ANNUAL REPORT
2006
YAMANASHI CHUO BANK

Our Mission

"Region-Based Operations and Sound Management"

Maintaining strong ties to the region in which we operate, we will contribute to the prosperity of the local community and the development of its economy, with a commitment to sound management trusted by our customers, while bolstering our business operations.

Profile

Corporate Name:	The Yamanashi Chuo Bank, Ltd.
Head Office:	20-8, Marunouchi 1-chome, Kofu, Yamanashi
Established:	December 1, 1941
President:	Kentaro Ono
Common Stock:	¥15,400 million
Number of Shares Issued:	189,915,000 shares
Stock Listing:	First Section of Tokyo Stock Exchange
Long-Term Credit Rating:	A+ (Rating and Investment Information, Inc.)
Businesses:	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 financing service that includes a leasing and credit-card business. The Bank is the leading local bank in Yamanashi Prefecture, which is its principal base of operations and which is located in the Tokyo metropolitan region. The Bank also operates branches in adjacent districts of western Tokyo.

Contents

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.

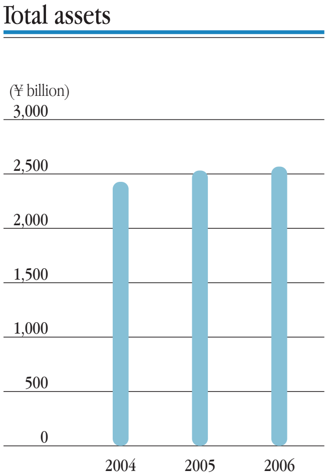
Consolidated Financial Highlights

The Yamanashi Chuo Bank, Ltd. and Subsidiaries
March 31, 2006, 2005 and 2004

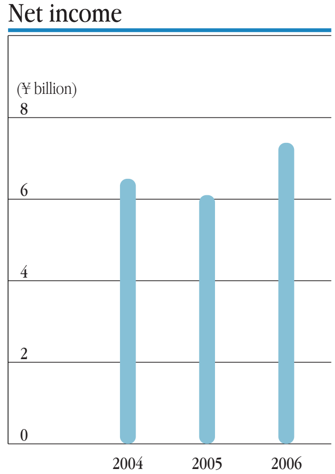
	Millions of yen			Thousands of U.S. dollars
	2006	2005	2004	**2006**
For the year				
Total income	**¥ 60,298**	¥ 55,151	¥ 56,405	**$ 513,305**
Total expenses	**44,269**	40,542	43,225	**376,854**
Income before income taxes and minority interests	**16,028**	14,608	13,179	**136,451**
Net income	**7,382**	6,112	6,467	**62,845**
At year-end				
Deposits	**¥2,166,311**	¥2,152,963	¥2,121,727	**$18,441,401**
Loans and bills discounted	**1,467,872**	1,418,589	1,420,679	**12,495,722**
Investment securities	**909,632**	853,221	820,954	**7,743,533**
Total assets	**2,567,475**	2,531,467	2,427,690	**21,856,432**
Shareholders' equity	**173,236**	152,989	144,686	**1,474,728**
Per share of common stock (in yen and U.S. dollars)				
Net income	**¥ 39.76**	¥ 32.88	¥ 34.80	**$ 0.33**
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 ¥117.47=US$1, the rate prevailing on March 31, 2006.
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.

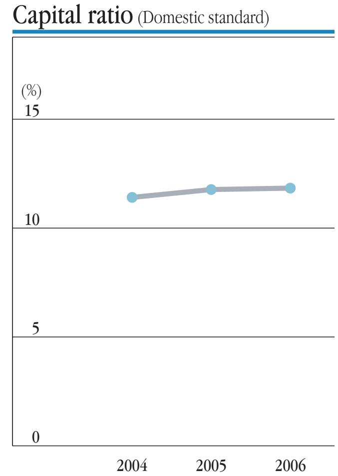
Total assets



Net income



Capital ratio (Domestic standard)



Kentaro Ono, *President*

We will devote our energies to enhancing customer loyalty by continuing to merit the confidence of our customers, and to building a bank with a low-cost, high-earnings structure.

Let me take this opportunity to thank our shareholders and other stakeholders for their enduring support for the Group, and to give you an overview of our business performance in fiscal 2005 (the year from April 2005 to March 2006) and a report on our management policies for the future.

Overview of fiscal 2005 performance

The fiscal year under review was the second year of our eighth long-term management plan, called “Evolution 8” (which runs from April 2004 to March 2007). To attain our goals under the plan, the Group is fully committed to strengthening profitability, expanding its management base, and enhancing operating efficiency.

In August 2005, we drew up the Plan for Enhancement of Relationship Banking, whose main objectives are to develop the local economy and community and improve customer satisfaction in the community, in line with our role as a regional financial institution. To that end, we worked on various initiatives, including promoting business revitalization and financing small and medium-sized enterprises, strengthening our management capability, and improving convenience for local users.

On the operations front, we offered comprehensive support to customer companies in cooperation with external organizations (industry-government-academia). Our involvement encompassed the founding and start-up of new businesses, the development and revitalization of businesses, extension of enterprise funds, management consultation, business matching, and the provision of information.

For individual customers, we improved our products so that they could more readily use mortgages and other loans. In asset management, we enhanced the product line in investment trusts and individual annuity insurance, as well as in direct marketing channels and ATM services.

The Bank also promoted innovation at its branch offices, primarily based on its initiative to strengthen the regional cooperative promotion (area) marketing system. Along with this, we continued to reorganize our branch office network by having full-banking service only at offices where needed, and eliminated or consolidated certain existing offices to transform them into a new type of office offering specialized services. In March 2006, we also opened a new office in Machida, a city in western Tokyo, with the aim of expanding our operating base in the rapidly growing western districts of the capital.

The improved marketing capability we obtained through these initiatives, strengthened earnings power from our efforts to increase income from fees and commissions, and streamlined and more efficient management all had a positive impact on our consolidated results for the year ended March 2006. These results are as follows.

Operating income was up ¥5,316 million, or 9.7%, from the previous term, at ¥60,283 million. This was primarily attributable to an increase in interest income driven by more efficient securities investments, and higher fee and commission income arising from an increase in the sale of investment trusts. Operating profit amounted to ¥17,033 million, a rise of ¥2,328 million, or 15.8%, from the previous term, thanks to a decline in the provision for reserves for possible loan losses and an increase in net profit related to stocks and other securities. As a result, net income increased ¥1,269 million, or 20.8%, year-on-year, to ¥7,382 million.

Non-consolidated core net business profit stood at ¥15,843 million, an increase of ¥684 million from the previous term.

With respect to the non-consolidated results, total deposits (including negotiable certificates of deposit) increased ¥28.7 billion, to ¥2,308.9 billion, at the end of the term, primarily owing to an increase in individual and corporate deposits. The balance of assets in custody, comprising holdings of government bonds and investment trusts, was up ¥48.1 billion, at ¥197.6 billion.

Amid sluggish demand for funds, the Bank’s total loans nonetheless climbed ¥49.9 billion during the term, to reach ¥1,480.0 billion at the end of the term. This is the result of our promotion of retail loans and loans to small and medium-sized enterprises, as well as our vigorous response to the funding needs of local government bodies.

Future management policies

Under the new “Evolution 8” plan, our eighth long-term management plan, which has reached to its final year in the current business term, officers and staff throughout the Bank are united in their commitment to enhancing customer loyalty (maintaining the trust of our customers). They are equally dedicated to building a bank with a low-cost and high-earnings structure based on our management policy of working in harmony with the community for our common prosperity, and putting into practice our strategy of merging this policy with the principle of free market competition.

As we continue to practice sound management that is trusted by our customers, shareholders and investors, and to bolster our enterprise value and business operations by offering higher quality financial services, I hope that you will continue to provide us with your understanding and support.

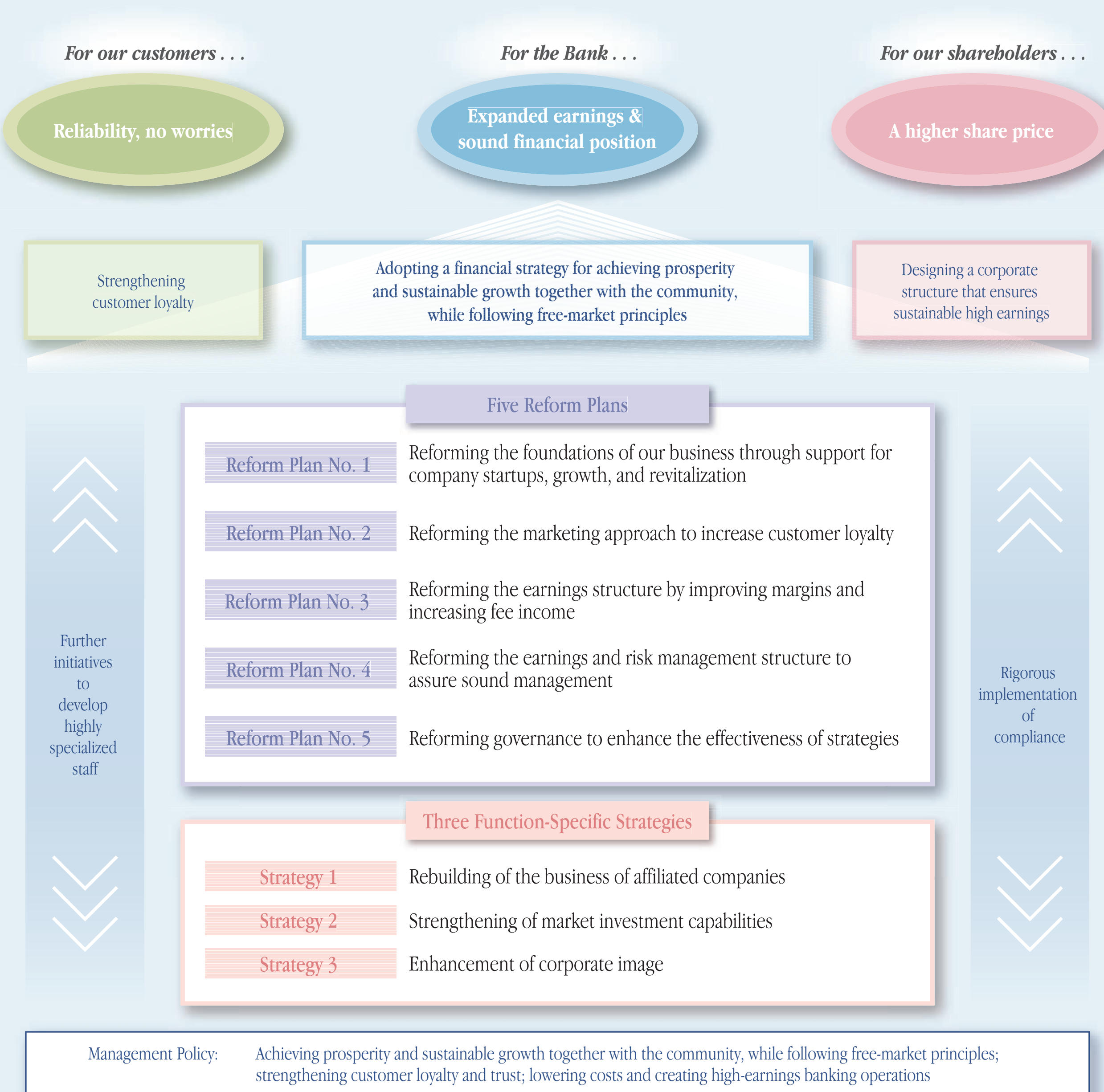
Kentaro Ono
President

"Evolution 8": The 8th Long-Term Management Plan

To continue to be highly regarded by our customers, shareholders, investors and the community as a core regional bank, maintaining financial soundness is not the only criteria. It is also critical that we build and steadily operate new business models that connect our business activities (based on our management policy of harmonious relations and shared prosperity with the community that we have steadfastly pursued since our foundation) with business practices that show our keen awareness of the principle of free market competition, to achieve more rational and efficient management.

