	2	9	18

(b) Held-to-maturity debt securities

	Millions of Yen				
	2004				
	Book Value	Fair Value	Difference	Unrecognized Gain	Unrecognized Loss
Japanese Government Bonds	¥ 500	¥ 502	¥ 2	¥ 2	¥—
Municipal Bonds	1,365	1,474	109	109	—
Corporate Bonds	8,465	8,610	145	174	29
Total	¥10,331	¥10,588	¥257	¥286	¥29

	Thousands of U.S. Dollars (Note 1)				
	2004				
	Book Value	Fair Value	Difference	Unrecognized Gain	Unrecognized Loss
Japanese Government Bonds	\$ 4,730	\$ 4,749	\$ 18	\$ 18	\$ —
Municipal Bonds	12,915	13,946	1,031	1,031	—
Corporate Bonds	80,092	81,464	1,371	1,646	274
Total	\$97,748	\$ 100,179	\$2,431	\$2,706	\$ 274

	Millions of Yen				
	2003				
	Book Value	Fair Value	Difference	Unrecognized Gain	Unrecognized Loss
Japanese Government Bonds	¥ 500	¥ 504	¥ 4	¥ 4	¥—
Municipal Bonds	1,819	2,003	184	184	—
Corporate Bonds	8,235	8,553	317	320	2
Total	¥10,555	¥11,061	¥505	¥508	¥ 2

(c) Available-for-sale securities

	Millions of Yen				
	2004				
	Acquisition Cost	Book Value (Fair Value)	Difference	Unrealized Gains	Unrealized Losses
Equity Securities	¥ 61,618	¥ 97,284	¥35,665	¥36,109	¥ 443
Bonds					
Japanese Government Bonds	370,166	370,694	528	1,363	834
Municipal Bonds	141,746	143,104	1,358	1,584	226
Corporate Bonds	300,953	300,744	(208)	984	1,193
Other	130,399	132,320	1,920	2,274	354
Total	¥1,004,885	¥1,044,149	¥39,263	¥42,316	¥3,052

	Thousands of U.S. Dollars (Note 1)				
	2004				
	Acquisition Cost	Book Value (Fair Value)	Difference	Unrealized Gains	Unrealized Losses
Equity Securities	\$ 583,006	\$ 920,465	\$337,449	\$341,650	\$ 4,191
Bonds					
Japanese Government Bonds	3,502,374	3,507,370	4,995	12,896	7,891
Municipal Bonds	1,341,148	1,353,997	12,848	14,987	2,138
Corporate Bonds	2,847,506	2,845,529	(1,968)	9,310	11,287
Other	1,233,787	1,251,963	18,166	21,515	3,349
Total	\$9,507,853	\$9,879,354	\$371,492	\$400,378	\$28,876

	Millions of Yen				
	2003				
	Acquisition Cost	Book Value (Fair Value)	Difference	Unrealized Gains	Unrealized Losses
Equity Securities	¥ 69,079	¥ 72,329	¥ 3,249	¥ 9,397	¥6,147
Bonds					
Japanese Government Bonds	404,935	412,236	7,300	7,322	21
Municipal Bonds	119,822	122,511	2,688	2,691	2
Corporate Bonds	87,982	89,723	1,741	1,770	28
Other.....	116,391	118,474	2,082	2,261	178
Total	<u>¥798,211</u>	<u>¥815,274</u>	<u>¥17,063</u>	<u>¥23,442</u>	<u>¥6,379</u>

B. The following table summarizes book values of securities with no available fair values as of March 31, 2004 and 2003.

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2004	2003	2004
	Held-to-Maturity Debt Securities		
Corporate Bonds	¥23,262	¥22,170	\$220,096
Non-Listed Municipal Bonds	—	3,853	—
Available-for-Sale Securities			
Corporate Bonds	¥ 10	¥ —	\$ 94
Non-Listed Equity Securities	4,593	4,750	43,457
Other.....	138	205	1,305

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

	Millions of Yen			
	2004			
	Within One Year	Over One Year but within Five Years	Over Five Years but within Ten Years	Over Ten Years
Bonds				
Japanese Government Bonds	¥34,675	¥274,466	¥ 59,068	¥ 2,984
Municipal Bonds	26,669	72,483	45,317	—
Corporate Bonds	29,987	281,198	21,296	—
Other.....	4,352	71,094	18,203	32,133
Total	<u>¥95,684</u>	<u>¥699,243</u>	<u>¥143,885</u>	<u>¥35,118</u>

	Thousands of U.S. Dollars (Note 1)			
	2004			
	Within One Year	Over One Year but within Five Years	Over Five Years but within Ten Years	Over Ten Years
Bonds				
Japanese Government Bonds	\$328,082	\$2,596,896	\$ 558,879	\$ 28,233
Municipal Bonds	252,332	685,807	428,772	—
Corporate Bonds	283,725	2,660,592	201,494	—
Other.....	41,177	672,665	172,230	304,030
Total	<u>\$905,326</u>	<u>\$6,615,980</u>	<u>\$1,361,387</u>	<u>\$332,273</u>

