ANNUAL REPORT

2005

THE GIFU BANK, LTD.

Profile

Since its establishment in 1942, The Gifu Bank, Ltd., has maintained a sizable branch network within Gifu Prefecture, which lies within the central Chubu region of Honshu, the Japanese main island. The bank has developed its business by fostering close ties with the community in and around this region. The bank's home base, Gifu Prefecture, is within the Chubu economic zone, lying roughly midway between the two major economic zones of Kanto (the Tokyo area) and Kansai (the Osaka area).

In 1951, following the enactment of the Sogo (Mutual) Banking Law, the bank changed its name to The Gifu Sogo Bank, Ltd. In 1961, the bank gained a listing on the Nagoya Stock Exchange. Later, in 1989, it gave up its mutual status and reverted to being an ordinary commercial bank, changing its name to the current form of The Gifu Bank, Ltd.

Currently, the bank operates a total of 48 branches, with 32 of them in Gifu Prefecture, 14 in neighboring Aichi Prefecture, and one branch each in Mie Prefecture and Tokyo. The bank has a total of 607 staff, who are firmly united behind a corporate philosophy which not only aims to win the trust of our customers with sound and efficient management but also strives to support local business interests. The bank also aspires to support the local senior citizens by contributing to make a quality society for them.

Message from the President

Economic and financial environment

The Japanese economy has reached a plateau since the middle of the 2004 fiscal year (April 1, 2004–March 31,2005), because some digital home appliance manufacturers entered an inventory adjustment phase, although the recovery continued into the first half of the 2004 fiscal year. The Bank of Japan has continued its quantitative easing policy so long as the possibility of breaking away from deflation has not become clear. It is expected to maintain the current policy for a while.

Both production and exports are expanding in our district, but their growth has become slower due to inventory adjustments. Exports are attracting particular attention, because they are vulnerable to rises in crude oil prices, as well as to developments in the US and Chinese economies.

Performance

Business performance for this fiscal year benefited from putting into practice a detailed plan to improve our marketing capabilities and to reduce expenses.

The outstanding balance of deposits as of March 31,2005 was ¥691,944 million (US$6,443 million), marking an increase of ¥19,297 million (US$180 million) (centering on personal deposits), while the loan balance decreased by ¥1,565 million (US$15 million), to ¥520,061 million (US$4,843 million), because we securitized some assets or transferred them to off-balance transactions.

Our bank registered ¥2,506 million (US$23 milion) and ¥1,944 million (US$18 million) in ordinary income and net income, respectively, helped by strong fee-and-commission income and a substantial reduction in business expenses, although the disposal amount of non-performing loans rose due to a significantly more severe credit assessment than before.

Challenges

We regard as a most important issue the establishment of a stable financial base by securing firm earnings, and by achieving the final disposal of non-performing loans and making efforts to prevent new ones from emerging. To this end, we will resolutely carry out the measures incorporated into a plan to ensure sound management. We will also try our best to earn the confidence of markets and customers, and to contribute to their development as a financial institution that is indispensable to the regional community.

We thank you for your continued support.

June, 2005

H. Tokoro

Hiroshi Tokoro, President

Corporate Data (As of June 30,2005)

Service Network

HEAD Office

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Markets & International Group

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Foreign Exchange Offices

HEAD Office

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Nagoya Branch

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Phone(052)321-5486

Offices in Prefectures

Gifu••••••••••32 Aichi••••••••••14 Mie••••••••••1 Tokyo••••••••••1 Total••••••••••48

Board of Directors, Corporate Officers & Corporate Auditors

President

Hiroshi Tokoro

Duputy President and Corporate Officer

Takahiro Shono

Managing Director

Haruyoshi Mizuno

Directors

Masayasu Yuhata

Tooru Takahashi

Corporate Officers

Masayuki Matsuhisa

Hiroshi Ishikawa

Sadayuki Matsuoka

Masao Funabashi

Standing Corporate Auditor

Masao Mizoguchi

Corporate Auditors

Eiji Kasai*

Shiro Adachi

*Outoside Auditors

Head Office

The Gifu Bank, Ltd.

Audited Consolidated Financial Statements

March 31, 2005 and 2004

ChuoAoyama PricewaterhouseCoopers

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Report of Independent Auditors

To the Board of Directors and Shareholders of
The Gifu Bank, Ltd.

We have audited the accompanying consolidated balance sheets of The Gifu Bank, Ltd. and its subsidiaries (the "Group") as of March 31, 2005 and 2004, and the related consolidated statements of income, shareholders' equity, and cash flows for the years then ended, all expressed in Japanese Yen. These consolidated financial statements are the responsibility of The Gifu Bank, Ltd.'s management. Our responsibility is to 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 consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated 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 Group as of March 31, 2005 and 2004, and the consolidated results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in Japan.

The amounts expressed in U.S. dollars, which are provided solely for the convenience of the reader, have been translated on the basis set forth in Note 1 to the accompanying consolidated financial statements.