In the "Evolution 8" plan, we pinpointed three management issues from the standpoint of identifying what we need to do to ensure that the Bank adapts accurately and swiftly to changes in the operating environment, and maintains its progress. With the main goals of strengthening customer loyalty, that is, earning the lasting confidence of our customers, and of building a bank with a low-cost, high-earnings structure, we formulated the "Five Reform Plans (basic strategies)" and "Three Function-Specific Strategies." We are making steady progress with each initiative in line with these focuses, and remain fully committed to attaining these goals.

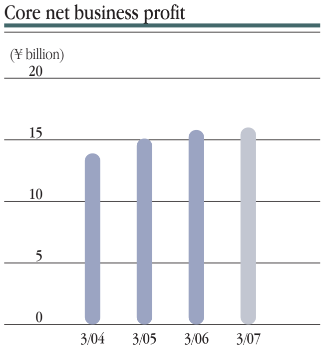
Schematic Diagram of the 8th Long-Term Management Plan
(April 2004–March 2007)



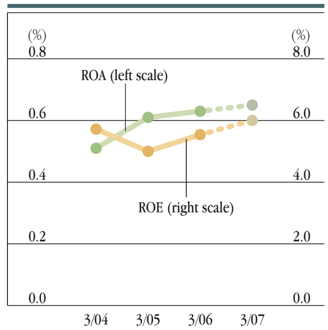
Targets and results of “Evolution 8” (non-consolidated)

Progress in attaining management targets (non-consolidated)

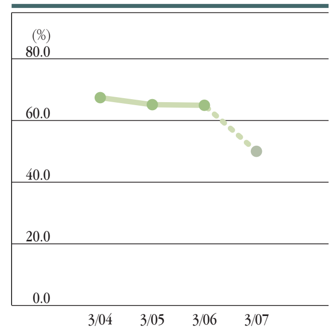
Core net business profit



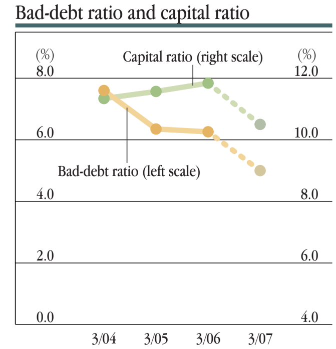
ROA and ROE



OHR



Bad-debt ratio and capital ratio



$\text{ROA}=\dfrac{\text{Core net business profit}}{\text{Average balance of total assets}}$ $\text{ROE}=\dfrac{\text{Net income}}{\text{Average balance of shareholders' equity}}$ $\text{OHR}=\dfrac{\text{Operating expenses}}{\text{Gross business profit}}$

Key operating indicators such as the core net business profit, ROA, ROE, and OHR improved steadily from the levels of the previous term.

The capital ratio, on a consolidated basis, for banks operating solely in Japan, stood at 11.84%. This was well above the 4% ratio, the level below which an order for business improvement and suspension of operations can be invoked under the Banking Law. Of total capital, the Tier I ratio of core capital, which consists of common stock, capital surplus, and retained earnings and others remained high, at 11.22%.

The bad debt ratio at the end of the term (the ratio of bad debts under the Financial Revitalization Law) also improved 0.09 of a percentage point from the previous term. Although the Bank does not adopt the partial direct write-off method, the ratio of bad debts would be 5.48% even if this method were adopted.

The Bank retained its long-term credit rating of A+ (as of the end of June 2006) by Rating and Investment Information, Inc. (R&I).

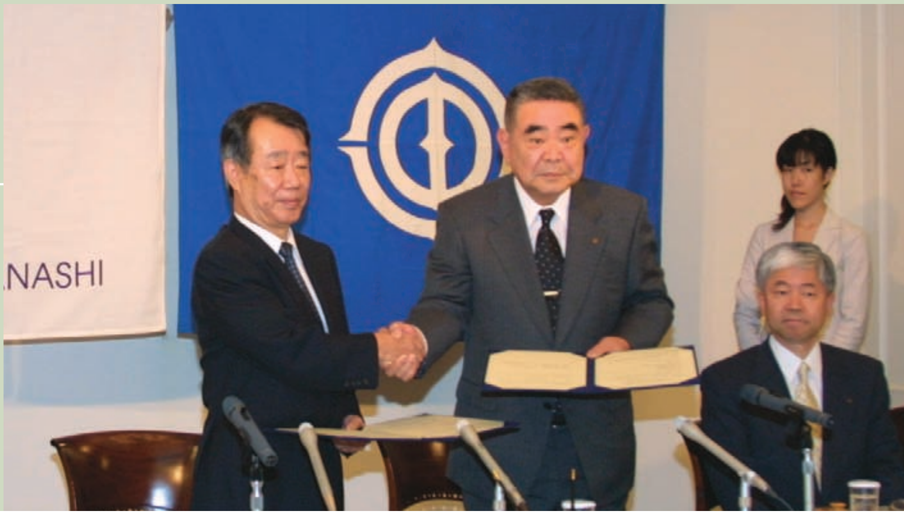
Planning to enhance relationship banking

In response to the Financial Services Agency’s Action Program to Promote Further Enhancement of Region-Based Relationship Banking Functions, announced in March 2005, the Bank drew up its Plan for the Enhancement of Relationship Banking, publishing it in August 2005. This plan includes specific measures for key issues in the Action Program, such as facilitating business revitalization and financing for small and medium-sized enterprises, reinforcing our management capability, and improving convenience for local users. Under the plan, we are implementing these measures to develop the regional economy and community, reinforcing our management capability, and improving the services we offer customers.

Individual measures in the Plan for the Enhancement of Relationship Banking (overview)

Main Issues	Individual Measures
1. Facilitate business revitalization and financing to small and medium-sized enterprises	(1) Strengthen support services for the founding and start-up phase of new businesses (2) Reinforce management consulting and support services for customer companies (3) Make vigorous efforts in business revitalization (4) Promote loans that do not rely excessively on collateral or guarantors (5) Develop a system for briefing customers and bolster consulting and complaint treatment (6) Cultivate human resources
2. Bolster management capabilities	(1) Enhance the risk management system (2) Develop income management system and improve earnings strength (3) Strengthen governance (4) Reinforce the compliance system (5) Make strategic use of IT
3. Improve convenience for local users	(1) Disclose information on our contributions to the community (2) Establish a management approach as a financial institution focusing on satisfying local users (3) Link with measures to encourage the revitalization of the regional economy

Corporate Banking



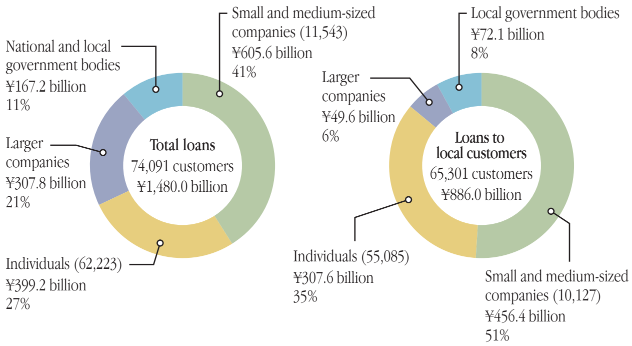
Representatives of Yamanashi Chuo Bank and the University of Yamanashi sign an agreement on cooperation in the fostering of venture businesses

Contributing to regional economic revitalization

In cooperation with external organizations, the Yamanashi Chuo Bank Group works to provide high-quality financial services through the construction of a support system for the founding and start-up phase of new businesses, as well as for business development and revitalization. In the year ended March 2006, we not only stepped up cooperation with external organizations (including industry, government, and academic circles) to develop and support local industries and venture businesses, we also strengthened our management consultation and new functions for customer companies, and increased lending that does not rely excessively on collateral and guarantors.

More specifically, we constructed a comprehensive business alliance with the University of Yamanashi, entered into business cooperation with the Agriculture, Forestry and Fisheries Finance Corporation, and established the Yamanashi Industry-Academia Liaison Committee (Liaison Y). We also published the Business Support Guide, which gives a summary of the support systems offered by public institutions for entrepreneurs and enterprises.

Breakdown of Loans
(as of March 31, 2006)



With respect to products and services, we began offering the Yamanashi Chugin Management Support Coordination Services, which provide a management support menu by both the Yamanashi Chuo Bank Group and external organizations, including public economic organizations, and research and specialized institutions, combined and matched for customer needs. We also commenced other new services, including the Yamanashi Chugin NPO Support Loan, which provides funds to non-profit organizations working in the local community; the Industry Cluster Support Loan, which supports industry cluster projects through financing; and an affiliated product with Tokyo Guarantee, which is characterized by quick credit analysis and non-collateral lending. With respect to existing products, we revised the details of the Yamanashi Chugin TKC Strategic Management Loan and took steps to bolster our ability to act as lead manager for syndicated loans.

The balance of loans to small and medium-sized enterprises as of March 31, 2006 increased ¥4.3 billion from the previous term, to stand at ¥605.6 billion, accounting for 41% of total lending. Loans to small and medium-sized enterprises in the region stood at ¥456.4 billion, making up 51% of all local lending.

The Bank will remain committed to providing support for local companies—the mainstay of the regional economy—with integrated financial services designed to meet their diverse requirements.

Consumer Banking

The customer service counter at our Head Office

Commitment to improving loans and customer convenience

In its consumer banking activities, the Bank reviewed its products so that its retail customers would be able to use the Bank's loan products with greater ease and convenience. For mortgage loans in particular, we implemented a campaign offering special interest rates, launched the Mortgage Loan with Cancer Coverage Guarantee, and offered preferential interest rates for environmentally friendly housing.

In asset management, we not only expanded the product line in investment trusts and individual annuity insurance, but also commenced the Pay-Easy Account Transfer Service, which enables users to make an account transfer using only a cash card, and a payment-at-convenience store service for automobile tax in Yamanashi Prefecture.

A securities transaction intermediary service counter

We also entered into alliances with the Postal Services Agency, which boasts a nationwide network, and Seven Bank Co., Ltd. in the use of ATM services. These alliances will make the use of ATM services more convenient for customers. Moreover, we expanded service locations where ATM machines can be used on Saturdays, Sundays, and holidays, and extended service hours.

For enhanced security, the Bank lowered the withdrawal limit per day for cash card users and adopted a software keyboard system for Internet banking to prevent counterfeiting, unauthorized use of stolen cash cards, and information leakage during Internet transactions. We also set up compensation standards for damages due to counterfeiting, stolen cash cards, and so on.

The balance of loans to individuals at year-end increased ¥29.4 billion from the previous term, to stand at ¥399.2 billion, accounting for 27% of all loans. Loans to local individuals totaled ¥307.6 billion, accounting for 35% of all local lending. The balance of mortgage loans at year-end reached ¥361.9 billion, showing strong growth of ¥33.6 billion from the previous term.

