Notes to Consolidated Financial Statements

THE 77 BANK, LTD. AND SUBSIDIARIES
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 the Enforcement Regulation for the Banking Law of Japan, and in conformity with accounting principles generally accepted in Japan, which are different in certain respects as to application and disclosure requirements of International Financial Reporting Standards.

In preparing these consolidated financial statements, certain reclassifications and rearrangements have been made to the consolidated financial statements issued domestically in order to present them in a form which is more familiar to readers outside Japan. In addition, certain reclassifications and rearrangements have been made in the 2004 financial statements to conform to the classifications and presentations in 2005.

In conformity with the Japanese Commercial Code (the "Code") and the other relevant regulations, all Japanese yen figures in the consolidated financial statements have been rounded down to the nearest million yen, except for per share data. Accordingly, the total of each account may not be equal to the combined total of individual items.

The consolidated financial statements are stated in Japanese yen, the currency of the country in which The 77 Bank, Ltd. (the "Bank") is incorporated and operates. The translation of Japanese yen amounts into U.S. dollar amounts is included solely for the convenience of readers outside Japan and has been made at the rate of ¥107.39 to U.S.$1, the approximate rate of exchange at March 31, 2005. Such translation should not be construed as representation that the Japanese yen amounts could be converted into U.S. dollars at that or any other rate.

2. Summary of Significant Accounting Policies

a. Consolidation—The consolidated financial statements include the accounts of the Bank and its subsidiaries (together, the "Companies"). The number of consolidated subsidiaries as of March 31, 2005 and 2004 was seven companies.

Under the control or influence concept, those companies in which the Bank, directly or indirectly, is able to exercise control over operations are fully consolidated, and those companies over which the Companies have the ability to exercise significant influence are accounted for by the equity method.

All significant intercompany balances and transactions have been eliminated in consolidation. All material unrealised profits and losses resulting from transactions within the Companies is eliminated.

b. Cash and Cash Equivalents—For the purpose of the consolidated statements of cash flows, cash and cash equivalents represent cash and amounts due from the Bank of Japan.

c. Trading Account Securities, Investment Securities and Money Held in Trust—Securities other than investments in affiliates are classified into three categories, based principally on the companies' intent, as follows:

(1) trading account securities which are held for the purpose of earning capital gains in the near term are reported at fair value, and the related unrealized gains and losses are included in earnings,
(2) held-to-maturity debt securities, which are expected to be held to maturity with the positive intent and ability to hold to maturity are reported at amortized cost, and
(3) available-for-sale securities, which are not classified as either of the aforementioned securities, are reported at fair value, with unrealized gains and losses, net of applicable taxes, reported in a separate component of stockholders' equity.

The cost of trading account securities and available-for-sale securities sold is determined based on the moving-average method.

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

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

Securities included in money held in trust are also classified and accounted for by the same method as above.

The components of trust assets are accounted for based on the standard appropriate for each asset type. Instruments held in trust for trading purposes are recorded at fair value and unrealized gains and losses are recorded in other income/expenses. Instruments held in trust classified as available-for-sale are recorded at fair value with the corresponding unrealized gains/losses recorded directly in a separate component of stockholders' equity. Instruments held in trust classified as held to maturity are carried at amortized cost.

d. Lease Assets—Lease assets included in other assets are stated at cost less accumulated depreciation. Depreciation of lease assets is mainly computed by the straight-line method over lease periods.

e. Premises and Equipment—Premises and equipment are stated at cost less accumulated depreciation and gains deferred on the sale and replacement of certain assets. Depreciation of premises and equipment is mainly computed by the declining-balance method at rates based on the estimated useful lives of the assets. The range of useful lives is principally from 5 to 31 years for buildings, and from 5 to 20 years for equipment.

f. Software—Capitalized cost of computer software developed/obtained for internal use is amortized by the straight-line method over the estimated useful lives of 5 years.

g. Foreign Currency Items—Assets and liabilities denominated in foreign currencies held by the Bank at the year end are translated into Japanese yen at the current exchange rates in effect at each balance sheet date. Exchange gains and losses are recognized in the fiscal periods in which they occur.

Prior to April 1, 2003, the Bank accounted for fund swap and certain currency swap transactions on an accrual basis by applying one-year transitional treatment provided in Industry Audit Committee Report No. 25 issued by the Japanese Institute of Certified Public Accountants (the "JICPA") on July 29, 2002.

Fund swap transactions are foreign exchange swaps, and consist of spot foreign exchange contracts bought or sold and forward foreign exchange contracts sold or bought. Such transactions are contracted for the purpose of lending or borrowing in a different currency. Fund swap transactions are used to convert the principal equivalent amount into spot foreign exchange contracts bought or sold with regard to the corresponding fund borrowing or lending. Such transactions convert the corresponding principal equivalents and foreign currency equivalents to pay and receive, whose amounts and due dates are predetermined at the time of the transactions, into forward foreign exchange contracts bought or sold.

