CONSOLIDATED BALANCE SHEETS

THE KIYO BANK, LTD. AND ITS CONSOLIDATED SUBSIDIARIES   As of March 31, 2004 and 2003

	Millions of yen (Note 1)		Thousands of U.S. dollars (Note 1)
	2004	2003	**2004**
Assets			
Cash and due from banks	**¥ 41,731**	¥ 66,164	**$ 394,847**
Call loans and bills bought	**9,179**	22,027	**86,850**
Pledged money for securities lending transactions	**88,253**	135,818	**835,023**
Commercial paper and other debt purchased	**913**	1,761	**8,642**
Trading account securities (Note 3)	**3,983**	4,870	**37,693**
Securities (Notes 3 and 6)	**728,059**	624,012	**6,888,633**
Loans and bills discounted (Notes 4 and 17)	**1,813,748**	1,794,345	**17,161,025**
Foreign exchanges	**1,504**	1,866	**14,234**
Other assets	**17,621**	46,787	**166,725**
Premises and equipment (Note 5)	**40,005**	33,067	**378,514**
Deferred tax assets (Note 12)	**35,781**	43,369	**338,548**
Customers' liabilities for acceptances and guarantees	**50,716**	54,238	**479,866**
Reserve for possible loan losses	**(26,201)**	(26,328)	**(247,907)**
Total assets	**¥2,805,297**	¥2,801,998	**$26,542,693**
Liabilities			
Deposits (Note 6)	**¥2,610,981**	¥2,624,129	**$24,704,147**
Call money (Note 6)	**3,970**	12,136	**37,571**
Deposits received for securities lending transactions (Note 6)	**11,207**	—	**106,044**
Borrowed money (Note 8)	**29,928**	29,906	**283,172**
Foreign exchanges	**84**	49	**796**
Bonds (Note 9)	**3,000**	2,000	**28,385**
Other liabilities	**12,429**	11,581	**117,601**
Accrued employees' severance and retirement benefits (Note 13)	**2,328**	4,348	**22,030**
Reserve for residual losses on loans sold	**—**	4,957	**—**
Deferred tax liabilities (Note 12)	**2**	—	**22**
Acceptances and guarantees	**50,716**	54,238	**479,866**
Total liabilities	**2,724,649**	2,743,348	**25,779,634**
Minority interest	**525**	534	**4,976**
Shareholders' equity (Note 14)**:**			
Preferred stock; Authorized 80,000 thousand shares and issued 49,165 thousand shares	**17,207**	17,207	**162,814**
Common stock; Authorized 820,000 thousand shares and issued 404,590 thousand shares	**43,139**	43,139	**408,165**
Capital surplus	**2,509**	9,297	**23,744**
Retained earnings (accumulated deficit)	**10,473**	(11,771)	**99,097**
Net unrealized holding gains on securities	**6,853**	313	**64,848**
Less: treasury stock, at cost	**(61)**	(70)	**(585)**
Total shareholders' equity	**80,121**	58,115	**758,083**
Total liabilities, minority interest and shareholders' equity	**¥2,805,297**	¥2,801,998	**$26,542,693**

See accompanying notes.

CONSOLIDATED STATEMENTS OF OPERATIONS AND RETAINED EARNINGS

THE KIYO BANK, LTD. AND ITS CONSOLIDATED SUBSIDIARIES Years ended March 31, 2004 and 2003

	Millions of yen (Note 1)		Thousands of U.S. dollars (Note 1)
	2004	2003	**2004**
Income			
Interest income:			
Interest on loans and discounts	**¥ 40,192**	¥ 41,825	**$ 380,290**
Interest and dividends on securities	**12,601**	7,719	**119,229**
Other interest income	**239**	344	**2,267**
Fees and commissions	**7,978**	7,401	**75,494**
Other operating income	**5,292**	4,405	**50,081**
Other income (Note 10)	**5,263**	4,695	**49,803**
Total income	**71,569**	66,391	**677,164**
Expenses			
Interest expense:			
Interest on deposits	**1,584**	2,075	**14,990**
Interest on borrowings	**921**	819	**8,719**
Other interest expense	**1,503**	525	**14,227**
Fees and commissions	**2,702**	2,601	**25,573**
Other operating expenses	**347**	6,613	**3,286**
General and administrative expenses	**33,517**	35,695	**317,129**
Other expenses (Note 11)	**17,746**	23,837	**167,914**
Total expenses	**58,323**	72,169	**551,838**
Income (loss) before income taxes and minority interests	**13,245**	(5,778)	**125,326**
Income taxes (Note 12)**:**			
Current	**170**	109	**1,612**
Deferred	**3,177**	(95)	**30,068**
Minority interests in net income (loss)	**(10)**	45	**(96)**
Net income (loss)	**9,907**	(5,837)	**93,742**
Accumulated deficit at beginning of year	**(11,771)**	(46,445)	**(111,381)**
Increase:			
Merger with a subsidiary	**5,549**	—	**52,512**
Addition of affiliated companies accounted for by the equity-method	**—**	117	**—**
Transfer from capital surplus	**6,788**	40,393	**64,227**
Decrease:			
Loss on sales of treasury stock	**(0)**	—	**(3)**
Retained earnings (accumulated deficit) at end of year	**¥ 10,473**	¥(11,771)	**$ 99,097**

	Yen		U.S. dollars (Note 1)
Net income (loss) per share:			
Basic	**¥22.80**	¥(14.44)	**$0.216**
Diluted	**17.46**	—	**0.165**

See accompanying notes.