	Millions of Yen			
	2003			
	Within One Year	Over One Year but within Five Years	Over Five Years but within Ten Years	Over Ten Years
Bonds				
Japanese Government Bonds	¥58,456	¥261,894	¥ 89,403	¥ 2,981
Municipal Bonds	6,214	97,287	20,828	—
Corporate Bonds	27,215	80,217	16,550	—
Other.....	2,469	51,262	11,501	50,155
Total	<u>¥94,356</u>	<u>¥490,661</u>	<u>¥138,284</u>	<u>¥53,137</u>

D. Total sales of held-to-maturity debt securities in the year ended March 31, 2004 amounted to ¥101 million (\$955 thousand) and the related gains amounted to ¥1 million (\$9 thousand).

Total sales of held-to-maturity debt securities in the year ended March 31, 2003 amounted to ¥70 million and the related gains amounted to ¥0 million.

E. Total sales of available-for-sale securities in the year ended March 31, 2004 amounted to ¥856,781 million (\$8,106,547 thousand) and the related gains and losses amounted to ¥7,024 million (\$66,458 thousand) and ¥6,321 million (\$59,806 thousand), respectively.

Total sales of available-for-sale securities sold in the year ended March 31, 2003 amounted to ¥444,086 million and the related gains and losses amounted to ¥3,896 million and ¥2,876 million, respectively.

F. Net Unrealized Holding Gains on Securities

Net unrealized holding gains on securities that have been stated at market value were as follows:

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2004	2003	2004
	Available-for-Sale Securities.....	¥39,263	¥17,063
Deferred Tax Liabilities	(15,592)	(6,777)	(147,525)
Net Unrealized Holding Gains on Securities (before Adjustment for Minority Interests).....	23,671	10,285	223,966
Minority Interests	(181)	(135)	(1,712)
Net Unrealized Holding Gains on Securities.....	<u>¥23,489</u>	<u>¥10,149</u>	<u>\$222,244</u>

4. Loans under Risk Management Review

Loans under risk management review at March 31, 2004 and 2003 are as follows:

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2004	2003	2004
Loans to Companies			
Legally Bankrupt.....	¥ 7,630	¥ 8,775	\$ 72,192
Loans Past Due Over 6 Months.....	94,821	122,183	897,161
Loans Past Due Over 3 Months.....	1,306	1,709	12,356
Restructured Loans	44,176	52,321	417,977
Total.....	<u>¥147,936</u>	<u>¥184,990</u>	<u>\$1,399,716</u>

Notes:

- Loans to Companies Legally Bankrupt:
The term "Loans to Companies Legally Bankrupt" refers to loans (excluding those written off as bad debts) for which interest is not being accrued, owing to the fact that there is no hope of repayment of the principal, nor collection of interest, because said repayment or collection has been overdue for a considerable period of time or for any other valid reason.
- Loans Past Due Over 6 Months:
Loans Past Due Over 6 Months are loans for which interest is not being accrued. This category excludes Restructured Loans described below, as well as Loans to Companies Legally Bankrupt.
- Loans Past Due Over 3 Months:
Loans Past Due Over 3 Months are loans for which the payment of principal or interest is delayed 3 months or more from the day following the date agreed as the payment date (excludes Loans to Companies Legally Bankrupt and Loans Past Due Over 6 Months).
- Restructured Loans:
Restructured Loans are loans provided to facilitate loan recovery by making certain concessions to borrowers (reduced or waived interest, payment of interest suspended, repayment of principal delayed, etc.) to allow borrowers to implement business reconstruction or provide them with support. This category excludes loans in the three categories above.

5. Commercial Bills

The total face values of commercial bills and documentary bills of exchange obtained as a result of discounting was ¥50,433 million (\$477,178 thousand) and ¥60,769 million at March 31, 2004 and 2003, respectively.

6. Assets Pledged

Assets pledged as collateral at March 31, 2004 and 2003 are as follows:

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2004	2003	2004
Securities	¥91,471	¥47,927	\$865,465
Lease Receivables and Installment Receivables	41,932	46,135	396,745
Due from Banks	204	172	1,930
Loans and Bills Discounted.....	—	45,000	—

The above pledged assets secure the following liabilities.

