

# OGAKI KYORITSU



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**THE OGAKI KYORITSU BANK, LTD.**

**ANNUAL REPORT 2005**

**TRY!! BEST FIT BANK**





## ● A MESSAGE FROM THE PRESIDENT

**Being a good “fit” for our customers and helping them coordinate their lifestyles — these are the core values of Ogaki Kyoritsu Bank**

First, let me thank all customers of the Ogaki Kyoritsu Bank Group.

We have seen a number of exciting events of national scale in the Tokai region including the opening of an international airport and the 2005 World Exposition in Aichi. We are at last beginning to see bright spots in long cloudy regional economies, for example in employment figures. Under such circumstances, Ogaki Kyoritsu Bank has now completed the heavy lifting in the disposal of non-performing loans, the most crucial issue facing the banking industry. Now the Bank is primed to go back on the commercial offensive.

In April 2004, we launched our second medium-term management plan for the new century, titled “Try!! Best Fit Bank.” Under it, we have got off to a flying start, successfully putting the loan balance back on a growth track.

Through our operational alliance with a major convenience store chain, a partner outside the financial sector, we have also launched new financial services and rapidly increased the value of existing products and services.

With the lifting of remaining unlimited deposit guarantees on April 1, 2005, we have launched a range of creative initiatives in preparation for our 110th anniversary next year, with a view to remaining the bank of choice for our customers.

I believe we will be able to create new satisfaction by delivering tailored services for each customer, and as financial professionals, helping them manage their lifestyles.

We hope to inform our customers of these initiatives and our results in this annual report, and give insights into our Bank’s operation.



Takashi Tsuchiya  
*President*

## ● 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 142 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, 2005, the Bank's capitalization was ¥24,516 million (US\$228 million). Total assets amounted to ¥3,508 billion (US\$32,669 million), and total deposits were ¥3,107 billion (US\$28,934 million). The Bank's capital adequacy ratio according to domestic standards was 9.12%.



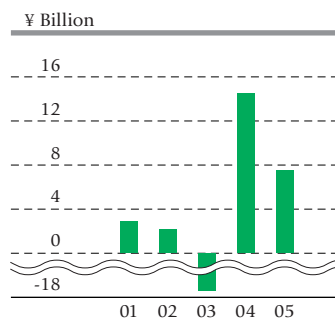
## ● FINANCIAL HIGHLIGHTS

Years ended March 31	Consolidated		
	Millions of Yen		Thousands of U.S. Dollars
	2005	2004	2005
<b>For the Year</b>			
Total Income .....	¥ 99,962	¥ 115,387	\$ 930,831
Total Expenses .....	84,799	85,181	789,635
Income before Income Taxes.....	15,163	30,205	141,195
Net Income .....	7,589	14,434	70,667
<b>At Year-End</b>			
Deposits .....	¥3,107,281	¥3,026,854	\$28,934,546
Loans and Bills Discounted .....	2,138,452	2,070,484	19,912,952
Securities .....	1,077,829	1,082,485	10,036,586
Total Assets .....	3,508,353	3,445,444	32,669,270
Stockholders' Equity .....	140,134	131,101	1,304,907
Common Stock .....	24,516	24,516	228,289

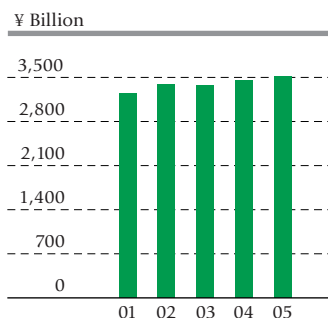
Notes: 1. In this annual report, the Japanese yen in millions are indicated with fractions omitted.

2. Figures stated in U.S. dollars in this annual report are translated from Japanese yen, solely for convenience, at the rate of ¥107.39 per U.S.\$1.00, the rate prevailing at March 31, 2005.

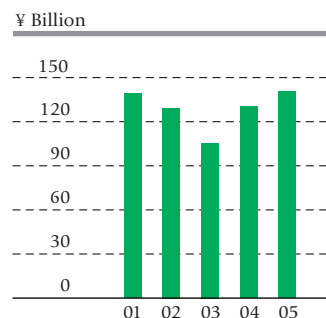
### Net Income (Loss)



### Total Assets



### Stockholders' Equity



## ● OPERATING ENVIRONMENT

In fiscal 2004, the Japanese economy failed to get back onto a clear growth track. Although signs of steady growth momentum emerged in the first half, a feeling of stagnation deepened throughout the second half due to anxieties over slowing growth overseas and soaring oil prices.

Consumer spending was firm amid a brightening of consumer sentiment. Housing investment was on a rising trend against a background of recovery in the employment and personal income pictures. Private capital investment posted moderate growth, in line with recovery in corporate profitability. This growth, however, slowed down amid increased pessimism over economic prospects and inventory adjustment at IT companies. Public investment was at a low ebb, reflecting stringent fiscal policy at the national and local public authority level.

In the Tokai region, economic revival was more pronounced than in other regions. Industrial production was robust against a backdrop of continuing buoyancy in production in automaking and electronics, two mainstay local industries, and further impetus came from the opening of the Central Japan International Airport (Centrair) and of the 2005 Aichi World Exposition.

## ● PERFORMANCE

The overall balance of deposits grew ¥112.4 billion to end the term at ¥3,069.7 billion (US\$28,584 million), chiefly reflecting growth in ordinary deposits.