CONSOLIDATED STATEMENTS OF CASH FLOWS

THE KIYO BANK, LTD. AND ITS CONSOLIDATED SUBSIDIARIES   Years ended March 31, 2004 and 2003

	Millions of yen (Note 1)		Thousands of U.S. dollars (Note 1)
	2004	2003	**2004**
Cash flows from operating activities:			
Income (loss) before income taxes and minority interests	**¥ 13,245**	¥ (5,778)	**$ 125,326**
Depreciation	**2,188**	2,221	**20,705**
Investment income on equity method	**(52)**	(48)	**(493)**
Decrease in reserve for possible loan losses	**(127)**	(8,511)	**(1,207)**
Decrease in reserve for residual losses on loans sold	**(4,957)**	(17,348)	**(46,903)**
Decrease in accrued employees' severance and retirement benefits	**(2,020)**	(8,641)	**(19,117)**
Interest income	**(53,033)**	(49,889)	**(501,786)**
Interest expense	**4,009**	3,421	**37,937**
Losses (gains) on securities transactions	**(4,269)**	3,875	**(40,401)**
Losses (gains) on foreign exchange transactions	**7,686**	(854)	**72,726**
Losses on sales of premises and equipment	**170**	110	**1,611**
Net decrease in trading account securities	**886**	458	**8,385**
Net decrease (increase) in loans and bills discounted	**(19,403)**	75,769	**(183,586)**
Net decrease in deposits	**(13,148)**	(21,694)	**(124,405)**
Net decrease in call loans	**13,695**	17,113	**129,583**
Net decrease (increase) in pledged money for securities lending transactions	**47,564**	(65,248)	**450,037**
Net increase (decrease) in call money	**(8,144)**	5,208	**(77,059)**
Net increase in deposits received for securities lending transactions	**11,207**	—	**106,045**
Net decrease (increase) in foreign exchange assets	**362**	(201)	**3,427**
Net increase in foreign exchange liabilities	**34**	0	**330**
Interest income received	**55,307**	54,119	**523,301**
Interest paid	**(4,211)**	(3,643)	**(39,849)**
Other, net	**(1,073)**	8,336	**(10,161)**
Sub-total	**45,916**	(11,225)	**434,446**
Payment of income taxes	**(90)**	(153)	**(859)**
Net cash provided by (used in) operating activities	**45,825**	(11,378)	**433,587**
Cash flows from investing activities:			
Purchase of securities	**(676,959)**	(670,817)	**(6,405,139)**
Proceeds from sales of securities	**296,465**	237,221	**2,805,051**
Redemption of securities	**313,357**	456,962	**2,964,870**
Increase in money held in trust	**—**	(2,000)	**—**
Decrease in money held in trust	**—**	2,000	**—**
Purchase of premises and equipment	**(4,561)**	(1,225)	**(43,158)**
Sales of premises and equipment	**477**	167	**4,521**
Net cash provided by (used in) investing activities	**(71,219)**	22,309	**(673,855)**
Cash flows from financing activities:			
Proceeds from subordinated bonds	**1,000**	—	**9,462**
Payments of subordinated loans	**—**	(2,500)	**—**
Payment of cash dividends to minority interests	**(1)**	(1)	**(11)**
Net cash provided by (used in) financing activities	**998**	(2,501)	**9,451**
Foreign currency translation adjustments of cash and cash equivalents	**(38)**	(18)	**(362)**
Net increase (decrease) in cash and cash equivalents	**(24,433)**	8,411	**(231,179)**
Cash and cash equivalents at beginning of the year	**66,164**	57,753	**626,026**
Cash and cash equivalents at end of the year	**¥ 41,731**	¥ 66,164	**$ 394,847**

See accompanying notes.

