YAMANASHI CHUO BANK

# ANNUAL REPORT 2005


# Profile

The Yamanashi Chuo Bank Group comprises the Yamanashi Chuo Bank and five consolidated subsidiaries. Centered on its core banking business, the Group provides an integrated financial service that includes leasing and credit-card business. The Bank is the leading local bank in Yamanashi Prefecture, its principal business base, which is close to Tokyo, and it also operates branches in adjacent western districts of Tokyo itself.

Today is a time of significant change in the operating environment, characterized by the growing sophistication and diversity of customer needs and by the intensification of competition transcending the boundaries between business sectors. Amid this, the Yamanashi Chuo Bank remains guided by its management philosophy of commitment to the principles of sound management and the maintenance of close ties with the local community, its management goals being to maintain the trust held in it by its customers, the local community, and its shareholders and investors, and to build a bank with low costs and high earnings.

## Contents

Consolidated Financial Highlights........................................1
Message from the President ................................................2
Achieving the Goals of Evolution 8:
The 8th Long-Term Management Plan..............................4
Operational Review............................................................6
Strengthening Corporate Social Responsibility.....................8
Financial Review (on a consolidated basis)..........................9
Consolidated Balance Sheets ...........................................10
Consolidated Statements of Income .................................11
Consolidated Statements of Shareholders' Equity..............12
Consolidated Statements of Cash Flows...........................13
Notes to Consolidated Financial Statements......................14
Independent Auditors' Report...........................................22
Non-Consolidated Financial Highlights...............................23
Non-Consolidated Balance Sheets ....................................24
Non-Consolidated Statements of Income ..........................25
Non-Consolidated Statements of Shareholders' Equity.......26
Corporate Data.................................................................27
Board of Directors and Corporate Auditors ........................28
Organization ....................................................................28
Service Network ...............................................................29

*Forward-looking statements*

Statements contained in this report regarding the Bank's future performance do not constitute statements of historical fact, and are thus subject to a number of risks and uncertainties. Readers are therefore cautioned not to place undue reliance on forward-looking statements, as factors beyond the Bank's control and outside its ability to predict, including general economic conditions and market fluctuations, could cause results to diverge materially from the Company's projections.

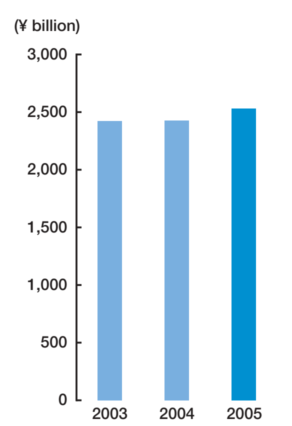
# Consolidated Financial Highlights

The Yamanashi Chuo Bank, Ltd. and Subsidiaries
March 31, 2005, 2004 and 2003

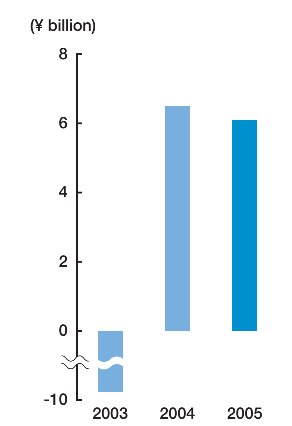
| | Millions of yen | | | Thousands of U.S. dollars |
|---|---|---|---|---|
| | **2005** | 2004 | 2003 | **2005** |
| **For the year** | | | | |
| Total income | **¥ 55,151** | ¥ 56,405 | ¥ 50,249 | **$ 513,561** |
| Total expenses | **40,542** | 43,225 | 60,978 | **377,526** |
| Income (loss) before income taxes and minority interests | **14,608** | 13,179 | (10,729) | **136,034** |
| Net income (loss) | **6,112** | 6,467 | (8,782) | **56,923** |
| **At year-end** | | | | |
| Deposits | **¥2,152,963** | ¥2,121,727 | ¥2,143,916 | **$20,048,077** |
| Loans and bills discounted | **1,418,589** | 1,420,679 | 1,456,624 | **13,209,696** |
| Investment securities | **853,221** | 820,954 | 715,742 | **7,945,078** |
| Total assets | **2,531,467** | 2,427,690 | 2,423,958 | **23,572,657** |
| Shareholders' equity | **152,989** | 144,686 | 121,230 | **1,424,616** |
| **Per share of common stock** (in yen and U.S. dollars) | | | | |
| Net income (loss) | **¥ 32.88** | ¥ 34.80 | ¥ (46.64) | **$ 0.30** |
| Cash dividends applicable to the year | **5.00** | 5.00 | 5.00 | **0.04** |

Notes: 1. Yen figures are rounded down to the nearest million yen.
2. U.S. dollar figures have been converted from Japanese yen, solely for convenience, at the rate of ¥107.39=US$1, the rate prevailing on March 31, 2005.
3. Net income (loss) per share is computed by dividing net income available to common shareholders, by the weighted-average number of common shares outstanding for the period, retroactively adjusted for stock splits.

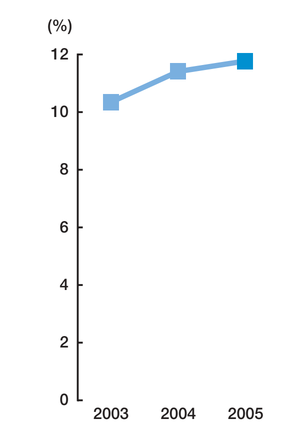
Total assets




Net income (loss)




Capital ratio (Domestic standard)



## Message from the President

**Kentaro Ono,** ***President***

We will devote our full energies to enhancing customer loyalty and building a bank with a low-cost, high-earnings structure.

I wish to thank you, our shareholders and other stakeholders, for your enduring support for the Group, and to give you an overview of our business performance in fiscal 2004 (the year from April 2004 to March 2005), and a report on our management policies for the future.

## Overview of fiscal 2004 performance

To enable the Bank and all Group companies to address changes in the business environment flexibly, we drew up our eighth long-term management plan, called "Evolution 8," which incorporates "Five Reform Plans (basic strategies)" and "Three Function-Specific Strategies for Progress." Under the plan, throughout the Group we are committed to strengthening profitability, expanding our management base, and enhancing operating efficiency.

## Performance (consolidated)

Total income fell slightly year-on-year. The principal factor behind the decline was the non-repetition of the posting of extraordinary income related to the settlement of pension accounts in the previous term. However, this was largely offset by increase in earnings from fund management, derived primarily from effective securities investment, and growth in fee income resulting from increases in sales of investment trusts and government bonds to individual customers.

As a result, total income amounted to ¥55,151 million (US$514 million), down ¥1,254 million from the previous term.

Operating profit recorded an increase of ¥5,813 million, to ¥14,704 million (US$137 million). This was primarily attributable to a year-on-year decline of ¥2,388 million in the transfer to the reserve for possible loan losses, made possible by the careful management of write-offs and allocation of reserves based on our ongoing strict self-assessment of asset quality, and also by our vigorous assistance for the rehabilitation of corporate customers. Another major factor was a ¥918 million improvement in share-related gains resulting from the rise in the stock markets. Net income, however, edged down by ¥354 million, to ¥6,112 million (US$57 million).

The capital ratio, on a consolidated basis, for banks operating solely in Japan, rose by 0.36 of a percentage point, from 11.41% to 11.77%. This was well above the 4% ratio at which an order for business improvement and suspension of operations can be invoked under the Banking Law. In addition, our ratio of bad debts fell from 7.60% to 6.35%. At the end of the year under review the Bank retained its A+ credit rating by Rating and Investment Information, Inc.

## "Evolution 8"

The new "Evolution 8" plan, our eighth long-term management plan (April 2004 to March 2007), is based on the management ideal set out in its predecessor, the seventh long-term management plan, which ran from April 2001 to March 2004 under the name of "New Challenges — START 21." That ideal is to establish a solid position as the region's core financial institution as the financial sector enters a new era. To give added firmness to that orientation, we drew up the plan after giving extensive study to issues that the Bank should address in the current economic environment, which is undergoing severe and major change characterized by the growing sophistication and diversity of customer needs and by an intensification of competition that transcends the boundaries between business sectors, fueled by progressive deregulation.

As a regional financial institution, our aim is to provide real value to our customers and also to the community, our shareholders, and other investors. To achieve this, it is important not only to maintain financial soundness, but also to build a new business model that blends the conduct of business based on the management ideal that has guided us throughout our history. This ideal is that of being close to the local community and achieving prosperity in parallel with it, by activities thoroughly imbued with market principles through which to pursue more rational and efficient management.

The key focuses of the plan are to enhance customer loyalty by earning the enduring confidence of customers, and to build a low-cost and highly profitable structure. In line with these focuses, we pinpointed three management issues from the standpoint of identifying what is necessary to ensure the Bank adapts accurately and swiftly to changes in the operating environment and maintains its progress. We also formulated more concrete measures to resolve these issues. These measures are what we call the "Five Reform Plans" and "Three Function-Specific Strategies."

Looking back at the first year of the plan, all the measures are progressing more or less on target. As for the second year of the plan, which is the current year ending in March 2006, we regard it as the crucial period for ensuring that the plan's vision and strategies are attained, and at all levels of the Bank we are dedicating ourselves to achieving its goals.

For the fiscal year ending in March 2006 we are projecting operating income of ¥55.7 billion, operating profit of ¥12.8 billion, and net income of ¥6.4 billion on a consolidated basis.

The Yamanashi Chuo Bank Group will remain committed to the principles of sound management and the maintenance of close ties with the local community. We pledge to continue increasing shareholder value by gaining the enduring confidence of our customers and making exhaustive efforts to reduce costs.

I hope that you will continue to honor us with your understanding and support.

Kentaro Ono
*President*

# Achieving the Goals of Evolution 8: The 8th Long-Term Management Plan

All officers and members of staff throughout the Bank are working as one to achieve the goals of the “Evolution 8” plan, our eighth long-term management plan, which covers the three years from April 2004 to March 2007.

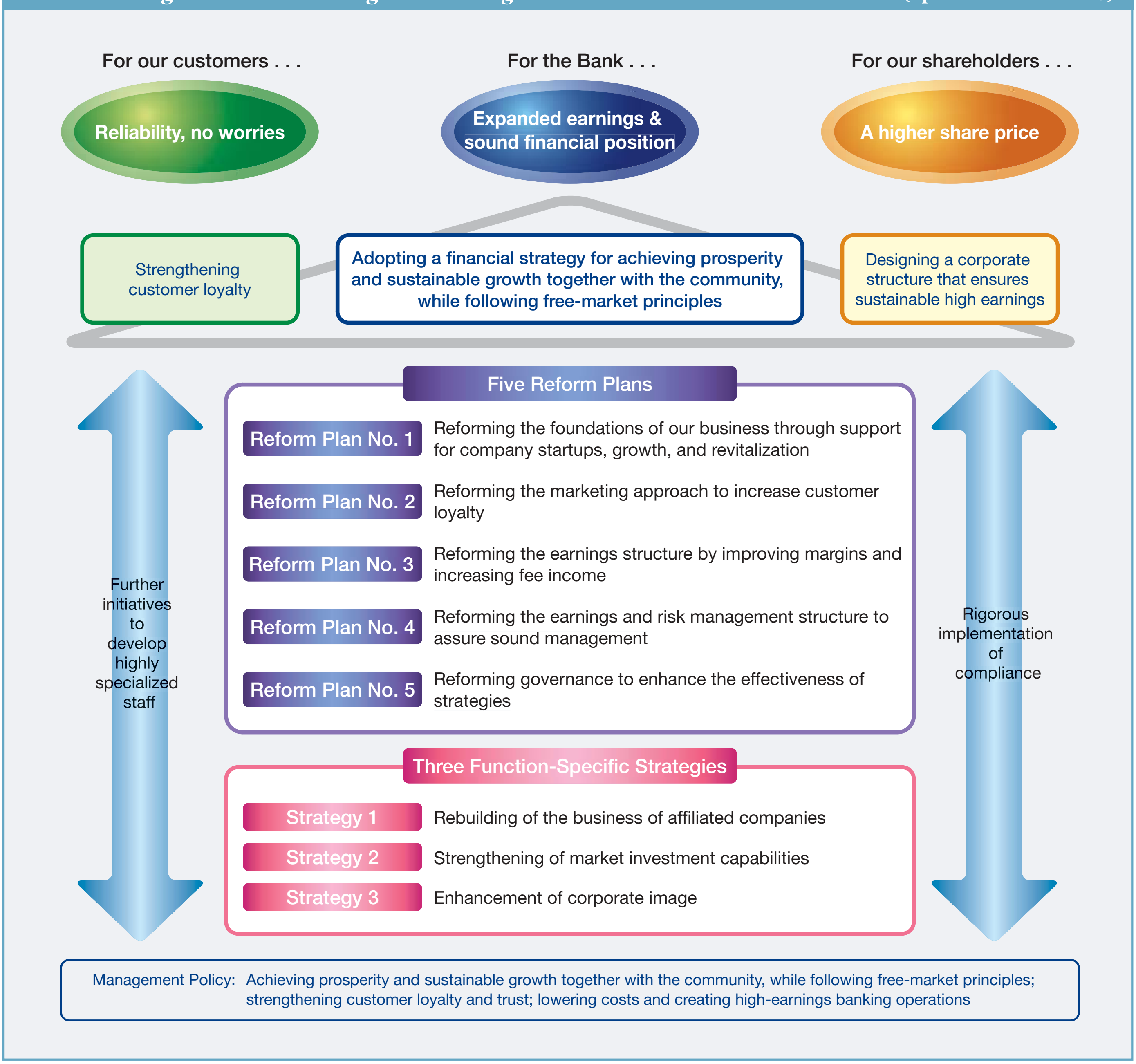
The plan has a well-balanced blend of strategies that involve various elements.