At the same time, the balance of loans and bills discounted grew ¥65.6 billion during the period under review to end the term at ¥2,145.1 billion. This performance reflected our success in meeting local corporate funding demand and individual customer needs, particularly for housing loans. The term-end balance of securities fell ¥5.1 billion to ¥1,075.1 billion (US\$10,011 million), reflecting our success in promptly responding to changes in the market.

Ordinary income totaled ¥12.444 billion (US\$115 million) and net income ¥7.034 billion (US\$65 million), as a result of efficient fund management and procurement as well as rationalization of business operations generally in a harsh revenue environment. On a consolidated basis, the capital ratio stood at 9.12%, and at 9.05% on a non-consolidated basis.

The balance of risk-managed loans under the Banking Law stood at ¥123.5 billion or 5.76% of loans and bills discounted. Loans and other claims disclosed under the Financial Revitalization Law standards totaled ¥124.9 billion, and these were covered by the reserve for possible loan losses and collateral or guarantees to the value of ¥110.6 billion. The coverage ratio was 88.50%.

## ● DIVIDEND POLICY

Ogaki Kyoritsu Bank regards it as a public mission to maintain stable operations into the long term, in light of its important status as an institution serving the public within the regional economy. Therefore, we attach great importance to operational soundness. We have a basic policy of paying a stable dividend to our shareholders, with due consideration to the need to bolster our financial strength through retained earnings. In line with this policy, we declared a cash dividend for the year of ¥5.00 (¥2.50 at interim and term-end respectively).

# CONSOLIDATED BALANCE SHEETS

March 31, 2005 and 2004	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2005	2004	2005
<b>ASSETS</b>			
Cash and Due from Banks (Notes 6 and 15) .....	¥ 113,482	¥ 69,350	\$ 1,056,727
Call Loans and Bills Bought .....	40,021	60,180	372,669
Monetary Claims Bought .....	2,856	1,845	26,594
Trading Account Securities (Note 3) .....	4,237	2,280	39,454
Securities (Notes 3 and 6) .....	1,077,829	1,082,485	10,036,586
Loans and Bills Discounted (Notes 4, 5 and 7) .....	2,138,452	2,070,484	19,912,952
Foreign Exchanges .....	3,867	3,292	36,008
Other Assets (Note 6) .....	36,867	62,361	343,300
Premises and Equipment (Notes 8 and 9) .....	91,513	89,034	852,155
Deferred Tax Assets (Note 10) .....	12,308	18,466	114,610
Consolidation Difference .....	9	—	83
Customers' Liabilities for Acceptances and Guarantees (Note 13) .....	50,616	55,477	471,328
Less Reserve for Possible Loan Losses .....	(63,599)	(69,627)	(592,224)
Less Reserve for Possible Investment Losses .....	(109)	(188)	(1,014)
<b>Total Assets</b> .....	<b>¥3,508,353</b>	<b>¥3,445,444</b>	<b>\$32,669,270</b>
<b>LIABILITIES, MINORITY INTEREST AND STOCKHOLDERS' EQUITY</b>			
<b>LIABILITIES</b>			
Deposits (Note 6) .....	¥3,107,281	¥3,026,854	\$28,934,546
Call Money and Bills Sold .....	26,585	9,157	247,555
Payables for Securities Lending Transactions (Note 6) .....	41,417	44,668	385,669
Borrowed Money (Notes 6 and 11) .....	86,564	85,092	806,071
Foreign Exchanges .....	474	381	4,413
Other Liabilities .....	39,410	78,483	366,980
Accrued Employees' Bonuses .....	1,368	1,238	12,738
Employees' Severance and Retirement Benefits (Note 12) .....	4,887	4,955	45,507
Deferred Tax Liabilities (Note 10) .....	129	117	1,201
Deferred Taxes on Revaluation Excess (Note 8) .....	3,817	3,841	35,543
Consolidation Difference .....	—	106	—
Acceptances and Guarantees (Notes 6 and 13) .....	50,616	55,477	471,328
<b>Total Liabilities</b> .....	<b>3,362,553</b>	<b>3,310,375</b>	<b>31,311,602</b>
Minority Interests .....	5,665	3,966	52,751
<b>STOCKHOLDERS' EQUITY</b>			
Common Stock			
Authorized—400,000,000 shares			
Issued —291,268,975 shares .....	24,516	24,516	228,289
Capital Surplus .....	13,790	13,790	128,410
Retained Earnings .....	72,725	66,591	677,204
Land Revaluation Reserve (Note 8) .....	2,962	3,000	27,581
Net Unrealized Holding Gains on Securities (Note 3) .....	26,468	23,489	246,466
Less Treasury Stock			
—526,185 shares in 2004 .....	—	(285)	—
—602,076 shares in 2005 .....	(328)	—	(3,054)
<b>Total Stockholders' Equity</b> .....	<b>140,134</b>	<b>131,101</b>	<b>1,304,907</b>
<b>Total Liabilities, Minority Interests and Stockholders' Equity</b> .....	<b>¥3,508,353</b>	<b>¥3,445,444</b>	<b>\$32,669,270</b>

See Notes to Consolidated Financial Statements.