THE KIYO BANK, LTD. AND ITS CONSOLIDATED SUBSIDIARIES

1. Basis of presenting consolidated financial statements

The Kiyo Bank, Ltd. (the "Bank") and its consolidated subsidiaries maintain their official accounting records in Japanese yen, and in accordance with the provisions set forth in the Japanese Commercial Code, the Japanese Banking Law, in general conformity with the Japanese Uniform Rules for Bank Accounting and the guidelines of Japanese regulatory authorities and in conformity with accounting principles and practices generally accepted in Japan, which are different in certain respects as to application and disclosure requirements of International Financial Reporting Standards. The accompanying consolidated financial statements have been restructured and translated into English (with some expanded descriptions) from the consolidated financial statements of the Bank prepared in accordance with Japanese GAAP and filed with the appropriate Local Finance Bureau of the Ministry of Finance as required by the Securities and Exchange Law. Some supplementary information included in the statutory Japanese language consolidated financial statements, but not required for fair presentation is not presented in the accompanying consolidated financial statements.

The translations of the Japanese yen amounts into U.S. dollars are included solely for the convenience of the readers outside Japan, using the prevailing exchange rate at March 31, 2004, which was ¥105.69 to U.S.$1.00. The convenience translations should not be construed as representations that the Japanese yen amounts have been, could have been, or could in the future be, converted into U.S. dollars at this or any other rate of exchange. Amounts of less than million yen have been round down. As a result, the totals shown in the financial statements do not necessarily agree with the sum of the individual amounts.

2. Significant accounting policies

(a) Consolidation — The consolidated financial statements include the accounts of the Bank and three subsidiaries.

All significant inter-company transactions and unrealized profits have been eliminated. Four significant affiliated companies are accounted for by the equity method.

In the elimination of investments in subsidiaries, the assets and liabilities of the subsidiaries, including the portion attributable to minority shareholders, are evaluated using the fair value at the time the Bank acquired control of the respective subsidiaries.

(b) Trading account securities — Trading account securities are stated at fair market value. Gains and losses realized on disposal and unrealized gains and losses from market value fluctuations are recognized as gains or losses in the period of the change.

(c) Securities — The Bank classifies securities as (a) debt securities intended to be held to maturity (hereafter, "held-to-maturity debt securities"), (b) equity securities issued by subsidiaries and affiliated companies, and (c) all other securities that are not classified in any of the above categories (hereafter, "available-for-sale securities").

Held-to-maturity debt securities are stated at amortized cost. Debt securities with no fair market value are stated at amortized cost, net of the amount considered not collectible.

Available-for-sale securities with fair market values are stated at fair market value. Unrealized gains and unrealized losses on these securities are reported, net of applicable income taxes, as a separate component of shareholders' equity. Realized gains and losses on sale of such securities are computed using moving-average cost.

Available-for-sale securities with no fair market values are stated at moving-average cost or amortized cost.

Securities under repurchase agreements, which are permitted to be sold or pledged without restrictions at March 31, 2004 and 2003 were ¥88,148 million (US$834,033 thousand) and ¥135,643 million, respectively.

(d) Derivatives and hedge accounting — Applying the accounting standards for financial instruments, derivatives are stated at fair value except when derivatives are used for hedging purposes. If derivatives are used for hedging purposes and meet certain hedging criteria, recognition of gains or losses resulting from changes in fair value are deferred until the related losses or gains on the hedged items are recognized.

For the previous financial year, the Bank applied the transition measures of "Accounting and Auditing Concerning Accounting for Foreign Currency Transactions in Banking Industry" (JICPA Industry Audit Committee Report No.25). Effective from the year ended March 31, 2004 the Bank applies the basic provisions of the Report No.25 to currency swap and foreign exchange swap transactions, which are made for converting funds raised in Japanese yen to funds invested in foreign currencies and other purposes.

The Bank assesses the effectiveness of currency swap and foreign exchange swap transactions executed for offsetting the risk of changes in currency exchange rates by verifying that there exist foreign currency positions of the hedging instruments corresponding to the foreign currency monetary claims and debts to be hedged.

(e) Premises and equipment and depreciation — Premises and equipment are carried at cost. Depreciation is computed primarily using the declining-balance method. Buildings acquired after March 31, 1998 are depreciated using the straight-line method. The ranges of useful lives buildings and equipment are 6 to 50 years and 4 to 20 years, respectively. Software for internal use is amortized using the straight-line method over its estimated useful life of 5 years.

In the year ended March 31, 2004, the Bank did not adopt early the new accounting standard for impairment of fixed assets ("Opinion Concerning Establishment of Accounting Standard for Impairment of Fixed Assets" issued by the Business Accounting Deliberation Council on August 9, 2002) and the implementation guidance for the accounting standard for impairment of fixed assets (the Financial Accounting Standard Implementation Guidance No. 6 issued by the Accounting Standards Board of Japan on October 31, 2003). The new accounting standard is required to be adopted in periods beginning on or after April 1, 2005, but the standard does not prohibit earlier adoption. The Bank has begun its analysis of possible impairment of fixed assets. The Bank cannot currently estimate the effect of adoption of the new standard, because the Bank has not yet completed its analysis. However, adoption of the new standard could have a material effect on the Bank's financial statements.