First are activities designed to achieve prosperity jointly with the local community, including by building structures for strengthening support for the establishment, growth, and rehabilitation of borrower companies and to enable the Bank to provide customers with rapid, high-quality advisory services.

Second come activities based on sound market principles through which to pursue rational and efficient management. The aim of these is to build a Bank able to gain the long-lasting confidence of its customers and with a low-cost and highly profitable structure.

In addition, we have identified three management issues from the perspective of what is necessary to ensure the Bank adapts accurately and swiftly to changes in the operating environment and maintains its progress. In order to resolve those issues we have formulated concrete measures in the form of the “Five Reform Plans” and “Three Function-Specific Strategies” (please refer to the diagram), and these are now being implemented steadily.

**Schematic Diagram of the 8th Long-Term Management Plan** (April 2004 - March 2007)



## Goals of Evolution 8: The 8th Long-Term Management Plan

### Qualitative goals

- To raise the value to customers of doing business with the Bank to a level unrivaled by other financial institutions within the local region.
- To create a mechanism that generates a constant stream of high earnings, substantially improving profitability and efficiency.
- To strengthen human-resource development so as to produce personnel with high degrees of expertise, and to succeed in molding a group of people with strong morale who act with sincerity, responsibility, and pride.

### Progress in achieving quantitative goals (non-consolidated)

| | At March 31, 2004 | At March 31, 2005 | At March 31, 2007 |
|---|---|---|---|
| Core net business profit | ¥13.9 billion | ¥15.1 billion | Above ¥16 billion |
| Return on assets | 0.51% | 0.61% | At least 0.65% |
| Return on equity | 5.72% | 5.00% | At least 6% |
| Overhead ratio | 67.41% | 65.13% | 50% - 60% |
| Bad-debt ratio (Financial Revitalization Law) | 7.60% | 6.35% | 5% - 6% |
| Capital ratio (Domestic standard) | 11.34% | 11.67% | At least 10.5% |

Notes: Return on assets = Core net business profit / Ave. balance of total assets; Return on equity = Net income / Ave. balance of shareholders' equity; Overhead ratio = Operating expenses / Gross business profit

## Relationship Banking Functions

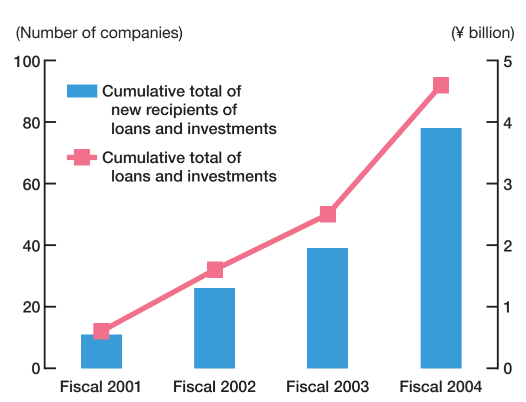
In response to the Financial Services Agency's Action Program Concerning Enhancement of Relationship Banking Functions, announced in March 2003, in August of that year the Bank drew up its Plan for Enhancing Functions of Relationship Banking, the two principal focuses of which were the revitalization of financing for small and medium-sized companies, and the maintenance of soundness and enhancement of profitability.

In the Evolution 8 plan, our eighth long-term management plan, which was inaugurated in April 2004, the status of our first Reform Plan has been given to one whose principal component is the enhancement of relationship banking functions, its aim being to secure and further strengthen its effectiveness. We have been working towards the achievement of its goals in conjunction with our other business strategies.

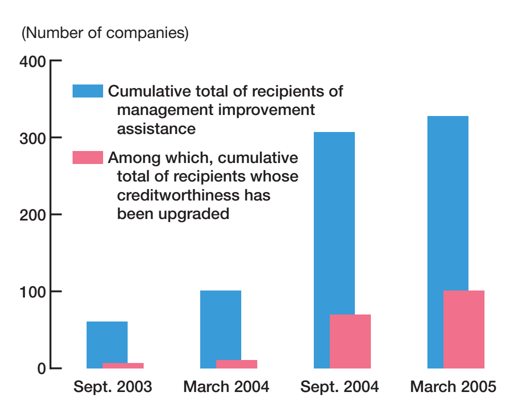
In the Action Program's "Intensive Improvement Period" covering the two years from fiscal 2003 to fiscal 2004, Yamanashi Chuo Bank devoted itself to the improvement of functions and provision of services that regional financial institutions had been called upon to achieve, and it is confident that it accomplished the plan's goals.

Backed by its strong track record, the Bank is committed to providing an ever-higher quality of service based on the Financial Services Agency's recently announced Action Program for Ensuring Further Promotion of Region-Based Relationship Banking.

Growth Support for Companies in Collaboration with Technical Advisers




Support for Corporate Revitalization



# Consumer Banking

The customer service counter at our Head Office

In its consumer banking activities, the Bank focused on the sale of its wide range of loan products, which in addition to mortgage loans include products to meet diverse financial needs at every stage of people's lives, for example for entering employment, getting married, and educating their children. Among mortgage loans, our marketing focused on products such as flexible-design mortgage loans that give borrowers considerable freedom to design repayment schedules to match their lifestyles and life plans, and we implemented a campaign offering special interest rates.

Meanwhile, services were enhanced by the expansion of Loan Square Tachikawa in our Tachikawa Branch in Western Tokyo, the main purpose of which is to handle housing loan applications and provide advice. In addition, to help people who cannot visit branches on weekdays to obtain advice about mortgage loans, the Bank held special gatherings on holidays at home exhibition centers.


A securities transaction intermediary service counter

Among its marketing channels, the Bank expanded the capabilities of its Yamanashi Chugin Direct Service, which enables business to be transacted via the Internet and mobile phones. Also, to meet people's more wide-ranging requirements for avenues for investing their funds, we augmented our lineup of investment trust and insurance products, and enhanced our structure for providing investment advice in branches.

In preparation for the complete removal of blanket deposit insurance in April 2005, in January the Bank began handling payment and settlement deposits, which will remain fully covered by deposit insurance. Additionally, since the illegal use of fake and stolen cash cards has become a major social problem, in February the Bank launched a service designed to counter this by enabling customers to freely change the upper limit on the amount able to be withdrawn from ATMs.

The balance of loans to individuals at the year-end stood at ¥369.8 billion, accounting for 26% of all loans, and loans to local individuals totaled ¥290.4 billion, accounting for 32% of all local lending. The balance of mortgage loans stood at ¥328.3 billion, including mortgage loans to local customers totaling ¥257.3 billion.

To enhance the capabilities of its integrated financial service, in April 2005 the Bank commenced securities transaction intermediary services and took steps to make its services more convenient. These steps included the start of mutual use of ATMs and cash dispensers with the Japan Post Corporation, and the extension of the hours of operation of ATMs.

# Corporate Banking

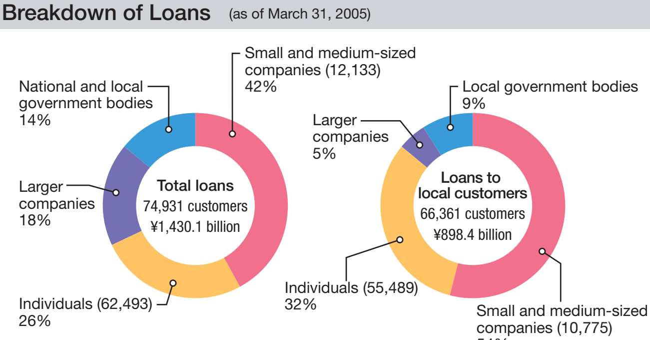

Poster advertising our principal loan products

An employee of Yamanashi Chugin Management Consulting gives advice to a customer

In the sphere of corporate banking, the Yamanashi Chuo Bank implemented its Plan for Enhancing Functions of Relationship Banking, providing vigorous support for local companies. As the culmination of this intensive effort, the Bank expanded its capacity to provide financial services and shared its expert know-how with corporate customers.

Specifically, by such means as becoming a member of the TAMA (Technology Advanced Metropolitan Area) Association and working in collaboration with public financial institutions and the Welfare and Medical Service Agency, the Bank strengthened its collaborative activities and the building of an industry-government-academia network. Other steps included the strengthening of support for company startups, growth, and revitalization through the establishment of venture funds, the use of "safety-net" guarantees, and collaboration with Yamanashi Chugin Management Consulting Co., Ltd.

**Breakdown of Loans** (as of March 31, 2005)




The Bank also put further effort into the development of human resources with the ability to make accurate assessments of companies' potential and technical capabilities. Support for management improvement over the past two years has been provided to a cumulative total of 328 corporate borrowers, 101 of which had had their creditworthiness (as represented by the Bank's borrower categories) improved by the end of the year under review.

With regard to products and services, developments included the launch of new loan products, the revision of the criteria for handling private placements, the start of handling comprehensive defined contribution pension plans, and the broadening of the functions of its own online banking service.

At the end of the year under review, the number of users of the Yamanashi Chugin Retail Partner loan scheme totaled 1,420, for an aggregate amount of ¥4.4 billion. This is a dedicated scheme for companies in Yamanashi Prefecture, permitting them to borrow without providing collateral or a guarantor. There were also 37 private placements totaling ¥6.2 billion.

The balance of loans to small and medium-sized companies at March 31, 2005 totaled ¥601.3 billion, accounting for 42% of total lending. Loans to local small and medium-sized companies totaled ¥480.7 billion, accounting for 54% of all local lending.

The Bank will remain committed to providing local companies — the mainstay of the regional economy — with an integrated financial service designed to meet their diverse requirements, including in such fields as leasing and investment. This reflects the Bank's dedication to supporting the growth and development of their business activities.

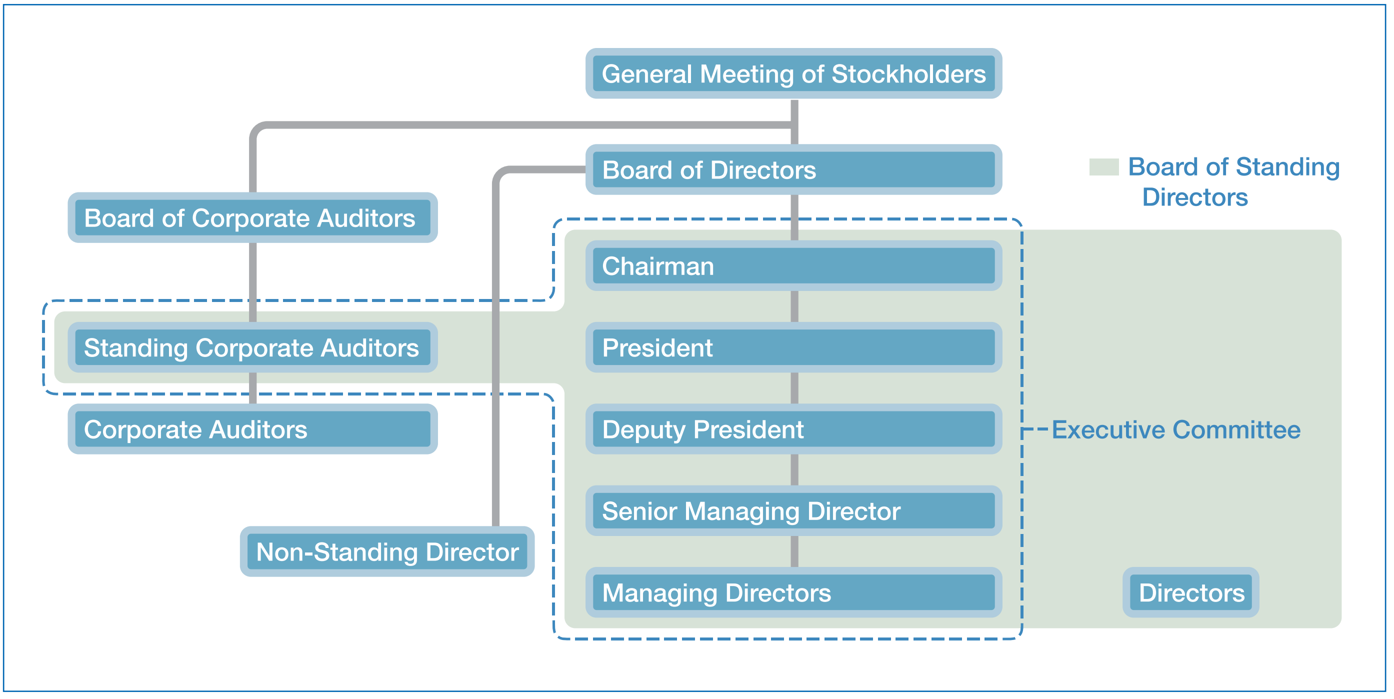
# Strengthening Corporate Social Responsibility

## Enhancing corporate governance

Yamanashi Chuo Bank fully recognizes its social responsibility as a banking institution and its public-service mission in that role. Accordingly, it aims to secure the trust of the community it serves by such means as maintaining sound management and assuring transparency, seeking constantly to assist the prosperity of the local region and the development of its economy.