ChuoAoyama Pricewaterhouse Coopers

ChuoAoyama PricewaterhouseCoopers
Gifu, Japan
June 24, 2005

The Gifu Bank, Ltd. and Subsidiaries
Consolidated Balance Sheets
March 31, 2005 and 2004

	Millions of Yen		Thousands of U.S. Dollars
	2005	2004	2005
Assets			
Cash and due from banks	¥ 73,396	¥ 56,784	$ 683,460
Call loans and debt purchased	2,369	2,525	22,063
Trading securities (Note 3)	73	37	685
Money held in trust (Note 4)	4,620	2,600	43,021
Investment securities (Notes 3 and 6)	130,621	110,119	1,216,326
Loans and bills discounted (Note 4)	520,061	521,626	4,842,734
Other assets	4,807	10,512	44,770
Premises and equipment (Note 5)	9,328	9,039	86,866
Deferred tax assets (Note 14)	5,995	7,030	55,827
Customers' liabilities for acceptances and guarantees (Note 10)	33,624	22,876	313,111
Reserve for possible loan losses	(14,039)	(13,024)	(130,730)
Total assets	¥ 770,859	¥ 730,127	$ 7,178,133
Liabilities, Minority Interests and Shareholders' Equity			
Liabilities:			
Deposits (Note 7)	¥ 691,944	¥ 672,647	$ 6,443,289
Call money and bills sold	298	-	2,781
Security deposits received relating to lending transactions	8,869	-	82,595
Borrowed money (Note 8)	4,500	4,000	41,903
Other liabilities	4,223	5,599	39,329
Reserve for employee retirement benefits (Note 9)	113	175	1,055
Deferred tax liabilities for revaluation (Note 5)	541	541	5,042
Acceptances and guarantees (Note 10)	33,624	22,876	313,111
Total liabilities	744,116	705,840	6,929,105
Minority interests in subsidiaries	20	78	187
Shareholders' equity (Notes 11 and 17):			
Capital stock	18,321	18,321	170,609
Capital surplus	3,306	3,306	30,788
Retained earnings	3,529	1,730	32,866
Land revaluation increment (Note 5)	822	822	7,658
Net unrealized gains on available-for-sale securities	801	172	7,463
Less, treasury stock, at cost	(58)	(145)	(543)
Total shareholders' equity	26,722	24,208	248,841
	¥ 770,859	¥ 730,127	$ 7,178,133

See accompanying Notes to Consolidated Financial Statements.

The Gifu Bank, Ltd. and Subsidiaries
Consolidated Statements of Income
For the Years Ended March 31, 2005 and 2004

	Millions of Yen		Thousands of U.S. Dollars
	2005	2004	2005
Income:			
Interest income:			
Interest on loans and bills discounted	¥ 10,546	¥ 10,958	$ 98,209
Interest on and dividends from securities	2,985	2,075	27,802
Other interest income	201	73	1,872
Total interest income	13,733	13,108	127,883
Fees and commissions	1,990	1,628	18,531
Other operating income	2,184	3,928	20,342
Other income	873	1,021	8,132
Total income	18,781	19,685	174,888
Expenses:			
Interest expenses:			
Interest on deposits	676	879	6,304
Interest on call money and bills sold	93	89	867
Other interest expenses	369	110	3,444
Total interest expenses	1,139	1,080	10,615
Fees and commissions	966	994	8,997
Other operating expenses	564	918	5,258
General and administrative expenses	8,904	9,068	82,913
Provision for possible loan losses	4,055	5,096	37,766
Other expenses	433	466	4,047
Total expenses	16,065	17,624	149,596
Income before income taxes and minority interests	2,716	2,060	25,292
Income taxes (Note 14)	739	1,120	6,885
Less, minority interests in net income of subsidiaries	32	28	302
Net income	¥ 1,944	¥ 911	$ 18,105

	Yen		U.S. Dollars
Net income per common share:			
Basic	¥ 10.51	¥ 4.47	$ 0.10
Diluted	7.37	3.45	0.07
Dividends declared per share:			
Preferred stock	4.84	4.84	0.05
Common stock	-	-	-

See accompanying Notes to Consolidated Financial Statements.

The Gifu Bank, Ltd. and Subsidiaries
Consolidated Statements of Shareholders' Equity
For the Years Ended March 31, 2005 and 2004

	Capital stock	Capital surplus	Retained earnings	Land revaluation increment	Net unrealized gains (losses) on available-for-sale securities	Treasury stock
	Millions of Yen					
Balance at March 31, 2003	¥ 18,321	¥ 3,306	¥ 964	¥ 822	¥ (136)	¥ (130)
Net income for the year	-	-	911	-	-	-
Cash dividends	-	-	(145)	-	-	-
Net change in unrealized gains (losses) on available-for-sale securities, net of applicable income taxes	-	-	-	-	309	-
Fractional shares acquired, net	-	-	-	-	-	(14)
Balance at March 31, 2004	18,321	3,306	1,730	822	172	(145)
Net income for the year	-	-	1,944	-	-	-
Cash dividends	-	-	(145)	-	-	-
Bonuses to directors and corporate auditors	-	-	(0)	-	-	-
Net change in unrealized gains on available-for-sale securities, net of applicable income taxes	-	-	-	-	628	-
Fractional shares sold, net	-	0	-	-	-	86
Balance at March 31, 2005	¥ 18,321	¥ 3,306	¥ 3,529	¥ 822	¥ 801	¥ (58)

	Capital stock	Capital surplus	Retained earnings	Land revaluation increment	Net unrealized gains (losses) on available-for-sale securities	Treasury stock
	Thousands of U.S. Dollars					
Balance at March 31, 2004	$ 170,609	$ 30,788	$ 16,114	$ 7,658	$ 1,607	$ (1,353)
Net income for the year	-	-	18,105	-	-	-
Cash dividends	-	-	(1,352)	-	-	-
Bonuses to directors and corporate auditors	-	-	(1)	-	-	-
Net change in unrealized gains on available-for-sale securities, net of applicable income taxes	-	-	-	-	5,856	-
Fractional shares sold, net	-	0	-	-	-	810
Balance at March 31, 2005	$ 170,609	$ 30,788	$ 32,866	$ 7,658	$ 7,463	$ (543)

See accompanying Notes to Consolidated Financial Statements.