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2004	2003	2004
Deposits.....	¥53,548	¥61,118	\$506,651
Borrowed Money	44,567	42,340	421,676
Payables for Securities Lending Transactions.....	44,668	41,577	422,632
Acceptances and Guarantees	188	153	1,778

In addition, at March 31, 2004, certain investment securities, aggregating ¥60,965 million (\$576,828 thousand) and trading securities of ¥103 million (\$974 thousand) were pledged as collateral for settlement of exchange at the Bank of Japan, as a substitute for margin payments, and for other purposes. Premises and Equipment includes guarantees of ¥1,745 million (\$16,510 thousand). Other Assets includes margin payments of ¥202 million (\$1,911 thousand).

At March 31, 2003, certain investment securities, aggregating ¥54,576 million and trading securities of ¥103 million were pledged as collateral for settlement of exchange at the Bank of Japan, as a substitute for margin payments, and for other purposes. Premises and Equipment included guarantees of ¥1,833 million. Other Assets included margin payments of ¥26 million.

7. Commitment Lines

Loan agreements and commitment line agreements relating to loans are agreements, which oblige the Group to lend funds up to a certain limit, agreed in advance. The Group makes the loans upon the request of an obligor to draw down funds under such loan agreements, as long as there is no breach of the various terms and conditions stipulated in the relevant loan agreement. The unused commitment balances relating to these loan agreements at March 31, 2004 and 2003 amounted to ¥916,992 million (\$8,676,241 thousand) and ¥930,424 million, respectively. Of these amounts, ¥915,541 million (\$8,662,513 thousand) and ¥929,224 million, respectively, relates to loans where the term of the agreement is one year or less, or unconditional cancellation of the agreement is allowed at any time.

In many cases the term of the agreement runs its course without the loan ever being drawn down. Therefore, the unused loan commitment will not necessarily affect future cash flow. Conditions are included in certain loan agreements which allow the Group either to decline the request for a loan draw down or to reduce the agreed limit amount where there is due cause to do so, such as when there is a change in financial condition, or when it is necessary to do so in order to protect the Group's credit. The Group takes various measures to protect its credit. Such measures include having the obligor pledge collateral to the Group in the form of real estate, securities etc. on signing the loan agreement, or in accordance with the Group's established internal procedures confirming the obligor's financial condition etc. at regular intervals.

8. Land Revaluation Reserve

Land for commercial use was revalued in accordance with the Land Revaluation Law in the year ended March 31, 1998. The Bank recorded the difference in value before and after revaluation, net of taxes, as "Land Revaluation Reserve" shown in stockholders' equity, and recorded in liabilities an amount equivalent to accrued taxes in relation to the revaluation difference as "Deferred Tax Liability for Land Revaluation."

At March 31, 2004 and 2003 the total market price of land for commercial use, which was revalued in accordance with the above law, was below the book value after revaluation by ¥9,140 million (\$86,479 thousand) and ¥8,132 million, respectively.

9. Premises and Equipment

Accumulated depreciation amounted to ¥115,587 million (\$1,093,641 thousand) and ¥118,568 million as of March 31, 2004 and 2003, respectively.

10. Deferred Tax Assets and Liabilities

The following table summarizes the significant differences between the aggregate statutory income tax rate and the Bank's effective income tax rate for financial statement purposes for the year ended March 31, 2004:

	2004
Statutory Income Tax Rate	39.7%
Expenses not Deductible for Income Tax Purposes	0.1
Non-Taxable Dividend Income	(0.8)
Increase in Valuation Allowance	9.6
Per Capital Inhabitant Tax	0.2
Internal profit Elimination of Consolidation	0.2
Other	2.0
Effective Tax Rate	<u>51.1%</u>

The Bank does not disclose the above information for the year ended March 31, 2003 because of the net loss before income taxes.

Significant components of the Group's deferred tax assets and liabilities as of March 31, 2004 and 2003 are as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2004	2003	(Note 1) 2004
Deferred Tax Assets			
Excess Reserve for Possible Loan Losses	¥24,593	¥35,565	\$232,689
Unrealized Losses of Unlisted Securities	3,594	4,661	34,005
Excess Depreciation	3,263	3,291	30,873
Excess Employees' Severance and Retirement Benefits	2,274	1,518	21,515
Loss Carry Forward	938	2,482	8,875
Other	2,660	1,725	25,167
Valuation Reserve	(3,225)	(310)	(30,513)
Total Deferred Tax Assets	34,099	48,933	322,632
Deferred Tax Liabilities			
Net Unrealized Holding Gains on Securities	(15,592)	(6,759)	(147,525)
Reserve for Extraordinary Repair	(25)	(32)	(236)
Other	(132)	—	(1,248)
Total Deferred Tax Liabilities	(15,750)	(6,791)	(149,020)
Net Deferred Tax Assets	¥18,349	¥42,141	\$173,611

Effective for years commencing on April 1, 2004 or later, according to the revised local tax law, income tax rates for enterprise taxes will be reduced as a result of introducing the assessment by estimation on the basis of the size of business. Based on the change of income tax rates, for calculation of deferred income tax assets and liabilities, the Bank and consolidated domestic subsidiaries used the aggregate statutory income tax rates of 41.0% and 39.7% for current items and non-current items, respectively, at March 31, 2003.