## CONSOLIDATED STATEMENTS OF INCOME

For the Years Ended March 31, 2005 and 2004	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2005	2004	2005
<b>INCOME</b>			
Interest and Dividends on:			
Loans and Bills Discounted .....	¥41,809	¥ 43,233	\$389,319
Securities .....	11,224	13,532	104,516
Other .....	275	314	2,560
Fees and Commissions .....	12,152	11,626	113,157
Other Operating Income .....	3,464	5,574	32,256
Other Income .....	31,037	41,105	289,012
<b>Total Income</b> .....	<b>99,962</b>	<b>115,387</b>	<b>930,831</b>
<b>EXPENSES</b>			
Interest on:			
Deposits .....	1,052	1,248	9,796
Borrowings and Rediscounts .....	2,113	2,277	19,675
Other .....	2,385	2,356	22,208
Fees and Commissions .....	3,882	3,111	36,148
Other Operating Expenses .....	6,306	5,893	58,720
General and Administrative Expenses .....	38,894	39,008	362,175
Other Expenses (Note 14) .....	30,164	31,285	280,882
<b>Total Expenses</b> .....	<b>84,799</b>	<b>85,181</b>	<b>789,635</b>
<b>Income before Income Taxes</b> .....	<b>15,163</b>	<b>30,205</b>	<b>141,195</b>
<b>Income Taxes—Current</b> .....	<b>1,929</b>	<b>521</b>	<b>17,962</b>
—Deferred .....	<b>4,086</b>	<b>14,918</b>	<b>38,048</b>
<b>Minority Interest</b> .....	<b>1,557</b>	<b>331</b>	<b>14,498</b>
<b>Net Income</b> .....	<b>¥ 7,589</b>	<b>¥ 14,434</b>	<b>\$ 70,667</b>
<b>Per Share of Common Stock (in Yen and U.S. Dollars):</b>			
Net Income .....	¥ 25.99	¥ 49.50	\$ 242
Dividends .....	5.00	5.00	46
Stockholders' Equity .....	482.00	450.78	4,488

## CONSOLIDATED STATEMENTS OF CAPITAL SURPLUS AND RETAINED EARNINGS

For the Years Ended March 31, 2005 and 2004	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2005	2004	2005
<b>Capital Surplus:</b>			
Balance at Beginning of Year .....	¥13,790	¥13,789	\$128,410
Profits on Sales of Treasury Stock .....	0	0	0
<b>Balance at End of Year</b> .....	<b>¥13,790</b>	<b>¥13,790</b>	<b>\$128,410</b>
<b>Retained Earnings:</b>			
Balance at the Beginning of the Year .....	¥66,591	¥53,522	\$620,085
Net Income .....	7,589	14,434	70,667
Land Revaluation .....	37	89	344
Appropriations:			
Cash Dividends .....	(1,454)	(1,454)	(13,539)
Bonuses to Directors and Statutory Auditors .....	(37)	—	(344)
<b>Balance at End of Year</b> .....	<b>¥72,725</b>	<b>¥66,591</b>	<b>\$677,204</b>

# CONSOLIDATED STATEMENTS OF CASH FLOWS

For the Years Ended March 31, 2005 and 2004	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2005	2004	2005
<b>Cash Flows from Operating Activities:</b>			
Income before Income Taxes .....	¥ 15,163	¥ 30,205	\$ 141,195
Depreciation .....	18,392	19,528	171,263
Amortization of Consolidated Difference.....	(115)	(140)	(1,070)
Decrease in Reserve for Possible Loan Losses .....	(6,027)	(24,470)	(56,122)
Increase (Decrease) in Reserve for Investment Losses .....	(79)	8	(735)
Increase in Accrued Employees' Bonuses .....	130	476	1,210
Increase (Decrease) in Employees' Severance and Retirement Benefits .....	(68)	40	(633)
Interest and Dividend Income .....	(53,308)	(57,080)	(496,396)
Interest Expense .....	5,551	5,882	51,690
Securities Gains, net .....	(596)	(447)	(5,549)
Losses on Sale of Premises and Equipment, net .....	142	192	1,322
Net Changes in Trading Account Securities .....	(1,956)	5,456	(18,213)
Net Changes in Loans and Bills Discounted.....	(67,967)	99,684	(632,898)
Net Changes in Deposits .....	80,428	32,747	748,933
Net Changes in Borrowed Money .....	1,471	2,266	13,697
Net Changes in Deposits with Banks .....	2,569	3,405	23,922
Net Changes in Call Loans.....	19,147	(12,600)	178,294
Net Changes in Call Money.....	17,428	2,839	162,286
Net Changes in Payables for Securities Lending Transactions .....	(3,251)	3,091	(30,272)
Net Changes in Foreign Exchange Assets .....	(574)	1,157	(5,345)
Net Changes in Foreign Exchange Liabilities .....	92	8	856
Interest Income Received .....	57,386	62,203	534,370
Interest Expense Paid .....	(5,409)	(7,043)	(50,367)
Net Changes in Lease Assets .....	(19,793)	(16,327)	(184,309)
Other .....	4,722	10,226	43,970
Sub-Total .....	63,477	161,312	591,088
Income Taxes Paid.....	(216)	(1,071)	(2,011)
Net Cash Provided by Operating Activities .....	63,260	160,240	589,067
<b>Cash Flows from Investing Activities:</b>			
Purchases of Securities .....	(902,798)	(1,225,955)	(8,406,723)
Proceeds from Sales of Securities.....	755,595	833,150	7,035,990
Proceeds from Maturities of Securities .....	133,359	197,259	1,241,819
Purchases of Premises and Equipment .....	(1,349)	(2,296)	(12,561)
Proceeds from Sales of Premises and Equipment.....	128	434	1,191
Net Cash Used in Investing Activities .....	(15,064)	(197,407)	(140,273)
<b>Cash Flows from Financing Activities:</b>			
Increase in Subordinated Loans.....	—	8,000	—
Decrease in Subordinated Loans .....	—	(16,000)	—
Cash Dividends Paid .....	(1,454)	(1,454)	(13,539)
Cash Dividends Paid to Minority Interests.....	(3)	(1)	(27)
Purchases of Treasury Stock .....	(53)	(60)	(493)
Proceeds from Sales of Treasury Stock .....	10	3	93
Net Cash Used in Financing Activities .....	(1,501)	(9,513)	(13,977)
Effect of Foreign Exchange Rate Changes .....	7	(25)	65
Net Increase (Decrease) in Cash and Cash Equivalents.....	46,701	(46,705)	434,872
Cash and Cash Equivalents at Beginning of Year .....	48,628	95,334	452,816
Cash and Cash Equivalents at End of Year (Note 15) .....	¥ 95,330	¥ 48,628	\$ 887,699