Active Fulfillment of Corporate Social Responsibility

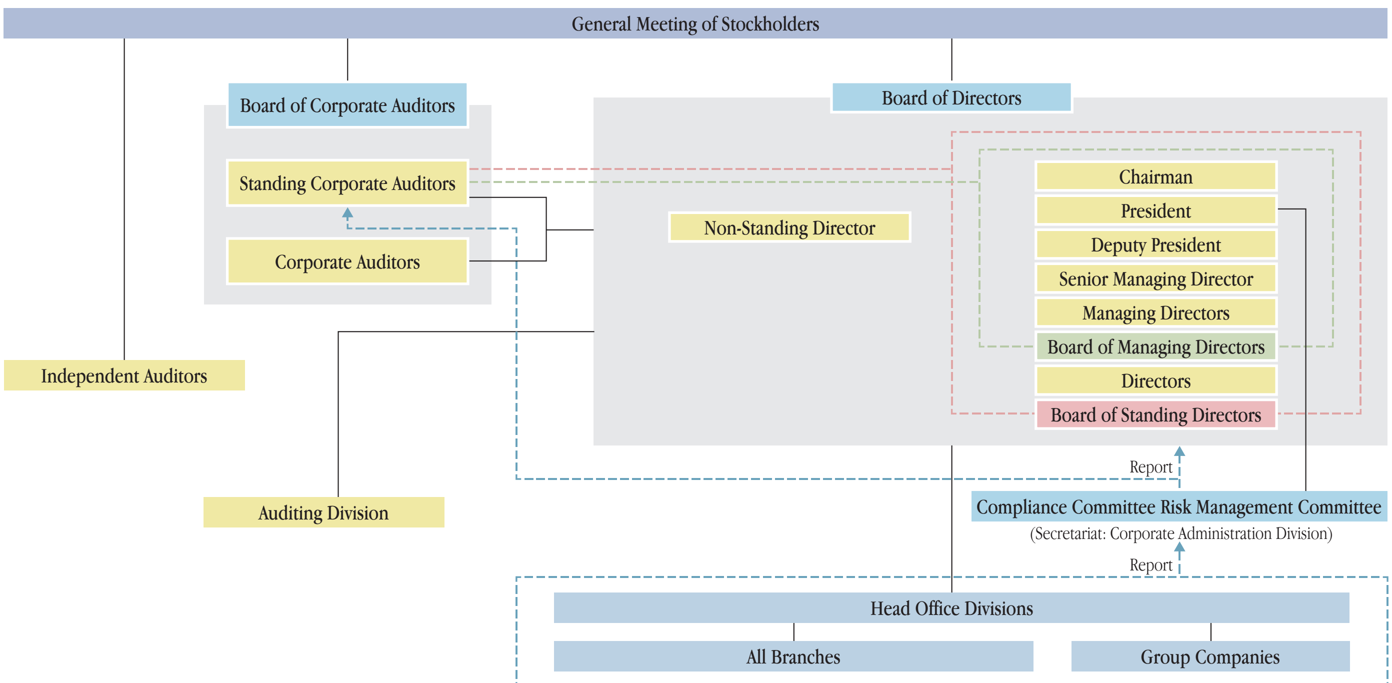
Enhancing corporate governance

Yamanashi Chuo Bank is very aware of 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 of management, seeking constantly to contribute to the prosperity of the local region and the development of its economy.

To fulfill its mission, the Bank has built a stronger internal control system and organizational structure to improve its management efficiency. All staff are committed to maintaining high ethical standards, and to enhancing corporate governance through ongoing initiatives and the active disclosure of corporate activities.

The structure of the internal control system

Internal Control System



Comprehensive risk management and compliance

In risk management, the Bank has classified the risks it faces into several categories, to ensure an accurate understanding, and the Risk Management Committee analyses the impact of each risk on the management of the Bank. We also measure market-related risks and credit risks for integrated risk management.

For compliance, we are taking steps to strengthen the compliance system, under the Compliance Committee, and to raise the awareness of all officers and employees by designating a compliance officer at Head Office and at each branch office. We have also drawn up a Compliance Program for each fiscal year and distributed the Compliance Manual to all officers and employees to ensure full enforcement.

Making contributions to the regional community

The Bank believes that contributing to the prosperity of its local region and developing its economy is an important mission, and therefore endeavors to consistently provide high-quality financial services and smooth funding. At the same time, the Bank vigorously engages in local economic revitalization and assists the local community through a broad array of management support provided to local companies and cooperation with regional public institutions.

We also actively participate in local community initiatives, fulfilling our responsibilities as a good corporate citizen. These include activities to protect the environment, such as introducing hybrid cars and offering environmentally friendly products, holding sports events such as volleyball lessons and competitions, and becoming involved in diverse fields including social welfare, culture and education.

Financial Review (on a consolidated basis)

Operating Environment

During the year under review, the economy in Yamanashi Prefecture, the Bank's principal business base, remained sluggish. Production and consumer spending weakened slightly despite steady capital investment.

In the second half of the fiscal year, however, there were signs of recovery in the regional economy. Production started to increase in the prefecture's mainstay machinery industries, principally in the digital consumer electronics and automobile-related sectors. Consumer spending also rebounded.

In this financial and economic environment, the Bank and its group of companies concentrated on increasing the earnings strength and management base of the Group and improving management efficiency, to attain the goals in the eighth long-term management plan.

Overview of Earnings

Total income (operating income plus extraordinary profit) increased ¥5.14 billion year-on-year, to ¥60.29 billion, boosted by an increase in interest income. This, in turn, resulted largely from efficient securities investments and higher income from fees and commissions generated by an expansion of the sale of investment trusts and insurance products. Meanwhile, total expenses (operating expenses plus extraordinary losses) rose ¥3.72 billion, to ¥44.26 billion, primarily as a result of an increase in financing costs. As a result, net income reached ¥7.38 billion, up 20.7% from the previous term. This meant that earnings per share stood at ¥39.76, and the ratio of net income to shareholders' equity was 4.52%. The capital ratio rose by 0.12 percentage point, to 11.89%.

Overview of Earnings by Segment

The Yamanashi Chuo Bank Group consists of the Yamanashi Chuo Bank and five consolidated subsidiaries. The Group's business has three segments: banking, leasing and other business. Other business includes credit-card and venture capital businesses.

Operating income (here and below including inter-company transactions) in the core banking business rose ¥5.24 billion, or 10.5%, year-on-year, to ¥55.07 billion. This was primarily the result of an increase in interest income. Operating profit stood at ¥16.81 billion, an increase of ¥2.45 billion year-on-year, reflecting a decline in the provision for reserves for possible loan losses.

Operating income in the leasing business decreased by ¥0.18 billion, or 3.1%, to ¥5.70 billion, and operating profit fell by ¥0.05 billion, to ¥0.05 billion.

Other businesses posted operating income of ¥1.30 billion, up ¥0.04 billion, or 3.3%, from the previous term, and operating profit of ¥0.17 billion, down ¥0.06 billion year-on-year.

Overview of Principal Accounts

The consolidated balance of deposits (including negotiable certificates of deposit) increased ¥29.92 billion, to ¥2,305.05 billion, primarily as a result of the Bank's vigorous efforts to expand its customer base and response to diversified customer needs. The balance of assets in custody, consisting of holdings of government bonds and investment trusts, was up ¥48.1 billion, at ¥197.61 billion.

Although demand for funds remained low, the consolidated balance of loans and bills discounted at the year-end increased ¥49.28 billion from the previous year, to ¥1,467.87 billion. This was attributable primarily to our efforts to promote lending to small and medium-sized enterprises, as well as to individual customers, in addition to our active response to funding demand from local government bodies.

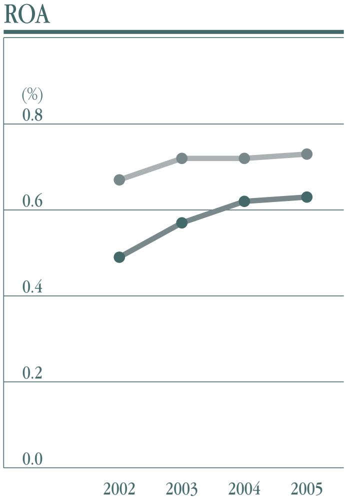
The consolidated balance of investment securities held rose ¥56.41 billion, to ¥909.63 billion. The principal factors behind this increase were purchases of government and municipal bonds, and well-timed investments in securities through close monitoring of the investment environment and market movements.

Cash Flows

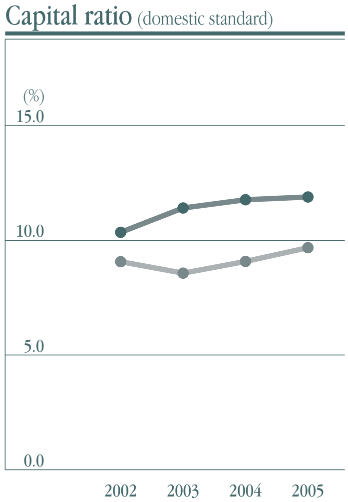
Consolidated cash and cash equivalents decreased ¥1.84 billion, to a balance of ¥118.31 billion at the year-end.

Net cash provided by operating activities amounted to ¥32.36 billion. This was attributable to a ¥68.99 billion decrease in the volume of call loans, a ¥29.92 billion increase in deposits and negotiable certificates of deposit, and a ¥17.64 billion fall in call money. Net cash used in investing activities totaled ¥33.27 billion, primarily owing to ¥198.65 billion in purchases of investment securities, coupled with the sale and redemption of ¥167.44 billion. Net cash used in financing activities amounted to ¥0.99 billion owing to the payment of dividends.

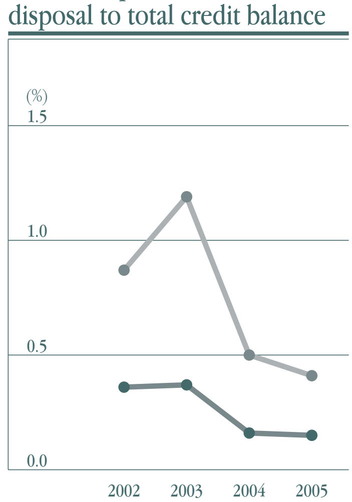
ROA



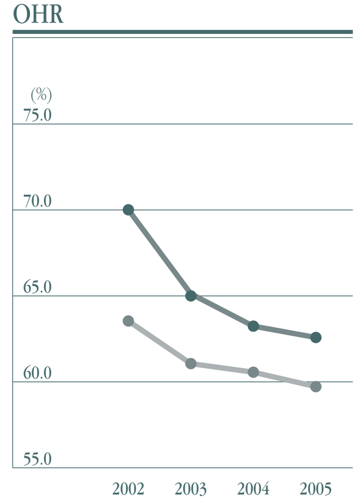
Capital ratio (domestic standard)



Ratio of expenses for bad debt disposal to total credit balance



OHR



Note: Except for Capital ratio, all graphs are on a non-consolidated basis.