The Bank's board of directors has 13 members, one of whom is an external director who is insulated from executive duties and therefore has an independence that enhances the board's oversight functions. There is a conventional corporate governance system under which statutory auditors audit the execution of their duties by the board of directors, both collectively and individually, throughout the Bank's operations. We currently have four corporate auditors, of whom two are outside auditors. This structure was reinforced in June 2005 by the introduction of a system of executive officers, the objective of which is to enhance the Bank's ability to respond swiftly and accurately to changes in the business environment, and to assure the effectiveness of its corporate governance.

**Corporate Governance System**




## Developing an internal control system

The Bank's internal control system, whose functions include monitoring the appropriateness of business operations, involves verifying the effectiveness and appropriateness of the internal management structures in all head-office divisions. This is conducted by the internal audit group within the Auditing Division, which reports its findings to the President, to ensure that the system provides adequate restraints.

In addition, the Compliance Committee and Risk Management Committee, both chaired by senior managing directors, check day-to-day business practices from the perspective of legal compliance and of risk management, and report important matters to the board of directors, thereby enhancing the internal control system.

## Strengthening the risk management structure

While addressing the quantification of such risks as credit risk and market risk, the Bank also regards it as essential to create a more sophisticated system for handling such unquantifiable risks as administrative, system, and legal (compliance) risk.

To achieve this, the Compliance and Risk Control Group has been established within the Corporate Administration Division, and the Bank's integrated risk management structure is being strengthened, including through the integrated management of diverse risks, the measurement of various risks, and the imposition of controls in the sphere of compliance.

# **Financial Review** (on a consolidated basis)

## Operating Environment

The economy of Yamanashi Prefecture, the Bank's principal business base, maintained its recovery during the first half of the reporting term. Principal factors powering this included ongoing high operating ratios in the manufacturing sector in the fields of digital consumer electronic products and capital-investment-related goods, and a stable employment situation. In the second half of the period, however, production activity slackened, including in the prefecture's mainstay machinery industry, and prices of raw materials rose sharply. Factors such as these exerted downward pressure on corporate earnings.

On the demand side, meanwhile, certain areas of consumer spending and capital investment appeared firm, but factors such as the sluggishness of public works spending and housing investment put the brakes on any overall rise in demand, and the prefectural economy underwent an adjustment phase whose scope widened during the year.

Amid these financial and economic conditions, the Bank and its subsidiaries and affiliates made a Group-wide effort to ensure the success of the eighth long-term management plan, which was in its first year. Efforts were focused on boosting profitability and the foundations of Group business operations, and on enhancing the efficiency of operations.

## Overview of Earnings

Total income (operating income plus extraordinary profit) was buoyed by efficient securities investment, an increase in income from fees and commissions generated by the expansion of the over-the-counter sale of government bonds, investment trusts and insurance products, and an increase in gains from equity sales. Nevertheless, total income fell by ¥1,254 million year-on-year, to ¥55,151 million (US$514 million), owing to the one-off posting in the previous year of income in the form of a gain from the return of the substitutional portion of the employee pension fund. At the same time, total expenses (operating expenses plus extraordinary losses) fell by ¥2,683 million, to ¥40,542 million (US$378 million), primarily as a result of a substantial decline in the amount transferred to the reserve for possible loan losses.

As a result of these developments, operating profit, which excludes extraordinary profits/losses, rose by 65.4% to ¥14,704 million. Net income, however, was impacted by a steep fall in extraordinary profit, falling by 5.5% year-on-year, to ¥6,112 million (US$57 million). In consequence, earnings per share were ¥32.88 (US$0.30) and the ratio of net income to shareholders' equity was 4.1%. The capital ratio rose by 0.36 of a percentage point, to 11.77%, a figure well above the 9.08% ratio that was the average for all regional banks operating solely in Japan.

## Overview of Principal Accounts

The balance of deposits (including certificates of deposit) increased by ¥73,800 million, to ¥2,275,130 million (US$21,186 million), primarily as a result of the Bank's vigorous efforts to expand its customer base. The balance of assets in custody, comprising holdings of government bonds and investment trusts, increased by ¥49,174 million, to ¥149,435 million.

The balance of loans and bills discounted at the year-end fell by ¥2,090 million year-on-year, to ¥1,418,589 million (US$13,210 million). This was attributable primarily to sluggish demand for funds.

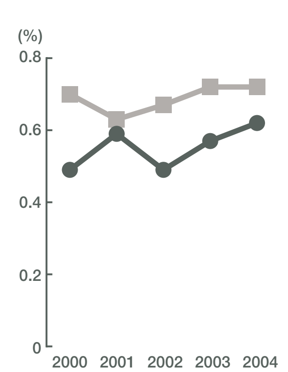
The balance of investment securities held rose by ¥32,267 million, to ¥853,221 million (US$7,945 million). The principal factors behind this increase were purchases of government and municipal bonds, and well-timed investments in securities through close monitoring of the investment environment and market movements.

## Cash Flows

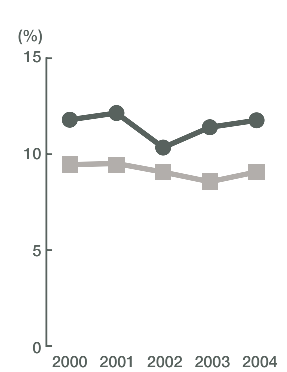
Cash and cash equivalents increased by ¥53,992 million to a balance of ¥120,156 million (US$1,119 million) at the year-end.

Net cash provided by operating activities fell by ¥540 million from the previous year, to ¥83,302 million (US$776 million). This was attributable to a ¥26,047 million increase in call loans accompanied by a ¥17,655 million rise in call money. Net cash used in investing activities totaled ¥28,360 million (US$264 million), down by ¥53,926 million. The key factor in this was that purchases of investment securities declined from the previous year, to ¥158,640 million. Net cash used in financing activities amounted to ¥992 million (US$9 million) due to the payment of dividends.

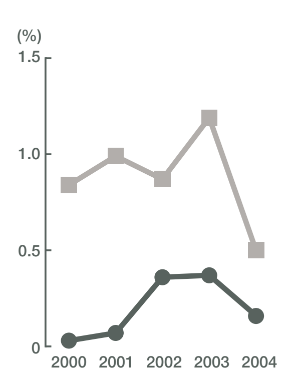
ROA



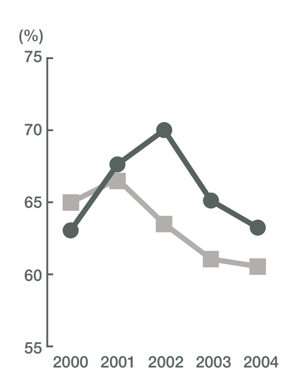

Capital ratio (Domestic standard)




Ratio of expenses for bad debt disposal to total credit balance




OHR




Yamanashi Chuo Bank    Average of Japanese regional banks

# Consolidated Balance Sheets

The Yamanashi Chuo Bank, Ltd. and Subsidiaries
March 31, 2005 and 2004

| | Millions of yen | | Thousands of U.S. dollars (Note 1) |
|---|---|---|---|
| | **2005** | 2004 | **2005** |
| **Assets:** | | | |
| Cash and due from banks (Note 17) | **¥ 121,788** | ¥ 67,764 | **$ 1,134,073** |
| Call loans and bills bought | **90,152** | 59,298 | **839,485** |
| Monetary claims bought (Note 4) | **15,705** | 20,511 | **146,244** |
| Trading securities (Notes 3 and 9) | **87** | 596 | **813** |
| Investment securities (Notes 4 and 9) | **853,221** | 820,954 | **7,945,078** |
| Loans and bills discounted (Notes 5 and 6) | **1,418,589** | 1,420,679 | **13,209,696** |
| Foreign exchanges | **670** | 275 | **6,246** |
| Other assets (Note 9) | **16,756** | 18,573 | **156,038** |
| Premises and equipment (Note 8) | **28,521** | 28,916 | **265,589** |
| Deferred tax assets (Note 14) | **916** | 6,093 | **8,533** |
| Customers' liabilities for acceptances and guarantees (Note 10) | **22,714** | 22,408 | **211,512** |
| Reserve for possible loan losses | **(37,656)** | (38,382) | **(350,653)** |
| **Total** | **¥2,531,467** | ¥2,427,690 | **$23,572,657** |
| **Liabilities:** | | | |
| Deposits (Notes 9 and 11) | **¥2,152,963** | ¥2,121,727 | **$20,048,077** |
| Negotiable certificates of deposit | **122,167** | 79,603 | **1,137,606** |
| Call money and bills sold | **49,020** | 31,364 | **456,473** |
| Borrowed money (Note 9) | **1,400** | 1,623 | **13,043** |
| Foreign exchanges | **128** | 160 | **1,200** |
| Other liabilities (Note 7) | **20,000** | 16,580 | **186,238** |
| Liability for retirement benefits (Note 12) | **8,580** | 8,760 | **79,898** |
| Deferred tax liabilities (Note 14) | **1,089** | | **10,142** |
| Acceptances and guarantees (Note 10) | **22,714** | 22,408 | **211,512** |
| Total liabilities | **2,378,064** | 2,282,229 | **22,144,193** |
| **Minority interests** | **413** | 774 | **3,847** |
| **Shareholders' equity:** | | | |
| Common stock—authorized, 398,000,000 shares; issued, 189,915,000 shares in 2005 and 2004 (Note 13) | **15,400** | 15,400 | **143,402** |
| Capital surplus | **8,289** | 8,287 | **77,186** |
| Retained earnings (Note 13) | **98,573** | 93,419 | **917,899** |
| Unrealized gain on available-for-sale securities (Note 4) | **32,929** | 29,713 | **306,633** |
| Treasury stock—at cost, 5,209,748 shares in 2005 and 5,102,910 shares in 2004 (Note 13) | **(2,202)** | (2,134) | **(20,505)** |
| Total shareholders' equity | **152,989** | 144,686 | **1,424,616** |
| **Total** | **¥2,531,467** | ¥2,427,690 | **$23,572,657** |

See notes to consolidated financial statements.

# Consolidated Statements of Income

The Yamanashi Chuo Bank, Ltd. and Subsidiaries
Years ended March 31, 2005 and 2004

| | Millions of yen | | Thousands of U.S. dollars (Note 1) |
|---|---|---|---|
| | **2005** | 2004 | **2005** |
| **Income:** | | | |
| Interest income: | | | |
| Interest on loans and discounts | **¥26,687** | ¥26,882 | **$248,508** |
| Interest and dividends on securities | **10,780** | 9,188 | **100,387** |
| Interest on call loans and bills bought | **1,389** | 1,554 | **12,937** |
| Other interest income | **368** | 348 | **3,433** |
| Fees and commissions | **7,609** | 7,297 | **70,853** |
| Other operating income (Note 18) | **4,714** | 4,565 | **43,903** |
| Other income (Note 15) | **3,601** | 6,568 | **33,537** |
| Total income | **55,151** | 56,405 | **513,561** |
| **Expenses:** | | | |
| Interest expenses: | | | |
| Interest on deposits | **579** | 649 | **5,400** |
| Interest on negotiable certificates of deposit | **43** | 35 | **409** |
| Interest on call money and bills sold | **714** | 278 | **6,657** |
| Other interest expenses | **1,416** | 1,544 | **13,191** |
| Fees and commissions | **1,566** | 1,566 | **14,589** |
| Other operating expenses | **6,279** | 6,326 | **58,473** |
| General and administrative expenses | **25,931** | 25,757 | **241,469** |
| Other expenses (Note 16) | **4,009** | 7,068 | **37,334** |
| Total expenses | **40,542** | 43,225 | **377,526** |
| **Income before income taxes and minority interests** | **14,608** | 13,179 | **136,034** |
| **Income taxes** (Note 14)**:** | | | |
| Current | **4,904** | 3,320 | **45,671** |
| Deferred | **3,741** | 3,160 | **34,836** |
| Total income taxes | **8,645** | 6,481 | **80,507** |
| **Minority interests** | **(149)** | 230 | **(1,395)** |
| **Net income** | **¥ 6,112** | ¥ 6,467 | **$ 56,923** |

| | Yen | | U.S. dollars |
|---|---|---|---|
| **Net income per share** (Note 2) | **¥32.88** | ¥34.80 | **$0.30** |
| **Cash dividends per share** (Note 13) | **5.00** | 5.00 | **0.04** |

See notes to consolidated financial statements.