See Notes to Consolidated Financial Statements.



# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the Years Ended March 31, 2005 and 2004

## 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 ("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) 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.

In the year ended March 31, 2005, 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). The new accounting standard is required to be adopted effective April 1, 2005.

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, 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

### (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 shareholders, 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, securities loaned with transfer of legal title, amounting to ¥47,081 million (\$438,411 thousand) 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."

Software for sale of certain consolidated subsidiaries is depreciated using the straight-line method based on the estimated useful lives.

### (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.

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

### (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 are 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. As a result of the release from the substitutional portion of the government's Welfare Pension Insurance Scheme, the remaining cost of ¥1,181 million (\$10,997 thousand) is being 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.

#### (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

Derivative financial instruments are carried at market value.

##### (1) Hedge of interest risk

In order to hedge the interest rate risk associated with various financial assets and liabilities, the Bank applies the deferred hedge method which is stipulated in "Accounting and Auditing Treatment of Accounting Standards for Financial Instruments in Banking Industry" (JICPA Industry Audit Committee Report No.24).

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 are ¥2,255 million (\$20,998 thousand) at March 31, 2005.

##### (2) Hedge of foreign currency risk

The Bank applies the deferred method of hedge accounting to hedge foreign exchange risks associated with various foreign currency denominated monetary assets and liabilities as stipulated in "Accounting and Auditing Concerning Accounting for Foreign Currency Transactions in Banking Industry" (JICPA Industry Audit Committee Report No.25).

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 by special treatment for interest rate swaps.

Certain consolidated subsidiaries adopt the special treatment for interest rate swaps.

#### (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.

#### (p) Enterprise Taxes

With the promulgation of the "Revision of the Local Tax Law" (Legislation No.9, 2003) on March 31, 2003, the tax bases for assessing enterprise taxes comprise "amount of income," "amount of added value" and "amount of capital" commencing April 1, 2004.

Enterprise taxes based on "amount of added value" and "amount of capital" are included in "General and administrative expenses" commencing this fiscal year pursuant to "Practical Solutions on Presentation for Size-Based Components of Corporate Enterprise Tax on the Income Statement" (Accounting Standards Board, Practical Solution Report No.12 issued on February 13, 2004).

### 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, 2005 and 2004:

##### (a) Trading securities

	Millions of Yen		Thousands of U.S. Dollars
	2005	2004	(Note 1) 2005
Book Value (Fair Value) .....	¥4,237	¥2,280	\$39,454
Amount of Net Unrealized Gains or Losses Included in the Statement of Income .....	11	2	102

## (b) Held-to-maturity debt securities

Millions of Yen					
2005					
	Book Value	Fair Value	Difference	Unrecognized Gain	Unrecognized Loss
Japanese Government Bonds .....	¥ 500	¥ 502	¥ 2	¥ 2	¥—
Municipal Bonds .....	945	1,003	57	57	—
Corporate Bonds .....	7,426	7,591	164	170	5
Total .....	¥8,872	¥9,096	¥224	¥230	¥ 5

Thousands of U.S. Dollars (Note 1)					
2005					
	Book Value	Fair Value	Difference	Unrecognized Gain	Unrecognized Loss
Japanese Government Bonds .....	\$ 4,655	\$ 4,674	\$ 18	\$ 18	\$—
Municipal Bonds .....	8,799	9,339	530	530	—
Corporate Bonds .....	69,149	70,686	1,527	1,583	46
Total .....	\$82,614	\$84,700	\$2,085	\$2,141	\$46

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

## (c) Available-for-sale securities

Millions of Yen					
2005					
	Acquisition Cost	Book Value (Fair Value)	Difference	Unrealized Gains	Unrealized Losses
Equity Securities .....	¥ 64,542	¥ 104,352	¥39,810	¥40,434	¥ 624
Bonds					
Japanese Government Bonds .....	384,227	387,331	3,104	3,108	3
Municipal Bonds .....	104,516	105,824	1,308	1,386	78
Corporate Bonds .....	315,934	316,472	537	808	270
Other .....	121,005	120,692	(313)	1,457	1,770
Total .....	¥990,227	¥1,034,674	¥44,447	¥47,195	¥2,747