As a result of the change in the aggregate statutory income tax rates for the year ended March 31, 2003, deferred income tax assets decreased by ¥643 million and provision for deferred income taxes increased by ¥861 million compared with what would have been recorded under the previous local tax law. Deferred tax on land revaluation excess decreased by ¥90 million and land revaluation excess increased by the same amount compared with what would have been recorded under the previous local tax law. In addition, net unrealized holding gains on securities increased by ¥218 million.

11. Borrowed Money

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

	Millions of Yen		Average	Thousands of U.S. Dollars
	2004	2003	Rate	(Note 1) 2004
Borrowings from Banks, Life Insurance Companies and Others	¥85,092	¥90,826	1.54%	\$805,109

At March 31, 2004 and 2003 borrowed money includes ¥32,500 million (\$307,503 thousand) and ¥40,500 million, respectively, in subordinated loans, whose subordinated status is expressly stated in the underlying loan agreements.

The aggregate annual maturities of borrowed money outstanding at March 31, 2004 are as follows:

Year ending March 31	Millions of Yen	Thousands of U.S. Dollars (Note 1)
2005	¥22,167	\$209,736
2006	14,383	136,086
2007	9,229	87,321
2008	4,340	41,063
2009	2,139	20,238
2010 and thereafter	32,832	310,644
Total	¥85,092	\$805,109

12. Severance and Retirement Benefits

The following table sets forth the changes in benefit obligations, plan assets and funded status of the Group's severance and retirement benefit plans at March 31, 2004 and 2003.

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2004	2003	2004
Benefit Obligation at End of Year	¥(29,544)	¥(29,841)	\$(279,534)
Fair Value of Plan Assets at End of Year (Including Employees' Retirement Benefit Trust)	22,775	18,566	215,488
Funded Status:			
Benefit Obligation in Excess of Plan Assets	(6,768)	(11,274)	(64,036)
Less Unamortized Net Transition Obligation	590	1,181	5,582
Unrecognized Actuarial Differences	4,614	8,460	43,655
Accrued Retirement Benefits	(1,563)	(1,632)	(14,788)
Prepaid Expense	3,392	3,283	32,093
Employees' Severance and Retirement Benefits in the Consolidated Balance Sheets	¥ (4,955)	¥ (4,915)	\$ (46,882)

Note: Some consolidated subsidiaries have adopted on allowed alternative treatment of the accounting standards for retirement benefits for small business entities.

Expenses for severance and retirement benefits of the Group include the following components for the years ended March 31, 2004 and 2003.

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2004	2003	2004
Service Cost	¥1,091	¥1,461	\$10,322
Interest Cost	737	1,120	6,973
Expected Return on Plan Assets	(598)	(968)	(5,658)
Amortization:			
Amortization of Prior Service Costs	—	(191)	—
Amortization of Actuarial Differences	603	678	5,705
Amortization of Net Transition Obligation	590	1,008	5,582
Other	8	9	75
Losses on the Release from the Substitutional Portion of the Government's Welfare Pension Insurance Scheme	—	(3,375)	—
Severance and Retirement Benefits expense	¥2,433	¥ (256)	\$23,020

Note: Contributions of employees to the funded contributory pension plan are not included in service cost.

Assumptions used in the accounting for the severance and retirement plans for the years ended March 31, 2004 and 2003, are as follows:

	2004	2003
Discount Rate	2.50%	2.50%
Long-Term Rates of Return on Fund Assets		
A Funded Contributory Pension Plan	4.00%	4.00%
Employees' Retirement Benefit Trust	4.00%	4.00%
Method of Attributing Benefits	Straight-Line	Straight-Line
to Periods of Service	Basis	Basis
Amortization Period for Prior Service Cost ...	—	5 years
Amortization Period for Actuarial Differences	15 years	15 years
Amortization Period for Transition Obligation at Date of Adoption of New Accounting Standard	5 years	5 years

13. Acceptances and Guarantees

All commitments and contingent liabilities arising in compliance with customers' needs in foreign trade and other transactions are included in "Acceptances and guarantees." As a contra account, "Customers' liabilities for acceptances and guarantees" is shown on the asset side, representing the Bank's right of indemnity from customers.

14. Other Expenses

At March 31, 2004 other expenses include losses on sale of Loans Past of ¥1,054 million (\$9,972 thousand).

At March 31, 2003 other expenses include losses on write-down of equity securities of ¥4,596 million and losses on sale of Loans Past of ¥6,254 million.