# Consolidated Statements of Shareholders' Equity

The Yamanashi Chuo Bank, Ltd. and Subsidiaries
Years ended March 31, 2005 and 2004

| | Thousands | Millions of yen | | | | |
|---|---|---|---|---|---|---|
| | Issued number of shares of common stock | Common stock | Capital surplus | Retained earnings | Unrealized gain on available-for-sale securities | Treasury stock |
| **Balance, April 1, 2003** | 189,915 | ¥15,400 | ¥8,287 | ¥87,875 | ¥11,782 | ¥(2,116) |
| Net income | | | | 6,467 | | |
| Cash dividends: | | | | | | |
| Final for prior year, ¥2.50 per share | | | | (462) | | |
| Interim for current year, ¥2.50 per share | | | | (462) | | |
| Net increase in treasury stock (37,988 shares) | | | | | | (18) |
| Net increase in unrealized gain on available-for-sale securities | | | | | 17,930 | |
| **Balance, March 31, 2004** | 189,915 | 15,400 | 8,287 | 93,419 | 29,713 | (2,134) |
| Net income | | | | **6,112** | | |
| Cash dividends (Note 13): | | | | | | |
| Final for prior year, ¥2.50 per share | | | | **(462)** | | |
| Interim for current year, ¥2.50 per share | | | | **(461)** | | |
| Bonuses to directors and corporate auditors | | | | **(35)** | | |
| Net increase in treasury stock (106,838 shares) | | | | | | **(67)** |
| Gains on sales of treasury stock | | | **1** | | | |
| Net increase in unrealized gain on available-for-sale securities | | | | | **3,215** | |
| **Balance, March 31, 2005** | **189,915** | **¥15,400** | **¥8,289** | **¥98,573** | **¥32,929** | **¥(2,202)** |

| | Thousands of U.S. dollars (Note 1) | | | | |
|---|---|---|---|---|---|
| | Common stock | Capital surplus | Retained earnings | Unrealized gain on available-for-sale securities | Treasury stock |
| **Balance, March 31, 2004** | $143,402 | $77,173 | $869,908 | $276,690 | $(19,877) |
| Net income | | | **56,923** | | |
| Cash dividends (Note 13): | | | | | |
| Final for prior year, $0.02 per share | | | **(4,302)** | | |
| Interim for current year, $0.02 per share | | | **(4,301)** | | |
| Bonuses to directors and corporate auditors | | | **(327)** | | |
| Net increase in treasury stock (106,838 shares) | | | | | **(627)** |
| Gains on sales of treasury stock | | **12** | | | |
| Net increase in unrealized gain on available-for-sale securities | | | | **29,943** | |
| **Balance, March 31, 2005** | **$143,402** | **$77,186** | **$917,899** | **$306,633** | **$(20,505)** |

See notes to consolidated financial statements.

# Consolidated Statements of Cash Flows

The Yamanashi Chuo Bank, Ltd. and Subsidiaries
Years ended March 31, 2005 and 2004

| | Millions of yen | | Thousands of U.S. dollars (Note 1) |
|---|---|---|---|
| | **2005** | 2004 | **2005** |
| **Operating activities:** | | | |
| Income before income taxes and minority interests | **¥ 14,608** | ¥ 13,179 | **$ 136,034** |
| Depreciation | **5,546** | 5,386 | **51,645** |
| Decrease in reserve for possible loan losses | **(725)** | (2,066) | **(6,757)** |
| Decrease in reserve for possible losses on loans sold collateralized by real estate | | (106) | |
| Decrease in liability for retirement benefits | **(179)** | (2,802) | **(1,674)** |
| Interest income recognized on statements of income | **(39,225)** | (37,974) | **(365,266)** |
| Interest expenses recognized on statements of income | **2,755** | 2,507 | **25,659** |
| Investment securities gains | **(1,175)** | (77) | **(10,941)** |
| Foreign exchange (gains) losses | **(599)** | 1,301 | **(5,582)** |
| Losses (gains) on sales of premises and equipment | **148** | (226) | **1,380** |
| Net decrease in loans | **1,865** | 35,945 | **17,373** |
| Net increase (decrease) in deposits | **31,396** | (22,189) | **292,362** |
| Net increase (decrease) in negotiable certificates of deposit | **42,563** | (12,988) | **396,348** |
| Net (decrease) increase in borrowed money (excluding subordinated borrowings) | **(223)** | 122 | **(2,077)** |
| Net (increase) decrease in due from banks (excluding cash equivalents) | **(31)** | 37 | **(294)** |
| Net (increase) decrease in call loans and others | **(26,047)** | 57,075 | **(242,552)** |
| Net increase in call money and others | **17,655** | 19,623 | **164,408** |
| Net (increase) decrease in foreign exchanges (asset) | **(395)** | 45 | **(3,679)** |
| Net (decrease) increase in foreign exchanges (liabilities) | **(31)** | 72 | **(295)** |
| Interest income (cash basis) | **41,011** | 39,851 | **381,892** |
| Interest expenses (cash basis) | **(2,726)** | (2,957) | **(25,384)** |
| Other | **1,239** | (8,543) | **11,540** |
| Subtotal | **87,430** | 85,216 | **814,141** |
| Income taxes paid | **(4,128)** | (1,374) | **(38,440)** |
| Net cash provided by operating activities | **83,302** | 83,842 | **775,701** |
| **Investing activities:** | | | |
| Purchases of investment securities | **(158,640)** | (242,217) | **(1,477,238)** |
| Proceeds from sales of investment securities | **56,472** | 58,627 | **525,866** |
| Proceeds from maturities of investment securities | **75,173** | 102,948 | **700,006** |
| Purchases of premises and equipment | **(1,643)** | (2,093) | **(15,302)** |
| Proceeds from sales of premises and equipment | **276** | 448 | **2,574** |
| Net cash used in investing activities | **(28,360)** | (82,286) | **(264,092)** |
| **Financing activities:** | | | |
| Dividends paid | **(923)** | (924) | **(8,603)** |
| Payment of dividends to minority interests | **(2)** | (2) | **(22)** |
| Purchases of treasury stock | **(70)** | (21) | **(657)** |
| Proceeds from sales of treasury stock | **4** | 2 | **41** |
| Net cash used in financing activities | **(992)** | (944) | **(9,241)** |
| **Effect of exchange rate changes on cash and cash equivalents** | **42** | 19 | **394** |
| **Net increase in cash and cash equivalents** | **53,991** | 630 | **502,761** |
| **Cash and cash equivalents, beginning of year** | **66,164** | 65,534 | **616,116** |
| **Cash and cash equivalents, end of year** (Note 17) | **¥120,156** | ¥ 66,164 | **$1,118,877** |

See notes to consolidated financial statements.

# Notes to Consolidated Financial Statements

The Yamanashi Chuo Bank, Ltd. and Subsidiaries
Years ended March 31, 2005 and 2004

## 1. Basis of presenting the consolidated financial statements

The accompanying consolidated financial statements of The Yamanashi Chuo Bank, Ltd. (the "Bank") and subsidiaries 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, 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 have been made in the 2004 consolidated financial statements to conform to the classifications used in 2005.

All yen figures are rounded down to millions of yen except for per share data. Accordingly, totals and subtotals may differ slightly with the sum of the individual account amounts.

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

## 2. Summary of significant accounting policies

***Consolidation***—The consolidated financial statements include the accounts of the Bank and all subsidiaries.

Under the control or influence concept, those companies in which the parent company, directly or indirectly, is able to exercise control over operations are fully consolidated.

The excess of cost over net assets of subsidiaries acquired is charged to income when incurred.

All significant intercompany balances and transactions have been eliminated in consolidation. All material unrealized profit included in assets resulting from transactions within the Bank and consolidated subsidiaries is eliminated.

***Cash and cash equivalents***—For the purpose of reporting cash flows, cash and cash equivalents are defined as cash and due from the Bank of Japan.

***Trading and investment securities***—All applicable securities are classified and accounted for, depending on management's intent, as follows: (1) trading 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 management has 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 shareholders' equity. Non-marketable available-for-sale securities are stated at cost determined by the moving-average method. The cost of securities sold is determined based on the moving-average method.

***Premises and equipment***—Premises and equipment are stated at cost less accumulated depreciation. Deferred profit arising from the sale and replacement of real estate is deducted from the cost of the related assets acquired as permitted under the provisions of the Japanese tax regulations. Depreciation of premises and equipment is primarily computed by the declining-balance method at rates based on the estimated useful lives of the assets while the straight-line method is applied to buildings acquired after April 1, 1998. The range of useful lives is from 3 to 50 years for buildings and from 2 to 20 years for equipment.

***Property and equipment for lease***—Property and equipment for lease owned by a consolidated subsidiary included in other assets are stated at cost less accumulated depreciation. Depreciation of property and equipment for lease is primarily computed by the straight-line method over the lease periods.

***Foreign currency items***—Foreign currency assets and liabilities are translated into yen at the exchange rates prevailing at the balance sheet date.

Currency swap transactions, exchange swap transactions (funds-related swap transactions) and similar transactions are accounted for using deferral hedge accounting in accordance with the principle provisions of "Treatment of Accounting and Auditing Concerning Accounting for Foreign Currency Transaction in the Banking Industry" (JICPA Industry Audit Committee Report No. 25).

***Derivative and hedging activities***—Derivative transactions are measured at fair value.

The Bank applies the deferred method of accounting to hedges of foreign exchange risks arising from foreign currency denominated monetary assets and liabilities in accordance with JICPA Industry Audit Committee Report No. 25.

In deferred hedging activities, currency swap transactions, exchange swap transactions (funds-related swap transactions) and similar transactions hedging the foreign exchange risks of monetary assets and liabilities denominated in foreign currencies are assessed based on a comparison of the foreign currency position of the hedged monetary assets and liabilities and the hedging instruments.

***Reserve for possible loan losses***—The reserve for possible loan losses is stated in amounts considered to be appropriate based on management's judgment and an assessment of future losses estimated through the Bank's self assessment of the quality of all loans.

The Bank has a credit rating system and a self assessment system. These systems are used to assess the Bank's asset quality based on past experience of credit losses, possible credit losses, analysis of customers' conditions, such as business conditions, character and quality and the overall performance of the portfolio. All loans are subject to asset quality assessment conducted by the business-related divisions in accordance with the Self-Assessment Standards, and the results of the assessments are reviewed by the Asset Audit Division, which is independent from the business-related divisions, before the reserve amount is finally determined. All loans are classified into one of the five categories for self assessment purposes, "normal," "caution," "possible bankruptcy," "virtual bankruptcy" or "legal bankruptcy."

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

The policy for the reserve for possible loan losses of subsidiaries is similar to the Bank's.

***Retirement and pension plans***—Employees whose service with the Bank and subsidiaries are terminated are, under most circumstances, entitled to retirement and pension benefits determined by reference to basic rates of pay at the time of termination, length of service and conditions under which the termination occurs. The Bank and its subsidiaries have a contributory funded pension plan covering most of their employees.

The Bank and its subsidiaries accounted for the liability for retirement benefits based on projected benefit obligations and plan assets at the balance sheet date.

***Leases***—All leases are accounted for as operating leases. Under Japanese accounting standards for leases, finance leases that are deemed 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 lessee's financial statements.

***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 tax bases of assets and liabilities. Deferred taxes are measured by applying currently enacted tax laws to the temporary differences.

***Appropriations of retained earnings***—Appropriations of retained earnings are reflected in the financial statements in the following year upon shareholders' approval.

***Per share information***—Net income per share is computed by dividing net income available to common shareholders by the weighted-average number of common shares outstanding for the period, retroactively adjusted for stock splits.

Diluted net income per share is not disclosed because there are no outstanding potentially dilutive securities.

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

***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 Bank expects to adopt these pronouncements as of April 1, 2005 and is currently in the process of assessing the effect of adoption of these pronouncements.

## 3. Trading securities

Trading securities at March 31, 2005 and 2004, consisted of national government bonds.

The fair value and fair value changes of trading securities at March 31, 2005 and 2004, were as follows:

| | Millions of yen | | Thousands of U.S. dollars |
|---|---|---|---|
| | **2005** | 2004 | **2005** |
| Fair value of trading securities | **¥87** | ¥596 | **$813** |
| Fair value gain included in income before income taxes and other | | | **1** |

## 4. Investment securities

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

| | Millions of yen | | Thousands of U.S. dollars |
|---|---|---|---|
| | **2005** | 2004 | **2005** |
| Government bonds | **¥401,112** | ¥357,592 | **$3,735,096** |
| Municipal bonds | **160,726** | 179,605 | **1,496,663** |
| Corporate bonds | **109,661** | 126,043 | **1,021,147** |
| Stocks | **81,035** | 80,727 | **754,586** |
| Other securities | **100,687** | 76,984 | **937,583** |
| Total | **¥853,221** | ¥820,954 | **$7,945,078** |

Differences between the carrying amount and the cost or fair value of investment securities at March 31, 2005 and 2004, were as follows. (Securities listed below include commercial paper which are included in "Monetary claims bought.")