(f) Reserve for possible loan losses — Based on the self-assessment rule, the Bank makes provisions for possible loan losses as follows:

For loans to insolvent customers who are undergoing bankruptcy or other collection proceedings or in a similar financial condition, the reserve for possible loan losses is provided in the full amount of such loans, excluding the portion that is estimated to be recoverable due to the fair value of any underlying collateral or guarantees.

For the unsecured and unguaranteed portions of loans to customers not presently in the above circumstances, but for which there is a high probability of so becoming, the reserve for possible loan losses is provided for estimated unrecoverable amounts determined after an evaluation of the customer's overall financial condition.

For other loans the reserve for possible loan losses is provided based on the Bank's actual rate of loan losses in the past.

The reserves for possible loan losses of consolidated subsidiaries are provided for general claims by the amount deemed necessary based on the rate of losses in the past, and for doubtful claims by the amount deemed uncollectible based on the respective assessments.

The Bank and the consolidated subsidiaries wrote off loans of ¥138,062 million (US$1,306,296 thousand) and ¥126,883 million for the years ended March 31, 2004 and 2003, respectively.

(g) Reserve for residual losses on loans sold — The reserve for residual losses on loans sold to The Cooperative Credit Purchasing Co., Ltd., etc. is provided for in an amount estimated for possible future losses based on management's evaluation of the real estate securing such loans.

(h) Accrued employees' severance and retirement benefits — Under the retirement plans of the Bank and its consolidated subsidiaries, substantially all employees are entitled to a lump-sum payment at the time of retirement. The amount of the retirement benefit is, in general, based on the length of service, basic salary at the time of retirement and cause of retirement.

The Bank has a contributory funded pension plan which covers substantially all employees and a non-contributory funded pension plan.

The liabilities and expenses for severance and retirement benefits are determined based on the amounts actuarially calculated using certain assumptions. The Bank and its consolidated subsidiaries provide for employees' severance and retirement benefits based on the estimated amounts of projected benefit obligation and the fair value of the plan assets.

The excess of the projected benefit obligation over the total of the fair value of pension assets as of April 1, 2000, the date of adopting a new accounting standard, and the liabilities for severance and retirement benefits recorded as of April 1, 2000 (the "net transition obligation") amounted to ¥10,215 million, as adjusted at March 31, 2003, which is being recognized in expenses in equal amounts primarily over 5 years commencing with the year ended March 31, 2001.

Prior service costs are recognized as expenses in the year they arise and actuarial gains and losses are recognized in expenses using the straight-line method over 13 years which is within the average of the estimated remaining service lives commencing with the following period.

(i) Foreign currency translation — Receivables and payables in foreign currencies are translated into Japanese yen at the year-end rates.

For the previous financial year, the Bank applied the transition measures of "Accounting and Auditing Concerning Accounting for Foreign Currency Transactions in Banking Industry" (JICPA Industry Audit Committee Report No.25). Effective from the year ended March 31, 2004 the Bank applies hedge accounting for currency swap and foreign exchange swap transactions under the basic provisions of the Report No.25. The hedge accounting is outlined in the above Note 2 (d).

Net receivables and net payables on currency swap and foreign exchange swap transactions, which were formerly accounted for on an accrual basis, are stated at market value under the new accounting policies. The effect of the change was to decrease other assets and other liabilities as of March 31, 2004 both by ¥253 million (US$2,397 thousand). The change had no effect on net income for the current year.

Foreign currency transition differences arising from currency swaps and forward foreign exchange transactions were formerly accounted for as Other assets or Other liabilities on a net basis, but effective from the year ended March 31, 2004 they are accounted for as Other assets and Other liabilities on a gross basis pursuant to JICPA Industry Audit Committee Report No.25. The effect of the change was to increase other assets and other liabilities as of March 31, 2004 both by ¥26 million (US$246 thousand).

(j) Income taxes — Income taxes comprise corporation, inhabitants and enterprise taxes. From the year ended March 31, 2003, the Bank adopted the consolidated tax reporting system. Deferred tax assets are recorded based on the temporary differences between the financial statement and tax bases of assets and liabilities.

(k) Finance leases — Finance leases which do not transfer ownership and do not have bargain purchase provisions are accounted for in the same manner as operating leases in accordance with generally accepted accounting principles in Japan.

(l) Consolidated statements of cash flows — Cash and deposits with the Bank of Japan that are included in the consolidated balance sheets under the caption cash and due from banks are considered to be cash and cash equivalents in the statements of cash flows.

(m) Net income per share — Net income per share is computed by deducting dividends for preferred stock from net income, and dividing the balance by the weighted average number of shares of common stock, excluding treasury shares, outstanding during each fiscal year.