Effective April 1, 2003, these swap transactions are accounted for using deferral hedge accounting by fully applying Industry Audit Committee Report No. 25. Under deferral hedge accounting, hedged items are identified by grouping the foreign currency-dominated financial assets and liabilities by currencies and designating derivative transactions such as currency swap transactions and forward exchange contracts as hedging instruments. Hedge effectiveness is reviewed by comparing the total foreign currency position of the hedged items and hedging instruments by currency.

As a result of the application of this new accounting standard, other assets and other liabilities decreased by ¥21 million as of March 31, 2004, as compared to what they would have been under the previous method. The application of the new accounting standard did not affect the Companies' results of operations.

Also as a result of the application of this accounting standard, unrealized gains and losses for foreign currency forward transactions that were previously presented on a net basis are now recorded on a gross basis as derivative financial instruments in other assets and other liabilities. This change resulted in increase of other assets and other liabilities, as of March 31, 2004, of ¥197 million.

h. Reserve for Loan Losses—The Bank determines the amount of the reserve for loan losses by means of management's judgment and assessment of future losses based on a self-assessment system. This system reflects past experience of credit losses, possible credit losses, business and economic conditions, the character, quality and performance of the portfolio, and other pertinent indicators.

The Bank implemented the self-assessment system for its asset quality. The quality of all loans is assessed by branches and the credit supervisory division with a subsequent audit by the Bank's asset review and inspection division in accordance with the Bank's policy and rules for self-assessment of asset quality.

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

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

The subsidiaries determine the reserve for possible loan losses by a similar self-assessment system to that of the Bank.

i. Employees' Retirement and Pension Plans—The Bank and certain subsidiaries have contributory funded pension plans and unfunded retirement benefit plans for employees which cover approximately 75% and 25%, respectively, of their benefits. Other subsidiaries have unfunded retirement benefit plans.

The liability for employees' retirement benefits is provided for the payment of employees' retirement benefits based on estimated amounts of the actuarial retirement benefit obligation and the related pension assets. Net actuarial gain (loss) is amortized using the straight-line method over 10 years commencing from the next fiscal year of incurrence, while prior service costs are all charged to income in the fiscal year incurred.

Effective October 1, 2003, the Bank amended its pension plans designs. In particular, the additional portion of employee pension fund reduced the pension liability by lowering expected interest rate and transferring to cash balance pension plans.

The effect of this amendment was to increase income before income taxes and minority interests by ¥6,447 million for the fiscal year ended March 31, 2004, with the effect of a reversal of prior service cost.

This ¥6,447 million is also shown in Note 18 presented as amortization of prior service benefit in the table of net periodic benefit costs.

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

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

l. Appropriations of Retained Earnings—Appropriations of retained earnings at each year end are reflected in the consolidated financial statements for the following year upon stockholders' approval.

m. Derivatives and Hedging Activities—It is the Bank's policy to use derivative financial instruments ("derivatives") primarily for the purpose of reducing market risks associated with its assets and liabilities. The Bank also utilizes derivatives to meet the needs of its clients while entering into derivatives as a part of its trading activities. The Bank enters into interest rate swaps and interest rate caps as a means of hedging its interest rate risk on certain loans and investment securities. The Bank also enters into foreign exchange forward contracts and currency options to hedge exchange risk associated with its assets and liabilities denominated in foreign currencies and to meet the needs of its clients. Furthermore, the Bank enters into interest rate futures, bond futures, bond future options and foreign exchange forward contracts for a short term as part of its trading activities.

Derivatives are recognized as either assets or liabilities and measured at fair value. Gains or losses on derivative transactions are recognized in the consolidated statements of income. If derivatives qualify for hedge accounting because of high correlation and effectiveness between the hedging instruments and the hedged items, gains or losses on derivatives are deferred until maturity of the hedged transactions.

The interest rate swaps which qualify for hedge accounting and meet specific matching criteria are not remeasured at market value, but the differential paid or received under the swap agreements are recognized and included in interest expenses or income.

Until fiscal year ended March 31, 2003, the Bank applied a "macro hedge" approach to interest rate risk and its ALM activities based on the transitional treatment prescribed in Industry Audit Committee Report No. 24 issued by the JICPA. The effectiveness of the macro hedge approach was reviewed for a reduction in interest rate risk exposure and the actual risk amount of derivatives within the preapproved limit under the Bank's risk control policies. However, as of March 31, 2003, there were no transactions remaining for the macro hedge approach to be applied.

Effective April 1, 2003, the Bank adopted portfolio hedging in accordance with Industry Audit Committee Report No. 24. Under portfolio hedging, a group of financial assets or liabilities such as loans or deposits, with common maturities, were matched with a group of hedging instruments such as interest rate swaps, with intent of offsetting fair value fluctuations. The effectiveness of the portfolio hedge is accessed by each group.