The Gifu Bank, Ltd. and Subsidiaries
Consolidated Statements of Cash Flows
For the Years Ended March 31, 2005 and 2004

	Millions of Yen		Thousands of U.S. Dollars
	2005	2004	2005
Cash flows from operating activities:			
Income before income taxes and minority interests	¥ 2,716	¥ 2,060	$ 25,292
Adjustments for:			
Depreciation	355	354	3,309
Increase (decrease) in reserve for possible loan losses	1,015	(18,417)	9,452
Interest income recognized on consolidated statements of income	(13,733)	(13,108)	(127,883)
Interest expenses recognized on consolidated statements of income	1,139	1,080	10,615
Net gains on sale, maturities or write-down of securities	(1,048)	(2,238)	(9,767)
Decrease (increase) in loans and bills discounted	1,564	(18,454)	14,573
Increase (decrease) in deposits	19,297	(17,720)	179,692
Decrease in call loans and debt purchased	-	102,043	-
Increase (decrease) in call money and bills sold	298	(180)	2,781
Increase in security deposits received relating to lending transactions	8,869	-	82,595
Interest income received	13,634	12,867	126,960
Interest expenses paid	(1,083)	(1,101)	(10,088)
Other, net	(1,024)	(4,904)	(9,543)
Sub-total	32,000	42,283	297,988
Income taxes paid	(30)	(27)	(288)
Net cash provided by operating activities	31,969	42,255	297,700
Cash flows from investing activities:			
Purchases of securities	(86,941)	(200,794)	(809,588)
Proceeds from sale or maturities of securities	74,063	162,153	689,666
Net change in money held in trust	(2,020)	(2,600)	(18,810)
Purchases of premises and equipment	(906)	(665)	(8,445)
Proceeds from sale of premises and equipment	99	24	922
Net cash used in investing activities	(15,706)	(41,880)	(146,255)
Cash flows from financing activities:			
Increase in borrowed money	500	-	4,656
Dividends paid	(145)	(145)	(1,358)
Other, net	(4)	(15)	(35)
Net cash provided by (used in) financing activities	350	(160)	3,263
Effect of exchange rate changes on cash and cash equivalents	(1)	1	(14)
Net increase in cash and cash equivalents	16,612	215	154,694
Cash and cash equivalents at beginning of year	56,784	56,568	528,766
Cash and cash equivalents at end of year	¥ 73,396	¥ 56,784	$ 683,460

See accompanying Notes to Consolidated Financial Statements.

The Gifu Bank, Ltd. and Subsidiaries
Notes to Consolidated Financial Statements

1. Basis of Consolidated Financial Statements

Basis of presenting the consolidated financial statements

The accompanying consolidated financial statements of The Gifu Bank, Ltd. (the "Bank") and its subsidiaries (together with the Bank, the "Group") have been prepared in accordance with accounting principles generally accepted in Japan, which are different in certain respects as to application and disclosure requirements of International Financial Reporting Standards, and are compiled from the original consolidated financial statements in Japanese prepared by the Bank as required by the Securities and Exchange Law of Japan ("SEC") and submitted to the Director of Kanto Finance Bureau of Japan.

The amounts in Japanese yen are presented in millions of yen and are stated by omitting amounts less than one million yen in accordance with Legal Provisions. Accordingly, the sum of each yen amount appearing in the accompanying consolidated financial statements and the notes thereto may not be equal to the sum of the individual account balances.

(b) U.S. dollar amounts

The Group maintains its accounting records in Japanese yen. The U.S. dollar amounts included in the accompanying consolidated financial statements and notes thereto represent the conversion of Japanese yen amounts to U.S. dollar amounts of ¥107.39= $1, the exchange rate at March 31, 2005. The inclusion of such dollar amounts is solely for the convenience of the reader and is not intended to imply that yen assets and liabilities originated in yen have been or could be readily converted, realized or settled in dollars at ¥107.39 = $1 or at any other rate.

(c) Reclassification

Certain reclassifications of previously reported amounts have been made to conform to the current year's presentation.

2. Summary of Significant Accounting Policies

(a) Principles of consolidation

The accompanying consolidated financial statements included the accounts of the Bank and all of its subsidiaries. The Bank had four subsidiaries primarily engaged in the provision of a wide range of financial services to customers and no affiliates at March 31, 2005 and 2004, respectively. The scope of consolidation is determined based on the Bank's control and influence and the decision making of the subsidiary. All inter-company transactions and accounts have been eliminated.

(b) Cash and cash equivalents

For the purpose of consolidated statements of cash flows, cash and cash equivalents are defined as those amounts represented as cash and due from banks.

(c) Trading securities

Trading securities are stated at fair value at the fiscal year-ends. Related gains or losses, both realized and unrealized, are included in current income. Accrued interest on trading securities is included in other assets.

(d) Investment securities

Debt securities for which the Group has both a positive intent and the ability to hold to maturity are classified as held-to-maturity securities, and are stated at amortized cost. Marketable available-for-sale securities, other than those classified as trading or held-to-maturity securities, are carried at fair value based on the average market prices of individual equity securities for a one-month period prior to the fiscal year-end as permitted under the accounting standard for financial instruments, with net unrealized gains or losses reported as a separate component of shareholders' equity. Non-marketable securities included in available-for-sale securities are stated at moving-average cost or amortized cost. Carrying values of individual investment securities are reduced, if necessary, through write-downs to reflect other-than-temporary impairments in values. Gains and losses on the disposal of investment securities are principally computed based on the moving-average method. Accrued interest on securities is included in other assets.

(e) Derivatives and hedge accounting

Derivatives are recorded at fair value, if hedge accounting is not appropriate or where there is no hedge designation, and the gains or losses on derivatives are recognized in current income. Certain transactions classified as hedging transactions are accounted for under the deferral method, whereby unrealized gains or losses on hedging instruments are carried as assets or liabilities on the balance sheet until the gains and losses on the hedged items are realized.