**Marketable held-to-maturity debt securities**

| | Millions of yen | | | | | | | | | | Thousands of U.S. dollars | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | **2005** | | | | | 2004 | | | | | **2005** | | | | |
| | Carrying amount | Fair value | Differences | Gain | Loss | Carrying amount | Fair value | Differences | Gain | Loss | Carrying amount | Fair value | Differences | Gain | Loss |
| Other securities ....... | **¥999** | **¥999** | | | | ¥2,999 | ¥2,999 | | | | **$9,309** | **$9,310** | **$1** | **$1** | |

**Marketable available-for-sale securities**

| | Millions of yen | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | **2005** | | | | | 2004 | | | | |
| | Cost | Carrying amount | Valuation differences | Gain | Loss | Cost | Carrying amount | Valuation differences | Gain | Loss |
| Stocks ..................................... | **¥ 48,382** | **¥ 80,584** | **¥32,202** | **¥32,491** | **¥289** | ¥ 46,387 | ¥ 79,992 | ¥33,605 | ¥33,774 | ¥ 169 |
| Bonds ..................................... | **648,961** | **664,656** | **15,694** | **15,701** | **6** | 649,437 | 659,148 | 9,711 | 11,189 | 1,478 |
| Government bonds ............ | **392,651** | **401,112** | **8,460** | **8,462** | **1** | 354,656 | 357,592 | 2,936 | 3,552 | 616 |
| Municipal bonds ................ | **155,147** | **160,726** | **5,579** | **5,579** | | 174,280 | 179,605 | 5,324 | 6,101 | 776 |
| Corporate bonds ................ | **101,163** | **102,818** | **1,654** | **1,659** | **4** | 120,500 | 121,950 | 1,449 | 1,535 | 85 |
| Other ...................................... | **95,098** | **100,474** | **5,375** | **5,513** | **138** | 72,759 | 76,984 | 4,224 | 4,328 | 104 |
| Total ............................... | **¥792,442** | **¥845,715** | **¥53,272** | **¥53,707** | **¥434** | ¥768,584 | ¥816,125 | ¥47,541 | ¥49,293 | ¥1,752 |

| | Thousands of U.S. dollars | | | | |
|---|---|---|---|---|---|
| | **2005** | | | | |
| | Cost | Carrying amount | Valuation differences | Gain | Loss |
| Stocks ........................................................................................................ | **$ 450,527** | **$ 750,392** | **$299,864** | **$302,560** | **$2,696** |
| Bonds ........................................................................................................ | **6,043,036** | **6,189,186** | **146,149** | **146,208** | **59** |
| Government bonds ........................................................................... | **3,656,308** | **3,735,096** | **78,787** | **78,801** | **13** |
| Municipal bonds ............................................................................... | **1,444,708** | **1,496,663** | **51,954** | **51,954** | |
| Corporate bonds ............................................................................... | **942,018** | **957,426** | **15,407** | **15,453** | **45** |
| Other ......................................................................................................... | **885,547** | **935,599** | **50,052** | **51,343** | **1,291** |
| Total .................................................................................................. | **$7,379,111** | **$7,875,178** | **$496,066** | **$500,112** | **$4,046** |

***Available-for-sale securities sold***—Available-for-sale securities sold during the fiscal years ended March 31, 2005 and 2004, were as follows:

| | Millions of yen | | Thousands of U.S. dollars |
|---|---|---|---|
| | **2005** | 2004 | **2005** |
| Proceeds from sale ................................................................................. | **¥53,472** | ¥55,698 | **$497,924** |
| Gross realized gain ................................................................................ | **2,448** | 1,550 | **22,804** |
| Gross realized loss ................................................................................. | **1,196** | 1,361 | **11,140** |

***Securities whose fair value is not readily determinable***—Principal items in securities whose fair value is not readily determinable at March 31, 2005 and 2004, were as follows:

| | Millions of yen | | Thousands of U.S. dollars |
|---|---|---|---|
| | **2005** | 2004 | **2005** |
| Held-to-maturity debt securities: | | | |
| Non-listed corporate bonds ............................................................... | **¥6,470** | ¥3,719 | **$60,247** |
| Available-for-sale securities: | | | |
| Non-listed stocks ................................................................................ | **450** | 735 | **4,194** |
| Non-listed corporate bonds ............................................................... | **373** | 373 | **3,473** |
| Investment in capital of limited liability partnership ..................................... | **212** | | **1,977** |

***Redemption schedule of bonds held***—The redemption schedule of bonds classified as securities available-for-sale and held-to-maturity at March 31, 2005, was as follows:

| | Millions of yen | | | | Thousands of U.S. dollars | | | |
|---|---|---|---|---|---|---|---|---|
| | 1 year or less | 1 to 5 years | 5 to 10 years | Over 10 years | 1 year or less | 1 to 5 years | 5 to 10 years | Over 10 years |
| Bond ........................................................... | **¥48,350** | **¥358,882** | **¥161,442** | **¥102,824** | **$450,233** | **$3,341,859** | **$1,503,332** | **$957,482** |
| Government bonds ................................ | **2,602** | **190,695** | **104,990** | **102,824** | **24,231** | **1,775,725** | **977,658** | **957,482** |
| Municipal bonds .................................... | **20,712** | **98,718** | **41,295** | | **192,871** | **919,253** | **384,537** | |
| Corporate bonds .................................... | **25,035** | **69,468** | **15,156** | | **233,130** | **646,880** | **141,136** | |
| Other ........................................................... | **3,972** | **6,122** | **43,368** | **1,217** | **36,991** | **57,012** | **403,845** | **11,333** |
| Total .................................................... | **¥52,323** | **¥365,004** | **¥204,811** | **¥104,041** | **$487,224** | **$3,398,871** | **$1,907,178** | **$968,815** |

***Details of net gain***—The details of the net unrealized gain on available-for-sale securities at March 31, 2005 and 2004, were as follows:

| | Millions of yen | | Thousands of U.S. dollars |
|---|---|---|---|
| | **2005** | 2004 | **2005** |
| Valuation difference (amount in the balance sheet—cost)—available-for-sale securities | **¥53,272** | ¥47,541 | **$496,066** |
| Deferred tax liability | **(20,304)** | (17,778) | **(189,072)** |
| Net unrealized gain (before minority interests) | **32,968** | 29,762 | **306,993** |
| Minority interests | **(38)** | (48) | **(360)** |
| Net unrealized gain | **¥32,929** | ¥29,713 | **$306,633** |

## 5. 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 | **¥ 21,537** | ¥ 23,864 | **$ 200,549** |
| Loans on bills | **116,085** | 118,278 | **1,080,969** |
| Loans on deeds | **1,061,528** | 1,043,046 | **9,884,793** |
| Overdraft | **219,438** | 235,489 | **2,043,383** |
| Total | **¥1,418,589** | ¥1,420,679 | **$13,209,696** |

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

| | Millions of yen | | Thousands of U.S. dollars |
|---|---|---|---|
| | **2005** | 2004 | **2005** |
| Loans to customers in bankruptcy | **¥ 6,146** | ¥ 3,555 | **$ 57,239** |
| Past due loans | **68,718** | 68,198 | **639,898** |
| Accruing loans contractually past due three months or more | **101** | 408 | **942** |
| Restructured loans | **18,137** | 39,243 | **168,897** |
| Total | **¥93,104** | ¥111,406 | **$866,976** |

Loans to customers in bankruptcy represent nonaccrual loans to debtors who are legally bankrupt, as defined in Article 96, Paragraph 1, Subparagraphs 3 and 4 of Enforcement Ordinance for the Corporation Tax Law, and past due loans are defined as nonaccrual loans except for loans to customers in bankruptcy and loans of which the interest payments are deferred in order to assist in the financial recovery of a debtor in financial difficulties.

Accruing loans contractually past due three months or more, are loans on which the principal or interest is three months or more past due.

Restructured loans are loans for which the Bank is relaxing lending conditions, such as: reduction of the original interest rate, deferral of interest payment, extension of maturity date, or reduction of the amount of the debt or accrued interest.

The reserve for possible loan losses is not deducted from the loan amounts shown above.

Bills discounted are accounted for as financial transactions in accordance with "Treatment for Accounting and Auditing of Application of Accounting Standard for Financial Instruments in Banking Industry" (JICPA Industry Audit Committee Report No. 24). The Bank has rights to sell or pledge commercial bills discounted and foreign exchanges bought without restrictions, and their face amounts were ¥21,789 million ($202,897 thousand) and ¥23,899 million at March 31, 2005 and 2004, respectively.

Loan participation agreements, under which the Bank has acquired the economic benefits and risks of the underlying loans from the original lender, were ¥21,172 million ($197,156 thousand) and ¥41,914 million at March 31, 2005 and 2004, respectively.

## 6. Loan commitments

Commitment line contracts on overdrafts and loans are agreements to lend to customers when they apply for borrowing up, to the prescribed amount as long as there is no violation of any condition established in the contract. The amount of unused commitments as of March 31, 2005 was ¥371,663 million ($3,460,880 thousand) which includes commitments of ¥357,095 million ($3,325,225 thousand) whose original contract terms were within one year or unconditionally cancelable at any time. Since many of these commitments are expected to expire without being drawn upon, the total amount of unused commitments does not necessarily represent actual future cash flow requirements. Many of these commitments have clauses that allow the Bank to withdraw the commitment line offer or reduce the contract amounts in situations where economic conditions are changed, the Bank needs to secure claims, or other conditions are triggered. In addition, the Bank requires the customers to pledge collateral such as premises and securities, and takes necessary measures such as seizing the customers' financial positions, revising contracts when the need arises and securing claims after conclusion of the contracts.

## 7. Assets and liabilities resulting from hedge accounting

Gains, losses and valuation differences related to hedging instruments were recorded in "Other liabilities" on the balance sheet on a net basis as deferred hedge losses. On a gross-up basis, deferred hedge losses and deferred hedge gains as of March 31, 2005 were ¥0 million ($3 thousand) and ¥29 million ($273 thousand), respectively.

## 8. Premises and equipment

Accumulated depreciation at March 31, 2005 and 2004, amounted to ¥29,041 million ($270,429 thousand) and ¥28,759 million, respectively.

## 9. Assets pledged

Assets pledged as collateral at March 31, 2005, were as follows:

| | Millions of yen | Thousands of U.S. dollars |
|---|---|---|
| Investment securities | **¥562** | **$5,236** |

Liabilities related to the above pledged assets at March 31, 2005, were as follows:

| | Millions of yen | Thousands of U.S. dollars |
|---|---|---|
| Deposits | **¥708** | **$6,592** |
| Borrowed money | **295** | **2,746** |

In addition, trading and investment securities totaling ¥135,272 million ($1,259,642 thousand) and other assets totaling ¥18 million ($174 thousand) were pledged as collateral for settlement of exchange and derivative transactions, or as margin on forward contracts at March 31, 2005.

## 10. Customers' liabilities for acceptances and guarantees

All contingent liabilities arising from acceptances and guarantees are reflected in "Acceptances and guarantees." As a contra account, "Customers' liabilities for acceptances and guarantees" are shown on the asset side representing the Bank's right of indemnity from the applicants.

## 11. 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 | **¥ 73,803** | ¥ 64,417 | **$ 687,248** |
| Ordinary deposits | **997,383** | 903,362 | **9,287,485** |
| Saving deposits | **29,556** | 30,598 | **275,221** |
| Deposits at notice | **5,143** | 4,555 | **47,897** |
| Time deposits | **977,005** | 1,055,323 | **9,097,732** |
| Other | **70,071** | 63,470 | **652,491** |
| Total | **¥2,152,963** | ¥2,121,727 | **$20,048,077** |

## 12. Employees' retirement benefits

The liability for 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 | **¥(21,833)** | ¥(20,072) | **$(203,312)** |
| Fair value of plan assets | **9,530** | 9,584 | **88,743** |
| Unrecognized actuarial loss | **3,723** | 1,727 | **34,670** |
| Net liability | **¥ (8,580)** | ¥ (8,760) | **$ (79,898)** |

On February 1, 2004, the Bank received approval for an exemption from payments of benefits related to future employee services in respect of the substitutional portion of their pension funds from the Minister of Health, Labour and Welfare, based on the Law Concerning Defined Benefit Corporate Pension Plans. In accordance with the transitional treatment permitted by Article 47-2 of "Practical Guidelines for Accounting for Retirement Benefits (Interim Report)" (JICPA Accounting Committee Report No. 13), the Bank derecognized the future retirement benefit obligations relating to the substitutional portion of the pension funds and the pension assets on the date of the approval.

As a result of the exemption, the Bank recognized a gain on exemption from the future pension obligation of the governmental program in the amount of ¥3,760 million for the year ended March 31, 2004.

The amount of the substitutional portion of the retirement benefit obligations was ¥7,061 million as of March 31, 2004.

The components of net periodic retirement 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 | **¥ 712** | ¥ 998 | **$ 6,638** |
| Interest cost | **501** | 763 | **4,672** |
| Expected return on plan assets | **(147)** | (257) | **(1,375)** |
| Amortization of actuarial loss | **244** | 819 | **2,280** |
| Amortization of prior service cost | | (53) | |
| Net periodic retirement benefit costs | **1,311** | 2,268 | **12,216** |
| Gain on exemption from the future pension obligation of the governmental program | | (3,760) | |
| Total | **¥1,311** | ¥(1,491) | **$12,216** |

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

| | **2005** | 2004 |
|---|---|---|
| Discount rate | **2.0%** | 2.5% |
| Expected rate of return on plan assets | **2.5%** | 2.5% |
| Recognition period of actuarial gain/loss | **10 years commencing from start of the subsequent fiscal year** | 10 years commencing from start of the subsequent fiscal year |

## 13. Shareholders' equity

Japanese companies are subject to the Japanese Commercial Code (the "Code").