3. Trading account securities and securities

Net valuation gains (losses) arising from trading account securities, for the years ended March 31, 2004 and 2003, amounted to ¥(11) million (US$(111) thousand) and ¥24 million, respectively. Market values and unrealized gains (losses) on held-to-maturity debt securities, and available-for-sale securities with fair market values, as of March 31, 2004 and 2003 were as follows:

(a) Held-to-maturity debt securities

	Millions of yen			Thousands of U.S. dollars		
	2004			2004		
	Book value	Market value	Unrealized gains (losses)	Book value	Market value	Unrealized gains (losses)
Bonds	**¥ 5,914**	**¥ 5,942**	**¥ 27**	**$ 55,963**	**$ 56,225**	**$ 261**
Other	**32,729**	**32,840**	**111**	**309,673**	**310,726**	**1,054**
Total	**¥38,644**	**¥38,783**	**¥138**	**$365,636**	**$366,951**	**$1,315**

	Millions of yen		
	2003		
	Book value	Market value	Unrealized gains (losses)
Bonds	¥ 2,674	¥ 2,672	¥ (1)
Other	13,511	13,566	54
Total	¥16,185	¥16,239	¥53

(b) Available-for-sale securities with fair market values

	Millions of yen			Thousands of U.S. dollars		
	2004			**2004**		
	Acquisition cost	Market value	Unrealized gains (losses)	Acquisition cost	Market value	Unrealized gains (losses)
Stocks	**¥ 32,881**	**¥ 44,416**	**¥11,534**	**$ 311,111**	**$ 420,248**	**$109,138**
Bonds	**501,060**	**499,040**	**(2,019)**	**4,740,848**	**4,721,741**	**(19,107)**
Other	**142,925**	**144,804**	**1,878**	**1,352,311**	**1,370,089**	**17,778**
Total	**¥676,867**	**¥688,261**	**¥11,394**	**$6,404,270**	**$6,512,078**	**$107,809**

	Millions of yen		
	2003		
	Acquisition cost	Market value	Unrealized gains (losses)
Stocks	¥ 33,705	¥ 30,764	¥(2,940)
Bonds	410,518	412,880	2,362
Other	160,883	161,934	1,051
Total	¥605,107	¥605,580	¥ 472

Available-for-sale securities, whose market values have decreased 30% or more of acquisition cost, are considered to have market values that have "extremely declined." In such cases, the market value is recognized as the balance sheet amount and valuation losses are recognized in the current fiscal year. The amounts of impairment loss for the years ended March 31, 2004 and 2003, included in Other expenses, were ¥238 million (US$2,254 thousand) and ¥8,551 million, respectively.

(c) The following table summarizes book values of securities with no available fair values as of March 31, 2004 and 2003:

	Millions of yen		Thousands of U.S. dollars
Available-for-sale securities:	**2004**	2003	**2004**
Non-listed equity securities	**¥1,451**	¥1,847	**$13,732**

(d) Maturities of available-for-sale securities with maturities and held-to-maturity debt securities are as follows:

	Millions of yen			
	2004			
	Due within one year	Due over one year but within five years	Due over five years but within ten years	Due over ten years
Bonds	**¥49,149**	**¥289,442**	**¥105,578**	**¥60,785**
Other	**6,518**	**90,589**	**72,308**	**—**
Total	**¥55,667**	**¥380,032**	**¥177,886**	**¥60,785**

	Millions of yen			
	2003			
	Due within one year	Due over one year but within five years	Due over five years but within ten years	Due over ten years
Bonds	¥123,702	¥156,723	¥ 73,572	¥61,555
Other	16,800	62,318	75,558	10,165
Total	¥140,503	¥219,041	¥149,131	¥71,720

	Thousands of U.S. dollars			
	2004			
	Due within one year	Due over one year but within five years	Due over five years but within ten years	Due over ten years
Bonds	**$465,033**	**$2,738,598**	**$ 998,944**	**$575,131**
Other	**61,677**	**857,129**	**684,157**	**—**
Total	**$526,710**	**$3,595,727**	**$1,683,101**	**$575,131**

(e) Total sales of available-for-sale securities in the years ended March 31, 2004 and 2003 amounted to ¥266,327 million (US$2,519,893 thousand) and ¥252,166 million, respectively. The related gains and losses for the year ended March 31, 2004 amounted to ¥5,197 million (US$49,181 thousand) and ¥241 million (US$2,283 thousand), respectively. For the year ended March 31, 2003, the related gains and losses were ¥5,181 million and ¥271 million, respectively.

Securities include ¥503 million (US$4,759 thousand) and ¥398 million of investment in shares of affiliated companies as of March 31, 2004 and 2003, respectively.