(f) Loans and bills discounted, and reserve for possible loan losses

Loans and bills discounted are stated at the amount of unpaid principal. Unearned interest and discount are recorded as liabilities and recognized as income over the contract terms of the loans or bills.

A reserve for possible loan losses of the Bank is established to cover future credit losses in accordance with internal rules for the self-assessment of asset quality and providing reserves for possible loan losses. Loans written off are charged either to reserve for possible loan losses and/or current income. Recoveries of loans written off are recorded as other income. Such a reserve is made based on the Bank's internal rules for providing for possible loan losses. For claims to borrowers in legal bankruptcy and virtual bankruptcy, a reserve has been provided based on the amounts of the claims, net of the amounts expected to be collected through the disposal of collateral or execution of guarantees. For claims to borrowers with the possibility of bankruptcy, a reserve has been provided for amounts considered necessary based on an overall solvency assessment performed for amounts of claims net of amounts expected to be collected through the disposal of collateral or execution of guarantees. For claims to borrowers except for those mentioned above, a reserve has been provided based on the historical loan loss experience of the Bank for a certain past period. All claims are being assessed by the Bank's operating divisions based on the Bank's internal rules for the self-assessment of asset quality. The inspection division, which is independent from operating divisions, conducts audits of these assessments, and a reserve is provided based on the audit results. At March 31, 2005 and 2004, secured claims to borrowers in legal bankruptcy and virtual bankruptcy, net of the amounts collectible based on the fair value of collateral or execution of guarantees, were written off and amounted to ¥20,288 million ($188,921 thousand) and ¥21,266 million, respectively.

The reserve for possible loan losses of the subsidiaries has been provided for as the aggregate amounts of estimated credit loss based on the individual financial review approach for doubtful or troubled receivables and a general reserve based on the historical loss experience for other receivables.

(g) Premises and equipment, and depreciation

Premises and equipment are principally stated at cost, less accumulated depreciation computed using the declining-balance method, except for buildings, over the following estimated useful lives of the assets:

Buildings	3 years to 60 years
Equipment and furniture	2 years to 20 years

Buildings acquired on and after April 1, 1998 have been depreciated using the straight-line method. At March 31, 2005 and 2004, accumulated depreciation amounted to ¥7,767 million ($72,327 thousand) and ¥8,249 million, respectively.

(h) Leases

Where finance leases do not transfer ownership of the leased property to the lessee during the term of the lease, the leased property of the Group as lessee is not capitalized and the relating rental and lease expenses are charged to income as incurred.

(i) Foreign currency translation

Assets and liabilities denominated in foreign currencies are translated into Japanese yen at the exchange rates prevailing at the fiscal year-ends. Revenues and expenses are translated at the exchange rates at transaction dates. Gains or losses resulting from transactions are included in the determination of net income.

In accordance with the Industry Audit Committee Report No. 25, "Treatment of Accounting and Auditing Concerning Accounting for Foreign Currency Transactions in Banking Industry" issued by the Japanese Institute of Certified Public Accountants ("JICPA"), hedge accounting is applied to currency-swap transactions, exchange swap transactions and similar transactions intended to hedge risks of borrowing and lending in different currencies by swapping the borrowing currency for the lending currency. Currency-swap transactions and exchange swap transactions are valued at fair value, if hedge accounting is not appropriate or where there is no hedge designation, and the net amount of the valued assets or liabilities is recorded on the balance sheet. In accordance with the JICPA Industry Audit Committee Report No. 25, the fair value amounts on a gross basis are presented in 'Other Assets' and 'Other Liabilities' as financial derivatives other than for Trading on the balance sheets.

(j) Employee retirement benefits

Employees who terminate their service with the Group are entitled to retirement benefits generally determined with reference to current basic rates of pay, length of service and conditions under which the termination occurs.

In accordance with the accounting standard for employee retirement benefits, the Group has recognized the retirement benefits including retirement benefit expenses and related liability based on the present value of projected benefit obligation using an actuarial appraisal approach at the fiscal year-ends. Unrecognized actuarial differences such as changes in the projected benefit obligation resulting from actual experiences differing from assumptions and from changes in assumptions are amortized on a straight-line basis over twelve years within the average remaining years of service of employees from the year after they arise. Unrecognized prior service cost is amortized using the straight-line method over twelve years from the year in which it occurs.

(k) Enterprise taxes

With the promulgation of “The Law for Partial Amendments to Local Tax Law” (Law No.9, 2003) on March 31,2003, a portion of the taxation basis of enterprise tax was changed (pro forma standard taxation basis was introduced), and “added value component ” and “capital component ” were newly added to the taxation basis for the fiscal years beginning on April 1, 2004. As a result, the Group included the portion of enterprise tax amounts calculated based on “added value component” and “capital component” in “General and administrative expenses” on the consolidated statements of income from this fiscal year pursuant to “Practical Treatment for Presentation of Pro Forma Standard Taxation Portion of Enterprise Tax on Corporation in the Statement of Income” (Accounting Standards Board of Japan, Practice Report No.12).

(l) Income taxes

Income taxes are accounted for under the asset and liability method. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases, and operating losses carried forward. Deferred tax assets and liabilities are measured using the enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in the period that includes the enactment date.

(m) Appropriation of retained earnings

Cash dividends and bonuses to directors and corporate auditors are recorded in the fiscal year when a proposed appropriation of retained earnings is approved by the Board of Directors and/or shareholders. Bonuses paid to directors and corporate auditors are recorded as part of the appropriation of retained earnings, instead of being charged to income, as permitted by the Japanese accounting standards.