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 shareholders without consideration as a stock split. Such issuance of shares generally does not give rise to changes within the shareholders' accounts.

The Banking Law of Japan provides that an amount at least equal to 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 as a legal reserve (a component of retained earnings) until such reserve and additional paid-in capital and legal reserve equals 100% of common stock. The amount of total additional paid-in capital and legal reserve that exceeds 100% of the common stock may be available for dividends by resolution of the shareholders. 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 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 the amount of common stock, additional paid-in capital or legal reserve to be reduced in the case where such reduction was resolved at the shareholders 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 ¥86,821 million ($808,467 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 shareholders 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.

## 14. Income taxes

The Bank and subsidiaries are subject to Japanese national and local income taxes which, in the aggregate, resulted in normal effective statutory tax rates of approximately 40.2% and 41.5% for the years ended March 31, 2005 and 2004, respectively. The tax effects of significant temporary differences and loss carryforwards which resulted in deferred tax assets and liabilities at March 31, 2005 and 2004 are as follows:

| | Millions of yen | | Thousands of U.S. dollars |
|---|---|---|---|
| | **2005** | 2004 | **2005** |
| Deferred tax assets: | | | |
| Reserve for possible loan losses | **¥14,191** | ¥14,615 | **$132,153** |
| Losses on investment securities | **5,325** | 6,045 | **49,586** |
| Liability for retirement benefits | **5,281** | 5,212 | **49,181** |
| Unrealized losses on available-for-sale securities | **174** | 704 | **1,626** |
| Depreciation | **779** | 798 | **7,256** |
| Other | **1,806** | 1,729 | **16,825** |
| Valuation allowance | **(5,684)** | (2,961) | **(52,937)** |
| Total deferred tax assets | **21,874** | 26,145 | **203,692** |
| Deferred tax liabilities: | | | |
| Unrealized gains on available-for-sale securities | **20,479** | 18,483 | **190,699** |
| Other | **1,568** | 1,568 | **14,602** |
| Total deferred tax liabilities | **22,047** | 20,051 | **205,301** |
| Net deferred tax assets (liabilities) | **¥ (172)** | ¥ 6,093 | **$ (1,608)** |

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 years ended March 31, 2005 and 2004 is as follows:

| | **2005** | 2004 |
|---|---|---|
| Normal effective statutory tax rate | **40.2%** | 41.5% |
| Valuation allowance | **18.6** | 7.1 |
| Income not taxable for income tax purposes | **(1.2)** | (1.1) |
| Expenses not deductible for income tax purposes | **0.2** | 0.3 |
| Other—net | **1.3** | 1.4 |
| Actual effective tax rate | **59.1%** | 49.2% |

## 15. 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** |
| Gain on sales of securities | **¥2,448** | ¥1,550 | **$22,804** |
| Gain on exemption from the future pension obligation of the governmental program | | 3,760 | |
| Other | **1,152** | 1,258 | **10,733** |
| Total | **¥3,601** | ¥6,568 | **$33,537** |

## 16. 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** |
| Provision for reserve for possible loan losses | **¥2,964** | ¥5,353 | **$27,609** |
| Loss on sales of claims | **219** | 310 | **2,046** |
| Amortization of actuarial loss | **244** | 765 | **2,280** |
| Loss on devaluation of stocks and other securities | **77** | 100 | **724** |
| Loss on disposal of premises and equipment | **231** | 167 | **2,158** |
| Other | **270** | 370 | **2,514** |
| Total | **¥4,009** | ¥7,068 | **$37,334** |

## 17. Reconciliation of cash and cash equivalents

The reconciliation of the cash and due from banks in the consolidated balance sheets to the cash and cash equivalents at March 31, 2005 and 2004, is as follows:

| | Millions of yen | | Thousands of U.S. dollars |
|---|---|---|---|
| | **2005** | 2004 | **2005** |
| Cash and due from banks | **¥121,788** | ¥67,764 | **$1,134,073** |
| Due from banks, excluding due from the Bank of Japan | **(1,631)** | (1,600) | **(15,196)** |
| Cash and cash equivalents | **¥120,156** | ¥66,164 | **$1,118,877** |

## 18. Lease transactions

***Lessor***

A subsidiary leases certain equipment and other assets.

Total lease receipts under finance leases, which are included in "Other operating income" in the accompanying consolidated statements of income for the years ended March 31, 2005 and 2004, were ¥3,618 million ($33,691 thousand) and ¥2,671 million, respectively.

Pro forma information of leased property such as acquisition cost, accumulated depreciation, lease receivables under finance leases, depreciation expense, and interest income of finance leases that do not transfer ownership of the leased property to the lessee on an "as if capitalized" basis for the years ended March 31, 2005 and 2004, was as follows:

For the year ended March 31, 2005

| | Millions of yen | | | Thousands of U.S. dollars | | |
|---|---|---|---|---|---|---|
| | Equipment | Other | Total | Equipment | Other | Total |
| Acquisition cost | **¥15,819** | **¥2,984** | **¥18,804** | **$147,310** | **$27,795** | **$175,105** |
| Accumulated depreciation | **8,520** | **1,547** | **10,068** | **79,343** | **14,410** | **93,753** |
| Net leased property | **¥ 7,298** | **¥1,437** | **¥ 8,736** | **$ 67,966** | **$13,385** | **$ 81,351** |

Lease receivables under finance leases:

| | Millions of yen | Thousands of U.S. dollars |
|---|---|---|
| Due within one year | **¥2,880** | **$26,825** |
| Due after one year | **6,450** | **60,063** |
| Total | **¥9,331** | **$86,889** |

For the year ended March 31, 2004

| | Millions of yen | | |
|---|---|---|---|
| | Equipment | Other | Total |
| Acquisition cost | ¥11,097 | ¥2,041 | ¥13,138 |
| Accumulated depreciation | 5,654 | 941 | 6,595 |
| Net leased property | ¥ 5,442 | ¥1,100 | ¥ 6,542 |

Lease receivables under finance leases:

| | Millions of yen |
|---|---|
| Due within one year | ¥2,142 |
| Due after one year | 4,667 |
| Total | ¥6,810 |

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

Depreciation expense and interest income for the year ended March 31, 2005, was ¥3,014 million ($28,070 thousand) and ¥492 million ($4,587 thousand), respectively, and for the year ended March 31, 2004, was ¥2,317 million and ¥352 million, respectively.

## 19. Derivatives

***Nature of derivatives***—The Bank uses derivative financial instruments including interest rate swaps, foreign exchange forward contracts, interest rate futures, bond futures and options.

***The Bank's policy for using derivatives***—The Bank uses derivatives carefully to respond to its client's diverse needs and to hedge against market risks such as interest rate and foreign exchange rate fluctuations.

For certain derivative transactions, the Bank uses trading transactions within the contract limits which the Bank stipulates. The Bank does not enter into derivative transactions for speculative purposes.

***Purpose for derivatives***—Derivative transactions are used on the basis of the Bank's policy for using derivatives indicated above.

Hedge accounting is applied to certain derivative transactions.

(a) Accounting for hedge activities

The deferral method was adopted for hedging activities.

(b) Hedging policy

In accordance with the internal rules of the Bank that comply with the "accounting standards for derivative financial instruments" and other regulations, risk from fluctuations in currency exchange rates is hedged.

Hedged items and hedging instruments to which hedge accounting was applied for the fiscal year under review are as follows:

Hedged items:

Foreign-currency denominated assets—Loans, call loans

Foreign-currency denominated liabilities—Deposits

Hedging instruments:

Foreign currency swap

(c) Assessment of the effectiveness of hedging instruments

Effectiveness is assessed by comparisons of the foreign currency position of the hedged monetary assets and liabilities and the hedging instruments.

***Risk associated with derivatives***—The major risks associated with derivative financial instruments are credit risk and market risk. Credit risk is the possible loss that may result from a counterparty's failure to perform according to the terms and conditions of the contract. To reduce credit risk, the Bank restricts the counterparties through internal regulation. Market risk is the possible loss that may result from market fluctuations such as interest rates and foreign exchange. The Bank does not anticipate significant losses because the main purpose of the Bank's derivative transactions is to hedge market fluctuations.

The amount of exposure related to credit risk on foreign exchange forward contracts as of March 31, 2005 and 2004, was ¥847 million ($7,892 thousand) and ¥921 million, respectively. Figures as of March 31, 2005 and 2004, were computed using the current exposure method.

***Risk control system for derivatives***—The Bank manages derivatives strictly in accordance with internal risk management regulations, including position limits and loss-cut rules, so as not to have a significant impact on the Bank's operating results.

The contract amount and fair value of derivatives as of March 31, 2005 and 2004, consisted of the following:

**Foreign exchange forward contracts which are measured at fair value**

| | Millions of yen | | | |
|---|---|---|---|---|
| | **2005** | | | 2004 |
| | Contract amount | Fair value | Unrealized gain (loss) | Contract amount |
| Forward contracts: | | | | |
| Selling | **¥ 71** | **¥(1)** | **¥(1)** | ¥249 |
| Buying | **180** | **2** | **2** | 410 |

| | Thousands of U.S. dollars | | |
|---|---|---|---|
| | **2005** | | |
| | Contract amount | Fair value | Unrealized gain (loss) |
| Forward contracts: | | | |
| Selling | **$ 669** | **$(14)** | **$(14)** |
| Buying | **1,680** | **24** | **24** |

The contract or notional amounts of derivatives which are shown in the above tables do not present the Bank's exposure to credit or market risk.

## 20. Subsequent event

***Appropriations of retained earnings***

The payment of year-end dividends of ¥2.5 ($0.02) per share totaling ¥461 million ($4,299 thousand) was approved at the general shareholders meeting held on June 29, 2005.

## 21. Business segment information

The Bank and its subsidiaries are engaged in commercial banking, leasing and other businesses.

Information about business segments of the Bank and subsidiaries for the year ended March 31, 2005, is as follows:

| | Millions of yen | | | | | |
|---|---|---|---|---|---|---|
| | **2005** | | | | | |
| | Banking | Leasing | Other | Total | Eliminations/ corporate | Consolidated |
| a. Operating income and operating profit: | | | | | | |
| Operating income | **¥ 49,827** | **¥ 5,886** | **¥ 1,259** | **¥ 56,973** | **¥ (2,006)** | **¥ 54,967** |
| (1) Operating income from customers | **49,534** | **4,598** | **834** | **54,967** | | **54,967** |
| (2) Internal operating income among segment | **293** | **1,287** | **425** | **2,006** | **(2,006)** | |
| Operating expenses | **35,470** | **5,779** | **1,019** | **42,270** | **(2,007)** | **40,262** |
| Operating profit | **14,357** | **106** | **239** | **14,703** | **1** | **14,704** |
| b. Assets, depreciation and capital expenditures: | | | | | | |
| Assets | **2,529,310** | **13,998** | **11,577** | **2,554,886** | **(23,419)** | **2,531,467** |
| Depreciation | **1,620** | **3,921** | **4** | **5,546** | | **5,546** |
| Capital expenditures | **823** | **4,219** | **1** | **5,044** | | **5,044** |

| | Thousands of U.S. dollars | | | | | |
|---|---|---|---|---|---|---|
| | **2005** | | | | | |
| | Banking | Leasing | Other | Total | Eliminations/ corporate | Consolidated |
| a. Operating income and operating profit: | | | | | | |
| Operating income | **$ 463,986** | **$ 54,814** | **$ 11,727** | **$ 530,527** | **$ (18,680)** | **$ 511,846** |
| (1) Operating income from customers | **461,256** | **42,823** | **7,766** | **511,846** | | **511,846** |
| (2) Internal operating income among segment | **2,730** | **11,990** | **3,960** | **18,680** | **(18,680)** | |
| Operating expenses | **330,294** | **53,821** | **9,497** | **393,613** | **(18,696)** | **374,916** |
| Operating profit | **133,691** | **992** | **2,230** | **136,914** | **15** | **136,929** |
| b. Assets, depreciation and capital expenditures: | | | | | | |
| Assets | **23,552,569** | **130,353** | **107,810** | **23,790,733** | **(218,076)** | **23,572,657** |
| Depreciation | **15,092** | **36,512** | **40** | **51,645** | | **51,645** |
| Capital expenditures | **7,672** | **39,286** | **11** | **46,970** | | **46,970** |

Information about business segments of the Bank and subsidiaries for the year ended March 31, 2004, is as follows:

| | Millions of yen | | | | | |
|---|---|---|---|---|---|---|
| | 2004 | | | | | |
| | Banking | Leasing | Other | Total | Eliminations/ corporate | Consolidated |
| a. Operating income and operating profit: | | | | | | |
| Operating income | ¥ 47,043 | ¥ 5,733 | ¥ 1,158 | ¥ 53,935 | ¥ (1,985) | ¥ 51,949 |
| (1) Operating income from customers | 46,755 | 4,418 | 775 | 51,949 | | 51,949 |
| (2) Internal operating income among segment | 288 | 1,314 | 383 | 1,985 | (1,985) | |
| Operating expenses | 38,501 | 5,439 | 1,056 | 44,997 | (1,939) | 43,058 |
| Operating profit | 8,541 | 293 | 102 | 8,937 | (46) | 8,891 |
| b. Assets, depreciation and capital expenditures: | | | | | | |
| Assets | 2,425,905 | 14,165 | 11,564 | 2,451,635 | (23,945) | 2,427,690 |
| Depreciation | 1,359 | 4,025 | 2 | 5,386 | | 5,386 |
| Capital expenditures | 1,504 | 3,687 | 2 | 5,194 | | 5,194 |

Notes: 1. Operating income represents total income less certain special income included in other income in the accompanying consolidated statements of income.
2. Operating expenses represent total expenses less certain special expenses included in other expenses in the accompanying consolidated statements of income.