Thousands of U.S. Dollars (Note 1)					
2005					
	Acquisition Cost	Book Value (Fair Value)	Difference	Unrealized Gains	Unrealized Losses
Equity Securities .....	\$ 601,005	\$ 971,710	\$370,704	\$376,515	\$ 5,810
Bonds					
Japanese Government Bonds .....	3,577,865	3,606,769	28,903	28,941	27
Municipal Bonds .....	973,237	985,417	12,179	12,906	726
Corporate Bonds .....	2,941,931	2,946,941	5,000	7,523	2,514
Other .....	1,126,780	1,123,866	(2,914)	13,567	16,481
Total .....	\$9,220,849	\$9,634,733	\$413,883	\$439,472	\$25,579

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

B. The following table summarizes book values of securities with no available fair values as of March 31, 2005 and 2004.

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2005	2004	2005
<b>Held-to-Maturity Debt Securities</b>			
Corporate Bonds .....	¥29,529	¥23,262	\$274,969
Other .....	597	—	5,559
<b>Available-for-Sale Securities</b>			
Corporate Bonds .....	¥ 20	¥ 10	\$ 186
Non-Listed Equity Securities .....	4,439	4,593	41,335
Other .....	293	138	2,728

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

	Millions of Yen			
	2005			
	Within One Year	Over One Year but within Five Years	Over Five Years but within Ten Years	Over Ten Years
<b>Bonds</b>				
Japanese Government Bonds .....	¥13,658	¥292,483	¥ 78,620	¥ 3,069
Municipal Bonds .....	13,815	66,546	26,408	—
Corporate Bonds .....	47,308	294,375	11,764	—
Other .....	10,823	53,684	6,765	38,062
<b>Total</b> .....	<b>¥85,605</b>	<b>¥706,089</b>	<b>¥123,559</b>	<b>¥41,132</b>

	Thousands of U.S. Dollars (Note 1)			
	2005			
	Within One Year	Over One Year but within Five Years	Over Five Years but within Ten Years	Over Ten Years
<b>Bonds</b>				
Japanese Government Bonds .....	\$127,181	\$2,723,558	\$ 732,097	\$ 28,578
Municipal Bonds .....	128,643	619,666	245,907	—
Corporate Bonds .....	440,525	2,741,177	109,544	—
Other .....	100,782	499,897	62,994	354,427
<b>Total</b> .....	<b>\$797,141</b>	<b>\$6,574,997</b>	<b>\$1,150,563</b>	<b>\$383,015</b>

	Millions of Yen			
	2004			
	Within One Year	Over One Year but within Five Years	Over Five Years but within Ten Years	Over Ten Years
<b>Bonds</b>				
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
<b>Total</b> .....	<b>¥95,684</b>	<b>¥699,243</b>	<b>¥143,885</b>	<b>¥35,118</b>

D. Total sales of held-to-maturity debt securities in the year ended March 31, 2005 amounted to ¥52 million (\$484 thousand) and the related gains amounted to ¥2 million (\$18 thousand).

Total sales of held-to-maturity debt securities in the year ended March 31, 2004 amounted to ¥101 million and the related gains amounted to ¥1 million.

E. Total sales of available-for-sale securities in the year ended March 31, 2005 amounted to ¥732,628 million (\$6,822,124 thousand) and the related gains and losses amounted to ¥5,021 million (\$46,754 thousand) and ¥4,299 million (\$40,031 thousand), respectively.

Total sales of available-for-sale securities sold in the year ended March 31, 2004 amounted to ¥856,781 million and the related gains and losses amounted to ¥7,024 million and ¥6,321 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)
	2005	2004	2005
Available-for-Sale Securities .....	¥44,447	¥39,263	\$413,883
Deferred Tax Liabilities .....	(17,651)	(15,592)	(164,363)
Net Unrealized Holding Gains on Securities (before Adjustment for Minority Interests) .....	26,795	23,671	249,511
Minority Interests .....	(326)	(181)	(3,035)
Net Unrealized Holding Gains on Securities .....	<b>¥26,468</b>	<b>¥23,489</b>	<b>\$246,466</b>



#### 4. Loans under Risk Management Review

Loans under risk management review at March 31, 2005 and 2004 are as follows:

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2005	2004	2005
Loans to Companies			
Legally Bankrupt.....	¥ 5,374	¥ 7,630	\$ 50,041
Loans Past Due Over 6 Months.....	83,276	94,821	775,453
Loans Past Due Over 3 Months.....	1,098	1,306	10,224
Restructured Loans .....	34,126	44,176	317,776
Total .....	<u>¥123,876</u>	<u>¥147,936</u>	<u>\$1,153,515</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 ¥41,774 million (\$388,993 thousand) and ¥50,433 million at March 31, 2005 and 2004, respectively.

#### 6. Assets Pledged

Assets pledged as collateral at March 31, 2005 and 2004 are as follows:

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2005	2004	2005
Securities .....	¥87,916	¥91,471	\$818,660
Lease Receivables and Installment Receivables .....	36,685	41,932	341,605
Due from Banks .....	270	204	2,514
Other .....	39	—	363

The above pledged assets secure the following liabilities.

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2005	2004	2005
Deposits.....	¥55,681	¥53,548	\$518,493
Borrowed Money .....	41,150	44,567	383,182
Payables for Securities Lending Transactions.....	41,417	44,668	385,669
Acceptances and Guarantees .....	254	188	2,365

In addition, at March 31, 2005, certain investment securities, aggregating ¥60,983 million (\$567,864 thousand) and trading securities of ¥103 million (\$959 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 ¥1,863 million (\$17,347 thousand). Other Assets includes margin payments of ¥244 million (\$2,272 thousand).