(n) Per share data

Basic net income per share is computed by dividing income attributable to common stockholders, that is net income less dividends declared for preferred stock, by the weighted-average number of shares of common stock outstanding during the respective years. Diluted net income per share is computed assuming convertible preferred stocks were converted at the time of issue unless having anti-dilutive effects.

Cash dividends per share shown in the accompanying consolidated statements of income represent dividends declared by the Bank as applicable to the respective years.

(o) Adoption of new accounting standards

On August 9, 2002, the Business Accounting Council of Japan issued "Accounting Standard for Impairment of Fixed Assets". The standard requires that fixed assets be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. An impairment loss shall be recognized in the income statement by reducing the carrying amount of impaired assets or a group of assets to the recoverable amount to be measured as the higher of the asset’s net selling price and value in use. The standard shall be effective for fiscal years beginning April 1, 2005, with earlier adoption permitted. The Group has not yet applied this new standard nor has it determined the effect of applying the new standard on the Group's consolidated financial statements.

3. Trading Securities and Investment Securities

At March 31, 2005 and 2004, trading securities consisted of national government bonds only.

At March 31, 2005 and 2004, investment securities consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2005	2004	2005
National government bonds	¥ 52,767	¥ 37,657	$ 491,360
Local government bonds	1,193	894	11,112
Bonds and debentures	22,009	29,272	204,947
Equity securities	9,744	9,596	90,743
Other securities	44,906	32,697	418,164
	¥ 130,621	¥ 110,119	$ 1,216,326

Trading securities and investment securities in the accompanying consolidated balance sheets included marketable securities traded on stock exchanges. At March 31, 2005, other securities included investments in fund partnerships of ¥5,062 million ($47,137 thousand) in accordance with the revised SEC regulation, while such investments of ¥ 2,254 million were included in other assets at March 31, 2004

Securities are classified as trading, held-to-maturity or available-for-sale. The classification determines the respective accounting method as stipulated by the accounting standard for financial instruments. At March 31, 2005 and 2004, the carrying values of trading securities and the related net unrealized gains or losses included in current income were as follows:

	Carrying value	Unrealized gains/ (losses)	Carryin g value	Unrealized gains/ (losses)	Carrying value	Unrealized gains/ (losses)
	Millions of Yen				Thousands of U.S. Dollars	
	2005		2004		2005	
Trading account securities	¥ 73	¥ 1	¥ 37	¥ (0)	$ 685	$ 10

At March 31, 2004, the Group had no marketable held-to-maturities securities.
At March 31, 2005, gross unrealized gains and losses for marketable held-to-maturities securities are summarized as follows:

	Carrying value	Gross unrealized gains	Gross unrealized losses	Fair value
	Millions of Yen			
Held-to-maturity debt securities with fair value at March 31, 2005:				
National government bonds	¥ 8,088	¥ 185	¥ -	¥ 8,273
Other	19,984	147	(190)	19,941
	¥ 28,072	¥ 332	¥ (190)	¥ 28,215

	Carrying value	Gross unrealized gains	Gross unrealized losses	Fair value
	Thousands of U.S. Dollars			
Held-to-maturity debt securities with fair value at March 31, 2005:				
National government bonds	$ 75,314	$ 1,730	$ -	$ 77,044
Other	186,094	1,370	(1,769)	185,695
	$ 261,408	$ 3,100	$ (1,769)	$ 262,739

At March 31, 2005 and 2004, gross unrealized gains and losses for marketable available-for-sale securities are summarized as follows;

	Cost	Gross unrealized gains	Gross unrealized losses	Fair and carrying value
	Millions of Yen			
Available-for-sale securities with fair value at March 31, 2005:				
Equity securities	¥ 7,912	¥ 1,337	¥ (355)	¥ 8,894
Bonds:				
National government bonds	44,882	196	(399)	44,679
Local government bonds	1,177	22	(7)	1,193
Bonds and debentures	20,106	233	(15)	20,324
Other	18,728	544	(228)	19,045
	¥ 92,807	¥ 2,335	¥ (1,006)	¥ 94,136
Available-for-sale securities with fair value at March 31, 2004:				
Equity securities	¥ 8,013	¥ 1,173	¥ (474)	¥ 8,712
Bonds:				
National government bonds	38,588	14	(945)	37,657
Local government bonds	898	14	(18)	894
Bonds and debentures	28,215	310	(62)	28,462
Other	31,608	768	(494)	31,883
	¥ 107,324	¥ 2,281	¥ (1,994)	¥ 107,610
	Thousands of U.S. Dollars			
Available-for-sale securities with fair value at March 31, 2005:				
Equity securities	$ 73,683	$ 12,455	$ (3,315)	$ 82,823
Bonds:				
National government bonds	417,935	1,830	(3,719)	416,046
Local government bonds	10,964	214	(66)	11,112
Bonds and debentures	187,233	2,176	(149)	189,260
Other	174,395	5,075	(2,125)	177,345
	$ 864,210	$ 21,750	$ (9,374)	$ 876,586

At March 31, 2005 and 2004, net unrealized gains on available-for-sale securities, net of applicable income taxes and minority interests, recorded in a separate component of shareholders' equity on the accompanying consolidated balance sheets were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2005	2004	2005
Unrealized gains on available-for-sale securities	¥ 1,329	¥ 286	$ 12,376
Less, applicable income taxes	(527)	(113)	(4,913)
Net unrealized gains recorded in shareholders' equity	¥ 801	¥ 172	$ 7,463

During the years ended March 31, 2005 and 2004, the Group sold available-for-sale securities and recorded gains of ¥1,496 million ($13,939 thousand) and ¥2,929 million, respectively, and losses of ¥238 million ($2,217 thousand) and ¥419 million, respectively, on the accompanying consolidated statements of income.