Deloitte.

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## Independent Auditors' Report

To the Board of Directors of
The Yamanashi Chuo Bank, Ltd.:

We have audited the accompanying consolidated balance sheets of The Yamanashi Chuo Bank, Ltd. and subsidiaries 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 Bank'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 financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of The Yamanashi Chuo Bank, Ltd. and subsidiaries as of March 31, 2005 and 2004, and the consolidated results of their operations and their cash flows for the years then ended in conformity with accounting principles generally accepted in Japan.

Our audits also comprehended the translation of Japanese yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made in conformity with the basis stated in Note 1. Such U.S. dollar amounts are presented solely for the convenience of readers outside Japan.

Deloitte Touche Tohmatsu

June 29, 2005

Member of
Deloitte Touche Tohmatsu

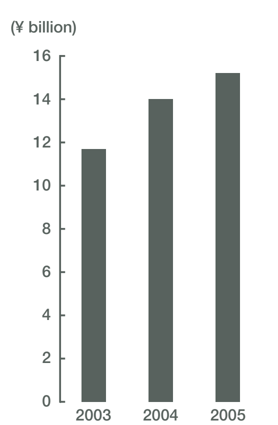
# Non-Consolidated Financial Highlights

The Yamanashi Chuo Bank, Ltd.
March 31, 2005, 2004 and 2003

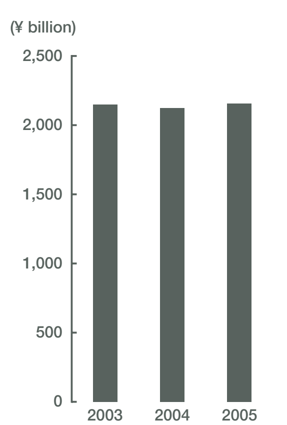
| | Millions of yen | | | Thousands of U.S. dollars |
|---|---|---|---|---|
| | **2005** | 2004 | 2003 | **2005** |
| **For the year** | | | | |
| Total income | **¥ 49,362** | ¥ 50,950 | ¥ 44,910 | **$ 459,660** |
| Total expenses | **34,985** | 38,326 | 55,550 | **325,775** |
| Income (loss) before income taxes | **14,377** | 12,623 | (10,639) | **133,884** |
| Net income (loss) | **6,024** | 6,371 | (8,760) | **56,100** |
| Core net business profit | **15,158** | 13,954 | 11,741 | **141,152** |
| **At year-end** | | | | |
| Deposits | **¥2,156,548** | ¥2,125,177 | ¥2,147,074 | **$20,081,462** |
| Loans and bills discounted | **1,430,150** | 1,432,582 | 1,469,318 | **13,317,350** |
| Investment securities | **853,148** | 820,422 | 715,020 | **7,944,392** |
| Total assets | **2,529,704** | 2,425,595 | 2,422,420 | **23,556,243** |
| Shareholders' equity | **152,809** | 144,618 | 121,269 | **1,422,937** |
| **Per share of common stock** (in yen and U.S. dollars) | | | | |
| Net income (loss) | **¥ 32.40** | ¥ 34.28 | ¥ (46.52) | **$ 0.30** |
| Cash dividends applicable to the year | **5.00** | 5.00 | 5.00 | **0.04** |

Notes: 1. Yen figures are rounded down to the nearest million yen.
2. U.S. dollar figures have been converted from Japanese yen, solely for convenience, at the rate of ¥107.39=US$1, the rate prevailing on March 31, 2005.
3. Net income (loss) per share is computed by dividing net income available to common shareholders, by the weighted-average number of common shares outstanding for the period, retroactively adjusted for stock splits.

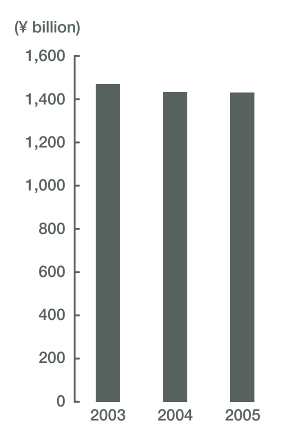
Core net business profit



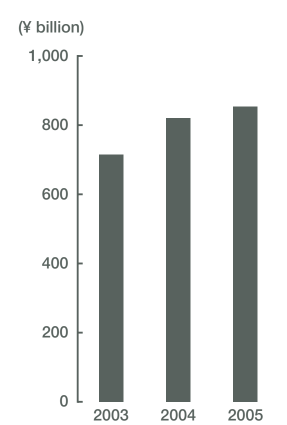

Deposits




Loans and bills discounted




Investment securities



# Non-Consolidated Balance Sheets

The Yamanashi Chuo Bank, Ltd.
March 31, 2005 and 2004

| | Millions of yen | | Thousands of U.S. dollars |
|---|---|---|---|
| | **2005** | 2004 | **2005** |
| **Assets:** | | | |
| Cash and due from banks | **¥ 121,784** | ¥ 67,737 | **$ 1,134,040** |
| Call loans and bills bought | **90,152** | 59,298 | **839,485** |
| Monetary claims bought | **13,845** | 18,753 | **128,925** |
| Trading securities | **87** | 596 | **813** |
| Investment securities | **853,148** | 820,422 | **7,944,392** |
| Loans and bills discounted | **1,430,150** | 1,432,582 | **13,317,350** |
| Foreign exchanges | **670** | 275 | **6,246** |
| Other assets | **5,138** | 6,413 | **47,853** |
| Premises and equipment | **27,114** | 28,025 | **252,482** |
| Deferred tax assets | | 5,318 | |
| Customers' liabilities for acceptances and guarantees | **22,714** | 22,408 | **211,512** |
| Reserve for possible loan losses | **(35,101)** | (36,238) | **(326,858)** |
| **Total** | **¥2,529,704** | ¥2,425,595 | **$23,556,243** |
| **Liabilities:** | | | |
| Deposits | **¥2,156,548** | ¥2,125,177 | **$20,081,462** |
| Negotiable certificates of deposit | **123,567** | 81,003 | **1,150,642** |
| Call money and bills sold | **49,020** | 31,364 | **456,473** |
| Foreign exchanges | **128** | 160 | **1,200** |
| Other liabilities | **15,253** | 12,102 | **142,037** |
| Liability for retirement benefits | **8,580** | 8,760 | **79,898** |
| Deferred tax liabilities | **1,082** | | **10,078** |
| Acceptances and guarantees | **22,714** | 22,408 | **211,512** |
| Total liabilities | **2,376,895** | 2,280,976 | **22,133,305** |
| **Shareholders' equity:** | | | |
| Common stock—authorized, 398,000,000 shares; issued, 189,915,000 shares in 2005 and 2004 | **15,400** | 15,400 | **143,402** |
| Capital surplus: | | | |
| Additional paid-in capital | **8,287** | 8,287 | **77,170** |
| Other capital surplus | **1** | | **15** |
| Retained earnings: | | | |
| Legal reserve | **9,405** | 9,405 | **87,580** |
| Unappropriated | **89,021** | 83,956 | **828,957** |
| Unrealized gain on available-for-sale securities | **32,895** | 29,703 | **306,316** |
| Treasury stock—at cost, 5,209,748 shares in 2005 and 5,102,910 shares in 2004 | **(2,202)** | (2,134) | **(20,505)** |
| Total shareholders' equity | **152,809** | 144,618 | **1,422,937** |
| **Total** | **¥2,529,704** | ¥2,425,595 | **$23,556,243** |

# Non-Consolidated Statements of Income

The Yamanashi Chuo Bank, Ltd.
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 discounts | **¥26,719** | ¥26,919 | **$248,804** |
| Interest and dividends on securities | **10,768** | 9,174 | **100,279** |
| Interest on call loans and bills bought | **1,389** | 1,554 | **12,937** |
| Other interest income | **368** | 348 | **3,433** |
| Fees and commissions | **6,554** | 6,262 | **61,038** |
| Other operating income | **186** | 211 | **1,739** |
| Other income | **3,374** | 6,478 | **31,427** |
| Total income | **49,362** | 50,950 | **459,660** |
| **Expenses:** | | | |
| Interest expenses: | | | |
| Interest on deposits | **580** | 649 | **5,400** |
| Interest on negotiable certificates of deposit | **44** | 35 | **411** |
| Interest on call money | **714** | 278 | **6,657** |
| Other interest expenses | **1,398** | 1,524 | **13,026** |
| Fees and commissions | **2,003** | 1,968 | **18,653** |
| Other operating expenses | **1,193** | 1,361 | **11,110** |
| General and administrative expenses | **26,087** | 26,058 | **242,926** |
| Other expenses | **2,962** | 6,450 | **27,587** |
| Total expenses | **34,985** | 38,326 | **325,775** |
| **Income before income taxes** | **14,377** | 12,623 | **133,884** |
| **Income taxes:** | | | |
| Current | **4,464** | 3,149 | **41,573** |
| Deferred | **3,888** | 3,101 | **36,210** |
| Total income taxes | **8,353** | 6,251 | **77,783** |
| **Net income** | **¥ 6,024** | ¥ 6,371 | **$ 56,100** |

| | Yen | | U.S. dollars |
|---|---|---|---|
| **Net income per share** | **¥32.40** | ¥34.28 | **$0.30** |

# Non-Consolidated Statements of Shareholders' Equity

The Yamanashi Chuo Bank, Ltd.
Years ended March 31, 2005 and 2004

| | Thousands | Millions of yen | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Issued number of shares of common stock | Common stock | Capital surplus: Additional paid-in capital | Capital surplus: Other capital surplus | Retained earnings: Legal reserve | Retained earnings: Unappropriated | Unrealized gain on available-for-sale securities | Treasury stock |
| **Balance, April 1, 2003** | 189,915 | ¥15,400 | ¥8,287 | | ¥9,405 | ¥78,509 | ¥11,783 | ¥(2,116) |
| Net income | | | | | | 6,371 | | |
| Cash dividends, ¥5.00 per share | | | | | | (924) | | |
| Net increase in treasury stock (37,988 shares) | | | | | | | | (18) |
| Net increase in unrealized gain on available-for-sale securities | | | | | | | 17,920 | |
| **Balance, March 31, 2004** | 189,915 | 15,400 | 8,287 | | 9,405 | 83,956 | 29,703 | (2,134) |
| Net income | | | | | | **6,024** | | |
| Cash dividends, ¥5.00 per share | | | | | | **(35)** | | |
| Bonuses to directors and corporate auditors | | | | | | **(923)** | | |
| Net increase in treasury stock (106,838 shares) | | | | | | | | **(67)** |
| Gains on sales of treasury stock | | | | **¥1** | | | | |
| Net increase in unrealized gain on available-for-sale securities | | | | | | | **3,191** | |
| **Balance, March 31, 2005** | **189,915** | **¥15,400** | **¥8,287** | **¥1** | **¥9,405** | **¥89,021** | **¥32,895** | **¥(2,202)** |

| | Thousands of U.S. dollars | | | | | | |
|---|---|---|---|---|---|---|---|
| | Common stock | Capital surplus: Additional paid-in capital | Capital surplus: Other capital surplus | Retained earnings: Legal reserve | Retained earnings: Unappropriated | Unrealized gain on available-for-sale securities | Treasury stock |
| **Balance, March 31, 2004** | $143,402 | $77,170 | $ 2 | $87,580 | $781,788 | $276,599 | $(19,877) |
| Net income | | | | | **56,100** | | |
| Cash dividends, $0.05 per share | | | | | **(327)** | | |
| Bonuses to directors and corporate auditors | | | | | **(8,603)** | | |
| Net increase in treasury stock (106,838 shares) | | | | | | | **(627)** |
| Gains on sales of treasury stock | | | **12** | | | | |
| Net increase in unrealized gain on available-for-sale securities | | | | | | **29,717** | |
| **Balance, March 31, 2005** | **$143,402** | **$77,170** | **$15** | **$87,580** | **$828,957** | **$306,316** | **$(20,505)** |

Notes: 1. Yen figures are rounded down to the nearest million yen.
2. U.S. dollar figures have been converted from Japanese yen, solely for convenience, at the rate of ¥107.39=US$1, the rate prevailing on March 31, 2005.
3. Net income per share is computed by dividing net income available to common shareholders, by the weighted-average number of common shares outstanding for the period, retroactively adjusted for stock splits.