Yamanashi Chuo Bank — Average for Japanese regional banks

Consolidated Balance Sheets

The Yamanashi Chuo Bank, Ltd. and Subsidiaries
March 31, 2006 and 2005

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2006	2005	**2006**
Assets:			
Cash and due from banks (Note 3)	**¥ 118,657**	¥ 121,788	**$ 1,010,112**
Call loans and bills bought	**21,432**	90,152	**182,447**
Monetary claims bought (Note 5)	**15,429**	15,705	**131,348**
Trading securities (Note 4)	**200**	87	**1,705**
Investment securities (Notes 5 and 10)	**909,632**	853,221	**7,743,533**
Loans and bills discounted (Notes 6 and 7)	**1,467,872**	1,418,589	**12,495,722**
Foreign exchanges	**930**	670	**7,920**
Other assets (Note 10)	**19,656**	16,756	**167,334**
Premises and equipment (Note 9)	**27,900**	28,521	**237,509**
Deferred tax assets (Note 15)	**882**	916	**7,515**
Customers' liabilities for acceptances and guarantees (Note 11)	**20,994**	22,714	**178,725**
Allowance for possible loan losses	**(36,115)**	(37,656)	**(307,442)**
Total	**¥2,567,475**	¥2,531,467	**$21,856,432**
Liabilities:			
Deposits (Notes 10 and 12)	**¥2,166,311**	¥2,152,963	**$18,441,401**
Negotiable certificates of deposit	**138,746**	122,167	**1,181,123**
Call money and bills sold	**31,377**	49,020	**267,112**
Borrowed money (Note 10)	**1,284**	1,400	**10,933**
Foreign exchanges	**152**	128	**1,298**
Other liabilities (Note 8)	**14,023**	20,000	**119,375**
Liability for employees' retirement benefits (Note 13)	**7,512**	8,580	**63,949**
Deferred tax liabilities (Note 15)	**13,324**	1,089	**113,425**
Acceptances and guarantees (Note 11)	**20,994**	22,714	**178,725**
Total liabilities	**2,393,726**	2,378,064	**20,377,346**
Minority interests	**511**	413	**4,358**
Shareholders' equity:			
Common stock—authorized, 398,000,000 shares; issued, 189,915,000 shares in 2006 and 2005 (Note 14)	**15,400**	15,400	**131,097**
Capital surplus	**8,289**	8,289	**70,569**
Retained earnings (Note 14)	**104,994**	98,573	**893,801**
Unrealized gain on available-for-sale securities (Note 5)	**46,825**	32,929	**398,613**
Treasury stock—at cost, 5,297,232 shares in 2006 and 5,209,748 shares in 2005 (Note 14)	**(2,273)**	(2,202)	**(19,354)**
Total shareholders' equity	**173,236**	152,989	**1,474,728**
Total	**¥2,567,475**	¥2,531,467	**$21,856,432**

See notes to consolidated financial statements.

Consolidated Statements of Income

The Yamanashi Chuo Bank, Ltd. and Subsidiaries
Years ended March 31, 2006 and 2005

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2006	2005	**2006**
Income:			
Interest income:			
Interest on loans and discounts	**¥26,737**	¥26,687	**$227,609**
Interest and dividends on securities	**12,117**	10,780	**103,153**
Interest on call loans and bills bought	**2,904**	1,389	**24,725**
Other interest income	**291**	368	**2,478**
Fees and commissions	**8,245**	7,609	**70,188**
Other operating income (Note 18)	**4,842**	4,714	**41,227**
Other income (Note 16)	**5,159**	3,601	**43,923**
Total income	**60,298**	55,151	**513,305**
Expenses:			
Interest expenses:			
Interest on deposits	**611**	579	**5,207**
Interest on negotiable certificates of deposit	**48**	43	**411**
Interest on call money and bills sold	**1,418**	714	**12,071**
Other interest expenses	**2,954**	1,416	**25,151**
Fees and commissions	**1,564**	1,566	**13,314**
Other operating expenses (Note 18)	**6,372**	6,279	**54,252**
General and administrative expenses	**26,755**	25,931	**227,768**
Other expenses (Note 17)	**4,543**	4,009	**38,677**
Total expenses	**44,269**	40,542	**376,854**
Income before income taxes and minority interests	**16,028**	14,608	**136,451**
Income taxes (Note 15)**:**			
Current	**2,619**	4,904	**22,299**
Deferred	**5,937**	3,741	**50,546**
Total income taxes	**8,557**	8,645	**72,845**
Minority interests in net income/loss	**89**	(149)	**760**
Net income	**¥ 7,382**	¥ 6,112	**$ 62,845**

	Yen		U.S. dollars
Per share of common stock (Note 2.n)**:**			
Basic net income	**¥39.76**	¥32.88	**$0.33**
Cash dividends applicable to the year	**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, 2006 and 2005

	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, 2004	189,915	¥15,400	¥8,287	¥ 93,419	¥29,713	¥(2,134)
Net income				6,112		
Cash dividends:						
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)
Gain on sale of shares in treasury			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)
Net income				**7,382**		
Cash dividends:						
Final for prior year, ¥2.50 per share				**(461)**		
Interim for current year, ¥2.50 per share				**(461)**		
Bonuses to directors and corporate auditors				**(37)**		
Net increase in treasury stock (87,484 shares)						**(71)**
Gain on sale of shares in treasury						
Net increase in unrealized gain on available-for-sale securities					**13,895**	
Balance, March 31, 2006	**189,915**	**¥15,400**	**¥8,289**	**¥104,994**	**¥46,825**	**¥(2,273)**

	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, 2005	$131,097	$70,562	$839,135	$280,321	$(18,745)
Net income			**62,845**		
Cash dividends:					
Final for prior year, $0.02 per share			**(3,930)**		
Interim for current year, $0.02 per share			**(3,930)**		
Bonuses to directors and corporate auditors			**(317)**		
Net increase in treasury stock (87,484 shares)					**(608)**
Gain on sale of shares in treasury		**6**			
Net increase in unrealized gain on available-for-sale securities				**118,292**	
Balance, March 31, 2006	**$131,097**	**$70,569**	**$893,801**	**$398,613**	**$(19,354)**

See notes to consolidated financial statements.

Consolidated Statements of Cash Flows

The Yamanashi Chuo Bank, Ltd. and Subsidiaries
Years ended March 31, 2006 and 2005

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2006	2005	**2006**
Operating activities:			
Income before income taxes and minority interests	**¥ 16,028**	¥ 14,608	**$ 136,451**
Adjustments for:			
Income taxes paid	**(5,807)**	(4,128)	**(49,435)**
Depreciation	**5,321**	5,546	**45,298**
Loss on impairment of long-lived assets	**846**		**7,209**
Decrease in allowance for possible loan losses	**(1,541)**	(725)	**(13,122)**
Decrease in liability for retirement benefits	**(1,068)**	(179)	**(9,092)**
Interest income recognized on statements of income	**(42,050)**	(39,225)	**(357,967)**
Interest expenses recognized on statements of income	**5,032**	2,755	**42,842**
Investment securities gains	**(2,931)**	(1,175)	**(24,957)**
Foreign exchange gains	**(4,130)**	(599)	**(35,158)**
Losses on sale of premises and equipment	**172**	148	**1,469**
Net (increase) decrease in loans	**(49,283)**	1,865	**(419,538)**
Net increase in deposits	**13,348**	31,396	**113,631**
Net increase in negotiable certificates of deposit	**16,579**	42,563	**141,134**
Net decrease in borrowed money	**(116)**	(223)	**(990)**
Net decrease (increase) in due from banks (excluding cash equivalents)	**1,284**	(31)	**10,935**
Net decrease (increase) in call loans and others	**68,995**	(26,047)	**587,349**
Net (decrease) increase in call money and others	**(17,642)**	17,655	**(150,191)**
Net increase in foreign exchanges (asset)	**(259)**	(395)	**(2,209)**
Net increase (decrease) in foreign exchanges (liabilities)	**23**	(31)	**201**
Interest income (cash basis)	**44,414**	41,011	**378,089**
Interest expenses (cash basis)	**(5,048)**	(2,726)	**(42,980)**
Other—net	**(9,801)**	1,239	**(83,435)**
Total adjustments	**16,337**	68,693	**139,081**
Net cash provided by operating activities	**32,366**	83,302	**275,532**
Investing activities:			
Purchase of investment securities	**(198,657)**	(158,640)	**(1,691,130)**
Proceeds from sale of investment securities	**86,743**	56,472	**738,431**
Proceeds from redemption of investment securities	**80,698**	75,173	**686,968**
Purchase of premises and equipment	**(2,116)**	(1,643)	**(18,016)**
Proceeds from sale of premises and equipment	**54**	276	**464**
Net cash used in investing activities	**(33,277)**	(28,360)	**(283,283)**
Financing activities:			
Dividends paid	**(923)**	(923)	**(7,861)**
Payment of dividends to minority interests	**(2)**	(2)	**(20)**
Purchase of own shares	**(72)**	(70)	**(616)**
Proceeds from sale of shares in treasury	**1**	4	**14**
Net cash used in financing activities	**(996)**	(992)	**(8,483)**
Foreign currency translation adjustments on cash and cash equivalents	**61**	42	**522**
Net (decrease) increase in cash and cash equivalents	**(1,845)**	53,991	**(15,711)**
Cash and cash equivalents, beginning of year	**120,156**	66,164	**1,022,867**
Cash and cash equivalents, end of year (Note 3)	**¥118,310**	¥120,156	**$1,007,156**

See notes to consolidated financial statements.

Notes to Consolidated Financial Statements

The Yamanashi Chuo Bank, Ltd. and Subsidiaries
Years ended March 31, 2006 and 2005

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 of Japan, and in conformity with accounting principles generally accepted in Japan, which are different in certain respects as to application and disclosure requirements of International Financial Reporting Standards.

In preparing these consolidated financial statements, certain reclassifications and rearrangements have been made to the consolidated financial statements issued domestically in order to present them in a form which is more familiar to readers outside Japan. In addition, certain reclassifications have been made in the 2005 consolidated financial statements to conform to the classifications used in 2006.

Amounts less than one million Japanese yen and one thousand U.S. dollars, except for per share data, have been truncated. As a result, the total may not be equal to the total of individual 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 ¥117.47 to $1, the exchange rate prevailing on March 31, 2006. 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

a. 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 Bank, 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 subsidiaries is eliminated.

b. 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.

c. 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.

d. Premises and equipment—Premises and equipment are stated at cost less accumulated depreciation. 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.

e. 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.

f. Long-lived assets—In August 2002, the Business Accounting Council ("BAC") issued a Statement of Opinion, "Accounting for Impairment of Fixed Assets," and in October 2003 the Accounting Standards Board of Japan ("ASBJ") issued ASBJ Guidance No. 6, "Guidance for Accounting Standard for Impairment of Fixed Assets." These new pronouncements were 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 Bank and subsidiaries adopted the new accounting standard for impairment of fixed assets as of April 1, 2005.

The Bank and subsidiaries review its long-lived assets for impairment whenever events or changes in circumstance indicate 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 effect of adoption of the new accounting standard for impairment of fixed assets was to decrease income before income taxes and minority interests for the year ended March 31, 2006 by ¥836 million ($7,124 thousand), including the effect on depreciation.

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

h. 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 "Treatment of Accounting and Auditing Concerning Accounting for Foreign Currency Transaction in the Banking Industry" (JICPA Industry Audit Committee Report No. 25).

In deferred hedging activities, exchange 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.

i. Allowance for possible loan losses—The allowance 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 allowance 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 allowance 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.

In the current year, the Bank adopted the "discounted cash flow method" for some large loans which were classified into "caution" category and which met certain conditions such as reasonable estimation of their future cash flows. The effect of adoption of the method was to decrease income before income taxes and minority interests for the year ended March 31, 2006 by ¥1,688 million ($14,374 thousand).

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

j. Retirement and pension plans—The Bank and subsidiaries have a noncontributory defined benefit pension plan and a lump-sum severance indemnity plan. 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 subsidiaries accounted for the liability for retirement benefits based on projected benefit obligations and plan assets at the balance sheet date.

k. 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.

l. 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.

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

n. Per share information—Basic 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. The weighted-average number of common shares in the computation was 184,666 thousand shares for 2006 and 184,766 thousand shares for 2005.