During the years ended March 31, 2005 and 2004, the Group recorded a loss on the write-down of investment securities due to other-than-temporary impairments in value amounting to ¥31 million ($297 thousand) and ¥58 million, respectively.

Expected maturities of available-for-sale securities at March 31, 2005 were as follows:

	Millions of Yen	Thousands of U.S. Dollars
Due within one year	¥ 6,311	$ 58,771
Due after one year through five years	46,427	432,326
Due after five years through ten years	51,871	483,023
Due after ten years	6,026	56,117
	¥ 110,637	$ 1,030,237

4. Loans and Bills Discounted

At March 31, 2005 and 2004, this account consisted of commercial bills discounted, loans on notes and deeds, and overdrafts.

Claims to borrowers in bankruptcy and past due loans are included in loans and bills discounted, and amounted to ¥33,641 million ($313,260 thousand) and ¥31,574 million at March 31, 2005 and 2004, respectively. Loans are generally placed on 'nonaccrual' status when substantial doubt is judged to exist as to the ultimate collectibility of either principal or interest, if they are past due for a certain period or for other reasons. Interest revenue accruals have been suspended when loans are classified as claims to borrowers in bankruptcy and past due loans. Claims to borrowers in bankruptcy represent nonaccrual loans, after the partial charge-off of claims is deemed uncollectible, to borrowers who are legally bankrupt, which are defined in Article 96, Paragraph 1, Subparagraph 3 and 4 of Enforcement Ordinance for the Corporation Tax Law of Japan. Past due loans are nonaccrual loans other than claims to borrowers in bankruptcy and loans for which interest payments are deferred in order to assist the financial recovery of borrowers in financial difficulties.

At March 31, 2005 and 2004, accruing loans for which the payment of the principal and/or interest is contractually past due three months or more, excluding nonaccrual loans, amounted to ¥449 million ($4,188 thousand) and ¥349 million, respectively.

At March 31, 2005 and 2004, restructured loans of which the Bank has relieved lending conditions to borrowers in financial difficulties such as a reduction of the original interest rate, forbearance of interest and/or principal payments, and extension of maturity date in order to support them in their financial recovery or restructuring, excluding nonaccrual and past due loans disclosed above, amounted to ¥5,277 million ($49,143 thousand) and ¥11,635 million, respectively.

Total nonperforming loans net of charge-off, which consisted of nonaccrual loans, accruing loans contractually past due three months or more and restructured loans, aggregated to ¥39,368 million ($366,591 thousand) and ¥43,558 million at March 31, 2005 and 2004, respectively.

During the years ended March 31, 2005 and 2004, the Bank sold certain loans to third parties using the collateralized loan obligation transactions, whose outstanding loan amounts at March 31, 2005 and 2004 were ¥29,065 million ($270,651 thousand) and ¥18,964 million, respectively. At March 31, 2005 and 2004, the Bank owned the subordinated portion of collateralized loan obligations, which was included in loans and bills discounted and amounted to ¥7,835 million ($72,959 thousand) and ¥5,979 million, respectively. At March 31, 2005, money held in trust of ¥4,620 million ($43,021 thousand) was trusted as money deposits for the collateralized loan obligation transactions.

In addition, the Bank recorded the loan participation transactions as loans to the original debtors, whose outstanding balances at March 31, 2005 and 2004 were ¥4,236 million (39,448 thousand) and ¥29,110 million, respectively.

5. Premises and Equipment

The Bank elected the one-time revaluation to restate the cost of land used for the banking business at values rationally reassessed, reflecting appropriate adjustments for land shape and other factors, based on the appraisal values issued by the Japanese National Tax Agency effective on March 31, 1998 under the Law Concerning Revaluation of Land. According to the Law, the amount equivalent to the tax effect on the excess of sound reassessed values over the original book values is recorded in liabilities as deferred tax liabilities for revaluation account, and the rest of such excess, net of the tax effect, is recorded in shareholders' equity as a land revaluation increment account in the accompanying consolidated balance sheets. At March 31, 2005 and 2004, the difference in the carrying values of land used for the banking business after revaluation over the market value at the fiscal year-ends amounted to ¥2,237 million ($20,839 thousand) and ¥2,029 million, respectively.

6. Assets Pledged

At March 31, 2005 investment securities amounting to ¥9,352 million ($87,088 thousand) were pledged as collateral for security deposits received relating to lending transactions amounting to ¥8,869 million ($82,595 thousand).

In addition, investment securities totaling ¥37,111 million ($345,576 thousand) and ¥35,397 million at March 31, 2005 and 2004, respectively, were pledged as collateral for the settlement of exchange, derivative and other transactions.

7. Deposits

At March 31, 2005 and 2004, deposits consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2005	2004	2005
Demand deposits	¥ 179,180	¥ 169,582	$ 1,668,501
Time deposits	504,292	496,080	4,695,897
Other	8,472	6,985	78,891
	¥ 691,944	¥ 672,647	$ 6,443,289

8. Borrowed Money

Borrowed money included subordinated debt due through March 2015 with a current average rate of 2.27% and 2.17% per annum amounting to ¥4,500 million ($41,903 thousand) and ¥4,000 million at March 31, 2005 and 2004, respectively.

The annual maturities of borrowed money at March 31, 2005 were as follows;

Year ending March 31,	Millions of Yen		Thousands of U.S. Dollars	
2009	¥	1.000	$	9,312
2011 and thereafter		3,500		32,591
	¥	4,500	$	41,903

9. Employee Retirement Benefits

The Bank has a lump-sum retirement benefit plan, which substantially covers all employees. The Bank will pay the certain amount adjusted for the amendment of the retirement benefit plan at the employees' retirement at the compulsory retirement age, which is accrued as the projected benefit obligation calculated at the present value based on the remaining service lives of employees.