However, the Bank had no transaction to apply portfolio hedging approach as of March 2005 and 2004.

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

The basic net income available to common stockholders and weighted-average number of common shares used in the computation were ¥8,993 million ($83,742 thousand) and 380,150 thousand shares for 2005 and ¥12,287 million and 380,204 thousand shares for 2004, respectively.

Diluted net income per share reflects the potential dilution that could occur if securities were exercised or converted into common stock. Diluted net income per share of common stock is not disclosed because there are no outstanding potentially dilutive securities.

Cash dividends per share presented in the consolidated statements of income are dividends applicable to the respective years including dividends to be paid after the end of the year.

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

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

The Companies expect to adopt these pronouncements as of April 1, 2005 and are currently in the process of assessing the effect of adoption of these pronouncements.

3. Cash and Cash Equivalents

The reconciliation of cash and cash equivalents at the end of the fiscal year and cash and due from banks in the consolidated balance sheets as of March 31, 2005 and 2004 was as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2005	2004	2005
Cash and due from banks	¥220,194	¥168,578	$2,050,420
Due from banks, excluding due from the Bank of Japan	(1,279)	(1,691)	(11,913)
Cash and cash equivalents at the end of year	¥218,915	¥166,886	$2,038,506

4. Trading Account Securities and Investment Securities

Trading account securities as of March 31, 2005 and 2004 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2005	2004	2005
National government bonds	¥7,681	¥8,568	$71,529
Local government bonds	98	100	916
Total	¥7,779	¥8,669	$72,446

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

	Millions of Yen		Thousands of U.S. Dollars
	2005	2004	2005
National government bonds	¥ 951,152	¥ 888,246	$ 8,856,996
Local government bonds	138,062	139,464	1,285,617
Corporate bonds	499,740	376,621	4,653,510
Equity securities	135,280	133,157	1,259,713
Other securities	198,993	181,169	1,853,001
Total	¥1,923,230	¥1,718,659	$17,908,840

The carrying amounts and aggregate fair values of securities at March 31, 2005 and 2004 were as follows:

Securities below include trading account securities, investment securities and commercial paper within "Commercial paper and other debt purchased":

	Millions of Yen			
	2005			
	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Securities classified as:				
Trading				¥ 24,779
Available-for-sale:				
Equity securities	¥ 62,112	¥69,916	¥ 159	131,869
Debt securities	1,550,931	22,962	616	1,573,277
Other securities	215,890	2,738	1,635	216,992
Held-to-maturity	5,408	23	1	5,429

	Millions of Yen			
	2004			
	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Securities classified as:				
Trading				¥ 33,668
Available-for-sale:				
Equity securities	¥ 60,858	¥68,895	¥ 145	129,608
Debt securities	1,373,520	21,659	3,824	1,391,355
Other securities	225,512	3,610	956	228,167
Held-to-maturity	4,606	5	15	4,597

	Thousands of U.S. Dollars			
	2005			
	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Securities classified as:				
Trading				$ 230,741
Available-for-sale:				
Equity securities	$ 578,382	$651,052	$ 1,486	1,227,949
Debt securities	14,442,050	213,822	5,739	14,650,133
Other securities	2,010,340	25,499	15,232	2,020,606
Held-to-maturity	50,358	215	11	50,562

Available-for-sale securities and held-to-maturity securities whose fair value is not readily determinable as of March 31, 2005 and 2004 were as follows:

	Carrying Amount		
	Millions of Yen		Thousands of U.S. Dollars
	2005	2004	2005
Available-for-sale:			
Equity securities	¥ 3,411	¥ 3,548	$ 31,764
Debt securities	10,270	8,369	95,632
Held-to-maturity	2,000		18,623
Total	¥15,681	¥11,918	$146,020

Proceeds from sales of available-for-sale securities for the years ended March 31, 2005 and 2004 were ¥48,586 million ($452,430 thousand) and ¥163,213 million, respectively. Gross realized gains and losses on these sales, computed on the moving average cost basis, were ¥794 million ($7,399 thousand) and ¥302 million ($2,817 thousand), respectively, for the year ended March 31, 2005 and ¥663 million and ¥426 million, respectively, for the year ended March 31, 2004.