15. Cash and Cash Equivalents

Cash and cash equivalents in the consolidated statements of cash flows for the years ended March 31, 2004 and 2003 are as follows:

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2004	2003	2004
Cash and Due from Banks in Consolidated Balance Sheets	¥69,350	¥119,461	\$656,164
Due from Banks except Deposits with the Bank of Japan.....	(20,721)	(24,126)	(196,054)
Cash and Cash Equivalents in the Consolidated Statements of Cash Flows.....	¥48,628	¥ 95,334	\$460,100

16. Leases

(a) Finance Leases

(1) As Lessee

Non-capitalized finance leases at March 31, 2004 and 2003 are as follows:

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2004	2003	2004
Equipment, Cost if Capitalized.....	¥112	¥128	\$1,059
Other, Cost if Capitalized	26	29	246
Less: Accumulated Depreciation.....	(100)	(108)	(946)
Total	¥ 38	¥ 49	\$ 359
Lease Commitments:			
Due within One Year.....	¥ 16	¥ 28	\$ 151
Due after One Year.....	24	23	227
Total	¥ 41	¥ 51	\$ 387
For the Years Ended			
March 31, 2004 and 2003:			
Lease Expense.....	¥ 32	¥ 37	\$ 302
Depreciation Expense, if Capitalized...	28	33	264
Interest Expense, if Capitalized.....	1	2	9

The above "as if capitalized" depreciation is calculated on the straight-line method over lease terms.

(2) As Lessor

Premises and equipment include the following leased assets at March 31, 2004 and 2003.

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2004	2003	2004
Equipment.....	¥97,245	¥98,927	\$920,096
Other	11,628	11,486	110,019
Less: Accumulated Depreciation.....	(62,233)	(63,081)	(588,825)
Total	¥46,640	¥47,332	\$441,290
Future Lease Payments:			
Due within One Year.....	¥15,325	¥15,576	\$144,999
Due after One Year	33,237	33,778	314,476
Total	¥48,563	¥49,354	\$459,485

For the Years Ended

March 31, 2004 and 2003:

	2004	2003	2004
Lease Income.....	¥19,003	¥19,274	\$179,799
Depreciation Expense.....	16,840	17,002	159,333
Interest Income Included in Other Income	2,093	2,196	19,803

(b) Operating Leases

(1) As Lessee

Future minimum lease payments payable for operating leases at March 31, 2004 and 2003 are as follows:

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2004	2003	2004
Future Minimum Lease Payments			
Due within One Year.....	¥ 2	¥3	\$18
Due after One Year	—	2	—
Total	¥ 2	¥5	\$18

(2) As Lessor

Future minimum lease payments receivable for operating leases at March 31, 2004 and 2003 are as follows:

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2004	2003	2004
Future Minimum Lease Payments			
Due within One Year.....	¥ 94	¥ 60	\$ 889
Due after One Year	183	154	1,731
Total	¥277	¥215	\$2,620

17. Derivative Transactions

The Group enters into various contracts, including swaps, options, forwards and futures covering interest rates, foreign currencies and stocks in order to meet customers' needs and manage risk of market fluctuations related to the assets, liabilities and interest rates of the Group. The Group has established procedures and controls to minimize market and credit risk including limits on transaction levels, hedging exposed positions, daily reporting to management, and outside review of trading department activities. Outstanding derivatives were as follows:

(a) Interest rate related transactions

	Millions of Yen				Thousands of U.S. Dollars (Note 1)
	2004				2004
	Contract Amount	Portion Maturing over One Year	Market Value	Unrealized Gain (Loss)	Unrealized Gain (Loss)
Over-the-Counter Transactions:					
Interest Swaps (Receive floating rate and pay fixed rate)	¥77,016	¥74,856	¥(2,930)	¥(2,930)	\$(27,722)
Interest Cap (Sell)	—	—	—	—	—
Interest Cap (Buy)	—	—	—	—	—
Millions of Yen					
2003					
	Contract Amount	Portion Maturing over One Year	Market Value	Unrealized Gain (Loss)	
Over-the-Counter Transactions:					
Interest Cap (Sell)	¥46	¥0	¥0	¥0	
Interest Cap (Buy)	46	0	0	(0)	

The above transactions were listed at market values and unrealized gains (losses) were included in the consolidated statements of operations.

The derivative transactions for which hedge accounting has been applied were excluded from the above transactions.

Market values for over-the-counter transactions are calculated at discounted present values and formulas for option prices.