The following table reconciles the retirement benefit liability and net periodic retirement benefit expense as at or for the years ended March 31, 2005 and 2004.

	Millions of Yen				Thousands of U.S Dollars	
	2005		2004		2005	
Reconciliation of retirement benefit liability:						
Projected benefit obligation	¥	1,597	¥	1,088	$	14,874
Less, fair value of pension plan assets at end of year		(1,351)		(1,464)		(12,582)
Projected benefit obligation in excess of pension plan assets		246		(376)		2,292
Less, unrecognized actuarial differences		325		551		3,031
Unrecognized prior service cost of retroactive benefits granted by the pension plan amendments		(458)		-		(4,268)
Net amount of reserve for employee retirement benefits recognized on the consolidated balance sheets	¥	113	¥	175	$	1,055

Note. Projected benefit obligation of certain subsidiaries was calculated using the simplified calculation method as permitted by the accounting standard for employee retirement benefits.

	Millions of Yen		Thousands of U.S. Dollars
	2005	2004	2005
Components of net periodic retirement benefit expense:			
Service cost	¥ 55	¥ 51	$ 516
Interest cost	45	18	426
Amortization of actuarial differences	(33)	(49)	(315)
Amortization of prior service cost	9	-	91
Net periodic retirement benefit expense	¥ 77	¥ 19	$ 718

Major assumptions used in the calculation of the above information for the years ended March 31, 2005 and 2004 were as follows:

	2005	2004
Method attributing the projected benefits to periods of services	Straight-line method	Straight-line method
Discount rate	2.0%	2.5%
Amortization of actuarial differences	12 years	12 years
Amortization of prior service cost	12 years	-

10. Acceptances and Guarantees

The Bank provides guarantees for the liabilities of its customers for the payment of loans or other liabilities to other financial institutions. As a contra account, "Customers' liabilities for acceptances and guarantees" are shown as assets on the accompanying consolidated balance sheets, indicating the Bank's right of indemnity from the customers.

11. Shareholders' Equity

The authorized number of shares was 410 million at March 31, 2005 and 2004, respectively, consisting of 380 million for common stock and 30 million of preferred stock, subject to a reduction due to a cancellation of preferred stock through a charge to retained earnings or a conversion of preferred stock to common stock.

At March 31, 2005, the number of shares issued of common stock and preferred stock was 171,322,000 and 30,000,000, respectively. At March 31, 2005 and 2004, capital stock consisted of ¥12,321 million ($114,738 thousand) for common stock and ¥6,000 million ($55,871 million) for preferred stock at March 31, 2005. On April 26, 2001, the Bank issued 30,000,000 shares of preferred stock without par value to The Resolution and Collection Corporation ("RCC") in order to increase the Bank's capital base through the injection of public funds. As the aggregate issue amounted to ¥12,000 million, the Bank recorded an increase in the capital stock account and the capital surplus account of ¥6,000 million, respectively. All preferred stocks have a non-cumulative annual dividend preferred of ¥4.84 per share as well as a liquidation preference of ¥400 per share. They are also non-voting and are convertible to common stock from March 1, 2002 to March 31, 2011, at which time all remaining shares will be converted to common stock. The Bank may redeem the outstanding preferred stocks, in whole or in part, at its option, and cancel them through a charge to retained earnings.

At March 31, 2005 and 2004, the number of treasury stock the Group owned was 832,000 and 911,000, respectively.

At March 31, 2005, retained earnings included the legal reserve of the Bank amounting to ¥60 million ($559 thousand). The Banking Law of Japan stipulates that an amount equivalent to at least 20% of the cash payments as an appropriation of retained earnings shall be appropriated as the legal reserve until the total amount of capital surplus and such reserve equals 100% of common stock. The legal reserve is not available for distribution as dividends, but may be used to reduce a deficit or may be transferred to common stock by approval of the Board of Directors and/or stockholders.

12. Commitments

(a) Loan commitments

Overdraft facilities and loan commitment lines are contracts whereby the Bank is obliged to advance funds up to predetermined amounts to a customer upon request, provided that the customer has met the terms and conditions of the contract. At March 31, 2005 and 2004, the unused amount within the limits amounted to ¥63,229 million ($588,786 thousand) and ¥63,490 million, respectively, relating to these contracts. Such outstanding contract amounts included contracts which expire within one year or are revocable by the Bank at any time without any conditions. In aggregate these contracts amounted to ¥ 57,894 million ($ 539,110 thousand) and ¥63,490 million at March 31, 2005 and 2004, respectively.

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

(b) Lease commitments

The Group leases certain office space and equipment under long-term non-cancelable or cancelable agreements as lessee. As disclosed in Note 2(h), the leased property under non-cancelable finance leases of the Group is not capitalized in accordance with the "Opinion Concerning Accounting Standards for Leases" issued by the Business Accounting Deliberation Council of Japan in June 1993 and the related practical guideline issued by the JICPA. If the leased property of the Group had been capitalized, the relating accounts would have been increased/(decreased) at March 31, 2005 and 2004 as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2005	2004	2005
Premises and equipment, net of accumulated depreciation *1	¥ 886	¥ 475	$ 8,258
Lease obligations as liabilities *2	931	516	8,674
Net effect on retained earnings at year-end	¥ (44)	¥ (41)	$ (416)

Additionally, related expenses would have increased by ¥4 million ($38 thousand) and ¥2 million for the years ended March 31, 2005 and 2004, respectively.