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.

o. New accounting pronouncements—

Business combination and business separation

In October 2003, the BAC issued a Statement of Opinion, "Accounting for Business Combinations," and on December 27, 2005 the ASBJ issued "Accounting Standard for Business Separations" and ASBJ Guidance No. 10, "Guidance for Accounting Standard for Business Combinations and Business Separations." These new accounting pronouncements are effective for fiscal years beginning on or after April 1, 2006.

The accounting standard for business combinations allows companies to apply the pooling of interests method of accounting only when certain specific criteria are met such that the business combination is essentially regarded as a uniting-of-interests. These specific criteria are as follows:

(a) the consideration for the business combination consists solely of common shares with voting rights,

(b) the ratio of voting rights of each predecessor shareholder group after the business combination is nearly equal, and

(c) there are no other factors that would indicate any control exerted by any shareholder group other than voting rights.

For business combinations that do not meet the uniting-of-interests criteria, the business combination is considered to be an acquisition and the purchase method of accounting is required. This standard also prescribes the accounting for combinations of entities under common control and for joint ventures. Goodwill, including negative goodwill, is to be systematically amortized over 20 years or less, but is also subject to an impairment test.

Under the accounting standard for business separations, in a business separation where the interests of the investor no longer continue and the investment is settled, the difference between the fair value of the consideration received for the transferred business and the book value of net assets transferred to the separated business is recognized as a gain or loss on business separation in the statement of income. In a business separation where the interests of the investor continue and the investment is not settled, no such gain or loss on business separation is recognized.

Stock options

On December 27, 2005, the ASBJ issued "Accounting Standard for Stock Options" and related guidance. The new standard and guidance are applicable to stock options newly granted on and after May 1, 2006.

This standard requires companies to recognize compensation expense for employee stock options based on the fair value at the date of grant and over the vesting period as consideration for receiving goods or services. The standard also requires companies to account for stock options granted to non-employees based on the fair value of either the stock option or the goods or services received. In the balance sheet, the stock option is presented as a stock acquisition right as a separate component of shareholders' equity until exercised. The standard covers equity-settled, share-based payment transactions, but does not cover cash-settled, share-based payment transactions. In addition, the standard allows unlisted companies to measure options at their intrinsic value if they cannot reliably estimate fair value.

Bonuses to directors and corporate auditors

Prior to the fiscal year ended March 31, 2005, bonuses to directors and corporate auditors were accounted for as a reduction of retained earnings in the fiscal year following approval at the general shareholders meeting. The ASBJ issued ASBJ Practical Issues Task Force (PITF) No. 13, "Accounting Treatment for Bonuses to Directors and Corporate Auditors," which encouraged companies to record bonuses to directors and corporate auditors on the accrual basis with a related charge to income, but still permitted the direct reduction of such bonuses from retained earnings after approval of the appropriation of retained earnings.

The ASBJ replaced the above accounting pronouncement by issuing a new accounting standard for bonuses to directors and corporate auditors on November 29, 2005. Under the new accounting standard, bonuses to directors and corporate auditors must be expensed and are no longer allowed to be directly charged to retained earnings. This accounting standard is effective for fiscal years ending on or after May 1, 2006. The companies must accrue bonuses to directors and corporate auditors at the year end to which such bonuses are attributable.

3. Cash and cash equivalents

The reconciliation of the cash and due from banks in the consolidated balance sheets and the cash and cash equivalents at March 31, 2006 and 2005, is as follows:

	Millions of yen		Thousands of U.S. dollars
	2006	2005	**2006**
Cash and due from banks	**¥118,657**	¥121,788	**$1,010,112**
Due from banks, excluding due from the Bank of Japan	**(347)**	(1,631)	**(2,956)**
Cash and cash equivalents	**¥118,310**	¥120,156	**$1,007,156**

4. Trading securities

Trading securities at March 31, 2006 and 2005, consisted of national government bonds.

The fair values of trading securities at March 31, 2006 and 2005, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2006	2005	**2006**
Fair value of trading securities	**¥200**	¥87	**$1,705**
Fair value loss included in income before income taxes and other	**(1)**		**(11)**

5. Investment securities

Investment securities at March 31, 2006 and 2005, consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2006	2005	**2006**
Japanese government bonds	**¥416,791**	¥401,112	**$3,548,067**
Japanese municipal bonds	**159,930**	160,726	**1,361,462**
Japanese corporate bonds	**99,184**	109,661	**844,335**
Japanese stocks	**118,489**	81,035	**1,008,682**
Other securities	**115,236**	100,687	**980,985**
Total	**¥909,632**	¥853,221	**$7,743,533**

Differences between the carrying amount or the cost and fair value of investment securities at March 31, 2006 and 2005, 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				
	2006					2005					**2006**				
	Carrying Amount	Fair Value	Differences	Unrealized Gain	Unrealized Loss	Carrying Amount	Fair Value	Differences	Unrealized Gain	Unrealized Loss	Carrying Amount	Fair Value	Differences	Unrealized Gain	Unrealized Loss
Other securities	**¥2,998**	**¥2,998**				¥999	¥999				**$25,526**	**$25,527**	**$1**	**$1**	

Marketable available-for-sale securities

	Millions of yen									
	2006					2005				
	Cost	Fair Value	Valuation Differences	Unrealized Gain	Unrealized Loss	Cost	Fair Value	Valuation Differences	Unrealized Gain	Unrealized Loss
Japanese stocks	**¥ 48,731**	**¥117,981**	**¥69,250**	**¥69,303**	**¥ 53**	¥ 48,382	¥ 80,584	¥32,202	¥32,491	¥289
Bonds	**673,155**	**668,779**	**(4,376)**	**2,605**	**6,982**	648,961	664,656	15,694	15,701	6
Japanese government bonds	**420,518**	**416,791**	**(3,726)**	**718**	**4,444**	392,651	401,112	8,460	8,462	1
Japanese municipal bonds	**160,373**	**159,930**	**(442)**	**1,440**	**1,882**	155,147	160,726	5,579	5,579	
Japanese corporate bonds	**92,264**	**92,057**	**(207)**	**447**	**654**	101,163	102,818	1,654	1,659	4
Other	**106,393**	**115,030**	**8,637**	**9,127**	**490**	95,098	100,474	5,375	5,513	138
Total	**¥828,280**	**¥901,791**	**¥73,511**	**¥81,037**	**¥7,526**	¥792,442	¥845,715	¥53,272	¥53,707	¥434

	Thousands of U.S. dollars				
	2006				
	Cost	Fair Value	Valuation Differences	Unrealized Gain	Unrealized Loss
Japanese stocks	**$ 414,838**	**$1,004,352**	**$589,513**	**$589,968**	**$ 454**
Bonds	**5,730,448**	**5,693,194**	**(37,254)**	**22,183**	**59,438**
Japanese government bonds	**3,579,791**	**3,548,067**	**(31,723)**	**6,114**	**37,838**
Japanese municipal bonds	**1,365,226**	**1,361,462**	**(3,764)**	**12,259**	**16,023**
Japanese corporate bonds	**785,430**	**783,664**	**(1,765)**	**3,809**	**5,575**
Other	**905,705**	**979,231**	**73,526**	**77,702**	**4,176**
Total	**$7,050,993**	**$7,676,779**	**$625,785**	**$689,854**	**$64,068**

Available-for-sale securities sold—Available-for-sale securities sold during the fiscal years ended March 31, 2006 and 2005, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2006	2005	**2006**
Proceeds from sale	**¥86,690**	¥53,472	**$737,980**
Gross realized gain	**4,607**	2,448	**39,218**
Gross realized loss	**1,649**	1,196	**14,039**

Securities whose fair value is not readily determinable—Principal items in securities whose fair value is not readily determinable at March 31, 2006 and 2005, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2006	2005	**2006**
Held-to-maturity debt securities—			
Unlisted Japanese corporate bonds	**¥6,807**	¥6,470	**$57,946**
Available-for-sale securities:			
Unlisted Japanese stocks	**508**	450	**4,330**
Unlisted Japanese corporate bonds	**320**	373	**2,724**
Investment in capital of limited liability partnership	**205**	212	**1,747**

Redemption schedule of bonds held—The redemption schedule of bonds classified as securities available-for-sale and held-to-maturity at March 31, 2006, 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
Bonds	**¥89,260**	**¥332,363**	**¥210,732**	**¥43,550**	**$759,855**	**$2,829,349**	**$1,793,927**	**$370,732**
Japanese government bonds	**48,961**	**172,727**	**151,552**	**43,550**	**416,800**	**1,470,395**	**1,290,139**	**370,732**
Japanese municipal bonds	**21,515**	**93,232**	**45,182**		**183,156**	**793,673**	**384,632**	
Japanese corporate bonds	**18,783**	**66,403**	**13,997**		**159,899**	**565,280**	**119,156**	
Other	**2,998**	**4,082**	**34,425**	**995**	**25,526**	**34,757**	**293,060**	**8,473**
Total	**¥92,258**	**¥336,446**	**¥245,158**	**¥44,545**	**$785,382**	**$2,864,106**	**$2,086,988**	**$379,206**

Details of net gain—The details of the net unrealized gain on available-for-sale securities at March 31, 2006 and 2005, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2006	2005	**2006**
Valuation difference (amount in the balance sheet—cost)—available-for-sale securities	**¥73,511**	¥53,272	**$625,785**
Deferred tax liability	**(26,635)**	(20,304)	**(226,741)**
Net unrealized gain (before minority interest)	**46,875**	32,968	**399,044**
Minority interest	**(50)**	(38)	**(430)**
Net unrealized gain	**¥46,825**	¥32,929	**$398,613**

6. Loans and bills discounted

Loans and bills discounted at March 31, 2006 and 2005, consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2006	2005	**2006**
Bills discounted	**¥ 17,299**	¥ 21,537	**$ 147,266**
Loans on bills	**94,818**	116,085	**807,175**
Loans on deeds	**1,164,994**	1,061,528	**9,917,378**
Overdraft	**190,759**	219,438	**1,623,902**
Total	**¥1,467,872**	¥1,418,589	**$12,495,722**

Loans and bills discounted at March 31, 2006 and 2005, included the following balances:

	Millions of yen		Thousands of U.S. dollars
	2006	2005	**2006**
Loans to customers in bankruptcy	**¥ 9,227**	¥ 6,146	**$ 78,554**
Past due loans	**64,821**	68,718	**551,814**
Accruing loans contractually past due three months or more	**428**	101	**3,650**
Restructured loans	**20,339**	18,137	**173,146**
Total	**¥94,817**	¥93,104	**$807,165**

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 allowance 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 ¥17,344 million ($147,653 thousand) and ¥21,789 million at March 31, 2006 and 2005, respectively.

Loan participation agreements, under which the Bank has acquired the economic benefits and risks of the underlying loans from the original lender, were ¥1,000 million ($8,514 thousand) and ¥15,902 million at March 31, 2006 and 2005, respectively.

7. 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, 2006 was ¥393,388 million ($3,348,840 thousand) which includes commitments of ¥378,211 million ($3,219,641 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.

8. 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, 2006 were ¥0 million ($2 thousand) and ¥5 million ($45 thousand), respectively.

9. Premises and equipment

Accumulated depreciation at March 31, 2006 and 2005, amounted to ¥29,188 million ($248,472 thousand) and ¥29,041 million, respectively.