At March 31, 2004, certain investment securities, aggregating ¥60,965 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 ¥1,745 million. Other Assets included margin payments of ¥202 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, 2005 and 2004 amounted to ¥962,111 million (\$8,959,037 thousand) and ¥916,992 million, respectively. Of these amounts, ¥957,220 million (\$8,913,492 thousand) and ¥915,541 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, 2005 and 2004 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 ¥9,774 million (\$91,014 thousand) and ¥9,140 million, respectively.

#### 9. Premises and Equipment

Accumulated depreciation amounted to ¥116,285 million (\$1,082,828 thousand) and ¥115,587 million as of March 31, 2005 and 2004, 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 difference between the effective income tax rate and the statutory income tax rate reflected in the accompanying consolidated statement of income for the year ended March 31, 2005 is less than 5% and, therefore, no reconciliation has been disclosed.

Significant components of the Group's deferred tax assets and liabilities as of March 31, 2005 and 2004 are as follows:

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2005	2004	2005
<b>Deferred Tax Assets</b>			
Excess Reserve for Possible Loan Losses .....	¥22,494	¥24,593	\$209,460
Unrealized Losses of Unlisted Securities .....	3,346	3,594	31,157
Excess Depreciation .....	2,663	3,263	24,797
Excess Employees' Severance and Retirement Benefits .....	2,143	2,274	19,955
Loss Carry Forward .....	545	938	5,074
Other .....	2,194	2,660	20,430
Valuation Reserve .....	(3,377)	(3,225)	(31,446)
Total Deferred Tax Assets .....	30,010	34,099	279,448
<b>Deferred Tax Liabilities</b>			
Net Unrealized Holding Gains on Securities .....	(17,651)	(15,592)	(164,363)
Reserve for Extraordinary Repair .....	—	(25)	—
Other .....	(179)	(132)	(1,666)
Total Deferred Tax Liabilities .....	(17,831)	(15,750)	(166,039)
Net Deferred Tax Assets .....	¥12,178	¥18,349	\$113,399

## 11. Borrowed Money

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

	Millions of Yen		Average Rate	Thousands of U.S. Dollars (Note 1)
	2005	2004	2005	2005
Borrowings from Banks, Life Insurance Companies and Others .....	¥86,564	¥85,092	1.44%	\$806,071

At March 31, 2005 and 2004 borrowed money includes ¥32,500 million (\$302,635 thousand) and ¥32,500 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, 2005 are as follows:

Year ending March 31	Millions of Yen	Thousands of U.S. Dollars (Note 1)
2006 .....	¥22,758	\$211,919
2007 .....	13,054	121,556
2008 .....	7,999	74,485
2009 .....	5,653	52,639
2010 .....	2,365	22,022
2011 and thereafter .....	34,732	323,419
Total .....	¥86,564	\$806,071

## 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, 2005 and 2004.

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2005	2004	2005
Benefit Obligation at End of Year .....	¥(30,673)	¥(29,544)	\$(285,622)
Fair Value of Plan Assets at End of Year (Including Employees' Retirement Benefit Trust) .....	24,445	22,775	227,628
<b>Funded Status:</b>			
Benefit Obligation in Excess of Plan Assets .....	(6,228)	(6,768)	(57,994)
Less Unamortized Net Transition Obligation .....	—	590	—
Unrecognized Actuarial Differences .....	6,390	4,614	59,502
Unrecognized prior service costs .....	(1,009)	—	(9,395)
Accrued Retirement Benefits .....	(847)	(1,563)	(7,887)
Prepaid Pension Expense .....	4,040	3,392	37,619
Employees' Severance and Retirement Benefits in the Consolidated Balance Sheets .....	¥ (4,887)	¥ (4,955)	\$ (45,507)

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, 2005 and 2004.

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2005	2004	2005
Service Cost .....	¥ 992	¥1,091	\$ 9,237
Interest Cost .....	729	737	6,788
Expected Return on Plan Assets .....	(722)	(598)	(6,723)
<b>Amortization:</b>			
Amortization of Prior Service Costs ...	(252)	—	(2,346)
Amortization of Actuarial Differences ...	387	603	3,603
Amortization of Net Transition Obligation .....	590	590	5,493
Other .....	13	8	121
Severance and Retirement Benefits Expense .....	¥1,738	¥2,433	\$16,184

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, 2005 and 2004, are as follows:

	2005	2004
Discount Rate .....	2.00%	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 to Periods of Service .....	Straight-Line Basis	Straight-Line 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

For the year ended March 31, 2005 other expenses include loans written off of ¥1,064 million (\$9,907 thousand).

For the year ended March 31, 2004 other expenses include loans written off of ¥1,054 million.