# Corporate Data

(as of March 31, 2005)

**Common Stock:** ¥15,400 million

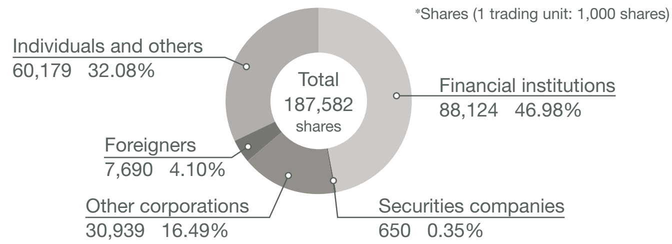
**Number of Shares:**
**Authorized** 398,000,000 shares
**Issued** 189,915,000 shares

**Number of Stockholders:** 7,183

**Stock Listing:** First Section of Tokyo Exchange

**Transfer Agent:** The Mitsubishi Trust & Banking Corp.

**Breakdown of Stockholders**




Note: The category "Individuals and others" contains treasury stock in the number of 5,209 trading units of shares.

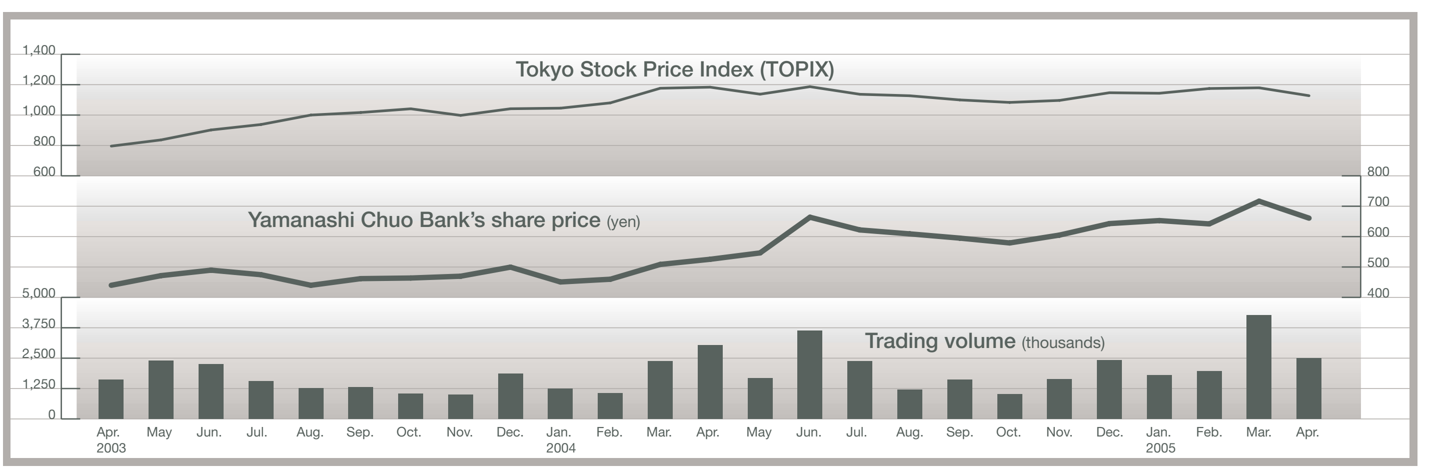
**Major Stockholders**

| Name | Number of shares held (thousands) | Percentage of all shares issued |
|---|---|---|
| Japan Trustee Services Bank, Ltd. | 12,085 | 6.36 |
| The Bank of Tokyo-Mitsubishi, Ltd. | 8,962 | 4.71 |
| Meiji Yasuda Life Insurance Company | 6,047 | 3.18 |
| The Yamanashi Chuo Bank, Ltd. Employees' Stockholdings | 5,940 | 3.12 |
| The Tokio Marine and Fire Insurance Co., Ltd. | 5,600 | 2.94 |
| The Master Trust Bank of Japan, Ltd. | 5,278 | 2.77 |
| Sompo Japan Insurance Inc. | 4,328 | 2.27 |
| Mizuho Corporate Bank, Ltd. | 3,736 | 1.96 |
| The Joyo Bank, Ltd. | 3,217 | 1.69 |
| Fukoku Mutual Life Insurance Company | 3,000 | 1.57 |
| Total | 58,195 | 30.64 |

**Subsidiaries**

| | Capital (Millions of yen) | Yamanashi Chuo Bank's share (%) | Lines of business |
|---|---|---|---|
| Yamanashi Chuo Guarantee Co., Ltd. | 20 | 5 | Loan guarantees, credit investigation |
| Yamanashi Chugin Lease Co., Ltd. | 20 | 30 | Leasing |
| Yamanashi Chugin DC Card Co., Ltd. | 20 | 30 | Credit cards |
| Yamanashi Chugin Business Service Co., Ltd. | 10 | 100 | Banking-related clerical services |
| Yamanashi Chugin Management Consulting Co., Ltd. | 200 | 45 | Consulting, investment |

**Yamanashi Chuo Bank's Share Price and Trading Volume on the Tokyo Stock Exchange**



# Board of Directors and Corporate Auditors

(as of June 29, 2005)

**Chairman**
Nobukazu Yoshizawa

**President**
Kentaro Ono

**Senior Managing Director**
Toshihisa Ashizawa

**Managing Directors**
Masahiko Mukouyama
Yasuhiko Imamura
Takatoshi Kikushima
Nakaba Shindo
Yoshihiko Fukasawa

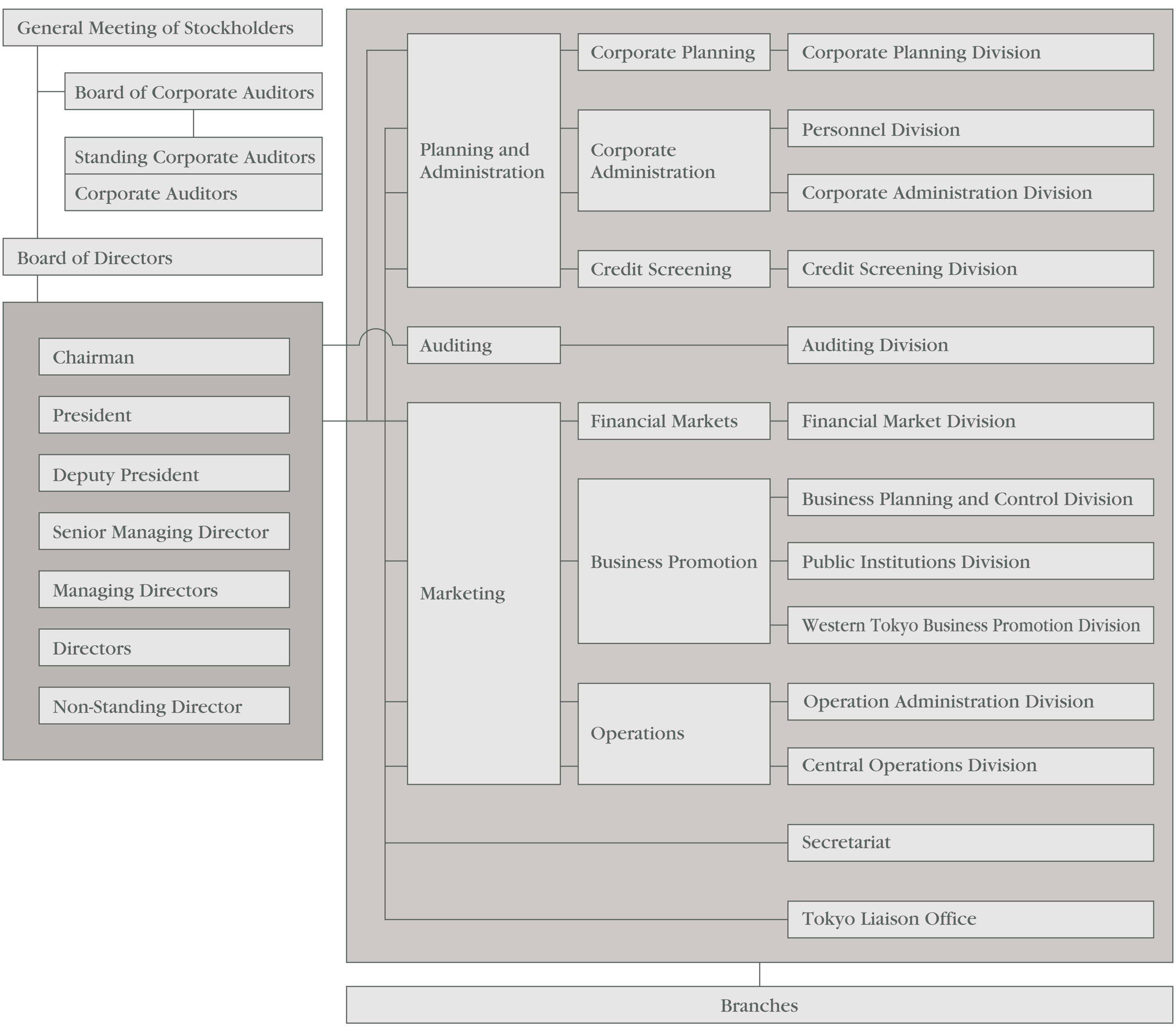
**Directors**
Akio Hosoda
Takeshi Akaoka
Akiyasu Kurata
Shigeo Kunugi
Kiyoshi Yanagisawa

**Standing Corporate Auditors**
Tadaaki Haibara
Takehiko Sano

**Corporate Auditors**
Tomomitsu Takeda
Soichi Takano

# Organization

(as of August 1, 2005)



# Service Network

(as of August 1, 2005)

**Head Office**

### HEAD OFFICE

20-8, Marunouchi 1-chome, Kofu, Yamanashi 400-8601
Phone: 055-233-2111

### INTERNATIONAL TEAM, BUSINESS PLANNING AND CONTROL DIVISION

20-8, Marunouchi 1-chome, Kofu, Yamanashi 400-8601
Phone: 055-224-1164
SWIFT Address: YCHB JPJT

### HONG KONG REPRESENTATIVE OFFICE

2020 Hutchison House, 10 Harcourt Road, Central, Hong Kong
Phone: 852-2801-7010

### FOREIGN EXCHANGE OFFICES

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**Shinjuku Branch**
24-1, Nishi-Shinjuku 1-chome, Shinjuku-ku, Tokyo 163-8691
Phone: 03-3342-2231

**Yanagimachi Branch**
7-13, Chuo 4-chome, Kofu, Yamanashi 400-8691
Phone: 055-233-4141

**Minami Branch**
24-6, Otamachi, Kofu, Yamanashi 400-0865
Phone: 055-232-3401

**Yumura Branch**
10-11, Shiobe 4-chome, Kofu, Yamanashi 400-0026
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**Kofu-Ekimae Branch**
16-2, Marunouchi 2-chome, Kofu, Yamanashi 400-0031
Phone: 055-224-3445

**Takeda-Dori Branch**
11-1, Takeda 2-chome, Kofu, Yamanashi 400-0016
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**Kokubo Branch**
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**Kugawa Branch**
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Phone: 055-228-3355

**Aonuma Branch**
11-6, Aonuma 2-chome, Kofu, Yamanashi 400-0867
Phone: 055-232-5731

**Kusakabe Branch**
1222-1, Kami-Kanogawa, Yamanashi, Yamanashi 405-8691
Phone: 0553-22-1711

**Enzan Branch**
1106-4, Kamiozo, Enzan, Yamanashi 404-8691
Phone: 0553-33-3211

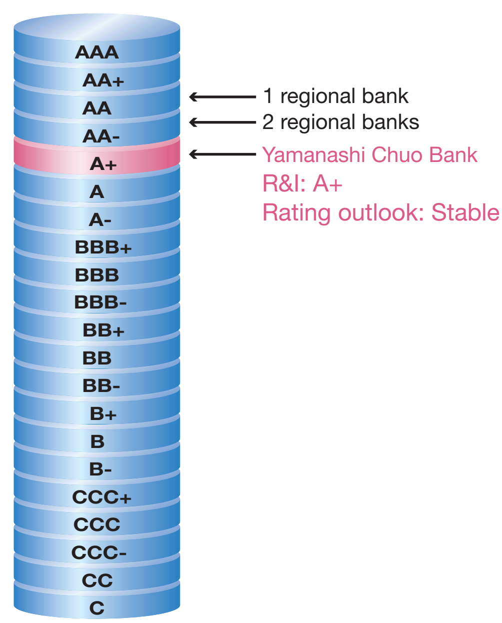
**Ichikawa Branch**
1289-5, Ichikawa-Daimoncho, Nishi-Yatsushiro-gun, Yamanashi 409-3601
Phone: 055-272-1121

**Nirasaki Branch**
9-33, Honcho 2-chome, Nirasaki, Yamanashi 407-8601
Phone: 0551-22-2211

**Yoshida Branch**
500-1, Shimo-Yoshida, Fuji-Yoshida, Yamanashi 403-0004
Phone: 0555-22-3100

**Tsuru Branch**
2-15, Chuo 2-chome, Tsuru, Yamanashi 402-0052
Phone: 0554-43-2151

**Long-Term Credit Ratings** (as of April 30, 2005)



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