10. Assets pledged

Assets pledged as collateral at March 31, 2006, were as follows:

	Millions of yen	Thousands of U.S. dollars
Investment securities	**¥520**	**$4,431**

Liabilities related to the above pledged assets at March 31, 2006, were as follows:

	Millions of yen	Thousands of U.S. dollars
Deposits	**¥691**	**$5,885**
Borrowed money	**270**	**2,298**

Investment securities totaling ¥130,360 million ($1,109,731 thousand) and other assets totaling ¥25 million ($218 thousand) were pledged as collateral for settlement of exchange and derivative transactions, or as margin on forward contracts at March 31, 2006.

Lease contract assets for unexpired lease term, which was pledged as collateral for borrowed money of ¥674 million ($5,741 thousand), was ¥1,323 million ($11,264 thousand) as of March 31, 2006.

11. 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.

12. Deposits

Deposits at March 31, 2006 and 2005, consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2006	2005	**2006**
Current deposits	**¥ 75,575**	¥ 73,803	**$ 643,359**
Ordinary deposits	**1,056,536**	997,383	**8,994,100**
Saving deposits	**28,838**	29,556	**245,500**
Deposits at notice	**4,267**	5,143	**36,326**
Time deposits	**938,439**	977,005	**7,988,758**
Other	**62,653**	70,071	**533,356**
Total	**¥2,166,311**	¥2,152,963	**$18,441,401**

13. Employees' retirement benefits

The Bank and subsidiaries have a non-contributory defined benefit pension plan and a lump-sum severance indemnity plan. 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 subsidiaries contributed certain available-for-sale securities with a fair value to the employee retirement benefit trust for its pension plan. The securities held in this trust are qualified as plan assets.

In accordance with the Defined Benefit Pension Plan Law enacted in April 2002, the Bank and subsidiaries applied for transfer of the substitutional portion of past pension obligations to the government and obtained approval by the Ministry of Health, Labour and Welfare on September 1, 2005.

At the same time, the Bank and subsidiaries reduced the level of retirement benefits paid. In connection with this change, prior service cost was recorded as reduction of projected benefit obligations.

The Bank and subsidiaries thereafter transferred the substitutional portion of the pension obligations and related assets to the government on March 16, 2006.

The liability for employees' retirement benefits at March 31, 2006 and 2005, consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2006	2005	**2006**
Projected benefit obligation	**¥(20,700)**	¥(21,833)	**$(176,219)**
Fair value of plan assets	**16,963**	9,530	**144,404**
Funded status	**(3,737)**	(12,303)	**(31,814)**
Unrecognized actuarial (gain) loss	**(386)**	3,723	**(3,292)**
Unrecognized prior service cost	**(670)**		**(5,706)**
Net liability	**(4,794)**	(8,580)	**(40,814)**
Prepaid pension cost	**2,717**		**23,135**
Liability for retirement benefits	**¥ (7,512)**	¥ (8,580)	**$ (63,949)**

The components of net periodic retirement benefit costs for the years ended March 31, 2006 and 2005, were as follows:

	Millions of yen		Thousands of U.S. dollars
	2006	2005	**2006**
Service cost	**¥ 738**	¥ 712	**$ 6,286**
Interest cost	**425**	501	**3,619**
Expected return on plan assets	**(160)**	(147)	**(1,369)**
Amortization of actuarial loss	**487**	244	**4,152**
Amortization of prior service cost	**(41)**		**(353)**
Net periodic retirement benefit costs	**¥1,449**	¥1,311	**$12,336**

Assumptions used for the years ended March 31, 2006 and 2005, are set forth as follows:

	2006	2005
Discount rate	**2.0%**	2.0%
Expected rate of return on plan assets	**2.0%**	2.5%
Method of attributing the projected benefits to periods of services	**Straight-line basis**	Straight-line basis
Amortization period of prior service cost	**10 years**	
Amortization 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

14. Shareholders' equity

Through May 1, 2006, Japanese banks are subject to the Commercial Code of Japan (the "Code") and the Banking Law of Japan.

The Code requires that all shares of common stock be issued 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 are required to be presented 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 by way of 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 of 20% or more of the aggregate amount of cash dividends and certain other appropriations of retained earnings associated with cash outlays applicable to each period (such as bonuses to directors) shall be appropriated as a legal reserve (a component of retained earnings) until the total of such reserve and additional paid-in capital equals 100% of common stock. The amount of total legal reserve and additional paid-in capital that exceeds 100% of the common stock may be available for dividends by resolution of the shareholders after transferring such excess in accordance with the Code. 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 purchase treasury stock and dispose of such treasury stock upon resolution of the Board of Directors. The aggregate purchased 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 that could be transferred to retained earnings or other capital surplus other than additional paid-in capital upon approval of such transfer at the annual general meeting of shareholders.

In addition to the provision that requires an appropriation for a legal reserve in connection with the cash outlays, the Code also imposes certain limitations on the amount of capital surplus and retained earnings available for dividends. The amount of capital surplus and retained earnings available for dividends under the Code and the Banking Law of Japan was ¥93,034 million ($791,983 thousand) as of March 31, 2006, based on the amount recorded in the Bank's general books of account.

Dividends are approved by the shareholders at a meeting held subsequent to the end of 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 and the Banking Law of Japan.

On May 1, 2006, a new corporate law (the "Corporate Law") became effective, which reformed and replaced the Code with various revisions that would, for the most part, be applicable to events or transactions which occur on or after May 1, 2006 and for the fiscal years ending on or after May 1, 2006. The significant changes in the Corporate Law that affect financial and accounting matters are summarized below:

a. Dividends—Under the Corporate Law, companies can pay dividends at any time during the fiscal year in addition to the year-end dividend upon resolution at the shareholders meeting. For companies that meet certain criteria such as: (1) having the Board of Directors, (2) having independent auditors, (3) having the Board of Corporate Auditors, and (4) the term of service of the directors is prescribed as one year rather than two years of normal term by its articles of incorporation, the Board of Directors may declare dividends (except for dividends in kind) if the company has prescribed so in its articles of incorporation.

The Corporate Law permits companies to distribute dividends-in-kind (non-cash assets) to shareholders subject to a certain limitation and additional requirements.

Semiannual interim dividends may also be paid once a year upon resolution by the Board of Directors if the articles of incorporation of the company so stipulate. Under the Code, certain limitations were imposed on the amount of capital surplus and retained earnings available for dividends. The Corporate Law also provides certain limitations on the amounts available for dividends or the purchase of treasury stock.

b. Increases/decreases and transfer of common stock, reserve and surplus—The Corporate Law and the revised Banking Law of Japan which was revised on November 2, 2005 and effective on May 1, 2006 require that an amount equal to 20% of dividends must be appropriated as a legal reserve (a component of retained earnings) or as additional paid-in capital (a component of capital surplus) depending on the equity account charged upon the payment of such dividends until the total of aggregate amount of legal reserve and additional paid-in capital equals 100% of the common stock. Under the Code and the Banking Law of Japan, the aggregate amount of additional paid-in capital and legal reserve that exceeds 100% of the common stock may be made available for dividends by resolution of the shareholders after transferring such excess in accordance with the Code. Under the Corporate Law, the total amount of additional paid-in capital and legal reserve may be reversed without limitation of such threshold. The Corporate Law also provides that common stock, legal reserve, additional paid-in capital, other capital surplus and retained earnings can be transferred among the accounts under certain conditions upon resolution of the shareholders.

c. Treasury stock and treasury stock acquisition rights—The Corporate Law also provides for companies to purchase treasury stock and dispose of such treasury stock by resolution of the Board of Directors. The amount of treasury stock purchased cannot exceed the amount available for distribution to the shareholders which is determined by specific formula.

Under the Corporate Law, stock acquisition rights, which were previously presented as a liability, are now presented as a separate component of shareholders' equity.

The Corporate Law also provides that companies can purchase both treasury stock acquisition rights and treasury stock. Such treasury stock acquisition rights are presented as a separate component of shareholders' equity or deducted directly from stock acquisition rights.

On December 9, 2005, the ASBJ published a new accounting standard for presentation of shareholders' equity. Under this accounting standard, certain items which were previously presented as liabilities are now presented as components of shareholders' equity. Such items include stock acquisition rights, minority interest, and any deferred gain or loss on derivatives accounted for under hedge accounting. This standard is effective for fiscal years ending on or after May 1, 2006.

15. Income taxes

The Bank and subsidiaries are subject to Japanese national and local income taxes which, in the aggregate, resulted in a normal effective statutory tax rate of approximately 40.2% for the years ended March 31, 2006 and 2005. The tax effects of significant temporary differences and loss carryforwards which resulted in deferred tax assets and liabilities at March 31, 2006 and 2005 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2006	2005	**2006**
Deferred tax assets:			
Allowance for possible loan losses	**¥ 12,529**	¥14,191	**$ 106,663**
Losses on investment securities	**4,399**	5,325	**37,454**
Liability for retirement benefits	**3,902**	5,281	**33,225**
Unrealized losses on available-for-sale securities	**3,025**	174	**25,755**
Depreciation	**680**	779	**5,793**
Other	**2,220**	1,806	**18,904**
Valuation allowance	**(7,962)**	(5,684)	**(67,786)**
Total deferred tax assets	**18,796**	21,874	**160,010**
Deferred tax liabilities:			
Unrealized gains on available-for-sale securities	**29,660**	20,479	**252,496**
Other	**1,576**	1,568	**13,423**
Total deferred tax liabilities	**31,237**	22,047	**265,919**
Net deferred tax liabilities	**¥(12,441)**	¥ (172)	**$(105,909)**

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, 2006 and 2005 is as follows:

	2006	2005
Normal effective statutory tax rate	**40.2%**	40.2%
Valuation allowance	**14.3**	18.6
Income not taxable for income tax purposes	**(1.4)**	(1.2)
Expenses not deductible for income tax purposes	**0.3**	0.2
Other—net	**0.0**	1.3
Actual effective tax rate	**53.4%**	59.1%

16. Other income

Other income for the years ended March 31, 2006 and 2005, consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2006	2005	**2006**
Gain on sale of securities	**¥4,544**	¥2,448	**$38,687**
Other	**615**	1,152	**5,236**
Total	**¥5,159**	¥3,601	**$43,923**

17. Other expenses

Other expenses for the years ended March 31, 2006 and 2005, consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2006	2005	**2006**
Provision for allowance for possible loan losses	**¥2,458**	¥2,964	**$20,931**
Loss on sale of claims	**88**	219	**757**
Amortization of actuarial loss	**487**	244	**4,152**
Loss on devaluation of stocks and other securities	**19**	77	**162**
Loss on disposal of premises and equipment	**172**	231	**1,470**
Loss on impairment of long-lived assets	**846**		**7,209**
Loss on devaluation of claims	**232**	79	**1,981**
Other	**236**	191	**2,010**
Total	**¥4,543**	¥4,009	**$38,677**

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, 2006 and 2005, were ¥3,668 million ($31,226 thousand) and ¥3,618 million, respectively.

Depreciation expense, which is included in "Other operating expenses" in the accompanying consolidated statements of income for the years ended March 31, 2006 and 2005, were ¥3,258 million ($27,737 thousand) and ¥3,014 million, respectively.