## 15. Cash and Cash Equivalents

Cash and cash equivalents in the consolidated statements of cash flows for the years ended March 31, 2005 and 2004 are as follows:

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2005	2004	2005
Cash and Due from Banks in Consolidated Balance Sheets .....	¥113,482	¥69,350	\$1,056,727
Due from Banks except Deposits with the Bank of Japan.....	(18,151)	(20,721)	(169,019)
Cash and Cash Equivalents in the Consolidated Statements of Cash Flows .....	¥ 95,330	¥48,628	\$887,699

## 16. Leases

### (a) Finance Leases

#### (1) As Lessee

Non-capitalized finance leases at March 31, 2005 and 2004 are as follows:

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2005	2004	2005
Equipment, Cost if Capitalized.....	¥42	¥112	\$391
Other, Cost if Capitalized .....	27	26	251
Less: Accumulated Depreciation.....	(35)	(100)	(325)
Total .....	¥34	¥ 38	\$316
Lease Commitments:			
Due within One Year.....	¥13	¥ 16	\$121
Due after One Year .....	24	24	223
Total .....	¥37	¥ 41	\$344
For the Years Ended			
March 31, 2005 and 2004:			
Lease Expense.....	¥18	¥ 32	\$167
Depreciation Expense, if Capitalized...	16	28	148
Interest Expense, if Capitalized.....	0	1	0

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, 2005 and 2004.

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2005	2004	2005
Equipment.....	¥86,145	¥97,245	\$802,169
Other .....	9,183	11,628	85,510
Less: Accumulated Depreciation.....	(44,987)	(62,233)	(418,912)
Total .....	¥50,342	¥46,640	\$468,777
Future Lease Payments:			
Due within One Year.....	¥15,723	¥15,325	\$146,410
Due after One Year .....	36,467	33,237	339,575
Total .....	¥52,190	¥48,563	\$485,985
For the Years Ended			
March 31, 2005 and 2004:			
Lease Income.....	¥19,003	¥19,003	\$176,953
Depreciation Expense.....	16,885	16,840	157,230
Interest Income Included in Other Income .....	2,069	2,093	19,266

## (b) Operating Leases

### (1) As Lessee

Future minimum lease payments payable for operating leases at March 31, 2005 and 2004 are as follows:

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2005	2004	2005
Future Minimum Lease Payments			
Due within One Year.....	¥ 2	¥ 2	\$18
Due after One Year .....	—	—	—
Total .....	¥ 2	¥ 2	\$18

### (2) As Lessor

Future minimum lease payments receivable for operating leases at March 31, 2005 and 2004 are as follows:

	Millions of Yen		Thousands of U.S. Dollars (Note 1)
	2005	2004	2005
Future Minimum Lease Payments			
Due within One Year.....	¥243	¥ 94	\$2,262
Due after One Year .....	429	183	3,994
Total .....	¥672	¥277	\$6,257

## 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)
	2005				2005
	Contract Amount	Portion Maturing over One Year	Market Value	Unrealized Gain (Loss)	Unrealized Gain (Loss)
Over-the-Counter Transactions:					
Interest Swaps					
(Receive fixed rate and pay floating rate) .....	¥ 300	¥ 300	¥ 7	¥ 7	\$ (65)
(Receive floating rate and pay fixed rate) .....	65,203	56,027	(2,326)	(2,326)	(21,659)
Millions of Yen					
2004					
	Contract Amount	Portion Maturing over One Year	Market Value	Unrealized Gain (Loss)	
Over-the-Counter Transactions:					
Interest Swaps					
(Receive floating rate and pay fixed rate) .....	¥77,016	¥74,856	¥(2,930)	¥(2,930)	

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

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)
	2005				2005
	Contract Amount	Portion Maturing over One Year	Market Value	Unrealized Gain (Loss)	Unrealized Gain (Loss)
Over-the-Counter Transactions:					
Currency Swaps .....	¥154,111	¥127,039	¥ 55	¥ 55	\$ 512
Exchange Contracts (Sell) .....	3,941	136	(162)	(162)	(1,508)
Exchange Contracts (Buy) .....	3,286	134	155	155	1,443
Currency Options (Sell) .....	34,143	26,393	1,367	182	1,694
Currency Options (Buy) .....	34,229	26,393	1,367	115	1,070
Total .....	—	—	¥2,783	¥346	\$3,221
Millions of Yen					
2004					
	Contract Amount	Portion Maturing over One Year	Market Value	Unrealized Gain (Loss)	
Over-the-Counter Transactions:					
Currency Swaps .....	¥82,882	¥45,731	¥(53)	¥(53)	
Exchange Contracts (Sell) .....	4,650	249	(77)	(77)	
Exchange Contracts (Buy) .....	3,458	246	135	135	
Currency Options (Sell) .....	4,483	2,205	133	(24)	
Currency Options (Buy) .....	4,595	2,205	135	40	
Total .....	—	—	¥273	¥ 20	

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

The exchange contracts and currency options recorded at market values are included in the above tables. 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)
	2005				2005
	Contract Amount	Portion Maturing over One Year	Market Value	Unrealized Gain (Loss)	Unrealized Gain (Loss)
Exchange Transactions:					
Bond Futures (Sell) .....	¥27,716	¥—	¥(166)	¥(166)	\$ (1,545)

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

## 18. Segment Information

### (a) Segment Information by Type of Business

Segment information by type of business for the years ended March 31, 2005 and 2004 is as follows:

Millions of Yen						
2005						
	Banking Operations	Leasing & Installment Sales	Other	Total	Elimination	Consolidated
Ordinary Income:						
Ordinary Income from External Customers .....	¥ 69,072	¥25,515	¥ 4,634	¥ 99,222	¥ —	¥ 99,222
Ordinary Income from Internal Transactions .....	443	443	4,158	5,045	(5,045)	—
Total .....	69,515	25,958	8,793	104,267	(5,045)	99,222
Ordinary Expenses .....	57,071	24,286	7,664	89,022	(5,057)	83,964
Ordinary Income .....	¥ 12,444	¥ 1,672	¥ 1,128	¥ 15,245	¥ 11	¥ 15,257
Assets .....	¥3,442,181	¥72,202	¥19,542	¥3,533,926	¥(25,572)	¥3,508,353
Depreciation .....	2,007	16,360	87	18,454	(61)	18,392
Capital Expenditure .....	1,252	20,907	76	22,236	(5)	22,231