The carrying values of debt securities by contractual maturities for securities classified as available-for-sale and held-to-maturity at March 31, 2005 are as follows:

	Millions of Yen		Thousands of U.S. Dollars	
	Available for Sale	Held to Maturity	Available for Sale	Held to Maturity
Due in one year or less	¥ 316,497	¥ 551	$ 2,947,181	$ 5,134
Due after one year through five years	949,387	6,856	8,840,555	63,848
Due after five years through ten years	300,147		2,794,928	
Due after ten years	216,484		2,015,867	
Total	¥1,782,516	¥7,408	$16,598,533	$68,982

Unrealized gain on available-for-sale securities for the years ended March 31, 2005 and 2004 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2005	2004	2005
Valuation differences:			
Available-for-sale securities	¥ 93,205	¥ 89,239	$ 867,916
Available-for-sale held in trust	3,721	2,487	34,658
Deferred tax liabilities	(37,850)	(35,684)	(352,454)
Minority interests	(43)	(46)	(405)
Unrealized gain on available-for-sale securities	¥ 59,033	¥ 55,996	$ 549,712

5. Money Held in Trust

The carrying amounts and aggregate fair values of money held in trust at March 31, 2005 and 2004, were as follows:

	Millions of Yen			
	2005			
	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Money held in trust classified as:				
Trading				¥19,453
Available-for-sale	¥16,635	¥3,721		20,357

	Millions of Yen			
	2004			
	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Money held in trust classified as:				
Trading				¥17,453
Available-for-sale	¥16,635	¥2,487		19,122

	Thousands of U.S. Dollars			
	2005			
	Cost	Unrealized Gains	Unrealized Losses	Fair Value
Money held in trust classified as:				
Trading				$181,143
Available-for-sale	$154,906	$34,658		189,565

6. Loans and Bills Discounted

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

	Millions of Yen		Thousands of U.S. Dollars
	2005	2004	2005
Bills discounted	¥ 31,117	¥ 34,356	$ 289,762
Loans on bills	346,558	340,829	3,227,106
Loans on deeds	2,256,472	2,140,908	21,011,942
Overdraft	568,730	600,685	5,295,935
Total	¥3,202,879	¥3,116,779	$29,824,746

Bills discounted are accounted for as financial transactions in accordance with "Treatment of Accounting and Auditing of Application of Accounting Standard for Financial Instruments in the Banking Industry" (JICPA Industry Audit Committee Report No. 24). The Bank has rights to sell or pledge these bills discounted. The total of the face value of bills discounted was ¥31,117 million ($289,762 thousand) and ¥34,382 million at March 31, 2005 and 2004, respectively.

Loans and bills discounted at March 31, 2005 and 2004 included the following loans:

	Millions of Yen		Thousands of U.S. Dollars
	2005	2004	2005
Loans to borrowers in bankruptcy	¥ 23,454	¥ 22,896	$ 218,409
Past due loans	124,844	100,727	1,162,532
Past due loans (three months or more)	519	478	4,834
Restructured loans	48,577	79,030	452,350
Total	¥197,396	¥203,132	$1,838,126

Loans to borrowers in bankruptcy represent nonaccrual loans to debtors who are legally bankrupt, as defined in the Enforcement Ordinance for the Corporation Tax Law.

Past due loans are nonaccrual loans which include loans classified as "possible bankruptcy" and "virtual bankruptcy".

Nonaccrual loans are defined as loans (after the partial charge-off of claims deemed uncollectible) which the Bank has discontinued accruing interest income due to substantial doubt existing about the ultimate collection of principal and/or interest. Such loans classified either as "possible bankruptcy" and "virtual bankruptcy" under the Bank's self-assessment guidelines.

In addition to past due loans as defined, certain other loans classified as "caution" under the Bank's self-assessment guidelines include past due loans (three months or more), which consist of loans which the principal and/or interest is three months or more past due, but exclude loans to borrowers in bankruptcy and past due loans.

Restructured loans are loans where the Bank and its subsidiaries relax lending conditions, by reducing the original interest rate or by forbearing interest payments or principal repayments to support the borrower's reorganization, restructure loans exclude loans to borrowers in bankruptcy, past due loans or past due loans (three months or more).

7. Foreign Exchanges

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

	Millions of Yen		Thousands of U.S. Dollars
	2005	2004	2005
Assets			
Foreign exchange bills bought	¥ 11	¥ 42	$ 105
Foreign exchange bills receivable	74	101	690
Due from foreign correspondent accounts	438	603	4,082
Total	¥523	¥747	$4,878

	Millions of Yen		Thousands of U.S. Dollars
	2005	2004	2005
Liabilities			
Foreign exchange bills sold	¥ 36	¥ 55	$ 343
Foreign exchange bills payable	77	78	718
Total	¥113	¥133	$1,061

8. Other Assets

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

	Millions of Yen		Thousands of U.S. Dollars
	2005	2004	2005
Accrued income	¥ 7,682	¥ 7,291	$ 71,533
Prepaid expenses	39	39	369
Premises and equipment for lease—net of accumulated depreciation	30,608	30,382	285,018
Other	15,160	24,938	141,173
Total	¥53,490	¥62,652	$498,095

9. Premises and Equipment

The accumulated depreciations of premises and equipment at March 31, 2005 and 2004 amounted to ¥79,175 million ($737,269 thousand) and ¥77,754 million, respectively.