4. Loans and bills discounted

Loans and bills discounted at March 31, 2004 and 2003 included the following:

	Millions of yen		Thousands of U.S. dollars
	2004	2003	**2004**
Loans to borrowers legally bankrupt	**¥ 8,471**	¥ 13,891	**$ 80,154**
Other delinquent loans	**63,942**	79,711	**605,005**
Loans past due over 3 months	**2,299**	1,184	**21,754**
Restructured loans	**57,405**	48,344	**543,154**
Total	**¥132,119**	¥143,132	**$1,250,067**

Loans to borrowers legally bankrupt are loans to customers who met specific credit risk criteria, such as undergoing bankruptcy proceedings. Interest is not being accrued on these loans.

Other delinquent loans are loans on which the recognition of accrued interest has been suspended in accordance with the results of the self-assessment of asset quality, other than those included in "Loans to borrowers legally bankrupt."

Loans past due over 3 months are loans for which principal or interest payments are past due for three months or more.

Restructured loans are loans for which the Bank has granted certain concessions to borrowers (interest reduced or exempted, payment of interest suspended, repayment of principal delayed, waiver of claims, etc.) to allow borrowers to implement business restructuring or provide them with support. This category of loans excludes loans to borrowers legally bankrupt, other delinquent loans, and loans past due over 3 months.

The Bank applies "Accounting and Auditing Treatment of Accounting Standards for Financial Instruments in Banking Industry"(JICPA Industry Audit Committee Report No. 24) and accounts for bills discounted as financial transactions. The face values of bank acceptances, bills of exchange and bills of lading which are permitted to be sold or pledged without restrictions and are acquired at a discount amounted to ¥43,394 million (US$ 410,584 thousand) and ¥43,643 million at March 31, 2004 and 2003, respectively.

5. Accumulated depreciation for premises and equipment

Accumulated depreciation for premises and equipment at March 31, 2004 and 2003, were ¥34,891 million (US$330,127 thousand) and ¥35,593 million, respectively.

6. Assets pledged as collateral

At March 31, 2004 and 2003, assets pledged as collateral are as follows:

	Millions of yen		Thousands of U.S. dollars
	2004	2003	2004
Securities	¥76,125	¥71,749	$720,267

The above pledged assets secure the following liabilities:

	Millions of yen		Thousands of U.S. dollars
	2004	2003	2004
Deposits	¥ 6,181	¥11,352	$ 58,485
Call money	3,758	11,894	35,558
Deposits received for securities lending transactions	11,207	—	106,045

In addition to the above, securities pledged as collateral for transaction guarantees of foreign exchange or forward exchange at March 31, 2004 and 2003 are ¥76,277 million (US$721,706 thousand) and ¥68,997 million, respectively. Premises and equipment at March 31, 2004 and 2003, include guarantees of ¥1,994 million (US$18,872 thousand) and ¥2,084 million, respectively. The Bank applies "Accounting and Auditing Treatment of Accounting Standards for Financial Instruments in Banking Industry"(JICPA Industry Audit Committee Report No. 24) and accounts for bill rediscounted as financial transactions. The total face amounts of foreign exchanges bought were ¥4 million (US$44 thousand) and ¥46 million at March 31, 2004 and 2003, respectively.

7. Finance leases

Information for non-capitalized finance leases for equipment and other at March 31, 2004 and 2003 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2004	2003	2004
Original lease obligations (including finance charges)	¥3,579	¥2,250	$33,867
Payments remaining:			
Payments due within one year	¥ 273	¥ 378	$ 2,588
Payments due after one year	917	80	8,680
Total	¥1,190	¥ 459	$11,268

Lease payments for such leases for the years ended March 31, 2004 and 2003 were ¥600 million (US$5,685 thousand) and ¥384 million, respectively.

8. Borrowed money

Borrowed money consisted of loans from other financial institutions.

As of March 31, 2004 and 2003, subordinated loans in the amounts of ¥29,500 million (US$279,118 thousand), and ¥29,500 million, respectively, are included in borrowed money.

Annual maturities of borrowed money as of March 31, 2004, were as follows:

Years ending March 31,	Millions of yen	Thousands of U.S. dollars
2005	¥ 146	$ 1,385
2006	119	1,128
2007	15,089	142,767
2008	4,555	43,102
2009	18	174
2010 and thereafter	10,000	94,616
Total	¥29,928	$283,172

9. Bonds

The Bank issued 2.5% unsecured subordinated bonds of ¥2,000 million, due in 2012, in March 2002 and those of ¥1,000 million (US$9,462 thousand), due in 2014, in January 2004.

10. Other income

For the years ended March 31, 2004, other income includes gain on setting up employees benefit trust, amounting to ¥2,686 million (US$25,422 thousand).

11. Other expenses

For the years ended March 31, 2004 and 2003, other expenses include impairment losses on securities, amounting to ¥686 million (US$6,497 thousand) and ¥2,897 million, respectively, and losses on loans written off, amounting to ¥10,217 million (US$96,671 thousand) and ¥14,283 million, respectively.