**1: Pro forma depreciation of the leased property is computed using the straight-line method over the lease contract terms, assuming the leased property had been capitalized.*

**2: Pro forma interest on lease obligations for finance leases is computed using the interest method over the lease contract terms.*

Future minimum payments for non-cancelable finance leases, excluding the imputed interest, and operating leases at March 31, 2005 and 2004 were as follows:

	Millions of Yen		Thousands of U.S. Dollars
	2005	2004	2005
Finance leases as lessee:			
Due within one year	¥ 184	¥ 120	$ 1,722
Due after one year	746	395	6,952
	¥ 931	¥ 516	$ 8,674
Operating leases as lessee:			
Due within one year	¥ 21	¥ 27	$ 198
Due after one year	80	100	746
	¥ 101	¥ 127	$ 944

13. Derivative Instruments

The Bank has entered into various transactions involving derivative instruments in the normal course of business to meet the needs of its customers for risk management and the Bank's asset-liability management. These derivative instruments involve, in varying degrees, elements of credit and market risk. The Bank is exposed to credit loss in the event of non-performance by counterparties. However, the Bank does not expect non-performance by the counterparties.

The Bank adopted the accounting standard for financial instruments. At March 31, 2005 and 2004, derivative instruments, other than those to which hedge accounting is applied, which are stated at fair value with valuation gains or losses being recognized as current income, were summarized as follows:

	Notional principal or contract amounts	Fair value	Valuation gains/(losses)
	Millions of Yen		
At March 31, 2005:			
Interest rate contracts - Swaps	¥ 260	¥ (4)	¥ (4)
Foreign exchange contracts - Forward	13,463	(282)	(282)
At March 31, 2004:			
Interest rate contracts - Swaps	¥ 500	¥ (16)	¥ (16)
Foreign exchange contracts - Forward	18,615	828	828
	Thousands of U.S. Dollars		
At March 31, 2005:			
Interest rate contracts - Swaps	$ 2,421	$ (46)	$ (46)
Foreign exchange contracts - Forward	125,372	(2,634)	(2,634)

Notes 1. Fair values are calculated based on the discounted cash flow or option pricing calculation model.

2. Foreign exchange related-transactions such as forward exchange contracts are included in the table above, although they were previously disclosed separately as they were revalued at the fiscal year-end and their valuation gains (losses) were recognized in the accompanying consolidated statements of income.

14. Income Taxes

Income taxes for the years ended March 31, 2005 and 2004 consisted of the following:

	Millions of Yen		Thousands of U.S. Dollars
	2005	2004	2005
Income taxes:			
Current	¥ 118	¥ 61	$ 1,103
Deferred	620	1,059	5,782
	¥ 739	¥ 1,120	$ 6,885

The tax effects of temporary differences that give rise to a significant portion of 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 possible loan losses	¥ 10,873	¥ 10,517	$ 101,248
Loss on loans charged off	2,388	2,374	22,244
Reserve for employee retirement benefits	461	474	4,299
Valuation loss on securities	1,595	1,777	14,857
Net operating loss carried forward	-	1,281	-
Other	510	484	4,756
Less, valuation allowance	(9,038)	(9,497)	(84,161)
Deferred tax assets total	6,791	7,412	63,243
Net of deferred tax liabilities:			
Unrealized gains on available-for-sale securities	(527)	(113)	(4,913)
Gains on transfer of investment securities to trusts for retirement benefit plan	(268)	(268)	(2,503)
	(796)	(382)	(7,416)
Net deferred tax assets	¥ 5,995	¥ 7,030	$ 55,827

In assessing the realizability of deferred tax assets, management of the Group considers whether it is more likely than not that some portion or all of the deferred tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible. At March 31, 2005 and 2004, a valuation allowance was provided to reduce the deferred tax assets to the extent that management believes that the amount of the deferred tax assets is expected to be realizable.

A reconciliation of the differences between the Japanese statutory effective tax rate and the actual effective income tax rate on pretax income reflected in the accompanying consolidated statements of income for the years ended March 31, 2005 and 2004 was as follows:

	Percentage of pretax income	
	2005	2004
Japanese statutory effective tax rate	39.7 %	41.0 %
Increase (decrease) due to:		
Tax exempt income	(0.7)	(0.8)
Permanently non-deductible expenses	1.4	1.5
Local taxes-per capita levy	0.7	1.0
Realization of operating loss carried forward	(47.2)	(42.5)
Change in valuation allowance	33.6	54.1
Other	(0.3)	0.0
Actual effective income tax rate	27.2 %	54.3 %

15. Segment Information

The Group is principally engaged in banking operations and other financial services. Segment information is not shown because the Group operated predominantly in a single industry during the years ended March 31, 2005 and 2004.

Ordinary income from foreign operations of the Group for the years ended March 31, 2005 and 2004 amounted to ¥2,220 million ($20,681 thousand) and ¥3,265 million, which represent 12.0% and 17.1% of total income, respectively.

16. Related Party Transactions

At March 31, 2004, the Bank was directly owned 21.01% by UFJ Bank Limited and the Bank is an affiliate of UFJ Bank Limited. During the year ended March 31, 2004, the Group had transactions under loan participation agreements with UFJ Bank Limited amounting to ¥20,029 million. At March 31, 2004, the outstanding loan balance amounted to ¥4,512 million. At March 31, 2005, there were no material related party transactions.

17. Subsequent Event

The shareholders of the Bank approved the following appropriation of retained earnings at the annual general meeting on June 24, 2005:

	Millions of Yen	Thousands of U.S. Dollars
Dividends -Preferred stock	¥ 145	$ 1,352
Transfer to legal reserve	30	279