10. Customers' Liabilities for Acceptances and Guarantees

All contingent liabilities arising from acceptances and guarantees are reflected in "Acceptances and guarantees." "Customers' liabilities for acceptances and guarantees" are shown as contra assets, representing the Bank's right to receive indemnity from the applicants.

11. Assets Pledged

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

	Millions of Yen		Thousands of U.S. Dollars
	2005	2004	2005
Assets pledged as collateral—			
Investment securities	¥132,243	¥114,373	$1,231,432
Relevant liabilities to above assets:			
Deposits	44,634	40,309	415,625
Payables under securities lending transactions	18,276		170,190

Additionally, investment securities amounting to ¥131,885 million ($1,228,102 thousand) and ¥111,277 million are pledged as collateral for transactions such as exchange settlement transactions or as substitute securities for future transaction initial margin and others at March 31, 2005 and 2004, respectively.

Premises and equipment includes deposit for leased premises and equipment and amounted to ¥1,009 million ($9,399 thousand) and ¥1,048 million at March 31, 2005 and 2004, respectively.

Other than the balance sheet items above future lease receivables, which are off-balance sheet items, amounting ¥4,663 million ($40,760 thousand) and ¥4,308 million are pledged for borrowed money amounting to ¥3,468 ($30,343 thousand) and ¥3,207 million at March 31, 2005 and 2004, respectively.

Also, another future lease receivables amounting to ¥13,970 million ($130,086 thousand) and ¥14,136 million are placed under quasi pledge arrangement for borrowed money amounting to ¥11,642 million ($108,408 thousand) and ¥11,780 million at March 31, 2005 and 2004, respectively.

12. Loan Commitments

Contracts of overdraft facilities and loan commitments are contracts with customers to lend up to the prescribed limits in response to customers' application of loan, as long as there is no violation of any condition within the contracts. The unused amount of such contracts totals ¥1,368,175 million ($12,740,247 thousand) relating to these contracts, of which the amounts with the original agreement terms of less than one year were ¥1,347,770 million ($12,550,239 thousand).

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

13. Deposits

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

	Millions of Yen		Thousands of U.S. Dollars
	2005	2004	2005
Current deposits	¥ 186,606	¥ 174,409	$ 1,737,655
Ordinary deposits	2,156,873	2,024,450	20,084,494
Deposits at notice	24,604	21,403	229,111
Time deposits	2,184,380	2,277,174	20,340,631
Negotiable certificates of deposit	241,610	189,600	2,249,837
Other deposits	249,578	249,530	2,324,042
Total	¥5,043,654	¥4,936,569	$46,965,771

14. Other Liabilities

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

	Millions of Yen		Thousands of U.S. Dollars
	2005	2004	2005
Domestic exchange settlement account credit	¥ 121	¥ 183	$ 1,133
Accrued expenses	6,514	6,778	60,661
Unearned income	9,542	9,213	88,855
Income taxes payable	9,760	479	90,887
Other	18,223	12,283	169,697
Total	¥44,162	¥28,938	$411,234

15. Liability for Employees' Retirement Benefits

The Companies have severance payment plans for employees.

Under most circumstances, employees terminating their employment are entitled to retirement benefits based on the rate of pay at the time of termination, years of service and certain other factors. Such retirement benefits are made in the form of a lump-sum severance payment from the Companies and annuity payments from trustees. Employees are entitled to larger payments if the termination is involuntary, by retirement at the mandatory retirement age, by death or by voluntary retirement at certain specific ages prior to the mandatory retirement age.

The liability (asset) for employees' retirement benefits at March 31, 2005 and 2004 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2005	2004	2005
Projected benefit obligation	¥ 86,311	¥ 84,945	$ 803,717
Fair value of plan assets	(36,523)	(34,528)	(340,101)
Unrecognized net actuarial loss	(13,971)	(16,321)	(130,099)
Net liability	¥ 35,816	¥ 34,095	$ 333,516

The components of net periodic benefit costs for the years ended March 31, 2005 and 2004 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2005	2004	2005
Service cost	¥ 2,032	¥ 2,251	$ 18,931
Interest cost	2,113	2,154	19,684
Expected return on plan assets	(1,208)	(1,065)	(11,253)
Amortization of prior service benefit		(6,447)	
Recognized actuarial loss	2,026	2,279	18,872
Net periodic benefit costs	¥ 4,964	¥ (828)	$ 46,233

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

	2005	2004
Discount rate	2.5%	2.5%
Expected rate of return on plan assets	3.5%	3.5%
Amortization period of prior service cost	1 year	1 year
Recognition period of actuarial gain/loss	10 years	10 years

16. Stockholders' Equity

Japanese banks are subject to the Code and to the Japanese Banking Law (the "Banking Law").