(b) Currency and foreign exchange transactions

	Millions of Yen				Thousands of U.S. Dollars (Note 1)
	2004				2004
	Contract Amount	Portion Maturing over One Year	Market Value	Unrealized Gain (Loss)	Unrealized Gain (Loss)
Over-the-Counter Transactions:					
Currency Swaps	¥82,882	¥45,731	¥ (53)	¥ (53)	\$ (501)
Exchange Contracts (Sell)	4,650	249	(77)	(77)	(728)
Exchange Contracts (Buy)	3,458	246	135	135	1,277
Currency Options (Sell)	4,483	2,205	133	(24)	(227)
Currency Options (Buy)	4,595	2,205	135	40	378
Total	—	—	273	20	189
Millions of Yen					
2003					
	Contract Amount	Portion Maturing over One Year	Market Value	Unrealized Gain (Loss)	
Over-the-Counter Transactions:					
Currency Swaps	¥25,470	¥25,470	¥18	¥18	
Millions of Yen					
2003					
	Contract Amount	Market Value	Unrealized Gain (Loss)		
Over-the-Counter Transactions:					
Currency Swaps	¥31,917	¥656	¥656		

The above transactions were listed at market values and unrealized gains (losses) were included in the consolidated statements of operations.

At March 31, 2003, the Group had contracts to purchase foreign currencies of ¥3,522 million and to sell foreign currencies of ¥4,597 million. And the Group had contracts to purchase currency options of ¥913 million and to sell currency options of ¥933 million.

The exchange contracts and currency options recorded at market values are included in the above tables commencing in the current consolidated fiscal year. The currency swaps for which hedge accounting has been applied are excluded from the above transactions according to the treatment stipulated in the JICPA Industry Audit Committee Report No.25.

(c) Bond transactions

	Millions of Yen				Thousands of U.S. Dollars (Note 1)
	2004				2004
	Contract Amount	Portion Maturing over One Year	Market Value	Unrealized Gain (Loss)	Unrealized Gain (Loss)
Exchange Transactions:					
Bond Futures (Sell)	¥23,978	¥—	¥(92)	¥(92)	\$(870)

The above transactions were listed at market values and unrealized gains (losses) were included in the consolidated statements of operations.

18. Segment Information

(a) Segment Information by Type of Business

Segment information by type of business for the years ended March 31, 2004 and 2003 is as follows:

Millions of Yen						
2004						
	Banking Operations	Leasing & Installment Sales	Other	Total	Elimination	Consolidated
Ordinary Income:						
Ordinary Income with External Customers	¥ 74,449	¥25,788	¥ 4,891	¥ 105,128	¥ —	¥ 105,128
Ordinary Income from Internal Transactions	531	420	4,092	5,044	(5,044)	—
Total	74,981	26,208	8,983	110,173	(5,044)	105,128
Ordinary Expenses	55,124	25,846	8,458	89,429	(5,032)	84,397
Ordinary Income (Loss)	¥ 19,856	¥ 362	¥ 525	¥ 20,743	¥ (12)	¥ 20,731
Assets	¥3,385,180	¥69,525	¥17,882	¥3,472,587	¥(27,143)	¥3,445,444
Depreciation	2,015	17,479	99	19,594	(44)	19,549
Capital Expenditure	2,254	17,616	55	19,925	(303)	19,622
Thousands of U.S. Dollars (Note 1)						
2004						
	Banking Operations	Leasing & Installment Sales	Other	Total	Elimination	Consolidated
Ordinary Income:						
Ordinary Income with External Customers	\$ 704,409	\$243,996	\$ 46,276	\$ 994,682	\$ —	\$ 994,682
Ordinary Income from Internal Transactions	5,024	3,973	38,717	47,724	(47,724)	—
Total	709,442	247,970	84,993	1,042,416	(47,724)	994,682
Ordinary Expenses	521,563	244,545	80,026	846,144	(47,610)	798,533
Ordinary Income (Loss)	\$ 187,870	\$ 3,425	\$ 4,967	\$ 196,262	\$ (113)	\$ 196,149
Assets	\$32,029,331	\$657,820	\$169,192	\$32,856,344	\$(256,817)	\$32,599,526
Depreciation	19,065	165,379	936	185,391	(416)	184,965
Capital Expenditure	21,326	166,676	520	188,523	(2,866)	185,656
Millions of Yen						
2003						
	Banking Operations	Leasing & Installment Sales	Other	Total	Elimination	Consolidated
Ordinary Income:						
Ordinary Income with External Customers	¥ 70,208	¥25,562	¥ 4,636	¥ 100,408	¥ —	¥ 100,408
Ordinary Income from Internal Transactions	592	382	3,917	4,892	(4,892)	—
Total	70,801	25,945	8,553	105,300	(4,892)	100,408
Ordinary Expenses	98,905	25,452	8,670	133,028	(4,811)	128,216
Ordinary Income (Loss)	¥ (28,103)	¥ 492	¥ (117)	¥ (27,727)	¥ (80)	¥ (27,808)
Assets	¥3,286,524	¥65,896	¥18,181	¥3,370,603	¥(23,038)	¥3,347,564
Depreciation	2,264	17,542	109	19,916	(54)	19,862
Capital Expenditure	944	18,022	34	19,001	(502)	18,498

Ordinary income represents total income excluding gains on dispositions of premises and equipment, collection of written-off claims and gains on release from the substitutional portion of the governments Welfare Pension Scheme, etc.