Thousands of U.S. Dollars (Note 1)						
2005						
	Banking Operations	Leasing & Installment Sales	Other	Total	Elimination	Consolidated
Ordinary Income:						
Ordinary Income from External Customers .....	\$ 643,188	\$237,591	\$ 43,151	\$ 923,940	\$ —	\$ 923,940
Ordinary Income from Internal Transactions .....	4,125	4,125	38,718	46,978	(46,978)	—
Total .....	647,313	241,717	81,879	970,919	(46,978)	923,940
Ordinary Expenses .....	531,436	226,147	71,366	828,959	47,090	781,860
Ordinary Income .....	\$ 115,876	\$ 15,569	\$ 10,503	\$ 141,959	\$ 102	\$ 142,070
Assets .....	\$32,053,086	\$672,334	\$181,972	\$32,907,402	\$(238,122)	\$32,669,270
Depreciation .....	18,688	152,341	810	171,840	(568)	171,263
Capital Expenditure .....	11,658	194,682	707	207,058	(46)	207,011

Millions of Yen						
2004						
	Banking Operations	Leasing & Installment Sales	Other	Total	Elimination	Consolidated
Ordinary Income:						
Ordinary Income from 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 .....	¥ 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

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 government's 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, 2005 and 2004, 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. and its consolidated subsidiaries as of March 31, 2005 and 2004, and the related consolidated statements of income, capital surplus and retained earnings and cash flows for the years then ended, expressed in Japanese yen. These consolidated financial statements are the responsibility of the Bank'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 subsidiaries as of March 31, 2005 and 2004, and the consolidated results of their operations and their cash flows for the years then ended, in conformity with accounting principles generally accepted in Japan.

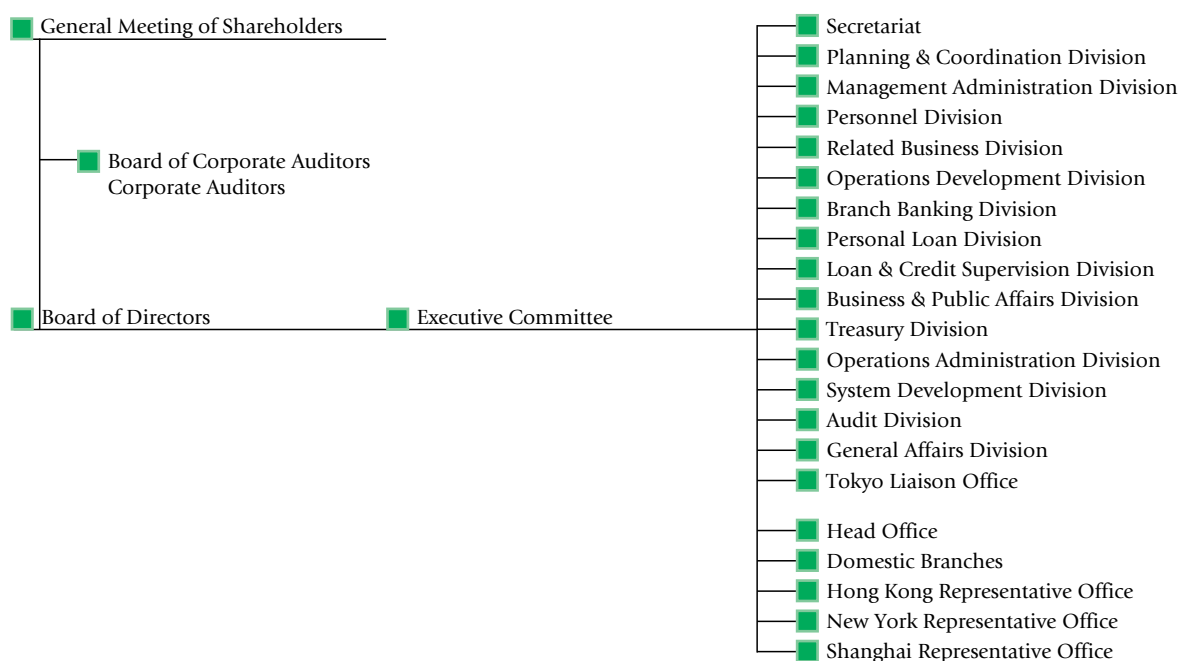
The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2005 are presented solely for convenience. Our audit also included the translation of yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the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

Gifu, Japan  
June 21, 2005

KPMG AZSA & Co.

KPMG AZSA & Co.

## ● Organization Chart



(as of July 1, 2005)

## Subsidiaries and Affiliates

(as of March 31, 2005)

Company Name	Business Lines	Established	Capital (Millions of Yen)	Equity stake of the Bank (%)	Equity stakes 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/>

### TREASURY DIVISION

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

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#### Seki Branch

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#### Tokyo Branch

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#### Tajimi Branch

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#### Ozone Branch

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

#### Kikuicho Branch

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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

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#### Konan Branch

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#### Hashima Branch

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#### Akasaka Branch

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#### Nagahama Branch

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#### Bisai Branch

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#### Takayama Branch

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