Information of leased property that does not transfer ownership of the leased property to the lessee on an "as if capitalized" basis for the years ended March 31, 2006 and 2005, was as follows:

For the year ended March 31, 2006

	Millions of yen			Thousands of U.S. dollars		
	Equipment	Other	Total	Equipment	Other	Total
Acquisition cost	**¥16,114**	**¥3,381**	**¥19,495**	**$137,177**	**$28,786**	**$165,964**
Accumulated depreciation	**8,704**	**1,663**	**10,367**	**74,096**	**14,157**	**88,253**
Net leased property	**¥ 7,410**	**¥1,718**	**¥ 9,128**	**$ 63,081**	**$14,629**	**$ 77,710**

Lease receivables under finance leases:

	Millions of yen	Thousands of U.S. dollars
Due within one year	**¥2,988**	**$25,437**
Due after one year	**6,825**	**58,106**
Total	**¥9,813**	**$83,543**

For the year ended March 31, 2005

	Millions of yen		
	Equipment	Other	Total
Acquisition cost	¥15,819	¥2,984	¥18,804
Accumulated depreciation	8,520	1,547	10,068
Net leased property	¥ 7,298	¥1,437	¥ 8,736

Lease receivables under finance leases:

	Millions of yen
Due within one year	¥2,880
Due after one year	6,450
Total	¥9,331

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

Interest income for the years ended March 31, 2006 and 2005, was ¥464 million ($3,957 thousand) and ¥492 million, respectively. Interest income, which is not reflected in the accompanying consolidated statements of income, was computed by the interest method.

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 on the use of 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 of 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, 2006 and 2005, was ¥276 million ($2,353 thousand) and ¥847 million, respectively. Figures as of March 31, 2006 and 2005, 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, 2006 and 2005, consisted of the following:

Foreign exchange forward contracts which are measured at fair value

	Millions of yen			
	2006			2005
	Contract amount	Fair value	Unrealized gain (loss)	Contract amount
Forward contracts:				
Selling	**¥140**			¥ 71
Buying	**221**			180

	Thousands of U.S. dollars		
	2006		
	Contract amount	Fair value	Unrealized gain (loss)
Forward contracts:			
Selling	**$1,192**	**$(4)**	**$(4)**
Buying	**1,884**	**4**	**4**

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

The following appropriations of retained earnings at March 31, 2006 were approved at the Bank's shareholders meeting held on June 29, 2006:

	Millions of yen	Thousands of U.S. dollars
Year-end cash dividends, ¥2.5 ($0.04) per share	**¥461**	**$3,929**
Bonuses to directors and corporate auditors	**38**	**330**

21. Business segment information

The Bank and 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, 2006, is as follows:

	Millions of yen					
	2006					
	Banking	Leasing	Other	Total	Eliminations/ corporate	Consolidated
a. Operating income and operating profit:						
Operating income	**¥ 55,071**	**¥ 5,704**	**¥ 1,301**	**¥ 62,077**	**¥ (1,793)**	**¥ 60,283**
(1) Operating income from customers	**54,789**	**4,619**	**874**	**60,283**		**60,283**
(2) Internal operating income among segment	**281**	**1,085**	**427**	**1,793**	**(1,793)**	
Operating expenses	**38,257**	**5,651**	**1,130**	**45,040**	**(1,790)**	**43,249**
Operating profit	**16,813**	**52**	**171**	**17,037**	**(3)**	**17,033**
b. Assets, depreciation, impairment loss and capital expenditures:						
Assets	**2,564,946**	**14,578**	**11,599**	**2,591,125**	**(23,650)**	**2,567,475**
Depreciation	**1,659**	**3,657**	**4**	**5,321**		**5,321**
Impairment loss	**846**			**846**		**846**
Capital expenditures	**1,031**	**5,114**		**6,146**		**6,146**

	Thousands of U.S. dollars					
	2006					
	Banking	Leasing	Other	Total	Eliminations/ corporate	Consolidated
a. Operating income and operating profit:						
Operating income	**$ 468,810**	**$ 48,559**	**$11,081**	**$ 528,451**	**$ (15,271)**	**$ 513,179**
(1) Operating income from customers	**466,415**	**39,322**	**7,442**	**513,179**		**513,179**
(2) Internal operating income among segment	**2,395**	**9,236**	**3,639**	**15,271**	**(15,271)**	
Operating expenses	**325,681**	**48,112**	**9,623**	**383,417**	**(15,243)**	**368,173**
Operating profit	**143,128**	**446**	**1,457**	**145,033**	**(27)**	**145,005**
b. Assets, depreciation, impairment loss and capital expenditures:						
Assets	**21,834,910**	**124,108**	**98,748**	**22,057,767**	**(201,334)**	**21,856,432**
Depreciation	**14,125**	**31,136**	**37**	**45,298**		**45,298**
Impairment loss	**7,209**			**7,209**		**7,209**
Capital expenditures	**8,783**	**43,540**	**3**	**52,326**		**52,326**

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

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.
3. The effect of adoption of the new accounting standard for impairment of fixed assets described in Note 2.f was to decrease assets of "Banking" as of March 31, 2006 by ¥836 million ($7,124 thousand), including the effect on depreciation.

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, 2006 and 2005, 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, 2006 and 2005, 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.

As discussed in Note 2.f to the consolidated financial statements, The Yamanashi Chuo Bank, Ltd. and subsidiaries adopted the new accounting standard for impairment of fixed assets as of April 1, 2005.

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, 2006

Member of
Deloitte Touche Tohmatsu

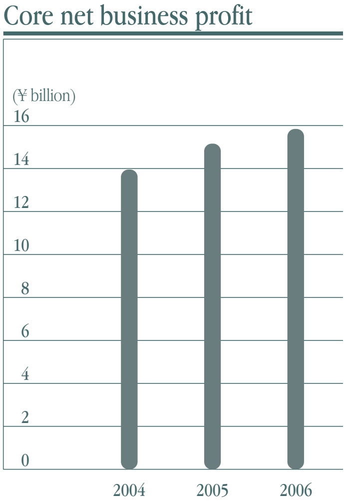
Non-Consolidated Financial Highlights

The Yamanashi Chuo Bank, Ltd.
March 31, 2006, 2005 and 2004

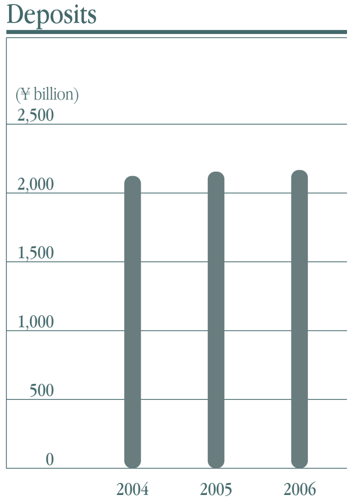
	Millions of yen			Thousands of U.S. dollars
	2006	2005	2004	**2006**
For the year				
Total income	**¥ 54,595**	¥ 49,362	¥ 50,950	**$ 464,761**
Total expenses	**38,979**	34,985	38,326	**331,825**
Income before income taxes	**15,615**	14,377	12,623	**132,935**
Net income	**7,244**	6,024	6,371	**61,670**
Core net business profit	**15,843**	15,158	13,954	**134,871**
At year-end				
Deposits	**¥2,168,765**	¥2,156,548	¥2,125,177	**$18,462,293**
Loans and bills discounted	**1,480,085**	1,430,150	1,432,582	**12,599,693**
Investment securities	**909,535**	853,148	820,422	**7,742,704**
Total assets	**2,565,192**	2,529,704	2,425,595	**21,837,000**
Shareholders' equity	**172,908**	152,809	144,618	**1,471,941**
Per share of common stock (in yen and U.S. dollars)				
Net income	**¥ 39.01**	¥ 32.40	¥ 34.28	**$ 0.33**
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 ¥117.47=US$1, the rate prevailing on March 31, 2006.
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.

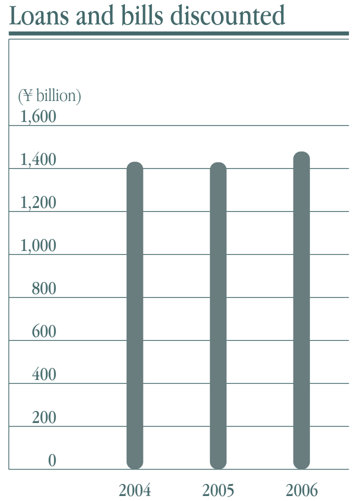
Core net business profit



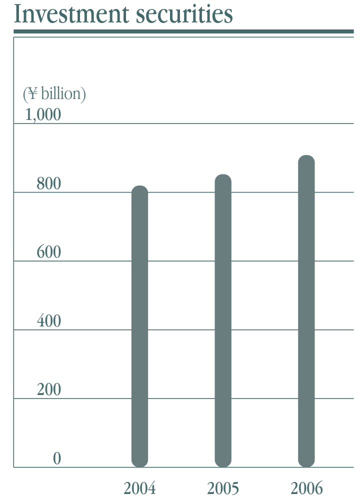
Deposits



Loans and bills discounted



Investment securities



Non-Consolidated Balance Sheets

The Yamanashi Chuo Bank, Ltd.
March 31, 2006 and 2005

	Millions of yen		Thousands of U.S. dollars
	2006	2005	**2006**
Assets:			
Cash and due from banks	**¥ 118,653**	¥ 121,784	**$ 1,010,076**
Call loans and bills bought	**21,432**	90,152	**182,447**
Monetary claims bought	**13,461**	13,845	**114,596**
Trading securities	**200**	87	**1,705**
Investment securities	**909,535**	853,148	**7,742,704**
Loans and bills discounted	**1,480,085**	1,430,150	**12,599,693**
Foreign exchanges	**930**	670	**7,920**
Other assets	**7,441**	5,138	**63,343**
Premises and equipment	**25,875**	27,114	**220,273**
Customers' liabilities for acceptances and guarantees	**20,994**	22,714	**178,725**
Allowance for possible loan losses	**(33,418)**	(35,101)	**(284,486)**
Total	**¥2,565,192**	¥2,529,704	**$21,837,000**
Liabilities:			
Deposits	**¥2,168,765**	¥2,156,548	**$18,462,293**
Negotiable certificates of deposit	**140,146**	123,567	**1,193,041**
Call money and bills sold	**31,377**	49,020	**267,112**
Foreign exchanges	**152**	128	**1,298**
Other liabilities	**10,022**	15,253	**85,322**
Liability for employees' retirement benefits	**7,512**	8,580	**63,949**
Deferred tax liabilities	**13,311**	1,082	**113,315**
Acceptances and guarantees	**20,994**	22,714	**178,725**
Total liabilities	**2,392,283**	2,376,895	**20,365,058**
Shareholders' equity:			
Common stock—authorized, 398,000,000 shares; issued, 189,915,000 shares in 2006 and 2005	**15,400**	15,400	**131,097**
Capital surplus:			
Additional paid-in capital	**8,287**	8,287	**70,548**
Other capital surplus	**2**	1	**20**
Retained earnings:			
Legal reserve	**9,405**	9,405	**80,064**
Unappropriated	**95,305**	89,021	**811,317**
Unrealized gain on available-for-sale securities	**46,781**	32,895	**398,246**
Treasury stock—at cost, 5,297,232 shares in 2006 and 5,209,748 shares in 2005	**(2,273)**	(2,202)	**(19,354)**
Total shareholders' equity	**172,908**	152,809	**1,471,941**
Total	**¥2,565,192**	¥2,529,704	**$21,837,000**