Ordinary expenses represent total expenses excluding losses on disposition of premises and equipment, impairment losses, and losses of liquidated subsidiaries, etc.

(b) Segment Information by Location

As Japan accounts for over 90% of total ordinary income for all segments and total assets for all segments, information by location has been omitted.

(c) Ordinary Income from International Operations

As ordinary income from international operations is under 10% of total ordinary income, for the years ended March 31, 2004 and 2003, the information of ordinary income from international operations has been omitted.

19. Transactions with Related Parties

There are no significant transactions with related parties.

Independent Auditors' Report

To the Board of Directors and the Stockholders of The Ogaki Kyoritsu Bank, Ltd.

We have audited the accompanying consolidated balance sheets of The Ogaki Kyoritsu Bank, Ltd. (a Japanese corporation) and its consolidated subsidiaries as of March 31, 2004 and 2003, and the related consolidated statements of operations, retained earnings and cash flows for the years then ended, all 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 Ogaki Kyoritsu Bank, Ltd. and its consolidated subsidiaries as of March 31, 2004 and 2003, 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.

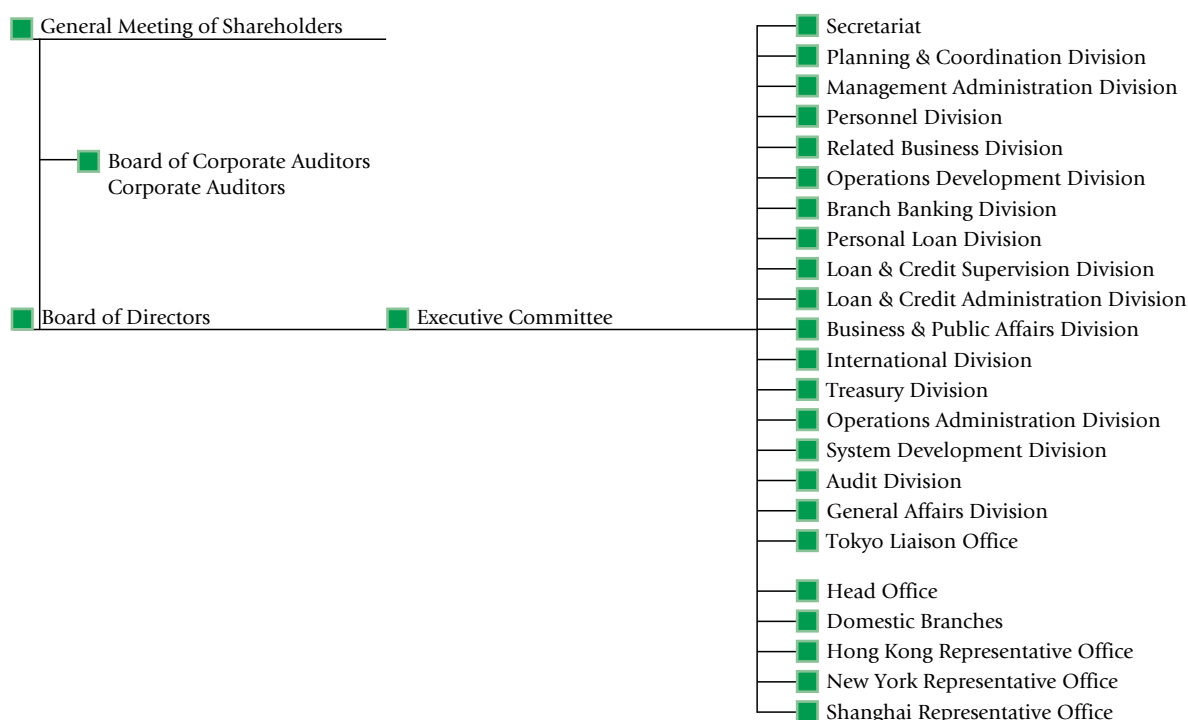
The consolidated financial statements as of and for the year ended March 31, 2004 have been translated into United States dollars solely for the convenience of the reader. We have recomputed the translation and, in our opinion, the consolidated financial statements expressed in Japanese yen have been translated into United States dollars on the basis set forth in Note 1 to the consolidated financial statements.

Gifu, Japan
June 24, 2004

KPMG AZSA & Co.

KPMG AZSA & Co.