12. Income taxes

The difference between the statutory income tax rate 41.7% and the Bank's effective income tax rate of 25.2% for the year ended March 31, 2004 was mainly caused by decrease in valuation allowance for deferred tax assets. Such difference for the year ended March 31, 2003 is not required to be disclosed because the Bank recorded a net loss for the year.

Significant components of the Bank's and consolidated subsidiaries' deferred tax assets and liabilities as March 31, 2004 and 2003 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2004	2003	2004
Deferred tax assets:			
Non-deductible reserve for possible loan losses	¥38,075	¥34,576	$360,253
Write-down of securities	14,013	17,175	132,589
Operating loss carried forward	4,729	9,457	44,751
Non-deductible reserve for residual losses on loans sold	—	2,067	—
Retirement benefits	6,471	5,317	61,232
Other	2,582	1,995	24,431
Total deferred tax assets	65,871	70,590	623,256
Valuation allowance	(25,285)	(26,937)	(239,241)
Deferred tax liabilities	(4,807)	(284)	(45,490)
Net deferred tax assets	¥35,778	¥43,369	$338,525

13. Employees' severance and retirement benefits

The liabilities for severance and retirement benefits included in the liability section of the consolidated balance sheets as of March 31, 2004 and 2003 consist of the following:

	Millions of yen		Thousands of U.S. dollars
	2004	2003	2004
Projected benefit obligation	¥(27,937)	¥(26,580)	$(264,332)
Unrecognized actuarial differences	(2,029)	7,350	(19,198)
Unrecognized pension assets	(1,726)	—	(16,331)
Fair value of pension assets	27,320	10,794	258,500
Unrecognized net transition obligation	2,043	4,086	19,331
Liability for severance and retirement benefits	¥ (2,328)	¥ (4,348)	$ (22,030)

Included in the consolidated statements of operations for the years ended March 31, 2004 and 2003 are severance and retirement benefit expenses comprised of the following:

	Millions of yen		Thousands of U.S. dollars
	2004	2003	2004
Service costs — benefits earned during the year	¥1,023	¥1,261	$ 9,687
Interest cost on projected benefit obligation	664	1,306	6,285
Expected return on plan assets	(128)	(661)	(1,213)
Amortization of actuarial differences	594	414	5,621
Amortization of net transition obligation	2,043	3,025	19,331
Gain on the release from the substitutional portion	—	(2,237)	—
Other	211	36	2,000
Severance and retirement benefit expenses	¥4,408	¥3,146	$41,711

The discount rate and the rate of expected return on plan assets used by the Bank are 2.0% (2.5% for 2003) and 2.5% (4.0% for 2003), respectively. The estimated amount of all retirement benefits to be paid at future retirement dates is allocated equally to each service year using the estimated number of total service years.

Based on the newly enacted Defined Benefit Corporate Pension Law, the Bank decided to restructure its Employee's Pension Fund and was permitted by the Minister of Health, Labor and Welfare on February 1, 2003 to be released from its future obligation for payments for the substitutional portion of the Welfare Pension Insurance Scheme. Pension assets for the substitutional portion maintained by the Employees' Pension Fund are to be transferred back to the government's scheme.

The Bank applied the transitional provisions as prescribed in paragraph 47-2 of the JICPA Accounting Committee Report No.13, "Practical Guideline for Accounting of Retirement Benefits (Interim Report)," and the effect of transferring the substitutional portion was recognized on the date permission was received from the Ministry of Health, Labor and Welfare. As the result, in the year ended March 31, 2003, the Bank recorded a gain on the release from the substitutional portion of the government's Welfare Pension Insurance Scheme, included in 'Other income' in the statements of operations, amounting to ¥2,237 million, which was calculated based on the amount of the substitutional portion of the projected benefit obligations as of the permission date, the related pension assets determined pursuant to the government formula, and the related unrecognized items. The amount of pension plan assets expected to be transferred back to the government approximated ¥11,367 million.

14. Shareholders' equity

Under the Commercial Code of Japan, at least 50% of the issue price of new shares, is required to be designated as stated capital. The portion which is to be credited to stated capital is determined by resolution of the Board of Directors.

The maximum amount that the Bank can distribute as dividends is calculated based on the unconsolidated financial statements of the Bank in accordance with the Commercial Code of Japan.

The Bank held 287 thousand and 321 thousand shares of its outstanding common stock as of March 31, 2004 and 2003, respectively.

15. Derivative transactions

The Bank enters into various contracts, including swaps, options, forwards and futures covering interest rates, foreign currencies, stocks and bonds in order to meet customers' needs and manage risk of market fluctuations related to the Bank's assets, liabilities and interest rates. The Bank also uses interest futures, bond futures and options, and foreign currency options for limited dealing purposes.

The Bank has established procedures and controls to minimize market and credit risk including limits on transaction levels, hedging exposed positions, reporting to management, and outside review of trading department activities.