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

The Banking Law provides that an amount at least 20% of the aggregate amount of cash dividends and certain other appropriations of retained earnings associated with cash outlays applicable to each period, shall be appropriated and set aside as a legal reserve (a component of retained earnings) until such reserve and additional paid-in capital equals 100% of common stock. The amount of total additional paid-in capital and legal reserve which exceeds 100% of common stock may be available for dividends by resolution of the stockholders. In addition, the Code permits the transfer of a portion of additional paid-in capital and legal reserve to the common stock by resolution of the Board of Directors. The Bank's legal reserve amount, which is included in retained earnings, totals ¥24,658 million ($229,617 thousand) and ¥24,658 million as of March 31, 2005 and 2004, respectively.

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

In addition to the provision that requires an appropriation for a legal reserve in connection with the cash payment, the Code imposes certain limitations on the amount of retained earnings available for dividends. The amount of retained earnings available for dividends under the Code was ¥216,228 million ($2,013,492 thousand) as of March 31, 2005, based on the amount recorded in the parent company's general books of account.

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

17. Other Operating Income

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

	Millions of Yen		Thousands of U.S. Dollars
	2005	2004	2005
Gains on sales and redemption of bonds and other securities	¥ 820	¥ 422	$ 7,637
Lease receipt	12,752	12,762	118,745
Other	4,099	3,690	38,171
Total	¥17,671	¥16,874	$164,554

18. Other Income

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

	Millions of Yen		Thousands of U.S. Dollars
	2005	2004	2005
Gains on sales of stocks and other securities	¥ 79	¥ 265	$ 740
Gains on sales of money held in trust	623	1,088	5,810
Gains on sales of premises and equipment	136	322	1,275
Amortization of prior service benefit		6,447	
Other	1,081	1,083	10,067
Total	¥1,921	¥9,206	$17,892

19. Other Operating Expenses

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

	Millions of Yen		Thousands of U.S. Dollars
	2005	2004	2005
Losses on sales, redemption and devaluation of bonds and other securities	¥ 920	¥ 407	$ 8,567
Lease cost	11,587	12,072	107,901
Other	2,924	1,958	27,229
Total	¥15,431	¥14,438	$143,698

20. Other Expenses

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

	Millions of Yen		Thousands of U.S. Dollars
	2005	2004	2005
Losses on sales of stocks and other securities		¥ 28	
Losses on devaluation of stocks and other securities	¥ 124	74	$ 1,155
Bad debt losses	980	2,422	9,130
Losses on dispositions of money held in trust		94	
Losses on sales of loans	1,239	6,289	11,537
Write down of premises	1,395		12,994
Other	521	961	4,853
Total	¥4,260	¥9,871	$39,670

21. Income Taxes

The Companies are subject to Japanese national and local income taxes which, in the aggregate, resulted in normal effective statutory tax rates of approximately 40.3% and 41.6% for the years ended March 31, 2005 and 2004, respectively.

With the enactment of the "Revision of Law regarding Regional Taxation, etc." (Law No. 9 of March 31, 2003), the tax basis of the enterprise taxes has been changed to include "added value" and "amount of capital," as defined, effective fiscal years beginning on April 1, 2004. As a result, for the year ended March 31, 2005, the enterprise taxes based on "added value" and "amount of capital" are included in "General and administrative expenses" on the consolidated statement of income in accordance with the Practical Issues No. 12, "Practical Treatment of Presentation of External Standards Taxation Portion of Enterprise Taxes on the Statement of income," issued by ASB.

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

	Millions of Yen		Thousands of U.S. Dollars
	2005	2004	2005
Deferred tax assets:			
Reserve for loan losses	¥27,404	¥25,947	$255,184
Liability for employees' retirement benefits	14,163	13,214	131,892
Premises and equipment (depreciation)	5,511	5,416	51,321
Losses on devaluation of stocks and other securities	3,891	3,923	36,238
Unrealized loss on available-for-sale securities	961	1,985	8,957
Other	4,195	2,952	39,067
Less valuation allowance	(2,179)	(1,590)	(20,297)
Total	53,948	51,848	502,364
Deferred tax liabilities:			
Unrealized gain on available-for-sale securities	38,812	37,669	361,414
Premises and equipment (deferral gain on sales and replacement)	519	499	4,835
Other		6	
Total	39,331	38,175	366,251
Net deferred tax assets	¥14,617	¥13,672	$136,112

A reconciliation between the normal effective statutory tax rates and the actual effective tax rates reflected in the accompanying consolidated statements of income for the year ended March 31, 2004 was as follows, where as no reconciliation was presented for the year ended March 31, 2005 because the difference was immaterial (less than 5% of the normal statutory tax rate):

	2004
Normal effective statutory tax rate	41.6%
Expenses not deductible for income tax purposes	0.5
Non-taxable dividend income	(1.4)
Inhabitants taxes	0.3
Valuation allowance	5.7
Other—net	(0.1)
Actual effective tax rate	46.6%

22. Leases

Lessor

Finance leases

A subsidiary leases certain equipment and other assets to various customers.