● Organization Chart



(as of July 1, 2004)

Subsidiaries and Affiliates

(as of March 31, 2004)

Company Name	Business Lines	Established	Capital (Millions of Yen)	Equity (%)	Equity stake of the Bank's subsidiaries (%)
Kyoyu Lease Co., Ltd.	Leasing	July 14, 1964	120	5.0	80.2
Kyoritsu Computer Service Co., Ltd.	Computing service and software development	December 3, 1980	45	5.0	75.7
Kyoritsu Research Institute Co., Ltd.	Research on economy, industry, information processing technology, and culture	July 22, 1996	50	5.0	80.5
Kyoritsu Guarantee Co., Ltd.	Credit guarantee and investigation	July 1, 1982	90	5.0	65.1
Kyoritsu Credit Co., Ltd.	Credit card business	July 15, 1983	30	5.0	71.6
Kyoritsu Capital Co., Ltd.	Securities investment	October 1, 1984	80	5.0	65.0
Kyoritsu Business Service Co., Ltd.	Close examination and adjustment of cash accounts, maintenance of CDs, clerical operations for the Bank, centralized processing	December 15, 1979	20	100.0	—
Kyoritsu Bunsho Daiko Co., Ltd.	Forms order control, receiving and forwarding, preparation and printing of documents	April 3, 1984	10	100.0	—
Kyoritsu Fudosan Chosa Co., Ltd.	Appraisal of real estate collateral	June 20, 2000	10	100.0	—

Service Network

HEAD OFFICE

98, Kuruwamachi 3-chome, Ogaki, Gifu
Phone: (0584) 74-2111
WEB: <http://www.okb.co.jp/>

INTERNATIONAL DIVISION

98, Kuruwamachi 3-chome, Ogaki, Gifu
Phone: (0584) 74-2111
Telex: 4793677 OGAKIB J
SWIFT Address: OGAK JPJT

TREASURY DIVISION

98, Kuruwamachi 3-chome, Ogaki, Gifu
Phone: (0584) 74-2111
Telex: 4793640 OGAKIB J
SWIFT Address: OGAK JPJT

OVERSEAS OFFICES

Hong Kong Representative Office

Suite 1005, One Pacific Place, 88 Queensway, Hong Kong S. A. R. The People's Republic of China
Phone: 2523-2058

New York Representative Office

630 Fifth Avenue, 22nd Floor, New York, N.Y. 10111, U.S.A.
Phone: (212) 962-5800

Shanghai Representative Office

Room 4406A, 44th Floor, Jin Mao Tower, 88 Century Boulevard, Pudong New Area, Shanghai, The People's Republic of China
Phone: (21) 5047-2700

FOREIGN EXCHANGE OFFICES

Head Office Business Division

98, Kuruwamachi 3-chome, Ogaki, Gifu
Phone: (0584) 74-2111

Gifu Branch

1-1, Kandamachi 5-chome, Gifu
Phone: (058) 265-2271

Nagoya Branch

14-7, Sakae 3-chome, Naka-ku, Nagoya
Phone: (052) 263-2111

Seki Branch

20, Honmachi 6-chome, Seki, Gifu
Phone: (0575) 22-2031

Osaka Branch

3-7, Awajimachi 3-chome, Chuo-ku, Osaka
Phone: (06) 6202-4461

Tokyo Branch

6-1, Hatchobori 2-chome, Chuo-ku, Tokyo
Phone: (03) 3552-5151

Tajimi Branch

6-1, Shinmachi 2-chome, Tajimi, Gifu
Phone: (0572) 22-6101

Ozone Branch

2-4, Ozone 2-chome, Kita-ku, Nagoya
Phone: (052) 911-7521

Kikuicho Branch

10-17, Nagono 2-chome, Nishi-ku, Nagoya
Phone: (052) 571-3571

Arimatsu Branch

8-1, Arimatsuura, Narumi-cho, Midori-ku, Nagoya
Phone: (052) 624-1211

Kakamigahara Branch

16, Higashi-nakamachi, Naka, Kakamigahara, Gifu
Phone: (0583) 82-1221

Kuwana Branch

39, Misakidori, Kuwana, Mie
Phone: (0594) 22-3321

Gifu-ekimae Branch

7, Koganemachi 7-chome, Gifu
Phone: (058) 265-5171

Konan Branch

24, Oyado, Akadoji-cho, Konan, Aichi
Phone: (0587) 55-6111

Hashima Branch

102-1, Takehana-cho, Hashima, Gifu
Phone: (058) 392-5511

Akasaka Branch

265-2, Akasaka-cho, Ogaki, Gifu
Phone: (0584) 71-1151

Nagahama Branch

4-2, Takada-cho, Nagahama, Shiga
Phone: (0749) 62-1800

Bisai Branch

51, Gouminami, Konobunakashima, Bisai, Aichi
Phone: (0586) 62-5181

Takayama Branch

33-3, Hanasatomachi 3-chome, Takayama, Gifu
Phone: (0577) 35-3331

THE OGAKI KYORITSU BANK, LTD.

98, Kuruwamachi 3-chome, Ogaki, Gifu, Japan

Phone: (0584) 74-2111

WEB: <http://www.okb.co.jp/>