At March 31, 2004 and 2003, information on derivative contracts outstanding which are revalued at market value and the gains (losses) recognized in the consolidated statements of operations is as follows:

	Millions of yen			Thousands of U.S. dollars		
	2004			2004		
	Contract amount	Market value	Recognized gain (loss)	Contract amount	Market value	Recognized gain (loss)
Currency swaps	**¥2,534**	**¥ 1**	**¥ 1**	**$23,984**	**$ 19**	**$ 19**
Forward foreign exchanges:						
Sell	**4,893**	**40**	**40**	**46,299**	**384**	**384**
Buy	**865**	**(24)**	**(24)**	**8,187**	**(228)**	**(228)**
Currency options:						
Sell	**440**	**7**	**(1)**	**4,170**	**75**	**(11)**
Buy	**440**	**7**	**1**	**4,170**	**75**	**12**
Total		**¥34**	**¥18**		**$325**	**$176**

	Millions of yen		
	2003		
	Contract amount	Market value	Recognized gain (loss)
Currency swaps	¥46,172	¥(72)	¥(72)
Forward foreign exchanges:			
Sell	27,921	—	—
Buy	11,364	—	—

	Millions of yen			Thousands of U.S. dollars		
	2004			2004		
	Contract amount	Market value	Recognized gain (loss)	Contract amount	Market value	Recognized gain (loss)
Credit default option (Sold)	**¥3,420**	**¥0**	**¥0**	**$32,359**	**$7**	**$7**

	Millions of yen		
	2003		
	Contract amount	Market value	Recognized gain (loss)
Credit default option (Sold)	¥900	¥(0)	¥(0)

The transactions are valued at market and valuation gains (losses) are credited or charged to income.

Derivative transactions to which deferred hedge accounting is applied are not included in the above amounts.

16. Segment information

Business segment information is not disclosed, because the Bank and its subsidiaries operate primarily in the banking business.

Geographic segment information is not disclosed, because the Bank has no foreign subsidiaries and branches.

Operating income from international operations information for 2004 is as follows:

	Millions of yen	Thousands of U.S. dollars
	2004	**2004**
Operating income from international operations in Japan (a)	**¥ 8,579**	**$ 81,178**
Consolidated operating income (b)	**68,071**	**644,071**
(a)/(b)	**12.6%**	**12.6%**

Operating income from international operations information for 2003 is not disclosed, because operating income from overseas operations is less than 10% of consolidated operating income.

17. Commitment lines

Loan agreements and commitment line agreements are agreements, which oblige the Bank to lend funds up to a certain limit, agreed in advance. The Bank makes the loans upon the request of an obligor to draw down funds under such loan agreements, as long as there is no breach of the various terms and conditions stipulated in the relevant loan agreements. The unused commitment balance relating to these loan agreements at March 31, 2004 and 2003 amounted to ¥263,118 million (US$2,489,526 thousand) and ¥269,685 million, respectively, and the amounts of unused commitments, whose original contract terms are within one year or unconditionally cancelable at any time, were ¥260,148 million (US$2,461,425 thousand) and ¥266,726 million at March 31, 2004 and 2003, respectively.

In many cases the term of the agreement runs its course without the loan ever being drawn down. Therefore, the unused loan commitment will not necessarily affect future cash flow. Conditions are included in certain loan agreements which allow the Bank to decline the request for a loan draw down or to reduce the agreed limit amount where there is due cause to do so, such as when there is a change in financial conditions, or when it is necessary to do so in order to protect the Bank's credit. The Bank takes various measures to protect its credit. Such measures included having the obligor pledge collateral to the Bank in the form of real estate, securities etc. on signing the loan agreements or in accordance with the Bank's established internal procedures confirming the obligor's financial condition etc. at regular half-yearly intervals.

18. Subsequent events

At the general stockholders meeting held on June 29, 2004, the Bank's stockholders approved the following appropriations of retained earnings as of March 31, 2004.

	Millions of yen	Thousands of U.S. dollars
	2004	**2004**
Dividends:		
The first preferred shares (¥14 per share)	**¥ 688**	**$6,513**
Common shares (¥2.50 per share)	**¥1,010**	**$9,563**

To the Board of Directors of The Kiyo Bank, Ltd.

We have audited the accompanying consolidated balance sheets of The Kiyo Bank, Ltd. and consolidated subsidiaries as of March 31, 2004 and 2003, and the related consolidated statements of operations and retained earnings and cash flows for the years then ended, expressed in Japanese yen. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to independently express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of The Kiyo Bank, Ltd. and subsidiaries as of March 31, 2004 and 2003, and the consolidated results of their operations and their cash flows for the years then ended in conformity with accounting principles generally accepted in Japan.

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended March 31, 2004 are presented solely for convenience. Our audit also included the translation of yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 1 to the consolidated financial statements.

KPMG AZSA & Co.

KPMG AZSA & Co.
Osaka, Japan
June 29, 2004