Total lease receipts under finance leases for the years ended March 31, 2005 and 2004 were ¥12,377 million ($115,253 thousand) and ¥12,453 million, respectively.

	Millions of Yen		Thousands of U.S. Dollars
	Equipment and Other Assets		Equipment and Other Assets
	2005	2004	2005
Acquisition cost	¥ 72,623	¥ 72,661	$ 676,263
Accumulated depreciation	(42,034)	(42,274)	(391,421)
Net leased property	¥ 30,589	¥ 30,387	$ 284,842

Future lease payments receivables under finance leases:

	Millions of Yen		Thousands of U.S. Dollars
	2005	2004	2005
Receivables:			
Due within one year	¥ 9,688	¥ 9,841	$ 90,221
Due after one year	21,279	20,933	198,150
Total	¥30,968	¥30,774	$288,371

Depreciation expense and interest income under finance leases:

	Millions of Yen		Thousands of U.S. Dollars
	2005	2004	2005
Depreciation expense	¥10,724	¥10,869	$99,863
Interest income	1,509	1,499	14,057

The imputed interest income portion which is computed using the interest method is excluded from receivable under finance leases.

Operating leases

As of March 31, 2005 and 2004, future lease receivables including interest receivables under non-cancelable operating leases were as follows:

Future lease payment receivables:

	Millions of Yen		Thousands of U.S. Dollars
	2005	2004	2005
Due within one year	¥18	¥3	$176
Due after one year	35	5	331
Total	¥54	¥9	$507

23. Derivatives

It is the Bank's policy to use derivatives primarily for the purpose of reducing market risks associated with its assets and liabilities. The Bank also utilizes derivatives to meet the needs of its clients while entering into derivatives as a part of its trading activities.

The Bank enters into interest rate swaps and interest rate caps as a means of hedging its interest rate risk on certain loans and investment securities.

The Bank also enters into foreign exchange forward contracts and currency options to hedge foreign exchange risk associated with its assets and liabilities denominated in foreign currencies and to meet the needs of its clients.

Furthermore, the Bank enters into interest rate futures, bond futures, bond future options and foreign exchange forward contracts for a short term as part of its trading activities.

Derivatives are subject to market risk and credit risk. Market risk is the exposure created by potential fluctuations of market conditions, including interest or foreign exchange rates. Credit risk is the possibility that a loss may result from a counterparty's failure to perform its obligations under a contract.

The Bank sets limits to credit risk by limiting the counterparties to those derivatives to major financial institutions and securities companies, and establishing maximum risk exposures to the counterparties.

In accordance with the Banking Law requirements of the capital adequacy ratio, credit risk equivalent which was measured using the current exposure method amounted to ¥1,598 million ($14,885 thousand) and ¥3,684 million at March 31, 2005 and 2004, respectively.

The Bank has established a standard of risk management including management approaches to each type of risks. Derivative transactions entered into by the Bank have been made in accordance with internal policies which regulate trading activities and credit risk management including maximum risk exposures and loss-cutting rules. Concerning risk management associated with derivative transactions, the front and back offices of the trading divisions are clearly separated, and risk managers are assigned to the trading divisions, while the Risk Management Division synthetically manages the Bank's market risks. In this manner, an internal control system is effectively secured.

The Bank's positions, gain-and-loss, risk amount and other conditions are periodically reported to the executive committee.

The Bank has the following derivatives contracts outstanding at March 31, 2005 and 2004:

	Millions of Yen						Thousands of U.S. Dollars		
	2005			2004			2005		
	Contract or Notional Amount	Fair Value	Unrealized Gain/Loss	Contract or Notional Amount	Fair Value	Unrealized Gain/Loss	Contract or Notional Amount	Fair Value	Unrealized Gain/Loss
Interest rate-related transaction—									
Interest rate swaps—floating rate receipt, fixed rate payment	¥13,975	¥ (80)	¥ (80)	¥14,425	¥ (97)	¥ (97)	$130,133	$ (745)	$ (745)
Currency-related transaction:									
Foreign exchange forward contracts:									
Selling	57,689	(1,801)	(1,801)	65,661	1,245	1,245	537,196	(16,772)	(16,772)
Buying	898	9	9	7,339	(168)	(168)	8,366	83	
Currency options:									
Selling	108	(1)					1,007	(9)	
Buying	108	1					1,007	9	

Unrealized gains (losses) for the years ended March 31, 2005 and 2004 were recognized in the consolidated statements of income.