Non-Consolidated Statements of Income

The Yamanashi Chuo Bank, Ltd.
Years ended March 31, 2006 and 2005

	Millions of yen		Thousands of U.S. dollars
	2006	2005	**2006**
Income:			
Interest income:			
Interest on loans and discounts	**¥26,747**	¥26,719	**$227,695**
Interest and dividends on securities	**12,106**	10,768	**103,063**
Interest on call loans and bills bought	**2,904**	1,389	**24,725**
Other interest income	**291**	368	**2,478**
Fees and commissions	**7,156**	6,554	**60,918**
Other operating income	**252**	186	**2,150**
Other income	**5,136**	3,374	**43,729**
Total income	**54,595**	49,362	**464,761**
Expenses:			
Interest expenses:			
Interest on deposits	**611**	580	**5,207**
Interest on negotiable certificates of deposit	**48**	44	**413**
Interest on call money	**1,418**	714	**12,071**
Other interest expenses	**2,936**	1,398	**24,998**
Fees and commissions	**2,031**	2,003	**17,291**
Other operating expenses	**1,590**	1,193	**13,536**
General and administrative expenses	**26,506**	26,087	**225,645**
Other expenses	**3,836**	2,962	**32,661**
Total expenses	**38,979**	34,985	**331,825**
Income before income taxes	**15,615**	14,377	**132,935**
Income taxes:			
Current	**2,459**	4,464	**20,933**
Deferred	**5,912**	3,888	**50,331**
Total income taxes	**8,371**	8,353	**71,265**
Net income	**¥ 7,244**	¥ 6,024	**$ 61,670**

	Yen		U.S. dollars
Net income per share	**¥39.01**	¥32.40	**$0.33**

Non-Consolidated Statements of Shareholders' Equity

The Yamanashi Chuo Bank, Ltd.
Years ended March 31, 2006 and 2005

	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, 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						(923)		
Bonuses to directors and corporate auditors						(35)		
Net increase in treasury stock (106,838 shares)								(67)
Gain on sale of shares in treasury				¥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)
Net income						**7,244**		
Cash dividends, ¥5.00 per share						**(923)**		
Bonuses to directors and corporate auditors						**(37)**		
Net increase in treasury stock (87,484 shares)								**(71)**
Gain on sale of shares in treasury								
Net increase in unrealized gain on available-for-sale securities							**13,886**	
Balance, March 31, 2006	**189,915**	**¥15,400**	**¥8,287**	**¥2**	**¥9,405**	**¥95,305**	**¥46,781**	**¥(2,273)**

	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, 2005	$131,097	$70,548	$13	$80,064	$757,825	$280,031	$(18,745)
Net income					**61,670**		
Cash dividends, $0.04 per share					**(7,861)**		
Bonuses to directors and corporate auditors					**(317)**		
Net increase in treasury stock (87,484 shares)							**(608)**
Gain on sale of shares in treasury			**6**				
Net increase in unrealized gain on available-for-sale securities						**118,214**	
Balance, March 31, 2006	**$131,097**	**$70,548**	**$20**	**$80,064**	**$811,317**	**$398,246**	**$(19,354)**

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 ¥117.47=US$1, the rate prevailing on March 31, 2006.
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, 2006)

Common Stock: ¥15,400 million

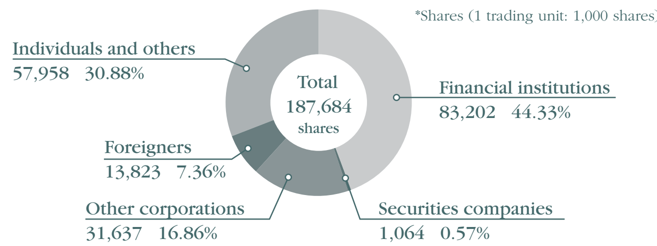
Number of Shares:
Authorized 398,000,000 shares
Issued 189,915,000 shares

Number of Stockholders: 6,971

Stock Listing: First Section of Tokyo Stock Exchange

Transfer Agent: The Mitsubishi UFJ Trust & Banking Corp.

Breakdown of Stockholders

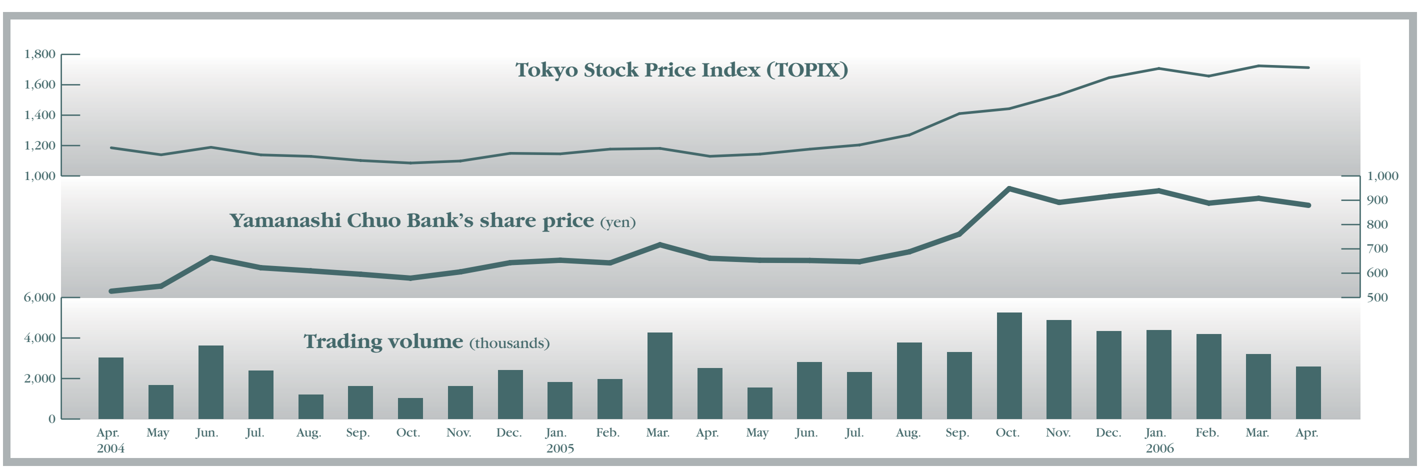


Note: The category "Individuals and others" contains treasury stock in the number of 5,297 trading units of shares.

Major Stockholders

Name	Number of shares held (thousands)	Percentage of all shares issued (%)
Japan Trustee Services Bank, Ltd.	9,323	4.90
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	8,962	4.71
Meiji Yasuda Life Insurance Company	6,047	3.18
OM 04 SSB Client Omnibus (standing proxy: Sumitomo Mitsui Banking Corporation)	5,897	3.10
The Tokio Marine and Fire Insurance Co., Ltd.	5,600	2.94
The Yamanashi Chuo Bank, Ltd. Employees' Stockholdings	5,124	2.69
Sompo Japan Insurance Inc.	4,328	2.27
The Master Trust Bank of Japan, Ltd.	4,212	2.21
Mizuho Corporate Bank, Ltd.	3,736	1.96
The Joyo Bank, Ltd.	3,217	1.69
Total	56,449	29.72

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



Subsidiaries

	Capital (Millions of yen)	Yamanashi Chuo Bank's share (%)	Lines of business
Yamanashi Chuo Guarantee Co., Ltd.	20	50.0	Loan guarantees, credit investigation
Yamanashi Chugin Lease Co., Ltd.	20	61.0	Leasing
Yamanashi Chugin DC Card Co., Ltd.	20	67.5	Credit cards
Yamanashi Chugin Business Service Co., Ltd.	10	100.0	Banking-related clerical services
Yamanashi Chugin Management Consulting Co., Ltd.	200	85.0	Consulting, investment

Board of Directors and Corporate Auditors

(as of June 29, 2006)

Chairman
Nobukazu Yoshizawa

President
Kentaro Ono

Senior Managing Director
Toshihisa Ashizawa

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

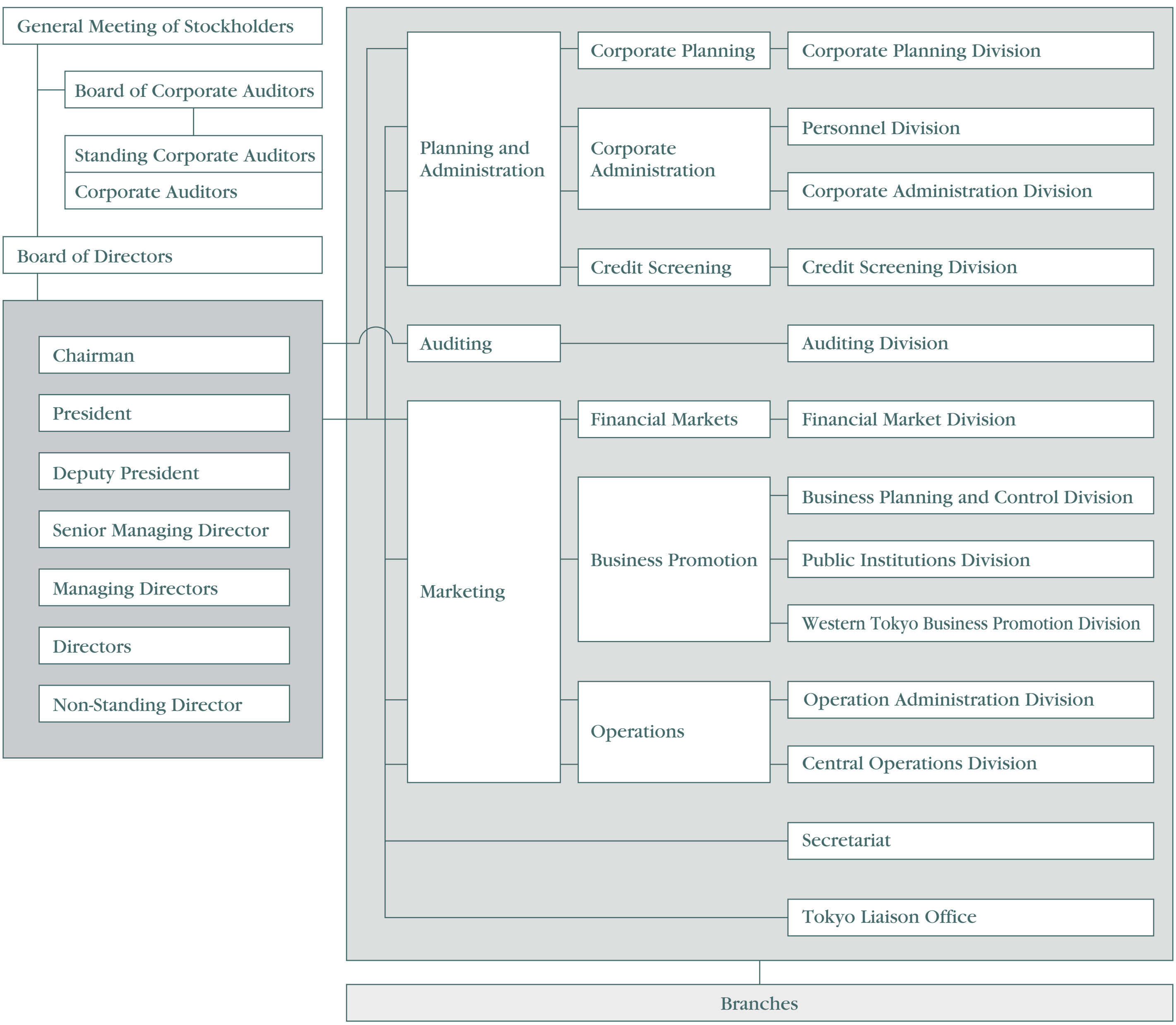
Directors
Akio Hosoda
Takeshi Akaoka
Akiyasu Kurata
Shigeo Kunugi
Kiyoshi Yanagisawa

Standing Corporate Auditors
Tadaaki Haibara
Takehiko Sano

Corporate Auditors
Tomomitsu Takeda
Soichi Takano

Organization

(as of June 30, 2006)



Service Network

(as of August 1, 2006)

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