Derivatives which qualify for hedge accounting for the years ended March 31, 2005 and 2004 were not included the above table.

The contracts or notional amounts of derivatives which are shown in the above table do not represent the amounts exchanged by the parties and do not measure the Bank's exposure to credit or market risk.

24. Related Party Transactions

Related party transactions for the years ended March 31, 2005 and 2004 were as follows:

			Balance from Related Party		
			Millions of Yen		Thousands of U.S. Dollars
Related Party	Category	Description of Transactions	2005	2004	2005
Yuzuru Aoki, Representative of Higashinihon Kogyo Co., Ltd.	Corporate Auditor	Lending operation loans	¥4,277	¥4,883	$39,828

25. Segment Information

(1) Business Segment Information

Information about operations in different business segments of the Companies for the years ended March 31, 2005 and 2004 was as follows:

a. Ordinary income

	Millions of Yen					
	2005					
	Banking Operations	Lease Operations	Other Operations	Total	Eliminations	Consolidated
Income from customers	¥93,820	¥15,286	¥3,683	¥112,790		¥112,790
Intersegment income	512	1,702	1,592	3,807	¥(3,807)	
Total income	94,332	16,988	5,276	116,597	(3,807)	112,790
Ordinary expenses	77,452	16,078	4,832	98,363	(3,761)	94,602
Ordinary income	¥16,879	¥ 909	¥ 443	¥ 18,233	¥ (45)	¥ 18,188

b. Assets, depreciation and capital expenditures

	Millions of Yen					
	2005					
	Banking Operations	Lease Operations	Other Operations	Total	Eliminations	Consolidated
Assets	¥5,585,575	¥41,259	¥21,537	¥5,648,373	¥(32,148)	¥5,616,224
Depreciation	3,843	12,023	26	15,893		15,893
Capital expenditures	2,463	12,867	20	15,352	(46)	15,305

a. Ordinary income

	Thousands of U.S. Dollars					
	2005					
	Banking Operations	Lease Operations	Other Operations	Total	Eliminations	Consolidated
Income from customers	$873,641	$142,342	$34,302	$1,050,287		$1,050,287
Intersegment income	4,770	15,851	14,830	35,452	$(35,452)	
Total income	878,412	158,194	49,133	1,085,739	(35,452)	1,050,287
Ordinary expenses	721,230	149,720	45,000	915,951	(35,030)	880,921
Ordinary income	$157,183	$ 8,473	$ 4,133	$ 169,789	$ (422)	$ 169,366

b. Assets, depreciation and capital expenditures

	Thousands of U.S. Dollars					
	2005					
	Banking Operations	Lease Operations	Other Operations	Total	Eliminations	Consolidated
Assets	$52,012,068	$384,205	$200,553	$52,596,826	$(299,363)	$52,297,462
Depreciation	35,791	111,965	243	147,999		147,999
Capital expenditures	22,940	119,822	194	142,956	(437)	142,519

a. Ordinary income

	Millions of Yen					
	2004					
	Banking Operations	Lease Operations	Other Operations	Total	Eliminations	Consolidated
Income from customers	¥95,033	¥14,878	¥3,556	¥113,468		¥113,468
Intersegment income	559	1,372	1,748	3,680	¥(3,680)	
Total income	95,593	16,250	5,305	117,149	(3,680)	113,468
Ordinary expenses	78,968	15,374	4,558	98,902	(3,661)	95,240
Ordinary income	¥16,624	¥ 876	¥ 746	¥ 18,247	¥ (19)	¥ 18,228

b. Assets, depreciation and capital expenditures

	Millions of Yen					
	2004					
	Banking Operations	Lease Operations	Other Operations	Total	Eliminations	Consolidated
Assets	¥5,375,690	¥40,238	¥21,303	¥5,437,232	¥(33,026)	¥5,404,205
Depreciation	4,150	11,778	31	15,960		15,960
Capital expenditures	2,254	15,328		17,583	(236)	17,347

Notes: 1. Other operations consist of credit card transactions and others.
2. Ordinary income represents total income less certain special income included in other income in the accompanying consolidated statements of income.
3. Ordinary expenses represent total expenses less certain special expenses included in other expenses in the accompanying consolidated statements of income.

(2) Geographic Segment Information

Segment information by geographic area was not presented because the Companies conduct banking and other related activities in Japan without having foreign subsidiaries or foreign branches.

(3) Operating Income from International Operations

As the operating income from international operations was not significant compared to the consolidated income, the information about the operating income from international operations was not presented.

26. Subsequent Event

At the Bank's general stockholders meeting held on June 29, 2005, the Bank's stockholders approved the following:

Appropriations of retained earnings

	Millions of Yen	Thousands of U.S. Dollars
Year-end cash dividends, ¥3.00 ($0.027) per share	¥1,140	$10,619
Bonuses to directors and corporate auditors	29	270